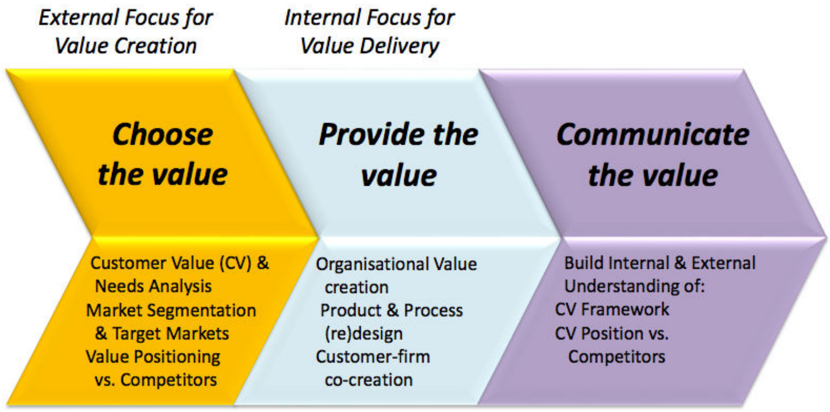
MARKETING.

Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large. *Don't use product, instead use offerings.

+ *History of Marketing Evolution*: PRODUCTION ERA **->** SALES ERA **->** MARKETING DEPARTMENT ERA **->** MARKETING ORGANISATION ERA

+ *PROCESS OF MARKETING:*
(from physical process sequence to a value delivery sequence)



*Marketers want to add value because it allows them to charge more e.g. an iPhone is only worth $171aud however because of the experience it creates its more than a phone.

+ *TOOLKIT FOR CREATING AND COMMUNICATING VALUE:*
- Product/people: New product & service development, **service quality**, value co-creation.. Nutella allowing you to put your name on the box and thus creating a relationship between the product and the people.
- Place: Design of promotion plans, **selection of channel**/companies e.g. where the product is place in relation to the persons eye could add value to the product.
- Price: value-based pricing… tiger airlines values are based on cheap air fares.
- Promotion: Determination of promotion objectives, timing, development of communications content and creative.

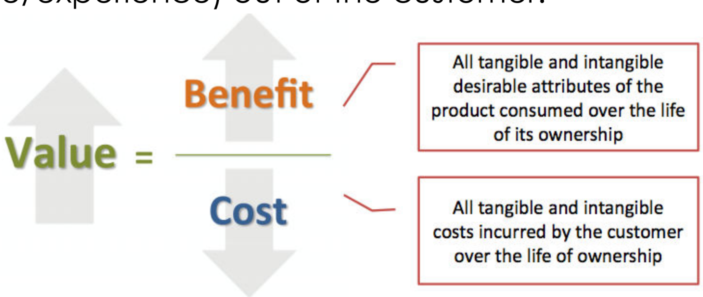
VALUE CREATION:

With value you can create good profits, rather than bad profits.
- Good Profits: Earnings from creating customer value which in turn creates loyal customers, purchase more of your product etc.
- Bad Profits: Are earned at the customers expense.. so the company gains nothing (no value/experience) out of the customer.

Remember: Value= good profits
Benefit= productivity, performance, experience, reduced risk.
Cost= time, behavioural/cognitiv

CUSTOMER VALUE:

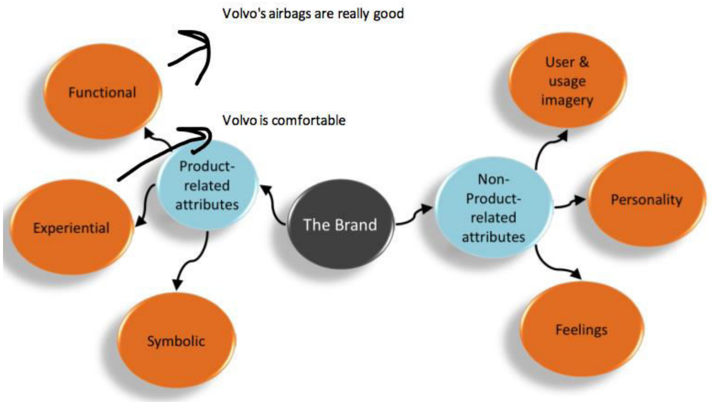
The goal is to create Superior **perceived** Value (customer views Company as better than Competitor.



