

# Business

Lecture 3.2

# Management

## Practical 3

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# Marketing Mix

The **marketing mix** is a business tool used in marketing and by marketing professionals. The marketing mix is often crucial when determining a product or brand's offering, and is often synonymous with the **four Ps**:



# 1.Product Strategy

**Features**

**Quality**

**Packaging**

**Labeling**

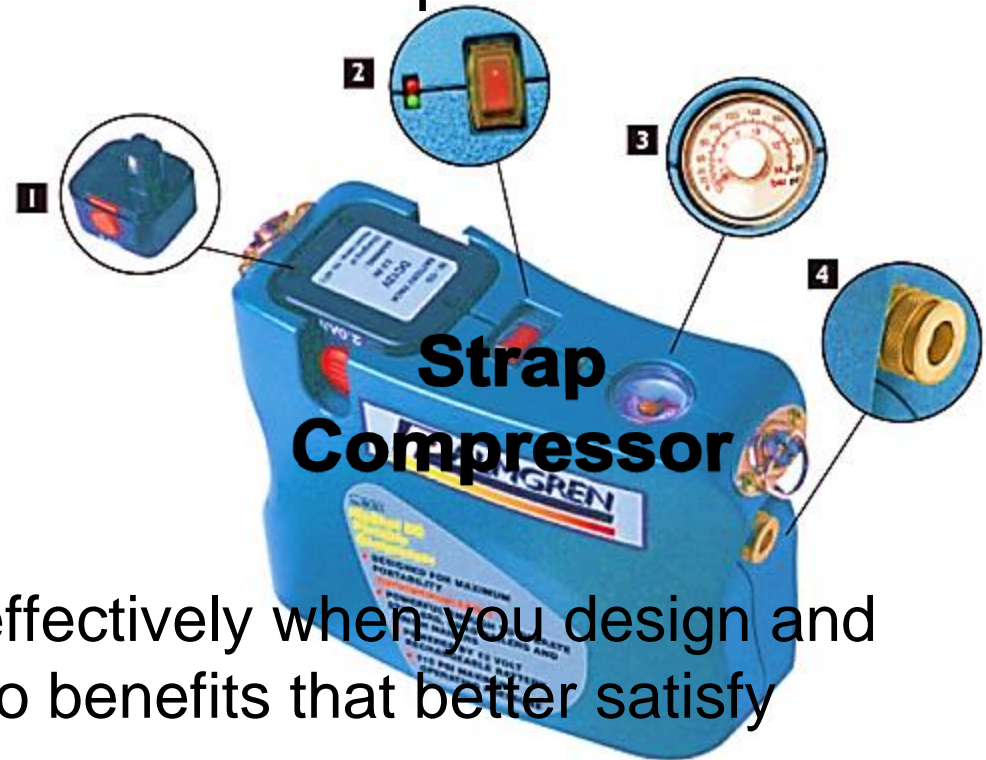
**Branding**

**Related services**

# Product Strategy

## Features:

Specific attributes that enable the product to perform its function



You can compete more effectively when you design and promote features linked to benefits that better satisfy customer needs.

# Product Strategy

## Quality

How well a product satisfies customer needs

Good quality is no guarantee for success, but it can help companies attract new customers, retain existing customers, capture market share, charge higher prices, earn higher profits, or meet other financial and marketing objectives.



# Product Strategy

## Packaging

Adds value by keeping tangible products safe and in convenient containers until they are used

Aim for a design that sells the product from the shelf



# Good Packaging Design



# Good Packaging Design



# Bad Packaging Design

Part of the problem with so much packaging is the materials themselves, but part of it is also how much space it takes in trucks



# Bad Packaging Design

- A-- is a very simple design. The green bottle helps to hide the discoloring of lemon juice after a while sitting on shelves however.
- It's very generic and doesn't stand out. The image color is the same color as the background.
- There's no contrast except where the name BYBLOS is
- The typeface could have been more modern and fun.
- The arrow shows the misplacement of the label.



