Strategic Marketing Part 3

What is a product?

- A product is any offering by a company to a market that serves to satisfy customer needs and wants.

- It can be an object, service, idea,etc.

New Product Development

- Most new product development is an improvement on existing products
- Less than 10% of new products are totally new concepts.

Success rate of new products

- The success rate of new products is very low – less than 5%. 'You have to kiss a lot of frogs to find a prince."

- Product obsolescence is rapid with improvements in technology

- Shorter PLCs

Consumer goods classification

- Convenience goods
- Shopping goods
- Specialty goods
- Unsought goods

Product classification

- Durable

- Non – durable

- Services

Industrial goods classification

- Materials and Parts

  - raw materials

  - manufactured materials and parts

- Capital items

- Supplies and business services

Brand

- A name becomes a brand when consumers associate it with a set of tangible and intangible benefits that they obtain from the product or service
- It is the seller's promise to deliver the same bundle of benefits/services consistently to buyers

A Brand Marks what People Think and Feel

- It is a rational and emotional formula based on the sum of trust, relevance, and significance that relates people to a firm, a product, or a service throughout their life.
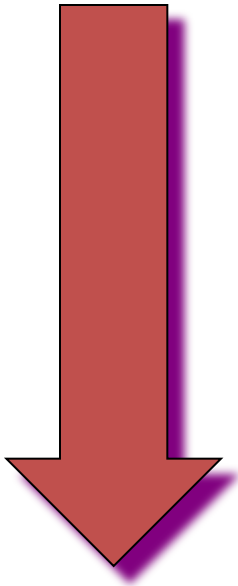
Brand Management
Some Key Terms

- **Brand Awareness**

- **Brand Loyalty**
  - Motivation
  - Desire to Buy Brand
- **Perceived Quality**
  - Satisfaction
  - Negative Product Image
  - Positive Product Quality
- **Brand Equity**

The Dimensions in Brand Building

- Brand identity
- Brand awareness
- Familiarity and knowledge of the brand
- Consideration to evaluate the brand
  - Purchase
- Brand loyalty (or brand equity)

A Manager's Goal must be to Build Brand Equity

- A brand can only be strong if it has a strong supply of loyal customers

- Brand equity therefore can be defined as a measure of strength of consumers' attachment to a brand.
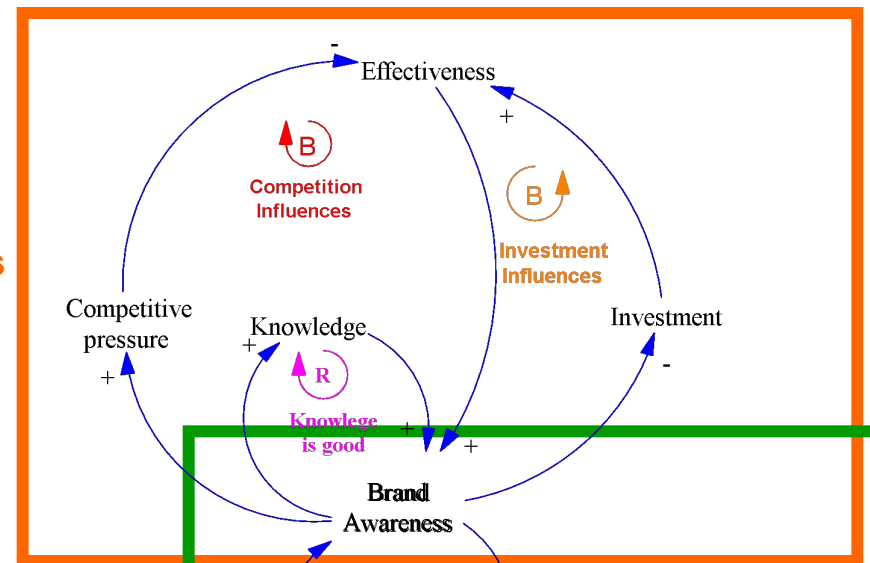
Brand Equity

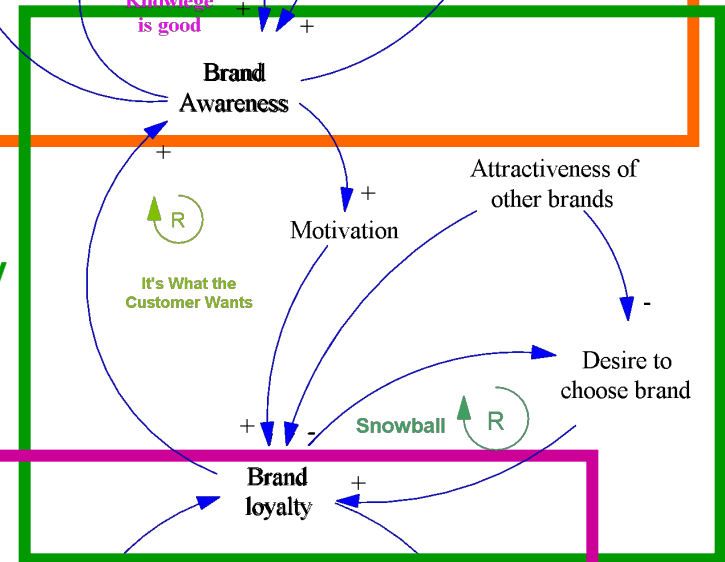| Brand Name	Industry	Brand Value ($US m)	Brand Value as a % of Market Capitalisation
Coca-Cola	Beverages	83,845	59%
Microsoft	Software	56,654	21%
IBM	Computers	43,781	28%
General Electric	Diversified	33,502	10%
Ford	Autos	33,197	58%
Disney	Entertainment	32,275	61%
Intel	Chips	30,021	21%
McDonald's	Fast Food	26,231	64%
AT&T	Telecom	24,181	24%
Marlboro	Tobacco	21,048	19%

Source: Interbrand , *The World Biggest Brands*

Brand Management
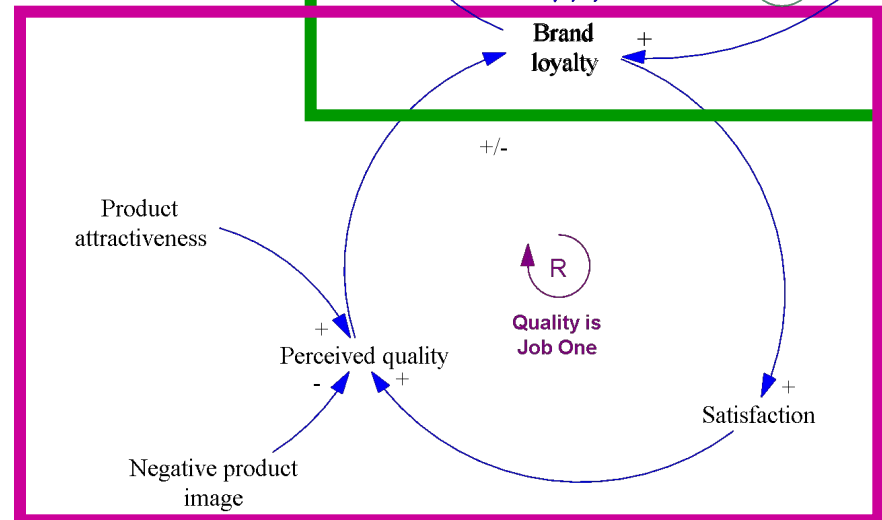## A Conceptualized Sector Overview

