

3. LITERATURE REVIEW

3.1. MARKETING IN THE HOSPITALITY INDUSTRY

Marketing is very familiar for each business. Today, the customer is the king. Satisfying the customer is a priority in most business. Manager must realize that they cannot satisfy all customers, but have to choose the customer carefully. To compete effectively for their chosen customers, companies must create a marketing mix that gives their target markets more values than their competitor's marketing mix

Marketing, more than any other business function, deals with customers. Creating customer values and satisfactions are the heart for hospitality marketing. *Marketing is so basic that it cannot be considered a separate function. It is the whole business seen from the point of view of its final results, that is, from customer's point of view.. Business success is not determined by the producer but by the customers (Peter Drucker, page 158.)*

The Role of Information in Marketing Management

One inherent characteristics of marketing management is uncertainty. Marketing managers face uncertainty about trends in the environment and in the market place. They are uncertain about the ultimate results of marketing decisions. Virtually all aspects of marketing management requires an ability to cope with uncertainty.

A manager's ability to cope with uncertainty is most evident when steps are taken to reduce it, when a manager improves his or her knowledge of the environment, the market place, the effects of marketing decision variables, or the performance of the marketing program as a whole or some part of it. This knowledge is increased through their acquisition of accurate information. Thus, the essential role of information is the reduction of uncertainty that surrounds all aspects of marketing management.

Several specific roles of information within the framework of marketing management can be delineated :

1. *Monitoring the environment.* The dynamic nature of the marketing environment and each of its sector requires the manager's continuous monitor the environment and be aware of events that represents potential threats or opportunities. This requires the establishment of a channel of information between the firm and the environment.
2. *Implementation of the marketing concept.* Information is crucial to effectivity implement the marketing concept. If companies are to base their marketing offers on the needs and desires of buyers, information about those needs and desires must guide product development, modification, and deletion decisions.
3. *Segmentation.* The formation and analysis of market segments requires information on variables used to form the segments and to develop profiles.
4. *Demand assessment.* Estimates of current and future levels of demand are based on trends and on factors that influence demand. To make these estimation, information on these trends or factors must be obtained.
5. *Evaluation of marketing decision variables.* The company seeks the optimum level of each marketing decision variables. In setting the levels of variables such as price and promotional efforts, information about the anticipated effects of these variables can be very useful.
6. *Control.* Performance evaluation is a critical stage in strategic planning and control. Information that provides an assessment of performance levels is important to control. And when performance falls below objectives, information about the nature of the problem and likely effects of alternative solutions contributes to the control process

3.2. DEFINITION OF MARKETING

The definition of marketing is based on the **American Marketing Association** : “ *Marketing is an organizational function and a set of processes for creating, communicating and delivering values to customers and for managing customer relationships in ways that benefit the organization and its stakeholders*”

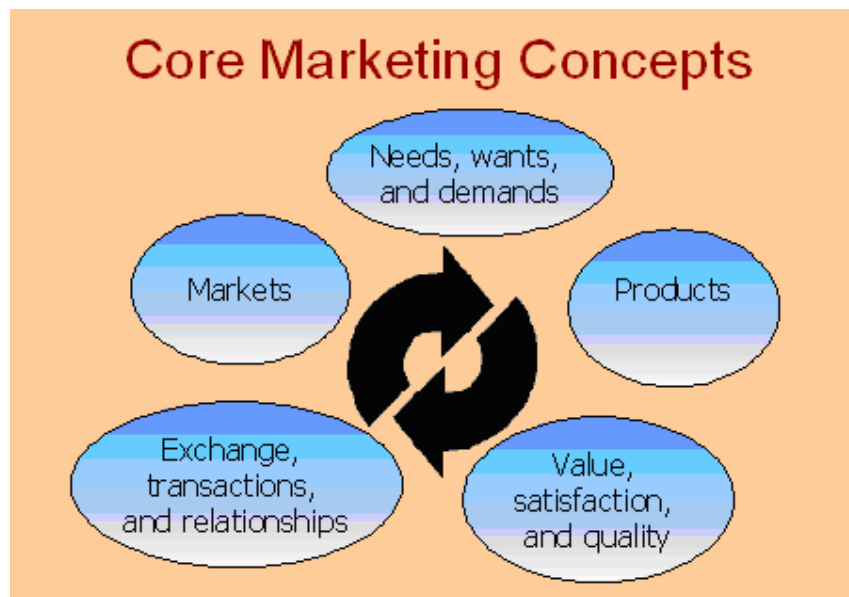
Philips Kotler, John Bowen and James Makens mention that *“Marketing is a societal process by which individual and groups obtain what they need and wants through creating, offering and exchanging products and value each others”* (Kotler; Bowen; Makens, Marketing For Hospitality and Tourism Third edition, Prentice Hall)

According to **Carter McNamara, MBA, Phd** , *“Marketing is the wide range of activities involved in making sure that you're continuing to meet the needs of your customers and getting value in return. These activities include market research to find out, for example, what groups of potential customers exist, what their needs are, which of those needs you can meet, how you should meet them, etc. Marketing also includes analyzing the competition, positioning your new product or service (finding your market niche), pricing your products and services, and promoting them through continued advertising, promotions, public relations and sales”*

Based on **Monash University Business and Economics**, *“Marketing is the systematic planning, implementation and control of a mix of business activities intended to bring together buyers and sellers for the mutually advantageous exchange or transfer of products”*

3.3. MARKETING CONCEPT

The marketing concept can be thought of in two ways - as the theoretical framework that underpins the study of marketing and as a 'common objective' that a company should strive to achieve. Consumer Orientation is the greatest market success which will be realized if the entire firm focuses its attention to the consumer's needs. Sustainable competitive advantage - a company does not do business in isolation, competitors must be considered and strategies developed to counter them. One of the key importance is the needs to 'differentiate' oneself from the competition .Long term profit - a consumer oriented company must be committed to planning ahead. Marketing planning will enable the company to balance its efforts to satisfy consumers with the needs to generate profit over the long term.



Source: Business and Economy, Monash University, Know This : For Marketing, Market Research, Internet Marketing, KnowThis.com

Needs, Wants, and Demands

a. Needs

A human need is a state of deprivation, which includes the need of food, clothing, warmth and safety

b. Wants

Wants is how people communicate their needs

c. Demand

When wants are combined with buying power, these become demands

Products

Product is anything that can be offered to satisfy a need or want

Market

All buyers or potential buyers of a product who possess some levels of interest in it and who can afford it

Value, satisfaction, and quality

Customer value is the difference between the benefits that customer gains from owning and/or using a product and the cost of obtaining the product

Customer satisfaction depends on a product performance perceived in delivering values relative to a buyer's expectation

Quality begins with customer's needs and ends with customer's satisfactions

Exchange, Transactions and Relationship

Exchange is the act of obtaining a desired object from someone by offering something in return.

