

Prof. Dr. Hendrik Godbersen

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Crash Course

# Marketing

Market-oriented Business Management

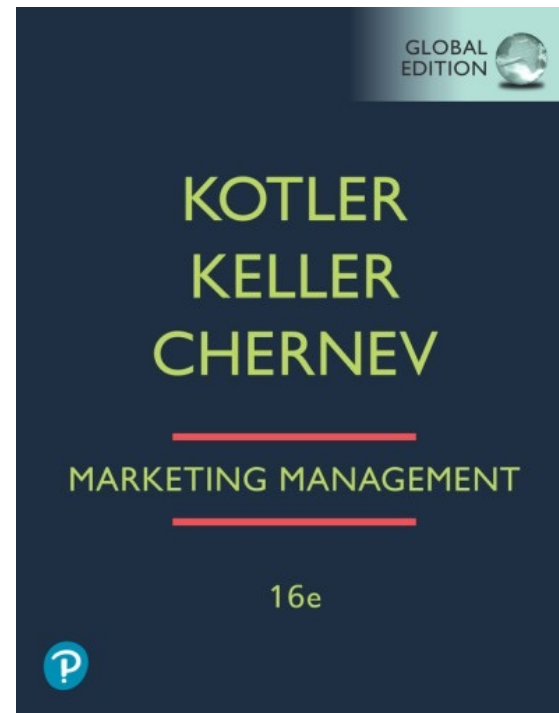
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## Further Reading

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Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.



Kotler, P., Keller, K.L. & Chernev, A. (2021). Marketing Management. Global Edition (16<sup>th</sup> ed.). Pearson.

## Foundations of Marketing

### Strategic Marketing

Segmenting & Targeting Markets

Analysing & Planning Business Units

Creating & Managing Brands

Excursus: Creating New Business Ideas

### Operational Marketing\*

Creating Value I: Product

Creating Value II: Price

Delivering Value: Place

Communicating Value: Promotion

\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

## Old & “Pub” Definitions of Marketing

- Anachronistic definition of marketing American Marketing Association, 1948):
  - “Marketing is the performance of business activities that direct the flow of goods and services from producers to consumers or users.”

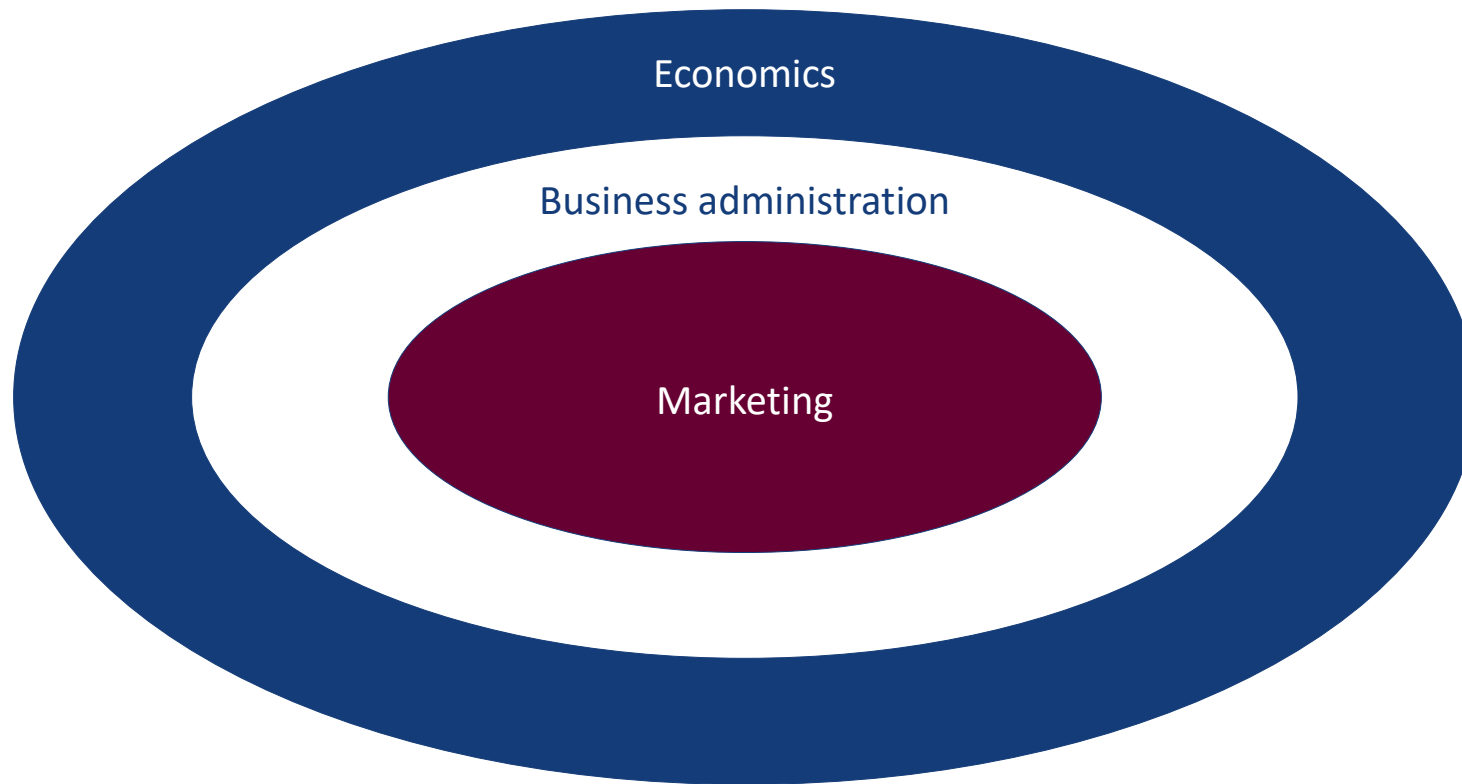


- “Pub definition” of marketing:
  - Marketing is selling over-priced products to people who do not even need these products.

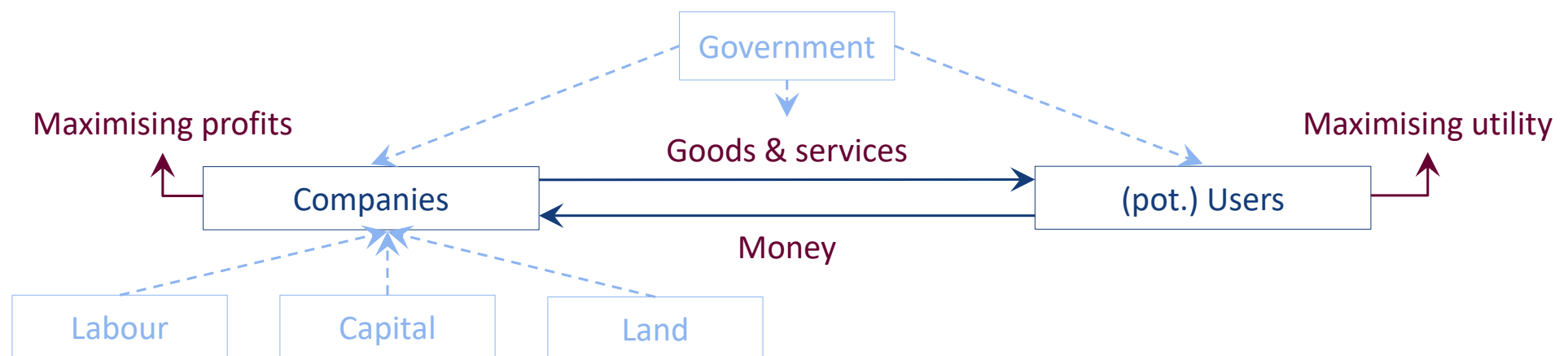


→ Such understandings of marketing are outdated and/or do not meet the current economic, business & market requirements





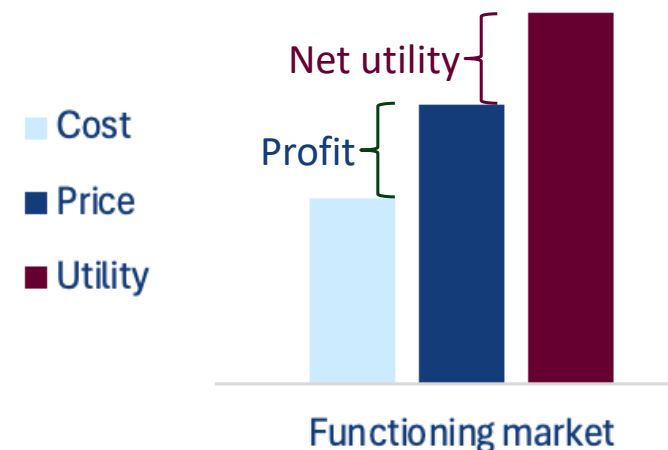
- Key questions of economics
  - What goods & services should be produced?
  - How should these goods & services be produced?
  - How should these goods & services be distributed?
- Objective of economic activity
  - Maximising/optimising the utility of a society
- Simplified model of a free market society



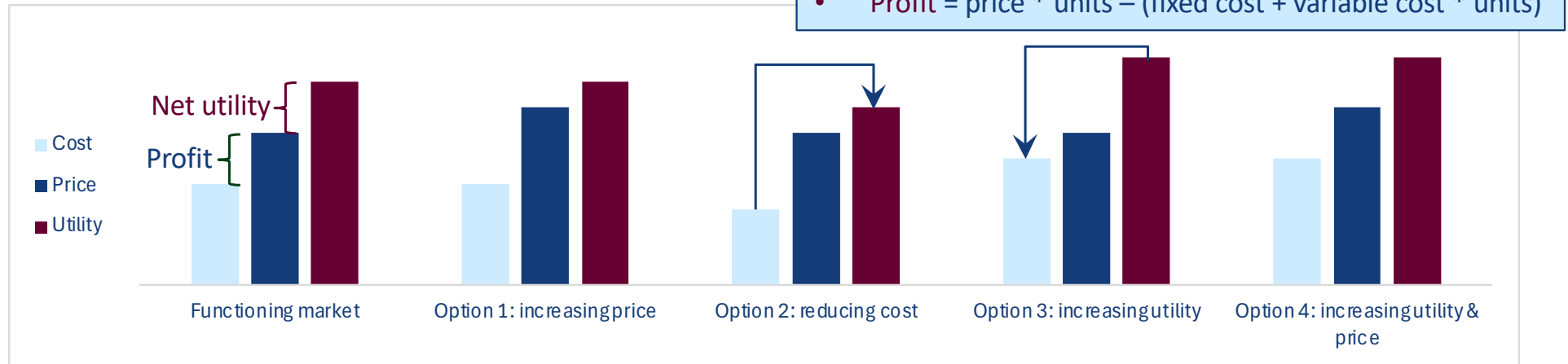
Cf. Mankiw, N.G. & Taylor, M.P. (2017). Economics (4th ed.)

- Purpose of companies
  - Producing goods & services that are distributed through a market & provide people with utility
- Key objective of companies & business administration
  - Sustainably maximising profits (at least not turning a loss)
- Profit
  - Profit = revenue – cost
  - Profit = price x units – (fixed cost + variable cost x units)
- Conditions for generating profits (& a functioning market)
  - Company (internal) condition: price (revenue) > cost
  - Market (external) condition: gross utility > price

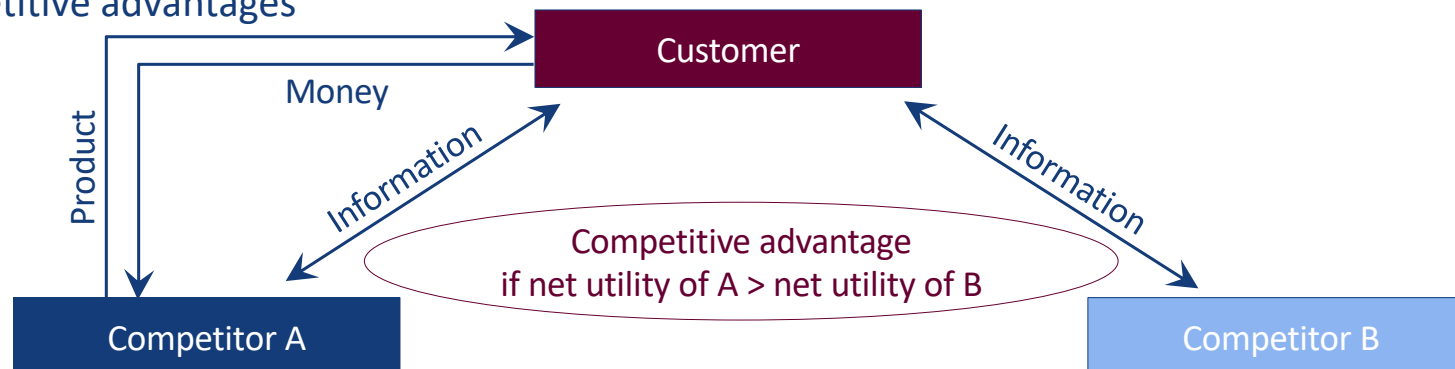
→ “Golden rule” of business administration:  
Eventually, the customer decides about the success of  
a company by buying or not buying its products



- Company options for maximising profits



- Competitive advantages

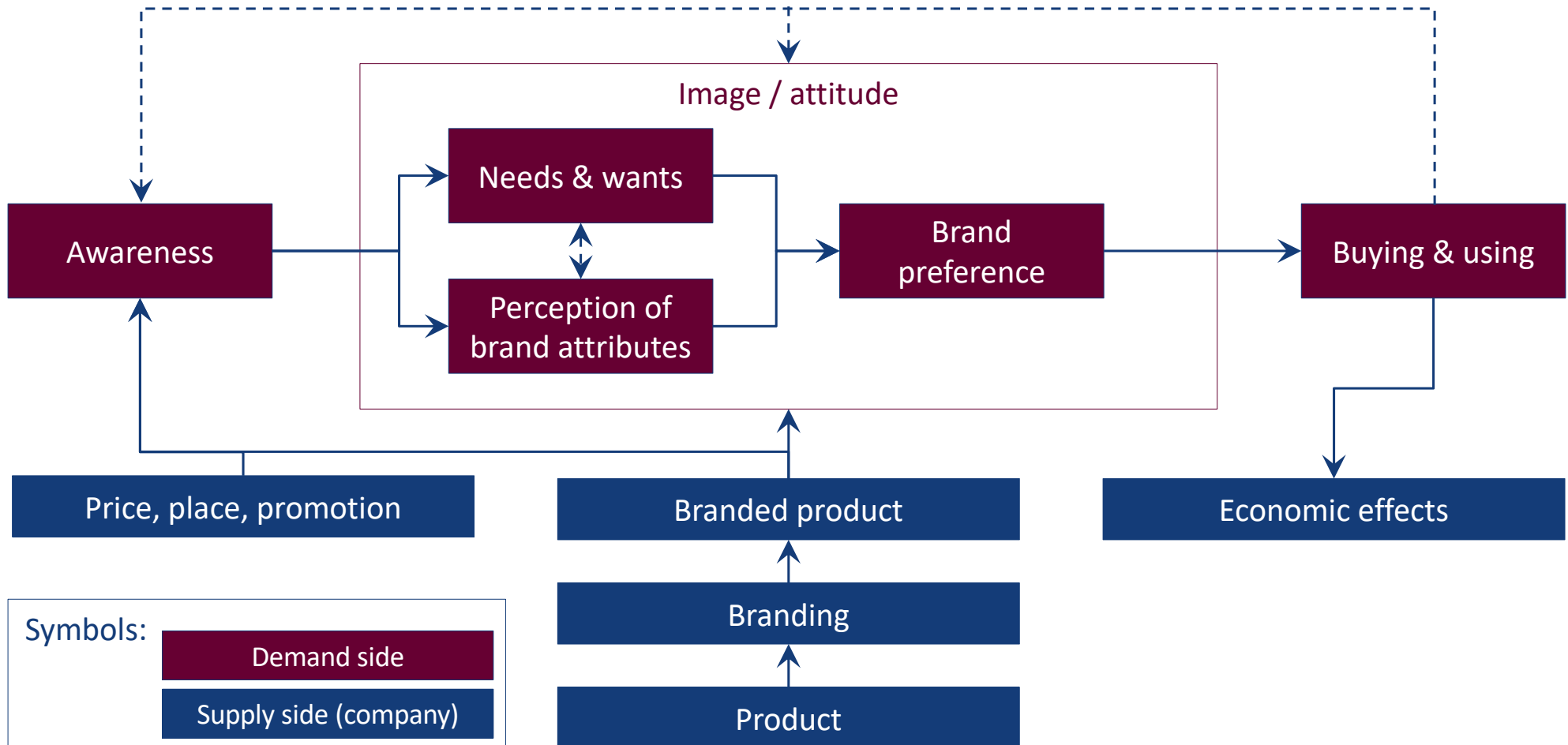


## Marketing – Definition

- Graphic definition of marketing

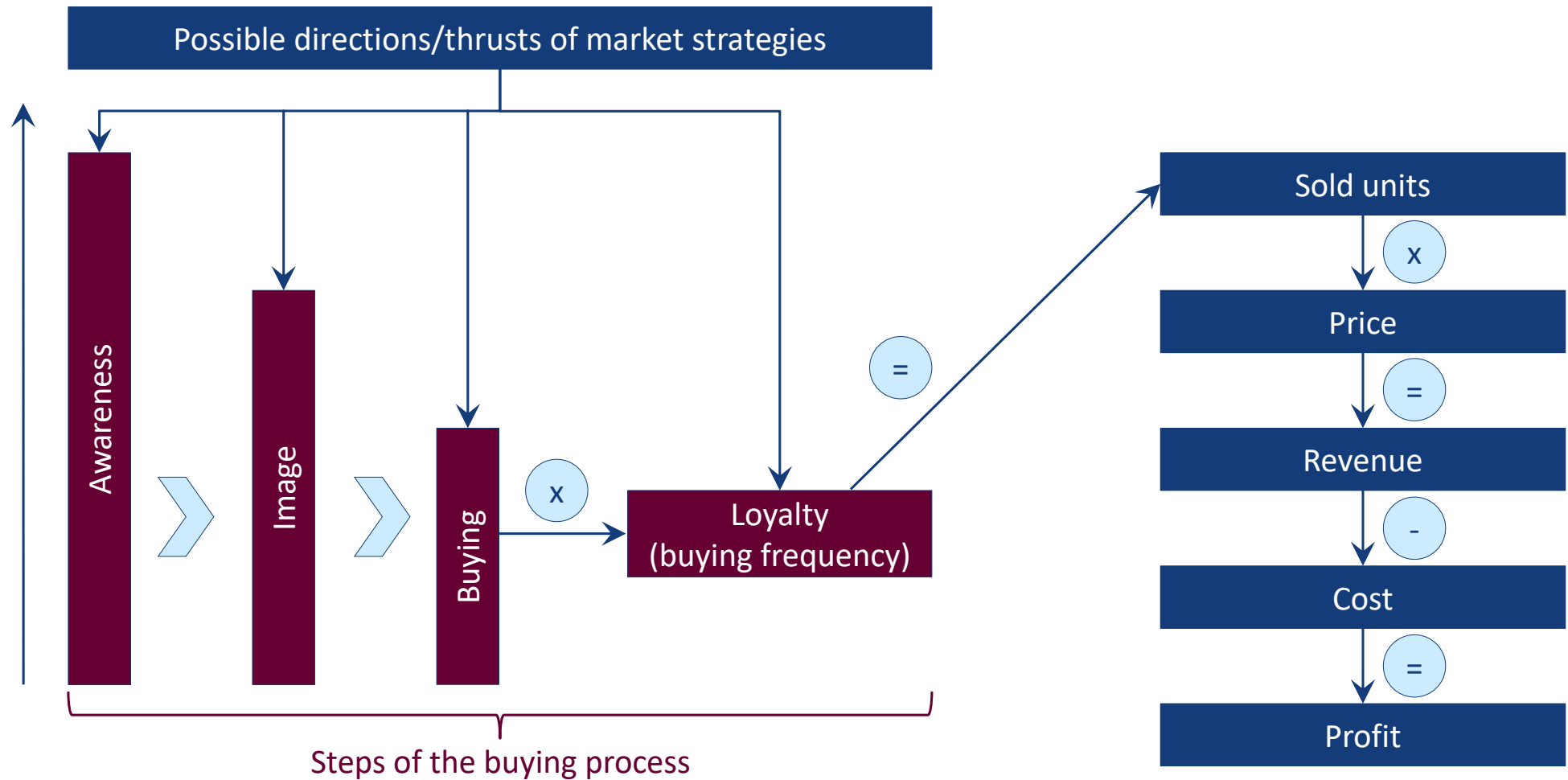


- Modern definition of Marketing (American Marketing Association, 2025)
  - “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”
- Understanding of marketing
  - Marketing = demand-based business management
  - Marketing = market-oriented business management



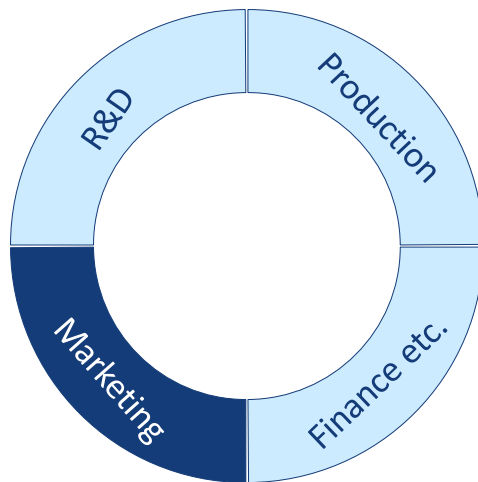
## Steps of Buying Process & Market Strategies

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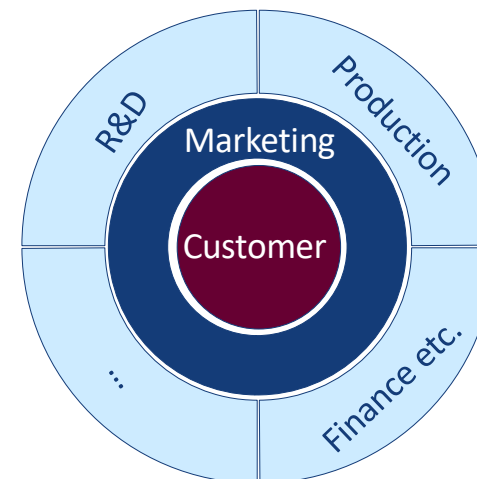
# Organisational Role of Marketing

## Marketing as a department



vs.

Marketing as a holistic & integrating management approach  
("philosophy")





## Basic Concepts of Marketing

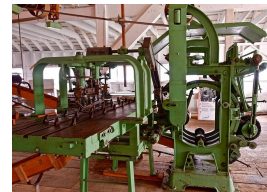
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- **Market**
  - Place where buyers and sellers gathered to buy and sell products
  - Meeting of Demand and Supply
- **Demand side**
  - Needs: Lack of satisfaction combined with the will to eliminate the lack
  - Wants: Needs that are directed to specific objects
  - Demand: Wants for specific products backed by an ability to pay
- **Supply side**
  - Products: Goods and/or services supplied to satisfy needs, wants and demand
  - Supply: Offering and delivering products which have value to customers
- **Marketing**
  - Creating, communicating and delivering value to customers which in return benefits the supplier

- Business-to-consumer (b2c)
  - Objective of customers: Consumers strive after fulfilment of “emotional” needs & wants
  - Marketing approach: Providing customers with emotional value



- Business-to-business (b2b)
  - Objective of customers: Businesses strive after maximising their profits
  - Marketing approach: Providing customers with rational value



- Business-to-government (b2g)
  - Normally, similar to b2b marketing



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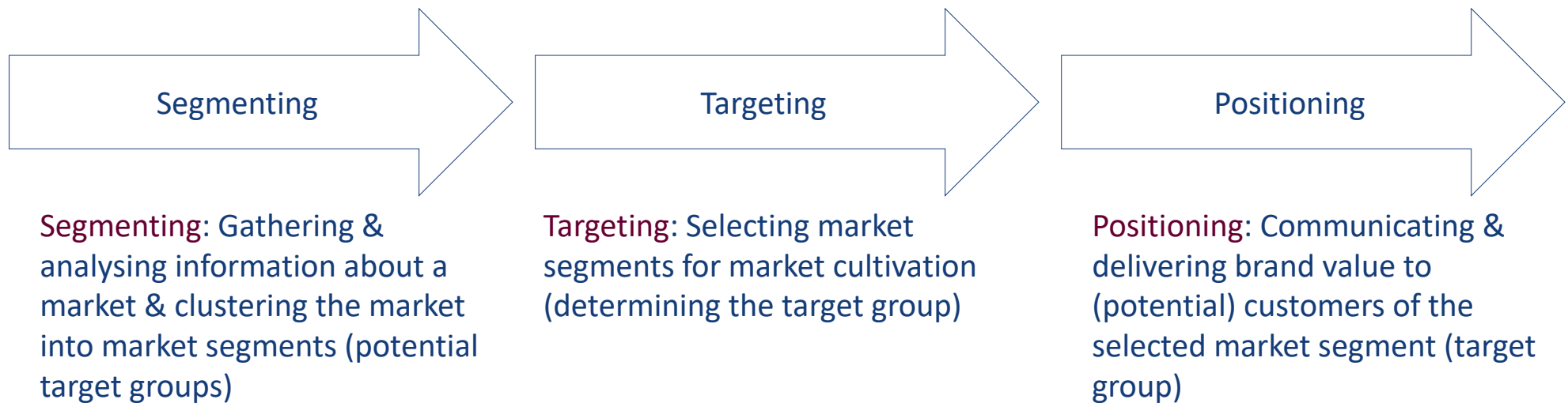
Creating Value I: Product

Creating Value II: Price

Delivering Value: Place

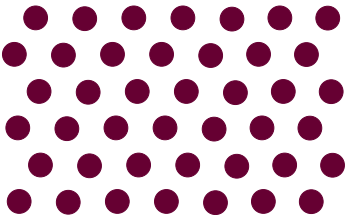
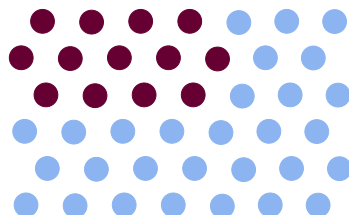
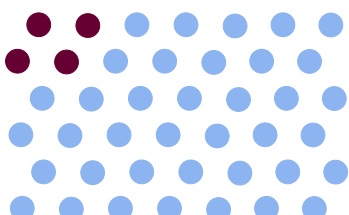







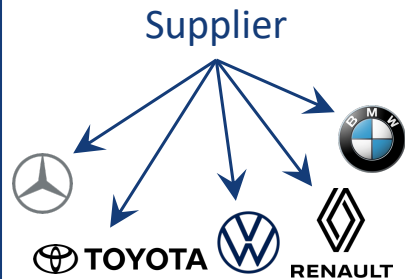
Communicating Value: Promotion

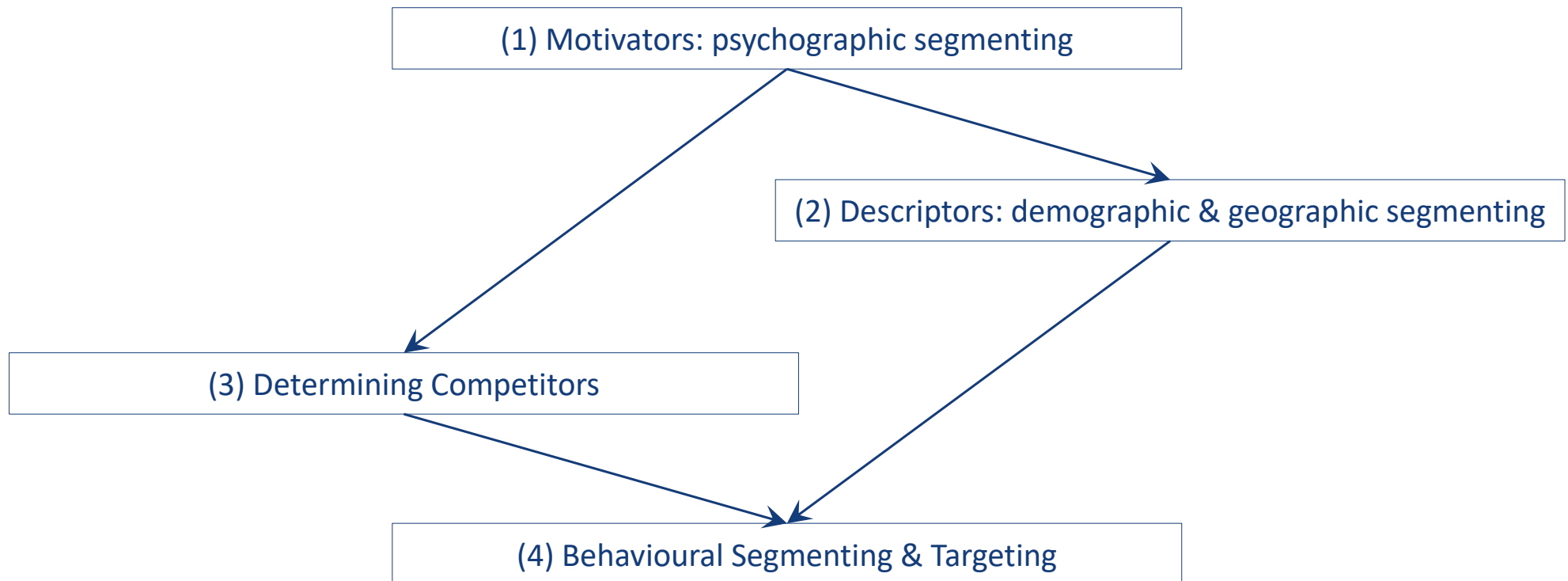
\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

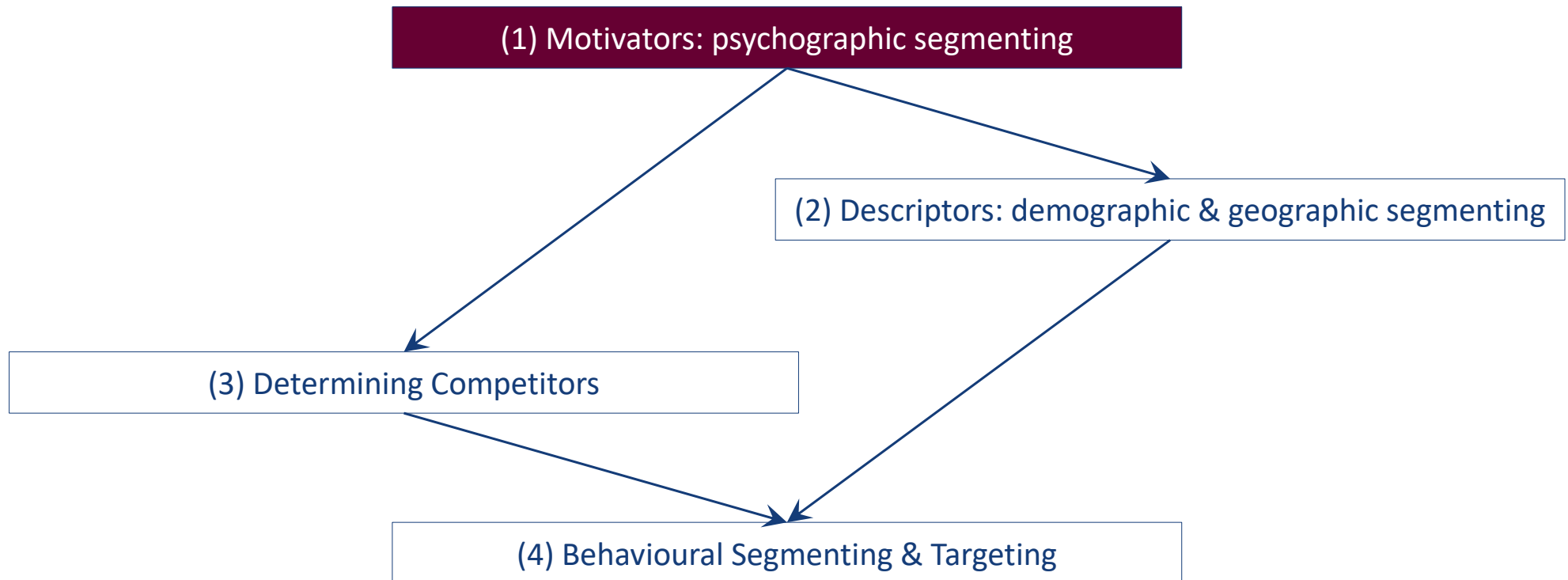


# Market Segments & Strategic Marketing Approach

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Market Coverage	Whole Market	Segment	Niche	Individual
				
Example		 Sheer Driving Pleasure  Mercedes-Benz The Best or Nothing	  	Supplier 
Marketing Approach	Mass marketing		Dialogue marketing	Individual marketing (Segment-of-one)





## Motivators: Psychographic Segmenting – Key Psychological Constructs

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### Activation/involvement

Activation: Arousal of the central nervous system  
Involvement: Activation that is focused on an object or objective

+ interpretation

### Emotions/feelings

Evaluative (positive vs. negative) experiences with different intensities (strong vs. weak) & different qualities (e.g., joy vs. satisfaction), including physical & behavioural elements (e.g., facial expressions)

+ goal orientation

### Motives

Goals (e.g., emotional states) that initiate, direct & drive behaviour

+ object orientation

### Attitudes (images)

Relatively stable evaluations (positive vs. negative) of objects (e.g., person, product, idea) which may be based on experiences & cognitions & leads to relatively stable reaction toward these objects

+ integration

### Personality/lifestyle

Complex system of characteristics & behavioural patterns which are unique for a person

Cf.: Bolz, D.-M. & Trommsdorff, V. (2022). Konsumentenverhalten (9<sup>th</sup> ed.).



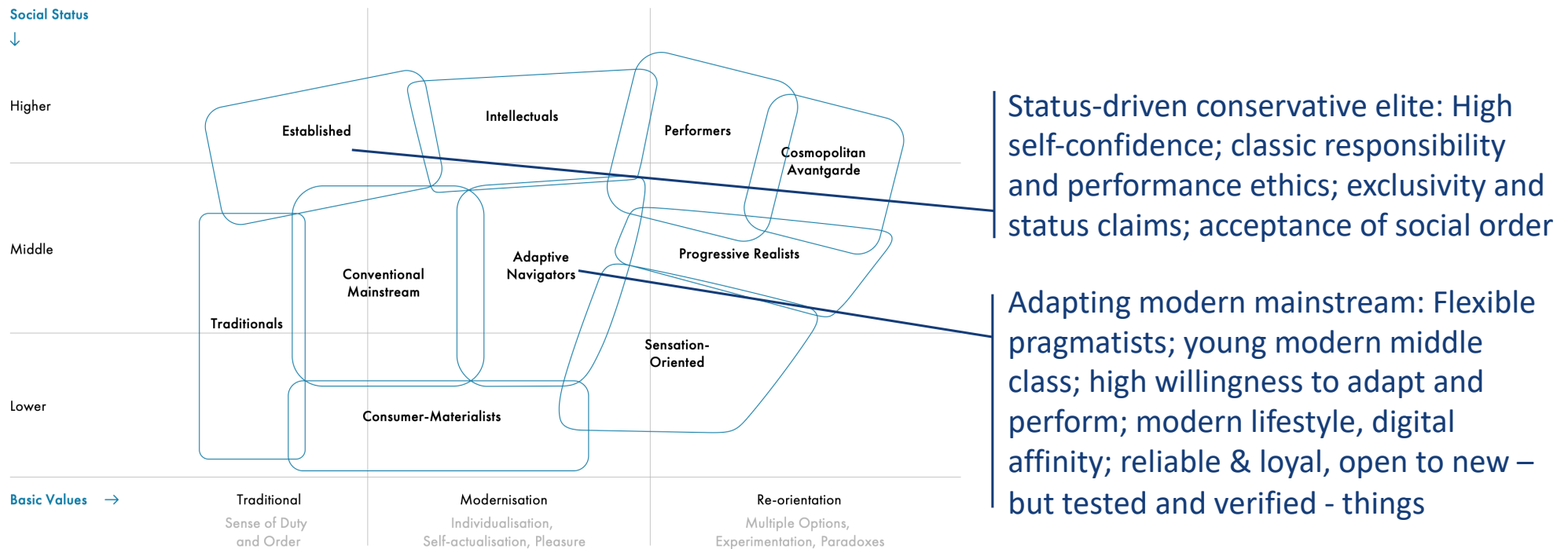
## Motivators: Psychographic Segmenting

Process	Example: Beer brand
(1) Determining the product category	Alcoholic beverages (e.g., beer, wine)
(2) Determining the context of usage	Drinking alcoholic beverages (e.g., beer, wine) in a pub with friends, on a party, during a social dinner etc.
(3) Deducing the motives for using the product category in the respective context of usage	<ul style="list-style-type: none"><li>• Having a good time with friends and/or loved ones</li><li>• Connecting with friends and/or loved ones</li><li>• ...</li></ul>



# Motivators: Psychographic Segmenting – Lifestyle Segmenting

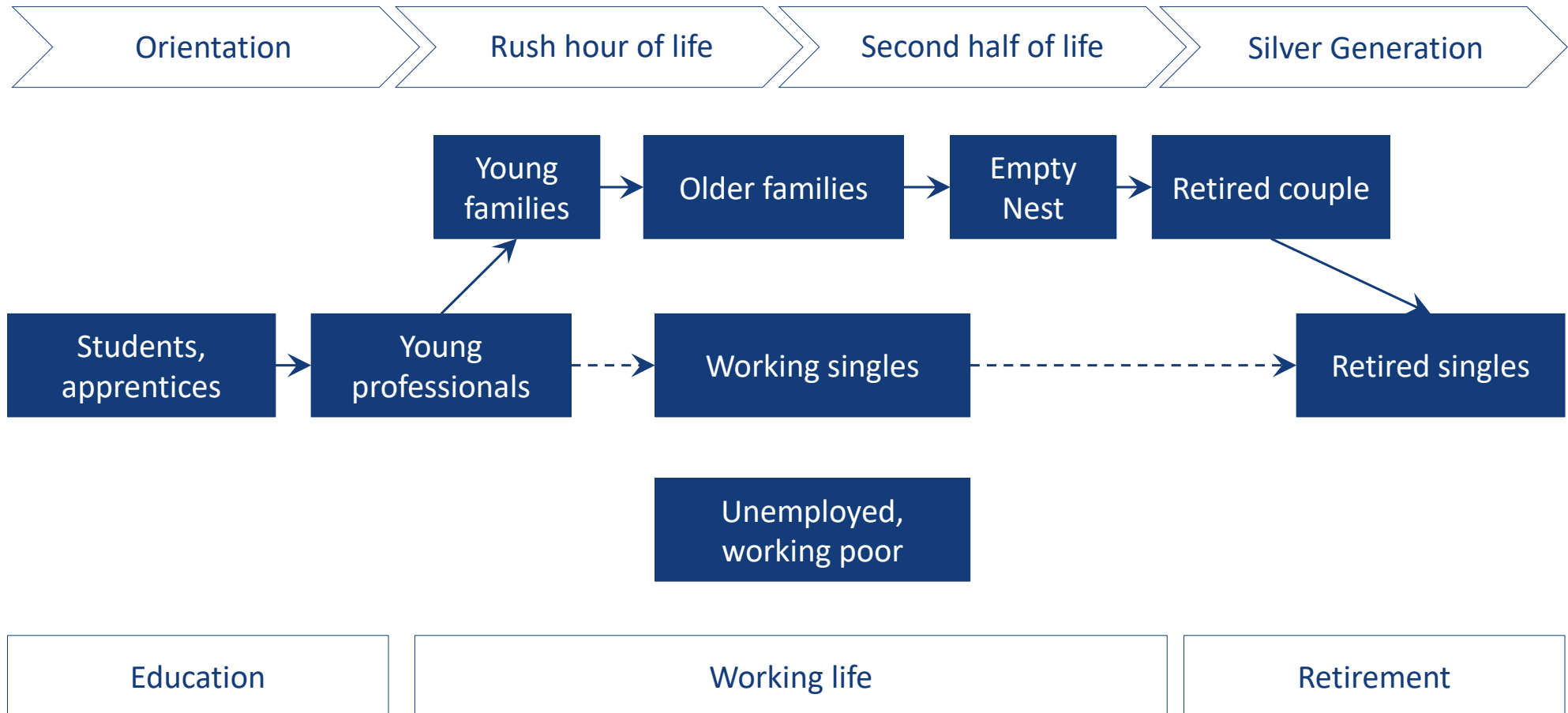
## Sinus-Milieus International (established markets)



Source: <https://www.sinus-institut.de/en/sinus-milieus/sinus-milieus-international> (accessed: 03 Apr 2025)

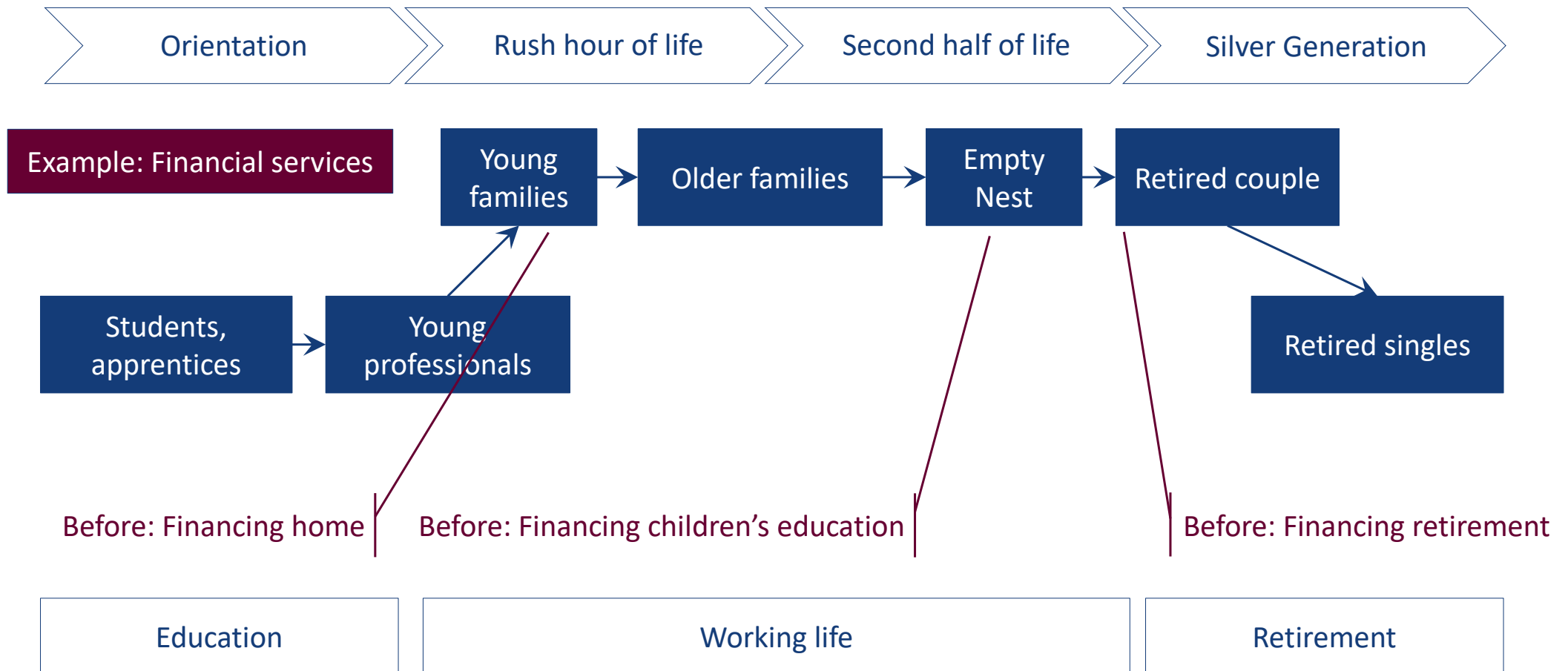
## Motivators: Psychographic Segmenting – Family Life Cycle

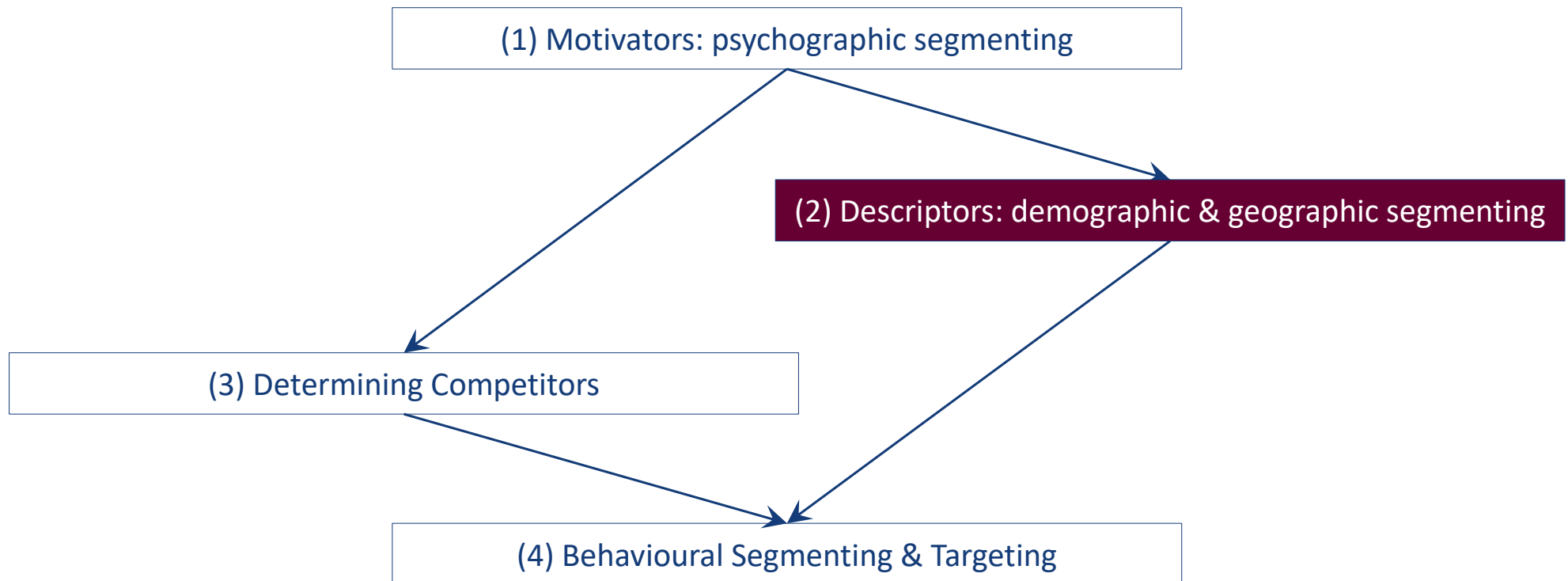
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## Motivators: Psychographic Segmenting – Family Life Cycle

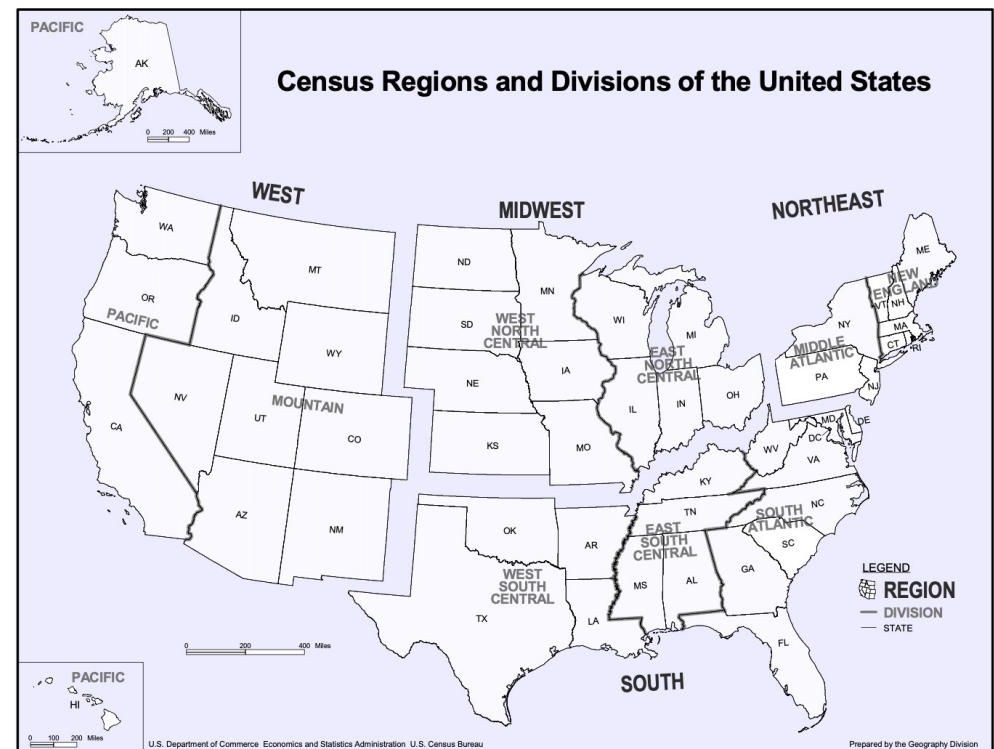
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## Descriptors: Demographic & Geographic Segmenting

