

# Marketing Management

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# Session: 1

## What We Will Learn Tonight?

- What is Marketing
- The Marketing Process
- Company Orientations Toward Marketplace

# **Basic Marketing Concepts**

# The New Economy

- Substantial increase in buying power
- Greater variety of available goods and services
- Great amount of information
- Greater ease in interacting and in placing and receiving orders
- Ability to compare notes on products and services

## Today's Challenges & Opportunities

1- Globalization

2- Effects of Advanced Technology

3- Deregulation

## Marketing is

Marketing is a Social & Managerial PROCESS by which individuals & groups obtain what they need & want through : Creating, Offering & exchanging products of value to others

## Satisfying Needs Profitably

**The Definition of Marketing rests on the following core concepts**



**Needs Wants & Demands**

<b>Need</b>	<b>BASIC Human Requirements</b>
<b>Want</b>	<b>Specific Object that satisfies the NEED</b>
<b>Demand</b>	<b>Wants for specific products backed up by ability &amp; willingness to buy them</b>

**Products (Goods, Services & Ideas)**

**People satisfy their needs & wants with products**

**Product = Offering = Solution**

<b>Product</b>	<b>Is anything that can be offered to satisfy a need or a want</b>
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## Value, Cost & Satisfaction

**The Guiding concepts for the customer to choose among the many products that might satisfy a given need**

*The Satisfaction of customer requirements at the lowest cost of acquisition ownership & use*

### Value

**The consumer's estimate of the product's overall capacity to satisfy his needs**

**Value = Benefits / Costs**

**Value increases with Quality & Services and decreases with Price**

### Satisfaction

**A person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his expectations**

**Tools for tracking  
& measuring  
customer  
satisfaction**

**Complaint  
& Suggestions  
System**

**Customer  
Satisfaction  
surveys**

**Lost  
Customer  
analysis**

## Exchange & Transactions

People can obtain products in one of four ways:  
Self production – Power – Begging – Exchange

### Exchange

The act of obtaining a desired product from someone offering something in return

#### Five Conditions:

- 1- Two Parties
- 2- Each part has something of value to the other
- 3- Capability of communication & delivery
- 4- Each party is free to accept or reject exchange
- 5- Each party feels it is desirable to deal with the other

### Transaction

Trade of values between 2 or more parties

*A transfer is when A gives X to B but doesn't receive anything in return*

**Relationships & Networks**

**Relationship Marketing**

**The practice of building long-term satisfying relations with key parties:  
Suppliers – Customers - Distributors**

The ultimate outcome of relationship marketing is the building of a unique company asset called **MARKETING NETWORK**

**The need for customer retention (Relationship Marketing)**

**Example:**

Cost of an average sales call (including salary, commission, benefits & expenses	\$ 300
Average no. of sales calls to convert a prospect into a customer	* 4
Cost of attracting a new customer	<u>\$ 1,200</u>

Annual customer revenue	\$ 5,000
Average no. of loyal years	* 2
Company profit margin	* 0.10
Customer (Company) Profit	<u>\$ 1,000</u>

## Relationships & Networks

**SO The company have to work on one of the following solutions:**

- Fewer sales calls
- Less spending per sales call
- Higher new customer annual spending
- Retain customers longer

***The better approach is Relationship Marketing***

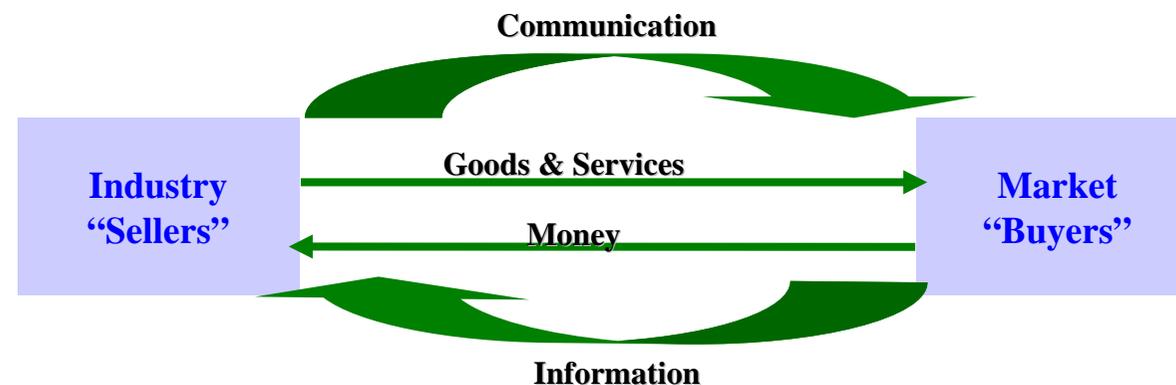


Markets

Markets

Consists of all the potential customers sharing a particular need or want who might be willing & able to engage in exchange to satisfy that need or want

The ultimate outcome of relationship marketing is the building of a unique company asset called ***MARKETING NETWORK***



## Marketers & Prospects

When one party is more actively seeking an exchange than the other party we call the first party A *MARKETER* & the second party A *PROSPECT*

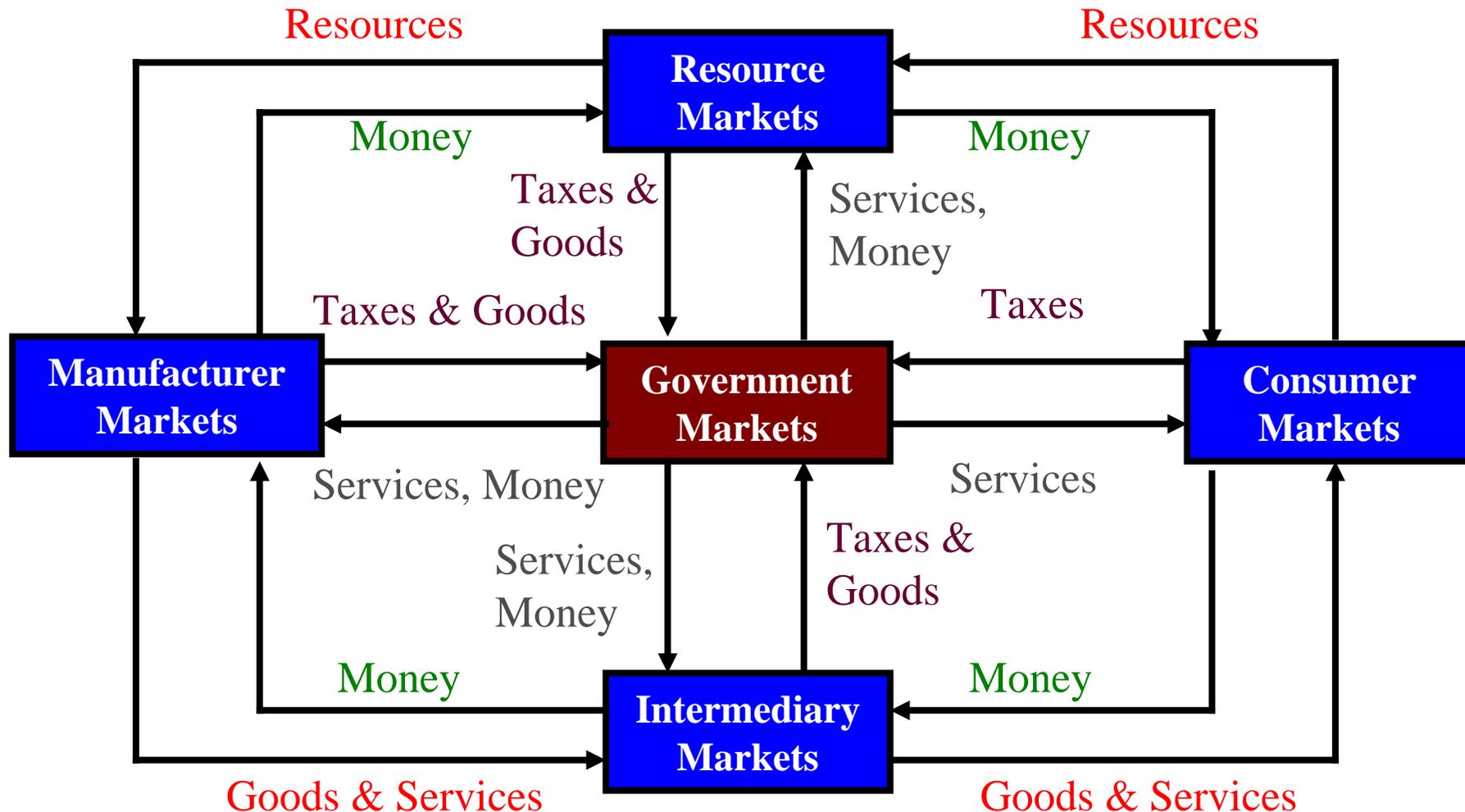
Marketer

Someone seeking prospects who might engage in an exchange of values

Prospect

Someone whom the Marketer identifies as potentially willing & able to engage in an exchange of values

# Structure of Flows in a Modern Exchange Economy



## Marketing is

Marketing is a Social & Managerial PROCESS by which individuals & groups obtain what they need & want through : Creating, Offering & exchanging products of value to others

## Marketing Management

Is the process of planning & executing the conception, pricing, promotion, & distribution of ideas, goods & services to create exchanges that satisfy individual & organizational goals

## Company Orientations Toward the Marketplace

There are five competing concepts under which organizations can choose to conduct their marketing activities

### The Production Concept

Holds that consumers will favor those products that are **widely available & low in prices.**

Managers of Production oriented organizations concentrate on:

**High production efficiency**

**Low cost**

**Mass distribution**

This concept holds in two situations:

FIRST: where the demand for a product exceeds supply as in developing countries

SECOND: The Product's cost is high & has to be decreased to expand the market

***Companies adapting this concept mainly build production volume & improve technology to bring down costs***

## Company Orientations Toward the Marketplace

### The Product Concept

Holds that consumers will favor those products that offer the most **quality, performance, or innovative features**.

Managers in Product oriented organizations focus their energy on:

- **Making superior products**
- **Improving them overtime**

This concept can cause Marketing Myopia:

Concentration on physical products rather than services produced by the product or looking at the product as the only solution to need

## Company Orientations Toward the Marketplace

### The Selling/Sales Concept

Holds that consumers if left alone will ordinarily not buy enough of the organization's products.

The organization must therefore undertake an aggressive selling & promotion effort

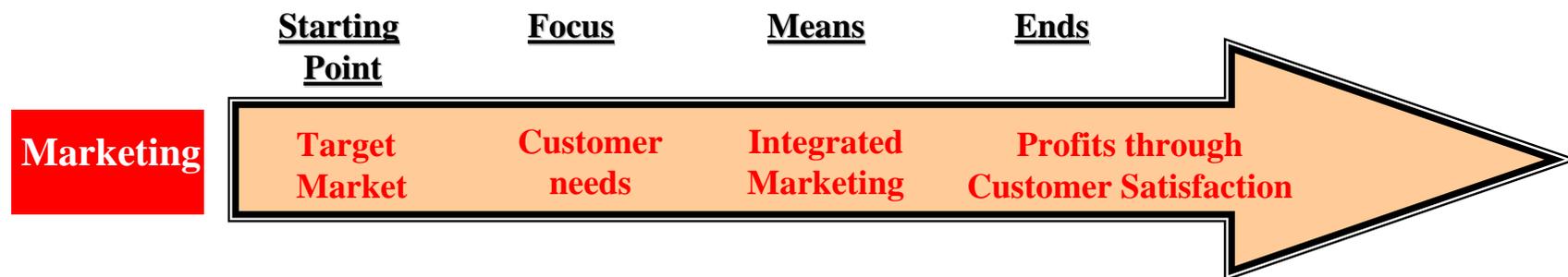
This concept is practiced most aggressively with unsought goods (goods that buyers normally do not think of buying such as insurance – Encyclopedia )

Marketing based on hard selling assumes that people will like the product & if they don't they won't bad-mouth it or complain to consumer organizations.

## Company Orientations Toward the Marketplace

### The Marketing Concept

Holds that the key to achieving organizational goals consists of being more effective than competitors in its integrating marketing activities toward determining & satisfying the needs & wants of target markets.



**Meeting Needs Profitably**

# Company Orientations Toward the Marketplace

## Comparing Selling & Marketing Concept



## Company Orientations Toward the Marketplace

### The Marketing Concept

#### Target Market

Companies do best when they choose their target markets carefully and prepared tailored marketing programs to suit them

#### Customer needs

A company can define its target market but fail to fully understand the customers' needs

Some marketers draw a distinction between RESPONSIVE MARKETING & CREATIVE MARKETING.

