Foundations of Marketing Thought

“You Are Who You Think You Are; So Be Careful About Who You Think You Are”

Marketing: 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 goals.
Marketing by Creating Customer Value

1. At bare minimum, offer products that perform
2. Surpass customer expectations
3. Do not price unrealistically
4. Give guarantees
5. Give the buyer facts
6. Build relationships
The “Four Ps”

- Place
- Product
- Promotion
- Price
**Product**: the physical unit, package, warranty, after-sale service, image value, etc.

**Price**: list price, credit terms, allowances, flexibility, discounts

**Place**: channels, middlemen, market coverage, transportation

**Promotion**: objectives, personal selling, advertising, sales promotion, public relations, word of mouth
PRODUCT
New Product Development Process

- Generating Ideas
- Screening Ideas
- Business Analysis
- Development
- Test Marketing
- Commercialization

Possibilities

New Product
## The Market Research Process

1. Situation analysis
   /Define problem

2. Collect primary and secondary data

3. Analyze data

4. Problem Prepare report of recommended solutions

5. Follow up
Selecting Target Markets

Market segmentation approach
Automobiles

Concentration approach

Luxury cars

Multisegment approach

Compact cars
Sport Utility Vehicles
Sports cars
**Brand**: a name, term, symbol, design or combination that identifies a seller's product and differentiates it from its competition.

**Brand Name**: part of the brand that can be spoken, including letters, words or numbers that differentiates the goods and services of a seller from their competitors.

**Brand Mark**: elements of a brand that cannot be spoken; used on all or most of a company’s products.

**Trade Character**: a person, personified character or animal used to identify a product or business.

**Trade Mark**: exclusive right to use a brand, brand name, brand mark or trade character that has been given legal protection.
<table>
<thead>
<tr>
<th>Brand</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sony</td>
<td>Japan</td>
</tr>
<tr>
<td>Jaguar</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>Disney</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>Nestle</td>
<td>Switzerland</td>
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<tr>
<td>Land Rover</td>
<td>Great Britain</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>Mercedes Benz</td>
<td>Germany</td>
</tr>
</tbody>
</table>
Product Life Cycle

- **Introduction**
- **Growth**
- **Maturity**
- **Decline**

![Graph showing the product life cycle with stages of introduction, growth, maturity, and decline, with corresponding sales and profits over time.](image-url)
Life Cycle

Rowing Machines

Thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
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<tbody>
<tr>
<td>1980</td>
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</tr>
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<td>1989</td>
<td>50</td>
</tr>
<tr>
<td>1990</td>
<td>10</td>
</tr>
</tbody>
</table>
# Extending the Product Life Cycle

## The Many Uses of Baking Soda:

<table>
<thead>
<tr>
<th>Cleaning Batteries</th>
<th>Dry Baths for Pets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deodorizing Musty Towels</td>
<td>Cat Litter Deodorizer</td>
</tr>
<tr>
<td>Refreshing Bath Additive</td>
<td>Cleaning Brushes and Combs</td>
</tr>
<tr>
<td>Denture Soak</td>
<td>Hair Care (mix with shampoo)</td>
</tr>
<tr>
<td>Insect Bite Care</td>
<td>Relief for Acid Indigestion</td>
</tr>
<tr>
<td>Soothing Irritated Skin</td>
<td>Cleaning Coffee and Tea Pots</td>
</tr>
<tr>
<td>Deodorizing Cutting Boards</td>
<td>Homemade modeling clay</td>
</tr>
<tr>
<td>Emergency Fire Pail</td>
<td>Make an Erupting Volcano</td>
</tr>
<tr>
<td>Freshen and Deodorize</td>
<td></td>
</tr>
</tbody>
</table>
The Names of Price

- tariff
- charge
- tuition
- premium
- cost
- expenditure
- dues
- fee
- fare
- figure
- rate
- payment
- interest
- wage

Price
Prestige Pricing

“Give me the luxuries of life and I will gladly do without the necessities.”
Frank Lloyd Wright

For the name of the Rolls-Royce dealer nearest you, call 1-800-443-9773.
Total amount paid by consumer $84.53

- Manufacturer’s Cost $35.00
- Wholesaler’s Markup (20%) $8.05
- Manufacturer’s markup (15%) $5.25
- Retailer’s markup (75%) $36.23
Should Sportswear International Charge $20 or $30 for each pair of shorts?

Cost
Fixed $800,000
Variable $10 per short

Forecasted Sales
65,000 shorts @ $20 per short
50,000 shorts @ $30 per short

Break-Even formula
$20 price = $800,000 / ($20 - $10) = 80,000 units
$30 price = $800,000 / ($30 - $10) = 40,000 units
1997 Annual Advertising Spending

Source: Prepared by Robert J. Coen, McCann-Erickson 1989
Leading National Advertisers 1997

Source: Advertising Age - Ad Age Dataplace 09/28/98
Problem Recognition
(need to replace an old broken down Bicycle)

Information Search
(search for store, models, prices, other’s opinions)

Evaluation of Alternatives
(Which can I afford? Which is most reliable? What will others think? Which performs better?)