- Demographic segmenting variables
  - Gender
  - Age
  - Relationship status
  - Household size
  - Children
  - Social stratum
    - Income
    - Occupation
    - Education
  - ...
- Geographic segmenting variables
  - Region
  - City vs. rural area



Source: [https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us\\_regdiv.pdf](https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf) (accessed: 03 Apr 2025)

## Descriptors: Demographic & Geographic Segmenting

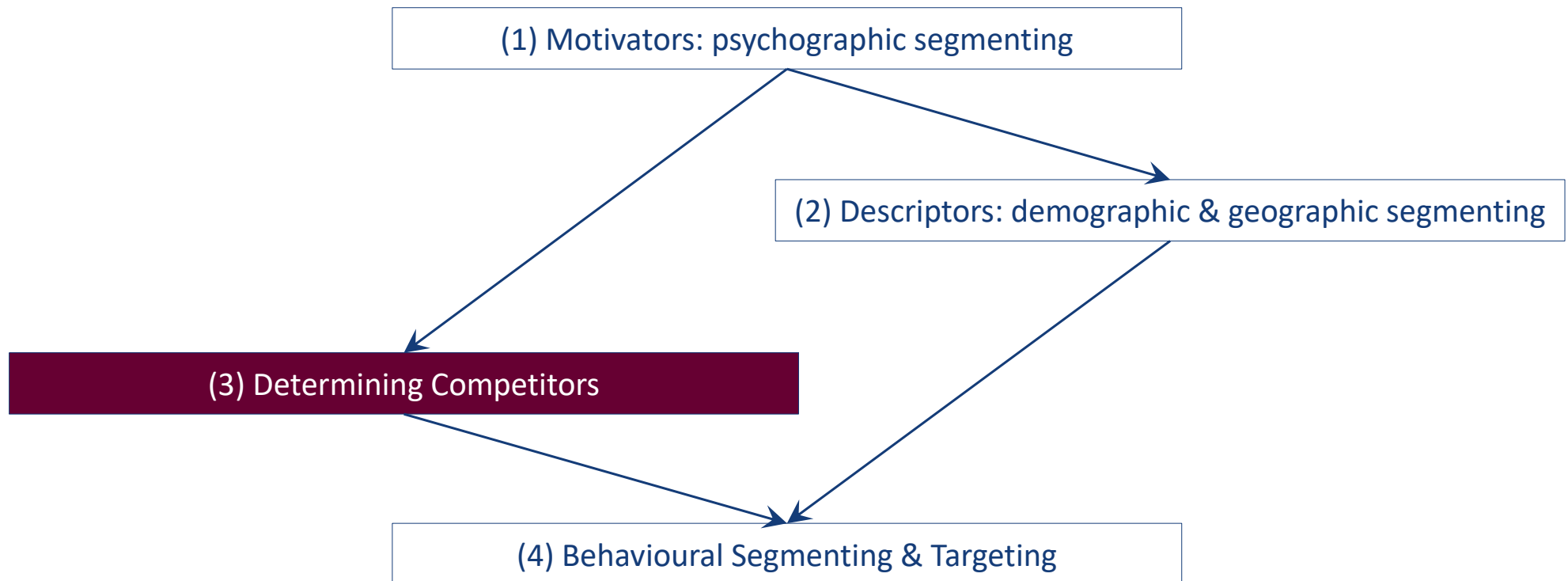
### Potential market segments for the United Kingdom



- London
  - South England
  - Midlands
  - Wales
  - Scotland
  - Northern Ireland
- Cities
  - Rural areas

Example: “good old” English local vs. “fancy” city bar







## Determining Competitors

### Results of step (1) Motivators




- Product category (in the broadest sense)
- Context of using
- Motives for using the product category in the respective context of usage

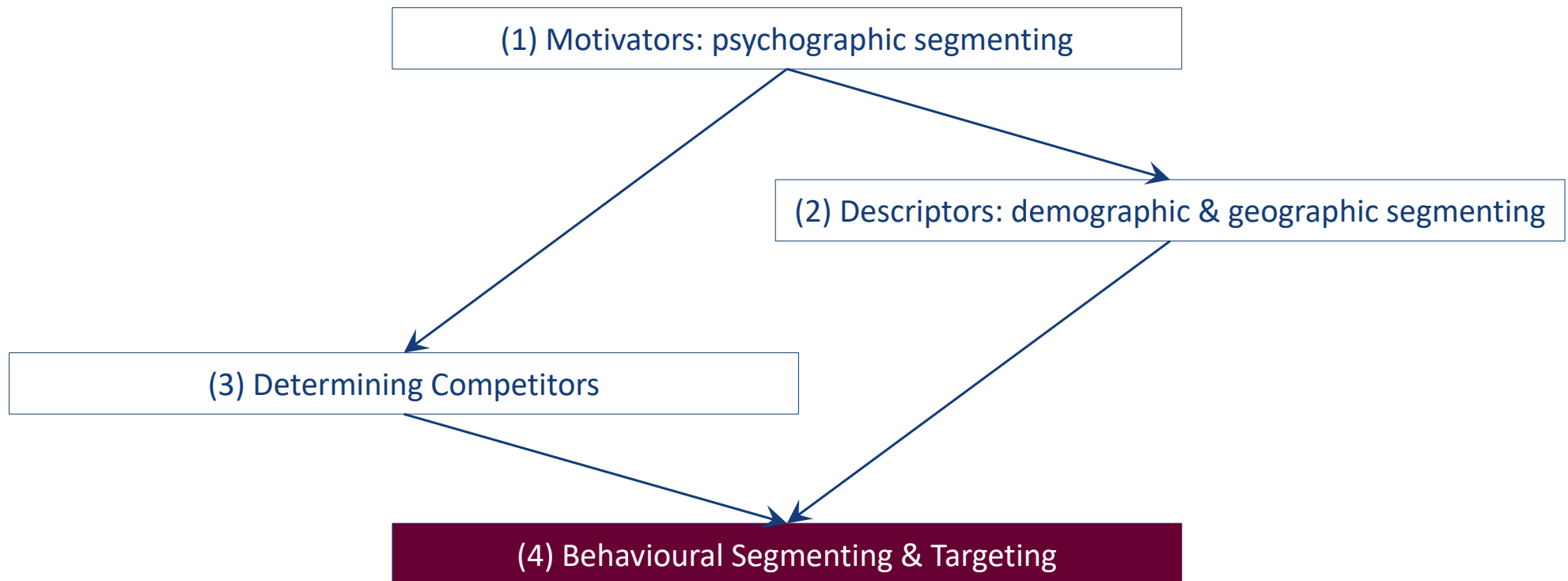
**Competitors** = brands of the product category (in the broadest sense) can fulfil the determined motives in the determined context of using

### Example: Motivators for *Coca-Cola*

- |                       |  |
|-----------------------|--|
| (1) Product category: | Non-alcoholic (soft) drinks  |
| (2) Context of usage: | Having a (soft) drink for refreshment or in a social context   |
| (3) Motives:          | <ul style="list-style-type: none"> <li>• Refreshment</li> <li>• Enjoyable time with others</li> <li>• ...</li> </ul> |

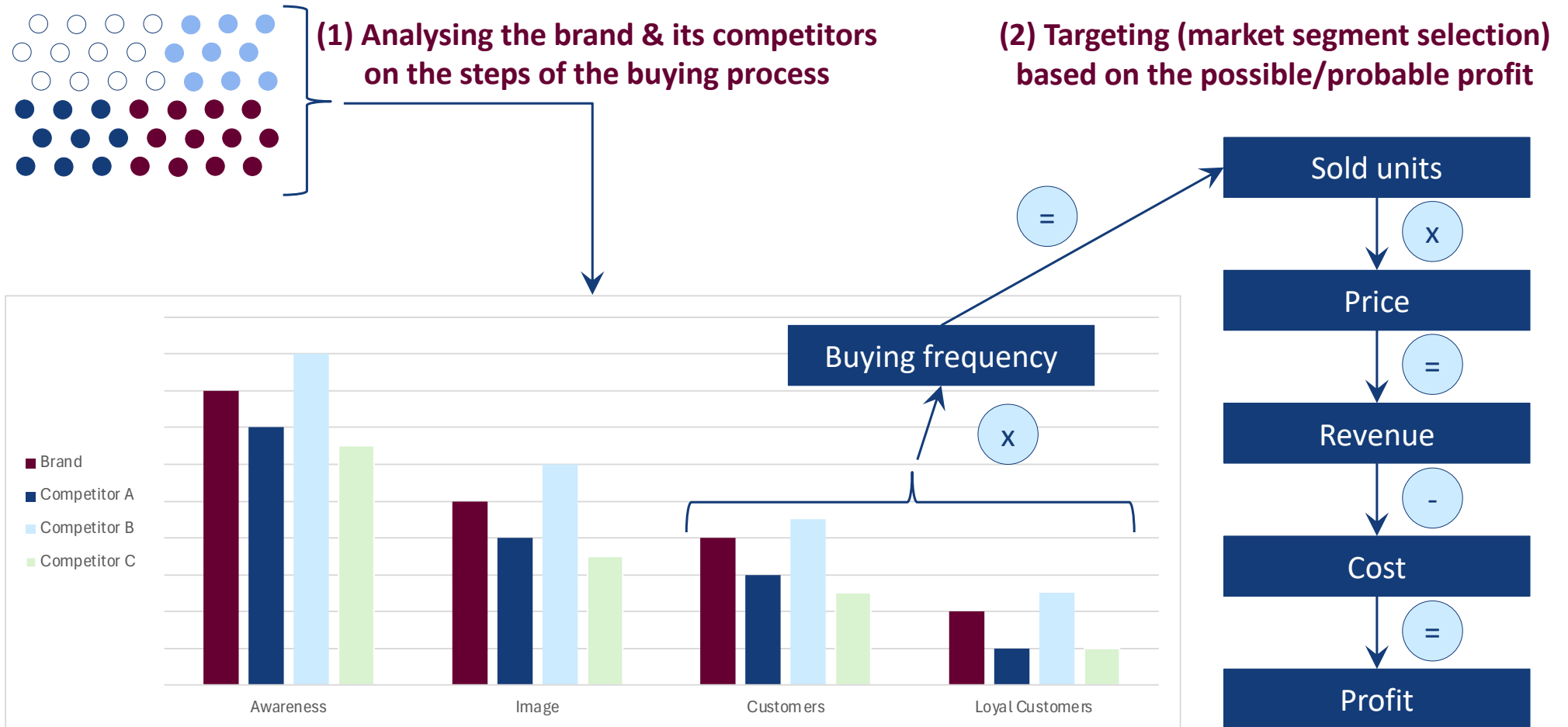
### Competitors for *Coca-Cola*

- |                      |                                       |   |
|----------------------|---------------------------------------|---|
| Primary competitors: | Pepsi & other soft drinks             |   |
| Secondary comp.:     | Water, juices etc.                    |  |
| Tertiary comp.:      | Alcoholic beverages (beer, wine etc.) |  |



# Behavioural Segmenting & Targeting

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## Behavioural Segmenting & Targeting – Buying Decision Roles

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<b>Roles in the buying decision (buying centre)</b>	<b>Example – B2C: Chocolate cereals</b>	<b>Example – B2B: CRM system</b>
Initiator	Child (sees a chocolate bar commercial on television)	Head of sales
Influencer	Child (urges his/her mother to buy the chocolate bar)	Sales force, IT department, consultants
Decider	Mother (decides to buy chocolate bar)	CMO, CEO etc.
Buyer	Mother (buys chocolate bar)	Procurement department
User	Child (child eats chocolate bar)	Sales force

Example – slogan for chocolate cereals:  
Loved by kids – approved by mums

## Quality Criteria of Segmenting & Targeting

- **Measurable**
  - Targeted market segments with their size, characteristics, reactions to marketing stimuli etc. can be measured
- **Substantial**
  - Size of the targeted market segments is large enough so that it is profitable
- **Accessible & actionable**
  - Targeted market segments can be reached & serviced
- **Differentiable**
  - Targeted market segments can be conceptually distinguished from each other & respond differently to marketing stimuli



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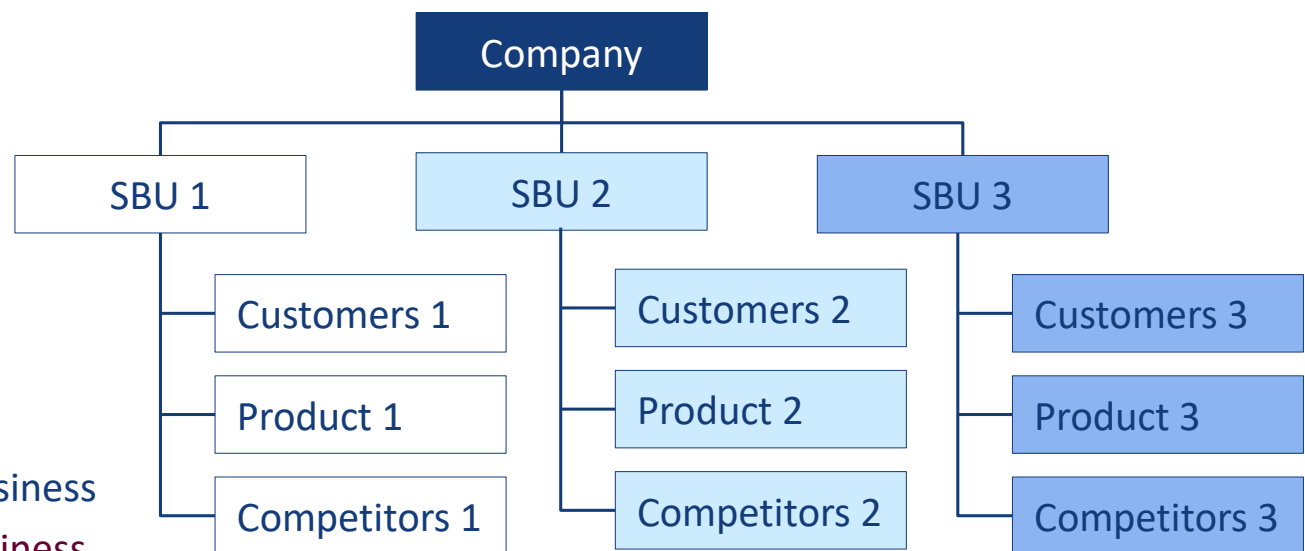
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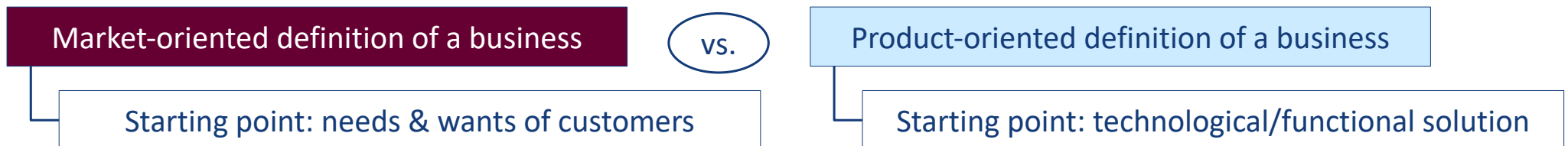
\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

## Strategic Business Unit

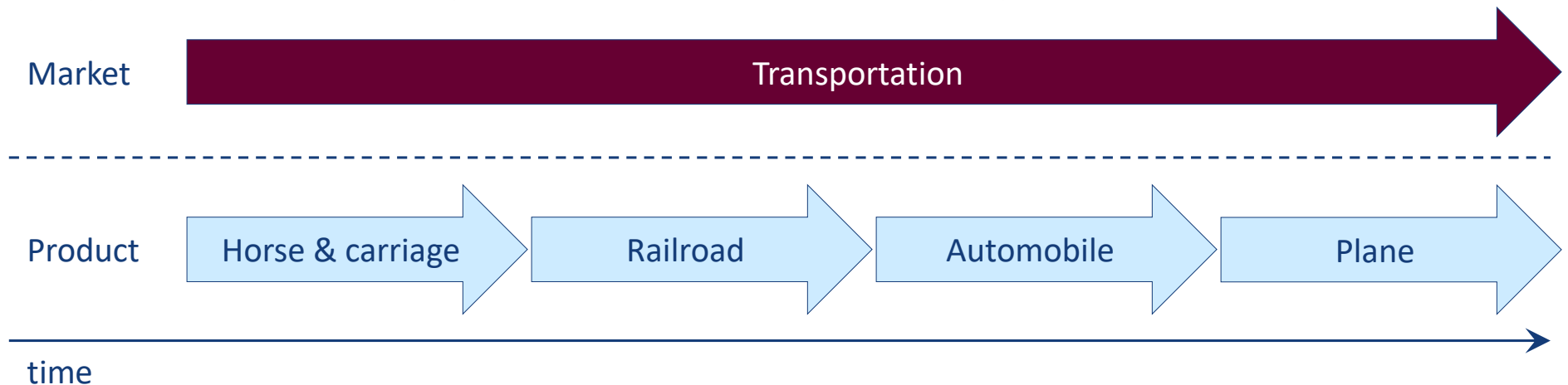
- Characteristics of a strategic business units
  - Business or collection of businesses, which, to a certain degree, can be planned & operated independently/separately from the rest of a company
  - “Company within a company”
- Dimensions of strategic business units
  - Costumers
  - Customer needs & wants
  - Technological/functional solution
  - Competitors
- Focus of strategic business units
  - Current markets
  - Potential markets
- Definition of strategic business units
  - Product-oriented definition of business
  - Market-oriented definition of business



- Market-oriented definition vs. product-oriented definition of a strategic business unit

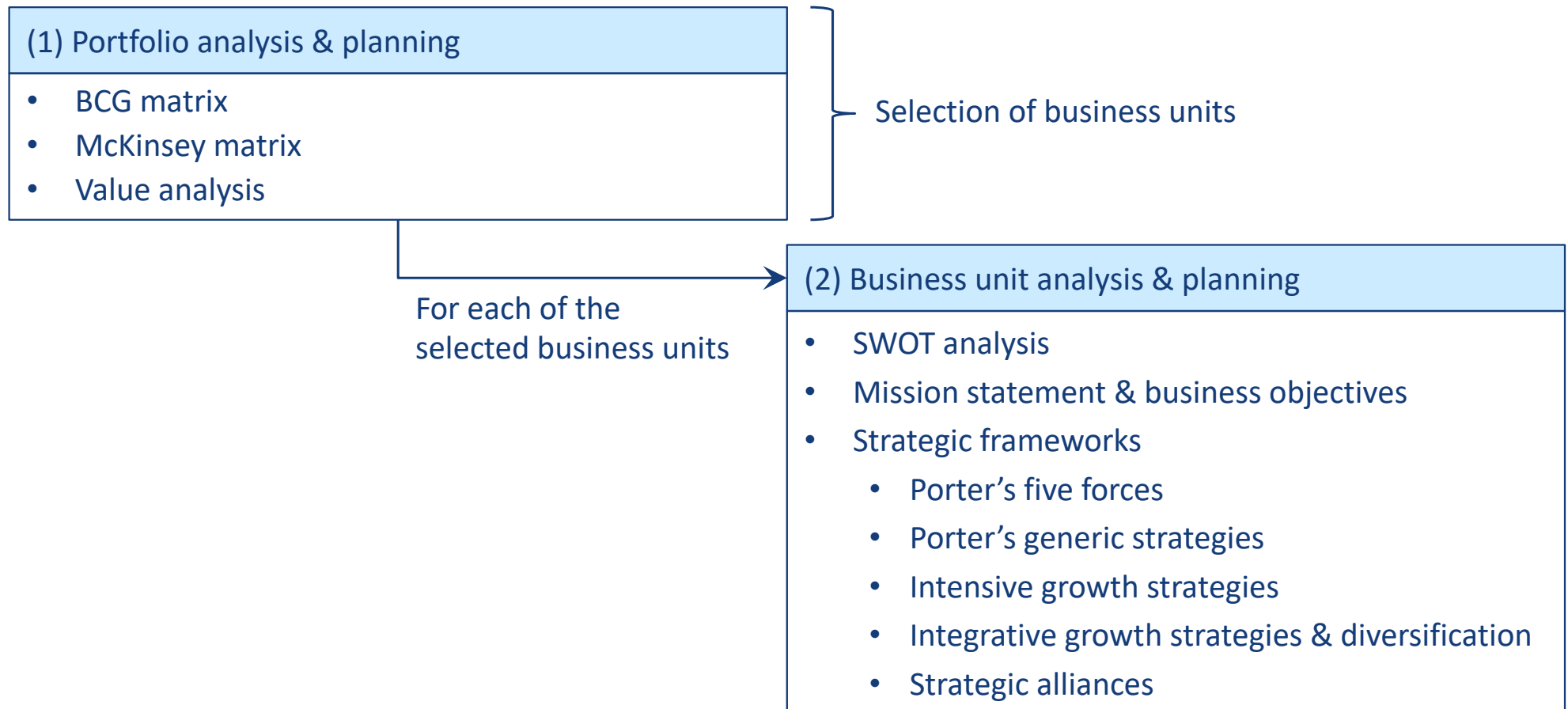


- Example of market-oriented & product-oriented definition of a strategic business unit

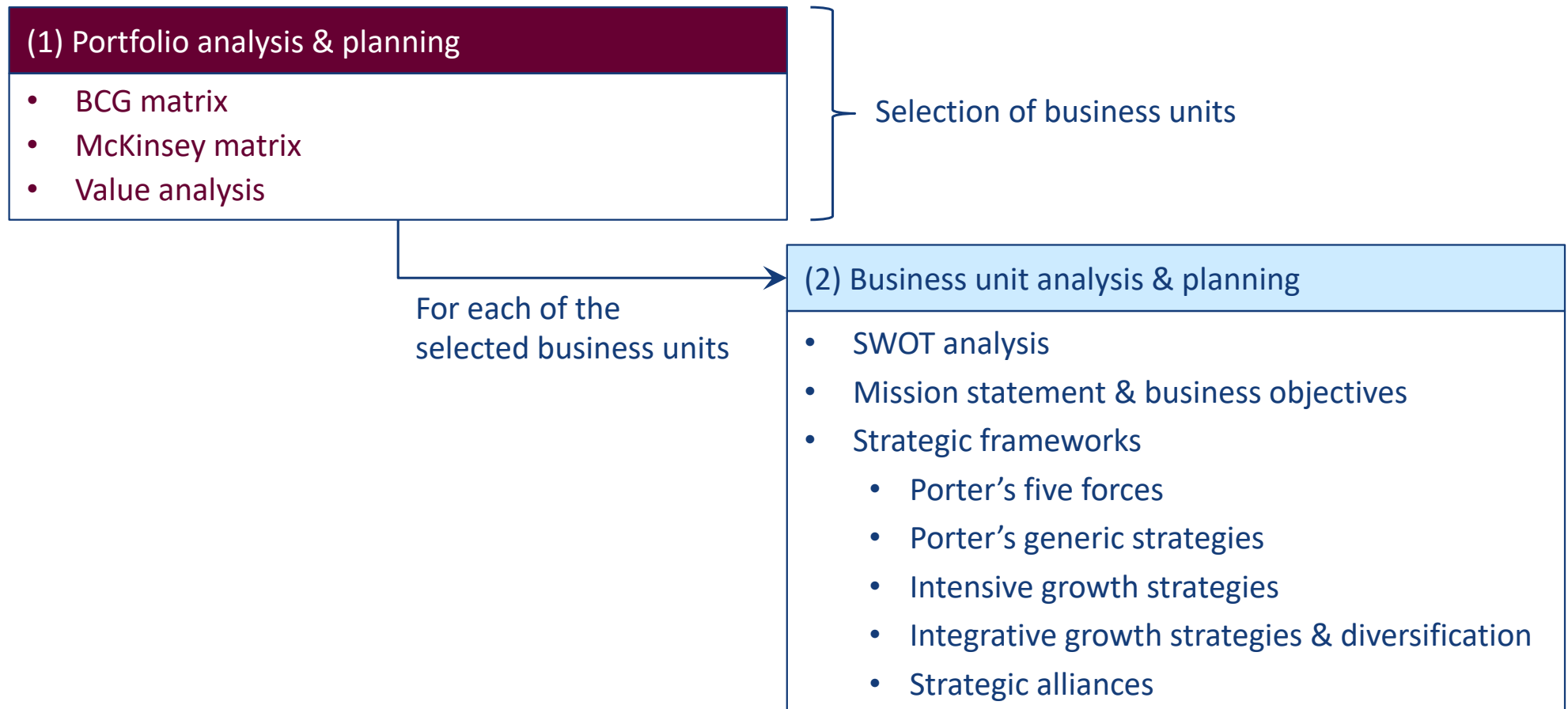




# Key Tools for Analysing & Planning Strategic Business Units



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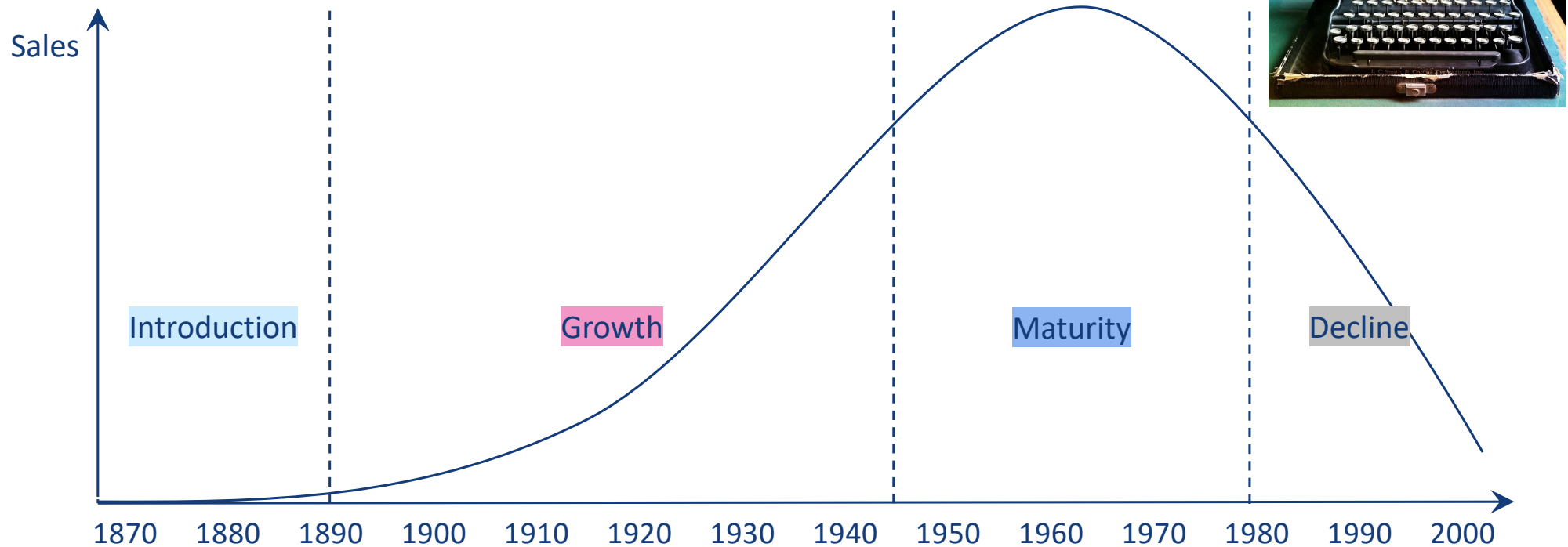


## Portfolio Analysis: BCG Matrix

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		(Relative) Market Share	
		low	high
Market Growth	high	<b>Question Marks</b> <b>Norm Strategy:</b> Select and invest	<b>Stars</b> <b>Norm Strategy:</b> Invest to hold position & realise profits
	low	<b>Poor Dogs</b> <b>Norm Strategy:</b> Eliminate	<b>Cash Cows</b> <b>Norm Strategy:</b> Skimming profits and re-invest in other SBUs (Question Marks)

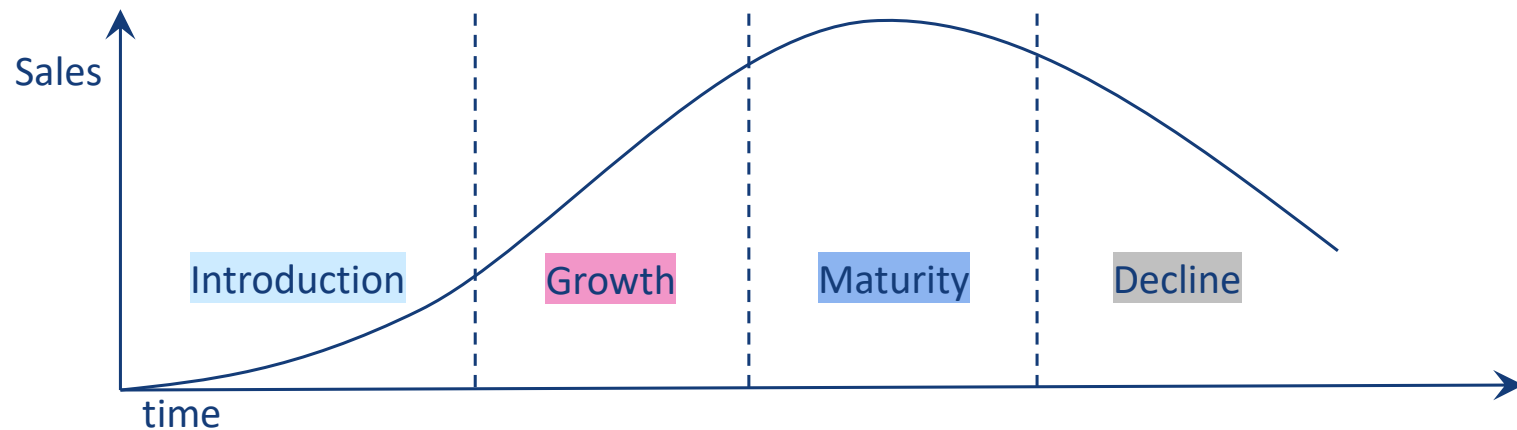
### Product life cycle of the typewriter



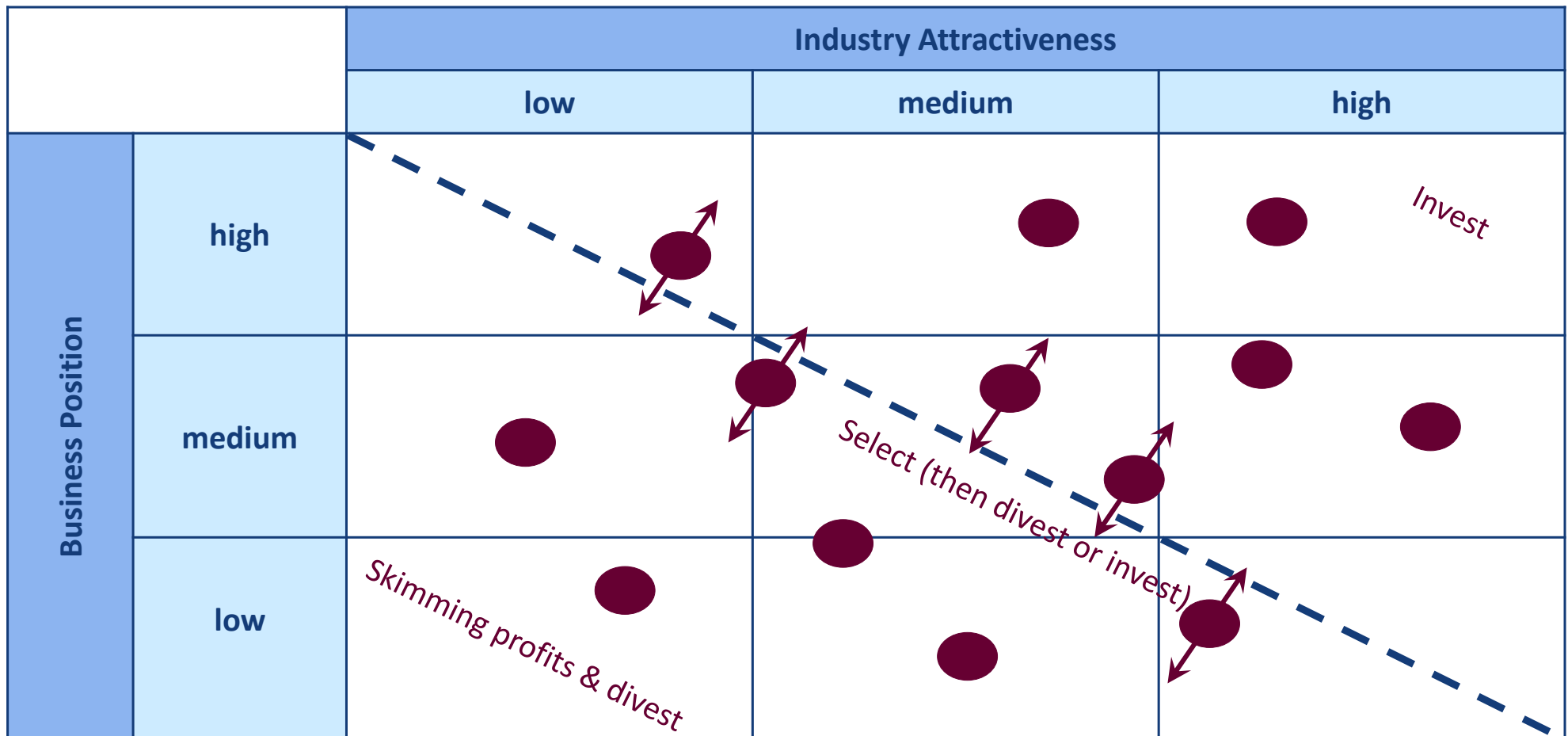
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	low	<b>Poor Dogs</b> <b>Norm Strategy:</b> Eliminate	<b>Cash Cows</b> <b>Norm Strategy:</b> Skimming profits and re-invest in other SBUs (Question Marks)



## Portfolio Analysis: McKinsey Matrix



## Portfolio Analysis: Value Analysis

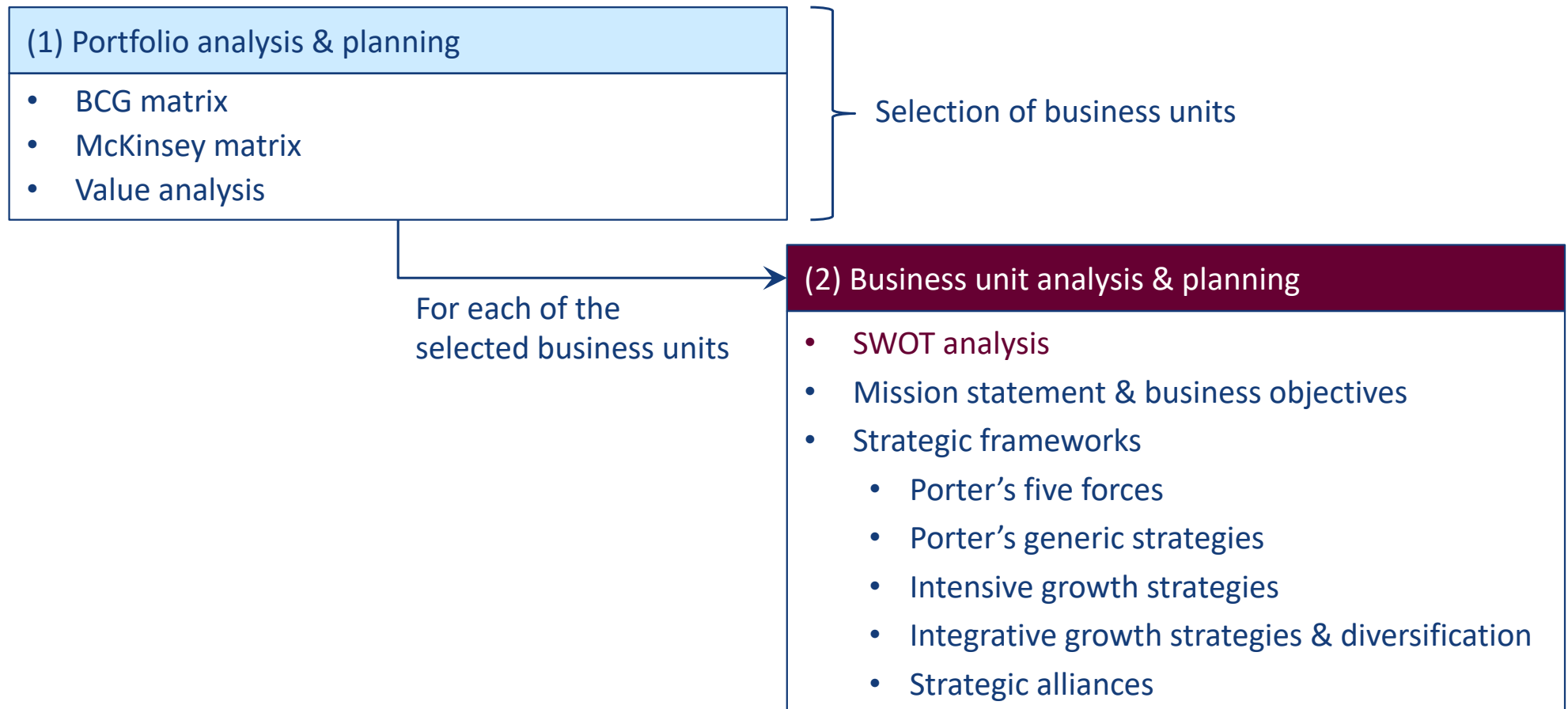
- Principle of value analysis
  - Determining the expected (financial) value of each strategic business unit
  - Selecting the business units with the highest positive value
- Net present value

$$NPV = -I_0 + \sum_1^t \frac{R_t - C_t}{(1+i)^t}$$

NPV	Net present value
I	Initial investment
R	Revenue
C	Cost
i	interest rate
t	period

- Please note
  - The success of value analysis is determined by the accuracy of the revenue & cost projections
  - Synergy effects should also be considered
  - Rule of thumb: plan for max. 10 years

## Key Tools for Analysing & Planning Strategic Business Units





## SWOT Analysis

- Objective of SWOT analysis
  - Overview of the current internal & external situation of a company to deduce (market) strategies
- Perspectives
  - Internal: Strength & weaknesses
  - External: Opportunities & threats
- Beware
  - The inherent weakness of the SWOT analysis is a lack of discrimination between the internal & external perspective & within these perspectives

Internal perspective	<b>Strength</b>	<b>Weaknesses</b>
External perspective	<b>Opportunities</b>	<b>Threats</b>

## SWOT Analysis – Simplified Example

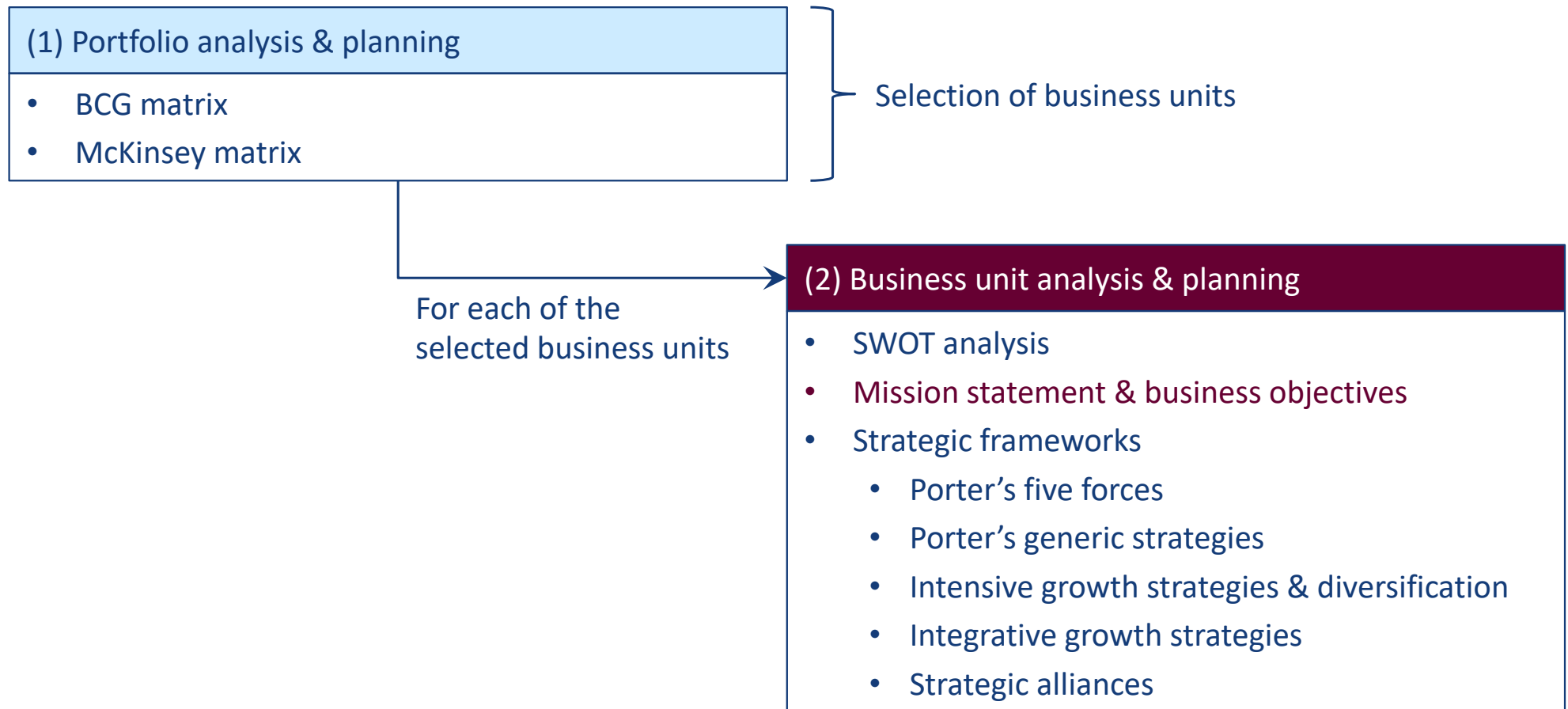
### Established fast food chain

Internal perspective	<b>Strength</b> <ul style="list-style-type: none"> <li>• Strong fast food image (fun, tasty burger...)</li> <li>• Standardised market presence &amp; products</li> <li>• Strong bargaining power with regard to suppliers</li> <li>• ...</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Strong fast food image (unhealthy products...)</li> <li>• Market presence &amp; products that are not adopted (localised) to local or regional preferences</li> <li>• ...</li> </ul>
External perspective	<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Building of strong brand image</li> <li>• Including healthy food options in menu</li> <li>• Optimising the value chain (e.g., suppliers)</li> <li>• ...</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Increase of healthy food trends</li> <li>• Increase of localised tastes &amp; preferences</li> <li>• ...</li> </ul>



# Key Tools for Analysing & Planning Strategic Business Units

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## Mission & Vision Statement

### Content of mission & vision statements

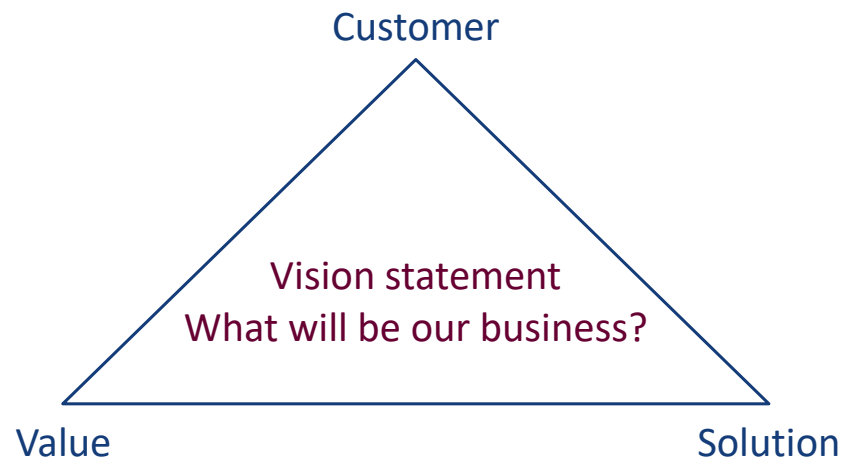
- Mission statement: What is our business?
  - Who is our Customer?
  - What is of value to our customer?
  - What is our technological/functional solution?
- Vision statement: What will/should be our business?
  - Who will be our customer?
  - What will be of value to our customer?
  - What will be our technological/functional solution?

