

DEFINITIONS

Marketing can be defined as....

.....the planning, coordination and control of all corporate activities geared to current and potential markets. Corporate targets are realized through the long-term satisfaction of customer requirements (Meffert, 2000).

DEFINITIONS

Marketing is....

...the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

(American Marketing Association).

DEFINITIONS

In 2007, the American Marketing Association (AMA) agreed on a new definition of marketing:

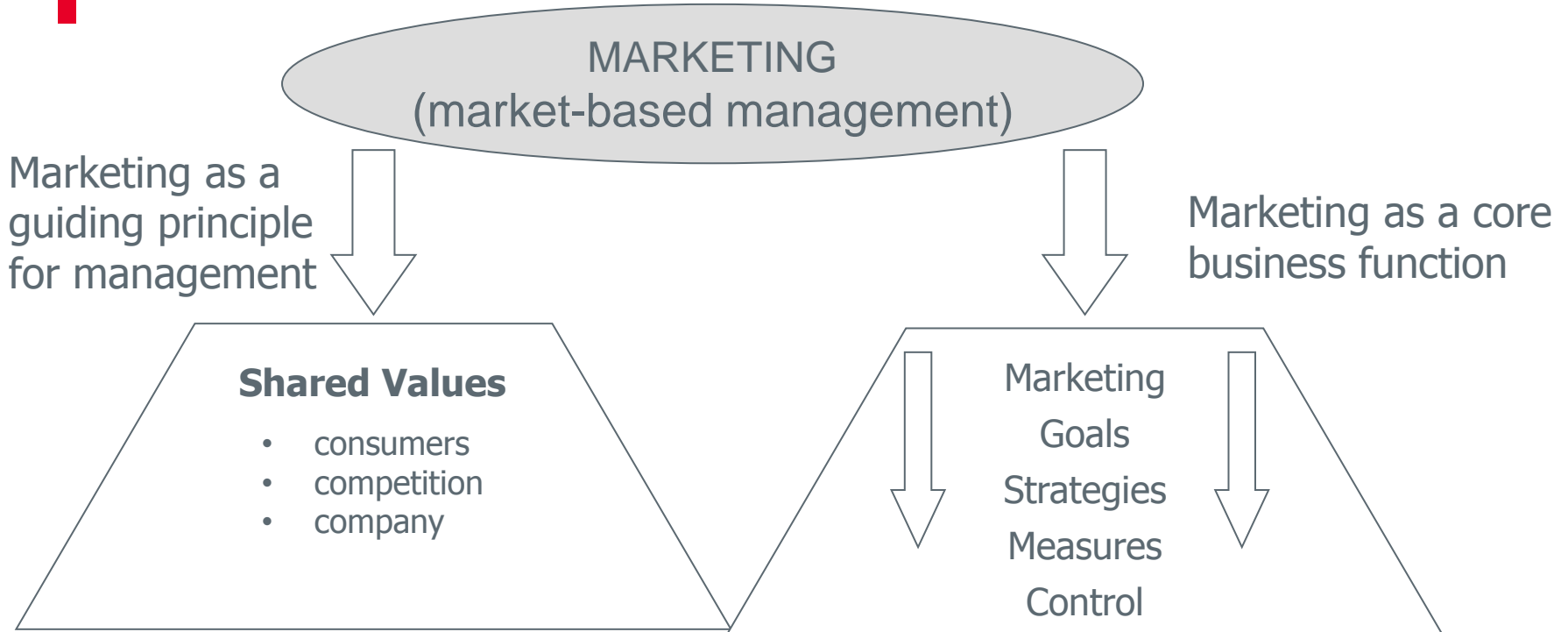
“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners, and society at large”.

DEFINITIONS

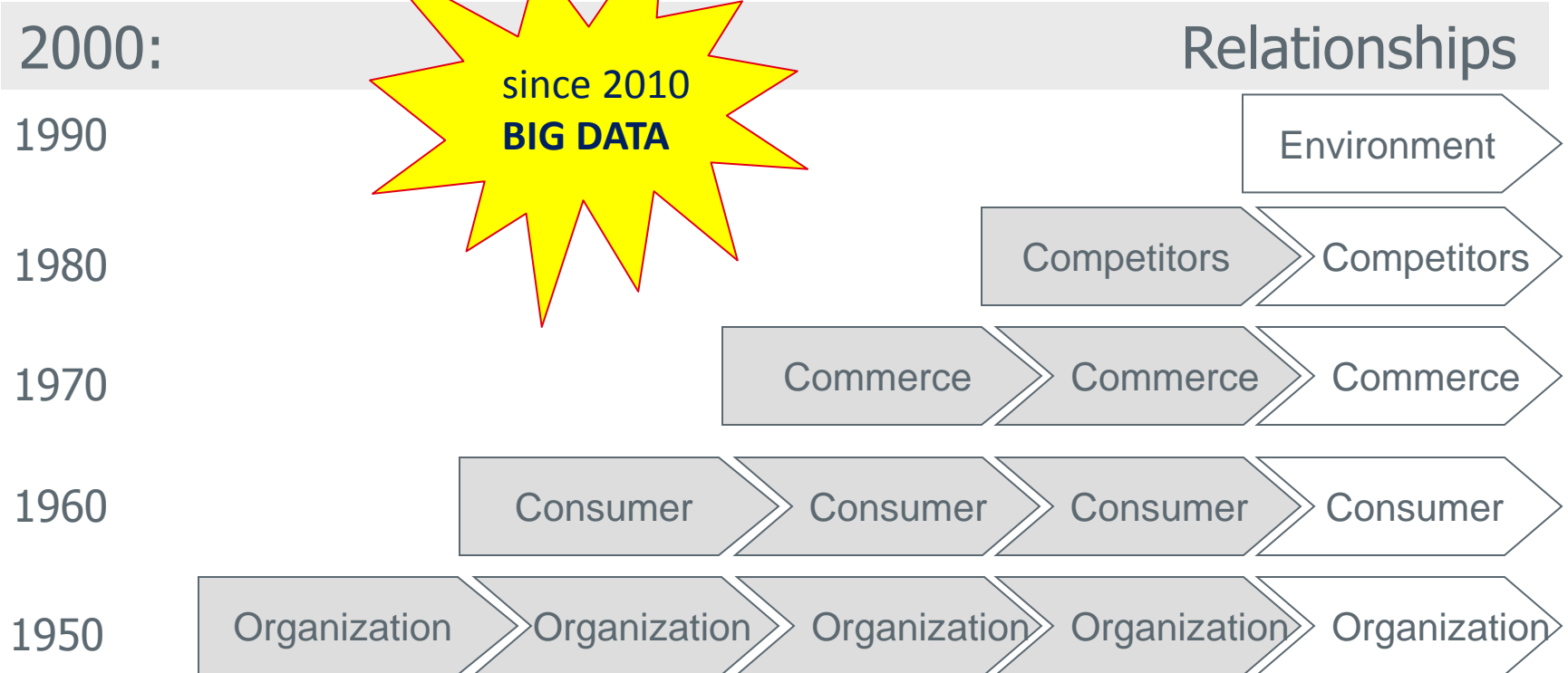
Marketing is...

...a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others (Kotler).

MARKETING AS A DUAL LEADERSHIP CONCEPT



EVOLUTION OF MARKETING



INSTITUTION-ORIENTATED APPROACH

- Description, classification and explanation of marketing institutions
- Forms of commercial institutions
- Institutional change in commerce

GOODS-ORIENTATED APPROACH

- Products and product typology
- Identification of product features
- Product categories as a basis of marketing design
- E.g. consumer goods, capital goods, services

FUNCTION-ORIENTATED APPROACH

- Analysis of commercial sales sub-tasks
- Improved rationality in the planning, implementation and control of various corporate functions
- Detailed description and segmentation of sub-functions and function catalogues

BEHAVIORAL SCIENCE APPROACHES

- Behavioral science-based analysis of consumers and organizations
- Categorization of purchasing decisions
- E.g. individual decisions, group decisions

SYSTEMS THEORY APPROACHES

- Aim: Recording and description of complex marketing systems
- Explanation of specific behaviors of system participants
- Multi-dimensional and holistic observation
- Formulation of normative design recommendations

DECISION-ORIENTATED APPROACHES

- Applied science
- Decision process analysis to allow problem solving
- Normative recommendations regarding the making of rational choices

CONTINGENCY APPROACH

- The need to apply context-specific management
- Identification of situational variables
- Contingency design recommendations
- Contingency approach is a further development of system- and decision-orientated approaches respectively

INFORMATION ECONOMICS APPROACH

- Handling of problems with regard to information and uncertainty
- Reduction of information asymmetries
- Differentiation of product and service categories, according to their search, credence and experience qualities

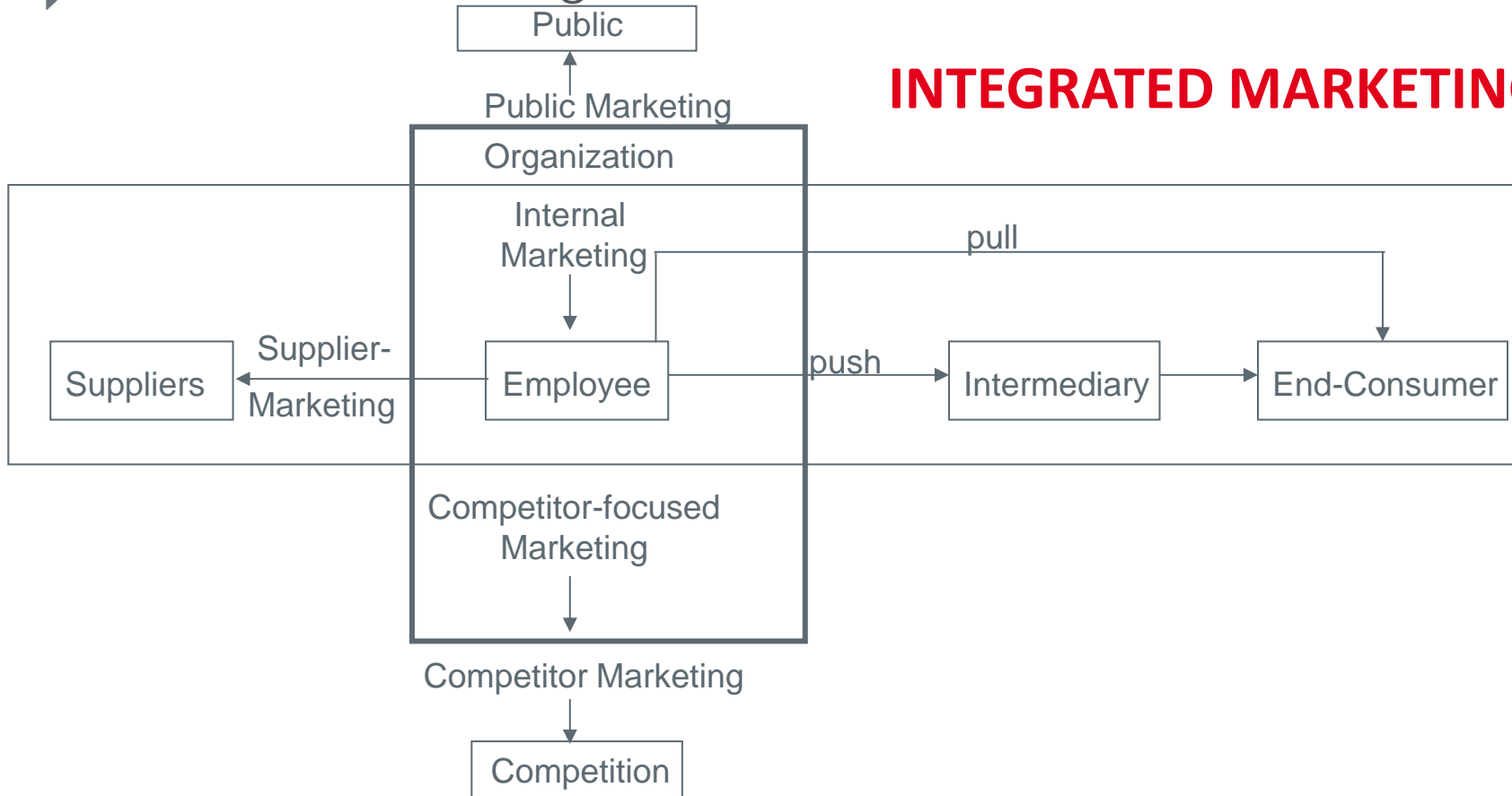
INTERACTIVE NETWORK APPROACH

- Process-orientated, holistic and dynamic observation of exchange relationships
- Relationship marketing instead of influence marketing
- Trust as a basis for long-term relationships
- Individualization, customer retention

PROCESS-ORIENTATED APPROACH

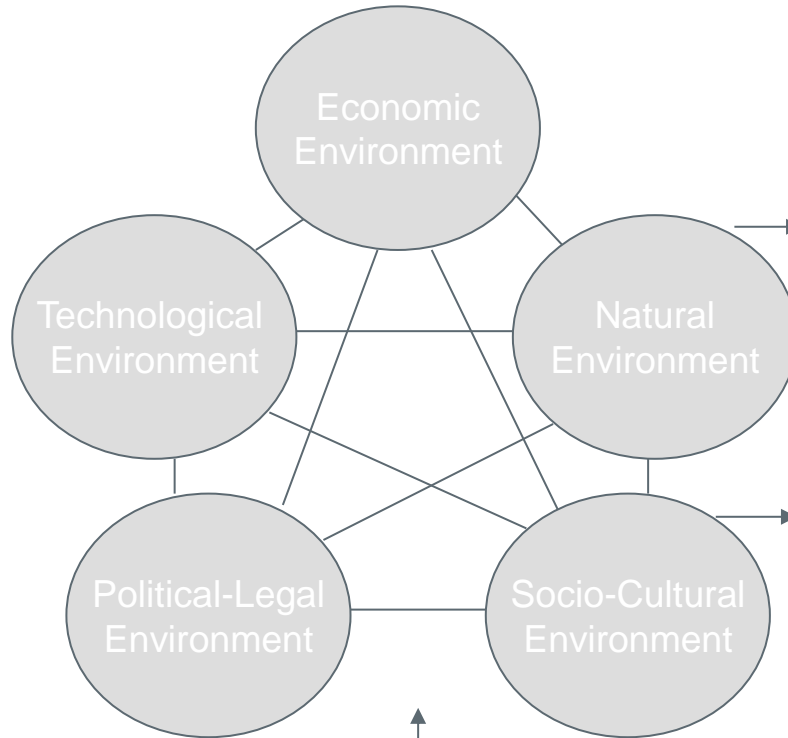
- Cross-functional, integrated positioning of the marketing function
- Process analysis forming the basis for marketing activities
- Internal marketing as a pre-condition for market-orientated corporate management

INTEGRATED MARKETING

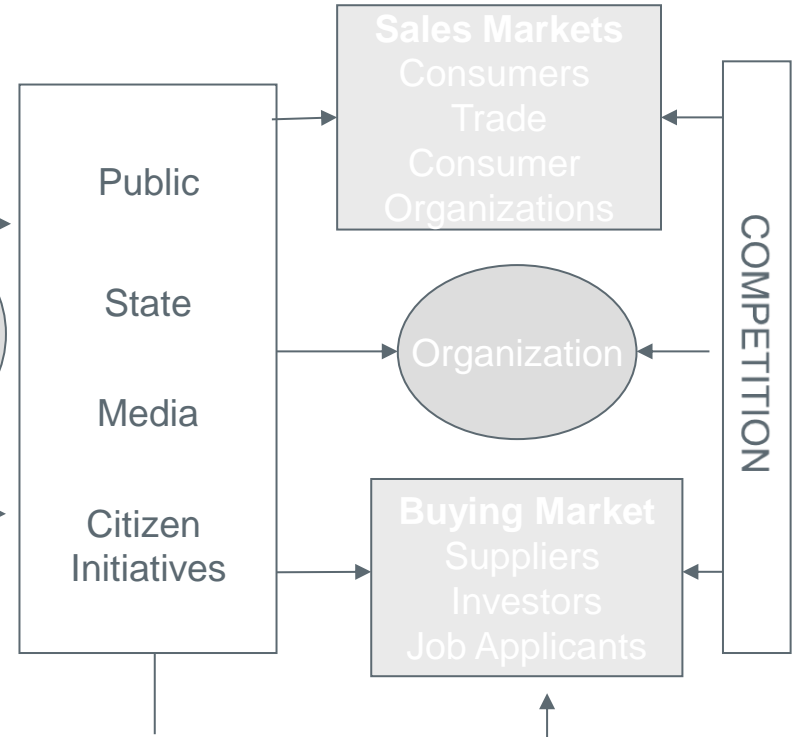


COMMERCIAL ENVIRONMENT

Macroenvironment



Task Environment



MARKETING AS A MANAGEMENT PROCESS



INFORMATION SEARCHES AS A BASIS FOR SUCCESS

- Analysis of the base of operations
- Development forecast

SITUATION-ORIENTATED LONG-TERM PLANNING

- Goal selection
- Definition of strategy

OPERATIVE MARKETING AS A MEANS OF MEETING STRATEGIC GOALS

- Development of the marketing-mix
- Consistency checks

ORGANIZATIONAL DESIGN

- Implementation measures in order to conduct marketing activities
- Performance reviews as a basis of organizational learning

ORGANIZATIONAL STAKEHOLDERS (A SELECTION)

Market

Consumers
Commerce
Suppliers
Competition

Society

Trade unions
Law-makers
Associations
Political parties
Media
Citizen initiatives

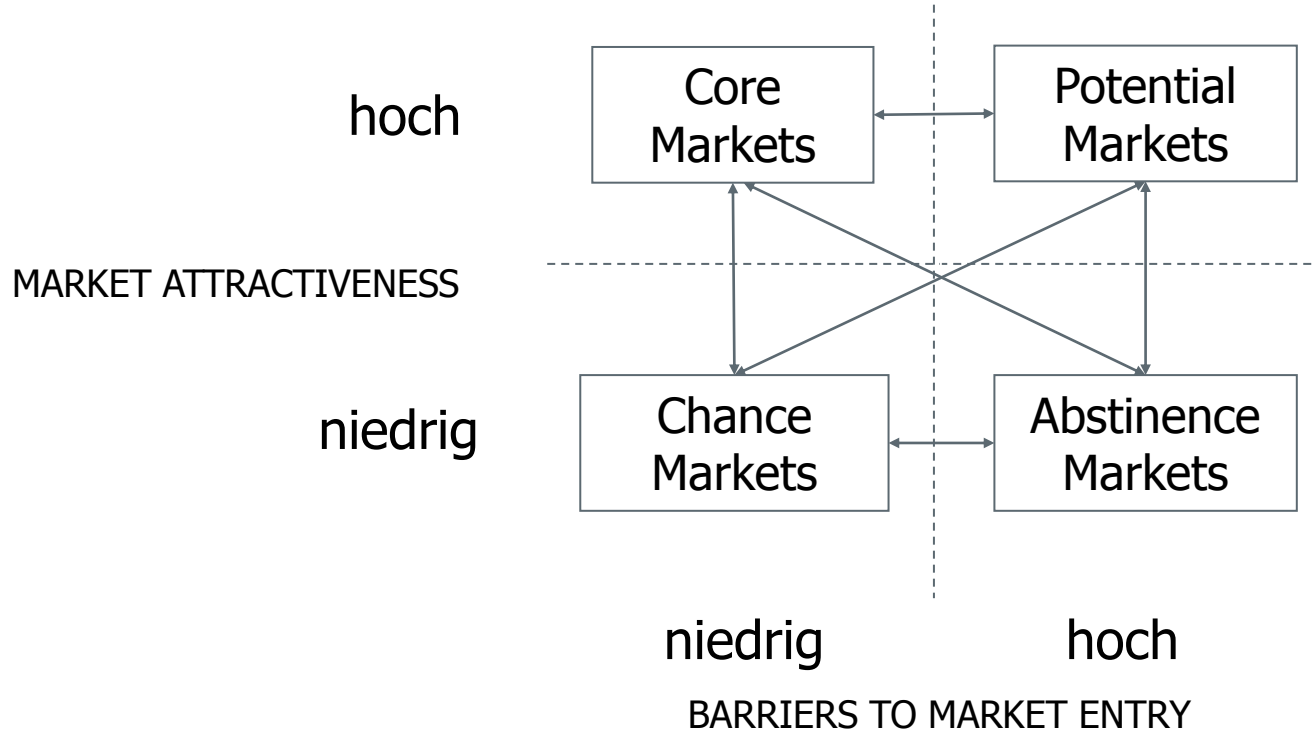
DEFINITION OF RELEVANT MARKETS

- Geographical selection
- Time-based selection
- Product-based selection

DEFINITION OF RELEVANT MARKETS (according to Kotler)

- **What** is purchased in a particular market?
- **Why** is a purchase made in a particular market?
- **Who** makes the purchase?
- **How** is the purchase made?
- **How much** is purchased?
- **Where** is the purchase made?

COUNTRY MARKET TYPOLOGY



DIMENSIONS OF MARKET ATTRACTIVENESS

- Production costs
 - Working costs, working time
 - Skilled labor
 - Machine run-time
 - Purchase costs (raw materials, downstream products)
 - Transport costs, infrastructure

DIMENSIONS OF MARKET ATTRACTIVENESS

- Market potential
 - Market growth
 - Market entry and proximity to market
 - Securing future markets
 - Market share
- Competitive position
 - Technological advances, image
 - Customer service

MARKET ENTRY BARRIERS

- Economic barriers
 - Economies of scale
 - Switching costs
 - Investment costs of entering a new market
 - Development of exchange rates, terms of trade

MARKET ENTRY BARRIERS

- Protectionist barriers
 - Duties (import & export) and import quotas
 - Non-tariff trade restrictions
 - Restrictions in the flow of capital
 - Subsidies
- Behavior-related barriers
 - Consumer preferences, e.g. national products
 - Cultural distance

MARKETING IN THE CONTEXT OF INTERNATIONAL BUSINESS

- Large operating range
- Very heterogeneous target groups

OBJECTIVES OF MARKET ANALYSIS

- Consumer/purchaser behavior
- Competitive situation
- Behavior of intermediaries and sales agents

BASIC MARKET TYPES

By consumer type

Consumer market

Producer market

Resale market

Public establishments

By distribution of power

Sellers market

Buyers market

SIMPLE GOODS AND SERVICES TYPOLOGY

- Consumer goods
- Capital goods
- Service products

CATEGORIES OF CONSUMER GOODS

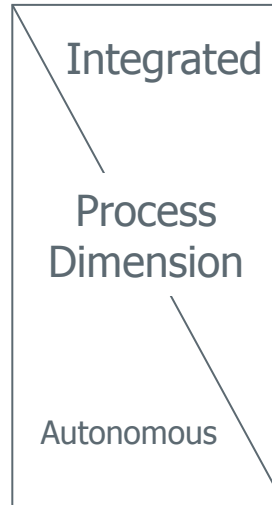
- Consumer durables vs. nondurable goods
- High involvement vs. low involvement products
- Impulse goods, convenience goods, shopping goods, speciality goods

CATEGORIES OF CAPITAL GOODS

- Raw materials, ingredients, energy, parts, units, assets
- Complex systems engineering, physical products, components and production materials

GOODS AND SERVICES TYPOLOGY

Degree of Integration



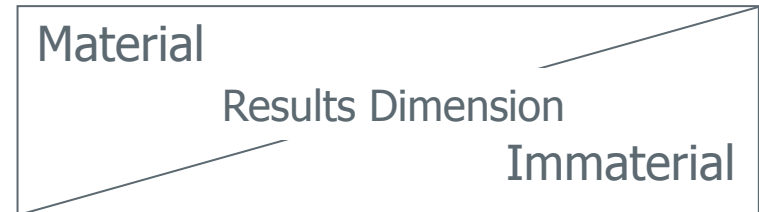
Special Machinery

Consultancy Service

Standard Part

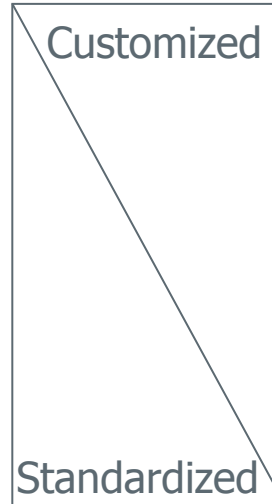
Database Service

Degree of Immateriality



TYOLOGY OF INTEGRATED SERVICES

Degree of
Customization

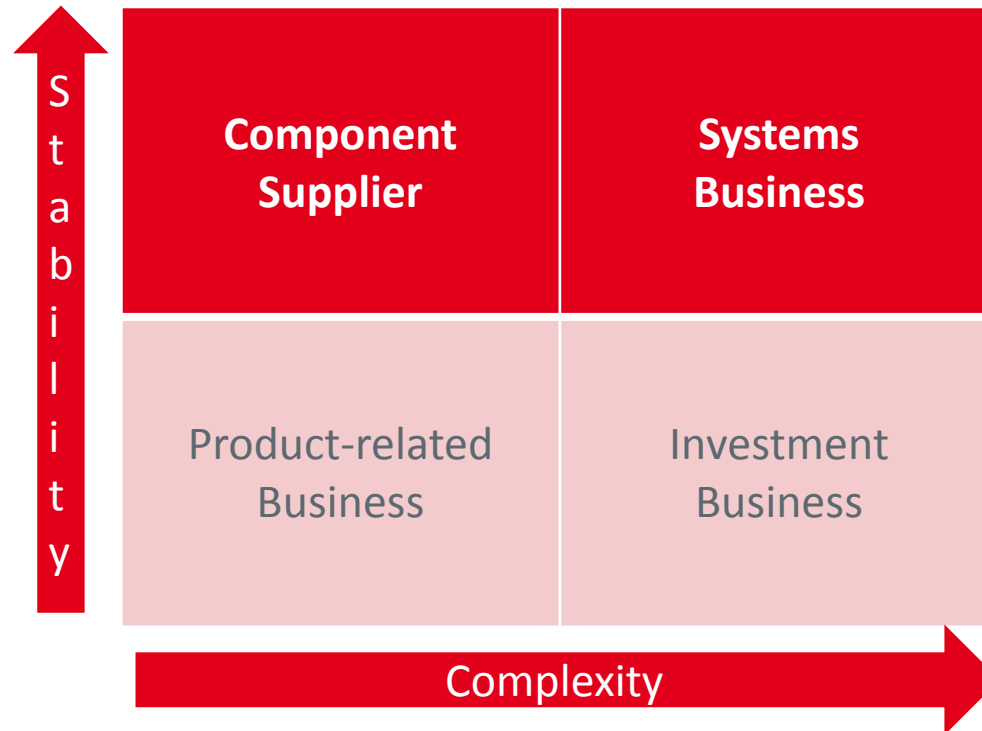


Insurance Package	Consultancy Service
Goods Transportation	Group-based Language Course

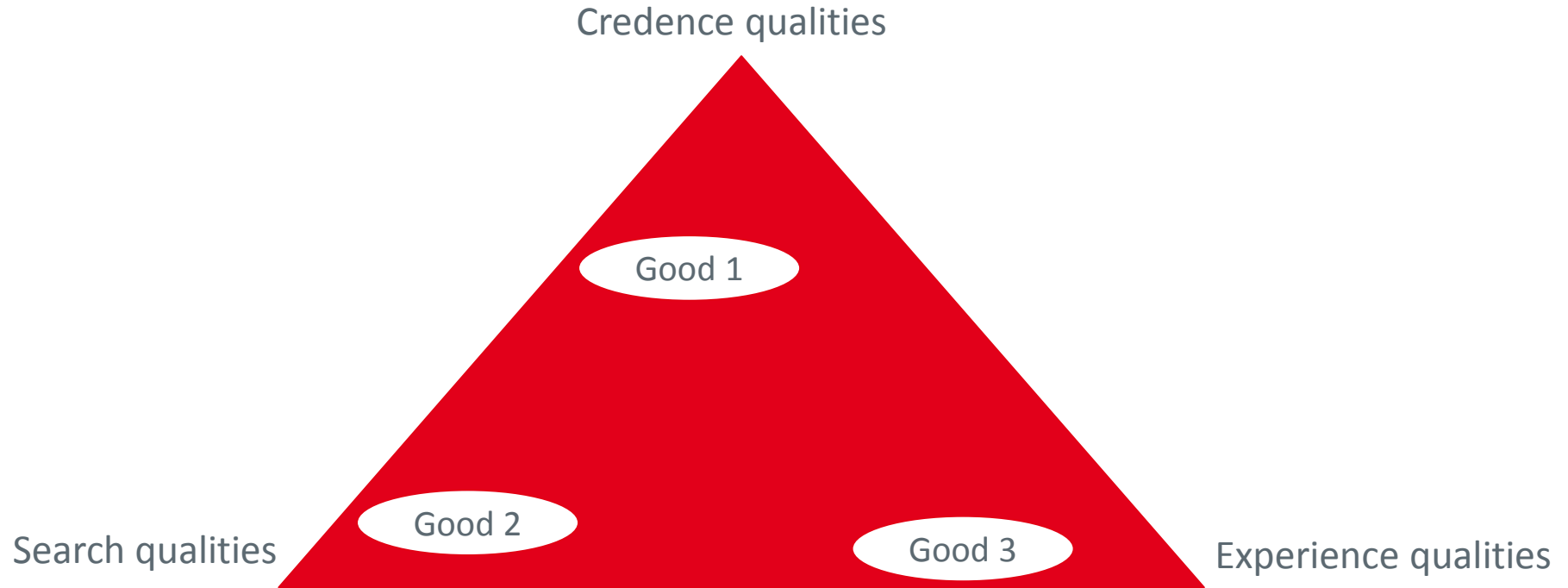
Degree of Interaction



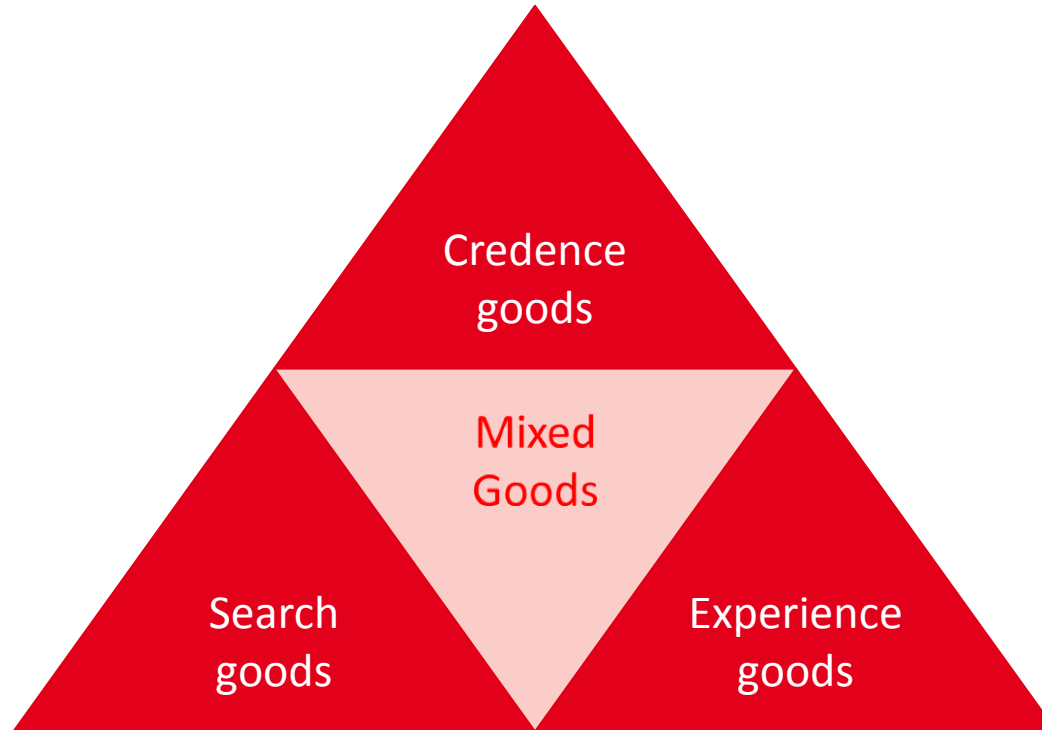
BUSINESS MODELS IN THE INDUSTRIAL GOODS SECTOR



