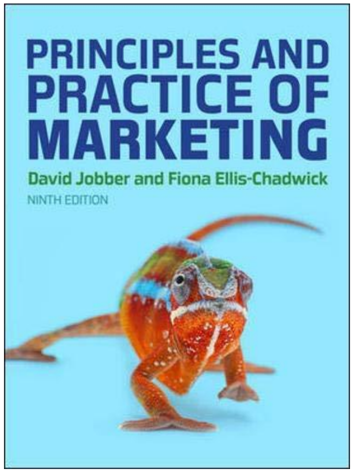
Principles of Marketing & Sales

Online Course
Prof. Dr. Gronover – HAW Landshut
Prof. Dr. Rennhak – UniBW München
Prof. Dr. Zich – TH Deggendorf

Recommended Literature



Principles and Practice of Marketing

by David Jobber & Fiona Ellis-Chadwick

(McGraw-Hill Education Ltd, 9th Edition, 2019)

Most case studies in this course are taken from this book.

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General info

After watching a video presentation in the moodle-course (linked by the pictogram) or a (YouTube video (pictogram) or after solving an exercise in the moodle course (linked by the pictogram), please go back to the PDF-script and to the next slide.

Video: sustainable competitive advantages you see everyday

https://youtu.be/a5_kzUxqxtA

Learning Objectives
Chapter 1

- You will know the principles of Marketing and Sales.
- You will be able to classify the relevant basic Marketing terms.
- You will understand which approaches lie behind the terms of Marketing and Sales.
- You will be able to recognize the specialties of the different stakeholders (industrial, service, retail businesses), which have to be taken into consideration in Marketing and Sales.

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Basic ideas of marketing & sales

When do companies have a competitive advantage?

Basic ideas of marketing & sales

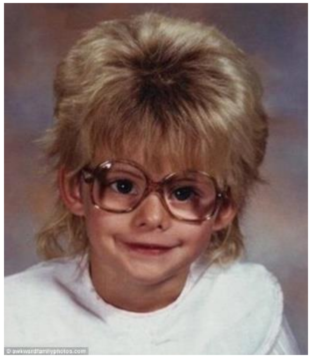
- Companies have a competitive advantage when they can **satisfy customer needs better than the competition**.
  - ➢ All company activities are arranged according to customers' needs.
- Customer orientation means that the company knows the expectations, experiences, perceptions and attitudes of (potential) customers. Based on this knowledge the company should provide an offer that satisfies the customers' needs better than its competition and realizes its company aims at the same time.

Do you know companies that are particularly customer-oriented?

Example “Fielmann AG”

- **Before the market entry** of Fielmann in 1972:
  - Elegant glasses were very expensive
  - Glasses provided by the German health care system were <u>unbelievably ugly</u>
  - Optometrist industry was a very conservative environment

-> **Unsatisfied needs**: attractive glasses at reasonable prices



- Business sector innovations by Fielmann **since its market entry**:
  - Attractive glasses provided by the health care system and reasonable brand-name glasses
  - Discount principle: large branch network, narrow administration, their own production of glasses, elimination of the intermediate trade
  - Later: introduction of the “free-of-charge tariff” for eyeglass frames
  - Money-back guarantee
  - Insurance of the glasses

Source: Scharf, A., Schubert B., Hehn, P. (2015)

From desire to demand

- **Desire**: feeling of a lack and the related wish to eliminate this lack (e.g. being hungry → food)
- **Need**: in the economical context needs contain only the part of desires that an individual is able to satisfy with means (especially money, time,…) at his/her disposal.
- **Demand**: actual demand of goods available on the market

Definition of Marketing

"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." (AMA, American Marketing Association)

"Marketing is defined as the **planning, organization, carrying out and control** of all company activities which aim **to reach the company goals** through a consequent orientation of the offers at the wishes of the customers." (Scharf et al.)

… and how does Sales fit in?

Marketing has several different meanings

- Marketing as a set of **measures** (marketing instruments): market-oriented offer creation (product, price, promotion, place).
- Marketing as **a guiding concept** of the top management (marketing philosophy):
  market-oriented coordination of all operational functions (purchasing, production, HR, finance, sales).
- Marketing as **organisational entity and corporate function** which unites and regulates a range of customer-relevant tasks (Marketing department ↔ Sales department)

Strategic and operative significance of the marketing term

Strategic Marketing
= market-oriented management

- Market- and customer-oriented philosophy/thinking
- Market- and customer-oriented corporate culture
- Market- and customer-oriented strategy (market & customer strategy)
- Marketing-Mix-Strategy (Sales as part of the Marketing-Mix)

Operative Marketing
= the actual work of the Marketing department

- Functions and tasks of the Marketing department and Marketing service providers
- Activities and methods of the Marketing department and Marketing service providers
- Customer-related structures (organization) and processes
- IT-Systems (CRM, ECR) for the implementation of the methodical work
- Operative Marketing is opposed by operative Sales

Source: Winkelmann, P. (2012)

Harley-Davidson – a marketing champion

Harley-Davidson Softail Fat Boy

Cubic capacity:	1449 ccm
Torque:	101Nm
Power:	64 hp
Weight:	307 kg
Price:	21,595.00 €

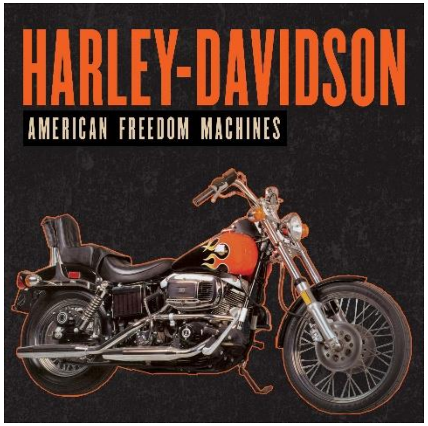
Yamaha XVs 1300A Midnight Star

Cubic capacity:	1304 ccm
Torque:	106Nm
Power:	73 hp
Weight:	304 kg
Price:	9,333.00 €

