BUSINESS STUDIES

Marketing

Role of Marketing

Marketing is the process of developing a product and implementing a series of strategies aimed at correctly promoting, pricing, and distributing (Place) the product to a core group of customers.

- The purpose of this is to determine what the business should be producing.

- Marketing is used primarily by a business as a method of enhancing its revenue streams and increasing the market's awareness of its products.

The Strategic Role of Marketing Goods and Services

Profit Maximization (Maximise different between total revenue and costs)

- Profit Maximization - Businesses use a series of actions or **strategies** that can be used to generate greater sales. The **marketing plan** details the strategies a business needs to put in place to sell their products.

- The **Strategic Role of marketing** extends also to society which includes:

    - **Choice-** Businesses differentiate themselves from their competitors through price, product quality and features and service. All these provide consumers with greater choice when purchasing a product.

    - **Standard of living-** Businesses will often develop and market products that improve and enhance standard of living. To provide consumers with better products.

    - **Employment-** To provide a product to consumers, businesses must employ labour to assist in transforming input resources into finished products. Labour is also required to sell these goods and services.

    - **Brand awareness- Brand** awareness refers to the extent that customers are aware of a product/ brand and its features. It is achieved through strong and effective marketing campaigns.

- All of this is done to increase the market share. **Market share** refers to the percentage of total sales a business has compared with its competitors in a particular market. It increases the business's sales and profitability.

Interdependence with other key business functions

Each key business function must work effectively with other functions to ensure the goals of the business are achieved. **Marketing** has a mutual dependence on other key business functions for its success.

Marketing ←→ Operations (Physical Making of the product)

- Marketing relies on operations to create products of the right quality.

- Operations relies on marketing to identify market opportunity (what to produce).

- Operations will need to use sales forecasts produced by the marketing department to plan their operation schedule.

Marketing ←→ Human Resources (Relationship between staff who contribute labour)

- Marketing relies on Human resources to hire, train, and develop employees who work in the field of selling the output of the business and successfully connect the products to customers.

- Human resources rely on marketing as staff must be motivated and skilled to develop products. It is through the marketing process that a business to determine the skills needed. (e.g. Qantas lounges are expensive and need to be funded → uses market share/profitability analysis (Marketing) → the correct staff need to be employed to create the service that satisfies customers (HR)).

- A research and development department will need to work closely with marketing to understand customer needs and wants along with testing outputs.

Marketing ←→ Finance (Financial information required for sound and viable decision making)

- **Accounting and finance** relates with marketing as the business needs to see how much money it can put into marketing.

- Sales projection (monitoring previous sales).

- Provide funds for market research, hiring staff and capital.

- **Marketing** relies on finance to provide adequate funds to implement strategies outlined in the marketing plan (e.g. Advertising campaign as part of product promotion) In return, finance relies marketing to generate funds for the 4 P's which can be allocated to other areas of the business.

Production, selling, marketing approaches

Marketing is aimed at increasing product awareness and sales. There are three core approaches to marketing:

- **Production Approach (1820s-1930s Early industrial revolution)**
  - Mass Produce and low-cost production.

  - Mass production of a standardized product aimed to increase output and reduce production cost (e.g. Henry Ford successful with mass production of Model T Ford cheaply and quickly in black, originally produced in 1908 for $825, fell in price every subsequent year that it was in production.).

  - Relies on the view that consumers base their purchasing decisions on the quality of the product: '*If we make it, they will buy it'.*

  - This improved affordability of the product and increased market share for businesses.

  - Concentrated efforts on production to meet the demands of the market: Demand exceeded supply.

- **Selling Approach (1920s – 1960s)**

- Based on the belief that a business will be successful in selling a product if it is able to promote the benefits of the product to its target market: Sales-oriented.

- Emphasized persuasive sales techniques.

- Does not attempt to understand or research what the customer wants or needs, often associated with unsolicited mail relating to credit card offers or insurance where marketing uses databases to mail out attractive offers to potential customers.

- Numerous sales techniques developed (e.g. promotion and packaging, radio and tv).

- Competition between businesses increased.

- **Marketing Approach Stage One (1960s – 1980s)**
    - The basis of which is that the customer is at the core of all business activities. It involves adopting a customer orientation with the belief that all actions in the business should be aimed at satisfying the needs of the customer.

    - Discretionary Income – Disposable involve that is available for spending after fulfilling basic needs.

- **Marketing Approach Stage Two (1980s-Present)**
    - **Customer orientation**: Refers to the process of collecting information from customers and basing marketing decisions and practices on customers wants and interests.

    - **Relationship marketing** is the development of long term and cost-effective relationships with individual customers.

    - **Establishing loyal customer base.**

    - **Cross-Branding** (E.g. Coles/Shell, Woolworth/Caltex, Qantas Telstra Visa Card).

    - **Corporate and social responsibility (CSR)** due to external pressure from customers and environmental organisations (E.g. increased demand for ecologically sustainable products – The Body Shop).

Type of markets – Resource, industrial, Intermediate, consumer, mass, niche

Market – A group of individuals that: need or want a product, have money to purchase the product, are willing to spend their money to obtain a product, are socially and legally authorised to purchase the product.

- The production and sale of goods and services is not restricted or targeted solely to customers.

- Some organisations simply buy a finished good from a manufacturer to sell to consumers.

- There is a diverse range of markets that demand goods and services. The type of markets that don't sell to customer are:

- **Resource markets**
  - Individual groups engaged in primary production, including mining, agriculture, fishing, and farming. (E.g. BHP Billiton and Rio Tinto).

  - Resource market provides the land, labour, capital, and enterprise needed by producers.

  - Consists of land, labour, capital, and resource market.

  - Where raw materials are bought and sold.

- **Industrial market**
  - Industrial Markets provide both partly made raw materials and finished items to other businesses in the production (e.g. Sony buys plastics and metals to produce television/Car manufacturers purchase steel).

  - Secondary and tertiary businesses.

  - Where goods that are used as supplies in the production process are traded. (E.g. construction, agriculture, mining, manufacturing.).

- **Consumer Markets –** Divided into Mass and Niche markets
  - Consumer market is where producers, wholesalers and retailers offer their products for sale directly to individuals and household customers.

- **Mass markets:** apply to goods and services that appeal to all types of consumers. (e.g. Electricity, water, and postal services).
  - Relatively undifferentiated products such as necessities.

  - Sellers mass produce, distribute and promote one product to all buyers, offered to every consumer irrespective of their income or age.

- **Market segments:** where a business chooses to focus on only one area of particular market. (E.g. Women aged 20–50 years old).

- **Niche markets:** also known as a concentrated or micro market, is a narrowly selected target market segment. (E.g. luxury cars).
  - Individualised products designed to meet the needs of specific customers, well suited to provide highly specialised products.

  - Markets based on gender, age, income, lifestyle, living area, interests.

  - Small selection of the market with a specific need for a particular good or service.

- **Intermediate markets:** commonly referred to as wholesalers. They sell products to retail businesses that have been produced by other organizations. (E.g. Armstrong Electrical Wholesalers, General pants co, Myer)

Influences on marketing

Factors influencing consumer choice – Psychological, sociocultural, economic, government.

Psychological Influences- Psychological factors are personal characteristics of an individual that affect his or her buying behaviour. They include:

- **Perception**- Is the process through which people select, organise, and interpret information to create meaning. Individuals act on perceptions of reality rather than reality itself thus marketing managers must create a positive perception in the mind of the customer through certain images such as trendy and classy. (e.g. A luxurious car like Ferrari can be seen as an achievement).

- **Attitudes**- An attitude is a person's overall feeling about an object or activity. It generally influences the success or failure of a business's marketing strategy. (e.g. First experience at skiing, positive experience → return visit vice versa).

Celebrities are examples of opinion leaders

- **Motives –** Comfort, health, safety, ambition, pleasure, fear, and approval of product.

- **Lifestyle-** Different lifestyles attract different types of products and services. (e.g. People who doesn't enjoy sport won't buy sporting products).

- **Personality and self-concept/image-** The way we view ourselves and the way we respond to another people's perception of us. (e.g. People that do not care about luxury, will not buy Rolex watches).

<u>Sociocultural Influences</u>- are forces exerted by other people and groups that affect an individual's buying behaviour.

- **Family and Roles**- Everyone occupies different roles in within the family and groups within the wider community. (e.g. men are more likely to be seen purchasing tools and cars whereas women purchase health care and laundry products) However, roles are changing and marketers are beginning to understand that as well.

- **Culture –** Customs and traditions.

- **Social Class** (Socioeconomic status) – Education, occupation, and income.

- **Reference (Peer) Groups**- A reference or peer group is a group of people with whom a person closely identifies, adopting their attitudes, values, and beliefs. (e.g if a friend tells you that they had a bad experience at a certain store, you will most probably alter your buying behaviour).

