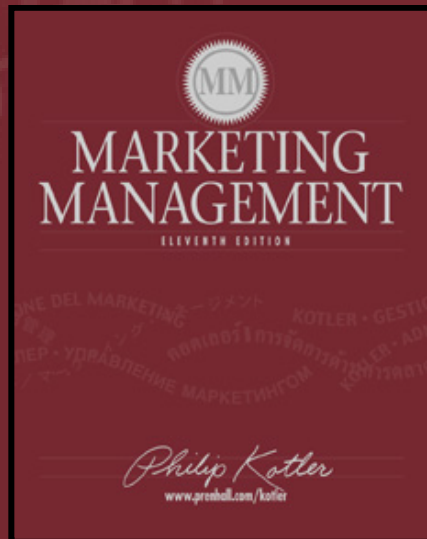


# Chapter 14

## Setting the Product and Branding Strategy

by

*Philip Kotler*



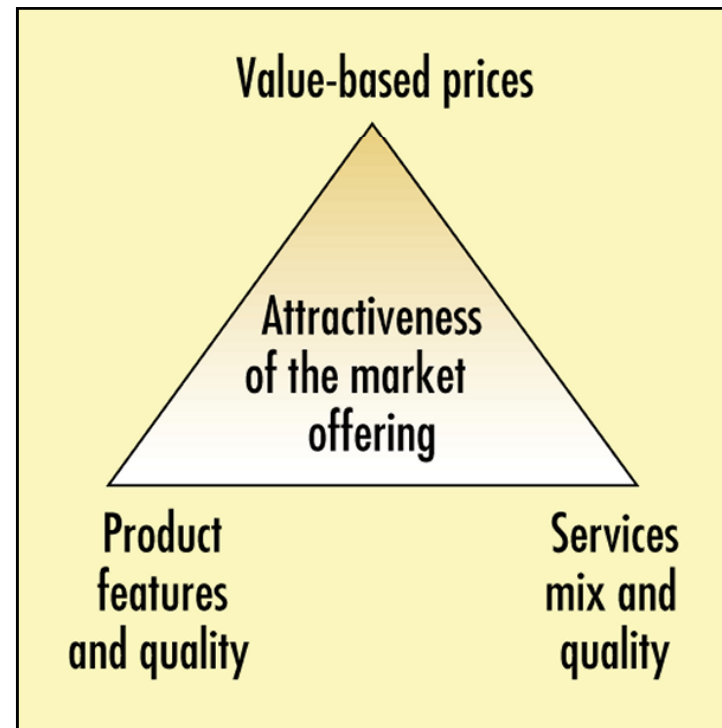
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# The Product and the Product Mix

## – Product

- Physical goods
- Services
- Experiences
- Events
- Persons
- Places
- Properties
- Organizations
- Information
- Ideas

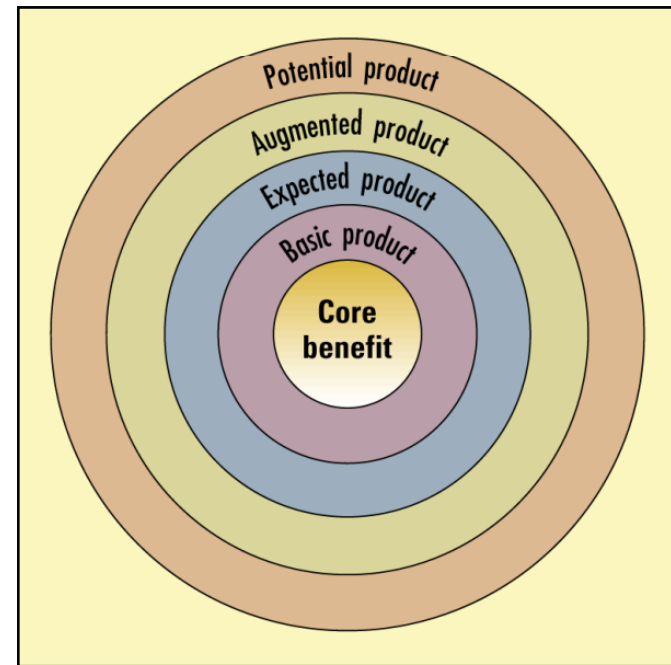
**Figure 14.1: Components of the Market Offering**



# The Product and the Product Mix

- Product levels
  - Core benefit
  - Basic product
  - Expected product
  - Augmented product
  - Potential product

**Figure 14.2: Five Product Levels**



# The Product and the Product Mix

- Product hierarchy
  - Need family/kebutuhan inti: keamanan
  - Product family : saving,pendapatan
  - Product class : instrumen finansial
  - Product line : asuransi jiwa
  - Product type : asuransi berjangka
  - Item : prudential insurance

# The Product and the Product Mix

- Product system/saling melengkapi
- Product mix
- Product classifications
  - Durability and Tangibility Classification:
    - Nondurable goods
    - Durable goods
    - Services



# The Product and the Product Mix

## – Consumer-Goods Classification:

- Convenience goods
  - Staples/sehari-hari
  - Impulse goods
  - Emergency goods
- Shopping goods
  - Homogeneous shopping goods
  - Heterogeneous shopping goods
- Specialty goods
- Unsought goods



# The Product and the Product Mix

## – Industrial-Goods Classification

- Materials and parts
  - Farm products
  - Natural products
  - Manufactured materials and parts
  - Component materials
  - Component parts
- Capital items
  - Installations
  - Equipment



# The Product and the Product Mix

## – Supplies and business services

- Maintenance and repair items
- Operating supplies
- Maintenance and repair services
- Business advisory services



# The Product and the Product Mix

- Product mix (Product assortment)
  - Product mix has a certain:
    - Width
    - Length
    - Depth
    - Consistency



Table 14.1: Product-Mix Width and Product-Line Length for Proctor& Gamble Products

		Product-Mix Width			
PRODUCT- LINE LENGTH	Detergents	Toothpaste	Disposable Bar Soap	Diapers	Paper Tissue
	<b>Ivory Snow (1930)</b>	<b>Gleem (1952)</b>	<b>Ivory (1879)</b>	<b>Pampers (1961)</b>	<b>Charmin (1928)</b>
		<b>Crest (1955)</b>			
	<b>Dreft (1933)</b>		<b>Kirk's (1885)</b>	<b>Luv's (1976)</b>	<b>Puffs (1960)</b>
	<b>Tide (1946)</b>		<b>Lava (1893)</b>		<b>Banner (1982)</b>
	<b>Cheer (1950)</b>		<b>Camay (1926)</b>		<b>Summit (1992)</b>

*See text for complete table*

# The Product and the Product Mix

- Product-line decisions
  - Product-line analysis
    - Sales and Profits
  - Four types of product classes:
    - Core product
    - Staples
    - Specialties
    - Convenience items

# The Product and the Product Mix

- Product-line length
  - Line Stretching
    - Downmarket Stretch
      - The company may notice strong growth opportunities as mass retailers attract a growing number of shoppers
      - The company may wish to tie up lower-end competitors who might otherwise try to move upmarket
      - The company may find that the middle market is stagnating or declining
    - Upmarket Stretch
    - Two-Way Stretch

# The Product and the Product Mix

- Line Filling

- Just-noticeable difference

- Line Modernization, featuring, and pruning

- **Brand decisions**

- What is brand?

- **Attributes**

- **Benefits**

- **Values**

- **Culture**

- **Personality**

- **User**



# The Product and the Product Mix

- Commonly used research approaches to determine brand meaning:
  - Word associations
  - Personifying the brand
  - Laddering up the brand essence
    - Brand essence
    - Laddering up



# The Product and the Product Mix

- Building Brand Identity

- Brand bonding

- Brands are not built by advertising but by the brand experience
    - Everyone in the company lives the brand
    - Three ways to carry on internal branding – Employees must
      - Understand
      - Desire, and
      - Deliver on the brand promise



# The Product and the Product Mix

- Brand Equity

- Brand awareness
- Brand acceptability
- Brand preference

- Aaker's five levels of customer attitude:

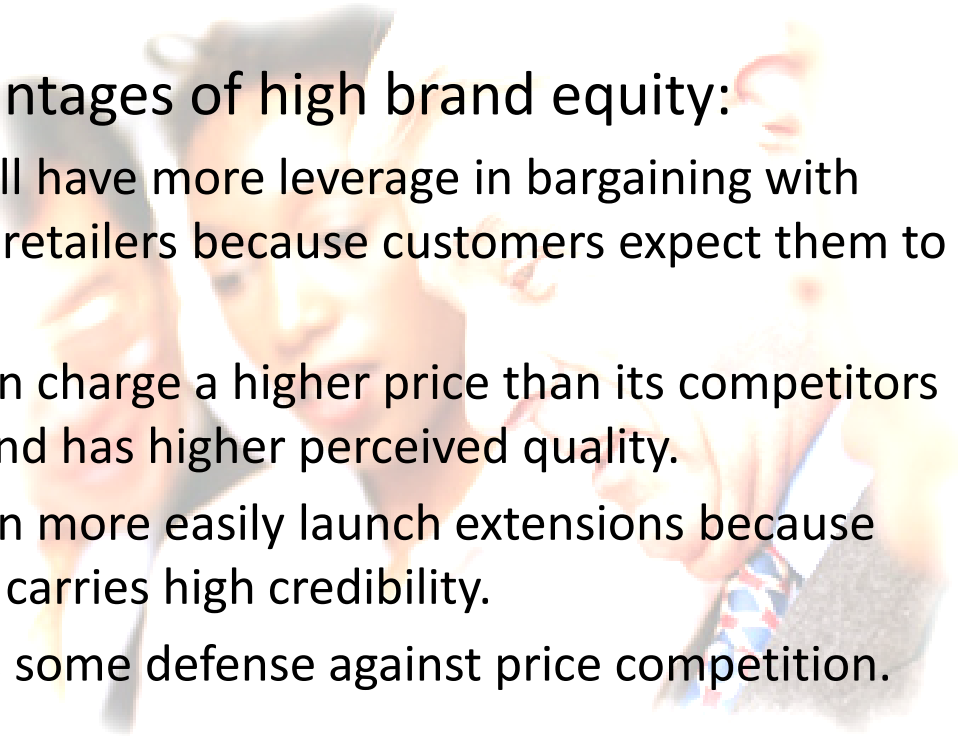
- The customer will change brands, especially for price reasons. No brand loyalty.
- Customer is satisfied. No reason to change brands.
- Customer is satisfied and would incur cost by changing brand.
- Customer values the brand and sees it as a friend.
- Customer is devoted to the brand.



# The Product and the Product Mix

## – Value of Brand Equity

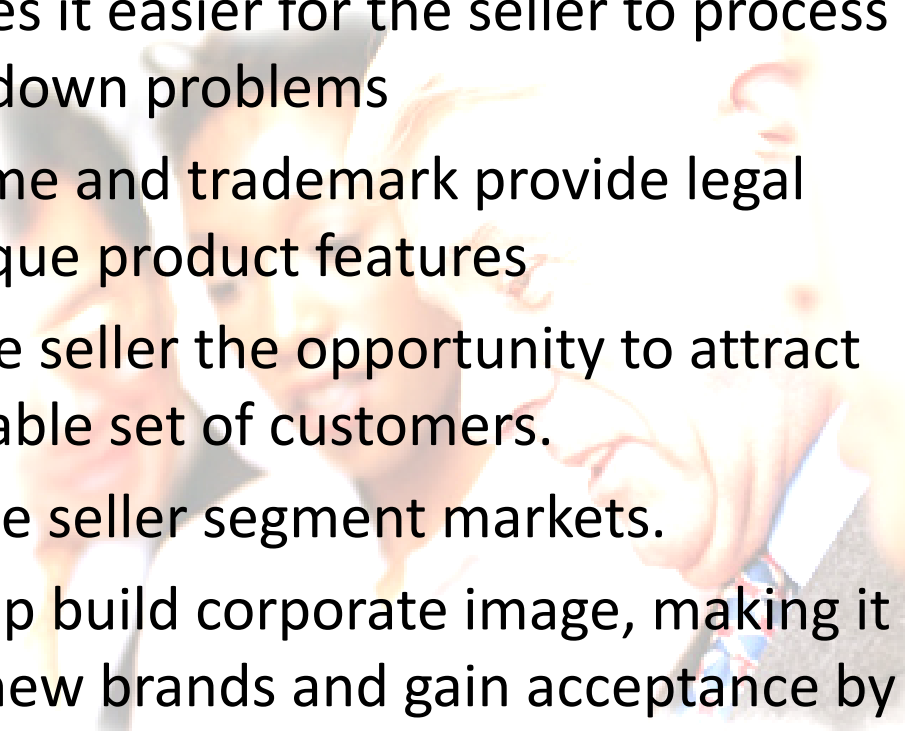
- Brand valuation
- Competitive advantages of high brand equity:
  - The company will have more leverage in bargaining with distributors and retailers because customers expect them to carry the brand.
  - The company can charge a higher price than its competitors because the brand has higher perceived quality.
  - The company can more easily launch extensions because the brand name carries high credibility.
  - The brand offers some defense against price competition.



# The Product and the Product Mix

- Managing Brand Equity
- Branding Challenges
  - Branding Decision: To Brand or Not to Brand?

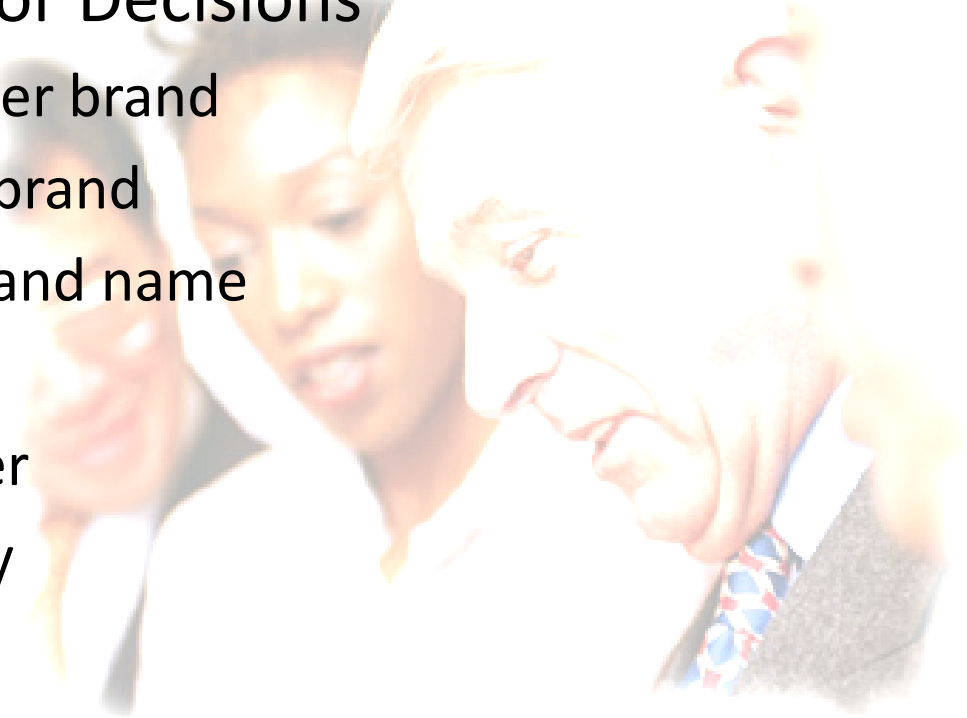
# The Product and the Product Mix

- Branding gives the seller several advantages:
    - Brand name makes it easier for the seller to process orders and track down problems
    - Seller's brand name and trademark provide legal protection of unique product features
    - Branding gives the seller the opportunity to attract a loyal and profitable set of customers.
    - Branding helps the seller segment markets.
    - Strong brands help build corporate image, making it easier to launch new brands and gain acceptance by distributors and consumers.
- 

# The Product and the Product Mix

## – Brand-Sponsor Decisions

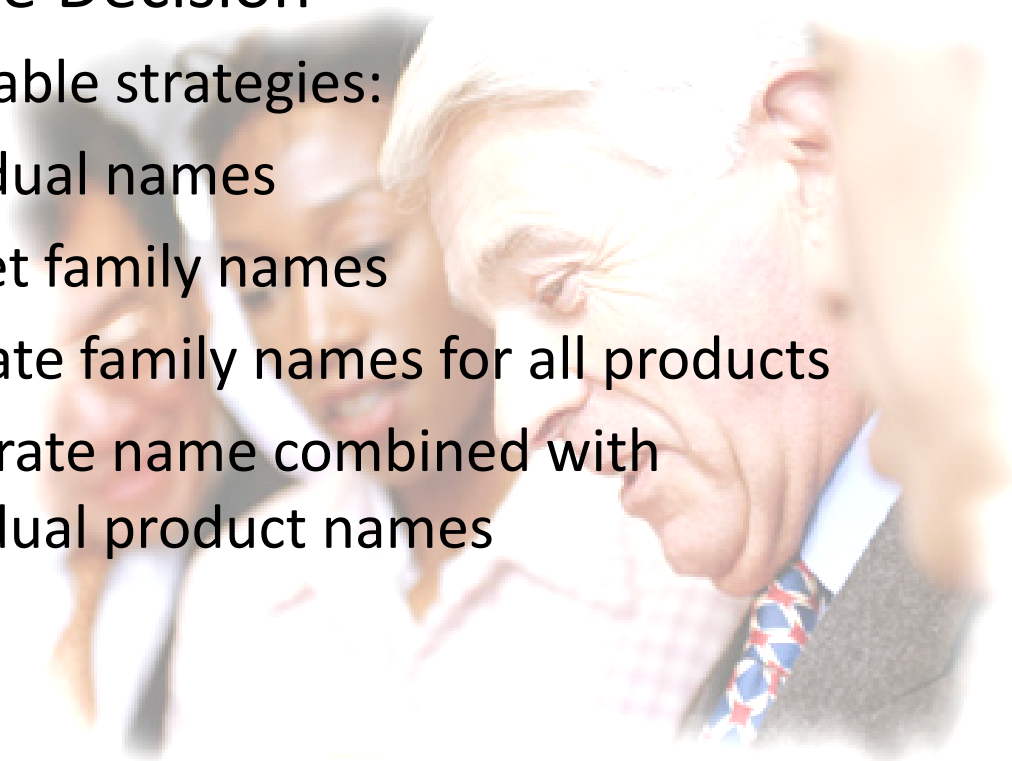
- Manufacturer brand
- Distributor brand
- Licensed brand name
- Slotting fee
- Brand ladder
- Brand parity



# The Product and the Product Mix

## – Brand-Name Decision

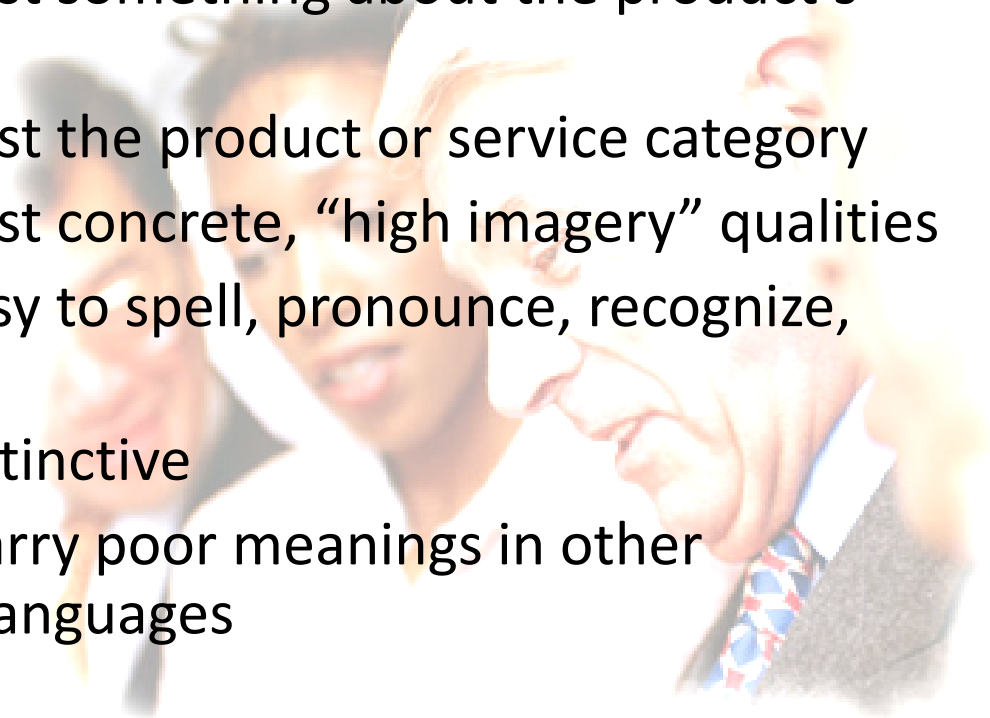
- Four available strategies:
  - Individual names
  - Blanket family names
  - Separate family names for all products
  - Corporate name combined with individual product names



