

Meaningful Marketing

Brand Positioning &
Creating Value

WHAT MAKES YOU:

UNIQUE. BETTER. SPECIAL?

MINDLESS Marketing

Tricks • Fads • Gimmicks

- Marketing tricks
- Borrowed interest
- Promotions over products
- The Ultimate Trick = Cash

MEANINGFUL Marketing

Genuine • Authentic • Sustained

What makes you: Unique. Better. Special?

- The story of what makes you meaningfully great.

Ease of Execution

Mindless Marketing

- **Easiest to execute**
- **Only involves sales/marketing**

MEANINGFUL Marketing

- **Harder to do**
- **Changes to product/service**
- **R&D, Manufacturing, Operations**

Mindless

Meaningful

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**CONNECTING
YOU
TO A BETTER
EXPERIENCE**

WITH DIGIS INTERNET

Price Gimmick

Value

Mindless

Meaningful

TOYOTA RED TAG DAYS

2003 HIGHLANDER 4WD
 MSRP: \$48,900
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FROM \$48900* OR **3.9%**

OFFER ENDS MAY 31 '03

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\$0 DOWN SECURITY DEPOSIT!
FROM \$36900* OR **4.9%**

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 MICHAEL J. GARDNER, JEFFREY J. GARDNER, JEFFREY J. GARDNER, JEFFREY J. GARDNER

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Price

Value

It's Cheap - Buy More - Buy Lots

Mindless

Meaningful

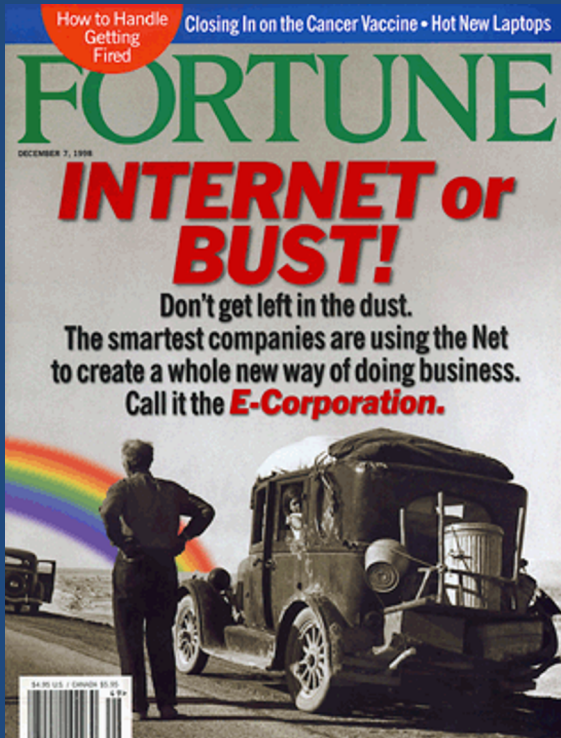


Impulse Purchase Choice

Conscious

Who would you be most loyal to?

Mindless



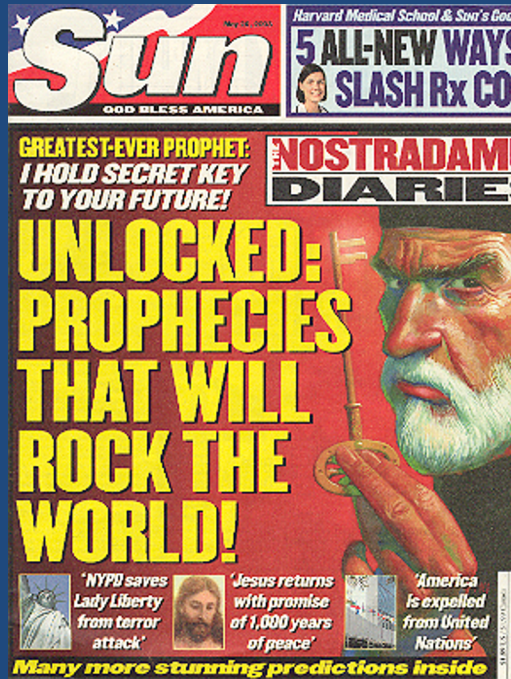
Hype

Meaningful

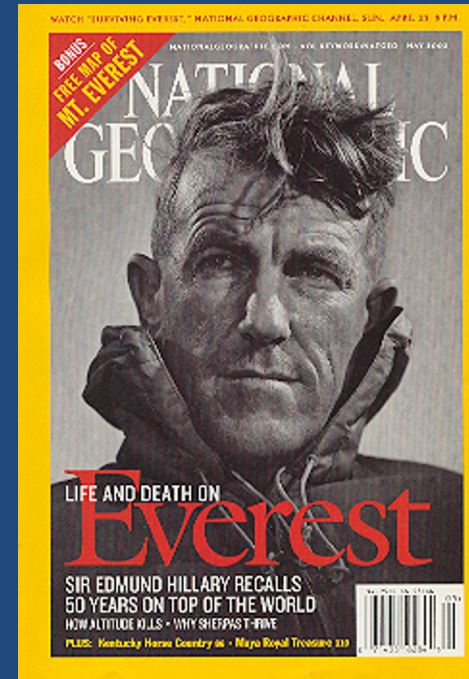


Substance

Mindless



Meaningful

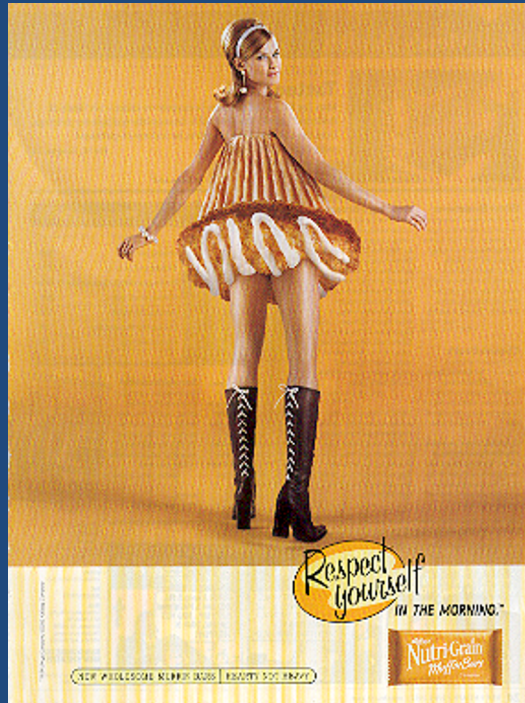


Short Term

Enduring

Both can sell today -- one endures.

Mindless



Gimmick Focused

Focused

It's Cheap - Buy More - Buy Lots

Meaningful

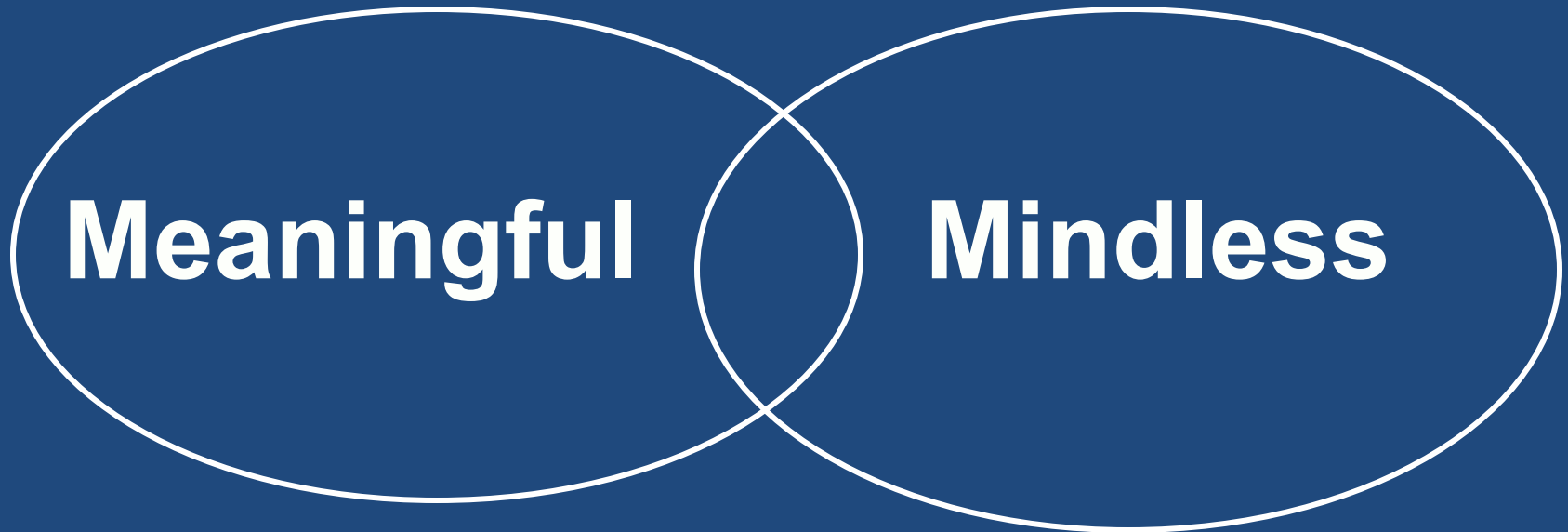


Product

The Defense of Mindless

We use Mindless Marketing just to get customers attention. Then we convert to a MEANINGFUL relationship through the wonder of our product/service.

Every marketing effort is a blend



Mindless

MEANINGFUL

Works Short Term
Term

Works Long

More Profitable

**Why is
MEANINGFUL
Marketing**

So Important Today?

Competition

Odds of Winning

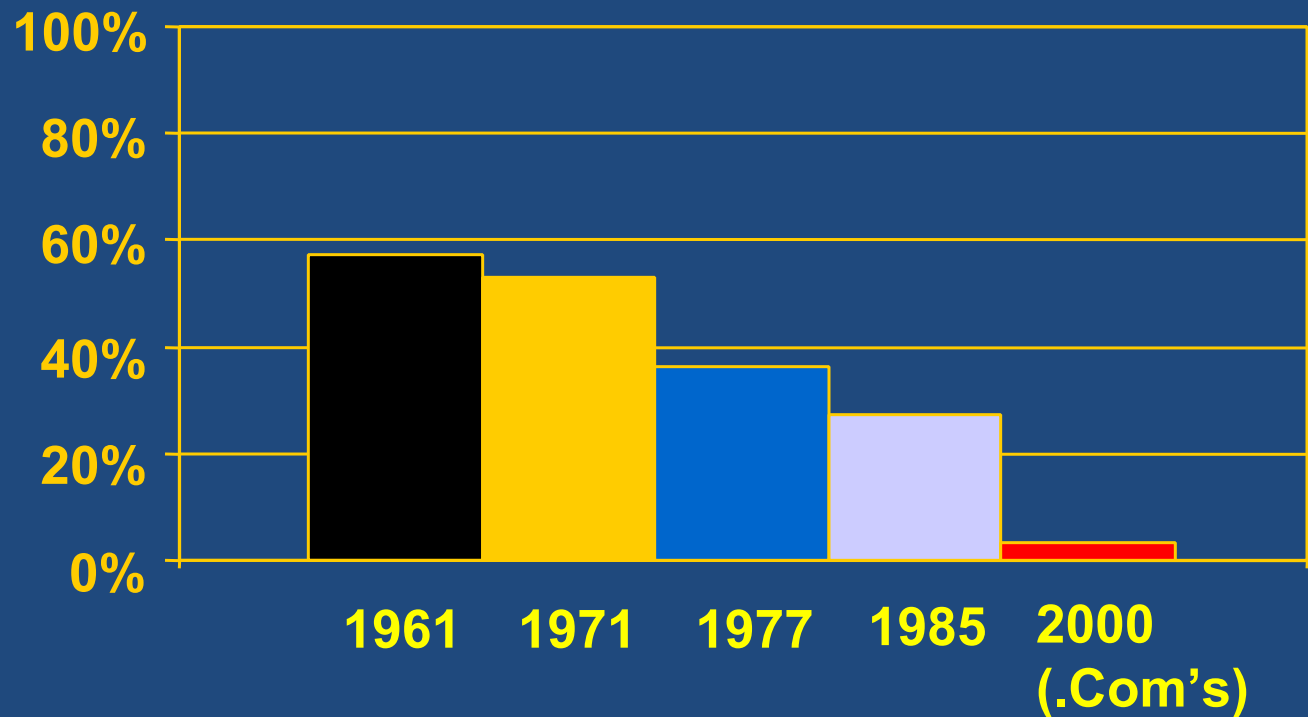
New Product/Service Success	15 %
Venture Capital Investment	10 %
Slot Machine	32 %



The Long Term Trend is

Ugly

New
Product
SUCCESS
Rate



Information Explosion

Today's Customers Are Short of Bandwidth

- 40,000 Grocery Store Items
- 120,000 New Books/Year
- 3,000 Advertisements/Day

“Humanity publishes as many words each week as did all of human history up to 1800.” New York Times



Customer Changes

Today's Customers Are Smarter.

Increasing Education

- 1960 -- 4 in 10 graduated High School
- Today 8 out of 10 graduate

Customer Changes

Today's Customers Are Wiser.

Increasing Age

- 1960 - 18 million adults age 65+
- 2000 - 37 million adults age 65+
- 2040 - estimated 74 million

Generational Effect

- Me Generation – Baby Boomers
- We generation – Gen Y - communal decisions mean only products with real enduring value will last long-term.

What is Marketing Strategy?



Segment

Target

Position

The Brand Positioning Statement

The Cornerstone

- The brand positioning statement is the single most important item in all of marketing.
- It defines **EVERYTHING** about what your brand is to the consumer.

All Elements

- Packaging, Pricing, Distribution, Manufacturing, Sales, Marketing....
- All work in unison to the beat of the brand positioning statement.

This Is THE Most Important Thing

- If you can learn the art of mastering the articulation of brand positioning statements, you'll have a giant leg up on your competition during job interviews.
- It'll also help you once you get a job!

Three Elements

- Target Audience
- Unique benefit
- Reason to believe (features)



Brand Positioning Statement

For homeowners who clean their own bathrooms, Dow Bathroom Products are the easy way to get a great clean shine for your tub, tile and toilet. That's because only Dow Bathroom Products contain scrubbing bubbles that cut through dirt and grime clean to the shine!

One Contac and you're good for the whole day!

Continuous Action Contac Relieves Congestion And Pressure All Day Long.



Contac's timed release technology* releases steady doses of relief hour after hour, for up to 12 hours.

©2003 GlaxoSmithKline. Read and follow label directions. *12 hour product only.

Brand Positioning Statement

For cold sufferers, Contac offers 12 hours of continuous relief from congestion and sinus pressure thanks to its time-release technology.

THE SECRET TO A WHITER SMILE IS IN THE STRIP.

ONLY CREST WHITESTRIPS™ FEATURE GEL-COATED STRIP TECHNOLOGY.

Each gel coated strip is designed to hold the peroxide on teeth long enough to whiten stains below the surface. Whitens five times better than the leading paint-on whitening gel.*

www.whitestrips.com

94224

ON ONE CREST WHITESTRIPS™ DENTAL WHITENING SYSTEM

5 57000 61668 4 681000 3422

©2003 P&G
00002576 *BASED ON TWO WEEK RESULTS

MANUFACTURER COUPON EXPIRES 02/28/03

CONSUMER: Redeem ONLY by purchasing the brand(s) indicated. May not be reproduced, sold, transferred to any person, firm or group prior to stated redemption. Who pay any sales tax. Any other sale constitutes fraud. **LIMIT ONE COUPON PER PURCHASE.**

DEALER: Send coupon to Procter & Gamble, 2100 Sampson Drive, Cincinnati, Ohio 45221. Signifies compliance with "Requirements for Proper Coupon Redemption" Copy available by writing to the above address. Cash Value \$100 off. 0001

Brand Positioning Statement

For consumers ages 16-35, Crest Whitestrips whiten teeth five times better than the leading paint-on whitening gel. That's because Crest's gel-coated strips hold the peroxide on teeth longer, to whiten stains below the tooth surface.

L' O R É A L[®]
PARIS

See for yourself...
fewer wrinkles, firmer skin.

89% saw fewer wrinkles.
85% saw firmer skin.*

REVITALIFT[®]
ANTI-WRINKLE & FIRMING CREAM



*Based on 100 users who agreed completely, very much or somewhat.

Also try Revitalift Complete with SPF 18
BECAUSE YOU'RE WORTH IT.™

L'ORÉAL
PARIS

© 2003, L'Oréal USA, Inc.
Andie MacDowell

Brand Positioning Statement

For women ages 25-55, Loreal Revitalift Anti-wrinkle and firming cream reduces facial wrinkles and firms your skin.

NO REASON WHY!

Cut right on the sheet

Soaks up the mess

Toss the whole sheet away

"Say goodbye to the juicy, germmy mess!"

Cat Cora
Executive Chef

SARAN
NEW Disposable
Cutting Sheets

Keeps the Germmy Mess for Easy Cleanup!
Protects Countertops and Cutting Boards!

Johnson
A FAMILY COMPANY

©2002 S.C. Johnson & Son, Inc. All rights reserved. 463514

Brand Positioning Statement

For people who cook meat regularly, Saran Disposable Cutting Sheets are the solution to your worries about meat juice germs.

That's because you can cut your meat right on Saran Cutting Sheets, and they'll soak up the juicy mess. Just toss the sheet away and your worries are gone with it!

What is Marketing?

Marketing is the art and science of creating value by designing and managing successful exchanges.

Chernev, Alexander. Strategic Marketing Management

Marketing is too important to be left to the marketing department.

In a truly great marketing organization, you can't tell who's in the marketing department. Everyone in the organization has to make decisions based on the impact on the customer.

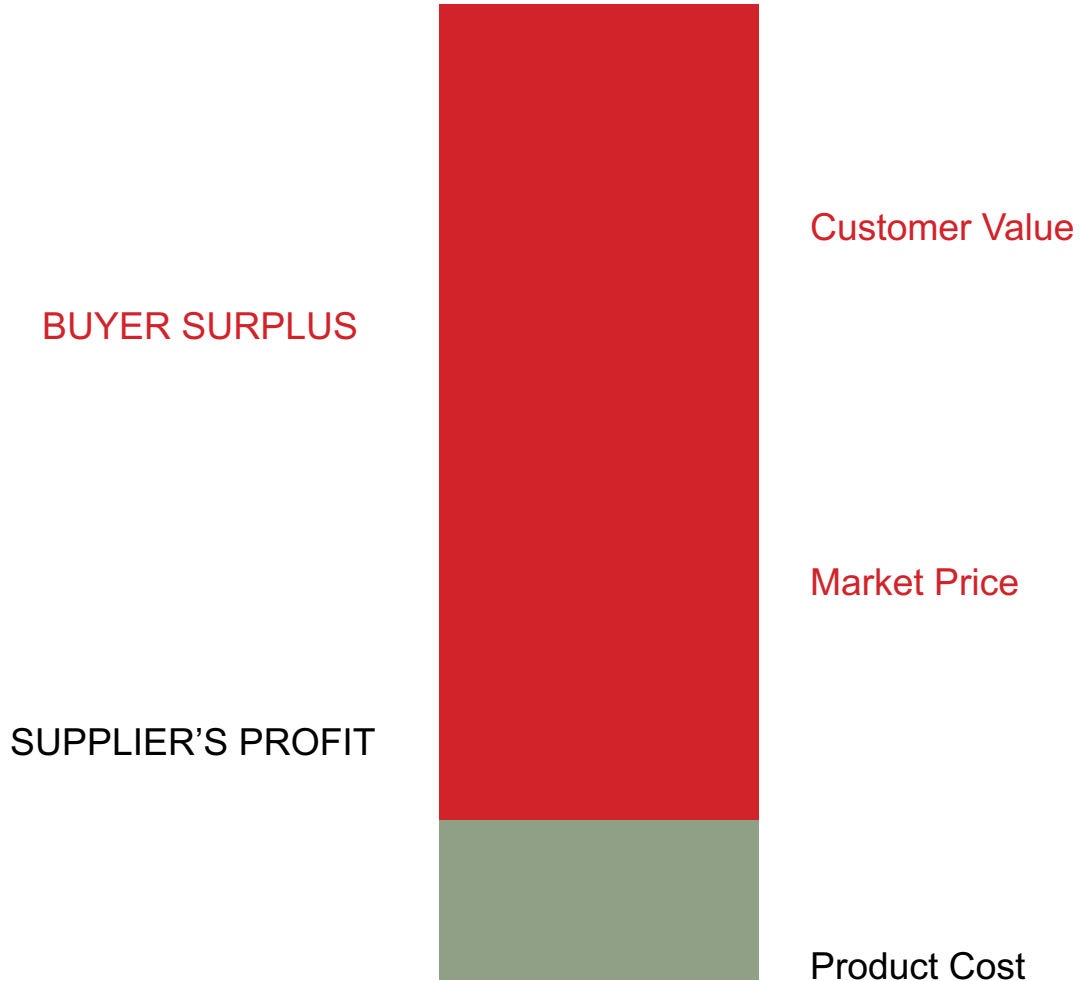
-David Packard of Hewlett and Packard



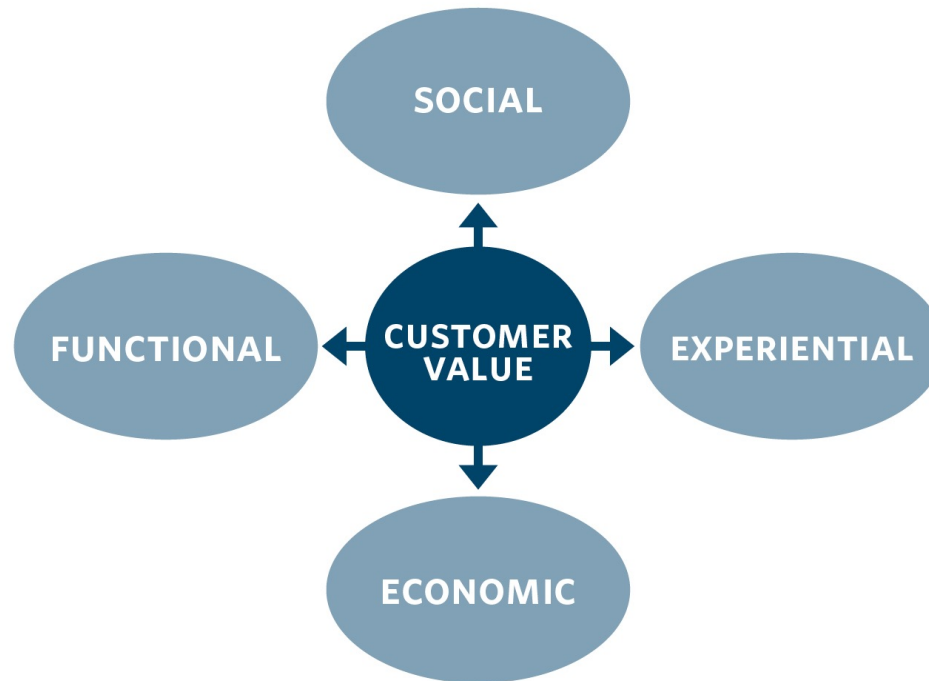
COMPETITIVE ADVANTAGE



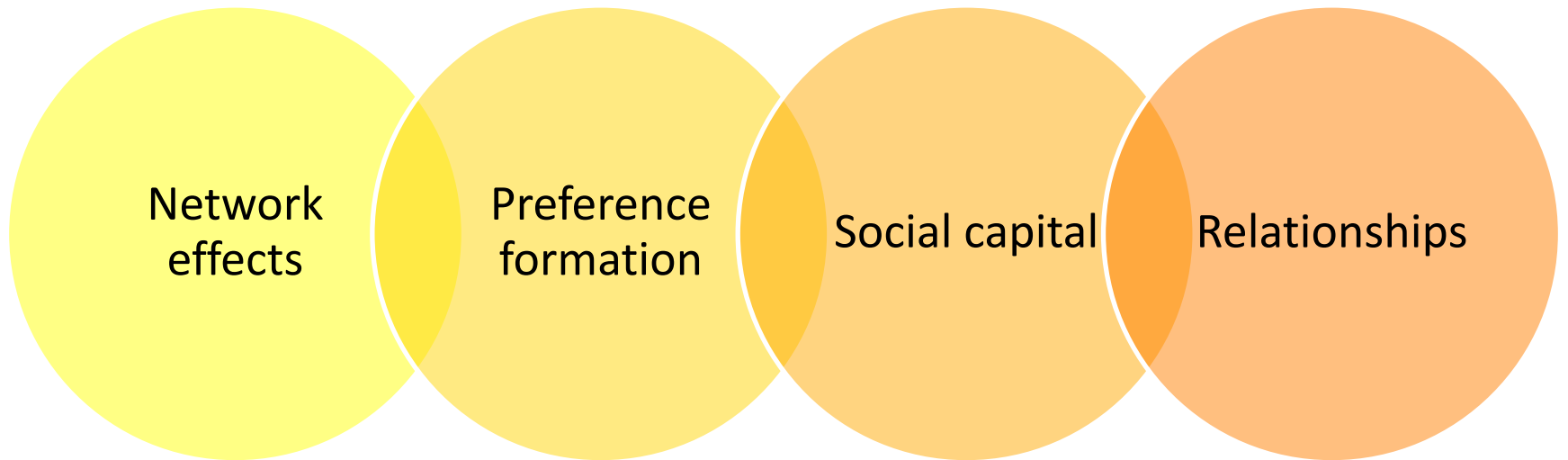
**MARKET
POSITION**



Four Types of Customer Value



Social Value



Customer Perceived Value

Total perceived **benefit**
minus total perceived **cost**
relative to the next best known alternative.

