LESSONS
MARKETING MANAGEMENT
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Teaching Material
Course: Dirección de Marketing
2º de Grado en ADE
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1. MARKETING SCOPE.

Today, marketing has evolved due to the great changes experienced by the market generating new behaviors, new opportunities and new challenges for companies.

SHIFTS:

- Technological advances.
- Liberalization.
- Changes in the distribution channel.
- Consumers have gained more power.
- Increased competition.
- Sectorial convergence.
- Globalization.
- Customization.
1. MARKETING SCOPE.

“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.” (American Marketing Association).

1. MARKETING SCOPE.

- This discipline is applied to different types of exchanges: Goods, Services, Events, Individuals, Places, Organizations, Ideas.
- In any of them, the ESSENTIAL GOAL OF MARKETING is to identify and to satisfy individual’s and society’s needs. (Kotler).
1. MARKETING SCOPE.

MARKETING MANAGEMENT seeks to meet the wishes and needs of consumers, selecting target markets to conquer, maintain and increase the number of clients by generating, communicating and delivering greater value to the customer.

2. MARKETING STRATEGIES AND PLANS

- The creation and communication of value offerings require a number of marketing activities, being crucial the STRATEGIC PLANNING in order to grant the right selection and execution of adequate activities.
2. MARKETING STRATEGIES AND PLANS

“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individual and organizational goals.” (American Marketing Association).

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2. MARKETING STRATEGIES AND PLANS

- ¿WHAT IS PLANNING?

  Deciding today the actions to be carried out in the future.

- ¿WHAT IS PLANNING ABOUT?

  Designing a course of action to meet the desired goal.
2. MARKETING STRATEGIES AND PLANS

- **Strategy**: “set of actions aimed to obtain a sustainable competitive advantage that can be maintained through the time and defendable from the competitors, by adequating company’s resources and capabilities to business environment, in order to meet the goals of the different stakeholders that participate in the organization”.

- **Competitive advantage** (Lambin): features or attributes of a product or a brand that lend it a certain superiority over its direct competitors.

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Strategic planning

Organizational levels in which a company can be structured:

1. Corporate level.
2. Division level.
3. Business unit level.
4. Product level.
Strategic planning

- Corporate Level
- Division Level
- Business Unit Level
- Product Level
1st AND 2nd LEVEL: CORPORATE AND DIVISION

1° CORPORATE LEVEL: Strategic plan to guide the entire company is designed within this level.
2° DIVISION LEVEL: Each one of the divisions in which the company is sorted.

Corporate and division plan contents:
1. Corporative mission definition.
2. Business definition.
3. Assessment of growth opportunities.
4. Corporative culture and organization.

3rd LEVEL: BUSINESS UNITS

Each division is divided in business units.
Def.: “independent organizational unit responsible for a set of product-markets”
Characteristics:
- It’s a business or set of related businesses that can be planned apart of the rest of the company.
- It has its own competitors.
- It has its own manager, responsible for strategic planning and for meeting the objectives.
3rd LEVEL: BUSINESS UNITS

Business units elaborate their own strategic plans pursuing a profitable future.

BUs strategic plan content:
1. Definition of the mission for each BU.
2. SWOT analysis.
3. Objectives formulation.
4. Strategies formulation.
5. Formulation and application of programs.
6. Outcomes control.

4th LEVEL: PRODUCT

- Business units are divided in different product levels.

- A MARKETING PLAN is developed for each one of the products to meet the objectives in their product-market area.
3. MARKETING MANAGEMENT FUNCTIONS IN THE COMPANY.

To succeed in marketing it is necessary to understand the value perception of customers, and to generate it, deliver it and develop it. For that matter, the following functions must be fulfilled:

1. Marketing strategies and tactics development.
2. Identification of the changes in the environment and of business opportunities.
3. Connecting with customers.
4. Building strong brands.
5. Defining the offering.
6. Delivering value.
7. Communicating value.
8. Developing profitable growth in the long run.

3.1. Developing marketing strategies and tactics.

- Outline the marketing strategies and tactics that will lead the marketing plan.
- The marketing plan operates at two levels:
  - Strategic level: It sets the target markets and the value proposals to be offered, according to the market opportunities analysis.
  - Operative level: It sets the specific marketing actions to be taken (product, price, promotion and place).
3.2. Identification of environment changes and business opportunities.

In order to understand what happens inside and outside the company, it must be had into account:

- A marketing information system.
- A marketing research system.

A) Marketing information system: allowing to identify business opportunities.

- MICROENVIRONMENT: suppliers, intermediaries, customers and competitors.

- MACROENVIRONMENT: demographic, economic, physical, technological, political-legal and socio-cultural forces.
3.2. Identification of environment changes and business opportunities.

B) Marketing research system: essential tool to
- Assess the desires and behaviors of buyers.
- Calculate the size of both the actual market and the potential market.
- Forecast future demand.

3.3. Connecting with customers

The company must evaluate the way they:

1- generate more value for their target group.

and

2- develop tight, long, and profitable relationships with their customers.
3.4. Building strong brands

The company must know the strengths and weaknesses of its brands.

Some aspects to be considered when branding:

- What attributes you want to associate the brand with (positioning).
- The brand related to life cycle.
- The brand regarding the competitive position.

3.5. Defining the offering

- Physical product (quality, design, characteristics, packaging).
- Services.
- Price (discounts, financing, etc...)
3.6. Delivering value

The products and services available to the target group.

- Distribution channel.
- Types of intermediaries.
- Decision-making in the channel.

3.7. Communicating value

Communicating the value of the products and services offered to the target group, trying to inform, persuade, and remind them, directly or indirectly, about the brands marketed by the company.

- Advertising.
- Sales promotion.
- Public relations.
- Personal sales.
- Direct marketing.
3.8. Developing profitable growth in the long run

- The company must consider how to develop its product line and brands long-term, and the impact on performance.
- Depending on the positioning of the products, the company will decide how to develop, test and launch new products.
- When launching new products, the company must take into account the challenges and opportunities worldwide.

4. STRATEGIC PLANNING: THE MARKETING PLAN

DEF: Structured document, elaborated by managers responsible for the marketing area, in which opportunities and threats are presented to define the goals to be reached in the next period, as well as the strategies and actions to achieve them.

It is the main instrument to lead and coordinate the marketing efforts, including tactical directives for marketing programs, and the financial allowances for the considered period.
Marketing plan

Written document summarizing all the available knowledge about the market, aimed to reach the marketing goals of the company.

Main features:

- It is a written document.
- Its content is systematic and structured.
- It clearly defines the different responsibility areas and establishes control procedures.

Advantages of the marketing plan:

- Future forecasting to facilitate the coordinated management of some marketing variables.
- It brings together the initial situation and the developments occurring in the environment.
- Coordination tool that enables coherence between objectives.
- It facilitates monitoring the undertaken actions and allows an objective interpretation of the deviation between forecasting and results.
Disadvantages of the marketing plan:

- The company must have complete information about the environment, the market, and competitors.

Marketing plan stages.

1\textsuperscript{st} stage. SITUATION ANALYSIS.

2\textsuperscript{nd} stage. SITUATION DIAGNOSIS.

3\textsuperscript{rd} stage. FORMULATION OF MARKETING OBJECTIVES.

4\textsuperscript{th} stage. CHOICE AND ELABORATION OF MARKETING STRATEGIES.

5\textsuperscript{th} stage. MARKETING ACTION PLAN.
1\textsuperscript{st} Situation analysis

- Comprehensive and rigorous study of the external and internal situation of the company.
- External analysis:
  - Economy
  - Competition
  - Market
- Internal analysis:
  - Marketing objectives.
  - Marketing strategies.
  - Human resources and materials.
### 2nd Situation diagnosis

**EXTERNAL ANALYSIS**

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRENGTHS</td>
<td>WEAKNESSES</td>
</tr>
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**INTERNAL ANALYSIS**

### 3rd Marketing objectives

- Objectives are set to describe what is to be achieved in a given amount and at a certain time.

- Marketing objectives must be subject to corporative objectives since they are in an inferior level.

- Most business units pursue a set of objectives among which are included:
Most common objectives:

Quantitative:

a) Higher market share.
b) Higher sales volume.
c) Higher profitability.
d) Greater coverage of distribution.
e) Higher satisfaction and loyalty levels among existing customers.

