

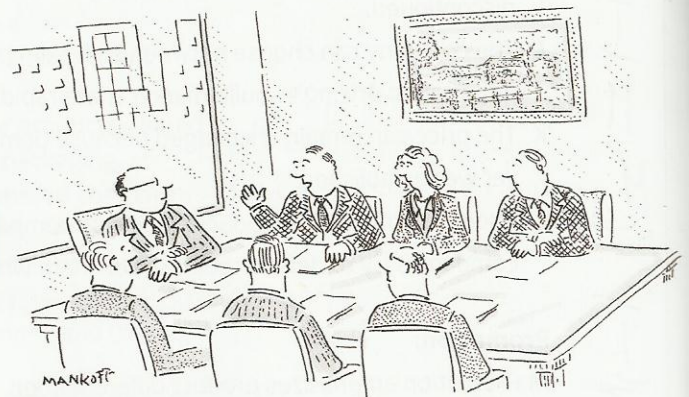
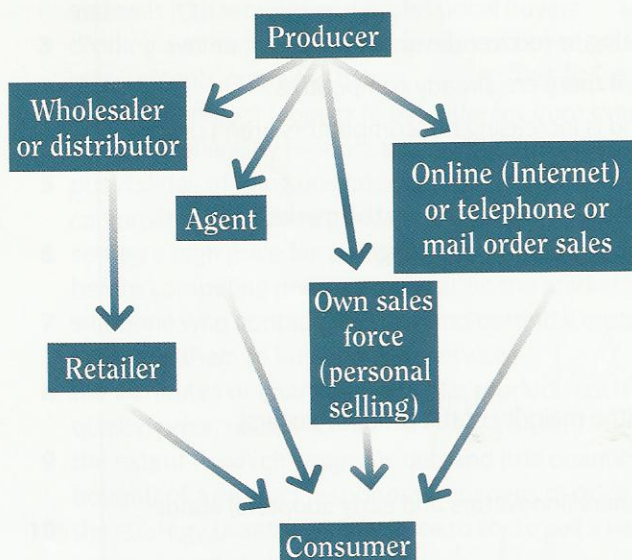
Discussion: Pricing



- 1 Under what circumstances would manufacturers either set prices that try to maximize profits, or deliberately charge a low price?
- 2 Give examples of products for which demand is elastic, and which you would only buy (or buy more of) if the price went down.
- 3 Which products are for you *not* price sensitive, so that you would buy them even if the price increased significantly?
- 4 If you see a price that is a little less than a round number, e.g. \$1.99 or €99.95, does it makes you think of the lower number, e.g. \$1 instead of nearly \$2, and encourage you to buy the product? If *not*, why do you think most retailers use 'psychological pricing' or 'odd prices' like this?
- 5 When, as a consumer, have you benefited from a price war when competitors continually lowered prices, trying to get more business? What kind of companies win price wars?

Discussion: Distribution channels

Give examples of businesses that would typically use the different channels illustrated in the diagram. (Of course, the same businesses could use different channels for different market segments.) In each case, *why* is this the preferred distribution channel?



"On the one hand, eliminating the middleman would result in lower costs, increased sales, and greater consumer satisfaction; on the other hand, we're the middleman."

© The New Yorker

Writing

Write two or three short paragraphs (60–100 words in total) describing the different distribution channels used for two different products.

Reading: Marketing is everything

Read the following extracts from an article by Regis McKenna in the *Harvard Business Review*, and answer the questions on the next page.

Several decades ago, there were sales-driven companies. These organizations focused their energies on changing customers' minds to fit the product – practicing the 'any color as long as it's black' school of marketing.

As technology developed and competition increased, some companies shifted their approach and became customer driven. These companies expressed a new willingness to change their product to fit customers' requests – practicing the 'tell us what color you want' school of marketing.

Successful companies are becoming market driven, adapting their products to fit their customers' strategies. These companies will practice 'Let's figure out together how and whether color matters to your larger goal' marketing. It is marketing that is oriented toward creating rather than controlling a market.

The old approach – getting an idea, conducting traditional market research, developing a product, testing the market, and finally going to market – is slow and unresponsive.

As the demands on the company have shifted from controlling costs to competing on products to serving customers, the center of gravity in the company has shifted from finance to engineering – and now to marketing.

Marketing today is not a function; it is a way of doing business. Marketing is not a new ad campaign or this month's promotion. Marketing has to be all-pervasive, part of everyone's job description, from the receptionists to the board of directors. Its job is neither to fool the customer nor to falsify the company's image. It is to integrate the customer into the design of the product.

