

# BA 291 – MARKETING

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## Marketing

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Marketing: A process of planning and executing the conception, distribution, promotion, and pricing of ideas, goods, services, organizations, and event to create relationships that satisfy individual and organizational objectives.



## Benefits of marketing

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### Social & economic

- Boost economic
- Income distribution and increase employment

### Business organization

- raise revenues
- Main business task

### Customer

- Increase product varieties
- Intensiver competition – therefore higher quality goods at lower price

## Evolution of marketing concept

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### Production Orientation

- from industry revolution until early 1920s
- a firm should focus on those products that it could produce most efficiently
- „Can we produce the product?„ ; „Can we produce enough of it?“

### Sales Orientation (selling concept)

- early 1930s
- companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling
- „Sell what we can make“

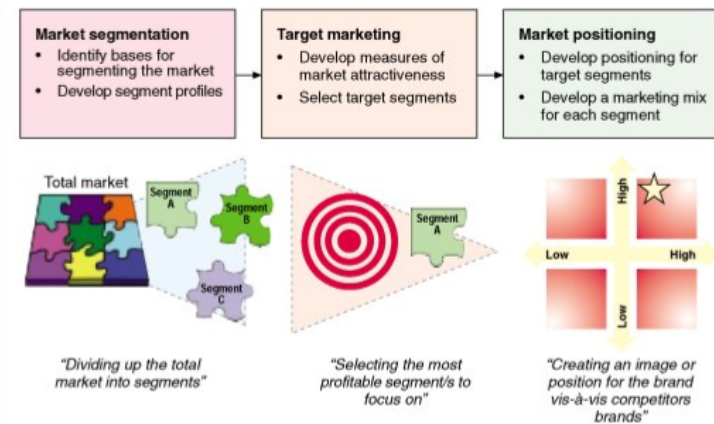
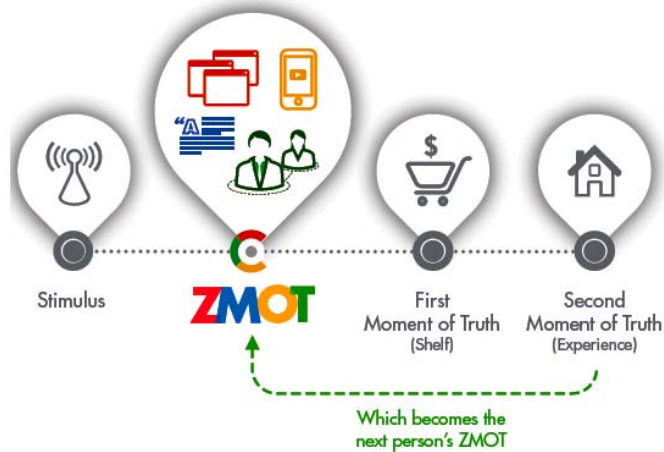
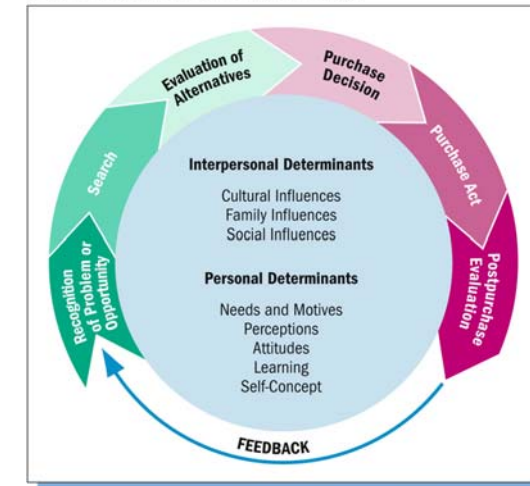
### Marketing Orientation

- After WWII
- Focusing on customer needs before developing the product
- „Make what we can sell“