A transaction is marketing's unit of measurement and consists of a trade of values between two parties.

Relationship marketing builds relationships with valued customers, distributors, dealers, and suppliers by promising and consistently delivering high quality product, good service and fairly prices.

3.4. MARKETING BASED ON THE TARGET MARKET

Based on the target market, marketing is divided into:

1. **Domestic marketing**, It is aimed at a single market, the firm's domestic market. The firm faces only one set of competition, economics and market issues, and essential. The firm must deal with only one set of customers, although the company or firm may serve several segments in this market

2. **Export marketing** is a marketing that all those marketing activities are involved when a firm market its products outside its main (domestic) base of operation and when products are physically shipped from one market or country to another
3. **International marketing** can be practiced when a company goes beyond exporting and becomes much more directly involved in the local marketing environment within a given country or market.
4. **Multinational marketing** is a result of the development of multinational corporation. The major challenge of this marketing is to find the best possible adaptation of a complete marketing strategy to an individual country.
5. **Multiregional marketing** has given the diseconomies of scale of individualized marketing strategies, each tailored to a specific local environment, and companies have begun to emphasize strategies for larger regions. These regional strategies encompass a number of markets.
6. **Global marketing** involves the creation of single strategy for a product, service, or company, for the entire global market that encompass many markets or countries simultaneously and is aimed at leveraging the commonalities across many markets. The management challenge of this marketing is to design marketing strategies that work well across many markets.

Types of marketing that refer to River Side restaurant is Domestic marketing. This restaurant refers to only one competitor, the Japanese Restaurant in Laren and one target market, the top level market although it still serve another level market.

3.5. MARKETING ENVIRONMENT

A company's marketing environment consists of the outside actors and forces that affect a company's ability to develop and maintain successful transactions with its target customers. The marketing environment is made up of a

micro environment and a macro environment. The microenvironment consists of actors and forces close to the company that can affect its ability to serve its customers, the company itself, marketing channel firms, customer markets and a broad range of publics. The macro environment consists of the larger societal forces that affect the entire microenvironment, demographic, economics, nature, technology, political, competitor, and cultural forces.

Micro Environment (*Monash University Business and Economics*)

The micro environment includes those forces that give impacts on the company's ability to serve its customers. These are often referred to as internal forces as the company has direct contact with them. The company has the potential for level of control over these forces and may be able to reverse or lessen the impact of a negative trend or encourage a marketing opportunity. The following factors are included in micro environment :

a. The company's own internal environment

In developing [marketing plans](#), marketers must consider the other departments within their organizations, such as top management, finance, research and development, purchasing, manufacturing and accounting. All of these departments have their own [objectives](#) that must be considered and many of them will provide information which is relevant for the marketing plan.

b. The marketing channel firms

[Suppliers](#) and [intermediaries](#) need to be examined before a marketing strategy is developed as their activities can significantly affect the organization. Suppliers product availability needs to be monitored as do their price and overall performance. Suppliers and intermediaries that appear to be becoming less 'amicable' over time may need to be reviewed. Intermediaries are firms that assist in the distribution process and their performance and attitude towards the product need to be monitored closely as they often have direct contact with the end customers.

c. The relevant customer markets

A company must examine all five of its customer markets closely and look for changes in their particular needs and wants. These markets include:

Consumer markets - individuals and households that purchase goods for their own consumption

Industrial markets - organizations that purchase for usage in their production process

Reseller markets - organizations that buy goods and services to resell them to the end consumer

Government markets - government agencies that purchase goods to transfer them to their customers who need them.

International markets - overseas buyers including any of the above categories.

Macro Environment (*Monash University Business and Economics*)

The macro environment relates to the larger forces that have an impact on society as a whole and not just on one or a few organizations. A single organization cannot usually have a significant impact on these forces and therefore can only adapt its marketing mix to account for the opportunities and threats that arise

Macro-environment trends include:

a. Competitors

Every company faces a broad of competitors. The marketing concept states that to be successful a company must satisfy the needs and wants of consumers better than its competitors do. Marketers must do more than adapt to the needs of target customers. They must also adapt to the strategies of other companies serving the same target markets. Companies must gain

strategic advantage by strongly positioning their product in the minds of consumers.. Therefore it is important to monitor the trends and behavior of your competitors. Identifying customers' perceptions of your competitors and their strengths and weaknesses is important.

b. The organization's publics

A public is any group that has an actual or potential interest in, or impact on, an organization's ability to achieve its objectives. These could be financial, media, government, citizen -action, local, general or internal publics. Increased attention from these groups may require you to make changes in your marketing strategy.

c. Demographic trends

Demographic trends are those concerning the human population in terms of size, density, location, age, sex, race, occupation and many other statistics which are often provided by the Australian Bureau of Statistics through Census information. Examples of these include the changing age structure of the Australian population, the changing Australian family, geographical shifts in population, a better educated and more white-collar population and increasing ethnic diversity.

d. Economic trends

Economic trends are those factors that affect consumers buying power and spending pattern. These figures are often published by government departments and include such trends as changes in real income per capita, the changing income distribution between the upper, middle and lower classes and changes in other economic figures such as interest rates and cost of living.

e. Natural trends

The natural environment includes those natural resources that are included in production or that are affected by marketing activities. Trends in this

environment include shortages of raw materials, increased cost of energy, increased levels of pollution and government intervention in natural resource management. As consumers are becoming more environmentally aware, these trends are having a more significant impact on organization's marketing strategies.

f. Technological trends

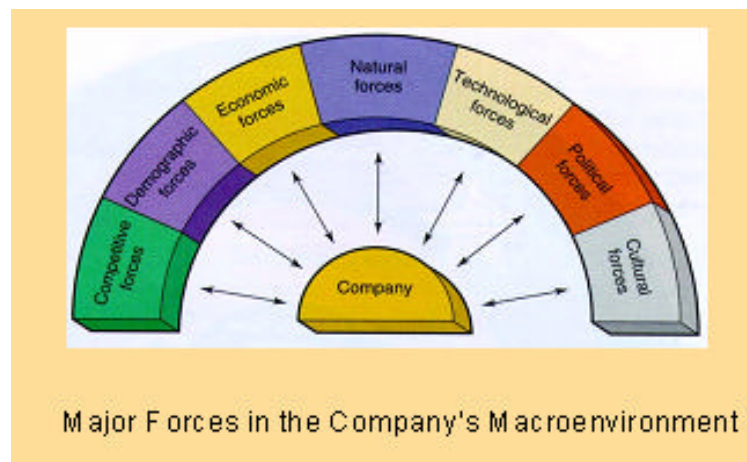
The technological environment consists of forces that affect new technology, hence creating new product opportunities and market opportunities. This faster pace of technological change is also causing shorter product life cycles, higher research and development budgets, concentration on minor improvements, and increased regulation.

