# Chapter 12 Marketing management

1. **Evolution of marketing thought** ................................................................. 4  
   1.1. Operation oriented management .......................................................... 4  
   1.2. Sales operated management ................................................................. 4  
   1.3. Marketing oriented management ......................................................... 5  
   1.4. Consumer oriented management ......................................................... 5  
   1.5. Strategic approach to marketing ......................................................... 5  
   1.6. Relationship marketing ....................................................................... 5  

2. **Marketing concept** .................................................................................. 6  
   2.1. Profitability ......................................................................................... 6  
   2.2. Consumer orientation ......................................................................... 6  
   2.3. Social responsibility ......................................................................... 6  
   2.4. Organizational integration ................................................................... 7  
   2.5. Merits of marketing concept ............................................................... 7  

3. **Defining marketing** .................................................................................. 7  

4. **Components of marketing process** ........................................................ 7  

5. **Market research** ..................................................................................... 8  
   5.1. Need for information .......................................................................... 8  
   5.2. Marketing research methodology ...................................................... 8  
   5.3. Market forecasting ............................................................................ 9  
      5.3.1. Sales forecasting ................................................................. 9  
      5.3.2. Forecasting on profit contribution .............................................. 9  

6. **Consumer behavior** .............................................................................. 9  
   6.1. Determinants of consumer behaviour ................................................. 9  
      6.1.1. Individual factors ................................................................. 10  
      6.1.2. Group factors ........................................................................ 10  
   6.2. Consumer decision making ............................................................... 10  

7. **Market segmentation** ......................................................................... 10  
   7.1. Total market approach – market aggregation ...................................... 11  
   7.2. Market segmentation approach ......................................................... 11  
   7.3. Requirements for meaningful market segmentation .......................... 11  
   7.4. Criteria for market segmentation ....................................................... 11  
   7.5. Segment profiles ............................................................................. 12
8. Target market selection and positioning ................................................................. 12
9. Marketing instruments ............................................................................................ 12
10. Product decisions .................................................................................................. 12
  10.1. Product offering ................................................................................................. 12
  10.2. What is a product? ............................................................................................ 12
  10.3. Classification of consumer products ................................................................. 13
  10.4. Brand decisions ............................................................................................... 13
      10.4.1. Meaning of brands ..................................................................................... 13
      10.4.2. Advantages to use brand names – consumer ............................................... 13
      10.4.3. Advantages to use brand names – marketer ................................................ 13
      10.4.4. Brand loyalty ............................................................................................ 13
      10.4.5. Manufacturer, dealer or generic brands ....................................................... 14
      10.4.6. Individual / family brands ........................................................................ 14
  10.5. Packaging decisions ......................................................................................... 14
      10.5.1. Different kinds of packaging ....................................................................... 14
      10.5.2. Choice of package design .......................................................................... 14
  10.6. Product differentiation ..................................................................................... 14
  10.7. Product obsolescence ...................................................................................... 15
  10.8. Multiproduct decisions ................................................................................... 15
  10.9. New product decisions .................................................................................. 15
  10.10. Nature of products life cycle .......................................................................... 15
      10.10.1. Introductory phase ..................................................................................... 16
      10.10.2. Growth phase ........................................................................................ 16
      10.10.3. Maturity phase ....................................................................................... 16
      10.10.4. Declining phase ..................................................................................... 16
  11. Price decisions ..................................................................................................... 17
  11.1. Meaning of a price ........................................................................................... 17
  11.2. Price determination process ........................................................................... 17
      11.2.1. Cost price .................................................................................................. 17
      11.2.2. Market price ............................................................................................ 17
      11.2.3. Target price ............................................................................................. 17
      11.2.4. Final price ............................................................................................... 18
  11.3. Adjustments to final prices .............................................................................. 18
      11.3.1. Skimming process ..................................................................................... 18
      11.3.2. Market penetration price .......................................................................... 18
      11.3.3. Market price level ................................................................................... 18
      11.3.4. Leader prices .......................................................................................... 18
      11.3.5. Odd prices ............................................................................................. 18
      11.3.6. Bait prices ............................................................................................... 19
12. Distribution decisions

