

# Marketing

## Marketing and The Marketing Mix

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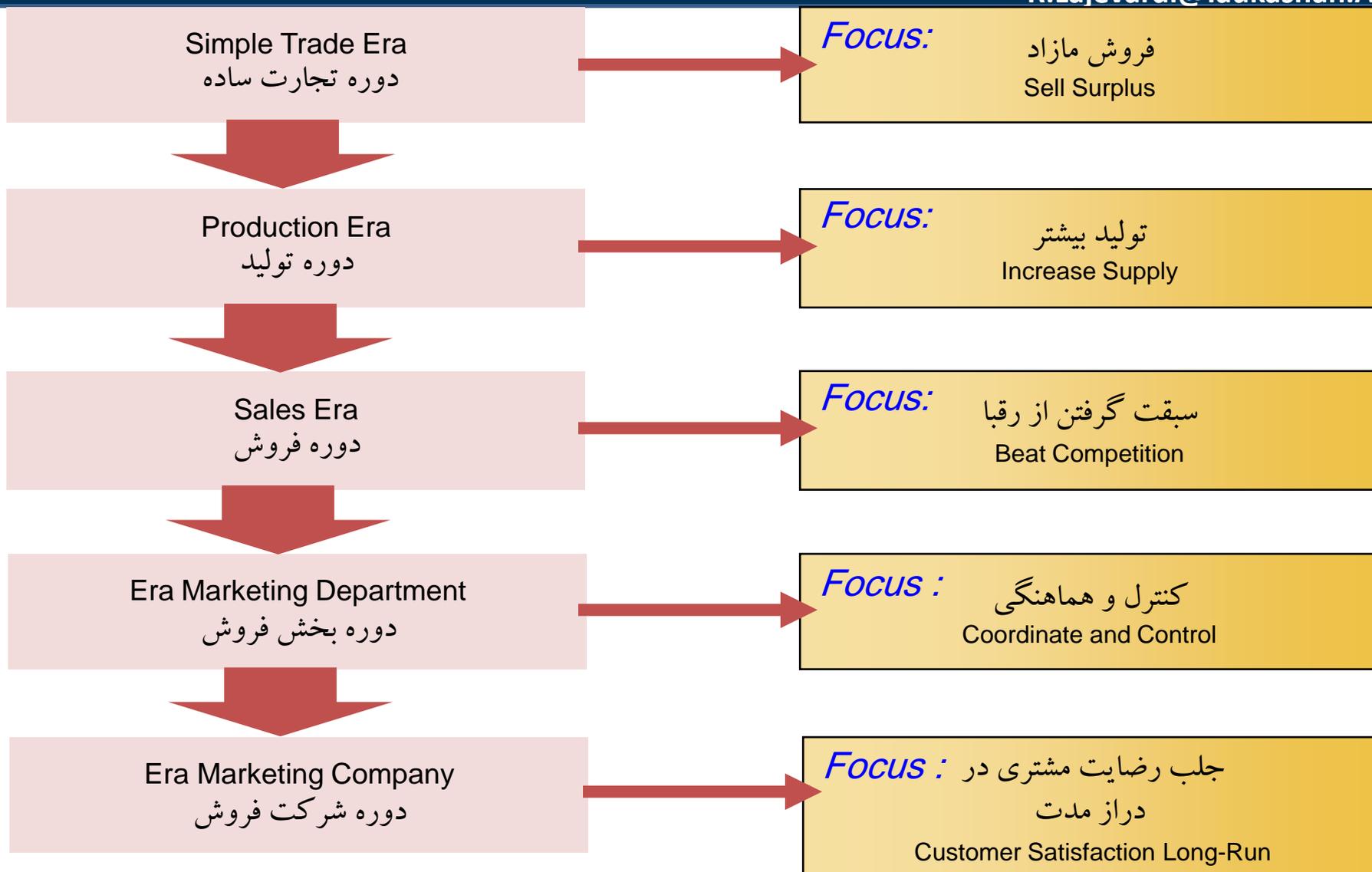
**Department of Mechatronics**

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**MSc in Mechatronics**

# تغییر در نقش بازاریابی

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# What is Marketing?

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- The chartered institute of marketing definition of marketing:  
“ **Marketing is the management process responsible for identifying, anticipating and satisfying requirements profitability. “**
- The customer is at heart of marketing.
- Customer must get:
  ۱. **the right product or service,**
  ۲. **at the right price,**
  ۳. **in the right place,**
  ۴. **at the right time.**
- Without proper marketing, companies can not get close to customers and satisfy their needs. And if they don't, a competitor surely will.

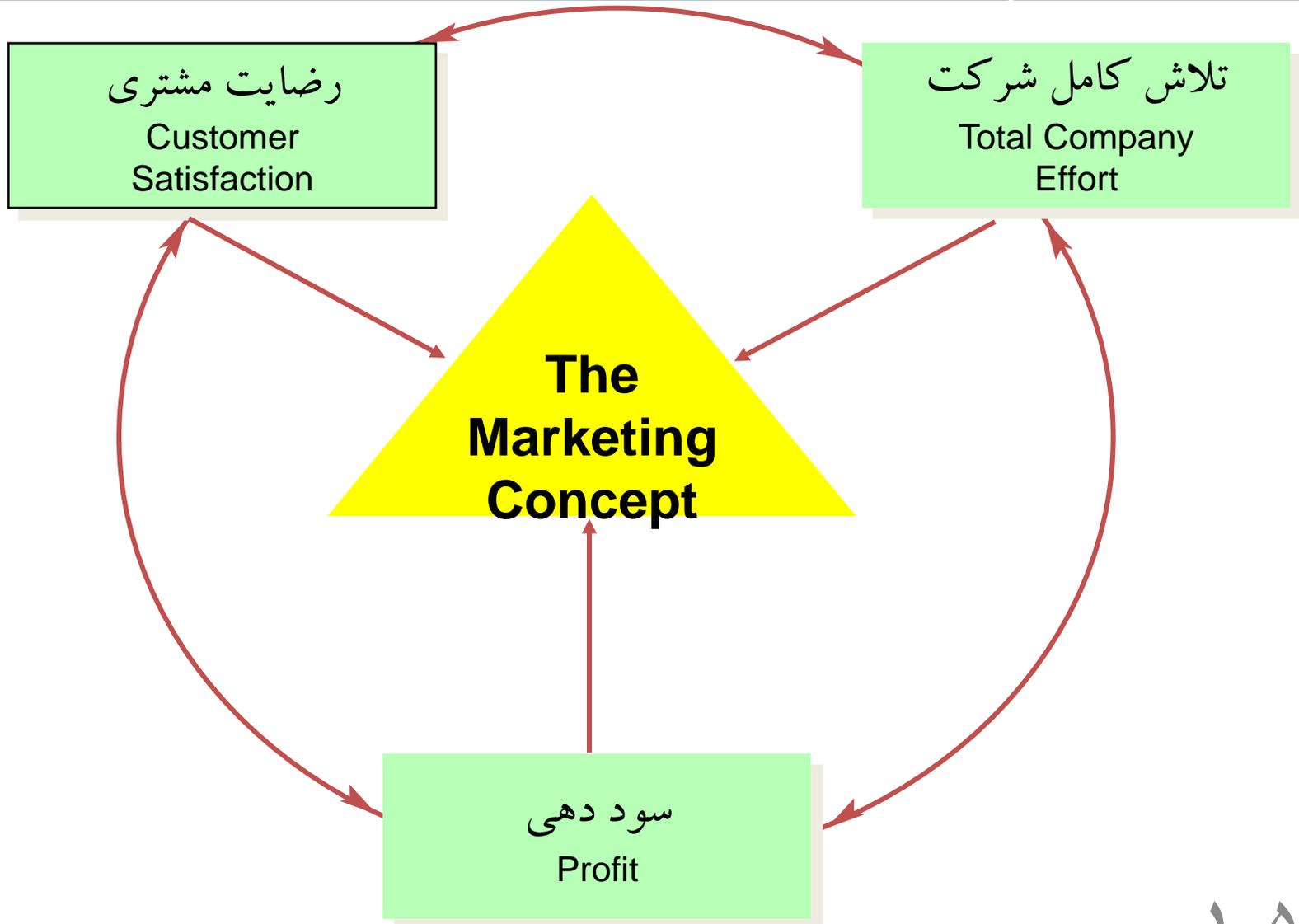
# What is Marketing? (Cont)