Marketing Strategy: Defining the Value Exchange

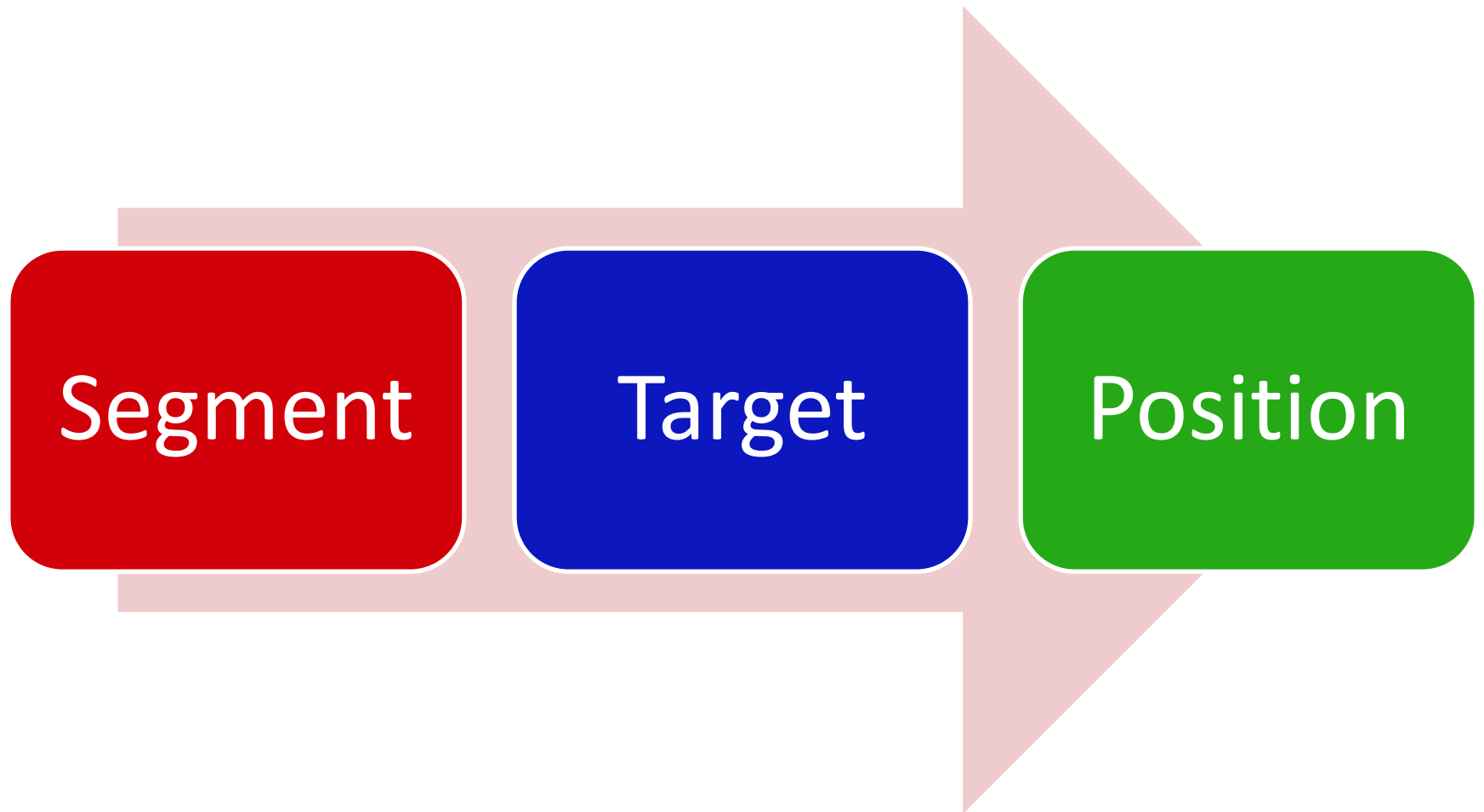
- Strategy v Tactics.

What is Strategy?

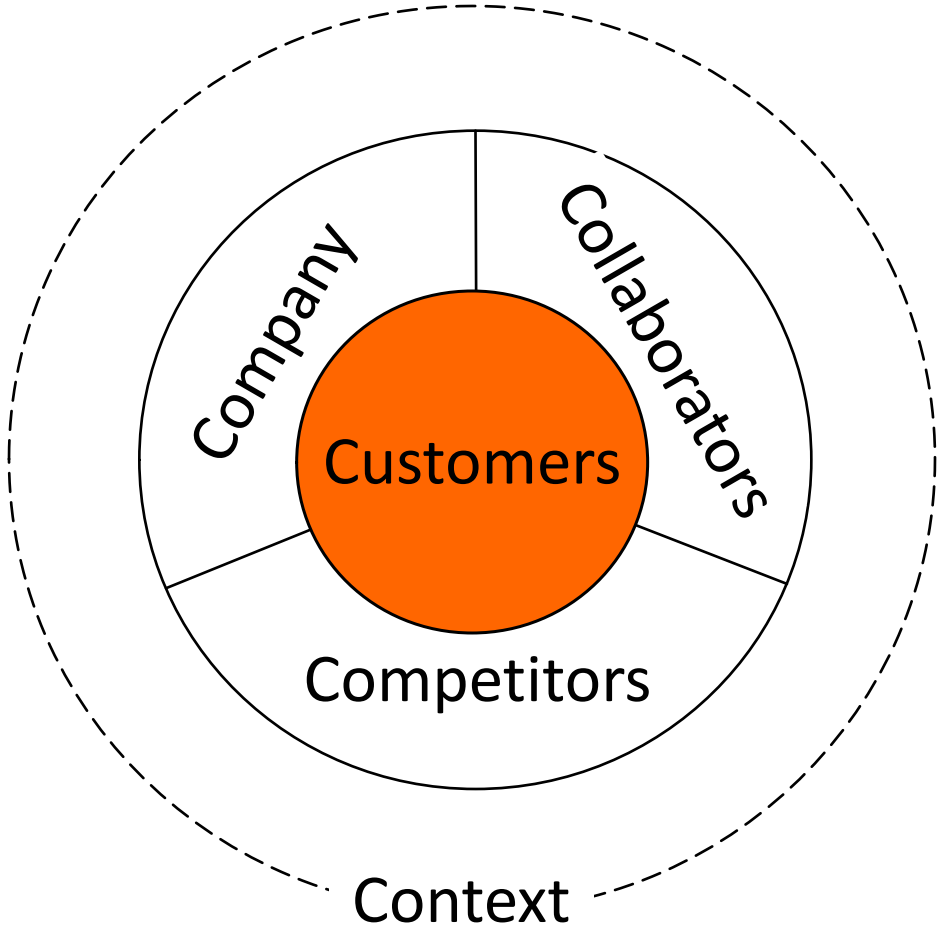
Marketing strategy involves two components:

1. the target market
2. the value proposition.

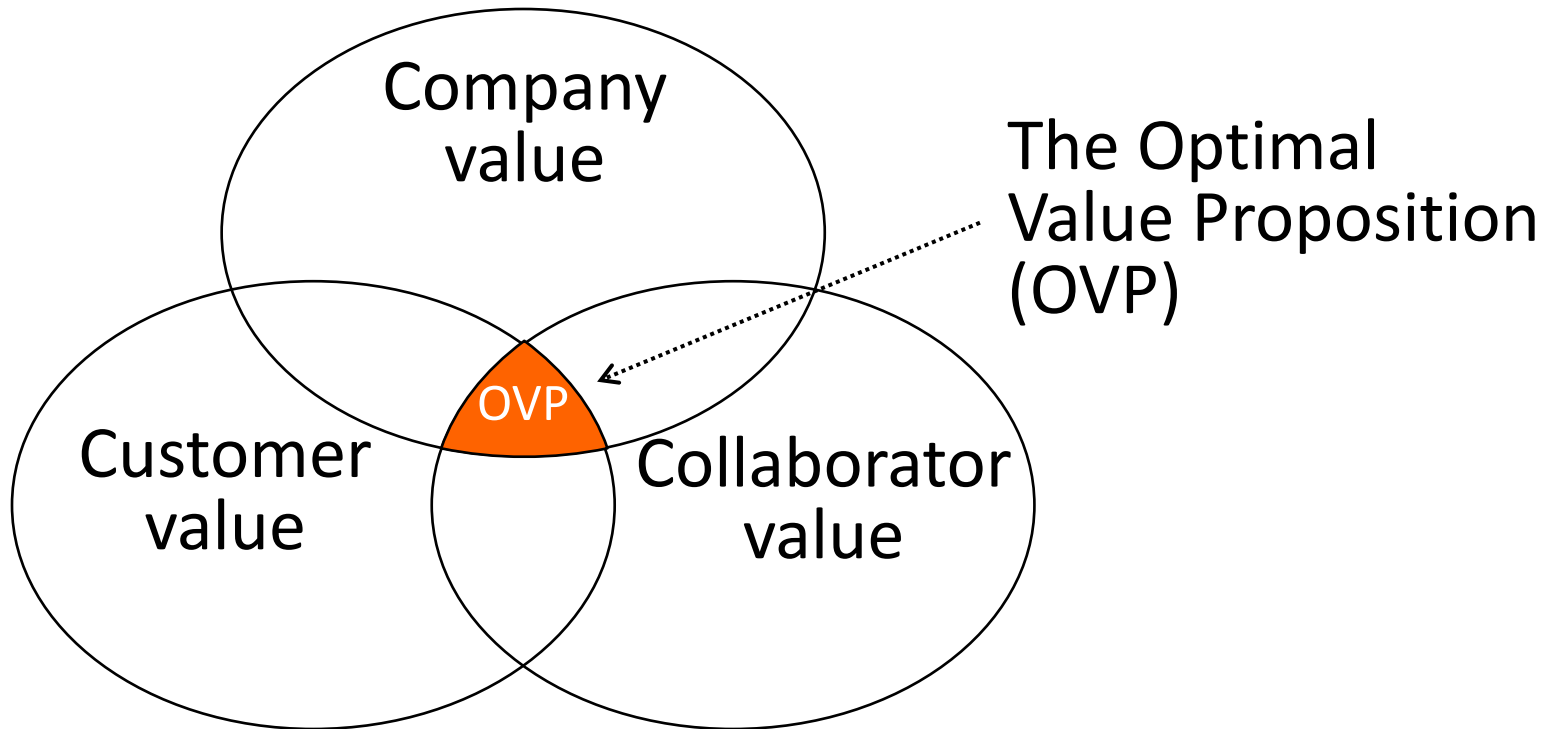
What is Marketing Strategy?



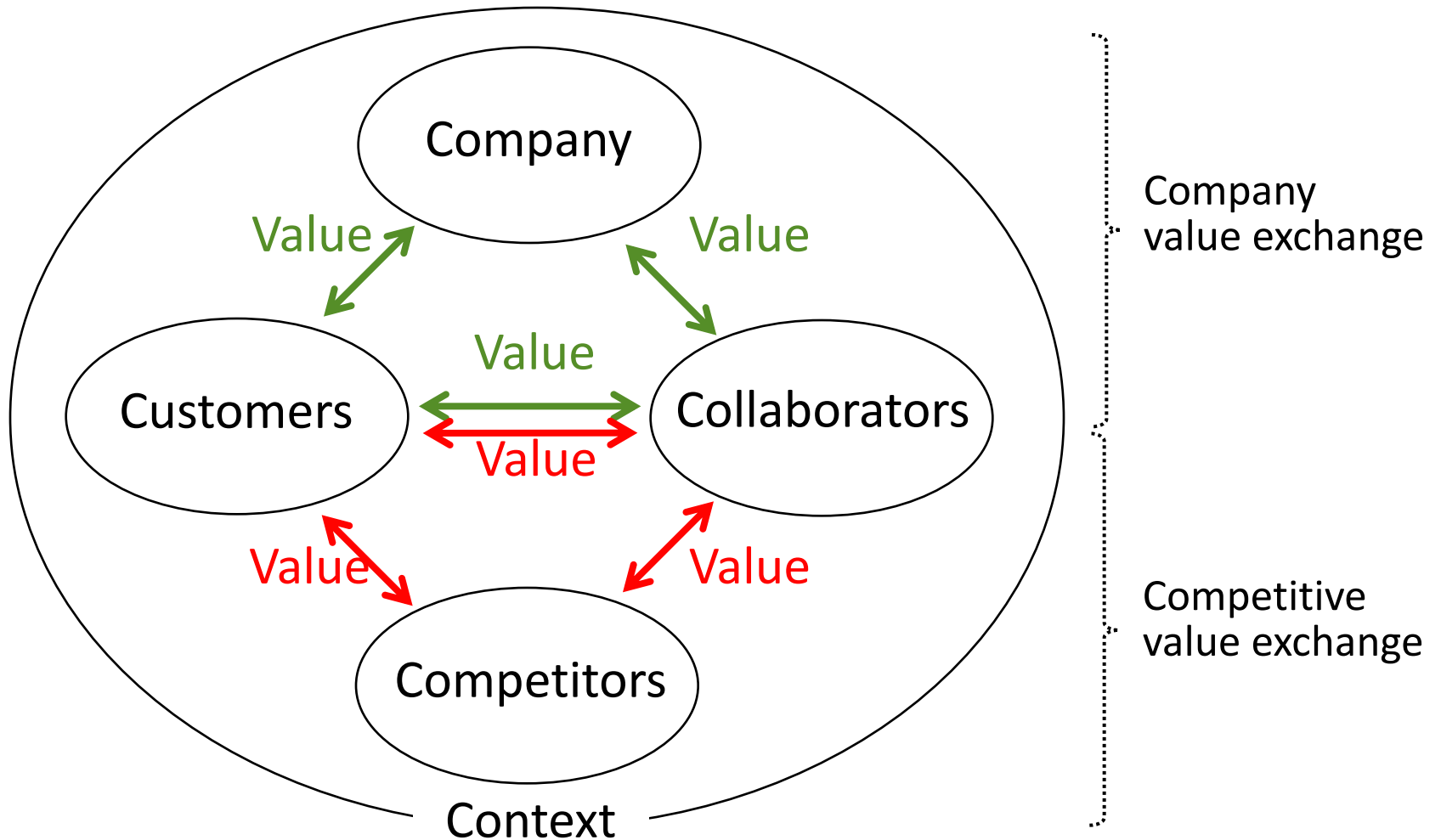
The Market: The 5 Cs



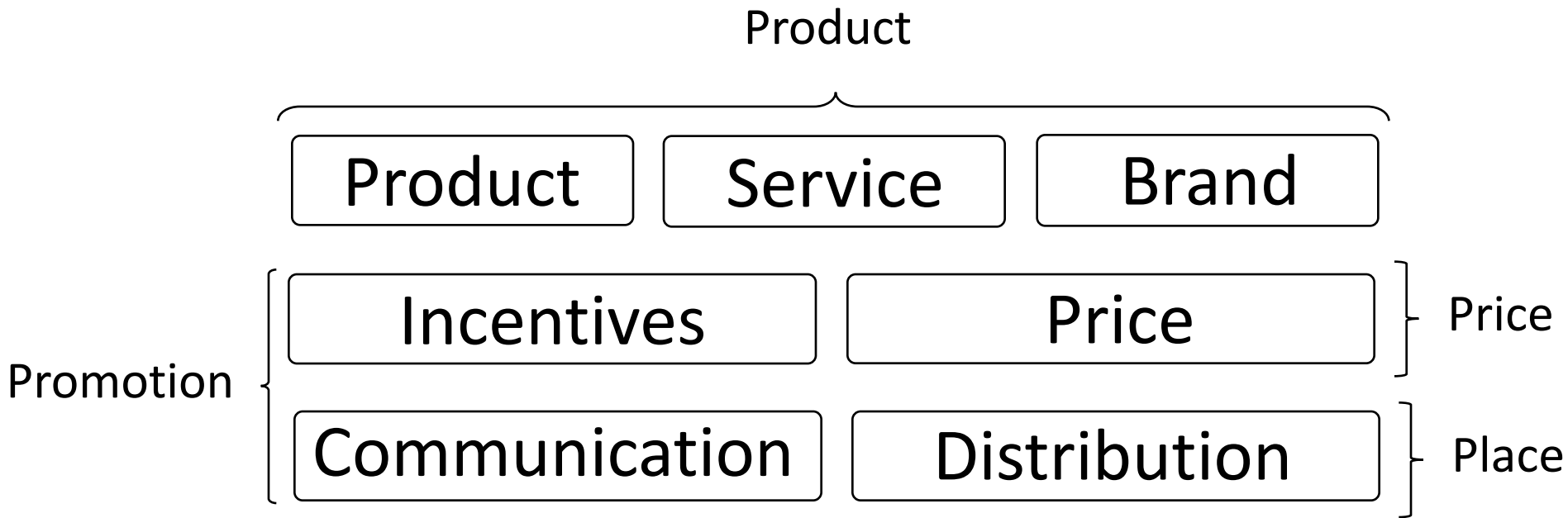
OVP



How the 5 Cs Interact

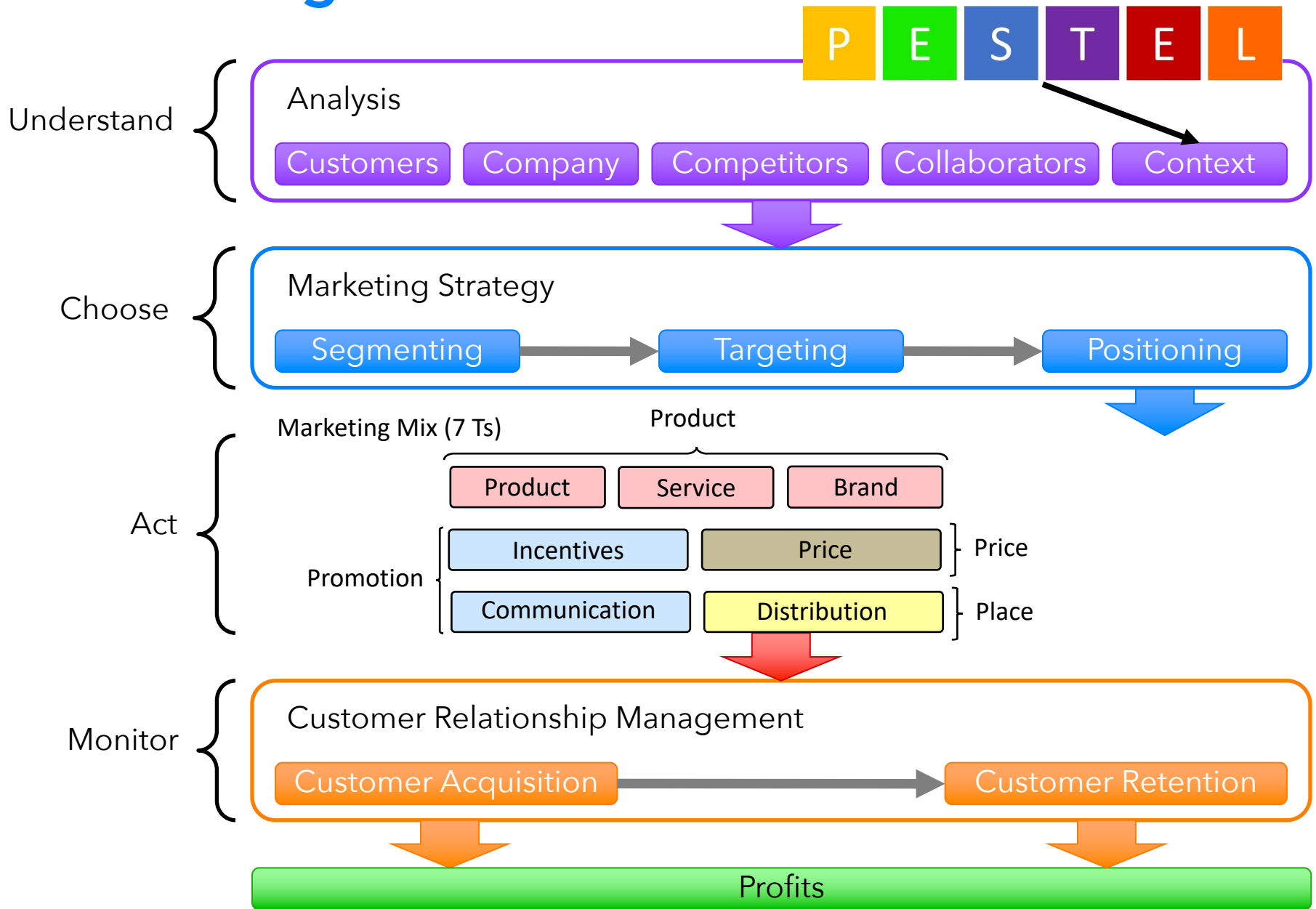


The 4 Ps = the 7 Tactics



Marketing Mix (7 Ts)

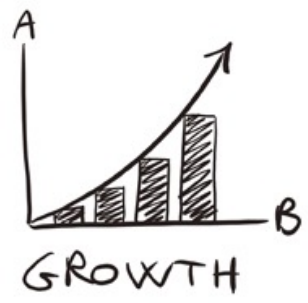
Marketing Framework



BUSINESS

IDEA → STRATEGY

MARKETING



MARKETING



BUSINESS → BRAND

PROJECT



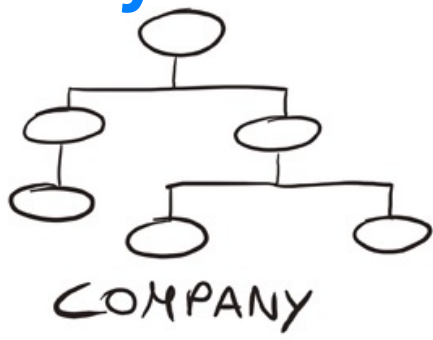
STRATEGY

COMPANY

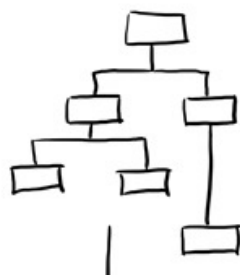


PRODUCT → SOLUTION
 PROMOTION → INFORMATION
 PRICE → VALUE
 PLACE → ACCESS

Company



COMPANY

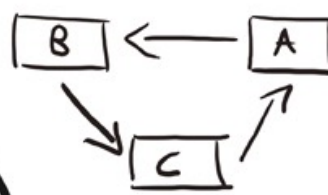
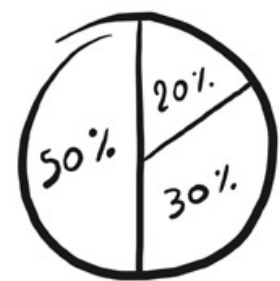