Purchase
(decision based on emotions or rationale)

Purchase Behavior
(Were expectations met? observe how others react, test performance, compare new bike to old bike)
“Having perused the 928-page ‘Golden Jubilee’ Sears, Roebuck & Co. catalog lately mailed to 6,500,000 customers, Printer’s Ink last week marked three lessons for the average advertiser:

(1) Though the occasion was its fiftieth anniversary, Sears devoted less than one-tenth of one percent of the catalog to talking about itself, which might be a good proportion to keep in mind.

(2) Though it is necessary to describe mail-order merchandise in great detail, Sears provides more information than is ordinarily available in personal transaction.

(3) Nowhere in the volume is merchandise represented as a means to such ends are these:
   - Getting a husband.
   - Holding a husband.
   - Saving the home from wreckage.
   - Soothing the nerves.
   - Getting a date for the junior prom.
   - Overcoming social inferiority.
   - Curing a disease of the ‘housewife’s knuckles’ type.
   - Eliminating sleepless nights.
   - Preventing the baby from having to have dental plates at age seven.
   - Stimulating an emotional Jag.”

Time Magazine (1936)
Sears & Roebuck’s 1908 The Advertising Guide

“Copy reading ‘regardless of cost’ should be used sparingly, as cost is always regarded.

Exaggerated claims and unrestrained superlatives undermine customer’s confidence. Therefore avoid free use of such expressions as BEST, FINEST, BIGGEST, and avoid all statements the truth of which may be questioned.

Appeals to patriotism as an argument to induce buying are to be avoided.”
“I note your suggestion that you would make an extra pair of pants for $8.65. I am 71 years of age. The undertaker would charge me $35.00 for a burial suit. I would get to wear that but once. You are charging me $28.75 for a suit. I am pretty sure I will get to wear that a number of times, before being buried in it, so I am saving the difference in cost (I am not Scotch). Now as to the extra pair of pants. I will not need them where I am going.”

Letter to Sears & Roebuck
“I am a lonely school teacher in the dismal hills of Idaho. Would you be kind enough to do your share in assisting a poor forlorn teacher in her future happiness by sending this man which you advertised in your latest edition?

If at the present time this particular man is not in stock, I leave the responsibility of choosing my future mate up to you.”

Letter to Sears & Roebuck
Can you identify the company associated with the slogan?

1. Drivers Wanted.
2. The quicker picker upper.
4. Be all that you can be.
5. Like a Rock.
6. Quality is Job 1.
7. Have it your way.
8. Think Different.
10. Tastes great! Less filling!
11. Snap! Crackle! Pop!
12. We do chicken right.
THE PAUSE THAT REFRESHES
L S M F T
The codfish lays ten thousand eggs,
    the homely hen lays one.
The codfish never cackles
to tell you what she’s done.

And so we scorn the codfish,
while the humble hen we prize,
which only goes to show you
that it pays to advertise.

    - - ANON.
HOT CROSS BUNS, HOT CROSS BUNS,
ONE A PENNY, TWO A PENNY,
HOT CROSS BUNS,
IF YOUR DAUGHTERS DON’T LIKE THEM,
GIVE THEM TO YOUR SONS,
ONE A PENNY, TOW A PENNY,
HOT CROSS BUNS.
PLACE
Marketing Channels

**Consumer Products**

Producer → Agent/Broker → Wholesaler → Retailer → Consumer

Producer → Wholesaler → Retailer → Consumer

Producer → Retailer → Consumer

**Industrial Products**

Producer → Consumer

Producer → Wholesaler → Consumer

Marketing Intermediaries
Intermediary Efficiencies

5 PRODUCERS x 3 CONSUMERS = 15 TRANSACTIONS

5 PRODUCERS + 3 CONSUMERS = 8 TRANSACTIONS
Hog heaven

Harley-Davidson is feeling the wind in its face once again. A waiting list of two years to purchase a new “hog” has the motorcycle-maker ready to build a manufacturing plant in Kansas City, Mo.

Harley-Davidson profile*

Headquarters:
Milwaukee, Wis.

Employment:
4,700 Sales

Sales:
$1.35 billion

Net income:
$112.5 million

Units sold:
105,104 motorcycles

Foreign sales:
$395 million

*1995 numbers.

Harley’s back on top once again

The past decade has seen Harley’s popularity leave the others in the dust.

Source: Chicago Tribune, company reports