Qualitative:

a) Notoriety and image of the product, service or brand.
b) Relative position in the market.
c) Minimum size required to remain in the market.

Objectives formulation requirements:

- For a system’s operation, same unit’s objectives must meet 4 requirements:
  
  - Hierarchically ordered, from greater to lesser importance.
  - If possible, must be quantitatively formulated.
  - Realistic and reachable.
  - Consistent.
4th Marketing strategies

The objectives indicate what each business unit wants to achieve, and the strategy points out what to do to reach them.

Marketing strategies define the guidelines to get ahead of competitors, taking advantage of market opportunities while achieving the settled marketing objectives.

Marketing strategies are set in three levels:
1° Portfolio strategies (BCG, Ansoff, General Electric).
2° Segmentation and positioning strategies.
3° Functional strategies.

Functional marketing strategies:

- **PRODUCTS/SERVICES**: breadth of product range, product creation, product modification or removal, and brand policy.
- **PRICES**: price and discount strategies.
- **PLACE**: sales system, sales spot localization and market coverage.
- **PROMOTION**: internal and external communication, messages, and media and vehicles.
5th Action plans

- Marketing programs are formulated and applied in this stage.
- **Tasks involved:**
  - Specifying the marketing plan into actions (product, price, place and promotion).
  - Choosing a responsible for monitoring and implementing the set action plans within deadline.
  - Allocating the requested human, material, and financial resources.
  - Assessing the foreseen costs.
  - Prioritizing the actions to be undertaken regarding their importance.

Actions over products

- Enlargening, modification or elimination of the product range.
- Packaging change.
- New brands.
- Improvements in product quality or its features.
Actions over prices

- Changing the current price scheme and discount rates.
- Modifying the terms of sale.

Actions over distribution

- Change of distribution channels.
- Increasing coverage at retailer level.
- Setting or modifying the functions and conditions of wholesalers and retailers.
- Change of carrier.
- Improving the delivery time.
- Increasing the salespersons number.
- Modifying areas and routes.
Actions over communication

- Perform specific campaigns.
- Selecting media.
- Budgetary determination and allocation
- Customized contact with distributors and customers.

5th Action plans

As the strategy is being implemented, the company needs to track the results and the changes of the environment, to review and adjust the programs and its strategy, its implementation and even its goals if these changes occur.
Marketing plan structure

- Executive summary and index: brief summary of the objectives and suggestions, main issues of the plan, data of the analysed company, its activity, its historical evolution...
- Situation analysis (SWOT).
- Marketing strategies: those developed so far and the proposed ones (either for a new product or the modification of any of the current ones)
- Financial projections: including sales, expenditure, and break-even point forecasting/analysis.
- Controls: will be carried out to check and adjust the plan. Normally, objectives and budget of each period are made on a monthly or quarterly basis for the possible revision of the results and the ability to take corrective action.

5. IDENTIFICATION OF MARKET OPPORTUNITIES

Business units must analyse the forces in the macroenvironment that make influence over their ability to generate profit:
- Demographical
- Economical
- Natural
- Technological
- Political-legal
- Sociocultural

For this reason, the Marketing Intelligence System is implemented, which aims to study the market trends and its developments.
The marketing intelligence system

DEF: “The marketing intelligence system is a set of sources and procedures used by managers to obtain daily information about any event in the marketing environment of the company.

- **Internal data system** offers information about **RESULTS**.

- **Marketing intelligence system** offers information about **EVENTS** in the company’s environment.

Marketing managers gather all the information from:
- Books.
- Newspapers.
- Commercial publications.
- Interviews with customers.
- Interviews with suppliers.
- Interviews with distributors.
- Meetings with other managers.
The marketing intelligence system

To obtain information from these sources it is important to:

- Motivate the salespersons and intermediaries to obtain information.
- Encourage external connections.
- Acquire information from external suppliers.
- Create a customers panel.
- Create online feedback system.

5. IDENTIFICATION OF MARKET OPPORTUNITIES

The main goal of monitoring the environment is to discover market opportunities on time.

To a large extent, marketing is the art of discovering, developing and capitalizing on opportunities.

OPPORTUNITY: is any need or interest of buyers that a company can satisfy in a profitable way.
5. IDENTIFICATION OF MARKET OPPORTUNITIES

There are **3 MAIN SOURCES OF MARKET OPPORTUNITIES:**

1. Offering something scarce.
2. Offering an existing product or service with a new or higher quality.
3. Offering a totally new product or service.

6. THE HOLISTIC MARKETING APPROACH

**MARKETING APPROACH:**

- Emerged in the mid-50’s replacing the SALES APPROACH, which was focused on seller’s needs, considering that the center of the business was to “manufacture and sell.”

- It is focused on buyers’ needs. The customer is considered as the center of the business, “to detect and answer” his needs.
6. THE HOLISTIC MARKETING APPROACH

MARKETING APPROACH:

- Marketing experts recognize the need for a more comprehensive approach, tailored to the characteristics of the environment in which firms operate and compete, which overcomes the traditional applications of the marketing approach. **HOLISTIC MARKETING APPROACH.**

6. THE HOLISTIC MARKETING APPROACH

**Holistic Marketing:** “development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.”

It considers that everything matters in marketing: consumers, employees, other companies, competitors and society as a whole, so a broad and integrated perspective must be adopted.
6. THE HOLISTIC MARKETING APPROACH

The elements characterising the application of HOLISTIC MARKETING are:

- RELATIONSHIP MARKETING
- INTEGRATED MARKETING
- INTERNAL MARKETING
- PERFORMANCE MARKETING

6.1. RELATIONSHIP MARKETING

Its purpose is to establish long term mutually satisfying relationships with key stakeholders (consumers, suppliers, distributors, and other marketing collaborators), in order to retain and increase business.

Establishing appropriate relationships with the appropriate stakeholders.
6.1. RELATIONSHIP MARKETING

Key components of relationship marketing:
- Consumers.
- Employees.
- Participants in the value chain (suppliers, channels, distributors, agencies)
- Financial community members (shareholders, investors and analysts).

6.2. INTEGRATED MARKETING

It is based on two essential aspects:

- The multitude of different marketing activities that are used to communicate and create value (product, price, communication and distribution).
- All marketing activities are coordinated to maximize their impact as a whole. Thus, any marketing activity should be prepared and implemented taking into account the other activities.
6.3. INTERNAL MARKETING

**DEF.:** "Task of recruiting, training and motivating staff to adequately serve the customer"

It ensures that all participants of the company adopt the concepts and marketing objectives, and participate in the selection, generation and communication of customer value.

6.4. PERFORMANCE MARKETING

**Social responsibility:** means that marketers consider the role they are playing and could play in terms of social welfare.

It should be kept in mind that the causes and effects of marketing actions are beyond the company and the consumer, affecting society as a whole.
1. CONNECTING WITH CUSTOMERS AND CONSUMERS

The current approach to marketing is based on creating strong relationships with their customers. To do this, companies must be in contact with them:

- Informing them,
- Involving them and even
- Encouraging them.

THE IMPORTANCE OF THE “CUSTOMER”
1. CONNECTING WITH CUSTOMERS AND CONSUMERS

To maximize the value of customers, long term relationships with them must be encouraged. Companies are leaving mass marketing to implement a customized marketing (offers, messages and communications) trying to create strong links with customers.

How to create strong links with customers? (Berry y Parasuraman):
- Adding economic benefits
- Adding social benefits
- Adding structural links

It is increasingly difficult to satisfy consumers (more and more demanding, concerned about the price and do not forgive easily) and there are many competitors with similar or better deals to choose from.

The challenge is not to satisfy customers (many competitors can do it) but to delight them to be faithful.

Simply looking for new clients is not enough, you must RETAIN CURRENT CUSTOMERS AND INCREASE THE NUMBER OF TRANSACTIONS BY CUSTOMER.
1. CONNECTING WITH CUSTOMERS AND CONSUMERS

Marketing theory and practice should focus on:
- Attract new customers and MAINTAIN AND DEVELOP THE VALUE OF THE EXISTING ONES.
- Get sales and BUILD RELATIONSHIPS.
- Presales and sales and, most specially, AFTER-SALES.