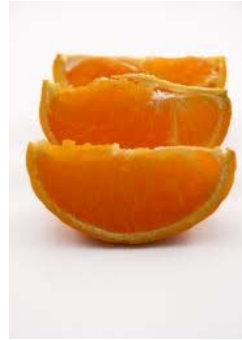
- Buying
- Selling
- Transporting
- Storing
- Grading
- Financing
- Marketing research
- Risk taking



Steps in the Consumer Behavior Process

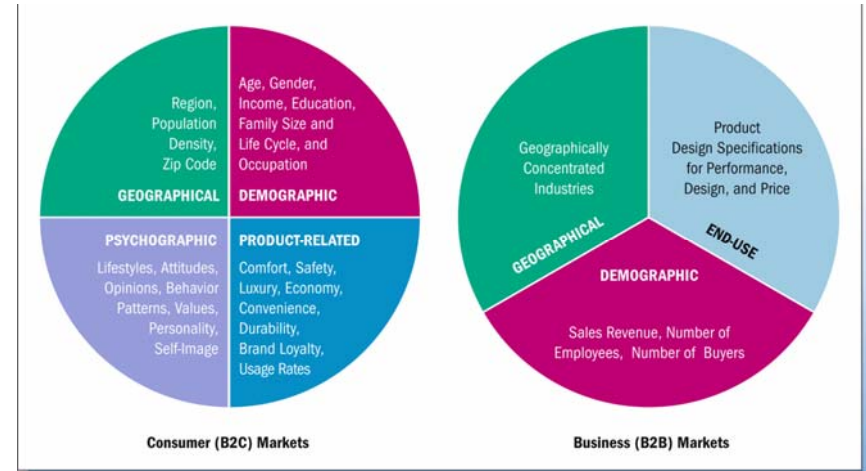


# Market Segmentation



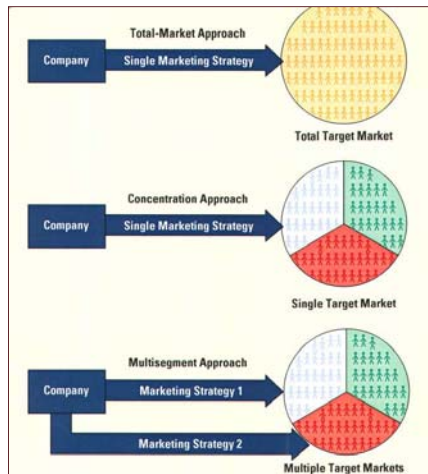
Market Segmentation: A strategy whereby a firm divides the total market into groups of people who have relatively similar product needs

# Market segmentation methods



# Target market selection

*Target Market* – very specific group of consumers that a company focuses its marketing efforts to



# Marketing Mix



Anything that can be offered to a market for attention, acquisition, use or consumption

Products can be:

- ▣ Physical Products
- ▣ Services
- ▣ Persons
- ▣ Places
- ▣ Organizations
- ▣ Ideas
- ▣ Combinations of the above



### Core Product

- The problem solving services or core benefits that consumers are really buying when they obtain a product.
- Examples:
- Locks and alarms provide security.
- Drills provide holes.
- Cars provide transportation.
- Cameras provide memories

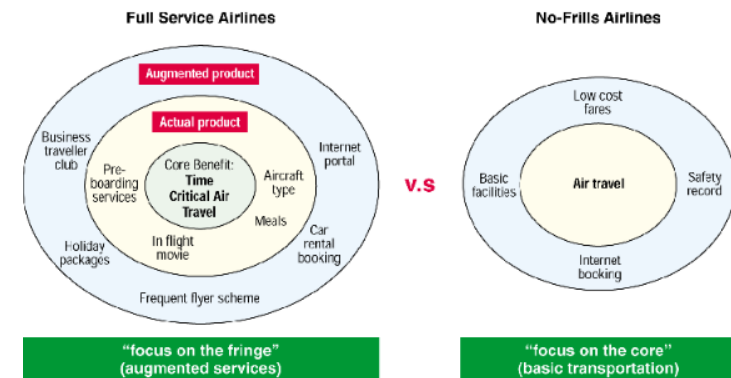
### Actual Product

- The actual product that the customer buys.
- The specific offering aimed at the market
- Tangible features associated with the product. The elements that combine to deliver core product benefits.
- These five elements that are blended to make up the actual product are: design, style, features, quality and packaging

