



UNIVERSITÀ DEGLI STUDI DI SALERNO



DIPARTIMENTO  
DI SCIENZE AZIENDALI  
MANAGEMENT  
& INNOVATION SYSTEMS



# Marketing Strategy in Service Business

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# Programme



- Marketing and Service Marketing: an overview
- Marketing plan
- Complexity management
- New approaches: Relationship Marketing and Many-to-Many network; Experiential marketing; Unconventional marketing
- Service Theories: from S-D logic & Service Science to service ecosystems & service systems
- Technologies as Decision Support Systems for marketing strategies

Case studies

Examples

Project work

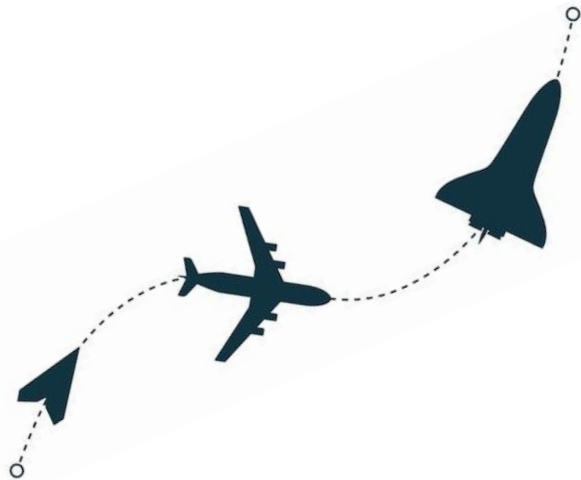


# Agenda: Lesson 2

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- Operational marketing



Examples



# 2.1

## Operational Marketing & The 4 Ps

### MARKETING MIX



PRODUCT



PRICE



PLACE



PROMOTION

# Marketing Mix

Marketing Mix is the set of decisions concerning the kind of product, the kind of packaging, the price, the place, the communication that are the marketing variables controllable by firms, the **4 Ps**.



N.B.= marketing mix decisions should comply with a «**dual coherence**» between:

- Internal (between the different single «Ps»);
  - External (coherent with positioning and corporate image).
-

# (1) Product

*A product is everything that can be offered to consumers to satisfy their needs. It can be a physical object and can involve people, places, institutions, ideas. Products should comply with firm's proposal to satisfy the need of buyers.*

## **Basic attributes**

Ingredients, components, raw materials, shape  
(service: equipment, structures for delivery)

## **Other attributes**

Packaging, visual identity, brand, accessories



It depends on market and product's vision and strategies



# Different targeting, different products

- *commodity or convenience goods*: mass consumers goods (water, pasta, bread and food sector in general) highly replaceable and low price



- *shopping goods*: products devoted to customers with medium *spending capacity* and that requires careful evaluation (professional services, travels, services *not easily replaceable*)



- *luxury goods* (exclusive cars, high quality fashion): targeted at market niches or at consumers with high spending capacity





# Example: Pasta Market



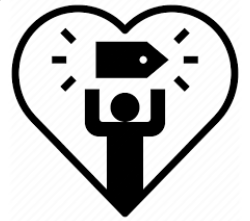


# The Brand

*It is a name, a symbol, a picture, a logo or a combination of these elements to identify products and services of one or more suppliers to distinguish them from competitors' products.*

To be **effective**, the brand should have the following features:

- Originality
- Ease of pronunciation
- Memorability
- To be translatable in other languages
- Coherence with the product



Manufacturer brand

Producers



Retail brand

Distributors

# The Brand

*“A brand is a **customer experience** represented by a set of images and ideas; it often refers to a symbol such as a name, logo, slogan, and design scheme. Brand recognition and other reactions are created by the accumulation of experiences with the specific product or service, both directly relating to its use and through the influence of advertising, design, and media commentary.”*

(American Marketing Association)

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# The main goals of branding

"A Brand is not a **product**  
or a **promise** or a *feeling*.  
It's *the sum* of all the experiences  
**you have** with a company."

– Amir Kassaei

# The main goals of branding

“**Brand** is the promise, the big idea, **the expectations** that reside in each **customer’s mind** about a product, service or company.

**Branding** is about making an **emotional connection**.”

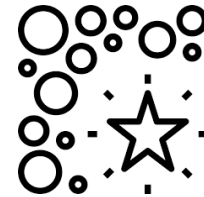
– Alina Wheeler

# The main goals of branding

- Identification of producers
- Awareness



- Association with the level of quality of the product
- Differentiation from other products (or from different products of the same company but characterized by a different marketing mix);



- Protection and rights;
  - Possibility for the customer to make comparisons with other products;
  - Impact on consumer's behaviors;
  - Opportunity to retain customers.



# The main goals of branding

The expressive capacity of the brand:

**Brand identity:** incorporates all the elements used by the company to convey the characteristics of the brand to the market, such as name, logo, mission, know-how, products, prices, advertising and relationship with stakeholders. It corresponds to the *desired image*.

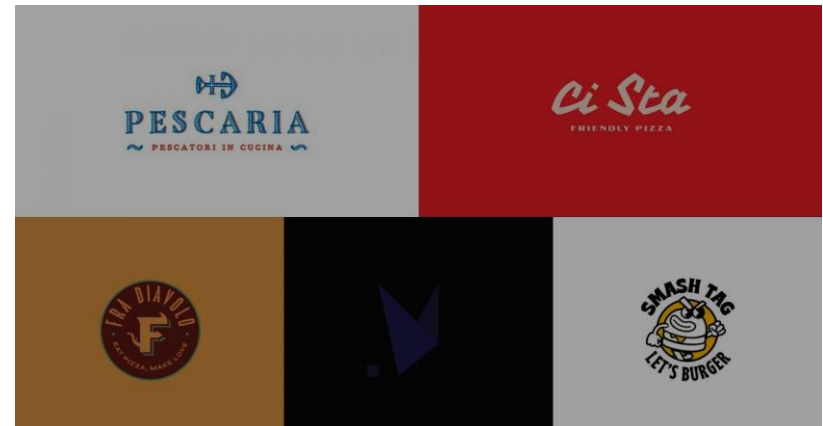
**Brand image:** refers to the perception that consumers have of the brand, regardless of the company's will. It corresponds to the *perceived image*.

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# The main goals of branding

The **Brand identity** is the set of expressive elements used by the company to communicate with consumers, a set of unique associations that the company aspires to create and maintain.

It expresses the way in which the company presents itself to consumers and represents the way in which it intends to be perceived by the market.



# The main goals of branding

The **payoff** (also tagline) is a short phrase associated with a company logo. It completes its identity, defines the brand and makes it recognizable and consistent. The payoff is an expression that reflects the identity of the brand; it tends to be catchy and easily memorable.