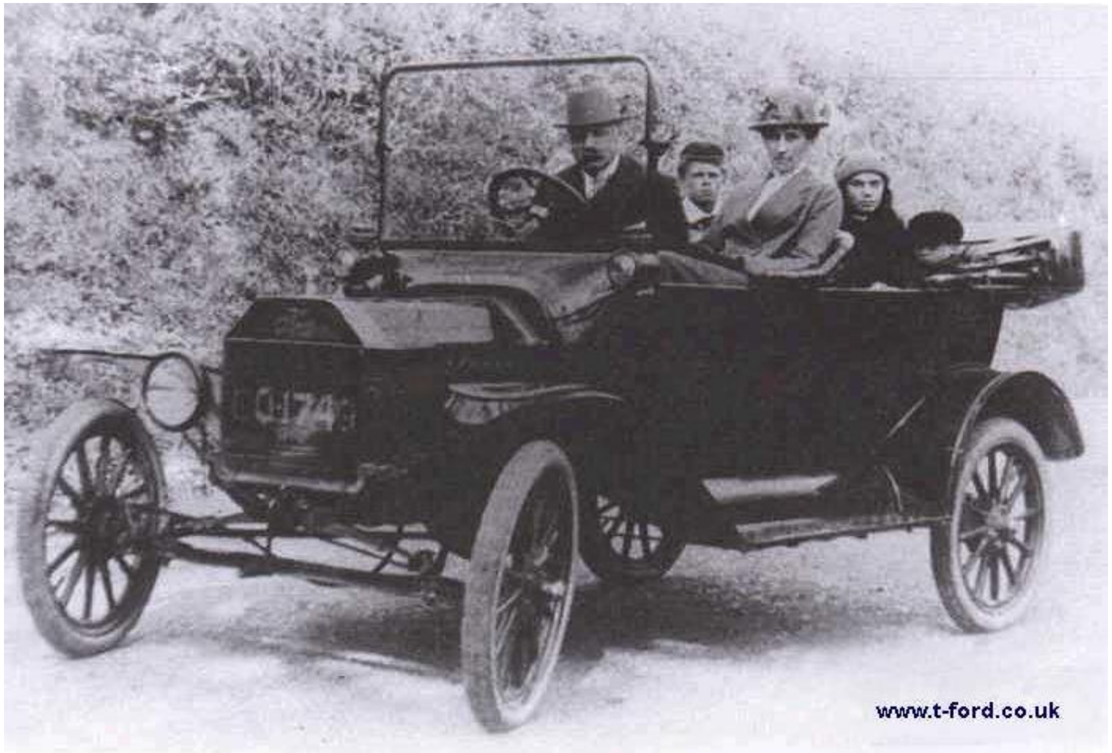
So why do customers pay a lot more for a Harley-Davidson?

Harley-Davidson sells motor-cycles...

…but also freedom, independence, adventure …



Marketing?



„Our customers can get their car in all colors – as long as it is black“ (Henry Ford)

Marketing?

Converse
Custom Chuck
Taylor Premium
Leather High
Top

105,00 €

(156574C)

EDIT DESIGN

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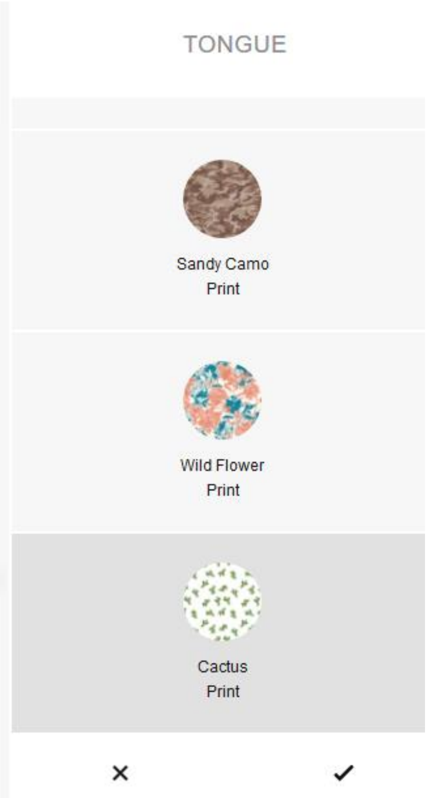

We need to understand why customers are "hiring products"

- Follow the link below
  to listen to
  Prof. Clayton Christensen
  (Harvard Business School)
  on **why customers are „hiring products"**

→ **https://youtu.be/sfGtw2C95Ms**

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Today‘s customers are very powerful

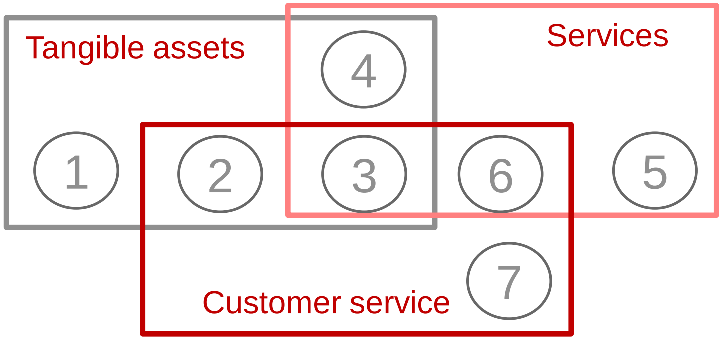
- With the rise of social media, customers´ voice has gained importance.
- Unhappy customers can tell their issues to all (future) customers worldwide.
- Follow the link below to listen to the song “United Breaks Guitars” by the “Sons of Maxwell”.
- **Almost 20 million views! (March 2020)**

→http://www.youtube.com/watch?v=5YGc4zOqozo

What is marketing?

