

Marketing is Dead! Long Live Marketing!

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**“ PANTA RHEI ”
“EVERYTHING OR ALL THINGS
CHANGE”.**

Heraclitus of Ephesos (c. 500 BCE)

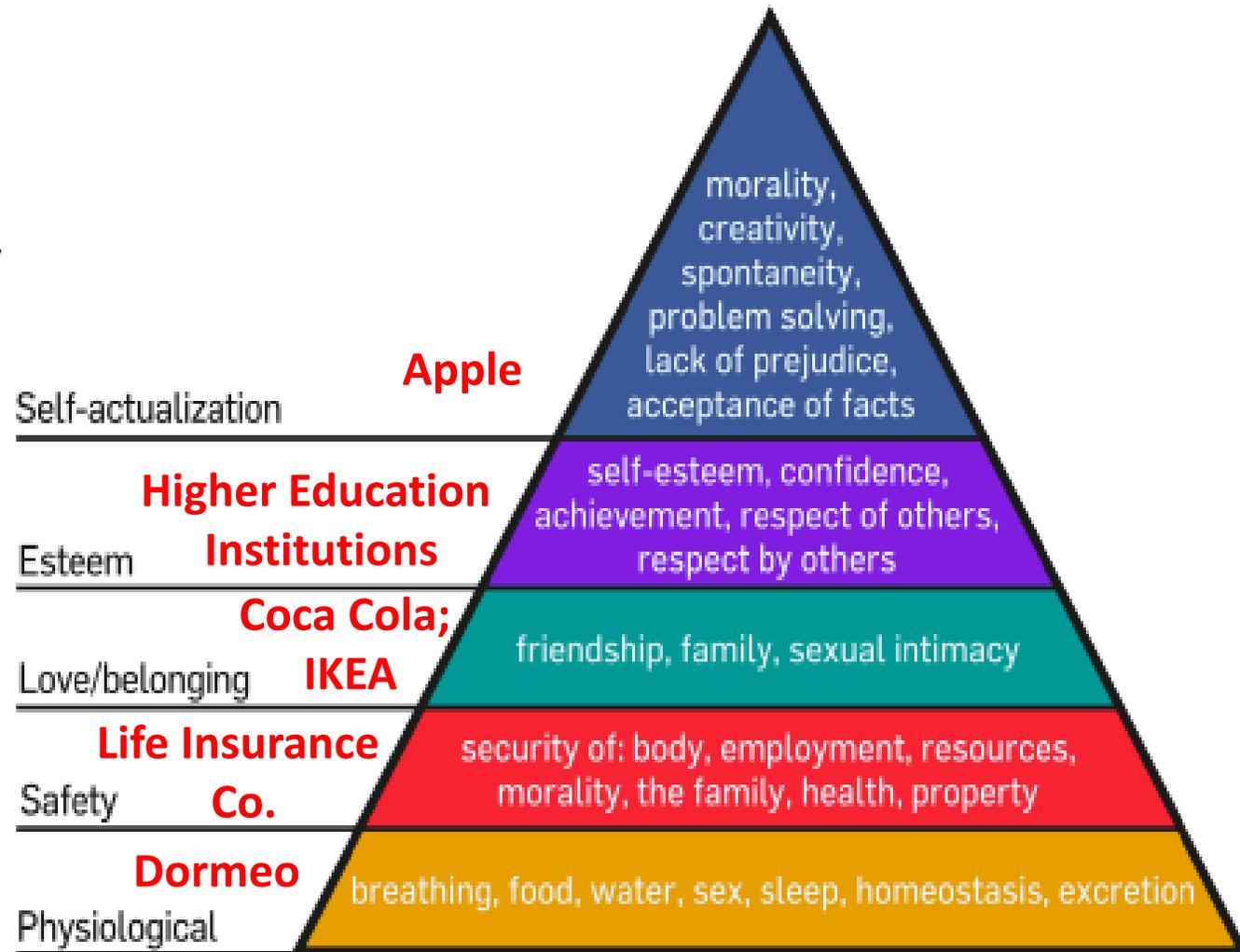


Why Marketing?

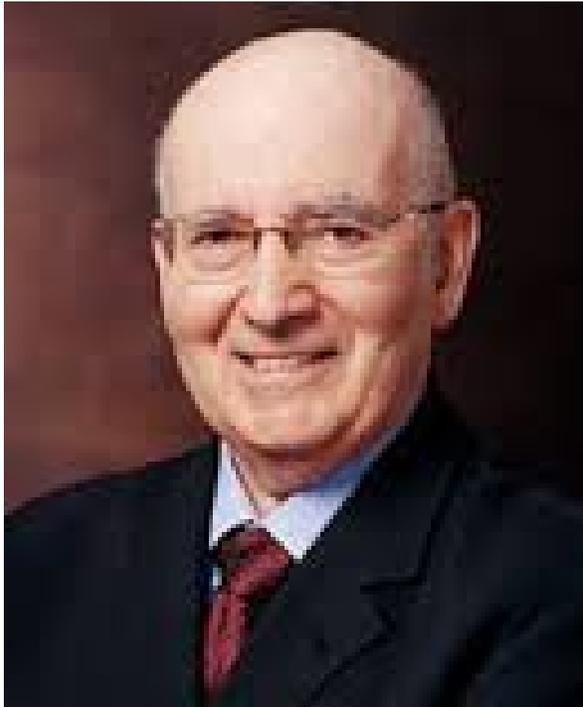
- Marketing is a **humanistic subject**.
- Marketing is a force that **has shaped and crated our wants and life styles**.
- Even it is only 116 years old as a term (de jure), **it is as old as the first homo sapiens /wise person (de facto)**.
- **Marketing > Selling** (“The aim of marketing is to make selling unnecessary.” P. Drucker).
- Our **limbic system** is stronger then our **neocortex**.

Citizen, Consumer, Customer (Behavior)

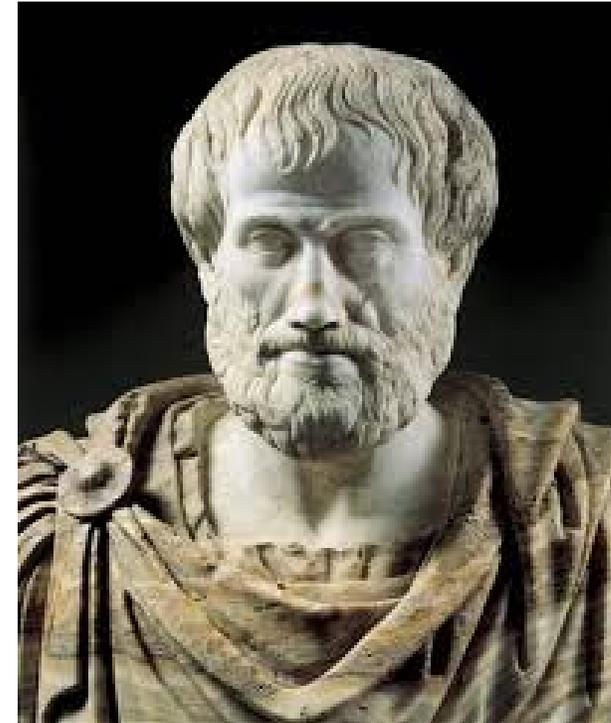
- Why is the check – out point draped with chewing gums, breath mints, copies of fashion/ car magazines?
- Heard of Abraham Maslow?
- Which need is your favorite ad satisfying?



Who is the Father of Marketing?



VS.

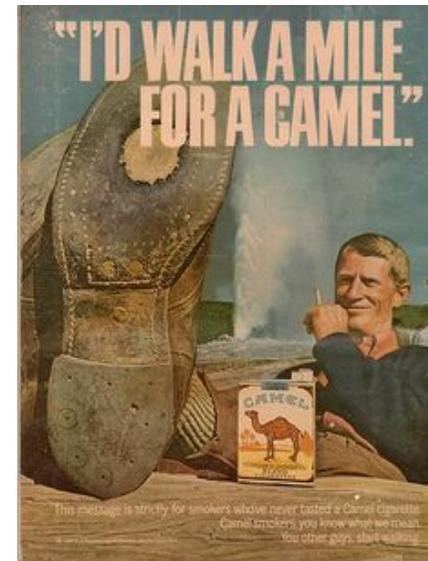


The first person to receive the "**Leader in Marketing Thought**" award by the [American Marketing Association](#).

Google in his time; the first person to best define **rhetoric** - "the faculty of observing in any given case the available means of [persuasion](#)."

Some Antecedents of Marketing

1. First department store? (Mitsui Family, 1650)
2. First newspaper ad? (For coffee in England, 1652)
3. First advertising agency? (N. W. Ayers and Son, 1869)
4. First brand – name product? (Pears' Soap, 1870)
5. First packaging? (Laundry Soap in England, 1880)
6. Marketing in dictionary (USA, 1910)
7. First guerilla marketing campaign? (Edward Bernays, in a campaign for "Lucky Strike", 1928)



When Did Marketing Start?

- **Markets and trade** are terms with a long history (middle ages, ancient Greece / agora).
- **Marketing** as a **term** appears in early 1900 and the first textbooks around 1910. **Institutional economists** start teaching about **distribution**, later - advertising, and then – promotion and pricing.
- **The narrow focus of classical economists** (effects of price on human behavior on the market), later led to inclusion of other factors by institutional economists, such as: advertising, sales agents, retail stores, wholesalers...

