### PRINCIPLES OF



ZAIHAN BINTI HARON

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#### PREFACE & ACKNOWLEDGEMENT

This *Principles of Marketing* book designed to meet the need of students Diploma in Business programs. Hopefully this book can provide a sufficient guidance for related students and lecturers. This book contains eight (8) topics that include Marketing Overview, Marketing Environment, Consumer & business Market, Marketing Segmentation, Targeting & Positioning, Product, Pricing, Marketing Channels and Integrated Marketing Communication. The objectives for this book written is to enable the students to understand the marketing principles and concepts in business and marketing field.

I have been supported and encouraged in writing this book by many people. First and foremost are the family members, friends and also students. Thankful for their helps and supports.

Hopefully that this book can benefit all students and help them to achieve their course learning outcomes.

#### ZAIHAN BINTI HARON

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# TOPIC 1: OVERVIEW OF MARKETING



### What is Marketing?

- Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.
- More simply: Marketing is the delivery of customer satisfaction at a profit.

### What is Market?

- A market is a place where two parties, usually buyers and sellers, can gather to facilitate the exchange of goods and services. (Investopedia)
- A set up where **two or more parties** engage in **exchange of goods, services and information** is called a market. Ideally a market is a place where two or more parties are involved in buying and selling. (Management Study Guide)

  Market

### Marketing Management Philosophies

### **Production Concept**

Consumers favor products that are available and highly affordable. Sellers have to improve production and distribution.

### **Selling Concept**

Consumers will buy products only if the company promotes/ sells these Product.

### **Product Concept**

Consumers favor products that offer the most quality, performance, and innovative features.

### **Marketing Concept**

Focuses on needs/ wants of target markets & delivering satisfaction better than competitors

### **Societal Marketing Concept**

Focuses on needs/ wants of target markets & delivering superior value together with society's well-being.

### Core Marketing Concepts



### Why Consumer Buy?

• Needs - state of felt deprivation for basic items such as food and clothing and complex needs such as for belonging. i.e. I am thirsty

• Wants - form that a human need takes as shaped by culture and individual personality. i.e. I want a Coca-Cola.

• **Demands** - human wants backed by buying power. i.e. I have money to buy a Coca-Cola.

### How to Satisfy Consumer's Needs and Wants?

- Products anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a need or want.
- Examples: food, car, toys, cloth, jewellery, telephone and furnitures.

- Services activities or benefits offered for sale that are essentially intangible and don't result in the ownership of anything.
- Examples: banking, airlines, haircuts, consultant and hotels



## How Do Consumers Choose Choose Among Products and Services?

- Customer Value benefit that the customer gains from owning and using a product compared to the cost of obtaining the product.
- Customer Satisfaction depends on the product's perceived performance in delivering value relative to a buyer's expectations. Linked to Quality and Total Quality Management (TQM).

### How do Consumers Obtain Products and Services?

- Exchanges act of obtaining a desired object from someone by offering something in return.
- Transactions trade of values between parties. Usually involves money and a response.
- Relationships building long-term relationships with consumers, distributors, dealers, and suppliers.







### Marketing & Sales Concepts

### **The Selling Concept**

Starting Point Focus Means Ends

Factory Existing Products Selling and through Volume

### The Marketing Concept









**Market** 

**Customer Needs**  Integrated Marketing

Profits through Satisfaction

### Societal Marketing Concept

Society (Human Welfare)









SOCIETAL MARKETING CONCEPT



Consumers (Wants & Needs)

Company (Profits)





### New Marketing Landscape – Major Trends and Forces





Nonprofit Marketing

New Marketing Landscape



Ethical & Social Responsibility

**Globalization** 



Check Your Understanding		
MARKETING PHILOSOPHIES:		CORE MARKETING CONCEPT:
PRODUCTION CONCEPT	in the second se	NEEDS
PRODUCT CONCEPT	DEFINE MARKET:	
	DEFINE MARKETING:	DEMANDS
SELLING CONCEPT		VALUE
MARKETING CONCEPT	DEFINE MARKET ETHICS:	SATISFACTION
SOCIETAL MARKETING CONCEPT	DEFINE SOCIAL RESPONSIBILITYNG:	TRANSACTION
		RELATIONSHIP

### TOPIC 2:

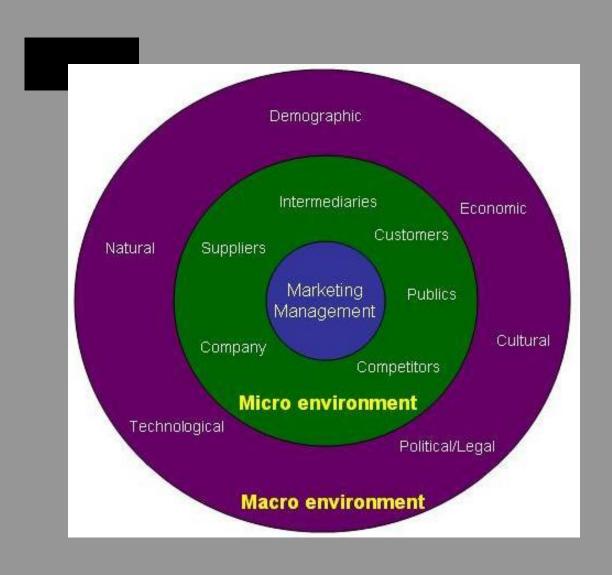
## MARKETING ENVIRONNENT



### MARKETING ENVIRONMENT

- The forces that directly and indirectly influence an organization's capability to undertake its business.
- The trading forces operating in a market place over which a business has no direct control, but which shape the manner in which the business function and is able to satisfy its customers.

### COMPONENTS OF MARKETING ENVIRONMENT



## marketing.

### **MICRO ENVIRONMENT**

involves analysing controllable variables close to the company that the company does have an influence over. This usually involves undertaking a stakeholder analysis

### **MACRO ENVIRONMENT**

involves looking at uncontrollable variables that influence company strategy.

### **Micro-environment Forces**



### **Customers**

customer expectations

Organisations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

### Company

All departments within an organization have the potential to positively or negatively impact customer satisfaction. All departments in organization leads to superior customer satisfaction



Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organisation. Prices may be forced up as a result. Closer supplier relationships is one way of ensuring competitive and quality products for an organisation.

### Competitors

Competitors, whom are part of your microenvironment and compete for your customers, might try to take your best employees and might distribute through the same channels as your company.



Distributors are the intermediaries between the manufacturer and the consumer. Distributors are marketing companies too, and participate in the marketing process. Distributors are important channels since large manufacturing brands do not wish to distribute all the way to the final consumer

### **Publics**

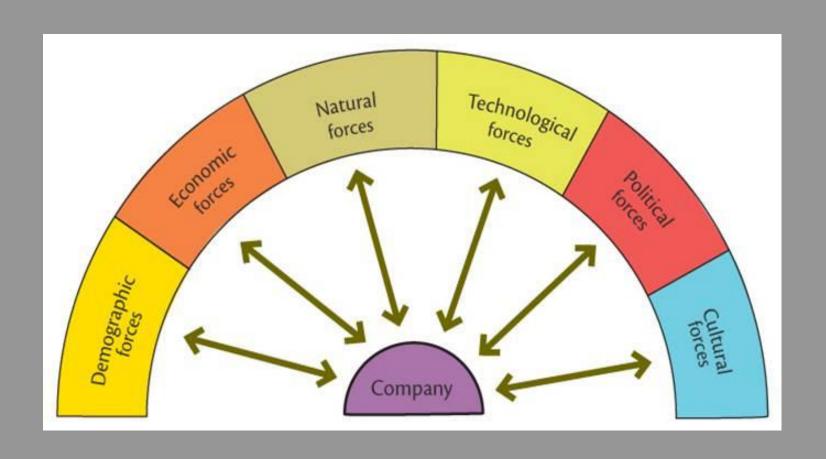
"Publics" are groups that may have a significant impact on marketing activities formulated to contribute to customers' satisfaction with a product and an organization.



### **Macro-environment**

Macro environment refers to those factors which are external to company's activities and do not concern the immediate environment. It comprises general forces that affect all business activities in market

### **Macro-environment Forces**



### Demographic

- Demographic data helps in preparing geographical marketing plans, household marketing plans, age and sex wise plans.
- It influences behavior of consumers which in turn will have direct impact on market place.
- A marketer must communicate with consumers anticipate problems, respond to complaints and make sure that the firm operates properly.

