NWU BUSINESS SCHOOL

Study Guide 2021
MKTM521 - Marketing Management



Postgraduate Diploma in Management (PGDIP)

Shaping Executive Minds in Africa

Study guide compiled by: Prof JJ Prinsloo (edited by Dr CC Williams, 2021)

North-West University

Preface by the Programme Manager

Dear Student

A warm word of welcome from the NWU Business School. May your studies here be both enriching and pleasant. I hope that your association with the Business School will be to your advantage as well as to that of your business.

The NWU is reckoned as one of the best managed universities in South Africa. The NWU Business School has been delivering competent graduates to Southern Africa who, in return, are making a proven contribution to social and economic growth in the region. The NWU Business School aims to provide professional postgraduate management leaders. The faculty of the NWU Business School is therefore focused on combining theory and practice, in order to fully develop the strategic leadership potential of business managers. The programme content and standard of the NWU Business School's PGDM ensures that participants acquire skills with regard to best business practice and thought-leadership that can successfully be applied to the multi-disciplinary challenges encountered.

North-West University (NWU) is our parent institution and is recognised as one of the best-managed and most innovative universities in South Africa. The NWU continues to celebrate and encourage multiculturalism, multilingualism and multinationalism. It aspires to be "an internationally recognised university in Africa, distinguished for engaged scholarship, social responsiveness and an ethic of care".

The PGDM qualification plays a significant role as part of the Business Schools' programme offerings. It started as a contact full-time, post-graduate qualification on the Potchefstroom Campus in 2013. Since the beginning of 2016, it is also offered on a contact part-time basis in Potchefstroom, Mafikeng and Vanderbijlpark. From 2018 the PGDM is also delivered on the distance mode,

The NQF levels of South Africa could be compared with the Framework for Qualifications of the European Higher Education Area. Within the European Framework, qualifications are defined according to levels of complexity and difficulty. Generic descriptors of the requisite learning outcomes at each level have been defined. These descriptors (Dublin descriptors) are broadly applicable in all national contexts and consist of the following elements:

Knowledge and understanding;

Applying knowledge and understanding;

Making judgements;

Communication skills;

Learning skills.

LEARNING OUTCOMES OF THE PROGRAMME

The programme is designed to provide students with an advanced academic understanding of management processes at higher level thinking and problem solving skills. There is an emphasis on developing advanced professional skills for those looking to enhance career prospects and those in employment.

The learning outcomes are that should be able to:

- Demonstrate knowledge and understanding of fundamental concepts and principles of the business world and the functioning thereof.

- can apply their knowledge and understanding, and problem solving abilities in environments related to the field of management;

- have the ability to integrate knowledge and handle complexity,
- reflecting on social and ethical responsibilities linked to the application of their knowledge and findings;
- encourage students to think broadly and bridge gaps between theories and the actual practice of effective management, and;
- Be able to function in a group, engage and communicate with other stakeholder and presentation of their knowledge and findings.

Within this framework we encourage students to develop their knowledge and skills. Therefore, it is important to also develop technological – soft skills and to be able to work independently as well as in groups.

We hope that this journey in the programme will enlighten all you areas needed for development and that you will be able to go back to your communities, business or workplace and be a positive energy that will contribute to the economy of South Africa.

Kind regards.

Prof Nelda Mouton
Programme Manager: PGDM

It all starts here

- Ranked in the top 5% of universities globally by the QS-rankings
- Contributes the second largest number of graduates annually to the labour market

Dit begin alles hier

- As een van die top 5% universiteite wêreldwyd deur die QS-ranglys aangewys
- Lewer jaarliks die tweede meeste graduandi aan die arbeidsmark

Gotlhe go simolola fano

- Re beilwe mo gare ga diyunibesiti tse 5% tse di kwa godimo go ya ka peo ya maemo ya QS
- Ngwaga le ngwaga go abelwa palo ya bobedi ka bogolo ya badiri mo maketeng ya badiri

MODULE CONTENTS

Module information

Module code	MKTM 521
Module credits	12
Module name	Principles of marketing and advertising
Name of lecturer(s)	Prof JJ Prinsloo (Part-time and Full-time) – Mafikeng, Potchefstroom and Vaal campuses) Dr Carinda Williams (Distance learning)
Office telephone	Prof JJ Prinsloo 082 904 0977(Cell) 99 1344(office) Dr Carinda Williams 0182991344
Email address	Hein.Prinsloo@nwu.ac.za Carinda.Williams@nwu.ac.za
Building and Office nr	Vaal Campus Potch campus (Building E3, office 256)
Consulting hours	Appointment

Welcome

I would like to welcome you to the most interesting field of study in your programme, namely the Principles of Marketing and Advertising module. You come to this course with a special advantage – you are living in and are experiencing the world of marketing and advertising daily. Take the Varsity Cup for example – students wearing the promotional T-Shirts (together with sponsor FNB for awareness), the marketing messages at the rugby field (Castle tent), FNB displays, to list only a few of the marketing activities. Now, switch on the television and see all their marketing messages at the VC. Now let us take a second here and ponder an interesting point: Is FNB a sports company? No, it is a financial institution, a bank, and Vodacom a cell phone company. As for Super 14 rugby –Coca-Cola Park (previously named Ellis Park) is a prestige sports venue. Do you see that the advertising and brand building of these companies are not directly related to their business? All of this points to the most important concept in marketing, namely *top of mind awareness* – meaning that if I require a student loan or mobile phone provider, the first names that pop into my head are FNB or Vodacom (because I saw them during the VC and Super rugby matches).

On your next visit to the supermarket, or wherever you do business, open your eyes to the marketing environment around you. Look at the displays, how the products are arranged in the supermarket, and how these products are priced. Compare the prices, the labels and the packaging of similar products and consider why there are differences or similarities. Also, watch other people and take notice of how they behave in the supermarket or any other store. You will be surprised how much you will learn about the reaction of customers to certain marketing efforts. I hope this brief introduction stimulates your interest in the practicalities of the module of marketing so that you will benefit maximally from studying marketing.

Please make an effort to apply your knowledge in practice, enjoy the course and to grow from this experience. The marketing module is alive – do not just learn about marketing and advertising, allow yourself to live it.

What are the principles of marketing and advertising?

In this module, you are exposed to marketing management techniques (which will include advertising principles). In the process, you will be facilitated to develop the marketing management competencies you need to understand the functional managerial roles a marketing manager plays in the organisation. (Refer back to General Management if you are unclear where marketing fits into the organisation.)

Work programme

The contact sessions are planned as follows:

STUDY UNIT	PREPARATION FOR CLASS
PART 1: INTRODUCTION	
1. Introduction and nature of marketing	**Study unit 1** Chapters 1 and 2 Case Study: **GoPro: riding the wave of a changing market (p26).**
PART 2: THE MARKET	
2. Consumer behaviour	**Study unit 2** Chapter 3 Case Study: **BrandHate (p95).**
3. Marketing research	**Study unit 3** Chapter 4 Case Study: **Listening to the Vegan consumer: Moodley Manor (p127).**
4. Segmentation, targeting and positioning	**Study unit 4** Chapter 5 Case Study: **Brewdog and segmentation, targeting and positioning (158).**
PART 3: CREATING CUSTOMER VALUE	
5. Creating customer value	**Study unit 5** Chapter 6 – Value through products and brands Case Study: **The Notorious Conor McGregor (p193).**

	Chapter 7 – Value through services, relationships and experiences Case Study: **Hollister (p221).** Chapter 8 – Value through pricing Case Study: **Primark: faster, cheaper fashion (p247).**
6. Delivering and managing customer value and product management	**Study unit 6** Chapter 9 – Distribution Case Study: **Omni–channel marketing at Danske Bank (p284).**
7. Integrated marketing communication	**Study unit 7** Chapter 10 – Offline communication techniques Case study: **Guinness "Made of More" (p322).** Chapter 11 – Online communication techniques Case study: **Digital Burberry (p358).**
8. Marketing planning and strategy	**Study unit 8** Chapter 12 – Marketing plans Case study: **Uber: a bumpy ride (p386).**

NB: Case studies are to be prepared and discussed in group context before the class.

PLEASE NOTE THAT THE ABOVE WORK PROGRAMME IS PRELIMINARY AND MAY CHANGE (EVEN ON SHORT NOTICE). PROGRAMME CHANGES (IF ANY) WILL BE COMMUNICATED DURING CONTACT SESSIONS OR ON EFUNDI OR VIA SMS. WE WILL, HOWEVER, ATTEMPT NOT TO ALTER THE PROGRAMME IF AT ALL POSSIBLE.

Study material

The module contents are based on the following textbook from which certain chapters have been selected, based on the learning outcomes:

Fahy, J. and Jobber, D. 2019. Foundations of Marketing. 6th edition. London: McGraw-Hill.

Additional study material will also be made available on eFundi or will be handed out during the contact sessions. Sometimes you will be expected to obtain additional relevant material yourself, to prepare for the contact sessions or to use during assessments (tests, examinations or assignments).

Credits and notional learning hours

Every module has a certain number of credits. **MKTM 521 is a 12 credit module**.

The concept "notional hours" refers to the amount of time the average student should spend on a specific module to succeed. Notional hours include ***all*** the time the student spends on the module, i.e. attending contact sessions, studying for tests and examinations, writing tests and examinations, group work, preparation, research for module assessments, et cetera.

Notional hours are calculated by multiplying the number of credits by 10. This implies that you have to spend 120 hours on this module to be successful. Bear in mind that we are referring here to the average student. The time spent may, therefore vary.

Action words

The following action words (verbs) are often used, both in the study guide and during assessments. The following list is provided so that you may know what is expected from you when a certain action verb appears in a question or assignment. The particular action verb also indicates whether lower or higher-order cognitive skills are required to answer the question or complete the assignment. Therefore, you have to make sure that you know exactly what each action word means!

- **Describe**

Give an exact description of a certain phenomenon, the characteristics of a concept or an explanation of how something works. This is not about your own opinion or arguing (reasoning about) an issue.

- **Discuss**

Argue the issue or phenomenon by referring to existing literature. Conclude and write it down in your own words. A critical discussion may include the following:

  - your own interpretation of the phenomenon; and
  - an indication of the relationships (similarities and differences) between existing arguments.

- **Explain**

Explain a concept or phenomenon with insight and in your own words. Prove that you understand the concept and that you can point out the relationships between the different variables. The use of examples or illustrations is recommended.

- **Motivate/substantiate**

Provide reasons or criteria to back or support your point of view regarding a specific matter. Your motivation must have a logical line of argument and should be stated very clearly.

- **Evaluate**

Air your view regarding the pros and cons of a specific concept/idea/process. You should also be able to indicate why, based on your theoretical knowledge, your evaluation of a specific idea/concept/process is positive or negative.

- **Criticise**

Give a critical evaluation (critique) of someone else's work. This means that you have to highlight the strengths and weaknesses of the work, based on your knowledge and supported by research conducted on the specific matter.

- **Distinguish**

Distinguishing means pointing out characteristics that are unique to a certain issue and how it relates (is relevant to) other issues. Make use of a table or an ordinary paragraph format.

- **Analyse**

When analysing, you have to identify the main or core elements of an issue and describe each of them.

- **Design**

Designing means creating something new. If, for instance, you are asked to design a questionnaire, you have to create a unique questionnaire that meets certain requirements.

- **Investigate**

Investigating means to look into or research a specific issue, also making use of the research of others, consulting relevant literature or utilising any other sources of information.

- **Report**

Report on a matter means that you have to demonstrate your communication skills. The reporting format (written, oral or visual) will be specified by your lecturer. This means that you have to communicate to others the knowledge you have gained, in a specific format.

- **Critically evaluate**

Here you are expected not only to state your opinion regarding the pros and cons of a specific concept/idea/process but also to criticise someone else's work. You have to state the pros and cons and the strengths and weaknesses of the work, based on your knowledge and supported by the research of others.

- **Demonstrate**

The skill to demonstrate may be multidimensional. In this module, *demonstrate* means giving an extensive explanation of a specific issue AND illustrating your explanation with real-life examples.

- **Interpret**

*Interpretin*g means stating/explaining something within a specific context – i.e. saying what something means to you within that specific context.

Assessment

Formative assessment

Participation mark

You need a participation mark of at least 40% to be allowed to write the examination.

- **Assignments during contact sessions:** During contact sessions, you can be expected to complete assignments individually or in groups which can be handed in and assessed.
- **Assignment(s)**: It can also be expected of you to hand in scheduled assignments. The dates of these assignments are not on the work programme and will be communicated to you.
- **Test:** One open book test will be written during the official assessment week. The date of the test and the scope of this test are indicated on the work programme.

VERY IMPORTANT: If you miss any of the assessments on the scheduled contact sessions, you will receive a ZERO mark (incomplete). NO late assignments will be accepted. A medical certificate or participation in sport or cultural activities is NOT a valid excuse for not handing in the assignment(s).

The composition of your participation mark

The following is only a ***preliminary*** suggestion of how weights can be allocated to the different formative assessments; they may therefore change if need be.

Criteria	**Weight (%)**
Assignments during contact sessions	20
Scheduled assignment(s)	30
Semester test	50
TOTAL	**100**

Summative assessment

Examination mark

You will write an open book examination in November – a 3 hour paper that counts 100 marks. You need a subminimum of 40% for the examination paper to be taken into consideration to pass.

Module mark

Your module mark is calculated according to the following ratio:

Participation mark 50%

Examination mark 50%

To pass the module MKTM 521 you need a module mark of at least 50%.

