



NCC Education
International Diploma in Business

Module DB108
Marketing

Student Notes

Modification History

Revision	Date	Revision Description
V0.2	April 2003	For issue and review.
V1.0	July 2003	For issue.
	August 2005	Syllabus.
2007	4 December 2006	

© Copyright 1995 by Thames Management Centre International.

All Rights Reserved

Trademarks

NCC Education acknowledge that the trademarks and registered trademarks of products mentioned in this material are held by the companies producing them. Use of a term in this material should not be regarded as affecting the validity of any trademark or service mark.

Copyright of any screen captures in this material are the property of the software's manufacturer.

This material may contain some clipart, which is copyright to the Corel Corporation.

Module DB108

Marketing

Introduction to Module DB108

This module is made up of 22 topics.

The information contained in each topic is an overview and should be used in conjunction with the Assessment and Syllabus Guide and the required textbook for this module which is:

Kotler, P. and Armstrong, G. (2005) *Marketing: An Introduction* 7th ed. FT Prentice Hall.

This textbook can be purchased from:

<http://vig.prenhall.com/>

Additional textbooks:

Lancaster, G. Massingham, L. and Ashford, A. *Essentials of Marketing*, McGraw-Hill.

Kotler, P. and Armstrong, G. (2005) *Principles of Marketing* 11th ed. Philip Kotler, Gary Armstrong, FT Prentice Hall.

Learning Outcomes

	Specific Learning Outcomes (LOs)	Demonstrable Knowledge
LO 1	Knowledge and understanding of the established concepts, techniques and practices of the marketing function.	Knowledge and understanding
LO 2	Explain the impact of market and competitor factors on marketing strategy.	Analysis
LO 3	Use of techniques to interpret management accounting information.	Application and problem-solving
LO 4	Evaluate social and ethical issues in marketing.	Evaluation

Indicative Content

1. The development of marketing and the marketing concept within today's changing and challenging environment, and demonstrate how changes in the business environment may affect different kinds of organisations.
2. The nature of demand for consumer, industrial and service products, and demonstrate an understanding of the use of marketing research principles and techniques in the analysis of marketing systems.
3. The significance of market segmentation and buyer behaviour as approaches to market analysis and measurement.
4. Product policy, including the product life cycle, developing new products, product retirement, positioning, and product mix analysis and evaluation.
5. Pricing policies involve, including price concepts, empirical pricing techniques, the significance of cost classification to pricing, competitive pricing and responses.
6. Distribution policies involve, including channel choice and design, selecting channel intermediaries and the level of market exposure desired, the principles and components of a physical distribution system.
7. Promotional policies involve, including identification of the major components of the communications mix, simple models of communication processes and the need for integrated communications.
8. The impact of market and/or competitive factors, such as inflation/recession, or market leadership contrasted with being a market follower, can affect the formulation of marketing strategy, and an understanding of how international operations can impact on the organisation both in penetrating foreign markets and in meeting competition.
9. Basic principles of marketing planning, as well as showing an understanding of the basic principles of marketing organisation for effective management and the basic concepts of financial and non-financial control of planning processes.
10. Ethics in marketing, showing an understanding of social and ethical issues, the role and impact of consumerism on marketing, and an appreciation of the environmental responsibilities of marketing.

Module Contents

	Page
Topic 1 The Marketing Concept/Mix	1.1
Topic 2 Marketing Planning and Control.....	2.1
Topic 3 Environmental Issues.....	3.1
Topic 4 Marketing Information Systems (MKIS).....	4.1
Topic 5 Marketing Research.....	5.1
Topic 6 Market Segmentation.....	6.1
Topic 7 Consumer Buying Behaviour	7.1
Topic 8 Marketing Organisation	8.1
Topic 9 Product Concepts	9.1
Topic 10 Product Developments.....	10.1
Topic 11 Product Life Cycle.....	11.1
Topic 12 Branding/Packaging.....	12.1
Topic 13 Pricing Strategies.....	13.1
Topic 14 Distribution Strategies.....	14.1
Topic 15 Promotion Mix.....	15.1
Topic 16 Advertising.....	16.1
Topic 17 Personal Selling.....	17.1
Topic 18 Sales Promotion.....	18.1
Topic 19 Public Relations/Publicity.....	19.1
Topic 20 Direct Marketing.....	20.1
Topic 21 Marketing Services/Non-Profit Marketing.....	21.1
Topic 22 International Marketing.....	22.1

Topic 1 The Marketing Concept/Mix

1.1 Introduction.....	1-2
1.2 Key Concepts.....	1-2
1.3 Marketing Activities	1-2
1.4 Marketing Philosophies	1-3
1.5 Marketing Functions	1-5
1.6 Goals of Marketing System	1-6

Copyright 1995 by Thames Management Centre International. All rights reserved.

1.1 Introduction

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of goods to create exchanges that will satisfy individual and organisational objectives.

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others – Kotler.

1.2 Key Concepts

- a) Needs are a state of felt deprivation.
- b) Wants are the form taken by human needs as they are shaped by culture and personality.
- c) Demands are human wants backed by purchasing power.
- d) Products are anything offered to the market for sale or consumption.
- e) Customer satisfaction is the degree to which the product's perceived performance matches the customers' expectation.
- f) Exchange is the act of obtaining an object from someone by offering something in exchange.
- g) Markets are made up of the actual and potential buyers of a product.

1.3 Marketing Activities

To survive, all organisations must create utility. The designing and marketing of want-satisfying goods, services, and ideas is the foundation for the creation of utility. Businesses must create a customer. Creating a customer means identifying needs in the market place, finding out which needs the organisation can profitably serve and developing an opportunity to convert potential buyers into consumers. Marketing managers are responsible for most of the activities necessary to create the customers the organisation wants. These activities include:

- a) Identifying customer needs.
- b) Designing goods and services that meet those needs.
- c) Communicating information about these goods/services to prospective buyers.

- d) Making these goods/services available at times and places that meet customer's needs.
- e) Pricing goods or services to reflect costs, competition and customers' ability to buy.
- f) Providing for the necessary service and follow up to ensure customer satisfaction after the purchase.

1.4 Marketing Philosophies

Marketing is described as creating and exchanging products/services. Various philosophies guide marketers in achieving this objective.

- a) *Production concept* – This concept assumes that customers will want to buy products or services that are easily available and affordable. Therefore management focuses on production efficiency and distribution. This concept is useful when demand for a product exceeds the supply.
- b) *Product concept* – This concept holds that consumers will favour products that offer the most quality and innovative features. Such companies therefore concentrate on making continuous product improvements. The risk here is that managers get trapped in the “better mousetrap’ fallacy and lose sight of the long term goals of the company and the needs of the customers.
- c) *Selling concept* – Many companies follow the selling concept, which holds that consumers will not buy the company's products unless it undertakes aggressive selling. The consequences are hard selling techniques and possibly even unscrupulous selling tactics. Most companies practise this concept when they have over capacity.
- d) *Marketing concept* – The marketing concept holds that achieving organisational goals depends on determining the needs and wants of target markets. It takes an outside-in approach. It recognises the customer as the most important and aims at complete customer satisfaction. The marketing concept requires an integrated marketing effort. There are three underlying beliefs:
 - Customer orientation.
 - Co-ordinated marketing.
 - Profitable business.

Adoption of the marketing concept can be triggered by any one of the following:

- Poor sales performance
 - Slow company growth
 - Increased competition
 - Higher consumer demand expectation
 - More legislation
- e) *Marketing Mix* – This term was originated by Neil Borden. It refers to the combination of marketing tools used in accomplishing a company's marketing objectives.

The marketing mix comprises of the four P's as follows:

<i>Product</i>	Product is anything that is offered to consumers for use. It includes decisions about quality, features, design, packaging, product.
<i>Price</i>	Pricing strategy deals with methods of setting justifiable and profitable prices. It is one of the most difficult areas of marketing decision making. Decisions about pricing include discount methods, adjustments to prices, payment terms.
<i>Promotion</i>	Promotion is the communication link between sellers and buyers. Organisations can use many different ways of sending messages about the products/services to their customers. The key methods used in promotion are advertising, personal selling, sales promotion, publicity.
<i>Place</i> (Distribution)	Marketers develop distribution strategies to ensure that their products are available in the proper quantities at the right time and place. Distribution decisions involve modes of transportation, warehousing, inventory control and selection of marketing channels and distribution network.

1.5 Marketing Functions

Marketing is responsible for the performance of eight universal functions: buying, selling, transporting, storing, standardisation and grading, financing, risk taking and securing marketing information. Some functions are performed by manufacturers, others by retailers and some by wholesalers.

Marketing Function	Description
<i>Exchange function</i>	
1. Buying	Ensuring that product offerings are available in sufficient quantities to meet customer demands.
2. Selling	Use of advertising, personal selling, and sales promotion to match goods and services to customer needs.
<i>Physical distribution functions</i>	
3. Transporting	Moving the product from its point of production to a location convenient for the purchaser.
4. Storing	Warehousing products until needed for sale.
<i>Facilitating functions</i>	
5. Standardisation and grading	Ensuring that product offerings meet established quality and quantity control standards of size, weight, and other product variables.
6. Financing	Providing credit for channel members or consumers.
7. Risk taking	Uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in the future.
8. Marketing information	Collection of information about consumers, competitors, and channel members for use in making marketing decisions.

Figure 1.1 Marketing Functions

1.6 Goals of Marketing System

The main goals of the marketing system:

- a) **Maximise consumption:** Marketing stimulates consumption, which in turn creates maximum production, employment and wealth.
- b) **Maximise choice:** Marketers believe that the goal of the marketing system should be to maximise product variety and consumer choice. Marketing system would enable consumers to find those goods that exactly satisfy their tastes. However, maximising choice comes at a cost.
- c) **Maximise life quality:** Quality of life includes the quality, quantity, availability and cost of goods, the quality of the physical environment.

Topic 2 Marketing, Planning and Control

2.1	Introduction	2-2
2.2	Strategic Planning Process.....	2-2
2.2.1	Define the Company's Mission.....	2-2
2.2.2	Set Company Goals and Objectives	2-2
2.2.3	Design the Current Business Portfolio	2-2
2.2.4	Analyse Current Portfolio	2-3
2.2.5	Develop Growth Strategies	2-3
2.2.6	Plan Functional Strategies	2-3
2.3	Managing the Marketing Effort.....	2-4
2.3.1	Marketing Analysis	2-4
2.3.2	Marketing Planning	2-4
2.3.3	Marketing Implementation.....	2-4
2.3.4	Marketing Control.....	2-4

Copyright 1995 by Thames Management Centre International. All rights reserved.

2.1 Introduction

To meet changing conditions in their industries, companies need to look ahead and develop long term strategies. Strategic planning involves developing a strategy to meet competition and insure long term survival and growth. The marketing function plays an important role in this process in that it provides information and other inputs to help in the preparation of the organisation's strategic plan.

No matter how well the strategic planning process has been designed and implemented, success depends on how well each department performs its customer-value-adding activities and how well the departments work together to serve the customer.

2.2 Strategic Planning Process

Many companies operate without formal plans. However, formal planning can provide many benefits. Strategic planning is defined as the process of developing and maintaining a fit between the organisation's goals & capabilities and its changing marketing opportunities.

2.2.1 Define the Company's Mission

Management need to ask basic questions, such as who is our customer, what is our business, what do consumers value? A company must develop a mission statement that clearly state the organisation's purpose and what it wants to accomplish in the larger environment. The mission statement should be market-orientated, based on distinctive competencies, motivating and realistic.

2.2.2 Set Company Goals and Objectives

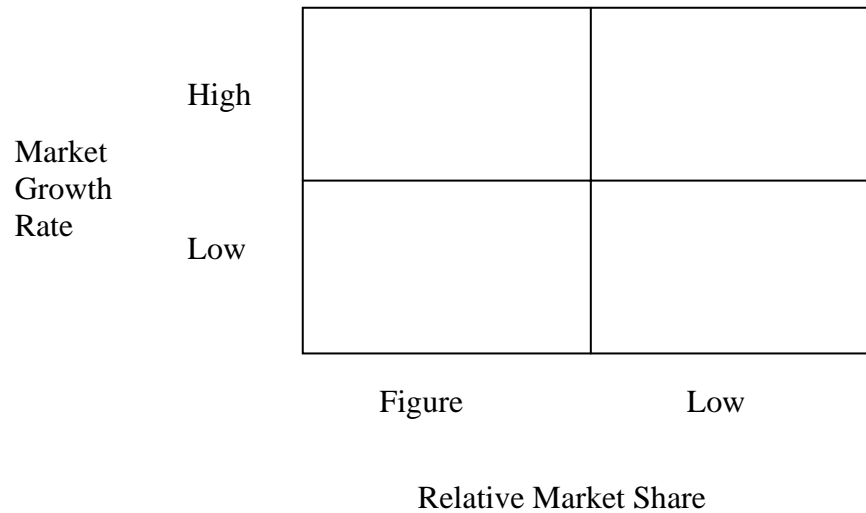
The company's mission must be turned into detailed, supporting objectives for each level of management. Each manager should have objectives and be responsible for reaching them. Strategies must be developed to support these objectives.

2.2.3 Design the Current Business Portfolio

Management must now plan its business portfolio-the collection of businesses and products that make up the company. The company must first analyse its current business portfolio and then develop growth strategies.

