Introduction to Business

TOPIC 5. Marketing and Sales Management

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The Marketing Activity

- The role of marketing in the company
- Market segmentation and positioning of the product
- Marketing mix decisions: product, price, place and promotion

The role of marketing in the company

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives

The concept of exchange is crucial in marketing. **Exchange** is the process by which two or more persons give and receive something of value



The role of marketing in the company

Marketing concept evolution

- **Marketing era**: producers turned to a **market or customer-orientation**
- Producers focus on the potential customers' wants by producing the products they want
- **Market segmentation** arises

Active marketing

Social marketing

- Main objective: finding out the needs and wants of the target market and contribute to a **better welfare state**

- **Sales era**: producers are **sales-oriented**
- **Buyer's market**: supply is greater than demand
- Result: **consumerism** (high consumer power)

Organizational marketing

Passive marketing

- **Production era**: producers are **production-oriented**
- **Seller's market**: demand is greater than supply
- Marketing is not important
- This usually resulted in **mass production**

The role of marketing in the company

Exchange processes in the market

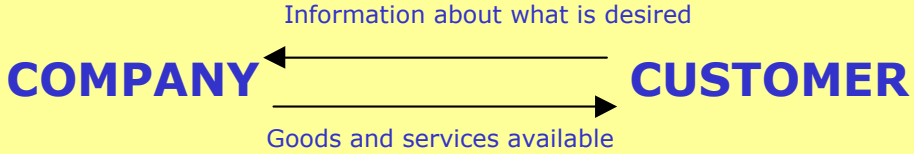
Sales orientation

Marketing orientation

- The sale is a one-way process:



- Marketing is a two-way process:



The role of marketing in the company

Marketing management process

Strategic marketing (Analysis system)

- **Identifying the customers' needs**
- **Analyzing the potential demand**

→ **Marketing objectives and strategies**

Operative marketing (Action system)

- **Creating and maintaining a marketing-mix to satisfy the target market**
- **Combination of 4 variables: The 4 Ps**
  - **Product**
  - **Price**
  - **Place**
  - **Promotion**

The role of marketing in the company

Strategic marketing

- **Analyzing the current situation of the company's products and understanding the customers' needs and wants**
- **Selecting and analyzing a target market**
- **Identifying the THREATS and OPPORTUNITIES, which, combined with the RESOURCES and CAPABILITIES of the company, may create a COMPETITIVE ADVANTAGE**

Phases:

1. **Analysis of the situation**
   - **Market analysis**
   - **Competitors' analysis**
   - **Environment analysis**
   - **Internal analysis**
2. **Diagnosis of the situation: SWOT Analysis**
3. **Definition of the marketing objective**
4. **Formulation of the strategies**
   - **MARKET SEGMENTATION**
   - **POSITIONING OF THE PRODUCT**

The role of marketing in the company

Operative marketing

- **Creating and maintaining a marketing mix to satisfy the target market**
- **Product, place, promotion and price strategies must be developed and coordinated in such a way that the target market is satisfied and the firm makes a profit**

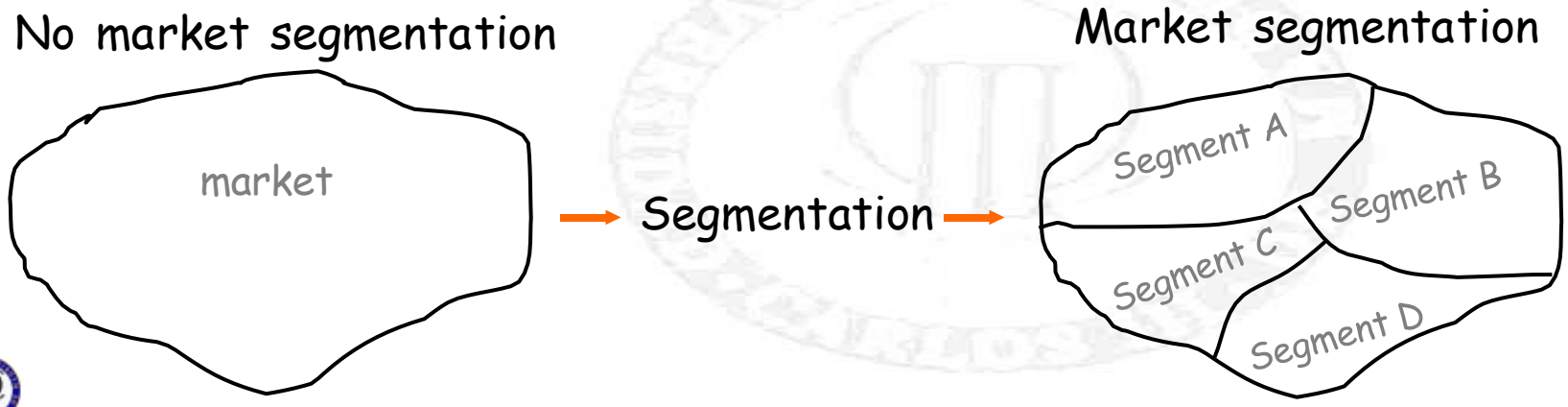
Phases:

1. **Define the action plan for developing a marketing-mix**
   - **Identify the sales' objectives**
   - **Define the activities to achieve them (the 4 Ps)**
   - **Establish the marketing budget**
2. **Execution of the marketing-mix strategies**
3. **Control and assessment**

Market segmentation and positioning of the product

Market segmentation is the process of identifying smaller markets that exist within a larger market: Market segments

It helps marketers tailor marketing mixes for the target segment. It also requires knowledge of potential customer wants and behaviours, changes in the market, and about competitors



Market segmentation and positioning of the product

Market segmentation criteria:

CRITERIA:
•**GEOGRAPHICAL** National, international, regional. Different areas (coast or not,…)
•**DEMOGRAPHIC** Age, sex, family size, level of income, type of job.
•**PSYCHOLOGICAL AND PURCHASE BEHAVIOUR** Personality, lifestyle Frequency of purchase (regular, temporary) Type of use of the product (low, medium, high)

Market segmentation and positioning of the product

Market segmentation:

Identify the market needs not being satisfied

Better adjustment supply-demand

Identification of competitors

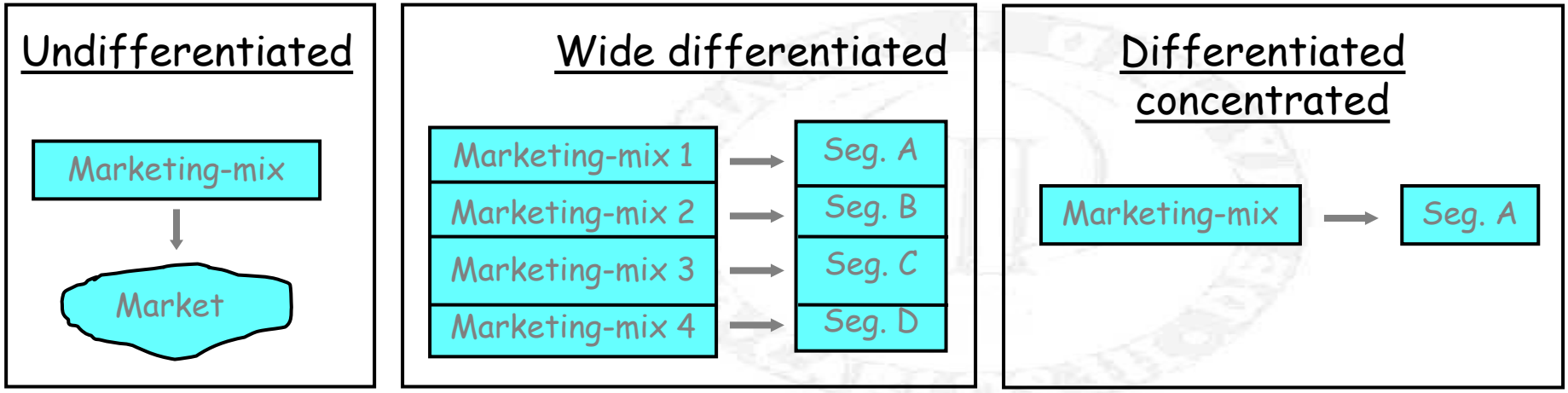
Market segmentation and positioning of the product

Market segmentation strategies

Undifferentiated /Mass Marketing Strategy: The company attempts to appeal to the whole market with a single product or service and marketing strategy. A single marketing mix is offered to the total market.