- Marketing is the business of de-commoditization and creating customers (Peter Drucker)
- CCDVTP: Create, communicate, distribute value to target customers to make a profit (Philip Kotler)
- Research → STP (Segmenting, Targeting, Positioning) → Marketing-Mix → Implement → Control (David Jobber)
- Marketing is understanding customer needs and solving customers' problems better than the competitors (Carsten Rennhak)

Marketing has several different meanings



Output levels from assets to services

1. Pure tangible assets
   - cigarettes out of a vending machine
2. Tangible assets with services
   - Purchase of perfume with packaging service (for gifts)
3. Tangible assets with services and customer service
   - An IPhone with cell phone contract and customer support
4. Tangible assets with customer service
   - Purchase of a heating system and installation
5. Pure service
   - Facility security, tax consultant
6. Service with customer service
   - Hair cut with free of charge coffee
7. Pure customer service
   - Call center services, e.g. outsourcing to Arvarto (Bertelsmann Group)

The product term

A consumer is not travelling on an inter city express (ICE) train because it can go with a speed of more than 200 km/h or because it has a food serving cart. He/she decides to take an ICE because he/she will arrive quickly at his/her destination and can satisfy hunger and thirst in the meantime.

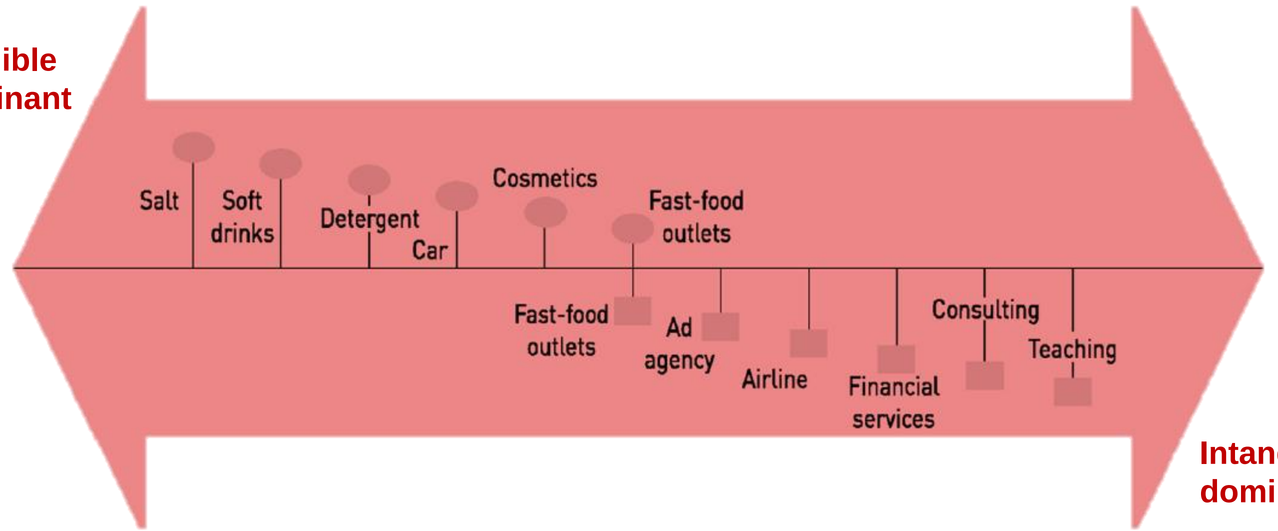
- **Product as technical performance**:
  sum of all physical-chemical characteristics
- **Product as distributive performance/service**: sum of the percepted characteristics of the offer that are connected with the customer's utility expectation

➢ The commerce-oriented definition of product includes the physical-chemical characteristics that are perceived by the consumer

Exercise

- **Ask yourself: Which kind of output represents a**
  - flight?
  - a book purchase in a book store with a public reading session by the author?

Tangible dominant



Intangible dominant

Source: Kotler

Evolution of the marketing concept

Holistic Marketing

Downstream marketing replaced by upstream marketing

Integrated 4Ps, internal as well as socially responsible marketing

Relationship Marketing
(approx. 1970s-1990s)

Customer loyalty drives profitability

Customer management organizations

Transaction Marketing
(approx. 1950s -1970s)

Push product into the market!

Use marketing tools to convince the customers to buy

Production Orientation
(prior to1950s)

Profits through production optimization and capacity enlargement

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The market term

Definition of Market according to the Marketing theory

All actual and potential customers with a specific desire which the company tries to satisfy with its product.

Delineation of the market concept:

Place – time – object

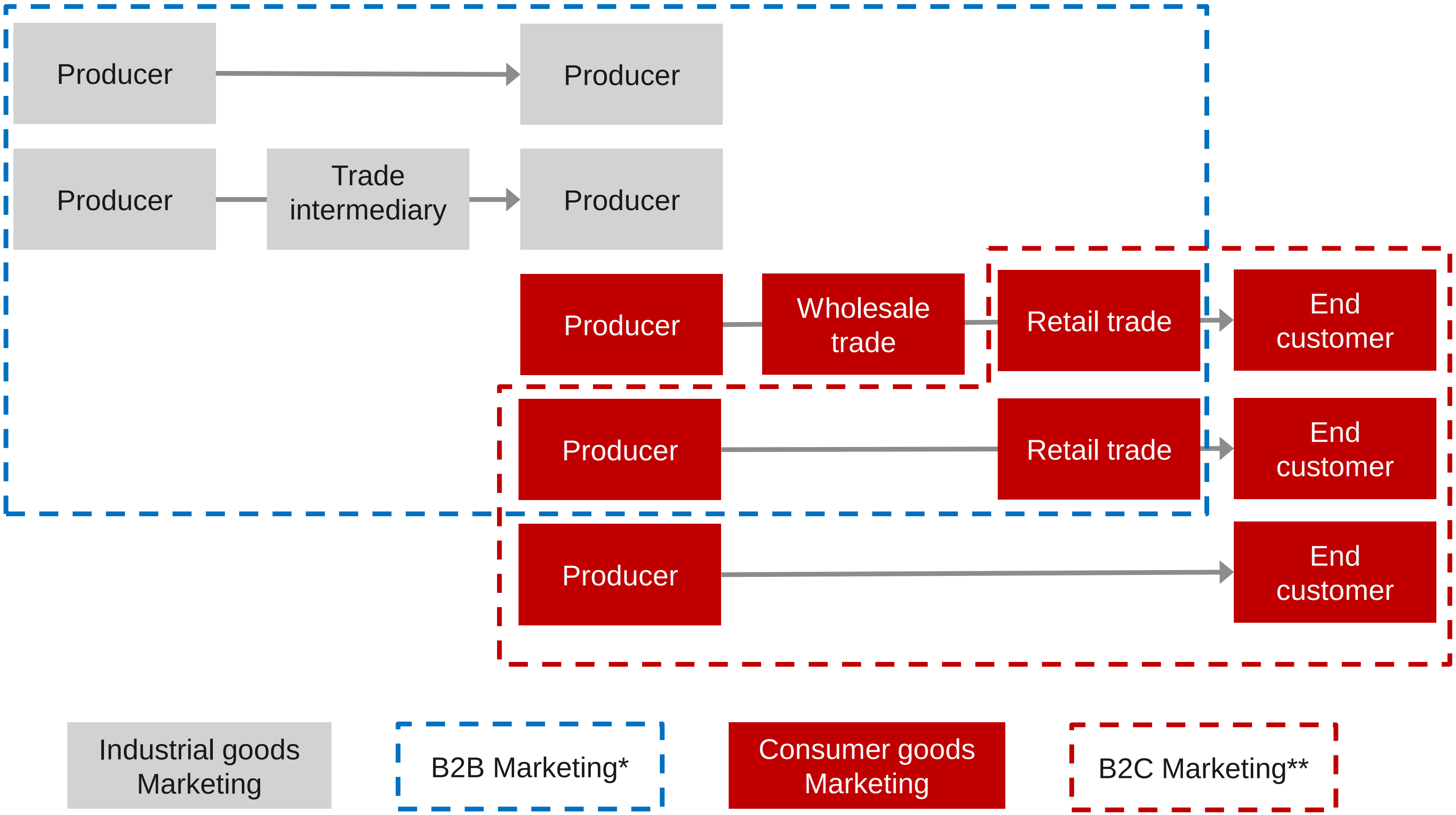
Exercise: Important parameters for the estimation of market potentials

