MARKETING AND BRAND MANAGEMENT

MBM712S

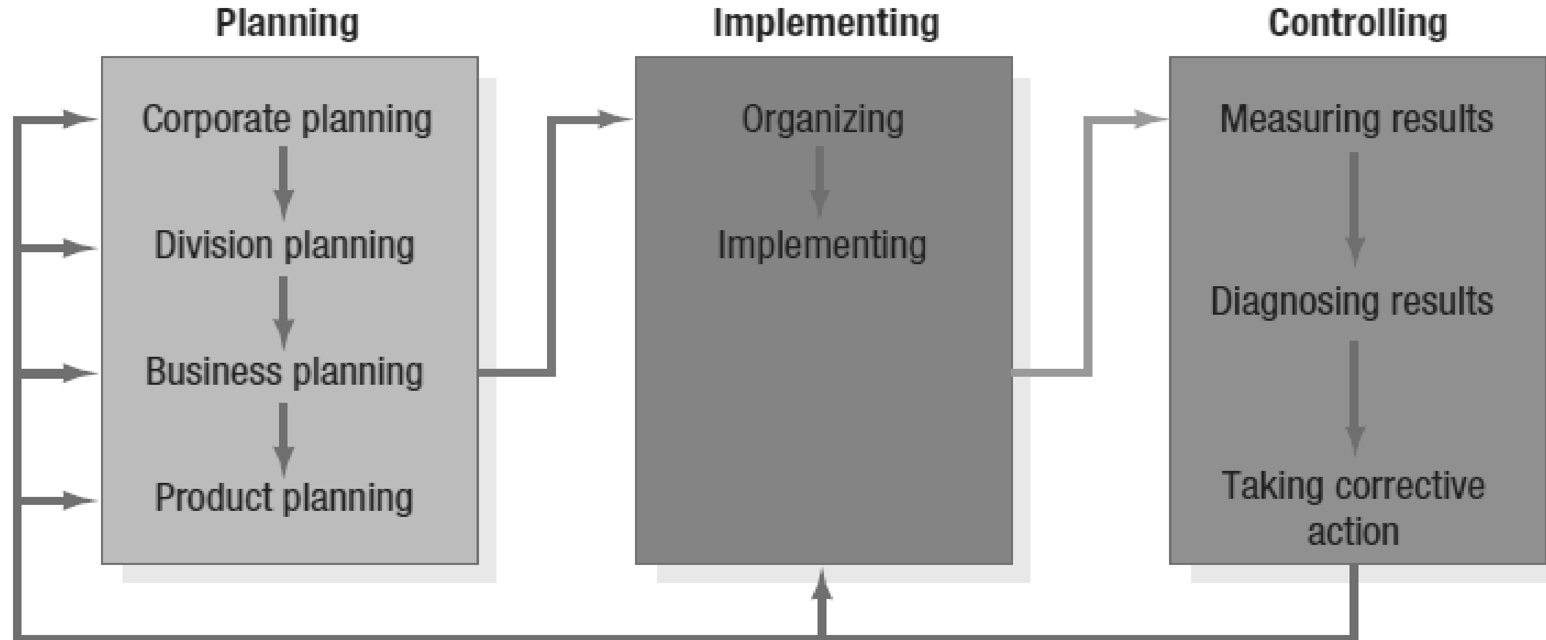
Brand Management

STRATEGIC IN NATURE (LONG-TERM) IN THAT THEY AFFECT THE WHOLE ORGANIZATION AND PROVIDE A FRAMEWORK TO IMPLEMENT OPERATIONAL DECISIONS (SHORT-TERM), HENCE THE IMPORTANCE OF A SOUND MARKETING MANAGEMENT PRACTICE IN ORGANIZATIONS.

MARKETING PLANNING INVOLVES DECIDING ON MARKETING STRATEGIES THAT WILL HELP THE ORGANISATION ATTAIN ITS OVERALL STRATEGIC OBJECTIVES. A DETAILED MARKETING PLAN IS NEEDED FOR EACH BUSINESS, PRODUCT OR BRAND

Strategic Marketing Management is a long-term process that consists of:

Marketing planning
Implementation
Control and
Evaluation



Source: Kotler & Keller: 59

Kotler and Keller (2012) define marketing as follows:

“Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders”

Marketing planning defined

Marketing planning is essential as it determines the success of any marketing endeavor that you might aspire to. As a marketing manager, you will be required to plan several marketing activities. That may include:

- setting objectives or goals
- analysing the marketing environment
- setting priorities
- setting deadlines for tasks to be executed
- developing a contingency plan to back up your initial plan

Marketing planning is a logical sequence and series of activities leading to the setting of marketing objectives and formulation of strategies and programmes of action for achieving objectives. (Strydom 2006:547)

Marketing planning however is not just a function for marketing personnel at a specific level in an organization.

- Logical sequence and series of activities: Planning does not only take place at a given time and forgotten about. It is a continuous process.
- Setting of marketing objectives: The company sets objectives or goals that it ‘plans’ to achieve for the future whether it is long or short term. (see tactical/strategic planning)
- Formulation of strategies and programmes: There are various strategies/programmes that would need to be implemented to ensure that the set objectives are met/achieved.
- Ferrell & Hartline (2011) add that marketing planning is not only done at top management level but at various levels in the company hierarchy.

Marketing Plan

A marketing plan is the central instrument for directing and coordinating the marketing effort. It operates at a strategic and tactical level (Kotler & Keller 2012:58)

levels of Marketing of a Marketing Plan

Strategic

- Target marketing decisions
- Value proposition
- Analysis of marketing opportunities

Possible objective:

To achieve 100% sales volume growth by the year 2019.

Tactical

- Product features
- Promotion
- Merchandising
- Pricing
- Sales channels
- Service

Possible objective:

To achieve 20% sales volume growth in the year 2015.

The marketing plan is the central instrument for directing and coordinating the marketing effort. It operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities.

The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

The Marketing Planning Process

Executive summary & Table of contents

The marketing plan should open with a table of contents and brief summary of the main goals and recommendations. This will enable senior management to have an idea what the entire document entails. Note that these come after the whole planning document is completed

Stage 1: Situation analysis/Summary of existing market situation

The SWOT analysis gives you a measure of your company's Strengths, Weaknesses, Opportunities and Threats. Its success lies in how you scan your marketing environment and relate it to your organisation's marketing situation. By definition, the Marketing Environment is the sum of all factors or variables and players that influence the ability of organisations to successfully develop strategies for its target market. The Marketing Environment consists of the Micro and Macro Environments.

Environmental scanning is the collecting of information about the marketing environment for decision-making purposes.

This section represents relevant background data on sales, costs, the market, competitors, and the various forces in the microenvironment.

Key questions to ask when summarizing the existing market would be:

- How do we define the market?
- How big is it?
- How fast is it growing?
- What are the relevant trends and critical issues?

Firms will be able to use this information to carry out a **SWOT** analysis.

It’s a way of monitoring the external and internal marketing environment.

S - Strengths

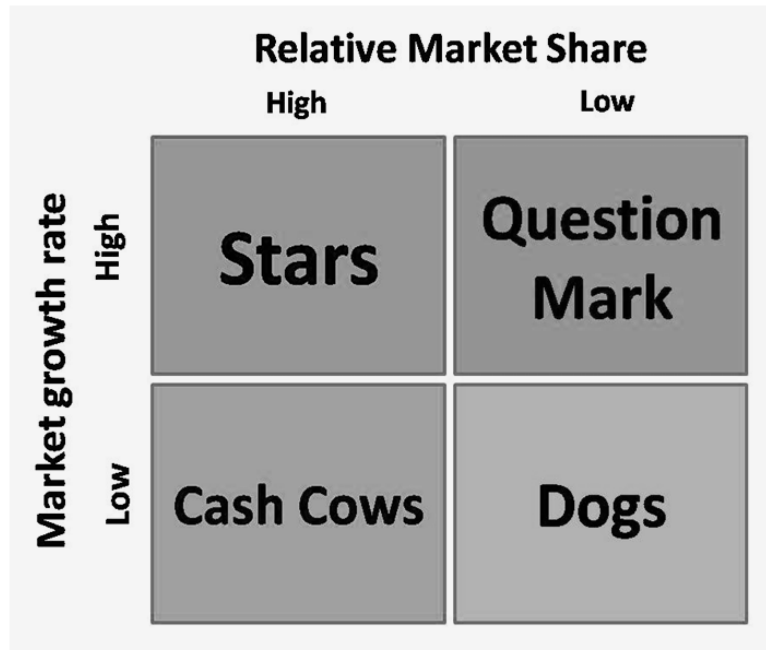
W – Weaknesses

O - Opportunities

T – Threats

Now let us look at some matrices that firms can use to evaluate their current marketing situations and that will enable them to make an informed decision as to which strategies should be used for the future to ensure excellent customer service and profitability.

The BCG [Boston Consulting Group] Matrix



- The BCG analysis is generally used for Multi Category / Multi Product companies.
- All categories and products together are said to be Business portfolio.
- Thus, the various entities of your business portfolio may move forward by a different pace and with a different strategy.
- The BCG analysis actually helps you in determining which entities in your business portfolio are in actual sense are profitable, which of them are failures, which you should concentrate on and which gives you a competitive advantage over others.

Once you have determined which businesses/products/brands stand where in your business portfolio, you also come to know which ones need investments, which need harvesting (making money), which need divesting (reducing investment) and which need to be completely taken out of the business portfolio.

- **Stars** are high-growth, high-share businesses or products requiring heavy investment to finance rapid growth. They will eventually turn into cash cows.
- **Cash cows** are low-growth, high-share businesses or products that are established and successful SBUs requiring less investment to maintain market share.
- **Question marks** are low-share business units in high-growth markets requiring a lot of cash to hold their share.
- **Dogs** are low-growth, low-share businesses and products that may generate enough cash to maintain themselves but do not promise to be large sources of cash. Marketers may decide to take these businesses/products/brands off the market.

The General Electric Model

It is used to assess the performance of an SBU and based on where the SBU ends up after careful evaluation, different strategies can be employed either to strengthen or get rid of it

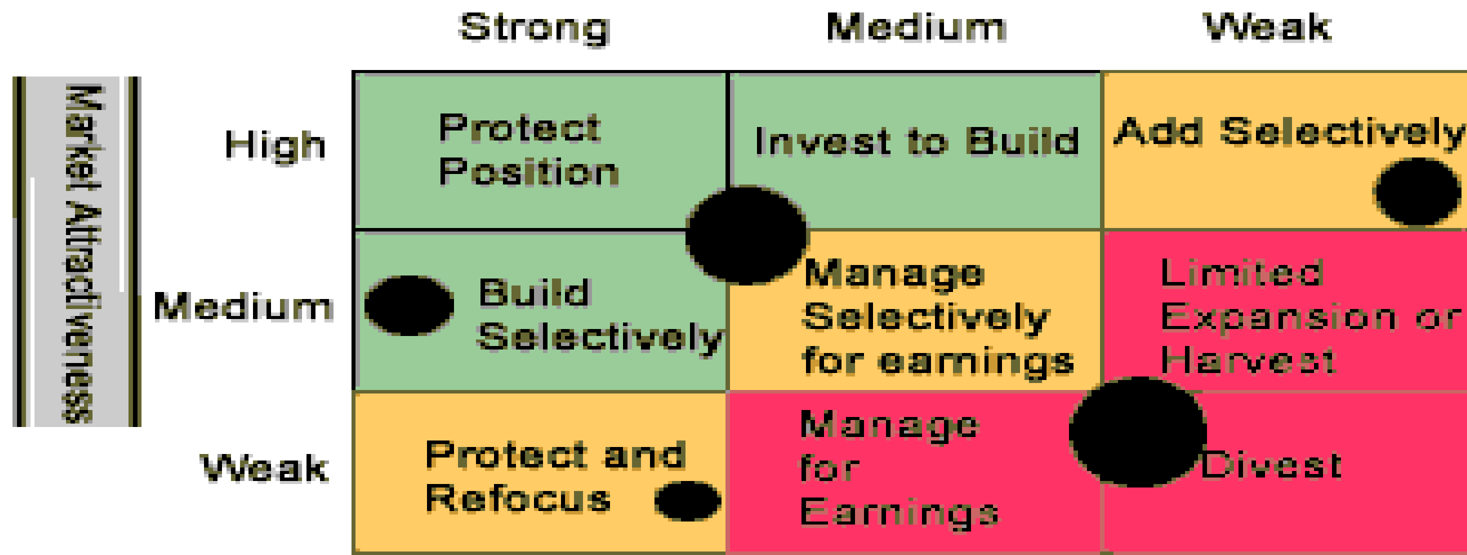
The Manage Mentor (2003) an SBU's appropriate strategy cannot be determined solely by its position in the B.C.G. growth-share matrix. If additional factors are considered, then the growth-share matrix can be seen as a special case of a multi-factor portfolio matrix that General Electric (GE) pioneered.

The model consists of a market grid and is based on the rate of return and not the cash flow position, as in the BCG matrix. The market grid is bounded by two variables:

- market attractiveness on the horizontal axis
- enterprise strength on the vertical axis

Each business is rated in terms of two major dimensions:

- Market attractiveness
- Business strength



The GE matrix is divided into nine cells, which in turn fall into three zones. The three cells in the upper-left corner (Green) indicate the strong SBUs in which the company should grow/invest. The diagonal cells stretching from the lower left to the upper right (Orange) indicate SBUs that are medium in overall attractiveness. The ones in the bottom right corner (Red) are the weak SBUs and the company should give serious thought to harvesting/divesting these companies. Because of its colours, resembling a traffic light, the G.E. Matrix is also called the Stoplight Matrix.

Porter’s Generic Strategies

Michael Porter has proposed three generic strategies that provide a good starting point for strategic thinking: overall cost leadership, differentiation, and focus.

Overall cost leadership

Firms work to achieve the lowest production and distribution costs so they can underprice competitors and win market share.

