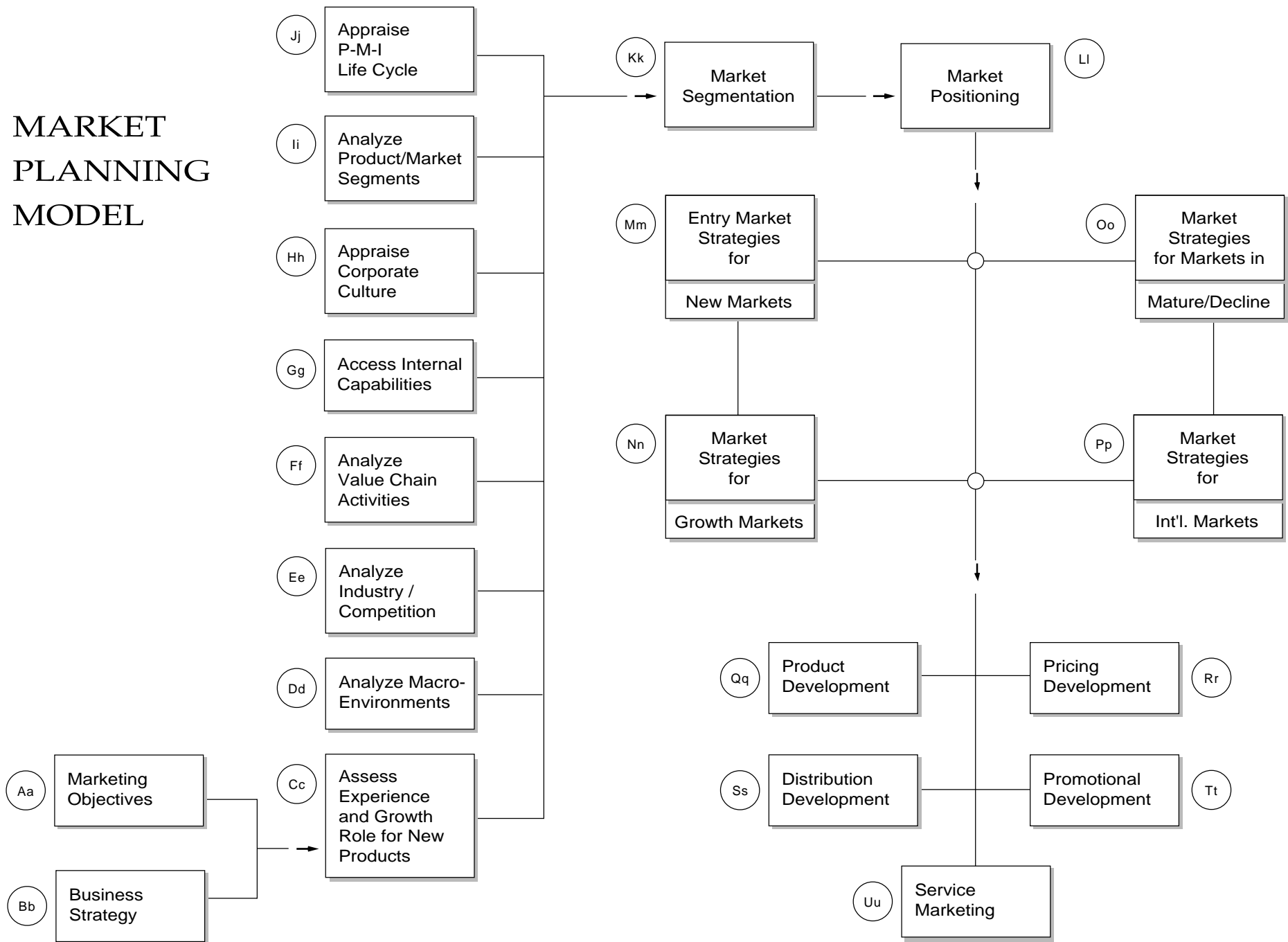


MARKET PLANNING MODEL





**Market Need
Objectives**

- 1) Market Need-Satisfying Objectives
- 2) Community Need-Satisfying Objectives
- 3) Corporate Need-Satisfying Objectives



**Sales Target
Objectives**

- 1) Sales Volume
 - Dollars
 - Units
 - Territories
 - Markets
- 2) Share of Market
- 3) Distribution Expansion
- 4) Other



**Market Plan
Outline**

Aa.2

- 1) Marketing Plan



DATE:

COMPANY NAME:

TITLE OR PRODUCT:

I. Executive Summary

- A. Summary of Situation Analysis
- B. Summary of Marketing Objectives
- C. Summary of Marketing Strategies
- D. Budget Summary

II. Situation Analysis

- A. The Industry (*see Ee. 1*)
 - 1. Definition of Industry and Company Business
 - 2. History of Industry
 - a. Technological Advances
 - b. Trends
 - 3. Growth Patterns Within Industry
 - a. Demand Curve
 - b. Per Capita Consumption
 - c. Growth Potential
 - 4. Characteristics of Industry
 - a. Power of Suppliers and Buyers
 - b. Threats of Substitutes and Entrants
 - c. Industry Rivalry
 - (1) Distribution Patterns and Traditional Channels
 - (2) Regulation and Control Within Industry
 - (3) Typical Promotional Activity
 - (4) Geographical Characteristics
 - (5) Profit Patterns
- B. The Company (*see Cc. 1 and Gg. 1 and Hh. 1*)
 - 1. Brief History
 - 2. Scope of Business
 - 3. Current Size, Growth, Profitability
 - 4. Business Reputation (Prospector, Defender, Analyzer, Reactor)
 - 5. Competence in Various Areas
 - a. Strengths and Weaknesses
 - b. Opportunities and Threats
 - 6. 7-S Analysis (Hh.1)



C. The Product / Service (*see Jj.1 and Ll.1*)

1. The Product Story

- a. Development and History
- b. Stage of Product Life Cycle
 - (1) Introduction
 - (2) Growth
 - (3) Maturity
 - (4) Decline
- c. Quality Factors
- d. Design Considerations
- e. Goods Classification
 - (1) Consumer or Industrial Good
 - (2) Durable or Nondurable Good or Service
 - (3) Convenience, Shopping, or Specialty Good
 - (4) Package Good, Hard Good, Soft Good, Service
- f. Packaging
- g. Price Structure
- h. Uses
 - (1) Primary
 - (2) Secondary
 - (3) Potential
- i. Image and Reputation
- j. Product / Service Strengths
- k. Product / Service Weaknesses

2. Product Sales Features

- a. Differentiating Factors
 - (1) Perceptible, Imperceptible, or Induced
 - (2) Exclusive or Nonexclusive
- b. Position in Mind of Customer
- c. Advantages and Disadvantages (Customer Perception)

3. Product Research and Development

- a. Technological Breakthroughs
- b. Improvements Planned
- c. Technical or Service Problems

4. Sales History

- a. Sales and Cost of Sales
 - (1) By Product / Service
 - (2) By Model
 - (3) By Territory
 - (4) By Market
- b. Profit History for Same Factors



- 5. Share of Market
 - a. Industry Sales by Market
 - b. Market Share in Dollars and Units
 - c. Market Potential and Trends
- D. The Market (*see Ll. 1 and Kk. 1 and Ll. 1*)
 - 1. Definition and Location of Market
 - a. Identified Market Segments
 - (1) Past
 - (2) Potential
 - b. Market Needs, Desires
 - c. Characteristics of Market
 - (1) Geographic
 - (2) Demographic
 - (3) Psychographic
 - (4) Behavioral
 - d. Typical Buying Patterns
 - (1) Purchase Patterns
 - (2) Heavy Users / Light Users
 - (3) Frequency of Purchase
 - e. Buying Influences on Market
 - 2. Definition of Our Customers
 - a. Present, Past, and Future
 - b. Characteristics
 - (1) Shared Characteristics with Rest of Market
 - (2) Characteristics Unique to Our Customers
 - c. What They Like About Us or Our Product
 - d. What They Don't Like
 - 3. Consumer Appeals
 - a. Past Advertising Appeals
 - (1) What has Worked
 - (2) What has not Worked and Why
 - b. Possible Future Appeals
 - 4. Results of Research Studies About Market and Customers
- E. The Competition (*see Ee. 1*)
 - 1. Identification of Competitors
 - a. Primary Competitors
 - b. Secondary Competitors
 - c. Product / Service Descriptions
 - d. Growth and Size of Competitors
 - e. Share of Market Held by Competitors



2. Strengths of Competition
 - a. Product Quality
 - b. Sales Features
 - c. Price, Distribution, Promotion
3. Weaknesses of Competition
 - a. Product Features
 - b. Consumer Attitude
 - c. Price, Distribution, Promotion
4. Marketing Activities of Competition
 - a. Product Positioning
 - b. Pricing Strategies
 - c. Distribution
 - d. Sales Force
 - e. Advertising, Publicity
 - f. Estimated Budgets
- F. Distribution Strategies (*see Ss. 1*)
 1. Type of Distribution Network Used
 - a. History of Development
 - b. Trends
 2. Evaluation of How Distribution is Accomplished
 3. Description and Evaluation with Channel Members
 4. Promotional Relationship with Channel Members
 - a. Trade Advertising and Allowances
 - b. Co-op Advertising
 - c. Use of Promotion by Dealer or Middlemen
 - d. Point-of-Purchase Displays, Literature
 - e. Dealer Incentive Programs
- G. Pricing Policies (*see Qq. 1*)
 1. Price History
 - a. Trends
 - b. Affordability
 - c. Competition
 2. Price Objectives and Strategies in Past
 - a. Management Attitudes
 - b. Buyer Attitudes
 - c. Channel Attitudes



- H. Promotion Strategies *(see Tt. 1)*
 - 1. Past Promotion Policy
 - a. Personal versus Non-personal Selling
 - (1) Use of Sales Force
 - (2) Use of Advertising, Public Relations, Sales Promotions
 - b. Successes and Failure of Past Policy
 - 2. Sales Force
 - a. Size
 - b. Score
 - c. Ability / Training
 - d. Cost per Sale
 - 3. Advertising Programs
 - a. Successes and Failures
 - b. Strategies, Themes, Campaigns
 - c. Appeals, Positionings, and So On
 - d. Expenditures
 - (1) Past Budgets
 - (2) Method of Allocation
 - (3) Competitor Budgets
 - (4) Trend
- I. Environmental Factors *(see Dd. 1 and Ff. 1)*
 - 1. Demographics
 - 2. Technological Influences
 - 3. Political / Legal Situation
 - 4. Economy
 - a. Current Economic Status
 - b. Business Outlook and Economic Forecasts
 - 5. Societal Concerns
- J. Corporate Objectives and Strategies *(see Bb. 1)*
 - 1. Profitability
 - a. Sales Revenue
 - b. Cost Reductions
 - 2. Return on Investment
 - 3. Stock Price
 - 4. Shareholder Equity
 - 5. Community Image
 - 6. New Product Development
 - 7. Technological Leadership
 - 8. Mergers and/or Acquisitions



K. Potential Marketing Problems

L. Potential Marketing Opportunities

III. Marketing Objectives (*see Aa. 1*)

A. Market Need Objectives

1. Market Need-Satisfying Objectives
2. Community Need-Satisfying Objectives
3. Corporate Need-Satisfying Objectives

B. Sales Target Objectives

1. Sales Volume
 - a. Dollars
 - b. Units
 - c. Territories
 - d. Markets
2. Share of Market
3. Distribution Expansion
4. Other

IV. Marketing Strategy (*see Mm. 1 - Uu. 1*)

A. General Marketing Strategy

1. Positioning Strategy
2. Product Differentiation Strategy
3. Price / Quality Differentiation Strategy

B. Specific Market Strategies

1. Target Market A
 - a. Product
 - b. Price
 - c. Promotion
 - (1) Personal Selling
 - (2) Advertising
 - (3) Sales Promotion
 - (4) Public Relations



1. Target Market B
 - a. Product
 - b. Price
 - c. Promotion
 - (1) Personal Selling
 - (2) Advertising
 - (3) Sales Promotion
 - (4) Public Relations

V. Action Programs (Tactics)

- A. Product Plans
- B. Pricing Plans
- C. Distribution Plans
- D. Promotional Plans
 1. Sales Plan
 2. Advertising Plan
 3. Sales Promotion Plan
 4. Public Relations Plan

VI. Measurement, Review, and Control

- A. Organizational Structure
- B. Methodology for Review and Evaluation

VII. Marketing Budget

- A. Method of Allocation
- B. Enumeration of Marketing Costs by Division
 1. New Product Research
 2. Marketing Research
 3. Sales Expenses
 4. Advertising, Sales Promotion, Public Relations

VIII. Appendixes

- A. Sales Reports
- B. Reports of Market Research Studies
- C. Reprints of Journal or Magazine Articles
- D. Other Supporting Documents



MARKETING OBJECTIVES

References

Page 1: Krayton M Davis
nBuy.com

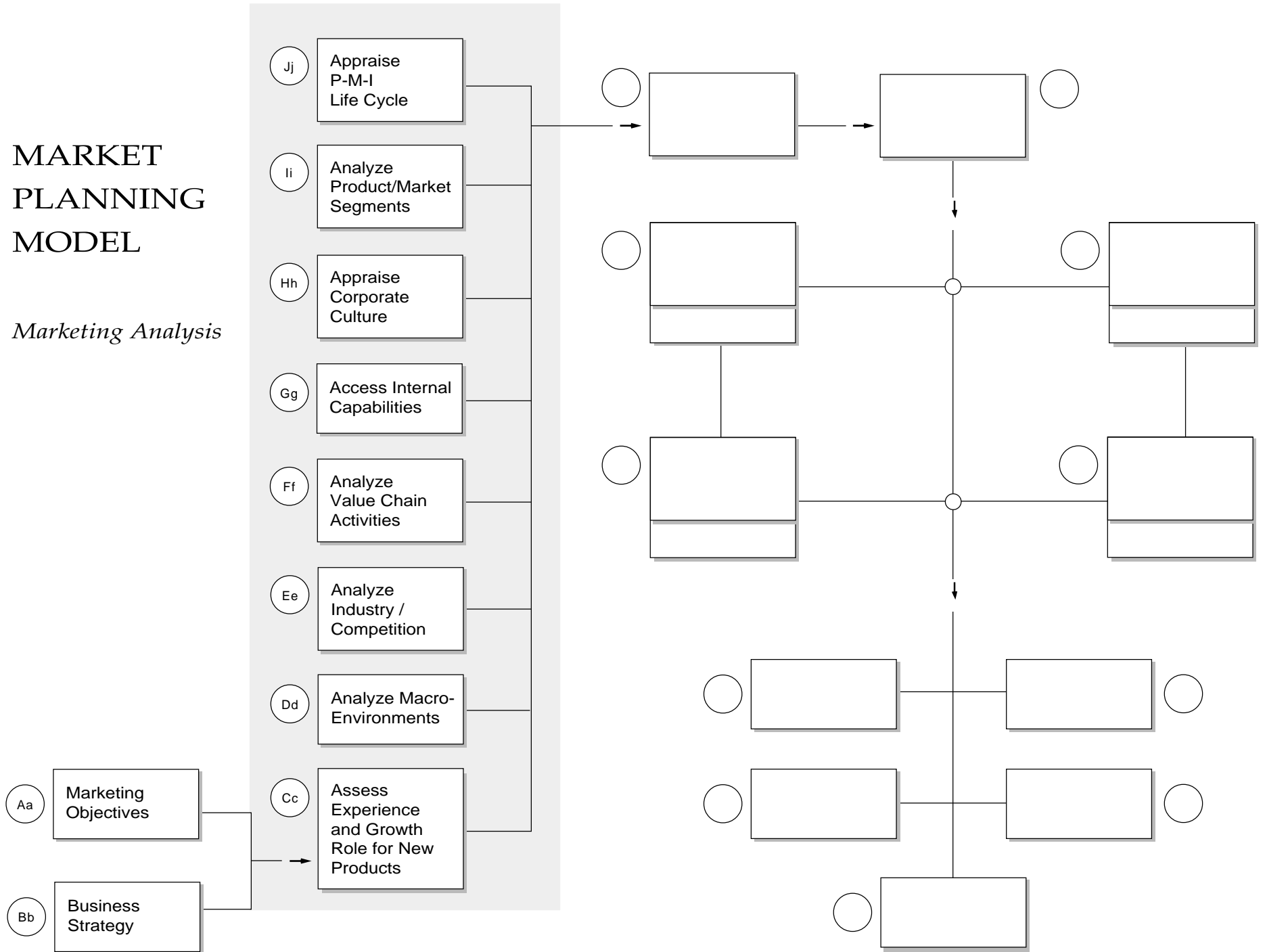
Pages 2-8: Marketing Plan Outline

Contemporary Advertising: Bovee / Arens; Page 698
Irwin, Homewood, IL; 1992



MARKET PLANNING MODEL

Marketing Analysis





Miles and Snow's Business Strategies

Prospector

Cc.2

Defender

Analyzer

Reactor



Prospector

- Operates within a broad product-market domain that undergoes periodic redefinition.
- Values being a "first mover" in a new-product and market areas, even if not all of these efforts prove to be highly profitable.
- Responds rapidly to early signals concerning areas of opportunity; and these responses often lead to new rounds of competitive actions.
- Competes primarily by stimulating and meeting new market opportunities, but may not maintain strength over time in all markets it enters.

Defender

- Attempts to locate and maintain a secure position in relatively stable product or service areas.
- Offers relatively limited range of products or services compared to competitors.
- Tries to protect its domain by offering lower prices, higher quality, or better service than competitors.
- Usually not at the forefront of technological/new-product development in its industry; tends to ignore industry changes not directly related to its area of operation.

Analyzer

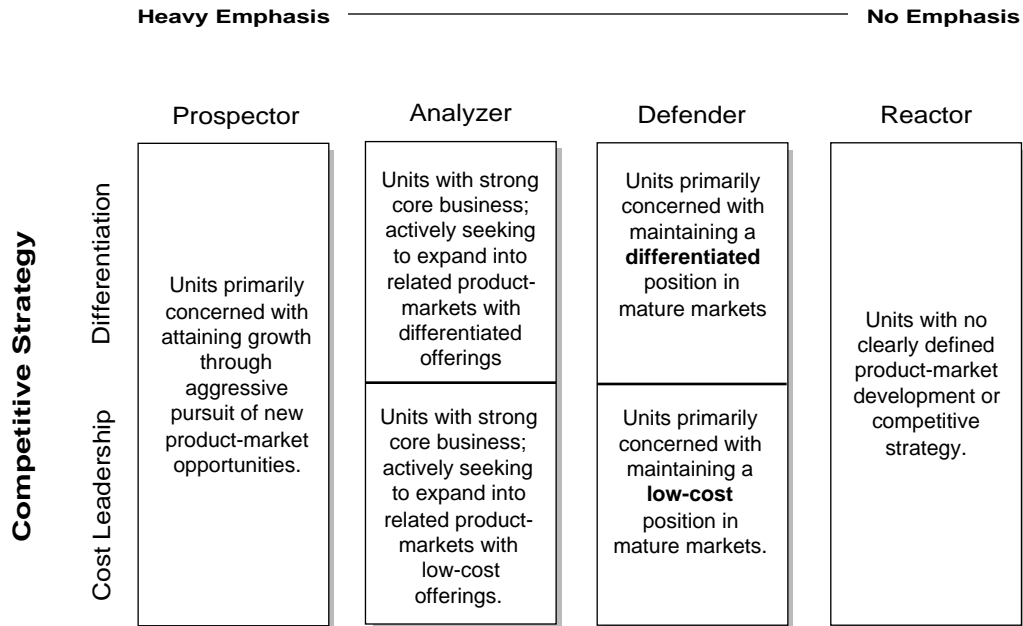
- An intermediate type; makes fewer and slower product-market changes than prospectors, but is less committed to stability and efficiency than defenders.
- Attempts to maintain a stable, limited line of products or services, but carefully follows a selected set of promising new developments in its industry.
- Seldom a "first mover," but often a second or third entrant in product-markets related to its existing market base—often with a lower cost or higher quality product or service offering.

Reactor

- Lacks any well-defined competitive strategy.
- Does not have a consistent product-market orientation as its competitors.
- Not as willing to assume the risks of new-product or market development as its competitors.
- Not as aggressive in marketing established products as some competitors.
- Responds primarily when it is forced to by environmental pressures.



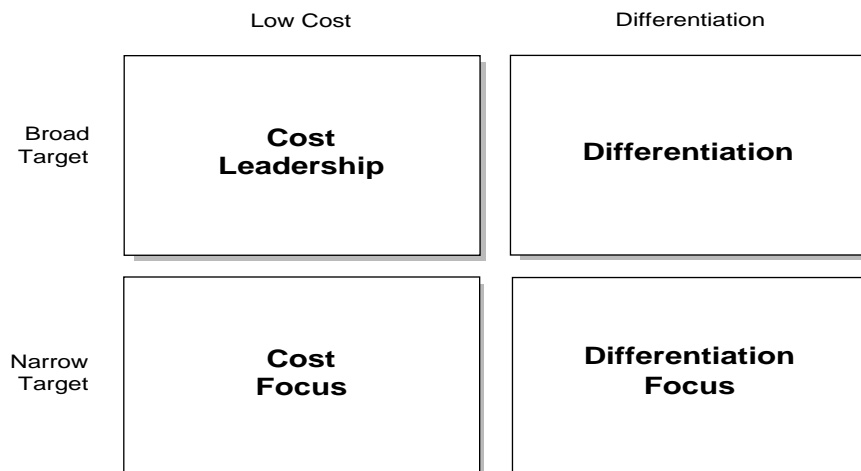
Emphasis on New Product-Market Growth



See Value Chain Activities for Low-Cost / Differentiation Strategies

Ff.1

Source of Competitive Advantage





References

Page Cc.1: Porter's Four Business Strategies

Competitive Advantage
Michael E. Porter
The Free Press
Division of Macmillan, Inc.

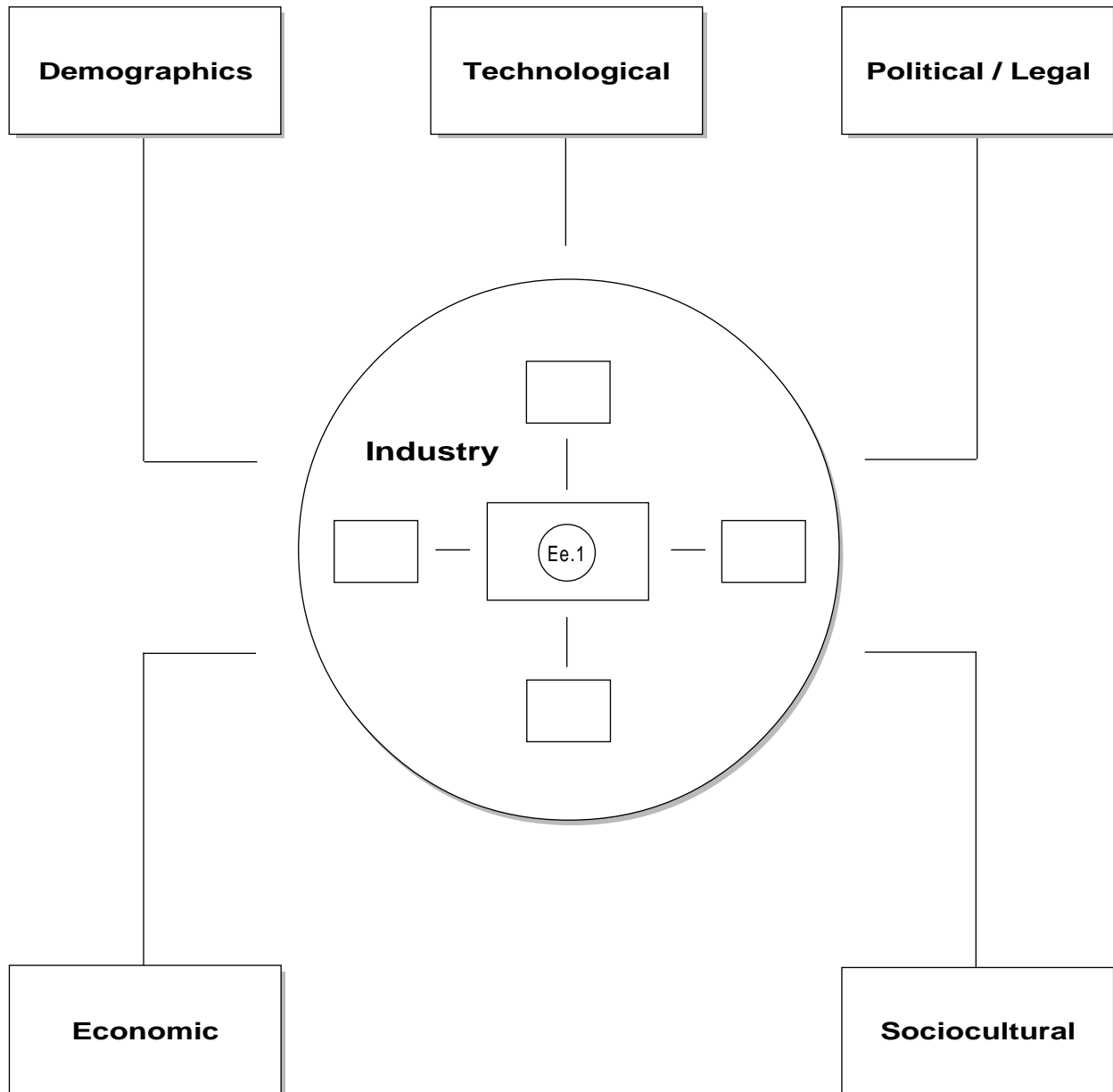
Page Cc.2: Miles and Snow's Four Business Strategies

Organizational Strategy, Structure and Process
R.E. Miles and C.C. Snow
1978 McGraw-Hill, Inc.

Page Cc.3: Combined Typology

Marketing Strategy
Walker • Boyd • Larreche
Page 81





Dd.2

Scenario Analysis

Dd.3



Demographics

Determinants of Demographic Changes —

- Population Increases
- Changes in Age
- Changes in Income
- Changes in Family Formation and Growth
- Changes in Homogeneity of People

Technological

Determinants of Technological Changes —

- Changes in Existing Technologies
- New Technologies Introduced
- CAD/CAM
- Flexible Manufacturing

Political / Legal

Determinants of Political / Legal Changes —

- Government Regulation
- Government Deregulation
- Consumer Protection Legislation
- Environmental Regulations
- Changes in Governments
- International Issues

Economic

Determinants of Economic Changes —

- Changes in FX Rates
- Rising/Lowering Interest Rates
- GNP Growth
- Changes in the Leading Indicators
- Inflation/Unemployment

Sociocultural

Determinants of Sociocultural Changes —

- Evolution of Individual Values
- Evolution of Family Structure



SCENARIO ANALYSIS

Step 1: Select the events that may happen about the market. Setup different scenarios.

Table with 4 rows (Event 1-4) and 3 columns (SCENARIO 1 (S1), SCENARIO 2 (S2), SCENARIO n (Sn)).

Step 2: What is the probability of scenario event happening.

Table with 1 row (Scenario Probabilities ->) and 3 columns (21.66%, 21.66%, 14.78%).

Step 3: Establish Your Marketing Policy Options (strategy).

Table with 4 rows (Desired Outcome Under Scenario, POLICY OPTION 1, POLICY OPTION 2, POLICY OPTION n) and 3 columns (10.00, 8.00, 5.00).

Step 4: What would be the desired outcome (from 1.00 to 10.00) if you executed the policy option under the possible scenario.

Table with 4 rows (POLICY OPTION 2, POLICY OPTION n) and 3 columns (9.75, 7.00, 6.00).

Step 5: Highest outcome produces best policy under scenario.

Scenario Analysis Sheet available on next page.

Table with 4 rows (POLICY OPTION n) and 3 columns (8.90, 3.00, 2.00).



SCENARIO ANALYSIS

| | SCENARIO 1 (S1) | SCENARIO 2 (S2) | SCENARIO n (Sn) |
|---------------------------|--------------------------------|------------------------|------------------------|
| Event 1: | | | |
| Event 2: | | | |
| Event 3: | | | |
| Event 4: | | | |
| Scenario Probabilities -> | | | |
| | Desired Outcome Under Scenario | | |
| POLICY OPTION 1 | | | |
| | | | |
| POLICY OPTION 2 | | | |
| | | | |
| POLICY OPTION n | | | |
| | | | |



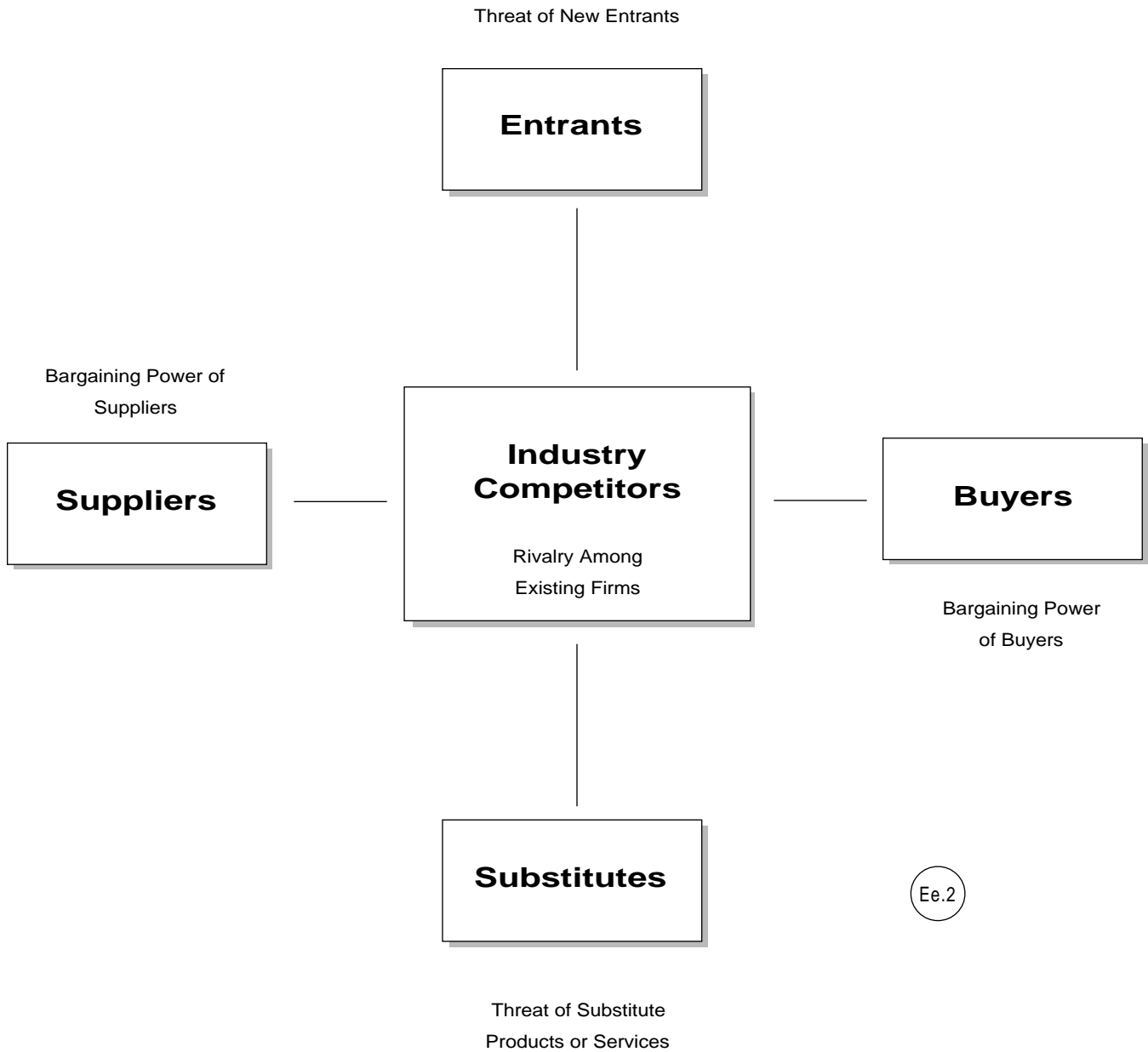
References

Page Dd.1-2: Krayton M Davis
 nBuy.com

*References from: Marketing Strategy
 Walker • Boyd • Larreche
 Pages 112-128*

Page Dd.3: Scenario Analysis







Entrants

Determinants of Entry Barriers —

Economies of Scale
Proprietary Product Differences
Brand Identity
Switching Costs
Capital Requirements
Access to Distribution

Absolute Cost Advantages
• Proprietary Learning Curve
• Access to Necessary Inputs
• Proprietary Low-Cost Product Design
Government Policy
Expected Retaliation

Suppliers

Determinants of Supplier Power —

Differentiation of Inputs
Switching Costs of Suppliers and
Firms in the Industry
Presence of Substitute Inputs
Supplier Concentration
Importance of Volume to Supplier

Cost Relative to Total Purchases in the
Industry
Impact of Inputs on Cost or Differentiation
Threat of Forward Integration Relative to
Threat of Backward Integration
by Firms in the Industry.

Substitutes

Determinants of Substitution Threat —

Relative Price Performance
of Substitute
Switching Costs
Buyer Propensity to Substitute

Replacement Innovations / Uses

Buyers

Determinants of Buyer Power —

Buyer Concentration vs. Firm
Concentration
Buyer Volume
Buyer Information
Ability to Backward Integrate
Substitute Products
Pull-Through

Buyer Switching Costs Relative to Firm
Switching Costs
Price / Total Purchases
Product Differences
Brand Identity
Impact on Quality / Performance
Buyer Profits
Decision Makers' Incentives



Industry Rivalry

Determinants of Rivalry —

| | |
|--|---------------------------|
| Industry Growth | Switching Costs |
| Fixed (or Storage) Costs / Value Added | Concentration and Balance |
| Intermittent Overcapacity | Informational Complexity |
| Product Differences | Diversity of Competitors |
| Brand Identity | Corporate Stakes |
| | Exit Barriers |

Individual Competitor

Determinants of Individual Competitor Analysis —

| | |
|------------------------------------|---------------------------------|
| Identification of Competitor | Competitor Future Behavior |
| • Primary and Secondary | Competitor Objectives |
| Growth and Size of Competitor | Competitor Strategy |
| Competitor Share of Market | Competitor Success to Date |
| Competitor Strengths / Weaknesses | |
| Competitor Past Retaliatory Action | Competitor Marketing Activities |



References

Page Ee.1-3: Elements of Industry Structure

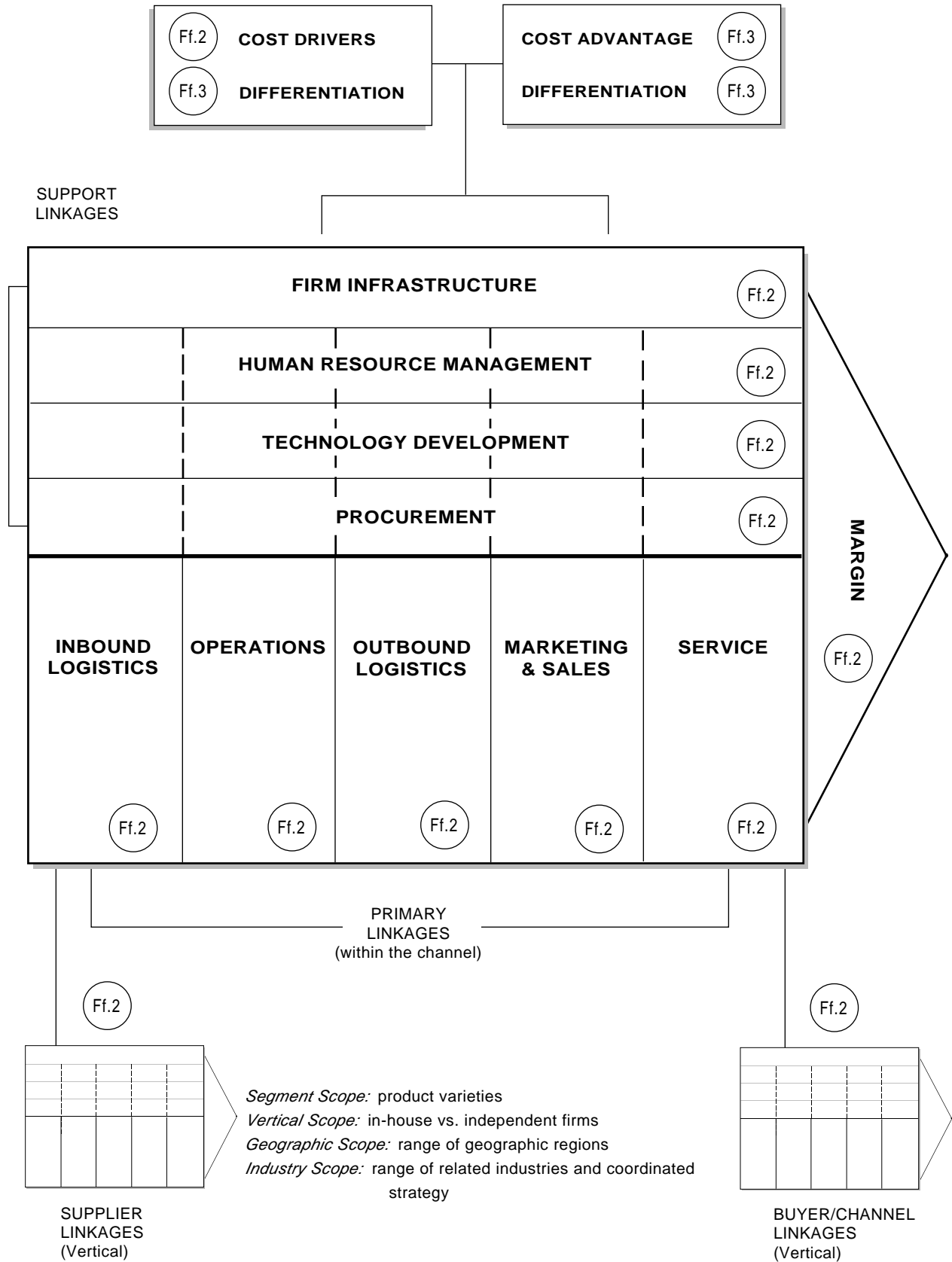
*Competitive Advantage: Creating and Sustaining
The Free Press: 1985
Michael E. Porter
Page 6*





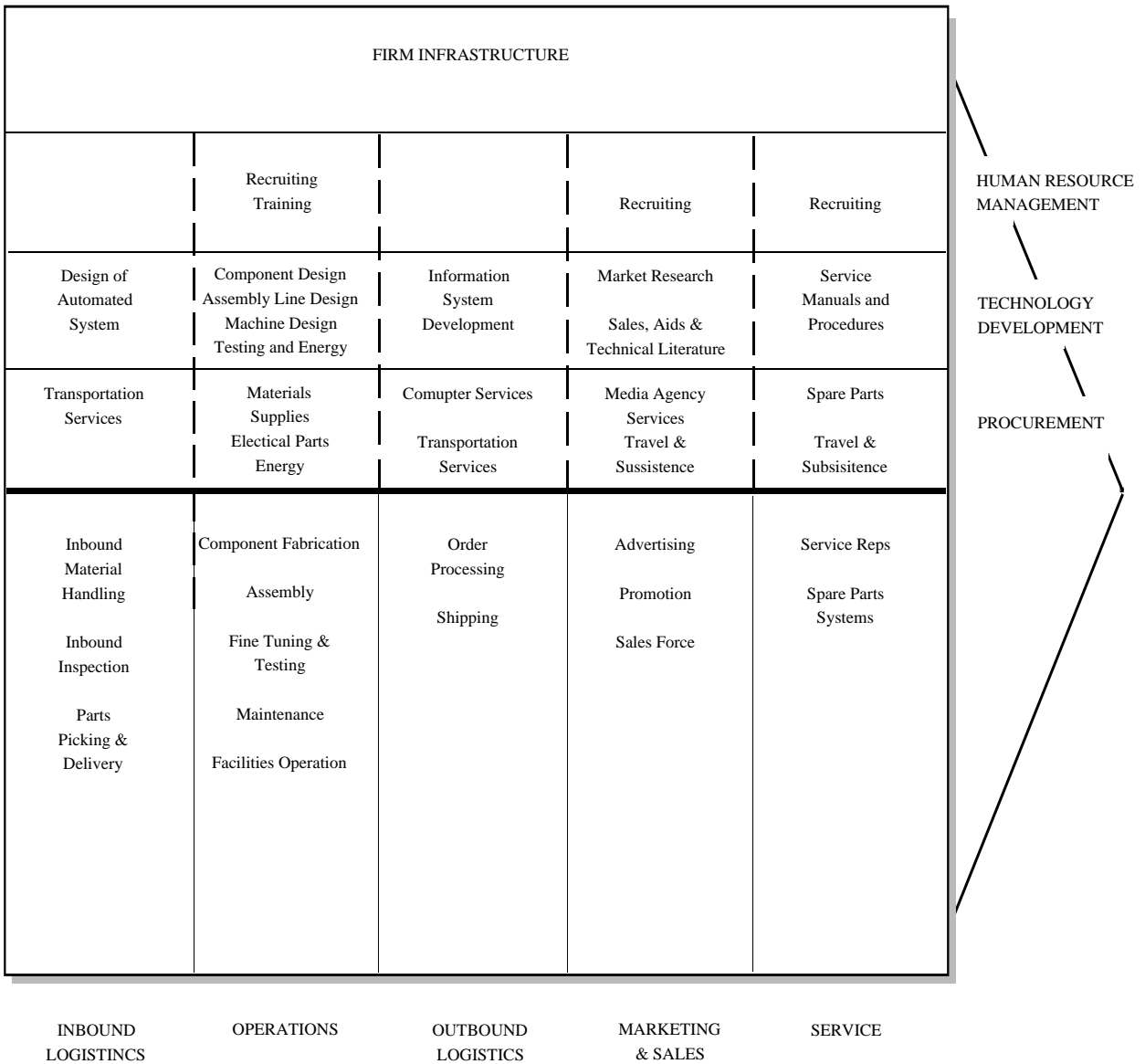
VALUE CHAIN ANALYSIS

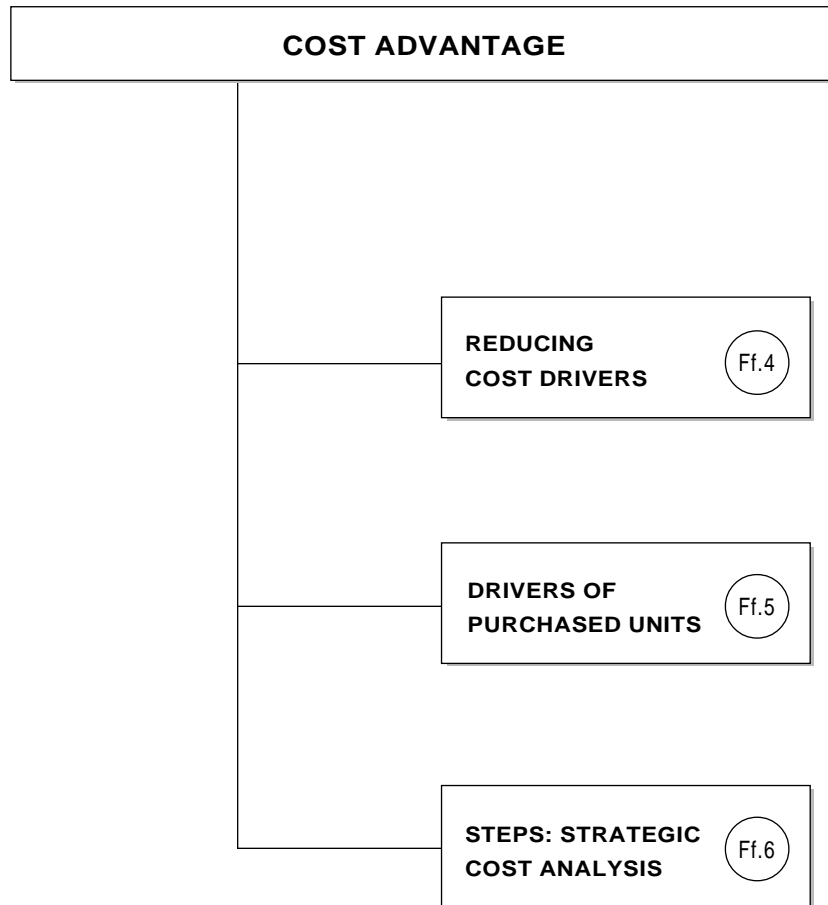
Ff.1





Value Chain for a Copier Manufacturer — Example







Reducing Cost Drivers

Economies or Diseconomies of Scale

- Appropriate Type of Scale
- Reinforce Scale in Scale-Sensitive Activities
- Exploit Scale Economies where Favored

Vertical Integration

- Examine Systematically for Integration and De-Integration

Learning and Spillovers

- Manage the Learning Curve
- Keep Learning Proprietary
- Learn from Competitors

Timing

- Exploit First-mover or Late-mover Advantages
- Time Purchases in the Business Cycle

Pattern of Capacity Utilization

- Level Throughput (level fluctuations in operations)
- Reduce Penalty of Throughput Fluctuations

Independent Discretionary Policies

- Modify Policies that do not Contribute to Differentiation
- Invest in Technology to Skew Favorable Cost Drivers
- Avoid Frills

Linkages - internal - external

- Exploit Linkages within Value Chain
- Work with Suppliers/Channels to Exploit

Location

- Optimize Location

Business Inter-Relationships

- Share Appropriate Activities
- Transfer Know-how to Similar Activities

Institutional Factors

- Share Appropriate Activities
- Transfer Know-how to Similar Activities

Issues:

- Industry Real Growth
- Differential Scale Sensitivity
- Different Learning Rates
- Differential Technological Change

- Relative Inflation of Costs
- Aging
- Market Adjustment



Drivers of the Unit Cost of Purchased Inputs

| <u>COST DRIVER</u> | <u>COST DRIVER APPLIED TO PROCUREMENT</u> | <u>DESCRIPTION</u> |
|-----------------------|---|--|
| Economies of Scale | Purchasing Scale | The volume of purchasing with a given supplier affects bargaining power. |
| Linkages | Linkages with Suppliers | Coordinating with suppliers on specifications, delivery, and other activities can lower total costs. |
| Interrelationships | Shared purchasing with other business units | Combining purchases with sister business units can improve bargaining power with suppliers. |
| Integration | Make versus buy | Integration may raise or lower the cost of an input. |
| Timing | History of supplier relationships | Historical loyalty to or problems with suppliers may affect input costs, access to inputs during tight periods, and services provided by suppliers. |
| Policies | Purchasing practices | <p>Purchasing practices can significantly improve bargaining power with suppliers and the willingness of suppliers to perform extra services for example:</p> <ul style="list-style-type: none">• Selection of the number and mix of suppliers.• Hedging procedures• Investment in information on supplier costs and availability.• Annual contracts versus individual purchases.• Utilization of by-products. |
| Location | Supplier Location | Location of suppliers can affect the cost of inputs through the cost of transportation and the ease of communication. |
| Institutional Factors | Government and union restrictions | Government policy can restrict access to inputs or affect their cost through tariffs, taxes, and other means. Unions may affect the ability to out-source or whether nonunion suppliers can be used. |



Gallo's Source of Cost Advantage in Wine — Example

| Economies of Scale in Overhead Costs | | | | |
|--------------------------------------|--|--|--|--|
| | | | | |
| | Blending Technology | | | |
| | Grape Purchasing Scale | | | |
| | Backward Integration into Bottles High Speed Bottling Lines | Bulk Shipments to Supermarket Warehouses | Scale Economies in National Advertising High Sales Force Utilization Due to Scale and Target Accounts | |

Gallo's Source of Cost Advantage in Wine — Example

1. Identify the appropriate value chain and assign costs and assets to it.
2. Diagnose the cost drivers of each value activity and how they interact.
3. Identify competitor value chains, and determine the relative cost of competitors and the sources of cost differences.
4. Develop a strategy to lower relative cost position through controlling cost drivers or reconfiguring the value chain and / or downstream value.
5. Ensure that cost reduction efforts do not erode differentiation, or make a conscious choice to do so.
6. Test the cost reduction strategy for sustainability.