- Quality criteria of mission & vision statements
  - Take a strategic perspective (long-term view)
  - Keep it simple & strong (short, memorable, meaningful)
  - Focus on a limited number of objectives
  - Integrate the major values & strategies

### Objectives of mission & vision statements

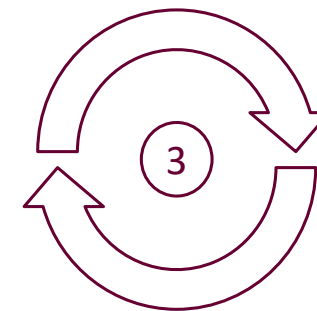
- Internal perspective: Employees
  - “We know what we promise & what we are obliged to do”
- External perspective: Customers
  - “I know what I can expect from that company”



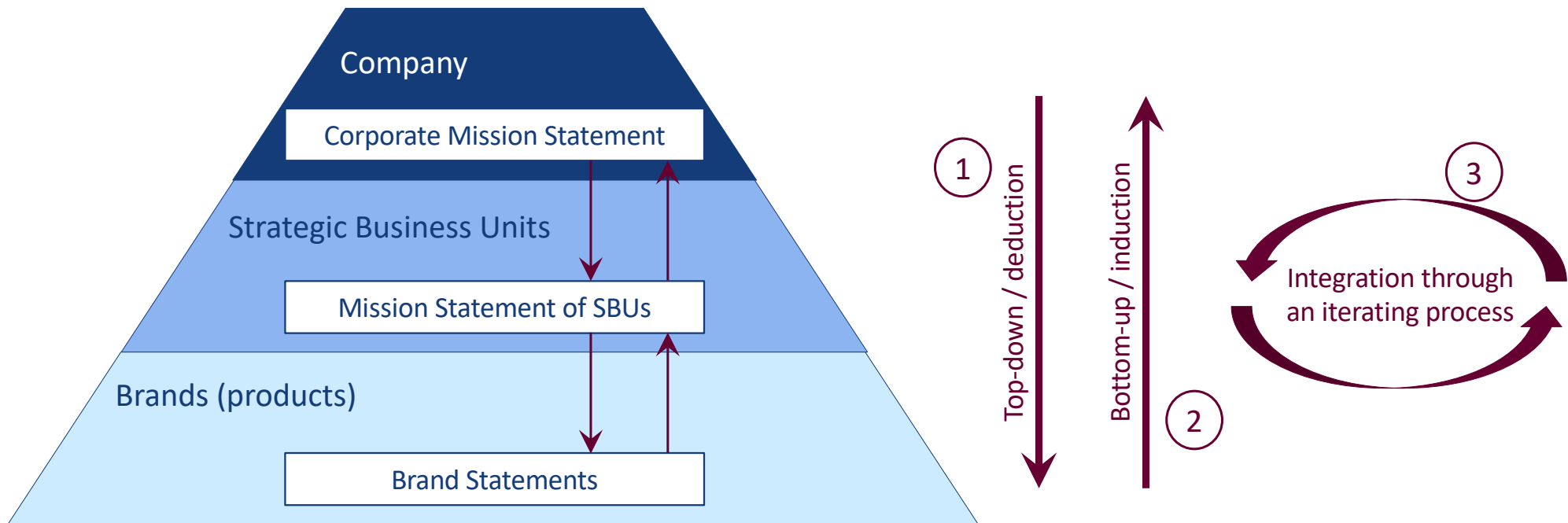


①  
Developing the mission statement  
("mission triangle")

②  
Deducing the vision statement  
("vision triangle")

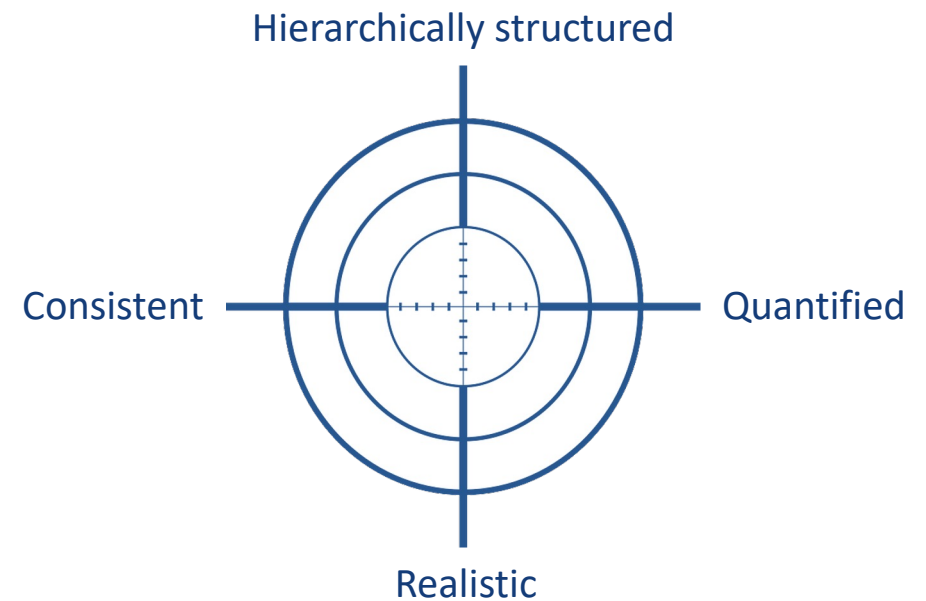


Employ an iterating  
process to secure an  
integrated &  
consistent mission &  
vision statement



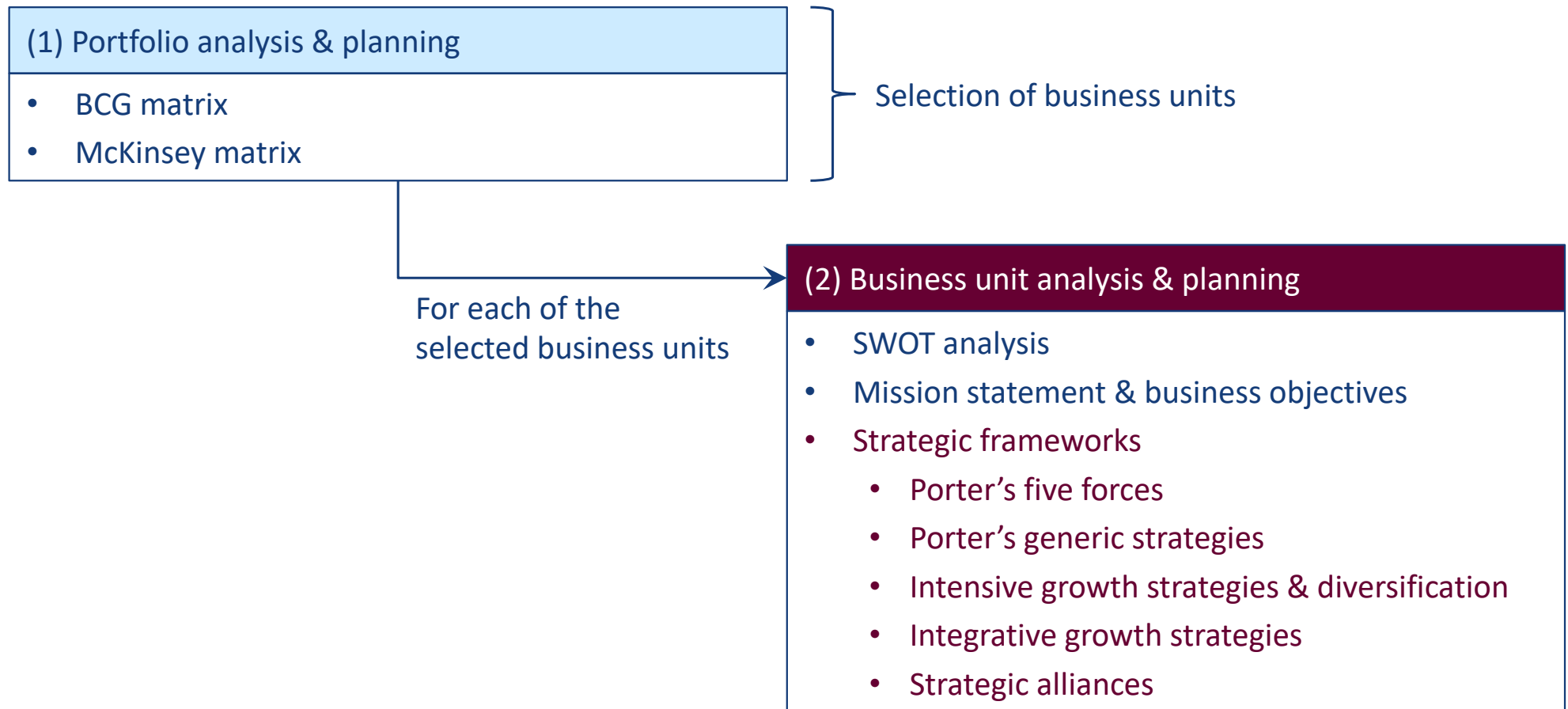
- **Economic goals**
    - Profitability
      - Revenues
      - Costs
    - ...
  - **Market goals**
    - Awareness
    - Image
    - Sales
    - Loyalty
    - ...
  - **Organisational Goals**
    - Process organisation
    - Technological solution
    - ...
- 

### Quality Criteria of Business Objectives



# Key Tools for Analysing & Planning Strategic Business Units

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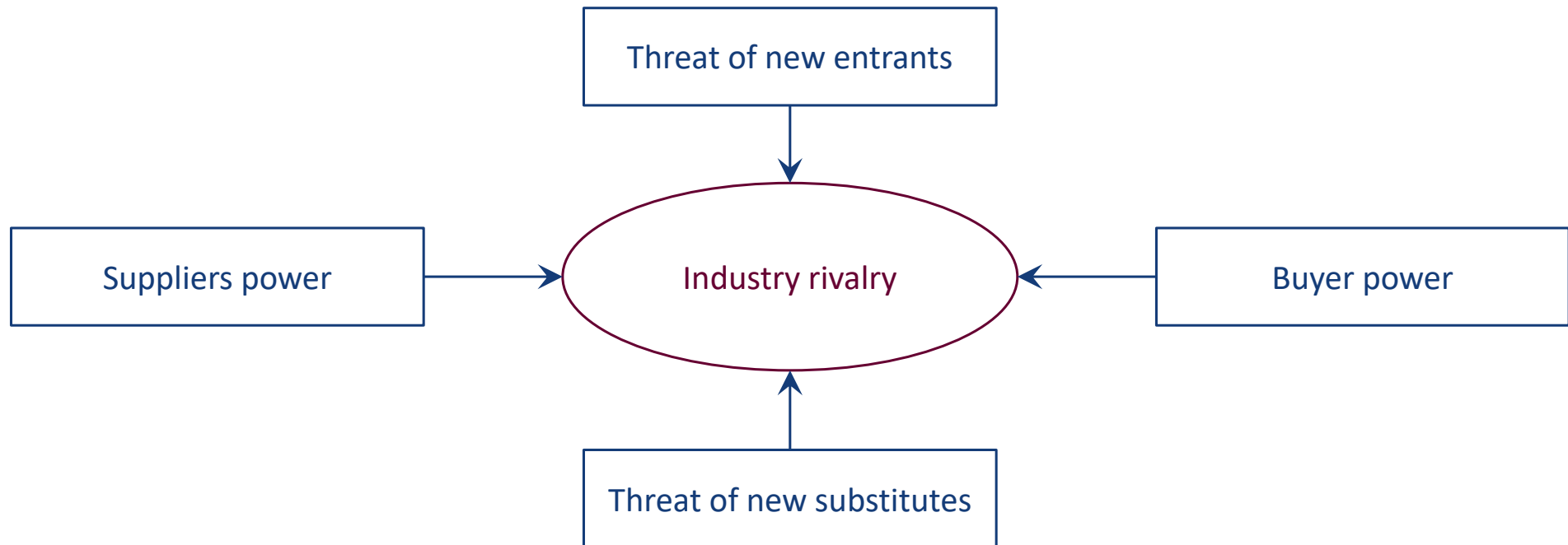




## Business Strategies

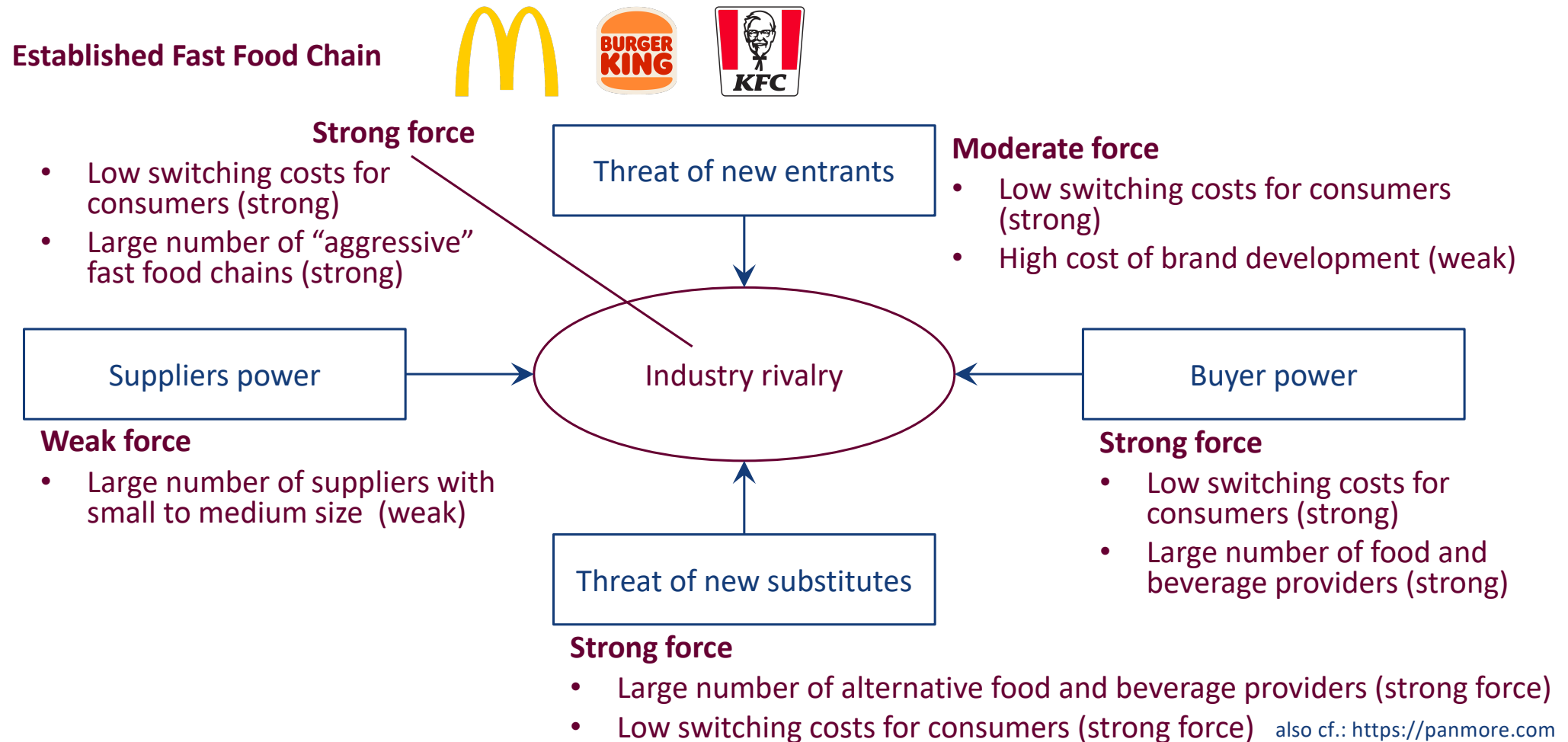
- Characteristics of (business) strategies
  - Directed toward the (strategic) goals
  - Fundamental guideline/framework to reach (strategic) goals
  - Medium- to long-term orientation
- Please note
  - Strategies must be individually tailored to external & internal situation of respective business
- Frameworks for business strategies as starting point
  - Porter's five forces
  - Porter's generic strategies
  - Intensive growth strategies & diversification
  - Integrative growth strategies
  - Strategic alliances





## Strategic Frameworks: Porter's Five Forces – Simplified Example

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		Competitive Advantage	
		Low cost	Product uniqueness (quality differentiation)
Market Scope	Broad (segment to full market coverage)	<b>Cost leadership strategy</b>	<b>Differentiation strategy (quality leader)</b>
	Narrow (niche to segment)	<b>Low-cost focus strategy</b>	<b>Differentiation focus strategy</b>


↓ Stuck in the middle ↓

## Strategic Frameworks: Porter's Generic Strategies – Simplified Example

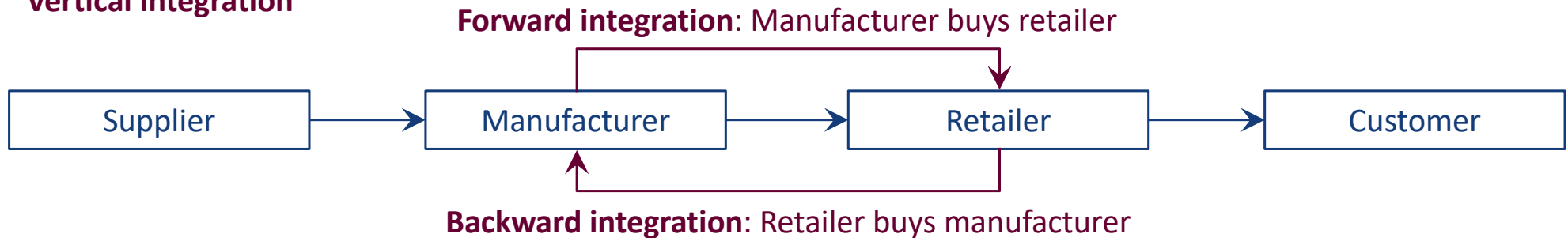
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		Competitive Advantage	
		Low cost	Product uniqueness (quality differentiation)
Market Scope	Broad (segment to full market coverage)	<b>Cost leadership strategy</b>   	<b>Differentiation strategy (quality leader)</b>   
	Narrow (niche to segment)	<b>Low-cost focus strategy</b>  <b>"Hobby pilot hitchhiking"</b> 	<b>Differentiation focus strategy</b>  <b>Private jet charter</b> 

Ansoff's Product Market Expansion Grid		Products	
		Current products	New products
Markets	Current markets	<b>Market penetration strategy</b>	<b>Product development strategy</b>
	New markets	<b>Market development strategy</b>	<b>Diversification strategy</b>

<p><b>Simplified Example:</b> British fast food chain with classic burgers, full English breakfast etc.</p>			
		<p><b>Products</b></p>	
		Current products	New products
<p><b>Markets</b></p>	Current markets	<p><b>Market penetration strategy</b></p> <p>e.g., intensifying advertising campaigns in Britain</p>	<p><b>Product development strategy</b></p> <p>e.g., introducing veggie burgers in British restaurants</p>
	New markets	<p><b>Market development strategy</b></p> <p>e.g., entering the French market with the current menu</p>	<p><b>Diversification strategy</b></p> <p>e.g., opening high-end restaurants with a different menu on the high streets</p>

### Vertical integration



#### Main Objectives

- Maximising profits through absorbing the retail margin (forward integration) or manufacturer margin (backward integration)
- More control over the value chain

---

### Horizontal integration

- Buying competitors or synergistic companies on the same level of the value chain
- Examples:
  - Google purchases YouTube (2006)
  - Facebook purchases Instagram (2012)



#### Main Objectives

- Maximising profits through wider market coverage
- Eliminating competitors



## Strategic Frameworks: Growth Strategies – Strategic Alliances

- **Product or service alliances**
  - Two or more companies jointly market their complementary / combined products
  - Example: airline & credit card
- **Pricing collaborations**
  - Two or more companies join in special price offers
  - Example: airlines, hotels & rental cars offer special prices for their customers
- **Promotional alliances**
  - A company carries the promotion for another company
  - Example: supermarket advertises with producer brands
- **Logistic co-operation**
  - A company offers logistical services for another company
  - Example: restaurants & food delivery services
- **Buying co-operatives**
  - Two or more companies buy products together from one supplier
  - Example: small groceries join into a buying co-operative



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Excursus: Creating New Business Ideas

Operational Marketing\*

Creating Value I: Product

Creating Value II: Price

Delivering Value: Place

Communicating Value: Promotion

\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

**This section is based on the Integrated Marketing System, which, in turn, is based on the KTI research project BrandingStar**

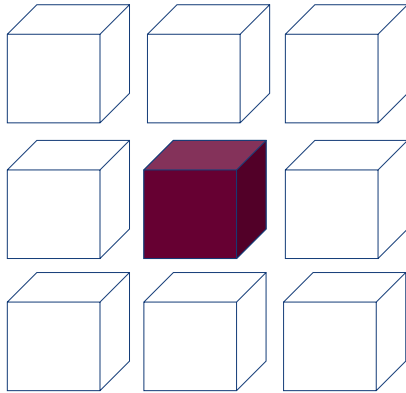
- Godbersen, H., Felder, A. (2009): Was die Markenerweiterung und Portfoliopflege erfolgreich macht, in: KMU-Magazin, Jg. 2009, Nr. 8, S. 14-17
- Godbersen, H., Felder, A. (2009): Strategische Markenpositionierung: Eine starke Marke trotz der Krise, in: KMU-Magazin, Jg. 2009, Nr. 4, S. 16-19
- Godbersen, H., Felder, A. (2009): Operative Markenführung: Wie eine B2B-Marke erlebbar wird, in: KMU-Magazin, Jg. 2009, Nr. 5, S. 18-20
- Godbersen, H., Felder, A. (2009): Nachfragebasierte Unternehmensführung: Mit mehr Profil zu mehr Profit, in: KMU-Magazin, Jg. 2009, Nr. 9, S. 18-21
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- Godbersen, H., Felder, A. (2009): Die Konzeption von starken Marken-Images, in: KMU-Magazin, Jg. 2009, Nr. 1, S. 28-31
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## Definition of a Brand

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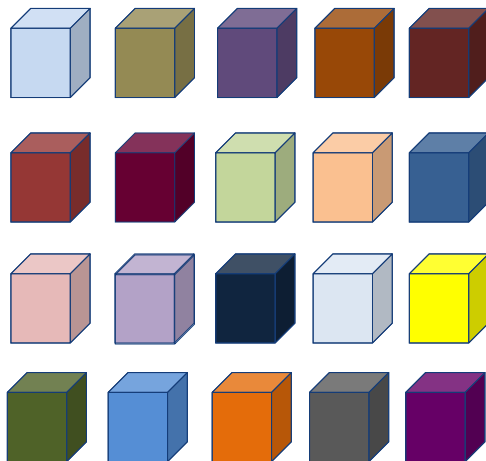


## Definition of a Brand



### Formal Definition of a Brand:

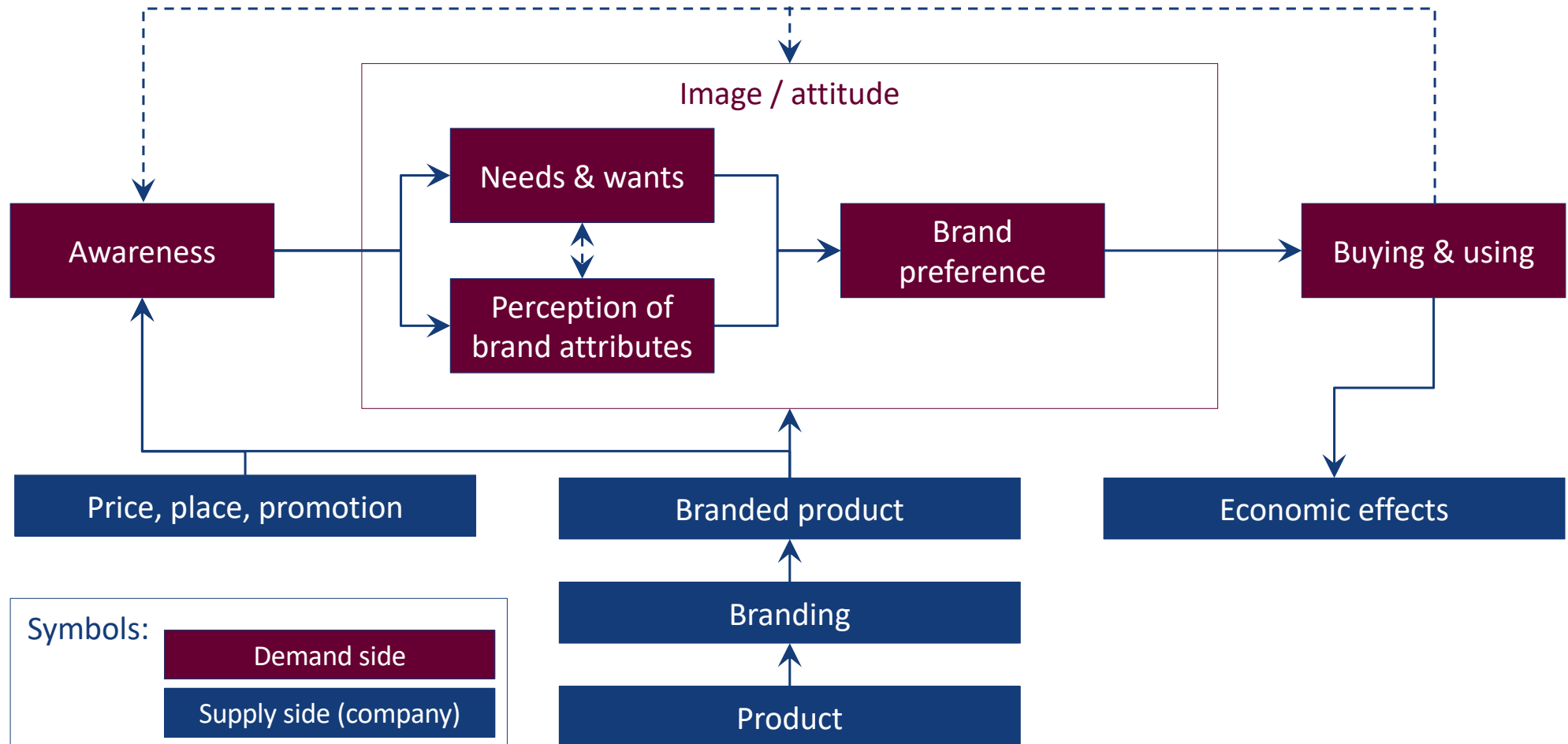
A brand is a symbol consisting of words, images or a combination thereof to distinguish a product or company from its competitors.



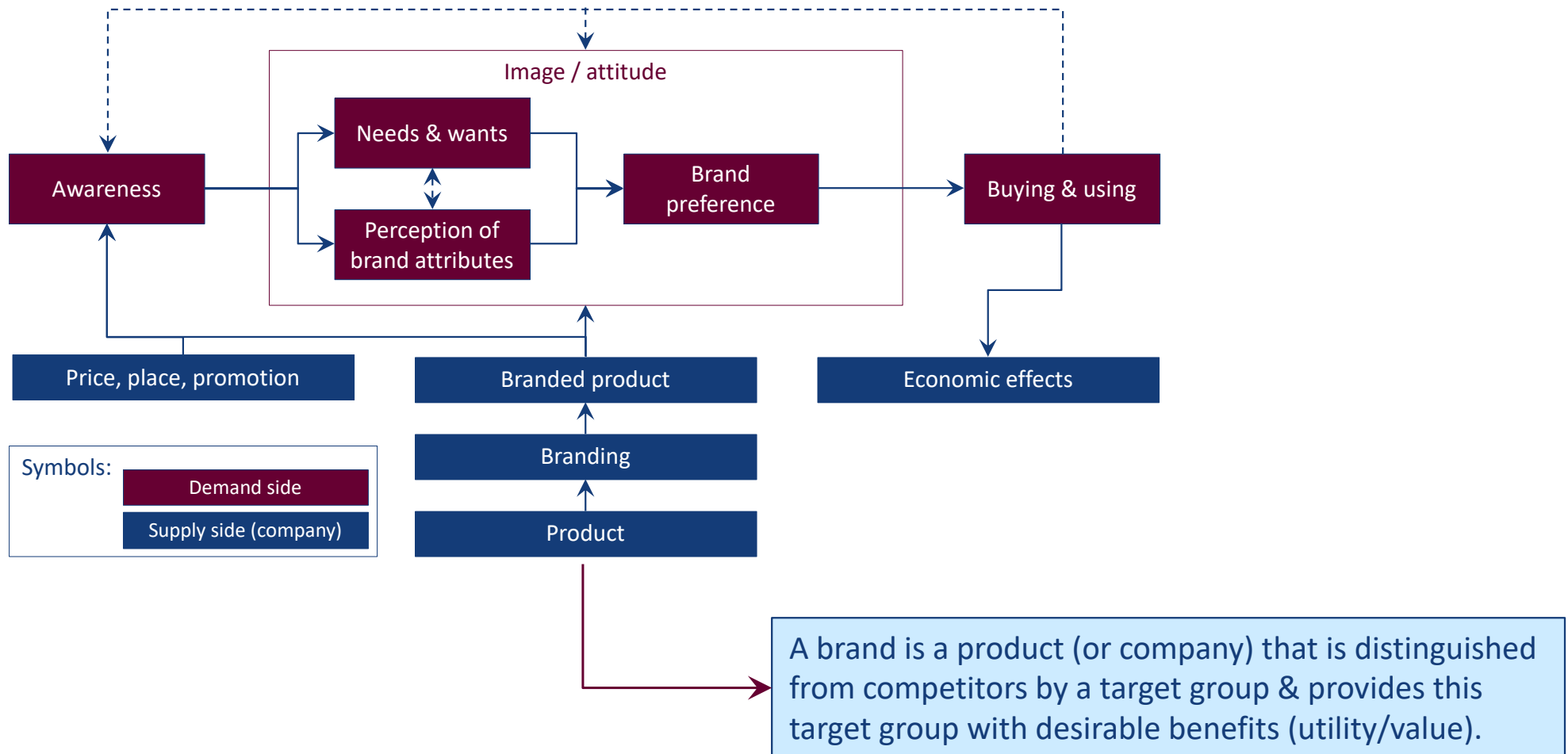
The understanding of brands evolved with the changing of the markets.

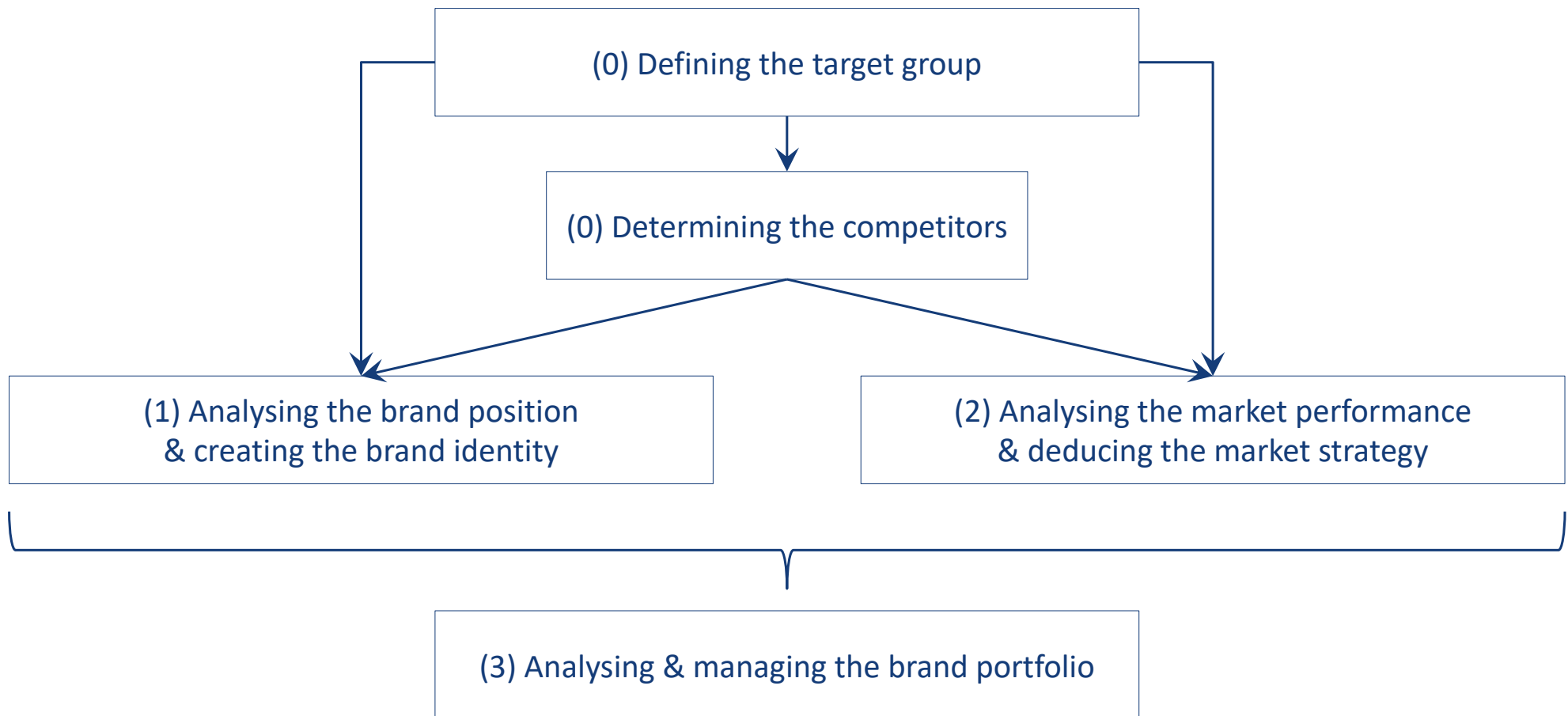
## Definition of a Brand

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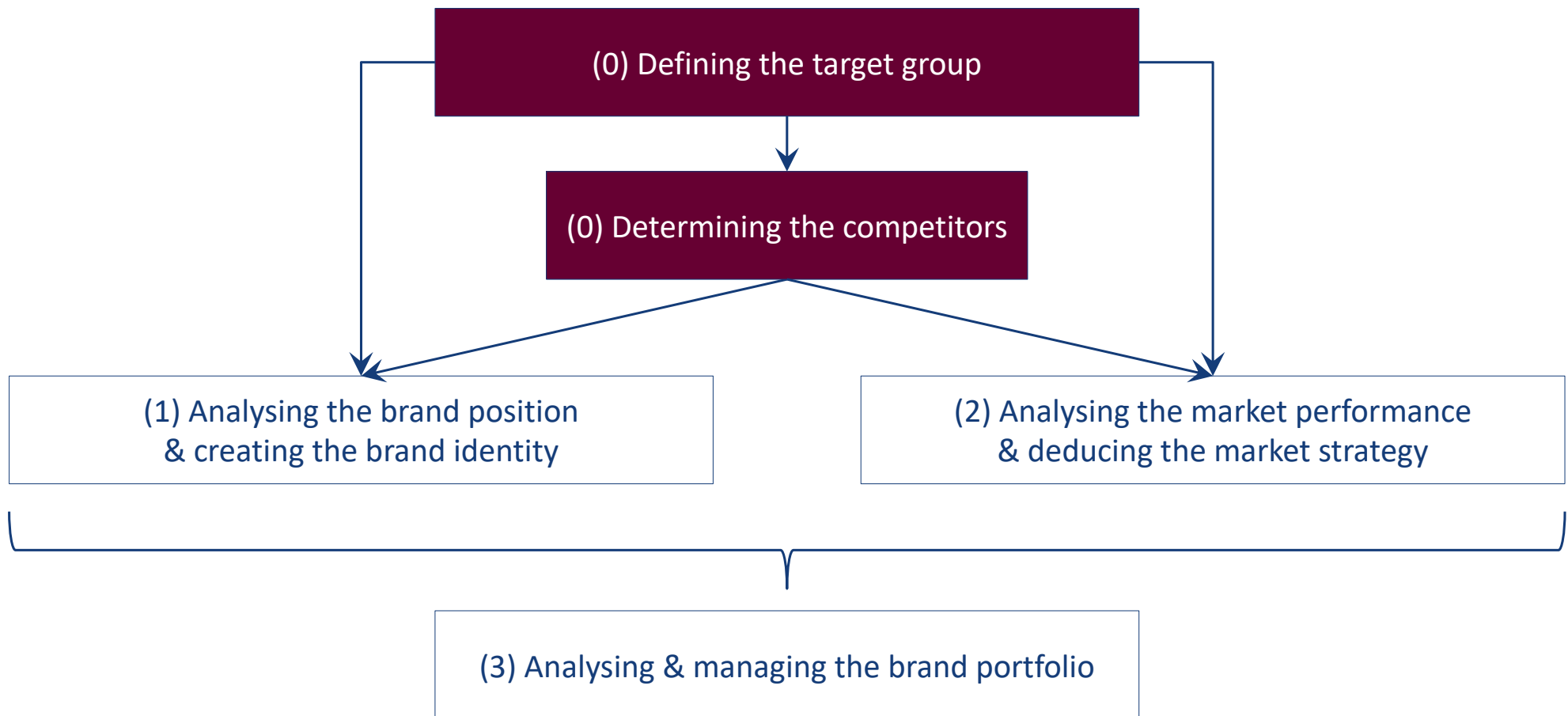


## Definition of a Brand






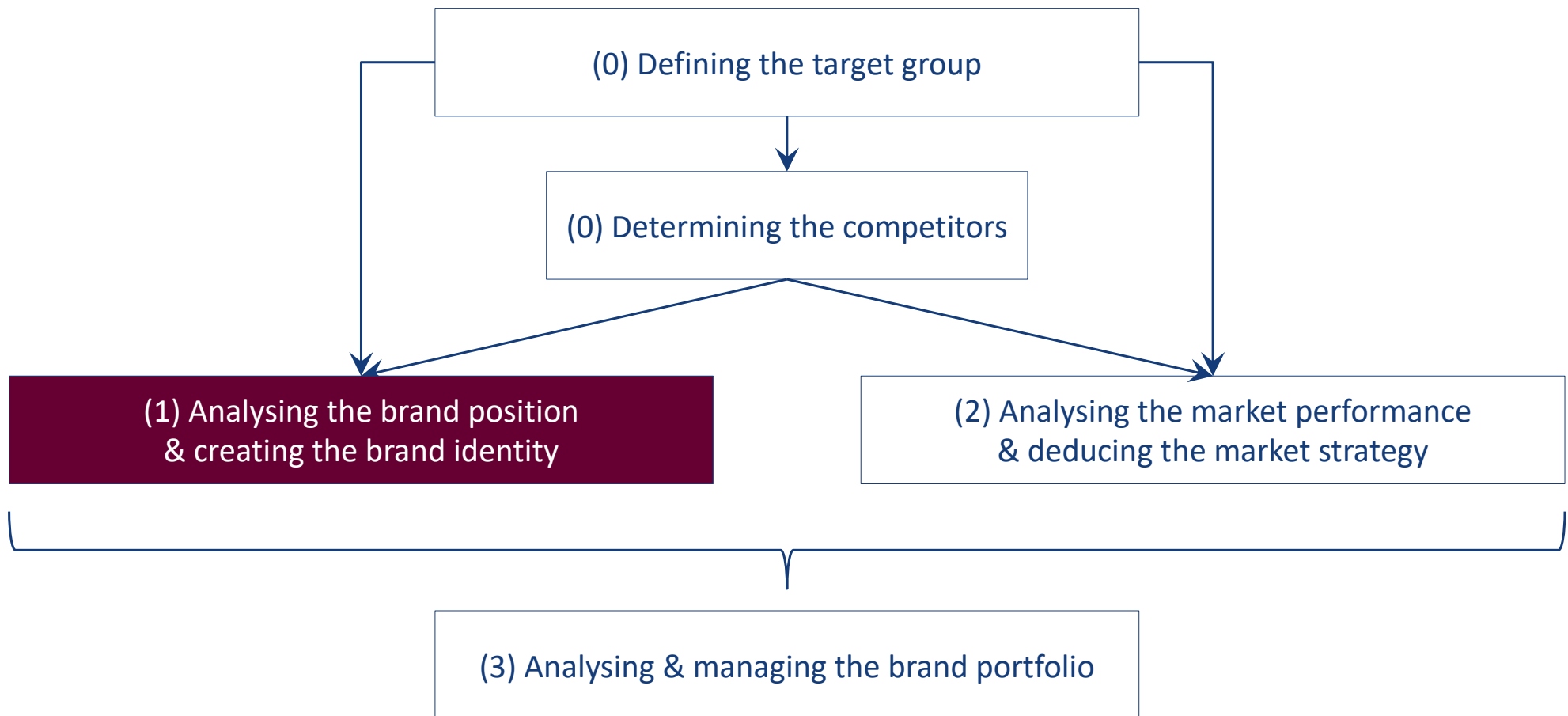




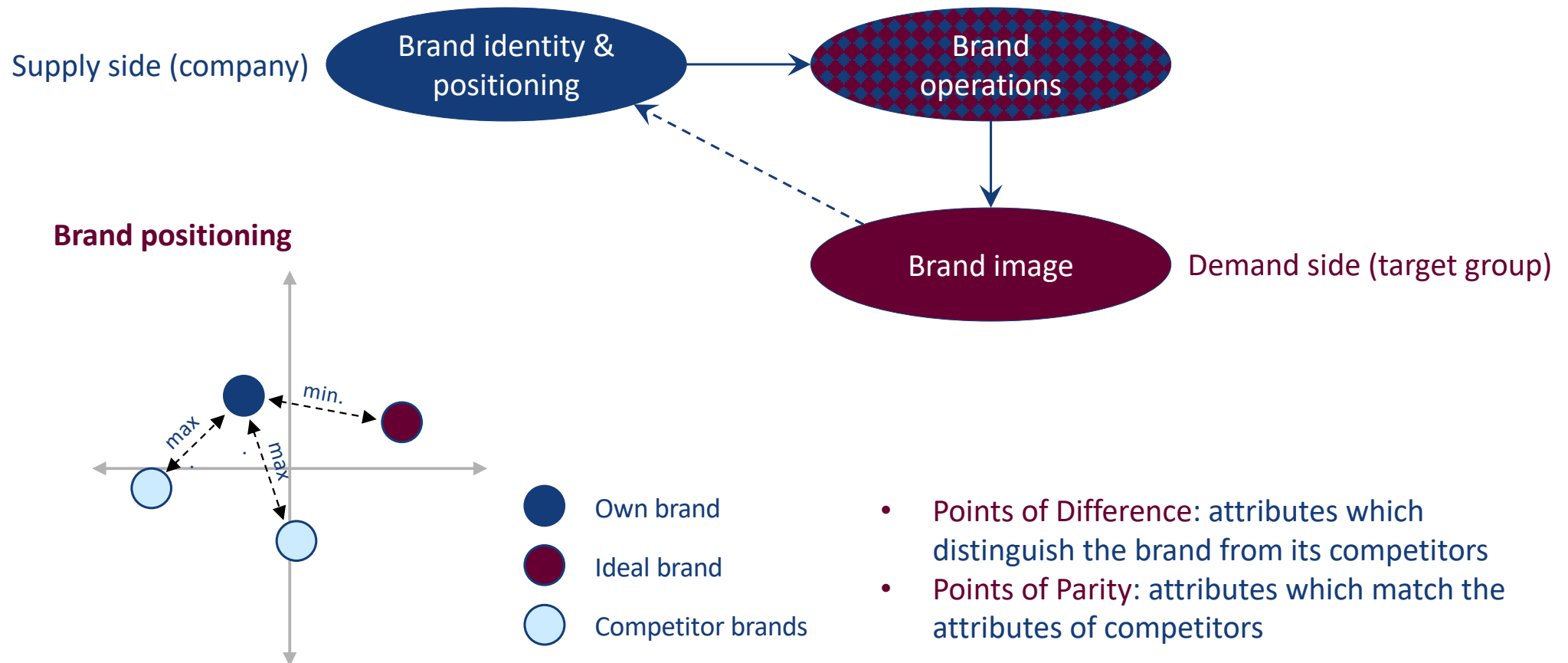
## Defining the Target Group & Determining Competitors

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Process	Simplified Example	
Defining the target group		
Context of using	Drinking a beer with friends	
Motives in the context of using with regard to the product category of the brand	Beer-related motives: Joy, refreshment, taste, thirst-quenching Friends-related motives: Friendship, fun, relaxation, honesty	
Descriptive characteristics	Primary target group: 20 to 30 years; all genders with a tendency to male; outgoing & active lifestyle	
Determining the competitors		
Every brand (within the product category of the brand in the widest sense) that can fulfil the determined motives of the target group in the respective context of using is a competitor	Primary competitors: Other beer brands Secondary competitors: Wine, cocktails etc. Tertiary competitors: Non-alcoholic beverages like soft drinks	



## Creating brand identity & managing brand image



## Analysing the Brand Position & Creating the Brand Identity

---

- 0) Basis from segmenting & competitors
  - Target group / motives / competitors
- 1) Translating the motives into brand attributes
- 2) Determining the relevance of brand attributes to the target group
  - Measuring the relevance of the brand attributes on a scale from 0 (not important) to 100 (very important)
  - Calculating the weighted relevance by dividing the relevance of a brand attribute by the sum of the relevance of all brand attributes
- 3) Determining the perceived quality of the brand attributes by the target group
  - Measuring the subjective quality of the brand attributes on a scale from 0 (not good) to 100 (very good)
  - Calculating the overall evaluation of the brands by the sum of the multiplication of the weighted relevance and the subjective quality of the brand attributes
  - Determine the number of “won” attributes for every brand
  - Calculate the quality difference between the brand and its best competitor for each brand attribute
- 4) Deducing positioning (norm) strategies & brand identity

## Analysing the Brand Position & Creating the Brand Identity

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### Relevance & quality of brand attributes – Simplified example of a beer brand

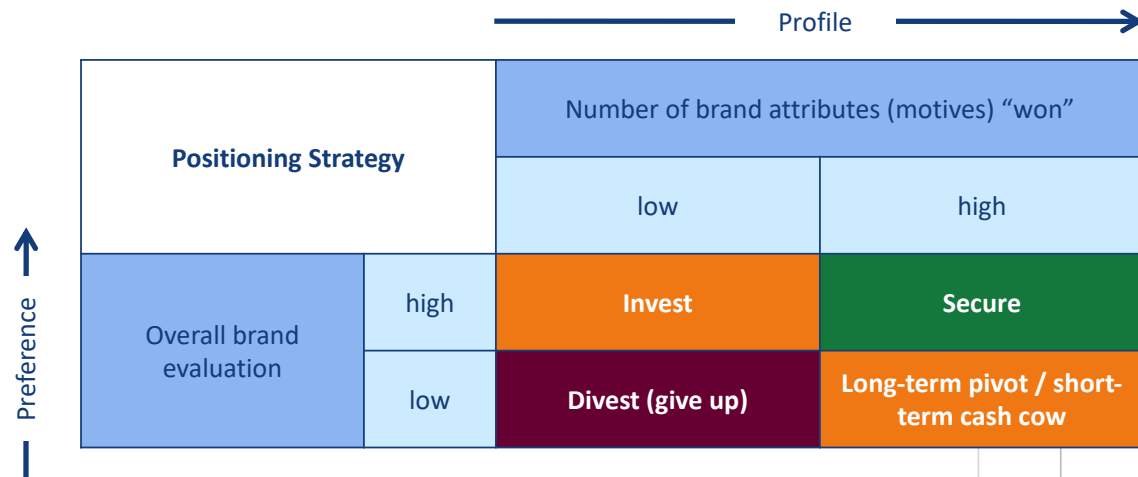
Perspective from Brand A; Context of using: drinking a beer with friends



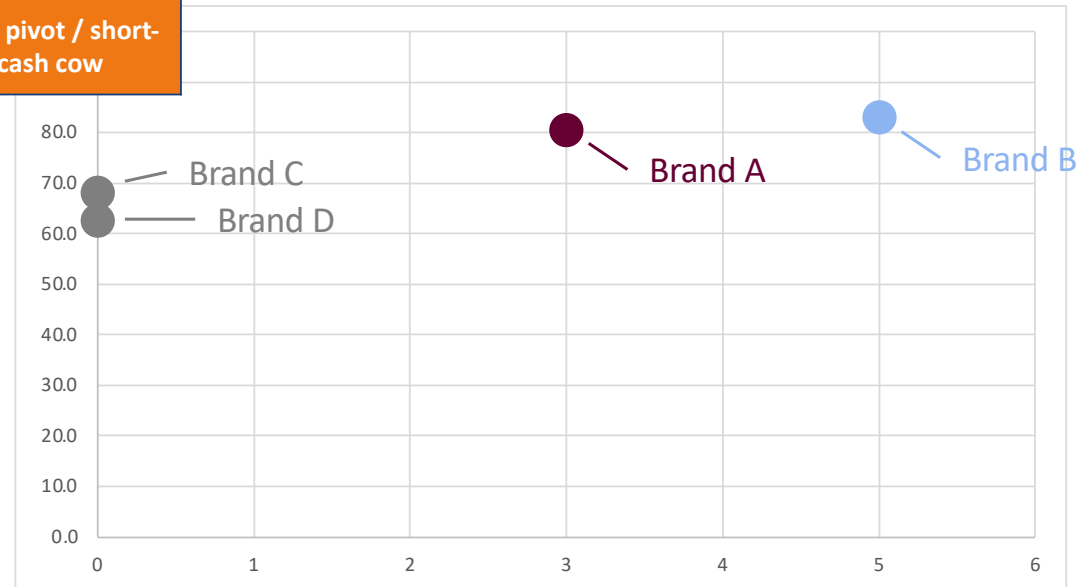
Brand attributes		Relevance 0 (not important) to 100 (very important)	Weighted Relevance	Quality 0 (not good) to 100 (very good)				Delta to top competitor
				Beer A	Beer B	Beer C	Beer D	
Rather beer-related	Joy	85	16%	76	81	63	59	-5
	Refreshment	55	10%	80	79	67	61	1
	Taste	40	7%	71	80	59	62	-9
	Thirst-quenching	45	8%	73	78	68	71	-5
Rather friends-related	Friendship	90	17%	93	90	77	63	3
	Fun	90	17%	84	87	69	64	-3
	Relaxation	70	13%	71	81	65	59	-10
	Honesty	65	12%	85	82	71	64	3

Preference & attributes won	Beer A	Beer B	Beer C	Beer D
<b>Preference</b> (sum of quality multiplied by weighted relevance)	80.4	83.1	68.1	62.5
<b>Attributes won</b> (highest quality rating)	3	5	0	0