Module plan with expected learning outcomes

The module consists of three parts:

Part 1: Market-led organisation

Nature of marketing and expected outcomes

- Understand what marketing is
- Understand the nature of customer value
- Be able to describe how the marketing thought has evolved
- Be able to explain the scope of marketing
- Be able to analise the impact of marketing activities on organisation performance
- Be able to critique the role of marketing in society

The global marketing environment and expected outcomes

- Understand what is meant by the term “marketing environment”
- Be able to explain the distinction between the macro- and micro environment
- Be able to analise the impact of economic, social, political and legal, physical and technological forces on marketing decisions
- Critique the nature of corporate social responsibility and ethical marketing practices
- Analise the impact of customers, distributors and competitors on marketing decisions
- Explain how companies respond to environmental change

Understanding customer behaviour and expected outcomes

- Understand the key dimensions of customer behaviour
- Explain the different roles played during the buying decision
- Compare and contrast different theories of the buying decision process
- Understand the ifferences between consumer and organisational buyer behaviour
- Analise the main influences on consumer behavious – personal and social
- Understand how influencer marketing is used by marketers, and appreciate its uses and limitations
- Analise the main influenceson organisational buying behaviour – the buy class, product type and purchase importance
- Critique the role of marketing in consumption decisions
- Develop a better understanding of one’s own consumption choices

Marketing research and expected outcomes

- Understand the importance of marketing information and customer insights
- Explain what is meant by a marketing information system
- Analise the main types of internal marketing information
- Explain what is meant by marketing intelligence
- Understand the opportunities and challenges presented by Big Data

- Understand the different dimensions of marketing research
- Explain the stages in the marketing research process
- Describe the difference between qualitative and quantitative research

Market segmentation, targeting and positioning and expected outcomes

- Understand what is meant by market segmentation
- Explain the methods used to segment both consumer and organisational markets
- Explain the criteria for effective segmentation
- Compare and contrast the four market targeting strategies – undifferentiated, differentiated, focused and customised marketing
- Explain the concept of positioning and the keys to successful positioning
- Analise the concept of repositioning and the repositioning options available to the firm
- Critique the role of market segmentation and targeting in society

Part 2: Creating customer value

Value through product and brands and expected outcomes

- Understand what is meant by a product in marketing terms
- Explain the differences between products and brands
- Analise the alternative ways of differenciating products
- Evaluating the key aspects of building and managing a successful brand
- Critique the role of brands in society
- Analise how to manage a diverse product or brand portfolio
- Understand how product performance evolves over time
- Explain the importance of innovation and the new product development process

Value through services and expected outcomes

- Understand the special characteristics of services
- Analise the key issues in managing services enterprises
- Explain the nature of service quality
- Understand the nature of relationship marketing
- Understand the role of customer relationship management (CRM) systems in relationship marketing
- Critique the role of marketing relationships in society
- Explain the role of experiential marketing
- Analise the nature and characteristics of not-for-profit marketing

Value through pricing

- Understand the key considerations when setting an initial price
- Understand how consumers respond to pricing cues
- Explain how several key factors influence price-setting decisions
- Critique the impact of pricing on consumers and society
- Describe the major issues involved in managing pricing decisions over time

- Understand the strategic role of pricing

Part 3: Delivering and managing customer value

Distribution and expected outcomes

- Understand the different types of distribution channel for consumer goods, industrial goods and services
- Analist he three components of channel strategy – channel selection, intensity and integration
- Analist the five key channel management issues – member selection, motivation, training, evaluation and conflict management
- Explain the different kinds of retail store format
- Critique the changing face of offline and online retailing
- Explain the key issues in managing the physical distribution system
- Explain the main stages in the personal selling process
- Understand the key activities involved in sales management

Marketing communications (Offline) and expected outcomes

- Explain the concept of integrated marketing communications (IMC) and understand the stages involved in developing and conducting an integrated marketing communications campaign
- Analise the nature and role of advertising in the IMC mix
- Analise the role played by sales promotion, public relations and sponsorship as promotional tools
- Understand the role of direct marketing in the IMC mix and analise the main direct marketing techniques
- Explain the role played by exhibitions, product placement, ambient advertising and guerrilla marketing in the IMC mix

Integrated marketing communication (online) and expected outcomes

- Understand the reasons for the growth in online communications techniques
- Understand the principles of effective website design and search engine optimisation
- Evaluate the role of mobile marketing in online communications
- Explain the concept of content marketing and how it is used
- Understand the different techniques that are used in online advertising
- Understand the principles of effective e mail advertising
- Evaluate the effectiveness of online communications campaigns

Marketing planning and strategy

- The role of marketing planning within businesses
- The process of marketing planning
- The rewardws and problems associated with marketing planning
- The roles of external and internal analysis in planning and strategy
- The different marketing strategies, and the sources of competitive advantage
- How to assess the effectiveness of marketing efforts

Module outcomes (Generic)

After completing this module the student will demonstrate the following:

- integrated knowledge of and engagement in the marketing environment, the marketing mix and marketing strategies and critical understanding and application of marketing theories, relevant to marketing;
- an ability to critically interrogate multiple sources of knowledge (clarify) within the field of marketing, and critically evaluate and review that knowledge and the manner in which the knowledge was produced;
- the ability to select, evaluate and apply a range of marketing skills and scientific methods of enquiry to reflect on and then address complex or abstract problems and contribute to positive change within practice;
- the ability to critically judge the ethical conduct of others within different cultural and social environs, and to effect change in conduct where necessary;
- accurate, coherent, appropriate and creative presentation and communication of innovative ideas regarding marketing issues;
- operate effectively within a team to solve marketing problems, monitoring the progress of the team and taking responsibility for task outcomes and application of appropriate resources.

General overview of this study guide

It is important that you attain the outcomes of every study unit. You are therefore expected to work through every study unit on your own (or as part of a group) in order to construe your own facts and develop your skills.

The role of the lecturer is that of a facilitator, which means that he/she will merely guide the learning process. It also means that the lecturer will not actually handle the knowledge component of this module; that is your responsibility. Only in the case of difficult theoretical aspects will the lecturer enter the learning process and support you in attaining the outcomes yourself.

The lecturer will also support you in developing your skills, with the aid of this study guide. The skills referred to here include cognitive skills such as problem-solving and higher-order cognitive skills.

Thus, you will have the ability – by the end of this module – to analyse, synthesise and evaluate within the context of the module – in other words, to be capable of critical and creative thought.

Icons

Time allocation

Learning outcomes

Study material

Assessment / Assignments

Individual exercise

Group Activity

Example

Reflection

Warning against plagiarism

ASSIGNMENTS ARE INDIVIDUAL TASKS AND NOT GROUP ACTIVITIES. (UNLESS EXPLICITLY INDICATED AS GROUP ACTIVITIES)

Copying of text from other learners or from other sources (for instance the study guide, prescribed material or directly from the internet) is **not allowed** – only brief quotations are allowed and then only if indicated as such.

You should **reformulate** existing text and use your **own words** to explain what you have read. It is not acceptable to retype existing text and just acknowledge the source in a footnote – you should be able to relate the idea or concept, without repeating the original author to the letter.

The aim of the assignments is not the reproduction of existing material, but to ascertain whether you have the ability to integrate existing texts, add your own interpretation and/or critique of the texts and offer a creative solution to existing problems.

Be warned: students who submit copied text will obtain a mark of zero for the assignment and disciplinary steps may be taken by the Faculty and/or University. It is also unacceptable to do somebody else's work, to lend your work to them or to make your work available to them to copy – be careful and do not make your work available to anyone!

Plagiarism is a serious offence and you should familiarise yourself with the plagiarism policy of the NWU. http://library.nwu.ac.za/copyright-and-plagiarism

Please refer to the *Policy on Academic Integrity* which is found on the following website: http://www.nwu.ac.za/sites/www.nwu.ac.za/files/files/i-governance-management/policy/2P-2.4.3.2_Academic%20integrity_e.pdf

Study unit 1

INTRODUCTION TO MARKETING

Study outcomes

Outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

Study Material

In order to achieve the above learning outcomes, you need to study and prepare:

- **chapters 1 and 2** of the prescribed textbook
- The **additional material** in this study guide
- the **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare.

You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated.

The value of preparing the questions lies in the fact that you can start practising these principles, which also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have a section called **Marketing Spotlight** and **Marketing in Action**. Do read this attentively, as part of your preparation, since it will give you insight into real-life and practical marketing applications.

Class preparation

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

Study section 1.1 The nature of marketing

The development of marketing can be traced back to the industrial revolution in the nineteenth century, since that is where advances in production and distribution began opening up new markets, increasing the demand for marketing knowledge among business people eager to exploit new opportunities. Marketing as a field of study came into being in the early part of the twentieth century, yet despite its long tradition not all companies have adopted a marketing orientation.

One competing philosophy is production-orientation where the organisation adopts an inward-looking stance, defining itself in terms of its production facilities and placing the emphasis on cost-reduction and -control. Being production-oriented can result in marketing myopia where the organisation narrowly focuses on its existing products rather than the needs of its customers. A marketing-oriented organisation, on the other hand, focuses on customer needs, recognising that change is endemic and that adaptation is a necessary condition for survival. The orientation adopted by an organisation will affect how it behaves and what it considers important. The chapter explores the differences between marketing-oriented businesses and those with an inward focus.

The aim of a marketing-oriented organisation is to deliver superior value to customers, which depends on how the customer perceives the benefits of an offering and the sacrifice he/she associates with the purchase. The customer's evaluation can result in three possible outcomes: satisfaction, dissatisfaction and delight. At the very least, the organisation must meet customer expectations, leading to satisfaction, but as competition intensifies (as markets become saturated) it becomes increasingly difficult to exceed customer expectations and create a sustainable competitive advantage. The study guide gives examples of marketing in action to show you how successful marketers are constantly striving for new ways to delight their customers.

Managing the marketing mix is a necessary key marketing activity in implementing the marketing concept. The marketing mix consists of four key elements, also referred to as "the four Ps" – product, price, promotion and place. The 'product' element involves deciding what products/services and benefits should be offered to a particular group of customers. 'Price' represents the return the organisation receives from the product or service that is being marketed. 'Promotion' involves all decisions regarding the promotional mix, which includes advertising, personal selling, sales promotion, public relations, direct marketing and internet and on-line marketing. 'Place' involves decisions concerning distribution channels, the location of outlets, methods of transportation and inventory levels to be held. The traditional marketing mix has been criticised by service marketers for being too narrow, causing them to call for its expansion so as to include three more Ps, namely people, process and physical evidence. Despite this criticism, of the traditional marketing mix is a useful framework for marketing decision-making.

It is difficult to implement a marketing orientation, but research has shown that companies that succeed in doing so are richly rewarded with improved business performance. Achieving marketing effectiveness depends on the organisation adopting a planned, systematic approach to marketing, as opposed to haphazard approach.

The application of marketing is best known and accepted in commercial contexts. However, its scope is much broader. Marketing is evident in almost every organisation today, though its use in non-business contexts is often criticised. In line with the view that marketing is everywhere, marketing is mainly about customers and anticipating, understanding and responding to their needs. The broad scope of marketing is proof that it works, providing the organisation succeeds in making it work.

The reasons for adopting a marketing orientation may be easy to understand, but achieving a customer focus may present a much greater challenge. A combination of factors is required for successful marketing implementation. Firstly, the organisation must have values and beliefs that are shared by its employees and put the customer first. Management should focus on developing employees' skills, to enable them to understand customers better and respond better to what they want. Market intelligence pertaining to current and future customers must be gathered and disseminated across departments to allow all employees to respond. The organisation must strive to achieve a competitive edge through linking its distinctive competencies to market opportunities.

The structure of the organisation must reflect its strategy.

Finally, the strategy must be communicated clearly to achieve organisation-wide support.

Reflection

Reflection

After the contact session

Look at the outcomes at the start of this study unit and test your knowledge, skills and competencies against these outcomes. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study section 1.2 History of marketing

Initially, marketing resulted from a concept that has not changed over the last 200 years, i.e. to sell something to someone. If we look at this concept in relation to various other management functions, it is clear (when looking at a simple income statement) that each business management function contributes to the eventual net profit of the company (Figure 1.1). Marketing deals with the so-called *top line*, i.e. the opposite of the so-called *"bottom line"*, or income (sales and turnover) of the company. That is where money flows ***into*** the business. **Please note:** Only the managerial function of **marketing** stimulates a flow of money ***into*** the business – all other managerial functions either manage or utilise money to acquire resources (i.e. ***spend*** money, making it flow ***out***). The role of the marketing department is to maximize the top line so that the business does have money to manage and to use, in order to make a profit!

FIGURE 1.1: THE INCOME STATEMENT

SALES	**R XXXXXXX**	MARKETING MANAGEMENT
(Less) (COST OF SALES)	(R XXXXXX)	PRODUCTION MANAGEMENT
GROSS PROFIT	R XXXXXXX	
(Less) EXPENSES	(R XXXXXXX)	PRODUCTION MANAGEMENT
Salaries	R XXXXXXX	HUMAN RESOURCES
Water and electricity (and other cost)	R XXXXXXX	
Advertising	(R XXXXXXX)	MARKETING MANAGEMENT
NET PROFIT	**R XXXXXXX**	FINANCIAL MANAGEMENT

Although every business tries to achieve a positive bottom line (net profit) by making profits, it all starts with the top line: Sales. Somebody has to sell something to someone.

The concept of selling products led to various marketing eras. These eras were the:

- **Production era**

Just after the first and second world wars in the 20th century, limited products were available. Thus the shortage of products made the marketing thereof very easy. People simply bought whatever was available. Almost no products or only a limited choice existed.

- **Product era**

As production expanded in the post-war years, customers began to have a choice among products. Since they could choose, companies believed that if their products were of a better quality than the products of the competitor, people would choose the better products.

- **Selling era**

Then came the selling era in the 1960s. Hard selling to ensure that your product was sold was the order of the day. Insurance policies were but one example. This era gave sales personnel a "bad name" in the sense that once the potential buyer had been identified, various hard selling techniques were applied in order to sell the product. This era was marked by the feature that once the product was bought, the seller disappeared and latched on to the next customer. Customer service did not enjoy any allocation during the selling era.

- **Marketing era and societal concept**

Currently companies realise that people want more than just the product. Advice, after-sales service and a true sense of what is best for the customer is utilised in the selling of goods. An example is the fact that insurance companies attempt to change their sales personnels' image to "financial advisors" who sell you the correct type of policy for your specific needs and not the policy that yields the highest profits for the company or commission for the sales person (as was the case in the Selling Era). In the marketing era it is also important for companies to realise that they have a social responsibility to the community – hence the grants and donations to community projects within their customer base. For example, a supplier of paper to a university may grant student loans to students at that university.

Study section 1.3 Marketing tools (mix)

Marketing management consists of the market and four tools to be employed in the marketing strategy. These tools are also known as the 4 Ps of marketing, and are discussed in detail in Study Unit 4.

- **Product (or service)**

The product is the physical commodity that you sell. The term "product" includes the product itself **and** the benefits offered by the product. Thus a pizza's primary benefit is the "tasty" and "not-hungry-any-more-feeling". In addition to the primary benefit thereof, the packaging, the appearance and the nutritional value would also be part of the term "product".

- **Price**

Price implies the monetary value attached to the product as described above. What will be paid for the product including all its benefits?

- **Promotion**

Promotion is the way in which the marketer lets the customer know that his product is able to satisfy the customer's needs – hence the communication of product and price information to the customer.

- **Distribution (place)**

The fourth tool of the marketing manager is to physically supply the customers with the goods. The customer may be aware of the product and its price and be convinced to buy it. However, it is nowhere to be found! Thus, distribution entails getting the product at the right price to a place where the customer is able to buy it.