INFORMATION ECONOMICS PRODUCT QUALITIES



INFORMATION ECONOMICS TYPES OF GOODS



COMPONENTS OF A SITUATION ANALYSIS (according to Meffert)

- Market
- Market participants
- Instruments
- Environment

COMPONENTS OF A SITUATION ANALYSIS

Market	Market for the whole product class	Development Growth Elasticity
	Market participant	Stage of development Degree of saturation Market segmentation
Instruments	Market for a product group	
Environment	Market for a particular product	Structure of needs Degree of substitution Product strength

COMPONENTS OF A SITUATION ANALYSIS

Market	Manufacturer	Market positioning of the product Program Strength of offer
Market participant	Competition	Competitive strengths Degree of differentiation Program strength
Instruments	Intermediary	Functional performance Range structure Market coverage
Environment	Buyer	Requirements Purchasing power Attitude

COMPONENTS OF A SITUATION ANALYSIS

Market	Product mix (Product)	Strength of product / program Flexibility of the offer
Market participant	Communications mix (Promotion)	Reach and suitability of media Advertising strategy
Instruments	Price mix (Price)	Price level Price differentiation Discount structure
Environment	Distribution mix (Place)	Distribution density Delivery skills Logistics quality

COMPONENTS OF A SITUATION ANALYSIS

Market	Nature	Climate Infrastructure
	Economy	Economic activity Growth
Market participant	Society	Social norms Lifestyle habits
	Technology	Science Technological advances
Instruments	Laws and policies	Legal norms Political institutions
Environment		

SITUATION ANALYSIS

Internal to the business

Position
Potential
Resources

External to the business

Environment
Markets
Market participants

OPPORTUNITY AND RISK ANALYSIS

- Recognition of environmental influences, which are external to the business
- Prevention of negative incidents
- Support of positive developments

ANALYSIS OF STRENGTHS AND WEAKNESSES

1. Resource identification
2. Evaluate (strength / weakness profile)
3. Identification of strengths
4. Evaluate the extent to which existing strengths can be used in new markets

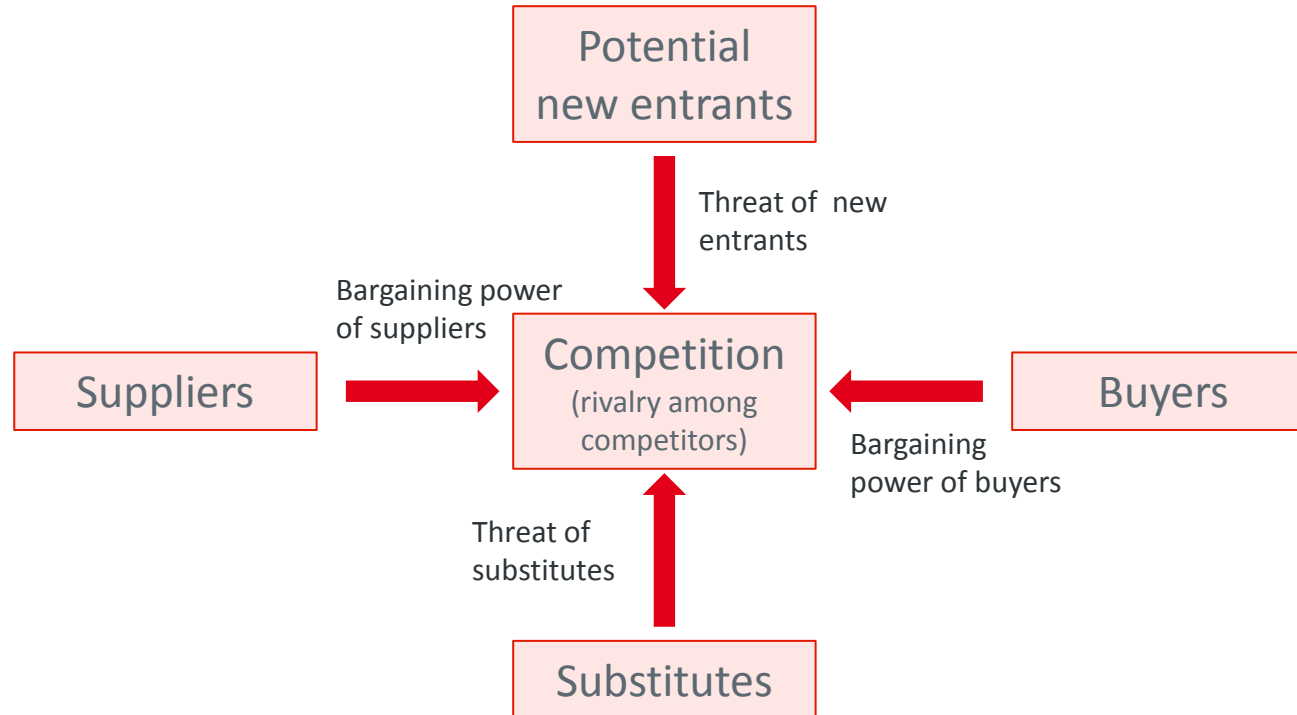
SWOT ANALYSIS

External Internal	Opportunities	Threats
	Strengths	Weaknesses
	Maximum success potential. Achievable in the short-term.	A high degree of caution.
	A high degree of effort.	Minimum success potential. Achievable in the long-term.

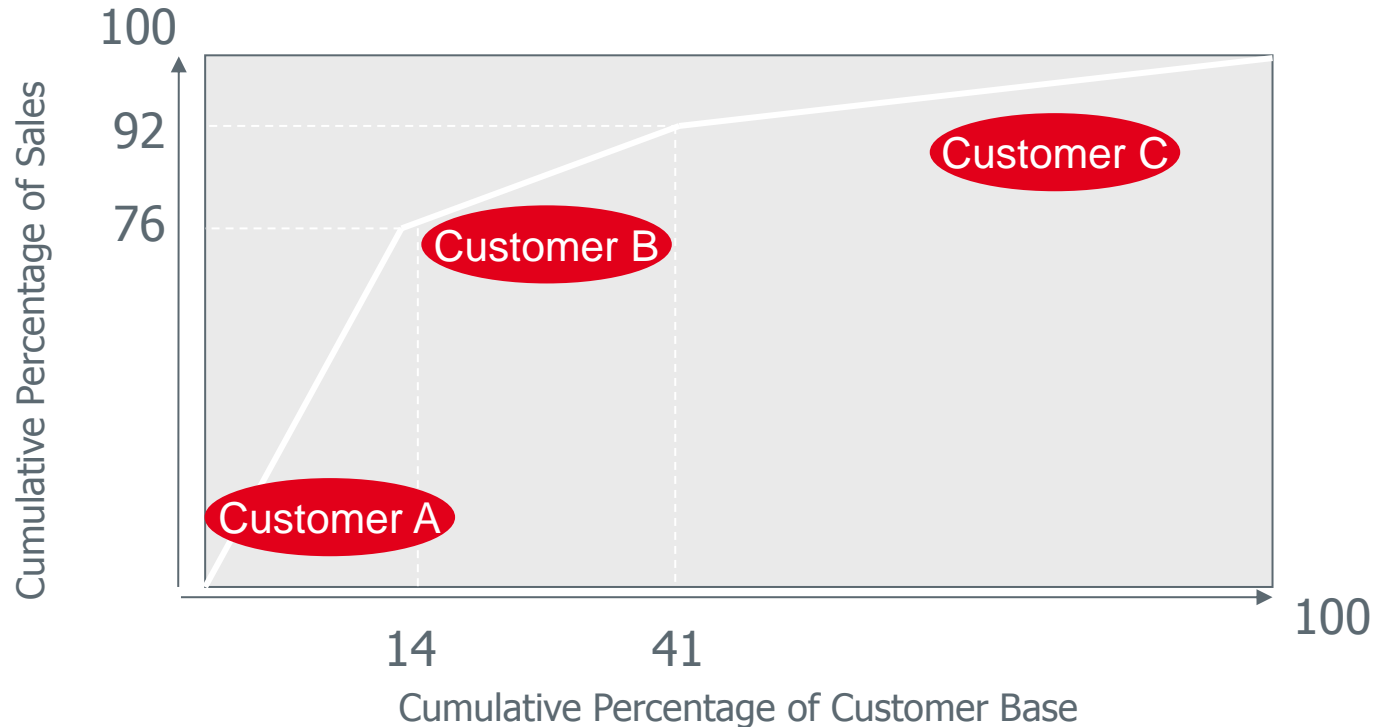
SWOT ANALYSIS

The SWOT analysis dovetails the internal and external aspects of the situation analysis together. By reducing the complexity in a particular situation, it provides the starting point for goal definition and strategy formulation.

STUCTURAL ANALYSIS OF AN INDUSTRY SECTOR



A-B-C CUSTOMER ANALYSIS

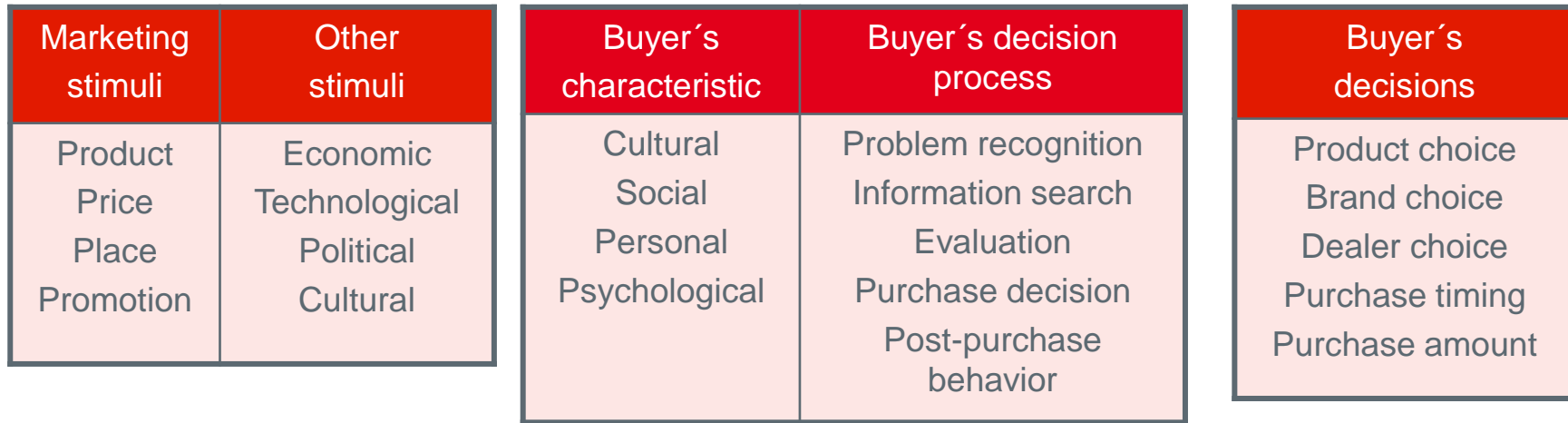


S-O-R MODEL OF BUYER BEHAVIOR

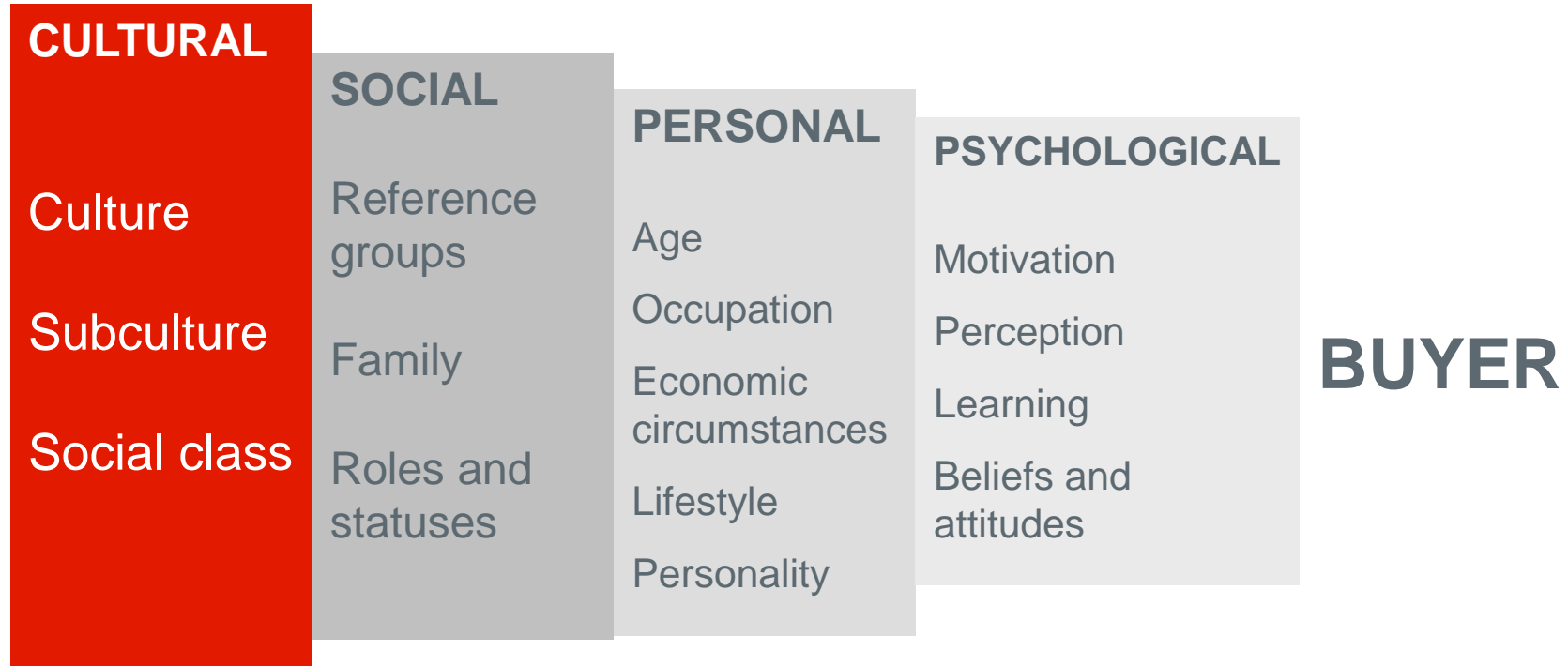
S

O

R



FACTORS INFLUENCING BEHAVIOR



CONSTRUCTS OF BEHAVIORAL PSYCHOLOGY

Activation

Involvement

Emotion

Cognition

Motive

Attitude

Value Set

Personality

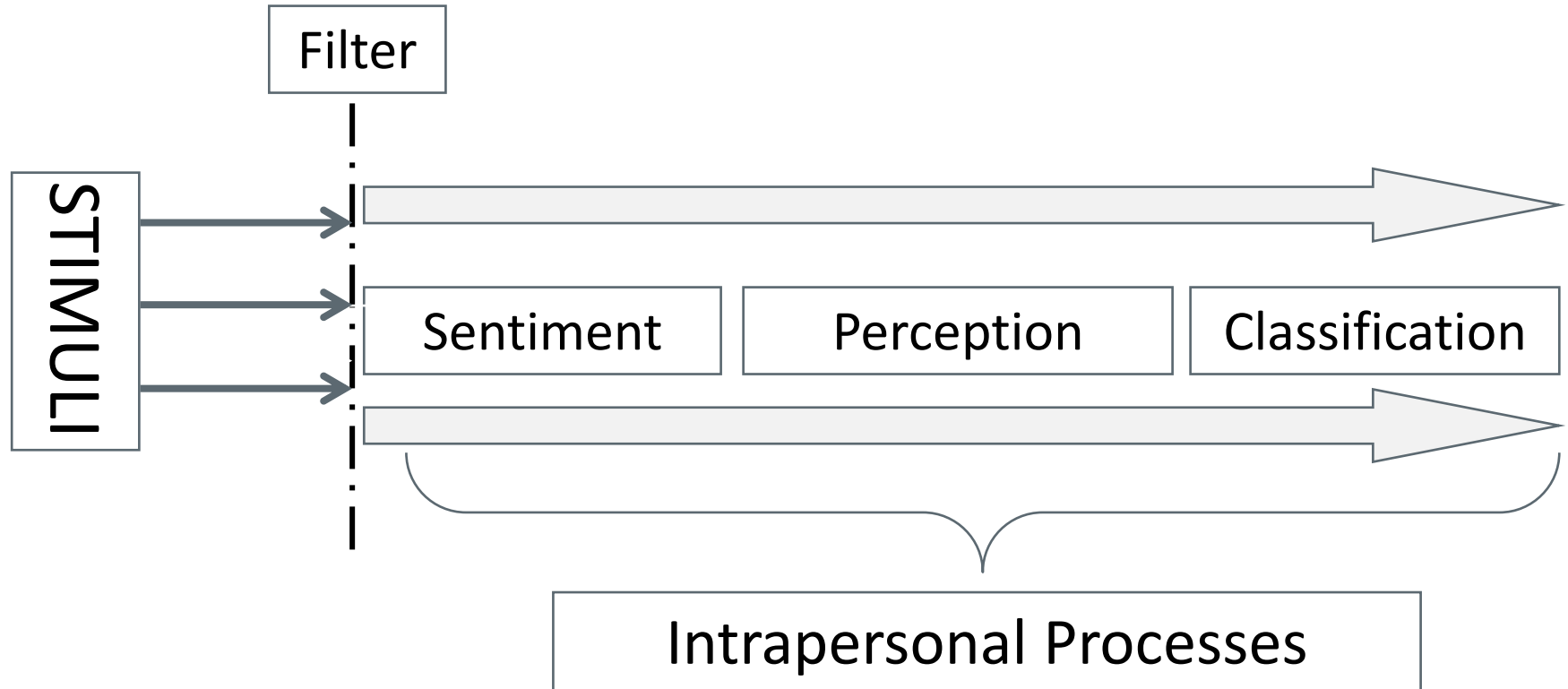
COMPLEXITY

EXPLANATORY DEGREE

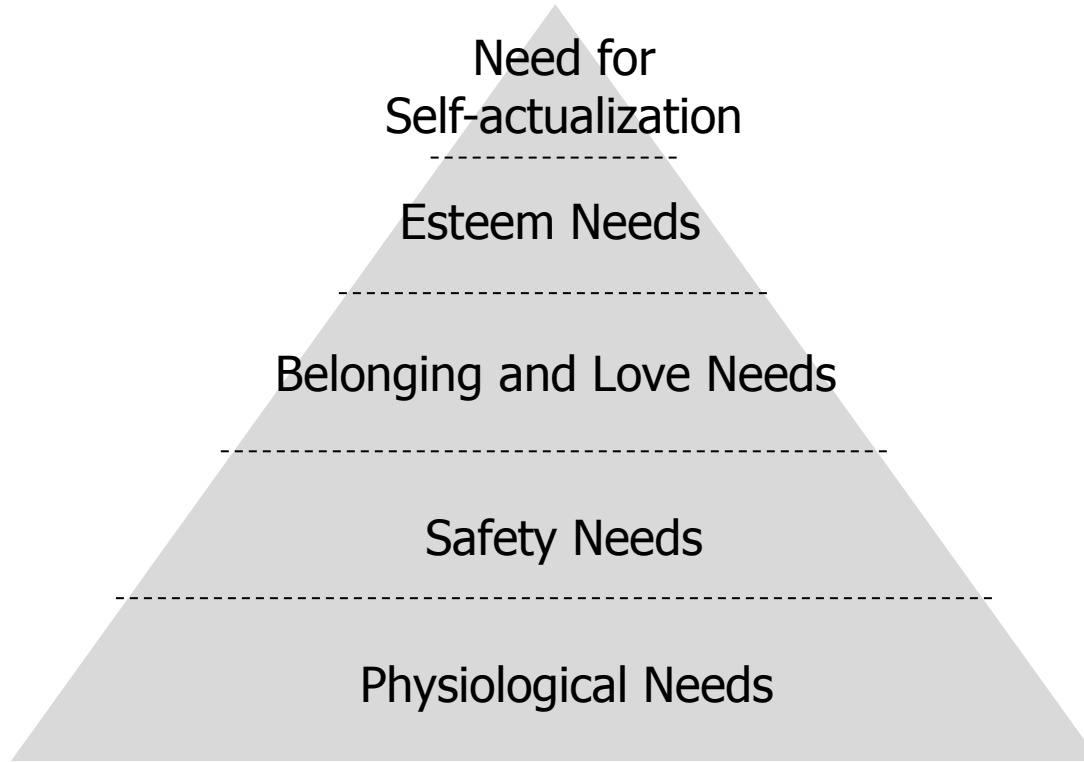
THEORIES OF BEHAVIORAL PSYCHOLOGY

- **Perception**
- **Motivation**
- **Learning**
- **Behavior**

THEORIES OF BEHAVIORAL PSYCHOLOGY



MOTIVATION: MASLOW (1954)



MOTIVATION: FREUD (1910)

- The behavioral effect of motivation is dependent on the personality of an individual
- Behavior is guided by subconscious motivations
- It is difficult to influence the motivation of individuals

LEARNING: BANDURA

Social Cognitive Learning Theory (1973)

- Basic behaviors are learnt
- Direct learning through own life experiences
- Indirect learning through observing the experiences and behaviors of others

BEHAVIOR: LEWIN'S FIELD THEORY

- The behavior of an individual is influenced by their environment
- Lewin had already developed a concept in the 1930s, which included the dynamic properties of personality and situation

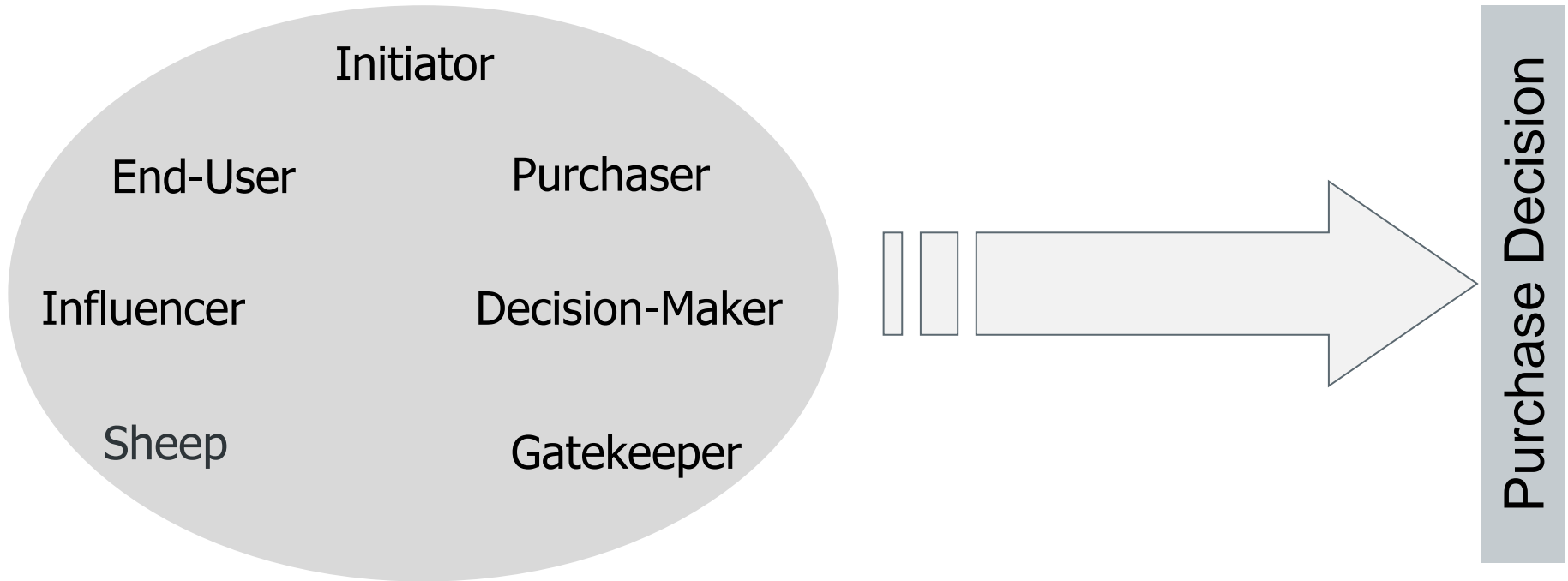
COGNITIVE DISSONANCE THEORY: FESTINGER 1957

- A basic human need for consistency and harmony
- Dissonance (inconsistent cognitions) motivates individuals to seek consistency in their cognitions (eg. Attitudes, opinions and beliefs)

Three methods of reducing dissonance:

- Change of the elements leading to dissonant cognitions
- Adoption of new elements which outweigh the dissonant cognitions
- Reduce the importance of the dissonant cognitions

THE BUYING CENTER CONCEPT



FACTORS INFLUENCING ORGANIZATIONAL BUYING BEHAVIOR

ENVIRONMENT

- Level of demand
- Economic outlook
- Interest rates
- Rate of technological change
- Political and regulatory developments
- Competitive developments
- Social responsibility concerns

ORGANISATION

- Objectives
- Policies
- Procedures
- Organisational Structures
- Systems

INTERPERSONAL

- Interests
- Authority
- Status
- Empathy
- Persuasiveness

INDIVIDUAL

- Age
- Income
- Education
- Job Position
- Personality
- Risk attitudes
- Culture

**BUSINESS
BUYER**

MAKING OF BUYING DECISIONS IN COMMERCE



FUNDAMENTAL ISSUES OF INTERNATIONAL MARKETING

Market entry

- Information
- Risk

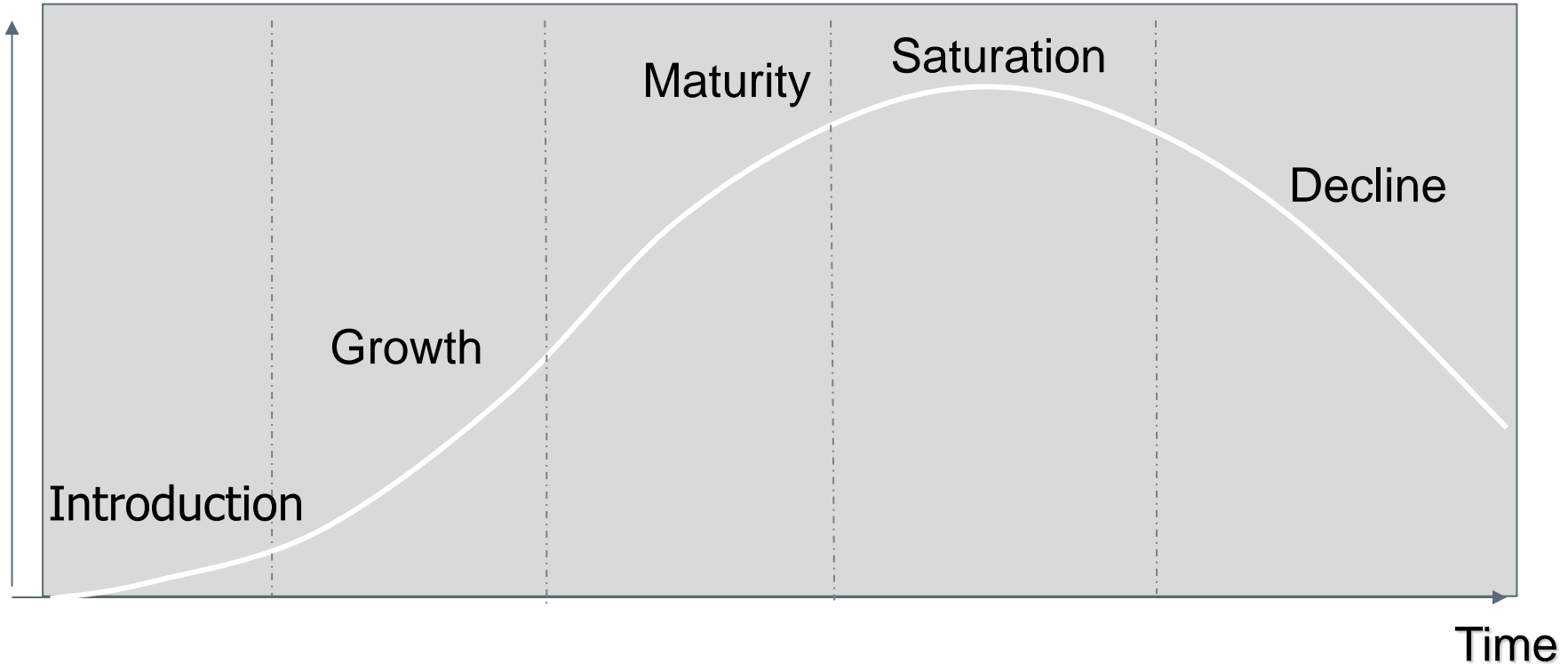
- Coordination
- Complexity

Servicing the market

MOTIVES FOR INTERNATIONAL BUSINESS

- Growth
- Economy of scale effects
- Risk spreading
- Customer relationships
- Legal environment
- Product lifecycle