# Product Strategy

## Labeling

Adds value by communicating product contents, uses, and warnings



Nutrition Facts			
Serving Size 1 cup (228g)			
Servings Per Container 2			
Amount Per Serving			
Calories 250		Calories from Fat 110	
		% Daily Value*	
Total Fat 12g		18%	
Saturated Fat 3g		15%	
Trans Fat 3g			
Cholesterol 30mg		10%	
Sodium 470mg		20%	
Potassium 700mg		20%	
Total Carbohydrate 31g		10%	
Dietary Fiber 0g		0%	
Sugars 5g			
Protein 5g			
Vitamin A		4%	
Vitamin C		2%	
Calcium		20%	
Iron		4%	
* Percent Daily Values are based on a 2,000 calorie diet. Your Daily Values may be higher or lower depending on your calorie needs.			
		Calories:	2,000 2,500
Total Fat	Less than	65g	80g
Sat Fat	Less than	20g	25g
Cholesterol	Less than	300mg	300mg
Sodium	Less than	2,400mg	2,400mg
Total Carbohydrate		300g	375g
Dietary Fiber		25g	30g

Start here

Check calories

Quick guide to % DV

5% or less is low  
20% or more is high

Limit these

Get enough of these

Footnote

# Product Strategy

## Branding

Gives a product a distinct identity and differentiates it from competing products using words, designs, and symbols.

## Related services

Adding services to product offerings can enhance customer value and strengthen customer relationships

## 2.Place (Channel) Strategy

- \* Place strategy covers the firm's use of channel intermediaries such as **wholesalers**, **retailers**, and **agents**, to make goods and services available to customers.
- \* Must be carefully coordinated with product, pricing and promotion decisions.
- \* Should be based on a thorough understanding of the customer and the market.