- The next exercise is basic knowledge for marketers and has to be considered as exam relevant.
- Please use reliable sources.
- There is no solution provided.

Exercise: Important parameters for the estimation of market potentials

Inhabitants of Germany	
Inhabitants of Bavaria	
Inhabitants of the EU (before/after BREXIT)	
Inhabitants of Europe	
Inhabitants of the US	
Inhabitants of China	
Inhabitants of India	
Exchange rate EUR/Dollar	
NAFTA – Number of inhabitants	
ASEAN-China free trade area inhabitants	
Average income Germany	
Average income USA	
Average income China	
Number of households Germany	
Number of countries worldwide	

Definition of different markets



*: B2B – Business to Business marketing

**: B2C – Business to Consumer marketing

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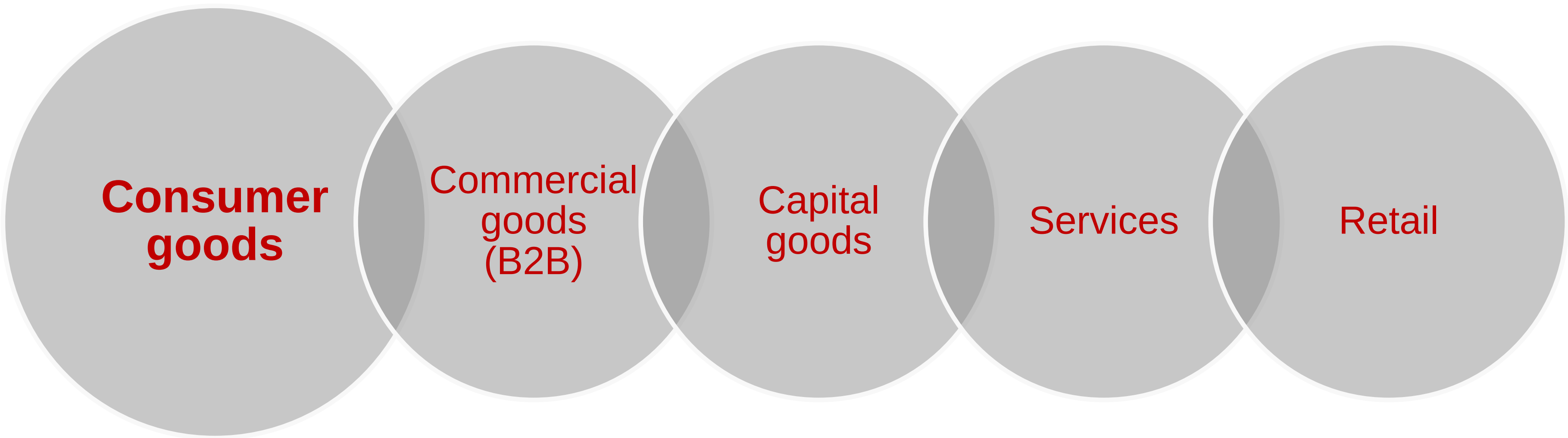
Attention to terms in textbooks and in practice

- **The Marketing term** (in the broad sense)
  = the mind-set in the company, at least the 4Ps
  (Product, Price, Promotion, Place)
  → is equivalent to Marketing & Sales
- **The Marketing term** (in the narrow sense)
  = communication

Different goods in different markets need different approaches in marketing and sales



Features of the consumer goods markets and impact on marketing & sales

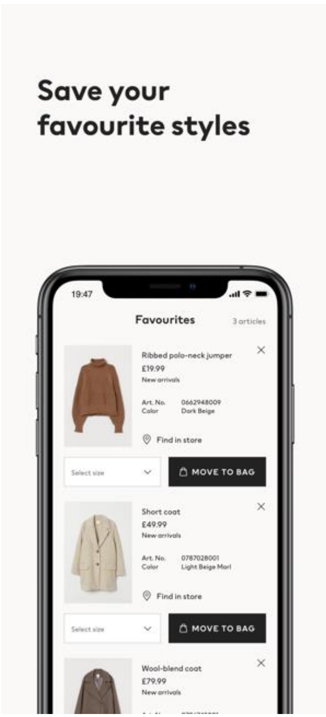
Consumer goods are outputs that are demanded by the consumers to satisfy their needs.

