

PRINCIPLES OF Marketing

Chapter five Managing Marketing Mix Elements

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- **Marketing mix** is a set of marketing tools: product, price, place and promotion, which the firm uses to pursue its marketing objectives in the target markets
- **According to Philip Kotler** “**Marketing Mix** is the set of controllable variables that the firm can use to influence the buyer’s response”.



Chapter five

PRODUCT MANAGEMENT

5.1. What is a Product?

- A Product is anything that can be offered to a market to satisfy a want or need.
- Products that are marketed include physical goods, services, persons, organizations, and ideas.
- refers to goods and services offered by the organization for sale.



5.2. Levels of a product

- I. **Core Benefit:** the fundamental service or benefit that the customer is really buying. E.g. A hotel guest is buying “rest and sleep”. The purchaser of a drill machine is buying “holes”.

Marketers must see themselves as benefit providers.

- II. **Basic product:** The marketer has to turn the core benefit into a basic product.

Thus a hotel room includes a bed, bathroom, towels, desk, dresser, and closet.



III. Expected product: a set of attributes and conditions that buyers' normally expect and agree to when they purchase this product.

For example, hotel guests expect a clean bed, fresh towels, working lamps, and a relative degree of quietness.

IV. Augmented product: the marketer prepares an augmented product that meets the customers' desires beyond their expectations.

A hotel can augment its product by including a television set, fresh flowers, rapid check-in, fine dining and room service, and so on.



V. Potential Product: encompasses all the augmentations and transformations that the product might ultimately undergo in the future.

While the augmented product describes what is included in the product today, the potential product points to its possible evolution. Here is where companies search aggressively for new ways to satisfy customers and distinguish their offer



5.3. Product Classifications

On basis of Durability and Tangibility

- ✓ **Nondurable goods:** are tangible goods that normally are consumed in one or few uses. Examples are cooking oil, soap.

Appropriate marketing strategy is make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference

- ✓ **Durable goods:** are tangible goods that normally survive many uses. Examples: telephone,
- ✓ **Services:** are intangible, inseparable, variable, and perishable. As a result, they normally require more quality control, supplier credibility, and adaptability. Examples include haircuts and repairs



Based on type of customer products are classified as consumer and industrial products



Consumer Goods

- ❖ goods bought by final consumers for personal consumption
- ❖ Based on shopping habit it classified in to four types

1. *Convenience goods*

- goods that the consumer usually buys frequently
- Put a minimum of comparison and buying effort
- They are usually low priced
- Marketers place them in many locations

Eg: soap or candy



2. Shopping goods

- less frequently purchased consumer goods
- Consumers compare carefully on suitability, quality, price and style.
- Consumers spend much time and effort in gathering information
- Make comparisons.

Eg: Furniture, clothing or hotel service



3.Specialty goods

- Consumer goods with unique characteristics or brand identification
- Buyers are willing to make a special purchase effort
- Buyers normally do not compare
- They invest only the time needed to reach dealers carrying the wanted products.

E.g: specific brands and types of cars, high priced photographic equipment and designer clothes



4. Unsought goods

- goods that the consumer either does not know about or knows about it but does not normally think of buying
- They require a lot of advertising, personal selling and other marketing efforts.
- Most major new innovations

Eg: life insurance



Industrial Goods

- ❖ Are goods that are bought for further processing, not for final consumption.

Industrial- goods classification

Industrial goods may be classified in terms of how they enter the production process

1. Materials and parts:

- are goods that enter the manufacturer's product completely.



➤ goods that make up the final product of the company

component part of the final product

E.g. Raw materials, Manufactured materials, parts



11.Capital items

- Are long-lasting goods that facilitate developing or managing the finished product.
- Are goods that aids in the buyers production or operation.
- They are neither make up the final product nor are consumed

Eg installation ,buildings, offices, main machineries



111.Supplies and Business services:

- are short lasting goods and services that facilitate developing and/or managing the finished product.
- It refer to those products that are consumed in the production process or operation of buyers.

