MKT 470 – Class 5 – Sunday, November 28 2010

Chapter 5: Strategic Marketing Problems, Cases and Comments.
(Product and Service Strategy and Brand Management)

P. 109 – Case – John's Something Company – Read it.

Marketers face three offering-related strategy decisions:

- Modifying the Offering Mix
- Positioning Offerings
- Branding Offerings

The Offering Portfolio:
An offering consists of the benefits or satisfaction provided to target markets by an organization

It contains the following elements:

- Tangible Product / Service
- Related Services
- Brand Names
- Warranties / Guarantees
- Packaging
- Other Features

- **Focusing on an offering's benefits or satisfaction establishes a conceptual framework for marketers.**

This Framework is useful in:

- Analyzing competing offerings
- Identifying target market unmet needs and wants
- Developing new products or services

Offering Portfolio:

- Offering Mix / Portfolio
- Offering Lines
- Offering Items

Offering Mix / Portfolio Decisions:
- Width
- Depth
- Consistency

Bundling: is the marketing of two or more items in a single "package" that creates a new offering.

Modifying the Offering Mix:
- **Single Offering**
- **Entire Line Offering**

Questions to ask:
- **Consistency**: How consistent is the new offering with our current offerings?
- **Resources**: Do we have the resources to introduce and sustain the offering?
- **Market**: Will there be a viable market for our offering?

Read More About The Cannibalization Effect

Stages in the new-offering development process:
- Idea Generation
- Idea Screening
- Business Analysis
- Market Testing
- Commercialization

Idea Generation Sources:
- Employees
- Suppliers
- Buyers
- Competitors

- Ideas are obtained through marketing research (Normal) and informal means.

Idea Screening: Decisions are based on:

- Organizational Definition
- Organizational Capability
- Prospective Buyers

- Ideas deemed incompatible with organizational definition and capabilities will become quickly eliminated.

- **Idea Screening** assesses the match between prospective buyers and the proposed offering:

Business Analysis:

- Estimated Sales
- Estimated Costs
- Estimated Profits

- Forecasting Sales is difficult for new offerings

Profitability analyses relate to:

- Investment
- Break-Even
- Payback Period

Payback Period = Total Fixed Costs / Cash Flows

ROI = (Annual Net Earnings / Annual Investment) x Discounted Factor

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Market Testing: Test it..

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John's Blair Company Case: DUE SUNDAY 5 DECEMBER

Should focus on the DIY –
50% Sales for DIY
25% Professional
25%: Export, Government, Contractor Sales.

Page 155 Case: Kraft Food – Due on Tuesday 14 December

Product Life Cycle:

1- Introduction Stage
2- Growth Stage
3- Maturity-Saturation Stage
4- Decline Stage

Introduction Stage:

In the introduction stage, the firm seeks to build product awareness and develop a market for the product. The impact on the marketing mix is as follows:

- **Product** branding and quality level is established, and intellectual property protection such as patents and trademarks are obtained.
- **Pricing** may be low penetration pricing to build market share rapidly, or high skim pricing to recover development costs.
- **Distribution** is selective until consumers show acceptance of the product.
- **Promotion** is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

Growth Stage:

In the growth stage, the firm seeks to build brand preference and increase market share.

- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

Maturity-Saturation Stage:

At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit.

- **Product** features may be enhanced to differentiate the product from that of competitors.
- **Pricing** may be lower because of the new competition.
- **Distribution** becomes more intensive and incentives may be offered to encourage preference over competing products.
- **Promotion** emphasizes product differentiation.

Decline Stage:

As sales decline, the firm has several options:

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

The marketing mix decisions in the decline phase will depend on the selected strategy. For example, the product may be changed if it is being rejuvenated, or left unchanged if it is being harvested or liquidated. The price may be maintained if the product is harvested, or reduced drastically if liquidated.

Modifying the Offering:

- **Trading Up**
- **Trading Down**

Harvesting the Offering:

Eliminating the Offering:

Positioning is the act of designing an organization's offering and image so that it occupies a distinct and valued place in the target customer's mind relative to competitive offerings.