12.1. Description of distribution

12.2. Choice of distribution channel

13. Channel leadership

13.1. Manufacturers as channel captain

13.2. Retailer as channel captain

13.3. Market coverage

13.4. Physical distribution

14. Marketing communication decisions

14.1. Nature of marketing communication

14.2. Advertising

14.2.1. Advertising media

14.2.2. Advertising message

14.3. Personal selling

14.4. Direct marketing

14.5. Sales promotion

14.6. Publicity

14.7. Public relations

14.7.1. Defining public relations

14.7.2. Public relations media
• Business organization = institution of free market that attempts to satisfy needs and wants of the community while make a profit
• System that converts inputs (raw material and labour) into
• Outputs (products / services) for society
• Marketing process – transfer of products / services to the market
• Process consist of the following:
  o Environment scanning by means of market research
  o In order to collect info on which market management can base their decisions
  o Development of a market offering which consists
    ▪ Tangible products
    ▪ Intangible services
  o Offered at a specific price
  o At convenient place
  o And consumer has received sufficient information
• During the process of marketing management must:
  o Monitor competitors
  o Develop strategies to exploit opportunities in business environment
  o Counter threats, bearing in mind Organizational strengths and weaknesses
• Based on these activities is the primary objective of ensuring the maximization of profit over long term
• Marketing = bridge between business and environment
• Marketing function starting point is organization s management

1. Evolution of marketing thought

1.1. Operation oriented management
• Operation oriented organization tried to increase the number and variety of products they produced.
• Products
  o What can we do best?
  o What can our engineers design?
  o What is easy to produce?
• Services
  o What services are most convenient to us to offer?
  o Where do our talents lie?
• Disadvantage was management concentrated in encouraging production in order to solve operation problems

1.2. Sales operated management
• Stocks began to pile up
• Management became more sales oriented
• Misleading advertisements were offered
• Objective to sell products at all cost
• Led to excessive promotion, high advertising and sales cost
• Increasing competition – higher marketing management

1.3. Marketing oriented management
• Not just sales and price to be considered but also:
  o Quality of products
  o Packaging
  o Choice of distribution channels
  o Method of informing potential customers

1.4. Consumer oriented management
• Increasing consumer products available and fine position of consumers improved – consumer demands changed
• Consumer needs, demands and preferences need to be considered
• These decisions include:
  o Choice about quality
  o Packaging of products
  o Brand name
  o Type of distribution channel
  o Price
  o Marketing communication methods

1.5. Strategic approach to marketing
• Continual change in marketing environment and need for survival and growth means management needed to concentrate on long term environment scanning
• Scanning allowed management to identify:
  o Environment changes – technological innovation
  o Economic influences
  o Political factors
  o Changing consumer preferences
  o Demographic aspects
  o Increasing competition
• Maintaining close relationships internally and externally is important

1.6. Relationship marketing
• Needed to establish long term relationships with people and institutions in environment
• Long term relationship with customers – loyalty and repeated purchase of need satisfying products
• Long term relationships with supplies ensure availability of raw materials and inventory
• Primary objective is to establish and maintain relationships with loyal profitable clients
• To obtain this:
  o Attraction
  o Retention
  o Enhancement of customer relationships
• Loyal customers important
• Loyal customers basis of organization operations
• Buyers and sellers should strive towards same objectives
• Long term relationship between producers and intermediaries can ensure products availability at right time and right place
• Everyone needs to realize customer satisfaction and marketing success will be needed in own career opportunities and remuneration
• Marketing task in market driven organization - need to be done according to ethical code
• If you promise something and don’t deliver = fraud

2. Marketing concept

• Is the ethical code according to which marketing task is performed
• It directs all marketing decisions about:
  o Products
  o Distribution methods
  o Marketing communication
  o Price determination
• 4 principles of marketing concept:
  o Profitability
  o Consumer orientation
  o Social responsibility
  o Organizational integration