Services

- It refer to maintenance and repair services that the firm purchases from outsiders or services supplied by outsiders
Eg: legal, Management counseling, Advertising etc

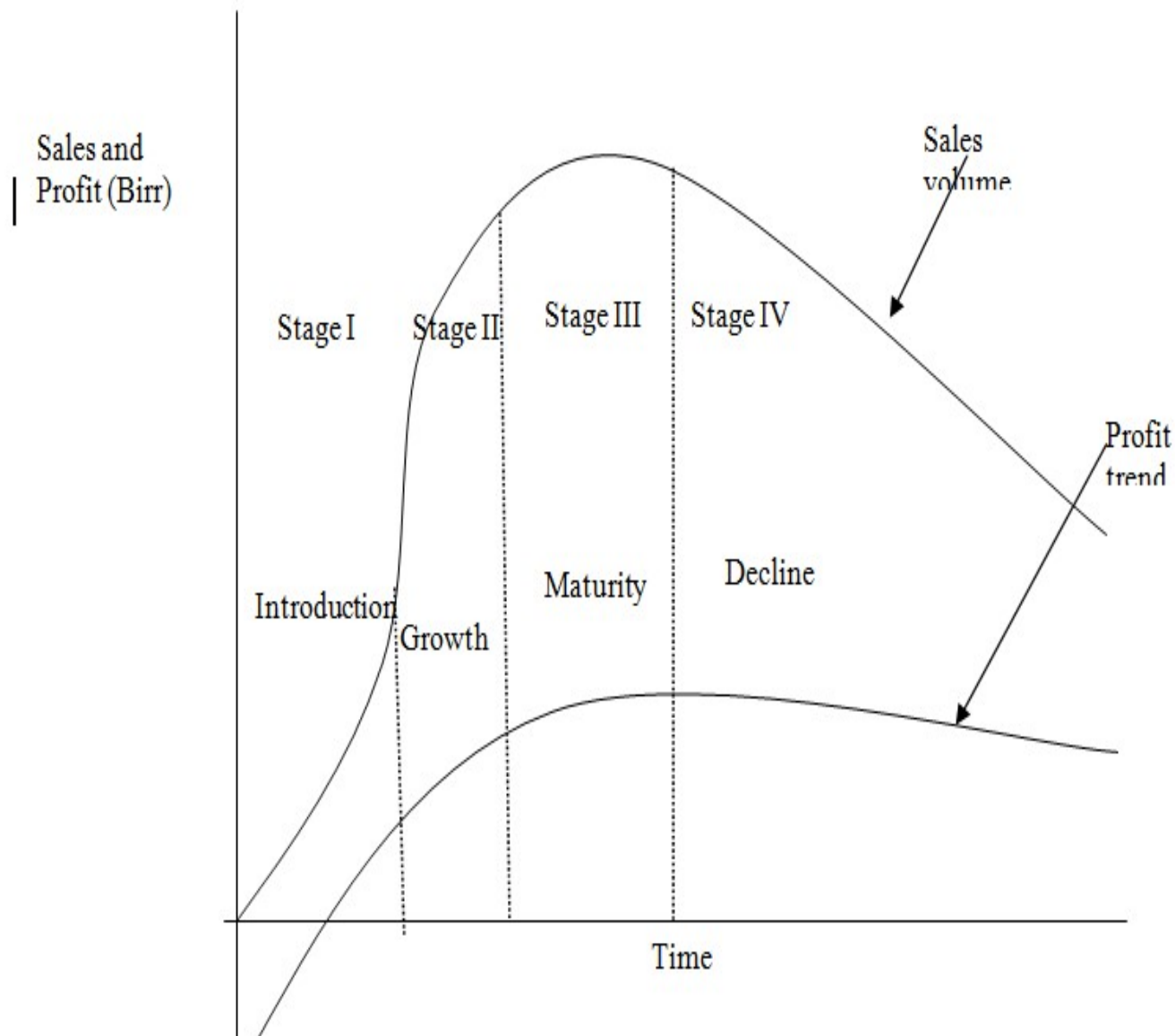


● **Product life cycle**

- ❖ According to product life cycle products born and dies
- ❖ It shows the life pattern of a product
- ❖ Products passes through introduction, growth, maturity and decline stage



Product Life Cycle



Introduction Stage

- It is launching of the new product
- Customers are hesitant in buying the product
- Productivity is low since demand is low
- Low sales
- High costs per unit.
- High promotion
- Absence of or low competition
- Loss or negligible profits



Growth Stage

- Fast growth in sales
- Growing profits
- Increasing competition
- Promotion is still high
- introduction of different versions (models) of the product



Maturity stage

- Saturation of sales
- Intense competition
- Failing profits

Decline stage

- Entry of new products, which compete with the product.
- Decline in sales
- Decline in profits: profits may even become negative
- Exit of some of the firms



New Product Development

- ✓ A firm can obtain new products in two ways:
(Acquisition and new product development)
- ✓ Acquisition: buying the whole company, patent or license etc
- ✓ New product includes original products, product improvements, product modifications and new brands