These 4 Ps are referred to as the ***marketing mix***. They are employed to market products to the 5th P, namely people (or the markets, as they are more commonly known).

Study section 1.4 Defining the market

To be able to sell something one must have somebody who will buy it. These persons are called "the market". A market also has three certain characteristics and, to be defined as a market, all three must be present:

- There must be people with a **need**;
- These people must have **money**; and
- They must also be **willing to spend** their money.

Study section 1.5 A need

Needs or wants are what one experiences when one feels uncomfortable with one's current situation. A simple example: If someone is hungry, he feels uncomfortable with it. He needs/wants food to relieve him of the hunger pains in his stomach. Therefore, he seeks to buy food somewhere, thus focusing on, for example, the Spur, a café, or pizza outlet. He will not be focusing on the car dealer selling cars or the liquor shop selling whiskey next to the café.

Study section 1.6 Money

The person should have money, or some means of trading something of value to buy what he needs. He may have the need, but no money, which would mean that it is not possible to sell him something. (Giving away, yes, but not selling!).

However, Pepsi Cola found a way to sell Pepsi in the former Soviet Union who did not have the money to pay for the soft drinks. They traded Pepsi Cola for Russian vodka, and resold the vodka to United States citizens, thus getting their money in the end.

Study section 1.7 Willingness to spend

Even if a person has needs and the money, it is not certain that he will buy something. A person on the way to pay his child's school fees will not spend that money on renting a DVD, since the education of his child is more important to him than watching a DVD. Therefore, although he has the money and would have liked to see the video, he has categorised his needs and is thus technically not in the market to rent the DVD.

Study section 1.8 Types of markets

You can market your products in more than one market. The major markets are:

- **Consumer markets (also referred to as "business-to-consumer marketing" or "B2C")**

This is the largest market. Goods are bought to be consumed and examples are food and daily consumable products. This market consists of many customers each spending a relatively small amount of money at the store, for example groceries bought at the local supermarket.

- **Business markets (also referred to "business-to-business marketing" or "industrial marketing" or "B2B").**

Business markets, where one company sells to another company for production purpose. An example is a manufacturer of television screens selling his screens to Philips who manufactures the complete television.

- **Government and related markets**

Similar to business markets, the buying party is the government or semi-governmental institution. The university is such a customer. Buying contracts are usually established through tenders.

The classification of the market not only depends on the product, but also on who actually buys it. For example, shock absorbers for a car are bought by customers and fitted onto vehicles at outlets like Speedy Exhaust and Fastfit. In this case it is a consumer market. However, these products are also sold directly to the Volkswagen factory in Uitenhage, which is categorised as an industrial market.

Study section 1.9 The global marketing environment

The marketing environment consists of the actors and forces which affect a company's ability to operate effectively in providing products and services to its customers. It can be divided into two parts: the microenvironment and the macro-environment. The microenvironment consists of the actors in the firm's immediate environment that affects its capabilities to operate effectively in its chosen markets. The key actors are suppliers, distributors, customers and competitors. The macroenvironment consists of a number of broader forces that affect not only the company but also the other actors in the microenvironment.

The macro-environmental forces are as follows: economic, social, legal, physical and technological. These influence the nature of the opportunities and threats facing a company, and yet are largely outside management control. Each of these forces focuses in on specific areas, which need to be monitored:

- The **economic forces** can have a significant impact on the success of companies through its effect on supply and demand. The major economic influences which companies should be aware of are: economic growth and unemployment, interest rates and exchange rates, and the growth of economic areas. The creation of the single European market has had a number of business implications including: scale building, organisational restructuring and pan-European marketing.
- The **social forces** that have important implications for marketing are: the changes in the demographic profile of the population, cultural differences within and between nations, social responsibility and marketing ethics, and the influence of the consumer movement. Additionally, companies are increasingly being expected to be accountable for their impact on society. As a result increased importance is placed on corporate social responsibility (CSR) policies. CSR refers to the ethical principle that a person or organisation should be accountable for how actions might affect the physical environment and the general public.
- **Political and legal forces** can influence marketing decisions by determining the rules by which business is conducted. Legislation and less formal directives can have a profound impact on the way business is conducted. The European Union plays a much greater role in national laws and policies and countries within the EU must consider laws at both a national and a community level.
- **Physical forces** centre on the environment and many issues are becoming increasingly important to marketers – climate change, pollution, conserving scarce resources, recyclable and non-wasteful packaging, using environmentally-friendly ingredients in products, and refusing to test new products on animals.
- **Technological forces** such as the internet and mobile phones are changing the rules of the competitive game. Companies need to be aware of how technology is changing and the likely impact on their businesses for continued survival.

The micro-environment focuses on a number of variables which also impact on the success of the firm. The key variables are customers, distributors, suppliers and competitors. Attracting and retaining customers is critical to business performance. The ability to create customer value and customer satisfaction is affected by the power of distributors and suppliers. The degree of competitive rivalry will also affect the ability of the firm to create superior customer value.

All companies must monitor and analyse those forces which may affect their business. This process is known as environmental scanning. It provides the essential informational input to create the strategic fit between strategy, organisation and the environment. Response to change can vary from no change to: ignorance, delay, retrenchment, gradual strategic repositioning and radical strategic repositioning.

Study section 1.10 Conclusion

Clearly, the introduction to the module shows that marketing is not a field of study in which all factors are within your own power. Rather, the inverse is true since very few factors are in your power. The challenge is therefore to be able to adjust and adapt to these changes through innovative thinking and clever management.

Reflection

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study unit 2

CONSUMER BEHAVIOUR

Study outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 3** of the prescribed textbook
- The **case study Fiat** on page 84 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session, you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

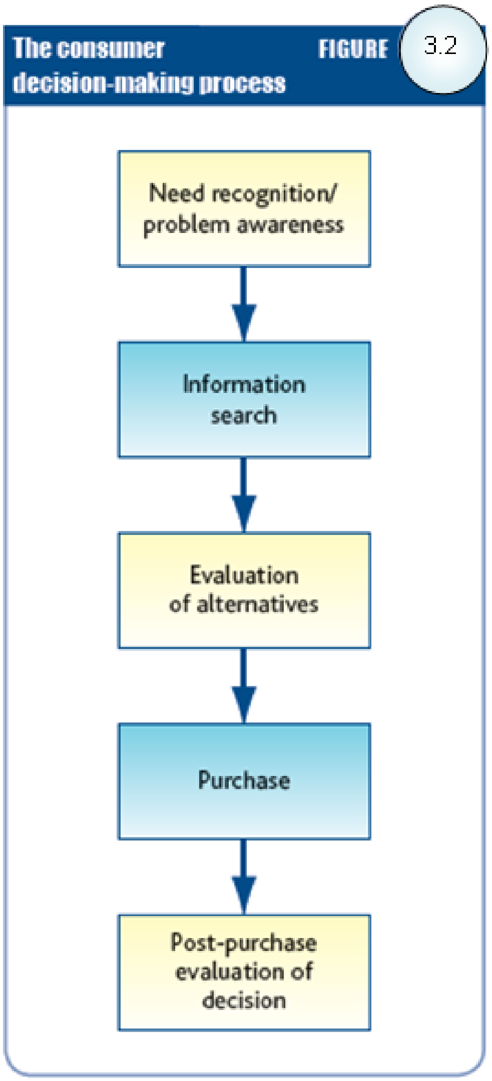
Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

Class preparation

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group. Then ponder the following questions:

- Why do some people behave differently from others when buying products or services?
- Is it true that different cultures buy in different ways, and if so, why?
- Why do some people prefer Pick 'n Pay while others choose to shop at Checkers (or the Spar or Woolworths)?
- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand why people behave the way they do – if you do not understand their behaviour, how will you succeed in designing a marketing plan for them?



The consumer decision-making process FIGURE 3.2

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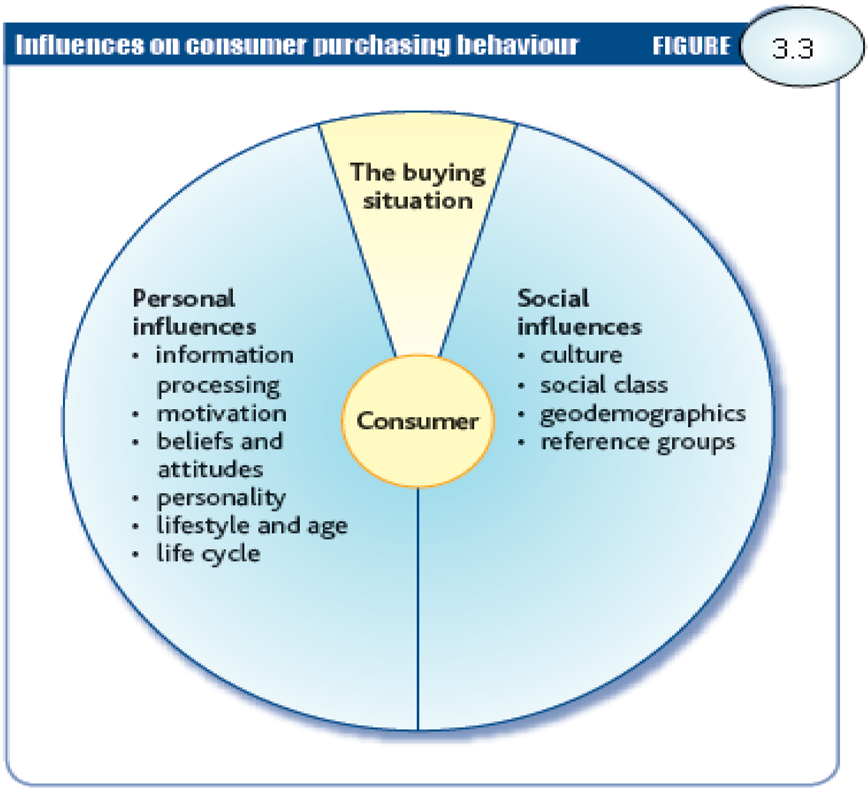
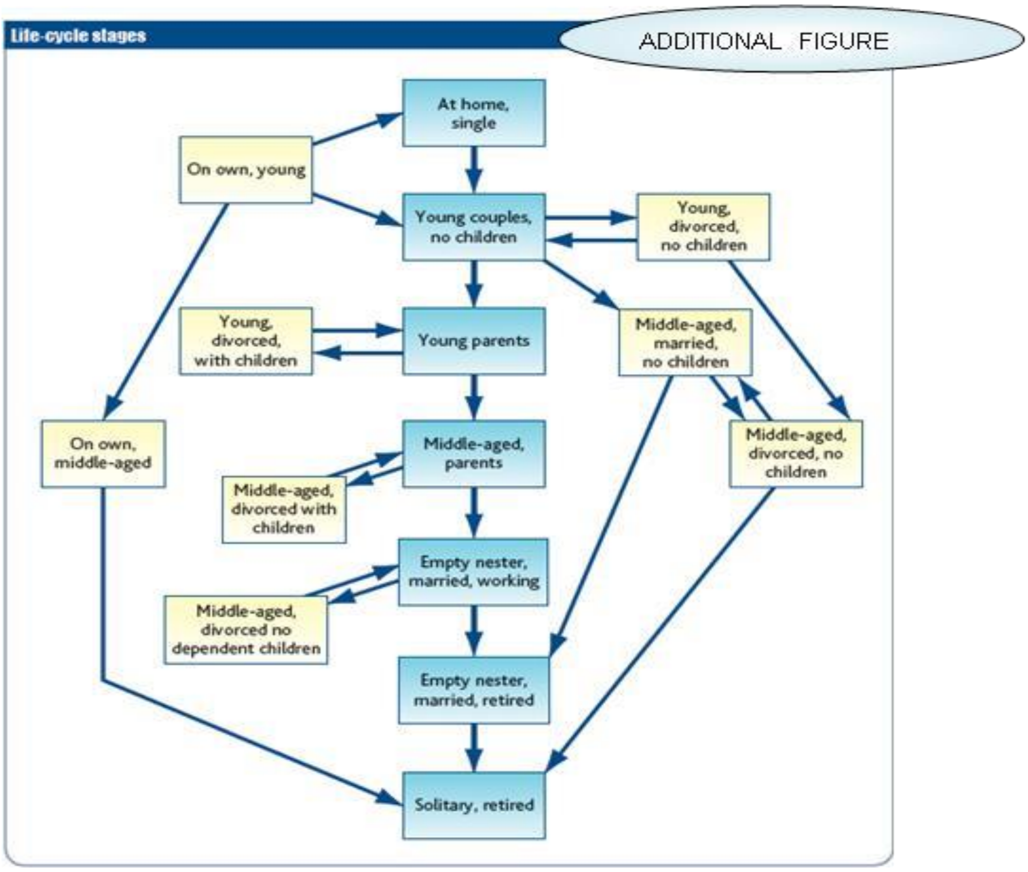

Influences on consumer purchasing behaviour
FIGURE 3.3
The buying situation
Personal influences
• information processing
• motivation
• beliefs and attitudes
• personality
• lifestyle and age
• life cycle
Consumer
Social influences
• culture
• social class
• geodemographics
• reference groups


Life-cycle stages
ADDITIONAL FIGURE
At home, single
On own, young
Young couples, no children
Young, divorced, no children
Young, divorced, with children
Young parents
Middle-aged, married, no children
On own, middle-aged
Middle-aged, parents
Middle-aged, divorced, no children
Middle-aged, divorced with children
Empty nester, married, working
Middle-aged, divorced no dependent children
Empty nester, married, retired
Solitary, retired

Study section 2.1 Context: Consumer behaviour

This study unit explores the dynamics of consumer buying behaviour and consumer markets. Markets (and those whom they serve) have to be understood before marketing strategies can be developed. The consumer market buys goods and services for personal consumption. At present, the world consumer market consists of 6,2 billion people. (A "billion" is one thousand million.) It is important to note that the consumer market differs from the business market.

In the consumer market, the behaviour of the individual consumer is affected by the buyer's decision-making process. Buyer characteristics include four major factors – cultural, social, personal and psychological. Each of these is explored in detail. The module points out the relationships between factors (and subfactors) and the purchases made by consumers. Because these factors have a profound and long-lasting effect, the marketing manager should pay special attention to acquiring information on them and on how they relate to the target markets of the organisation. Several examples are given to illustrate how this might be done.

The factors that affect buyers are then discussed, followed by details on how consumers make actual buying decisions. Buying decisions vary, depending on the degree of buyer involvement and the degree of difference between brands, and consumers actions/decisions are summed up in **a model of buying behaviour**, consisting of five stages – *need recognition, information search, evaluation of alternatives, purchase decision,* and *post-purchase behaviour*.

