



PRINCIPLES OF MARKETING PART B

NORHASHIMAH BINTI AB HAMID

UMI KALTHOM BINTI ABDULLAH

ABDOL RAZAK BIN ABDUL AZIZ

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PRINCIPLES
OF
MARKETING

NOR HASHIMAH BINTI AB. HAMID
UMI KALTHOM BINTI ABDULLAH
ABDOL RAZAK BIN ABDUL AZIZ

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PREFACE

In the era of global marketing and new trends in creative marketing style, marketers are forced to be creative and innovative in promoting and delivering their own products and services into the huge market. Knowledgeable marketers play an important role in order to assure an organization's success in doing business via efficient and effective marketing strategies.

The content of this e-Book enables readers to gain the basic knowledge of principle marketing with the relevant theories and examples from an expert marketing guru's as well as renowned sources and references. Each chapter is mapped accordingly and inter-related from one to another which will give students a comprehensive marketing process into their learning process.

This e-Book also includes with the relevant case study, figures and tables, also a question and answer at the end of each chapter so that students can apply the theories and concepts into the real situations to come out with ideal solutions in marketing fields.

We hope with this e-Book it would benefit both of students and lecturers in their studies and teaching & learning process.

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PATRON

Dr. Ishak bin Mohamad
Director, Politeknik Port Dickson

ADVISORS

Abdul Rahim bin Ibrahim
Deputy Director (Academic), Politeknik Port Dickson
Dr. Mohamad Siri bin Muslimin
Head of Commerce Department, Politeknik Port Dickson

EDITOR

Rohana binti Mat

FACILITATORS

Nin Hayati binti Mohd Yusof
Ragunathan A/L Jayaraman
Zuliana binti Zainal Abidin

WRITERS

NOR HASHIMAH BINTI AB. HAMID
UMI KALTHOM BINTI ABDULLAH
ABDOL RAZAK BIN ABDUL AZIZ

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We hereby declare that this module is our original work. To the best of our knowledge it contains no materials previously written or published by another person. However, if there is any, due acknowledgement and credit are mentioned accordingly in the e-book.

Abstract

The goal of the **Principles of Marketing (Part B)** eBook is to enhance students understanding of Marketing. This eBook can be used by students as a quick reference to help them grasp the topic and cases in Principles of Marketing. This eBook edition has four chapters; for each topic, questions are accessible to show understanding of the topic. It can also assist students in exercising and testing their knowledge.

Topic5: Product

This topic gives an apply the knowledge of product strategies and marketing mix that are relevant to the organizations' objectives

Topic6: Pricing

The objective of this is to apply the knowledge of pricing strategies and marketing mix relevant to pricing the product.

Topic7: Marketing Channel

This topic will assist students to categorize the types of marketing channels that are relevant to distributing the product to end users.

Topic8: Integrated Marketing Communication (IMC)

The students must understand the Integrated Marketing Communication that is relevant to the organization's objectives to promote the product.



TOPIC 5 PRODUCT

LEARNING OUTCOME

At the end of this topic, students should be able to:

1. Explain about the product and service
2. Examine three different levels of product
3. Examine consumer and business product classification

04 Exhibit Product Life Cycle



WHAT...?

What is **PRODUCT**?

What is **SERVICE**?

What is **TANGIBLE PRODUCT**?

What is **INTANGIBLE PRODUCT**?

What are the three
different **LEVEL OF PRODUCT**?

What are
CUSTOMER PRODUCT CLASSIFICATION?

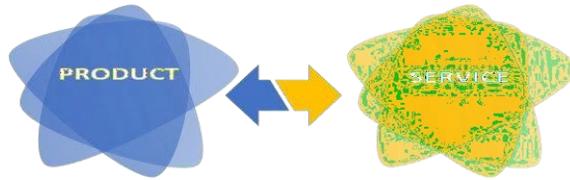
What are
BUSINESS PRODUCT CLASSIFICATION?

What is
PRODUCT LIFE CYCLE (PLC)

What are the four **STAGES in PLC**?



PRODUCT & SERVICE



A **product** is anything that can be made available to a market for evaluation, acquisition, use, or consumption and may satiate a need or want is regarded as a product.

(Kotler and Armstrong, 2015)

The product can include any of the following and need not be a physical object:

- **products** including stationery, electrical goods, and home goods.
- **services** including hair salons, daycare facilities, schools football players, celebrities, and professionals are a few examples of **people**.
- **Events** like the Olympics, the World Cup, and other international or world celebrations. Try diving, bungee leaping, and cruise trips, for instance.
- **Experience**, for example, cruise vacations, bungee jumping, and diving.
- **Information** such as databases, research findings, and marketing intelligence.
- **Place** such as cities, regions, and vacation spot ideas like product designs, artwork, and interior designs.
- **Ideas**, like product design, interior designs, and artwork.

Services are forms of products that consist of activities, benefits, or satisfaction offered for sale that are essentially intangible and do not result in the ownership of anything.

A company's market offering often includes tangible and intangible products. Goods are tangibles while services are intangibles.

In the other end, are pure services, for which the offer consists primarily of a service.



01 Tangible Product

Items that you can see, hear, feel, touch, or taste. To put it another way, tangible items are goods that may be kept for later use, such as an Apple iPhone, a Mercedes car, a Rolex watch, etc.

02 Intangible product

Products that cannot be touched, heard, smelled, or seen. Services make up the majority of these commodities. They are only available at the time of use and cannot be kept, unlike genuine items, such as sending kids to school (education) and London airfare (transportation).



Products may also be categorized according to their nature, qualities, and mode of consumption (Kotler and Armstrong, 2015), which are as follows:

Durable goods:

Referring to tangible goods that are used repetitively over a longer period of time, for example, laptops, motorbikes, washing machines, furniture, etc.

Non-durable goods:

Referring to physical objects with a life lifetime of fewer than three years. Repeat purchases are typically motivated by a short-term necessity and the fact that prior items have been used, such as groceries, food, stationery, and so on, which are eaten immediately or can only be used for a limited time.

Services: Activities, advantages, or satisfaction provided by a corporation. It is intangible and does not result in the acquisition of any property. It may or may not be associated with a tangible commodity, such as vehicle repair, tuition, or a spa facility. Services have four primary distinguishing features:

Intangibility:

Services that you cannot see, taste, feel, hear, or smell before purchasing. Personal tutoring, for example, cannot be considered a textbook.

Inseparability:

Services that cannot be isolated from their suppliers, whether they be humans or computers. Schools, for example, cannot be separated from their teachers. To get the service, parents must send their children to school.

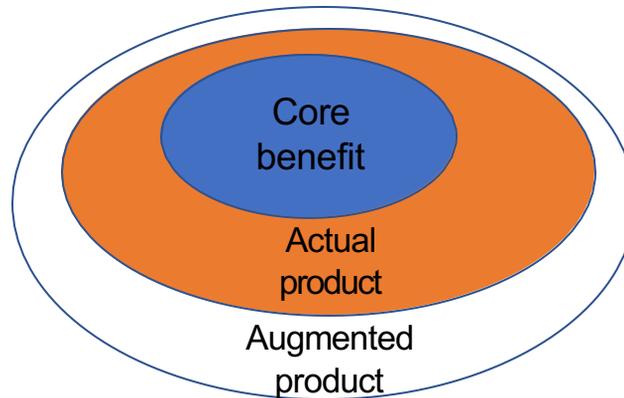
Variability:

This means that the quality of service varies depending on who offers it as well as when, where, and how it is supplied. Expensive western restaurants, for example, usually engage expert chefs to preserve the quality and flavor of the cuisine. Expert chefs typically have their own distinct culinary techniques.

Perishability:

That is services that cannot be saved for subsequent sale or usage. When demand is consistent, the perishability of services is not an issue. However, when demand varies, service businesses frequently experience difficulties. For example, an airline cannot hoard seats during off-peak seasons for use during high seasons to meet demand.

There are three different product levels.



Describe core customer benefits.

The core level denotes the major advantage a product provides, its fundamental function, and the reasons why the product exists in the market. It encapsulates the essence of the product.

The core product addresses the question, "What exactly is the consumer buying?"

For example, when a consumer purchases an Apple MacBook, he is purchasing a gadget that will assist him in performing his everyday office work.

Describe the actual product.

The actual product transforms the core product into a perceptible collection of properties. It is easily identified. Products are developed with characteristics and features such as design, brand, image, and label.

These are the traits of a product that give it a distinct identity.

It is a genuine product that is on the market. An Apple iPad, for example, has great quality, a modern design, durability, and a well-known brand name as physical qualities and attributes.

Three different level of product

Describe the augmented product.

Augmented product refers to the additional services provided by the manufacturer which come along with the product.

It is the “extras” that increase the attractiveness of the product such as finance schemes, after-sales service, warranties, delivery, etc.

For example, the extended product features and attributes (tangible and intangible) for the Apple iPad include five years warranty, free delivery and installation of software, options for installments, and free laptop accessories.



The following analogy of a Nikon digital camera is provided to differentiate between the three product levels: The capacity to snap images conveniently is the main product.

Actual/total product: Nikon camera (brand name), which is packed and neatly built so that you can handle, save, and edit photos, and which gives the intended benefits, namely high-quality photographs.