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- Marketing is not the same as advertising or selling.
- Marketing is a key management discipline that enables the producers of goods and services to interpret customer wants, needs and desires and match, or exceed them, in delivery to their target consumers.
- Every product we buy, every store we visit, every media message we receive, every choice we make in our consumer society has been shaped by the forces of marketing.
- What was once seen as a department activity within companies is now regarded as frontline business attitude of mind for all employees.

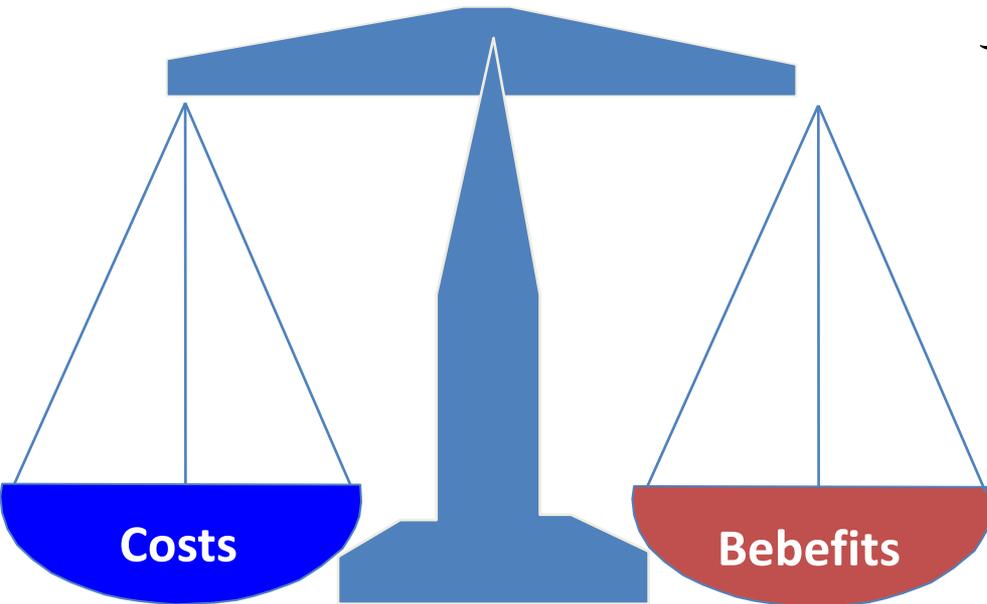
# The Marketing Concept

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# Customer Value

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بدست آوردن ارزشهای مشتری  
(Customer value) مستلزم دو فاکتور

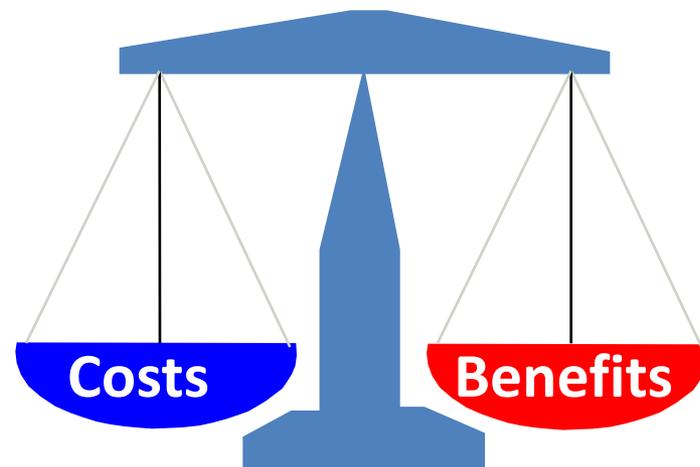
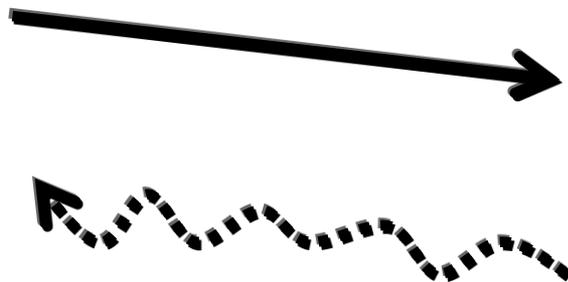
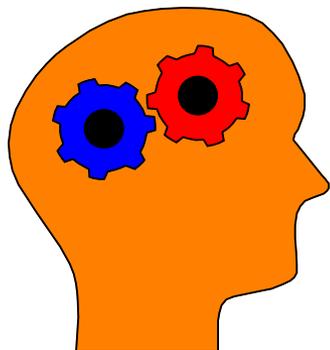
ذیل می باشد:

۱. مزایای بدست آمده از دید مشتری (که ارتباط مستقیم با سیاست های بازاریابی شرکت دارد) و
۲. هزینه بدست آوردن مزایای فوق

دید مشتری از مزایا و هزینه ها محدود به  $2 \times 2 = 4$  و یا منطق نیست! حتی قیمت پایین لزوماً منجر به بدست آوردن ارزشهای مشتری نمی شود!

