PRINCIPLES OF MARKETING

COURSE OUTLINE

Chapter One: Marketing: Creating and capturing customer value

- What is marketing?
- Understanding the marketplace and customer needs
- Designing a customer-driven marketing strategies
- Building customer relationships
- Capturing value from customers
- So what is marketing? Pulling it all together

Chapter Two: analysing the marketing environment

- The microenvironment
- The macroenvironment
- Responding to the marketing environment

Chapter Three: Consumer markets and consumer buyer behaviour

- Model of consumer behaviour
- Characteristics affecting consumer behaviour
- Types of buying decision behaviour
- The buyer decision process
- The buyer decision process for new products

Chapter Four: Customer-driven marketing strategy: creating value for target customers

- Market segmentation
- Market targeting
- Differentiation and positioning

Chapter Five: products, services and brands: Building customer value

- What is a product?
- Product and service decisions
- Services marketing
- Branding strategy: Building strong brands

Chapter Six: Pricing: Understanding and capturing customer value

- What is a price?
- Major pricing strategies
- Other internal and external considerations affecting price decisions

Chapter Seven: Marketing channels: Delivering customer value

- The nature and importance of the marketing channels
- Channel behaviour and organization

- Channel design decisions
- Channel management decision
- Public policy and distribution decisions
- Marketing logistics and supply chain management

Chapter Eight: Communicating customer value: Integrated marketing communications strategy

- The promotion mix
- Integrated marketing communications
- A view of the communication process
- Steps in developing effective marketing communication
- Setting the total promotion budget and mix
- Socially responsible marketing communications

Readings:

Main text: Kotler, P. & Armstrong, G. (2012), *Principles of Marketing*, 14th Edition, Pearson: London.
Supplementary text: Jobber, D. (2007), *Principles and Practice of Marketing*, 5thEdition, McGraw Hill: London.

Lecturer:
Bylon Abeeku Bamfo

KSB TF 37
babamfo@ksb.knust.edu.gh
babamfo@gmail.com

PRINCIPLES OF MARKETING

Bylon Abeeku Bamfo
babamfo.ksb@knust.edu.gh

Chapter One

MARKETING:CREATING AND CAPTURING CUSTOMER VALUE

Learning Objectives

- To understand:
- the meaning of marketing
- the marketplace and customer needs
- how marketers design a customer-driven marketing strategies
- What goes into integrated marketing plan and programme
- what goes into preparing an
- how to build customer relationships
- how businesses capture value from customers
- the changing market place

What is Marketing?

Broad definition:

- A social and managerial process by which individuals and organisations obtain what they **need** and **want** through creating and exchanging value with others.

Narrower business context definition:

- The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

- Marketing is not only advertising and selling
- As Kotler puts it “Selling is only the tip of the marketing iceberg”.
- Peter Drucker: The aim marketing is to make selling unnecessary
- Simply, marketing is about satisfying customer needs profitably.

Understanding the Marketplace and Customer Needs

- Marketers need to understand customer needs and wants and the marketplace in which they operate
- The five core customer and marketplace concepts are:
- 1. Needs, wants and demands, 2. market offering, 3.value and satisfaction, 4. exchange and 5.relationships and markets

Customer Needs, Wants and Demands

- Human **need** is a state of felt deprivation of some basic satisfaction.
- **Wants** are the form human needs take as they are as they are shaped by culture and individual personality.
- **Demands** are human wants that are backed by purchasing power

Market offerings: Products, Services and Experiences

- Customer needs and wants are fulfilled through market offerings.
- Market offerings include physical products, services,
- More broadly, they includes other entities such as persons, places, organizations etc.
- There is the likelihood of **marketing myopia**

Customer Value and Satisfaction

- Customers form expectations about the values and satisfaction that the various market offerings will deliver and but accordingly.

- Satisfied customers repeat purchase and tell other about their good experiences

Exchange and Relationships

- **Exchange** is the act of obtaining a desired object from someone by offering something in return.
- Marketers want to build strong relationships by consistently delivering superior customer value

Market

- A ***market*** comprises the set of all actual and potential buyers of a particular product and/or service.
- We can talk of ***product market*** and ***brand markets***.
- Marketers need to manage markets to bring about profitable customer relationships.
- Marketers must also deal with customer-managed relationships.

Designing a Customer Driven Marketing Strategy

- The marketing strategy concepts comprises

✓ Selecting customers to serve

✓ Choosing a value proposition

✓ Marketing management orientations

Selecting Customers to Serve

- The company must decide whom to serve?
- There should be **segmentation** (dividing the market into segments) and
- **targeting** (selecting which segments to serve)
- Marketing management is about customer management and demand management.

Choosing a Value Proposition

- A brand's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs
- It is what differentiates and positions one brand/company from another
- Companies must design strong value propositions that give them competitive advantage.

Marketing Management Orientations

- The Production Concept
- The Product Concept
- The Selling Concept
- The Marketing Concept
- The customer concept
- The Societal Marketing Concept

Preparing an Integrated Marketing Plan and Programme

- The company decides the target market and how to create value for customers
- Develops integrated marketing programme that actually delivers the intended value
- The programme consist of the integration of the firm's marketing mix of **product, price, place** and **promotion**
- The firm blends each of these to deliver the intended value to customers

Building Customer Relationships

- Understanding the marketplace and customer needs
- Designing a customer-driven marketing strategy
- Constructing a marketing programme
- All lead to building profitable customer relationships.

Customer relationship Management (CRM)

- The overall process of building and maintaining profitable customer relationships by delivering superior value and satisfaction.
- **Customer value** is the customer’s evaluation of the differences between all the **benefits** and and all the costs of a marketing offer relative to those of competing offers.
- **Customer satisfaction** is the extent to which a product’s perceived **performance** matches a buyer’s **expectations**.

The Changing Nature of Customer Relationship

- There is a shift from mass marketing to building deeper, more direct and lasting relationship with customers
- Some important trends in the businesses and customers are relating to one another are:

✓ Relating with more carefully selected customers

✓ Relating more deeply and interactively.

Partner Relationship Management

- Marketers must join hands with partners to deliver greater value to customers
- In addition to being good at CRM, marketers must also be good at PRM.
- **Partners inside the company**-every member of the firm must understand marketing and be customer focused.
- **Partners outside the firm**: connecting with suppliers, channel members, and even competitors.

Creating Value from Customers

- The outcomes of creating and delivering superior customer values by marketers include:

✓ Creating customer loyalty and retention by delighting customers

✓ Growing share of customer-through cross-selling and up-selling

✓ Building customer equity-total combined lifetime values of all customers

Building the right relationship with the right customers

Type of Customer	Characteristics	Type of Relationship
Strangers	Low profitability Little loyalty Little fit between offering and needs	No investment
Butterflies	Profitable but not loyal Good fit between offerings and needs	Short profitable business relationship, then stop investing in them
True friends	Profitable and loyal. Strong fit between needs and offerings	Continuous relationship investment
Barnacles	Highly loyal but very unprofitable Limited fit between needs and offerings.	Sell them more products, raising fees of reducing to them If still not profitable, FIRE them.

The Changing Marketing Landscape

- The major trends and forces are:

✓ The uncertain economic environment

✓ The digital age

✓ Rapid globalization

✓ Sustainable marketing-The call for more social responsibility

✓ The growth of not-for-profit marketing

The End

Chapter Two

ANALYSING THE MARKETING ENVIRONMENT

A Company’s Marketing Environment

- It is very important for marketers to be aware of the environment in which they operate
- The marketing environment is made up of the actors and forces that affect marketing management’s ability to build and maintain successful relationships with target market.
- The environment is made up of the microenvironment and macroenvironment.

The Microenvironment

- All the actors close to the company that affect positively or negatively its ability to create value for and relationships with its customers
- The components of the micro environment are the company, suppliers, marketing intermediaries, customers, competitors and publics.

The Company

- Top management and other members of the internal environment are to be taken into account
- Marketing decisions and objectives are made or set within the constraints outlined by top management.
- Marketer must work closely other company department.

Suppliers

- Firms and/or individuals that produce resources (inputs) needed by the business to produce goods and services.
- Availability, cost and quality of the inputs to a large extent determine quality, price and delivery of goods and services.
- Marketers must treat suppliers as partners in creating and delivering customer value.

Marketing Intermediaries

- Firms or individuals that assist the company to promote, sell and distribute its products to the final buyer. These include:

✓ Resellers

✓ Physical distribution firms

✓ Marketing services agencies

✓ Financial intermediaries.

- These are partners in customer value creation and delivery

Competitors

- A company must consider its size and industry position compared to those of its competitors
- This helps in coming out with the right competitive strategies
- The different forms of competitive situations are:
- Duopoly
- Oligopoly
- Monopolistic competition
- Pure competition

Publics

- Any group that has actual or potential interest or impact on an organisation's ability to achieve its objectives.
- Financial publics
- Media Publics
- Government publics
- Citizen-action publics
- Local publics
- General publics and Internal publics

Customers

- Customers are firms and individuals who give the producer immediate patronage and make most of the buying decisions
- Categories of customers include the following:

✓ Consumer market

✓ Business markets

✓ Reseller Market

✓ Institutional markets

✓ Government markets

✓ International Markets

The Macroenvironment

- The larger societal forces that affect the microenvironment and thus affect the company's ability to create value for customers.
- The larger societal forces include:

✓ Demographic

✓ Economic

✓ Natural

✓ Technological

✓ Political

✓ Cultural

The Demographic Environment

- Demography is the vital and measurable statistics of a given population.
- It is the study of human population in terms of size, density, sex, occupation, age, location, occupation etc.
- Changes in the demographic environment have major business implications.
- Marketers monitor demographic trends and developments in their market.

