Indonesia International Institute for Life Sciences

Marketing Strategy

i3L SCHOOL OF BUSINESS

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EXECUTIVE SUMMARY

Marketing strategy is central to navigating the ever-evolving business landscape. It's vital to apply marketing fundamentals to actual challenges. Quality is the essence of effective advertising, and a company's brand is built by consistently tackling challenges well. Marketing is the crucial link between businesses and consumers, navigating the complexities of consumer needs and business goals. It's visible in every commercial interaction and is the driving force behind product creation, promotion, and delivery, aiming to fulfill customer desires. A strategic blend of sales and marketing is key for small businesses to connect with customers and facilitate transactions.

Strategic frameworks are essential in areas such as digital marketing, understanding consumer behavior, and establishing brands. As digital progress transforms how we communicate in business, comprehending marketing strategy becomes imperative for students and professionals to evolve and succeed which is the focus of this module.

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MODULE INTRODUCTION

Module Description

Marketing strategy is key to thriving in the dynamic business world, applying core principles to real-life challenges. It's about building a brand through quality and addressing consumer needs effectively. This strategy is vital for business-customer connections and is especially crucial in digital marketing and brand development. The goal of this module is to introduce students to various theories and concepts that form the foundation of marketing strategy.

Module objectives

Upon completion of this module, students should be able to:

01 Applying the fundamental strategic marketing concepts such as segmentation, targeting, positioning, marketing mix strategy and brand portfolio strategies

02 Experimenting the established and emerging market strategies

03 Reviewing the essential marketing tools and conduct market and competitive analysis

References

Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Kotler, P. and Keller, K. L. (2016). Marketing Management: Global Edition. Harlow, Essex: Pearson Education

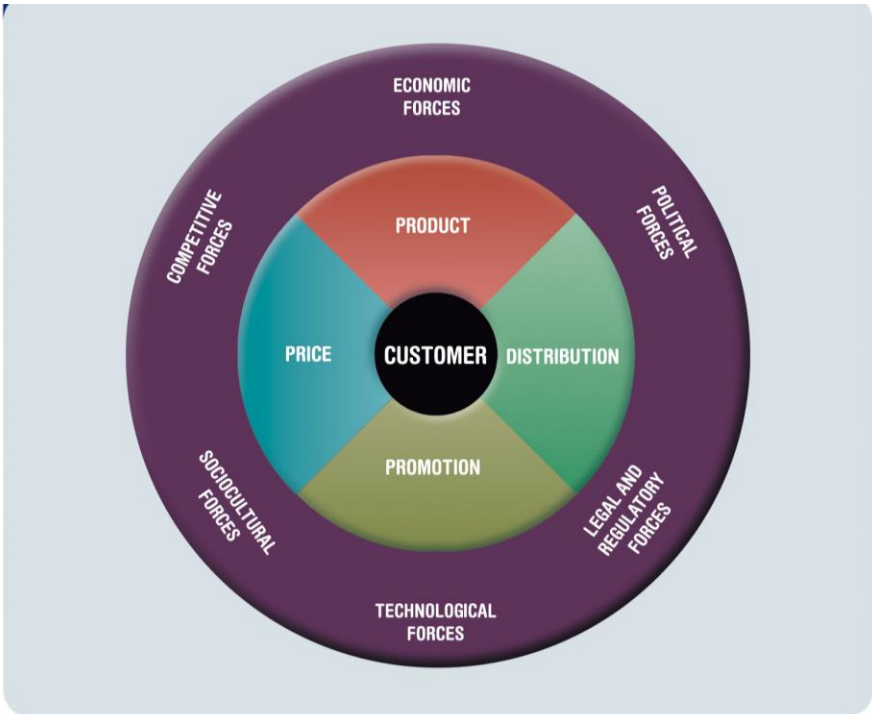
MODULE CONTENT

Chapter 1. Introduction to Marketing Strategy

Marketing:

- **Marketing** is the creation, distribution, promotion, and pricing of products, services, and ideas to foster rewarding exchanges with customers and cultivate positive stakeholder relationships within an ever-evolving market landscape.
- It prioritizes **customers**, who, as buyers of the marketed offerings, are the central concern of all marketing initiatives.
- **Marketing's goal** is to enable transactions that reward both the customer and the marketer, with each expecting to receive value from the interaction.
- Marketing campaigns are often designed for a specific group of consumers, termed the **target market**, which can be defined by marketing experts in either broad or specific terms.

Figure 1.1.
Strategic Marketing Components



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

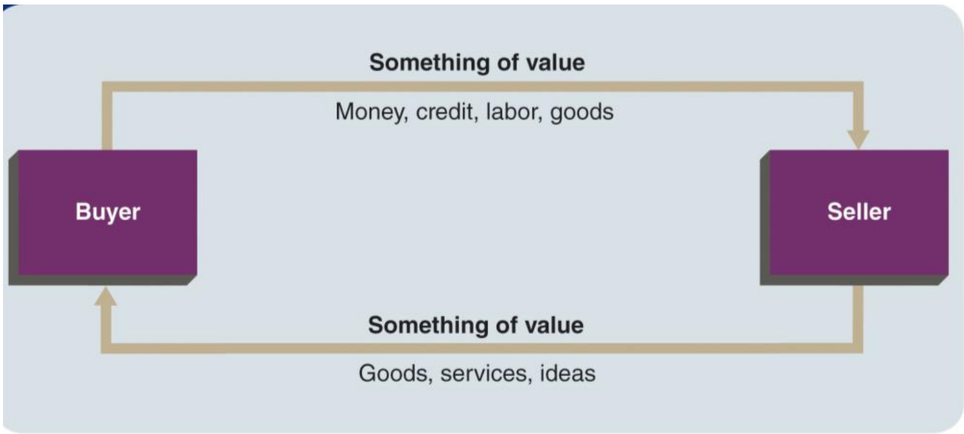
The **Marketing Mix** explained marketing transcends mere advertising or sales; it encompasses:

1. Product development and management
2. Strategic placement to ensure product availability
3. Pricing that aligns with buyer expectations
4. Communication to assist customers in assessing product suitability

The components of product, distribution, promotion, and pricing are collectively termed the marketing mix. This is due to the marketer's role in determining the specific nature and proportion of each element to effectively strategize their marketing efforts.

The objective of marketing is to enable transactions that are advantageous to both the consumer and the marketer, with each expecting to derive value from the engagement. Marketing efforts are usually customized for a specific group of consumers, referred to as the target market, which marketing experts can define in broad or specific terms.

Figure 1.2.
Buyer and Seller value exchange



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Marketing Mix Elements:

1. **Product:**
   Involves understanding customer needs and designing products that fulfill them. This includes goods, services, or ideas, along with branding, packaging, warranties, and services.
2. **Place (Distribution)**
   Ensures product availability in desired quantities to the target market, optimizing inventory, transportation, and storage costs, and managing supply chains.

3. **Price**
   Entails setting pricing strategies and objectives. Price is vital as it reflects the value perceived by customers and can be a key differentiator in the market.
4. **Promotion**
   Promotion encompasses various activities aimed at increasing awareness about an organization and its offerings. Beyond traditional advertising, it includes personal selling, sales promotions, and public relations. The goal is to educate, engage, and sustain customer interest.

While the marketing mix elements are adjustable, external factors like economic conditions, competition, and regulations can influence a marketer's control over them.

The **marketing environment** impacts marketers in three key ways:
1. It influences customers' lifestyles, standards of living, preferences, and product needs.
2. It shapes a marketing manager's ability to execute specific marketing activities.
3. It affects decision-making by influencing buyers' reactions to the organization's marketing mix.

Customer Value

- Customer value is the personal evaluation of gains versus expenses, which dictates a product's perceived value. The equation for customer value is:
  customer value = customer benefits – customer costs
- Benefits: This includes all that a buyer receives from a transaction.
- Costs: This covers all that a buyer relinquishes to acquire the product, encompassing both the financial cost and intangible expenses like time and effort.
- Varied Perspectives: People evaluate value differently based on their experiences.
- Enhancing Value: Marketing activities, especially promotions and additional services, can enhance customers' perceptions of value.