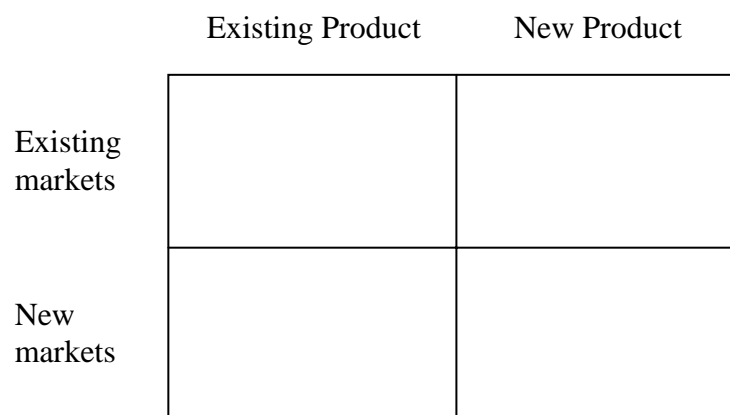
2.2.4 Analyse Current Portfolio

Management must identify the key businesses making up the company. A strategic business unit (SBU) is a unit of the company, which has its own resources, managers, objectives and competitors. The best-known portfolio planning tool is the market share/market growth matrix, developed by the Boston Consulting Group.



2.2.5 Develop Growth Strategies

After identifying and classifying its various SBUs, the company must find new businesses and products. A useful device to identify growth opportunities is the product/market expansion grid, otherwise known as the Ansoff matrix.



2.2.6 Plan Functional Strategies

The strategic plan lays the foundation for more detailed planning. The various departments must now lay down their action plans.

2.3 Managing the Marketing Effort

The management must design and put into action the marketing mix that will help the company to achieve its objectives.

2.3.1 Marketing Analysis

The marketing function begins with a complete analysis of the company's situation. The management conducts a SWOT analysis to identify problems and opportunities.

2.3.2 Marketing Planning

This involves deciding on the marketing strategies. A detailed marketing plan is needed for each business. The marketing plan comprises of:

1. Executive summary.
2. Current marketing situation..
3. Threats & opportunity Analysis.
4. Objectives and issues.
5. Marketing strategy.
6. Action programs.
7. Budgets.
8. Controls.

2.3.3 Marketing Implementation

This is the process that turns marketing strategies into marketing actions. People at all levels must work together to implement the plans.

2.3.4 Marketing Control

This involves evaluating the results of marketing strategies and plans and taking corrective actions.

Topic 3 Environmental Issues

3.1	Introduction	3-2
3.2	Micro-Environment.....	3-2
3.3	Macro-Environment	3-3
3.4	Consumerism.....	3-4
3.5	Environmentalism	3-4
3.6	Societal Marketing Concept.....	3-5

Copyright 1995 by Thames Management Centre International. All rights reserved.

3.1 Introduction

A company's marketers take the major responsibility of identifying significant changes in the environment. All firms must identify, analyse, and monitor external forces and assess their potential impact on their goods and services. Although external forces frequently are outside the marketing manager's control, they must be considered together with the variables of the marketing mix in developing marketing plans and strategies in some instances, marketers can influence the environment in which the firm operates.

Environmental management is the attainment of organisational objectives by predicting and influencing the various environmental factors. This influence can result from a number of activities by the firm's management.

Understanding the business environment, and the marketing system within it, is crucial to the commercial viability and success of the company. The marketing environment is divided into microenvironment and macro-environment.

3.2 Micro-Environment

The microenvironment consists of the forces close to the company that affect its ability to serve its customers – the company, suppliers, marketing distributors, customers, competitors and publics. Marketing management's job is to attract and build relationships with customers by creating customer value and satisfaction. However, marketing managers cannot accomplish this task alone. Their success depends on the other players in the microenvironment.

- a) *Company* – In designing marketing plans, marketing management takes other company groups into account-groups such as top management, finance, research and development (R & D), purchasing, manufacturing and accounting. Top management sets the company's mission, objectives, broad strategies. Marketing managers must also work closely with other departments. Together, all the departments have an impact on the marketing plans and actions.
- b) *Suppliers* – Suppliers provide the necessary resources needed by the company to produce its goods and services. Supplier developments can seriously affect marketing. Marketing managers must watch resource availability and price trends.
- c) *Distributors* – Distributors help the company to promote, sell and distribute its goods to final buyers. Intermediaries include wholesalers and retailers. Marketing intermediaries form an important component of the company's overall value delivery

system. The company must partner effectively with suppliers and distributors to ensure marketing effectiveness.

- d) *Customers* – A firm may sell its products/services to many types of consumers, such as business markets, end users, government markets and international markets. Each market type has special characteristics that call for careful study by the seller.
- e) *Competitors* – Marketers must gain competitive advantage by studying competitor strategies and positioning their products/services strongly against competitor's offerings. Each firm must consider its own size and industry position compared to those of its competitors.
- f) *Publics* – A public is any group that has an actual or potential interest or impact on an organisation's ability to achieve its objectives. The firm's decision may be questioned by the media, government, citizen-action groups, general public. Companies have to consider the interest of each of these groups.

3.3 Macro-Environment

The macro-environment consists of the larger forces that affect the whole micro-environment. The micro-environment factors guide the long term direction of the firm. The macro-environment creates threats and opportunities for the firm.

- a) *Political-legal factors* – Marketing decisions are strongly affected by developments in the political environment. The political environment consists of laws, regulations and government agencies that influence and limit various organisations and individuals in a given society. Such laws touch on all aspects of the marketing decision making - designing, labelling, packaging, distribution, advertising, etc.
- b) *Economic environment* – Markets require buying power as well as people. The economic environment consists of factors that affect consumer purchasing power and spending patterns. Nations vary greatly in their levels and distribution of income. Marketers must pay close attention to major trends and consumer spending patterns. Economic factors such as inflation rates, economic growth, interest rates, taxation and wages affect the demand and sales of goods/services.
- c) *Social-cultural environment* – This is also referred to as the demographic environment. Demography is the study of populations in terms of size, density, location, age, gender and so on. Each population also exhibits its own social and cultural behaviours. People in different social environments have

particular beliefs and attitudes. Trends and changes in population structure and social and cultural values impact greatly on marketing decisions.

- d) *Technological environment* – The technological environment represents the application to marketing of knowledge based on discoveries in science, inventions and innovations. New technology results in new products/service for consumers, improved existing products, better customer service, and often lower prices through the development of more cost efficient production and distribution methods.
- e) *Natural environment* – The natural or physical environment refers to the natural resources that are needed as inputs by marketers or that are affected by marketing activities. Some of the concerns facing marketers are the shortage of certain raw materials, the increased cost of energy, increased pollution.

3.4 Consumerism

Consumerism has been defined as a social force within the environment designed to aid and protect the buyers. Consumerists are individuals or pressure groups who seek to safeguard consumer's interests from unscrupulous practices of marketers. In recent years, marketers have been beset by increasing consumer activism. The consumer movement led to the development of a statement of consumer rights as follows:

- The right to choose freely.
- The right to be informed.
- The right to be heard.
- The right to be safe.

The implications for marketers means recognising consumer rights such as:

- Safe and quality products with proper labelling.
- Fair pricing.
- Truthful and accurate advertising.

3.5 Environmentalism

Environmentalism refers to the movement that aims to protect the environment. Environmentalists are individuals or organised groups

who seek to maximise the quality of life by means of a better living environment. They want environmental costs to be included in producer and consumer decision making. The green movement is the result of increased attention paid to environmental and ecological issues. Some green issues include concern for the ozone layer, air & water pollution, waste disposal, deforestation and animal-based experimentation.

3.6 Societal Marketing Concept

The societal marketing concept is the response to criticisms that marketing practices have been socially and environmentally unresponsive and ignore public interest, in the midst of satisfying customers. Societal marketing concept therefore focuses not only on meeting needs and wants of consumers as effectively and efficiently as possible in relation to competitors but also considering their well being. Marketing activities should be socially and environmentally responsible.

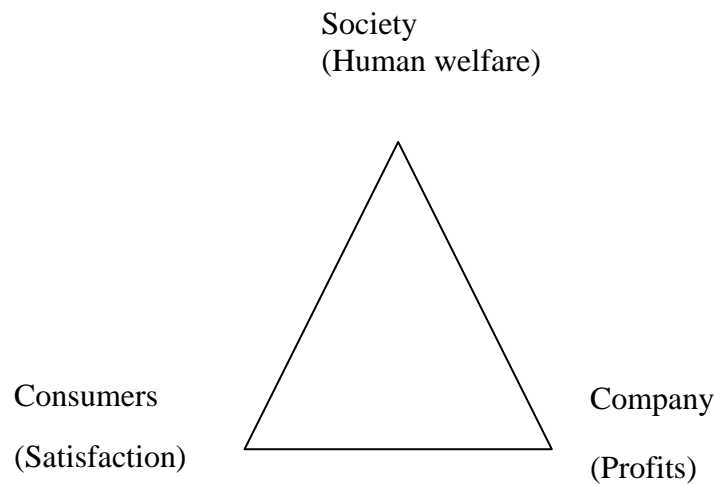


Figure 3.1 Societal Marketing Concept

Topic 4 Marketing Information Systems (MKIS)

4.1	Introduction	4-2
4.2	Use of the MKIS.....	4-2
4.3	Benefits of MKIS	4-4

Copyright 1995 by Thames Management Centre International. All rights reserved.

4.1 Introduction

Many marketing managers discover that their information problems result from an over-abundance rather than a shortage of marketing data. Data refers to statistics, opinions, facts or predictions. Information is data relevant to the marketing manager in making decisions.

To obtain relevant information, one can establish a marketing information system (MKIS) which is a planned and often computer based system designed to provide managers with a continual flow of information relevant to their specific decision areas. The marketing information system is a subset of the company's overall management information system (often called the MIS)

4.2 Use of the MKIS

A properly constructed MKIS can serve as the company's nerve centre, providing instantaneous information suitable for each management level. It can monitor the market place continuously, allowing management to adjust actions as conditions change.

- a) *Internal records* – Internal records are information gathered from sources within the company to evaluate marketing performance and to detect marketing problems and opportunities. Such information comes from both marketing and other departments in the company. The accounting department keeps financial data, the manufacturing department keeps records of production and inventory levels and cost. Managers can use information gathered from these and other sources within the company to evaluate performance, detect problems and create new marketing opportunities.
- b) *Marketing intelligence* – This refers to everyday information about developments in the marketing environment. Data can be collected from government reports, competitor reports, professional companies. In short, information that has value for marketing decisions can be obtained almost anywhere.
- c) *Marketing research* – This type of research is more focused and specific on particular problem areas/issues that the company wishes to investigate. A company can conduct marketing research in its own research department or have some or all of it done outside.
- d) *Information analysis* – Data and information collected by the company requires more analysis. Information is therefore evaluated and assessed using statistical tools and methods.

Marketing information has no value until managers use it to make better marketing decisions. The information gathered must be distributed to the right marketing managers at the right time. Computerised systems allow quick and accurate information to be disseminated to all relevant parties.

4.3 Benefits of MKIS

- Timely reports.
- Selective retrieval of information.
- Continuous monitoring of marketing effort.
- Wide variety of data available.

Topic 5 Marketing Research

5.1 Introduction.....	5-2
5.2 Types of Research/Information	5-2
5.3 Marketing Research Methods.....	5-3
5.4 Sampling	5-4
5.5 Marketing Research Process	5-5

Copyright 1995 by Thames Management Centre International. All rights reserved.

5.1 Introduction

The marketing concept says that marketing managers should meet the needs of customers – yet today many marketing managers are isolated in company offices far from the potential customers. It is just not possible for managers to keep up with all the changes taking place in their markets.

This means that marketing managers have to rely on help from marketing research departments or executives to feed them with all the relevant marketing information and data.

Marketing research is the systematic design, collection, analysis and distribution of marketing data and information to assist managers in formulating marketing strategies. It is the function that links marketing managers to the marketplace.

Continued improvements in market research methods are making marketing research information more dependable and has encouraged more companies to put money into marketing research.

Marketing research activities can be carried out by the company itself, which is the case in large companies, which have set up separate marketing research departments. On top of this, companies may rely on outside specialists to take charge of research projects. Small companies traditionally do not have separate marketing research departments and often rely on their own salespeople or managers to conduct whatever research they can.

5.2 Types of Research/Information

Marketing research projects can cover a wide range of areas and issues. Usually, not all areas can be covered in a single research project, rather the information collected will be specific to a particular problem or situation facing the company. However, for discussion purposes, we look at the different categories of information that may be relevant to the company's decision making process.

- a) *Market research* – This is data related to the general market that the company is conducting its business in. Here, the marketer would be interested in details of the market and the consumers buying habits.
- b) *Product research* – This would cover feedback and details of the product/s being marketed by the company or any new products that the company may be intending to introduce.

- c) *Pricing research* – Here, the marketer is interested in gathering information related to the company's pricing policies and strategies.
- d) *Promotional research* – This would cover the effectiveness of the promotional techniques being applied by the company and changes that may be necessary.
- e) *Distribution research* – Here, the focus is on the distribution network that the company is using and how it could be improved.
- f) *Sales research* – This would look into the sales performance of the company over a period of time.
- g) *Competitors* – The strategies and plans of the competitors would be of much relevance to a company.
- h) *Environmental issues* – This would cover general areas of trends in the market, especially issues that would impact on the company's business and operations.

Marketing information is sometimes classified into quantitative and qualitative data. A crude distinction is that quantitative data is concerned with facts, for example, sales in five different areas, whereas qualitative data is concerned with assessing attitudes, such as opinions of different products or the company image or the motives of the consumer in buying a particular product.