Building Brand Equity:

1. ***Brand Identity***: *The meaning, position, and goals projected by the organisation. Its what we project to the market. It begins with creating a cohesive organisational culture around the brand's objectives.*
2. ***Brand Image***: - *brand awareness: Depth of awareness (likelihood that brand can be recognised or recalled), Breadth of awareness (variety of purchase situations for which the brand comes to mind)*

- *Strength of brand associations: Extensiveness of brand information processing.*
- *Favourability of brand associations: Associations viewed as positive & capable of satisfying consumer needs.*
- *Uniqueness of brand associations: Associations not shared with competing brands .. this can also be negative e.g. Starbucks has the worse coffee in the world. ……. LOOK AT IMAGE ON NEXT PAGE.*

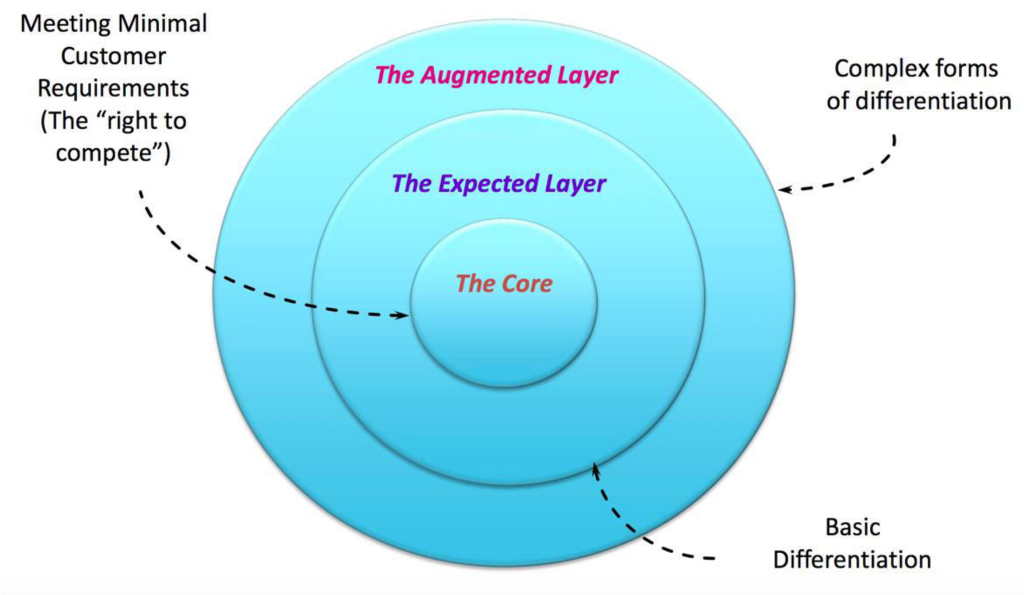


3. ***Brand Equity.***

PRODUCT LIFE CYCLE:

PRODUCT: The means by which value is delivered to customers. So never define something by the product BUT by the product. E.g. no one buys a laser pointer but they are buying the ability to deliver a lecture more easily.

The Augmented Product:
The **core** involves really basic requirements, such as Jetstar & Tiger.. they just compete on price. The **expected feature** is like BMW having a better aircon than Toyota and The **Augmented layer** is like all the Mercedes features. A lot of companies tend to forget about the Core such as the S7 which has an explodable battery bc they were too focused on the round screen.