# Customer Value (Cont)

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• باید توجه داشت که دید و نحوه ارزیابی یک مشتری نسبت به دید و نحوه ارزیابی مشتری دیگر متفاوت می باشد. لذا ارزشهای مشتری برای کلیه مشتریان یکسان نیست.

• بدست آوردن ارزشهای مشتری اشاره مستقیم به دید مشتری دارد که مقایسه مزایا نسبت به هزینه ها می باشد. البته در این مقایسه منطق هر مشتری متفاوت با مشتری دیگر است

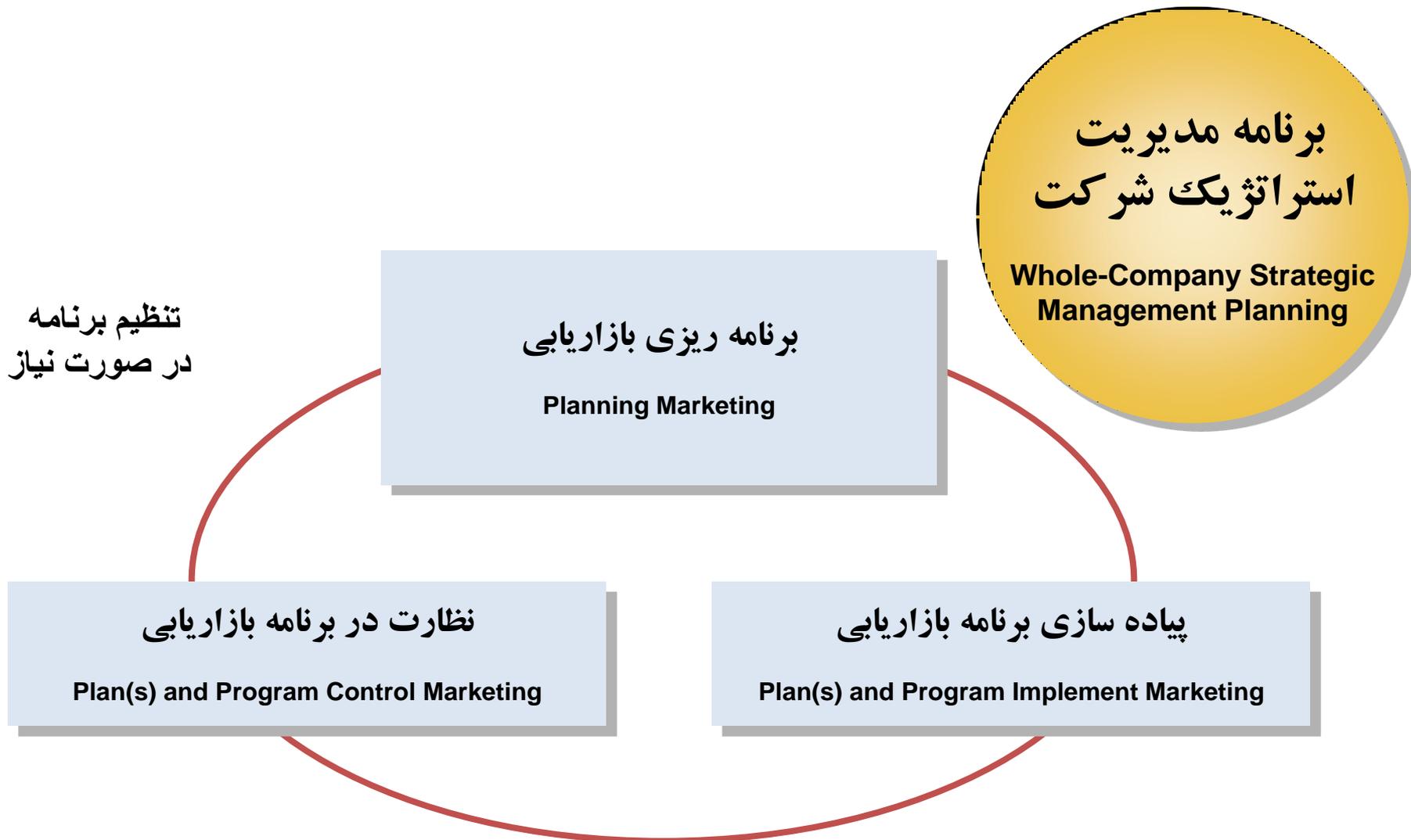
# Market Oriented Looks Easy – But It Isn't

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- بعضی اوقات حتی “بهترین” شرکت ها (سهواً) به دوره تولید باز می گردند
- با توجه به رقابت شدید در بازار فعلی (داخلی و جهانی)، خیلی اوقات مشکل است که:
  - با نیازهای مشتری جلو برویم
  - از رقبا سبقت بگیریم
  - فرصت هایی در بازار که متناسب با اهداف و منابع شرکت باشد پیدا کنیم
  - بدست آوردن ارزشهای کامل مشتری نسبت به محصول