COMMUNICATION

BUDGET

PROBLEMS

SOLUTIONS



BUSINESS PLAN

BRANDING



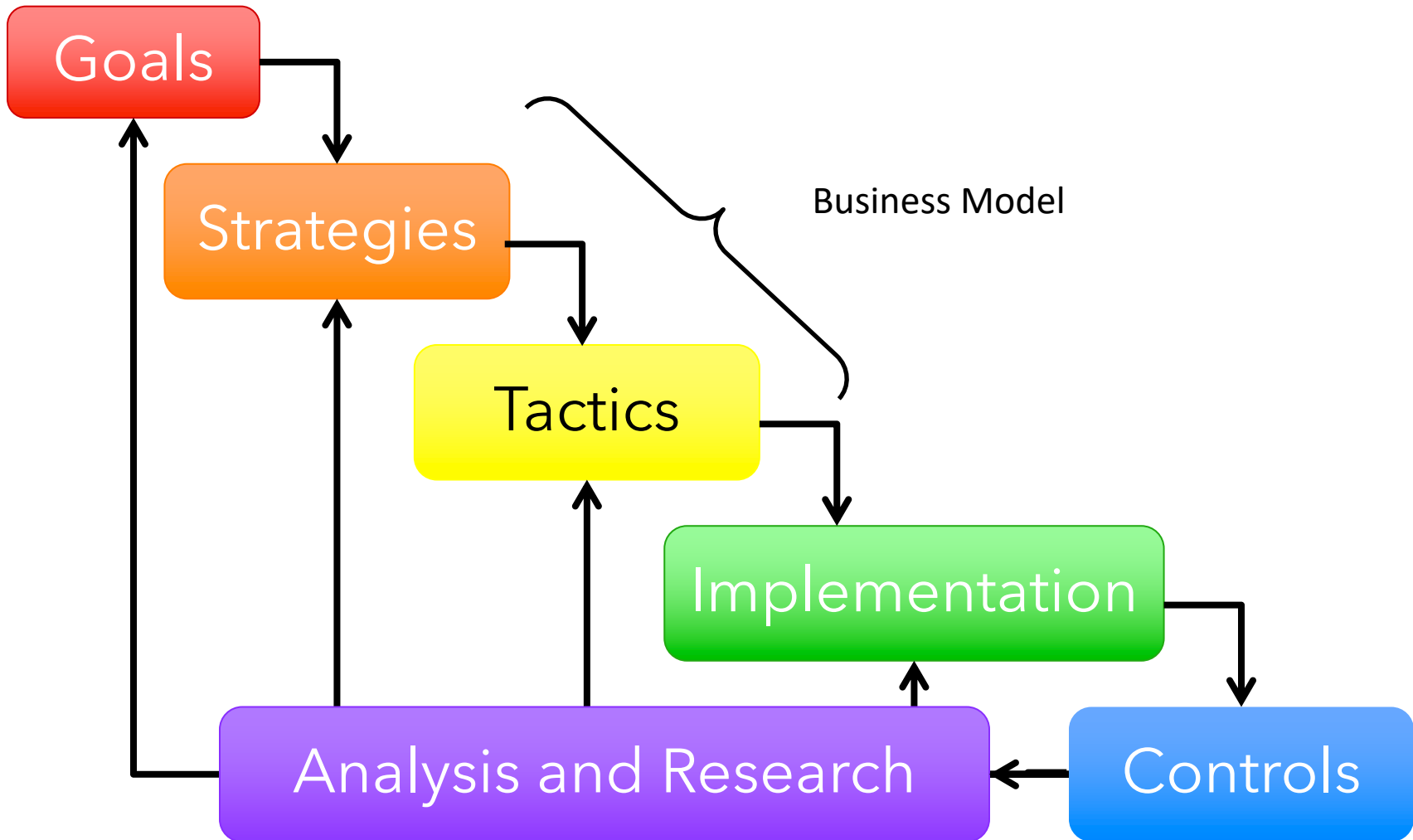
We Are The Music Makers

- <https://www.youtube.com/watch?v=1M0eMkcc91E>

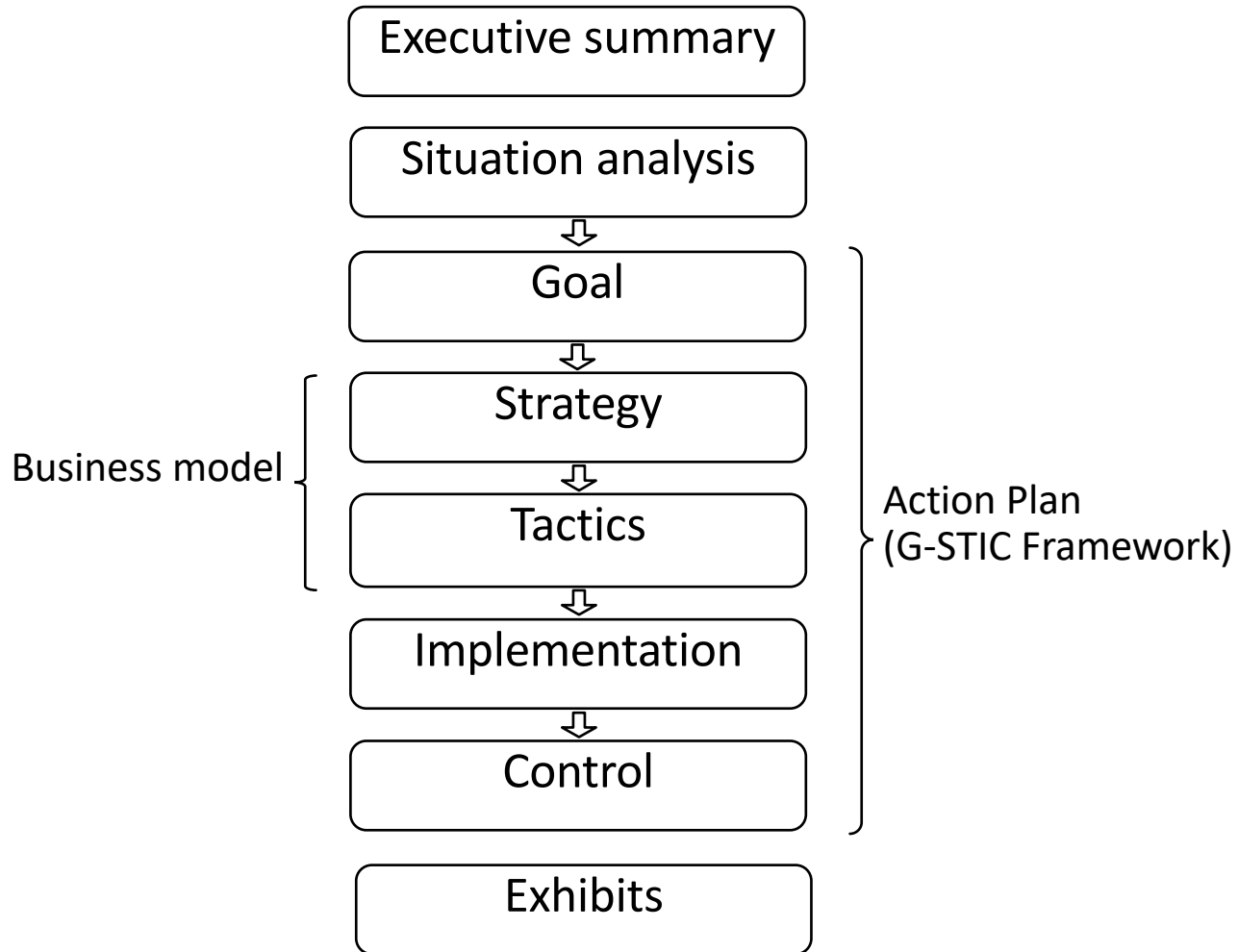
Ode

We are the music makers,
And we are the dreamers of dreams,
Wandering by lone sea-breakers,
And sitting by desolate streams;—
World-losers and world-forsakers,
On whom the pale moon gleams:
Yet we are the movers and shakers
Of the world for ever, it seems.

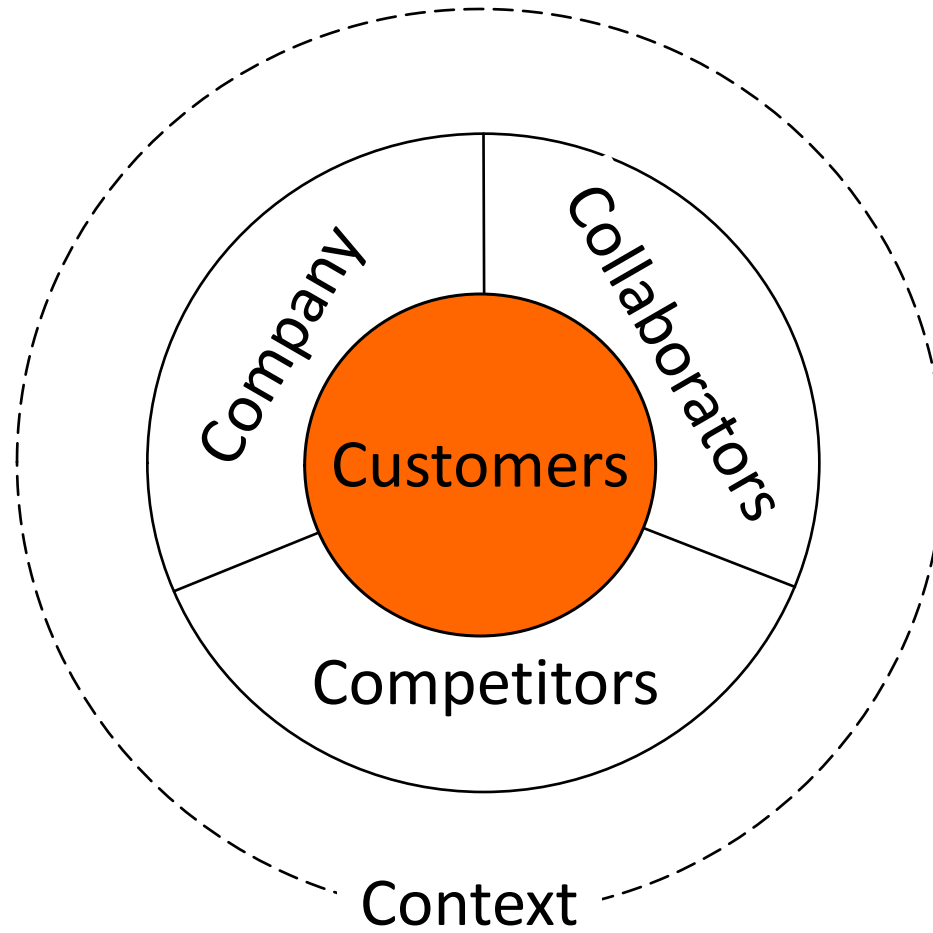
G-STIC Management



The Marketing Plan



The 5 Cs



Core Competencies (Strengths)

Business Innovation

Operations Management

Technology Development

Product Development

Service Management

Brand Building

SWOT

Internal

Strengths

Internal capabilities that may help a company reach its objectives

Weaknesses

Internal limitations that may interfere with a company's ability to achieve its objectives

External

Opportunities

External factors that the company may be able to exploit to its advantage

Threats

Current and emerging external factors that may challenge the company's performance

Positive

Negative

Disney SWOT

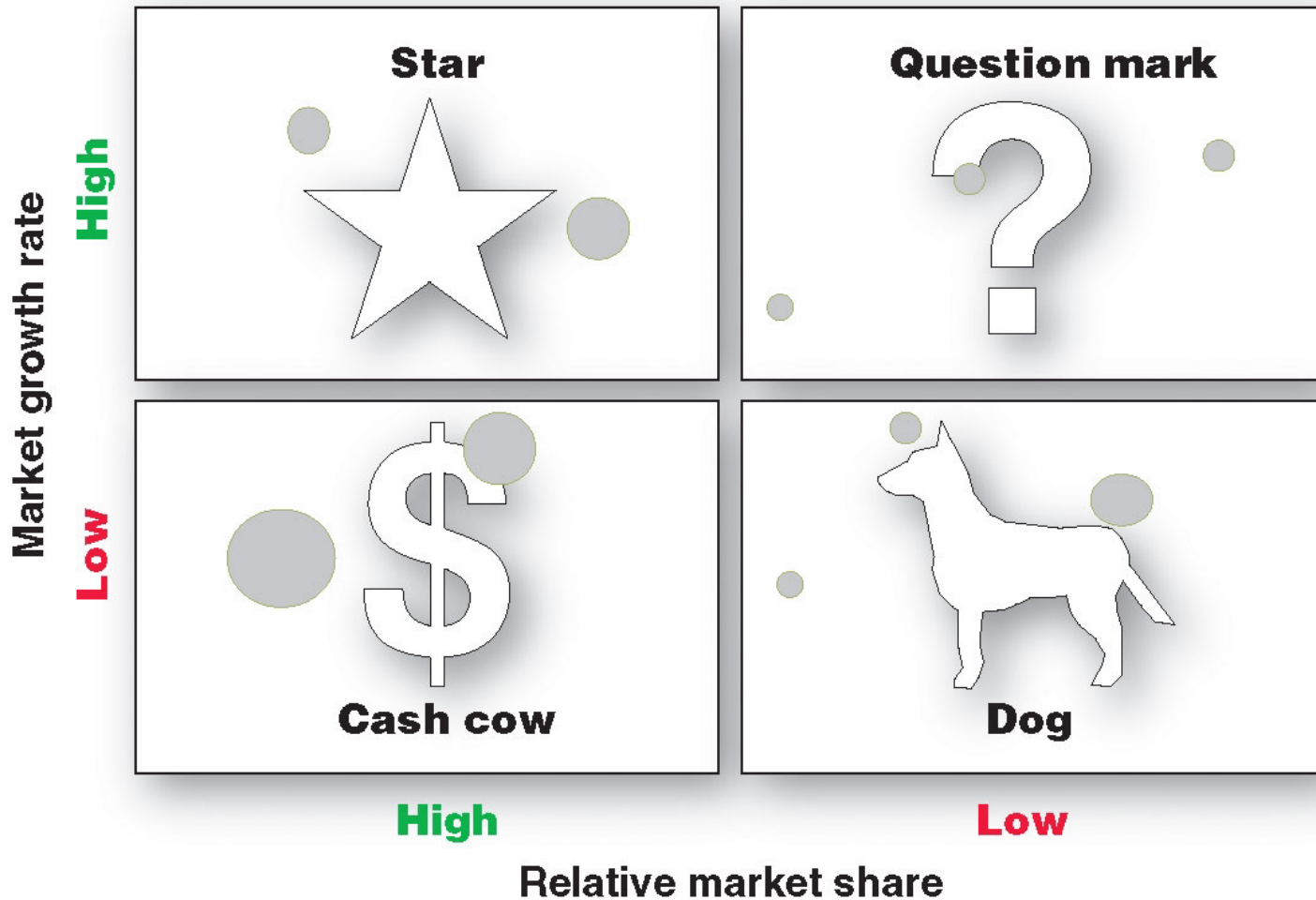
STRENGTHS

WEAKNESSES

OPPORTUNITIES

THREATS

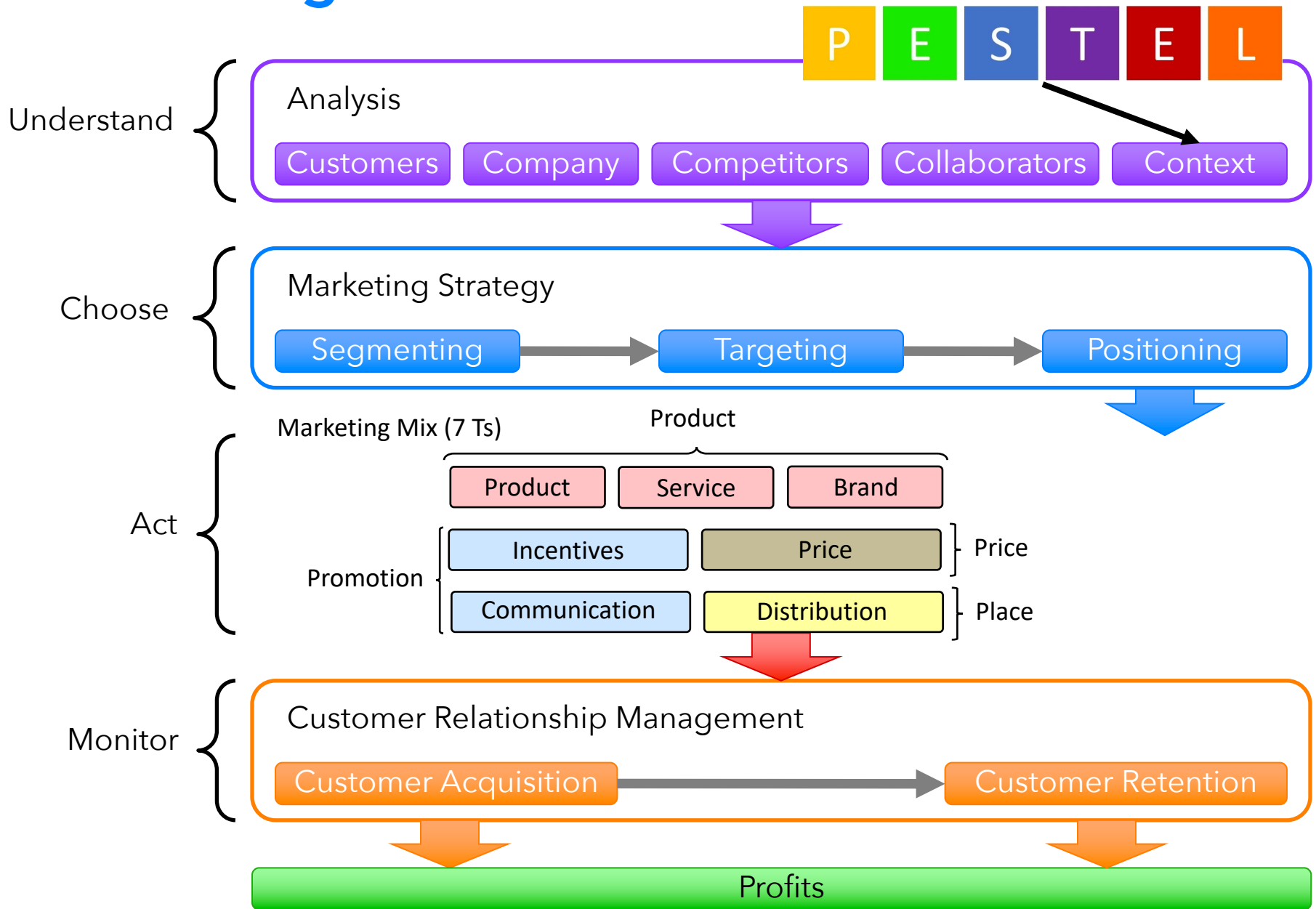
BCG Growth-Share Matrix for Portfolio Management



PESTEL Analysis



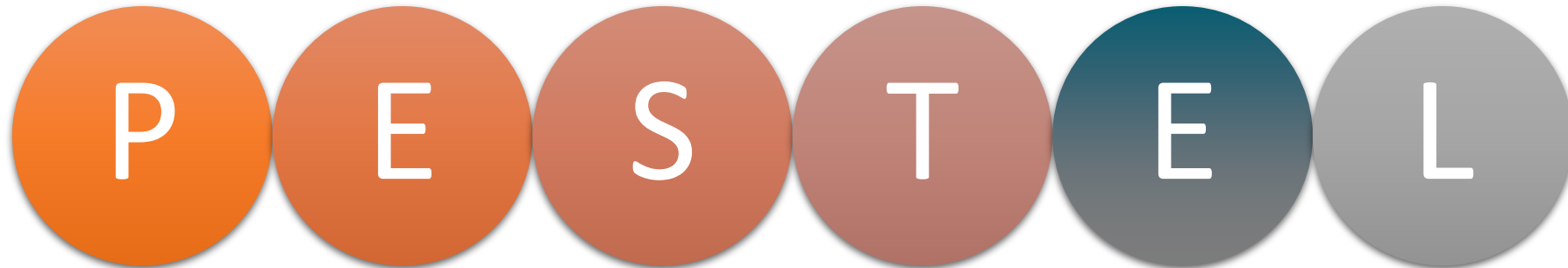
Marketing Framework



CONTEXT

PESTEL analysis

CONTEXT



Political

Economic

Social

Technological

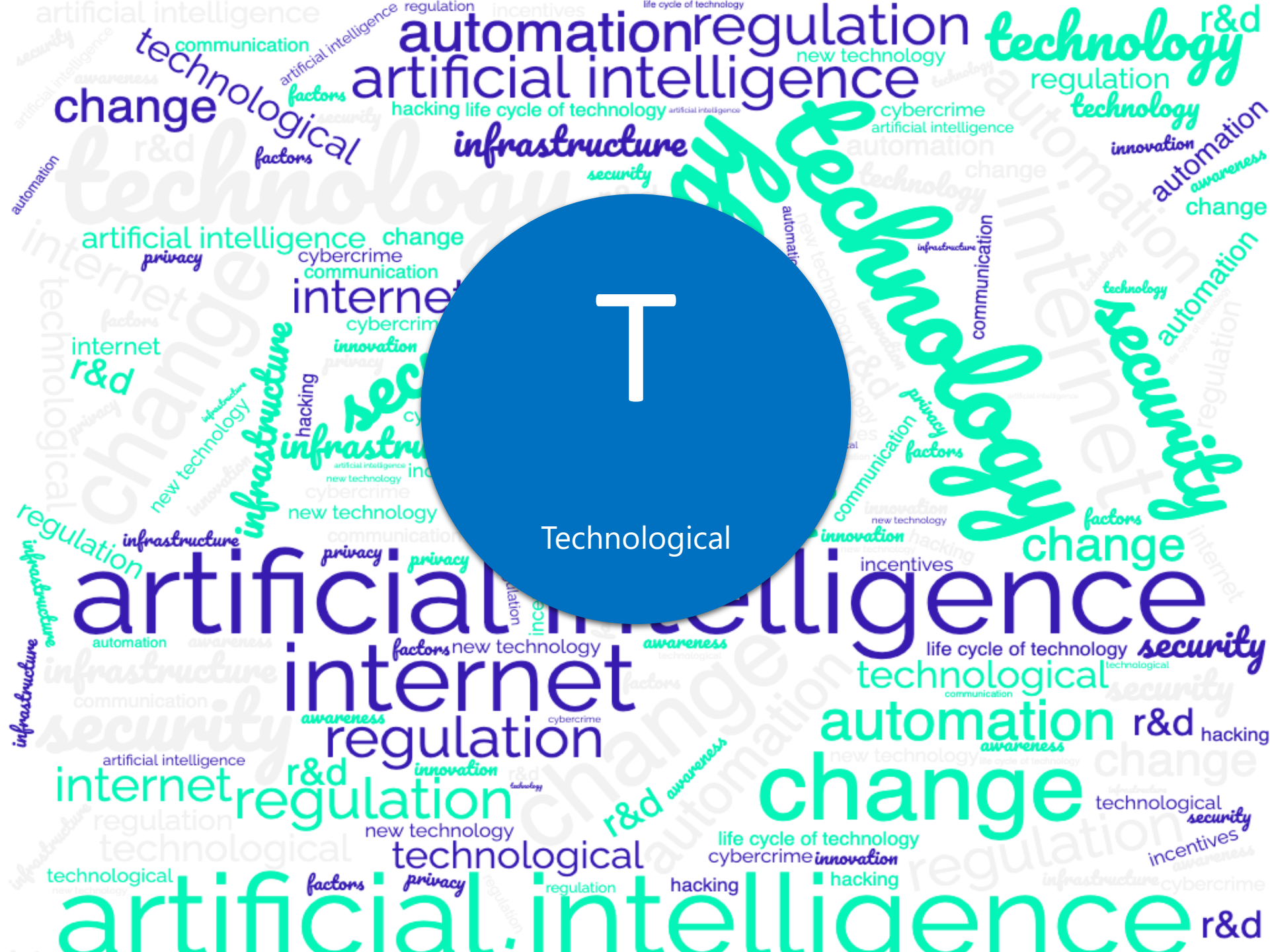
Environmental

Legal



E

Economic



The Customer

CLV, Segmentation, and Behavior

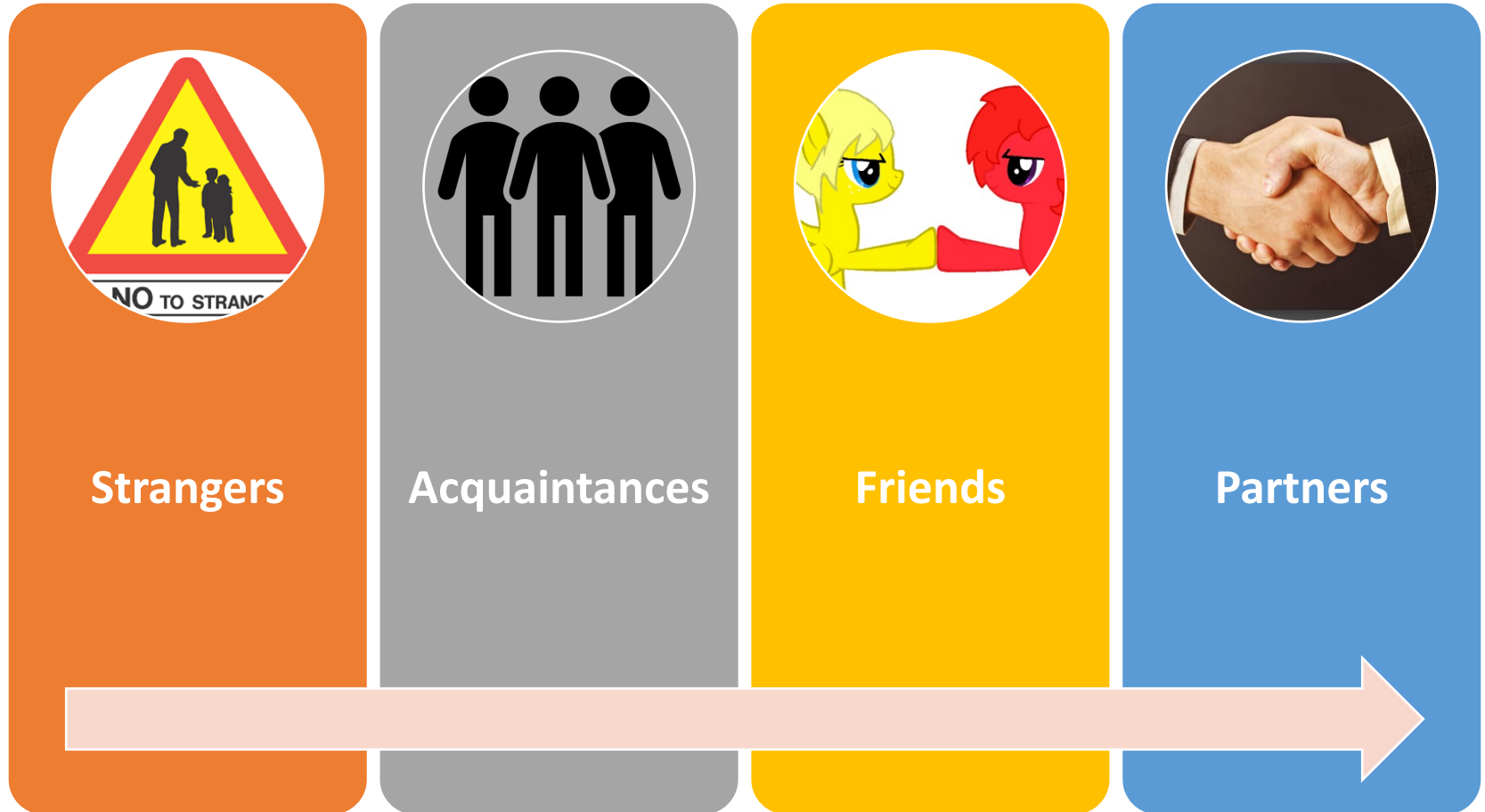
Relationship Marketing

- Philosophy. Who does it well?
- does not necessarily emphasize acquiring new customers
- is usually cheaper (for the firm)
 - keeping a current customer costs less than attracting a new one
- focus on retention and enhancement of relationships

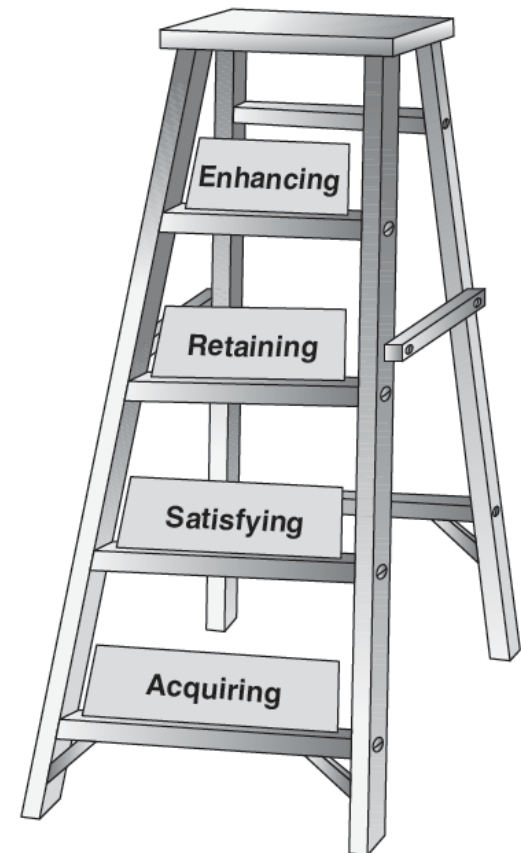
The “Bucket Theory of Marketing”



Exchange Relationships



Customer Goals of Relationship Marketing



A Typology of Exchange Relationships

Customers as...	Strangers	Acquaintances	Friends	Partners
Product offering	Attractive relative to competitors	On a par with industry standards	Differentiated with adaptation to segments	Customized, individualized offerings
Source of competitive advantage	Attractiveness	Satisfaction	Satisfaction + Trust	Satisfaction + Trust + Commitment
Buying activity (what customer does)	Interest, exploration, trial	Reduced need for search	Buying without perfect information	Commitment in the form of information sharing, specific investments
Focus of selling activities (what firm does)	Encouraging trial facilitates initial selling	Familiarity and general knowledge	Specific segment knowledge	Specific knowledge, idiosyncratic investments
Relationship time horizon	None	Short	Medium: trust takes time to build	Long: detailed knowledge, interconnections
Sustainability of competitive advantage	Low: must continue to attract, induce trial	Low: must build unique value into standard product	Medium: must understand various customer needs	High: depends on uniqueness & effectiveness of interconnections
Primary relationship marketing goal	Acquire customer's business	Satisfy customer needs	Retain customer's business	Enhance relationship with customer

Value

$$value = \frac{benefits}{cost}$$

$$value = benefits - cost$$

Benefits of Relationship Marketing



Benefits of Relationship Marketing

Benefits for Firms:

```
graph TD; A[Benefits for Firms:] --> B[Economic benefits]; B --> C[Customer behavior benefits]; C --> D[Human resource management benefits:];
```


Economic benefits

Customer behavior
benefits

Human resource
management benefits:

Relationship Value of Customers

- The **relationship value of a customer** considers customers from the point of view of their lifetime revenue and/or profitability contributions to a company.
- It is influenced by:
 - Length of average customer “lifetime”
 - Additional sales over time
 - Referrals by the customer over time
 - Costs associated with serving the customer

A chef with a mustache, wearing a white double-breasted chef's coat with a white neckerchief, is shown in a kitchen. He has a serious expression and is looking slightly to his left. In the background, there are stacks of white plates and another person in a white uniform seen from behind. The kitchen has a stainless steel countertop in the foreground.

