

Marketing Mix



Product, Price, Place and Promotion

Marketing Mix: Product



- Challenges in creating new products
 - idea shortage; fragmented markets
 - social & governmental constraints; cost
 - capital shortage; need for speed; short PLC
- Why new products fail
 - overestimated demand; poor design
 - poor marketing execution; high development costs
 - strong competitive reaction

Marketing Mix: Product



- New Product Development Process
 - idea generation & screening
 - concept development and testing
 - marketing strategy development
 - business analysis
 - product development
 - market testing
 - commercialization

Marketing Mix: Product Classification



- Convenience products
 - low priced, many locations, bought frequently
- Specialty products
 - special purchase effort, unique, brand identification
 - exclusive distribution
- Shopping products
 - Bought on suitability, quality, price and style
- Unsought products
 - New innovation, requires advertising and selling

Marketing Mix: Product Mix



- Width
 - number of different product lines
- Length
 - total number of items within the lines
- Depth
 - number of versions of each product

New Product Development



- What characteristics do you innovate
 - location,
 - flavor,
 - price,
 - size,
 - experience
 - ??????????

New Product Development



- For example, Marriott stretched their product two ways:
 - Quality: 4 Levels -- Superior, good, standard, and economy
 - Price: 4 Levels -- High, above average, average and low
 - Resulting Names: Marriott Marquis, Marriott Middle, Courtyard, Fairfield Inn

Brand Strategy



- With existing brand name
 - use brand extensions or develop a new brand name.
- With existing product category
 - use line extensions with existing brands or develop multiple brands
- Good brand names:
 - suggest product qualities or benefits
 - are distinctive, but easy to pronounce and remember
 - lack poor foreign language meanings

Marketing Mix: Price



You don't sell through price. You sell
the price! A Price is:

“What You Think your product is Worth
to That Customer at That Time.”

Jay Klompmaker's 4 C'S of Pricing



- What is the highest price I can charge and still make the sale?
 - Customers
 - Competitors
- Am I willing and able to sell at that price?
 - Costs
 - Constraints

Marketing Mix: Setting Pricing Policy



- 1. Setting the pricing objective
- 2. Determining demand
- 3. Estimating costs
- 4. Analysing the competition:
 - costs, price, and offers
- 5. Selecting a pricing method
- 6. Selecting the final price

Determining Demand



- Price Sensitivity
 - Unique Value
 - Substitute Awareness
 - Total Expenditure (Cost of Ownership)
 - Inventory
- Estimating demand curves
- Price elasticity of demand

Estimating Demand



- Estimating demand curves
 - Statistically analyze past relationships between price, quantities sold and other factors
 - Conduct price experiments (Field or Lab)
 - Ask Buyers to state how many units they would buy at various prices or at what price they would be willing to purchase

Estimating Costs



- Types of costs
 - Fixed or Overhead
 - Variable
 - Marginal
- Do you know your costs of production
- Experience or learning effects
- Differentiating marketing offers
- Target costing

Selecting a Pricing Method



- Markup pricing
- Target return
- Value in use
- Value
 - everyday low pricing
- Going rate
- Sealed-bid

Price Discounts and Allowances



- Cash discount
- Quantity discount
- Functional discount
 - Trade discounts to channel members
- Seasonal discount
- Allowances
 - Trade in Allowance or Promotional Allowance

Promotional Pricing



- Loss-leader pricing
- Special event pricing
- Cash rebate
- Low interest financing
- Longer payment terms
- Warranties & service contracts

Initiating Price Cuts: Traps to Avoid



- Low quality trap
 - Price-quality relationship
- Shallow pockets trap
 - Strongest firms may be able to cut price and still make a profit!
- Fragile market share trap
 - LOYALTY cannot be bought!

How to Avoid Raising Prices



- Shrink amount of product
- Less expensive ingredients
- Remove features
- Remove/reduce services
- Less expensive packaging
- Create new, economy brands

Factors Affecting Price Sensitivity



- Perceived substitutes
- Unique value effect
- Switching cost
- Difficult comparison effect
- Price-quality effect
- Fairness effect

Pricing Strategies



- Skimming
- Sequential skimming and penetration
- Neutral
- Segmented
 - Purchase location
 - Time of purchase
 - Quantity purchased
 - Product bundling
 - Tie-in/metering

Retailing and Market Logistics



“When it absolutely, positively, has to
be there overnight”

Goals of Distribution System

- Provide a targeted level of customer service at the least cost
- Maximise profits, not sales
- Higher distribution costs/higher customer service levels
- Lower distribution costs/lower customer service levels

Retailing Marketing Decisions



- Target market
 - must profile the customer segments you seek
 - marketing research is critical to determine effectiveness
- Product assortment and procurement
 - match target market's expectations
 - breadth and depth
 - must develop a differentiation strategy
- Services offered
 - what service mix do you offer?