# The Product and the Product Mix

## – Desirable qualities for a brand name

- It should suggest something about the product's benefits
- It should suggest the product or service category
- It should suggest concrete, “high imagery” qualities
- It should be easy to spell, pronounce, recognize, and remember
- It should be distinctive
- It should not carry poor meanings in other countries and languages



# The Product and the Product Mix

## – Brand building tools

- Public relations and press releases
  - Sponsorships
  - Clubs and consumer communities
  - Factory visits
  - Trade shows
  - Event marketing
- 
- **Public facilities**
  - **Social cause marketing**
  - **High value for the money**
  - **Founder's or a celebrity personality**
  - **Mobile phone marketing**

# The Product and the Product Mix

- Brand Strategy Decision

- Functional brand
- Image brand
- Experimental brands

- Line Extensions

- Branded variants

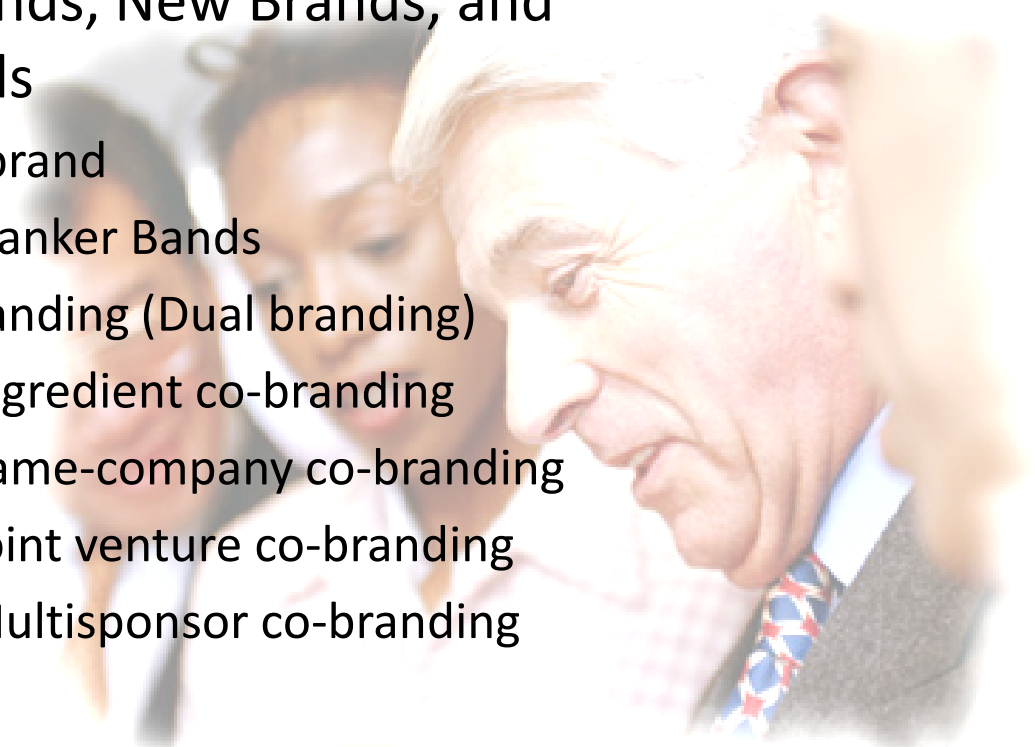
- Brand extensions

- Brand dilution



# The Product and the Product Mix

- Multibrands, New Brands, and Co-Brands
  - Multibrand
    - » Flanker Bands
  - Co-branding (Dual branding)
    - » Ingredient co-branding
    - » Same-company co-branding
    - » Joint venture co-branding
    - » Multisponsor co-branding



# The Product and the Product Mix

- Brand Asset Management
- Brand Auditing and Repositioning
  - Brand report card



# The Product and the Product Mix

- Packaging and Labeling

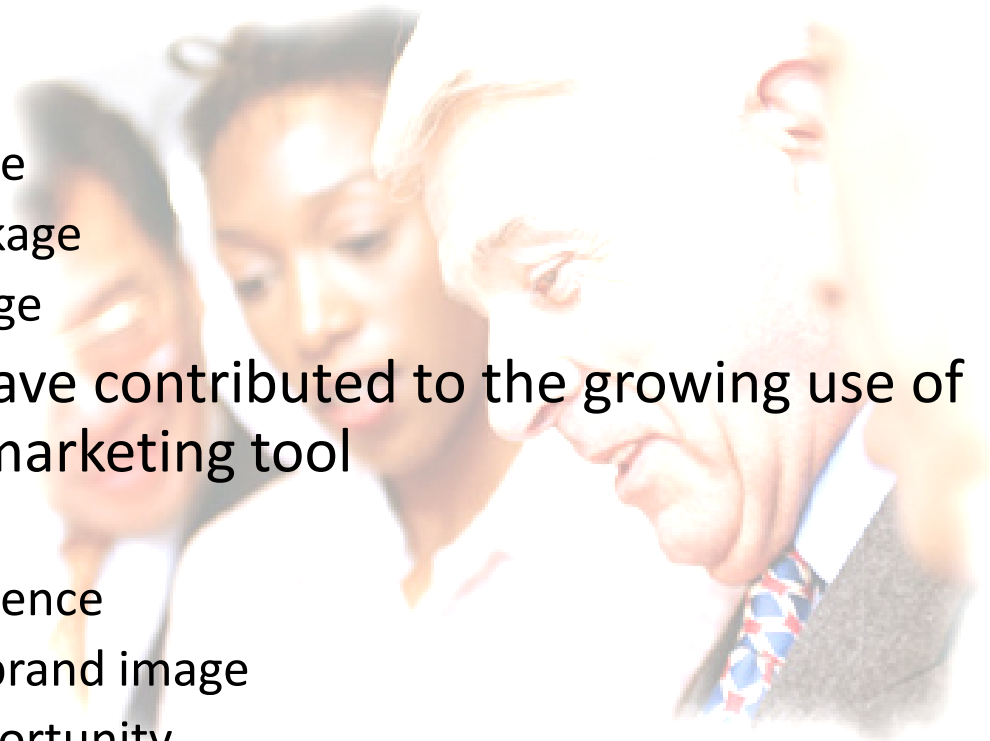
- Packaging

- Package

- Primary Package
    - Secondary Package
    - Shipping Package

- Factors which have contributed to the growing use of packaging as a marketing tool

- Self-Service
    - Consumer affluence
    - Company and brand image
    - Innovation opportunity



# The Product and the Product Mix

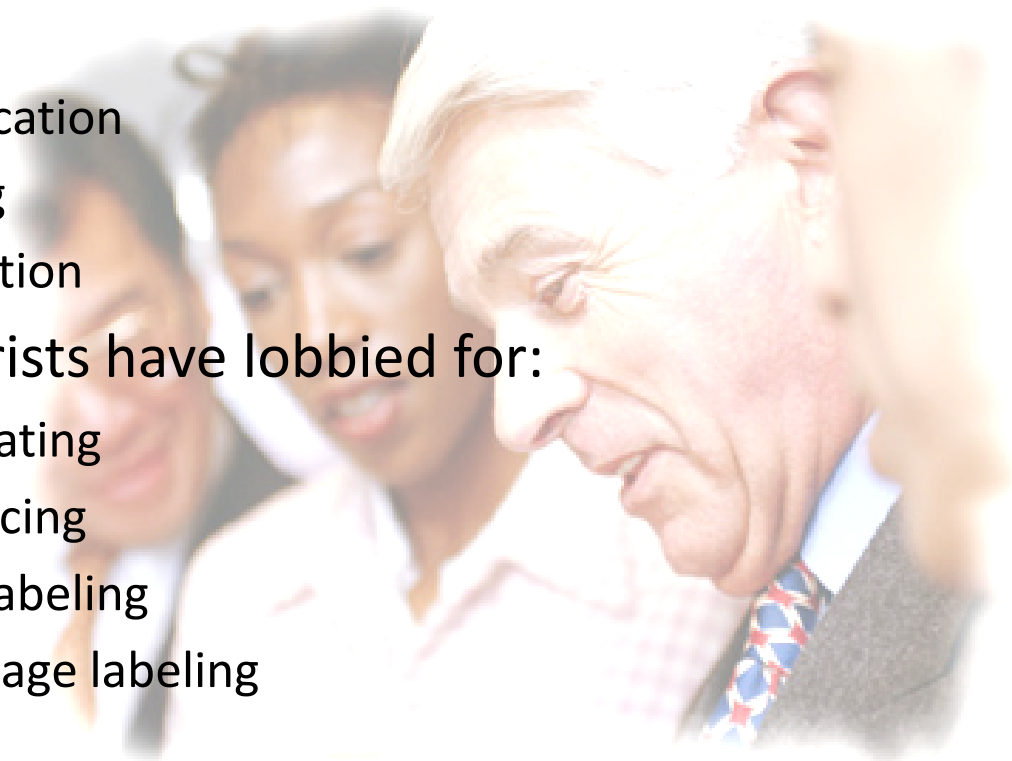
## – Labeling

- Functions

- Identification
- Grading
- Description

- Consumerists have lobbied for:

- Open dating
- Unit pricing
- Grade labeling
- Percentage labeling

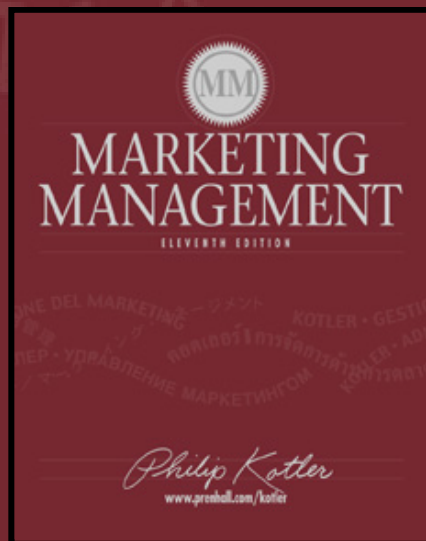


# Chapter 16

## Developing Price Strategies and Programs

by

*Philip Kotler*

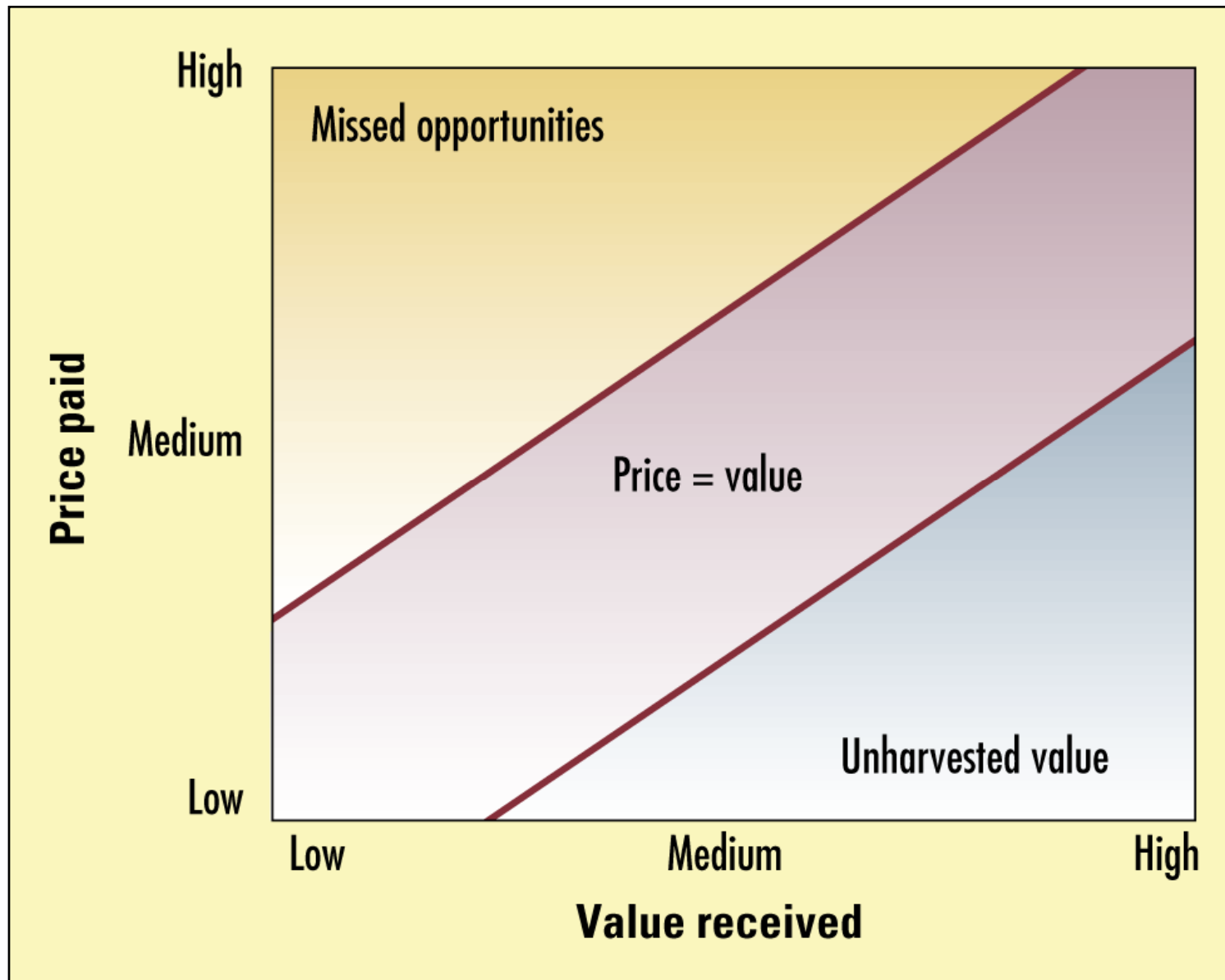


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Figure 16.1: Nine Price-Quality Strategies

		<b>Price</b>		
		High	Medium	Low
<b>Product Quality</b>	High	1. Premium strategy	2. High-value strategy	3. Super-value strategy
	Medium	4. Overcharging strategy	5. Medium-value strategy	6. Good-value strategy
	Low	7. Rip-off strategy	8. False economy strategy	9. Economy strategy

Figure 16.2: Price Should Align with Value



# Setting the Price

- Step 1: Selecting the pricing objective
  - Survival
  - Maximize current profits
  - Maximize their market share
- Market-penetration pricing
  - Best when:
    - Market is highly price-sensitive, and a low price stimulates market growth,
    - Production and distribution costs fall within accumulated production experience, and
    - Low price discourages actual and potential competition

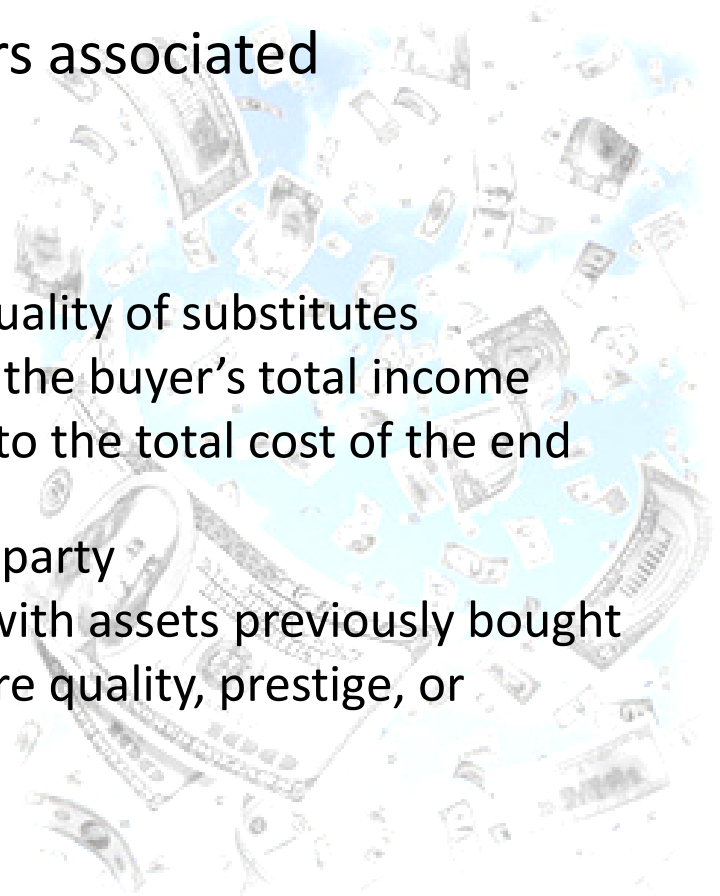


# Setting the Price

- Step 2: Determining Demand
  - Price sensitivity
  - Total Cost of Ownership (TCO)

# Setting the Price

- Tom Nagle offers this list of factors associated with lower price sensitivity
  - The product is more distinctive
  - Buyers are less aware of substitutes
  - Buyers cannot easily compare the quality of substitutes
  - The expenditure is a smaller part of the buyer's total income
  - The expenditure is small compared to the total cost of the end product
  - Part of the cost is borne by another party
  - The product is used in conjunction with assets previously bought
  - The product is assumed to have more quality, prestige, or exclusiveness
  - Buyers cannot store the product



# Setting the Price

- Estimating Demand Curves
- Price Elasticity of Demand
  - Inelastic
  - Elastic
  - Price indifference band

# Setting the Price

- Step 3: Estimating Cost
  - Types of Cost and Levels of Production
    - Fixed costs (overhead)
    - Variable cost
    - Total cost
    - Average cost
  - Accumulated Production
    - Experience curve (Learning curve)



# Setting the Price

- Differentiated Marketing Offers
  - Activity-based cost (ABC) accounting
- Target costing
- Step 4: Analyzing Competitors' Cost, Prices, and Offers

# Setting the Price

- Step 5: Selecting a Pricing Method

- Markup Pricing

Unit Cost =  
variable cost + (fixed cost/unit sales)

- Markup price

Markup price =  
unit cost / (1 – desired return on sales)

- Target-Return Pricing

Target-return price =  
unit cost + (desired return X investment capital)/unit sales