### **Economic**



- Market boom, recession, or growing inflation problem can all change the way an organization plans for the future and operates in the present.
- Economic factors are often difficult to assess, since economic forecasts and analyses vary widely between experts.
- Unemployment levels, comparative foreign exchange rates, and the state of the global economy can all help or hurt a business' ability to get needed components and maintain a stable profit.



### Technological Technological

Technological can influence how an organization does business. A new type of machinery, computer chip, or product created through research and development can help a company stay modernized and ahead of the market curve. Owners must be able to accurately identify which new developments will be truly useful, and which are just fads.

### Political Covernment of the Care of the Ca

Political include things like tax policies, government-issued safety regulations, the availability of government contracts, and even shifts in the controlling political party. International laws, such as trade agreements and tariffs, may affect the supply and demands chains and available markets for many different companies as well.

### Social and cultural forces

- Social responsibility has crept into the marketing literature as an alternative to the market concept.
- Socially responsible marketing is that business firms should take the lead in eliminating socially harmful products



### Cont: Social and cultural

Products and services that your organisations brings to market have to be considered the impact to the society.

- Any elements of the production process or any products/services that are harmful to society should be eliminated to show your organisation is taking social responsibility.
- A recent example of this is the environment and how many sectors are being forced to review their products and services in order to become more environmentally friendly.

### PEST ANALYSIS

A scan of the external macro environment in which the firm operates can be expressed as a pest analysis.

A PEST Analysis fits into an overall environmental scan, which includes Political, Economical, Social, and Technological environment.

#### **ANSWER ALL THE QUESTIONS BELOW:-**

There are two types of marketing environment, microenvironment and macroenvironment.



2. We can't control microenvironment because they are outside of our company.

(TRUE/FALSE)

3. Elements of macroenvironment are political, social, technological and economical.

(TRUE/FALSE)

4. Training and development plays essential role to develop employees.

(TRUE/FALSE)

5. Maintain a good marketing strategy towards customers not the best thing to encourage loyalty.

(TRUE/FALSE)

# CHAPTER 3: CONSUMER & BUSINESS MARKET



### WHAT IS CONSUMER

An individual who buys products or services for personal use and not for manufacture or resale.

A consumer is someone who can <u>make</u> the <u>decision</u> whether or not to purchase an item at the <u>store</u>, and someone who can be influenced by <u>marketing</u> and advertisements.

Any time someone goes to a store and purchases a toy, shirt, beverage, or anything else, they are making that decision as a consumer.

#### WHATIS CONSUMER MARKET

The consumer market pertains to buyers who purchase goods and services for consumption rather than resale. However, not all consumers are alike in their tastes, preferences and buying habits due to different characteristics that can distinguish certain consumers from others.

### FACTORS INFLUENCING CONSUMER BEHAVIOUR

Cultural

Culture

Subculture

Social class

Social

Reference groups

Family

Roles and status

Personal

Age and lifecycle stage

Occupation

Economic situation

Lifestyle

Personality and self-concept

**Psychological** 

Motivation

Perception

Learning

Beliefs and attitudes

**Buyer** 

#### MASLOW'S HIERARCHY OF NEEDS

#### Selfactualization needs

Self-development and realization

#### Esteem needs

Self-esteem, recognition, status

#### Social needs

Sense of belonging, love

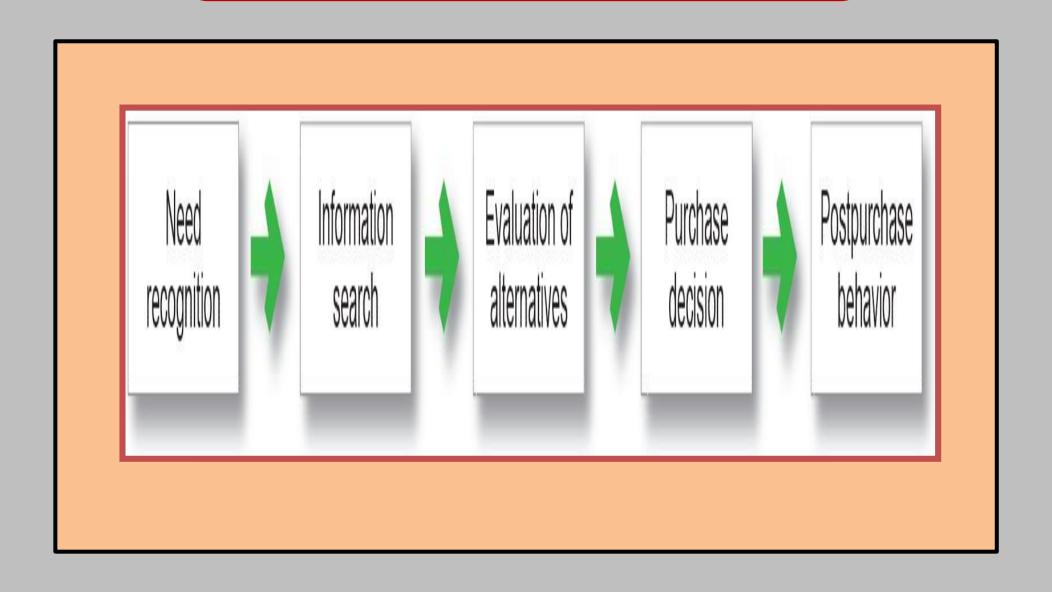
#### Safety needs

Security, protection

#### Physiological needs

Hunger, thirst

### BUYING DECISION PROCESS FOR CONSUMER MARKET



### **Need Recognition**

Need recognition can be triggered by internal or external factors.

Advertising can be very helpful in stimulating a need recognition.

#### **Information Search**

Several sources of information may be used as part of the information search:

- a) Personal sources
- b) Commercial sources
- c) Public sources
- d) Experiential sources

#### **Evaluation Of Alternatives**

Consumer uses information to evaluate alternatives brands band choices.

#### **Purchase Decision**

Buyer make a decision about which brand and where to purchase.

#### Post Purchase Behaviour

Consumer behaviour after make a purchasing process. Consumer either satisfied or dissatisfied. Consumer will repurchasing/rebuy or not.

### BUSINESS BUYER BEHAVIOUR

Refers to the buying behaviour of the organizations or business that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others for the purpose to get a profit.

#### **BUSINESS MARKET**

Involve far **more transactions** and items compare do consumer markets.

Market structure and demand differs from consumer markets:

- a) Contains far fewer but larger buyers
- b) Business demand is derived from consumer demand
- c) Business markets have more fluctuating demand



### **BUSINESS MARKET**

Nature of the buying unit:

a) Business purchases involve more decision participants.

b)Business buying involves a more professional purchasing effort.



### **BUSINESS MARKET**

Key differences exist between business and consumer buying situations:

- a) Business buyers usually face more complex buying decisions
- b) The business buying process tends to be more formalized
- c) Buyers and sellers are much more dependent on each other in business markets