- Purchasing decision is strongly **influenced** through **emotions**
- Desires are only **limitedly evocable**
- Rather **large target group**
- Purchase is an **individual decision**
- It is easy for the customer to **manipulate the product**
- **Prices** are strongly influenced by the **brand image**
- **Shopping sites** have a huge significance for the consumers (dependent on their preferences, place of residence, virtual, …)
- A big part of the purchasing decisions are reached **without "real" risks** (e.g. daily necessities)
- **Legal basis of business (in Germany): BGB (Bürgerliches Gesetzbuch - German Civil Law)**
- **Gross pricing**, no input tax deduction

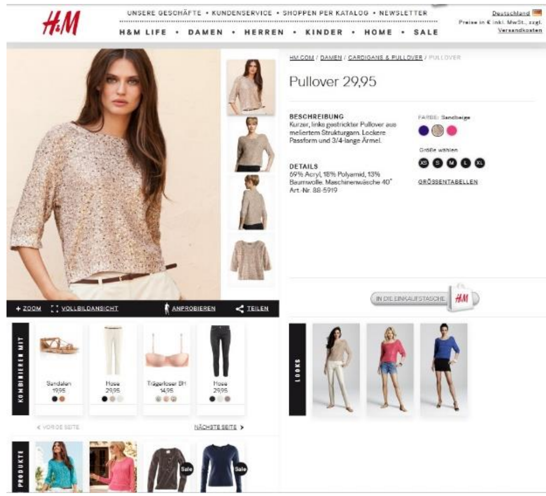
Fast moving consumer goods FMCGs

Source: Winkelmann, P. (2012)

Multi-channel-approach: multistage sales through various channels



App

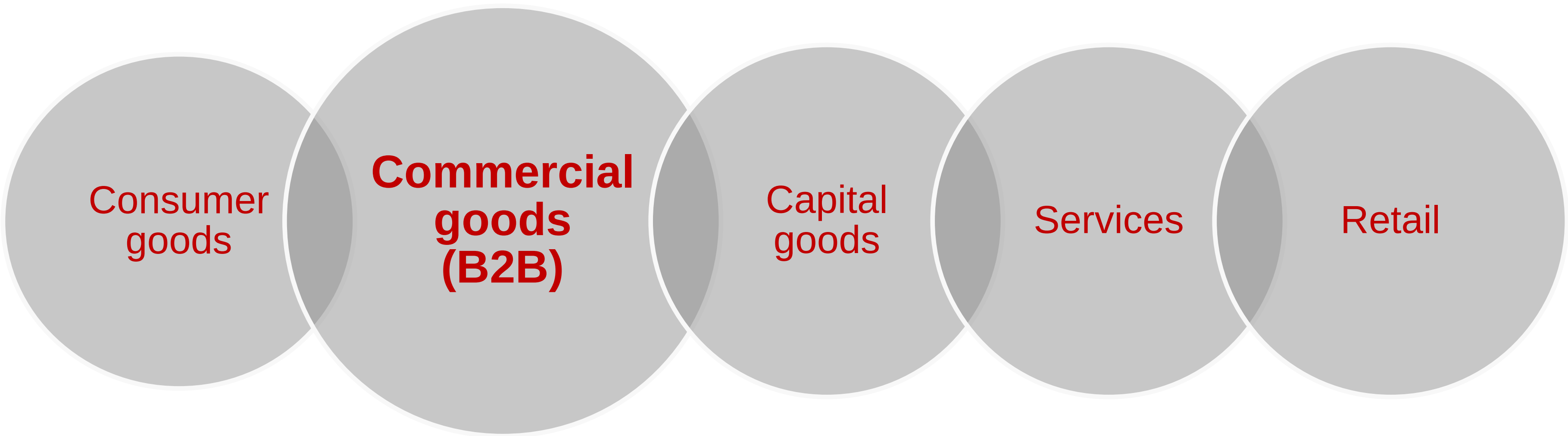


Online-Shop

Catalogue

Store

Different goods in different markets need different approaches in marketing and sales



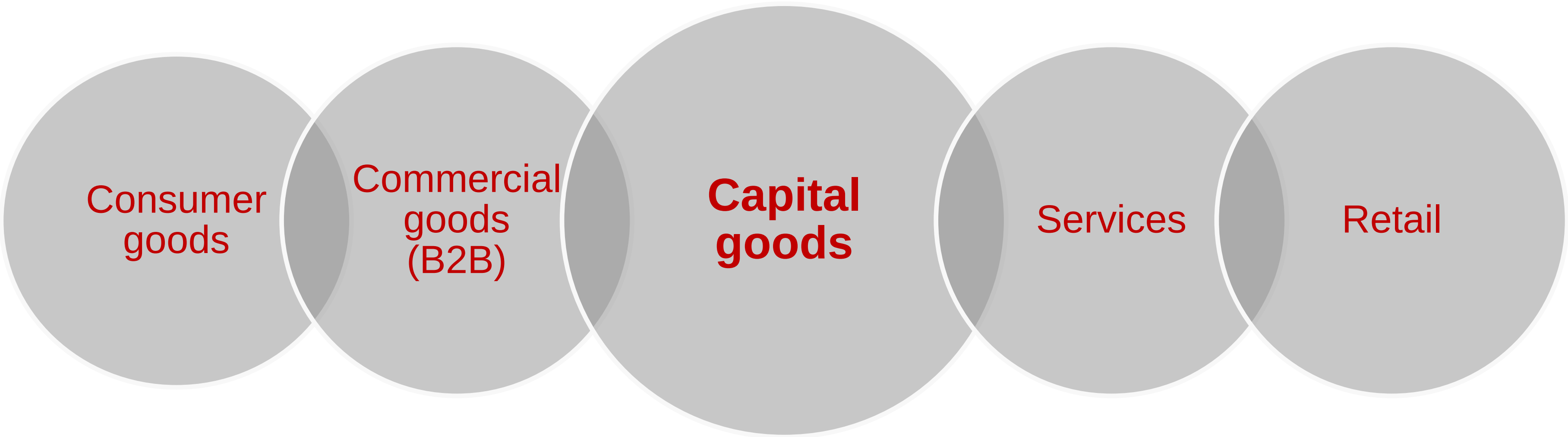
Features of B2B markets and impact on marketing and sales

B2B markets are markets in which the offering and production of products happens from one company to another company. For Germany, the basis is the German code of commercial law (HGB).