# Channels of Distribution Consumer Goods

**Producer**

**Consumer**

**Producer**

**Retailer**

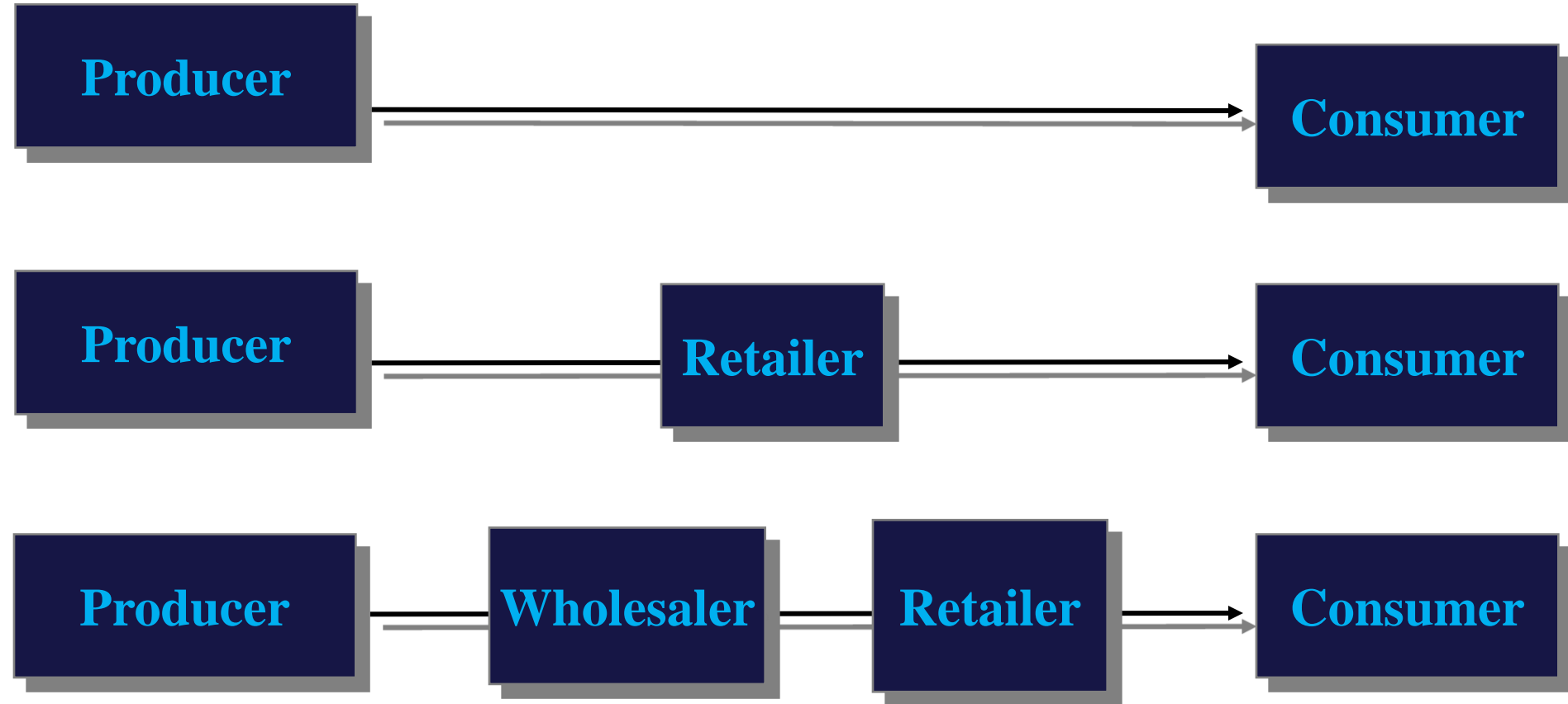
**Consumer**

**Producer**

**Wholesaler**

**Retailer**

**Consumer**



# 3.Pricing Strategy

- The pricing strategy is the only component that directly produces revenue.
- It is linked to both positioning and targeting.
- It Depends on three major factors:

**Company's cost structure**

**What the market will bear**

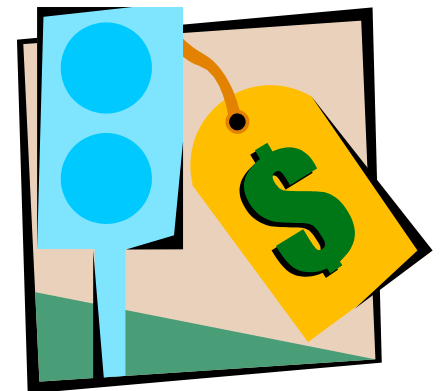
**Desired company image**

# Factors affecting Price

- Product or service costs
- Supply and demand
- Sales volume
- Competitors' prices
- Firm's competitive advantage
- Economic conditions
- Business location
- Seasonal factors
- Credit terms and purchase discounts
- Desired image

# Increasing Prices

- Dealing with increasing input costs:
  - Communicate with customers
  - Improve efficiency
  - Absorb cost
  - Emphasize product's value/benefit
  - Lock in prices early



# Introducing a New Product

## Three Goals:

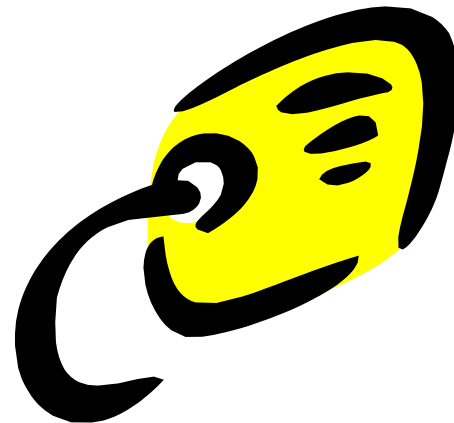
- Get the product accepted
- Maintain market share as competition grows
- Earn a profit



# Introducing a New Product

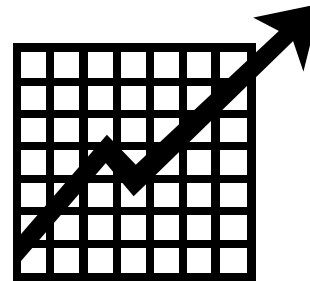
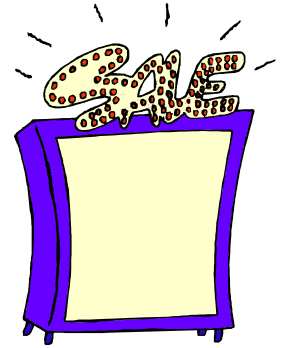
## Three Pricing Strategies:

- Penetration
- Skimming
- Sliding down the demand curve



# Penetration

- Objective is to achieve a high sales volume as soon as possible through low prices and quick market access.
- Strategy used to introduce relatively low-priced products with little differentiation potential.
- Profits will be small until customer acceptance of the product is achieved.