#### TYPES OF BUYING SITUATIONS IN **BUSINESS MARKET**

a)Straight rebuy

Buyer routinely reorders something without any modifications

rebuy

b) Modified Buyer wants to modify product specifications, prices, terms, or suppliers

c)New task

Buyer purchases a product or service for the first time

d)Systems (solution) selling

Becoming more common among companies

#### FACTORS INFLUENCING BUSINESS BUYER BEHAVIOUR

#### **Environmental**

The economy

Supply conditions

Technology

Politics/regulation

Competition

Culture and customs

#### **Organizational**

Objectives

Strategies

Structure

Systems

**Procedures** 

#### Interpersonal

Influence

Expertise

Authority

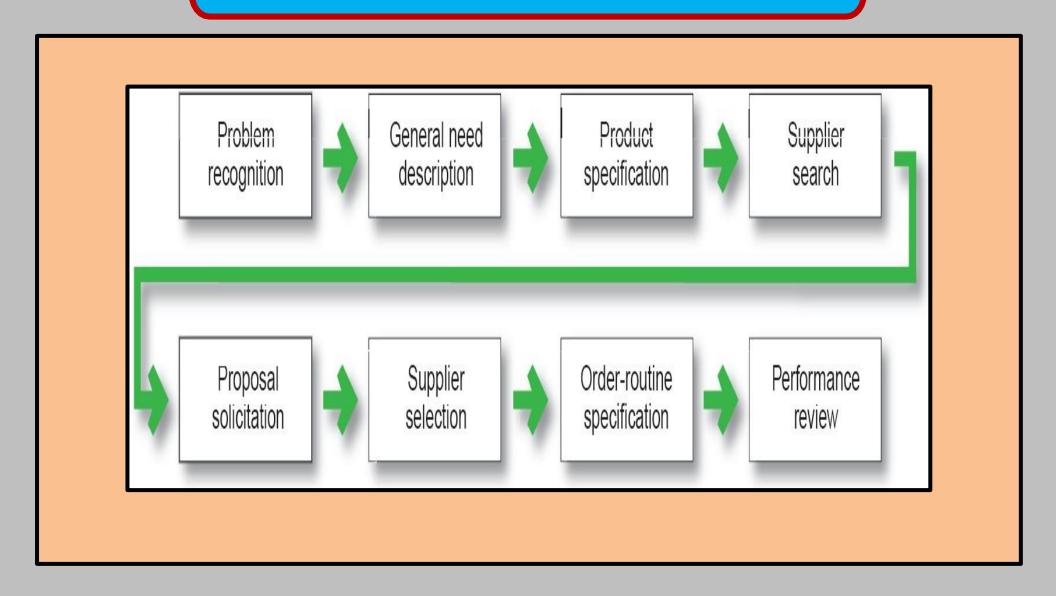
**Dynamics** 

#### Individual

Age/education
Job position
Motives
Personality
Preferences
Buying style

**Buyers** 

### BUYING DECISION PROCESS FOR BUSINESS MARKET



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	I littorontiato	conclimar	and	hileinace	markat
1.	Differentiate	COMSUME	anu	Dusiness	HIAIKU

Consumer Market	Business Market
i)	
ii)	
<b>n</b> )	
iii)	

2. Write three Buying Behavior Factors for consumer market

i.	
ii.	
iii.	

3. Write three *Buying Patterns* in *business market*:

i.	
ii.	
iii.	

5. Draw diagram Buying Decision Process for Business Market.



### TOPIC 4



#### The STP Process

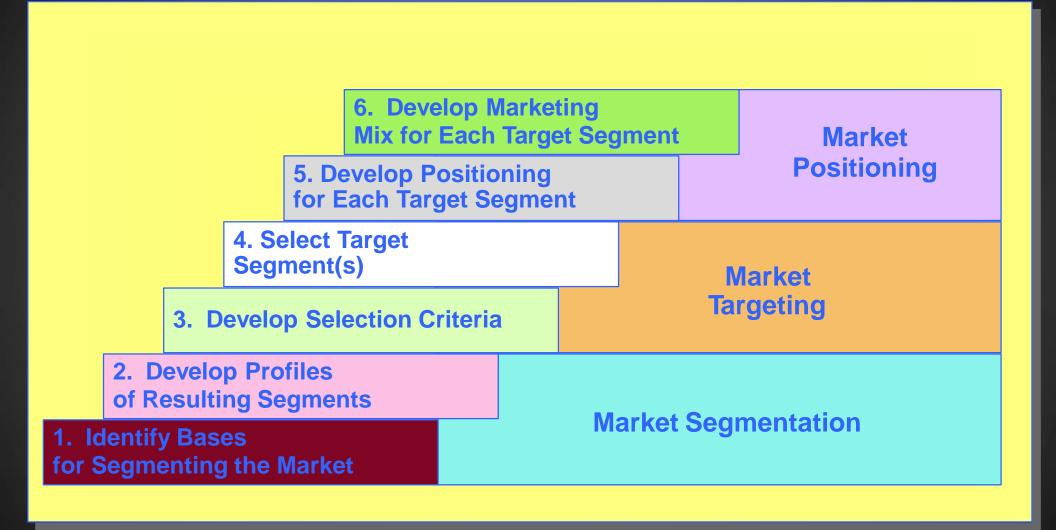
- SEGMENTATION is the process of classifying customers into groups which share some common characteristic
- TARGETING involves the process of evaluating each segments attractiveness and selecting one or more segments to enter
- POSITIONING is arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the mind of the consumer

#### Requirements for Effective Segmentation

Measurable Accessible Substantial Differential **Actionable** 

- •Size, purchasing power, profiles of segments can be measured.
- Segments can be effectively reached and served.
- •Segments are large or profitable enough to serve.
- •Segments must respond differently to different marketing mix elements & programs.
- Effective programs can be designed to attract and serve the segments.

# Steps in Segmentation, Targeting, and Positioning



### Step 1. Market Segmentation Levels of Market Segmentation

**Mass Marketing** 

Same product to all consumers (no segmentation)

Segment Marketing

Different products to one or more segments (some segmentation)

**Niche Marketing** 

Different products to subgroups within segments (more segmentation)

**Micromarketing** 

Products to suit the tastes of individuals and locations (complete segmentation)

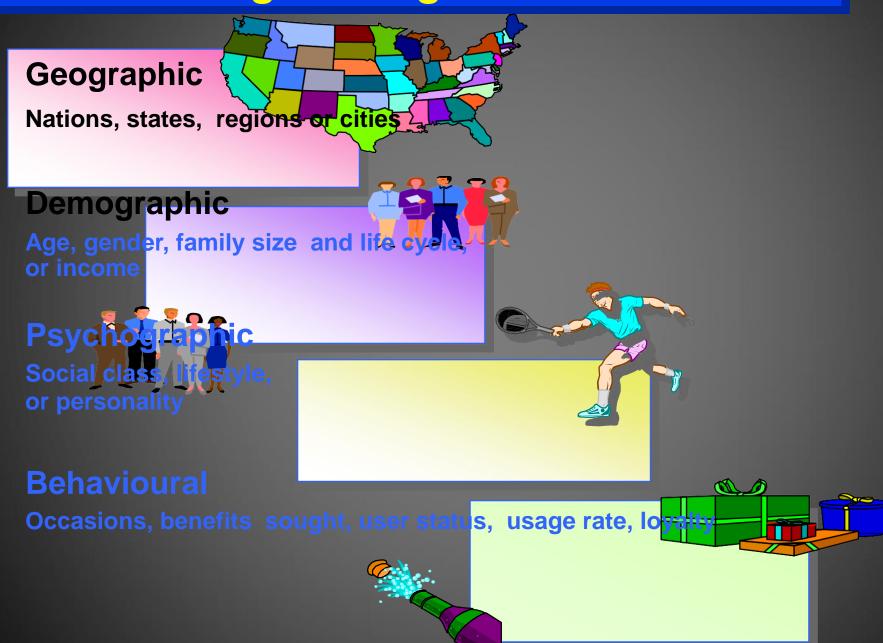
**Local Marketing** 

Tailoring brands/ promotions to local customer groups

**Individual Marketing** 

Tailoring products/ programs to individual customers

# Step 1. Market Segmentation Bases for Segmenting Consumer Markets



# Step 2. Market Targeting Evaluating Market Segments (developing selection criteria)

#### Segment Size and Growth

 Analyze sales, growth rates and expected profitability for various segments.

#### Segment Structural Attractiveness

 Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.

#### Company Objectives and Resources

- Company skills & resources relative to the segment(s).
- Look for Competitive Advantages.

