MARKETING DESIGN: Marketing of Products

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CORE CONCEPTS OF MARKETING

Marketing is a social process by which individuals and groups obtain what they need and they want through creating and exchanging products and value with others.

This definition rests on the following core concepts:

- needs, wants and demands
- products
- value and satisfaction
- exchange and transactions
- markets
- marketing and marketers
MARKETS

A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.

Marketers see the sellers as constituting the industry and buyers as constituting the market.

A SIMPLE MARKETING SYSTEM

- Industry (a collection of sellers)
- Market (a collection of buyers)

- communication
- goods/services
- money
- information
MARKETING

Organizations are professional in handling the exchange process.

They extract resources from one set of markets, convert them into useful products, and trade them into another set of markets.

This is called **organizational marketing**.
MARKETING MANAGEMENT

Marketing management means the task of influencing the level, timing, and composition of demand in a way that will help the organization achieve its objectives.
COMPANY ORIENTATIONS TOWARDS THE MARKET PLACE

There are five competing concepts under which business and other organizations can conduct their marketing activity:

The production concept
The product concept
The selling concept
The marketing concept
The social marketing concept
The production concept

The customers will favour those products that are widely available and low in cost.

Management in production-oriented organizations concentrates on achieving high production efficiency and a wide distribution coverage.
The product concept

The customers will favour those products that offer the most quality, performance, and features.

Management in product–oriented organizations concentrates on making good products and improving them over the time.
The selling concept

The customers, if left alone, will ordinarily not buy enough of the organization’s products. The organization must therefore undertake an aggressive selling and promotion effort.
The marketing concept

The key to achieving organizational goals consists in determining the needs and wants of the target markets and delivering the desired satisfactions more effectively and efficiently than competitors.
The social marketing concept

The organizations’ task is to determine the needs, wants and interests of the target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves and enhances the consumers and the society’s well being.
MARKETING FUNCTIONS

FUNCTION

- Environmental analysis and marketing research: Monitoring external factors affecting success or failure, such as the economy and competition; collection of data to resolve specific marketing issues.
- Consumer analysis: Examination and evaluation of consumer characteristics, needs and purchase processes.
- Product planning (including goods, services and ideas): Development and maintenance of products, brands, packaging, deletion of old products.
- Distribution planning: Establishment of channel relations, physical distribution, inventory management, transportation, retailing, wholesaling.
- Promotion planning: Combination of advertising, publicity, personal selling, and sales promotion; also involves public relations and any other form of communication.
- Price planning: Price ranges and levels, pricing techniques, purchase terms, price adjustments.
- Social responsibility: Obligation to offer safe, ethical and useful goods, services and ideas.
- Marketing management: Planning, implementation and control of the marketing program and individual functions; appraisal of risk and benefits in decision making.
BASIC MARKETING PERFORMERS

Final Consumer
* Family or person who buys a good or service for personal/family/household use

Manufacturer or service provider
* Company or a person that produces a good or a service

Organizational Consumer
* Institution or a person that buys a good or service for use in its operations

Wholesaler
* Establishment or person that buys items for resale to retailers

Marketing Specialist
* Firm or person that specialises in specific marketing functions.

Retailer
* Establishment or person whose activities involve sale of products to ultimate
Ways of Organizing the Marketing Department

Functional organization
Marketing specialists report to a marketing Vice-President
Product management organization

Companies producing a variety of products often establish product/brand management organization.
Geographical organization

Organization of sales force along geographical lines

Marketing vice-president
- Marketing administration manager
- Advertising and sales promotion manager
- National sales manager
- Marketing research manager
- New-products manager
  - Regional sales managers (4)
    - Zone sales managers (24)
    - District sales managers (192)
      - Sales persons (1,920)
### Conflict between Marketing and other Departments in an organization

