

1. Market Research

There are two different ways of market research.

Primary:

Primary market research gets information from oral and written interviews or from product presentations. The costs of primary research are much higher but the information you get is more precise.

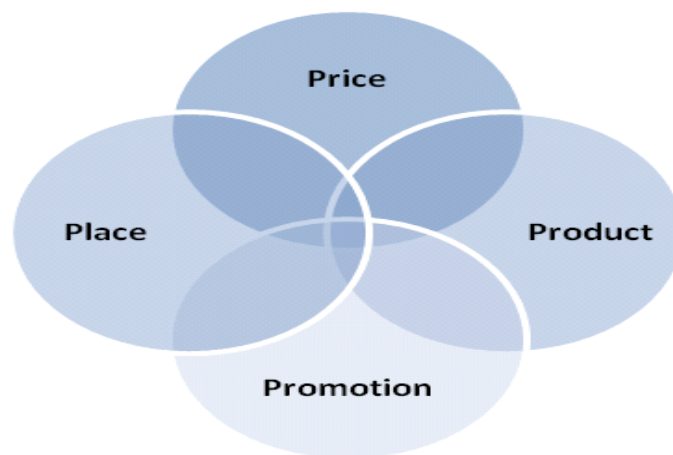
Secondary:

Secondary market research is cheaper but you use old information. Because of this the result you get is not as precise as from primary market research.

Market research should be done before bringing a product onto the market.

2. 4 Ps of marketing instruments

- Price
- Place
- Product
- Promotion



2.1. Product policy

The aim of the product policy is, to make customers buy products.

2.1.1. Product Level

Product differentiation:

Take an old product, change something and bring it on the market again. Both products can exist on the market at the same time.

Product variation:

Is the same as product differentiation with one difference. The old product is withdrawn from the market when then new one appears.

Product innovation:

Design of new Products.

Product elimination:

The product is removed from the market.

2.1.2. Product mix policy:

The range of products is very important for your company. Product mix policy is the decision which products your company offers to the customer. If you choose the right range of products you can increase profit, you can get new regular customers and improve the competitive situation. In the product mix policy we differentiate between deep and wide range of products.

Deep range of products

- The company has only one sort of products, but many variations of it.
- Advantages:
 - High quality
 - High assortment of this product range.
 - Specialism of this product
- Disadvantages:
 - You need well-trained salespersons
 - Small target group
 - The products must be up to date

Wide range of products

- The company has a lot of different sorts of products
- Advantages:
 - Large assortment
 - Many customers
 - Cross Selling
 - Large target group
- Disadvantage
 - Low Quality

2.2. Price policy

The price policy is about contractually stipulated agreements between a company and its customers.

2.2.1. Pricing:

Cost-based pricing

The production cost and the profit must be covered (Long-Term Bottom Price). For a short time the company can sell under the Long-Term Bottom Price if they want to clear the stock.

Demand-oriented pricing

The price is customer-oriented. The higher the price the lower the demand. The lower the price the higher the demand.

Snob effect

Snobs is the name of a group of customers which only buy high priced products. If the price decreases other people will buy the product, but the snobs will stop buying because they want to be the only one with this product.

Elasticity of demand

Shows how strong the customers react on a price change. The higher the price elasticity, the more the customers react to the changed price. We differentiate between elastic and inelastic products. Elastic products can be fruit and foodstuff. Inelastic products are fuel, cigarettes.

Competitive pricing

The price depends on the market form.

2.2.2. Price strategy

High price strategy

The price of the product is very high because of high quality.

Low price strategy

The price of the product starts low. The reason for this is often a target cost leadership.

Penetration strategy

The price starts low and increases with the time.

Skimming strategy

The price starts high and will be reduced from time to time.

Price discrimination

The price is adapted on the region or there are some special offers for pupils and pensioners.

2.2.3. Conditions policy

Discount

With discounts it is possible to influence the customers' buying behaviour. You give a temporarily price reduction to get more customers.

Cash discount

You get a discount if you pay in a short time or pay it cash. In most cases you get 2% discount when you pay it in 7 days.

Default interest

If you don't pay in the required time frame you have to pay default interest.

Incoterms

Incoterms are a set of rules for the interpretation of commercial trade terms in international trade.

2.3. Distribution policy

The distribution policy contains the conditions for delivery from the company to the customer.

2.3.1. Direct sales

The product is sold directly from the business to the customer. This is possible with outlets, catalogs, webshops or with sales stalls on fairs.

Advantages:

- High quality advice
- Helpful when your product needs a explanation

Disadvantages:

- High personnel costs

2.3.2. Indirect sales

The product goes over a wholesale trader or over a retailer to the customers.

Franchising:

You use successful business concepts of an existing business. For the allowance you have to pay a fee. One example for this is McDonalds.

Advantages:

- Low marketing costs
- special know how of the business
- use the image of the business

Disadvantages:

- High fees
- bound by instructions

2.4. Communications policy

The aim of the communications policy is to show the positive sites of a business to the customer via advertisement or sales promotion.

2.4.1. Advertising

All measures which should raise the level of awareness of a product. The opinion of the customers should be influenced by specific communications.

Advertising media transports the message of advertisements

- Newspaper
- Brochures
- Radio spots
- Internet (Pop up)
- Sponsoring

Strategies for the design of advertising:

- Well known persons
- Advertisement gifts :
 - pens, notepads... for example during elections
- use of experts
 - for example: this product is confirmed by a doctor
- TÜV awards etc....
- fake shortages
 - “while stocks last”
- Association of beautiful impressions
 - Advertisement with pretty woman or mans
- memorable elements in advertisements
 - Coca Cola Santa Claus, Lutz Familie, Mr. Propper, Billa Hausverstand, Milkakuh

Aida formula:

- **Attention:** The attention of the customer should be caught(Headline)
- **Interest:** In one sentence the customer benefit should be shown.
- **Desire:** The need of the customer should be awakened.
- **Action:** The will to buy should be awakened. („Only today.....“)

2.4.2. Sales Promotion

Public relations (PR)

The company tries to improve the image without paid advertisements.
For eg. Newspaper articles, press conferences

Personal Selling

Communication between customers and companies. Necessary for items that require explanation. This should cause long-term relationships.

Mögliche Fragen:

What turns a potential need into a demand.

You have to convince the customer that he really needs the product and he has to have enough money to buy the customer.

What do you have to do before bringing a product onto the market?

Market researches

What is the difference between wide and narrow product mix.

Product mix policy

What is the product lifecycle?

See topic 14 analytical and planning instruments - ainetter

What is the optimal product mix?

You should have at least two products in the growth and one cash cow.