Retailing Marketing Decisions



- Store atmosphere
 - layout, mood, music, scents, lighting, image, texture,
- Promotion decision
 - tools must fit image, must match target market
- Place decision
 - “location, location, location,”
- Price decision
 - must be based on target market and store image

Retail Trends



- New retail forms and combinations
- Growth of non-store retailing -- direct marketing
- Cross-category competition
- Mass merchandisers vs. specialty retailers
- Global competition
 - McDonalds, KFC, WalMart
- Technology
 - customer interface
 - supplier interface

Logistics and Marketing Channels

- Distribution involves getting the product to where it is needed in the most effective and efficient manner.
- Supply chain management (a more integrated approach) has replaced simple distribution in the most effective/efficient channels
 - WalMart
 - Federal Express

Market Logistics

- Involves planning, implementing and controlling the physical flow of goods to points that meet customer requirements -- at a profit
- Logistics costs are not necessarily maximized by asking each logistics manager to minimize his or her costs
 - rail is less expensive than air, but is much slower which may increase costs of stock-outs or perishable goods
 - cheap shipping containers may cost less but increase damaged goods

Market Logistics Decisions



- Order processing
 - key is to reduce the elapsed time between order receipt, fulfillment and payment
- Warehousing
 - key is to reduce total warehousing costs without incurring stock-outs
- Inventory
 - higher levels of service require greater inventory and/or better logistics management
- Transportation

Key Market Logistics Question



- How do we increase the efficiency of our supply chain management without decreasing the effectiveness of that supply chain?
- The firms that best resolve this question will be the most successful

*MARKETING MIX: Communication
(Advertising and Sales Promotion)*



Targeting Businesses and Consumer
with the Correct Message & Media

Marketing Communications Mix



- **Advertising:** Paid form of non-personal presentation by a sponsor
- **Sales Promotions:** Short-term incentive to encourage trial or purchase
- **Public Relations:** Protect and/or promote the firm's image/products
- **Personal Selling:** Personal presentations
- **Direct Marketing:** Direct communications. Goal: immediate response

Elements in the Communications Process



- Sender
 - encoding
- Message/Media
- Noise
- Receiver
 - decoding
- Response
 - feedback
 - purchase

Designing the Message



- Message content
 - rational, emotional and/or moral appeals
- Message structure
 - draw conclusions, argument
- Message format
 - Layout, words, sounds, body language
- Message source
 - expertise, trustworthiness, matching

Communication Strategy: Push vs. Pull



- Pull strategies focus on getting the customer to request or demand the product from the retailer or intermediaries (middle-men)
- Push strategies focus on getting the product distributed through the channels so that the various intermediaries have the product on hand and are actively promoting the product.

Major Media: Advantages/Disadvantages



- Broadcast
 - appeals to senses, large audience
 - high cost, high clutter, fleeting exposure
- Direct Mail
 - audience selectivity, flexibility, personalization
 - relative high cost, “junk mail” image
- Newspapers:
 - flexible, local coverage, believable, accepted
 - short-life, poor reproduction quality

Major Media: Advantages/Disadvantages



- Magazines
 - high geographic and demographic selectivity, credible, prestigious, high quality reproduction, long-life
 - long ad purchase lead time, waste circulation, no guarantee of position
- Outdoor
 - flexible, high repeat exposure, low cost, low message competition
 - little audience selectivity, creative limitations

Message Execution



- Testimonial evidence, scientific evidence
- Technical expertise
- Personality symbol
- Musical
- Mood/Image
- Fantasy
- Lifestyle
- Slice of life

Managing Promotions



- Defining objectives
 - Flows from overall marketing strategy
 - Must Address advertising strengths -- create awareness, provide information, influence attitudes, and reminding.
 - Objectives should be written
 - Objectives should be specific
 - Objectives should be measurable

Decision Stages in Promotion Planning



- Set objectives and define target market
- Determine budget
- Determine creative strategy
 - intended positioning
 - give direction for message creation
- Develop message
 - focus on benefits and image
- Select media
- Evaluate effectiveness

Budgeting



- Rule of thumb
 - Percentage of sales
 - What the competition does
- Objective-task method
 - Set Objectives -- sales volume, share, etc.
 - Assess necessary functions to be performed
 - Define specific goals for advertising

Direct Mail



- Equals 10-50 media exposures
- Efficient with good lists
 - Industrial directories
 - Lists bought from trade publications
 - Lists bought from mailing list houses
 - Self-generated lists from previous customers & prospects
- When buying center is identified, it is a cost effective promotional tool