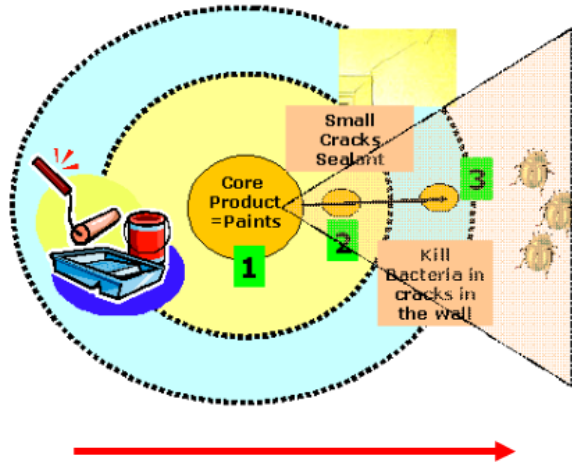
### Augmented Product

- The additional bundle of benefits purchased with the actual product.
- Additional consumer services or benefits.
- The term covers both
  - Tangible features (e.g. after sales service, warranties)
  - And intangible features (brand values) of the product.

## Comparison of the Product Concepts of Full Service vs No Frills or Budget Airlines



## Growing the product concept: Household Paints



**Consumer products:** Merchandise or other item of common or daily use, ordinarily bought by individuals or households for private consumption. See also consumer goods.

**Industrial products:** Machinery, manufacturing plants, materials, and other goods or component parts for use or consumption by other industries or firms.

- Materials and parts
- Capital items
- Supplies and services

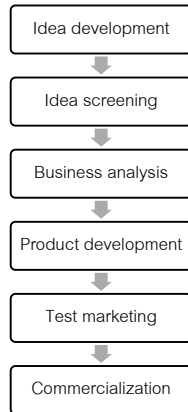
<p><b>Convenience Products</b></p> <ul style="list-style-type: none"> <li>&gt; Buy frequently &amp; immediately</li> <li>&gt; Low priced</li> <li>&gt; Many purchase locations</li> <li>&gt; Includes:             <ul style="list-style-type: none"> <li>• Staple goods</li> <li>• Impulse goods</li> <li>• Emergency goods</li> </ul> </li> </ul>	<p><b>Shopping Products</b></p> <ul style="list-style-type: none"> <li>&gt; Buy less frequently</li> <li>&gt; Gather product information</li> <li>&gt; Fewer purchase locations</li> <li>&gt; Compare for:             <ul style="list-style-type: none"> <li>• Suitability &amp; Quality</li> <li>• Price &amp; Style</li> </ul> </li> </ul>
<p><b>Specialty Products</b></p> <ul style="list-style-type: none"> <li>&gt; Special purchase efforts</li> <li>&gt; Unique characteristics</li> <li>&gt; Brand identification</li> <li>&gt; Few purchase locations</li> </ul>	<p><b>Unsought Products</b></p> <ul style="list-style-type: none"> <li>&gt; New innovations</li> <li>&gt; Products consumers don't want to think about</li> <li>&gt; Require much advertising &amp; personal selling</li> </ul>

Figure 13.1 Marketing Impacts of Consumer Product Classifications



Marketing Strategy Factor	Convenience Product	Shopping Product	Specialty Product
<b>Purchase Frequency</b>	• Frequent	• Relatively infrequent	• Infrequent
<b>Store Image</b>	• Unimportant	• Very important	• Important
<b>Price</b>	• Low	• Relatively high	• High
<b>Promotion</b>	• By manufacturer	• By manufacturer and retailers	• By manufacturer and retailers
<b>Distribution Channel</b>	• Many wholesalers and retailers	• Relatively few wholesalers and retailers	• Very few wholesalers and retailers
<b>Number of Retail Outlets</b>	• Many	• Few	• Very small number; often one per market area