Building Relationship:

- Marketing aims to create and sustain satisfying exchange relationships.
- Marketers also engage with stakeholders—such as customers, employees, investors, suppliers, governments, and competitors—who have a vested interest in the company's products, operations, and outcomes.

Marketing Concept

- The marketing concept focuses on delivering products that fulfill customer needs in alignment with achieving the goals of the organization.
- Key elements:
  - Customer analysis: Understand customer preferences and needs.
  - Competitor analysis: Assess the competitive landscape.
  - Resource integration: Align organizational resources for customer value, satisfaction, and long-term profits.
- Marketing begins and ends with customers, and there's a positive link between customer satisfaction and shareholder value.
- It's a management philosophy guiding overall organizational activities.
- Marketing is a strategic approach to achieve objectives.
  1. A firm adopting the marketing concept must satisfy both customer and organizational objectives.
  2. Being customer-oriented is crucial for success.
- Consider long-term societal needs alongside business goals.

Evolution of Marketing Concepts

1. Production Orientation:
   During the late 19th century (Industrial Revolution), products flooded the market due to technological advancements and labor utilization. Consumer demand was strong.
2. Sales Orientation:
   In the early 20th century, competition intensified. Sales were seen as the primary profit driver. Major marketing activities included personal selling, advertising, and distribution.
3. Market Orientation:
   By the 1950s, businesses recognized the need to produce what consumers wanted. Customer-centric approach replaced persuasion-based marketing.

Implementing the Marketing Concept

- Information System:
  - Establish systems to uncover real customer needs.
  - Expensive and time-consuming but essential.
- Coordination:
  - Restructure internal operations (production, marketing, etc.) to align activities.
  - Achieve seamless coordination for effective implementation.

Chapter 2. Strategic Planning

2.1. Strategic Planning

Strategic planning is the process of planning, implementing, and evaluating the performance of marketing activities and strategies, both effectively and efficiently. It focuses on building long-term customer relationships which align with the company's goals and using resources wisely.

- The main aim is to nurture good customer relations while keeping costs low.
- Strategic planning sets the company's direction, defines its mission, goals, and overall strategy, SWOT (Strength, Weakness, Opportunity, Threat) Analysis, and then creates specific marketing plans.

Figure 2.1.
Strategic Planning Stages

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

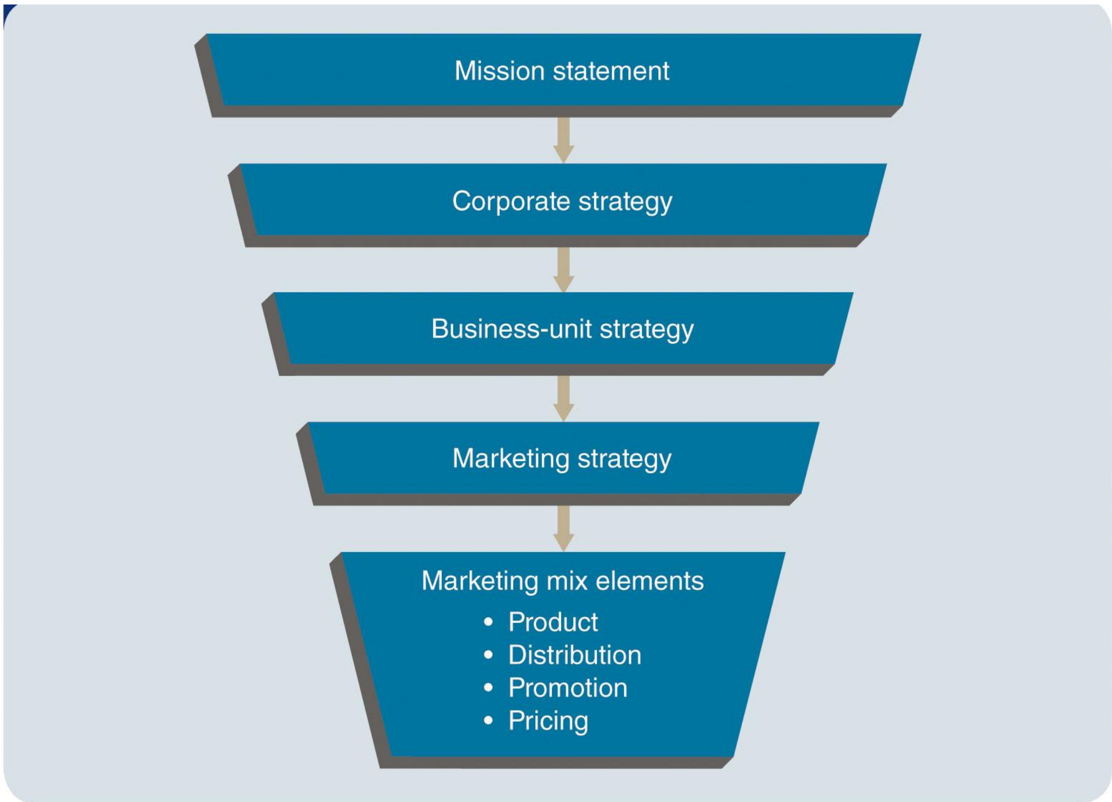
2.2. Missions, Goals, Corporate and Business-Unit Strategies

An organization's goal are derived from its **mission** statement, which reflects the company's vision or long-term aspirations. The mission addresses two fundamental questions:

- Who are the target customers?
- What are the organization's key strengths?

A company's mission, goals, and objectives must be effectively implemented to establish and communicate its distinct corporate identity. Originating from the mission statement, these components guide the company's strategic planning and focus on realizing the intended results.

Figure 2.2.
Steps in Strategic Planning



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Corporate Strategy:

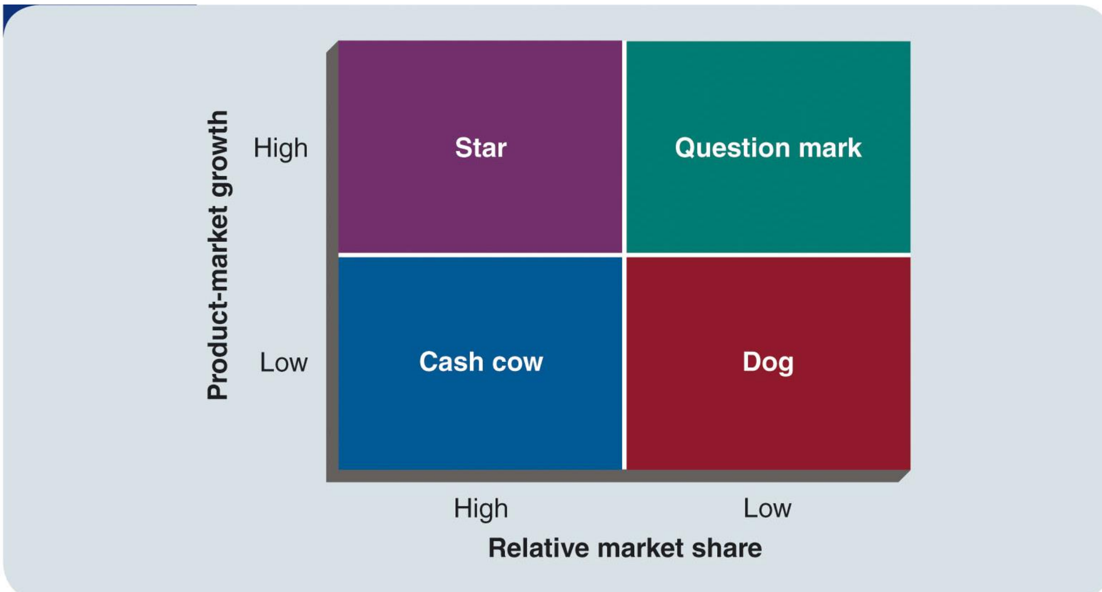
- Corporate strategy guides resource allocation across marketing, production, finance, R&D, and human resources to achieve organizational goals.
- Planners address broad issues like culture, competition, differentiation, diversification, and environmental/social concerns.
- The goal is to align resources with environmental opportunities and threats.