Steps in developing a new product

- Idea generation (customers, scientists, competitors, employees, suppliers and distributors)
- Idea Screening (strategies, resources, objective)
- Concept Development and Testing (a product concept is a detailed version of the idea)
- ❖ A product idea is an idea for a possible product that the company can see itself offering to the market



- **Marketing Strategy Development(it has three steps)**
 - ✓ The first part describes the target market, the planned product positioning and the sales, market share and profit goals for the first few years.
 - ✓ The second part outlines the product's planned price, distribution, and marketing budget for the first year.
 - ✓ The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and the marketing mix strategy



- **Business Analysis**

(Evaluate the attractiveness of the business proposal)

- **Prototype (product) Development:** changing the concept product in to a physical product)

- **Test Marketing**

- **Commercialization**(A decision to launch a new product or amendment up on the tested product)



Introduction to Branding, Packaging & Labeling

Branding:

Brand:

It is a name, term, sign, symbol, design, or combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors



Brand Strategy

A company has five choices when it comes to brand strategy, which are as follows:-

1. Line extension: occur when a company introduces additional items in the same product category under the same brand name, usually with features, such as new flavors, forms, colors, package sizes.



2. Brand Extension: A company may decide to use an existing brand name to launch a product in a new category.

3. Multi brands: A company will often introduce additional brands in the same product category.

4. New brand: When a company launches products in a new category, it may find that none of its current brand names are appropriate.



5. Co-brands: (also called dual branding), is which two or more well-known brands are combined in an offer.



Importance of Brand

- ✓ it is one of competitive force
- ✓ it provides legal protection
- ✓ It enables company to segment its market in profitable way
- ✓ customer can easily identify the product
- ✓ It is a customer guarantee



A good brand name should.....

- Suggest something about the product's qualities or benefits
- Be short, easily pronounced, recognized, and remembered
- Be distinctive
- Be consistent with the image of the product



- Have no undesirable associations (in English or other languages)
- Be legally available & legally protectable

Packaging:

- It refers to designing and producing the container or wrapper for a product



Importance of packaging

- To contain and protect the product
- Attracting customers
- Describing the product

Labeling

it ranges from simple tags attached to product to complex graphics)



(who made it, where it was made, when it was made, its contents, how it is to be used, and how to use it safely complex graphics that are part of the package)



CHAPTER-SIX PRICING DECISION

Price: it is the amount of money charged for a product or service

More broadly, it is the sum of all the values that consumers exchange for the benefits of having or using the product or service.

- ✓ It is the only element in the marketing mix that Produces revenue
- ✓ it is also one of the most flexible elements of the marketing mix
- In fact, pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of the firm.



Pricing Objectives

I. Survival

Companies pursue survival, as their major objective if they are troubled/plagued by overcapacity, intense competition or changing customer wants

- ❖ company sets a low price
- ❖ hoping to increase demand,
- ❖ profits are less important
- ❖ It is only a short-term objective
- ❖ in the long run, the firm must learn how to add value or face extinction



II. Current profit maximization

- ❖ Set the price that will produce the maximum current profit
- ❖ cash flow or return on investment.

III. Market share leadership

- ❖ firms set prices as low as possible.
- ❖ wants to share a market(lowest costs and highest long run profit)

IV. Product quality leadership

charging a high price(quality and high cost of R&D)



Internal factors affecting pricing decisions

1. Marketing objectives

(survival, profit maximization or market share leadership)

2. Marketing mix strategy

(product distribution, promotion and performance quality)

3. Costs: it sets the floor for setting price

(costs for producing, distributing and selling the product and delivers a fair rate of return for its effort and risk)

4. Organizational consideration

(responsible person to set the price)



External factors affecting pricing

1. The market and demand

- ❖ it set the high price of the product
- ❖ Competitive market situation and monopolistic market
- ❖ Demand and price are inversely related

2. Competitor's costs, prices and offers

3. Other external factors



General Approaches to Pricing

1. Cost -plus pricing

- ❖ Adds a standard markup to cost of the product
- ❖ doesn't consider the demand and competitors price
- ❖ it is popular and simplest method of pricing
 - Price is fixed by adding a desired amount of profit margin to the cost of the product.

2. Break-even and target profit pricing

- ❖ consider the cost and desired profit
- ❖ doesn't consider price- demand relationship



3. Value based pricing

- ❖ price of a product is decided based on the perception of consumers rather than sellers cost

4. Competition based pricing

- ❖ competition is the most important factor
- ❖ companies follow market leader price
- ❖ Price is fixed keeping in mind the price of competing brands.