2.1. Profitability

• Is the long term maximization of profitability
• Primary objective in free market
• Main objective in free market
• Fundamental to marketing concept
• Emphasis profitability not sales

2.2. Consumer orientation

• Satisfaction of consumer needs, demands and preferences constitutes a consumer oriented approach.
• Even though consumer is very important satisfaction of consumer needs can never be achieved
• Satisfaction can only be given within constraints of profit objective and resources of business
• Consumer oriented means consumer must be supplied with adequate and correct info

2.3. Social responsibility

• Business often discharge this responsibility by spending money on projects like housing, education
• This created a stable environment for future profits
• Enhances corporate image with empl, consumers, public
• Should a business act irresponsibly = punitive measures
• Sponsorship must be supported by marketing communication to ensure large audience
• If successful – new coverage
• Marketing management must ensure that nothing detrimental is done
2.4. Organizational integration

- Express need for close co-operation between all functions of business
- All functional decisions – successful marketing
- Co-operation between:
  - Marketing
  - Operational
  - Purchasing
  - Other function
- Organization integration pre-requisite for success.

2.5. Merits of marketing concept

- Criticism of consumer exploration is refuted by principles of marketing concept
- Marketer guards name of product
- Pay attention to criticism

3. Defining marketing

- Consists of management tasks and decisions
- Directed at meeting opportunities and threats
- In dynamic environment
- By effectively developing and transferring a need satisfying market offering
- To consumers
- In such a way that the objective of business and consumer and society will be achieved

4. Components of marketing process

- Simplest form of marketing process is transfer of products / services from one person to another
- In business management marketing entails transfer of a product to a consumer
- Fundamental of marketing process is a need and transaction to satisfy that need
- Marketing – transaction between 2 parties (organization and customer)
- 4 variables are used to make decisions: (4 P’s)
  - Product itself
  - Place where it is offered (distribution)
  - Marketing communication methods to inform customer (promotion)
  - Price – reflects the products value
- 4 variables = marketing mix that combine to form market offering the consumers purchase
- Marketing offering should not satisfy individual but market segment
- From different market segments target market is selected
- Market research done for info on:
  - Market
  - Competitors
  - Environmental changes
5. Market research

5.1. Need for information

- To manage information is needed
- Continuous scanning micro, market and macro environment
- Do SWOT analysis before decisions are made
- Info collected via scanning should include:
  - External variables and internal resources in form of records and reports about current prices
  - Sales figures and market trends
  - Changes in market share
  - Consumer preferences
  - New legislation
  - Product schedules
  - Internal financial problems
- Information can also be obtained from market research
- This information needs to:
  - Increase understanding of relevant market segment and it’s consumers
  - Be pertinent to planning and controlling
  - Help decisions making once alternative sources of info is considered.

5.2. Marketing research methodology

- Systematic gathering analysis and interpretation of info about all types of marketing problems
- Use recognized scientific methods for accumulation of info to facilitate market management decision making
- Recognized method = survey method
- Use a questionnaire
- Trained field workers to ask questions
- 12 steps to conduct survey:
  - Description of problem to be investigated
  - Formulation of probable explanations and causes for define problem
  - Investigate all hypothesis to dominate less likely and to find solution to problem
  - Compilation of questionnaire:
    - Specify info needed
    - Specify type of interviewing method
    - Determine content of individual questions
    - Design questions to overcome respondents inability and unwillingness to answer
    - Decide on structure of questions
    - Arrange questions in order
    - Identify form and layout
    - Reproduce questionnaire
    - Pre-test questionnaire
  - Testing of questionnaire
  - Selections of respondents
  - Training of field workers
  - Analysis and assimilations of info collected
  - Interpretation of information
Writing of research report and making recommendations based on conclusions
Manage evaluation
Implementation of management decisions

5.3. Market forecasting

• Before exploiting opportunity potential in terms of profit must be established
• Measuring size of opportunity is forecasting future sales

5.3.1. Sales forecasting

• Following types often used:
  o Forecasting done by panel of experts from in and out of organization
  o Forecasting based on market research
  o Forecasting based on consumer reactions in test marketing
  o Forecasting based on historical data
  o Forecasting based on mathematical and statistical models