Differentiation

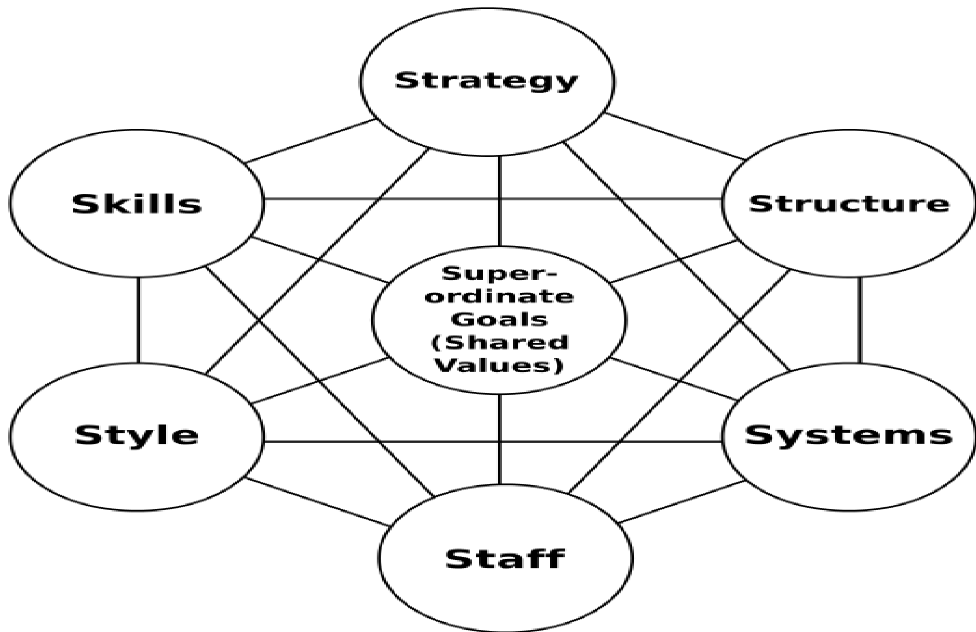
The business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market.

Focus

The business focuses on one or more narrow market segments, gets to know them intimately, and pursues either cost leadership or differentiation within the target segment.

McKinsey's Elements of Success (7S Framework)

According to McKinsey & Company (1970s), strategy is only one of seven elements all of which start with the letters in successful business practice.



The first three elements: strategy, structure, and systems are considered the "hardware" of success.

The next four style, skills, staff, and shared values are referred to as the "software."

Style

The first "soft" element, style, means company employees share a common way of thinking and behaving.

Skills

This means that employees have the skills needed to carry out the company's strategy.

Staffing

Staffing means the company has hired able people, trained them well, and assigned them to the right jobs.

Shared values

This element means that employees share the same guiding values. When these elements are present, companies are usually more successful at strategy implementation.

According to Wikipedia (2014), this model is usually used as a tool to evaluate and monitor changes in the internal situation of an organization.

Stage 2: Formulating marketing strategies

In this stage we define the mission, marketing and financial objectives, and the needs the marketing offering is intended to satisfy as well as its competitive positioning. Inputs from all other areas including purchasing, human resources, finance, sales etc. is required.

- Segmentation Strategies
- Marketing Mix Strategies
- Target Market Strategies
- Positioning Strategies
- Competitive Strategies
- Growth Strategies

Stage 3: Financial projections

Financial projections include a sales forecast, an expense forecast and a break-even analysis.

Stage 4: Implementation controls

This section outlines the controls for monitoring and adjusting implementation of the plan. Typically, it spells out the goals and budget for each month or quarter, so management can review each period's results and take corrective action as needed. Some organizations include contingency plans.

The four Ps component of the Marketing Mix

A product can be offered in the form of a good or a service. Before we discuss the product and all other marketing mix elements we need to note that all of the above for mix elements are relevant to services too. Services however, are extended by an additional three elements namely; People (hiring the right people, personal grooming of staff, training, friendliness etc.), Processes (system used to deliver the service, how quickly clients get served/assisted etc.) and Physical evidence (the décor, cleanliness, friendly atmosphere/ambiance). By also paying attention to these three elements, companies can distinguish themselves from competitors and can charge premium prices and offer customers with great experiences.

Product Strategy

Marketing planning begins with formulating an offering to meet customers' needs and wants. The customer will judge the offering by three basic elements: Product features and quality, services mix and quality, and price.

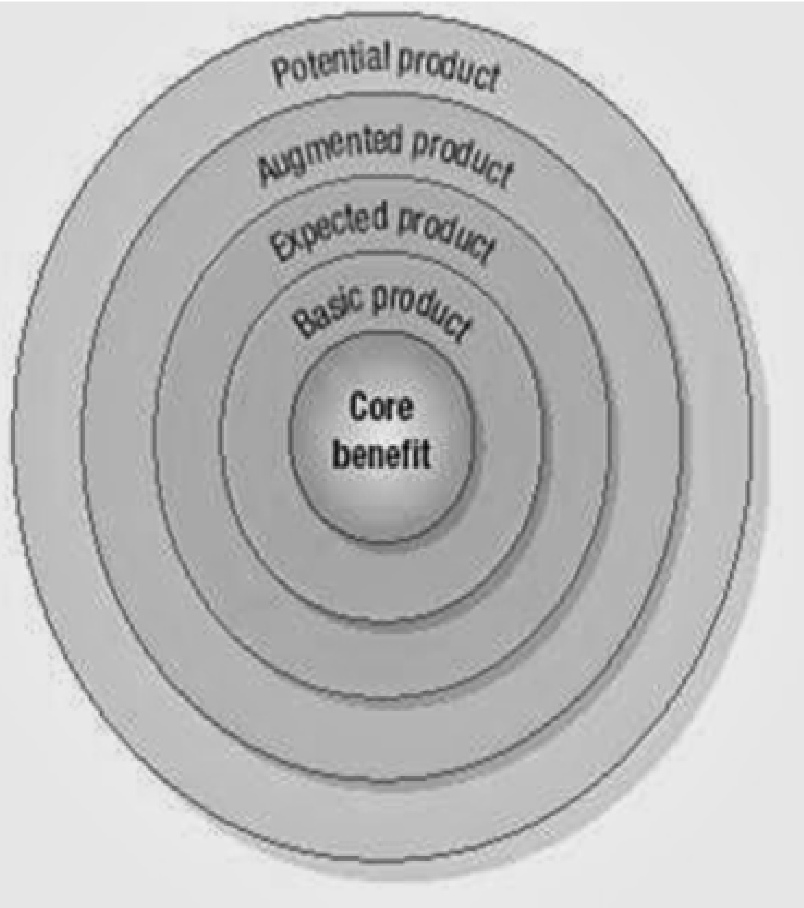
Kotler & Armstrong (2012:248) define a product as is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.

Broadly defined, "products" also include services, events, persons, places, organizations, ideas, or mixes of these.

It is important to note that Services are a form of product that consist of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.

- Product strategies include decisions such as product design, variations, features, packaging, branding, labelling, support services.
- Product development (New Product Development including features, size, design, branding, etc.)
- The number of product lines and ranges to offer

In planning its market offering, the marketer needs to address five product levels as depicted in the diagram below:



Level 1 - Core Product

The fundamental level is the core benefit. The service or benefit the customer is really buying, e.g.: A hotel guest is buying rest and sleep. The purchaser of a drill is buying holes. Marketers must see themselves as benefit providers.

Level 2 - Basis Product

At this level, the marketer must turn the core product into a basic product. Thus, a hotel room includes a bed, bathroom, towels, desk, dresser and closet.

Level 3 - Expected Product

A set of attributes and conditions buyers normally expect when they purchase this products. Hotel guests minimally expect a clean bed, fresh towels, working lamps, and a relative degree of quietness.

Level 4 - Augmented Product

At this level, the marketer prepares an augmented product that exceeds customer expectations. In developed countries, brand positioning and competition take place at this level. In developing and emerging markets such as India, Brazil and including Namibia, competition generally takes place at the expected product level.

Level 5 - Potential Product

This encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offering.

Product and Services Differentiation

Product Differentiation

Form

The size, shape, or physical structure of a product.

Features

Most products can be offered with varying features that supplement their basic function. A company can identify and select appropriate new features by surveying recent buyers and then calculating customer value versus company cost for each potential feature. Marketers should consider how many people want each feature, how long it would take to introduce it and whether competitors could easily copy it.

Customization

Marketers can differentiate products by customizing them. As companies have grown proficient at gathering information about individual customers and business partners (suppliers, distribution, retailers), and as their factories are being designed more flexibly, they have the ability to individualise market offerings, messages and media.

Performance quality

Performance quality is the level at which the product's primary characteristics operate. Quality is increasingly important for differentiation as companies adopt a value model and provide higher quality for less money.

Conformance quality

The degree to which all produced units are identical and meet promised specifications. Suppose a Toyota Hilux Dakar is designed to accelerate to 60 miles per hour within 10 seconds. If every Toyota Hilux Dakar coming off the assembly line does this, the model is said to have high conformance quality. A product with low conformance quality will disappoint some buyers.

Durability

A measure of the product's expected operating life under natural or stressful conditions.

Reliability

A measure of the probability that a product will not malfunction or fail within a specified time period.

Reparability

Measures the ease of fixing a product when it malfunctions or fails. E.g. think about buying a car.
If you know that the parts for a certain car are not available in Namibia and every time your car breaks down you

Style

Products can be differentiated by the look and feel to the buyer. It creates distinctiveness that is hard to copy.

Services differentiation

Ordering ease

This refers to how easy it is for the customer to place an order with the company.

Delivery

This refers to how well the product or service is brought to the customer. It includes speed, accuracy, and care throughout the process.

Installation

This refers to the work done to make a product operational in its planned location.

Customer training

This helps the customer's employees use the vendor's equipment properly and efficiently.

Customer consulting

This includes data, information systems and advice services the seller offers to buyers.

Maintenance and repair

These programmes helps customers keep purchased products in good working order. Firms such as Hewlett-Packard offer online technical support, or “e-support”, for customers who can search an online database for fixes or seek online help from a technician.

In the ever competitive business market companies operate in, it is now more than ever before important to ensure that your product/services is differentiated in many ways so that customers can easily choose yours over your competitors’.

Returns

Though it can be a nuisance for customers, manufacturers, retailers and distributors alike, product returns are an inevitable reality of doing business especially with online purchases.

Return and exchange policies need to be managed well as the cost of returning a product can be two to three times that of sending an outbound shipment.

Product and brand relationships

Each product can be related to other products to ensure that a firm is offering and marketing the optimal set of products.

- Marketing luxury brands (such as Prada, Gucci and Louis Vuitton)- Luxury products are perhaps one of the purest examples of branding because the brand and it image are often key competitive advantages that create enormous value and wealth for organisations.

Just like marketers in less expensive and more “down-to-earth categories, however, those guiding the fortunes of luxury brands must do so in a constantly evolving and sometimes rapidly changing marketing environment

Distribution Strategy

Most producers do not sell their products directly to final users. Between producers and final users stand one or more marketing channels, a host of marketing intermediaries performing a variety of functions.

Effective channel management calls for selecting intermediaries and training and motivating them. The goal is to build a long-term partnership that will be profitable for all channel members.

Marketing channels are characterized by continuous and sometimes dramatic change. Three of the most important trends are the growth of vertical marketing systems and multichannel marketing systems.

Channel arrangements are up to the company but there are certain legal and ethical issues to be considered with regard to practices such as exclusive dealing or territories, tying agreements and dealer rights.

Pricing Strategy

Pricing decisions are complex and difficult and many marketers neglect their pricing strategies. Holistic marketers must take into account many factors in making pricing decisions including:

The company, the customers, the competition and the marketing environment

Pricing decisions must be consistent with the firm’s overall marketing strategy and its target market and brand positioning.

Companies usually set not a single price, but rather a pricing structure that reflects variations in geographical demand and costs, market-segment requirements, purchase timings, order levels and other factors. Several price-adaptation strategies are available:

- Geographical pricing
- Price discounts and allowances
- Promotional pricing and
- Discriminatory pricing.

Price is the only element in the marketing mix that produces revenue; all other elements represent costs. It is not just a number on a tag. It comes in many forms and performs many functions

Promotional strategy/Marketing communication

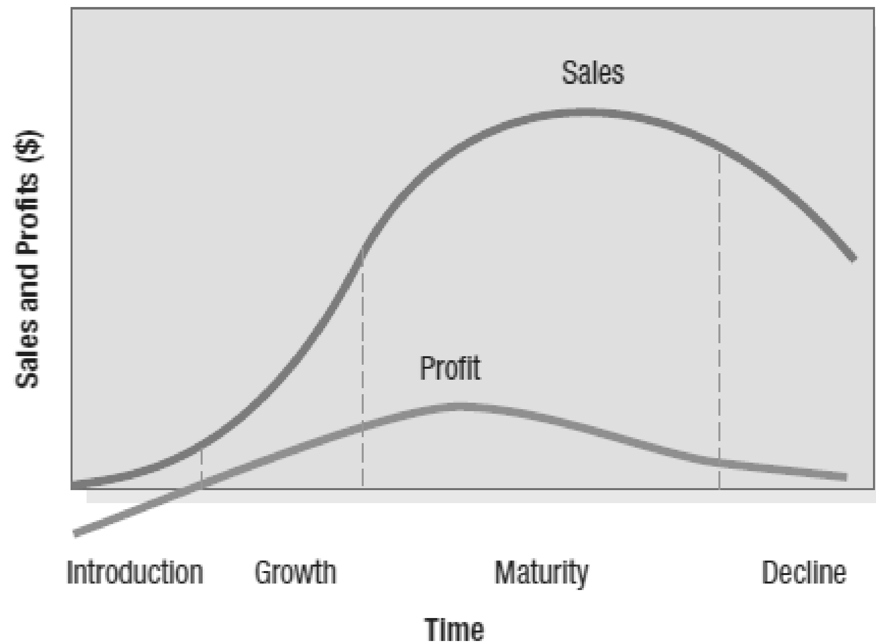
Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers directly or indirectly about the products and brands they sell.