New Product Pricing Strategies

1. Market Skimming Pricing

- ❖ it is setting a high price for a new product to skim maximum revenue layer by layer from the segments
- ❖ Market skimming makes sense only under certain conditions.
- The products quality and image must support its higher price and enough buyers must want the product at that price.



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- The costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more.
- Competitors should not be able to enter the market easily and undercut the high price.



2. Market Penetration-Pricing

setting a low price for a new product in order to penetrate the market quickly and deeply to attract a large number of buyers quickly and win a large market share.

- The market must be highly price sensitive so that a low price produces more market growth.



Cont'd

- production and distribution cost must fall as sales volume increase
- The low price must help out competition and the penetration prices must maintain its low price position otherwise the price advantage maybe only temporary



CHAPTER SEVEN

Distribution channel strategies (place)

The component of marketing that relates to channels of distribution is place

Meaning of Distribution channel

It is a set of interdependent organizations involved in the process of making a product or service available for use or consumption



7.2 DISTRIBUTION CHANNELS

- Distribution role within a marketing mix is getting the product to its target market. The most important activity in getting a product to market is arranging of its sale (and transfer of title) from producer to final customer. Other common activities (or functions) are promoting the product, storing it, and assuming some to the financial risk during the distribution process.
- A producer can carry out these functions in exchange for an order (and, hopefully payment) from a customer. Or producer and consumer can share these activities. Typically, however, firms called middlemen perform some of these activities on behalf of the consumer or the producer.
- A middleman is a business firm that renders services related directly to the sale/or purchase of a product as it flows from producer to consumer.



- A middleman either owns the product at some point or actively aids in the transfer of ownership. Often, but not always, a middleman takes physical possession of the product.
- Middlemen are commonly classified on the bases of whether or not they take title to the product being distributed. **Merchant middlemen** actually take title to the products they help to market. The two groups of merchant middlemen are wholesalers and retailers. **Agent middlemen** never actually own the products, but they do arrange the transfer of title. Real estate brokers, manufacturer's agents, and travel agents are examples of agent middlemen.



Factors affecting Choice of Channel

- a).Type of market
- b).Geographic concentration of the market
- c).Unit value
- d).Perishability
- e).Services provided by middlemen
- Desired for channel control
- Financial Resources



- If a firm is customer oriented, consumer-buying patterns determines its channels. The nature of the market should be the key factor in management's choice of channels. Other considerations are the product, the middlemen, and the company itself. The various factors affecting choice of channels in a summarized forms are as follows:-



- **a) Type of market:**
- Because ultimate consumers behave differently than business users, they are reached through different distribution channels. Retailers, by definition, serve ultimate consumers, so they are not in channels for business goods.
- **b) Geographic concentration of the market**
- When most of firm's prospective customers are concentrated in a few geographic areas, direct sale is practical. When customers are geographically dispersed, direct sale is likely to be impractical due to high travel costs.
- **c) Unit value:**
- The price attached to each unit of a product affects the amount of funds available for distribution.



- **d) Perishability:**
- Some goods, including many agricultural products, physically deteriorate fairly quickly. Other goods, such as clothing, perish in a fashion sense. Perishable products require direct or very short channels.
- **e) Services provided by middlemen:**
- Each producer should select middlemen offering those marketing services that the producer either is unable to provide or cannot economically perform.



- **F) Desired for channel control**
- Some producers establish direct channels because they want to control their products' distribution, even though a direct channel may be more costly than an indirect channel. By controlling the channel, producers can achieve more aggressive promotion and can better control both the freshness of merchandise stocks and their product's retail prices.
- **g) Financial Resources:**
- A business with adequate finances can establish its own sales force, grant credit to its customers, and/or warehouse its own products. A financially weak firm uses middleman to provide these service etc.



Type of distribution channel

Intensive distribution; it is a strategy to use as many outlets (intermediaries) as possible.

Advantageous especially for convenience products

Exclusive distribution

some producers purposefully may limit the number of their intermediary in a given region to one intermediary



Selective distribution

Producers limit the right to distribute their products for intermediaries more than one but fewer than all



CHAPTER EIGHT

promotion strategies



Promotion is a form of corporate communication that uses various methods to reach a targeted audience with a certain message in order to achieve specific organizational objectives

- **The Purpose of Promotion**

- ❖ Build Awareness & Provide Information
- ❖ Create Interest
- ❖ Stimulate Demand
- ❖ Reinforce the Brand



Promotional Mix Elements

Advertising:

- any paid form or non-personal presentation and promotion of ideas, goods or services by an identified sponsor.
- It can reach masses of geographically dispersed buyers at a lower cost per exposure
- it enables the seller to repeat the message many times.