The Economic Environment

- Economic factors that affect consumer purchasing power and spending patterns
- Industrial, developing and subsistence economies have different levels and distribution of income
- Marketers are concerned about **changes in consumer spending** and **income distribution.**
- The economic environment can offer both opportunities and threats

The Natural Environment

- The natural resources that are needed as inputs by marketers or that are affected by marketing activities.
- Some trends in the NE include: growing shortage of raw materials, increased pollution increased government intervention, increased cost of energy
- Marketers are developing strategies and practices that support **environmental sustainability**

The Technological Environment

- Technology is scientific knowledge used in practical ways in industry.
- It results in the creation of new product and market opportunities
- New technologies creates new market and opportunities
- The technological environment is dynamic and needs constant monitoring
- The complexity of technology raises safety concerns.

Political Environment and Social Environment

- This environment has to do with government agencies and/or organs which pass laws to regulate the activities of businesses in a country
- Laws are not effective unless enforced. Government therefore put the right machinery in place to make sure that laws are enforced. In Ghana such law enforcement agencies include CEPS and GSB.

The Cultural Environment

- Culture has simply been defined by Mullins, (2002) as ‘the way we do things here’

- It constitutes the core values, beliefs and customs of a group of people

- Culture helps effective segmentation, positioning and targeting

- It can pose a threat to marketing programmes if they are not carefully handled.

Responding to the Marketing Environment

- **Proactive:** This approach calls for a pre-emptive rather than a defensive strategy. It involves relatively more effort and resource commitment.
- ***Reactive***: In this approach the company adopts some sort of defensive position against environmental forces.

THE END

Chapter Three

CONSUMER MARKETS AND CONSUMER BUYER BEHAVIOUR

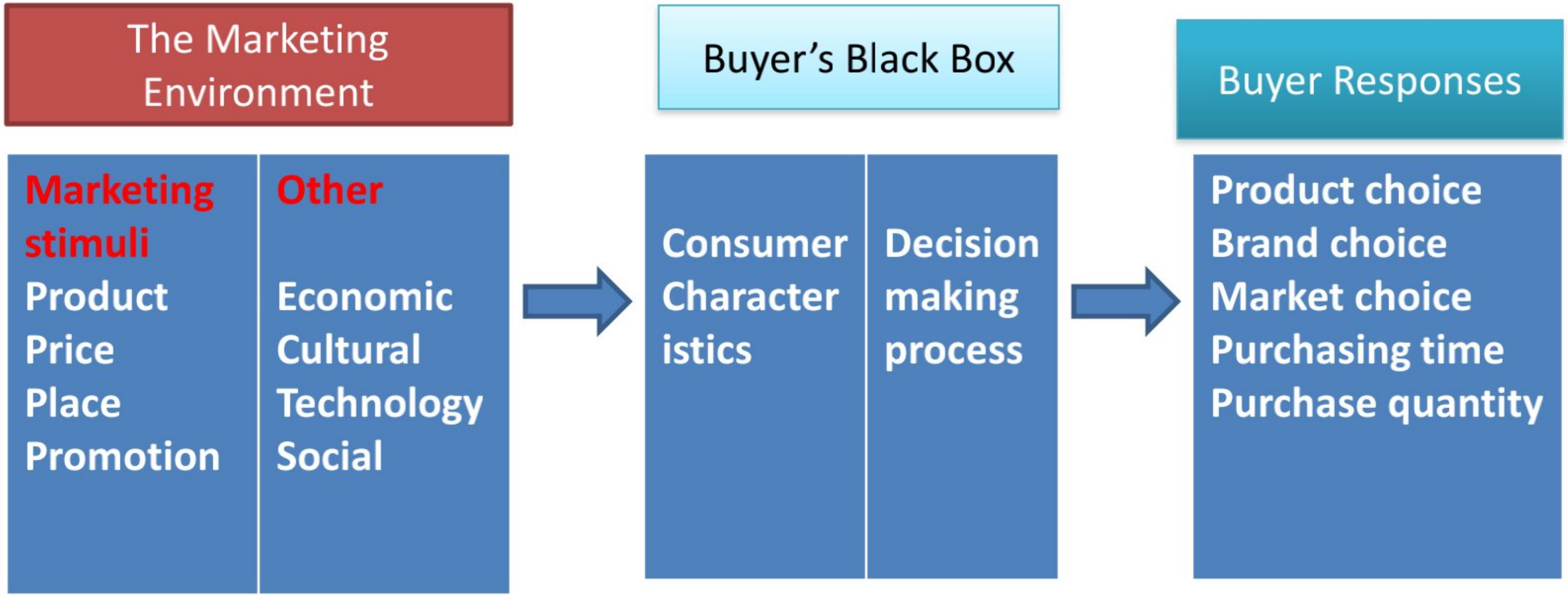
Learning Objectives

- To understand:
- Model of consumer behaviour
- The characteristics affecting consumer behaviour
- Types of buying decision behaviour
- The buyer decision process
- The buyer decision process for new products

What is Consumer Behaviour?

- Consumer buying behaviour refers to the buying behaviour of individuals and households that purchase goods and services for personal consumption.
- All these final consumers constitute the consumer market.

Model of Consumer Behaviour



Characteristics Affecting Consumer Behaviour

- These characteristics affect how the consumer perceives and react to stimuli.
- They are mainly uncontrollable by the marketer.
- However, they must be identified and factored into marketing mix formulation.

Cultural Factors

- This is the set of basic values, perceptions, wants and behaviours learned by a member of society from family and other important institutions
- ***Sub cultures***: a group of people with shared value systems based on common life experiences and situations.
- ***Social class***: relatively permanent and ordered division in a particular society whose members share similar values, interests and behaviours.

Social Factors

- **Group and social networks :** membership groups and reference groups
- **Family**- family of orientation and family of procreation
- **Social roles and status-** the activities people perform and the status that come with them.

Personal Factors

- Age and life cycle stage
- Occupation
- Economic situation
- Lifestyle
- Personality and self concept