# Setting the Price

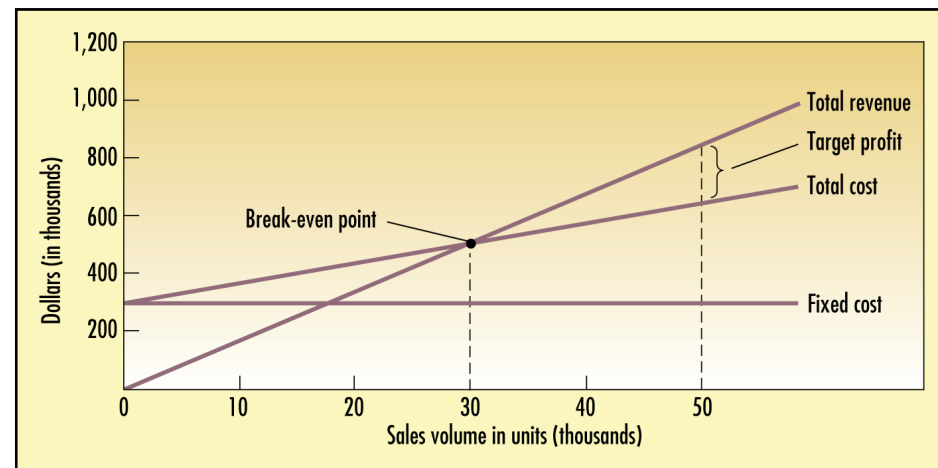
## – Break-even volume

Break-even volume = fixed cost / (price – variable cost)

## – Perceived-Value Pricing

- Perceived value
- Price buyers
- Value buyers
- Loyal buyers
- Value-in-use price

Figure 16.8: Break-Even Chart for Determining Target-Return Price and Break-Even Volume



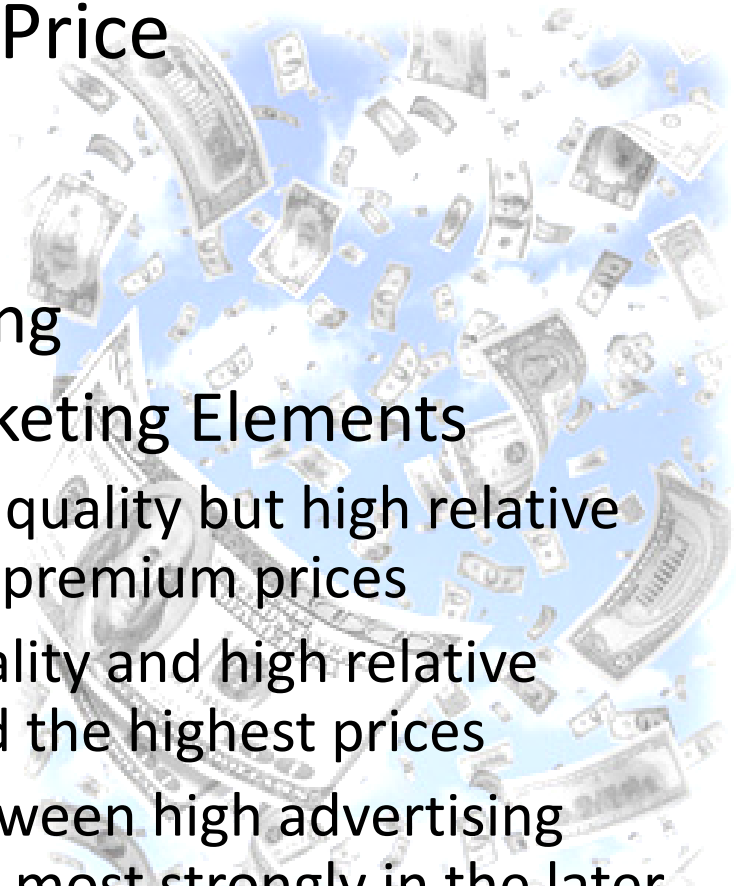
# Setting the Price

- Value Pricing
  - Everyday low pricing (EDLP)
  - High-low pricing
- Going-Rate Pricing
- Auction-Type Pricing
  - English auctions (ascending bids)
  - Dutch auctions (descending bids)
  - Sealed-bid auctions
- Group Pricing



# Setting the Price

- Step 6: Selecting the Final Price
  - Psychological Pricing
    - Reference price
  - Gain-and-Risk-Sharing Pricing
  - Influence of the Other Marketing Elements
    - Brands with average relative quality but high relative advertising budgets charged premium prices
    - Brands with high relative quality and high relative advertising budgets obtained the highest prices
    - The positive relationship between high advertising budgets and high prices held most strongly in the later stages of the product life cycle for market leaders



# Setting the Price

- Brands with average relative quality but high relative advertising budgets charged premium prices
  - Brands with high relative quality and high relative advertising budgets obtained the highest prices
  - The positive relationship between high advertising budgets and high prices held most strongly in the later stages of the product life cycle for market leaders
- Company Pricing Policies
  - Impact of Price on Other Parties

# Adapting the Price

- Geographical Pricing (Cash, Countertrade, Barter)
  - Countertrade
  - Barter
  - Compensation deal
  - Buyback arrangement
  - Offset
- Price Discounts and Allowances



Table 16.2: Price Discounts and Allowances

Cash Discount:	A price reduction to buyers who pay bills promptly. A typical example is “2/10, net 30,” which means that payment is due within 30 days and that the buyer can deduct 2 percent by paying the bill within 10 days.
Quantity Discount:	A price reduction to those who buy large volumes. A typical example is “\$10 per unit for less than 100 units; \$9 per unit for 100 or more units.” Quantity discounts must be offered equally to all customers and must not exceed the cost savings to the seller. They can be offered on each order placed or on the number of units ordered over a given period.

*See text for complete table*

# Adapting the Price

- Promotional Pricing
  - Loss-leader pricing
  - Special-event pricing
  - Cash rebates
  - Low-interest financing
  - Longer payment terms
  - Warranties and service contracts
  - Psychological discounting



# Adapting the Price

- Discriminatory Pricing
  - Customer segment pricing
  - Product-form pricing
  - Image pricing
  - Channel pricing
  - Location pricing
  - Time pricing
    - Yield pricing



# Adapting the Price

- Product-mix pricing
  - Product-Line Pricing
  - Optional-Feature Pricing
  - Captive-Product Pricing
    - Captive products
  - Two-Part Pricing
  - By-Product Pricing
  - Product-Bundling Pricing
    - Pure bundling
    - Mixed bundling



# personify.com provides software that helps Web merchants find target customers

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product solutions | customer profiles | alliance relationships | service offerings | about personify | contact us

## Understand

what makes your prospects and customers click.

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If you intend to do business successfully online, an online profiling solution should be one of the tools used to help determine what your customers are doing online. . . . Personify offers a suite of solutions that can deliver this kind of insight and flexibility. *Patricia Seybold Group*

### What if you knew ten times more?

Personify can increase your customer knowledge by a factor of ten, improving how you market, sell, and service across the entire

### Personify Customers

Who they are	What they are saying	How they use our software
	<i>"Personify provides the ability to store and analyze the profiles of 100% of our visitors. Leveraging this knowledge at</i>	



# Initiating and Responding to Price Changes

- Initiating Price Cuts
  - Drive to dominate the market through lower costs
  - Low quality trap
  - Fragile-market-share trap
  - Shallow-pockets trap



Table 16.3: Marketing-Mix Alternatives

Strategic Options	Reasoning	Consequences
1. Maintain price and perceived quality. Engage in selective customer pruning.	Firm has higher customer loyalty. It is willing to lose poorer customers to competitors.	Smaller market share. Lowered profitability.
2. Raise price and perceived quality.	Raise price to cover rising costs. Improve quality to justify higher prices.	Smaller market share. Maintained profitability.
3. Maintain price and raise perceived quality.	It is cheaper to maintain price and raise perceived quality.	Smaller market share. Short-term decline in profitability. Long-term increase in profitability.

*See text for complete table*

## Initiating and Responding to Price Changes

Table 16.4: Profits Before and After a Price Increase

	Before	After
Price	\$ 10	\$10.10 (a 1 percent price increase)
Units sold	100	100
Revenue	\$1000	\$1010
Costs	-970	-970
Profit	\$ 30	\$ 40 (a 33 1/3 percent profit increase)

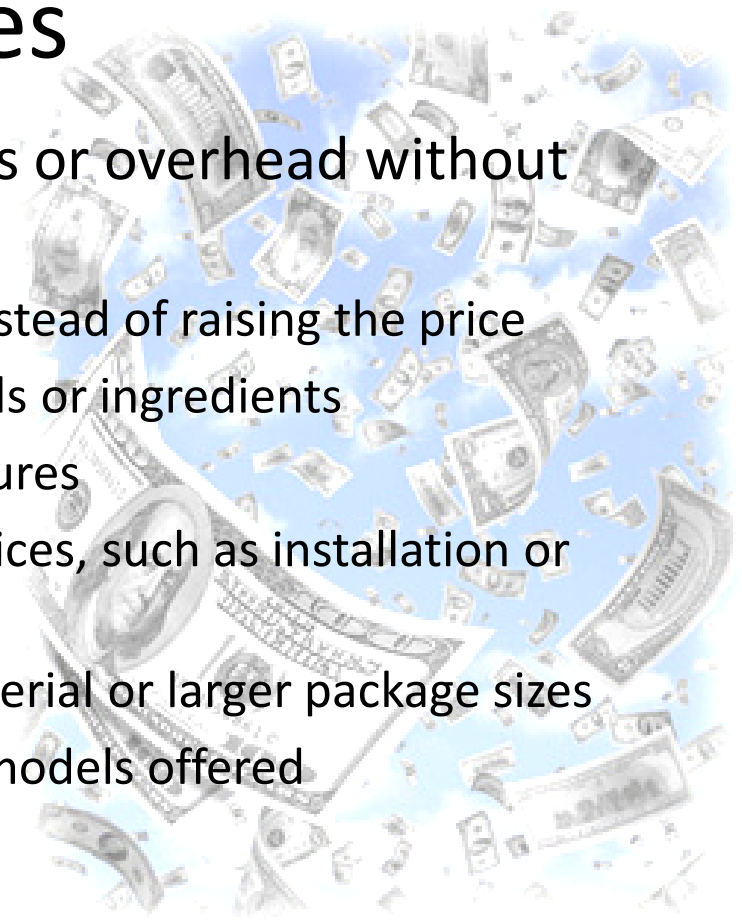
# Initiating and Responding to Price Changes

- Initiating Price Increases
  - Cost inflation
  - Anticipatory pricing
  - Overdemand
  - Delayed quotation pricing
  - Escalator clauses
  - Unbundling
  - Reduction of discounts



# Initiating and Responding to Price Changes

- Possible responses to higher costs or overhead without raising prices include:
  - Shrinking the amount of product instead of raising the price
  - Substituting less expensive materials or ingredients
  - Reducing or removing product features
  - Removing or reducing product services, such as installation or free delivery
  - Using less expensive packaging material or larger package sizes
  - Reducing the number of sizes and models offered
  - Creating new economy brands



# Initiating and Responding to Price Changes

- Reactions to Price Changes
  - Customer Reactions
  - Competitor Reactions
- Responding to Competitors' Price Changes
  - Maintain price
  - Maintain price and add value
  - Reduce price
  - Increase price and improve quality
  - Launch a low-price fighter line

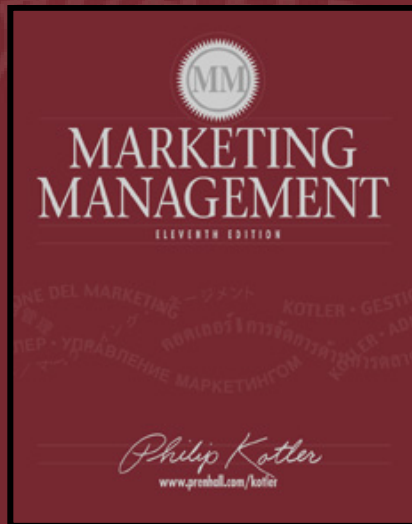


# Chapter 17

## Designing and Managing Value Networks and Marketing Channels

by

*Philip Kotler*



PowerPoint by  
Milton M. Pressley  
University of New Orleans

# What is a Value Network and Marketing-Channel System?

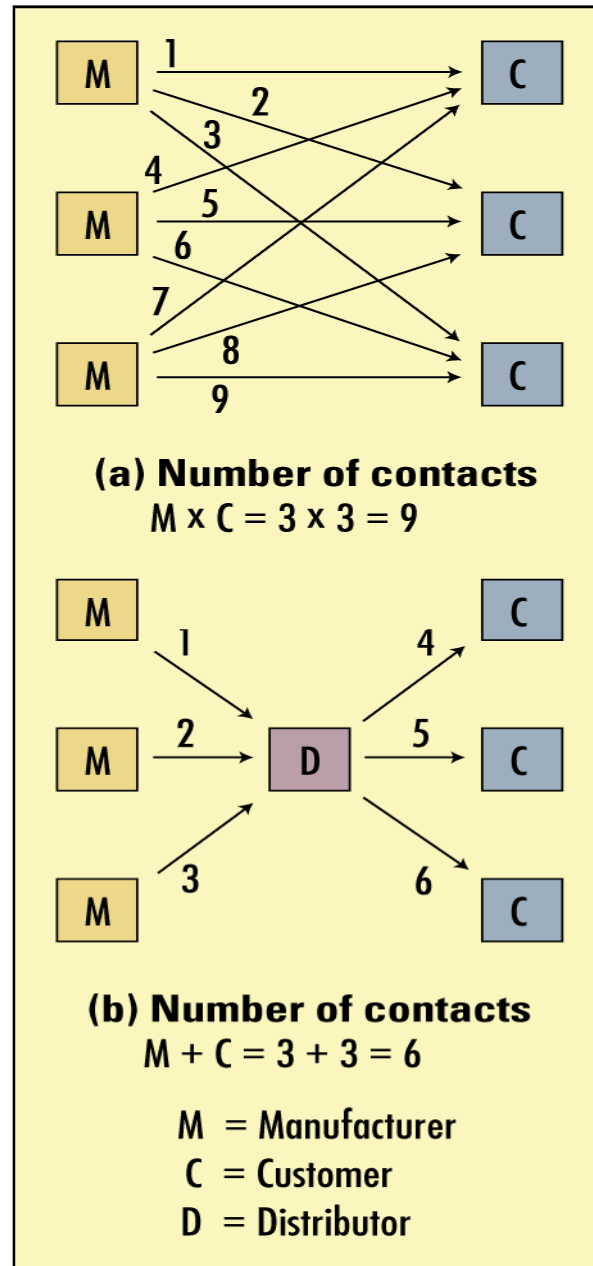
- Value Network
- Marketing channel



# What Work is Performed by Marketing Channels?

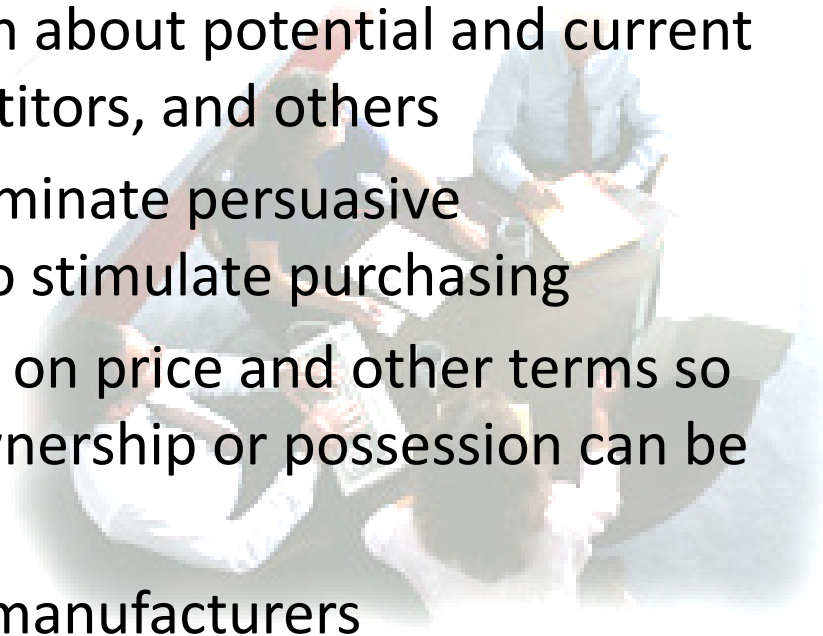
- Many producers lack the financial resources to carry out direct marketing
- In some cases direct marketing simply is not feasible
- Producers who do establish their own channels can often earn a greater return by increasing their investment in their main business.

Figure 17.1: How a Distributor Effects an Economy of Effort



# What Work is Performed by Marketing Channels?

- Channel Functions and Flows
  - Key functions include:
    - Gather information about potential and current customers, competitors, and others
    - Develop and disseminate persuasive communications to stimulate purchasing
    - Reach agreements on price and other terms so that transfer of ownership or possession can be effected
    - Place orders with manufacturers



# What Work is Performed by Marketing Channels?

- Acquire funds to finance inventories at different levels in the marketing channel
- Assume risk connected with carrying out channel work
- Provide for the successive storage and movement of physical products
- Provide for buyers' payment of their bills through banks and other financial institutions
- Oversee actual transfer of ownership from one organization or person to another

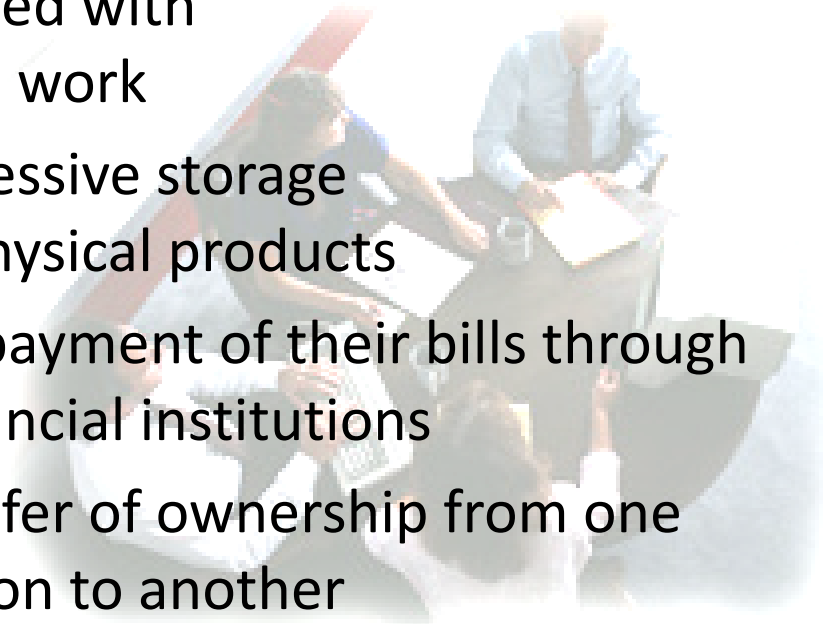
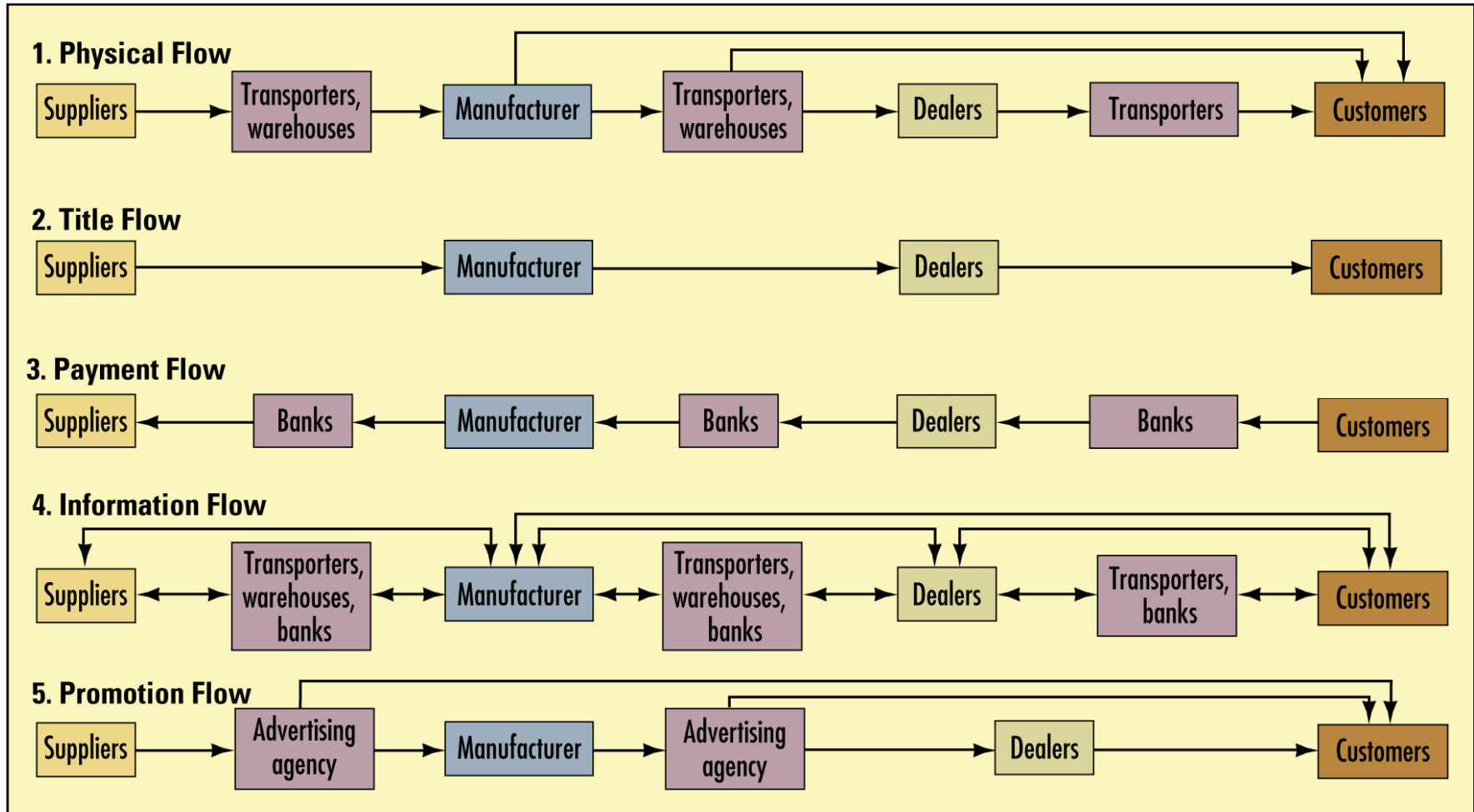