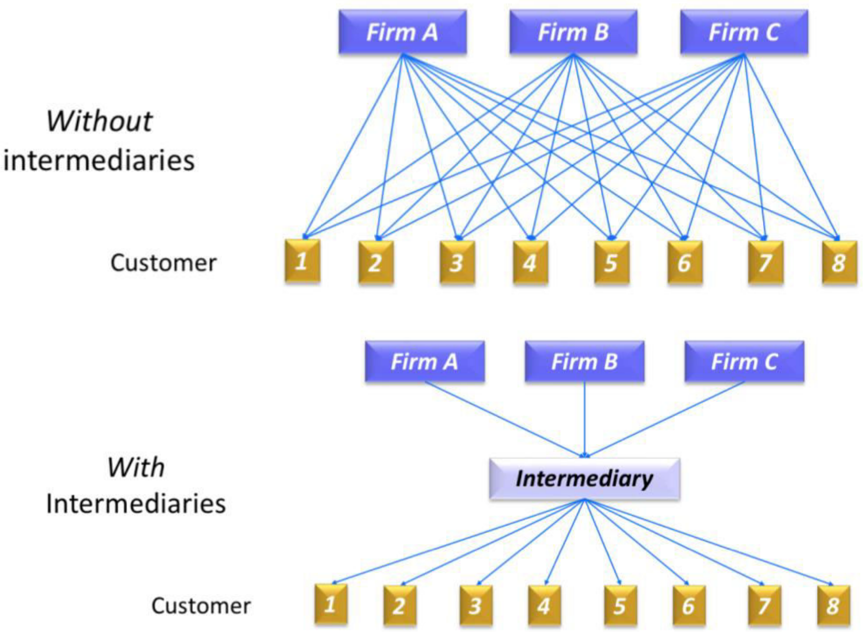


+ So Brands need to focus on generic category benefits first. As customers care about their fundamental needs being met (before 'unique' and 'different' elements) only THEN look for opportunities to differentiate.

+ Exclusive Distribution: Few stores granted exclusive rights to distribute products in specific territories. … Prestige or speciality goods, infrequently purchased, require significant after-sales service… Like too-faced only being available in Mecca.
+ Selective Distribution: The use of more than one but less than all the intermediaries who are willing to carry a particular product… Heterogeneous shopping products, or those that consumers seek out.

Channel Structure: Determinants of channel structure include:

1. **Distribution Functions:** Research, Promotion e.g. good guys specialised employers in brands, Contact, Negotiation, Physical Distribution, Financing, Risk Taking, Matching.
   + Matching Function in focus: Resolve discrepancies between consumers and producers.
   ……. Quantity (buffer mass produced goods), Assortment (allow producers to focus while providing customers selection), Time (hold goods until ready), Place (connect producers and consumers)
2. **Economics of distribution function:** Specialization or division of labour..
   Transaction efficiency.
   Intermediaries = myer workers etc

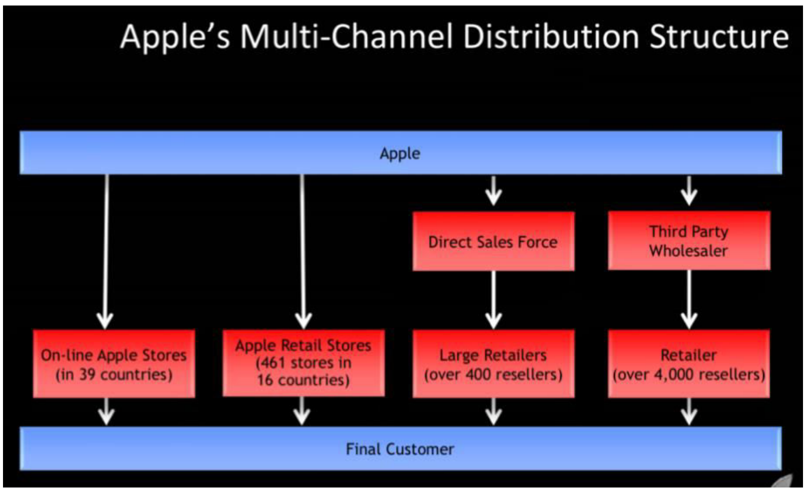


3.Management's desire for distribution control.
The shorter the channel structure the higher the control.
- Opportunity to maintain brand image.
- When service component of offering is high (and is important to customer perception of value)

+Such as like
Westpac → Consumer OR
Ford → Retailer → Consumer

Multi-Channel Models Drive Firm Performance:

So Consumers who shop across a number of channels such as physical stores, the internet and catalogues. They have: low-cost access to new markets, increased customer satisfaction & loyalty, creation of a strategic (knowledge) advantage.