Customer Lifetime Value

<https://youtu.be/svSGKJFSI-8>

When CLV is Useful

More Useful

Customer Acquisition limits

Value-based segmentation

Can be used to estimate a firm's value

Less Useful

When customers buy once (e.g., Steinway)

When the firm has few customers

Calculating CLV

$$CLV = m \times LT - AC$$

$$LT = \frac{1}{Churn}$$

Churn = disconnects / total customers

M = marginal revenue – marginal cost

Calculate CLV of Internet Customer

Speed	Revenue	Customers
50Mbps	\$50	2400
150Mbps	\$65	1800
250Mbps	\$80	900
500Mbps	\$100	600
1 Gig	\$150	300

Monthly marginal cost per customer	\$45
Annual Marketing Costs	\$110,000
Annual Commissions	\$30,000
Annual Growth Bonuses	\$30,000
Install Costs Labor and materials (per install)	\$150
Equipment Costs (per install)	\$250
Total Sales per year	1300
Total Disconnects Per Year	700

Now calculate:

- CLV of each customer tier, using the same LT and AC as you used in the first problem.
 - What is the value of a 1 Gig customer vs a 50 Mbps customer?
- Why does this provider continue to provide service to the lowest tier customers?
- How should we treat low-margin customers?

LIFETIME VALUE OF A CUSTOMER

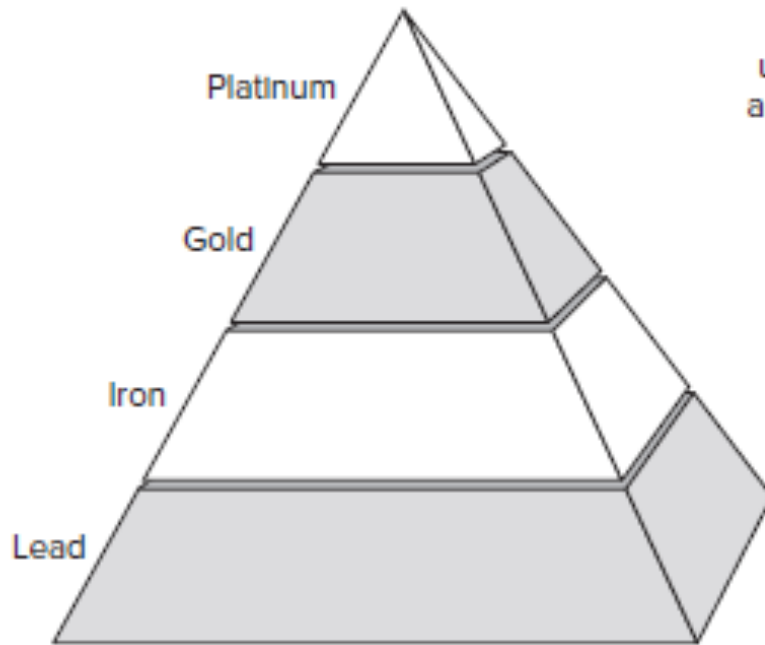
Lifetime value of a Direct Communications Customer (Future Value Calculation)	
Internal rate of return	0.11
	Marginal Revenue
ARPU	\$74.00
Annual Revenue	\$888.00
5-year Revenue	\$4,440.00
10-year Revenue	\$8,880.00
5-year Value including return on investment	\$5,884.34
10-year Value including return on investment	\$16,057.86

The Customer Pyramid

Most profitable customers



Least profitable customers



What segment spends more with us over time, costs less to maintain, and spreads positive word of mouth?

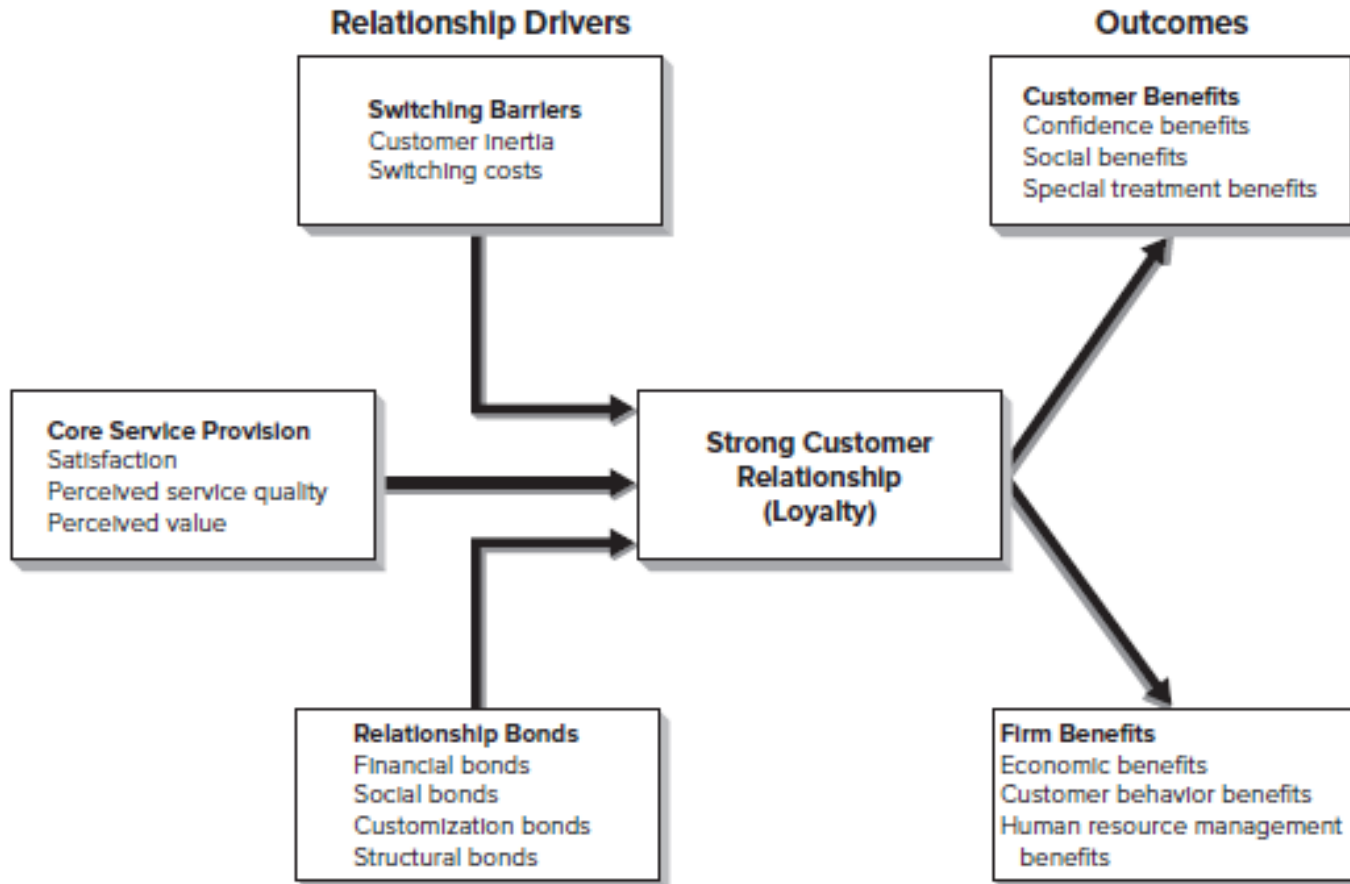


What segment costs us in time, effort, and money yet does not provide the return we want?
What segment is difficult to do business with?

Customer Profitability Segmentation

- Companies can improve their profitability when they increase shares of purchases by customers who
 - 1) have the greatest need for the service, or
 - 2) show the greatest loyalty.
- Keep in mind that customers in lower profitability tiers who receive lower levels of service may resist or resent their unequal treatment.
- What a customer spends today, may not necessarily be reflective of what they will spend in the future.

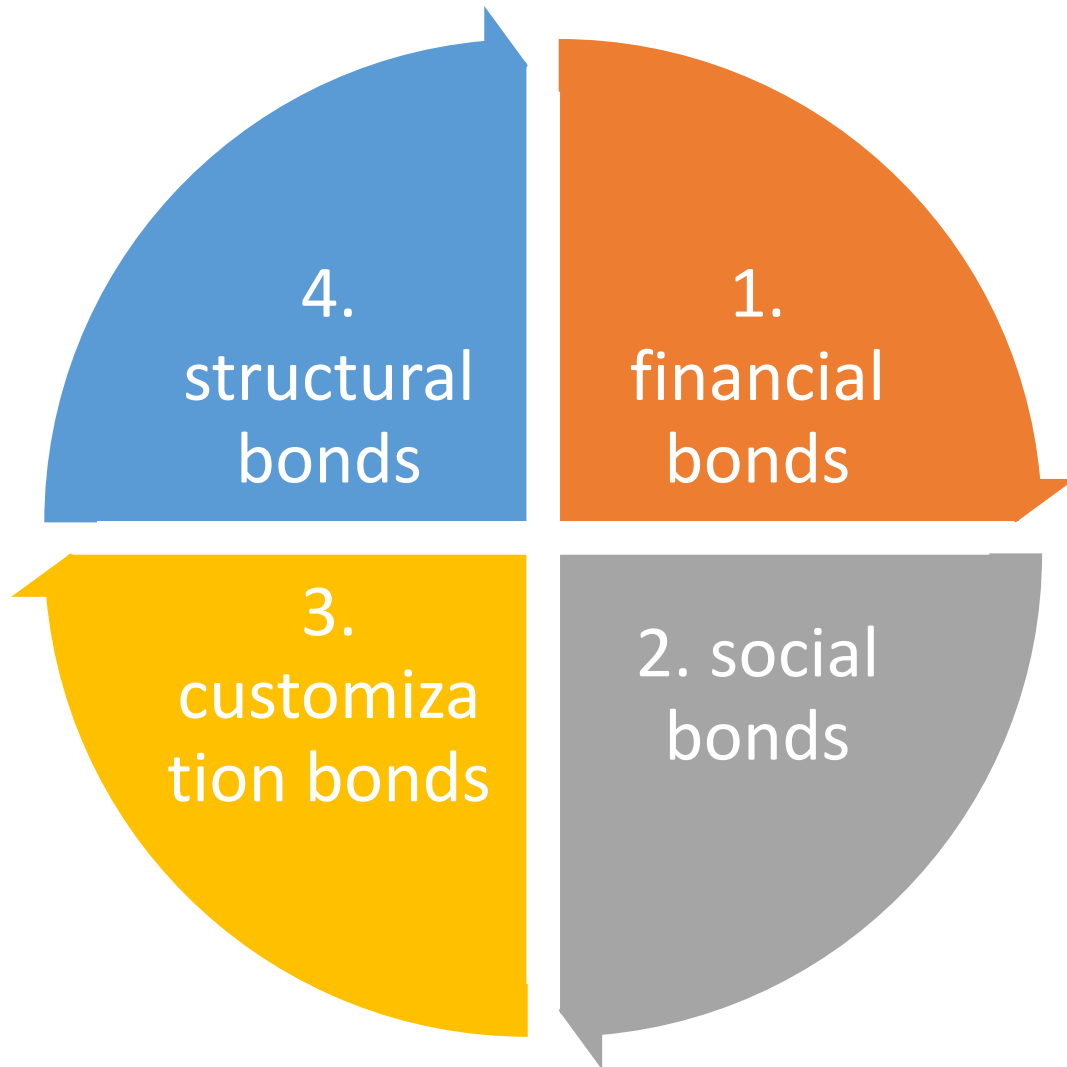
Relationship Development Model



Relationship Development Strategies

- Core Service Provision:
 - service foundations built upon delivery of excellent service:
 - satisfaction, perceived service quality, perceived value
- Switching Barriers:
 - customer inertia
 - switching costs:
 - set up costs, search costs, learning costs, contractual costs

Levels of Relationship Strategies



“The Customer Is NOT Always Right”

- Not all customers are good relationship customers:
 - The wrong segment
 - Not profitable in the long term
 - Difficult customers

Ending Business Relationships

- Should firms fire their customers?



Segmenting and Targeting markets

Diphenhydramine HCL

Market Segmentation

Market segmentation involves aggregating prospective buyers into groups, or segments, that
(1) have common needs and
(2) will respond similarly to a marketing action.

Five key steps in segmenting and targeting markets

- 1 Group potential buyers into segments
- 2 Group products to be sold into categories
- 3 Develop a market-product grid and estimate size of markets
- 4 Select target markets
- 5 Take marketing actions to reach target markets

SEGMENTING AND TARGETING MARKETS

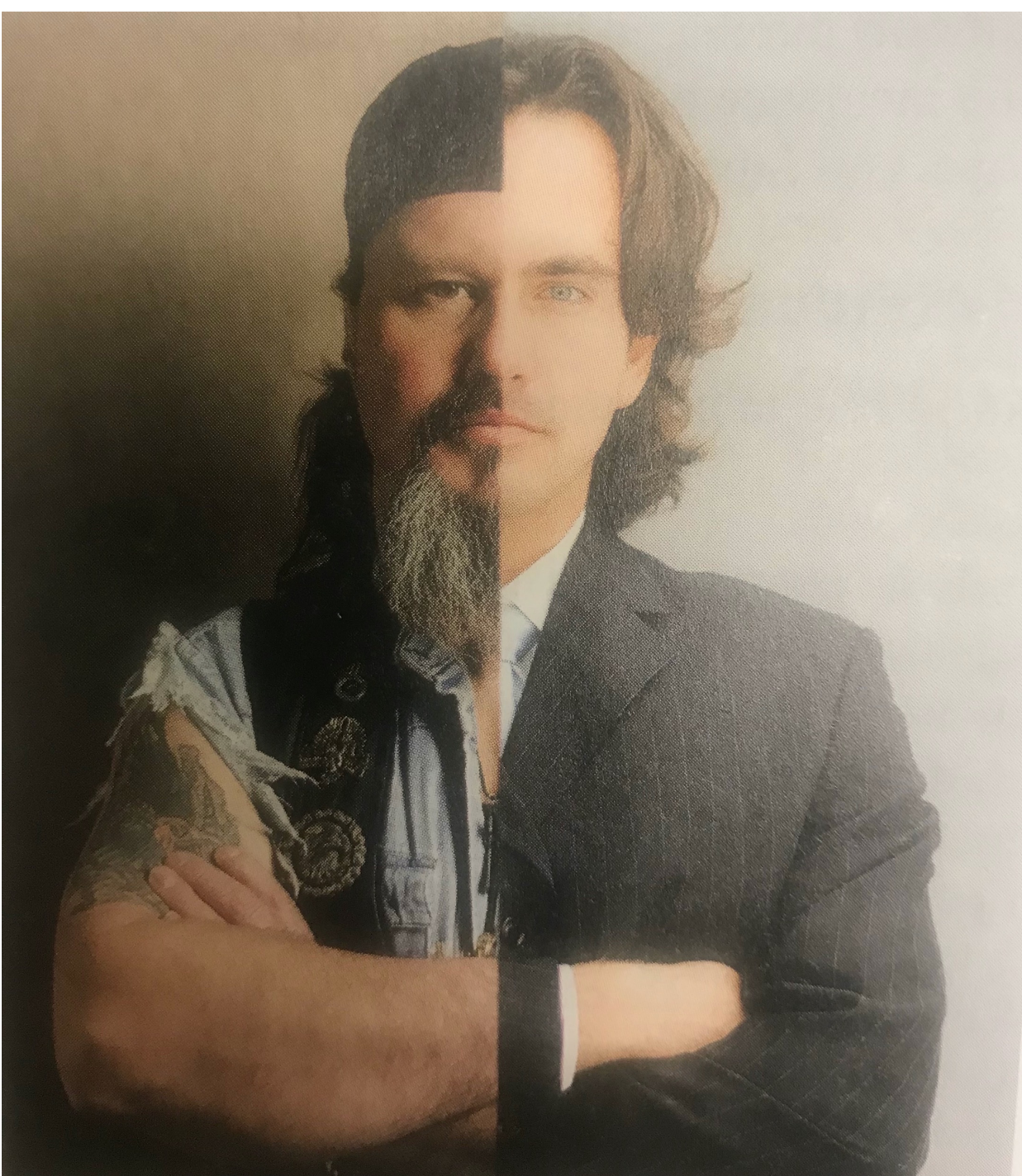
STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS

Ways to Segment Markets

- **Geographic Segmentation**
- **Demographic Segmentation**
- **Behavioral Segmentation**

Example:

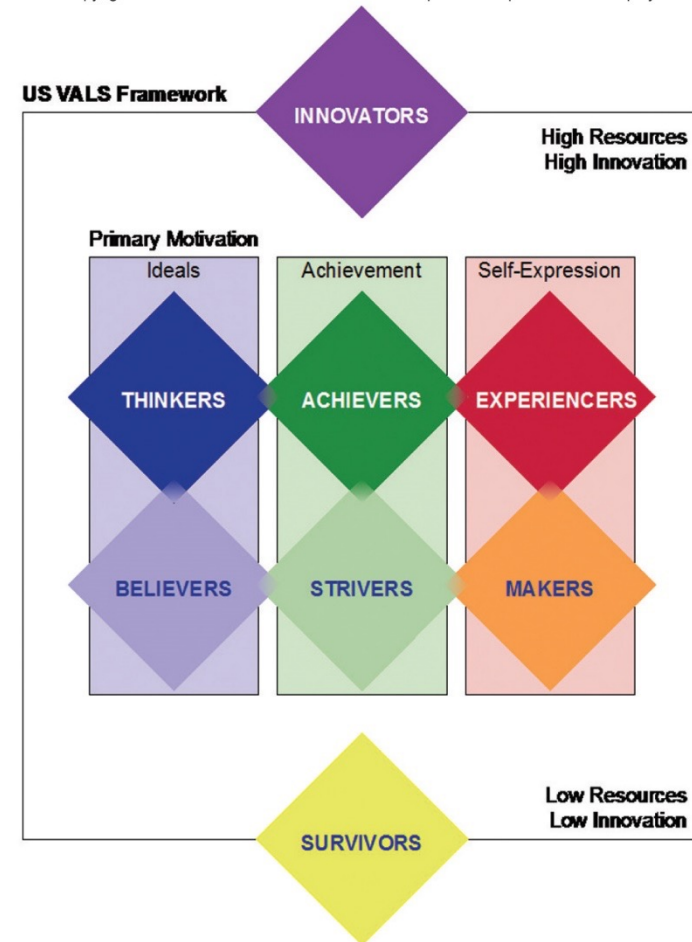
Pretend you want to target 40-50 year old white men, who have children, who are college grads, who own their own businesses.



Psychographics

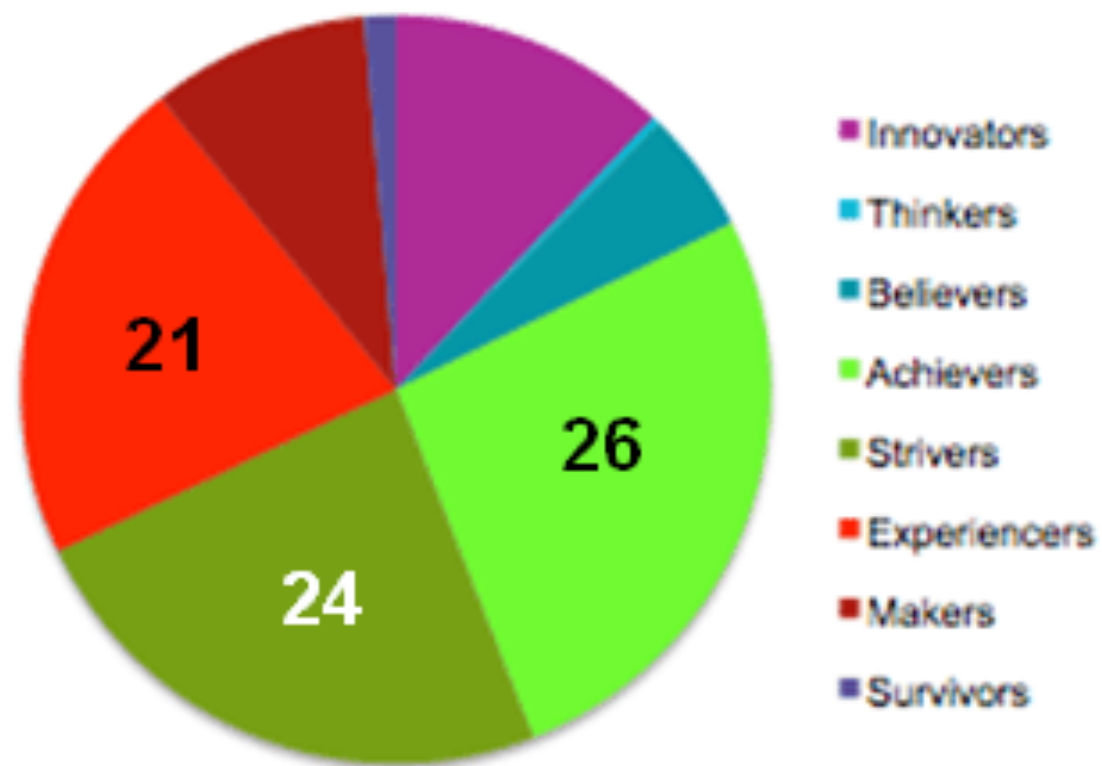
- **Psychographics:**
Combines
psychology,
lifestyle,
demographics

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US Adults Age 25 to 34
(Percent)



VALS™ identifies eight consumer segments

THINKERS
Information Seeking,
Satisfied,
Reflective

BELIEVERS
Conservative,
Conventional,
Traditional

STRIVERS
Trendy, Approval,
Seeking,
Disenfranchised

SURVIVORS
Passive,
Risk Averse,
Constrained

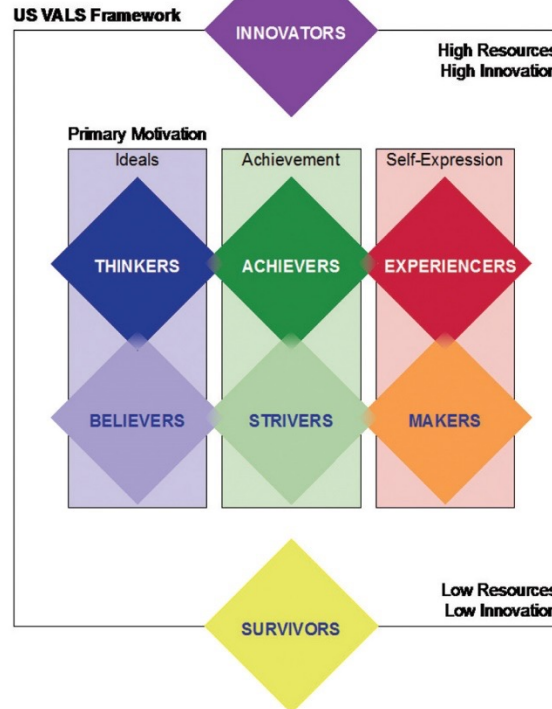
INNOVATORS
Sophisticated,
Change Leading,
Active, Take Charge