# Skimming

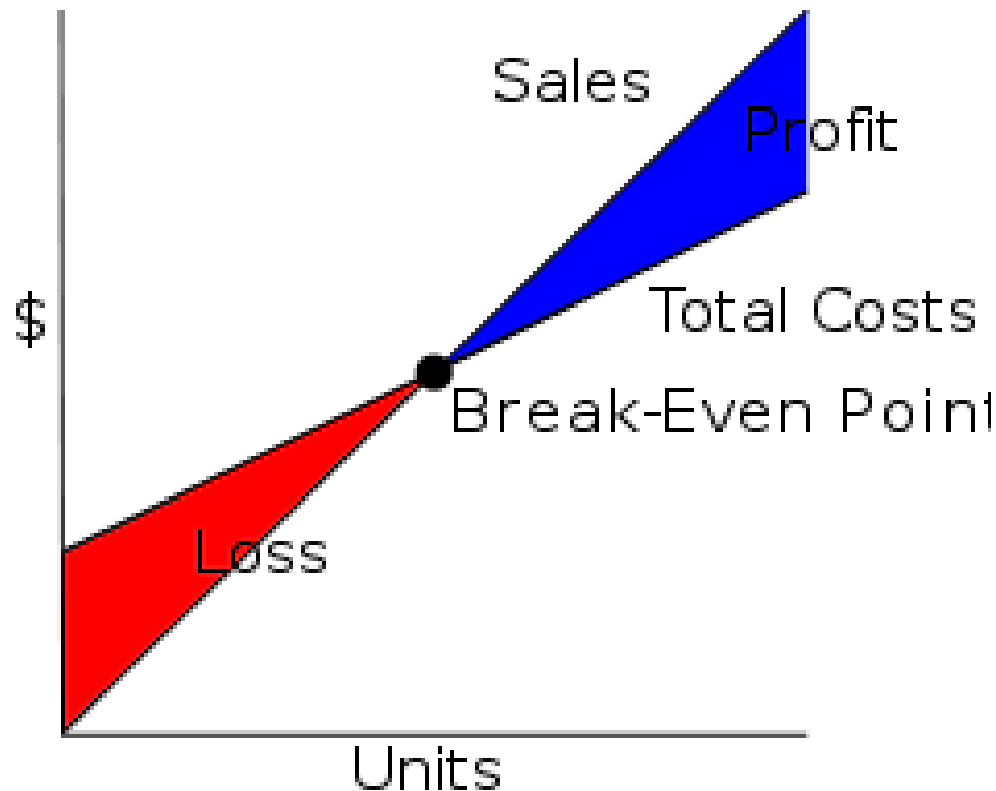
- Strategy used to introduce a new product into a market with little or no competition.
- Set a price to more than cover cost and promote the product to appeal to a segment that is not price sensitive.
- Can easily correct pricing mistakes.



	<b>Skimming</b>	<b>penetration</b>
<b>Beginning with</b>	<b>Higher prices</b>	<b>Lower prices</b>
<b>Type of product</b>	<b>New/ innovation product/ rarely</b>	<b>Congested products</b>
<b>Market segmentation</b>	<b>Small sector of the market</b>	<b>Large</b>
<b>Examples</b>	<b>Luxury Prod. / new restaurant / health farms / art prod.</b>	<b>Dairy prod. / biscuits / convenience meals</b>

# Breakeven Analysis

The breakeven point is the level of operation at which a business **neither earns a profit nor incurs a loss.**