Positioning Approaches:

- **Strategies include Positioning by:**

a. Attribute or Benefit
b. Use or Application
c. Product or Brand User
d. Product or Service Class
e. Competitors
f. Price and Quality

Marketers often combine two or more of these strategies when positioning a product, service, or brand.

Positioning by Attribute or Benefit:
The most positioning strategy used.

Positioning Matrix:

Benefits of the Positioning Matrix:

- Can spot potential opportunities for new offerings and determine if a market niche exists
- READ MORE ON BOK

LOOK UP THE <u>POSITIONING MATRIX</u> IN BOOK: IMPORTANT

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Branding Types: (READ MORE IN BOOK)

Brand Growth Strategies:

- Line Extension: Existing Brand / Existing Product Class
- **Brand Extension:** Existing Brand / New Product Class
- New Brand:
- Fighting / Flanker Brand

Chapter 6: Integrated Marketing Communication Strategy and Management

1. Describe the practice and framework of integrated marketing communications.
2. Explain the process of how buyers purchase an offering.
3. Select the appropriate communication approach based on an offering's marketing strategy and life cycle.
4. Describe the factors that influence the development of the IMC mix.
5. Compare push versus a pull communication strategy
6. Describe the types of marketing websites
7. Identify the different approaches used ....
8. ....

Marketing Communication is the process by which information about a firm and its offerings is disseminated to selected markets.

IMC Goals are to:
Induce Initial Trial → Achieve Postpurchase Satisfaction → Generate Repeat Sales

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Communication informs buyers of the:
- Availability of an offering
- Unique benefits of the offering
- Where and how to obtain and use the offering

The message should be:
- **Desirable to the Target Market**
- **Exclusive to the offering**
- **Believable as to the offering's benefits.**

IMC Components:
- Advertising
- Sales Promotion
- Direct Marketing
- Public Relations
- Personal Selling

IMC is the practice of blending different elements of the communication mix in mutually reinforcing ways to inform, persuade, and induce consumer action.

Examples:
Advertising: Develop offering awareness and comprehension.
Personal Selling: obtain final conviction and purchase
Sales Promotion: Increase Purchase intention and induce actual purchase.

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Integrated Marketing communication is the practice of blending different elements of the communication mix in mutually reinforcing ways to inform, persuade, and induce consumer action.

Ex,

Advertising: Develop offering awareness and comprehension
Personal Selling: Obtain final conviction and purchase
Sales Promotion: Increase purchase intention and induce actual purchase

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The purchase or adoption process:

Awareness → Consideration → Preference → Purchase

Purchase Decision Roles:

Purchase - Influencer - Decision Maker - Consumer

- A person may play more than one role
- In a joint purchase decision, the roles may be played by different individuals.

Purchase Decision Roles:

The role consumers play is a prerequisite for successfully determining:

- The communication message itself
- To whom the message should be directed
- How the message should be communicated

Read more on:
- **Primary Demand**
- **Selective Demand**

Communication objectives must be:

- Articulated
- Consistent
- Quantifiable
- Attainable

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Make-OR-Buy… Decision factors to consider?
Use Break-Even Analysis

Advertising make-or-buy decisions:

- Intermediaries (wholesales, retailers, and dealers) may assume advertising costs and placement responsibilities.

Marketing Websites and IMC:

- Website: is a place where a provider makes available information to internet users.
- Marketing Website: Engages buyers/potential buyers In interactive communication to sell a firm's offerings or move them closer to a purchase.
- Transactional Websites:
- Promotional Websites:

Transactional Website:

- Feature well-known, branded offerings.
- ……..

Promotional Websites

Communication Mix Budgeting:

Budgeting Approaches:

Percentage of Sales:
- Most widely used approach

Fixed Dollar Amount per Offering Unit:
- xxxxxxxxxxxxxxxxxxx

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Chapter: 7 – Marketing Channel Strategy and Management

A marketing channel consists of individuals and firms involved in the process of making an offering available for consumption or use by consumers and industrial users.