Cont'd

- consumers tend to believe that advertised products are more legitimate than unadvertised.
- It can be used to build up a long-term image of the company or it may also be used to trigger quick sales.
- its impersonals



Sales Promotion

- it is a variety of short-term incentives to encourage trial or purchase of a product or a service.
- It refers to the use of a wide assortment of tools – such as coupons
- They attract consumers' attention, offer strong incentives to purchase and can be used to dramatize product offers and to boost sagging sales



- Its effect is short term
- it is not as effective as advertising or personal selling in building long run brand preference

- **Public Relations**

It is a variety of programs designed to promote and/or protect a company's image or its individual products (by building good relations with the company's various publics)



Personal Selling

- Face-to-Face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions and procuring orders.
- It involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments.



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- It allows all kind of relationships to develop beginning from short term up to long term relation with customers.



Promotional mix strategies

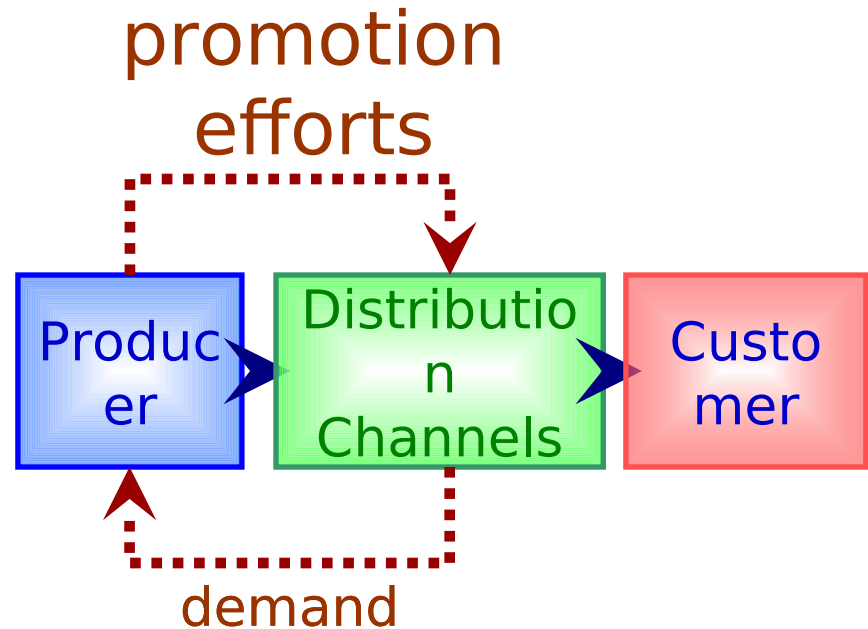
There are two strategies

push and pull strategies



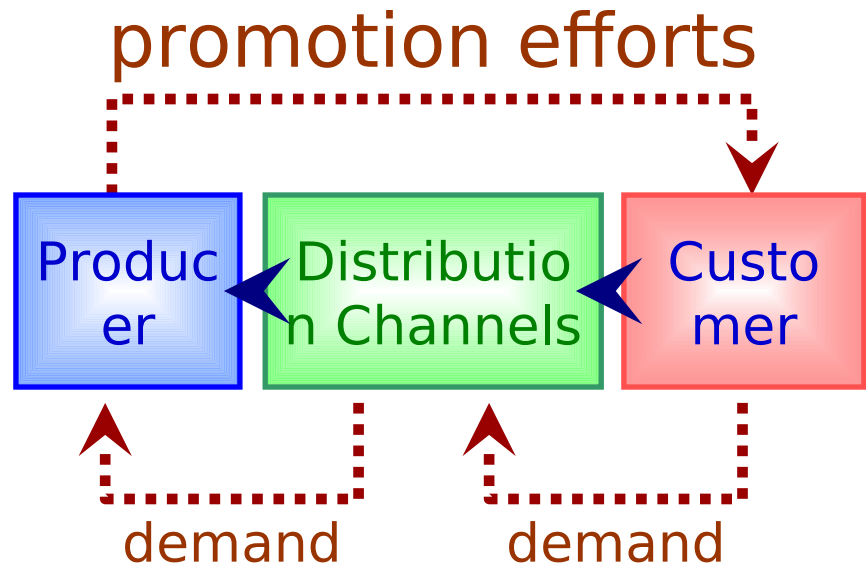
I. PUSH strategy

Push strategy : it involves pushing the product through distribution channels to final consumers



II. PULL strategy

Pull strategy: producer directs its marketing activities (primarily advertising and consumer promotion) toward the final consumer to induce them to buy the product





any question ???



WISH



the end !!!

Thank You