References

Page Ff.1-6: Elements of Industry Structure

*Competitive Advantage: Creating and Sustaining
The Free Press: 1985
Michael E. Porter*





Gg.2

S **trengths**

W **weaknesses**

O **pportunities**

T **hreats**



Strengths

Determinants of Internal Strengths —

| | |
|----------------------------|--------------------------|
| Management | Resources |
| Brand / Corporate Identity | Organizational Structure |
| Technology | Policies |
| Channel Distribution | Operating Procedures |
| Service Organization | Consistency |
| Cost Leadership | Compatibility |

Weaknesses

Determinants of Internal Weaknesses —

| | |
|----------------------------|--------------------------|
| Lack of — | |
| Management | Resources |
| Brand / Corporate Identity | Organizational Structure |
| Technology | Policies |
| Channel Distribution | Operating Procedures |
| Service Organization | Consistency |
| Cost Leadership | Compatibility |

Opportunities

Determinants of Internal Opportunities —

- Exploit Competitor's Move
- New Technology
- New Management
- Industry Changes
- New Markets
- Macroeconomic Changes

Threats

Determinants of Internal Threats —

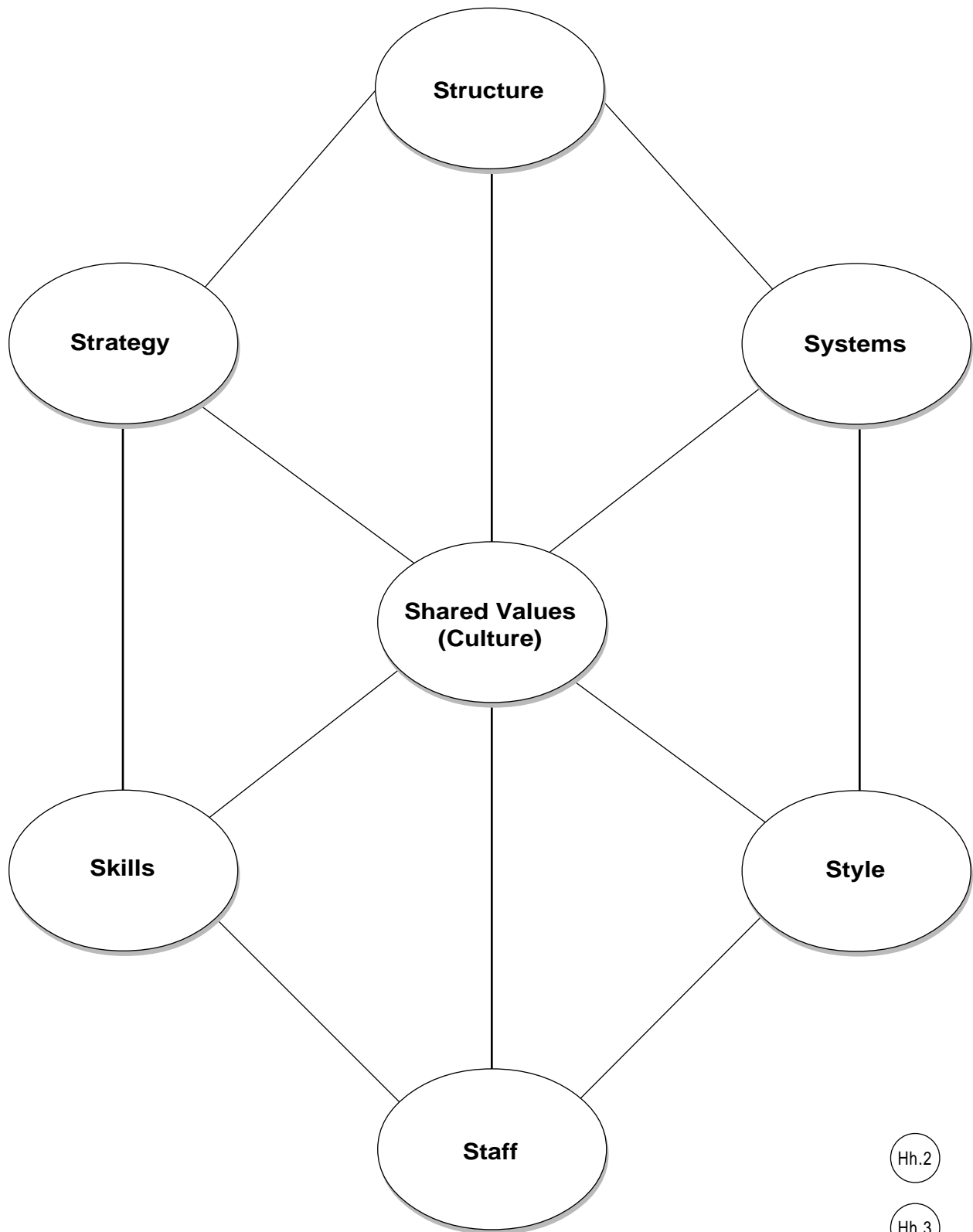
- Exploit by Competitors
- New Technology
- New Management
- Industry Changes
- Obsolete Markets
- Macroeconomic Changes



Appendix

SWOT Analysis Memo Sheets





Hh.2

Hh.3



Structure

See Corporate Strategy

Bb.1

Determinants of Structure —

Stages:

- Single manager
- Functional
- Geographic units
- Decentralized LOB's / SBU's

Other Alternatives:

- Matrix (many Joint Ventures)
- Combinations
- Customer at Top; CEO at Bottom
- Star Shape (rids hierarchy)

System

See Corporate Strategy

Bb.1

Determinants of System —

Reporting -> Measurement -> Assessment -> Behavior

All the procedures, formal and informal, that make the organization work:

- capital budgeting systems
- training systems
- cost accounting procedures
- budgeting systems

Style

See Corporate Strategy

Bb.1

Determinants of Style —

What Leadership Style is Appropriate

Vision

Enthusiasm; Commitment

The Role of Action — Words, Deeds, Details

Symbols, Rewards and Champions

MBWA (Management by Walking Around)

The Role of Myths and Stories



Staff

See Corporate Strategy

Bb.1

Determinants of Staff —

- Selection
- Training
- Nurturing
- Liaison / Links
- Linking Strategy, Individual Performance and Rewards

Skills

See Corporate Strategy

Bb.1

Determinants of Skill —

- Develop a New Capability
- Dismantling an Old Mentality
- Building New Capabilities to Replace Old Capabilities

Shared Values

See Corporate Strategy

Bb.1

Determinants of Shared Values —

- Creates / Maintains the "Culture" of Organization
- Individual Values are Hidden, Organizational Behavior is Shown / Seen

Values -> Attitudes -> Beliefs = Behavior

- Must be Clear; Communicated; Practised; Rewarded



References

Page Hh.1-3: The 7-S Framework

Structure is Not Organization

Business Horizons

School of Business at Indiana University: 1980

Robert H. Waterman, Jr., Thomas J. Peters, and

Julien R. Phillips





Matrix Breakdown by Products and Segments

| | West | South | North | East |
|-----------------|------|-------|-------|------|
| Computers | | | | |
| Calculators | | | | |
| Adding Machines | | | | |

| | Banks | Mfg. Firms | Small Retailers |
|----------------|-------|------------|-----------------|
| Full Keyboard | | | |
| Deluxe Ten Key | | | |
| Basic Ten Key | | | |

Identified Market Segments / Segment Rivalry (li.2)

Segment Profitability (li.3) (li.4)

**Product Productivity Analysis — Example**

| | Company Total | Full Keyboard | Deluxe Ten Key | Basic Ten Key |
|------------------------------|------------------|------------------|-------------------|------------------|
| Net Sales | \$10,000 | \$5,000 | \$3,000 | \$2,000 |
| Variable Manufacturing Costs | <u>5,100</u> | <u>2,500</u> | <u>1,375</u> | <u>1,225</u> |
| Mfg. Contribution | 4,900 | \$2,500 | \$1,625 | \$775 |
| Marketing Costs | | | | |
| Variable: | | | | |
| Sales Commissions | <u>450</u> | <u>225</u> | <u>135</u> | <u>90</u> |
| Variable Contribution | \$4,450 | \$2,275 | \$1,490 | \$685 |
| Assignable: | | | | |
| Salaries — Salesmen | 1,600 | 770 | 630 | 200 |
| Salary — Marketing Manager | 100 | 50 | 25 | 25 |
| Product Advertising | <u>1,000</u> | <u>670</u> | <u>200</u> | <u>130</u> |
| Total | <u>\$2,700</u> | <u>\$1,490</u> | <u>\$855</u> | <u>\$355</u> |
| Product Contribution | \$1,750 | <u>\$785</u> | <u>\$635</u> | <u>\$330</u> |
| Nonassignable: | | | | |
| Institutional Advertising | <u>150</u> | | | |
| Marketing Contribution | \$1,600 | | | |
| Fixed-joint Costs | | | | |
| General Administration | 300 | | | |
| Manufacturing | <u>900</u> | | | |
| Total | <u>\$1,200</u> | | | |
| Net Profits | <u>400</u> | | | |



Segment Productivity Analysis — Example

| | Company Total | Full Keyboard | | Deluxe Ten Key | | Basic Ten Key |
|------------------------------|------------------|----------------|--------------|----------------|--------------|------------------|
| | | Bank Seg. | Nonseg. | Mfg. Seg. | Nonseg. | Retail Seg. |
| Net Sales | \$10,000 | \$3,750 | \$1,250 | \$2,550 | \$450 | \$2,000 |
| Variable Manufacturing Costs | <u>5,100</u> | <u>1,875</u> | <u>625</u> | <u>1,169</u> | <u>206</u> | <u>1,225</u> |
| Mfg. Contribution | 4,900 | \$1,875 | \$625 | \$1,381 | \$244 | \$775 |
| Marketing Costs | | | | | | |
| Variable: | | | | | | |
| Sales Commissions | <u>450</u> | <u>169</u> | <u>56</u> | <u>115</u> | <u>20</u> | <u>90</u> |
| Variable Contribution | \$4,450 | \$1,706 | \$569 | \$1,266 | \$224 | \$685 |
| Assignable: | | | | | | |
| Salaries — Salesmen | 1,600 | 630 | 140 | 420 | 210 | 200 |
| Salary — Marketing Manager | 100 | 38 | 12 | 19 | 6 | 25 |
| Product Advertising | <u>1,000</u> | <u>670</u> | <u>0</u> | <u>200</u> | <u>0</u> | <u>130</u> |
| Total | <u>\$2,700</u> | <u>\$1,338</u> | <u>\$152</u> | <u>\$639</u> | <u>\$216</u> | <u>\$355</u> |
| Segment Contribution | \$1,750 | <u>\$368</u> | <u>\$417</u> | <u>\$627</u> | <u>\$8</u> | <u>\$330</u> |
| Nonassignable: | | | | | | |
| Institutional Advertising | <u>150</u> | | | | | |
| Marketing Contribution | \$1,600 | | | | | |
| Fixed-joint Costs | | | | | | |
| General Administration | 300 | | | | | |
| Manufacturing | <u>900</u> | | | | | |
| Total | <u>\$1,200</u> | | | | | |
| Net Profits | <u>400</u> | | | | | |

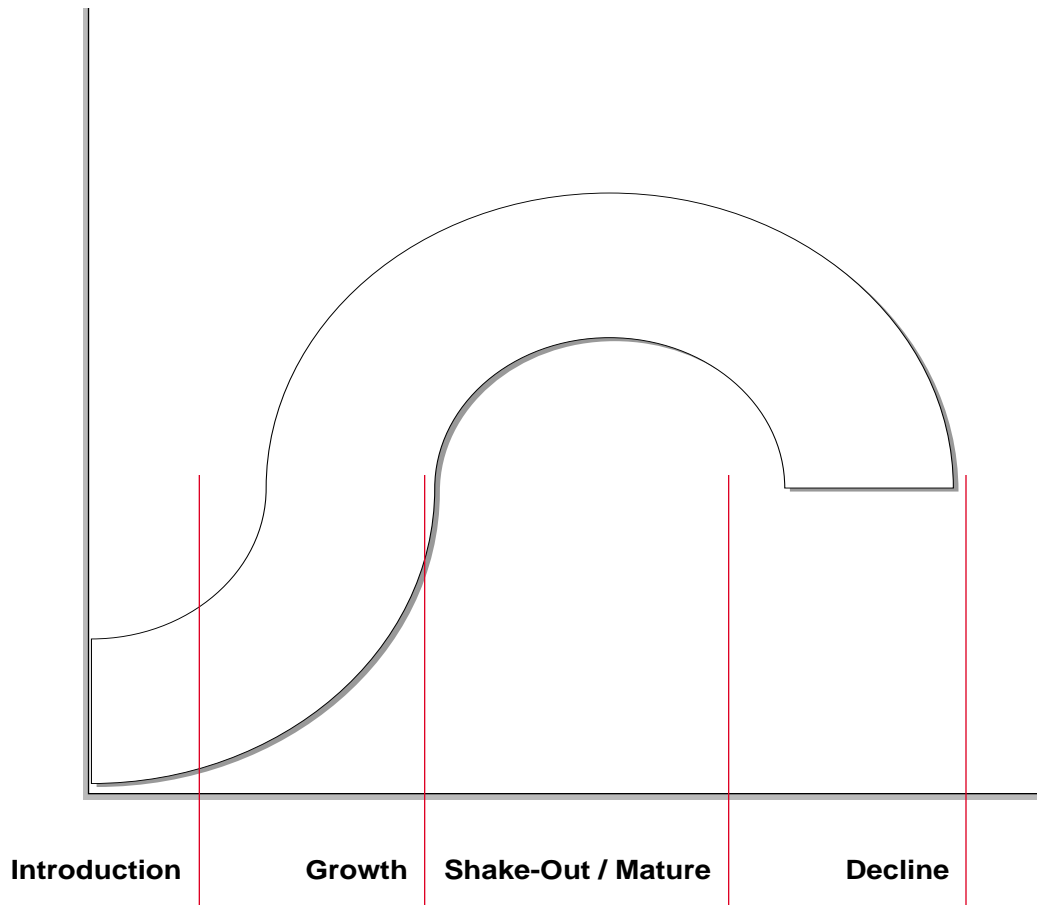


References

Page Ii.1-4: Article #8-11

*References from: Marketing Strategy
Walker • Boyd • Larreche
Pages 112-128*





Product / Market
Life-cycle

Jj.2

Jj.3

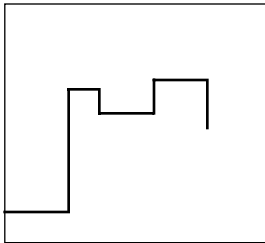
Industry Life-cycle

Jj.4

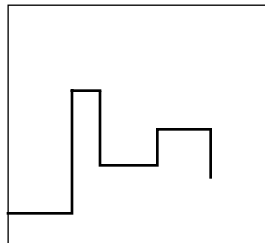


EXAMPLES

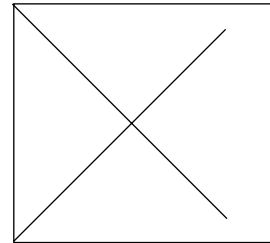
Cycle-recycle



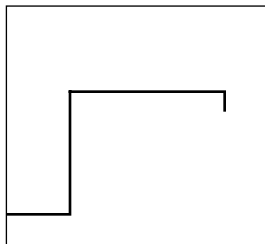
Cycle-half Cycle



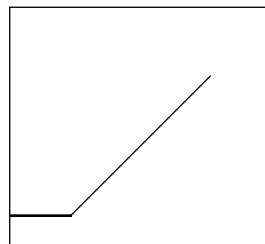
**Increasing Sales
Decreasing Sales**



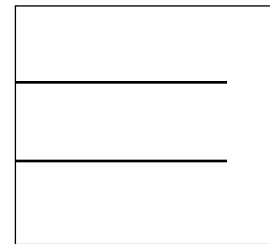
Stable Maturity



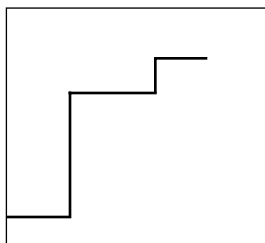
Growth Maturity



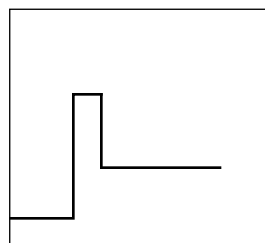
**High Plateau
Low Plateau**



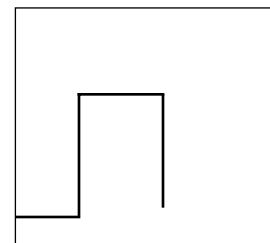
Innovative Maturity



**Growth-Decline
Plateau**



Rapid Penetration



Underlying Factors

- 1: Initial Trajectory Stage (Introduction)
 - Rate of Diffusion
 - Experience Effects
 - Other Exogenous Factors
- 2: Transition to Rapid Growth
 - Changes in the relationship with substitute product (value perception)
 - Competitive Entry Strategies
 - Influence of Repeat Buying
- 3: Evolution to Maturity
 - Expanding Market Potential
 - Buyer Learning (Price Sensitivity)
 - Competitive Turbulence



| | Introduction | Growth | Shake-Out | Maturity | Decline |
|---|---|--|---|--|--|
| Strategy | Minimize learning requirements, locate and remedy offering defects quickly, develop widespread awareness of benefits, and gain trial by early adopters. | To establish a strong brand market and distribution niche as quickly as possible. | To maintain and strengthen the market niche achieved through dealer and consumer loyalty. | To defend brand position against competing brands and product category against other potential products, through constant attention to product improvement opportunities and fresh promotional and distribution approaches. | To maintain and strengthen the market niche achieved through dealer and consumer loyalty. |
| Outlook for Competition | None is likely to be attracted in the early, unprofitable stages. | Early entrance of numerous aggressive emulators. | Price and distribution squeeze on the industry, shaking out the weaker entrants. | Competition stabilized, with few or no new entrants and market shares not subject to substantial change in the absence of a substantial perceived improvement in some brand. | Similar competition declining and dripping out because of decrease in consumer interest. |
| Product Design Objective | Limited number of models with physical product and offering designs both focused on minimizing learning requirements. Designs cost- and use-engineered to appeal to most receptive segment. Utmost attention to quality control and quick elimination of market-revealed defects in design. | Modular design to facilitate flexible addition of variants to appeal to every new segment and new use-system as fast as discovered. | Intensified attention to product improvement, tightening up of line to eliminate unnecessary specialties with little market appeal. | A constant alert for market pyramiding opportunities through either bold cost-and price-penetration of new markets of major product changes. Introduction of flanker products. Constant attention to possibilities for product improvement and cost cutting. Reexamination of necessity of design compromises. | Constant pruning of line to eliminate any items not returning a direct profit. |
| Pricing Objective | To impose the minimum of value: perception learning and to match the value reference perception of the most receptive segments. High trade discounts and sampling advisable. | A price line for every taste. Customary trade discounts. Aggressive promotional pricing, with price cuts as fast as costs decline. | Increased attention to market-broadening and promotional pricing opportunities. | Defensive pricing to preserve product category franchise. Search for incremental pricing opportunities, including private label contracts, to boost volume and gain an experience advantage. | Maintenance of profit level pricing with complete disregard of any effect on market share. |
| Promotional Guidelines Communications Objectives | Create widespread awareness and understanding offering benefits. Gain trial by early adopters. | Create and strengthen brand preference among trade and final users. Stimulate trial. | Maintain consumer franchise and strengthen dealer ties. | Maintain consumer and trade loyalty, with strong emphasis on dealers and distributors. Promotion of greater use frequency. | Phase out, keeping just enough to maintain profitable distribution. |
| Media Mix | In order of value: Publicity Personal Sales Mass Communications. | Mass media Personal sales Sales promos. Publicity . | Mass media. Dealer promos. Personal sales Sales promos. Publicity. | Mass media Dealer-oriented promotions. | Cut down all media to the bone-use no sales promos. |
| Distribution Policy | Exclusive or selective with distributor margins high enough to justify heavy promotional spending. | Intensive and extensive, with dealer margins just high enough to keep them interested. Close attention to rapid re-supply of stocks and heavy inventories. | Intensive and extensive, and a strong emphasis on keeping dealer will supplied, but with minimum inventory cost to him. | Intensive and extensive, with strong emphasis on keeping dealer well supplied, but at minimum inventory cost to him. | Phase out outlets as they become marginal. |
| Intelligence Focus | To identify actual developing use-systems and to uncover any product weakness. | Detailed attention to brand position, to gaps in model and market coverage, and for market segmentation. | Close attention to product improvement needs, to market-broadening. | Intensified attention to possible product improvements. Sharp alert for potential new inter-product competition and for signs of beginning product decline. | Information helping to identify the point at which the product should be phased out. |



References

Page Jj.1-2: Product Life-Cycle Curves

Marketing in the 80s
American Marketing Association: 1980

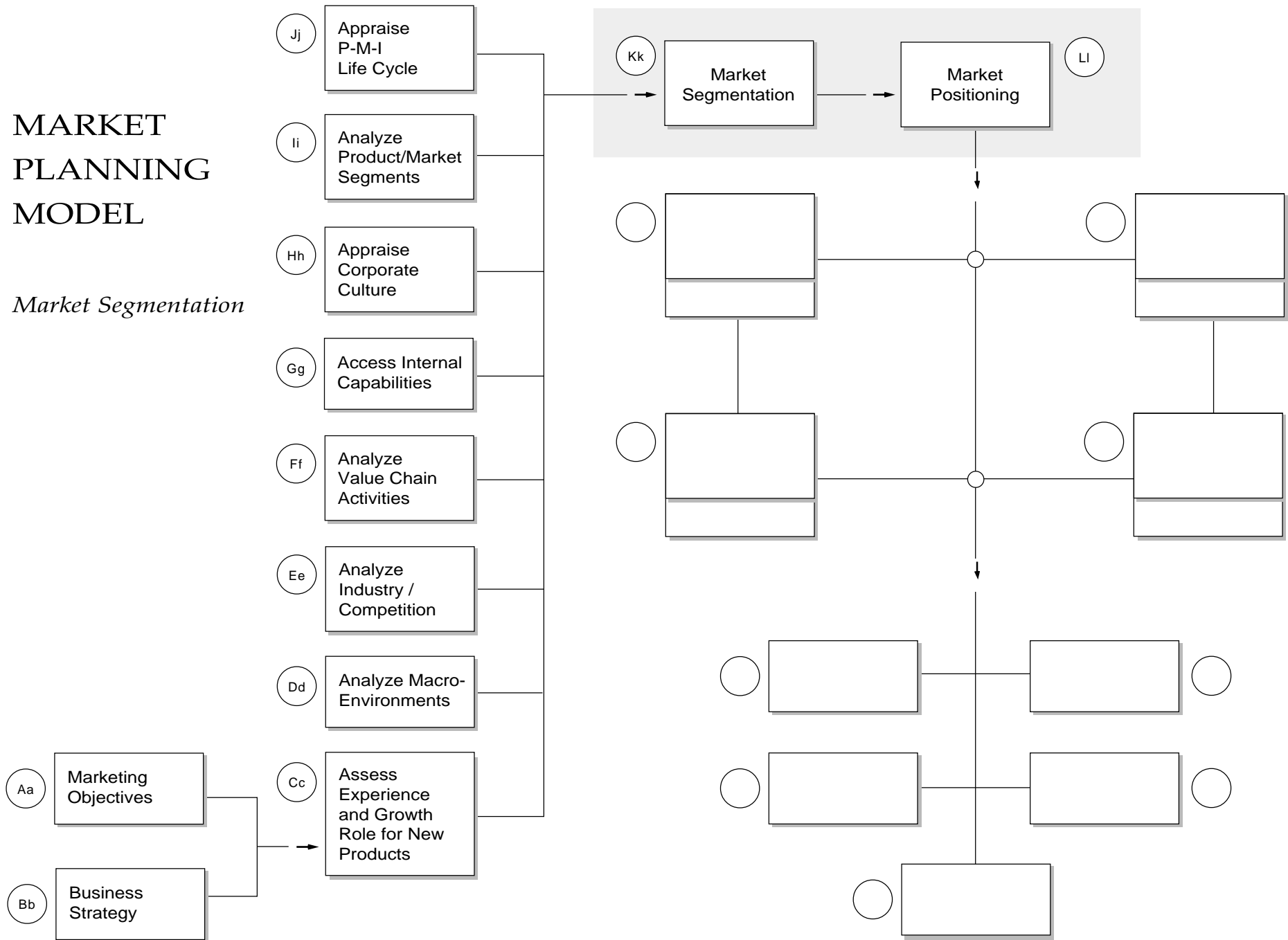
Page Jj.4: Developing Competitive Advantage

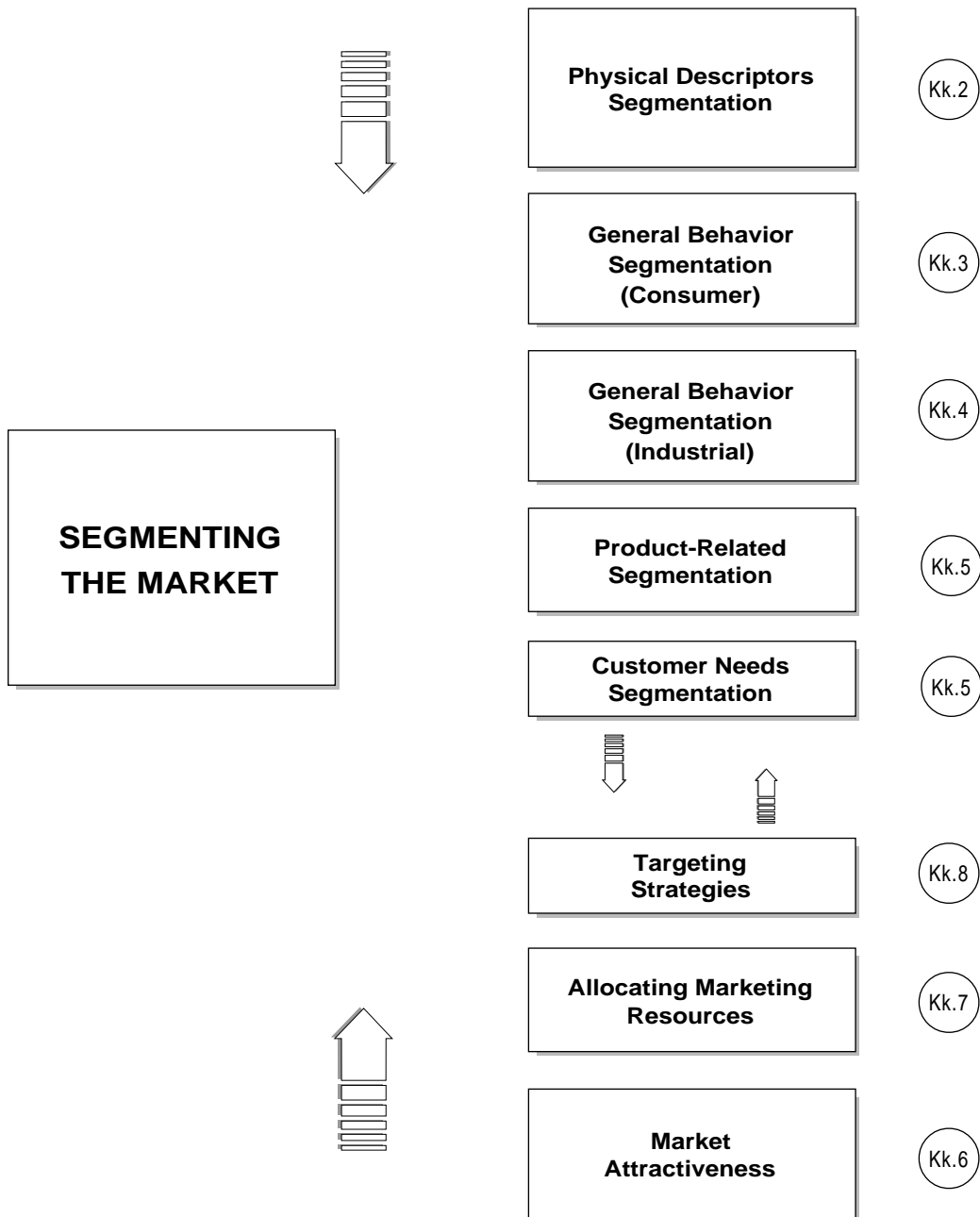
The Handbook of Business Strategy: 1986-87
Xavier Gilbert and Paul Strebelt



MARKET PLANNING MODEL

Market Segmentation







Physical Descriptors Industrial Segmentation

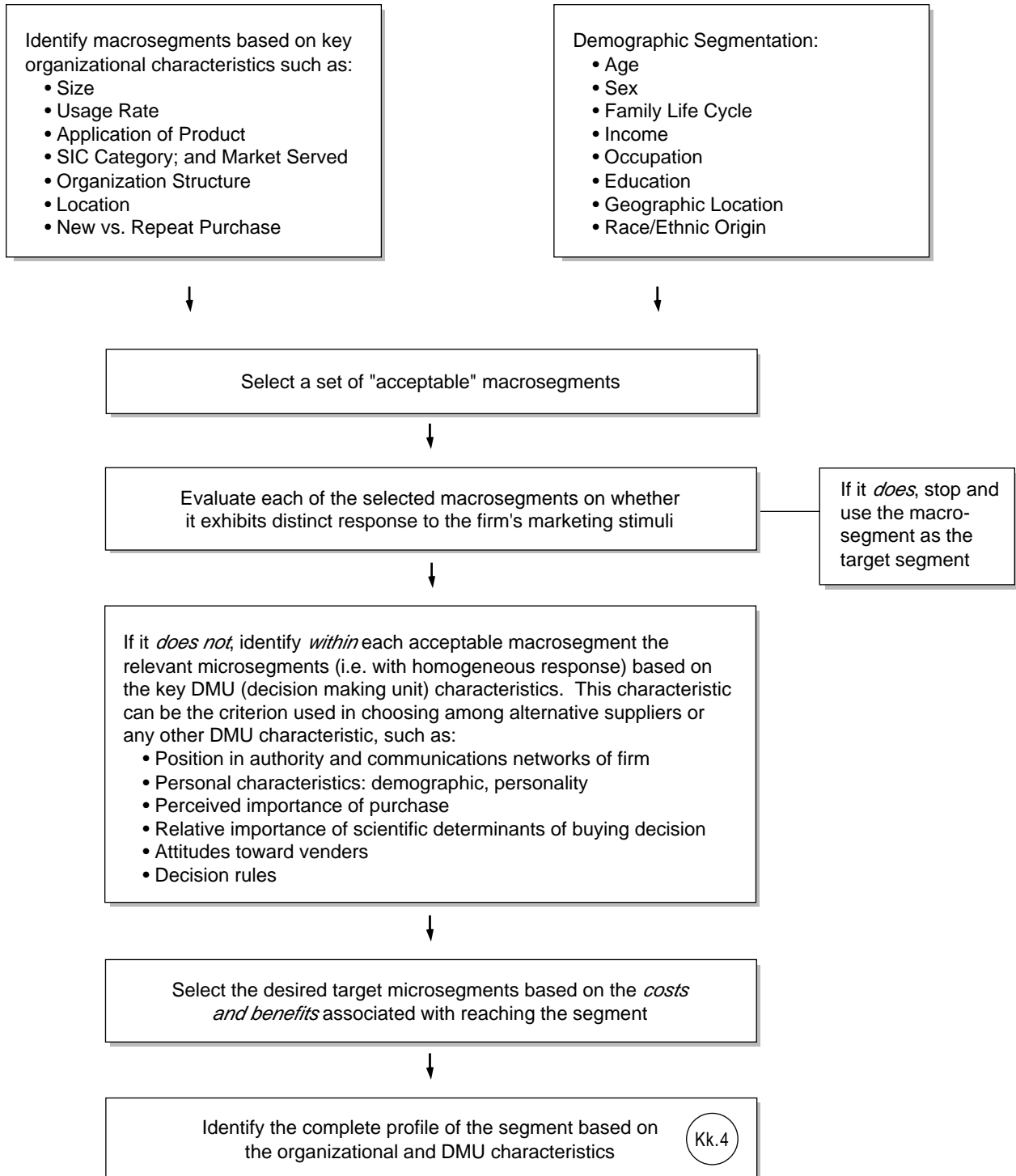
Identify macrosegments based on key organizational characteristics such as:

- Size
- Usage Rate
- Application of Product
- SIC Category; and Market Served
- Organization Structure
- Location
- New vs. Repeat Purchase

Physical Descriptors Consumer Segmentation

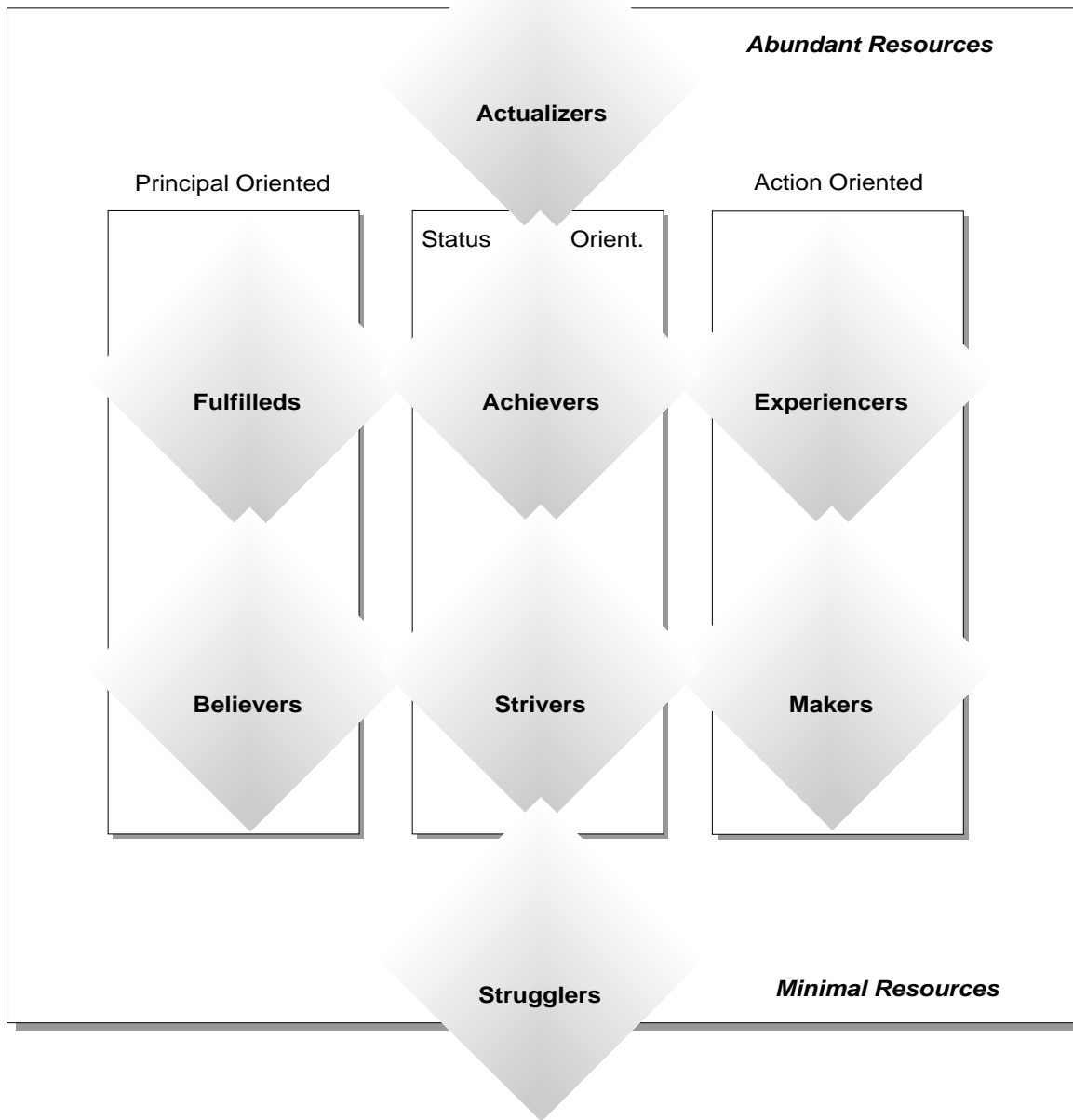
Demographic Segmentation:

- Age
- Sex
- Family Life Cycle
- Income
- Occupation
- Education
- Geographic Location
- Race/Ethnic Origin



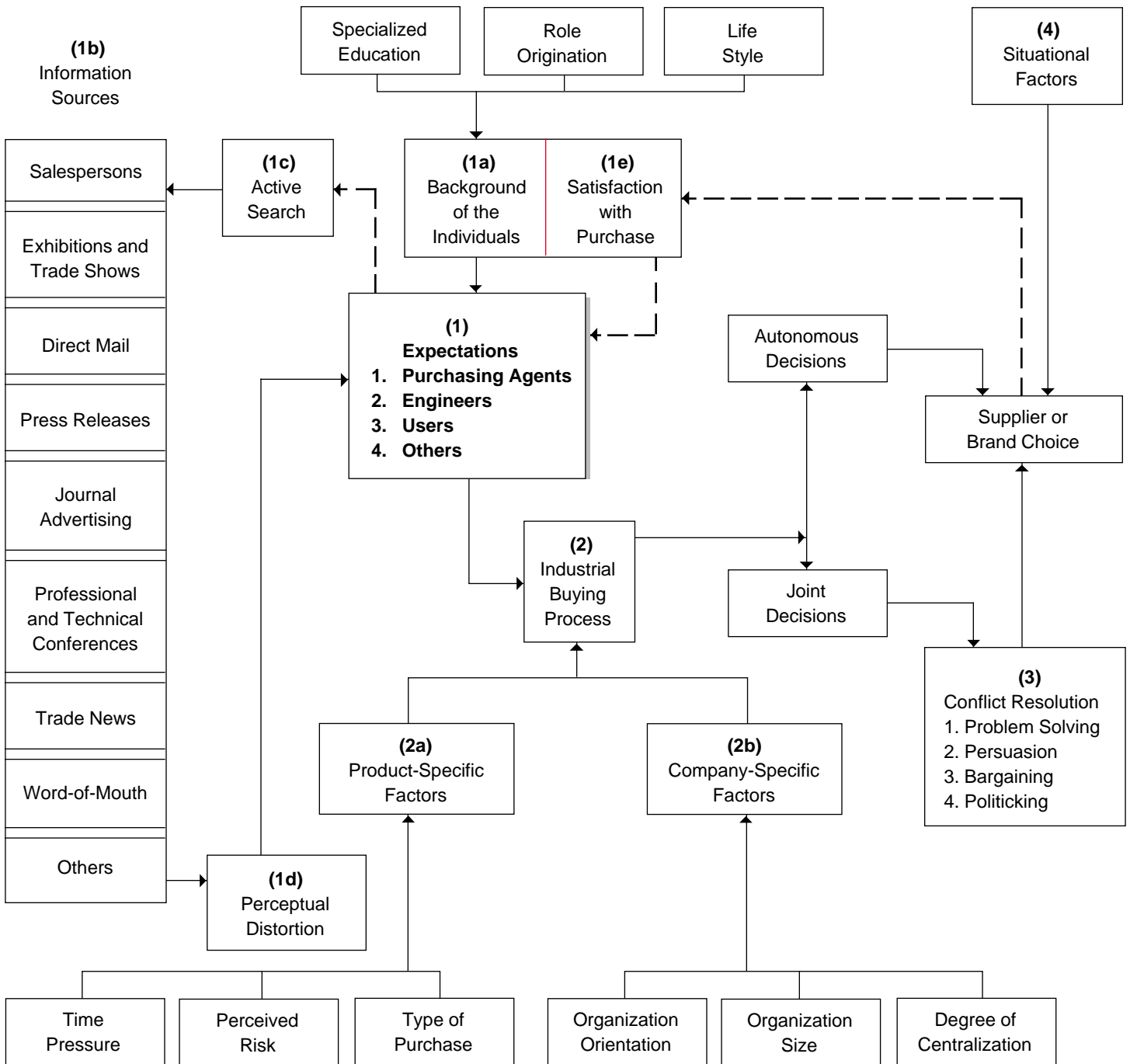


**General Behavior
Segmentation**
—
**Consumer Life-Style
(Psychographics)**





General Behavior Segmentation
Industrial Buying Situation





Product-Related Behavioral Descriptors

Product Usage
key accounts

Loyalty

Purchase Predisposition
are they aware

Purchase Influence
i.e. children

Customer Needs

Benefits Sought

Choice Criteria



**Market
Attractiveness
Factors**

MARKET —

- Size
- Growth including stage in product life cycle
- Market gaps
- Differentiation possibilities
- Bargaining power of customers
- Cyclical and seasonality
- Distribution

ECONOMIC AND TECHNOLOGICAL —

- Investment intensity
- Industry capacity
- Technology
- Barriers to entry and exit
- Access to supplies

Dd.1

COMPETITIVE —

- Competitive structure
- Competitive groupings
- Substitute products
- Price
- Individual competitor analysis

Ee.1

ENVIRONMENTAL

Dd.1



**Market Attractiveness /
Resource Allocation
Matrix**

Competitive Position

| | | Strong | Medium | Weak |
|------------------------------|--------|--|---|--|
| <u>Market Attractiveness</u> | High | <p>DESIRABLE POTENTIAL TARGET</p> <p>Protect Position</p> <ul style="list-style-type: none"> Invest to grow at maximum digestible rate Concentrate on maintaining strength | <p>DESIRABLE POTENTIAL TARGET</p> <p>Invest to Build</p> <ul style="list-style-type: none"> Challenge for leadership Build selectively on strengths Reinforce vulnerable areas | <p>Build Selectively</p> <ul style="list-style-type: none"> Specialize around limited strengths Seek ways to overcome weaknesses Withdraw if indications of sustainable growth are lacking |
| | Medium | <p>DESIRABLE POTENTIAL TARGET</p> <p>Build selectively</p> <ul style="list-style-type: none"> Emphasize profitability by increasing productively Build up ability to counter competition | <p>Manage for Earnings</p> <ul style="list-style-type: none"> Protect existing strengths Invest to improve position only in areas where risk is low | <p>Limited Expansion or Harvest</p> <ul style="list-style-type: none"> Look for ways to expand without high risk; otherwise, minimize investment and focus operations |
| | Low | <p>Protect and Refocus</p> <ul style="list-style-type: none"> Defend strengths Seek ways to increase current earnings without speeding market's decline | <p>Manage for Earnings</p> <ul style="list-style-type: none"> Protect position Minimize investment | <p>Divest</p> <ul style="list-style-type: none"> Seal when possible to maximize cash value Meantime, cut fixed costs and avoid further investment |



**Targeting
Strategies**

**Mass-Market
Strategy**

- *undifferentiated*
- *differentiated*

**Niche-Market
Strategy**

**Growth-Market
Strategy**



References

Page Kk.2: *Marketing in the 80s*
 American Marketing Association: 1980

Page Kk.3: VALS 2

 Contemporary Advertising
 Richard D. Irwin, Inc.: 1992
 Bovee / Arens

Page Kk.4: *Marketing in the 80s*
 American Marketing Association: 1980

Page Kk.5: *Marketing Strategy: Pages 178-79*
 Richard D. Irwin: 1992
 Walker • Boyd • Larreche

 Contemporary Advertising: Page 158
 Richard D. Irwin, Inc.: 1992
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Page Kk.6: *Marketing Strategy: Pages 182-89*
 Richard D. Irwin: 1992
 Walker • Boyd • Larreche

Page Kk.7: *Ibid. Pages 197*

Page Kk.8: *Ibid. Pages 198-99*





**Physical Product
Positioning**

LI.2

**Perceptual Product
Positioning**

Step (1): Identify relevant set of competitive products

LI.3

Step (2): Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located

LI.4

Step (3): Collect information from a sample of customers about perceptions of each product on the determinant attributes

LI.6

Step (4): Analyze intensity of a product's current position in customers' minds

LI.14

Step (5): Determine product's current location in the product space (*product positioning*)

LI.15

Step (6): Determine customers' most preferred combination of determinant attributes

LI.2

Step (7): Examine the fit between preferences of market segments and current position of product (*market positioning*)

LI.2

Step (8): Select positioning or repositioning strategy

LI.2



Physical Product Positioning

**Product-line
Filling**

Filling an internal gap within the existing line.

**Product-line
Stretching**

Adding new items at either end of the existing product line.

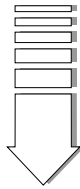
**Product-line
Extensions**

Introducing new products that differ significantly from those in the existing line.



Physical Product Positioning

Step (1): Identify relevant set of competitive products



First by **PRODUCT CATEGORY**

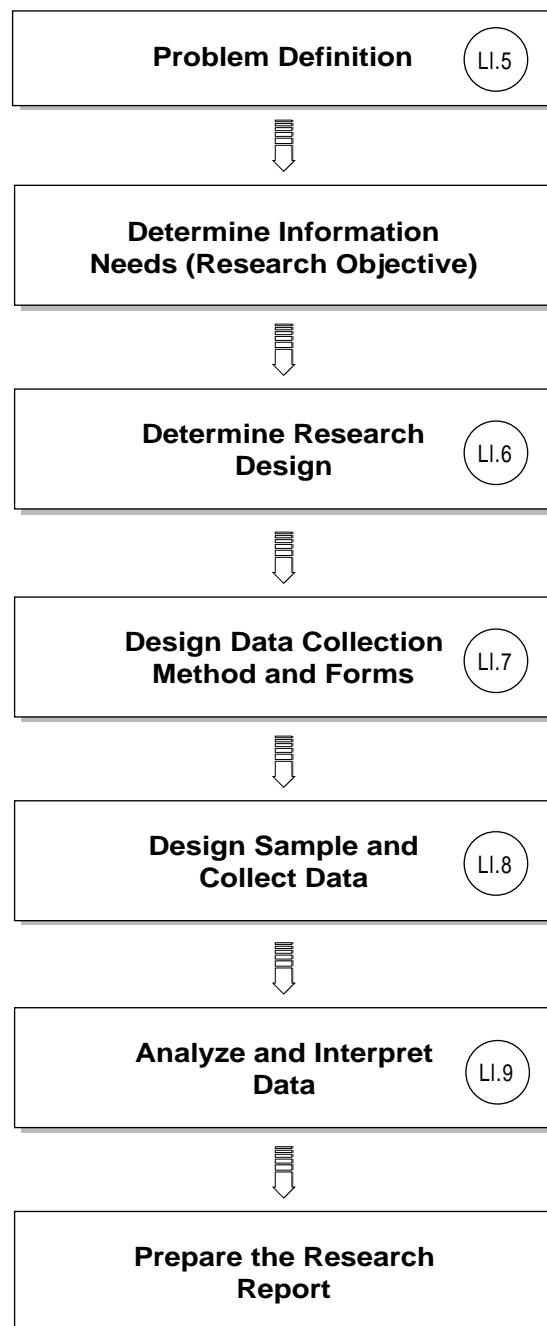
Second by **BRAND LEVEL**

Look for likely substitutes to
Ascertain Strengths / Weaknesses



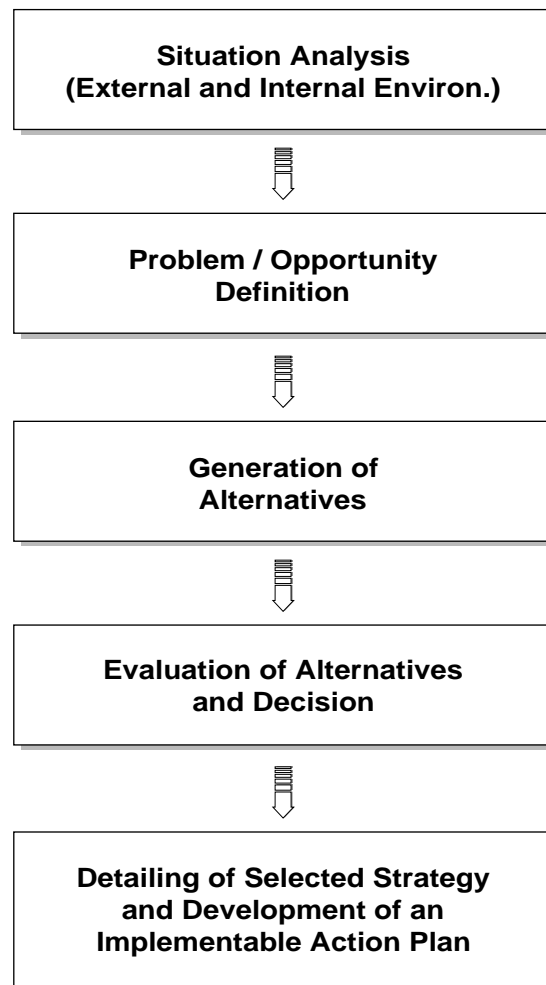
Step (2): Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located

The Marketing Research Process





Process of Problem Definition





Research Design: Measurement Scales Summary

| Type of Scale | Property | Quantitative Representation of Construct | Ease on Respondent | Ease on Researcher | Personal | Telephone | Mail |
|--------------------------------|----------|--|--------------------|--------------------|----------|-----------|------|
| Rank Order | Ordinal | # schools Ranked Higher | | | | | |
| Paired Comparison | Ordinal | #Times A > B | | | | | |
| Semantic Differential | Interval | Mean Value on Scale | | | | | |
| Likert | Interval | Mean Value on Scale | | | | | |
| Category Adjective | Interval | Mean Value on Scale | | | | | |
| Constant Sum | Ratio | # Points Allocated | | | | | |
| Constant Sum Paired Comparison | Ratio | Total Points Allocated | | | | | |

Questionnaire Samples



Questionnaire Design





Rank Order Measurement

| | |
|-------|----------|
| _____ | <u>2</u> |
| _____ | <u>4</u> |
| _____ | <u>1</u> |
| _____ | <u>3</u> |

Semantic Differential

| | | |
|-------|--|------------------|
| | Every day Dining | Special Occasion |
| _____ | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | |
| _____ | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | |
| _____ | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | |
| _____ | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | |

Category (Likert) Scale

| | | | | | |
|-------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|
| | Strongly Disagree | Disagree | Neither Agree nor Disagree | Agree | Strongly Agree |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Category Adjective Scale

| | | | | | |
|-------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Adj. | Adj. | Adj. | Adj. | Adj. |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| _____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Constant Sum Scale

| | |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Total = 100

Paired Comparison

| | |
|--------------------------------|--------------------------------|
| _____ <input type="checkbox"/> | _____ |
| _____ | _____ <input type="checkbox"/> |
| _____ | _____ <input type="checkbox"/> |
| _____ <input type="checkbox"/> | _____ |

Constant Sum Paired Comparison

| | | | |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |



QUESTIONNAIRE DESIGN

Problem

Information Needed

Research Design

Objectives

Type of Research

Plan of Data Collection

Secondary

Primary

Type of Survey

Questionnaire Design

Divide into Sections

List Questions

Write Questions

Pretest

Cover Letter, Screening, Etc.

Sampling

Plan of Analysis

Budget



Step (3): Collect information from a sample of customers about perceptions of each product on the determinant attributes

Means, Frequencies, and Cross-Tabulations

Why use these methodologies?

- First Step in deriving meaning from your data
- Provides initial insights on positioning and segmentation

Level of Measurement:

- Interval or ratio for means (binary variables will provide proportions)
- No restrictions for frequencies, although defining value levels is needed to restrict the number of categories
- No restrictions for cross-tabs, although defining value levels is needed in order to reduce the "sparse data" problem

Hypotheses to test:

- Is the sample mean different from (or greater/less than) some value
- Are two sample means different from each other
- Is there relationship between two or more variables

Advantages of Means and Frequencies:

- Can give you an initial "feel" for your data
- Calculate means on continuous data (interval or ratio scaled)
- Calculate frequencies on nominal and ordinal data

Advantages of Cross-tabs:

- Easy to communicate
- No assumptions are made about the form of the data
- They can start to help you learn about the product's positioning, market segmentation or point out relationships between two or more variables

Disadvantages:

- High disaggregated data
- Best suited for looking at two variables at a time
- More than two variables will quickly use up the sample size
- The number of potential cross-tabulations can be astronomical



Step (3): Collect information from a sample of customers about perceptions of each product on the determinant attributes

Factor Analysis

Factor analysis is a data reduction technique:

- Goal is to reduce a large number of independent variables to a smaller number of "factors"
- This is a method of *interdependence*

How many factors:

- Eigenvalue > 1 rule
- Percent of total variation explained
- Scree plot
- Interpretation of factors

Name that factor:

- Look for similarities among high loading variables
- Factor rotation aids in interpretation

Why use Factor Analysis?

- Positioning
- Identifying important variables
- Substantive interpretation
- Eliminates collinearity in regression analysis

Level of Measurement

- Interval or ratio scale independent variables

Hypothesis to Test:

- Which factor is most important?

Abuses:

- Can predetermine factor analysis outcome
- Using factor scores in a regression compounds errors
- Naming factors can hide or distort the meaning of data



Step (3): Collect information from a sample of customers about perceptions of each product on the determinant attributes

Discriminant Analysis

Why use this methodology?

- Predict group membership
- Market segmentation

Analysis of dependence

Level of Measurement:

- Dependent variable is nominally scaled
- Independent variables are intervally scaled

Hypotheses to test:

- Which variable is the best predictor of group membership
- Is the overall discriminant function statistically and practically significant

Test of statistical significance:

- Standardized discriminant function coefficients for determining best predictor
- Wilkes lambda, and t-test comparison with benchmarks for overall statistical and practical significance

Characteristics of a "good" market segmentation:

- Measurability
- Substantiability
- Accessibility
- Actionability

Hypothesis to Test:

- Which factor is most important?