*A Responsive Marketer* finds a stated need & fills it

*A Creative Marketer* discovers & produces solutions that customers did not ask for but to which they enthusiastically respond (Relationship Marketing – Customer Retention)

**Giving consumers what they want is not enough, but companies should help them to learn what they want**

**SONY does not just serve markets; it creates markets**

# Company Orientations Toward the Marketplace

## The Marketing Concept

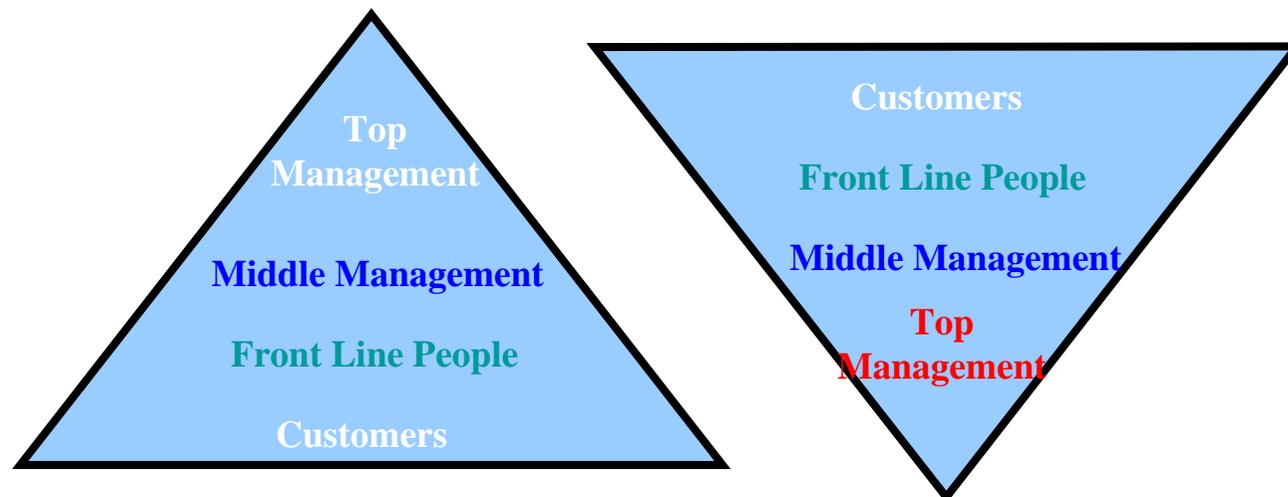
### Integrated Marketing

**Takes place on two levels:**

**First:** Various Marketing functions must be coordinated from the customer's point of view

**Second:** Marketing must be well coordinated with other company departments

To foster teamwork among all departments the company carries out *Internal Marketing* as well as *External Marketing*



## Company Orientations Toward the Marketplace

### The Marketing Concept

#### **Profitability**

The ultimate purpose of the Marketing concept is to help organizations achieve their goals (PROFIT)

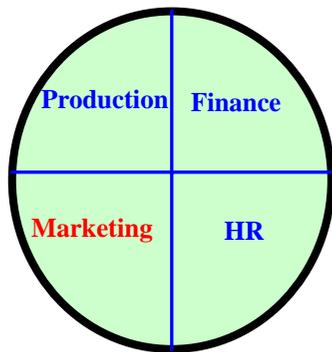
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#### Developments leading to the Marketing Concept:

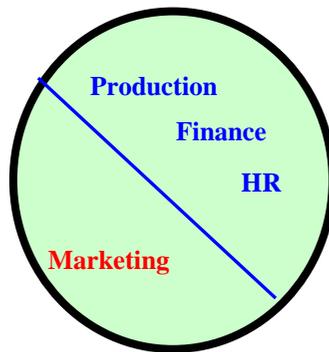
- Sales Decline
- Slow Growth
- Changing buying pattern
- Increasing competition
- Increasing marketing expenditures

# Company Orientations Toward the Marketplace

## Evolving Views of Marketing's Role in the company



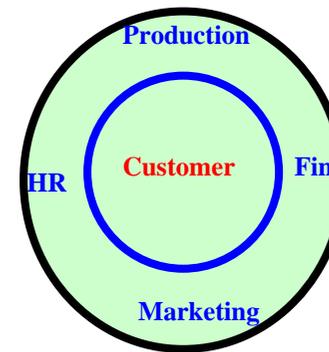
**Equal**



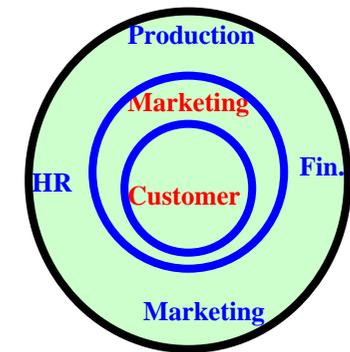
**More Important**



**The Major Function**



**The customer is the controlling function**



**The customer is the controlling Function & Marketing as the Integrative function**

## Company Orientations Toward the Marketplace

### The Societal Marketing Concept

Holds that the organization's task is to determine the needs, wants & interests of target markets & deliver the desired satisfactions more effectively & efficiently than competitors in a way that preserves or enhances the consumer's & the society's well being.

This concept calls upon marketers to build social & ethical considerations into their marketing practices.

# Session: 1

## What Did We Learn Tonight?

- What is Marketing
- The Marketing Process
- Company Orientations Toward Marketplace

# Session: 2

## What Will We Learn Tonight?

- Value-Delivery Process – Marketing Plan Pillars
- The Marketing Research
- Segmentation
- Targeting

# **Value-Delivery Process**

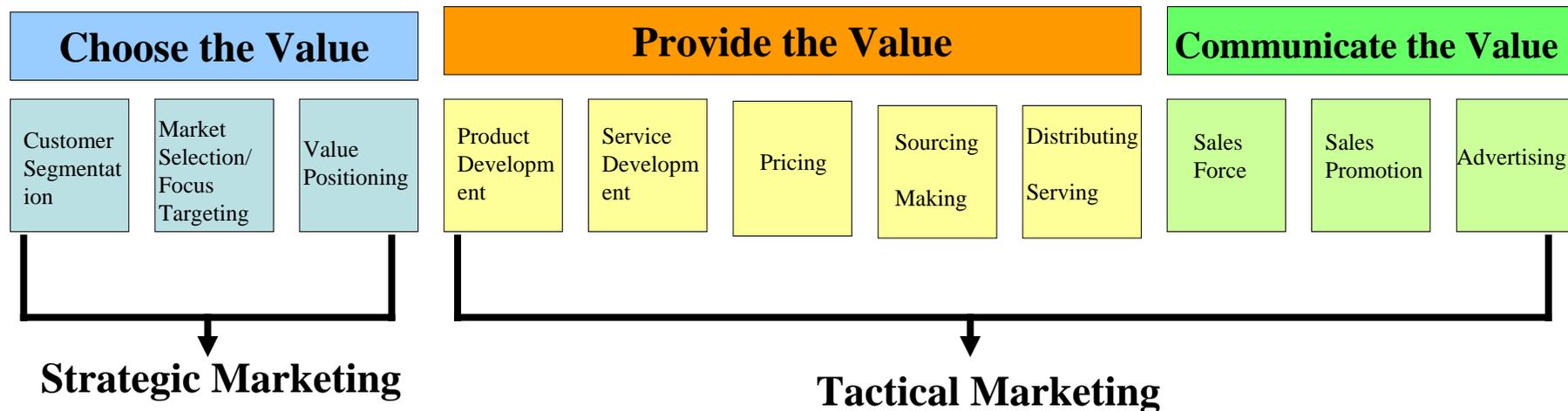
## **Marketing Plan Pillars**

# Value-Delivery Process

(a) Traditional Physical Process Sequence



(b) Value Creation and Delivery Sequence



# Marketing Plan Process



# Marketing Mix

4 Ps

- Product
- Price
- Place
- Promotion

4 Cs

- Customer Solution
- Customer Cost
- Convenience
- Communication



# **Marketing Research**

*To Manage a Business well is to manage its future, & to manage its future is to manage information*

*“Marketing is becoming a battle based more on information than on sales power” Phillip Kotler*

## Marketing Information System

MIS Consists of:

- 1- People
- 2- Equipment
- 3- Procedure

MIS Function:

- 1- Gather
- 2- Sort
- 3- Analyze
- 4- Evaluate
- 5- Distribute

Needed, timely, and accurate information to marketing decision makers

## Marketing Research

Is the systematic **design, collection, analysis & reporting** of data & findings relevant to a specific marketing situation facing the company.

## Suppliers of Marketing Research

Large companies either have their own Marketing research department or can afford the services of a Marketing research firm, as for small companies they can conduct research in many ways such as:

- Engaging students or professors
- Using on-line information services
- Checking out rival

**\*Normally companies research budget at 1%-2% of company's sales**

## The Marketing Research Process

### A Five Steps Process

**Define the  
Problem &  
Research  
objectives**



**Develop  
The research  
plan**



**Collect the  
information**



**Analyze the  
information**



**Present the  
findings**

**STEP ONE : Define the problem & research objectives**

*A Problem well defined is half solved*

Management must first define the problem neither too broadly nor too narrowly, then state clear research objectives.

**First 2 questions a Marketer should ask:**

- 1- What information do I need? **List of all objectives**
- 2- Why do I need this information? **Reasoning**

**Existing Markets:** customers' needs are being already served

**Potential Markets:** Undiscovered demands for certain segment

**1<sup>st</sup> Objectives (Market):** Market Size, Level of Demand, Rate of Product Consumption

**2<sup>nd</sup> Objectives (Company):** Product Appeal, Price, Distribution, Promotion

**STEP TWO : Developing the Research Plan**

The Marketing manager needs to know the cost of the research plan before approving it

Designing the Research plan calls for decisions on:

**Data  
Sources**

**Research  
Approaches**

**Research  
Instruments**

**Sampling  
Plan**

**Contact  
Methods**

## Data Sources

The research plan can call for gathering *PRIMARY DATA* or *SECONDARY DATA* or both

### Primary Data

**Data gathered for a specific purpose or a specific research project**

### Secondary Data

**Data collected for another purpose & already exist somewhere**

#### Sources of Secondary Data

- Internal Sources
- Government Publications
- Periodicals & Books
- Commercial Data

## Research Approaches

Primary data can be collected in four ways :

*Exploratory*

Observational  
Research

**Observing the relevant actors & settings**

Focus Group  
Research

- 6 to 10 people invited to spend some time with a skilled moderator & should be held in pleasant surroundings.
- Useful before a large scale survey

*Descriptive*

Survey  
Research

**Carried to learn about people's knowledge beliefs attitudes & to measure these magnitudes in the general population**

*Causal*

Experimental  
Research

**Managers have a high confidence in the conclusions of Experiments**

## Research Instruments

Researchers have a choice of two main research instruments in collecting primary data:

### Questionnaires

Consists of a set of questions presented to respondents for their answers, it the most common instrument used for collecting primary data for its flexibility.

### It Should be:

- 1- Carefully developed & debugged before administrated on a large scale
- 2- Carefully choosing questions wording & sequence
- 3 - Avoid repeated & boring questions      - Choose simple, direct unbiased questions
- 4- Logical Order

Carefully choosing questions' form

- Close-end questions:** Have specific answers. (how many people think this way)
- Open-end questions:** Let them answer their own way. (how people think)

### Mechanical Instruments

As the Galvanometer – the tachistoscope – the audiometer

## Sampling Plan

This plan calls for three decisions:

### Sampling Unit

**Who is to be surveyed ?**

Defining the Target population that will be sampled, where the sampling frame must be developed so that everyone in the population has an equal chance of being sampled

### Sample Size

**How many people should be surveyed ?**

Larger samples are more reliable, however samples less than 1% of the population can give good reliability

### Sampling Procedure

**How Should the respondents be chosen ?**

**Probability**

Where sampling error could be measured



- *Simple Random Sample (All)*
- *Stratified Random Sample (Age)*
- *Cluster Random Sample (Area)*

**Non Probability**

When cost & time in Probability sampling is high



- *Convenience Sample (Accessible)*
- *Judgment Sample (Prospects)*

**Contact Methods**

How the Subject should be contacted, The choices are:

**Mail  
Questionnaire**

**Best way to reach people who would not give personal interviews or could be biased or distorted by interviews**

**Telephone  
Interviewing**

**Best method for gathering information quickly, but it has to be short & not too personal**

**Personal  
Interviewing**

**Most expensive – additional observations – it is subject to interviewers bias or distortion**

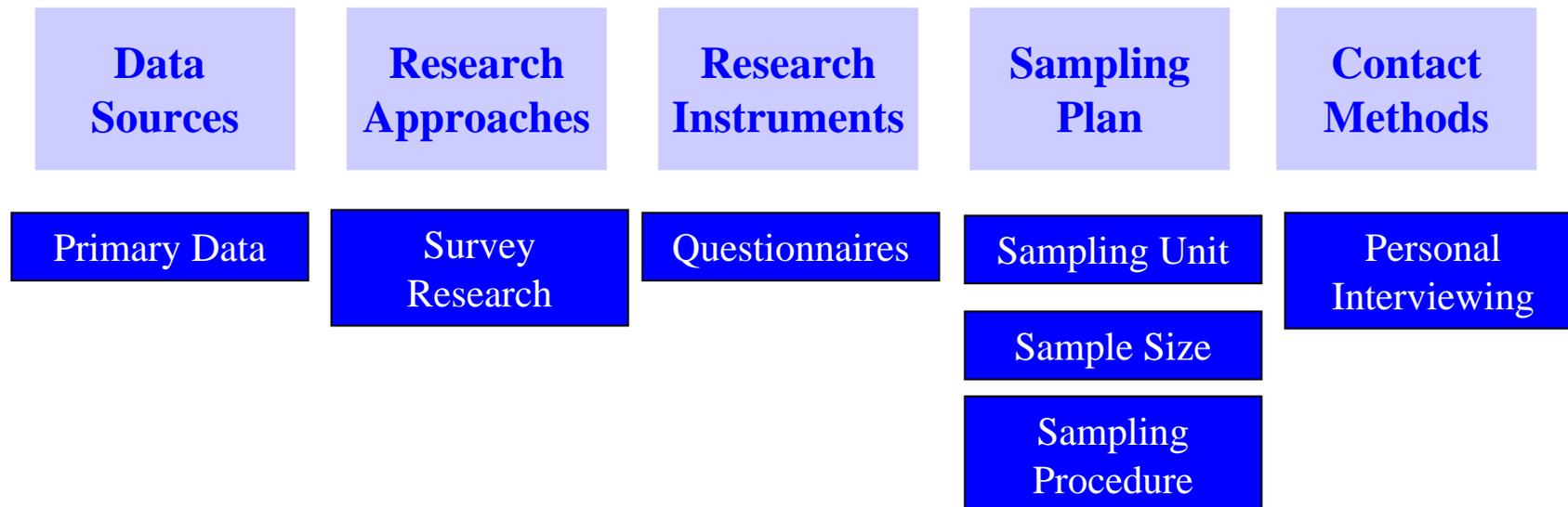
**Arranged  
Interviews**

**Intercept  
Interviews**

**STEP TWO : Developing the Research Plan**

The Marketing manager needs to know the cost of the research plan before approving it

Designing the Research plan calls for decisions on:



### **STEP THREE : Collect the information**

The most expensive & the most prone to error:

- Some respondents will not be at home
- Some respondents will refuse to co-operate
- Some respondents will give biased answers
- Some interviewers will be biased & dishonest

### **STEP FOUR: Analyze the information**

After collecting the data the researcher will tabulate the data & apply statistical methods & techniques

### **STEP FIVE: Present the findings**

The researcher should not overwhelm management with figures & statistical techniques but rather should present major findings that are relevant to the major marketing decisions facing management

# Segmentation

A process of subdividing the market into distinct subsets of customers that behave in the same way or have similar need.