For new products, there are special situations that affect the consumer's choice/decision. It has been found that consumers respond at different rates (depending on consumer and product characteristics), gain knowledge about products in different ways, and become aware of "newness" at varying rates. This is followed by a discussion of the factors that can cause customers to adopt new products more quickly.

Reflection

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study unit 3

MARKET RESEARCH

Study outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 4** of the prescribed textbook
- The **case study H&M** on page 111 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

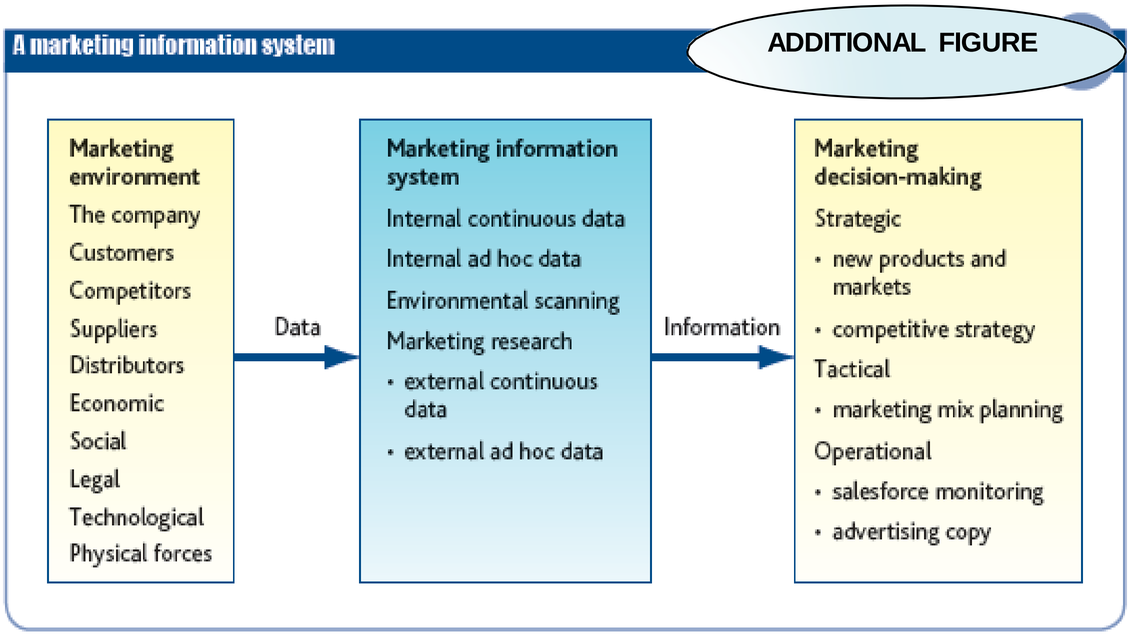
Class preparation

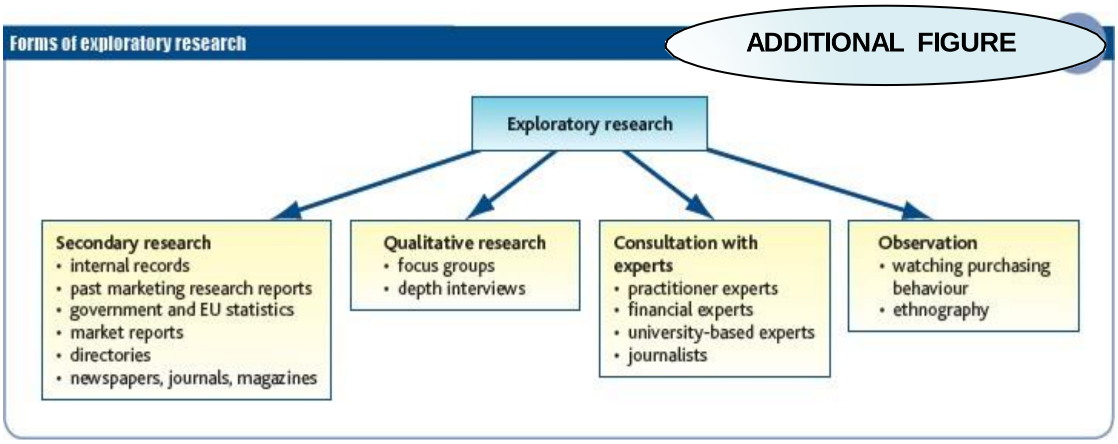
Individual Activity

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group. Then ponder the following questions:

- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the process of research. Also look closely at the figures below, some of which are not in your textbook. They will help you understand the process better.





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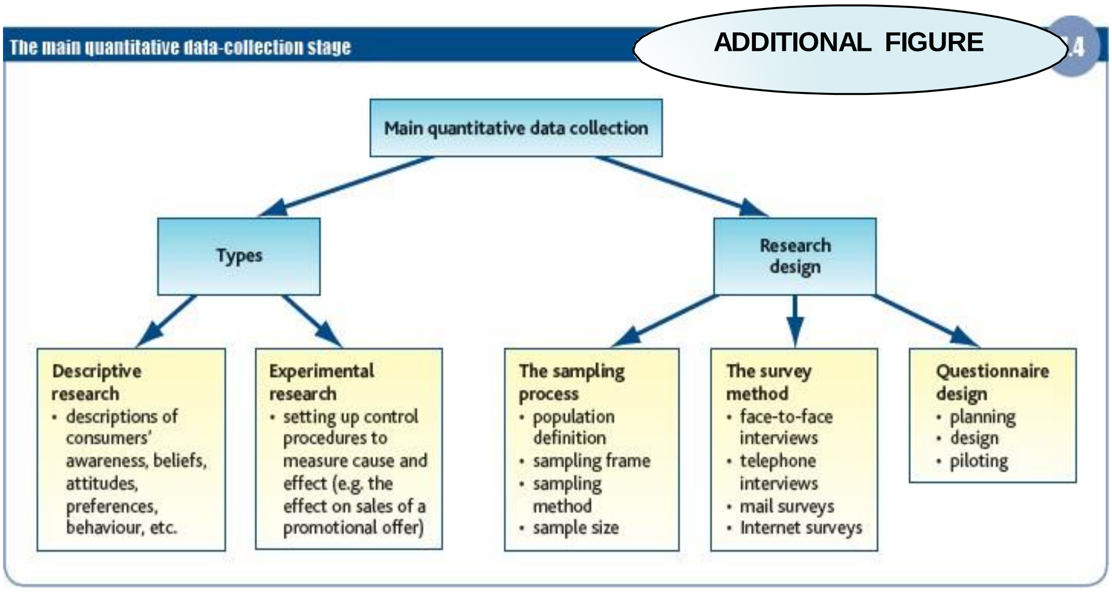
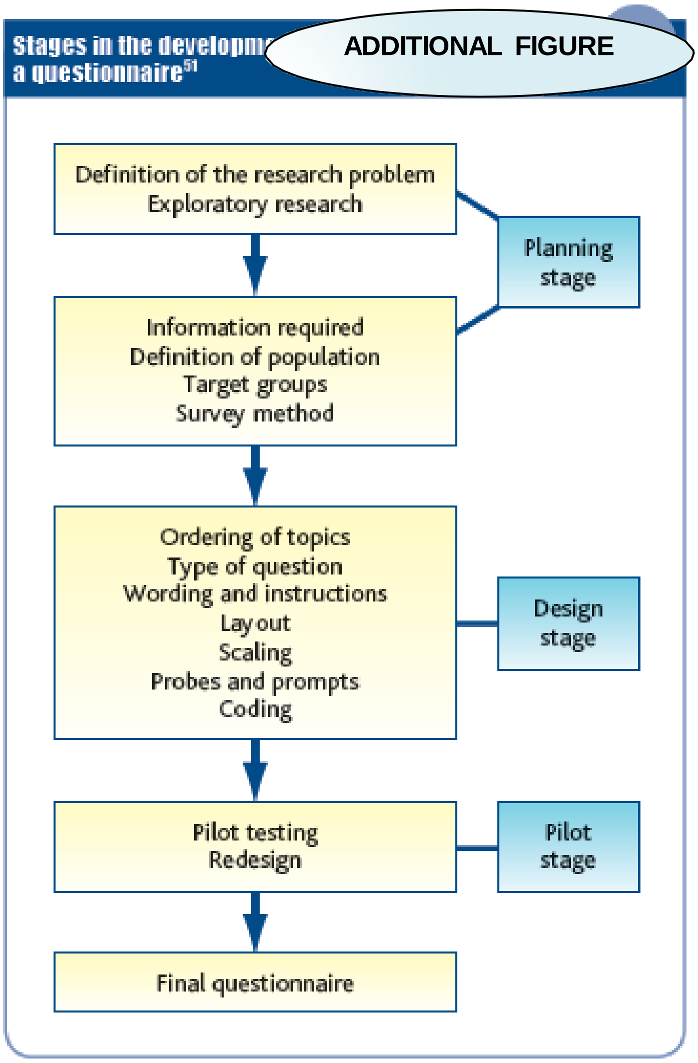

The main quantitative data-collection stage
ADDITIONAL FIGURE
Main quantitative data collection
Types
Research design
Descriptive research
• descriptions of consumers' awareness, beliefs, attitudes, preferences, behaviour, etc.
Experimental research
• setting up control procedures to measure cause and effect (e.g. the effect on sales of a promotional offer)
The sampling process
• population definition
• sampling frame
• sampling method
• sample size
The survey method
• face-to-face interviews
• telephone interviews
• mail surveys
• Internet surveys
Questionnaire design
• planning
• design
• piloting


Stages in the developm
a questionnaire[51]
ADDITIONAL FIGURE
Definition of the research problem
Exploratory research
Planning stage
Information required
Definition of population
Target groups
Survey method
Ordering of topics
Type of question
Wording and instructions
Layout
Scaling
Probes and prompts
Coding
Design stage
Pilot testing
Redesign
Pilot stage
Final questionnaire

Study section 3.1 Context: Marketing research

As discussed in first study unit, the marketing concept is a business philosophy that puts the customer and customer satisfaction at the centre of things. Marketing research is an organisational activity that plays an important role in implementing this marketing philosophy. Information can be gathered informally or formally, e.g. informal and causal discussions with customers at exhibitions may provide a rich source of information in just the same way that a structured questionnaire might reveal new consumer behaviour patterns. Formal methods of marketing research involve conducting marketing research studies or developing marketing information systems. This study unit concentrates on the formal methods of information research.

The main forms of market research are *ad hoc* and continuous research. *Ad hoc* research focuses on a specific problem and can take the form of custom-designed surveys or omnibus studies. Continuous research involves interviewing the same sample of people repeatedly. Continuous research methods include consumer panels, retail audits and television viewership panels. Marketing databases and website analysis are also ways of gathering data on customers on an ongoing basis. Regardless of which form of research is chosen, the company must decide whether it should use internal company resources to conduct the necessary research, or employ a research agency. This decision is likely to depend on what company resources – time, money, skills and experience – are available.

There are a number of stages in the marketing research process. The first stage is typically the initial contact between the company requiring the marketing research and the agency that will conduct the research. At this meeting, the client will present the agency with a research brief explaining the marketing problem and research objectives. This allows the agency to develop a research proposal for its client, defining the agency's promise to the client and the cost of the research. Once the company signs off the proposal, the research process can begin. At the data collection stage exploratory research might be required in order to ensure that an effective survey is designed. Exploratory research activities include secondary research, qualitative research and observation. After the exploratory research, the main data collection procedures can be designed. Descriptive, survey or experimental research may be used at this stage. The researcher must devise the sampling process and decide upon the survey method – face-to-face interviews, telephone interviews, mail surveys or internet surveys. Once the data has been collected it will be analysed, interpreted and presented to the company in writing and orally.

Marketing research can significantly improve the quality of the information that is available. However, given the variety of information that is available, companies need a way of accessing information when required so as to inform marketing-related decision-making. It is therefore sensible to set up a marketing information system. A quality marketing information system has been shown to influence the effectiveness of decision-making. Such a system consists of four elements – internal continuous data, internal *ad hoc* data, environmental scanning and marketing research.

Marketing research aims to benefit both the sponsoring company and the customer. However, there are four ethical concerns that need to be borne in mind – invasion of privacy, misuse of marketing research findings, competitive information gathering and selling under the guise of marketing research. All companies must strive to conduct marketing research in a professional manner to avoid breaching ethical principles.

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

4

Study unit 4

SEGMENTATION, TARGETING AND POSITIONING

Study outcomes

Outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

Study Material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 5** of the prescribed textbook
- The **case study Rolex** on page 138 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

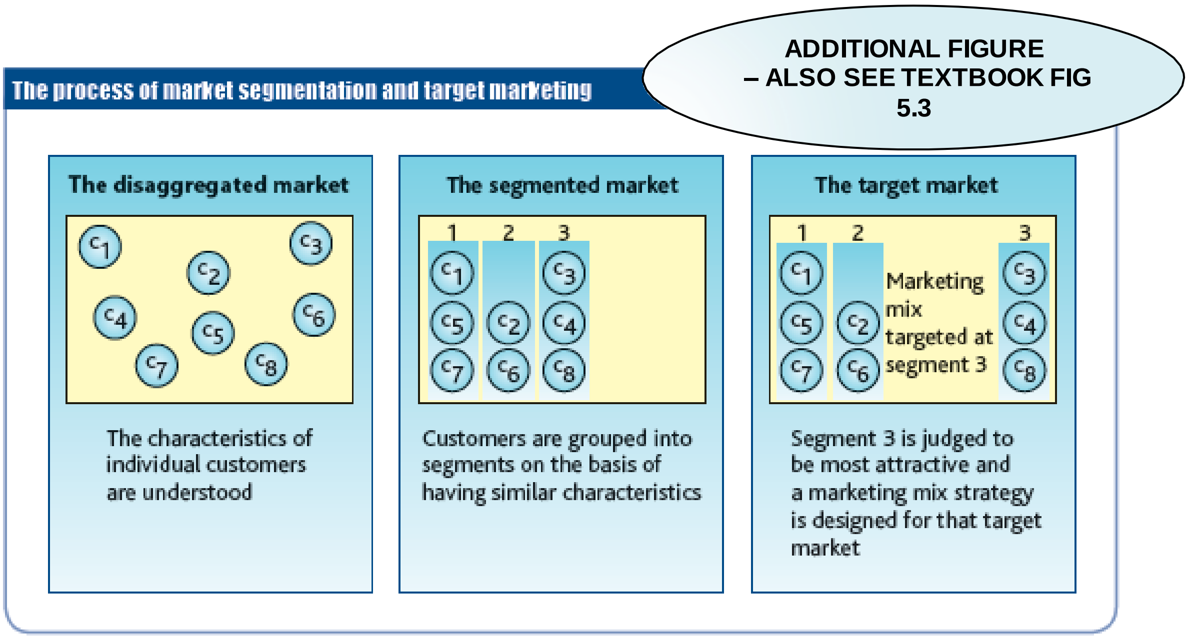
Individual activity

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the process of segmentation, targeting and positioning. Also look closely at the figures below, some of them are not in your textbook. They will help you understand the process better.