In a sense, marketing communications represents the voice of the company and its brands. They are a means by which firms can establish a dialogue and build relationships with consumers. By strengthening customer loyalty, marketing communications can contribute to customer equity.

Through communication, customers can learn how makes the product and what the company and brand stand for. They can also get an incentive for trial or use. Marketing communications allow companies to link their brands to other people, places, events, brands, experiences and feelings. They can contribute to brand equity by establishing the brand memory and creating brand image as well as drive sales and even affect shareholder value.

You should always bear in mind the extended marketing mix elements when planning your marketing mix strategy. The extended Marketing Mix elements include the following: People, processes and physical evidence which are mainly considered for services marketing.

Product Life Cycle (PLC) strategies



A company's positioning and differentiation strategy must change as the product, market, and competitors change over the product life cycle (PLC). To say a product has a life cycle is to assert four things:

1. Products have a limited life.
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.

Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

In the **Introduction stage**, there is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent because of the heavy expenses of product introduction.

In the **Growth stage,** there is a period of rapid market acceptance and substantial profit improvement.

In the **Maturity stage,** there is a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition.

In **Decline**, sales show a downward drift and profits erode.

Segmentation Strategies

A **market segment** consists of a group of customers who share a similar set of needs and wants.

The major segmentation variables namely: geographic, demographic, psychographic, and behavioral segmentation. The marketer's task is to identify the appropriate number and nature of market segments and decide which one(s) to target Segmenting Consumer Markets

Geographical Segmentation Strategy	Demographic segmentation (the most popular segmentation Strategy)	Psychographic segmentation Strategy	Behavioural segmentation Strategy
World region/Country	Age and life cylcle	Lifestyle	Occasions
Neighbourhood	Life stage	Social class	Benefits
Constituencies	Gender	Personality based segmentation	User Status
Density	Income		Occasions
Climate	Generation		Benefits
City	Social class		User Status
	Race and Culture		Usage Rate
			Buyer-Readiness
			Loyalty Status
			Attitude

Segmenting for Business Markets

We can segment business markets with some of the same variables we use in consumer markets, such as geography, benefits sought, and usage rate, but business marketers also use other variables. The demographic variables are the most important, followed by the operating variables down to the personal characteristics of the buyer. Here is a list of the variables used by marketers to segment business markets.

- Demographic
- Operating variable
- Purchasing approaches
- Situational factors
- Personal characteristics

Steps in Segmentation Process

- Need-based segmentation
- Segment identification
- Segment attractiveness
- Segment profitability
- Segment positioning
- Segment acid test
- Market mix strategy

To be useful, market segments must rate favorably on five key criteria:

- **Measurable:** The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial:** The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program.
- **Accessible:** The segments can be effectively reached and served.
- **Differentiable**: The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.
- **Actionable:** Effective programs can be formulated for attracting and serving the segments.

Target Market Strategies

It is the practice of selecting the best segment or segments within the market and developing a marketing mix or mixes to serve the chosen segment (s).

A Target Market consists of a set of buyers who share common needs or characteristics that the company decides to serve.

According to Kotler, Bowen & Makens (2009), after evaluating different segments, the company must decide which and how many segments to serve.

Total market /strategy/approach (mass marketing /undifferentiated marketing)

- The Company designs a single marketing mix and directs it at the entire market for a particular product.
- This method is effective only when a large proportion of individuals in the total market have similar product needs.
- However, in most cases, the company cannot satisfy the total market with a single marketing mix because the market may be diverse.

There are 3 approaches under the differentiated approach. Let us look at these:

Concentration strategy (concentrated / focus marketing)

The Company focuses its marketing efforts on a single market segment through one marketing mix. Instead of going for a small share of a large market, the firm pursues a large share of one or a few small markets.

Concentrated marketing involves higher than normal risks, as a particular market segment can turn sour.

Niche Marketing

The company focuses on smaller groups within the larger segment and produce very carefully targeted products. These groups are usually too small for the larger firms and the competition is thus not so severe or even at times non-existent from the larger firms.

Niche marketing allows companies to operate with much less capital as promotion is so intense due to the lack of the larger firms' interest.

Niche marketers are known to charge premium prices for their products simply because they know their customers so well.

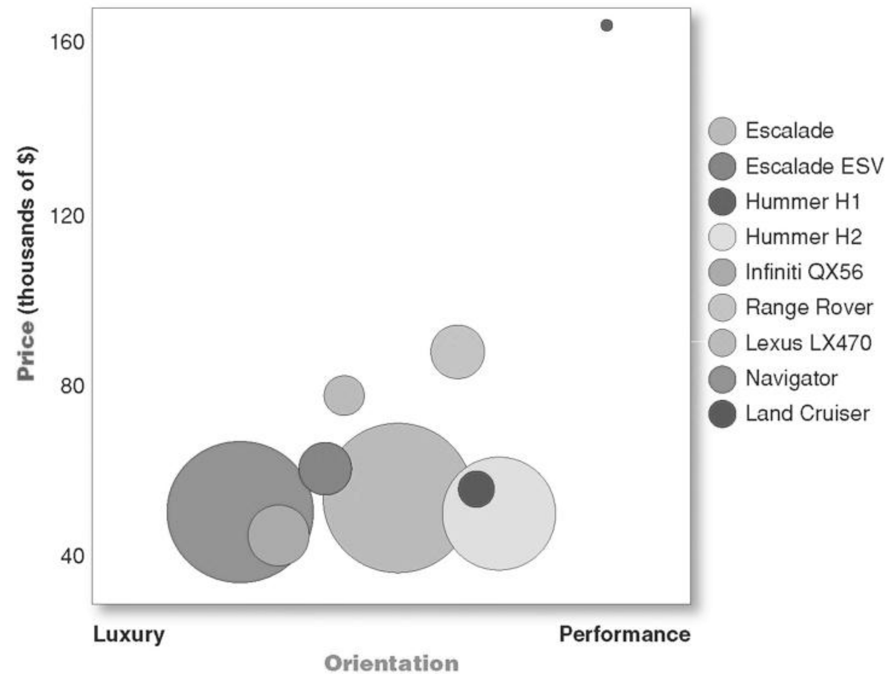
Micromarketing or mass customization

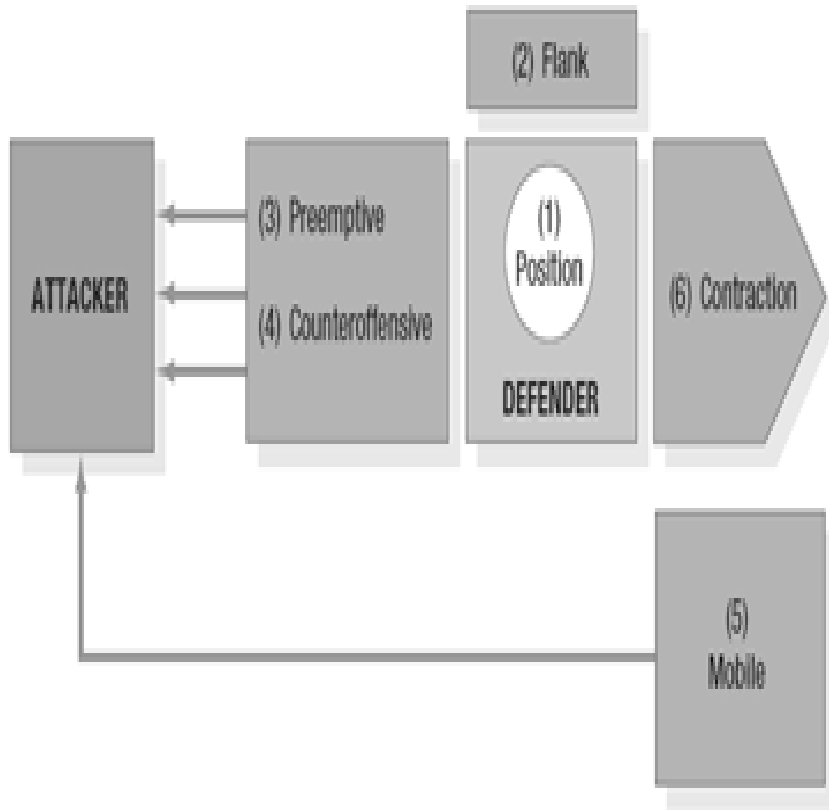
This is simply the practice of tailoring products and marketing to suit specific profitable individuals and conditions in the market. In short you receive the full holistic product – products become tailor-made for your needs. E.g. the customer may request a specific colour, design, feature, delivery, etc. in a product/service.

Positioning Strategies

Product **position** is the way the product is defined by consumers on important attributes at the end of the day it is the place the product occupies in consumers' minds relative to competing products.

It involves implanting the brand's unique benefits and differentiation in the customer's mind. An example is Volvo that has developed cars for its buyers to whom safety is a major concern; positioning its vehicles as the safest a customer can buy Kotler & Keller (2012:32).





Six Defence Strategies

A dominant firm can use the six defense strategies summarized in the figure above. Position defense means occupying the most desirable market space in consumers' minds, making the brand almost impregnable.

With a flank defense, the market leader should erect outposts to protect a weak front or support a possible counterattack.

With a preemptive defense, a more aggressive maneuver is to attack first, perhaps with guerrilla action across the market—hitting one competitor here, another there—and keeping everyone off balance.

Another is to achieve broad market envelopment that signals competitors not to attack. In a counteroffensive, the market leader can meet the attacker frontally and hit its flank, or launch a pincer movement so it will have to pull back to defend itself.

In mobile defense, the leader stretches its domain over new territories through market broadening and market diversification. Market broadening shifts the company’s focus from the current product to the underlying generic need. Market diversification shifts the company’s focus into unrelated industries. Sometimes large companies can no longer defend all their territory.

In planned contraction (also called strategic withdrawal), they give up weaker markets and reassign resources to stronger ones.

General Attack Strategies

Given clear opponents and objectives, what attack options are available? We can distinguish five: **frontal, flank, encirclement, bypass, and guerill**a attacks. In a pure frontal attack, the attacker matches its opponent's product, advertising, price, and distribution. A flanking strategy is another name for identifying shifts that are causing gaps to develop, then rushing to fill the gaps. Encirclement attempts to capture a wide slice of territory by launching a grand offensive on several fronts. Bypassing the enemy altogether to attack easier markets instead offers three lines of approach: diversifying into unrelated products, diversifying into new geographical markets, and leapfrogging into new technologies. Guerrilla attacks consist of small, intermittent attacks, conventional and unconventional, including selective price cuts, intense promotional blitzes, and occasional legal action, to harass the opponent and eventually secure permanent footholds.

Specific Attack Strategies

Any aspect of the marketing program can serve as the basis for attack such as:

- Price discounts
- Lower-priced goods
- Value-priced goods
- Prestige goods
- Product proliferation
- Product innovation
- Improved services
- Distribution innovation
- Manufacturing-cost reduction
- Intensive advertising promotion

Market Follower Strategies

Followers must know how to hold current customers and win a fair share of new ones. Each follower tries to bring distinctive advantages to its target market—location, services, financing–while defensively keeping its manufacturing costs low and its product quality and services high. It must also enter new markets as they open up. The follower must define a growth path, but one that doesn't invite competitive retaliation. We distinguish four broad strategies:

- The counterfeiter duplicates the leader's product and packages and sells it on the black market or through disreputable dealers.
- The cloner emulates the leader's products, name, and packaging, with slight variations.
- The imitator copies some things from the leader but differentiates on packaging, advertising, pricing, or location.
- The adapter takes the leader's products and adapts or improves them.

Market Nicher Strategies

An alternative to being a follower in a large market is to be a leader in a small market, or niche. Smaller firms normally avoid competing with larger firms by targeting small markets of little or no interest to the larger firms. But even large, profitable firms may choose to use niching strategies for some of their business units or companies

- Customer-size specialists concentrate on small, medium-sized, or large customers.
- Specific-customer specialists limit its selling to one or a few customers.
- Geographic specialists sell only in a certain locality, region, or area of the world.
- Product or product-line specialists carry or produce only one product line or product.
- Product-feature specialists specialize in producing a certain type of product or product feature.
- Job-shop specialists customize its products for individual customers.
- Quality-price specialists operate at the low- or high quality ends of the market.
- Service specialists offer one or more services not available from other firms.

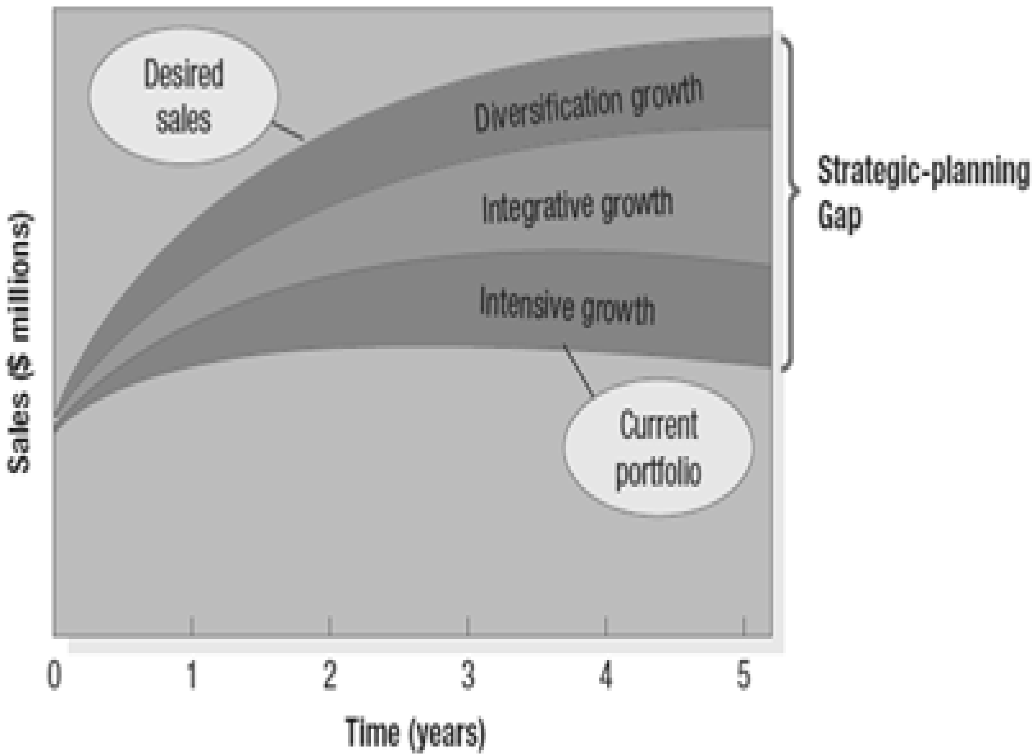
Growth Strategies

Growth strategies are designed to promote an organisation's continued (long-term) growth.