### Step 2. Market Targeting Market Coverage Strategies

Company Marketing Mix

**Market** 

A. Undifferentiated Marketing

Company Marketing Mix 1

Company

**Marketing Mix 2** 

Company

Marketing Mix 3

Segment 1

Segment 2

Segment 3

B. Differentiated/Segmented Marketing

**Company Marketing Mix** 

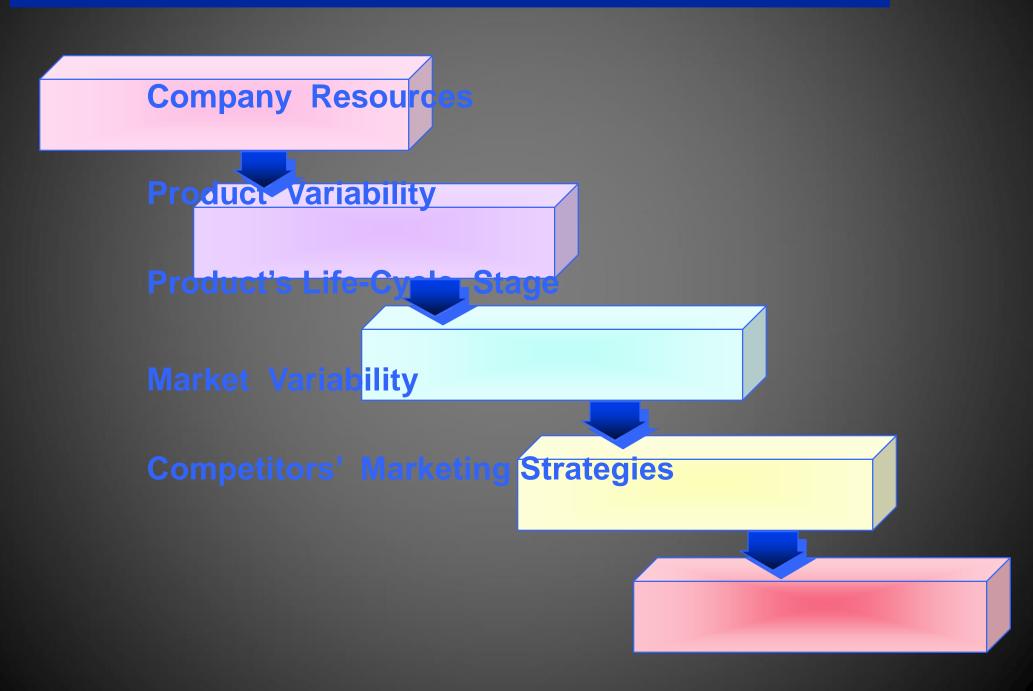
**Segment 1** 

Segment 2

**Segment 3** 

**C.** Concentrated/Niche Marketing

# Step 2. Market Targeting Choosing a Market-Coverage Strategy



### **Linking the Concepts**

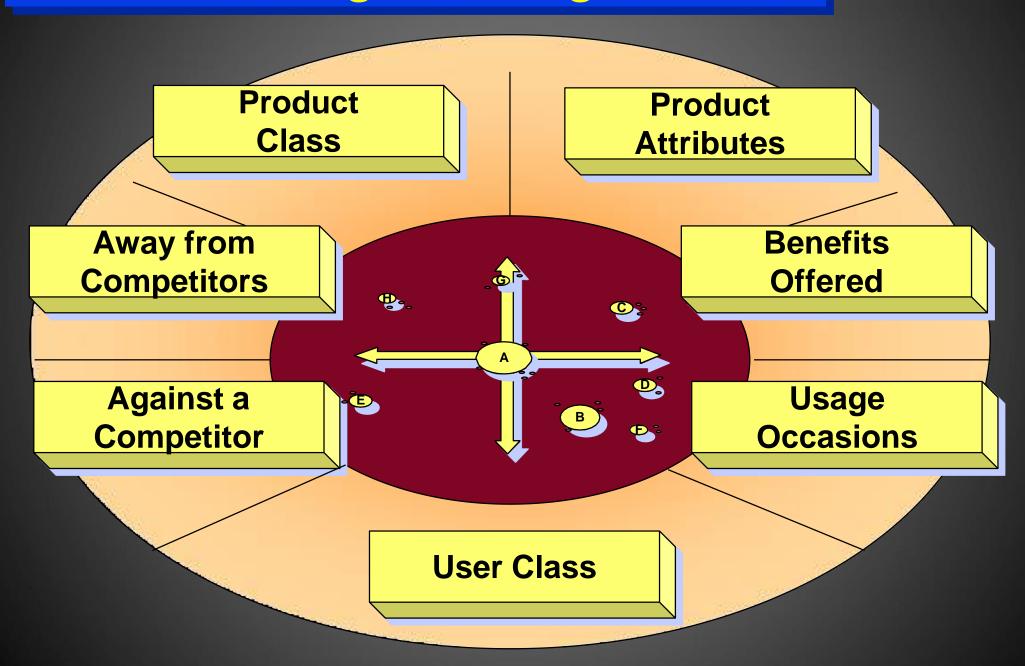
- At the last 'linking the concepts', you segmented the Irish clothing market.
- Now, pick two companies that serve this market and describe their segmentation and targeting strategies.
- Can you come up with one that targets many different segments versus another that focuses on only one or a few segments?
- How does each company you choose differentiate its marketing offer and image?
- How has each done a good job of establishing this differentiation in the minds of targeted consumers?

# Step 3. Positioning for Competitive Advantage

 Product's Position - the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products.

- Marketers must:
- Plan positions to give their products the greatest advantage in selected target markets,
- Design marketing mixes to create these planned positions.

## Step 3. Positioning for Competitive Advantage: Strategies



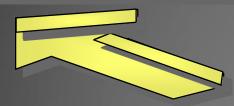
# Steps to Choosing and Implementing a Positioning Strategy

- Step 1. Identifying Possible Competitive Advantages: Competitive Differentiation.
- Step 2. Selecting the Right Competitive Advantage: Unique Selling Proposition (USP).
- Step 3. Communicating and Delivering the Chosen Position.
- Step 4. Support the positioning strategy with a unique marketing mix

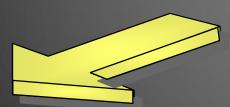
# Developing Competitive Differentiation

**Product** 

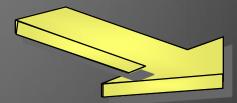
**Service** 







**Image** 



**People** 

# Step 4 – Supporting the positioning strategy

At this stage the company has decided on its
positioning strategy and must now design a marketing
mix to support this strategy. The next part of the
course looks at 'Developing the Marketing Mix'



- Define the three steps of target marketing: market segmentation, market targeting, and market positioning.
- List and discuss the major levels of market segmentation and bases for segmenting consumer and business markets.
- Explain how companies identify attractive market segments and choose a market coverage strategy.
- Discuss how companies position their products for maximum competitive advantage in the marketplace.



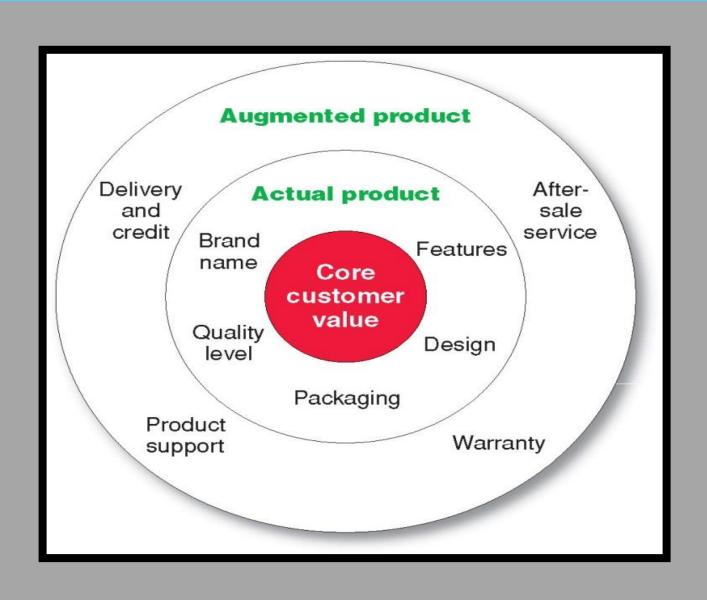
#### WHAT IS A PRODUCT?