# Analysing the Brand Position & Creating the Brand Identity

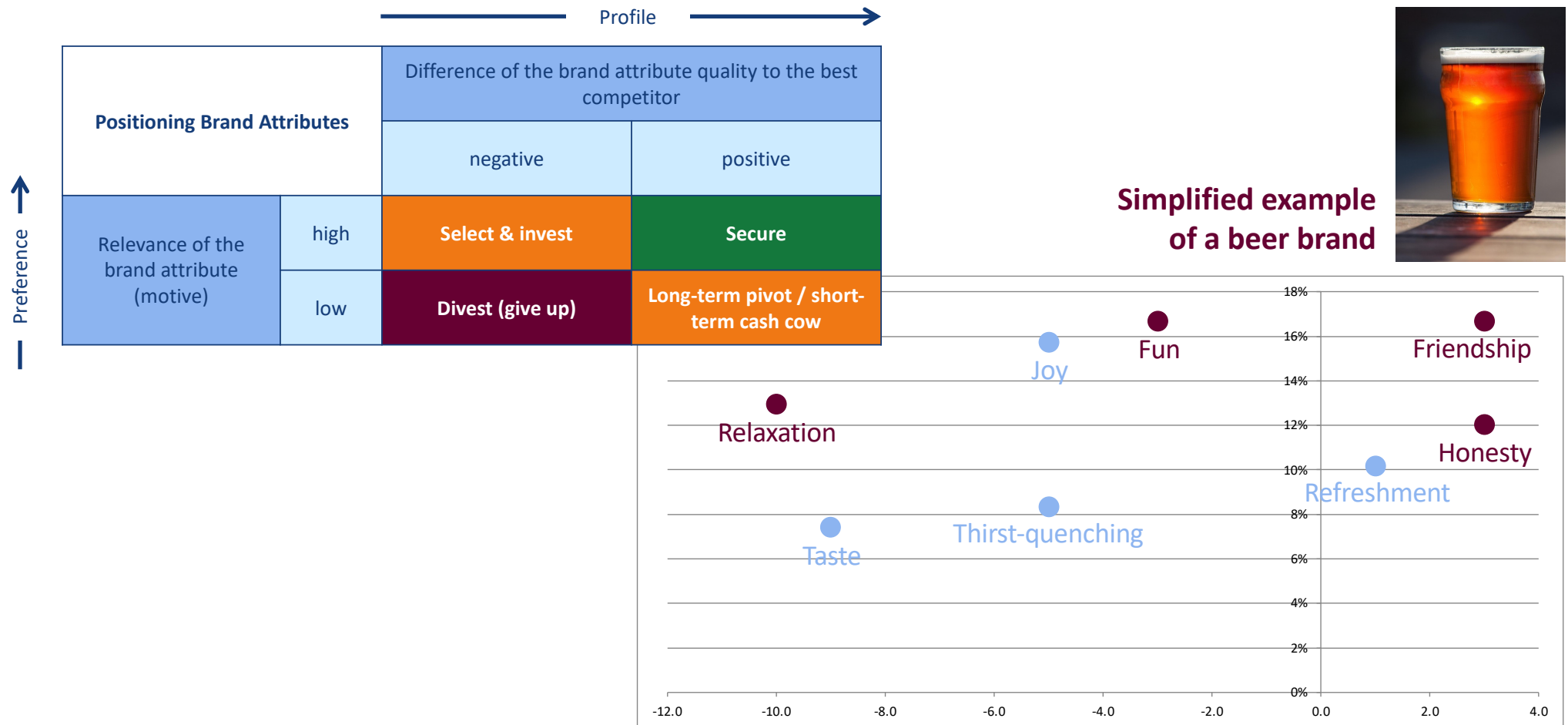


Simplified example  
of a beer brand



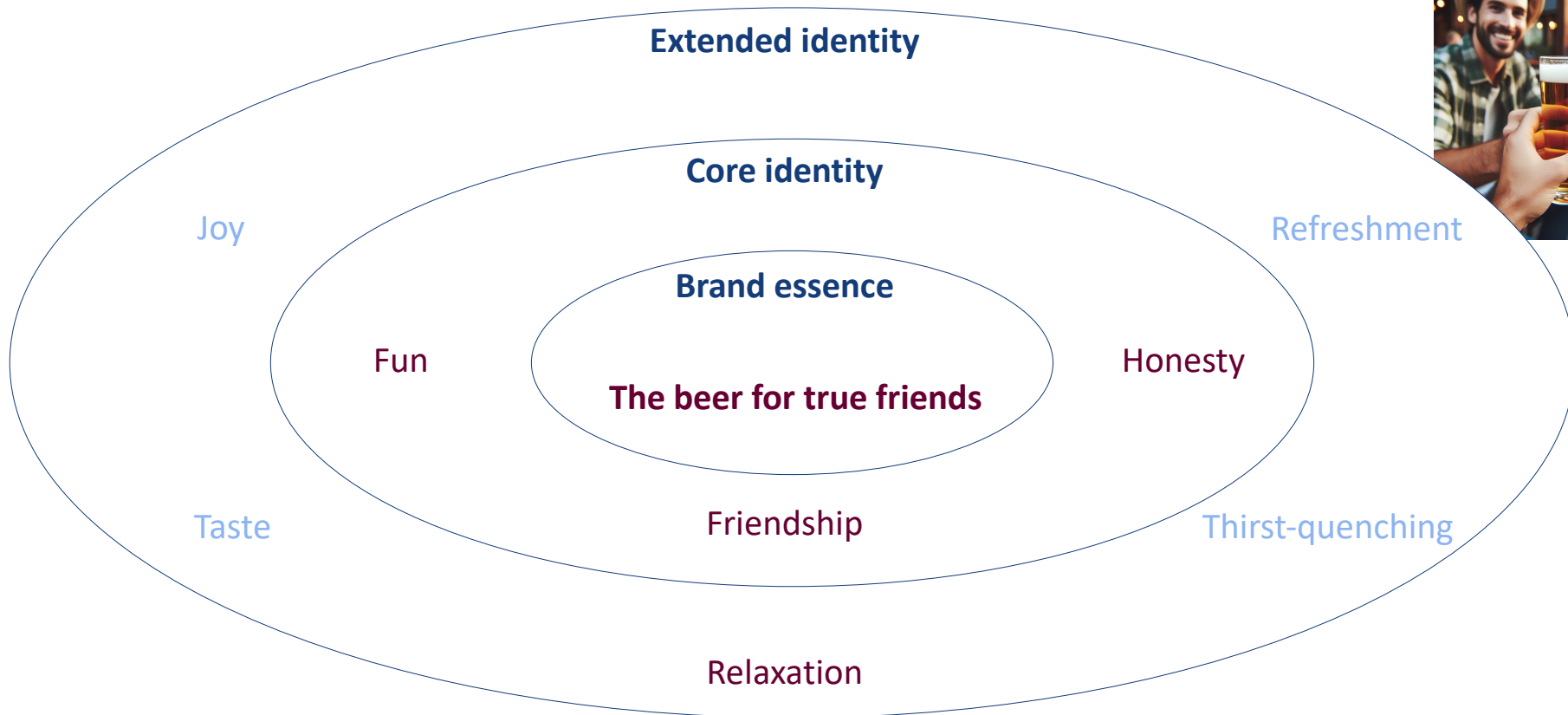
# Analysing the Brand Position & Creating the Brand Identity

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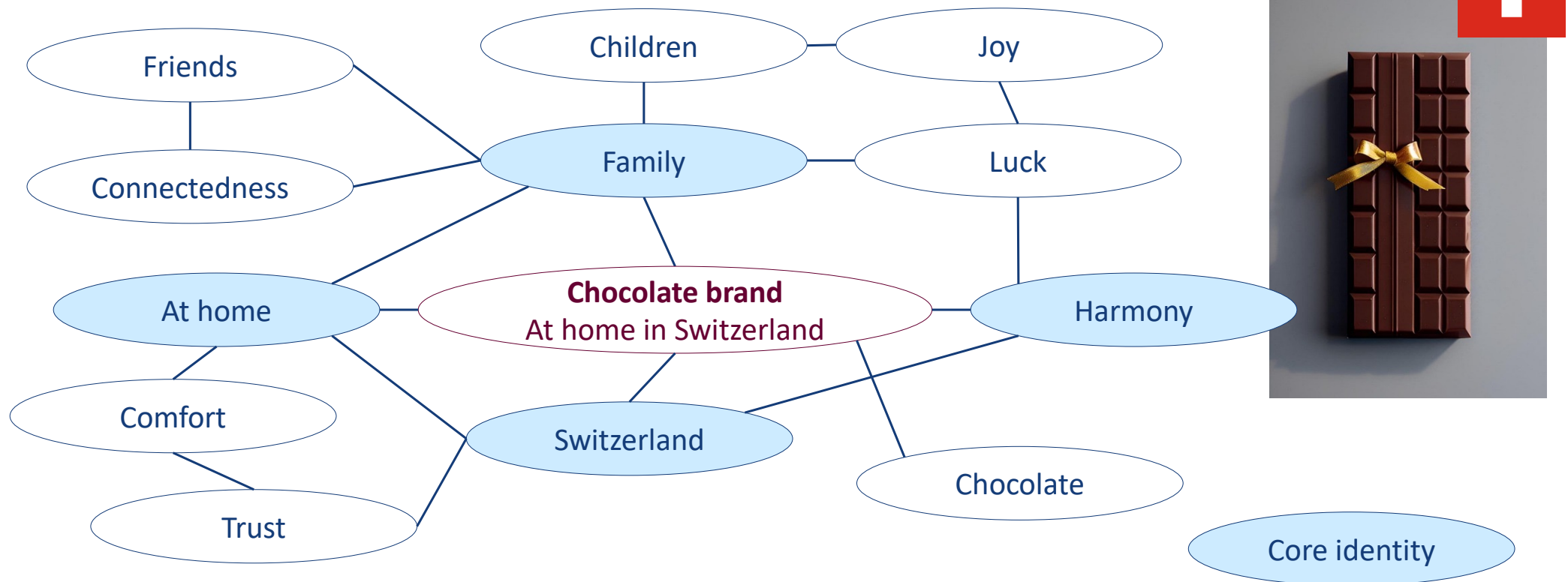




### Aaker's brand identity structure – simplified example

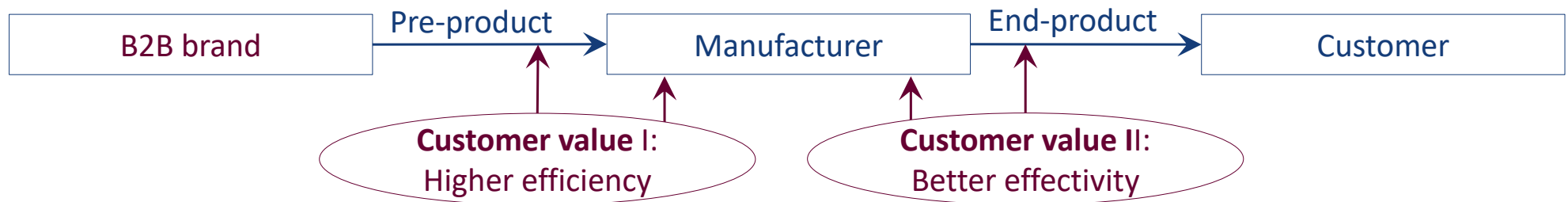


### Brand Identity as semantic network – simplified example of a Swiss chocolate brand (core target group: Swiss middle class)



### B2B Brand Identities

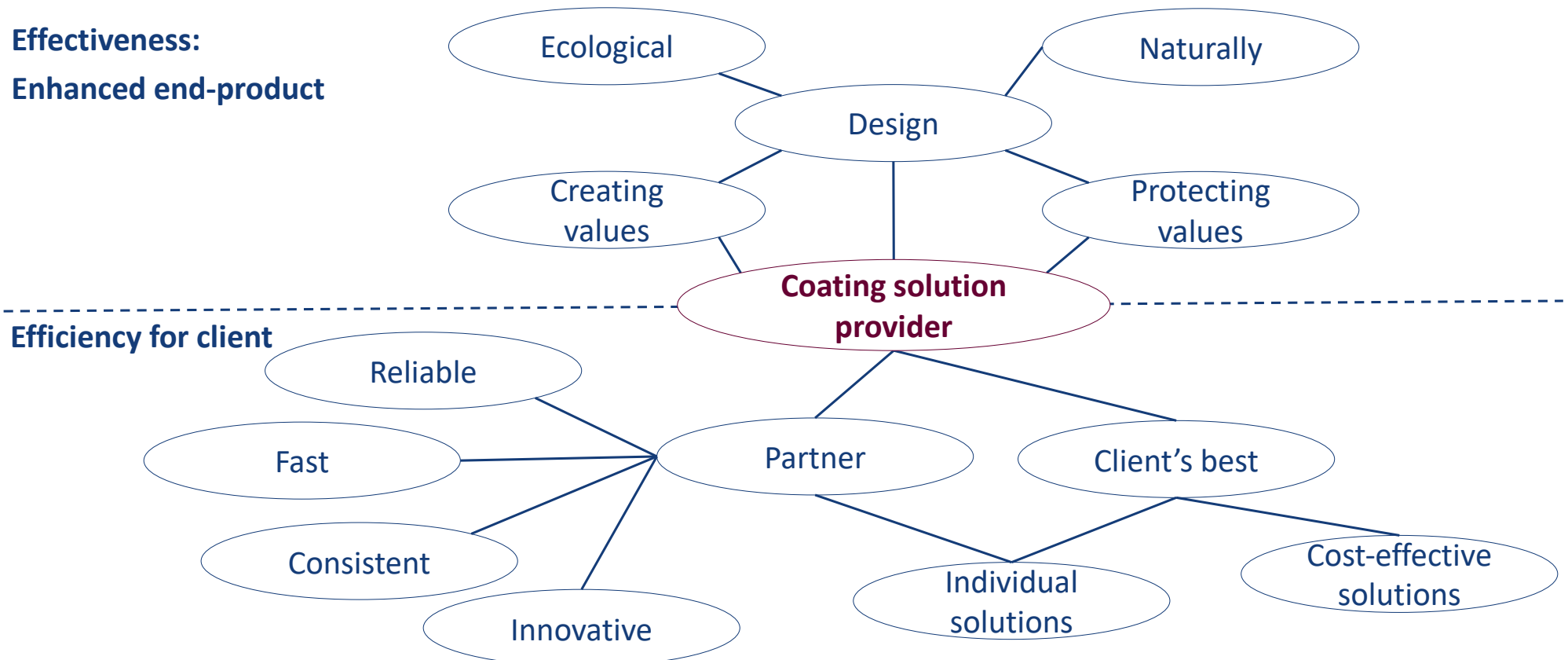
- In contrast to B2C brands rather **rational** (& not emotional) **brand identity**, as companies strive after maximising their profits (& not satisfying their emotional needs)
- Options for creating customer value & **brand identity** in B2b markets
  - Potential Customer value I: **More efficient process = cost reduction**
  - Potential Customer value II: **More effective end-product quality = higher revenue potential**



### Example of the brand identity of an industrial coating solution provider

**Effectiveness:**

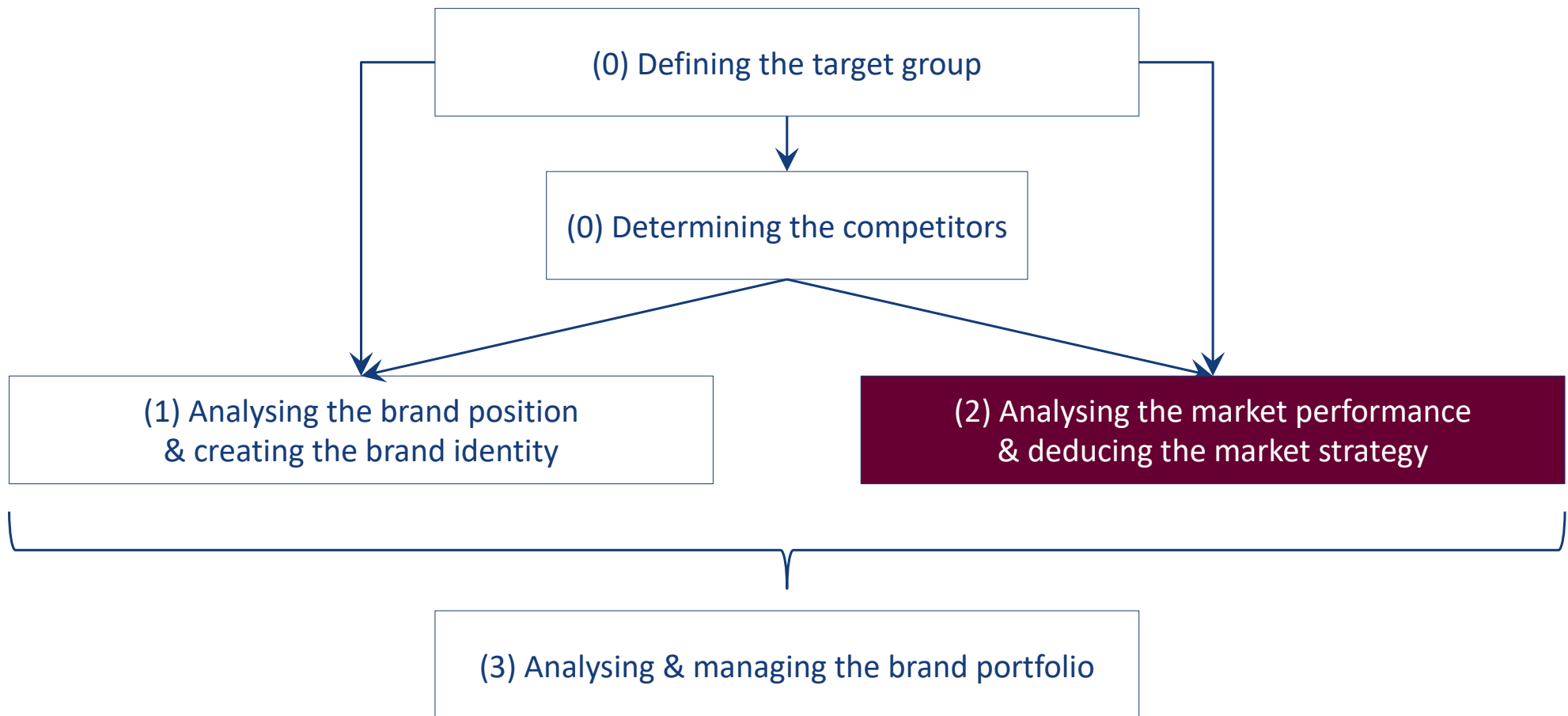
**Enhanced end-product**



- Definition of Branding
  - A branding is a symbol consisting of words, images or a combination thereof to distinguish a product or company from its competitors.
  - Cf. formal definition of a brand
- Function of brandings
  - A branding should serve as simple & effective cue stimulus to quickly activate the brand image (associations).

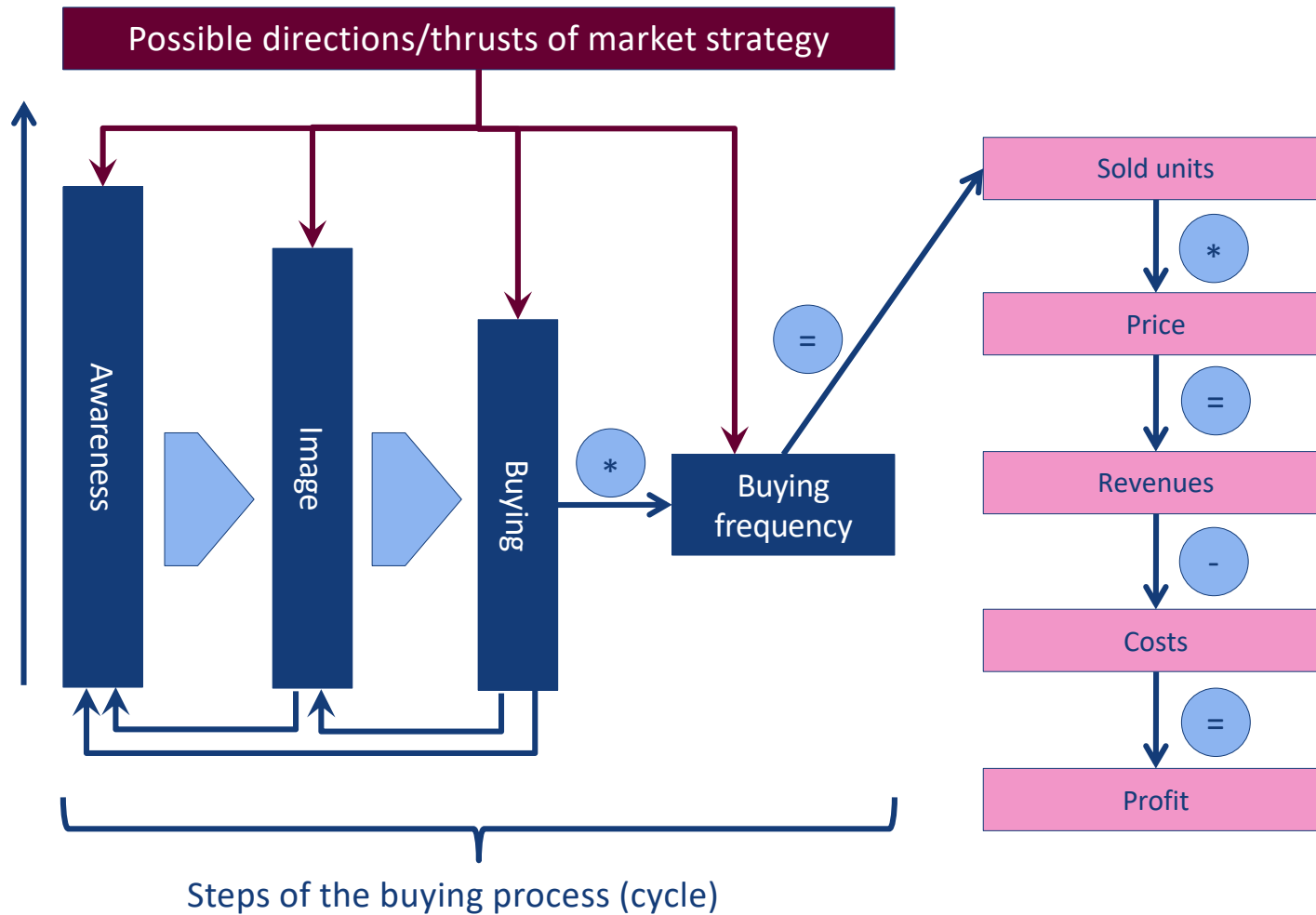


- Development of (formal) brands
  - There is no “silver bullet” but the techniques of designing advertisements can be applied to designing a (formal) brand.



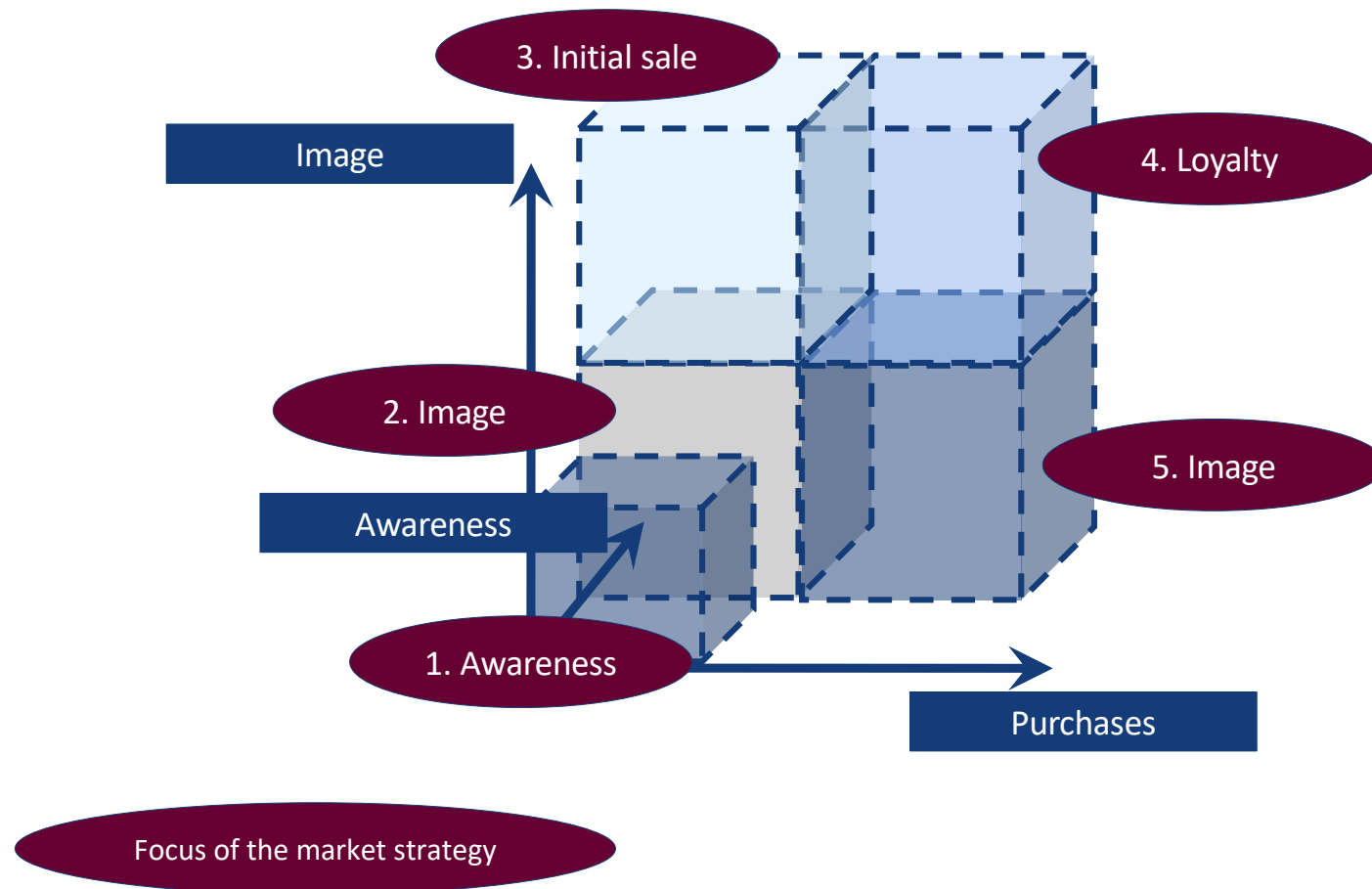
## Analysing the Market Performance & Deducing the Market Strategy

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## Analysing the Market Performance & Deducing the Market Strategy

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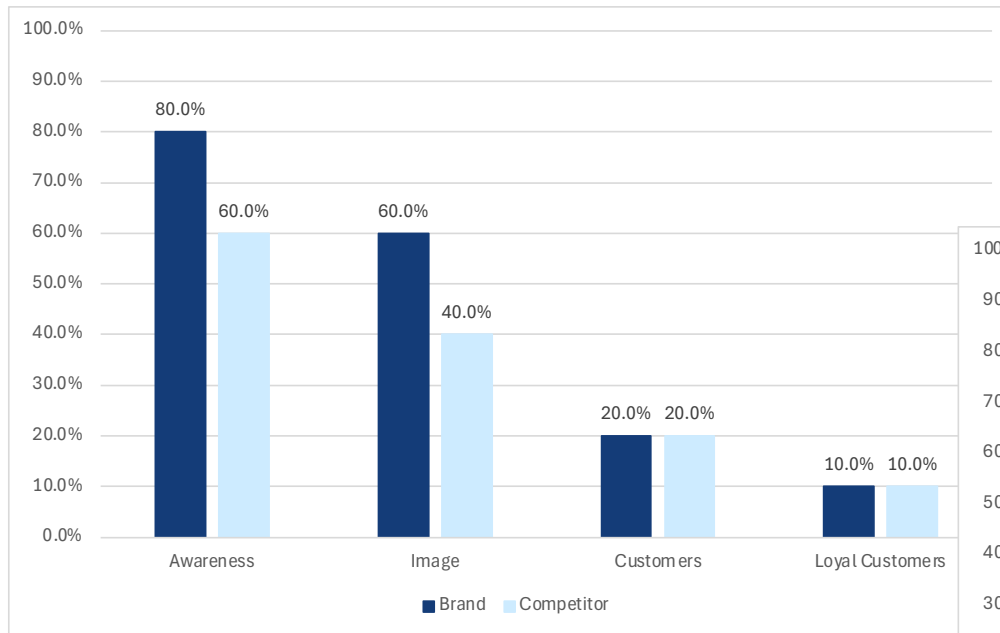


## Analysing the Market Performance & Deducing the Market Strategy

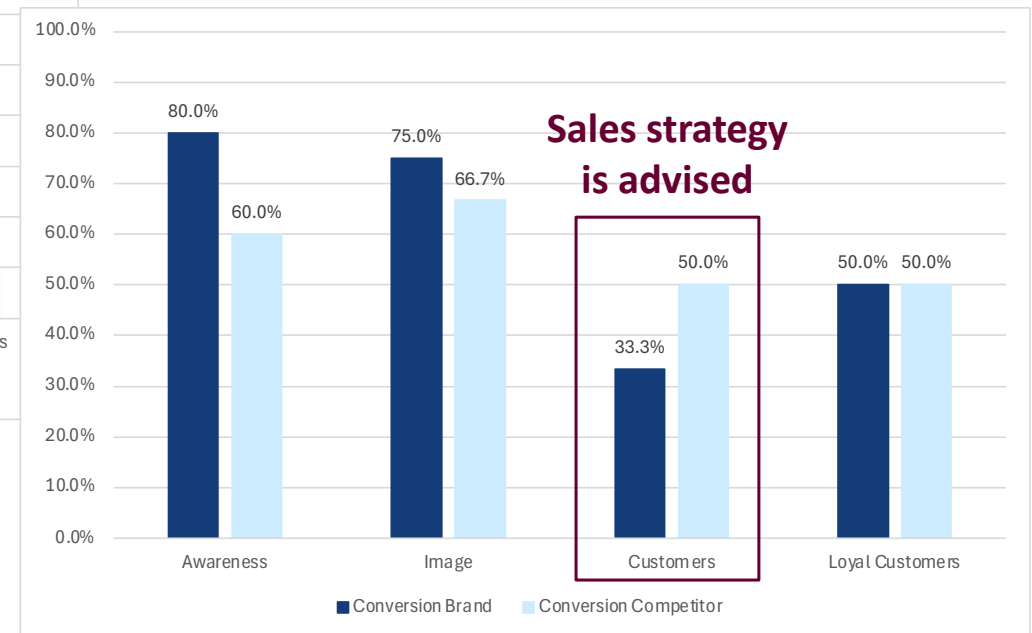
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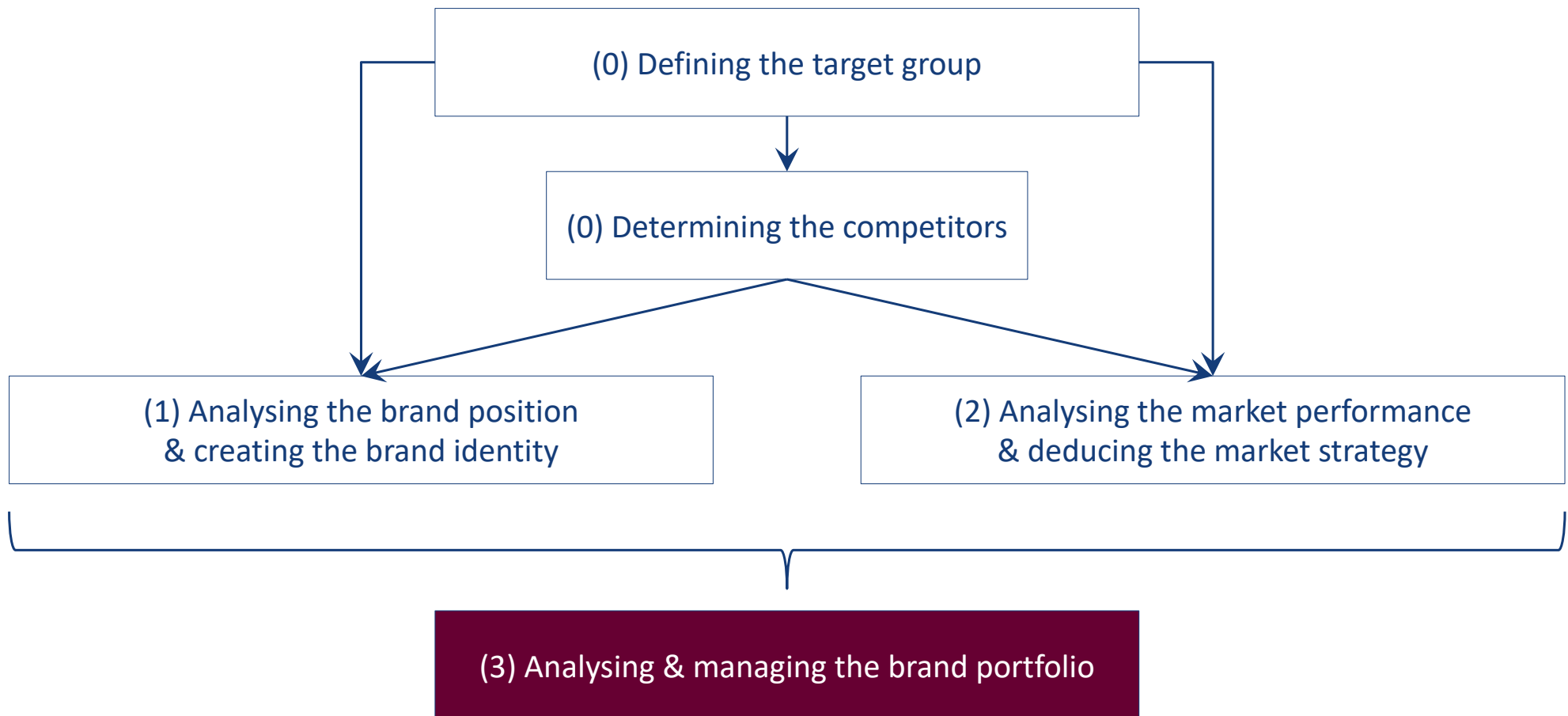
- 0) Basis from segmenting & competitors
    - Target group / competitors
  - 1) Determine the numbers on the following steps of the buying process for the brand and its competitors
    - Awareness
    - Positive brand image
    - Buyers
    - Loyal customers
  - 2) Calculate the conversion between the steps of the buying process
  - 3) Deduce market strategies from the conversion
    - Awareness strategy
    - Image strategy
    - Sales strategy
    - Loyalty strategy
- General rule: A strategy should be focused on/prioritised if the referring conversion is weaker than the competitors' ones

## Market performance in relation to target group

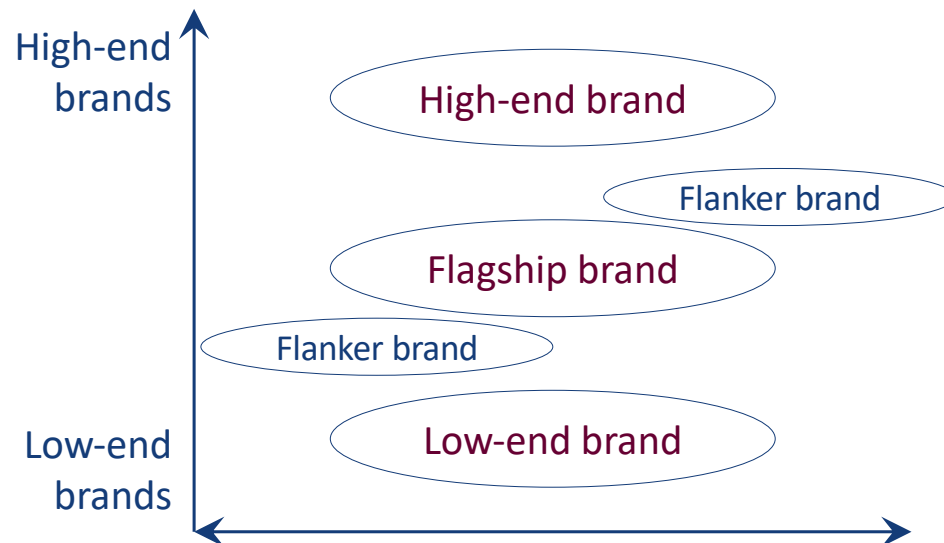


## Conversions

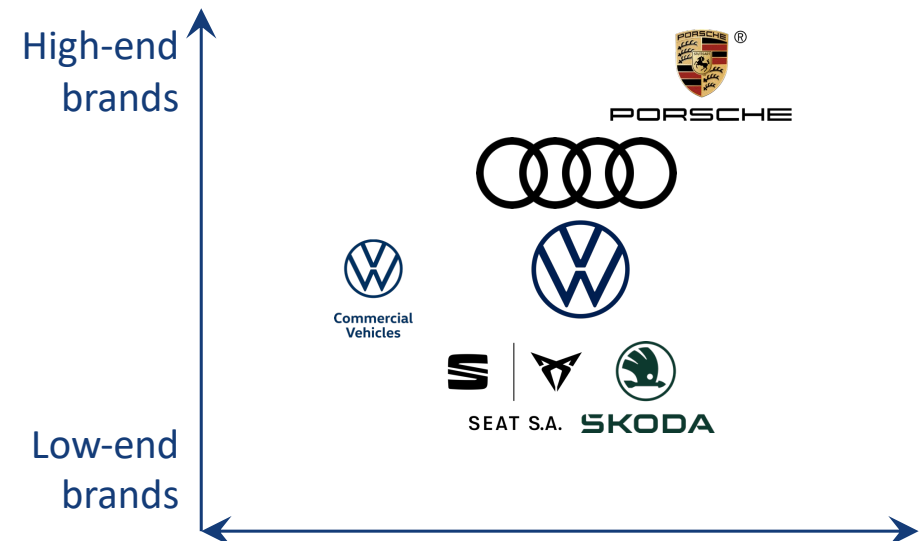




## Roles of brands in the portfolio

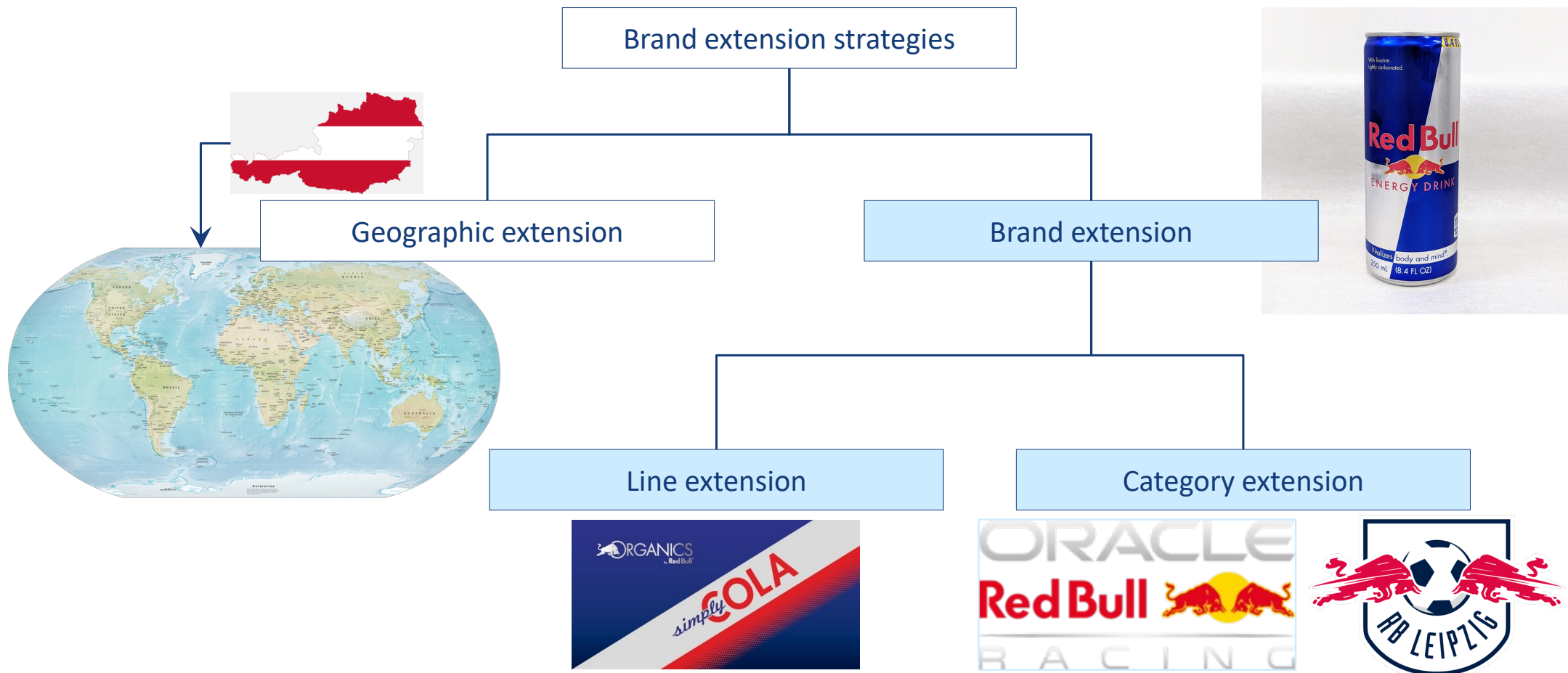


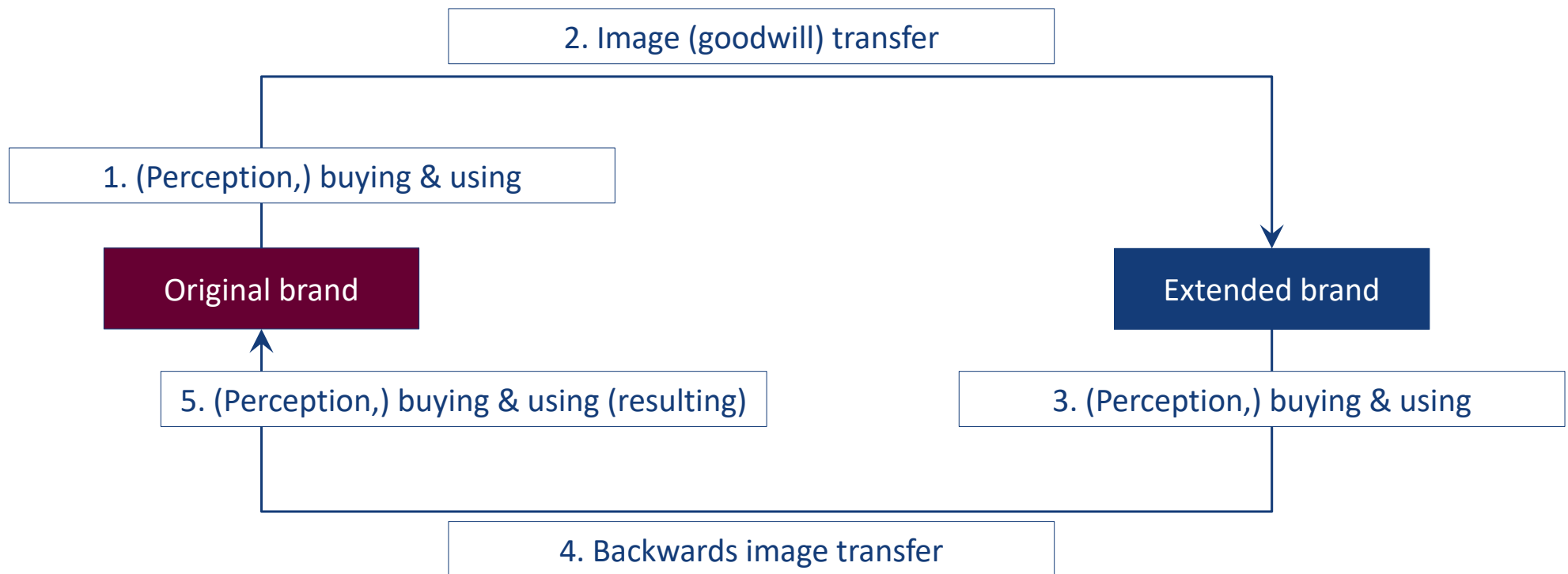
## Brand portfolio of Volkswagen Group (excerpt)



## Brand architecture: branded house vs. house of brands

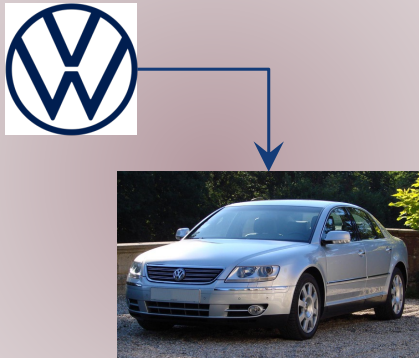

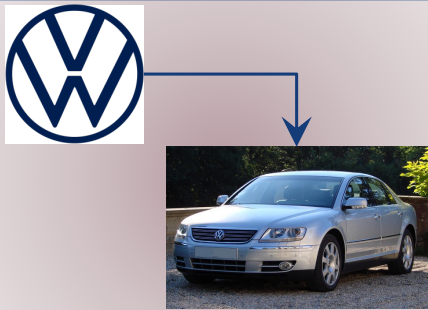







Success & failure of brand extensions		Usage & image		
		not similar	similar	identical
Target groups	Identical	(1) Failing because image transfer is not possible	(2) Potential to realise additional sales because of additional/new usage	(3) Threat of cannibalising
	different		(4) Potential to reach new target groups	



Success & failure of brand extensions		Usage & image		
		not similar	similar	identical
Target groups	Identical	 <p>VW Phaeton</p>		 <p>VW Phaeton</p>
	different			

Process of brand elimination

- 1) Identifying eliminable brands by analysing the recent profits (cash flows)



- 2) Analysing scenarios of market development



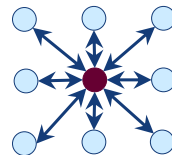
- 3) Developing possible strategies & operations to revive the brand



- 4) Determining the net present value

$$NPV = -I_0 + \frac{\sum_1^t R_t - C_t}{(1+i)^t}$$

- 5) Checking image transfers within the brand portfolio (attitudinal composite effects)



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Creating Value II: Price

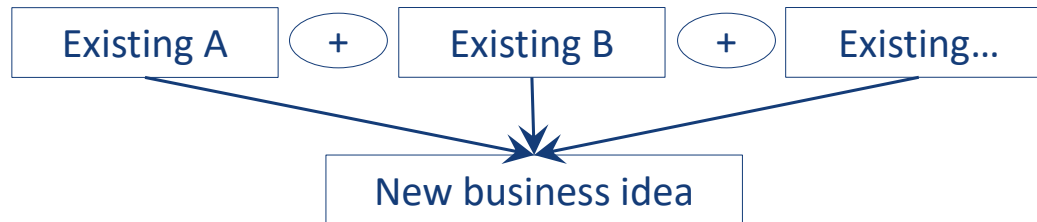
Delivering Value: Place

Communicating Value: Promotion

\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

## Excursus: Creating New Business Ideas

- **Innovation** = combining existing objects, technologies, functions, process &/or constructs

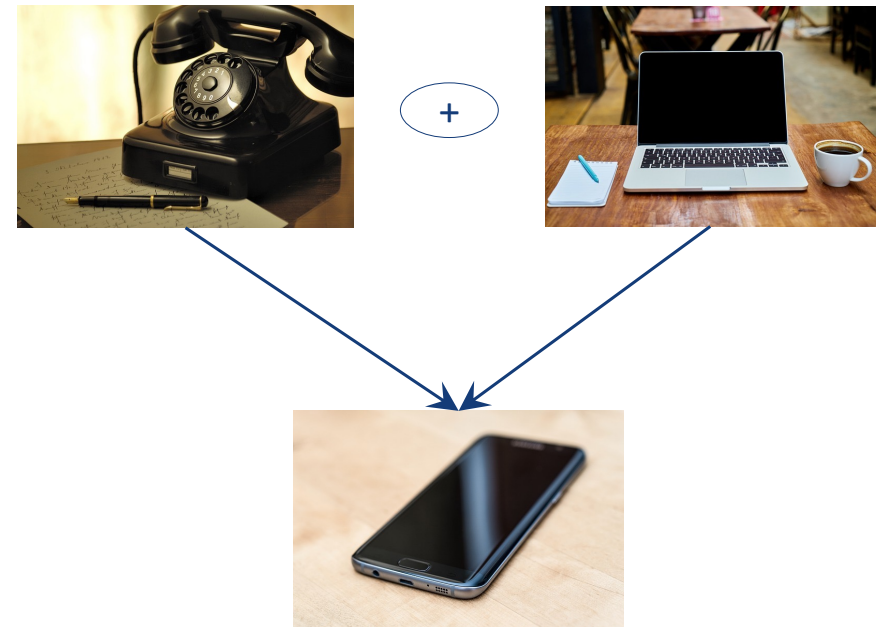


- **Sources of inspirations** for new business ideas

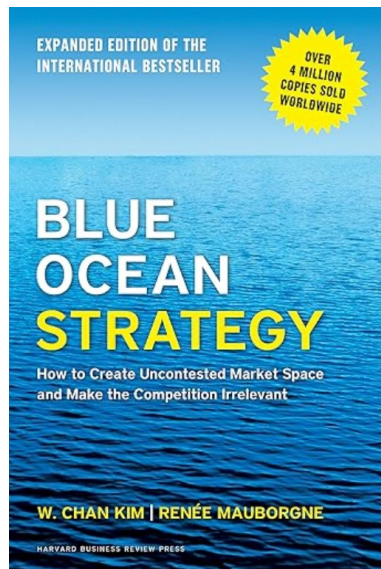
- Observations & experiences
- Customer feedback & complaints
- Literature
- Experts
- ...