**NOKIA**  
CONNECTING PEOPLE

  
**JUST DO IT.**



Think **Different.**

  
**i'm lovin' it**



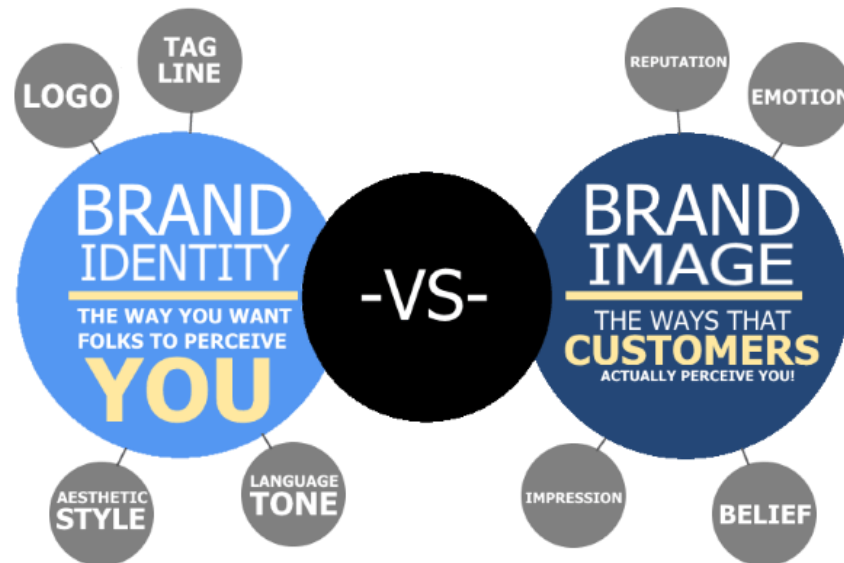
# The main goals of branding

The **claim**, or **slogan** (also headline) is an expression linked to a single advertising campaign and can serve to express certain qualities of a product, the values of a company or to distinguish the brand from its competitors, but is then abandoned/neglected at the end of the campaign in favor of a new claim, which will accompany the next one.



# The main goals of branding

The **brand image** summarizes the brand positioning, personality and reputation and affects the purchasing behavior of consumers. For companies, it is necessary to consider to analyze and enhance it, to allow a positive attitude towards the brand and brand loyalty.



# Two main tools



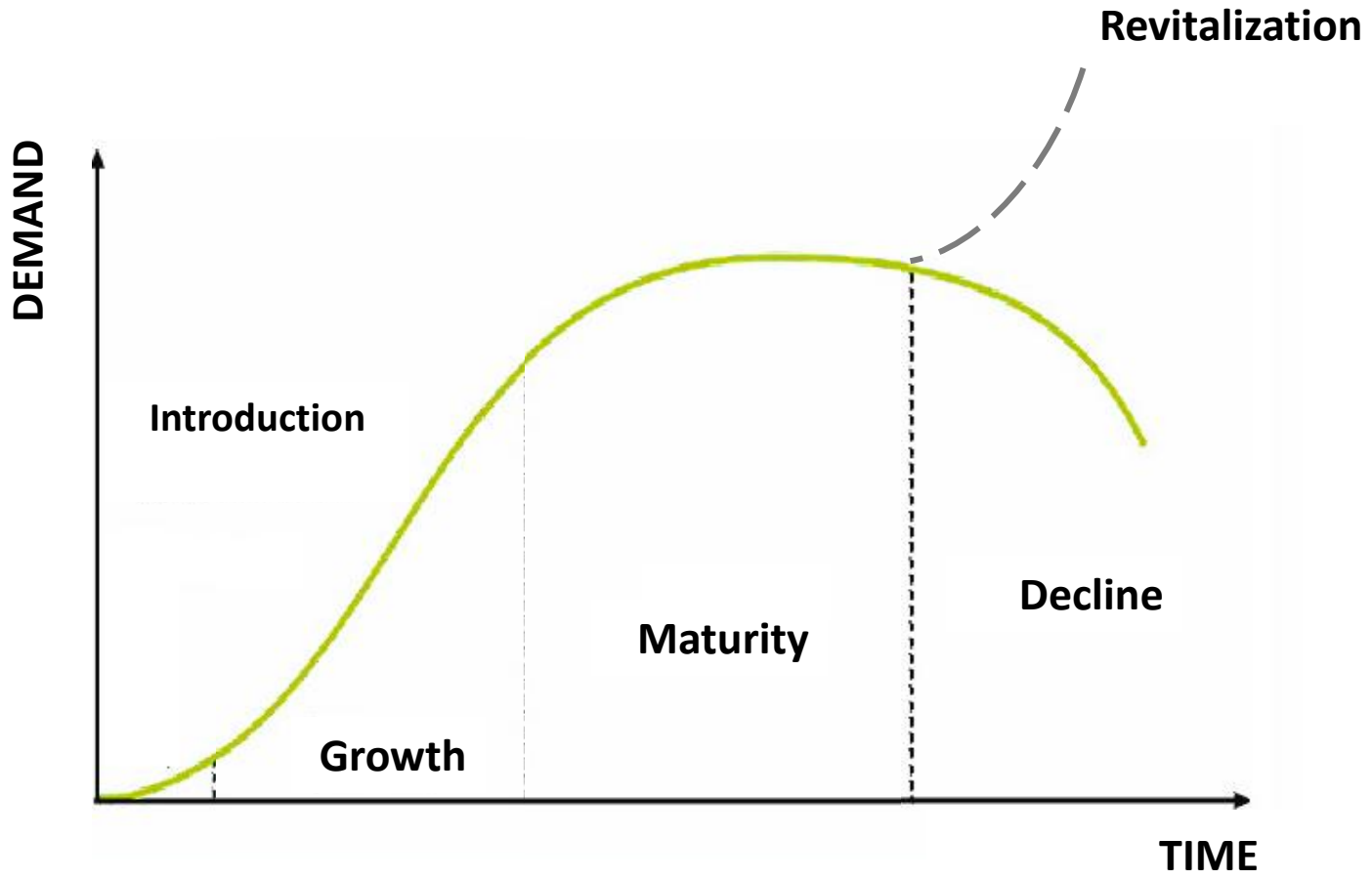
Product Lifecycle



BCG Matrix

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# (1) Product Lifecycle



# Product Lifecycle



## Introduction

Slow sales growth and negative economic results due to the huge expenses.

## Development

Rapid market acceptance, with improved profits

## Maturity

Product acceptance by potential buyers which leads to stabilization of sales and profits.