Business-Unit Strategies:

- A Strategic Business Unit (SBU) is a distinct section, product category, or profit-generating component within a larger corporation.
- It's important for strategic planners to assess the performance potential of each SBU and distribute resources judiciously across these units.
- A market consists of individuals or entities that require products within a certain category and possess the means, desire, and authority to make a purchase.

- The proportion of a market that purchases a specific company's product is known as the market share of that product or business unit.
- The **BCG matrix**, a concept introduced by the Boston Consulting Group, suggests that a product's market growth rate and its market share are critical in shaping its marketing strategy.
- The BCG matrix classifies products into four types:
  - **Stars:** Dominant market share, growth prospects, high cash usage.
  - **Cash Cows:** Dominant market share, low growth, generate excess cash.
  - **Dogs:** Subordinate market share, low growth, often in established markets.
  - **Question Marks:** Small market share in growing markets, require cash for growth.

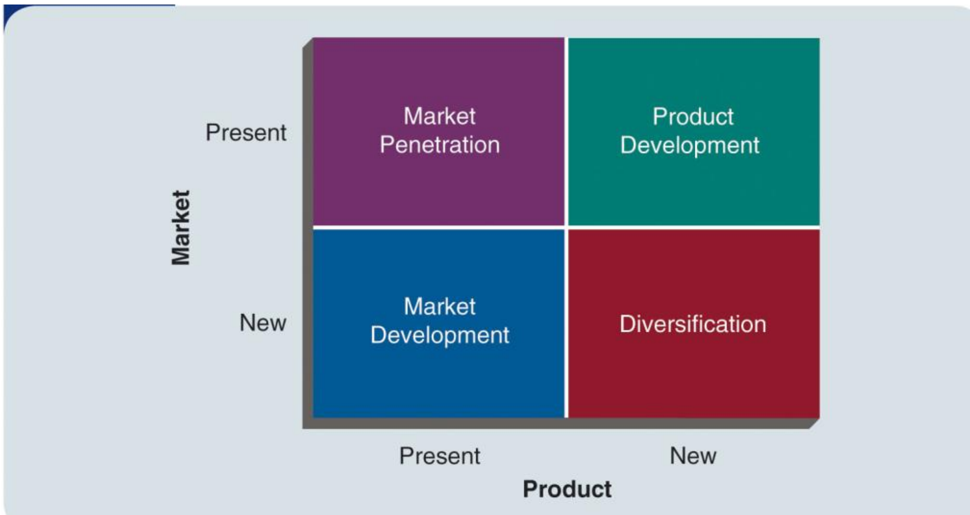
Figure 2.3.
Boston Consulting Group (BCG) Matrix



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

- **Competitive Strategies:** A company might adopt various competitive strategies after evaluating each product or business unit:
  - **Market Penetration:** Boost sales in current markets with existing products.
  - **Product Development:** Expand sales of current products into new markets (including international).
  - **Market Development:** Enhance existing products or create new ones for current markets.
  - **Diversification:** Develop new products for new markets.\

Figure 2.4.
Competitive Strategies



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

2.3. Evaluating a company's resources and opportunities.

Strategic planning starts with evaluating the marketing environment to shape an organization's goals and resource use. It involves reviewing financial and human assets that provide a competitive edge, including:

1. Customer loyalty
2. Goodwill
3. Reputation
4. Brand strength, and
5. Core competencies

Analysis of the marketing environment also includes identifying opportunities in the marketplace, which requires a solid understanding of the company's industry.

1. A market opportunity exists when the right combination of circumstances and timing permits an organization to take action to reach a particular target market.
2. Strategic windows are temporary periods of optimal fit between the key requirements of a market and the particular capabilities of a firm competing in that market.

A company is said to have a competitive advantage when it matches a core competency to opportunities it has discovered in the marketplace

Figure 2.5.
SWOT Matrix

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

SWOT analysis evaluates a company's internal strengths and weaknesses, and external opportunities and threats.

- Strengths are the company's assets that cater to market needs, while weaknesses are internal hurdles.
- Opportunities and threats are external factors that can lead to success or challenges.
- Aligning strengths with opportunities can give a company a competitive edge, and transforming weaknesses and threats into strengths and opportunities is a strategic goal.

Early vs. Late Market Entry Benefits

- Early Entry:
  - An innovative company can secure a lasting market edge by being the pioneer in offering a new product.
  - Pros: Gains a leader's reputation, lessens competition, fosters brand loyalty, and safeguards proprietary information.
  - Cons: Faces high initial costs, unpredictable sales growth, and risk of product failure.
- Late Entry:
  - Companies entering the market later can also gain lasting advantages by learning from the trailblazers.
  - Pros: Benefits from the pioneers' errors, refines products and strategies, saves on initial costs, enjoys a more stable market, and deals with informed customers.

    - Cons: Challenges include overcoming established patents and convincing customers to switch brands.
- The market entry timing is pivotal and can significantly influence the level of success

2.4. Marketing Objectives & Strategy

Marketing objectives outline the achievements to be reached through marketing efforts. Goals may involve product updates, sales growth, profit enhancement, market expansion, price revision, distribution improvement, advertising increase, or skill development. Originating from a detailed SWOT analysis, they aim to use strengths to capture opportunities, tackle weaknesses, and counter threats.

Effective marketing goals are:

1. Clearly articulated
2. Quantifiable
3. Time-bound
4. Aligned with business and corporate strategies
5. Realistic, making smart use of resources to contribute to the company's broader strategy

Marketing strategy involves choosing a target market and crafting a marketing mix to meet its members' needs. These strategies may evolve with the changing business environment.

Selecting the Target Market:

- Choosing the right target market is a critical decision in strategic planning.
- Before adjusting the marketing mix, companies must select their target audience.
- Marketing managers evaluate how entering a market impacts sales, costs, and profits.
- Alignment with the company's mission and resources is essential.
- Competitor size and number are also considered.

Creating the Marketing Mix:

- A good marketing mix depends on understanding the target market.
- Research into demographics, customer needs, and behavior informs decisions.
- Consistency with business and corporate strategies is crucial.
- Flexibility allows adjustments based on changing conditions.

Marketing Implementation:

- Putting marketing strategies into action is marketing implementation.
- Organizational structure and relationships affect marketing activities.

Organizing the Marketing Unit:
Companies choose between centralized and decentralized operations.

- Centralized: Top-level managers retain authority; common in traditional organizations.
- Decentralized: Decision-making authority delegated down the chain; adapts to customer needs.
- Aligning marketing activities with overall strategy enhances efficiency and performance.

For effective marketing execution, it's vital that team members are aware of their specific tasks and the deadlines for each. To create **implementation schedule**, follow these steps:

1. List out all necessary tasks.
2. Estimate the completion time for each task.
3. Distinguish between tasks that follow one after another and those that can happen at the same time.
4. Arrange the tasks in a logical sequence.
5. Delegate each task to specific employees, groups, or managers.

2.5. Strategic Performance Evaluation

Assessing Strategic Performance:

1. Set clear performance benchmarks.
    - Define expected outcomes, like fewer complaints or higher sales.
    - Use marketing goals to establish benchmarks related to sales, costs, or communication.
2. Measure real-world results.
    - Analyze performance to check if objectives are met.
    - Technology helps in assessing actual results
3. Compare outcomes with benchmarks.
    - Sales Review:
        - Use sales data to gauge current performance.
        - Compare sales figures with projections and competitors.
        - Adjust for price changes to avoid skewed data.
        - Market share analysis compares strategies with competitors, mindful of external factors
    - Cost Review
        - Break down costs to see their link to marketing activities.
        - Identify profitable or costly customers, products, or regions.
        - Manage costs to maintain a price edge.
        - Compare costs with industry norms, considering unique company factors.
        - Classify costs as fixed or variable, and by business function.
4. Adjust the strategy as necessary.