5.3 Marketing Research Methods

Marketing research includes many different activities. At its simplest, it may involve checking the suitability of a site for a shop by counting the number of people going past it at different times of the day. A sophisticated campaign may involve spending thousands of dollars upon consumer interviews or some other technique.

Marketing research methods are traditionally classified into desk and field research methods. Desk research is concerned with using existing information, often referred to as secondary data. Field research involves gathering fresh data, referred to as primary data.

- a) *Secondary data methods/sources* – available from 2 main sources:
 - 1. *Internal data/sources* – Internal secondary data is compiled by a company in its normal business operations. Sales data, advertising expenditure, salespersons' reports, inventory reports, financial statements, are just some of the internal data available.

2. *External data/sources* – Such data comes from wide variety of outside sources. These include government agencies, published materials, commercial sources such as specialised research companies.
- b) *Primary data methods/sources* – Collecting primary data is of course much more tedious and complex as compared to secondary data.
1. *Observation technique* – Observational studies are conducted by actually viewing the overt actions and behaviours of the subjects. They may take the form of a traffic count at a potential site for a fast food shop, the use of supermarket scanners to record sales of certain products, or a check of license plates at a shopping centre to determine where the shoppers might live. Observation techniques may further be divided into personal observation and mechanical observation. Mechanical observation is done through the use of scientific tools and devices to monitor behaviours and reactions of consumers.
 2. *Survey technique* – Some information cannot possibly be collected through observation. Therefore researchers must ask questions to get information on attitudes, motives and opinions. The most widely used tool in collecting primary data is the survey or interview method. Surveys could be done using personal, telephone or postal means.
 3. *Experimentation method* – The third type of technique in collecting primary data is to use experimentation. Here, researchers compare the responses of two or more groups that are similar except on the characteristic that is being tested. Researchers want to learn if the specific characteristic, which varies among the groups, causes any differences in some response among the groups.

5.4 Sampling

When every representative in the population is studied, this is known as a census.

But this is usually not the case because of the time it would take and the costs involved.

Sampling methods include:

- a) Simple random sampling.
- b) Stratified sampling.
- c) Cluster sampling.

- d) Quota sampling.

5.5 Marketing Research Process

How is marketing research actually conducted? It depends, of course on the type and amount of information required for a particular decision. Certain events create the need for certain decisions. Most marketing research is undertaken in a scientific way. This means that there is an objective way of determining the information needs and the way to proceed with the data collection. Marketing research process involves the following steps:

- a) *Defining the problem and research objectives* – This is the most important but often the most difficult step in marketing research. It is important because it can help the researcher identify the real problem area and what type of information is needed. It is difficult because often researchers might focus on the symptoms rather than the root of the problem itself.
- b) *Developing the research plan* – At this stage, the researcher must determine the nature of the information that is to be collected, and how it is going to be planned. The various methods that are going to be used must be decided and the questionnaires and sample decisions made. The researcher would at this stage, investigate any secondary sources of data first. He will then be able to know if this data is sufficient or primary data is to be collected.
- c) *Implementing the research plan* – The researcher next puts the marketing research plan into action. This involves collecting, processing and analysing the data. This is generally the most expensive stage and is subject to error. The researcher should watch fieldwork closely to make sure the plan is implemented correctly and to guard against problems.
- d) *Interpreting and presenting the information* – The researcher will now interpret the findings, draw conclusions and report them to management. Statistical and mathematical models are used to analyse and present the data in a meaningful way to the management.

Topic 6 Market Segmentation

6.1	Introduction	6-2
6.2	Basis for Consumer Market Segmentation	6-2
	6.2.1 Geographic Segmentation	6-3
	6.2.2 Demographic Segmentation	6-4
	6.2.3 Psychographic Segmentation	6-4
	6.2.4 Behavioural Segmentation	6-5
6.3	Benefits of Market Segmentation	6-6
6.4	Limitations of Market Segmentation	6-6
6.5	Market Targeting	6-7
6.6	Selecting Market Segments	6-8
6.7	Production Positioning	6-8

Copyright 1995 by Thames Management Centre International. All rights reserved.

6.1 Introduction

Strategic planning is the matching of an organisation's resources with its marketing opportunities. One of the important strategic decisions a company has to make is regarding its target markets. The company has to determine which markets it wants to serve and the specific strategies that can be applied to market effectively to that target market.

A market is defined as the current and potential set of customers, with the necessary resources and the willingness to buy the company's products and services. The target market is a group of consumers at whom the seller specifically aims its marketing efforts. The careful identification and selection of the target market is essential for the development of an effective marketing mix.

The process of selecting the target markets involves the following steps:

- a) *Market segmentation* – where the marketer has to identify on what basis he is going to divide the market.
- b) *Market targeting* – where the marketer has to assess the attractiveness of the different segments and then select the most appropriate ones.
- c) *Market positioning* – where the marketer has to develop the detailed marketing mix for each segment.

6.2 Basis for Consumer Market Segmentation

Organisations that sell to consumers and business buyers must realise that they cannot appeal to all buyers in those markets, or at least, not to all buyers in the same way. Buyers are too numerous, too widely scattered, and too varied in their needs and buying patterns. Companies too, vary widely in their abilities to serve different segments of the market. Rather than trying to compete in an entire market, sometimes against superior competitors, each company must identify the parts of the market it can serve best. To achieve this, the company has to segment the market and this can be done in many ways.

Market segmentation is the process of dividing the market into distinct groups of buyers with different needs, characteristics, or behaviour who might require separate products or marketing mixes. Markets consist of buyers and buyers differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes and buying practices. Since buyers have unique needs and wants, each buyer is potentially a separate market. Ideally, then a company might design a separate marketing program for each buyer.

However, most sellers face fairly large numbers of smaller buyers and do not find complete segmentation worthwhile. Instead, they look for broad classes of buyers who differ in their product needs or buying responses. For example, Nike finds that different groups of buyers need different types of shoes. Therefore, it has casual sports shoes, hiking shoes, walkers for serious athletes, shoes for different types of sports.

There is no single way to segment a market. A marketer has to try different segmentation variables, alone, and in combination, to find the best way to view the market structure. The key variables used by marketers are explained below.

6.2.1 Geographic Segmentation

This is based on dividing the market on the basis of location and has been used for hundreds of years. The market is divided into different geographical units, such as nations, regions, states, towns, cities, neighbourhoods and such. A company may then decide to operate in a single area or a few chosen locations. The idea of geographic segmentation is based on the fact that buyers needs and patterns differ according to where they live.

6.2.2 Demographic Segmentation

This consists of dividing the market into groups based on personal characteristics, such as age, income, occupation, race, family life cycle. Demographic variables are the most popular way of segmenting the market. One reason, is that consumer needs very often vary closely with demographic variables, and also, it is the easiest way to measure the market.

1. *Age and family life cycle* – Consumer needs and wants change as they progress from one stage of life to another. Companies therefore offer different products and services for different age groups. However, marketers must be careful to guard against stereotyping consumers according to age. For instance, there are some 40 year olds who are just starting families and there are 40 year olds who are sending their children to college.
2. *Gender* – Gender segmentation has long been used in marketing of clothing, cosmetics and magazines. Recently, marketers have begun to re-examine the way they market to either sex. For instance, males were long thought of as the key buyers for cars but more women today are buying cars or at least having a lot more influence over such purchases.
3. *Income* – This has long been used by marketers of products such as automobiles, boats, clothing, jewellery. Many companies target affluent consumers with luxury goods and services.

6.2.3 Psychographic Segmentation

This divides buyers into different groups based on social class, lifestyle or personality characteristics. People in the same demographic group can have very different psychographic make-ups.

1. *Social class* – Consumers can be divided into different strata of society. Social classes are relatively permanent and ordered divisions whose members share similar values, interests and behaviours. Social class is not determined by a single factor, but is measured by a combination of factors, such as income, occupation, education and other variables. Consumers can move from one social class to another in their lifetime. Marketers are interested in social classes because people within a social class exhibit similar buying behaviour.

2. *Lifestyle* – Lifestyle refers to the consumer's mode of living, it is how an individual operates on a daily basis. Peoples' interests in various goods are affected by their lifestyles and the goods they buy express those lifestyles. For instance, Porsche is targeted at achievers, who are successful, work oriented people who get satisfaction from their work. When used carefully, the lifestyle concept can help marketers understand changing consumer values and how they affect buying behaviour.

6.2.4 Behavioural Segmentation

This type of segmentation divides buyers based on their knowledge, attitudes or uses or responses to a product. Many marketers believe that behaviour variables are the best starting point for building market segments.

1. *Benefits* – Benefit segmentation is a special type of behavioural segmentation which divides buyers into groups according to the benefits they seek from the product. It involves identifying the major benefits people look for in a product, the kinds of people who seek those benefits and the major brands that deliver those benefits. For instance, the benefits people look for in a car may be performance or comfort or economy.
2. *Usage rate* – This involves grouping buyers into heavy-users, light-users or non-users. Heavy users normally comprise a small percentage of the market but account for a large percentage of the total buying. Companies may then decide to choose the target based on the usage rate. For instance, for a product like beer, the company may decide to focus on the heavy users and apply special promotions to get them to use more.

6.3 Benefits of Market Segmentation

- a) Market segmentation is a customer oriented philosophy and is thus consistent with the marketing concept. We first identify the needs of customers within a sub market and then satisfy those needs.
- b) By tailoring marketing programs to individual market segments, management can do a better marketing job and make more efficient use of marketing resources. A small company with limited resources might compete very effectively in one or two market segments, whereas the same company would be buried if it aimed for the total market. By employing the strategy of market segmentation, a company can design products that really match customer demands. Advertising can then be used more effectively because promotional messages and the media used can be aimed specifically toward each segment of the market.
- c) By developing a strong position in specialised market segments, medium-sized companies can achieve a rapid growth rate. As time progresses, these companies can explore new segments to target.

6.4 Limitations of Market Segmentation

- a) While market segmentation can provide a lot of marketing benefits to an organisation, this strategy has some drawbacks with respect to costs and market coverage. In the first place market segmentation can be an expensive proposition in both the production and marketing of products. In production it obviously is less expensive to produce mass quantities of one model and one colour than it is to produce a variety of models, colours and sizes.
- b) Segmentation leads to higher inventory costs as stocks of different varieties have to be kept. Advertising costs go up because different ads may be required for different segments. Some segments may be too small for the marketer to make effective use of television advertising. Administrative costs go up as management must plan and control different marketing programs.

6.5 Market Targeting

Market segmentation reveals the company's market segment opportunities. This company now has to evaluate the various segments and decide how many and which ones to target. In evaluating market segments, companies look at the following factors:

- a) *Segment size and growth* – The company must first collect and analyse data on current segment sales, growth rates, and expected profitability for each segment. However, the choice is not as easy as it sounds. What is a segment of the 'right' size? Some companies may want to target segments with large current sales, a high growth rate. But the largest growing segments may not always be the most attractive for every company. Smaller companies may find such segments too competitive.
- b) *Segment attractiveness* – A segment might have the desired size and growth but still may not be attractive. The company must examine factors that affect the long term segment attractiveness. For instance, a segment is less attractive if it already contains many strong and aggressive competitors. The relative power of buyers also effects segment attractiveness. If buyers exercise much influence over the sellers, then they will try to force down prices, demand more quality or services. Finally a segment may be less attractive if it contains powerful suppliers who can control prices.
- c) *Company objectives and resources* – The company must ensure that the chosen segments mesh with its long term strategies. Sometimes, attractive segments may be dismissed when assessed from the political or social views. At the same time, resources and constraints have to be considered to make the venture worthwhile.

6.6 Selecting Market Segments

After evaluating different segments, the company now decide which and how many segments to serve. This is called target market selection. A target market consists of buyers who share common needs or characteristics that the company decides to serve. There are three market coverage strategies:

- a) *Undifferentiated marketing* – Using such strategy, the company might decide to ignore market segment differences and go after the whole market with one offer. The offer will focus on what is common rather than what is different. The company designs a product and marketing program that appeals to the largest number of buyers. The company uses mass production, advertising and distribution.
- b) *Differentiated marketing* – In this strategy the company decides to target several market segments and designs separate offers for each. By offering product and marketing variations, these companies hope for higher sales and a stronger position in several segments will strengthen consumers' overall identification with the company. Such a strategy typically brings more total sales and profits.
- c) *Concentrated marketing* – This type of strategy is especially appealing to companies with limited resources. Instead of going after a small share of a large market, the company decides to go after a large share of a small market. Such strategy provides an excellent way for new small businesses to get a foothold against larger, more resourceful competitors. Through concentrated marketing, the company achieves a strong market position in the segments it serves because of its greater knowledge of the segments' needs and the special reputation it acquires.

6.7 Production Positioning

Product positioning means communicating a product's image relative to competitors:

- a) in the market;
- b) in the mind of the customer.

Through marketing research, the position of competitors' brands are established on the basis of important attributes used by customers in brand choice. The company then decides if it wants to compete directly with another brand or fill a gap in the market where an unfulfilled want exists.

Topic 7 Consumer Buying Behaviour

7.1	Consumer Buying Behaviour	7-2
7.2	Factors Affecting Buyer Behaviour	7-2
7.3	Consumer Buying Roles	7-4
7.4	Buying Decision Process	7-5
7.5	Business Buying Behaviour	7-5
7.6	Organisational Buying Situations	7-6

Copyright 1995 by Thames Management Centre International. All rights reserved.