## Decline

High decrease in sales and profits.

## Revitalization

Sales development deriving from changes:

- in the **offer** (new uses of product, quality improvements, expansion of the range, introduction of accessories, etc.;
- In the **demand** (new needs satisfied with the product, new market segments, new channels, new consumer habits, new trends in users' needs).



# Product Lifecycle: Implications

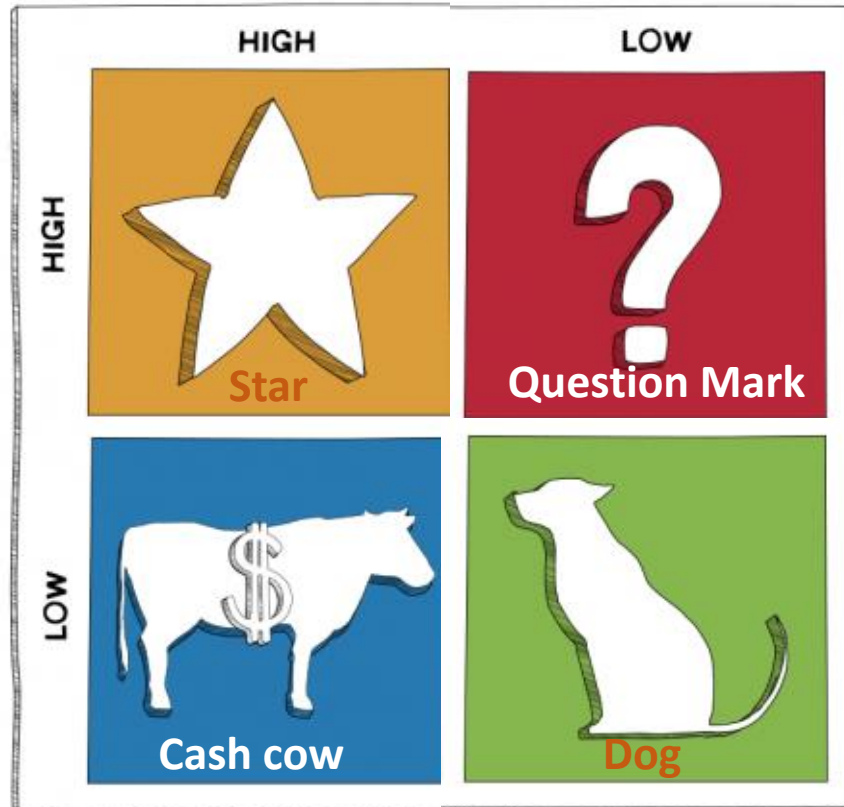


	Introduction	Growth	Maturity	Decline
<b>SALES</b>	Low	Rising	Stable	Descending
<b>COSTS</b>	High	Medium	Low	Low
<b>PROFIT</b>	Negative	Rising	High	Decreasing
<b>CUSTOMERS</b>	Innovators	Early Adopters	Majority	Laggers
<b>COMPETITORS</b>	Few	Increasing	Stable	Reduction

# (2) BCG Matrix

RELATIVE MARKET SHARE  
CASH GENERATION

MARKET GROWTH RATE  
CASH USAGE



## (2) BCG Matrix

### History Lessssson Presented by Sheep

- Created by Bruce D. Henderson in 1970 for the Boston Consulting Group (which he founded in 1963).
- Is also known as the product portfolio, BCG-Matrix, Boston Consulting Group analysis, or the portfolio diagram.
- It's purpose was to help the company allocate resources and is used as an analytical tool in:
  - brand marketing
  - product management
  - strategic management
  - portfolio analysis

J. Scott Armstrong, 'BCG History: 1968,' BCG. N.p., 1 Feb. 2006. Web. 29 Jan. 2014.



## (2) BCG Matrix

### Relative market share



Market share is the percentage of the total market that is being serviced by your company measured either in the revenue terms or unit volume terms.

$$\text{RMS} :- \frac{\text{Business Unit Sales this year}}{\text{Leading rival sales this year}}$$

## (2) BCG Matrix

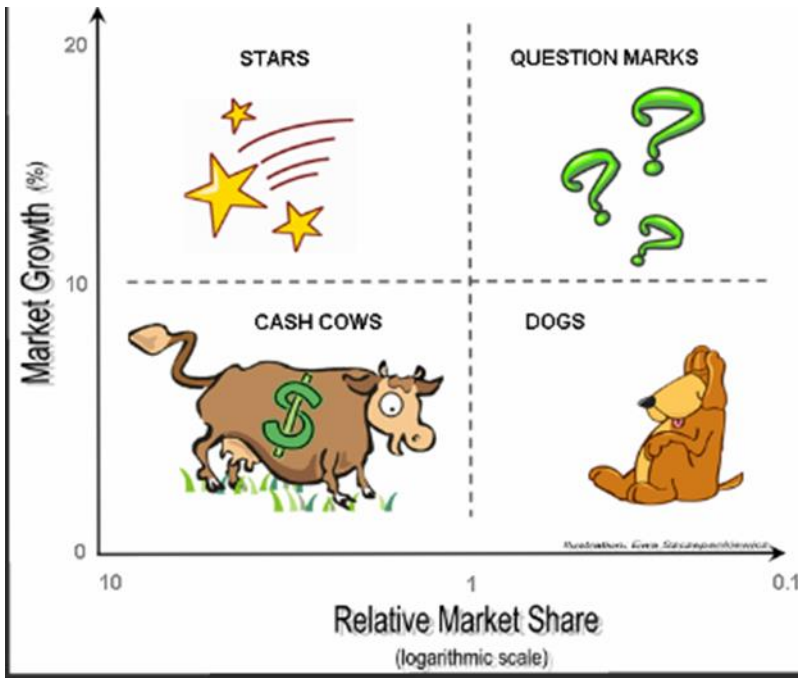
### Market growth rate

- Market Growth is used as a measure of a market's attractiveness.

$$\text{MGR} = \frac{\text{Individual Sales this year} - \text{Individual sales last year}}{\text{Individual Sales last year}}$$