ACHIEVERS
Successful, Career &
Family Oriented,
Moderate

EXPERIENCERS
Risk Seeking,
Enthusiastic,
Impulsive

MAKERS
Homegrown, Self
Sufficient, Macho,
Family Oriented

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Characteristic Snapshots Emphasize Important Differences by VALS™



Ideals			Achievement		Self-Expression		
Innovators	Thinkers	Believers	Achievers	Strivers	Experiencers	Makers	Survivors
Are confident enough to experiment	Plan, research, consider before acting	Believe in right/wrong for a good life	Have a me-first, my-family-first attitude	Are the center of street culture	Want to stand out	Are distrustful of government	Are the quiet rank and file
Are information ready	Are the old guard	Want friendly communities	Are fully scheduled	Live in the moment	Want everything	Believe in sharp gender roles	Are cautious and risk averse
Are future oriented	Enjoy historical perspective	Not looking to change society	Are peer conscious	Wear their wealth	Are spontaneous	Protect what they think they own	Use television as a window to the world
Are receptive to new ideas and technologies	Have "ought" and "should" benchmarks for social conduct	Have no tolerance for ambiguity	Are anchors of the status quo	Desire to better their lives; have difficulty in doing so	Have a heightened sense of visual stimulation	Want to "work" on their world	Take comfort in routine and the familiar
Enjoy problem-solving challenges	Use technology in functional ways	Have strong me-too fashion attitudes	Believe money is the source of authority	Experience revolving employment	Introduce new sayings	Have strong outdoor interests; don't want to be walled in	Are loyal to products and brands
Are self-directed consumers	Are not influenced by what's hot	Want to belong	Are committed to family and job	Are looking for a fun time	See themselves as very sociable	Are not concerned with being fashionable	Are analog not digital
Are keenly aware of others' self-interests	Follow traditional intellectual pursuits	Trust traditional sources; don't question authority	Value tech that provides a productivity boost	Are impulsive	Are first in, first out of trend adoption	May appear to be anti-intellectual	Place emphasis on preservation

Demographic and Behavior Snapshots Highlight the Vibrancy of Using VALS™

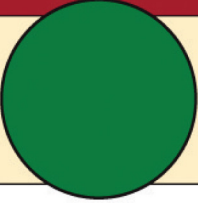




Primary Motivation	Ideals			Achievement		Self-Expression		Survivors
	Innovators	Thinkers	Believers	Achievers	Strivers	Experiencers	Makers	
Psychological Descriptors	Lifestyle Changers Information Ready Future Oriented	Conservative Mature Reflective	Economical Neighborhoodly Me-Too Followers	Aspirational Hardworking Moderate	Fun Loving Up to Date Overwhelmed	Assertive Energetic Optimistic	Hands-On Practical Self-Reliant	Cautious Loyal Traditional
Median age	40	60	51	38	30	24	47	68
Median HHI	\$118K	\$107K	\$55K	\$104K	\$33K	\$70K	\$55K	\$24K
	Percent of Innovators	Percent of Thinkers	Percent of Believers	Percent of Achievers	Percent of Strivers	Percent of Experiencers	Percent of Makers	Percent of Survivors
Women	44	51	80	52	44	45	27	60
Married	48	77	59	85	27	21	72	37
Employed full-time	64	47	48	74	40	48	60	12
Live with a parent	14	2	7	7	25	48	7	3
Took a foreign trip in the past 3 years	51	40	17	30	14	23	17	10
Own a smartphone and a tablet	47	41	32	51	26	38	25	7
Own an internet-video device for TV	32	19	10	23	9	18	11	4
Buy "green" paper products	22	19	19	12	20	2-	19	23
Prayer is a part of my daily life	15	40	49	34	27	35	36	51

Source: VALS™/GfK MRI, Spring 2015

A market-product grid

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MARKET SEGMENTS	BED PILLOW PRODUCTS		
	Firm Pillows	Medium Pillows	Soft Pillows
Side sleepers	 =73%		
Back sleepers		 =22%	
Stomach sleepers			 =5%

SEGMENTING AND TARGETING MARKETS

- **Criteria to Use in Selecting Target Markets**
 - **Market Size**
 - **Expected Growth**
 - **Competitive Position**
 - **Cost of Reaching the Segment**
 - **Organizational Compatibility**

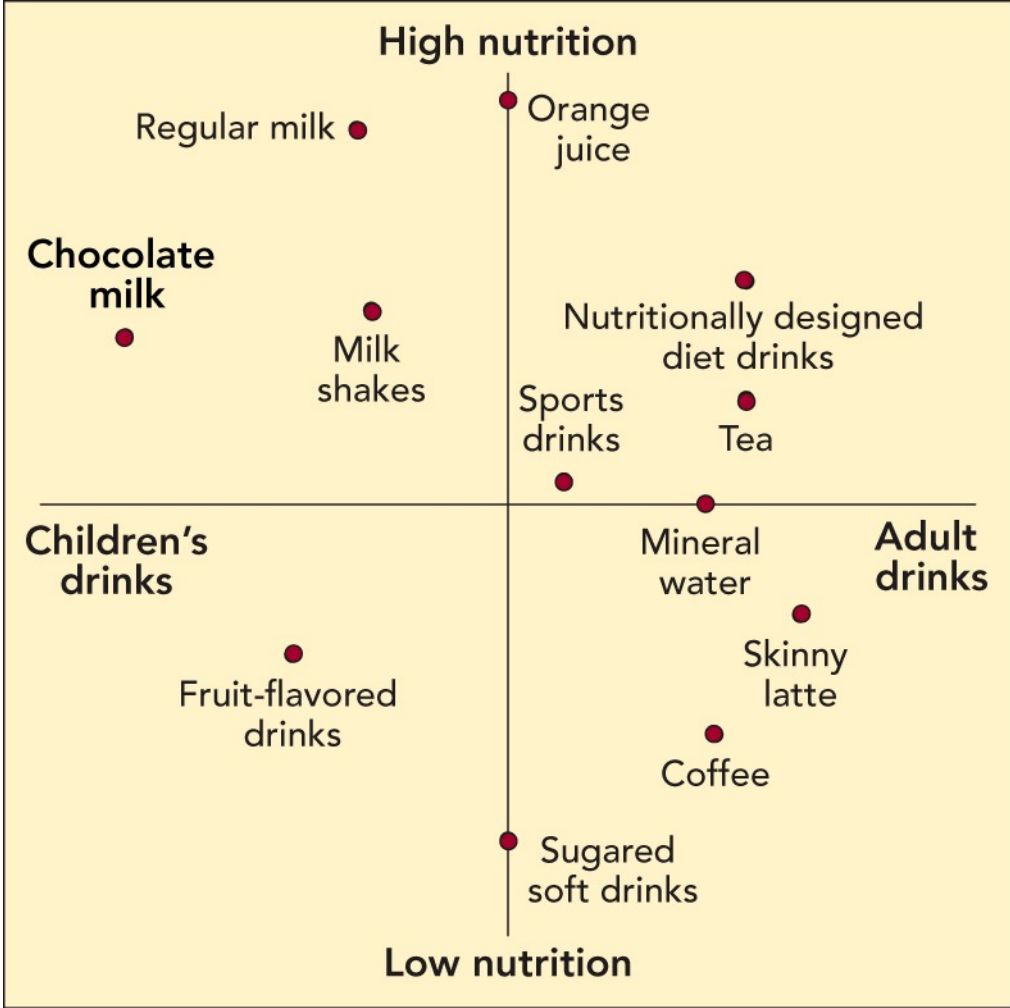
POSITIONING THE PRODUCT

- Product Positioning
- Product Repositioning
- **Two Approaches to Product Positioning**
 - **Head-to-Head Positioning**
 - **Differentiation Positioning**

Perceptual Map

A **perceptual map** is a means of displaying in two dimensions the location of products or brands in the minds of consumers to enable a manager to see how they perceive competing products or brands, as well as the firm's own product or brand.

A perceptual map of the location of beverages in the minds of American adults



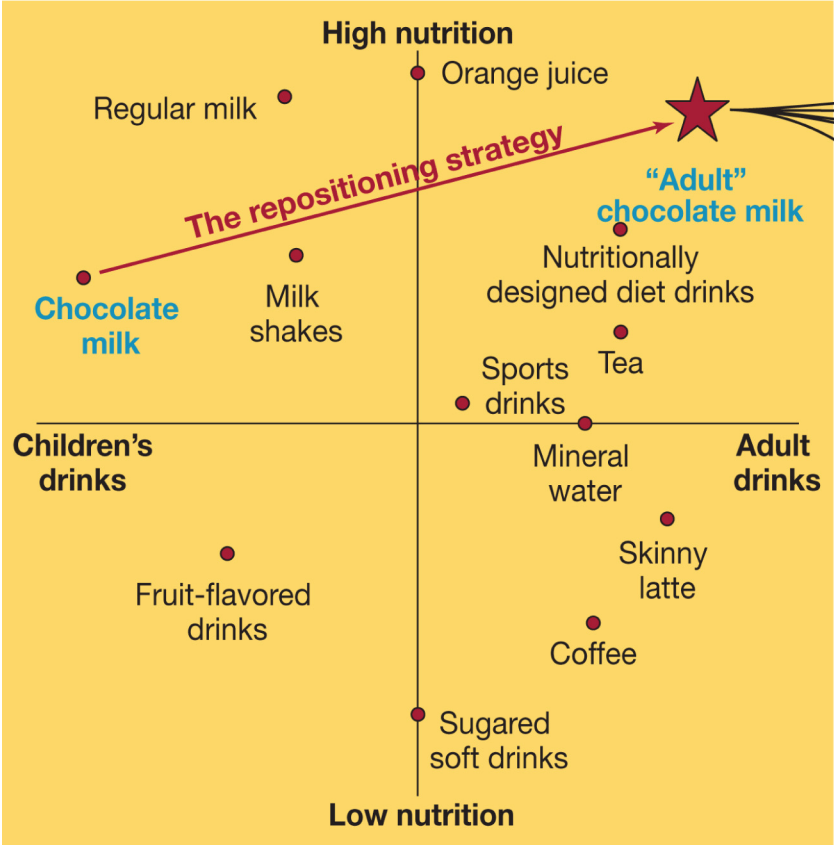
➤ Reposition Chocolate Milk for Adults

- Identify Important Attributes for Adult Drinks
- Discover How Adults See Competing Drinks
- Discover How Customers See Chocolate Milk
- Reposition Chocolate Milk to Make It More Appealing to Adults

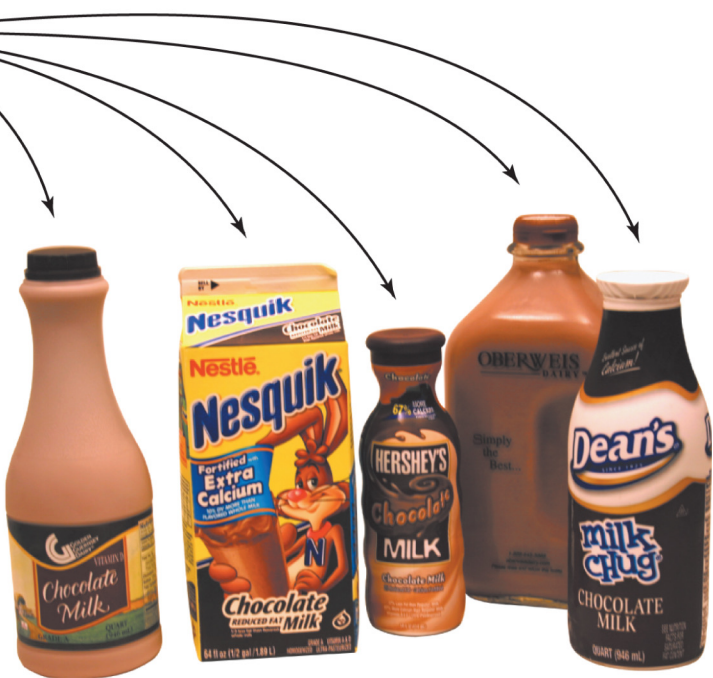


Can we reposition chocolate milk to reach adults?

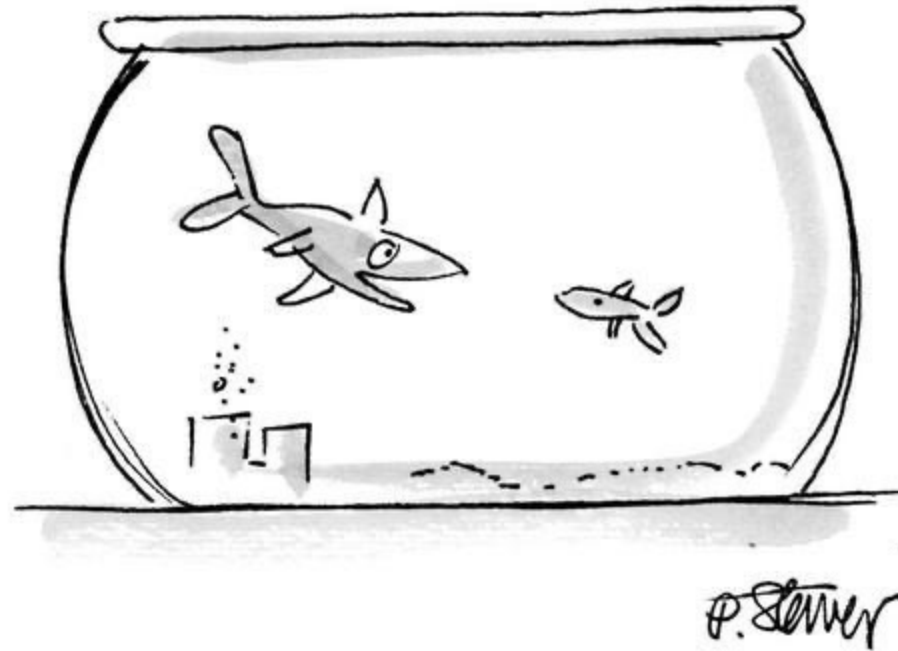
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©M. Hruby



Warning: The Paradox of Choice



"You can be anything you want to be—no limits."

https://www.ted.com/talks/barry_schwartz_on_the_paradox_of_choice?utm_campaign=tedspeak--b&utm_medium=referral&utm_source=tedcomshare


Consumer Behavior





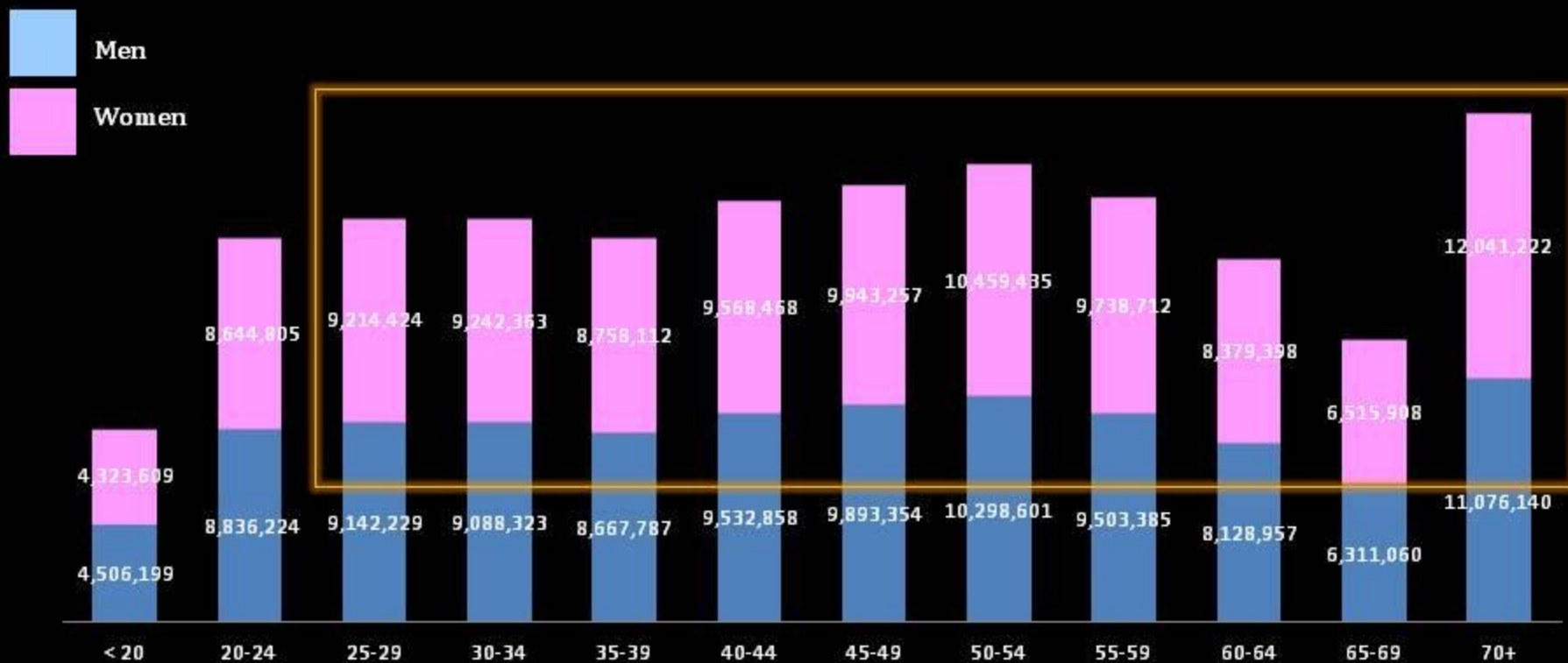
US | THEM



 **Ken Garff** ((WE HEAR YOU))

U.S. Women Hold More Driving Licenses Than Men

2012 marked the reversal of a long-term gender gap behind the wheel in the U.S.



Car Purchases

- Women influence 85% of all car purchases in USA.
- Purchase 63% of new cars
 - <https://www.bls.gov/cex/anthology/csxanth8.pdf>
 - <http://www.npr.org/2015/11/20/456751970/women-dominate-car-buying-decisions-few-hold-auto-executive-jobs>
-

Gender	Leased	Bought new	Bought used
Male	9.6	20.6	69.9
Female	11.5	36.9	51.5

What's the difference between needs and wants?

- Culture affects every part of our lives
 - How we spend money
 - How we consume
 - How we sleep

The purchase decision process consists of five stages



Model of Consumer Behavior

Purchase Situation

Social Influences

Psychological Factors



Buyer Decision Process

Pre-Purchase

- Need Recognition/Trigger
- Information Search
- Evaluate Alternatives



Purchase Decision



Post-Purchase

Cognitive Dissonance
Satisfaction/Loyalty
Word-of-Mouth

Type of Purchase/Involvement

Routine
Limited Problem Solving
Extensive Problem Solving

Pre-Purchase

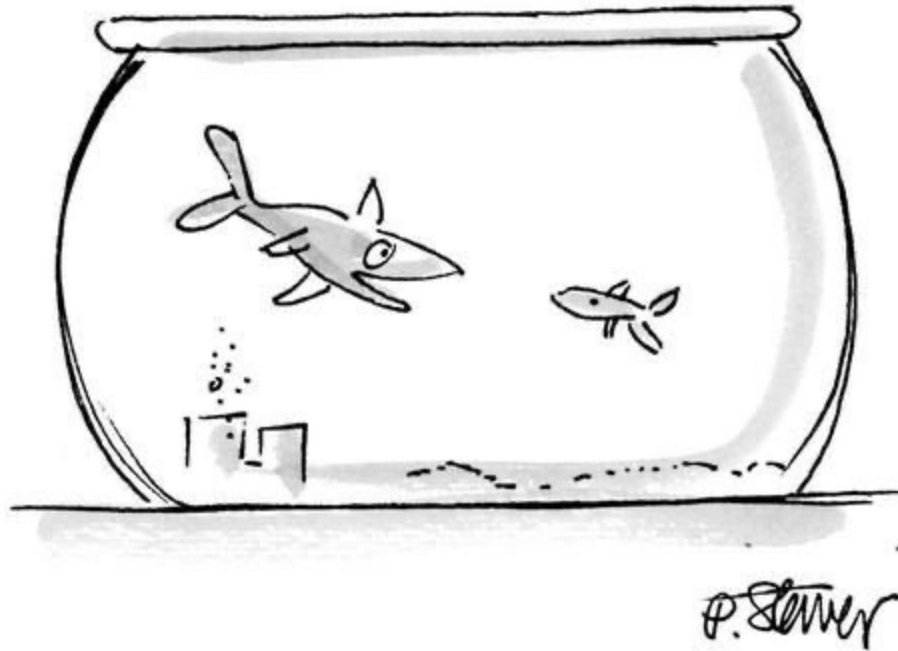
Need Recognition

Information Search

Evaluation of Alternatives



The Paradox of Choice



"You can be anything you want to be—no limits."

https://www.ted.com/talks/barry_schwartz_on_the_paradox_of_choice?utm_campaign=tedsread-b&utm_medium=referral&utm_source=tedcomshare

Choice Overload

Jam Study	6 Jams	24 Jams
Approach	40%	60%
Try	1.4	1.5
Buy	30%	3%



Types of Purchases / Involvement



Routine purchases
(B2B: Straight Rebuy)



Limited Problem Solving
(B2B: Modified Rebuy)

Extensive Problem Solving
(B2B: New Buy)



Purchase Decision

When to buy?

From whom to buy?

Where to buy?

How much to buy?

How to pay?

How to customize?