ADDITIONAL FIGURE – ALSO SEE TEXTBOOK FIG 5.3



POSITIONING OF HAäGEN-DAZS?

POSITIONING OF MICHELIN?

Study section 4.1 Context: Market segmentation, targeting and positioning

Given the diversity of markets, very few products or services are able to satisfy all the customers in a market. With this in mind, companies that are committed to implementing the marketing concept must move from mass marketing towards market segmentation, where customers with similar needs are grouped together, allowing the company to target those customer groups which they can profitably serve.

The actual process of market segmentation involves dividing a diverse market into several smaller submarkets that share common features. The company must understand the characteristics of the individuals or organisations comprising the submarket so as to group customers according to certain identified characteristics. Analysing the submarkets allows identification of the specific markets that a company will target. Once the target markets have been selected, the company (or agency) design a marketing mix strategy that will allow it to position its products and services within the competitive market.

There are quite a number of segmentation variables that can be used to segment consumer and industrial markets. Consumer markets can be segmented according to behavioural (benefits sought, purchase occasion, purchase behaviour, usage, perceptions and beliefs); psychographic (lifestyle, personality) and profile variables (demographic, socio-economic and geographic). Industrial markets can be segmented according to the size of the organisation, the industry, the geographic location, the choice criteria and the company's customer organisations.

Once the market segmentation has been done, the organisation can focus on choosing from those identified the specific segments it would like to serve. This involves carefully evaluating each segment, to determine whether it is effective, measurable, accessible, actionable and profitable. There are four generic target marketing strategies – undifferentiated marketing, differentiated marketing, focused marketing and customised marketing. Recent developments in production and information technologies have significantly increased the possibilities for customised marketing in consumer markets.

With target market selection complete, the company must now develop a marketing strategy to position their offering. Positioning involves designing the company's offering so that it occupies a meaningful and distinctive position in customers' minds. To decide on a market position, the company has to consider its customers, its competitors and itself. The keys to successful positioning are clarity, consistency, credibility and competitiveness. Perceptual mapping is one way in which a company can determine the position of its brand in the marketplace. When circumstances dictate a change in market position, marketers have a four options – image, product, intangible and tangible repositioning. Repositioning – the process of attuning its product offerings to the changing requirements of customers and competitive advances in the marketplace – may become necessary as market opportunities and threats develop.

Study section 4.2 What is positioning?

Positioning is a psychological concept, not physical. In the core, it is **how the consumer sees the product in his/her mind.** That means (refer back to consumer behavior where you learnt that marketing decisions are made from perceptions and not facts), that the product should be positioned in the mind of the consumer to possess the image of what that consumer looks for.

Consider the positioning of the following vehicles:

- Ferrari: Sporty, fast and even red
- Rolls Royce: Style, luxury, quality, expensive
- Toyota: Reliable
- Volvo: Safety
- TATA: Load bin, workhorse

Does this mean a Toyota is more reliable than a Nissan? Or that a Volvo is safer than a BMW or Mercedes? Doubtful, but that is their marketing pitch and that is how most customers see them.

Now consider your personal views on the above examples, and judge how successfully the marketers have been in positioning these products and brands in *your* mind. Then revisit Michelin and Häagen-Dazs (astute students can research these two products on the internet and determine what the positioning strategy of each company is).

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study unit 5

BRAND AND PRODUCT MANAGEMENT

Study outcomes

Outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

Study Material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 6** of the prescribed textbook
- The **case study Carlsberg** on page 170 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

Also take note that the textbook is supplemented with additional study material in this study unit. Study this material well.

Individual activity

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the process of brand and product management. Also look closely at the figures below, some of them are not in your textbook. They will help you understand the process better.

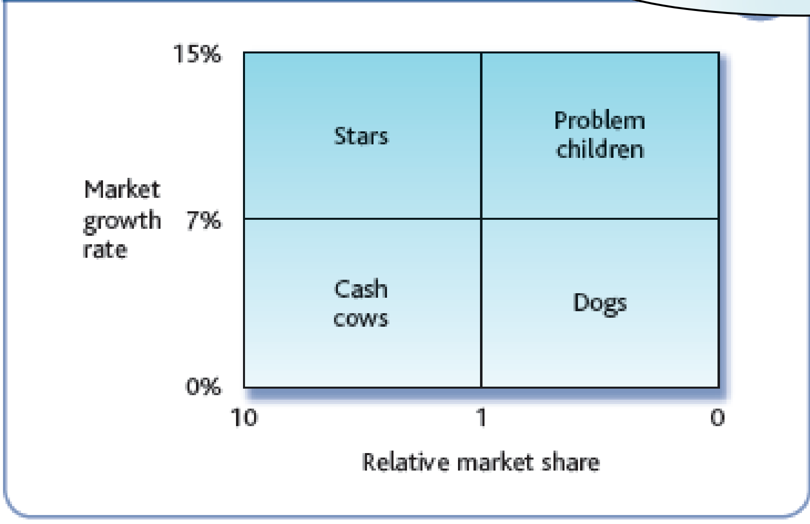
TABLE: 6.7

Marketing objectives and strategies over the product life cycle

	Introduction	Growth	Maturity	Decline
Strategic marketing objective	Build	Build	Hold	Harvest/manage for cash/divest
Strategic focus	Expand market	Penetration	Protect share/ innovation	Productivity
Brand objective	Product awareness/ trial	Brand preference	Brand loyalty	Brand exploitation
Products	Basic	Differentiated	Differentiated	Rationalized
Promotion	Creating awareness/ trial	Creating awareness/ trial/repeat purchase	Maintaining awareness/ repeat purchase	Cut/eliminated
Price	High	Lower	Lowest	Rising
Distribution	Patchy	Wider	Intensive	Selective

The Boston Consulting Group Growth-Share Matrix

ADDITIONAL FIGURE



ADDITIONAL FIGURE

Strategic objectives and the 'Boston box'

Stars *Build* sales and/or market share Invest to maintain/increase leadership position Repel competitive challenges	**Problem children** *Build* selectively Focus on defendable *niche* where dominance can be achieved *Harvest* or *divest* the rest
Cash cows *Hold* sales and/or market share Defend position Use excess cash to support stars, selected problem children and new product development	**Dogs** *Harvest* or *Divest* or Focus on defendable niche

ADDITIONAL TABLE

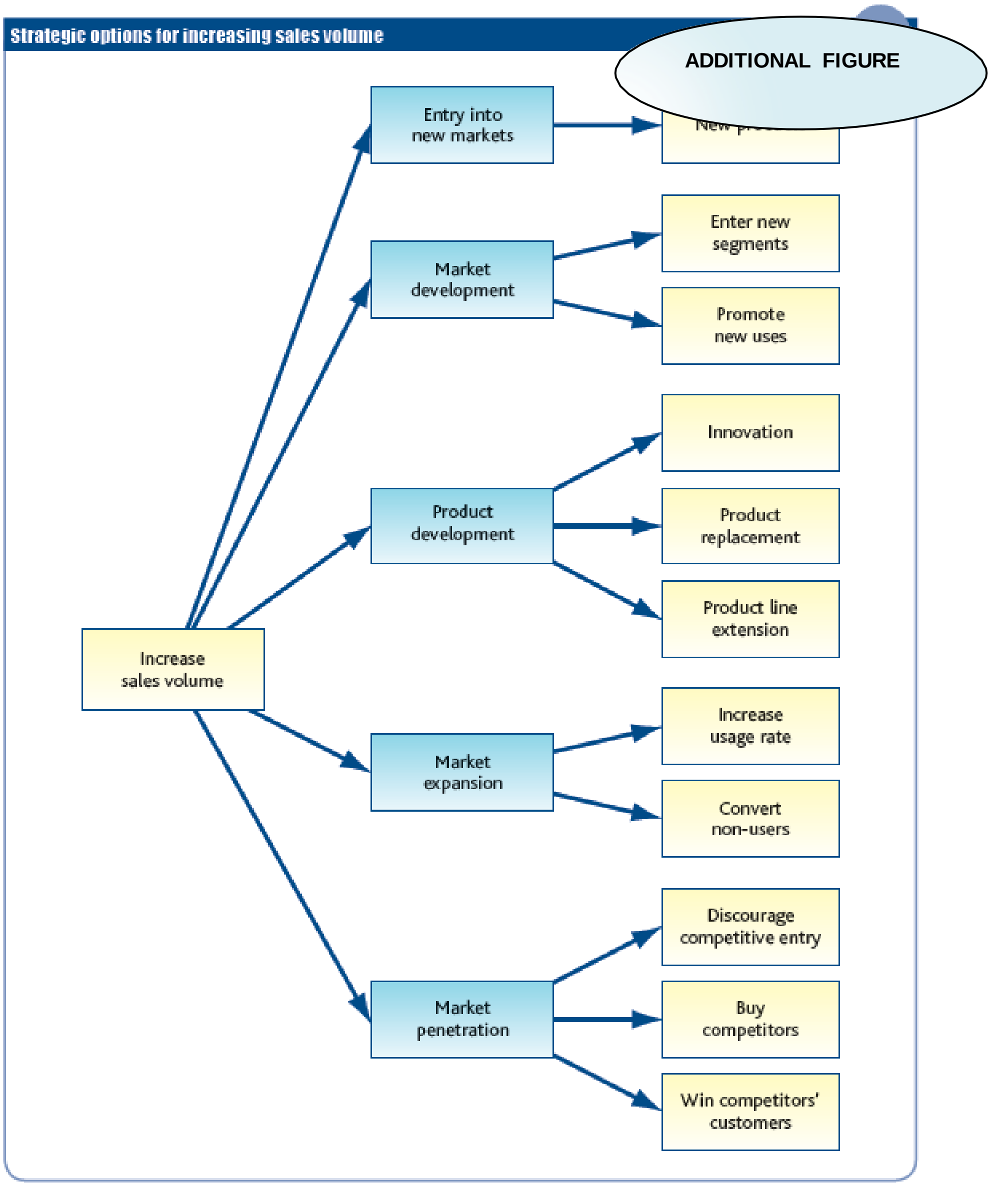
An example of market attractiveness assessment

Market factors	Relative importance weightings (10 points shared)	Factor ratings (scale 1–10)	Factor scores (weightings × ratings)
Market size	4.0	9.0	36
Market growth rate	2.0	7.0	14
Beatable rivals	2.5	8.0	20
Market entry barriers	1.5	6.0	9
			79%

ADDITIONAL TABLE

An example of competitive strength assessment

Strengths needed for success	Relative importance weightings (10 points shared)	Factor ratings (scale 1–10)	Factor scores (weightings × ratings)
Market share	2.5	8.0	20
Distribution capability	1.0	7.0	7
Service quality	2.0	5.0	10
Innovation capability	3.0	9.0	27
Cost advantages	1.5	8.0	12
			76%



Study section 5.1 Context: brand and product management

Product is a core element in the marketing mix as it provides the functional requirements sought by customers. The product offering has to be managed very carefully if the company is to produce the desired responses from customers. However, the product is only one part of the story. In an age of intense competition, where it is of critical importance to differentiate one's offerings from thos of one's competitors, branding is becoming ever more important. It is also important to be clear on the difference between a "product" and a "brand". A product is anything that is capable of satisfying customer needs, which may contain both tangible and intangible elements that vary in dominance. A brand gives products individual identities by developing a distinctive name, packaging and design. Branding permits the company to augment its core products, which gives companies a number of unique benefits such as enhanced value, increased brand loyalty, protection from competition, higher profits (strong brands often command a premium price), and a strong foundation for brand extensions.

The development of a brand involves key decisions regarding the brand name and the development and positioning of the brand.

When deciding on brand names there are three strategies to choose from:

1) A family brand name which is used for all products

2) An individual brand name

3) A combination of family and individual brand names

Brand names with high brand equity may be used on other brands to make them more attractive. A successful brand is based on factors such as quality, well-blended communication, being first, having a long-term perspective, internal marketing and positioning. How strong the positioning of a certain brand is, depends on six key elements – brand domain, brand heritage, brand value, brand assets, brand personality, and brand reflection.

The key decisions in brand management are brand type, brand extension and stretching, global and pan-European branding, and co-branding. There are two alternative brand types – manufacturer and own-label brands. Manufacturer brands are created by producers, whereas own-brand labels are created by distributors (although the products may have been manufactured by producers). Brand extension means using an established brand name on a new brand within the same broad category, while brand stretching means using an established brand name on brands in unrelated markets. There is now an increasing trend towards global and pan-European branding, where customer preferences and tastes and the global efficiencies of production, procurement, marketing, and research and development converge, leading companies to ignore national boundaries and concentrate on pan-European and global penetration. While such brands can achieve enormous economies of scale, national differences often limit the ability of companies to brand at a pan-European and global level. The question for companies may not be whether or not to brand but to decide which parts of the brands should be standardised and which parts should be varied to suit differences across countries. Finally, co-branding is an increasingly popular strategy. Here, companies form a synergistic relationship by combining their brands.

While some companies offer a single product or brand, many produce a very wide range. A product line is a group of products or brands that are closely related in terms of their functions and benefits. A product mix is the total set of products marketed by a given company. The management of groups of brands and product lines is called portfolio planning. This is an extremely important and complex task where companies have to decide how to distribute their limited resources among their portfolio of products in order to achieve the highest possible overall company performance. The **Boston Consulting Group (BCG) matrix** is a useful framework for managing the company's current portfolio, and the **product life cycle** shows how necessary it is to modify strategy over the lifetime of brands and product lines.

New product development is an extremely important activity for companies. There are various types of new products, ranging from variations on existing products to new-to-the-world products. New product development comprises seven key stages – idea generation, screening, concept testing, business analysis, product development, market testing and commercialisation.

Product management issues are subject to ethical considerations such as product safety, planned obsolescence and deceptive packaging.

Study section 5.2 Product Life Cycle (PLC)

The decisions regarding the product as a key component of the marketing mixture are vital to any business. There are two core questions one has to ask before any decisions can be made:

1. In which stage of the life cycle is the product?
2. What is the position of the product in terms of its market share and growth potential?