WAYS TO ENHANCE CUSTOMER LOYALTY:
- Building high barriers to change.
- Providing a great customer satisfaction (BEST OPTION since it difficults competitors to offer lower prices or any other factors that induce change).

2. THE MARKET: REFERENCE MARKET, RELEVANT MARKET AND PRODUCT-MARKET

MARKET
“set of consumers sharing a need or function and willing to satisfy it through exchange.”
REFERENCE MARKET

DEF: “set of consumers sharing a need or function and willing to satisfy it through exchange.”

DEF: Market conformed by any product that a consumer includes in the same buying options set, that is to say, any products considered adequate to satisfy the same need.

SUBSTITUTE PRODUCTS

RELEVANT MARKET

DEF: That part of the relevant market where the company really competes.

The three possible ways of defining the relevant market are:

• Product-market (SBU)
• Market
• Industry
PRODUCT-MARKET

1. BUYERS
2. NEEDS OR FUNCTIONS
3. TECHNOLOGY

"Intersection of a segment, a generic need, and a specific technology"

RELEVANT MARKET

• **Market**: covers the set of technologies for a function and a group of buyers.

• **Industry**: is defined by technology, whatever the functions and groups of buyers or set of vendors, who respond to the same general requirement for any buyer under a particular technological form.

• **Product-market** is located at the intersection of a group of buyers and a function based on a particular technology.
3. THE MARKET SEGMENTATION PROCESS

Every marketing strategy is based on:

1. Identify different needs and groups in the market (SEGMENTING),
2. Focusing on the needs and groups that could be served best (DEFINING THE TARGET) and
3. Positioning your bid so that the target market recognizes the offering of the company and its distinctive image (POSITIONING).

3.1. MARKET SEGMENTATION

MASS MARKETING: the seller uses the mass production, distribution and communication of a product for all buyers alike. Examples: Ford T; Coca-Cola’s 350 ml unique size.

Mass marketing advantages:

- It creates the largest possible potential market.
- It reduces costs.
- Lower prices or higher margins.

The growing diversification, the proliferation of media and distribution channels makes reaching a mass audience increasingly expensive and difficult.
3.1. MARKET SEGMENTATION

Basic proposition → consumers are different (because of their needs or demographic and socioeconomic characteristics, or personality, attitudes, perceptions and preferences) and these differences lead to different demands.

Segmenting is to divide the market so as to obtain groups that are internally homogeneous, either by their characteristics, their needs or their behaviors.

Segmentation: process of dividing the market into homogeneous subgroups, with regard to the wishes, buying situation, attitudes, habits, etc, that seek in the product the same set of attributes or benefits in order to carry out a differentiated commercial strategy for each of them, allowing to meet their needs and to reach business objectives of the company in a more effective way.
Segmentation process

1. PRODUCT-MARKET SEGMENTATION: includes identifying relevant segmentation criteria, and the determination and description of the segments.

2. TARGET DEFINITION: requires the valuation of each group attractiveness, selecting that segment or those segments of the market that the company attempts to conquer and the definition of the thereof coverage strategy.

3. PRODUCT POSITIONING, of the company and its bid in the target market.

Every marketing strategy is based on:

1. Identify different needs and groups in the market (SEGMENTING),

2. Focusing on the needs and groups that could be served best (DEFINING THE TARGET) and

3. Positioning your bid so that the target market recognizes the offering of the company and its distinctive image (POSITIONING).
3.2. TARGET GROUP DEFINITION

- Valuation of each group attractiveness.
- Selection of the segment or segments of the market that the company attempts to conquer.
- Definition of the coverage strategy for these segments (issue 4).

The assessment of a segment’s attractiveness requires the analysis of:
- Sales potential.
- Medium-term stability.
- Growth.
- Accessibility.
- Differentiated response to the commercial action and investment needs.
3.2. TARGET GROUP DEFINITION

Requirements of segment selection:
- Easily identifiable and its potential purchase must be measurable.
- Accessible: can be effectively reached and served.
- Substantial: large enough to be profitable.
- Really different.
- Possible to be served.
- Defensible.

Valuation of each group attractiveness.
- Selection of the segment or segments of the market that the company attempts to conquer.
- Definition of the coverage strategy for these segments (Lesson 4).
4. MARKET SEGMENTATION STRATEGIES

Currently, companies recourse to Micromarketing, at one of the following levels:

- Segment marketing.
- Niche marketing.
- Local marketing.
- Customized marketing.

4.1. SEGMENT MARKETING

The firm chooses several segments and applies a different marketing program to each one of them, tailored to the needs of each of the different target segments.

Advantage: the total market demand can be substantially increased, because the needs of each segment are best met.

Disadvantage: the cost to the company are much higher, due to lower economies of scale.
4.1. SEGMENT MARKETING

Since not all members of the same segment want exactly the same, flexible marketing offers are often created within the same segment with 2 components:

- A basic solution that incorporates those elements of the product or service that are valued by all members of the segment.
- Discretionary choices they are valued by certain members of the segment.

4.2. NICHE MARKETING

The company can detect the existence of several relevant market segments, but may not be able to address them all properly, due to lack of resources.

Instead of covering the entire market, it will be more advantageous to concentrate on one or a few small segments where the firm can obtain a competitive advantage and gain greater market share.
4.2. NICHE MARKETING

- Advantage: the characteristics of each segment can be investigated in depth.
- Disadvantages:
  - the weakening of demand,
  - preferences change in any of the served segments or
  - the entry of new competitors

  can significantly reduce sales and profits of the enterprise

4.3. LOCAL MARKETING

- Designing marketing programs tailored to the needs and wishes of local consumer groups.
  - Commercial areas.
  - Neighbourhoods.
  - Individual stores.
4.4. CUSTOMIZED MARKETING

- It is the ultimate level of segmentation, also called personalized marketing.
- Is to design a product tailored to the specific characteristics of each client.
- Electronic commerce has encouraged the development of this marketing.
- Not applicable to all companies.

4.5. NEW TRENDS

It is a must:
- To periodically analyse segmentation strategies since segments do change.
- For this it is necessary to investigate the hierarchy of attributes that consumers examine when selecting a brand. This may reveal new consumer segments.
5. BRAND BUILDING

"A name, term, sign, symbol or design, or combination of them, whose purpose is to identify the goods or services of one seller or group of sellers and differentiate them from the competition" (American Marketing Association).

To create a strong brand it is necessary to count on:

- Thoughtful planning.
- A great long-term investment.

INTRODUCTION

The success of a brand revolves around:

- Sensational product or service.
- Backed by a marketing strategy designed and executed creatively.

- Sony, Gillete, Coca-Cola, Gucci, Tous
INTRODUCTION

Brand functions:
- To identify the origin or manufacturer.
- Demand accountability.
- Evaluate the same product from different brands.
- Identify which brands meet the needs and which not.

Brands can be used in any situation:
- Physical goods
- Services
- Establishments
- People
- Places
- Organizations
- Ideas
BRANDING STRATEGIES

- UMBRELLA BRANDING OR CORPORATE BRANDING
- INDIVIDUAL BRANDING
- FAMILY BRANDING
- COMBINED STRATEGIES

5.1. UMBRELLA BRANDING

It consists in using the same name for all products.

Advantages:
- Development costs are lower since there's no need for brand name research nor communication investment aimed to generate brand awareness.
- Sales will be higher if the manufacturer has a good reputation.

Disadvantages:
- Applicable only to shallow product lines.
5.2. INDIVIDUAL BRANDING

It consists in creating a different brand for each of the products.

Advantages:

➢ The company does not bind its reputation to the product. Thus, if the product does not deliver the expected performance or it has a low quality, the name or the image of the company will not be harmed.

Disadvantages:

➢ Higher costs when introducing new products.
➢ Difficulty in finding meaningful names.

5.3. FAMILY BRANDING

□ It consists in branding each product line independently.

□ Recommended when the company manufactures many different products.
5.4. CORPORATE BRANDING

- It consists in combining the name of the company with the names of individual products.

6. STRATEGIC POSITIONING

Every marketing strategy is based on:

1. Identify different needs and groups in the market (SEGMENTING),
2. Focusing on the needs and groups that could be served best (DEFINING THE TARGET) and
3. Positioning your bid so that the target market recognizes the offering of the company and its distinctive image (POSITIONING).
6. STRATEGIC POSITIONING

"The conception of a product and its image in order to build, in the spirit of the buyer, occupying a different and popular place facing the competition".