5.3.2. Forecasting on profit contribution

• Done for long term periods
• Done for full payback period = time taken to recoup capital expenses incurred of producing a product
• During payback the money invested has to be recovered through earnings generated by sales

6. Consumer behavior

• Behavior patterns of decision making units (individual / family) directly involved in purchase and use of products
• Including decision making process preceding and determining the behaviour patterns
• Consumer behaviour consist of overt acts (observable)
• Also include covert process (not observable)
• Cannot see the weighing up financial position
• Knowledge of factors that determine consumer behaviour from basis of consumer oriented marketing strategies
• Consumer receives inputs from environment
• Output is what happens
• In between are constructs – process to decide to buy
• Individual / group factors influence decision making

6.1. Determinants of consumer behaviour

• 2 main factors:
  o Individual factors peculiar to person
  o Group factors
• Decision making by buy in centre:
  o Consideration of different roles of members of buying centre
6.1.1. Individual factors

- Needs – motives
- Attitudes
- Learning ability – learn marketers message
- Personal traits
- Consumer perceptions

6.1.2. Group factors

- Family
- Reference groups
- Opinion leaders
- Culture group

6.2. Consumer decision making

- Every decision involves risk
- Functional risk – product does not work
- Social risk – peer group do not approved of purchase
- During time a consumer takes to make decision marketers try to influence them
- 4 influences in Organizational buying decision:
  - Environment
  - Organization itself
  - Buying group
  - Individual buyer
- Decision making process has phases:
  - Awareness of unsatisfied need or problem
  - Gathering of info on how to best solve problem
  - Evaluation of possible solutions
  - Decision on course of action or purchase
  - Post purchase evaluation
- Habitual purchasing when clients are loyal

7. Market segmentation

- Market consist of people with diff needs and wants
- Marketer must decide what to fulfill
- Must focus on group in market
- Market consists of relatively large no of people who:
  - Have a need for a specific product
  - Have the money to buy it
  - Are willing to spend money on it
• Are legally able to buy the products
• For market to exist all of above must be in place
• Market can be subdivided:
  o Consumer market
    ▪ Individual purchasing for own consumption
  o Industrial market
    ▪ Groups purchasing raw material to produce goods
  o Resale market
    ▪ Indiv, groups, org’s purchasing products to resell
  o Government market
    ▪ State dept purchasing products need to supply services
• Effective market segmentation should follow steps:
  o Identify the needs of consumers in the market
  o Group needs in homogenous subgroups with similar characteristics
  o Select target markets on which organization will focus
  o Position products within selected segment

7.1. Total market approach – market aggregation
• Target all customers in same way
• Eg salt, flour, bread
• Market aggregation is exception not rule
• Because customers needs are different

7.2. Market segmentation approach
• Total heterogeneous market subdivided in homogenous groups with uniform characteristic
• Diff products are developed to satisfy different needs
• Multi segment approach in which many segments are served with basis product with minor changes
• Or choose one segment and focus on them
• 3 approaches:
  o Total market approach
  o Single segment approach
  o Multi segment approach

7.3. Requirements for meaningful market segmentation
• Segment must be identifiable and measureable
• Must be substantial and sustainable
• Must be reachable
• Must be responsive

7.4. Criteria for market segmentation
• Geographic area – place of residence
• Demographic – age, gender, family size
• Psychographic – personality factors, lifestyle
• Behavioural criteria – purchase occasion, benefits sought, user status, usage rate.
• Brand loyalty is encouraged when customers become loyal – competitive position is strengthened
• Price sensitivity – consumers want cheaper prices
• Reverse price sensitivity – consumers act negatively if price is too cheap
• Consumers are sensitive to:
  o Service
  o Quality
  o Advertisements
• Market can also be segmented by product benefits
• Segment profile = when criteria combine benefits and products