## (2) BCG Matrix



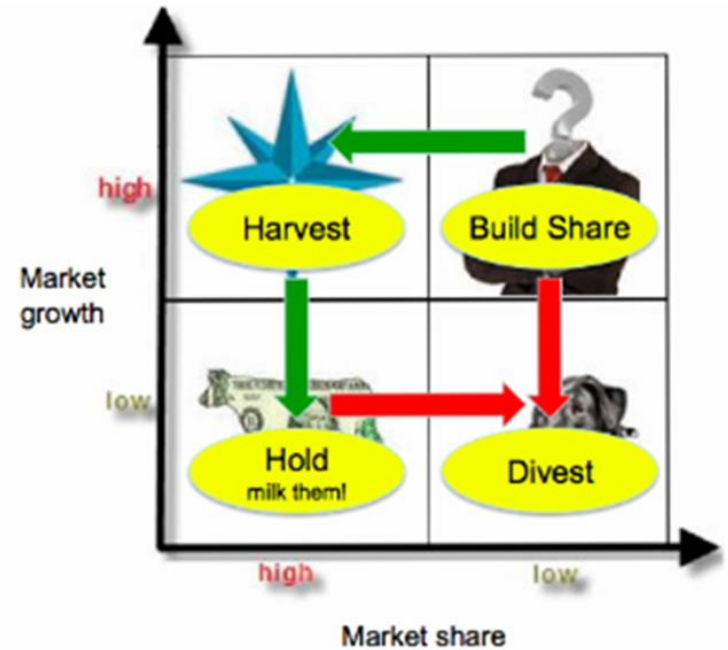
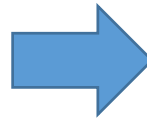
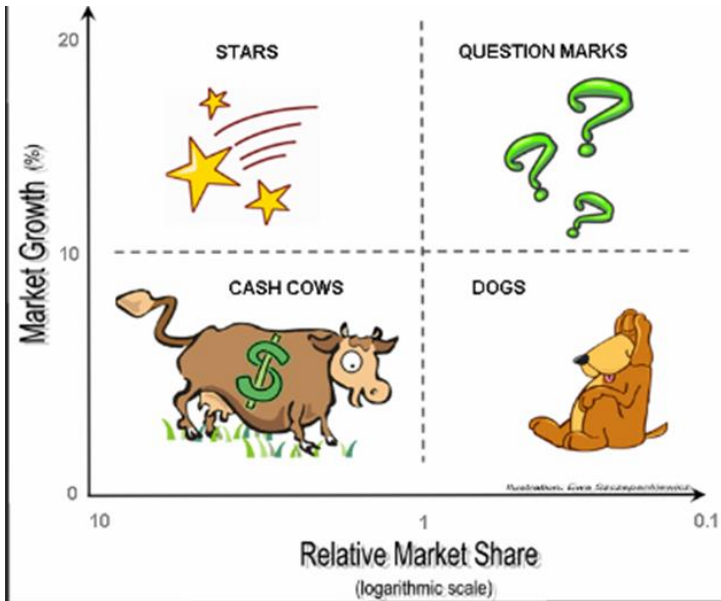
High growth products require cash inputs to grow



Balance between cash flows

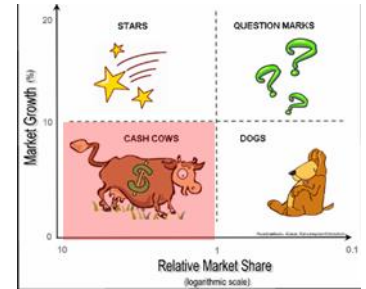
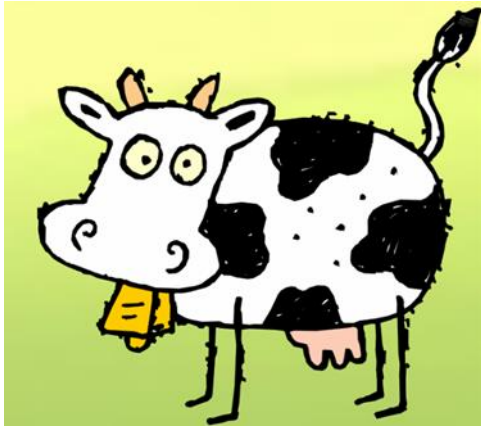
Low growth products should generate excess cash

# (2) BCG Matrix



## (2) BCG Matrix

### Cash cow

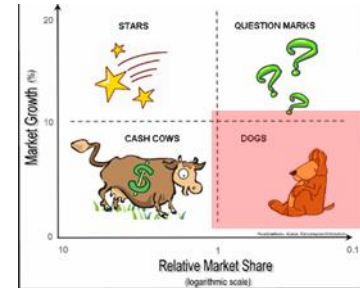


- Cash cows are the most profitable brands and should be “milked” to provide as much cash as possible.
- Corporates should not invest into cash cows to induce growth but only to support them so they can maintain their current market share.
- They are regarded as staid and boring, in a "mature" market, and every corporation would be thrilled to own as many as possible.
- In simple terms, cost effective to produce, but generate extreme profits.

## (2) BCG Matrix

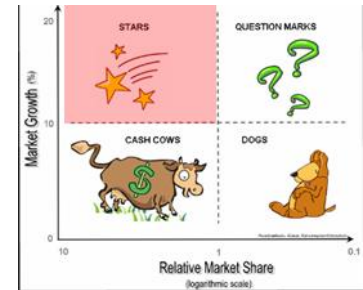
### Dog

- Dogs hold low market share compared to competitors and operate in a slowly growing market.
- They're not worth investing in because they generate low or negative cash returns.
- Typically known as "break even" units.
- Dogs usually depress a profitable company's return on assets ratio, used by many investors to judge how well a company is being managed. Dogs, should be sold off.



## (2) BCG Matrix

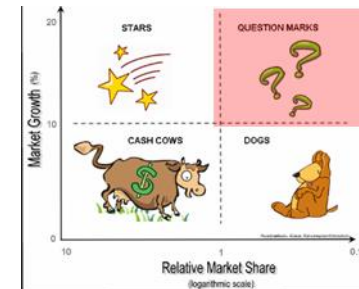
### Star



- Stars are High Market Share in a fast growing industry.
- They are graduated question marks with a market or niche leading trajectory.
- They both cash generators and cash users.
- Overtime, the company should invest in stars so they can become cash cows. Do this by: Vertical integration, horizontal integration, market penetration, market development, product development.
- In rapid changing industries such as technology, the star may become a dog because of innovations.