The Brand Awareness/Effectiveness Sector
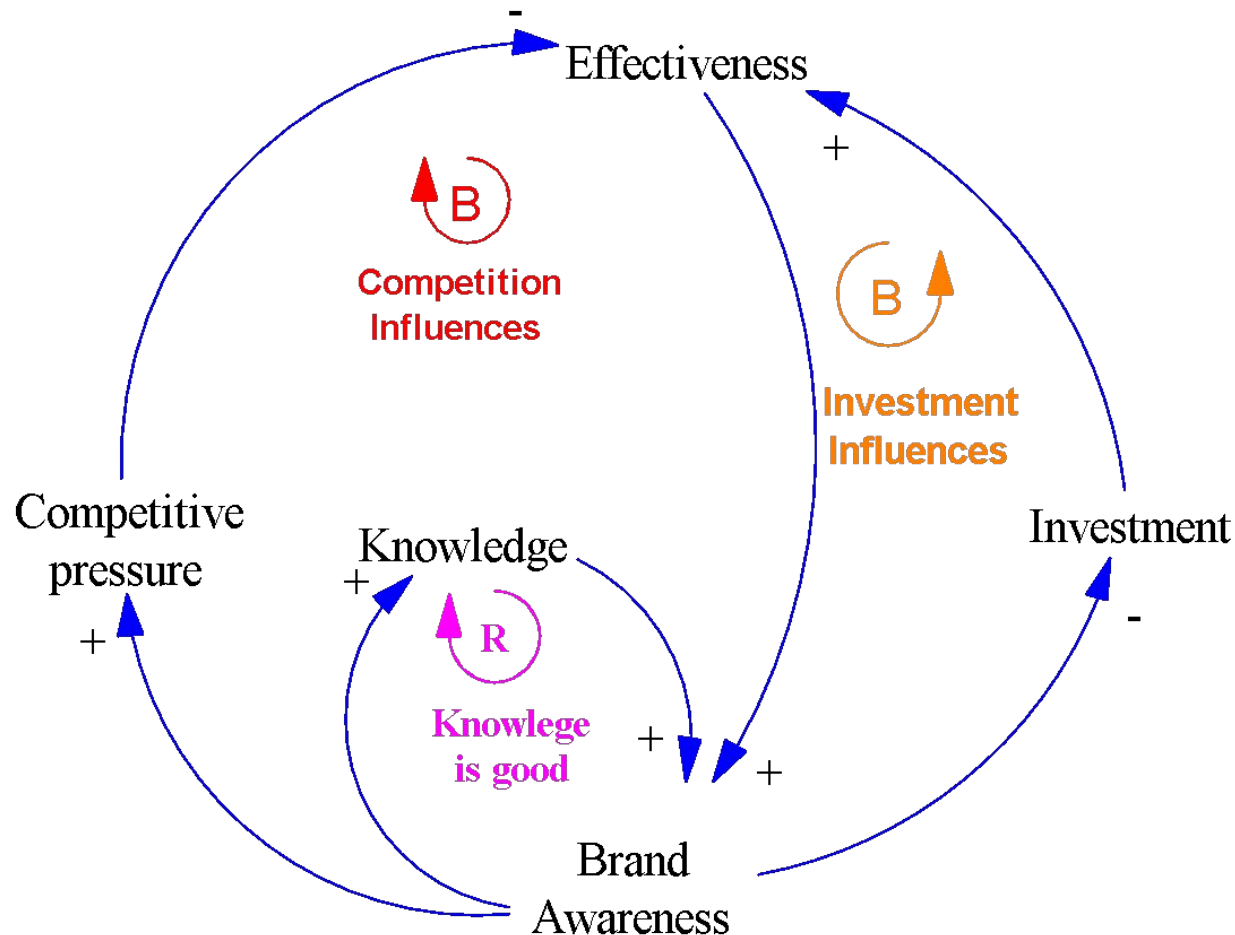
The Brand Awareness/Loyalty Sector
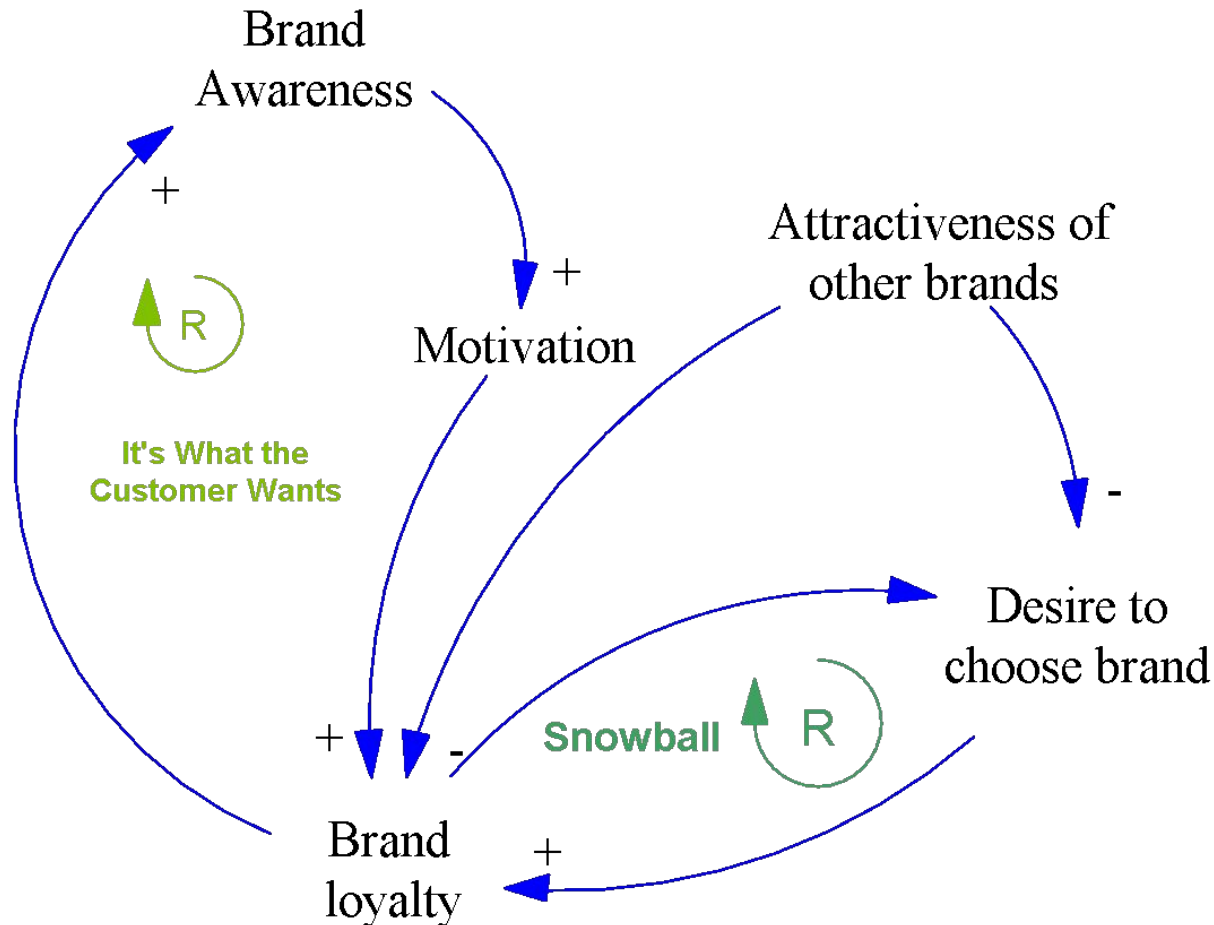