There are three major classes of growth:

- Intensive Growth
- Integrative Growth
- Diversification Growth

Assessing growth opportunities includes planning new business, downsizing and terminating older businesses. If there is a gap between future desired sales and projected sales, corporate management will need to develop or acquired new businesses to fill it.



Option 1 – (Intensive growth)

Opportunities for growth from within current businesses

Intensive growth

With intensive growth, your organization creates opportunities to achieve growth within the organization's line of business or current products. For example Telecom Namibia expands its current products to new markets.

One useful framework for detecting new intensive-growth opportunities is a **product/market expansion grid/matrix.** It considers the strategic growth opportunities for a firm in terms of current and new products and markets.

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

Market penetration strategy

- When the product is in the current market, it can still grow.
- In Marketing Penetration Strategy, the management looks at ways to increase the market share of the organisation’s current products in its current markets.

There are three major approaches to increasing current product's market share:

- encourage more product usage
- attract new customers from competitors
- try to convince non-users to start using your product

Market development (refers to market expansion)

Management looks at opportunities of entering new markets with the same product by doing the following:

- entering other types of markets
- using new distribution channels
- expanding to new geographic areas

Product development strategy (refers to product expansion)

Management can develop new products of potential interest to its current markets. For example, your organisation comes up with a completely new brand extension for your current/existing customers.

When a new product is launched in the current market, the intensive growth strategies could be to:
develop new features
develop different quality levels
improve the technology

Diversification growth

The organisation develops new products that are generally unrelated to the company's current products.

When a new product is launched in a new market, diversification makes good sense as better opportunities are found outside the present business.

The diversification strategies are of three types:

- **Concentric Diversification Strategy:** Develop new products with the earlier/existing organisation's technology for new segments
- **Conglomerate Diversification Strategy:** Develop completely new products for new markets.
- **Horizontal Diversification Strategy:** Develop new products related to the organisation's current products using new technology to cater for old customers.

Integrative opportunities

Identify opportunities to build or acquire businesses related to current businesses.

Integrative growth

The organisation creates opportunities to develop or acquire businesses that are related to the organisation's current businesses. There are three integrative growth strategies:

- **Backward integration (upstream):** acquiring a supplier to gain more profit and control. E.g. a publishing company can integrate backward into paper products.
- **Forward integration (downstream):** This type of integration occurs when a manufacturer or wholesaler either acquires or takes over the function of an intermediary closer to the customer. E.g. a manufacturing company may decide to acquire or build retail outlets for its products.
- **Horizontal integration:** The company may consider acquiring or merging with one or more competitors.

A local example of this strategy is Telecom Namibia who acquired Leo in 2012 which has since been rebranded as TN Mobile

Diversification growth

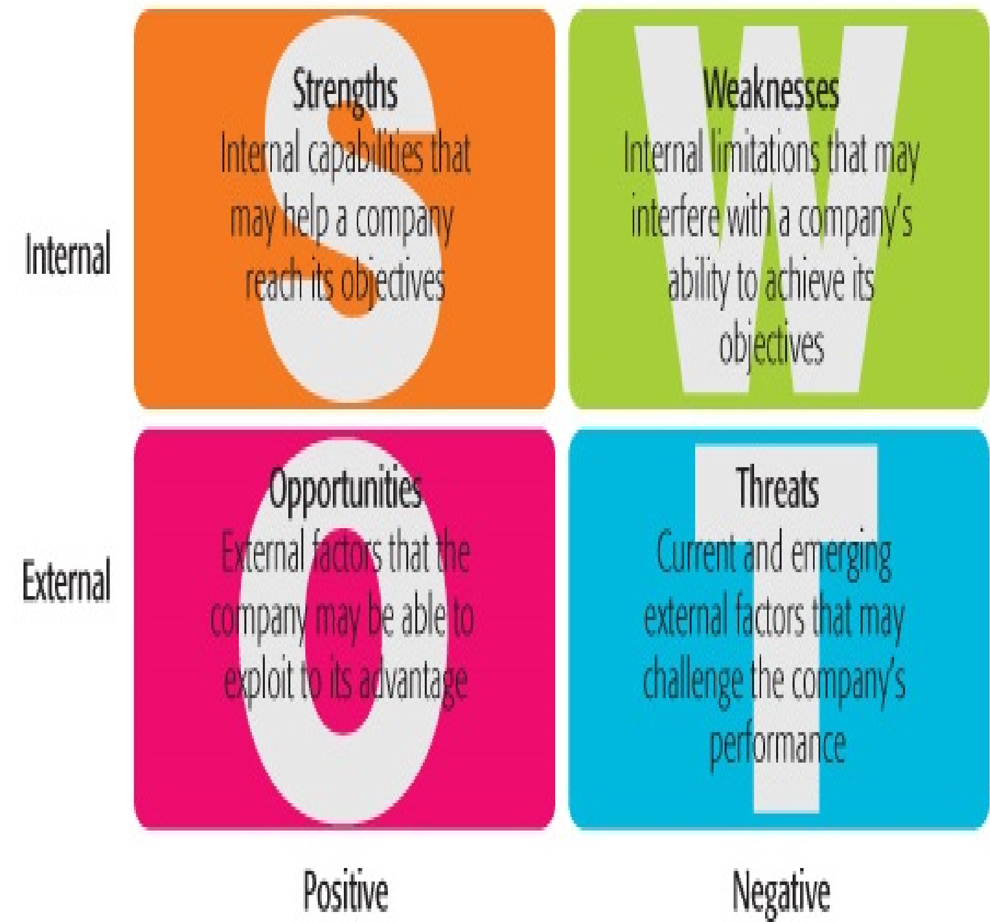
Identify opportunities to add attractive unrelated businesses.

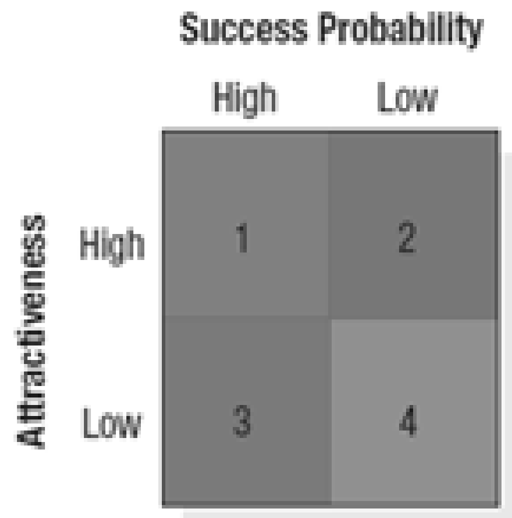
Diversification growth makes sense when good opportunities exist outside the present businesses. The industry is highly attractive and the company has the right mix of business strengths to succeed.

SWOT analysis procedure

As you plot the information into the Matrix, you should be aware of the fact that the internal factors are the organisation's Strengths and Weaknesses, while the external factors are the organisation's Opportunities and Threats.

By using the SWOT analysis and market opportunity analysis, we can create opportunity and threat matrices.





1. Company develops more powerful lighting system
2. Company develops device to measure energy efficiency of any lighting system
3. Company develops device to measure illumination level
4. Company develops software program to teach lighting fundamentals to TV studio personnel

	TOWS matrix	Strengths	Weaknesses
	Internal analysis / External analysis	• Consistent web design, • Small company, • Flexible organization.	• New to the market, • Lack of capital, • Technology issues, • Difficulties by selling art via the Internet.
Opportunities	• Market growth, • User and usage growth, • Art is a whole new perspective in e-commerce.	• Interesting market and new technology will make it easier to attract customers.	• There are lots of possibilities and space for a newcomer like us, • Market growth and interest to buy objects via the Internet.
Threats	• Established competitors may move into this business, • User inertia, • Less income from sales.	• We can respond quickly to changes on the market, • The possibility to sell via the Internet may be difficult to implement.	• Users of the Internet have adopted new markets such as e-commerce very quickly.

Factors that contribute to market attractiveness (opportunities or threats)

- Market growth Rate: Markets with high growth rate are more attractive than those with low growth rate.
- Competition: Markets with few or no competitors are more attractive than markets with a number of competitors.
- Inflationary vulnerability: Markets that are not strongly affected by inflation vulnerability are more attractive.
- Social and cultural changes: Markets that are not strongly influenced by social cultural changes are more attractive.
- Action by authorities: Markets that are not strongly influenced by actions of the authorities are more attractive.
- Economic conditions: Markets that are not strongly affected by recession are more attractive.

Probability of Occurrence

Seriousness	High	Low
High	1	2
Low	3	4

1. Competitor develops superior lighting system
2. Major prolonged economic depression
3. Higher costs
4. Legislation to reduce number of TV studio licenses

In the opportunity matrix, the best marketing opportunities facing the TV-lighting-equipment company appear in the upper-left cell (#1). The opportunities in the lower-right cell (#4) are too minor to consider. The opportunities in the upper-right cell (#2) and the lower-left cell (#3) are worth monitoring in the event that any improve in attractiveness and potential.

Strengths and weaknesses are internal aspects. This means that they are within the control of the business. They may refer to aspects of marketing, finance, manufacturing or organization. Opportunities and threats are external factors. This means that they are outside the control of the business. These may include the environment, the economic situation, social changes or technological advances, such as the internet.

EXAMPLE:
Description of five year marketing strategies for Easy Kitchen Supplies

Target Market

The primary target market consists of individuals

Positioning

Using product differentiation, we are positioning Easy Kitchen Supplies as the most versatile, convenient, value-added utensils for personal and professional use. The marketing strategy will focus on a sophisticated look as the main feature differentiating our range of products.

Product Strategy

We will introduce more attractive and easy-to-use utensils to match the needs of the different target markets that we intend to capture. The brand and logo (Easy Kitchen, gray/silver bold) will be displayed on the product and its packaging and reinforced by its prominence in the introductory marketing campaign.

Pricing Strategy

Our range of products will have premium retail pricing. Our first category of products, which are kitchen utensils for personal use, will range from N$200 – N$500 per set, while the professional utensils or equipment will also be priced at premium based on the current market conditions. We expect to lower the prices when we expand our market.

Distribution Strategy

Our channel strategy is to use both intensive and selective distribution. Intensive distribution will be used for kitchen utensils for personal use and we aim to distribute these to the various retail stores in Namibia. The professional kitchen utensils will be distributed through selective distribution by using industrial distributors such as African Marketing, Pupkewitz etc.

Marketing Communication Strategy

By integrating all messages in all media, we will reinforce the brand name and the main points of product differentiation. We will use the Push strategy through personal selling to market our range of professional utensils, while Pull strategy will be used through advertising, Sales Promotion and our Website to market our range of personal utensils.

Marketing Research

We will conduct regular research to identify new features and benefits that our target market segments value. We will also measure and analyse customers' attitudes toward competing brands and products. Brand awareness research will help us determine the effectiveness and efficiency of our messages and media. Finally we will use customer satisfaction studies to gauge market reaction.

UNIT 2: Marketing Implementation

marketing implementation is critical to the success of any firm because it is responsible for putting the marketing strategy into action. One of the most interesting aspects of markeing implementation is its relationship to the strategic planning process. Many firms assume that planning and implementation are interdependent but separate issues. In reality, planning and implementation intertwine within the marketing planning process Ferrel & Hartline (2011).

Characteristics of a great marketing company

- The company selects target markets in which it enjoys superior advantages and exits or avoids markets where it is intrinsically weak.
- Virtually all the company's employees and departments are customer-and market-minded.
- There is a good working relationship between marketing, R&D and manufacturing
- There is a good relationship between marketing, sales and customer service.
- The company has installed incentives designed to lead to the right behaviors.
- The company continuously builds and tracks customer satisfaction and loyalty.
- The company manages a value delivery system in partnership with strong suppliers and distributors.
- The company is skilled in building its brand name(s) and image
- The company is flexible in meeting customers' varying requirements

The elements of marketing implementation

Marketing Strategy

The firm's planned product, pricing, distribution and product activities.

Shared Goals

Shared goals and values among all employees within the firm are the 'glue' of successful implementation because they bind the entire organization together as a single, functioning unit. Without a common direction to hold the organization together, different areas of the firm may work toward different outcomes, thus limiting the success of the entire organization.

This very much depends on company resources and its objectives. There is no one correct structure for all situations. Marketing managers, together with management have to look at their goals and objectives and decide on which structure will enable them to achieve those goals and objectives profitably.

Marketing structure

Marketing structure refers to the methods of organizing a firm's marketing activities. Marketing structure establishes formal lines of authority as well as the division of labor within the marketing function. One of the most important decisions that firms make is how to divide and integrate marketing responsibilities. This decision typically comes down to the question of centralization.

In a centralized marketing structure, the top of the marketing hierarchy coordinates and manages all marketing activities and decisions. Conversely, in a decentralized marketing structure, the front line of the firm coordinates and manages marketing activities and decisions. Typically, the decentralization means that frontline marketing managers have the responsibility of making day-to-day marketing decisions.

Advantages:

Centralized marketing structures:

- Cost efficient and
- Effective in ensuring standardization within the marketing program

Decentralized marketing structures:

- Places marketing decisions closer to front line, where serving the customer is the number one priority.
- Frontline managers can be creative and flexible, allowing them to adapt to changing market conditions.

The decision to centralize or decentralize marketing activities is a trade-off between reduced costs and enhanced flexibility. However, there is no one correct way to organize the marketing function.

