



Module 16: Basic Marketing Skills

Part 2: Marketing Tools and Activities

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Train for Employment

Module 16: Basic Marketing Skills

Part 2: Marketing Tools and Activities

Importance

It is very crucial to understand market strategies and how to develop them. Knowing the right steps and the characteristics of service could make a difference of the market strategy's success or failure.

Learning Objectives

Upon the completion of this part, you will be able to:

- Construct an effective marketing research
- Demonstrate the effect of using different marketing strategies and its relation to the 4 Ps and 7 Ps

Marketing Research

Market research is the process of collecting, analyzing, and translating data about customers, competitors and the business environment in order to improve marketing effectiveness. Marketing research is classified either by market research or consumer research.

Benefits of Marketing Research

Some of the benefits of market research include:

- Helps firms stay in touch changing consumer needs, perception, and satisfaction
- Providing marketers with feedback about their marketing and promotion activities
- Identifies new opportunities in the market for developing new products, enhancing current products, or targeting new markets
- Provides complete target market data for the development of new marketing strategies
- Improves the marketers' ability to make right decisions

Market Research

Market research includes the following types of research:

- Company Analysis
- Industry Analysis
- Environment Analysis (Economic – legal – political)
- Competitors Analysis

The Objectives of Market Research

Market research is gathered for the following reasons:

- Determine product market penetration
- Determine market share and market share growth
- Determine competitors performance and market share
- Determine the market size and growth

Step One: Target Marketing Strategies (STP)

Developing a target marketing strategy is the process of dividing the total market into different segments on the basis of customer characteristics, selecting one or more segments, and developing strategies aimed at influencing how a particular market segment perceives a good or a service in comparison to the competition.

Market Segmentation

Segmentation is the process of dividing a larger market into smaller pieces based on one or more meaningful shared characteristic. "It is dividing the big pie to small slices." Consumer markets may be segmenting according to demographics, geographics, psychographics, behavior, and Business to Business.

Demographic

Demographic segmenting is concerned with "Who" is in this segment the measurable characteristic, such as:

- Gender: man/woman
- Age: from 18-29 years old
- Income per month/year
- Social Class: A, B, C or D
- Occupation: Current Job

Geographic

Geographic segmenting is concerned with "Where" is the target market place. Examples of geographic segmenting include:

- Region
- City size
- Country
- Urban or suburban

Psychographic

Psychographic segmenting is concerned with "Why" they buy and is related with the personal attributes (showy, shy, aggressive, polite) motives and life style (eastern, western, conservative, liberal) of the consumer.

Behavior

Segmenting by behavior is the process dividing the consumer into segments on the basis of how they act toward, feel about or use a product (volume of usage - end use - brand loyalty - price sensitivity). Behavior segmentation divides the market into users and non users, moderate or heavy users of the product.

Business to Business (B2B)

It is very important in the business field to segment the companies in homogeneous segments in order to sharpen your focus. Examples of B2B segments include:

- Company size (by annual sales or number of employees)
- Local/Multinational
- Purchase systems (bids, direct orders, Tender...etc.)
- Field of business (petroleum, structure, pharmaceutical, cars Industries...etc.)
- Company usage of our product
- Governmental Sector/Private Sector

Targeting

Targeting is the process of evaluating the attractiveness of each potential segment and deciding which of these groups we will invest resources against to try to turn them into customers.

Targeting Strategies

In choosing a target strategy, ask the question: Should the company go after one large segment or focus on meeting the needs of one or more smaller segments? Below we discuss a few different targeting strategies.

Undifferentiated Targeting Strategy

Undifferentiated targeting strategy is the appealing to a broad section of people if successful, this type of operation can be very efficient, especially because of production, research and promotion cost BUT marketers must be sure that they have the same needs in the same product.

Example: Hyper Markets

Differentiated Targeting Strategy

Differentiated targeting strategy is developing one or more product for each segment with different product needs.

Example: Toyota: Lexus, Corolla and Yaris

Concentrated Targeting Strategy

Concentrated targeting strategy is focusing the firm's efforts by offering one or more products to a single market segment.

Example: BMW/Mercedes

Customized Targeting Strategy

Customized targeting strategy is an approach that tailors specific products and the messages about them to individual customers.

Example: Dell Company customizes a personal computer to each individual as his request and needs.