g. Political and legal trends

Marketing decisions are strongly affected by laws, government agencies and pressure groups in society. Trends in the legal and political environment include, increased legislation regulating business, changing government agency enforcement, and the growth of public interest groups.

h. Cultural trends

The cultural environment consists of forces that affect society's basic values, perceptions, preferences and behaviours. Some cultural values, such as the idea that people should have a job, persist over time. However, some trends in cultural values can be seen. For example, the number of people believe in physical fitness and a healthy diet has been increasing in recent years, whereas, the number of people attending church regularly has been declining



Source: Business and Economy, Monash University, Know This : For Marketing, Market Research, Internet Marketing, KnowThis.com

3.6. CONSUMER BUYING BEHAVIOR

A consumers buyer behavior is influenced by four major factors; cultural, social, personal, and psychological factors. These factors cause consumers to develop product and brand preferences. Although many of these factors cannot be directly controlled by marketers, understanding of their impacts is essential as marketing mix strategies can be developed to appeal to the preferences of the target market.

When purchasing any product, a consumer goes through a decision process. This process consists of up to five stages; problem recognition, information search, evaluation of alternatives, purchase decision and post purchase behavior. The length of this decision process will vary, ranging from a shorter routine response behavior, to limited problem solving and a more comprehensive extensive problem solving. A consumer may not act in isolation in the purchase, but rather may be influenced by any of several people in various roles. The number of people involved in the buying decision increases with the level of involvement and complexity of the buying decision behavior.

Not all consumers will accept new products at the same rate. Marketers will need to aim the initial marketing mix at potential [early adopters](#), especially

those identified as opinion leaders in order to increase consumer awareness of the product and sales. They must also understand the adoption process to effective market to new customers.

Factors Influencing Customer Buying Behaviour

a. Cultural factors

Cultural factors include consumer culture, subculture and social class. These factors are often inherent in our values and decision processes. Culture is the most basic determinant of a person's wants and behavior. It comprises the basic value, perceptions, wants and behavior that a person learns continuously in a society. Culture is expressed through tangible items such as foods, buildings, clothing and art. Culture is an integral part of the hospitality and travel business. For example: for Chinese people less in drinking wine therefore they are less attractive group for fine restaurants serving wine and other alcoholic beverages.

b. Social factors

Social factors include groups (reference groups, aspiration groups and member groups), family, roles, and status. This explains the outside influences of others on our purchase decisions either directly or indirectly. Because social factor can strongly affect consumer responses, companies must take them into account when designing marketing strategies. An individual's attitude and behavior are influenced by many small groups. Those to which the person belongs that have a direct influential are called **membership groups**. **Reference groups** serve as direct (face to face) or indirect points of comparison of reference in the forming of a person's attitudes and behavior. People who do not belong to but would like to is called **aspiration group**. Family members have a strong influence on buyer behavior. Marketers have examined the role and influence of the husband, wife and children on the purchase of different products and services. An individual's position in each group can be defined in terms of role and status. A role consists of the

activities that a person is expected to perform according to the persons around him or her. Each role influences buying behavior. Each role carries a status reflecting the general esteem given to it by the society. Role and status are not constant social variables. Many marketing and sales professionals have made serious judgemental errors related to the role and status of prospective customers. Besides the groups above, family members also have a strong influence on buyer behavior. A person belongs to many groups: family, clubs, and organizations. An individual's position in each group can be defined in terms of roles and status. A role consists of the activities that a person is expected to perform according to the persons around him or her. Common roles include son or daughter, wife or husband, and manager or worker. Each role influences buying behavior.

c. *Personal factors*

Personal factors include such variables as age and lifecycle stage, occupation, economic circumstances, lifestyle (activities, interests, opinions and demographics), personality and self concept. These may explain why our preferences often change as our 'situation' changes.

The types of goods and services people buy change during their lifetimes. Important age-related factors are often overlooked by marketers. This is probably due to the wide differences in age between those who determine marketing strategies and those who purchase the product / service. Buying behavior is also shaped by the family life-cycle below.

| YOUNG | MIDDLE -AGED | OLDER |
|--|--|-----------------|
| Single | Single | Older married |
| Married without children | Married without children | Older unmarried |
| Married with children | Married with children | |
| Infant children, young children, adolescent children | Young children, adolescent children | |
| Divorced with children | Married without dependent children | |
| | Divorced without children | |
| | Divorced with children | |
| | Young children, adolescent children | |
| | Divorced without dependent children | |

Source : Kotler, Philip & Bowen, John & Makens James, 1999, Marketing for Hospitality and Tourism 2nd edition, page 180.

A person's occupation affects the goods and services bought. Marketers try to identify occupational groups that have above-average interest in their products. A person's economic situation greatly affects product choice and the decision to purchase a particular product.. Marketers need to watch trends in

personal income, savings, and interest rates. If economic indicators point to a recession, they can redesign, reposition, and re-price their products. People from the same subculture, social class and even occupation may have quite different lifestyles. Lifestyles studies capture something more than the consumer's social class or personality. For example, for business people tend to have less time in lunch so mostly business people eat less than dinner. They prefer express lunch.

d. *Psychological factors*

A person's buying choices are also influenced by four major psychological factors : motivation, perception, learning and beliefs and attitudes. For example prohibition for not eating pork for Muslim.

Consumer Buying Roles

Other people often influence a consumers purchase decision. The marketer needs to know which people are involved in the buying decision and what role each person plays, so that marketing strategies can also be aimed at these people (*Kotler et al, 1994*).

Several roles in a buying decision :

- a. Initiator : the person who first suggests or thinks the idea of buying a particular product or service.
- b. Influencer : a person whose views or advice carries some weight in making the final buying decision.
- c. Decider : the person who ultimately makes a buying decision or any part of it.
- d. Buyer : the person who makes the actual purchase.
- e. User : the person who consumes the product or service.

Type of Buying Decisions

Consumer decision making varies with the level of involvement in the purchase decision.

- a. Routine response behavior occurs when buyers purchase low cost, frequently purchase items with which they are familiar.
- b. Limited problem solving occurs when buyers are confronted with an unfamiliar brand in a familiar product category.
- c. Extensive problem solving occurs when buyers purchase more expensive, less frequent purchased products in an unfamiliar product category.

3.7. MARKET SEGMENTATION

3.7.1. Definition of market segmentation

Market segmentation is the division of a market into distinct groups of buyers who might require different products or marketing mixes (Kotler et al, 1994).

Segmentation is important as buyers have unique needs and wants. In segmenting a market, marketers look for broad classes of buyers who are differ in their needs.