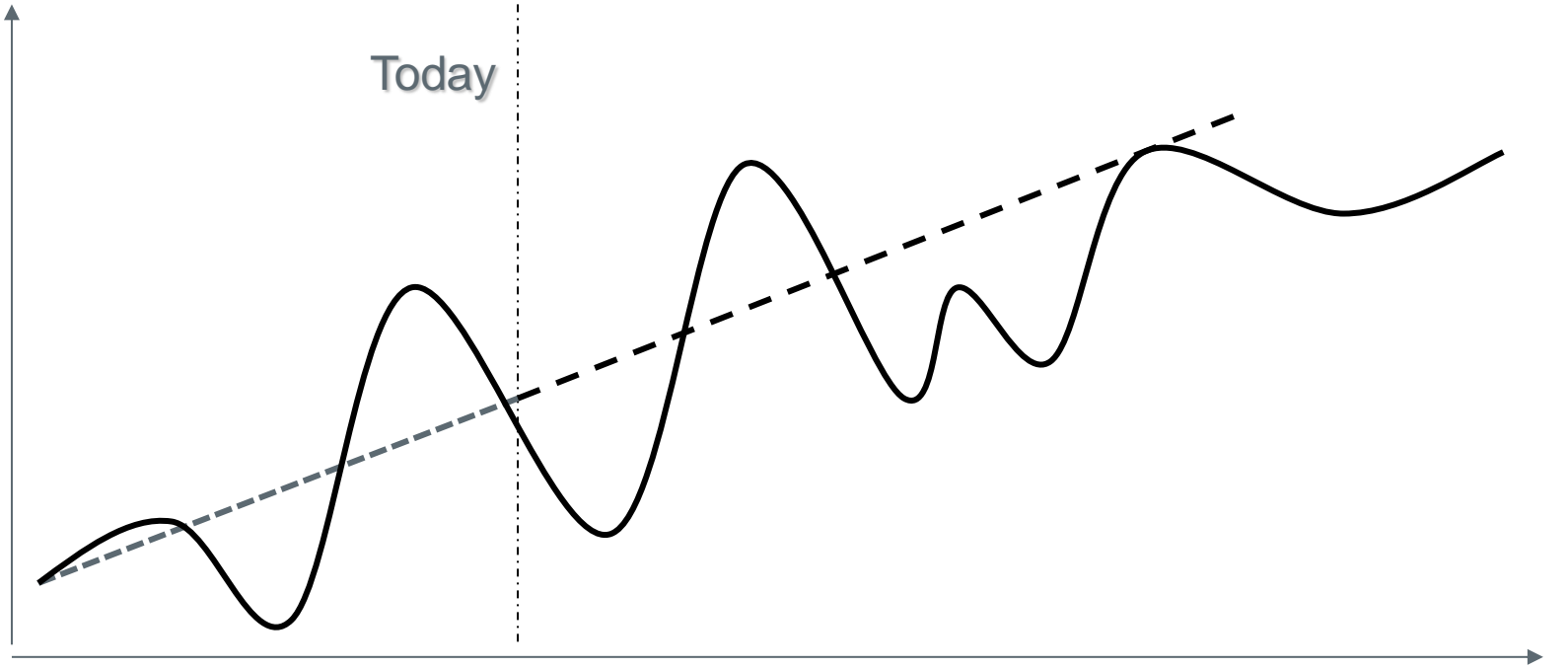
Turnover



TREND EXTRAPOLATION

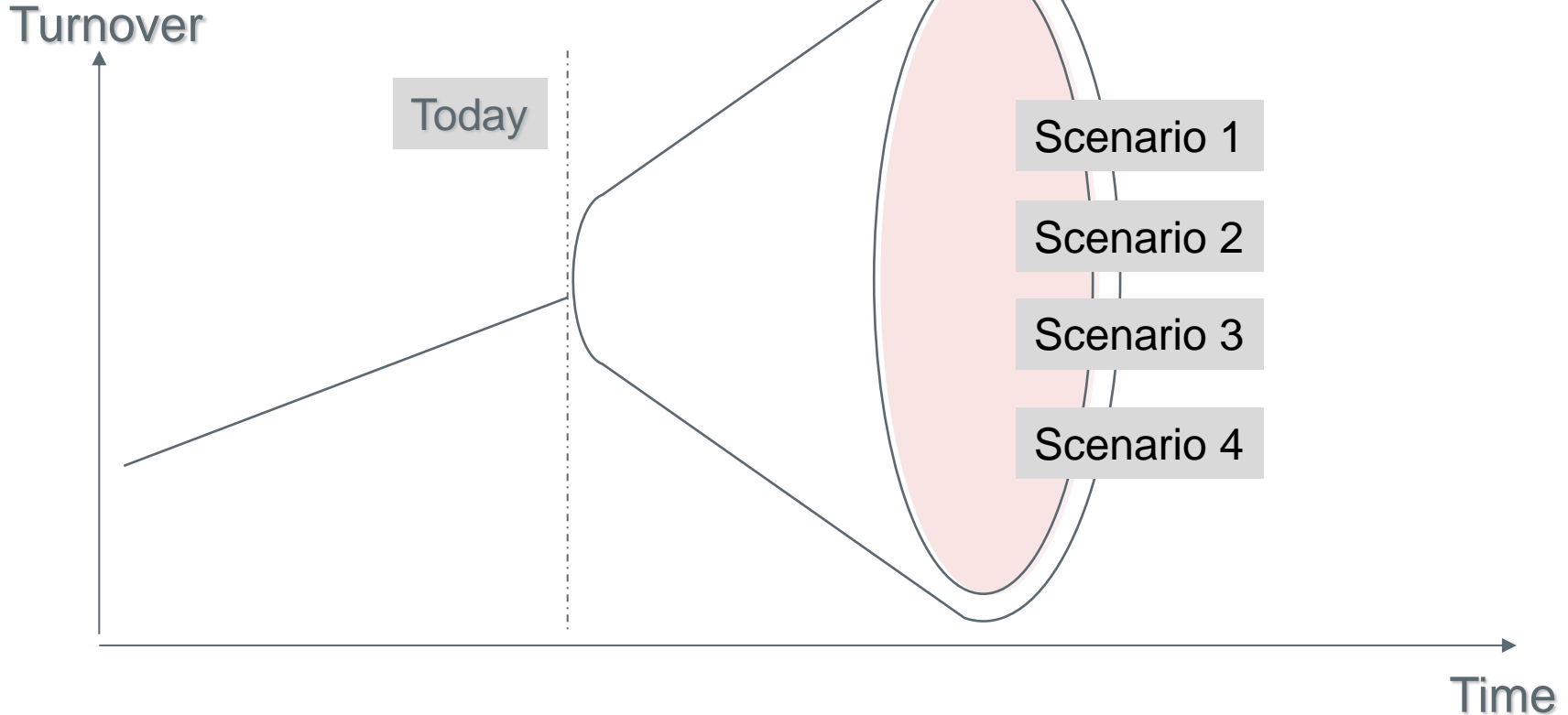
Turnover

Today



Time

SCENARIO TECHNIQUE



GOAL DEVELOPMENT PROCESS



GOAL LEVELS



CROSS-BORDER COMPANY GOALS

Market positioning goals

Financial goals

Cost goals

Social goals

Profitability goals

Prestige goals

MARKETING GOALS

Psychographic Marketing Goals

- Increasing the level of brand recognition
- **Realization of.....**
- Altering of positioning / images
- Increasing of preferences
- Strengthening of purchasing intentions

Financial Marketing Goals

- Increasing turnover
- Raising product profitability
- Extension of market share

MARKETING STRATEGIES

- Market field strategies
- Market stimulation strategies
- Market segmentation strategies
- Market area strategies

MARKETING STRATEGIES - Market field strategies

Markets Products	Existing	New
Existing	Market penetration	Market development
New	Product development	Diversification

MARKETING STRATEGIES - Market stimulation strategies

New strategy: Information leadership

According to Porter	According to Becker	
Cost leadership	Price – quantitative strategy	➔ Discount concept
Differentiation (= Quality leadership)	Preferential strategy	➔ Brand concept

STRATEGIC BRAND POLICIES

Choice of brand strategy (brand type)

- Single brands (e.g. Persil)
- Family brands (e.g. Nivea)
- Umbrella brands (e.g. BMW)
- A combination of the above

Setting of brand profile

- Quality guarantee
- Image
- Ubiquity (limited)

MARKETING STRATEGIES - Market segmentation strategies

Market coverage Marketing program	Total	Partial
Undifferentiated	Standardized marketing	Focused marketing
Differentiated	Differentiated marketing	Selective marketing

MARKET SEGMENTATION

= the division of a whole market in **market segments**

= internally homogeneous and heterogeneous sub-groups

+ serving one or more of these market segments

THE GOAL OF MARKET SEGMENTATION

- Market identification
- The optimal satisfaction of consumer needs through the use of differentiated marketing instruments

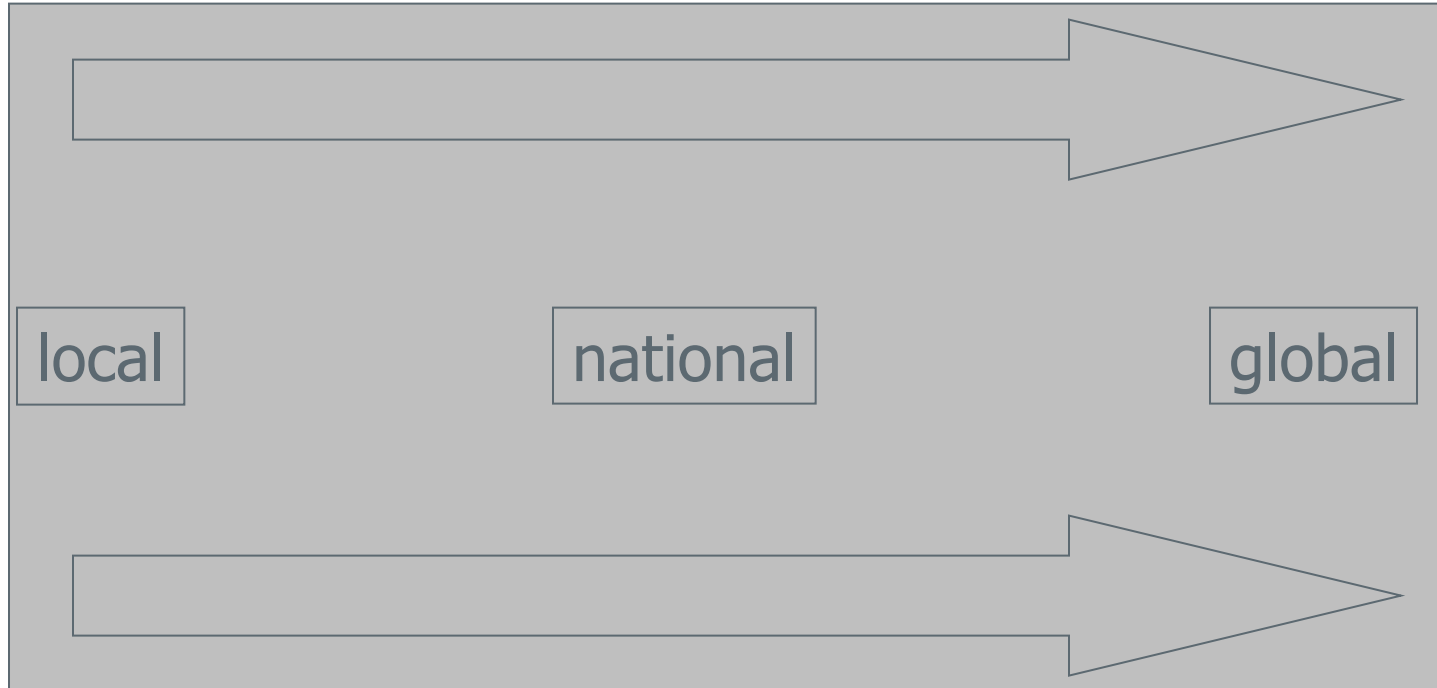
CRITERIA OF MARKET SEGMENTATION

- Behavior-orientated criteria
- Psychographic criteria
- Socio-demographic criteria
- Geographic criteria

SPECIFICATION OF CRITERIA FOR MARKET SEGMENTATION

- Relevance to buyer behavior
- Measurability
- Availability / Accessibility
- Capacity to act
- Economic viability
- Timing stability

MARKETING STRATEGIES – Market ____ strategies



CONSEQUENCE OF SERVING INTERNATIONAL MARKETS

- Provider-related reaction/feedback
- Consumer-related reaction/feedback
- Competition-related reaction/feedback
- Institutional reaction/feedback

 **COORDINATION** of international marketing activities

COORDINATION TASKS OF INTERNATIONALLY ACTIVE COMPANIES

- At the organizational level (internal): Structural- and process coordination through centralization, formalization and socialization, establishment of information interfaces
- At the market level (external): Coordination of marketing activities in different country markets

STRATEGIC OPTIONS FOR A MARKET LEADER

Extending the market

- New customers
- New applications
- Increased consumption

Extending market share

Defending markets

- Static defence of one's position
- Flexible defence of one's markets
- Market offensive
- Counter offensive
- Strategic withdrawal

STRATEGIC OPTIONS FOR MARKET CHALLENGERS

- Direct offensive
- Indirect offensive
- Encircling the competitor
- Evasive offensive
- Guerilla strategy

STRATEGIC OPTIONS FOR MARKET FOLLOWERS

- Product piracy
- Cloning
- Imitation
- Adaptation

NICHE STRATEGIES

Specialization in the following areas...

- Product
- End-customer
- Consumer
- Service
- Product features
- Value for money
- Distribution channel
- Breadth of offer

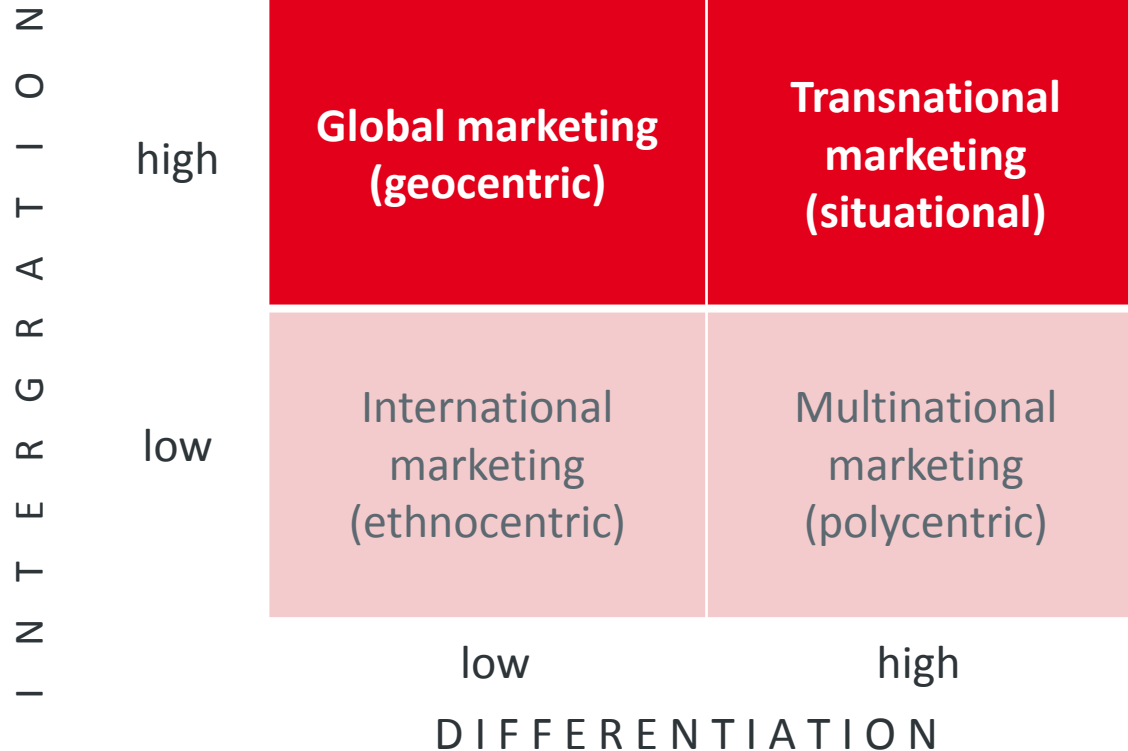
STRATEGIC BASIC DIMENSIONS

- Innovative orientation
- Quality orientation
- Brand orientation
- Breadth of program
- Cost orientation
- Internationalization

INTERNATIONAL MARKETING MANAGEMENT



STRATEGIES FOR INTERNATIONALIZATION



TRANSNATIONAL MARKETING

...can not be seen as a general patent solution.

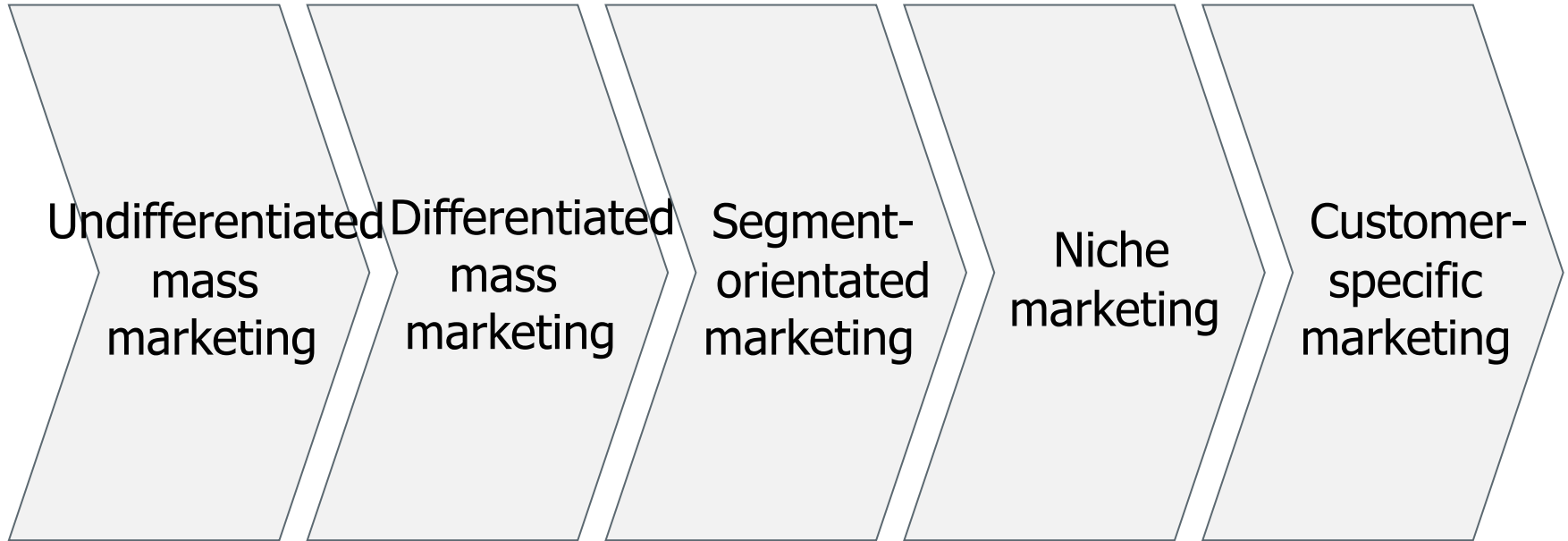
THE REASON:

- Convergence theory (the harmonization of consumer needs in different countries)
- Growing coordination costs
- Deficiencies in empirical foundation

DEVELOPMENT TRENDS IN MARKETING STRATEGIES

Past

Future



Generalization

Individualization

COUNTRY-ASSOCIATED RISKS

- Safety
- Ability to pay
- Currency risks
- Trading barriers
- Planning risks
- Compulsory acquisition
- Nationalization
- Confiscation



Economic risks

Political risks

ASSESSMENT OF ECONOMIC RISKS

- Economic development
- Competition (in particular distortions and weaknesses)
- Demand
- Supply
- Price levels (acquisition and sales quantity)

ASSESSMENT OF POLITICAL RISKS

- Political stability
- Potential for violence (war, terrorism, criminality)
- Sanctions
- Political and social activists
- Nationalism

BERI RISK INDEX I - OPERATION RISK INDEX (ORI)

- Policy Continuity (3,0)
- Attitude: Foreign Investors and Profits (1,5)
- Degree of Privatization (1,5)
- Monetary Inflation (1,5)
- Balance of Payments (1,5)
- Bureaucratic Delays (1,0)
- Economic Growth (2,5)
- Currency Convertibility (2,5)
- Enforceability of Contracts (1,5)
- Labor Cost/Productivity (2,0)
- Professional Services and Contractors (0,5)
- Communications and Transportation (1,0)
- Local Management Partners (1,0)
- Short-Term Credit (2,0)
- Long-Term Loans and Venture Capital (2,0)

BERI RISK INDEX II - POLITICAL RISK INDEX (PRI)

Internal Causes

- Fractionalization of the political spectrum and the power of these fractions
- Fractionalization by language, ethnic and/or religious groups and the power of these fraction
- Restrictive (coercive) measures required to retain power
- Mentality, including xenophobia, nationalism, corruption, nepotism, willingness to compromise
- Social conditions, including population density and wealth distribution
- Organization and strength of forces for a radical government

BERI RISK INDEX II - POLITICAL RISK INDEX (PRI)

External causes

- Dependence on and/or importance to a major hostile power
- Negative influences of regional political forces

Symptoms of Political Risk

- Societal conflict involving demonstrations, strikes and street violence
- Instability as perceived by nonconstitutional changes, assassinations and guerilla wars

BERI RISK INDEX III – R FACTOR

(for remittances & repatriation of capital)

Legal Framework (20%)

- Dividend, Profit and Salary Remittances (4)
- Royalties, Fees and remuneration for Nondividend Cash Flow Services (3)
- Repatriation of Capital (3)
- Practices on Dividends, Royalties and Other Periodic Compensation (4)
- Practices on Repatriation of Capital (3)
- Hedging Opportunities Against a Devaluing Currency (3)

BERI RISK INDEX III – R FACTOR

(for remittances & repatriation of capital)

Foreign Exchange Generation (30%)

- Current Account Performance
- Capital Flows

Accumulated International Reserves (30%)

- Months of Coverage for Imports
- International Reserve Total plus Gold Holdings

Foreign Debt Assessment (20%)

- Ratio Debt/GDP
- Capacity to Service Debt

BERI POR-INDEX

The POR- Index is an overall rating for a particular country.

It is the sum of the ORI, PRI and R-factor.

Four classes:

- Suitable for investment
- Suitable for long-term activities with a low level of shareholder equity
- Suitable only for external trade
- Not suitable for economic activity

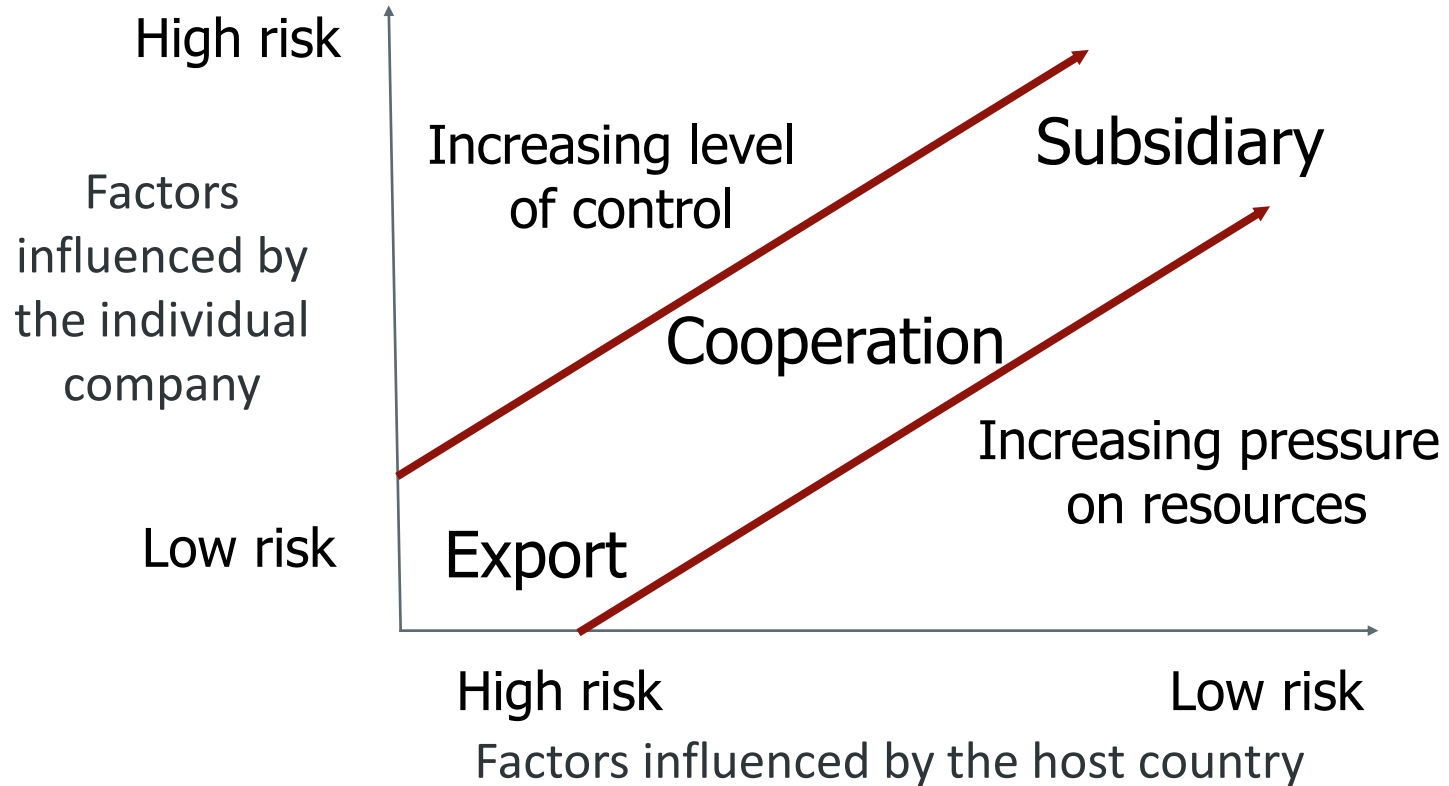
MARKET ENTRY STRATEGIES

- Direct investment / production
- Joint venture (50:50)
- Direct export / through a foreign subsidiary
- Indirect export
- Licensing / franchising

Decision-making factors:

- Capital requirements
- Flexibility / speed
- Control
- Need for cooperative arrangements

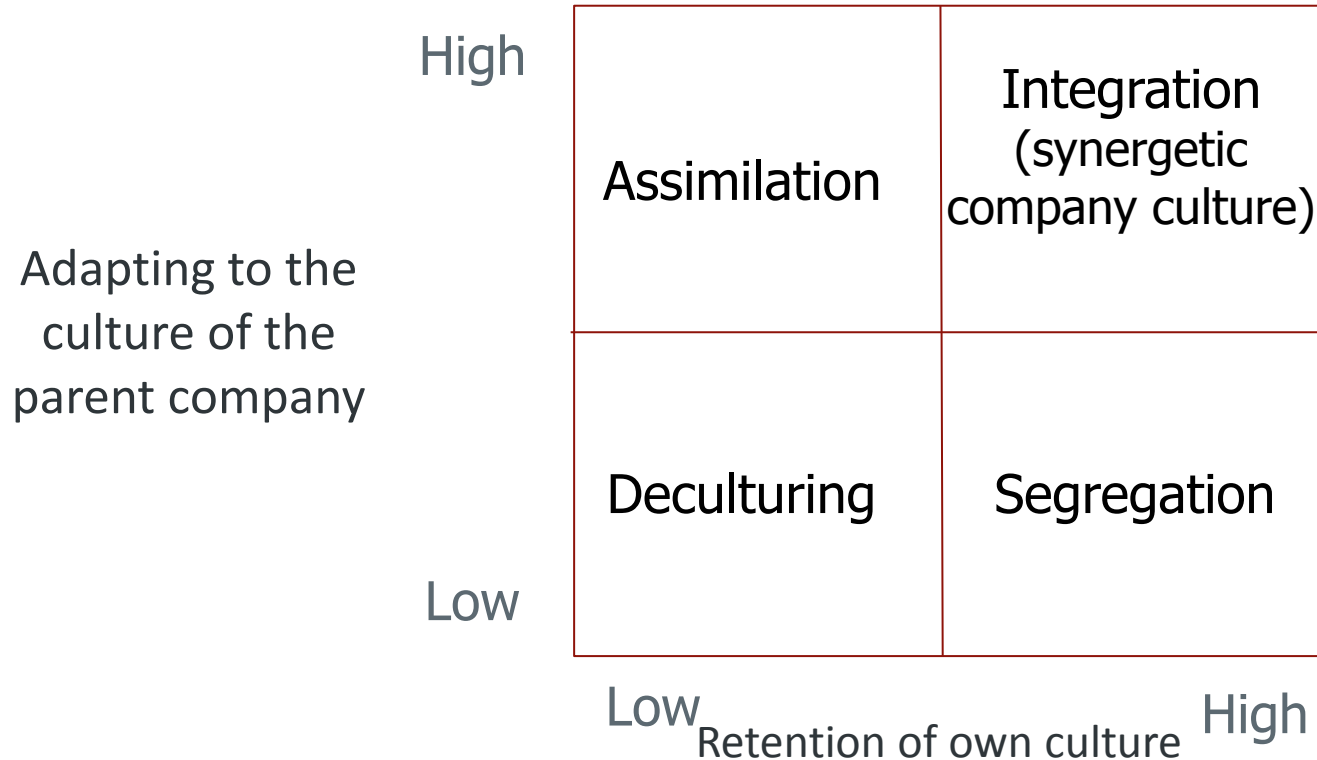
CHOICE OF MARKET ENTRY STRATEGIES



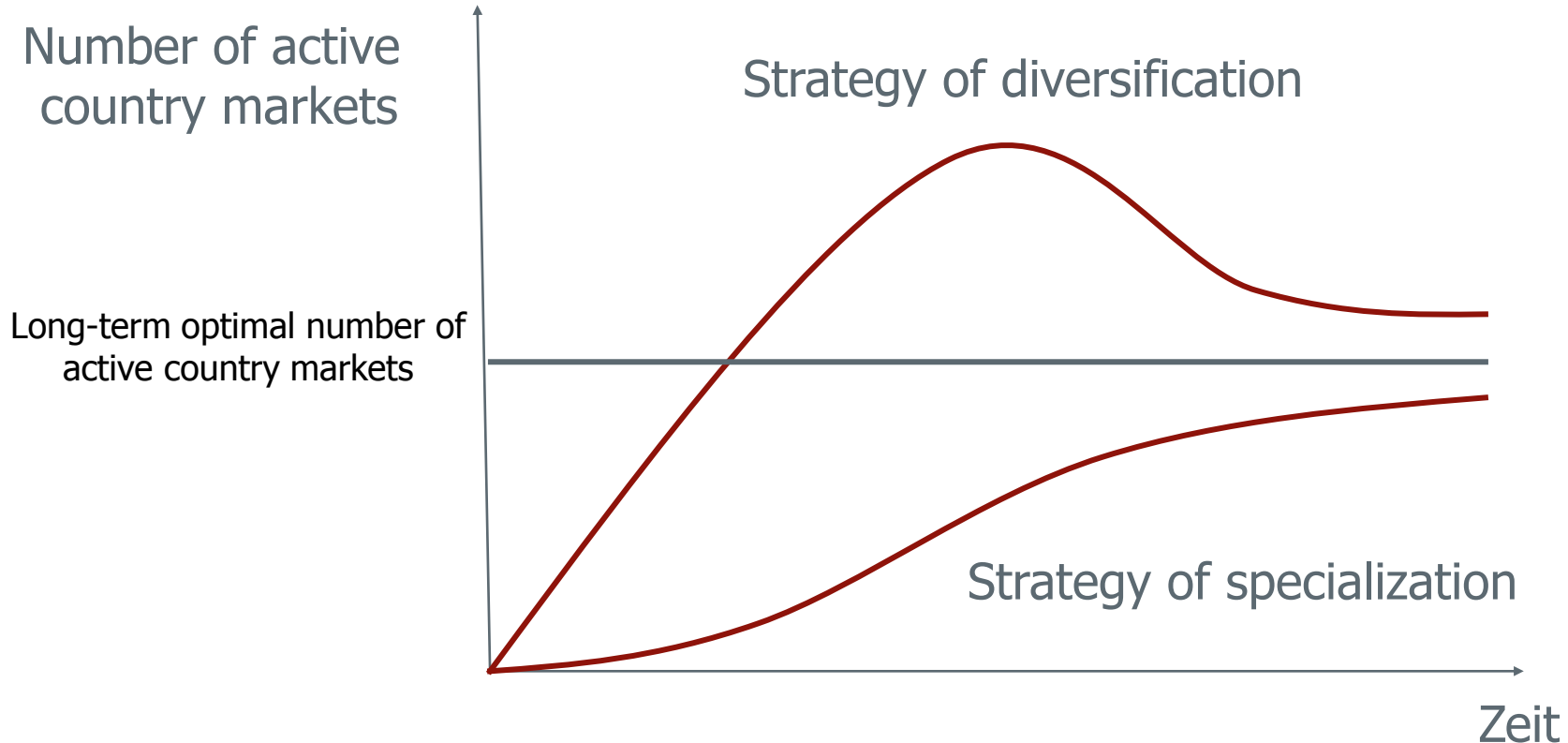
ESTABLISHMENT AND DEVELOPMENT OF A SUBSIDIARY