- **Factual constraints dominate**; emotions added
- Demand is mostly **pre-determined** through end demand
- Rather small **fragmented target groups**
- Often **direct sales**
- Purchasing decisions are often made in teams (**Buying Center, Decision Making Unit - DMU**)
- **Prices** are determined through **product outputs** and **market power**
- **Purchasing decisions** are often connected with huge **risks**
- **Change of suppliers** is often **complicated**
- **Competence** of the customer plays a huge role
- **Net price, deduction of input tax**

Source: Winkelmann, P. (2012)

Different goods in different markets need different approaches in marketing and sales

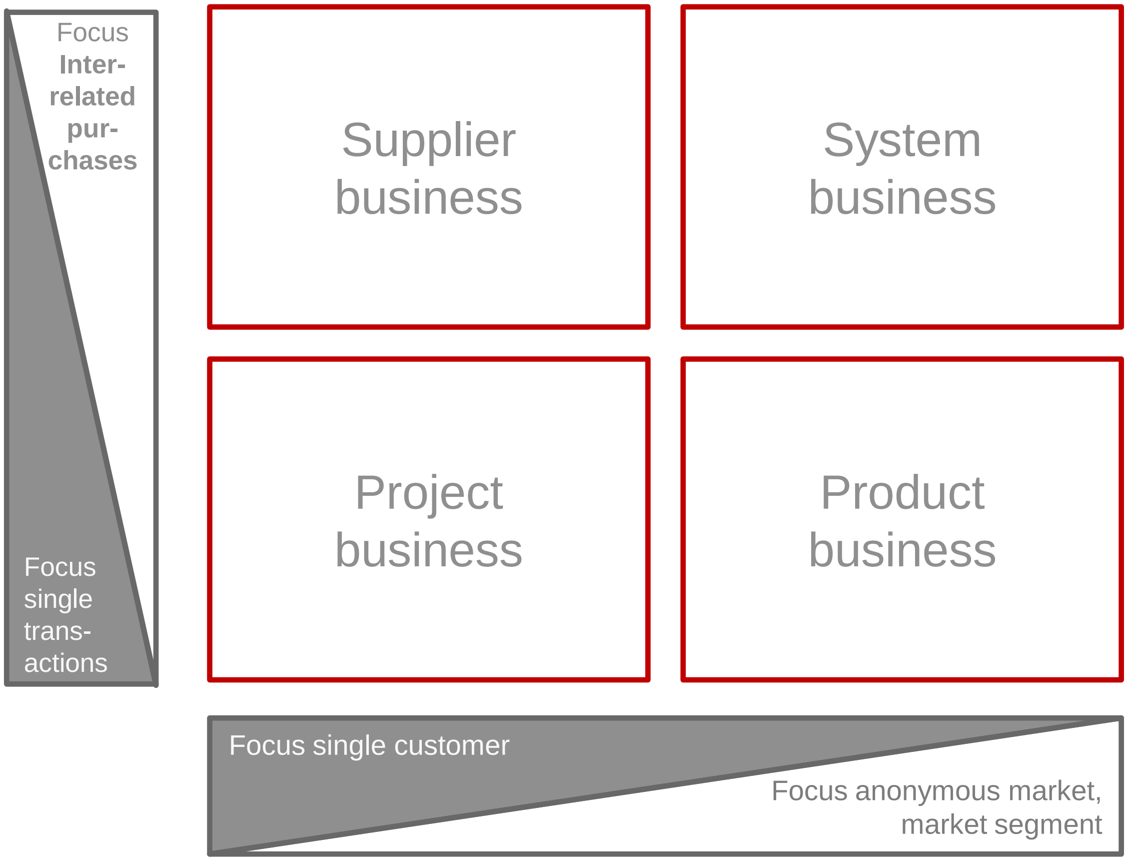


Features of capital goods markets and impact on marketing and sales

Capital goods (also capital assets or investment goods) are bought by organizations (non-consumers) to produce other goods to cover external needs or to sell them to another organization.

- Investment goods Marketing is an important part of Marketing in B2B markets - the characteristics of B2B markets also apply here
- Often **direct sales**, complex products, often long-term relationships with the customers (“Selling Center”)
- Purchasing decisions are made often in teams (**Buying Center, Decision Making Unit - DMU**)
- **Product composition** through specifications → product composition is exactly **known** → often individualized products
- Purchasing decisions are often connected with huge **risks**
- Existence of very complex, formalized **purchasing decision making processes** with partly long interaction phases (e.g. **tendering**)
- Great importance of **system solutions**, namely offers of complex **product-service-bundles** with a low tendency of price battle

Business connections in the capital goods marketing



Source: following Backhaus/Voeth, 2014, p. 217

Different goods in different markets need different approaches in marketing and sales

Consumer goods

Commercial goods (B2B)

Capital goods

Services

Retail

Features of service markets and impact on marketing and sales

Services are economic goods which, in contrast to commodities, are not tied to a material production process or to the pecuniary value of the end product. For services, to meet certain demands of natural persons or legal entities in a specific time frame or specific date are paramount.

- Services are immaterial goods → customers can not assess the **quality** of a service **before utilisation**
- Services are not storable/transportable → often problems with the **capacity utilisation** and adjustment.
- If the recipient is involved actively in the creation of output, then the **interaction** between him/her and the person that provides the service is a vital part of the service**.**
- Services face quantitative fluctuations if its quality depends on the person and the location where the service is provided.
- If the offer of service is set locally, then the **customer** has to overcome the **distance.**

Intangible services: customers are looking for tangible clues

People

- are: human actors who influence the buyer's perception of the service (one's own personnel, agents, customers, etc.)
- Increased relevance if the employee IS the service (e.g. consulting, coaching, teaching, etc.)
- Active management of one's own customer base may be required (e.g. Leo's Sports Club Munich)