3.7.2. Bases for Segmenting Customer Markets

1. Geographical segmentation

Segmenting markets on the basis of geography involves dividing the market into different geographical units, eg. states, regions, countries, where the company pays attention to geographical differences in needs and wants. For example, there may be a greater need for T-shirts in the Northern part of Australia all year round rather than in the Southern part.

2. Demographic segmentation

Demographic segmentation involves dividing the market into groups based on demographic variables such as age, family size and life cycle, occupation, etc. It is the most popular bases for segmenting consumer markets because consumer needs often vary closely with demographic variables, and also because of the ease of measurement of the variables. Even when other bases are used for segmentation, demographic variables are still used in the description of the segments. For example, General Foods' Maxwell House ground coffee is sold nationally but is flavored regionally. People in the west want stronger coffee than people in the east. But, you may still describe each of the regions in terms of the demographics of the buyers living there eg. age, income, sex, occupation, race, etc.

3. Psychographic segmentation

Using psychographics to segment markets divides buyers into groups based on socioeconomic status, lifestyle or personality characteristics. Example, dividing the Australian market into leisure-seekers, work-oriented and family-oriented segments.

4. Behavior segmentation

Behavior segmentation is where buyers are divided into groups based on their product knowledge, usage, attitudes or responses. Within behavior segmentation, of particular importance is a powerful form of segmentation, benefit segmentation, which groups buyers depending on the various benefits sought by buyers from the product class. For example, you could segment the cereal market based on the benefits sought by cereal buyers: brand (eg. Kellogg's), nutrition and health (eg. Sultana bran), diet (eg. Special K), taste (eg. Cocopops for kids), price (eg. Kellogg's cornflakes), etc. Notice how each segment has particular products or brand which caters for the needs of that particular segment?

3.7.3. Requirements for Effective Segmentation

Useful market segments must demonstrate the following characteristics:

Measurability

The size and purchasing power of the segments must be measurable. For example, a high level restaurant like fine dining can be more developed in an area of business industry. Because mostly are high class people who have high income.

Accessibility

It must be possible to reach and serve the segment. For example, many snack bars in Holland which survive because the price is relatively cheaper and the food have good taste.

Substantiality

The segments must be large or profitable enough. For example large metropolitan areas can support many different ethnic restaurant, but in a smaller town, Thai, Vietnamese and Moroccan food restaurants would not survive.

Action Ability

The segments must be suitable for the design of effective marketing mix programs. For example, a small restaurant that have just been operated difficult to implement high level of marketing program because of limited budget and amount of staff.

3.8. MARKET TARGETING

After evaluating the various market segments, a company must choose one or more of these segments to make up its target market. Therefore, a target market is a set of buyers with common characteristics which a company decides to serve. The company has three market-coverage strategies available to it in selecting target markets.

1. Undifferentiated marketing

A company adopting an undifferentiated marketing strategy would ignore differences between market segments, and approach the market as a whole with one market offer. This strategy focuses on common buyer needs rather than what is different, and is designed to appeal to the largest number of buyers. Such a strategy provides cost economies, but difficulties can arise in the development of a product or brand that can satisfy all buyers.

2. Differentiated marketing

A company utilizing a differentiated marketing strategy targets several market segments, with separate marketing mixes for each segment. Differentiated marketing has become increasingly popular with companies ex. Coles Myer as it often creates higher sales levels than undifferentiated marketing. However, it also increases costs, as the marketing mix has to be modified in conjunction with different segments' needs eg. different products, different advertising.

3. Concentrated marketing

A company with a concentrated marketing strategy concentrates on a large share of one or more segments. This strategy can be useful to a company with limited resources. Through this strategy, smaller companies are able to gain a strong market position in the segments they serve, thus providing a way for them to gain a foothold against larger companies with greater resource bases.

- a. When choosing a market-coverage strategy, a company has to consider several factors:
- b. company resources;
- c. product variability;
- d. product life cycle stage;
- e. market variability; and
- f. competitors' marketing strategies.

3.9. MARKETING MIX

Marketing mix has variables that are called Four Ps that is blended to produce the desired market response. The Four Ps are:

1. Product or Service

The product or service is anything that can be offered to market which fulfills and satisfies customers needs and wants.

2. Price

Price is an integral part of a marketing strategy as it generates revenues for the firm. Pricing needs to be concerned. Setting the price, we have to concern the product or service which we provide and also the cost that we spend, not too high and not too low. Setting the price too high may cause an organization to forgo potential sales, setting it too low mean they miss out on potential profits.

3. Promotion

Promotion is also called as marketing communication, because it is the way or techniques that can be used by companies for informing their products or activities to the market. This part is very important. It is usually done before and during the operational and activities of the company launching. Good promotion can create good market image also.

4. Place

Place is where the products or activities will be distributed to the market.

3.9.1. Marketing Mix – Promotion

There are five major promotion tools:

1. Advertising

Advertising is "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor" (Kotler et al, 1994).

Advertising objectives should be developed based on the target market, positioning and the marketing mix. Three types of objectives, classified by purposes are:

Inform

Informative advertising is advertisements which are aimed to inform new products, activities, or features to public in order to build a primary demand.

Persuade

Persuasive advertising is advertisements which are aimed to persuade buyers about a particular brand is the best offering for them, in order to build selective demand.

Remind

Reminder advertising is advertisements which are aimed to remind buyers about a product's existence.

2. Public relations

Public Relations is a promotional tool through building good relations between the company and its various publics through favorable publicity, building corporate image and handling unfavorable events. The public relations department achieves this through press relations, product publicity, corporate communications, lobbying and counseling.

Public relations can be used to promote products, people, places, ideas, activities, companies and countries.

3. **Direct marketing**

Direct marketing is promotional activities with the aim of creating an immediate sale, or creating interaction with potential customers to inform company's product in order to bring earlier sale. It is an interactive system of marketing which uses one or more forms of advertising media to create a transaction.

Direct marketing includes the following activities:

Sales promotion. This is the most commonly used tool of direct marketing. In fact, it is often seen as a separate promotional tool on its own. (This will be discussed in greater detail later in the study guide.)

Direct mail and catalogue marketing. 'One shot' mail outs to a customer base conveying the company's offer to consumers. Catalogues in the mail out could include full-line merchandise catalogues (eg. Myer Direct), retail catalogues (eg. IKEA), business-to-business catalogues (eg. the Office works catalogue which is sent out to all major businesses in the geographic area), and specialty consumer catalogues (eg. Chandlers).

Integrated database marketing. This form of direct marketing uses a coordinated number of communications with potential customers, eg. Melbourne Central maintains a database of past or and potential customers, and regularly mails the Melbourne Central newsletter to them.