- Start-up
- Acquisition

ACCULTURATION THROUGH ACQUISITION



BASAL PRESENCE STRATEGIES



GEOGRAPHICAL MARKET PRESENCE STRATEGIES

- Single market strategy
(one foreign market only)
- Multi-single market strategy
(multiple countries in various regions)
- Regional market strategy
(all countries in a region)
- Multi-regional market strategy
(all countries in multiple regions)
- Global market strategy
(Total world coverage, in theory)

MARKET PRESENCE STRATEGIES WITH REGARD TO THE HOME MARKET

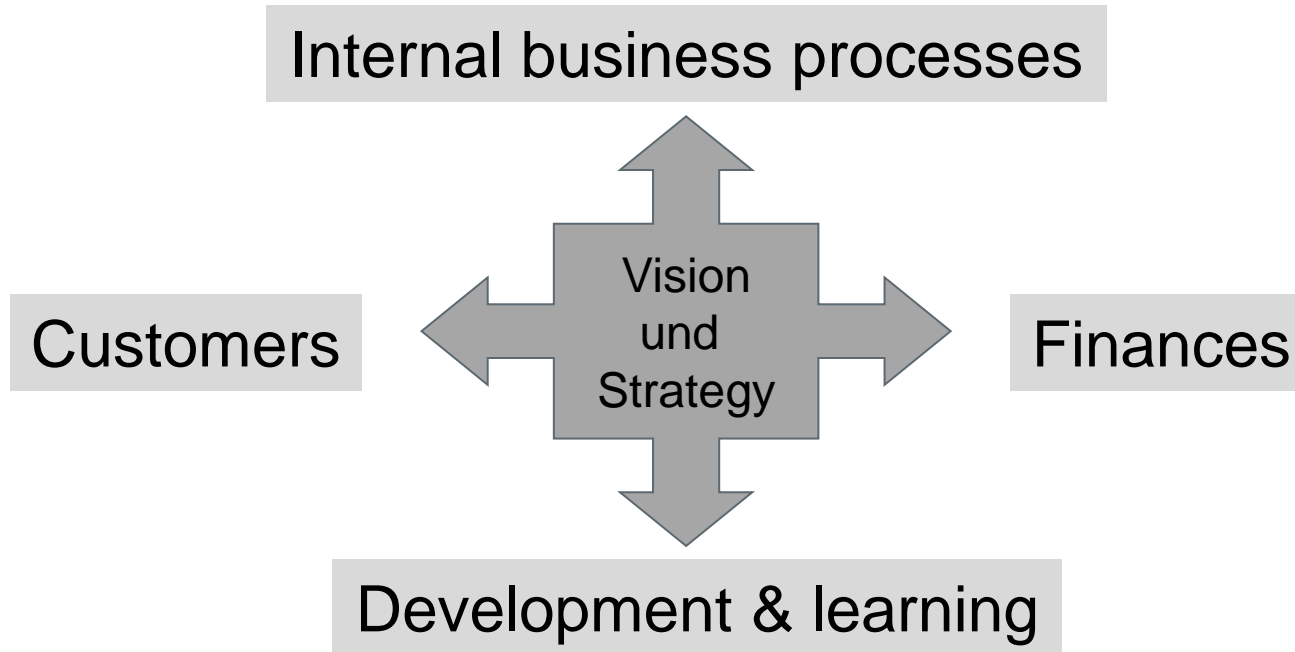
- Concentric strategy
(restricted to proximate countries)
- Island-form strategy
(geographically separate)

PORTFOLIO STRATEGIES

Aspects for formation of a country portfolio:

- Risk
- Profit
- Investment
- Resources
- Know-how
- Intensity of competition

BALANCED SCORECARDS FOR THE PLANNING AND IMPLEMENTATION OF STRATEGIES



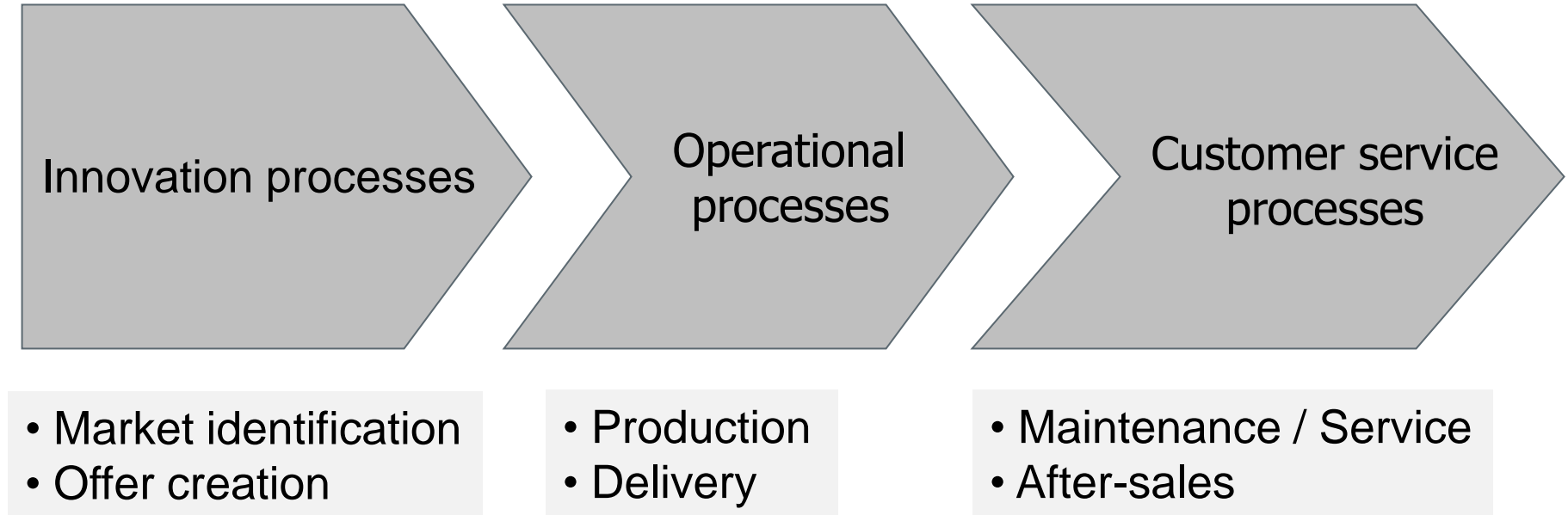
STRATEGY FIELDS IN THE AREA OF FINANCE

- Earnings growth and mix
- Cost reduction / increase in productivity
- Use of wealth / investment strategy

CORE AREAS FROM THE CUSTOMER PERSPECTIVE

- Market share
- Customer loyalty
- Customer acquisition
- Customer satisfaction
- Customer profitability

VALUE CHAIN OF INTERNAL BUSINESS PROCESSES



THE LEARNING AND DEVELOPMENT PERSPECTIVE

- Employee satisfaction
- Labor turnover
- Employee productivity
- Employee development
- Motivation
- Initiatives
- Goal orientation

APPROACH TO THE BALANCED SCORECARD

- Only measurable factors can be controlled
- Measurement is essential to the monitoring of performance
- Traditional accounting practices offer no methods of measuring immaterial value, which has a high success relevance
- The development and integration of new management data systems, to support management

MARKETING INSTRUMENTS

- Product policies (product)
- Contractual policies (price)
- Distribution policies (place)
- Communication policies (promotion)

DESCISION LEVELS OF THE MARKETING MIX



- Availability
- Selection
- Type of use
- Range of use
- Timing order
- Combination of instruments



THE 4Ps



GOALS OF PRODUCT POLICIES

Economic goals

- Sales quantity, turnover, marginal return, return on investment
- Market share, spread of risks, rationalization
- Quality, breadth of the program, synergies

Psychographical goals

- Positioning, images
- Motivation, perception

THE MAIN STARTING POINTS OF PRODUCT POLICIES

Product design

- Technical-functional performance
- Formal-aesthetic performance

Problem-solving orientation

- Completeness of the solution
- Simplification of the solution

COMPONENTS OF CONSUMER BENEFITS

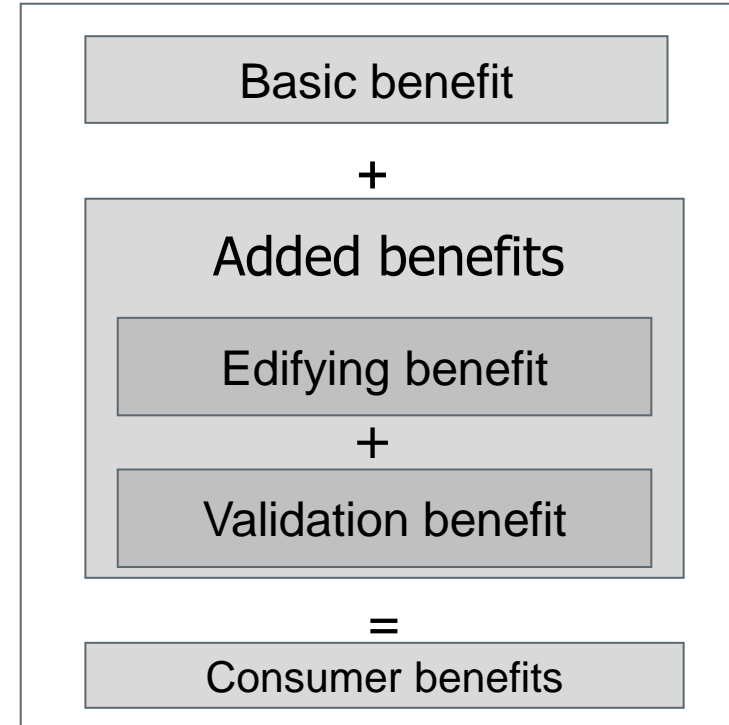
The **physical-functional** features of a product, which result in the satisfaction of customer needs

The satisfaction of customer needs beyond that of the basic benefits

The satisfaction of customer needs through **aesthetic** features

The satisfaction of customer needs through **social** features

The satisfaction of customer needs through all product features

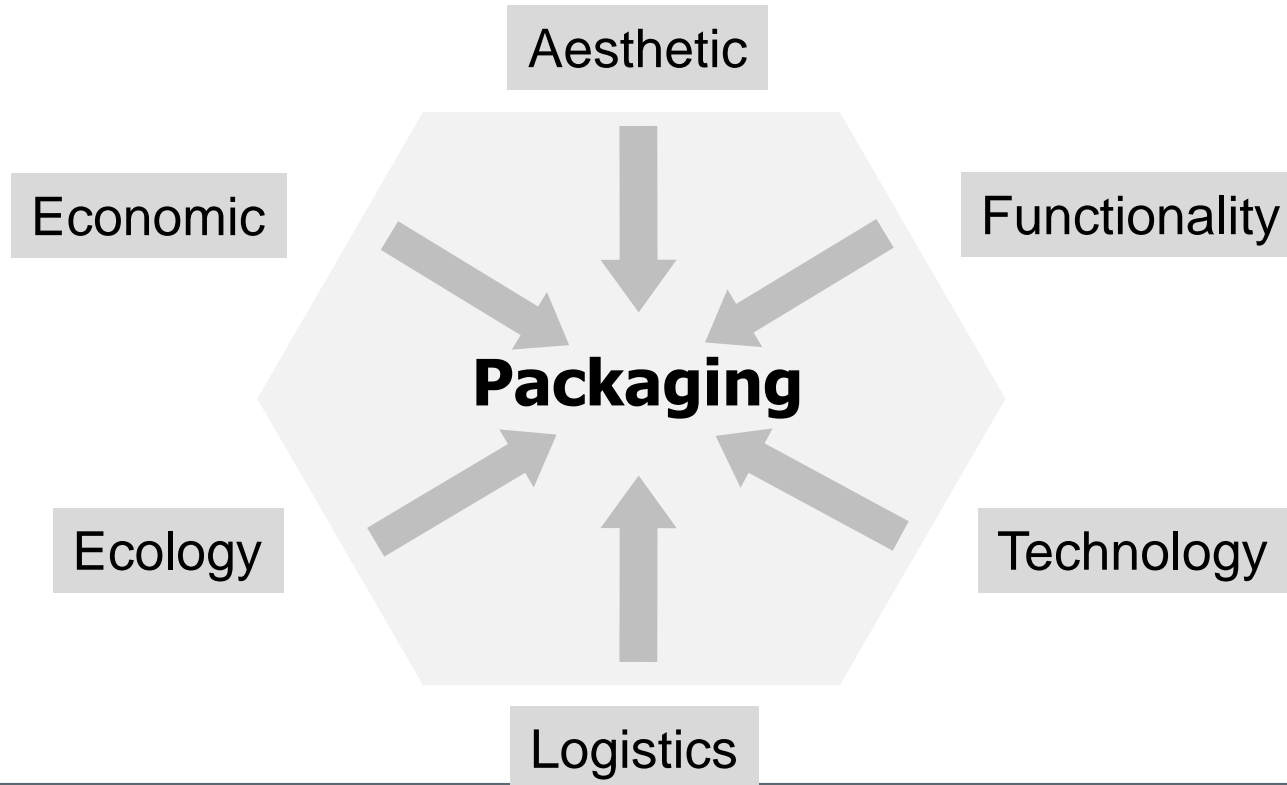


PACKAGING DESIGN

- Packaging for protection during transportation
- Packaging as a sale item
- Packaging as a means of promoting purchase
- Packaging as an element of quality
- Packaging as an information carrier for inventory management

The relevance of packaging design in: the purchase phase, consumption / use phase and disposal phase

AREAS OF CONFLICT IN PACKAGING POLITICS



BRAND POLICIES

Strategic decision

- Choice of brand types (single, family or umbrella brands)

Operational decision

- Choice of design form (regular changes)

DESIGN FORMS OF BRANDING

- Word branding
- Letter branding
- Picture branding
- Combined branding (of the above)

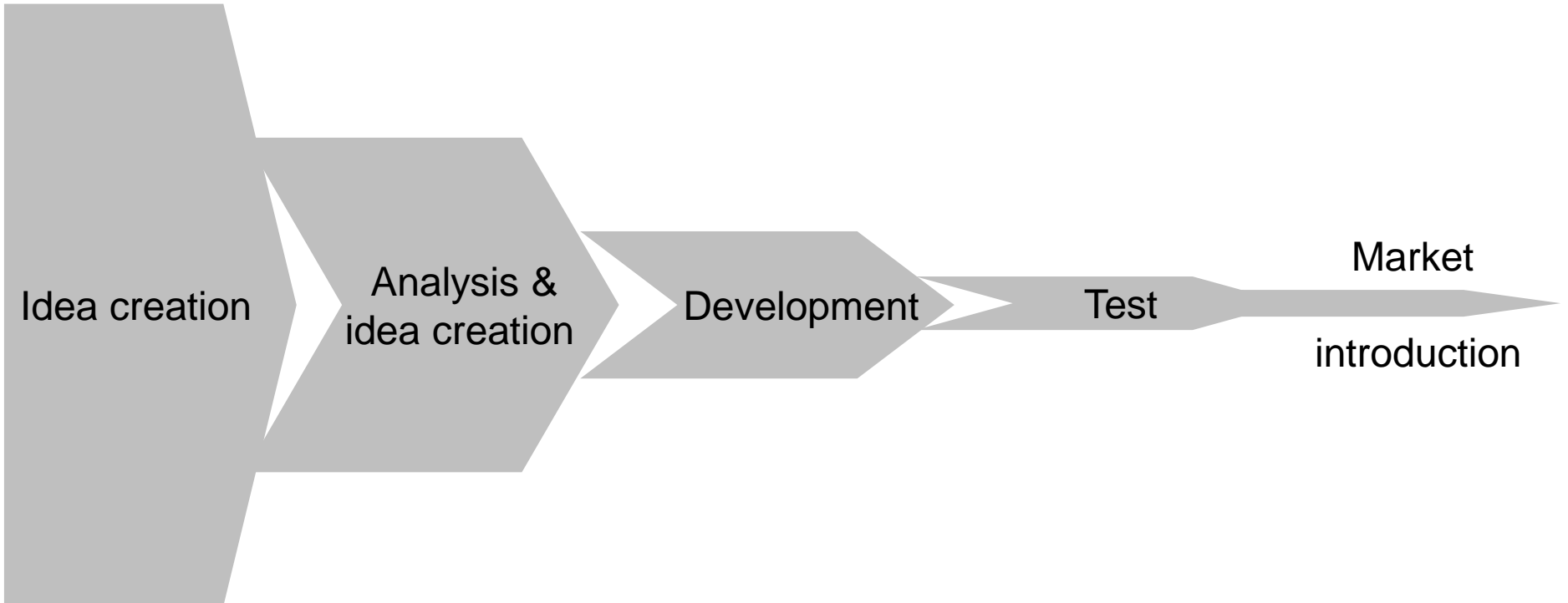
OPTIONS FOR DEALING WITH PRODUCT POLITICS

- Innovation
- Variation
- Differentiation
- Elimination

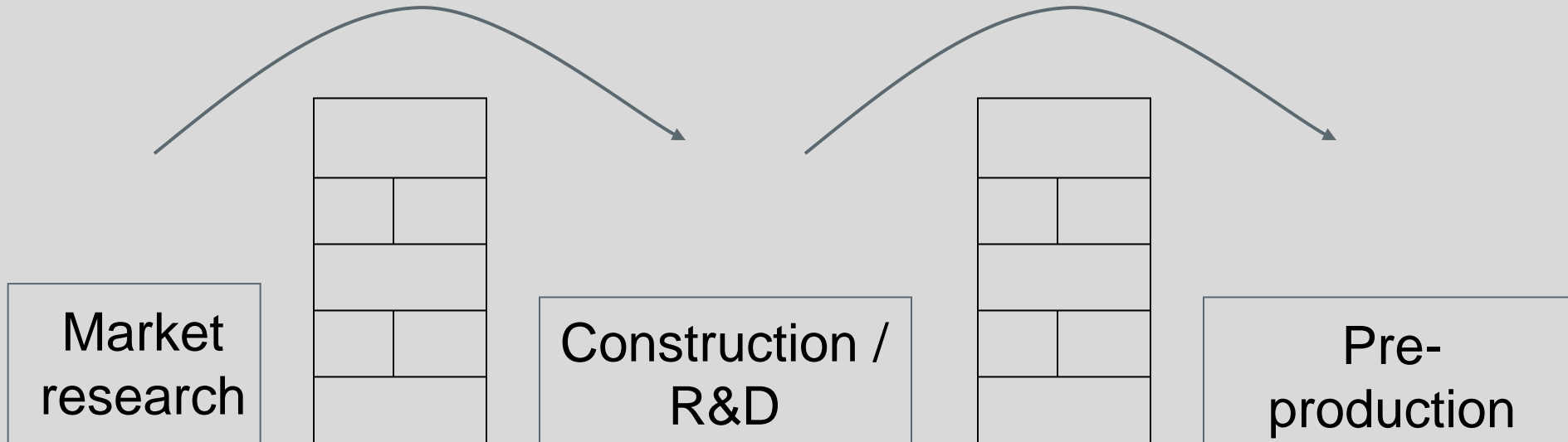
INNOVATION MATRIX

Usage Technology	Known	New
Known	Improvement	Extension of usage
New	Replacement	Breakthrough (true innovation)

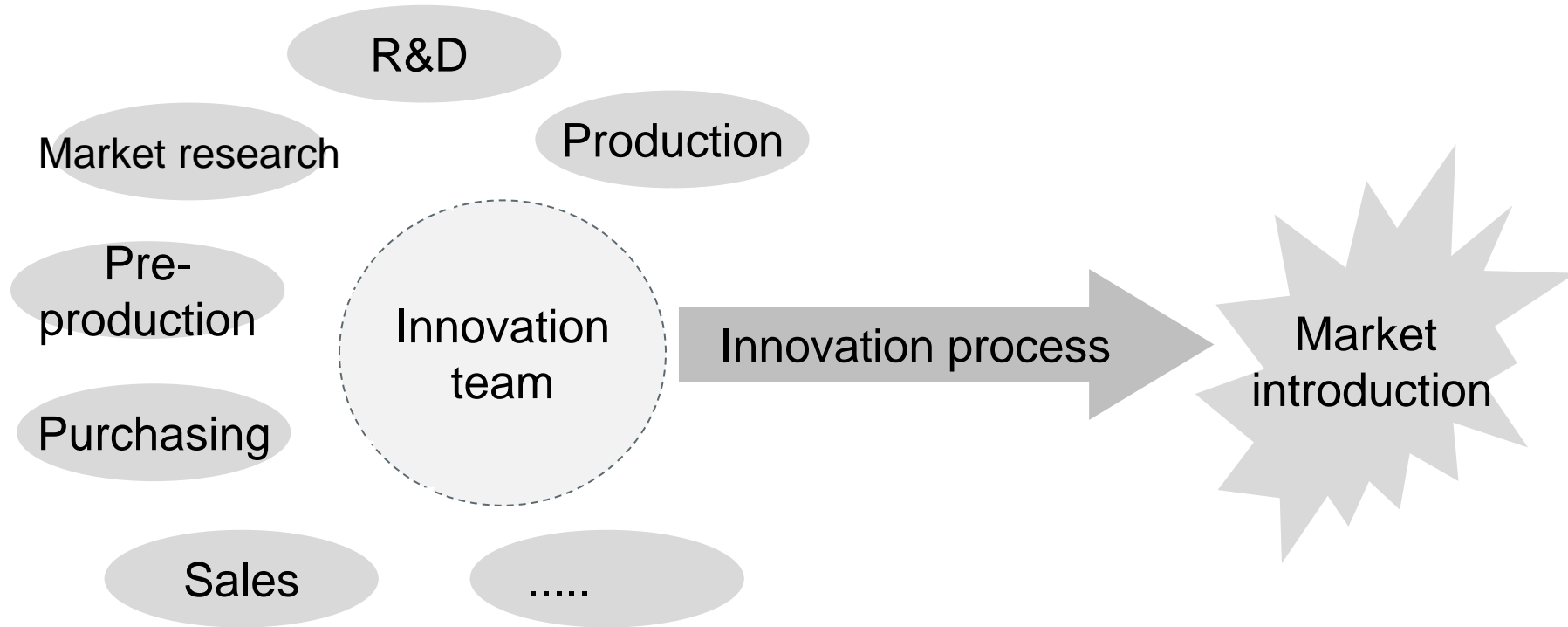
INNOVATION PROCESS



COMPANY INNOVATION – The over-the-wall-approach



INTEGRATED PRODUCT INNOVATION



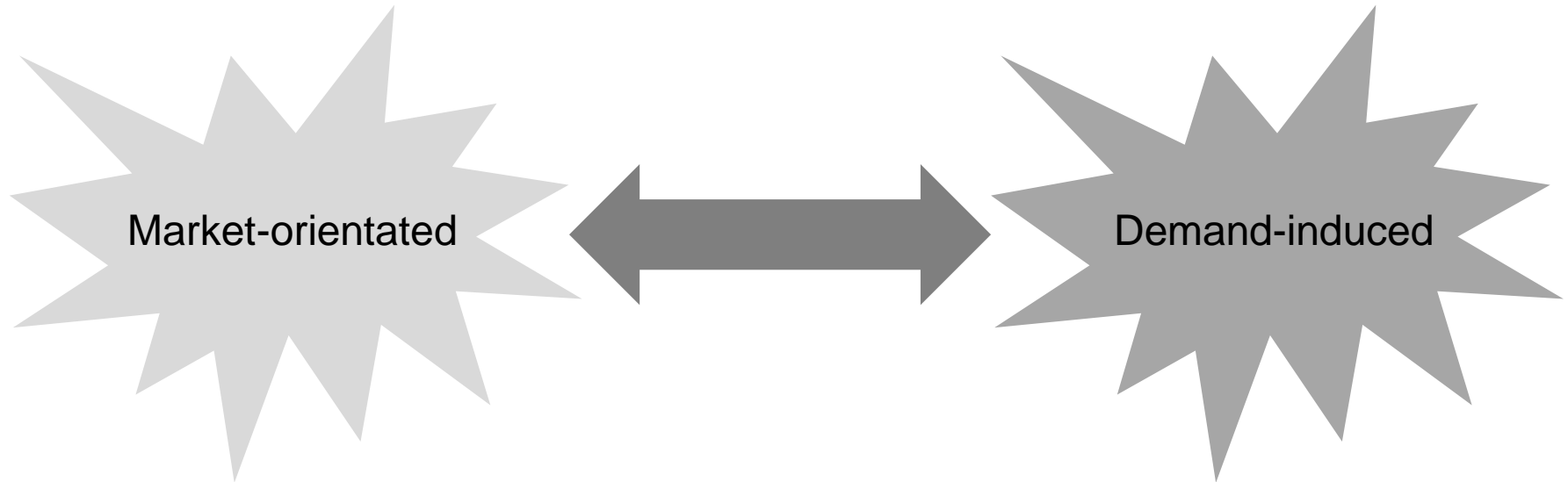
SUCCESS FACTORS OF INNOVATION

1. Product superiority / quality
2. Potential for cultural synergy
3. Economic advantage for the consumer
4. Market requirements, growth, size
5. Core competencies
6. Segment orientation
7. Competitive situation
8. Technological synergies
9. Project definition

INNOVATION FAILURES

1. Over-estimation of consumer numbers
2. High brand loyalty of consumers
3. Competitive weaknesses
4. False assumptions on consumer needs
5. Technical weaknesses
6. Too high a price

BASIC STRATEGIES FOR INNOVATION

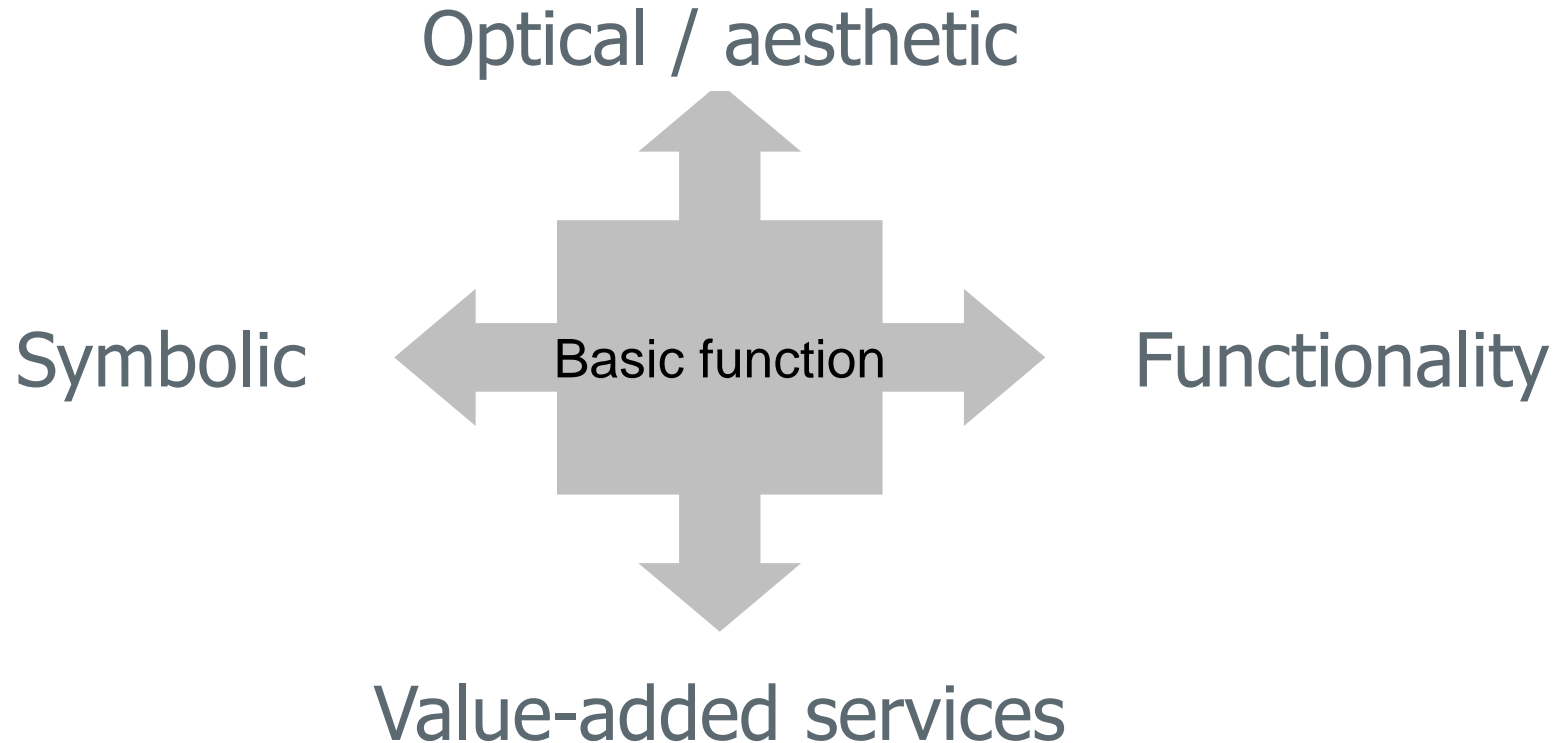


PRODUCT VARIATION - RELAUNCH

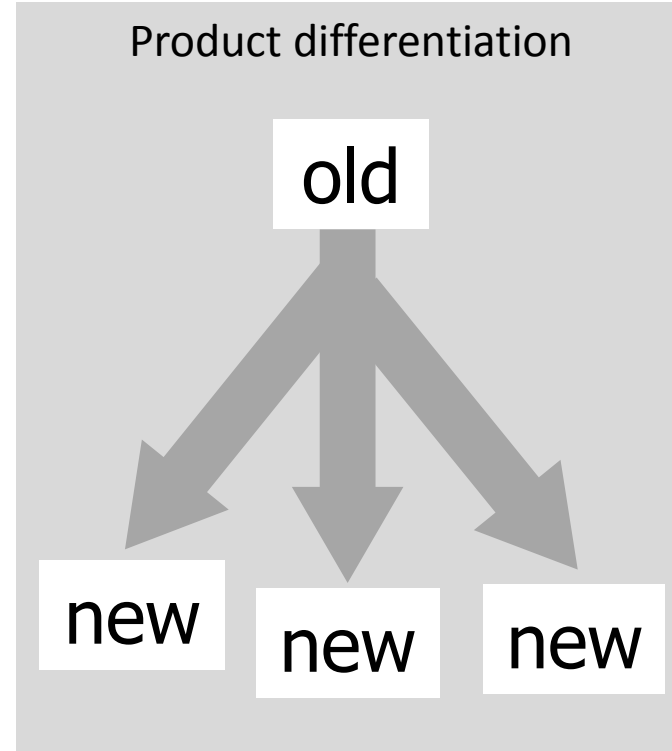
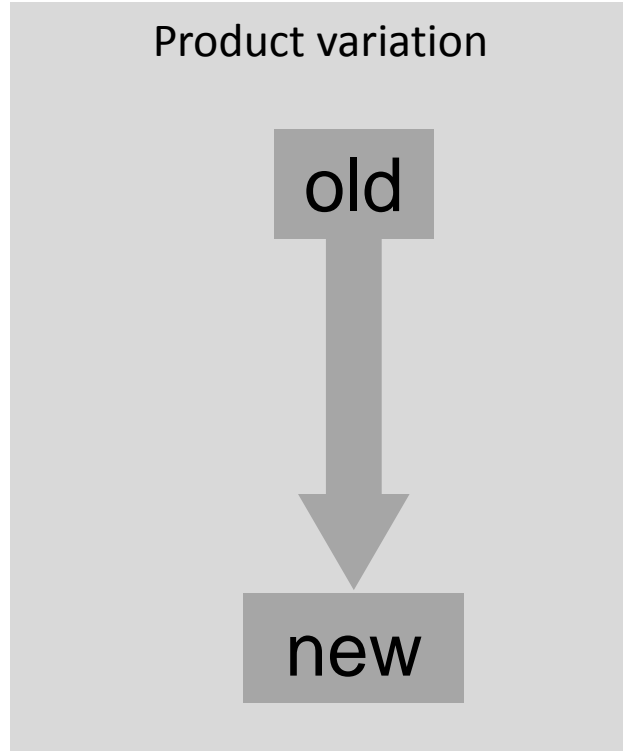
The reasons:

- A change in customer needs
- Mistakes in product positioning
- Resolution of product defects or shortcomings
- A change in product image
- Technological advances
- Changes to the legal environment
- Improvements to competitor products

MEASURES TO ENABLE PRODUCT VARIATIONS



PRODUCT VARIATION AND DIFFERENTIATION



PRODUCT DIFFERENTIATION

Opportunities:

- Preference development
- Establish distance from the competition
- Potential to push through a particular pricing policy
- Increase in know-how
- Economies of scale
- Participation effect

Risks:

- Complexity costs
- Distribution costs
- Turnover volatility
- Alternative choices
- Substitution effect
- Cannibalization effect

INDICATORS FOR PRODUCT ELIMINATION

- Sinking sales, market share, profitability
- High levels of complexity costs
- Challenge of fewer resources
- Obsolescence, better competitor products
- The effect of a negative image
- Technological obsolescence
- Legal requirements

PRE-REQUISITES TO SUCCESSFUL PRODUCT ELIMINATION

- Attainment of savings
- Positive effect on image
- Elimination of negative image association
- Cooperative approach
- Strategic elimination planning

POTENTIAL FOR ELIMINATION

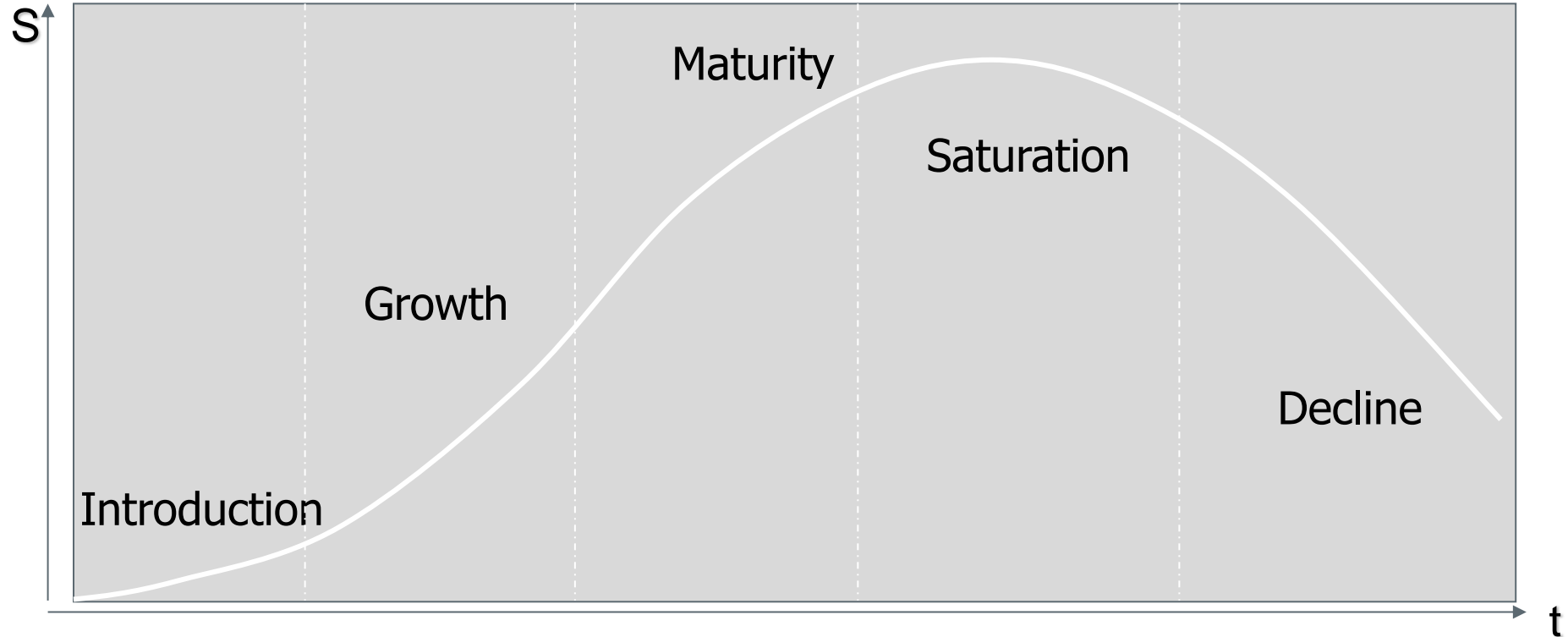
Structurally weak products negatively effect the market potential of a company in a significant way

1. Team comprising of experts from marketing, ____, production, and controlling regularly assess the viability of the program
2. Management ratios for the identification of at risk products
3. Analysis of strategic marketing options
4. Evaluation of the product-strategy combinations with the use of a prognostic indicator system
5. Recommendations for retention, change or elimination

PLANNING CONCEPTS FOR PRODUCT AND PROGRAM POLICIES

- Product lifecycle analysis
- Portfolio analysis
- Product positioning analysis
- Management ratio analysis
- Customer satisfaction analysis
- Complaint analysis

PRODUCT LIFECYCLE



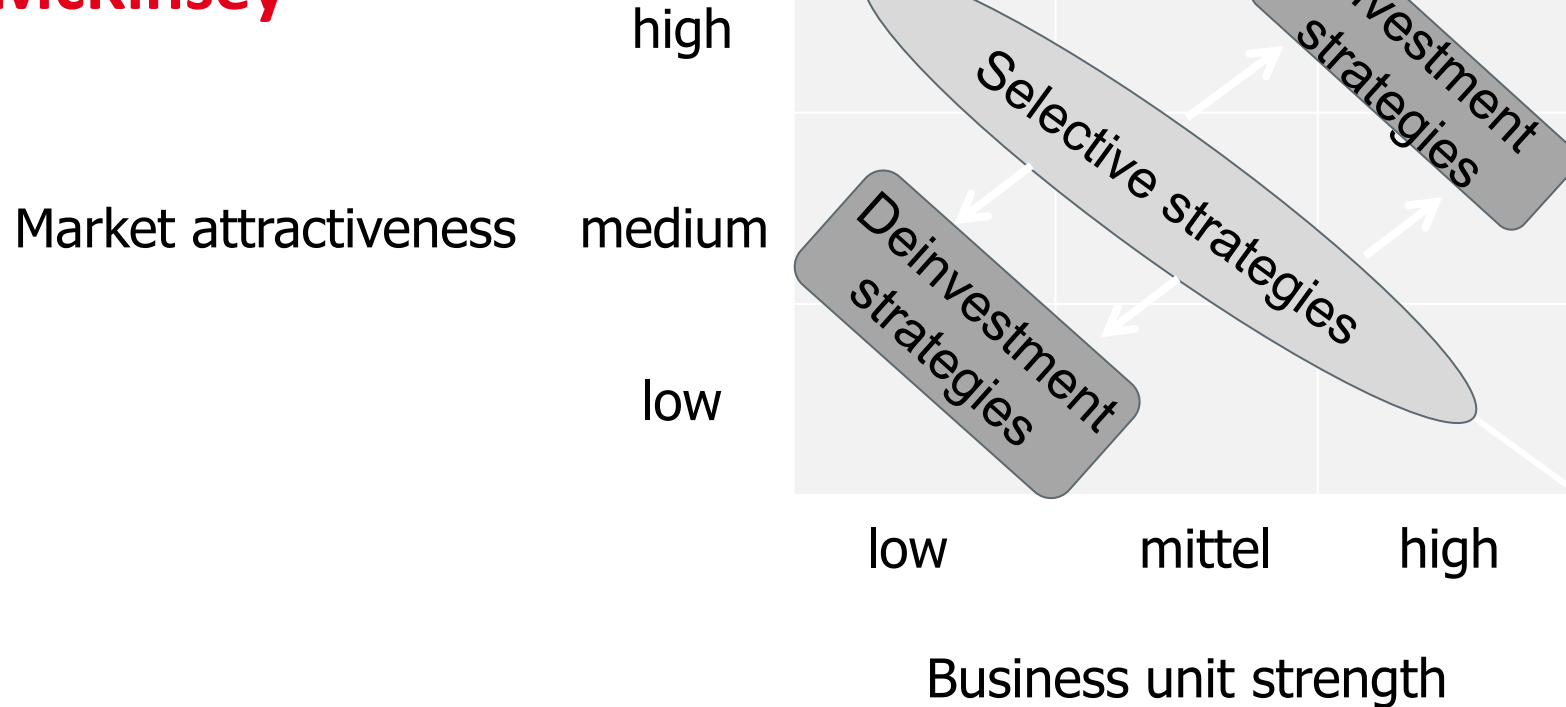
PRODUCT PORTFOLIO BCG

high
Market growth
low



low high
Relative market share

PRODUCT PORTFOLIO McKinsey



PRODUCT POSITION ANALYSIS

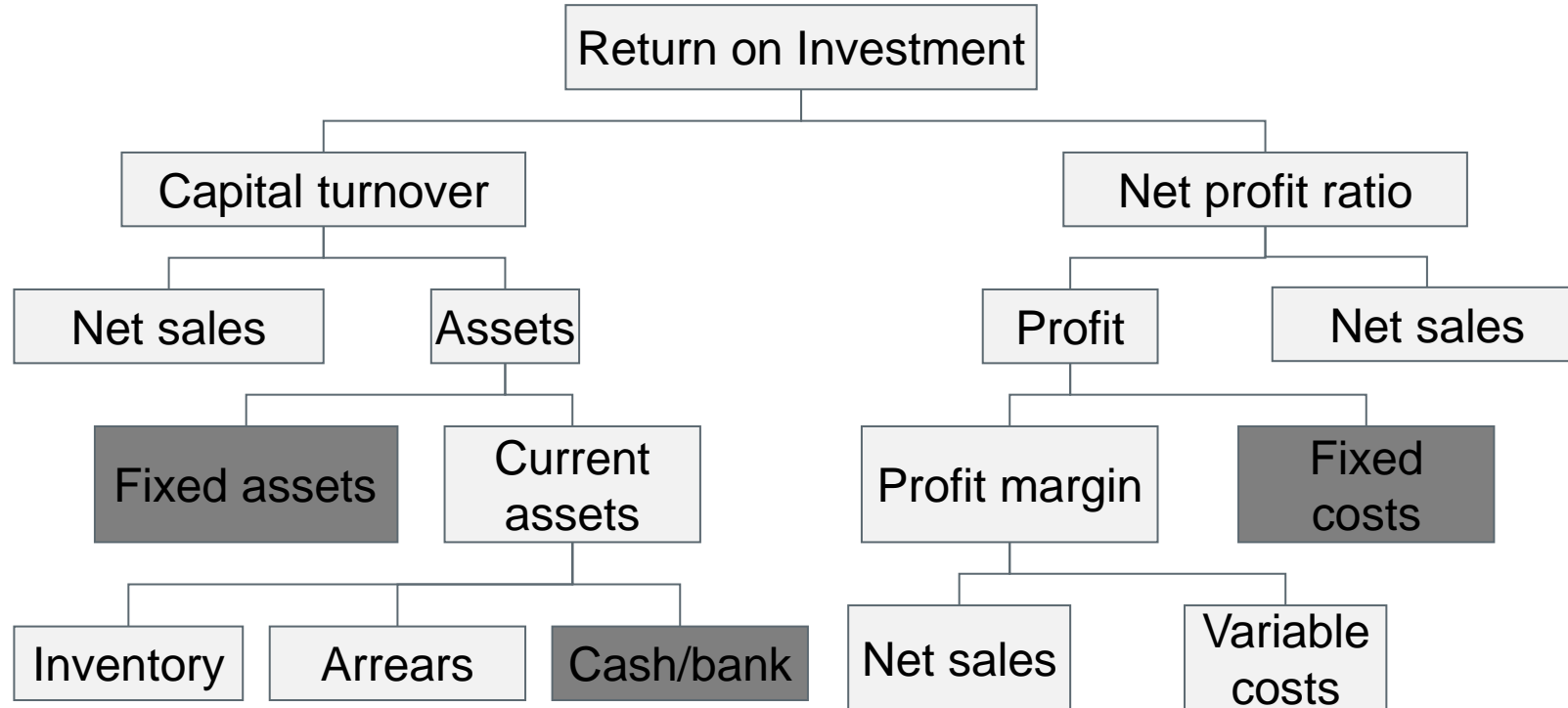


MANAGEMENT RATIOS

Some examples...

- Turnover (new) / turnover (old)
- Development costs / sales quantity
- Material costs / sales quantity
- Total sales / employment of capital
- Market share / marketing budget
- Advertising costs / turnover
- New customers / Total customer base
- Turnover / m² sales floor
- Sales / product line

MANAGEMENT RATIO SYSTEMS



CUSTOMER SATISFACTION ANALYSIS

- Often in questionnaire form (written or via telephone)
- Conducted on a regular basis with customers
- Allows analysis over time
- Delivers important information for product and program policy
- Contributes per se to customer satisfaction
- Acts as a controlling instrument
- A better indicator of customer behavior and more product relevant than image studies or attribute measurement
- Play a significant role in establishing which long-term business relationships are important

COMPLAINT MANAGEMENT

- A very cost-effective method of gaining information
- Complaints are a good basis for identifying product improvements or program extensions
- Institutionalization of complaint management
 - Systematic recording and forwarding
 - Uniform company response
 - Professional and fair response to complaints

PROGRAM POLITICAL DIMENSION

- Ideology
 - Similarities in services offered
 - Problem-solving, source, needs, competency or production orientation
- Program width (the level of diversification)
- Program depth (the level of differentiation)

STRATEGIC PROGRAM POLICIES

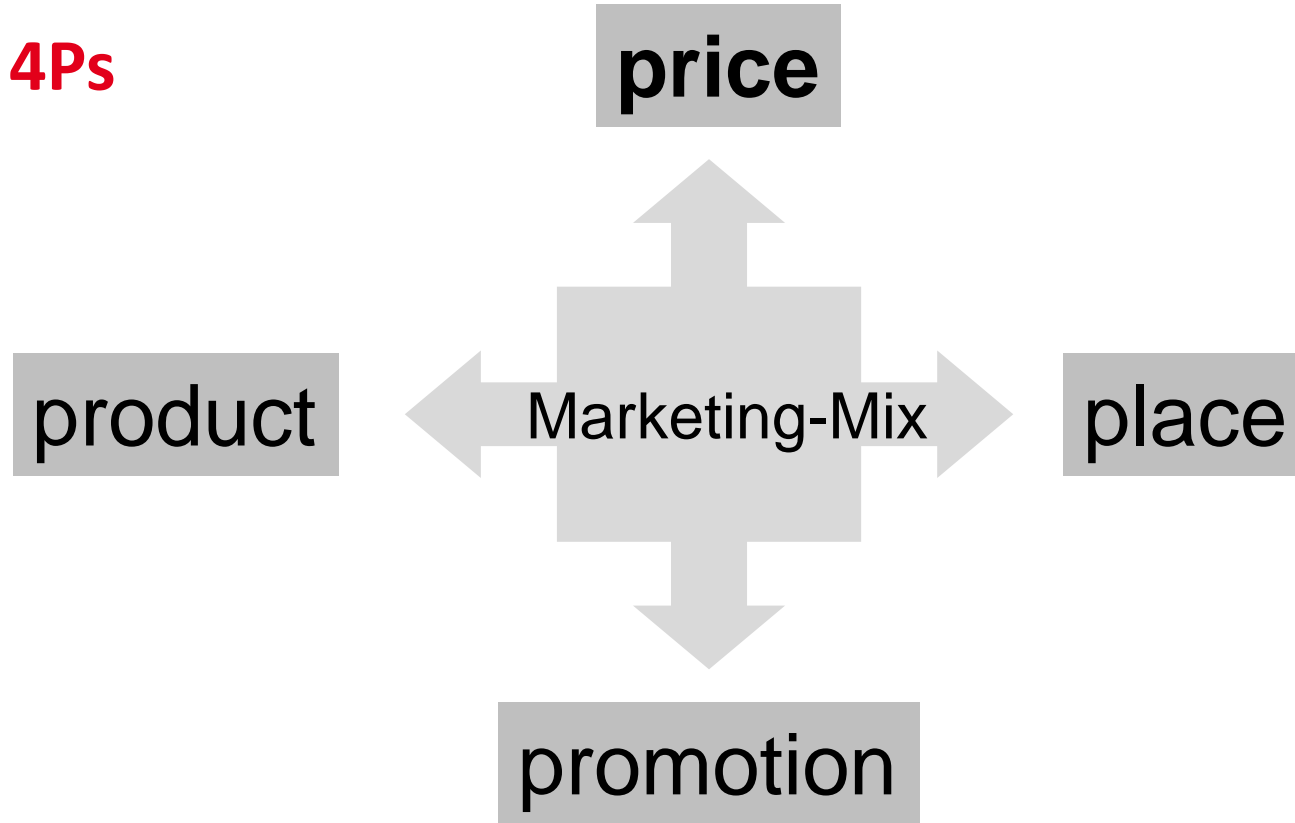
- Horizontal diversification
 - Extension of program breadth
 - Content connectivity
- Vertical diversification
 - Extension of business activities in terms of sales quantity and supply
 - Little content connectivity
- Lateral diversification
 - Stretching of current business activities into new areas
 - Not always content connectivity

OPERATIONAL PROGRAM POLICIES

The design of product lines:

- Stand-alone
- Extension (trading-up, trading-down)
- Restock (danger of cannibalization)
- Modernization
- Maintenance
- Cleaning

THE 4Ps



GLOBAL GOALS FOR PRICING POLICIES

- **Long-term profit maximization**
- Market-related goals
 - Attracting and retaining customers
 - Developing price image, excluding the competition
 - Maximizing sales
- Operations-related goals
 - Full employment, safe guarding of jobs
 - Cost optimization, economies of scale effects

PRICING POLICY DECISIONS

- Price policies (in a narrower sense)
- Policy terms

THE IMPORTANCE OF PRICING POLICIES

- Pricing policies are subject to continuous change
- The following trends are being observed:
 - Market entry from manufacturers from low-wage countries
 - Cut-throat competition due to over-capacity and stagnating market volumes
 - Qualitative homogeneity of products
 - The end of vertical price fixing
 - Increasing price consciousness of consumers

THE REASONS FOR PRICE POLICY DECISIONS

- Product innovations, variations, differentiation
- The closing of a market
- Cost changes
- Program changes
- Competitor reaction
- Changes to sales volumes
- Changes to market volumes

PROCESS FOR DETERMINING PRICE



1. Goal setting for pricing policies

2. Establishing the level of demand

3. Cost projections

4. Pricing, costs and offering of the competition

5. Methods of price setting

6. Final price setting

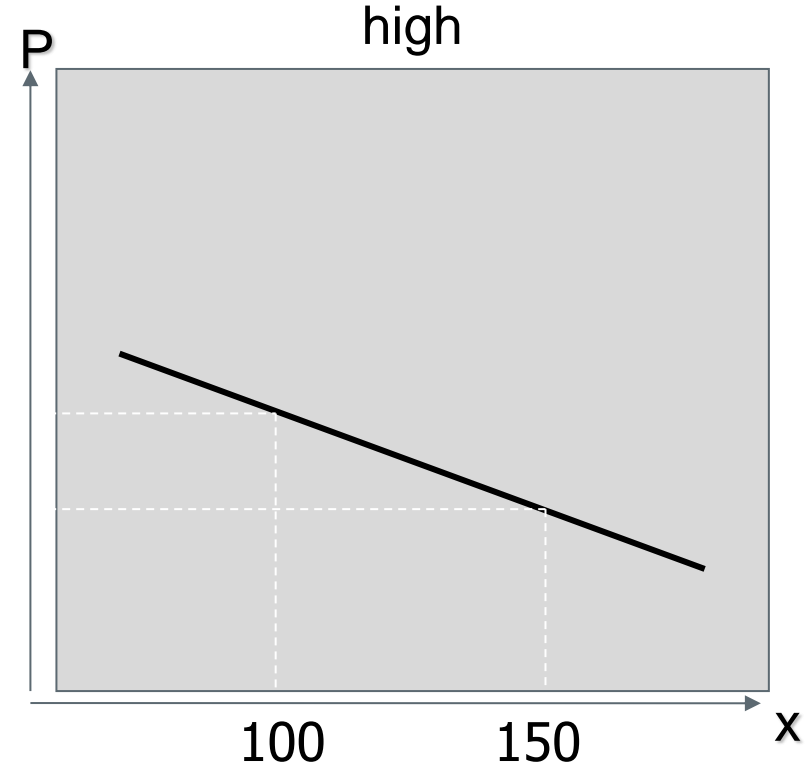
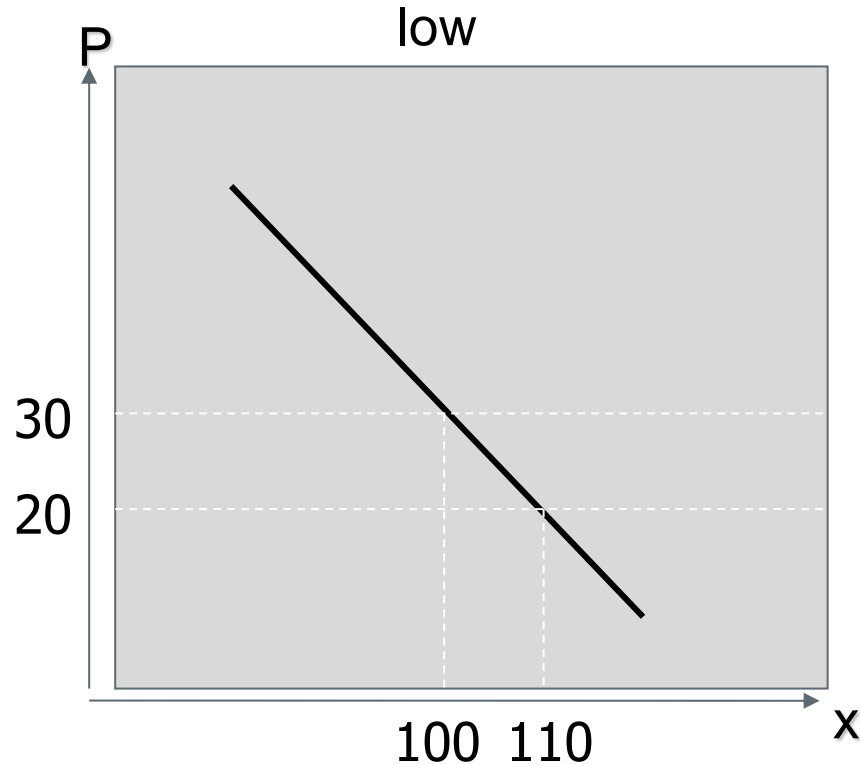
ALTERNATIVE GOALS FOR PRICING POLICIES

- Commercial survival
- Maximizing profits
- Maximizing turnover
- Maximizing growth
- Absorption
- Price leadership

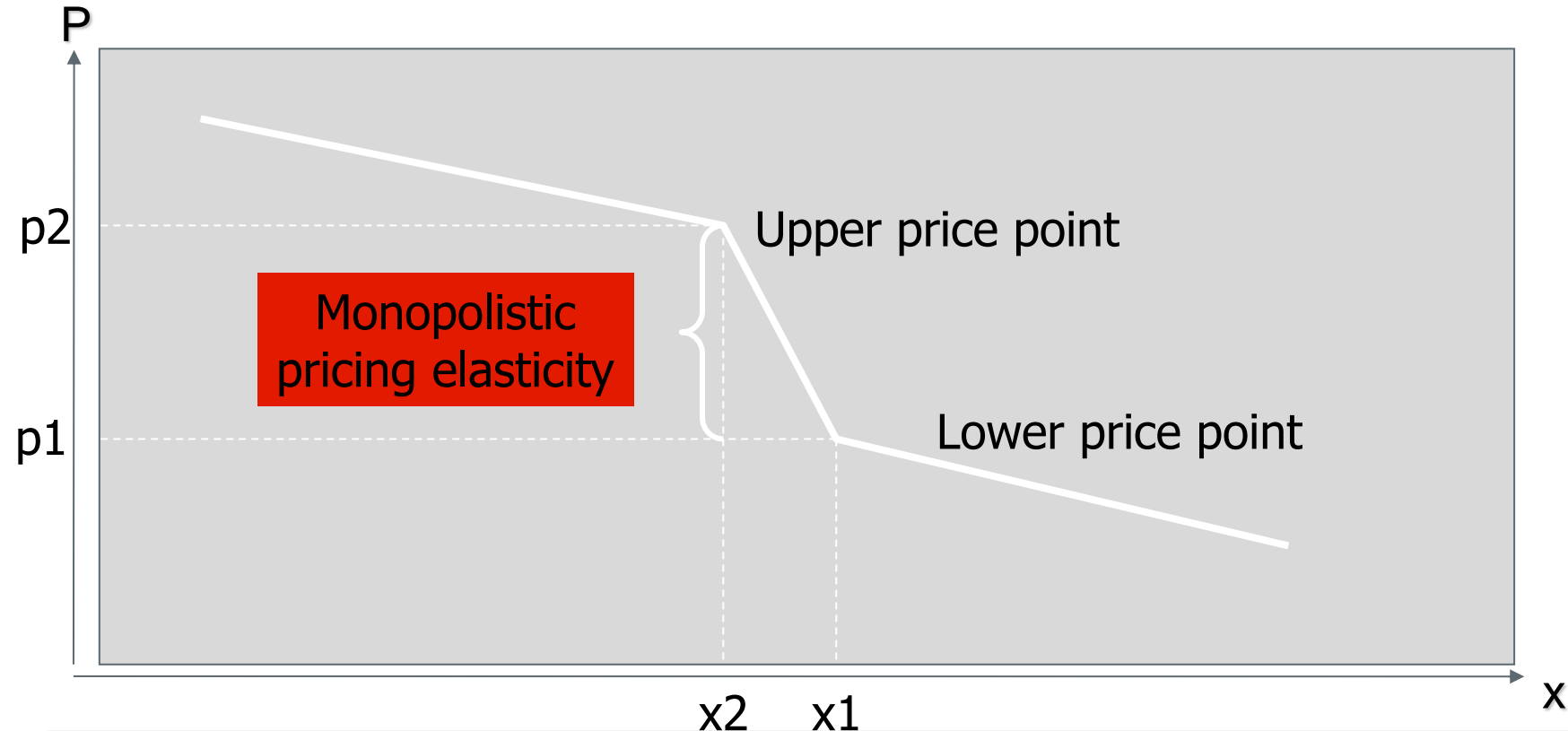
INFLUENCING FACTORS OF CONSUMER PRICE SENSITIVITY

- Stand-alone product effect
- Knowledge of substitute goods
- Comparison complexity effect
- Level of supply effect
- Cost distribution effect
- Follow-up cost effect
- Price / quality effect
- Shelf life effect

PRICE ELASTICITY OF DEMAND



DOUBLE POINT PRICE – SALES FUNCTION



COST AS A PRICE POLITICAL INFLUENCING VARIABLE

- Variable costs, fixed costs, total costs
- Experience curve effect
- Activity-based cost accounting
- Target costing

COMPETITION ANALYSIS – 3-C-MODEL



PRICE SETTING PROCESS

- Cost-orientated process
 - Overhead calculation
 - Return on investment process
 - Break-even analysis
- Benefit-orientated process
 - Perceived value pricing
 - Value pricing
- Competition-orientated process
 - Price leader process
 - Expected value of the profit