Product is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want

Service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything

**Experiences** represent what buying the product or service will do for the customer

#### LEVELS OF PRODUCT AND SERVICES



### PRODUCT AND SERVICE CLASSIFICATIONS

Consumer products

Industrial products



#### **CONSUMER PRODUCT**

- Consumer products are products and services for personal consumption
- Classified by how consumers buy them
  - a. Convenience products
  - b. Shopping products
  - c. Specialty products
  - d. Unsought products



#### Convenience products:

are consumer products and services that the customer usually buys frequently, immediately, and with a minimum comparison and buying effort

- Newspapers
- Candy
- Fast food



#### **Shopping products**

are consumer products and services that the customer compares carefully on suitability, quality, price, and style

- Furniture
- Cars
- Appliances



#### Specialty products

are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort

- Medical services
- Designer clothes
- High-end electronics



#### BUSINESS/INDUSTRIAL PRODUCT

Business/Industrial products are products purchased for further processing or for use in conducting a business

Classified by the purpose for which the

product is purchased

a) Materials and parts

b)Capital

c)Supplies & services

Capital items are industrial products that aid in the buyer's production or operations

Materials and parts include raw materials and manufactured materials and parts usually sold directly to industrial users

Supplies and services include operating supplies, repair and maintenance items, and business services



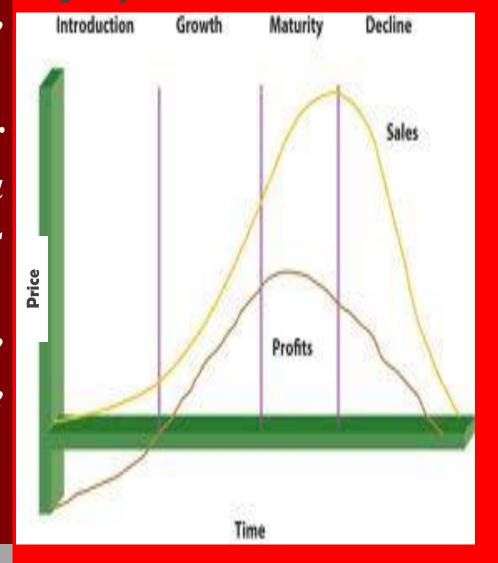
## PRODUCT AND SERVICE DECISIONS



#### PRODUCT LIFE CYCLE (PLC)

The Product Life Cycle (PLC) is used to map the lifespan of a product. There are generally four stages in the life of a product. These four stages are the Introduction stage, the Growth stage, the Maturity stage and the Decline stage.

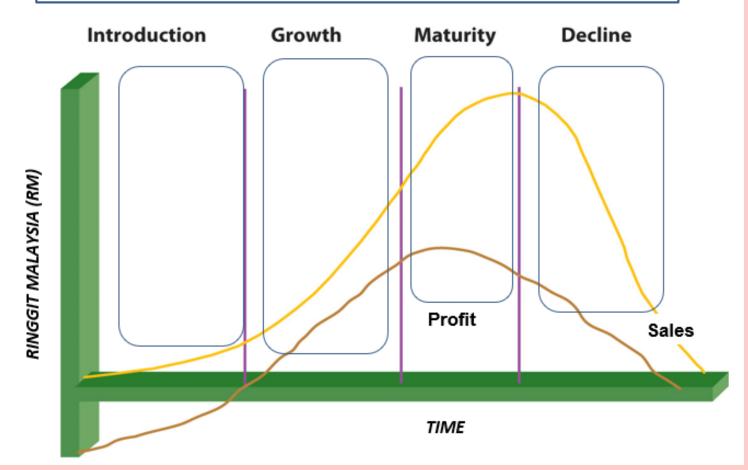
The following graph illustrates the four stages of the PLC:



Complete the boxes below with a suitable information for each product stage.

#### PRODUCT LIFE CYCLE (PLC)

DEFINITION:			





## TOPIC 5

## Pricing



Price Has Many Names

- Rent
- Fee
- Rate
- Commission











- Wage
- Interest
- Tax

### Definition

• Price

The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.



- Price and the Marketing Mix:
  - Only element to produce revenues/profit
  - Most flexible element
  - Can be changed quickly
- Price Competition
- Common Pricing Mistakes



## Factors Affecting Price Decisions

#### **Internal factors**

Marketing objectives
Marketing mix strategy
Costs
Organizational
considerations

Pricing decisions

#### **External factors**

Nature of the market and demand Competition Other environmental factors (economy, resellers, government)

## MAJOR PRICING STRATEGIES/ APPROACHES

## a.Customer Value-based Pricing

## **b.Cost-based Pricing**

## c.Competition-based Pricing



Setting prices based on buyers' perceptions of value rather than on the seller's cost.



### **Cost-based Pricing**

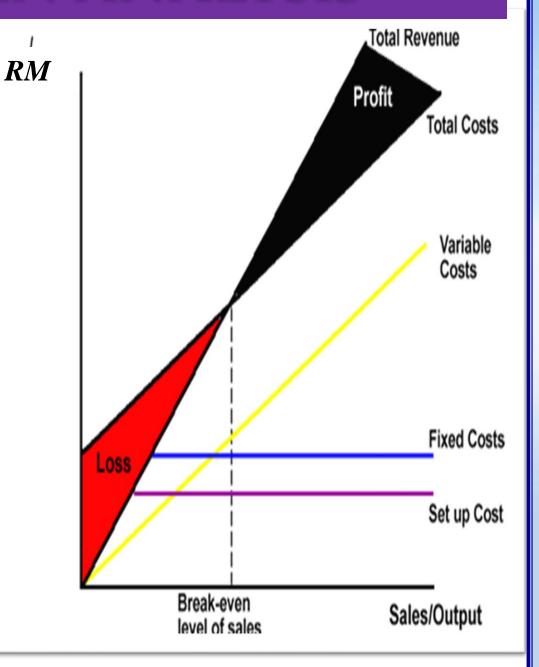
绿边壁式的印刷和程序和超过程

Setting prices based on the costs for producing, distribution, and selling the product plus a fair rate return of return for effort and risk.



#### BREAKEVEN ANALYSIS

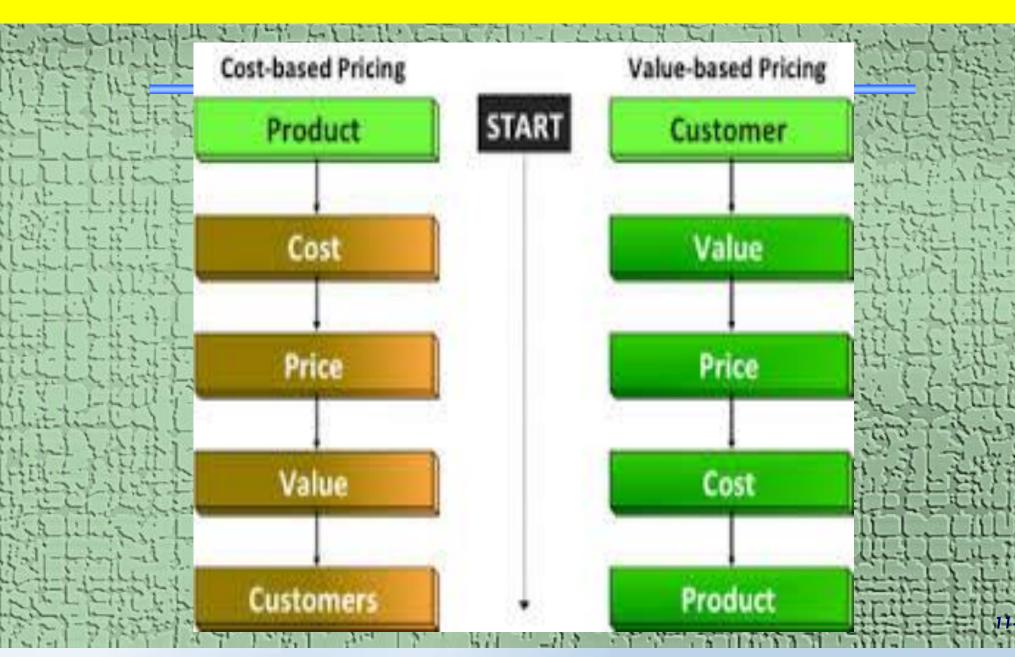
Breakeven analysis is used to determine when your business will be able to cover all its expenses and begin to make a profit. It is important to identify your startup costs, which will help you determine your sales revenue needed to pay ongoing business expenses.



### **Cost-based Pricing**

- Cost-Based Pricing: Break-Even Analysis and Target Profit Pricing
  - Break-even charts show total cost and total revenues at different levels of unit volume.
  - The intersection of the total revenue and total cost curves is the break-even point.
  - Companies wishing to make a profit must exceed the break-even unit volume.

## Cost-Based Versus Value-Based Pricing



## **Competition-based Pricing**

When setting price it makes sense to look at the price of competitive offerings. For some, competitor's price serves as an important reference point from which they set their price.