Figure 17.2: Five Marketing Flows in the Marketing Channel for Forklift Trucks



# What Work is Performed by Marketing Channels?

- Channel levels
  - Zero-level channel (a.k.a. direct-marketing channel)
  - One-level channel
  - Two-level channel
  - Three-level channel
  - Reverse-flow channel
- Service Sector Channels
- Information Highway Channels



# Channel-Design Decisions

- Push strategy
  - Pull strategy
- Designing a channel system involves four steps:
- Analyzing customer needs
  - Establishing channel objectives
  - Identifying major channel alternatives
  - Evaluating major channel alternatives

# Channel-Design Decisions

- Analyze Customers' Desired Service Output Levels
  - Lot size
  - Waiting time
  - Spatial convenience
  - Product variety
  - Service backup



# Channel-Design Decisions

- Establish Objectives and Constraints
- Identify Major Channel Alternatives
  - Types of Intermediaries
  - Number of Intermediaries
    - Exclusive distribution
      - Exclusive dealing
    - Selective distribution
    - Intensive distribution

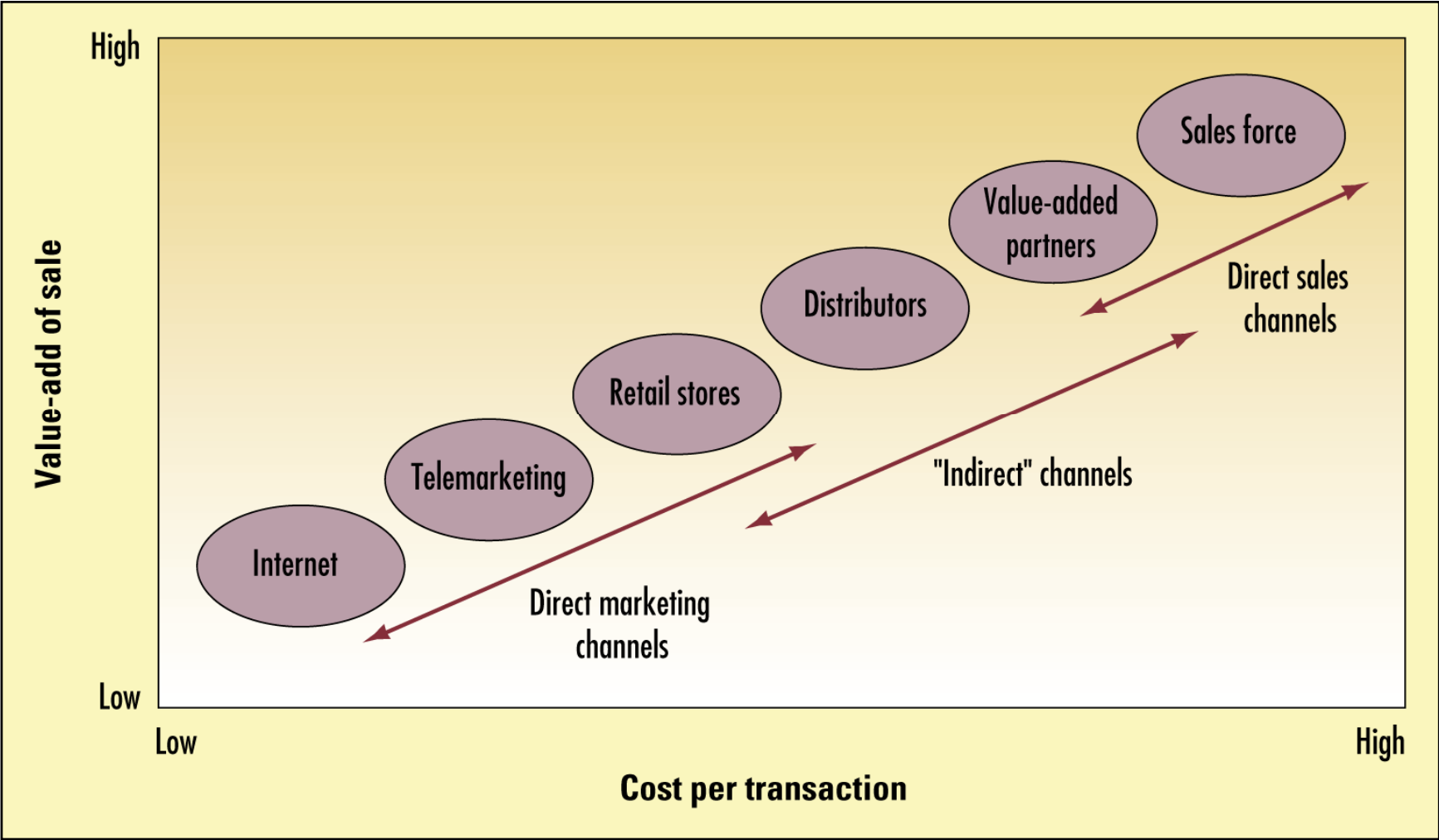


# Channel-Design Decisions

- Terms and Responsibilities of Channel Members
  - Price policy
  - Conditions of sale
  - Distributors' territorial rights
- Evaluate the Major Alternatives
  - Economic Criteria



Figure 17.4: The Value-Adds versus Costs of Different Channels



# Channel-Management Decisions

- Selecting Channel Members
- Training Channel Members
- Motivating Channel Members
  - Producers can use:
    - Coercive power
    - Reward power
    - Legitimate power
    - Expert power
    - Referent power



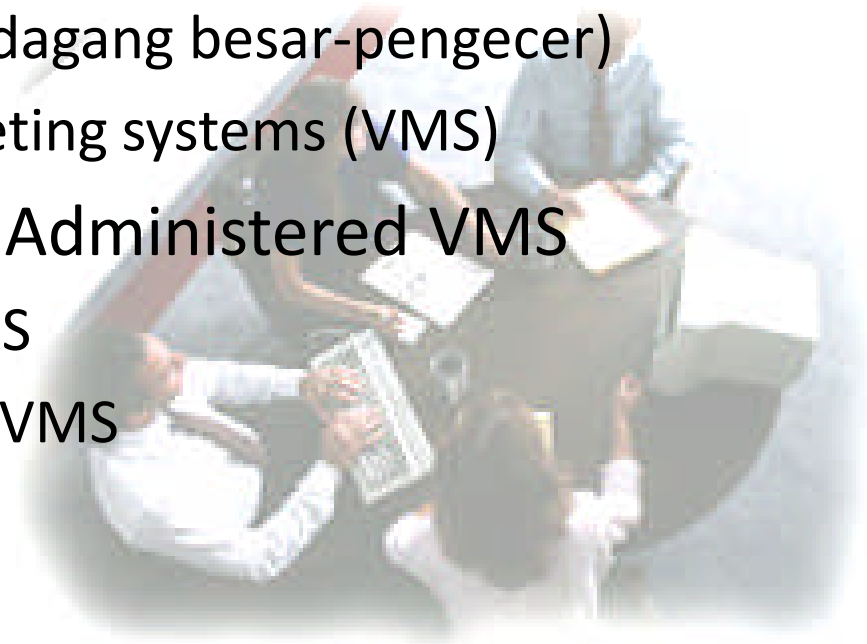
# Channel-Management Decisions

- Evaluating Channel Members
- Modifying Channel Arrangements



# Channel Dynamics

- Vertical Marketing Systems
  - Conventional marketing channel  
(produsen-pedagang besar-pengecer)
  - Vertical marketing systems (VMS)
    - Corporate and Administered VMS
      - Corporate VMS
      - Administered VMS



# Channel Dynamics

- Contractual VMS
  - Wholesaler-sponsored voluntary chains
  - Retailer cooperatives
  - Franchise organizations
- Manufacturer-sponsored retailer franchise
- Manufacturer-sponsored wholesaler franchise
- Service-firm-sponsored retailer franchise



# Channel Dynamics

- The New Competition in Retailing
- Horizontal Marketing Systems
- Multichannel Marketing Systems



# Channel Dynamics

## – Roles of Individual Firms

- Insiders
- Strivers
- Complementers
- Transients
- Outside innovators



# Channel Dynamics

- Conflict, Cooperation, and Competition
  - Types of Conflict and Competition
    - Vertical channel conflict
    - Horizontal channel conflict
    - Multichannel conflict
  - Causes of Channel Conflict
    - Goal incompatibility
    - Unclear roles and rights
      - Differences in perception



# Channel Dynamics

– By adding new channels, a company faces the possibility of channel conflict which may include:

- Conflict between the national account managers and field sales force
- Conflict between the field sales force and the telemarketers
- Conflict between the field sales force and the dealers



# Channel Dynamics

- Managing Channel Conflict
  - Diplomacy
  - Mediation
  - Arbitration
- Legal and Ethical Issues in Channel Distribution
  - Exclusive distribution
  - Exclusive dealing
  - Tying agreements

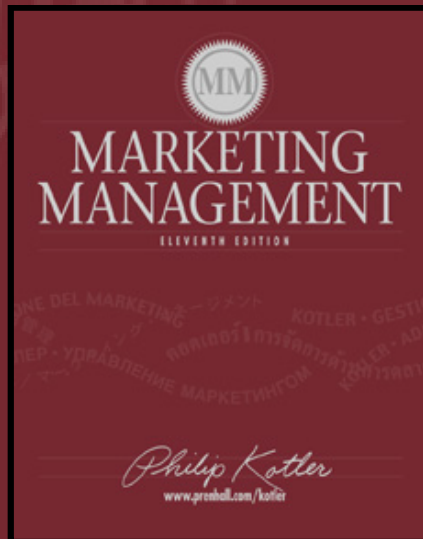


# Chapter 19

## Managing Integrated Marketing Communications

by

*Philip Kotler*



PowerPoint by  
Milton M. Pressley  
University of New Orleans

# Marketing Communications Mix

- Advertising
- Sales Promotion
- Public Relations and Publicity
- Personal Selling
- Direct and Interactive Marketing



# The Communication Process

Table 19.1: Common Communication Platforms

Advertising	Sales Promotion	Public Relations	Personal Selling	Direct Marketing
<b>Print and broadcast ads</b>	<b>Contests, games, sweepstakes, lotteries</b>	<b>Press kits</b>	<b>Sales presentation</b>	<b>Catalogs</b>
<b>Packaging-outer</b>	<b>Premiums and gifts</b>	<b>Speeches</b>	<b>Sales meetings</b>	<b>Mailings</b>
<b>Packaging inserts</b>	<b>Sampling</b>	<b>Seminars</b>	<b>Incentive programs</b>	<b>Telemarketing</b>
<b>Motion pictures</b>	<b>Fairs and trade shows</b>	<b>Annual reports</b>	<b>Samples</b>	<b>Electronic shopping</b>

*See text for complete table*

Figure 19.1: Elements in the Communication Process

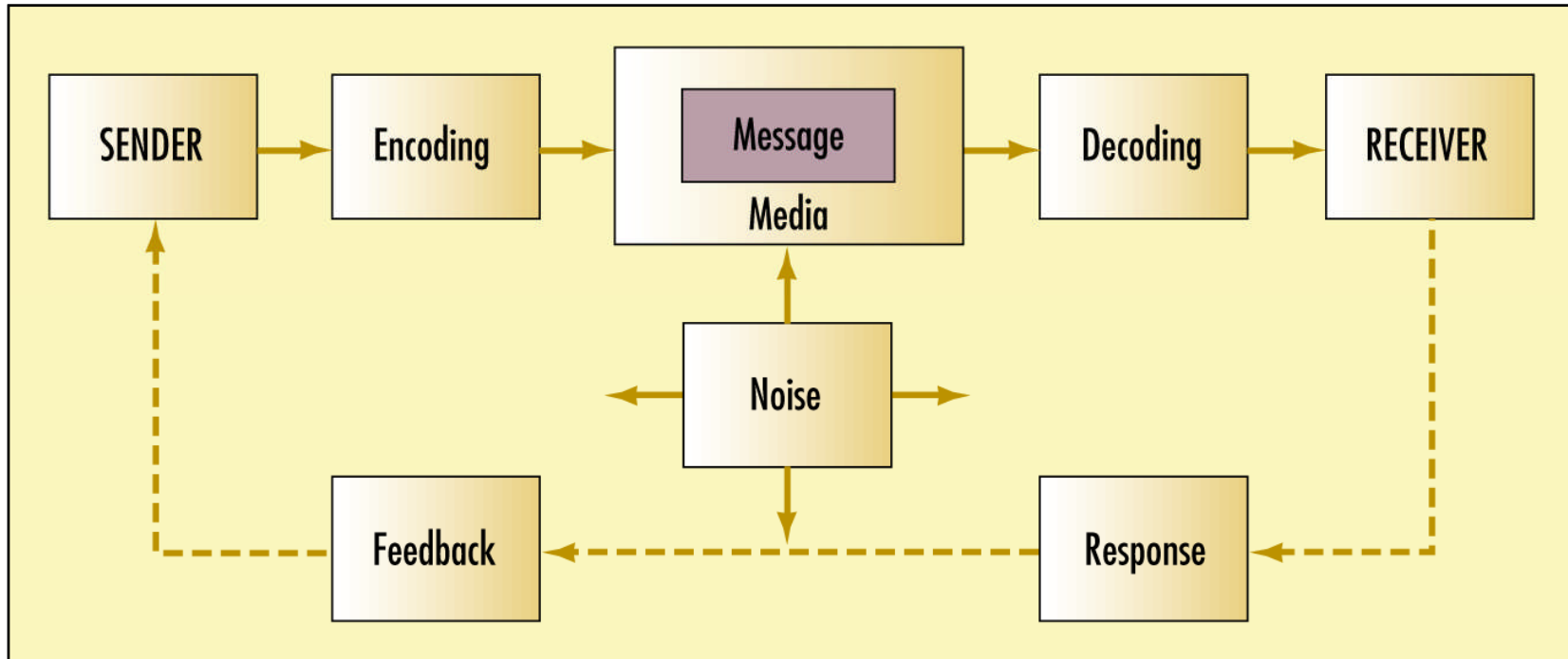
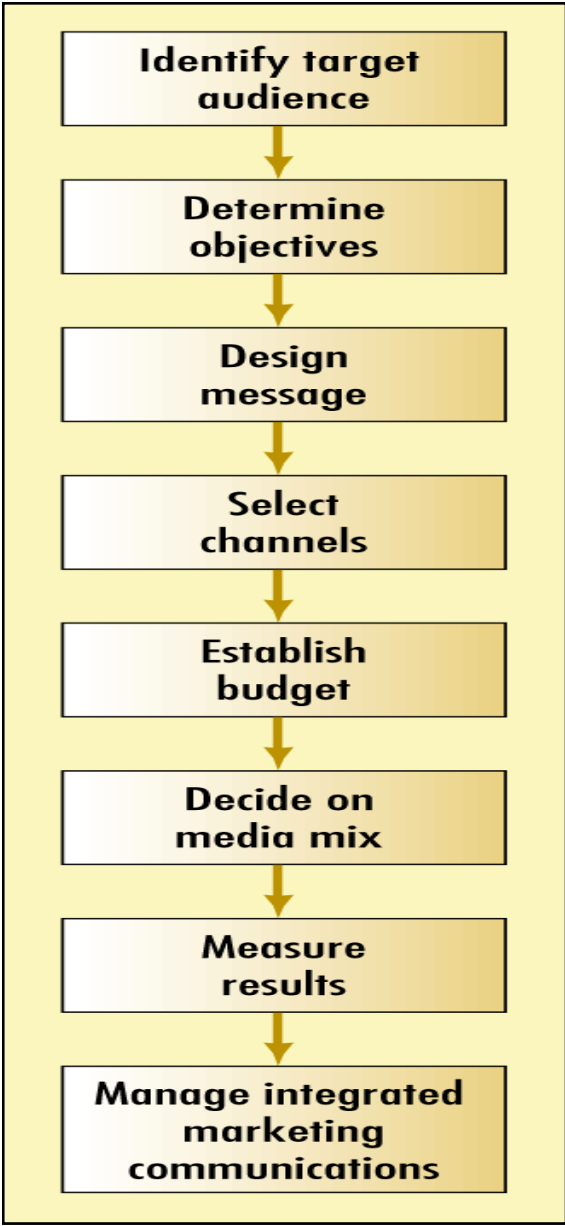