## **Levels of Market Segmentation**

An effort to increase targeting precision it can be carried at four levels

**Mass Marketing**

**Mass production – Mass distribution – Mass promotion of one product for all buyers**

**Segment Marketing**

**Consists of a large identifiable group who share same need or behavior**

**Niche Marketing**

**Dividing segments into subsegments or by defining a group with a distinctive set of traits**

**Local Marketing**

**Marketing programs being tailored to the needs & wants of local customer groups**

**Individual Marketing**

**One to one marketing – providing custom made products  
The ultimate level of segmentation**

## Bases for Segmenting Consumer Markets

These segmentation variables can be used singly or in combination

### Geographic

Calls for dividing the market into different geographical units such as states, regions, counties & neighborhood

- Region
- City or Metro size
- Density
- Climate

### Demographic

- Age
- Family Size
- Family lifecycle
- Gender
- Income
- Education
- Occupation
- Religion
- Race
- Generation
- Social Class
- Nationality

### Psychographic

- Lifestyle
- Personality

### Behavioral

- Occasions
- Benefits (Unique selling proposition) Crest
- User status
- Usage Rate
- Loyalty Status: - high-core loyals – Split loyals – Shifting loyals - switchers
- Buyer-readiness stage
- Attitude toward product

## **D- Requirements for Effective Segmentation**

To be useful market segments must be :

**Measurable**

**Size, purchasing power, & characteristics of the segments can be measured**

**Substantial**

**Segments are large & profitable enough to serve**

**Accessible**

**Segments can be effectively reached & served**

**Differentiable**

**Distinguishable & respond differently to different Marketing mix elements & programs**

**Actionable**

**Programs can be formulated for serving the the segments**

**Marketers don't create a segment; they identify segments and then focus on which one to target**

# Targeting

The act of evaluating and comparing the identified groups and then selecting one or more of them as the prospects

## The Process of Evaluating & Selecting Market Segments

### Evaluating the Market Segments

#### **First: Segment Attractiveness**

The firm must ask whether a potential segment has the characteristics that make it generally attractive such as **Size, growth, profitability, low risk** & so on.

The company should target customers who will spend a lot on the category, **stay loyal**, & influence others.

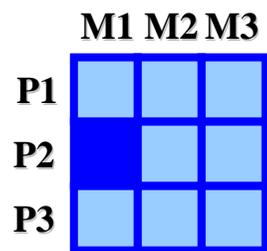
#### **Second: Company's Objectives & Resources**

The firm must consider whether investing in the segment makes sense given the firm **objectives & resources**.

Some attractive segments could be dismissed because they don't mesh with the company's long term objectives even if the segment fits the company objectives the company should consider whether it possesses the skills & resources needed to succeed in such a segment

**Selecting the Market Segments**

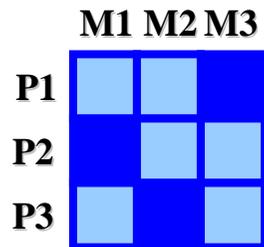
**Single segment Concentration**



The company selects a single segment, it gains a strong knowledge of the segments needs & wants & achieves a strong market position in the segment



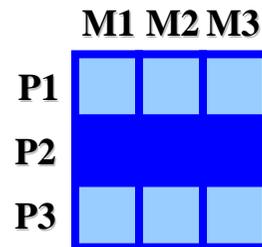
**Selective Specialization**



The company selects a number of segments all fits objectives & resources. & all promises to be money makers



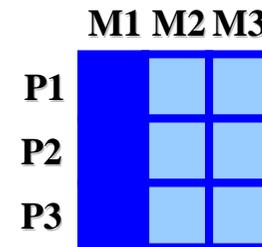
**Product Specialization**



The company concentrates on a certain product that it sells to several segments. It builds a strong reputation in the specific product area



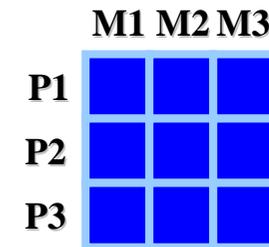
**Market Specialization**



The company concentrates on serving many needs of a particular customer group. It builds a strong reputation in serving this customer group



**Full Market Coverage**



The company serves all customer groups with all the products they might need. Only very large firms can undertake a full market coverage strategy



# Session: 2

## What Did We Learn Tonight?

- Value-Delivery Process – Marketing Plan Pillars
- The Marketing Research
- Segmentation
- Targeting

# Session: 3

## What Will We Learn Tonight?

- Differentiation and Positioning
- Product Development Stages
- Product Life Cycle
- Product Branding, Packaging and Labeling

# **Differentiation & Positioning**

Differentiating

**The act of designing a set of meaningful differences to distinguish the company's offerings from competitor's offerings**

## Tools for competitive Differentiation

### Product

- **Features**

Characteristics that supplement the product's basic function  
McDonald's

- **Performance Quality**

The level at which the product's primary characteristics operates  
Mercedes

- **Conformance Quality**

Degree to which produced units are identical & meet promised specs

(Perceived quality is more imp. than technical quality)

- **Durability**

The product operating lifecycle under natural & stressful conditions

- **Reliability**

The measure of the probability that a product will not malfunction or fail within a specified period of time

- **Style**

The product's looks & feel to the customer

- **Design**

- **Reparability**

### Service

- **Ordering Ease**

Metro

- **Delivery**

Speed, accuracy & care attending

Pizza Hut

- **Installation**

Work done to make a product operates in its planned location

- **Customer training**

Training customer employees

McDonald's

- **Customer Consulting**

Data information & advising services

- **Maintenance & repair**

Helping customers to have the product in a good working order

Cisco

- **Miscellaneous Services**

## Tools for competitive Differentiation

### Personnel

- **Competence**  
Required skill & knowledge
- **Courtesy**  
Friendly respectable & considerate
- **Credibility**  
Trustworthy
- **Reliability**  
The employees perform the service consistently & accurately
- **Responsiveness**  
Respond quickly to request & problems
- **Communication**  
Make an effort to understand customers & communicate clearly

### Channel

- **Coverage**  
Chipsy
- **Expertise**
- **Performance**

### Image

- **Identity Vs Image**  
Identity is the ways that the company aims to identify itself or position its product.  
Image is how the public perceives the company or its products  
**Marlboro**
- **Symbols**  
Triggers company or brand recognition (Brand Logos)  
**Apple**
- **Written & audiovisual Media**  
Convey a storyline or mood or a performance level  
**Malaysia**
- **Atmosphere**  
Physical space in which the company produces or delivers its products  
**Morgan Stanley**
- **Events**  
The company could build an identity through the type of event it sponsors  
**Vodafone**

## Positioning

**The act of designing the company's offering & image so that they occupy a meaningful & distinct competitive position in the target customer's mind.**

**A Difference is worth establishing to the extent that it satisfies the following criteria:**

**Important**

**Highly valued benefit to buyers**

**Distinctive**

**The difference isn't offered by others or the company offer it in a more distinctive way**

**Superior**

**Superior to other ways of obtaining such benefit**

**Communicable**

**Visible to buyers**

**Preemptive**

**Difference cannot be easily copied to competitors**

**Affordable**

**Buyer can afford to pay the difference**

**Profitable**

**The company will find it profitable to introduce the difference**

**Fayrouz**

**VOLVO:** 20% premium, the safest most durable wagon in which your family can ride

**Domino's:** 15% premium, a good hot pizza delivered to your door within 30 mins of ordering at a moderate price

**Crest:** Constantly promotes its anti cavity protection

**Mercedes:** Constantly promotes its great automotive engineering

*Customer tends to remember number one message*

What difference to promote ?



Emirates vs. Al-Arabia



**Product**

**New Product Development Process**  
**“How to launch a new product ?”**

# New Product Development Process

## “How to launch a new product ?”



## 1- Idea Generation

**New product idea come from: customers – scientists – employees – competitors – channel members – top management.**

### Idea Generating techniques

- Attribute listing
- Morphological Analysis
- Brainstorming
- Forced relationships
- Need/Problem Identification

## 2- Idea Screening

- Idea Committee
- Product idea rating device
  - Promising
  - Marginal
  - Rejections

### 3- Concept Development & Testing

**Category concept – Concept testing: after concept development getting consumer reactions, at this stage the concept can be presented symbolically or physically. A word or picture description can do.**

### 4- Marketing Strategy Development

**The Marketing strategy plan consists three parts:**

**Fist part describes : The target market size & behavior – the planned product positioning – sales, market share & profit goals sought in the first few years**

**Second part describes : the product's planned price – distribution strategy – marketing budget for the first year**

**Third part describes : Long run sales – profit goals – marketing mix strategy overtime**

## 5- Business Analysis

- Estimate total sales
- Estimate costs & profits

## 6- Product Development

- After the prototype is ready it is subjected to functional & consumer tests

## 7- Market Testing

- After the company is satisfied with product's functional performance it is ready to be branded packaged & have a marketing program.
- Not all companies choose market testing

## 8- Commercialization

### When (timing)

- First Entry
- Parallel Entry
- Late Entry

### Where

- (Geographical)

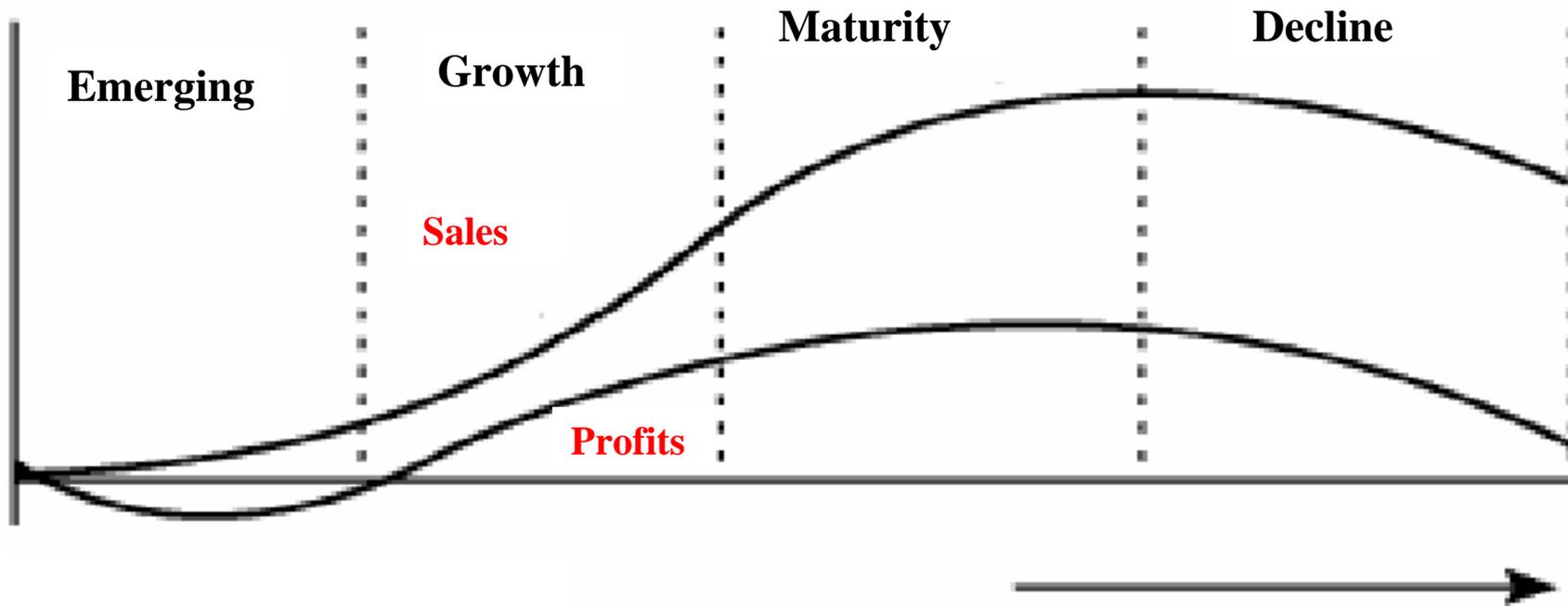
### To Whom

- Early adopters
- Heavy users
- Opinion leaders
- Reached at a low cost

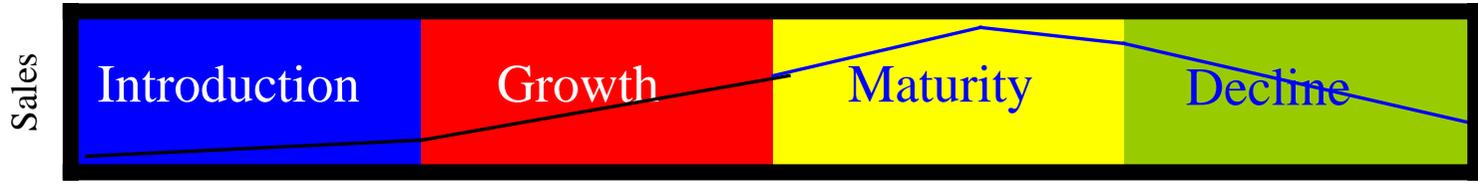
### How Action plan & activities

# **Product Life Cycle**

# Product Life Cycle

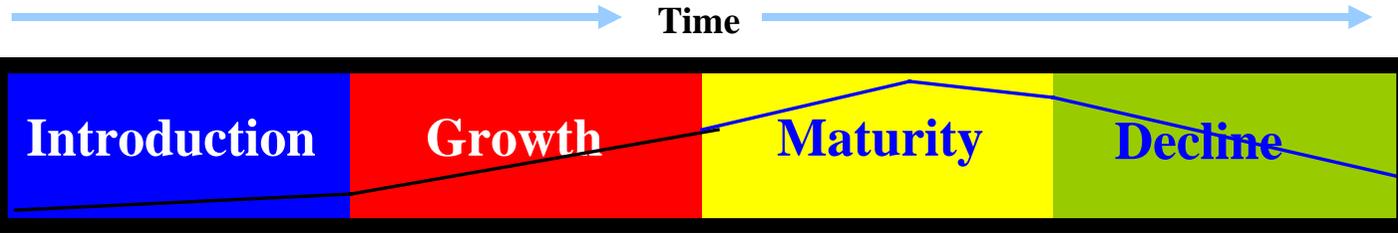


PLC



Sales	Low	Rising	Peak	declining
Costs/ Consumer	High	Average	Low	Low
Profits	Negative	Rising	High	declining
Customer	Innovators	Early adopters	Middle Majority	Laggards
Competitor	Few	Growing	Stable No.	declining
Objectives	Product awareness	Max Market Share	Max. Profit	Reduce Expenditure