- New to the world product



- Improve, add features & functions



- Add product line

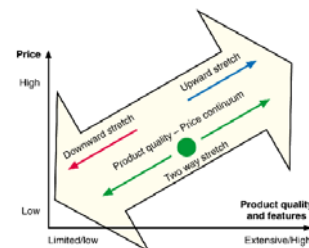
**Increase product mix:** the total composite of products offered by a particular organization, consists of both product lines and individual products

**Product mix width:**

Number of different product lines carried by company

**Product mix depth:**

Number of different versions of each product in the line



- **Product repositioning:** arranging for a product or brand to occupy some other clear and distinctive position in the market and in the minds of target consumers than that which it presently occupies



Product Attributes: quality (level of performance, consistency), differentiated features, style, design

Branding: sign, symbol, color, word, logo or a combination of these

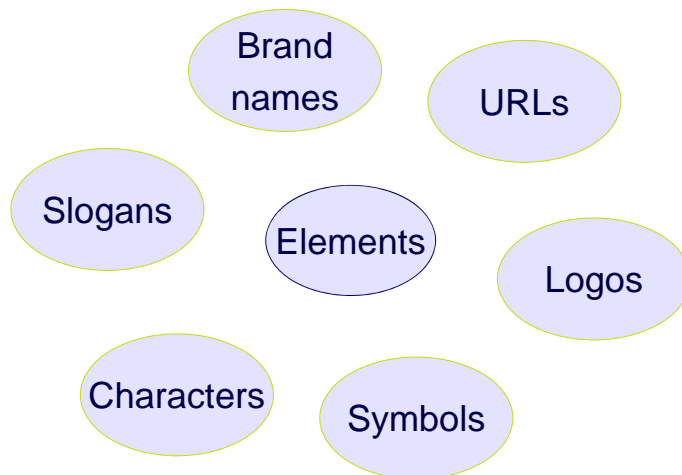
Packaging: packaging concept, element, product safety, environment concern

Labeling: identify, describe ingredient, instructions, promote

Product support: services, after sale service

## Branding Strategy

- Brand equity: added value that a widely respected, highly successful name gives to a product in the marketplace.
- Brands with strong equity have many competitive advantages:
  - ▣ High consumer awareness
  - ▣ Strong brand loyalty
  - ▣ Helps when introducing new products
  - ▣ Less susceptible to price competition



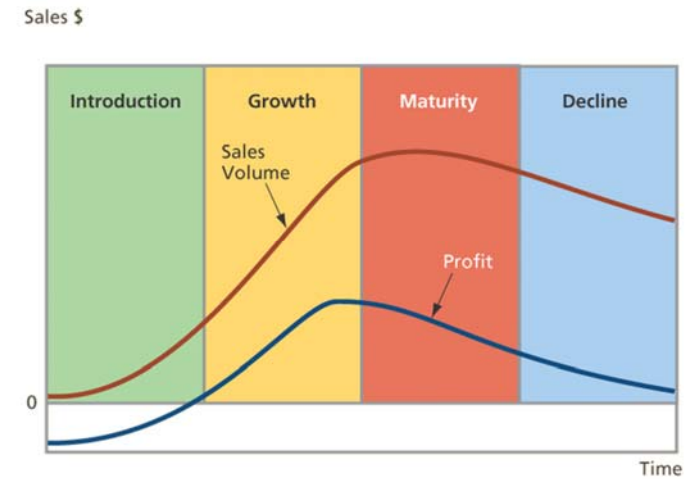
Desirable qualities for a brand name

Include:

- It should be easy to pronounce, recognize and remember
- It should suggest product benefits and qualities
- It should be distinctive
- It should be extendable
- It should easily translate into foreign languages
- It should be capable of registration and legal protection

