

# Midterm 2- Chap 9-10-11

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## CHAP 9 - Marketing Channels and Channel Mapping

- Channel value proposition : companies need a value proposition for channel partners and end-users - how will they be better off carrying this company's line of product? Depends on sophistication and intensity of competition.
  - **Sales growth:** demand
  - **Profitability:** margins, contribution, net profitability, reward for performance
  - **Return on capital:** fast selling products better
  - **Brand leverage:** positive brand association
- Channel mapping: must know pocket price for each channel - allows business to determine profitability of each channel , must know marketing and sales expense to maintain or achieve market share
  - **Consumer and business channels:** technological product have more complex marketing channels - flow of product, information, services, money, each channel partner need to receive these in time. can allow distributors more days to pay bills, while receiving the payment in shorter days - extend financing to VAR's and lowers VAR's cost of short-term borrowing, give them more working capital
- Marketing channel performance: balance between all 3
  - **Customer reach and digital marketing channels: growing**
  - **Operating efficiency:** direct and indirect channel has own advantages and disadvantages. Digital channel is very efficient
  - **Service quality:** if indirect = less contact with customers. Online marketing uses CRM program to know what they need
- Alternative marketing channels
  - **Direct channel:** directly to customer, more costly to manage
  - **Indirect channel:** uses channel intermediaries, takes up 10 - 50% of consumer's purchase price
  - **Mixed channel:** uses both, ex: HP, cigarette companies. technical sales team + local reseller
  - **B2C channel:** direct marketing direct sales distribution online retail



- **B2C channel:** direct marketing, direct sales distribution, online retail
- **B2B channel:** direct channel, value-added resellers, original equipment manufacturers
- **B2C and B2B Marketing Channels:** software manufacturers, use online marketing,
- Marketing Channels that improve customer value
  - **Product performance:** need to meet everyone of the following product benefits as sought but customers
    - Product quality
    - Product assortment
    - Product form
  - **Service quality**
    - After-sales services
    - Availability and delivery
    - Transaction services
  - **Company and brand reputation:** choose channel partners consistent with company price and quality. Managing customer interaction: manage customer relationship through product knowledge, sales and negotiation, call frequency, after sale service. use CRM to develop one on one relationship with customers
  - **Improving cost efficiency:** need to decrease cost of acquiring goods and services, espc undifferentiated goods and services
- Marketing Channels and competitive advantage
  - **Sales force advantage:** large coverage, product knowledge, determined by market orientation fo the business
  - **Sales productivity:** high quality products, broad lines of related products, efficient sale's administrative system = easier to sell, more sales opp by cal, improve adm efficiency
  - **Distribution advantage:**
- Profit impact of alternative marketing channels
  - Direct channel
  - Mixed channel
  - Indirect channel

## CHAP 10 - Marketing Communications, Social Media and Customer Response

- **Brand-image communications:** trigger an emotional response, connection between the brand and the image the company wants to create among target customers. Ex: Nike, Lexus, Estee Lauder, CK, Victoria's Secret, performance, reliability status safety creativity ability to inspire

reliability, status, safety, creativity, ability to inspire.

- **Brand-information communications:** create interest and offer information to achieve high recall, to include brand in their "consideration set", goal is to make the brand a preferred brand in purchase. Ex: Kyocera advertisement. Usually to inform about savings. Companies can track changes in sales in relation to ad placement, site visits and total cost of ownership comparisons
- **Brand-action communications:** simulate potential customers to take action - contacting, visiting website, trying products
  - Promotional giveaways: Buy one get one free
  - Promotional gifts: free golf balls to consumers who buy golf sticks
  - Minimum purchase: Free make-up bag for purchases about \$200.
- Digital Marketing communications: provide information and begin a conversation, can be viral in nature, builds individualized and responsive relationships
  - Mail marketing: use quality email list, be sure to target right audience with right subject line
  - Make sure message is motivating - all account for leakage
- Digital media marketing analytics
  - Allows to track consumer engagement
  - Use track tools that monitor delivery, opening and click-through
- Social media marketing communications
  - Social network, content sharing, rating sites, location based services
- New communications paradigm
  - From one to many, to many to many, new channel for word of mouth communications (most potent form of marketing communications.
  - **Problem:** no longer complete control over brands
  - **Solution:** identify brand issues early and be proactive.
  - **Opportunity:** gain insights into improving operations, customer service, product offerings by being attentive to online conversations. Comments can help with SEO, keywords for search terms.
- Customer connectivity and engagement
- Social media: new communications platform and challenges
  - Must be engaged to support business objectives, tied to measurable results,
  - **Brand building:** deepen relationship with company
  - **information exchange:** share experiences and exchange info to encourage word of mouth communication and a better understanding of product usage and benefits
  - **problem solving:** gather customer feedback. provide customer service.