- **Perspectives on new business ideas**

- 1) Value to customer
- 2) Technological/functional solution
- 3) Economic viability

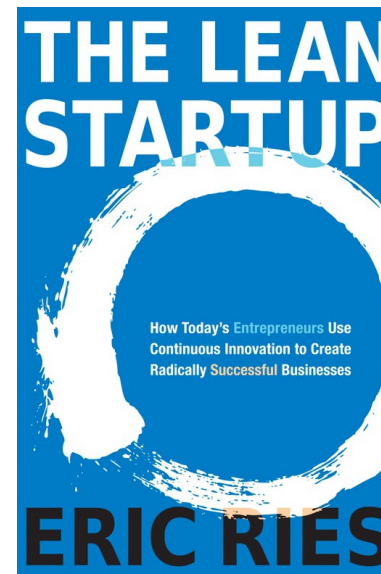


### Two approaches with the potential to support the development of new business ideas



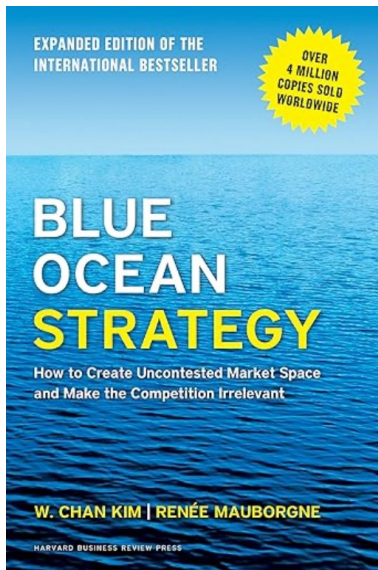
Kim, W.C. & Mauborgne, R. (2015). Blue Ocean Strategy: how to create uncontested market space and make the competition irrelevant.

Ries, E. (2011). The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses.\*\*\*



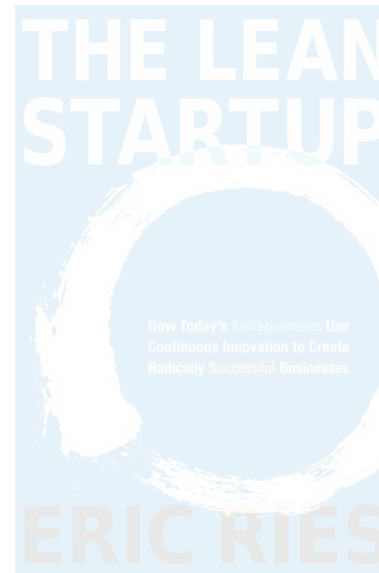
\*\*\*beware: It is debated if the Lean Startup approach can be considered an academically "solid" theory

### Two approaches with the potential to support the development of new business ideas



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## Blue Ocean Strategy – The “Traditional” Approach

Porter's generic strategies = “traditional” approach		Competitive Advantage	
		Low cost	Product uniqueness (quality differentiation)
Market Scope	Broad (segment to full market coverage)	Cost leadership strategy	Differentiation strategy (quality leader)
	Narrow (niche to segment)	Low-cost focus strategy	Differentiation focus strategy

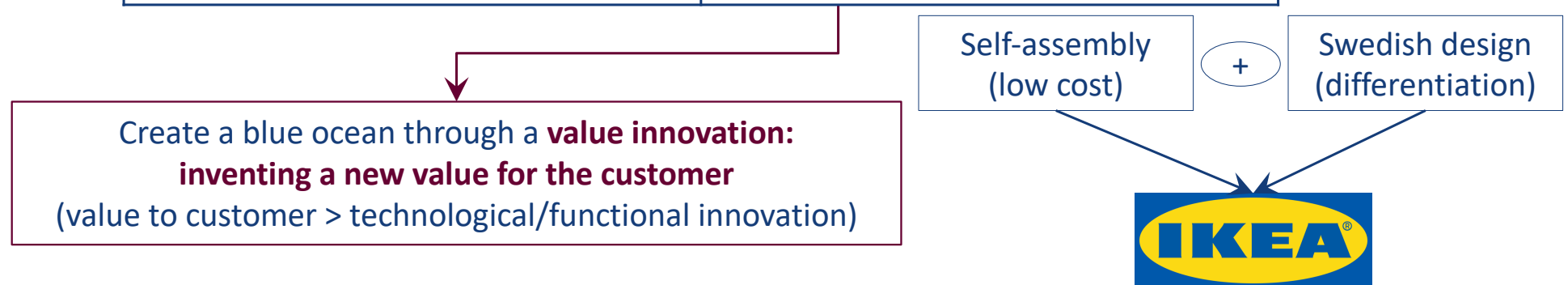
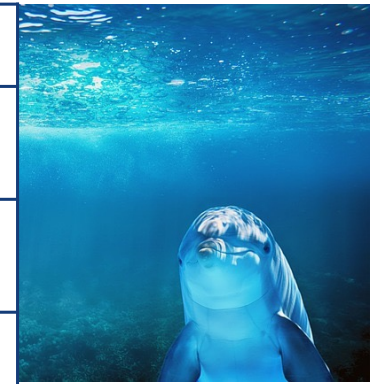
← Cost vs. value →

## Blue Ocean Strategy: Red Ocean vs. Blue Ocean

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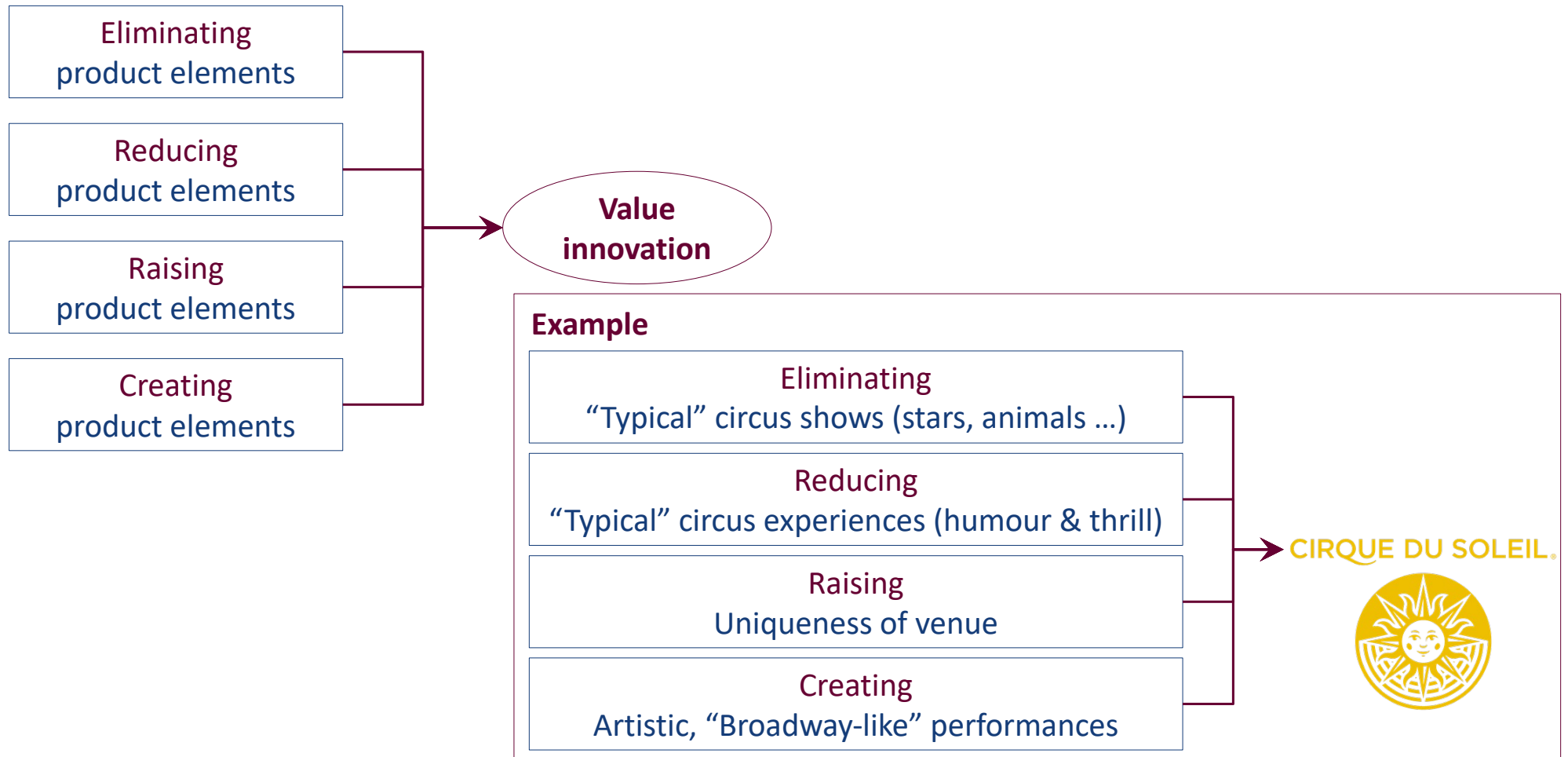
Red ocean	Blue ocean
Operate in an existing market space	Create an uncontested market space
Exploit the existing demand	Create & capture a new demand
Beat the competitors in a cutthroat competition	Make the competition irrelevant
Chose between low cost vs. differentiation strategy	Break the value-cost trade-off & combine low cost & differentiation





## Blue Ocean Strategy: Four Actions Framework

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## Blue Ocean Strategy: Formulation & Execution Principles

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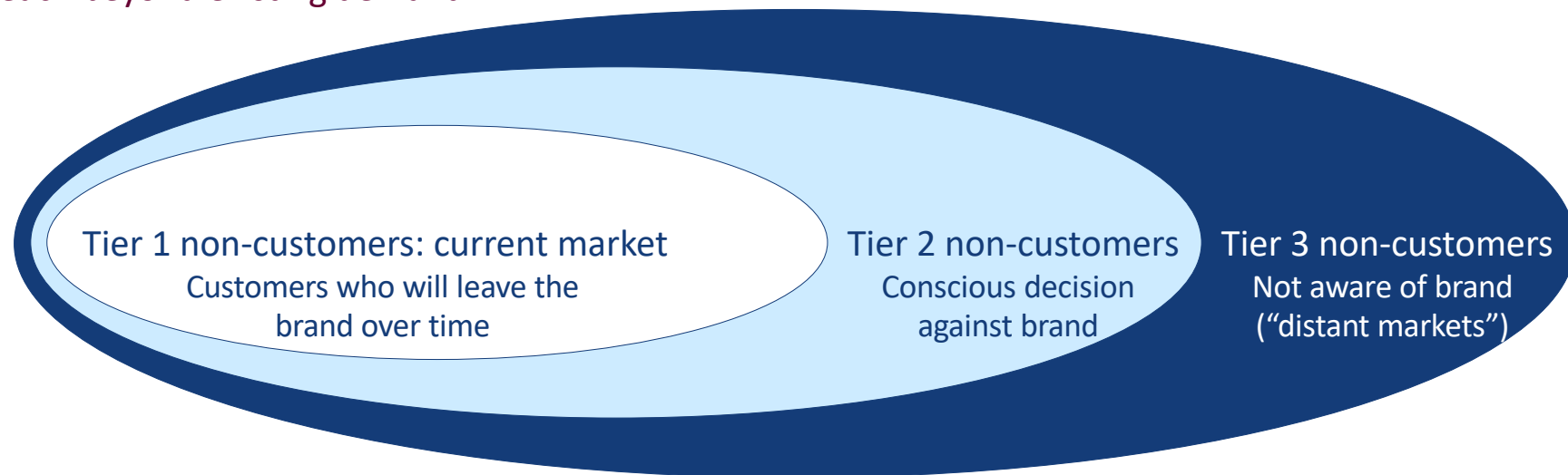
- Formulation principles
  - Reconstruct market boundaries
  - Focus on the big picture, not the numbers
  - Reach beyond existing demand
  - Get the strategic sequence right
- Execution principles
  - Overcome key organisational hurdles
  - Build execution into strategy

- Reconstruct market boundaries

- Customers
- Value to customer
- Technological/functional solution
- Business partners
- Competitors

} Redefine within industry & across industries

- Reach beyond existing demand

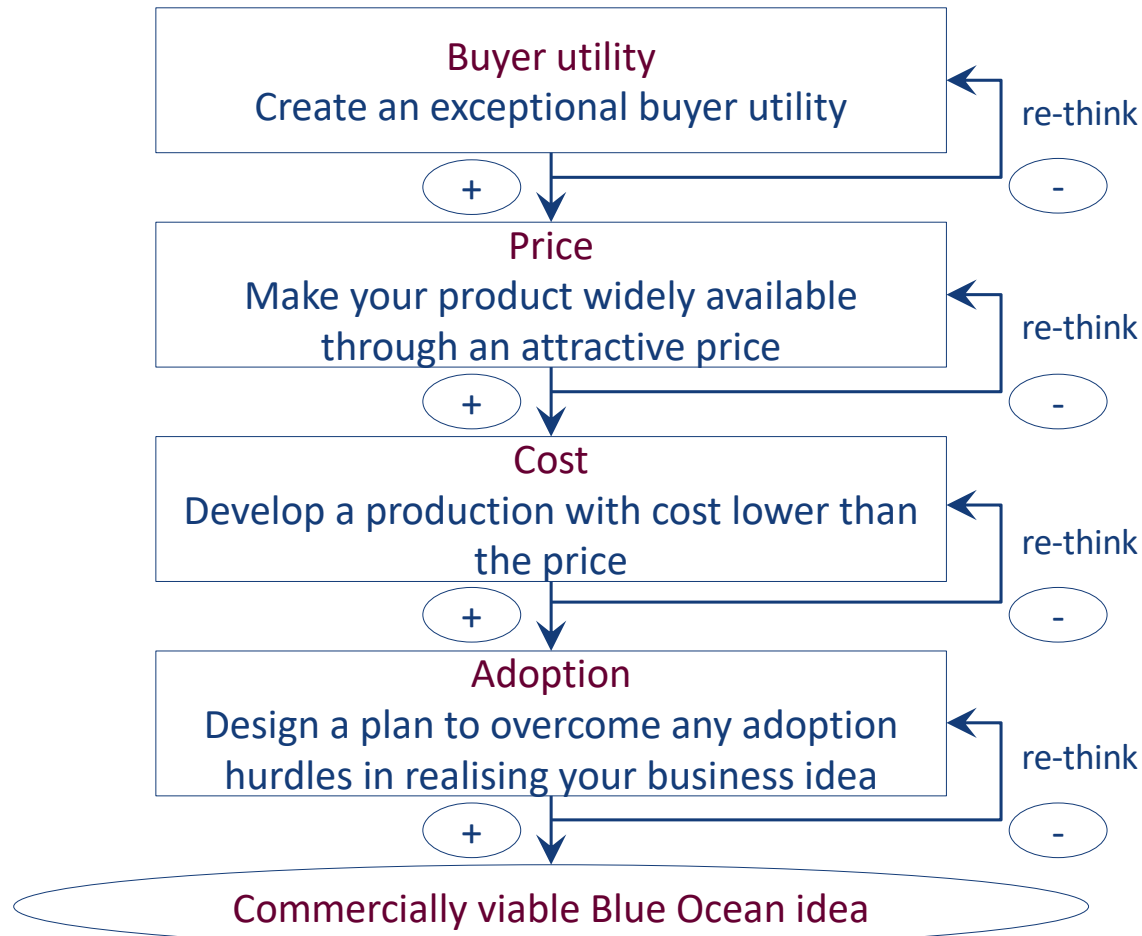


## Blue Ocean Strategy: Example

- Branch-specific requirements that prevented a Joint Strike Fighter (one aircraft for all of the three branches)
  - US Air Force: Agility & Stealth
  - US Navy: Durability & maintainability
  - US Marines: STOVL & Countermeasures
- Solution of Lockheed Martin
  - Combining all of the afore-mentioned requirements within the aircraft
  - Therewith: Reconstructing market boundaries & reaching beyond existing demand
- Consequences
  - Lower cost because one aircraft design instead of three
  - Enhanced capability spectrum for the three branches



## Blue Ocean Strategy; Get the Strategic Sequence Right

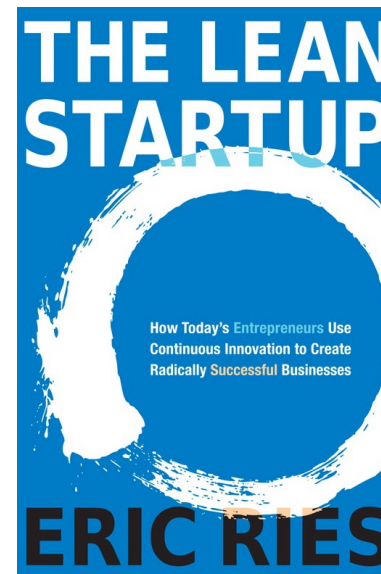


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Ries, E. (2011). The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses.\*\*\*



\*\*\*beware: It is debated if the Lean Startup approach can be considered an academically “solid” theory

**Start-up definition:** “A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty.” (E. Ries)

“Traditional management practices fail –  
‘general management’ as taught to MBAs” (E. Ries)

### Achieving Failure:

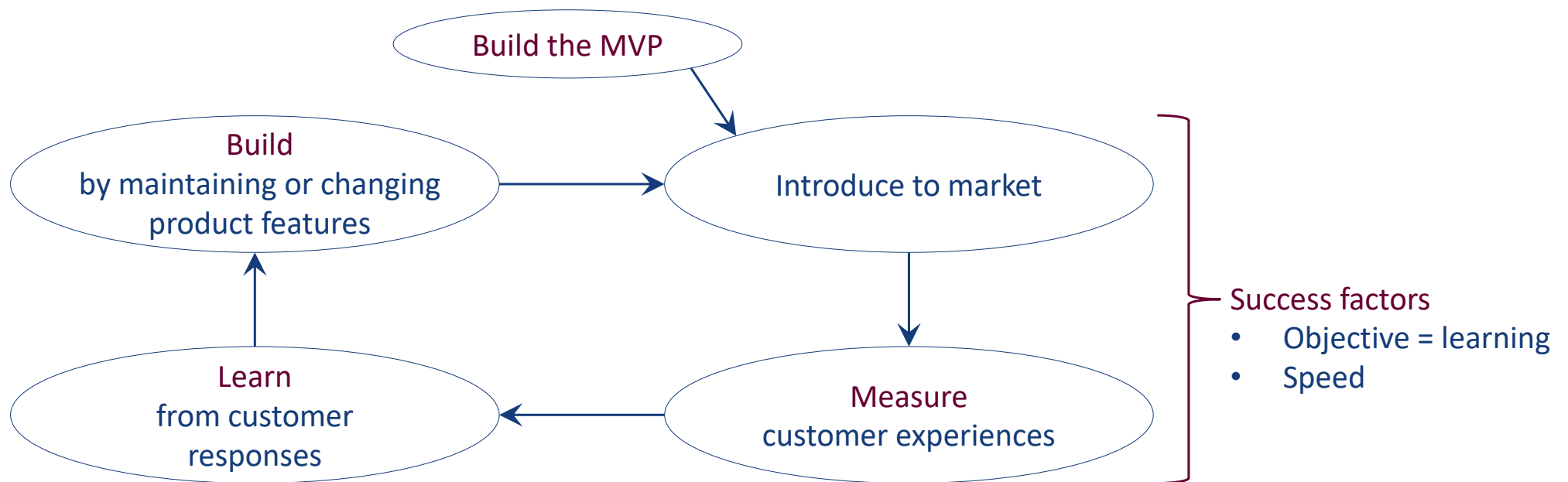
- The traditional management approach aims to build a product
  - On time,
  - on budget,
  - With high quality,
  - With a beautiful design.
- But what is the accomplishment if nobody wants the product?
- **Achieving failure is “successfully executing a bad plan”.**

**What is needed?**  
Principles & practices with which a start-up can be built  
and managed in the context of extreme uncertainty.

**Lean Startup**

## Lean Startup: Minimum Viable Product & Build-Measure-Learn Cycle

- Minimum viable product (MVP)
  - Minimal set of product features to learn from early adopters
- Build-measure-learn cycle



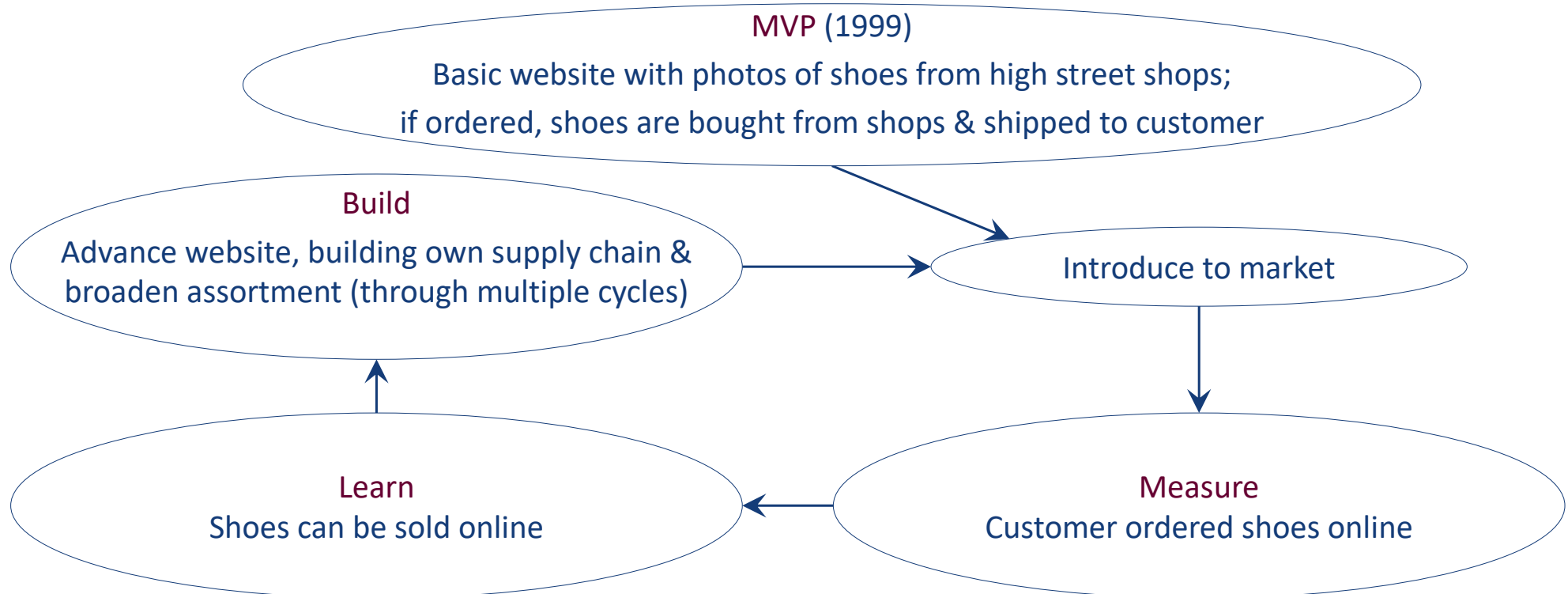


## Lean Startup: Example

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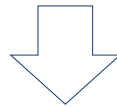


- American online shoe & clothing retailer
- 1999: founded by Nick Swinmurn
- 2009: purchased by Amazon for reportedly \$ 1.2bn



## Two fundamental Approaches of Bringing Products to Market

**“Maximising the chances of success”**  
Developing & launching the final product with nearly all of the eventual features



**Pros:**

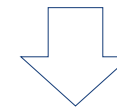
- Chances of customers' acceptance are increased if they want such product.

**Cons:**

- Uncertainty of (real) customer wants until the launch of the final product.
- Substantial loss if customers do not want the final product.
- After the product launch it is potential too late to change directions.

VS.

**“Release early & often”**  
Developing & launching the Minimum Viable Product (MVP) as early as possible, getting a maximum of feedback & continuing launches with incremental improvements



**Pros:**

- Real-life feedback & development of a final product which suits the customer wants.

**Cons:**

- The initial product (MVP) might be too basic to attract customers.
- Circumstance might not allow the development of a MVP.

Lean Startup

Foundations of Marketing

Strategic Marketing

Segmenting & Targeting Markets

Analysing & Planning Business Units

Creating & Managing Brands

Excursus: Creating New Business Ideas

Operational Marketing\*

Creating Value I: Product

Creating Value II: Price

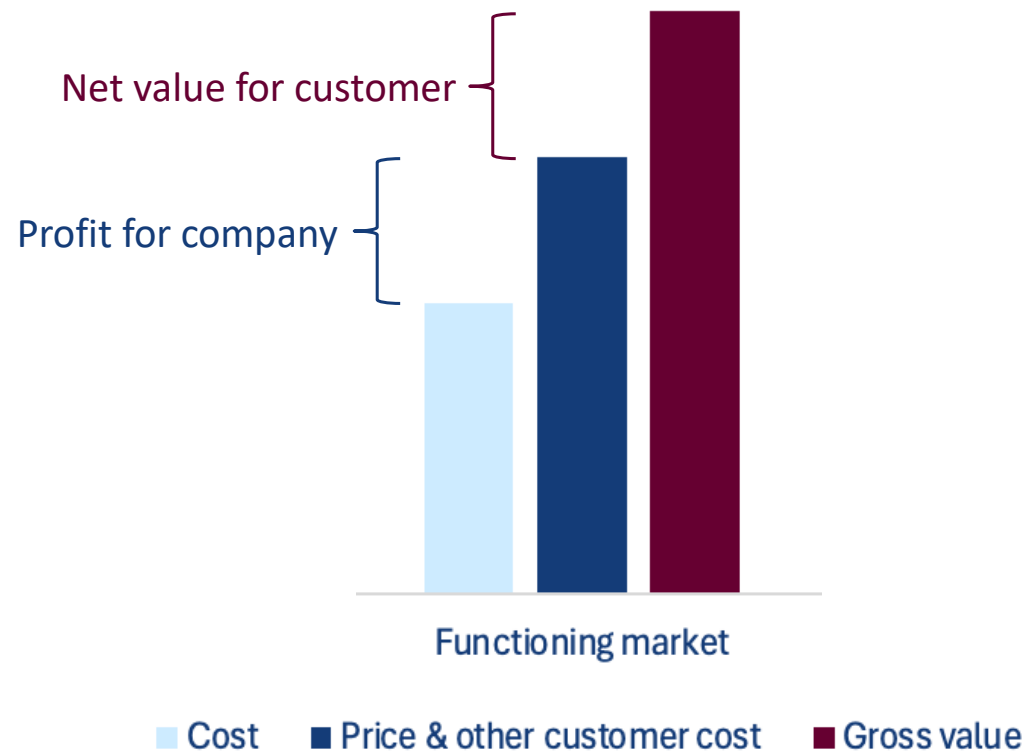
Delivering Value: Place

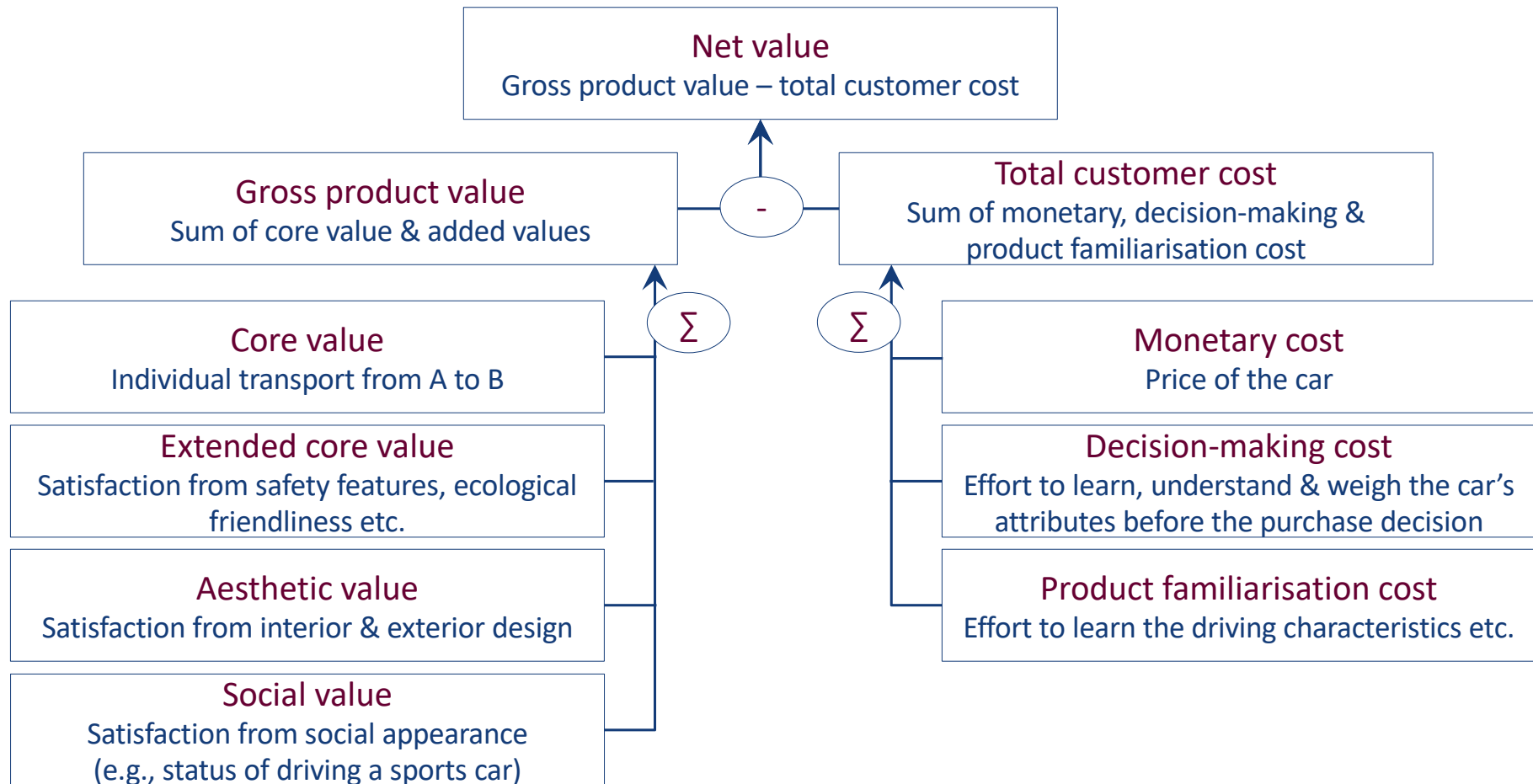
Communicating Value: Promotion

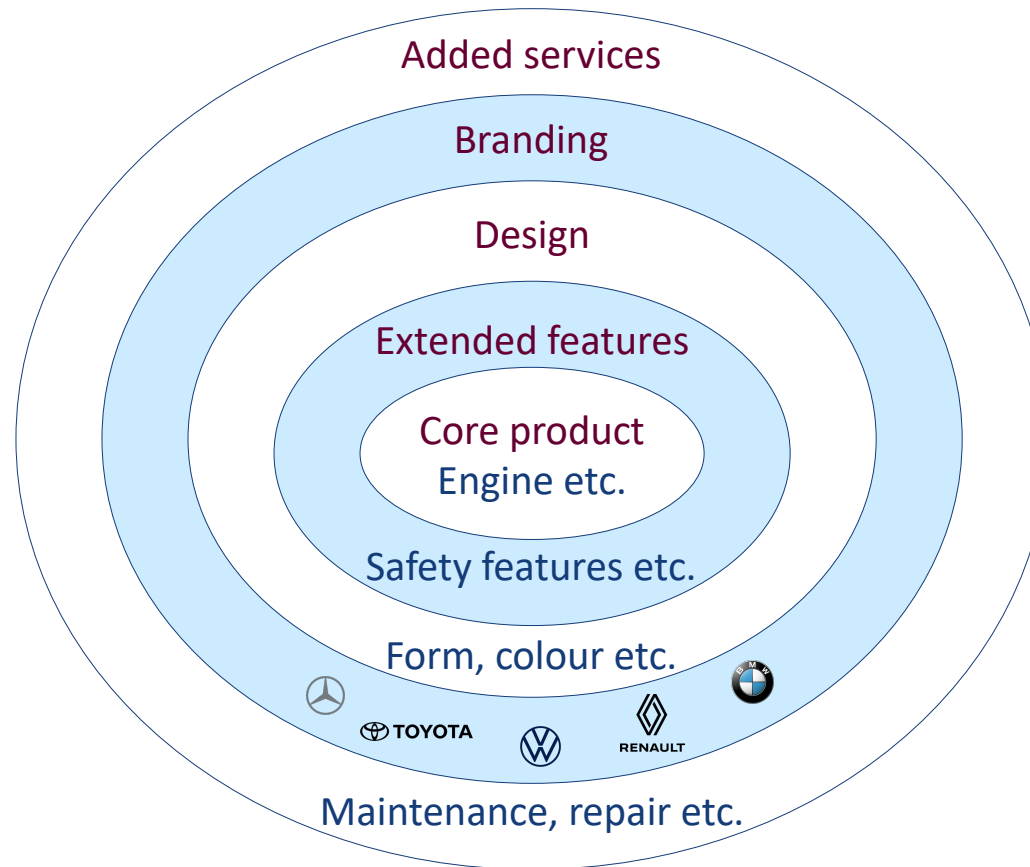
\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

## Product, Product Range & Product Policy

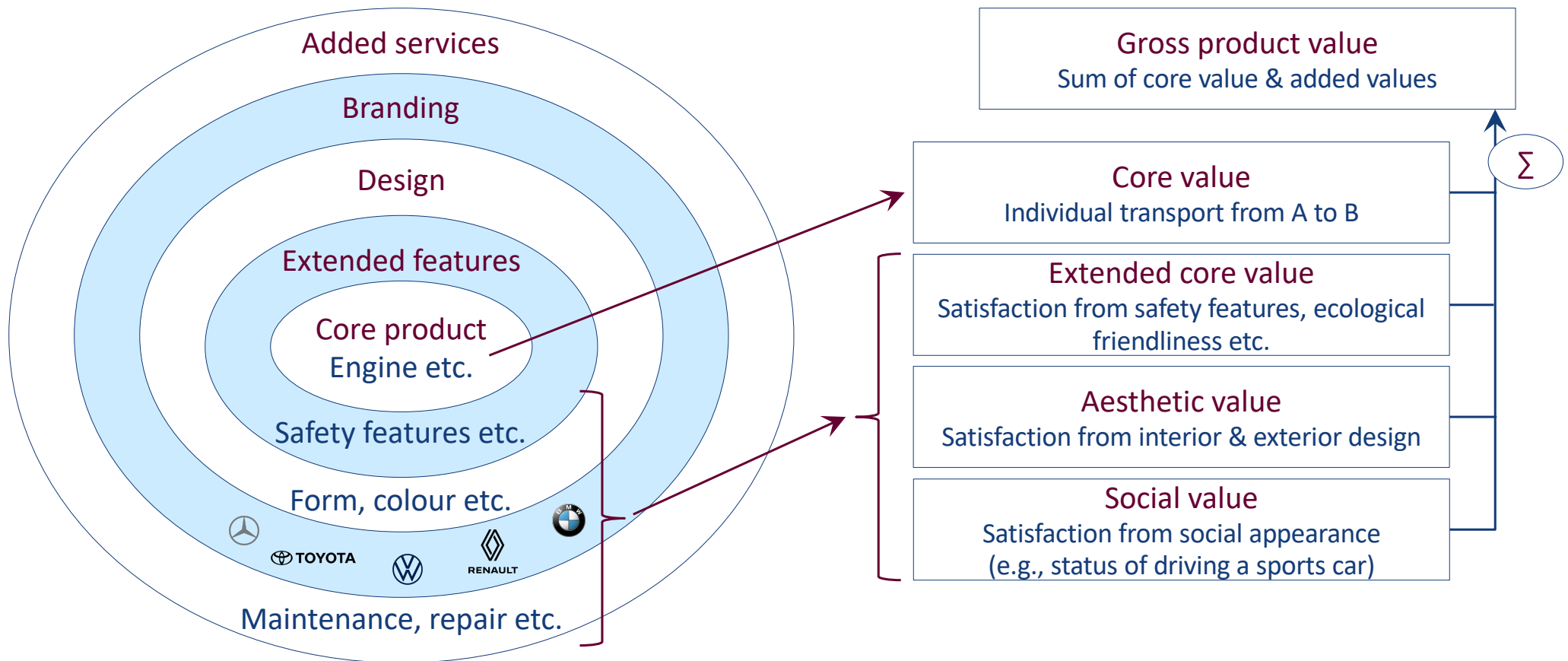
- Product
  - A product is a combination of technical &/or functional attributes that form a physical good &/or intangible service & provides a value to customers.
- Product range/portfolio/assortment
  - The product range consists of all of the products that a company offers to its current & potential customers.
- Product management
  - Product management consists of the processes & decisions that deal with creating, modifying & terminating products & managing the product range.





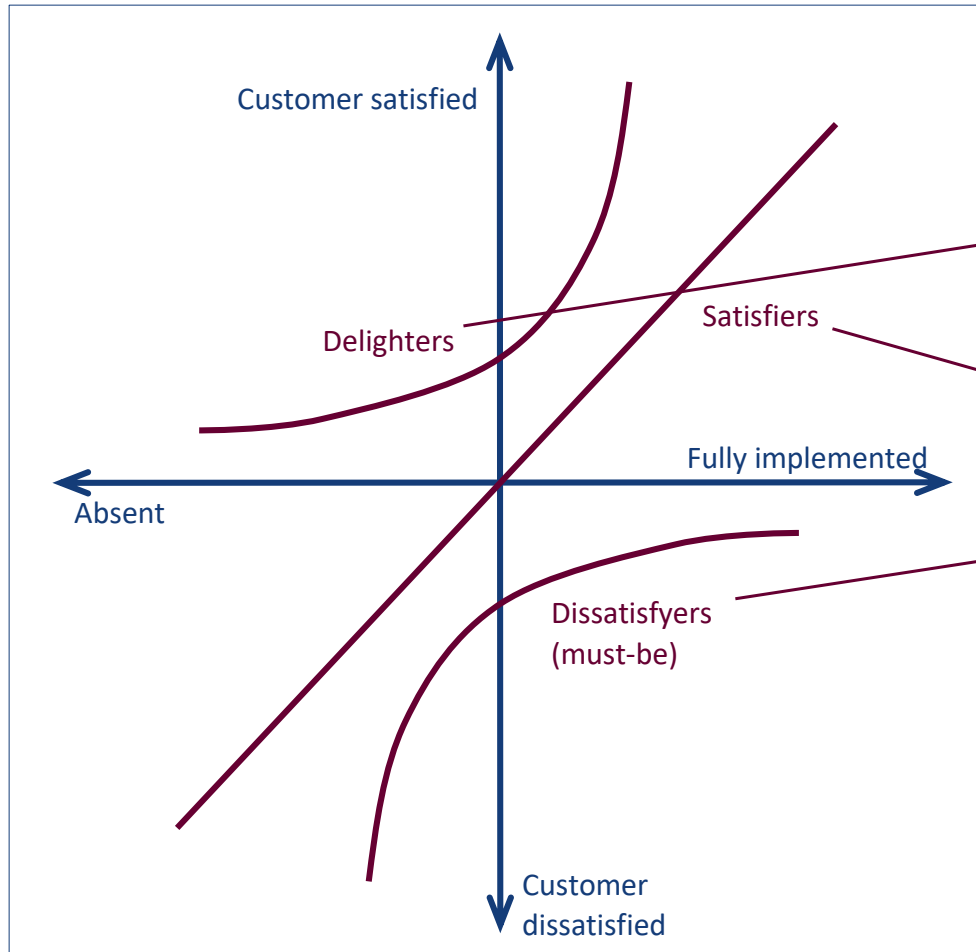


## Product levels & Value to Customer





## Kano Model



### Simplified example: Pharmacy



e.g., supplementary health programmes

e.g., advisory by pharmacist

e.g., distribution of medication

## Classification of Products

---

### Products in B2C Marketing

- **Convenience goods**
  - Regularly purchased products with low customer involvement & a habitual buying process
  - Example: groceries, detergents etc.
- **Shopping goods**
  - Frequently purchased products with medium customer involvement & a limited buying process
  - Example: suit or dress, smart phone etc.
- **Special goods**
  - Rarely purchased products with high customer involvement & an extensive buying process
  - Example: car, house etc.

### Products in B2B Marketing

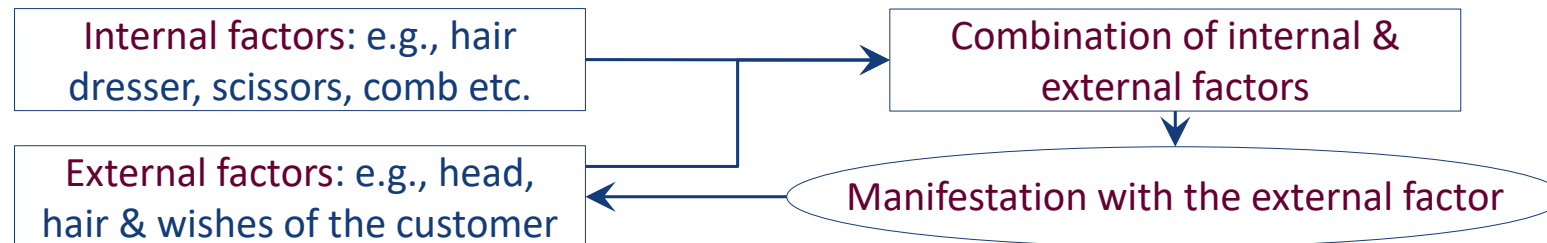
- **Materials & parts**
  - Products that are fully integrated into the finished product
  - Example: for a car manufacturer, tyres, airbags etc.
- **Capital**
  - Durable goods that facilitate the production of the finished product
  - Example: machinery, offices etc.
- **Business services**
  - Services that support managing the finished product
  - Example: legal advisory, business consulting etc.

## Services

- Definition of Services

- Services are (mainly) intangible & not storable performances that combine internal & external factors with the aim to create a value for customers &/or their possessions.

- Production of services (example: hair dresser)

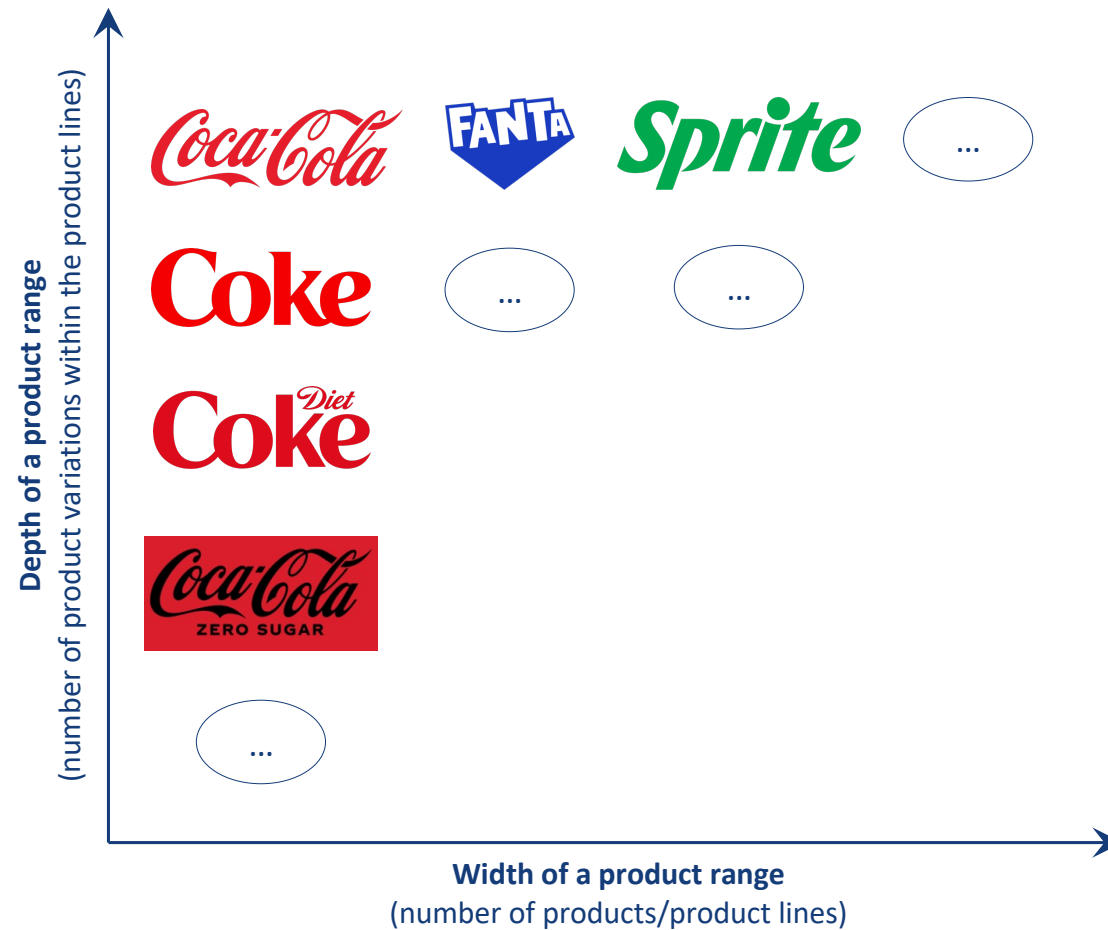


- Classification of services

- Pure services: e.g., legal advice
- Services with physical goods as added value: e.g., air travel with snacks & drinks
- Combination of services & physical goods: e.g., pub with atmosphere & drinks
- Physical goods with services as added value: e.g., high end technology (fighter jets, power plants etc.) with training, maintenance etc.