Consumer Promotion Tools



- Samples
- Games and Sweepstakes
- Coupons
- Cash refund
- Price packs
- Point-of-Purchase displays
- Advertising specialties
- Contests
- Patronage rewards (frequent buyer cards)

Trade Promotion Tools



- Price-offs
- Allowances
- Premiums
- Free Displays
- Buy-back guarantee
- Free goods
- Discounts
- Push money
- Specialty advertising items

E-Marketing



- Database Marketing
- Internet Programs
- Website

Measuring Effectiveness



- Target market coverage
- Key buying motives
- Effectiveness of message itself
- Media effectiveness
- Overall results

Trade Shows



- Benefits of trade shows
 - Sales message delivered
 - New products introduced
 - Customer gets “Hands-On” experience
 - Generate prospects
 - Enhance goodwill
 - Free publicity for firm

Evaluating Trade Show Performance



- Attraction efficiency
 - booth size
 - show promotion
 - attention getting techniques
- Contact with salesperson
- Sales leads generated
- Sales Closed (short-term & long-term)

Public Relations



- Types of PR
 - web site
 - news reports
 - speeches
 - special events
 - audio-visual materials
 - public service activities
 - written materials

Managing the Sales Force



Sales Force Management: Designing,
Organizing and Motivating the Sales
Force

Sales Force Tasks



- Prospecting
- Targeting
- Communicating
- Selling
- Servicing
- Information gathering
- Allocating

When to use Personal Selling

- Tight budget (use straight commission)
- Product must be customized
- Personal contact important
- Must demonstrate product
- Product involves a trade-in/up
- Concentrated market
 - few buyer
 - high value product

Designing the Sales Force



- A Sales Force should be designed around how customers want to buy
- Rackham indicates that there are 3 basic types of customers in terms of the value they seek
 - Transaction (intrinsic value)
 - Consultative Selling (extrinsic value)
 - Enterprise (extrinsic value)

Designing the Sales Force



- Value = Benefits - Costs
- Intrinsic value: Value is intrinsic to the product itself. These customers focus on the cost elements of value and generally know the product well.
- Extrinsic value: Value is not only in the product itself but also lies in how the product is used. They value extra services.

Designing the Sales Force



- The organisation, motivation and compensation of the sales force should reflect the values sought by the customer.
- Most firms have some intrinsic value customers and some extrinsic value customers.
- They cannot be efficiently served by the same sales process!

Designing the Sales Force



- Types of sales positions/representatives:
 - Deliverer
 - Order taker
 - Missionary
 - Technician
 - Demand creator
 - Solution vendor

Organising the Sales Force



- Needed information:
 - Sales force goals and objectives
 - Determine the type of sales call needed
 - Determine how long is needed for an effective sales call (intrinsic & extrinsic)
 - Number of each type of customer to be contacted
 - Number of salespeople required

Organising and Managing the Sales Force



- Sales management functions:
 - Recruiting & selecting; Training & coaching
 - Supervising; Motivating; Evaluating
- Possible sales force structures
 - Territorial; Product; Market; Customer type
 - Complex (combination)

Managing the Sales Force



- Recruiting and selecting
 - Critical sales management function (Pareto's Law)
 - What skills are required
 - With whom will the salesperson interact
 - Turnover issues
 - Profitability issues

Managing the Sales Force



- Training
 - Needed knowledge includes the:
 - firm itself
 - product/service offerings
 - customers & competitors
 - sales presentation skills
 - field procedures and responsibilities
 - negotiation skills
 - relationship building skills

Managing the Sales Force



- Supervising
 - Call planning
 - Sales skills
 - Norms for prospecting calls
 - Norms for current customer calls
 - Time management!
 - Goals is to increase a salesperson's effective selling time (currently often less than 25%)

Managing the Sales Force



- **Motivating salespeople**
 - most people work below capacity
 - salespeople have a difficult job
 - face rejection constantly
 - work harder & work smarter
 - financial rewards should fit the sales position
 - recognition rewards should fit the person

Managing the Sales Force

- Evaluating - You get the behavior that you reward!! You should evaluate a salesperson on things he/she can control!
 - Sales reports of activity
 - Profitability
 - Sales volume
 - Quota (linking past & current performance)
 - Sales expense vs. results
 - Sales by line or product class

Enhancing the Sales Function



Making your sales force a more
effective unit

Enhancing Sales Skills



- Prospecting & qualifying
- Preliminaries
- Investigation of needs
- Presentation & demonstration
- Handling objections
- Closing
- Follow-up