7.5. Segment profiles
• Demographic, geographic and usage provide a profile for specific segment

8. Target market selection and positioning
• Heterogeneous groups subdivided into homogeneous groups
• Objective and resources of organization must be considered before a target market can be selected
• Target market selection is not only 1 market
• Selection does not mean you own selected market
• Decide on direct marketing or niche marketing

9. Marketing instruments
• 4 marketing mix instruments
  o Product
  o Distribution
  o Marketing communication
  o Price

10. Product decisions
10.1. Product offering
• Products offering can be single item or number of items
• Changes according to demands at time on situation in market
• Product decisions – decisions of product itself like brand, packaging

10.2. What is a product?
• Composition of tangible or intangible need satisfying utility offered to customers by an organization so that customers can take note of them, procure them and use them.
• Consumer products consist of:
  o Core product – can be described in technical or physical qualities
  o Formal product – include specific feature eg style
  o Need satisfying product – guarantees, installation
  o Product image – symbolic value of products
Total product – all above mentioned components

10.3. Classification of consumer products

- Consumer products are intended for immediate use by households
- Durable – fridge, cars
- Non durable – milk, chocolate
- Can be classified on basis of consumer buying habits:
  - Convenience products – sweets
  - Shopping products – clothing
  - Speciality products – unique characteristics

10.4. Brand decisions

10.4.1. Meaning of brands

- Mark that is unique to a product marketed by business
- Is chosen to distinguish them from other competitors
- Includes brand name, specially designed trademark
- Brand name is a word
- Trademarks act – can use them for 10 years

10.4.2. Advantages to use brand names – consumer

- Facilitate identification of products when purchasing
- Assume consumer of quality standard they can count on
- Offer a certain degree of protection to consumer
- Facilitate decision making
- Serve as a warning against products that don’t meet the requirements set by customers

10.4.3. Advantages to use brand names – marketer

- Brands are foundation stone of marketing communication strategy
- Brands promote brand loyalty among consumers
- Make price comparison with competing products more difficult
- Brands are inseparable part of product image
- Brands make products differentiation possible
- Brands facilitate expansion of existing products

10.4.4. Brand loyalty

- Is a result of good product quality, proven usefulness and repeated marketing communication
- 3 phases of loyalty
  - Brand recognition
  - Brand preference
  - Brand insistence
10.4.5. Manufacturer, dealer or generic brands

- Large retailers by unmarked products and use their own names
- Manufacturer must decide to offer unmarked products
- There must be a market for unmarked products

10.4.6. Individual / family brands

- Marketing management must decide to use individual brand eg black label or use family brands eg Kellogs
- Family brand – cost of introduction to market is cheaper
- New products – benefits of the popularity of other products
- Individual brands are expensive to market
- Separate marketing communication for every product

10.5. Packaging decisions

- Group of activities concerned with design manufacturing and filling a container or wrapper
- With product item so that it can effectively protected, stored, transported, identified and successfully marketed.
- Should be designed so that product can be handled without damaging content
- Should promote product sales
- Use bright eye catching colours

10.5.1. Different kinds of packaging

Family packaging
- All products in range are more or less packed identically
- Related to family brands

Speciality packaging
- Gives image of exclusivity to product
- Perfume and jewelry

Reusable packaging
- Image of free container
- Leads to repeat purchases because consumers collect tins

10.5.2. Choice of package design

- Marketers often choose different and better packaging that competitor
- Shapes of packaging – symbolic value
- Males – square
- Females – round
- Unusual sizes draw attention but price comparison is made difficult

10.6. Product differentiation

- Diff by means of packaging and brand
- Diff by advertisement appeals
• Diff on basis of price
• Diff on basis of distribution outlet

10.7. Product obsolescence
• Product can be made obsolete technically and physiologically to compel consumer to repeat purchase
• Technical – light bulb
• Physiological – new fashion or style
• Physiological – old product might be effective but is discarded to buy new product
• Planned obsolescence often criticized – waste of scarce resources
• Contributes to economic progress and job creation

10.8. Multiproduct decisions
• Business seldom market one product
• Usually range of products
• Total product offering change continuously
• Multiproduct items in total product offering reduces risk of failure
• One product performs poorly – other products can make up for it.