Brand Awareness/Loyalty Sector
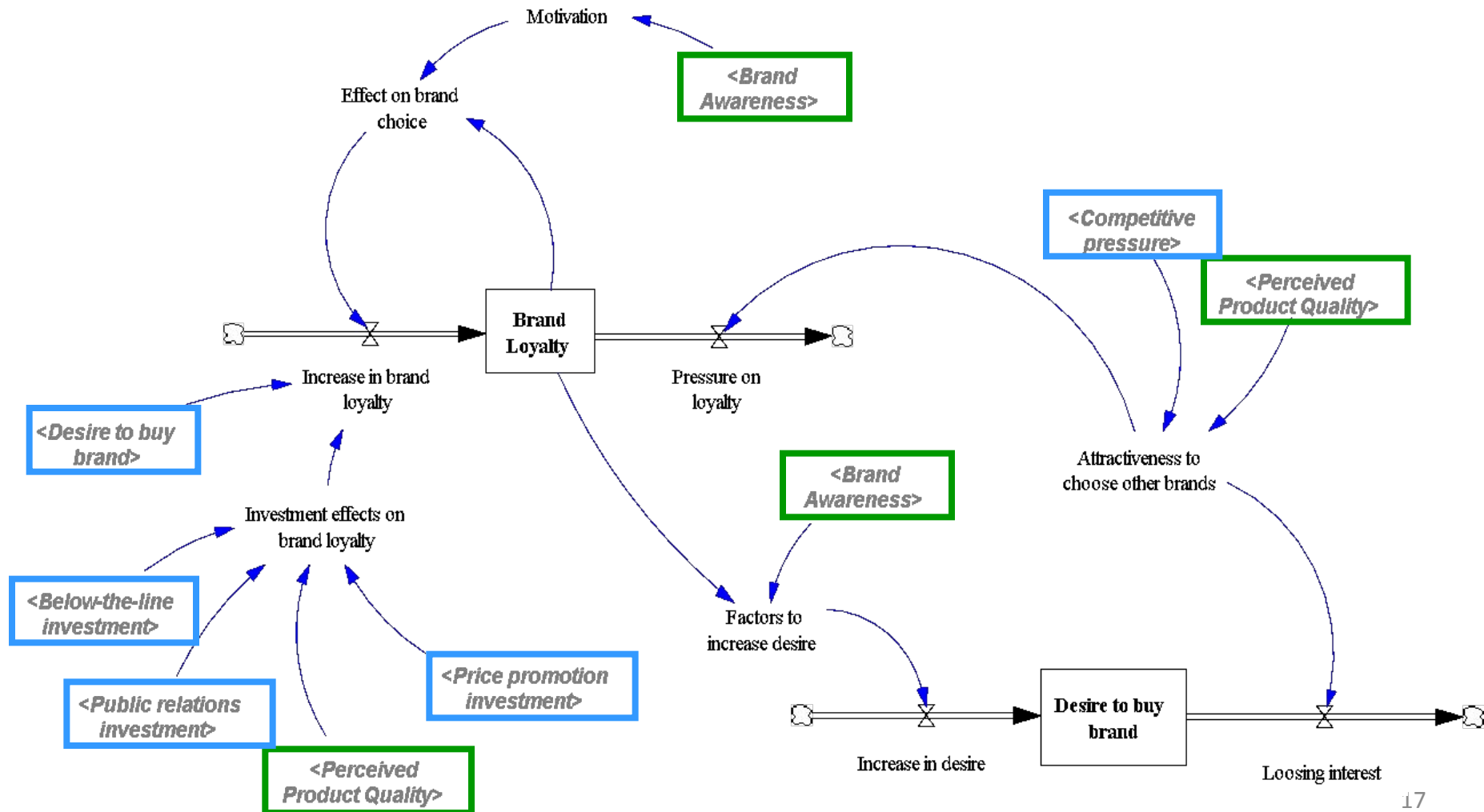
Brand Loyalty/Quality Sector
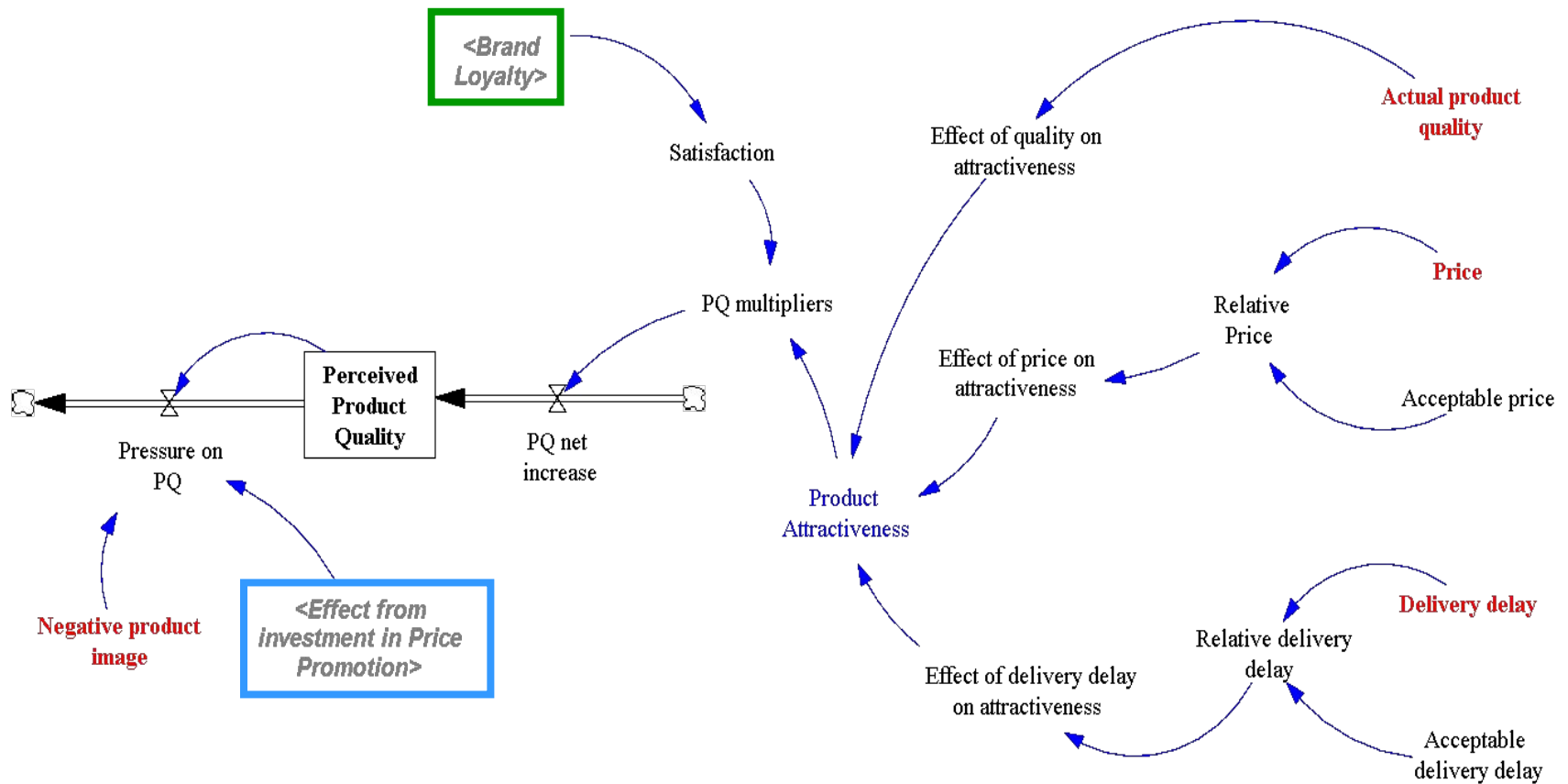
Brand Power