# Managing Your Marketing Process

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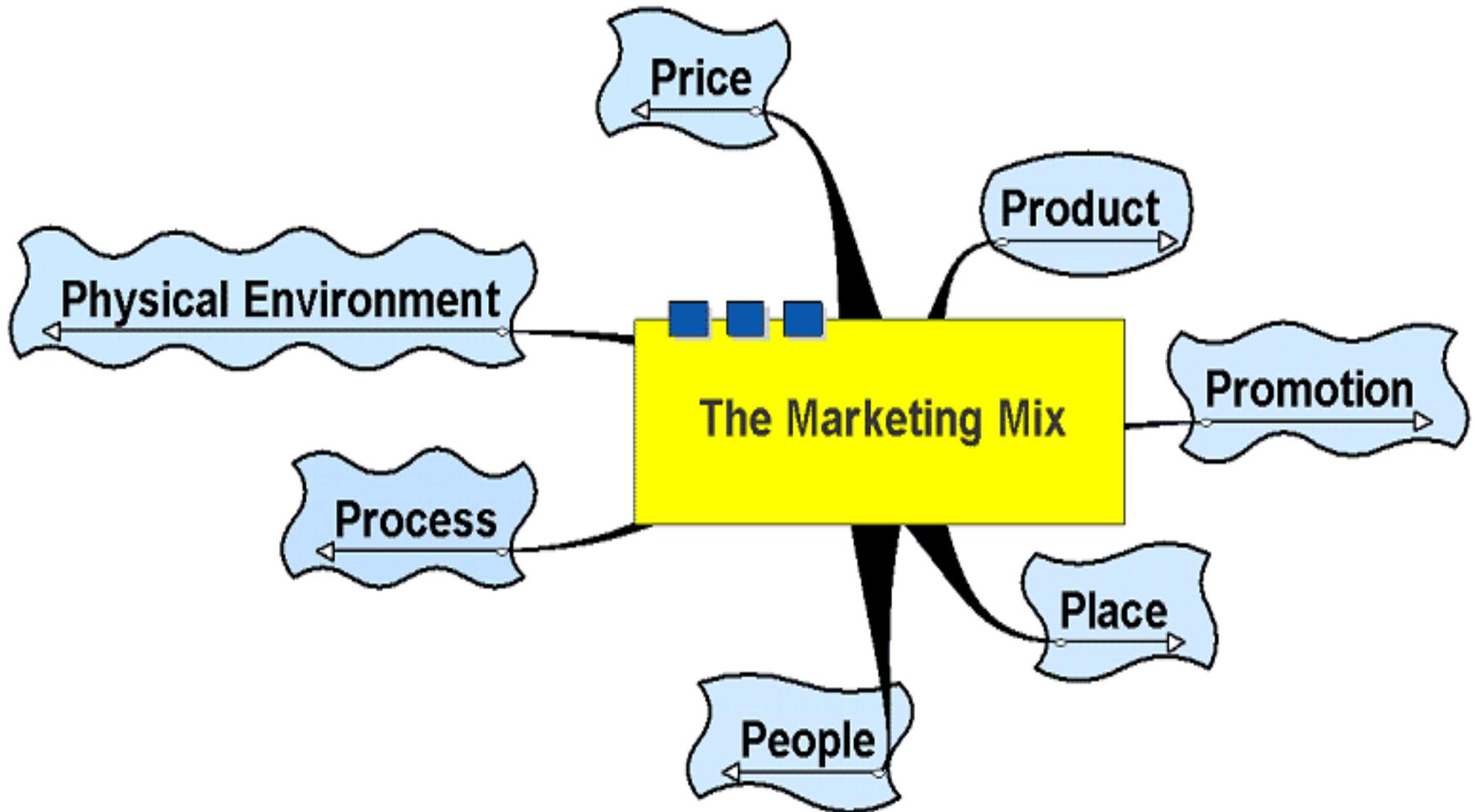
# The Marketing Mix

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## The 4 Ps

# The Marketing Mix

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# The Marketing Mix

- The tools available to a business to gain the reaction it is seeking from its target market in relation to its marketing objectives
- 7Ps – Price, Product, Promotion, Place, People, Process, Physical Environment
- Traditional 4Ps (Price, Product, Promotion, Place) extended to encompass growth of service industry

# Price



# Price Strategies - Skimming

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- In price skimming a firm charges the highest initial price that customers will pay. As the demand of the first customers is satisfied, the firm lowers the price to attract another, more price-sensitive segment.
- Therefore, the skimming strategy gets its name from skimming successive layers of "cream," or customer segments, as prices are lowered over time.
- Why Price Skimming?  
Price skimming occurs in mostly technological markets as firms set a high price during the first stage of the product life cycle. When the product enters maturity, the price is then gradually lowered.

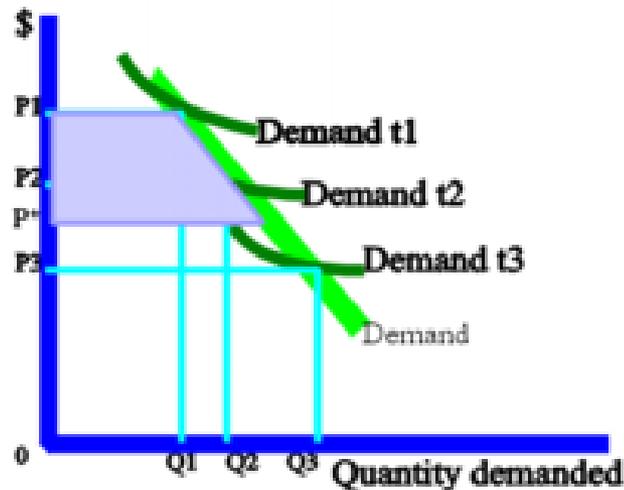


# Limitations of Price Skimming

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- It is effective only when the firm is facing an inelastic demand\* curve. If the long run demand schedule is elastic (as in the diagram), market equilibrium will be achieved by quantity changes rather than price changes.

\* constant demand



# Limitations of Price Skimming (Cont)

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- If using a skimming strategy, a marketer must speak and think in terms of product characteristics to stay on the right side of the law!



- The numbers sold could be low. This could cause problems for the manufacturer's distribution chain. It may be necessary to give retailers higher margins to convince them to handle the product enthusiastically.
- Skimming encourages the entry of competitors. When other firms see the high margins available in the industry, they will quickly enter.



# Limitations of Price Skimming (Cont)

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- Skimming results in a slow rate of stuff diffusion\* and adaptation. This results in a high level of untapped demand. This gives competitors time to either imitate the product or leapfrog it with an innovation. If competitors do this, the window of opportunity will have been lost.  
\* acceptance by the market
- High margins may make the firm inefficient. There will be less incentive to keep costs under control. Inefficient practices will become established making it difficult to compete on value or price.
- The manufacturer could develop negative publicity if they lower the price too fast and without significant product changes. Some early purchasers will feel they have been ripped off. They will feel it would have been better to wait and purchase the product at a much lower price. This negative sentiment will be transferred to the brand and the company as a whole.

# Price Strategies - Penetration

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- A pricing strategy where the price of a product is initially set at a price lower than the eventual market price, to attract new customers. The strategy works on the expectation that customers will switch to the new brand because of the lower price.
- Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume, rather than to make profit in the short term. The price will be raised later once this market share is gained.



# Price Strategies – Penetration (Cont)

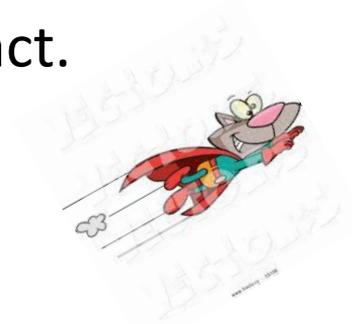
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- Price penetration is most appropriate where: product demand is highly price elastic.
- Substantial economies of scale are available.
- The product is suitable for a mass market (i.e. enough demand).
- The product will face stiff competition soon after introduction.
- There is not enough demand amongst consumers to make price skimming work.
- In industries where standardization is important. The product that achieves high market penetration often becomes the industry standard (e.g. Microsoft Windows) and other products, whatever their merits, become marginalized. Standards carry heavy momentum.