<u>Economic Influences</u>- have an enormous impact on the buying behaviour of businesses and customers. The level of economic activity fluctuates and its four distinct phases influences the marketing environment.

- **Boom**- A period of low unemployment and high economic growth which lead to higher incomes. This is the phase where businesses and consumers are optimistic about the future. Customers are willing to spend and businesses attempt to increase their market share by promoting heavily. The potential marketing during this phase is usually large with more sales. (e.g. Low unemployment, increased consumer confidence).

- **Contraction**- A period of high unemployment, slow economic growth, and stabilising incomes. Customers and businesses become pessimistic and reduce their spending and investment. Marketing plans during this phase stress the value and usability of the product. (e.g. People become more price conscious, pessimistic).

- **Recession**- Sees unemployment reach high levels and incomes fall dramatically. There is a lack of confidence in the economy and a very small level of spending, a mood of deep pessimism persists. Marketing during this time should concentrate on maintaining existing market share. (e.g. 2008 GFC due to high levels of inflation, the cost of living increases leading to a decline in retail sales, especially luxury items).

Government Factors - Policies directly/indirectly influence business activity and customers' spending habits, and as such, will influence the marketing plan.

- Taxes, subsidies, and laws.

Taxes on products are charges in addition to the price set by the producer (e.g. Tax on alcopops was aimed to discourage the purchase of the product to reduce the level of teenage binge drinking).

Subsidies are financial support provided by the government to reduce the cost of certain products. (e.g. $5000 subsidy for the purchase of water tanks in NSW).

Laws and regulations are government restrictions that either encourages (e.g. stimulus package offered to taxpayers post GFC crisis, Competition and consumer act 2010 (Cwlth)- influences marketing decisions) or discourages the spending on certain products (e.g. NSW state government has placed a restriction on the age at which a person can purchase a car with a large engine, meaning that an 18 year old holding a Provisional licence (P Plate) cannot purchase a Subaru WRX which reduces risk of speeding).

- Interest rates are significant in determining the level of expenditure in the economy and the level of credit that consumers and business will access.

- It does this through its use of fiscal and monetary policies, microeconomic reform and age restrictions placed on the purchase of specific products.

- **Age restriction** on the purchase of alcohol and tobacco to promote social responsibility in the community.

- **Promotion of fair and competitive behaviour.**

- Remember **FEC**

Consumer laws

Role of consumer laws
- The Commonwealth Government controls business behaviour through the ***Competition and Consumer Act 2010* (Cth)**. This legislation attempts to promote fair and competitive behaviour in the marketplace.

Deceptive and misleading advertising
Businesses must be truthful with their pricing claims, advertising, and special offers. Businesses cannot advertise a claim for a product that it cannot prove to be true. (e.g. Coca Cola vitamin water, does not mean vitamin + water, expressed in fine print)

Case Study
- Rimmel's mascara advertisement was marked as deceptive and misleading by Advertising Standards Authority (ASA), Rimmel features Kate Moss in the

advertisement, which claimed a mascara brush lifted eyelashes and the company failed to confirm that Moss was not wearing false lashes on TV.

- L'Oreal was censured for its Telescopic mascara commercial featuring Penelope Cruz that exaggerated its effects and misled consumers by failing to make it clear that Cruz was wearing fake individual lashes.

Competition and Consumer Act 2010 is enforced by the Australian Competition and Consumer Commission (ACCC).

- Some business will advertise in ways that are wrong or unethical. Examples of deceptive and misleading advertising under the ***Competition and Consumer Act 2010*** Include:
  - Overstating the benefits that products provide (e.g. Before and after shots using editing/makeup/lighting to enhance the effect).
  - Offering discounts and special offers that don't exist (e.g. Free tests and surveys).
  - Using bait and switch advertising- Promotes a product that is heavily discounted even though the business has very limited supplies.
  - Some advertisements convey a false impression of the exact nature of the product.
  - **Greenwashing tactics** - Act of lying to people about the environmental practices of a company or the environmental benefits of a product. (e.g. Environmental claims may appear on household items such as toilet paper, companies might include statements regarding environmental sustainability or recycling).
  - **Fine prints and qualifications –** Legal to have information in fine prints, however it must not contradict the overall message of the advertisement.

Two common types of Deceptive and misleading Advertising:

- **Bait and Switch Advertising** - Bait advertising takes place when an advertisement promotes certain on products that are not available or available only in very limited quantities.

- **Dishonest Advertising** – Misleading impression of advertising.
  - E.g. Arnott's Biscuits has paid $51,000 in penalties for using a "false comparator" to claim on the packaging of certain Shapes products that the contents had 75 per cent less saturated fat. Arnott's was comparing its Shapes Light & Crispy products to potato chips cooked in 100 per cent palm oil. It was inappropriate because only 20 per cent of potato chips sold in Australia was cooked in palm oil.

Case Study
- Optus claimed that consumers could gain 'unlimited broadband' internet. However, once consumers had reached a certain amount of GB the service speed was throttled making the device unusable.

- L'Oreal's add campaign for Lancome with Julia Roberts- breached the advertising standards code for exaggeration and being misleading. The advertisement was airbrushed so much that the pictures were "not representative of the results the product could achieve".

- KFC found in Sept 2011 advertising chickens to roam free when this was false and the ACCC launched legal action.

- In 2010 the ACCC found that LG had 'cheated' during the energy testing process for two of its refrigerator models, which allowed it to gain a higher energy star rating which was sued in the marketing of the products.

- Coles paid $2.5m for substantial and serious misleading marketing claims that their bread was 'baked today' or 'freshly baked in store' when the bread was partially baked and frozen off site by a supplier, transported and 'finished' at in-store bakeries within Coles supermarkets.

Australian Consumer Law (2011) Replaced Trade Practice Law of 1974
- Promote fair and competitive behaviour in the market place.
- Prevent businesses from deceiving and misleading consumers.
- Mirrors ASIC act.
- Enforced by ACCC as a law of the Commonwealth Applied and implemented by Competition and Consumer Act of 2010 Enforced by states and territories.

Breaches of the Act
- Legal action taken by ACCC that imposes penalties to both companies and individual for unconscionable conduct.
- Unconscionable conduct – any practice of a business that is irresponsible or illegal. (e.g. Qantas was fined $20m by ACCC in 08 for colluding with other airlines to fix fuel surcharges on cargo flights to US).

Price discrimination

Price discrimination refers to the process of a business giving preference to some retail stores by providing them with stock at lower prices than is offered to the competitors of those retailers. – Ineffective due to many exceptions.

- The competitors are being discriminated against by being forced to pay a higher price for a product that is identical.

Case Study
- Apple Microsoft, Adobe. Different prices between Australia and US A 16GB WiFi iPad produced by Apple with Retina display sells in Australia for A$539, $40 above the price in the U.S., despite the stronger local currency. Microsoft's latest versions of office 365 home premium cost A$119 in Australia versus $99.99 in the United States.

Implied conditions and warranties

Implied conditions or terms are unspoken and unwritten terms in a contract. The two most important terms are:

- **Merchantable quality**- means that the product is of a standard a reasonable person would expect for the price. (e.g. In 2010 the Federal Court ruled that the arthritis drug VIOXX was unfit for purpose and of unmerchantable quality, as it doubled the risk of heart attack.)

- **Fitness of purpose**- means that the product is suitable for the purpose for which it is being sold.

Warranties

A warranty is a promise by the business to repair or replace faulty products. All businesses have certain obligations with regard to the products they sell to maintain quality.

- Regardless of whether the product is carrying a warranty, a business must, by law, either refund a client's money or offer an exchange of the good should the good be recognized to have been faulty at the time of leaving the store. This is why all products are said to have an **implied warranty**.

Resale price maintenance

- Under the ***Competition and Consumer Act*****,** <u>a manufacturer cannot refuse to sell goods to a retailer who decides not to sell the good at the price that is suggested by the manufacturer.</u>

- A manufacturer cannot discriminate against stores for selling at a price that is lower than it has recommended.

Ethical – Truth, accuracy and good taste in advertising, products that may damage health, engaging in fair competition, sugging

Ethics in marketing refers to a combination of broad principles that establish standards of behaviour and guidelines for people working across the marketing industry.
- Moral guidelines that governs good behaviour (e.g. No animal testing).
- They are not enforceable through law.

<u>Consequences of unethical business behaviour:</u>
- Poor reputation.
- Loss in sales.

<u>Ethical criticisms</u>:
- *Creation of needs* – materialism.

Materialism is an individual's desire to constantly acquire possessions.
- *Stereotypical images of males and females.*

Advertisements tend to portray males as powerful figures or who watches sport with his mates. Females, are usually portrayed as maternal figures, often associated with household duties.

- *Good taste in advertising* - Ethnic minorities, animal welfare, bodily functions, children's issues, the needs of the aged, medical research and fundraising appeals are some areas that need sensitivity when advertising. (e.g. Victorian Hearing showed a woman with a prawn behind her ear and the tag line "Hearing aids are ugly" The tag line was offensive, discriminatory, and distressing for people).