Buyers get more than just the camera—a warranty on components and craftsmanship, speedy repair services, and toll-free phone numbers when they need them.

Examine customer and business product classification

Product classification schemes are defined to understand the characteristics of products and to better satisfy consumer requirements.

Product classification is used to explain the relationship between a product and the associated support to satisfy customer requirements of ability, availability, and affordability.

Products and services are categorized into two broad classes based on the type of users: consumer products and industrial products. Products bought to satisfy personal and family needs are known as consumer products.

Products bought for the purposes of resale or to be used to make other products are called industrial products.

Identify consumer products

In addition to classifying by kind of offering, most consumer items may be further classified by how frequently and where they are purchased (Kotler and Armstrong, 2015).

Consumer goods include the following:



Convenience products



Shopping products



Specialty products



Unsought products

Identify consumer products

Convenience products:

This product is often inexpensive, bought frequently and right away, and it doesn't take much thought or effort to buy. For instance, consider newspapers, sweets, and cigarettes. Customers typically accept alternatives to convenience goods.

Three subcategories of convenience goods can be further broken into:

Staples products:

Items that are often purchased for everyday usage, such as flour, cereal, and detergent.

Impulse products:

Buying things without much thought or research, such as chocolate, snacks, and entertainment magazines

Emergency products:

Products purchased in response to an emergency or life-threatening situation, such as flashlights, lighters, and umbrellas.



Shopping products

Products that need extensive thought or shopping effort before choosing a brand are those that consumers buy occasionally. Consumers make plans, invest time and energy in acquiring information, and analyze appropriateness, quality, price, and style before making purchases when shopping for goods. appliances, apparel, and other electrical and electronic items.

There are **TWO** categories of shopping products for sale:

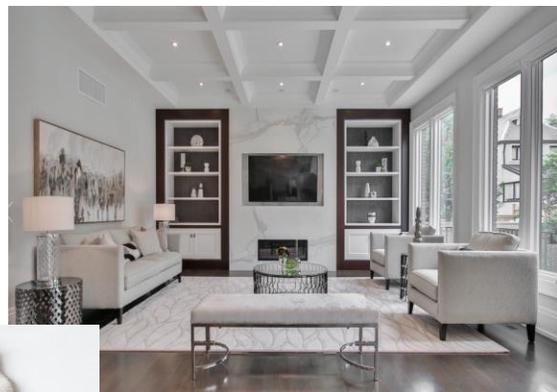
Homogenous shopping products:

Products that customers perceive to be varied in quality, style, appropriateness, and lifestyle compatibility are known as heterogeneous goods.

Heterogeneous shopping products:

It may be challenging to compare heterogeneous items since they may have distinctive qualities (such as brand, packaging, warranty, design, etc.), as well as varying degrees of quality and cost, such as branded apparel, computers, and mobile phones. Products consumers see as different in quality, style, suitability, and lifestyle compatibility.

Making comparisons between heterogeneous products can be difficult because they may have unique features (that is, brand, packaging, warranty, design, etc.) and different levels of quality and price, for example, branded clothing, laptops, and mobile phone.



Identify industrial products

Industrial products are ones purchased for further operation or for business use. The difference between consumer products and industrial products is the purpose.

If the consumer buys the product for business use or to earn a profit, then it is categorized as an industrial product.

For example, a lawn mower to be used in a landscaping business is an industrial product.

The classification scheme includes three main categories:

Materials and parts:

These are the fundamental items that will be altered and changed into something different.

Purchased components and materials are processed to become a component of the manufacturer's or buyer's completed well. Steel, alloy, wheat, timber, and cement are a few examples.

Capital goods:

Industrial goods, such as installation and auxiliary equipment, that support the buyer's activities or manufacturing are referred to as capital items.

Major purchases, including those for a structure and permanent equipment, make up the installation. Portable tools and equipment for factories as well as office supplies are examples of accessory equipment.

The buyer uses capital equipment and tools to operate their firm. They vary from materials and parts in that they aren't a component of the finished product. For instance, warehouses, escalators, computers, and office buildings.

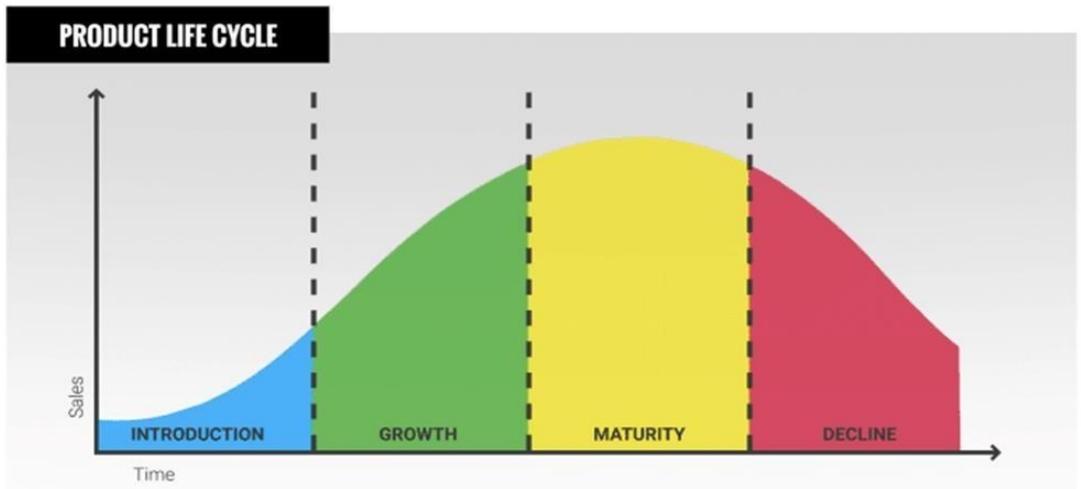
Supplies and services:

Industrial goods in the form of business services are called services, and they are crucial to the operation of the buyer. Typically, services are provided under contracts, such as legal counsel, cleaning services, and office maintenance services.

Examples include stationery, computers, and lubricating oil. Services are industrial goods in the form of commercial services that are crucial to the buyer's operation.

Services including legal counsel, cleaning services, and office upkeep are typically provided under the contract.

Explain Product Life Cycle



Understanding the product life cycle (PLC) is of critical importance to a firm launching a new product.

It helps a firm to manage the risk of launching a new product more effectively, whilst simultaneously maximizing the sales and profits that could be achieved throughout the product's life cycle.



Describe the stages of product life cycle



Introduction

When a new product is initially introduced, the introduction stage begins. Due to the low sales and expensive distribution and advertising stage, this stage's earnings are negative or poor when compared to earlier stages. A corporation must choose a launch strategy that is compatible with the targeted product positioning, especially if it is the market pioneer. The company will invest a lot of effort in spreading knowledge of its existence among its target market because it is a new product. This causes profits to be negative or low.

Growth

The company will experience a time of significant sales development as soon as customers start to embrace the product and clearly believe that it will help them in some way. Profits rise during the expansion stage as unit production costs decline and promotion expenses are dispersed over a big volume. The company must choose between having a large market share and having a large present profit during the expansion period.

Maturity

Rapid sales growth is a temporary phenomenon. As the product's sales approach their height and the majority of customers have embraced it, a decrease in sales is unavoidable.

This stage of maturity typically lasts longer than earlier phases and presents significant difficulties for marketing management.

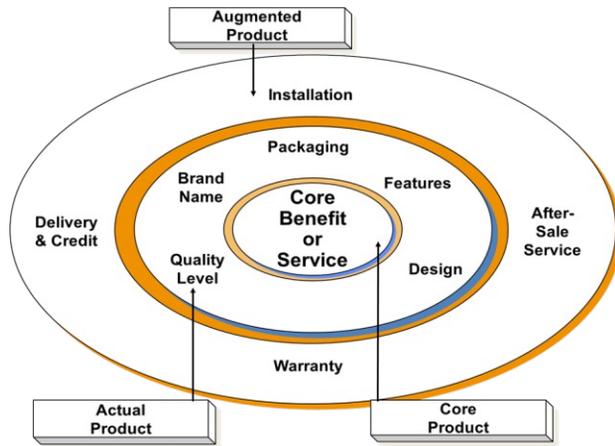
Product managers should think about changing the product, the marketing, and the marketing mix rather than only supporting or defending their mature goods.

Decline

Most product formats and brands ultimately see a decline in sales. The deterioration might be gradual. Numerous factors, including changes in customer preferences, technology advancements, and heightened competition, might cause a fall in sales. The company may try to alter its pricing strategy to promote growth when sales and earnings start to drop, but this would require either modifying or replacing the product in the market. Businesses need to focus more on their aged goods. The first duty of the company is to determine which goods are in the decline stage by routinely examining changes in sales, market shares, expenses, and profits. The decision to retain, harvest, or discontinue each of the diminishing goods must then be made by management.