# Penetration Pricing - Advantages

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- It can result in fast diffusion and adoption. This can achieve high market penetration rates quickly. This can take the competitors by surprise, not giving them time to react.
- It can create goodwill among the early adopters segment. This can create more trade through word of mouth.
- It creates cost control and cost reduction pressures from the start, leading to greater efficiency.



# Penetration Pricing – Advantages (Cont)

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- It discourages the entry of competitors. Low prices act as a barrier to entry.



- It can create high stock turnover throughout the distribution channel. This can create critically important enthusiasm and support in the channel.
- It can be based on marginal cost pricing, which is economically efficient.

# Penetration Pricing – Disadvantages

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- The main disadvantage with penetration pricing is that it establishes long term price expectations for the product, and image preconceptions for the brand and company. This makes it difficult to eventually raise prices. Some commentators claim that penetration pricing attracts only the switchers (bargain hunters), and that they will switch away as soon as the price rises.

A common solution to this problem is sales promotion). In this way, the perceived price points remain high even though the actual selling price is low.



- Another potential disadvantage is that the low profit margins may not be sustainable long enough for the strategy to be effective.



# Other Pricing Strategies

- **Psychological Pricing** - The theory is, certain prices have a psychological impact. E.g., ۵۹۹ rather than ۶۰۰
- **Cost-Plus Pricing** – There are many variations of the this strategy but the most common one is:  
cost + markup = selling price      ۱۰۰ + ۲۰ = ۱۲۰  
Big danger, if the cost is not calculated correctly.
- **Loss-leader Pricing** - One use of a loss leader is to draw customers into a store where they are likely to buy other goods. The vendor expects that the typical customer will purchase other items at the same time as the loss leader and that the profit made on these items will be such that an overall profit is generated for the vendor.

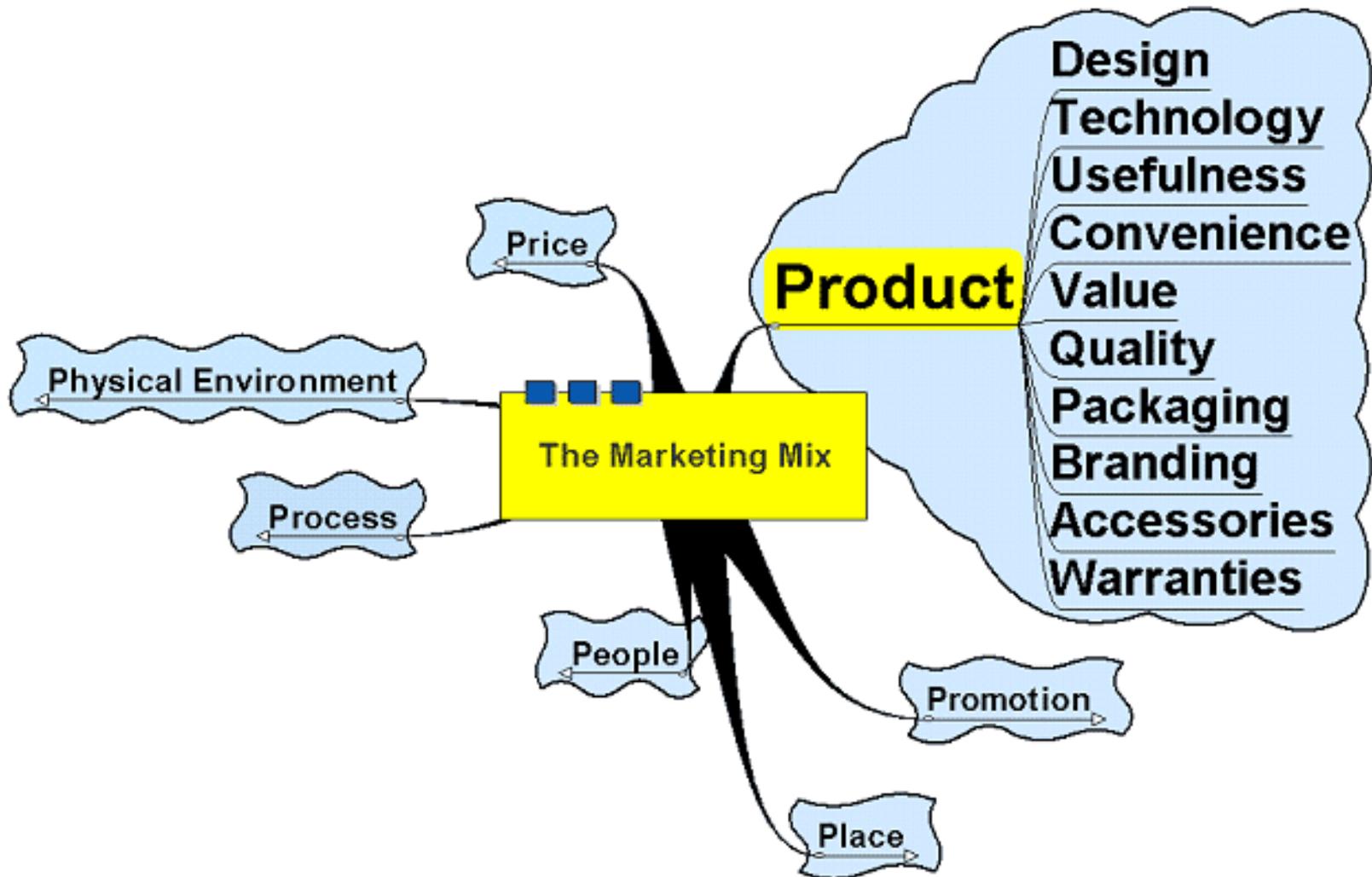
# Pricing Strategy – Final Word

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- Importance of:
  - knowing the market
  - elasticity
  - keeping an eye on rivals