1-Characteristics & Objectives



<b>Product</b>	Offer a basic product	Offer extensions & services	Diversify brands & models	Phase out Weak items
<b>Price</b>	Cost plus	Penetrating price	Matching best Competitor's	Cut price
<b>Place</b>	Selective Distribution	Intensive Distribution	More intensive Distribution`	Phase out unprofitable outlets
<b>Advertising</b>	Build awareness- Early adopters	Build awareness- Mass market	Brand differences & benefits	Reduce
<b>Sales Promotion</b>	Heavy	Reduce to take adv of heavy demand	Increase to encourage	Reduce to Minimal level

**Product**

**Brand**

**Packaging**

**Labeling**

## Product Mix

The set of all products & items that a seller offer for sale to buyers.

A company's product mix has a certain *width – length – depth - consistency*

**Width:** Different product lines (ex. Detergents, Toothpaste, Soap, Diapers, Tissue)

**Length:** Total numbers of items in the mix

**Depth:** Varieties and shapes of each products (ex. Crest comes in 3 shapes & 2 formulas )

**Consistency:** How similar or different the product lines are (ex. P&G lines similar in distribution and consumer products, and different in tasks)

### Product Mix Width

	Detergents	Toothpaste	Bar Soap	Diapers	Tissue
<b>Product Length</b>	Ivory Snow	Gleem	Ivory	Pampers	Charmin
	Dreft	Crest	Kirk's	Luvs	Puffs
	Tide		Lava		Banner
	Cheer		Camay		Summit
	Arial				
	Era				

## Classification of consumer goods

This classification is based on how consumers go about buying a particular product

### Convenience Goods

Goods that the consumer purchases frequently, immediately & with a minimum of effort

- **Staples** goods purchased on regular basis (**Heinz, Crest**)
- **Impulse** goods purchased without planning (**magazines, candy bars**)
- **Emergency** goods purchased when a need is urgent (**umbrella during rain Etc...**)

### Shopping Goods

Goods that the consumer in the process of selection & purchase characteristically compares on such bases as suitability, quality, price, & style

- **Homogenous** similar in quality & different in price
- **Heterogeneous** features are more imp. than price **Ex. Furniture – Clothing (Variety & Well-trained sales people)**

### Specialty Goods

**Goods with unique features & brand identification that buyers are willing to make a special purchasing effort (No Comparison)**

**Ex. Mercedes**

### Unsought Goods

**Goods the consumer does not know about and does not think of buying until he is made aware (Encyclopedia, life insurance, gravestones...etc ( Requires advertising & personal selling)**

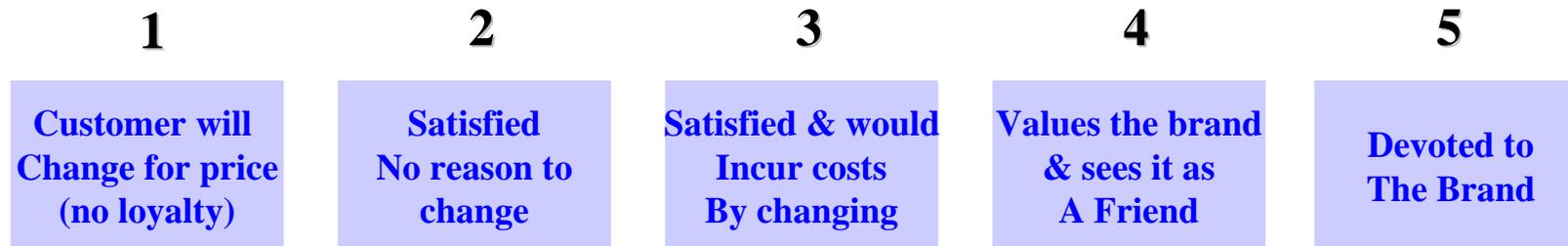
## What is a Brand ?

A name, term, sign, symbol or design or a combination of all that, intended to **identify & differentiate** goods & services of a seller from those of competitors.

A brand can convey up to six levels of meanings



## Five levels of customer attitude towards their brand



*Brand Equity is highly related to how many of brand's customers are in classes 3 - 4 - 5*

**Brand Equity:** the positive differential effect that knowing the brand has on customer response to the product

Brand Awareness   Brand Acceptability   Brand Preference   Brand Loyalty

## **What is a Packaging ?**

**Includes the activities of designing & producing the container or the wrapper for the product**

## **Labeling**

**Is a subset of packaging .**

**The label perform several functions:**

- Identifies the Product**
- Grade the Product**
- Describe the Product**
- Promote the Product**

# Session: 3

## What Did We Learn Tonight?

- Differentiating and Positioning
- Product Development Stages
- Product Life Cycle
- Product Branding, Packaging and Labeling

# Session: 4

## What Will We Learn Tonight?

- Pricing
- Place: Distribution

# Pricing

*“Sell Value, Not Price”*

# Setting Pricing Policy



# Price Setting

## 1- Selecting the Pricing Objectives or Strategies

Survival

Prices cover **variable costs** & some fixed costs for the company to stay in business

Overcapacity – intense competition – changing consumer wants

Max. Current Profit

Price that will maximize current profit. Estimate the demand & cost function

Aim is short run cash flows & ROI

Max. Market Share & Max. Sales Growth

Price that maximizes sales revenue

Revenue max. will lead to higher profits & market share growth

Lowest price (*Market Penetration Pricing*)

Higher sales volume will lead to lower unit costs & higher long run profits

Market Skimming

Highest price (*Market skimming Pricing*)

With each innovation skim the Market

Product quality leader

Prime product (*Premium quality/premium price*)

Aim to be the product quality leader

# Price Setting

## 2- Determining Demand

### Methods of Estimating Demand

First

**Historical data:** Statistically analyzing existing data on past prices, quantities sold & other factors to estimate their relationships

Second

**Price Experiments:** varied prices of several products in a store or – charge different prices in similar territories to see how sales are affected

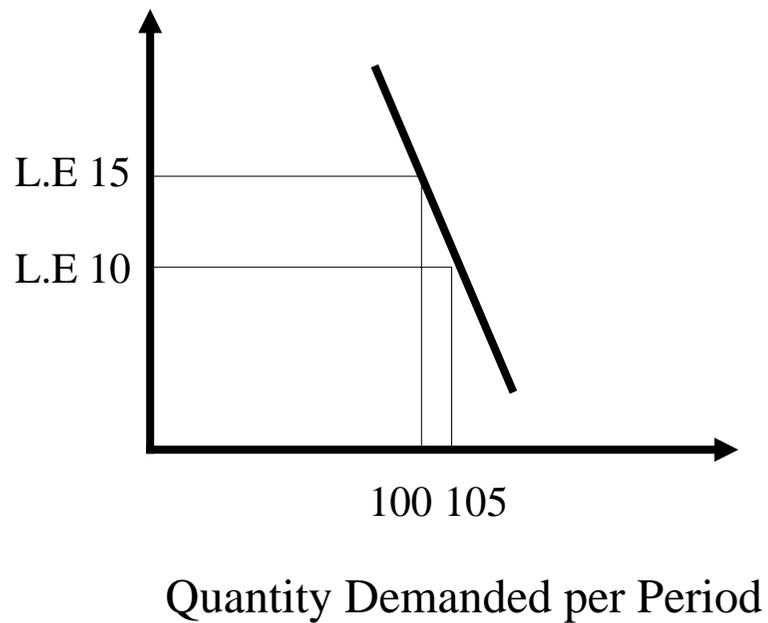
Third

**Asking Buyers:** how many units would you buy at different proposed prices

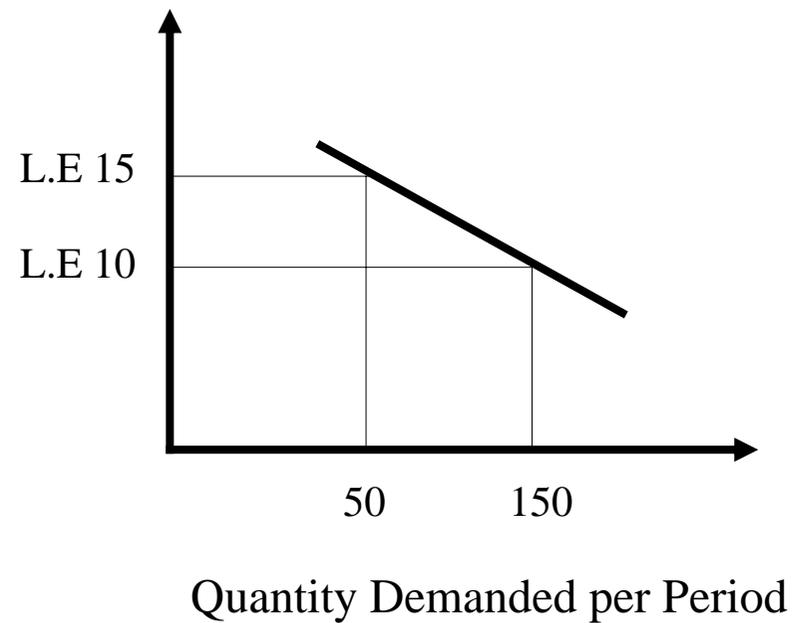
## Price Elasticity of Demand

If demand is elastic rather than inelastic sellers will consider lowering the price, this makes sense as long as cost of producing & selling more units does not increase

**A. Inelastic Demand**



**B. Elastic Demand**



## Price Setting

### 3- Estimating Costs

**Demand sets the ceiling on the price & Costs set the floor**

#### Types of Costs

- **Fixed Costs:** are costs that do not vary with production or sales revenue Ex. Rent electricity salaries
- **Variable Costs:** are costs that vary directly with the level of production
- **Total Cost: Fixed + Variable**
- **Average Cost: Total cost divided/ by production**

**Target Costing:** Deduct the desired profit margin from the price at which the product must sell given its appeal & competitor's price

### 4- Analyzing competitor's Costs, Prices & Offers

**Helps the firm know where to set the price**

- Meet Competition
- Below Competition
- Above Competition

# Price Setting

## 5- Selecting a pricing method

Given the three Cs: The customer's demand – The cost function – The competitor's prices the company is ready to select a price

### A -Markup Pricing

*Cost*

The most elementary method is to add a standard Markup to the product's cost

$$\text{Unit Cost} = \text{Variable Cost} + \frac{\text{Fixed Cost}}{\text{Unit Sales}} = 10 + \frac{300,000}{50,000} = \text{L.E. } 16$$

$$\text{Markup Price} = \frac{\text{Unit Cost}}{(1 - \text{desired return on sales})}$$

$$\text{Markup Price} = \frac{\text{L.E. } 16}{1 - 0.2} = \text{L.E. } 20$$

- When all firms adopt such a pricing method price competition is minimized
- It is more fair to the buyer & seller
- It is easier as sellers can determine cost much easier than demand

## Price Setting

### B – Target Return Pricing

*Cost*

The firm determines the price that would yield its target rate of return on investment (ROI)

$$\text{Target Return Price} = \text{Unit cost} + \frac{\text{Desired return} \times \text{invested capital}}{\text{Unit Sales}}$$

$$\text{Target Return Price} = 16 + \frac{0.3 \times 1,000,000}{50,000} = \text{L.E. } 22$$

$$\text{Break even volume} = \frac{(\text{Fixed Cost}) 300,000}{(\text{Price}) 20 - (\text{Variable Cost}) 10} = 30,000$$

The drawback is that this method ignores price elasticity & competitor's prices

## Price Setting

### C –Perceived Value Pricing

*Value*

**Some companies base their prices on the buyer's perception of value not the seller's cost.**

**Perceived value pricing fits well with product-positioning thinking. A company develops a product concept for a particular target market with a planned quality & price**

### D –Value Pricing

*Value*

**Charge a fairly low price for a high quality offering (price represent a high value offering)**

### E –Going Rate Pricing

*Competitor*

**In some industries companies change their prices when the market leader change its price not when demand or cost change**

### F –Sealed Bid Pricing

*Competitor*

## Price Setting

### 6- Selecting the final price

**Pricing methods narrow the price range from which the company must select the final price, the company should consider additional factors:**

**Psychological Pricing - *image***

Perfumes

**The influence of other Marketing Mix elements on Price**

**Relative Price – Relative Quality – Relative Advertising**

**Company pricing policy**

**Impact of price on other parties**

**Price fixing – Price discrimination are both illegal**

Dealers, suppliers  
Salesmen, competitors

## **Discounts**

### **Cash Discounts**

**To people who promptly pay their bills – it improves the seller liquidity & reduce the credit collection cycle & bad debts**

