Marketing Strategies

HSC4ME

Marketing Strategies

- market segmentation, product/service differentiation and positioning
- products – goods and/or services
  - branding
  - Packaging
- price including pricing methods – cost, market, competition-based
  - pricing strategies – skimming, penetration, loss leaders, price points
  - price and quality interaction

Marketing Strategies

- promotion
  - elements of the promotion mix – advertising, personal selling and relationship marketing, sales promotions, publicity and public relations
  - the communication process – opinion leaders, word of mouth
- place/distribution
  - distribution channels
  - channel choice – intensive, selective, exclusive
  - physical distribution issues – transport, warehousing, inventory

Marketing Strategies

- people, processes and physical evidence
- e-marketing
- global marketing
  - global branding
  - standardisation
  - customisation
  - global pricing
  - competitive positioning

HSC4ME

Market Segmentation, Product/Service Differentiation and Positioning

- Market segmentation refers to dividing the total market into segments.
- Once the market has been segmented, the marketing manager selects one of these segments to become the target market and they then implement a specific marketing mix to each target market.
- The consumer market can be segmented according to four main variables:
  - Demographic
  - Geographic
  - Psychographic
  - Behavioural

Market Segmentation, Product/Service Differentiation and Positioning

- Product / service differentiation refers to the process of developing and promoting differences between the business's products or services and those of its competitors.
- This will influence customers to perceive this business's products/services as superior.
- Can differentiate in relation to:
  - Customer service
  - Environmental concerns
  - Convenience
  - Social and ethical issues
  - Packaging, labelling and ingredients

Market Segmentation, Product/Service Differentiation and Positioning

- Product / service positioning refers to the technique in which marketers try to create an image or identity for a product compared with the image of competing products.
- This is done in the minds of the target market: it is how potential buyers perceive the product. This image gives the product its position within the market.
- In highly competitive markets, a business will attempt to create an image that differentiates its product/service from others.
- The aim is to make customers perceive the product as being superior, innovative, value for money, ‘cool’, etc.

Products – Goods and/or Services

- Products are goods or services that can be offered in exchange for the purpose of satisfying a need or want.
- Can include tangible and/or intangible elements

Products – Goods and/or Services: Branding

- Branding - a brand is a name, term, symbol, design or any combination of these that identifies a specific product and distinguishes it from its competition. Many businesses spend a lot of money making sure customers instantly recognise their brands.
- This can be a powerful marketing tool.
- Some branding strategies include:
  - Manufacturer's brand: owned by manufacturer
  - Private or house brand: owned by retailer or wholesaler
  - Generic brand: no brand name, carry name of product in plain packaging.

Products – Goods and/or Services: Packaging

- Packaging involves the development of a container and the graphic design for a product.
- Good packaging is also a powerful marketing tool. Well-designed packaging will give a positive impression of the product and encourage brand recognition and loyalty.
- Important part of packaging is the labelling.

Price: Pricing Methods

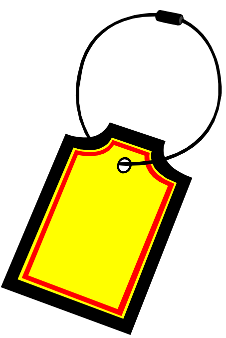
- Price refers to the amount of money a customer is prepared to offer in exchange for a product.
- A price set too high could result in lost sales and a price set too low may give customers the impression that the product is 'cheap'.
- Three main pricing methods are
  - Cost-based pricing: where the business determines the total cost of producing (or purchasing) one unit of the product and then adds an amount to cover additional costs and to also provide an adequate profit margin

Price: Pricing Methods

- Market: a method of setting prices according to the interaction between the levels of supply and demand i.e. whatever the market is prepared to pay
- Competition-based: where the price covers costs and is comparable to the competitor's price

Price: Pricing Strategies

- Once basic price has been set using the preferred pricing method(s), the business then fine-tunes this price by a selecting one or more pricing strategy.



  - Skimming: when a business charges the highest possible price for the product during the introduction stage of its life cycle.
  - Penetration: when a business charges the lowest price possible for a product or service so as to achieve a large market share. Used during early stages of product life cycle.
  - Loss leaders: when a product sold at or below cost price in the hope of attracting them to the store where they then buy other products.
  - Price points: also known as price lining, where the business chooses a limited number of key prices or price points for selected product lines

Price and Quality Interaction

- The saying ‘you get what you pay for’ describes the price–quality relationship.
- Normally, products of superior quality are sold at higher prices. When businesses charge a high price, then the product develops an aura of quality and status.
- This perceived price–quality relationship helps determine the image customers have of products or brands.
- Therefore, if a business charges a low price for a product, customers may perceive the product as ‘cheap’.
- Prestige or premium pricing is a pricing strategy where a high price is charged to give the product an aura of quality and status.