Wide Differentiated Marketing Strategy (Multisegment): The product is aimed at two or more specific segments in the market. The firm decides to target several segments and develops distinct product/services with separate marketing mix strategies.

Differentiated Concentrated Marketing Strategy (Niche marketing): The product and marketing message is aimed at single well-defined segment of the consumer population in a market.



What is positioning?

Technique in which marketers try to create an image or identity for a product, brand or company in the perception of the target market

Phase 1

Marketing Manager:

Marketing-mix strategy to position the product in the mind of the customer

Phase 2

Customer:

Creation of a perception of the product, how buyers see the product

Successful positioning strategy

A successful positioning strategy is usually based on a sustainable competitive advantage of a company.

Positioning can be based on several things:

- Product characteristics
- Benefits of the product
- User characteristics
- Placing and comparing it relative to another product
- In terms of price-quality relationship

Market's demand analysis and forecast

Measuring and quantifying the real demand, identifying the variables affecting it and forecasting the demand in the future

Ways to do it:

Brand's **Market Share** =
Brand Sales / Total Market of reference Sales

Techniques: Pilot markets, Delphi technique, Purchasing intention surveys, …

Market's demand analysis and forecast

Demand is the volume of sales of a certain product for an specific group of customers, at a set time and place, given some environment conditions and a marketing programme

The demand may be quantified from different dimensions:

PRODUCT

GROUP OF CUSTOMERS

TIME

Differentiation between REAL demand and POTENTIAL market demand

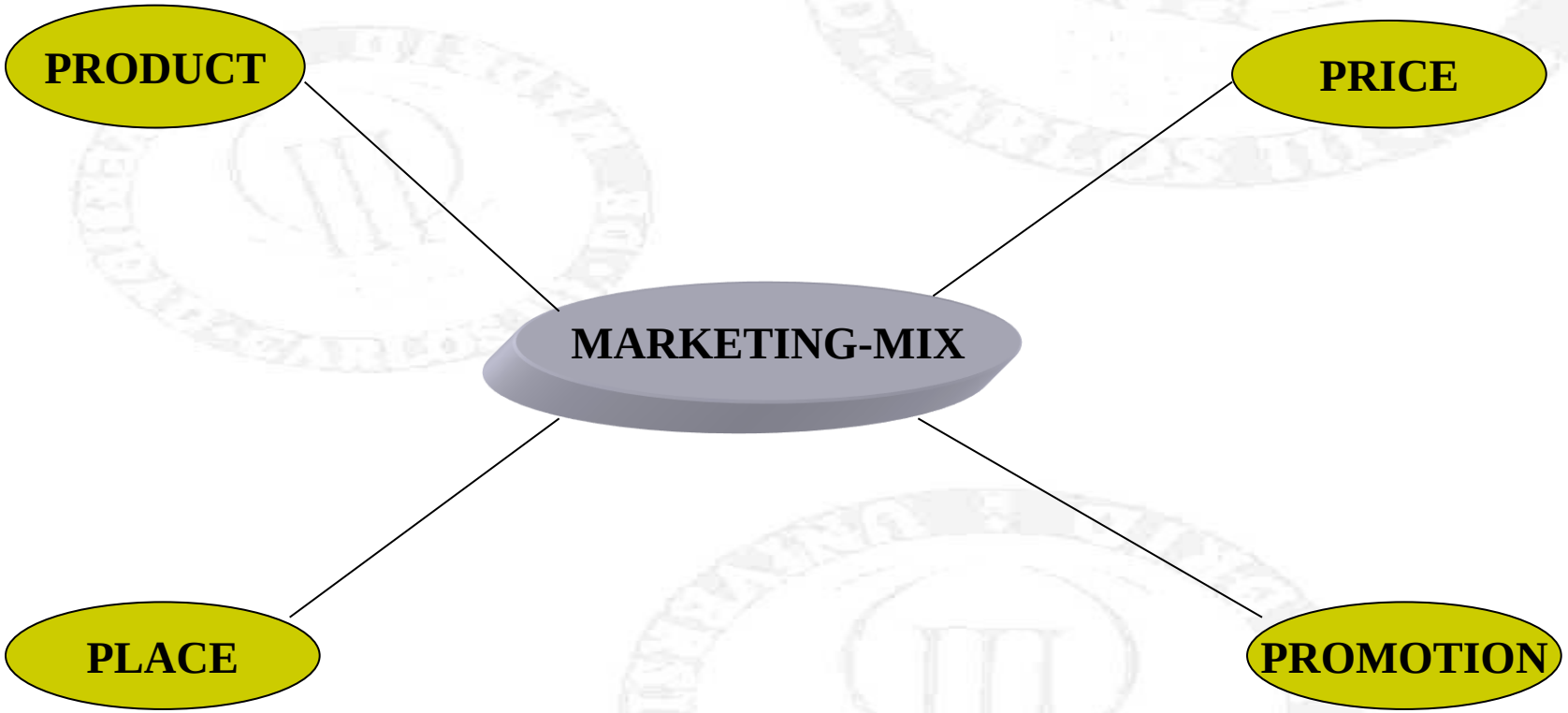
Market's demand analysis and forecast

One of the main objectives of the demand analysis is forecasting and measuring the variations in the demand due to changes in other factors related to it, mainly the marketing-mix variables

$$\text{Elasticity of D.} = \frac{\text{\% variation in the Demand}}{\text{\% variation in the factor considered}} = \frac{\Delta D/D}{\Delta F/F} = \frac{(D_2 - D_1)/D_1}{(F_2 - F_1)/F_1}$$

Elasticity > 1 ⇒ Demand is Elastic (Demand is sensitive to factor changes)
Elasticity = 1 ⇒ Demand is Unit Elastic
Elasticity < 1 ⇒ Demand is Inelastic (Demand is not sensitive to factor changes)

Marketing-mix decisions



PRODUCT

The **product** is a bundle of tangible and intangible attributes that may satisfy customer wants and is received in exchange of payment

The **basic** (core or generic) **product** is less than the **total product** people buy. Customers also buy product **benefits** such as: quality, design, packaging, size, quantity, post-sale services, image…

Factors affecting customer satisfaction

- **Physical-technical characteristics of the product**
- **Psychosocial factors**

Psychosocial attributes of the product

- **Brand**
- **Design**
- **Packaging**
- **Quality**

BRAND

A **brand** is a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers

Any brand contains:

- **Name: Component of the brand which can be said**
- **Logo: design, symbol, graph and distinct colours**

STRATEGIC OPTIONS

- **Manufacturer brands**
  - **Corporate/ unique brand**
  - **Multi-brands**
    - **Individual brand**
    - **Family brand:**
      - **Umbrella brand**
    - **Secondary brands**
- **Dealer brands (owned by a wholesaler or retailer)**

PRODUCT

Individual Branding
Coca-Cola Company

- Coca-Cola
- Diet Coke
- Mello Yello
- Powerade
- Dasani
- Minute Maid
- Simply Orange
- Sprite
- Fresca
- Fanta
- Del Valle
- Fuze
- Ciel
- Odwalla

Umbrella Branding
The Virgin Group

- Virgin Megastores
- Virgin Atlantic
- Virgin Oceanic
- Virgin Money
- Virgin Health Bank
- Virgin Galactic
- Virgin Mobile
- Virgin Rail

HACENDADO



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DESIGN

The **design** is the appropriate combination of physical appearance, colour, shape and ease of use

Two perspectives:

- **Esthetical: Beauty of the product**
- **Functional: Ease of use**

PACKAGING

Packaging is the design and production of the container or wrapper for a product. It includes the **label**

Package and label functions

- **Protects the content and facilitates its transportation**
- **It is compulsory to add a label with certain information about the product**
- **It can also make a product more convenient and attractive**

QUALITY

It measures if the product satisfies the customers' needs

Quality depends on:

- **The intrinsic characteristics of the product**
- **What consumers expect about the product**

OTHER ATTRIBUTES

Warranty, post-sale services, size, quantity, product line, …

PRODUCT LINES

A **range of products** (also known as assortment or variety of products) is an offer composed of products lines and individual products.