- Below Competition Pricing: A marketer attempting to reach objectives that require high sales levels (e.g., market share objective) may monitor the market to insure their price remains below competitors.
- Above Competition Pricing: Marketers using this approach 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.
- Parity Pricing: A simple method for setting the initial price is to price the product at the same level competitors price their product.

## NEW PRODUCT PRICING STARTEGIES

## **Penetration Pricing**

经系统统定的的平台和各种系统规划

## Skimming Pricing



### **Penetration Pricing**

- Price set to 'penetrate the market'
- 'Low' price to secure high volumes
- Typical in mass market products chocolate bars, food stuffs, household goods, etc.
- Suitable for products with long anticipated life cycles
- May be useful if launching into a new market



- High price, Low volumes
- Skim the profit from the market
- Suitable for products that have short life cycles or which will face competition at some point in the future (e.g. after a patent runs out)
- Examples include: Playstation, jewellery, digital technology, new DVDs, etc.

#### **Product Mix Pricing Strategies**

Product line pricing

Optionalproduct pricing

Captiveproduct pricing

By-product pricing

Product bundle pricing

## Product Line Pricing

Product line pricing is used when the prices within the product line is kept variant so that the customer purchases one or the other product within the product line. If Philips has a line of Mixer grinders, then it will have one in the lower range, one in the medium range and one in the higher range, so that it can satisfy each type of customer. When you want to plan product mix pricing, you have to ensure that target market of the complete product line are covered.



## Optional Product Pricing

Many a times, an organization charges extra for an added feature that it provides and the prices are kept on the basis of the feature which is being provided. For example, hotels and resorts will charge more for Scenery facing views and CD players and sound systems are optional product with a car. Organizations separate these products from main product because organizations want that customer should not perceive products are costly.



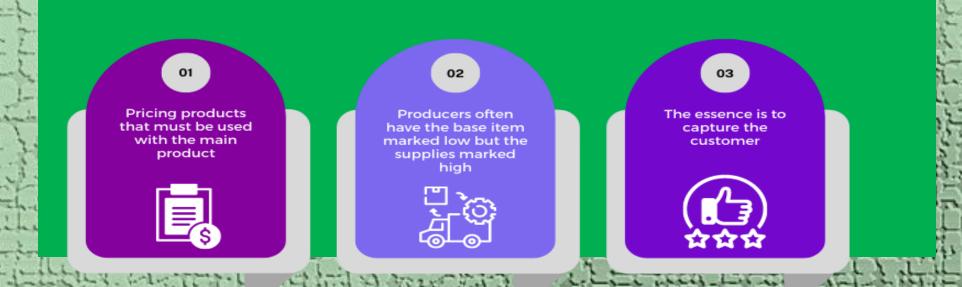






### Captive Product Pricing

This is strategy used for setting a price for a product that must be used along with a main product, for examples blades with razor and catridge with a printer.



### By-Product Pricing

By-product pricing is determining of the price for by-products in order to make the main product's price more attractive and competitive.

Sugarcane is used to make Sugar but after making sugar, the cane is sold off to building material manufacturers or sold off as Wood material.







### Product Bundle Pricing

This is a common price and selling strategy adopted by many companies. Many companies offer several products together this is called a bundle. Companies offer the bundles at the reduced price. This strategy helps many companies to increase sales, and to get rid of the unused products. This bundle pricing strategy also attracts the price conscious consumer. Best example is anchor toothpaste with brush at offered lower prices.

Explain of Product Mix Pricing Strategies below:

i. Optional Product Pricing

ii. Captive Product Pricing

iii. Product Bundle Pricing



# TOPIC 7 MANUELS



#### WHAT IS CHANNELS?

A SET OF INDEPENDENT
ORGANIZATIONS THAT HELP MAKE
A PRODUCT OR SERVICE AVAILABLE
FOR USE OR CONSUMPTION BY THE
CONSUMER OR BUSINESS USER.

#### CHANNEL FUNCTIONS

- Information gathering and distributing marketing research and intelligence information about factors and forces in the marketing environment needed for planning and aiding exchange.
- Promotion- developing and spreading persuasive communications about the offer
- Contact finding and communicating with prospective buyer

- •Matching shaping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling and packaging.
- Negotiation reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
- Physical distribution transporting and storing goods
- Financing Acquiring and using funds to cover the costs of channel work
- Risk taking assuming the risks of carrying out the channel work.

#### CHANNEL LEVELS

Define as a layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer.

# Types of Channel Levels

- Direct marketing level
- Indirect marketing level

#### TYPES CHANNEL LEVELS

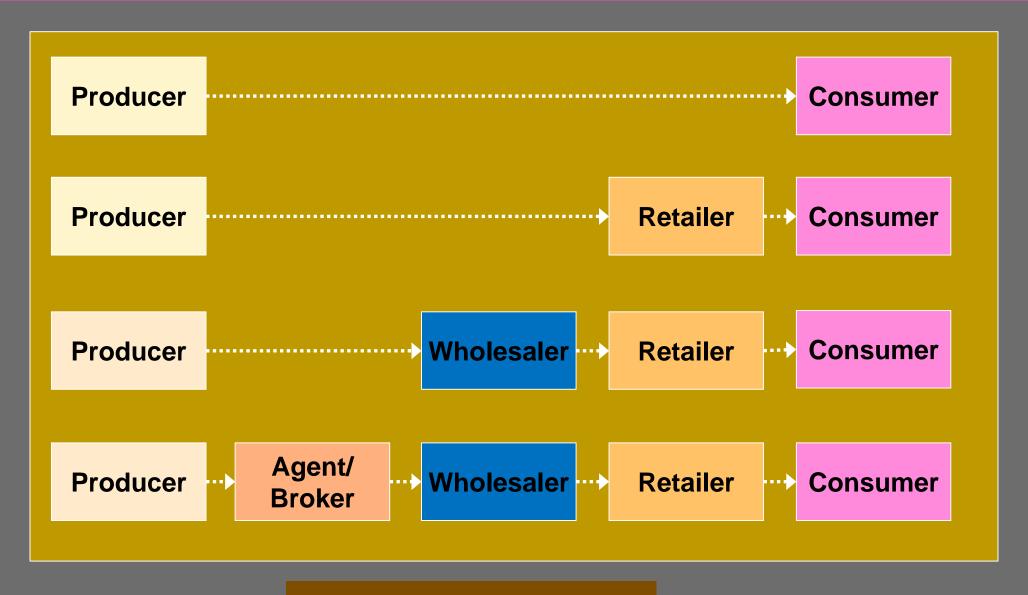
### a. Direct Marketing Level

A marketing channel that has NO intermediary levels.

b. Indirect Marketing Level

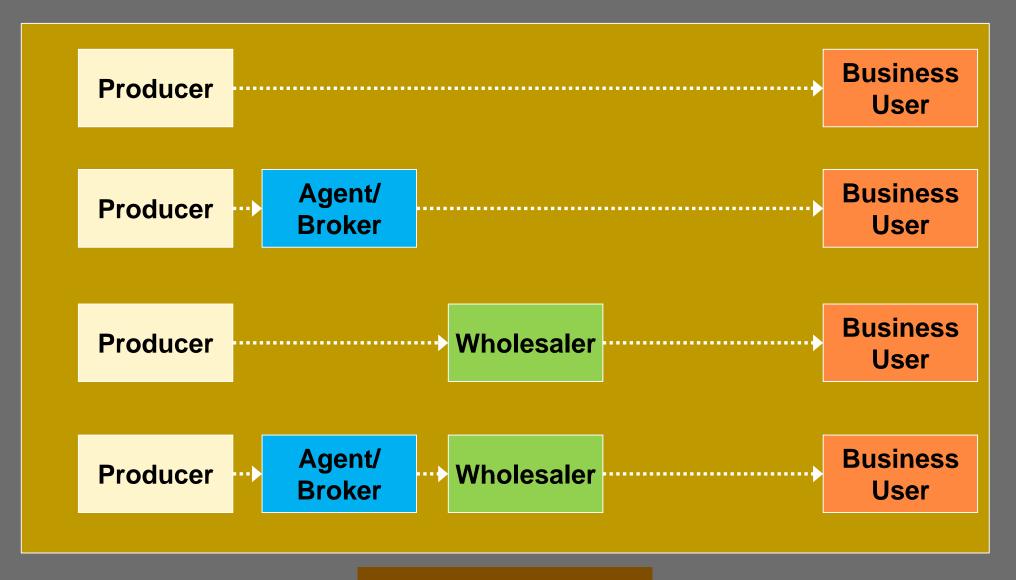
Channel containing ONE or MORE intermediary levels.