10.9. New product decisions
• Somewhere someone comes up with idea to satisfy a consumer need
• Some places have teams
• Workers encouraged to have new ideas
• Could be new – innovation
• Could be improvement on current product
• Risk of failure greater to market with innovation
• Possibility for higher profits also exists
• Phases of new products development
  o Product ideas are developed
  o Ideas are screened according to fin criteria
  o Idea not viable, discarded
  o Physical product dev done + prototype dev
  o Marketing strategy dev
    ▪ Positioning of product in market
    ▪ Choice of brand
    ▪ Design of packaging
    ▪ Compilation of marketing communication
    ▪ Decision of price
    ▪ Choice of distribution outlet
  o Test marketing in small market segment
  o Product introduced to market

10.10. Nature of products life cycle
• 4 phases:
  o Introductory
  o Growth
10.11. Marketing strategy during products life cycle

Integrated market strategy

10.11.1. Introductory phase
- Objective – to create demand
- Target market – those who are prepared to risk buying new products
- Product decisions – taken during products dev
- Distribution decisions – involve selective market coverage
- Price decisions – high initial price is fixed
- Marketing communication decisions – sale promotion techniques are usued

10.11.2. Growth phase
- Objective – to dev demand
- Target market – consumer who is less receptive to new products
- Product decisions – minor product modifications are made
- Distribution decisions – involves more selected market
- Price decisions – declines due to competition
- Marketing communication decisions – advertising via mass media

10.11.3. Maturity phase
- Objective – counteract competition
- Target market – new markets are sought
- Product decisions – modifications have to be introduced
- Distribution decisions – intensive market coverage
- Price decisions – current market prices should be adhered to
- Marketing communication decisions – persuasive marketing via mass media

10.11.4. Declining phase
- Objective – maintain market share or withdraw product
- Target market – older more conservative group
- Product decisions – no modification considered
- Distribution decisions – limited market coverage
- Price decisions – prices reduced, products on sale
- Marketing communication decisions – personal selling only where products are still in demand
11. **Price decisions**

11.1. **Meaning of a price**

- Exchange value of products / services
- Closely linked to concepts as benefit or value
- Value determined by its benefit to the consumer and sacrifice needed to money and effort to obtain products
- Marketer and consumer attach different meanings to price concept
- Marketing = price is marketing instrument to achieve business objective
- Consumer = price is sacrifice of disposable income
- Often not possible to specify single price due to:
  - Large no of products
  - Geographical distribution of consumer
  - Segmentation of market
- Price is one of 4 marketing instruments, if any instrument changes price will also change

11.2. **Price determination process**

- 4 phases – the determination of:
  - Cost price
  - Market price
  - Target price
  - Final price

11.2.1. **Cost price**

- Responsibility of cost and accounting dept
- Unit costs are calculated
- Product price can not be lower than cost

11.2.2. **Market price**

- Is the price the consumer is prepared to pay
- Marketing management responsibility
- Use marketing research project
- Survey on competitors prices
- If cost price is much higher than market price – cost reduction adjustment must be made

11.2.3. **Target price**

- Price that will realize the target rate to return
- Taking into consideration:
  - Cost structure
  - Business capital needs
  - Potential sales volume of product
- Calculation = cost plus method
- Adding profit margin to unit cost
11.2.4. Final price

- Price at which products is offered to consumer
- Reconciliation of market price and target price
- Somewhere between market price and target price

11.3. Adaptions to final prices

- Skimming process
- Market penetration prices
- Market price level
- Leader prices
- Odd prices
- Bait prices

11.3.1. Skimming process

- If product is innovation final prices may have a much higher profit margin
- Consumer prepared to pay because it has a prestige value
- Reason for innovation price to be high – dev costs has to be recovered
- As product gains popularity price can be dropped

11.3.2. Market penetration price

- Initial phase is lower
- Marketer hopes to penetrate market rapidly
- Discouraging competitors prices in process