Abuses:

- Can predetermine factor analysis outcome
- Using factor scores in a regression compounds errors
- Naming factors can hide or distort the meaning of data



Step (3): Collect information from a sample of customers about perceptions of each product on the determinant attributes

Conjoint Analysis

A 6-step process:

- Identify attributes and attribute levels
- Design product profiles
- Rank order the profiles
- Prepare data
- Obtain conjoint model for each respondent
- Interpret the conjoint models

Benefits of conjoint analysis:

- Rigorous, good data
- Intuitively appealing, can identify important trade-offs
- Can simulate market shares for new products
- Use with cluster analysis to find benefit segments (describe segments using discriminant analysis with segment identification as dependent variable)

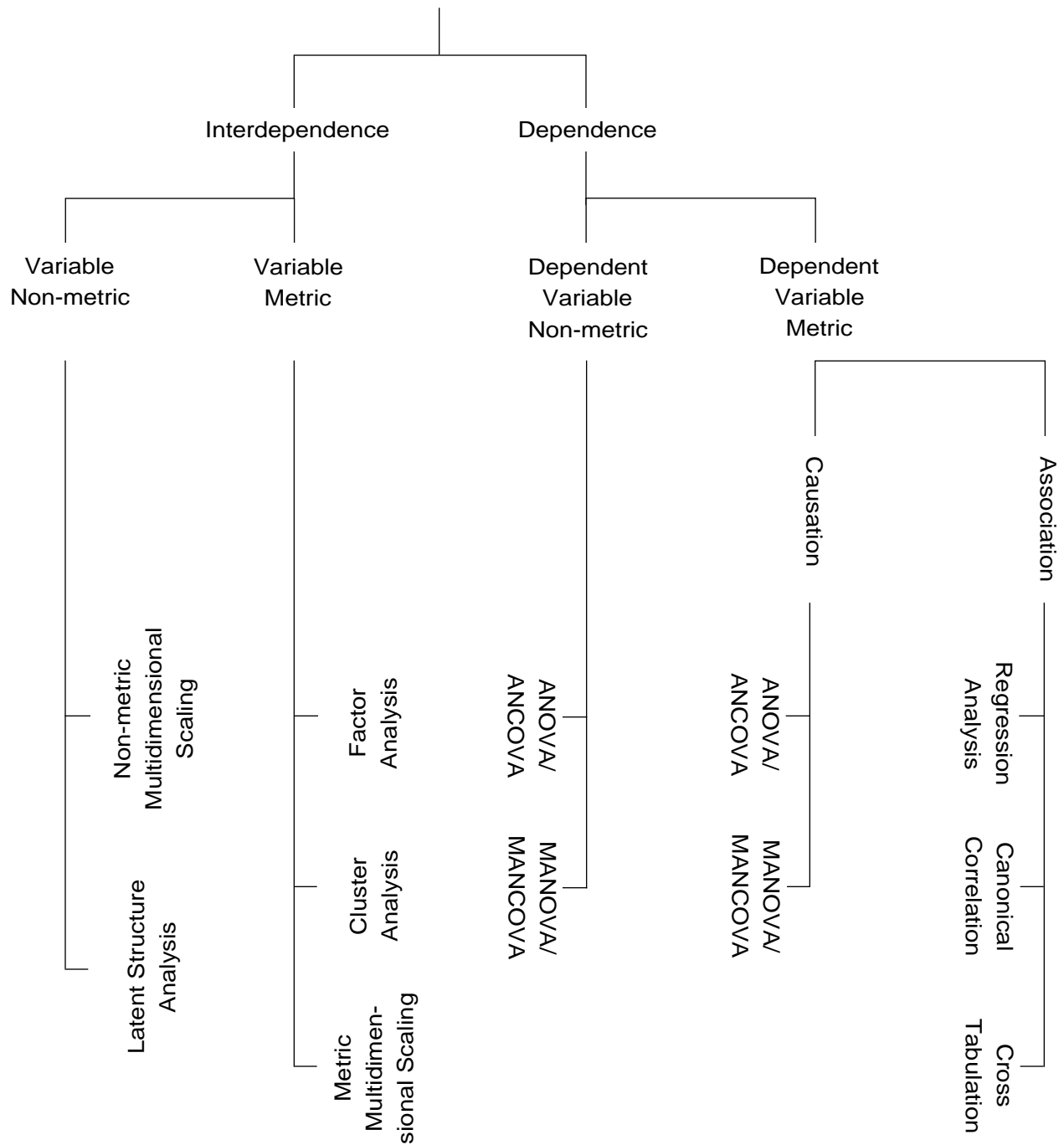
Limitation of conjoint analysis:

- Purchase intent translation is difficult
- Difficult for respondents to provide rankings if there are a large number of attributes/attribute levels (this limits the size of problems which are amenable to conjoint analysis)
- Respondents may sort on one variable, and then provide a "random" assortment on all remaining attributes
- Doesn't take into account competitive retaliation



Step (3): Collect information from a sample of customers about perceptions of each product on the determinant attributes

Summary of Marketing Research Methods





Step (4): Analyzing the Intensity of a Product's Current Position

Unaided Brand Recall

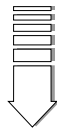
naming the brands under limited and controlled time conditions.

Aided Brand Recall

submitting a list of brands from a given product class

Spontaneity of Brand Recall

first brand name in unaided brand recall has strongest product position



Association between a Brand and Product Class

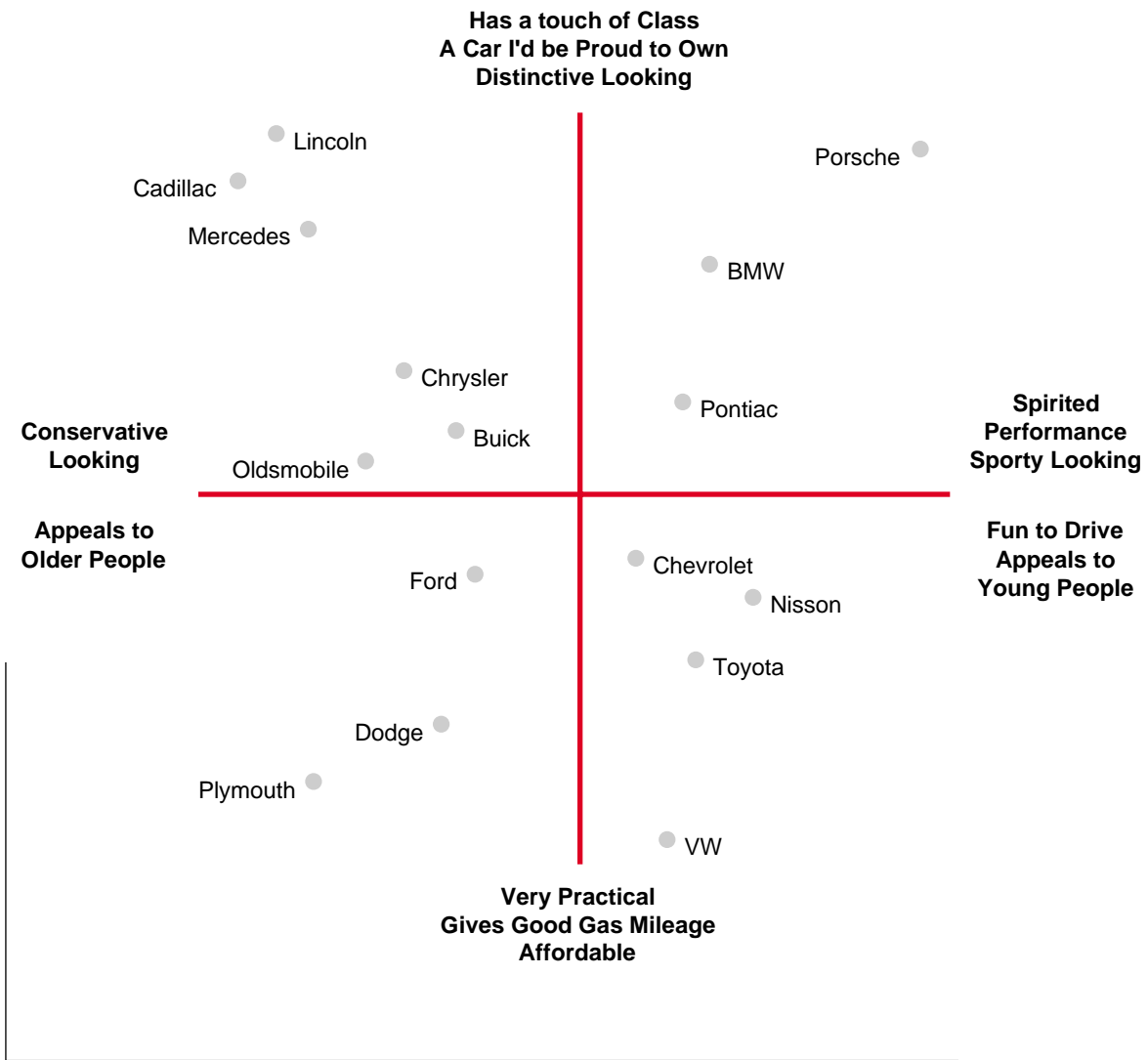
association made by a consumer between a product class, usage situation, or a specific problem, and a given brand

Association between a Brand and Specific Attribute

association with properties that are relevant in a purchasing situation.



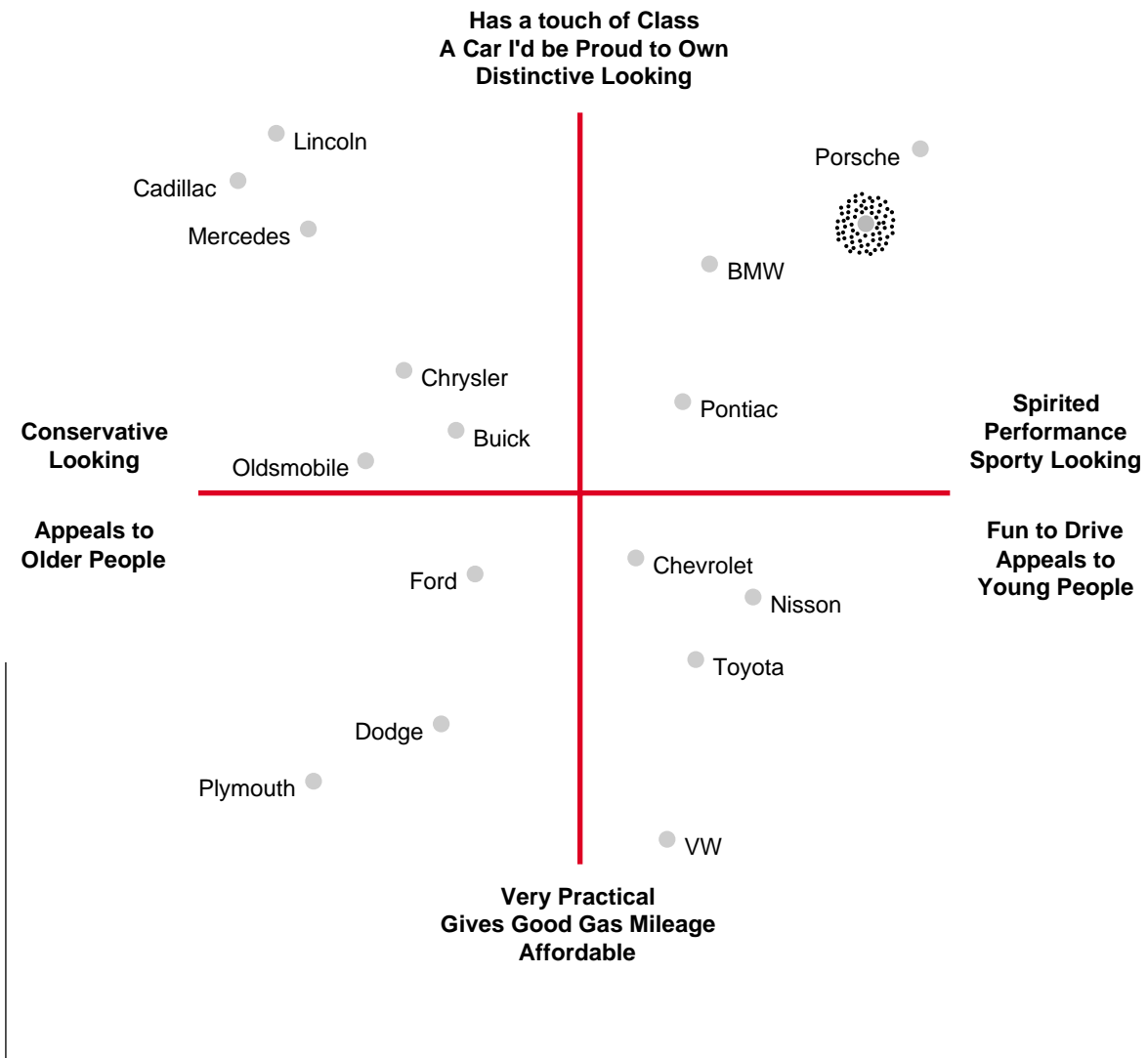
Step (5): Analyzing the Product's Current Relative Position (Product Positioning).



Look for Competitive Gaps



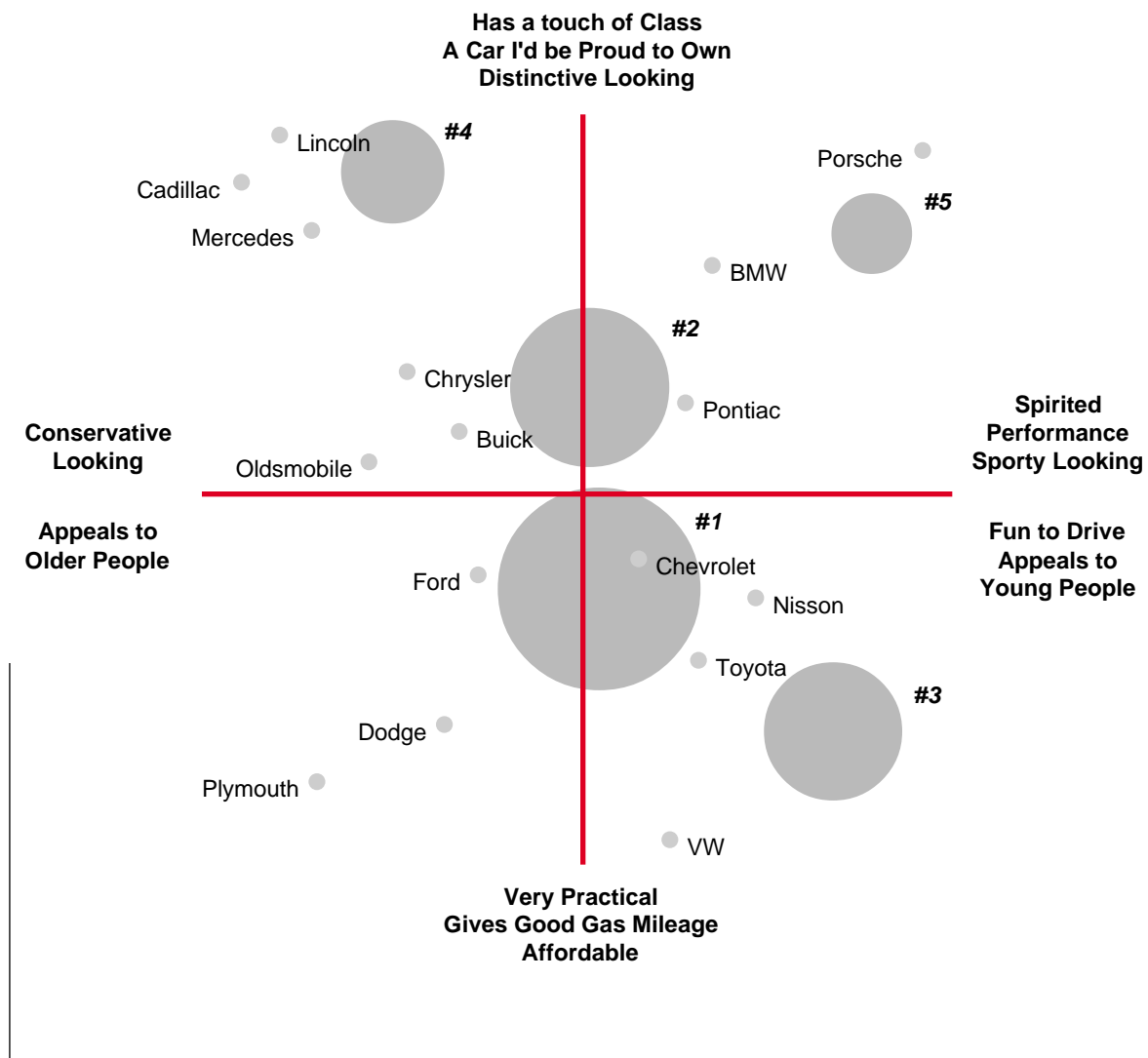
Step (6): Determine Customers' Most Preferred Combination of Determinant Attributes



Look for Clusters of a Segment of Customers Preferred Attributes



Step (7): Examine the fit Between Preferences of Market Segments and Current Position of Product (Market Positioning)



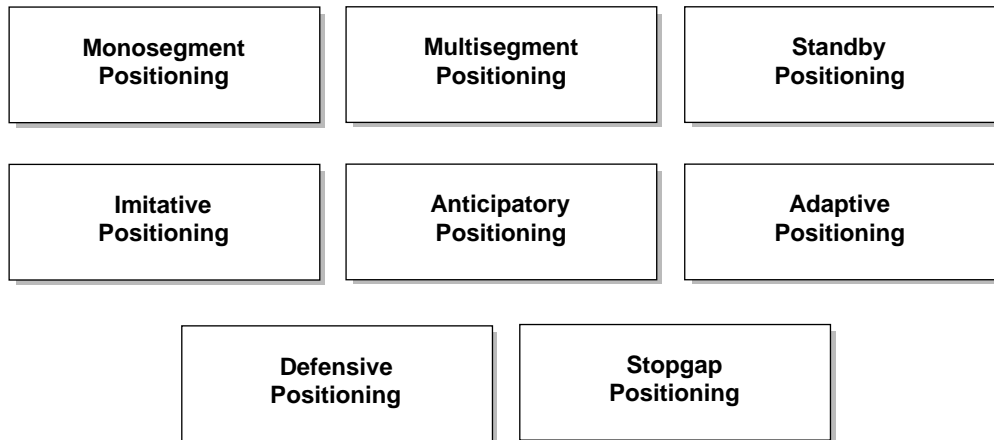
- 1) Clusters in Two or More Locations can be Considered as a Distinct Market Segment.
- 2) The Size of the Circle Reflects the Relative Proportion of Customers within a Particular Segment.
- 3) Mapping Shows the Competitive Strength of Different Brands in Different Segments.
- 4) Mapping Shows the Intensity of the Rivalry between Brands in a given Segment.
- 5) Mapping Shows the Opportunities for Gaining a Differentiated Position within a Target Segment.





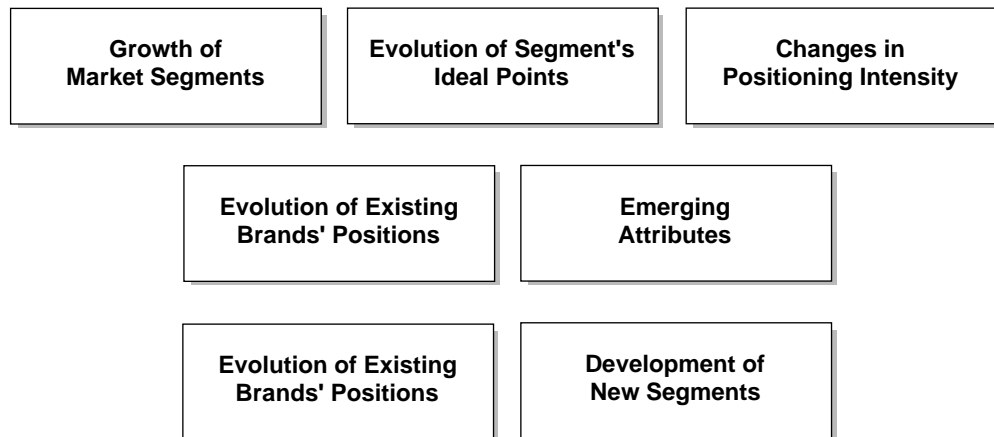
Step (8): Select Positioning or Repositioning Strategy

**Market
Positioning
Strategies**



See Strategy Sections Mn1 - Pp1

**Sales
Potential of
Market
Positioning
Strategies**





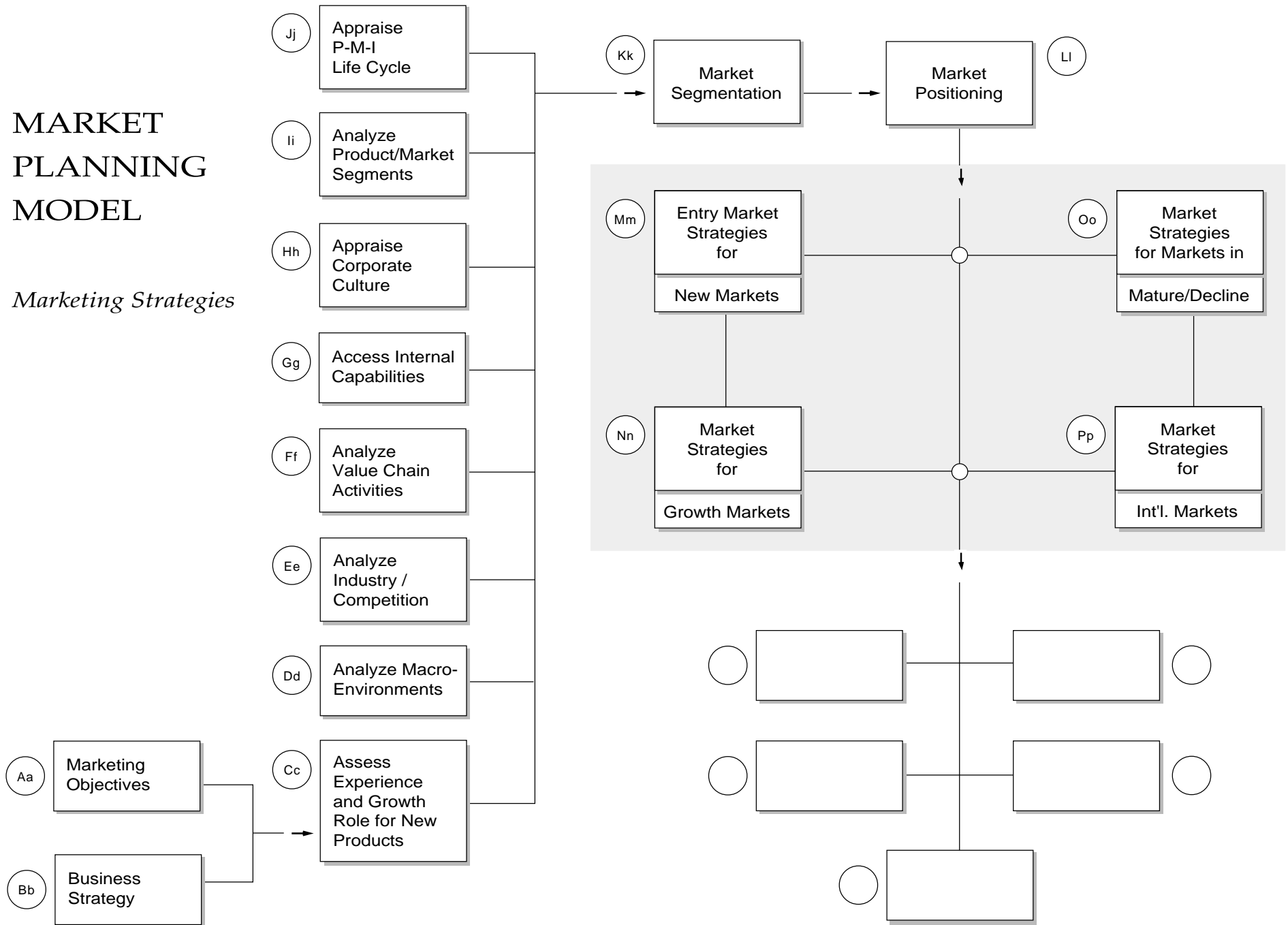
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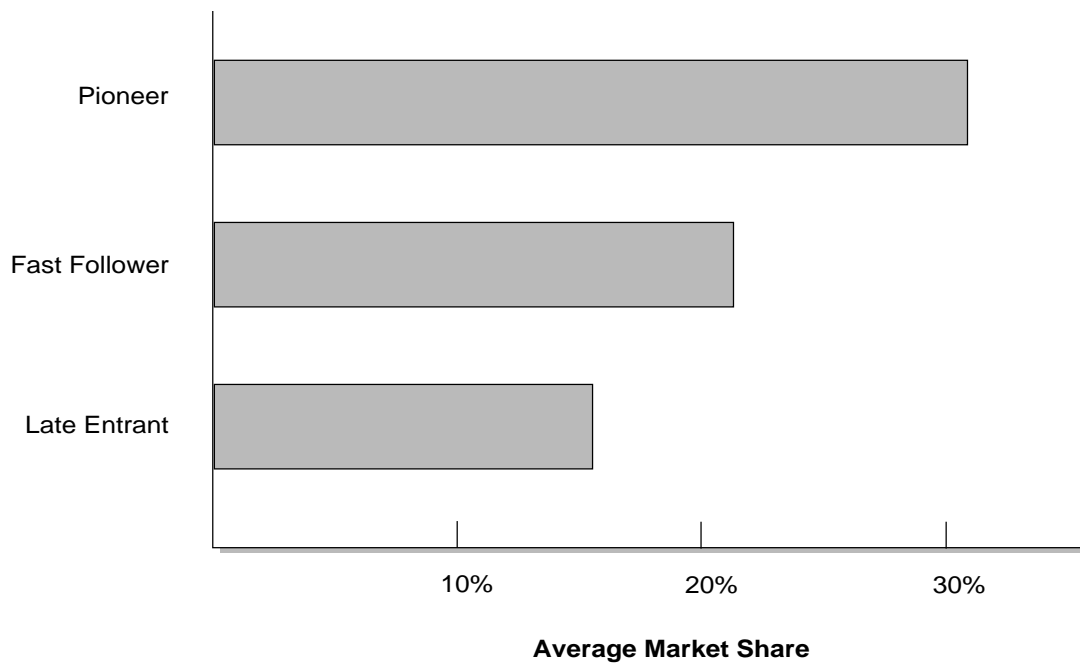
MARKET PLANNING MODEL

Marketing Strategies





Market Entry Strategy



Strategic Exhibits Illustrating New Product Management

Mm.2

Mm.3

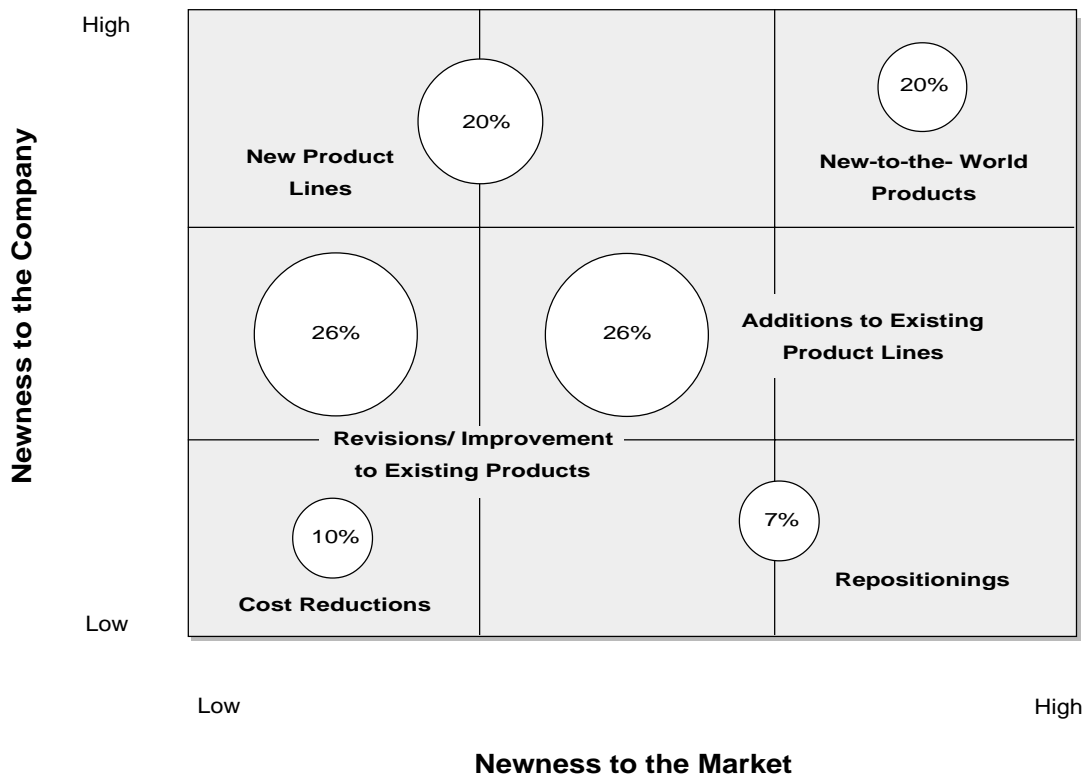
Potential Advantages of Pioneer and Follower Strategies

Mm.4

Mm.5

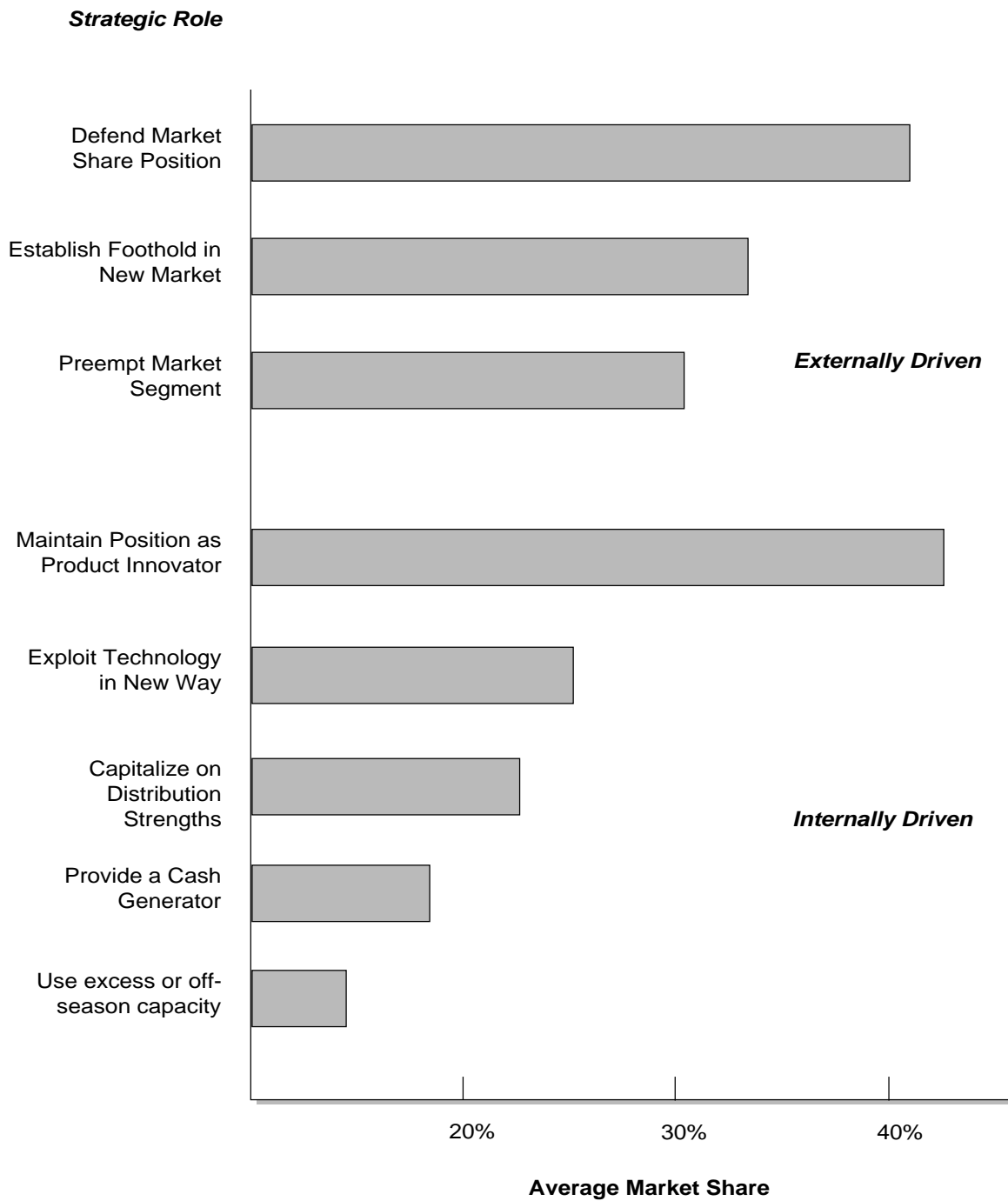


Categories of New Products Defined According to Their Degree of Newness





Strategic Objectives Attained by Successful New-Market Entries





Potential Advantages of Pioneer and Follower Strategies

Pioneer

- First Choice of market segments and positions
- Pioneer defines the "rule of the game"
- Distribution advantages
- Economics of scale and experience
- High switching costs for early adopters
- Possibility of preempting scarce resources

Follower

- Ability to take advantage of pioneer's positioning mistakes
- Ability to take advantage of pioneer's product mistakes
- Ability to take advantage of pioneer's marketing mistakes
- Ability to take advantage of pioneer's limited resources
- Ability to take advantage of the latest technology



Potential Advantages of Pioneer and Follower Strategies

| These marketers . . . | are characterized by one or more of these strategy elements: |
|------------------------------|--|
| Successful Pioneers | <ul style="list-style-type: none">• Large entry scale• Broad product line• High product quality• Heavy promotional expenditures |
| Successful Fast Followers | <ul style="list-style-type: none">• Larger entry scale than the pioneer• "Leapfrogging" the pioneer with superior:<ul style="list-style-type: none">— product technology— product quality— customer service |
| Successful Late Entrants | <ul style="list-style-type: none">• Focus on peripheral target markets or niches |

Marketing Strategies for New-Product Pioneers

Mm.6

Components of Strategic Marketing Programs

Mm.8



Marketing Strategies for New-Product Pioneers

| Situational Variables | Mass-market Penetration | Niche Penetration | Skimming; Early Withdrawal |
|----------------------------|--|--|---|
| Market Characteristics | <ul style="list-style-type: none">• Large potential demand• Relatively homogeneous customer needs | <ul style="list-style-type: none">• Large potential demand• Fragmented market; many different applications and benefit segments | <ul style="list-style-type: none">• Limited potential demand• Customers likely to adopt product relatively slowly; long adoption process |
| Product Characteristics | <ul style="list-style-type: none">• Customers likely to adopt product relatively quickly; short diffusion process• Product technology patentable or difficult to copy.• Components or materials difficult to obtain; limited sources of supply• Complex production process; substantial development and/or investment required. | <ul style="list-style-type: none">• Customers likely to adopt product relatively quickly; short adoption process• Product technology offers little patent protection; easily copied or adapted.• Components or materials easy to obtain; many sources of supply.• Relatively simple production process; little development or additional investment required. | <ul style="list-style-type: none">• Early adopters willing to pay high price; demand is price inelastic• Product technology offers little patent protection; easily copied or adapted• Components or materials easy to obtain; many sources of supply.• Relatively simple production process; little development or additional investment required |
| Competitor Characteristics | <ul style="list-style-type: none">• Few potential competitors• Most potential competitors have limited resources and competencies; few sources of differential advantage | <ul style="list-style-type: none">• Many potential competitors• Some potential competitors have substantial resources and competencies; possible sources of differential advantage | <ul style="list-style-type: none">• Many potential competitors• Some potential competitors have substantial resources and competencies; possible sources of differential advantage |

**Marketing Strategies for New-Product Pioneers**

| Situational Variables | Mass-market Penetration | Niche Penetration | Skimming; Early Withdrawal |
|------------------------------|--|---|---|
| Firm Characteristics | <ul style="list-style-type: none">• Strong product engineering skills; able to quickly develop product modifications and line extensions for multiple market segments.• Strong marketing skills and resources; ability to identify and develop marketing programs for multiple segments; ability to shift from stimulation of primary demand to stimulation of selective demand as competitors enter• Sufficient financial and organizational resources to build capacity in advance of growth in demand | <ul style="list-style-type: none">• Limited product engineering skills and resources• Limited marketing skills and resources• Insufficient financial or organizational resources to build capacity in advance of growing demand | <ul style="list-style-type: none">• Strong basic R&D and new-product development skills; a prospector with good capability for continued new-product innovation.• Good sales and promotional skills; able to quickly build primary demand in target market; perhaps has limited marketing resources for long-term market maintenance• Limited financial or organizational resources to commit to building capacity in advance of growth in demand |



Marketing Programs for New-Product Pioneers

| Strategic Objectives and Tasks | Mass-market Penetration | Niche Penetration | Skimming; Early Withdrawal |
|---|--|--|--|
| Increase customers' awareness and willingness to buy. | <ul style="list-style-type: none">• Heavy advertising to generate awareness among customers in mass market; broad use of mass media.• Extensive sales force efforts to win new adopters; possible use of incentives to encourage new-product sales.• Advertising and sales appeals stress generic benefits of new-product type.• Extensive introductory sales promotions to induce trial (sampling, couponing, quantity discounts).• Move relatively quickly to expand offerings (line extensions, multiple package sizes) to appeal to multiple segments. | <ul style="list-style-type: none">• Heavy advertising directed at target segment to generate awareness; use selective media relevant to target.• Extensive sales force efforts focused on potential customers in target segment; possible use of incentives to encourage new-product sales to target accounts.• Advertising and sales appeals stress generic benefits of new-product type.• Extensive introductory sales promotions to induce trial, but focused on target segment.• Additional product development limited to improvements or modifications to increase appeal to target segment. | <ul style="list-style-type: none">• Limited advertising to generate awareness, particularly among least price sensitive early adopters.• Extensive sales force efforts, particularly focused on largest potential adopters; possible use of volume-based incentives to encourage new-product sales.• Advertising and sales appeals stress generic benefits of new-product type.• Limited use, if any, introductory sales promotions; if used, they should be volume-based quantity discounts.• Little, if any, additional development within the product category. |



Marketing Programs for New-Product Pioneers

| Strategic Objectives and Tasks | Mass-market Penetration | Niche Penetration | Skimming; Early Withdrawal |
|-------------------------------------|--|--|---|
| Increase customers' ability to buy. | <ul style="list-style-type: none">• Offer free trial, liberal return, or extended warranty policies to reduce customers' perceived risk of adopting the new product.• Penetration pricing; or start with high price but bring out lower-priced versions in anticipation of competitive entries.• Extended credit terms to encourage initial purchases.• Heavy use of trade promotions aimed at gaining extensive distribution.• Offer engineering, installation, and training services to increase new product's compatibility with customers' current operations to reduce "switching costs." | <ul style="list-style-type: none">• Offer free trial, liberal return, or extended warranty policies to reduce target customers' perceived risk of adopting the new product.• Penetration pricing; or start with high price but bring out lower-priced versions in anticipation of competitive entries.• Extended credit terms to encourage initial purchases.• Trade promotions aimed at gaining solid distribution among retailers or distributors pertinent for reaching target segment.• Offer engineering, installation, and training services to increase new product's compatibility with customers' current operations to reduce "switching costs." | <ul style="list-style-type: none">• Offer free trial, liberal return, or extended warranty policies to reduce target customers' perceived risk of adopting the new product.• Skimming pricing; attempt to maintain margins at level consistent with value of product to early adopters.• Extended credit terms to encourage initial purchases.• Limited use of trade promotions; only as necessary to gain adequate distribution.• Offer limited engineering, installation, and services necessary to overcome customers' objections. |



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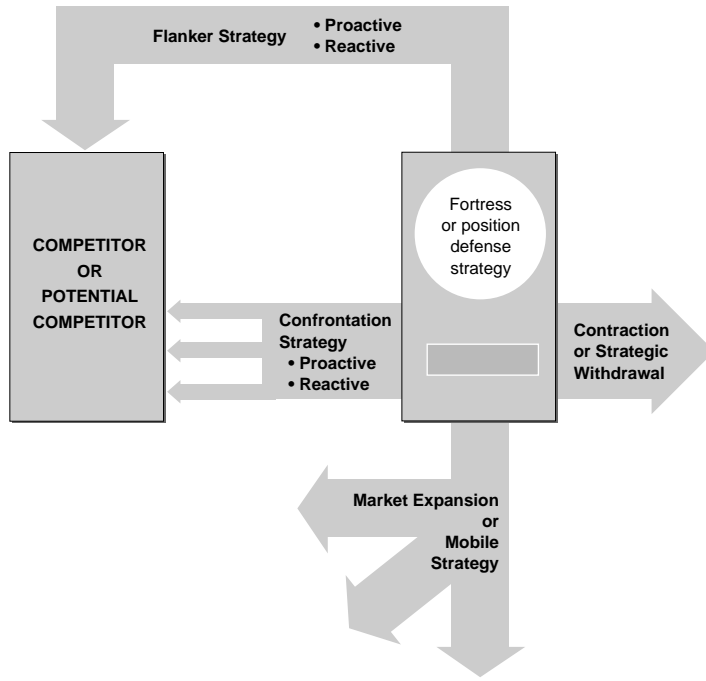
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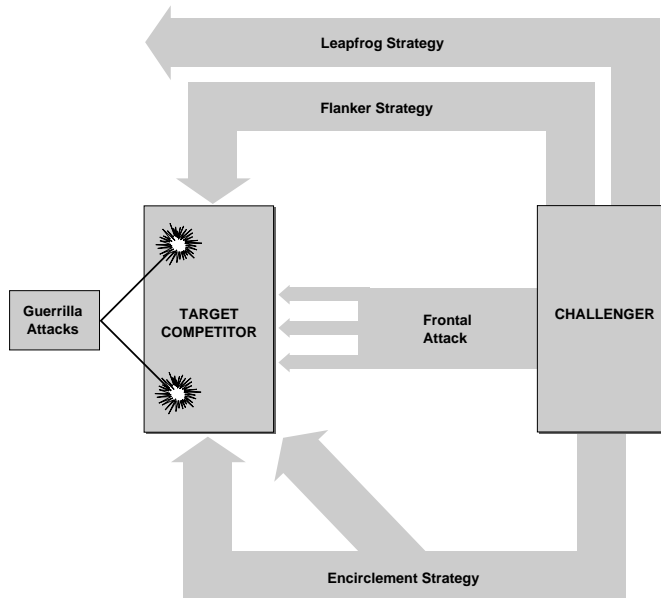
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Share Leaders

Nn.2

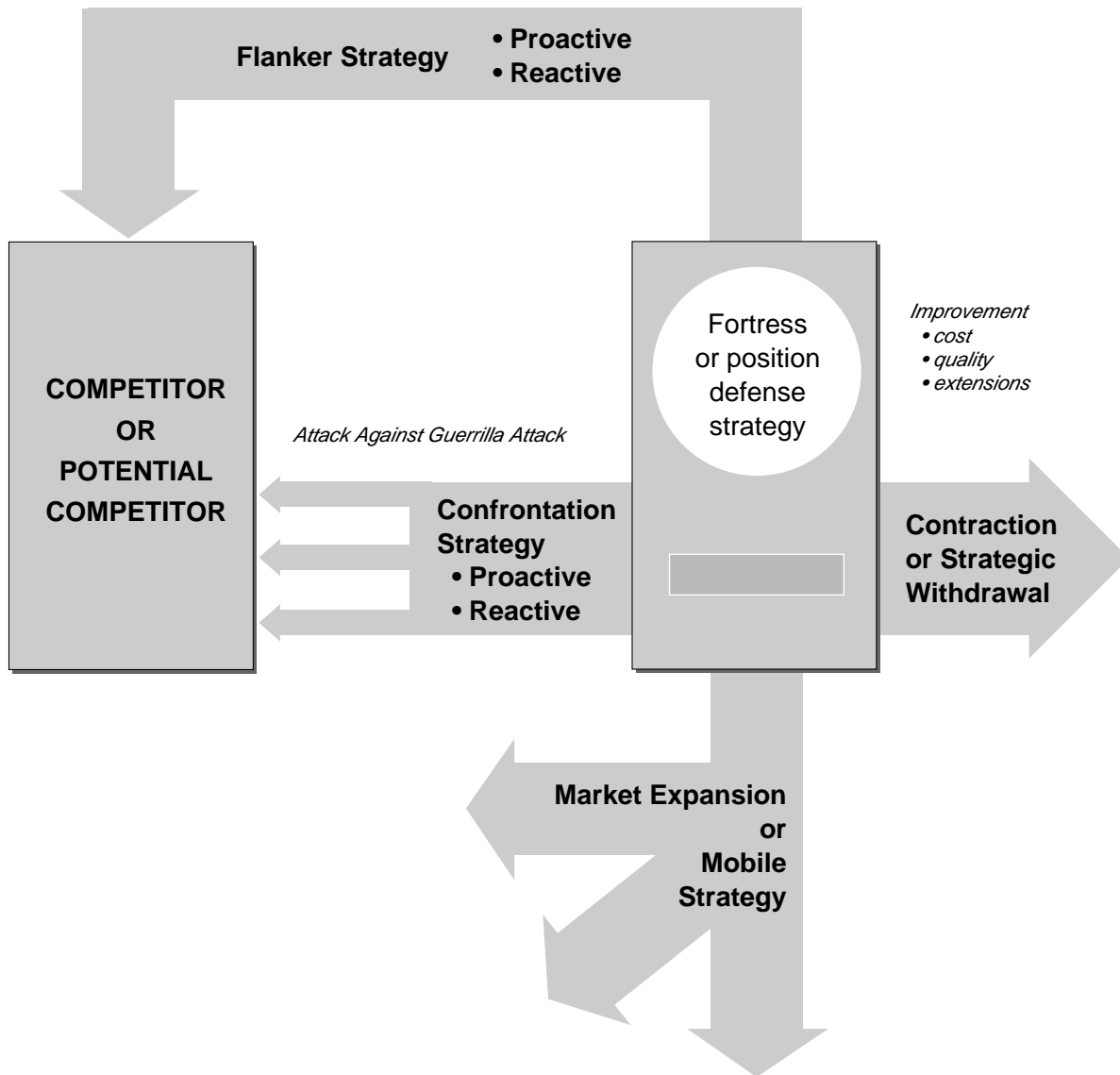


Challengers

Nn.6



Introducing New Concept or Flanked Brand, Mostly Low-Priced



Marketing Objectives and Strategies for Share Leaders

Nn.3

Marketing Actions to Achieve Share-Maintenance Objectives

Nn.5

Diagram for Gaining Market Share

Nn.11



Marketing Objectives and Strategies for Share Leaders

| Situational Variables | Fortress or Position Defense | Flanker | Confrontation | Market Expansion or Mobile | Contraction or Strategic Withdrawal |
|------------------------------|---|---|--|---|---|
| Primary Objective | Increase satisfaction, loyalty, and repeat purchase among current customers by building on existing strengths; appeal to late adopters with same attributes and benefits offered to early adopters. | Protect against loss of specific segment of current customers by developing a second entry that covers a weakness in original offering; improve ability to attract new customers with specific needs of purchase criteria different from those of early adopters. | Protect against loss of share among current customers by meeting or beating a head-to-head competitive offering; improve ability to win new customers who might otherwise be attracted to competitor's offering. | Increase ability to attract new customers by developing new product offerings or line extensions aimed at a variety of new applications and user segments; improve ability to retain current customers as market fragments. | Increase ability to attract new customers in selected high-growth segments by focusing offerings and resources on those segments; withdraw from smaller or slower growing segments to conserve resources. |
| Market Characteristics | Relatively homogeneous market with respect to customer needs and purchase criteria; strong preference for leader's product among largest segment of customers. | Two or more major market segments with distinct needs or purchase criteria. | Relatively homogeneous market with respect to customer's needs and purchase criteria; little preference for, or loyalty toward, leader's product among largest segment of customers. | Relatively heterogeneous market with respect to customer needs and purchase criteria; multiple product uses requiring different product or service attributes. | Relatively heterogeneous market with respect to customer needs and purchase criteria and growth potential; multiple product uses requiring different product or service attributes. |



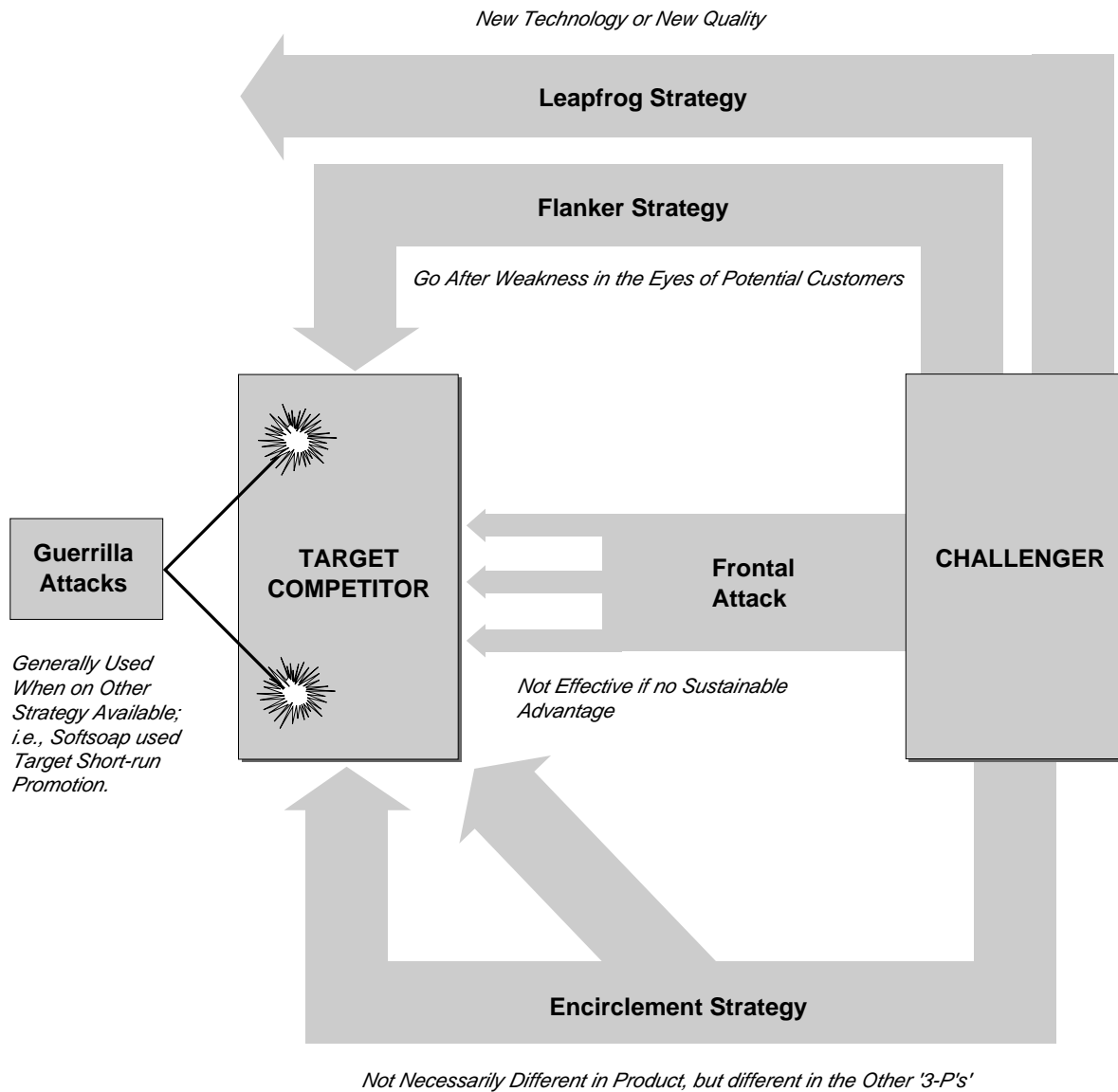
Marketing Objectives and Strategies for Share Leaders

| Situational Variables | Fortress or Position Defense | Flanker | Confrontation | Market Expansion or Mobile | Contraction or Strategic Withdrawal |
|------------------------------|---|---|---|--|---|
| Competitor's Characteristics | Current and potential competitors have relatively limited resources and competencies. | One or more current or potential competitors with sufficient resources and competencies to effectively implement a differentiation strategy. | One or more current or potential competitors with sufficient resources and competencies to effectively implement a head-to-head strategy. | Current or potential competitors have relatively limited resources and competencies, particularly with respect to R&D and marketing. | One or more current or potential competitors with sufficient resources and competencies to present a strong challenge in one or more growth segments. |
| Firm's Characteristics | Current product offering enjoys high awareness and preference among major segment of current and potential customers; firm has marketing and R&D resources and competencies equal to or greater than any current or potential competitor. | Current product offering perceived as weak on at least one attribute by a major segment of current or potential customers; firm has sufficient R&D and marketing resources to introduce and support a second offering aimed at the disaffected segment. | Current product offering suffers low awareness, preference and/or loyalty among major segment of current or potential customers; firm has R&D and marketing resources and competencies equal or greater than any current or potential competitor. | No current offerings in one or more potential applications segments;; firm has marketing and R&D resources and competencies equal or greater than any current or potential competitor. | Current product offering suffers low awareness, preference and/or loyalty among major segment of current or potential customers in one or more major growth segments; firm's R&D and marketing resources and competencies are limited relative to those of one or more competitors. |