Characteristics of a range of products

(firm's entire offering of the product items)

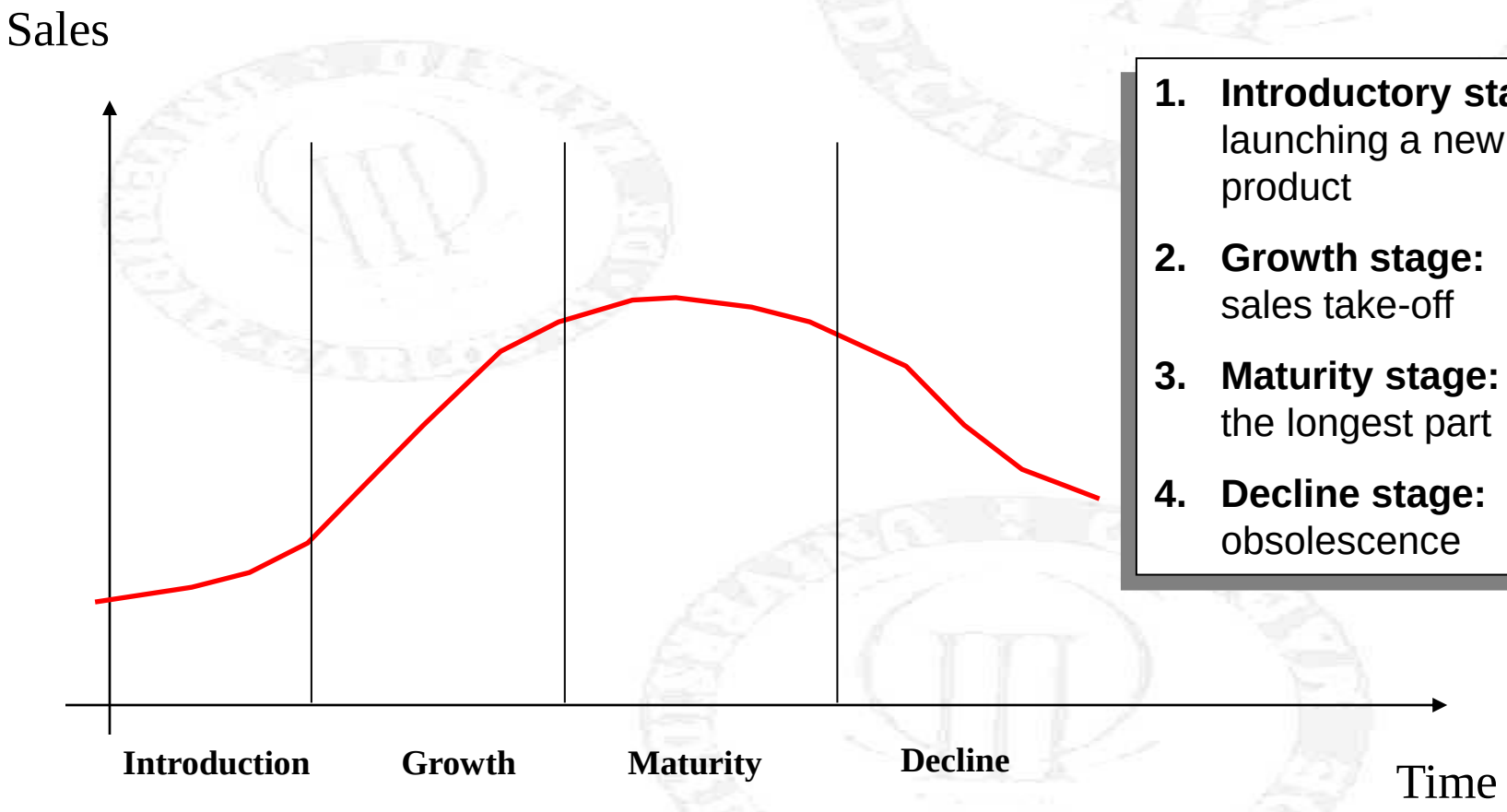
- **Extension of the range of products (no. of lines)**
- **Depth (number products per line)**
- **Length (total number of individual products)**
- **Consistency (with the final use of the product)**