Psychological Factors

Motivation

Perception

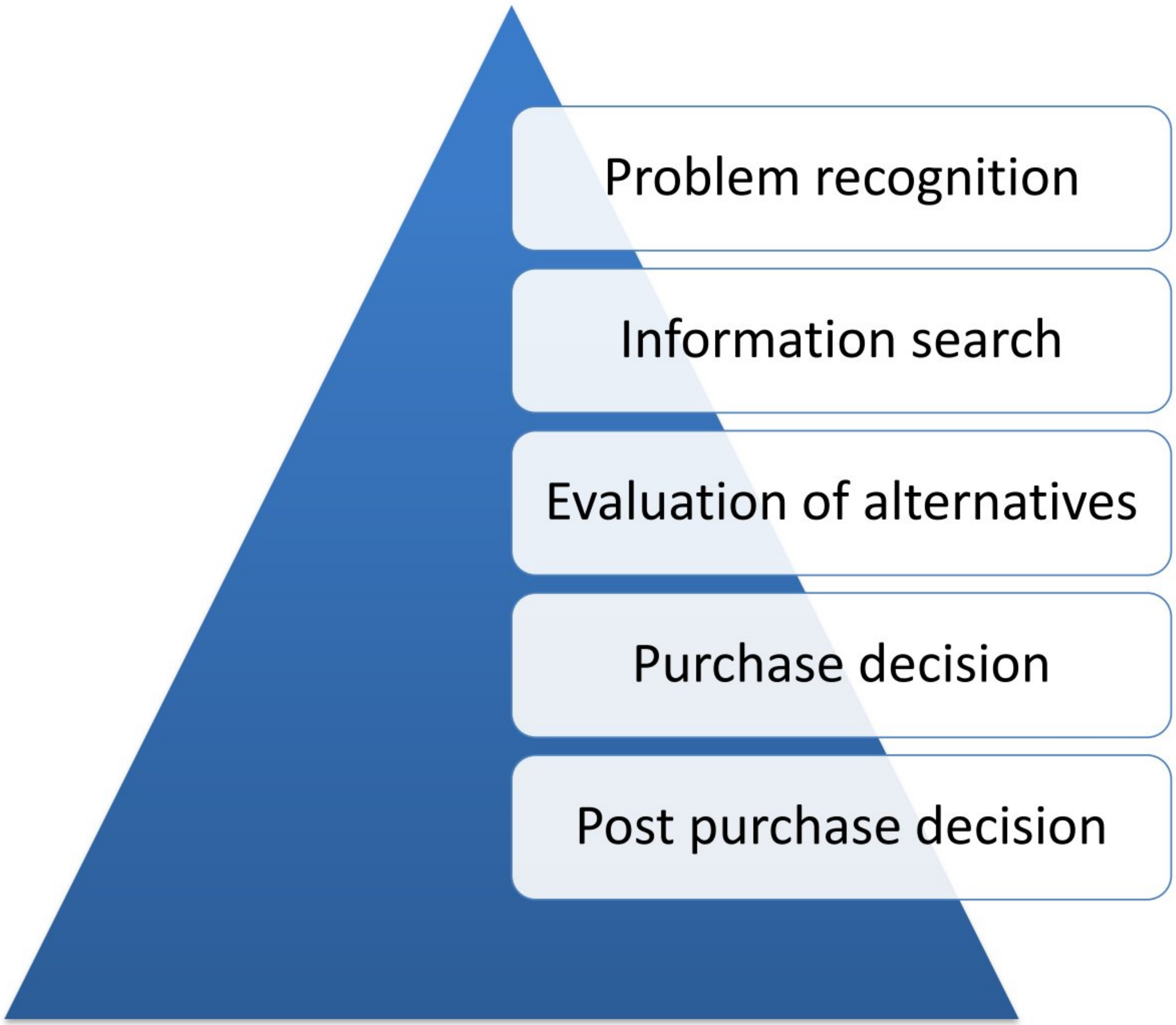
Learning

Beliefs and Attitudes

Types of Buying Decision Behaviour

- **Complex Buying Behaviour-**high consumer involvement and significant perceived differences
- **Dissonance-Reducing Buying Behaviour-** High involvement but few perceived differences. **Habitual Buying Behaviour-** Low involvement and few significant perceived differences
- **Variety-seeking buying behaviour-**Low consumer involvement but significant perceived brand differences

The Buyer's Decision Process



The Buyer Decision Process for New Products

- A ***new product*** according to Kotler et al (2002), is "A good, service or idea that is perceived by some potential customers as new
- ***Adoption*** is the decision by the individual to become a regular user of the product.
- The customer therefore goes through an ***adoption process*** which is the mental process through which the consumer goes through from first learning about an innovation to final adoption

Stages in the Adoption Process

- **Awareness**
  - Consumers hear about products but lack enough information about it.
- **Interest**
  - The consumer seek information about the product in question
- **Evaluation**
  - The consumer considers whether trying the new product is worthwhile
- **Trial**
  - The consumer tries the product on a small scale to assess its value.
- **Adoption**
  - The consumer decides to be a full and regular user of the product.

Individual Difference in Innovation

- ***Innovators*** are adventurous and try new products or ideas at some risk.
- ***Early adopters*** adopt ideas early but with some circumspection.
- The ***early majority*** adopt new ideas before the average person.
- The ***late majority*** adopt innovation only when a lot of people have tried it.
- ***Laggards*** adopt new products or innovation only when it has become something of a tradition.

Influence of product characteristics on Rate of Adoption

- Relative advantage
- Compatibility
- Complexity
- Divisibility
- Communicability

The End

Chapter Four

CUSTOMER-DRIVEN MARKETING STRATEGY:CREATING VALUE FOR TARGET CUSTOMERS

Learning Objectives

- Define the major steps in designing customer-driven marketing strategy: market segmentations, targeting, differentiation and positioning
- List and discuss the major bases for segmenting consumer market
- Explain how firms identify attractive market segments and chose a market-target strategy
- Discuss how companies differentiate and position their products for maximum competitive advantage

Customer-Driven Marketing Strategy

- **Market segmentation**-dividing a market into distinct group of buyers
- **Market targeting**-the process of evaluating each segments attractiveness and selecting one or more to serve
- **Differentiation**-making the market offering different to create superior customer value
- **Positioning**-occupying a clear, distinctive and desirable place in the minds of target consumers

Market Segmentation

- Buyers differ in heir wants, resources, location and buying practices
- Through segmentation large and/or heterogeneous market are divided into smaller segments
- This is key to reaching the markets effectively and efficiently with products that match their unique needs

Segmenting Consumer Markets

- **Geographic segmentation**-This is dividing up the market into different geographical units, such as nations, states, regions, countries, cities or neighbourhood
- **Demographic segmentation**-dividing the market into groups based on variables such as age, sex, income, gender, family size, occupation, education, religion

- **Psychographic Segmentation-**dividing a market into different segments based on social class, lifestyle, personality traits
- **Behavioural Segmentation-**dividing a market into segments based on consumer knowledge, attitude, uses or responses to a product.
- Behavioural segmentation variables include ***occasions, benefits sought****,* ***user status****,* ***usage rate*** and ***loyalty status***

Requirement for Effective Segmentation

Measurable
- This is the extent to which the size, purchasing power and profiles of a market segment can be measured.

Accessible
- The extent to which a market segment can be reached and served

Substantial
- The market segments are large or profitable enough to serve

Differentiable
- The segments are distinguishable and respond differently to different marketing programmes.

Actionable
- Effective programmes can be designed for attracting and serving the segments.

Market Targeting

- Segmentation reveals the firm's market segment opportunities
- The firm then evaluates each segment to decide how many and which segments it can serve best.
- How the do companies evaluate and select market segments?

Evaluating Market Segments

- Three factors are important in evaluating a market segment. These are:

✓ **Segment size and growth**-sales, growth rate and expected profitability

✓ **Segment structural attractiveness**-competition, power of buyers and suppliers

✓ **Company objectives and resources**- segments consistent with firm’s objectives and resources

Selecting Target Market Segments

- Four options are available to the marketer:

✓ Undifferentiated marketing (Mass marketing)

✓ Differentiated marketing (Segment marketing)

✓ Concentrated marketing (niche marketing)

✓ Micromarketing: includes local marketing and individual marketing

Choosing a Targeting Strategy

- Company's resources
- Product variability
- Product life-cycle stage
- Market variability
- Competitors' marketing strategy

Differentiation and Positioning

- After deciding on which segment to target, the company must decide on a **value proposition.**
- Creating a differentiated value for target segments and position it wants to occupy.
- A **product's position** is the way the product is defined by consumers on important attributes
- Marketers must plan *position* and not leave it to change

Choosing a Differentiation and Positioning Strategy

- The steps involved are:

✓ Identifying a set of differentiating competitive advantages on which to build a position

✓ Choosing the right competitive advantages

✓ Selecting an overall positioning strategy

Value Differences and Competitive Advantages

Product differentiation
- Features, performance, style and design

Services differentiation
- Speed, convenience, careful delivery

Channel differentiation
- Efficient design of channel coverage, expertise and performance

People differentiation
- Hiring and training better people than their competitors do

Image differentiation
- The use of meaningful symbols, characters and other image elements

Choosing the Right Competitive Advantages

- A company may have several potential differentiations that provide competitive advantage
- It must decide how **many differences to promote**
- Promoting only one benefit to the target market (unique selling proposition)
- Positioning on more than one differentiator

- It must also decide **which differences to promote**
- A difference is worth establishing if it satisfies the following:

✓ Important

✓ Distinctive

✓ Superior

✓ Communicable

✓ Preemptive

✓ Affordable

Choosing an Overall Positioning Strategy

More for more

More for the same

The same for less

Less for much less

More for less

Communicating and Delivering the Chosen Position

- The chosen position must be delivered and communicated to the target market
- It calls for concrete action on the part of marketers
- Once the position has been built, it must be maintained through consistent performance and communication
- The position must be monitored and adapted over time to match changes in consumer needs and competitors' strategies

The End

PRODUCTS, SERVICES AND BRANDS: BUILDING CUSTOMER VALUE

Learning Objectives

- Define products and the major classification of products and services
- Describe the decisions companies make regarding their individual products and services, product lines and product mixes
- Identify the four characteristics that affect the marketing of services
- Discuss branding strategy-the decision companies make in building and managing their brands