### **Quantity Discounts**

**Price reduction to buyers who buy large volumes – it encourages the customer to order more from the same seller rather than buy from multiple sources**

### **Functional (trade) Discounts**

**From the manufacturer to trade channel members if they perform certain functions – but by law must offer the same functional discounts within each trade channel**

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- **Trade in allowances (Ex. automobiles & durable goods)**
- **Promotional allowances are price reductions given to reward dealers for participating in advertising & sales support programs**

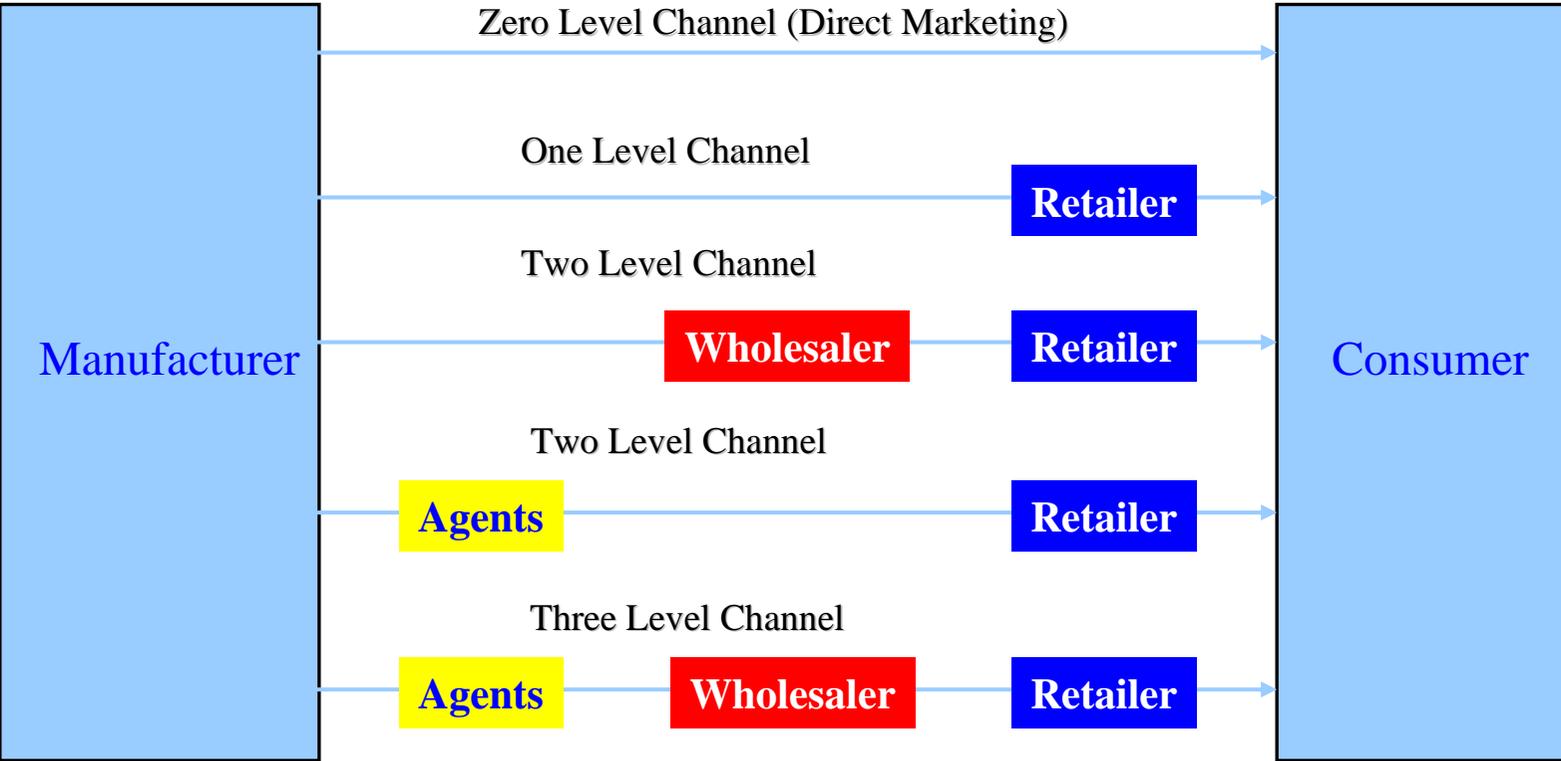
**Place:**  
**Distribution**

Distribution

**A distribution channel consists of the group of individuals & establishments which enter in the process of transferring the product/service from the original manufacturer to the end consumer**

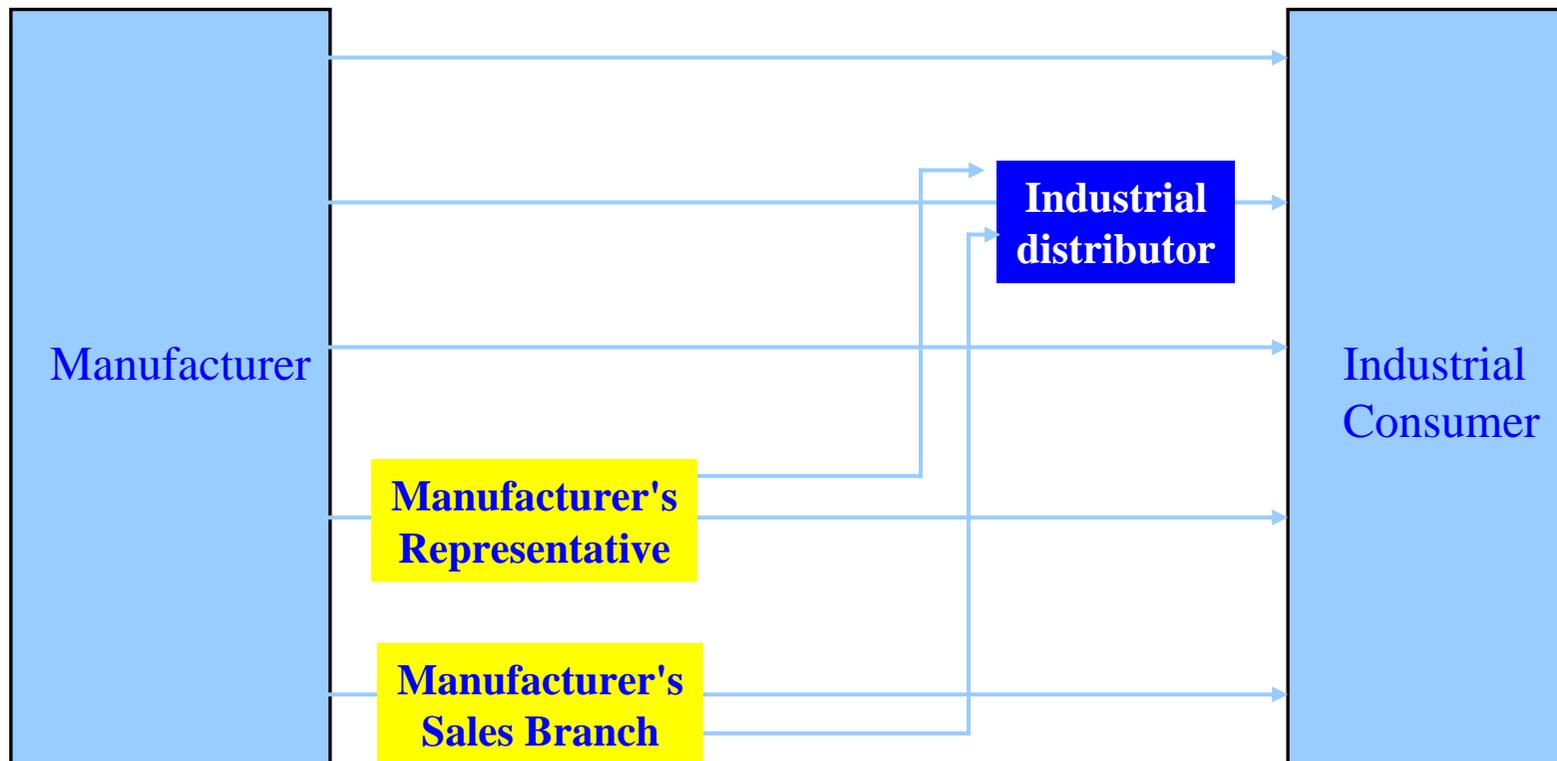
Distribution Channel types & levels

Consumer Marketing Channels



Distribution Channel types & levels

Business Marketing Channels



Determining intensity of distribution (Market Coverage) *No. of intermediaries*

**Exclusive Distribution (Sole)**

**An agreement in which the resellers agree not to carry competing brands**

**Selective Distribution**

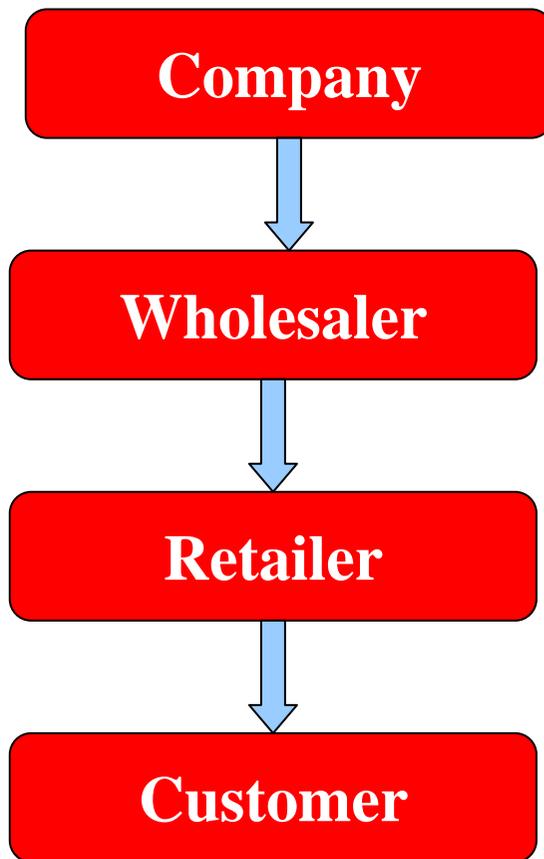
**More than a few but less than all intermediaries**

**Intensive Distribution**

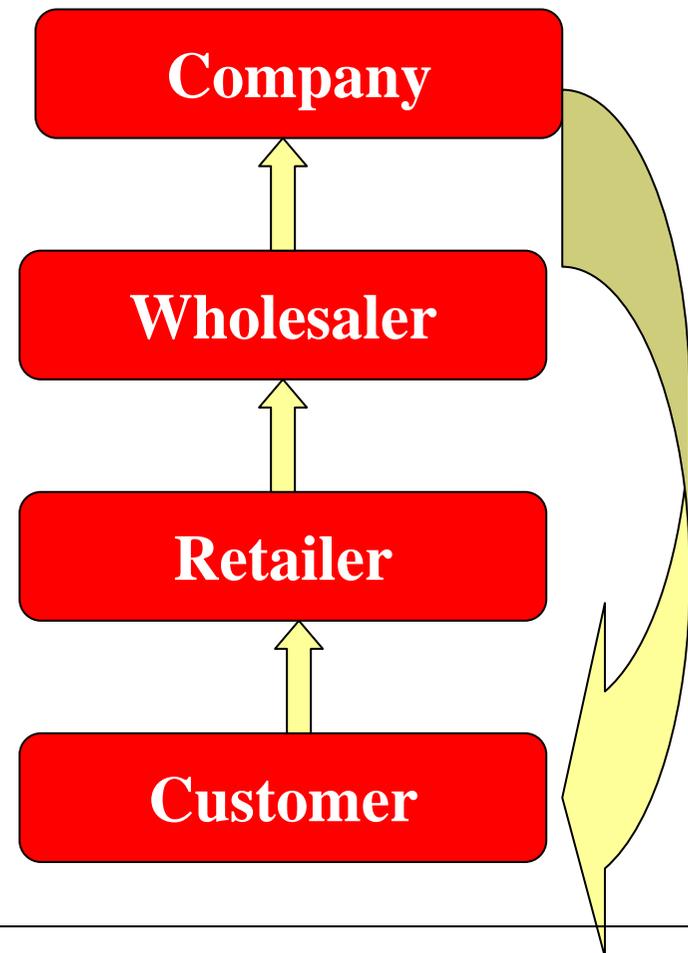
**As many outlets as possible**

# Push / Pull Strategy

## Push Strategy



## Pull Strategy



# Session: 4

## What Did We Learn Last Night?

- Pricing
- Place: Distribution

# Session: 5

## What Will We Learn Tonight?

- Promotion : Marketing Communication Mix:
  - 1- Advertising
  - 2- Sales Promotion
  - 3- Public Relations
  - 4- Personal Selling
  - 5- Direct Marketing

# **Promotion: Communications**

## Marketing Communication Mix

**Advertising:** Paid form of presentation and promotion of ideas, goods, services by sponsor

**Sales Promotion:** Variety of short-term incentives to encourage **trial** or **purchase**

**Public Relations:** Programs to promote or protect company's image or its products

**Personal Selling:** Face-to-face interaction with purchasers

**Direct Marketing:** Use of direct channels as tel., email...etc to communicate with customers

### Communications Mix

Advertising	Sales Promotion	PR	Personal Selling	Direct Marketing
Print ads	Contest, games	Press release	Sales Presentation	Catalogs
Broadcast ads	Lotteries	Speeches	Sales Meetings	Telemarketing
Billboards	Gifts	Seminars	Incentives	Email
Display sign	Sampling	Sponsorship	Trade Shows	Tel
Packaging-outer	Trade-in	Charities		Fax
Packaging-insert	Rebate	Events		Mailings
Motion Pictures	Coupons	Co. Magazine		E-shopping
Brochures	Low-interest-finance	Lobbying		
Point-of-purchase-display				