## (2) BCG Matrix

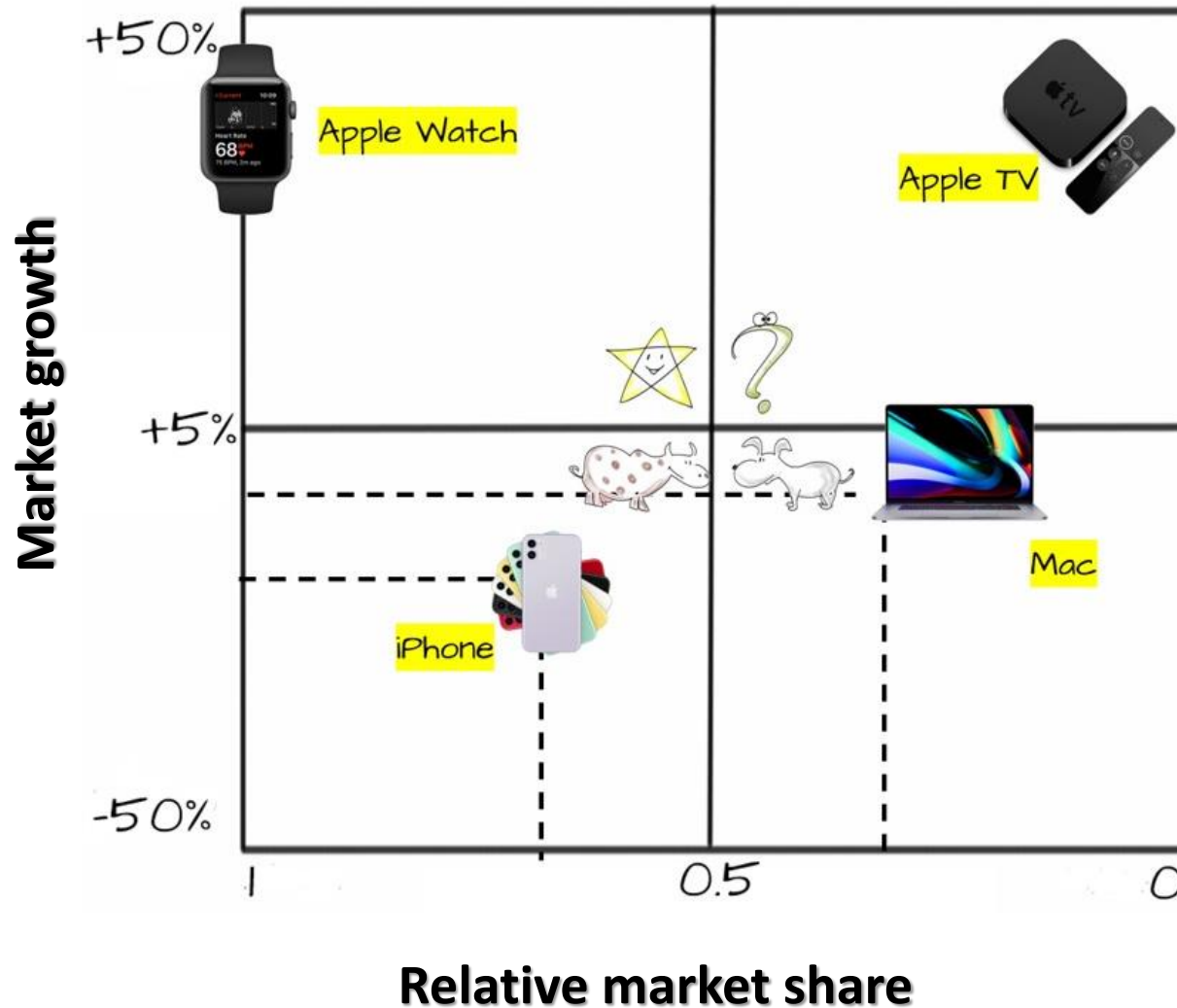
### Question mark



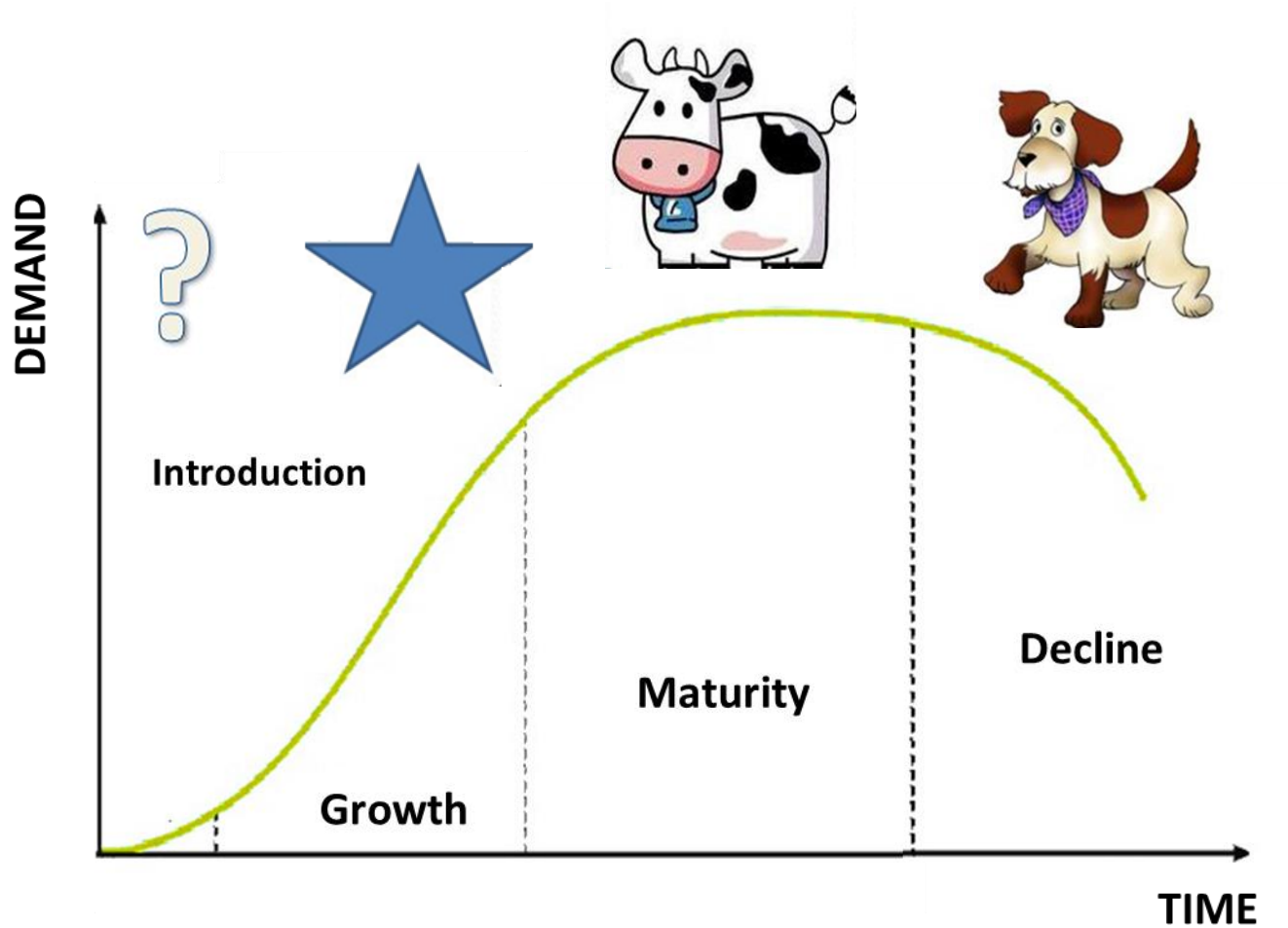
- They represent business operating in a high market growth, but having a low market share (starting point for new businesses).
- Question marks have a potential to gain market share and become stars, and eventually cash cows when market growth slows.
- They require very close consideration to decide if they are worth investing in or not.



