



# Chapter 11

## Unique Marketing Issues

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## Chapter Objectives

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1. Explain the purpose of market segmentation.
2. Describe the importance of selecting a target market.
3. Explain why it's important for a start-up to establish a unique position in its target market.
4. Illustrate the two major ways in which a company builds a brand.
5. Identify the four components of the marketing mix.

## Chapter Objectives

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6. Contrast cost-based pricing and value-based pricing.
7. Explain the difference between advertising and public relations.
8. Explain how firms use social media to strengthen their brand and promote their products.
9. Weigh the advantages and disadvantages of selling direct versus selling through intermediaries.
10. Describe the seven-step sales process.

## Selecting a Market and Establishing a Position in the Market

- Important Questions That All Start-ups Must Ask
  - In order to succeed, a new firm must address this important issue: Who are our customers and how will we appeal to them?
  - A well-managed start-up approaches this query by following a three-step process:
    - Segmenting the market
    - Selecting a target market
    - Establishing a unique position

## The Process of Selecting a Target Market and Positioning Strategy



## Market Segmentation

### Segmenting the Market

- Involves studying a firm's industry and determining the different target markets in that industry.
- Markets can be segmented in a number of different ways, including
  - Product type
  - Geography (city, state, region)
  - Demographic variables

## Example: Segmenting the Dance Studio Market by Customers Served

Professional Dancing	Adult Dancing	Youth Dancing
Serious dancers who aspire to make a living dancing in Broadway plays	Ballroom and other types of dancing for adults who want to learn dance for recreation and fun	Ballet and other types of dancing for young girls who want to learn to dance to develop poise and grace

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## Selecting a Target Market

### Target Market

- Once a firm has segmented the market, a target market must be chosen.
- The market must be sufficiently attractive and the firm must have the capability to serve it.
- By focusing on a clearly defined market, a firm can become an expert in that market and then be able to provide customers a high level of service.

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## Establishing a Unique Position

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### Positioning

- After selecting a target market, the firm's next step is to establish a "position" within the market that differentiates it from its rivals.
- A "position" is the part of a market that the firm is claiming as its own.
- A firm establishes a unique position in its customers' minds by drawing attention to two or three of the product's attributes.

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## Establishing a Unique Position

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- Positioning (continued)
  - Firms often develop a "tagline" to reinforce the position they have staked out in their market, or a phrase that is used consistently in a company's literature and thus becomes associated with the company.
  - An example is Nike's familiar tagline, "Just do it."
    - The beauty of this simple three-word expression is that it applies equally to a 21-year-old triathlete and a 65-year-old mall walker.

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## Taglines—Developed to Reinforce a Firm's Positioning Strategy

**TABLE 11.1** MATCH THE COMPANY TO ITS TAGLINE

Company	Tagline
InstyMeds	A brighter future
Zipcar	A revolution in writing software
XploSafe	Mix it up. Mash it out
Scripted	Learning. Accelerated
SmartyPants	Wheels when you want them
d.light	The total vitamin treat
Kazoo Toys	Technologies for a safer world
Stroome	We make patients better quicker
BenchPrep	Toys with imagination

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## Branding

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- Establishing a Brand
  - A brand is the set of attributes—positive or negative—that people associate with a company.
    - These attributes can be positive, such as trustworthy, dependable, or easy to deal with.
    - Or they can be negative, such as cheap, unreliable, or difficult to deal with.
  - The customer loyalty a company creates through its brand is one of its most valuable assets.
- Brand Management
  - Some companies monitor the integrity of their brands through a program called "brand management."

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## Branding

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### What's a Brand?

- A brand is a promise.
- A brand is a guarantee.
- A brand is a pledge.
- A brand is a reputation.
- A brand is an unwritten warranty.
- A brand is an expectation of performance.
- A brand is a presentation of credentials.
- A brand is a mark of trust and reduced risk.
- A brand is a collection of memories.
- A brand is a handshake between a company and its customers.