- Customer will change brands for price reasons
- Customer is satisfied. No reason to change.
- Customer is satisfied and would take pains to get the brand
- Customer values the brand and sees it as a friend
- Customer is devoted to the brand

BRAND EQUITY

- Brand equity is the value of the brand beyond the tangible assets (eg: NIKE, HARRODS, ADIDAS)
- The four elements of brand equity include:
    - Brand name awareness
    - Brand loyalty
        - Recognition
        - Preference
        - Insistence
    - Perceived brand quality
    - Brand associations

Brand Equity – Competitive Advantages

- Reduced marketing costs
- Trade leverage
- Can charge a higher price
- Can easily launch brand extensions
- Can take some price competition

BRAND BEHAVIOURS

- Brand New at the V&A identified seven "Brand Behaviours"
  - **Authenticity**: Levi's
  - **Authority**: Domestos, Mr.Muscle
  - **Friendly**: Apple Mac
  - **Status**: Burberry, Versace, Dior
  - **Loyalty**: Manchester United
  - **Irreverence**: FCUK, Diesel
  - **Conscience**: Body Shop, Ecover

BRAND STRATEGY OPTIONS

- **Line extensions – Crisp manufacturer (Estrella)**
- **Brand extensions- Virgin airlines to mobiles**
- **Multibrands- Kellogg's**
- **New brands- New and fresh brands**

Brand positioned -range of   association

Product Attribute: Heinz position its product on the attributes of
No artificial colouring
Usage Occasion- the convenience store SPAR (eight till late shops); Kit Kat (Have a Break have a Kit kat- links the brand to tea and coffee breaks in the UK market)
Users- Ecocover cleaning products
Activities-Lucozade is positioned as an isotonic drink for sporting activities
Personality- Harley Davidson motorbikes (macho products with free spirits)
Origin- Audi is positioned in the UK market as (From Germany –quality engineering " Vorsprung durch technik"
Competitors- Pepsi Cola (choice of next generation) in blind tasting tests younger generation prefer it in comparison to its competitors products
Product Class- Kellog's nutrigrain bars are morning bars and a substitute for traditional breakfast
Symbol- Esso used symbol of tiger to position itself in the market

Managing Brand Equity

- Brand Equity needs to be nourished and replenished. We must not flog the brand for equity to be diluted or dissipated
- Store brands

Advantages of branding

- Easy for the seller to track down problems and process orders
- Provide legal protection of unique product features
- Branding gives an opportunity to attract loyal and profitable set of customers
- It helps to give a product category at different segments, having separate bundle of benefits
- It helps build corporate image
- It minimises harm to company reputation if the brand fails

Brand parity

- Consumers buy from a set of acceptable/ preferred brands

Umbrella Brand

- Products from different categories under one brand

- Dangerous to the brand if the principal brand fails

- Sometimes the company name is prefixed to the brand. In such cases the company name gives it **legitimacy.** The product name **individualises** it.

Naming the Brand

- Product benefits
- Product qualities
- Easy to pronounce
- Should be distinctive
- Should not have poor meanings in other languages and countries

Brand strategy

- Line extension – existing brand name extended to new sizes in the existing product category
- Brand extension – brand name extended to new product categories
- Multibrands – new brands in the same product category
- New brands – new product in a different product category
- Cobrands –brands bearing two or more well known brand names

Brand Positioning- Associations

Product Attribute: Heinz is positioned on attributes of no artificial colouring, flavouring or preservatives

Brand Repositioning

- This may be required after a few years to face new competition and changing customer preferences

Labels

- Identification
- Grade classification
- Description of product
- Manufacturer identity
- Date of mfg., batch no.
- Instructions for use
- Promotion

Labels as a marketing tool

- Labels need to change with time or packaging changes to give it a contemporary and fresh look

Factors Causing the Decline of the Traditional Marketing Paradigm

- This perspective is no longer sufficient
- The powerful forces of industry globalization
- The "value" movement
- Rapid advances in technology
- Shift in the balance of power toward customers have coalesced to change the rules for business success

The Transition from the Traditional Marketing Concept

- The traditional marketing paradigm (the 4 Ps) is losing some of its influence among marketers.
- It focuses on the transaction and the core product, taking a short-term perspective; customer attraction (conquest marketing) is the overriding goal.
- The 5th P is people – more important!