## Advertising

### Public Presentation

**Ads confer kind of legitimacy on product**

### Pervasiveness

**Ads allow sellers to repeat message and buyers to compare messages of competitors.**

### Amplified Expressiveness

**Ads provide opportunity to dramatize the company and its products**

### Uses of Ads:

- 1- Build Long-Term image of company or product (Coca Cola)
- 2- Trigger sales (Sears)
- 3- Reach large geographical reach
- 4- Build awareness

## **Sales Promotion**

### **Communication**

**Gain attention and lead consumer to the product**

### **Incentives**

**Give value to a customer**

### **Invitation**

**Invite the customer to engage in transaction**

### **Uses of Sales Promotion:**

- 1- Draw a stronger and quicker buyer response
- 2- Short-term effects:
  - Dramatize product offers
  - Boost sagging sales

## **Public Relations**

### **High Credibility**

**More credible to readers than ads**

### **Wider reach**

**They reach prospects who prefer to avoid sales people and advertisement**

### **Dramatization**

**They have the power to dramatize a company or product**

## **Personal Selling**

### **Personal Confrontation**

**Involve immediate interaction. Each party observe the other's reaction**

### **Cultivation**

**It allows relationships to conclude into transactions**

### **Response**

**Buyers feel some obligation for having listened to the sales talk**

## **Direct Marketing**

### **Non-Public**

**The message is normally addressed to specific person**

### **Customized**

**The message can be prepared to appeal to the addressed individual**

### **Up-to-date**

**The message can be prepared very quickly**

### **Interactive**

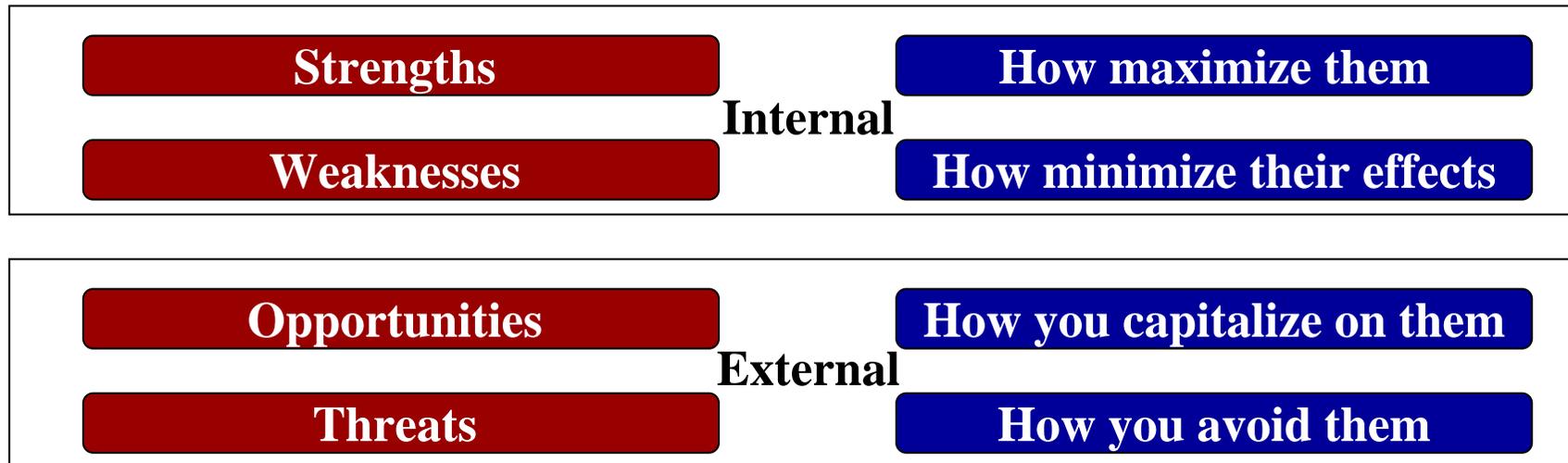
**The message can be changed depending on the person's response**

# Session: 6

## What Will We Learn Tonight?

- SWOT Analysis
- Marketing Corporate Strategy
- Marketing Business Strategy
- Marketing Functional Strategy
- The Final Project (Sample)

# SWOT Analysis



# Hierarchy of Strategy



# Marketing Plan Process



## Planning New Businesses

### Three options are available:

- 1- Further growth within the current business - **INTENSIVE GROWTH**
- 2- Build or acquire businesses related to current business - **INTEGRATIVE GROWTH**
- 3- Add businesses that are unrelated to current business - **DIVERIFICATION GROWTH**

### Intensive Growth

#### Market Penetration

- Encourage customers to buy more
- Attract competitor's customers
- Convince non-users

#### Market Development

- Potential user groups
- Additional distribution channels
- New Locations

#### Product Development

- Develop new product features

### Integrative Growth

#### Backward Integration

Acquire one or more suppliers to gain more control or generate more profit

#### Forward Integration

Acquire some wholesalers or retailers if they are profitable

#### Horizontal Integration

Buy one or more competitor  
New regions

**Planning New Businesses**

**Diversification Growth**

**Concentric Diversification**

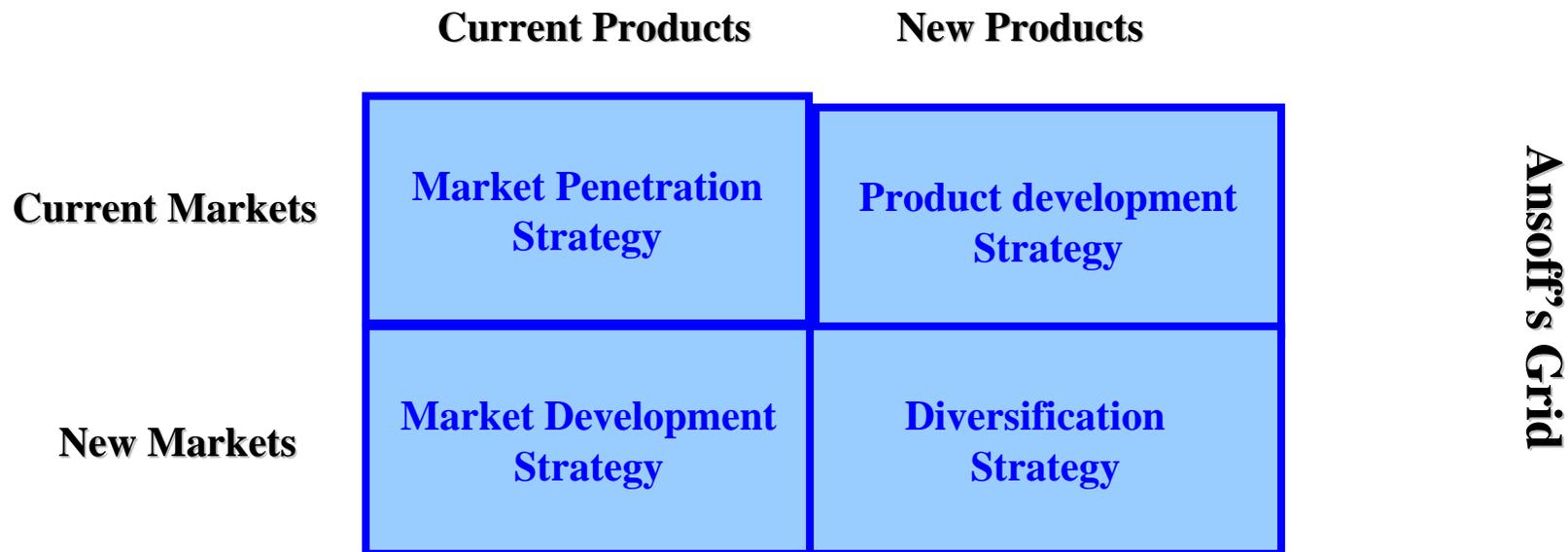
New products that have synergies with current products

**Horizontal Diversification**

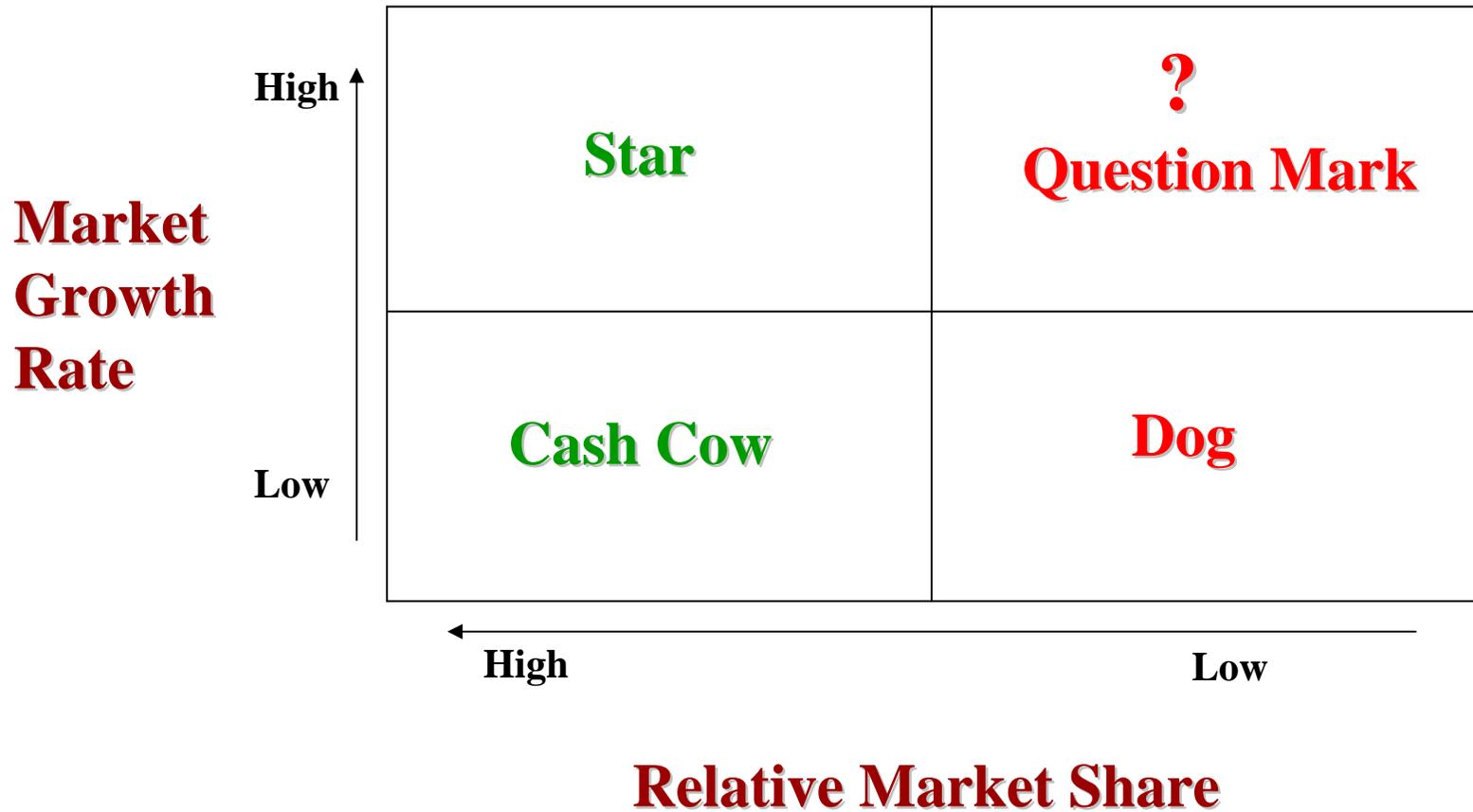
New products that appeal to current customers, unrelated to current products

**Conglomerate Diversification**

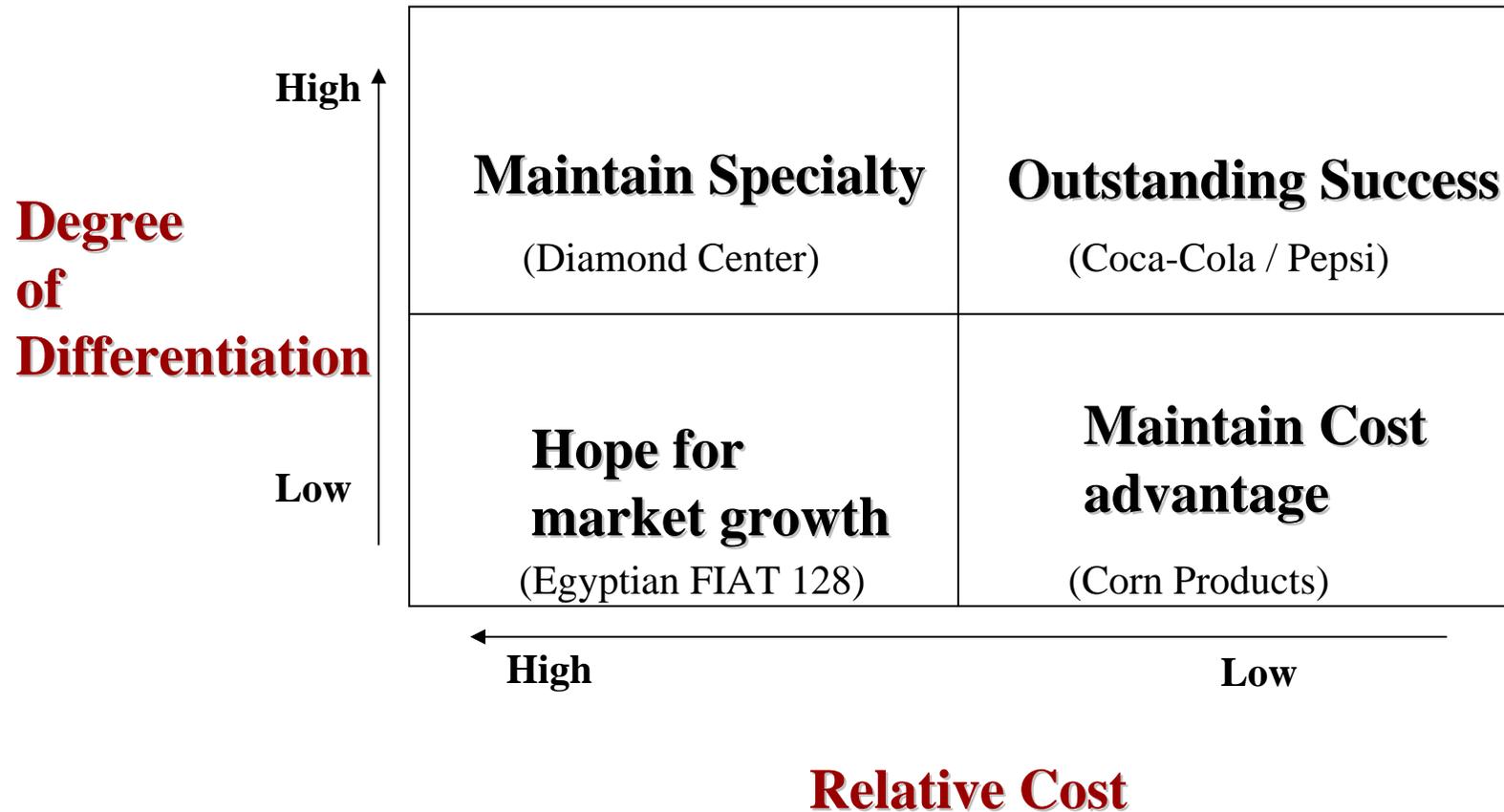
New business that have no relationship with current technology, products, or markets