The Contributors of Marketing

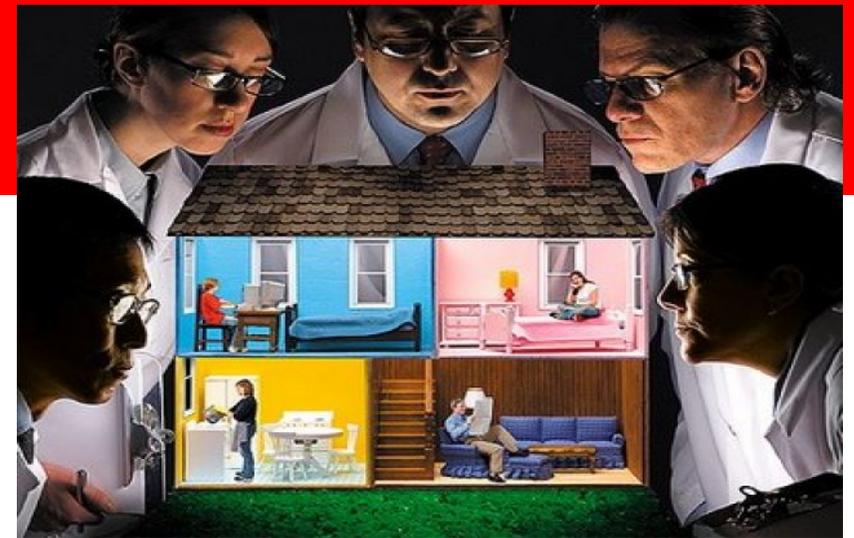
| Person | Profession | Contribution | Books | Findings / Quotes |
|--|--|--|---|---|
| <p>Ernest Dichter (1907 –1991)</p>  | <p>American psychologist and marketing expert known as the "father of motivational research."</p> | <p>Application of Freudian psychoanalytic concepts and techniques to business — in particular to the study of consumer behavior in the marketplace.</p> <p>He "was the first to coin the term focus group and to stress the importance of image and persuasion in advertising"</p> | <ul style="list-style-type: none"> • The Handbook of Consumer Motivations. • Packaging, the Sixth Sense?: a guide to identifying consumer motivation... | <ul style="list-style-type: none"> • People don't like prunes because they remind them of old age and dying. • Women don't trust cake mixes, unless they add an egg to it, as a sense of giving "birth" (Betty Crocker cake mix). |
| <p>Dale Carnegie (1888-1955)</p>  | <p>American writer, lecturer and developer of famous courses in self-improvement, salesmanship, corporate training, public speaking, and interpersonal skills.</p> | <p>Fundamental Techniques in Handling People. Six Ways to Make People Like You. How to Win People to Your Way. of Thinking. Be a Leader – How to Change People Without Giving Offense or Arousing Resentment</p> | <ul style="list-style-type: none"> • How to Win Friends and Influence People Art of Public Speaking • Public Speaking: a Practical Course for Business Men. | <ul style="list-style-type: none"> • There is only one way... to get anybody to do anything. And that is by making the other person want to do it. • The successful man will profit from his mistakes and try again in a different way. |

| Person | Profession | Contribution | Books / Products | Findings / Quotes |
|--|--|--|---|--|
| <p>Coco Chanel (1883 –1971)</p>  | <p>French fashion designer of women's clothes and founder of the Chanel brand.</p> | <p>liberating women from the constraints of the "corseted silhouette" and popularizing a sportive, and casual chic as the feminine standard of style. The only fashion designer listed on Time magazine's list of the 100 most influential people of the 20th century.</p> | <ul style="list-style-type: none"> •Chanel No5 •Little black dress... | <ul style="list-style-type: none"> • In order to be irreplaceable one must always be different. • The most courageous act is still to think for yourself. Aloud. • Simplicity is the keynote of all true elegance. (Less .is more) |
| <p>David M. Ogilvy (1911 –1999)</p>  | <p>Advertising executive, widely hailed as "The Father of Advertising"</p> | <p>The function of advertising is to sell and that successful advertising for any product is based on information about its consumer. He believed a customer should be treated as intelligent.</p> | <ul style="list-style-type: none"> • The Theory and Practice of Selling the AGA Cooker. • Ogilvy on Advertising. • Confessions of an Advertising Man | <ul style="list-style-type: none"> • The consumer isn't a moron. She is your wife. • I prefer the discipline of knowledge to the anarchy of ignorance. • If you're trying to persuade people to do something, or buy something, it seems to me you should use their language. |

| Person | Profession | Contribution | Books | Findings / Quotes |
|--|---|---|---|--|
| <p>Stanley Marcus (1905 –2002)</p>  | <p>President and later chairman of the board of the luxury retailer Neiman Marcus in Dallas, Texas. Published author.</p> | <p>Architect behind the fashion shows, New York advertising for a strictly regional chain, in-store art exhibits, and the Christmas catalog.</p> | <ul style="list-style-type: none"> • Minding the Store. • The Christmas Book. | <ul style="list-style-type: none"> • It's not a good sale unless it's a good value for the customer. • We are geared to sell the oilman, but even more, the oilman's secretary. • I feel like I'm 80 years young. Make life exciting and you live longer. |
| <p>Edward Bernays (1891 – 1995)</p>  | <p>Austrian-American pioneer in the field of public relations and propaganda, referred to in his obituary as "the father of public relations". He combined the ideas of crowd psychology with the psychoanalytical ideas of his uncle, Sigmund Freud.</p> | <p>Bernays refined and popularized the use of the press release.</p> <p>Played a major role in defining the PR industry's philosophy and methods.</p> | <ul style="list-style-type: none"> • Propaganda. • The Engineering of Consent. • Biography of an Idea: Memoirs of Public Relations Counsel. • Crystallizing Public Opinion. | <ul style="list-style-type: none"> • Techniques for manipulating public opinion through the indirect use of "third party authorities" in advertising (bacon sales). • Modern business must have its finger continuously on the public pulse. It must understand the changes in the public mind and be prepared to interpret itself fairly and eloquently to changing opinion. |

Where Did Marketing Start?

- **In sales departments!**
- On the base of things sales people didn't want to do:
 1. Didn't want to do systematic consumer research;
 2. Didn't want to find leads (prospects interested in a product or service, who leave their contact information);
 3. Didn't / couldn't make flyers, brochures, promotional material...
- **Companies hired three additional employees, who eventually formed the marketing department.**

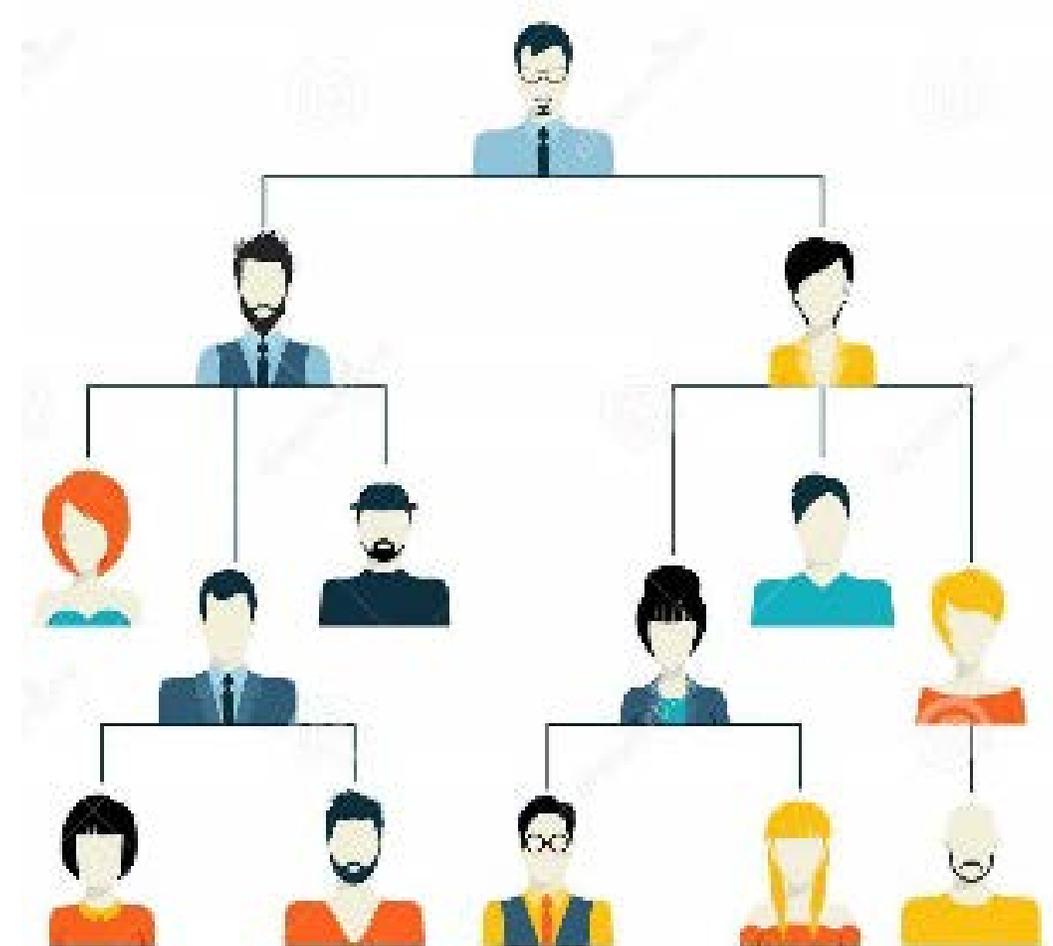


Sales Ready Leads



Job Positions in Today's Marketing Organization

- Chief Marketing Officer (CMO)
- Brand managers
- Category managers
- Market segment managers
- Distribution channel managers
- Pricing managers
- Marketing communication managers
- Database managers
- Direct marketers
- Internet and social – media managers.



The Role of the Chief Marketing Officer

- Represent the **Voice of the Customer (VOC)**.
- Monitor the evolving **marketing landscape** and gather **customer insights**.
- Be the **agent** of the corporate **brand**.
- Upgrade marketing **technology and skills** in the company.
- Bring **insight** into the **corporate portfolio**.
- Measure and account for **marketing financial performance**.

Average time of employment of CMO in a company is around 2 years.

Four Different CEO Views of Marketing

CEO views of marketing

- 1P CEO;



AD Evropa - Skopje

- 4P CEO;



CEO views of marketing

- STP CEO;



Soko Štark (Atlantic Group)



- ME CEO (A. G. Lafley, CEO of P&G).



Mondelēz International (Kraft Foods)



Reality – Truth – Challenge (Why Can't We Make It?)

- **Reality:** Great number of managers of Macedonian enterprises think they have good knowledge of their customers – their wants and needs, buying habits, place of purchase, quantities...
- **Truth:** Only few of these companies actually perform market research or customer analysis.
- **Reality:** The managers of the companies think that they loose customers due to lower prices of competitors or the impact of location.
- **Truth:** The price and the place are not the only way of creating competitive advantage.
- **Challenge:** In saturated markets with a lot of similar products and services, the only way to gain customers is to find a reason **to mean more to them** than the rest.

The Strong and Steady Progress of Marketing

- Commercial marketing



- Place marketing



- Person marketing
(The William Morris Agency)



- Social marketing



- Political marketing
- Fundraising



Without **she**
there is no **he**



HeForShe
UN Women Solidarity Movement
for Gender Equality



Have You Done any Marketing?

- Did you **compete** for a scholarship **with other** candidates?
- Did you apply for a student loan and needed to **establish** your **credibility** and need?
- Did you arrange **your impression** to be most favorable to another person?
- You will compete for a job with other candidates!

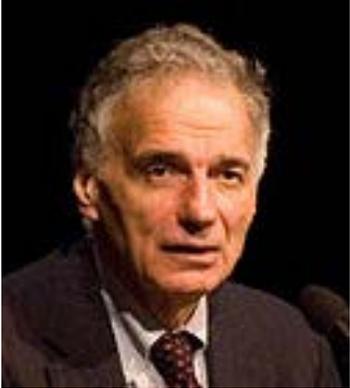
What People Dislike About Marketing?