Marketing Actions to Achieve Share-Maintenance Objectives

| Marketing Objectives | Possible Marketing Actions |
|---|--|
| Retain current customers by: Maintaining/improving satisfaction and loyalty. | <ul style="list-style-type: none">• Increase attention to quality control as output expands.• Continue product modification and improvement efforts to increase customer benefits and/or reduce costs.• Focus advertising on stimulation of selective demand; stress product's superior features and benefits; remainder advertising.• Increase sales force's servicing of current accounts; consider formation of national or key account representatives for major customers; consider replacing independent manufacturer's reps with company salespeople.• Expand postsale service capabilities; develop or expand company's own service force, or develop training programs for distributors' and dealers' service people; expand parts inventory; consider development of customer service hotline. |
| Encourage/simplify repeat purchase | <ul style="list-style-type: none">• Expand production capacity in advance of increasing demand to avoid stockouts.• Improve inventory control and logistics systems to reduce delivery times.• Continue to build distribution channels; use periodic trade promotions to gain more extensive retail coverage and maintain shelf-facings; strengthen relationships with strongest distributors/dealers. |
| Reduce attractiveness of switching | <ul style="list-style-type: none">• Consider negotiation long-term requirements contracts with major customers.• Develop a second brand or product line with features or price more appealing to a specific segment of current customers (<i>flanker strategy</i>).• Develop multiple-line extensions or brand offerings targeted to the needs of several user segments in the market (<i>market expansion, mobile strategy</i>).• Meet or beat lower prices or heavier promotional efforts by competitors—or try to preempt such efforts by potential competitors—when necessary to retain customers and when lower unit costs allow (<i>confrontation strategy</i>). |
| Stimulate selective demand among later adopters by: Head-to-head positioning against competitive offerings or potential offerings | <ul style="list-style-type: none">• Develop a second brand or product line with features or price more appealing to a specific segment of potential customers (<i>flanker strategy</i>).• Make product modifications or improvements to match or beat superior competitive offerings (<i>confrontation strategy</i>).• Meet or beat lower prices or heavier promotional efforts by competitors when necessary to retain customers and when lower unit costs allow (<i>confrontation</i>).• When resources are limited relative to competitor's, consider withdrawing from smaller or slower growing segments to focus product development and promotional efforts on higher potential segments threatened by competitor (<i>contraction or strategic withdrawal strategy</i>). |
| Differentiated positioning against competitive offerings or potential offerings | <ul style="list-style-type: none">• Develop multiple-line extensions or brand offerings targeted to the needs of various potential user applications, or geographical segments within the market (<i>market expansion or mobile strategy</i>).• Build unique distribution channels to more effectively reach specific segments of potential customers (<i>market expansion or mobile strategy</i>).• Design multiple advertising and/or sales promotion campaigns targeted at specific segments of potential customers (<i>market expansion or mobile strategy</i>). |



Marketing Objectives and Strategies for Challengers (Nn.7)

Marketing Actions to Achieve Share-Growth Objectives (Nn.9)

Diagram for Gaining Market Share (Nn.11)



Marketing Objectives and Strategies for Challengers

| Situational Variables | Fortress or Position Defense | Flanker | Confrontation | Market Expansion or Mobile | Contraction or Strategic Withdrawal |
|------------------------------|--|--|--|--|--|
| Primary Objective | Capture substantial repeat/replacement purchases from target competitor's current customers; attract new customers among later adopters by offering lower price or more attractive features. | Induce current customers in mass market to replace their current brand with superior new offering; attract new customers by providing enhanced benefits. | Attract substantial share of new customers in one or more major segments where customer's needs are different from those of early adopters in the mass market. | Attract substantial share of new customers in a variety of smaller, specialized segments where customers' needs or preferences differ from those of early adopters in the mass market. | Capture a modest share of repeat/replacement purchases in several market segments or territories; attract a share of new customers in a number of existing segments. |
| Market Characteristics | Relatively homogeneous market with respect to customers' needs and purchase criteria; relatively little preference or loyalty for existing brands. | Relatively homogeneous market with respect to customers' needs and purchase criteria; but some needs or criteria not currently met by existing brands. | Two or more major segments with distinct needs and purchase criteria; needs of customers in at least one segment not currently met by existing brands. | Relatively heterogeneous market with a number of small, specialized segments; needs and preferences of customers in some segments not currently satisfied by competing brands. | Relatively heterogeneous market with a number of larger segments; needs and preferences of customers in most segments currently satisfied by competing brands. |



Marketing Objectives and Strategies for Challengers

| Situational Variables | Fortress or Position Defense | Flanker | Confrontation | Market Expansion or Mobile | Contraction or Strategic Withdrawal |
|------------------------------|--|---|---|---|---|
| Competitor's Characteristics | Target competitor has relatively limited resources and competencies, particularly in marketing and R&D; would probably be vulnerable to direct attack. | One or more current competitors have relatively strong resources and competencies in marketing, but relatively unsophisticated technology and limited R&D competencies. | Target competitor has relatively strong resources and competencies, particularly in marketing and R&D; would probably be able to withstand direct attack. | One or more current competitors have relatively strong marketing, R&D resources and competencies, and/or lower costs; could probably withstand a direct attack. | A number of competitors have relatively strong marketing, R&D resources and competencies, and/or lower costs; could probably withstand a direct attack. |
| Firm's Characteristics | Firm has stronger resources and competencies in R&D and marketing and/or lower operating costs than target competitor. | Firm has proprietary technology superior to that of competitors; firm has necessary marketing and production resources to stimulate and meet primary demand for new generation of products. | Firms' resources and competencies are limited, but sufficient to effectively penetrate and serve at least one major market segment. | Firm has marketing, R&D, and production resources and competencies necessary to serve multiple smaller segments; firm has decentralized and adaptable management structure. | Firm has relatively limited marketing, R&D, and/or production resources and competencies; firm has decentralized and adaptable management structure. |



Marketing Actions to Achieve Share-Growth Objectives

| Marketing Objectives | Possible Marketing Actions |
|---|---|
| <p>Capture repeat/replacement purchases from current customers of the leader or other target competitor by:</p> <p>Head-to-head positioning against competitor's offering in primary target market</p> | <ul style="list-style-type: none">• Develop products with features and/or performance levels superior to those of the target competitor.• Draw on superior product design, process engineering, and supplier relationships to achieve lower unit costs.• Set prices below target competitor's for comparable level of quality or performance, but only if low-cost position is achieved.• Outspend the target competitor on promotion aimed at stimulating selective demand:<ul style="list-style-type: none">Comparative advertising appeals directed at gaining a more favorable positioning than the target competitor's brand enjoys among customers in the mass market.Sales promotions to encourage trial if offering's quality or performance is perceptively better than target competitor's, or induce brand switching.Build more extensive and/or better trained sales force than target compet.• Outspend the target competitor on trade promotion to attain more extensive retail coverage, better shelf space, and/or representation by the best distributors/dealers.• Outperform the target competitor on customer service:<ul style="list-style-type: none">Develop superior product scheduling, inventory control, and logistics systems to minimize delivery times and stockouts.Develop superior postsales service capabilities; build a more extensive company service force, or provide better training programs for distributors/dealer service people than target competitor.• If resources are limited, engage in one or more of the preceding actions (e.g., an advertising blitz, sales or trade promotions) on a sporadic basis in selected territories (<i>guerrilla attack strategy</i>). |
| <p>Technological differentiation from target competitor's offering in its primary target market</p> | <ul style="list-style-type: none">• Develop a new generation of products based on different technology that offers a superior performance or additional benefits desired by current and potential customers in the mass market (<i>leapfrog strategy</i>).• Build awareness, preference, and replacement demand through heavy introductory promotion:<ul style="list-style-type: none">Comparative advertising stressing product's superiority.Sales promotions to stimulate trial or encourage switching.Extensive, well-trained sales force; heavy use of product demonstrations in sales presentations.• Build adequate distribution through trade promotions and dealer training programs. |

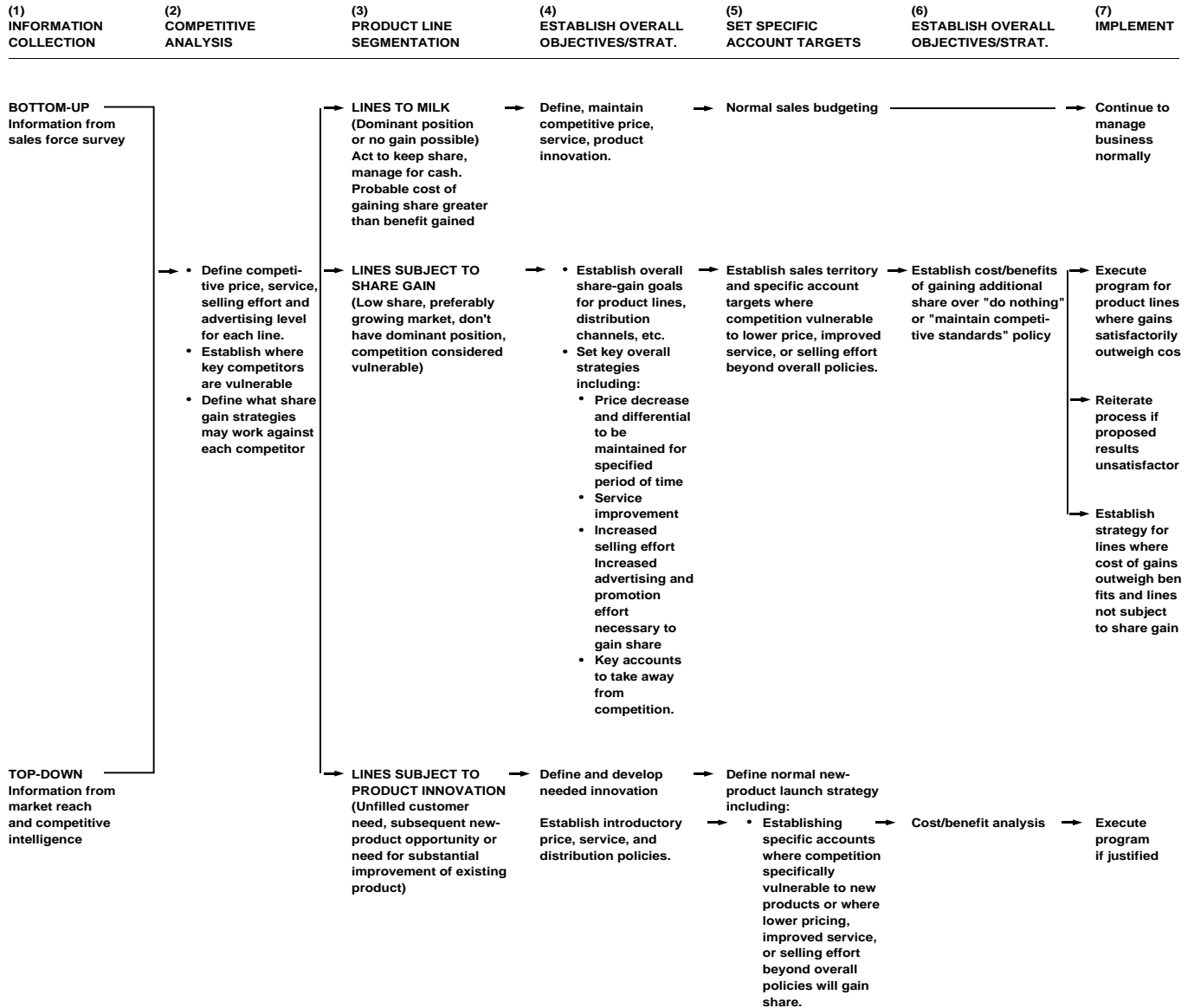


Marketing Actions to Achieve Share-Growth Objectives

| Marketing Objectives | Possible Marketing Actions |
|--|--|
| Stimulate selective demand among later adopters by: Head-to-head positioning against target competitor's offerings in established market segments. | <ul style="list-style-type: none">• See preceding actions. |
| Differentiated positioning focused on untapped or underdeveloped segments. | <ul style="list-style-type: none">• Develop a differentiated brand or product line with unique features or price that is more appealing to a major segment of potential customers whose needs are not met by existing offerings (<i>flanking strategy</i>). <p style="text-align: center;">or</p> <ul style="list-style-type: none">• Develop multiple line extensions or brand offerings with features or prices targeted to the unique needs and preferences of several smaller potential applications or regional segments (<i>encirclement strategy</i>).• Design advertising, personal selling, and/or sales promotion campaigns that address specific interests and concerns of potential customers in one or multiple underdeveloped segments to stimulate selective demand.• Build unique distribution channels to more effectively reach potential customers in one or multiple underdeveloped segments.• Design service programs to reduce the perceived risks of trial and/or solve the unique problems faced by potential customers in one or multiple underdeveloped segments (e.g., systems engineering, installation, operator training, or extended warranties). |



Schematic Diagram of the Process of Planning Market Share Gains





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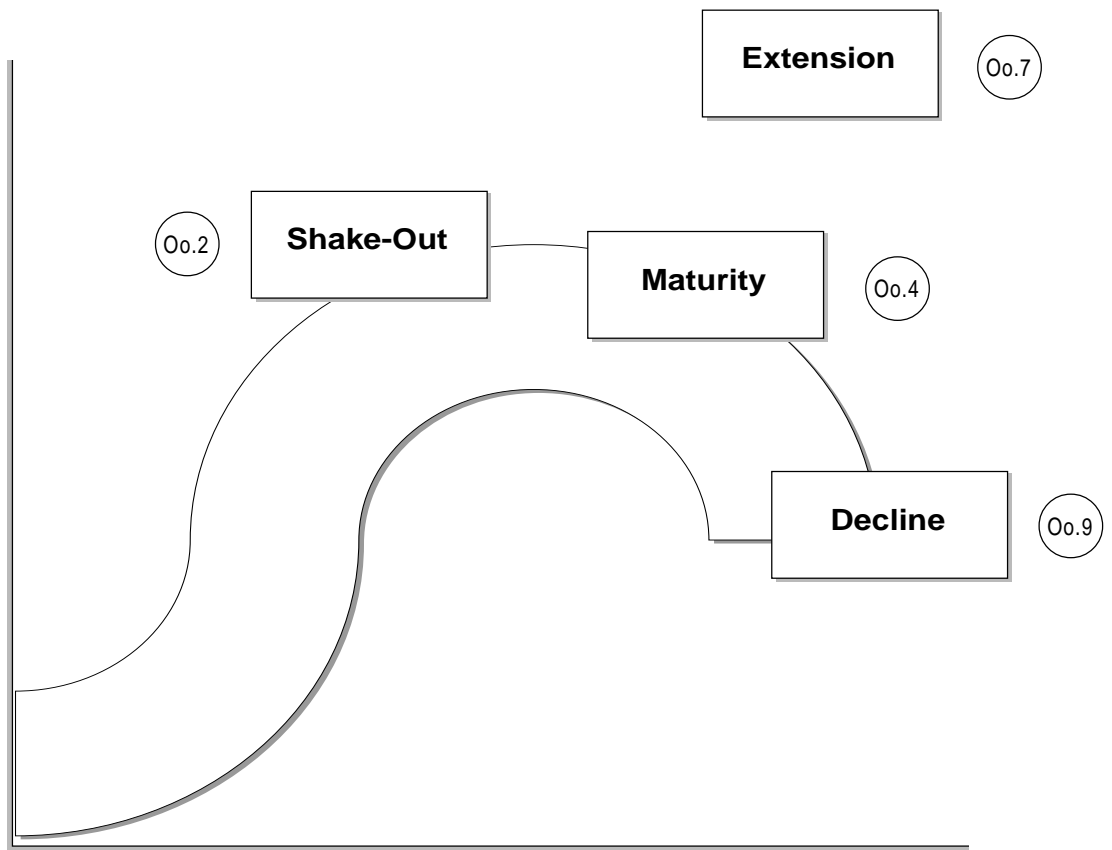
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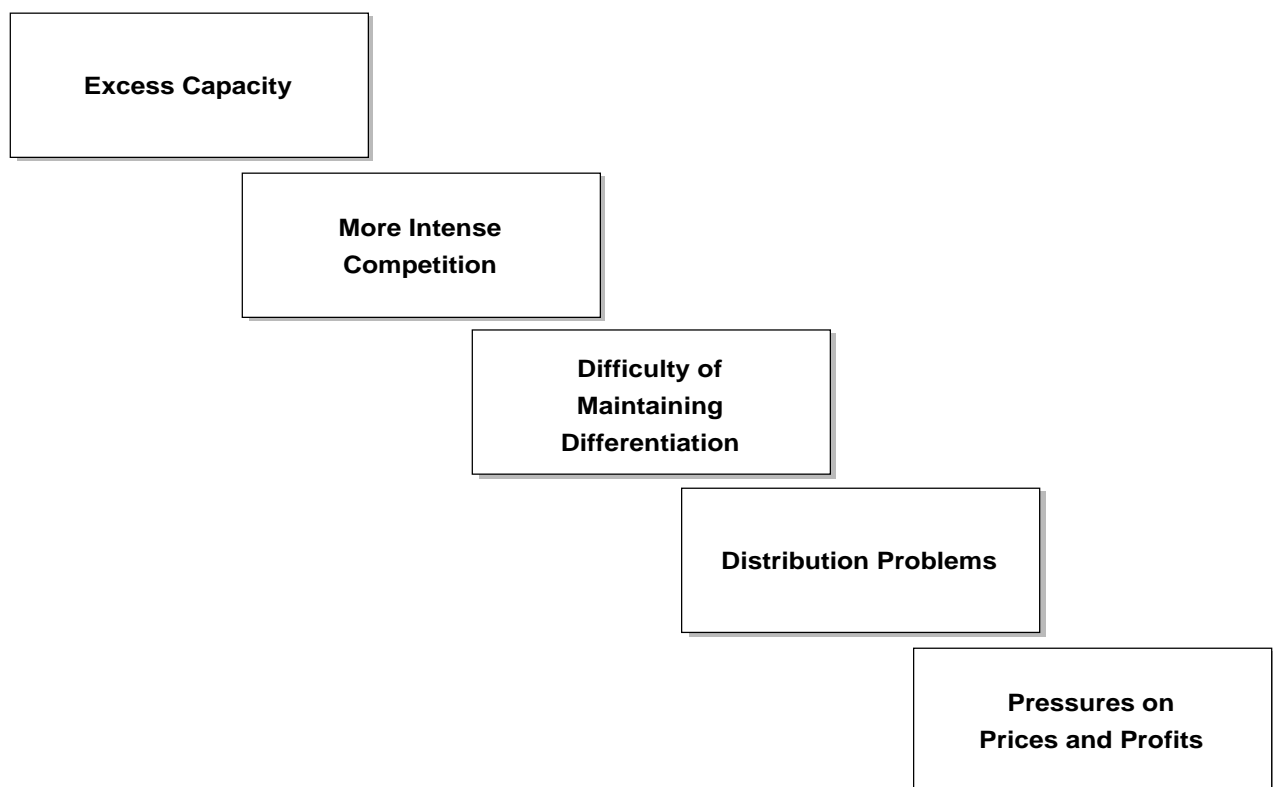
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**Characteristics of the
Transition Period — Shake-out
(*Growth to Maturity*)**





Strategic Traps Firms Can Fall Into During the Shakeout Period

Failure to anticipate transition from growth to maturity.

- Firms may make overly optimistic forecasts of future sales volume.
- As a result, they expand too rapidly and production capacity overshoots demand as growth slows.
- Their excess capacity leads to higher costs per unit.
- Consequently, they must cut prices or increase promotion in an attempt to increase their volume.

No clear competitive advantage as growth slows.

- Many firms can succeed without a strong competitive advantage during periods of rapid growth.
- However, firms that do not have the lowest costs or a superior offering in terms of product quality or service can have difficulty sustaining their market share and volume as growth slows and competition intensifies.

Assumption that an early advantage will insulate the firm from price or service competition.

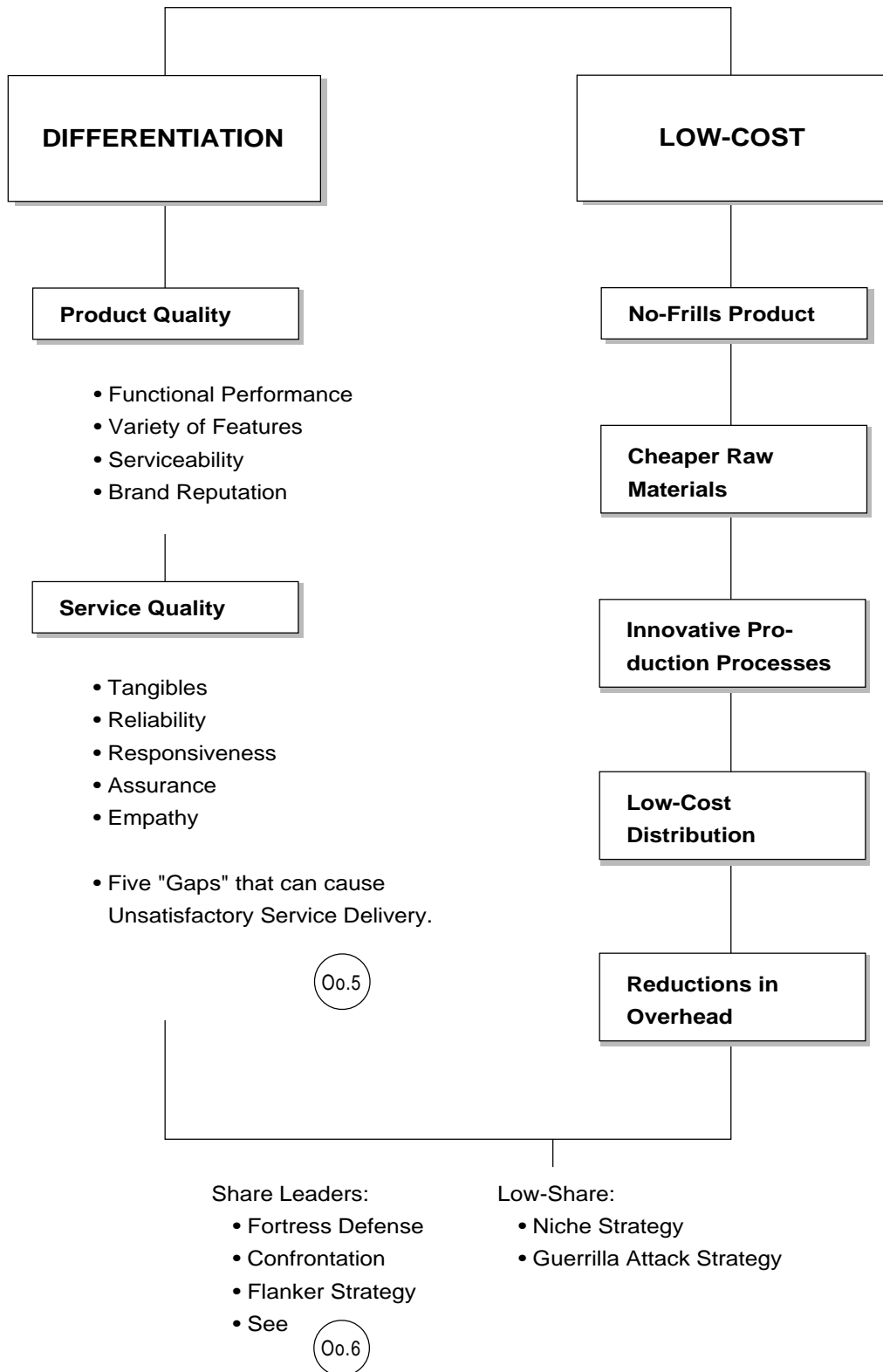
- In many cases, technological differentials become smaller as more competitors enter and initiate product improvements as an industry approaches maturity.
- If customers perceive that the quality of competing brands has become more equal, they are likely to attach greater importance to price or service differences.
- Failure to detect such trends can cause an early leader to be complacent and slow to respond to competitive threats.

Sacrificing market share in favor of short-run profit.

- A firm may cut marketing or R&D budgets or forgo other expenditures in order to maintain its historical level of profitability even though industry profits tend to fall during the transition period.
- This can cause long-run erosion of market share and further increases in unit costs as the industry matures.



Strategies for Maintaining Competitive Advantage





Five "Gaps" That Can Cause Unsatisfactory Service Delivery

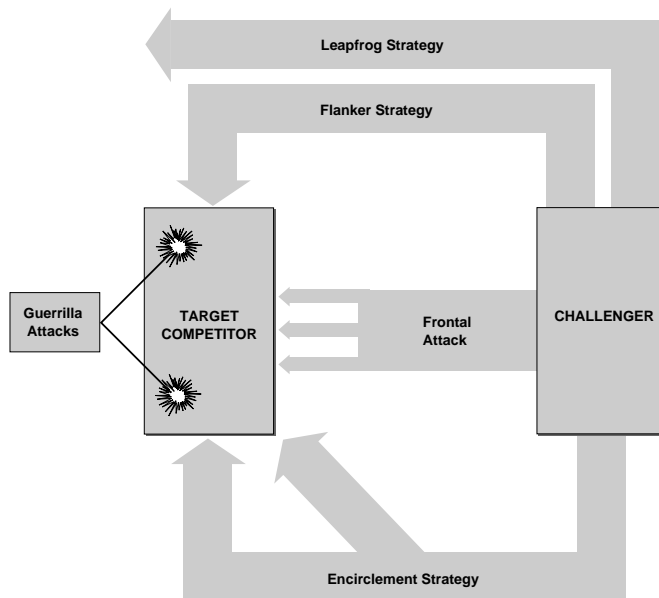
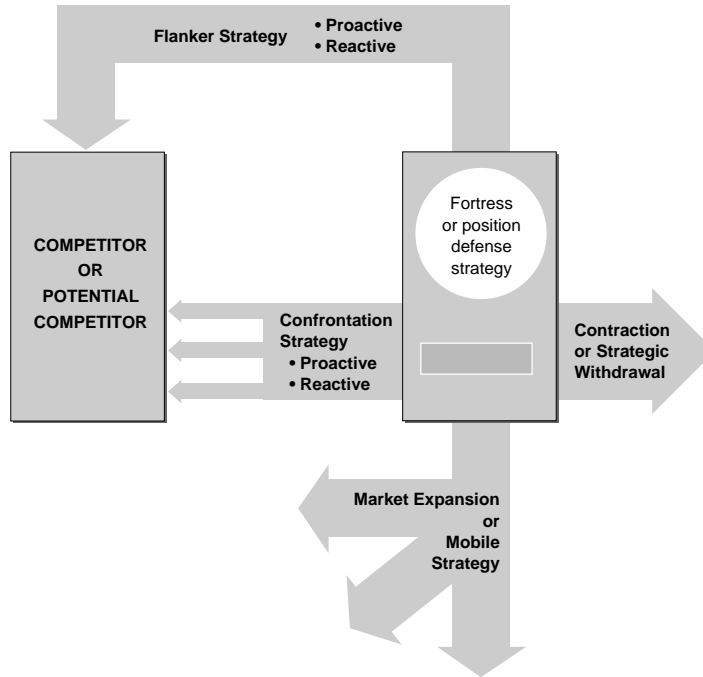
1. □ Gap between the customer's expectations and the marketer's perceptions.

2. □ Gap Between management perceptions and service quality specifications.

3. □ Gap between service quality specifications and service delivery.

4. □ Gap between service delivery and external communications.

5. □ Gap between perceived service and expected service.



**Marketing Objectives and Strategies for Extending Growth**

| Situational Variables | Increased Penetration | Extended Use | Contraction or Strategic Withdrawal |
|------------------------------|--|---|--|
| Primary Objective | Increase the proportion of users by converting current nonusers in one or more major market segments. | Increase the amount of product used by the average customer by increasing frequency of use or developing new and more varied ways to use the product. | Expand the number of potential customers by targeting underdeveloped geographic areas or applications segments. |
| Market Characteristics | Relatively low penetration in one or more segments (i.e., low percentage of potential users have adopted the product); relatively homogeneous market with only a few large segments. | Relatively high penetration but low frequency of use in one or more major segments; product used in only limited ways or for special occasions; relatively homogeneous market with only a few large segments. | Relatively heterogenous market with a variety of segments; some geographic areas, including foreign countries, with low penetration; some product applications underdeveloped. |
| Competitor Characteristics | Competitors hold relatively small market shares; comparatively limited resources or competencies make it unlikely they will steal a significant portion of converted nonusers. | Competitors hold relatively small market shares; comparatively limited resources or competencies make it unlikely their brands will be purchased for newly developed uses. | Competitors hold relatively small market shares; has insufficient resources or competencies to preempt underdeveloped geographic areas or applications segments. |
| Firm Characteristics | A market share leader in the industry; has R&D and marketing competencies to produce product modifications or line extensions; has promotional resources to stimulate primary demand among current nonusers. | A market share leader in the industry; has marketing competencies and resources to develop and promote new uses. | A market share leader in the industry; has marketing and distribution competencies and resources to develop new global markets or applications systems. |



Marketing Actions for Growth-Extension Objectives

| Marketing Objectives | Possible Marketing Actions |
|--|---|
| Increased Penetration Convert current nonusers in target segment into users | <ul style="list-style-type: none">• Enhance product's value by adding features, benefits, or services.• Enhance product's value by including it in the design of integrated systems.• Stimulate additional primary demand through promotional efforts stressing new features or benefits:<ul style="list-style-type: none">Advertising through selected media aimed at the target segment.Sales promotions directed at stimulating trial among current nonusers (e.g., tie-ins with other products).Some sales effort redirected toward new account generation; perhaps by assigning some sales personnel as account development reps or by offering incentives for new account sales.• Improve availability by developing innovative distribution systems. |
| Extended Use Increase frequency of use among current users | <ul style="list-style-type: none">• Move storage of the product closer to the point of end use by offering additional package sizes or designs.• Encourage larger volume purchases (for nonperishable products):<ul style="list-style-type: none">Offer quantity discounts.Offer consumer promotions to stimulate volume purchases or more frequent use (e.g., multipack deals, frequent flier programs).• Reminder advertising stressing benefits for a variety of usage occasions |
| Encourage a wider variety of uses among current users | <ul style="list-style-type: none">• Develop line extensions suitable for additional uses or applications.• Develop and promote new uses for the basic product.<ul style="list-style-type: none">Include information about new applications/recipes on package.Develop extended use advertising campaign, particularly with print media.Communicate new application ideas through sales presentations to current customers.• Encourage new uses through sales promotions (e.g., tie-ins with complementary products). |
| Market Expansion Develop differentiated positioning focused on untapped or underdeveloped segments | <ul style="list-style-type: none">• Develop a differentiated flanker brand or product line with unique features or price that is more appealing to a segment or potential customer whose needs are not met by existing offerings. <p style="text-align: center;"><i>or</i></p> <ul style="list-style-type: none">• Develop multiple line extensions or brand offerings with features or prices targeted to the unique needs and preferences of several smaller potential applications or regional segments.• Consider producing for private labels.• Design advertising, personal selling, and/or sales promotion campaigns that address specific interests and concerns of potential customers in one or multiple underdeveloped segments to stimulate selective demand.• Build unique distribution channels to more effectively reach potential customers in one or multiple underdeveloped segments.• Design service programs to reduce the perceived risks of trial and/or solve the unique problems faced by potential customers in one or multiple underdeveloped segments (e.g., systems engineering, installation, operator training, extended warranties). |



Marketing Objectives and Strategies for Declining Markets

| Situational Variables | Harvesting | Maintenance | Profitable Survivor | Niche |
|------------------------------|---|--|--|--|
| Primary Objective | Maximize short-term cash flow; maintain or increase margins even at expense of a slow decline in market share. | Maintain share in short term as market declines, even if margins must be sacrificed. | Increase share of the declining market with an eye to future profits; encourage weaker competitors to exit. | Focus on strengthening position in one or a few relatively substantial segments with potential for future profits. |
| Market Characteristics | Future market decline is certain, but likely to occur at a slow and steady. | Market has experienced recent declines, but future direction and attractiveness are currently hard to predict. | Future market decline is certain, but likely to occur at a slow and steady rate; substantial pockets of demand will continue to exist. | Overall market may decline quickly, but one or more segments will remain as demand pockets or decay slowly. |
| Competitor Characteristics | Few strong competitors; low exit barriers; future rivalry not likely to be intense. | Few strong competitors, but intensity of future rivalry is hard to predict. | Few strong competitors; exit barriers are low or can be reduced by firm's intervention. | One or more stronger competitors in mass market, but not in the target segment. |
| Firm Characteristics | Has a leading share position; has a substantial proportion of loyal customers who are likely to continue buying brand even if marketing support is reduced. | Has a leading share of the market and a relatively strong competitive position. | Has a leading share of the market and a strong competitive position; has superior resources or competencies necessary to encourage competitors to exit or to acquire them. | Has a sustainable competitive advantage in target segment, but overall resources may be limited. |



Marketing Actions for Declining Market Objectives

Marketing Objectives

Possible Marketing Actions

Harvesting Strategy

Maximize short-term cash flow; maintain or increase margins even at the expense of market share decline.

- Eliminate R&D expenditures and capital investments related to the business.
- Reduce marketing and sales budgets:
 - Greatly reduce or eliminate advertising and sales promotion expenditures, with the possible exception of periodic reminder advertising targeted at current customers.
 - Reduce trade promotions to minimum level necessary to prevent rapid loss of distribution coverage.
 - Focus sales force efforts on attaining repeat purchases from current customers.
- Seek ways to reduce production costs, even at the expense of slow erosion in product quality.
- Raise price if necessary to maintain margins.

Maintenance Strategy

Maintain market share for the short term, even at the expense of margins.

- Continue product and process R&D expenditures in short term aimed at maintaining or improving product quality.
- Continue maintenance levels of advertising and sales promotion targeted at current users.
- Continue trade promotion at levels sufficient to avoid any reduction in distribution coverage.
- Focus sales force efforts on attaining repeat purchases from current users.
- Lower prices if necessary to maintain share, even at the expense of reduced margins.

Profitable Survivor Strategy

Increase share of the declining market; encourage weaker competitors to exit.

- Signal competitors that firm intends to remain in industry and pursue an increased share:
 - Maintain or increase advertising and sales promotion budgets.
 - Maintain or increase distribution coverage through aggressive trade promotion.
 - Focus some sales force effort on winning away competitors' customers.
 - Continue product and process R&D to seek product improvements or cost reductions.
- Consider introducing line extensions to appeal to remaining demand segments.
- Lower prices if necessary to increase share, even at the expense of short-term margins.
- Consider agreements to produce replacement parts or private labels for smaller competitors considering getting out of production.

Niche Strategy

Strengthen share position in one or a few segments with potential for continued profit.

- Continued product and process R&D aimed at product improvements or modifications that will appeal to target segment(s).
- Consider producing for private labels in order to maintain volume and hold down unit costs.
- Focus advertising, sales promotion, and personal selling campaigns on customers in target segment(s); stress appeals of greatest importance to those customers.
- Maintain distribution channels appropriate for reaching target segment; seek unique channel arrangement to more effectively reach customers in target segment(s).
- Design service programs that address unique concerns/problems of customers in target segment(s).



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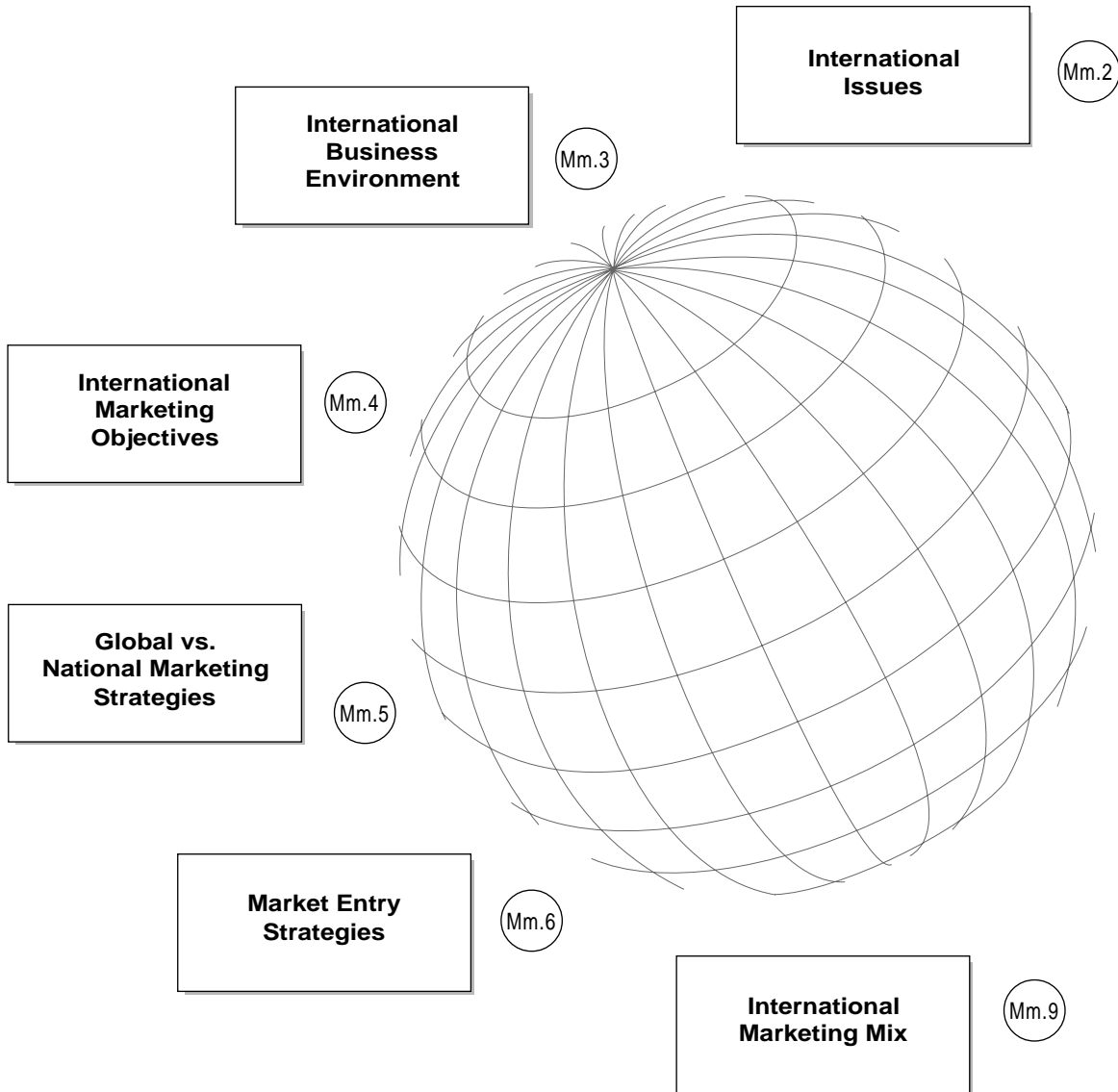
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International Marketing Issues

- **International Business Environment — physical, legal, economic, political, cultural, and competitive.**

Issues: What is the relative attractiveness of each country? What opportunities are present? What threats exist? What are the major differences between each overseas market and the home market?

- **International Marketing Objectives — other than profitability.**

Issues: What does a company hope to achieve by going overseas other than increase its profitability? How important is it to protect market leadership? To benefit from scale economies? To service customers who have moved overseas?

- **Selecting Export Target Markets.**

Issues: What candidate product(s) should be selected? What countries are most attractive and where does the firm have strong relative business advantages? Which countries should be targeted and in what order?

- **Alternative Overall Strategies:**

Issues: What are the characteristics of a global high-share strategy? A global niche strategy? A national high-share strategy? A niche strategy? Under what conditions would each of the above strategies be used?

- **Market Entry Strategies.**

Issues: What are the major ways by which a firm can enter a foreign country? Within each of these ways, there are a variety of specific entry modes — What are they and under what set of conditions should each be used?

- **International Marketing Mix.**

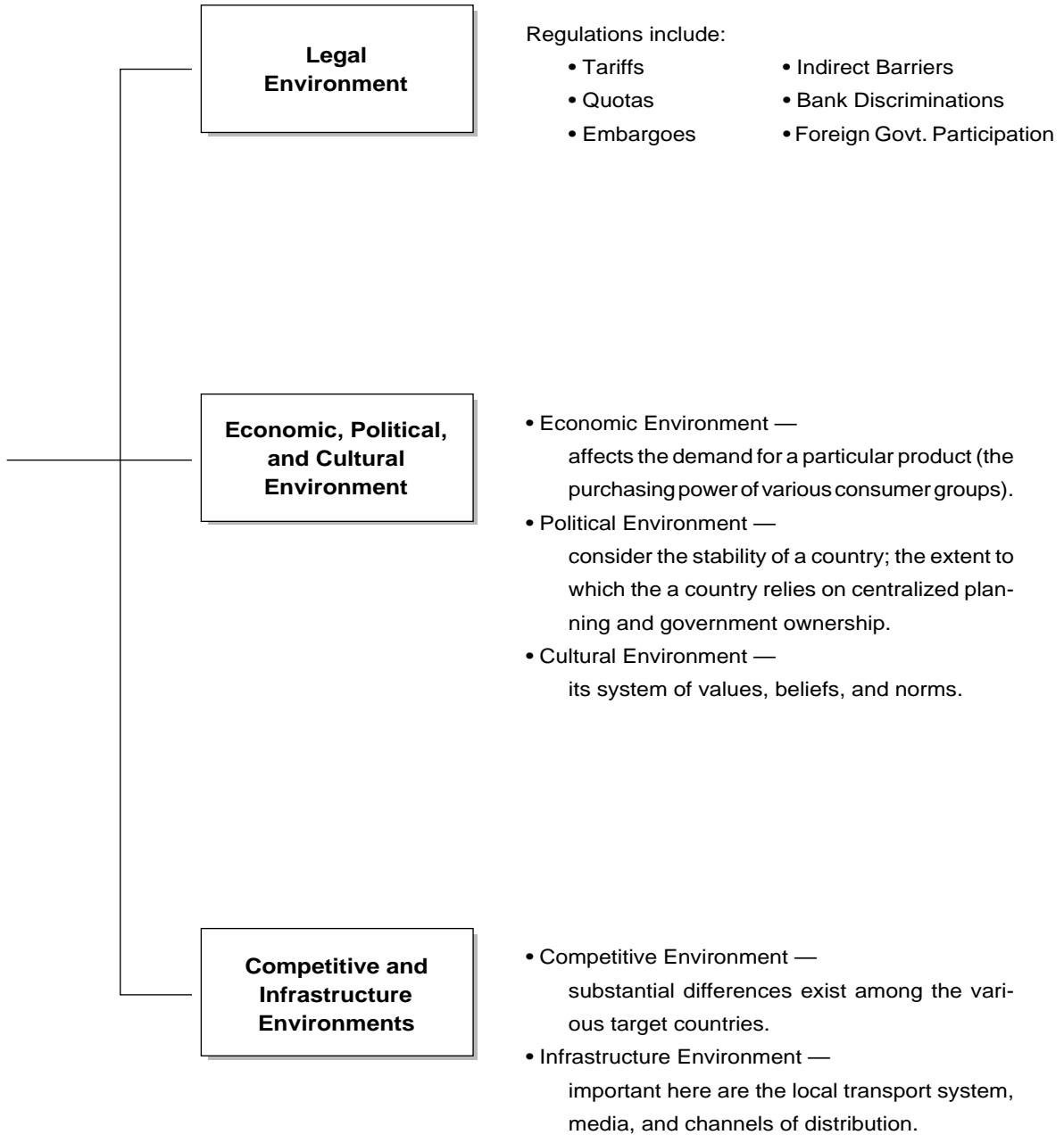
Issues: to what extent can a firm standardize its marketing plan across countries? Under what conditions should it market the same product to all countries? Why do the other elements in the marketing mix tend to be localized?

- **Exporting Services.**

Issues: What kinds of service has the United States exported? What has happened to the value of these exports?