Figure 19.2: Steps in Developing Effective Communication



# Developing Effective Communications

- Identify the Target Audience

- Image analysis

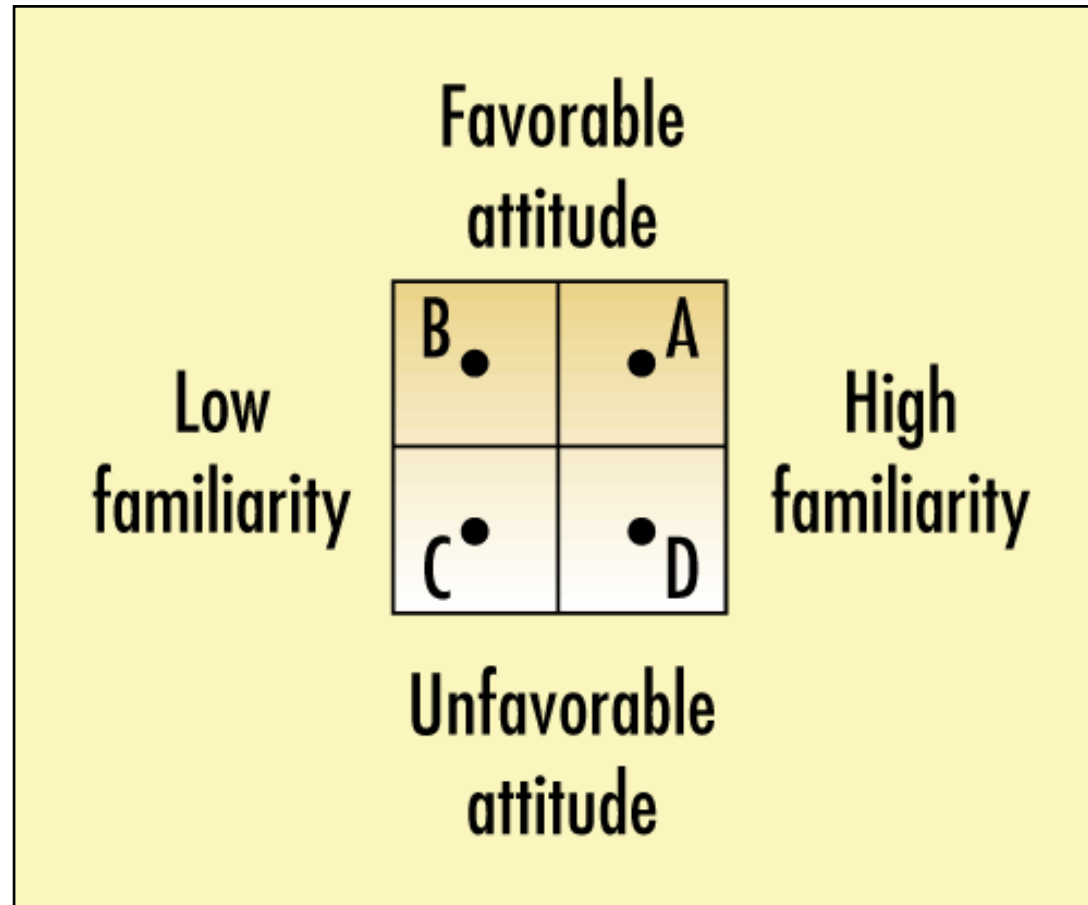
- Familiarity scale

Never Heard of	Heard of Only	Know a Little Bit	Know a Fair Amount	Know Very Well
-------------------	------------------	----------------------	-----------------------	-------------------

- Favorability scale

Very Unfavorabl e	Somewhat Unfavorabl e	Indifferent	Somewha t Favorable	Very favorable
-------------------------	-----------------------------	-------------	---------------------------	-------------------

Figure 19.3: Familiarity-Favorability Analysis

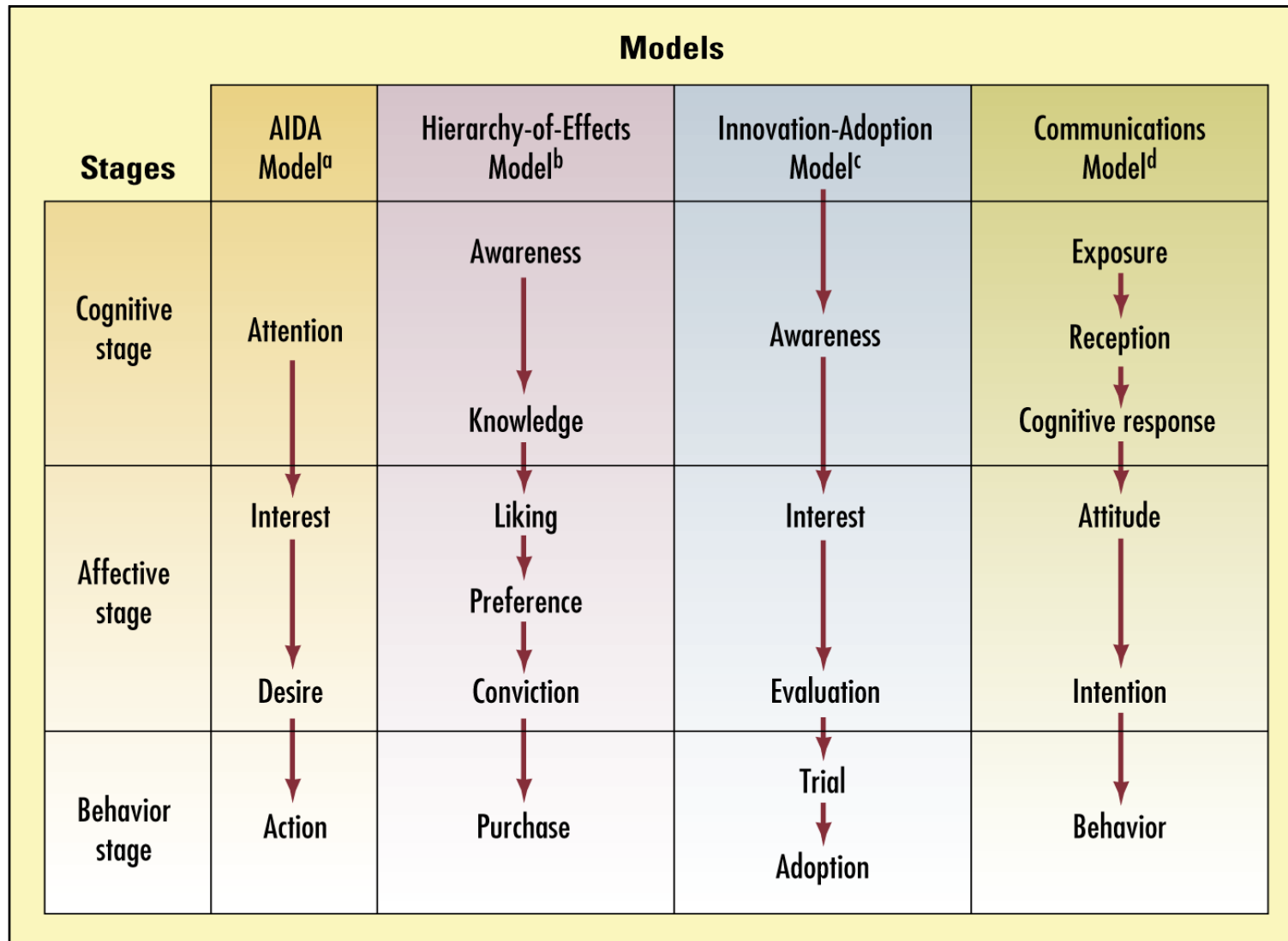


# Developing Effective Communications

- Determine the Communication Objective
  - Cognitive
  - Affective
  - Behavioral
  - Response-hierarchy models



Figure 19.5: Response Hierarchy Models



# Developing Effective Communications

- Design the Message
  - AIDA model
    - Gain *attention*
    - Hold *interest*
    - Arouse *desire*
    - Elicit *action*
  - Message Content
    - Rational appeals
    - Emotional appeals
    - Moral appeals



# Developing Effective Communications

- Message Structure
- Message Format
- Message Source
  - Factors underlying source credibility
    - Expertise
    - Trustworthiness
    - Principle of congruity



# Developing Effective Communications

- Select the Communication Channels
  - Personal Communication Channels
    - Advocate channels
    - Expert channels
    - Social channels



# Developing Effective Communications

- Develop word-of-mouth referral channels to build business
  - Establish an electronic forum
  - Use viral marketing
- Nonpersonal Communication Channels
- Media
  - Atmospheres
  - Events
  - Social-structure view of interpersonal communication
    - Liaison
    - Bridge



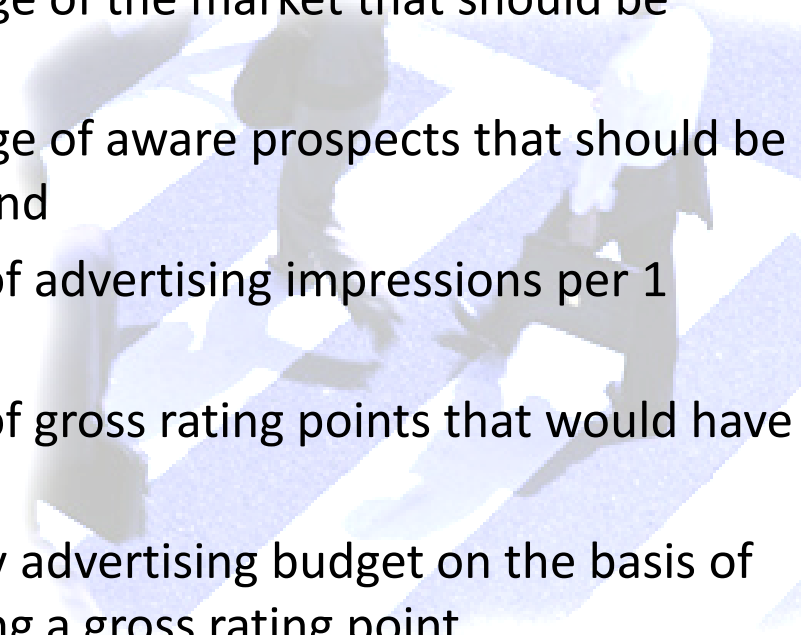
# Developing Effective Communications

- Establish the Total Marketing Communications budget
  - Affordable Method
  - Percentage-of-Sales Method
  - Competitive-Parity Method



# Developing Effective Communications

## – Objective-and-Task Method

- Establish the market-share goal
  - Determine the percentage of the market that should be reached by advertising
  - Determine the percentage of aware prospects that should be persuaded to try the brand
  - Determine the number of advertising impressions per 1 percent trial rate
  - Determine the number of gross rating points that would have to be purchased
  - Determine the necessary advertising budget on the basis of the average cost of buying a gross rating point
- 

# Deciding on the Marketing Communications Mix

- The Promotional tools

- Advertising

- General Qualities:

- Public presentation
      - Pervasiveness
      - Amplified expressiveness
      - Impersonality

- Sales Promotion

- Benefits:

- Communication
      - Incentive
      - Invitation



# Deciding on the Marketing Communications Mix

## – Public Relations and Publicity

- Distinctive qualities:
  - High credibility
  - Ability to catch buyers off guard
  - Dramatization

## – Personal Selling

- Distinctive qualities:
  - Personal confrontation
  - Cultivation
  - Response



# Deciding on the Marketing Communications Mix

## – Direct Marketing

- Distinctive qualities:

- Nonpublic
- Customized
- Up-to-date
- Interactive



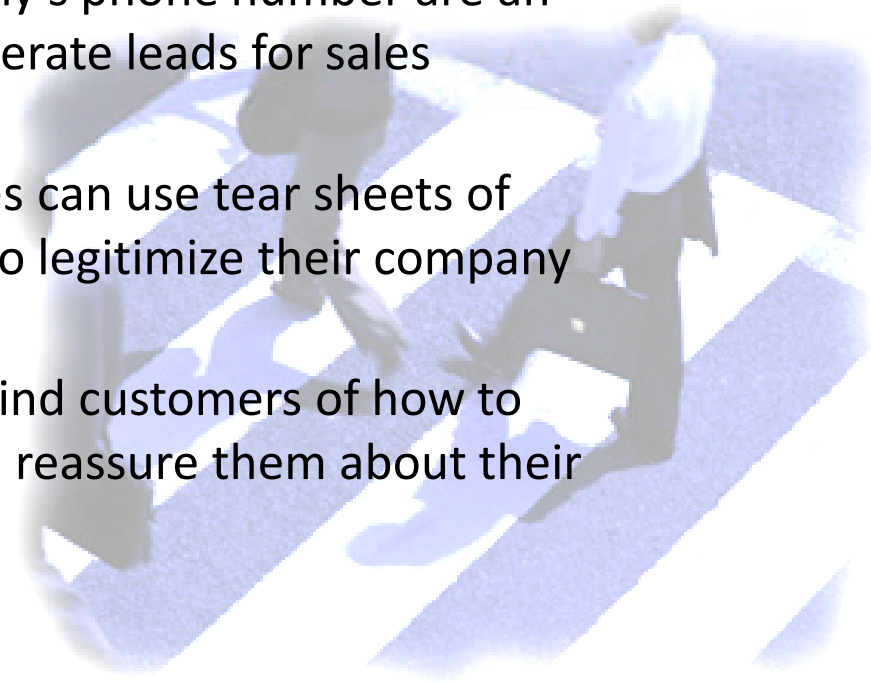
# Deciding on the Marketing Communications Mix

- Factors in setting the Marketing Communications Mix
  - Type of Product Market
    - Advertising's role in business markets:
      - Advertising can provide an introduction to the company and its products
      - If the product embodies new features, advertising can explain them
      - Reminder advertising is more economical than sales calls



# Deciding on the Marketing Communications Mix

- Advertisements offering brochures and carrying the company's phone number are an effective way to generate leads for sales representatives.
- Sales representatives can use tear sheets of the company's ads to legitimize their company and products.
- Advertising can remind customers of how to use the product and reassure them about their purchase.

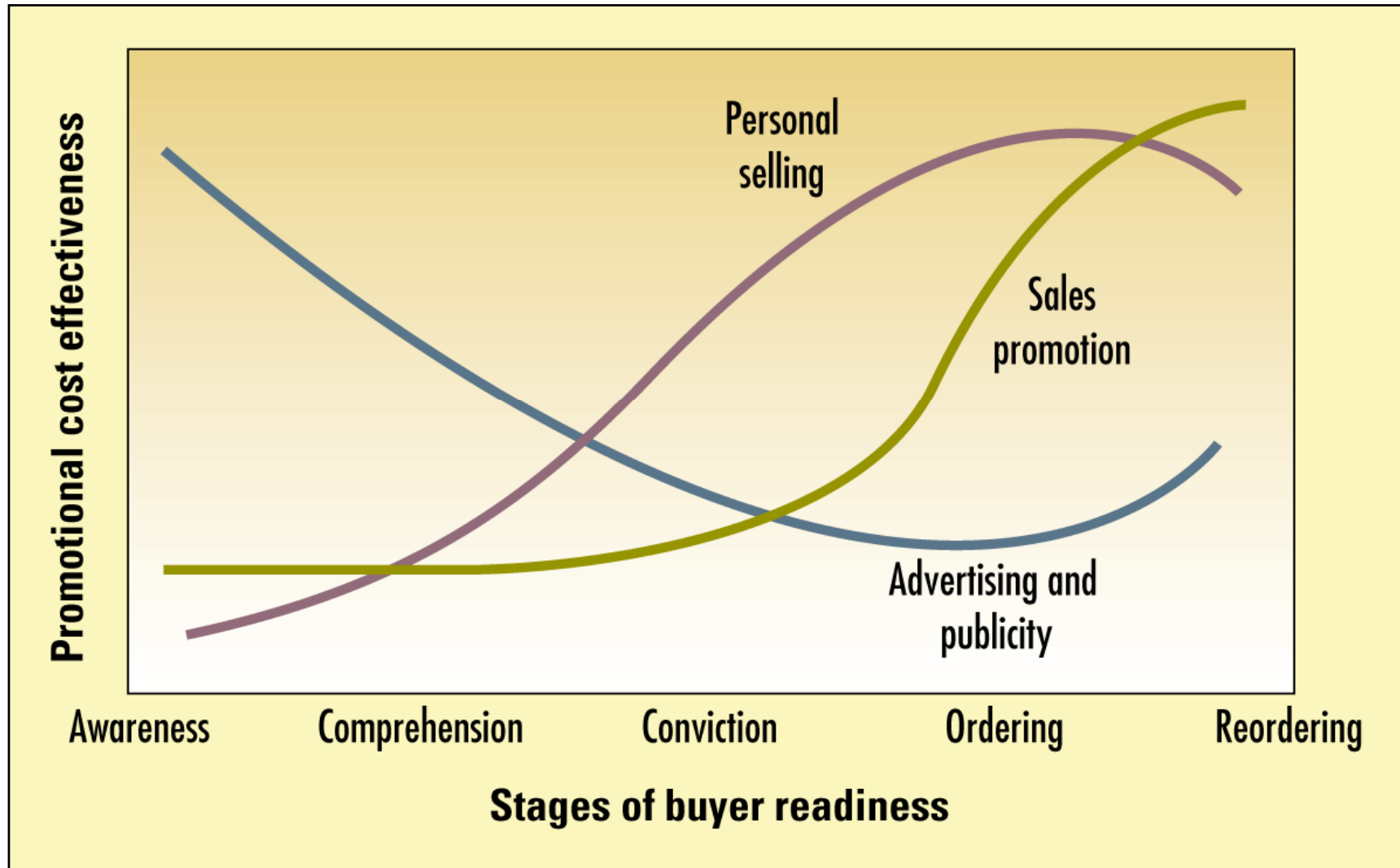


# Deciding on the Marketing Communications Mix

- Effectively trained consumer sales force can make four important contributions:
  - Increased stock position
  - Enthusiasm building
  - Missionary selling
  - Key account management
- Buyer-Readiness Stage



Figure 19.6: Cost-Effectiveness of Different Promotional Tools



# Deciding on the Marketing Communications Mix

- Product Life-Cycle Stage
- Measure the  
Communications' Result

# Managing the Integrated Marketing Communications Process

– Integrated Marketing Communications (IMC)

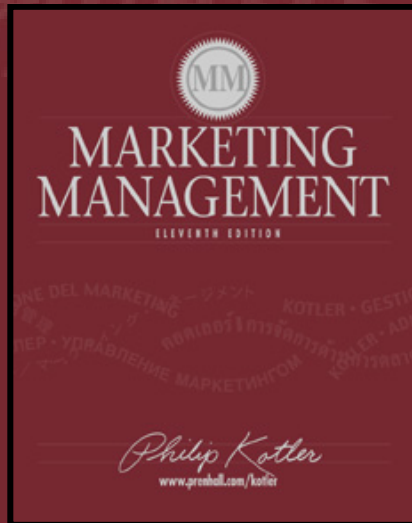


# Chapter 20

## Managing Advertising, Sales Promotion, Public Relations, and Direct Marketing

by

*Philip Kotler*



PowerPoint by  
Milton M. Pressley  
University of New Orleans

# Developing and Managing an Advertising Program

- Setting the Advertising Objectives
  - Advertising goal (Objective)