➤ LEVEL OF PRODUCT

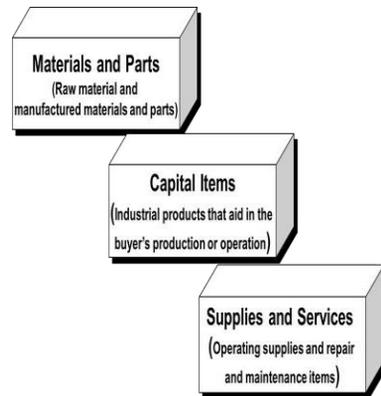


➤ CLASIFICATION PRODUCT

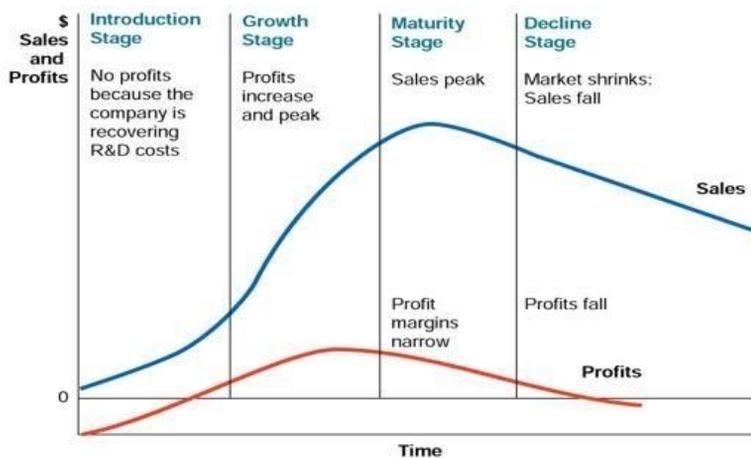
Classification CONSUMER Products

<p>Convenience Products</p> <ul style="list-style-type: none"> > Buy frequently & immediately > Low priced > Many purchase locations > Includes: <ul style="list-style-type: none"> • Staple goods • Impulse goods • Emergency goods 	<p>Shopping Products</p> <ul style="list-style-type: none"> > Buy less frequently > Gather product information > Fewer purchase locations > Compare for: <ul style="list-style-type: none"> • Suitability & Quality • Price & Style
<p>Specialty Products</p> <ul style="list-style-type: none"> > Special purchase efforts > Unique characteristics > Brand identification > Few purchase locations 	<p>Unsought Products</p> <ul style="list-style-type: none"> > New innovations > Products consumers don't want to think about > Require much advertising & personal selling

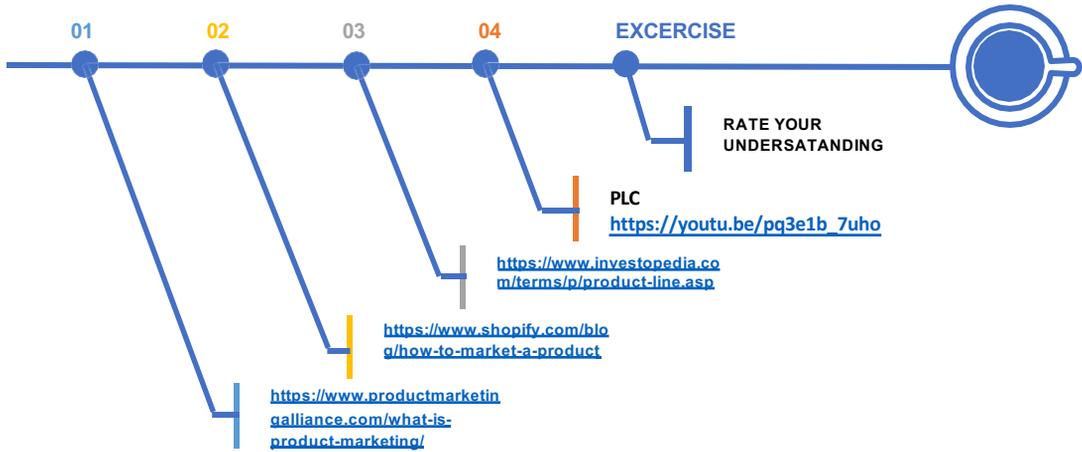
Classification INDUSTRIAL Products



➤ PLC



Self learning



DISCUSSION

A. Please differentiate three different levels of product by using your own example
Write your answer in a piece of paper

(refer to pages 7-8)

B. What is the difference between Consumer Product and Industrial Product?
Write your answer in a piece of paper

C. How stages of the product life cycle relate to a firm's marketing objectives and marketing mix actions.

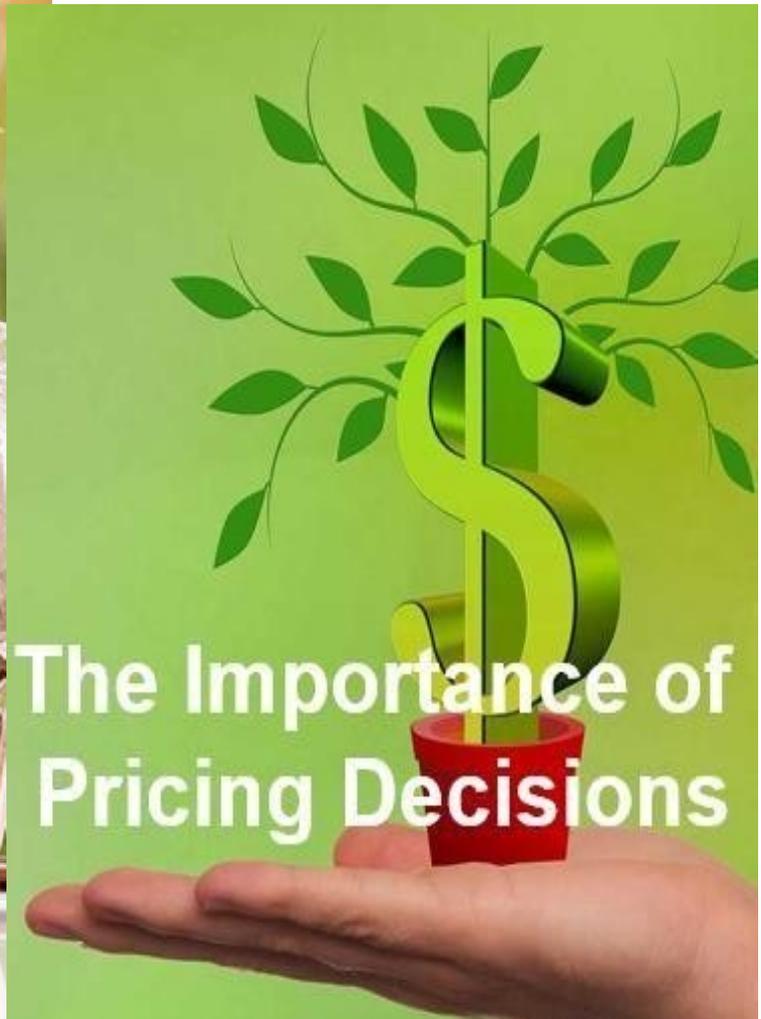


APPLICATION QUESTION

Ahmad and his wife has own a new Luxury Condo in the city of Kuala Lumpur. Elaborate the product levels that involved in the purchase.

**SCAN ME:
FOR THE SUGGESTED ANSWER**





TOPIC 6 PRICING

LEARNING OUTCOME

At the end of this topic, students should be able to:

1. Explain pricing
2. Examine the major pricing strategies
3. Examine new product pricing strategies
4. Examine the product mix pricing strategies



WHAT...?

What is **PRICING**?

What are the three **MAJOR STRATEGIES** used in pricing?

What are the two strategies can be used for **NEW PRODUCT PRICING**?

What strategies can be used in **THE PRODUCT MIX PRICING**?



Price is the amount of money charged for a product or service or the sum of the values that customers give exchange in order to gain the benefits of having or using a product or service. (Kotler & Armstrong, 2016).

Prices do not have to be stated in money terms. It can be expressed in terms of other goods. It happens in barter trading; a farmer exchanges a kilogram of fish for a basket of coconuts on a farm. In other words, the price of a basket of coconut is equal to a kilogram of fish.

Within the service sector, the term “price” often passes under a number of names, sometimes reflecting the nature of the relationship between customer and provider in which exchange takes place. Other names for price include a fee, rate, rent, interest, salary, wage, fare, and premium.

Price is the only element in the marketing mix that produces revenues; all other elements represent costs.

Identify The Major Pricing Strategies

There are 3 major strategies in PRICING

-  Value Pricing
-  Cost-Based Pricing
-  Competitive Pricing



The Importance Of Pricing



Everything you need to know about the importance of pricing. Pricing decisions can have very significant consequences for the organization.

It is one of the first considerations for many customers and it determines the profit margin on products. Pricing is one of the significant elements of the marketing mix, if late, it has come to occupy the center stage in marketing wars.

Pricing is an important decision making aspect after the product is manufactured. Price determines the future of the product, acceptability of the product to the customers and return and profitability from the product. It is a tool of competition.

The importance of pricing can be studied under the following heads:-

1. Most Flexible Marketing Mix Variable
2. Setting the Right Price
3. Trigger of First Impression
4. Important Part of Sales Promotion
5. Influences Demand Level
6. Determine the Profitability
7. Means of Comparison.

