***Chapter 5: Marketing and New Venture Development***

**5. Introduction**

Today’s successful companies have one thing in common. Like Nike, their success comes from a strong customer focus and heavy commitment to marketing. These companies share an absolute dedication to sensing, serving and satisfying the needs of customers in well-defined target markets. They motivate everyone in the organization to deliver high quality and superior value for their customers, leading to high levels of customer satisfaction. These organizations know that if they take care of their customers, market share and profits will follow. Marketing is about customers. Customers are an essential component of a marketing system. Creating customer value and satisfaction is at the very heart of modern marketing thinking and practice.

**Marketing** is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

**5.1. Marketing Research**

Managers cannot always wait for information to arrive in bits and pieces from the marketing intelligence system. They often require formal studies of specific situations. **Marketing research** is the function linking the consumer, customer and public to the marketer through information that is used to identify and define marketing opportunities and problems, to generate, refine and evaluate marketing actions, to monitor marketing performance, and to improve understanding of the marketing process. Marketing researchers specify the information needed to address marketing issues, design the method for collecting information, manage and implement the data collection process, analyze the results and communicate the findings and their implications. A company can conduct marketing research in its research department or have some or all of it done outside.

**The marketing research process**

The marketing research process consists of four steps:

1. **Defining the problem and research objectives**

The marketing manager and the researcher must work closely together to define the problem carefully and must agree on the research objectives. The manager understands the decision for which information is needed; the researcher understands marketing research and how to obtain the information. Managers must know enough about marketing research to help in the planning and in the interpretation of research results. The researcher must be able to help the manager define the problem and to suggest ways in which research can help the manager make better decisions.

After the problem has been defined carefully, the manager and researcher must set the research objectives. A marketing research project might have one of three types of objective.

The objective of **exploratory research** is to gather preliminary information that will help define the problem and suggest hypotheses. The objective of **descriptive research** is to describe things such as the market potential for a product or the demographics and attitudes of consumers who buy the product. The objective of **causal research** is to test hypotheses about cause-and-effect relationships. The statement of the problem and research objectives guides the entire research process.

1. **Developing the research plan**

The second step of the marketing research process calls for determining the information needed, developing a plan for gathering it efficiently and presenting the plan to marketing management. The plan outlines sources of existing data and explains the specific research approaches, contact methods, sampling plans and instruments that researchers will use to gather new data.

Research objectives need translating into specific information needs.

***Gathering information****:* Secondary datais information that already exists somewhere, having been collected for another purpose. Primary dataconsists of information collected for the specific purpose at hand.The researcher must evaluate secondary information carefully to make certain it is *relevant* (fits research project needs), *accurate* (reliably collected and reported), *current* (up to date enough for current decisions), and *impartial* (objectively collected and reported).Secondary data provides a good starting point for research and often helps to define problems and research objectives. In most cases, however, the company must also collect primary data.they must also take great care in collecting primary data to ensure that they provide marketing decision makers with relevant, accurate, current and unbiased information. This could be qualitative researchthat measures a small sample of customers’ views, or quantitativeresearchthat provides statistics from a large sample of consumers.

***Research approaches also must identify as following:***

***Observational research*** is the gathering of primary data by observing relevant people, actions and situations. Observational research can obtain information that people are unwilling or unable to provide.

***Survey research*** is the approach best suited for gathering *descriptive* information. A company that wants to know about people’s knowledge, attitudes, preferences or buying behavior can often find out by asking them directly. Survey research is structured or unstructured. *Structured* surveys use formal lists of questions asked of all respondents in the same way. *Unstructured* surveys let the interviewer probe respondents and guide the interview according to their answers.

Survey research is the most widely used method for primary data collection and is often the only method used in a research study.

***Experimental research*** gathers *causal* information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors and checking for differences in group responses. Thus experimental research tries to explain cause-and-effect relationships. Observation and surveys can collect information in experimental research.

**Sampling plans**

Marketing researchers usually draw conclusions about large groups of consumers by studying a small sample of the total consumer population. A **sample** is a segment of the population selected to represent the population as a whole. Designing the sample calls for three decisions. First, *who* is to be surveyed (what *sampling unit*)? The answer to this question is not always obvious.