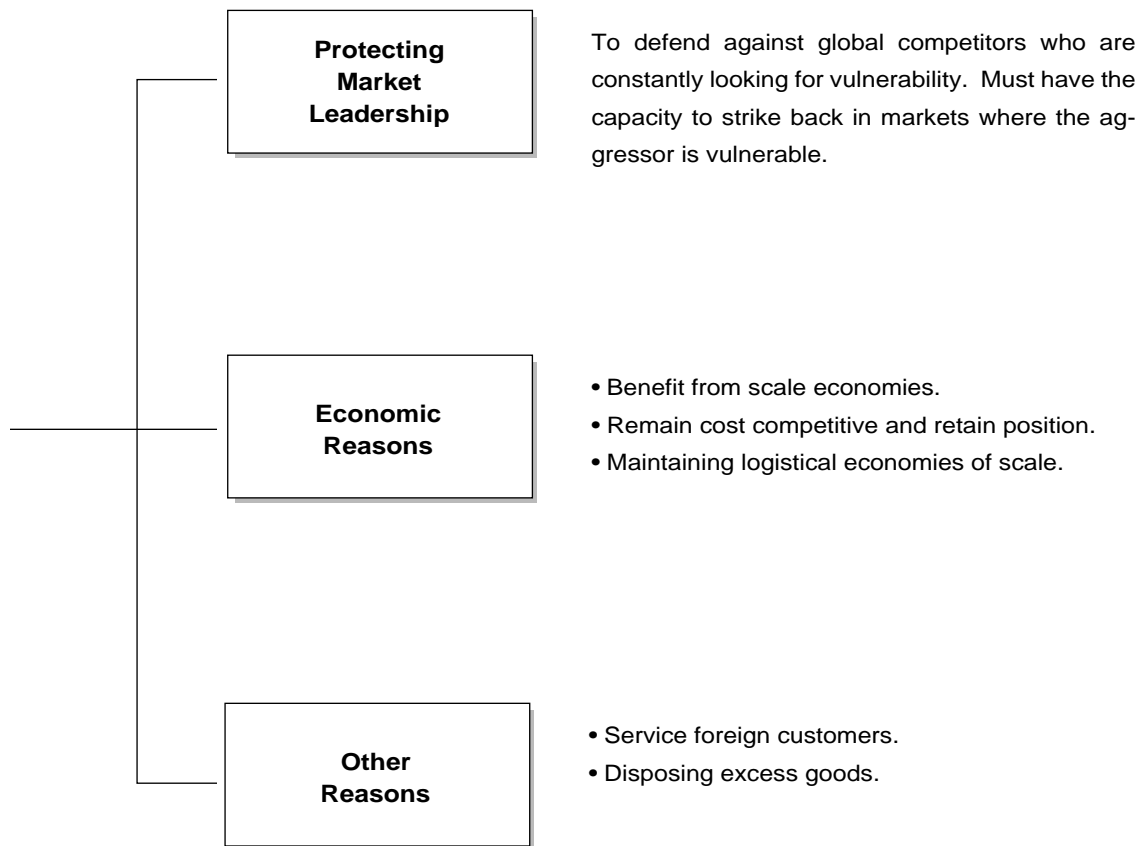


International Business Environments



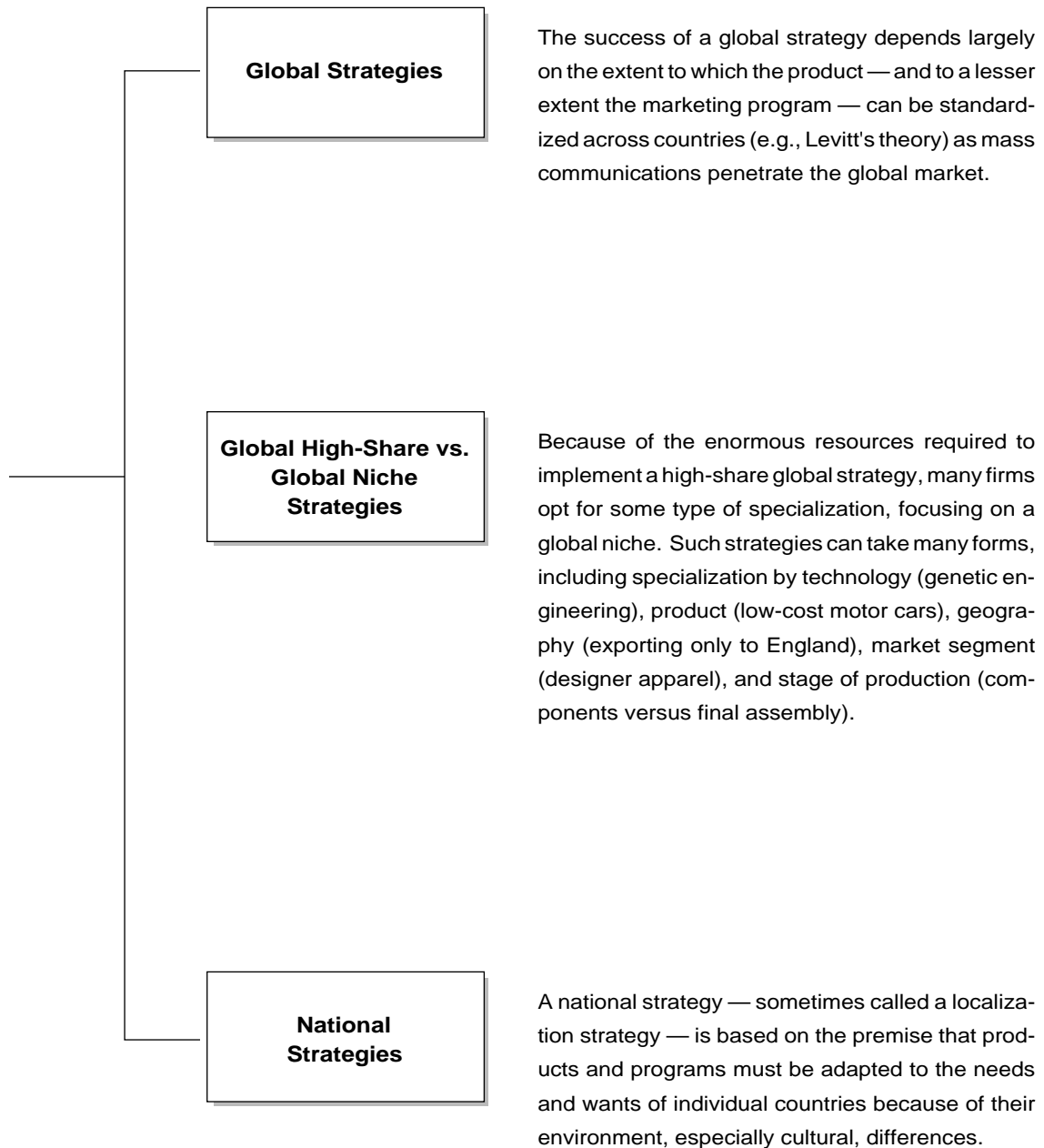


International Marketing Objectives



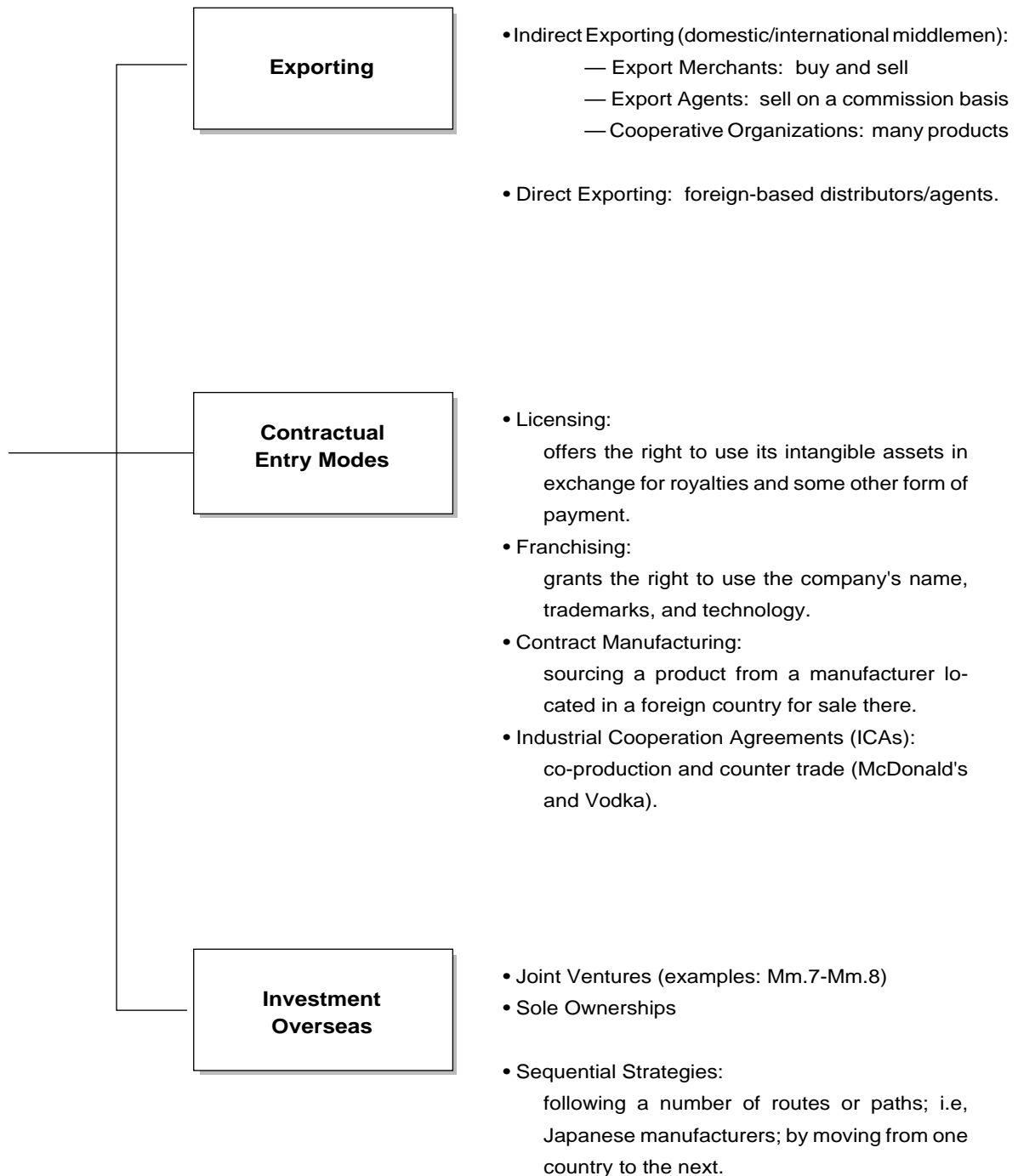


Global vs. National Marketing



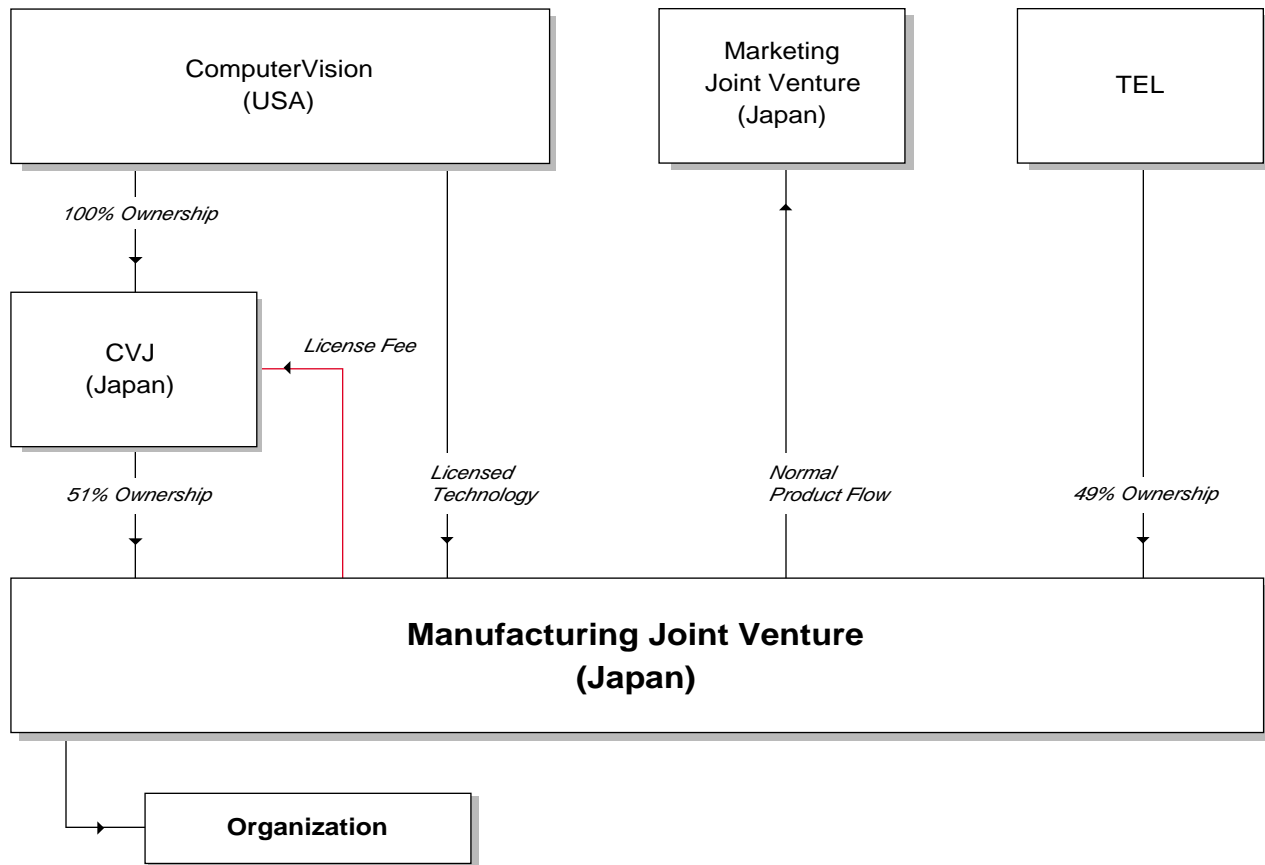


Market Entry Strategies





Manufacturing Joint Venture — Example



President: Japanese-speaking American
Strong computer industry/computer manufacturing background
Experienced in manufacturing technology transfer

Executive V.P.: English-speaking Japanese
Strong computer industry/computer manufacturing background
Experienced in manufacturing and sourcing in Japan

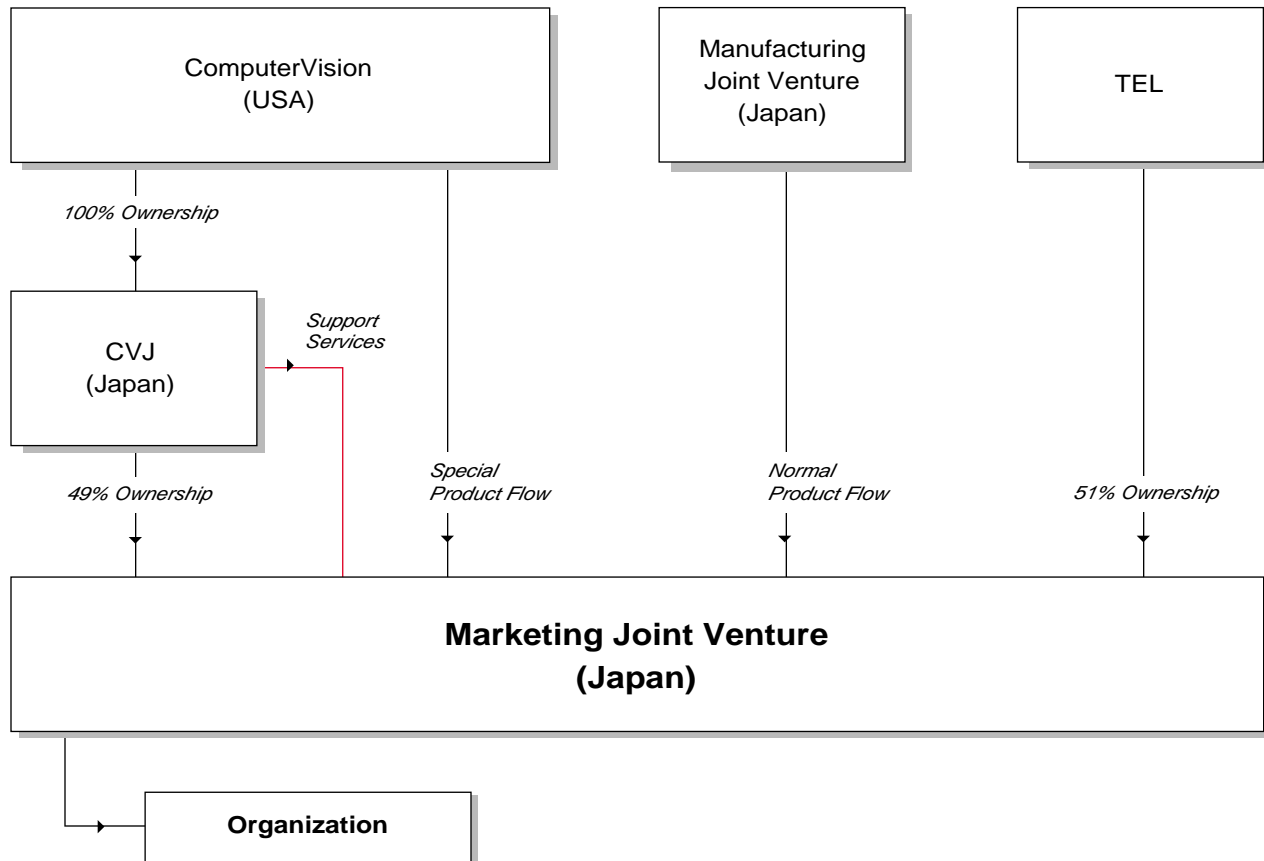
Controller: Japanese-speaking American

Other Managers: English-speaking Japanese

- Notes:**
- Clearly visible to customers and prospects.
 - Product development, software development, and prototype development performed in the U.S.
 - Mass production, including sourcing, performed in Japan.
 - Product modification for Japanese applications performed in Japan.
 - Cross-licensing of Japanese-developed technology to CV (USA) and CV (ROTW: Rest of the World).
 - Product sales to Japan only through Marketing Joint Venture.
 - Any sale of products outside Japan only through other CV entities.



Marketing Joint Venture — Example



President: English-speaking Japanese
Strong computer industry/computer manufacturing background
Experienced in selling to government and large industrial groups

Executive V.P.: Japanese-speaking American
Strong computer industry/computer manufacturing background
Experienced in marketing and service management

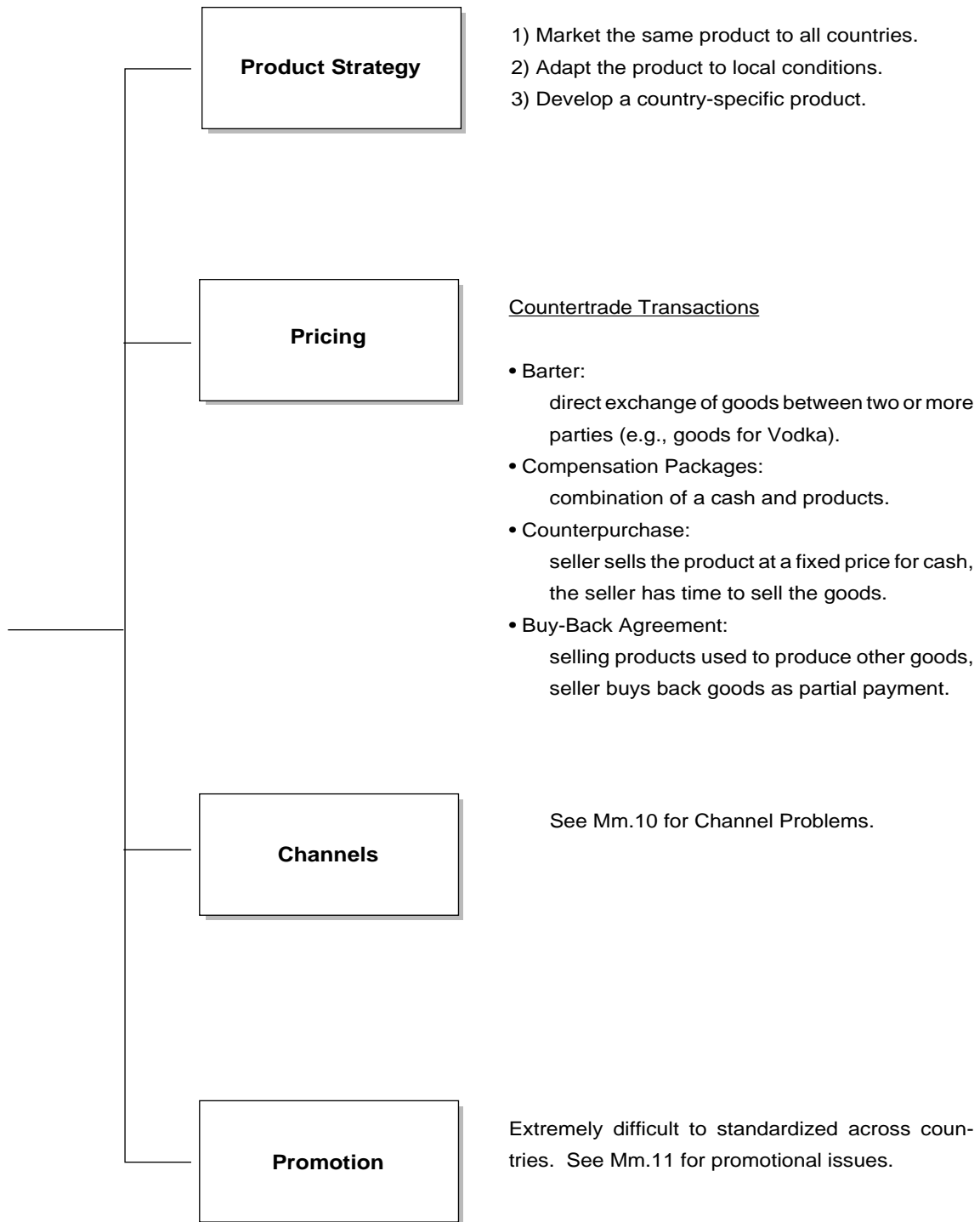
Controller: English-speaking Japanese

Other Managers: English-speaking Japanese

- Notes:**
- Reconciliation of Japanese and American specifications.
 - Receives technical support services from CVJ.
(May include CVJ organization and encompass CVJ service function).
 - Provides technical support services to Manufacturing Joint Venture.
 - Exclusive distributor to Manufacturing Joint Venture and any CV (USA) special products in Japan. (Does not sell products outside Japan.)



International Marketing Mix





Channel Problems

The kind of channel needed may not be available because of the country's low level of economic development (such as lack of refrigeration) or the presence of only state-controlled middlemen.

Existing middlemen have already been appropriated by other manufacturers (particularly local ones) via various arrangements, including financial, and the exclusive use of private labels. This has often been the case with Japan.

A channel, once set up, may be difficult to change because of strong barriers to the termination of a relationship. In some countries, such as Norway, it is illegal to do so without evidence of incompetency. In some of the lesser-developed countries, terminating a powerful middlemen can result in reprisals, including being barred from the marketplace.

Control is yet another problem. An international marketer will almost always use a variety of channel systems to penetrate and service its various markets, no two of which are identical. The problems of controlling this varied set of distribution systems are so numerous that many companies use a contractual entry mode (licensing or franchising) whenever possible to facilitate control.



Promotion Effects

| Type of Environment | Examples of Effect |
|----------------------------|--|
| Social | Languages, culture, religion, and life-styles vary substantially across most countries. For example, because attitudes differ regarding cleanliness, Gillette promotes its razors, deodorants, and other men's grooming products differently in the developing countries than in the United States. |
| Economic | Because of substantial variations in standards of living across countries as well as the distribution of wealth within countries, demand for a particular product varies, as does the way a product is perceived. For example, cameras are considered a reasonably standard item in developed countries. Not so in the developing countries, however. |
| Political | Some countries prevent the importation of some U.S. products under any condition. Political control also determines what products can be advertised (pharmaceuticals, alcohol, airlines, and candy are forbidden in some Arabic countries); what media can be used (no TV advertising is permitted in Scandinavia); and what can be said about products (comparative advertising is not allowed in Germany). |



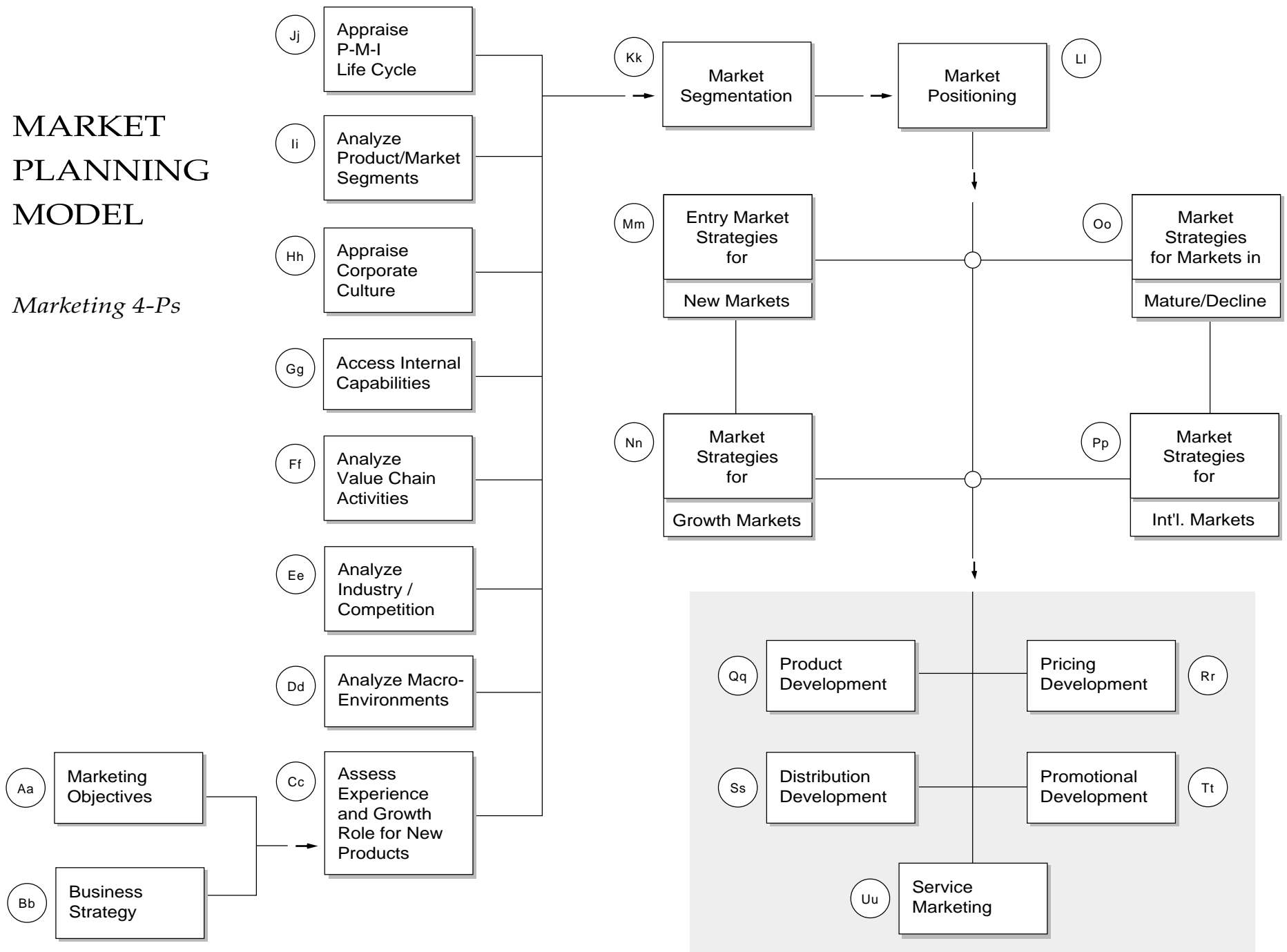
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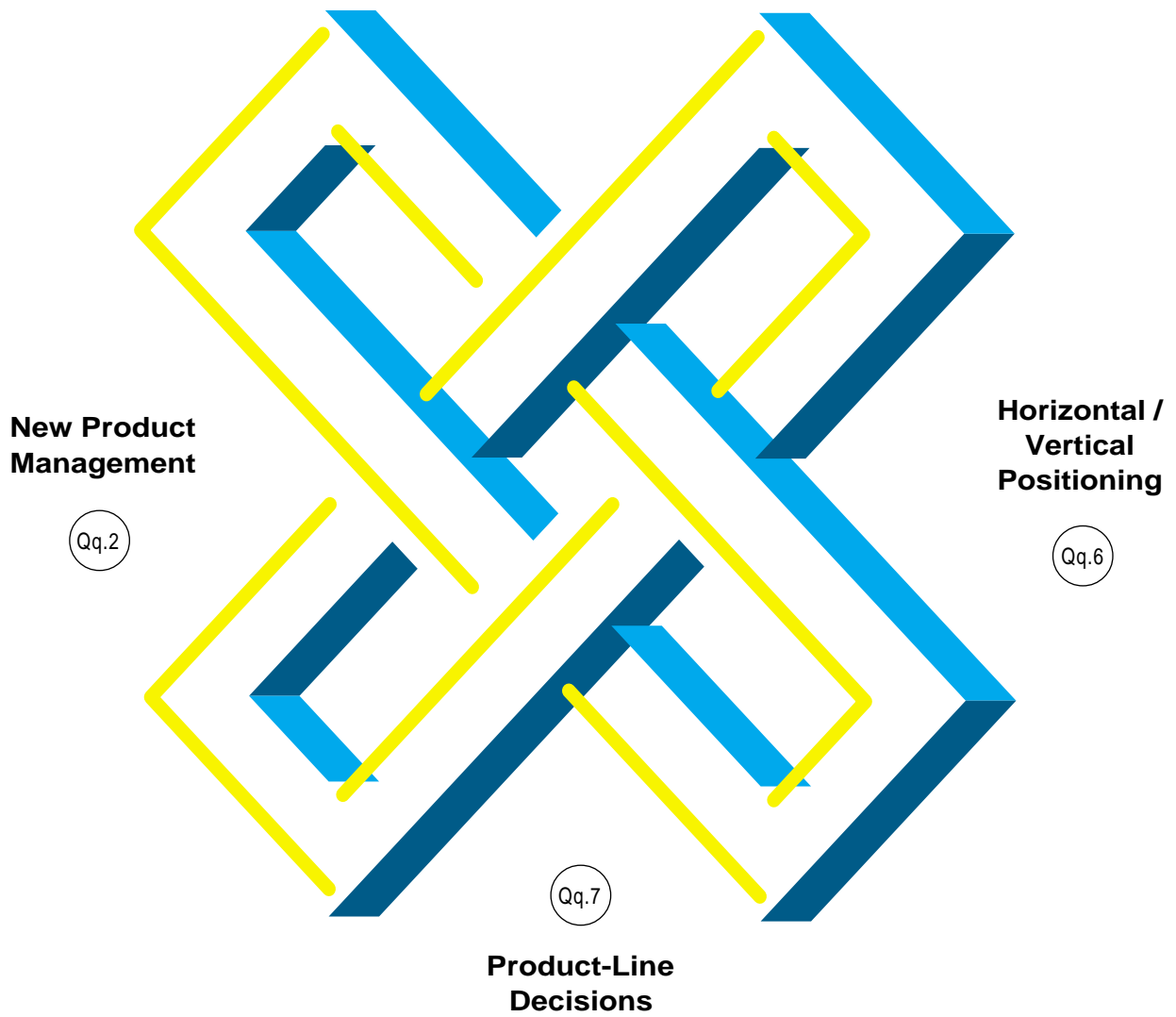
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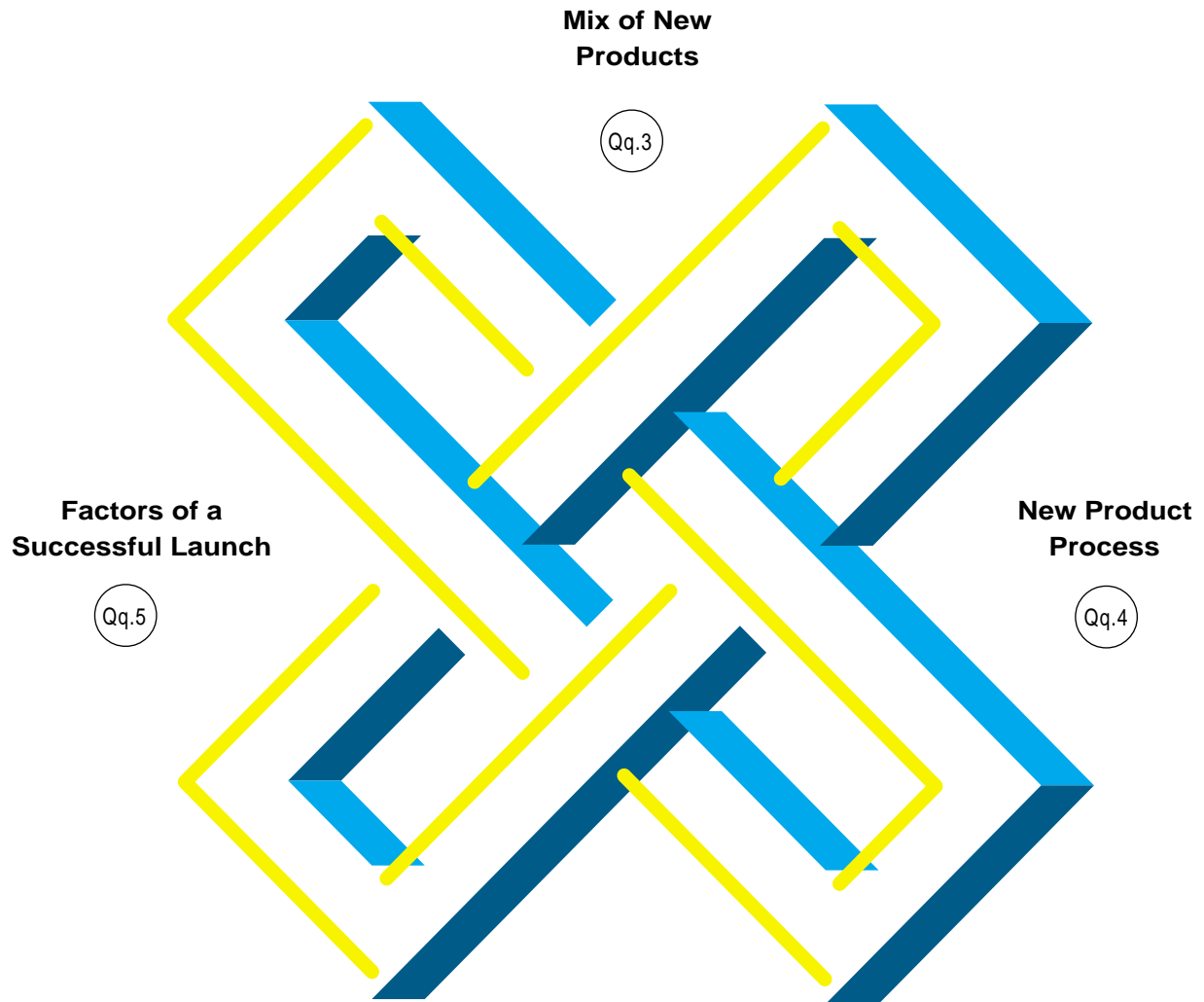


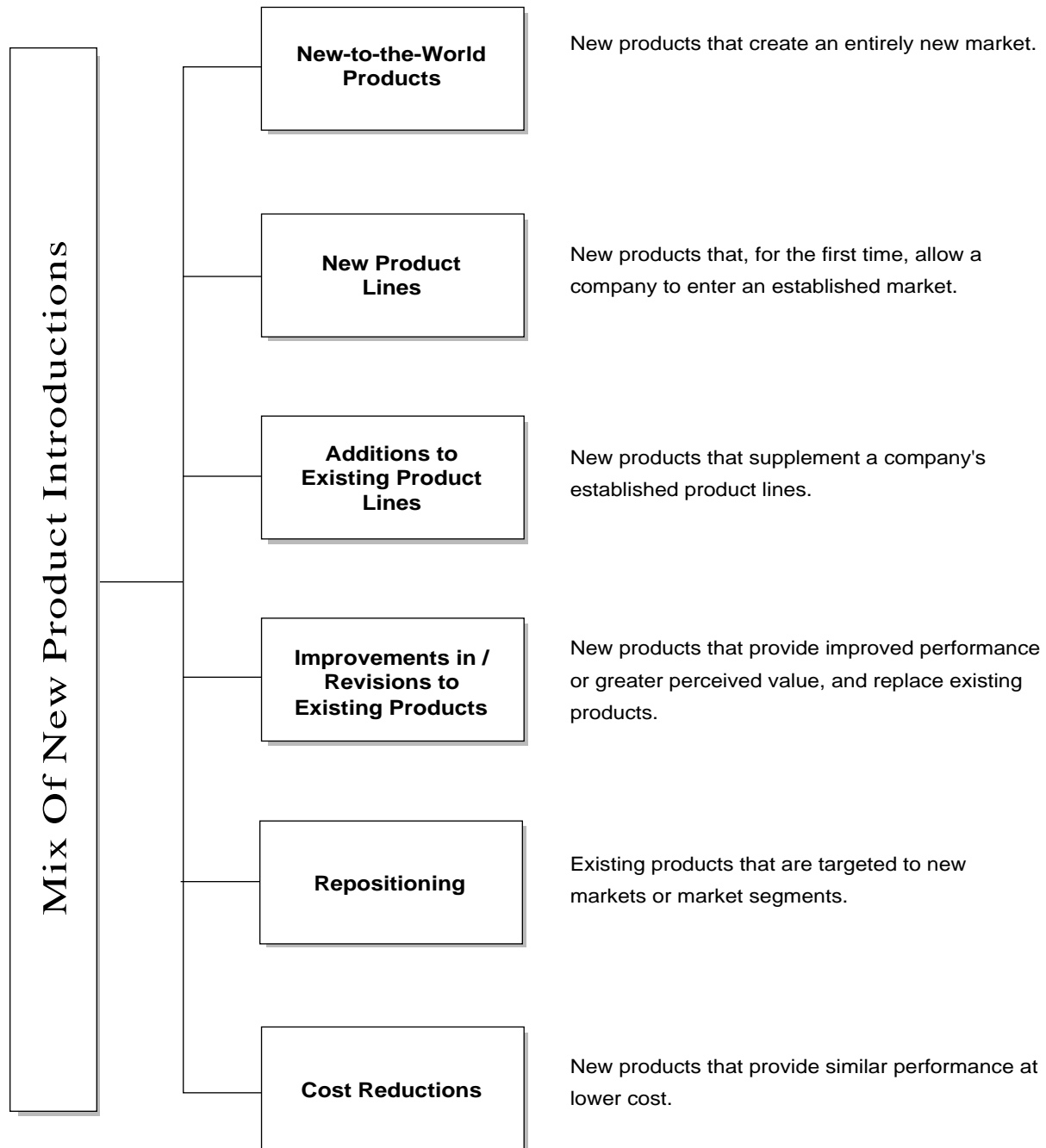
MARKET PLANNING MODEL

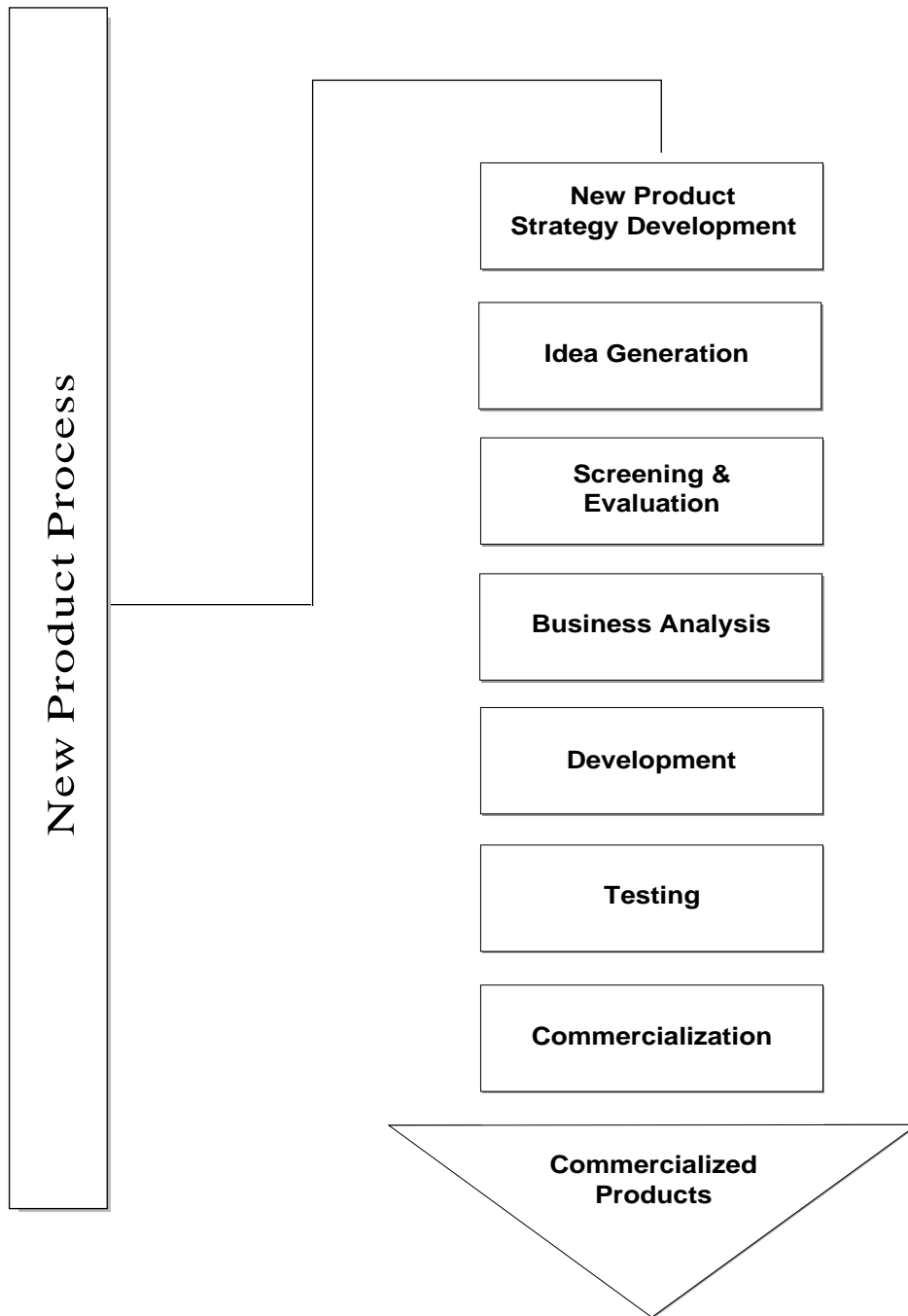
Marketing 4-Ps

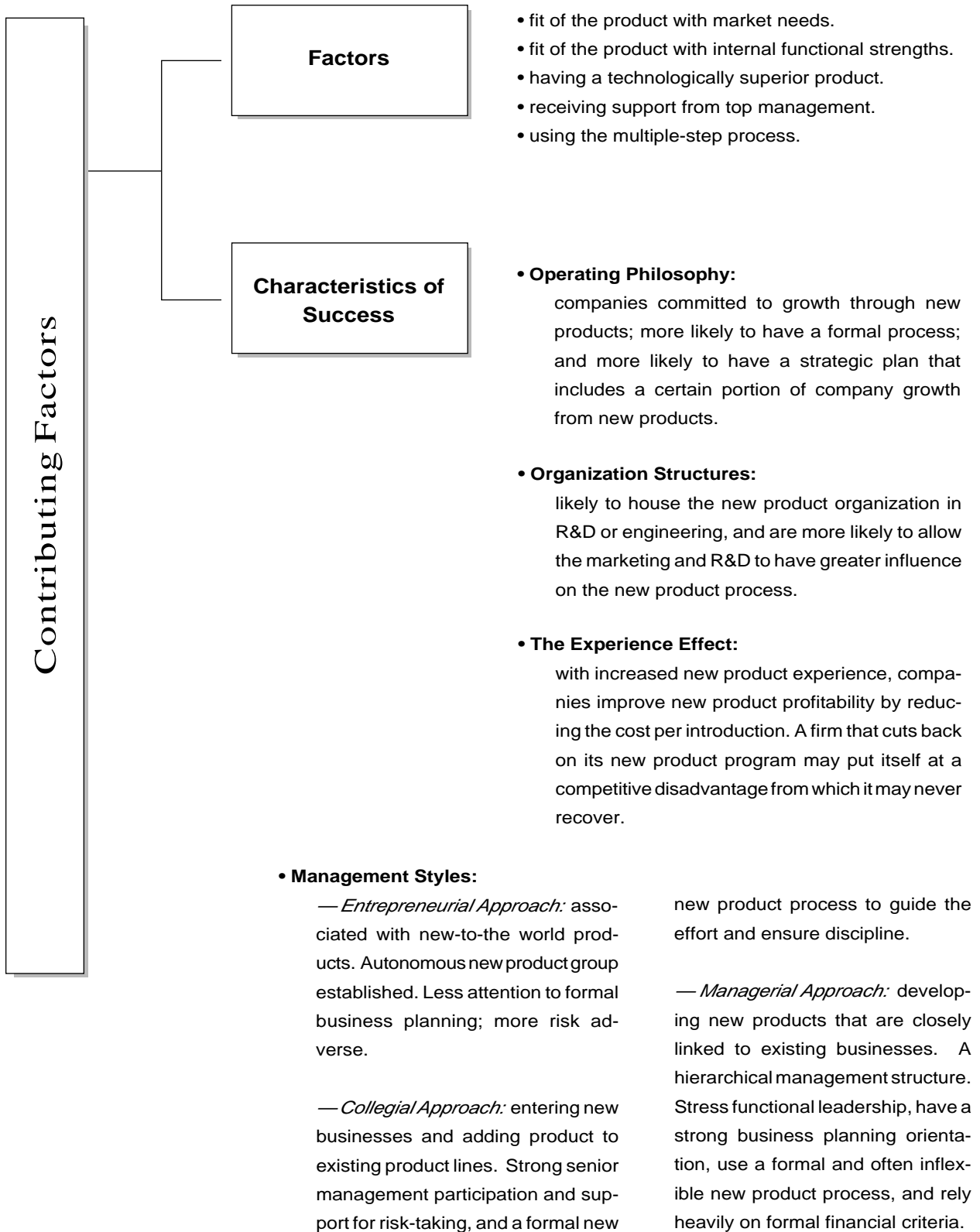


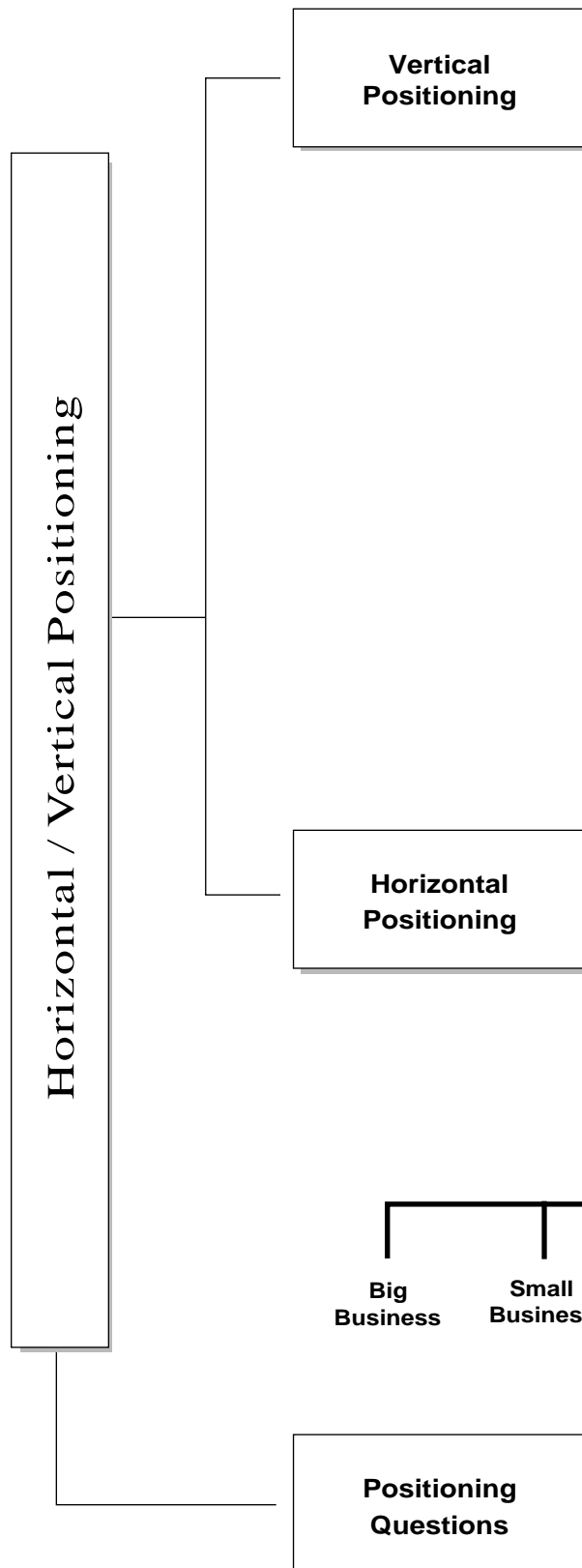




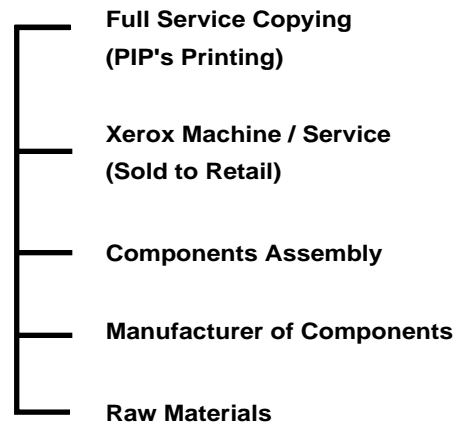




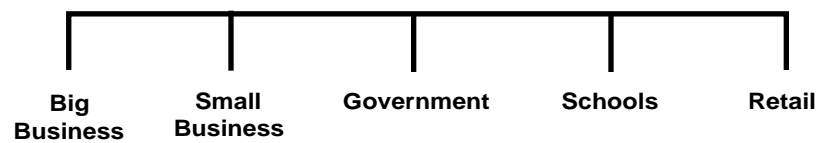




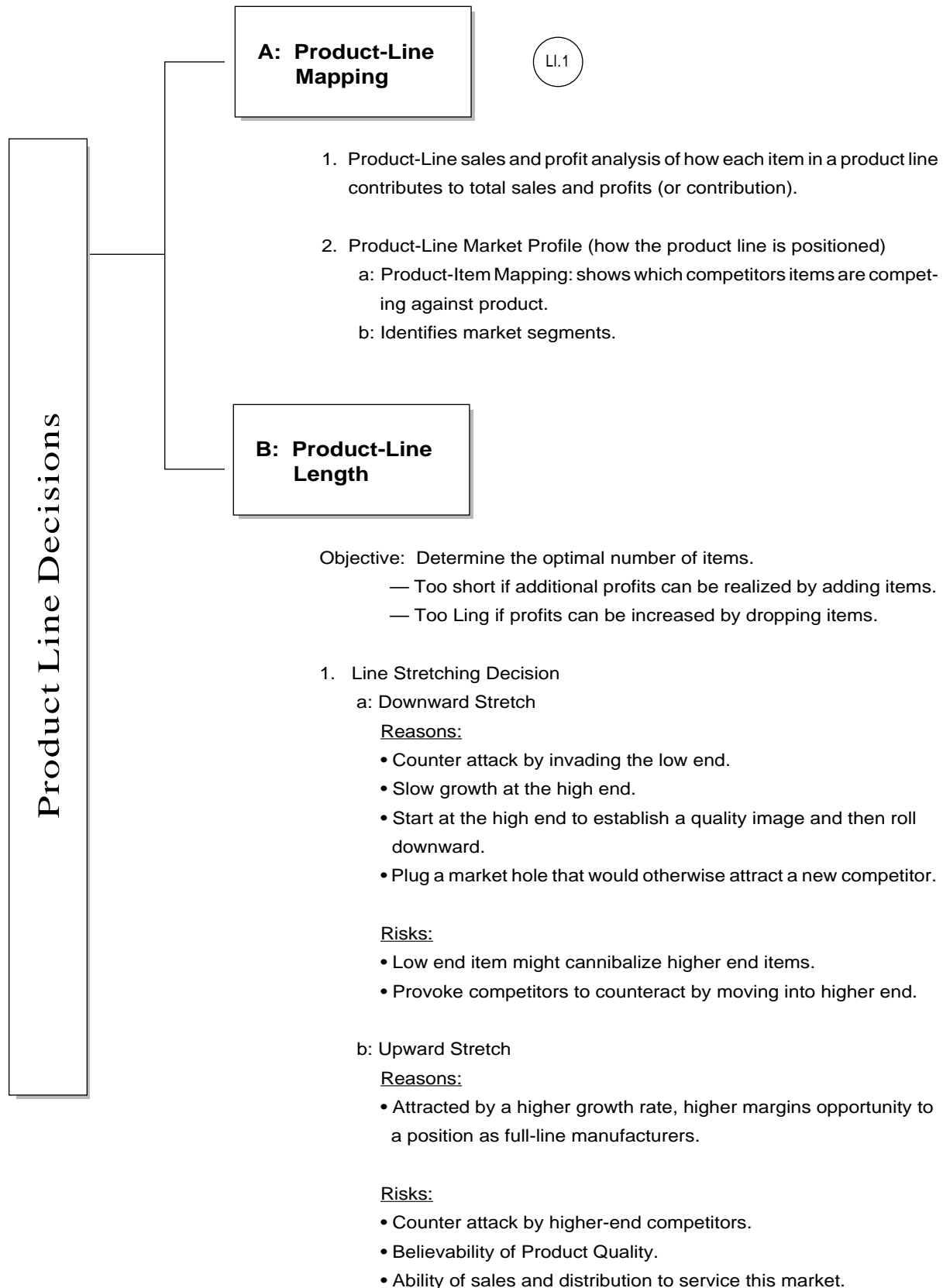
Vertical product / market choices have to do with the market level at which the supplier sells. For instance, the aluminum producer serving the residential housing market may have a choice whether to sell raw materials, semi-fabricated materials, components, or end products. Example, Xerox Copying:

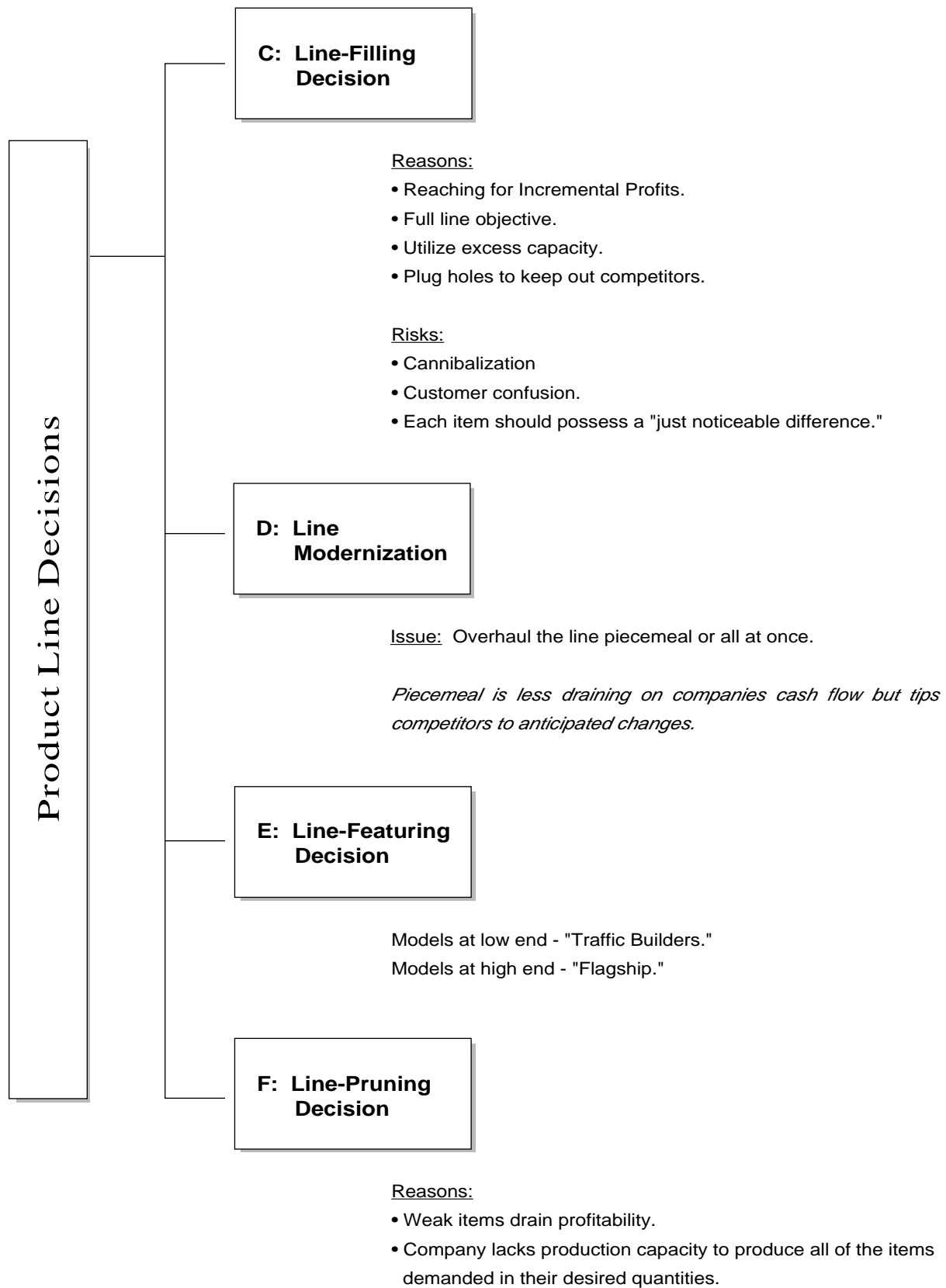


Horizontally, industrial markets can be segmented in terms of end-use application. A manufacturer of air conditioning systems, for example, will distinguish among such market segments as residential tract builders, small "stick" builders, and commercial contractors. Example Xerox Copiers:



- What Markets Should be Served?
- What Form Should the Product Take?
- What Should the Product Do for the User?
- For Whom is the Product Most Important?