    - Highly subjective.

    - Controlled and monitored by the Advertising Standards Bureau (ASB).

    - Businesses may provide confronting and unique advertisements which are considered distasteful to some.

    - Appropriate to be shown on TV depending on family view (e.g. The Body Shop's advertisement had explicit sexual content and it was believed to be too graphical for children, very inappropriate in the context of advertising a shower product).

- *Use of sex to sell products* (e.g. Calvin Klein's sexting ads depicting one shirtless man with two attractive young women with sexually explicit messages).

    - Overuse of sexual themes and connotations to sell products.

    - Unrealistic images are portrayed as attainable. Advertisers use sex appeal to suggest to consumers that the product will increase the attractiveness or charm of the user.

    - Sexually charged advertising grabs attention, and it is often memorable, but so is a bad case of 'food poisoning'.

- *Product placement* (e.g. Product placement in James Bond Films).

    - **Product placement** is the inclusion of advertising in entertainment.

- *Invasion of privacy* - Obtaining research data without permission (e.g. Facebook Advertising targeted to specific individuals based on internet browsing and interests expressed online).

Truth, accuracy, and good taste in advertising

- It is expected that when promotional material is distributed, this material represents information that is truthful, accurate and in good taste. (e.g. Bad taste in advertisement – Lynx ad depicting two men kissing was offensive to some religious viewers).

- The ***Competition and Consumer Act*** prohibits a corporation from supplying consumer goods that do not comply with prescribed product safety standards.

- **The Advertising Federation of Australia (AFA)** is the peak body representing companies in advertising and marketing communications. It seeks to promote the best practices in advertising.

- **The Australian Marketing Institution (AMI)** has a code of conduct that is binding on all members and which establishes standards that apply to advertising.

- Using somewhat controversial advertisements to promote social issues, while at that the same time selling its brand name.

Untruth due to concealed facts

Untruths due to concealed facts - pieces of information purposefully omitted form an advertisement, which may harm the trust customer has for a product.

Exaggerated claims (e.g. natural mineral water claimed bubbles were 'natural' and bottled at the source when they were added later).

Exaggerated claims also known as puffery - Puffery is exaggerated praise or flattery, especially when used for promotional purposes that no reasonable person would take as factual.

Vague Statements

Vague statements - Using ambiguous words that the consumer will assume the advertiser's intended message (E.g. 'helps' and 'enhances').

Case Study

- Coca-Cola was forced to withdraw its myth-busting marketing campaign which claimed that Coca-Cola does not rot your teeth or make you fat, as the ACCC advised Coca-Cola that the advertisements were creating a misleading impression of the product.

- Kellogg's Nutri-Grain cereal is marketed as iron-man food; however, it is 32% sugar. Similarly, Coco-Pops are marketed as being a source of wholegrain fibre, yet are over 33% sugar.

Products that may damage health

- Products and services that damage people's health are regarded as "sin" products, so the government puts restrictions. They include:

    - Restrictions on tobacco sponsorship entries into casinos.

    - Restricted opening hours for leagues and RSL clubs for gambling.

    - Packets contain health warnings for cigarettes.

    - Health warnings for products containing alcohol and fast/junk food products - Industry established codes and the federal government sets restrictions on children's advertising. e.g. No advertising is allowed during programs for pre-school children.

    - Digital advertising on social-networking platforms have raised ethical issues

Advertising Standards Bureau

Advertising Standards Bureau - Ensure that acceptable advertising standards are followed.

- Administering a national system of advertising self-regulation through the Advertising Standards Board and the Advertising Claims Board.

- **Self-regulation** is a system by which a business or industry controls its own activities rather than being publicly regulated by an outside organisation such as the government.

Engaging in fair competition

- The role of the Australian Competition and Consumer Commission is to regulate business behaviour.

- ACCC reduces consumer exploitation - **Consumer exploitation** occurs when the rights of consumers are ignored, when businesses engage in in unfair marketing strategies.

- Unfair competitive behaviour includes:
    - Price-fixing between two or more major competitors.
    - Long-term loss leader – pricing strategy by undercutting smaller competitors.
    - Misleading advertising regarding products.

Australian Competition and Consumer Commission

- The ACCC attempts to regulate the level of competition within a range of industries. It aims to promote fair and ethical behaviour by businesses towards their competitors and allows businesses to lodge complaints against competitors regarding behaviour that they deem to be unfair and against the Acts.

Unfair Competition: Sugging

Sugging is Selling under the appearance of a survey is a sales technique disguised as market research. This technique is not illegal; however, it does raise several ethical issues including invasion of privacy and deception.

- Aims to encourage potential customers to order the product or sign up to a service such as a telephone carrier or insurance provider.

- Long term negative consequences for market research, as the cooperation of consumers is becoming more difficult with response rates to surveys and questionnaires steadily declining.

Other Examples:

- **Price fixing:** where 2 or more businesses agree to control or fix prices for goods or services that they produce.

- **Misinterpretation in advertising:** false or misleading claims.

- **Predatory pricing:** a business uses a dominant position in the marketplace.

Case Study

- Tesco Club Card collects routine information on customer consumption habits. As it bulks up in financial services that may give Britain's largest supermarket chain an edge over traditional insurers. A research program by the London School of Economics showed a frequently used Tesco card would get a discount of 18% whilst an unused card only discounted 1%. Paraphrasing Tesco's Slogan every little scrap of information counts.

- Price Fixing – Flight Centres

The travel agency tried to induce three airlines to enter into price-fixing arrangements, so it could maintain its commissions. The ACCC found that on six occasions between 2005 and 2009, Flight Centre tried to persuade Singapore Airlines, Malaysian Airlines, and Emirates to agree to stop directly offering and booking their international airfares - including over the internet - at prices less than what Flight Centre offered.

Marketing Process

Introduction

- **Planning** is a central activity of any organisation.

- It allows a business to examine its current position within the market, consider opportunities to strengthen that position and determine the most effective method of implementing the required changes.

- The elements of a marketing plan are:
  - **S**ituational analysis
  - **M**arket research
  - **E**stablishing market objectives
  - **I**dentifying the target market
  - **D**eveloping marketing strategies
  - **I**mplementing, monitoring, and controlling

Remember **SMEIDI.**

The Executive Summary

The executive summary provides a brief description of current issues facing the business. It provides an overview of the goals and strategies that are to be featured in the plan.

The Situational Analysis

- The situational analysis provides the firm with an opportunity to examine its current position within the market. There are two key elements to a situational analysis. Two key elements of the situational analysis are **SWOT** analysis and the **product life cycle**.

SWOT Analysis

- The effective use of the SWOT exercise (Strengths, Weaknesses, Opportunities, and Threats) provides the information needed to complete the situational analysis and gives **a clear indication of the business's position compared with its competitors**.

- The Strengths and Weaknesses of the business are internal forces as they operate inside the business and a largely controlled by it.
  - **Strength** (e.g. Virgin has used their strong brand name to launch several products: Airline, gym, and phone).
  - **Weakness** (e.g. lack of product differentiation, weak distribution, lack of online presence).
  - Does the business have a good reputation amongst its stakeholders?
  - Is the business financially stable?

- Opportunities and Threats are the external forces as they operate outside the business and cannot be controlled by the business.
  - **Opportunities** (e.g. Qantas establishing subsidiary airlines in Asia).
  - **Threats** (e.g. Coles vs Woolworths, other supermarket introductions).
  - What is the degree of competition?
  - Are competitors reacting to the business's products?

Sample SWOT Analysis

Internal	**Strengths** • Effective and efficient management. • Good business planning. • Excellence reputation. • Loyal, motivated, and skilled employees. • Operational order. • Achieving or exceeding financial objectives. • Positive cashflow. • Competitive advantage in price, product, and promotional strategies. • Use of up-to-date technology.	**Weaknesses** • Inefficient management: poor decision making and planning. • Poor reputation. • Dissatisfied employees. • Lack of diversity in product range. • Outdated machinery. • Failing to obtain adequate cashflow. • Failing to meet financial objectives.
External	**Opportunities** • New and fast-growing markets. • Weak competition in the industry. • Favourable economic conditions. • Favourable laws and regulations.	**Threats** • Market/product oversupply. • Unfavourable economic condition (recession) leading to decreased consumer confidence/spending. • Changes in consumer taste and preferences. • Government and regulations (e.g. Lockout law, zoning). • Inability to meet demand.