Direct-response television, radio and print marketing. This sort of marketing usually utilize some form of media advertising (eg. TV, radio, magazine) accompanied with a toll-free number, eg. Demtel and Tim Shaw on television, where a product's benefits are demonstrated, a price is shown, and a toll-free number is provided to place your order.

Telemarketing. Where telephone personnel attempt to attract new customers, or contact existing customers in order to determine customer satisfaction or

increase sales. It has many purposes, ranging from increasing sales, to building a database.

Telesales. This involves telephone personnel conducting routine order taking. For example, a salesperson might find it more effective to contact some customers by phone for order taking, rather than by personal visit.

Automatic vending and teller machines. Machines that dispense goods (eg. a Cadbury vending machine which dispenses chocolates) or services (eg. a bank ATM machine which dispenses cash).

Direct selling. Selling directly to customers (either consumers or businesses) rather than going through an intermediary (eg. wholesaler, retailer, agent). Avon, Tupperware and Amway are examples of companies which practice direct selling.

Electronic shopping. Purchasing through electronic media (eg. internet, cable television, electronic bulletin board, etc).

4. Sales promotion

Sales promotion is a promotion program to encourage buyers to immediate purchase a product with lower prices than normal in short term incentives. This promotion technique can be used too often, otherwise, buyers will buy the product only in sale offering, and it will cause loss of profit for the company.

Three main types of sales promotion are:

1. **Consumer promotions** are often used to try and condition the way consumers behave. They are usually short term inducements to encourage people to buy. For example, trial packs, buy one get one free, contests.
2. **Trade promotions** are directed at intermediaries and are intended to increase sales in the distribution channel.

3. **Sales force promotion** is directed at the personal selling team and is intended to be an incentive. Consumer and trade promotion tools will be covered in the next section. Sales force promotion is covered under Sales Management in the textbook.

Sales promotion tools

- ? *Consumer promotion tools* include samples, redeemable coupons, cash-back offers, cents-off deals, premium offers, advertising specialities, patronage rewards, point-of-purchase displays and demonstrations, contests, sweepstakes and games.
- ? *Trade promotion* directed to wholesalers, retailers and other intermediaries can often cost more than consumer promotion. Trade promotions often occur in conjunction with consumer sales promotions, Trade promotion tools include allowances, free goods or push money (cash or incentives).
- ? *Business to business promotion* is directed at customers in industrial markets. Marketers use tools such as conventions (exhibitions), trade shows and sales contests to gain awareness for their company's products or to increase sales leads.

5. Personal Selling.

Personal Selling is a promotion tool that sales representatives may be involved in one to one selling and they make a contact to potential customers directly through either in person or by phone, presentations (either alone or as part of a *team*) to a buyer group, or *conferences* or *seminars* that bring together both buyers and sellers.

3.10. MARKETING INFORMATION SYSTEM

In carrying out marketing analysis, planning, implementation and control, marketing managers need information at almost every turn. They need information about customers, competitors, suppliers and other forces in the

marketplace. One marketing executive put it this way: “To manage a business well is to manage its future; and to manage the future is to manage information”

In order to understand a market, a marketer needs to have information about the market that he/she is dealing with. One useful source of information is **market research**. In a broad context any information one acquires about a market is market research. This Study Guide looks at some specific market research techniques and when they may be most appropriate.

3.10.1. Marketing Research

Any plan can only be as good as the information on which it is based, which is why we have been making sure that we know the right questions to ask, such as “Who are our customers?”, “What is our market share?” and so on. In order that the company can be sure that this matching process is taking place effectively, it is necessary that some type of information flow be instituted between the customers and the firm. This is the role of marketing research.

3.10.1.1. DEFINITION OF MARKETING RESEARCH

Marketing research is concerned with research into marketing process. Market research is concerned specifically with research about markets. (*Malcolm Mc Donald, “Marketing Plans – How to prepare them, how to use them”, 1999, pg 412*).

Marketing research is the function which links the consumer, customer and public to the marketer through information – information used to identify and define market opportunities and problems, generate, refine and evaluate marketing actions; monitor marketing performance and improve understanding of marketing as a process.. Marketing research specifies the information required to address these issues, designs the method for collecting information: manages and implements the data collection process, analyses the results and communicates the finding and their implications (*The Dictionary of Marketing Terms, American Marketing Association, 1988*)

Marketing research is the systematic and objective approach to the development and provision of information for the marketing decision making process (*Kinnear and Taylor, 1996*)

Marketing research is the systematic and objective identification, collection, analysis and dissemination of information for the purpose of assisting management in decision-making related to the identification and solution of problems and opportunities in marketing (*Malhotra, 1993*)

Webb (1992) classifies marketing research into three groups:

1. Exploratory research

Usually employed in the initial stages of the research project, when uncertainty / ignorance are at their highest. It is characterized by flexibility, an absence of formal structure and /or the desire the parameters of the environment in which the problems / opportunities exist and to uncover those salient variables which are relevant to a full understanding of that environment.

2. Conclusive research

Employed to generate information to evaluate and to select course of action. Conclusive research is formal, objective and systematic. It must include a definition of the objectives of the research, sampling plan, decisions as to what type of survey methods to use, possible system of experimentation, and ways in which the data is to be analyzed.

3. Performance-monitoring research

Monitoring research is the way in which comparisons can be made between what was planned and what actually happened. Not only should marketing mix variables and the salient variables of the environment be subjected to careful evaluation, but also such measures as sales, market share, profit and ROI

4. Quantitative and qualitative research methods

Quantitative and qualitative research methods are not mutually exclusive but complementary research methods, each having advantages and disadvantages, which may be used to reduce the negative aspects of one system by the use of the other. The choice of what system, or combination of systems to use, should be moderated by the specific factors which are found in each research problem and by the projects' research objectives. Many research exercises are made up of elements from qualitative and quantitative research schools.

Table 4.1. Comparison of qualitative and quantitative research methods

| Qualitative | Quantitative |
|--|---|
| Open – ended, dynamic, flexible | Statistical and numerical measure |
| Depth of understanding | Sub-group sampling or comparisons |
| Taps of consumer creativity | Survey can be repeated in the future and results compared |
| Database – broader and deeper | Taps individual responses |
| Penetrates rationalized or superficial responses | Less dependent on research executives skills or orientation |
| Richer sources of ideas for marketing and creative teams | |

Source: Gordon and Langmaid (1998)

3.10.1.2. PROCESS OF MARKETING RESEARCH

The sequence of steps for marketing research is :

- a. Set the objectives of the research program
- b. Define the research problem
- c. Assess the value of the research

- d. Construct the research proposal
- e. Specify the data collection method
- f. Specify techniques of measurement
- g. Select the sample
- h. Data collection
- i. Analysis of the results
- j. Presentation of the final reports

Data

Data are words, figures, pictures, sounds etc. Intelligence is information which is consumable and usable by management in converting uncertainty into risk. (*Malcolm Mc Donald, "Marketing Plans – How to prepare them, how to use them", 1999, pg 412*).