Barriers to purchase



Post-Purchase

Satisfaction / Loyalty
Cognitive Dissonance
Word-of-mouth



Social Influences

Culture

Sub-culture / Ethnic group

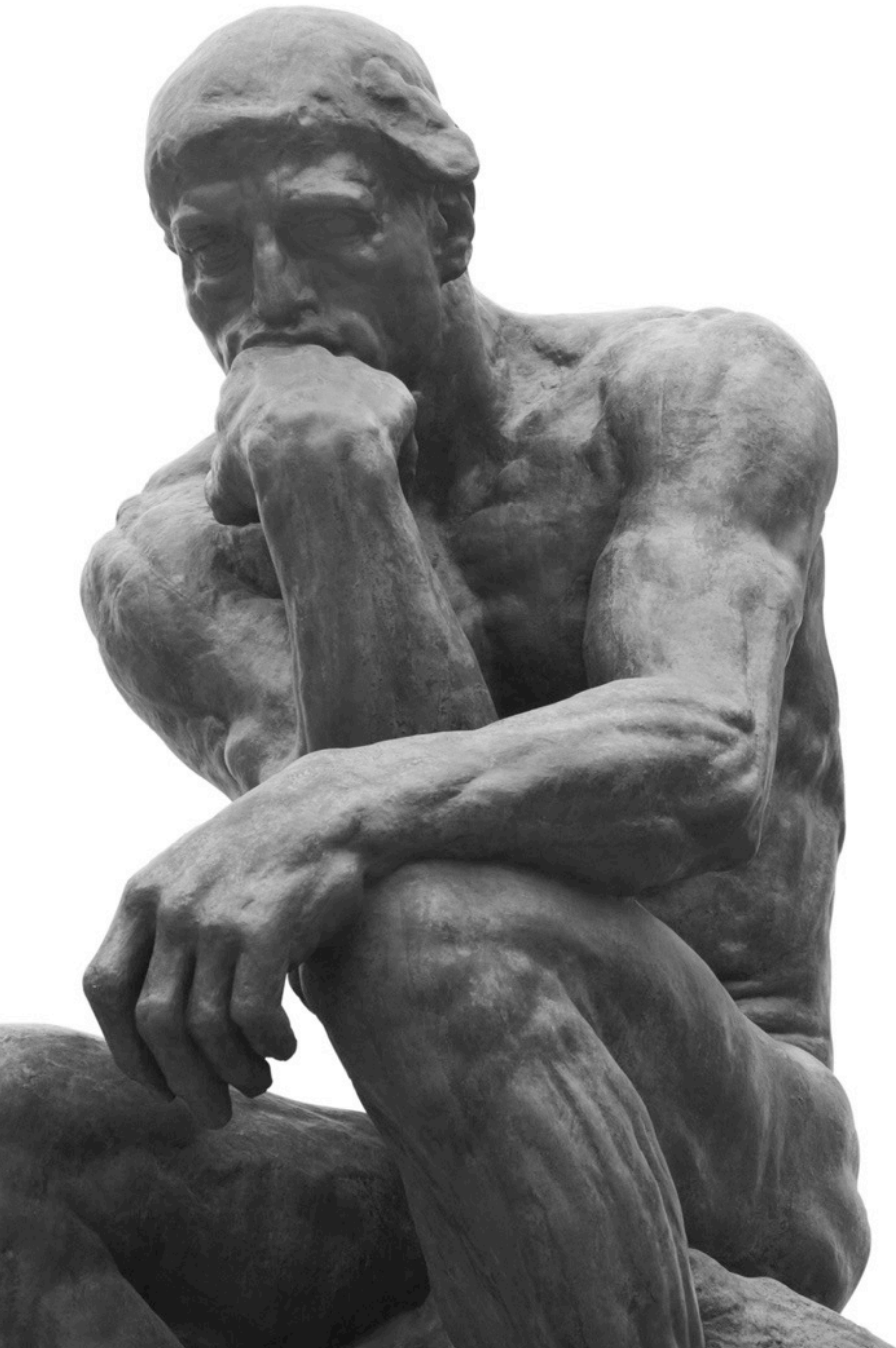
Class

Reference Groups

Family

Roles and Status





Psychological Influences

Motivation and Emotion

Perception

Learning and Memory

Beliefs, Attitudes, and Values

Age and Life-cycle Stage

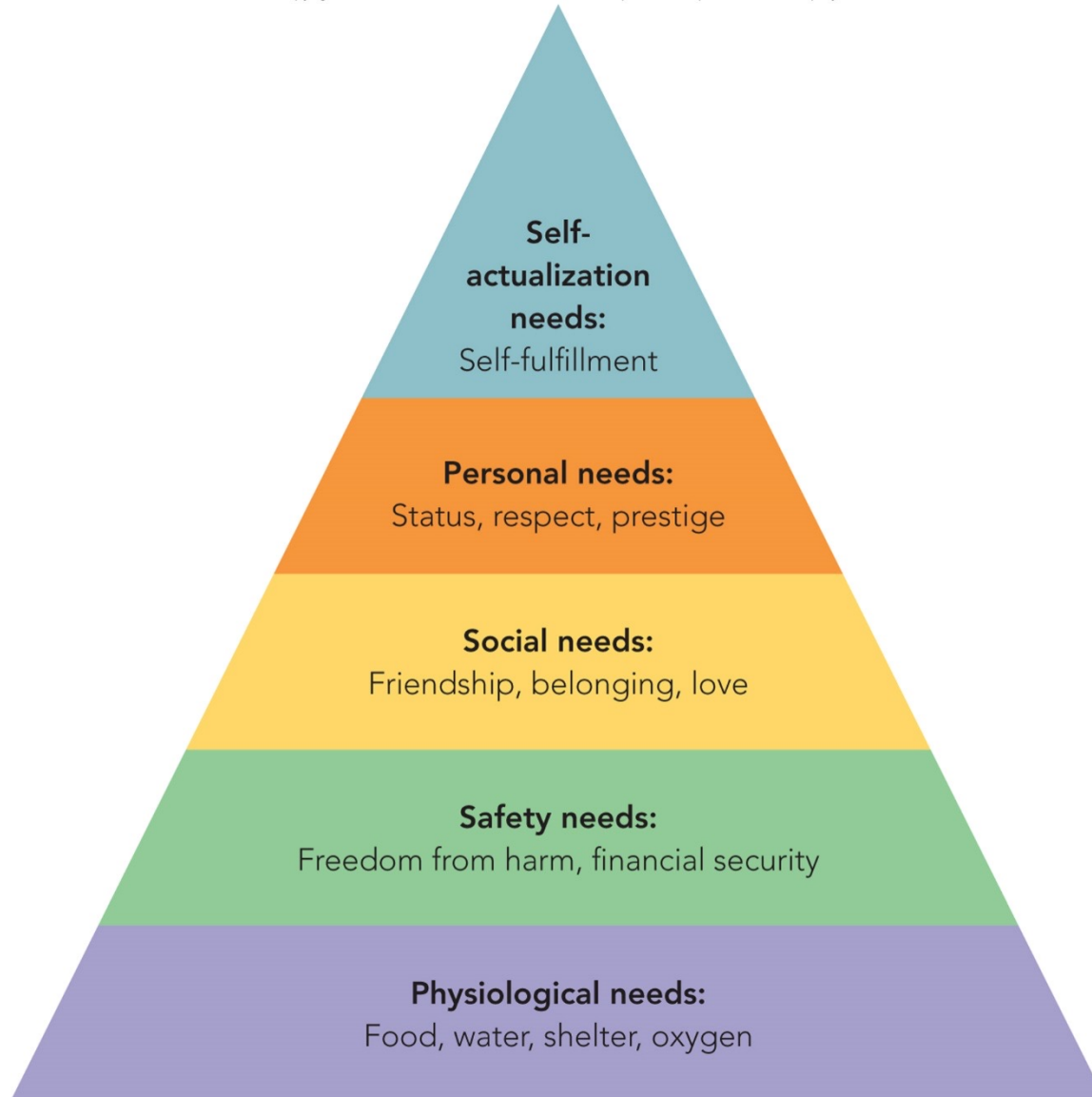
Lifestyle

Personality and Self-concept

Gender

Hierarchy of needs

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Match.com



What is Price?

- Strategy or Tactic?

THE PRICE EQUATION

Final Price = List Price – (Incentives + Allowances) + Extra Fees

IMPORTANCE OF PRICE

- PRICE AS AN INDICATOR OF VALUE

$$\text{Value} = \frac{\text{Perceived Benefits}}{\text{Price}}$$

IMPORTANCE OF PRICE

Profit Equation

$$\begin{aligned}\text{Profit} &= \text{Total Revenue} - \text{Total Costs} \\ &= (\text{Unit Price} \times \text{Quantity Sold}) - (\text{Fixed Cost} + \text{Variable Cost})\end{aligned}$$

4 Pricing approaches

Demand-oriented

Cost-oriented

Profit-oriented

Competition-oriented



DEMAND- ORIENTED PRICING

- Skimming
- Penetration
- Prestige
- Odd-even
- Bundle
- Target
- Yield Management

Yield Management

- **Yield management** (also **revenue management**) attempts to allocate the fixed capacity of a service provider to match the potential demand in various market segments so as to maximize revenue or yield.

Yield Management

$$\text{YIELD} = \frac{\text{Actual revenue}}{\text{Potential revenue}}$$

Where: **Actual revenue = actual capacity x average actual price**

Potential revenue = total capacity x maximum price

Most effective when:

- 1) different segments make reservations at different times and
- 2) customers who arrive/reserve early are more price sensitive than those who arrive/reserve late.

Yield Management Example

- 200-room Hotel
- Max room rate = \$200/night
 - Potential Revenue = $\$200 \times 200 = \$40,000$

Scenarios

- All rooms sold at discounted rate (\$100/night)
- Full rate charged, but only 80 rooms sold
- Full rate charged for 80 rooms, discount for remaining 120 rooms

Yield Management Answers

- 200-room Hotel
- Max room rate = \$200/night
 - Potential Revenue = \$200 x 200 = \$40,000

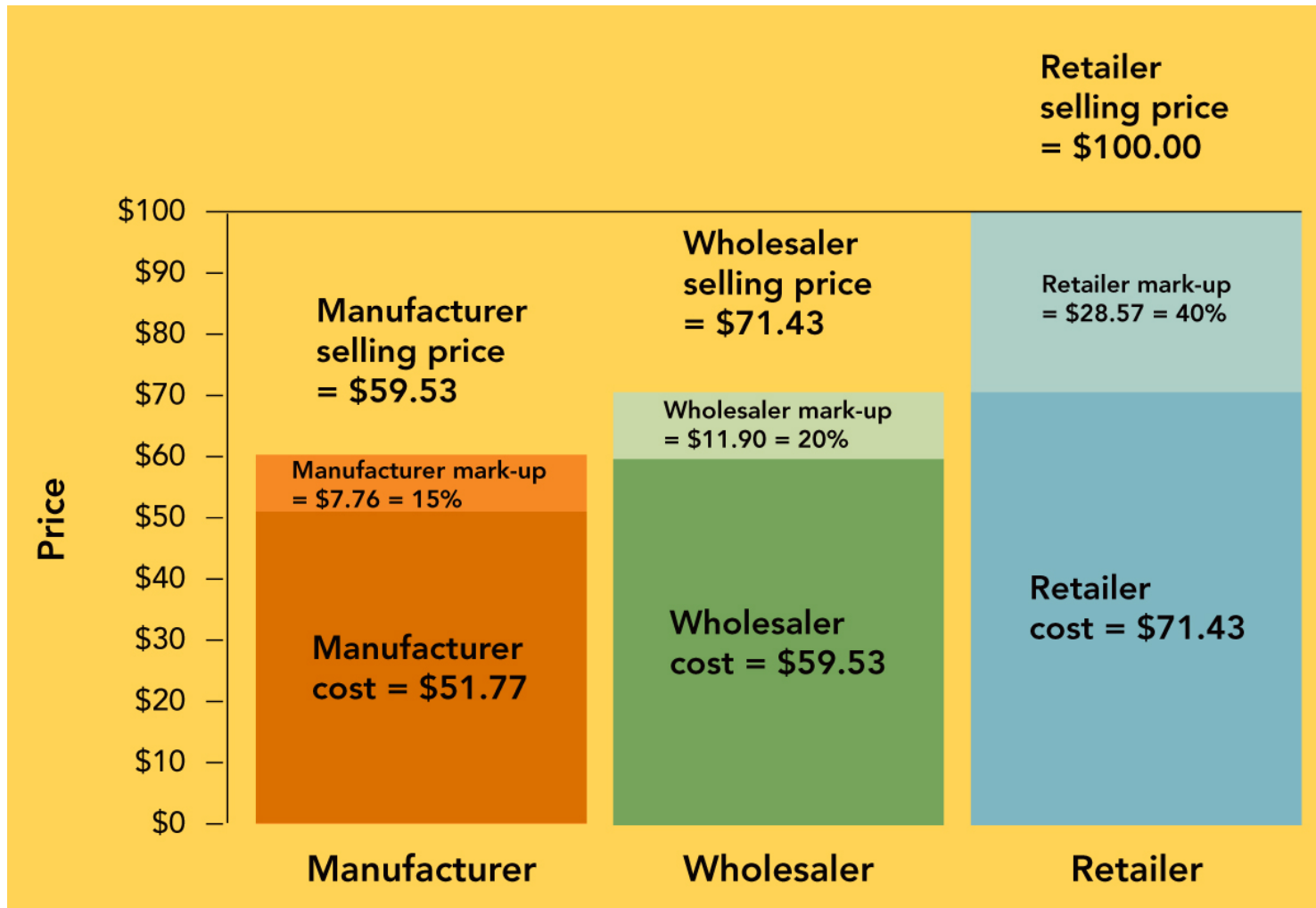
Scenarios

- All rooms sold at discounted rate (\$100/night)
 - Yield = $\$100 \times 200 / \$40,000 = \$20,000 = 50\%$
- Full rate charged, but only 80 rooms sold
 - Yield = $\$200 \times 80 / \$40,000 = \$16,000 = 40\%$
- Full rate charged for 80 rooms, discount for remaining 120 rooms
 - Yield = $[(\$200 \times 80) + (\$100 \times 120)] / \$40,000 = \$28,000 = 70\%$

COST- ORIENTED PRICING

- Standard markup
- Cost-plus
 - Percentage of Cost
 - Fixed Fee

Markups for a home appliance sold to consumers for \$100





PROFIT- ORIENTED PRICING

- Target profit
- Target return on sales
- Target return on investment



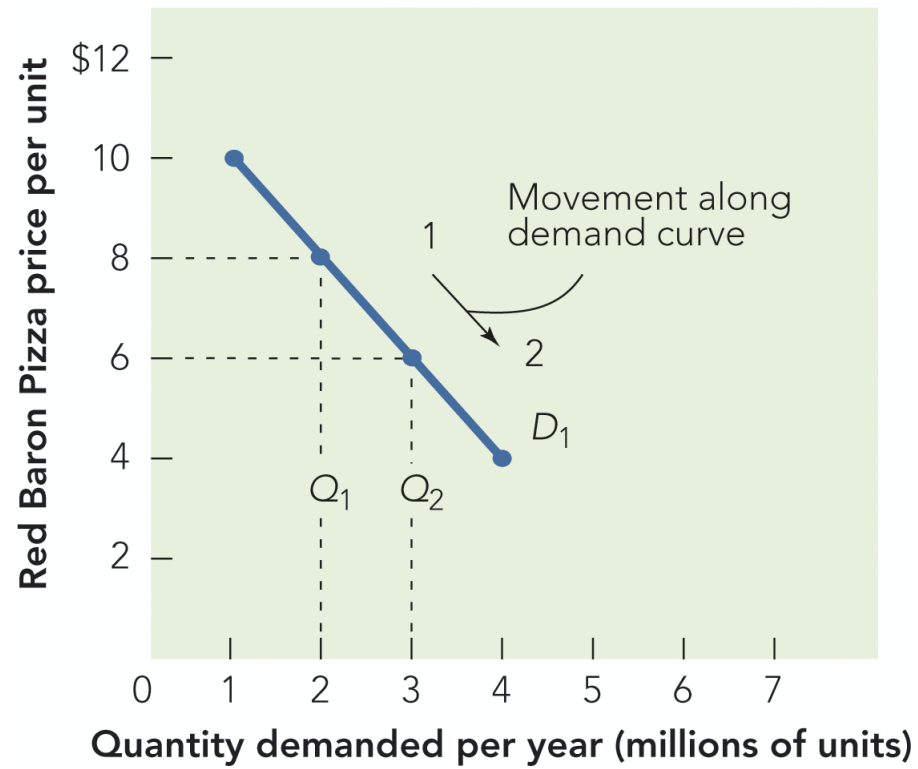
COMPETITION- ORIENTED PRICING

- Customary
- Above, at, or below market
- Loss leader

demand curve

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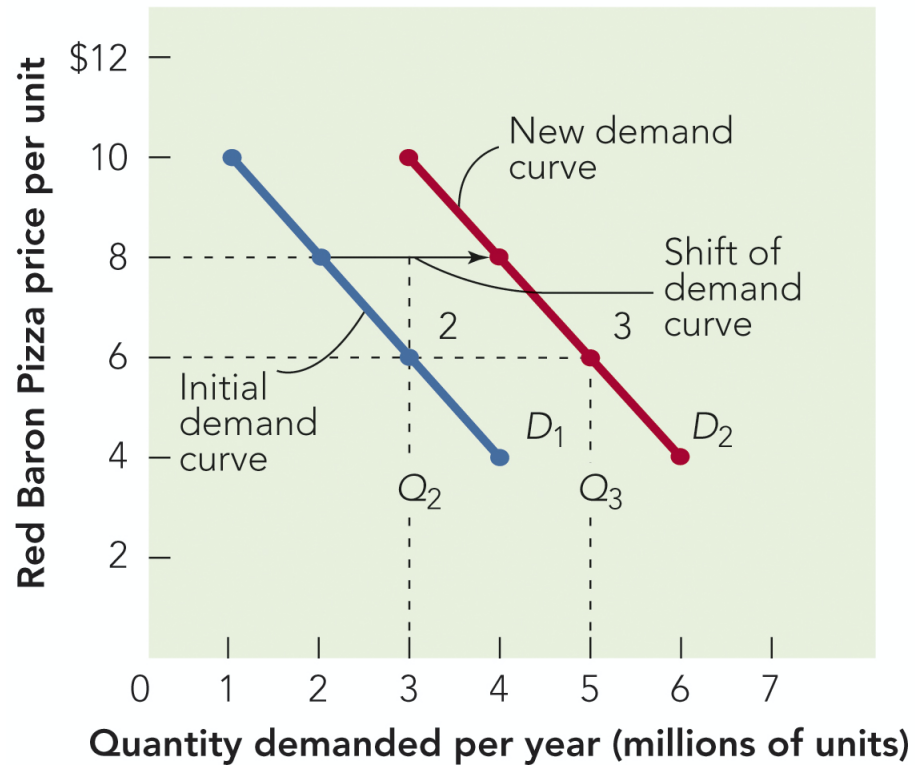
A: Demand curve under initial conditions



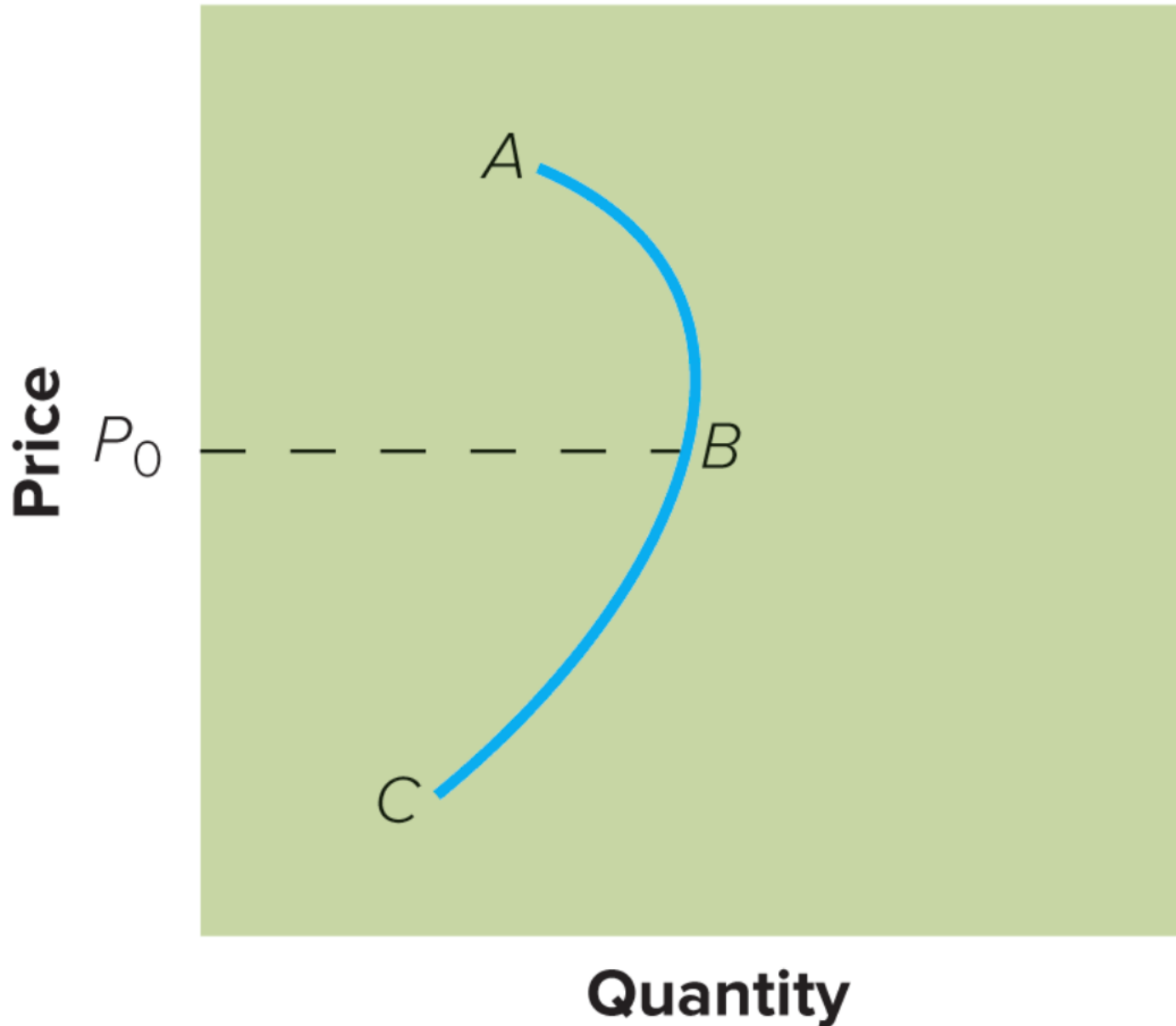
shift of the demand curve

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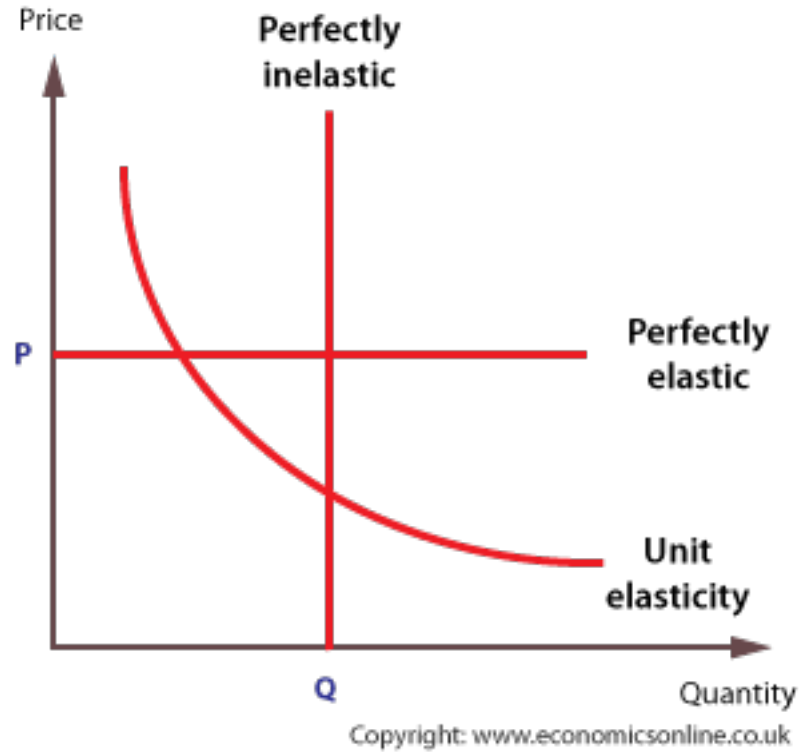
B: Shift the demand curve with more favorable conditions



Prestige pricing demand curve



Price Elasticity of Demand



BREAK-EVEN ANALYSIS

Break-Even Point (BEP)

$$\mathbf{BEP}_{\text{Quantity}} = \frac{\mathbf{Fixed\ Cost}}{\mathbf{Unit\ Price - Unit\ Variable\ Cost}} = \frac{\mathbf{FC}}{\mathbf{P - UVC}}$$

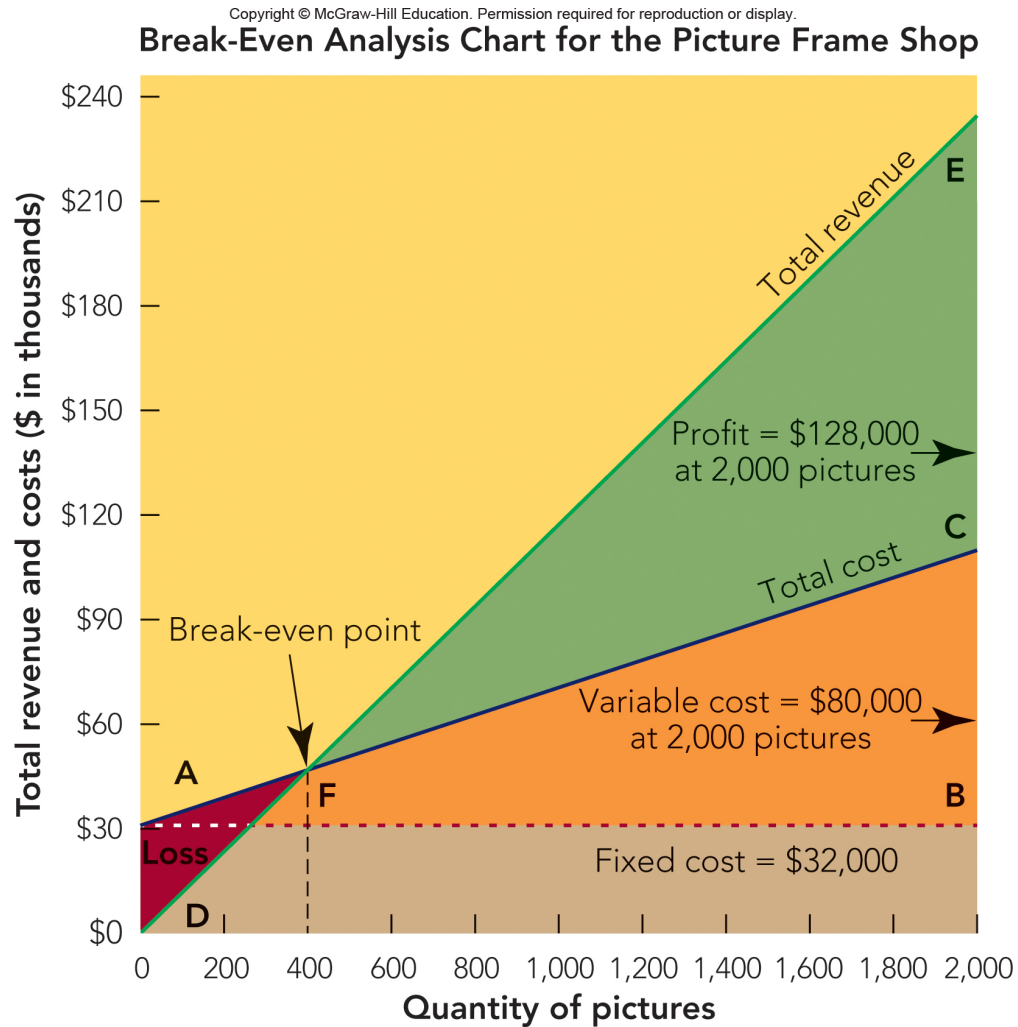


- Calculate the BEP for a picture frame store where:
- $FC = \$32,000$
- Price = \$120
- $VC = \$40$
- How many frames does the store need to sell?

$$\text{BEP}_{\text{Quantity}} = \frac{\$32,000}{\$120 - \$40}$$

$$\text{BEP}_{\text{Quantity}} = 400 \text{ pictures}$$

Break-even analysis chart for a picture frame store shows the break-even point at 400 pictures