- Check if results meet, exceed, or fall short of standards.
- Understand the effectiveness of strategies for improvement.
- Modify objectives to be more attainable if needed

2.6. Marketing Plan Development

Marketing plan is a guide that details how to execute and manage the company's marketing strategies.

A good marketing plan:

- Sets a consistent marketing direction for everyone in the company.
- Clarifies who does what and when in the marketing process.
- Defines goals and how to use resources to reach them.
- Assists in tracking and assessing how well the marketing is doing.
- It's important that the marketing plan matches the company's overall goals and is known to all important staff members.

Figure 2.6.

Marketing plan component

Plan Component	Component Summary	Highlights
Executive Summary	One- to two-page synopsis of the entire marketing plan	1. Stress key points 2. Include one to three key points that make the company unique
Environmental Analysis	Information about the company's current situation with respect to the marketing environment	1. Assess marketing environment factors 2. Assess target market(s) 3. Assess current marketing objectives and performance
SWOT Analysis	Assessment of the organization's strengths, weaknesses, opportunities, and threats	1. Company strengths 2. Company weaknesses 3. Opportunities in the environment and industry 4. Threats in the environment and industry
Marketing Objectives	Specification of the company's marketing objectives	1. Qualitative measures of what is to be accomplished 2. Quantitative measures of what is to be accomplished
Marketing Strategies	Outline of how the company will achieve its objectives	1. Target market(s) 2. Marketing mix
Marketing Implementation	Outline of how the company will implement its marketing strategies	1. Marketing organization 2. Activities and responsibilities 3. Implementation timetable
Performance Evaluation	Explanation of how the company will evaluate the performance of the implemented plan	1. Performance standards 2. Financial controls 3. Monitoring procedures (audits)

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Chapter 3. Defining Target Market

A market is a group with a common need for a product type and the financial ability, willingness, and legal authority to purchase it. All these attributes are essential for a true market definition. For example, teenagers do not make up the market for alcohol because legal restrictions prevent them from making such purchases.

Markets are classified into two types:

- **The consumer market (B2C)** includes buyers and families who buy products for personal use, not for profit.
- **The business market (B2B)** involves entities or individuals who buy products for:
    - Reselling them.
    - Incorporating them into other products.
    - Supporting everyday business activities.

Marketers typically use a five-stage approach to identify their **target markets**:

1. Choosing the correct targeting strategy.
2. Selecting segmentation variables for consumer and business markets.
3. Creating profiles for each market segment.
4. Assessing the viability of each market segment.
5. Selecting the target market

3.1. Choosing the correct targeting strategy

A target market is a group of people or organization that a company creates and targets with a customized marketing mix to satisfy their needs. The approach for choosing a target market depends on:

- The traits of the target market.
- The features of the product.
- The goals and capabilities of the organization.

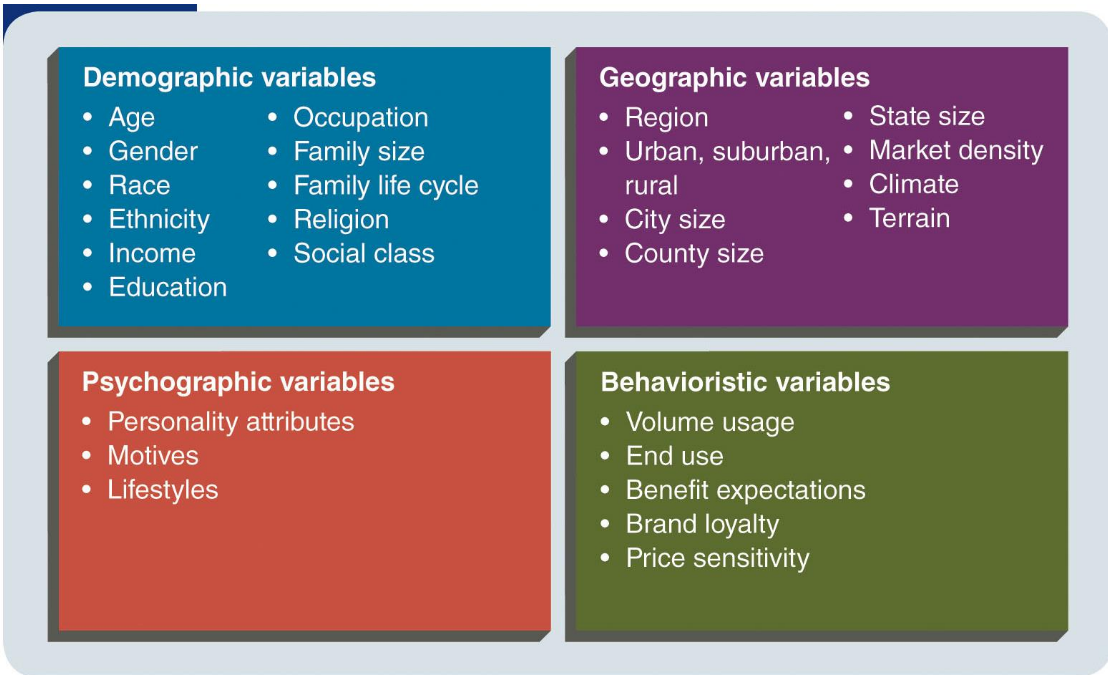
There are **three main targeting strategies**:

1. Undifferentiated Strategy
   Targeting a general, broad-spectrum approach with a single marketing mix offering. Suitable for markets where most customers share similar product needs.
2. Concentrated Targeting Strategy
   Focusing on a specific group with relatively similar product needs (single market segment) using one marketing mix.
3. Differentiated Targeting Strategy
   Targeting multiple market segments with different marketing mix offerings.

3.2. Selecting segmentation variables for consumer and business markets.
Segmentation variables are traits of people or organizations that segment a market. These variables must connect to customer needs, product usage, or behavior and be quantifiable. The selection of these variables, influenced by the company's resources, product type, and customer behavior diversity, is crucial as the wrong choice can hinder a successful marketing strategy.

Segmentation variables for **consumer markets** are typically classified into four main groups:
1. Demographic
2. Geographic
3. Psychographic
4. Behavioristic

Figure 3.1.
Consumer market's segmentation variables



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Segmentation variables for **business markets** can be classified into four main groups:
1. Geographic Location: Organizational needs vary based on climate, landscape, or local consumer tastes.
2. Type of Organization: Different organizations need varied product features, distribution methods, pricing, and sales tactics.
3. Customer Size: an organization's size can influence its purchasing processes, types, and volumes of products it needs.
4. Product Use: How an organization utilizes products determines the variety and quantity of purchases, as well as the purchasing process.

3.3. Creating profiles for each market segment

Market Segment Profiles describe similarities within a segment and differences across segments.

- Cover demographics, geography, product preferences, lifestyles, brand affinity, and usage patterns.
- Help marketers tailor capabilities to serve customer groups effectively.
- Aid in selecting target segments.

3.4. Assessing the viability for each market segment.

After reviewing market segment profiles, a marketer can narrow their focus to promising segments for further analysis. Key factors to consider include:

1. Sales estimates

   Potential sales for a segment can be gauged by product, region, time, and competition. Market potential represents the industry's total product sales within a set time and marketing effort. An individual firm's sales potential is the highest share of this market potential it can capture for a product. To estimate this, firms typically use two methods: breakdown and build-up.

2. Competition

   Accurate sales forecasts require understanding the competitive landscape. Consider these key points about rivals in your market segment:

   a) What's the number of existing competitors?
   b) What strengths and weaknesses do they have?
   c) Are there dominant competitors with significant market shares?
   d) Can we develop a marketing mix that competes effectively?
   e) What's the likelihood of new entrants?
   f) How might they impact our competitive edge?