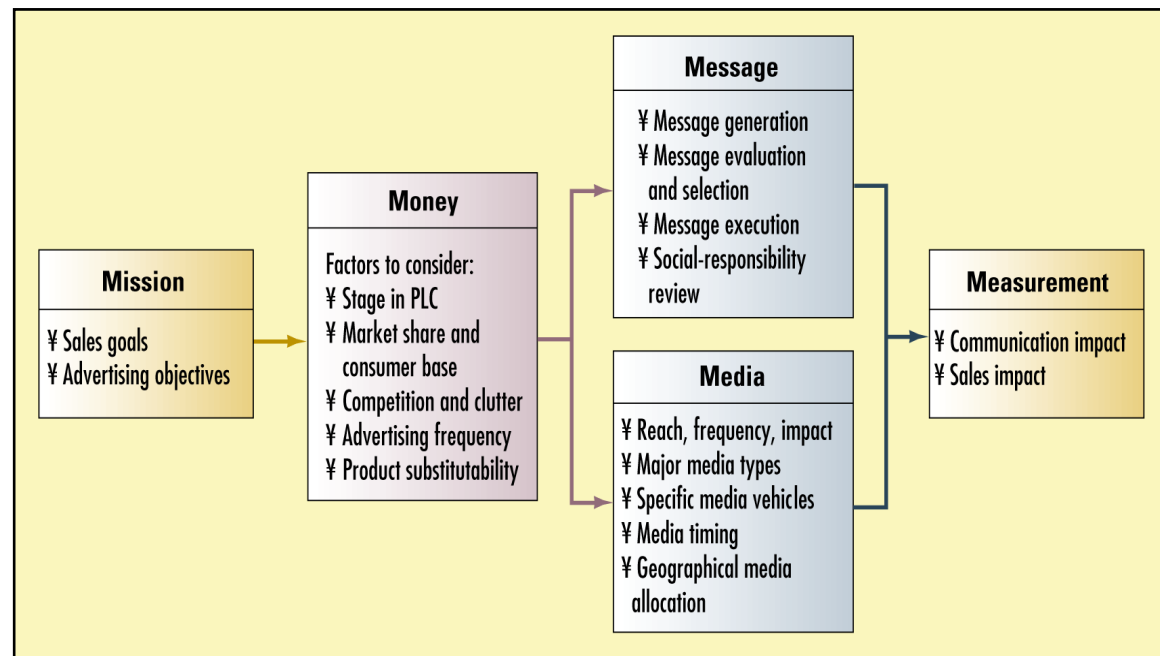


Figure 20.1:  
The Five Ms of  
Advertising

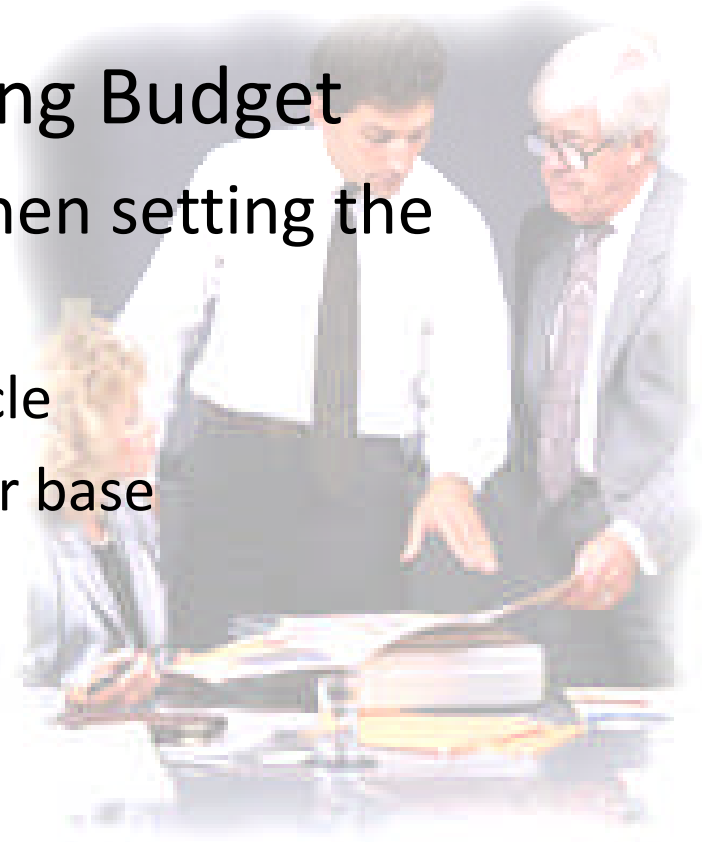
# Developing and Managing an Advertising Program

- Advertising objectives at different stages in Hierarchy of Effects
  - Informative advertising
  - Persuasive advertising
  - Reminder advertising
  - Reinforcement advertising
- Brand equity



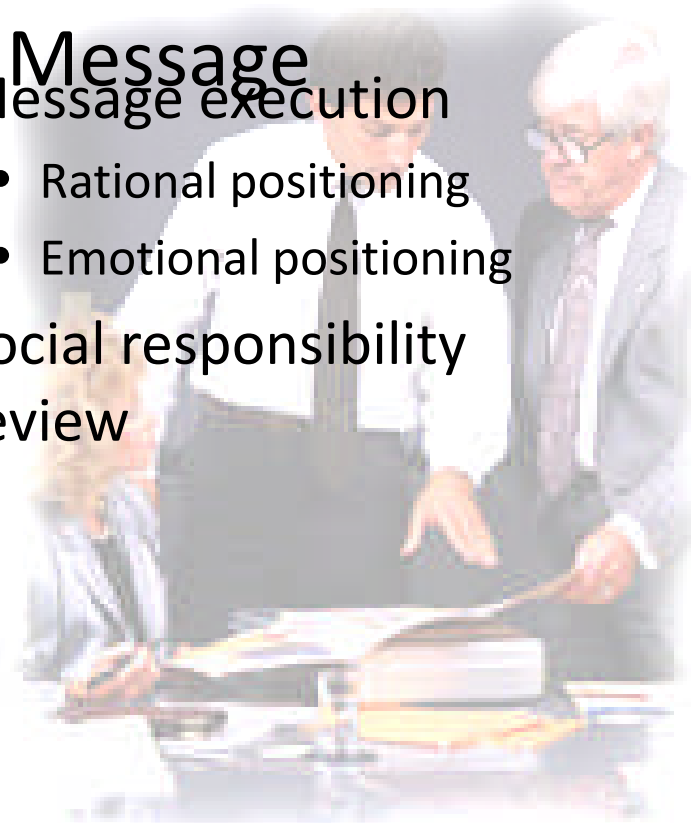
# Developing and Managing an Advertising Program

- Deciding on the Advertising Budget
  - Five factors to consider when setting the advertising budget:
    - Stage in the product life cycle
    - Market share and consumer base
    - Competition and clutter
    - Advertising frequency
    - Product substitutability



# Developing and Managing an Advertising Program

- Choosing the Advertising Message
  - Message generation
  - Message evaluation and selection
    - Twedt rates messages on:
      - Desirability
      - Exclusiveness
      - Believability
    - Creative brief
      - Positioning statement
  - Message execution
    - Rational positioning
    - Emotional positioning
  - Social responsibility review



## Ethical Funds' homepage

**Ethical Funds®**  
Do the right thing.

Welcome to Canada's first family of socially responsible mutual funds.

Search this site:  
  
Find

SRI fund information products service centre news site help

**SRI**  
socially responsible investing

intro to SRI  
SRI @ Ethical Funds®  
SRI @ work

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ACCOUNT INQUIRY AVAILABLE NOW»»»

January 31, 2002

**Global warming is having a chilling effect.**

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January 23, 2002  
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[Weekly Market News Updated January 29, 2002](#)

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 Market News  
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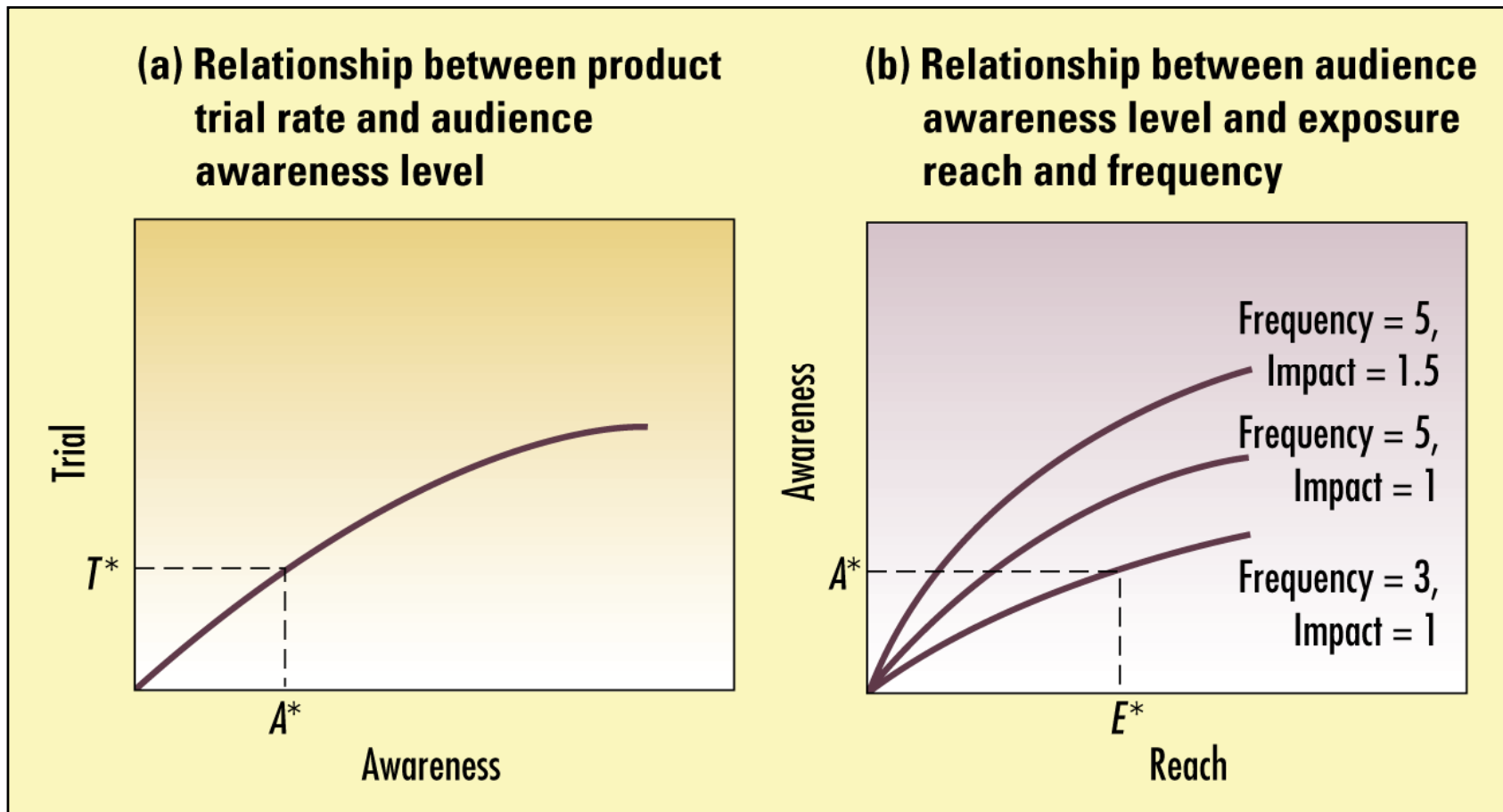


# Deciding on Media and Measuring Effectiveness

- Deciding on Reach, Frequency, and Impact
  - Media selection
  - How many exposures,  $E^*$ , will produce audience awareness  $A^*$  depends on the exposures':
    - Reach (R)
    - Frequency (F)
    - Impact (I)



Figure 20.2: Relationship Among Trial, Awareness, and the Exposure Function



# Deciding on Media and Measuring Effectiveness

- Total Number of Exposures (E)

$$E = R \times F$$

where R = reach, F = frequency

Known as Gross Rating Points (GRP)

- Weighted Number of Exposures (WE)

$$WE = R \times F \times I$$

where R = reach, F = frequency,

I = average impact



# Deciding on Media and Measuring Effectiveness

- Choosing Among Major Media Types

Table 20.1: Profiles of Media Types

Medium	Advantages	Limitations
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptance; high believability	Short life; poor reproduction quality; small “passalong” audience
Television	Combines sight, sound, and motion; appealing to the senses; high attention; high reach	High absolute cost; high clutter; fleeting exposure; less audience selectivity
Direct mail	Audience selectivity; flexibility; no ad competition within the same medium; personalization	Relatively high cost; “junk mail” image

*See text for complete table*

# Deciding on Media and Measuring Effectiveness

- Media planners consider:
  - Target-audience media habits
  - Product characteristics
  - Message characteristics
  - Cost
- New Media
  - Advertorials
  - Infomercials



# *Discussion Question*

**More manufacturers are using new technologies to move toward “mass customization” in their product offerings. Have you seen a similar move among marketers?**



# Earthlink: High-speed Internet Service Provider

EarthLink - Microsoft Internet Explorer

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Channels Fullscreen Mail Print Edit

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# Deciding on Media and Measuring Effectiveness

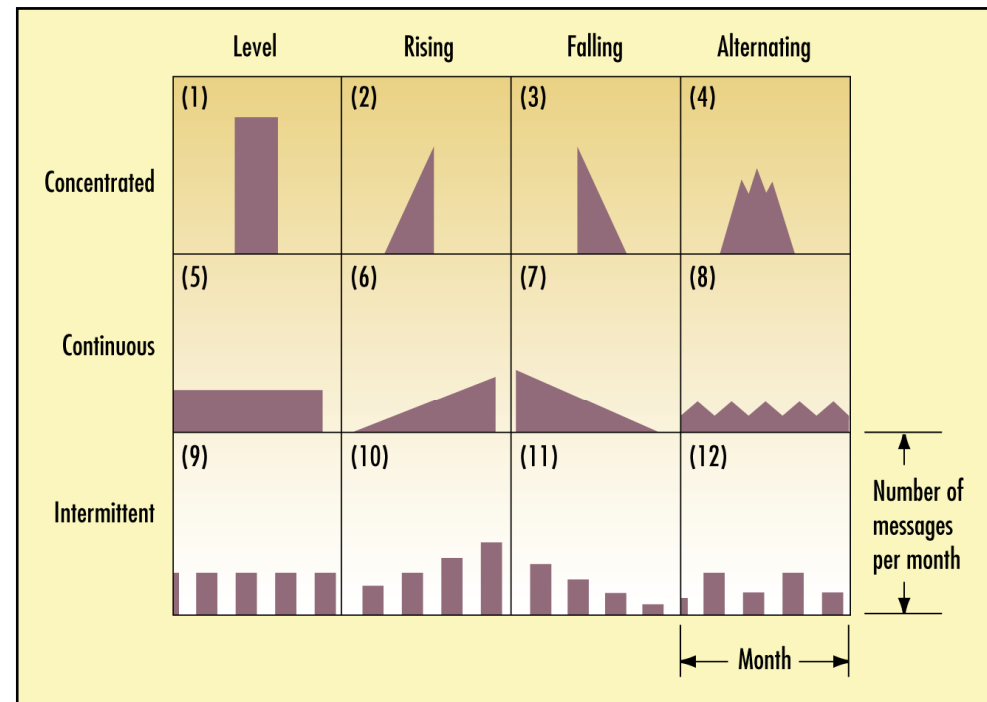
- Allocating the Budget
- Audience size measures:
  - Circulation
  - Audience
  - Effective audience
  - Effective ad-exposed audience



# Deciding on Media and Measuring Effectiveness

- Deciding on Media Timing
  - Carryover
  - Habitual behavior

Figure 20.3: Classification of Advertising Timing Patterns



# Deciding on Media and Measuring Effectiveness

- Buyer turnover
- Purchase frequency
- Forgetting rate
- Continuity
- Concentration
- Flighting
- Pulsing
- Deciding on Geographical Allocation
  - Areas of dominant influence (ADIs) or designated marketing areas (DMAs)



# Deciding on Media and Measuring Effectiveness

- Evaluating Advertising Effectiveness

- Communication-Effect Research

- Copy testing

- Consumer feedback method

- Example questions:

- » What is the main message you get from this ad?
        - » What do you think they want you to know, believe, or do? How likely is it that this ad will influence you to undertake the implied action?
        - » What works well in the ad and what works poorly?
        - » How does the ad make you feel?
        - » Where is the best place to reach you with this message?



# Deciding on Media and Measuring Effectiveness

- Portfolio test
- Laboratory test

Table 20.2: Advertising Research Techniques

For Print Ads. **Starch and Gallup & Robinson, Inc. are two widely used print pretesting services. Test ads are placed in magazines, which are then circulated to consumers. These consumers are contacted later and interviewed. Recall and recognition tests are used to determine advertising effectiveness.**

For Broadcast Ads. *In-home tests:* **A videotape is taken into the homes of target consumers, who then view the commercials.**

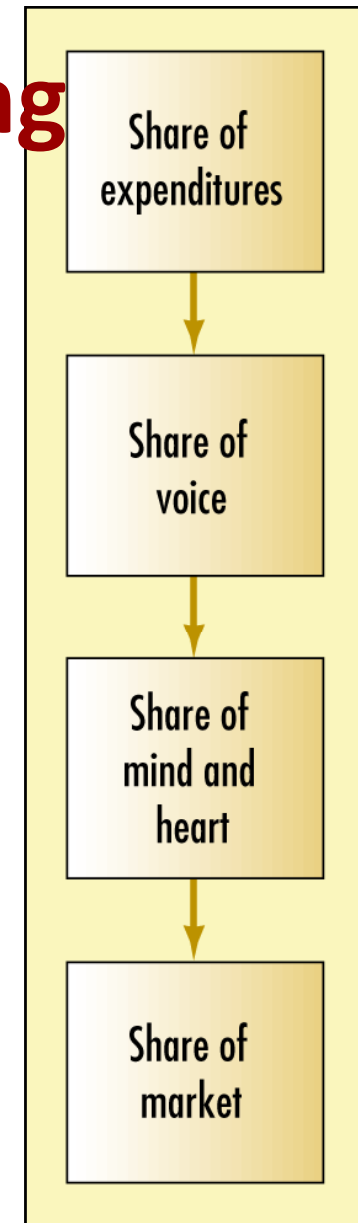
*Trailer test:* **In a trailer in a shopping center, shoppers are shown the products and given an opportunity to select a series of brands. They then view commercials and are given coupons to be used in the shopping center. Redemption rates indicate commercials' influence on purchase behavior.**

*See text for complete table*

# Deciding on Media and Measuring Effectiveness

- Sales-Effect Research
  - Share of advertising expenditures
  - Share of voice
  - Share of consumers' minds and hearts
  - Share of market
  - Historical approach
  - Experimental design

Figure 20.4: Formula for Measuring Sales Impact of Advertising



# Sales Promotion

- Promotion offers incentive to buy
- Consumer promotion
- Trade promotion
- Sales-force promotion
- Purpose of Sales Promotion



# *Discussion Question*

**Many companies offer free samples as part of a promotional campaign. This approach extends beyond the grocery store or retail outlet into large organizations like universities. Can you identify any products or services that are provided to students or faculty at your school as part of a promotional campaign?**



# Sales Promotion

- Major Decisions in Sales Promotion
  - Establishing Objectives
  - Selecting Consumer-Promotion Tools
    - Manufacturer promotions
    - Retailer promotions



Table 20.3: Major Consumer-Promotion Tools

**Samples: Offer of a free amount of a product or service delivered door to door, sent in the mail, picked up in a store, attached to another product, or featured in an advertising offer.**

**Coupons: Certificates entitling the bearer to a stated saving on the purchase of a specific product: mailed, enclosed in other products or attached to them, or inserted in magazines and newspaper ads.**

**Cash Refund Offers (rebates): Provide a price reduction after purchase rather than at the retail shop: consumer sends a specified “proof of purchase” to the manufacturer who “refunds” part of the purchase price by mail.**

**Price Packs (cents-off deals): Offers to consumers of savings off the regular price of a product, flagged on the label or package. A *reduced-price pack* is a single package sold at a reduced price (such as two for the price of one). A *banded pack* is two related products banded together (such as a toothbrush and toothpaste).**

*See text for complete table*


## Coolsavings.com's home page

coolsavings.com - Welcome - Microsoft Internet Explorer

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Channels Fullscreen Mail Print Edit

Address <http://www111.coolsavings.com/scripts/Welenroll.asp?OpType=intro&&RefURL=&SessionID=516241933>



**coolsavings.com**  
save. then shop.™

# Welcome!

**enroll now and start saving!**

One minute to enroll will get you a lifetime of savings!

 [enable secure enrollment](#)

\* required fields

**First Name\***

**Last Name\***

**Address\***

**City\***

**State\*** **Zip\*** **Area Code (Phone)\***

Select

**Welcome to coolsavings.com!**

Save **BIG** with:

- Grocery Coupons
- Store Coupons
- Online Coupons
- FreeStuff
- Free Samples (from top brands)
- Gift Certificates
- Rebates
- Newsletters

♦ Babies & Kids, Pets, Fashion, Travel, Sports & Fitness and more!