Sales Skills: Prospecting

- Key is to find customer in the most efficient & effective manner
 - past sales records
 - directories
 - personal observation
 - referrals
 - phone books
 - membership is organisations
 - promotion efforts

Sales Skills: Preliminaries

- Key is to know what is expected in this area
- Always meet or exceed expectations
- identify:
 - who you are
 - who you represent
 - engage in ice-breaker conversation (small talk)
 - present a professional appearance
 - excellent grooming

Sales Skills: Investigation

- Most important issue in personal selling
- Key is to find customer needs so that the sales presentation addresses the customer, not the seller
 - let the customer talk
 - ask relevant questions
 - SPIN selling approach or other questioning technique
 - cater presentation to your discoveries during the investigation phase

SPIN SELLING

- **Situation** - Where is the firm right now?
- **Problem** - What Problems do they face?
- **Implication** - How do those Problems affect the firm?
- **Need-Payoff** - What is the value in solving the Problem?
- **Establish** a basis for closing

Sales Skills: Handling Objections



- First, try to make a presentation that addresses all of the commonly voiced objections
- Make it acceptable to have a question or objection
- Process for handling objections:
 - acknowledge & confirm
 - verify
 - respond
 - trial close

Sales Skills: Closing

- If you have made an excellent presentation closing is easy
- It is the logical thing to do at that point in the presentation
- Avoid closing “techniques”
- Directly ask for the sale
 - balance sheet approach
 - summary of benefits
 - direct close

Sales Skills: Follow-up

- Critically important to obtain future business
- Requires an understanding of what the customer expects
- Requires organisation
- When done well, it sets a salesperson apart from the competition
 - expectations (frequency, timing)
 - thoroughness

BUILDING BUSINESS RELATIONSHIPS



Suppliers and customers develop
relationships: A new way of doing
business?

BUYER-SELLER RELATIONSHIPS

- Relationships have a long-term orientation
- The salesperson or customer contact point serves as a creator of value -- not just a source of information
- Requires detailed knowledge to match offering with needs and to think creatively about other needs

RELATIONSHIPS IN INTERNATIONAL MARKETS



- In many cultures personal relationships precede business relationships
- Take time to develop
- Examples:
 - Keiretsu is a strategic partnership among a group of firms -- not restricted to two firms
 - Friendship & trust are required to do business

TRUST



- Between organisations, Trust is developed by:
 - Building credibility
 - Experience with that partner
 - Exceeding expectations
 - Coordination of the supplying firm's interaction with the customer
- How a salesperson can build Trust
 - Dependability; Competence; Customer orientation
 - Honesty; Personable

COMMUNICATION



- Key to building relationships
- Knowledge is important
- Understand communication style of the customer
 - Social style
 - Personality
 - Current factors
 - international/cultural

SHARED GOALS



- Cooperation leads to profits
 - P&G -- WALMART
 - J&J -- KMART
 - J.I.T. Inventory issues in these examples
- Clear goals
- Measurable goals
- Performance metrics

MUTUAL GAIN



- Think win-win
 - Look for overlapping opportunity
- Collaboration
 - Design collaboration with customer or supplier
 - Shared costs
- Mutual dependency is best
- Credible commitments
 - On location staff

SUPPORT



- Structure
 - Structure accounts for success
 - Provide necessary resources
 - Lines of authority and communication
- Corporate culture should
 - Emphasize needed behaviors
- Train for required tasks
- Rewards
 - Reward appropriate behaviors

SALESPERSON ROLE IN THE SUPPLIER FIRM



- Relationship managers -- not salespeople
 - Long-term focus
 - Current sales is important but not critical
 - Communication at various levels is important
- Technology is critical
 - Link the two firms electronically when possible
 - Electronic ordering
 - Personal

STAGES OF RELATIONSHIPS & PARTNERSHIPS



- Awareness
- Exploration
- Expansion
- Commitment
- Dissolution
- Involves testing and consistent performance at each stage

EXPLORATION



- An initial test
- Manage expectations
- Monitor order processing
- Ensure initial satisfaction
- Complaints ?

EXPANSION



- A more detailed testing period
- Be present at buying times
- Service is key
- Provide expert knowledge
- Provide special assistance
- Manage quality of the experience

COMMITMENT



- Capability
- Organisation
- Financial health
- Culture
- Willingness to commit resources
- Ethics

DISSOLUTION



- To avoid relationship dissolution:
 - Salesperson should be a change agent
 - Enhance personal relationships
 - Develop internal champions in customer firms
 - Monitor competitors
 - Avoid complacency!

NECESSARY SKILLS FOR RELATIONSHIP BUILDING



- Excellent communication
- High ethical standards
- Knowledge
 - Product
 - Customer
 - Market
- Patience
- Negotiation skills