POSITIONING STRATEGY: "Evaluate a product by its distinguishing characteristics or attributes (objectives or actual) compared to competitive products, regarding buyers for whom that element of differentiation is important".

6.1. STRATEGIC POSITIONING STAGES:

1. Identification of direct competition.
2. Determination of the positions of competitors through maps of preference perceptions.
3. Determination of competitive dimensions according to consumer perception.
4. Analysis of the positions of consumers.
6.2. STRATEGIC POSITIONING

Previous conditions:

- Good knowledge about the current position occupied by the brand in the minds of buyers.
- Knowing the position achieved by competing brands.
- Choose a position and select the most appropriate and credible argument to justify it.
- Evaluate the profitability of the selected position.
- Verify if the brand holds the sought position.
- Do we have the resources to occupy and defend the sought position?
- Ensure that there is consistency between the chosen positioning and other marketing variables: price, communication and distribution.

Repositioning

- Technological changes
- Global markets
- Stronger competition
COMPETITION AND ITS ANALYSIS ACCORDING TO PORTER

To

- Build a strong brand.
- Design and apply better positioning strategies.

⇒ It is necessary to know the competition.

Critical bibliography:
1. COMPETITION AND ITS ANALYSIS ACCORDING TO PORTER

Competition is getting more and more intense:
- Internacionalization of companies.
- Internet.
- New distribution networks.
- Etc.

In today's competitive environment, information on competitors has acquired great relevance and so as the analysis of different competitive forces.

A) The information on competition involves the identification of the following aspects (Santesmases, 2004):
- Current and potential competitors, their characteristics, structure and evolution.
- Competitors objectives.
- Strengths and weaknesses of competitors.
B) **Competition analysis** involves the analysis of the sector in which that power acts.

Porter (1982) presents a scheme, considering that an industry comprises five basic competitive forces:
- Rivarly among existing competitors
- Threat of new entrants.
- Threat of substitute products and services.
- Bargaining power of suppliers.
- Bargaining power of customers.

**COMPETITION DEFINITION ➔** Competition from a consumer perspective:

"A company will be another's competitor if the consumer believes that their products offer the same attributes, satisfy the same basic benefit, or even if they compete for the same budget."

This leads to analyze the **levels of competition**.
1.1. Competition levels

- Product competition.
- Sectorial competition.
- Generic competition.
- Budgetary competition.
1.2. Sectorial competition analysis

Forces that determine the long-term intrinsic attractiveness of a market or a market segment (M. Porter):

A. Existing competitors-substitute products.
B. Potential competition-entry barriers.
C. Degree of competitive rivalry.
D. Bargaining power of suppliers and customers.
Sectorial competition analysis

A) Existint competition-substitute products:
The attractiveness of a segment depends on the number of existing or potential substitutes.

- Few substitutes ➞ less sensitive to price
- Many and easy to adopt ➞ very sensitive

Factors to consider:
- Propensity.
- Price-perceived utility ratio.

B) Entry barriers

The attraction of a segment varies depending on the nature and extent of its entry barriers.

Types of entry barriers:
- Required investment.
- Economies of scale.
- Absolute advantage in costs.
- Product differentiation.
- Access to distribution channels.
- Legal and administrative barriers.
C) Competitive rivalry

Competitive rivalry depends on:

- Concentration.
- Diversity of competitors.
- Product differentiation.
- Exit barriers.

D) Bargaining power of suppliers and customers

A. Price sensitivity of buyers:
   - Importance of price compared to total costs.
   - Substitutability of the product.
   - Rivalry.
   - Product quality.

B. Relative bargaining power:
   - Relative size of the buyer regarding the seller.
   - Number of buyers.
   - Market knowledge.
   - Cost of replacing a supplier by another.
2. COMPETITIVE MARKETING STRATEGIES

Companies can be classified according to their role in the target market:

- Leader firm.
- Challenging company.
- Followers.
- Niche-specialist firm.

2.1. LEADER STRATEGY: company which holds the largest market share and that is usually ahead of the other companies in terms of:

- Price changes.
- Launching new products.
- Distribution coverage.
- Intensity of promotions.
2. COMPETITIVE MARKETING STRATEGIES

2.1. LEADER STRATEGY
Competitive advantage in cost or differentiation.
Objective: maintain the achieved position (any innovation can affect your position).
To maintain leadership, the company must act in three ways:
1. Offensive strategy.
2. Defensive strategy.
3. Competitive harassment strategy.

2.1.1. Offensive strategy

- Motto: "There is no better defense than a good offense."
- Key to success:
  - Constant innovation in new product development, services to customers, distribution effectiveness and costs reduction.
  - Launching initiatives to keep competitors off balance.
2.1.2. Defensive strategy

- Maintain the "status quo" with activities that prevent rivals gaining ground and using entry barriers.
- Defensive actions:
  - Entry barriers.
  - Creating their own competitors.
  - Expanding product lines.
  - Good quality/price ratio.
  - Patenting technologies.
  - Exclusive contracts with suppliers.

2.1.3. Competitive harassment strategy

- Signaling and sending indirect messages to the closest rivals.
- Any hostile movement will be answered.
2.2. CHALLENGER STRATEGY

Companies that occupy positions 2, 3 and following, below the leader:

- **Challenging firm**: aspires to be leader, attacking the leader or other competitors, trying to raise its market share.
- **Follower**: moves on, without disturbing the leader.

2.2. CHALLENGER STRATEGY

- Without being it, aspires to be the leader.
- Take the initiative to attack the strong position of the leader.
- **Strategic factors**:
  - Election of the battlefield
  - Choosing forms of attack
  - Assessment of target reactions
Election of the battleground:

Decide which companies to attack:
- The leader.
- Other companies of its own size that do not serve the market well and who have financial problems.
- Other local and regional companies.

Choosing forms of attack

FRONTAL ATTACK
- Use the same commercial arms that the leader (mk-mix).
- Owning more resources (key to success).
Disadvantage: receiving a strong counterattack.
Choosing forms of attack

SIDE ATTACK

Search leader's weak spots and attack them:
- Underserved segments.
- Shortly dominated distribution channels.
- Regions with weak or limited presence of leader.

Assessment of target reactions

- Assess their vulnerability.
- Points that oblige to respond.
- Possible reprisals.
2.3. FOLLOWER STRATEGY

Followers prefer following the leader instead of challenging it. They try to keep their current customers and, at the same time, to figure out how to get new ones.

Key: offering some competitive advantage to your target market (location, services, financing, etc.).

- Vacant segment.
- High quality strategy.
- “Big fish eats small fish” strategy.
- Distinctive image strategy.

2.4. SPECIALIST STRATEGY

Leader of a small or niche market. They are small businesses that target small markets that lack interest to large companies.

- In end consumers.
- In custom-made products.
- In price/performance ratio.
- In a certain service.
3. STRATEGIES TO OBTAIN A COMPETITIVE ADVANTAGE.

- In today's market (high competition), the products should be differentiated.

- The level of differentiation depends on the type of product.
  - Some products allow little differentiation.
  - Some products are suitable for great differentiation.

3. STRATEGIES TO OBTAIN A COMPETITIVE ADVANTAGE.

- COST LEADERSHIP STRATEGY
- DIFFERENTIATION LEADERSHIP STRATEGY
- FOCUS OR CONCENTRATION STRATEGIES.
3.1. Cost leadership strategy

There are several ways to obtain a competitive advantage in costs. The most crucial and visible are those related to the experience curve, internal organization or economies of scale.

3.2. Differentiation strategies

Covers all actions aimed at distinguishing your own product from competitor's products in order to charge a price premium above the costs necessary to produce such differentiation.
3.2. Differentiation strategies

Advantages of differentiation strategies:

1. Increase the level of consumer loyalty to brands.
2. This loyalty implies an entry barrier.
3. Differentiation involves applying a higher price.
4. It allows to resist better the threats from substitute products.

Disadvantages of differentiation strategies:

1. The cost of differentiation can match and even exceed the premium that competitors make the consumer pay.
2. Rivalry in the sector can annul and even exceed the differential effect.
3.2. Differentiation strategies

- Parameters of differentiation:
  - The product.
  - The services.
  - Personal factor.
  - Image.