7.1 Consumer Buying Behaviour

Consumer behaviour consists of the acts of individuals in obtaining, using and disposing of economic goods and services, including the decision steps that precede and determine these acts. Since the study of consumer behaviour requires an understanding of human behaviour, in general, it is not surprising that consumer researchers borrow extensively from the areas of psychology and sociology. Consumers around the world vary tremendously in age, income, education level and taste. They also buy a huge variety of goods/services. How these consumers make their choices among products embraces a fascinating array of factors.

7.2 Factors Affecting Buyer Behaviour

- a) *Cultural influences* – Culture is the “set of values beliefs and other meaningful symbols that help individuals to communicate, interpret and evaluate as members of society.” It is a completely learned and handed-down way of life that gives each society its unique flavour and its value.

Culture is the broadest environmental determinant of consumer behaviour, so it is important for marketers to understand the culture they are dealing with.

Each culture contains smaller sub-cultures or groups of people with shared value systems based on common life experiences and situations. Sub-cultures include nationalities, religions, racial groups.

- b) *Social influences* – Consumers are also affected by social factors, such as family and groups.
1. *Family* – One's family is perhaps the most important determinant of consumer behaviour because of the close, continuing interactions among family members.
 2. *Groups* – A person's behaviour is influenced by many small groups. Groups that have a direct influence and to which a person belongs are called membership groups. Reference groups are those whose values influence consumers.
 3. *Social class* – Every society has some form of social class structure. Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behaviours. Social classes show distinct product and brand preferences in areas such as clothing, automobiles and home furnishings.

Upper Upper	- Social elite - Inherited wealth
Lower Upper	- Earn high income - Business or professionals
Upper Middles	- Professionals, business-people
Middle Class	- Average pay white and blue collar workers
Working Class	- Normal working class lifestyle
Upper Lower	- Working but just above poverty line
Lower Lower	- On welfare - Poverty stricken

Figure 7.1 Social Classes

- c) *Personal factors* – Personal characteristics such as age, occupation, income have an impact on consumers buying decisions as well.
1. *Age and family life cycle stage* - Consumer purchases of goods/services change through their lifetime. Tastes in food, clothing, recreation are often related to age. Buying is also affected by the life cycle stage or phase that the family is in. For example, the purchases of singles, married and those with children are quite different.
 2. *Occupation* – A person's job or career affects his choices of products/services. A blue collar worker buys more casual work clothes whereas a professional spends more on suits or high priced/quality work wear.
 3. *Lifestyle* – Lifestyle is a person's pattern of living as expressed in his or her attitudes/opinions/activities. Lifestyle captures something more than the person's social class or personality; it profiles a person's whole pattern of acting and interacting in the world.
- d) *Psychological factors* – This refers to factors such as motivation and learning.
1. *Motivation* – Consumers are motivated to buy goods and services to satisfy their needs. A person has many needs at

any given time. Some are biological, such as hunger and thirst. Others are psychological, such as the need for recognition, self esteem. A need becomes a motive when it is aroused to a sufficient level of intensity.

The motivation of consumers can be explained using Maslow's hierarchy of needs.

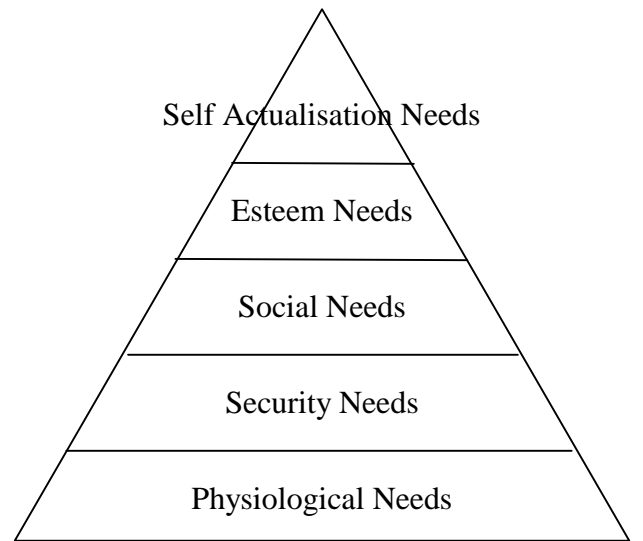


Figure 7.2 Maslow's hierarchy of needs

2. *Attitudes* – Attitudes are a person's enduring favourable or unfavourable evaluations, emotional feelings with regard to an object. They are formed over time and difficult to change.
3. *Learning* – Consumers learn when they act. Learning refers to the changes in an individual's behaviour arising from experience. When people buy a product, they experience satisfaction or dissatisfaction.

7.3 Consumer Buying Roles

Marketers need to know what people are involved in the buying decision and the role each one plays.

- a) Initiator.
- b) Influence.
- c) Decider.
- d) Buyer.
- e) User.

7.4 Buying Decision Process

Consumers go through many stages in the process of purchasing a product/service.

- a) *Problem recognition* – Here the consumer first identifies the need for a particular product/service. The need may arise due to external influence from friends due to change in the individual's situation.
- b) *Search* – At this stage, the consumer starts to gather information about how to satisfy his need. He may ask for suggestions and ideas from family, friends, salespeople.
- c) *Evaluation of alternatives* – The consumer starts to evaluate the alternatives identified during the search process. He uses a set of evaluative criteria to consider his choices.
- d) *Purchase decision* – The end result of the search and evaluation is the actual purchase of the product. The consumer now decides where, how, when to purchase.
- e) *Postpurchase behaviour* – The purchase act results in either satisfaction or dissatisfaction. Consumers also experience some postpurchase anxieties, called cognitive dissonance. Marketers can help to reduce this anxiety.

7.5 Business Buying Behaviour

The industrial market consists of individuals or companies that acquire goods/services to be used, directly or indirectly, in producing other goods/services. Organisational buying behaviour tends to be more complex than the consumer decision process.

- a) *Problem recognition* – The buying process begins when someone in the company recognise a problem or need that can be met by acquiring a good/service. For instance, a machine that has broken down and cannot be repaired, triggers the need for a new purchase.
- b) *Specification of purchase requirement* – The company may list down the specific items to be purchased, product specifications and the important attributes required in the product.
- c) *Supplier search* – The company will now invite qualified suppliers to submit proposals. Business marketers must be skilled in writing proposals to suit their clients. Suppliers are drawn from trade directories, trade organisations or recommendations.

- d) *Supplier selection* – The proposals from suppliers are reviewed and the final selection is made. Business buyers shortlist and select suppliers by evaluating several criteria, such as reliability, reputation, delivery, price competitiveness.
- e) *Contract agreement* – The buyer and seller negotiate and agree on final prices, payment terms.
- f) *Place and receive orders* – After negotiations are completed, the buyer places the order and upon receipt of goods, inspects and stores them.
- g) *Performance review* – The buyer will review the supplier's performance from time to time. The performance review may lead the buyer to continue, modify or drop the arrangement.

7.6 Organisational Buying Situations

Organisational buying behaviour is affected by situational variables involving the degree of effort exerted in making the purchase decision and the levels within the organisation that are involved in the decision.

- a) *Straight rebuy* – This is a recurring purchase decision in which an item that has performed satisfactorily is bought again.
- b) *Modified rebuy* – In this situation, the buyer will re-evaluate his available options. The buyer may look for new suppliers or make changes to the product purchased.
- c) *New task buying* – This refers to first time or unique purchase situations that require considerable effort on the decision maker's part.

Topic 8 Marketing Organisation

8.1	Organising the Marketing Function.....	8-2
8.1.1	Functional Organisation.....	8-2
8.1.2	Geographical Organisation.....	8-2
8.1.3	Product Management Organisation.....	8-2
8.1.4	Market Management Organisation.....	8-3
8.1.5	Matrix Management Organisation.....	8-3

Copyright 1995 by Thames Management Centre International. All rights reserved.

8.1 Organising the Marketing Function

The marketing department is central to the coordination of marketing activities. Its other key role is to achieve effective interaction with the company's other functional departments.

There are several ways of organising the company's marketing function, and no one way can be described as the 'best'.

8.1.1 Functional Organisation

- Headed by a marketing director/manager.
- Assisted by a number of marketing specialists such as the sales manager, advertising and sale promotion manager, customer service manager and so on.
- Its main advantage is the development of specialisation.
- The key disadvantage being the neglect of particular product or market when expansion occurs.

8.1.2 Geographical Organisation

- The sales function is structured by geographical regions.
- Other functional responsibilities may or may not be transferred to the regional level.
- The principal strength lies in the more effective implementation of marketing and/or sales strategies in each regional market.
- One weakness may be said to be the costly administration.

8.1.3 Product Management Organisation

- Similar to the geographical organisation, another layer of management is added to the basic functional organisation.
- Specific products or brands are now given managerial attention.
- Most appropriate for organisations with a sizeable product line, or those marketing technically complex products.
- Advantages include specialised brand attention, and faster market response.

- Disadvantages include higher operating cost, and conflict and frustration concerning the responsibility – authority relationship.

8.1.4 Market Management Organisation

- A variation of the product management organisation.
- Emphasis is on the specific requirements or needs of the markets or customers.

8.1.5 Matrix Management Organisation

- Integration of the product and market management structures.
- Well suited for organisations marketing a wide range of products to numerous markets.
- Its limitations being high costs, and role conflict.

Topic 9 Product Concepts

9.1 Introduction.....	9-2
9.2 Product Classification	9-2
9.2.1 Consumer Goods	9-2
9.2.2 Business Goods	9-3
9.3 Product Management Strategies	9-3

Copyright 1995 by Thames Management Centre International. All rights reserved.

9.1 Introduction

A product is anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a need or want. Products include more than just tangible goods. Broadly defined, products include physical objects, services, persons, places, organisations, ideas or mixes of these entities. Services are products that consist of activities, benefits, or satisfaction that are offered for sale, such as haircuts, tax preparation and home repairs.

A product is more than a simple set of tangible features. The product planner must first identify the need that the product will satisfy. They must then build the actual product and then find ways to augment it to create the bundle of benefits that will best satisfy the consumers.

9.2 Product Classification

In developing marketing strategies for their products and services, marketers have developed several product classification schemes. First, marketers divide products into two broad classes, based on the type of consumers that use them – consumer goods and industrial goods.

9.2.1 Consumer Goods

Consumer products are those bought by final consumers for final consumption. Such goods are usually classified based on the consumers' behaviour towards these products.

1. *Convenience goods* – These types of goods are purchased frequently, immediately and with minimum comparison and buying effort. There is low customer involvement and usually little planning is done when purchasing such products. Convenience goods tend to be relatively low priced products.
2. *Shopping goods* – Shopping goods are less frequently purchased so customers tend to compare carefully on suitability, quality, price and style. When buying shopping goods, consumers spend much time and effort in gathering information and making comparisons. Shopping goods are priced higher than convenience goods.
3. *Specialty products* – Specialty products are goods with unique or special characteristics for which certain groups of consumers may be willing to make a special purchase effort. Buyers normally do not compare specialty goods. They invest only the time needed to reach dealers that

sell them. Consumers have strong brand preference for convenience goods and usually are less price sensitive to such products.

4. *Unsought goods* – These are products where the consumer either has little knowledge or information about the products, or may express very little or even negative interest in them.

9.2.2 Business Goods

These are goods purchased by individuals or companies and are used in the production of other goods/services.

Business goods can be further classified on the basis of their intended uses.

1. *Raw materials* – These become part of the end product.
2. *Component materials and parts* – Component materials are processed further while component parts are ready for assembly without the need to change their form.
3. *Installations* – These are the major items of equipment which represent important investment for an organisation.
4. *Accessory equipment* – Accessory items are less expensive compared with installations and are used in the operations of the company.
5. *Supplies* – These are the ‘convenience goods’ of the business market.
6. *Business services* – These include maintenance services, cleaning services and such.

9.3 Product Management Strategies

Marketers have to make many decisions about their product offerings. They must know how to manage the total assortment of products they offer and make the relevant product decision.

A product mix is the assortment of product lines and individual offerings available from a marketer. Product mixes are measured in terms of width, length and depth of assortment.

- a) Product line width is the number of product lines offered by the company.
- b) Product line length refers to the number of products in each line.

- c) Product depth refers to the number of versions offered of each product in the line.

The company can have various strategies to expand its product mix. The product line length can be modified to suit the company's objectives. If the length is too short, it can be stretched. Stretching downwards is when the company adds new products of lower quality/price. Upward stretching occurs when the company introduces new products of higher quality/price. A company could choose to stretch both ways.

Topic 10 Product Development

10.1	Introduction	10-2
10.2	New Product Development	10-2
10.3	New Product Development Process	10-2

Copyright 1995 by Thames Management Centre International. All rights reserved.

10.1 Introduction

A company has to be good at managing its products over time and developing new products when the need arises.

10.2 New Product Development

A new product may be an innovation, a replacement of an existing product or an imitation (me-too product). New products have a high failure rate. The success of new products can be enhanced by the following criteria:

- Adequate market demand.
- Adequate financing.
- Adequate managerial attention.
- Sufficient profits.
- Compatible with the company's marketing experience and expertise.
- Fit in with existing production capability.
- Consistent with the corporate image.
- Meet any legal requirement.

10.3 New Product Development Process

New product development is risky, time consuming and costly. The following steps are involved in new product development:

- a) *Idea generation* – The objective at this first stage is to create as many new product ideas as possible. Ideas can be generated from internal and external sources. It is important for the company to develop a system of stimulating new ideas and rewarding their creators.
- b) *Idea screening* – At this stage, management would study the proposed ideas and evaluate them on appropriate criteria so as to distinguish the bad and goods ideas. This is a critical stage as often good ideas are dismissed whereas bad ideas may be allowed to proceed to development stage and then dropped.
- c) *Business analysis* – Here, the marketer would conduct market analysis to identify business opportunities and to assess market demand and future potential. The resources and constraints faced by the company must be taken into consideration.