Second, *how many* people are to be surveyed (what *sample size*)? Large samples give more reliable results than small samples. Third, *how* are the people in the sample *to be chosen* (what *sampling procedure*)?

**Research instruments**

The *questionnaire* is by far the most common instrument. Broadly speaking, a questionnaire consists of a set of questions presented to a respondent for his or her answers. The questionnaire is very flexible – there are many ways to ask questions. Questionnaires need to be developed carefully and tested before their large-scale use.

**Presenting the research plan**

At this stage, the marketing researcher should summarize the plan in a *written proposal*. A written proposal is especially important when the research project is large and complex, or when an outside firm carries it out. The proposal should cover the management problems addressed and the research objectives, the information obtained, the sources of secondary information or methods for collecting primary data, and the way the results will help management decision making.

**Implementing the research plan**

The researcher next puts the marketing research plan into action. This involves collecting, processing and analyzing the information. Data collection can be by the company’s marketing research staff or, more usually, by outside firms. The company keeps more control over the collection process and data quality by using its staff. However, outside firms that specialize in data collection can often do the job more quickly and at lower cost. The data collection phase of the marketing research process is generally the most expensive and the most subject to error.

**Interpreting and reporting the findings**

The researcher must now interpret the findings, draw conclusions and report them to management. However, interpretation should not be by the researchers alone. They are often experts in research design and statistics, but the marketing manager knows more about the problem and the decisions needed. The best research is meaningless if the manager blindly accepts wrong interpretations from the researcher.

**4.2. Marketing intelligence**

**It** is everyday information about developments in the marketing environment that helps managers prepare and adjust marketing plans. The marketing intelligence system determines the intelligence needed, collects it by searching the environment and delivers it to marketing managers who need it. Marketing intelligence comes from many sources. Much intelligence is from the company’s personnel – executives, engineers and scientists, purchasing agents and the sales force. But company people are often busy and fail to pass on important information. The company must ‘sell’ its people on their importance as intelligence gatherers, train them to spot new developments and urge them to report intelligence back to the company.

The company must also persuade suppliers, resellers and customers to pass along important intelligence. Some information on competitors comes from what they say about themselves in annual reports, speeches, press releases and advertisements. The company can also learn about competitors from what others say about them in business publications and at trade shows. Or the company can watch what competitors do – buying and analyzing competitors’ products, monitoring their sales and checking for new patents. Companies also buy intelligence information from outside suppliers.

**4.3. Competitor analysis**

To plan effective competitive marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its products, prices, channels and promotion with those of close competitors. In this way the company can find areas of potential competitive advantage and disadvantage. It can launch more effective marketing campaigns against its competitors and prepare stronger defenses against competitors’ actions. Companies need to know; who are our competitors? What are their objectives? What are their strategies? What are their strengths and weaknesses? What are their reaction patterns?

1. **Identifying the company’s competitors**

Normally, it would seem a simple matter for a company to identify its competitors. In competing for people’s money, however, companies actually face a much wider range of competitors. More broadly, the company can define its *product competition* as all firms making the same product or class of products. Finally and still more broadly, competitors might include all companies that compete for the same consumer’s money.

1. **Determining competitors’ objectives**

Having identified the main competitors, marketing management now asks: What does each competitor seek in the marketplace? What drives each competitor’s behavior?

The marketer might at first assume that all competitors would want to maximize their profits and choose their actions accordingly. However, companies differ in the emphasis they put on short-term versus long-term profits, and some competitors are oriented towards ‘satisfying’ rather than ‘maximizing’ profits. Marketers must look beyond competitors’ profit goals. Each competitor has a mix of objectives, each with differing importance. The company wants to know the relative importance that competitors place on current profitability, market share growth, technological leadership, service leadership and other goals. Knowing a competitor’s objectives reveals whether it is satisfied with its current situation and how it might react to competitive actions.

1. **Identifying competitors’ strategies**

The more than one firm’s strategy resembles another firm’s strategy, the more the firms compete. In most industries, the competitors sort into groups that pursue different strategies.