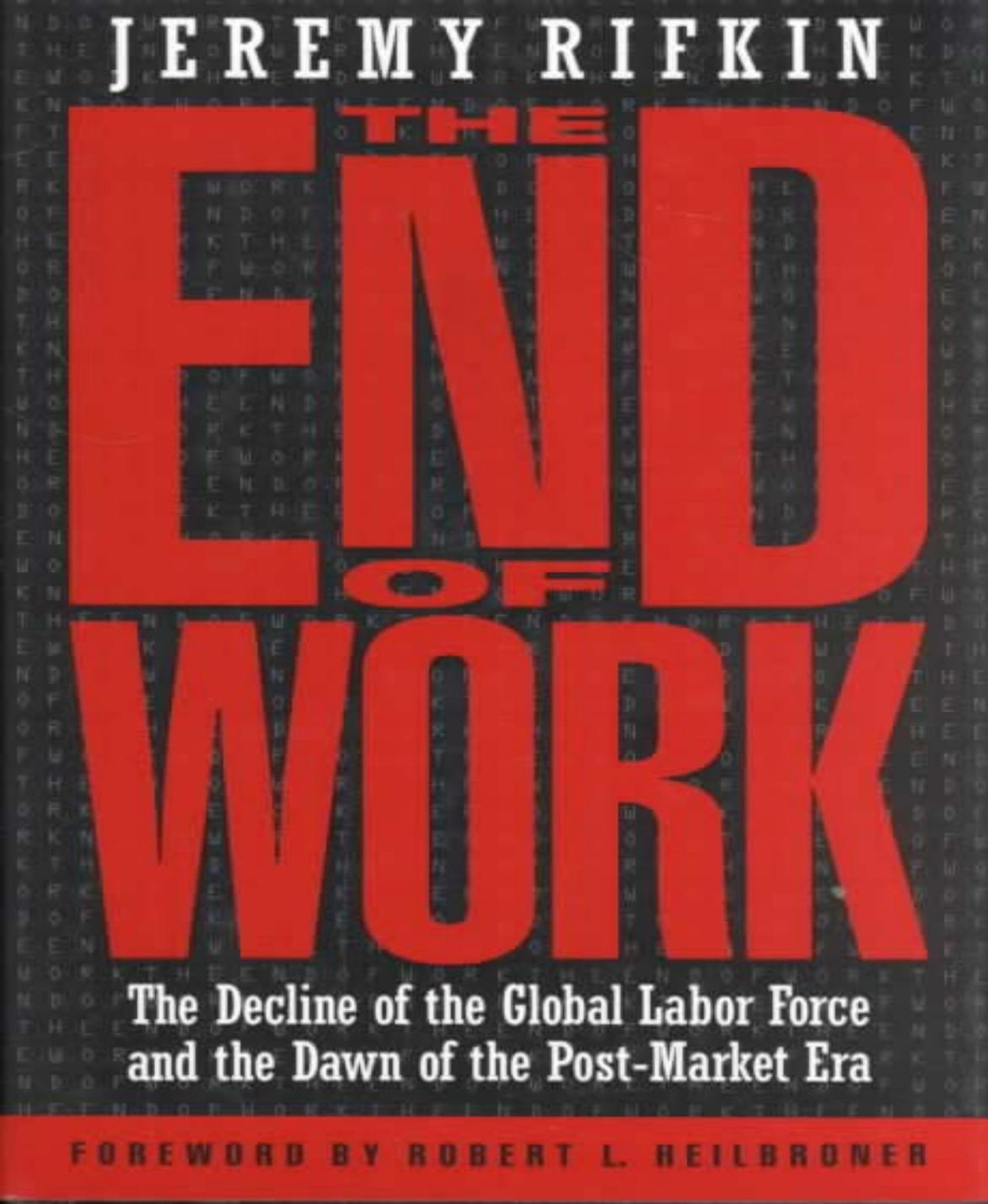
- **Intrusion and Interruption;**
- **Exaggeration:**
“We produce carbonated cola drinks, but we sell happiness”.
- **Deceptive practices** (read the small print).
- **Hard selling or pressure selling.**
- **Buy now, pay later** (giving loans to those who can't afford the product).
- **Planned obsolescence** (fashion / Zara and technical products / Apple).
- **Too much choice.**

What People Dislike About Marketing?

- Marketers get consumers to want and **spend more** that they can afford (financial crisis - buying homes with nothing down).
- Creating brand differentiation where **it shouldn't exist** (with commodities – salt, cement, water...)
- Production and sales of goods without considering the resource and **environmental costs** (automotive industry).
- Little consideration of **product safety**.
- Giving the public what it wants without thinking if it is **good or bad** (selling cigarettes – movie “Thank you for smoking”).
- It promotes **materialistic mindset** (“Keeping up with the Joneses”).
- Rare talk of **sane consumption** (Heineken: “Moderate drinkers wanted”).

Critics of Marketing

| Person | Ralph Nader 1934 (age 82) | Vance Packard (1914 – 1996) | Naomi Klein 1970 (age 45) | Michael Sandel 1953 (age 63) |
|--------------|--|--|--|---|
| Contribution |  <p>American political activist, as well as an author, lecturer, and attorney. Areas of particular concern to Nader include consumer protection, humanitarianism, environmentalism. In his book Unsafe at Any Speed (1965), he claimed that many American automobiles were unsafe to operate. (GM, Ford).</p> |  <p>American journalist, social critic, and author. In The Hidden Persuaders, first published in 1957, Packard explores the use of consumer research and other psychological techniques, including and subliminal tactics, by advertisers to manipulate expectations and induce desire for products.</p> |  <p>Canadian author, social activist, known for her criticism of corporate globalization and of corporate Capitalism. The book No Logo, attacks brand-oriented consumer culture and the operations of large corporations.</p> |  <p>American political philosopher and a professor at Harvard University. the book What Money Can't Buy: The Moral Limits of Markets (2012), which argues some desirable things – such as body organs should not be traded for cash.</p> |



- Slow growth in population;
- Automated production;
 - Computers;
 - Software and apps;
 - Robotics;
 - 3D printing...

= increasing worldwide unemployment

**What is the relation between
Marketing and Jobs?**

The Other Side of the Coin

Benefits for business:

1. Brands;
2. Identification and differentiation;
3. Gives focus and creates new ways of thinking;
4. Increases profit;
5. Loyal customers;
6. Protects from competition;
7. Entry barriers;
8. Increases negotiating power.
- ...

Benefits for society

1. Strong companies, new jobs and increase in BDP;
2. Increases innovation and competition;
3. Informs and protects consumers;
4. Increases the pressure for social responsibility;
5. Creates a feeling of social and national belonging;
6. Positive effects on the national image of a country. (Germany).

The Other Side of the Coin

Benefits for society

- **Marketing has raised the standard of living** (competition, improved products, increased product information)
- **People don't naturally buy new things** (ice boxes vs. refrigerators, better washing machines...).
- **Marketing is connected with the idea of preserving and building the middle class and its life style.**
- **Social marketing addresses problematic issues** (pollution of the environment, obesity, cancer causing products).
- **It is important for the cultural world** (museums, performing arts: opera, ballet).

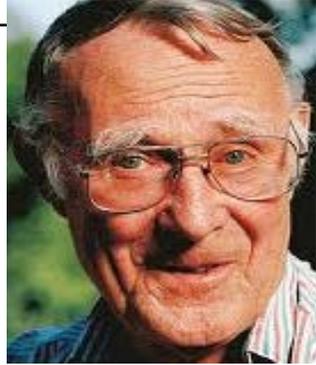
But, don't vote yet!

The Best Marketers

Person

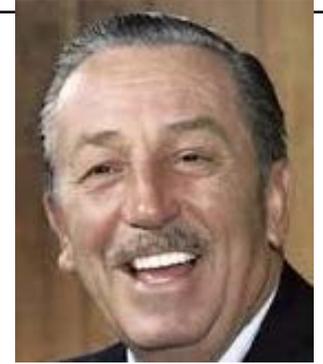
Ingvar Kamprad (IKEA)

Make stylish furniture affordable.



Walt Disney (Walt Disney)

Create magical world for families.



Richard Branson (Virgin Airlines)

Bring excitement in boring industries.



Anita Roddick (The Body Shop)

Embed social activism in business.



Steve Jobs (Apple)

Transform how people enjoy technology.



Bill Gates (Microsoft)

Realize omnipresent computing.

