4. Marketing Strategies

Market Segmentation

- **Market Segmentation** is dividing the total market into segments. Once the market has been segmented, the marketing manager is able to select a segment to become the target market.
  The **ultimate aim of market segmentation** is **to increase sales, market share and profits** by better understanding and responding to the needs/wants of different target customers.

Markets are segmented into four main categories:

1. **Demographic Segmentation –** the process of dividing the total market based on gender, age, income, cultural background, education, religion etc.
   Example: School Textbooks targeting year 12 students taking specific HSC subjects.
2. **Geographic Segmentation –** dividing the consumer market according to geographic characteristics like citzy size, population, climate, rural, suburban areas etc.
   Example: Consumers in Jindabyne need snow chains and thick clothing, whilst those in bondi would need lightweight clothing.
3. **Psychographic Segmentation –** Divides consumer markets up by personality, interests, motives, values, socioeconomic groups and lifestyles.
   Example: Magazines that cater for x-box players, or Vegan Products tailored to meet those living vegan lifestyles.
4. **Behavioural Segmentation –** The process of dividing the consumer market by the customers relationships to the product, including knowledge of, attitudes towards, convenience of use, and or the products benefits.
   Example: Lean Cuisine satisfying customer desires for convenience/frozen meals that are low in fat.

Product/Service Differentiation and Positioning

- Providing so many different types of a product, is a deliberate marketing strategy called **Product/Service Differentiation**. It occurs when products that are the same/similar are made to appear different and/or better than the competitors.
  This allows for the seller to gain more control in the marketplace, and at times, prices can be changed.

Example: Bread being gluten free, gourmet, un-sliced, wholemeal, white sourdough etc.
Differentiation can occur in many ways (changes in packaging or labelling, more features, better value for money and so on. The main 4 points of differentiation are:

1. **Customer Service –** customers expect a high level of service, both pre and post sales, particularly on expensive items.
   Example: 10 year warranties offered on cars after being sold.
2. **Environmental Concerns** – Businesses that adopt a 'green' philosophy' and produce environmentally friendly products may see sales increase.
   Example: Using solar power for products, introducing recyclable bags etc.
3. **Convenience** – Today's consumers are busy and so often pick products that are convenient to them.
   Example: Frozen, Pre-Cut 'Crispy' chips, Freezer Meals etc.
4. **Social and Ethical Issues** – Consumers are becoming more ethically minded, and so actively purchase products that they believe don't exploit workers, producers or the environment. They want to know more about the way their products are made.

Example: Consciously buying shampoo that's not been tested on animals.

- **Product/Service Positioning** is different to product/service differentiation, as it is the technique in which marketers try to create an image/identity for a product or service. It's howin potential buyers perceive the product.
  Example: Rolex immediately evokes an image of high quality and luxury.

- Depending on where the market decides they want to positon the product, positioning then dictates the marketing strategies needed in order to reach this.

Products – Goods and/or Services

Goods are tangible, physical objects, whilst services are intangible and are offered to satisfy needs and wants.

- is the use of names, terms, symbols, design, or a mix of these used to represent and distinguish a product from it's competitors. Branding can be a powerful marketing tool because of reputations they carry with them - and so businesses spend a great deal of time creating and protecting it. *E.g. McDonalds takes legal actions against businesses starting with "Mc".*

Branding Helps Consumer:	Branding Helps Businesses:
- **Identify products they like**: without branding, consumer selection is random. - **Evaluate Quality of Products** - **Reduced level of perceived risk**: respected and trusted brands reassure consumers - **Psychological Rewards**: purchasing prestige brands etc.	- **Gain repeat sales:** consumers recognise business's products - **Introduce New Products:** Consumers are already familiar with existing products - **Promote their Products:** Promoting one product indirectly promotes the brand and its other items - **Encourage Customer Loyalty:** By satisfying needs, also allowing for higher prices to be charged.

- **Packaging** involves the development of a container and the graphic design for a product. Well-designed packaging gives a positive impression and encourages first time buyers.

Packaging also:
- Preserves the product,
- Protects the product,
- Attracts consumer attention, and so on…

- **Labelling** is another important part of packaging. Labelling is the presentation of the information on a product or its package.

The Label **has the product information**. This includes the:
- Ingredients,
- Use-by-date,
- Country of origin,
- Package size,
- Description/nutritional information of food

- Marketers can use labels to encourage the proper use of the product, and to promote other products. All labels MUST BE TRUTHFUL, and in Australia there are a number of laws/regulations specifying the information that must be included – laws aimed at protecting the consumer from deceptive/misleading claims and unsafe product use. It also makes it easier to compare products.