SWOT Case Study – Coca Cola

Strength	**Weaknesses**
• Company Valuation – Valued at $72.9b • Vast global presence. • Large market share. • Up to date technology. • Loyal customer base. • Large and efficient distribution network.	• Strong competitor (Pepsi). • Low product diversification. • Absence in health beverages. • Environment sustainability. • *Water Management:* Water is a main ingredient in substantially all of the company's products. As the demand for water continues to climb around the world, and water becomes scarcer, the overall quality of available water sources may very well deteriorate markedly, leaving the Coca-Cola system to incur higher costs or face capacity constraints that could adversely affect its profitability or net operating revenues in the long run.
Opportunities	**Threats**
• *Diversification:* The company has been hard at work utilizing its ample war chest to build a presence in rapidly-growing beverage categories. • *Extended reach.*	• Indirect competitors. • *Nutritious Selections:* A cultural shift toward natural and organic products has led many to opt for nutritional waters, smoothies, and various healthy beverage options. Thus, core soda offerings that include high amounts of sugar, or diet items with artificial sweeteners, have fallen out of favour with buyers.

Product Lifestyle

Product analysis examines the current position of the goods and/or services that a business produces in the marketplace.

<u>Introduction</u>

- Market size and growth is slight.

<u>Growth</u>

- Profits arises due to an increase in output (Economies of scale).
- Rapid growth.

Maturity

- Competition is intense as companies fight to maintain market share.
- Most profit is earned from the market as a whole.

Decline

- Market is shrinking, reducing overall amount of profit.
- Must control amount of stock.
- Firm may decide to end the product.

- The **business life cycle-** different phases over the course of its existence. There are four phases, or stages, to the business life cycle:

- **Introduction/Establishment** - When the new product is first launched. Profits are limited because of the lack of revenue. The business is developing a loyal customer base. **Penetration policies** will be used - using a low price to establish quick entry. (e.g. Aldi).

  - Product brand and reliability are established.

  - Promotion directed at early buyers and users occurs, and communications seek to educate potential customers about the merits of the new product.

  - Distribution is selective, which enables consumers to gradually form an acceptance of the product.

  - High production, marketing and research and development costs.

  - Limited/No profit (e.g. When Jetstar began, they used considerable television advertising using opinion leaders such as sportspeople and singers promoting Jetstar in television and newspaper advertisements).

- **Growth-** Profitability will grow as sales expand, costs will increase during this stage. Competitors will compete for market share and marketing strategies will need to change. Businesses lower their price to deal with competitors.

  - Rapid growth and increased profits (e.g. Jetstar in growth stage by 2008, its leisure market share had increased from 35% to 65% → led to expansion of fleet).

- Product quality is maintained and improved, and support services may be added.

- Expanding distribution channels to reach wider audience: Increased promotional sales.

- Price per unit of production is maintained as the firm enjoys increased consumer demand and a growing market share.

- Increased distribution channels.

- **Maturity** – Steady income stream with limited prospects, marketing strategies modified to ensure profit continues. They try to differentiate themselves by price differentiation, after-sales service, unique forms of promotion or making it easier for consumers to access the product.

  - **Competitor's products are readily available**. Customers have considerable choice.

  - Distribution incentives may need to be offered to encourage preference over rival products.

- **Post-Maturity -** Increased competition and changing consumer preferences. There are 4 paths:

Decline- Competition and changes in the business environment. Business begins to decline and lose market share.

- Product maintained with some improvements or rejuvenation.
- Price is reduced to sell the remaining stock.
- Promotion discontinued.
- Distribution channels reduced, and product offered to a loyal segment of the market only.

Renewal - Products revitalised, new promotional campaigns, brand altered. New strategies may be developed to attract a new audience.

Steady state - No change, profits stay the same.

Cessation - The business is shut down.

Case Study - Volkswagen Beetle Product Life Cycle, 1933–2003

- The first Beetles were far too noisy, inefficient and uncomfortable for the current vehicle consumer, however, considered the most successfully marketed model ever built.

- Introduction phase, the car was a basic vehicle capable of transporting two adults and three children at 100 kilometres per hour, and only costed like a motorbike.

- Maturity phase began in the early 1960s when side and front windows were enlarged, more powerful engine was added to distinguish from competitors.

- Decline Phase, the popularity of the VW Beetle began to decline as rival small car manufacturers from Japan and the US eventually overtook the Beetle in terms of technology.

Market research

Market Research refers to the process of systematically collecting, recording, and analysing information concerning a specific marketing problem.

- The business should know the type of information that it requires e.g. Customer profiles, brand awareness etc.

- Once information needs are established, the business can determine the most appropriate research method e.g. surveying, observation.

- Marketing strategies perform best when they are based on accurate, up-to-date, detailed, and relevant information.

- Being well-informed about all aspects of the market, especially the buying behaviour of existing and potential customers, places the business in a stronger position.

- Data Collection (primary and secondary) - Marketing data refers to the information relevant to the defined marketing problem.

- **Primary Data** collection involves the gathering of original data direct from customers and the target market. (e.g. Myer conducted research to determine the age bracket of its customers visiting a store).

Primary data are the facts and figures collected from original sources for the purpose of the specific research problem.

This data can be collected by the business, but it is very expensive and time consuming which is why it is usually outsourced. Three types are:

- **Survey**- Personal interviews, questionnaires, and telemarketing (E.g. asking questions).

- **Observation**- Personal and mechanical look at research and surveillance footage. (Observing a group of people) No interviews are involved and direct contact with respondents is avoided. Such methods can raise serious ethical issues, especially with regard to privacy.

- **Experimental**- Experiments involve gathering data by altering factors under tightly controlled conditions to evaluate cause and effect (E.g. showing a film, taste testing).

- **Focus Groups** – People who match the target market are asked questions about new/existing products and features.

Secondary Data is information that has already been collected by some other person or organisation for another purpose. (e.g. Myer may use the information that it collected from the earlier market research to make comparisons with current data)

The two types of secondary data are:

- **Internal Data**- Information that has been collected from internal sources such as statistics, feedback, and reports. (e.g. Previous sales).

- **External** Data- Published data from other sources such as magazines, internet, industry reports and the ABS.

Case Study
Apple generally does **NOT** conduct market research as they have a personal belief that the market does not know what they want. However, they do conduct post sales, market research to see what the customers thought of their customer service.

Data analysis and interpretation - Statistical interpretation analysis is the process of focusing on the data that represents average, typical or deviations from typical patterns. Businesses will analyse and interpret the collected data, so management can gain a better understanding of the impact of the data on the operations of the business, and then determine the course of action.

Establishing market objectives

Businesses generally adopt a **SMART** approach to setting objectives:
- **S** = Specific – The objective needs to be clear.
- **M** = Measurable – The business needs to find ways to measure success.
- **A** = Achievable – The business needs to have the financial and human resources.
- **R** = Realistic – The objective should be reasonable.
- **T** = Time – The time frame must be reasonable.

Marketing objectives should be closely aligned to the overall business objectives. Such objectives can be measured and should include specific targets to be met.

- **Increasing market share**- Market share refers to the business's share of the total industry sales for a particular market. Increasing market share is of prime importance for each of the companies involved in any market that is dominated by only a few large businesses. (e.g. In the past few years Coles has lost approximately 1.7% of market share to Woolworths approximately $600 million, Increasing market share is the primary marketing objective of Coles at present).

- **Expanding the product range**- The product mix is the total range of the products offered by the business. Businesses are usually eager to increase their product mix as the same mix will not be effective in the long term due the changing tastes and preferences of consumers. (e.g. While originally a motorbike company, Yamaha successfully achieved the marketing objective of expanding their product range through the introduction of their home theatre and stereo products).

- **Expanding existing markets**- The demand for some products varies greatly from one geographic location to another. Geographical representation refers to the presence of a business and the range of its products across a suburb, state, city, town, or country. E.g. BlueScope Steel is a transnational corporation that allows it to be near its' customers.

- **Maximizing customer service**- Customer service means responding to the needs and problems of the customer and is perhaps the most important objective. High levels of customer services usually result in improved customer satisfaction. (e.g. Qantas aims to maintain Jetstar/Qantas combined domestic market share of 65% and sustain growth in Jetstar Asia + rebuild the damaged image from industrial disputes).

Identifying Target Markets

Target Market refers to the specific segment of the total market that the product is aimed at. Conducting market research allows the business to divide its market into segments.

A **primary target market** is the market segment at which most of the marketing resources are directed. (e.g. Market research undertaken by fashion retailer Sportsgirl revealed a primary target market of 18-25 year old females).

A **secondary target market** is usually a smaller and less important market segment.

Three approaches businesses use to identify a consumer target market:
- **Mass marketing approach** — The seller mass-produces, mass-distributes, and mass-promotes one product to all buyers (e.g. Total mass market for milk).
- **Market segmentation approach** — The total market is subdivided into groups of people who share one or more common characteristics.
- **Niche market approach** — A narrowly selected target market segment.

E.g. Taronga Zoo can target both locals and internationals.

Local – Deal packages such as yearly passes.

Educational – Emphasise the educational value of the visit.

International – Asians, Europeans, North America. Have brochures printed in different languages and placed in hotels in Sydney/Tourist Agencies.