Positioning

Positioning is developing a marketing strategy aimed at influencing how a particular market segment perceives a good or a service in comparison to the competition. Positioning is creating an image in consumers' minds that captures your brand's character and benefits (Brand Personality).

Unique Selling Proposition (USP)

A marketing strategy is positioned by developing a USP. Marketers should select the most unique attributes that influence the target market in order to develop a marketing mix to support this position.

Examples of USP:

- Volvo cars positioning: "The most safe car in the world"
- Mercedes cars positioning: "Luxuries"
- Vodafone positioning: "Largest mobile telephones Operator Company in the world"

Exercise: Developing Target Marketing Strategies

Instructions:

Working in the same groups as for the previous exercise in Module 2, develop Target Marketing Strategies (STP) for each of your marketing objectives.

Be prepared to present your STP to the class.

Step Two: Marketing Mix

Once the positioning strategy is set we must finalize marketing mix by putting all the pieces in to place. The elements of service marketing mix (7P's) must match the selected segment.

1. Product:

The thing that we want to market (Goods, Services, Ideas, Persons, Ideologies...etc)

2. Price:

The amount of money that the customer will pay in order to obtained the product

3. Place:

Where the product or service will be available

4. Promotion:

Activities that inform customers about the organization and its products

5. Physical evidence:

Physical characteristics of the place where the service will be provided

6. Process:

The systems used to assist the organization in delivering the service

7. People:

The people who will deliver the service to the customer

We will look at the 7P's strategies in the next section.

Services Marketing Mix 7P's Strategies

Product = Service:

Service is the intangible value that the customer receives from the producer directly. Some examples of industries where the product is service include:

- Banking
- Hotels
- Restaurants
- Airlines
- Entertainment

Characteristics of Services

The following characteristics of services are considered when developing a marketing strategy:

1. Intangibility

Service intangibility means customer can't see, touch or smell a good or excellent service. Unlike tangible goods, service cannot be inspected or handled before the purchase is made.

2. Perishability

It is impossible to store the service for later sale or consumption. In the case, of service, you "use it or lose it."

3. Variability

Service variability means even the same service performed by the same individual for the customer can vary.

4. Inseparability

It is impossible to separate the production of a Service from the consumption of that service.

Marketing Strategies for Different Service Characteristics

1. Intangibility

Provide tangibility through physical appearance of the facility such as:

- Furnishing
- Collateral materials
- Website
- Advertising

2. Perishability

- Adjust pricing to influence demand: Some airlines reduce the ticket price for a certain flight in the final weeks to influence target market to travel on this board.
- Adjust service to match demand: Some hotels may adjust their package rates in low seasons by offering rooms without any meals or building extensions with less luxurious rooms and facilities.

3. Variability

- Gap Analysis: Conduct Gap analysis to identify gaps in quality.
- Establish high level management procedures and process to be generalized.
- Offer service guarantee: Assure the customers that if the service was not up to standard they could refund their money back.

4. Inseparability

- Train employees: Regular technical and personal communication skills trainings must be taken by the service providers.
- Explore means for disintermediation:
 - The internet has solved a lot of intermediation problems. For example, in some banks you have full access to your bank account through the internet.
 - ATM machines are one of the disintermediation means.

The Five Dimensions of Service Quality

Service Quality is often an important strategic business goal; therefore companies focus on measuring service quality in several different ways. Measuring service quality helps a company to compare their performance against internal goals as well as peers in the industry. Typical service quality measures are categorized as follows:

1. Reliability
2. Tangibles
3. Responsiveness
4. Assurance
5. Empathy

1. Reliability

Reliability is a measure of dependability in providing the service as promised. Examples of reliability measures include:

- On-time delivery
- Show sincere interest in solving the problem
- Perform the service right the first time

2. Tangibles

Tangible measures include the evaluation of the service provider's physical facilities, equipment, personnel and communication materials.

Examples of tangible measures include:

- Clean facilities
- Neat appearance of employees
- Visually attractive brochures and other materials

3. Responsiveness

Responsiveness is a measure of how helpful and prompt the service is perceived by the customer.

Examples of responsiveness measures include:

- Telling a customer exactly when service will be performed
- Providing prompt service
- Employees always willing to help the customers
- Employees are never too busy to respond to customer requests

4. Assurance

Assurance is a measure of how knowledgeable, polite, competent and trustworthy service employees appear to the customer.