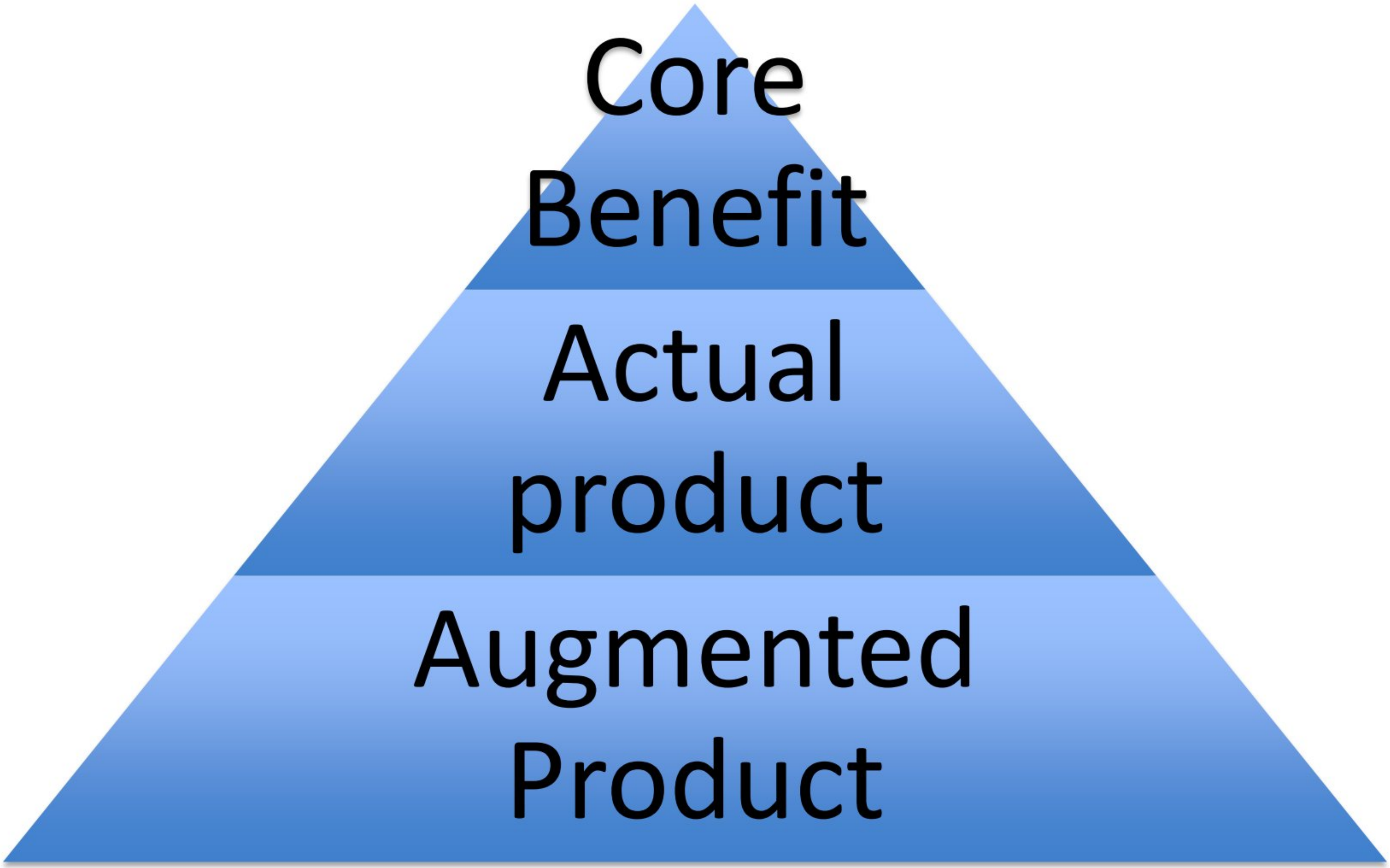
What is a Product

- ***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.
- ***Services*** include activities, benefits or satisfactions that are offered for sale and are mainly intangible.
- Examples are the services of bankers and lawyers.

Products, Services and Experiences

- The implication of the definition is that anything ranging from:
- Physical products
- Services
- Experiences
- Places personalities
- Organizations
- Ideas

Levels of Product and services



Products and Service Classification

- **Consumer products**
  - Convenience products
  - Shopping products
  - Specialty products
  - Unsought products
- **Industrial products**
  - Materials and parts
  - Capital items
  - Supplies and services

Product and Service Decisions

- Marketers make products and service decisions at three levels:
- Individual product decision
- Product line decision
- Product mix decisions

Individual Product and Service Decision

Product and service attributes

Branding

Packaging

Labeling

Product Line Decisions

- A product line is a group of products that are closely related because they function in a similar manner, are sold to the same customer group, are marketed through the same type of outlets, or fall within given price ranges.
- A PLD involves **product length**-the number of items in the product line.
- Product line can be influenced by **upselling** and **cross-selling** or **protection against economic swings**
- Product line is expanded through **line filling** or **stretching**

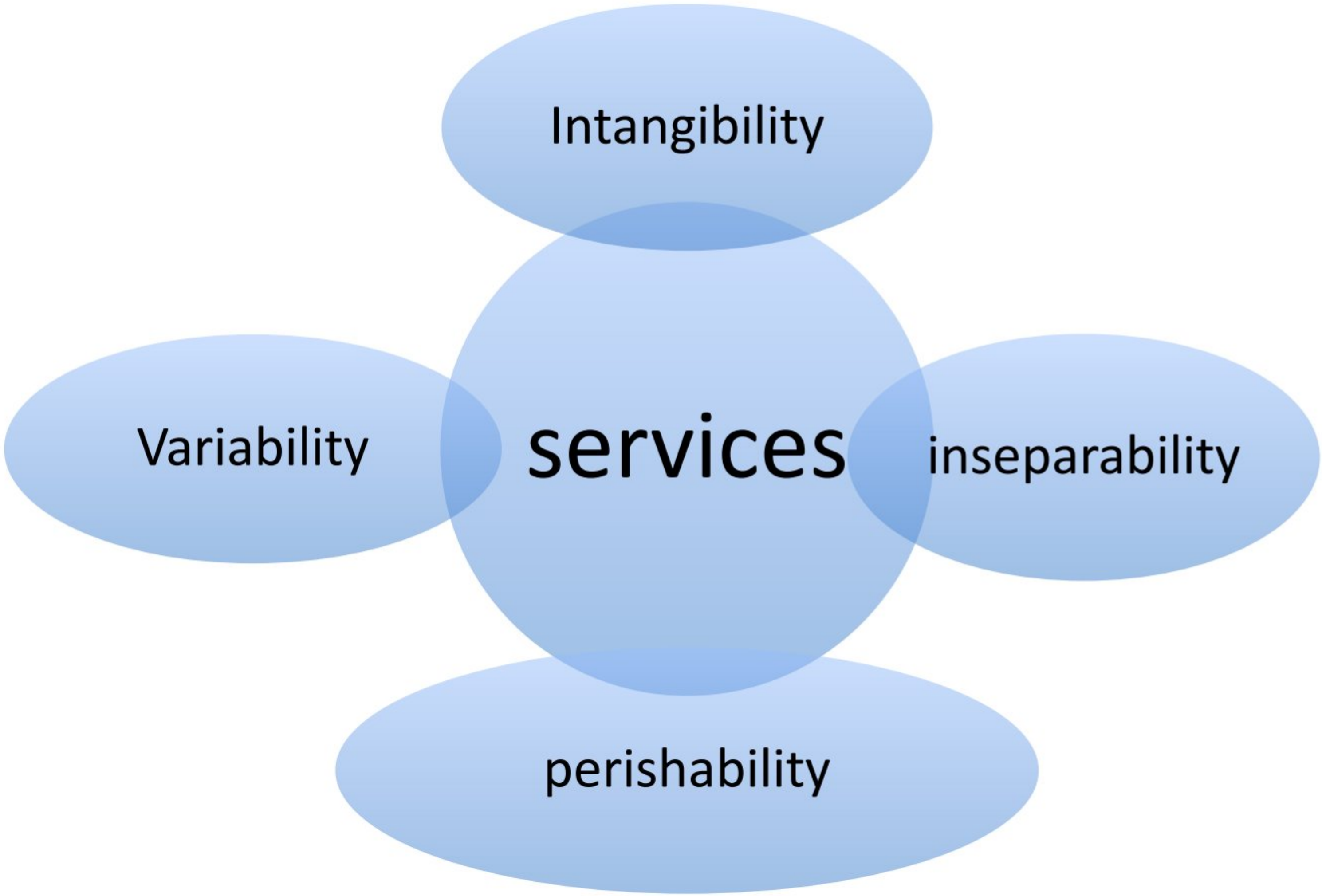
Product Mix Decisions

- **Product mix** is the set of all products lines and items that a particular marketer offers for sale.
- A company's product mix has four dimensions: **Width**-the number of different product lines the company carries
- **Length**-the total number of items within the lines
- **Depth-**how many versions are offered of each product in the line
- **Consistency-**how closely related the various product lines

Services Marketing

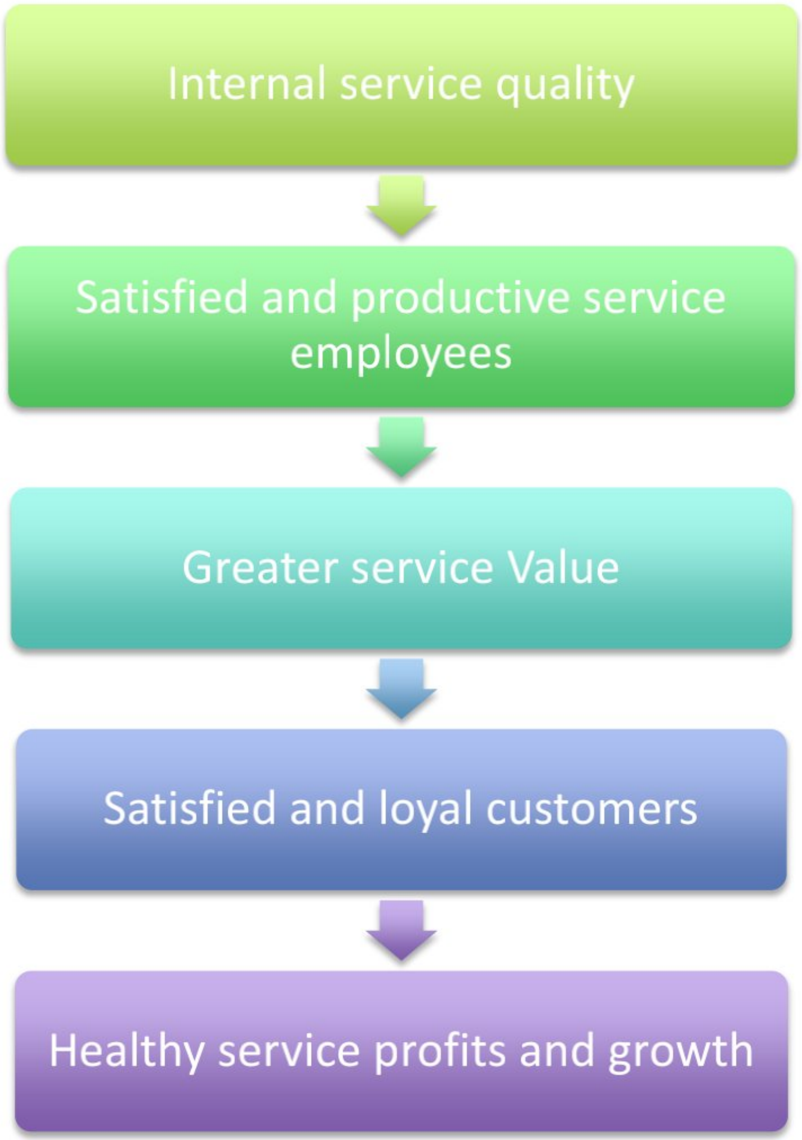
- Services have grown dramatically in recent years
- The industry is growing more that the manufacturing and other industry
- There are many reasons that account for such growth such as the outsourcing, the consumption of sophisticated products in the home, more women in the labour force etc