## Branding

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### Establishing a Brand

#### – So how does a firm establish a brand?

- On a philosophical level, a firm must have meaning in its customers' lives. It must create value—something for which customers are willing to pay.
- On a more practical level, brands are built through a number of techniques, including advertising, public relations, sponsorships, support of social causes, and good performance.
- A firm's name, logo, Web site design, Facebook page, and even its letterhead are part of its brand.

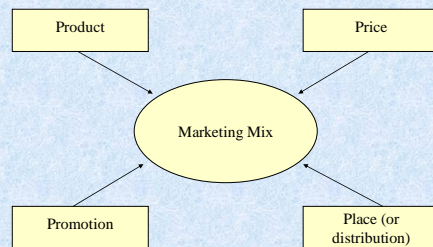
## Branding

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### Power of a Strong Brand

- Ultimately, a strong brand can be a very powerful asset for a firm.
- Over 50% of consumers say that a known and trusted brand is a reason to buy a product.
- A brand allows a company to charge a price for its products or services that is consistent with its image.
- A successful brand can increase the market value of a company by 50% to 75%.

## The Four Ps of Marketing for New Ventures



## Product

### Product

- Is the good or service a firm offers to its target market.
- The initial rollout is one of the most critical times in the marketing of a new product.
- All firms face the challenge that they are unknown and that it takes a leap of faith for the first customers to buy their products.
  - Some start-ups meet this challenge by using reference accounts.

## Core Product vs. Actual Product

Core Product	Actual Product
The product itself, such as an antivirus software program.	The product plus all the attributes that come with it such as quality level, features, design, packaging, and warranty.

## Price

- Price
  - Price is the amount of money consumers pay to buy a product.
  - The price a company charges for its products sends an important message to its target market.
    - For example, Oakley positions its sunglasses as innovative, state-of-the-art products that are both high quality and visually appealing.
    - This position in the market suggests a premium price that Oakley charges.
  - Most entrepreneurs use one of two methods to set the price for their products, as shown on the next slide.

## Core Product vs. Actual Product

### Cost-Based Pricing

The list price is determined by adding a markup percentage to a product's cost.

### Value-Based Pricing

The list price is determined by estimating what consumers are willing to pay for a product.

## Promotion

- Promotion
  - Refers to the activities the firm takes to communicate the merits of its product to its target market.
  - There are several common activities that entrepreneurs use to promote their products and services.
- Advertising
  - Advertising is making people aware of a product or service in hopes of persuading them to buy it.

## Pluses and Minuses of Advertising

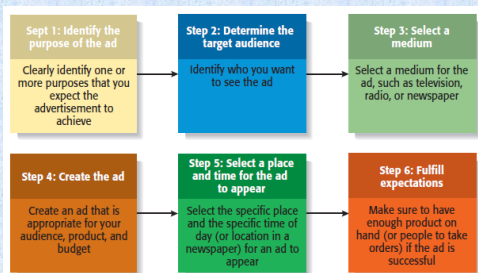
### Pluses

- Raise customer awareness of a product.
- Explain a product's comparative features and benefits.
- Create associations between a product and a certain lifestyle.

### Minuses

- Low credibility.
- The possibility that a high percentage of people who see the ad will not be interested.
- Message clutter.
- Relative costliness compared to other forms of promotion.
- Intrusiveness.

## Steps Involved in Putting Together an Advertisement



## Google AdWords and AdSense Program

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- AdWords
  - Allows advertisers to buy keywords on the Google home page.
  - Triggers text-based ads to the side of (and sometimes above) search results when the keyword is used.
  - The program includes local, national, and international distribution.
  - Advertisers pay a certain amount per click.
  - Advertisers benefit because they are able to place their ads in front of people who are already searching for information about their product.

## Google AdWords and AdSense Program

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- AdSense
  - Allows advertisers to buy ads that will be shown on other Web sites instead of Google's home page.
  - Google selects sites of interest to the advertiser's customers.
  - Advertisers are charged on a pay-per-click or a per-thousand impression basis.
  - Advertisers benefit because the content of the ad is often relevant to the Web site.
  - Web site owners benefit by using the service to monetize their Web site.