Examples of assurance measures include:

- Employee behavior that instills confidence in the customer
- Customers feel safe in their interaction
- Employees are consistently courteous to the customers
- Employees have the knowledge to answer customer questions

5. Empathy

Empathy is a measure of caring personalized attention provided to the customer.

Examples of empathy measures include:

- Using the customers name frequently
- Listening attentively
- Sending birthday cards
- Following up with customer

Product Life Cycle (PLC)

Here we will discuss the product from its life cycle (PLC) stages and the goals should be achieved in each stage and they are as follows:

1. Introduction Stage

- **Product:**

A company offers a totally new product in comparison to the market products and this is the beginning of industry life cycle.

- **Goals:**

The focus is on getting the target market to try the new products.

- **Sales:**

Start increasing at a slow role due to the unknowledgeable or awareness of the target market to the product.

- **Profits:**

No profits/pays high as the pre-production stage the company invest in research and development, machines, and technology in addition to the promotion activities after launching which is not easy to recover in the introduction stage.

- **Promotion:**

Raising awareness and knowledge by using sales promotion as; free samples, discounts, buy one get one free and advertising, etc.

- **Pricing:**

Three strategies:

- Skimming Strategy
- Penetration Strategy
- Trail Price Strategy

2. Growth Stage

- **Product:**

New competitors inter the market and offer new products variation.

- **Goals:**

Encourage brand loyalty and drive market share.

- **Sales:**

Increase at fast rate.

- **Profits:**

Increase and peak.

- **Promotion:**

Heavy advertising to counter new competitors and encourage brand loyalty to the current users.

- **Pricing:**

Reduced to face competition.

3. Maturity Stage

It is usually the longest stage of the PLC.

- **Product:**

New features added to the product to differentiate from competitors.

- **Goals:**

Attract new users defend market share.

- **Sales:**

The highest level and peak; then starts to level off and starts to decline as the competition is higher and more new similar products enter the market.

- **Profits:**

Narrow profits margins due to the price and competition.

- **Promotion:**

Reminder advertising is used to maintain market share and attract new users.

- **Pricing:**

Reduced to maintain market share.

4. Decline Stage

- **Product:**

Number of variation is reduced as all the products are almost having the same features.

- **Goals:**

Remain profitable and decide whether to keep the business ongoing or making a decision to divest.

- **Sales:**

Continue to decline due to the low demand on the product.

- **Profits:**

Declining.

- **Promotion:**

Decreased to maintain profitability.

- **Pricing:**

Reduce is still profitable or maintained if milked.

Pricing

Price is the value that customers give up or exchange to obtain a desired product. Pricing strategies are discussed below.

Pricing Based on Cost

Known with the name of "Cost-Plus Pricing" and it is a percentage added after calculating all the direct and indirect costs.

Pricing Based on Demand

- **Target Costing:**

A process in which the company identifies what price and quality satisfies the target market, and then starts to work backward on cost to meet the required price.

- **Yield Management Pricing:**

Change different prices to different customers in order to manage capacity and maximizing profits. Example: Hotels, Cruises and Airlines.

Pricing Based on Competition

Prices are based on competitor prices, either above or below. Price leadership is a price based on competition in which one firm first sets its price and other firms in the industry follow with the same or very similar prices.

Pricing Based on Consumer Needs (Value Pricing)

A pricing starts in which a firm sets prices that appeals value to customer.

Pricing New Products

- **Skimming**

High price to recover then starting to decrease price step by step.

- **Penetration**

Low prices to attract a large numbers of consumers

- **Trail**

Pricing a new product low for a limited period of time in order to lower the risk for customer.

Place (Distribution Channel)

Because services are intangible there is no need to worry about storage, transportation and other functions of physical distribution. In most cases the service travels directly from the producer to the customer; however some services do need an intermediary.

Examples:

- Travel agents sell hotels rooms and air tickets.
- Banks sell car loans through car dealers.
- Insurance companies sell insurance through agents.