Product strategies:

- **Add more product lines (Δ range)**
- **Extend the product lines (Δ depth)**
- **Incorporate product variations (Δ length)**

PRODUCT LIFE-CYCLE

The product life-cycle can apply to a product category, to a product form or to a brand

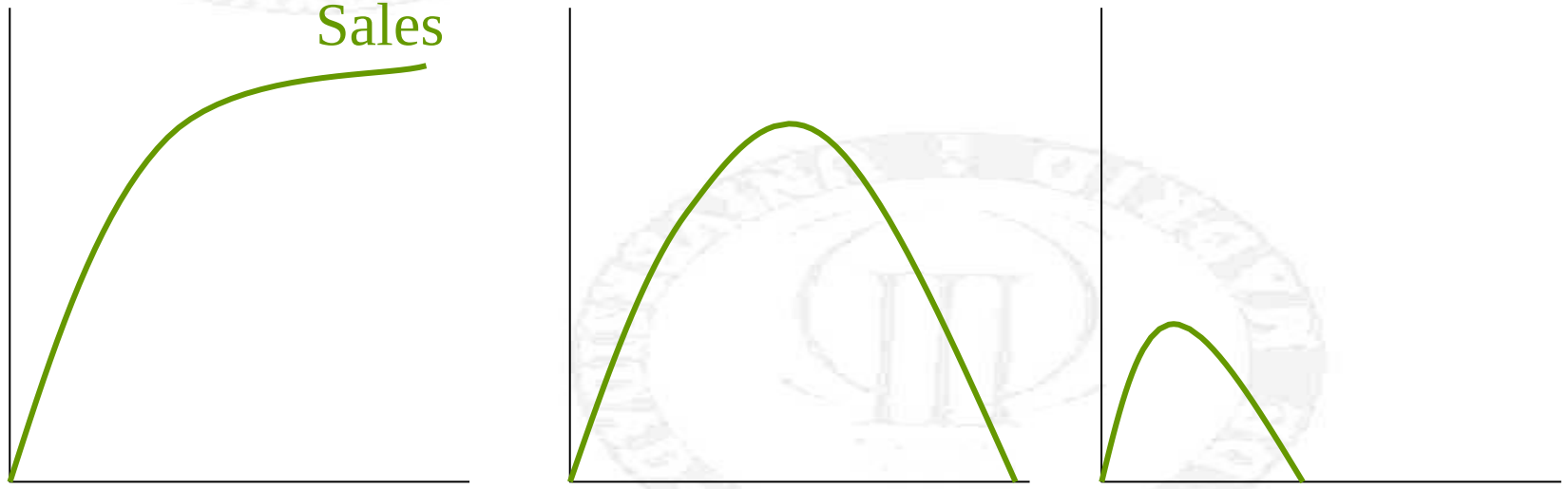


1. **Introductory stage**: launching a new product
2. **Growth stage:** sales take-off
3. **Maturity stage:** the longest part
4. **Decline stage:** obsolescence

Examples of product life cycles

Which one is..

- a fashion product?
- an inmediate failure product?
- a product of a dilated life?



PRICE

Price is the marketing-mix element that sets the amount of money the seller seeks from the buyer in exchange for the product (Fair pricing-value marketing)

Why is it important?