A Channel links the producer and its buyers:

Producer → Marketing Channel Intermediaries → Consumers

Marketing Channels effect an organization:

- **Reach of Target Market:** Determines whether its chosen target markets are reached.
- **Communication Strategy:**
- **Pricing Strategy**
- **Offering Strategy**

Go-to-Market Strategy

Marketers use this term to describe how organizations select and employ marketing channels to cost-effectively deliver a value proposition to each of its target markets.

Marketers must make these marketing channel decisions regarding intermediaries based on:
- Type
- Location
- Density
- Functions

Conduct a market analysis to identify the target markets serves and their buying requirements that will be served by prospective marketing channels.

Marketing Channel Design:
- The number of levels in a marketing channel is determined by the number of intermediaries between the producer and the ultimate buyers or users.

Direct vs. Indirect Distribution

Direct Distribution when:

- Buyers of target markets are easily identifiable
- Personal selling is a major component of the organization's communication program
- The organization has a wide variety of offerings for the target market.
- Resources are available to satisfy target market requirements normally handles by intermediaries
- No available intermediaries

Electronic Marketing Channel

"important" Marketers ask three questions when selecting the type and location of retails outlets:

- **Target Market Coverage**: Which retailers will provide the best coverage of the target market?
- **Buyer requirement satisfaction:** Which retailers will be best satisfy the target market's buying requirements?
- **Profitability**: Which retailers will be the most profitable

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Three degrees of distribution channel density:

- **Intensive**
- **Selective**
- **Exclusive**

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- ## Chapter: 7 – Cont.

Buyer Requirement Satisfaction:

- Marketers must select channels that satisfy the interests buyers want fulfilled when purchasing a firm's offerings.
- There interests fall into four categories:

1- Information
2- Variety
3- Convenience
4- Attendant Services

1- Information:

Is important when buyers:
- Have limited Knowledge
- Desire specific data about the product

2- Convenience
3- Variety: Reflects buyers' interest in having numerous competing and complementary items from which to choose.
4- Attendant Services: Are important requirements for products such as large household appliances that require delivery, installation, and credit.

Profitability: is determined by:

- Margins earned (revenues – costs) for each channel member.
- Extent to which channel members share costs
- **Costs include** distribution, advertising, and selling expenses associated with different types of marketing channels.

The Channel – Selection Decision: Second-Level Intermediaries

- Wholesalers
- Brokers
- Industrial Distributors

Wholesalers:
The location of the wholesaler is based on:
- Transportation costs
- The requirements for fast delivery service

The density of wholesales is influenced by:
- The density of the retail network
- Wholesaler service capabilities

As retail outlet density increases, wholesaler density necessary to service them also increases.

Dual Distribution:

A firm uses dual distribution because it:

- Produces its own brand (for resellers) as well as a private store brand (for a specific retailer)
- May distribute directly to a large-volume retailer and use wholesalers for small-volume retailers.

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The viability of dual distribution is situational and depends on the relative strengths of manufacturers and retailers.
If a manufacturer decides to distribute directly to ultimate buyers in a retailers territory:
…..

Multi-Channel Marketing involves the blending of an electronic marketing channel and a traditional channel in ways that are mutually reinforcing in attracting, retaining, and building customer relationship.

Electronic Market Channels:
A firm uses multi-channel marketing because:
- The addition of an electronic marketing channel can provide incremental revenue
- An electronic marketing channel can leverage the presence of a traditional channel
- It can satisfy buyer requirements

Multi Channel marketing is viable if an electronic marketing channel:
- Generates incremental revenue
- Doesn't cannibalize sales from traditional intermediaries.
- Reaches a different marketing segment than the traditional channel.
- Reinforces with traditional channels in attracting, retaining, and building customer relationships.

Disintermediation is the practice whereby a traditional intermediary member is dropped from a marketing channel and replaced by an electronic storefront.

- Is considered more serious than cannibalization by intermediaries – it affects reseller survival.
- May cause firms to avoid multi-channel marketing due to complaints and threats by intermediaries, particularly retailers, to discontinue carrying their products and delivering their services.