Physical Evidence

Physical evidence is characteristics of the place where the customers will receive the service. Examples of physical evidence include:

- Convenient location: Easy to reach, the availability of parking and near to the target market.
- Air-conditioning: According to the season as mainly in our countries the summer days are very hot and it negatively affects both the customer and the employees if the place was hot.
- Neatness: A regular cleaning process with a schedule time during the day should be taken in considered.
- Beautiful Appearance: The luxuries of the furniture and the interior design and it should be related to the corporate identity and constant in all branches.
- Secured: The bank doors should be highly secured and security procedures should be applied on all customers without differentiation.
- Latest organizing means: such as numbering machine for organizing turns of customers to avoid problems of turns.
- Quietness: Quiet atmosphere with light music if possible.
- Privacy: Some problems appears due to the lake of privacy in the place because there is no signs to split between customers when they are dealing with the teller.
- Suggestion box or a hot line number for solving problems.

Process

Process is steps involved in order for the customer to accomplish his desired service. Process is characterized as follows:

- Clear: Signs and instruction.
- Easy: Completed easy to be understood by the customers.
- Fast: Should not take too much time or steps.
- Accuracy: Doing the Job right the first time; requires good technical training.

1. People

The people that interface with the customer to accomplish customer service and they should be characterized with the following:

- Presentable well dressed (a uniform is preferred).
- The presentable appearance of the customer service provider or sales man is very important provides as 80% of the customer conviction with the product comes from the customer service or Sales man personal presentation and 20% of the customer conviction comes from the product benefits to him.
- Cheerful welcome to customers: Smiley faces and let the customer feels welcomed in the place.
- Good communication Skills: Good listening skills, body, language, handling problems, voice tone.
- Helpful: Helpful spirit to customer and collagens.
- Consistent in delivering tasks: Every time delivery; fast and right.
- Enough staff: Enough number of customer services providers to avoid over loading and customer crowd in rush hours.
- Continuous training programs are required.

2. Promotion

Promotion mix is a combination of strategies used to reach the target market. Promotion strategies include:

- Personal selling
- Sales promotion
- Public relations
- Advertising

Personal selling

Personal selling is a paid personal communication that seeks to inform customers and persuade them to purchase products in an exchange situation.

Advantages:

- More specific customized from advertising:
The sales person is able to explain every detail about the product and customize the message according to the customer.
- Flexible to modify the message:
The sales person is able to determine the needs of the customer and start sending the message according to his needs.
- Provides immediate feedback:
The customer gives his impression about the message or product on the spot.

Disadvantages:

- High cost per contact:
 - a. Transportation
 - b. Time
 - c. Sales Call duration
- Difficult to ensure consistency:

Each sales person differs from one to another. Even from the same sales person may deliver different messages in different sales calls.

Sales Promotions

An activity or material that acts as a direct inducement to purchase, offering added value or incentive for the product, to resellers, salespeople, or consumers.

Advantages:

- Builds excitement for retailers and consumers.
- Encourages immediate purchase and trial.
- Attract price-sensitive consumers.

Disadvantages:

- Dealers and Customers might shift to another product after the promotion period ends.

Public Relations (PR)

A broad set of communication efforts used to create and maintain favorable relationships between the organization and its stakeholders. Examples of PR include: Publicity, Speeches, Annual Reports, Charities, and Conferences.

Advantages:

- Low cost.
- High credibility.

Disadvantages:

- Lack of control over the message.
- Hard to track results because PR is concerned more with image.

Advertising

A paid non-personal communication about an organization and its products transmitted to a target audience through mass media.

Advantages:

- Control over message every time.
- Reaches a large number of people.

Disadvantages:

- Expensive to produce and distribute.
- Low credibility as people perception among advertising is not high as some people believes that advertising is not honest.

Promotion:

- The marketing communication.
 - The promotional mix
 - The most visible area the marketers manage.
 - Others consider it as the marketing function.
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- Advertising.
 - Public relations.
 - Personal selling.
 - Sales promotion.
 - Direct Marketing.
 - Websites.
 - Word of mouth.
 - Product placement.
-
- The Mix elements acts on the others to create an overall effect.
 - One element cannot substitute for another.
 - No conflict is expected between different messages and media.
 - Integration is not an easy objective to achieve because of wide variety of messages & media.

Summary

In this part, you learned how to:

- Construct an effective marketing research
- Demonstrate the effect of using different marketing strategies and its relation to the 4 Ps and 7 Ps