- *Marketing Strategy:* The firm's planned product, pricing, distribution and product activities.
- *Shared Goals: Shared goals and values among all employees within the firm.*
- *Marketing structure: The methods of organizing a firm's marketing activities. company must design a marketing organisational structure that can carry out its marketing strategies and plans*
- *Systems and Processes:* These are collections of work activities that absorb a variety of inputs to create information and communication outputs that ensure the consistent day-to-day operation of the firm.
- *Resources: These can include a wide variety of assets that can be brought together during marketing implementation. These assets may be tangible or intangible.*
- *People (Human Resources): The quality, diversity and skill of a firm's human resources can also make or break the implementation of marketing strategy.*

Leadership Approaches to Marketing implementation

Whether good or bad, all leaders possess a leadership style or way of approaching a given task.

Implementation by command

Marketing strategies are developed and selected by the firm’s top executives then transmitted to lower levels where frontline managers and employees are expected to implement them.

Implementation through change

This approach focuses explicitly on implementation by modifying the firm in ways that will ensure the successful implementation of the chosen strategy.

Implementation through consensus

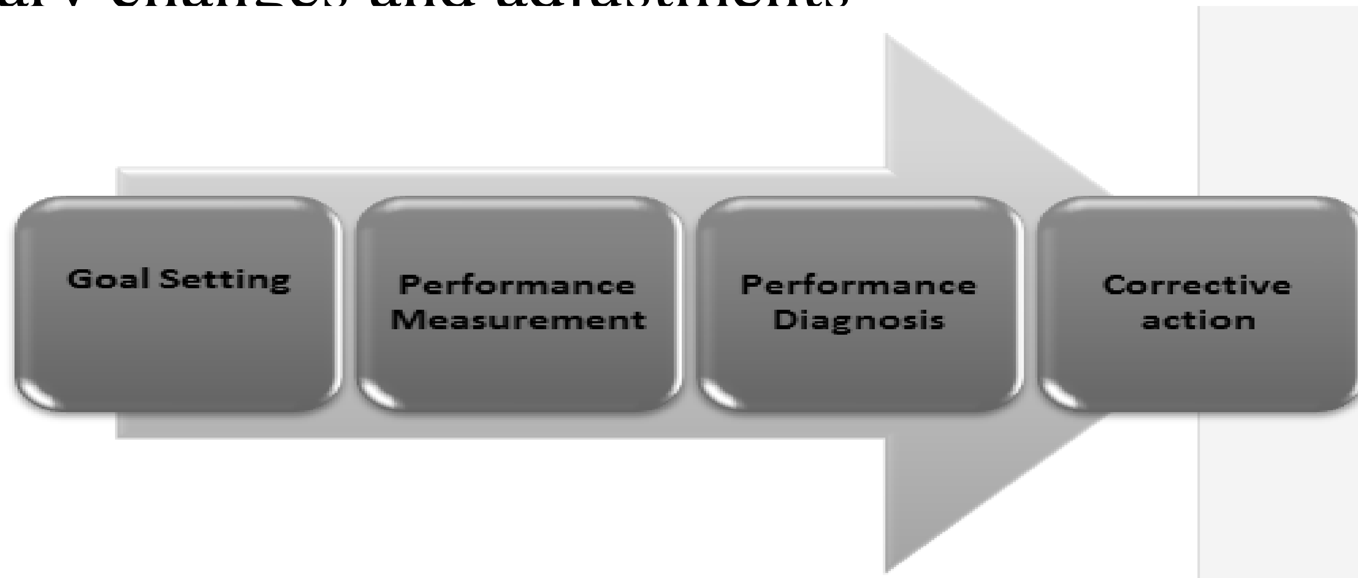
Upper- and lower-level managers from different areas of the firm work together to evaluate and develop marketing strategies.

Implementation as organizational culture

Marketing strategy and implementation are seen as extensions of the firm's mission, vision and organizational culture. Employees at all levels can participate in making decisions that help the firm reach its mission, goals and objectives.

The Control Process

Kotler & Keller (2012:663) define marketing control as the process by which firms assess the effects of their marketing activities and programs and make necessary changes and adjustments



Source: Kotler & Keller (2012:664)

- You should first set specific marketing goals.
- You should then implement and measure the performance in the market place and evaluate the causes of any differences between expected and actual performance.
- Finally, you should take corrective action to close the gaps between your goals and the actual performance.

Type of control	Prime responsibility	Purpose of control	Approaches
▪ Annual-plan control	▪ Top management ▪ Middle management	▪ To examine whether the planned results are being achieved	▪ Sales analysis ▪ Market-share analysis ▪ Sales-to-expense ratios ▪ Financial analysis ▪ Market-based scorecard analysis
▪ Profitability control	▪ Marketing controller	▪ To examine where the company is making and losing money	Profitability by: ▪ Product ▪ Territory ▪ Customer ▪ Segment ▪ Trade channel ▪ Order size
▪ Efficiency control	▪ Line and staff management ▪ Marketing controller	▪ To evaluate and improve the spending efficiency and impact of marketing expenditures	Efficiency of: ▪ Sales force ▪ Advertising ▪ Sales promotion ▪ Distribution
▪ Strategic control	▪ Top management ▪ Marketing Auditor	▪ To examine whether the company is pursuing its best opportunities with respect to markets, products and channels	▪ Marketing effectiveness rating instrument ▪ Marketing audit

Annual-plan control

In a nutshell from the table above, you have seen that the Annual-plan control is one of the types of marketing control and ensures the company achieves the sales, profits, and other goals established in its annual (yearly) plan. At its heart is management by objectives. Let us look at the various aspects of the annual-plan control.

- Firstly, management sets monthly or quarterly goals.
- Secondly, it monitors performance in the marketplace.
- Thirdly, management determines the causes of serious performance deviations.
- Fourthly, it takes corrective action to close gaps between goals and performance.

This control model applies to all levels of the organization. Top management sets annual sales and profit goals; each product manager, regional district manager, sales manager and sales rep is committed to attaining specified levels of sales and costs

MARKETING CONTROL TOOLS

Sales Analysis

The sales analysis measures and evaluates actual sales in relationship to goals.

We need the following two specific tolls to make it work:

- **Sales variance analysis**
- **Macro Sale analysis**

Sales variance analysis

Measures the relative contribution of different factors to a gap in sales performance. Suppose the annual plan called for selling 4000 widgets in the first quarter at N$1.00 per widget for total revenue of N$4000. At quarter's end, only 3000 widgets were sold at N$0.80c per widget for total revenue of N$2400. How much of the sales performance gap is due to the price decline and how much to the volume decline? This calculation answers the question:

Variance due to price decline: ($1.00 - $0.80) (3000) = N$600   37.5%   (600/1600x100)

Variance due to volume decline: ($1.00) (4000 - 3000) =N$1000   62.5%   (1000/1600x100)

N$1600   100.0%

Almost two-thirds of the variance is due to failure to achieve the volume target. The company should look closely at why it failed to achieve expected sales volume.

Suppose the annual plan called for selling 5000 chickens in the first quarter at N$1.00 per chicken for total revenue of N$5000. At quarter's end, only 3000 chickens were sold at N$0.70c per chicken for total revenue of N$2100. How much of the sales performance gap is due to the price decline and how much to the volume decline?

Variance due to price decline: ($1.00 - $0.70) (3000) = N$900 31% (900/2900x100)
Variance due to volume decline: ($1.00) (5000 - 3000) =N$2000 69%(2000/2900x100)

N$2900 100.0%

The sales performance gap due to the price decline is 31% and 69% can be attributed the volume decline.

Micro sales analysis

This analysis looks at specific products, territories and so forth that failed to produce expected sales. Suppose the company sells in three territories and expected sales were 1500 units, 500 units and 2000 units respectively. Actual volumes were 1400 units, 525 units and 1075 units respectively. Thus territory 1 showed a 7% shortfall in terms of expected sales, territory 2 a 5% improvement over expectations and territory 3 a 46% shortfall. Let's tabulate this for a clearer picture/understanding:

Territory	Expected (units) volumes	Actual (units) volumes	% (Change)
1	1500	1400	7↓ shortfall
2	500	525	5↑ improvement
3	2000	1075	46↓ shortfall

$$\frac{\text{Expected volumes} - \text{Actual volumes}}{\text{Expected volumes}} \; x\ 100\%$$

Market share analysis

Company sales don’t reveal how well the company is performing relative to competitors. For this, management needs to track its market share in one of three ways.

Overall market share expresses the company’s sales as a percentage of total market sales. Served market share is sales as a percentage of the total sales to the market. The served market is all the buyers able and willing to buy the product, and served market share is always larger than overall market. A company could capture 100% (percentage) of its served market and yet have a relatively small share of the total market.

market share analysis, however, are subject to qualifications:

- The assumption that outside forces affect all companies in the same ways is often not true. The U.S. Surgeon General’s report on the harmful consequences of smoking depressed total cigarette sales, but not all equally for all companies.
- The assumption that a company’s performance should be judged against the average performance of all the companies is not always valid. A company’s performance is best judged against that of its closest competitors.
- If a firm enters the industry, every existing firm’s market share might fall. A decline in market share might not mean the company is performing worse than other companies. Share loss depends on the degree to which the new firm hits the company’s specific markets.
- Sometimes a market share decline is deliberately engineered to improve profits: Sometimes management might drop unprofitable customers or products.

Marketing expense and sales analysis

Annual-plan control requires making sure the company isn't overspending to achieve sales goals. The key ratio to watch is marketing expense-to-sales. In one company, **this ratio was 30%** and consisted of five component expense-to-sales ratios.

- Sales force-to-sales 15%
- Advertising-to-sales 5%
- Sales promotion-to-sales 6%
- Marketing research-to-sales 1%
- Sales administration-to-sales 3%

Fluctuations outside the normal range are a cause for concern. Management needs to monitor period-to-period fluctuations in each ratio (see figure 22.5 in prescribed text book for an example of a Control-Chart Model).

Financial Analysis

Marketers should analyse the expense-to-sales ratios in an overall financial framework to determine how and where the company is making its money. They can, and are increasingly using financial analysis to find profitable strategies beyond building sales. Management uses financial analysis to identify factors that affect the company's rate of return on net worth.

Profitability control

Companies should measure the profitability of their products, territories, customer groups, segments, trade channels and order sizes to help determine whether to expand, reduce, or eliminate any products or marketing activities.

Marketing profitability analysis indicates the relative profitability of different channels, products, territories or other marketing entities. It does not prove the best course of action is to drop unprofitable marketing entities or capture the likely profit improvement of doing so.

Companies show growing interest in using marketing profitability analysis or its broader version, activity-based cost accounting (ABC), to quantify the true profitability of different activities.

Efficiency control

Suppose a profitability analysis reveals the company is earning poor profits in certain products, territories or markets. These are some of the questions that are looked:

Are there more efficient ways to manage the sales force, advertising, sales promotion and distribution?

Strategic control

Each company should periodically reassess its strategic approach to the marketplace with a good marketing audit. Companies can also perform marketing excellence reviews and ethical/social responsibility reviews.

New Product Development (NPD)

New-product development shapes the company's future. Improved or replacement products and services can maintain or build sales. New to the world products and services can transform industries and companies and change lives. The low success rate of new products and services however points to the many challenges they face. Companies are doing more than just talking about innovation. They are challenging industry norms and past conventions to develop new products and services that delight and engage customers.

Types of New Products

There is no universally accepted definition of the term innovation or “new product”.

New products range from new-to-the world products that create an entirely new market to minor improvements or revisions of existing products. Most new-product activity is devoted to improving existing products.

Companies typically must create a strong research and development (R&D) and marketing partnership to pull off a radical innovation.

High-tech firms in telecommunications, computers, consumer electronics, biotech, and software in particular seek radical innovation. They fact a number of product-launch challenges such as high technological uncertainty, high market uncertainty, fierce competition, high investment costs, short product life cycles and scares funding sources for risky projects.

Category/type	Nature
New to the world products	Such products involve high risks since they are new to the market and the firm. Examples would be the first cellular phone, the first television service, etc.
New to the marketer products	Such products are new to a marketer but are already being offered in the marketplace by other competitors
Line extensions	New features are added to an existing product to capture a new segment such as for instance new colours, flavours, package size, new application (use), etc.
Repositioned products	The product is marketed in a new way to change its position or perception in the marketplace. Existing products are targeted at new segments or new markets and this could require a new market positioning e.g. Johnson & Johnson baby products now repositioned to attract adult users.
Improved products	An improved version of an existing product which provides better performance or greater perceived value. This is the least risky and least innovative category, yet a great deal of attention must be paid to marketing such products to achieve success.
New product line	The company introduces a new line of products to the existing one(s) e.g. a company marketing a line of detergents decides to add a cosmetic line.

Challenges in new-product development

Marketers face some challenges in the process of coming up with new products and we will now look at them.

New-product introductions have accelerated and in retailing, consumer goods, electronics, autos and other industries, the time to bring a product to market has been cut in half. Luxury leather goods maker Louis Vuitton implemented a new factory format dubbed "Pégase" so it could ship fresh collections to its boutiques every six weeks which is more than twice as frequently as in the past. This ultimately gives customers more new looks to choose from.

The innovation imperative

In an economy of rapid change, continuous innovation is a necessity. Highly innovative firms are able to identify and quickly seize new market opportunities. They create a positive attitude toward innovation and risk taking, routinize the innovation process, practice teamwork and allow their people to experiment.