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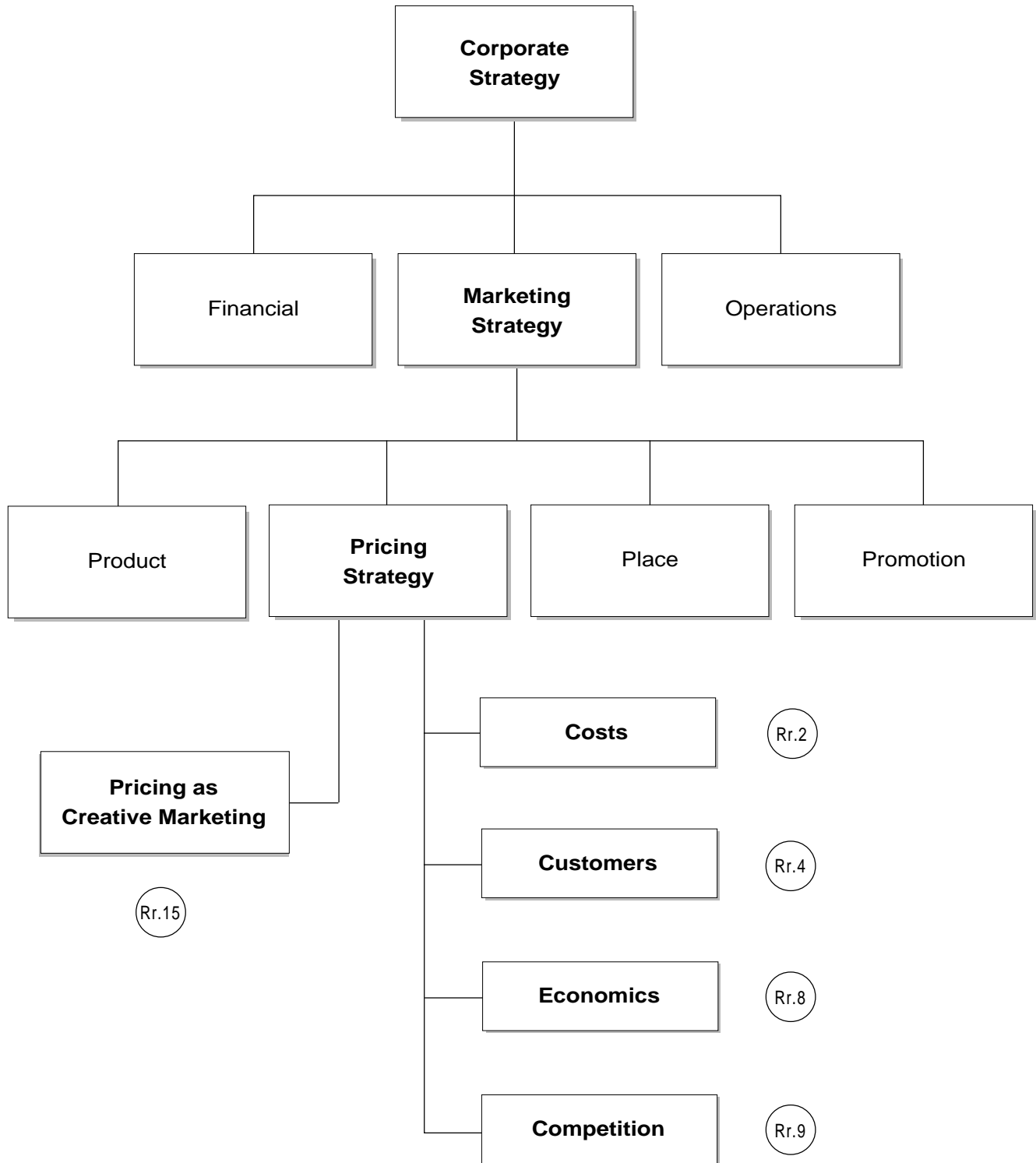
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Costs

- Costs alone should never determine price.
- Decide what to produce and to whom to sell by comparing prices one can charge with costs that must be incurred.
- Isolating Relevant Costs:
 - future costs
 - incremental or marginal costs
 - avoidable costs
 - opportunity costs
- Break-even costs.

Pricing Procedures:

1. Identify the incremental, avoidable costs applicable to a change in sales.
2. Calculate the contribution margin and the break-even sales change for the proposed price change.
3. Evaluate buyers' price sensitivities to determine the likelihood that they will change their purchases by more or less than the break-even sales change.
4. Identify competitors and evaluate likely responses.
5. Identify buyers for whom costs, price sensitivity, or competition are significantly different, and segment them for different pricing treatment, where possible.
6. Calculate the profit implications for various probable sales changes.
7. Accept or reject the proposed price changes by weighing the benefits of favorable outcomes against the perceived risks of unfavorable ones.

See **Rr.3** for issues in product line costing.



Product-Line Costing

Critical Cost Issues:

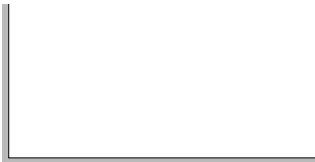
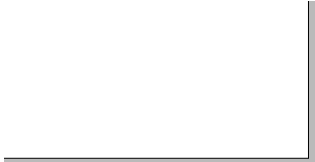
Forward Looking vs. Historical Costs

- Inventory should be valued at present value: NIFO = next-in, forward-out.

Incremental vs. Constant Costs (Marginal)

- Price the ROI what it costs for the next product — marginal.
- Consider only costs that change as a consequence of the pricing decision.

Don't:

- 1) Don't equate average variable cost and marginal cost.
 - 2) Don't equate depreciation and market value.
 - 3) Don't assume a cost element is all variable or fixed.
 - 4) Don't forget that an opportunity cost is a real cost.
 - 5) Don't forget that he who cuts variable costs most/quickest, wins.
-
- 
- 



Customers

1: The Unique Value Effect

Buyers less sensitive to a product's price the more they value unique attributes it offers:

- Does product have unique attributes? (tangible/intangible)
- How much do buyers value such attributes.

Methods —

- Economic Value Analysis
- Conjoint Analysis

2: The Substitute Awareness Effect

More substitutes buyers aware of, more sensitive they will be to the price charged by any one seller (food served in room at a hotel).

- What alternatives do buyers have?
- Are buyers aware of their alternatives?

Methods —

- Market definition (e.g., retailer inquiry, trade show display)
- Sales Personnel
- Survey Research (unaided recall)

3: The Difficult Comparison Effect

Buyers less sensitive to a product's price when comparison with competing offers difficult (e.g., candy in a show-house).

- How difficult is it for buyers to compare offers (observation)?
- Are prices of different suppliers easily compared?

Methods —

- Observation of buyer decision-making.
- Past behavior with respect of similar products.
- Judgement based on difficulty of obtaining information and risks of product trial.



Customers

4: The Total Expenditure Effect

Buyers more price sensitive when expenditure larger.

- Significance of buyer expenditures on product?

Methods —

- Secondary Data (Consumption rates from consumer panel; input-output analysis; engineering estimates).
- Mail or Telephone Survey

5: The End-Benefit Effect

Buyers more sensitive to price of a product when:

- a) they are sensitive to cost of end benefit to which it contributes.
- b) product's price accounts for larger share of total cost of end benefit.

- What end benefit do buyers seek from product?
- How price sensitive are buyers to cost of end benefit?
- What portion of the benefit does price of the product account for?

Methods —

- survey of buyers (e.g., other purchases made in conjunction with purchase of product).
- Engineering study of buyer's production process.

6: The Shared Cost Effect

Buyers less sensitive to the price of a product the smaller portion of price they actually pay.

- Do buyers pay the full cost of the product?
- If not, what portion of the cost do they pay?

Methods —

- Surveys of corporate reimbursement policies.
- Analyses of insurance coverages.
- Treatments of expenditures for tax purposes.



Customers

7: The Sunk Investment Effect

Buyers less sensitive to the price of a product the greater the sunk investment made in anticipation of its continued use (ex. new car generally gets higher-priced gas).

- Must buyers of the product make complementary expenditures in anticipation of continued use?
- For how long are buyers "locked in" by these expenditures?

Methods —

- Questioning of buyers and observation.

8: The Inventory Effect

Buyers more price sensitive i short run when they can hold inventories of a product and believe it current price is temporarily lower or higher (canned tomatoes vs. fresh tomatoes).

- Do buyers hold inventories of the product?
- Do they expect current price to be temporary?

Methods —

- Inference from form of price announcement
- Inference from informal research and past behavior



Customers

9: The Price-Quality Effect

Buyers less sensitive to a product's price to extent the price signals higher quality.

- Is a prestige image an important attribute of the product?
- Is the product enhanced in value when its price excludes some customers?
- Is the product of unknown quality and are there few reliable cues for gauging quality before purchase? If so, how great would loss to buyers be from low quality relative to the price of the product?

Methods —

- Judgement based on comparison with similar products
- Experimental research — value of price as quality cue.
- Treatments of expenditures for tax purposes.

10: The Conceptual Argument

Buyers quality consciousness drives the phenomenon of price premiums.

- Experience Products: the more quality conscious, the greater will be the price.
- Search Products: the more quality conscious, the more likely they are to search and less likely to be cheated, hence the less likely they will pay a premium.

11: Findings from Academic Research:

Price-perceived quality effects are similar across different price levels.

The larger the change in prices, the more significant the change in quality perceptions.

Price-perceived quality perceptions are stronger "within" individuals, than "between" individuals; e.g., consumers exposed to multiple prices form stronger price-quality perceptions than those exposed to single prices.

When other information (such as brand name) is present, the price-perceived quality effect is enhanced, not reduced.



Customers

12: Morals of the Story:

Segregate gains — multiple presents; multiple concessions.

Integrate losses — credit card usage; extras in the purchase of cars (e.g., stereos).

Cancel losses against larger gains (integrate — salary deductions).

Segregate "silver linings" (small gain/loss); integrate otherwise and create a small loss — rebates.

In general, present options as discounts (more valuable) than premiums (e.g., credit card usage).

13: Preliminary Implications

All marketplace transactions involve exchanges — something (money) is lost and something else (a product or service) is gained.

Consumers are typically risk averse with respect to gains, and are risk taker with respect to losses.

Opportunity costs (reductions in gains) are weighted differently (less) than out-of-pocket costs (which are outright losses).

If therefore becomes the aim of the marketer to frame losses as reductions in gains, not outright losses. This results in a more satisfied customer.



Economics

Extrinsic Value:

Based on brand name, price, and market perception; e.g., Department 56 Dickens series. Psychological Impact.

Intrinsic Value:

The product's specification; e.g., Department 56 Dinkins series and its clay materials. Physical performance.

Cross Elasticity of Demand:

- Complement Products
What happens to one Product (A) if you change price of Product (B); e.g., film and cameras.
- Competitor Products
One Product (X) goes up/down by change of another product; e.g., chicken and hamburger.

Familiarity of Products:

- The more information the user has, the price and perception of quality drop. Price and perception of quality curve moves up with great information where price is a good indicator of quality.

Fungibility of Money:

- The value to gain \$25,000 is less than the value with a loss of \$25,000. Losses are more painful than gains of equal magnitude.



Competition

Loss Leaders:

Price below VC because:

- It is difficult to remember multiple prices
- Different segments are differentially price sensitive

Therefore, if:

- A product is frequently purchased
- By a price sensitive segment

It is a candidate for a loss leader, as the segment will "anchor" on that price to assess the general price level. Ex: Grocery stores — white bread, peanut butter

Flankers:

- Low or high priced brand that fights a competitors offering.

Ex: Gulftane vs. independent stations.

Product Line Prices and Quality Perceptions:

- Highest priced model is normally used to assess quality — but may be considered ostentatious; often need "high priced loss leaders" to create the dominant brand effect.

Ex: Branded Items -> Private Label -> Generics.



Competition

Bundling vs. Unbundling:

- Bundling: Combine the products as one product; e.g., the Apple Computer with system, interface, keyboard, etc.
- Unbundling: Unbundled products into several components; e.g., the Apple Computer sold individually as a system, hardware, etc.

Similar vs. Dissimilar Products:

- Similar Products: introduce medium-priced. High-price users will move to medium price but low-price users stay because of price sensitivity.
- Dissimilar Products: will only steal from dissimilar products of the same price.

The Experience Curve:

- Direct unit costs of manufacturing and marketing decline by a constant amount, in constant dollars, every time cumulative volume doubles.
- Prices should normally follow a similar pattern.
- Should be used with product portfolio analysis.
- Sources of Experience Curve Effect:
 - Learning by Doing:
increase efficiency, discover better ways or improve methods, exercise of ingenuity, skill and repetitive activities.
 - Technological Improvements:
product standardization and design, changes in resource mix, new production processes.
 - Economies of Scale:
increased efficiency due to size, spreading fixed costs over greater numbers of units.



Competition

Pricing with the Experience Curve

I: Costs and Experience:

a: Price and cost data show that costs decline by some predictable amount each time accumulated experience is doubled.

b: The decline in costs is consistently 20% to 30% each time accumulated production is doubled.

c: These reductions in costs, as volume increases, are not automatic:

- Management must seek ways to force down costs as volume expands.
- Production costs are most likely to go down under this pressure, but all cost elements should be subject to this management pressure.
- Competition will produce the survivors who realize this cost reduction potential.

d: The growth rate of a product is an important factor. If demand for a product is not growing, then the rate of cost decline per year slows down and approaches zero.

e: When accumulated units of a product are increasing annually at a constant percentage rate, then each year of product experience produces about the same percentage effect on cost.



Competition

Pricing with the Experience Curve

II: Prices and Experience:

a: Available data show, in general, that prices tend to decline by some given amount each time accumulated experience is doubled.

b: Where prices have paralleled costs over time, the price experience slope is a straight line (characteristic of very competitive and rapid growing, technological industries).

c: When prices do not decline as fast as cost initially, then a kink will appear:

- Phase A: costs exceed prices
- Phase B: market leader holds a price umbrella
- Phase C: shake-out period
- Phase D: stability emerges.

III: Guidelines for Application:

a: Cost-volume analysis is a powerful conceptual and analytical tool.

b: The most obvious application of experience curves is to the manufacturer.

c: These costs include the customer's perception of value vs. cost.



Competition

Pricing with the Experience Curve

IV: Limitations of the Experience Effect:

a: Total costs decline from effects of experience on cost elements that combine to make up the product.

- slopes of experience curve for different cost elements may be different.
- only some costs may be influenced by management.
- causes of cost experience must be identified.
- some experience can be shared because several products use common resource.

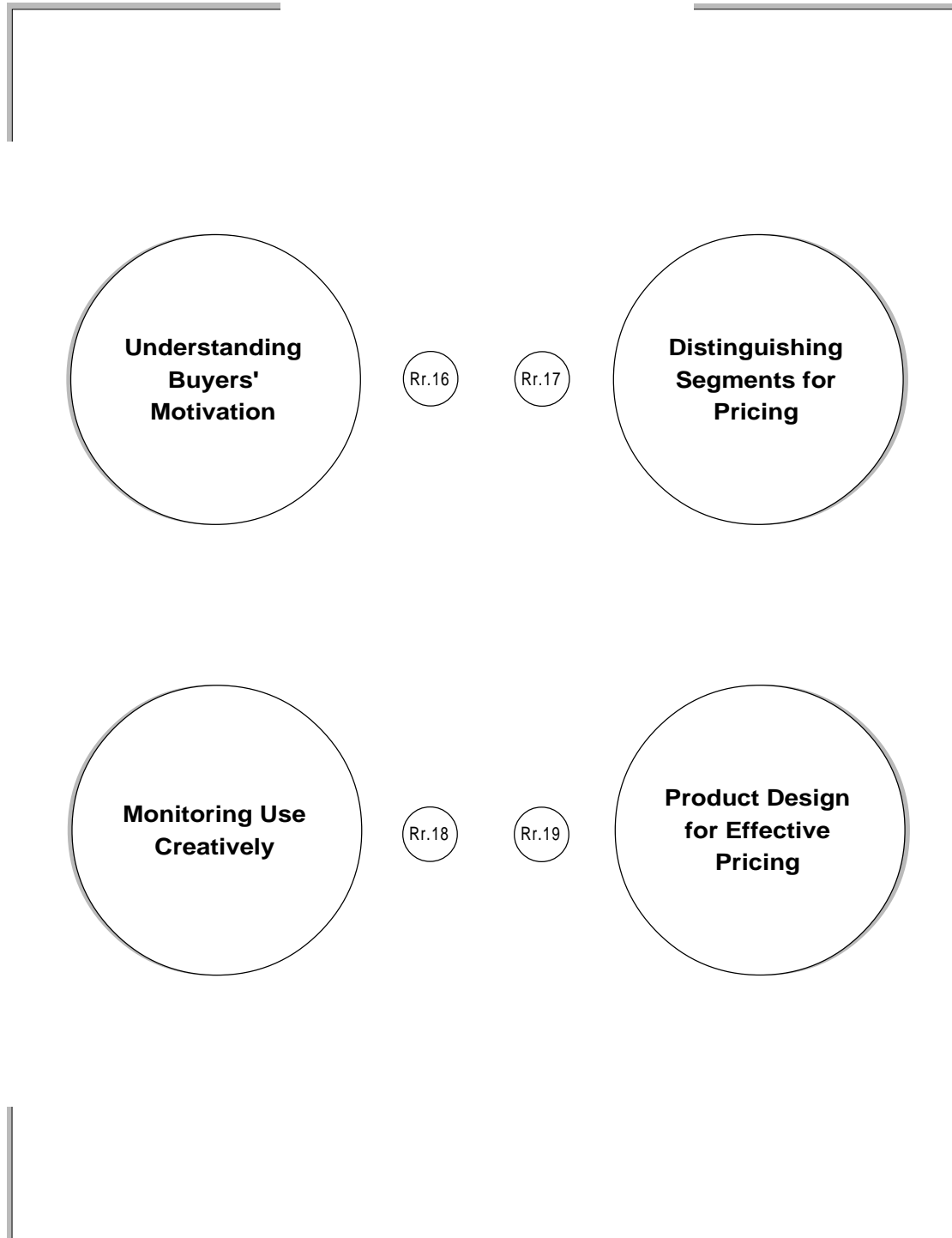
b: Change in design or manufacturing of product can change experience effects.

c: Experience can be purchased.

d: Experience may be overrated.



Creative Pricing in Marketing





Understanding Buyers' Motivation

1: The Ford Mustang:

With buyer-oriented pricing, the firm anticipates price, even before a product's development, by simply evaluating proposed product benefits.

The Mustang was not designed to be a good sports car, with all the preconceptions of what a sports car "should" be, and then priced to cover costs and a target return. Ford discovered through research that a market segment existed which valued "sportiness" in a car, but which was unwilling to pay the price for a "sports car."

2: Prices are Tentative:

Prices are only tentative and, after each step in the development process, should be reevaluated based on consumer interviews, surveys, and changes in the market. These tentative prices are an important guide to product development since they can mark potential products as candidates for rejection or redesign.

3: Airline Pricing:

The most important advantage of buyer-oriented pricing is the early detection of differences in the way buyers value the same product benefits.

Planes keep flying because the companies recognize differences among buyers — in the benefits important to them and in the value they place on those benefits — enabling airlines to offer slightly differentiated products at significantly different prices.



Distinguishing Segments for Pricing

1: Distinguishing Segments:

The challenge of buyer-oriented pricing is not just to identify different consumer segments. The next step is to design a marketing strategy that effectively distinguishes them for pricing.

Airlines successfully distinguish segments simply by requiring a long lead time to reserve a low price fare. Vacationers are price sensitive. Business travelers are much less price sensitive but require flexibility.

Separation generally requires creative efforts in product design or distribution, which explains why development of a pricing strategy should begin early in the product development process. First study buyers to determine what product benefits they seek and what value they place on those benefits: e.g., making many copies per original and for making few copies per original.

The buyer-oriented pricer would recognize that buyers who make many copies per original have very good alternatives to photocopying. They could use offset presses or duplicators to get high quality copies at a reasonable cost. But buyers who make few copies per original have no good alternatives. Offsetting and duplicating are prohibitively costly for a few copies, while carbon paper produces copies of distinctly lower quality. Thus, buyers who make few photocopies per original will value them much more highly than will buyers who make many copies.

Also holds true for buyers who make many copies prefer copying technology that collates, duplicates, etc. They place a high value on such items.



Monitoring Use Creatively

Tying Arrangements:

Though questioned by the courts, opportunities to segment a market through tying arrangements still exist. In the opinion of the Supreme Court, the "illegality in tying arrangements is the wielding of monopolistic leverage; a seller exploits his dominant position in one market to expand his empire into the next." Must be shown to have a monopolistic position in the tying good which excludes substantial competition in the tied good.

No court has ever considered prohibiting theaters from requiring that popcorn be purchased from the in-house concession, or considered prohibiting razor manufacturers from creating shaving technologies that tie blades to razors.

The courts have nevertheless severely limited tying arrangements in precisely the cases where they were most dramatically effective.



Product Design for Effective Pricing

1: Distinguishing Segments:

Pricing tactics call for creative insight based on differences in buyers, not differences in technologies or product costs. Moreover, they required that those differences be identified early in the product development process. Often the product design itself is the mechanism for effective buyer-oriented pricing, again requiring formulation of a pricing strategy even before designing the product.

Orchestral programming includes for a program segments of music that appeals to patrons like "old favorites;" a smaller but highly devoted group of patrons prefers hearing pieces which are more avant garde. By bundling features that appeal to different tastes, they are actually segmenting their market for pricing. Thoughtfully combined programs allow symphonies to charge each listener a high price for the music he values most, without driving from the market for that music those patrons with different tastes.

This same practice is used in numerous instances even for pricing other than entertainment and sporting events. Newspaper publishers often sell advertising only as a package for both their morning and evening papers. And radio stations sometimes sell advertising for one program only in combination with another.

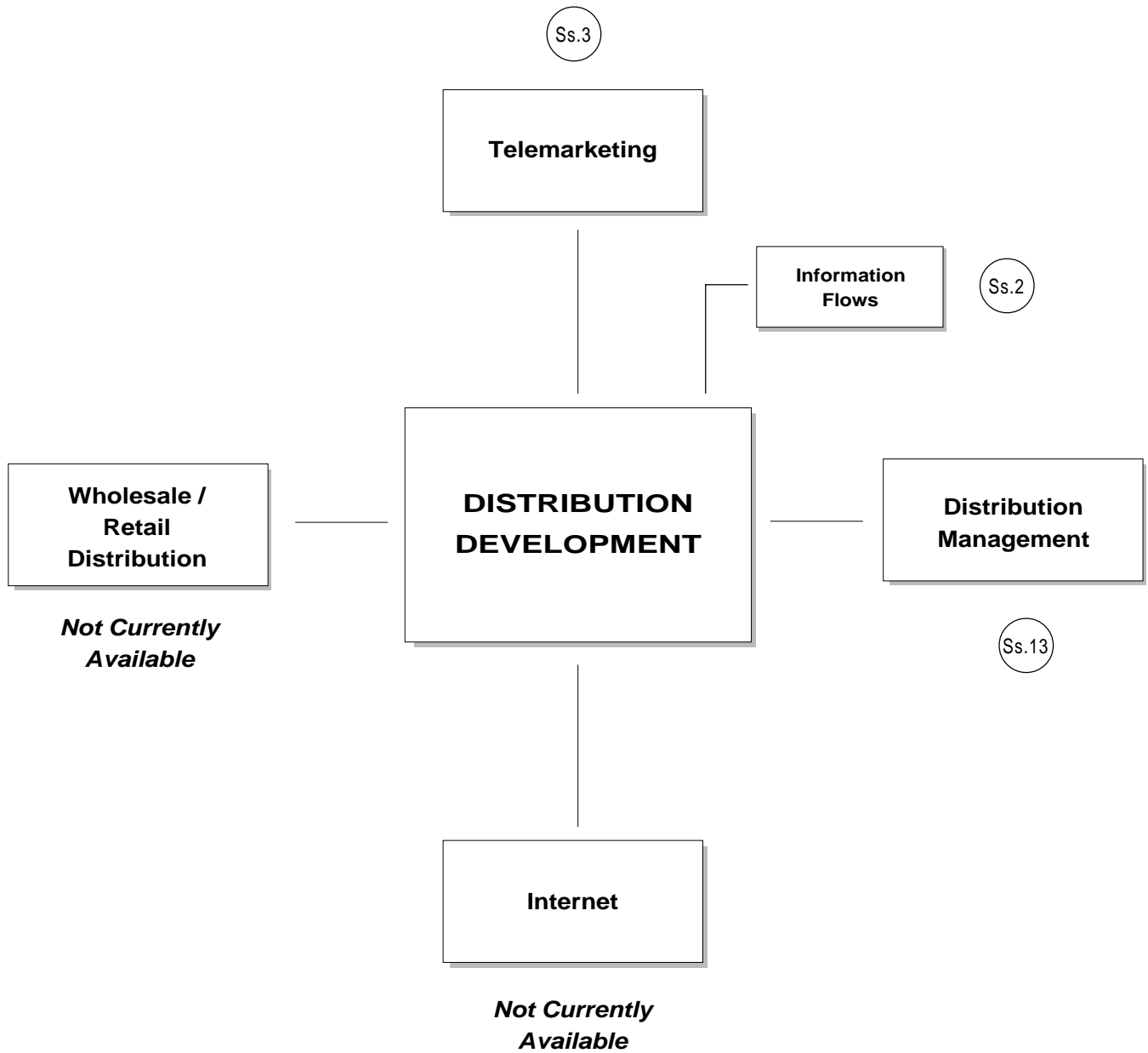
The key to effective pricing is the same one that opens doors to efficacy in other marketing functions: a creative awareness of who buyers are, why they buy, and how they make their purchase decisions. The recognition that buyers differ in these dimensions is as important for effective pricing as it is for effective promotion, distribution, or product development.

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Flows in a Distribution Channel

Product Flows

Suppliers → Shippers → Manufacturer → Dealer → Buyers

Title Flows

Suppliers → Shippers → Manufacturer → Dealer → Buyers

Payment Flows

Suppliers → Banks → Manufacturer → Banks → Dealers → Banks → Buyers

Information Flows

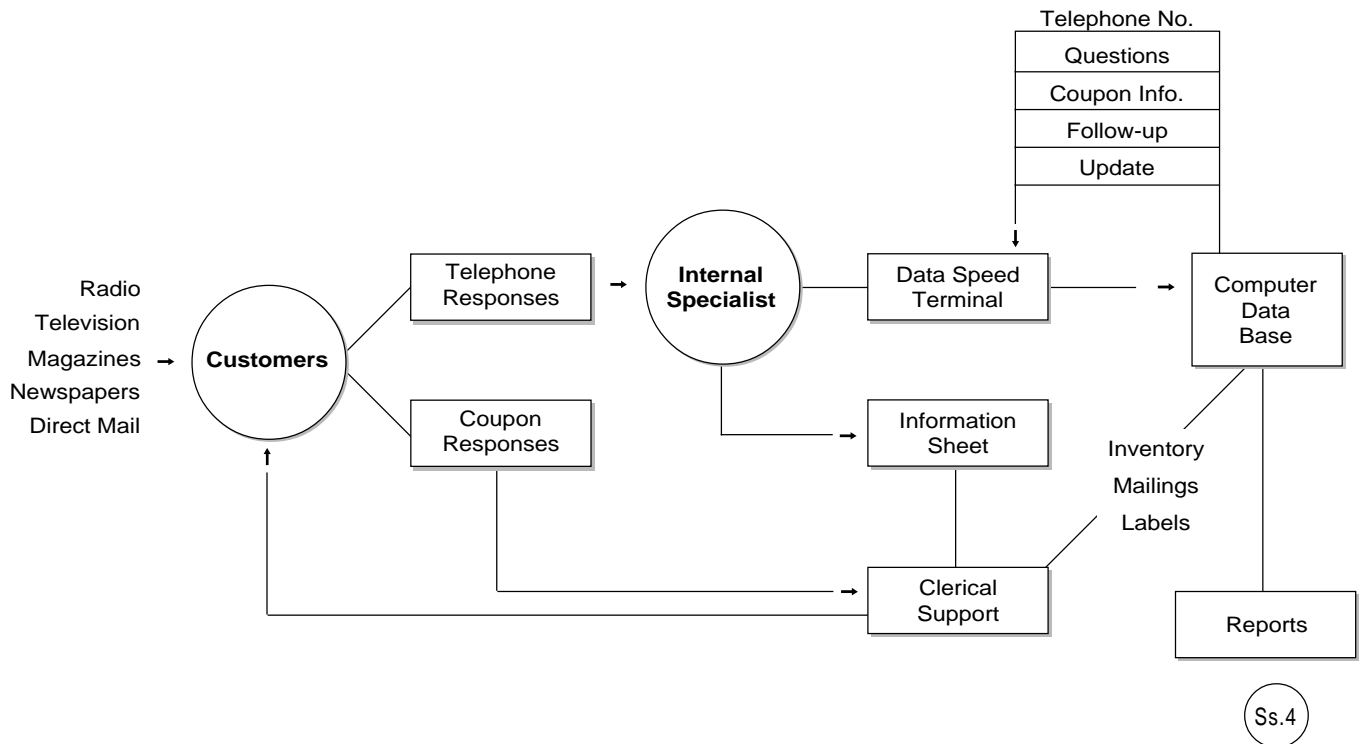
Suppliers ↔ Shippers ↔ Manufacturer ↔ Distributors ↔ Buyers

Information Flows

Ad Agency & Media ↔ Manufacturer ↔ Dealers ↔ Buyers



The Processing System in a Telemarketing Center (TMC)



- (Ss.5) Sales Leads Qualification Flow
- (Ss.6) Sales to Marginal Accounts Flow
- (Ss.7) Direct Sales to Market Flow
- (Ss.8) New Product Information Flow
- (Ss.9) Customer Inquire and Complaint Flow
- (Ss.10) Measurement of Advertising Effectiveness Flow
- (Ss.11) Credit and Collection Activities Flow
- (Ss.12) Marketing and Product Research Flow



Advertising Report

- Inquiries per Advertisement
- Profiles of Respondents
- Sales Conversion Rates per Advertisement

Market Management Report

- Segment Analyses
- Marginal Account Identification

Marketing Research Report

- "Demographic" Data
- Image and Attitude Studies
- Forecasting Data

Physical Distribution Report

- Consumers' Orders
- Distributors' Orders
- Tracing and Dispatching
- Shipment Requirements
- Inventory Requirement
- Product Return Needs
- Customer Service Needs

Product Management Report

- Sales per Product
- Questions and Complaints
- Consumer Profiles

Sales Management Report

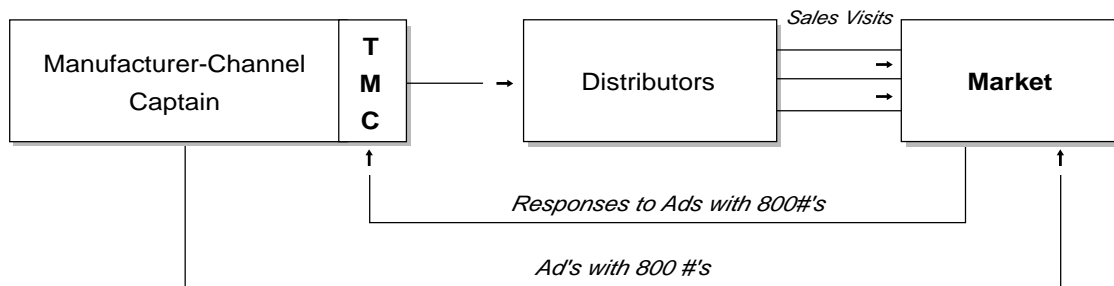
- Lead Qualification
- Marginal Account Status

Telemarketing Center Report

- Operations



Sale Leads Qualification



Channel Captain Benefits:

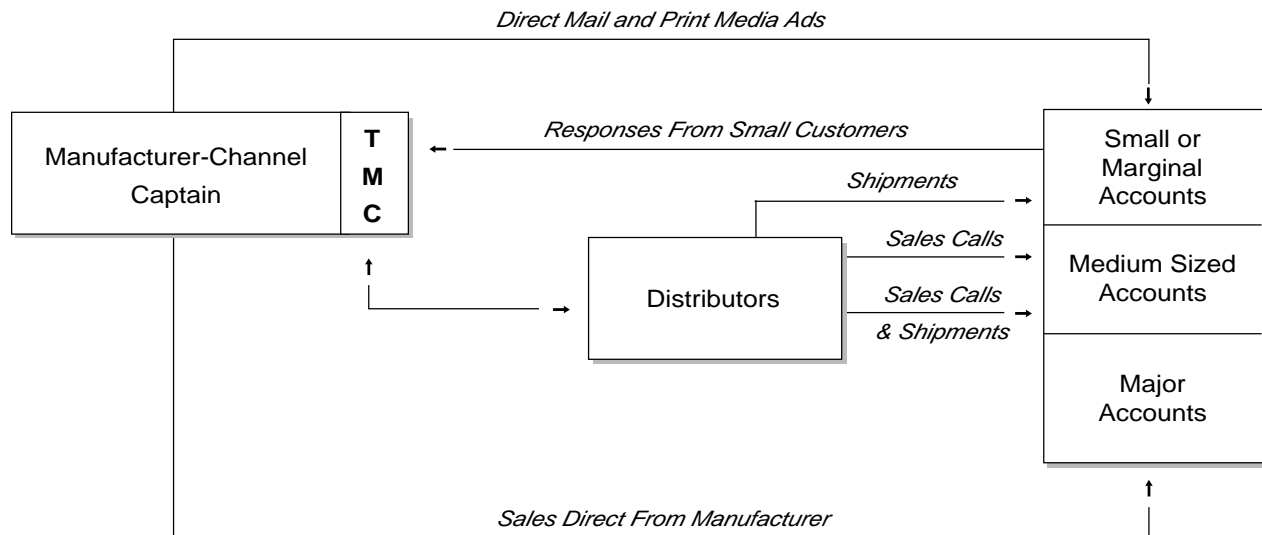
1. Serves as on measure of the distributor's and manufacturer's success in capitalizing on sales opportunities in their respective territories.
2. It provides methods for identifying distributors with sales personnel who need more training or upgrading.
3. It enhances the strength of distributors by making them more effective which, in turn, rebounds to the benefit of the channel captain.

Distributors Benefits:

1. The sales force's productivity is increased because they will be calling on persons or businesses that are more likely to make a purchase.
2. It links inventories with quantity users by providing real time demand and supply information.



Selling to Marginal Accounts



Channel Captain Benefits:

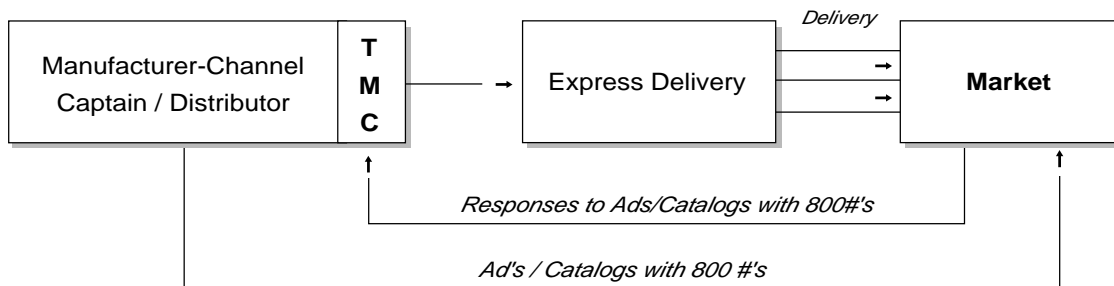
1. That it allows service to a market which would otherwise be a source of loss rather than profit.
2. It permits greater economies of scale resulting from the sale of products to an expanded market.
3. It provides greater cooperation from distributors selling to customers who otherwise might have to be abandoned.

Distributors Benefits:

1. They receive credit for business from which minimal selling costs were incurred.
2. It allows distributors to benefit from small accounts which may grow into medium sized account that will be loyal to the supplier.



Direct Sales to Market

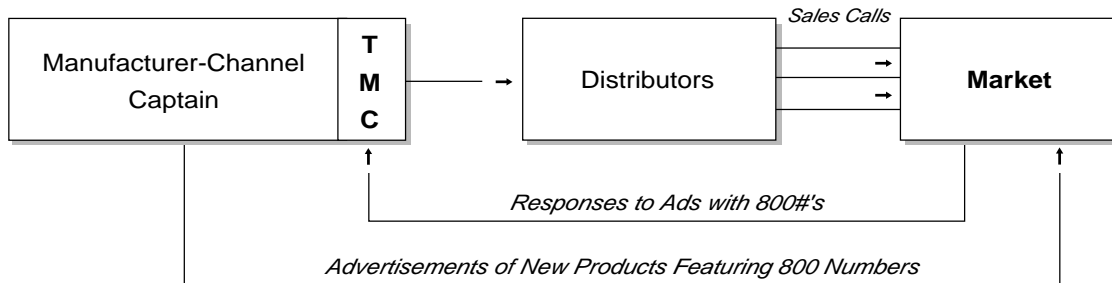


Channel Captain Benefits:

1. Bypasses middle-players. Margins reserved for channel captain.
2. Allows for access to market without retail outlets.
3. Channel operational with items that require low-involvement purchase.
4. Express Mail Delivery to market overnight.



New Product Information



Channel Captain Benefits:

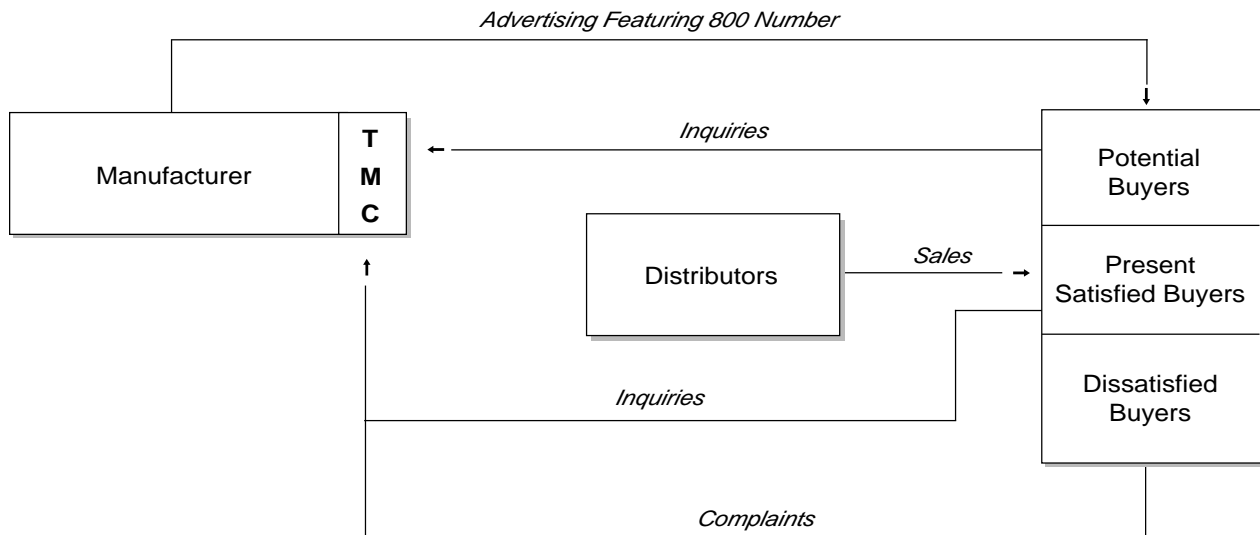
1. It gives the channel captain greater control over important events occurring in the channel.
2. It allows the manufacturer to be in contact with and thus gain information about those customers who will be innovators and leaders and whose reactions to the new product will be important.
3. It provides an opportunity to check on the accuracy of forecasts from market research.

Distributors Benefits:

1. It permits distributors to receive information in a more timely, uniform, and consistent manner compared to receiving information via individual sales people.
2. It furnishes information about customers who have been responding to the new product advertising in the distributor's area.



Customer Inquire and Complaint



Channel Captain Benefits:

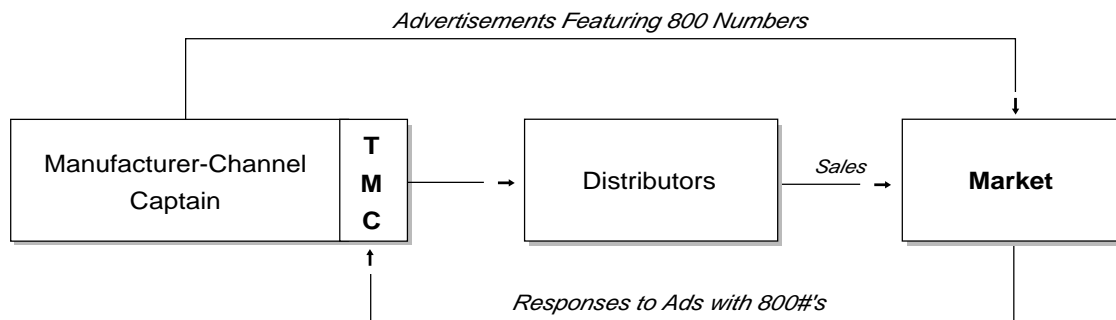
1. It assures higher quality answers being provided to customers compared to the answers that distributor's sales people might provide.
2. It provides objective determinants of which distributors' territories are yielding the most calls for service and/or complaints.
3. It may allow the manufacturer to reduce the amount of money spent to train distributors' sales people to handle questions and complaints.

Distributors Benefits:

1. It allows distributors to use their personnel to sell rather than handle inquires.
2. It provides cost savings to distributors by reducing flows of paper work, lost inquiries, and possible ill-will of customers who can't get their questions answered.



Measurement of Advertising Effectiveness



Channel Captain Benefits:

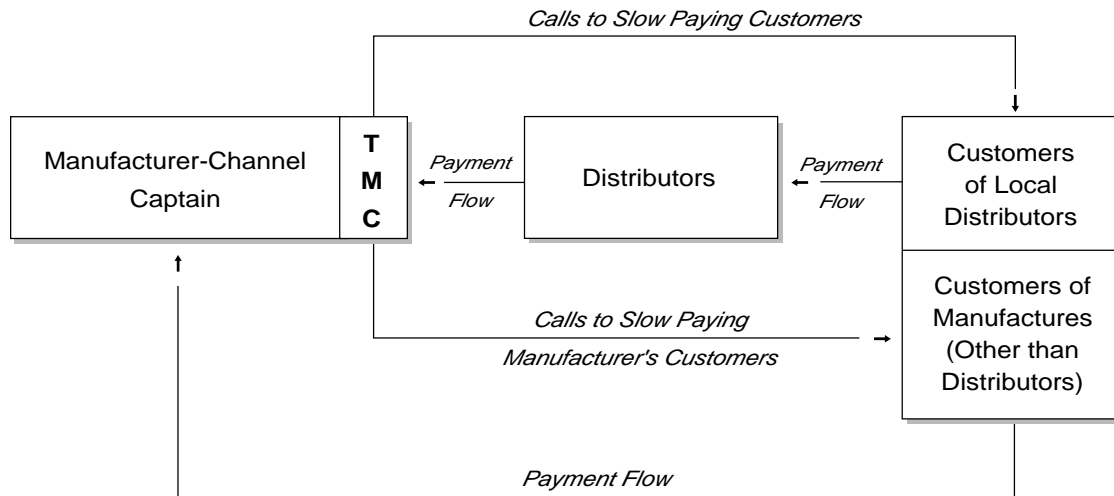
1. More precise information on which media should be used for advertising.
2. Greater control over the relationship between the advertising agency and channel captain, because of ability to measure advertising effectiveness.
3. Mor credibility achieved among the members of the distribution network when the channel captain shows distributors how the inquiries from their territories have resulted in greater sales volume.

Distributors Benefits:

1. It provides economical source of high quality leads for sales persons.
2. With higher quality sales leads personnel can be used more efficiently and effectively.
3. With this information, channel support can be planned and provided more effectively.



Credit and Collection Activities



Channel Captain Benefits:

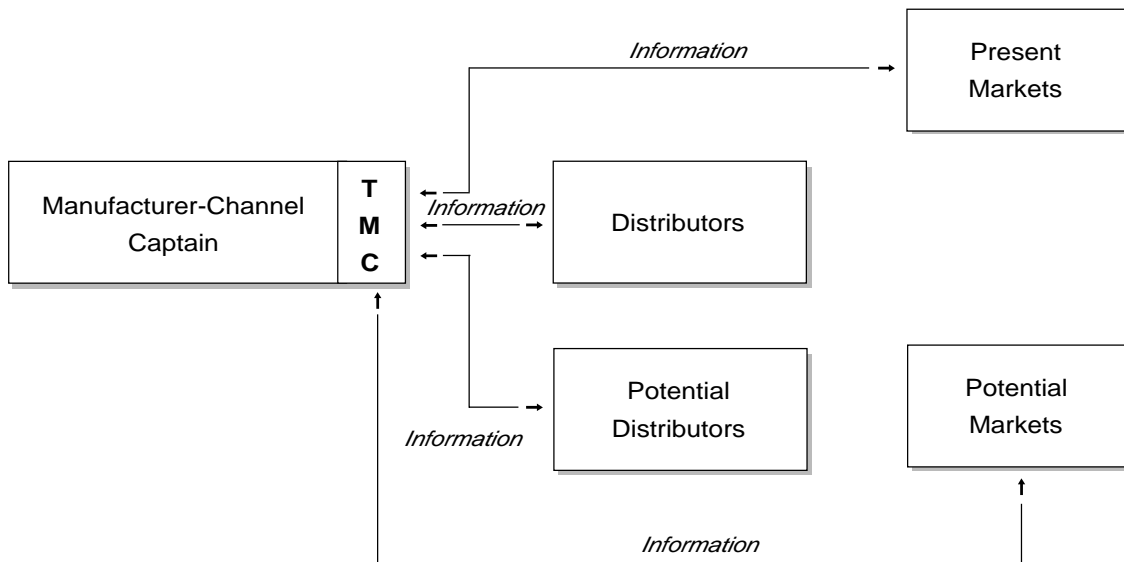
1. It accelerates money flows at a much greater rate than the use of mail.
2. It enhances cooperation between distributors and the channel captain as a result of improved profits for all channel participants.

Distributors Benefits:

1. It reduces the costs of collection.
2. It improves profits due to better management of capital.



Marketing and Product Research

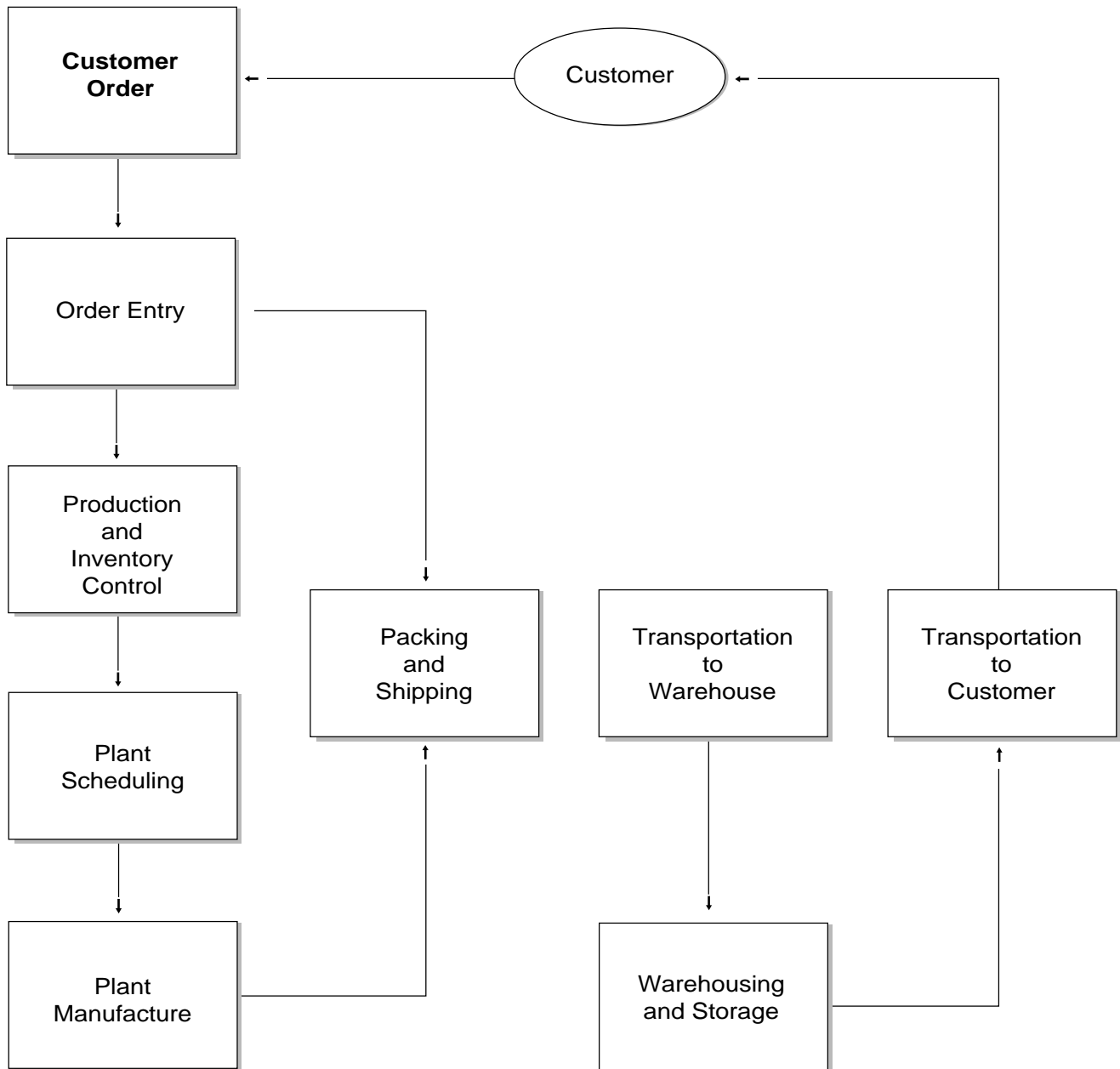


Channel Captain Benefits:

1. It provides a cost-effective way of gathering data from both present and potential distributors and markets.
2. It affords the channel captain greater control of research activity by eliminating the necessity for contracting with outside agencies for research.



Simplified Materials and Paper Flow in Physical Distribution



Case Examples of Maldistribution (Ss.14)

Building A System that Works (Ss.16)

Balancing of Conflicting Objectives (Ss.15)

Turning Industrial Distributors into Partners (Ss.17)



A Cosmetic Company's Problem:

This company chose to develop a computer model to establish the optimum system. This approach uses a linear programming model to determine the optimum number and location of warehouses. Such a model balances the costs of transportation, warehousing, and inventory levels to establish the appropriate cost/service mix. This approach led to adding five warehouses to their current two-warehouse system would reduce LTL (less than truckload lot) freight, increase customer service, and increase in service with lower overall costs.

System failed. While freight costs from warehouse to customer were reduced, these savings were offset by the need for more air freight and other premium transportation. Time for delivery from warehouse to customer decreased, this improvement of service, however, was offset by a marked increase in stockouts and back orders.

In the cosmetics company, the more complex distribution network required support from a common sales forecasting system in order to be fully effective. Once this was done, freight charges were reduced by \$50,000 per year, distribution inventories were reduced by 40%, and customer service was substantially improved.