11.3.3. Market price level

- Where there is keen competition and numerous similar products
- If price is higher than competitors – consumer avoid products
- If price is lower than competitors – consumer thinks something is wrong with product
- Products must be successfully differentiated and regarded as unique

11.3.4. Leader prices

- Special offers
- Used to lure consumer to their shops
- Consumer buy specials and other higher priced products
- Small profit made on leader prices
- Sold for limited time only
- If manufacturers are not prepared to give products as special offers retailers can refuse shelve space

11.3.5. Odd prices

- Consumers accept odd prices
- Even prices are avoided
11.3.6. Bait prices
- Unethical
- Avoided by retailers
- Has a low price and is advertised widely
- When customers come to buy, they buy much more expensive products

12. Distribution decisions

12.1. Description of distribution
- Transfer take place along specific distribution channels
- Which consist of intermediaries (wholesales and retailers)
- Marketing management task is to link manufacturer and intermediaries to make products available at high price at right time
- Must be decisions about distributing channel
- Includes logistical activities – physical distribution

12.2. Choice of distribution channel
- Manufacturer – consumer (direct dist e.g. vegetables and milk stall)
- Manufacturer – retailer – consumer (indirect dist e.g. products are transported)
- Manufacturer – wholesaler – consumer
- Manufacturer – wholesaler – retailer – consumer
- Manufacturer – wholesaler – wholesaler – retailer – consumer

13. Channel leadership
- Marketing makes decision for distribution channel
- Business that control the decision = channel captain

13.1. Manufacturers as channel captain
- If manufacturer is channel captain intermediaries will have to be persuaded to distribute products
- They may persuade intermediary to create a demand for products by intensive marketing communication at consumer
- Known as the “pull” – products is pulled through channel by means of consumer demand
- Intermediaries may also be persuaded to “push” product by actively encouraging sales of products in store
- Shop competitions – supplied by channel captain to encourage sales
- Difficult to find self space for new products
- Demand must be created by advertising

13.2. Retailer as channel captain
- If retailer has:
• Network of branches
• Enjoys store loyalty
• Has adequate financial resources

• It can take over channel leadership and lay down commands to the producer eg Pick and Pay
• Leader can push / pull product
• Retailer advertises and produces products – special offerings
• Manufacturer would rather maintain leadership themselves
• If manufacturer succeeds in obtaining brand loyalty consumer will avoid shops that do not stock those products

• Different types of retailers in south Africa:
  o General dealers – offer wide range of products and operate in retail areas
  o Dept stores – large stores and sell products in depts – children’s clothing
  o Specialty stores – narrow but deep range of products – jewelry
  o Chain stores – similar shops all over the country – Woolies
  o Supermarkets – operate on self service basis eg groceries – shoprite
  o Convenience stores – bread and milk – garage shops
  o Discount stores – high stock turnover and low prices – Game
  o Hypermarkets – larger than supermarkets and in addition to groceries also sell semidurable products eg fridges
  o Shopping centers – large buildings that house independent retailers
  o Mail order stores
  o Internet stores
  o Informal retailers – Spaza shops in rural areas

13.3. Market coverage

• No of intermediaries in channel directly linked to type of market coverage aimed at
• Types:
  o Inclusive / Intensive
    • As many suitable and available intermediaries as used eg Coke sold everywhere
  o Exclusive
    • Manufacturer purposely limits number of people handling it’s product
    • Only a few intermediaries get exclusive rights to sell products
  o Selected market coverage
    • Selection of any of those intermediaries that will distribute product efficiently
    • Between intensive and exclusive marketing areas eg chemists

13.4. Physical distribution

• Transportation
• Inventory holding
• Receipt and dispatch
• Packaging
• Administration
• Ordering
• Purpose is to maintain a satisfactory level of service to clients at lowest possible distribution costs
• Effective performance on physical distribution side can mean huge savings and have product at right place at right time
• 3 main components:
• Selecting a warehouse
• Selecting most suitable way of transport
• Selecting optimal inventory levels
• Most effective performance of physical distribution ensures:
  • Timeous and reliable delivery of orders
  • Adequate inventory so that shortages don’t occur
  • Careful handling of stock to prevent damage