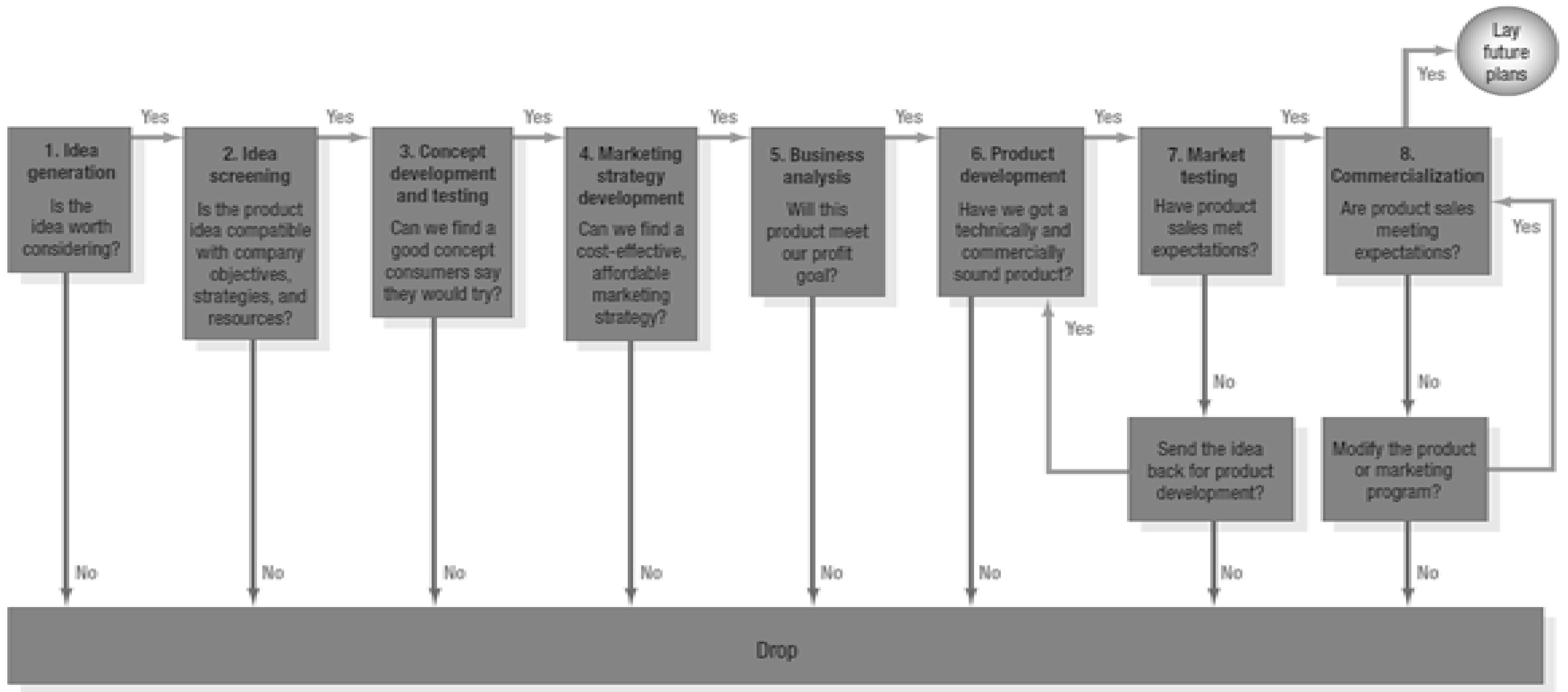
Factors that limit new product development

New products continue to fail at estimated rates as high as 50 percent or even 95 percent in the United States and 90 percent in Europe. They fail for many reasons: ignored or misinterpreted market research; overestimates of market size; high development costs; poor design or ineffectual performance; incorrect positioning, advertising, or price; insufficient distribution support; competitors who fight back hard; and inadequate ROI or payback. Some additional drawbacks are listed below.

- Shortage of ideas
- Fragmented markets
- Social and governmental constraints
- Cost of development
- Capital shortages
- Faster required development time
- Shorter product life cycles

New-Product Development Decision Process

Like with almost everything in life, new products have to go through a process. Let us look at the stages in the new-product development process are shown in Figure 32. Many firms have parallel sets of projects working through the process, each at a different stage. Think of the process as a funnel: A large number of initial new-product ideas and concepts are winnowed down to a few high-potential products that are ultimately launched. But the process is not always linear.



Source: Kotler & Keller (2012:595)

1 Idea generation

The objective of idea generation is to gather as many ideas as possible and from any and all possible sources. The emphasis, at this stage, is upon the quantity of ideas with no source, nor idea, being rejected.

2 Idea screening

Having generated a number, -sometimes a large number- of ideas, the filtration process must begin. The objective is to identify new product ideas which are weak in terms of their chances of market success or their potential return-on-investment. If it is conducted well, the screening process will enable the organisation to determine which new product ideas are right for it. The question remaining, at this point, is which products would be right for the customer.

3 Concept testing

Many factors contribute to the failure of new products but a principal cause is the inability to predict customer response to new products and services. Systematic tests can be used to reduce expensive failures. These include; concept testing, market positioning tests, product testing and market testing.

The product idea has to be converted to a product concept. It is often possible to develop several product concepts from a single product idea.

4 Marketing strategy development

At this stage the following is developed:

- The target market, product positioning and sales, share and profit goals for the first few years.
- Product price, distribution and marketing budget for the first year.
- Long term sales and profit goals and the marketing mix strategy.

5 Business analysis

By this stage, a number of new product ideas which do not match company objectives and/or resources will possibly have been screened out and others will have been modified as a result of the concept and/or positioning tests. Such an analysis would involve an assessment of the total capital investment cost, the likely return-on-investment and the payback period. Where at all possible this should be carried out before a physical product has been manufactured or otherwise produced. The objective at this stage is not to produce precise sales forecasts but to establish the broad order of magnitude of probable sales volumes, revenues and expenses.

6 Product Development/Technical development

In this phase the product concept is translated into a prototype or trial formulation in the case of a food product, animal health treatment or agrochemical.

Technical development is not solely a production activity. Marketing personnel are involved in conducting, or at least commissioning, product tests to contribute information on consumer needs, preferences and behaviour.

7 Market testing

The main aim of test market studies is to provide a real-world, in-market exposure for evaluating the product and its marketing programme. In essence the marketing manager is taking a proposed national programme, with all of its separate elements, and evaluating them in a smaller, less expensive situation. He/she is seeking to determine whether or not the potential profit opportunity outweighs the potential risks by a considerable margin.

8 Commercialisation

Assuming that the market test is positive, the full-scale production, introduction and marketing (i.e. commercialisation) of the product can take place.

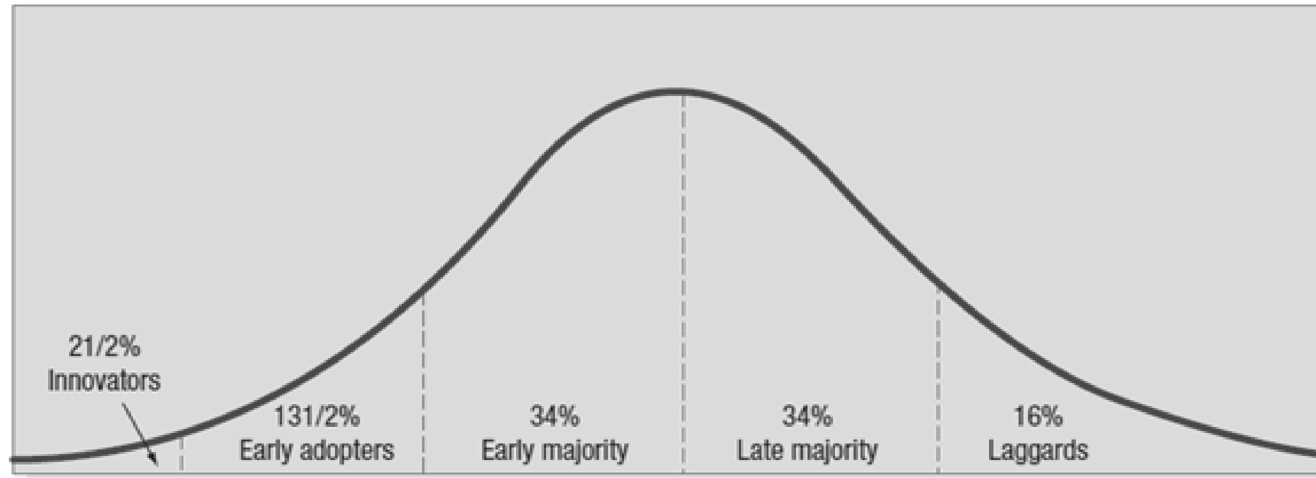
Adoption

An innovation is any good, service, or idea that someone perceives as new, no matter how long its history. The innovation diffusion process is "the spread of a new idea from its source of invention or creation to its ultimate users or adopters." In other words, it is the process over which consumers adopt innovations. These are the stages in the adoption process:

- Awareness: The consumer becomes aware of the innovation but lacks the necessary information about it.
- Interest: the consumer is stimulated to seek information about the innovation.
- Evaluation: the consumer considers whether to try the innovation.
- Trial: The consumer tries the innovation (generally on a small scale) to improve his/her estimate of its value.
- Adoption: The consumer decides to make full and regular use of the innovation.

The adopter categories

- **Innovators** are technology enthusiasts; they are venturesome and enjoy tinkering with new products and mastering their intricacies.
- **Early adopters** are opinion leaders who carefully search for new technologies that might give them a dramatic competitive advantage.
- **Early** majority are deliberate pragmatists who adopt the new technology when its benefits are proven and a lot of adoption has already taken place.
- **Late majority** are sceptical conservatives who are risk averse, technology shy, and price sensitive.
- **Laggards** are tradition-bound and resist the innovation until the status quo is no longer defensible.



Source: Kotler & Keller (2012:612):

- **Characteristics of an Innovation**
- There are five characteristics that explain the adoption of innovations. Another way to look at it is that these characteristics influence an innovation's rate of adoption.
- **Relative advantage**: The degree to which the innovation appears superior to existing products.
- **Compatibility:** The degree to which the innovation matches the values and experiences of the individuals.
- **Complexity**: The degree to which the innovation is difficult to understand or use.
- **Divisibility**: The degree to which the innovation can be tried on a limited basis. Communicability - The degree to which the benefits of use are observable or describable to others.
- Other characteristics that influence the rate of adoption are:
  - cost, risk and uncertainty
  - scientific credibility
  - social approval

Brand Management and Brand Equity

In the end of the day a product is just but one part that represents the company as a whole. In this unit, we are going to look at how to manage brands as well as other aspects related to brands such as brand equity. As put by Kotler (2006:249), brands are more than just names and symbols. Brands represent consumers' perceptions and feelings about a product and its performance – everything that the product or service means to consumers. In the final analysis, brands exist in the minds of consumers. Thus, the real value of a strong brand is its power to capture consumer preference and loyalty. a brand is a name with the power to

influence the market, its power increases as more people know it, are convinced by it, and trust it. Brand management is about gaining power, by making the brand concept more known, more bought, more shared.

Brands such as Coca-Cola, Nike, Disney and others become larger than life icons that maintain their power in the market for years, even generations. Kotler (2006:249) states that:

> *"These brands win competitive battles not just because they deliver distinctive benefits, trustworthy service or innovative technologies; rather, they succeed because they forge a deep connection with the culture"*.

How do you "brand" a product?

- Although firms provide the stimulus to brand creation through marketing programs and other activities, ultimately a brand resides in the minds of consumers
- It is a perceptual entity rooted in reality but reflecting the perceptions and characteristics of consumers.
- Branding is all about creating differences between products.
- Marketers need to teach consumers "who" the product is by giving it a name and other brand elements to identify it as well as what the product does and why consumers should care.
- Branding creates mental structures that help consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm.

The role of brands

Functions of brands to consumers

- Brands identify the source or maker of a product and allow consumers either individuals or organizations to assign responsibility for its performance to a particular manufacturer or distributor.
- Consumers may evaluate the identical product differently depending on how it is branded.
- They learn about brands through past experiences with the product and its marketing program, finding out which brands satisfy their needs and which do not. As consumers' lives become more complicated, rushed, and time-starved, a brand's ability to simplify decision making and reduce risk becomes invaluable.

Brands also perform valuable functions for firms

- First, they simplify product handling or tracing.
- Brands help to organize inventory and accounting records. A brand also offers the firm legal protection for unique features or aspects of the product.
- The brand name can be protected through registered trademarks; manufacturing processes can be protected through patents; and packaging can be protected through copyrights and proprietary designs. These intellectual property rights ensure that the firm can safely invest in the brand and reap the benefits of a valuable asset.
- A credible brand signals a certain level of quality so that satisfied buyers can easily choose the product again.
- Brand loyalty provides predictability and security of demand for the firm, and it creates barriers to entry that make it difficult for other firms to enter the market.

Table 1.1 From awareness to financial value

Brand assets →	Brand strength →	Brand value
Brand awareness Brand reputation (attributes, benefits, competence, know-how, etc) Perceived brand personality Perceived brand values Reflected customer imagery Brand preference or attachment Patents and rights	Market share Market leadership Market penetration Share of requirements Growth rate Loyalty rate Price premium Percentage of products the trade cannot delist	Net discounted cashflow attributable to the brand after paying the cost of capital invested to produce and run the business and the cost of marketing

Steps in Strategic Brand Management

Marketers of successful 21st-century brands must excel at the strategic brand management process. Strategic brand management combines the design and implementation of marketing activities and programs to build, measure, and manage brands to maximize their value.

The strategic brand management process has four main steps:

- Identifying and establishing brand positioning
- Planning and implementing brand marketing
- Measuring and interpreting brand performance

Growing and sustaining brand value deals with brand positioning

Brand Equity

- Brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share, and profitability the brand commands.
- Marketers and researchers use various perspectives to study brand equity.
- Customer-based approaches view it from the perspective of the consumer either an individual or an organization and recognize that the power of a brand lies in what customers have seen, read, heard, learned, thought, and felt about the brand over time.
- Customer-based brand equity is thus the differential effect brand knowledge has on consumer response to the marketing of that brand.
- A brand has positive customer-based brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified, than when it is not identified.
- A brand has negative customer-based brand equity if consumers react less favorably to marketing activity for the brand under the same circumstances.

1. Brand equity arises from differences in consumer response. If no differences occur, the brand name product is essentially a commodity and competition will probably be based on price.
2. Differences in response are a result of consumer’s brand knowledge which is all the thoughts, feelings, images, experiences and beliefs associated with the brand. Brands must create strong, favourable and unique brand associations with customers. Some examples of this could be Woolworths (quality), Toyota (reliability), and DHL (speed).