A Food Company's Problem

To speed up the flow of information, teleprocessing equipment can be used to get customer orders in from the branch warehouses, and on-line real time inventory systems can be installed to keep track of inventory balances. A large food manufacturer, unhappy with the system of 35 field warehouses which were supplied from six manufacturing plants. Many of this company's products had highly seasonal demand patterns, and delivery problems were acute in the peak selling season. The company revised its forecasting methods and installed a telecommunications system which provided on-line inventory balances in each warehouses.

The results were disappointing. A large number of orders had to be filled with product shipped from alternate warehouses and, while the telecommunications system enabled the company to fill more orders, freight costs increased significantly.

At the food company, the seasonal sales demand required a mechanism to build inventories in anticipation of demand. Once this step was accomplished, service increased to a competitive 96%, and freight costs fell to the original levels. The telecommunications network originally installed proved expensive and was discontinued.

A Building Materials Company's Problem:

Analysis indicated that a modern statistical inventory control system using safety stocks based on forecast error would improve service and reduce shipping and related costs. The results were disturbing. Although the warehouse inventory control system responded rapidly to variations in demand, raising and lowering safety stocks and reorder points from month to month, the plants were unable to respond effectively. As a result, a large number of stockouts occurred at the plants, and shipments could no longer be made to the warehouses in full truckload quantities. Freight costs increased dramatically. A later attempt to hold down freight costs by holding up orders until a full truck resulted in decreased customer service.

Artificially induced erratic demand at the building materials plant largely offset the advantages of the statistical inventory control system in distribution. Once this demand was dampened down in view of the factories' ability to respond, service gradually improved and freight savings of \$400,000 per year were achieved.



Balancing of Conflicting Objectives

| Distribution Objectives | Impact of Objectives on Distribution | | | Impact of Objectives on Manufacturing | |
|---|--------------------------------------|-------------|-------|---------------------------------------|-------|
| | Customer Service | Inventories | Costs | Inventories | Costs |
| Increase Customer Service | ↑ | ↑ | ↑ | ↑ | ↑ |
| Reduce Distribution Inventories | ↓ | ↓ | ↓ | ↑ | ↑ |
| Reduce Distribution Costs | ↓ | ↑ | ↓ | ↑ | ↑ |
| Manufacturing Objectives Reduce Manufacturing Inventories | ↓ | ↑ | ↑ | ↓ | ↑ |
| Reduce Manufacturing Costs | ↓ | ↑ | ↑ | ↑ | ↓ |
| DESIRED RESULTS | ↑ | ↓ | ↓ | ↓ | ↓ |

Visible Costs

include those operating costs associated with warehousing, transportation, and handling. Also include other indirect costs associated with inventory management, property taxes, and inventory obsolescence and spoilage.

Hidden Costs

consist principally of lost profit opportunities due to failure to ship the product on time, cancelled orders, and customer dissatisfaction.



Building a System that Works —

In Analyzing a Distribution Problem, Distribution is Closely Tied to Other Areas of the Company:

Distribution is closely related to marketing, manufacturing, and finance. For example, the marketing forecast and the error in that forecast are key determinants of the amount of inventory that must be carried in the warehouses to achieve a given level of customer service.

Beware of Simplistic Solutions Since the Interrelationships Between Distribution and Other Functions Are Complex and Multi-leveled:

A single problem may surface in different guises in different functional areas. Thus a customer service problem in sales may be the result of an inventory problem in distribution, which may, in turn, be the consequence of a scheduling problem in manufacturing.

Adopt Specialized Techniques with an Appreciation of Their Limitations:

Selection of an approach because it is popular or failure to recognize its inherent limitations frequently leads to trouble.

Assure that the Interrelationships Recognized in the Analysis are Carried Over into the System Design:

In solving a distribution problem, it is frequently necessary to make significant changes in company operations. Unless the impacts of these changes on other company operations are carefully evaluated and prepared for, they can negate the positive impact of the overall program.



Understanding Distributor Needs —

Monitor Distributors:

Get out into the field periodically and listen carefully to what they have to say.

Learn from Company-wide Experiences:

Steering Committee to discuss common distribution problems, share market information on trends affecting the function, and ponder changing distributor requirements.

Conduct Market Research Studies:

Rate performance dimensions and recommend program improvements.

Establish a Distributor Council:

Discuss proposed policy changes and new programs, distributor problems and concerns, the competition, and other pressing issues.

Building Working Partnerships —

Developing Sound Communication:

Contacts between the manufacturer's outside salesperson and the distributor's top officers, purchasing managers, and salespeople should be nurtured.

Signaling Commitment:

Manufacturers must demonstrate that they are committed to distributors for the long term; i.e., refer all customer inquiries and requests to them; limit the number of distributors per trading area, etc.

Passing the Critical Incident Test:

Manufacturer must respond decisively and meet this critical need so as to reinforce the importance and quality of the partnership in the distributor's mind.



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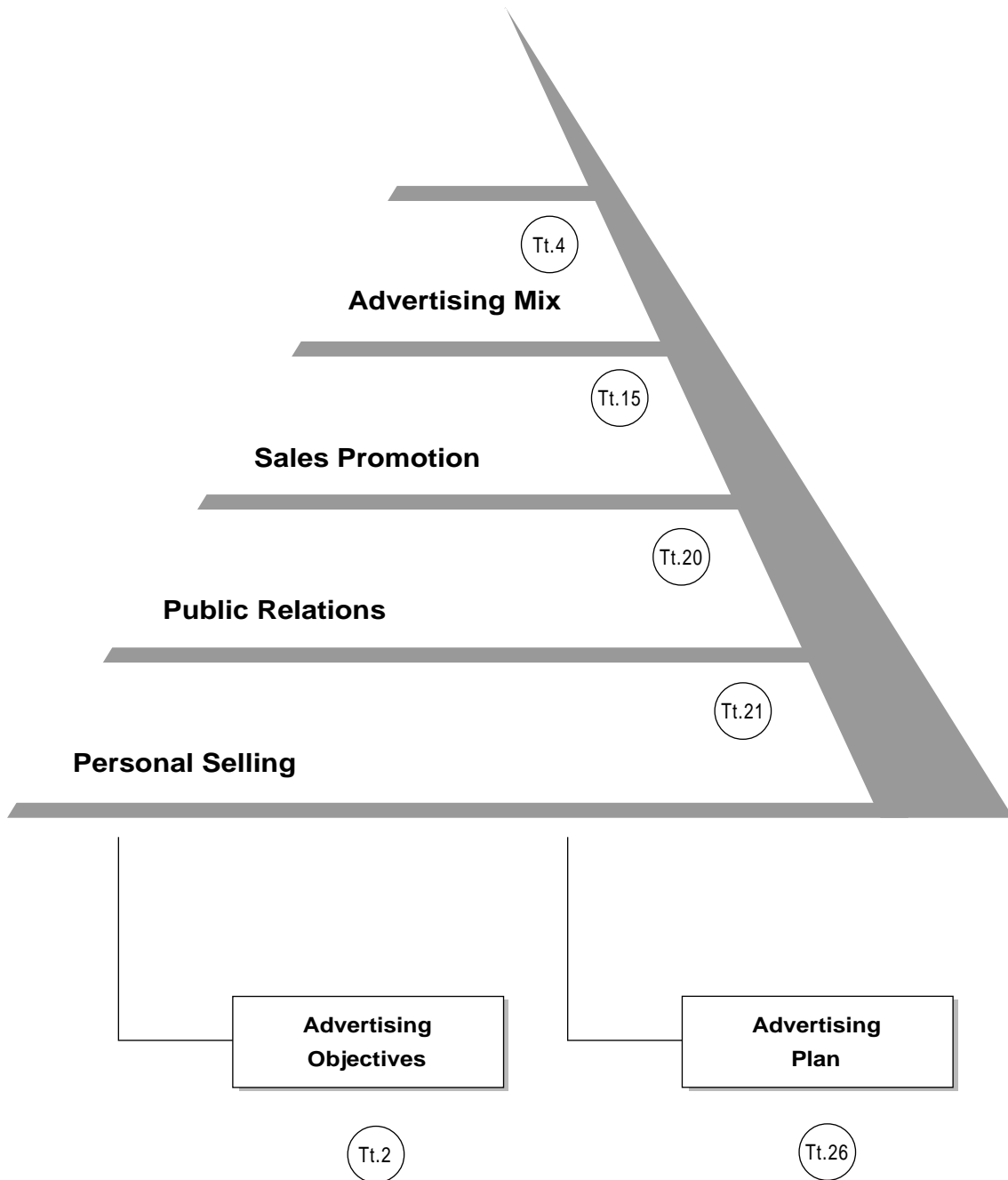
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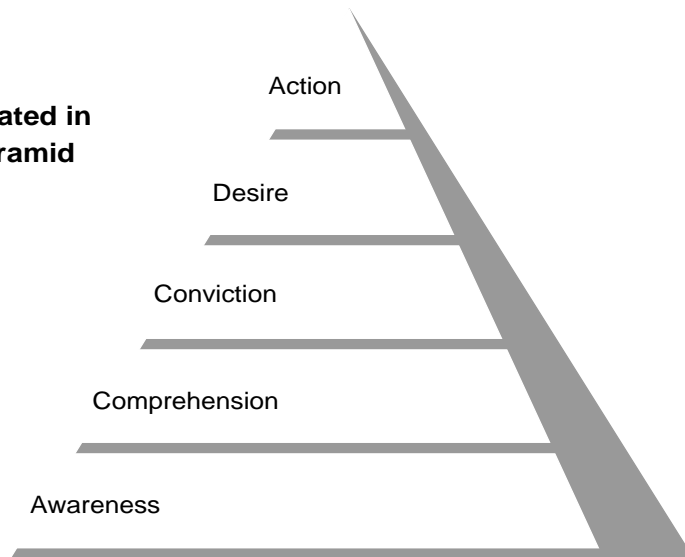
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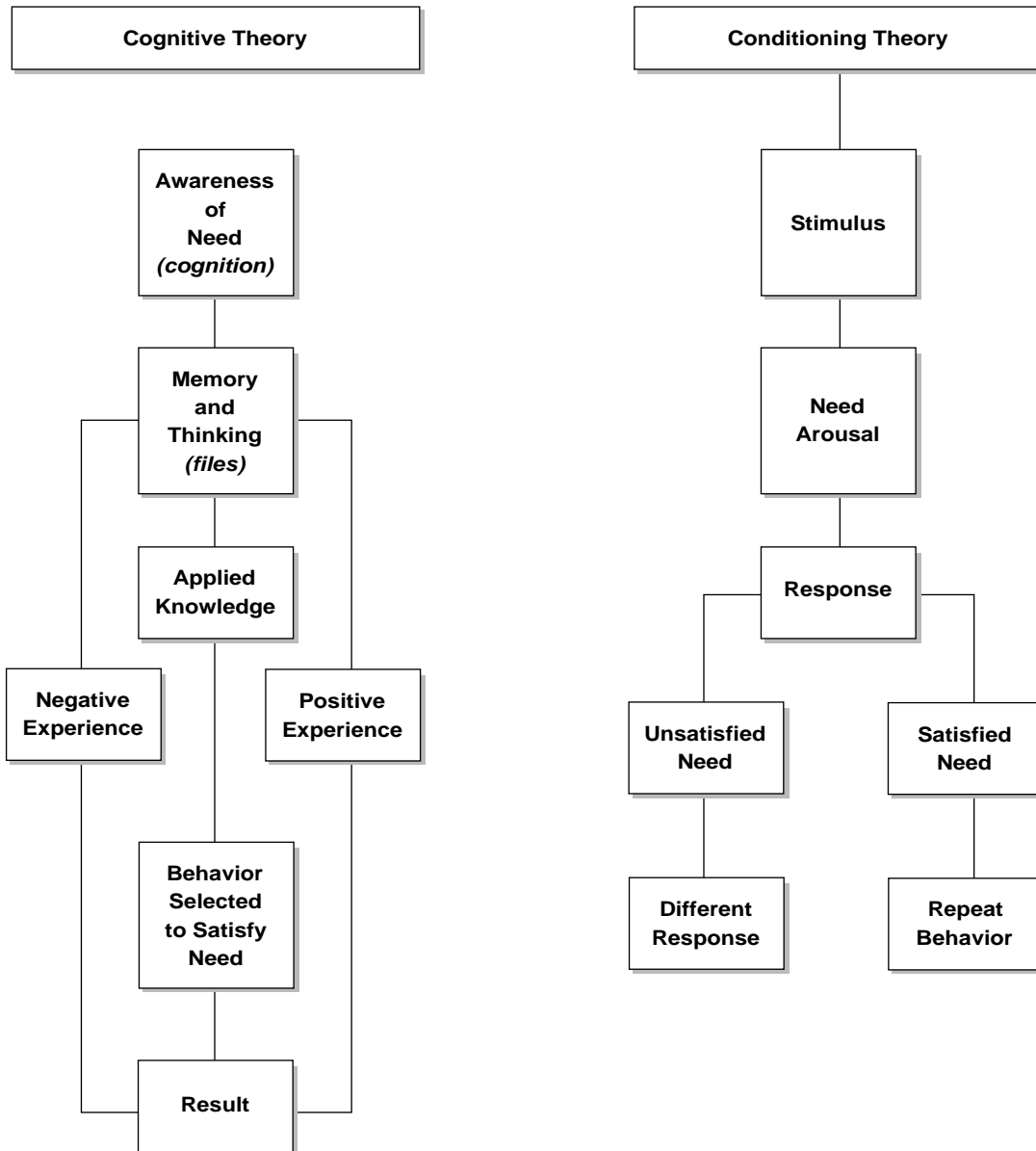


Advertising Objectives Stated in Terms of Advertising Pyramid



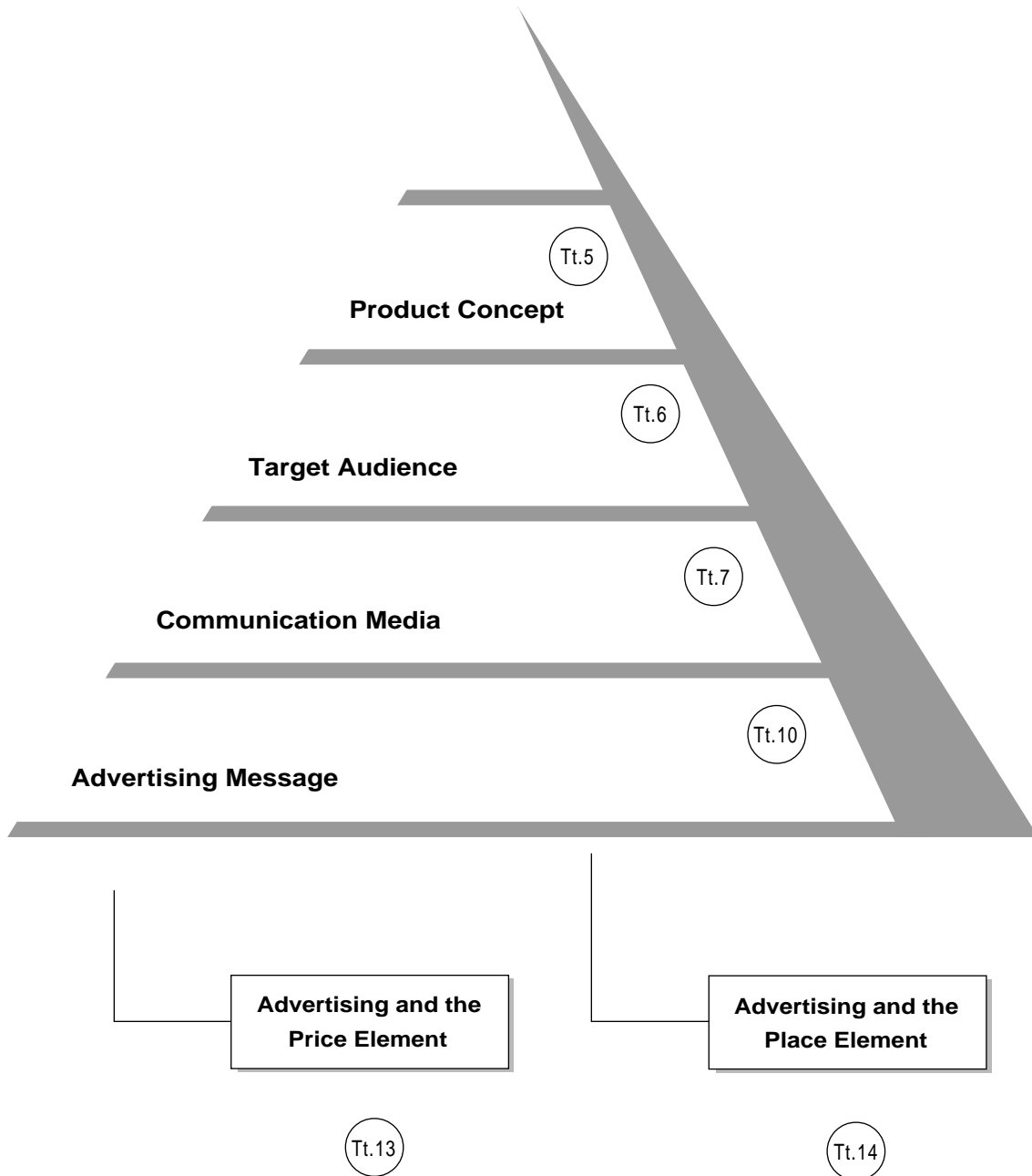
Checklist for Developing the Advertising Objectives:

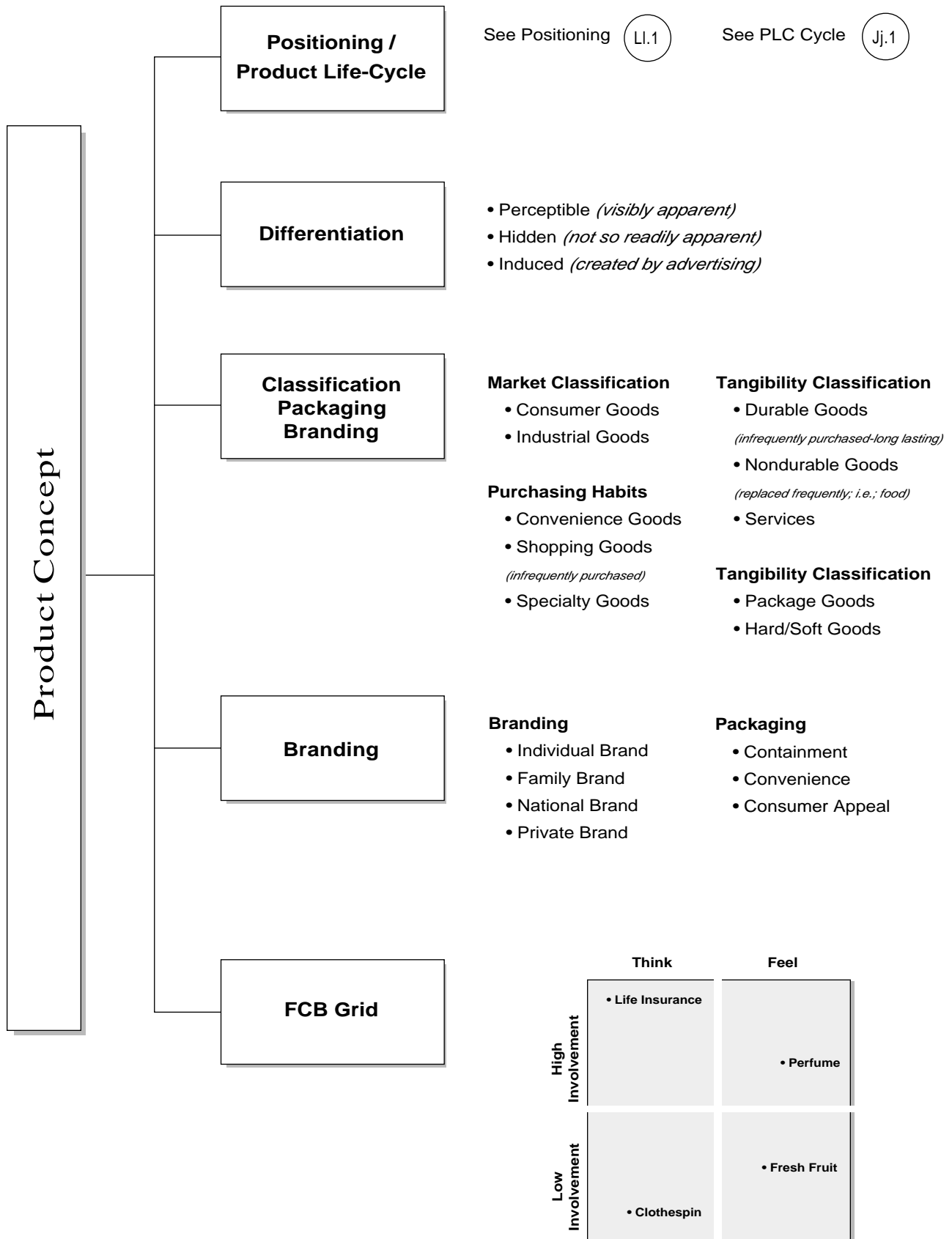
- Does the advertising aim at closing an immediate sale?
- Does the advertising aim at near-term sales by moving the prospect, step-by-step closer to the sale (so that when confronted with buying situation the customer will ask for, reach for, or accept the advertised brand)?
- Does the advertising aim at building a "long-range consumer franchise"?
- How can the advertising contribute toward increased sales?
- Does the advertising aim at some specific step that leads to a sale?
- How important are "supplementary benefits" of end-user advertising?
- Is it a task of advertising to impart information needed to consummate sales and build customer satisfaction?
- To what extent does the advertising aim at building confidence and goodwill for the corporation among various groups?
- Specifically, what kind of images does the company wish to build?

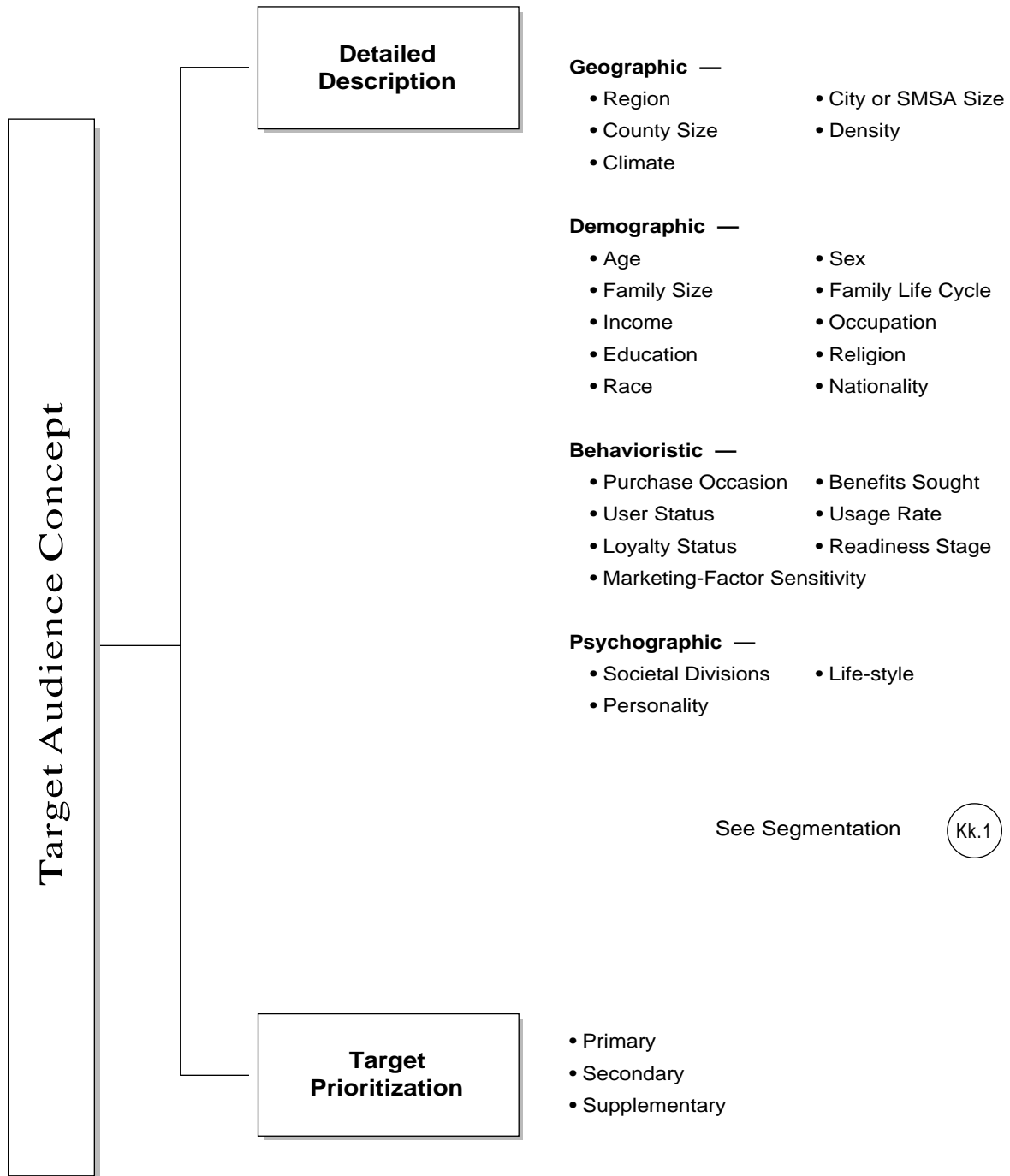


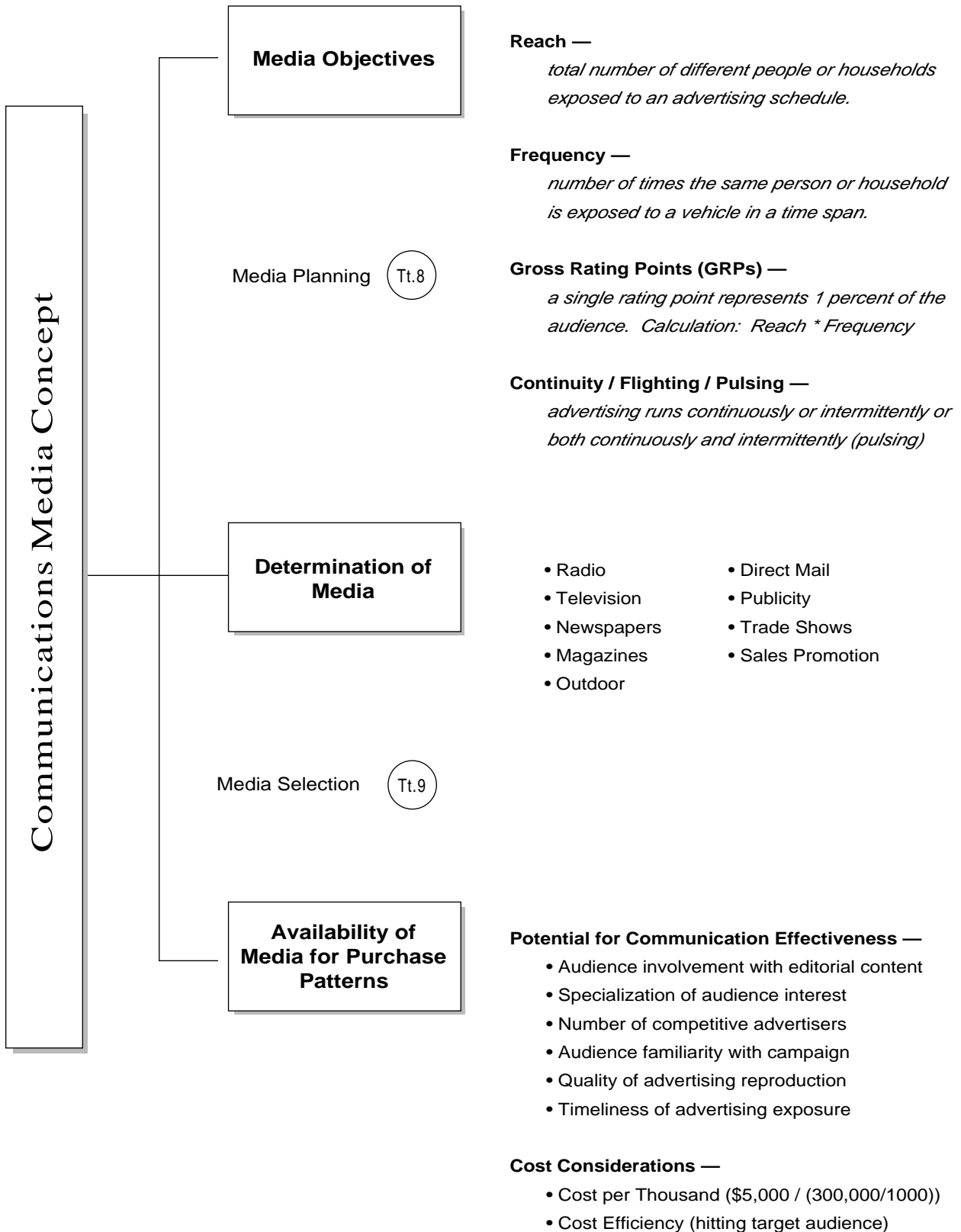


Advertising Mix











Media Planning

The Situation Analysis

The Marketing Plan

The Advertising Plan

Setting Media Objectives

Purpose: To translate marketing objectives and strategies into goals that media can accomplish.

Determining Media Strategy

Purpose: To translate media goals into general guidelines that will control the planner's selection and use of media. The best strategy alternatives should be selected.

Selecting Broad Media Classes

Purpose: To determine which broad class of media best fulfills the criteria. Involves comparison and selection of broad media classes such as newspapers, magazines, radio, television, and others. The analysis is called intermedia comparisons. Audience size is one of the major factors used in comparing the various media.

Selecting Media Within Classes

Purpose: To compare and select the best media within broad classes, again using predetermined criteria. Involves making decisions about the following:

- 1. If magazines were recommended, then which magazines?
2. If television was recommended, then
a. Broadcast or cable television?
b. Network or spot television?
c. If network, which programs?
d. If spot, which markets?
3. If radio or newspapers were recommended, then
a. Which markets shall be used?
b. What criteria shall buyers use in making purchases of local media?

Media — Broadcast

Media — Print

Media — Other Media

What kind of sponsorship
What levels of reach and frequency
Scheduling
Placement of spots

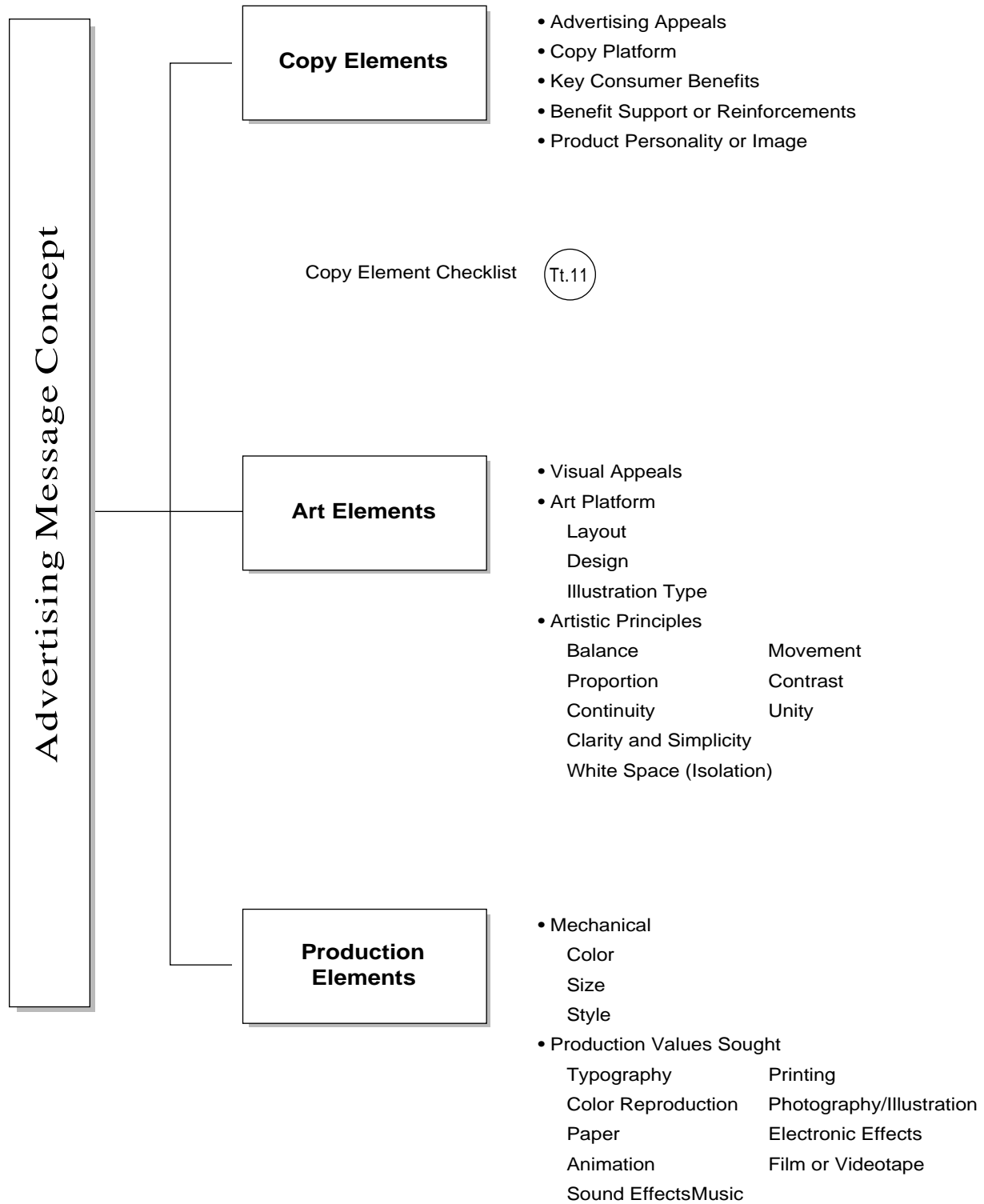
Number of ads to appear
Placement of ads
Special treatment
Desired reach or frequency

Billboards
Direct mail or other media



Media Selection

| | Creative Disadvantages | Creative Advantages |
|----------------------|---|---|
| Newspapers | Loss of fidelity, especially in reproduction of halftone illustrations. Difficulty in controlling ad position on page. | Almost any ad size available. Impact of black against white one of the most powerful color combinations. Sense of immediacy. Quick response; easy accountability. Local emphasis. Changes possible at short notice. |
| Magazines | Size not as large as those of newspapers or posters. Long closing dates, limited flexibility. Lack of immediacy. Tendency to cluster ads. Possible difficulties in securing favorable position in an issue. | High-quality reproduction. Prestige factor. Accurate demographic information available. Graphic opportunities (use of white space, benday screen, reverse type). Color. |
| Television | No time to convey a lot of information. Air clutter. Intrusiveness. Capricious station censorship. | Combination of sight and sound. Movement. A single message at a time. Viewer's empathy. Opportunity to demonstrate the product. Believability. |
| Radio | Lack of visual excitement. Wavering attention span (many listeners tune out commercials). Inadequate data on listening habits. Fleeting nature of message. | Opportunity to explore sound. Favorable to humor. Intimacy. Loyal following (the average person listens regularly to only about two stations). Ability to change message quickly. |
| Direct Mail | Damper of state, federal, and postal regulations on creative experimentation. Censorship often unpredictable. Formula thinking encouraged by "proven" direct-mail track records. | Graphic and production flexibility, such as use of three-dimensional effect. Measurable. As scientific as any other form of advertising. Highly personal. |
| Posters | Essentially a one-line medium with only a limited opportunity to expand on the advertising message. Inadequate audience research, especially in transit advertising. | Graphic opportunities. Color. Large size. High-fidelity reproduction. Simple, direct approach. Possibility of an entirely visual message. |
| Point of Sale | Difficulty in pinpointing audience. Failure of retailers to make proper use of material submitted to them. | Opportunities for three-dimensional effects, movement, sound, and new production techniques. |





Copy Element

Identity —

- Trade Name.
- Trademark
- Product Symbol
- Other copyrighted or patented information.

Effectiveness —

- Is there proof it has been tested and works well?
- Are there any government or other regulations that need to be mentioned or observed

Packaging —

- Unit size or Sizes Offered
- Package Shape.
- Package Design:
 - Styling.
 - Color.
 - Special Protection
 - A Carrier
- Package Label.

Product Image —

- How do people view the product?
- What do they like about it?
- What do they dislike about it?
- Is it a luxury?
- Is it a necessity?
- Is it a habit?
- Is it self-indulgent?
- Do people have to have it wish they didn't?

Research —

- What research available on product?

Life Cycle —

- What is its life or use span?

Performance —

- What does it do?
- What might it be expected to do that it does not?
- How does it work?
- How is it made or produced?
- What is in it?

| | |
|---------------|-----------------|
| Raw Materials | Preservatives |
| Chemicals | Special Ingrid. |
| Nutrients | |
- What are its physical characteristics?

| | |
|-------|------------|
| Color | Appearance |
| Smell | Texture |
| Taste | Others |

Competitive Information —

- Who are the competitors?
- Does it have any advantages over them?
- Does it have any disadvantages?
- Are they all about the same?
- Do rival products present problems that this one solves?

Manufacturing —

- How is it made?
- How long does it take?
- How many steps in ..
- How about the people
- Are there any special
- Where is it made?



Distribution —

- How widely is the product distributed?
- Are there exclusive sellers?
- Is there a ready supply or limited amount?
- Is it available for a short season?

History —

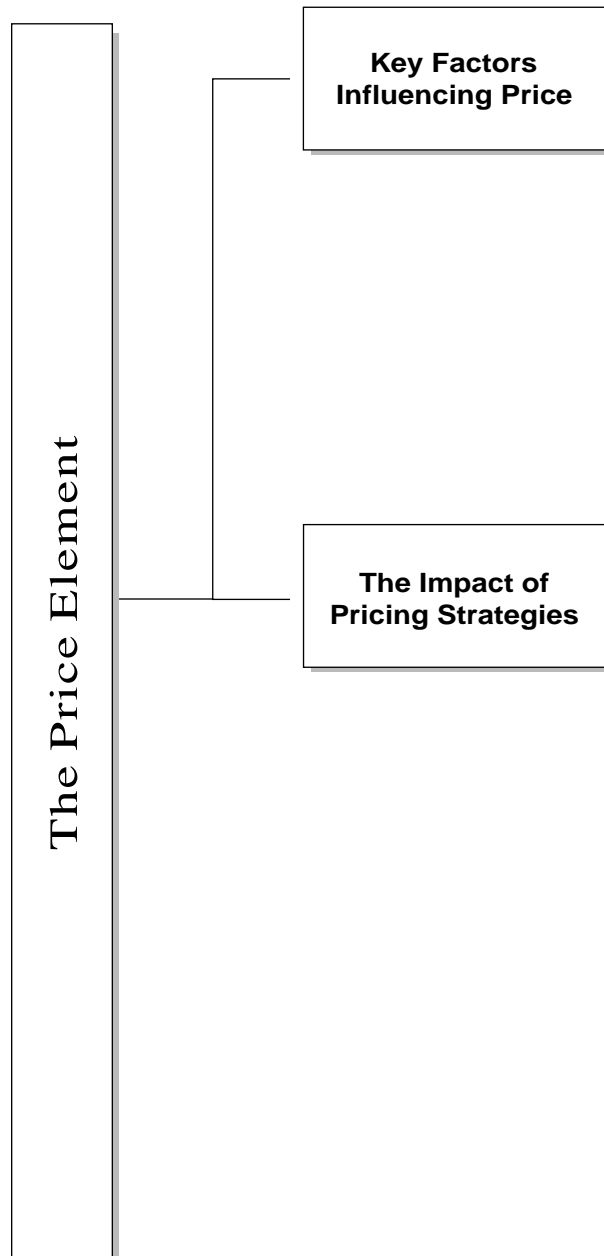
- When was it created or invented?
- Who introduced it?
- Has it had other names?
- Have there been product changes?
- Is there any "romance" to it?

Market Position —

- What is its share of the total market?

Consumer Use —

- How is the product used?
- Are there other possible uses?
- How frequently is it bought?
- What type of person uses the product?
- Why is the product bought?
 - Personal use.
 - Gift.
 - Work
- What type of person uses the product most (heavy users)?
- What amount of the product is bought by the heavy users?
- Where does the best customer live?
- What kind of person is a heavy user or buyer?



Market Demand —

Based on the Supply and Demand of product or service. Word-of-mouth communication generate awareness of product attributes. As product information spreads, the risk typically associated with new products diminish, which increases price.

Production and Distribution Costs —

The challenge for advertising is to convince the consumer that the value of the exchange is indeed equal with the rise of costs.

Competition —

The perception of the price relative to the competition is more important than the absolute price of the item.

Competitive Pricing Strategy —

Ads show a list a wide variety of products with a large, bold price next to each item. Retaliatory possible.

Comparative Pricing —

Showing the regular list price and special low price. Comparing price conveys discount values.

Skimming Strategy —

Ads feature convenience and service. Lower price with competitive pressures.

Penetration Pricing —

Ads starts with low price to build traffic. Then raise price with ads to convey service, quality, etc.

Promotional Pricing —

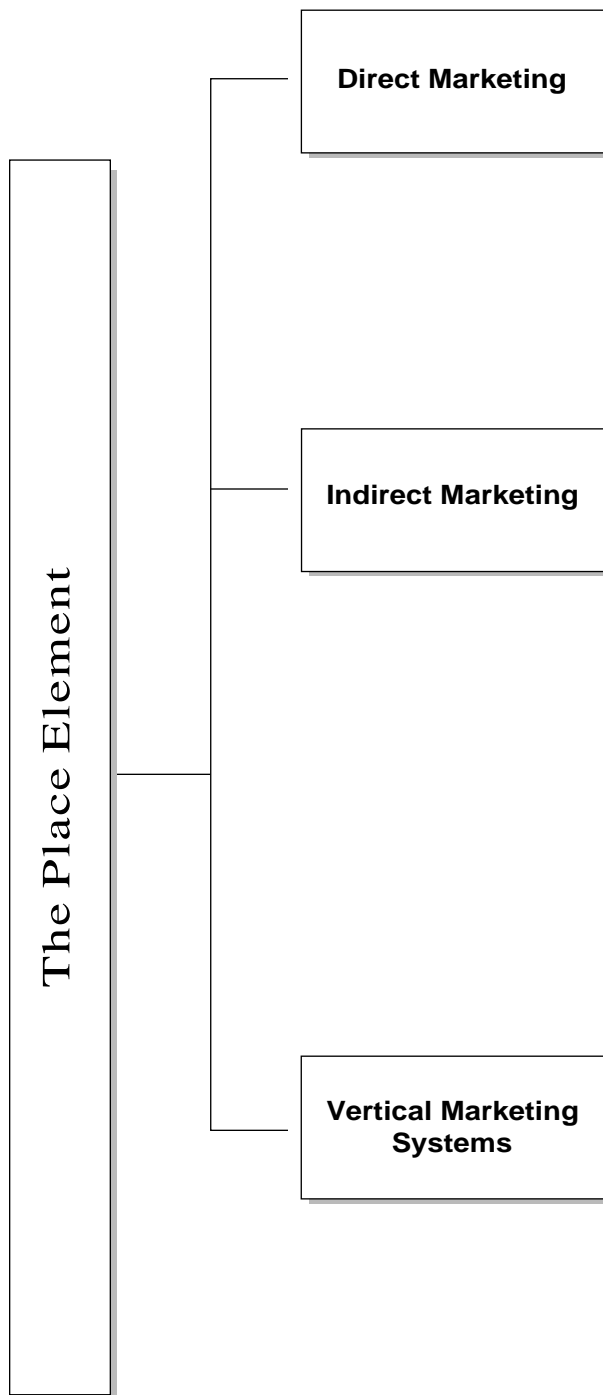
Introduce a new line or clear out old lines, two-for-one sales or end-of-mouth sales to stimulate demand.

Loss-Leader Pricing —

Select product to price below cost to create traffic. Must have items in stock.

Prestige Pricing —

Compete on the finest equipment available, the best service, free delivery, and friendly, knowledgeable clerks in plush surroundings.



Direct Marketing —

Moving the store to the customer's location. Maintain database of customers and use variety of media to communicate with those customers. See Ss.1.

Terms —

Middlemen operate between the producer and the consumer or industrial purchaser.

Distribution Channel take title, or assist in taking title, to the product as it moves through channel.

Intensive Distribution —

Convenience goods available at every possible location. Use of "push" and "pull" strategies.

Selective Distribution —

Manufacturers can cut their distribution costs. Use of cooperative advertising program.

Exclusive Distribution —

Rights to a wholesaler or retailer to sell in one geographic region.

Vertical Marketing Systems (VMS) —

Centrally programmed and managed distribution system that supplies or otherwise service a group of stores or other businesses. The VMS is designed to profit from economies of scale and to maximize the marketing impact of all the stores in its chain. Sears, which owns the manufacturers of many products sold in its stores —**Corporate Marketing Systems**. Others include —**Administered Systems**—like Magnavox, which, as the dominant channel member; and—**Contractual Systems**—like IGA, which is a voluntary chain of independent members.

Franchises —

Dealers pay a fee to operate under the guidelines and direction of the manufacturer.



Push Strategy (Tt.16)

Pull Strategy (Tt.17)



Push Strategies



Trade Deals

Slotting Allowances

Display Allowances

Buy-Back Allowances

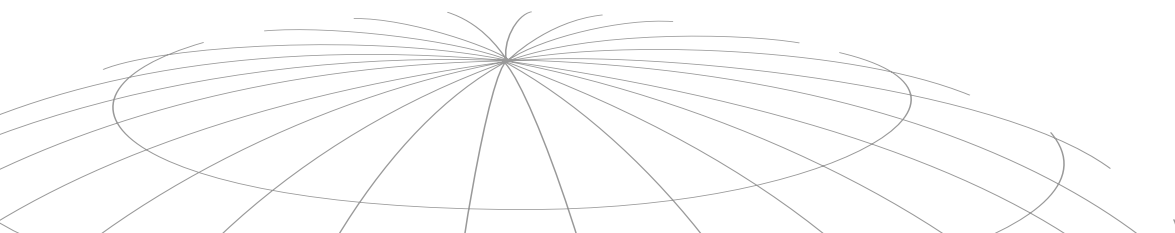
Cooperative Advertising

Dealer Premiums and Contests

Push Money (Spifs)

Collateral Sales Materials

Company Conventions





Pull Strategies



**Coupons
(FSI's)**

**Cents-Off Promos.
Refunds / Rebates**

Premiums

Sampling

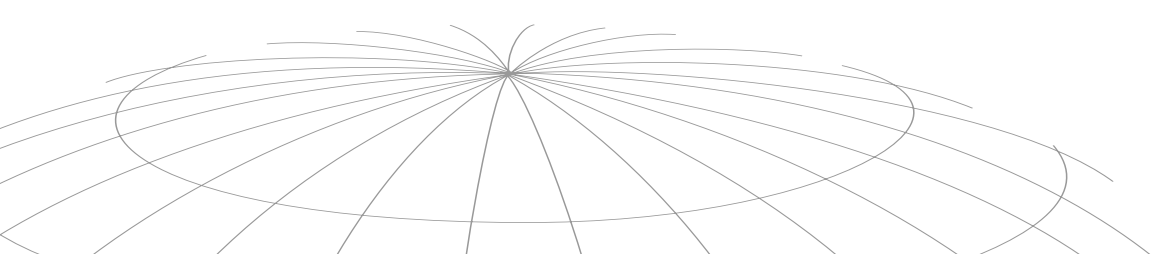
**Combination
Offers**

**Contests and
Sweepstakes**

Advantages / Disadvantages (Tt.18)

**Trading
Stamps**

**Point-of-Purchase
Advertising**





Advantages

Disadvantages

SAMPLING

More effective when your product features or benefits (aroma) can't be fully conveyed in advertising.

It's expensive. It can lack precision. It's said to be less efficient than couponing in converting triers into regular users.

COUPONING

You can use it to produce trial, to convert triers to regular users, to reach large numbers of prospects, to load regular users or trade them up to larger sizes, increase usage.

The method of distribution limits the kind of response you get; e.g., in-pack coupons. Coupons work best with older, better educated, urban, and married consumers.

TRADE COUPONS

Trade coupons ran with store ads. Good when for trial on a geographic basis, or obtaining off-shelf displays and price features.

Expect a lot of misredemption (primarily by the trade). It's hard to estimate total couponing budget.

TRADE ALLOWANCES

Essential when gaining distribution, getting off-shelf display, encouraging price features and building inventories.

Abused. Much laxness about passing on savings to consumers. Like to get along without trade allowances, but you can't.

PRICE-OFFS

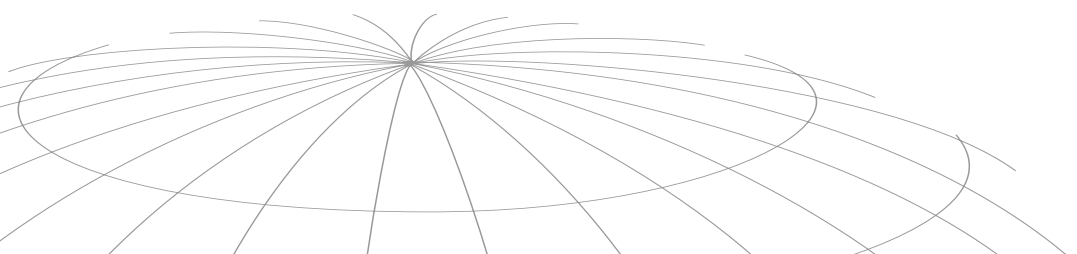
Reward and load present users, head off competition, establish purchase patterns after initial trial, enforce pass-through of savings, create off-shelf attention.

Price-offs can give sales a bump, but can't reverse a downward sales trend. They can't produce loyal new users. Repeated use degrades the perceived value.

IN, ON AND NEAR-PACKS

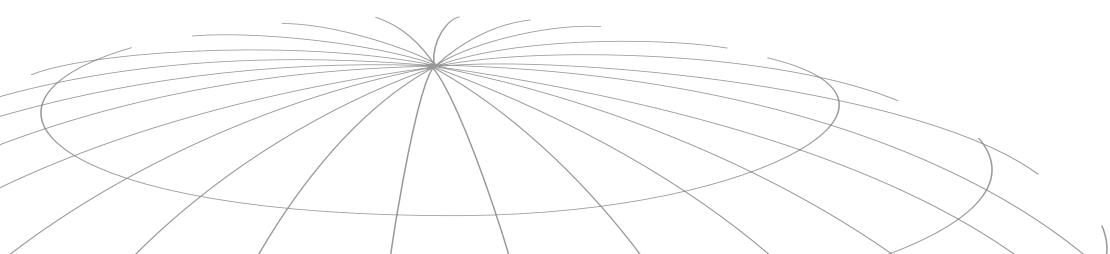
Can increase product usage if the premium is directly related to the way the product is used (coffee cups for coffee). On-packs that don't fit easily on the shelf can be used to force off-shelf display if product is popular. Can produce premiums that extend the advertising.