# Breakeven Sales Volume

Example: Date Exports to Germany

$$\text{Breakeven Volume} = \frac{\text{Fixed Cost}}{\text{Price} - \text{Variable Cost}}$$

$$\text{Breakeven Volume} = \frac{50,000}{7.20 - 1.75}$$

$$\text{Breakeven Volume} = 9,174 \text{ kilos}$$

# Breakeven Selling Price

**Breakeven**

$$\text{Selling Price} = \frac{\text{Profit} + \text{Variable cost} \times \text{Quantity produced} + \text{Fixed Cost}}{\text{Quantity produced}}$$

**Example:**

$$\begin{aligned} \text{Breakeven Selling Price} &= \frac{0 + (1.75 \times 222,518 \text{ kilos}) + 50,000}{222,518 \text{ kilos of dates}} \\ &= 1.97\text{E per kilo} \end{aligned}$$

# 4.Promotion Strategy

## Product Adoption Process

Awareness

Interest

Evaluation

Trial

Decision

Reinforcement



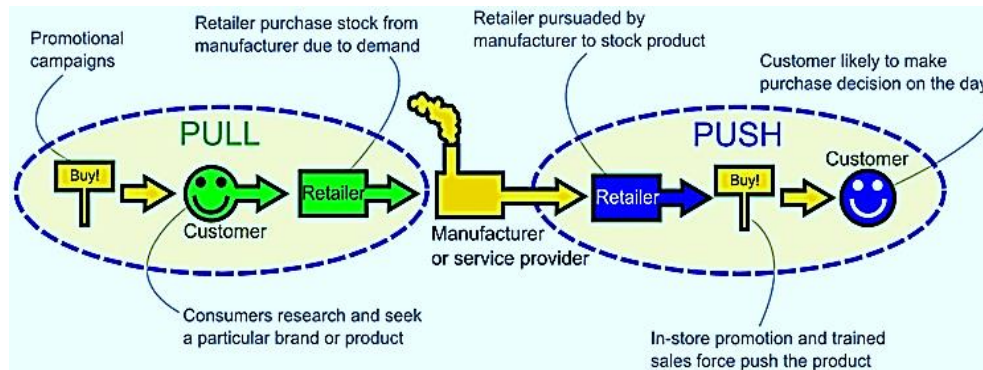
Involves publicity, sales promotion, personal selling, direct marketing, and advertising Strategies:

## – Push

- Target **intermediaries** to supply product
- Personal selling and sales promotion

## – Pull

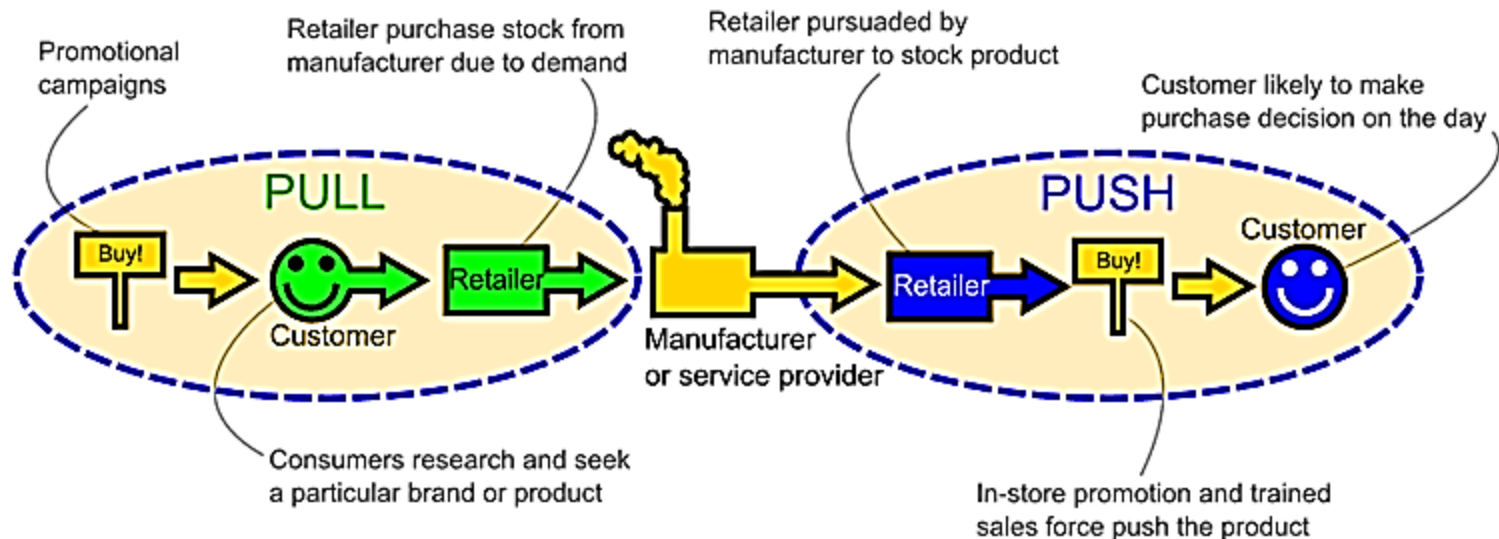
- Target **customers** to demand product
- Advertising and sales promotion