# (2) BCG Matrix: an application



# (1+2) BCG Matrix & Product Lifecycle



## (2) Price

It is the “measure” of the main effort sustained by consumers to satisfy their needs.

N. B. It is the “P” more influenced by external factors (competition in the sector) and that depends on the company's ability to manage the other three variables.



There are no standard procedures to settle prices, but there are three different **orientations** that price policies:

- **Profit**-oriented goals;
- **Sales**-oriented goals.



# New product's Price

Price decisions are based on the long-term, since they refer to the phase of **introduction** and can influence the price throughout the entire **lifecycle**. There are two main strategies:



## PENETRATION PRICING

Proposal of a price lower than competitor's products



## SKIMMING PRICING

Proposal of a price higher than competitors' products



# New product's Price

## SKIMMING POLICY

Price *higher* than market's expectations

- High unit contribution margin;
- Low number of early consumers.

Suitable products: **innovative**



The firm can keep on establishing high prices

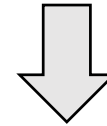
The firm can choose to reduce prices when attractive segments lose their potential and can be re-targeted at broader segment

## PENETRATION POLICY

Price *lower* than market's expectations

- High volumes of sales;
- Reduced contribution margin;
- High number of early consumers.

Suitable product: goods **not differentiated** from technical viewpoint, with higher competition and consumers with high price sensitivity.



Over time, price is stable but contribution margin increases.

# Example:

## Pasta Market



0,67 €



0,95 €



1,19 €



1,80 €

# (3) Place: Distribution

Distribution channels are a «set of *institutions* that perform the complex activities needed to deliver and *transfer* the product, with the related property right, from producers to consumers»

The main activities of distribution are:

- Deposit at the end of the production process;
- Transport;
- Support transactions with customers;
- Promotion and information communication with the customer;
- Selection, assembly, packaging and adaptation of the product in the final phase of delivery to the customer;
- Negotiation of the conditions of sale;
- Execution of after-sales services (assistance, guarantee, maintenance);
- Acquisition and management of the financial resources necessary to carry out the activities.



# The composition of Channels

**Distribution channels** permit firms to reach their market.

The decisions related to distribution concern the definition of the activities that organizations carry out directly and indirectly.



## Direct channel

Activities are managed without engaging external actors

Producers reach consumers directly.

(e.g. selling on catalogue, by phone, through email)



## Indirect channel

Some activities are entrusted to third parties.

Every stakeholder engaged in one of the activities performs a different step of distribution channel. The more individuals are engaged, the more the number of intermediate phases in the channel increases.