A **Strategic group** is a group of firms in an industry following the same or a similar strategy in a given target market. Although competition is most intense within a strategic group, there is also rivalry among groups. It needs to know each competitor’s product quality, features and mix, customer services, pricing policy, distribution coverage, sales force strategy, and advertising and sales promotion programs. It must study the details of each competitor’s R&D, manufacturing, buying, financial and other strategies.

1. **Assessing competitors’ strengths and weaknesses**

Can a company’s competitors carry out their strategies and reach their goals? This depends on each competitor’s resources and capabilities. Marketers need to identify accurately each competitor’s strengths and weaknesses as a first step; a company gathers key data on each competitor’s business over the last few years. Recently, a growing number of companies have turned to **benchmarking**, comparing the company’s products and processes to those of competitors or leading firms in other industries to find ways of improving quality and performance. Benchmarking has become a powerful tool for increasing a company’s competitiveness.

1. **Estimating competitors’ reaction patterns**

A competitor’s objectives, strategies and strengths and weaknesses explain its likely actions, and its reactions to moves such as a price cut, a promotion increase or a new product introduction. Each competitor reacts differently. Some do not react quickly or strongly to a competitor’s move: they may feel that their customers are loyal; they may be slow in noticing the move; they may lack the funds to react. Some competitors react only to certain types of assault and not to others.

1. **Strong or weak competitors**

Most companies prefer to aim their shots at their weak competitors. This requires fewer resources and less time. Conversely, the firm may gain little. Alternatively, the firm should also compete with strong competitors to sharpen its abilities. Furthermore, even strong competitors have some weaknesses and succeeding against them often provides greater returns.

**5.4. MARKETING STRATEGIES**

The principal contribution made by marketing to the achievement of organizational objectives is via the marketing mix include the 4P's that is, the organization's product, price, place and promotion (Integrated marketing communication-IMC). Marketing strategies are closely connected to product strategies, and must be supportive and interrelated.

**5.4.1. PRODUCT STRATEGY**

A product can be a single commodity, a group of commodities, a product-service combination, or even a combination of several tangible goods and intangible services.

Product is the heart of marketing mix and all other marketing mixes depends on the product positioning in the market. Product types, quality, features and design largely determine production and marketing cost and consequently exercise a major influence on price. Then, developing product strategy becomes a process of making decisions about the individual issues that are discussed next.

1. ***Determining the product line:*** Deciding what to sell involves these basic steps: Identification of potential ultimate consumers, specifications that the product will have to meet and Match the customers and resellers with appropriate product quality.
2. ***Determining the width and depth of a product line:*** The composite or group of products sold by a company is referred to as the firm's **product mix**. Those items in the mix that are closely related are referred to as a **product line**. Product **width** refers to how many different products are offered and product depth defines how many items of each type are sold.
3. ***When to introduce or delete products:*** The timing of product deletion is also difficult for so many reasons. However, new products should be introduced while older ones are in their declining stages and introduction of the replacement product should be timed to coincide with or lead removal of the old.
4. ***Product strategy also involves*** *related issues of**packaging, product safety and post-sale services.*
5. ***. Brand strategies***

An important element of any product strategy is the role played by brand names. It helps to build brand equity (the set of assets and liabilities associated with a brand) and strengthen product image.

In developing a brand strategy, an organization can pursue one from those approaches: corporate umbrella branding, range branding, individual branding.

**5.4.2. PRICING STRATEGIES**

For many organizations price is potentially the most controllable and flexible element of the marketing mix. Price defined as the monetary amount a buyer pays for a good or service and/or the revenue expectation from a sale. Although the nature of the specific pricing objectives and their implications for the eventual price charged vary greatly, the most commonly pursued are *survival, return on investment, maintenance and improvement of market position, meeting or following competition, market skimming, market penetration, and preventing new entry.*

**Pricing Strategies**

Right price can be determined through pricing research and by adopting the test market techniques.