- d) *Product development* – Financial outlays increase substantially as the company converts product ideas into a physical product. Products are thoroughly tested to ensure that the product has a high likelihood of success.
- e) *Test marketing* – At this stage, the marketer will carry out a test market by launching the product in a small, selected market so that the marketing plan can be tested and modified.
- f) *Commercialisation* – The marketer now makes the final plans to launch the new product to the market. The company has to decide how the launch should be done and the promotions that need to be carried out.

Topic 11 Product Life Cycle

11.1	Product Life Cycle.....	11-2
11.2	Product Life Cycle Stages.....	11-2
11.3	Implications of PLC Concept.....	11-2
11.4	Limitations of the PLC Concept	11-3

Copyright 1995 by Thames Management Centre International. All rights reserved.

11.1 Product Life Cycle

The Product Life Cycle (PLC) refers to the stages that a new product goes through, starting from its launch into the market.

Marketers must appreciate the fact that all products have a limited life. The length and shape of the product's life cycle will depend on many factors.

11.2 Product Life Cycle Stages

A typical product life cycle comprises of the following stages:

- (a) *Introduction* – This is when the product is first launched into the market. Introduction takes time, and sales growth is apt to be slow. At this stage, profits are negative or low because of the low sales and high expenses.
- (b) *Growth* – Growth stage is when the product has gained acceptance in the market and more consumers are purchasing it. The sales grow rapidly and profits are positive. Competitors enter the market, attracted by the high sales and profits.
- (c) *Maturity stage* – Here, the sales reach a peak and increase but at a much slower pace. The maturity stage normally lasts the longest and poses many challenges to management. The slowdown in sales results in many producers with many products to sell. This over capacity leads to intense competition. Weaker competitors may start to withdraw from the market.
- (d) *Decline stage* – In the final stage of the product's life cycle, innovations or shifting consumer preferences bring about an absolute decline in industry sales. Profits decline and might become negative at this stage. Carrying a weak product can be very costly to a company. A products falling reputation may also cause customer concerns about the company and its other products. The company's task is to therefore identify the products in their decline stage by monitoring sales and market share.

11.3 Implications of PLC Concept

Marketers must ensure that the company has a good mix of products over the whole life cycle. If too many products are in the maturity/decline stages and not enough in the introduction or growth stage, this spells trouble for the company.

11.4 Limitations of the PLC Concept

Limitation of the PLC concept include:

- Wide variations of PLC shapes.
- Wide variations in the length of PLC stages.
- A self fulfilling prophecy.
- Difficulty in accurately identifying the PLC stages.

Topic 12 Branding/Packaging

12.1	Product Branding	12-2
12.2	Importance of Branding.....	12-2
	12.2.1 Company	12-2
	12.2.2 Consumers	12-2
12.3	Types of Brand	12-3
12.4	Characteristics of a Good Brand.....	12-3
12.5	Product Packaging.....	12-4
12.6	Functions/Objectives of Packaging.....	12-4
12.7	Packaging Considerations	12-4
12.8	Labelling	12-5

Copyright 1995 by Thames Management Centre International. All rights reserved.

12.1 Product Branding

Consumers view brand as an important part of a product and branding can add value to a product. For instance, a perfume marketed under the name 'Calvin Klein' would be perceived by customers as a high quality expensive product but the same product in an unmarked bottle would likely be viewed as lower in quality.

Branding has become a major marketing issue, although it requires a great deal of long term marketing investment, especially for advertising and packaging. However, most manufacturers eventually learn that the power lies with companies that control the brand names. Consumers tend to be loyal to the brands, not the suppliers of the product itself.

A brand is a name, term, sign, symbol or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

12.2 Importance of Branding

12.2.1 Company

The benefits of branding for the company are:

- Recognition of its products by consumers and publics.
- Brands evoke a sense of prestige and status.
- Branding allows the company to use market segmentation more effectively.
- Branding reduces the consumers price sensitivity.
- Allows mark-up on prices.
- Provide legal protection.

12.2.2 Consumers

Branding offers the following benefits to the consumers:

- Able to identify with the product identity and be assured of quality.
- Reduces buying risk.
- Provide shopping efficiency.

- Satisfies status needs of consumers.
- Assure consumer of consistency in terms of quality.

12.3 Types of Brand

Manufacturers can use different types of branding methods for their products.

- Individual brand names* – Here, the manufacturer sells similar products under individual brand names. In this way, product of different brands can be marketed to different consumers and the failure of one product will not affect the sales of other products sold under different names.
- Family brand names* – The company uses one brand name for the various products marketed by that company. In this way, less costs are incurred in choosing brand names and in advertising a new product as the brand name has already been established.
- Combination brand names* – The products carry both the family brand name as well as the individual product brand.
- Generic brands* – These are basically ‘no-name’ products that do not carry any specific brand name. Usually comprises of food and household staples, characterised by plain labels, little or no advertising.
- Manufacturer’s brands* – Products launched nationally under the manufacturer’s brand name.
- Private or own label brands* – Brands of retailers or stores that sell the products.

12.4 Characteristics of a Good Brand

Choosing a brand name that helps sell the company and its products is no easy task. A brand name should have the following characteristics.

- Easy to recognise/remember/pronounce.
- Be distinctive.
- Suggest something about the product or its benefits.
- Be easily translated into foreign languages.

12.5 Product Packaging

Questions about packaging must also be addressed in a company's product strategy. Like brand names, packaging can influence the buyer's purchase decision. Packaging is a vital component of product strategy. Companies are increasingly using scientific approaches in making packaging decisions.

Packaging includes the activities of designing and producing the container or wrapper for a product. There are usually three layers of packaging:

- Primary package.
- Secondary package.
- Shipping package.

12.6 Functions/Objectives of Packaging

- To ensure safety and protection of products:
 - protect against damage, spoilage, contamination.
- To facilitate transportation and delivery.
- To enable easy display and self service.
- To market product more effectively.
- To facilitate easy usage by consumers.
- To provide information to consumers.

12.7 Packaging Considerations

- Ease of opening and closing.
- Appropriate shape and size (or weight).
- Attractive colour schemes and graphics.
- Project the desired image.
- Easy to stock and display.
- Packaging costs.
- Packaging texture.
- Deter shoplifting.

- Tamper-resistant.
- Environmentally friendly.

Packages must be kept up-to-date to reflect changing market trends.

12.8 Labelling

A label can be a card or swing tag attached to a product that provides information to a buyer.

Labels can be used for:

- brand identification;
- indicating the quality standards;
- providing information on the product or company;
- brand promotion.

Labelling requirement, be it mandatory or voluntary, include:

- unit pricing;
- open dating;
- nutritional labelling;
- warning statement;
- drug labelling.

Topic 13 Pricing Strategies

13.1	Introduction	13-2
13.2	Factors Affecting Prices	13-2
13.2.1	Internal Factors	13-2
13.2.2	External Factors Affecting Prices	13-3
13.3	General Pricing Approaches	13-4
13.3.1	Cost-based pricing	13-4
13.3.2	Customer-based pricing	13-5
13.3.3	Competition-based pricing.....	13-5
13.4	Pricing Strategies.....	13-5
13.4.1	New product pricing strategies	13-5
13.4.2	Price adjustment strategies	13-5

Copyright 1995 by Thames Management Centre International. All rights reserved.

13.1 Introduction

All profit organisations and many non-profit organisations must set prices on their products and services. Price goes by many names: You pay rent for your apartment, tuition for your education, and a fee to the doctor; airlines charge a fare; the bank charges interest; the 'price' of an executive is salary.

In the narrowest sense, price is the amount of money charged for a product or service. More broadly, price is the sum of all the values that consumers exchange for the benefits of having or using the product or service.

Price is the only variable in the marketing mix that generates a revenue; all the other elements represent costs. Price is also one of the most flexible elements of the marketing mix. Unlike product features and promotion, price can be changed quickly. At the same time, pricing and price competition is one of the biggest problems facing marketing managers. Yet, many companies do not handle pricing well. The common mistakes made by companies in their pricing strategies are setting prices that are not varied enough for different products, market segments or locations.

13.2 Factors Affecting Prices

When setting prices, marketing management are affected by both internal as well as external factors.

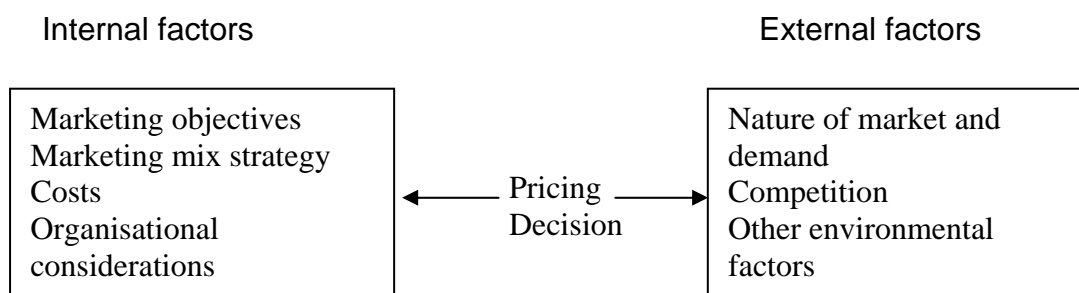


Figure 13.1 Factors affecting prices

13.2.1 Internal Factors

1. *Marketing objectives* – The clearer a company is about its objectives, the easier it is to set prices. The common objective set by management are survival, profit maximisation, market-share leadership and product-quality leadership. Companies pursuing a survival objective may set a low price, hoping to increase demand. This is a short term objective. Companies pursuing profit maximisation set a price that will produce the maximum current profit, cash flow or return on investment. Low prices would also be set by companies aiming for market-share

leadership. Companies going for product quality leadership set high prices.

2. *Marketing-mix strategy* – Price is only one of the elements that a company uses to achieve its marketing objectives. Pricing decisions must be coordinated with the other elements of the marketing mix. Decisions made for the other elements will in turn affect the price decision. The company can decide on the price it wants to charge first and then plan the other marketing variables around it. Other companies might de-emphasise price and use the other marketing-mix tools to create non-price positions. If the product is positioned on non-price factors, then decisions about quality, promotion and distribution will greatly affect price.
3. *Costs* – Costs set the floor for the price that company can charge for its products. The company wants to charge a price that both covers all its costs for producing, distributing and selling the product and delivers a fair return. Companies incur both fixed as well as variable costs. Together, these two make up the total costs. To price wisely, marketers must know how its costs vary with different levels of production. Taking economies and diseconomies of scale into consideration, management is able to figure out the most optimum level of production for their capacity. At higher levels of production, the average costs of producing each item falls and the company is able to lower prices and draw more customers. However, a single-minded focus on reducing costs will not always work.
4. *Organisational considerations* – Management must decide who within the organisation should set prices. In small companies, prices are often set by top management rather than the marketing department. In larger companies, prices may be set by the divisional managers. Even so, top management sets the pricing objectives and policies and it often approves prices set by lower level executives. Others who might be given the task of pricing may be the production managers or accountants.

13.2.2 External Factors Affecting Prices

1. *Market and demand* – Before setting prices, marketers must understand the relationship between price and demand for its products. The seller's pricing freedom varies with different types of markets. Whether the company is operating in a monopolistic market, or competitive market, will have an impact on pricing.

In the end, it is the consumer who will decide if the price is right. Therefore, the marketer must try to understand the consumer's reasons for buying the product. Since different customers have

different perceptions, prices can be varied for different segments of the market.

Marketers also need to consider the price-demand relationship. Each price set by the company will lead to a different level of demand. Usually, the demand and price are inversely related. In other cases, the relationship may be linear. Marketers also need to know the price elasticity of their products/services. If the management knows that demand is price elastic, they can consider lowering prices as a way of attracting more consumers.

2. *Competition* – The competitors' costs and prices and the reaction from competitors towards the company's pricing decisions has to be carefully considered. Consumers compare between different companies before making their purchase decisions. Hence, a company must know about its competitor's price, quality, costs. Once aware of these facts, the company can use it as a starting point for their own pricing policies.
3. *Economic conditions* – Companies must also be aware of the economic conditions when setting prices. Obviously, during healthy economic times, higher prices can be set. The reverse is true when setting prices during a recession. The purchasing power of the market will affect price decisions.

Many times, government rules and regulations impact on prices too. Whether the government imposes import taxes or other types of trading restrictions or provides subsidies will cause the marketer to either price high or low, depending on the situation.

13.3 General Pricing Approaches

The prices set by a company will be somewhere between one that is too low to produce a profit or one that is too high to produce any demand. Companies set prices by selecting a general pricing approach that includes one or more of these three sets of factors: cost-based pricing, consumer-based pricing, competitor-based pricing.

13.3.1 Cost-based pricing

This is the simplest approach to pricing. The company calculates its costs and then adds a standard mark-up to the cost of product. The problem with this method is that it ignores market considerations. Another approach to cost-based pricing is to use target profit pricing. The company tries to determine the price at which it will make the target profit it is seeking.

13.3.2 Customer-based pricing

This is also called value-based pricing. It is based on the product's perceived value. Therefore customers' perceptions of value and not the seller's cost form the basis for the price. Price is therefore considered before the marketing program is set. The company sets a target price based on customers' feedback about the product's value, then make decisions about the product design and costs.