Reflection

Study the concept of the product life cycle (PLC) in the textbook as well. Revisit table 6.7 to ensure that you understand the different objectives during the development of the product throughout its life. Then see the figures and tables above to acquaint yourself with the PLC. It is also important to know which marketing decisions need to be made during each of the life cycle stages. Consider the following table on product decisions:

MARKETING MIX DECISIONS	INTRODUCTION	GROWTH	MATURITY	DECLINE
PRODUCT	• Shelve space • Basic product offering	• New product features • Line extensions • Warrantees • Service extension	• Diversify brand and models • Differentiation • Optimal product line	• Back to basic product offering •x • Proven lines retained (limit product lines)
PRICE	• **Leader**: Usually high, value-based pricing • **Follower**: Low, cost-plus pricing • **Maturity**: Match competition			
DISTRIBUTION	• High cost • Create channels • Type distribution • Selective • Intensive	• Increase outlet number • Expand channels • Adjust retail and wholesale inventories	• Build intensive distribution channels	• Retract distribution channels and outlets
PROMOTION	• Product awareness • Early adopters • Dealers	• Product awareness • Mass market interest • Dealers	• Brand differences • Benefits	• Limited • Low-cost

Study section 5.3 Re-birth as the final stage of the PLC

The textbook does not discuss the stage of rebirth. After the decline stage, where sales slump, the business has the option to decide on the future of the product. There are only three options:

1. Discontinue the product and focus resources on a new product;
2. Continue as at present – although sales are declining, good money is still to be made; or
3. Revamp and reposition the product for a new life.

The first possibility is obvious and needs no further discussion. The other two require some pondering.

In the second possibility, time is the key concern. Monitor the decline closely until the product sales are no longer a profitable or viable business option, and then decide to discontinue.

The third option, namely to revamp and reposition the product, could be a very viable one. A number of products have been redeployed in new market segments and have earned good profits for businesses. Some examples are shown in the table below:

PRODUCT	REASON FOR MARKET FAILURE	ORIGINAL MARKET SEGMENT	NEW POSITIONING CHARACTER-ISTICS	NEW USE / MARKET
286 COMPUTER PROCESSOR	Slow but stable Technology	Personal computers	Extreme stability	Processor of targeting system - F16 fighter plane
HARLEY DAVIDSON	Slow, heavy, poor cornering, expensive to service, quality issues, competition from Japanese bikes	Young generation, low income, market seeks high performance bike	Revamp and sort out quality, top-end bike for older generation (slow does not matter)	Touring bike, stylish and expensive
DENIM JEANS	Unfashionable and unacceptable wear (in eyes of older community)	Teenagers "Hippies"	Stylish casual wear, older market segments included	Casual wear for almost all generations, different styles and cuts to fit all generations

Study section 5.4 Boston Consulting Group (BCG) matrix

Each product has its own **product life cycle**, and each stage in that cycle has its own profile of risk and return. In general, a company should maintain a *balanced* portfolio of products. A balanced product portfolio includes both *high-growth* products and *low-growth* products.

Example: A high-growth product is a new product for which the company is still trying to gain a market share. It takes some effort and resources to market it, and to build distribution channels and sales infrastructure, but it is a product that is expected to bring in the gold in the future. An example of such a product would be an iPod.

Example: A low-growth product is an established product known to the market. This product does not change much – i.e. customers know what they are getting – and the price does not change much either. The marketing budget is limited, but the product is a dairy cow that brings in a constant flow of cash – like regular Colgate toothpaste.

But the question is, how do we find out exactly what phase the product is in, and how do we classify what we sell? Where does each of our products fit into the product mix? Should we promote one product more than another? The **BCG matrix** can help you answer these questions.

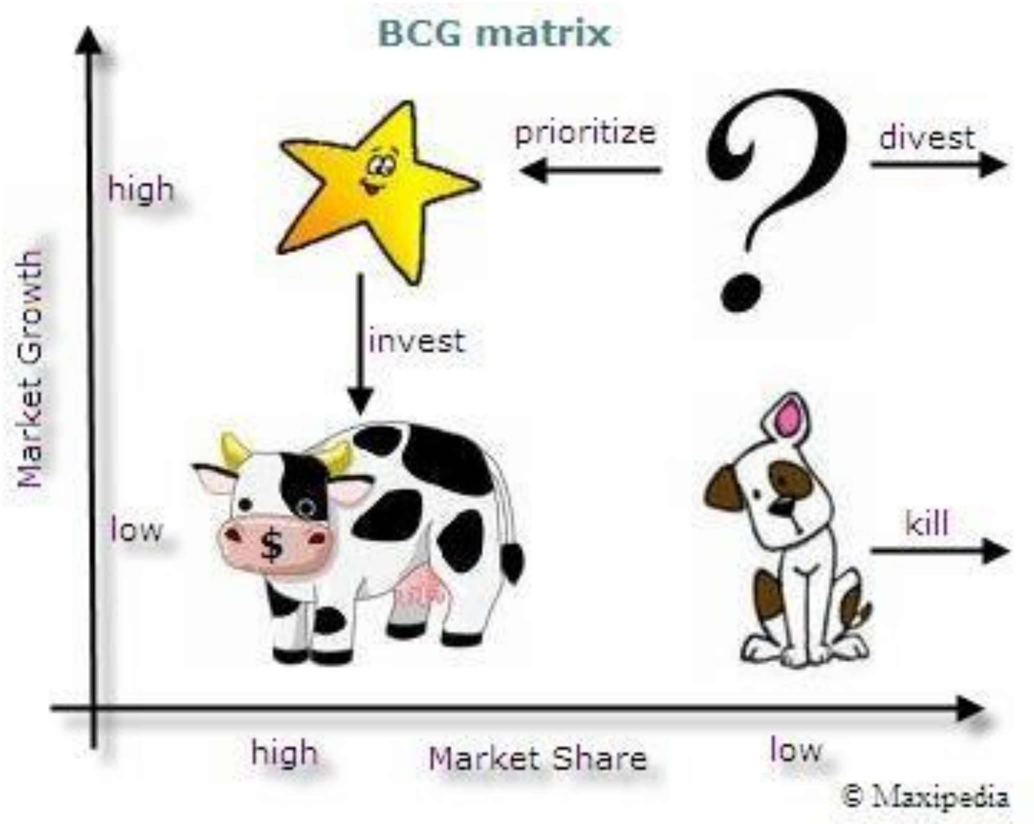
The **BCG matrix** goes further back than the product mix. Knowing what they are selling helps managers to decide how much priority a product/a company department/a business unit should get.

What is the BCG matrix and how does the BCG matrix model work?

Placing products in the BCG matrix shows that there are four categories in the portfolio of a company:

- **BCG STARS (high growth, high market share)**
  - Stars have a high market share in a growing market.
  - Stars are the leaders in the business, but still need a lot of support.
  - If market share is kept, stars are likely to grow into cash cows.
- **BCG QUESTION MARKS (high growth, low market share)**
  - These products are in growing markets but have low market share.
  - Question marks are essentially new products whose buyers have yet to discover them.
  - The marketing strategy is to get markets to adopt these products.
  - Question marks have high demands and low returns due to low market share.
  - These products need to increase their market share quickly or they become dogs.
  - The best way to handle Question marks is to either invest heavily in them to gain market share or to sell them

- **BCG CASH COWS (low growth, high market share)**
  - Cash cows are in a position of high market share in a mature market.
  - If competitive advantage has been achieved, cash cows have high profit margins and generate a lot of cash.
  - Because of the low growth, promotion and placement investments are low.
  - Investments into supporting infrastructure can improve efficiency and increase cash flow.
  - Cash cows are the products that businesses strive for.
- **BCG DOGS (low growth, low market share)**
  - Dogs are in low growth markets and have low market share.
  - Dogs should be avoided and minimized.
  - Expensive turn-around plans usually do not help.



Limitations of the BCG matrix model

- The first problem is how to define "market" and how we get data about market share.
- A high market share does not necessarily lead to profitability at all times.
- The model employs only two dimensions – market share and product or service growth rate

- Low market share or niche businesses can be profitable too (some Dogs can be more profitable than cash Cows)
- The model does not reflect the growth rates of the overall market
- The model neglects the effects of synergy between business units
- Market growth is not the only indicator in terms of market attractiveness

Source:	Maxipedia. 2010. When should I use the BCG matrix model? [Website:] 12 April 2010.

Reflection

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study unit 6

PRICING

6

Study outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 8** of the prescribed textbook
- The **case study Jelly Bean Factory** on page 217 of the textbook
- Th**e additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

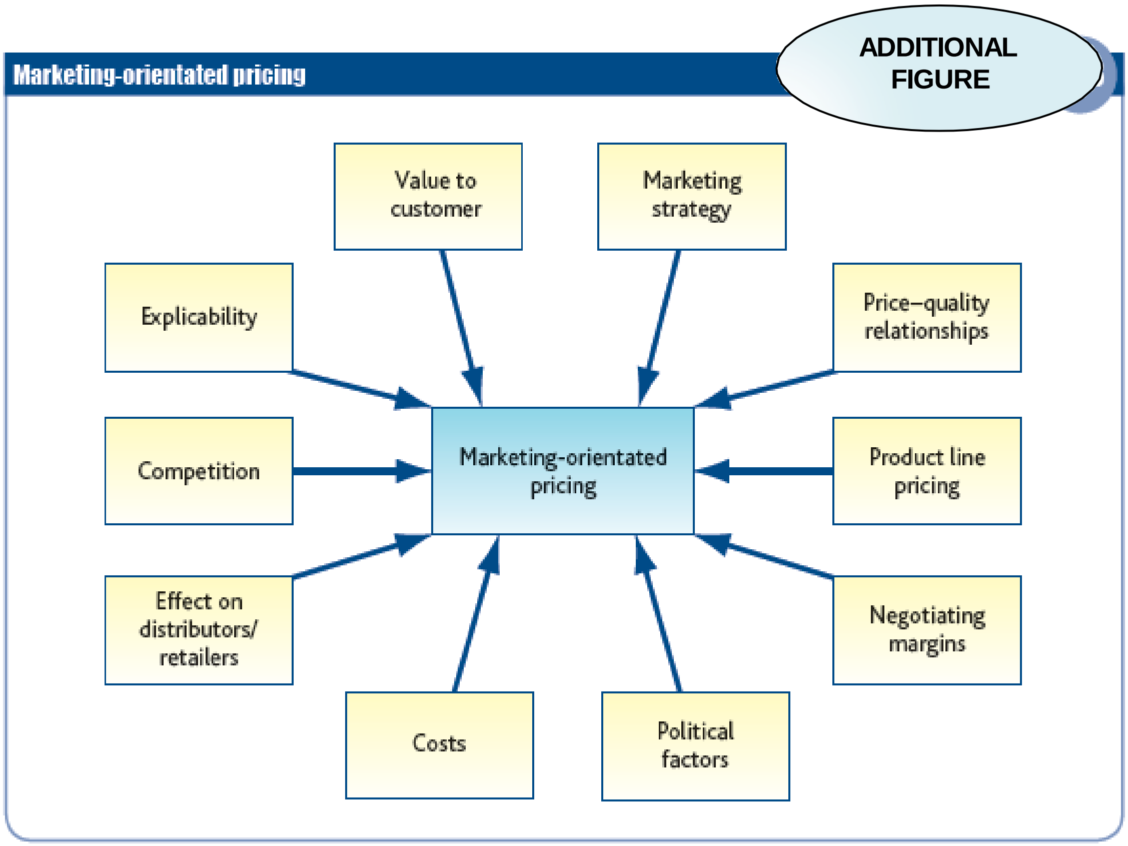
Class preparation

Individual Activity

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the process of pricing. Also look closely at the figures below, some of them are not in your textbook. They will help you understand the process better.



NWU®

ADDITIONAL TABLE

Conditions for charging a low price
1 Only feasible alternative
2 Market penetration *or* domination
3 Experience curve effect/low costs
4 Make money later
5 Make money elsewhere
6 Barrier to entry
7 Predation

ADDITIONAL TABLE

Reacting to competitors' price changes

	Increases	Cuts
When to follow	Rising costs Excess demand Price-insensitive customers Price rise compatible with brand image Harvest or hold objective	Falling costs Excess supply Price-sensitive customers Price fall compatible with brand image Build or hold objective
When to ignore	Stable or falling costs Excess supply Price-sensitive customers Price rise incompatible with brand image Build objective	Rising costs Excess demand Price-insensitive customers Price fall incompatible with brand image Harvest objective
Tactics: – quick response – slow response	Margin improvement urgent Gains to be made by being customer's friend	Offset competitive threat High customer loyalty

Study section 6.1 Context: pricing strategy

Price is a key element in developing an effective marketing strategy because it is the only component of the marketing mix that directly generates revenue, whereas **product, promotion** and **place** represent costs. Marketing managers must ensure, when setting a price, that it covers costs and is well-blended with the other elements of the mix to create a coherent mix offering superior customer value. Given that price is a key determinant of profitability, a thorough understanding of how to set prices is a must for all marketing managers.

Price-setting methods fall into three categories – cost-orientated, competitor-orientated or market-led pricing. Cost-orientated pricing has a strong internal focus; competitor-orientated pricing focuses on competitor activities; and marketing-led pricing is concerned with setting prices based on the value customers attach to the product. Given the limitations of cost- and competitor-orientated pricing, marketing-led pricing is the main focus of this chapter. The value the product has for the customer can be estimated by using any of the following three techniques – trade-off analysis, experimentation and economic value to the customer analysis.

The key factors influencing price-setting decisions are positioning strategies, new product launch strategies, product-line strategies, competitive marketing strategies, channel management strategies and international marketing strategies. The positioning strategy of a company is based on the creation of differential advantage for its target market. Price can be used to convey the differential advantage, since many customers use price as an indicator of quality (in the absence of objective measures). When a new product is launched, the price must be aligned with other elements in the mix. Depending on the value customers attach to the product, companies may adopt a price skimming or price penetration strategy. Companies must also consider where the price of a new product fits in the existing product line. Existing products should be priced in line with the competitive marketing strategy of the company (to build, hold, harvest or reposition). When products are sold via intermediaries, the customer's list price must reflect the margins required by intermediaries as well. Finally, when products are being sold abroad, the company has to take into account factors relating to the target country, such inflation rates, exchange rates, customs duties and sales taxes.

In a competitive world, pricing is dynamic and managers must know when to initiate price changes and whether or not to react to competitor price moves. When considering initiating a price change, managers should evaluate whether the circumstances are right and exactly what tactic to use, and should be able to estimate the likely reactions of its competitors. If a competitor initiates a price change, the company has to decide whether it is in its best interest to follow or to ignore. When a company decides to follow, it must make a decision on what tactic to pursue – i.e. a quick or slow response.