Some of techniques are explained below:

1. **Product life Cycle pricing strategies**

* ***In Introduction stage*:** Generally when a firm is preparing itself to enter the market with a new product, it must decide whether to adopt a skimming or a penetration pricing strategy.
* **In Growth stage** the product life cycle is characterized by rapid increase in sales volume due to awareness of customers about the product and high competition. This demands firms to consider the relationship of competitors in setting price so that it can both maintain market share and the relationship between pricing and other marketing mix.
* **In Maturity Stage** a product’s rate of sales growth levels off and begins to decline, the maturity stage has been reached. There are usually a large number of competitors in the market, and product distinctiveness does not exist many close substitutes are available to buyers, and profit margins have reached low levels. In this situation, no competitor can price very much above or below the prevailing market price.
* **In Decline stage** a product enters in the decline stage marketers of the product often attempt to price just below the market. Therefore, the pricing strategy must be designed to equate with competitors prices or, if possible, to be just below the market price.

1. **Prestige pricing** – is the practice of setting high prices for products with unique or unusual distinctiveness. Use of prestige pricing strategy assumes that more units of a prestige item can be sold at higher price than at a lower price.
2. **Psychological discounting** – is the practice of using certain prices that are perceived to give the purchaser the illusion of markdowns from higher prices. For example, a purchaser may perceive that a retail price of Br. 38.99 represents a price that originally was set at Br. 39.

**5.4.3. Integrated Marketing Communications (Promotion) Strategy**

The term integrated marketing communication (IMC) is used in marketing to cover all types of marketing activities designed to stimulate demand. These various demand-creating activities refer to the communications mix. Integrated marketing communicationscan be defined in a more comprehensive manner as “a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communication programs over time with consumers, customers, prospects and other targeted, relevant external and internal audiences”.

Each element is briefly subscribed as follows:

1. ***Advertising*** – is the public communication of messages to selected audiences to inform and influence them. It is non-personal persuasive communication in media not owned by the company in both print and broadcast media.

2. ***Sales Promotion*** –It involves display, shows and exhibitions, demonstrations, and various non-personal selling efforts.

3. ***Personal Selling*** – is any person-to-person or telephone-based activity by a firm’s representative that is intended to deliver value to customers.

5. ***Publicity/Public relations*** – publicity is communication of information that is not paid for and does not identify the source of the message.

Each of the promotional sub-elements, described above, requires a separate strategy and plan. And they have to integrate harmoniously as a total promotional mix in the same way as the elements of the marketing mix.

**5.4.4. DISTRIBUTION STRATEGY**

Goods and services can be produced, priced and promoted effectively – but until they are moved through a distribution system from their source to the final consumer, no sale will occur. This tells you the importance of efficient distribution channel particularly when you consider the magnitude of goods and services that are transferred and sold at millions of locations throughout the world. The success of this network depends on relationships among manufacturers, wholesalers, retailers, sales representatives, and others.

In this context, ***customer service*** is defined as “all parts of the distribution process which add value to the transaction from the customer’s viewpoint” it may be speed of response, Consistency and reliability of delivery, Convenience of ordering system (customer friendliness), Flexibility of delivery times and so on.

**Channel Strategies**

A manufacturer can sell its products directly to customer (direct distribution channel) or involve intermediaries to help the company in moving the goods to the final consumer.

***Intensive distribution –*** is often sought by manufacturers of high-volume, low-value products in mass demand, for which the typical buying behavior is one of habit convenience.

***Selective distribution*** – is used by manufactures of consumer durable items for which the established buying behavior is typically one of “shopping around”.

***Exclusive distribution*** – is where the manufacturer limits the number of intermediaries more strictly to one per geographic area. The dealer receives exclusive rights to distribute the manufacturer’s products in that geographical area in return agreeing not to carry competing products.

**5.5. INTERNATIONAL MARKETS.**

An **international market** is defined geographically as a market outside the national borders of a company's country of citizenship. A company, to the extent that it is a legally distinct entity from its owners like a corporation, is usually a citizen of the country where it is organized. IBM, for example, was formed in the United States. Thus, any geographic area outside the territorial boundaries of the United States where IBM conducts business is IBM's international market. The conceptual opposite of an international market is the company's **domestic market**, which is the geographic region within the national boundaries of company's home country. In international marketing the marketing mix of the company is highly determined by many uncontrollable factors i.e. political, legal, cultural, and economical issues originated from both domestic and host country.

***Reading assignment***

1. How companies enter in to international market?
2. In international arena how multi-national companies deal with those political, legal, cultural and economic factors that affect their marketing mix strategy?