Fig. 11.1 Traditional Versus Relationship Marketing

Interactive Marketing - Value-added Product/Service Emphasized

Relationship Marketing

Customer Acquisition/Satisfaction

Value Created/Customer Retention

Traditional Marketing

Marketing Mix - Core Product Emphasized

Short-term Focus

Long-term Focus
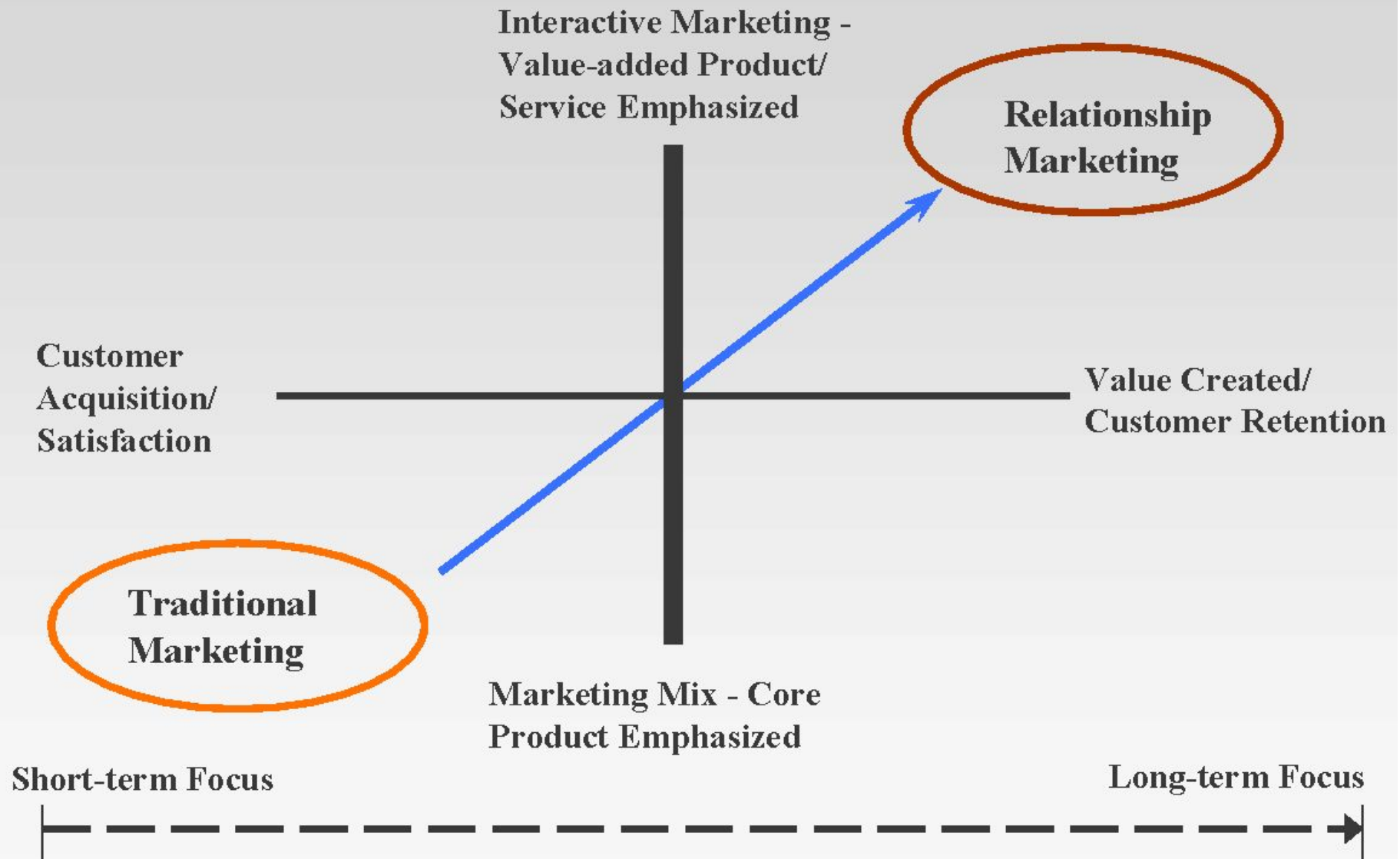
Adapted from Jag Sheth, AMA Faculty Consortium/Evolution of Global Marketing and the Relationship Imperative, 1996

Relationship Marketing Defined

"To establish, maintain, and enhance (usually but not necessarily long-term) relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises."

Grönroos (*Service Management and Marketing*, 1990)

Relationship Marketing - Goals and Outcomes

- Whereas the goal of traditional marketing is customer acquisition, under relationship marketing the focus shifts to creating value

- The objective is to create more value through interdependent, collaborative relationships with customers, the outcome is customer retention

- Relationship marketing is ongoing, constantly looking for opportunities to generate new value

- Retaining customers requires marketers to exhibit care and concern <u>after</u> they have made a purchase

- The sale often represents only the beginning of the relationship between the buyer and seller

Figure 11.2 Key Relationship Variables
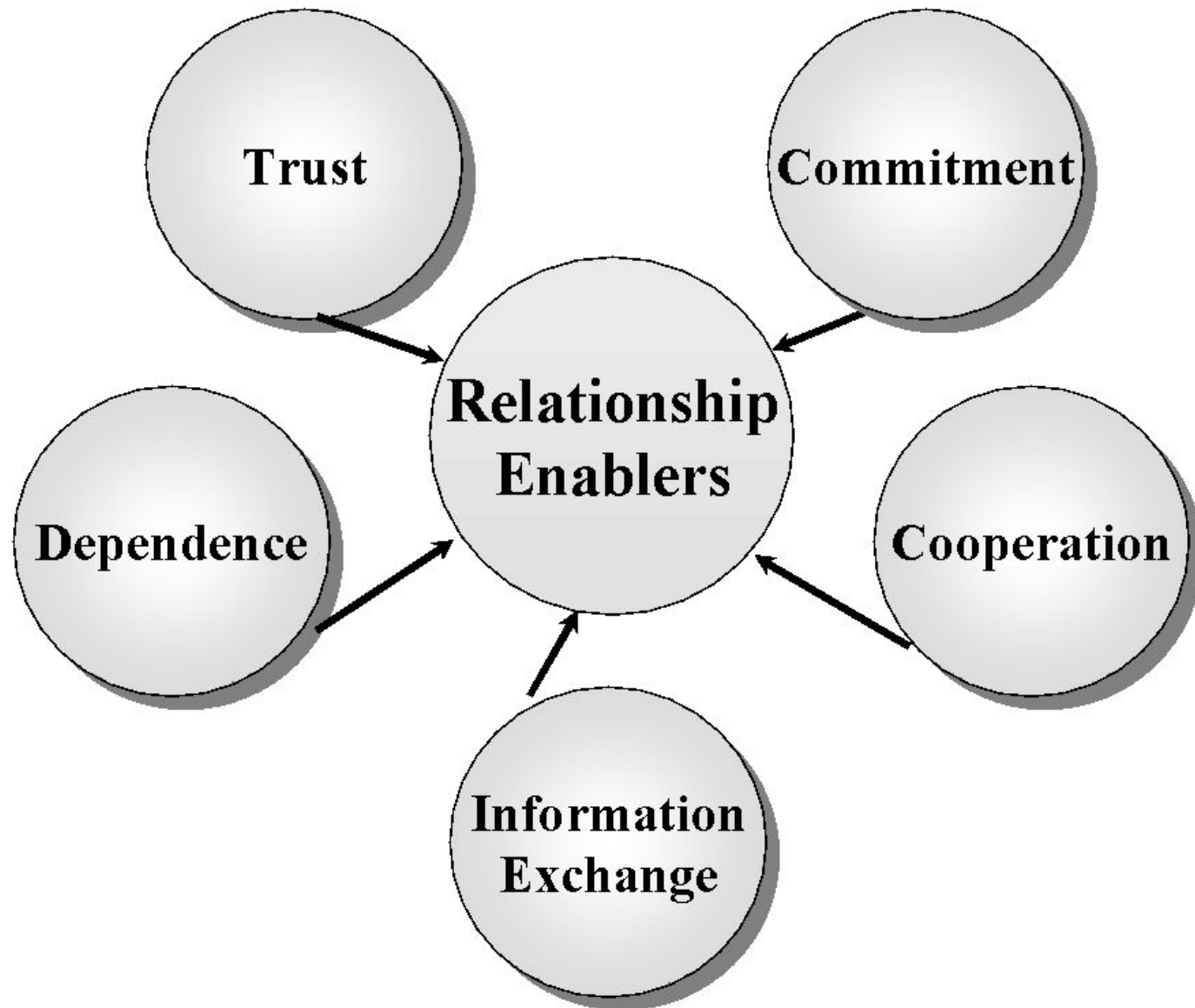
Supplier Rankings of Relationship Enablers *