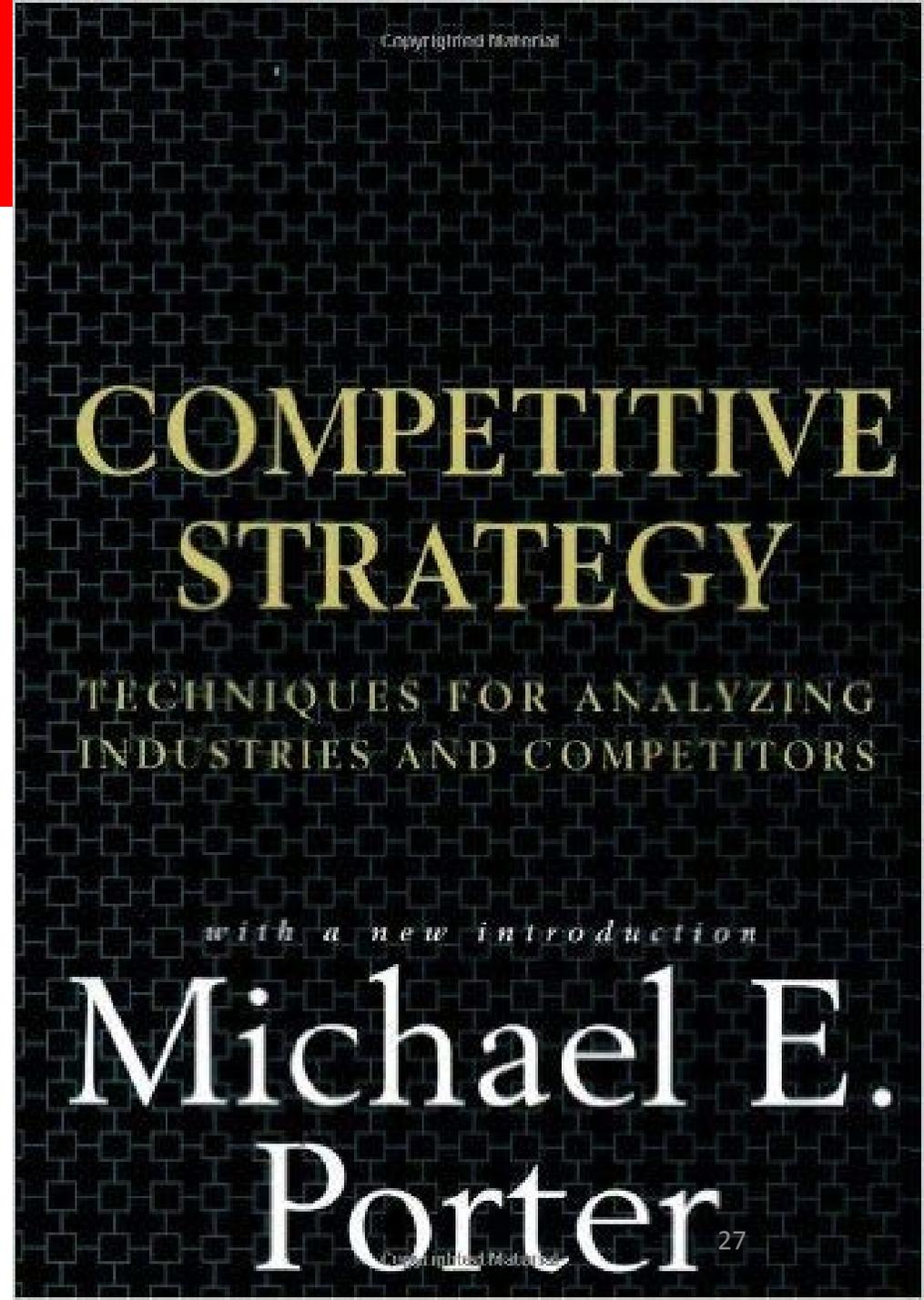


The Marketing Mantra

- CC • (CREATE, COMMUNICATE)
 - DV • (DELIVER, VALUE)
 - TP • (TARGET MARKET, at a PROFIT)
-
- To create value is called **product management**;
 - Communicating value is **brand management**;
 - To deliver value is **customer management**;
 - These concepts have changed: previously everything was done inside – secretly and today companies use open technology, open innovation.

What do You Think?

- Who sets your prices?
- Who determines your market share?
- Who determines your profit levels?
- Who determines how fast you grow?
- Who determines your future?
- **Your competitors do!**
- No strategy can be made independent of the enemy! (Brian Tracy)
- Who are your competitors? What do they do? Why do people buy from them? How will they react if you get their customers?



The 4 Principles of Marketing Strategy

1. Specialization

- In your product / service / customer / market area
- McDonalds – offer every product they can to the customer that wants to eat quickly and efficiently;

2. Differentiation;

3. Segmentation;

4. Concentration (focus the energy and resources to the best market segment).

(Brian Tracy)

Differentiation

1. Your **competitive advantage** – how, why, where (**Can you say: Quality and service?**);
2. Your **area of excellence**, superiority (**iphone – one button vs. Blackberry**);
3. Your **Unique Selling Proposition** (convenience; customer care); (**ipad - 25 mil. units in the first year– it changed the book retailing industry – 55% from hard copies to e-books**).

What is the USP of a real state agent?

Segmentation

- Who are those customers that most appreciate your USP – your fans?
- What are their **demographics** – things that you can observe from the outside (age, gender, income, education, occupation, location, family status);
- What are their **psychographics** – what motivates them to buy (their wants, needs, goals, ambitions, fears, doubts, worries and **problems to be solved**, the concept of self (there is always ONE reason why people will buy from you – one need, one fear, one doubt...);
- How would you **describe** your “perfect customer”? (wants, needs, age, education, position).

CONSUMER PROFILE

Gender: *Female*

Age: *22-47*

Economic Status: *Upper class*

Income level: *\$240,000 or above*

Occupation: *Actresses, socialites, celebrities, singers, TV presenters, magazine editors, fashion stylists, fashion buyers, CEOs, CFO's*

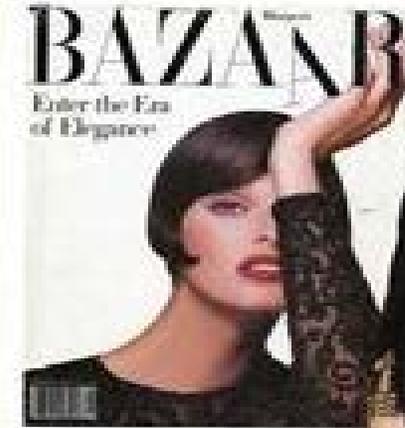
Demographic: *upper class women who live in a big city, and are always participating in social activities.*

Life Style: *daily life includes dinner parties, gala events, press tours, gallery openings*

Psychological Profile: *Art and jewelry lover, fashion conscious, graceful taste, discriminating buyer, nostalgic. Concerned with her outward appearance.*

Hobbies: *Social, shopping, reading fashion magazines, watching movies, work out programs such as yoga and Pilates*

Consumer Habits: *Shopping once a month at least at high-profile retail establishments, fashionable products with good quality and brand history.*



Concentration (Targeting)

- Where you **focus** your time, money and resources?
- What are the best possible ways to contact your **ideal customers**?
(think about the **promotional mix**)
- What are the best possible **media**?
(what is your customer reading, listening to, watching... according to Kotler, your business should definitely be at: Facebook; Twitter; YouTube; LinkedIn);
- What are the most powerful **appeals**?

Most Powerful Appeals in Marketing

- Your [copywriting](#) should accomplish **two goals**:
 1. make consumers **feel something**,
 2. make them **act** on those feelings.
- Advertisers can achieve success with both rational and emotional appeals.
- The challenge is to know which is right for your product or service.

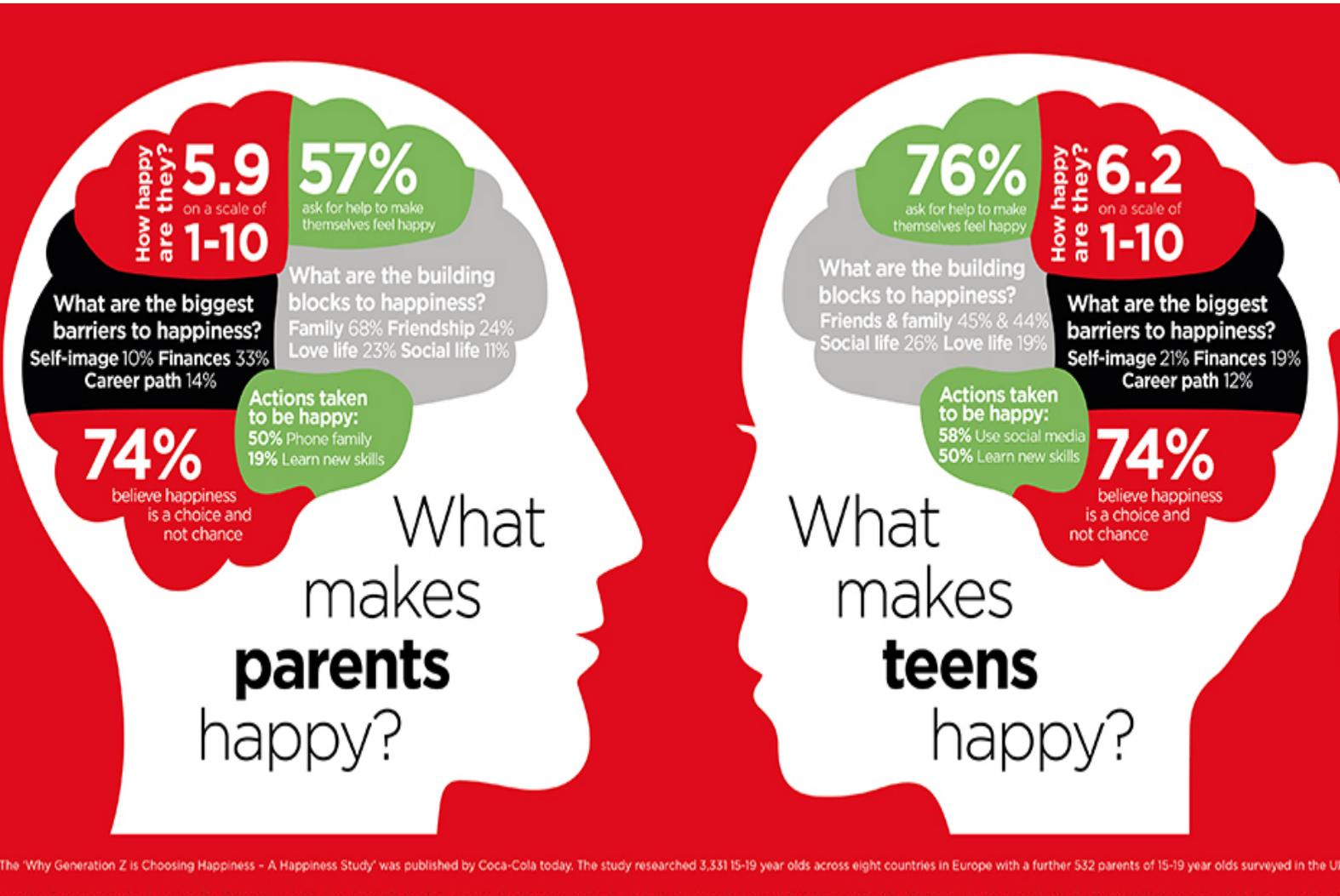


**YESTERDAY
YOU SAID
TOMORROW**

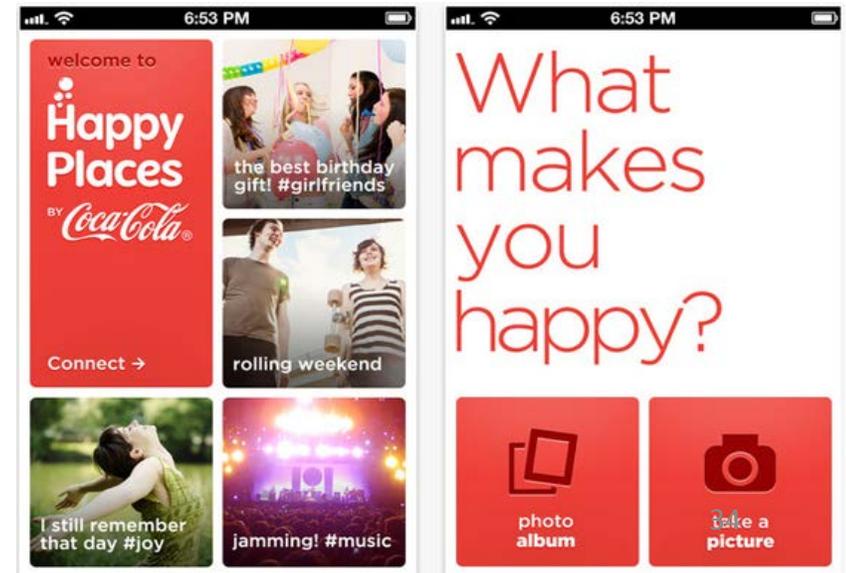
JUST DO IT.