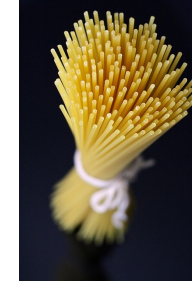
## Width & Depth of a Product Range

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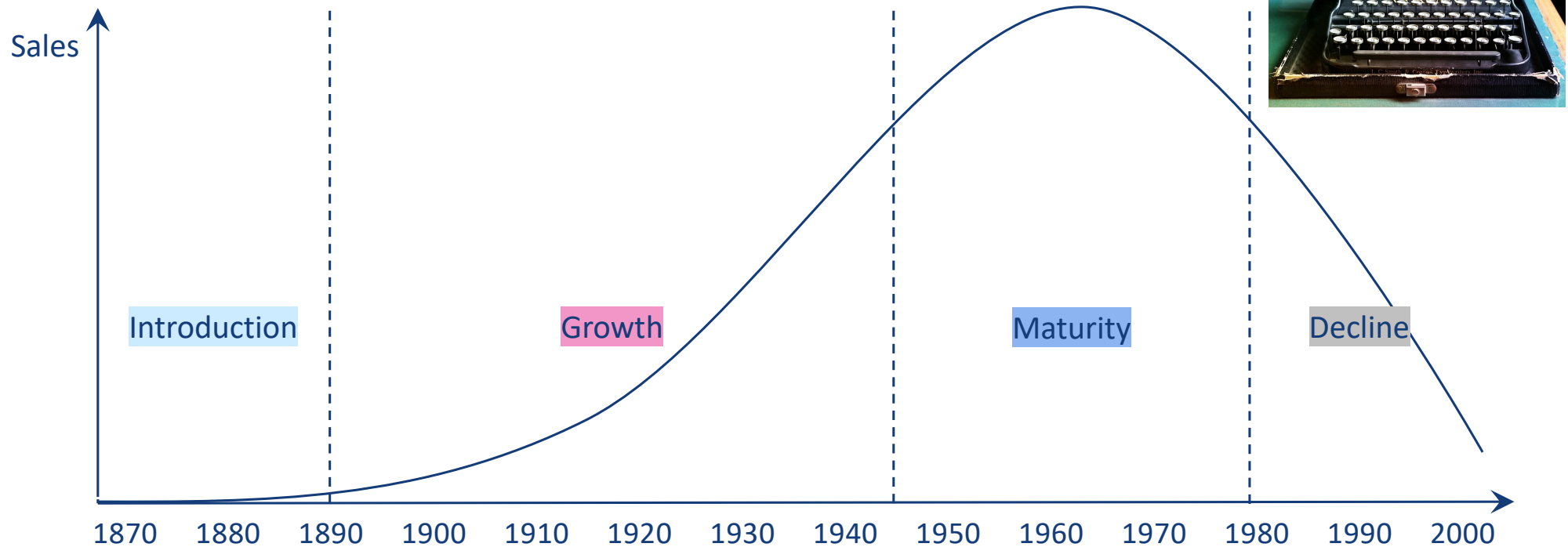


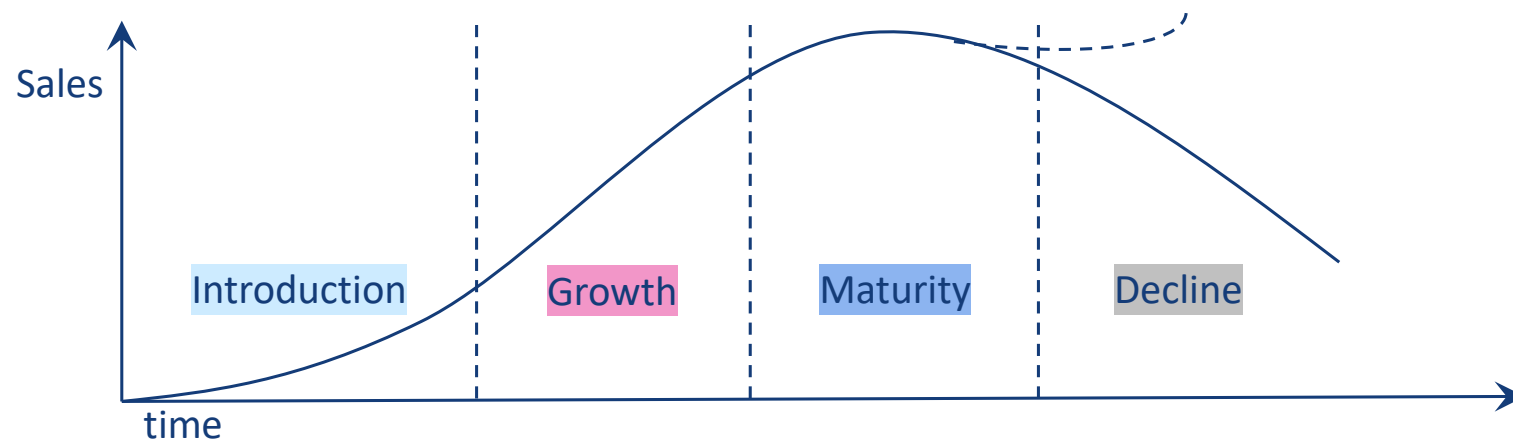
## Composite Effect of the Demand Side

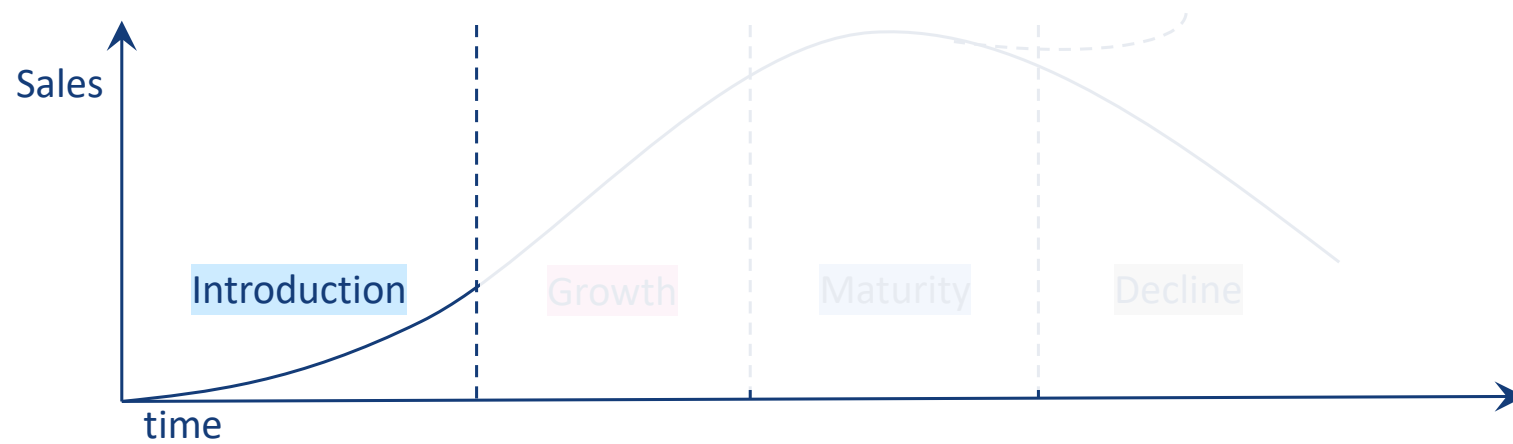
- Composite effect of buying
  - Two or more products are bought at the same time and same place because the benefit of buying the products together is greater than benefit of buying the products separately.
- Composite effect of using
  - Two or more products are used together because the combined usage offers a complementary benefit for technical/functional or taste related reasons.
- Attitudinal composite effect
  - A person holds identical or similar attitudes towards two or more products which lead to similar behaviours towards these products.



## Product life cycle of the typewriter



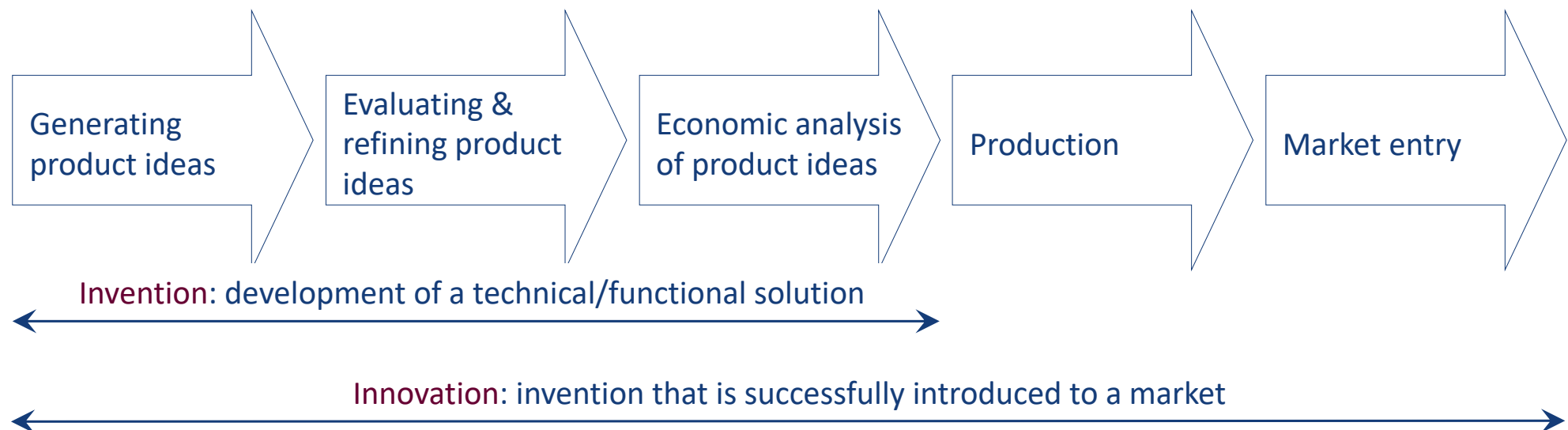






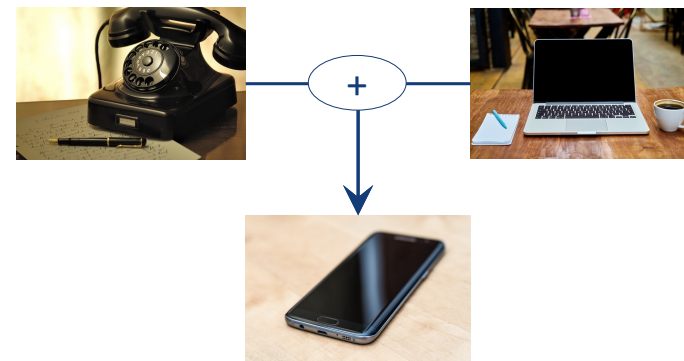
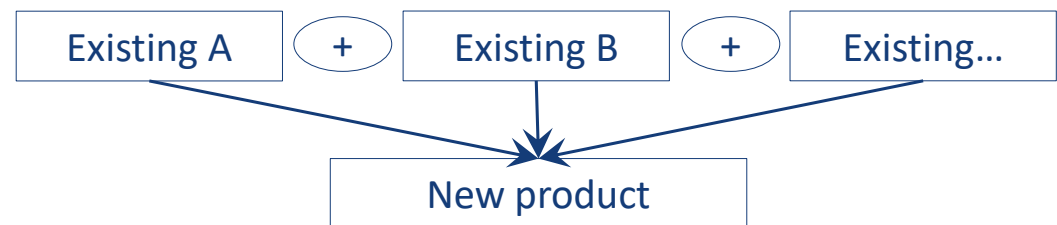
# Innovation

- Definition of innovations
  - Innovations are activities in a company to develop new products & successfully introduce these into markets.
- Simplified innovation process

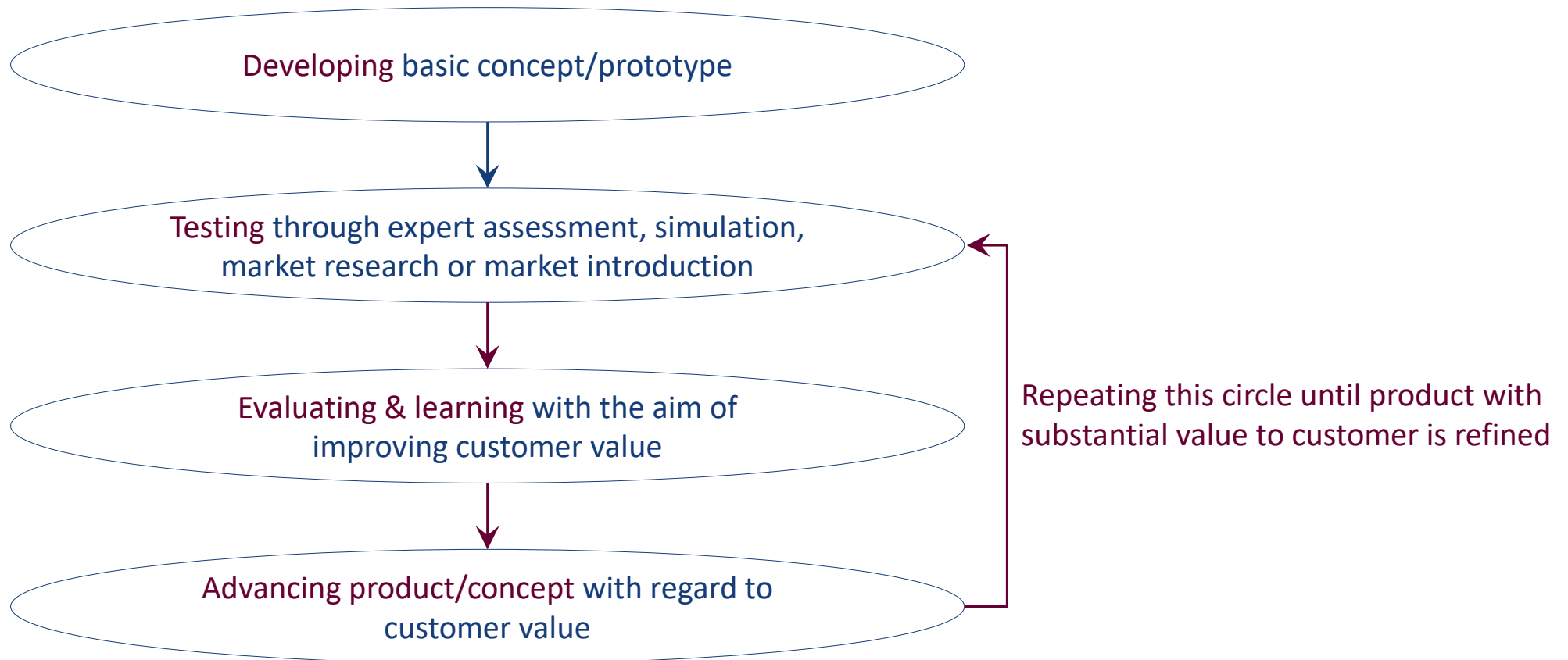


## Generating Product Ideas

- **New product** = Combining existing objects, technologies, functions, process &/or constructs so that customers are provided with a value/benefit
- **Sources for new product ideas**
  - **Internal sources**
    - Sales force
    - Total quality management
    - Task/project groups
  - **Customers**
    - Qualitative research
    - Customer feedback
    - Customer complaints
  - **External sources**
    - Experts
    - Industry reports
    - Research institutions



Cf. Section Excursus Creating New Business Ideas



## Economic Analysis: Net Present Value

- Principle of value analysis
  - Determining the expected (financial) value of a product
  - Selecting the products with the highest positive value
- Net present value

$$NPV = -I_0 + \sum_1^t \frac{R_t - C_t}{(1+i)^t}$$

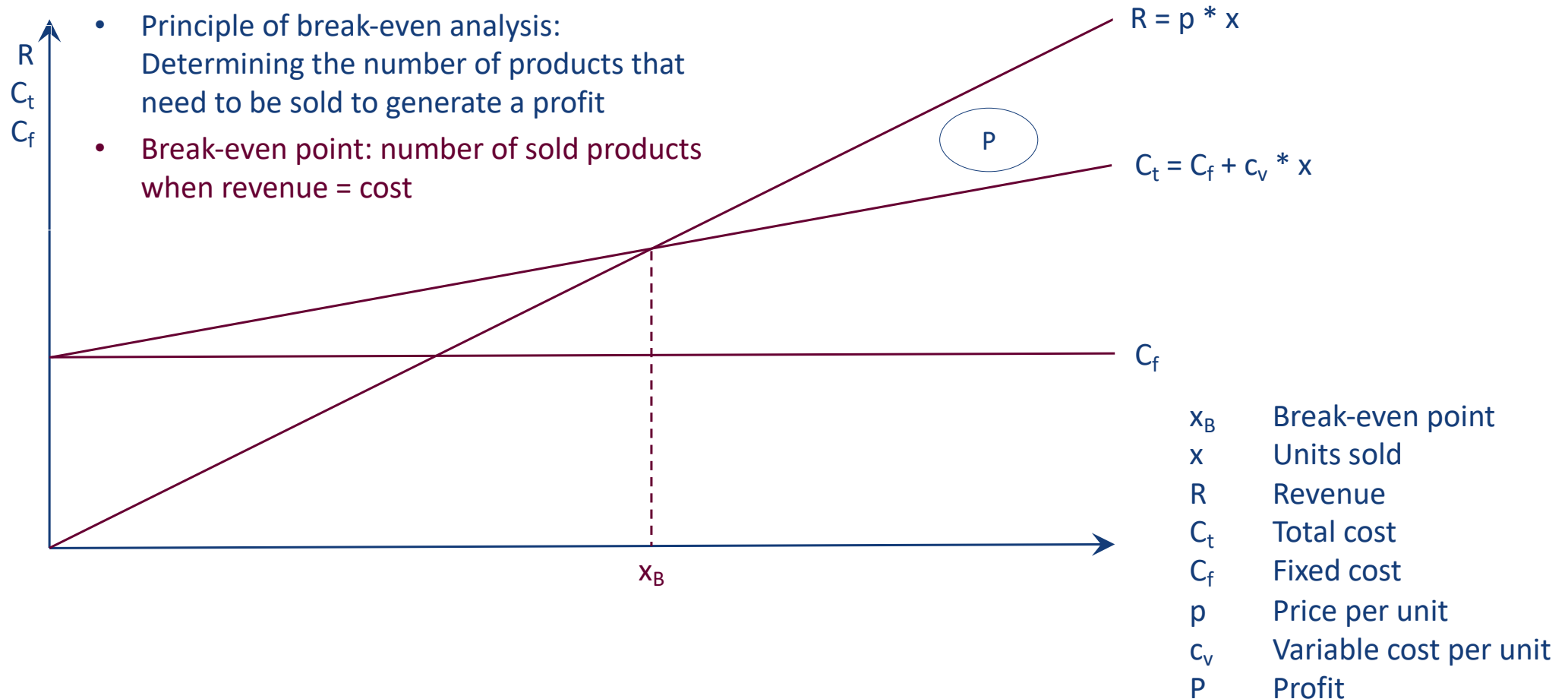
NPV	Net present value
I	Initial investment
R	Revenue
C	Cost
i	interest rate
t	period

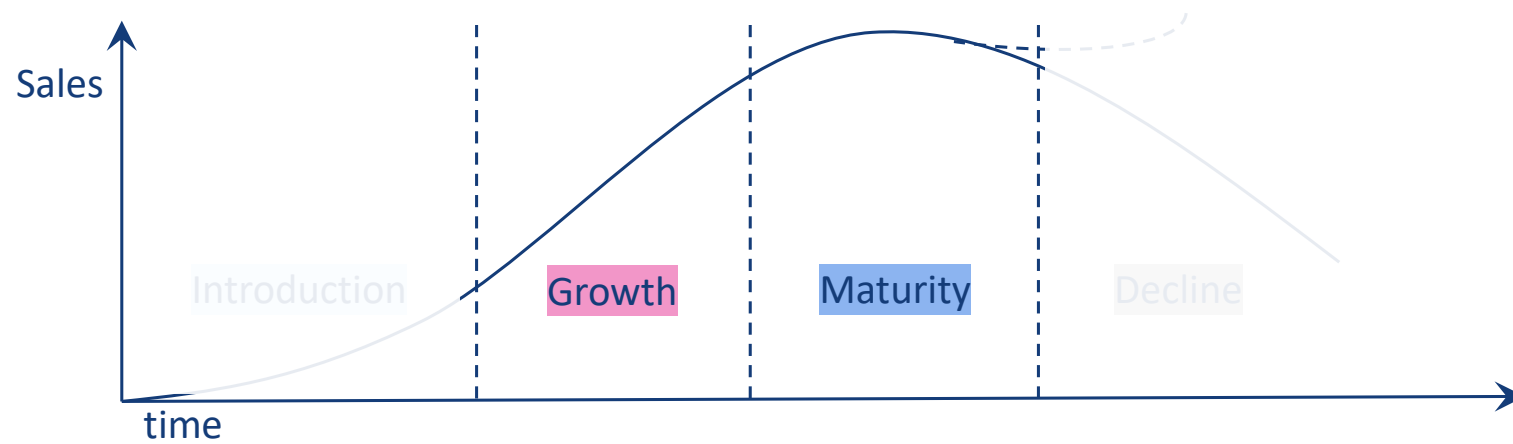
- Please note
  - The success of value analysis is determined by the accuracy of the revenue & cost projections
  - Synergy effects between products should also be considered
  - Rule of thumb: plan for max. 10 years

Cf. Section Analysing & Planning Business Units

## Economic Analysis: Break-Even Analysis

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## Product Variation & Product Differentiation

- Product variation

- Adjusting existing products over time to meet changing customer needs, wants & demand &/or to distinguish a product from its competitors

— New product development →

Product variation →



Leopard 1



Leopard 2

...



Leopard 2A4



Leopard 2A5



Leopard 2A6

...

- Product differentiation

- Offering different variants of a product to meet different needs, wants & demand of the current target group &/or to meet the needs, wants & demand of different target groups

Leopard 2E



Leopard 2A8NOR



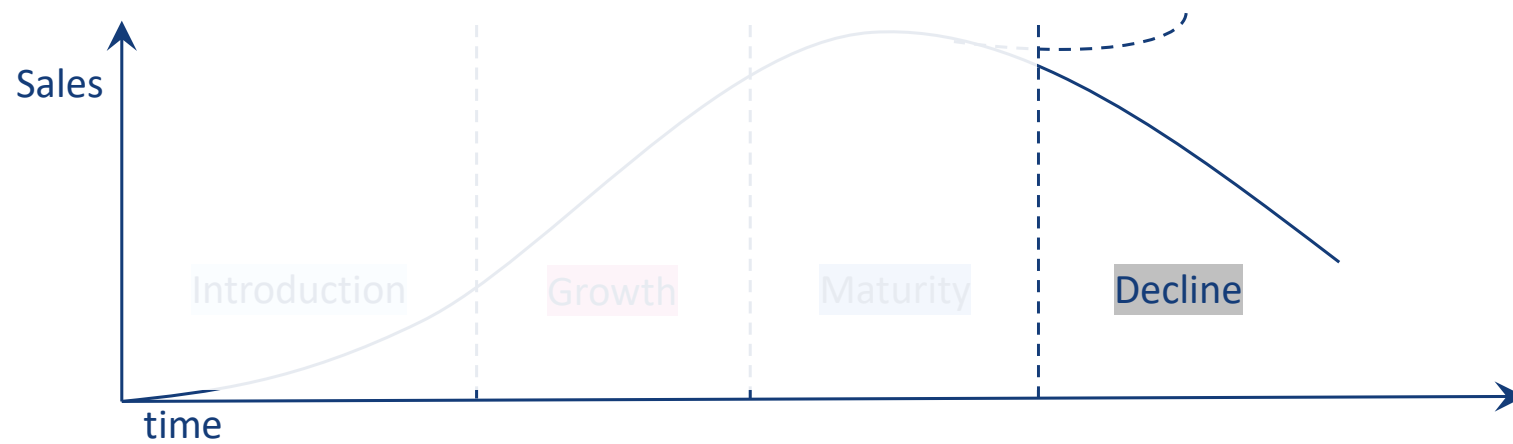
Leopard 2APL



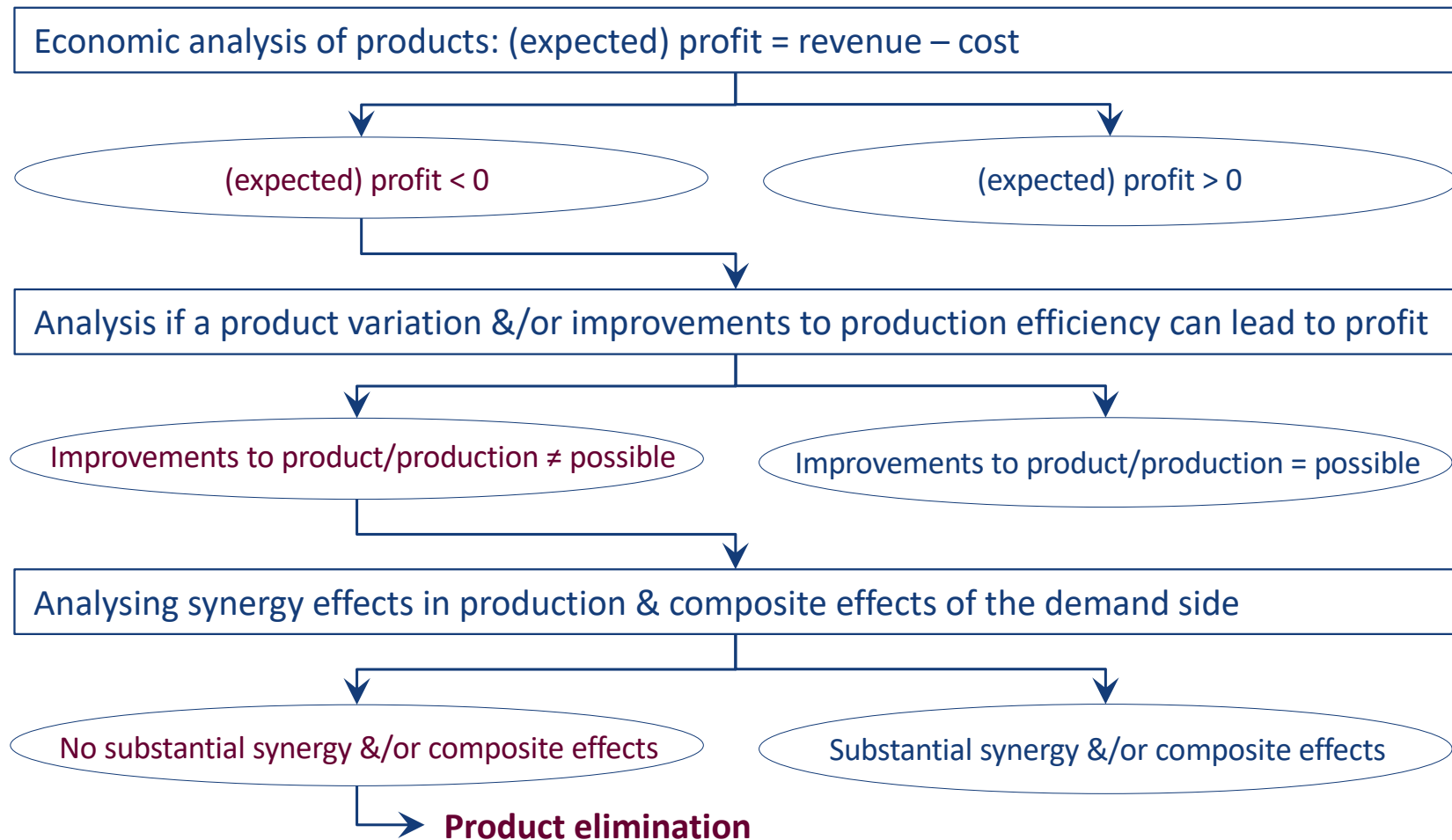
Leopard 2S



Leopard 2...

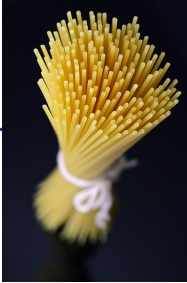








## Product Elimination: Simplified Example

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<b>Product: Pasta</b>	<b>Product: Tomato sauce</b>
 <p>Units sold: 100 Loss per unit: £ 0.50 Overall loss: £ 50.00</p>	 <p>Units sold: 50 Profit per unit: £ 2.00 Overall profit: £ 100.00</p>
<p>→ Potential candidate for elimination</p>	<p>→ No need for elimination</p>
<p>Composite effect: Customers are only buying tomato sauce when they can also buy pasta</p>	
<p>Overall profit (pasta &amp; tomato sauce combined): £ 50.00</p>	
<p>→ No elimination because of composite effect</p>	

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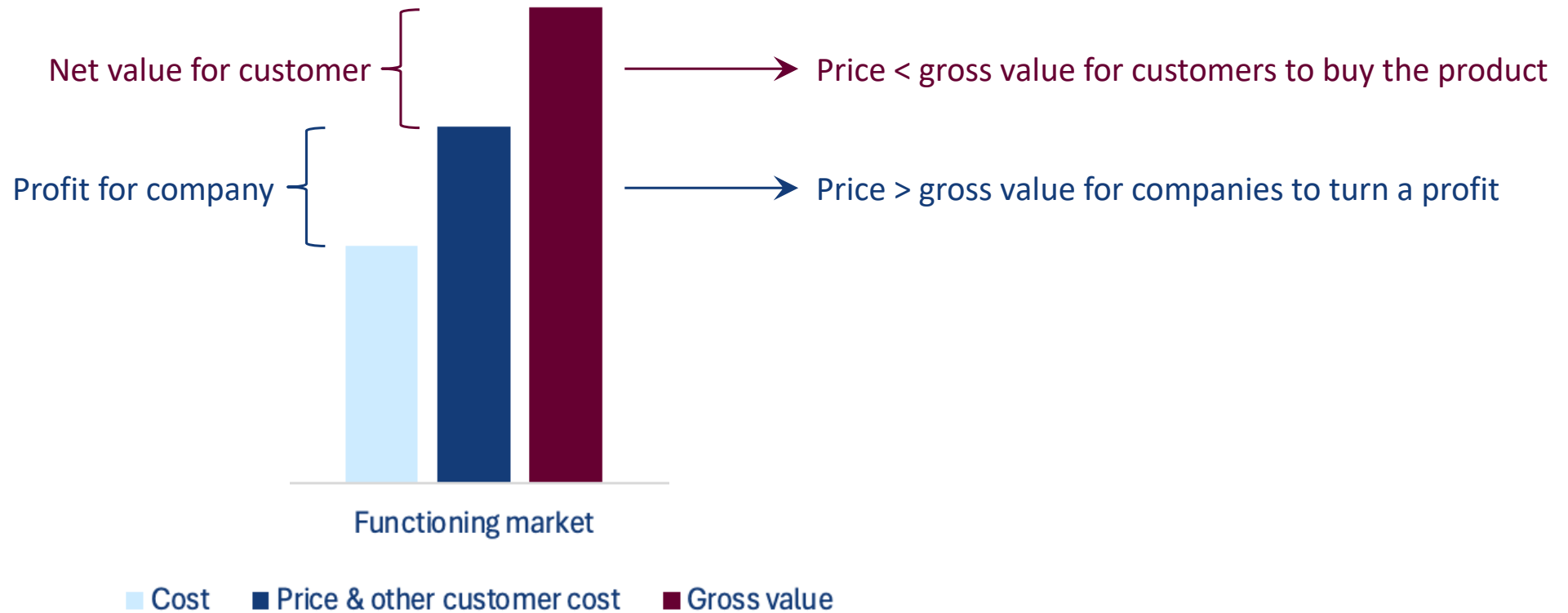
Creating Value I: Product

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Delivering Value: Place

Communicating Value: Promotion

\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.



## Understanding Pricing

- Definition of pricing
  - Pricing contains all processes & decisions with regard to the price of a product, discounts, delivery terms & payment terms
- Forms of prices
  - “Traditional” price
  - Rent
  - Fees
  - Wages
  - Commissions
  - ...
- Pricing is the sole instrument of the marketing mix that directly generates revenues

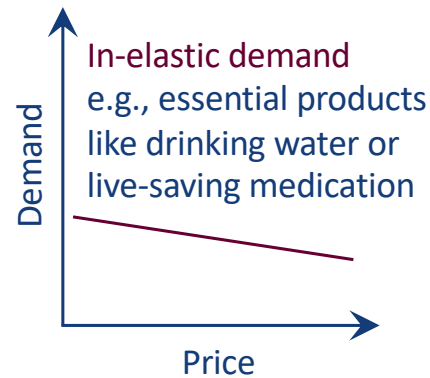
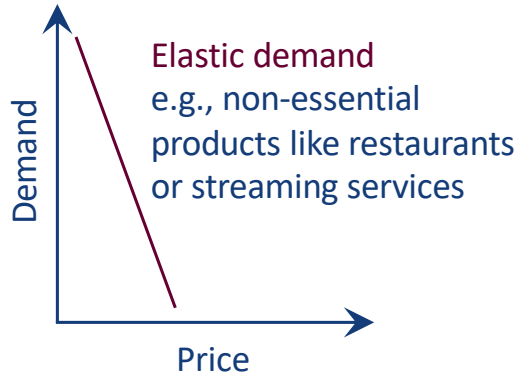


Effect of price increase on profit (assumption: no change in demand)

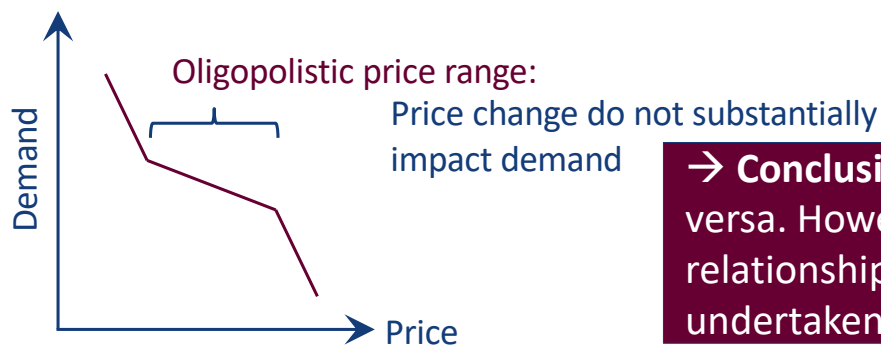
	Option A	Option B	Increase
Price	£ 100.00	£ 101.00	1.00%
Cost per unit	£ 80.00	£ 80.00	
Units sold	100	100	
Revenue	£ 10,000.00	£ 10,100.00	
Total cost	£ 8,000.00	£ 8,000.00	
Profit	£ 2,000.00	£ 2,100.00	5.00%

## Price-demand functions (“rather economic perspective”)

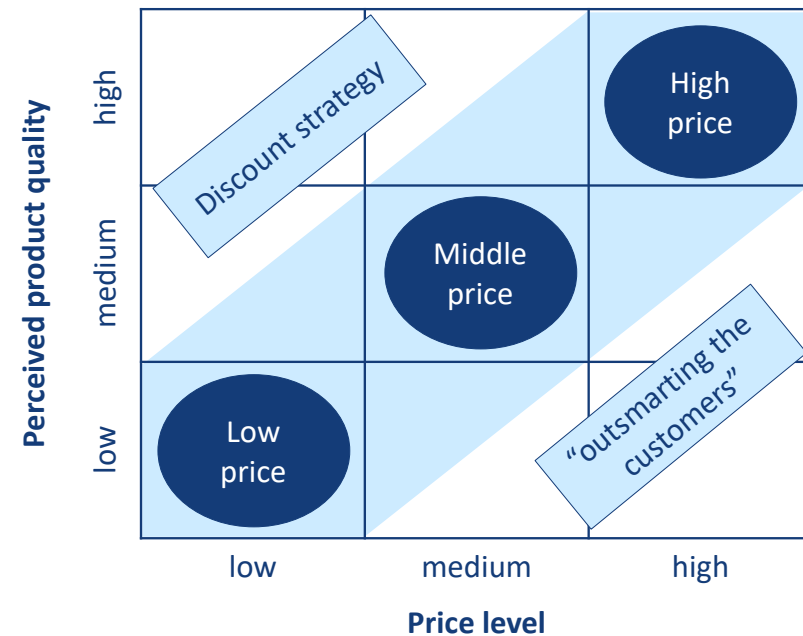
- Elastic vs. inelastic demand in perfect competition



- Price-demand function in oligopolistic markets



## Price & perceived quality (“rather company perspective”)

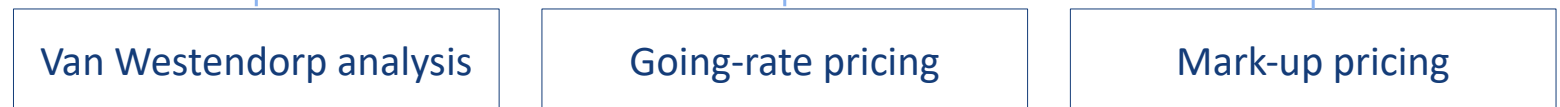


→ **Conclusions:** Higher prices normally lead to lower demand et vice versa. However, the effectiveness of pricing is limited due to the relationship of price & perceived quality. Thus, pricing must be undertaken with caution & in conjunction with the overall marketing mix.

- Perspectives on pricing



- Selected pricing methods

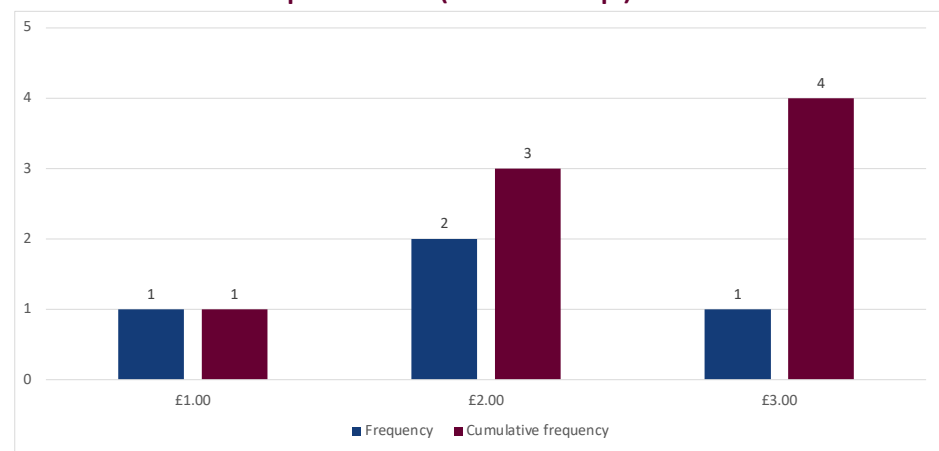


- “Ideal” pricing process



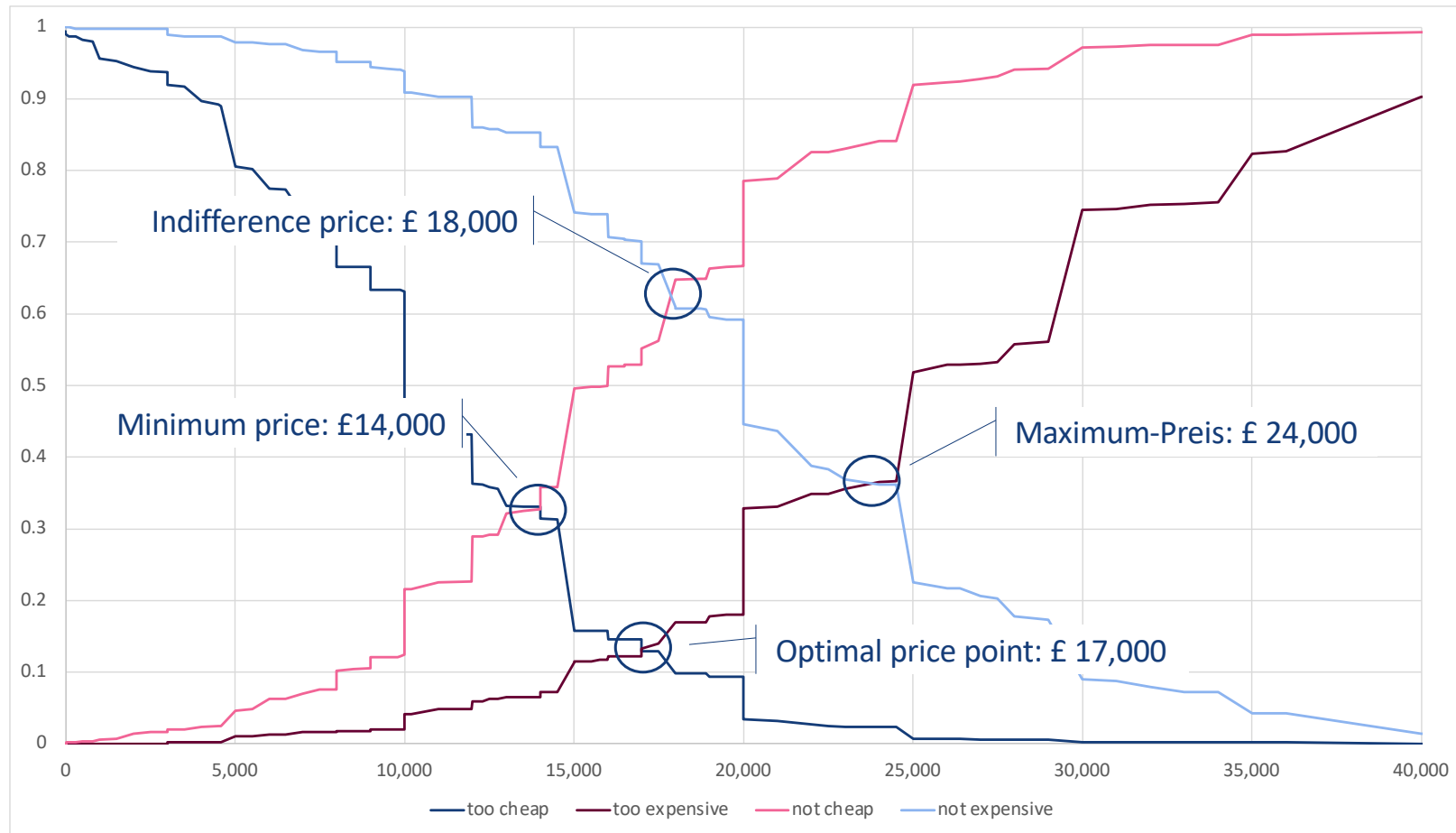
- Objective
  - Determining the willingness to pay through market research
- Questionnaire (four questions)
  - **Too expensive**: "At what price would the product be too expensive so that you would not buy it?"
  - **Expensive**: "At what price would the product be expensive but you would still consider buying it?"
  - **Cheap**: "At what price would the product be a bargain so that it is a good purchase for the money?"
  - **Too cheap**: "At what price would the product be too cheap so that you would have doubts about its quality and would not buy it?"
- Analysis
  - Calculating cumulative frequencies
  - Inverting
    - Cheap → not cheap
    - Expensive → not expensive

Cumulative frequencies (too cheap)



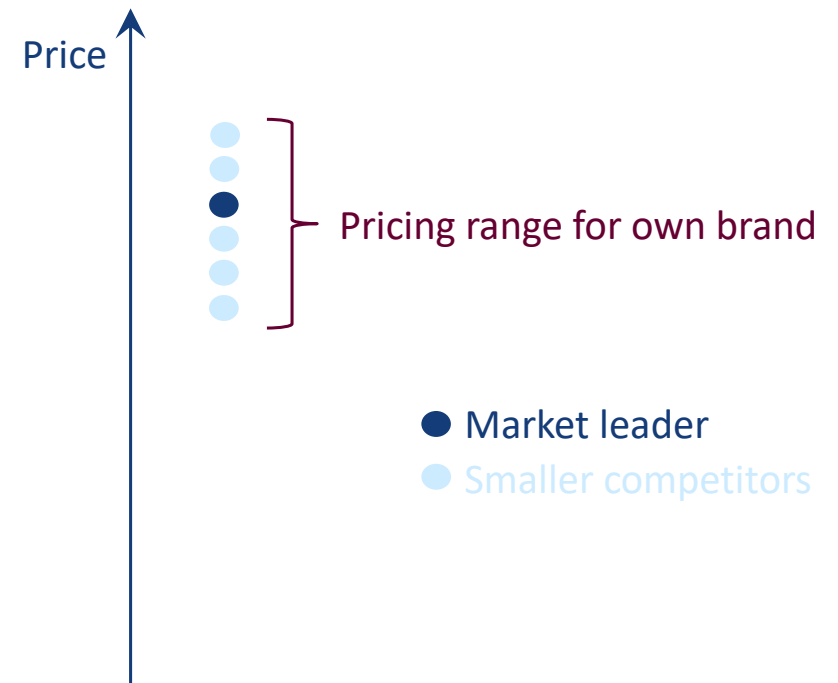
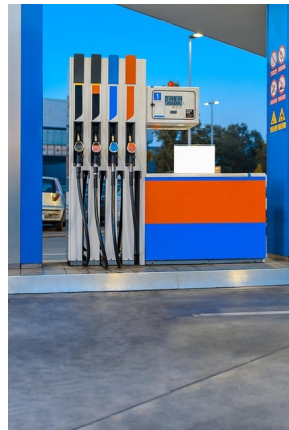


## Pricing Methods: van Westendorp Analysis (Price Sensitivity Meter)



## Pricing Methods: Going-rate Pricing

- Going-rate pricing
  - Price setting follows the prices of the competition
  - Typically, smaller companies follow the price of the market leader with minor mark-ups or discounts
- Typical markets for going-rate pricing
  - Oligopolistic markets
  - Markets for products with a low potential for differentiation
  - Examples
    - Steel industry
    - Filling station
    - ...



## Pricing Methods: Mark-up Pricing

- Pricing based on absorbed cost
  - Price = calculated cost per unit \* (1 + profit margin in %)
  - Example

Absorbed cost per unit:	£	20.00
<hr/>		
Profit margin in %:		10.0%
<hr/>		
Price:	£	22.00

- Pricing based on variable cost
  - Price = calculated variable cost per unit \* (1 + contribution margin in %)
  - Example

Variable cost per unit:	£	10.00
<hr/>		
Contribution margin in %:		20.0%
<hr/>		
Price	£	12.00

## Price Differentiation

- Customer-related price differentiation

- Example: Museums
  - Kids & retirees → lower price
  - Adults → higher price



- Time-related price differentiation

- Example: Airlines
  - Early booking → lower price
  - Late booking → higher price
  - “Last minute” booking for unsold seats → low price



- Geographical pricing

- Example: Food service industry
  - Low-income countries → lower price
  - High-income countries → higher price

### Big Mac Index Jan 2025

Country	Price for Big Mac	
Switzerland	\$	7.99
Norway	\$	6.67
Poland	\$	5.21
New Zealand	\$	4.77
Vietnam	\$	3.03
Philippines	\$	2.89



## Discounts

- Types of discounts
  - Early payment/cash discounts
  - Volume/quantity discounts
  - Loyalty discounts
  - Time/seasonal discounts

Customer  
loyalty card



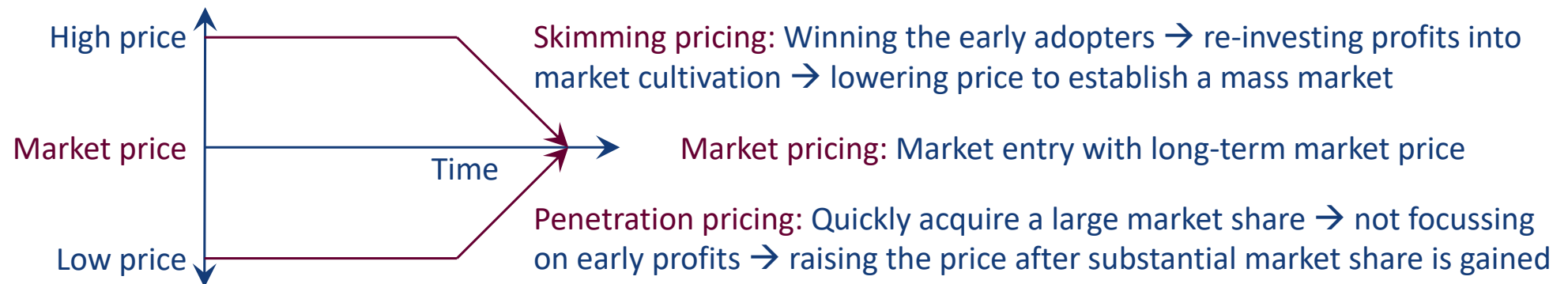
- Effectiveness of discounts

Chances 	Risks 
<ul style="list-style-type: none"> <li>Discounts can attract new customers</li> <li>Discounts can increase the purchase volume of current customers</li> </ul>	<ul style="list-style-type: none"> <li>Customers might only change the time of purchase but not the volume</li> <li>Customers might shift their demand within the product portfolio</li> <li>Customers might expect discounts &amp; do only buy when discount is offered, if discounts are used too often</li> </ul>

→ Advice for practice: Use discounts with caution & not too often.