# BCG Matrix



# Competitive Advantage



# Tendency to Buy

<p>Well-Known</p> <p><b>Customer knowledge of Company</b></p> <p>Un-known</p>	<p><b>Promotion &amp; Sales, Distribution are key</b></p> <p>(Chipsy )</p>	<p><b>You have it made</b></p> <p>(Coca-Cola / Pepsi)</p>
	<p><b>Focus differentiation Required (Product/Price)</b></p> <p>(water)</p>	<p><b>Sales, Advertising and Branding are keys</b></p> <p>(Labanita)</p>

Undifferentiated

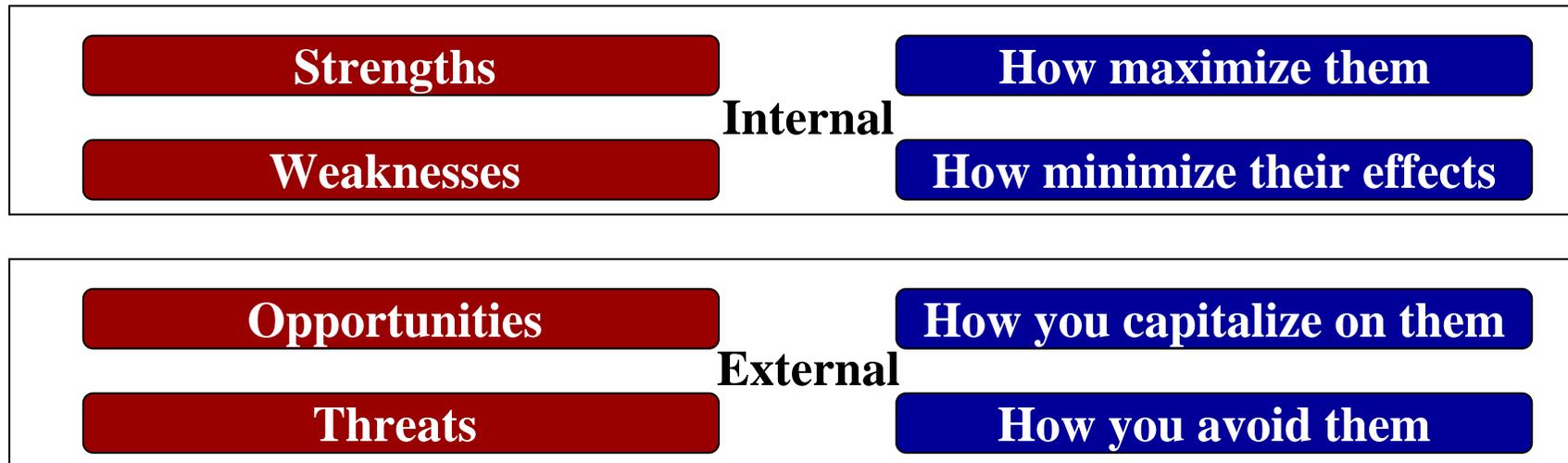
Unique

**Product Characteristics**

# Final Project Outline

- Company Profile
- SWOT Analysis
- Corporate Marketing Strategy (Ansoff's Grid)
- Business Marketing Strategy (Competitive Advantage Matrix)
- Strategic Marketing
  - Segmentation
  - Targeting
  - Positioning
- Tactical Marketing
  - Product
  - Price
  - Place
  - Promotion
- Summary / Recommendations

# SWOT Analysis

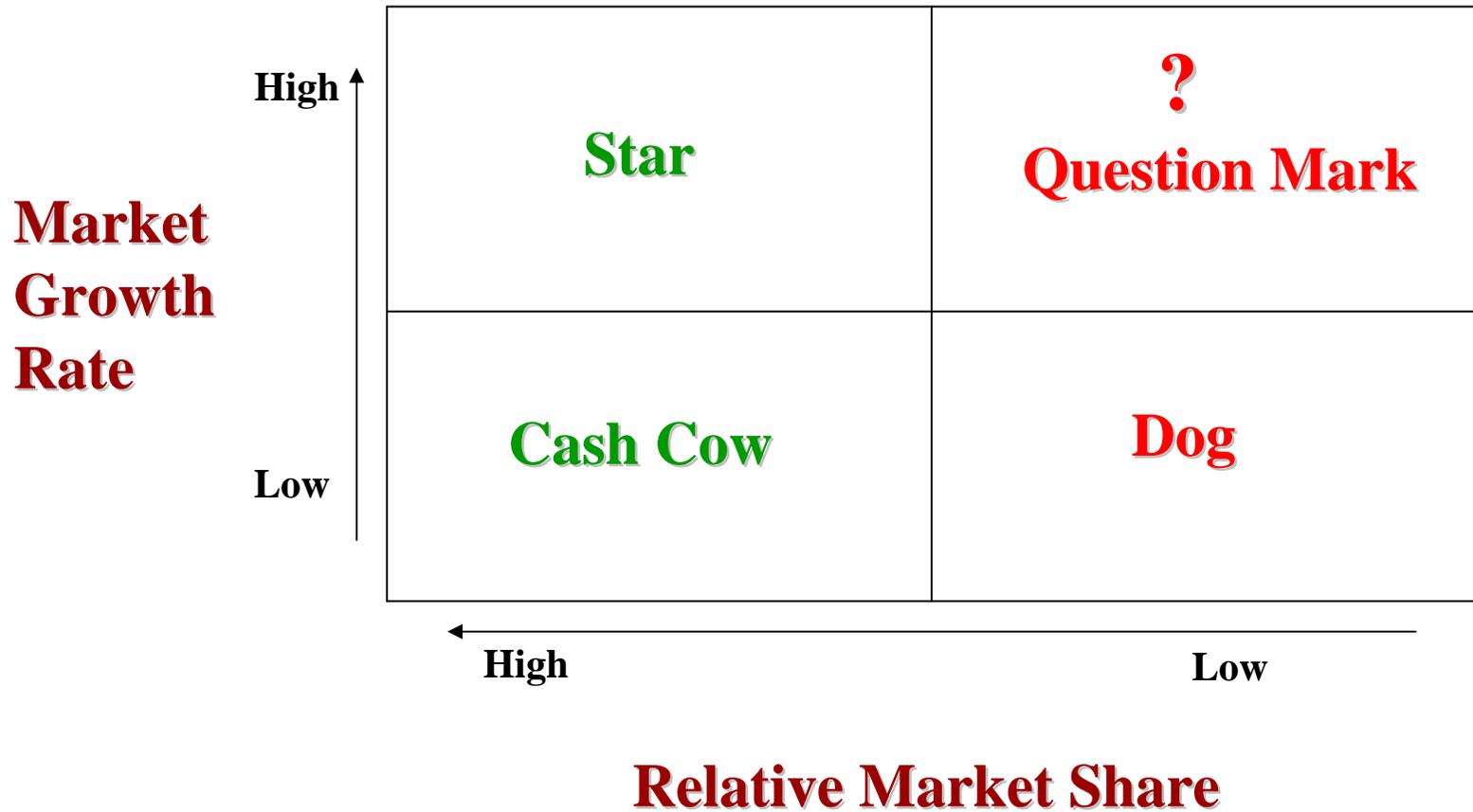


# Corporate Marketing Strategy

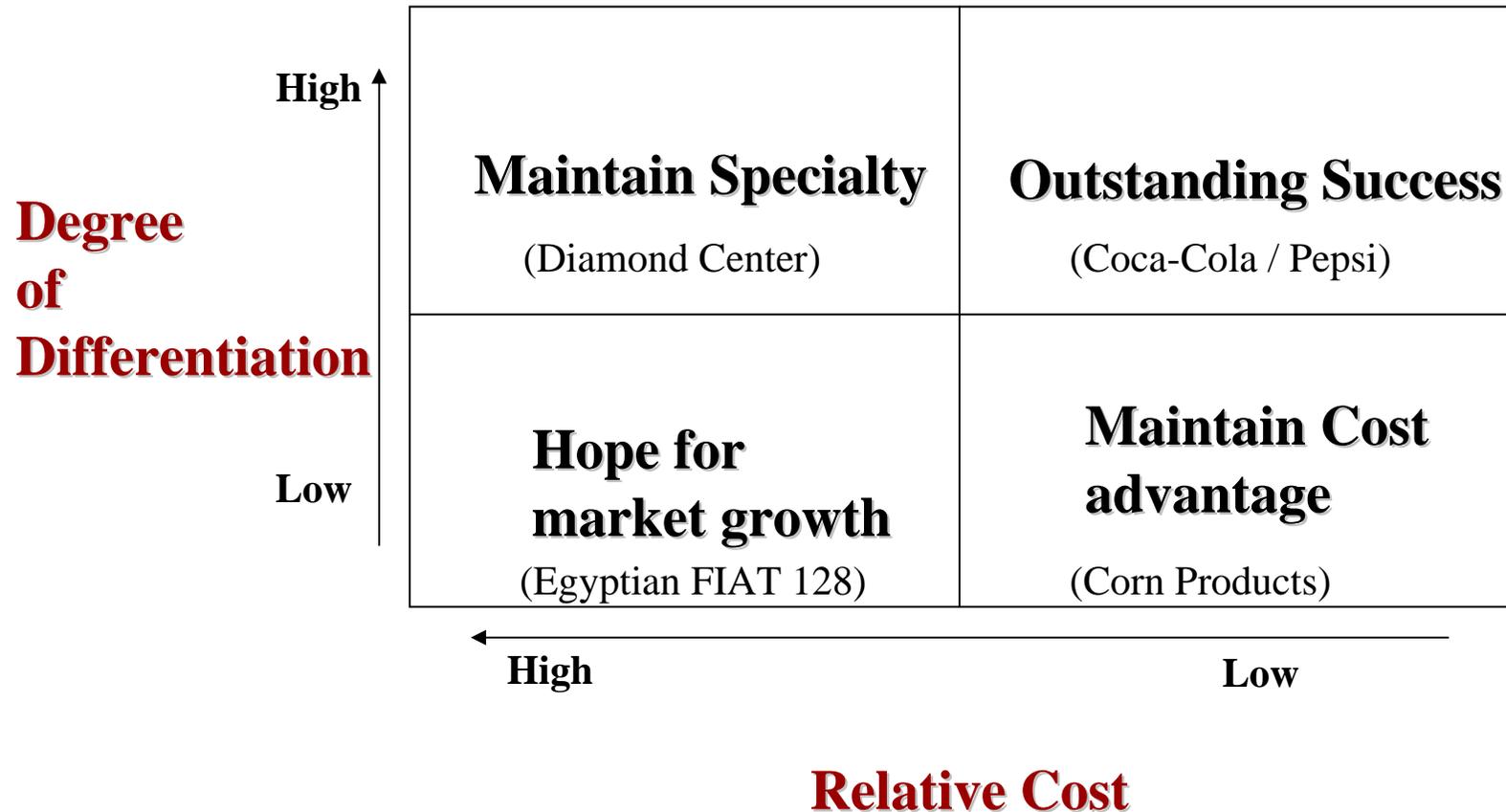
## Ansoff's Grid

	Current Products	New Products	
Current Markets	1-Market Penetration Strategy	3-Product development Strategy	Ansoff's Grid
New Markets	2-Market Development Strategy	Diversification Strategy	

# BCG Matrix



# Business Marketing Strategy Competitive Advantage



# Segmentation

These segmentation variables can be used singly or in combination

## Geographic

Calls for dividing the market into different geographical units such as states, regions, counties & neighborhood

- Region
- City or Metro size
- Density
- Climate

## Demographic

- Age
- Family Size
- Family lifecycle
- Gender
- Income
- Education
- Occupation
- Religion
- Race
- Generation
- Social Class
- Nationality

## Psychographic

- Lifestyle
- Personality

## Behavioral

- Occasions
- Benefits (Unique selling proposition) Crest
- User status
- Usage Rate
- Loyalty Status: - high-core loyals – Split loyals – Shifting loyals - switchers
- Buyer-readiness stage
- Attitude toward product

# Targeting

## Single segment Concentration

	M1	M2	M3
P1			
P2			
P3			

The company selects a single segment, it gains a strong knowledge of the segments needs & wants & achieves a strong market position in the segment