# ALTERNATIVE DISTRIBUTION CHANNELS FOR CONSUMER GOODS



**Consumer Goods** 

# ALTERNATIVE DISTRIBUTION CHANNELS FOR BUSINESS GOODS



**Business Goods** 

#### **DIRECT CHANNELS**

- Bypass marketing intermediaries
- Direct channels are a component of direct selling
- Important in business goods market
- Consumer examples:
  - Tupperware: party plan selling
  - Amway, Avon, Herbalife

# What is The Difference Between Direct Sales and Indirect Sales?

In a **direct sales** model, a brand interacts with customers immediately. An example of a direct seller is Boeing. The company offers its products directly to potential customers – airlines.

**Indirect sales** on the contrary, include various intermediaries — distribution centers, wholesalers, regional representatives, and so on. For instance, Coca-Cola uses this model. That means that a customer can buy a Coke from a third-party vendor, but not from the company's website.

# CHANNELS USING MARKETING INTERMEDIARIES

#### Dual Distribution

 use of two or more distribution channels to reach the same target market

#### Reverse Channels

- backward movement of goods from user to producer
- helps solve waste problem
- important for product recalls and repairs



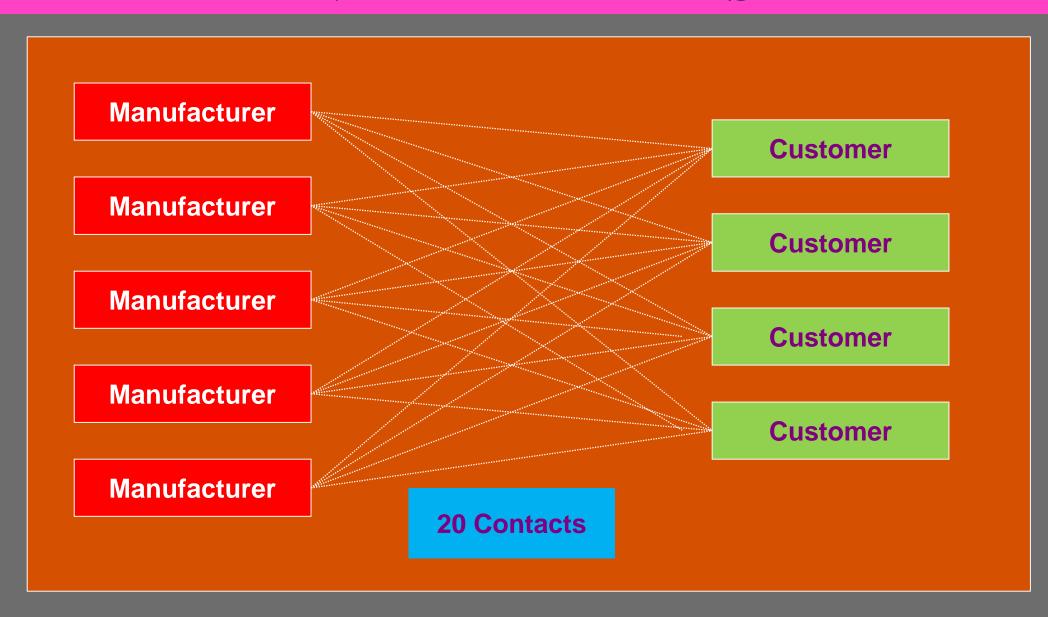
#### WHOLESALING INTERMEDIARIES

Activities of persons or firms that sell primarily to:

- retailers
- other wholesalers
- business users

And only in *insignificant amounts* to *ultimate* consumers

# TRANSACTION WITHOUT INTERMEDIARIES



# TRANSACTION THROUGH INTERMEDIARIES

**Manufacturer** Customer **Manufacturer** Customer Wholesaling **Manufacturer Intermediary** Customer **Manufacturer** Customer **Manufacturer** 9 Contacts

1. Define channels level.	
2. Show a level of channels as follow:	
i. One level of channels for business goods.	areck Your Understanding
	Check
ii. Two levels channels for consumer goods.	Tions
	Zur Eine
iii. Reverse channels for diagram in question 2 (ii):	

# IOPICS BE INTEGRATED MARKETING COMMUNICATION



# INTEGRATED MARKETING COMMUNICATION (IMC)

IMC is the application of consistent brand messaging across both traditional and non-traditional marketing channels and using different promotional methods to reinforce each other.



## COMMUNICATION

The process by which we exchange or share meanings through a common set of symbols.



# THE COMMUNICATION PROCESS

**As Senders** 

**◆Inform** 

**◆Persuade** 

**◆ Remind** 

As Receivers

Developmessages

Adaptmessages

**◆Spot new**communication
opportunities

#### THE SENDER AND ENCODING

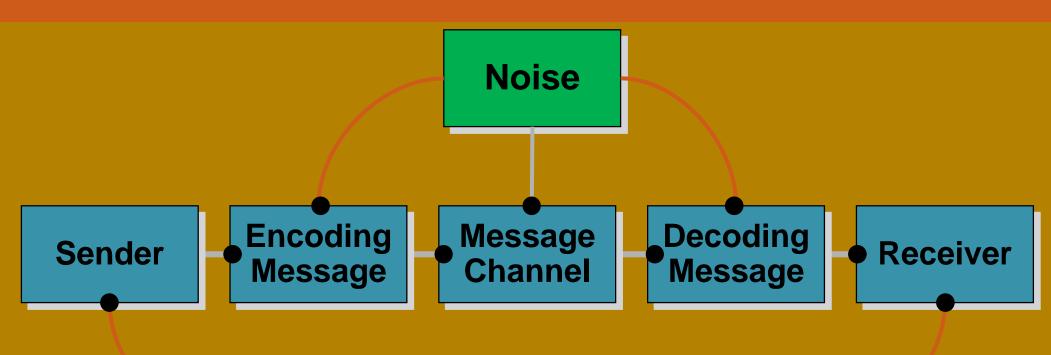
Sender

The originator of the message in the communication process.

Encoding

The conversion of a sender's ideas and thoughts into a message, usually in the form of words or signs.

# THE COMMUNICATION PROCESS



Message Channel

## **COMMUNICATION STRATEGY**

Marketers communicate information about the firm and its products (%) to the target market and various publics through its promotion programmes.

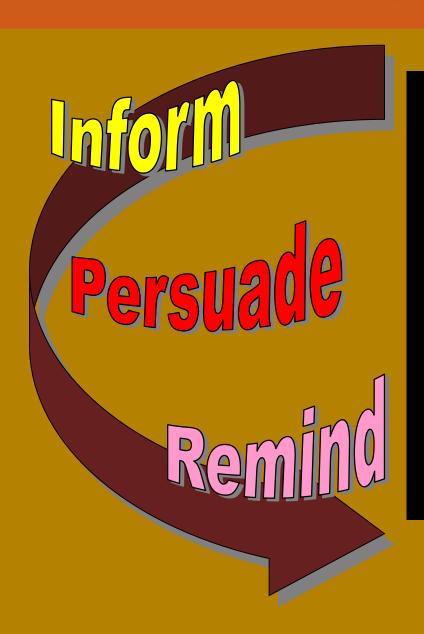


## MARKETING COMMUNICATION

The Marketing **Communications Mix** is the specific mix of advertising, personal selling, sales promotion, public relations, and direct marketing a company uses to pursue its advertising and marketing objectives.



# MARKETING COMMUNICATION MIX OBJECTIVE



Communication by marketers that informs, persuades, and reminds potential buyers of a product in order to influence an opinion or elicit a response.

### MARKETING COMMUNICATION MIX OBJECTIVE USAGE AT PRODUCT LIFE CYCLE

Informing Reminding

PLC Stages: Introduction Early Growth

Target Audience

PLC Stages: Maturity

PLC Stages:
Growth
Maturity

Persuading

## ADVERTISING



Impersonal, one-way mass communication about a product or organization that is paid for by a marketer.