Legal and Ethical Considerations



The Products

Product Tactics

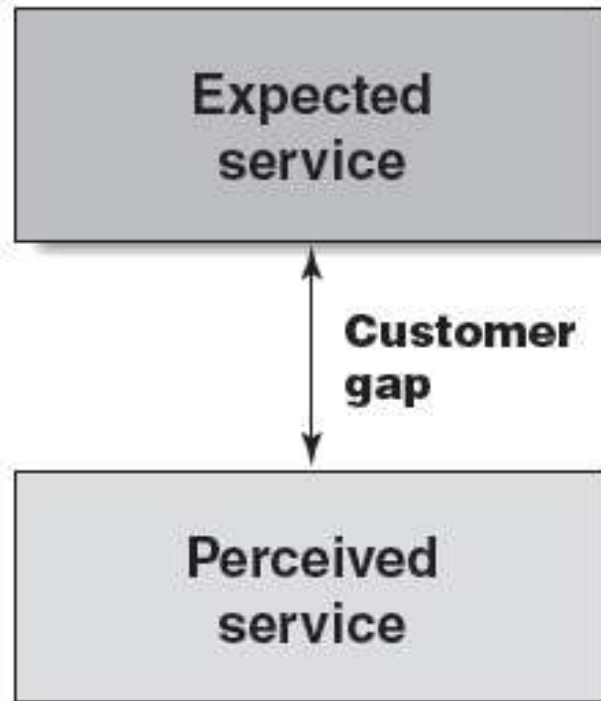
Product/Service Design & Development

Product Life Cycle



SERVICE
DESIGN

The Customer Gap



Four Unique I's of Services

Intangibility

Inconsistency

Inseparability

Inventory

Seven Stages In The New-product Process



New product strategy

Idea generation

screening and evaluation

business analysis

development

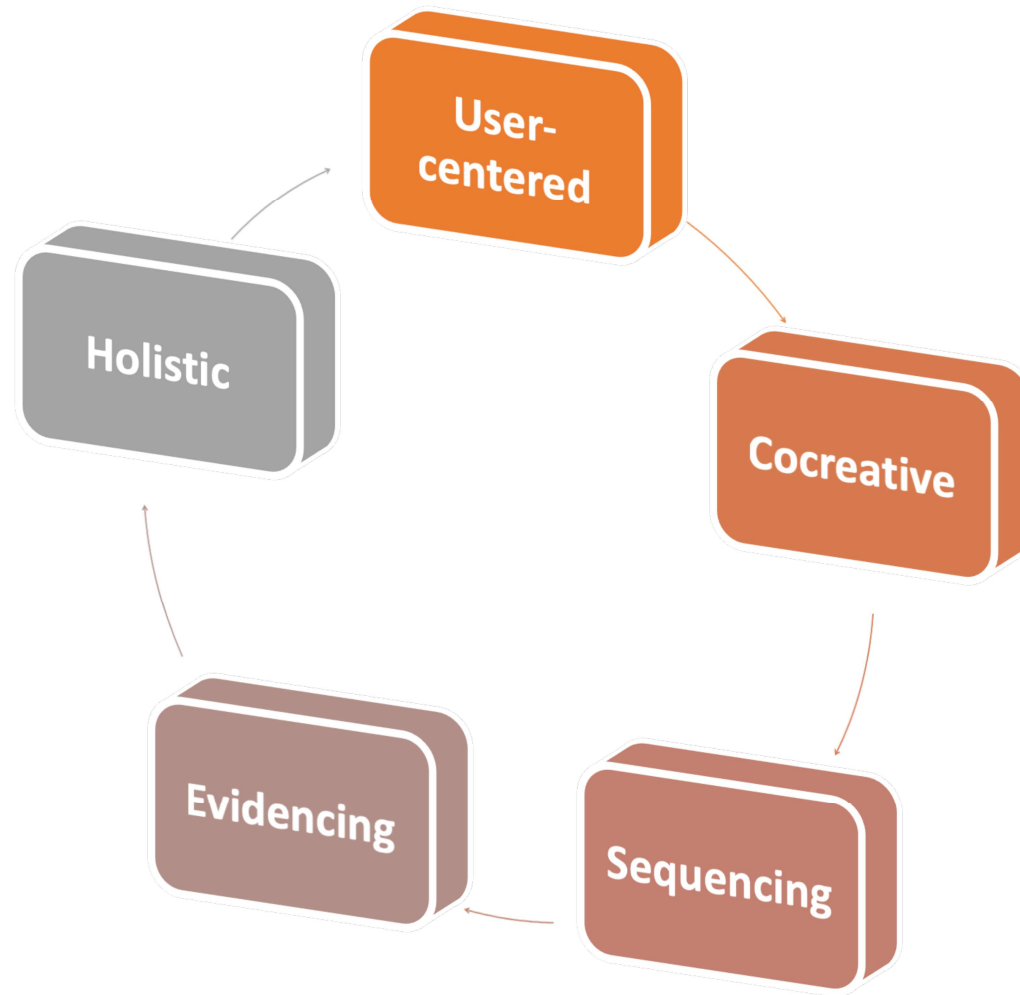
market testing

commercialization

Service Innovation and Development Process



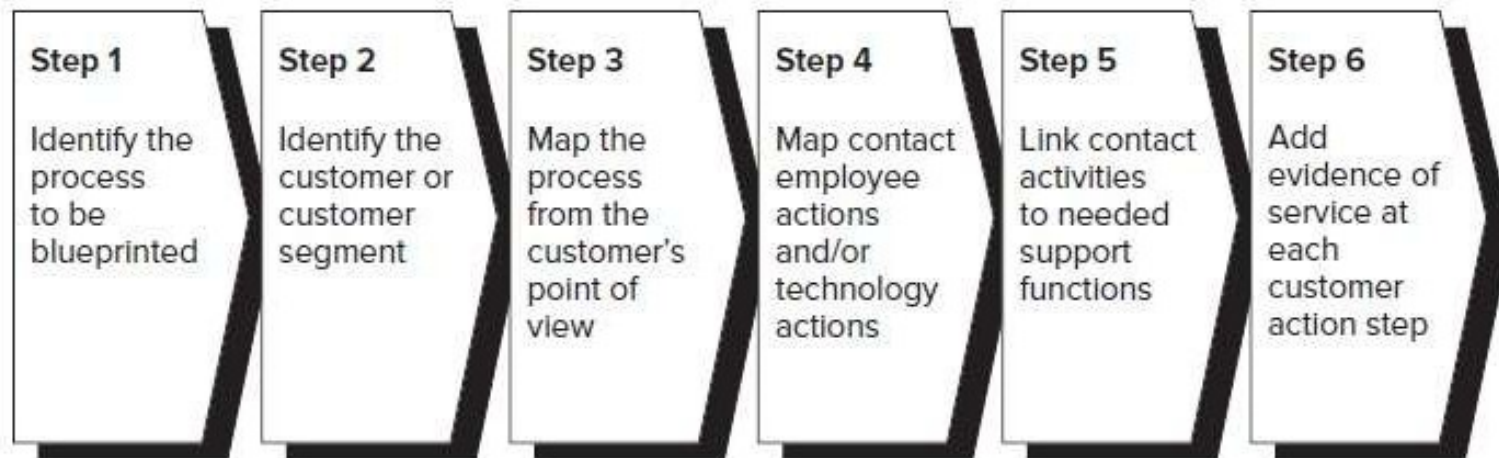
5 principles of service design thinking



Service Blueprinting

- A tool for simultaneously depicting the service process, the points of customer contact, and the evidence of service from the customer's point of view.

Building a Service Blueprint



Service Blueprint Components

Physical Evidence

Customer Actions

line of interaction

Visible Contact Employee Actions

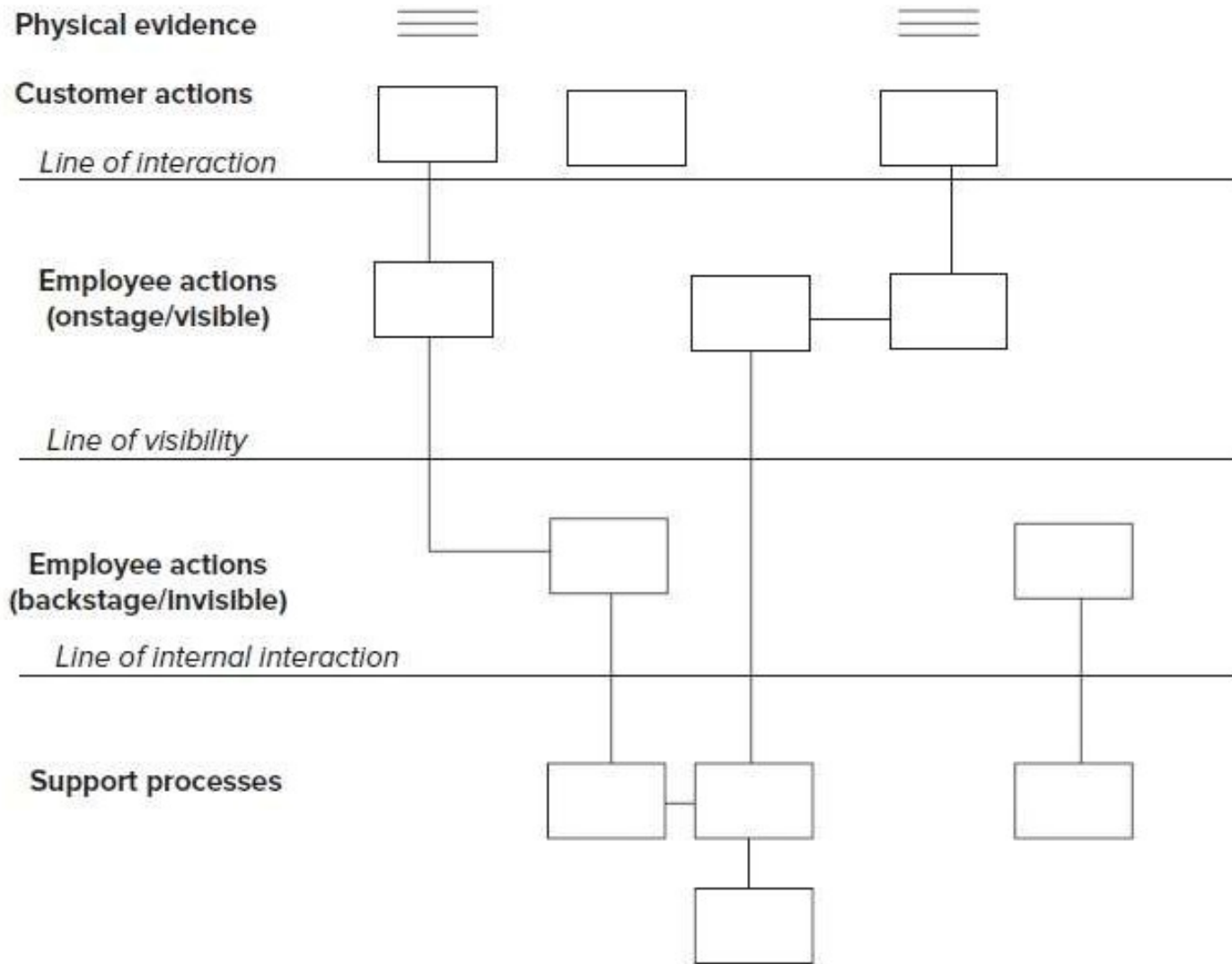
line of visibility

Invisible Contact Employee Actions

line of internal interaction

Support Processes

Service Blueprint Components



Customer calls

Customer gives package to driver

End Customer receives package

driver picks up package

CSR generates service order

Dispatch driver

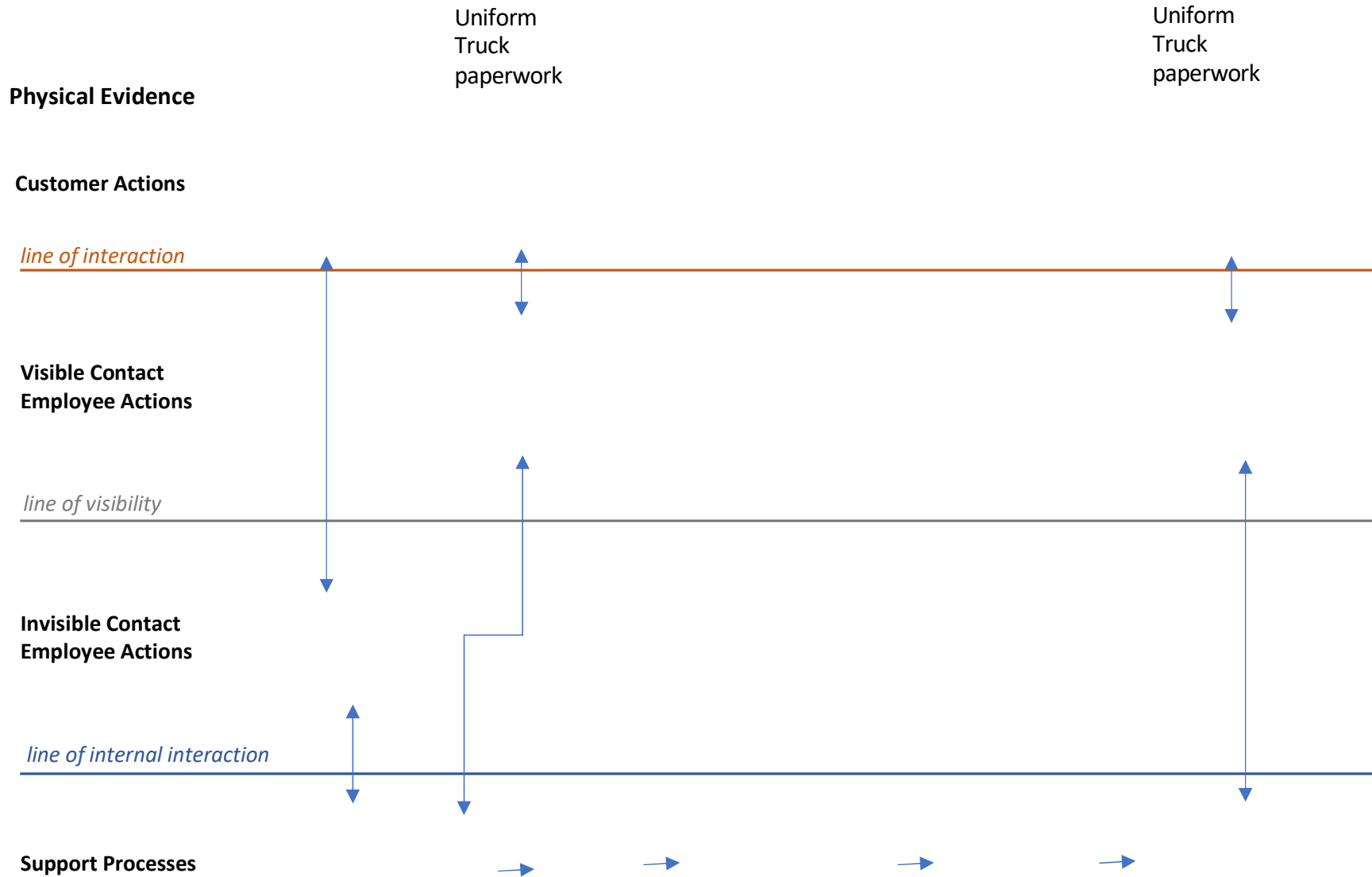
Dispatch driver

Sort

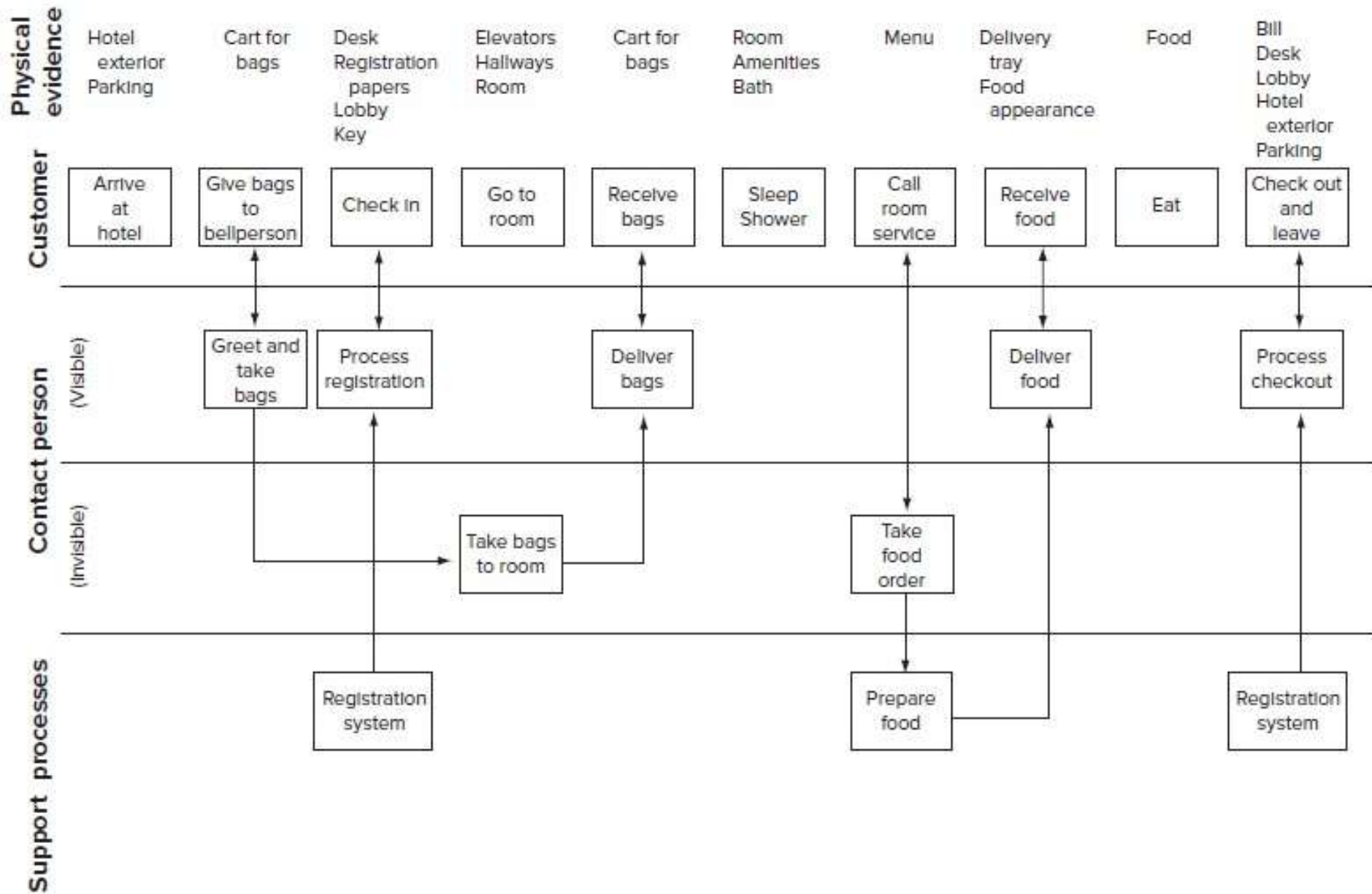
airplane

Sort

UPS Services Blueprint

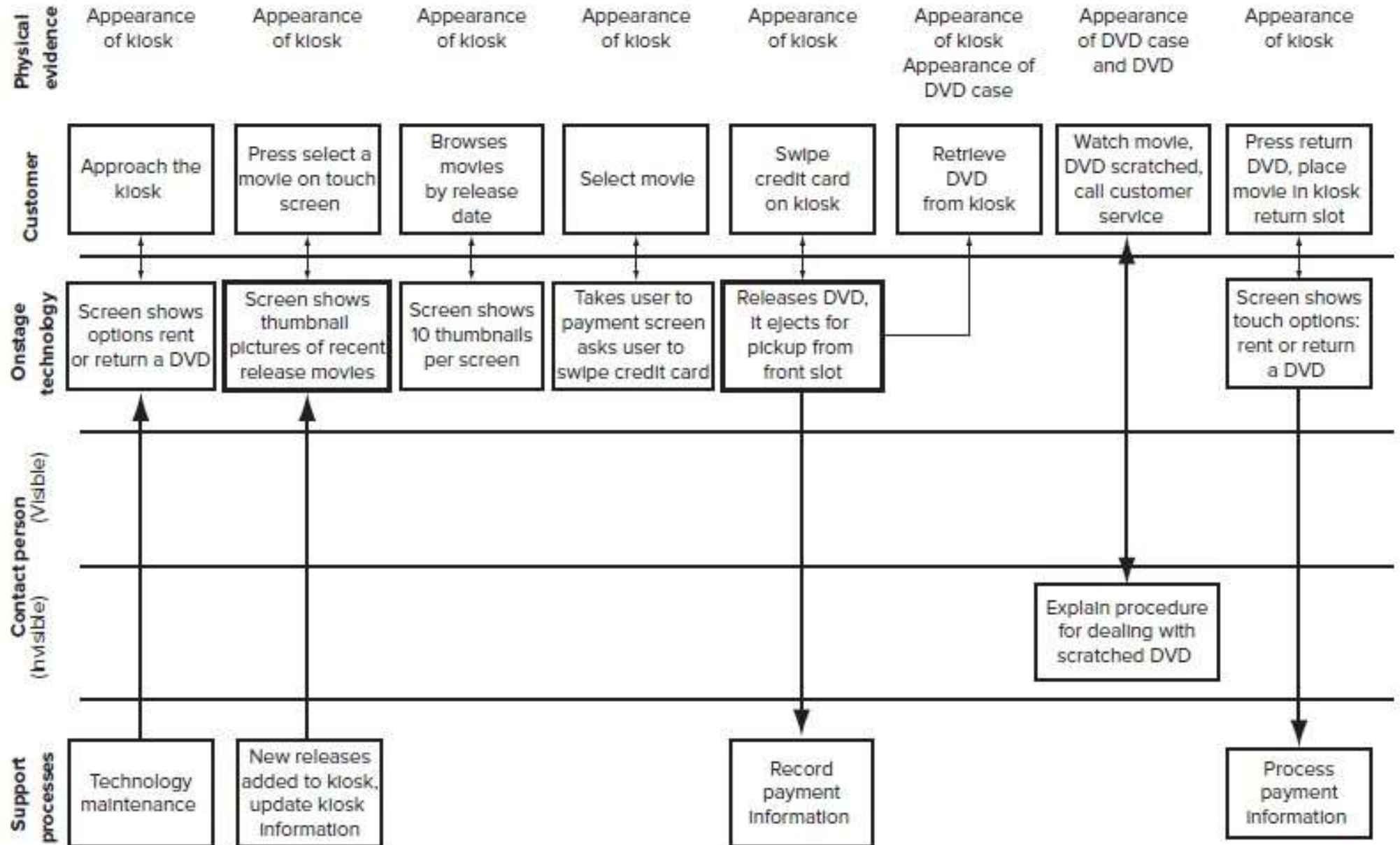


Blueprint for Overnight Hotel Stay Service



Blueprint for DVD Rental Kiosk

Source: Reprinted with permission of A. L. Ostrom and Center for Services Leadership, Arizona State University, 2011.



Benefits of Service Blueprinting

- Provides a platform for innovation.
- Recognizes roles and interdependencies among functions, people, and organizations.
- Facilitates both strategic and tactical innovations.
- Transfers and stores innovation and service knowledge.
- Designs moments of truth from the customer's point of view.
- Suggests critical points for measurement and feedback in the service process.
- Clarifies competitive positioning.
- Provides understanding of the ideal customer experience.