# Product



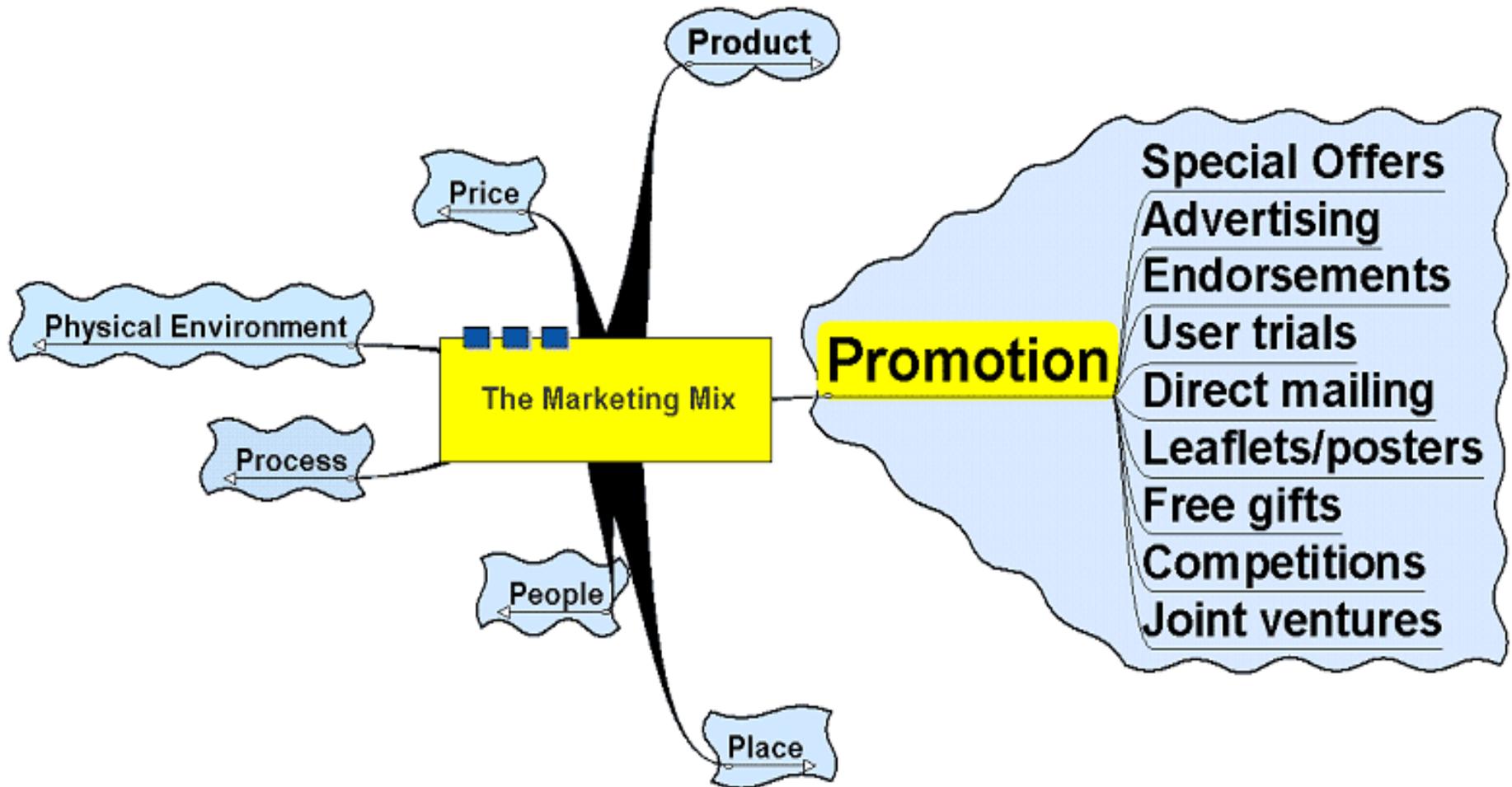
# Product (Cont)

- **Product design** is the process of creating a new product to be sold by a business to its customers.
- In a systematic approach, product designers conceptualize and evaluate ideas, turning them into tangible inventions and products. The product designer's role is to combine art, science, and technology to create new products that other people can use. Their evolving role has been facilitated by digital tools that now allow designers to communicate, visualize, analyze and actually produce tangible ideas in a way that would have taken greater manpower in the past.
- **Product Technology** - Product design and engineering

# Product (Cont)

- Methods used to improve/differentiate the product and increase sales or target sales more effectively to gain a competitive advantage, namely:
  - Extension strategies
  - Specialised versions
  - New editions
  - Improvements (real or otherwise!)
  - Changed packaging
  - Technology, etc.

# Promotion



# Promotion

- Strategies to make the consumer aware of the existence of a product or service. It is NOT just advertising
  ۱. Special offers
  ۲. Advertising
  ۳. Endorsements
  ۴. User trials
  ۵. Direct mailing
  ۶. Leaflets/Posters
  ۷. Free gifts
  ۸. Competitions
  ۹. Joint ventures

# Place



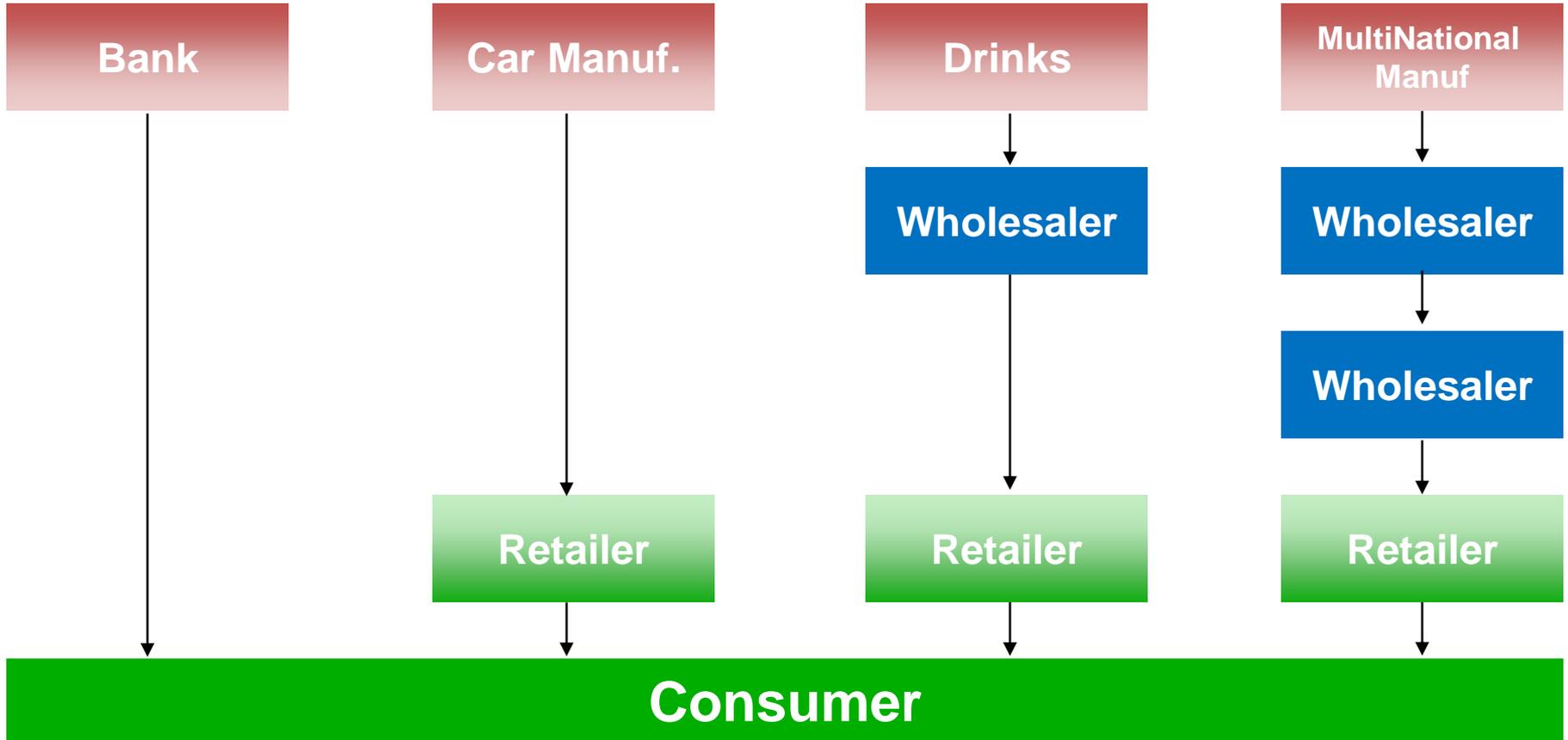
# Place (Cont)