## Market Entry Pricing & Price Adoption

- **Market entry pricing**



- **Perspectives on price adoptions**

- Initiating price changes vs. reacting to price changes
- Price cuts vs. price raises
- Effects of price changes
  - Effects on demand/customer
  - Effects on competitors' behaviour
  - Effects on revenue & profit

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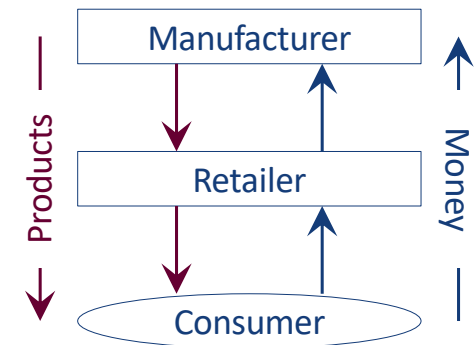
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## Distribution Channel Management

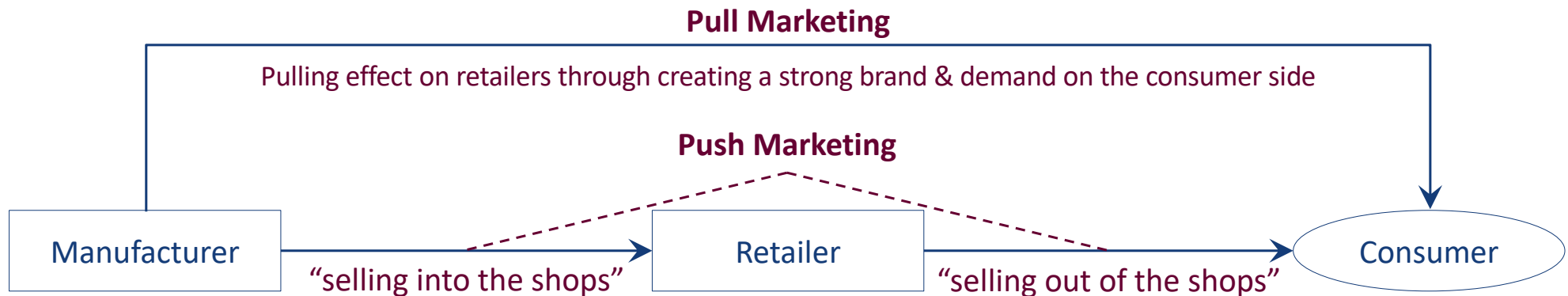
- **Distribution/marketing channel**
  - Functions that deliver products (goods &/or services) after their production to customers
  - Relationships between organisations &/or persons which make products (goods &/or services) accessible for customers
- **Distribution channel management**
  - Designing, evaluating & managing the distribution of products (goods &/or services) to customers
- **Objectives of Distribution channel management**
  - Effectiveness: making it as easy as possible for as many customers as possible to purchase the offered brands/products
  - Efficiency: minimising the distribution cost to maximise profit/contribution margins
  - Integration: making sure that the distribution channels fit the overall brand strategy & identity





## Push & Pull Marketing

- Push vs. pull marketing



- Customer-brand relationship & push/pull marketing

Customer-brand relationship	Push Marketing	Pull Marketing
Involvement	↓	↑
Brand differentiation	↓	↑
Brand loyalty	↓	↑

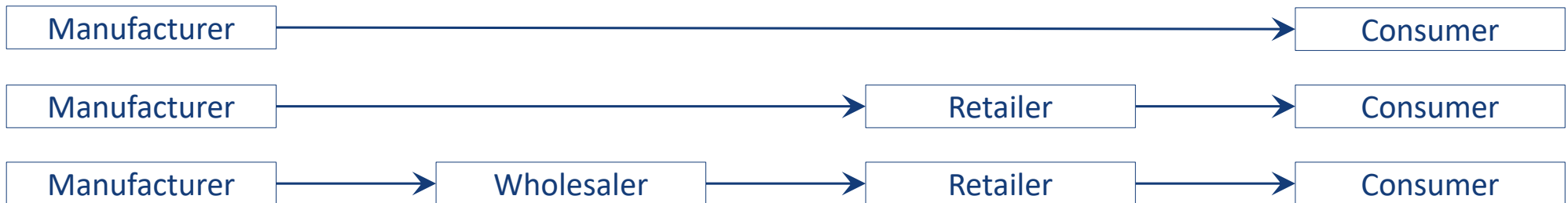
- Large/strong brands could/should combine push & pull marketing, e.g., Coca-Cola & Pepsi selling into shops & creating demand through advertising



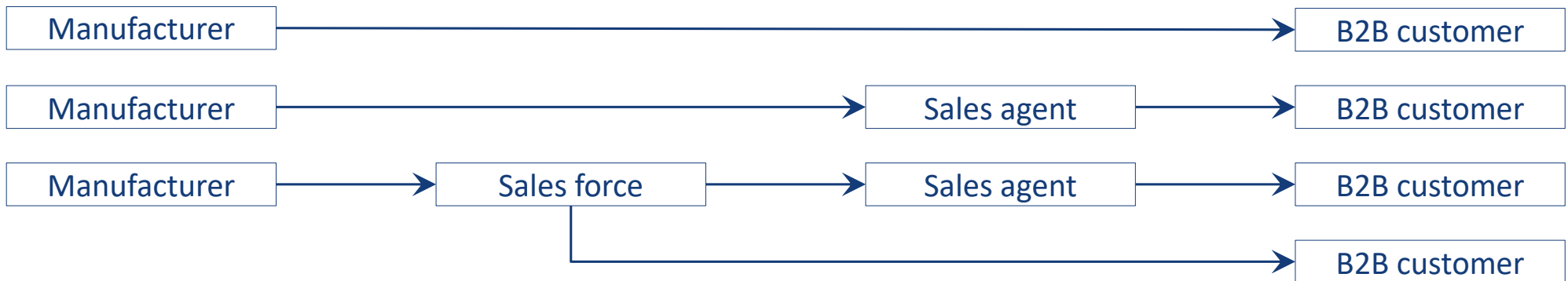
## Distribution Channel Systems

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### B2C distribution channel system



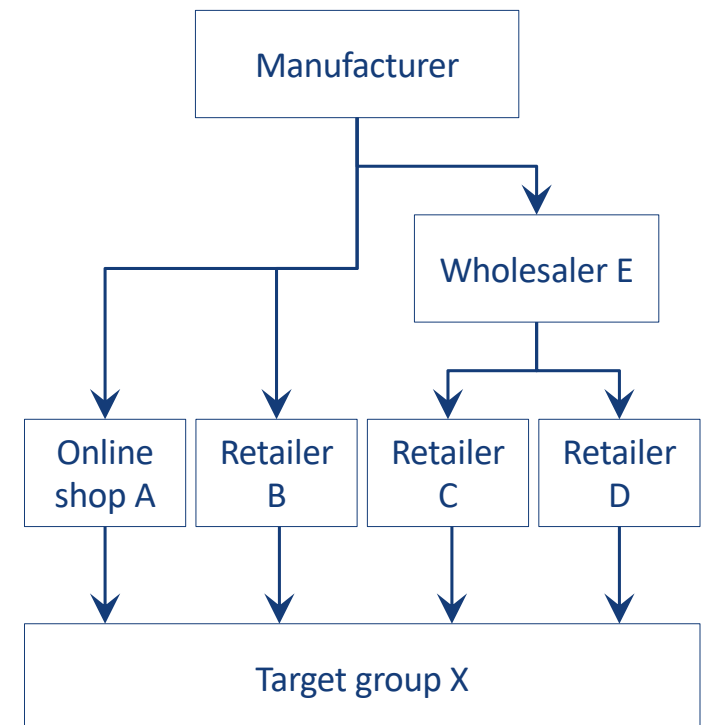
### B2B distribution channel system



## Distribution Channel Engineering & Simplified Example

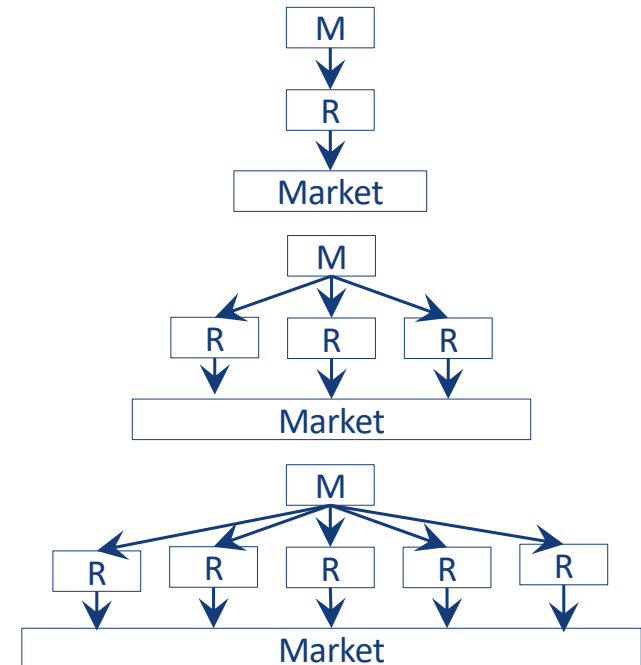
- 1) Determining the target group
  - Target group X
- 2) Analysing the buying behaviour of the target group: What distribution points (online shops, retailers etc.) are used by the target group to what end (acquiring information, purchase etc.)?
  - Target group X informs itself, compares brands & randomly buys via online shop A
  - Target group X regularly buys through stationary shops B, C & D
- 3) Choosing marketing points (online shop, brick & mortar retailer, factory outlet etc.) based on the target group's behaviour
  - Online shop A
  - Stationary shops B, C & D
- 4) Working backwards from the distribution points to the manufacturer (e.g., consumer → retailer → wholesaler → manufacturer)
  - Online shop A & stationary shop B can be delivered directly
  - Stationary shops C & D can be delivered through wholesaler E

Distribution channel system (example)



## Market Coverage & Selecting Intermediaries

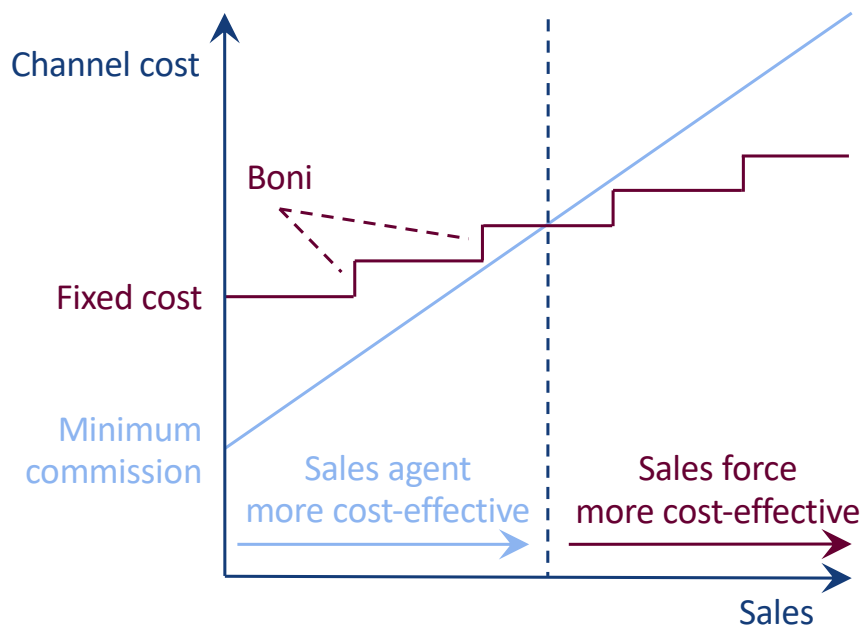
- Distribution channels & market coverage
  - Exclusive distribution
    - Utilising one or very few distribution channels
    - Typically applied to special goods, e.g., exclusive cars
  - Selective distribution
    - Utilising a limited number of distribution channels
    - Typically applied to shopping goods, e.g., apparel
  - Intensive distribution
    - Utilising virtually every available distribution channel
    - Typically applied to convenience goods, like food & beverage
- Selecting intermediaries
  - Effectiveness of intermediary
    - Market coverage of intermediary
    - Resources & competencies of intermediary
  - Efficiency of intermediary
    - Cost of intermediary
    - Willingness of intermediary to co-operate



## Evaluating Distribution Channels

- Economic evaluation

- Profit contribution of channel = contribution margin \* sales – channel cost
- Break-even analysis: break-even point = channel cost / contribution margin  
→ Consider fixed cost & variable cost (commissions) of sales channel
- Company sales force vs. sales agent



Price:	£	10.00
Variable cost per unit:	£	5.00
Contribution margin:	£	5.00
Fixed channel cost:	£	1,000.00
Contribution margin:	£	5.00
<b>Break-even point:</b>		<b>200</b>

- Evaluation of brand-channel fit

- Preference of target group for distribution channel
- Similarity of brand identity & distribution channel image
  - Brand identity ≈ channel image: ✓
  - Brand identity ≠ channel image: ↓

## Potential Conflicts Between Manufacturers & Retailers

4P level	Manufacturer	Retailer
<b>Product</b>	<ul style="list-style-type: none"> <li>• Brand image of the single products</li> <li>• Entire brand portfolio into shelves</li> <li>• Manufacturers' brands</li> </ul>	<ul style="list-style-type: none"> <li>• Brand image of the entire assortment</li> <li>• Focus on top &amp; flop lists</li> <li>• Private labels</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>• Low retail margin</li> <li>• Standardised and stable prices</li> </ul>	<ul style="list-style-type: none"> <li>• High retail margin</li> <li>• Time-related &amp; regional price differentiation</li> </ul>
<b>Place</b>	<ul style="list-style-type: none"> <li>• Continuous distribution of large quantities</li> <li>• Multi-channel distribution</li> <li>• Central position in the shelves</li> </ul>	<ul style="list-style-type: none"> <li>• Just-in-time delivery based of demand</li> <li>• Exclusive distribution</li> <li>• Shelf position according to entire assortment</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>• Creating brand preference &amp; loyalty</li> <li>• Transregional communication</li> <li>• Staging the brand at the POS</li> </ul>	<ul style="list-style-type: none"> <li>• Creating customer loyalty to the the retailer</li> <li>• Regional communication</li> <li>• Fully controlling the point of sale</li> </ul>

## Vertical Distribution Channel Integration

### Forward integration

Manufacturer controls retailer

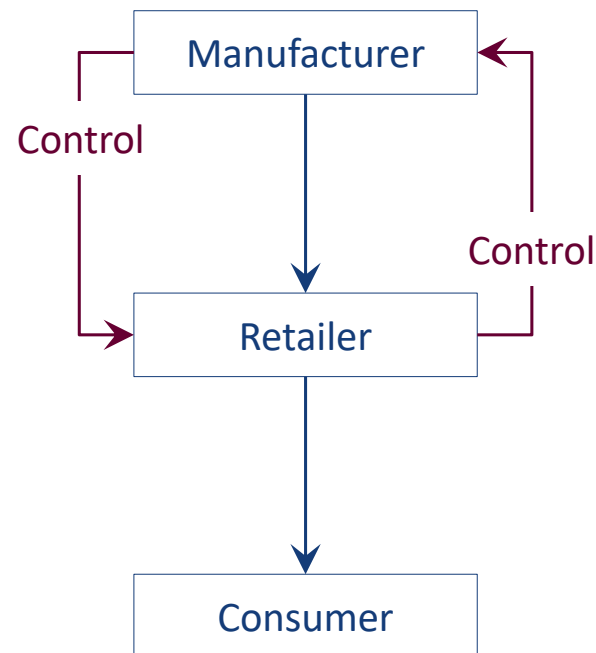
#### Means of control

- Ownership, e.g., factory outlet
- Contract, e.g., franchising
- Bargaining power

#### Example

- Strong brands open own flagship stores

### Distribution chain



### Backward integration

Retailer controls manufacturer

#### Means of control

- Ownership, e.g., production facilities
- Contract, e.g., licensed production
- Bargaining power

#### Example

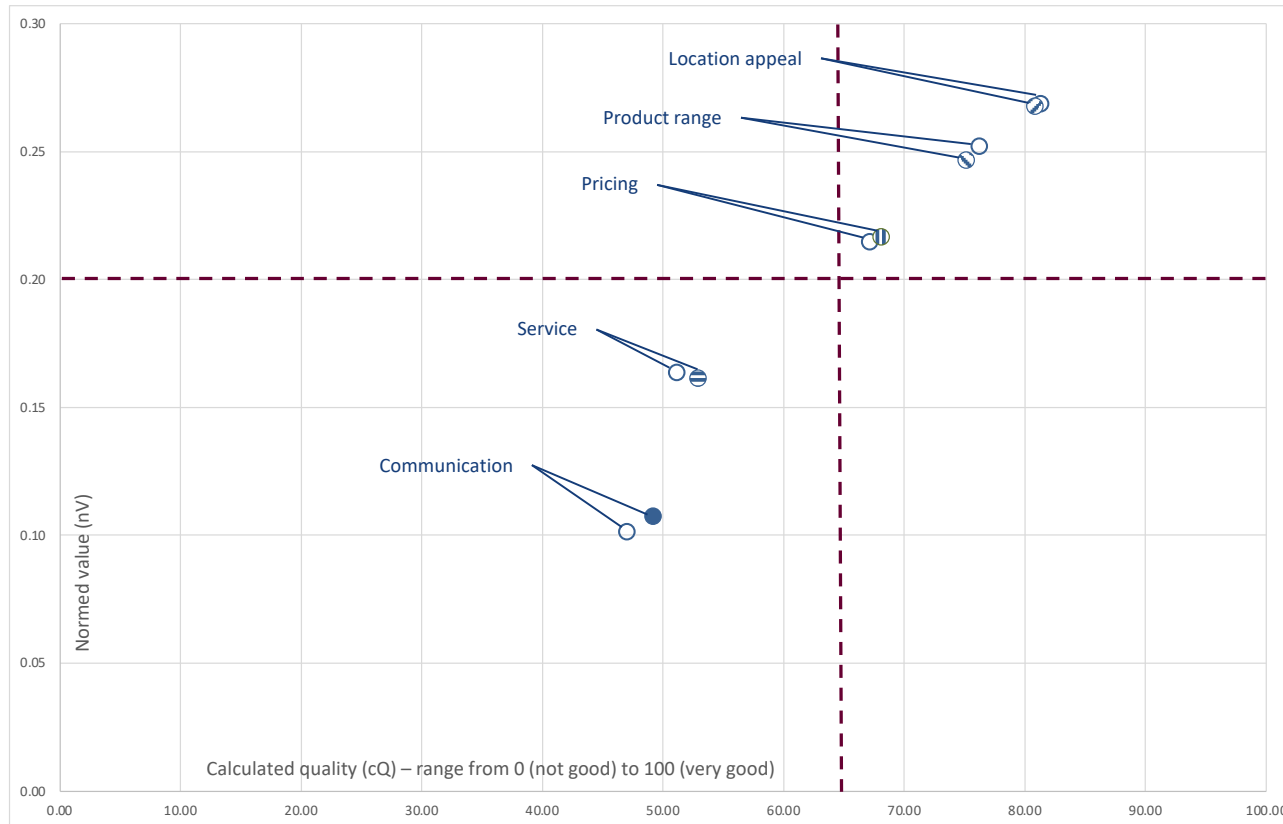
- Food retailers license production of private label products

- Retailer – definition
  - A retailer sells products (goods or services) to consumers without substantially modifying the pre-produced & pre-purchased product.
- Performance categories & elements of (store) retailers (retailer marketing mix)



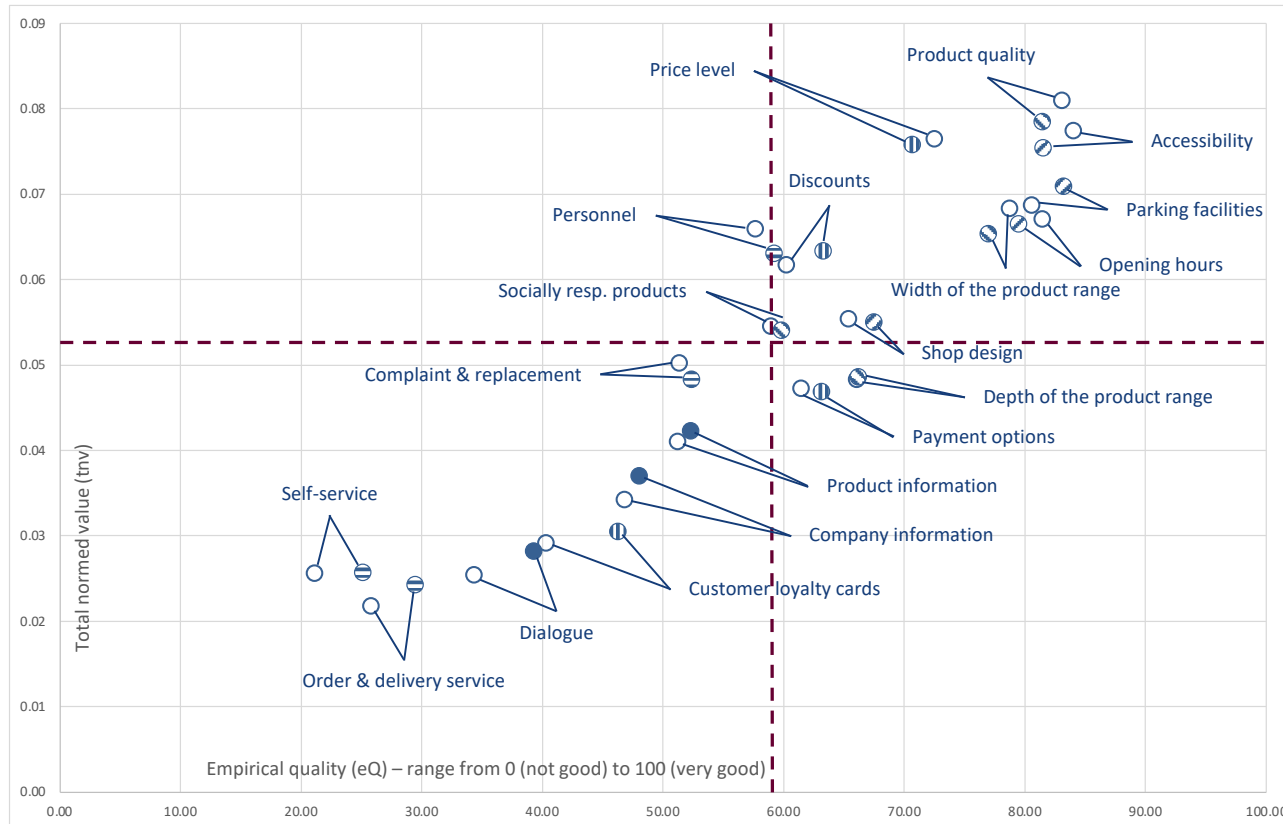
Cf. Godbersen, H., Szabo, T. & Ruiz Fernández, S. (2023). Customer Expectations and Their Fulfilment in the German Food Retail Market Before and During the Covid-19 Pandemic - A Longitudinal Study with the Means-End Theory of Complex Cognitive Structures. In: L. Rothe, J. Naskrent, M. Stumpf & J. Westphal (Eds.), Marketing & Innovation 2023: Future Shopping - Der Handel in der (Nach-)Coronazeit, p. 173-198.





Relevance & quality of performance categories of German food retailers before (2019: empty markers) & at the end (2022; filled markers) of the Covid-19 pandemic, perceived by customers.

Cf. Godbersen, H., Szabo, T. & Ruiz Fernández, S. (2023). Customer Expectations and Their Fulfilment in the German Food Retail Market Before and During the Covid-19 Pandemic - A Longitudinal Study with the Means-End Theory of Complex Cognitive Structures. In: L. Rothe, J. Naskrent, M. Stumpf & J. Westphal (Eds.), Marketing & Innovation 2023: Future Shopping - Der Handel in der (Nach-)Coronazeit, p. 173-198.



Relevance & quality of performance elements of German food retailers before (2019: empty markers) & at the end (2022; filled markers) of the Covid-19 pandemic, perceived by customers.

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Foundations of Marketing

Strategic Marketing

Segmenting & Targeting Markets

Analysing & Planning Business Units

Creating & Managing Brands

Excursus: Creating New Business Ideas

Operational Marketing\*

Creating Value I: Product

Creating Value II: Price

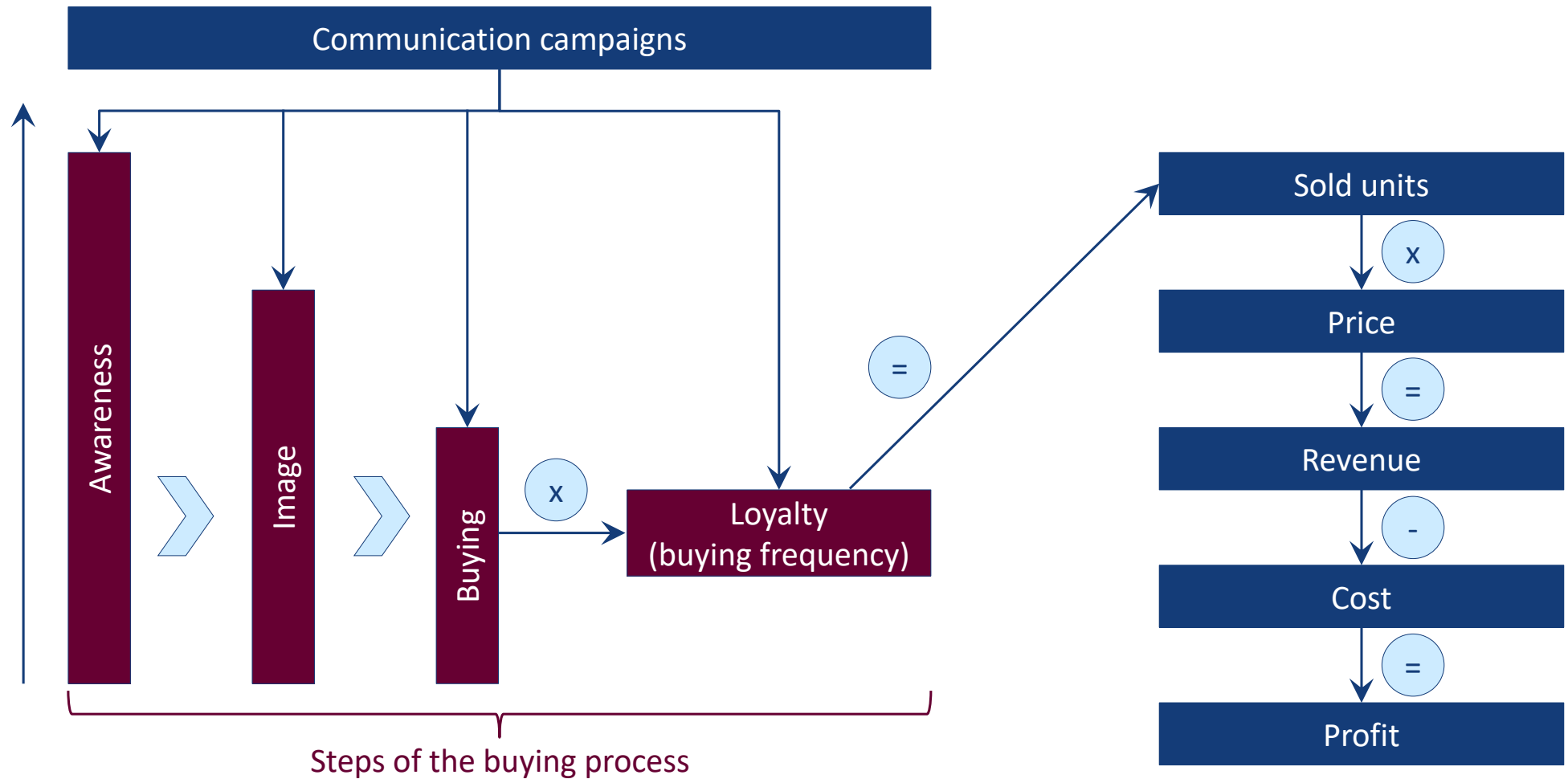
Delivering Value: Place

Communicating Value: Promotion

\*cf. approach of Kotler, P. & Keller, K.L. (2016). Marketing Management. Global Edition (15<sup>th</sup> ed.). Pearson.

## Steps of Buying Process & Communication Campaigns

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### **Marketing communication (conventional communication)**

- Classic advertising
- Out-of-home advertising
- Sponsoring
- ...

### **Online marketing**

- Website
- Online advertising
- Social media marketing
- ...

### **Personal Selling**

- B2B
- B2G
- B2C
- ...

### **Guerrilla marketing (unconventional communication)**

- Ambush marketing
- Ambient marketing
- Virus marketing

Focus rather on awareness & image

Focus rather on sales & loyalty

### Marketing communication (conventional communication)

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- Out-of-home advertising
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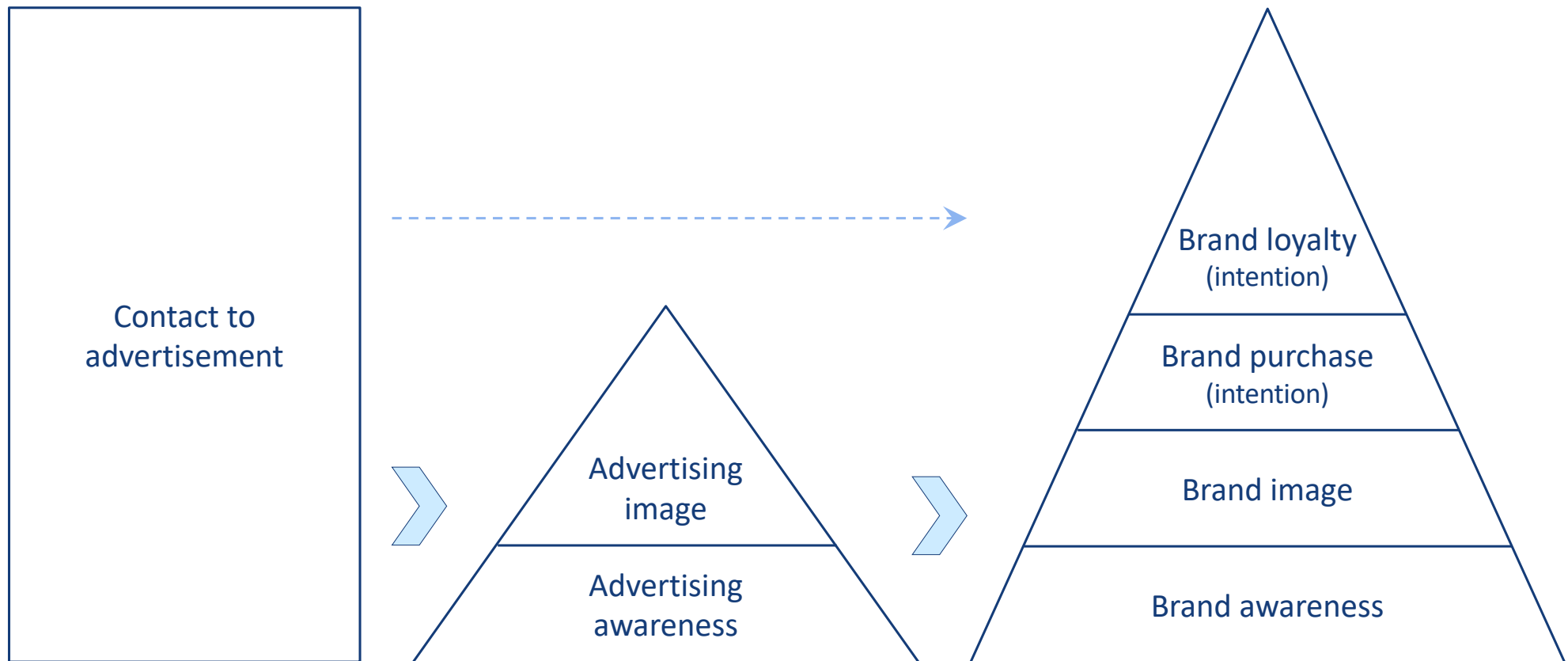
Focus rather on awareness & image

Focus rather on sales & loyalty

- Conventional marketing communication
  - Conventional marketing communication entails all (“classic”/non-online) mass communication activities of a company which (more or less) overtly aim to influence the buying behaviour of its target group.
- Planning & designing marketing communication

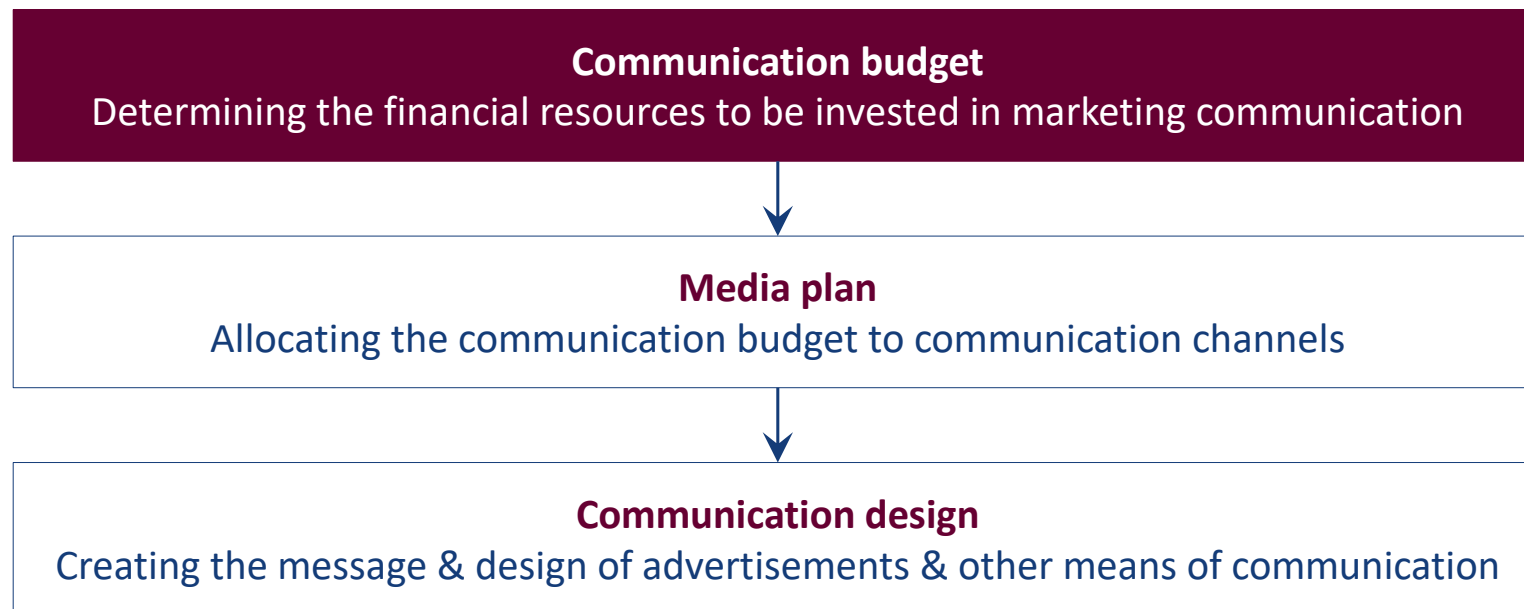


Contact to advertisement → Direct advertising effects → Indirect advertising effects



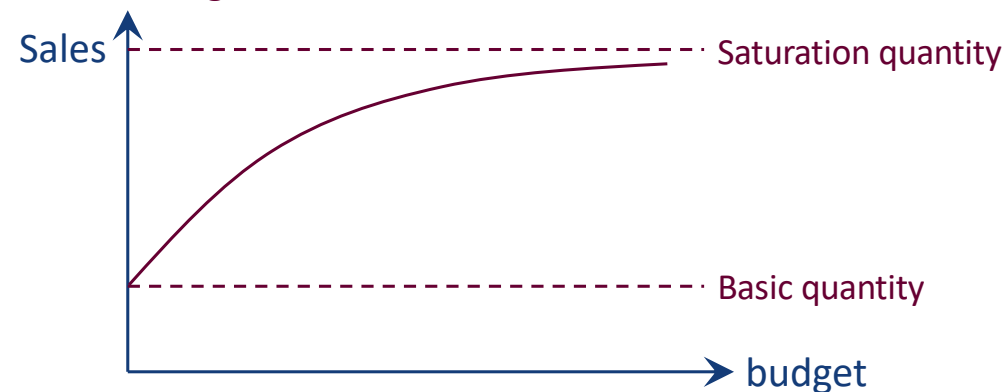


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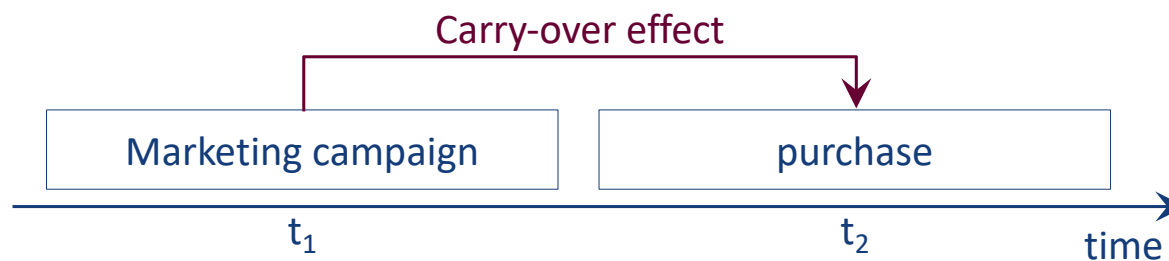


## Communication Budget

- Objective of investments into marketing communication
  - Investments into marketing communication should improve brand awareness & brand image & eventually lead to increased sales (purchases & re-purchases)
- Effects of investments into marketing communication



- Carry-over effects of marketing communication



**Resource-oriented budgeting**  
Percentage-of-sales method

**Competition-oriented budgeting**  
Weinberg model

**Market-oriented budgeting**  
Objectives-&-tasks method

- Percentage-of-sales method
  - Defining a percentage of revenue (or profit) that should be invested in marketing communication
- Simplified Example
  - Assumptions
    - Percentage of revenue to be invested into communication: 30.0%
    - Revenue: £1,000,000.00
  - Calculation of communication budget

Revenue	£	1,000,000.00
<hr/>		
Percentage for communication:		30.0%
<hr/>		
Communication budget:	£	<b>300,000.00</b>

- Strengths & weaknesses
  - **Strengths:** Most efficient budgeting method because of simple & easy planning process
  - **Weaknesses:** Threat of a downward spiral (lower sales → lower budget --> lower sales → lower budget →...) & risk of missing market opportunities (e.g., anti-cyclic investments into communication)

- Weinberg model

- Underlying assumption: development of market share depends on the ratio of advertising budget to market share in comparison to competitors
- Estimation of market share development

- $e > 1 \rightarrow$  market share will grow
- $e < 1 \rightarrow$  market share will shrink

### Calculation of e

$$e = \frac{B_A}{R_A} \div \frac{B_C}{R_C}$$

$B_A$	Communication budget of company
$R_A$	Revenue of company
$B_C$	Communication budget of competitors
$R_C$	Revenue of competitors

- Simplified example

- Example 1 – market share will grow

$$e = \frac{\pounds 25,000.00}{\pounds 100,000.00} \div \frac{\pounds 100,000.00}{\pounds 500,000.00} = 0.25 \div 0.2 = 1.25$$

- Example 2 – market share will shrink

$$e = \frac{\pounds 25,000.00}{\pounds 100,000.00} \div \frac{\pounds 150,000.00}{\pounds 500,000.00} = 0.25 \div 0.3 = 0.83$$

- Strengths & weaknesses

- **Strengths:** Integration of competition to determine effects in the market
- **Weaknesses:** No guarantee that company-specific requirements are taken into account

- Objectives-&-tasks method
  - 1) Defining communication objectives
  - 2) Determining how many contacts to target group are required to reach communication objectives
  - 3) Media planning to reach the required communication contacts
  - 4) Deducing communication budget from media plan
  - 5) Checking if communication budget is financially feasible

- Simplified Example

**Required contacts to reach objectives**

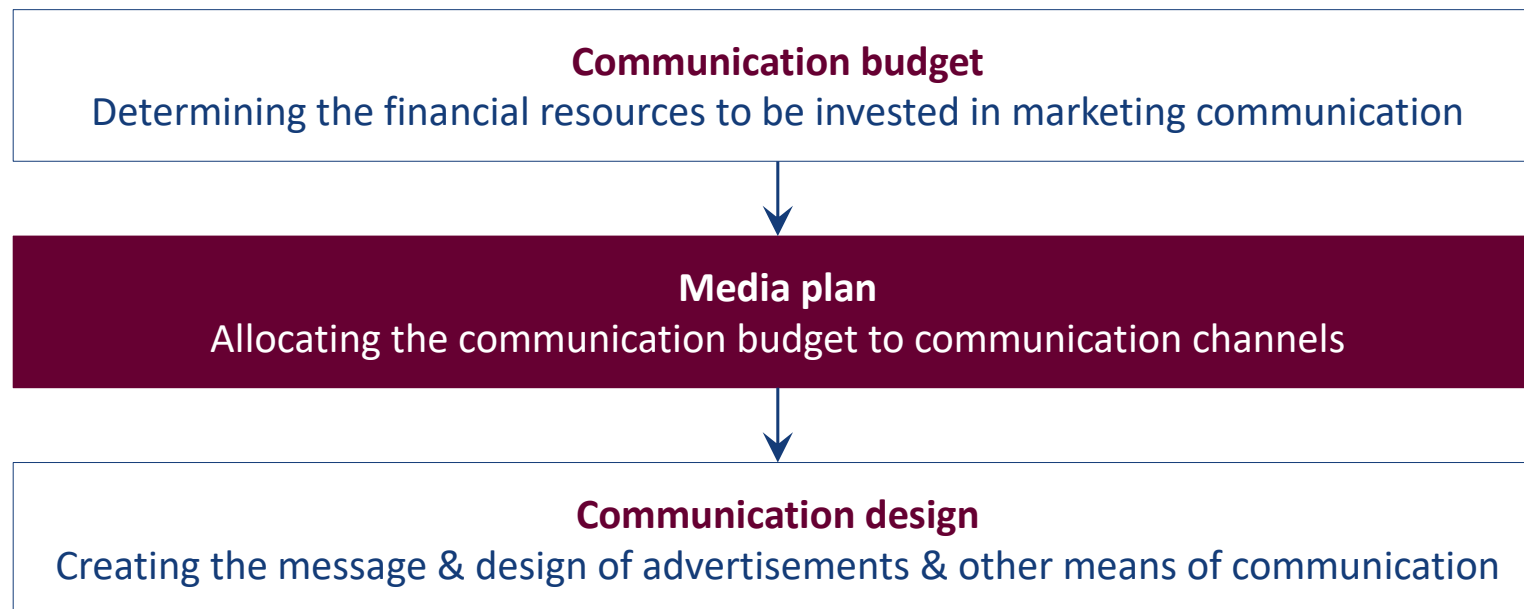
Target group size:	1,000,000
Required contacts per person:	10
Required contacts:	10,000,000

Channel	Reach	Cost per mille***	Total cost
Television	3,000,000	£ 20.00	£ 60,000.00
Radio	5,000,000	£ 10.00	£ 50,000.00
Out-of-home	2,000,000	£ 5.00	£ 10,000.00
Total	10,000,000		<b>£ 120,000.00</b>

\*\*\*advertising prices do not represent existing market prices & exclusively serve the purpose of elucidation

- Strengths & weaknesses
  - **Strengths:** Most effective method as it allocates the appropriate amount of money to communication tasks which have the highest probability to reach the “right” communication objectives
  - **Weaknesses:** Least efficient budgeting method because of substantial analysing & planning effort

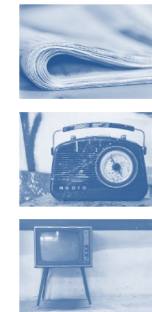
- Conventional marketing communication
  - Conventional marketing communication entails all (“classic”/non-online) mass communication activities of a company which (more or less) overtly aim to influence the buying behaviour of its target group.
- Planning & designing marketing communication



## Media Planning

- **Media planning**
  - Allocating the communication budget to communication channels through
    - Inter-media selection: selection of media categories (e.g., television, radio etc.)
    - Intra-media selection: selection of specific media within the media categories
- **Objectives of media planning**
  - **Effectiveness** of marketing communication
    - Maximising reach: Contacting as many members of the target group as possible
    - Optimising advertising pressure: Contacting members of the target group as often as necessary to reach communication effects
  - **Efficiency** (cost-effectiveness) of marketing communication
    - Investing as little as possible to achieve the desired communication effects with the target group
  - **Timing** of marketing communication
    - Optimising the timing of communication to reach the afore-mentioned objectives

Inter-media selection



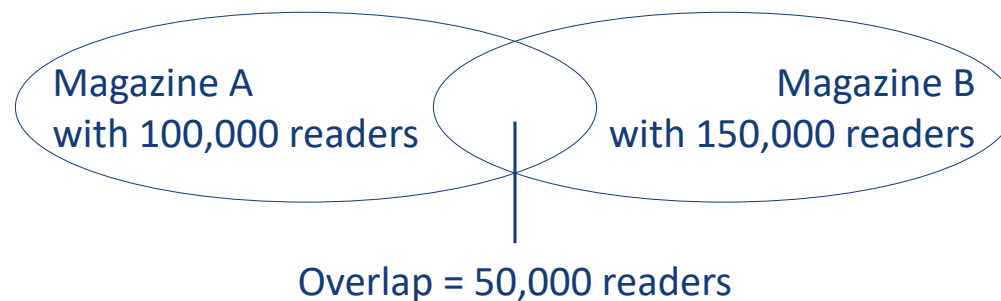
Intra-media selection





## Media Plan Effectiveness

- Indicators of communication effectiveness
  - Impressions: Number of all communication contacts
  - Net reach: Number of contacted people
  - Audience overlap: Number of communication contacts to the same people (when advertisement is placed in different media or repeatedly over time)
  - Frequencies: Number communication contacts per person
- Quantitative vs. qualitative reach
  - Quantitative reach: Number of contacted people regardless of them being in the target group or not
  - Qualitative reach: Number of contacted people who are exclusively within the target group
- Simplified example




Impressions A	100,000
Impressions B	150,000
<hr/>	
Total impressions	250,000
Overlap	50,000
<hr/>	
Net reach	<b>200,000</b>

## Media Plan Efficiency

- Cost per Mille (CpM)
  - Cost to make 1,000 advertising contacts  $CpM = \frac{C}{I} \times 1,000$ 

$\frac{C}{I}$

Cost of communication campaign  
Impressions of campaign
- Quantitative vs qualitative CpM
  - Quantitative CpM: Cost to make 1,000 contacts regardless of contacts being in the target group or not
  - Qualitative CpM: Cost to make 1,000 contacts who are exclusively within the target group


**Advice for practice:** Eventually the qualitative CpM is of relevance
- Simplified example

### Assumptions

Brand's target group: 18 to 40 years

Advertising Cost with radio A & B\*\*\*: £100.00

Target group	Radio A	Radio B
18 to 40 years	20,000	25,000
41 to 60 years	30,000	15,000
Total	50,000	40,000

CpM	Radio A	Radio B
Quantitative CpM	$\frac{£100.00}{50,000} \times 1,000 = \text{£}2.00$	$\frac{£100.00}{40,000} \times 1,000 = \text{£}2.50$
Qualitative CpM	$\frac{£100.00}{20,000} \times 1,000 = \text{£}5.00$	$\frac{£100.00}{25,000} \times 1,000 = \text{£}4.00$

\*\*\*advertising prices do not represent existing market prices & exclusively serve the purpose of elucidation

## Media Plan Timing

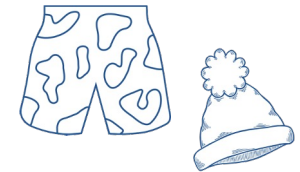
- Advertising frequency

Continuous communication  
for products in continuous use like food & beverage

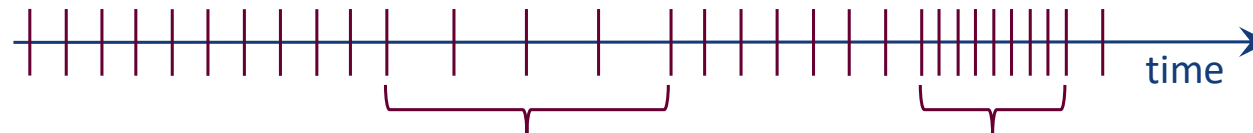


vs.