- a. Secondary data.

Secondary data which consists of previously published material, should always be consulted before commencing primary research.

Newson – Smith (1988) say that secondary data can :

- ? Provide a background to primary research
- ? Act as a substitute for field research
- ? Baker (1991) say that some research may only be carried out realistically by the use of secondary data
- ? Acquisition studies

Internal sources of data may be divided as:

1. Accounts: contains information on: customers' names and addresses, types and quantities of products purchased, costs of sales, advertising, manufacture, salaries etc
2. Sales records, contain information on: markets, products, distribution systems

3. Other reports, contain information on : trade associations and trade fairs, exhibitions, customers' complaint letters, previous marketing research reports, conferences

b. Primary data

Primary data is collected to fulfil the demands of the current research project, and has to be gathered should secondary sources of data fail to provide the information necessary to meet the research objectives,

Quantitative Primary Data

Sources of quantitative primary data:

1. Survey research

Consists of personal interviews, telephone interviews and mail questionnaires. Survey methods are good at gathering data on: the past and present behavior, attitudes and opinions, respondent variables, knowledge

a. Personal interviews

Personal interviews are classified against their degree of structure and directness. Structure is the degree of formality/ rigidity of the interview schedule; directness refers to the degree to which the respondent is aware of the purpose of the research. Unstructured-indirect methods are rarely used in marketing research, unstructured-direct and structured-indirect will be covered in the section on qualitative primary data. Structured-direct is the method most often used in research surveys. Structured-direct surveys methods permit the researcher to reduce respondent anxiety (increasing rapport and possibly, the response rates); to guide respondents through complex questionnaires and within boundaries, to ask for ambiguous answers to be clarified

b. Telephone interviews

An administered questionnaire delivered via the telephone. The advantages of this method are: low cost per completed questionnaire, centrally located telephone banks reduce travel times and costs and permit firm administrative control of interviewers, thus reducing the potential for interviewer bias and error.

c. Mail questionnaires

Mail questionnaires use no interviewer, so that as a potential source of error is removed

2. Panel / syndicated research

Data may be gathered from individuals, house holds, industrial buyers, firms etc who agree to provide data to research agencies on a regular basis, such data may include information concerning consumers and / or industrial products and store audits.

3. Observation

Several approaches to observation are available:

a. Direct observation.

In this approach the researcher observe a phenomenon as it is occurring without interferting with it.

b. Participation-observation

In this approach a researcher observes a phenomenon by actually participating in it.

c. Mechanical observation

This approach employs mechanical devices to measure the variables of interest

d. Physical traces

In this approach a phenomenon is measured by examining its physical remnants.

Qualitative Primary Data

The three main techniques are:

1. Group discussion

The driving force of this research tool is the dynamic interaction of the members of the group. Group discussion usually last between one and three and employ between six and twelve respondents.

2. Individual depth interviews

Group discussions and individual depth interviews are techniques whose main aim is to seek out, to delve, to try to understand and to explore. Therefore a flexibility of approach is essential. The interviewer must be able to alter and adapt to changing situations which may arise during the interview.

3. Projective techniques

Appropriated from psychology / psychiatry, projective techniques rely on the principles that the way people organize and respond to relatively ambiguous stimuli will give trained observers an insight into the respondents perceptions of the outside world and their reactions to it.

Scales in Marketing Research

There are four main levels of measurement:

a. Nominal Scales

Assign numbers to objects, variables or people to show that they belong to some stipulated category, categories which are mutually exhaustive and mutually exclusive.

b. Ordinal Scales

Rank order objects/ people etc, according to the amount of a property which it/ they possess/es.

c. Interval Scales

Possess order and distance, but not a unique origin, i.e . their zero point is arbitrary.

d. Ratio Scales

Possess order, distance, and a unique origin indicated by zero. All mathematic operations are allowed here, so it can be said that a reading of eighty on a scale is four times a reading of twenty of the same scale.

The Measurement of Attitudes

Measurement scales may be divided into two groups; Rating scales and Attitude scales. Rating scales measure a single component of an attitude, a respondent typically indicate their attitude to an object by means of a placement along a continuum of numerical values or of ordered categories.

Rating Scales

a. Non-comparative rating scales

Respondents are asked to rate, assign a number, to the object of interest in isolation, there being no standard against which measurements are made. For example, the question might be “How do you like Brand X of chocolate?”

b. Rank order scales

Respondents are asked to rank order a list of objects / items against a stated criterion, e.g. taste, power etc. Rank order scales are ordinal, thus respondents are only able to show the order of their preferences

c. Constant sum rating scales

This method overcomes the drawbacks of rank order scales. The respondent is allocated a constant sum (they may be expressed in currency or some other units), usually a round number.

Attitude Scales

a. Likert or summated scales

Likert or summated scales require respondents to indicate their degree of agreement or disagreement with a number of statements concerning the attitude being measured. Their responses are given a numerical value and/ or sign to reflect the strength and direction of the respondent's reaction to the statement.

b. Semantic differential scale

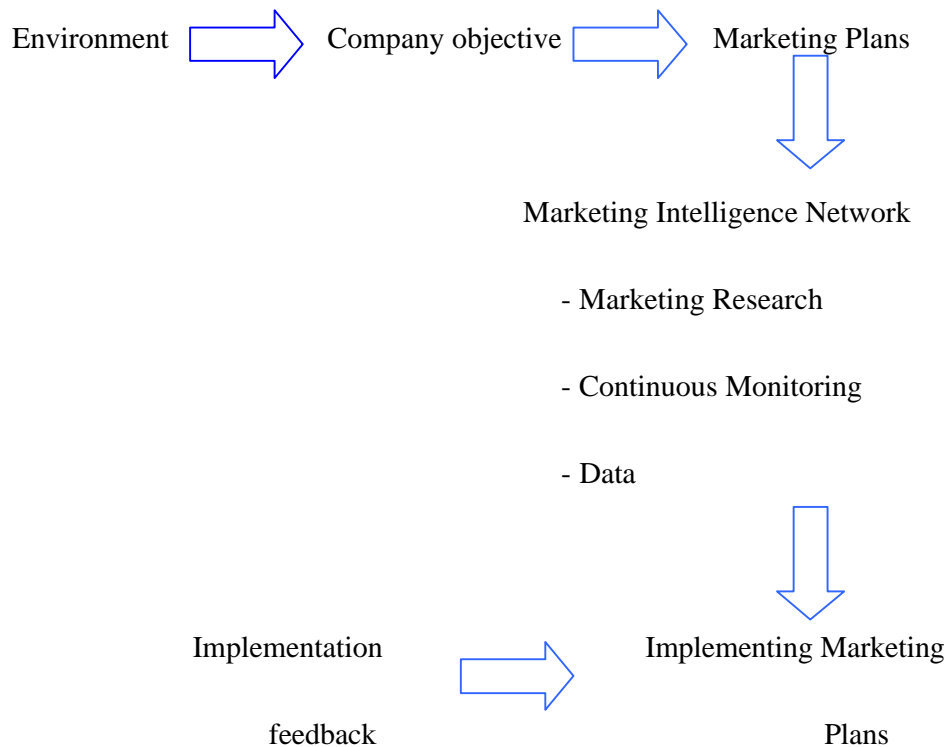
Semantic differential scale are arguably the most widely used of all attitude scales. Respondents show the position of their attitude to the research object on a seven-point itemized scale.

c. Stapel scale

Stapel scale is a modified semantic differential scale, and uses a unipolar 10-point verbal rating scale with values from +5 to -5 which measures both the strength and direction of the attitude simultaneously.

