

# Definitions of marketing

‘Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably’

The Chartered Institute of Marketing

‘The right product, in the right  
place, at the right time, and at the  
right price’

*Adcock et al*

‘Marketing is the human activity  
directed at satisfying human needs  
and wants through an exchange  
process’

*Kotler 1980*

‘Marketing is a social and managerial process by which individuals and groups obtain what they want and need through creating, offering and exchanging products of value with others’

*Kotler 1991*

# Implications of marketing

- Who are our existing / potential customers?
- What are their current / future needs?
- How can we satisfy these needs?
  - Can we offer a product/ service that the customer would value?
  - Can we communicate with our customers?
  - Can we deliver a competitive product of service?
- Why should customers buy from us?

# The marketing concept

- choosing and targeting appropriate customers
- positioning your offering
- interacting with those customers
- controlling the marketing effort
- continuity of performance

# Successful marketing requires:

- **P**rofitable
- **O**ffensive (rather than defensive)
- **I**ntegrated
- **S**trategic (is future orientated)
- **E**ffective (gets results)

*Hugh Davidson 1972*

# Marketing management process

- Analysis/Audit - where are we now?
- Objectives - where do we want to be?
- Strategies - which way is best?
- Tactics - how do we get there?
- (Implementation - Getting there!)
- Control - Ensuring arrival



# Why is marketing planning necessary?

- Systematic futuristic thinking by management
- better co-ordination of a company's efforts
- development of performance standards for control
- sharpening of objectives and policies
- better prepare for sudden developments

# Why is marketing planning necessary?

- Systematic futuristic thinking by management
- better co-ordination of company efforts
- development of better performance standards for control
- sharpening of objectives and policies
- better prepare for sudden new developments
- managers have a vivid sense of participation

# Criticisms of marketing planning

- Formal plans can be quickly overtaken by events
- Elements of the plan may be kept secret for no reason
- gulf between senior managers and implementing managers
- the plan needs a sub-scheme of actions

# Objectives of the marketing plan

- Acts as a roadmap
- assist in management control and monitoring the implementation of strategy
- informs new participants in the plan of their role and function
- to obtain resources for implementation
- to stimulate thinking and make better use of resources

- Assignment of responsibilities, tasks and timing
- Awareness of problems, opportunities and threats
- Essential marketing information may have been missing
- if implementation is not carefully controlled by managers, the plan is worthless!

# The contents and structure of the marketing plan

- The executive summary
- table of contents
- situational analysis and target market
- marketing objectives
- marketing strategies
- marketing tactics
- schedules and budgets
- financial data and control

# Cautionary notes for effective planning

- Don't blindly rely on mathematical and statistical calculations. Use your judgement as well
- Don't ever assume that past trends can be exploited into the future forever
- if drawing conclusions from statistical data, make sure the sample size is sufficiently large

# Behavioural planning problems

- Planning recalcitrance: resistance and non-cooperation by managers in planning
- fear of uncertainty in planning: a lack of comfort in planning activities
- political interests in planning activities: resource bargaining, padding of requirements, and avoidance of consensus
- planning avoidance: compliance rather than commitment to planning



# Standard Planning Framework

- Analysis - where are we now?
- Objectives - where do we want to be?
- Strategies - which way is best?
- Tactics - how do we ensure arrival?
- Control - are we on the right track?

# Marketing Information Systems

- Marketing Research
  - What is Marketing Research?
  - Process
  - Terminology
  - Techniques
- MKIS - Marketing Information Systems
  - What is MKIS
  - Components of an electronic MKIS

# Marketing Research

‘the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services’

American Marketing Association

# The Marketing Research Process

**Set objectives**

**Define research Problem**

**Assess the value of the research**

**Construct a research proposal**

**Specify data collection method**

**Specify techniques of measurement**

**Select the sample**

**Data collection**

**Analysis of results**

**Present in a final report**

# Terminology of Marketing Research

- Primary data - collected firsthand
- Secondary data - already exists, desk research
- Quantitative research - statistical basis
- Qualitative research - subjective and personal
- sampling - studying part of a 'population' to learn about the whole

# Marketing Research Techniques

- Interviews
  - face-to-face
  - telephone
  - postal questionnaire
- Attitude measurement
  - cognitive component (know/believe about an act/object)
  - affective component (feel about an act/object)
  - conative component (behave towards an object or act)

- Likert scale
  - strongly agree
  - agree
  - neither agree nor disagree
  - disagree
  - strongly disagree
- Semantic differential scales - differences between words e.g. practical v impractical
- Projective techniques
  - sentence completion
  - psychodrama (yourself as a product)
  - friendly martian (what someone else might do)

- Group discussion and focus group
- Postal research questionnaires
- Diary panels - sources of continuous data
- In-home scanning - hand-held light pen to scan barcodes
- Telephone research
- Observation
  - home audit
  - direct observation
- In-store testing

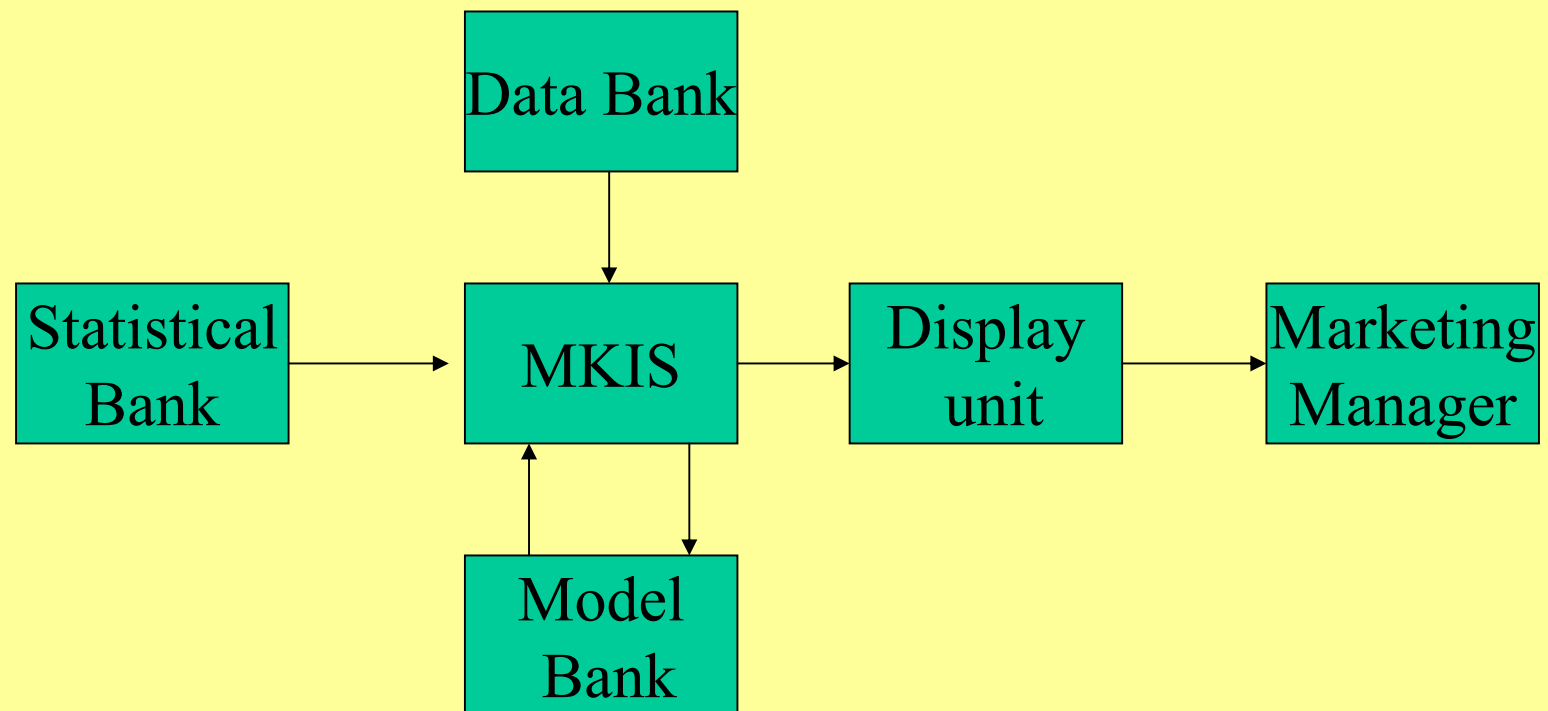


# What is MKIS?

‘MKIS (MIS) is a set of procedures and methods for the regular, planned collection, analysis and presentation of information for use in marketing decisions’

American Marketing Association

# The components of a computerised MKIS



# The components of a computerised MKIS

- Data bank - raw data e.g historical sales data, secondary data
- Statistical bank - programmes to carry-out sales forecasts, spending projections
- A model bank - stores marketing models e.g Ansoff's matrix, Boston Matrix
- Display unit - VDU and keyboard

# The Marketing Environment and Competitor Analysis

- SWOT analysis
- PEST analysis
- Five forces analysis

# SWOT analysis

- Strengths (internal)
- Weaknesses (internal)
- Opportunities (external)
- Threats (external)

Strengths	Weaknesses
Opportunities	Threats

**SWOT Analysis**

# PEST analysis

- Political factors
- Economic factors
- Socio-cultural factors
- Technological factors

# Political/legal

- Monopolies legislation
- Environmental protection laws
- Taxation policy
- Employment laws
- Government policy
- Legislation
- Others?