# Distribution Channels



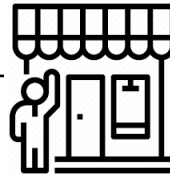
DIRECT CHANNEL

Producer

Consumer

SHORT INDIRECT CHANNEL

Producer



Retailer

Consumer

LONG INDIRECT CHANNEL

Producer

Stockist



Retailer

Consumer

Producer

Stockist

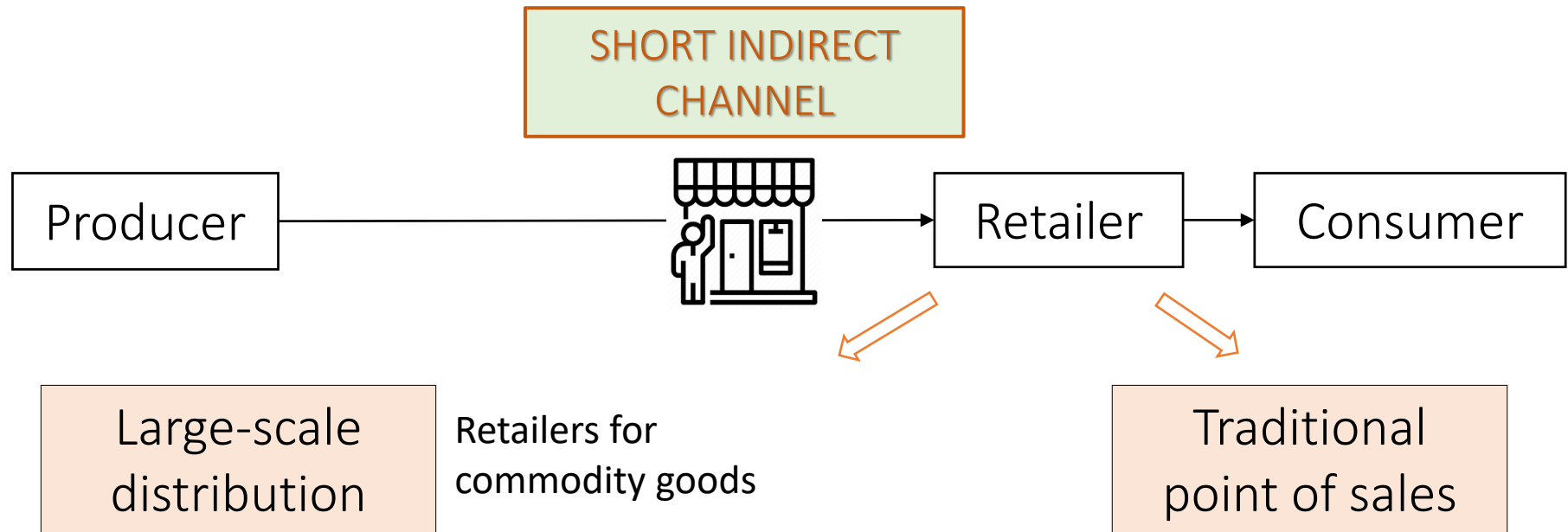
Agent

Retailer

Consumer

# Example:

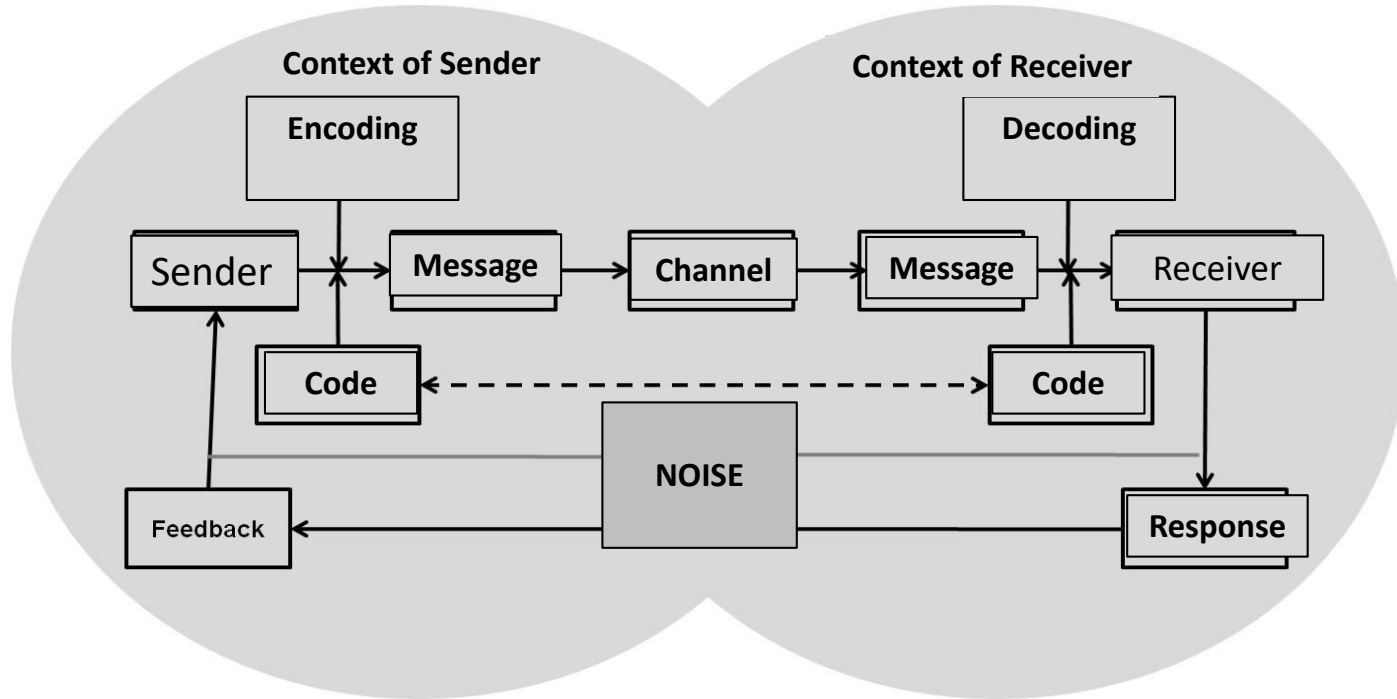
## Pasta Market



- Hypermarket: more than 2,5 m<sup>2</sup>
- Supermarket: from 400 m<sup>2</sup> too 2.500 m<sup>2</sup>

less than 100 m<sup>2</sup>

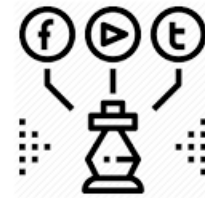
# (4) Promotion: Communication



The source/ sender (*a firm or an organization*) develops a message (*e.g. an advertising campaign*) and send it through given means of communication (*television, press, front-office employees, sales staff etc.*) to the recipients (*target-market*).

# Communication Strategy

1. Selection of Receiver
2. Selection of communication goals
3. Development of strategic planning
4. Budgeting
5. Development of the message
6. Selection of media
7. Programming times and modalities of action
8. Definition of the standards for performance monitoring
9. Evaluation of effectiveness



# Communication Strategy

## 1. Selection of Receivers

### In the target market

- existing consumers
- potential consumers
- acquired consumers
- competitor's consumers



### Other receivers-stakeholders

(with different roles in the buying process)

- suppliers
- shareholders
- employees
- Salespersons
- intermediaries
- public institutions
- public opinion

# Communication Strategy

## 2. Selection of Communication Goals

Depending on **TARGET**:

- Encourage the demand
- To inform the market
- Persuade consumers to buy (to guide users' actions by indicating addresses, phone number, etc.)
- To create or to strengthen the image of a brand/ product
- To boost the institutional image of a brand

To enhance the effectiveness of strategies, goals should be:

- measurable
- based on market research
- addressed to a defined **target**
- realistic
- coherent with **marketing plan**
- supervised periodically



# Communication Strategy

## 3. Development of Communication Plan (Strategy)

- Main goals related to the total strategy
- **Integrated** set of communication forms for each stakeholders
- Selection of the **concept** (**creative idea**) that should lead the content of the message
- Selection of communication means and vehicles for **each target**



# Communication Strategy

## 4. Budgeting

## 5. Development of Communication Mix Strategy

- Advertising
- Sales Promotion
- Public Relations
- Sales persons (front-office employees)

## 6. Development of the Message

Content based on:

- target and marketing goals (tone of voice)
  - brand strategies (reputation, image, identity...repositioning)
  - stage of product's lifecycle
-



# Communication Strategy

## 7. Selection of Media

Based on:

- The kind of product
- The features of market
- The characteristics of communication

**Forms** (advertising, sales promotion, P.R., salesperson)

General **means** (*television or press*)

Specific *measurable* **vehicles**  
(newspaper, radio channel, television channel, websites)

- 8. Programming of times and modalities
  - 9. Definition of standards for performance monitoring
  - 10. Evaluation of effectiveness
-

# Communication Mix

*The set of forms (means, instruments) through which businesses can realize communication*



ADVERTISING

SALES  
PROMOTION

PUBLIC  
RELATIONS

SALES  
PERSON

# Communication Mix: **main criteria**

- *The nature of product*
- *The analysis of target market (size of market and geographical location)*
- *Phase of the product's lifecycle*



- *Channel strategies:*

*pull* (targeted at *final consumers*)



*push* (targeted at *retailers, and/or at sales personnel*)