3. Estimated costs.

   To cater to a target segment, a company needs a tailored marketing mix. High costs, however, may render the segment unapproachable for marketers.

3.5. Selecting the target market.

Marketers initially determine if customer needs vary sufficiently to justify market segmentation. The company's leadership must evaluate if they have the necessary financial means, management capabilities, staff proficiency, and infrastructure to successfully engage and compete in chosen market segments.

3.6. Sales Forecast.

Sales forecast is the projected product sales within a certain timeframe, based on a defined marketing effort. It is distinct from sales potential, which estimates the maximum sales achievable under varying marketing conditions. Forecasting methods include: executive judgment, surveys, time series analysis, regression analysis, and market tests.

Chapter 4. Product Strategy

4.1. Product Overview

A product can be a good, service, or idea exchanged between parties. It comprises three key elements:

1. Core Product: The fundamental benefit it provides to consumers.
2. Supplemental Features: Additional attributes beyond the core utility, such as installation, guarantees, repair, and delivery. These differentiate brands.
3. Customer Benefits: Derived from experiences with the product. Some stores create special customer experiences.

Products fall into two main categories:

1. Consumer Products: Satisfy personal and family needs.
   Consumer products further divide into four types:
   a) Convenience Products: Inexpensive, frequently purchased items.
   b) Shopping Products: Require planning and effort.
   c) Specialty Products: Unique and sought-after.
   d) Unsought Products: Bought for sudden needs or unawareness.
2. Business Products: Used in operations, resale, or manufacturing.

Product Line & Mix

- Product Item: A unique version within a firm’s offerings.
- Product Line: A set of related products marketed as a collective due to shared characteristics.
- Product Mix: The total array of products a company provides, measured by:
  - Width: The count of different product lines.
  - Depth: The average variety within each line.

Figure 4.1. Example of Procter & Gamble’s Product Mix

Laundry	Oral Care	Bar Soaps	Deodorants	Shampoos	Tissue/Towel	Health
Dreft 1933	Crest 1955	Ivory 1879	Old Spice 1948	Pantene 1947	Charmin 1928	Pepto-Bismol 1901
Tide 1946	Scope 1966	Safeguard 1963	Secret 1956	Head & Shoulders 1961	Puffs 1960	Vicks 1905
Cheer 1950	Oral-B 2006	Olay 1993		Herbal Essences 2001	Bounty 1965	Prilosec OTC 2003
Downy 1960				Aussie 2003		
Bold 1965						
Gain 1966						
Era 1972						
Febreze 2000						

Depth

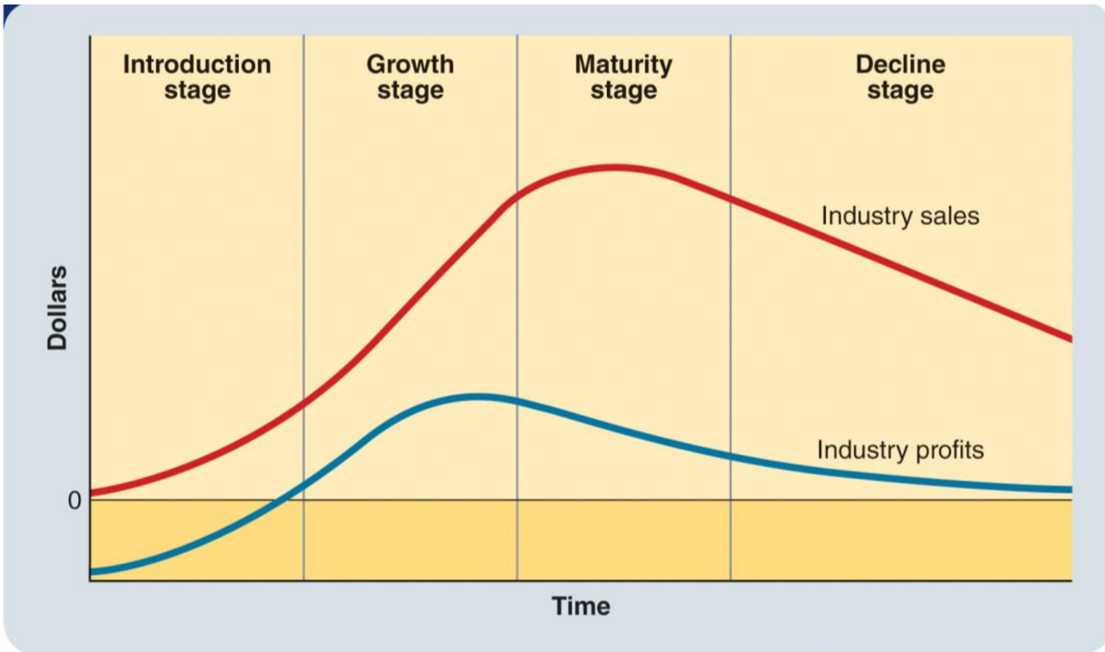
Width

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

The product life cycle stages:

1. Introduction Stage: Begins when a product first enters the market, with zero sales and negative profits. The marketing strategy should target the most interested and capable segment.
2. Growth Stage: Sales rise rapidly, reaching a peak, and then decline. Adjust marketing to strengthen brand loyalty and address geographic gaps.
3. Maturity Stage: Sales peak and decline, profits continue to fall. Marketers explore new uses and differentiate from competitors.
4. Decline Stage: Sales drop rapidly. Marketers decide whether to reposition or eliminate the product. Unprofitable channels may be removed.

Figure 4.2.
Product Life Cycle Stages



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

A product life cycle represents the journey of a product through four stages from first learning about a product (awareness), interest, evaluation, product trial, and final acceptance.

4.2. Branding

Branding:

- A brand is A distinctive identifier of a seller's goods or services, including a brand name (spoken part) and brand mark (symbolic part).
- Trademark: Legal right for exclusive brand use.
- Trade Name: Organization's official legal name.

Brand value to Buyers:

1. Product Identification: Streamlines purchasing.
2. Risk Reduction: Lowers perceived purchase risks.
3. Status Symbol: Offers psychological benefits of ownership.

Brand value to Sellers:

1. Product Differentiation: Helps identify products.
2. Promotion: Aids in marketing efforts.
3. Customer Loyalty: Stabilizes market share and improves resource efficiency.

Brand Equity Components:

1. Brand Awareness
2. Brand Loyalty
   Brand loyalty is a customer's positive perception of a brand, crucial for reducing competition impact and assuring new customers. Quality judgment may be inferred from the brand name. The three loyalty levels are:
   a. Insistence: Unwavering preference for a brand, rejecting alternatives.
   b. Preference: Favoring one brand over others.
   c. Recognition: Awareness of a brand.
3. Perceived Brand Quality
   It supports premium pricing and differentiates from competitors.
4. Brand Associations
   Marketers link specific lifestyles or personalities to brands, appealing to relatable consumers.

There are three brand categories:

1. Manufacturer Brands: Producer-initiated brand.
2. Private Distributor Brands or private brands: Reseller-initiated and own brand.
3. Generic Brands: brands that only indicate product category.

There are two branding strategies:

1. Individual Branding: Unique names for each product.
2. Family Branding: A common name across products.

Brand Extension occurs when a firm uses an established brand for new products in different categories. Meanwhile, co-branding is the use of multiple brands on a single product to capitalize brand equity of multiple brand. Brand Licensing is an agreement in which companies allow other organizations to use their brand on different products for a fee.

4.3. Packaging & Labeling

Packaging involved container development to store a product. It is vital for product to enhance versatility, safety, and ease of use. It conveys essential details and shapes customer perceptions and purchase decisions, akin to a brand name

Packaging design factors:

1. Cost: Balancing consumer willingness to pay.
2. Regulations: Compliance and tamper-evident features.
3. Consistency: Harmonizing package designs across products.
4. Family Packaging: Uniform design elements.
5. Promotion: Color, shape, and texture create desirable associations.
6. Retailer Needs: Facilitating transportation and storage.
7. Environment: Balancing conservation and customer convenience.