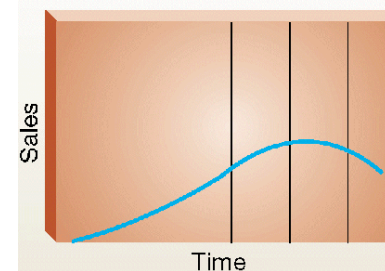


- Manufacturer brands
- Private (store) brands
- Licensed brands
- Co-branding
- Family brands



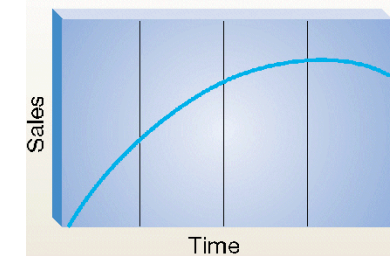
- **Introduction stage** – firm promotes demand for its new offering, informs the market about it, gives free samples to entice consumers to make a trial purchase, and explains its features, uses, and benefits.
- **Growth stage** - sales climb quickly as new customers join early users who are repurchasing the item. Company begins to earn profits on the new product.
- **Maturity stage** - industry sales eventually reach a saturation level at which further expansion is difficult.
- **Decline stage** - sales fall and profits decline.

## A. High learning product



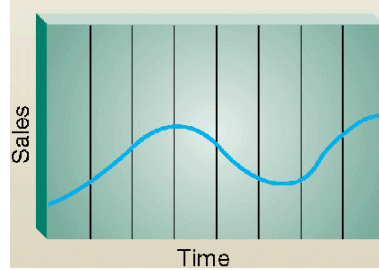
- Significant education of the customer is required.
- Extended introductory period

## B. Low learning product



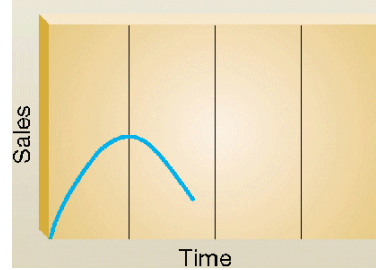
- Sales begin immediately
- Little learning is required by the consumer
- Benefits of purchase are readily understood

### C. Fashion product



- Most often appear in women's and men's clothing styles.
- Length of the cycles may be years or decades

### D. Fad product



- Rapid sales on introduction
- Equally rapid decline.
- Often novelties and have a short life cycle.

- price is the amount of money charged for a product or service
- price is the sum of all the values that consumers exchange for the benefits of having or using the product or service

Major consideration in setting price

- Customer perceptions of value
- Other internal and external considerations
  - ▣ Nature of the market and demand
  - ▣ Competitors' strategies and prices
- Product costs

- Cost-plus pricing
  - Adding a standard markup to the cost of the product
- Break-even pricing
  - pricing technique use to determine the minimum sales volume of a product must generate at the certain price level to cover the cost
- Target-return pricing
  - Set the price to achieve a target return-on-investment (ROI)

### Skimming Pricing

- Setting an intentionally high price relative to the prices of competing products.
- Helps marketers set a price that distinguishes a firm's high-end product from those of competitors.
- Helps a firm recover its product development costs before competitors enter the field.

### Penetration Pricing

- Setting a low price as a major marketing weapon.
- Often used with new products.

❑ By-Product Pricing

Pricing low-value by-products to get rid of them (e.g., animal manure from zoo).

❑ Product Bundle Pricing

Pricing bundles of products sold together (software, monitor, PC, and printer).