Steps In Setting Price

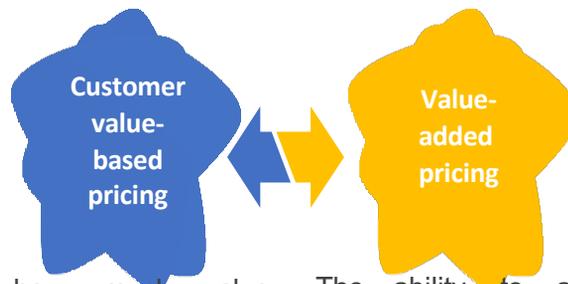
Identifying Pricing constraints

- ❖ Demand for the Product Class, Product, and Brand
- ❖ Newness of the Product: Stage in the Product Life Cycle
- ❖ Single Product versus a Product Line
- ❖ Cost of Producing and Marketing the Product
- ❖ Cost of Changing Prices & Time Period They Apply
- ❖ Types of Competitive Markets - Competitors' Prices



THREE MAJOR PRICING STRATEGIES

Customer Value Based Pricing



Understanding how much value customers place on the advantages of the product and setting a price that reflects that value are essential components of effective customer-oriented pricing

Customer Value-based pricing bases prices on the buyers' perception of value rather than the seller's costs. Prior to establishing the marketing strategy, price is taken into account.

Good value pricing offers the right combination of quality and good service at a fair price.

For example, low-cost Air Asia passengers won't receive many facilities for free, but they will appreciate the airline's incredibly inexpensive pricing.

Existing brands are being updated to provide the same quality for less money or greater quality for the same price.

Everyday low pricing (EDLP) entails maintaining a low price at all times with little to no temporary price reductions.

High low pricing entails charging higher prices consistently while launching periodic sales to temporarily cut costs on particular products.

The ability to avoid price competition and to defend higher prices and profits without losing market share is known as pricing power (especially important in Business to Business B2B).

Value-added pricing ties value-added products and services to a company's offering in order to distinguish them, justify higher charges, and increase pricing power.

For instance, Southern Sun understood they could improve customer satisfaction by enhancing the value of the services they offer rather than by cutting rates when they rebranded their hotels.



Cost-based pricing

Cost-based pricing entails determining prices in accordance with the expenses related to manufacturing, distributing, and selling the product as well as a reasonable rate of return for its work and risk. The following are the different types of costs:

Term	Explanation
Fixed costs	Rent, utilities, interest, and CEO salaries are examples of fixed costs because they are unaffected by production or sales volume.
Variable costs	Are the expenses associated with packaging and raw materials, as well as production level.
Total costs	Are the total cost for any given level of production, including fixed cost and variable cost.
Average cost	Is the expense associated with a given level of production
Experience or learning curve	Is when the average cost falls as production increases because fixed costs are spread over more units.
Cost-plus pricing	Cost-plus pricing adds a standard mark-up to the cost of the product.
Break-even pricing	Is the price at which total costs are equal to total revenue and there is no profit.
Target profit pricing	Target profit pricing (a variation of break-even) is the price at which the firm will break even or make the profit it is seeking.

Competition-based pricing

Setting prices depending on the strategies, expenses, and market deals of competitors. Companies that sell identical products tend to use this pricing technique more often because services can vary from business to business but a product's attributes never change.

Competition pricing strategies.

When setting a price, it makes sense to look at the price of competitive offerings.

For some, a competitor's price serves as an important reference point from which they set their price.

Below Competition Pricing



A marketer who tries to achieve objectives that demand high sales level attempts to reach objectives that require high sales levels (eg: market share objective) and may keep an eye on the market to make sure their price remains below competitors. The product below the market price in order to gain market share.



Above Competition Pricing

Marketers who use this strategy are likely to be perceived as market leaders in terms of product features, brand image, or other characteristics that support a price that is higher than what competitors offer. If the product has a distinct competitive edge, price it more than the market rate.



Parity Pricing

A quick way to determine the starting pricing is to put it at the same level as what the competition charges for similar goods. Price the product competitively to prevent price wars and to see if it can survive non-price competition.



New Product Pricing

New Product pricing strategies are divide into 2 strategies.

There are:

1. Skimming pricing
2. Penetration pricing

Companies can choose between two broad strategies: market-skimming pricing and market-penetration pricing.



Describe market-skimming pricing

The price skimming approach calls for a company to set a higher initial price for a new product. Once the product is widely available, the company could reduce the price.

The ideal situations for using price skimming pricing are:

- i. The product's quality and image must support its high price and enough buyer must want the product at that price.
- ii. Costs of producing a smaller volume cannot be so high that the cancel the advantage of charging more.
- iii. Competitors should not be able to enter the market easily and undercut the price.

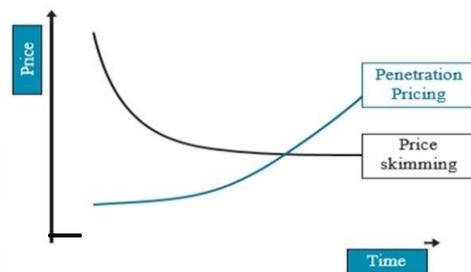


Figure 6.1: Graph of new product pricing



Describe market-penetration pricing

In an effort to build a huge client base to attract a huge client base and capture a significant portion of the market, the corporation set a low starting price for a new product.

The company established a low starting pricing for a new product in an effort to gain a sizable customer base and market share. Market penetration makes sense under certain conditions:

- i. The market must be highly price sensitive so that a low price procedure more market growth.
- ii. Production and distribution costs must decrease as sales volume increases.
- iii. The low price must help keep out the competition.

Examine The Product Mix Pricing Strategies

The Product Mix Pricing Strategies

Product Mix Pricing Strategies are divide into 5 strategies, there are:



Describe the product line pricing

It considers the price variations among the line's items, consumer assessments of their attributes, and pricing charged by rivals. The perceived quality disparities are reflected in the pricing variations.

For instance, Clean Clear Mini Shampoo follows a whole series of shampoo packages priced between RM3.90 and RM4.90 for normal to oily hair, anti-dandruff, and hair fall prevention.

			
Normal hair RM 3.90	Anti-dandruff RM 4.30	Hair-fall defense RM 4.50	Oily hair RM 4.90

Example of product line pricing strategy

Describe the optional product pricing

Involves accessories for the core product that must be utilised together. Select the goods that will be part of the base pricing and those that will be optional.

A new Range Rover Sport automobile, for instance, costs just RM380,000 with standard specifications compared to RM405,000 with special specifications and sport rims



Example of optional product pricing strategy

Describe the captive product pricing

Involves accessories for the core product that must be utilized together. Lowball the primary or driving product's price while pursuing supply-side profits.

For instance, we need the blades when purchasing a razor in order to be able to shave.



Example of captive product pricing strategy

Describe the by-product pricing

By-product pricing refers to products with little or no value product as a result of the main product. The producers will aim for a small or no profit. Any amount that covers more than the cost of storage and delivery should be accepted by the producer.

As an example, a zoo may sell excrement to a farmer..



Example of by-product pricing strategy

Describe the product bundle pricing

Product Bundle pricing mixes many things and sells the package for a discount. Product sales can be boosted via price bundling. For a discounted price, two or more products or services are packed together.

For instance, when purchasing a computer, you can also receive a package containing a monitor, printer, cords, and antivirus software.



Example of product bundle pricing strategy



Identify The Major Pricing Strategies

There are 3 major strategies in PRICING

-  Value Pricing
-  Cost-Based Pricing
-  Competitive Pricing



Examine new product pricing strategies

Market skimming pricing

Market skimming pricing is a strategy with high initial prices to "skim" revenue layers from the market

Product quality and image must support the price

Buyers must want the product at the price
Costs of producing the product in small volume should not cancel the advantage of higher prices

Competitors should not be able to enter the market easily.



Market penetration pricing

Market penetration pricing sets a low initial price in order to penetrate the market quickly and deeply to attract a large number of buyers quickly to gain market share

Price sensitive market
Inverse relationship of production and distribution cost to sales growth

Low prices must keep competition out of the market



Pricing Strategies



Examine Product mix pricing strategies

Product line pricing

Optional product pricing

Captive product pricing

By-product pricing

Product bundle pricing



Product line pricing takes into account the cost differences between products in the line, customer evaluation of their features, and competitors' prices

Optional product pricing takes into account optional or accessory products along with the main product

Captive product pricing involves products that must be used along with the main product

Two-part pricing is where the price is broken into:

- Fixed fee
- Variable usage fee

By-product pricing refers to products with little or no value produced as a result of the main product. Producers will seek little or no profit other than the cost to cover storage and delivery

Product bundle pricing combines several products at a reduced price

Self learning:



Exercises:

SCAN ME:
FOR THE QUESTION



SCAN ME:
FOR THE SUGGESTED ANSWER





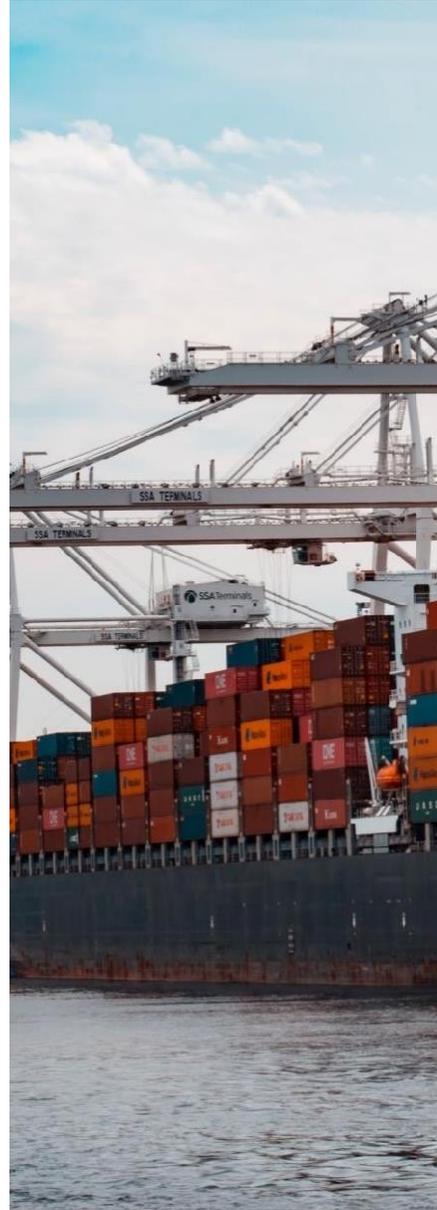
TOPIC 7

MARKETING CHANNEL

LEARNING OUTCOME

At the end of this topic, students should be able to:

1. Explain the marketing channel
2. Examine the functions of the marketing channel
3. Examine the major channel alternatives



WHAT...?

What is **marketing channel**?

Why **channels** are needed?

What are the **functionof marketing channel**?

What are the **majorchannel alternatives** can be used in business?

What is **directmarketing channel**?

What is **indirect marketing channel**?

What is the **differences between direct and indirect marketing channel**?

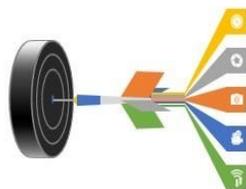


Definition of Marketing Channel

A marketing channel is a set of interdependent businesses that aid in making a product or service accessible to consumers or business users. This means that the marketing channels assist marketers in moving their goods to the customers.

The external contact organization that management uses to accomplish its distribution goals can also be referred to as a marketing channel.

Why channels are needed?



1. Brings buyers and seller together
2. Make services/product available to customer at convenient time
3. Producer cannot deal directly with customers
4. Awareness creation
5. More profitable sales
6. Producer can concentrate on core activity
7. Bridging the gap between the customer, and producers
8. Reduce the number of transaction and thereby transaction cost.

Examine the functions of the marketing channel

Members of the marketing channel perform many key functions:

Function	Explanation
Information	Collecting and disseminating marketing research and intelligence information on the people, organizations, and factors that make up the marketing environment in order to facilitate planning and exchange.
Promotion	Creating and disseminating convincing messages around an offer.
Contact	Locating and contacting potential customers.
Matching	Customizing the offer to the buyer's requirements, including manufacturing, grading, assembling, and packing processes
Negotiation	Reaching an agreement on price and other terms of the offer in order to transfer ownership or possession.
Physical distribution	Involve moving and storing goods.
Financing	Obtaining and spending money to pay for the channel work's price.
Risk taking	Accepting the hazards associated with performing the channel work.



The Major Channel Alternatives

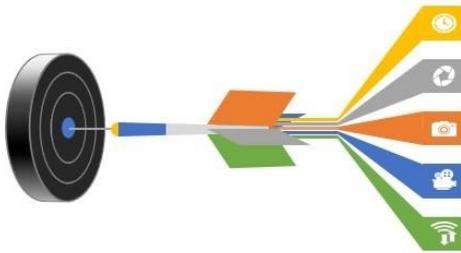
Direct Marketing channel

A marketing channel that has no intermediary levels.

Indirect Marketing channel

A marketing channel that containing one or more intermediary levels.

How to define a Direct Marketing channel for customer marketing channel?



- reach few customers,
- direct producer/customer contact,
- not effective?
- is product suitable for direct marketing?
- larger profit marginal?
- have producer time enough for producing and marketing?
- small amounts of products can be marketed,
- Important; quality, producers own capacity and knowledge of marketing co, co-operation with other small producers?

The Two Major Channel Alternatives

Customer Marketing Channels	Business Marketing Channel
<p>Channel 1: Called a direct marketing channel, has no intermediary levels and the company sells directly to consumers. For example, Avon sells their cosmetics door to door, through the home and office sales parties, and on the web.</p>	
<p>Direct Channel: Channel 1</p>	<p>Direct Channel: Channel 1</p>
<ul style="list-style-type: none"> Producers do not use intermediaries to deliver the products to business customers. Direct marketing activities; example: telemarketing, online shopping. 	<p>Most common in the business market as compared to consumer goods. Suitable when buyers are large, require negotiations, the price per unit is high, and a product needs good services. The business marketer can use its own sales force to sell directly to business customers.</p>
	

How to define Direct Marketing channels for Business Marketing Channel?



- ❖ Most common in industrial markets
- ❖ More suitable when:
 - buyers are large
 - Sell requires many negotiations
 - Price per unit high
 - Products need good service

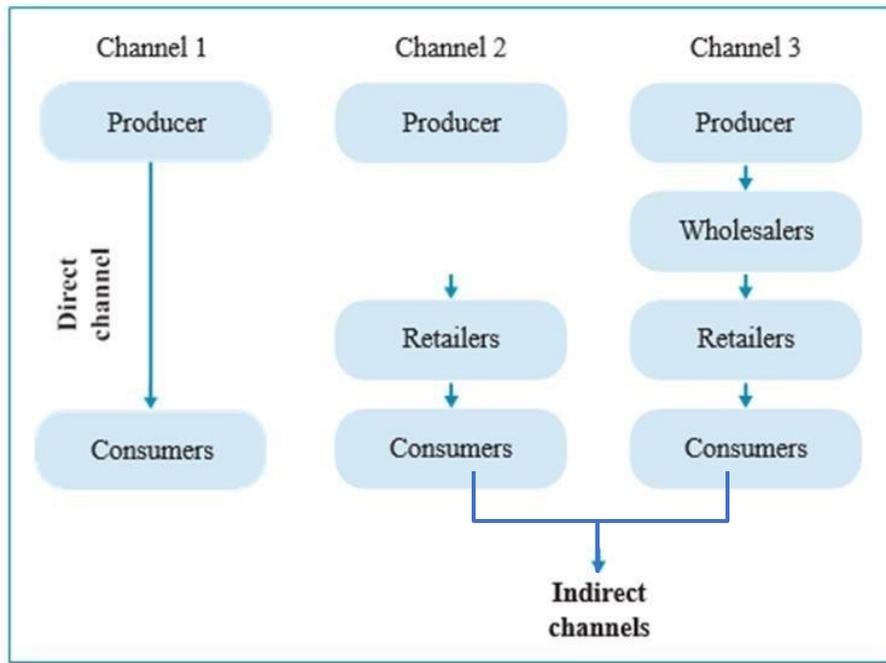
Describe indirect marketing channel

Customer Marketing Channels	Business Marketing Channel
<p>Channel 2 & 3: The company uses one or more levels of intermediaries to help bring its products to final buyers.</p>	
<p>Indirect Channel: Channel 2</p>	<p>Indirect Channel: Channel 2</p>
<p>Product moves from the producers to retailers and finally to the consumers.</p> <p>Typically, the retailers have a broad network of locations and are capable of handling their own wholesale operations.</p> <p>Examples of retailers: Toys-R-Us, Giant, Metro Jaya</p>	<p>Business distributors offer a range of services and vigorous promotional assistance for industrial items. They are wholesalers who cater to the business market.</p> <p>Provide a variety of services and strong promotional support for industrial products.</p>
<pre> graph TD A[Producer] --> B[Retailers] B --> C[Consumers] </pre>	<pre> graph TD A[Producer] --> B[Business Distributors] B --> C[Business Buyers] </pre>