# ADVERTISING

Advantages	Disadvantages
Wide coverage Control of message	Often expensive Impersonal
Repetition means that the message can be communicated effectively  Can be used to build brand loyalty	One way communication Lacks flexibility Limited ability to close a sale

## PUBLIC RELATIONS



The marketing function that evaluates public attitudes, identifies areas within the organization that the public may be interested in, and executes a program of action to earn public understanding and acceptance.

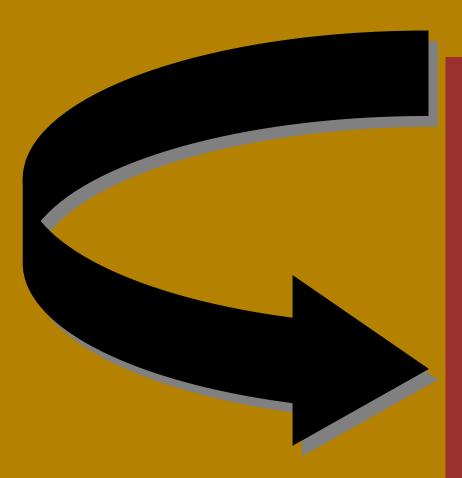
## PUBLIC RELATIONS

Functions of Public Relations

**Evaluates public attitudes** 

**Identifies areas of public interest**  Executes programs to "win" public

# SALES PROMOTION



Marketing activities--other than personal selling, advertising, and public relations--that stimulate consumer buying and dealer effectiveness.

## SALES PROMOTION

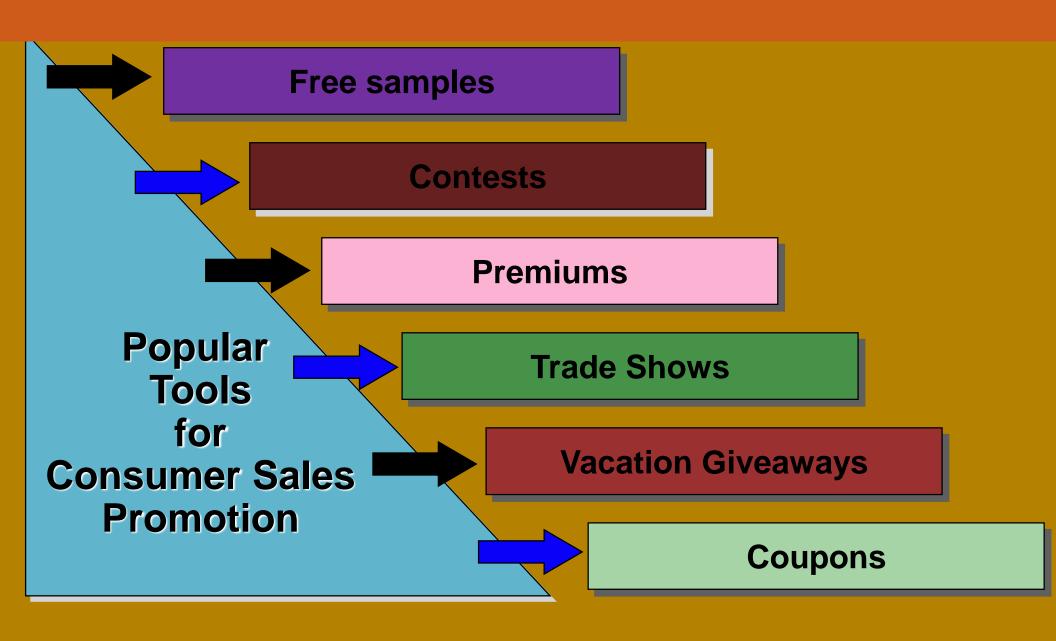
Sales Promotion
Targets

**End Consumers** 

**Company Employees** 

**Trade Customers** 

# SALES PROMOTION



## PERSONAL SELLING



Planned presentation
to one or more
prospective buyers
for the purpose
of making a sale.

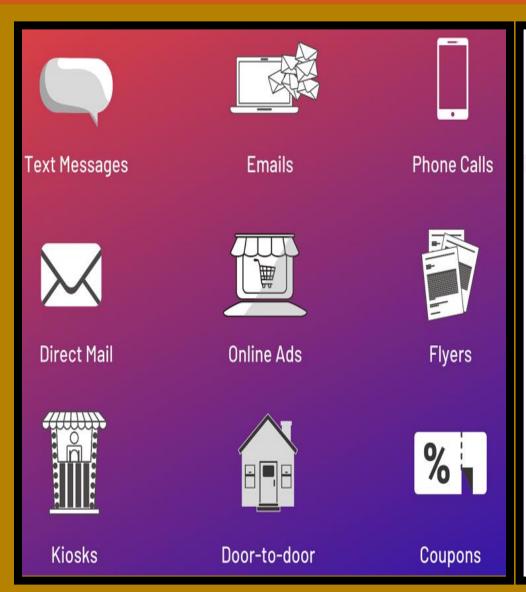
### DIRECT MARKETING

Direct Marketing is a personalized form of marketing that establishes direct interaction with the potential customer. In this, the marketer's target the correct type of audience for promoting their products. Its goal is to get a response from the target customer.





## TYPES OF DIRECT MARKETING





#### ADVANTAGES OF DIRECT MARKETING

Following are the advantages of direct marketing:

- •Interactive: Since direct marketing involves two-way communication, it is an interactive activity.
- •Secrecy: In this form of marketing, the salesperson can maintain confidentiality about their marketing strategy from their competitors.
- •Economical: It is economical for the companies as it excludes mediators or intermediaries.
- •Retain Existing Customer: It is easy to retain existing customers due to the enhanced customer service experience.
- •Effective communication: Due to fewer channels in the marketing process, companies can create more effective communication.

# DISADVANTAGES OF DIRECT MARKETING

Following are the advantages of direct marketing:

- •Irritation: Customers may get irritated by the approaches of the salesperson.
- •Unfairness: Some marketers may manipulate the buyer or take advantage of the uneducated buyer.
- •Fraud: A salesperson may deceive customers by exaggerating products features.
- •Invasion of Privacy: The company may sell the personal information of the buyer like E-Mail ID, contact number, etc.
- •Time-taking: The marketer needs to approach its prospects until he is convinced to buy that product which is a time taking process.
- •Patience: The salesperson needs to have a lot of patience while demonstrating the product and satisfying customers queries.

#### COMMUNICATION STRATEGIES

#### **PUSH STRATEGIES**

Involve aiming promotional efforts at distributors ,retailers and sales personnel to gain their cooperation in ordering ,stocking ,and accelerating the sales of a product

#### **PUSH STRATEGY**

Manufacturer promotes to wholesaler

Wholesaler promotes to retailer

Retailer promotes to consumer

Consumer buys from retailer

Orders to manufacturer

## COMMUNICATION STRATEGIES

#### **PULL STRATEGIES**

Involve aiming promotional efforts directly at customers to encourage them to ask the retailer for the product.

#### PULL STRATEGY

Manufacturer promotes to consumer

Consumer demands product from retailer

Retailer
demands
product
from wholesaler

Wholesaler demands product from manufacturer

Orders to manufacturer

### COMMUNICATION STRATEGIES

#### **COMBINATION STRATEGY**

Producer use both push & pull strategies at the same time so as to develop an overall effective promotional campaign

# PRODUCT LIFE CYCLE AND THE PROMOTIONAL MIX

Sales (RM)

Maturity

Growth

**Decline** 

Time

Introduction

Light
Advertising,
preintroduction
Publicity

Heavy use of advertising, PR for awareness; sales promotion for trial

Advertising,
PR, Brand
loyalty
Personal
Selling for
distribution

Ads decrease.
Sales
Promotion,
Personal
Selling
Reminder &
Persuasive

AD/PR
decrease
Limited
Sales
Promotion,
Personal
Selling for
distribution

#### ANSWER ALL THE QUESTIONS BELOW:

1. Identify FIVE (5) elements in promotional mix:

i

11.

111

iv.

V.

2. Briefly explain regarding IMC.

- 3. Differentiate communication strategies:
  - i. Push strategy
  - ii. Pull strategy



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