3.2.1. Differentiation strategies based on the product

Main factors of product differentiation:

1. Performance (versions).
2. Quality.
4. Durability.
5. Reliability.
6. Design.
3.2.2. Differentiation strategies based on services

When the physical product can not be differentiated easily, the key to competitive success lies in adding valuable services and improving quality.

**SERVICE**: "Any action or task essentially intangible that a party may offer to another."

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**3.2.2. Differentiation strategies based on services**

Main factors of differentiation of services:

1. Ordering easiness.
2. Delivery and its time.
3. Installation and assembly.
4. Training customers.
5. Guarantee.
6. Aftersales.
1. DEFINING MARKET BIDS

Marketing planning begins with the formulation of an offering that meets the desires and needs of target market customers.

Offering which key element is the PRODUCT.

What is a product? ➔ It's more than a tangible offer, which is reflected in the following definitions.
1. DEFINING MARKET BIDS

Kotler "A product is something that can be offered to a market for the purpose of being acquired, used or consumed, in order to satisfy a want or a need."

Stanton: "The product is a set of tangible and intangible attributes, including packaging, color, price, quality and brand, plus the services and reputation of the seller, and can be a tangible good, a service, a place, a person or an idea."

"So, in essence, consumers buy more than a group of physical attributes. They acquire the satisfaction of their desires in the form of the product's benefits."
1. DEFINING MARKET BIDS

Lambin "A product or brand is a specific set of attributes that gives the buyer not only the essential service of a class of product, but also all ancillary services necessary or additional that are distinctive between brands, which might influence the preferences of buyers“.

2. PRODUCT LIFE CYCLE MODEL

- This model describes the lifetime of the product, ie, the evolution of product demand over time.
- It is a progressive series of stages in which the behavior of demand, competition and technology are changing.
- It is also used to describe the likely benefits of the product in every moment of its commercial life.
2. PRODUCT LIFE CYCLE MODEL

Four major stages:

- Take-off phase (Introduction)
- Exponential phase (Growth - Turbulence)
- Stationary phase (Maturity - Saturation)
- Decline phase

![Product Life Cycle Diagram]
1st. Introduction

- **INTRODUCTION PHASE.** The product has been just launched, and very few consumers are aware of it. The units sold are scarce.

- At this stage the cash flows are very negative since the expenses are high.

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Marketing programme in this stage:

- **PRODUCT:** basic design.
- **PRICE:** High prices, since the elasticity of demand is low at this stage
- **PLACE:** selective, even exclusive.
- **PROMOTION:** informative.
2nd. GROWTH-TURBULENCE

GROWTH:

□ Sales start to rise at an increasing rate due to greater awareness of the product by the consumer, by the availability of the product in retail outlets and by word of mouth communication.

□ Given the regular drop in production costs produced by increasing production volume and the experience effect, cash flow becomes positive.

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Marketing programme (growth stage):

□ PRODUCT: improve it by adding features.

□ PRICE: reduce them to reach new groups of buyers.

□ PLACE: intensive, multiplying the distribution networks.

□ PROMOTION: aimed at creating a brand image.
2nd. GROWTH-TURBULENCE

TURBULENCE: at this stage the demand continues to grow but at a decreasing rate.

3rd. MATURITY

- This phase arises as a result of a slowdown in the pace of demand growth, accompanied by an increase in competition and a shrinking market.
- At this stage, the market is very segmented, firms strive to meet all needs. So firms usually resort to a technological relaunching of the product to extend its life.
3rd. MATURITY

Marketing programme:

- PRODUCT: diversify brands or models.
- PRICE: at competitor level or lower.
- PLACE: more intensive.
- PROMOTION: obtain the benefits of the brand or stimulate change to this brand.

4th. DECLINE

Most of the market has already purchased the product and will despise it in favor of more innovative ones. This will force the company to plan the replacement of its existing products with more efficient ones by providing more and better benefits to consumers including:

- New technologies or
- products that are better suited to the tastes, preferences and fads.
4th. DECLINE

Marketing programme:
- PRODUCT: eliminate weak products.
- PRICE: reduce.
- PLACE: selection, eliminating unprofitable spots.
- PROMOTION: retain loyal customers, reduce advertising and promotion expenses.

3. TYPOLOGIES OF NEW PRODUCTS

- Innovation applied to marketing: “set of activities within a certain period of time and place, to achieve the successful introduction in the market for the first time, of an idea in the form of new or improved products, new processes, services, or managerial and organizational techniques” (Serrano & Landa).
3. TYPOLOGIES OF NEW PRODUCTS

“Less than 10% of new products is truly innovative” Kotler.

- Products new to the firm and the market.
- Products new to the company but not for the market.
- New varieties of product.
- Existing products to new markets or segments.

4. THE PROCESS OF CREATING NEW PRODUCTS.

Need of new and original products

✓ INTERNAL REASONS:
  ✓ Will to grow.
  ✓ Find products with higher profitability.
  ✓ Better use of production capacity.

✓ EXTERNAL REASONS:
  ✓ Shortening of the life cycle of products.
  ✓ Launching of competing products.
  ✓ Difficulty in the procurement of raw materials.
  ✓ Cost of raw materials.
4. THE PROCESS OF CREATING NEW PRODUCTS.

1. Idea generation
2. Idea screening
3. Concept development and testing
4. Marketing strategy
5. Business analysis
6. Product development and testing
7. Market testing
8. Commercialization

1st Stage: Idea Generation

**PRODUCT IDEA**: possible product that can be offered to market
2nd Stage: Idea screening

- A committee evaluates ideas (promising ones, and rejected ones).
- Evaluating the potential of each idea and eliminating those inconsistent with the possibilities, strategies and objectives of the company.
- OBJECTIVE: discovering good ideas.
- Avoiding:
  - To eliminate profitable ideas.
  - To permit poor ideas.

3rd Stage: Concept development and testing

PRODUCT CONCEPT

Elaborated version of the idea.
Is a detailed description of:
- Product features.
- Its potential uses and benefits to be obtained.

A single idea can lead to several product concepts.
3rd Stage: Concept development and testing

**TESTING THE CONCEPT:** test a product concept in a specific target audience to gauge their reactions.

- If they consider the benefits clear and credible.
- If it solves a problem or fills a need.
- If they would buy the product, where and how often.

Disadvantage: getting opinions from something that is not real.

4th Stage: Marketing strategy

When the tests of concept have been passed, the head of the new product has to develop a draft strategic plan for launching the product to market, which consists of 3 parts:

- Description of market size, structure and behavior of the target audience, positioning, and goals in terms of sales, market share and profits of the early years.
- To describe the expected price, distribution strategy and marketing budget for the first year.
- To unveil long-term objectives in terms of sales and profits, and the marketing-mix strategy to follow over time.
5th stage: Business analysis

Evaluate the attractiveness of the new business proposal estimating:
- Sales.
- Costs.
- Profits.

In short, looking for a new product consistent with the objectives of the company. If it gets over this stage then it is passed to the next one.

6th Stage: Product development and testing

- **PRODUCT DEVELOPMENT ➔** Convert the product idea into something feasible from a technical and commercial point of view (PROTOTYPE).

- Development of several versions of the concept to find the prototype that best suits:
  - Concept description.
  - Safe operating.
  - Manufacture in accordance with budgeted production costs
6th Stage: Product development and testing

TEST DEL PRODUCTO CONSTA DE 2 PARTES:
A) Laboratory test.
B) Product testing with customers.

A) LABORATORY TEST. Engineering department.

To know and assess:
- Life span.
- Required investment for manufacturing it.
- Unit production costs.

B) Product testing with customers.

Gathering information about:
- Overall consumer reaction (acceptance or rejection).
- Advantages and disadvantages of the new product.
- Forms of use.
- Use frequency.
- Comparative advantages.
- Elements that need improvement.
- Most relevant attributes.
7th Stage: Test market

- Those products with a functional and psychological behavior satisfying company management are assigned to a NAME, PACKAGE, and TEST MARKET.

TEST MARKET TYPES:

- Traditional test market: is to select representative cities of the global market where the company wants to compete and put the new product for sale.
- Minimarket test: to sell the product through a set of retailers.