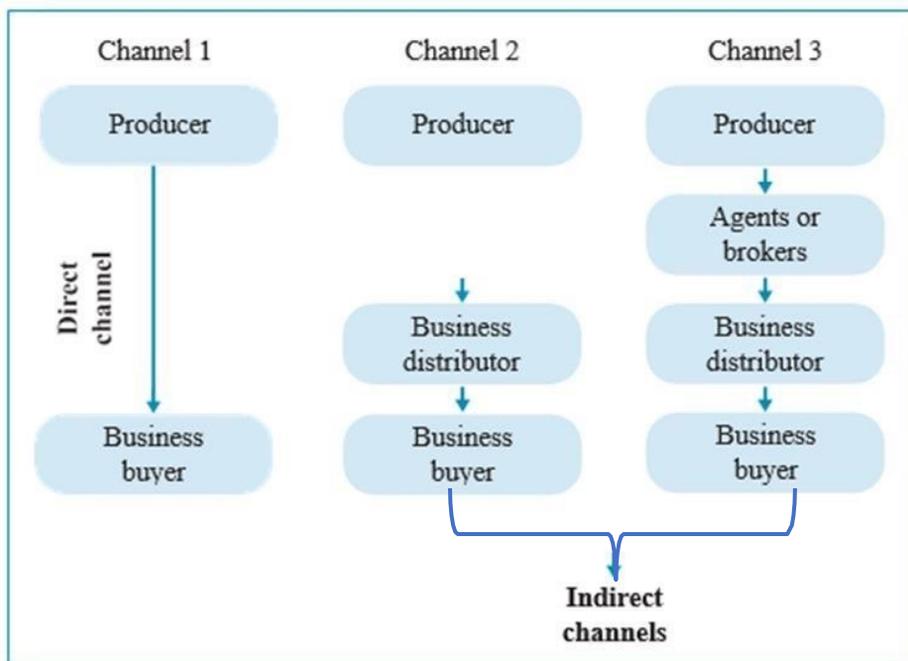
Describe indirect marketing channel

Customer Marketing Channels	Business Marketing Channel
<p>Channel 2 & 3: The company uses one or more levels of intermediaries to help bring its products to final buyers.</p>	
<p>Indirect Channel: Channel 3</p>	<p>Indirect Channel: Channel 3</p>
<p>The product goes from producers through wholesalers to retailers and then to consumers. Suitable for low-cost and often used items as it will be expensive for the producer to reach many small-size retailers.</p> <p>Examples: merchant wholesalers</p>	<p>Small manufacturers normally could not afford to employ their own sales force to sell their products.</p> <p>They rely on agents and brokers to sell to business distributor or directly to business buyer.</p>
 <pre> graph TD A[Producer] --> B[Wholesalers] B --> C[Retailers] C --> D[Consumers] </pre>	 <pre> graph TD A[Producer] --> B[Agent/Broker] B --> C[Business Distributors] C --> D[Business Buyers] </pre>

Describe direct and indirect marketing channel



Customer Market



Business Market



Type of intermediaries	Functions	Product ownership	Income generation
Wholesalers	Distribute products to other intermediaries	Buy, take the title and physical possession of products	Earn profit
Retailers	Distribute products to end-users	Buy, take the title and physical possession of products	Earn profit
Brokers	Bring buyers and sellers together for a transaction	Do not take the title of products	Earn commission
Agents	Represent either buyers or sellers on a permanent basis	Do not take the title of products	Earn commission

Sources: Principles of Marketing(2017) Yusnizah & Nor Khalidah

Types of wholesalers

Types of wholesalers	
Manufacturers-owned wholesalers	<p>Consist of the manufacturers' sales branches or manufacturers' sales offices.</p> <p>Perform the inventory management, sales, and distribution on behalf of the manufacturers.</p> <p>Profits earned at different levels in the channel are part of transfer pricing in the channel.</p>
Merchant wholesalers consist of:	
Full-service merchant wholesalers	<p>Perform a wide variety of tasks and functions for the suppliers and customers. Include industrial distributors, wholesale merchants, and rack jobbers.</p>
Limited-service merchant wholesalers	<p>Perform some of the functions of a wholesaler for another party</p> <p>Cash and carry wholesalers handle fast moving items like perishables, and drop shippers who carry bulk raw materials are typical examples of this type of wholesalers.</p>

Sources: Principles of Marketing(2017) Yusnizah & Nor Khalidah

Categories of store retailers

Product assortment	Relative price emphasis	Level of service provided	Ownership
<ul style="list-style-type: none"> • Departmental store • Departmental center • Supermarkets • Provision of shops and mini markets • Sundry toiletry shops • Specialty stores, specialty centers, and category killers • Convenience stores • Hypermarkets • Chinese Medicinal hall • Pharmacies 	<ul style="list-style-type: none"> • Discount store • Off-price retailers 	<ul style="list-style-type: none"> • Self-service • Limited service • Full service 	<ul style="list-style-type: none"> • Corporate chain • Voluntary chain and retailer cooperative • Consumer cooperative • Franchise organization • Merchandise conglomerate

Sources: Principles of Marketing(2017) Yushizah& Nor Khalidah



Definition of Marketing Channel

A marketing channel is a set of interdependent businesses that aid in making a product or service accessible to consumers or business users. This means that the marketing channels assist marketers in moving their goods to the customers.



The Functions of Marketing Channel



Major Channel Alternatives for consumer market and business market

1. Direct Marketing Channel

- Channel 1

2. Indirect Marketing Channel

- Channel 2 & 3



Types of Marketing Intermediaries



EXERCISES & DISCUSSION

EXERCISES:

**SCAN ME:
FOR THE QUESTION**



DISCUSSION:

Explain the function of the marketing channel.

Write your answer on a piece of paper

REFER TO PAGE: 36

Discuss the differentiate in types of intermediaries

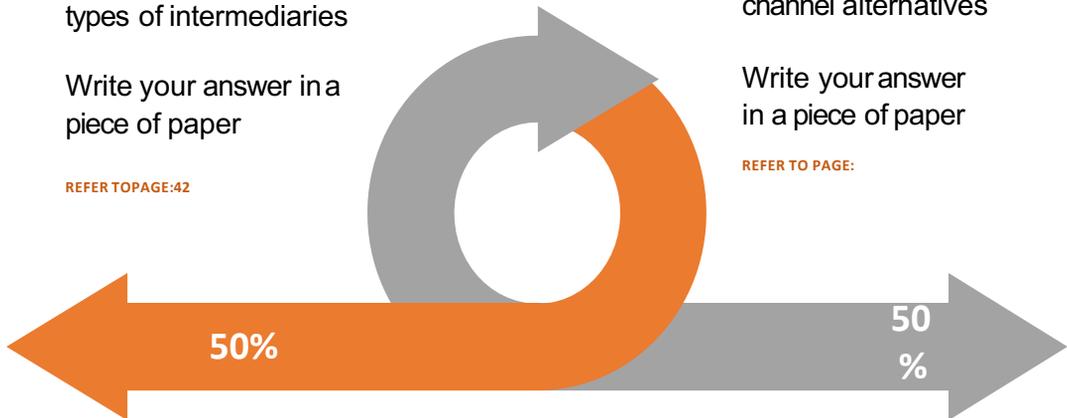
Write your answer in a piece of paper

REFER TO PAGE: 42

Examine the major channel alternatives

Write your answer in a piece of paper

REFER TO PAGE:



**SCAN ME:
FOR THE SUGGESTED ANSWER**





TOPIC 8
INTEGRATED MARKETING
COMMUNICATION (IMC)

LEARNING OUTCOME

At the end of this topic, students should be able to:

- 1. Explain Integrated Marketing Communications.**
- 2. Examine objectives of the marketing communication mix.**
- 3. Examine FIVE (5) elements of the promotion mix.**



WHAT...?

What is **Integrated Marketing Communications (IMC)**?

What are the **IMC objectives**?

What are the **IMC TOOLS**?

Explain the **FIVE(5) ELEMENTS OF PROMOTION MIX:**

- Advertising,
- Sales Promotion,
- Personal Selling,
- Public Relations,
- Direct Marketing





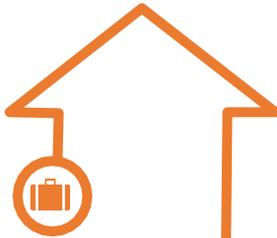
DEFINITION OF INTEGRATED MARKETING COMMUNICATION

It is a concept that brings together all elements of marketing communication (including advertising, sales promotion, public relations, direct marketing, and personal selling) so that they can collaborate to create an effective message.

The goal of IMC generates short-term financial returns and build long-term brand value.

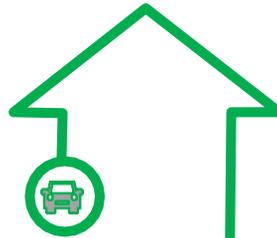
EXAMINE OBJECTIVES OF MARKETING COMMUNICATION MIX

OBJECTIVES OF IMC MIX



TO INFORM:

- announcing the launch of a new product
- offering new applications for a product
- announcing the price adjustment to the market
- described how the product operates
- Services that are offered are described
- removing erroneous impressions
- Lowering buyers' concerns
- Enhancing a company's reputation



TO PERSUADE:

- fostering brand loyalty
- Promoting customers to switch to your brand
- Changing how consumers view a product's attributes
- Get customers to make an immediate purchase or take a sales call

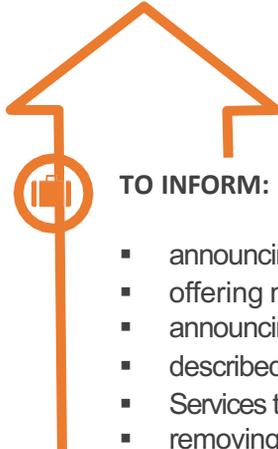


TO REMIND:

- Reminding customers that they might need the product soon
- Letting customers know where to buy it
- Keep it in the thoughts of buyers throughout the off-season retaining its forefront of thought

EXAMINE OBJECTIVES OF MARKETING COMMUNICATION MIX

OBJECTIVES OF IMC MIX



TO INFORM:

- announcing the launch of a new product
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Advertising

Any sponsored or non-personal communication from a known sponsor regarding a company, a service, an idea, or a cause.