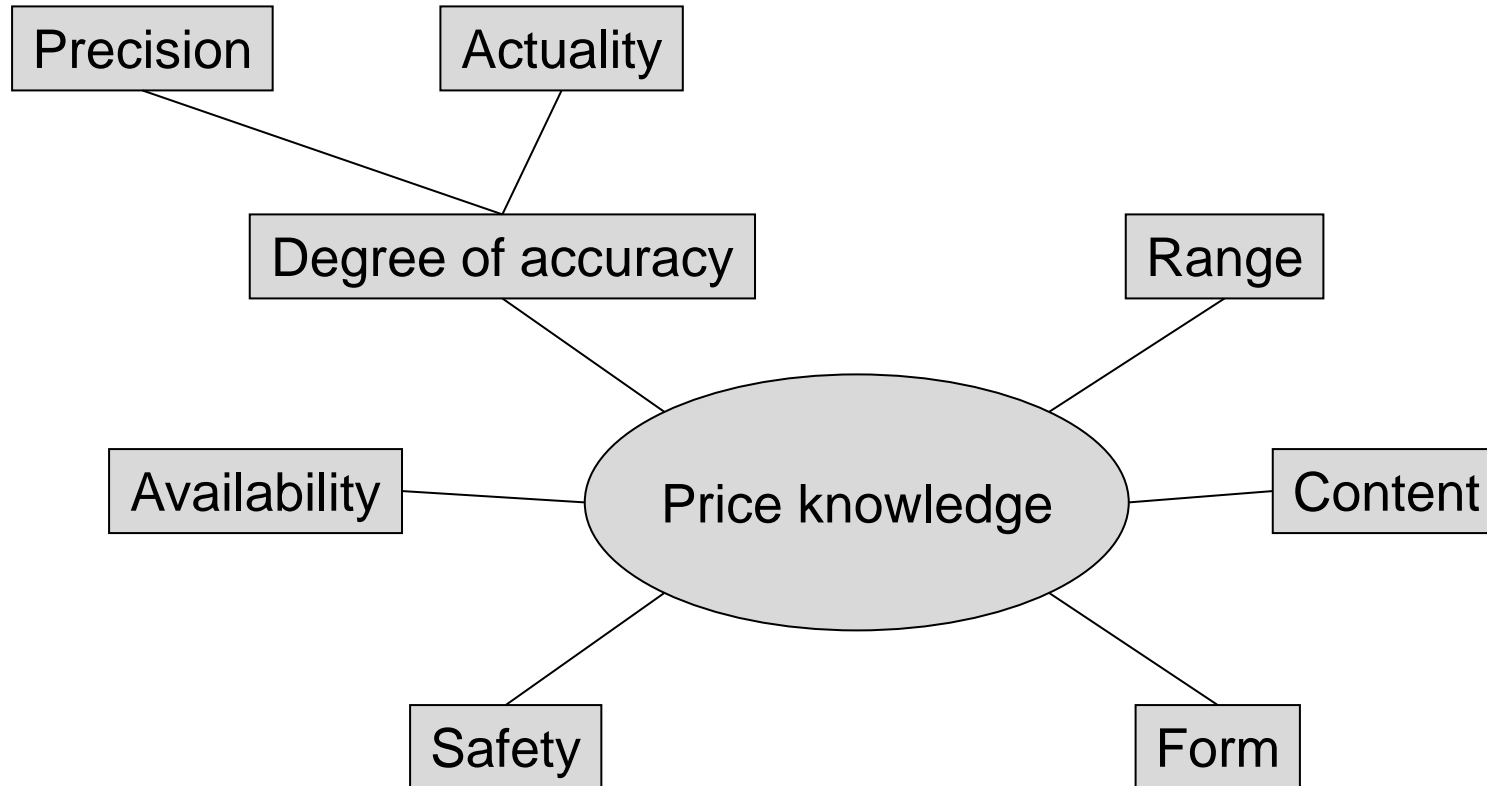
PRICING DECISION

- Price attractiveness
- Price knowledge
- Price-dependent quality judgement
- Simplification strategies relating to price behavior

DIMENSIONS OF PRICE ATTRACTIVENESS

- Intensity of price attractiveness
- Object of price attractiveness, a choice of...
 - Place of purchase
 - Brand
 - Packaging size
 - Timing of purchase
- Resulting behavior
 - Purchasing information
 - Easing of decision making

PRICE KNOWLEDGE



PRICE-DEPENDENT QUALITY JUDGEMENT

- Price as a simple basis for comparison
- Consumers regard production costs as the main determining factor on price
- Good quality and high prices often go hand-in-hand
- Price-dependent quality judgements as a means of avoiding risks identified in the pre-purchase phase

SIMPLIFICATION STRATEGIES RELATING TO PRICE BEHAVIOR

- Relocation of information activities from the purchase preparation to the purchase execution phase
- Transfer from active to passive collection of price information
- Needs focused on the available price information (whichever is more economical)
- Use of generalized purchase rules

PREMIUM Vs. PROMOTION PRICING POLICIES

Premium pricing policies

- Type of high price policy
- Requires an outstanding quality image

Promotion price policies

- Relatively low prices
- Ability for consumer to directly check the quality of the product

PENETRATION Vs. SKIMMING

Penetration pricing policies

- Mass market closure with low prices
- If the low prices result in a significant gain of market share
- If barriers to market entry can be built
- If the market is big enough
- No conflicts with product image

Skimming price policies

- relatively high prices
- Large demand for elite innovators
- Danger of sudden product obsolescence
- Few substitution products
- Chance to achieve high sales quantity
- Limited production and operations capacity

YIELD MANAGEMENT

Based on price differentiation and allows simultaneously control over production activity

- Collection of historical demand structures
- Determination of customer value while taking into account individual potential yield and strategic marketing goals
- Estimation of the future demand structure
- Planning of volume and structure of on-demand capacity
- Price determination
- Dynamic adjustment of price and capacity structures on the basis of actual demand developments

USAGE PRE-REQUISITES FOR YIELD MANAGEMENT

- Inflexible capacity
- High level of fixed costs
- Demand segments with different price expectations
- Demand stimulation is possible through lowering the price
- Payment for services are deducted prior to use
- Output unit cannot be stored

POLICIES REGARDING TERMS

- Rebate policy
- Sales credit policy
- Delivery and payment terms and conditions

REBATE POLICY

Purpose:

- Expansion of turnover and sales through improvements in the price performance ratio
- Increase customer loyalty through monetary offers
- Rationalization of the order development system
- Control over the timing and spread of order entries
- Secure the image of a high-priced product while offering a more attractive price

REBATE SYSTEMS

Functional rebates

Compensation for taking over a part of the performance (e.g. warehousing, sales or pricing risks, consulting, goods presentation)

Bulk rebates

Passing on the savings of a larger order
(in part a disproportionate sliding scale)

Time-related rebates

Providing consumers with improved availability or warehousing facilities
(Advance-ordering, introductory or old models)

Loyalty rebates

Formalizing the business relationship (regular orders)

SALES CREDIT POLICY

Provision or brokering of credit or leasing offers, in order to attract potential customers to purchase

Goals:

- Attracting new customers
- Retaining customers
- Influence the structure of the sales program
- Concealed price reduction

DELIVERY AND PAYMENT TERMS AND CONDITIONS

Instructions and rules within the sales agreement, which state the content and scope of the agreement

- Allows profiling vis-à-vis the competition
- Regulates responsibilities and guarantees
- Certain industry branches offer universal terms and conditions, which imply adherence

DELIVERY TERMS AND CONDITIONS IN INTERNATIONAL BUSINESS

A selection of INCOTERMS

EXW: Ex works... (named place)

FAS: Free Alongside Ship... (named port of shipment)

FOB: Free On Board... (named port of shipment)

CFR: Cost and Freight... (named port of destination)

CIF: Cost, Insurance and Freight... (named port of destination)

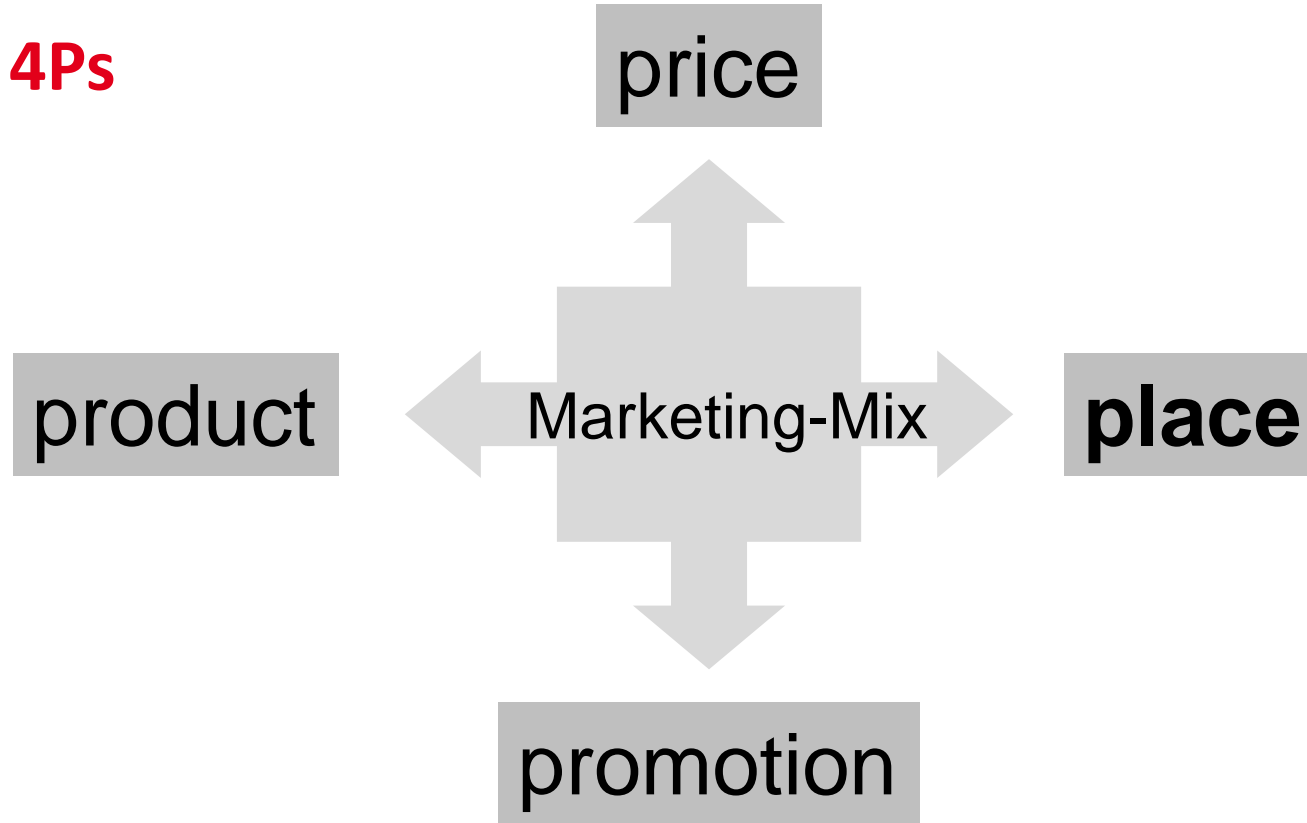
DES: Delivered Ex Ship... (named port of destination)

DEQ: Delivered Ex Quay (duty paid)... (named port of destination)

PAYMENT TERMS AND CONDITIONS IN INTERNATIONAL BUSINESS

- Payment type (in advance, on receipt, total or part payment)
- Payment timing (immediately, payment date)
- Payment method (cash upon receipt of an invoice, credit)
- Payment security (cooperatives, export insurance)
- Trade-in (e.g. used goods)
- Discounts

THE 4Ps



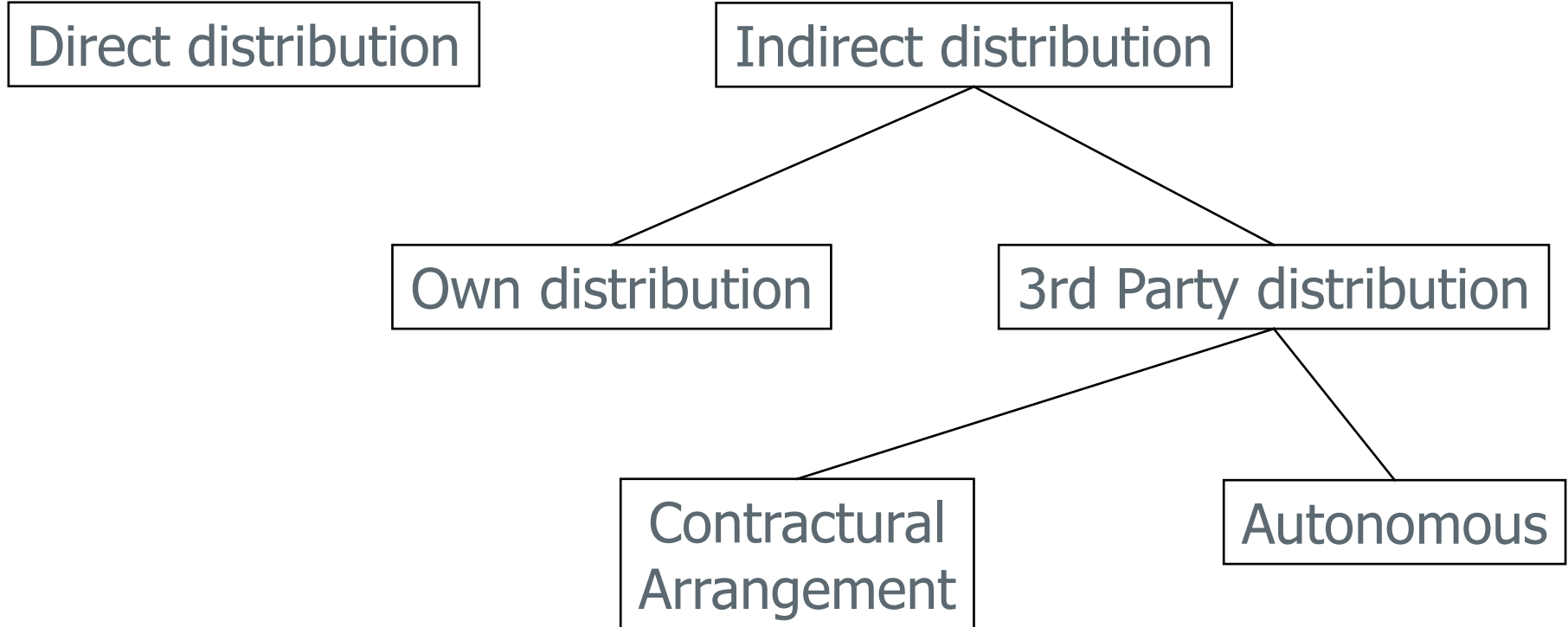
DISTRIBUTION POLITICS AS A COMMAND VARIABLE

- Distribution costs / trading margin
- Scope of distribution outlets
- Image of distribution channels
- Readiness to cooperate
- Set-up time and flexibility
- Degree of influence and controllability of distribution channels

DECISIONS IN DISTRIBUTION POLITICS

- Systems controlling the distribution channels
- Logistic systems

DISTRIBUTION CHANNEL DESIGN - VERTICAL



DISTRIBUTION POLICY AS A MANAGEMENT PROCESS

Situation analysis

Problem identification

Distribution policy data

Goals of distribution policy
(operational, consistent)

Formulation of a intermediary-focused basic strategy
Evasion - cooperation - conflict - adjustment

Creation of a basic strategy
Selection concept contract concept acquisitions-/stimulation concept

Strategic marketing logistics
Operative marketing logistics

INTERMEDIARY-FOCUSED BASIC STRATEGY

- **Evasion:** No _____, independent design of distribution channel by the producer
- **Cooperation:** Intermediary-focused relationship marketing, coordinated control of business activities
- **Conflict:** Power struggle between the producer and trader, long-term instability
- **Adjustment:** Selection of broader distribution channels, typical for the particular branch

ESTABLISHMENT OF AN INTERMEDIARY-FOCUSED BASIC STRATEGY

- **Selection concept:** Establishment of vertical and horizontal distribution channel structures, analysis and selection of distribution intermediaries
- **Contract concept:** Determination of contractual relationship structure between the producer and the distribution intermediary
- **Acquisition / stimulation concept:** Recruitment of selected distribution intermediary, management of the distribution system

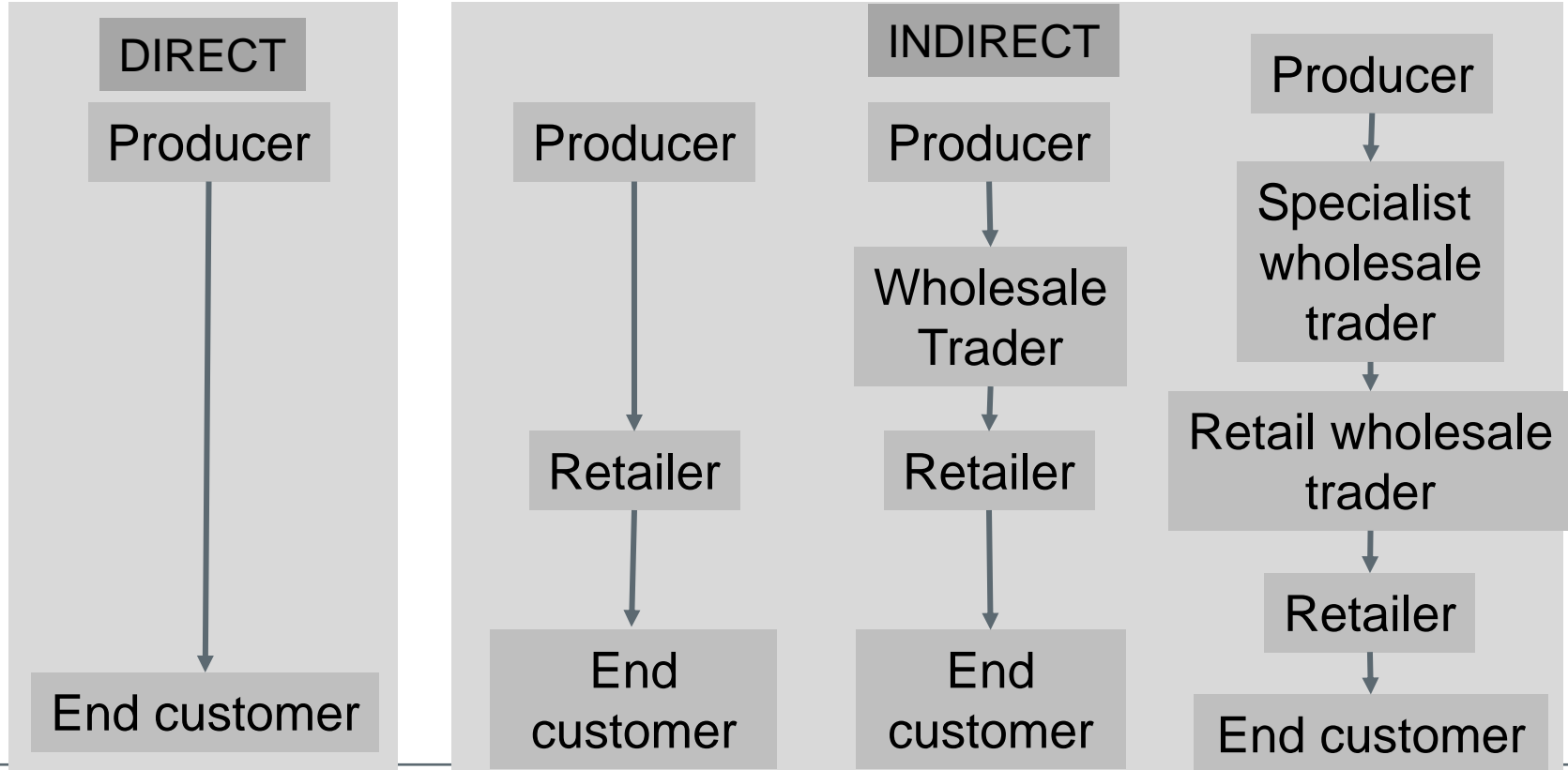
EVALUATION CRITERIA OF STRATEGY CHOICE IN VERTICAL MARKETING

- Accessibility of the marketing goals
- Costs, financial requirements
- Level of coordination effort
- ????
- Stability / survivability of the distribution system
- Growth potential
- Ability to adjust / flexibility

CAUSES OF CONFLICT IN DISTRIBUTION SYSTEMS

- Goal dependencies
- Role dependencies
- Power dependencies
- Communication dependencies

ALTERNATIVE DISTRIBUTION METHODS





DIRECT Vs. INDIRECT DISTRIBUTION METHODS

Method	Advantages	Disadvantages
Direct	Control Communication	Organisation Distribution scope
Indirect	Mass distribution Relief	Control & communication problems

DISTRIBUTION SCOPE – SELECTION CONCEPT

- 
- Intensive Distribution
 - Selective Distribution
 - Exclusive Distribution

DISTRIBUTION TYING ARRANGEMENTS - CONTRACT CONCEPT

- 
- 
- Free distribution
 - Distribution tying system
 - Stand-alone distribution system
 - Contractual trade system
 - Franchise system
 - Agency system

DISTRIBUTION INTERMEDIARY COMPETENCIES – Acquisition & stimulation concept

- Qualification profile (knowledge, skills, experience)
- Sales training (social competence, leading negotiations, products)
- Autonomy (room to negotiate, level of decision-making freedom)

DISTRIBUTION INTERMEDIARY MOTIVATION – Acquisition & stimulation concept

- Remuneration (commission, profit margin, rebates, financial assistance)
- Incentives (competitions, travel, clubs, promotion)
- Service (information, stacking help, sales assistance)

PERSONAL SELLING

- Personal contact
- Establishment and care of relationships
- Interaction
- High costs

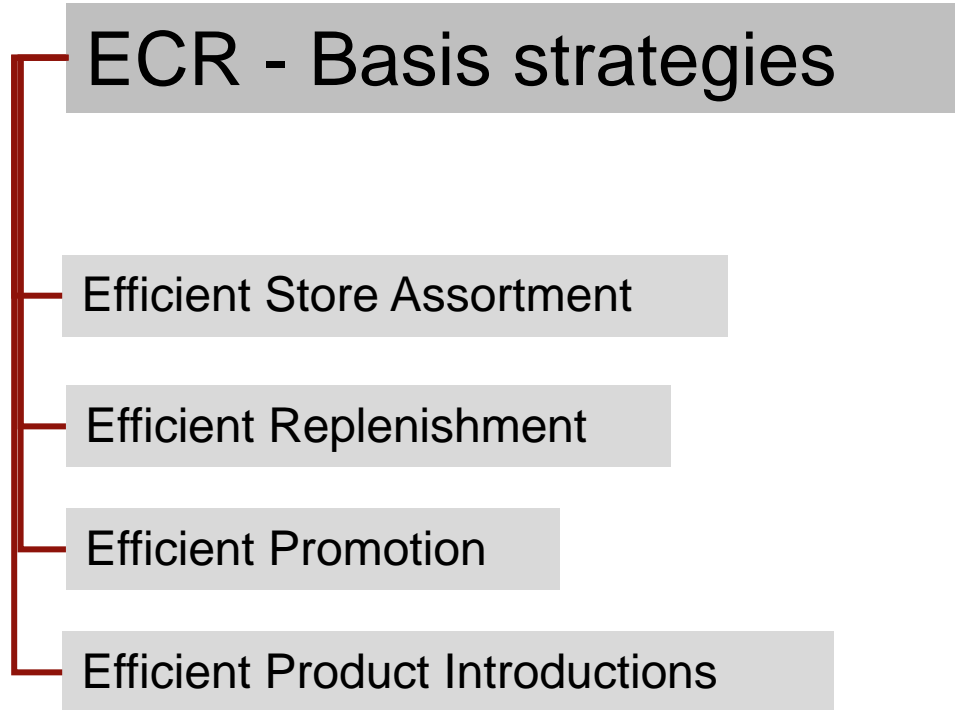
CHOICE OF DISTRIBUTION ELEMENTS

- Traveling
 - Bound by instructions
 - Fixed payment + commission
 - Represents the interests of the company
- Tied agent
 - Not bound by instructions
 - Fixed payment + commission
 - Represents own and company interests
- Independent agent
 - Independent
 - Commission
 - Represents own and client interests

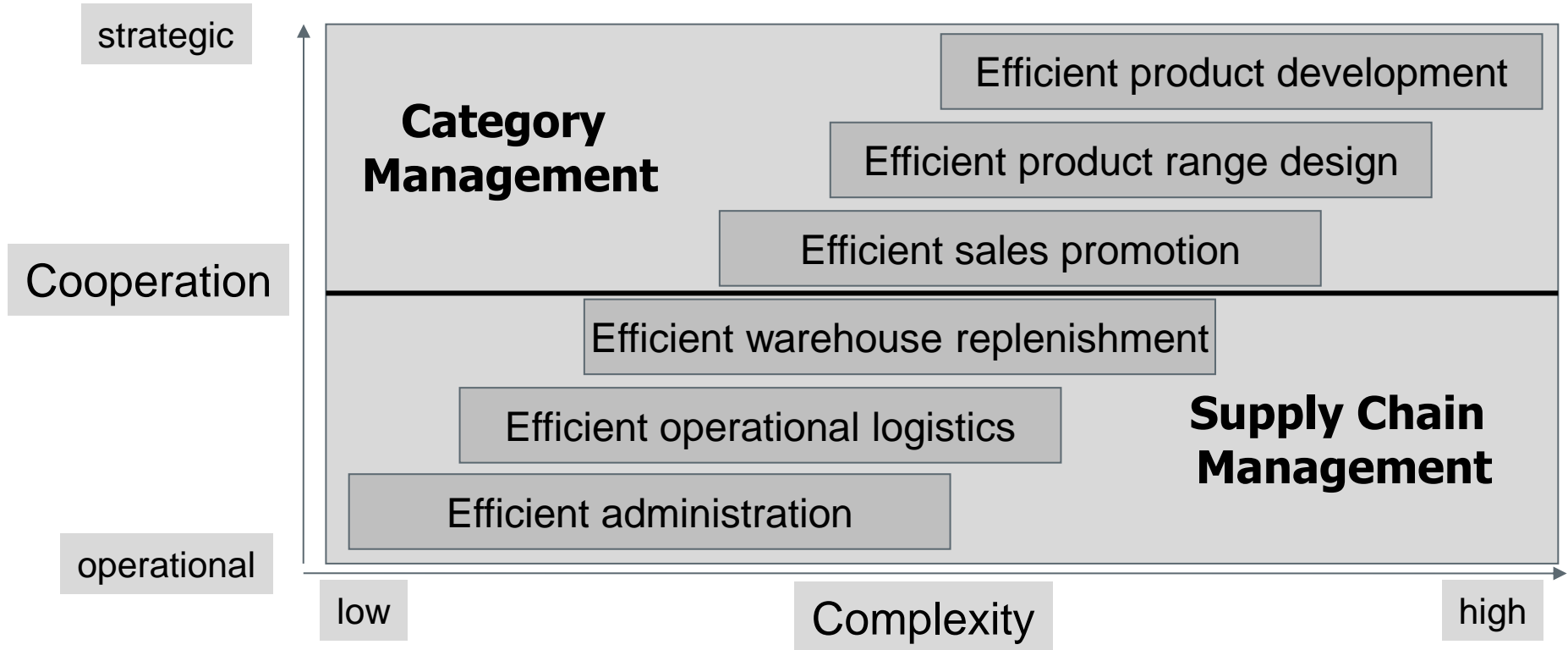
PHASES OF THE SALES PROCESS

1. Search for and evaluation of potential customers
2. Preparation activities prior to contact
3. Contact with potential customer
4. Presentation of the products / services
5. Overcoming reservation
6. Concluding the sale
7. After-sales and service activities

EFFICIENT CONSUMER RESPONSE



CATEGORY MANAGEMENT



Efficient Customer Response and Category Marketing was yesterday.....

Shopper Marketing is today!

Focus is on the consumer experience and fun in the purchasing process.

Forward looking and less price-orientated.

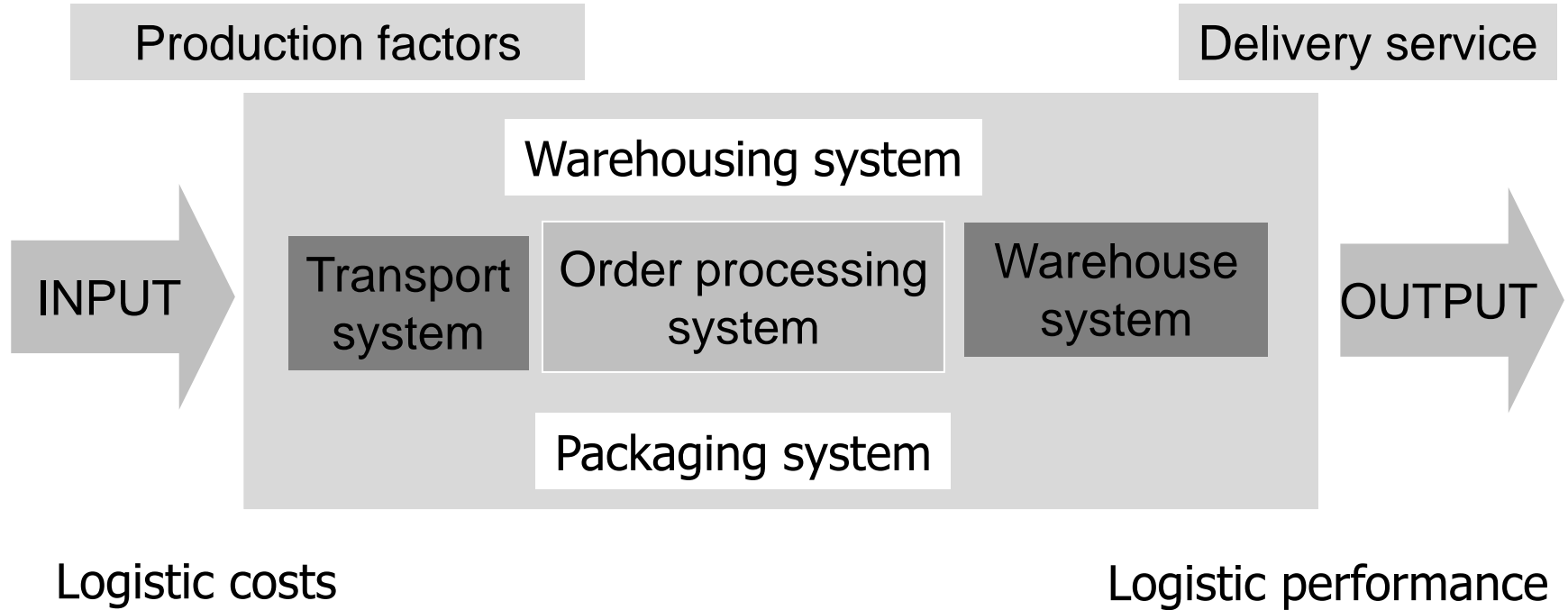
... and how about Multi-
Channeling?