13.3.3 Competition-based pricing

Consumers will make product choices based on their judgement about the product's value by comparing prices. Hence a company considers closely its competitors' prices. One approach is to use going-rate prices, where the company will set at the price at which competitors are selling, with little attention paid to its own costs or to demand. Another approach is sealed-bid pricing, where companies submit bids for a project. To win the contract, it needs to set prices similar or lower than the competitors.

13.4 Pricing Strategies

Pricing is a dynamic and complex process. A company sets not one price, but rather a pricing structure that covers different items in its line. This pricing structure changes over time as the products move through their life cycles. The prices are also adjusted to reflect changes in costs, market demand and other factors.

13.4.1 New product pricing strategies

Pricing strategies often change from the time the product is first introduced and as it goes through its life cycle. Here there are two strategies available to the company:

1. *Market skimming strategy* – Many companies that introduce new products set high prices initially to 'skim' revenues layer by layer. The price is reduced at later stages.
2. *Market penetration strategy* – This is used by a company when it introduces a new product at a low price, so as to get a big market share initially. The price may be adjusted upwards at later stages.

13.4.2 Price adjustment strategies

Most companies adjust their basic prices for various customer differences and changing situations.

1. *Discount and allowance pricing* – Here, the company wants to reward customers for responses such as early payment of bills, volume purchases or off-season purchases.
2. *Segmented pricing* – Companies will adjust prices to allow for difference in customers, product and locations. The same product might even be sold at different prices.
3. *Psychological pricing* – Price says something about the product. In using psychological pricing, sellers consider the psychology of prices and not simply the economics. Even small difference in price could suggest product differences.

Topic 14 Distribution Strategies

14.1	Introduction.....	14-2
14.2	Functions of Intermediaries.....	14-2
	14.2.1 Channels of Distribution	14-3
14.3	Types of Wholesaler	14-3
14.4	Types of Retailer.....	14-3
14.5	Vertical Marketing Systems (VMS)	14-4
14.6	Channel Strategy	14-4
	14.6.1 Selection of Distribution Channels.....	14-5
14.7	The Nature of Physical Distribution.....	14-5
	14.7.1 Order Processing	14-5
	14.7.2 Materials Handling.....	14-6
	14.7.3 Warehousing	14-6
	14.7.4 Inventory Management.....	14-6
	14.7.5 Transportation	14-6

Copyright 1995 by Thames Management Centre International. All rights reserved.

14.1 Introduction

Marketing channel decisions are among the most important decisions that management faces. The choice of distribution channels affects other marketing decisions too. The price of the product would depend on whether the product is distributed in normal outlets or high quality specialty stores. Distribution channel decisions often involve long term commitments to other companies.

Distribution channels bridge the gap between the manufacturer and the consumer. They provide ultimate users with a convenient means of obtaining the goods and services they desire.

Distribution channels are therefore, comprised of the various marketing institutions and the inter-relationships responsible for the physical and title flow of goods and services from producer to consumer or industrial user.

Marketing intermediaries or middlemen are the marketing institutions in the distribution channel: that is, business companies that operate between producers and consumers.

There are two main types of middlemen, the wholesalers and retailers. Wholesalers are involved in selling goods to those buying for resale or business use. Retailers are engaged in selling directly to the end user.

14.2 Functions of Intermediaries

Intermediaries perform many useful functions and provide many services to both the seller and the buyer.

- a) Provide economies in distribution of goods.
- b) Transform assortment of goods from producers to assortments needed by consumers.
- c) Gather and distribute marketing research and intelligence information.
- d) Promote goods/services.
- e) Build up contact with prospective buyer.
- f) Physically store and distribute goods.
- g) Help to match demand and supply through breaking bulk.
- h) Provide financing to consumers and suppliers.

The key point to note is that the above functions must be performed by someone. At times, the wholesaling and retailing activities could be done by the manufacturer itself.

14.2.1 Channels of Distribution

Distribution channels can be described in terms of the number of channel levels involved. Each level of marketing intermediaries brings the product closer to the consumer.

Direct distribution involves no middlemen. Indirect distribution involves the use of at least one middleman.

14.3 Types of Wholesaler

- a) *Merchant wholesalers* – These are independently owned businesses that take title to the merchandise they handle. Some of them provide a full range of services and functions (carrying stock, making deliveries, offering credit) whereas others provide limited services only.
- b) *Brokers and agents* – Such middlemen do not take title to the goods. Brokers typically bring buyers and sellers together. They represent either the buyer or seller.

Agents are a more permanent channel compared to broker. Manufacturer's agents represent one or two manufacturers of related products. Such agents have a formal contract with the manufacturer covering prices, territories, commission rates.

- c) *Manufacturers' sales branches/offices* – The manufacturers may choose to distribute their goods directly through company owned facilities. The manufacturer may operate a sales branch (carries inventories and process orders from stock) or a sale office (service as a regional office but does not carry stocks).

14.4 Types of Retailer

Retailing includes all the activities involved in selling goods/services directly to final consumers for their personal, non-business use. Retail outlets can be classified according to their product lines, which is the most common classification.

- *Specialty stores* – These carry a narrow product line but with wide assortment within that line.
- *Department stores* – Carry a wide variety of product lines. Each line is operated as a separate department.

- *Supermarkets* – These are large, low cost, low margin, high volume, self service stores.
- *Hypermarkets* – These are huge stores that carry a wide variety of products and are operated like a warehouse.
- *Convenience stores* – Small stores that carry a limited line of high turnover products.

14.5 Vertical Marketing Systems (VMS)

New forms of marketing systems have emerged to challenge the conventional marketing systems. In conventional marketing systems, the manufacturer, wholesaler and retailers work independently to pursue their own objectives. In the case of vertical marketing systems, different players in the distribution chain, work together to improve distribution efficiency and cost effectiveness.

There are three forms of a vertical marketing system.

1. *Corporate VMS* – This combines successive stages of production and distribution under single ownership.
2. *Administered VMS* – In such a system, channel co-ordination is achieved through the exercise of power by a dominant channel member.
3. *Contractual VMS* – In this type of VMS, there is a contractual agreement between channel members. The best known form of contractual VMS is the franchise system.

In a franchise agreement, the wholesaler or dealer (franchisee) agrees to meet the operating requirements of a manufacturer or other franchiser.

14.6 Channel Strategy

Besides decisions on the type of middlemen to use, manufacturers also need to consider the market coverage strategies in distributing their products. There are three choices:

1. *Intensive distribution* – A large number of intermediaries are used, making the products available widely.
2. *Selective distribution* – Products are sold through a small number of selected outlets.
3. *Exclusive distribution* – Here, the distribution is handled by one distributor who has exclusive rights for particular territories.

14.6.1 Selection of Distribution Channels

The final choice of the type of distribution channel depends on the following factors:

1. *The size, needs and geographical location* of the company's market affects the channel choice. Small markets allow the use of direct channels.
2. *Product factors* – The characteristics of the product, for example, the value, complexity, perishability of products being distributed must be considered.
3. *Producer factors* – Channel choice often depends on the availability of resources and desire for control on the part of the manufacturer.
4. *Middlemen factors* – Finally the availability and willingness of distributors must be carefully considered too.

14.7 The Nature of Physical Distribution

Physical distribution involves activities relating to the physical movement of products from producers to consumers and users. Physical distribution management means the management of the physical flow of products in the most effective and efficient manner. It is a potent marketing tool and can help a company gain competitive advantage. This is achieved through providing better customer service or even price reduction.

The main components or elements of physical distribution include:

- order processing;
- material handling;
- warehousing;
- inventory management (or control);
- transportation.

14.7.1 Order Processing

This task refers to the receipt, handling and fulfilling of sales orders. Activities include billing, credit grant, and 'chasing' overdue accounts. Effectiveness and efficiency in this function earns customer satisfaction and repeat business.

14.7.2 Materials Handling

This is the physical handling of products. One key decision involves the use of containerisation which minimises physical handling by means of consolidating many products into a large container, and then transporting them from the point of loading straight, without opening, to the destination (for unloading).

14.7.3 Warehousing

Warehousing is an important function and involves tasks such as sorting, storing, holding and reshipping goods. There are two general types of warehouses:

- Private.
- Public.

Lower distribution costs can be achieved by setting up distribution centres. Advantages include better customer service and easier product availability.

14.7.4 Inventory Management

The goal is to maintain an adequate supply of products to meet customers demand while keeping inventory costs down. Customers' orders ought to be filled promptly and accurately.

Inventory manager must know when to replenish stocks and how much to order. The Economic Order Quantity (EOQ) refers to the order value or quantity when the combined total costs of stock holding and order processing are lowest.

14.7.5 Transportation

There are five major transportation modes:

- Road.
- Rail.
- Water.
- Air.
- Pipeline.

The criteria of selection include:

- Speed.
- Reliability.
- Frequency.
- Cost.
- Security.
- Accessibility

Topic 15 Promotion Mix

15.1	Introduction	15-2
15.2	The Communication Process	15-2
15.3	Elements of the Promotion Mix	15-3
15.4	Determining the Promotion Mix	15-3
15.2	Push Versus Pull Strategy	15-4

Copyright 1995 by Thames Management Centre International. All rights reserved.

15.1 Introduction

Promotion, in essence, is persuasive communication. The promotion variable executed by marketing manager communicates the image and attributes of products to the various participants in the channel of distribution.

Promotion is therefore the function of informing, persuading and influencing the consumers' purchase decision.

Promotional strategy is closely related to the process of communication. A standard definition of communication is the transmission of a message from a sender to a receiver. Marketing communications, then, are those messages that deal with buyer seller relationships.

15.2 The Communication Process

Marketers must understand how the communication process works so as to design an effective promotional strategy. The message must accomplish three tasks in order to be effective:

- It must gain the receiver's attention.
- It must be understood by both receiver and sender.
- It must stimulate the receiver's needs and suggest an appropriate method of satisfying them.

The communication process:

- a) *Sender* – The party conveying a message.
- b) *Message* – The information, advice or request that is being sent to the customer.
- c) *Encoding* – The message must be translated into understandable terms.
- d) *Media* – The manager must use a suitable medium of communicating the message.
- e) *Decoding* – The process by which the consumer interprets and understands the message.
- f) *Receiver* – The person receiving the message.
- g) *Response* – Reactions of the receiver.
- h) *Feedback* – The actions/feelings/opinions of receiver that are communicated to the marketer.

- i) *Noise* – The distortion that interferes with the communication process.

15.3 Elements of the Promotion Mix

A modern marketing company manages a complex marketing communications system with its various publics. Marketers communicate with middlemen, customers, government and other groups. The promotion mix comprises of four main tools:

- a) *Advertising* – Any paid form of nonpersonal presentation and promotion of ideas, goods or services by an identified sponsor.
- b) *Personal selling* – Presentation by the company's salesforce for the purpose of making sales and building customer relationships.
- c) *Sales promotion* – Short term incentives to encourage the purchase or sales of a product or service.
- d) *Public relations* – Building good relations with the company's various publics by obtaining favourable publicity.

15.4 Determining the Promotion Mix

Many factors need to be considered in choosing the appropriate methods of promotion. These include:

- a) *Target market* – The importance of the different tools varies between consumer and industrial markets. Industrial market comprises of fewer but larger buyers, whereas the consumer market is made up of many buyers who buy in small quantities.
- b) *Buyer readiness stage* – Marketers must understand the buyer characteristics. Before buyers make a purchase decision, they go through many stages, from getting information, to evaluating the alternatives to the purchase.
- c) *Product life cycle stage* – The effectiveness of each promotion tool depends on what stage of its life cycle the product is in. For instance during the introduction stage, advertising and sales promotions are very effective.
- d) *Nature of product* – The product characteristics play an important part in the selection of the promotion tools. Products which are technically complex and customised need more personal selling.
- e) *Availability of funds* – A real barrier to implementing any promotional strategy is the size of the promotional budget. For

many small or new companies, the cost of mass advertising is prohibitive and they are forced to seek less expensive methods.

15.2 Push Versus Pull Strategy

- *Push strategy* means to direct promotional effort to middlemen to encourage them to stock up and sell the products to the next channel link.

A push policy usually emphasises personal selling and trade and sales force sales promotion.

- *Pull strategy* refers to promotional effort aimed at consumers to persuade them to ask for the products from the retailers, who in turn request them from the wholesalers, who will then take stocks from the particular manufacturer.

A pull strategy normally involves heavy advertising and consumer sales promotion.

The decision is not an 'either-or' situation but one of emphasis.

Topic 16 Advertising

16.1	Introduction.....	16-2
16.2	Purpose of Advertising.....	16-2
16.3	Types of Advertising	16-2
16.4	Advertising Management	16-3
16.4.1	Identify and Analyse Target Audience.....	16-3
16.4.2	Define Advertising Objectives.....	16-3
16.4.3	Establish Advertising Budget.....	16-3
16.4.4	Create the Advertising Message	16-3
16.4.5	Select the Advertising Media	16-4
16.4.6	Measure advertising effectiveness	16-5
16.5	Responsibility for Advertising.....	16-5

Copyright 1995 by Thames Management Centre International. All rights reserved.

16.1 Introduction

Advertising is paid, non-personal communication through various media and by business companies, nonprofit organisations and individuals who are in some way identified in the advertising message and hope to inform and persuade members of a particular audience. Most early advertising was vocal. Hawkers sold various products, made public announcements and chanted slogans. Signs were also used in early advertising. Advertising expenditure varies greatly between industries.

16.2 Purpose of Advertising

Companies use different forms of advertising for different purposes. The purpose of advertising is:

- a) To promote the company and/or its product.
- b) To offset competitors advertising.
- c) To support the other forms of promotion.
- d) To remind consumers.
- e) To even out demand fluctuations.