# PUSH STRATEGY

"Taking the product to the customer"

A push promotional strategy involves taking the product directly to the customer via whatever means to ensure the customer is aware of your brand at the point of purchase.



# EXAMPLES OF PUSH TACTIC

Trade show promotions to encourage retailer demand

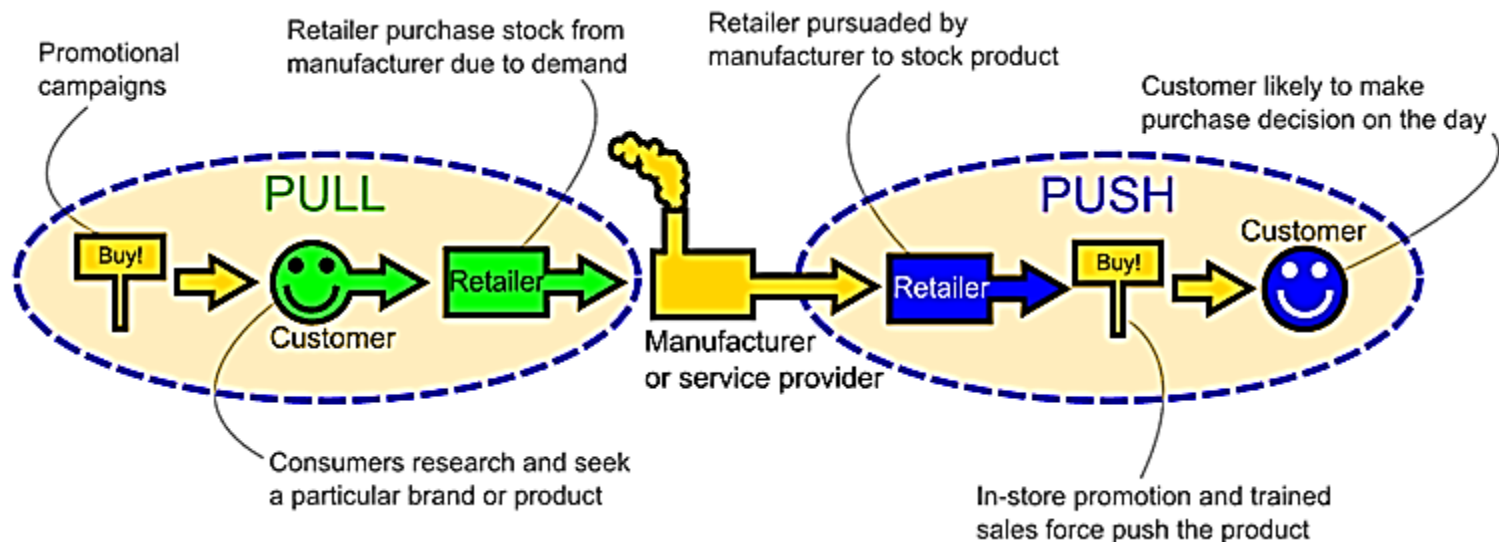
Direct selling to customers in showrooms or face to face