Reflection

Reflection

After the contact session

Look at the outcomes As specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

7

Study unit 7
DISTRIBUTION

Study outcomes

Outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

Study Material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 9** of the prescribed textbook
- The **case study Cinnabon** on page 246 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

Class preparation

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the process of distribution. Also look closely at the figures below, some of them are not in your textbook. They will help you understand the process better.

TECHNOLOGY REVOLUTIONISES DISTRIBUTION

Global digital revenue by industry (2

	Digital sh
Games	35%
Music	20%
Film	4%
Newspaper	4%
Magazines	1%
Source: *PWC Global Entertainment and Media Report* (2008), IFPI.	

NO MORE CDs - MUSIC DISTRIBUTION VIA DOWNLOADS

The major legitimate online music providers

Name	Details	Pricing
Apple iTunes	Multinational presence; downloaded tracks are now playable on other devices, not just the Apple iPod device; market leader	No subscription Downloading 99 cents a track For DRM-free tracks €1.29c For the UK songs are priced at 59p, 79p or 99p each
Napster	5 million songs in its back catalogue; advertising supported; five times listen for free, then charged	£14.95 for downloading subscription Downloading 99p a track
Rhapsody	Owned by Real Networks; has 1.4 million subscribers; available only in USA; has 1.3 million titles in song catalogue; limited previews	Subscription based $9.95 a month Downloading 99 cents a track
Last.fm	Unlimited radio streaming, which is personalized	€3 a month
Spotify	Ad-funded and subscription-based service	Free, ad supported €9.99 premium service, select any song
Sony Ericsson Playnow	1000 preloaded songs with contract, and users can keep songs; to be launched in 2009	Built
Nokia Comes with Music	Large catalogue; users get unlimited downloads for a year and keep the downloads; they are DRM-controlled downloads	Cost of Nokia handset, adds £30 to mobile phone

Note: DRM is digital rights management; it controls which digital devices the content is played on.

▲ iTunes faces tough competition from Nokia's innovative 'Comes with Music' service, in which one year's music subscription is included in the price of a phone handset.

Study section 7.1 Context: Distribution

Distribution concerns the selection and management of distribution channels and managing the physical flow of the product to the consumer. We are talking about **place**, therefore – the last factor in the marketing mix. Producers/manufacturers must decide on the channel strategy that will ensure their products are available in the right quantity, in the right place, at the right time, for the customer.

Using an intermediary as opposed to selling directly to the customer can provide producers/manufacturers with a number of benefits. Channel intermediaries fill several valuable functions – reconciling the needs of producers/manufacturers and consumers by breaking bulk; improving distribution efficiency by reducing the number of transactions and creating bulk for transportation; improving accessibility between producer/manufacturer and consumer by reducing geographic distance and time gaps; and providing specialist services such as selling, servicing and installation to customers.

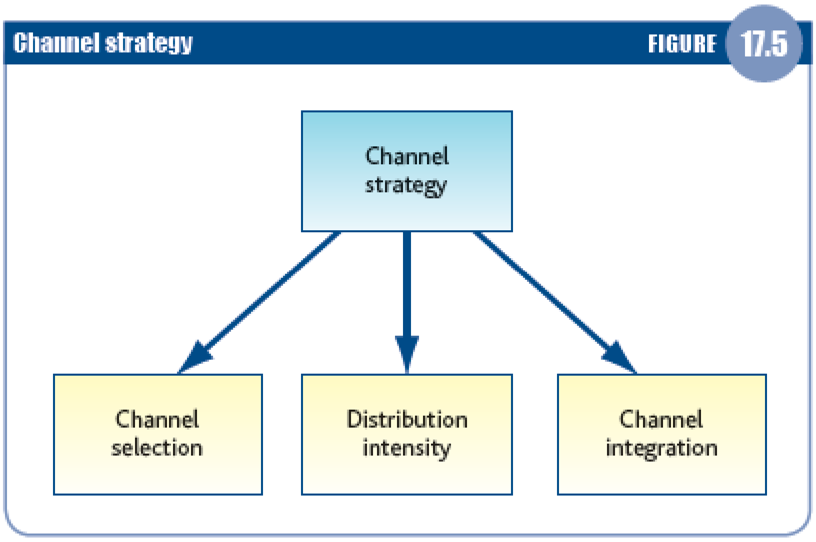
There are three main types of distribution channel:

1. **Consumer channels** – channel partners include consumers, agents, wholesalers, retailers and producers/manufacturers.
2. **Business-to-business channels** – channel partners include industrial customers, agents, wholesalers and producers/manufacturers.
3. **Service channels** – channel partners include consumers or business customers, agents, service providers.

Deciding on the most appropriate channel strategy involves taking decisions on channel selection, distribution intensity and channel integration. **Channel selection** is affected by the market, the producer/manufacturer, the product and competitive factors.

There are three options to consider when deciding on distribution intensity:

1. **Intensive distribution,** where one makes use of all available outlets
2. **Selective distribution,** where one makes use of a limited number of outlets
3. **Exclusive distribution,** where one makes use of one wholesaler, retailer and industrial distributor in a geographic area.



Channel integration can range from the use of conventional distribution channels, where the producer/manufacturer and channel intermediaries are independent of one another, through to a franchise arrangement between the producer/manufacturer and intermediaries, and to channel ownership by the producer/manufacturer.

Once channel management decisions have been taken, the producer/manufacturer must carefully manage the channel. Channel management issues include selecting, motivating, training and evaluating channel members and managing conflict between members, with the ultimate goal of complete customer satisfaction.

In distribution, multiple retail formats enable large retailers to exert enormous power in the distribution channel because of the quantities they purchase from manufacturers. Major store and non-store formats include supermarkets, department stores, speciality shops, discount houses, category killers, convenience stores, catalogue stores, mail order businesses, automatic vending and online retailing. Key retailing decisions relate to retail positioning, store location, product assortment, product price and store atmosphere.

Physical distribution is another area that producers/manufacturers have to attend to, because of its potential for cost savings and improving customer service. Physical distribution is about the physical flow of materials, components and finished goods from the producer/manufacturer to channel intermediaries and consumers. The physical distribution system is affected by decisions regarding customer service, order processing, inventory control, warehousing, transportation and materials handling, all of which are aimed at ensuring that goods reach consumers at the right time and place and and in good order.

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study unit 8

INTEGRATED MARKETING COMMUNICATION (PROMOTION)

Study outcomes

Outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

Study Material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapters 10 and 11** of the prescribed textbook
- The **case study Captain Morgan** on page 275 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

Individual activity

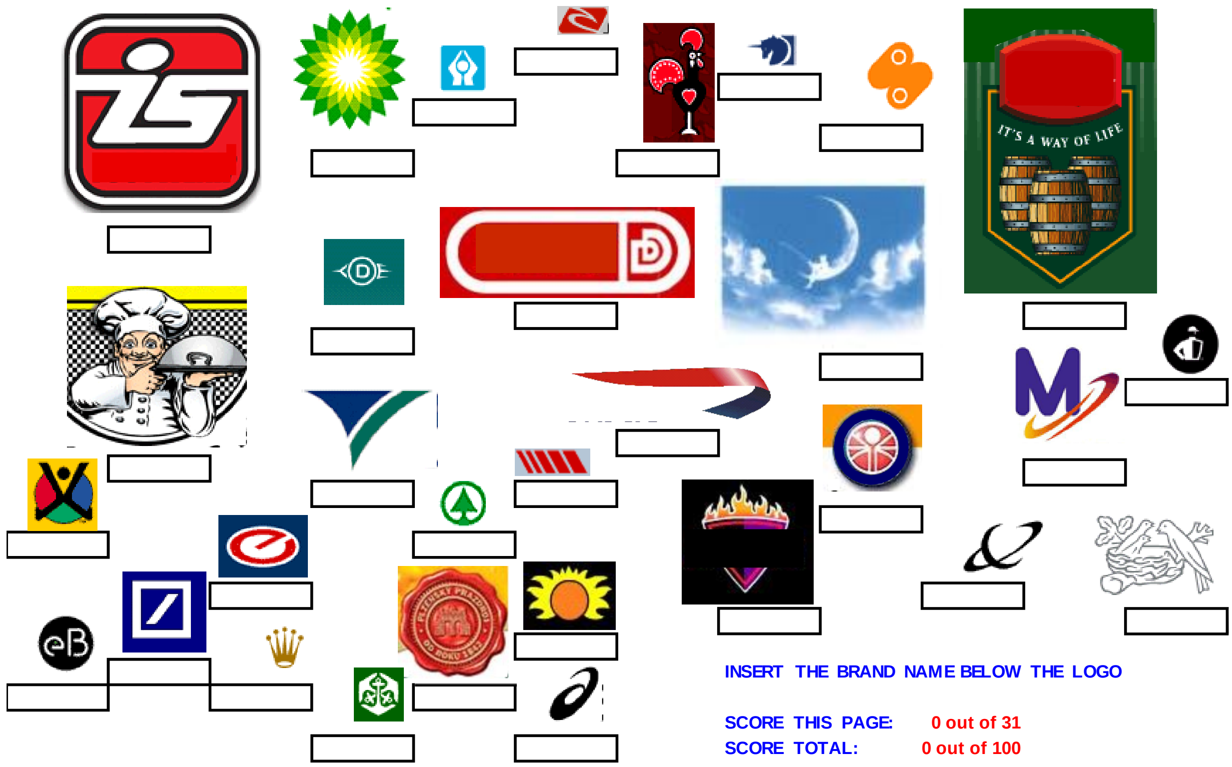
Individual Activity

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Take note that Chapter 9 focuses on mass communication techniques, while Chapter 10 focuses on direct communication techniques.
- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the process of integrated marketing communication (promotion). Also look closely at the figures below, some of them are not in your textbook. They will help you understand the process better.

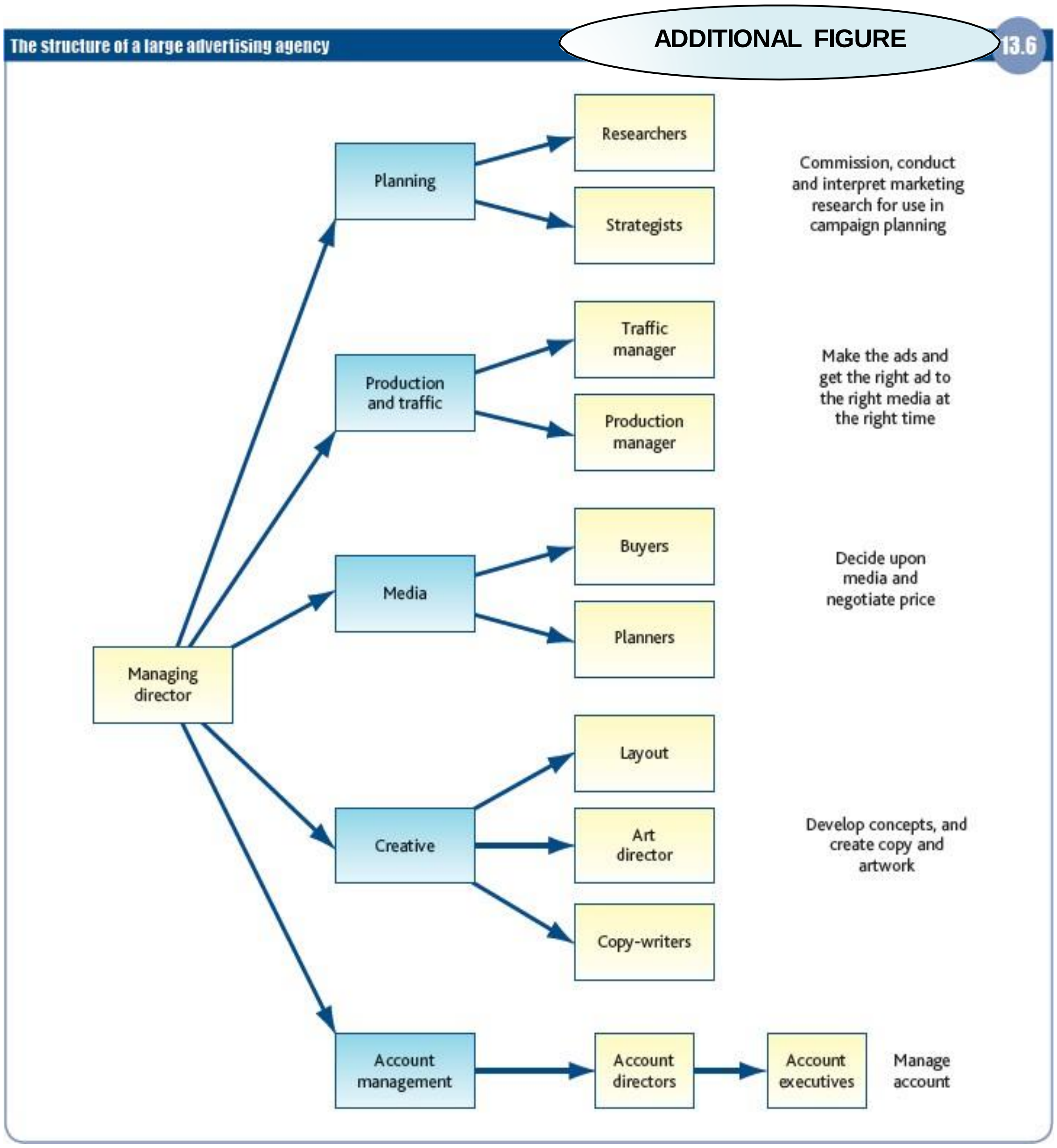
HOW WELL DID THE COMPANIES BELOW COMMUNICATE THEIR BRANDS – ARE YOU ABLE TO RECOGNISE THEM ALL?



INSERT THE BRAND NAME BELOW THE LOGO

SCORE THIS PAGE: 0 out of 31

SCORE TOTAL: 0 out of 100


The structure of a large advertising agency
ADDITIONAL FIGURE
13.6
Managing director
Planning
Researchers
Strategists
Commission, conduct and interpret marketing research for use in campaign planning
Production and traffic
Traffic manager
Production manager
Make the ads and get the right ad to the right media at the right time
Media
Buyers
Planners
Decide upon media and negotiate price
Creative
Layout
Art director
Copy-writers
Develop concepts, and create copy and artwork
Account management
Account directors
Account executives
Manage account

"DOGGY POWER" DRAWS ATTENTION TO SOFTNESS

PEPSI BLUE –COLOUR CHANGE TO DRAW ONE'S ATTENTION

EXAMPLE: RELATIONSHIP-ORIENTED PROGRAMMES

▲ Point-of-sale materials.

▲ Guide used to help train bar staff to run the programme.

▲ Pint voucher.