Adv: Geography/ Bigger target market can be reached.
Convenience/ reach customers in different ways
Leads to new customers.
Dis: One channel can kill another + complexity of channel + less control over customer satisfaction.

Conflict of Distribution (Marketing) channel:

Channel Behaviour:

Horizontal Conflict: Conflict between firms at the same level of the channel such as like two mc Donald chains opening next to each other.
Vertical Conflict: Conflict between different levels of the same channel. Such as HP wanting to open its own store but then JB HI FI said if you do, we wont stock you anymore.

Channel Organisation:

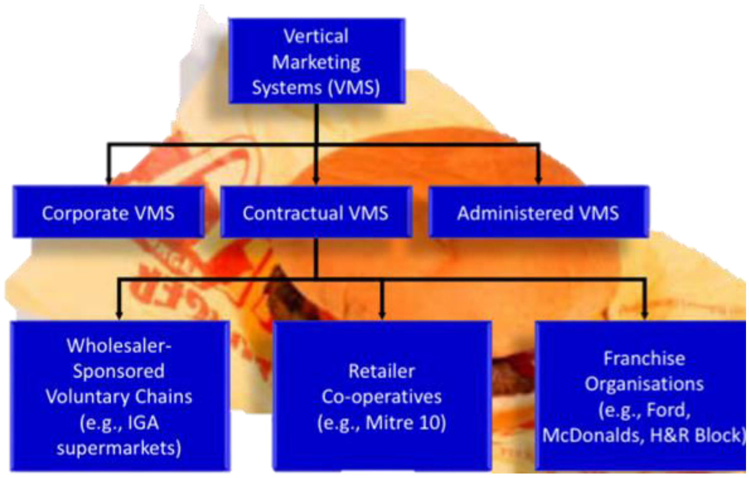
Conventional Marketing Channels: Channel members acting independently, maximising own profits even at the expense of maximising the profits for the system as a whole.
Vertical Marketing Systems: Channel members acting as a unified system.

→ Corporate VMS: Combines successive stages of production & distribution under single ownership. HOWEVER,. This is really costly such as Ford bought one of their suppliers but they couldn't survive & had to sell it off.

→ Contractual VMS: Independent firms at different levels of production and distribution integrating their programs on a contractual basis. (MOST COST EFFECTIVE.)

→ Corporate VMS: Co-ordinates successive stages of production and distribution through the size and power of one of the parties.

- Co-ordination might also be achieved through relational (i.e. trust, norms, reciprocity) means. Such as Walmart is so big it has huge negotiating powers etc.



Channel Design:

Long Channels: - Widely dispersed customer population. – Smalll amounts, purchased frequently e.g. Tooth paste.
Shorter Channels: + High involvement/speciality goods + High service component e.g. Simons Wife coffee machine from Germany.
These have multiple routes to market.

Product Characteristics of a Short Channel: Bulky products, non-standardised products, products requiring installation or maintenance services, high unit value products & perishable products.

+ Channel Modifications for perishable products & P.L.C:

SO decreasing the time to get to consumer. Such as Apple fruit.

-Introduction: +Limited distribution through exclusive or selective channels.
+ Channels bear a larger share of the costs of buyer creation.
- **Growth:** +High volume channels are introduced.
-**Maturity:** +Increase number of outlets. + Lower price, lower service outlets. + Building direct channels.
+ **Decline:** +Limited outlets or direct only.