# Economic Factors

- Inflation
- Employment
- Disposable income
- Business cycles
- Energy availability and cost
- Others?

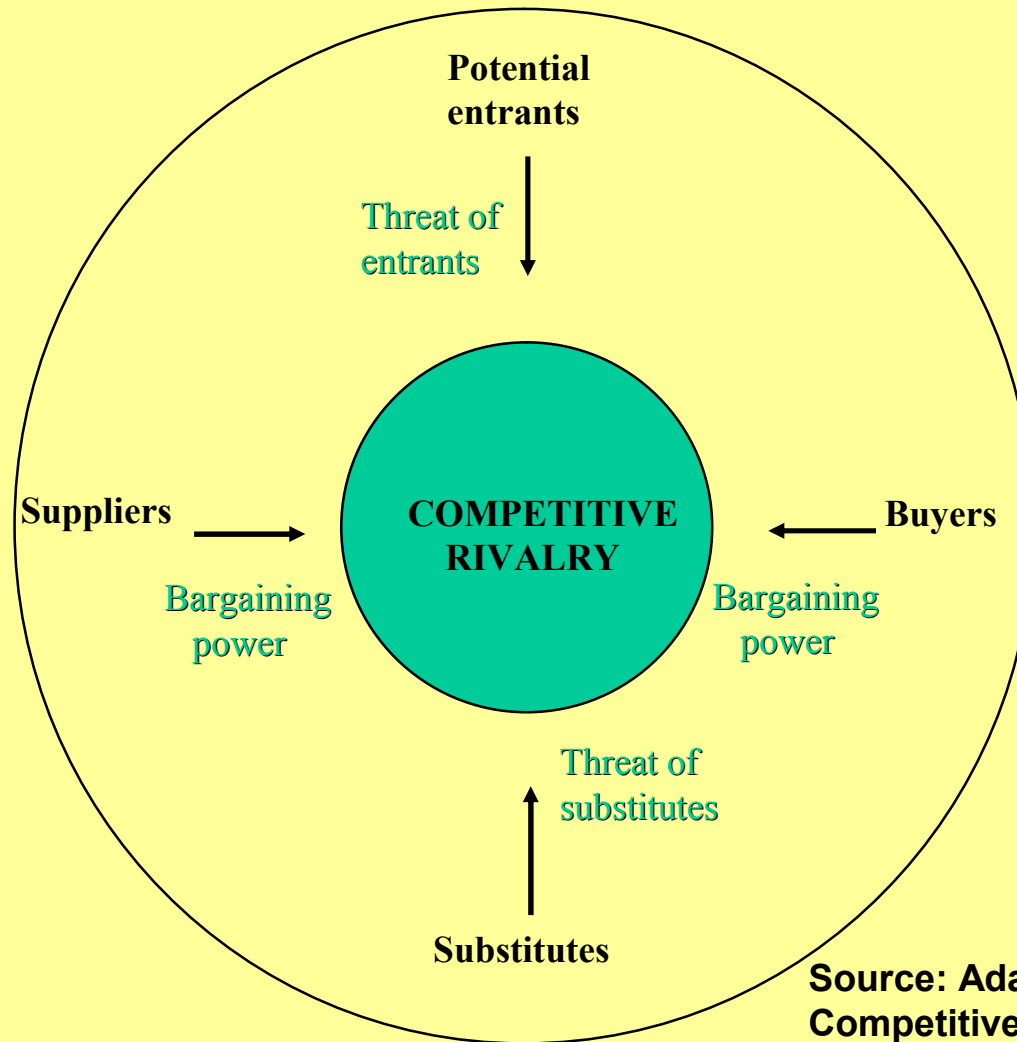
# Sociocultural factors

- Demographics
- Distribution of income
- Social mobility
- Lifestyle changes
- Consumerism
- Levels of education
- Others?

# Technological

- New discoveries and innovations
- Speed of technology transfer
- Rates of obsolescence
- Internet
- Information technology
- Others?

# Five forces analysis



**Source: Adapted from M. E. Porter, Competitive Strategy, Free Press, 1980, p. 4.**

# Five Forces Analysis: Key Questions and Implications

- What are the *key forces* at work in the competitive environment?
- Are there *underlying forces* driving competitive forces?
- Will competitive *forces* change?
- What are the *strengths and weaknesses* of competitors in relation to the competitive forces?
- Can *competitive strategy* influence competitive forces (eg by building barriers to entry or reducing competitive rivalry)?

# Buyer Behaviour

- Dominant Family Purchase - Cozenza 1985
- Demographic Factors
- The Consumer Buying Process
- Maslow's hierarchy of needs
- UK socioeconomic classification scheme
- Types of buyer behaviour
- The Buying Decision Process
- Organisational Buyer Behaviour

# Dominant Family Purchase - Cozenza 1985

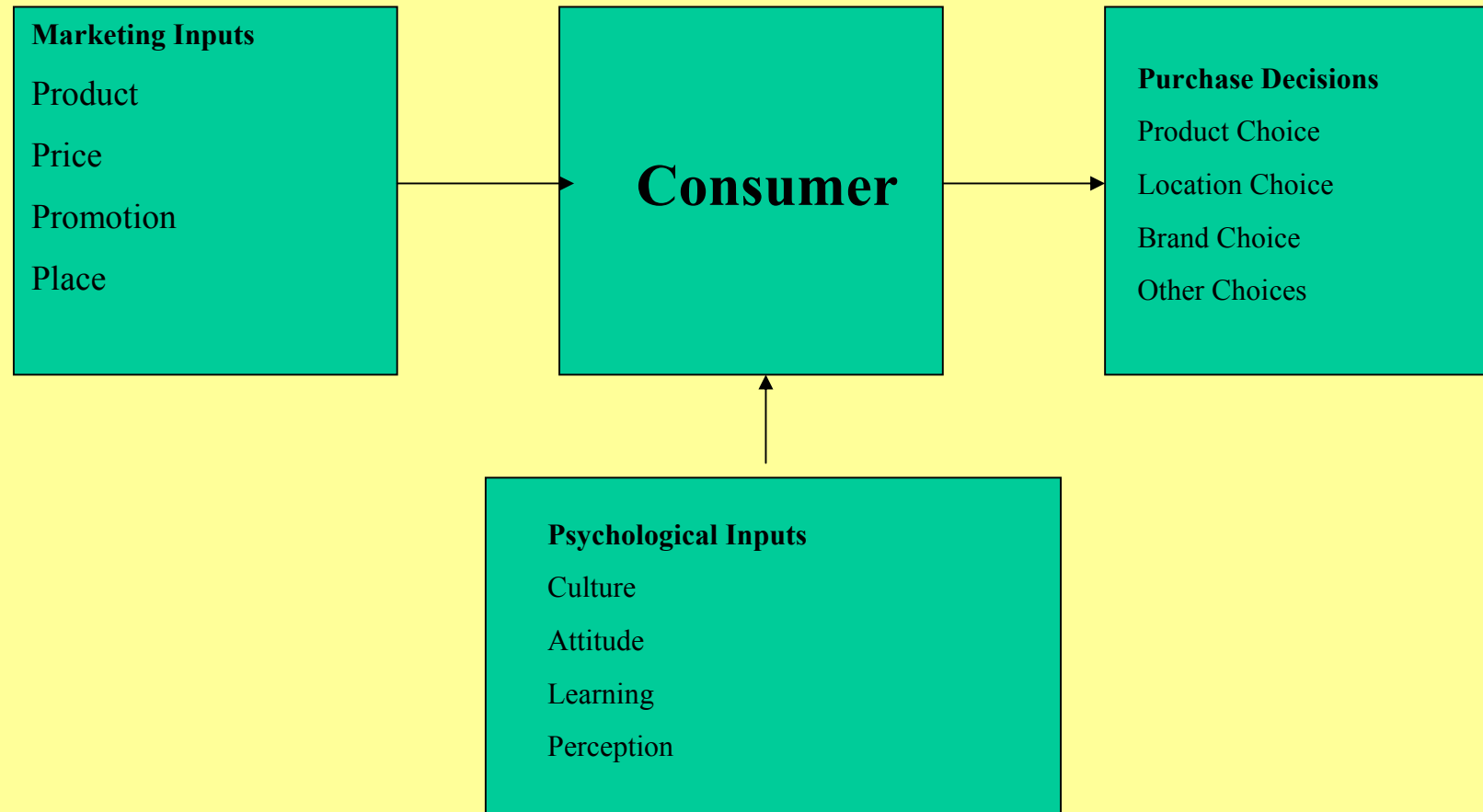
<u>PRODUCT</u>	<u>DOMINANT DECISION MAKER</u>	<u>TYPICAL DECISION</u>
Women's casual clothing	Wife	Price, style
Vacations	Syncratic (both)	Whether to go, where
Men's casual clothing	Husband	Type, price, style
Life insurance	Husband	Company, coverage
Homeowner's insurance	Husband	Company, coverage
Household appliances	Wife	Style, brand, price