Brand equity is reflected in perceptions, preferences and behaviour related to all aspects of the marketing of a brand

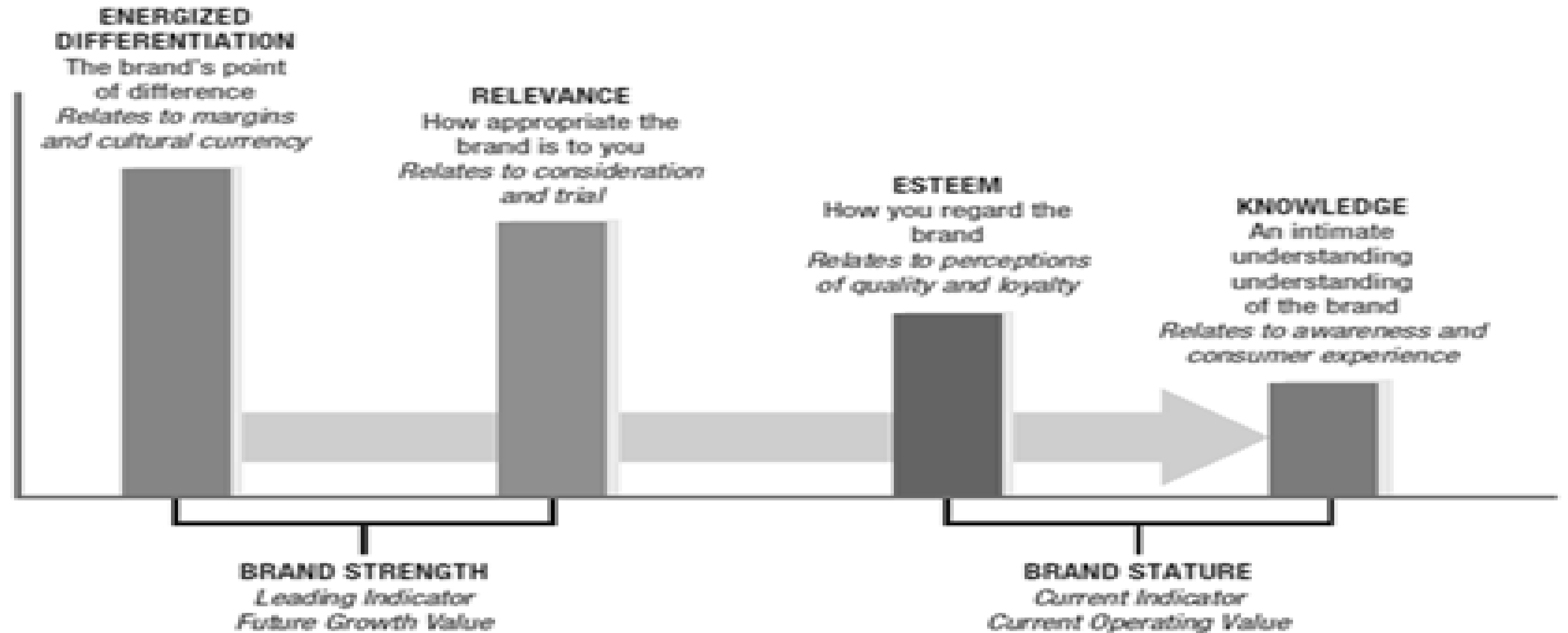
Advantages of Strong Brands

- Improved perceptions of product performance
- Greater loyalty
- Less vulnerability to competitive marketing actions
- Less vulnerability to crises
- Larger margins
- More inelastic consumer response
- Greater trade cooperation
- Increased marketing communications effectiveness

Brand Equity Models

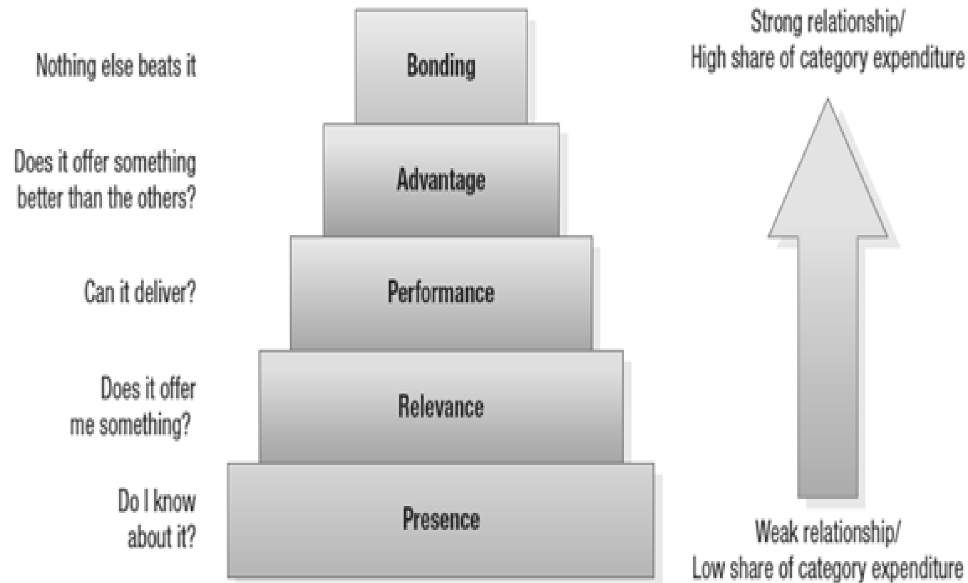
Although marketers agree about basic branding principles, a number of models of brand equity offer some differing perspectives.

- Brand Asset Valuator (BAV)
- Brandz
- Brand Resonance



Strong new brands show higher levels of differentiation and energy than relevance, whereas both esteem and knowledge are lower still. Leadership brands show high levels on all pillars. Finally, declining brands show high knowledge evidence of past performance but a lower level of esteem, and even lower relevance, energy, and differentiation.

Brand Dynamics Pyramid



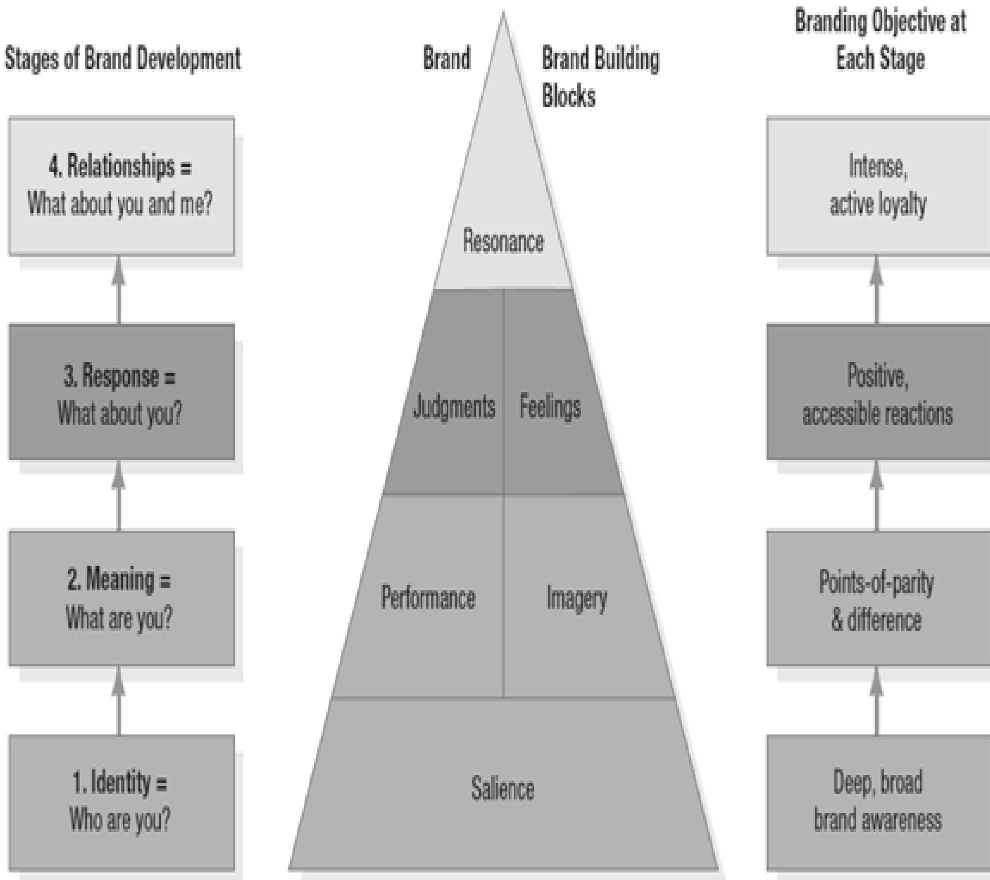
The Brand Dynamics Pyramid shows the number of consumers who have reached each level.

Bonding Rational and emotional attachments to the brand to the exclusion of most other brands

- **Advantage:** Belief that the brand has an emotional or rational advantage over other brands in the category
- **Performance**: Belief that it delivers acceptable product performance and is on the consumer's short-list
- **Relevance**: Relevance to consumer's needs, in the right price range or in the consideration set
- **Presence**: Active familiarity based on past trial, saliency, or knowledge of brand promise

There are more consumers at the lower levels, so the challenge for marketers is to help them move up.

Brand Resonance Pyramid



Source: Kotler & Keller (2012:27)

- Brand salience is how often and how easily customers think of the brand under various purchase or consumption situations.
- Brand performance is how well the product or service meets customers' functional needs.
- Brand imagery describes the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs.
- Brand judgments focus on customers' own personal opinions and evaluations.
- Brand feelings are customers' emotional responses and reactions with respect to the brand.
- Brand resonance describes the relationship customers have with the brand and the extent to which they feel they're "in sync" with it.

Brand Asset Valuator (BAV)

Practical Implementation

Brand Asset Valuator (BAV): BAV compares the brand equity of thousands of brands across hundreds of different categories

Working Logic

Brand equity is established around four components

- **Energized** differentiation: measures the degree to which a brand is seen as different from others, and its perceived momentum and leadership.
- **Relevance:** measures the appropriateness and breadth of a brand's appeal.
- **Esteem:** measures perceptions of quality and loyalty, or how well the brand is regarded and respected.
- **Knowledge**: measures how aware and familiar consumers are with the brand.

BRANDZ

Marketing research consultant Millward Brown and WPP have developed the Brandz Model of Brand strength at the core of which is the Brand Dynamic Pyramid.

Working Logic

Brand building follows a series of steps suggested by the developers in Brand Dynamics pyramid.

Pyramid levels define the strength of brand:

- Presence. Active familiarity based on past trial, saliency, or knowledge of brand promise
- Relevance. Relevance to consumer's needs, in the right price range or in the consideration set
- Performance. Belief that it delivers acceptable product performance and is on the consumer's short-list
- Advantage. Belief that the brand has an emotional or rational advantage over other brands in the category
- Bonding. Rational and emotional attachments to the brand to the exclusion of most other brands "Bonded"
- Strength of Brand at different levels
- Consumers at the top of the pyramid build stronger relationships with and spend more on the brand than those at lower levels. There are more consumers at the lower levels, so the challenge for marketers is to help them move up.

Brand Resonance Model

Resonance is the intensity of customers' psychological bond with the brand and the level of activity it engenders. The model develops and measures brand equity building as an ascending series of steps.

Identification and association of brand

Ensuring customers identify with the brand and associate it with a specific product class or need.

Brand Positioning

Firmly establishing the brand meaning in customers' minds by strategically linking a host of tangible and intangible brand associations.

Call forth

Prompting the proper customer responses in terms of brand-related judgment and feelings.

Brand Loyalty

Converting customers' brand response to an intense, active loyalty.

Emotional and rational aspects of Brand Equity

The model emphasizes the duality of brands the rational route to brand building is on the left side of the pyramid and the emotional route is on the right side.

Different levels of the Model

- Brand salience is how often and how easily customers think of the brand under various purchase or consumption situations.
- Brand performance is how well the product or service meets customers' functional needs.
- Brand imagery describes the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers' psychological or social needs.
- Brand judgments focus on customers' own personal opinions and evaluations.

Drivers of Brand Equity

The initial choices for the brand elements or identities making up the brand includes:

- brand names
- URLs
- logos
- symbols
- characters
- spokespeople
- slogans
- jingles
- packages
- signage

Brand Elements

Brand elements are devices, which can be trademarked, that identify and differentiate the brand. Examples of brand elements are:

- Brand names
- Slogans
- Characters
- Symbols
- Logos
- URLs

Most strong brands employ multiple brand elements. Nike has the distinctive "swoosh" logo, the empowering "Just Do It" slogan, and the "Nike" name from the Greek winged goddess of victory.

- Marketers should choose brand elements to build as much brand equity as possible.
- The test is what consumers would think or feel about the product if the brand element were all they knew.
- Based on its name alone, for instance, a consumer might expect SnackWell's products to be healthful snack foods and Panasonic Toughbook laptop computers to be durable and reliable.