Promotion: Elements of the Promotion Mix

- Promotion describes the methods used by a business to inform, persuade and remind a target market about its products.
- The promotion mix is the various promotional methods a business uses in its promotional campaign.
  - Advertising: paid, non-personal message communicated through a mass medium
  - Personal selling:involves the activities of a sales representative directed to a customer in an attempt to make a sale

HSC4ME

Promotion: Elements of the Promotion Mix

- Relationship Marketing: the development of long-term, cost-effective and strong relationships with individual customers
- Sales Promotions: the use of activities or materials as direct inducements to customers
- Publicity: any free news story about a business's products
- Public Relations: those activities aimed at creating and maintaining relations between a business and its customers

Promotion: The Communication Process

- Main role of promotion is to communicate efficiently with target market.
- If the communication process becomes distorted (noise) this results in miscommunication and possibly lost sales.
- Marketing managers can use a variety of channels to deliver a message e.g. print or electronic media.
- Often customers may be more willing to purchase a product if the message is communicated via a respected and trusted channel, such as:
  - Opinion leaders: a person who influences others. Their opinions are respected and they are often sought out for advice.
  - Word of mouth: when people influence each other during conversations. Businesses have no control over this. Consumers are more likely to trust someone they know

Place/Distribution: Distribution Channels

- Place or distribution are activities that make the products available to customers when and where they want to purchase them.
- Distribution channels are the routes taken to get the product from the factory to the customer.
- Most common channels of distribution (intermediaries) that can be used are:
  - Producer to consumer
  - Producer to retailer to consumer
  - Producer to wholesaler to retailer to consumer
  - Producer to agent to wholesaler to retailer to consumer
- Non-store retailing is also gaining in popularity

Place/Distribution: Channel Choice

- Market coverage refers to the number of outlets a firm chooses for its products.
- A business can decide to cover the market in one of three ways, the difference being the intensity of coverage:
  - Intensive: this occurs when the business wishes to saturate the market with its product
  - Selective: this involves using only a moderate proportion of all possible outlets
  - Exclusive: this is the use of only one retail outlet for a product in a large geographic area

Place: Physical Distribution Issues

- Physical distribution is all those activities concerned with the efficient movement of the products from the producer to the consumer
- Transport: an intricate network of transportation is required to deliver the vast array of products. The method of transportation used will largely depend on the type of product and the degree of service the business wishes to provide. The four most common methods of transportation are rail, road, sea and air.
- Warehousing: this is a set of activities involved in receiving, storing and dispatching goods
- Inventory: to help with the management of inventory, most businesses implement an inventory control system – a system that maintains quantities and varieties of products appropriate for the target market

People, Processes and Physical Evidence

- The extended marketing mix refers to the combination of people, processes and physical evidence with the four main elements of the marketing mix.
- These extra three P's apply especially to service businesses.
- People: refers to the quality of interaction between the customer and those within the business who will deliver the service. Consumers make judgements about a business based on how the employees treat them. Consequently, all businesses should develop a culture of customer focus.
- Processes: refer to the flow of activities that a business will follow in its delivery of a service. A business that has inefficient processes will lose customers and damage its reputation
- Physical evidence: refers to the environment in which the service will be delivered and also includes materials needed to carry out the service. Businesses should provide high-quality physical evidence to create an image of value and excellence

E-marketing

- E-marketing (electronic marketing) is the practice of using the internet to perform marketing activities.
- E-marketing technologies include:
  - Web pages
  - Pod casts
  - SMS
  - Blogs
  - Web 2.0
  - Social Media Advertising (SMA)

E-marketing (case study)

- Woolworths has developed an “app” that provides customers with access to features that make shopping easier. Using mobile phones, customers can create “smart” shopping lists in accordance with the aisle order at their local store, add products to their list by scanning the barcode, receive exclusive loyalty based reward offers, weekly catalogues, weekly specials linked to their previous purchases, recipes and access fuel vouchers.

Global Marketing: Branding

- A business's marketing plan must be modified and adapted to suit overseas markets.
- Global branding is the worldwide use of a name, term, symbol or logo to identify the seller's products.
- Reasons why businesses are increasingly using global branding:
  - Cost effective
  - Provides uniform worldwide image
  - Successful brand name can be linked to new products entering market
- Successful brand is a valuable resource.
- Global branding equates to global recognition.

Global Marketing: Standardisation

- As global marketing increases, businesses are faced with a difficulty: should they use a standardised or customised marketing strategy, or a combination?
- A standardised approach is a global marketing strategy that assumes the way the product is used and the needs it satisfies are the same the world over.
- Therefore, the marketing mix will be the same in all markets a globalisation of the marketing mix. It is a case of 'one marketing plan fits all'

Global Marketing: Customisation

- A customised approach is a global marketing strategy that assumes the way the product is used and the needs it satisfies are different between countries.
- Adopting this philosophy requires the marketing plan to be customised according to the characteristics of the target country i.e. businesses using this approach will modify the existing marketing mix or develop a new one when they enter an overseas market.
- Of course, it is possible for a business to adopt a middle path – that is, a combination of the two approaches.

Global Marketing: Global Pricing

- A challenge facing TNCs is global pricing. This refers to how businesses coordinate their pricing policy across different countries.
- Three global pricing strategies a global business can implement:
    - Customised pricing: this occurs whenever consumers in different countries are charged different prices for the same product.
    - Market-customised pricing: sets prices according to local market conditions.
    - Standard worldwide price (standardised pricing): the practice of charging customers the same price for a product anywhere in the world.

Global Marketing: Competitive Positioning

- Competitive positioning relates to how a business will differentiate its products. It centres on how a business will carve out a place in the competitive marketing environment.
- A global business must clearly show how its products are better than the competitors' products. Without differentiation, it takes more time, money and effort to encourage potential customers to purchase a business's products