A bad one can actually reduce sales, the trade resists premiums that compete with products they can sell of a profit. Pilferage can be a problem.





| | <u>Advantages</u> | <u>Disadvantages</u> |
|----------------------------------|--|--|
| SELF-LIQUIDATING PREMIUMS | Can extend brand image, reinforce advertising and increase ad readership. Can serve as a not-too-disguised dealer loader. | They're not good for building trial. Less than 10-15% of households have ever sent for a premium. |
| CONTESTS AND SWEEPSTAKES | Will get advertising read, extend and reinforce the product's image, often gets on-the-floor display space, chance to lure new triers. | Large budgets. Won't produce mass trial, over 75% of entries are accompanied by — not proofs-of-purchase, and will entertain professional entrants. |
| REFUND OFFERS | Create excitement at fairly modest cost. Offers the change to flag the package. Reinforces brand loyalty. | Don't look for a lot of consumer interest. Refunds don't generate trial; they're slow . . . and results are hard to measure. |
| BONUS PACKS | A favorite of the vitamin people, bonus packs are useful in converting triers to users. Good technique for making something happen at the shelf. | They don't get trial, do nothing for brand image, and they can be abused by the trade. Branded packs can be ripped apart for separate sale. |
| STAMP PLANS | Can be used to get steady users and create differences in parity products. | Appeal to small segments of buyers; they don't interest the retailer or do anything to boost sales to the trade; and they won't get off-shelf display. |



A large, faint globe graphic with latitude and longitude lines, centered on the page and partially overlapping a large circle that contains the text.

Public Relation Activities

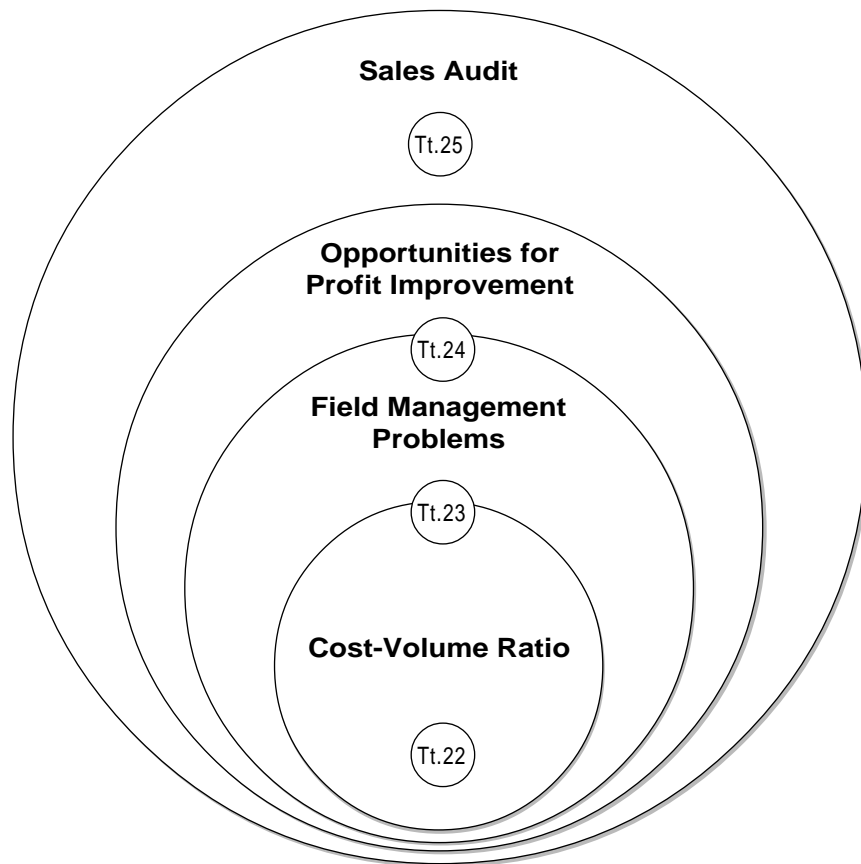
- **Publicity and Press Agency**
- **Public Affairs and Lobbying**
- **Community Involvement**
- **Promotion and Special-Events Management**
- **Publications / Research**
- **Fund Raising and Membership Drives**
- **Public Speaking**

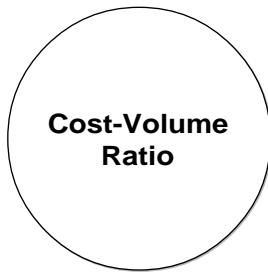
Public Relation Tools

- **News Releases and Media Kits**
- **Photography**
- **Feature Articles**
- **Printed Materials**
- **Posters, Exhibits, and Bulletin Boards**
- **Corporate Advertising**



PERSONAL SALES ISSUES





Inflationary Impact

To maintain a fixed percent time with inflation, more volume has to be sold per salesperson.

Industry Differences

Cost characteristics differ between types of products. Conclusions can be obtained by comparing exact industries with each other.

Profitability

Superior sales volume per salesperson will result in a low cost ratio, and this lower ratio will favorably affect net profit.

Sales Compensation Plans

- Commission
- Salary
- Salary plus Incentive

It is very difficult to drive the cost ratio down with a straight commission plan. However, the ratio is most responsive to a salary plan, and the ratio responds to a salary plus incentive plan.



**Sales Cost
Escalation**

Sales per territory (product) must go up proportionately.

**Market
Changes**

Shifts in market size and characteristics call for different sales approaches.

**Product
Proliferation**

Management is faced with the question of when to drop the generalist in favor of the specialist.

**Changing
Channels**

The most successful channel of ten years ago may not be the best way to market today.

NAM's

When appropriate to instigate a national Account Management Program.



**Opportunities
for Profit
Improvement**

**Territory
Management**

Time/cost analysis lead to the conclusion that significant improvement in sales force productivity could be realized if the service effort were shifted to lower cost specialists.

**Job Specialization/
Simplification**

Sales specialization by product lines or industry lines (e.g., IBM) involves shifting the expensive field sales effort away from lower value and time consuming activities towards more productive pursuits.

- low volume accounts by telephone
- support personnel to cover misc.
- specialists for service and technical

**General Sales
Management**

- 1) adynamic and current organization support.
- 2) a good planning program.
- 3) adequate analysis of territory potential and customer profitability.



| | |
|---|--|
| Marketing Profile | Phase involves identifying company objectives, strategies, market position, sales organization, territorial coverage, sales results, costs and profit results. Establishes basic framework. |
| Definition of Selling Function | Identifies the major functional components of the field sales job in terms of current practices versus both management objectives and market requirements. Includes planning, travel, waiting, face-to-face selling, service, and paperwork. |
| Evaluation of Effectiveness | The effectiveness of the salesperson relative to company objectives, market requirements, and competitive activities. |
| Analysis of Territory Configuration and Coverage | The nature and rationale for the current sales territories in terms of geographical configurations, sales potentials, sales goals, and work load (time available and calls made). |
| Analysis of Sales Training | The ten steps to a sales: 1) information gathering; 2) suspect evaluation; 3) prospect confirmation; 4) concept presentation; 5) account re-qualification 6) application study solution; 7) demonstration; 9) close; 10) installation and training. |
| Review of Information System | Whether information is adequate and timely to serve sales management and permit performance measurement. |
| Evaluation of Sales Management | The evaluation of the field sales organization structure (including support), an appraisal of the effectiveness of personnel, and an indication to whether the compensation plans are supportive of management objectives and strategies. |
| Ranking of Improvement Opportunities | Becomes critical to rank the opportunities in terms of importance and payoff potential. Without setting priorities, the effort can degenerate into an exercise in fighting brush fires. |
| Development of an Implementation Program | Final step is to create a work plan calling for specific action within each top priority area, identifying program responsibilities, establishing time schedules, and setting up monitoring procedures. |



DATE:

COMPANY NAME:

TITLE OR PRODUCT:

I. Executive Summary

- A. Premises — Summary of Marketing Plan
- B. Summary of Advertising Objectives
- C. Summary of Advertising Strategies
- D. Budget Summary

II. Situation Analysis

See Marketing Plan Aa.1

III. Advertising Objectives

- A. Primary of selective demand
- B. Direct action or indirect action
- C. Objectives stated in terms of advertising pyramid
 - 1. Awareness
 - 2. Comprehension
 - 3. Comprehension
 - 4. Desire
 - 5. Action
 - 6. Repurchase reinforcement
- D. Quantified expression of objectives
 - 1. Specific quantities or percentages
 - 2. Length of time for achievement of objectives
 - 3. Other possible measurements
 - a. Inquiries
 - b. Increased order size
 - c. Morale building
 - d. Other

**IV. Advertising (Creative) Strategy**

- A. Product concept — how the advertising will present the product in terms of:
 - 1. Product or market positioning
 - 2. Product differentiation
 - 3. Life cycle
 - 4. Classification, packaging, branding
 - 5. FCB Grid purchase-decision position
 - a. High/low involvement
 - b. Rational/emotional involvement
- B. Target audience — the specific people the advertising will address:
 - 1. Detailed description of target audiences
 - a. Relationship of target audience to target market
 - b. Prospective buying influences
 - c. Benefits sought/advertising appeals
 - d. Demographics
 - e. Psychographics
 - f. Behavioristic
 - 2. Prioritization of target audiences
 - a. Primary
 - b. Secondary
 - c. Supplementary
- C. Communications media
 - 1. Definition of media objectives
 - a. Reach
 - b. Frequency
 - c. Gross rating points
 - d. Continuity/flighting/pulsing
 - 2. Determination of which media reach the target audience best:
 - a. Traditional mass media
 - (1) Radio
 - (2) Television
 - (3) Newspapers
 - (4) Magazines
 - (5) Outdoor
 - b. Other media
 - (1) Direct Mail
 - (2) Publicity
 - c. Supplemental media
 - (1) Trade Shows
 - (2) Sales promotion devices
 - (3) Off-the-wall media



3. Availability of media relative to purchase patterns
 4. Potential for communication effectiveness
 5. Cost considerations
 - a. Size/mechanical considerations of message units
 - b. Cost efficiency of media plan against target audiences
 - c. Production costs
 6. Relevance to other elements of creative mix
 7. Scope of media plan
 8. Exposure/attention/motivation values of intended media vehicles
- D. Advertising message
1. Copy elements
 - a. Advertising appeals
 - b. Copy platform
 - c. Key consumer benefits
 - d. Benefit supports or reinforcements
 - e. Product personality or image
 2. Art elements
 - a. Visual appeals
 - (1) In ads and commercials
 - (2) In packaging
 - (3) In point-of-purchase and sales materials
 - b. Art platform
 - (1) Layout
 - (2) Design
 - (3) Illustration style
 3. Production elements
 - a. Mechanical considerations in producing ads
 - (1) Color
 - (2) Size
 - (3) Style
 - b. Production values sought
 - (1) Typography
 - (2) Printing
 - (3) Color reproduction
 - (4) Photography/illustration
 - (5) Paper
 - (6) Electronic effects
 - (7) Animation
 - (8) Film or videotape
 - (9) Sound effects
 - (10) Music



V. The Advertising Budget

- A. Impact of marketing situation on method of allocation
 - 1. New or old product
 - 2. Primary demand curve for product class
 - 3. Competitive situation
 - 4. Marketing objectives and strategy
 - 5. Profit or growth considerations
 - 6. Relationship of advertising to sales and profits
 - 7. Empirical experience
- B. Method of allocation
 - 1. Percentage of sales or profit
 - 2. Share of market
 - 3. Task method
 - 4. Unit of sale
 - 5. competitive parity

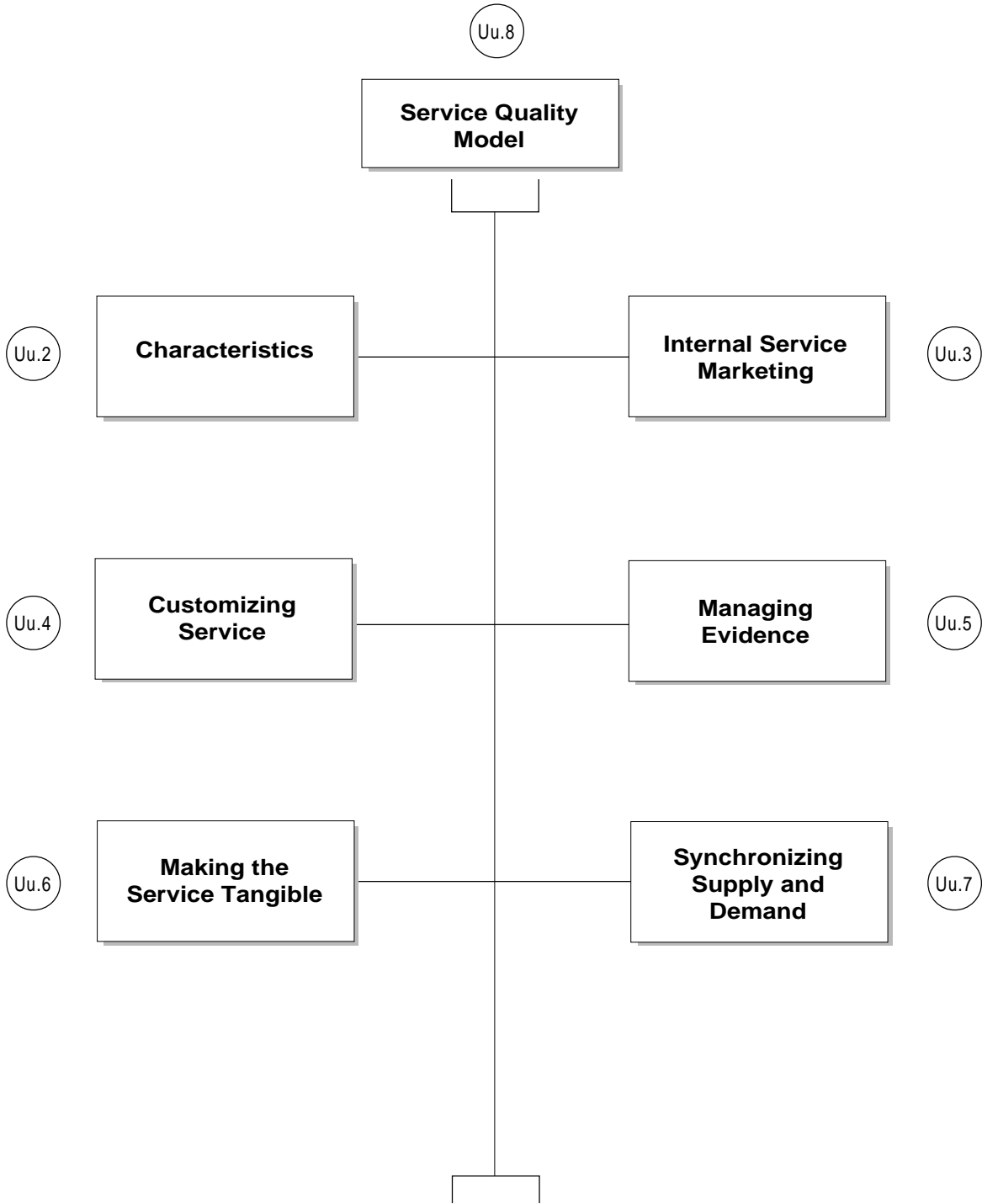
VI. Testing and Evaluation

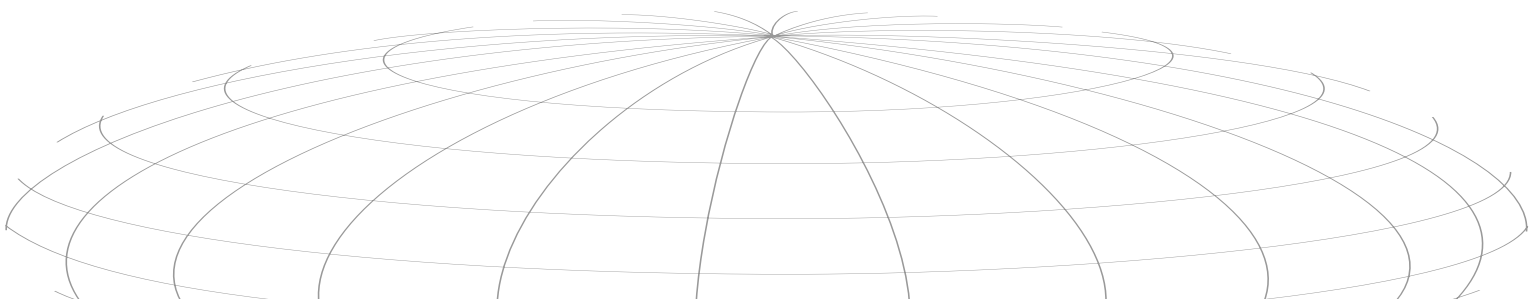
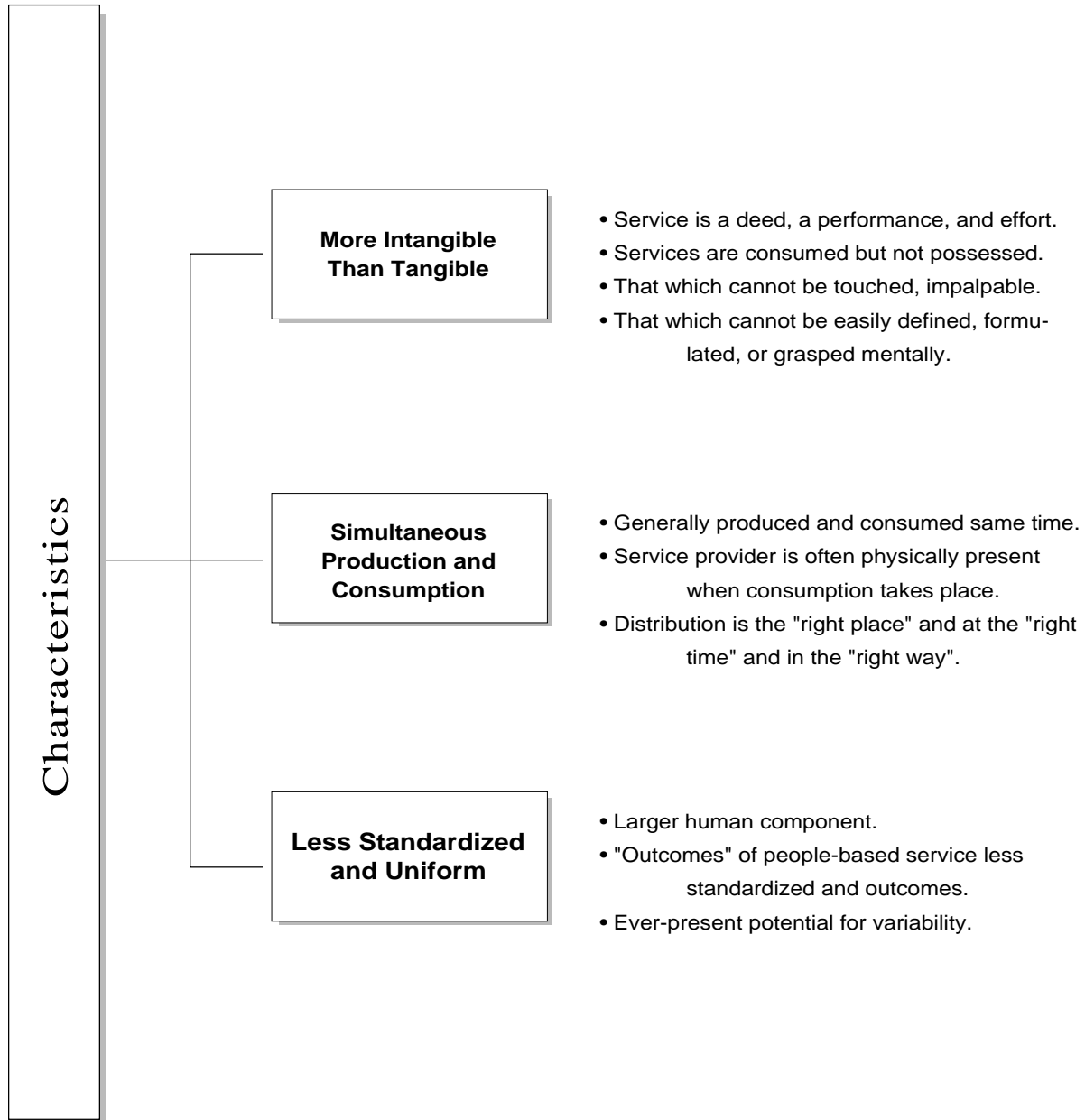
- A. Advertising research conducted
 - 1. Strategy determination
 - 2. Concept development
- B. Pretesting and post-testing
 - 1. Elements tested
 - a. Markets
 - b. Motives
 - c. Messages
 - d. Media
 - e. Budgeting
 - f. Scheduling
 - 2. Methodology
 - a. Central location tests
 - b. Sales experiments
 - c. Physiological testing
 - d. Aided recall tests
 - e. Unaided recall tests
 - f. Attitude tests
 - g. Inquiry tests
 - h. Sales tests
 - i. Other
 - 3. Cost of testing

**References**

- Page Tt.2: Contemporary Advertising
Bovee / Arens: 1992
Pages: 139, 258-259
- Page Tt.5: *Ibid.: Pages 177-186, 261*
- Page Tt.6: *Ibid.: Page 158*
- Page Tt.7: *Ibid.: Pages 449, 429, 444-446*
- Page Tt.8: *Ibid.: Page 429*
- Page Tt.9: *Ibid.: Page 438*
- Page Tt.10: *Ibid.: Pages 283, Ch. 9, Ch. 10*
- Page Tt.11-12: *Ibid.: Pages 282-283*
- Page Tt.13-14: *Ibid.: Pages 186-193*
- Page Tt.16: *Ibid.: Pages 578-582*
- Page Tt.17: *Ibid.: Pages 583-590*
- Page Tt.18-19: 12 Basic Promotion Techniques — Advantages and Pitfalls
William A. Robinson
Advertising Age: January 10, 1977
- Page Tt.20: Contemporary Advertising
Bovee / Arens: 1992
Chapter 18
- Page Tt.22-25: Improving Sales Force Productivity
William P. Hall
Business Horizons
August 1975: pp. 32-42



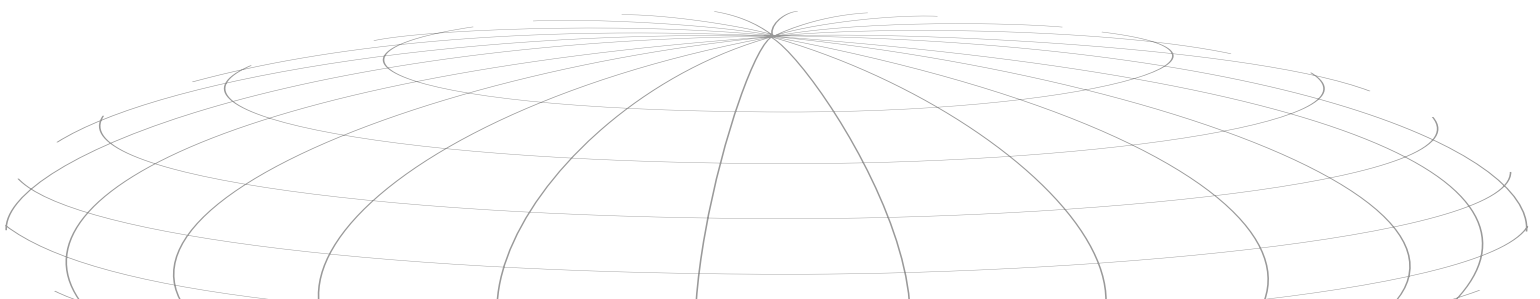






Internal Service Marketing

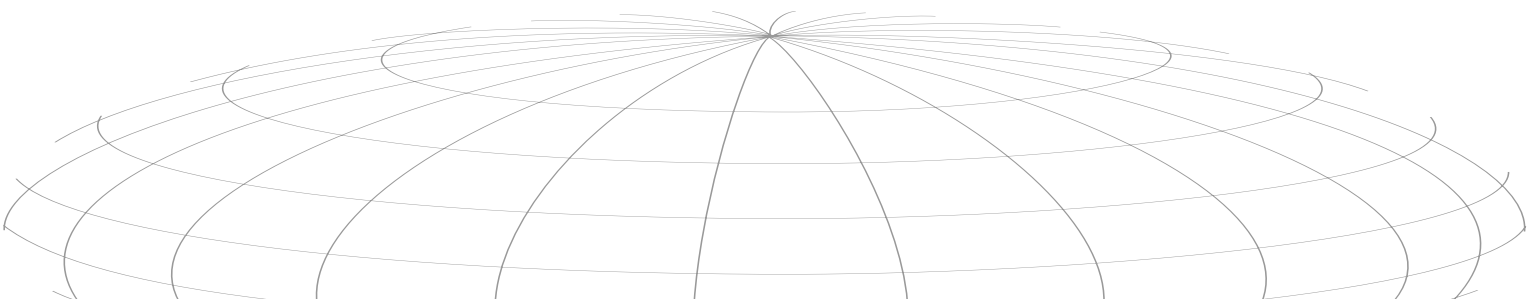
- Human performance materially shapes the service outcome and hence becomes part of the "product."
- In high-contact service industries, marketers need to be concerned with internal, not just external, marketing.
- Internal marketing means applying the philosophy and practices of marketing to the people that serve the external customer so that —
 - a) the best possible people can be employed and retained.
 - b) they will do the best possible work.
- Internal marketing is viewing employees as internal customers, viewing jobs as internal products, and endeavoring to design these products to better meet the needs of these customers.
- The relevance of marketing thinking to personnel management is very real. The banks and insurance companies adopting flexible working hours are redesigning jobs to better accommodate individual differences, an example of market segmentation.
- The successful service company must first sell the job to employees before it can sell its services to customers.

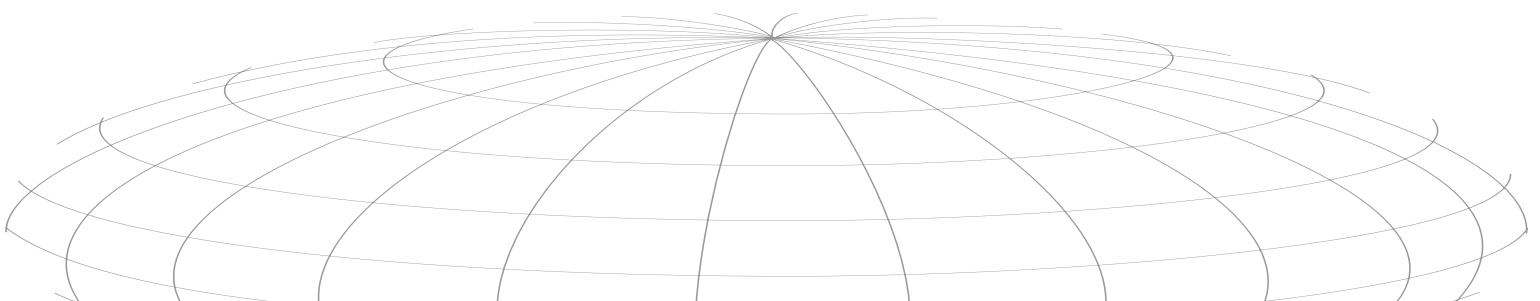
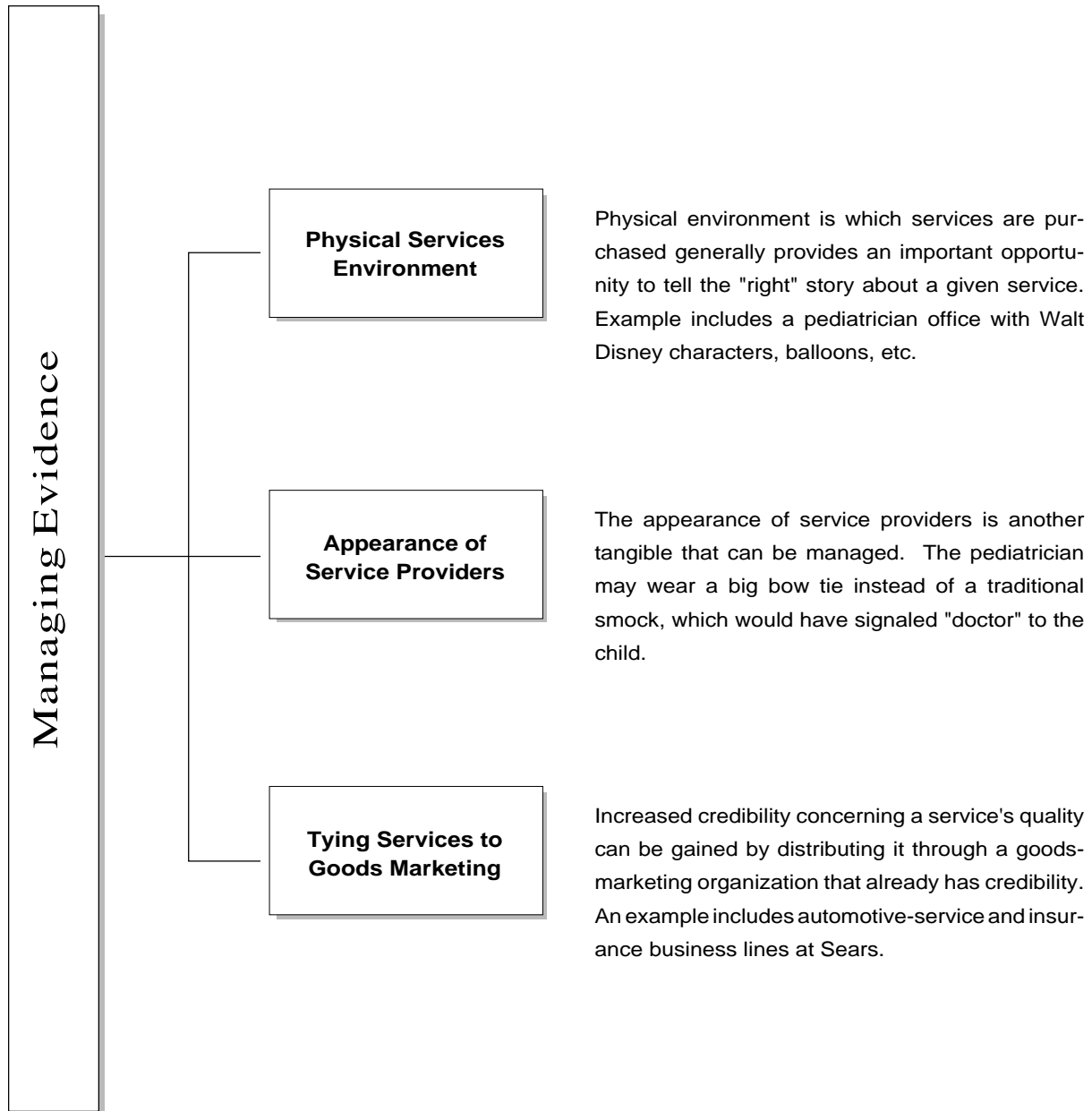




Customizing Service

- A fundamental marketing objective is to effect a good fit between what the customer-prospect wants to buy and what the organization has to sell, the potential for tailoring service to meet the precise desires of individual customers should not be taken lightly (e.g., Wendy's production line).
- Must determine the circumstances under which customization should apply and the circumstances under which standardization should apply. Examples include private banking services versus ATMs.







Making The Service Tangible

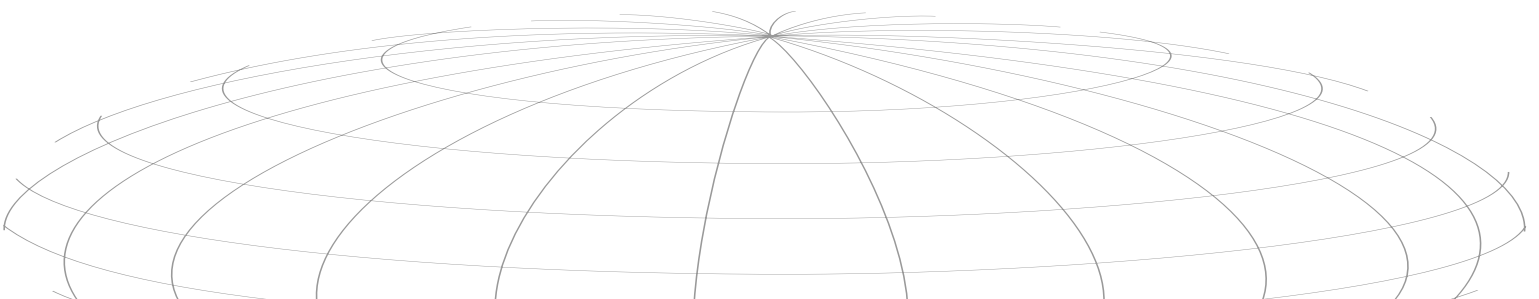
Marketing advantage usually is to be gained if the service can be made more "touchable" and more easily grasped mentally.

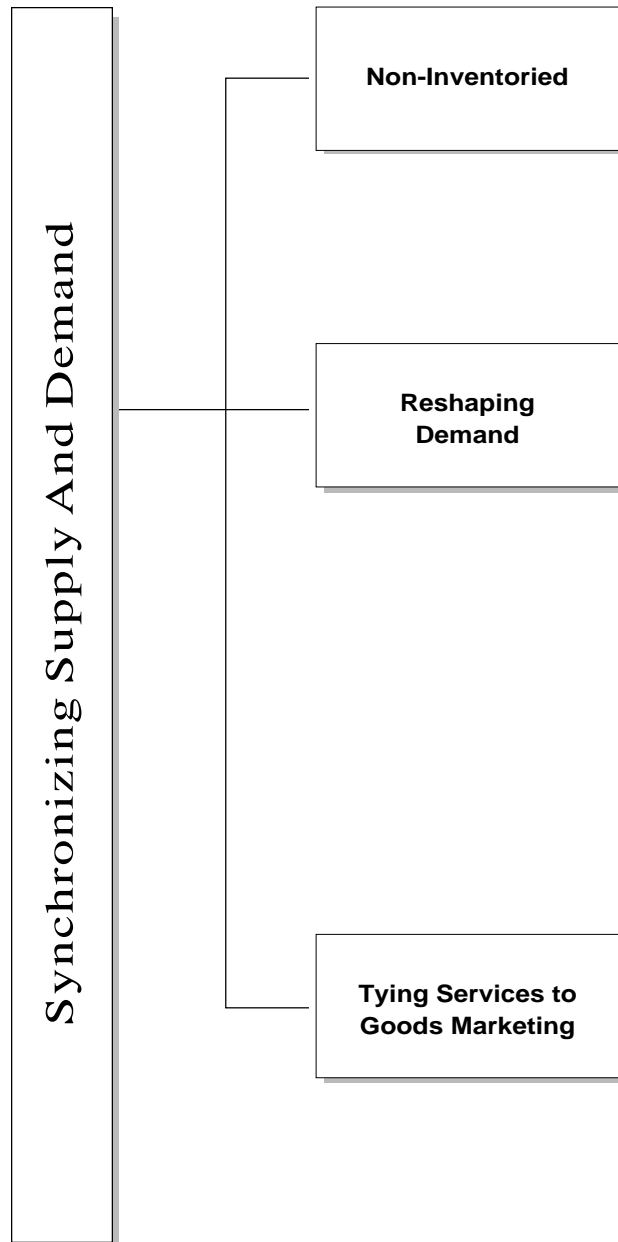
Sometimes it is possible to make a service more palpable by creating a tangible representation of it. This is what has occurred with the development of the bank credit card.

Just as service marketers should consider whether there are opportunities to develop a tangible representation of the service, so should they look for opportunities to make the service more easily grasped mentally.

Consider the following:

- "You are in good *hands* with Allstate."
- "I've got a piece of the *rock*."
- "Under the Traveler's *umbrella*."
- "The Nationwide *blanket* of protection."





One of the crucial challenges in many service industries is to find ways to better synchronize supply and demand as an alternative to recurring conditions of severe over-demand and under-demand.

All elements of the marketing mix are potentially available to help bring demand more in line with supply constraints. Delta Airlines, for example, has uses pricing incentives to encourage travelers to fly during the early morning hours. By adding a breakfast product line, McDonald's have been able to make productive use of previously underutilized facilities.

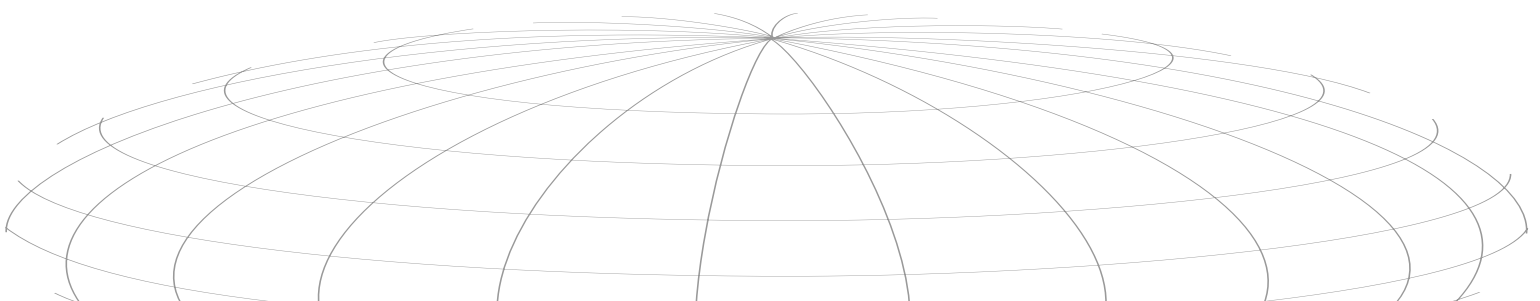
Importantly, demand-altering can only have an impact when customer-prospects have control over their demand patterns.

Attempt to alter supply capacities to better match demand patterns.

- Using part-time employees and performing only essential tasks during peak demand periods.
- Training employees to perform multiple jobs so they can switch from one to another as demand dictates.
- Using paraprofessionals so that professionals can concentrate on duties requiring their expertise.

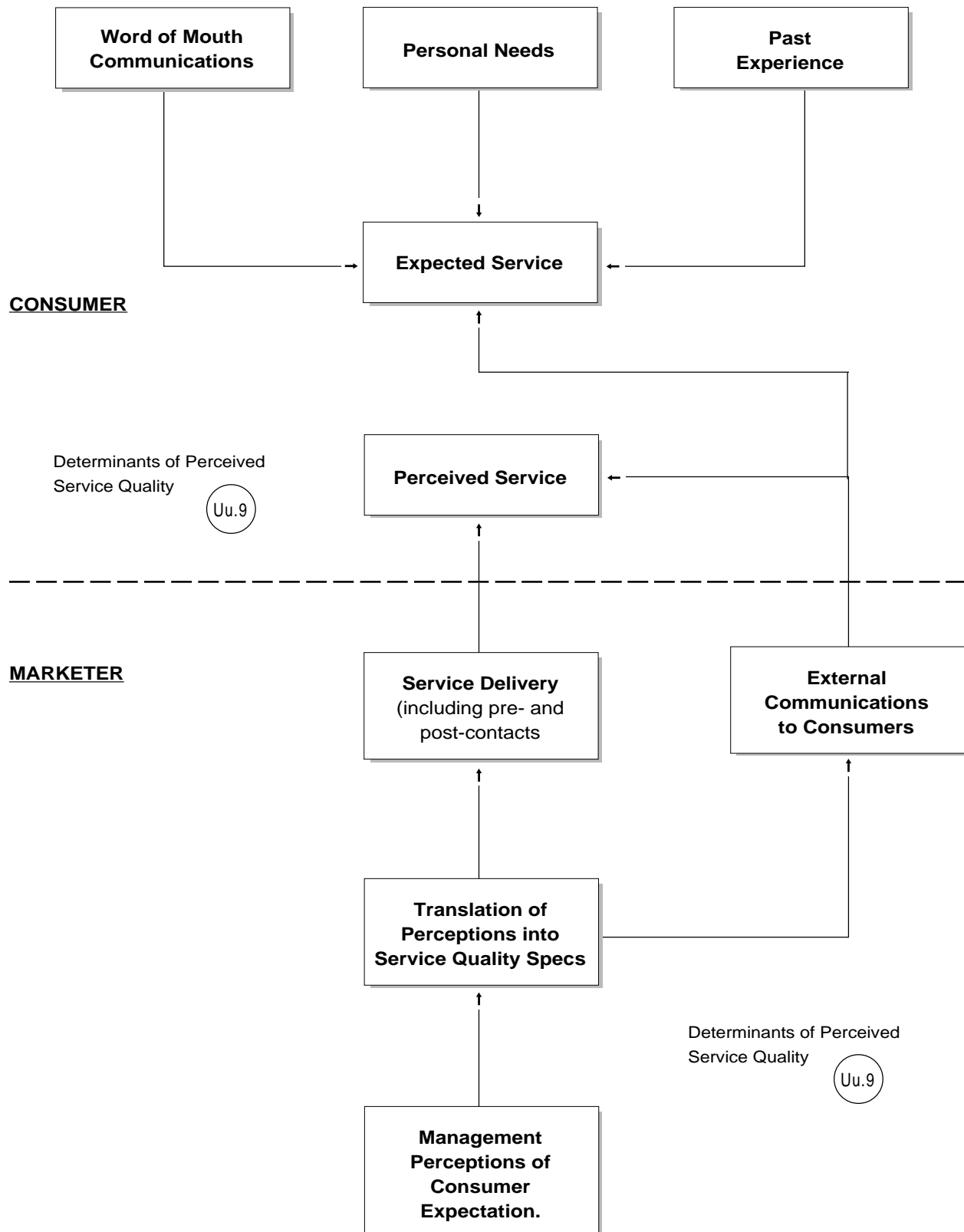
Service Quality Model

Uu.8



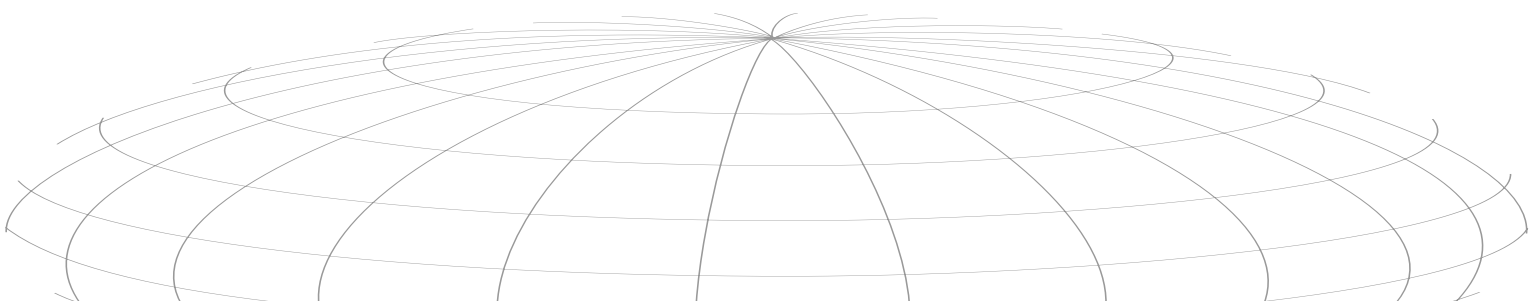
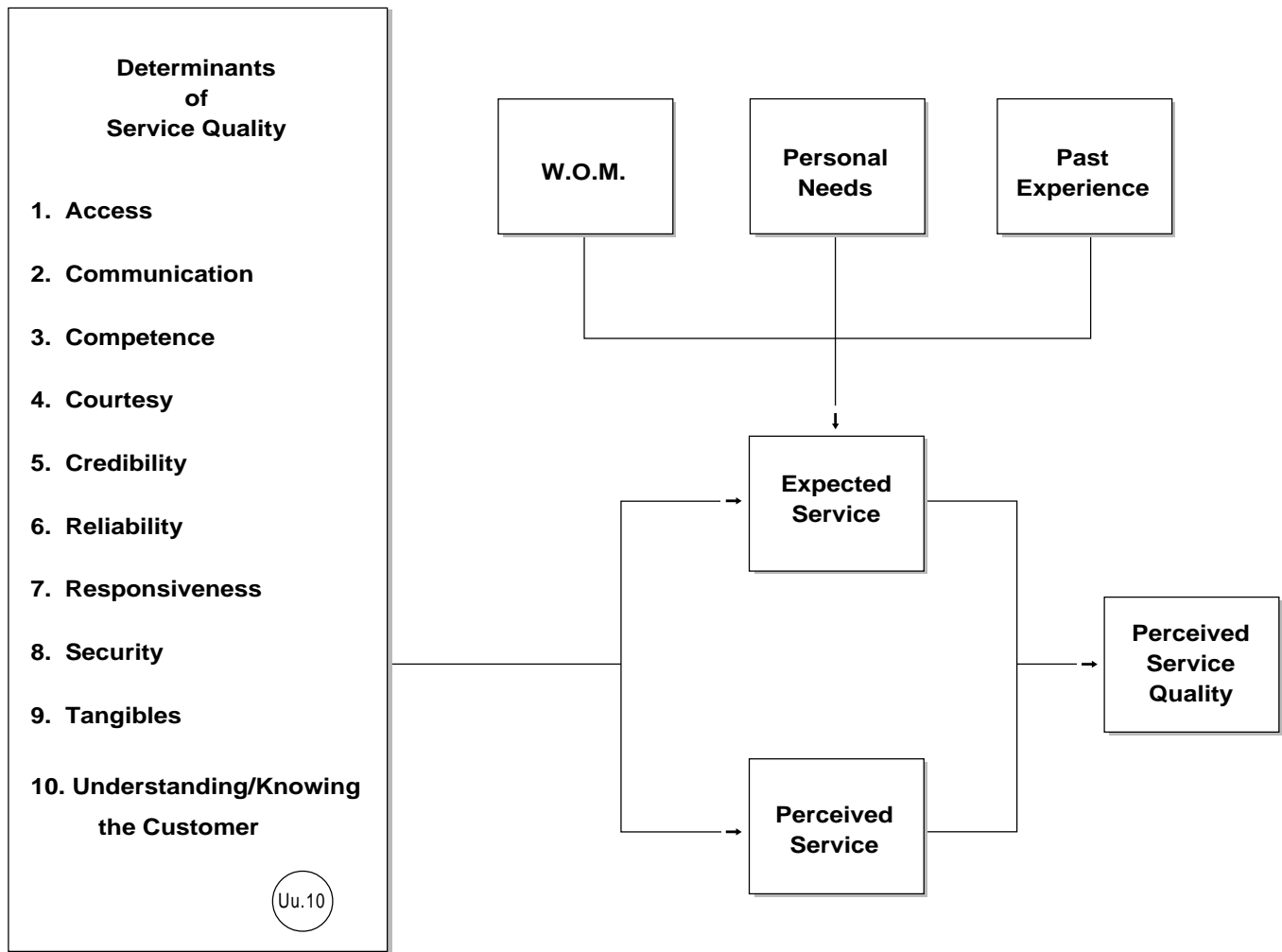


Service Quality Model





Determinants of Perceived Service Quality





Determinants of Service Quality

RELIABILITY involve consistency of performance and dependability. It means that the firm performs the service right the first time. It also means that the firm honors its promises. Specifically, it involves:

- accuracy in billing;
- keeping records correctly;
- performing the service at the designated time.

RESPONSIVENESS concerns the willingness or readiness of employees to provide service. It involves timeliness of service:

- mailing a transaction slip immediately;
- calling the customer back quickly;
- giving prompt service (e.g., setting up appointments quickly).

COMPETENCE means possession of the required skills and knowledge to perform the service. It involves:

- knowledge and skill of the contact personnel;
- knowledge and skill of operational support personnel;
- research capability of the organization, e.g., securities brokerage firm.

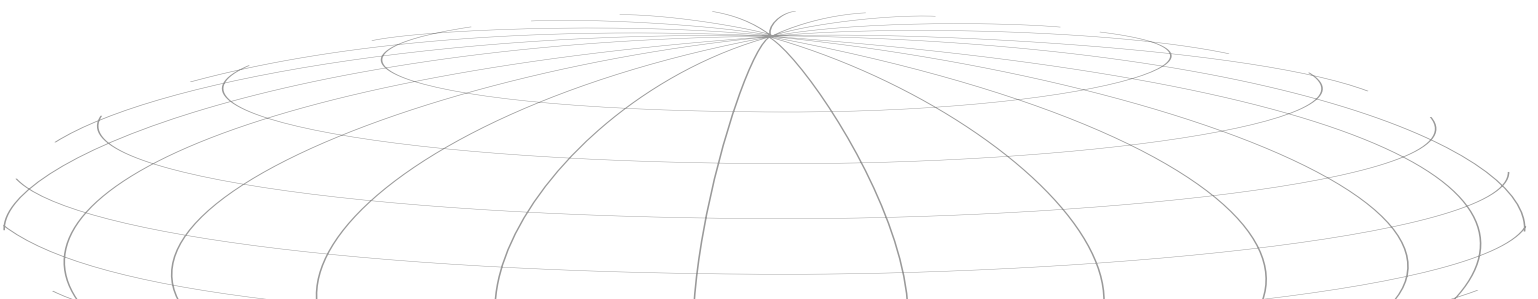
ACCESS involves approachability and ease of contact. It mean:

- the service is easily accessible by telephone (lines are not busy and they don't put you on hold);
- waiting time to receive service (e.g., at a bank) is not extensive;
- convenient hours of operation;
- convenient location of service facility.

COMMUNICATION means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust its language for different consumers — increasing the level of sophistication with a well-educated customer and speaking simply and plainly with a novice. It involves:

- explaining the service itself;
- explaining how much the service will cost;
- explaining the trade-offs between service and cost;
- assuring the consumer that a problem will be handled.

— *continued on Vv.11* —





Determinants of Service Quality

COURTESY involves politeness, respect, consideration, and friendliness of contact personnel. It includes:

- consideration for the consumer's property (e.g., no muddy shoes on the carpet);
- clean and neat appearance of public contact personnel.

CREDIBILITY involves trustworthiness, believability, honesty. It involves having the customer's best interests at heart. Contributing to credibility are:

- company name;
- company reputation;
- personal characteristics of the contact personnel;
- the degree of hard sell involved in interactions with the customer.

SECURITY is the freedom from danger, risk, or doubt. It involves:

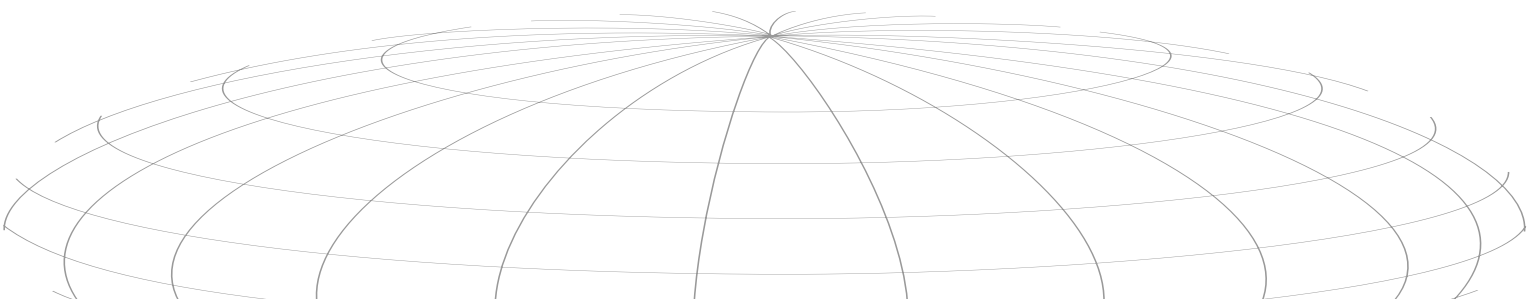
- physical safety (Will I get mugged at the automatic teller machine?);
- financial security (Does the company know where my stock certificate is?);
- confidentiality (Are my dealings with the company private?).

UNDERSTANDING/KNOWING THE CUSTOMER involves making the effort to understand the customer's needs. It involves:

- learning the customer's specific requirements;
- providing individualized attention;
- recognizing the regular customer.

TANGIBLES include the physical evidence of the service:

- physical facilities;
- appearance of personnel;
- tools or equipment used to provide the service;
- physical representations of the service, such as a plastic credit card or a bank statement;
- other customers in the service facility.





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Leonard L. Berry

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Georgia State University