<table>
<thead>
<tr>
<th>Department</th>
<th>Their Emphasis</th>
<th>Marketing's Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>Basic research</td>
<td>Applied research</td>
</tr>
<tr>
<td></td>
<td>Intrinsic quality</td>
<td>Perceived quality</td>
</tr>
<tr>
<td></td>
<td>Functional features</td>
<td>Sales features</td>
</tr>
<tr>
<td>Engineering</td>
<td>Long design lead time</td>
<td>Short design lead time</td>
</tr>
<tr>
<td></td>
<td>Few models</td>
<td>Many models</td>
</tr>
<tr>
<td></td>
<td>Standard components</td>
<td>Non standard components</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Narrow product line</td>
<td>Broad product line</td>
</tr>
<tr>
<td></td>
<td>Price of material</td>
<td>Quality material</td>
</tr>
<tr>
<td></td>
<td>Economic lot sizes</td>
<td>Large lot sizes</td>
</tr>
<tr>
<td></td>
<td>Purchasing at infrequent intervals</td>
<td>Immediate purchasing for customer needs</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Long production lead time</td>
<td>Short production lead time</td>
</tr>
<tr>
<td></td>
<td>Long runs with few models</td>
<td>Short runs with many models</td>
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<tr>
<td></td>
<td>No model changes</td>
<td>Frequent model changes</td>
</tr>
<tr>
<td></td>
<td>Standard orders</td>
<td>Custom orders</td>
</tr>
<tr>
<td></td>
<td>Ease of fabrication</td>
<td>Aesthetic appearance</td>
</tr>
<tr>
<td></td>
<td>Average quality control</td>
<td>Tight quality control</td>
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| Finance    | Strict rationales for spending  
Hard and fast budgets  
Pricing to lower costs  | Intuitive arguments for spending  
Flexible budgets  
Pricing to further market development  |
| Accounting | Standard transactions  
Few reports  | Special prizes and discounts  
Many reports  |
| Credit     | Full financial disclosures by customers  
Low credit risks  
Tough credit terms  
Tough collection procedures  | Minimum credit examination of customers  
Medium credit risks  
Easy credit terms  
Easy collection procedures  |
INTEGRATING A MARKETING PLAN

- Clear organizational mission
- Stability over time
- Coordination of the marketing mix
- Coordination among SBUs
- Long-term competitive advantages
- Precisely defined target market
- Compatible long-, moderate-, and short-term subplans
KFC: turning to a well-integrated marketing strategy

Timex Corporation: a dis-integrating marketing strategy
Contrasting the marketing plans of KFC and TIMEX

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>KENTUCKY FRIED CHICKEN</th>
<th>TIMEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity of organizational mission</td>
<td>Concentrates on fried chicken and related items</td>
<td>Produce health care products, yet watches amount for most of the sales</td>
</tr>
<tr>
<td>Long term competitive advantages</td>
<td>High market share, high store loyalty and name recognition, distribution strength</td>
<td>High brand recognition, distribution strength</td>
</tr>
<tr>
<td>Precision with which target market is defined</td>
<td>Specific: family oriented, largely take out, nutritional appeal</td>
<td>Dispersed: watches priced from 7.95$ to 100$, new products appealing to different customers</td>
</tr>
<tr>
<td>Compatibility of long, moderate, and short term plans</td>
<td>Menu, pricing, and expansion proposals based on long term objectives; ling term gains not sacrificed for short-term profits.</td>
<td>Management too slow to recognize long term trends, excessive short term orientation, over reliance on mechanical watches</td>
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<td>TIMEX</td>
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<tr>
<td>Co-ordination among different outlets</td>
<td>Every outlet of KFC is a self contained unit of PesiCo with adequate resources and no conflicts with other outlets</td>
<td>Ad budgets to be divided among watches and health care items</td>
</tr>
<tr>
<td>Co ordination of marketing mix</td>
<td>Standardization of procedures, new locations carefully determined, ‘we do chicken right’ theme, moderate prices</td>
<td>Poor product planning (heavy quartz watch, lack of fashion), reduced advertising for many years, high prices on non innovative products, 100$ watches in drug stores</td>
</tr>
<tr>
<td>Stability of strategy over time</td>
<td>One consistent strategy used since 1978, all future plans keyed to it.</td>
<td>Strategy changes frequently, uncertainty about future direction and emphasis (watches?, medical products?)</td>
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For years, the Swiss were world leaders in the watch industry. In 1974, they had a world wide market share of 30 per cent.

Then, the Japanese began to market quartz watches. By 1983, the market share of the Swiss fell to 9 per cent world wide.
Environmental analysis and marketing research indicated that for a turn around to occur, an inexpensive, good quality quartz analog watch needs to be marketed (since the market is flooded with digitals).

As per the consumer analysis, 80 per cent of the watches sold in the U.S. were priced under $50.
consumer groups were identified:
• Preteens, 16 to 24 years old
• Those over 24 years

Life-style categories chosen were:
• young and trendy
• active and sporty
• cool and clean
• classic

Swatch watches were to be
‘a fashion accessory and only secondarily a watch.’
Distinctive appeal

Advance technology
Three year replaceable battery
Waterproof and shock proof made of tough plastic

The most popular attribute is fashion appeal:
The watches come in various colours and designs.
New models come out very often and are quickly dropped.
Consumers are encouraged to buy more than one, as a fashion accessory. An average customer owns three different models.
In the U.S., swatch watches are distributed through 4000 department and specialty stores,
not in jewelry stores (non progressive and poor merchandisers),
Not in discount stores (it would tarnish the Swatch image).

‘You need to control distribution and not flood the market or people might lose their hunger for the product.’
The marketers at Swatch U.S.A. continually plan and integrate company efforts. They have introduced new products such as clothing and pens under the Swatch name, spread sales through the year, and opened hundreds of Swatch shops in department stores.

The goal is for watches to represent only half of the company sales.
THANK YOU