Negotiation with retailers to stock your product

Efficient supply chain allowing retailers an efficient supply

Packaging design to encourage purchase

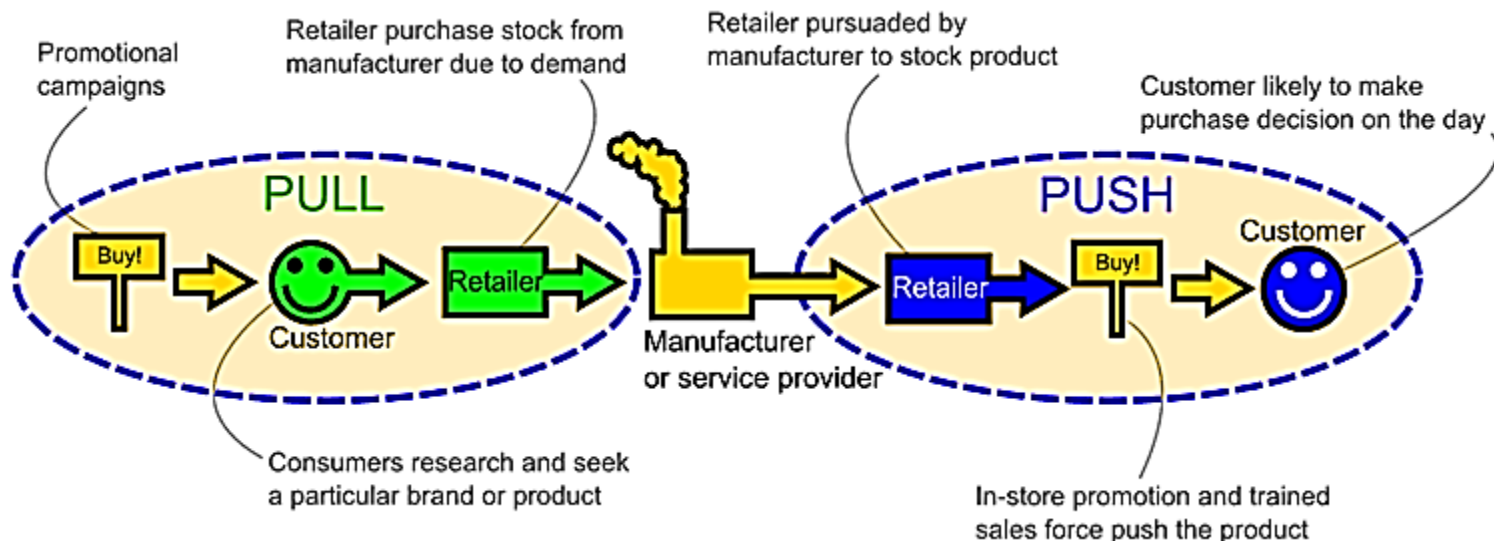
Point of sale displays



# PULL STRATEGY

"Getting the customer to come to you"

A pull strategy involves motivating customers to seek out your brand in an active process.



# **EXAMPLES OF PULL TACTICS**

Advertising and mass media promotion

Word of mouth referrals

Customer relationship management

Sales promotions and discounts

# Promotion tools

<u>Promotion Tool</u>	<u>Use</u>	<u>Examples</u>
<b>Advertising</b>	Communicate with large audience	Television, news paper, internet, brochures
<b>Sales Promotion</b>	Get immediate response, reward existing customers	Samples, coupons, premiums, contest, games, demonstrations, trade shows
<b>Public Relations</b>	Build positive image and loyalty	Event sponsorship, news releases, media kits, presentations
<b>Personal Selling</b>	Reach customers individually, strengthen relationships	Sales appointments and meetings

# Conclusion

## Link

- Product to customer benefit
- Price to customer cost
- Place to customer convenience
- Promotion to customer communication