The Nature and Characteristics of a Service



Marketing Strategies for Service Firms

The Service Profit Chain



- Other strategies include:

✓ Managing service differentiation

✓ Managing service quality

✓ Managing service productivity

Branding Strategy: Building Strong Brands

- A **brand** as a name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller and to differentiate them from those of the competition.
- Brans are powerful assets that must be carefully developed and managed.

Brand Equity

- Powerful brands have brand equity
- Brand equity is the the differential effect of knowing the brand name has on customer response to the product and its marketing
- Brands vary in the amount of power and value they hold in the market place

Building Strong Brands

Brand positioning
- Attributes, benefits, beliefs and values

Brand name selection
- The selection process

Brand sponsorship
- Manufacturer's brand, private brand, licensing and co-branding

Brand Development
- Line extension, Brand extension, Multiband, new brands

Managing Brands

- The company must manage their brands carefully
- The brand's positioning must be continuously communicated to consumers
- Employees must be trained to be customer centred
- There should be periodic audit of the strength and weaknesses of brands.

The End

PRICING: UNDERSTANDING AND CAPTURING CUSTOMER VALUE

Learning Objectives

- Define price and discuss the importance of pricing in today's fast changing environment
- Identify the three main pricing strategies and discuss the importance of understanding customer-value perceptions, company costs and competitors strategies when setting prices
- Identify and define the other important external and internal factors affecting a firm's pricing decision.

What is a Price

- **Narrow definition:** The amount of money charged for a product or service.
- **Broader definition:** The sum of the values that customers exchange for the benefit of having or using the product or service.
- Price plays a a key role in creating customer value and building customer relationships

Major Pricing Strategies

- The three major pricing strategies are:
- Customer Value-Based Pricing
- Cost-Based Pricing
- Competition-Based Pricing

Customer Value-Based Pricing

- Setting price based on buyers' perception of value rather than on the seller's cost.
- The two types of VBP are:
- **Good-value pricing -** offering the right combination of quality and good service at a fair price
- **Added-value pricing –** Attaching value-added features and services to differentiate a company's offers and charging higher prices

Cost-Based Pricing

- Setting prices based on the cost for producing, distributing, and selling the product plus a fair rate of return for effort and risk.
- The type of costs are **fixed** and **variable costs**
- Management wants to charge a price that will at least cover the total production costs at a given level of production.

Competition-Based Pricing

- Setting prices based on competitors' strategies, costs, prices and offerings.
- Two questions need to be addressed in assessing competitors' pricing:

1. Does the company offer superior customer value?
2. What is the strength of competitors and what are their pricing strategies

Other External and Internal Factors Affecting Price Decision.

- The internal factors include:
  - ✓ Company’s overall marketing strategy, objectives and mix
  - ✓ Other organizational considerations
- The external factors are:
  - ✓ The nature of the market and demand
  - ✓ Other environmental factors

Overall Marketing Strategy, Objectives and Mix

- The company must decide on the overall marketing strategy for the product –market **positioning**
- The objectives of the company also affect prices, e.g. attracting new customers.
- Product design, distribution and promotion affect price decision.

Organizational Considerations

- Management must decide who should set prices
- Small companies – top management
- Large companies – division or product line managers
- Industrial markets – Sales people
- Industries with price as a key factors – pricing department.

The Market and Demand

- Pricing in different types of market (pure competition, monopolistic competition, oligopolistic competition, pure monopoly)
- Price-demand relationship – inverse relationship.
- Price elasticity of demand – a measure of the sensitivity of demand to changes in price.

The Economy

- Economic factors have strong impact on pricing strategy
- Recent global financial challenges have resulted in companies cutting prices and offering discounts
- Such price cuts have undesirable long term consequences.
- Many companies are rather shifting their marketing focus to more affordable items.

Other External Factors

- The company must know the impact of price on factors such as the following:

✓ Resellers

✓ Suppliers

✓ The government

✓ Social concern

The End

COMMUNICATING CUSTOMER VALUE: INTEGRATED MARKETING COMMUNICATIONS STRATEGY

Learning Objectives

- Define the five promotion mix tools for communicating customer value
- Discuss the changing communications landscape and the need for integrated marketing communications
- Outline the communication process and the stages in developing effective marketing communication
- Explain the methods for setting the promotion budget and factors that affect the design of the promotion

The Promotion Mix

- Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers about the products and brands they sell.
- The promotion mix includes advertising, sales promotion, personal selling, public relations and direct marketing

Advertising

- Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor in the prime media

Sales Promotion

- A variety of short-term incentives to encourage trial or purchase of a product or service

Public relations and publicity

- A variety of programs designed to promote or protect a company's image or its individual products

Direct Marketing

- Use of mail, telephone, fax, e-mail, or Internet to communicate directly with or solicit response or dialogue from specific customers and prospects

Personal Selling

- Personal presentation by the firm's sales force for the purpose of making sales and building customer relationships

Integrated Marketing Communications

- The traditional marketing commutations strategy is fast changing
- Marketers are embracing new marketing communications model
- There is the need for integrated marketing communications.

The New Marketing Communications Model

- Factors changing the face of today's marketing communications are:

✓ Changing consumer attitude

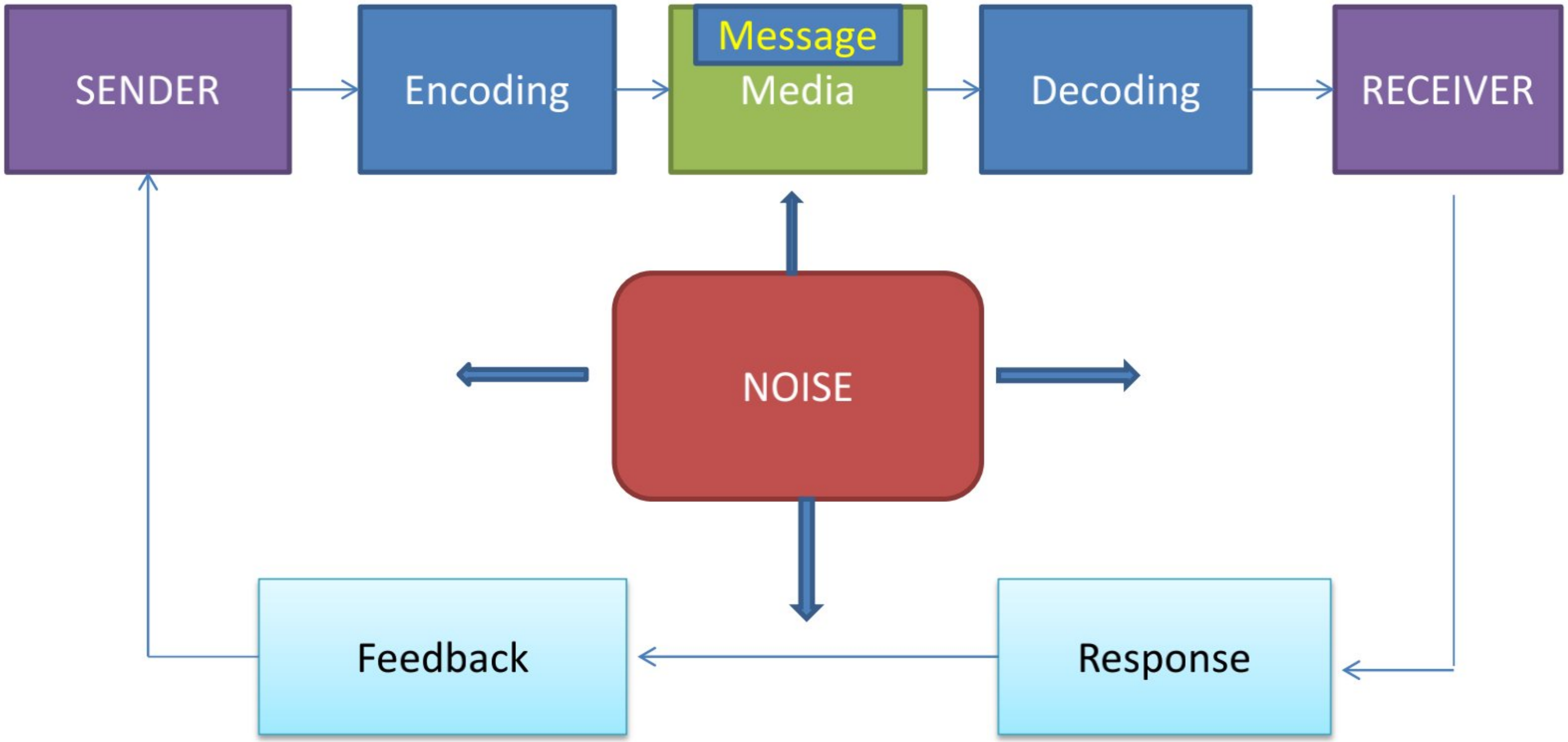
✓ Changing marketing strategies

✓ Advancement in communications technology

- Companies are doing less **broadcasting** and more **narrowcasting**

The Need for Integrated Marketing Communications

A view of the Communication Process



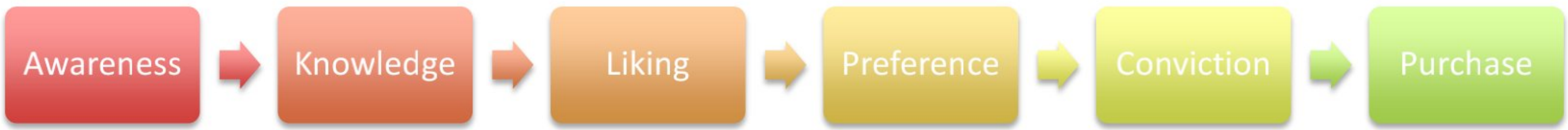
Steps in Developing Effective Marketing Communications

- ✓ Identify target audience
- ✓ Determine communication objectives
- ✓ Design Message
- ✓ Choose media
- ✓ Selecting the message source
- ✓ Collecting feedback

Identify the Target Audience

- The process must start with a clear target audience in mind
- The target audience is a critical influence on the communicator's decisions about what to say, how, when, where, and to whom
- We can profile the target audience in terms of usage and loyalty
- Communication strategy will differ depending on the profile of the target audience.

Determine the Communication Objectives



Design the Message

- Formulating the communications to achieve the desired response will require solving three problems:

✓ What to say (message content)

✓ How to say it (Message structure and format)

Choosing Media

- Communications channels may be **personal** and **non-personal**
- **PCC:** communicating directly with two or more people through face to face, on phone, via mail or e-mail or internet
- **NPC**: media that carry messages without personal contact or feedback. They include major media, atmosphere and events.

Selecting the Message Source

- Promoting the product to specialist to motivate them to motivate them to recommend them to their clients.
- Using likeable personalities (celebrities)
- Marketer should be careful in selecting their the source (e.g. celebrities)

Collecting Feedback

- Feedback is collected through survey
- Behaviour resulting form the the message must be measured
- Feedback may suggest changes in the promotional programme or the product itself

Setting the Total Promotion Budget and Mix

- How does the company determine its total promotional budget?
- What are the major communications tools and how do companies blend them?

Setting the Total Promotional Budget

- Methods include:

✓ Affordable

✓ Percentage-of-sales

✓ Competitive-parity

✓ Objective-and-task

Shaping the Overall promotion Mix

The nature of each promotional tool

Promotional Components	Scope	Cost	Advantages	Disadvantages
Advertising	Mass	Relatively inexpensive per contact	Persuasiveness Expressiveness and control over message	Results hard to measure
Personal selling	Personal	Expensive per contact	Flexibility Immediate response	Very expensive
Sales promotion	Mass	Can be costly	Gains attention and has immediate effect	Easy to imitate by others
Publicity	Mass	Inexpensive	High degree of Credibility	No direct control by the marketer
Direct and Interactive Marketing	Personal	Expensive	Customised Up-to-date Interactive	Limited reach No immediate impact

Promotion strategies

- The two promotional strategies are **push promotion** or **pull promotion.**
- Factors considered in designing promotion mix strategies are:

✓ The type of product or market

✓ Product life-cycle stage

Integrating the Promotion Mix

- The various promotion elements should work together to carry the firm’s unique message.
- Integrations starts with consumers
- All the elements should deliver consistent message and positioning

Socially Responsible Marketing Communication

- Advertising and sales Promotion

✓ No false claims

✓ Avoid ads that have capacity to deceive

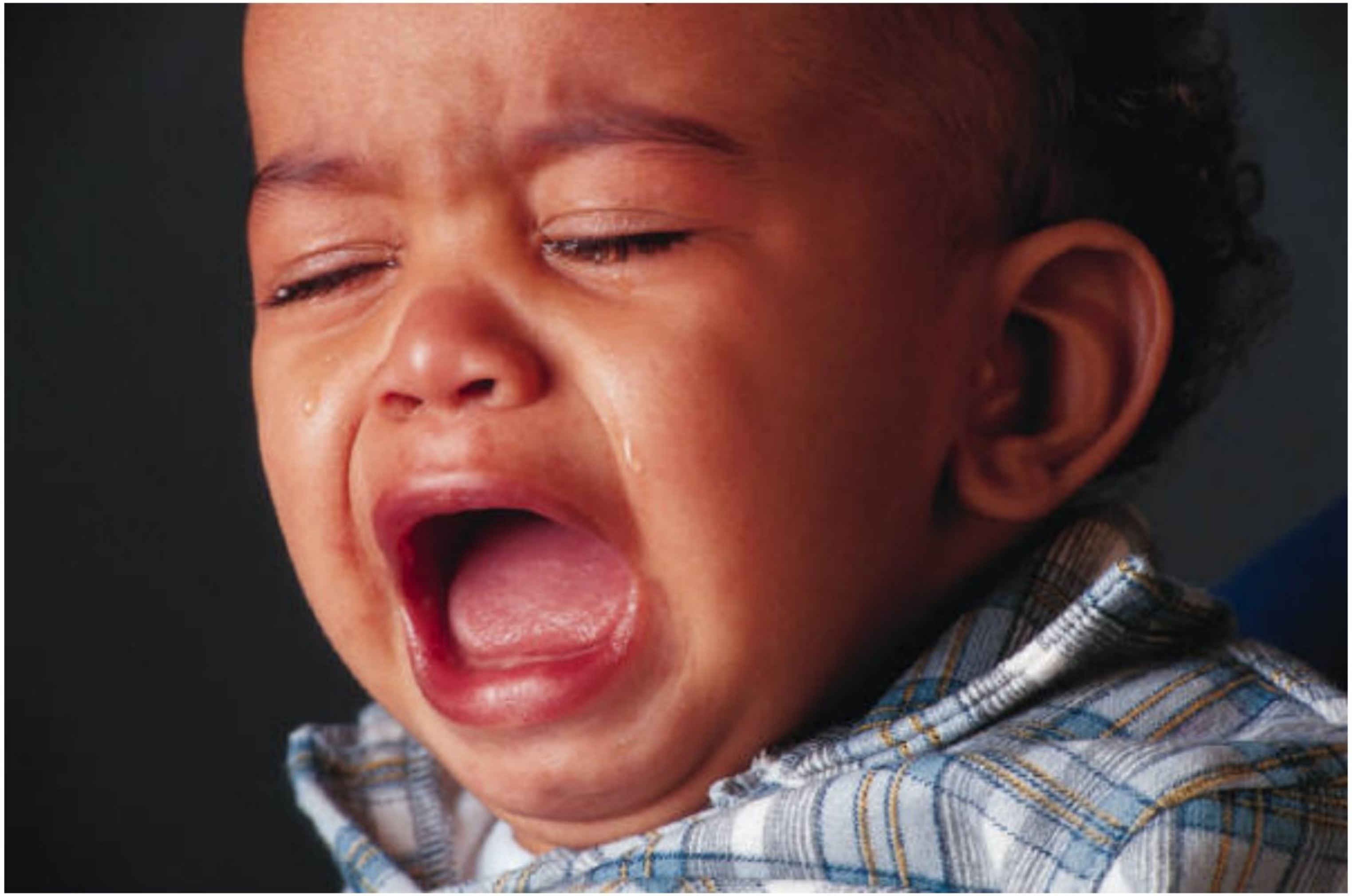
✓ No bait-and-switch advertising

- Personal selling:

✓ Sales people must follow the rule of fair competition

✓ In B2B sales people must give bribe, obtain trade secrets of competitors or disparage competitors

The End



MARKETING CHANNELS: DELIVERING CUSTOMER VALUE

Learning Objectives

- Explain why companies use marketing channels and discuss the functions these channels perform
- Discuss how channel members interact and how they organize to perform the work of the channel
- Identify the major channel alternatives open to a company
- Explain how companies select, motivate and evaluate channels
- Discuss the nature and importance of marketing logistics ans supply chain management

Supply Chain and the Value Delivery Network

- The company's supply chain consists of upstream and downstream partners
- Marketers focus on the downstream
- There is a movement from ***supply chain*** to ***value delivery chain***

The Nature and Importance of Marketing Channels

- Few producers sell directly to final users
- They make use of **marketing channels** or **distribution channels**
- A channel decision directly affect every other marketing decision.
- Well managed distribution channels gives **competitive advantage**
- Distribution channels involve long-term commitment to other firms.