16.3 Types of Advertising

Advertising can be grouped as follows:

- a) *Institutional/corporate advertising* – concerned with promoting a concept, an idea or the goodwill of an industry, company, organisation.
- b) *Product advertising* – deals with the nonpersonal selling of a particular good or service.
- c) *Informative advertising* – seeks to develop initial demand for a good/service. Its seeks to announce the availability of a product/service.
- d) *Persuasive advertising* – attempts to develop demand for a product/service and stimulate the sales.
- e) *Reminder advertising* – strives to reinforce previous promotional activity by keeping the name of the good/service/organisation before the public.

16.4 Advertising Management

The major steps in developing an advertising campaign or programme are:

- Identify and analyse the target audience.
- Define advertising objectives.
- Establish the advertising budget.
- Create the advertising message.
- Select the advertising media.
- Measure advertising effectiveness.

16.4.1 Identify and Analyse Target Audience

Advertising planning begins with identifying the target market. The advertiser must understand its target audience and the buyer characteristics. The buying behaviours of the market must be determined. This will help guide the development of the campaign.

16.4.2 Define Advertising Objectives

Advertising objectives are derived from marketing objectives. Advertising objectives can be communications-oriented and sales-oriented. Communications-oriented advertising aims to pass information to the target audience, while sales-oriented advertising is aimed at stimulating demand and sales.

16.4.3 Establish Advertising Budget

The role of advertising is to affect demand for a product. The company wants to spend the amount needed to achieve the sales goal. There are four main methods of determining the budget.

- Affordable method.
- Percentage of sales method.
- Competitive Parity method.
- Objective and task method.

16.4.4 Create the Advertising Message

The advertising campaign usually starts with the message idea, followed by the choice of appropriate media. The marketer must decide what is to be said and how it is to be said. A copy (or creative) platform is a written document that specifies the message

appeal (consumer benefits) and execution style (communication of the benefits). The basic theme of the advertising campaign can be expressed by using a unique selling proposition (USP), which may be the brand image, quality or any other positioning strategy.

To execute the message effectively, the advertiser has to find the best style, tone, words and format for communicating the idea to the audience. The illustration, the headline and the copy (main text) must be simple yet attractive and appealing.

16.4.5 Select the Advertising Media

The advertiser has to select the appropriate media, decide on the frequency and timing of the advertisement.

The Media	Advantages	Disadvantages
Newspapers	<ol style="list-style-type: none"> 1. Long and complex message may be used 2. Geographic flexibility 3. Low cost 	<ol style="list-style-type: none"> 1. Short life 2. Clutter 3. Poor reproduction quality
Magazines	<ol style="list-style-type: none"> 1. High demographic selectivity 2. Longer life 3. Good pass-on readership 	<ol style="list-style-type: none"> 1. Long lead time for advertisement placement
Television	<ol style="list-style-type: none"> 1. Audio-visual effect and dramatic 2. Entertainment effect 	<ol style="list-style-type: none"> 1. High absolute and production costs of commercials 2. Clutter
Radio	<ol style="list-style-type: none"> 1. Low production cost 2. High geographic selectivity 3. Audiences are highly segmentable 	<ol style="list-style-type: none"> 1. Audio effect only 2. Clutter 3. Background 'listening'
Cinema	<ol style="list-style-type: none"> 1. Impact of a large screen and better sound effect 2. Captive attention 	<ol style="list-style-type: none"> 1. Small audience size
Outdoor and Transportation	<ol style="list-style-type: none"> 1. Excellent reminder 2. Gigantic display 3. Location selectivity 	<ol style="list-style-type: none"> 1. Lacks audience selectivity 2. Prime sites usually monopolised by some large advertisers 3. Short message

16.4.6 Measure Advertising Effectiveness

The advertising program should evaluate both the communication effects and the sales efforts of advertising regularly. Measuring the effectiveness of promotional expenditure has become an extremely important research issue.

- i. *Measuring the communication effect* – This is called copy testing and can be done before or after the ad is printed or broadcast. In pretesting the ads, marketers can use the following methods:

- Direct rating.
- Portfolio tests.
- Laboratory tests.

There are two popular methods of post-testing advertisements:

- Recall tests.
 - Recognition tests.
- ii. *Measuring the sales effort* – This is harder to measure than the communication effect. It could be done in the following ways:
 - Compare sales with advertising expenses.
 - Experimentation.

16.5 Responsibility for Advertising

An advertising campaign or programme may be handled or managed in the following ways:

- a) An individual in a small company.
- b) Advertising department in a larger company.
- c) Advertising agency.

Topic 17 Personal Selling

17.1	The Selling Process	17-2
17.1.1	Prospecting	17-2
17.1.2	Pre-approach.....	17-3
17.1.3	Approach	17-3
17.1.4	Presentation	17-3
17.1.5	Handling Objections	17-3
17.1.6	Closing	17-4
17.2	Management of the Sales Force.....	17-4
17.2.1	Recruiting and Selecting Salespeople	17-4
17.2.2	Training Salespeople.....	17-5
17.2.3	Supervising Salespeople	17-6
17.2.4	Motivating Salespeople	17-6
17.2.5	Evaluating Salespeople.....	17-6

Copyright 1995 by Thames Management Centre International. All rights reserved.

17.1 The Selling Process

Effective selling involves the following major steps:

- Prospecting.
- Pre-approach.
- Approach.
- Presentation.
- Handling objections.
- Closing.
- Follow-up.

17.1.1 Prospecting

The first step in any selling situation is to find potential buyers (unless it is a retail setting) and qualify them.

Sources of prospects include:

- Referrals from present customers, prospects, or personal contacts.
- General and trade directories.
- Media advertising.
- Cold calling door to door or using the telephone.
- Observation.

To qualify a prospect means to determine if the prospect is indeed an authentic prospective buyer.

The criteria to use in qualifying a prospect are:

- The financial mean to buy.
- The authority to decide.
- The need for the product or service.

(For ease of memory, remember the word *man*.)

17.1.2 Pre-approach

Additional information is obtained about the prospect and his/her buying situation so as to plan for the most favourable reception.

Planning the sales call involves setting specific call objectives, preparing the most effective opening statement to capture the prospect's undivided attention, tailoring the sales presentation to the specific preferences and buying motives of the prospect, and anticipation and preparing responses to possible objections.

17.1.3 Approach

The approach or opening is the time when the salesperson comes face to face with the prospect and begins the delivery of the individualised sales message.

The success of the sales call is dependable on the salesperson being able to create a favourable first impression. A professional attitude is important.

The needs of the prospects are further uncovered through the use of probing questions.

17.1.4 Presentation

The sales presentation is the stage of convincing the prospect that the product or service will satisfy his or her need.

The principles of persuasion will be employed to achieve sales success.

One common presentation technique involves the salesperson describing the product features and then emphasising their benefits to the prospect.

Other techniques that may be used to convince the prospect include:

- visual aids;
- testimonials;
- dramatisation;
- demonstration.

17.1.5 Handling Objections

Sales objections are usually verbal expression of a negative feeling that prevents the successful completion of a sale situation.

Objections are seen by the professional as an indication of positive interest and involvement on the part of the prospect and an outward expression of request for more information.

Objections can relate to a need, timing, competition, price or even the source.

17.1.6 Closing

Closing is the end result of the sales presentation.

A professional salesperson must know how to close and when to close.

Closing techniques include the direct close, the assumptive close, the alternative close.

A salesperson can determine the prospect's readiness to buy by looking out for buying signals (verbal or non-verbal) and attempting trial closes (for example, testing the opinion of the prospect).

17.2 Management of the Sales Force

The key tasks are:

- recruiting and selecting;
- training;
- supervising;
- motivating;
- evaluating.

17.2.1 Recruiting and Selecting Salespeople

Recruitment refers to the process of searching for potential salespeople and interviewing them for a sales position.

Selection refers to the process of selecting and hiring the most desirable sales candidate(s) for the sales position.

Recruiting sources include:

- company salespeople;
- company non-sales staff;
- educational institutions;

- competitors;
- job fairs;
- advertisements;
- unsolicited applicants;
- customers and suppliers;
- employment agencies.

Selection tools include:

- application forms;
- interviews;
- reference;
- psychological tests;
- medical examinations;
- probation periods.

17.2.2 Training Salespeople

Training can be formal or informal (that is, on-the-job).

A sales training programme can cover all or any of the following areas:

- Company knowledge.
- Product knowledge.
- Selling skills.
- Industry or market information.
- Competitors' information.

Methods of training include:

- lectures;
- discussions;
- role playing;
- videotapes;

- audio cassettes;
- on-the-job training.

17.2.3 Supervising Salespeople

Effective supervision is essential and achieving the right balance of supervision is necessary.

Sales force supervision is intended to provide a means of continuing training, improving sales performance, building salespersons' morale, and rendering sales support.

Methods of supervision include field observation, sales meeting, and sales correspondence.

17.2.4 Motivating Salespeople

A high degree of motivation is necessary for field salespeople due to the nature of the sales job (for example, working alone, irregular or long hours, effects of rejection, overseas trips, etc)

Motivational tools include:

- basic financial incentives, such as the compensation plan;
- special financial incentives, such as awards, special privileges, sales meetings, sale conventions, and recognition.

17.2.5 Evaluating Salespeople

Evaluating and controlling the sales force involves:

- setting sales targets which become the performance standards;
- measuring actual sales performance;
- comparing this performance with the targets;
- taking corrective action to improve sales performance .

Performance evaluation consists of two types – *qualitative* and *quantitative*.

Topic 18 Sales Promotion

18.1	Introduction.....	18-2
18.2	Sales Promotion Objectives.....	18-2
18.3	Sales Promotion Tools.....	18-2
18.3.1	Consumer promotion:.....	18-2
18.3.2	Trade/Business Promotion	18-3
18.3.3	Sales Promotions	18-3

Copyright 1995 by Thames Management Centre International. All rights reserved.

18.1 Introduction

Sales promotions are used as incentives to attract the customers to make a purchase. The amount of money spent on sales promotions has increased markedly over the years. There are many reasons for the shift of promotional dollars from advertising to sales promotions.

- a) Cost effectiveness of advertising through mass media has decreased.
- b) Pressures to increase sales.
- c) Advertising clutter.
- d) Rising media costs.
- e) Brand proliferation.

18.2 Sales Promotion Objectives

Sales promotion activities are generally targeted at three different groups of people:

- *Consumers* – To build trial of a new product/service, stimulate larger purchase or attract switchers.
- *Middlemen* – To encourage stocking, to induce retailers to increase inventory levels, encourage off-season purchases, or open up new accounts.
- *Sales force* – To increase sales, or encourage the support of a new product.

18.3 Sales Promotion Tools

18.3.1 Consumer promotion:

1. *Samples* – Offer of a trial amount of a product, usually for free. Sampling is the most effective but also most expensive way to introduce a new product.
2. *Coupons* – There are certificates that give buyers a saving when they purchase specified product. These can stimulate sales of a mature brand or promote early trial of a new product.
3. *Price deals* – There are short term discounts offered by the seller to encourage non-users to try the brand and existing users to buy more.

4. *Premiums* – These are goods offered free or at a reduced price. To be effective, a premium should be related to the promoted brand.
5. *Patronage awards* – These are cash or other awards offered for the regular use of a certain company's products or services.
6. *Contests and games* – These give consumers the chance to win a prize.
7. *Point-of-purchase promotions* – These are store displays and decorations used to draw shoppers' attention and induce purchase.
8. *Joint promotions (tie-ins)* – Companies often join forces when using the various promotional techniques highlighted above. Joint promotions reduce the costs of running expensive promotions.

18.3.2 Trade/Business Promotion

Companies target many sales promotion activities towards retailers and wholesalers. Trade promotion can persuade middlemen to carry a brand, give it shelf space, promote it in advertising. Many of the promotion tools directed at consumers can also be used to promote to middlemen. In addition, other tools can be used.

1. *Special discounts* – Various discounts could be offered to the middlemen such as quantity or seasonal discounts.
2. *Free merchandise* – Extra amounts of the product could be offered for orders made by middlemen.
3. *Conventions/trade shows* – These are used to generate business leads, stimulate consumers. Trade shows help companies to reach many prospects not reached through their sales force.
4. *Training programmes* – The manufacturer can provide training for the middlemen's staff.
5. *Advertising support* – The manufacturer may help the middlemen to set up displays and provide promotional materials.

18.3.3 Sales Promotions

Such promotions are directed towards the salespeople or dealers to motivate them to increase their sales performance over a period of time.

1. *Sales contest* – Companies sponsor annual or more frequent sales contests for their sales force. Rewards include gifts, trips, cash prizes.
2. *Sales training* – Sales forces provide training to enable them to perform well in promoting the product/services.

Topic 19 Public Relations/Publicity

19.1	Introduction	19-2
19.2	Public Relations Tools	19-2

Copyright 1995 by Thames Management Centre International. All rights reserved.

19.1 Introduction

Public relations is done so as to build positive relations with the firm's various publics. Public Relations department may perform the following functions:

- a) *Press relations* – Creating and placing news in the media.
- b) *Product publicity* – Publicising specific products.
- c) *Public affairs* – Building and maintaining relations with the community
- d) *Lobbying* – Building and maintaining relations with government agencies.

Public Relations can have a strong impact on public awareness at a much lower cost than advertising.

Compared with advertising, publicity is:

- mainly informative;
- objective and hence enjoys greater credibility;
- not paid for in media space or time;
- effective when it is fresh news.