Concentrated communication  
for seasonal products like summer/winter fashion



- Seasonal advertising



Typically, lower advertising intensity  
during the summer break

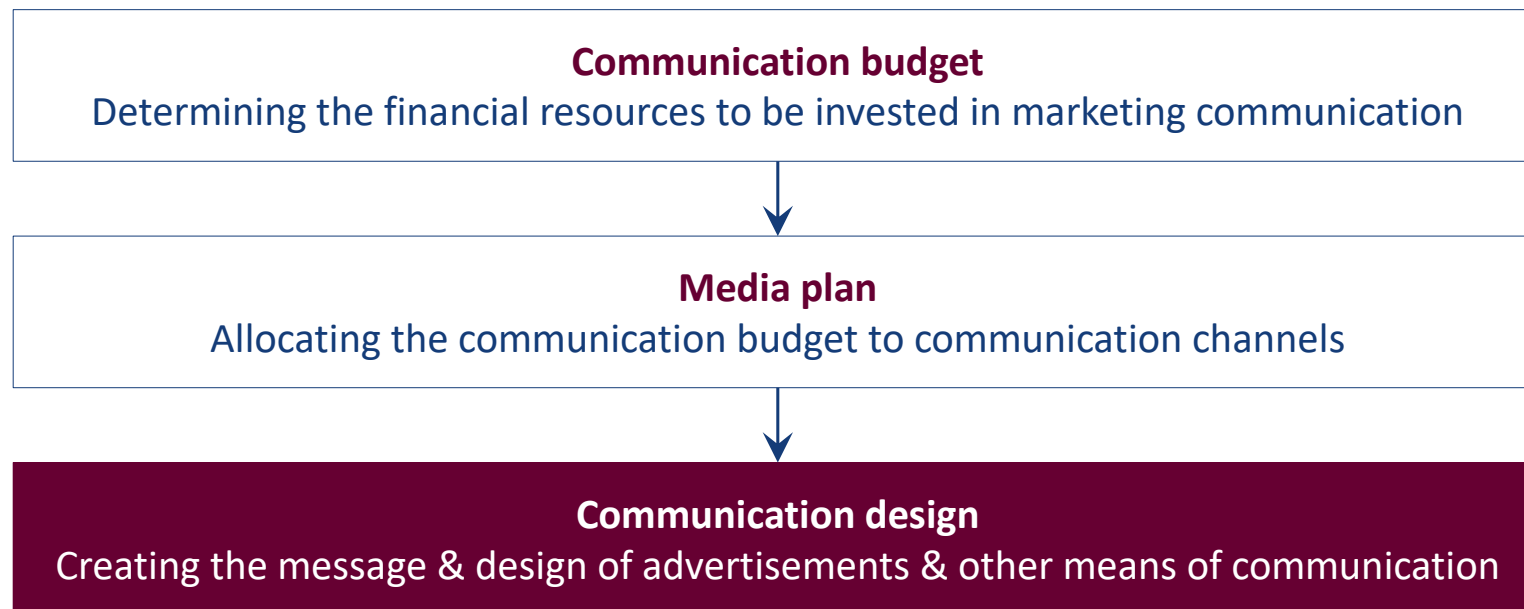
Typically, higher advertising intensity  
before Christmas

- Advertising pressure

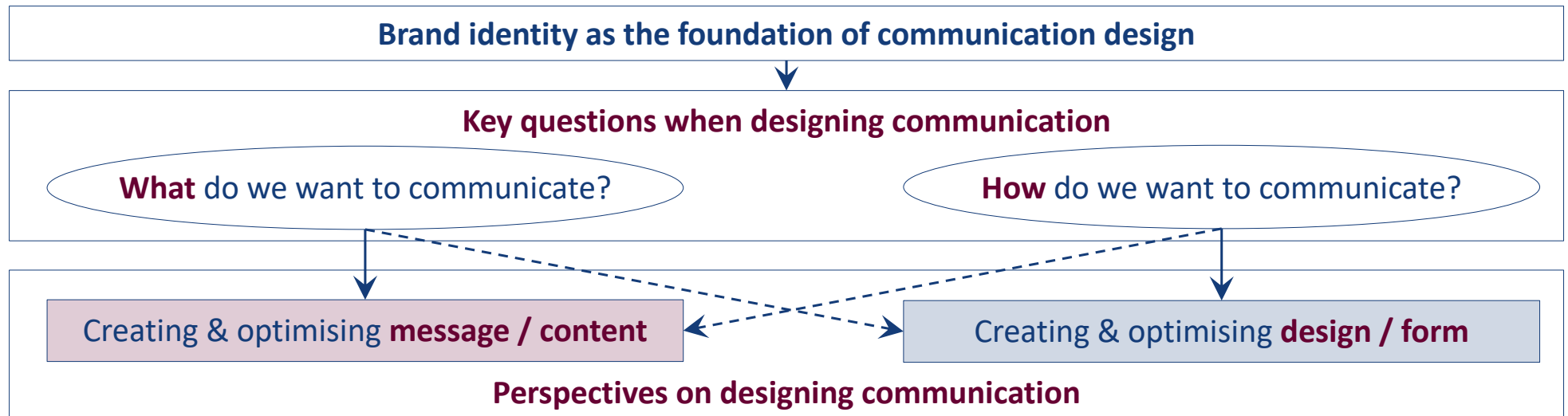
- Marketing communication is normally perceived under conditions of low involvement, e.g., commercials during the half-time break of a rugby match
- Multiple contacts to advertisement are necessary to achieve communication effect

→ Advice for practice: Better to contact the target group once too often than once too less

- Conventional marketing communication
  - Conventional marketing communication entails all (“classic”/non-online) mass communication activities of a company which (more or less) overtly aim to influence the buying behaviour of its target group.
- Planning & designing marketing communication



- Perspectives on designing communication



- Communication objectives & perspectives on designing communication



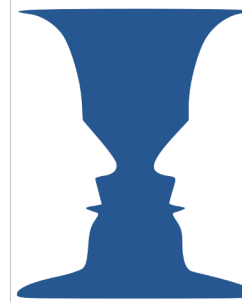
## 1) “Get the basics right”

- Goal-oriented work toward communication objectives & brand identity
- Development of creative ideas for message as a foundation

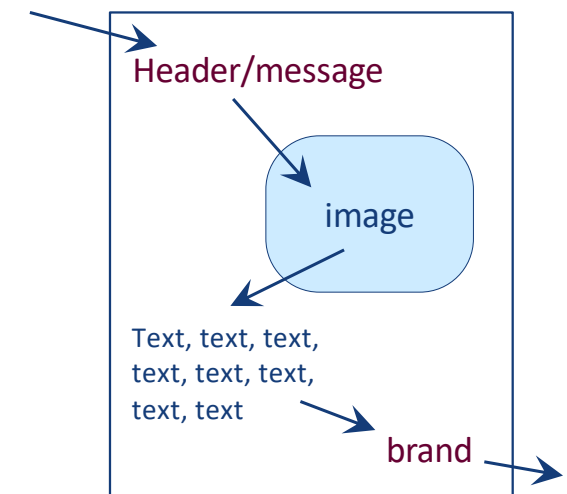
## 2) “Do the little things right”

- Keep it simple & strong
- Utilising the figure-ground perception
- Utilising perception priorities
  - Images over text
  - People over objects
  - ...
- Utilising the primacy-recency effect
- ...

Figure-ground perception  
(vase vs. two faces)



Typical perception  
of an advertisement



## 3) Analysing advertisements (see next slide)

- Awareness → predominantly improving the formal design of the advertisement
- Fit with brand identity → predominantly improving the message/content of the advertisement

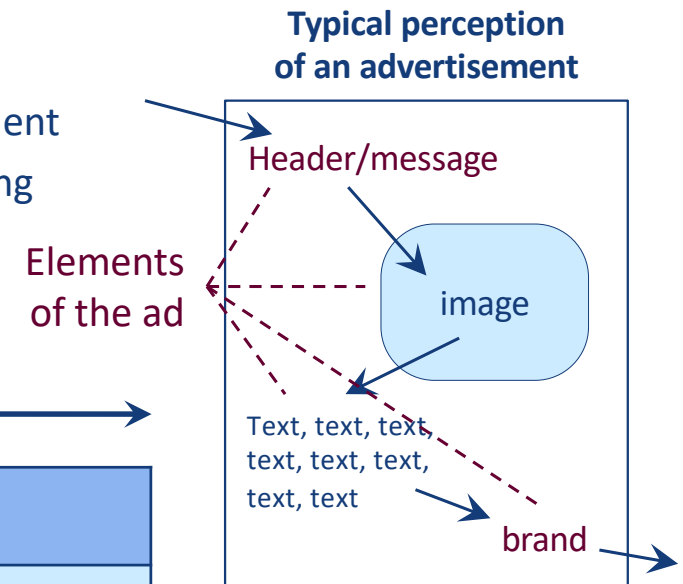
## Analysing Advertisements

- Process of analysing advertisements
  - 1) Defining the process of perception & the elements of the advertisement
  - 2) Evaluating the elements with regard to gaining awareness & improving the brand identity
  - 3) Deriving options for improving elements & overall advertisement
- Advertisement analysis & options for improvement (norm strategies)

Optimising message/content →

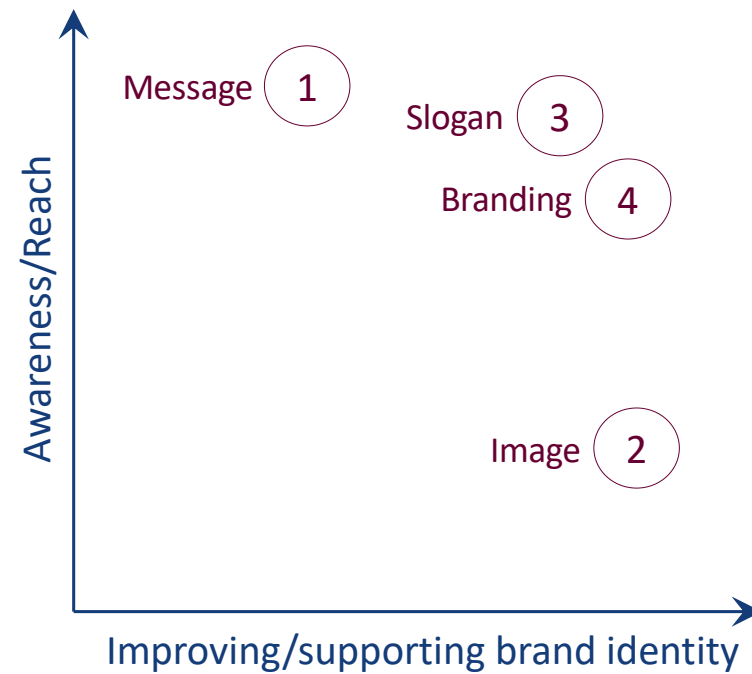
Elements of an advertisement		Improving brand identity		
		low	neutral	high
Awareness / reach	high	Delete if possible	Select	Focus on
	neutral	Delete	Delete if possible	Select
	low	Delete	Delete	Delete if possible

↑ Optimising formal design



## Analysing Advertisements – Simplified Example\*\*\*

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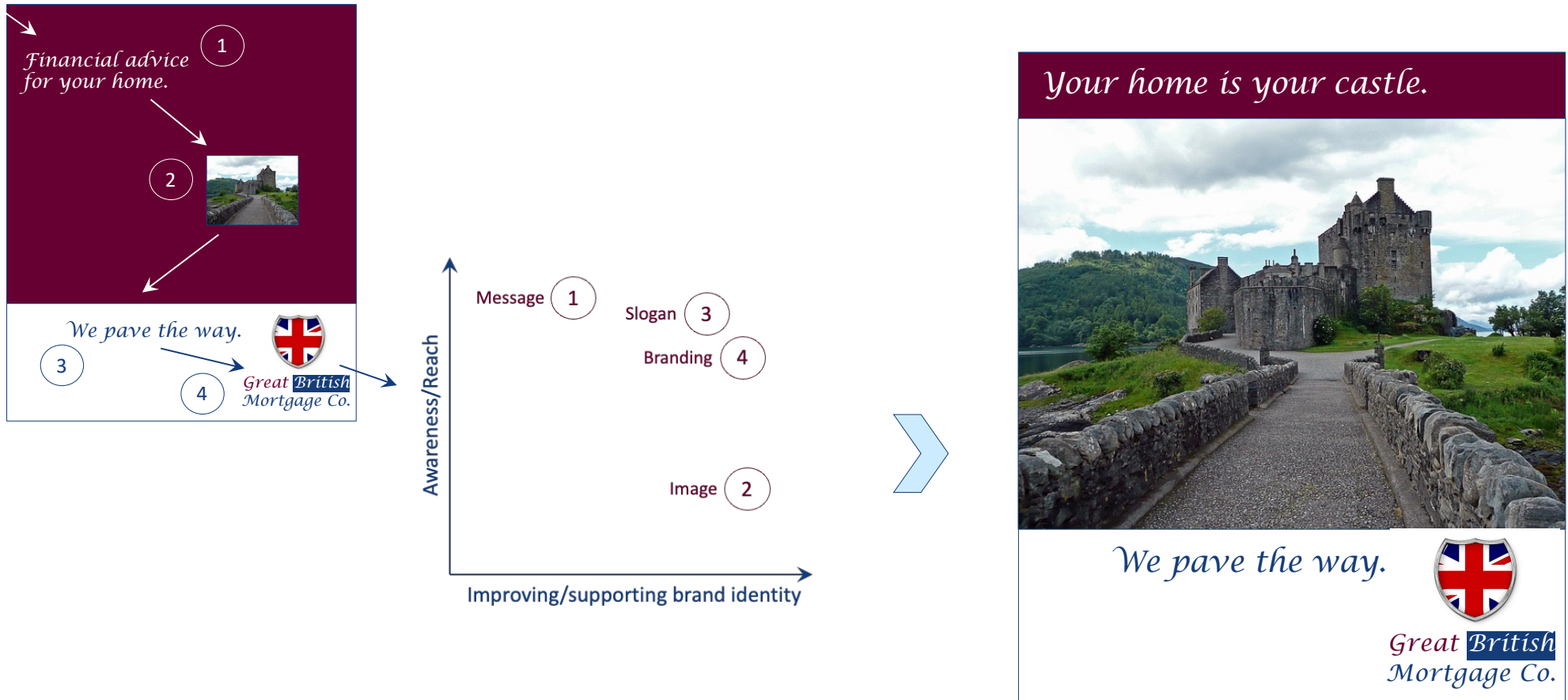


\*\*\*example does not represent existing companies or brands; example is inspired by the campaigns of Volksbanken & Raiffeisenbanken, Germany



## Analysing Advertisements – Simplified Example\*\*\*

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Godbersen



\*\*\*example does not represent existing companies or brands; example is inspired by the campaigns of Volksbanken & Raiffeisenbanken, Germany

## Communicating Value: Promotion

### Marketing communication (conventional communication)

- Classic advertising
- Out-of-home advertising
- Sponsoring
- ...

### Online marketing

- Website
- Online advertising
- Social media marketing
- ...

### Personal Selling

- B2B
- B2G
- B2C
- ...

### Guerrilla marketing (unconventional communication)

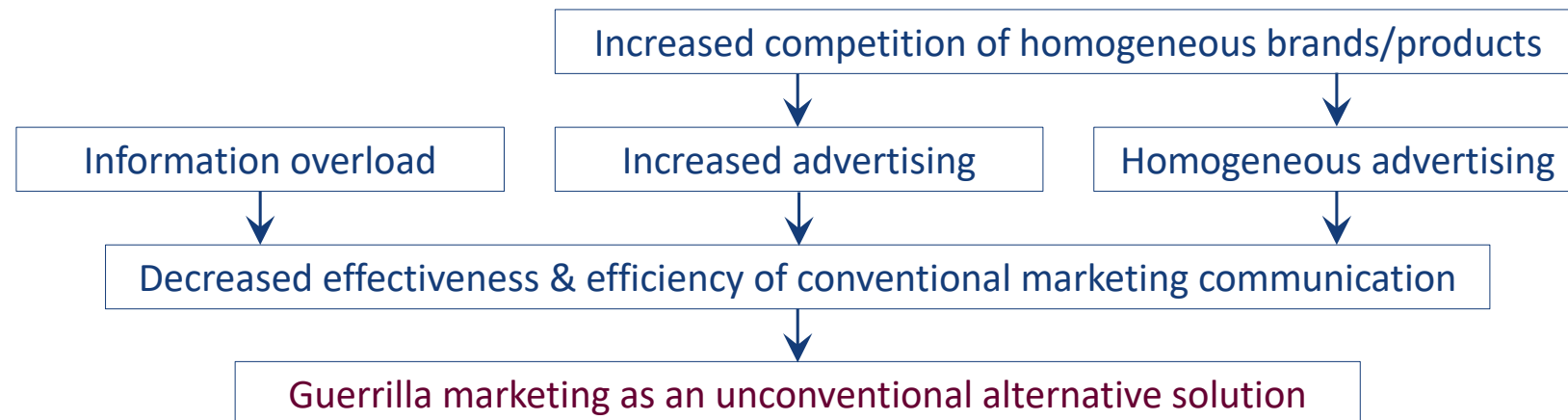
- Ambush marketing
- Ambient marketing
- Virus marketing

Focus rather on awareness & image

Focus rather on sales & loyalty

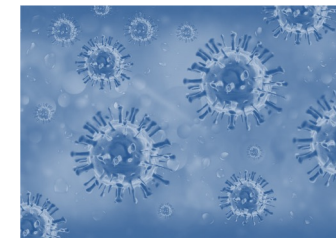
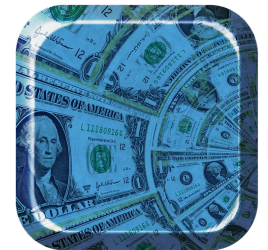
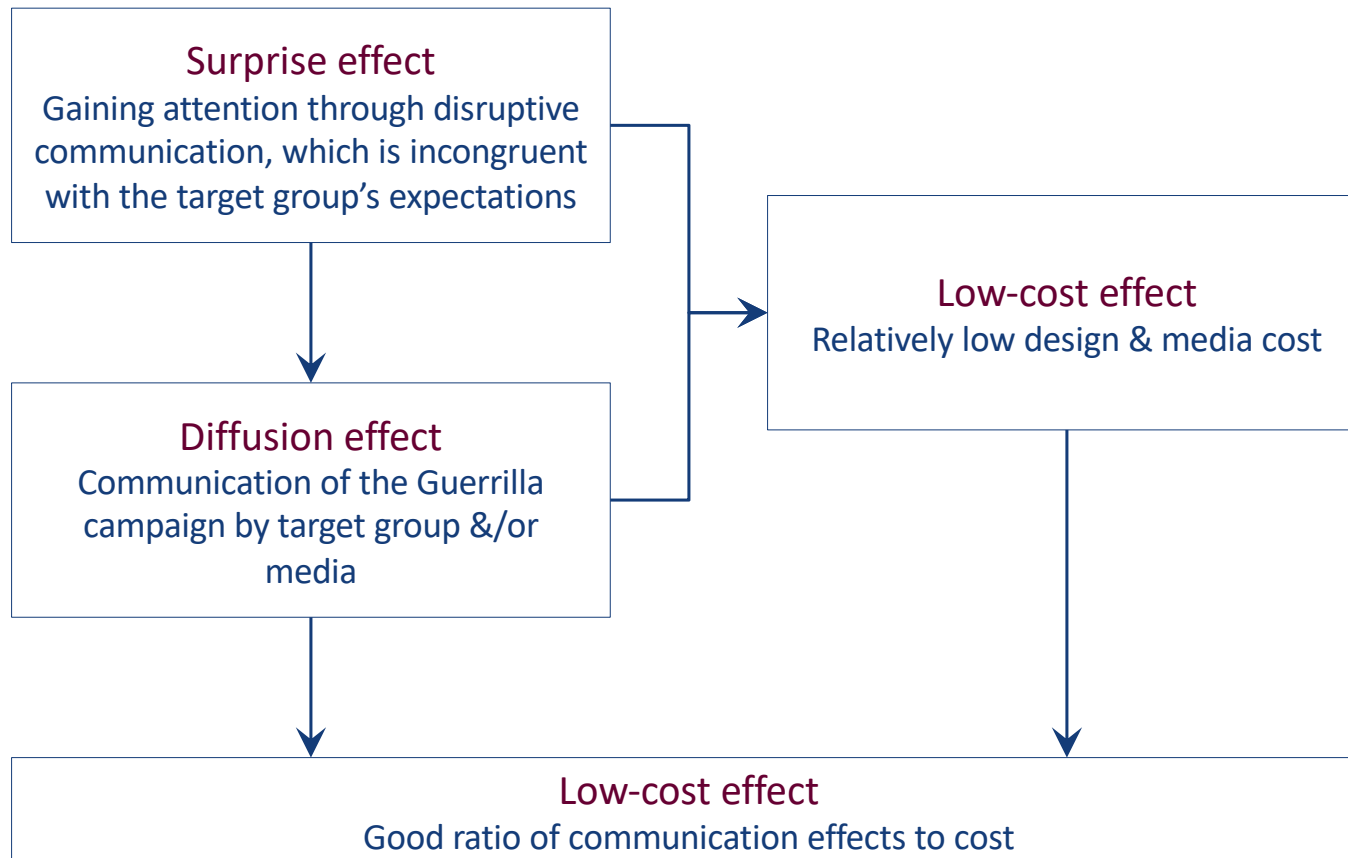
## Guerrilla Marketing

- Historic background
  - Napoleonic Peninsular War (1807 – 1814)
  - Guerrilla (Spanish) = little war
- Marketing background



- Definition
  - Guerrilla marketing is a communication instrument that incorporates surprising elements & aims to reach & positively influence a large portion of a brand's target group at low cost.

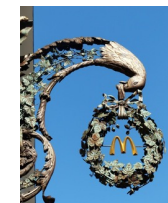
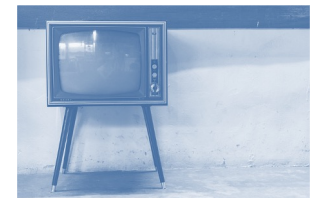
## LSD Effect as Core of Guerrilla Marketing



## Guerrilla Marketing Instruments

- **Ambush marketing**
  - Utilising major (sport) events without being an official sponsor & filling gaps in competitors' marketing concept
  - Main effect: Low-cost
- **Ambient & sensation marketing**
  - Utilising marketing communication at unexpected places in surprising ways
  - Main effect: surprise
- **Virus & buzz marketing**
  - Utilising influencers & target group members to communicate/share (marketing) messages
  - Main effect: diffusion

### FIFA WORLD CUP



## Positive & Negative Effects of Guerrilla Marketing on Target Group



## Positive & Negative Effects of Guerrilla Marketing on Target Group

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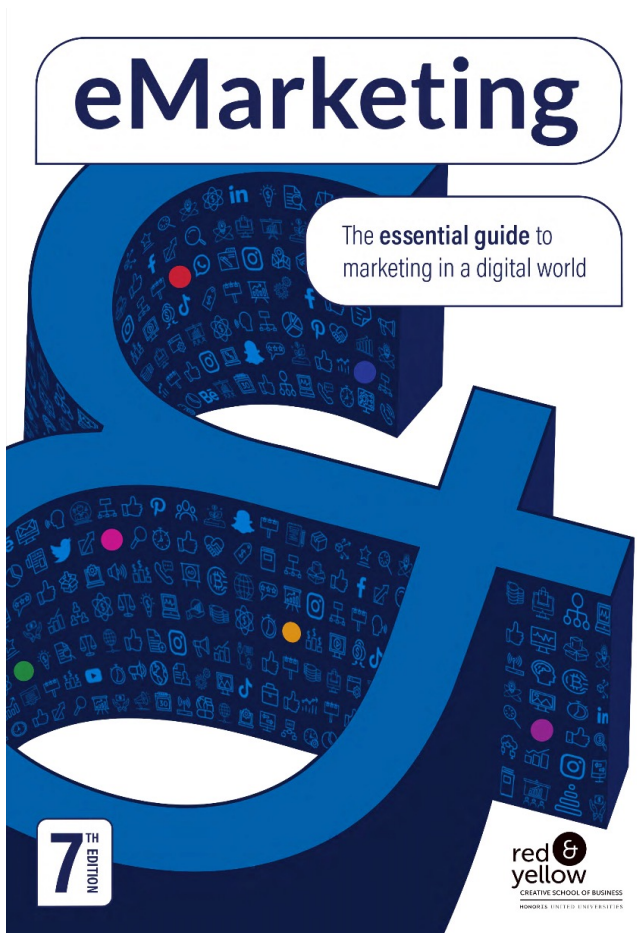
Focus rather on awareness & image

Focus rather on sales & loyalty

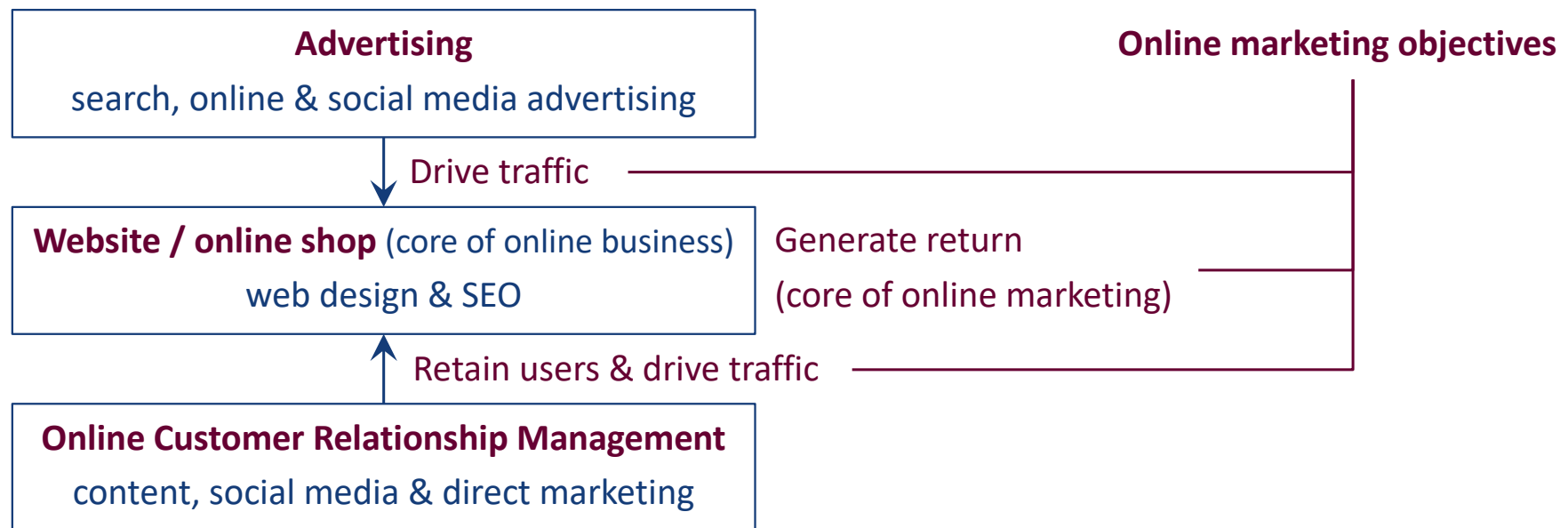


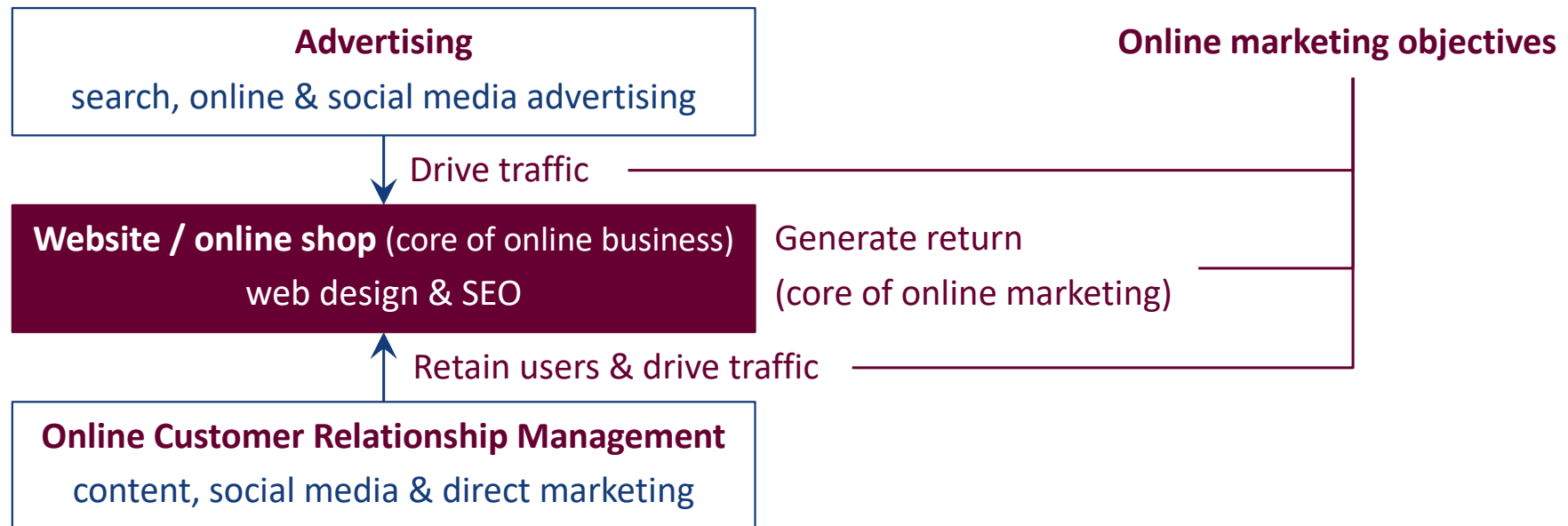
## Further Reading

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Godbersen



Solomons, D., Kliphuis, T. & Wadley, M. (2022). eMarketing. The Essential Guide to Marketing in a Digital World (7<sup>th</sup> ed.). Red & Yellow.





## 1) Analysing & defining the user (group)

- Who is the user?
- What are the needs & wants of the user?
- What are the (digital) competencies of the user?

## 2) Determining the website content

- To what end does the user come to this website (e.g., information)?
- What do we want the user to do (e.g., purchase)?

## 3) Defining the website structure

- Designing a sitemap
- Translating sitemap into static (rarely changing websites) or dynamic website (frequently changing websites)

## 4) Creating the website layout

- Defining website/brand guidelines (font, colours, images etc.)
- Creating online layout

### Examples of content management systems for dynamic websites



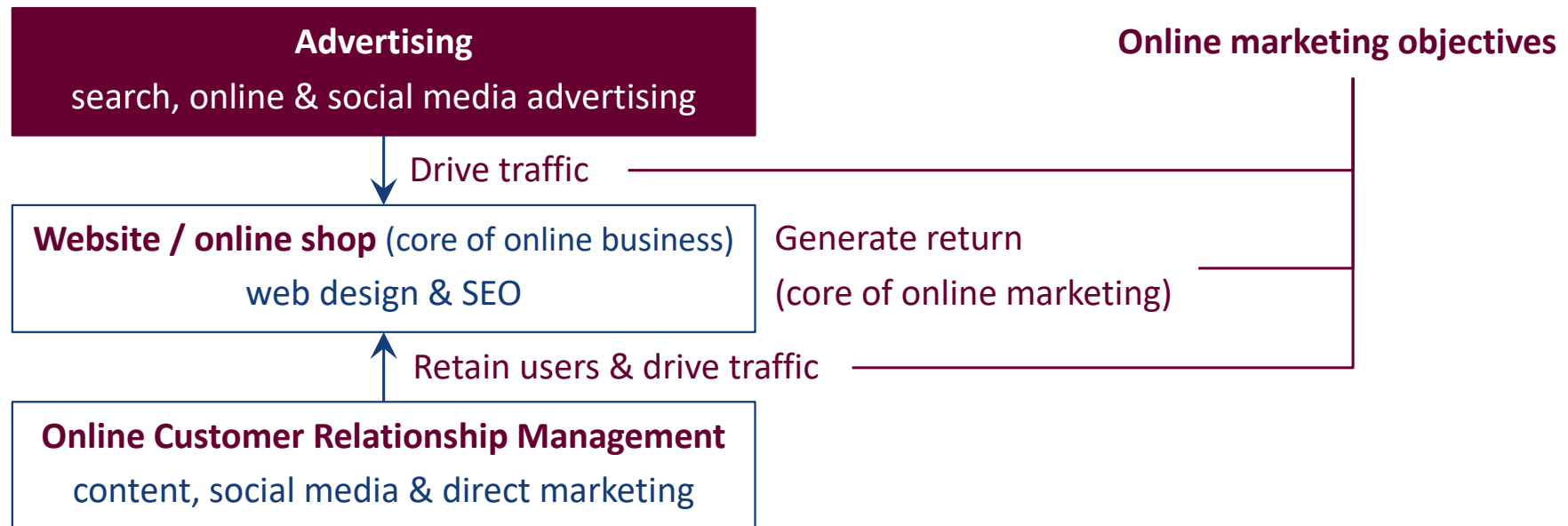
### Website layout – Rules of thumb

- Lots of empty space
- Fewer options
- Plain Language
- Sticking to conventions (links are blue & underlined, navigation is at the top or left...)
- ...

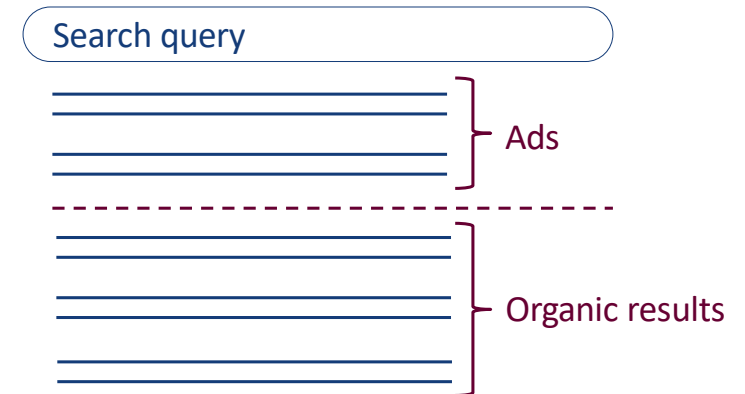
## SEO – Search Engine Optimising

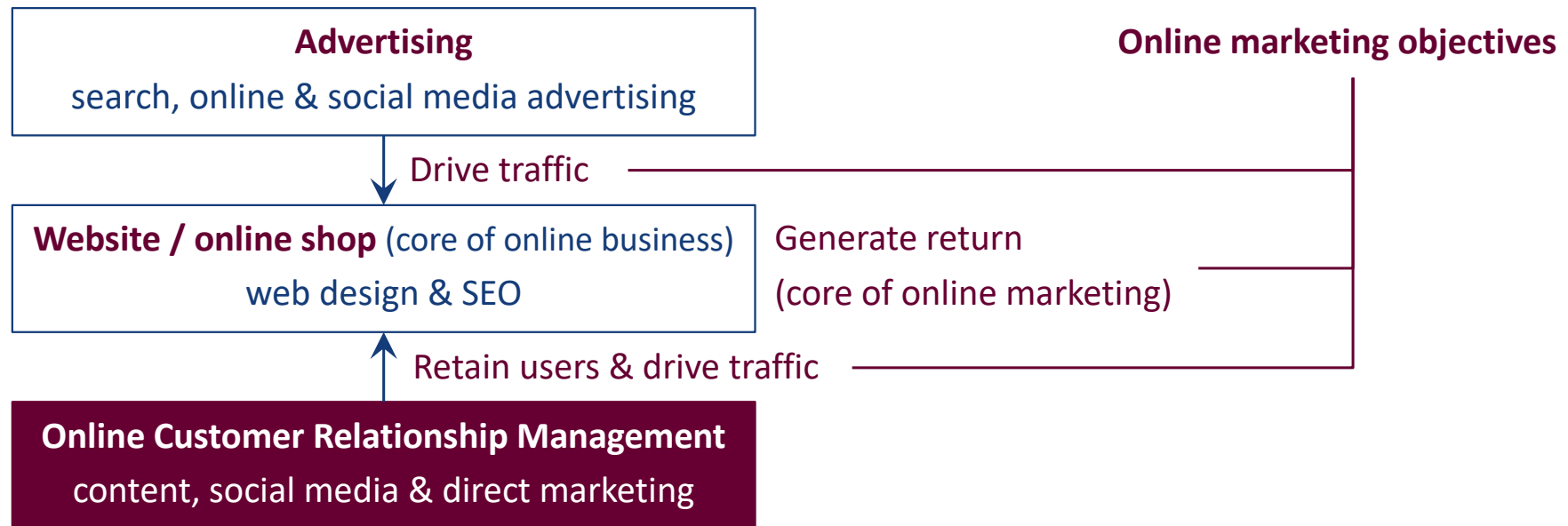
---

- SEO approach
  - **White hat** (in accordance to search engine guidelines)
  - Black hat → it is a no no (search engines will punish you)
- On-page optimisation
  - Creating & improving html code & website structure to make the website easily accessible for search engines
  - Integrating key words (search queries) into the content to make the website more “attractive” for search engines (beware: still write for humans)
- Off-page optimisation
  - Placing links on external websites & social media sites (beware: build links for actual users/traffic not for search engines)
  - Attracting links from others through valuable content (content is king)



- Search engine advertising (SEA)
  - 1) Define landing page to which the advertisement should lead
  - 2) Determine budget & cost per click
  - 3) Set key words under which your advertisement should appear
  - 4) Write concise messaging with compelling call for action
- Online & social media advertising
  - Choosing websites & social media channels for advertising
    - User of website/social media channel  $\approx$  target group of brand
    - Image of website/social media channel  $\approx$  image of brand
  - Advertising placement
    - Direct placement with the website owner
    - Online media agencies
    - Advertising platforms like Google Ads
    - Social media sites (Facebook, LinkedIn, YouTube etc.)

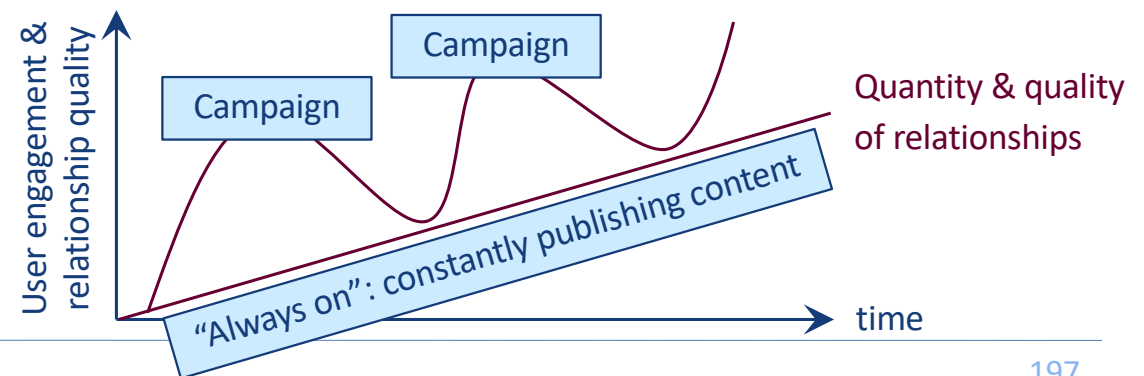






## Content Marketing

- Content marketing – definition
  - “Content marketing is a marketing technique of creating and distributing relevant and valuable content to attract, acquire, and engage a clearly defined and understood target audience – with the objective of driving profitable customer action” (Content Marketing Institute, 2013).
- User-orientation of content marketing
  - 1) 1<sup>st</sup> priority: Creating & publishing content that has a value in itself for users
  - 2) 2<sup>nd</sup> priority: Converting users to customers
- Production-orientation of content marketing
  - 1) Designing, organising & managing content marketing processes like a publisher
  - 2) Integrating business units (research & development, production, sales, customer services etc.) into publishing process
- Timing through “always on content strategy”



- Social media marketing

- “Golden rules” of social media marketing
  - Understand social media marketing as a conversation/interaction
  - Respond to (virtually) all social media posts in time
- Directions of social media communication
  - Positive posts → communication focus on driving traffic to business
  - Neutral posts → communication focus on improving brand image (before it is “boring”)
  - Negative posts → communication focus on immediately fixing problem to prevent loss of image



- Direct marketing

- Main objectives
  - Improving customer relationship
  - Initiating repeated sales & additional sales
- Principles
  - Only sending messages/emails to subscribed users & offering option to unsubscribe
  - Content of emails must be valuable & normally exclusive



### Marketing communication (conventional communication)

- Classic advertising
- Out-of-home advertising
- Sponsoring
- ...

### Online marketing

- Website
- Online advertising
- Social media marketing
- ...

### Personal Selling

- B2B
- B2G
- B2C
- ...

### Guerrilla marketing (unconventional communication)

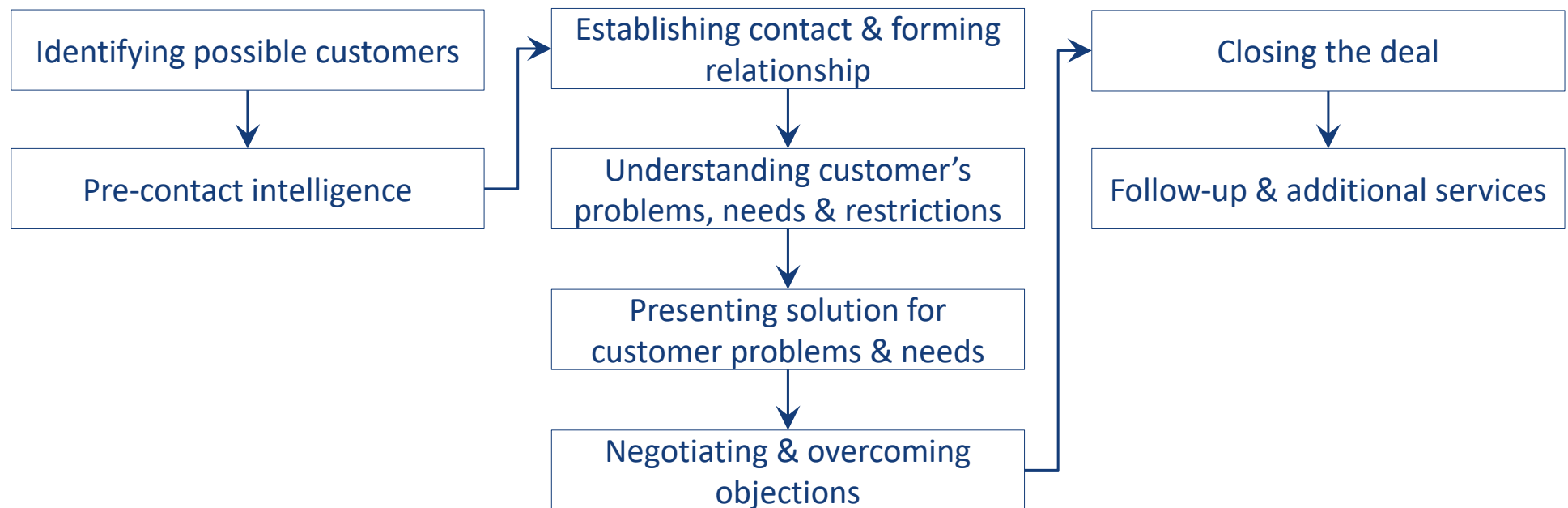
- Ambush marketing
- Ambient marketing
- Virus marketing

Focus rather on awareness & image

Focus rather on sales & loyalty

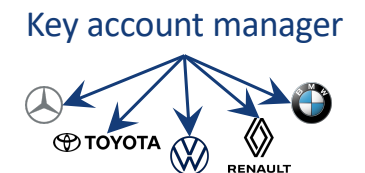
## Personal Selling

- Definition of personal selling
  - Acquiring customers, i.e., closing sales deals, & establishing strong customer relationships, i.e., additional services, through the means of direct personal contacts.
- Process of personal selling



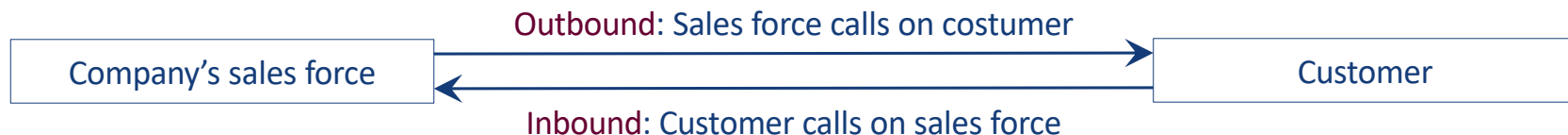
## Sales Force Structure

- Dimensions of structuring a sales force
  - Geographic structure  
esp. for geographically dispersed target groups
  - Product-focused structure  
esp. for complex & non-self-explanatory products
  - Customer-focused structure  
esp. key account management for major customers



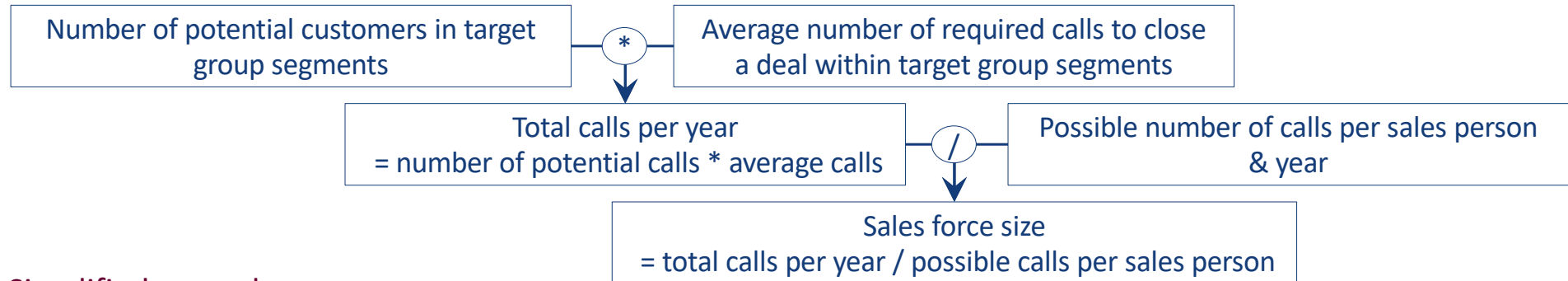
- Matrix organisation of a sales force  
esp. complex & non-self-explanatory products  
for geographically dispersed target groups
- Outbound vs. inbound sales

	Region 1	Region 2	Region...
Product 1			
Product 2			
Product...			



## Sales Force Size & Sales Force Selection

- Sales force size



- Simplified example

Target group:	A	B	C	
Number of potential customers:	1,000	2,000	4,000	
Average number of required calls:	20	10	5	
Total Calls per year & target group:	20,000	20,000	20,000	
Total Calls per year:	60,000			

Total calls per year:

60,000

Possible calls per sales person:

1,000

Sales force size:

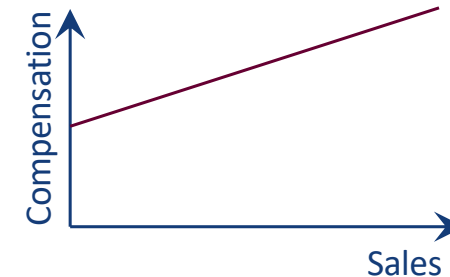
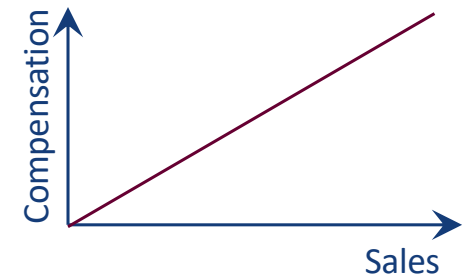
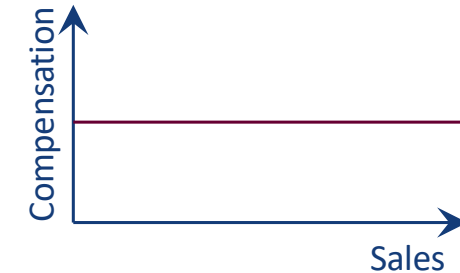
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- Sales force selection based on

- Customer knowledge, esp. understanding needs & objectives of customers
- Product/technology know-how, esp. understanding benefits of product/technology for customers
- Social skills, esp. empathy & persuasion

## Sales Force Compensation

- **Fixed salary**
  - Stronger motivation to build customer relationships in a team effort
  - Weaker motivation to individually close deals
- **Variable salary** (commission & bonus)
  - Stronger motivation to individually close deals
  - Weaker motivation to build long-term relationships in a team effort
- **Combination of fixed & variable salary**
  - Combining the strength of fixed & variable compensation
  - Mitigating the weaknesses of fixed & variable compensation
- **Expenses** (travel & entertaining)
  - Enabling sales success



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