Packaging is a key marketing component, rapidly establishing market recognition for new products. Marketers must weigh packaging costs and changes.

Provides identification, promotion, and other information. Labels enhance promotional efforts by highlighting discounts, larger sizes, and new features.

4.4. Developing & Managing Products

Marketer analyze the product mix to identify and address gaps through line extensions or modifications (quality, function, aesthetics). The seven-phase process for new product development is shown in Figure 4.3

Figure 4.3.
Phases of New Product Development

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Product Differentiation is the process of designing products to stand out from competitors by focusing on:

1. Product quality (level and consistency)
2. Product design and features, and
3. Product support services.

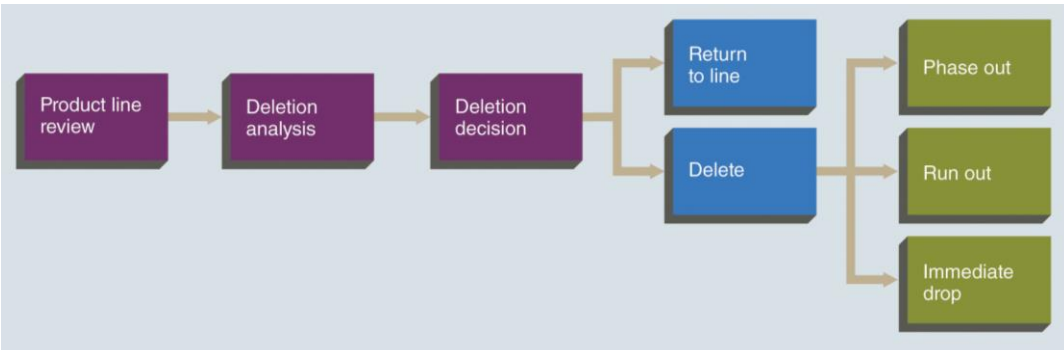
Product Positioning refer to the decision and activities to shape customer perceptions through advertising and maintain a desired product image. Perceptual Maps are creating by using consumer feedback to create visual maps, showing customer preferences and brand positioning.

Figure 4.4.
Sample Perceptual Map of Pain Relievers Products.

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Product Deletion is the process of removing products that no longer meet customer needs.

Figure 4.5.
Product Deletion Process



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

4.5. Service Marketing
Marketers must account for additional issues within the four major marketing mix considering the service characteristics:

1. Intangibility
   Marketers promote service promises, often using physical cues like clean facilities to signify quality.
2. Inseparability
3. Perishability

4. Heterogeneity
   Leads to service quality variability. Therefore standardized packages and word-of-mouth are key to managing this.
5. Client relationships, and
6. Customer contact.

Service Quality: Judged by customer expectations and experiences, it's crucial as consumers readily share negative experiences.

Service Quality Dimensions, include:

1. Tangibles (e.g., appearance of facilities and employees)
2. Reliability
3. Responsiveness
4. Assurance, and
5. Empathy (e.g., caring, and individual attention provided by employees)

Service Expectations shaped by past experiences, word-of-mouth, and advertising, they're pivotal in quality judgments. Providing consistent service quality is challenging but vital, influenced by:

1. Understanding customer expectations,
2. Setting quality standards,
3. Employee performance, and
4. Managing expectations

Figure 4.6.
Service Quality Model

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Chapter 5. Distribution Strategy

5.1. Supply Chain Management

Distribution in marketing ensures products are available to consumers when and where they want to buy. It involves creating an effective supply chain, which encompasses all activities from raw materials to the end customer. Supply Chain Management (SCM) is a coordinated approach that synchronizes operations, logistics, procurement, and marketing channels to ensure products are efficiently produced and delivered in the correct amounts, to the right places, and at the right times

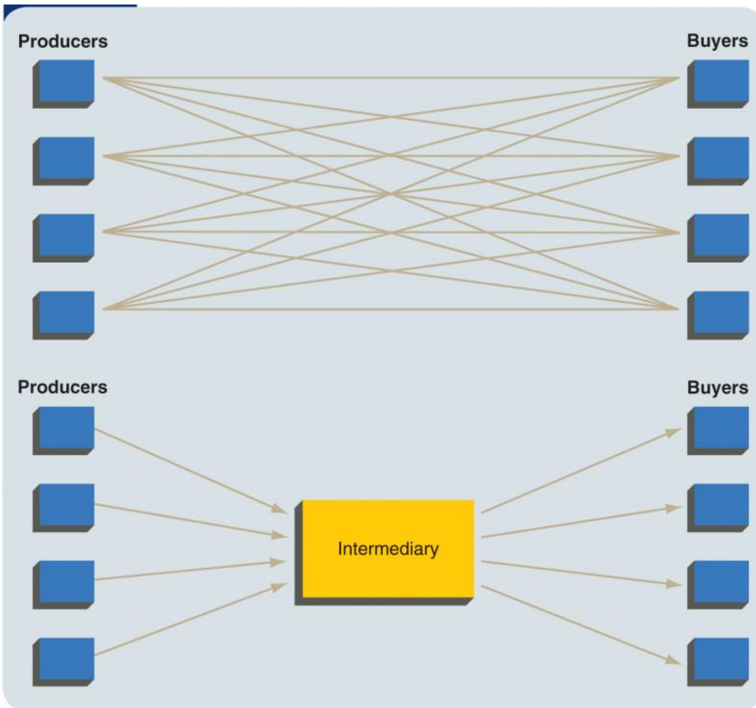
5.2. Marketing Channel

A marketing channels (distribution channel) is a group of individuals and organization that direct product flow from producers to consumers, ensuring availability in the right quantity, place, and time. Marketing channel functions, including:

- Create utilities (time, place, possession, form), facilitate exchanges, and
- Enhance efficiency.

Most marketing channel have intermediaries to connect product producers to consumer that can help reduce exchange costs.

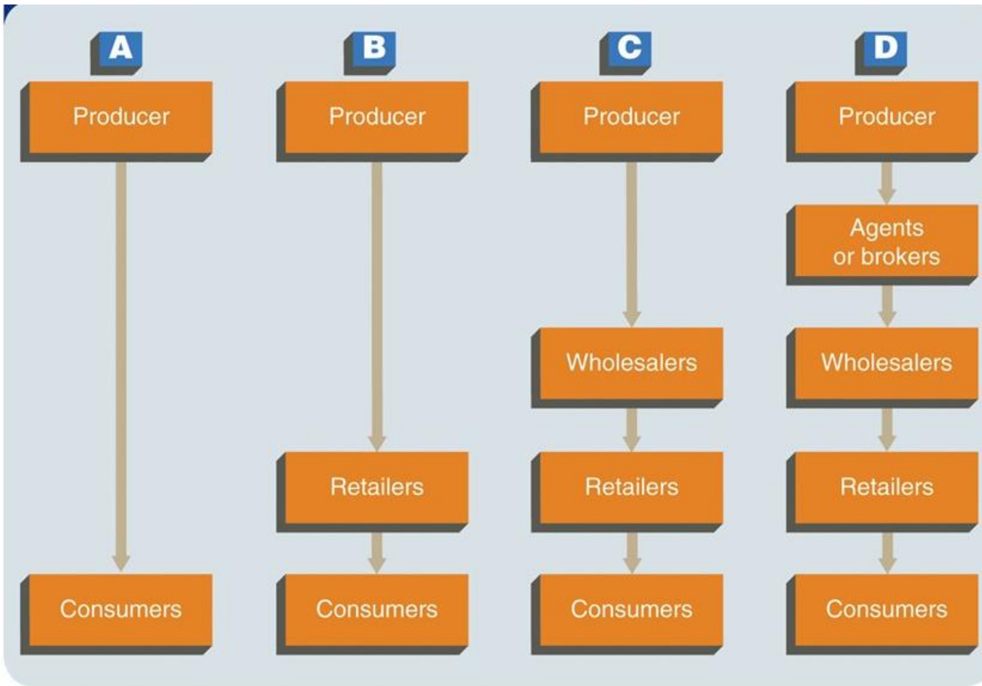
Figure 5.1. The intermediary benefit of increasing efficiency in exchange