Developing marketing strategies

Marketing mix refers to the combination of the four elements of marketing, the four Ps — product, price, promotion, and place. Marketing involves a number of strategies designed to price, promote and place products in the market place. The marketing mix consists of 4 elements called the **4P's:**

- **Product**- Refers to the physical good or service. The product is a combination of: quality, design, name, warranty, packaging, and exclusive features. Customers buy products that satisfy their needs as well as provide them with intangible benefits.

- **Price**- The right price needs to be chosen to prevent the product from not selling at all if the price is too high or receiving lower turnover as well as a cheap image if the price is too low.

Selecting the correct price is a vital part to ensure the business is gaining an effective profit. There are 3 types of pricing strategies:

    - Cost based
    - Customer based
    - Market based

- **Promotion**- The promotion strategy is the method that is to be used by the business to inform, persuade, and remind customers about its products. (e.g. Advertising, Posters, billboards, and signs comprise outdoor advertising. A typical message is usually brief and easy to comprehend) Main forms include:

    - **Advertising –** Seeks to convey a message to a broad group of customers. (e.g. Radio, television, internet).

    - **Personal selling –** Aims to establish a direct link between the business and the consumer. It involves taking the business to the consumer. (E.g. Door-to-door sales and party plans).

    - **Relationship marketing –** Refers to the process of building and maintaining long-term relationships with customers. It involves creating a high level of customer satisfaction, value, and service.

    - **Sales promotion –** It is intended to create interest and generate awareness of a particular product. (e.g. Display at point of purchase, free gifts, discounts, samples).

    - **Publicity and Public relations (PR) –** The process of creating an event for a business to generate awareness of its products, attracting interest in the business' activity and products. (e.g. Television, print, online media outlets).

        - Thought of as 'free advertising as it can introduce a product to a wider group of people at a lower price than other methods and can help build brand awareness and trust.

        - Risks include: less control and negative publicity may result.

- **Place**- Deals with the distribution of the good or service and consists of two parts which are: transportation and the number of intermediaries involved. Deals with the channels of distribution can be:

    - Exclusive
    - Selective
    - Intensive

For example, Gucci and Louis Vuitton fashion accessories are available in only a few selected locations. Alternatively, distribution may be as wide as is practically possible, which is the method used by Coca-Cola. Its distribution channels include retail stores, supermarkets, vending machines, restaurants, clubs, hotels, cafes, and fast-food outlets.

Syllabus: Implementation, monitoring, and controlling – developing a financial forecast; comparing actual and planed results, revising the marketing strategy

Implementing, monitoring, and controlling

- **Implementation**- is the process of putting the marketing strategies into operation. Implementation of the marketing plan involves integrating it with all the sections of the business, establishing lines of communication, motivating the employees, and making them familiar with the marketing objectives and strategies. (e.g. Jetstar uses financial forecasts to assess the success of its marketing plans → sales/market share analysis, customer feedback, budgets/ratio analysis and profit returns).

- Marketing is interrelated with the other business functions.

For example, production and sales targets cannot be met if the human resources involved are not managed properly. Also, the marketing plan cannot be implemented if finance does not provide the necessary funds at the right time.

- **Monitoring and Controlling**- Monitoring means checking and observing the actual progress of the marketing plan. The information collected is used to control the plan. Controlling involves the comparison of planned performance against actual performance and taking corrective action to make sure the objectives are achieved. The controlling process requires the business to outline what is to be accomplished by establishing a performance standard which is a forecast level of performance against which actual performance can be compared. The common forms of analysis are:

  - **Sales Analysis**- Is the comparing of actual sales with forecast sales to determine the effectiveness of the marketing strategy. Benefit of the sales analysis is that it is inexpensive to produce however the figures may not be 100% accurate.

  - **Market Share analysis/ratios-** Refers to a business evaluating its' marketing strategies compared to its competitors through analysing the business market.

  - **Marketing profitability analysis**- Is a method in which the business breaks down the total marketing costs into specific marketing activities. By assessing the costs of the specific marketing activities in relation to the profit levels, the manager can assess the effectiveness of each activity.

- **Developing a financial forecast**- A business must develop a financial forecast that details the revenues and expenditures for each strategy when evaluating alternatives. Cost benefit analysis is a helpful tool used to itemize fixed and variable costs and draw up a profit forecast showing profit and return. Developing a financial forecast requires two steps that are: cost estimate- how much the marketing plan is expected to cost and revenue estimate- how much revenue will be generated as a result. The financial forecast is an estimate of **costs** and **revenue** over a future period of time.

Forecast Costs include:

  - **Direct Costs** – Research and development; order getting (advertising), packaging, wages, and commission; order-filling (warehousing, delivery expenses, after-sales service).

  - **Indirect Costs** – Administrative and financial costs.

- **Compare actual and planned results** – Evaluate the data from actual sales and movements in the market share/profitability.

- **<u>Revising the Marketing Strategy</u>** – If marketing plan is not achieving desired outcome, the business must take corrective action. The business may choose to:

  - Change the marketing mix – This can occur at any time between one budget period and the next.
  - Remove existing products or introduce new products.
  - Reallocate its resources.

E.g. Qantas has positioned itself by securing the lucrative business market through its lounge upgrades + frequent flyer scheme → slowed down the growth of Virgin Blue

Case Study: Jetstar's marketing plan
<u>Jetstar's target market</u>

- Aimed to be the lowest cost airline in Australia.
- Leisure market, which has grown 35% to 65% of the domestic market in less than 3years.
- Secondary market is the business traveller.

<u>SWOT Analysis</u>

Strengths • Established as a profitable, cut-price airline. • Within a year operation, the business expanded services to many Asian and Pacific destinations. • Has a customer friendly website and mobile service. • Cost advantage over its main competitor Virgin Airlines.	**Weaknesses** • Less seating room in comparison to other airlines. • Linked to Qantas, which is receiving bad publicity for employment relations, maintenance problems and flight delays. • Airport locations are not always convenient. • Has employment relation issues.
Opportunities • Potentials to open new markets. • Could be make strategic alliances with international airlines, such as a code share agreement with Japan Airlines. • Could arrange other sponsorship/official airline arrangements.	**Threats** • Competition from other Airlines. • Competition from low-cost carrier Tiger Airlines. • Rapidly increasing fuel prices may lead to fuel surcharges on flights.

Marketing Strategies

Introduction
Marketing strategies are plans to meet marketing plan objectives

Market segmentation, product/service differentiation and positioning

Market segmentation

Market segmentation is the division of the total market into groups, or segments of the population with certain common characteristics.

- By focusing on a particular target group, a business is able to identify the specific needs of this group.

- The marketing plan would consider the features that consumer of the target group so that marketing strategies can be determined.

- Product must differentiate come its competitor's products – if a customer doesn't see a difference, then they would buy the cheapest or most convenient in terms of accessibility.

- Products offer customer benefits such as removing hunger but also have added features based on positioning, branding and packaging.

Types of segmentation

A segmentation variable is the characteristics of individuals or groups that are used by marketing managers to divide a total market into segments.

Types of segmentation are:

Geographic Segmentation - The process of dividing the total market according to geographic locations. Dividing a market or customer groups into smaller markets based on different geographic locations. By focusing on a particular target group, a business is able to identify the specific needs of this group and tailor its marketing plan accordingly. (e.g. McDonalds provides beef free burgers in India, Pork free Burgers in Israel).

Demographic Segmentation - The process of dividing the total market according to particular features of a population, including the size, age, sex, income, cultural background and family size. (E.g. girls at older ages would buy more mature magazines. Girls would not buy car magazines.).

- **Case Study – Coca Cola** targets 15- to 35-year-old males with the energy drink Mother. The more health conscious adult market is served with Diet Coke, Deep Springs Natural Mineral Water, or Nestea Iced Tea. Fanta has as its primary target market 13- to 16-year-old teenagers. Mount Franklin is aimed at younger females and families, whereas Powerade and Pump have as their core market 18- to 24-year-old males who are engaged in athletics.

Psychological Segmentation - The process of dividing the total market according to personality characteristics, motives, opinions, socioeconomic group, and lifestyles (e.g. An average Toyota Yaris owner compared to an average Porsche Cayman S owner will respond differently about the cost of vehicle maintenance, insurance, and accessories).

Behavioural segmentation - The process of dividing the total market according to the customers' relationship to the product. (e.g. Users can then be classified as heavy, moderate, or light. To encourage light and moderate users to purchase more of its products, a business may have to redesign the product, set special prices, and implement special promotion activities) Some factors are:

- **Purchase occasion:** when customer is most likely to purchase products
- **Usage rate:** how often customers use the business's good or service. E.g. Internet providers have many packages depending on rate of us.
- **User loyalty:** to develop a loyal customer base. E.g. Woolworths Everyday reward cards was introduced to increase loyalty.
- **Benefits sought:** what customers want from a product.