Coca Cola



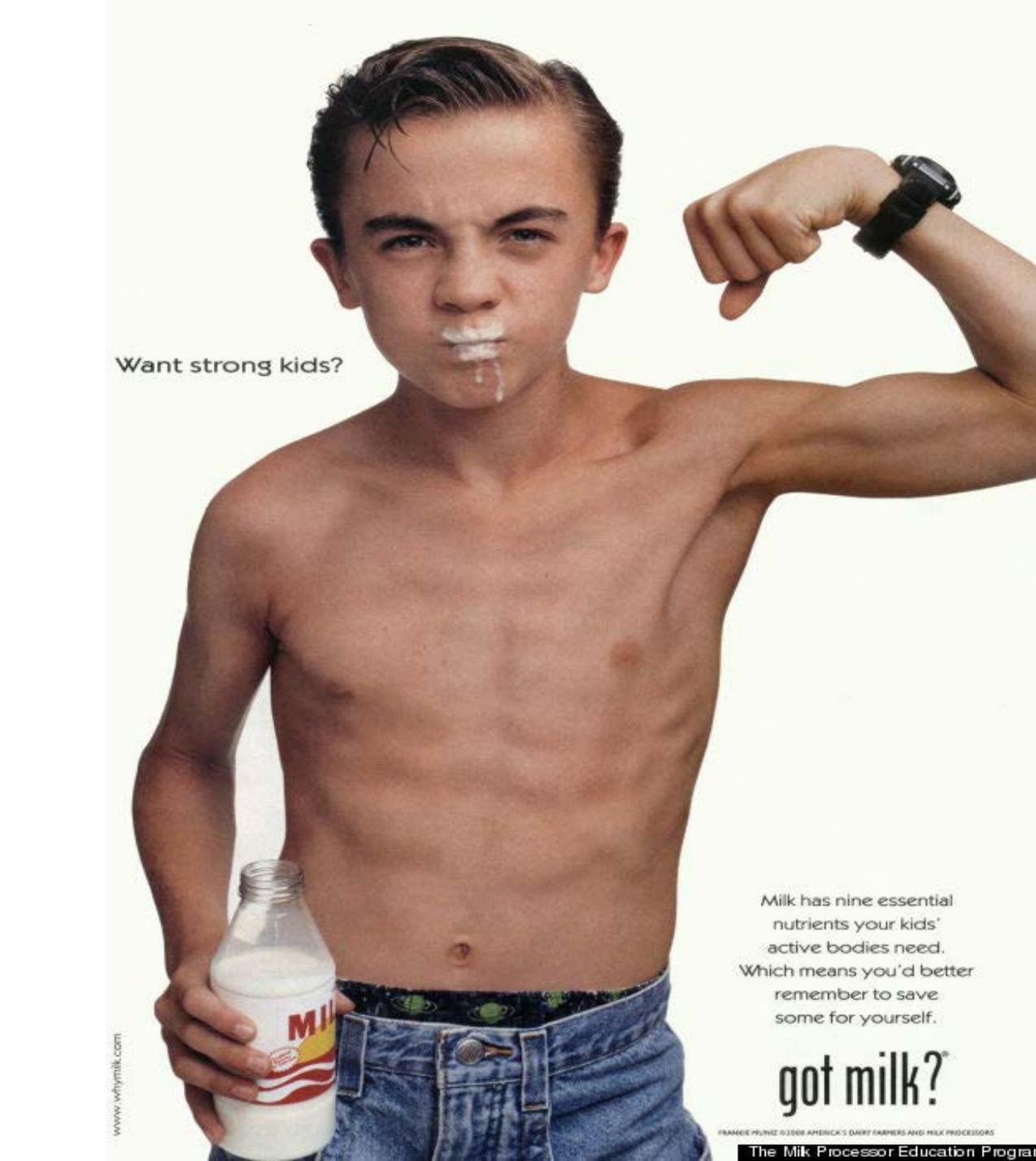
THE CAN YOU **CAN** share with **YOUR FRIENDS**



The 'Why Generation Z is Choosing Happiness - A Happiness Study' was published by Coca-Cola today. The study researched 3,331 15-19 year olds across eight countries in Europe with a further 532 parents of 15-19 year olds surveyed in the UK.



- Steve Jobs: “To me marketing is about values. And even though product, manufacturing processes, distribution, prices...change, values should not change.”
- Who is Apple and what do they stand for?
- Apple is not about making boxes for people to get their jobs done.
- **Core value:** Believing that people with passion can change the world for the better.



Want strong kids?

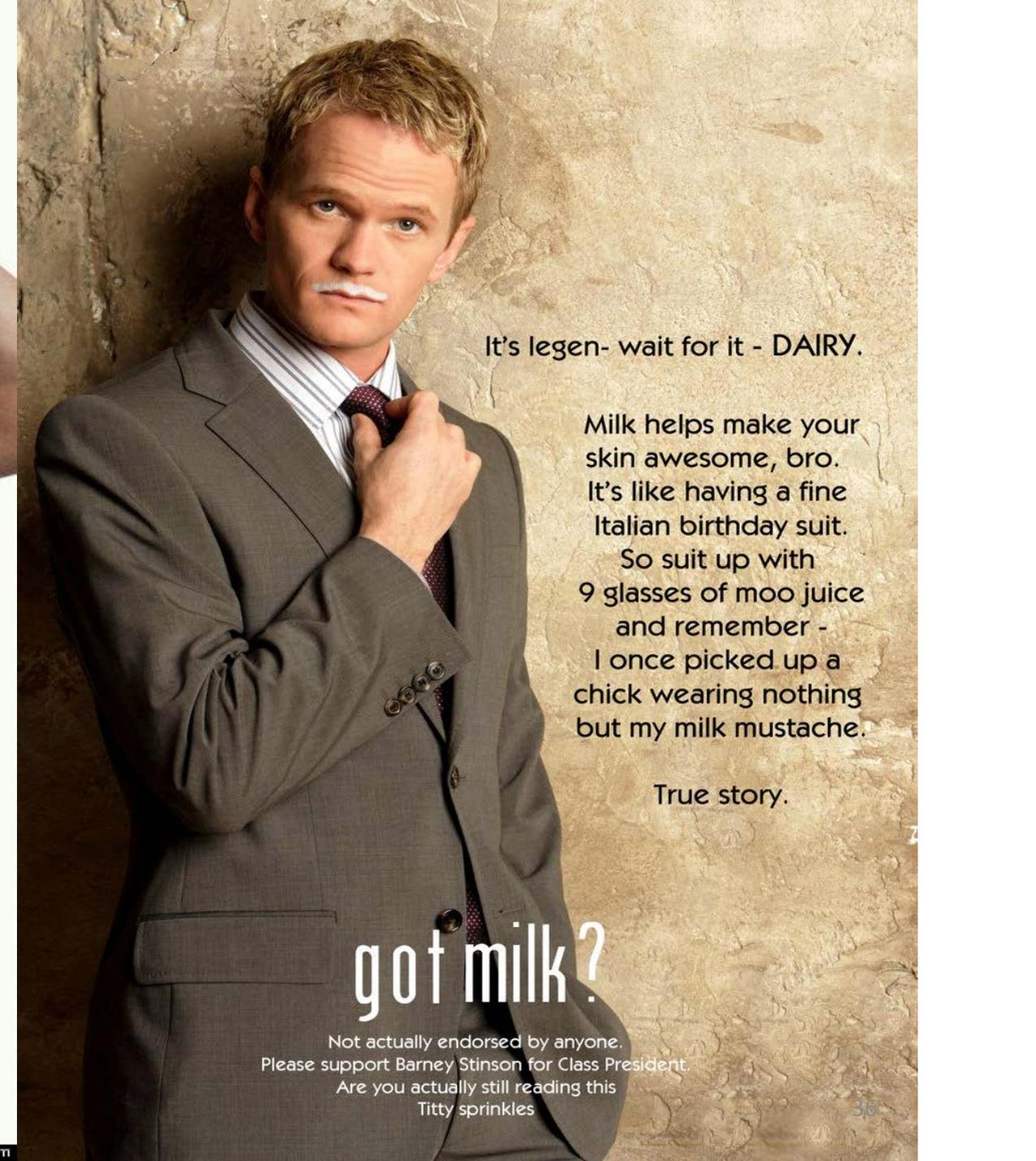
Milk has nine essential nutrients your kids' active bodies need. Which means you'd better remember to save some for yourself.

got milk?

FRAMME PUNZ © 2008 AMERICA'S DAIRY FARMERS AND MILK PROCESSORS

The Milk Processor Education Program

www.whymilk.com



It's legen- wait for it - DAIRY.

Milk helps make your skin awesome, bro. It's like having a fine Italian birthday suit.

So suit up with 9 glasses of moo juice and remember -

I once picked up a chick wearing nothing but my milk mustache.

True story.

got milk?

Not actually endorsed by anyone. Please support Barney Stinson for Class President. Are you actually still reading this Titty sprinkles

Competitive Positioning

- "The process of defining the variables of the marketing mix through which the ideal **consumer** will get a **clear, different and desirable picture** of the product, **in comparison with competing** products" (Grewal and Levy, 2008).
- **Differentiation** from **competitors**.
- **Value** proposition: What do you stand for?
- **Product Dimensions**: What do you do?
- Positioning ≠ Brand image: "We have **the largest** variety of tastes!" vs. "We have **a large** variety of tastes!"

Competitive Positioning Base

- **Value** (the ratio between quality and price);

- The most important **attributes**

objective: choice of flavors, high quality, attractive packaging;

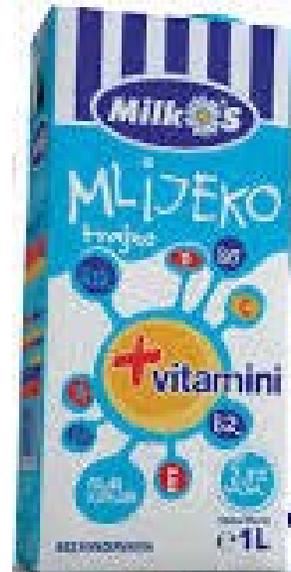
subjective: usefulness, innovation, creativity, fashion, emotion, etc.);

- **Symbols** (logos, names, color or characters used for identification and differentiation);

- **Competitors** (indirect comparison through various elements - name, slogan, market position - first, second.
E.g. 7-Up from Dr. Pepper Snapple Group, in the 1970ties has been promoted as “**the Uncola**”, a unique product in comparison to Pepsi and Coca-Cola...³⁸

Competitive Positioning Strategies

- Positioning in relation to **broader target market.**
- **Price segment.**
- **Method / situation of use.**



- **Psychographic segment.**
- **Origin.**
- **Distribution channel.**
- **Season.**
- **Human emotions...**



 **Alibaba.com**[®]
Global trade starts here.™

Basic Steps of Competitive Positioning

1. Identifying **consumer perceptions** of the **product** compared with the competing (ways of use, substitution, liking, attraction, replacement of brand);
2. Identification of the **competitors position** (placement on shelves, price category, product category, target group, promotional message);
3. Determination of **consumer preferences (ideal product)**;
4. **Selection of position** (promotion of the chosen position – the benefit, differentiation from competitors, the importance of the difference for the consumer);
5. **Monitoring** of the strategy (following steps **1. 2. 3.** to identify changes that would require repositioning).