Brand Element Choice Criteria

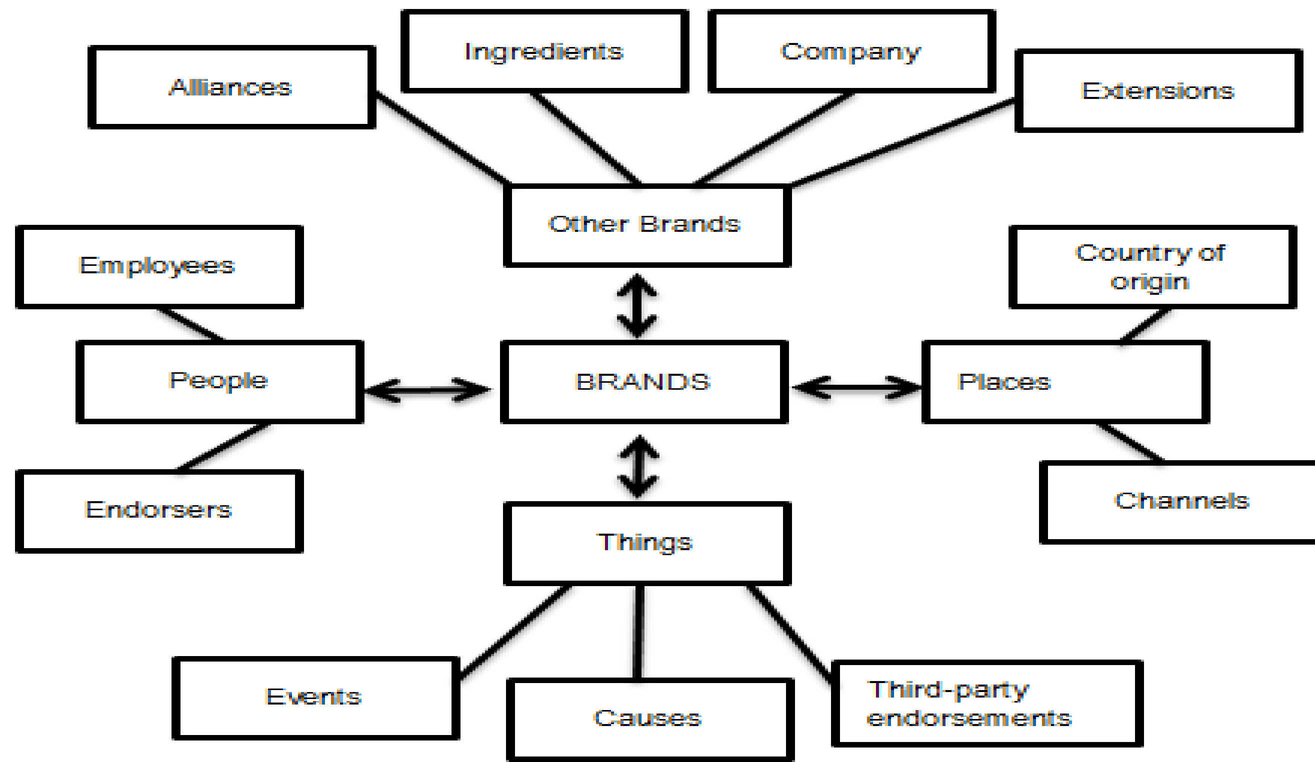
There are six criteria for choosing brand elements.

The first three are “brand building” elements:

- memorable
- meaningful
- likable

The latter three help leverage and preserve brand equity against challenges:

- transferable
- adaptable
- protectable
- defensive



These "secondary" brand associations can link the brand to:

sources, such as:

- the company itself (through branding strategies)
- countries or other geographical regions (through identification of product origin), and
- channels of distribution (through channel strategy); as well as
- other brands (through ingredient or co-branding)
- characters (through licensing),
- spokespeople (through endorsements), sporting or cultural events (through sponsorship)

Managing Brand Equity

Two main ways of managing brand equity

- Brand reinforcement
- Brand revitalization

Brand reinforcement

Marketers can reinforce brand equity by consistently conveying the brand's meaning in terms of:

- What products it represents, what core benefits it supplies, and what needs it satisfies, and
- How the brand makes products superior, and which strong, favorable, and unique brand associations should exist in consumers' minds.

Brand revitalization

Often, the first thing to do in revitalizing a brand is to understand what the sources of brand equity were to begin with.

- Are positive associations losing their strength or uniqueness?
- Have negative associations become linked to the brand?

Then decide whether to retain the same positioning or create a new one, and if so, which new one. The beginning of the 21st century was not kind to 130-year-old Eu Yan Sang. Traditional Chinese medicine halls had been linked to images of elderly men measuring dried herbs, which did not appeal to the younger generation.

In response, new management set the company on a new course, including offering innovative new ways to take Chinese medicine that would be convenient for a modern lifestyle and road shows and cookery demonstrations. Eu Yan Sang was suddenly hip. The brand's resurgence was marked by being included in Forbes Asia "Best under a Billion" and receiving the Singapore Brand Award.

Crafting the Brand Positioning

What is positioning?

- You may have wondered what positioning is and it is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market.
- The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm.
- A good brand positioning helps guide marketing strategy by clarifying the brand's essence, identifying the goals it helps the consumer achieve, and showing how it does so in a unique way.
- By creating a line of nontoxic, biodegradable household cleaning products with bright colours and sleek designs totally unique to the category,
- Method has crossed the line of $100 million in revenues with a phenomenal growth rate. Its big break came with the placement of its product in Target, known for partnering with well-known designers to produce stand-out products at affordable prices.

Value Propositions

- Positioning requires that marketers define and communicate similarities and differences between their brand and its competitors. Specifically, deciding on a positioning requires:
- determining a frame of reference by identifying the target market and relevant competition,
- identifying the optimal points of parity and points of difference brand associations given that frame of reference, and
- creating a brand mantra to summarize the positioning and essence of the brand.

Competitive Frame of Reference

- The competitive frame of reference defines which other brands a brand competes with and therefore which brands should be the focus of competitive analysis.
- A good starting point in defining a competitive frame of reference for brand positioning is to determine category membership—the products or sets of products with which a brand competes and which function as close substitutes.
- We can examine competition from both an industry and a market point of view. An industry is a group of firms offering a product or class of products that are close substitutes for one another.

Marketers classify industries according to number of sellers; degree of product differentiation; presence or absence of entry, mobility, and exit barriers; cost structure; degree of vertical integration; and degree of globalization

Defining Associations

Once marketers have fixed the competitive frame of reference for positioning by defining the customer target market and the nature of the competition, they can define the appropriate points-of-difference and points-of-parity associations.

Points-of-difference (PODs)

These are attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand.

Associations that make up points-of-difference may be based on virtually any type of attribute or benefit. Strong brands may have multiple points-of-difference.

Point-of-Difference Criteria

Three key criteria determine whether a brand association can truly function as a point-of-difference:

- desirability
- deliverability
- differentiability

- Consumers must see the brand association as personally relevant to them.
- The company must have the internal resources and commitment to feasibly and profitably create and maintain the brand association in the minds of consumers.
- The product design and marketing offering must support the desired association.
- Finally, consumers must see the brand association as distinctive and superior to relevant competitors.

Points-of-parity (POPs)

on the other hand, are attributes or benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands. These types of associations come in two basic forms: category and competitive. Category points-of-parity are attributes or benefits that consumers view as essential to a legitimate and credible offering within a certain product or service category. Competitive points-of-parity are associations designed to overcome perceived weaknesses of the brand. A competitive point-of-parity may be required to either:Negate competitors' perceived points-of-difference or

Negate a perceived vulnerability of the brand as a result of its own points-of-difference.

POP versus POD

- For an offering to achieve a point-of-parity on a particular attribute or benefit, a sufficient number of consumers must believe the brand is "good enough" on that dimension.
- There is a zone or range of tolerance or acceptance with points-of-parity.
- The brand does not literally need to be seen as equal to competitors, but consumers must feel it does well enough on that particular attribute or benefit.
- If they do, they may be willing to base their evaluations and decisions on other factors potentially more favourable to the brand.
- Often, the key to positioning is not so much achieving a point-of-difference as achieving points-of-parity!
- Visa's POD in the credit card category is that it is the most widely available card, which underscores the category's main benefit of convenience. American Express, on the other hand, has built the equity of its brand by highlighting the prestige associated with the use of its card.

Overview of Current Marketing Trends

Experiential Marketing

- It’s about the effective use of the five senses in order to create awareness among people.
- Experiential marketing addresses the ‘know, feel and do’ when it comes to people and their relationships with brands, ensuring that the target market experiences the brand at every touch point and in every market.
- Marketers and advertisers alike are more than aware that much advertising goes in one ear and out the other.
- Experts believe that you don’t necessarily connect through advertising. You appeal through advertising.
- Marketers need to understand that the markets are changing and effective marketing has to change along with them.
- The market is no longer impressed by a single road show that forces them to stand in the scorching sun and dust and listen to some over-excited Public Relations officer telling them what brand they should be using.

Framework of experiential marketing

Experiential marketing efforts are guided by the SME’s (Strategic Experiential Modules), which consist of the following types of customer experiences:

Sense: sense marketing appeals to the consumer’s senses with the objective of creating a sensory experiences e.g. sight, sound, touch, taste and smell.

Feel: feel marketing appeals to customer’s inner feelings and emotions with the objective of creating an affective (love, joy, pride) experience.

Think: think marketing appeals to the intellect with the objective of creating a cognitive problem-solving experience that involve a customer’s creative powers e.g. customers are asked to build sentences to win a prize.

Act: act marketing aims to affect bodily experiences, lifestyle and interactions. It enriches customers’ lives by enhancing their physical experience e.g. a “ just do it, try it on campaign”

Relate: relate marketing contains aspects of sense, feel, think and act marketing. The marketer tries to appeal to the individual’s ideal self or the individual desire to be related to a specific group of people etc. e.g. “the road to fame show - Cell One”

Reengineering refers to appointing teams to manage customer-value-building processes and break down walls between departments.

Outsourcing refers to the buying more goods and services from outside domestic or foreign vendors.

Benchmarking is the studying of "best practice companies" to improve performance.

Supplier partnering refers to partnering with fewer but better value-adding suppliers. Customer partnering refers to the trend of working more closely with customers to add value to their operations.

Merging is the acquiring or merging with firms in the same or complementary industries to gain economies of scale and scope.

Globalizing refers to the increasing efforts to "think global" and "act local".

Flattening is the reduction in the number of organizational levels to get closer to the customer. Focusing is determining the most profitable businesses and customers and focusing on them.

Justifying means becoming more accountable by measuring, analyzing, and documenting the effects of marketing actions.

Accelerating means designing the organization and setting up processes to respond more quickly to changes in the environment.

Empowering is encouraging and empowering personnel to produce more ideas and take more initiative.

Broadening is factoring the interests of customers, employees, shareholders, and other stakeholders into the activities of the enterprise.

Monitoring is tracking what is said online and elsewhere and studying customers, competitors, and others to improve business practices

Customer Relationship Marketing/Management

Customer Relationship Marketing (CRM) is the process of identifying, attracting, differentiating and retaining customers.

It is a managerial philosophy that combines marketing, business strategy and information technology to better understand and serve customers, particularly key customers. CRM requires a robust means of monitoring and evaluating the relationship over time e.g. Air Namibia conducts regular customer satisfaction studies.

The company takes its premium customers away for a 'workshop', they go to an exotic location, customers take their partners, all expenses are paid, all of which help cement relationships.

Grouping of customers

CRM requires that customers be categorised and that each category receives special treatment e.g.

Platinum

Gold

Silver

Iron

Elements of the CRM programme

Coding: categorising customers based on how profitable they are

Routing: directing incoming customer calls to customer service representatives where more profitable customers are more likely to receive faster and better customer service

Targeting: offering the firm's most profitable customers special deals and incentives

Sharing: making accessible key customer information to all parts of the organisation and in some cases selling that information to other firms

CRM systems

An effective CRM programme requires the use of the following systems: data collection, data analysis, sales force automation, marketing automation and call Centre automation

As a relationship Marketing Manager you will be required to implement sound CRM strategies, here the most common Customer Relationship Marketing Strategies.

CRM strategies

Financial bonds

this is the starter pack in terms of building customer relationships. Basically, the customer is rewarded with reduced prices over time for remaining with the company.

Social Bonds

companies seek to build more intimate relationships through social or interpersonal bonds e.g. the account manager will be expected to socialize with the clients.

Customization bonds

the company customizes its services to meet the needs of specific customers e.g. tailor-made services for clients, i.e. car wash + wheel polish + perfume spray etc.

Structural bonds

structural bonds often occur where the services offered by the service provider are built into the systems or processes of the client company.

Benefits of CRM to the service provider

According to Hoffman (2006:292-3), the following benefits of CRM to the service provider are pointed out:

- Increased purchases over time
- Experienced customers tend to make fewer demands on the supplier
- Productivity is improved
- Long term satisfied customer will engage in positive word-of-mouth recommendation
- Reduced marketing expenditure
- There is less need to offer price promotions to this group (these customers are less price-sensitive)
- Empowering employees to manage problems increases customer satisfaction.

Table 1.6 Brand functions and the distributor/manufacturer power equilibrium

Main function of brand	Typical product category of brand	Power of manufacturers' brand
Recognition signal	Milk, salt, flour	Very weak
Practicality of choice	Socks	Weak
Guarantee of quality	Food, staples	Weak
Optimisation of choice, sign of high-quality performance	Cars, cosmetics, appliances, paint, services	Strong
Personalising one's choice	Perfumes, clothing	Strong
Permanence, bonding, familiarity relationship	Old brands	Strong but challenged
Pleasure	Polysensual brands, luxury brands	Strong
Ethics and social responsibility	Trust brands, corporate brands	Strong but challenged

Benefits of CRM to the customer

Let’s also look at benefits the of CRM to the customer, also according to (Hoffman 2006:292-3).

- *Confidence benefits:* arise from feelings of trust or comfort with the service provider.
- *Social benefits:* often arise when the customer receives more than the technical benefit of the service (includes socialisation/interaction between the customer, staff and other customers).
- *Special treatment benefits:* include such things as getting preferential treatment; Silver or Gold card holder status etc.

Table 1.5 The functions of the brand for the consumer

Function	Consumer benefit
Identification	To be clearly seen, to quickly identify the sought-after products, to structure the shelf perception.
Practicality	To allow savings of time and energy through identical repurchasing and loyalty.
Guarantee	To be sure of finding the same quality no matter where or when you buy the product or service.
Optimisation	To be sure of buying the best product in its category, the best performer for a particular purpose.
Badge	To have confirmation of your self-image or the image that you present to others.
Continuity	Satisfaction created by a relationship of familiarity and intimacy with the brand that you have been consuming for years.
Hedonistic	Enchantment linked to the attractiveness of the brand, to its logo, to its communication and its experiential rewards.
Ethical	Satisfaction linked to the responsible behaviour of the brand in its relationship with society (ecology, employment, citizenship, advertising which doesn't shock).