Product/service differentiation and positioning

Product differentiation

Product differentiation is the process whereby a business distinguishes the attributes and features of a product from those of its competitors' products. Some strategies to emphasize product differentiation are:

- **Price**- the cheapest provider of a specific range of goods. E.g. Big W promotes with 'Australia's lowest prices everyday'.

- **Product quality**- the best quality for products around E.g. Woolworths uses the slogan 'The fresh food people'.

- **Environmental**/social/ethical issues.

- **Convenience.**

- Pricing.

Points of differentiation:

- Packaging, labelling, top-quality service, best value for money.

- **Value for money** is the desire to obtain the best quality, features and performance for a given price of a product.

- **Environmental concerns** → Businesses that adopt a 'green' philosophy and produce environmentally friendly products may see their sales increases.

- **Convenience** → Consumers will often select products that are convenient to use.

Service differentiation

- It involves a direct and immediate form of contact between the business and the consumer.

- After-sales service is a type of strategy to emphasize service differentiation. This will develop into strong brand loyalty.

- Quality of customer service.

Marketing mix

- When devising marketing strategies businesses need to consider the four elements of the marketing mix: **product, price, promotion, and place. People, processes, and physical evidence** may also be considered. By combining all these, we get the 7Ps of marketing.

Products – Goods and/or services
- *Branding.*
- *Packaging.*

<u>Products</u>

Goods and/or services

- The term *product* can refer to either a good or service. A product offers a consumer tangible and intangible benefits.

- **<u>Tangible benefits</u>** refer to the physical attributes of the product. These can include the design style, colour, and features of a product. (e.g. Qantas spent $300 million on upgrading its international flight entertainment system).

- **<u>Intangible benefits</u>** refer to the benefits a consumer associates with purchasing a product. E.g. Customer care help desks, warranties and customer care help desks, warranties, and maintenance checks.

- When developing **marketing strategies positioning, branding, and packaging** need to be considered.

- **Positioning-** the image that a product has in the mind of a consume. It is of prestige and reliability.

- **Branding-** the reputation that a business or product has developed over a period of time. A strong brand name is important in enhancing the relationship.

- Branding is a name, term, symbol, design, or any combination of these that identifies a specific product that distinguishes it from its competition (e.g. Ferrari, Rolex, Armani, Gucci).

- A logo/symbol is a graphic representation that identifies a business or product.

Branding provides benefits for both buyers and sellers. <u>Branding helps consumers</u>:

- Identify the specific products that they like.

- Evaluate the quality of products, especially when a consumer lacks the expertise to judge a product's features.

- Reduce their level of perceived risk of purchase. A respected and trusted brand will provide reassurance that the consumer is making the right choice.

- Gain a psychological reward that comes from purchasing a brand that symbolises status and prestige.

Case Study

The star in the Jetstar logo comes from the star on the Australian flag → only 5-pointed star representing the airline's small beginnings.

Branding Strategies:

- Manufacturer’s brands - well known, offer reliability with constant quality (e.g. Kraft Foods).

- A **private or house brand** is one that is owned by a retailer or wholesaler. These products are often cheaper because the retailer or wholesaler can buy at lower costs. (e.g. Myer Miss Shop, Wild Rhino).

- **Generic brands** are products with no brand name at all. Carrying only the name of the product and in plain packaging (e.g. Woolworth Home brand, Coles Farmland).

- **Packaging -** involves the development of a container and the graphic design for a product.

- Refers to the physical appearance of the good. It is often the first image of the product that the consumer will see.

- Preserves / protects the product.

- Well-designed packaging will give a positive impression of the product and encourage first-time customers. (e.g. tasteful packaging can create an image of luxury, sensuality, and exclusiveness, helping to promote the product).

- Acts as a form of communication. Consumers see certain colours and draw conclusions about the product even before they read the label.

- Shape of the packaging (e.g. Consumers may associate a shape to a specific product - distinctive ‘pinched in at the waist’ Coke bottle).

- **Labelling** refers to the presentation of information on a product or its package.

- Used to promote other products or to encourage proper use of products.

- Usually provide information about ingredients, operating procedures, shelf life, package size or country of origin.

- All labelling must be truthful, ACCC regulate this.

Case Study
McDonald’s has improved the environmental sustainability of its products by changing their packaging from polystyrene containers to cardboard packaging.

Price including pricing methods – costs, market, competition based

- *Pricing Strategies – skimming, penetration, loss leaders, price points.*
- *Price and quality interaction.*

<u>Price</u>

Price refers to the amount of money a customer is prepared to offer in exchange for a product.

- A brand that is well-established and highly regarded may sell for a higher price with the expectation.
- A price set too high could mean lost sales unless superior benefits are offered.
- A price set too low may give customers the impression that the product is low quality.

<u>Pricing strategies</u>

Main strategies:

1. **Cost-based (mark-up) -** Pricing is a pricing method derived from the cost of producing or purchasing a product and then adding a mark-up. (e.g. Clothing, jewellery, hair salons).

   - The total of the cost plus the mark-up is the selling price of the product. The formula is**: Cost + (Cost + Mark-up percentage) = Price.**

2. **Market-based pricing** - a method of setting prices according to the interaction between the levels of supply and demand — whatever the market is prepared to pay. (e.g. Fruit shops use market-based prices especially when supplies influenced by drought or wild weather destroying crops).

3. **Competition-based pricing** - where the price covers costs (cost of raw materials and the cost of operating the business) and is comparable to the competitor's price. Often used when there is a high degree of competition from businesses producing similar products (e.g. Café, Restaurants, Coles vs Woolworth).

   - **<u>Below Competitors:</u>** This policy of undercutting the competition is often used as a way of breaking into an established market.

   - **<u>Equal to Competitors</u>:** Price established by a price leader is an easy option for a business because it avoids having to undertake market research to find out what the consumer would pay. This reduces price competition.

   - **<u>Above Competitors:</u>** This is a favoured practice by businesses who wish consumers to perceive the product as superior, which appeals to the status conscious buyer.

Other Strategies:

- **Price points (or price lining)** - is selling products only at certain predetermined prices. The products are differentiated by their features.

- **Bundle pricing -** where customers gain a 'package' of goods and services in addition to the tangible good they purchased (e.g. Optus offering all kinds of internet packages)**.**

- **Price skimming -** Occurs when a business charges the highest possible price for the product during the introduction stage of its life cycle. However, this sometimes DOES NOT go as planned.

    - **Case Study** – Apple discovered that price skimming can sometimes not go as planned. Within twelve weeks of its introduction, Apple dropped the price of its 8GB iPhone by $200. The situation resulted in a negative backlash from early adopters. Apple subsequently tried to make amends by offering a $100 Apple Store credit for those who paid the higher price.
    - **Apple has been able to use price skimming effectively for iPods, iPads due to the innovative nature and lack of competition against its products in the early stages**

- **Psychological pricing-** Used to take advantage of this consumer response. E.g. $99 rather than $100.

- **Price and quality interaction-** based on how high quality the products are. Higher quality= higher prices.

Fast sales

- **Price penetration -** Occurs when a business charges the lowest price possible for a product. Setting prices at the lowest possible price to gain an immediate group of customers. The objective is to sell a large number of products during the early stages of the life cycle and thus discourage competitors from entering the market or from taking market share from existing businesses.

    - **Disadvantage:** more difficult to raise prices significantly than it is to lower them.

- **Loss leader-** Is a product sold at or below cost price**.** A limited number of goods at a price that generates minimal profit or even a loss to encourage consumers to purchase goods from the business. The aim of this pricing structure is to entice consumers into a store with cheap limited stock. Consumers will then buy more expensive products in the future.

<u>This successful pricing strategy is often used when the business:</u>
- Overstocked or a product is slow to sell.
- Wants to increase the traffic flow in the expectation of gaining new customers.
- Wants to build a reputation of having low prices.

Case Study
Qantas offered plane tickets at $19 on Sydney to Melbourne flights to coincide with its competitor Tiger Airlines.

- **Product deletion-** used to clear stock that the business believes is no longer selling or attracting interest.

Greatest returns

- **Market skimming-** used by a business when it wants to recover the high costs involved in establishing a product and releasing it onto the marketplace by setting a high price.

- **Demand pricing -** the higher the demand for a product, the stronger the ability of the organisation to charge a higher price for that product.

- **Prestige or premium pricing -** a pricing strategy where a high price is charged to give the product an aura of quality and status. Therefore, for which they are willing to pay higher prices for products that are of superior quality and distinction. (e.g. Cartier, the renowned French luxury jeweller and watch manufacturer attracts quality- and prestige-conscious customers.).

Promotion

- *Elements of the promotional mix – advertising, personal selling, and relationships marketing, sales promotions, publicity, and public relations.*

- *the communication process – opinion leaders, word of mouth.*

Promotion

Promotion describes the methods used by a business to inform, persuade, and remind a target market about its products.