Price including Price Methods (*Ways to determine basic prices*)

Price – the amount of money a customer is prepared to offer in exchange for a product.
- Price is probably the most flexible of the marketing mix (4 P's), and is able to be adjusted quickly in response to competitor actions or changes in the market.

To **determine a products 'Base Price'** there are **3 main methods**:

1. **Cost Based Pricing** *(Used mainly by Wholesalers and Retailers)*
   To determine a base price using this method, a business first determines the total cost of producing/purchasing one unit, then, adds "Mark Up" which is a percentage amount to cover additional costs (interest payments, transport etc).

Formula: ***Cost + (Cost x Mark Up Percentage) = Price***

Cons of Cost Based Pricing:

- **Difficulty in accurately determining an appropriate mark-up percentage:** *if the mark up is too high the product becomes overpriced and won't sell, if the mark up is too low, they'll lose profit that could have been obtained.*
- **The product is priced after production and production costs occur**

2. Market Based Pricing

Sets prices according to supply and demand. When demand is greater than supply, prices are increased, when supply is greater than demand, and there is a surplus, the price for a product falls. Prices are constantly changing in relation to supply-demand fluctuations.

Cons of market Based Pricing: method can be difficult to apply due to the constant changes in supply/demand.

Example: Levels of supply and demand for Christmas Lights/Decorations fluctuate dramatically between months throughout the year, and so prices rise and fall accordingly.

- *3rd method*

3. **Competition Based Pricing**

   Competition based pricing is often used when there is a high degree of competition from businesses oroducing similar products.

A **business chooses** (depending on competition) **whether the price is:**

- **Lower than competitors:** Undercutting the competition is often used when breaking into an established market.
- **Equal to competitors:** Following a price leader's price is an easy option as it avoids having to do market research, and the possibility of a price war.
- **Higher than Competitors:** Favoured by businesses who want consumers to perceive the product as superior – appealing to status conscious consumers.

Price Strategies – (*Done after setting Methods for Base Prices*)

Price Strategies – Price strategies are used once one the base price is set.

There are 4 main Price strategies:

1. **Price Skimming –** Occurs when a business charges the highest possible price for the product during the introduction stage of it's life cycle. Not only that, but some consumers are willing to pay a high price due to the prestige/status that owning it brings.

   Sometimes this strategy backfires and if the price of a new product drops after a while. Consumers get angry they paid a higher price for the same product.

   Example: Apple charging top price for new products, or Ferrari having the top prices due to product prestige/quality.

2. **Price Penetration –** Occurs when a business charges the lowest price possible for a product. This strategy aims to quickly achieve a large market share for a product **(sometimes called Mass Market Pricing**).

   The main problem of price penetration is that it's much harder to raise prices than it is to lower them, and so a business may get stuck in a low sales revenue until they modify the product later on.

3. **Loss Leader –** is a product sold at or below cost price. Products are sold at loss in order to attract customers to the shop, and although it means a loss is made on the product, they hope that consumers whilst there buy other products as well.

This **strategy is used when** a business is:

- **Overstocked** or a **product is slow to sell**
- Wants to **increase traffic** in hopes of getting new customers
- Wants **to build a rep of having low prices**.

The main problem is that if done incorrectly, a business can actually lose money.

Example: Supermarkets use the loss leader strategy through promotional products usually next to higher priced, more appealing products.

4. **Price Point/lining –** Price point is selling products only at a pre-determined prices. This is used mainly by retailers. A business chooses a number of key prices for a product line. This means a fixed mark up price wouldn't be applied.
   This pricing strategy makes it easier for a consumer to find the type of product they want, and encourages the business to encourage the customer to trade up to a more expensive model.

Example: A Jeweller offering a line of watches priced at $55, $75 and $95, regardless of their wholesale price.

Price and Quality Interaction

- Normally, products of superior quality are sold at higher prices due to higher manufacturing costs involved. The perceived 'price-quality' relationship helps determine the image customers have or products/brands.
- **Low prices** for products **means the customers may perceive the product as 'cheap'**, whilst **high prices can develop a sense of quality and 'status'.**
- Premium prices are used in services because the consumer cannot see the product, and so gauge the quality on the price.

Example: Prada has high prices, yet have developed a sense of prestige with owning their products.