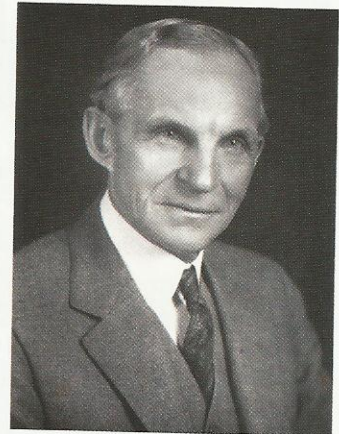
US companies typically make two kinds of mistake. Some get caught up in the excitement and drive of making things, particularly new creations. Others become absorbed in the competition of selling things, particularly to increase their market share in a given product line.

Both approaches could prove fatal to a business. The problem with the first is that it leads to an internal focus. Companies can become so fixated on pursuing their R&D agendas that they forget about the customer, the market, the competition.

The problem with the second approach is that it leads to a market-share mentality. It turns marketing into an expensive fight over crumbs rather than a smart effort to own the whole pie.

The real goal of marketing is to own the market – not just to make or sell products. Smart marketing means defining the whole pie as yours. In marketing, what you lead you own. Leadership is ownership.

That is why marketing is everyone's job, why marketing is everything and everything is marketing.



In 1909, Henry Ford famously said about the Model T:



'Any customer can have a car painted any color that he wants so long as it is black.'

Photocopiable activity 1

Advertising

Getting started

Work in pairs or small groups. Say whether the following statements are true for you.

- 1 I would never buy something as a result of advertising.
- 2 I find almost all advertising annoying.
- 3 I get useful information from advertisements.
- 4 The company where I work should spend more on advertising.
- 5 The direct mail I receive goes straight in the rubbish.
- 6 I don't need advertising. I can find what I need by looking in shops.
- 7 Wouldn't the world be boring without advertising?

Reading

1 Read these statements and discuss with your partner how to paraphrase them.

- 1 The majority of people would prefer to be exposed to less advertising.
Most people don't want to have to see or hear so many advertisements.
- 2 Shops will often stock more of a product if it is advertised.
- 3 Selling the product in more places will increase sales more than advertising.
- 4 New brands benefit more from advertising than established brands.
- 5 Most advertising is not cost effective.
- 6 It has never been harder to influence consumers than it is today.
- 7 Companies tend to reduce spending on advertising when their profits fall.

2 Read the extracts (A–D) from an article about advertising. Which extract does each statement in Exercise 1 refer to?

A

People are getting tired of ads in all their forms. A recent study by Yankelovich Partners, an American marketing-services consultancy, says that consumer resistance to the growing intrusiveness of marketing and advertising has been pushed to an all-time high. Its study found 65% of people now feel 'constantly bombarded' by ad messages and that 59% feel that ads have very little relevance to them. Almost 70% said they would be interested in products or services that would help them avoid marketing pitches. It has been calculated that the average American is subjected to some 3,000 advertising messages every day.

B

A recent study by Deutsche Bank examined the effectiveness of TV advertising on 23 new and mature brands of packaged goods and concluded that, in some cases, it was a waste of time. Although in the short-term TV advertising would lead to an increase in volume sales in almost every case, there was only a positive cash return on that investment in 18% of cases. Over a longer term, the picture improved, with 45% of cases showing a return on investment. Not surprisingly, new products did better than older ones. The study concluded that 'increased levels of marketing spending were less important than having new items on the shelf and increasing distribution.'

Adapted from *The Economist*

C

When America's big TV networks reached prime-time audiences of 90% of households, they were a powerful way to build a brand. Now that those audiences might be as low as one-third of households, other ways of promoting a brand have become more competitive. Moreover, many clients never really embraced continuous advertising: when times get tough, one of the first things many companies cut is their ad budget.

D

There can be various reasons why ads influence sales, other than their direct effect on consumers. For instance, if a producer announces a multimillion-dollar ad campaign, then retailers are often persuaded to increase deliveries. This can result in a 'distribution effect' that leads to additional sales.

Adapted from *The Economist*

Vocabulary

Find words or phrases in the four paragraphs which mean the following.

- 1 highest ever (extract A)
- 2 promotional messages (2 phrases) (extract A)
- 3 profit (2 phrases) (extract B)
- 4 in the places where the product is sold (extract B)
- 5 the time when most people watch television (extract C)
- 6 to increase the reputation and popularity of a brand (extract C)
- 7 reduce (extract C)
- 8 shops (extract D)

Talking point

- 1 **Work in pairs.** Your company has decided to increase its advertising budget. You have been asked to investigate the most effective ways of using the money. Discuss the situation together, and decide:
 - what type of company you work for and whether you want to advertise the company or particular products
 - who the target audience for your advertising is
 - where you should advertise (television, magazines, Internet, etc.).
- 2 In the same pairs, discuss one of the questions below. Take notes while you are discussing.
- 3 When you have finished, change partners and work with someone who discussed the other question. Speak for a minute and present the ideas you had in your original discussion.

A

What do you consider important when deciding where to advertise?

You can talk about:

- target customers
- advertising budget
- anything else you consider important.

B

What do you consider important when designing an advertisement?

You can talk about:

- the image you want to create
- the type of language
- anything else you consider important.