- The means by which products and services get from producer to consumer and where they can be accessed by the consumer.
  - The more places to buy the product and the easier it is made to buy it, the better for the business (and the consumer?)
    ۱. Retail
    ۲. Wholesale
    ۳. Mail order
    ۴. Internet
    ۵. Direct sales
    ۶. Peer to Peer
    ۷. Multi-channels

# Direct Sale/Retail/Wholesale/Multi Wholesale

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Manufacturer or producer



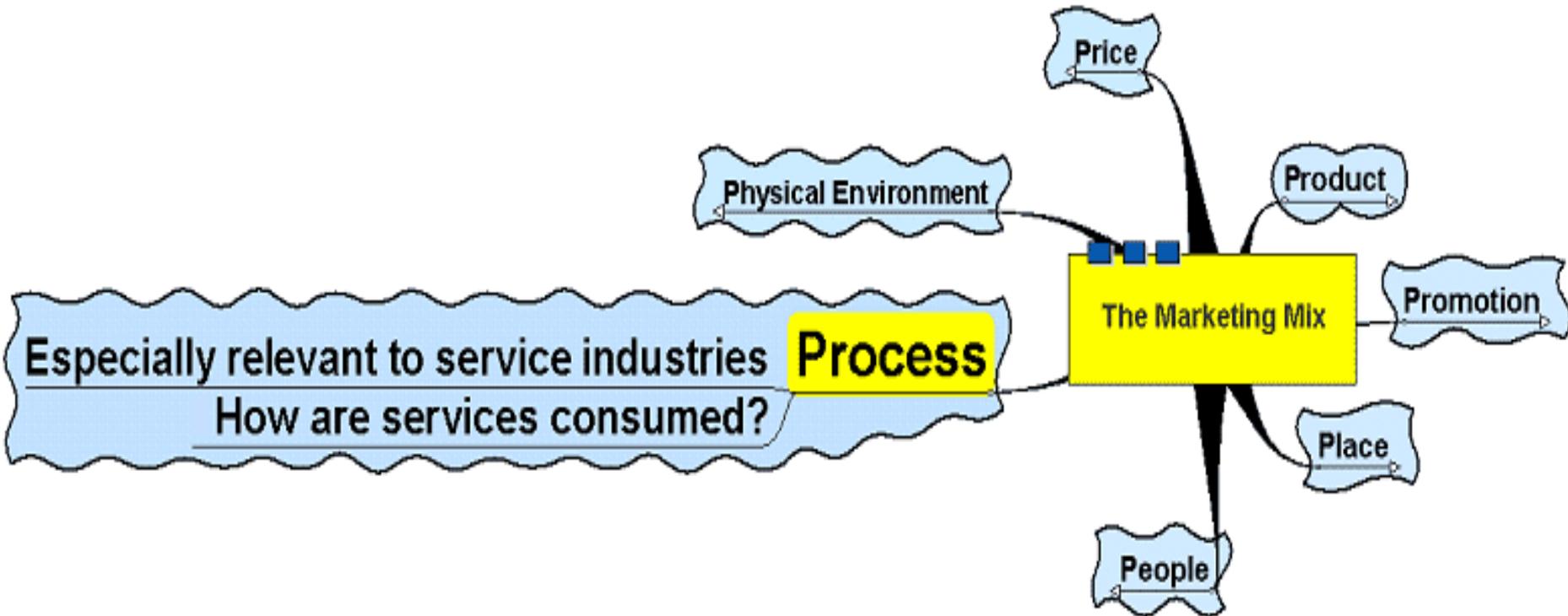
# People



# People (Cont)

- People represent the business
  - The image they present can be important
  - First contact often human – what is the lasting image they provide to the customer?
  - Extent of training and knowledge of the product/service concerned
  - Mission statement – how relevant?
  - Do staff represent the desired culture of the business?