Promotion

- Promotion describes the methods used by to inform, persuade, and remind consumers about a product.

Elements of the promotion mix

Advertising *For Example: Covergirl decide to advertise to young teenage girls, and so select Dolly or Girlfriend Magazines to advertise in.*	**Advertising i**s a paid, non-personal message communicated through a mass medium. - **Advertising Media** is a term for the many forms of electronic and print communication used to reach an audience. **Main advertising media**: 1. **Mass Media** (Television, Radio, Newspapers, Magazines) 2. **Direct Marketing Strategies** (Catalogues mailed to individual homes) 3. **Telemarketing** (Using the telephone to personally contact a customer) 4. **E-marketing** (Using the internet to deliver advertising messages) 5. **Social Media Advertising (**Advertising using social media like Facebook/twitter) 6. **Billboards** (Large signs placed in strategic, usually high traffic, locations) The type of advertising a business uses depends on variables like type of product and positioning, size of the target markets, marketing budget, cost of advertising, and products position in the life cycle.

Personal Selling and Relationship Marketing *For Example: Woolworths Everyday Rewards Cards offer individual rewards to 'loyal' customers who make repeat purchases or spend over specific amounts.*	**Personal Selling** involves the activities of sales consultants directed to a customer in an attempt to make a sale. Builds good business reputation and repeat sales can arise. *Example: Car Salesmen, Real Estate Agents* Personal selling **is an expensive promotional method**, but **advantages** include: 1. **Message can be modified** to suit the individual customer 2. **Individualised assistance to customers** can create long term relationship and repeat sales. 3. Sales consultant can **provide after-sales service** to product features, installation etc. **Relationship Marketing** are ways a business develops long term, cost effective and strong relationships with individual customers. - The ultimate aim is to create customer loyalty, and give them reasons to come back. Relationship Marketing can provide business with a competitive advantage.
Sales Promotion *For Example: Coupons, Refunds, Free Samples, Point of Purchase Displays (at cash register)*	**Sales Promotion** is when a business offers a direct 'opportunity' or 'offer' in an attempt to sell more of it's product. Sales **promotions aim to:** - Entice new customers - Encourage trial purchases - Increase sales to existing customers and repeat purchases. Sales promotion techniques are used to increase the effectiveness of other promotion activities.
Publicity and Public Relations *For Example: Red Bull sponsored Felix Baumgartner's stunt when he jumped from the earth's stratosphere, breaking the sound barrier. Their logo was everyone, and as a result sales increased and a brand image was promoted.*	**Public Relations (PR)** are activities aimed at creating and maintaining relations with a business and its customers. It **is planned**. - PR displays a business or idea to an audience through making speeches, working with the media, attention seeking gestures like donations that are reported by others. PR is often more effective than paid advertising, and can sometimes be cheaper. **Publicity** is any free news story about a business's products. It **is unplanned**. - The main aims are to enhance the image of the product, raise product awareness, highlight the business's favourable features, and reduce any negative images. - PR Activities **promote a positive image**, **product/business info**, **monitors sales/trends**, and **protects a business's reputation**.

The Communication Process

- The **Communication Process** is the way marketing managers make connections and express their messages with their customers.

Often customers are more willing to buy a product/service is the message is communicated via a respected and trusted channel such as:

1. Opinion Leaders	An **opinion leader** is a person who influences others because their opinions are respected and are often sought out for advice.

	- Opinion leaders are used in marketing as information outlets for new products or to endorse an existing one. Actors, athletes, models, musicians and field professionals are regarded by some as opinion leaders.
2. Word of Mouth communication	**Word of Mouth communication** occurs when people influence each other (positively and negatively) during conversations or promote products**.** - Businesses are increasingly using social media to engage in word of mouth communication. - Word of mouth communication is often more trusted than business sponsored commercials especially if its through friends or opinion leaders, as the consumer trusts someone they know opposed to a business out looking for profit.

Place/Promotion

Distribution Channels

- **Channels of distribution** are the routes taken to get the product from the business to the customer. This usually involves a number of intermediaries, such as the wholesaler, broker, agent or retailers. Apart from retailers, other intermediaries are often invisible. Every business will undertake some form of distribution.