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## Public Relations

- Public Relations
  - One of the most cost effective ways to increase the awareness of the products of a company is through public relations.
  - Public relations refer to efforts to establish and maintain a company's image with the public.
  - The major difference between public relations and advertising is that public relations is not paid for—directly.

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## Public Relations Techniques



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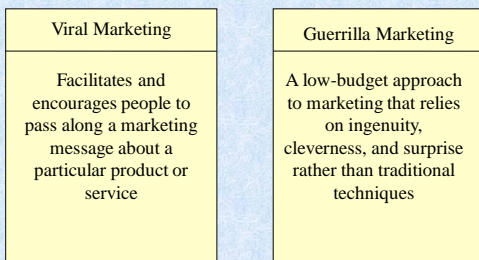
## Social Media

- Social Media
  - Consists primarily of blogging and connecting with customers and others through social networking sites like Facebook and Twitter.
- Blogging
  - The idea behind blogs is that they familiarize people with a business and help build an emotional bond between a business and its customers.
- Facebook and Twitter
  - Businesses establish a presence on Facebook and Twitter to build a community around their products and services.

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## Other Promotions Techniques



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## Place (or Distribution)

- Place
  - Encompasses all the activities that move a firm's product from its place of origin to the consumer.
  - The first choice a firm has to make regarding distribution is whether to sell its products directly to consumers or through intermediaries (such as wholesalers and retailers).
  - Within most industries, both choices are available, so the decision typically depends on how a firm believes its target market wants to buy its product.

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## Selling Direct Vs. Selling Through an Intermediary

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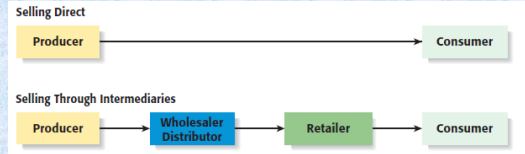
Approach to Distribution	Description
Selling Direct	Many firms sell direct to the customer, maintaining control of the distribution and sales process.
Selling Through Intermediaries	Other firms sell through intermediaries and pass off their products to wholesalers who place them in retail outlets to be sold.

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## Selling Direct Vs. Selling Through an Intermediary

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## Sales Process

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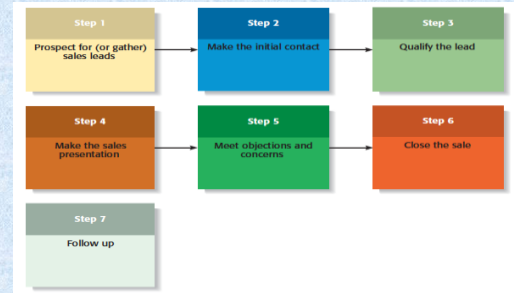
- Sales Process
  - A firm's sales process (or sales funnel) depicts the steps it goes through to identify prospects and close sales.
  - A formal sales process involves a number of identifiable steps.
- Importance of Process
  - Some companies simply wing it when it comes to sales, which isn't recommended.
  - It's much better to have a well thought-out approach to prospecting customers and closing sales.

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## Sales Process

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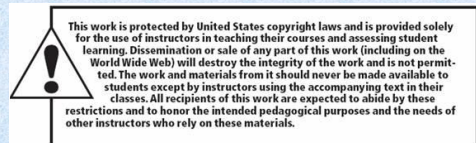
## Sales Process

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- Usefulness of Sales Process
  - Mapping the sales process in the manner shown on the previous slide provides a standard method for a firm's employees to use, and provides a starting point for careful analysis and continuous improvement.
  - Often, when companies lose an important sale they'll find that an important step in the sales process was missed or mishandled.
  - Having a well thought-out sales process, along with appropriate follow-through, can dramatically improve a company's sales performance.

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