Advertising to consumer markets	Business & professional advertising
<p>National Advertising Retail/Local Advertising Advertising To Increase Demand Primary Demand For The Product Category Selective Demand For A Specific Brand</p>	<p>Business-to-business advertising Professional advertising Trade advertising</p>
<p>Advantages of advertising</p> <p>Message control by the advertiser A cost-effective method of reaching big audiences. a successful method of conveying brand visuals and symbolic attractions When consumers respond positively to something, it usually indicates they agree with it or approve of it.</p>	<p>Disadvantages of advertising</p> <p>Higher production and advertising costs. Consumer distrust and issues with credibility. A lot of messages equal clutter. A challenge in evaluating efficacy.</p>
<p>Advertising to Consumer Markets</p> 	<p>Business & Professional Advertising</p> 

Sales Promotion

Consumer-oriented

Targeted to the ultimate users of a product or service

Example:

- Coupons
- Sampling
- Premiums
- Rebates
- Contest
- Sweepstakes
- POP materials

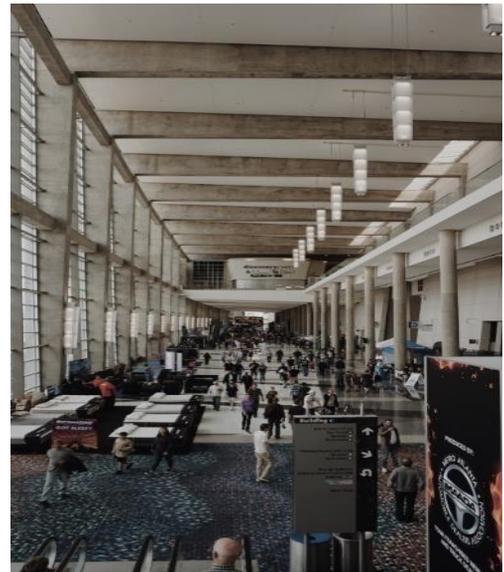


Trade-oriented

Targeted toward marketing intermediaries such as retailers, wholesalers, or distributors

Example:

- Promotion allowances
- Merchandise allowances
- Prices deals
- Sales contests
- Trade shows



Sales Promotion

Consumer-oriented	Example
<p>Coupons are a type of certificate that allows the bearer to a discount when they purchase the good. For illustration, coupons created by KFC or Domino's</p>	
<p>Consumers are given the opportunity to sample a product or service for free. It can be carried out by direct mailing, showing the sample in person, bundling it with another item, or Delivering it door to door. A little pack of Milo or Nescafe might be offered for a new flavour.</p>	
	

Sales Promotion

Consumer-oriented	Example
<p>Premium: Offer a free product or at lower price rates. As an incentive for customers to purchase the products. example: buy 1 packet Mee Maggie Free 1, buy detergent Free 1 plate, buy Paper-mate Free 1 eraser.</p> 	
<p>Rebates / Cash Refund Offers</p> <p>A refund is given to a consumer for sending in proof of purchase after a sale. Or payment made to a consumer after a purchase is completed, to induce the purchase of a product. example: 1. "Your money can be refunded within 30 days", 2. "Guarantee refund your money"</p>	

Sales Promotion

Consumer-oriented	Example
<p>Contests, sweepstakes, and games provide consumers the chance to win prizes like money, trips, or specific items. Example: Power Roots</p>	
<p>Price Pack: Provide consumers with a discount. Boosting short-term sales</p> <p>Example: Two products are packaged and sold at the same price. (purchase 1 = RM 36 and buy 2 = RM 56 for toothpaste + brush and perfume for her/him)</p>	 

Sales Promotion

Consumer-oriented	Example
<p>POP material, or point-of-purchase material, includes displays and product demonstrations.</p> <p>The point of purchase could, on a larger scale, be a market, city, or mall. Retailers define the point of purchase as the vicinity of the counter where clients make their payments.</p> <p>For instance, a display of F&N milk cans, and a copy of Ronald (McDonald).</p> 	 

TRADE SALES PROMOTION

Objectives of Trade Sales Promotion:

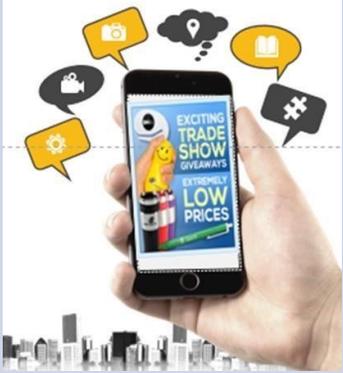
- Gain/maintain distribution
- Influence resellers to promote product
- Influence resellers to offer price discount
- Increase reseller inventory
- Defend against competitors
- Avoid reduction of normal prices



Sales Promotion

TRADE-ORIENTED	Example
<p>Trade Sales Promotion: Are the retailers or the wholesalers the ones that receive the price cut? This is a perk to get people to reserve the "best" space for a new product or to make a purchase during special times. #Merchandise allowance: pay a retailer back for additional in-store assistance or particular brand promotion. Case allowance: a discount on each order placed during a particular time frame. Allowance for financial expenditures or losses incurred by merchants as a result of consumer sales campaigns.</p>	
<p>Trade/Sales Contests: These are used to entice retailers to sell goods since the one who sells the most is rewarded. Used to meet sales target. Rewards might be gifts or money.</p>	
<p>Price deals: Temporary reductions in price, such as 50% off an item</p> 	

Sales Promotion

TRADE ORIENTED	Example
<p>TRADE SHOWS Rank 3rd in B2B marketing expenditures. Manufacturers spend huge amounts of money per show. Largest trade shows all over the world are: International CES (consumer electronic and technology shows) The super show (Texas car & vehicle shows)</p>	
<p>TRADE SALES PROMOTION Objectives of Trade Sales Promotion: Gain/maintain distribution Influences resellers to promote product Influence resellers to offer price discount Increase resellers inventory Defend against competitors Avoid reduction of normal prices</p>	

Sales Promotion Uses



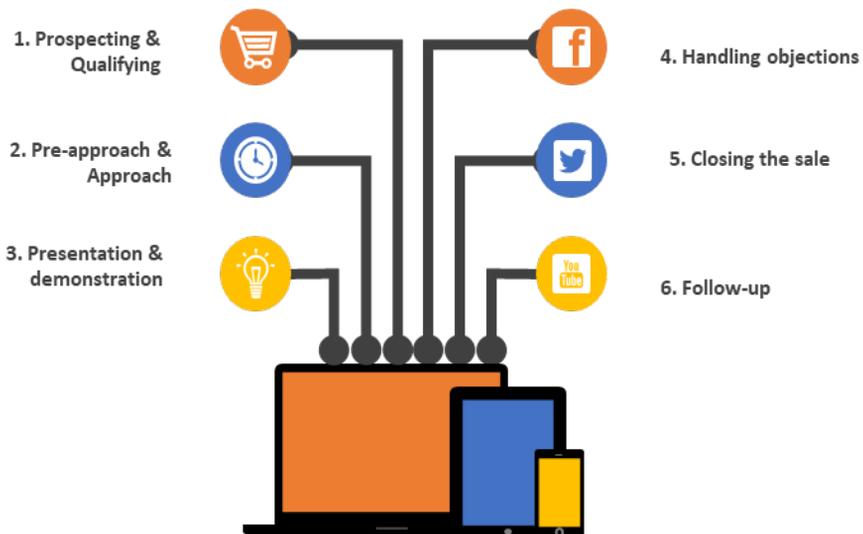
- Introduce new products.
- Get existing customers to buy more
- Attracts new customers
- Combat competition
- Maintain sales in the off-season
- Increase retail inventories
- Tie advertising & personal selling
- Enhance personal selling efforts

Personal Selling

A personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. All activities are done through face to face.

Advantages of personal selling	Disadvantages of personal selling
<p>Direct contact between buyer and seller allows for more flexibility.</p> <p>Can tailor sales messages to the specific needs of customers.</p> <p>Allows for more direct and immediate feedback. Sales efforts can be targeted to specific markets and customers who are the best prospects.</p>	<p>High costs per contact.</p> <p>Difficult to have a consistent and uniform message delivered to all customers.</p>

Effective Personal Selling Steps



Effective Personal Selling Steps

Steps	Explanation
<p>Prospecting & Qualifying</p>	<p>Prospecting is the process of identifying those potential buyers of firms & people.</p> <p>Find “prospect buyers” by searching in the newspapers, directories, telephone, mail etc.</p> <p>Qualifying is the process of identifying the good ones and screen out the poor ones.</p> <p>Good prospect buyers based on their financial ability, growth possibilities and volume of sales.</p>
<p>Pre-approach & Approach</p>	<p>Pre-approach: Has listed the possibilities or possible buyers . Obtain as much information as you can about the business (product or service, customer, competition & industry).</p> <p>Choose the best strategy, such as a face-to-face meeting, a phone call, or a letter.</p> <p>Timing to gain cooperation and attention. Think about the sales approach.</p> <p>Approach: Include a salesperson with a positive disposition. To inspire confidence in the goods and the firm, know how to meet and greet the customer.</p>

Steps	Explanation
<p>Presentation & demonstration</p>	<p>2 fundamental strategies for a strong presentation: The sales pitch for the stimulus-response technique is based on the idea that a specific stimulus would result in a specific response.</p> <p>The need-satisfaction method is a sales strategy that focuses on meeting the specific needs of a potential customer.</p>
<p>Handling objections</p>	<p>Objections are just justifications for not committing to or choosing to buy anything.</p> <p>The following six methods: Recognize and overcome the objection. Delay the objection.</p> <p>Accept and address the objection (changes objection as reason for purchasing).</p> <p>Accept the criticism (as an opportunity to add info). Refuting the criticism. Ignore any criticism.</p>
<p>Closing the sale</p>	<p>Involve convincing the prospect to make a purchase commitment.</p> <p>The final ending may be one of three ways: Requesting the order.</p> <p>By using an assumptive close, you would ask the prospect to make decisions regarding the product while assuming that a deal has already been made. Purchasing something urgently in order to swiftly commit to a prospect.</p>

Steps	Explanation
<p>Follow-up</p>	<p>The last step in the selling process.</p> <p>The goal is to guarantee: Consumersatisfaction. Deliveries are made on time. recurring business.</p> <p>After closing the sale, the salesperson must complete information regarding the delivery date, the terms of the purchase, and other details.</p> <p>Once the earlier orders have been accepted, a follow-up call is scheduled to ensure that the proper maintenance procedures and services are provided.</p>



Public Relations (Publicity)

An effort to build good relationship between the company and various public. Means to obtain favorable publicity, building up a good “corporate image” and handling or heading off unfavorable rumors, stories & events.