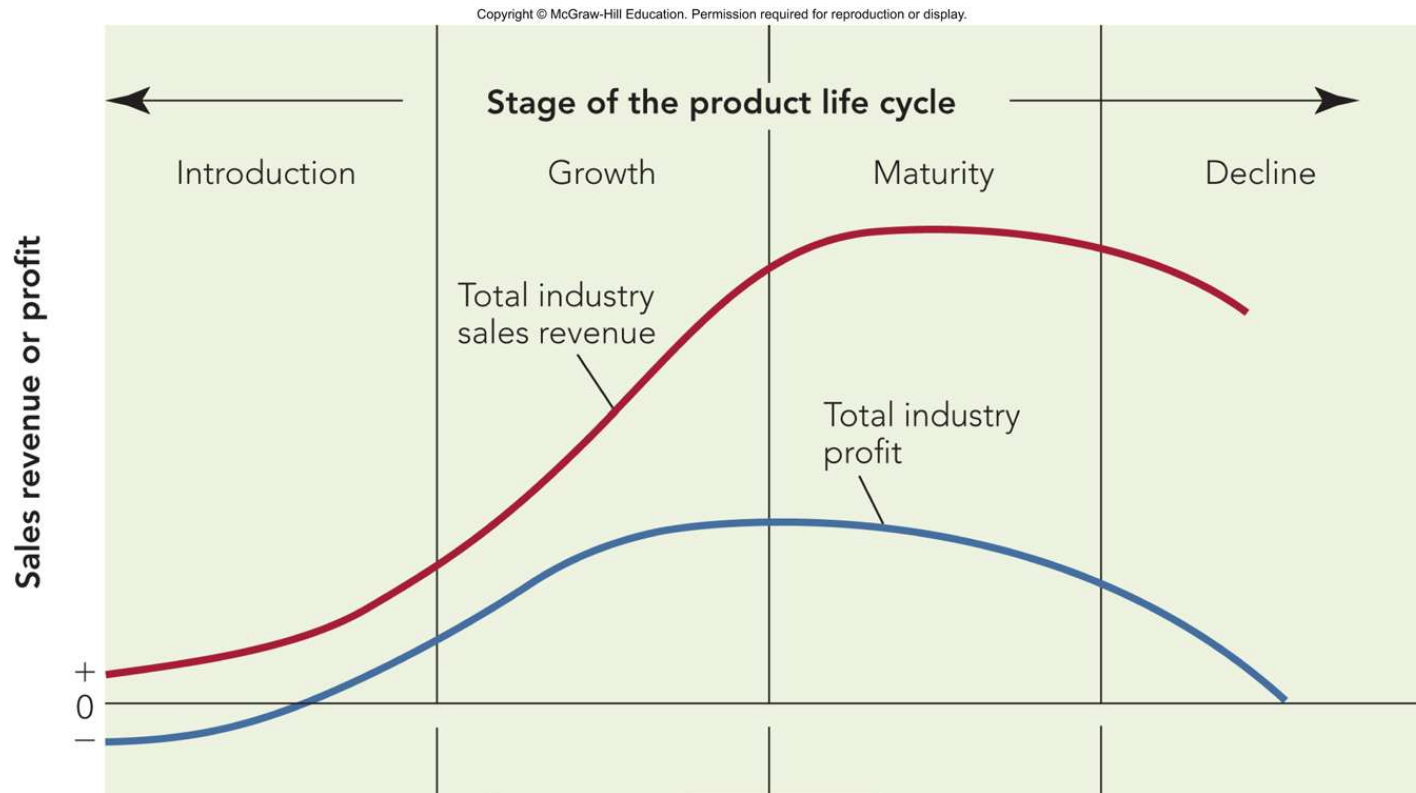
Important Considerations for Service Innovation

- Involve customers and employees
- Employ service design thinking and techniques



PLC

Stages of the product life

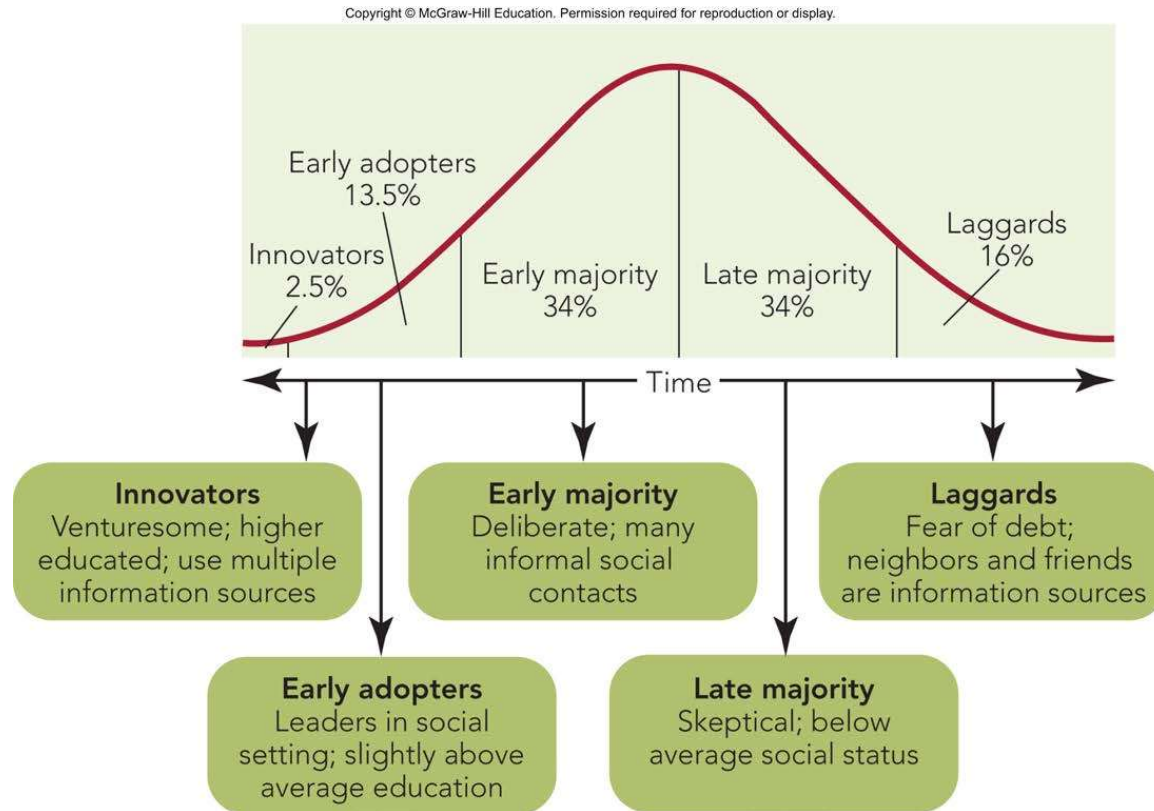


How stages of the product life cycle relate to a firm's marketing objectives and marketing mix actions

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MARKETING OBJECTIVE	GAIN AWARENESS	STRESS DIFFERENTIATION	MAINTAIN BRAND LOYALTY	HARVESTING, DELETION
Competition	Few	More	Many	Reduced
Product	One	More versions	Full product line	Best sellers
Price	Skimming or penetration	Gain market share, deal	Defend market share, profit	Stay profitable
Place (distribution)	Limited	More outlets	Maximum outlets	Fewer outlets
Promotion	Inform, educate	Stress points of difference	Reminder-oriented	Minimal promotion

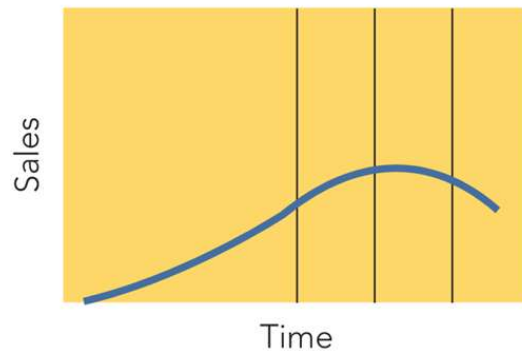
DIFFUSION OF INNOVATION



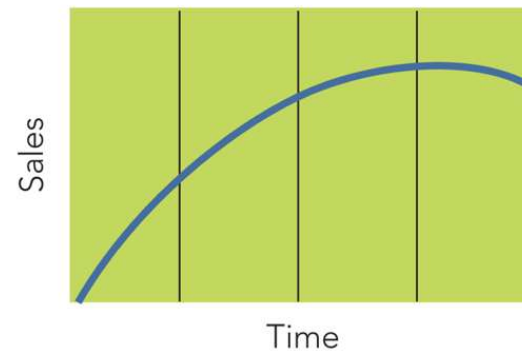
Alternative product life cycle curves based on product types

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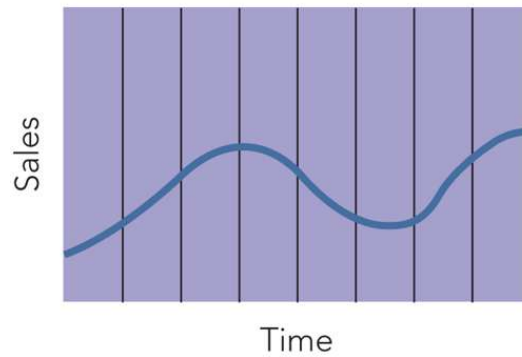
A. High-learning product



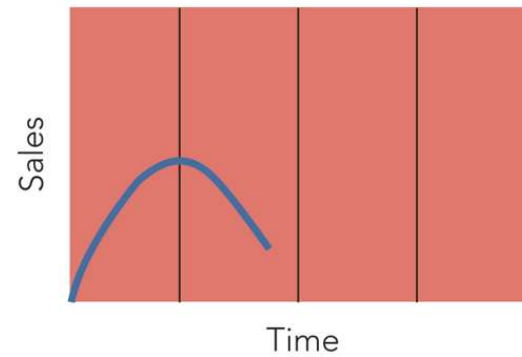
B. Low-learning product



C. Fashion product

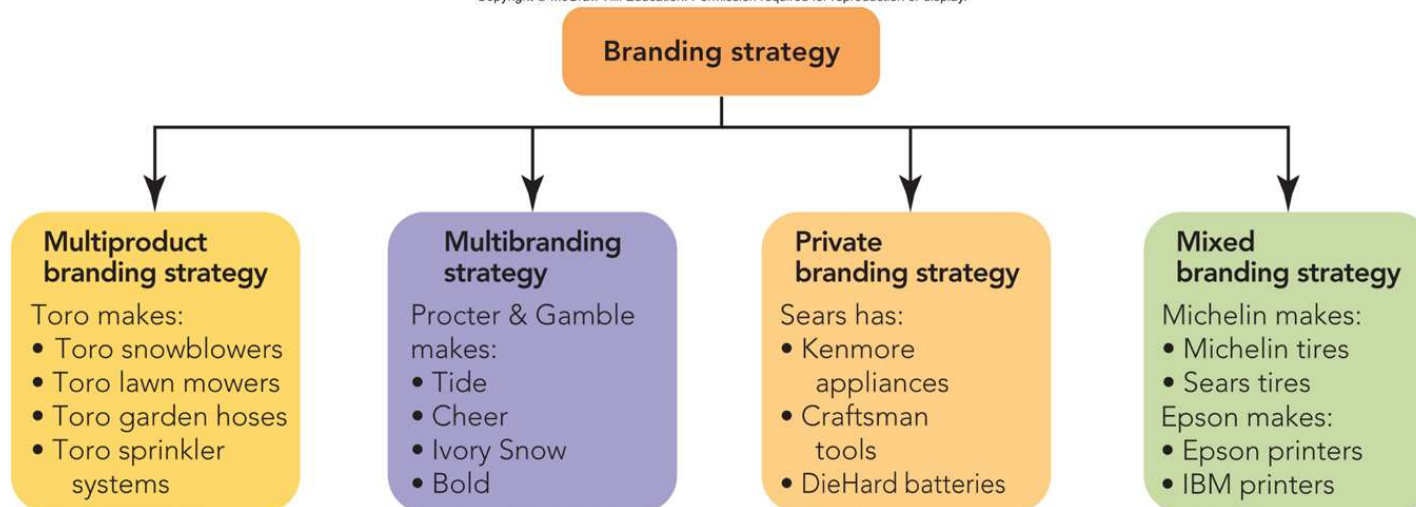


D. Fad product



Alternative branding strategies

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BRAND PERSONALITY AND BRAND EQUITY

➤ Brand Personality

- set of human characteristics associated with a brand name.

➤ Brand Equity

- added value a brand name gives to a product beyond the functional benefits provided.
- Provides a Competitive Advantage
- Consumers Willing to Pay a Premium



Integrated Marketing Communications and Advertising

Promotion

How to Evaluate Ads

- Brand position clearly identified
 - Unique, better, special.
 - Target, benefit, reason why.
- Relevant but unexpected

Life on the range...



Epic Splits



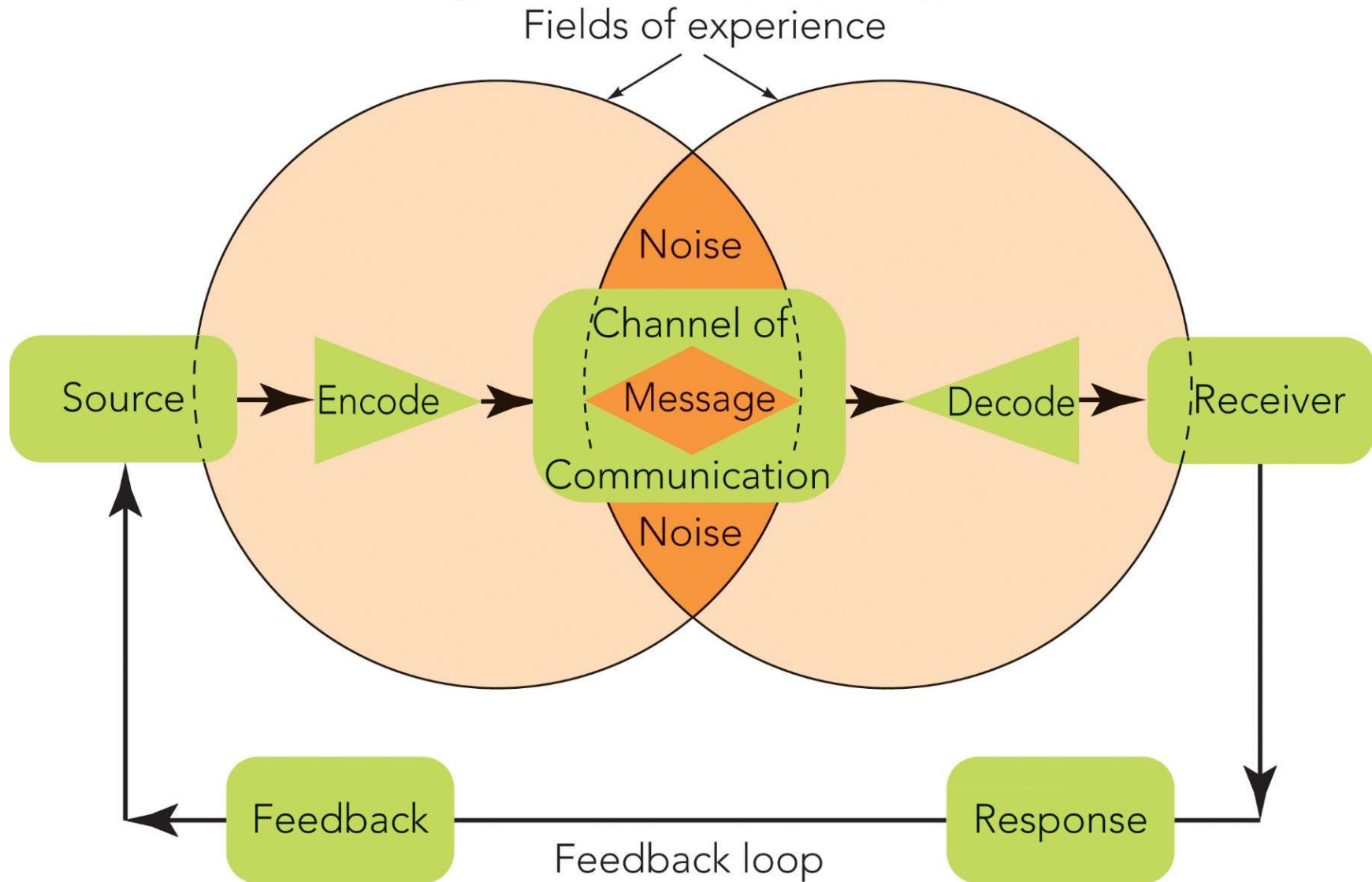
Let's play a game.

You need 5 pieces of paper and a pen.

Keep your paper bundle together.

Communication process consists of six key elements

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What is the message? How would you decode this ad?

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UNSTILL LIFE.

32 Orchard 32

ELLE ELLE

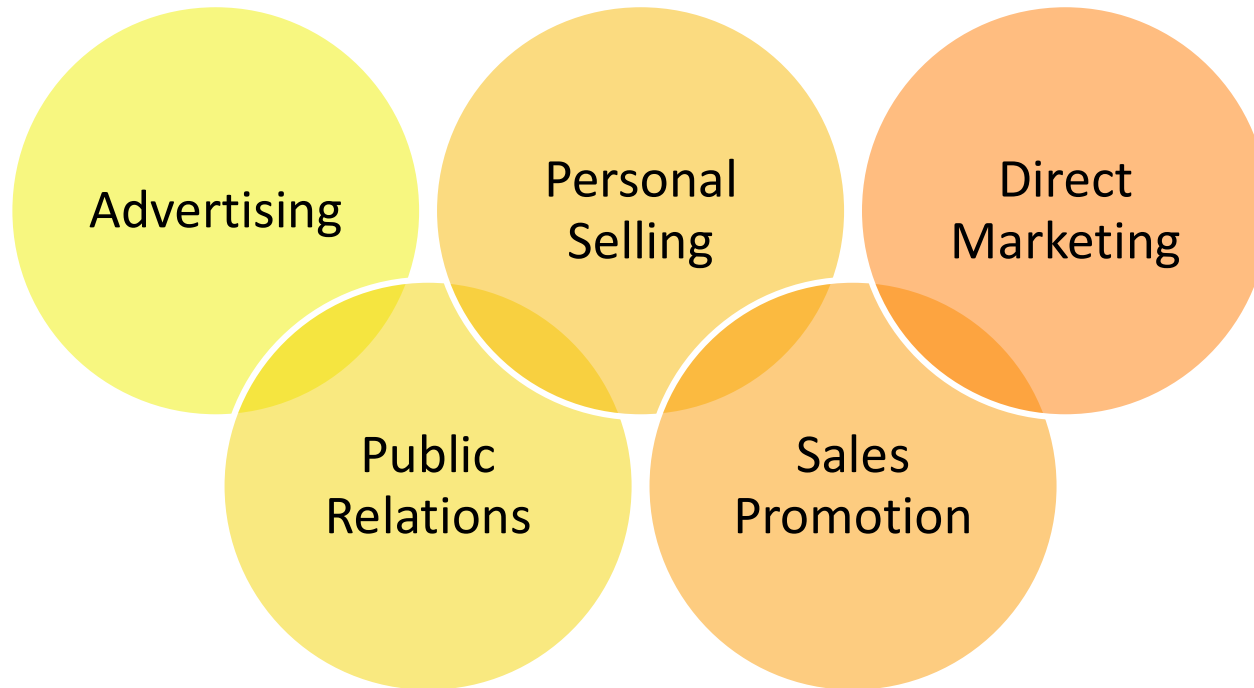
INTRODUCING MINI PACEMAN.
Combining available all-wheel drive with go-kart handling and a sophisticated take on iconic MINI design, the MINI Paceman belongs on the road. Design your own at MINIUSA.COM/PACEMAN

All-wheel drive available on MINI Cooper S Paceman ALL4. © 2013 MINI USA, a division of BMW of North America, LLC. The MINI name, model names and logo are registered trademarks.



Courtesy MINI USA.

Promotional Mix



Mass or Customized?

Cost?

Strengths?

Weaknesses?

The five elements of the promotional mix

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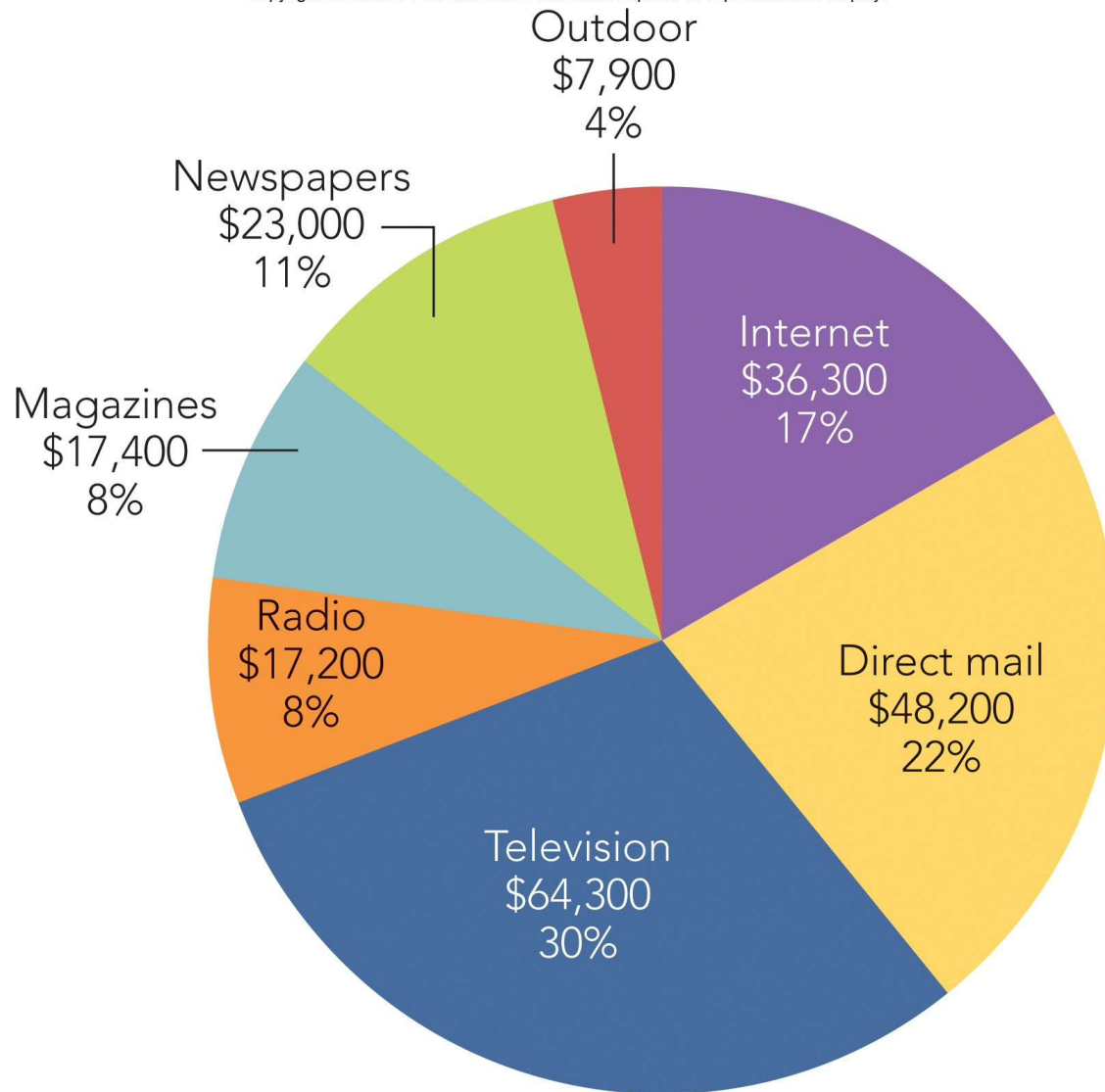
PROMOTIONAL ELEMENT	MASS OR CUSTOMIZED	COST	STRENGTHS	WEAKNESSES
Advertising	Mass	Fees paid for space or time	<ul style="list-style-type: none"> • Efficient means for reaching large numbers of people 	<ul style="list-style-type: none"> • High absolute costs • Difficult to receive good feedback
Personal selling	Customized	Fees paid to salespeople as either salaries or commissions	<ul style="list-style-type: none"> • Immediate feedback • Very persuasive • Can select audience • Can give complex information 	<ul style="list-style-type: none"> • Extremely expensive per exposure • Messages may differ between salespeople
Public relations	Mass	No direct payment to media	<ul style="list-style-type: none"> • Often most credible source in the consumer's mind 	<ul style="list-style-type: none"> • Difficult to get media cooperation
Sales promotion	Mass	Wide range of fees paid, depending on promotion selected	<ul style="list-style-type: none"> • Effective at changing behavior in short run • Very flexible 	<ul style="list-style-type: none"> • Easily abused • Can lead to promotion wars • Easily duplicated
Direct marketing	Customized	Cost of communication through mail, telephone, or computer	<ul style="list-style-type: none"> • Messages can be prepared quickly • Facilitates relationship with customer 	<ul style="list-style-type: none"> • Declining customer response • Database management is expensive

Advertising

Advertising is any paid form of nonpersonal communication about an organization, good, service, or idea by an identified sponsor.

US advertising expenditures (in \$millions)

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Personal Selling

Personal selling consists of the two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.

Public Relations

Public relations is a form of communication management that seeks to influence the feelings, opinions, or beliefs held by customers, prospective customers, stockholders, suppliers, employees, and other publics about a company and its products or services.

Sales Promotion

Sales promotion is a short-term inducement of value offered to arouse interest in buying a good or service.

Sales Promotion: Specific Objectives

1. Consumer product trial or immediate purchase
2. Consumer introduction to the store or brand
3. Gaining retail point-of-purchase displays
4. Encouraging stores to stock the product
5. Supporting and augmenting advertising and personal sales efforts

Direct Marketing

Direct marketing is a promotion alternative that uses direct communication with consumers to generate a response in the form of an order, a request for further information, or a visit to a retail outlet.

Incentives/Promotions

Here are some examples of incentives or sales promotions that you could use as a tactic as part of your promotional mix. As we discussed in our first week, these are *mindless marketing tactics*, so they should be used sparingly, and need to fit your overall strategy. If you are a premium or luxury brand for example, your promotions will look very different to a local fast food place. Also to be effective, it is best to try and make the promotion tie in with your actual unique benefit somehow. In other words, the incentive should also reinforce your brand position/benefit. This principle goes for all tactics in your promotional mix, like advertising, events, PR, personal selling and direct marketing. Remember as Marshall McLuhan said: *the medium is the message*.

- Discounts: Reducing the price of products or services for a limited time.
- Coupons: Offering vouchers that customers can redeem for a discount on products or services.
- Buy One Get One Free (BOGO): Customers receive an additional item for free upon purchasing one.
- Loyalty Programs: Rewarding regular customers with points, discounts, or exclusive offers.
- Contests and Sweepstakes: Encouraging purchases or engagement by offering chances to win prizes.
- Free Samples: Providing small samples of a product for free to encourage trial and purchase.
- Limited Time Offers: Special promotions available for a restricted time period.
- Rebates: Offering a partial refund after purchase.
- Seasonal Promotions: Special offers or discounts during specific seasons or holidays.
- Free Shipping: Waiving shipping costs for a limited time or for orders exceeding a certain amount.
- Gift with Purchase: Offering a complimentary gift when a particular item is purchased.
- Trade-In Promotions: Allowing customers to trade in an old item for a discount on a new one.
- Flash Sales: Extremely short-term discounts or offers, often lasting only a few hours.
- Multi-Buy Promotions: Discounts for purchasing multiple units of a product, like "three for the price of two."
- Referral Programs: Rewarding customers who refer new customers with discounts or gifts.
- Volume Discounts: Offering a reduced price for purchasing in larger quantities.
- Exclusive Events or Access: Providing special access to sales or events for a select group of customers.
- Bundling: Selling multiple products together at a reduced price compared to buying them separately.
- Cross-Promotions: Partnering with other businesses to offer combined offers or discounts.
- Point-of-Purchase Displays: Special in-store displays designed to attract attention and encourage impulse buying.
- Exit Offers: Providing a special promotion or discount when a customer is about to leave a website.
- Charity Promotions: Donating a portion of sales to a charity, often used to create a positive brand image and encourage sales.

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