The main forms of distribution are:

Traditional Distribution Methods	Innovative Distribution Methods
- **Producer □ Customer** - **Producer □ retailer □ customer** - **Producer □ wholesaler □ retailer □ customer** - **Producer □ agent □ wholesaler □ retailer □ customer**	**Non Store Distribution** is retailing activity conducted away from the store, and is gaining popularity. **E-Marketing** is electronic marketing, and two main examples are: - **Telemarketing:** Is the use of telephones to make a sale. An extension of telemarketing is interactive technology, allowing customers to **purchase via there television or computer**. - **Internet Marketing:** This is the use of the internet as a promotional tool. It is now easy for businesses to obtain a website ad market its products via the internet.

Channel Choice

1. Intensive Distribution *Seen with:* - *Milk,* - *Lollies,* - *Newspapers*	**Intensive Distribution** occurs when a business wishes to saturate the market with its product, and so distributes to most shops. **Pros** - Product being so readily available translates into higher sales	 **Cons** - The product doesn't get an elite or selective image - Limited control over shop displays/positioning - Expensive mass transportation costs
2. Selective Distribution *Seen with:* - *Clothing* - *Furniture* - *Electrical Appliances*	**Selective Distribution** means the product is available at a few outlets out of the total outlets, customer must be prepared to travel and seek out specific shops for the product. **Pros** - Less expensive than intensive transport costs	 **Cons** - Not as elite an image is created - Don't get total control over product display

	- Some level of control over product	- Sales aren't as high as intensive dist.

3. Exclusive Distribution *Seen with:* - *Cars* - *Often seen with luxury brands*	**Exclusive Distribution** is the use of only one retail outlet for a product in a large area. This is commonly used for expensive/exclusive items.	
	Pros	**Cons**
	- Business can control all aspect of sales process - Can create an elite product image - Fits well with low funds/establishment stage of product life cycle.	- Can be difficult to maintain high sales - Hard for customers to obtain, resulting in lower market share.

Physical Distribution Issues

- **Physical Distribution** is the movement of the products themselves through their channels of distribution, and is a combination of functions including transportation, warehousing and inventory control.

Transport	Transportation is required to deliver ranges of products on supermarket shelves. - The method of transportation a business uses depends on the type of product and the degree of service they wish to provide. **Most common methods** of transportation: - Rail Sea - Road Air
Warehousing	Warehousing is a set of activities involved in receiving, storing and dispatching goods. - A warehouse acts as a central organising point for efficient product delivery.
Inventory Control	The goal of inventory is to find the correct balance between too much and too little stock. - To avoid losing sales and market share due to not having sufficient stock, an **inventory control system** may be implemented. - If a business carries to much stock in its inventory, it experiences high storage costs, however, too little stock will result in lost sales or stock out costs.

People, Processes and physical Evidence

On top of the 4 marketing mix P's, there are three more that are applied to services.

1. **People**

The **people** element refers to the quality of interaction between the customer, and the employees.

- People are the most important element in any service. The interaction between the employees and customers can determine the success of any marketing campaign.
- Having positive interactions with customers can result in repeat sales and long term customers. Consumers base their perceptions about a business on how the employees treat them.

For example: Personal Trainers in a Gym

2. **Processes**

The terms **processes** refers to the flow of activities that a business will follow in its delivery of a service.

- Without a tangible product, processes must be highly efficient to achieve customer satisfaction, as inefficient processes will lost customers and damage reputation.

For example: Pizza delivery business needing to deliver pizza hot not cold.

3. **Physical**

Physical Evidence refers to the environment in which the service will be delivered.

- Physical evidence includes materials needed to carry out a service, such as signage, brochures, calling cards, websites, logos, cutlery in a restaurant.
- High quality physical evidence translates to create an image of value and excellence, and can be the basis on whether a customer believes the product meets their expectations.

For example: A restaurant being clean, having nice facilities, easy to read menu's, positive service, would encourage you to eat there again because you've seen the physical evidence.

E-marketing

- E-marketing is the use of the internet to perform marketing activities. Technology provides a faster and more efficient way of doing business whilst also having the ability to attract new customers.
- It also allows for a business to build relationships and change the way businesses deal with customers and suppliers.