## Selective Specialization

	M1	M2	M3
P1			
P2			
P3			

The company selects a number of segments all fits objectives & resources. & all promises to be money makers



## Product Specialization

	M1	M2	M3
P1			
P2			
P3			

The company concentrates on a certain product that it sells to several segments. It builds a strong reputation in the specific product area



## Market Specialization

	M1	M2	M3
P1			
P2			
P3			

The company concentrates on serving many needs of a particular customer group. It builds a strong reputation in serving this customer group



## Full Market Coverage

	M1	M2	M3
P1			
P2			
P3			

The company serves all customer groups with all the products they might need. Only very large firms can undertake a full market coverage strategy



# Differentiation & Positioning

## Tools for competitive Differentiation

### Product

- **Features**

Characteristics that supplement the product's basic function  
McDonald's

- **Performance Quality**

The level at which the product's primary characteristics operates  
Mercedes

- **Conformance Quality**

Degree to which produced units are identical & meet promised specs  
(Perceived quality is more imp. than technical quality)

- **Durability**

The product operating lifecycle under natural & stressful conditions

- **Reliability**

The measure of the probability that a product will not malfunction or fail within a specified period of time

- **Style**

The product's looks & feel to the customer

- **Design**

- **Reparability**

### Service

- **Ordering Ease**

Metro

- **Delivery**

Speed, accuracy & care attending

Pizza Hut

- **Installation**

Work done to make a product operates in its planned location

- **Customer training**

Training customer employees

McDonald's

- **Customer Consulting**

Data information & advising services

- **Maintenance & repair**

Helping customers to have the product in a good working order

Cisco

- **Miscellaneous Services**

# Differentiation & Positioning

## Tools for competitive Differentiation

### Personnel

- **Competence**  
Required skill & knowledge
- **Courtesy**  
Friendly respectable & considerate
- **Credibility**  
Trustworthy
- **Reliability**  
The employees perform the service consistently & accurately
- **Responsiveness**  
Respond quickly to request & problems
- **Communication**  
Make an effort to understand customers & communicate clearly

### Channel

- **Coverage**  
Chipsy
- **Expertise**
- **Performance**

### Image

- **Identity Vs Image**  
Identity is the ways that the company aims to identify itself or position its product.  
Image is how the public perceives the company or its products  
**Marlboro**
- **Symbols**  
Triggers company or brand recognition (Brand Logos)  
**Apple**
- **Written & audiovisual Media**  
Convey a storyline or mood or a performance level  
**Malaysia**
- **Atmosphere**  
Physical space in which the company produces or delivers its products  
**Morgan Stanley**
- **Events**  
The company could build an identity through the type of event it sponsors  
**Vodafone**

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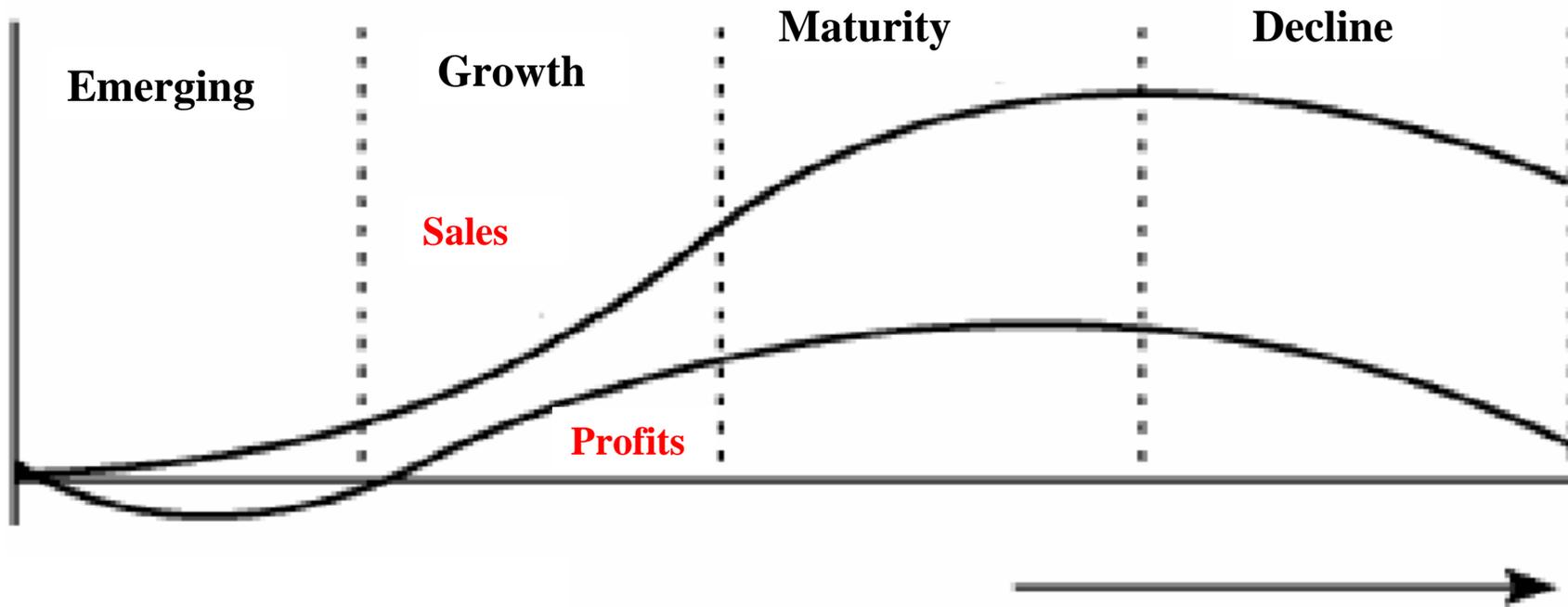
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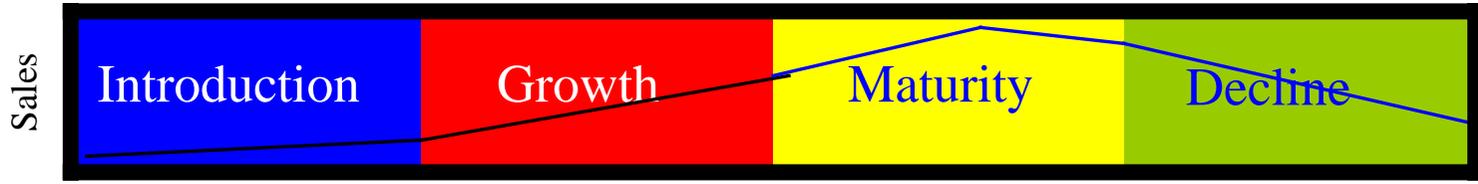
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	Arial				
	Era				

# Product Life Cycle

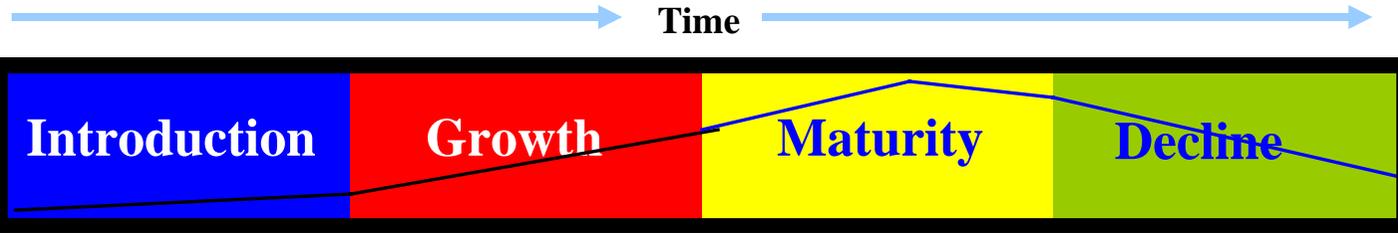


PLC



Sales	Low	Rising	Peak	declining
Costs/ Consumer	High	Average	Low	Low
Profits	Negative	Rising	High	declining
Customer	Innovators	Early adopters	Middle Majority	Laggards
Competitor	Few	Growing	Stable No.	declining
Objectives	Product awareness	Max Market Share	Max. Profit	Reduce Expenditure

1-Characteristics & Objectives



<b>Sales</b>	<b>Introduction</b>	<b>Growth</b>	<b>Maturity</b>	<b>Decline</b>
<b>Product</b>	Offer a basic product	Offer extensions & services	Diversify brands & models	Phase out Weak items
<b>Price</b>	Cost plus	Penetrating price	Matching best Competitor's	Cut price
<b>Place</b>	Selective Distribution	Intensive Distribution	More intensive Distribution`	Phase out unprofitable outlets
<b>Advertising</b>	Build awareness- Early adopters	Build awareness- Mass market	Brand differences & benefits	Reduce
<b>Sales Promotion</b>	Heavy	Reduce to take adv of heavy demand	Increase to encourage	Reduce to Minimal level

## Price Setting

# Price

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# Place: Distribution

Distribution

Distribution Channel types & levels

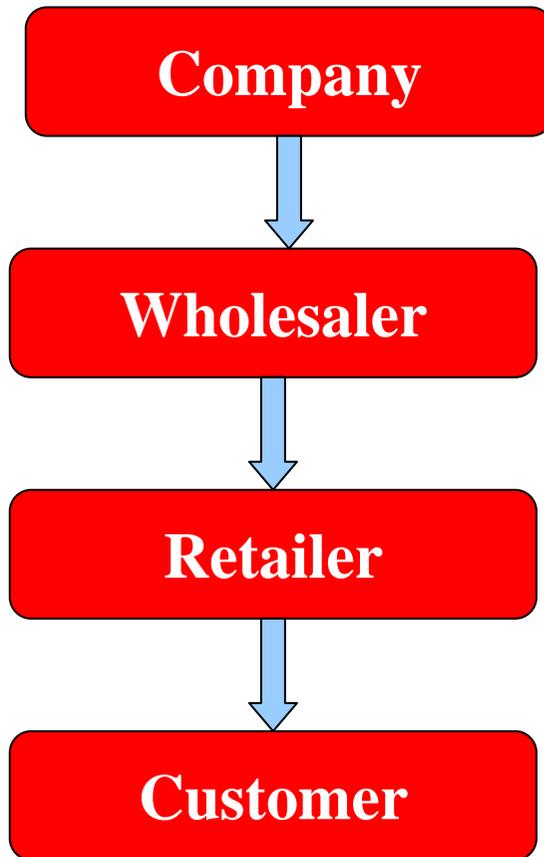
Consumer Marketing Channels



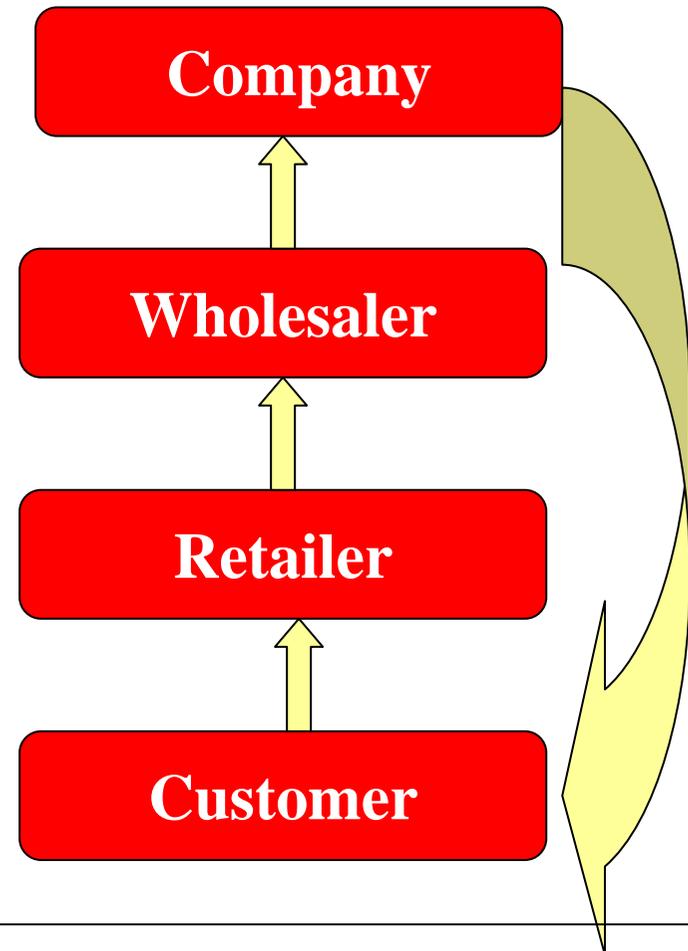
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### Push Strategy



### Pull Strategy



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## Communications Mix

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Print ads	Contest, games	Press release	Sales Presentation	Catalogs
Broadcast ads	Lotteries	Speeches	Sales Meetings	Telemarketing
Billboards	Gifts	Seminars	Incentives	Email
Display sign	Sampling	Sponsorship	Trade Shows	Tel
Packaging-outer	Trade-in	Charities		Fax
Packaging-insert	Rebate	Events		Mailings
Motion Pictures	Coupons	Co. Magazine		E-shopping
Brochures	Low-interest-finance	Lobbying		
Point-of-purchase-display				

# Tendency to Buy

<p>Well-Known</p> <p><b>Customer knowledge of Company</b></p> <p>Un-known</p>	<p><b>Promotion &amp; Sales, Distribution are key</b></p> <p>(Chipsy )</p>	<p><b>You have it made</b></p> <p>(Coca-Cola / Pepsi)</p>
	<p><b>Focus differentiation Required (Product/Price)</b></p> <p>(water)</p>	<p><b>Sales, Advertising and Branding are keys</b></p> <p>(Labanita)</p>

Undifferentiated

Unique

**Product Characteristics**

# Summary / Recommendations

- Who is the target market?
- What is their needs?
- How does your company satisfy these needs:
  - Product
  - Price
  - Place
  - Promotion