TRUST

COMMITMENT

COOPERATION

INFORMATION EXCHANGE

DEPENDENCE
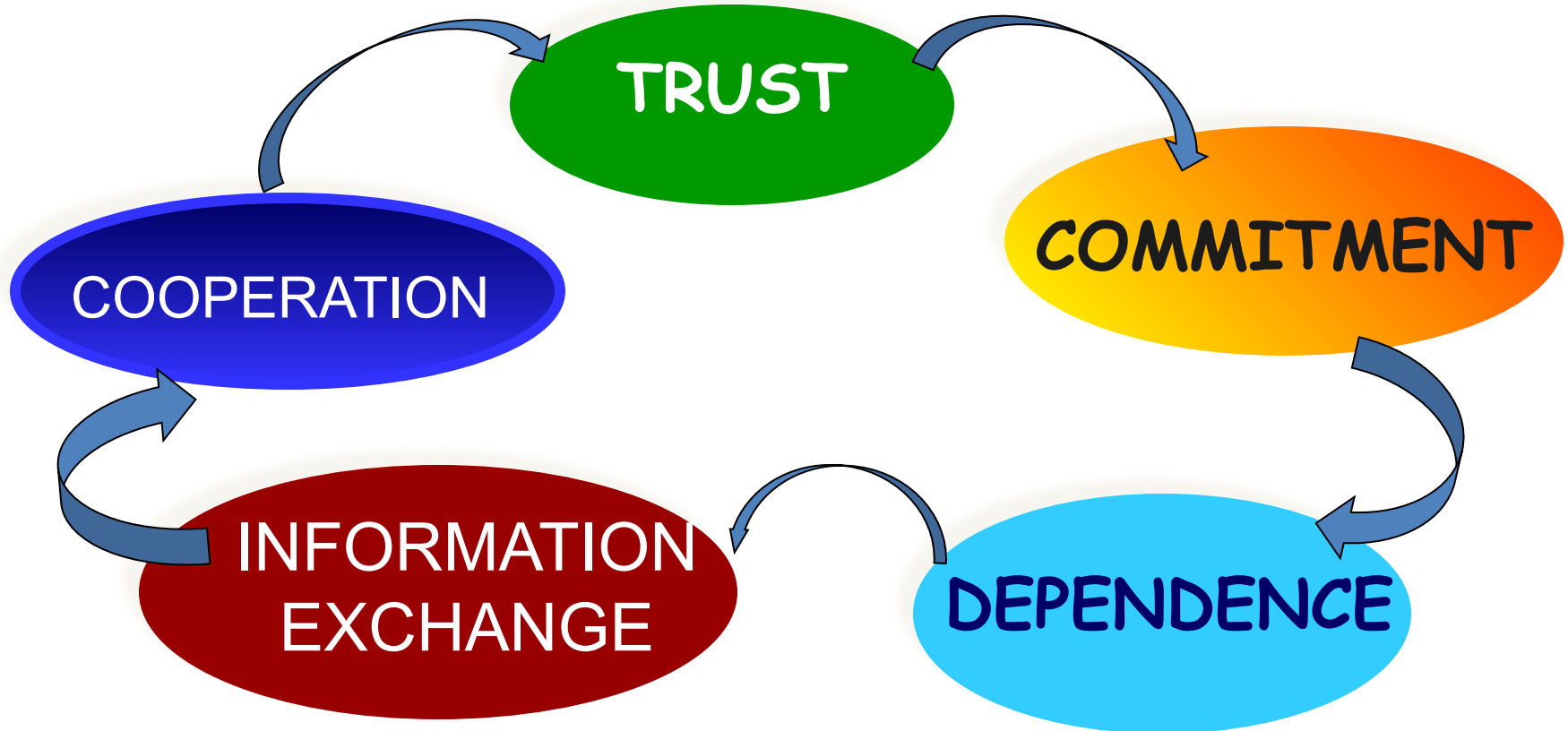
Johnson, W. and Weinstein, A. (1999)
Based on a study of Motorola and Lucent Marketing Managers.

4 Levels of Relationship Marketing*

*Source: Berry, L. (1995)

Customer Relationship Management (**CRM**)

Definition of CRM

❑ CRM is a business strategy that involves selecting and managing customer relationships to optimize the long-term value of a company

Goal of CRM

❑ The goal of CRM is to acquire, grow, and retain the right customer relationships -- those with the best long-term profit potential

(Bob Thompson, founder of CRMGuru.com)

Customer Relationship Management (CRM)
as Collaboration

- <u>CRM</u> is about collaborating with customers and partners so they receive superior *value*

- <u>Interactions with customers</u> regardless of the sales channel should be constantly managed to optimize the value of those relationships

- <u>Effective CRM systems</u> provide a "360 degree" view of the customer, including the frequency, response, and quality of customer interactions

Characteristics of a Good CRM System

- A good CRM system is capable of describing customer relationships in sufficient detail so that management, salespeople, customer service and even suppliers have direct and real-time access to customer information

- The information gathered should help match customer needs with product/service offerings, remind customers of service requirements, predict future purchases, and alert the company when a customer's purchase behavior has changed

- A key feature of CRM is sharing the customer experience across the organization and supply chain