Objectives:

1. To evaluate the performance of new product in the real market: sales, market share and financial results.
2. To determine the best of several alternative marketing plans.
3. To identify and find solutions to unforeseen problems.
8th Stage: Commercialization

- Launching the product to market, developing a detailed marketing strategy for a fully defined product.

- Contents of the plan:
  - When to commercialize the new product (taking into account rival actions involving new products).
  - Where (town, region, national or international market).
  - Whom (first distributors).

Factors of success:

- Commercial superiority of the product.
- Company resources.
- Technological superiority of the product over those of the competitors
- Detailed development of each of the phases that comprise the development of new products.
Reasons for failure:

- Promoting an interesting idea although marketing research describes it as negative.
- Good idea, but insufficient market size.
- Poor design of the new product.
- Poor positioning (high price or promotion).
- High development costs.
- Competitive reaction stronger than expected.

5. THE PROCESS OF DIFFUSING INNOVATIONS

- **Innovation**: Original and bearer of progress application of a discovery, an invention, or simply a concept.

- **Adoption process**: "Is the time from which an individual perceives an innovation for the first time until, finally, is adopted by him."
5. THE PROCESS OF DIFFUSING INNOVATIONS

The diffusion of innovations theories postulate the following:

The introduction of an innovation in the market is characterized by the small number of individuals or institutions that decide to buy it (innovators);

Subsequently, there are those known as early adopters who, in turn, give way to a third group of consumers, early majority, and a fourth, late majority, and, finally, the laggards.

- **Innovators**: individuals that are likely to change, they make an active search for information on new products.
- **Early adopters**: cautious at first with the news, tending to be opinion leaders, they are useful in communicating the new product to other potential buyers. Highlights its ability to significantly and positively influence the attitudes of other potential buyers.
- **Early majority**: acts as a disseminator, welcomes new ideas earlier than average, although it rarely leads nor for its attitude nor for its credibility.
- **Late majority**: skeptical, adopt innovations only after most of the people have embraced it and their evaluation has been positive.
- **Laggards**: adopt the innovation when it has become a tradition in itself.
1. **THE PRICE IN MARKETING STRATEGY**

**PRICE:**

- Amount of money needed to purchase a given amount of goods.

- " Compensation of the set of satisfactions procured and assessed upon the usage value or overall utility perceived by the buyer."
1. THE PRICE IN MARKETING STRATEGY

Price for the buyer =
- Monetary value,
- all efforts made,
- the inconvenience and discomfort suffered and
- the time the buyer must invest to get the satisfaction of their need.

2. PRICING STRATEGIES

A) Price adaptation strategies.
B) Price modification strategies.
A) Price adaptation strategies

The company does not usually set a single price, but usually set different prices based on:

- Geographical areas.
- Segments.
- Season.
- Order volume.
- Frequency of purchase.
- Warranty.
- Services.

A.1.) GEOGRAPHICAL PRICING

A.2.) DISCOUNTS AND INCENTIVES TO PURCHASE

A.3.) PROMOTIONAL PRICES
A.1.) Geographical pricing

- Differential pricing for customers from different places and countries.

A.2.) Discounts and incentives to purchase

- Purpose: To compensate customers for making payments promptly, for ordering large volumes and for purchasing out of season.
A.3.) Promotional prices

Techniques to stimulate and accelerate purchases:
- Special pricing on red letter days.
- Financing at a prime interest rate.
- Extending payment periods.
- Warranties and additional service contracts.

B) Price modification strategies

B.1.) Price reduction strategies.
B.2.) Price increase strategies.
B.1.) Price reduction strategies

**Situations that may lead to lower prices are different:**

- Overcapacity. The company needs to develop a supplementary activity and can not generate it by increasing sales efforts, nor product improvement, nor through other measures. Drawback: price war.
- Decline in market share.

**Disadvantages:**

- Associating it with lower quality.
- Recovering market share but not customer loyalty.
B.2.) Price increase strategies

Cases:

- **Increase in costs.** An increase in costs, if not followed by an increase in productivity, can eliminate the margins of profit and take the company to periodic price increases.
- **Excess of demand:** eliminate customers we are unable to attend.
1. DISEÑO Y GESTIÓN DE LOS CANALES DE MARKETING. - DESIGN AND MANAGEMENT OF MARKETING CHANNELS.

2. DECISIONES SOBRE LA GESTIÓN DEL CANAL. - DECISIONS ON THE CHANNEL MANAGEMENT

3. ESTRATEGIAS DE DISTRIBUCIÓN. – DISTRIBUTION STRATEGIES.

4. LA LOGÍSTICA. – LOGISTICS.

Bibliografía fundamental:

Asignatura: Dirección de Marketing (2º Grado)
UNIVERSIDAD DE CÁDIZ

1. DESIGN AND MANAGEMENT OF MARKETING CHANNELS

- "To successfully create value it is necessary to successfully deliver value" (Kotler, 2006).
- Delivering value to the customer is done through DISTRIBUTION CHANNELS.
- DISTRIBUTION CHANNEL DEFINITION: "SET OF PEOPLE AND ORGANIZATIONS INVOLVED IN THE PROCESS OF MAKING PRODUCTS AND SERVICES AVAILABLE TO THE CONSUMER FOR THEIR USE AND CONSUMPTION. PLUS THE TRACKS AND PATHS FOLLOWED BY PRODUCTS, FROM ITS PRODUCTION TO ARRIVING AT THE HANDS OF THE END CONSUMER."

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The events that justify the selection of new distribution channels and new distributors are:

- A new company.
- Launching a new product or product line in the market through new channels.
- Important changes in marketing strategy, for example, a repositioning.
- Answering to competitive challenges or changes in the market.

Companies must decide which are the best channels to get their products to market.

The design, selection and operationalization of a distribution channel for a manufacturing company is done in 5 stages:

1st Stage. Market knowledge and determination of the objectives of the commercial distribution.

2nd Stage. Development of commercial distribution strategy.

3rd Stage. Commercial distribution functions and services provided to end customers.

4th Stage. Selection of the distribution channels.

5th Stage. Evaluation and control of commercial distribution channels.
1. DESIGN AND MANAGEMENT OF MARKETING CHANNELS

Design is a sequential process that includes the key activities in it as well as the implementation of the distribution channel to make possible the availability and sale of the manufacturer's products on the market.
1st Stage. Market knowledge and objectives in the distribution channel selection process

The design process and selection of distribution channels is based on **knowledge of the market** chosen by the manufacturer to sell their product with the selected business strategy, adding value to customers and establishing mechanisms of differentiation and positioning against the competition.

The objectives in the selection of distribution channels should be established based on:

- Determine the extent of availability of goods and services to potential buyers.
- Ensure proper market coverage.
- Define the services that will be offered along the canal.
- Achieve a climate of collaboration and effective relationships with other organizations in the distribution channels.
- The market segment that will be aimed.
2nd Stage. Development of commercial distribution strategy

The commercial distribution strategy begins to be developed from three basic decisions:

a) Decisions on distribution channel length.

b) Market coverage decisions.

c) Multiplicity of distribution channels.

- Direct channel.
- Short indirect channel.
- Long indirect channel.
2nd Stage. Development of commercial distribution strategy

The commercial distribution strategy begins to be developed from three basic decisions:

a) Decisions on distribution channel length.

b) Market coverage decisions: is the number of outlets that have to exist in the geographical area to make the manufacturer's product available and thus facilitate the purchase and consumption.
   - Intensive distribution.
   - Selective distribution.
   - Exclusive distribution.

c) Multiplicity of distribution channels.

2nd Stage. Development of commercial distribution strategy

The commercial distribution strategy begins to be developed from three basic decisions:

a) Decisions on distribution channel length.

b) Market coverage decisions.

c) Multiplicity of distribution channels: refers to the distribution through various distribution channels.
   - Simple distribution involves a single channel to reach the market.
   - Multiple distribution when using two or more alternative distribution channels.
2nd Stage. Development of commercial distribution strategy

Multiplicity of channels

Is justified by:

- Continuous changes in consumers, competition and technology.
- New commercial formulas that increase their market share.

Disadvantages of multiple channels:

- Conflicts between the various intermediaries.
- Greater complexity in management and coordination.