❑ Cash rebates, discount and allowance pricing (cash, quantity)

❑ Segmented Pricing

Selling a product or service at two or more prices, where the difference in prices is not based on differences in costs

❑ Psychological pricing

- Consumers usually perceive higher-priced products as having higher quality (symbolic/ prestige pricing)

- People will buy more of a product for 9.99 (Odd pricing)

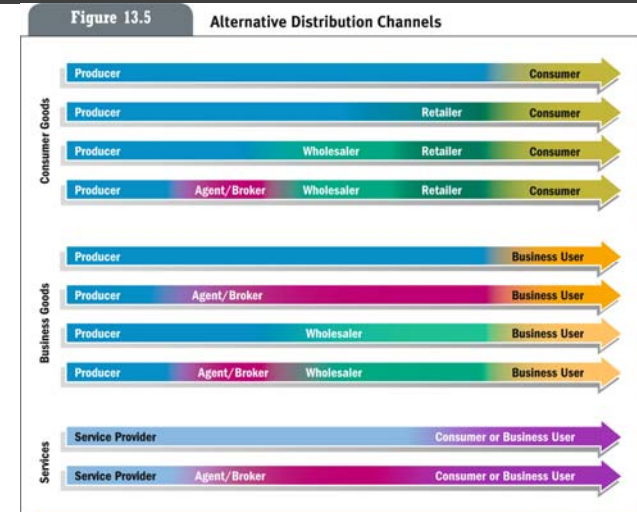
❑ Loss leader



Distribution decisions involve modes of transportation, warehousing, inventory control, order processing and selection of marketing channels.

Distribution channel: path through which products – and legal ownership of them – flow from producer to consumers or business users

Marketing intermediary (middleman) is a business firm that moves goods between producers and consumers or business users.



## Intensity of market coverage

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- **Intensive distribution**
  - ▣ Makes a product available in as many outlets as possible
  
- **Selective distribution**
  - ▣ Uses only a small proportion of all available outlets to expose products
  
- **Exclusive distribution**
  - ▣ Exists when a manufacturer gives a middleman the sole right to sell a product in a defined geographic territory

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## Promotion strategy

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### Integrated marketing communications (IMC)

- The integrating and coordinating the company's many communication channels to deliver a clear, consistent, and compelling message about the organization and its products.



Marketers must understand each promotion tool when shaping the marketing communications mix.

## Hierarchie of effect model of communication process

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Market: Target group

Mission: Objectives

Message: Content, Structure, Format, Source

Media: Personal, Non-Personal

Money (Marketing Budget)

Mix (Promotion Mix)

Measurement

The promotion mix is the specific blend of advertising, sales promotion, public relations, personal selling, and direct-marketing tools that the company uses to persuasively communicate customer value and build customer relationships.

### Major Promotion Tools

- ▣ Advertising.
- ▣ Sales promotion.
- ▣ Public relations.
- ▣ Personal selling.
- ▣ Direct marketing

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

- Broadcast
- Print
- Internet
- Outdoor



- ▣ Sales promotion is the short-term incentives to encourage the purchase or sale of a product or service.
- Discounts
- Coupons
- Displays
- Demonstrations



- Public relations involves building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events.

- Press releases
- Sponsorships
- Special events
- Web pages



- Personal selling is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.

- Sales presentations
- Trade shows
- Incentive programs



Direct marketing involves making direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships – by using direct mail, telephone, direct-response television, e-mail, and the Internet to communicate directly with specific consumers.

- Catalog
- Telemarketing
- Kiosks

- **Affordable budget method** sets the budget at an affordable level.
  - Ignores the effects of promotion on sales
- **Percentage-of-sales method** sets the budget at a certain percentage of current or forecasted sales or unit sales price.
  - Easy to use and helps management think about the relationship between promotion, selling price, and profit per unit
  - Wrongly views sales as the cause than the result of promotion

- **Competitive-parity method** sets the budget to match competitor outlays.
  - Represents industry standards
  - Avoids promotion wars
- **Objective-and-task method** sets the budget based on what the firm wants to accomplish with promotion and includes
  - Defining promotion objectives
  - Determining tasks to achieve the objectives
  - Estimating costs

- **Push strategy** involves pushing the product to the consumers by inducing channel members to carry the product and promote it to final consumers.
  - Used by B2B companies



- **Pull strategy** is when the producer directs its marketing activities toward the final consumers to induce them to buy the product and create demand from channel members.
  - Used by B2C companies