Physical Evidence

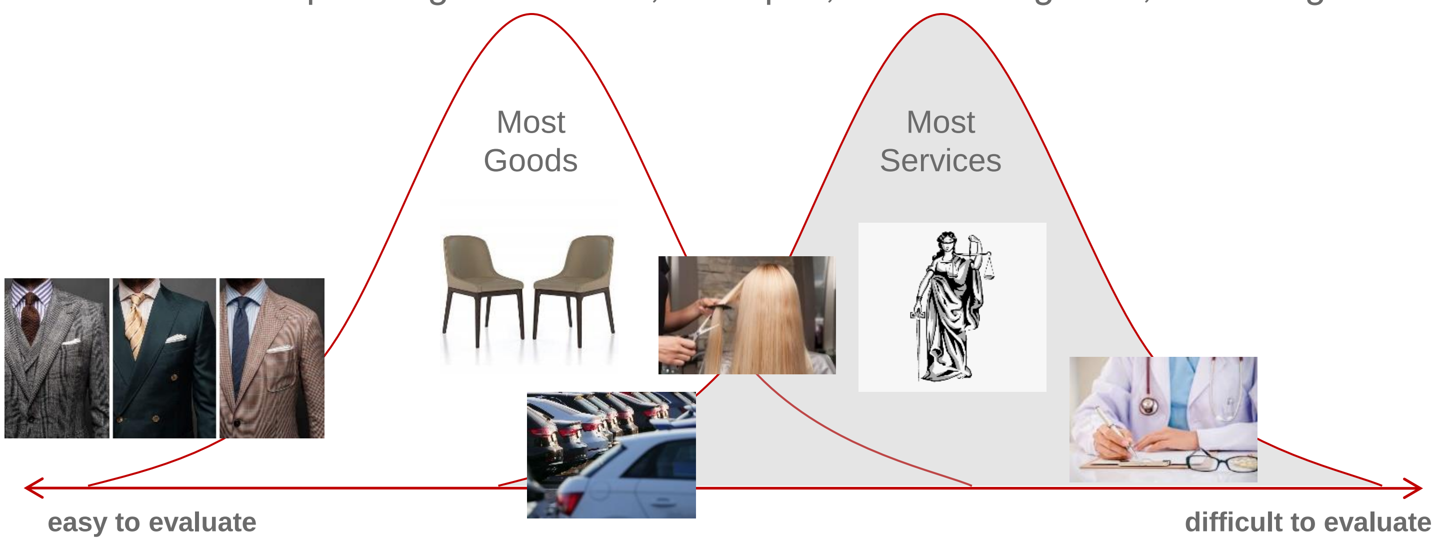
- is: all tangible representations of the service, such as logos, letterheads, report formats, equipment, service facilities, uniforms, etc.
- Customers use physical evidence as a proxy for quality of the service
- Physical evidence has to match the service value proposition (e.g. Aldi vs. Tesco)

Process

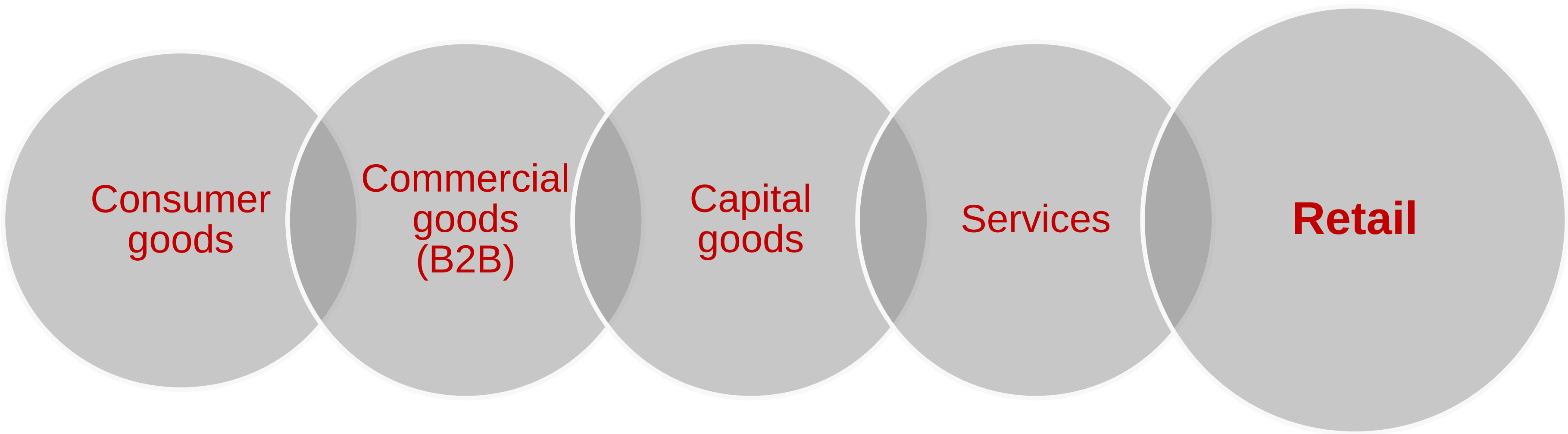
- is: the actual procedure, mechanism and flow of activities by which the service is delivered
- Customers need to be able to follow the logic of the steps involved in the process
- Each step / activity involving the customer needs to create an obvious value for the customer (e.g. in-workshop vehicle configuration with tablet PCs)

Service vs. product properties – search, experience or credence qualities?

- **Search qualities**: attributes a customer can evaluate before purchasing the product color, style, price, fit, touch & feel, hardness, smell, etc.
- **Experience qualities**: attributes that can be discerned only after purchase or during consumption taste, durability, reliability, experience during (e.g. massage, holiday camp) or after (e.g. hairdresser) the service
- **Credence qualities**: characteristics the customer may find impossible to evaluate even after purchase or consumption e.g. insurances, car repair, medical diagnosis, marketing consulting,…



Different goods in different markets need different approaches in marketing and sales



Features of retail and impact on marketing and sales

Retailing is taking place if market participants purchase goods that they (usually) do not further process (commodities) from other market participants and sell these goods to third parties.

- **The choice of location** is critical for the success of the trader.
- **Design** of the storefront and the **presentation** of the commodities influence the image of the trader
- The trader's performance policy applies to the **provision of goods** and performance of independent services.
- **The arrangement of the range of goods** is one of the key tasks of trade Marketing.
- The importance of trademarks increases through endeavours to make one‘s mark and price competition in trade. The price competition leads to the necessity of cost and process optimization and to attempts of customer loyalty (e.g. bonus cards).
- The advertisement concentrates mainly on price aspects.