E-marketing methods:

<table>
<tr><td>Webpages</td><td>A webpage can be a powerful marketing tool.
- Webpages contain basic information about the business, number of links to pages within that provide detailed information about location, products and online ordering.</td></tr>
<tr><td>Social Media Advertising</td><td>Social Media Advertising (SMA) is online advertising using social media like Facebook and Twitter.<table><tr><th>Pros</th><th>Cons</th></tr><tr><td>- Inexpensive
- Easy to use and monitor
- Effective in gaining mass exposure</td><td>- Marketers can't control people's reviews or criticisms about their products/brand
- Difficult to measure the number of people who see the message and the number of times they'll see it.
- Can raise ethical privacy issues</td></tr></table>E.g. Twitter are now advertisement friendly with the ability for sponsored tweets from advertisers at the top of twitter pages/feeds. Coco-cola sponsored a tweet promoting their product and in the first day it was seen over 86 million times.</td></tr>
<tr><td>SMS</td><td>SMS is the means by which texts are sent between mobile phones – and has advantages over e-mail.
- Texts/SMS's are used to alert regular customers of special deals on offer, and notifies suppliers of the arrival of goods shipments.</td></tr>
<tr><td>Blogs</td><td>Blogs are an online diary or journal.
- It is used in e-marketing to allow communication between the business and existing/potential customers, and can be used to announce new products, changes in trading hours and to gather feedback from stakeholders.</td></tr>
<tr><td>Web 2.0 (Networking sites)</td><td>Web 2.0 is the transformation of the world wide web into a creative/interactive platform for information sharing.
- Networking sites are a powerful public relations tool, are low cost, and allow home footage, photos and graphics to be uploaded to be viewed by customers. Networking sites also accept paid advertising.</td></tr>
</table>

Podcasts	**Podcasting** involves the distributions of digital audio files over the internet. - Podcasts are used for marketing and advertising purposes to subscribed users. Advertising time can also be sold on a podcast just like on radio.

Global Marketing Strategies

A TNC refers to a **Transnational Corporation**, and is any business that has production facilities in two or more countries, and operates on a worldwide/global scale.

Global Branding

Global Branding is the worldwide use of a name, term, symbol or logo to identify the sellers products.

Global branding is:

- Cost Effective (as one advert can be used in a number of locations)
- Provides a single worldwide image
- Successful brand names can make it easier for new products to be introduced onto the market.

Example: McDonalds and Coco-Cola have created a global brand image resulting in global recognition regardless of the country its in.

Customisation, standardisation, global pricing and competitive positioning □

Global Marketing Strategies

Standardisation Approach	A **standardised approach** is a global marketing strategy that assumes the way the product is used and the needs it satisfies are the same all over the world. - (The same marketing mix is used for all markets/countries) **Pros:** - Products are made cheaper due to mass quantities (economies of scale) - Lower R&D costs because the product is used the same everywhere - Lower Advertising costs *Examples: Electronic Items (iPods etc.), Perfumes, Bread, Music, Movies etc.*
Customisation Approach	A **Customisation Approach** is when a business assumes the way a product is used and the needs it satisfies are DIFFERENT between countries, catering for local tastes/attitudes. - (It sees a different marketing mix – or even a new one – for different countries). **Pros:** - Adds to sales because it takes into account consumer preferences **Cons:** - More expensive method than standardisation - Is being used less as globalisation intensifies. *Examples: McDonalds sell much of the same menu options yet caters for different cultures by selling noodles in Asian countries and some beer in European countries.*

Global Pricing

An issue that TNC's face is **Global Pricing** – how businesses coordinate their pricing policy across different countries.

- ***Price is the only element of the marketing mix that generates revenue, all others involve costs***, and so a business's global pricing strategy is a major determinant of profits.

There are 3 global pricing strategies:

1. Customised Pricing	**Customised Pricing** is when consumers in different countries are charged different prices for the same product. - When determining an overseas market price, many global businesses use the cost plus method to cover added export costs (*tariffs, taxes, warehousing and transportation*)
2. Market Customised Pricing	**Market Customised Pricing** sets prices according to the local market conditions (*allows for varying prices depending on competition in overseas markets or with changes in the exchange rate*). - Fluctuations in the exchange rate can change the prices charged and is a major risk for global businesses. - Prices can vary depending on the amount of competition (high prices in little competition markets, low prices in markets that are monopolised by others)
3. Standard Worldwide Pricing	**Standard Worldwide Pricing** is charging customers the same price for a product anywhere in the world. 2 major risks associated with this strategy are: 1. Domestic Businesses/competition may undercut the standardised price 2. Changes in the exchange rate may negatively impact the exported price.

Competitive Positioning

Competitive positioning is how a business differentiates its products in global markets.

- It centres around how a business shows that its better than competitors products. Without differentiation it takes more time and money to encourage potential customers.
- To achieve competitive positioning and avoid price competitions (which is difficult) product leadership, positive customer relations and operational excellence should be in place and a deep understanding of the market and its environment is needed.