# Demographic Factors

- Age
- Stage in family life cycle
- Occupation
- Economic circumstances
- Lifestyle
- social influence variables
  - family background
  - reference groups
  - roles and status

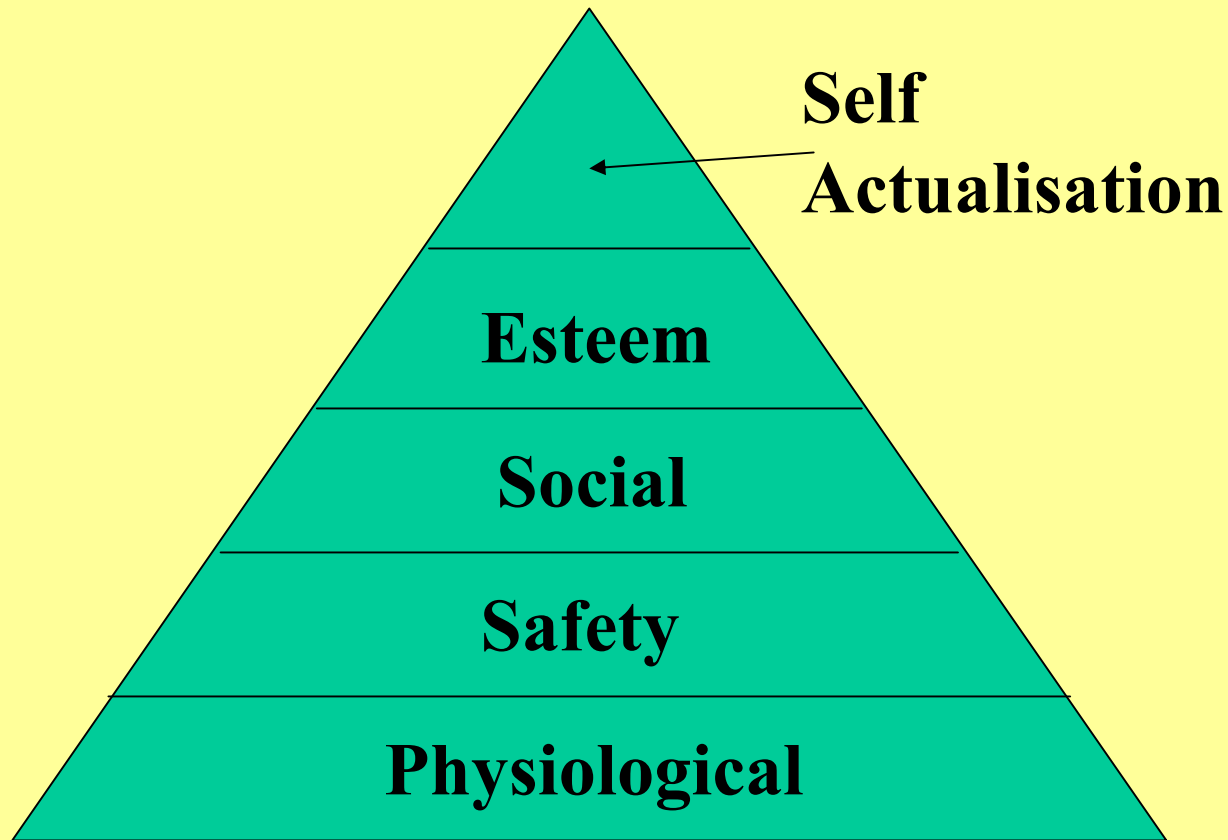


# The Consumer Buying Process



Based on Cohen (1991)

# Maslow's Hierarchy of Needs



# UK socioeconomic classification scheme

<u>Class name</u>	<u>Social status</u>	<u>Occupation of head of household</u>	<u>% of population</u>
A	Upper middle	Higher managerial, administrative or professional	3
B	Middle	Intermediate managerial, administrative or professional	14
C1	Lower middle	Supervisors or clerical, junior managerial, administrative or professional	27
C2	Skilled working	Skilled manual workers	25
D	Working	Semiskilled and unskilled workers	19
E	Those at lowest levels of subsistence	Pensioners, widows, casual or lower-grade workers	12

# Types of buyer behaviour

- Complex buyer behaviour e.g. Intel Pentium Processor
- Dissonance-reducing behaviour (brand reduces after-sales discomfort)
- Habitual buying behaviour e.g. salt - little difference
- variety seeking behaviour - significant brand differences e.g soap powder

# The Buying Decision Process

- recognition of the need e.g a new PC
- choice of involvement level (time and effort justified) e.g. two week ends
- identification of alternatives e.g. Dell, PC World
- evaluation of alternatives I.e. price, customer service, software support, printer/scanner package
- decision - choice made e.g Epsom
- action e.g buy Epsom model from Comet
- post-purchase behaviour I.e. use, breakdowns, etc

# Organisational Buyer Behaviour

‘The decision-making process by which formal organisations establish the need for purchased products and services, and identify, evaluate, and choose among alternative brands and suppliers’