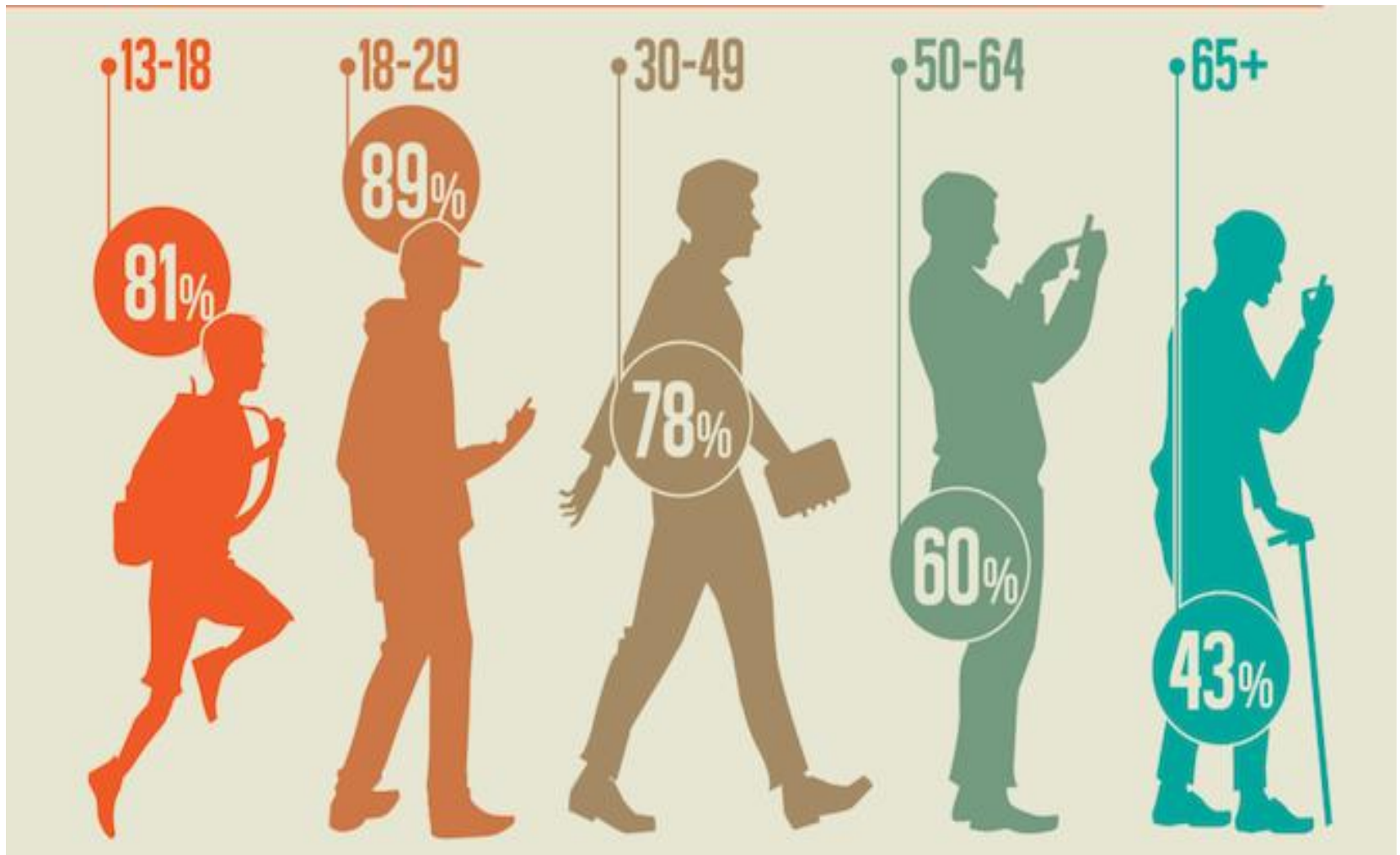
# Communication Mix Levers

Communication Mix Lever	Main features of communication	Pros	Cons
<b>ADVERTISING</b> 	<ul style="list-style-type: none"> <li>• <b>Mass</b> communication (high size market).</li> <li>• Impersonal</li> <li>• For commodity goods in the phase of introduction</li> <li>• Targeted at consumers.</li> </ul>	<ul style="list-style-type: none"> <li>• Standard and measurable message</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of direct feedback</li> <li>• High general costs</li> </ul>
<b>SALES PROMOTION</b> 	<ul style="list-style-type: none"> <li>• <b>Mass</b> communication</li> <li>• Impersonal</li> <li>• Targeted at consumers and retailers</li> <li>• For product revitalization in the phase of maturity or decline or to enhance users' loyalty</li> </ul>	<ul style="list-style-type: none"> <li>• Standard message</li> <li>• Rapid effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Nonconstant message</li> <li>• Absence of direct feedback</li> </ul>

# Communication Mix **Levers**

Communication Mix Lever	Main features of communication	Pros	Cons
<b>Public relations</b> 	<ul style="list-style-type: none"> <li>• Mass communication.</li> <li>• Impersonal.</li> <li>• Strengthen <b>brand image</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• No direct costs</li> <li>• <b>Reliability</b> of message</li> </ul>	<ul style="list-style-type: none"> <li>• No direct feedback</li> <li>• Not controllable/measurable message</li> </ul>
<b>Salespersons</b> 	<ul style="list-style-type: none"> <li>• Focused one-to-one communication</li> <li>• Personal</li> <li>• Usually for manufacturing goods</li> <li>• Targeted mainly at consumers (retailers, too)</li> </ul>	<ul style="list-style-type: none"> <li>• Direct <b>feedback</b></li> </ul>	<ul style="list-style-type: none"> <li>• High costs per contact.</li> </ul>

# Age Breakdown (Social media users)



# Media Planning



FIT

Brand strategic objectives **Brand personality**

Real communication and visual signals: **Brand Identity**

Off-line ↔ On-line



- To enhance the exposure to brand's messages;
- To raise traffic on official «traditional» media (*website, online and offline stores, blogs, social networks, applications, magazines, brochures, etc..*);
- To encourage and monitor (?) Word-of-mouth.

# Media Planning



- Goals: DESIRED EFFECTS
- Content: ***Tone of voice***
- Receivers/Stakeholders: TARGET

WHY?

WHAT?

TO WHOM?

- Communication mix: FORMS- MEANS- VEHICLES

HOW?

- Geographic context

WHERE?

- Timing

WHEN?






- To check performances: measurement

WHICH RESULTS?





# Social Media Plan

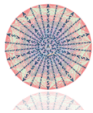
	 FACEBOOK	 LINKEDIN	 TWITTER	 PINTEREST	 GOOGLE PLUS
Minimum Publication	3 times a week	2 times a week	5 times a week	30 times a week	3 times a week
Maximum publication	10 times a week	5 times a week	No limitations	70 times a week	10 times a week
Notes	Pictures are shared more than texts		To publish again the same tweet after few hours		

The intensity and the extensiveness can vary based on the kind of platform selected and on the target

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UNIVERSITÀ DEGLI STUDI DI SALERNO



ASVSA

Associazione per la ricerca sui Sistemi Vitali

**THANK YOU.**

Questions? Comments?

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