19.2 Public Relations Tools

Various tools are used by a firm to create publicity. The main tools used are:

- a) *Press release* – These are articles that appear in the print media, to announce a new product or technology, to communicate news about the company.
- b) *News conference* – This involves a meeting between the company's representatives and media personnel/journalists.
- c) *Special events* – Nowadays, companies put up all kinds of special events and star studded spectacles designed to reach and interest target publics.
- d) *Publicity materials* – The firm may produce newsletters, brochures and company magazines for distribution to its various publics.
- e) *Corporate/identity materials* – These help to create a corporate identity that the public immediately recognises. Such materials are designed to be attractive, distinctive and memorable.

- f) *Public service activities* – Companies participate in public service activities to create goodwill. This may be done by contributing time or money.

Public relations may be carried out to achieve the following objectives:

- Change a company's image.
- Improve community relations.
- Attract better employees.
- Attract potential investors.
- Educate users about a product.
- Counter negative news/problems.

The effectiveness of a company's publicity efforts can be measured by the amount of space or airtime that the company or its product receives and by the number of people reached by the message.

Effectiveness can also be measured by the degree to which a campaign changes consumers' opinions. The company can measure this by conducting a survey.

Topic 20 Direct Marketing

20.1	Introduction.....	20-2
20.2	Growth of Direct Marketing	20-2
20.3	Types of Direct Marketing	20-3

Copyright 1995 by Thames Management Centre International. All rights reserved.

20.1 Introduction

Direct marketing uses various advertising media to interact directly with consumers, generally calling for the consumer to make a direct response. Direct marketing has boomed in recent years. The features of direct marketing are:

- a) Communication is addressed to identified audience.
- b) It pursues some specific action.
- c) Results can be precisely measured.
- d) Interaction is direct.
- e) It uses a customer database.

20.2 Growth of Direct Marketing

Direct marketing allows the seller to focus efficiently on small, fragmented segments of the market. Many reasons have led to the growth of direct marketing:

- Changing lifestyles.
- Transportation problems.
- High costs of using sales staff.
- Advances in technology.

Advantages of direct marketing to the sellers include:

- Selectivity.
- Personalised and customised.
- Customer rapport.
- Better response.
- Privacy.

20.3 Types of Direct Marketing

The major forms of direct marketing are:

- a) *Direct mail and catalogue marketing* – Direct mail comprises of mailing out personalised sales letters and other enclosures such as booklets, brochures or other material.

Catalogue marketing involves selling through catalogues mailed to a select list of customers or made available in stores. Many catalogue marketers are now even selling their catalogues at stores.

- b) *Telemarketing* – In telemarketing, the marketer uses the telephone to sell directly to customers. There are two types of telemarketing:

- Outbound marketing – company makes outgoing sales calls.
- Inbound marketing – company receives *incoming* sales calls.

- c) *Direct response marketing* – This comprises of advertising products in media such as newspaper magazines, television or radio. The consumers are asked to respond directly to the seller. Credit card orders are received over the telephone or by mail.

- d) *Television marketing* – Companies use the television to broadcast informercials, each lasting about 30 minutes for a single product. Customers are then given a toll free number for ordering.

Home shopping channels are another form of direct marketing over television. Some home shopping channels are broadcasting 24 hours a day and sell a variety of products.

- e) *On-line shopping* – This is conducted through interactive on-line computer services, two-way systems that link consumers with sellers electronically. Such on line services are still in their infancy.

Direct marketing approaches provide an alternative way to reach out to consumers. Companies have the means to target specific audiences with their products/services.

Topic 21 Marketing Services/Non-Profit Marketing

21.1	Introduction	21-2
21.2	Characteristics of Services	21-2
21.3	Management of Services	21-3
21.4	Service Marketing Strategies	21-3
21.5	Marketing Non-Profit Organisations	21-4

Copyright 1995 by Thames Management Centre International. All rights reserved.

21.1 Introduction

Marketing developed initially for products. However, marketing can be applied equally to the sale of services, ideas, places and organisations.

The growth of services has been dramatic in recent years. Services are growing faster in the world economy. Services are composed of intangible elements that cannot be sold in the same way as products.

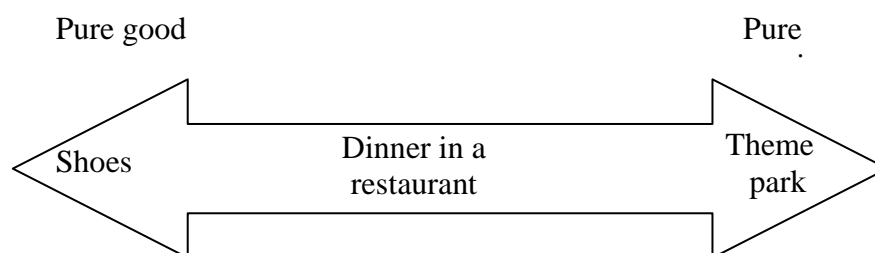


Figure 21.1 Goods-services continuum

For most service companies, marketing is emerging as a significant activity for two reasons. First, the growth potential of the service market represents a vast marketing opportunity. Second, increased competition is forcing traditional service industries to emphasise marketing.

21.2 Characteristics of Services

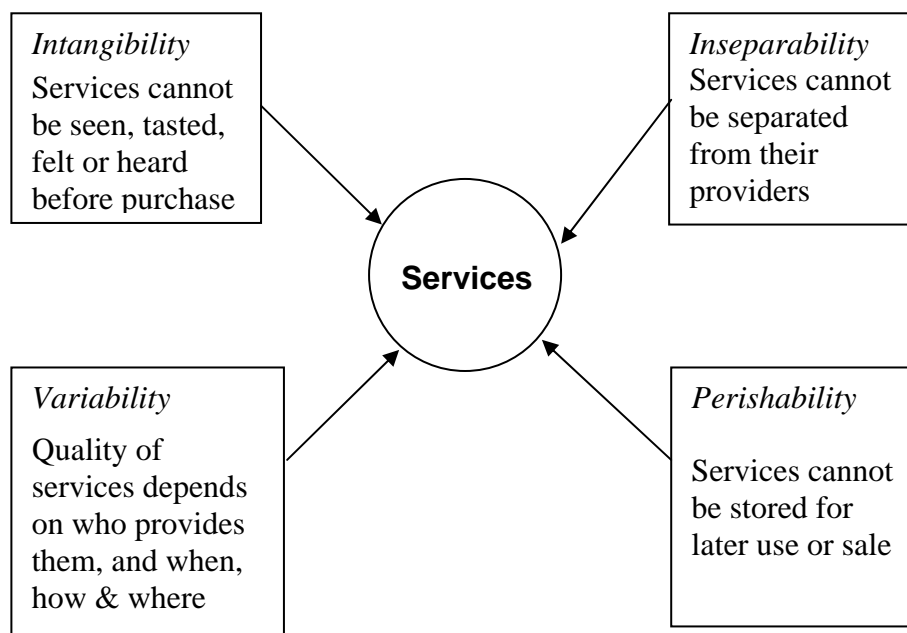


Figure 21.2 Characteristics of services

21.3 Management of Services

Each of the above characteristics presents special problems for marketers, who must try to manage them to reduce the difficulty of marketing services.

- a) *Intangibility* – Since services themselves are intangible, buyers look for ‘signals’ that indicate service quality. They draw conclusions from the place, people, equipment that they can see. Marketers must therefore ‘tangibilise’ their services.
- b) *Inseparability* – Services cannot be separated from the providers, whether man or machine. In buyers’ mind, those who provide the service are the service. In service, provider-customer interaction is a special feature. Both the provider and customer affect the service outcome.
- c) *Variability* – The quality of service is hard to standardise. It depends on who provides the service, where and when it is provided. Companies need to reduce the variability through careful staff selection/training, incentives and rewards and feedback from customers.
- d) *Perishability* – Services have to be produced and consumed at the same time. This becomes a critical problem when demand fluctuates. Therefore the demand and supply of services has to be carefully balanced. Marketers must try to shift demand from peaks to off-peak periods. Supply can be increased during peak hours.

21.4 Service Marketing Strategies

Service providers must interact actively with the customers to create superior value of service. Successful companies must therefore focus on both their employees and customers.

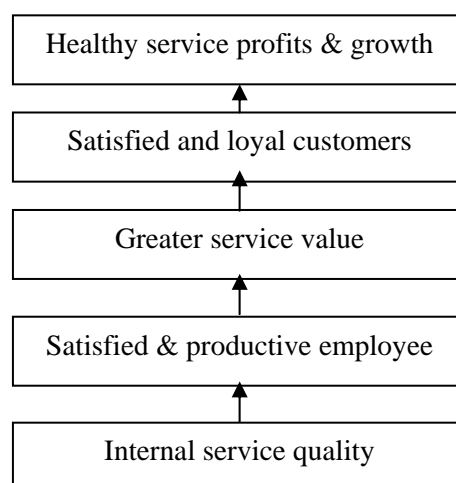


Figure 21.3 Service-profit chain

- a. *Managing differentiation* – Marketers must develop a differentiated offer, delivery and image. Innovative features can be added. Service image can be enhanced through symbols and branding.
- b. *Managing service of quality* – Companies must differentiate their service by delivering consistently higher quality than its competitors do. The key is to exceed the customers' service quality expectations. The marketer must identify the expectations of their target customers. Good service recovery can turn angry customers into loyal ones.

21.5 Marketing Non-Profit Organisations

Organisations often carry out activities to 'sell' the organisation itself. Non-profit organisations operate in both public and private sectors. Such organisations have a special set of characteristics that influence their marketing activities.

Non-profit organisations often market to multiple publics, which complicates decision making regarding the correct market to target. Non profit organisations normally have two main publics to work with from marketing point of views-their clients and their funders. The former pose the problem of resource allocation and the latter, the problem of resource attraction.

Non profit organisations attempt to serve the needs of clients and are not affected so much by the 'bottom line' or profits.

A final characteristic of a non-profit organisation is its lack of organisational structure.

Topic 22 International Marketing

22.1	Introduction.....	22-2
22.2	Major Decisions in International Marketing.....	22-2
22.2.1	Analyse International Environment.....	22-2
22.2.3	Decide Which Markets to Enter.....	22-3
22.2.4	Decide How to Enter the Market.....	22-3
22.2.5	Decide on the Global Marketing Programme.....	22-3

Copyright 1995 by Thames Management Centre International. All rights reserved.

22.1 Introduction

Many companies are crossing national boundaries in search of markets and profits. For many of these companies, the international marketplace generates a sizable portion of total revenues and profits. International marketing is valuable to the company in many ways. A company is involved in international marketing when it markets its products or services in two or more countries.

22.2 Major Decisions in International Marketing

22.2.1 Analyse International Environment

Before operating internationally, a company must thoroughly understand its international marketing environment. The world economy has globalised. World trade and investment have grown rapidly.

1. *Trade/economic system* – A nation's size, per capita income and stage of economic development determine its feasibility as a candidate for international business expansion. The stage of economic development in a country shapes its product and service needs, income levels and employment levels. There are four main economic structures:
 - *Subsistence economies* – these offer few market opportunities.
 - *Raw material exporting economies* – these are rich in raw materials but poor in other ways.
 - *Industrialising economies* – these are manufacturing based economies and have a demand for many types of imported goods.
 - *Industrial economies* – these are major exporters of manufactured goods and are good markets for all sorts of goods.
2. *Political-legal system* – Nations differ greatly in their political-legal environments. Some nations are quite hostile towards entry of foreign companies, while others see it as a welcome investment. The political stability and monetary regulations are other important issues.
3. *Cultural and social system* – Each country has its own values, beliefs, customs and traditions. The marketer must

fully understand the behaviour and lifestyles of consumers in foreign countries.

Based on the environmental analysis, the marketer has to decide whether it can effectively and efficiently operate its business overseas. The company must weigh its risks and costs.

22.2.3 Decide Which Markets to Enter

Marketers must decide what volume of sales it seeks from the overseas market and how many countries it wants to market in.

22.2.4 Decide How to Enter the Market

There are three methods of entry into a foreign market.

1. *Exporting* – Production is done at home and the company simply sells overseas. Exporting can be done using direct and indirect means. Indirect exporting is done through independent international marketing intermediaries. Direct exporting is when the company handles its own exports.
2. *Joint venturing* – the company joins up with a foreign company to produce or market the product. There are four types of joint ventures.
 - Licensing is when the company appoints a licensee in the foreign market.
 - Contract manufacturing is when the company has foreign manufactures to produce the product.
 - Management contracting is when the company supplies expertise/ knowledge to the foreign company.
 - Joint ownership is when the company teams up with a foreign company, whereby both share ownership and control.
3. *Direct investment* – This is the biggest involvement in a foreign market. The company develops a foreign-based assembly or manufacturing facility.

22.2.5 Decide on the Global Marketing Programme

A company can use various marketing mix to adapt to local conditions. At one extreme is a standardised marketing mix and at the other extreme is the adapted marketing mix. In between the two extremes are many possibilities.

The strategies that apply to the four Ps are indicated below.

Product

- Straight product extension means marketing a product in a foreign market without any change.
- Product adaptation involves changing the product to suit local conditions.
- Product invention is the process of inventing a new product for a foreign market.

Price

- Companies face many problems in setting international prices. Considerable competitive, economic, political and legal constraints on pricing exist.

Promotion

- Companies can either use a universal promotion or advertising campaign or message or adapt it. Communication adaptation means that the company will fully adapt its advertising messages to local markets.

Place (Distribution)

- The international marketer must take a whole-channel view of the problem of distributing to the final consumers. The company must be equally involved with how the products are distributed within the foreign country.
- Companies must develop an effective global marketing organisation in order to ensure success in overseas markets.