Kotler and Armstrong 1989

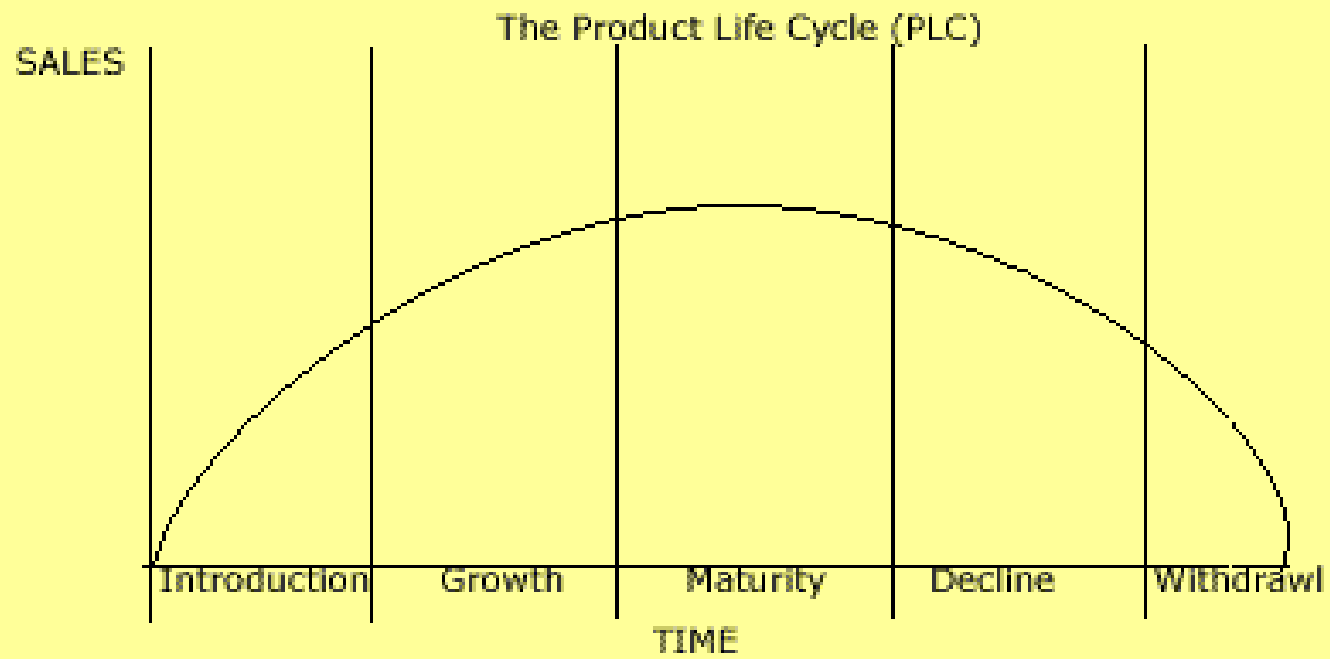
# Characteristics of organisational buyer behaviour

- Organisation purpose - Goodyear Tyres
- Derived demand - follows cars and lorries
- Concentrated purchasing - stockholdings of rubber
- Direct dealings - large purchaser of basic rubber - no intermediaries
- Specialist activities - learns about the product
- Multiple purchase influences - DMU - Decision making unit

# Strategic Development

- Product Life Cycle (Revisited in 'Product')
- Bowman's Competitive Strategy Options
- New Product Development (NPD)





# Five stages of the PLC

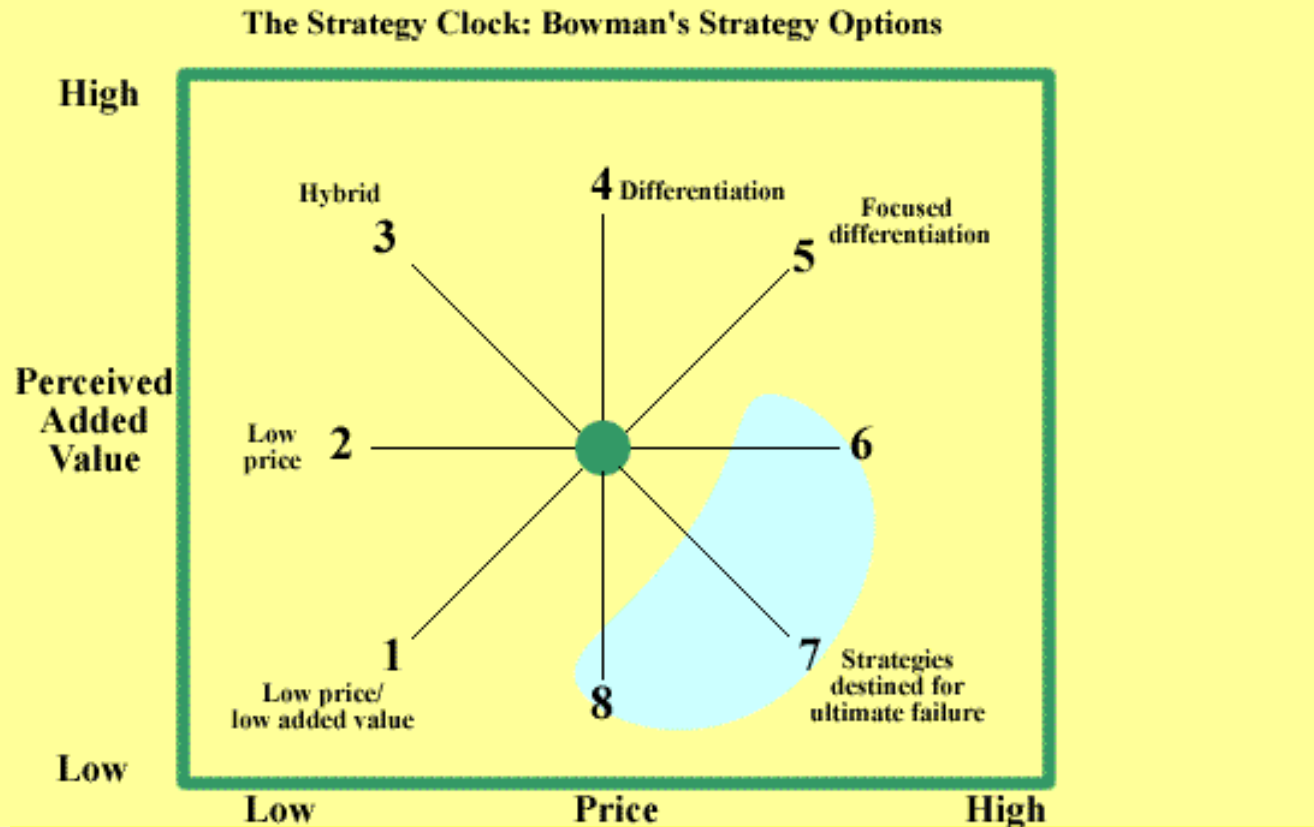
- Product development - sales are zero, investment costs are high
- Introduction - profits do not exist, heavy expense of product introduction
- Growth - rapid market acceptance and increasing profits
- Maturity - slowdown in sales growth. Profits level-off. Increase outlay to compete

- Decline - sales fall-off and profits drop

# PLC exercise

- The Ford Escort
- The Mini Cooper
- The Internet Phone
- Cadbury's Fuse
- The Boeing 747
- The Millennium Dome
- KIT KAT

# Bowman's Strategy Clock



**Source: Based on the work of Cliff Bowman. See C.Bowman and D.Faulkner. Competitive and Corporate Strategy, Irwin, 1996.**

## **The Strategy Clock: Bowman's Competitive Strategy Options**

- 1    **Low price/low added value**    **Likely to be segment specific**
  
- 2    **Low price**    **Risk of price war and low margins/need to be cost leader**
  -
  
- 3    **Hybrid**    **Low cost base and reinvestment in low price and differentiation**
  -
  
- 4    **Differentiation**
  - **(a) Without price premium**    **Perceived added value by user, yielding market share benefits**
  - 
  - **(b) With price premium**    **Perceived added value sufficient to bear price premium**
  -

- **5 Focused differentiation** Perceived added value to a particular segment, warranting price premium
- **6 Increased price/standard**  
Higher margins if competitors do not value follow/risk of losing market share
- **7 Increased price/low value**  
Only feasible in monopoly situation
- **8 Low value/standard price**  
Loss of market share

# New- Product Development Process

- **New product strategy**
- **Idea generation**
- **Idea screening**
- **Concept development and testing**
- **Marketing strategy**
- **Business analysis**
- **Product development**
- **Test Marketing**
- **Commercialisation**