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

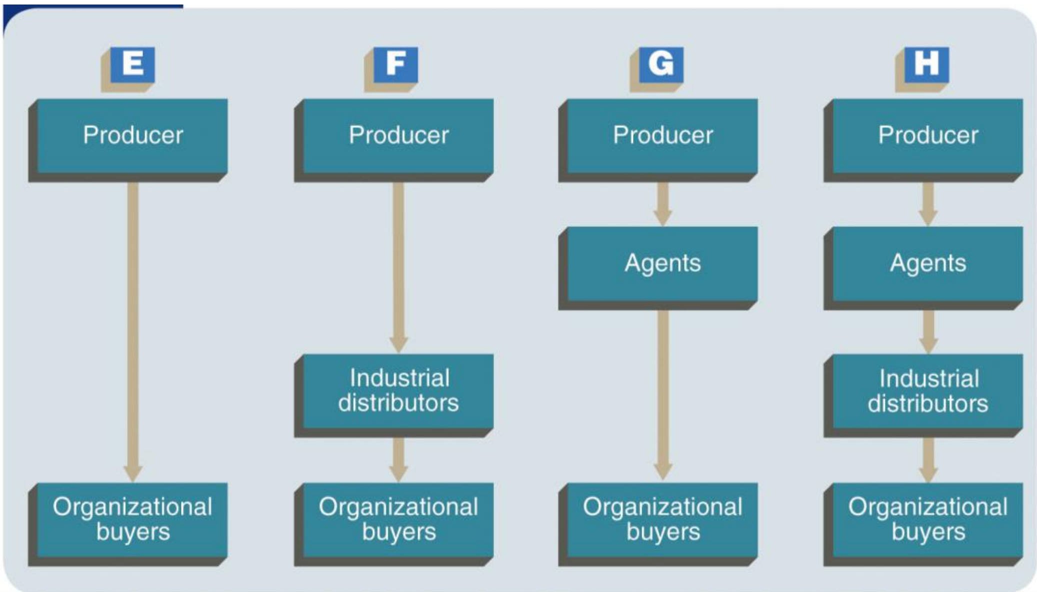
Marketing channels can be classified for consumer products (Figure 5.2.) and business products (Figure 5.3.)

Figure 5.2.
Marketing Channels for Consumer Product



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Figure 5.3.
Marketing Channels for Business Product



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

To ensure maximum distribution, the firms may use multiple channels and alliances for broader distribution, including digital platforms via the internet.

Several factors influencing channel selection:

1. Customer characteristics
2. Product attributes
3. Organizational type
4. Competition
5. Environmental forces
6. Intermediary characteristics

There are three levels of market coverage intensity:

1. Intensive: All outlets for convenience products.
2. Selective: Chosen outlets for shopping products.
3. Exclusive: Single outlet for specialty products."

This concise version captures the key points about marketing channels, their functions, types, and strategies for distribution intensity.

Figure 5.4.
Market Coverage Intensity

Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

5.3. Retailing

Retailing covers transactions where buyers intend to use products personally or within the household. A retailers is organizations that buy products to resell to end consumers. The key success factors of retailing is to have a strong customer focus and retail strategy that provides the level of service, product quality, and innovation consumer desire. Online Retailing provide product access via the internet, complementing physical stores.

There are two general categories of retail stores:

1. General Merchandise: Broad product range (e.g., department store, convenience store, hypermarket, warehouse showroom).
2. Specialty Retailers: Narrow but deep product selection (e.g., Traditional Specialty Retailers, category killers, off-price retailers)
    - Category Killers: Large stores specializing in a product category, offering low prices and wide availability.
    - Off-price retailers are stores that buy manufacturer's seconds, overruns, returns, and out-of-season goods from manufacturers at lower-than-wholesale rates and sell them to customers at significant discounts.

Consumer purchase are influenced by social and psychological factors. A retailers must create appealing environments and strategies to attract customers. The strategic issues in retailing are as follows:

1. Location
2. Ownership: Including franchising arrangements.
3. Technology: Adoption of websites and apps.
4. Positioning: Targeting specific market gaps.
5. Store Image
6. Category Management: Coordinating similar products from various producers

5.4. Other distribution channel

An increasing share of total product sales comes from direct selling and direct marketing, bypassing traditional physical retail stores.

- Direct Marketing Types:
    1. Catalog Marketing: Customers order from catalogs via mail, phone, or online.
    2. Direct-Response Marketing: Products advertised for mail or phone orders.
    3. Television Home Shopping: Viewers buy products using toll-free numbers and credit cards.

Wholesaling refers to all transactions for resale, production, or business operations.
Types of Wholesalers:

1. Merchant Wholesalers: Own and resell goods.
2. Agents/Brokers: Facilitate sales without owning goods.
3. Manufacturers' Outlets: Sell and support their own products.

Chapter 6. Price Strategy

6.1. Pricing Concept

Price is the monetary value exchanged for a product during marketing transactions. The significance of price in marketing:

1. Price can be adjusted quickly.
2. Directly influences total revenue.
   Profit is calculated as (price x quantity sold) – total costs
3. Impacts customer perception psychologically
   High pricing can signal superior quality and elevate the product's prestige.

Price Competition:

- Focuses on price to compete and strives to meet or undercut competitors' prices.
- Being the most cost-efficient seller is crucial for effective competition.
- The primary risk is initiating a price war.

Non-Price Competition:

- Differentiates a product based on attributes other than price.
- Strengthens brand loyalty.
- Competitors' pricing must still be monitored.

Demand Curves:

- Typically, price and demand share an inverse relationship.
- Prestige products may deviate from this standard pattern.

Price Elasticity of Demand:

- Measures demand sensitivity to price changes.
- Inelastic demand is common for essential products with no alternatives, like electricity.
- Products like recreational vehicles exhibit elastic demand, with significant quantity reductions following price hikes.

Demand, Cost, and Profit Relationship:

- Costs and potential profits at varying sales volumes are crucial.
- Marginal analysis investigates cost and revenue shifts when adjusting production by a single unit.
- Total Cost = quantity x (average fixed cost + average variable cost)
- To increase sales, prices often need to be reduced, affecting marginal revenue.
- Optimal production occurs where Marginal Revenue equals Marginal Cost

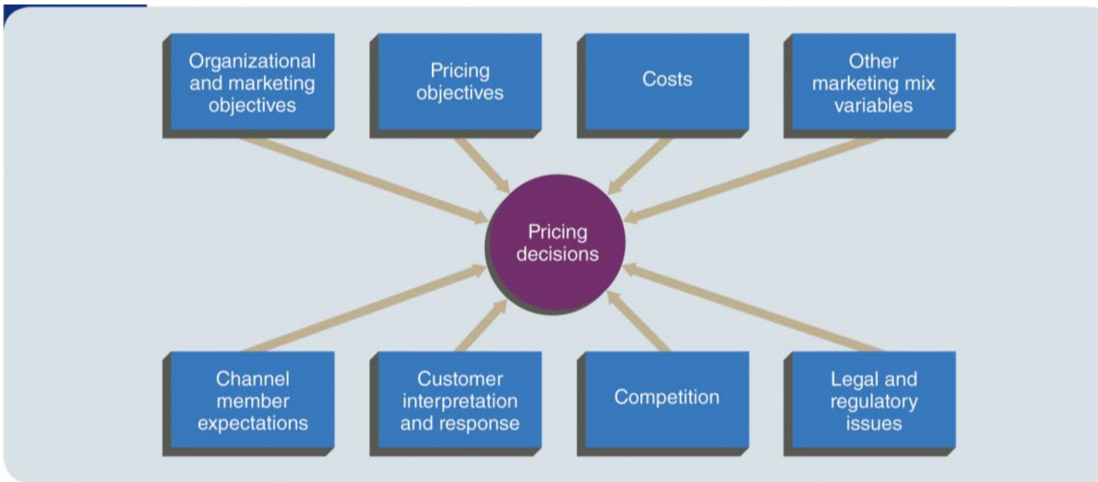
Breakeven Point:

- The juncture where production costs match the revenue from sales.
- Assumes demand remains constant regardless of price changes.