# Process

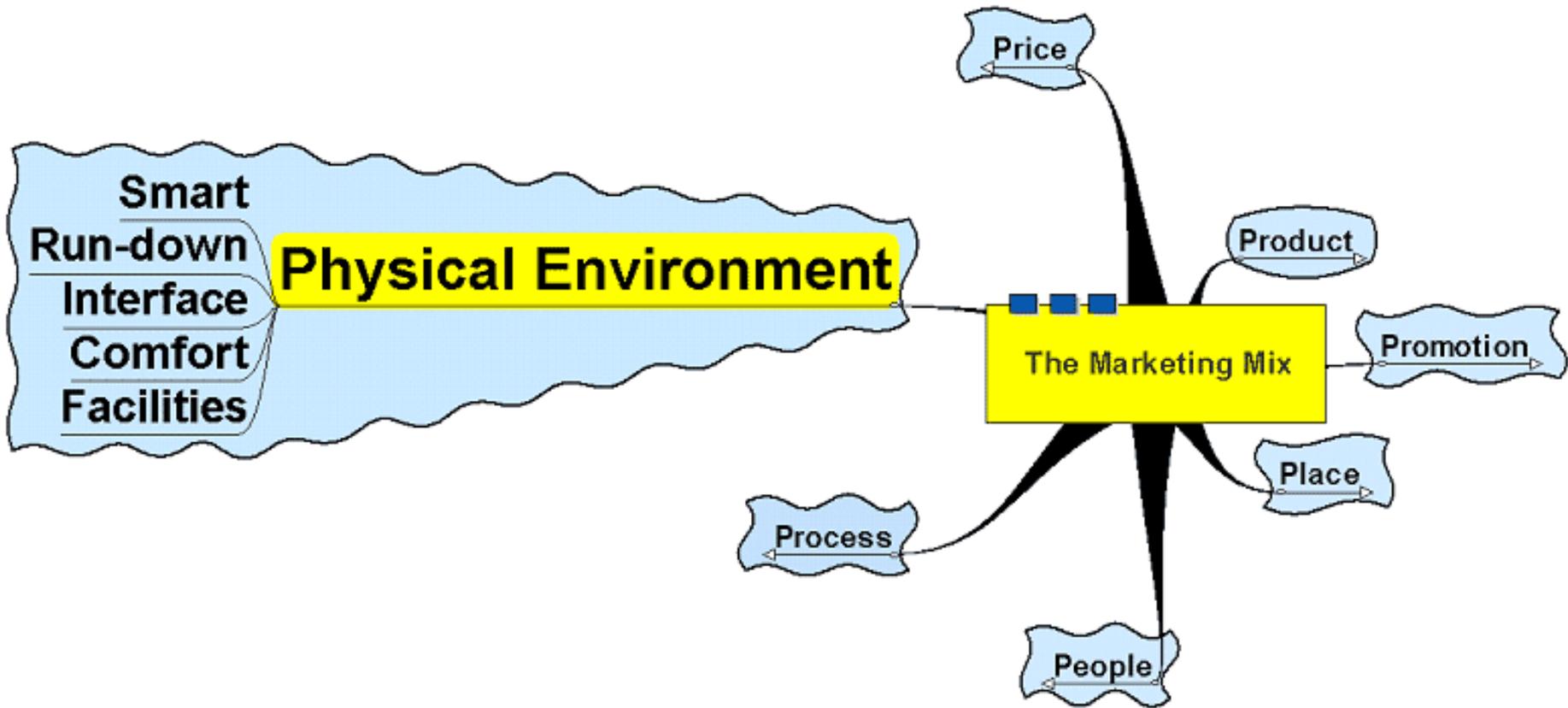


# Process (Cont)

- How do people consume services?
- What processes do they have to go through to acquire the services?
- Where do they find the availability of the service?
  - Contact
  - Reminders
  - Registration
  - Subscription
  - Form filling
  - Degree of technology

# Physical Environment

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# Physical Environment (Cont)

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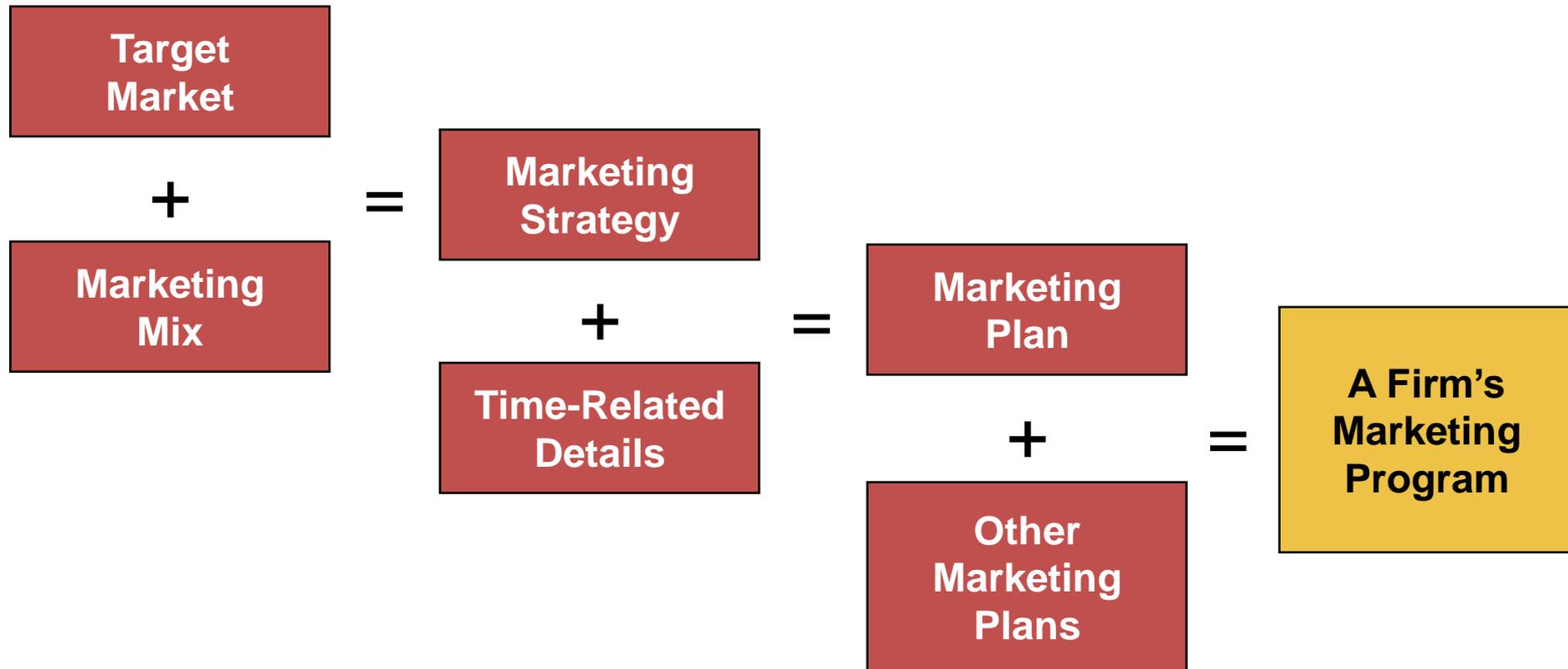
- The ambience, mood or physical presentation of the environment
  - Smart/shabby?
  - Trendy/retro/modern/old fashioned?
  - Light/dark/bright/subdued?
  - Romantic/chic/loud?
  - Clean/dirty/unkept/neat?
  - Music?
  - Smell?

# Blend of The Mix

- **Blend of the mix depends upon:**
- Marketing objectives
- Type of product
- Target market
- Market structure
- Rivals' behaviour
- Global issues – culture/religion, etc.
- Marketing position
- Product portfolio
  - Product lifecycle
  - Boston Matrix

# Elements of the Marketing Program

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# Distribution of Different Firms Based on Performance

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Death-wish  
marketing

Best-practices  
marketing