# Products Decisions

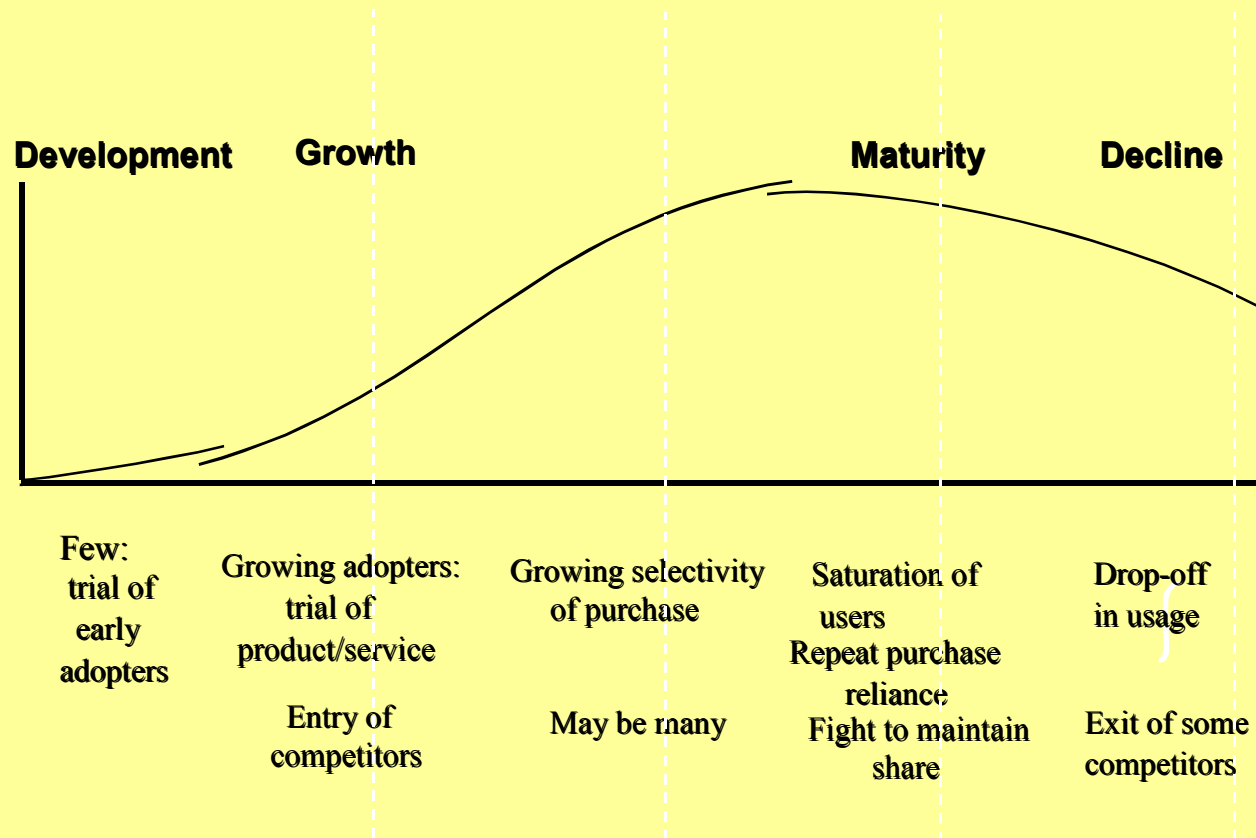
- Product and Service Classification System
- The Product Life Cycle
- Introduction to product matrices
- Boston Matrix (Growth/Share)
- Ansoff's Matrix (Product Market)

# Product and Service Classification System

- Convenience goods - little effort, relatively inexpensive
- Shopping goods - e.g 'white goods', DIY equipment, more expensive, infrequent
- Speciality goods - extensive search e.g Jewellery, gourmet food
- Unsought goods - e.g. double glazing,

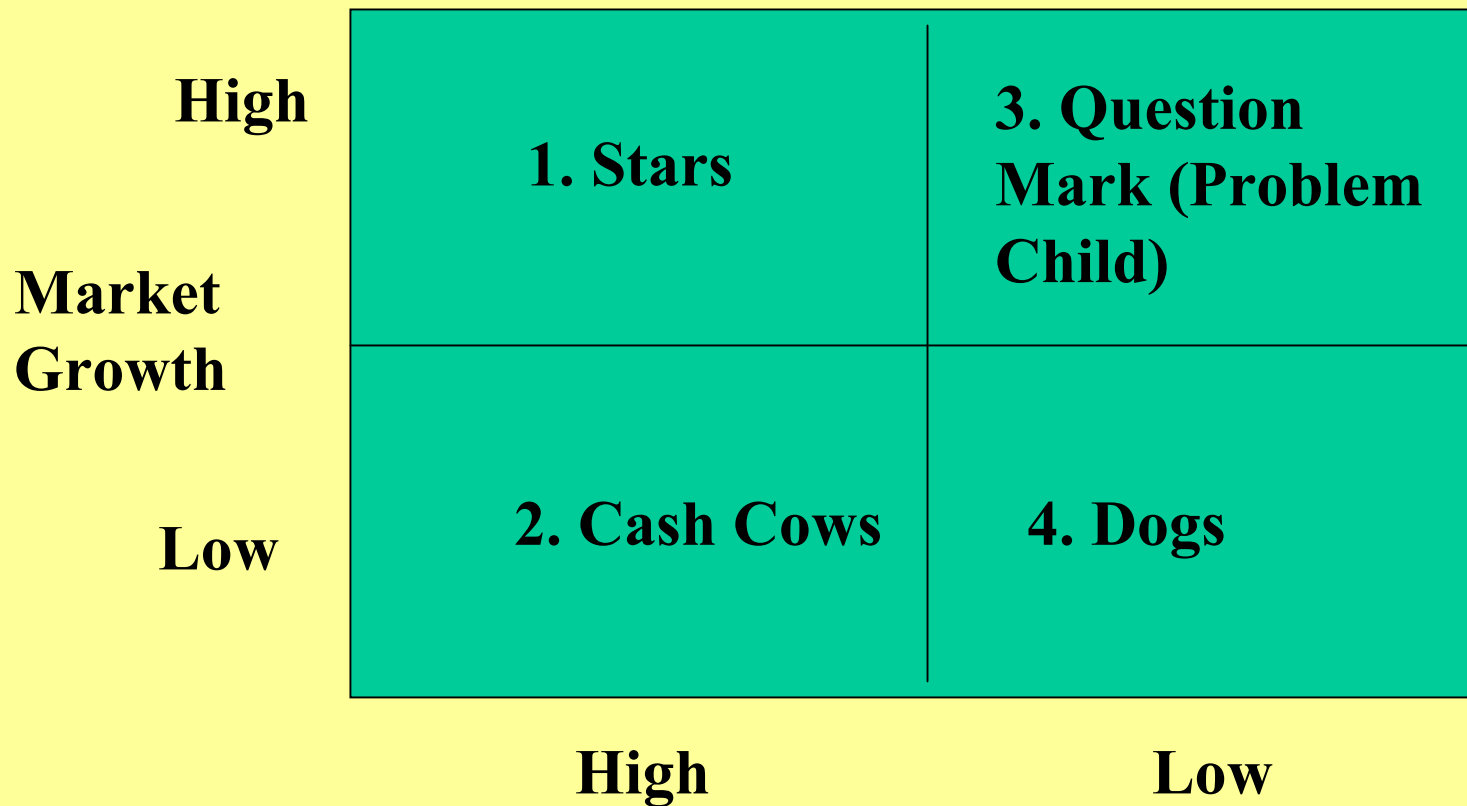
- Industrial goods
- Installations - ‘speciality’ goods of industrial markets - plant and machinery
- Accessories - maintenance and office equipment
- Raw materials
- components
- Business to business e.g. consultants, accountants