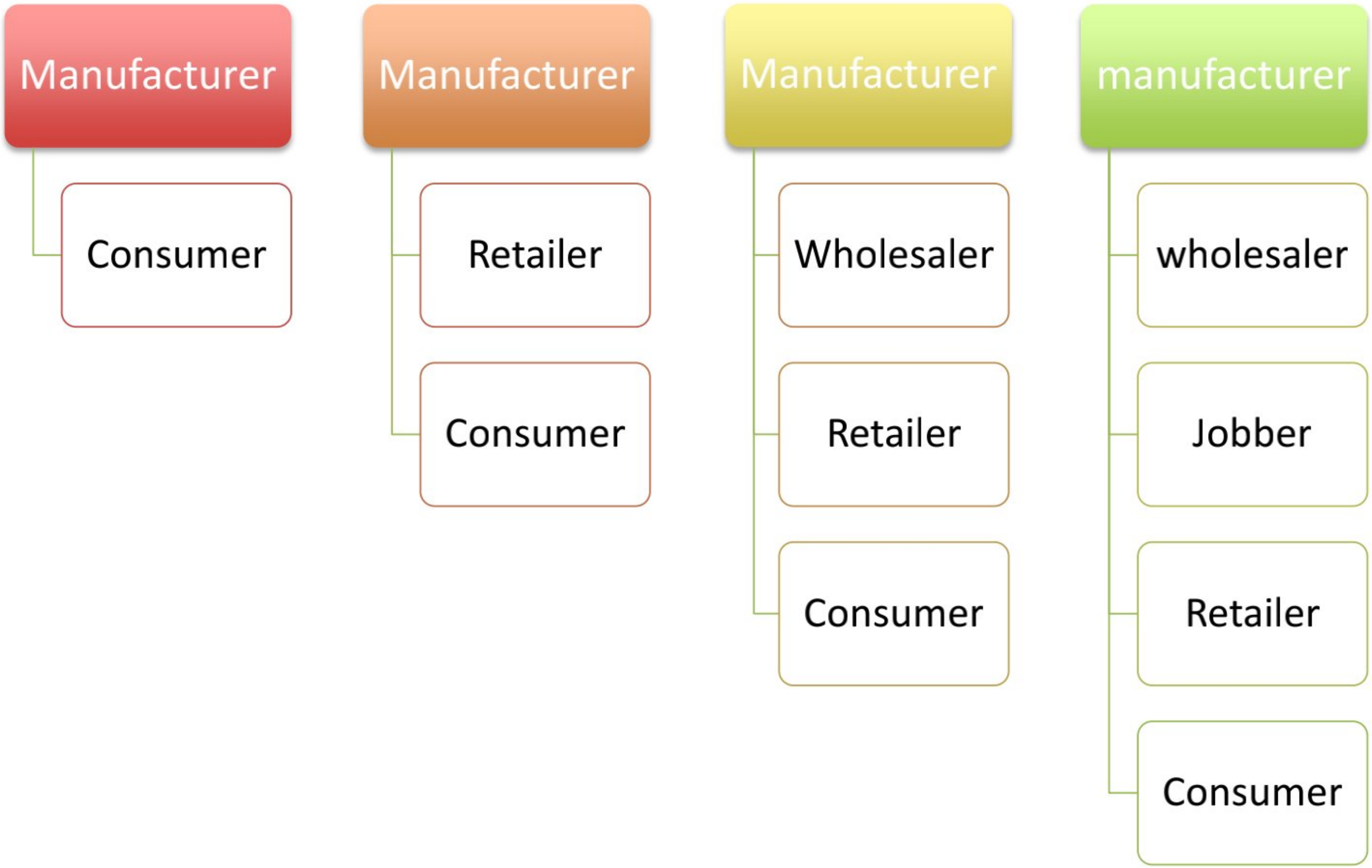
How Channel Members Add Value

Helping to complete transaction
- Promotion
- Contact
- Information
- Matching
- Negotiation