(Grewal and Levy, 2008)

The Marketing Mix (Beyond the 4P's)

- **4 P's** ([Jerome McCarthy](#) , 1960).

- **4 C's** ([Robert Lauterborn](#), 1993):

1. **Customer value** (wants and needs),
2. **Cost** (price, time, convenience, guilt),
3. **Convenience** (ease of buying, ease of finding the product or information),
4. **Communication** (cooperative and two – sided).

- **7 P's** (4P's + physical evidence, people, process);

- **Co - creation** ([Kotler](#), 2010)

1. Products: using the **innovators or lead users** (Harley Davidson, Nike),
2. Price: **pay how much you want** (restaurants),
3. Place: changing packaging under **the influence of retail** (Wal-Mart and the Toy Company),
4. Promotion: **crowd sourcing** (Doritos – creation of advertising campaign by customers).

- **The new P: Purple Cow** (how to be extraordinary), by [Seth Godin](#) (2002);

The Product

- The product has great importance because "the whole typology of marketing activities may be constructed on the basis of the product that will be produced" ([Kotler, 1972](#)).
- Product: performance - **everything** that guarantees the **fulfillment of expectations** of consumers, and should be **the basis** for a **sustainable relationship** and trust between the company and the consumers ([Yudelsohn, 1999](#)).
- Product: **everything of value** to the customer that may be offered through **voluntary exchange** ([Grewal and Levy, 2008](#)).
- Product: **everything** that the customer gets - **tangible / physical characteristics** and **functionality**, but also **invisible elements** that can create benefit (feeling of love, hope, pleasure, health, beauty, connection).

The Product

Companies should evaluate at least several aspects of product policy:

1. Differences in the **assortment (portfolio)** in regards to **competitors** (width, depth, length and consistency);
2. Wanted **physical characteristics** of products (design, appearance, quality, packaging...);
- 3. Brand strategy;**
4. Current phase of the **product life cycle**, its characteristics and alternative activities.

The Product (Facts)

Managers of many successful enterprises take the following activities related to the product (Brown, 2006):

1. Increase the **compatibility** of the product with the needs of consumers / market - 72%;
2. Increase the **value** of new products - 70%;
3. Place products on the market **more quickly** - 66%;
4. Increase **innovation** of products - 65%;
5. **Accelerate the process** of new product development – shorter time from concept to manufacturing - 38%;
6. Increase the **number of new products** on the market - 25%.

The Lesson?

STOP advertising and START innovating!

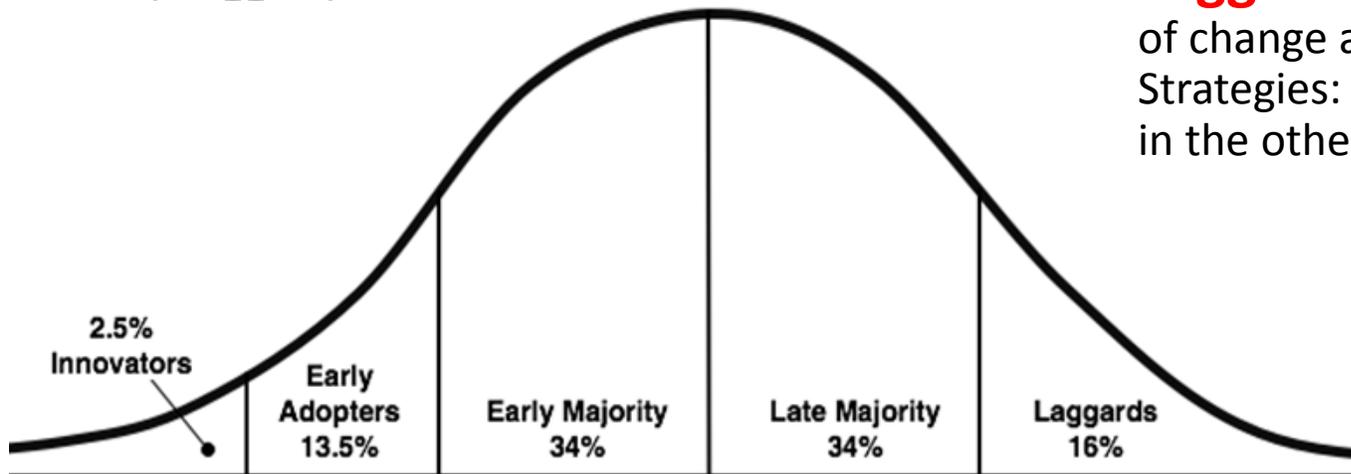
Diffusion of Innovation Theory

- Developed by [E.M. Rogers](#) in 1962.
- It explains how, over **time**, an **idea or product** gains momentum and **diffuses** (or spreads) through a **specific population** or **social system**.
- The end result of this diffusion is that people, as part of a social system, **adopt** a new idea, behavior, or product.
- The key to adoption is that the person must **perceive** the idea, behavior, or product as **new or innovative**.
- Adoption of a new idea, behavior, or product (i.e., "innovation") **does not happen simultaneously** in a social system; rather **it is a process** whereby some people are more apt to adopt the innovation than others.

Diffusion of Innovation Theory

There are **five established adopter categories**.

- **Innovators** - want to be the first to try the innovation. They are venturesome, interested in new ideas, willing to take risks, the first to develop new ideas. Include them in prototype development and testing! (Designers, entrepreneurs...)
- **Early Adopters** - represent opinion leaders. They enjoy leadership roles, embrace change, adopt new ideas. Strategies: how-to manuals and information sheets on implementation, presentation of ways of use, include them as sneezers. (Bloggers).
- **Early Majority** – they are rarely leaders, but they do adopt new ideas before the average person. Strategies: success stories and evidence of the innovation's effectiveness.
- **Late Majority** - skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies: information on how many other people have tried the innovation and have adopted it successfully.
- **Laggards** - bound by tradition, very conservative, skeptical of change and are the hardest group to bring on board. Strategies: statistics, fear appeals, and pressure from people in the other adopter groups.



Diffusion of Innovation Theory

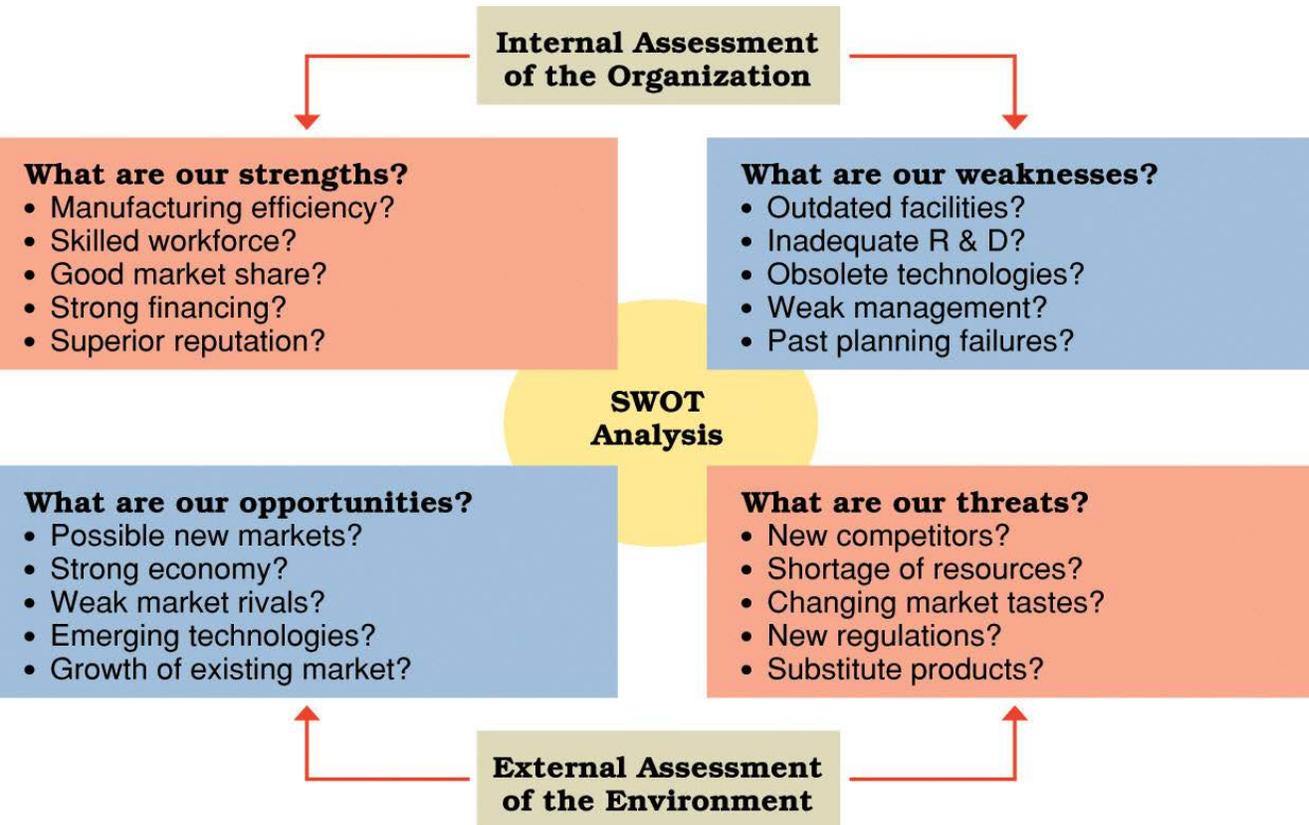
There are **five main factors that influence adoption of an innovation:**

- 1. Relative Advantage** - The degree to which an innovation is seen as better than the idea, program, or product it replaces.
- 2. Compatibility** - How consistent the innovation is with the values, experiences, and needs of the potential adopters.
- 3. Complexity** - How difficult the innovation is to understand and/or use.
- 4. Trialability** - The extent to which the innovation can be tested or experimented with before a commitment to adopt is made.
- 5. Observability** - The extent to which the innovation provides tangible results.

The Price (Definition)

- Price is the only element of the marketing mix that does not create costs.
- It can be a key factor for success or failure of sales and an indicator of quality.
- Price is a key input in determining the value of the product (anticipated benefits vs. cost).
- Price: **amount of money** that we pay for a specific **product or service**" (Merriam-Webster, 2012).
- Another definition derives from trade: Price is what the **consumer** is willing to pay, **the seller** can accept and **competition** will allow to be charged" (WebFinance, Inc., 2012).
- Redefining the concept: Price is "**all the things** that the buyer gives up/gives, in order to get **value**" (Yudelso, 1999, p.65).