LOGISTICS – PHYSICAL DISTRIBUTION

- Supply logistics
- Production logistics
- Distribution logistics

Logistics: Planning, execution and control of the flows of materials and goods from the source to the location of use

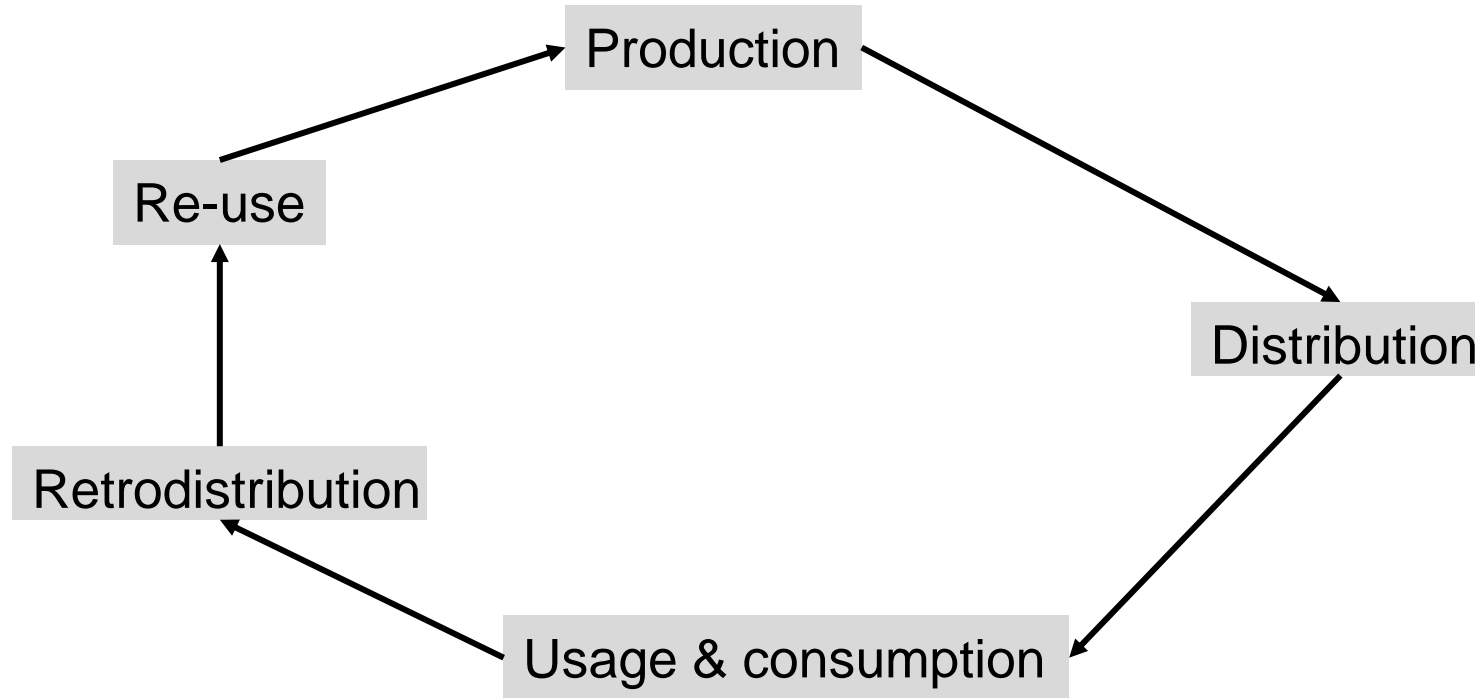
LOGISTICS SYSTEM



DELIVERY SERVICE

- Delivery time
- Delivery reliability
- Ability to supply
- Delivery flexibility

RETRODISTRIBUTION (RECYCLING)



THE 4Ps



COMMUNICATION POLICY – GOAL CONTENT

Economic communication goals

- Profit, turnover, costs, market share
- Operationalization (without problems)
- Not solely achievable through communication

Psychographic goals

- Brand and company profile
- Reputation and image
- Conative effect (above all buyer behavior)

COMMUNICATION POLICY – POSITIONING

Customer-orientated

- Brand image
- Purchase decision criteria orientated
- Up-to-date, emotion and information

Competition-orientated

- Advantages over the competition
- Differentiation compared to competition
- Unique advertising proposition

INTEGRATED COMMUNICATION

- Internal and external communication
- Management process
- Content consistency
- Efficiency and effectiveness

INSTRUMENTS OF INTEGRATED COMMUNICATION

- Classical advertising
- Sales promotions
- Public relations
- Direct communication
- Product placement
- Sponsoring
- Event marketing
- Trade fairs and exhibitions
- Multi-media
- Lobbying

CLASSICAL ADVERTISING

Printed media, radio, TV, cinema, outdoor advertising

- + High contact numbers, large reach
- + Low contact price

- Low information intensity
- Low attention, reactance
- Weak levels of trust
- No direct feedback
- Low individuality

Communication at the point of sale

- + Short-term effectiveness
- + Individual, problem-orientated
- + Good acceptance levels
- Low level of reach
- Little long-term effect
- Relatively high costs associated with personal communication

Indirect multiple communication

- + Strong effect on trust
- + Relatively cost effective
- + High reach
- Low levels of control
- Little influence on the content
- External disturbance of the message

DIRECT COMMUNICATION

Individual, recipient-specific communication

- + Minimal scattering loss
- + Strong customer-orientation
- + A specific target audience
- + Feedback effect
- Complex design
- Can produce a negative image

PRODUCT PLACEMENT

Insertion of products in television and cinema

- + Large reach
- + Relatively low costs
- + Can assist in product image development
- Can cause legal problems
- Low level of information on product
- Low degree of attention
- High scattering loss

SPONSORING

Communication effect through supporting events or people

- + Large reach
- + Shows social engagement
- + Low organizational effort
- High scattering loss
- Low level of information on product
- Risk of negative attention
- Marginal ability to influence

EVENT MARKETING

Organization of events for potential customers and special interest groups

- + An integrated experience
- + High reminder value
- + Comprehensive opportunity to influence
- + Good level of acceptance
- + Synergy effects (e.g. with public relations)
- High level of organizational effort
- High level of responsibility
- Higher economic risk

TRADE FAIRS

Repetitive events with representative offers for a particular branch or market

- + Comprehensive market overview
- + High density of target groups
- + Potentially high reach
- + Economic market entry opportunity
- + Informal contacts
- + Individual communication is possible

TRADE FAIRS

- High level of organizational effort
- Event selection is often difficult
- High demands on employees
- Strong dependence on the organizer

MULTI-MEDIA

Electronic communication, often with an interactive element

- + Comprehensive presentation opportunities
- + Individual communication is possible
- + Lower cost activity
- + Accessed by the user
- + Suitable for distribution

MULTI-MEDIA

- High level of organizational effort
- Reach can be limited
- Usage barriers, especially with private individuals
- Mostly suitable as an extension to a communications program

LOBBYING

Representing the interests of companies through external experts, scientists and decision-makers

- + High effectiveness
- + High reach, through the multiplier effect
- + Good levels of control possible
- + Comes across as well-substantiated, builds trust
- + Comprehensive potential for synergies

LOBBYING

- High level of organization required
- High costs
- Danger of damage to image
- Needs to be strategically planned

MEDIA SELECTION

- Intermedia selection = choice of advertising medium groups
- Intramedia selection = choice of a single advertising media

INTERMEDIA SELECTION

Criteria:

- Expression options
- Functional specialization
- Selection ability (target group)
- Predictability
- Quality of user medium
- Quality of advertising medium

INTRAMEDIA SELECTION

Criteria:

- Attractiveness of the medium
- Timeliness of availability
- Editorial and promotional environment
- Image of the medium
- Usage cost
- Quantitative (global) reach
- Qualitative (target group specific) reach

PARADIGM OF COMMUNICATION

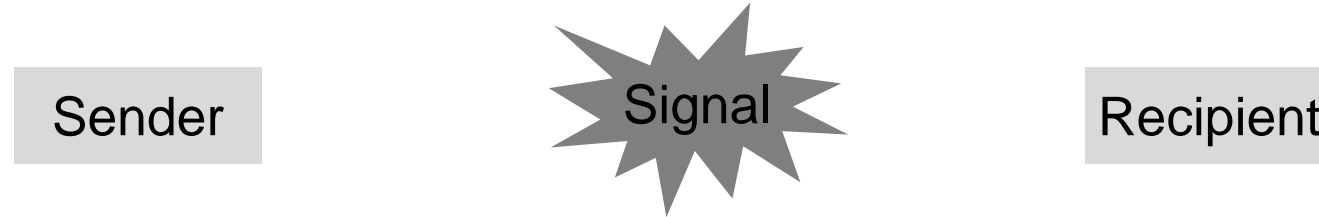
- Who (Company, communication supplier)
- Says what (message communicated)
- Under which circumstances (environmental situation)
- Using which channels (communications medium)
- To whom (target person, recipient, target group)
- Use of which _____mechanism (integration instruments)
- To what effect (communications success)?

FUNCTION OF COMMUNICATION

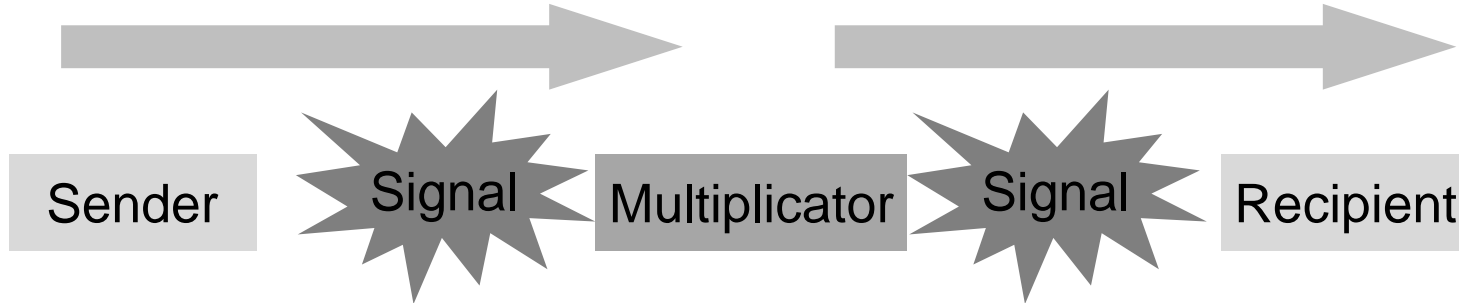
- Information
- Influence
- Confirmation

FUNDAMENTALS OF COMMUNICATION

Single-level communication

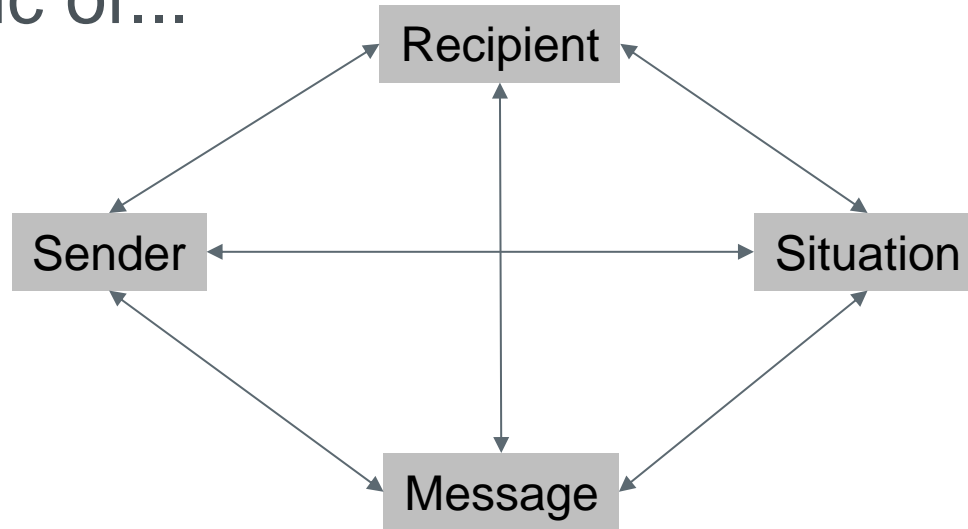


Double-level communication



FACTORS INFLUENCING THE IMPACT OF COMMUNICATION

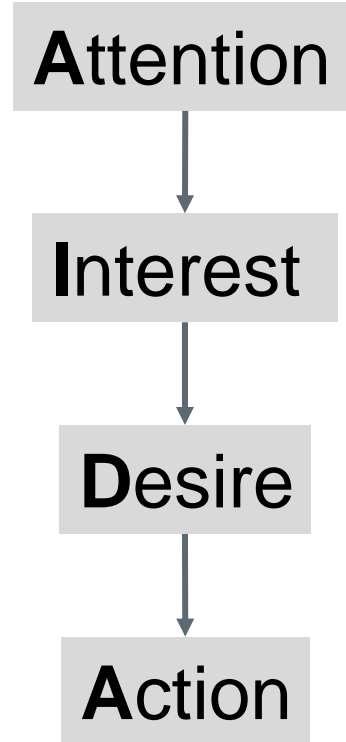
A characteristic of...



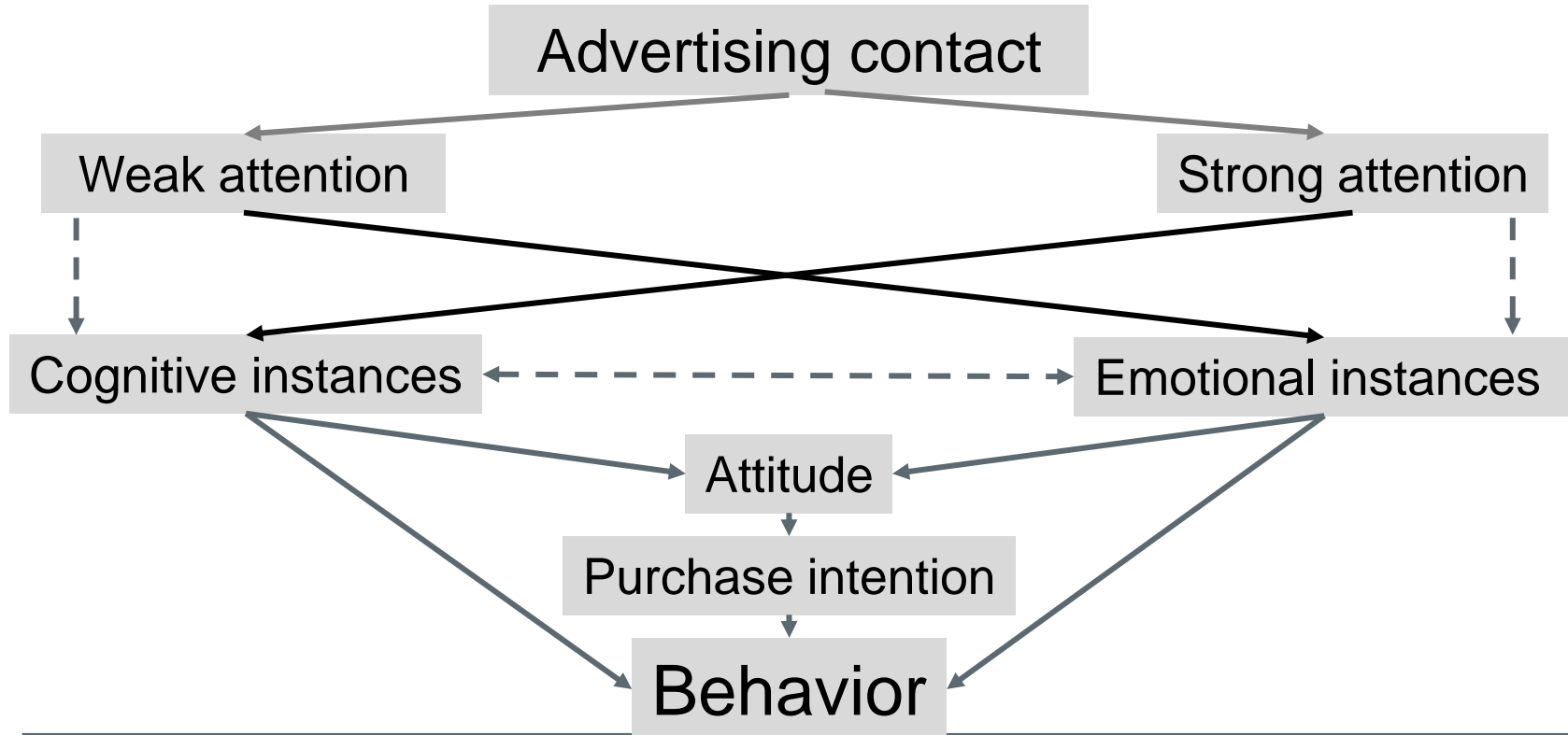
APPROACHES TO ASCERTAIN IMPACT OF COMMUNICATION

- Evaluation approach (profile, market share, turnover)
- Diagnostic approach (prerequisites for an impact, origin of communication impact)

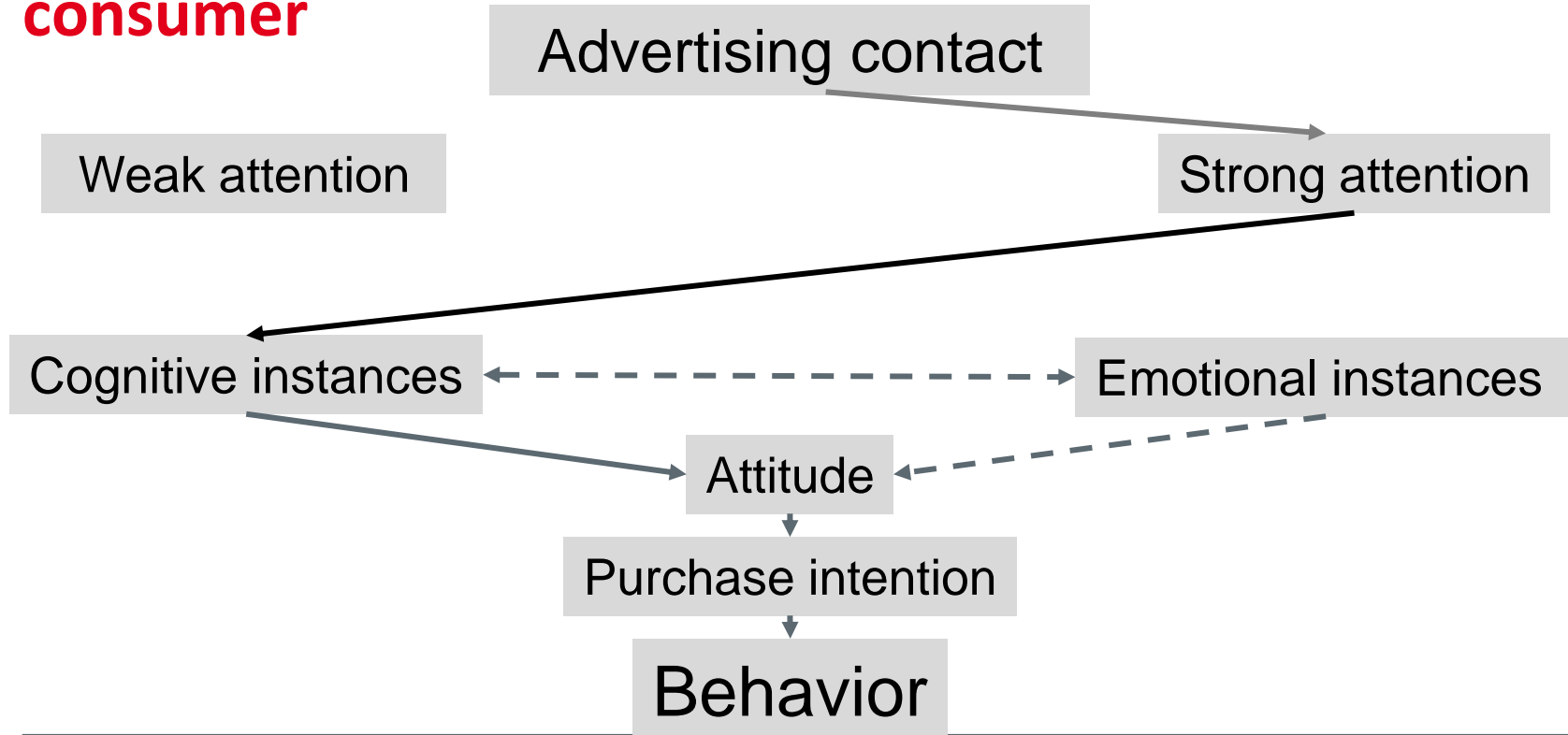
IMPACT LEVELS OF COMMUNICATION



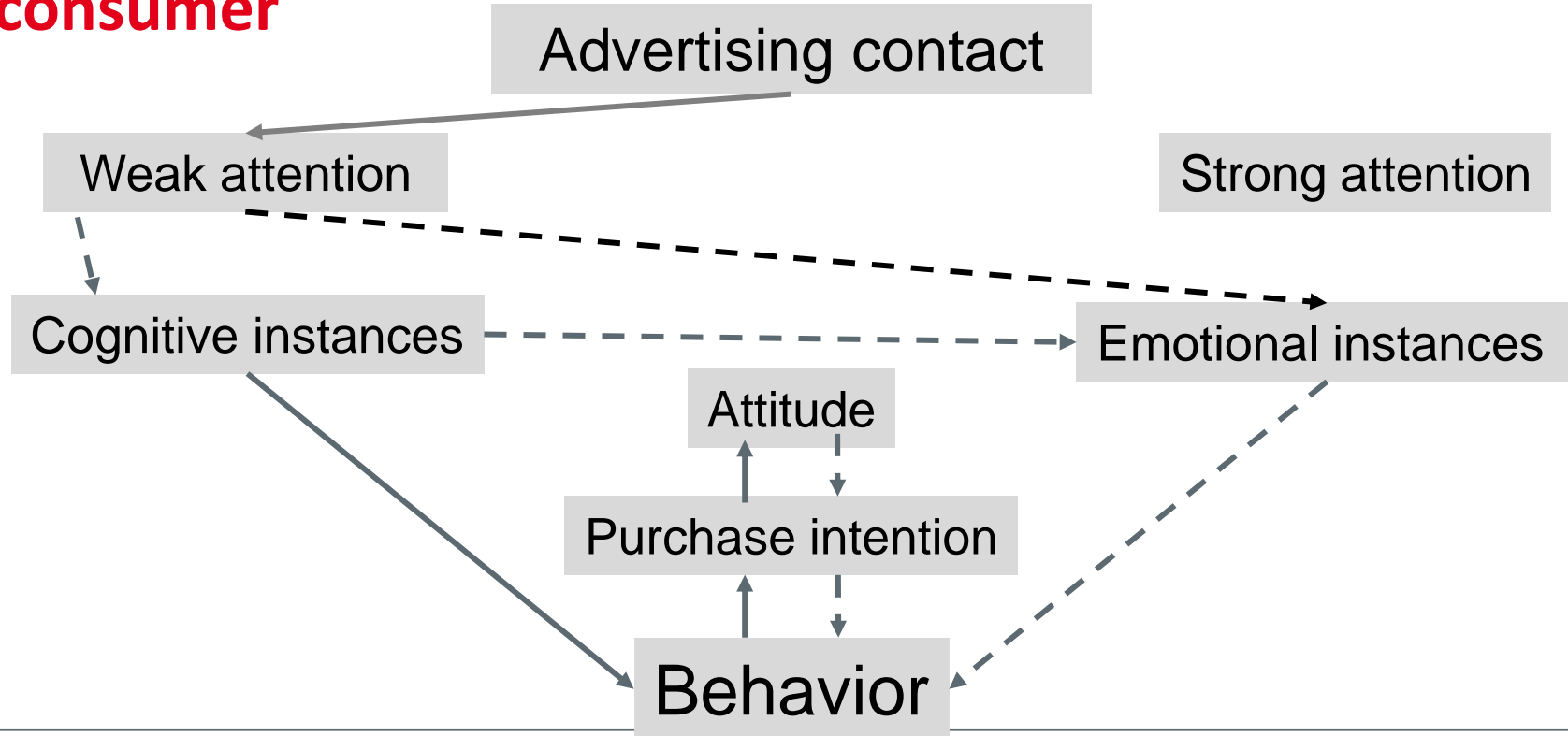
IMPACT TRACKING OF COMMUNICATION



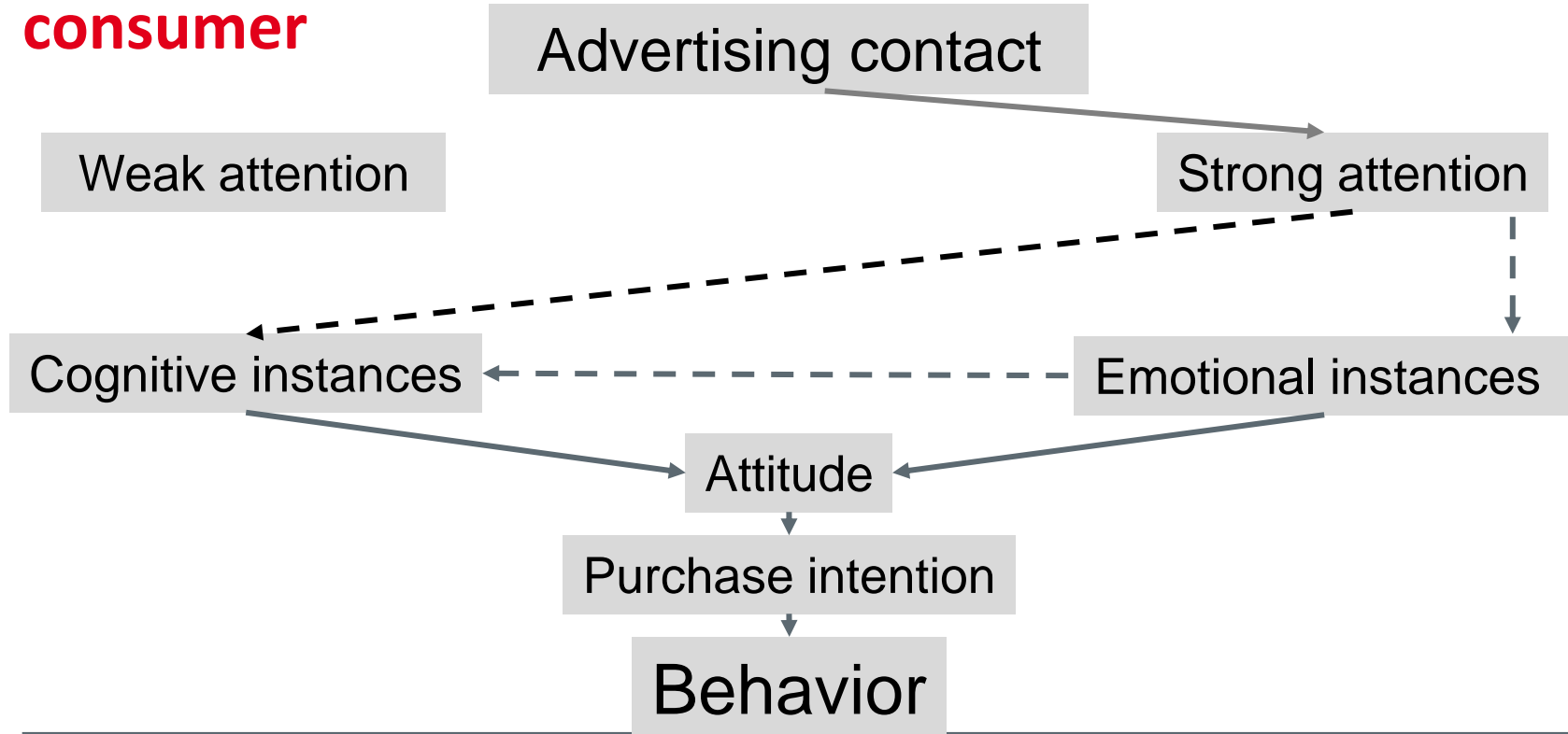
IMPACT TRACKING 1 – informative advert, engaged consumer



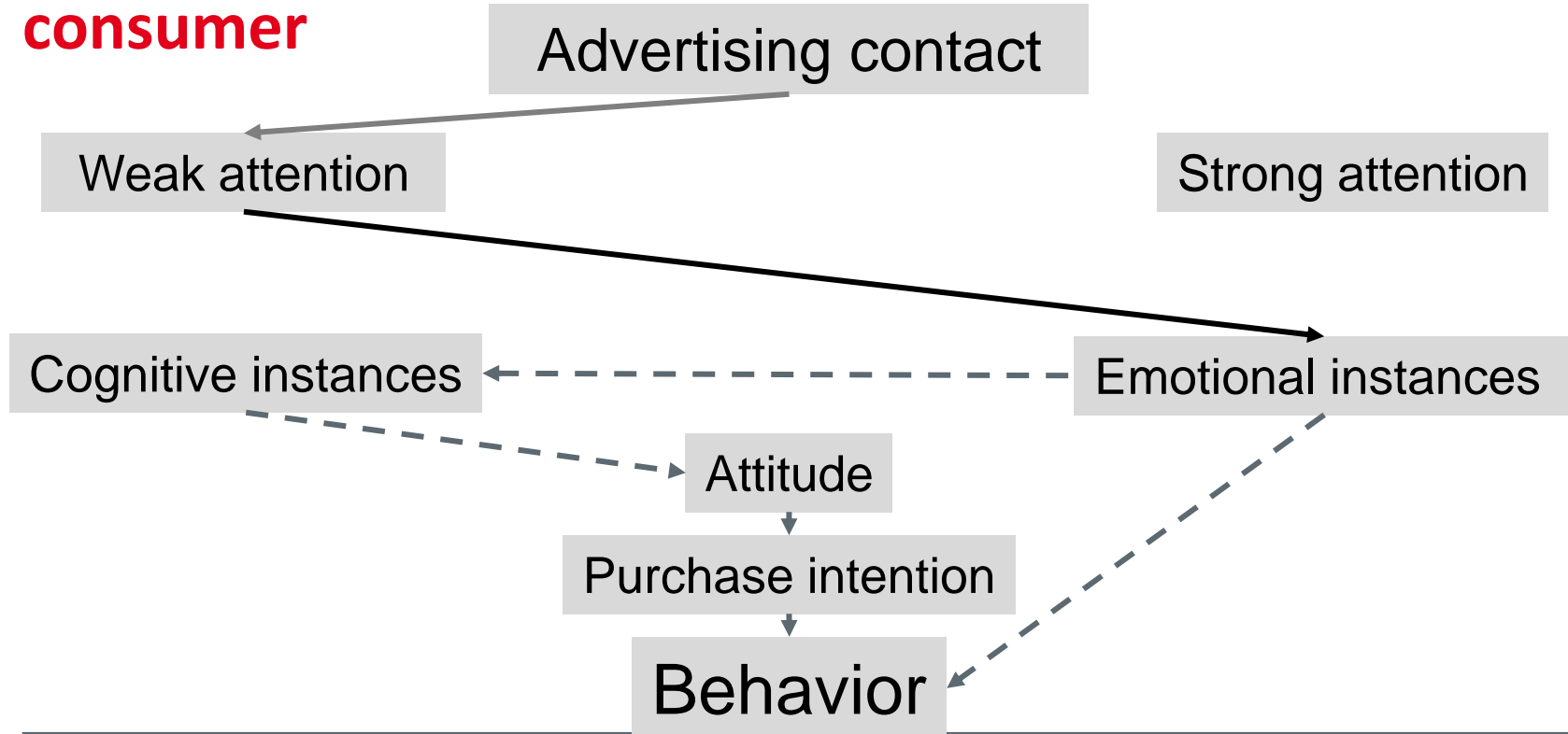
IMPACT TRACKING 2 – informative advert, less engaged consumer