Advantages of publicity	Disadvantages of publicity
<p>Credibility Low cost (although not totally free) Often results in word of mouth</p>	<p>Not always under control of organization. Can be negative</p>

Public Relations Tools

1. Press Relations -

Newsworthy information is placed in the news media to attract attention to a person, product, or service. To gain coverage in the media such as new releases, feature articles & press conferences.

2. Product Publicity-

Publicize specific products to the market such as spreading the product’s article in the news media or giving trial packs or free gifts.



3. Corporate Communication –

Create internal & external communications to promote understanding of the firm or institution such as special events like a concert, sports competitions, festivals, or plays (event sponsorship)

4. Lobbying –

Deals with legislators and government officials to promote or defeat legislation & regulation. Useful in winning contracts or fastening the process of approval. Example: gifts, entertainment or playing golf together.

5. Counselling –

Involve advising management about issues and company positions & image.

Publicity Vehicles	Explanation
NEWS RELEASES:	Single-page news stories sent to media who might print or broadcast the content.
FEATURE ARTICLES:	Larger manuscripts composed and edited for a particular medium.
PRESS CONFERENCES:	Meeting and presentations to invited reporters and editors.
SPECIAL EVENTS:	Sponsorship of events, team, or programs of public value.

Publicity Vehicles

NEWS RELEASES:
Single-page news stories are sent to media who might print or broadcast the content.



PRESS CONFERENCES:
Meeting and presentations to invited reporters and editors.

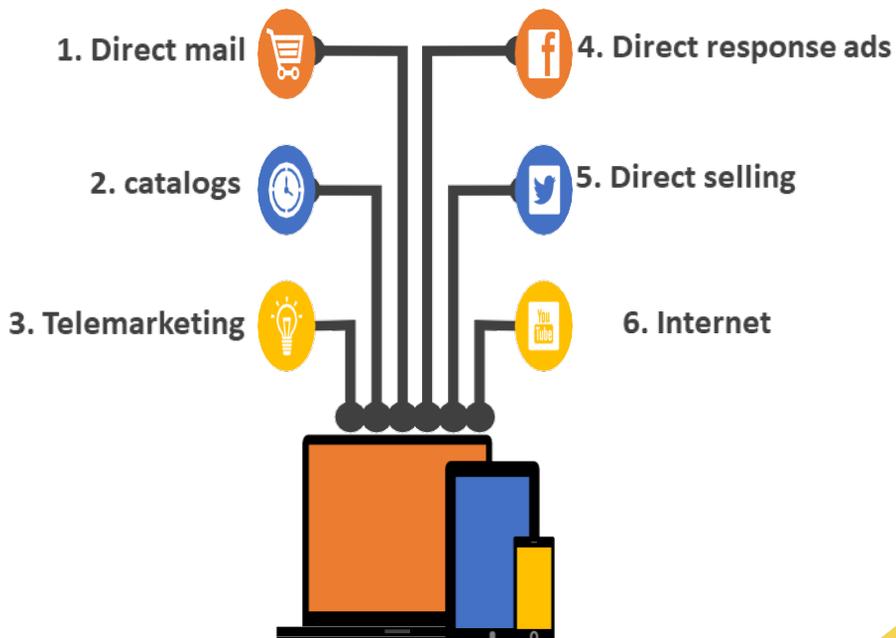
FEATURE ARTICLES:
Larger manuscripts composed and edited for a particular medium.

SPECIAL EVENTS:
Sponsorship of events, team, or programs of public value.

Direct Marketing (Internet)

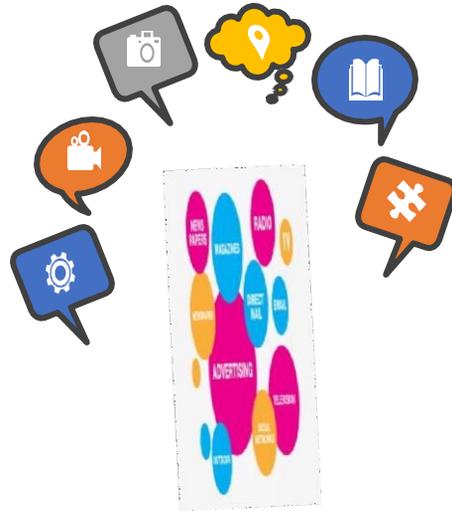
A marketing strategy whereby a company interacts directly with potential consumers in order to elicit a reaction and/or a purchase.

Advantages of direct marketing	Disadvantages of direct marketing
<p>Changes in society have made consumers more receptive to direct marketing.</p> <p>Allows marketers to be very selective and target specific segments of customers.</p> <p>Messages can be customized for specific customers.</p> <p>Effectiveness is easier to measure</p>	<p>Lack of customer receptivity and very low response rate.</p> <p>Clutter (too many messages).</p> <p>Image problems – particularly with telemarketing.</p>



Medium of Promotion

Newspaper
 Magazines
 Radio
 Television
 Outdoor Media
 Kiosk
 Receipt
 Cinema
 The Internet
 Postcard Advertising



Promotion Method	Used For	Pros	Cons
Direct Marketing	Direct outreach to prospects in a database or sales list.	Easier to reach specific audiences and measure results.	People are overstated with marketing offers. Personal outreach brings need for customer service too.
Personal Selling	Used most often for expensive, technical, or specialized products.	Good salespeople are often the best marketing tools a company can have.	Salespeople can be expensive and take a lot of training.
Sales Promotion	Get people to use product more often. Gain competitor's customers.	Creates excitement among audience. Can be used to test price sensitivity.	Risk of trivializing brand and product. Might be dependent on discounted promotions.
Advertising	Introduce audience to new products, features, and uses	Adds credibility & human face. Can be used at specific times. Builds brands.	High cost. Little follow-through and feedback. Consumer indifference.
Publicity	Getting attention for something that is newsworthy.	Objective news media is more trusted. Improves employee morale. Gets natural links.	High cost. Little control of outcome. Marketing messages might not reach audience.

Samuel Scott - @samueljscott - www.samueljscott.com
 Director of Marcom for log analysis software Logz.io - @logzio - logz.io



EXERCISES & DISCUSSION

EXERCISES:

**SCAN ME:
FOR THE QUESTION &
ANSWER**



DISCUSSION:

REFER TO PAGE: 53-67

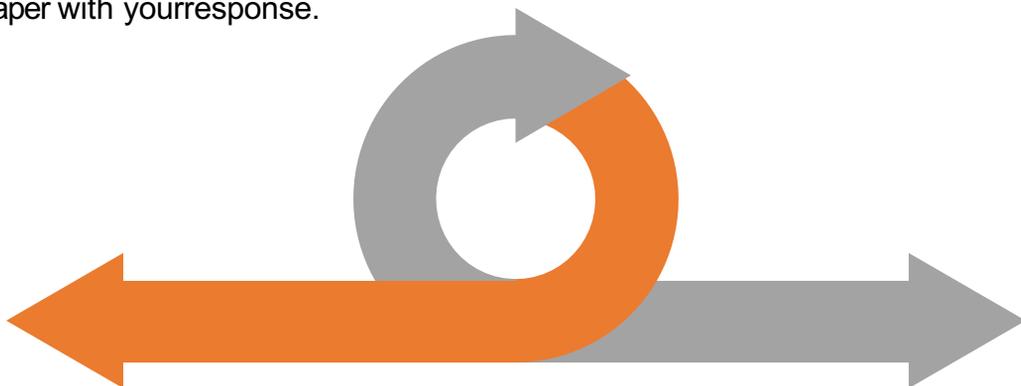
Let's go through each IMC one by one.

- A. Marketing mix's promotional tools
- B. A good example from the promotional mix's five components.

An actual scenario includes sales promotion, advertising, and personal selling. Fill out a sheet of paper with your response.

REFER TO PAGE: 53-67

Please specify which of the five marketing techniques employed by the IMC applies to which product or service.



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