CRM BUSINESS DRIVERS

Driver	Percentage
Automation/Productivity/Efficiency	33%
Competitive Advantage	22%
Customer Demands and Requirements	15%
Increased Revenue	14%
Cost or Price Reduction	10%
Speed/Saving Time	9%
Keeping Track of All Aspects of Business	7%
Customer Support	7%
Inventory Control/Resource Management	6%
Better/Expanded Communication	6%
Integration	6%
Customer Satisfaction	6%
Accessibility	4%
ConformityStandardization	4%

Source: AMR Research, 2002

CRM & Critical Customer Data

Companies should continuously gather critical customer data known as *BADI*

Behaviors (how often and where customers visit)
Attitudes (customers satisfaction, service quality assessments)
Demographics
Insights (share of market, share of wallet)

The Customer Relationship Philosophy and Techniques

- **Customer relationships are improved by** *responding to customer needs*

- **Companies who successfully practice relationship marketing have mastered** *mass customization*

- **In many markets it is not only possible, but imperative to** mass customize for customers

- **New technology enables** efficient customization of products and services, **even when the customer base is quite large**

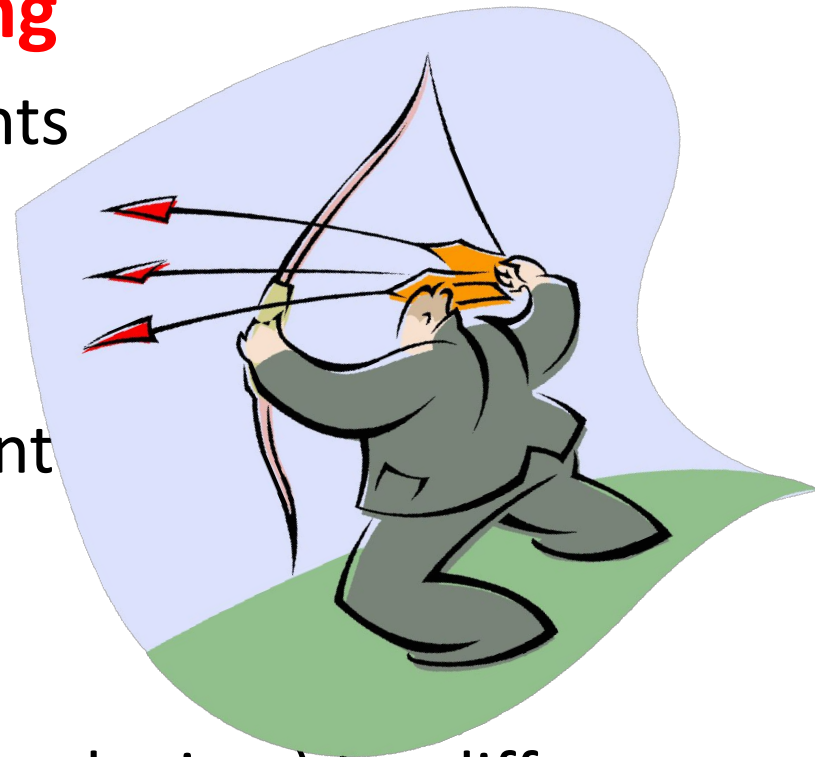# TARGET MARKETING STRATEGIES

- **Undifferentiated marketing**

  -Single product for all segments

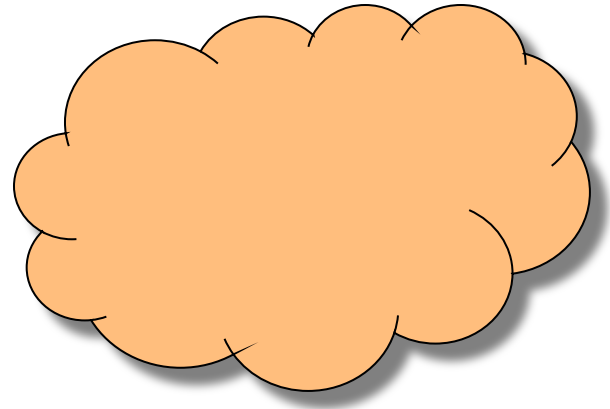- **Concentrated marketing**

  -Ideal product for one segment

- **Differentiated marketing**

  -Develop different products (and mixes) for different market segments
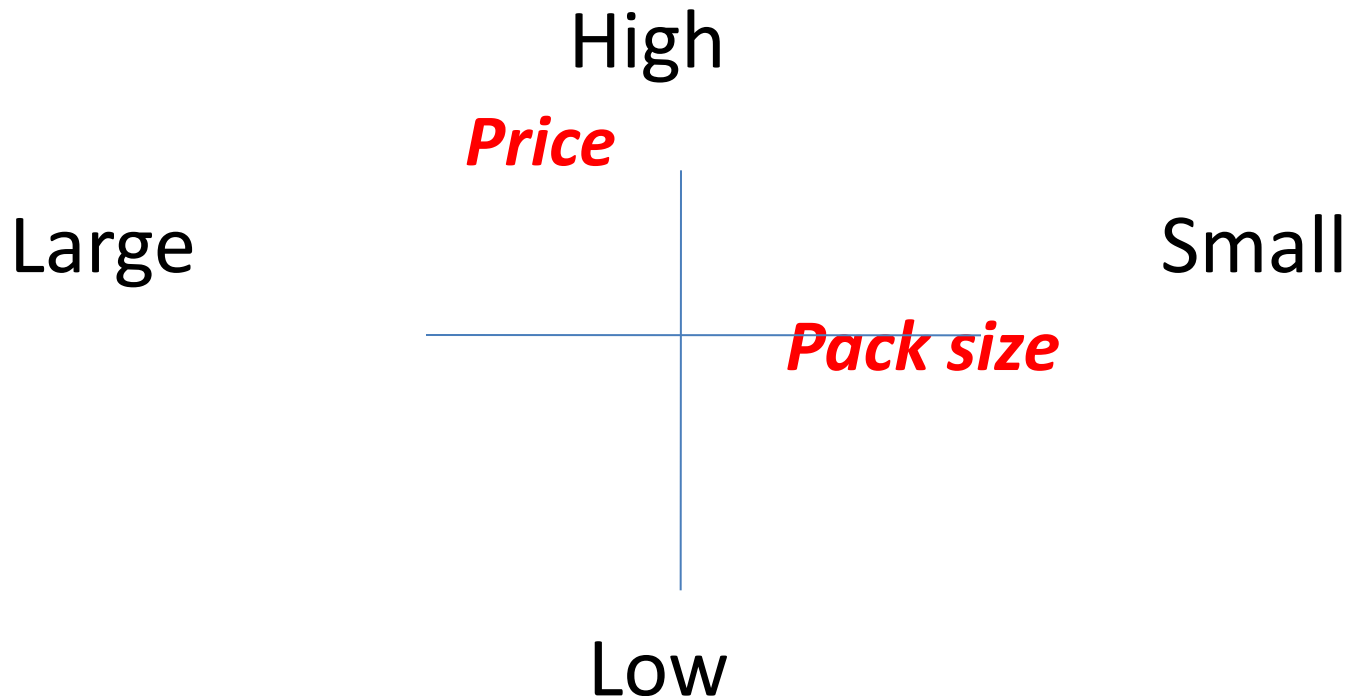
PRODUCT POSITIONING

- **Real positioning**
- **Psychological positioning**

REAL POSITIONING

- Based on attribute, eg pack size, price, return on investment etc.
- Concrete / objective properties

High

Price

Large   Small

Pack size

Low

PSYCHOLOGICAL POSITIONING

- 'Positioning starts with a product. A piece of merchandise, a service, a company, or even a person… **but positioning is not what you do to a product. Positioning is what you do to the mind of the prospect'**.