3rd Stage. Commercial distribution functions and services provided to end customers.

The design of the channels depends on the services desired by the buyers and how channel members are able and willing to provide them.

These can be classified into two categories:

- Availability services.
- Sales services.
Availability services

Includes tasks aimed at bringing products to the final consumer in the desired conditions. Integrates the following activities of logistics, storage, and transport.

Types of availability services:
1- Proximity to the customer.
2- Assortment. Set of similar or complementary products at the point of sale.
3- Order cycle time and responsiveness of the same. Time between the signing of an order from a buyer and its reception.

Sales services

Activities related to distribution and that are intended to provide facilities to the purchaser to use products.

Types of sales services:
- Aftersales services: activities of the seller after the transaction (installation, warranty, maintenance and the like).
- Financial services: deferred payments on purchases.
4th Stage. Selection of the distribution channels.

In the selection of channel members intervene several factors:

1. Internal factors:
   a) The product.
   b) The desired price at the final point of sale.
   c) The communication policy.
   d) Resources and capabilities of the company.

2. Competition.


4. Availability of intermediaries.

4th Stage. Selection of the distribution channels.

1. Internal factors

   a) The product:
      - Unit value.
      - Perishable nature.
      - Weight and volume.
      - Desired level of service, image and positioning.

   b) The desired price at the final point of sale.

   c) The communication policy.

   d) Resources and capabilities of the company: financial capacity, management attitude, past experience, etc..
4th Stage. Selection of the distribution channels.


a) Characteristics of buyers.
b) Seasonality of demand.
c) Volume and frequency of purchase.

Will condition the choice of one or other forms of distribution.
To this we must add environmental factors: technology, economic and political forces, legislation, etc...

4th Stage. Selection of the distribution channels

The consideration of the set objectives, along with the development of the strategy and services allow to develop a set of criteria that help the decision maker in the selection of channels and their components:

- Flexibility.
- Collaboration.
- Coverage.
- Image.
- Competition in services.
- Compatibility with other distribution channel.
**Criteria:**

- Flexibility: ability to adapt to the changing environment.
- Collaboration: availability of distributors for the exchange of information and cooperation in services.
- Coverage: readiness of the goods to the customer.
- Image: ability to reinforce the desired image.
- Competition in services: fitness of the intermediary to provide the additional services at the sale spot.
- Compatibility with other channel: certainty to avoid conflicts with existing networks in the market.

**5th Stage. Evaluation and control of commercial distribution channels.**

This stage involves the establishment of mechanisms for evaluation and control of the selected channels to perform a periodic review of the performance and monitor the entire network to check the degree of compliance with the objectives and expectations generated in the design and selection of distribution channels.

**Expected results:**

- Information about results, changes or attitude of the members of the distribution channel.
- Detection of problems and conflicts.
- Discovering opportunities for improvement.
2. DECISIONS ON THE CHANNEL MANAGEMENT

After choosing an alternative channel it is necessary to select, train, motivate and evaluate individual intermediaries.

Decisions on the channel:

2.1. Selection.
2.2. Training.
2.3. Motivation.
2.4. Evaluation.

2.1. Selection of intermediaries

Companies must carefully select the channel members. To facilitate this selection, manufacturers must determine:

- What characteristics distinguish the best intermediaries.
- Evaluate the years of activity in the sector, other product lines they distribute, the record of growth and record earnings, financial capacity, willingness to cooperate and reputation of their services.
2.2. Training the intermediaries

Companies need to carefully plan and implement training programs for intermediaries. The training will depend on the image or the desired positioning for the company.

examples:
- Microsoft.
- McDonald’s.

2.3. Motivation

In the channel, intermediaries need to be motivated to perform their work optimally. **Objective:** the products are available in time, place and state.

- Motivational elements in the channel: discounts, advertising and promotions.
- Disciplinary elements in the channel: reducing margins, increasing delivery times or not providing the product demanded.

To get continuous, lasting and stable relationships between channel members.
2.4. Evaluation

It is necessary to assess regularly the performance of intermediaries using indicators such as

- Achieved turnover.
- Average stock level.
- Delivery time to customers.
- Treatment of damaged or lost goods.
- Cooperation in training and promotional programs.

3. DISTRIBUTION STRATEGIES

- INTENSIVE
- EXCLUSIVE
- SELECTIVE
3.1. INTENSIVE

Implies the maximum market coverage with numerous points of sale for the product.

- It is used for goods and services that the buyer wants to purchase frequently and with minimal effort (food, newspapers, etc.).
- This type of distribution implies a loss of control by the manufacturer.
- Is inconsistent when you want to maintain a brand image and precise positioning in the market.

3.2. SELECTIVE

Offers the product through a number of points of sale chosen for their ability to meet specific business functions or services.

- Often used with search goods (clothing or large appliances) with which comparative effort is made, visiting several stores and comparing prices, quality or additional services.
- With this type of distribution, a greater control can be attained.
3.3. EXCLUSIVE

Implies that for a defined geographical area the product will be available at a single point of sale.

- It is used in products that need great collaboration by the dealer (technical or after sales service), in which loyalty to the brand and image are important.

- Implies greater channel control by the manufacturer (eg car dealers).

4. LOGISTICS

Logistics refers to "the activities of managing the flow of materials and products from source of supplies to manufacture the product, to its use by the end user" (Miquel et. al, 2006).

Logistics involves several activities:

- From the sales forecast the company plans distribution, production and inventory levels.

- The plans indicate the volume of production materials the procurement department should purchase.

- These materials reach the company at the reception area, thanks to transportation, are stored and archived in an inventory of raw materials.
4. LOGISTICS

Logistics involves various activities (continued):

- The raw materials are converted then into finished products. The finished goods inventory is the link between customer orders and production activity of the company.
- The finished products leave the assembly line, pass the packaging, storage, to the mailroom, then they are transported, stored again and are finally delivered to customers.

FUNCTIONS OF LOGISTICS

Thus, logistics involves the following main functions:

1. PROCUREMENT AND ORDER PROCESSING.
2. STORAGE.
3. CONTROL AND MANAGEMENT OF STOCKS.
4. CONDITIONING (PRODUCT PACKAGING AND CASING).
5. FREIGHT MANAGEMENT (LOAD).
6. TRANSPORT.
FUNCTIONS OF LOGISTICS

Additionally, these functions have been incorporated:

7. TREATMENT OF RETURNED GOODS.
8. REPLACEMENT.
9. CUSTOMER SERVICE.
10. REPAIR SERVICES.
11. ECOLOGÍSTICS (waste recovery and treatment).

4. LOGISTICS

OBJECTIVE OF LOGISTICS: "ensure that the right products or services are in the right amounts, in the right place at the right time and in the desired conditions, and all with the lowest possible cost" (Miquel et. al, 2006).
1. DESIGN AND MANAGEMENT OF MARKETING INTEGRAL COMMUNICATION STRATEGIES.

Communication as a variable of Marketing is the means by which a company seeks to inform, persuade and remind the market about the company, products and services it sells, its activities, etc.
1. DESIGN AND MANAGEMENT OF MARKETING INTEGRAL COMMUNICATION STRATEGIES.

The marketing communications mix consists of 5 variables:

A) ADVERTISING: any impersonal and paid communication aimed to present ideas, goods or services of an identified firm.

B) SALES PROMOTION: set of short-term incentives to encourage the purchase of a product or service.

C) PUBLIC RELATIONS: set of programs designed to promote a favorable image of the company or its products.

D) PERSONAL SALES: direct, personal and interactive communication between seller and buyer.

E) DIRECT MARKETING: use of mail, telephone, fax, email or the Internet to communicate directly or to request response or dialogue with specific customers and prospects.
2. FUNCTION OF MARKETING COMMUNICATION

Marketing communications play many roles, being the three basic purposes the following:

- Informing
- Persuading
- Reminding

INFORMING

- Communicating the launching of a new product.
- Describing the features of the product.
- Educating the consumer in product usage.
- Creating firm image (branding).
- Supporting sales promotion.
- Supporting social causes.
PERSUADING

- Attracting new buyers
- Incrementing usage frequency
- Creating preference for our brand
- Suggesting to pay a visit to a shop.
- Requesting a telephone call.
- Trying to change the perception of the product

REMINDING

- Maintaining the reputation of the product.
- Reminding the existence, benefits and where you can buy.
- Keeping memory off-season.
3. MEDIA AND CREATIVE STRATEGIES

For effective communication, a process which comprises the following steps is followed:

1. Identifying the target.
2. Setting communication objectives.
3. Defining the message (Creative strategy).
4. Selecting the media (Media strategy).
5. Allocating the communication budget.
6. Defining the communication mix.
7. Assessing the communication results.
3.1. CREATIVE STRATEGIES

The creative strategy involves defining the communication message.