Complexities in Pricing Decisions:

- Influenced by numerous factors including organizational goals, pricing objectives, costs, marketing mix elements, channel member expectations, competition, customer reactions, and legal considerations.
- Pricing affects promotional strategies, with premium prices being less advertised than discount prices.
- Legal frameworks like the Sherman Antitrust Act regulate price control practices.

Figure 6.1.
Factors affecting pricing decisions



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

Pricing in Business Markets:

- Comprises entities purchasing for resale, operational use, or production.
- Unique considerations include discounts, geographic pricing, and transfer pricing.
- Geographic pricing adjusts for distance-related costs, with F.O.B. terms determining shipping cost responsibility.
- Transfer pricing involves internal sales and varies based on management strategies and unit interactions.

6.2. Price Setting

There are six steps in the price-setting process:

1. Formulating Pricing Goals
2. Analyzing How the Target Market Perceives Price
3. Reviewing Competitors' Pricing
4. Choosing a Foundation for Pricing
5. Deciding on a Pricing Approach
6. Setting an Exact Price

Chapter 7. Integrated Marketing Communication

7.1. Promotion Mix

Integrated Marketing Communication (IMS) aligns promotional activities for maximum impact. The key goal of IMS is to have consistency in messaging.

Decline in mass media use due to costs and audience unpredictability.
Enhanced targeting through database marketing and analyticss.

Integrated Marketing Communications (IMC) has gained effectiveness due to various factors:

1. The decline in mass media advertising due to high costs and audience unpredictability.
2. New promotional tools enable specific targeting of individual customers,
3. Database marketing and analytics enhance the accuracy of customer targeting.
4. Need for cost-effective communication strategies with measurable ROI.

Promotion is communication that aims to foster positive relationships and product acceptance. Success of promotion relies on planning, implementation, coordination, and control of communication. IMC effectiveness is driven by feedback from customer and marketing environment, often obtained from an organization’s marketing information system. Promotional objectives vary across organizations and evolve over time. Common objectives include:

- Creating awareness,
- Stimulating demand,
- Encouraging product trials,
- Identifying prospects,
- Retaining loyal customers,
- Supporting resellers,
- Countering competitors’ efforts, and
- Minimizing sales fluctuations.

Promotion Mix Elements:

1. Advertising
   Advertising is paid communication through mass media to inform a target audience about an organization’s products. Advertising is cost-effective for broad reach but can be expensive overall. It can have repeated exposure boosts visibility but lacks immediacy and measurability.
2. Personal Selling:
   Personal selling is a paid form of communication aimed at informing and persuading customers to buy products in a transactional context.
3. Public Relations

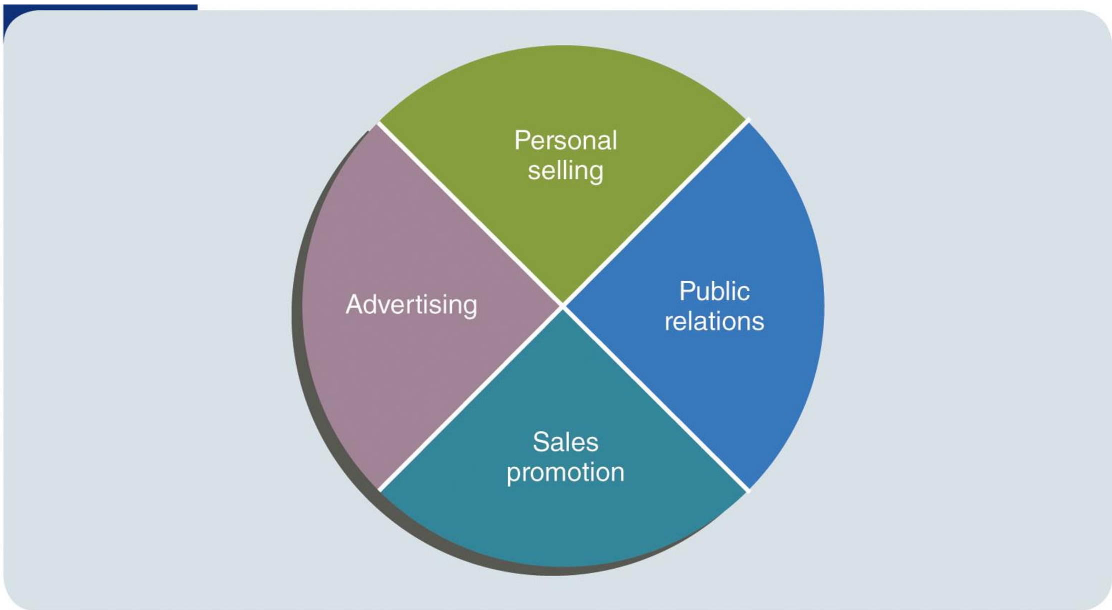
Public relations encompasses a range of communication tactics aimed at developing and maintaining favorable connections between a company and its various stakeholders.

4. Sales Promotion

   Sales promotion refers to activities or materials that provide added value or incentives to encourage the purchase of a product by resellers, salespeople, or customers. Marketers allocate more budget to sales promotion than advertising, and it is growing more rapidly.

An effective promotion mix balances advertising, personal selling, public relations, and sales promotion for optimal results.

Figure 7.1.
Integrated Marketing Communication



Source: Pride, W. M. and Ferrell, O.C. (2020). Marketing. Cengage Learning

7.2. Selecting Promotion Mix

There are several factors influencing a marketer's promotion mix:

1. Promotion resources, objective, and policies

   Limited budgets may lead to a preference for personal selling due to its measurable impact on sales.

2. Target Market characteristic

   The size, distribution, and demographics of the target market are key considerations.

3. Push and Pull Channel Strategy

   A push policy involves the producer promoting products to the next entity in the distribution channel, typically emphasizing personal selling as the main promotional method. Meanwhile, a pull strategy involves direct promotion to consumers to create strong demand, mainly through advertising and sales promotions.

4. Product Characteristics
   Business products often focus on personal selling, while consumer goods rely more on advertising. The product life cycle stage also dictates the mix, with advertising being crucial during growth and maturity.
5. Promotional Costs
   The expense and reach of promotional methods affect the mix. National campaigns are costly but can be cost-effective if they reach a large audience.

7.3. Word of Mouth Communication & Product Placement

Word-of-mouth (WoM) communication refers to the casual and personal conversations that customers have with each other regarding their experiences with products, brands, and companies. It's a powerful tool in marketing due to its personal nature and the trust between individuals sharing the information.

Word-of-mouth (WoM):

- Buyers may rely on WoM for personal contacts like family and friends, depending on the product and customer type.
- Smart marketers recognize the value of word-of-mouth communication. They identify opinion leaders and encourage them to try their products, hoping they'll spread positive publicity.
- Consumers tend to share negative word-of-mouth information more readily than positive feedback.
- Customers increasingly seek information and opinions online. Electronic word of mouth (eWoM) occurs through websites, blogs, email, social networks, and online forums.
- Buzz Marketing: This tactic aims to create excitement and public interest around a product through creative events. Buzz marketing works best as part of an IMC Program that also uses advertising, personal selling, sales promotion, and publicity.
- Viral Marketing: A method to encourage consumers to spread a marketing message quickly, often via email or online video.
- Product Placement: a method to strategically placing products within media content to subtly promote to the target audience, which has proven effective in engaging consumers.