3.10.2. MARKETING INFORMATION SYSTEM

3.10.2.1. Basic of Marketing Information System



Source: R Evan S, Joel & Berman, Barry, 1984, Essential of Marketing, Macmillan Publishing Company, pg 103.

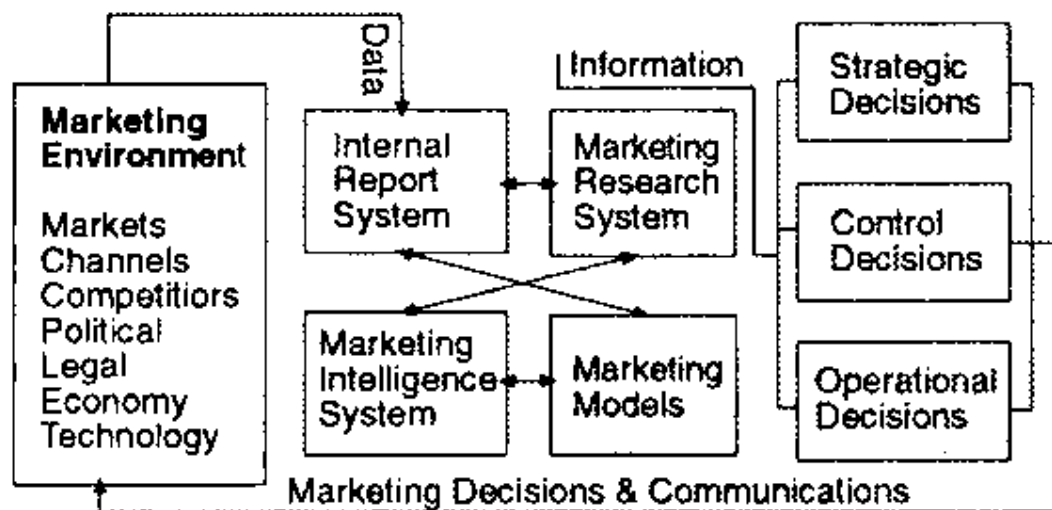
3.10.2.2. Components of a marketing information system

A marketing information system (MIS) is intended to bring together disparate items of data into a coherent body of information. An MIS is, as will shortly be seen, more than raw data or information suitable for the purposes of decision making. An MIS also provides methods for interpreting the information

the MIS provides. Moreover, as Kotler's¹ definition says, an MIS is more than a system of data collection or a set of information technologies:

"A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyze, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

Figure :The marketing information systems and its subsystems



Source :Business and Economy, Monash University, Know This : For Marketing, Market Research, Internet Marketing, KnowThis.com

The explanation of this model of an MIS begins with a description of each of its four main constituent parts: **the internal reporting systems, marketing research system, marketing intelligence system and marketing models**. It is suggested that whilst the MIS varies in its degree of sophistication - with many in the industrialized countries being computerized and few in the developing countries being so - a fully fledged MIS should have these components, the methods (and technologies) of collection, storing, retrieving and processing data notwithstanding.

A marketing information system (MIS) consists of "people, equipment and procedures to gather, sort, analyze, evaluate and distribute needed, timely and accurate information to marketing decision makers"

(Kotler et al, 1994)

Assessing information needed

The MIS interacts with marketing managers to determine their information needs. The information which managers would like to have must be balanced against what they really need, and what is possible to acquire. The MIS is responsible for monitoring the external environment and provides managers with key information to assist them in decision-making. The company must also conduct a cost-benefit analysis, to determine if the benefits of having the information is worth its outlay in terms of cost.

Developing information

The MIS develops the required information from: internal records, marketing intelligence activities and marketing research.

1. Internal Records

This is the most basic system used by most marketing executives to monitor reports of orders, sales, inventories and debts. The internal accounting system can be used to provide information quickly, since most organizations produce monthly or weekly records of sales, and so on, to help the financial management of the organization.

2. Marketing Intelligence

Marketing intelligence is the information that is collected, often informally, by reading books, newspapers, trade journals, talking to customers, sales staff and suppliers. Well run organizations have some ways usually weekly or monthly meetings - where marketing intelligence information collected from the marketplace or the general environment is discussed by the members of the marketing team.

3. *Marketing Research*

Marketing research usually involves formal studies that are undertaken to solve a particular problem (eg. Ansett Australia conducted research to determine what sort of components travelers wanted in holiday packages, and whether price was a key point of consideration). It specifies the information needed to address specific marketing problems, the appropriate data collection techniques, data analysis, and reporting of the research findings and implications.

There are 4 steps in the marketing research process:

- a. [defining the problem and research objectives](#);
- b. [developing the research plan](#);
- c. [implementing the research plan](#); and
- d. [interpreting and reporting the findings](#).

(i) Defining the problem and research objectives.

The first activity of any marketing research process is defining the problem and setting [research objectives](#). This sounds very simple but many research problems go wrong because people do not clearly decide what information they need from the research that they will commission. Before you begin any external research you should make sure that the information does not already exist. For example, many organizations collect extensive data in different areas of the company that other parts of the company may not be aware of. Often academics or the Government Printer publish useful information. Trade or other business associations may also have information.

Apart from defining the problem, the marketing manager also has to state the project's research objective(s), whether it is to be an exploratory, descriptive or causal study.

The definition of the problem and research objectives is an important step in marketing research as it is the hardest step in the marketing research process, and guides the entire process henceforth.

(ii) Developing the research plan.

Specific information needs must be determined according to the stated research objectives. Information collected can be either secondary or primary data. Secondary data is data that already exists, eg. journals, magazines, reports. Primary data is data collected for your specific purpose, eg. by distributing questionnaires. Researchers would normally exhaust secondary data sources before commencing with primary data collection. The time and cost required for secondary data collection is less, and it is often useful as a starting point in research, as well as in assisting in the definition of the problem and research objectives. In certain situations, secondary data may be sufficient to meet the researcher's information needs. However, if the researcher cannot obtain the needed information from existing secondary data sources, then primary data collection will be required.