# Sales Promotion

## – Selecting Trade-Promotion Tools

Table 20.4: Major Trade-Promotion Tools

Price-Off(off-invoice or off-list): **A straight discount off the list price on each case purchased during a stated time period.**

Allowance: **An amount offered in return for the retailer's agreeing to feature the manufacturer's products in some way. An *advertising allowance* compensates retailers for advertising the manufacturer's product. A *display allowance* compensates them for carrying a special product display.**

Free Goods: **Offers of extra cases of merchandise to intermediaries who buy a certain quantity or who feature a certain flavor or size.**

*Source:* For more information, see Betsy Spethman, "Trade Promotion Redefined," Brandweek, March 13, 1995, pp. 25-32.

# Sales Promotion

## – Selecting Business-and Sales-Force-Promotion Tools

Table 20.5: Major Business-and Sales-Force-Promotion Tools

Trade Shows and Conventions: **Industry associations organize annual trade shows and conventions. Business marketers may spend as much as 35 percent of their annual promotion budget on trade shows. Over 5,600 trade shows take place every year, drawing approximately 80 million attendees. Trade show attendance can range from a few thousand people to over 70,000 for large shows held by the restaurant or hotel-motel industries. Participating vendors expect several benefits, including generating new sales leads, maintaining customer contacts, introducing new products, meeting new customers, selling more to present customers, and educating customers with publications, videos, and other audiovisual materials.**

Sales Contests: **A sales contest aims at inducing the sales force or dealers to increase their sales results over a stated period, with prizes (money, trips, gifts, or points) going to those who succeed.**

*See text for complete table*

# Sales Promotion

## – Developing the Program

- Incentive Considerations

- Size of incentive
- Conditions for participation
- Duration of promotion
- Distribution vehicle

## – Presenting, Implementing, Controlling, and Evaluating the Program

- Lead time
- Sell-in time



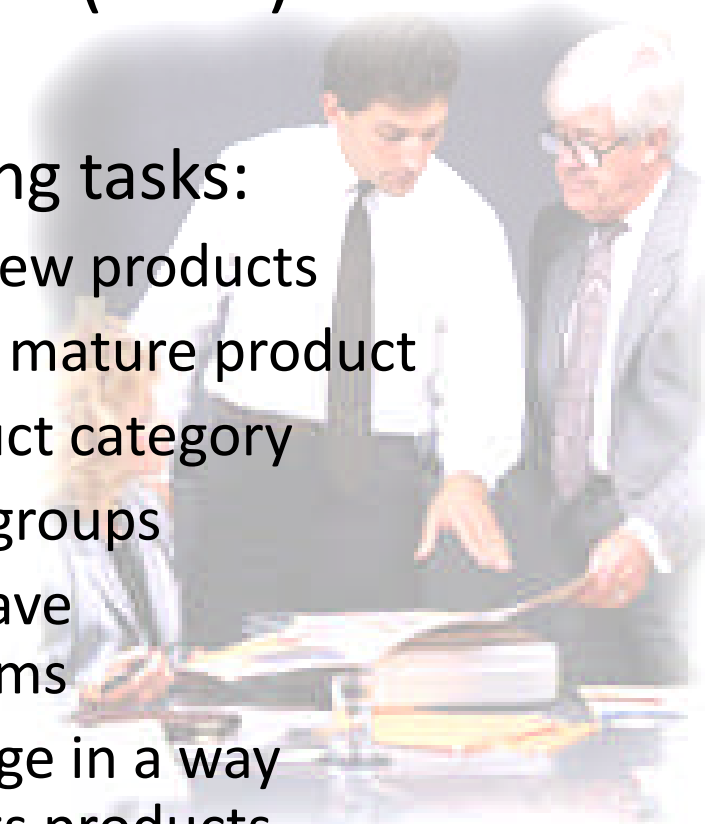
# Public Relations

- Public
- Public Relations
- Public Relations Department Functions Include:
  - Press relations
  - Product publicity
  - Corporate communication
  - Lobbying
  - Counseling



# Public Relations

- Marketing Public Relations (MPR)
  - Publicity vs. MPR
  - MPR assists in the following tasks:
    - Assisting in the launch of new products
    - Assisting in repositioning a mature product
    - Building interest in a product category
    - Influencing specific target groups
    - Defending products that have encountered public problems
    - Building the corporate image in a way that reflects favorably on its products



# Public Relations

- Major Decisions in Marketing PR

Table 20.6: Major Tools in Marketing PR

**Publications:** Companies rely extensively on published materials to reach and influence their target markets. These include annual reports, brochures, articles, company newsletters and magazines, and audiovisual materials.

**Events:** Companies can draw attention to new products or other company activities by arranging special events like news conferences, seminars, outings, trade shows, exhibits, contests and competitions, and anniversaries that will reach the target publics.

**Sponsorships:** Companies can promote their brands and corporate name by sponsoring sport and cultural events and highly regarded causes.

**News:** One of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people, and get the media to accept press releases and attend press conferences.

*See text for complete table.*

# Public Relations

- Establishing the Marketing Objectives
  - MPR can:
    - Build awareness
    - Build credibility
    - Hold down promotional cost



# Public Relations

- Thomas L. Harris offers the following suggestions:
  - Build marketplace excitement before media advertising breaks
  - Build a core customer base
  - Build a one-to-one relationship with consumers
  - Turn satisfied customers into advocates
  - Influence the influentials
- Choosing Messages and Vehicles
  - Event Creation
- Implementing the Plan and Evaluating Results



# Direct Marketing

- Direct-Order Marketing
- Customer Relationship Marketing
- The Growth of Direct Marketing
  - Market Demassification
- The Benefits of Direct Marketing
- Integrated Direct Marketing



# Direct Marketing

- Major Channels for Direct Marketing
  - Face-To-Face Selling
  - Direct Mail
    - New Forms of Mail Delivery
      - Fax mail
      - E-mail
      - Voice mail



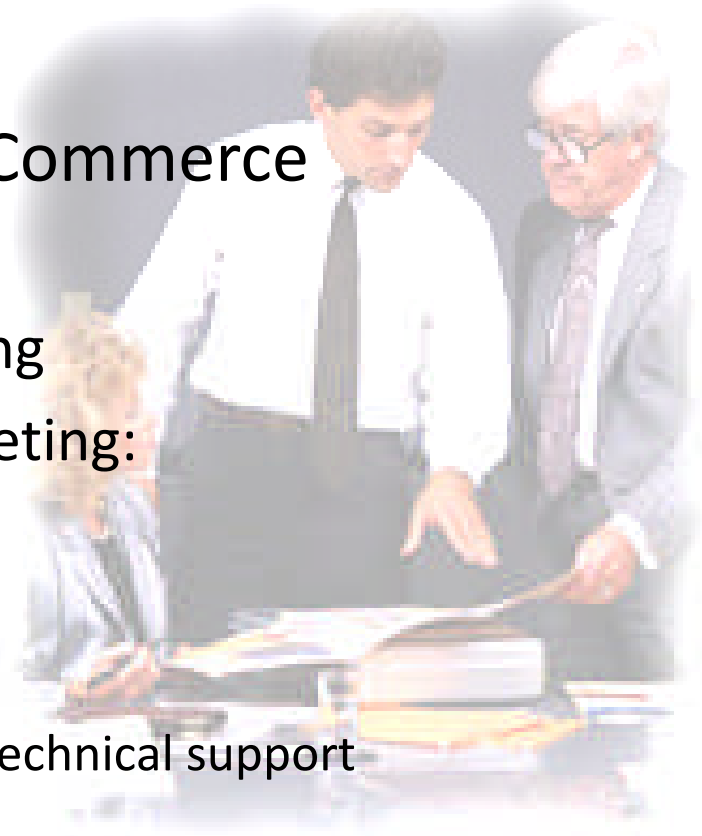
# Direct Marketing

- Direct marketing has passed through a number of stages:
  - Carpet bombing
  - Database marketing
  - Interactive marketing
  - Real-time personalized marketing
  - Lifetime value marketing
- Constructing a Direct-Mail Campaign
  - Objectives
  - Target Markets and Prospects
  - Offer Elements
  - Testing Elements
  - Measuring Campaign Success: Lifetime Value



# Direct Marketing

- Catalog Marketing
  - Telemarketing and M-Commerce
    - Inbound telemarketing
    - Outbound telemarketing
    - Four types of telemarketing:
      - Telesales
      - Telecoverage
      - Teleprospecting
      - Customer service and technical support



# Direct Marketing

- Other Media for Direct-Response Marketing
  - Direct-response advertising
  - At-home shopping channels
  - Videotext and interactive TV
- Kiosk Marketing



# Direct Marketing

- E-Marketing

- Permission Marketing

- Levels of Permission Marketing:

- No permission level
      - Low permission level
      - Medium permission level
      - High permission level
      - Transaction level

- E-Marketing Guidelines

- Give the customer a reason to respond
    - Personalize the content of your e-mails
    - Offer something the customer could not get via direct mail
    - Make it easy for the customer to “unsubscribe”

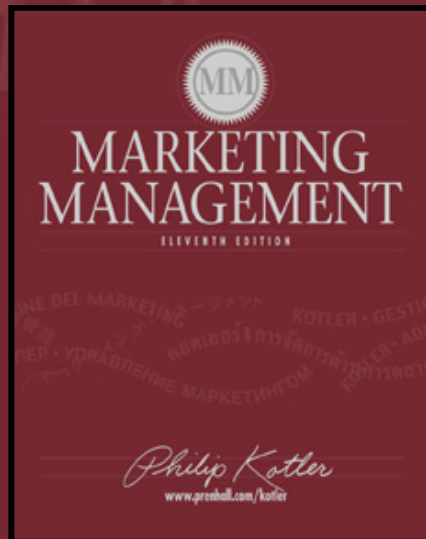


# Chapter 21

## Managing The Sales Force

by

*Philip Kotler*



**PowerPoint by  
Milton M. Pressley  
University of New Orleans**

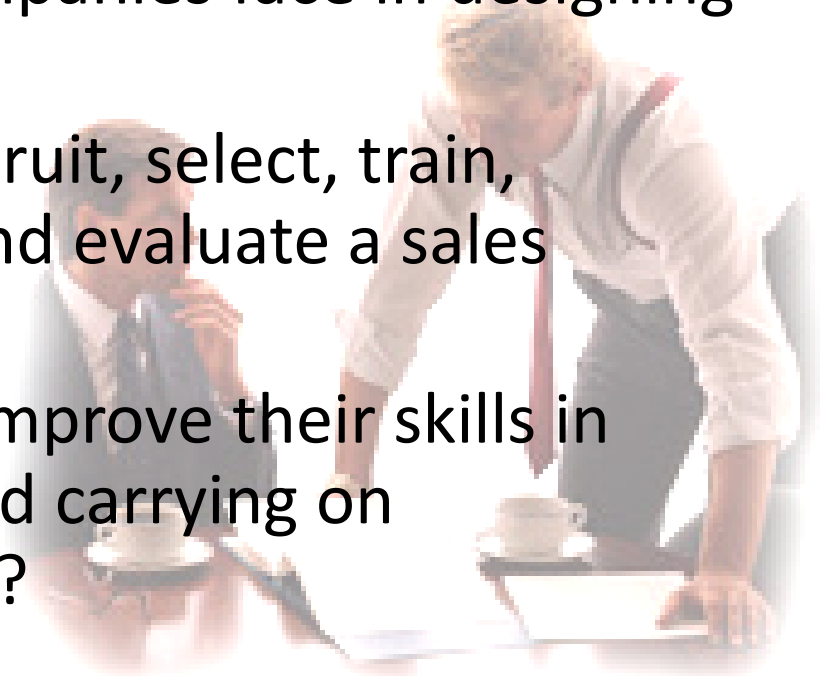
# Kotler on Marketing

*The successful  
salesperson cares first  
for the customer,  
second for the products.*



# Chapter Objectives

- In this chapter, we answer the following questions:
  - What decisions do companies face in designing a sales force?
  - How do companies recruit, select, train, supervise, motivate, and evaluate a sales force?
  - How can salespeople improve their skills in selling, negotiation, and carrying on relationship marketing?



# Sales Representative

- Robert McMurry's sales representative types:
  - Deliverer
  - Order taker
  - Missionary
  - Technician
  - Demand creator
  - Solution vendor



# Designing the Sales Force

- Sales-Force Objectives and Strategy
- Common tasks for salespeople
  - Prospecting
  - Targeting
  - Communicating
  - Selling
  - Information gathering
  - Allocating

# Designing the Sales Force

- Leveraged sales force
- Direct (company) sales force
- Contractual sales force
- Sales-Force Structure



## Table 21.1: Sales-Force Structures

**Territorial: Each sales representative is assigned an exclusive territory. This sales structure results in a clear definition of responsibilities. It increases the rep's incentive to cultivate local business and personal ties. Travel expenses are relatively low because each rep travels within a small area.**

**Territory size: Territories can be designed to provide equal sales potential or equal workload. Territories of equal potential provide each rep with the same income opportunities and provide the company with a means to evaluate performance. Territories can also be designed to equalize the sales workload so that each rep can cover the territory adequately.**

**Territory shape: Territories are formed by combining smaller units, such as counties or states, until they add up to a territory of a given potential or workload. Companies can use computer programs to design territories that optimize such criteria as compactness, equalization of workload or sales potential, and minimal travel time.**

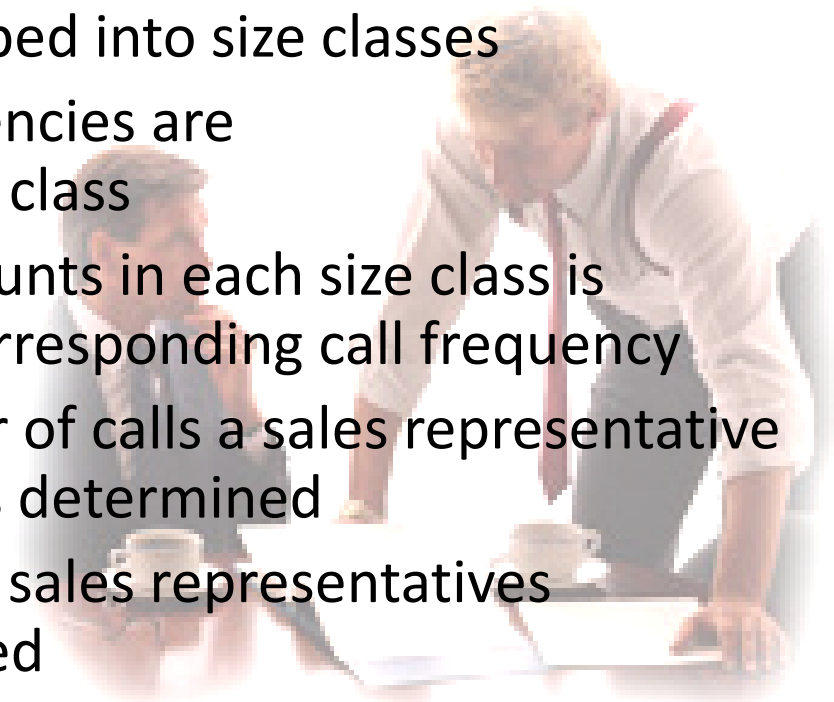
*See text for complete table*

# Designing the Sales Force

- Sales-Force Size

- Workload approach:

- Customers are grouped into size classes
    - Desirable call frequencies are established for each class
    - The number of accounts in each size class is multiplied by the corresponding call frequency
    - The average number of calls a sales representative can make per year is determined
    - The total number of sales representatives needed is determined



# *Discussion Question*

**The Internet has allowed many companies to shift sales support for small accounts to e-commerce sites and away from sales personnel. Additionally, many regularly occurring functions have become automated, allowing customers with any size organization to use web-based systems to place orders and submit warranty requests. Can you think of any other areas where Internet-based technologies could change the way a sales force interacts with their customers?**



# Designing the Sales Force

- Sales-Force Compensation
  - Four Components:
    - Fixed amount
    - Variable amount
    - Expense allowances
    - Benefits



# Managing the Sales Force

- Recruiting and Selecting Reps
- Training Sales Reps

# Managing the Sales Force

## – Training Programs Have Several Goals

- Sales representatives need to:
  - Know and identify with the company
  - Know the company's products
  - Know customers' and competitors' characteristics
  - Know how to make effective sales presentations
  - Understand field procedures and responsibilities



# Managing the Sales Force

- Supervising Sales Reps
- Norms for Customer Calls
  - Norms for Prospect Calls
  - Using Sales Time Efficiently



# DAA Solutions' home page describes its Design-to-Order<sup>®</sup> Software application



The screenshot shows a Microsoft Internet Explorer browser window displaying the DAA Solutions website. The browser's address bar shows the URL <http://www.daasolutions.com/>. The website has a blue header with navigation links: HOME, LITERATURE REQUEST, RESOURCES, LINKS & BUSINESS PARTNERS, FAQ, and SITE MAP. The main content area features the DAA logo and the text "daa solutions The Most Experienced Provider of Knowledge Based Engineering and Web Based Design-To-Order™ Systems". Below this is a row of six images: an airplane, a red truck, a construction site, a close-up of metal parts, a stack of pipes, and a rocket launch. A text block describes the DAA Design-To-Order™ KBE system, stating it simplifies complex engineering and design tasks for custom products. A blue button labeled "What is a Design to Order system?" is positioned above a text box that provides a detailed definition of the system, noting it is a software application for automating design tasks and enabling real-time design of custom products.

Knowledge Based Engineering Automation Systems for Collaborative B2B from DAA Solutions - Desig - Microsoft Internet Ex...

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Channels Fullscreen Mail Print Edit

Address <http://www.daasolutions.com/>

HOME LITERATURE REQUEST RESOURCES LINKS & BUSINESS PARTNERS FAQ SITE MAP

**daa solutions**  
*The Most Experienced Provider of  
Knowledge Based Engineering  
and Web Based Design-To-Order™ Systems*

Company Profile  
Opportunity  
Applications  
Demos  
Services  
Case Studies  
What's New?  
Meet the Team  
Customer Project Management  
SamePage  
Contact Us

A DAA **Design-To-Order™** Knowledge Based Engineering (KBE) system simplifies complex engineering and design tasks for custom products with a customized KBE software solution. DAA develops enhanced configurator (**Design-To-Order™**) software systems using the latest Knowledge Based Engineering software and web technologies.