## The life product cycle model



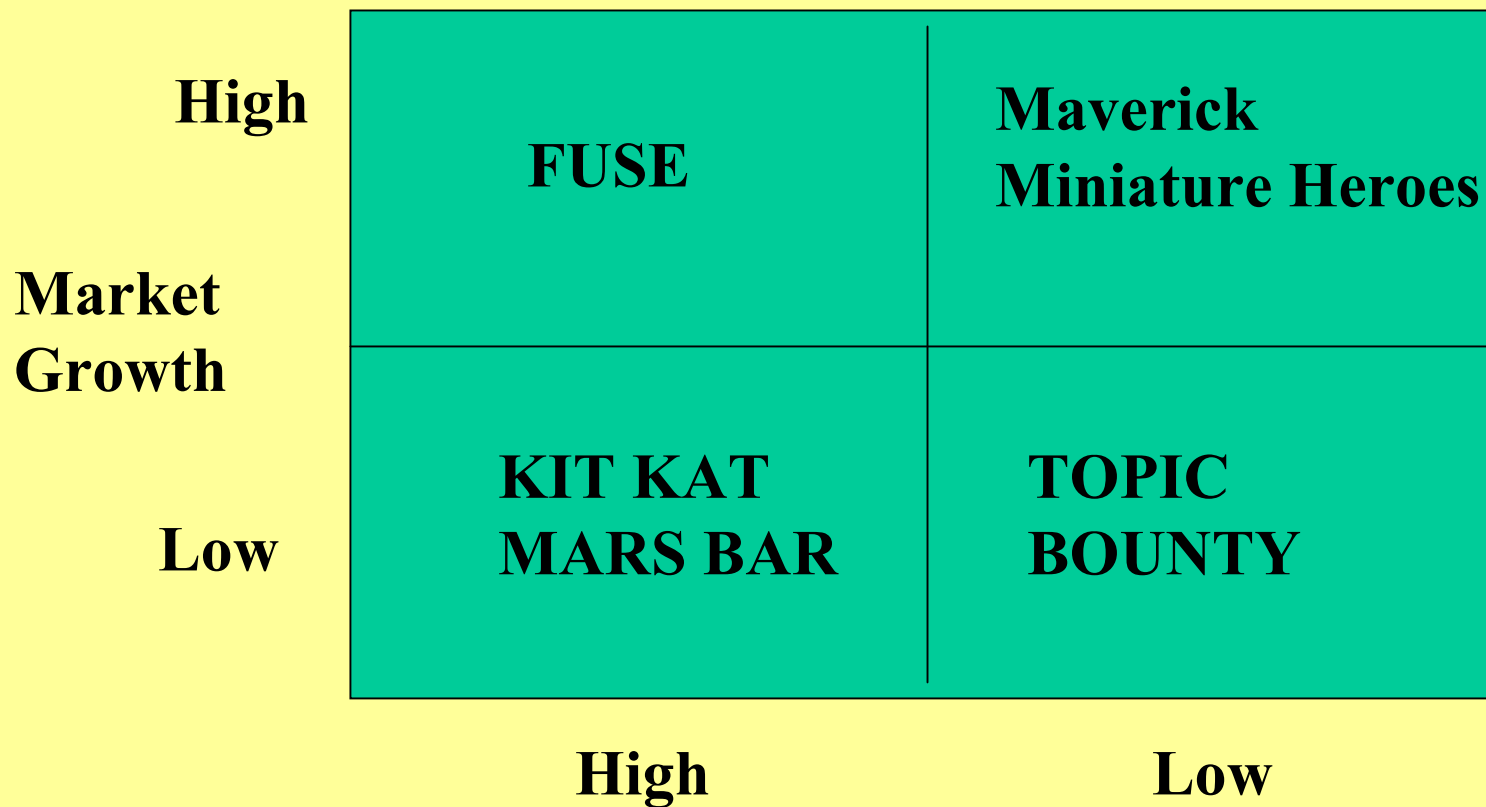
# **The Boston Matrix (Growth/Share Matrix)**

**Market Share**



# **The Boston Matrix - Chocolate Bars**

**Market Share**



## **Ansoff's Matrix (Product/Market Matrix)**

**New Products**   **Existing Products**

**Existing Markets**

**New Markets**

**Market Penetration**

**Market Development**

**Product Development**

**Diversification**

## **Ansoff's Matrix (Product/Market Matrix)**

**New Products**   **Existing Products**

**Existing Markets**

**New Markets**

**E.g. Realignments  
of the marketing  
mix**

**E.g. Geographical  
expansion**

**Same outlets and  
sales strategy  
- new product**

**Diversification -  
related or unrelated**



# Products Decisions

- Product and Service Classification System?
- The Product Life Cycle stages?
- Growth/Share?
- Product Market?

# Pricing Decisions

- Pricing strategies
- Pricing exercise
- Ten ways to ‘increase’ prices without increasing price - Winkler

## Quality

Low

High

Low

**Price**

High

Economy  
Strategy  
e.g. Tesco  
spaghetti

Penetration  
e.g. Telewest  
cable phones

Skimming  
e.g. New film or  
album

Premium  
e.g. BA first  
class

# Pricing strategies

- Premium pricing
  - Uses a high price, but gives a good product/service exchange e.g. Concorde, The Ritz Hotel
- Penetration pricing
  - offers low price to gain market share - then increases price
  - e.g. France Telecom - to attract new corporate clients (or Telewest cable)
- Economy pricing
  - placed at 'no frills', low price
  - e.g. Soups, spaghetti, beans - 'economy' brands

- Price skimming
  - where prices are high - usually during introduction
  - e.g new albums or films on release
  - ultimately prices will reduce to the 'parity'
- Psychological pricing
  - to get a customer to respond on an emotional, rather than rational basis
  - .e.g 99p not £1.01 'price point perspective'
- Product line pricing
  - rationale of a product range
  - e.g. MARS 32p, Four-pack 99p, Bite-size £1.29
- Pricing variations
  - 'off-peak' pricing, early booking discounts, etc
  - e.g Grundig offers a 'cash back' incentive for expensive goods

- Optional product-pricing
  - e.g. optional extras - BMW famously under-equipped
- Captive product pricing
  - products that complement others
  - e.g. Gillette razors (low price) and blades (high price)
- Product-bundle pricing
  - sellers combine several products at the same price
  - e.g. software, books, CDs.
- Promotional pricing
  - BOGOF e.g. toothpaste, soups, etc

- Geographical pricing
  - different prices for customers in different parts of the world
  - e.g. Include shipping costs, or place on PLC
- Value pricing
  - usually during difficult economic conditions
  - e.g. Value menus at McDonalds

## Ten ways to 'increase' prices without increasing price - Winkler

- Revise the discount structure
- Change the minimum order size
- Charge for delivery and special services
- Invoice for repairs on serviced equipment
- Charge for engineering, installation
- Charge for overtime on rushed orders
- Collect interest on overdue accounts



- Produce less of the lower margin models in the line
- Write penalty clauses into contracts
- Change the physical characteristics of the product

# Channel and Distribution Tactics

- Bucklin's definition of distribution
- Today's system of exchange
- Channel intermediaries
- Six basic channel decisions
- Selection consideration
- Potential Influence Strategies - Frazier and Sheth (1989)
- Frequencies of use of influence strategies - Frazier and Summers (1984)

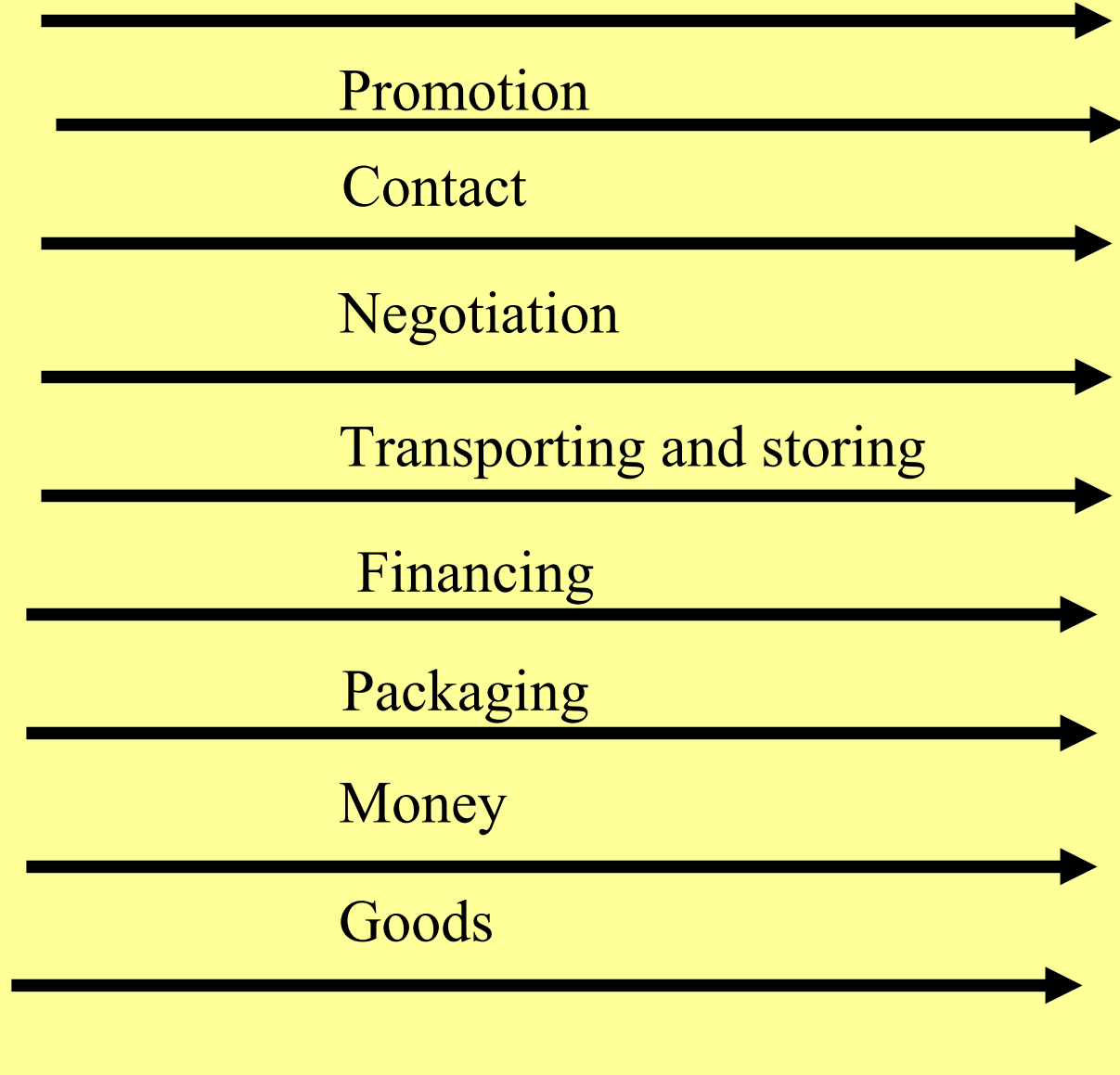
*A channel of distribution  
comprises a set of institutions  
which perform all of the  
activities utilised to move a  
product and its title from  
production to consumption*