The Price (Factors of Influence)



(Devinney, 2013)



The Price (Common Mistakes)

- Lack of **analytical approach** (not including significant parameters - the level of price that consumers would accept);
- Excessive reliance on the so-called **"Me too"** strategy (copying competitors' prices);
- Setting prices **too low**;
- Focusing solely on the **physical characteristics** of the product;
- Using only **one or outdated methods** for price formulation.

The Price (Policy)

Creating a procedure (set of factors and steps) for pricing:

- **Cannon, 2006:**

1. Total costs,
2. Market leader prices,
3. Break – even point,
4. Cash flow report,
5. Positioning strategy.

- **Grewal и Levy, 2008:**

1. Factors of price level,
2. Methods of pricing,
3. Pricing strategies and tactics.

- **Kotler и Keller, 2009:**

1. Pricing objectives,
2. Demand level and elasticity, competition (costs, prices, offer),
3. Methods.

- **Jovanov Marjanova, 2012:**

1. Pricing objectives;
2. Total costs and BEP analysis;
3. Demand level and elasticity;
4. Pricing methods and strategies;
5. Plan for price modification and terms of payment.

The Price (Facts)

- **McKinsey & Company, 2003:**

1. Price increases by 1% leads to an increase in **profits** by 8%;
 2. Reduction of variable and fixed costs by 1% leads to twice as less increase in profits;
 3. Increase in sold quantities for 1% has the effect of three times smaller increase in profits.
 4. **Price-quality** relationship is perceived as directly proportional both by men and women, regardless of their age and education.
- **Ataman et al, 2009:** Reducing the price for 1%, increases the **demand** for about 3% (price elasticity 3.35) and has a positive effect on **short-term sales**.

How to Market in a Price Sensitive Markets

- **Price cuttings?** (Starbucks is not doing it).
- **Create lower – priced versions** – McDonalds (smaller priced items, but possible higher margin products cannibalization).
- **Two ways to manage price retaliation:**
 1. Add a **lower item** in the offering;
 2. Don't change the price, but **add value** – cutting additional costs for the customer – it increases the costs, but is a better choice than price cutting.
- Have at least three versions of your product – good, better and best (different brands).

Distribution

The significance of distribution strategy results from:

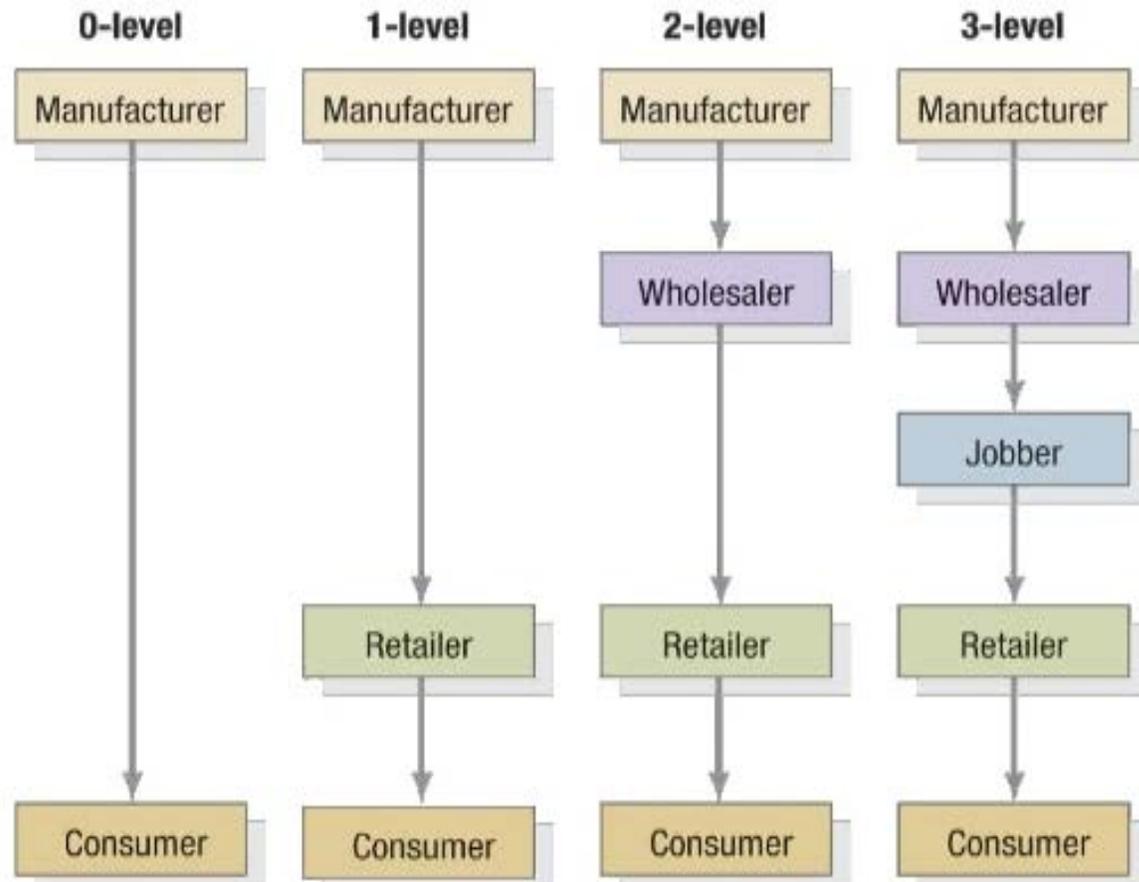
1. Its significant share in the costs included in the price,
2. Connection and conditioning of the information in the promotional message;
3. Fulfilling the need for consistency with the desired market position.

Definitions:

1. Distribution as **not the location of the final exchange** anymore.
2. New concept of distribution: **any activity / decision** made or required to **facilitate** and **achieve exchange** (management of many functions - physical flow, promotion, placing orders and payment, information, negotiation, risk taking) (Yudelso, 1999).
3. The marketing channel consists of groups of **interdependent organizations** involved in the **development** of the **product** made available for use or consumption (Kotler and Keller, 2009).

Distribution (Method and Type)

Levels of Distribution Channel



Levels of Distribution Intensity

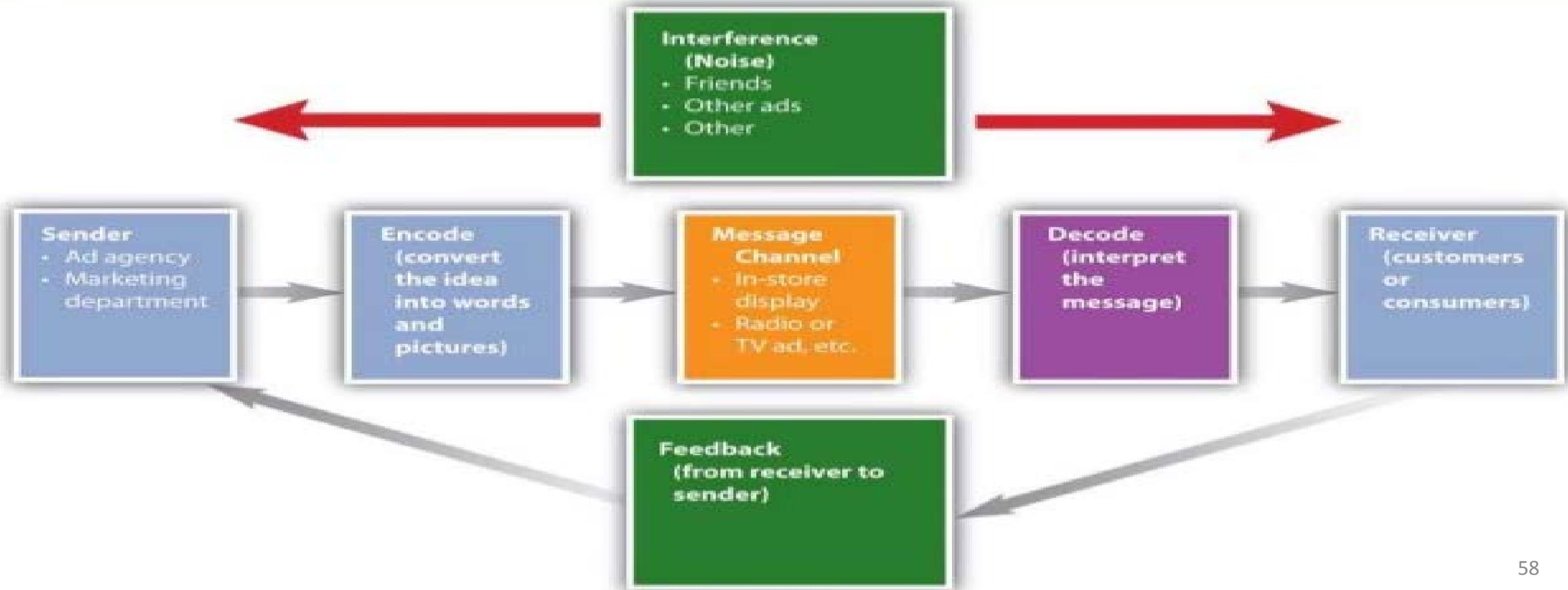
| Intensity Level | Objective | Number of Intermediaries |
|------------------|--|--------------------------|
| Intensive | Achieve mass market selling. Convenience goods. | Many |
| Selective | Work with selected intermediaries. Shopping and some specialty goods. | Several |
| Exclusive | Work with single intermediary. Specialty goods and industrial equipment. | One |

Distribution (Facts)

- In saturated markets, **parallel use** of several channels of distribution (**direct and indirect** channels for different target groups or a combination of **different direct channels** – store, catalogs, internet, telephones...) is more of a rule, than an exception (Frazier, 1999).
- Including a **direct channel** of sales besides the indirect channel increases the **ability of control** of the manufacturer over the indirect channel (Shantanu et al, 1995).
- The type of distribution (decision of the number of stores in an area / intensity of distribution) has **direct impact on** (Ataman et al, 2009):
 1. **Brand** development and performance;
 2. Increase in **initial sales** due to ease in locating the product;
 3. **Customer perception** of dedication of the company towards the success of the brand.

Promotion (Marketing Communication Process)

- Marketing communication: a **process** of **information transfer** between **parties** wishing to engage in mutually **beneficial exchange** or relationship" (Yudelson, 1999).