**What is a Design to Order system?**

A **Design-To-Order™** Knowledge Based Engineering (KBE) system is a software application that is developed to automate any simple or complex engineering or manufacturing related design task. DTO solutions are intended for companies whose products involve specials, customs and engineered to order solutions. A **Design-To-Order™** KBE system enables real-time design of custom products. DAA **Design-To-Order™** KBE systems are used to allow full product design as an integral part of the sales quotation process. DAA **Design-To-Order™** KBE Systems also enable reductions of



# Managing the Sales Force

- Time-and-duty analysis
  - Preparation
  - Travel
  - Food and breaks
  - Waiting
  - Selling
  - Administration



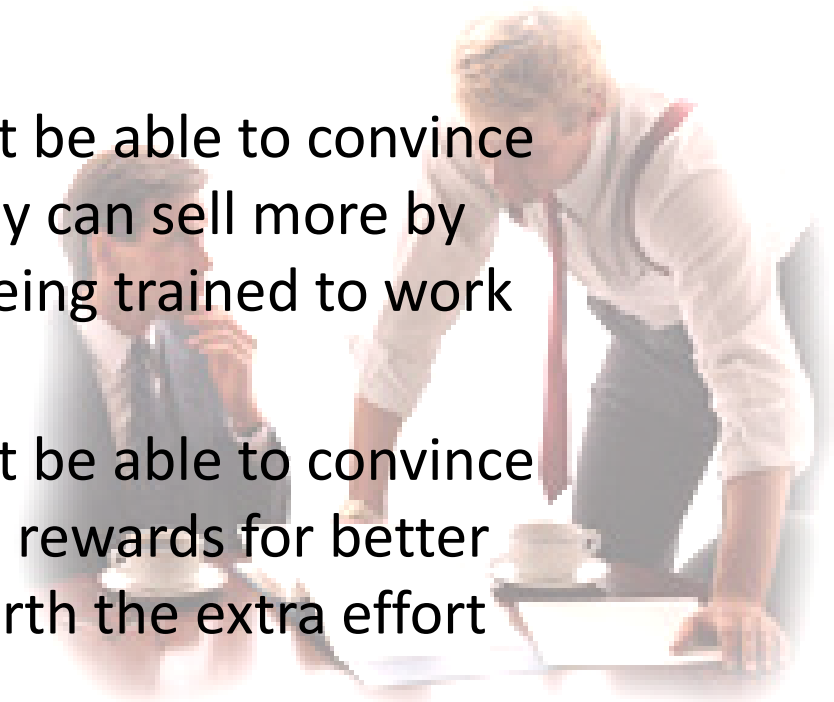
## Company Web site as a prospecting tool

The screenshot shows a Microsoft Internet Explorer browser window displaying the Pall Corporation website. The browser's address bar shows the URL <http://www.pall.com/>. The website header features the Pall logo and the tagline "Filtration. Separation. Solution." Navigation links include "See What Pall Does In:", "Learn About Pall Corporation", and "Find Product Information". A search bar is present with a "GO" button. The main content area has a blue background with the text "Welcome to pall.com" and "The largest online resource for filtration, separation and purification solutions." A grid of images shows various filtration and separation equipment. The footer contains links for "Contact Pall", "Investor Information", "News", "Pall Events", "Careers", and "Languages: 日本語, Deutsch, Español, Français, Italiano". A news item "Pall Corporation Declares Quarterly Dividend" is visible. A banner at the bottom right states "Pall Stock is a Top Pick" with the "CNfn feature" logo.



# Managing the Sales Force

- Motivating Sales Reps
  - Churchill, Ford, & Walker Motivation Model:
    - Sales managers must be able to convince salespeople that they can sell more by working harder or being trained to work smarter
    - Sales managers must be able to convince salespeople that the rewards for better performance are worth the extra effort



# Managing the Sales Force

- Sales Quotas
- Supplementary Motivators
  - Sales meetings
  - Sales contests
- **Evaluating Sales Representatives**
  - Sources of Information
  - Formal Evaluation

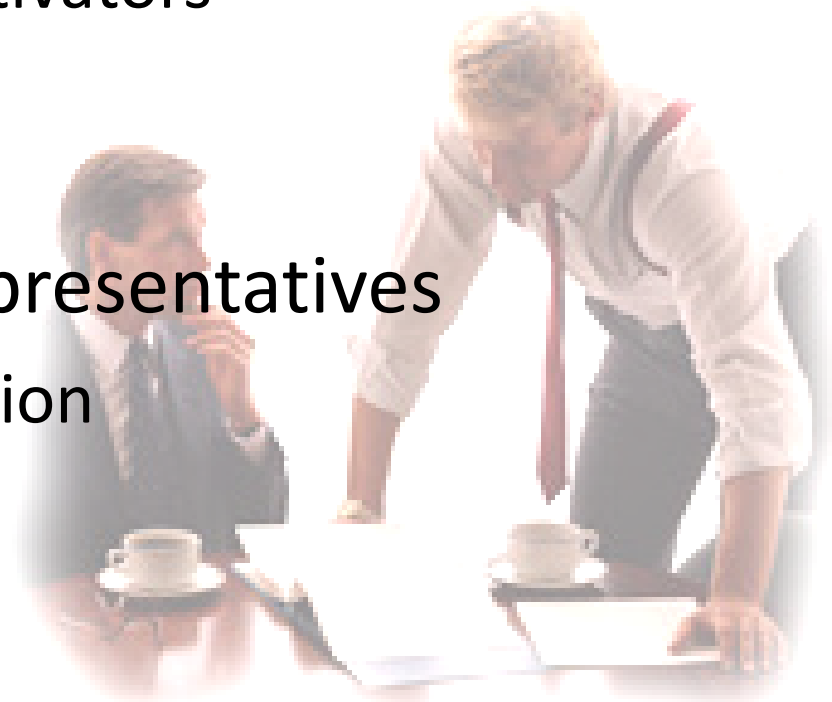


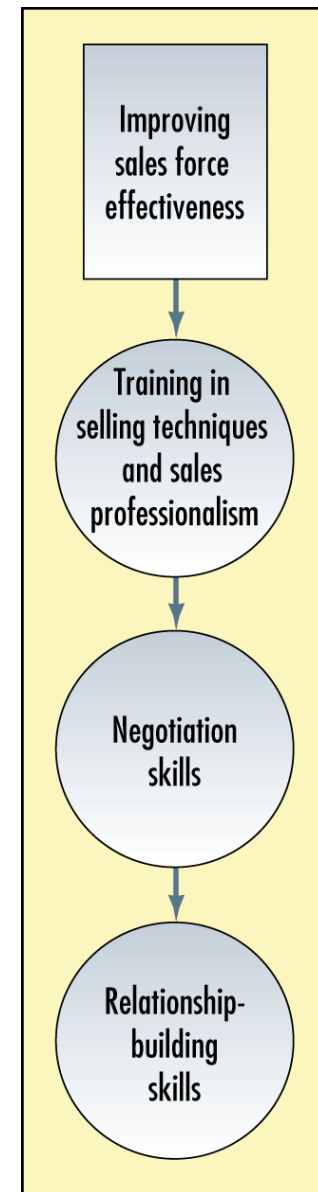
Table 21.2: Form for Evaluating Sales Representative's Performance

Territory: Midland Sales Representative: John Smith				
	1999	2000	2001	2002
1. Net sales product A	\$251,300	\$253,200	\$270,000	\$263,100
2. Net sales product B	423,200	439,200	553,900	561,900
3. Net sales total	674,500	692,400	823,900	825,000
4. Percent of quota product A	95.6	92.0	88.0	84.7
5. Percent of quota product B	120.4	122.3	134.9	130.8
6. Gross profits product A	\$50,260	\$50,640	\$54,000	\$52,620
7. Gross profits product B	42,320	43,920	55,390	56,190
8. Gross profits total	92,580	94,560	109,390	108,810

*See text for complete table*

# Principles of Personal Selling

Figure 21.3:  
Managing the Sales Force:  
Improving Effectiveness



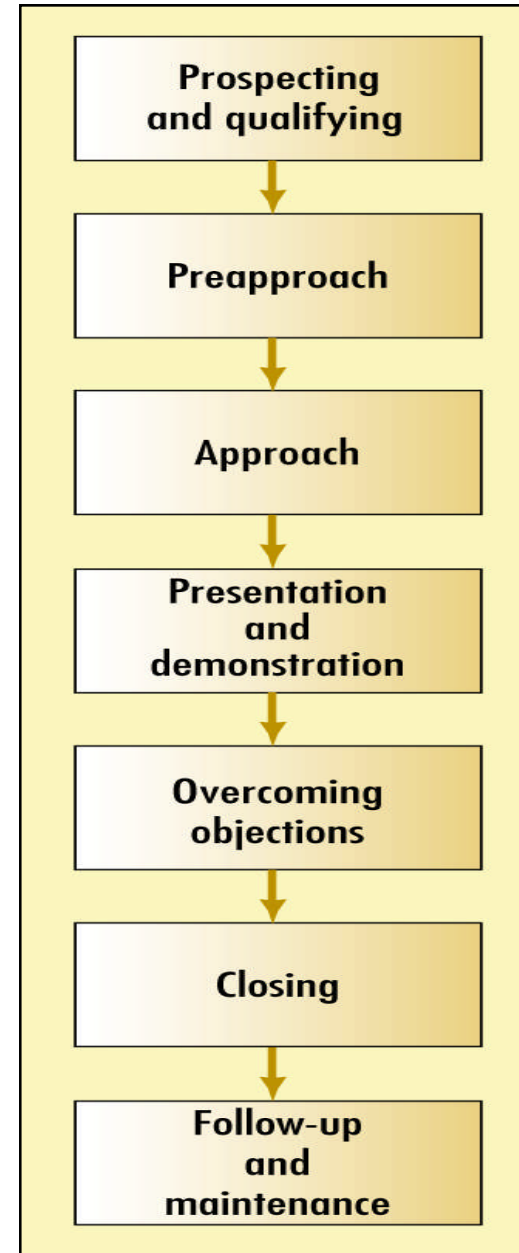
# Principles of Personal Selling

## ■ Professionalism

- Sales-oriented approach
- Customer-oriented approach
  - Rackham's questions for prospects
    - Situation questions
    - Problem questions
    - Implication questions
    - Need-payoff questions



Figure 21.4: Major Steps in Effective Selling



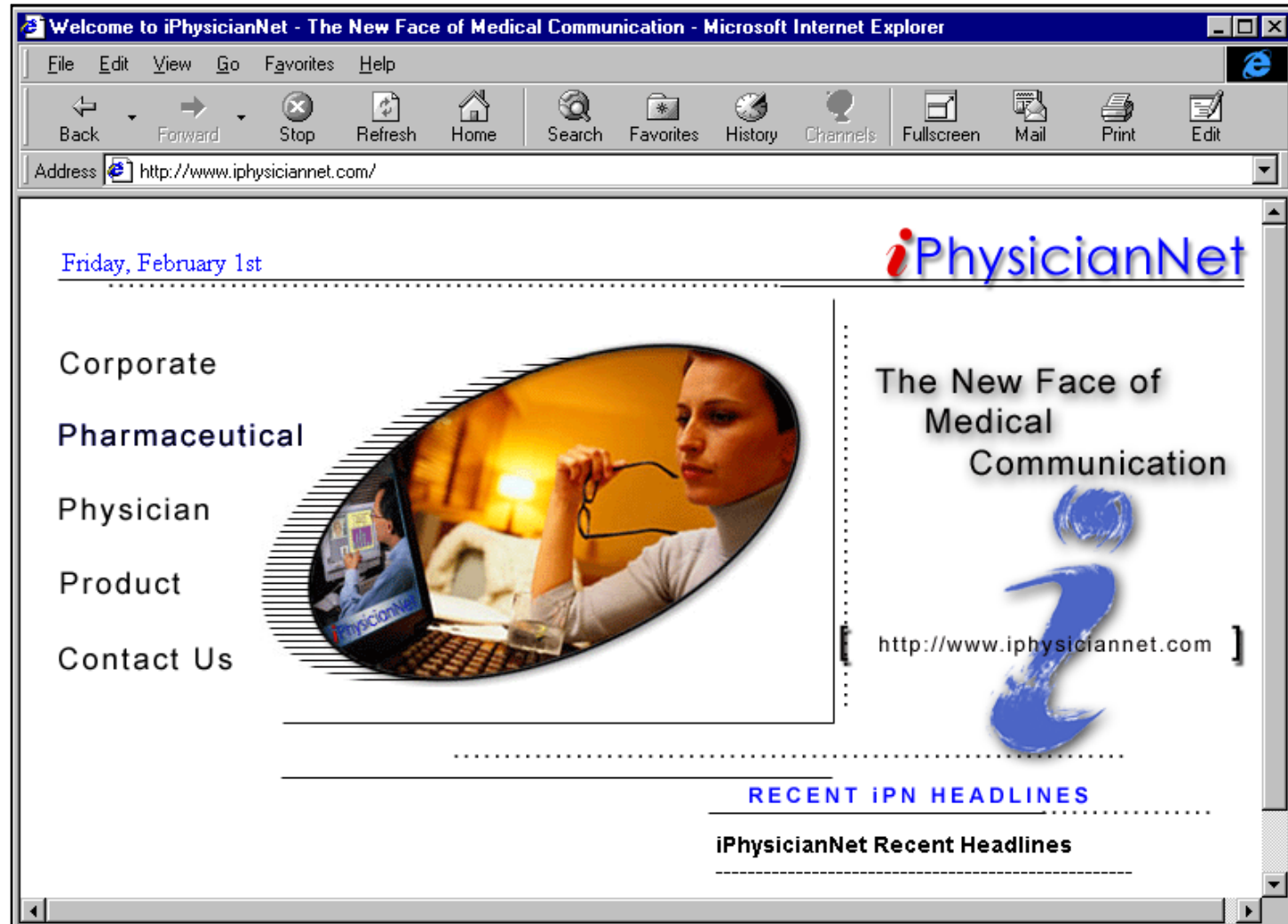
# Principles of Personal Selling

## – Major Steps in an Effective Sales Process:

- Prospecting and Qualifying
- Preapproach
- Approach
- Presentation and Demonstration
- Overcoming Objections
- Closing
- Follow-up and Maintenance



**iPhysicianNet's home page shows  
a video detailing session**



# Principles of Personal Selling

- Negotiation

- When to negotiate

- When factors bear not only on price, but also on quality of service
    - When business risk cannot be accurately predetermined
    - When a long period of time is required to produce the items purchased
    - When production is interrupted frequently because of numerous change orders

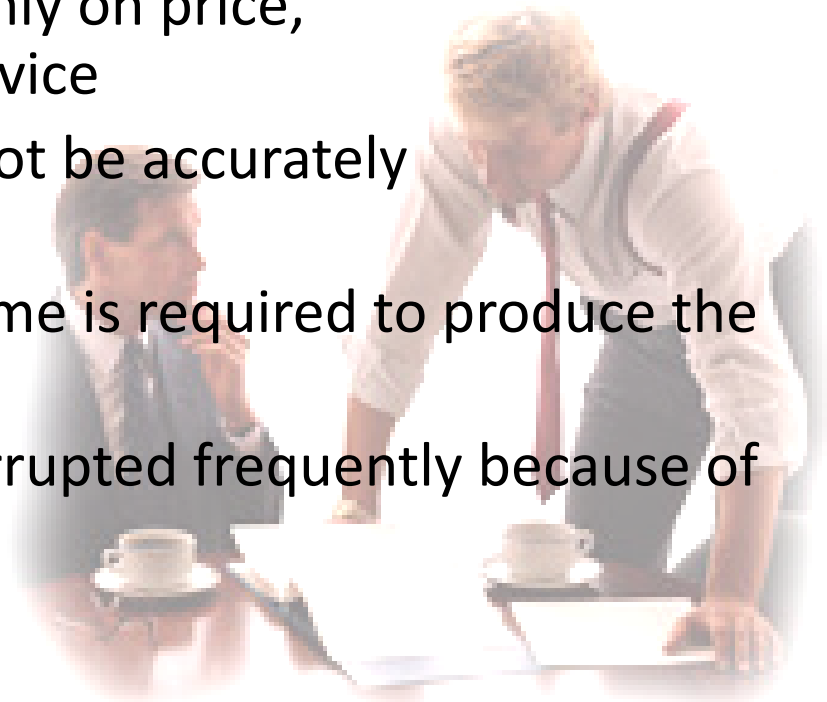
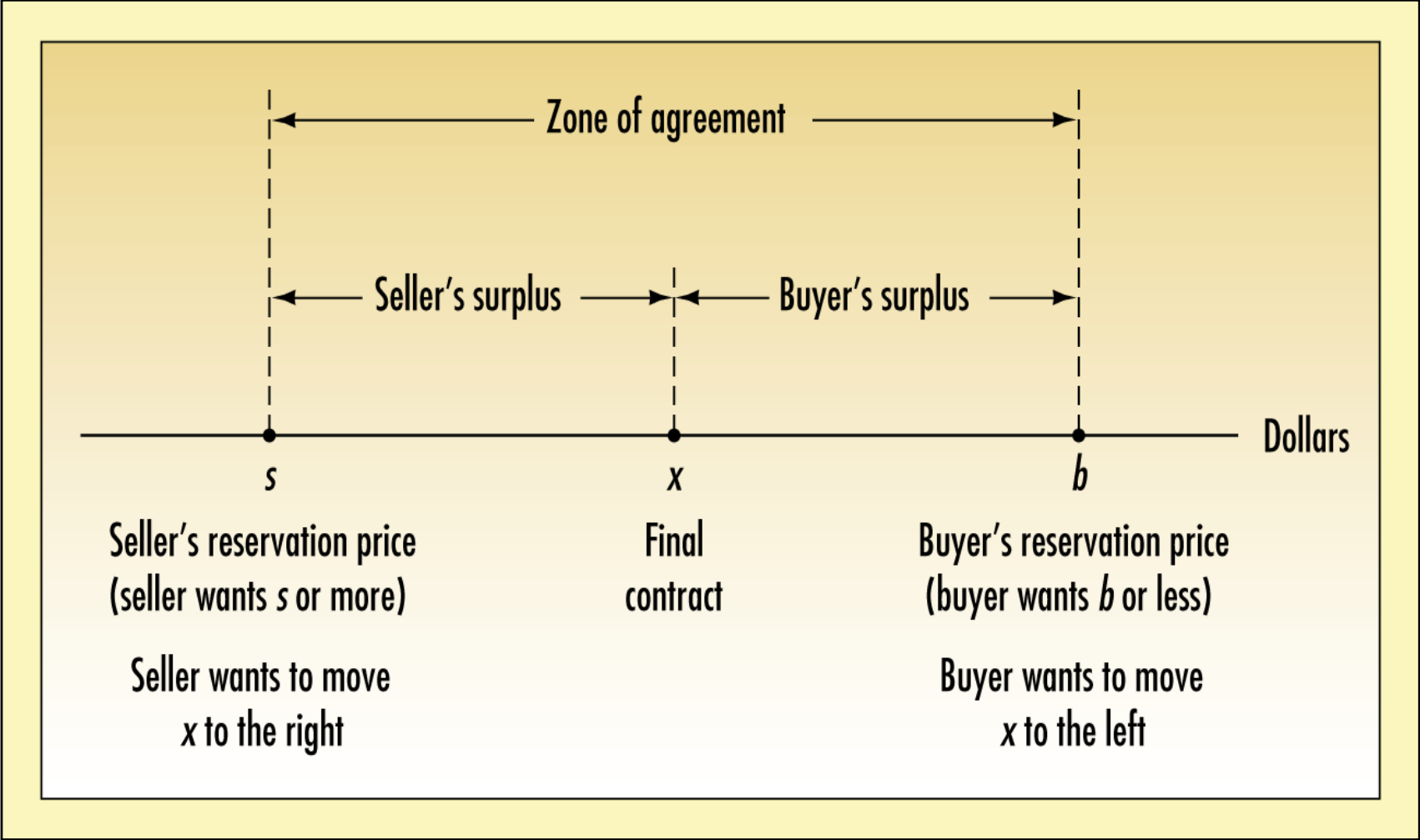


Figure 21.5: The Zone Agreement



# Principles of Personal Selling

- Formulating a Negotiation Strategy



Table 21.3: Classic Bargaining Tactics

Acting Crazy	Put on a good show by visibly demonstrating your emotional commitment to your position. This increases your credibility and may give the opponent a justification to settle on your terms.
Big Pot	Leave yourself a lot of room to negotiate. Make high demands at the beginning. After making concessions, you will still end up with a larger payoff than if you started too low.
Get a Prestigious Ally	The ally can be a person or a project that is prestigious. You try to get the opponent to accept less because the person/object he or she will be involved with is prestigious.
The Well Is Dry	Take a stand and tell the opponent you have no more concessions to make.

*See text for complete table*

# Principles of Personal Selling

- Relationship Marketing



# Discussion Question

**For many organizations, relationship marketing is more important than any individual transaction, because these long-term relationships can yield greater overall profitability. Would it be easier to convince a company to enter into a long term supplier-customer relationship if you offered them *savings through vertical integration of product offerings, or ease of use derived from a broad range of product offerings?***