Bucklin - *Theory of Distribution Channel Structure* (1966)

## Today's system of exchange

**Producers**

**Users**



# Channel intermediaries - Wholesalers

- Break down 'bulk'
- buys from producers and sell small quantities to retailers
- Provides storage facilities
- reduces contact cost between producer and consumer
- Wholesaler takes some of the marketing responsibility e.g sales force, promotions

# Channel intermediaries - Agents

- Mainly used in international markets
- Commission agent - does not take title of the goods. Secures orders.
- Stockist agent - hold 'consignment' stock
- Control is difficult due to cultural differences
- Training, motivation, etc are expensive

# Channel intermediaries - Retailer

- Much stronger personal relationship with the consumer
- Hold a variety of products
- Offer consumers credit
- Promote and merchandise products
- Price the final product
- Build retailer 'brand' in the high street

# Channel intermediaries - Internet

- Sell to a geographically disperse market
- Able to target and focus on specific segments
- Relatively low set-up costs
- Use of e-commerce technology (for payment, shopping software, etc)
- Paradigm shift in commerce and consumption



# Six basic channel decisions

- Direct or indirect channels
- Single or multiple channels
- Length of channel
- Types of intermediaries
- Number of intermediaries at each level
- Which intermediaries? Avoid intrachannel conflict

# Selection consideration

- Market segment - must know the specific segment and target customer
- Changes during plc - different channels are exploited at various stages of plc
- Producer-distributor fit - their policies, strategies and image
- Qualification assessment - experience and track record must be established
- Distributor training and support

# Potential Influence Strategies-

## Frazier and Sheth (1989)

- Indirect influence strategies - information is merely exchanged with channel member personnel
- Direct unmediated strategies - consequences of a poor response from the market are stressed
- Reward and punishment strategies - given to channel members and their firms

- Direct unweighted strategy or request - producer's wishes are communicated . No consequences are applied or mentioned
- Direct mediated strategies - specific action is requested and consequences of rejection are stressed
  - e.g.1 control of retail pricing
  - e.g.2 minimum order size
  - e.g.3 salesperson training
  - e.g.4 physical layout of store
  - e.g. 5 territorial and customer restrictions

## Frequencies of use of Influence Strategies

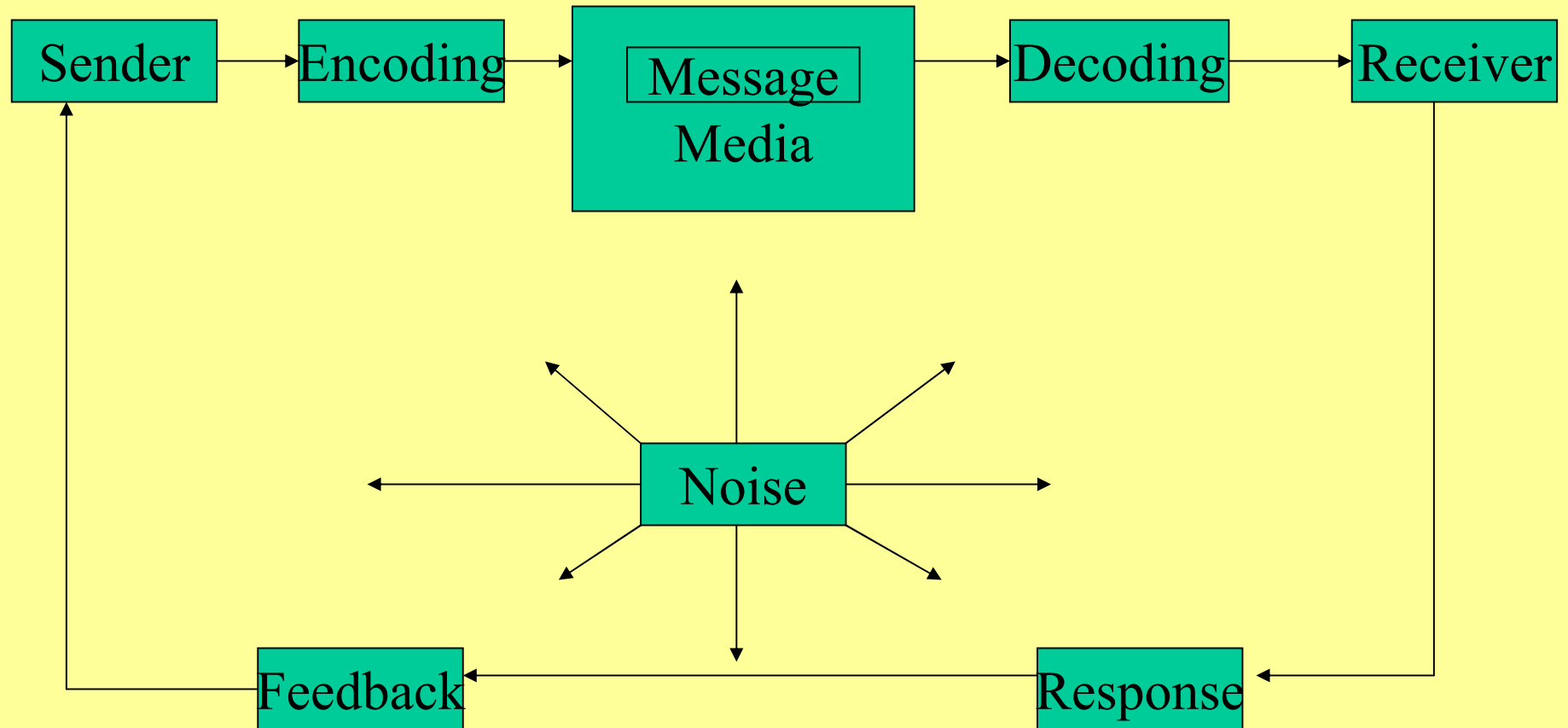
	<b>Mean use</b>	<b>Most frequently used</b>	<b>Tied for most frequently used</b>	<b>Never used</b>
<b>Information exchange</b>	<b>49%</b>	<b>62%</b>	<b>6%</b>	<b>8%</b>
<b>Requests</b>	<b>27</b>	<b>13</b>	<b>7</b>	<b>11</b>
<b>Recommend ations</b>	<b>19</b>	<b>8</b>	<b>7</b>	<b>23</b>
<b>Promises</b>	<b>15</b>	<b>4</b>	<b>9</b>	<b>37</b>
<b>Threats</b>	<b>10</b>	<b>1</b>	<b>5</b>	<b>53</b>
<b>Legalistic pleas</b>	<b>6</b>	<b>0</b>	<b>3</b>	<b>59</b>

**Frazier and Summers (1984)**

# Promotions Decisions

- Elements in the communication process
- Promotions mix
- The promotions message
- Executions style
- Media choice?
- Promotional objectives

## Elements in the Communication Process



- Sender - party sending the message
- Encoding - message in symbolic form
- Message - word, pictures and symbols that the sender transmits
- Media - the communication channel  
e.g radio
- Decoding - receiver assigns meaning to symbols encoded by the sender



- Response - reaction of the receiver after being exposed to the message
- Feedback - the part of the receiver's response after being communicated to the sender
- Noise - unplanned static or distortion during the communication process e.g. competitor action (Creature Comforts?)