USING A VERY WELL-KNOWN NAME TO MARKET WATER IN TANZANIA

"COCA-COLA" IN ARABIC

USING LOCAL MATERIALS TO MAKE SIGNBOARDS

Study section 8.1 Context: Marketing communication (promotion)

MASS PRODUCTION

The promotion mix is a key part of the marketing mix. Promotional activities may be targeted at the entire market (mass communication techniques) or at individuals (direct marketing). Promotional activities include seven main elements – advertising, sales promotion, publicity, sponsorship, direct marketing, internet marketing and personal selling. It is important to integrate the communication tools within the chosen mix of the company to deliver a clear, consistent, credible and competitive message about the organisation and its products. In order to be most effective, the promotion mix of a company should be carefully blended with the other elements in the marketing mix.

It is important for all firms to adopt a systematic and planned approach towards marketing communications. The process includes considerations of the marketing and positioning strategy of the company, identifying the target audience, setting communications objectives, creating the message, selecting the promotion mix, setting the promotion budget, and executing and evaluating the integrated marketing communications strategy.

Elements of the promotion mix discussed in this chapter are:

- **Advertising**, which is any form of paid, non-personal presentation of ideas or products in the prime media; Although a highly visible component of marketing, it is only one element of the promotion mix. Advertising strategy involves an analysis of the target audience, setting objectives, budgeting decisions, message and media decisions and evaluating advertising effectiveness. When organising an advertising campaign there are four options for marketing management to choose from – developing the campaign in cooperation with people from the media; conducting advertising in-house by creating an advertising department; using specialist agencies; or employing the services of a creative hot-shop to supplement the company's own skills or those of their full-service agency. There are three important ethical issues to bear in mind in advertising – misleading advertising, the influence of advertising on societal values, and advertising to children.
- **Sales promotion** is growing in popularity. It involves providing consumers or the trade with information designed to stimulate demand. Adopting a sales promotion strategy involves setting objectives, deciding on the techniques to be used and then subsequently evaluating how effective the strategy is. Objectives include boosting short-term sales, encouraging customers to try the product, encouraging repeat business or encouraging customers to purchase larger pack sizes. The main consumer sales promotion techniques are money off, bonus packs, premiums, free samples, coupons, prize promotions and loyalty cards. Trade promotion techniques include price discounts, competitions, allowances and free goods. Ethical issues related to sales promotion include trade inducements and the malredemption of coupons.
- **Public relations** (PR) and publicity involves creating and maintaining good relations with the various internal and external publics of the company. PR activities include publicity, corporate advertising, seminars, publications, lobbying and charitable donations, and is used to foster prestige and reputation, promote products, and to deal with issues or opportunities and overcome misconceptions.

Publicity is a major part of PR. It involves placing information about the product or company in the media without having to pay directly for the time or space. Publicity is characterised by high message credibility, no direct media costs and a loss of control over publication. A key ethical matter relating to PR is the use of third party endorsements to publicise a product, where the person gives a written, verbal or visual recommendation of the product.

- **Sponsorship** has been defined as the development of a business relationship between a provider of funds, resources or services to an individual, event or organisation in return for some rights and association that may be used for commercial advantage. Sponsorship has five key objectives – to gain publicity, to create entertainment opportunities, to foster favourable brand and company associations, to improve community relations and to create opportunities for promotion. Sponsorship has experienced major growth over the last fifteen years, driven by five key factors – escalating media advertising costs, restrictive government policies on tobacco and alcohol, fragmentation of the traditional mass media, the proven track record of sponsorship and greater media coverage for sponsorship events. As event sponsorship has grown, so too has the phenomenon of ambush marketing, where a company tries to associate itself with an event without paying a fee to the event owner.
- **Other promotional tools** that are growing in importance are exhibitions and product placement. Exhibitions bring together buyers, sellers and competitors in one setting. If managed well, exhibitions can give a company an opportunity to reach an audience with a clear interest in the market and the offerings on display. Product placement involves placing products and/or their logos in films and on television in return for money. Product placement offers companies a valuable way of targeting mass markets and may benefit the brand through positive associations with a film or TV show. However, it is not without its risks. Should the film or TV show fail, the brand may also be tarnished.

DIRECT COMMUNICATION

Traditionally mass communication techniques dominated the promotion mix but more recently direct communication techniques have been growing in importance. This can be attributed to the increasing fragmentation of media and markets. Thanks to the rapid development of technology, more companies than ever are adopting customer relationship management (CRM) and online marketing, both of which allow a more direct and interactive relationship between an organisation and its customer base. Database marketing is central to the success of direct marketing communication.

Database marketing uses a marketing database which holds vital information on customers. By using a database, organisations can communicate directly with their customers by direct mail, telemarketing and direct response advertising. Digital technologies facilitate the storing of customer information such as the customer's name, address, telephone numbers, and lifestyle and transaction-related data. This information comes from a variety of sources including enquiries, responses to sales promotions, customer complaints and company records. Database marketing and CRM can be used to attract new customers and to build and strengthen relationships with current customers.

CRM is the term used to describe the methods, technologies and e-commerce capabilities used by firms to manage customer relationships. Today customers can access a company via multiple channels – telephone, fax, e-mail, websites, sales force and distributors. CRM plays a vital role in ensuring that no matter what contact point is used, the customer receives a unified message and company image. The process used by companies to determine how well they are managing their CRM includes elements like analysis and planning, proposition, information and technology, people and organisation, process management, customer management, measuring the effect, customer experience, and competitors.

Direct marketing is the distribution of products, information and promotional benefits to target consumers through interactive communication, in a way that allows customer responses to be measured. Although it originated in direct mail, it has grown substantially to also include telemarketing, mobile marketing, direct response advertising, catalogue marketing, electronic media, inserts (into magazines or newspapers, for instance) and door-to-door leafleting. Its growth can be attributed to the increasing fragmentation of the media and markets, developments in technology, the increasing availability of mailing lists, more sophisticated analysing techniques and the rising costs associated with other marketing methods.

- **Cell phone marketing** is becoming increasingly popular and involves the sending of short text messages (SMSs) directly to cellular phones. Cell phone marketing has several advantages: it is very cost-effective; can be targeted and is very personal; is interactive (the message receiver can respond immediately); is time-flexible, since text messages can be scheduled to be sent at any time; allows marketers to engage in *proximity marketing*; and is immediate and measurable. There are some limitations, however, which are mainly associated with the restrictions that the message size has on creativity. One important drawback is the fact that messages perceived as *junk text* can cause customer annoyance.
- **Direct response advertising** is designed to elicit a direct response such as an order, enquiry or a request for a sales visit. Direct response television has experienced rapid growth and the industry is now worth over £3 billion globally. As technology continues to develop, direct response advertising makes more use of interactive television, where customers are encouraged to respond to promotional offers on the television simply by pressing a button on the remote control.
- **Catalogue marketing** means selling products through catalogues distributed to agents and customers. This method of marketing is popular in Europe, especially in Germany, France and Sweden. Used effectively, catalogue marketing offers a convenient way of promoting and distributing products and services.

The internet has revolutionised the way consumers and businesses communicate with each other. While the popular press focuses most of its attention on the world-wide web, the new technology offers far more possibilities. Many organisations use e-commerce to streamline their business interactions. The result is that both customers and suppliers react quickly and dynamically to the changes within business systems. The internet also creates business opportunities and offers benefits that off-line competitors cannot equal. Once the means of competitive advantage has been decided upon, the organisation must choose an appropriate marketing mix. Using the internet as a marketing medium presents novel ways of adapting the traditional marketing mix. Each element of the mix offers further potential – prices can become more dynamic, flexible and transparent; distribution offers new channel opportunities and can be considered as global and virtual; promotion can become instantaneous, interactive and permission-based; and product can be digital, customised and individual.

- **Buzz marketing** is the most recent form of direct marketing and involves customers passing on information about products. Advantages include convenience, easier access to products/information from different parts of the world and excellent value. The internet also acts as a powerful information resource which assists consumers in the decision-making process.

- **Internet marketing** offers companies an opportunity to develop new forms of competitive advantage through lower costs; improved service quality; greater product variety; and customised products. Successful organisations exploit one or more of these as a strategy to deliver superior products and services by verbal or electronic means, in an informal and person-to-person manner. The first step in a buzz marketing campaign involves targeting first the *alphas* (trendsetters) and then the *bees* (early adopters). Because of technology, buzz marketing can spread very quickly.

Personal selling is the final element in the promotion mix and entails oral communication with prospective purchasers with the intention of making a sale. The two–way communication between the seller and the prospective buyer allows the seller to identify the customer's specific needs, to which behaviour can then be matched. There are six phases in the selling process – preparation, the opening, need and problem identification, presentation and demonstration, dealing with objections, closing the sale, and the subsequent follow-up. Given the challenging nature of the salesperson's job, sales managers must dedicate most of their time to developing and managing the sales force.

Reflection

Reflection

After the contact session

Look at the outcomes specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

Study unit 9

SERVICES

Study outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 7** of the prescribed textbook
- The **case study Ikea** on page 194 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

Class preparation

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Use the following **tables** and **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the services sector. Also look closely at the figures below, some of them are not in your textbook. They will help you understand the process better.

GOODS VERSUS SERVICES

Goods	Services	Resulting Implications
Tangible	Intangible	Services cannot be inventoried. Services cannot be patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	Heterogeneous	Service delivery and customer satisfaction depend on employee actions. Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted.
Production separate from consumption	Simultaneous production and consumption	Customers participate in and affect the transaction. Customers affect each other. Employees affect the service outcome. Decentralization may be essential. Mass production is difficult.
Nonperishable	Perishable	It is difficult to synchronize supply and demand with services. Services cannot be returned or resold.

Study section 9.1 Context: Services

The service sector is a large and growing sector in most developed countries. While many marketing principles do apply in a service context, services have a number of unique characteristics that distinguish them from the selling of physical products – intangibility, inseparability of production and consumption, variability and perishableness. Intangibility means that a service cannot be touched, seen, heard, tasted or smelled resulting in increased purchasing risk. Inseparability refers to the impossibility of separating production from consumption, thus the service process must be carefully managed. Variability is related to the challenge of delivering a uniform service, given the role human beings play in service delivery, and perishability relates to the fact that one cannot store services – it is therefore tricky to manage supply and demand. Marketing managers must be aware of the above differences between products and services, and of the implications those differences may have in terms of marketing.

The traditional marketing mix, referred to as "the 4 Ps" – product, price, promotion and place – was developed for products rather than for services, and does not take into account the unique characteristics of services.

The services marketing mix is an extension of the 4 Ps framework (introduced in chapter 1), in that three more elements (people, physical evidence and process) have been added to produce the "7 Ps" mix.

Managing a services enterprise requires successful implementation of the services marketing mix and managing the unique challenges of service enterprises – managing service productivity, managing service quality and developing and managing customer relationships.

To manage service productivity, one has to be able to measure the relationship between input and output. Operations managers are concerned with rendering services economically. However, at times this may conflict with delivering services of quality. Service marketers need to recognise the importance of productivity and look for ways to improve productivity without compromising quality. The use of technology, encouraging customer involvement, and balancing supply and demand are some ways of achieving appropriate levels of productivity.

Managers should also recognise and manage the barriers between customers' perceptions of service quality and customers' expectations. Examples of such barriers are misconceptions, inadequate resources, inadequate service delivery and exaggerated promises. Service marketers need to understand the criteria customers apply when forming their expectations. Customers value not only outcomes but also the experience of taking part in the service process.

Delivering excellent service often gives the company the opportunity to foster long-term relationships with its customers. This benefits both the organisation and the customer. Benefits to the organisation include increased purchases, lower costs, lifetime value, a sustainable competitive advantage, positive word-of-mouth and employee job satisfaction. Benefits to the customer are reduced risk, less stress in making choices, enhanced service, lower switching costs and social and status benefits. Two key aspects of relationship building are bonding and service recovery.

Most non-profit organisations (NPOs) operate in the service sector. Marketing is becoming increasingly important to this type of organisation because of the need to generate funds in increasingly competitive arenas. The key characteristics of non-profit marketing are education versus meeting current customer needs, serving multiple publics, identifying methods for measuring success and public scrutiny. In addition, the marketing procedures relevant to profit-oriented organisations are also relevant in terms of NPOs – target marketing and developing a marketing mix are two such procedures that have special relevance for NPOs.

Reflection

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit unless you have mastered all the previous learning outcomes.

10

Study unit 10

DIGITAL MARKETING

Study outcomes

Outcomes

The detailed learning outcomes appear on the first page of the prescribed chapter.

Study material

Study Material

In order to achieve the above learning outcomes, you need to study and prepare:

- **Chapter 12** of the prescribed textbook
- The **case study Net-A-Porter** on page 328 of the textbook
- The **additional material** in this study guide
- The **Marketing Spotlights** and **Marketing in Action** as per chapters

Learning activities

During the contact session you will be expected to perform certain learning activities (individually and/or in groups). Without the necessary preparation, the contact session will add little value and you can even lose marks which could have formed part of your participation mark. Preparation is therefore essential.

At the end of every chapter in the textbook you will find study questions from which the lecturer can select certain questions that you have to prepare. You may sometimes have to hand in your preparation so that it may be taken into account when your participation mark is calculated. The value of preparing these questions lies in the fact that you can start practicing the marketing principles, which will also stimulate critical thinking. You will be informed during the contact session or on eFundi which questions you have to prepare.

Also note that most of the selected chapters have two sections called Marketing Spotlight and Marketing in Action. Do read these attentively as part of your preparation, to gain insight into real-life and practical marketing applications.

Class preparation

Before you attend the contact session

Study the prescribed work well, visit websites as required and prepare your case study. Also discuss your case study with your fellow students in the group.

- Use the following **diagrams** when preparing for the contact session in order to get an **overview** of what this study unit entails.
- Make sure that you understand the concept of digital marketing.

Study section 10.1 Context: Digital marketing

The growth of digital technologies in the last decades has been remarkable (see table 12.1) One of the most significant opportunities offered by these digital technologies is its unique communication character. It allows many options for communications between B2C, B2B, C2B and even C2C. This shift from one-way communication between organisations and customers was the major trigger for the development of digital marketing as we know it now.

Reflection

After the contact session

Look at the outcomes as specified for this study unit and test your knowledge, skills and competencies against these outcomes. Check your answers to the study questions and make sure that you understand the principles applied in the case study. Do not start the next study unit – **because this was the last one**!

A final word

Congratulations, I hope you have worked hard and will enjoy the fruits of your labour. If you have any questions, please do not hesitate to ask. Make sure that you have mastered all the outcomes completely and do well in the exam!

JJ Prinsloo **C Williams**