- Gives the business its public image and profile.

- Marketing is often the first form of information that a consumer will receive.

- Attempts to increase awareness of a product, increase brand loyalty, encourage existing customer to purchase higher quantity of the product, encourage new customers to purchase.

Case Studies:
- Billabong uses sponsorship of surf, snow, and skate competitions e.g. Pipeline Masters in Hawaii.

- Qantas still call Australia Home Commercial (cost of $10million) most expensive advertisement in Australian history.

- Jetstar is a major sponsor of the Gold Coast Titans NRL team.

Elements of the promotional mix

The promotion Mix the various promotion methods a business uses in its promotional campaign. That seeks to generate interest in and awareness of a particular product or brand. It consists of:

- **Advertising -** A paid, non-personal message communicated through a mass medium. It seeks to convey a message to a broad group of customers. A successful advertising campaign can result in increased sales and profit for a business.

Advantages:	Disadvantages:
• Provides businesses with the flexibility to reach an extremely large audience or to focus on a small, distinct target market segment. • Message can be modified. • Multiple media platforms to choose from. • Ability to evaluate returns on investment with certain platforms.	• Can be very expensive. • No guarantee on results.

Advertising media is a term for the many forms of electronic and print communication used to reach an audience. The six main advertising media includes:

- **Mass marketing** — television, radio, newspapers, and magazines (e.g. Cover girl advertises its makeup products using *Dolly* or *Girlfriend* Magazines targeted at teen girls).

- **Direct marketing catalogues —** catalogues mailed to individual households.

- **Telemarketing** — the use of the telephone to personally contact a customer.

- **E-marketing** — the use of the internet to deliver advertising messages.

- **Social media advertising** — online advertising using social media platforms such as Facebook and Twitter.

- **Billboards** — large signs placed at strategic locations.

- **Personal Selling** - Involves the activities of a sales consultant directed to a customer in an attempt to make a sale; it involves the human aspect of promotion. Aims to establish a direct link between the business and the consumer. It involves taking the business to the consumer, some forms include door-to-door sales and party plans. Sale can be made at any time by mutual agreement. (e.g. APPLE: genius bar, knowledgeable sales people. Differentiates itself from their competitors).

Advantages:	Disadvantages:
• Message can be modified to suit individual customers. • The individualised assistance to a customer can create a long-term relationship resulting in repeat sales. • The sales consultant can provide after-sales customer service in relation to product features, installation, warranties, and servicing.	• Expensive promotional method. • Message inconsistency. • Time consuming. • Effect is heavily dependent on the skills of salespeople.

- **Relationship marketing-** The development of long-term, cost-effective, and strong relationships with individual customers. It involves creating a high level of customer satisfaction, value, and service. (e.g. Fly Buys loyalty reward program operated by the Coles Group. Followed by the Woolworths everyday rewards scheme. These schemes offer 'rewards' to those 'loyal' customers who spend specified amounts or make repeat purchases).
    - This method is generally the most successful strategy as it involves personal interaction between salesperson and customer. Salesperson could explain the features of the product/demonstrate operation.
    - Able to obtain in depth knowledge of customers → attempt to persuade purchases.

Advantages:	Disadvantages:
• Personalised service to maintain competitive advantage. • Able to constantly update customer database. • Personalised communication. • Messages can be modified to suit situation. • Positive experience can generate more sales and return customers.	• Time consuming especially for small businesses. • Negative information can ruin reputation. • Takes time for strategy to become effective.

- **Sales promotion-** The use of activities or materials as direct inducements to customers. It is intended to create interest in and generate awareness of a particular product. These promotions include:
    - **Coupons**- offer discounts of a stated amount on particular items at the time of purchase.

- **Premiums** - A gift that a business offers the customer in return for using the product. (e.g. a food producer may offer customers a cookbook as a premium).

- **Refunds** – Where part of the purchase price is given back to those customers who send in a voucher with a specific proof of purchase. (e.g. kitchen appliances and power tools).

- **Samples** - A free item or container of a product. (e.g. Supermarkets offering free samples of fruit, cheese, cookies, or cake).

- **Point-of-purchase displays** - Special signs, displays and racks are supplied and installed by the manufacturer in retail outlets.

Advantages:	**Disadvantages:**
• Immediate boost to sales revenue. • Point of difference to competitors.	• Expensive promotional method

Case Studies:
- Supermarkets, such as Woolworths and Costco, offer free samples of their products to encourage customers to buy them
- Domino's Pizza regularly issues coupon discounts to its customers to encourage them to buy from Domino's, rather than Pizza Hut or Eagle Boys.

- **Public relations (PR) –** Refers to activities aimed at creating and maintaining favourable relations between a business and its customer. Usually concerned with developing a positive public relation image. PR exposes a business or idea to an audience by using often unpaid third parties as outlets. (e.g. Qantas donates to Starlight Children's Foundation).

    - Can be achieved through working with the media, by making speeches on special occasions, giveaways etc.

Advantages:	Disadvantages:
• ‘Free advertising’, as it introduces a product to a wide range of people at a lower price.	• Managers have less control of the story and negative publicity may result.
• Promoting a positive image: reinforcing the favourable attitudes and perceptions consumers have regarding the business’s reputation. • Effective communication of messages: using advertising, sales promotions, publicity, and personal selling to convey information about the business and its products. • Issues monitoring: protecting sales by providing an early warning of public trends that could affect the business’s sales. • Crisis management: protecting a business’s reputation as a result of negative or unfavourable rumours and adverse publicity.	• Time consuming as extensive research is required. • If PR is left unchecked/unrevised might result in loss of sales.

The Communication Process

Market research will allow the business to develop strategies that will attract the interest of the product’s intended market. Ways of communication are via:

- **Opinion leaders**- Refers to a person who influences others (E.g. Youtubers, Social Media bloggers).
    - Business use individuals in the community that are highly respected. They have knowledge and expertise and will create a link between the leader’s image and reputation.

Case Study

- Swisse uses many professional athletes, such as Ricky Ponting and James O’Connor as opinion leaders in its advertising campaigns, as they are seen as extremely healthy individuals, which reflects well on a business selling health supplements.

- Billabong - Promotion through major surfers and opinion leaders such as Mark Occhilupo, Luke Egan, Shane Dorian, Joel Parkinson, and Taj Burrow has generated major support for the Billabong brand internationally.

- **Word of mouth-** involves consumers relating to others, their reaction to the use of a product, including the degree to which they were satisfied with the product. Social media platforms can be used to engage in a form of word of mouth communication.

Place/distribution
- *Distribution channels*
- *Channel choice – intensive, selective, exclusive*
- *physical distribution issues*

<u>Place/distribution</u>

- The process of distributing the product from where it is made to the consumer.

- **Distribution channels** - The channels by which a product is moved from the place of manufacture to the consumer (Route). Usually Involves a number of intermediaries such as the wholesaler, broker, agent or retailers.

- **Intermediary-** A business that purchases the final product and then takes on the responsibility of selling this product to the consumer.

There are three channels of distribution:

- **Producer to consumer-** where the good or service is produced by an individual/organisation and is then passed directly onto the consumer. There are no intermediaries. This is often used for bulky or perishable goods such as fruits.
  - **Advantages:** It allows the producer to maintain control over all areas of the product and provides the producer with a direct point of contact with consumers.

- **Produce to retailer to consumer-** Where the good is produced and then passed on to the retailer who passes it onto consumers.
  - **Advantages:** Allows the producer to concentrate on manufacturing. There is greater distribution and access to the good.

- **Producer to wholesaler to retailer to consumer-** Where the good is produced and then passed on a wholesaler who sells part of the stock to the retailer who passes it onto consumers.
  - **Advantages:** allows the produce to hold lesser amounts of idle stock. Marketing and sales tend to be the responsibility of the retailer so less costs.

- **Innovative distribution methods – Non-store Selling –** Refers to retailing activity conducted away from the traditional store. This includes door to door selling, mail-order catalogues, party plan merchandising and vending machines.

Channel choices

Market Coverage – Refers to the number of outlets a firm chooses for its product.

- The choice of distribution channel will influence the type of customers the product attracts. There are 3 distribution channel categories:

  - **Intensive distribution-** the product is readily available to a wide selection of stores or locations. Used for convenience items. (e.g. Apple mac, iPhone, iPod).

  - **Selective distribution-** involves the use of a limited number of stores/locations to sell or distribute a product. Allows a producer to control the market. Used for fashion and electronics. (e.g. Billabong → limits outlets to protect the product from being discounted, which would occur with mass marketing strategy).

- **Exclusive distribution-** where there is a restriction on the number of products and/or availability of the product. (E.g. expensive jewellery and watches – Prada, Rolex).

Physical distribution issues

Physical Distribution – Is all activities concerned with the efficient movement of the products from producer to the customer. E.g. Warehousing, inventory control and transportation.