# Promotions Mix

- **Personal selling**
- **Telemarketing**
- **Direct mail**
- **Trade fairs and exhibitions**
- **Commercial television**
- **Newspapers and magazines**
- **Radio**
- **Cinema**
- **Point of sale displays**
- **Packaging**

# The Promotional Message

Grab

ATTENTION

Excite

INTEREST

Create

DESIRE

Prompt

ACTION

*AIDA*

# Execution styles

- Slice of life e.g. OXO
- Lifestyle e.g. After Eight mints
- Fantasy e.g. Turkish Delight
- Mood or image e.g. Timotei shampoo
- Musical e.g. Gap
- Personality symbol e.g. Richard Branson

- Technical expertise e.g. Vorsprung durch Technik - Audi
- Scientific evidence e.g. Whiskers
- Testimonial evidence e.g. Ian Botham

# Media choice?

- Marketing objectives
- Definition of problem e.g falling awareness
- Evaluation of different tools
- choice of optimum mix of promotional methods
- Integration into overall marketing communication programme

**Exercise - What beliefs and expectations do you have about the following brands? How far are these due to promotion as opposed to personal experience?**

- Fairy liquid
- Persil washing powder
- Midland Bank
- Virgin Radio
- Nissan
- Tesco

# Promotional objectives

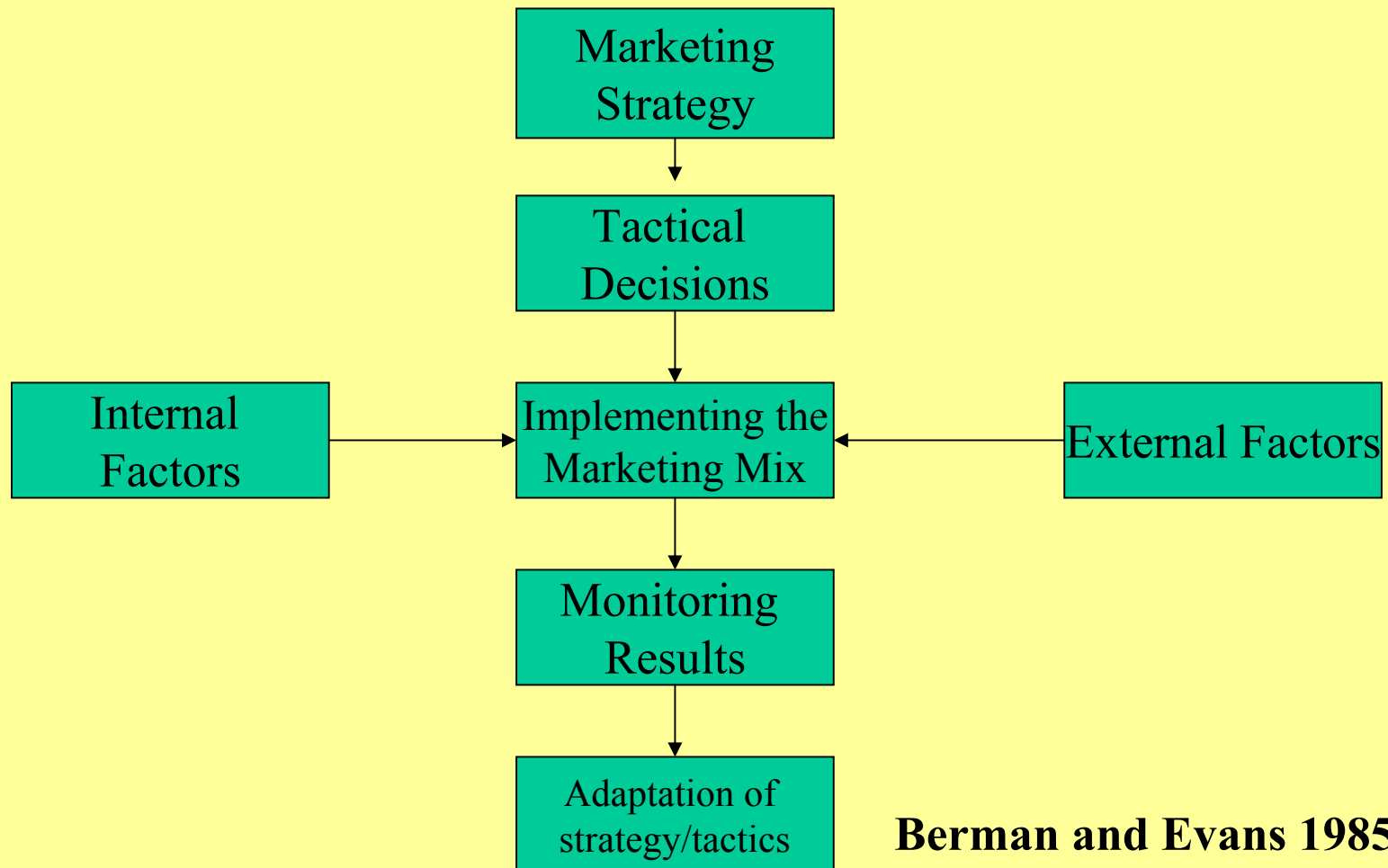
- To support sales increases
- To encourage trial
- To create awareness
- To inform about a feature or benefit
- To remind
- To reassure
- To create an image
- To modify attitudes



# Implementation

- The implementation process
- An action checklist
- Total quality and marketing
- Managing the organisation/stakeholder interface
- Activities to establish and build customer relationships
- Relationship marketing
- McKinsey 7-S framework

# The Marketing Implementation Process



**Berman and Evans 1985**

# Implementation problems

- Internal problems e.g change of management
- External problems e.g. changing competition
- Poor planning e.g. Hoover's flight tickets
- Poor intelligence e.g. 1985 Coca-Cola
- Poor execution

# Implementing a programme - an action checklist

- Agree the implementation strategy
- Agree a timeframe
- Draw up detailed implementation plans
- Set up a team of stakeholders
- Establish good project management
- Personalise the case for change
- Ensure participation

- Create a sense of purpose and urgency to tackle real problems which have prevented progress in the past
- motivate
- be prepared for conflict
- Be willing to negotiate
- Anticipate stress
- Build skills
- Build in the capacity for learning
- Monitor and evaluate

# Total Quality and Marketing

- Quality is what customers say it is.
- Juran and TQM
  - zero defects
  - right first time
  - continuous improvement
- Statistical process control (SPC)
- New relationships with suppliers (JIT)
- Quality Assurance e.g BS EN ISO 9000

# **Managing the organisation/stakeholder interface**

- External and internal relationships
- Accountability of managers
- Marketer projects an image and style
- Ethical responsibilities towards consumers
- Social responsibility
  - dangerous products e.g. cigarettes
  - dishonest marketing and promotion
  - the abuse of power
  - the availability of information

# Activities to establish and build customer relationships

- Need for long term relationships
- UACCA - 'expensive' in promotional terms
- Build sales to existing customers
- Improving service quality
- Auditing the fulfilment of customer needs
- Cause a cultural change to a marketing orientation - Marketing Myopia Levitt (1960)



# Relationship marketing

- The consistent application of up-to-date knowledge of individual customers to product and service design . . . . In order to develop a continuous and long-term relationship'  
*Cram*
- Not mass marketing. Aimed at individual.
- Customer retention not attraction
- Long term, ongoing relationships
- Regular customer contact
- Spirit of trust

# McKinsey 7-S framework

- Strategy
- Structure
- Systems
- Shared values
- Style
- Skills
- Staff