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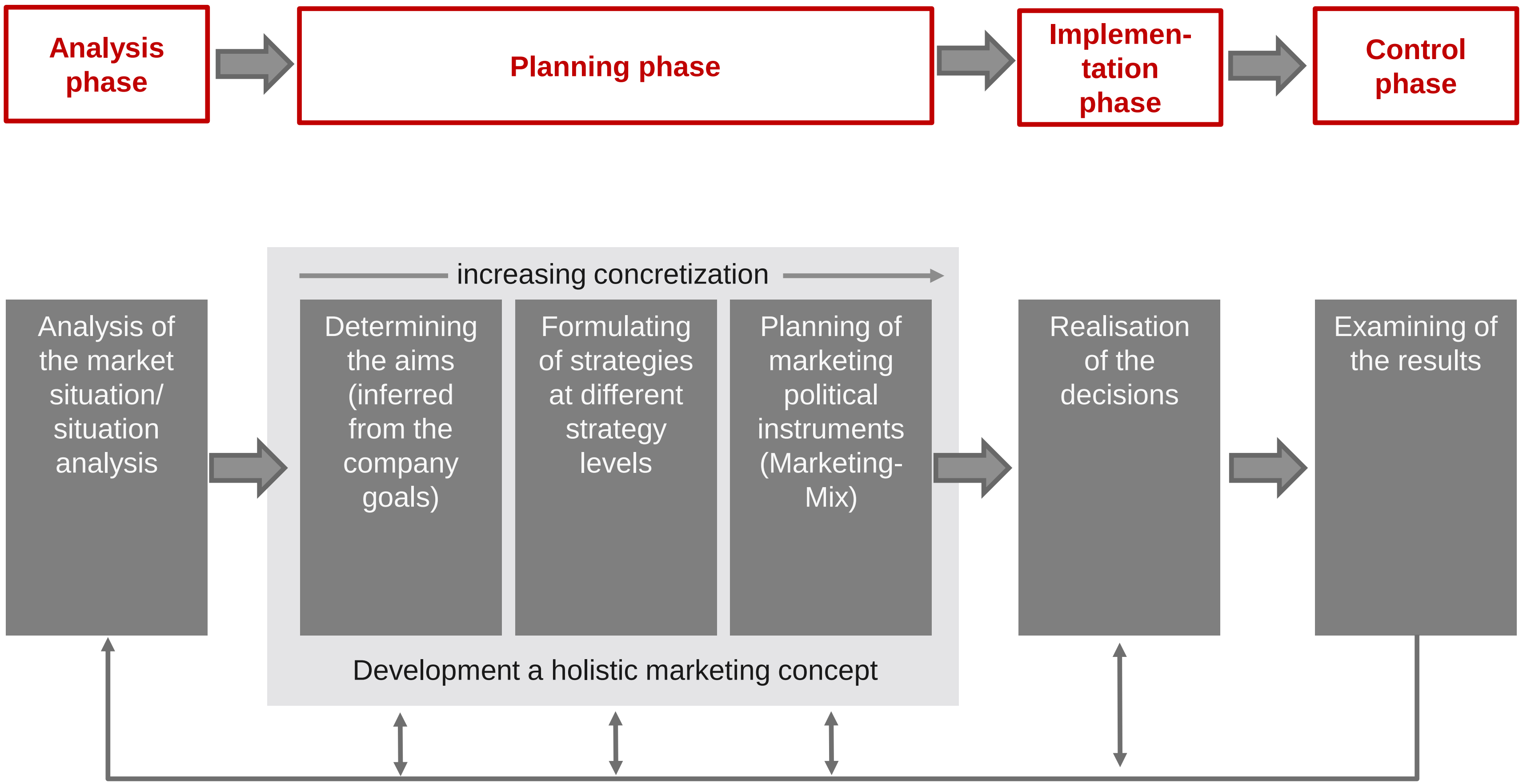
The planning of marketing and sales

- Marketing and Sales planning (often only referred to as **Marketing planning**): systematic and rational understanding of the present and future market and company news with the aim to derive guidelines for the creation of suitable marketing activities.
- The Marketing planning is the **key element** of the **planning of all company activities** if the **market** turns out to be a **bottleneck factor**.

The planning process of marketing and sales in a nutshell



The process of marketing management

- **Starting point: analysis of the market situation/ situation analysis**
  obtaining of information about expected frameworks that regulate the actions of the company at present and in the future
- **Key piece: Marketing concepts**
  full mental master plan that determines and coordinates all market relevant measures in the company → three planning levels of aim-means-planning:
  - Aims
  - Strategies
  - Instruments (Marketing-Mix)
- **Implementation: realisation of marketing decisions**
- **Check: examining the results**

The marketing-mix (the 4 Ps): implementation of the marketing and sales strategy

Product	Services and product range policy	Creation of assets, services that satisfy the customers‘ needs
Price	Conditions policy	The financial “sacrifices” of the customer in line with market conditions and business optimisation
Promotion	Communication policy	Creation of image, attention, recognition value and customer preferences
Place	Sales policy	Generating turnover, customer loyalty and provision of goods (distribution)

The classic marketing-mix (4 Ps) can be expanded to 7 Ps

Classical marketing-mix

- Product
- Price
- Promotion
- Place

+

Expansion especially for **Services**

- People
- Process
- Physical Evidence

… sometimes there is even an **8th P**: **Participation**

Exercise: Important parameters for the estimation of market potentials

- Research the inhabitants of the EU before and after the BREXIT
  - Indicate your source and date

Contents

Wrap-up Questions

- When do companies own a competitive advantage? And what is a competitive advantage?
- What is the difference between desire, need and demand?
- How does strategic marketing differ from operational marketing?
- Why are todays customers more powerful?
- What is the difference between B2C and B2B markets?
- Which are the main reasons for today‘s wide range of offers in consumer goods markets?
- Explain one feature of consumer goods marketing. Use examples!

Case Study

Please see the case study „Sinks, Dinks and Millennials“ on Moodle.