- **Transport** - Transport refers to the process of moving goods from one location to another. Transportation can be expensive and the type of good needs to be considered. Common methods of transportation are rail, road, sea, and air.

- **Warehousing-** The process of storing products before they are distributed to the consumer. They are used to store finished products and holding stock. Some goods can only be warehoused for a very limited time before losing use, e.g. foods**.**

- **Inventory-** A business must ensure that it has sufficient stock to satisfy demand. They also must not overstock otherwise clearance sales are needed. This reduces profits.
  - **Inventory Control System –** A system that maintains quantities and varieties of products appropriate for the target market

Case Study – Dell Computer
Product
- Offer a range of computers that meets the needs of a variety of customers.
- highly competitive in terms of memory and graphics.
- The brand indicates quality and reliability.

Price
- Entry level product presents value for money.
- Competitive pricing.

Promotion
- Advertising as paid communication.
- Focus on print media e.g. inserts in newspaper and magazines.
- E-mail advertising.

Place
- Products delivered directly to customers through internet and telephone ordering.
- Distribution system is e-marketing.
- However, in 2008 Dell decided to include the Wesfarmers-owned Officeworks stores as part of their distribution system. Dell says it ‘recognises that some people still want to touch and feel products before purchasing’.

<u>People, Processes, and Physical Evidence</u>

The last 3 P’s which are part of the 7Ps of marketing are:

People – Refers to the quality of interactions between the customer and those within the business who will deliver the service.

- Having the appropriate recruited, qualified, and trained people to support the company’s products and/or service. This may include detailed product knowledge and attending to customer concerns in an understanding manner. → Quality of service based on Human Resource Management (e.g. Qantas spends over $275m on staff training to ensure they have positive interaction with customers).

- How the staff speak to customers, deal with enquiries and handle complaints are all part of the marketing experience (e.g. Qantas uniform creates a professional appearance → Good appearance).

Case Study

- Scandinavian Airway Service (SAS) implemented customer-oriented business and marketing practices, in doing so the company was able to move from near bankruptcy to profitability within 2 years.

Process – Refers to the flow of activities that a business will follow in its delivery of a service.

- The consumer's total experience of buying the product from a simple stage of searching for information to the final stage of experiencing the benefits.

- If the business is inefficient in marketing processes it will lose customers and damage its reputation (e.g. Dominos must not deliver cold pizza).

Case Study

- Qantas new Q Bag Tag allows passengers to check in their baggage without attaching tags → for people who regularly travel.

- Mobile check-in, Online check-in etc.

Physical Evidence – Refers to the environment in which the service will be delivered. It also includes materials needed to carry out the services such as signage, brochures, calling cards, letterheads, business logo and website.

- The physical appearance of the product across every aspect of its presentation to the consumer.

- Businesses should provide high quality physical evidence to create an image of value and excellence (e.g. Appearance of Packaging, shape, colour).

- Physical evidence may also refer to the people within a business and the visual presentation that they display to clients. (E.g. how employees act and dress, neat and appealing premises).

- The packaging needs to be able to talk to the consumer as it is the final point of promotion where it is able to be communicated.

Case Study

The signage used throughout the plane, its website, terminals, and lounges are all positive forms of physical evidence for Qantas.

E-marketing (electronic marketing) – Refers the practice of using the internet to perform marketing activities.

- E-marketing allows a business with online operations to reach a global audience

- Effective way of attracting new customers.

- The website must be creative to attract the interest of consumers while fulfilling technical aspects of the site.

E-Marketing Technologies

- **Web Page –** Refers to the use of world wide web to convey information in the form of graphics, text, and video.

- **Podcasts –** Involves the distribution of digital audio over the internet.

- **Short Message Service (SMS) –** Text messages delivered automatically to one or more recipients without the need for dial or log on. Can be used to alert regular customers of any special deals and offers or notify suppliers of the arrival of goods shipment.

- **Blogs –** Refers to any online diary or journal. This allows for communication between the business and its existing and potential customers. Can be used to announce changes trading hours or gather feedback from customers.

- **Social Media Advertising (SMA) –** Form of advertising using social media platforms such as Facebook, Instagram. (e.g. 7-Eleven popularised its Free Slurpee and BYO Slurpee Cup promotional days through social media advertising).

    - **Advantages:** Effective as it reaches customers globally, easy to monitor, and inexpensive comparing to traditional advertising methods (e.g. Facebook reaches over 500 million people).

    - **Disadvantages:** Marketers does not have control over what online customers write about the business's product. It is difficult to accurately measure the **reach** (number of people exposed to the message) and **frequency** (average number of times someone is exposed to the message).

Global marketing

A transnational corporation (TNC) is any business that has production facilities in two or more countries and that operates on a worldwide scale.

- Many businesses operate in countries beyond their domestic operations.

- It provides the opportunities to increase sales, further their brand awareness and establish markets in new countries.

Global branding - refers to the worldwide use of a name, term, symbol, or logo to identify the seller's products.

- It is more effective and efficient to promote a brand rather than individual products.

- Global branding equates to global recognition, irrespective of the language barrier.

- Provides a uniform image across the globe (e.g. 2011-Apple rated most valuable brand- influences perception).

Standardization

A standardised approach - a global marketing strategy that assumes the way the product is used and the needs it satisfies are the same the world over.

- A case of 'one marketing plan fits all' (e.g. electrical equipment, mobile phones, soft drinks, music, cosmetics, movies, and fast foods).

- Cost advantage to businesses, longer production, thereby achieving economies of scale; research and development costs are reduced; spare parts and after-sales service are simplified; promotion strategies can be standardised.

- Simplified modifications can be made.

- E.g. Golf, Opels Astra, Fords Mondeo, Sony TV, Armani, and Prada.

Case Study
- Qantas standardise its brand name, distribution, and positioning.

Global Pricing

- **Customised Pricing** occurs whenever customers in different countries are charged different prices for the same product. This may be caused by added costs of exportation including transportation, warehousing, and tariffs.

    - **Case Study**: Apple Microsoft, Adobe. Different prices between Australia and US A 16GB WiFi iPad produced by Apple with Retina display sells in Australia for A$539, $40 above the price in the U.S., despite the stronger local currency. Microsoft's latest versions of office 365 home premium cost A$119 in Australia versus $99.99 in the United States.

- **Market-Customised Pricing** – Sets price according to local market conditions. The business must adopt a market-customised strategy that allows marketers to vary the price depending on the level of demand and competition.

- **Standard Worldwide Price** – Practice of charging customers the same price for a product anywhere in the word.

Customization (local approach) - a global marketing strategy that assumes the way the product is used and the needs it satisfies are different between countries.

- Owing to differences in language, religion, tastes, and ethics it is very important researches the market. The product may have to be changed to suit aspects of different cultures.

- Requires the marketing plan to be customised according to the economic, political, and sociocultural characteristics of the target country (PepsiCo makes local soft drinks like Shani, a blackberry- and current-flavoured soda, which is popular in the Middle East during Ramadan, the Moslem holy month).

    - **Case Study – McDonalds** successfully combined the standardisation and customization approach. Although the company has standardised its name, logo, production methods and much of its menu, there are local variations. For example, McDonalds serves beer in France and Germany, sake in Japan and noodles in the Philippines.

- McDonalds has a standardized approach for its logo, menu, marketing strategies, and operations. Other elements of the business are customized to suit the local market. McDonalds serves beer in Italy and France, sake in Japan, noodles in the Philippines, Halal meat in Middle East, Spring rolls in China, no meat in India.

Competitive Positioning – Relates to how a business will differentiate its products.

- Businesses must gain a deep understanding of the environment they operate and form strategies according to evolving conditions.

- E.g. - Develop product leadership, positive customer relationships and operational excellence → Long Term factors to sustain.

Marketing Strategies in Global Markets

Product
- A product's features will vary from market to market to suit customers in different countries. Labels need to print in different languages.

Place
- Place in the marketing mix refers to the process of delivering the product to consumers.
- The internet has created a 24 hours shop.
- Having a good relationship with the local distributor is important. It will ensure products are given the attention they need.
- **Competitive positioning** involves the formal process of a business determining how to differentiate itself from its competitors. This makes it easier for consumers to make a choice. Value proposition is part of this, there are 3 types of value:
    - **Operational excellence** - refers to the ability of the business to be run efficiently as a means of producing a low-cost operation. Benefit: allows the business to pass on cost savings to consumers.
    - **Customer intimacy** - involves a business developing a personalised profile of their customers shopping habits so the business can devise the correct marketing strategy.
    - **Product leadership—**refers to how the business can be the first to produce the best product.

Price
- Because of the additional costs of exporting – packing, transport insurance, documentation, and currency variation – a competitive price is more difficult to establish. If the product is considered exclusive, the price can be set high.

Promotion
Global can use a variety of mediums like the TV, internet, and radio. language, religion, and culture need to be considered. Names do not always translate well.