IMPACT TRACKING 3 – emotional advert, engaged consumer



IMPACT TRACKING 4 – emotional advert, less engaged consumer



COMMUNICATION BUDGETING APPROACH

- Percentage of turnover
- Percentage of sales / profit
- Available financial means
- Advertising expenditure of the competition
- Relation to market share
- **Dependent on the advertising goals pursued**

BUDGETING – GOAL-TASK-METHOD

1. Establishment of advertising goals
2. Identification of target group
3. Choice of advertising methods (content / medium)
4. Estimates of the required contact frequency
5. Selection of medium suited to the target group
6. Cost estimates for production and set-up
7. Cost aggregation
8. Determination of the budget
9. Feasibility test (as necessary return to step 1)

INTEGRATION OF INSTRUMENTS – MARKETING MIX

Fundamental problem:

The establishment of an optimal instrument combination

Basic goal setting:



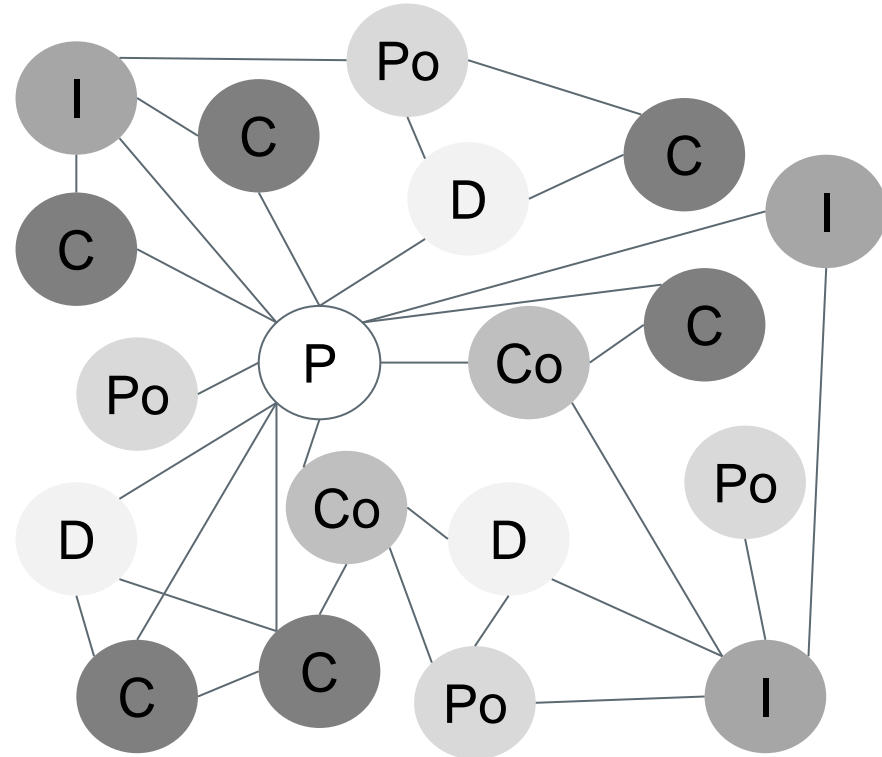
Facilitation of synergy effects



Avoidance of inconsistencies

IDENTIFYING THE NETWORK POSITION

P= Producer
D= Distribution intermediary
C= Consumer
Po= Potential consumer
I= Influencer
Co= Competition



RELATIONSHIP ANALYSIS

Interactive relationship

Transactional relationship

...to the network participants

Initiator relationship

DESIGN DECISIONS

Estimation / measurement of the impact of alternative combinations of instruments in relation to:

**Existing relationships and
Initiator relationships**

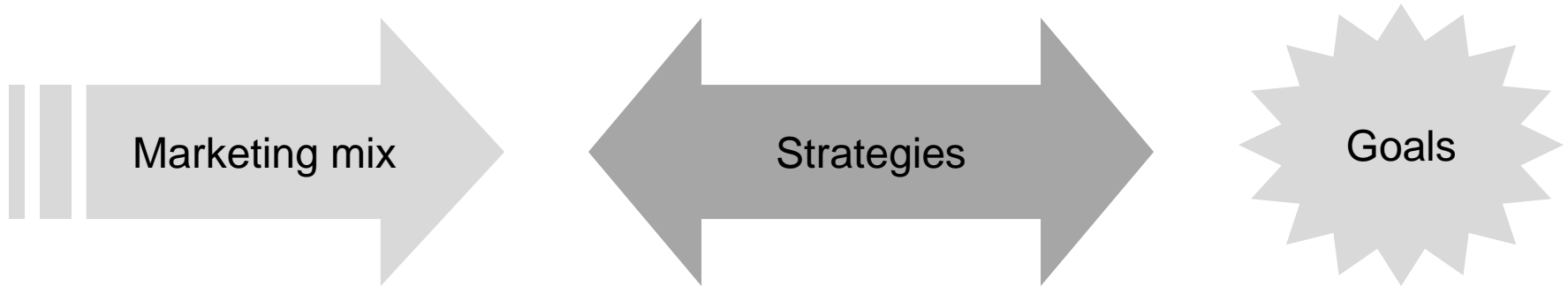
with the relevant network participants



Design of the marketing mix

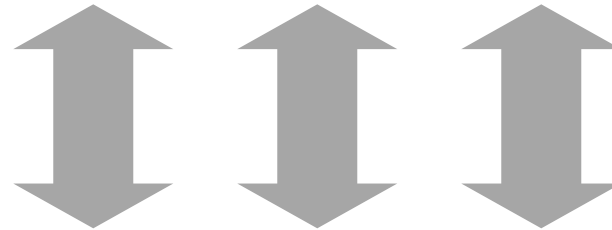
ACHIEVEMENT OF MARKETING STRATEGIES AND MEASURES

Marketing design



IMPLEMENTATION OF MARKETING DESIGNS

Organizational design

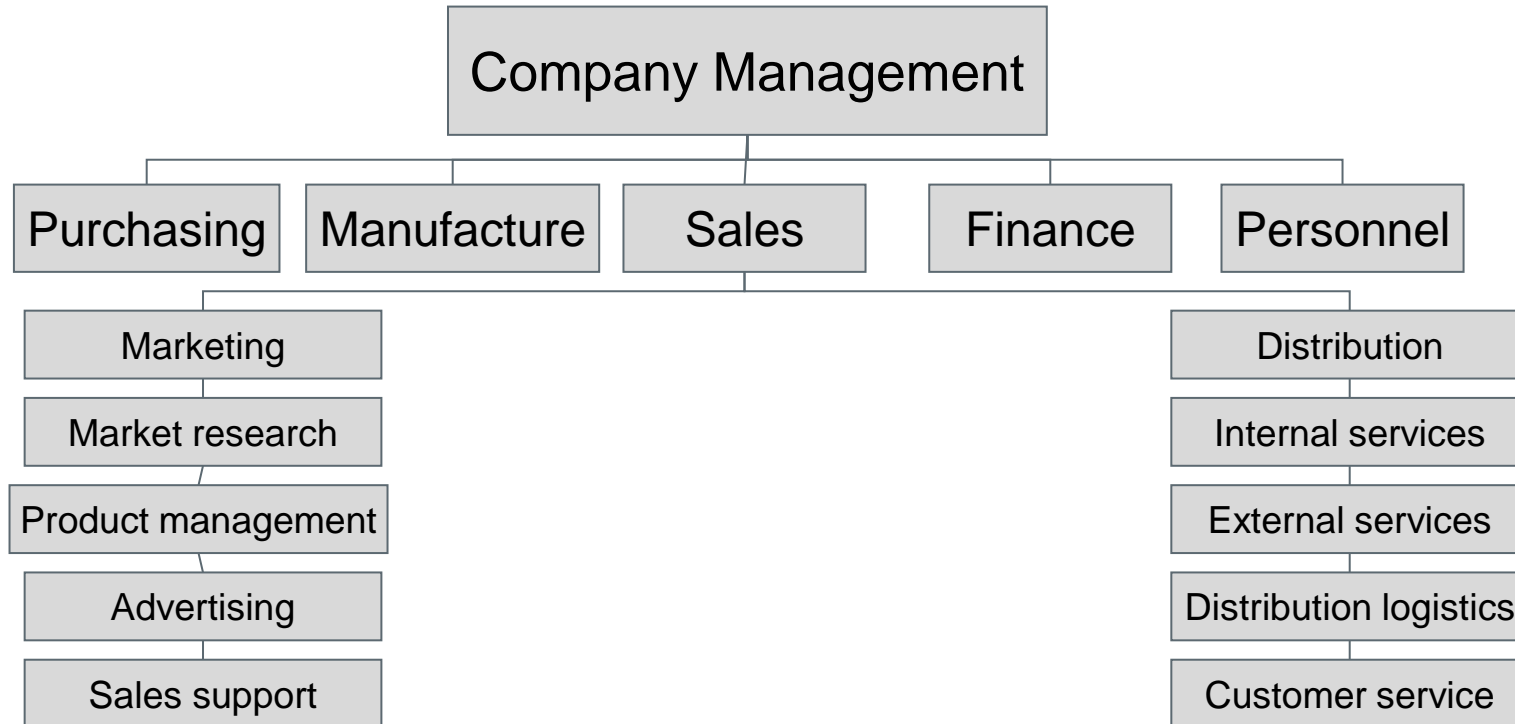


Process coordination

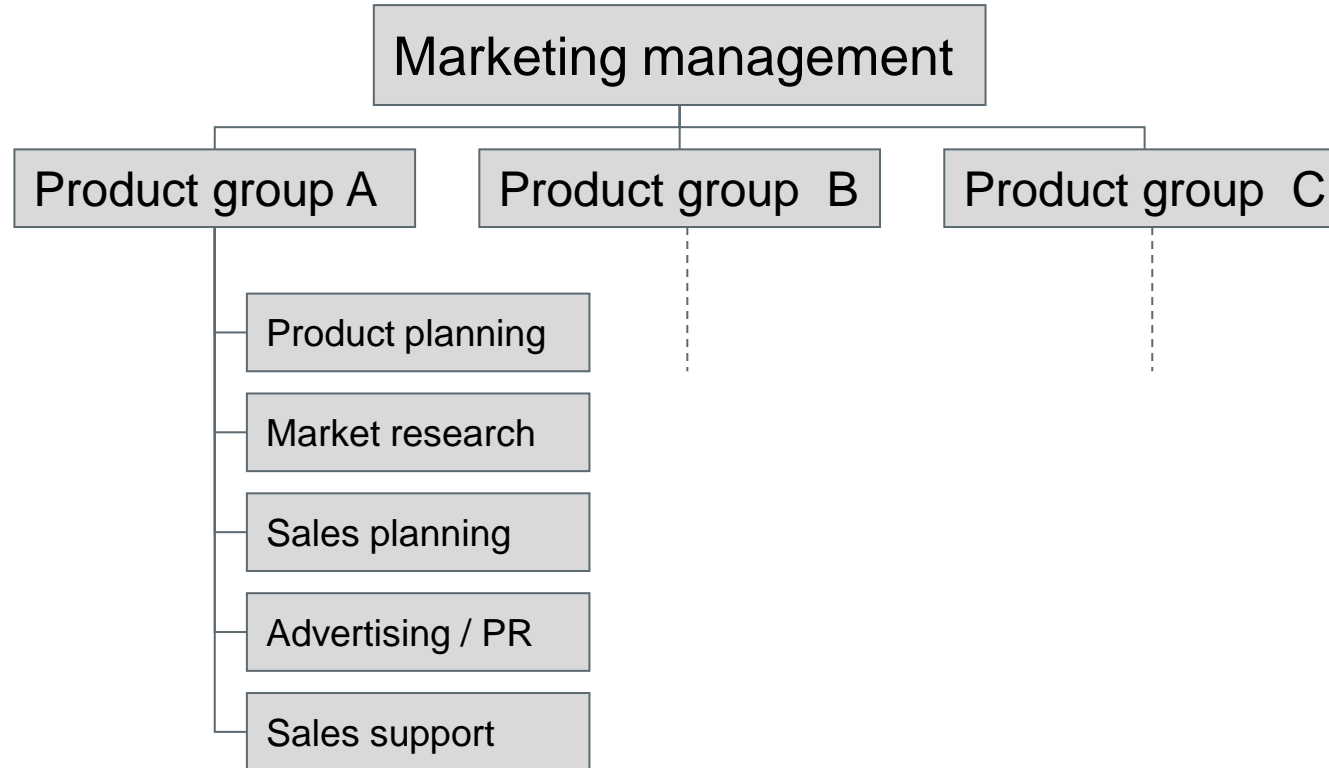
FUNDAMENTAL FORMS OF THE MARKETING ORGANIZATION

- Marketing as an administrative function
- Marketing as a subdivision
- Marketing as a central department
- **Marketing as a top management task**

FUNCTION-ORIENTATED ORGANIZATION



PRODUCT-ORIENTATED ORGANIZATION



MATRIX ORGANIZATION

Company management

Purchasing

Manufacture

Sales

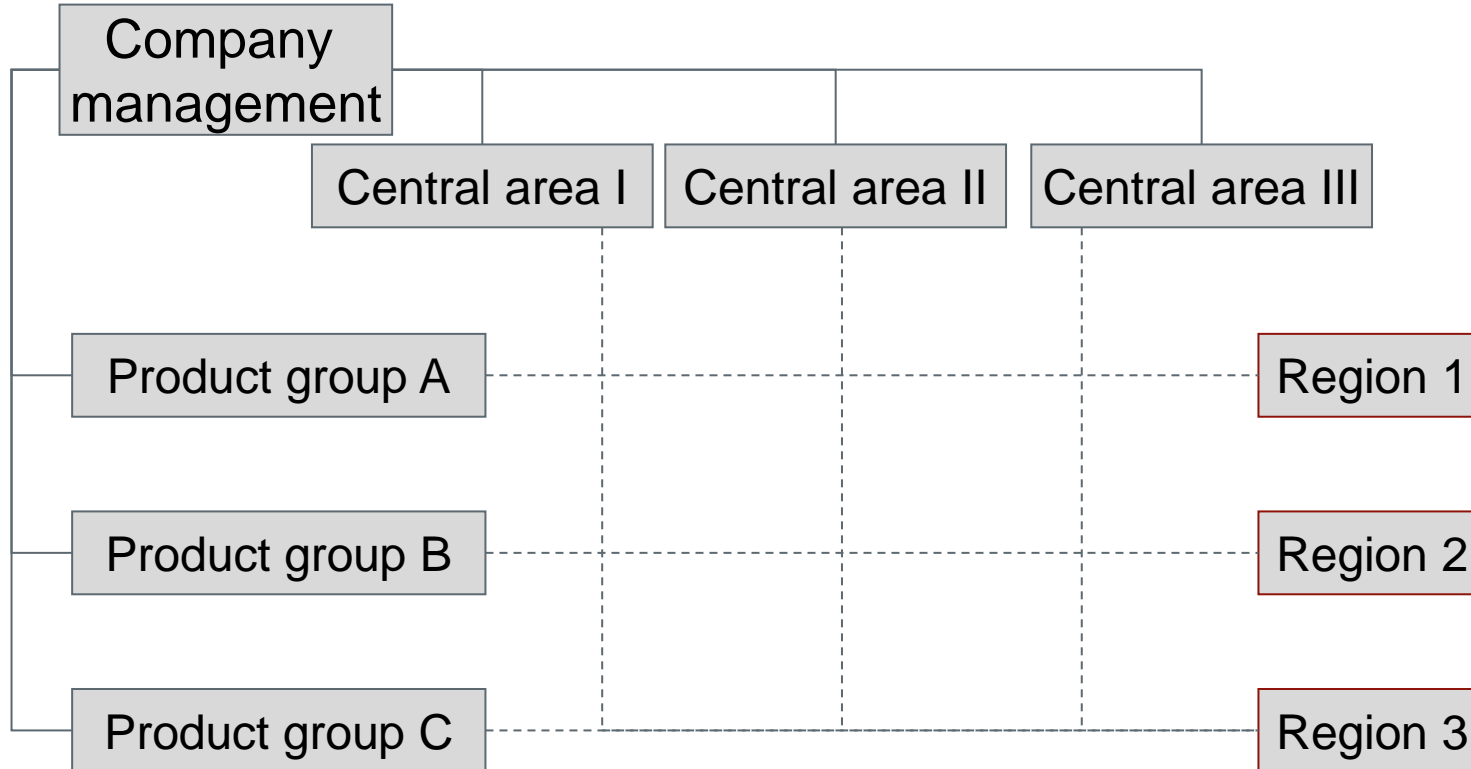
Finance

Product group A

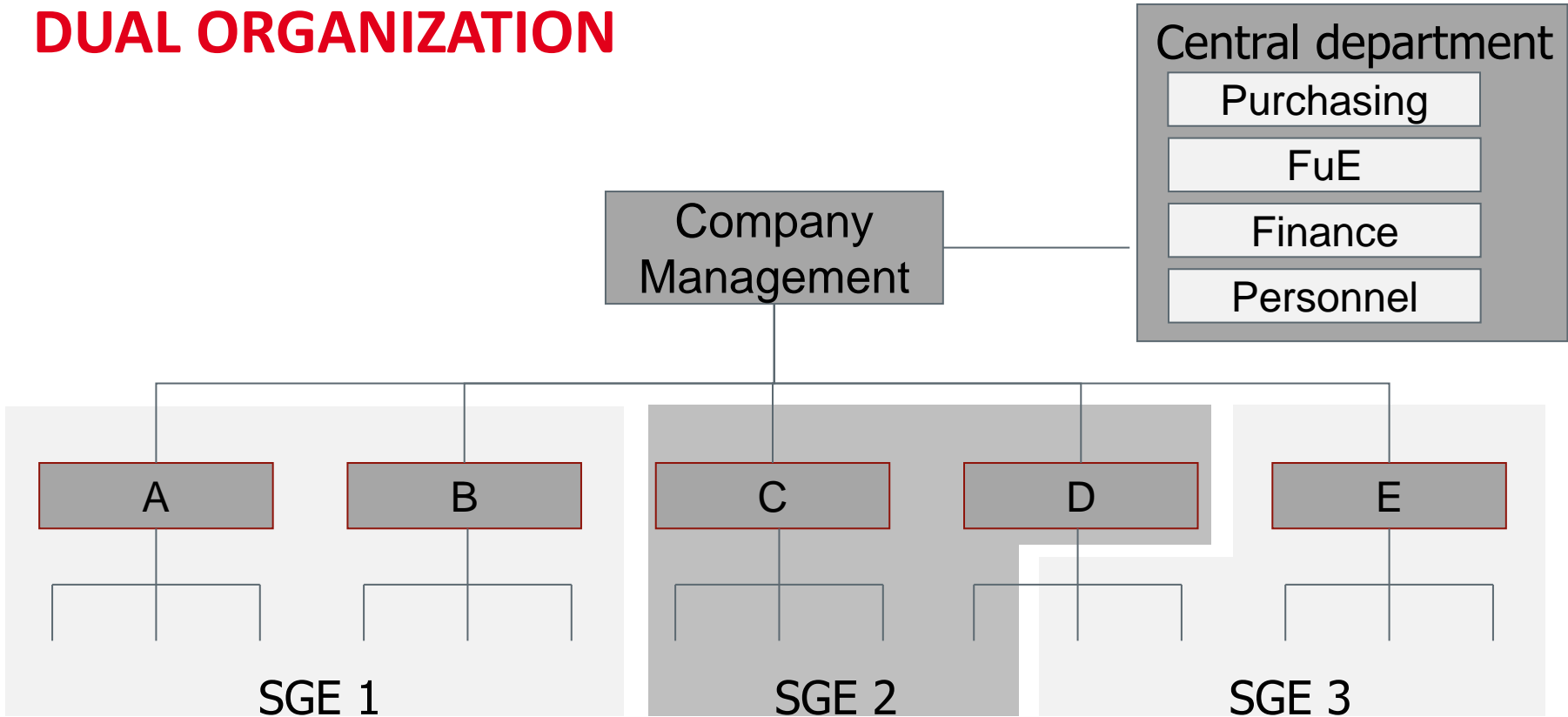
Product group B

Product group C

TENSOR ORGANIZATION



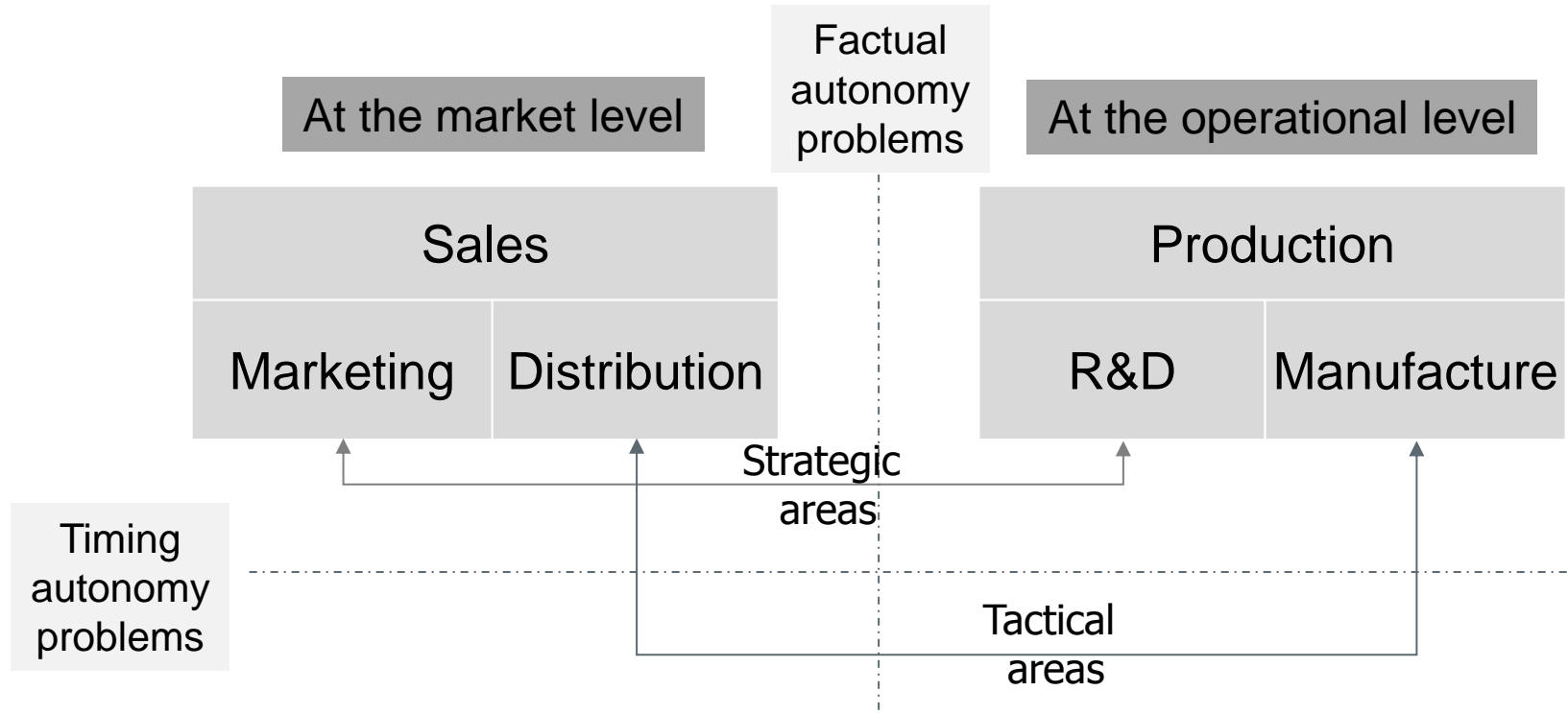
DUAL ORGANIZATION



PROCESS COORDINATION THROUGH INTERFACE MANAGEMENT

- Recording of dependencies between functional areas (interface audit)
- Creation of management instruments, such as standard databases, formalization of decision processes, identification of meaningful checks
- Achievement of constructive collaboration in the interfaced areas, through leadership style, job-rotation, regular meetings

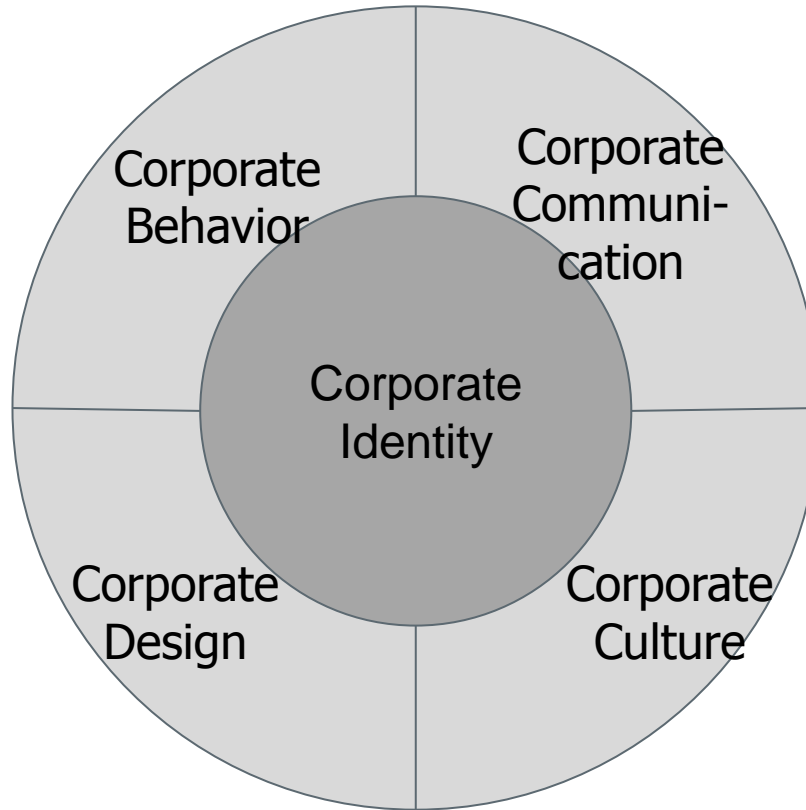
FACTUAL AND TIMELY PROCESS COORDINATION



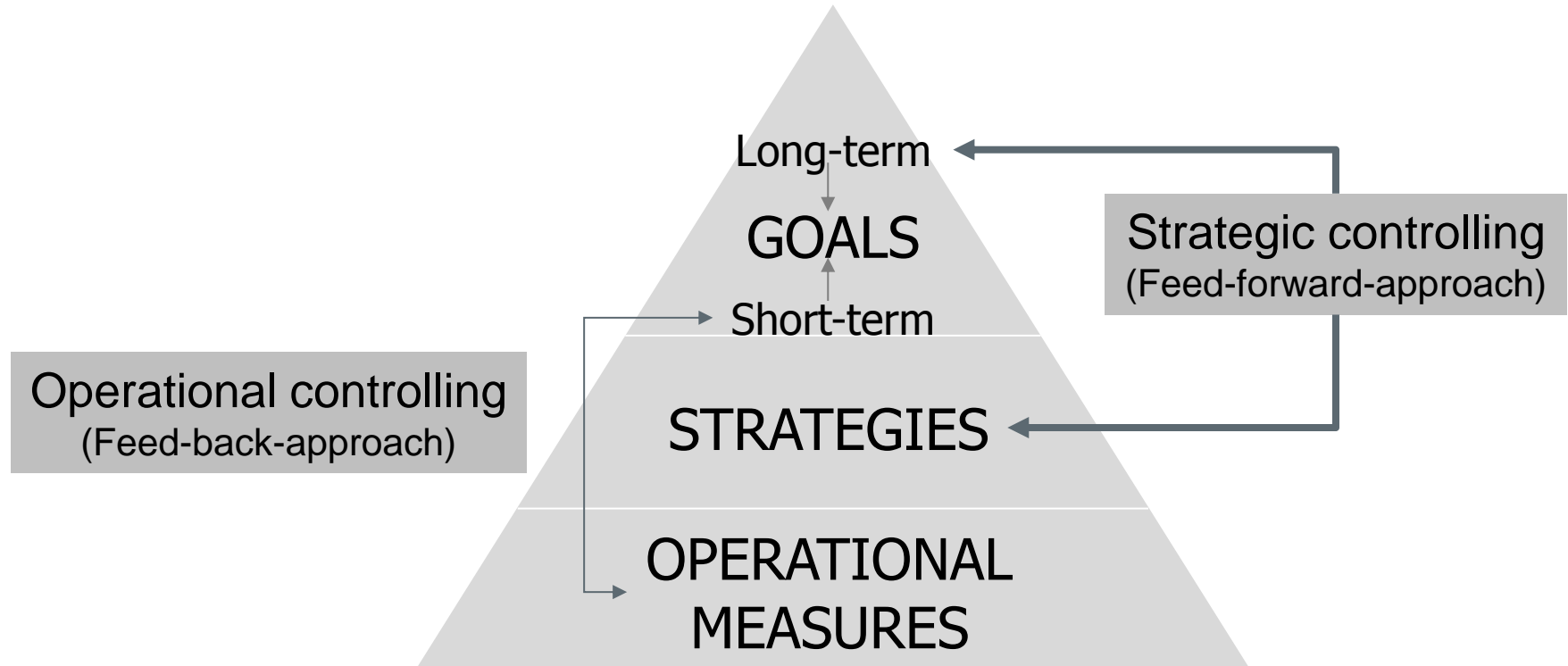
CORPORATE IDENTITY – A SUBSTITUTE FOR LEADERSHIP

Impact:

- internal
- external



MARKETING CONTROLLING



OPERATIONAL MARKETING CONTROLLING

Task: Monitoring of active marketing measures

Command variable: Turnover, profit, profitability, marketing efficiency

Analytical base: costs, revenue, profile level, image

Method: Accounting, market research

STRATEGIC MARKETING CONTROLLING

Task: Inspection of fundamental decisions

Command variable: Growth, competitive advantage, survival

Analytical base: market share, market positioning, portfolios

Method: Company, environmental and consumer analysis

MARKET RESEARCH FOR INFORMATION ACQUISITION

The development of a marketing concept is not conceivable without the function of information acquisition.

This is already demonstrated in the analysis and prognosis elements, and is also an indispensable requirement for all other components of the marketing concept.