- **Influences the demand**
- **Reinforces the image of the product**
- **Needs to be compatible with the other m-mix strategies**

Pricing **objectives** need to be aligned with the marketing objectives and also with the rest of the company's objectives

Maximizing profit

Maximizing sales

Achieving a certain market share

APPROACHES TO PRICING

COMPETITION APPROACH

DEMAND APPROACH

COST APPROACH

COST-PLUS PRICING

Mark-up: difference between the cost of a good and its selling price

BREAK-EVEN ANALYSIS

PROMOTION

Communication is the process of influencing others' behaviour by sharing ideas, information or feelings with them. Marketers' efforts to communicate with target audiences are called **promotion**

Promotion **objectives** are to gain attention, to teach, to remind, to persuade and to reassure

Promotion-mix activities:

- **ADVERTISING**
- **SALES PROMOTION**
- **PUBLIC RELATIONS**
- **DIRECT MARKETING**
- **PERSONAL SELLING**

ADVERTISING

Advertising is any paid form of non-personal communication through the mass media about a product by an identified sponsor. It is directed through media such as magazines, direct mail, internet, TV, billboards, newspapers

Objectives:

- **Transmit information: Informative advertising**
- **Persuade: Persuasive advertising**

Advertising Management Decisions:

1. **Defining the target audience**
2. **Defining the advertising objectives**
3. **Deciding on the message and how to communicate it**
4. **Selecting the advertising media**
5. **Setting the advertising budget**
6. **Deciding about when to advertise**
7. **Evaluating advertising effectiveness (sales vs. communication oriented)**

SALES PROMOTION

Sales Promotion is any activity that offers an incentive for a limited period to induce a desired response from target customers, company salespeople or intermediaries.

A sales promotion adds value to the product because the incentives it offers ordinarily do not come with the product.

DECISIONS:

1. **Defining the promotion objectives**
2. **Selecting the type of promotion**
3. **Developing the promotion programme**
4. **Advertising the promotion plan**
5. **Evaluating the results**

PUBLIC RELATIONS

Public relations is communication to build and maintain a favourable image of a firm, maintain the goodwill of its many stakeholders and explain its goals and purposes (Relations with the media, sponsorship…)

DIRECT MARKETING

Direct marketing is an interactive system of marketing that uses one or more advertising media to effect a specific measurable response or transaction at any location.

Direct marketers use media such as the telephone, internet, TV, direct mail and social media to induce measurable responses.

PERSONAL SELLING

Personal selling is a person-to-person process by which the seller learns about the prospective buyer's wants and seeks to satisfy them by making a sale

Personal Selling Management process

1. Planning and coordinating the sales force

- **Planning the size of the sales force**
- **Establishing a remuneration policy**
- **Assigning the objectives for each group**
- **Fixing selling quotas**
- **Recruiting and organizing the team**

2. Managing the sales force and evaluating its efficiency

- **Leadership and motivation**

DISTRIBUTION

The **objective** of distribution is getting the product to customers where and when they want it

A **distribution channel** is the series of interdependent firms that facilitate transfer of title to a product as it moves from producer to final buyer

An **intermediary** is a person or a firm in a distribution channel, such as a wholesaler or retailer, that operates between the producer and the final buyer

Types of distribution:

- **Physical distribution (logistics)**
- **Distribution channels**

TYPES OF DISTRIBUTION CHANNELS

Direct distribution channels	**The producer sells directly to the final buyers**
Indirect distribution channels	**The producer entrusts some distribution tasks to independent intermediaries**

- Merchandise agents and brokers: Intermediaries that bring buyers and sellers together (perhaps physically handling the products but not owning title to them) and that are paid a commission for their services.
- Wholesalers: Firms that sell to intermediaries or to other organizational buyers but do not sell to ultimate customers.
- Retailers: Firms that sell consumer goods or services directly to ultimate consumers for their personal or household use.

FUNCTIONS OF THE DISTRIBUTION CHANNELS / INTERMEDIARIES

- Improve exchange efficiency
- Help match supply and demand
- Offer a wide product-mix from different producers
- Logistics management
- Perform other marketing functions such as financing, supplying market information and storing

CRITERIA FOR SELECTING A DISTRIBUTION CHANNEL

1. Objectives of the distribution

- **Buying habits**
- **Customer characteristics**
- **Product characteristics**
- **Characteristics of the company and its competitors**

2. Establish a distribution strategy

- **Intensive Distribution**
- **Selective Distribution**
- **Exclusive Distribution**

3. Define de distribution channel

- **Characteristics of each intermediary**
- **Coordination**