Helping to fulfil transaction
- Financing
- Risk taking

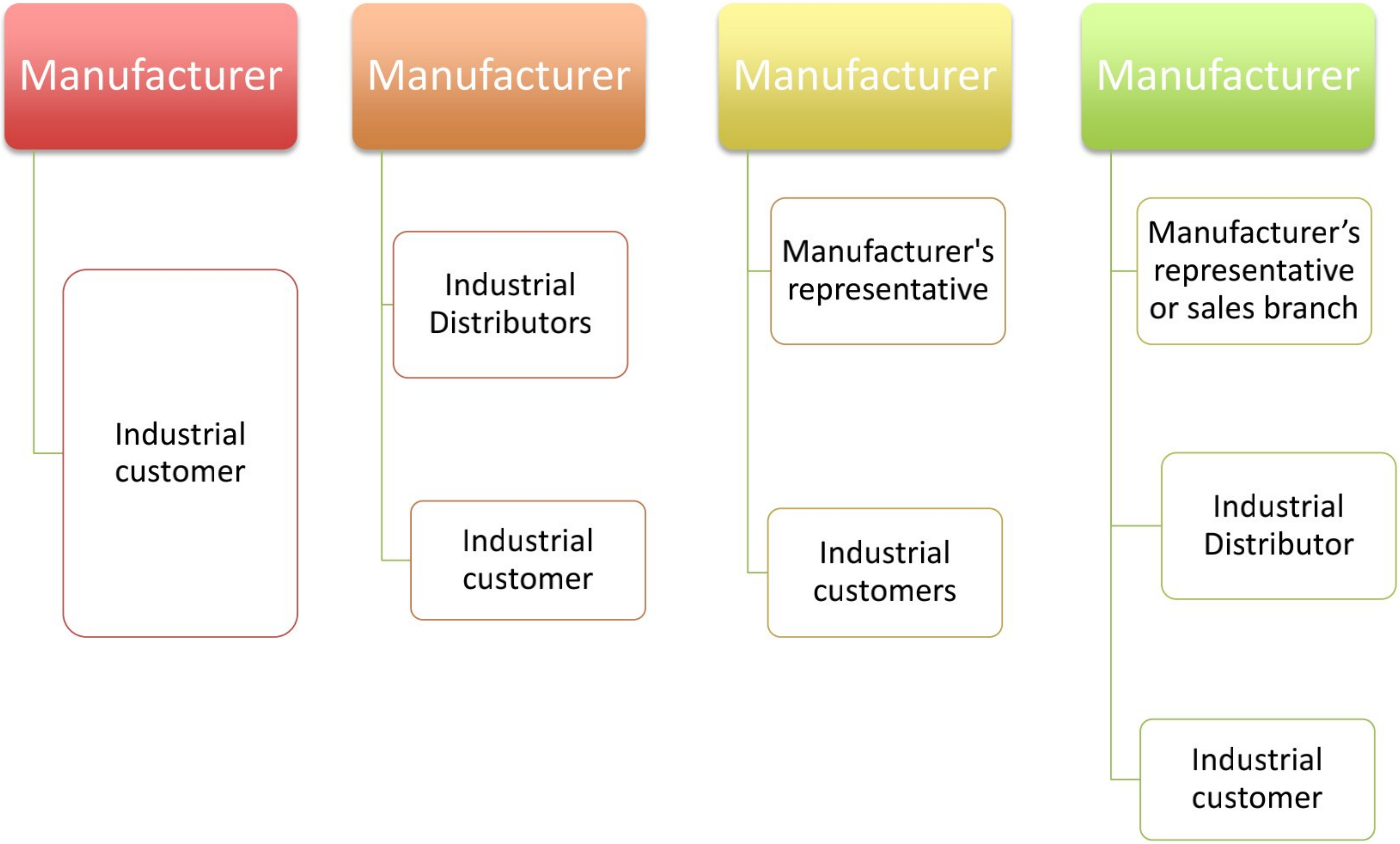
Number of Channels Levels

Consumer Marketing channels



Number of channel Levels

Industrial marketing channels



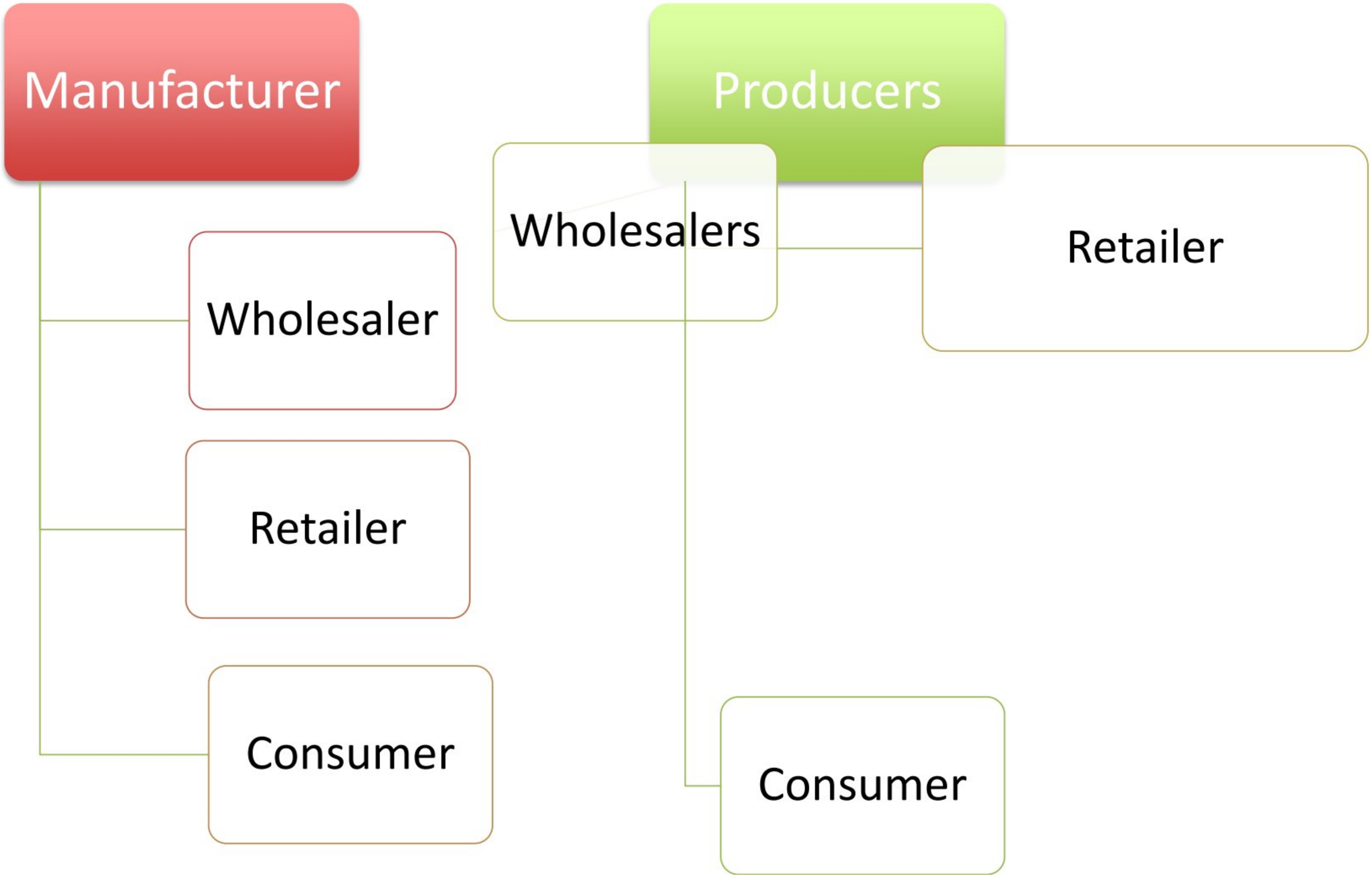
Channel Behaviour and Organization

- Marketing channels consist of different firms working together
- The channel is very complex
- They are also dynamic as new type of intermediaries are emerging.

Channel Behaviour

- Channel members are interdependent
- Each member plays a specialized role
- There is the need for cooperation to achieve overall channel success
- However, conflicts emerge
- **Channel conflicts** could be **horizontal** or **vertical**

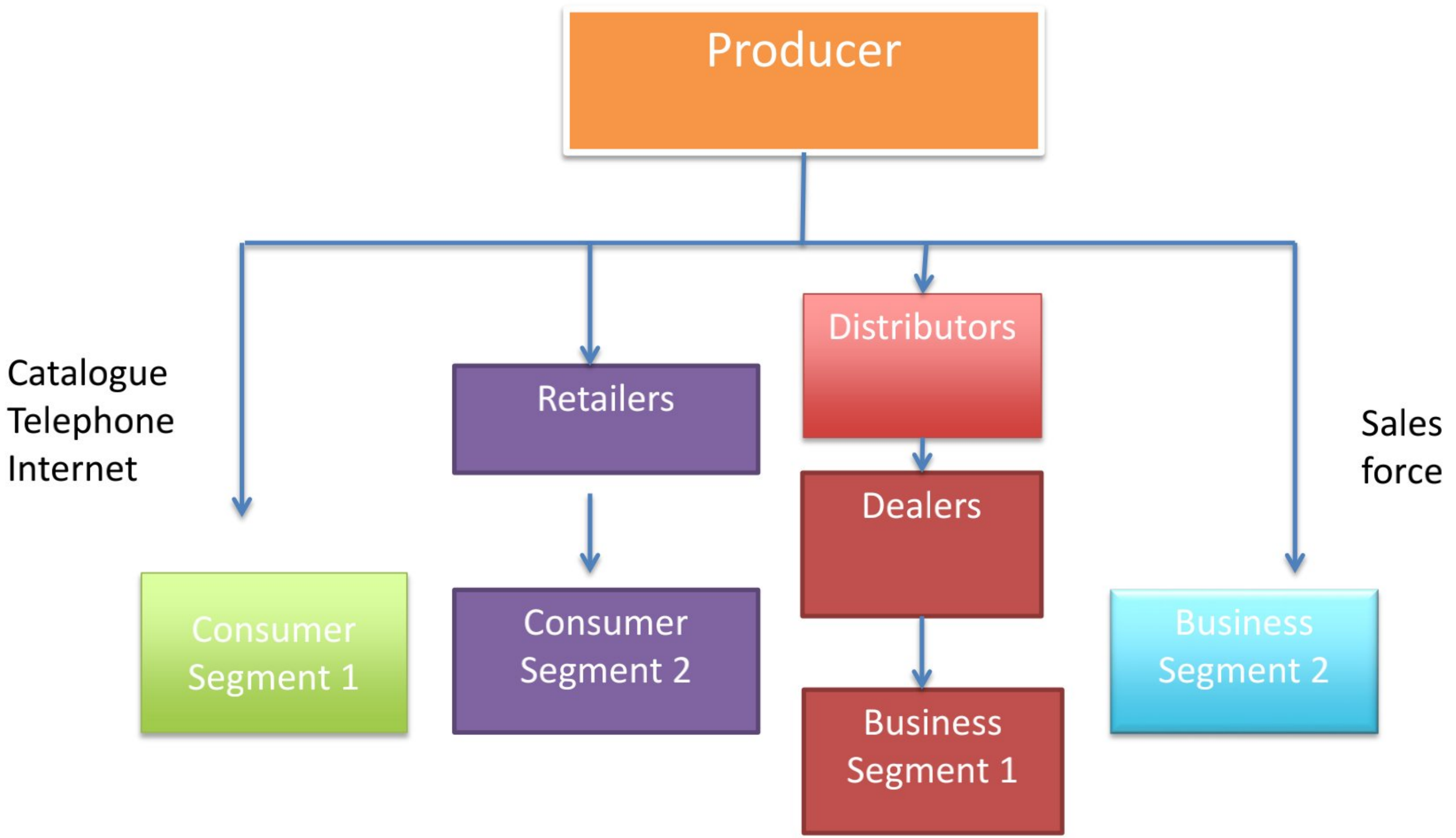
Conventional Marketing System vs. Vertical Marketing Systems



Horizontal Marketing Systems

- Two or more companies at one level join together to follow a new marketing opportunity
- It has **synergistic effect**-combining resources to accomplish more than any one company could alone.
- Companies might join farces with competitors or non-competitors

Multiple Distribution Systems



Changing Channel Organization

- Technology and growth of direct and online marketing has led to **disintermediation.**

✓ Producers sell directly to consumer

✓ New type of channel intermediaries replace traditional ones

- Disintermediation presents both opportunities for producers and resellers.

Channel-Design Decisions

Designing a marketing channel system requires:

- Analyzing customer needs
- Establishing channel objectives
- Identifying and evaluating major channel alternatives.

Analyzing Customer Needs

- Consumers may choose the channel they prefer based on any of the following:

✓ Price

✓ Product assortment

✓ Convenience

✓ Their shopping goals (economic, social or experiential)

Establishing Objectives

- Marketing channels objectives are stated in terms of targeted levels of customer services
- Channel objectives are influenced by the company's products, intermediaries, competitors and the environment.
- Environmental factors such as economic and legal can influence channel objectives and design.

Identifying Major Channel Alternatives

- Each channel has unique strengths as well as weaknesses.
- A channel alternative is described by **three** elements:

✓ The types of intermediaries (direct, dealers, sales force, telemarketing etc.)

✓ The number of intermediaries needed (exclusive, selective and intensive distribution)

✓ The terms and responsibilities of each channel member.

Evaluating Major Channel Alternatives

- Each channel alternative needs to be evaluated against the following criteria:
- **Economic** (different levels of sales and cost)
- **Control** (sales agents vs. sales reps)
- **Adaptive** (channel commitment reduces producers' ability to respond to change).

Channel-Management Decision

- After a company has chosen a channel system, it must **select**, **train**, **motivate**, and **evaluate** individual intermediaries for each channel.
- It must also **modify** channel design and arrangements over time.

The End