

UNIT 4: MARKETING PRINCIPLES

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WEEK TEN
LECTURER: N. QUARRIE

Learning Outcome Three (3)

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- LO3 Understand the individual elements of the extended marketing mix

Objectives

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- By the end of this lesson you should be able to:
- 3.3 explain how prices are set to reflect an organization's objectives and market conditions.
- 3.4 illustrate how promotional activity is integrated to achieve marketing objectives



Overview

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- Another very important aspect of marketing is pricing and promoting of the product or service.
- For the duration of this session I will be explaining-
- **Price:** perceived value; pricing context and process; pricing strategies; demand elasticity; competition; costs, psychological, discriminatory; ethical issues.
- **Promotion:** awareness and image; effective communication; integrated communication process (SOSTT + 4Ms); promotional mix elements; push and pull strategies; advertising above and below the line including packaging; public relations and sponsorship; sales promotion; direct marketing and personal selling; branding, internet and online marketing

Price: Perceived Value

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- “Perceived value is the worth that a product or service has in the mind of the consumer. (Investopedia, n.d.)”

Pricing strategies

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- **“Premium Pricing**-Premium pricing strategy establishes a price higher than the competitors (Smallbusiness.chron.com, 2016)”
- **“Penetration Pricing**-A penetration pricing strategy is designed to capture market share by entering the market with a low price relative to the competition to attract buyers. (Smallbusiness.chron.com, 2016)”
- **“Economy Pricing**-Economy pricing is a familiar pricing strategy for organizations that include Wal-Mart, whose brand is based on this strategy. Aldi, a food store, is another example of economy pricing strategy (Smallbusiness.chron.com, 2016)”
- **“Price Skimming**-Businesses that have a significant competitive advantage can enter the market with a price skimming strategy designed to gain maximum revenue advantage before other competitors begin offering similar products or product alternatives (Smallbusiness.chron.com, 2016)”
- **“Psychological Pricing**-Psychological pricing strategy is commonly used by marketers in the prices they establish for their products. For instance, \$99 is psychologically "less" in the minds of consumers than \$100. It's a minor distinction that can make a big difference (Smallbusiness.chron.com, 2016)”

Factors that influences pricing decisions: demand elasticity

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- Price Elasticity refers to the responsiveness of quantity demanded to changes in the price of the good or service.
- The price elasticity of a good or service can influence the pricing decision of a firm. If a company realizes that they have competitive advantage then they may be able to charge a high price or use price skimming.

Factors that influences pricing decisions: competition

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- The level of competition can also influence the price charged for a product.
- For example, if a company is trying to increase its market share and realizes that another company is charging a price of \$100 for its good then that company could start selling that good at a price of \$90 to undercut the price of the competitors

Factors that influences pricing decisions: Costs, psychological, discriminatory; ethical issues.

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- Costs, psychological, discriminatory; ethical issues.
- **Cost**-The cost of producing a product can influence the price that it is sold for.
- **Psychological**-The firm can also decide to influence what consumers think of a good using price. For example, if a company wants to give the impression that their good is of “bougy” status they may decide to charge a very high price and have high quality product.

Factors that influences pricing decisions: Discriminatory

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- **Price discrimination** is a situation wherein a good of the same quality etc is sold at different price to different consumers.
- Some firms may price their goods using discrimination. For example, a company may charge a price if the good is sold to consumers downtown and another price if the same good is sold uptown.

Factors that influences pricing decisions: Ethical issues

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- **Ethical issues**-While a firm may want to sell the good for an extremely high price knowing that there maybe many rich persons who are willing to buy the good at that price, they also have to try to be as ethical as possible.
- For example, a company's cost of production can be \$100 and to make a profit they could decide to sell that good for \$500 if they know that there are customers who are willing to buy the good at that price.

Promotion: Definition

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- “Promotions refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others (The Economic Times, n.d.)”

Promotion-awareness

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- **Awareness and image:**

“Some promotion activities aren’t intended to directly increase sales based on the promotion, but instead attempt to keep your business, product or service in front of your target customer. This ensures that when they’re ready to buy, they remember you. For example, sales and coupons are retail promotions intended to directly increase sales during a specific time period. Sponsoring a youth sports league is a promotion intended to increase brand awareness over a longer period of time (Ashe-Edmunds, n.d.)”

Promotion- Image

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- A company may decide to promote its product to create a particular image. If they want to create an image that their company is family orientated they will promote the company as such.

Effective communication; integrated communication process (SOSTT + 4Ms);

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- “Integrated marketing communications (IMC) is an approach used by organizations to brand and coordinate their communication efforts (Boundless, n.d.)”
- Discussion using information available via the following link:
- colbournecollege.com. (n.d.). *The Communications Mix...* [online] Available at: http://www.colbournecollege.com/files/Marketing_Advertising_communications_mix.pdf [Accessed 17 Nov. 2016].

Promotional Mix

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- “Advertising - Presentation and promotion of ideas, goods, or services by an identified sponsor (Boundless, n.d.)”
- “Personal selling - A process of helping and persuading one or more prospects to purchase a good or service or to act on any idea through the use of an oral presentation (Boundless, n.d.)”
- “Sales promotion - Media and non-media marketing communication are employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability (Boundless, n.d.)”
- “Public relations - Paid intimate stimulation of supply for a product, service, or business unit by planting significant news about it or a favorable presentation of it in the media (Boundless, n.d.)”
- “Direct Marketing is a channel-agnostic form of advertising that allows businesses and nonprofits to communicate straight to the customer (Boundless, n.d.)”
- push and pull strategies; advertising above and below the line including packaging; public relations and sponsorship; sales promotion; direct marketing and personal selling; branding, internet and online marketing

Promotional Mix

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- Packaging
- Branding
- Internet and online marketing

References/Additional Reading List

1. Ashe-Edmunds, S. (n.d.). *About Promotion & Brand Awareness*. [online] Smallbusiness.chron.com. Available at: <http://smallbusiness.chron.com/promotion-brand-awareness-70231.html> [Accessed 17 Nov. 2016].
2. The Economic Times. (n.d.). *Definition of 'Promotions' - The Economic Times*. [online] Available at: <http://economictimes.indiatimes.com/definition/promotions> [Accessed 17 Nov. 2016].
3. Smallbusiness.chron.com. (2016). *Different Types of Pricing Strategy*. [online] Available at: <http://smallbusiness.chron.com/different-types-pricing-strategy-4688.html> [Accessed 16 Nov. 2016].
4. Boundless. (n.d.). *Introduction to Integrated Marketing Communications*. [online] Available at: <https://www.boundless.com/marketing/textbooks/boundless-marketing-textbook/integrated-marketing-communications-12/introduction-to-integrated-marketing-communications-81/introduction-to-integrated-marketing-communications-403-4061/> [Accessed 17 Nov. 2016].
5. Investopedia. (n.d.). *Perceived Value*. [online] Available at: <http://www.investopedia.com/terms/p/perceived-value.asp> [Accessed 16 Nov. 2016].
6. colbournecollege.com. (n.d.). *The Communications Mix...* [online] Available at: http://www.colbournecollege.com/files/Marketing_Advertising_communications_mix.pdf [Accessed 17 Nov. 2016].
7. Boundless. (n.d.). *The Promotion Mix*. [online] Available at: <https://www.boundless.com/business/textbooks/boundless-business-textbook/marketing-communications-17/promotion-104/the-promotion-mix-492-5112/> [Accessed 17 Nov. 2016].