14. Marketing communication decisions

14.1. Nature of marketing communication
• Consumer is removed from manufacturer in time and space
• Marketing management to communicate with consumer products available
• Consumer should be persuaded to repetitive purchasing
• Marketing communication = process of informing, processing and reminding the consumer
• 6 elements:
  • Advertising
  • Personal selling
  • Direct marketing
  • Sales promotion
  • Publicity
  • Public relations

14.2. Advertising
• Controlled and paid-for-non personal marketing communication
• Related to need satisfying products
• Directed by marketer at specific target audience

14.2.1. Advertising media
• Television, movies and radio
• Placement of single advertisement – expensive
• Care taken about marketing message and choice of media
• Marketers should be sure that target audience will be reached
• Billboard used when people are busy with other activities – people who do not read
• Market research done to ensure right media is used

14.2.2. Advertising message
• Formulation of message – careful attention
• Printed media:
  • Heading
    ▪ Attracts consumer attention
    ▪ Deliver main appeal
    ▪ Printed in bold letters
  • Illustration
    ▪ Photo or drawing
• Color of black and white
• Stimulates reader to read copy which contains products information
• Product itself including packaging and label should also appear in illustration
• Intended target audience must relate to model used in illustration
• Radio – jingles are used

14.3. Personal selling
• Verbal presentation of a product service or idea
• To one or more purchasers to conclude a transaction
• Sales representatives used
• Wholesales sales reps can to retailers to sell products
• Personal selling – door-to-door – Tupperware
• Sales by shop assistants over counters

14.4. Direct marketing
• Used advertising media to communicate info about products to consumer
• Consumer can buy products from the comfort of their own home
• Principle of economy – spending more time at home
• Has the following benefits:
  o Long term relationship can be developed with consumer
  o Message can be directed at specific consumer
  o Consumer database can be developed
  o Results of direct marketing campaign can be measured directly
• Telemarketing – telephone calls
• Catalogues – Verimark and glomail

14.5. Sales promotion
• Marketing communication that are not:
  o Advertising
  o Personal selling
  o Direct marketing
  o Publicity
• Eg diaries, calendars, t-shirts
• Short term objectives eg to introduce new products to market

14.6. Publicity
• Non-personal stimulation of demand for a product by making it’s actual current news value available to mass media
• To obtain favorable and free media review of business and products
• Message to be conveyed must make news value
• Business often sponsor large event and by doing so gain publicity
• Can be expensive
• Marketing management to decide which sponsorship are of value
14.7. Public relations

14.7.1. Defining public relations

- Deliberate activity
  - Conscious, purposeful activity of business management
- Planned activity
  - Operation that anticipates events
  - Prepared for problems and contingencies
  - Geared towards future
  - Should be ready for problems
- Sustained activity
  - Account of fact that public is in constant process of change
  - Consumer forget business easily
  - Must constantly be reminded
- Communication process
  - Public relations pre-supposes communication between individual and business
  - Task of public relations to establish channels through mass media
  - Appoint communication experts that know about functionality of products
  - Public relations should be part of top management
- Deals with public internal and external
  - Public is any group that influences organization or it operations
  - Internal – employees and management
  - External – outside organization, unions, media, community, government

- Public relations entail creating and maintaining good will towards a business
- Important to maintain goodwill once it has been obtained

14.7.2. Public relations media

- Communication media is channels used to convey communication message:
  - Spoken word
    - Face to face
    - Most important method of communication
    - Communicator and listener speak the same “language”
  - Printed word
    - Newspapers, magazines, company publications
    - Carefully selected pictures are use to reinforce message
  - Sight, sounds and symbols
    - Radio, TV, films and videos
  - Electronic word
Images on internet
  - Increasing consumer demand to be educated as opposed to merely being sold products
  - Time is of essence
  - Increasing need for customization

Special events
  - Press conferences
  - Visits to business
  - Receptions
  - Exhibitions
  - Crises management