Promotion Objectives

| Promotion Objectives | Adoption Process | AIDA Model |
|----------------------|------------------|------------|
| Informing | Awareness | Attention |
| | Interest | Interest |
| Persuading | Evaluation | Desire |
| | Trial | |
| Reminding | Decision | Action |
| | Confirmation | |

Kotler и Keller, 2009

Elias St. Elmo Lewis, 1898

Integrated Marketing Communication

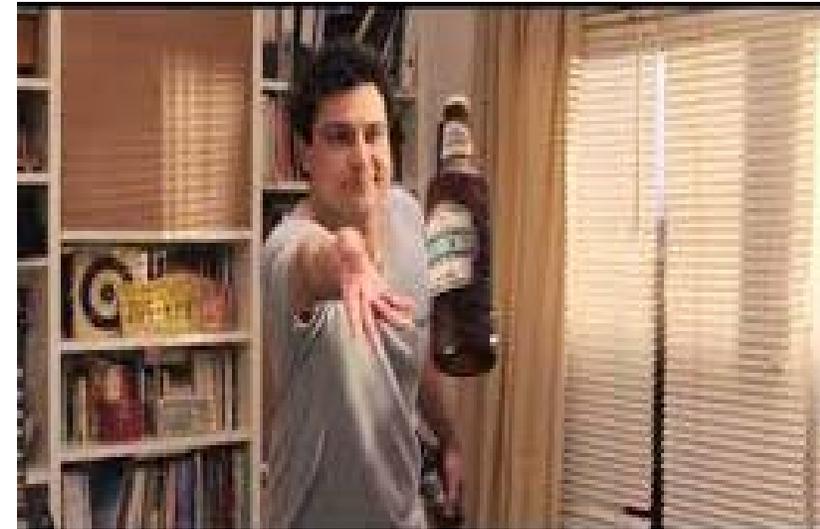
| PROMOTIONAL ELEMENT | MASS VERSUS CUSTOMIZED | PAYMENT | STRENGTHS | WEAKNESSES |
|---------------------|------------------------|--|--|---|
| Advertising | Mass | Fees paid for space or time | <ul style="list-style-type: none"> • Efficient means for reaching large numbers of people | <ul style="list-style-type: none"> • High absolute costs • Difficult to receive good feedback |
| Personal selling | Customized | Fees paid to salespeople as either salaries or commissions | <ul style="list-style-type: none"> • Immediate feedback • Very persuasive • Can select audience • Can give complex information | <ul style="list-style-type: none"> • Extremely expensive per exposure • Messages may differ between salespeople |
| Public relations | Mass | No direct payment to media | <ul style="list-style-type: none"> • Often most credible source in the consumer's mind | <ul style="list-style-type: none"> • Difficult to get media cooperation |
| Sales promotion | Mass | Wide range of fees paid, depending on promotion selected | <ul style="list-style-type: none"> • Effective at changing behavior in short run • Very flexible | <ul style="list-style-type: none"> • Easily abused • Can lead to promotion wars • Easily duplicated |
| Direct marketing | Customized | Cost of communication through mail, telephone, or computer | <ul style="list-style-type: none"> • Messages can be prepared quickly • Facilitates relationship with customer | <ul style="list-style-type: none"> • Declining customer response • Database management is expensive |

Key Elements in the Marketing Communication Process

1. The **objectives** of the message in support of the marketing objectives;
2. The **budget** for promotion;
3. The preferences of the **ideal customer**;
4. **Design and contents** of the message;
5. The **promotional mix**;
6. Choice of **media and time**;
7. **Control and revision** of the promotional campaign.

What Macedonians like in Advertising

- Connection of the story with real life experiences (86%);
- Beautiful or famous actors (67%);
- Pop, rock music or old evergreens (67%);
- Modern design and good photography (54%);
- Humor (35%).



Promotion (Facts)

Promotion has many positive effects for the business:

- Positive impact on increasing **market share** in the long term (Srinivasan et al, 2000);
- It is related to the sale of product category (Nijs et al, 2001);
- It affects the **selection**, the **frequency** and **quantity of purchase** of the products (Pauwels et al, 2002);
- There is a direct positive correlation between the promotion and the **level of profit margins** and **revenues** (Srinivasan et al, 2004);
- The **perceived value** and **level of sales** of the **brand** is in a positive and direct correlation and depends on promotion (Sriram et al, 2007);
- It has a positive influence on reducing the **price elasticity of demand** in the **long run** (Ataman et al, 2009).

"Half my advertising is wasted, I just don't know which half." John Wanamaker (1838-1922), Retailer, Philadelphia.

Philadelphia and New York department stores pioneered fixed prices and money-back guarantees with honest, **consistent ad support.**

Where are the Companies in Regards to Marketing?

- **Most of the companies use Marketing 1.0** (efficient and profitable, making something for a lot of people – focusing on the customers **mind**);
- Some companies decided to **learn more about who they are selling to (Marketing 2.0** - understanding their customers with big data bases – focusing on the customers **heart**);
- **Only few companies understood that the customer is more than the person you are providing to and that it is a person with concerns beyond him/herself (Marketing 3.0** – caring and trying to make a better world - focusing on the customers **spirit**).

How Do We Do Excellent Marketing?

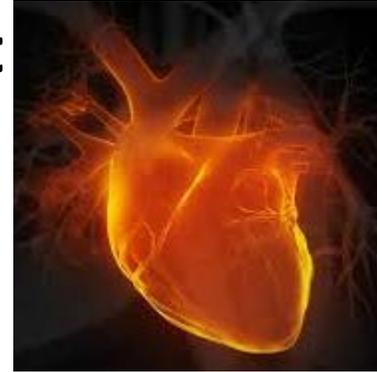
INDIVIDUAL

C
O
M
P
A
N
Y

Mind



Heart



Spirit



Mission
(why)

Deliver SATISFACTION

Realize ASPIRATION

Practice COMPASSION

Vision
(what)

Profitability

Return Ability

Sustainability

Values
(how)

Be BETTER

DIFFERENTIATE

Make a DIFFERENCE

A Global Success Using Value – Based Model (Beiersdorf)

| | MIND | HEART | SPIRIT |
|--|--|---|---|
| <p>MISSION Making people feel good in their skin. Everywhere. Every day.</p> |  |  | <p>Commitments for 2020 At Beiersdorf "We care."</p> <ul style="list-style-type: none"> •We aim to generate 50% of our sales from products with a significantly reduced environmental impact. •We aim to reduce our CO₂ emissions by 30% per product sold. •We aim to reach and improve the lives of one million families. |
| <p>VISION Our vision is to be the number one in skin care in our relevant markets and categories.</p> | <p>Based on:</p> <ul style="list-style-type: none"> - open, integrative corporate culture; - employees who take responsibility and who think like entrepreneurs. - proximity to markets and consumers. - efficiency and flexibility. | <p>PRODUCT TYPE ▶</p> <p>NEEDS ▼</p> <ul style="list-style-type: none"> Cleansing Anti-Age Cleansing Calming & Soothing Cleansing Deeply Purifying Cleansing Oil-Removing Cleansing Refreshing Cleansing Make-Up remover Care Tinted Care Anti-Wrinkle Care Moisturising Care Calming and Soothing Care Lifting Care Nourishing Care Mattifying Care Skin Regeneration Care Purifying Care SPF Protection Natural Fairness <p>SKIN TYPE ▶</p> | <ul style="list-style-type: none"> •SERBIA - Safe playgrounds NIVEA Serbia teams up with consumers on Facebook asking 'Where can our children play safely?' |
| <p>VALUES</p> <ol style="list-style-type: none"> Care. Simplicity. Courage. Trust . | <p>The well-being, development and success of our employees is key to the growth of our business.</p> <p>We want to get better every day.</p> | | |

SECOND EDITION

FIRMS *of* ENDEARMENT

How World-Class Companies
PROFIT
from Passion and Purpose

Raj Sisodia

David B. Wolfe

Jag Sheth

WHICH COMPANY WOULD YOU MISS IF IT DISSAPEARED?

COMPANIES THAT MACEDONIANS LOVE:

APPLE

BMW

NIKE

FACEBOOK

BREWERY SKOPJE – SKOPSKO (BEER)

WINERY TIKVES – ALEKSANDIRA (WINE)

...

These “Firms of Endearment” are highly profitable, have more fulfilled employees, satisfied and loyal consumers, innovative and profitable suppliers, more integrated communities.

WHY?

Characteristics of Firms of Endearment

- They align the interests of all stakeholder groups;
- Their executive salaries are relatively modest;
- They have an open door policy to reach top management;
- Their employee compensation and benefits are high for the category;
- Their employee training is longer and the turnover – lower;
- They hire people who are passionate about customers;
- They view and treat suppliers as true partners;
- They believe that their corporate culture is their greatest asset and key competitive advantage;
- Their marketing cost are reducing in time, while customer satisfaction and retention are growing.

"Every once in a while, a book comes along that makes you rethink your basic notions about the world around you. This is one of those books."

—SETH GODIN, AUTHOR, *PURPLE COW*

THE DEATH OF DEMAND

TOM OSENTON

Author of Customer Share Marketing: How The World's Great Marketers Unlock Profits From Customer Loyalty

FINDING GROWTH IN A
SATURATED GLOBAL ECONOMY

- Are markets experiencing demand saturation?
 - There are more TVs than viewers.
 - More phone numbers than talkers.
 - Increasingly weak revenue growth.
- = Growing profits requires a radically new approach.**

What is the relation between Marketing and Demand?

Ways to Grow a Business (Kotler P. & Kotler M., 2012)

- 1. Build Your Market Share:** Outperform your competitors and grow your market share. **(McDonalds)**
- 2. Develop Enthusiastic Customers and Stakeholders:** Attract fans and develop dedicated supply chain partners. **(Apple)**
- 3. Create a Powerful Brand:** a platform for your organization's strategy and actions. **(Coca Cola)**
- 4. Innovate New Products, Services, and Experiences, Business Models:** Develop a culture of innovation and think freshly about new offerings and experiences. **(Danone; Starbucks).**
- 5. International Expansion:** Identify international markets of high growth and enter them successfully. **(Louis Vuitton in China).**
- 6. Acquisitions, Mergers, and Alliances:** Grow via attractive partnering opportunities through acquisitions, mergers, alliances, and joint ventures. **(Facebook - Instagram, WhatsUp).**
- 7. Build an Outstanding Reputation for Social Responsibility:** to win more respect and support from the public and stakeholders. **(Tom's; The Body Shop).**
- 8. Partner with Government and NGOs:** Successfully bid to provide services and products that governments all over the world need. **(NIVEA).**

Some Different Marketing Terms for the Future

- **De marketing** (water shortages in California; smoking; salt;...).
- **Inside marketing** (how to get production, accounting or finance people to like you?).
- **Ingredient branding** (Intel chips, Gore-Tex material).

THANK YOU FOR YOUR ATTENTION!

**I  LOVE
MARKETING**

Are you convinced yet?

If not, join me for a cup of coffee 😊