resolve complaints

- FB: e-tail destinations, promotions, sales conversion
  - YouTube: alternative to traditional media,
  - Twitter:
  - LinkedIn: for business development efforts, join industry and interest groups
  - Blogs: ability to influence subscribers, add a human element, new breed of citizen journalists, critics, markets, opinion shapers
  - Leveraging Social Media Tools
  - Social Media Marketing Metrics: engagement metrics relative to fans, friends, followers, comments, ratings, likes, clicks, lead generated, buzz, vitality, uploads and downloads, monitor macro views: share of voice, brand comments, trending topics, social media ROI
- Marketing Communications
    - Advertising awareness and message frequency: 1) build brand image, create interest in product/service, motivate to act
    - Customer response index:  $CRI = \text{exposed to ad X} \times \text{aware of ad X} \times \text{comprehend the ad X} \times \text{intend to buy X} \times \text{buy the product} = 4.4\%$
    - Improving customer response: wrong media was chosen, poor ad copy, weak value proposition, competitor actions, unsatisfactory service, must consider target market reach
    - Causes of low level of customer response
  - Building customer awareness and comprehension
    - **Media selection and customer awareness: Gross rating points = reach X frequency =  $60 \times 4 = 240$**
    - Advertising effectiveness and customer response: best when based on customer needs and situations familiar to customers vs. one that communicates the product & benefits
    - Message Frequency and customer awareness:
    - Ad Copy and Customer Response
  - Message Reinforcement
    - Pulsing: consistent messages cross the weeks
    - Heavy-up message frequency: peak during one period - for products purchased more frequently during one period than others.
  - Simulating customer action
  - Pull versus push communications strategies:
    - consumers will seek out product if pull communications is successful, will

pull the consumer into the channel.

- Push strategy directed at channel intermediaries: motivate them to carry product/brand, wider availability, fewer stock-outs, more visible merchandising, more efficient use of mrktg \$
- Pull communications and customer response
  - Advertising elasticity = % change in sales X % change in ad expenses.
  - Advertising carryover effects: Sales effect (period 12) = 12 X advertising effect
    - Total sales impact: advertising in t = 12) = sales effect period 12/1-carryover effect = \$240 million/ (1-0.5) = 0.5 \$480 million
  - Promotional price elasticity
    - There is a high correlation between promotions and advertising revenues.
- Push communications and customer response
  - Trade promotions and customer response
  - Aimed at market influencers - communications created for those within market infrastructure who can influence broader market of both end-user customers and intermediaries.

## Chap 11 - Portfolio Analysis and Strategic Market Planning

- Portfolio Analysis and Strategic Market Planning
  - price-quality model
  - product life-cycle model
- Portfolio Analysis Models
- Strategic Market Planning
  - **Market Attractiveness:** PLC position and market growth
  - **Competitive Position:** relative market share, share development index
  - **product lifecycle/market share portfolio:**
    - product A: mature stage key source of profitability
    - Product B: harvest strategy,
    - Product C: late growth phase, invest in marketing and sales
    - Product D: early growth stage, invest in marketing and sale's to take advantage of rapid growth in demand. gaining market share is important.
    - Product E: moves from emerging market stage to early growth stage. strong competitive position, need to make continued investmetn.
  - GE/McKinsey portfolio analysis

- Market attractiveness
  - use a systematic way, with common set of criteria
  - factors: market size, growth, competition, margin potential, market access, good fit with company's core capabilities
  - grouped into market forces, competitive environment, market access.
  - calculate index for overall market attractiveness.
- Competitive position
  - differentiation position: product, service, brand
  - cost position: COGS, Marketing and Sales Expenses, overhead expenses
  - marketing position: market share, brand awareness, distribution
- portfolio analysis and strategic market plans
  - invest to grow: invest marketing resources to grow market or market share
  - invest to improve position: invest to improve and/or strengthen competitive position
  - new market entry: invest to enter new attractive markets or develop new product-markets
  - protect position: invest to protect market share and competitive advantage
  - optimize position: optimize price-volume and marketing resources to maximize products
  - monetize strategy: manage market position for maximum cash flow with limited marketing resources
  - harvest strategy: manage the product for maximum short-run cash flow or minimum losses
  - divest strategy
  - Attractive markets warrant offensive strategy, geared to deliver above-average performances in sales growth, share position and long-run profit performance. Defensive are used to protect share positions and produce short-run profit performance while contributing to long-run profit
- offensive portfolio strategy: growth oriented
  - **Sales revenue = market demand X market share**
  - **Gross profit = sales revenue X percent margin**
  - **Net Marketing Contribution = Gross Profit - Marketing Sales and Expenses**
- defensive portfolio strategy
  - protect strategic market positions, add to short-run cash flows and profit performance

- Protect market position within an existing market
- Monetizing for maximum cash flow, harvesting market share position in existing markets
- Improve short-run cash flow and profit performance,
- Portfolio diversification
  - two levels of diversification
    - Reduces dependence on single product-market
    - Increases likelihood that overall performance will be consistent
    - Offsets life cycles and competitive forces, variance offsets each other
    - Product diversification: Coca Cola - all world markets, P&G - all household product markets
    - Achieve growth and reduce risk, experiences performance swings 0 a
- Marketing mix strategy and performance plan
  - **marketing mix strategy:** tactical strategy supports strategic market plan, with requirements in terms of product positioning, pricing, promotions, sales outlet - resource allocation
  - **performance plan**
    - product line A - invest to protect market share - modest increase in sales and marketing profits
    - product line B - Optimize Position - find more profitable combo of margin and market share
    - Product line C- Invest to Grow market share - reduce prices and margins and increases in marketing and sales expenses, market share should grow from 10-15%
    - product line D - harvest Share position - less than 10% of sales, maximize short term marketing efforts for next 3 years 0 increase price to improve margins and reduce expenses