    Ries and Trout 1982

- Reality is not important
- Consumer perception is

PSYCHOLOGICAL POSITIONING

What is the position of the product in the mind of the consumer?

Ries and Trout's 6 steps question framework for successful positioning

1.What position do you currently own?
2. What position do you want to own?
3. Whom you have to defeat to own the position you want.
4. Do you have the resources to do it?
5. Can you persist until you get there?
6. Are your tactics supporting the positioning objective you set?

POSITIONING STRATEGIES

By specific product features	**Kwik Save (discounted supermarket chain UK)**
By benefits, problems, solutions or needs	**Volvo- safety** **Crest- Toothpaste anti cavity** **DHL- Worldwide netwok of offices**
By specific usage occasions	**Johnson's Baby Shampoo** **Hennessy Cognac** **Wash'n'go**
By user category	**Pepsi and 7-UP** **Kellogg's Chombos**
Against another product	**Avis (Rent a car)**
By product class disassociation	**Lead- free petrol against leaded petrol**

COMPETITIVE POSITIONING

- Competitive positioning is concerned with how customers perceive the alternative offerings on the market compared to each other

Hooley, Saunders and Piercy(1998)

Positioning applies to these levels:

- **Companies**: In grocery retailing in the UK Tesco, Sainsbury and Asda. Positioning is based on these identities

- **Products and services**: Dyson vacuum cleaner compared to similar priced products from Hoover

- **Brands**: Brand identities Coca-Cola vs Pepsi

DEVELOPMENT OF A POSITIONING STRATEGY

- Identify competitors
- Determine how the competitors are perceived and evaluated
- Determine the competitors' positions
- Analyse the consumers' behaviour, motivations, attitudes
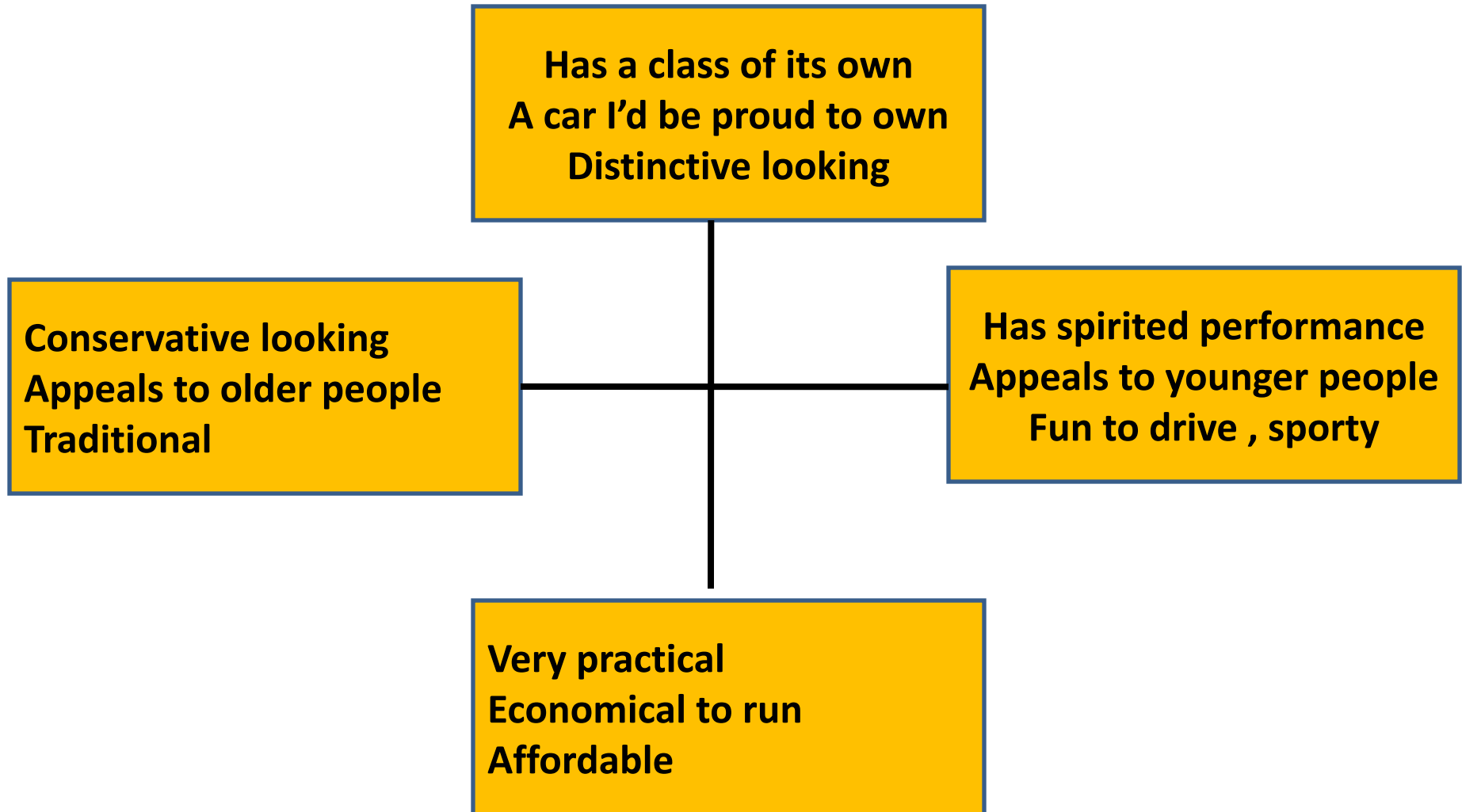- Select the position
- Monitor the position

PERCEPTUAL MAPPING

Perceptual Mapping is a graphics technique to visually display the perceptions of customers or potential customers.

What do we see?

Position of a product, product line, brand, or company is displayed relative to their competition.

Perceptual Maps can have any number of dimensions but the most common is two dimensions.

PERCEPTUAL MAP OF CAR MARKET

Has a class of its own
A car I'd be proud to own
Distinctive looking

Conservative looking
Appeals to older people
Traditional

Has spirited performance
Appeals to younger people
Fun to drive , sporty

Very practical
Economical to run
Affordable

PERCEPTUAL MAP