There are several issues to be considered in primary data collection: research approaches, contact methods, [sampling plan](#) and research instruments.

The three main approaches towards the collection of primary data are: [observational](#), [survey](#) and [experimental](#). The observational approach (eg. observing shoppers' behavior in a supermarket) is best suited to meet exploratory research objectives; the survey approach (eg. telephone interviews) which is the most common method of primary data collection is best suited to meet descriptive research objectives; and the experimental approach (eg. taste tests for a new product) is best suited to meet causal research objectives.

There are many different approaches that you could take to collecting information: mail, telephone, email or personal (face-to-face). Each of these

techniques has its own strengths and weaknesses and you should be aware of them when you commission any research.

(iii) Implementing the research plan.

If you plan to ask an external agency to conduct the research you need to ensure that you provide the agency with a proper [brief](#), showing in detail what information you require. You should make sure that the research agency is aware of all the information that you already have so that you do not waste money finding out things that you already know.

(iv) Interpreting and reporting the findings.

The interpretation of results is an important step in the marketing research process. Interpretation should be conducted not only by the researcher, but also the marketing manager. The best research is useless if the interpretations are incorrect.

3.11. MARKETING STRATEGIC

There are two major components to your marketing strategy:

- a. how your enterprise will address the competitive marketplace
- b. how you will implement and support your day to day operations.

In today's very competitive marketplace is a strategy that insures a consistent approach to offering a product or service in a way that will outsell the competition is critical. However, in concert with defining the marketing strategy, need well defined methodology for the day to day process of implementing it. It is of little value to have a strategy if there is lack either the resources or the expertise to implement it.

In the process of creating a marketing strategy many factors have to be considered. Of those many factors, some are more important than others. Because each strategy must address some unique considerations, it is not reasonable to

identify 'every' important factor at a generic level. However, many are common to all marketing strategies. Some of the more critical are described below.

Begin with the creation of a strategy by deciding what the overall objective of the enterprise should be. In general this falls into one of four categories:

1. If the market is very attractive and your enterprise is one of the strongest in the industry you will want to invest your best resources to support of your offering.
2. If the market is very attractive but your enterprise is one of the weaker ones in the industry you must concentrate on strengthening the enterprise, using your offering as a stepping stone toward this objective.
3. If the market is not especially attractive, but your enterprise is one of the strongest in the industry then an effective marketing and sales effort for your offering will be good for generating near term profits.
4. If the market is not especially attractive and your enterprise is one of the weaker ones in the industry you should promote this offering only if it supports a more profitable part of your business (for instance, if this segment completes a product line range) or if it absorbs some of the overhead costs of a more profitable segment. Otherwise, you should determine the most cost effective way to divest your enterprise of this offering.

Having selected the direction most beneficial for the overall interests of the enterprise, the next step is to choose a strategy for the offering that will be most effective in the market. This means choosing one of the following 'generic' strategies (first described by Michael Porter in his work, Competitive Advantage).

- a. A *COST LEADERSHIP STRATEGY* is based on the concept that can produce and market a good quality product or service at a lower cost than competitors. These low costs should translate to profit margins that are higher than the industry average. Some of the conditions that should exist to support a cost leadership strategy include an on-going availability of operating capital, good

process engineering skills, close management of labor, products designed for ease of manufacturing and low cost distribution.

- b. A DIFFERENTIATION STRATEGY is one of creating a product or service that is perceived as being unique "throughout the industry". The emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to your industry. This uniqueness should also translate to profit margins that are higher than the industry average. In addition, some of the conditions that should exist to support a differentiation strategy include strong marketing abilities, effective product engineering, creative personnel, the ability to perform basic research and a good reputation.

- c. A FOCUS STRATEGY may be the most sophisticated of the generic strategies, in that it is a more 'intense' form of either the cost leadership or differentiation strategy. It is designed to address a "focused" segment of the marketplace, product form or cost management process and is usually employed when it isn't appropriate to attempt an 'across the board' application of cost leadership or differentiation. It is based on the concept of serving a particular target in such an exceptional manner, that others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but because of minimal competition, profit margins can be very high.

Pricing

Having defined the overall offering objective and selecting the generic strategy then have to decide on a variety of closely related operational strategies. One of these is how you will price the offering. A pricing strategy is mostly influenced by the requirement for net income and the objectives for long term market control. There are three basic strategies you can consider.

- a. A SKIMMING STRATEGY

If the offering has enough differentiation to justify a high price and you desire quick cash and have minimal desires for significant market penetration and control, then set the prices very high.

b. A MARKET PENETRATION STRATEGY

If near term income is not so critical and rapid market penetration for eventual market control is desired, then set the prices very low.

c. A COMPARABLE PRICING STRATEGY

If you are not the market leader in your industry then the leaders will most likely have created a 'price expectation' in the minds of the marketplace. In this case you can price your offering comparably to those of your competitors.

Promotion

To sell an offering you must effectively promote and advertise it. There are two basic promotion strategies, PUSH and PULL.

a. The PUSH STRATEGY

maximizes the use of all available channels of distribution to "push" the offering into the marketplace. This usually requires generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing your need for advertising.

b. The PULL STRATEGY

requires direct interface with the end user of the offering. Use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required. The objective is to "pull" the prospects into the various channel outlets creating a demand the channels cannot ignore.

There are many strategies for advertising an offering. Some of these include:

a. Product Comparison advertising

In a market where the offering is one of several providing similar capabilities, if the offering stacks up well when comparing features then a product comparison ad can be beneficial.

b. Product Benefits advertising

When you want to promote your offering without comparison to competitors, the product benefits ad is the correct approach. This is especially beneficial when you have introduced a new approach to solving user need and comparison to the old approaches is inappropriate.

c. Product Family advertising

If your offering is part of a group or family of offerings that can be of benefit to the customer as a set, then the product family ad can be of benefit.

d. Corporate advertising

When you have a variety of offerings and your audience is fairly broad, it is often beneficial to promote your enterprise identity rather than a specific offering.

Distribution

You must also select the distribution method(s) you will use to get the offering into the hands of the customer. These include:

a. On-premise Sales involves the sale of your offering using a field sales organization that visits the prospect's facilities to make the sale.

- b. Direct Sales involves the sale of your offering using a direct, in-house sales organization that does all selling through the Internet, telephone or mail order contact.
- c. Wholesale Sales involves the sale of your offering using intermediaries or "middle-men" to distribute your product or service to the retailers.
- d. Self-service Retail Sales involves the sale of your offering using self service retail methods of distribution.