The **message** contains the information that the sender transmits, usually on the **products or services**, showing its **features and benefits**.

The creative strategy involves taking 4 decisions:

1. The content of the message (what to say).
2. Message structure (How to say it in a logic manner).
3. Message format (how to express it in a symbolic way).
4. The source of the message (who should say it).
3.1.1. Message content: What to say?

- Attractiveness of the message.
  - **Rational attractiveness** (quality, economy, value or result).
  - **Emotional attractiveness** (humor, love, joy, pride, fear, grief and shame).
  - **Moral attractiveness** direct the sense of hearing to what is right and proper to promote the desire to purchase or collaboration (foundations, social aid institutions and government).

- Topic which will relate the message.
- The idea to be conveyed.
- Purpose: To sell the product.

3.1.2. Message structure.

How to say it in a logic manner?

The structure of the message refers to the arrangement or manner in which information is sorted.

It should be borne in mind that the beginning and end of messages are the most important part in the logical arrangement of a message.

- The beginning draws attention.
- The last part calls for action.
3.1.3. Message format. how to express it in a symbolic way?

The format refers to the design and style of presentation of information, which is conditioned by the media.

- **Written**: header, paper, illustrations and color.
- **Radio**: words, quality of voice and vocalization.
- **Television**: body language and the keys of non-verbal communication (face, gestures, dressing, posture, hairstyle).
- **Product or packaging**: color, texture, shape and size.

3.1.4. Source of the message

Who should say it?

- Messages communicated by attractive sources = more attention and memory.
  - Advertisers often use celebrities in their ads, especially if related to the product attribute.
- It also has great importance in the efficiency of the communication source credibility.
3.2. MEDIA STRATEGIES

The media are channels through which the message is transmitted from sender to receiver.

Types of communication channels:
- **Personal communication channel**: is a direct relationship between buyers and sellers face to face, by phone or email.
- **Mass communication channel**: are communications that target more than one person and includes:
Mass media

☐ Television
☐ Radio
☐ Magazines
☐ Newspapers
☐ Internet
☐ Outdoor

3.2. MEDIA STRATEGIES

☐ Different channels of communication that may exist within the same environment are called **vehicles**.

☐ Standardized way in each medium and support are called **forms**.
Vehicles

- Television
  - Antena 3
  - La 1 TVE
- Radio
  - Kiss FM
  - Cadena Dial
- Magazines
  - Hola
  - Semana
- Newspapers
  - Diario de Cádiz
  - La Voz de Cádiz
- Internet
  - Páginas webs
- Outdoor
  - Marquesinas
  - Vallas

Forms

- Television
  - Spots
  - Advertorial
  - Sponsorship
- Radio
  - Commercial breaks
  - Sponsorship
  - Microprogram (dedicated to resolving questions about a product)
- Magazines
  - Advertisement
  - Insertions
- Newspapers
  - Advertisement (photo and or text)
  - Insertions
- Internet
  - Banner
  - Skyscrapers
  - Interstitials
- Outdoor
  - Neon signages
  - Billboards
4. MANAGEMENT OF CUSTOMIZED COMMUNICATION PROGRAMMES

New technologies have reduced communication costs, which has determined that companies abandon mass communications to take a more direct communication strategy based on interactive dialogue.

DIRECT MARKETING

Is the use of direct communication channels to the end consumer to contact and deliver goods and services without using intermediaries.

Channels:

- Direct marketing by mail or mailing
- Telemarketing (telephone)
- Mailbox advertising
- Telesales (Television)
- Mobile phones
- Social networks (Facebook, Twitter, Tuenti)
4.1. Direct marketing by mail or mailing

- Is to send an offer, advertisement or any other piece of information to a specific person (letters, brochures, leaflets, etc.).

- Alternatives:
  - Mail.
  - Fax.
  - E-mail.

4.2. Telemarketing (telephone)

- Is to use the phone to attract new customers, sell or offering existing customers an additional service taking orders and answering questions.

[Image: Banesto]
4.3. Mailbox advertising

4.4. Telesales
4.5. Mobile phones

4.6. Social networks
TEMA 8 – LESSON 8
EL CRECIMIENTO RENTABLE A LARGO PLAZO –
LONG-RUN PROFITABLE GROWTH

1. Lanzamiento de nuevas ofertas al mercado – Launching new offerings to market.
2. La expansión internacional – International expansion.
3. El proceso de internacionalización – The process of internationalization.
4. Formas de acceso a mercados – Forms of accessing markets.

Critical bibliography:

1. LAUNCHING NEW OFFERINGS TO MARKET

VELOCITY OF COMMUNICATIONS

VELOCITY OF TRANSPORTS

VELOCITY OF FINANCIAL FLOWS
1. LAUNCHING NEW OFFERINGS TO MARKET
1. LAUNCHING NEW OFFERINGS TO MARKET

Companies do not limit themselves to act in domestic markets, despite the risks involved when:

- It is necessary to know another language.
- Analysing foreign exchange.
- Meeting political and legal changes.
- Redesigning products to meet the needs and expectations of customers.

Benefits of internationalization:

- Possibility of higher returns in foreign markets.
- Increase customer basis to achieve economies of scale.
- Reduce dependence on one market.
- Counterattacking foreign companies.
2. INTERNATIONAL EXPANSION

Stages in the internationalization process:

- Uneven exports: meeting foreign orders coming into the company in a timely manner.
- Exporting via independent agents: that distribute and market the products of the company in a foreign market, similar or geographically close, but outside the company.
- Independent agents are replaced by creating your own sales offices / overseas branch in major markets.
- Overseas factories: involves performing productive work in another country. The highest level of commitment to the internationalization of the company.
3. THE PROCESS OF INTERNATIONALIZATION

1st Decide whether to perform abroad
- Will internationalization report any advantage for the company?

2nd Selecting markets
- Which markets offer better opportunities for profit?
- Are there any barriers to entry?

3rd Entry form
- Direct exports, indirect, arranged?

4th Marketing programme
- What products will be sold, at what price, how will they be distributed, and communicated?

5th Marketing organization
- Will there be marketing decisions in each country independently, or will decision be centralised?
4. FORMS OF ACCESSING FOREIGN MARKETS

4.1. Direct or indirect exports.
4.2. Arranged exports.

DIRECT: The company directly manages its own exports from the home market through:
- Exports department in the home country.
- Sales office or branch abroad.
- Traveling sales force: salespeople based in the home country who travel abroad seeking business opportunities.
- Foreign distributors or agents: who are granted exclusive rights of representation, or limited to certain rights in general.
- Involves increased risk and investment, but higher profit.
Direct exports examples

INDIRECT: the manufacturer sells its products within the borders of their own country to a specialist independent intermediary, who sells them in foreign markets.

Results in lower risk and investment.

4.1. Direct or indirect exports.

- INDIRECT: the manufacturer sells its products within the borders of their own country to a specialist independent intermediary, who sells them in foreign markets.
- Results in lower risk and investment.
4.2. Arranged exports forms

It involves collaboration with other manufacturers whose mutual interest is based on the increased sales in foreign markets. Types:

4.2.1. Export consortia.
4.2.2. International alliance.
4.2.3. License agreement or licensing.
4.2.4. Joint-venture.

4.2.1. Export consortia

- Union of several companies, usually in the same sector, which partner to enhance their export activities.
4.2.2. International alliance

- Agreement of long-term cooperation involving competitors located in different countries.

4.2.3. License agreement or licensing

A company (licensor) grants the right to exploit, for a fee or royalty, a trademark, manufacturing process, patent or other trade secrets to a company (licensee) to obtain a competitive advantage and access to information.
4.2.4. Joint-venture

These are companies created by two or more companies from different countries for the joint development of an activity.
### Critical Bibliography


### Specific Bibliography


