

6. Product/Service strategies

6.1 Product strategies

Marketers broadly define a product as a bundle of physical, service, and symbolic attributes designed to satisfy consumer wants. Therefore, product strategy involves considerably more than producing a physical good or service. It is a total product concept that includes decisions about package design, brand name, trademarks, warranties, guarantees, product image, and new-product development.

When an organization introduces a product into a market they must ask themselves a number of questions.

1. Who is the product aimed at?
2. What *benefit* will customers expect?
3. How does the firm plan to *position* the product within the market?
4. What *differential advantage* will the product offer over their competitors?

We must remember that Marketing is fundamentally about providing the correct bundle of benefits to the end user, hence the saying '*Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer*' (P.Taylor 7/00)

When placing a product within a market many factors and decisions have to be taken into consideration. These include:

| Product Decision | Example |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product design | Will the design be the selling point for the organization as we have seen with the iPad, the new VW Beetle or the Dyson Ball vacuum cleaner. |
| Product quality | Quality has to consistent with other elements of the marketing mix. A premium based pricing strategy has to reflect the quality a product offers |
| Product features | What features will you add that may increase the benefit offered to your target market? Will the organization use a discriminatory pricing policy for offering these additional benefits? |
| Product branding | One of the most important decisions a marketing manager can make is about branding. The value of brands in today's environment is phenomenal. Brands have the power of instant sales, they convey a message of confidence, quality and reliability to their target market. |

6.2 Price Strategies

Pricing is one of the most important elements of the marketing mix, (The marketing mix is also called the 4Ps and the 7Ps. The 4Ps are price, place, product and promotion) as it is the only mix, which generates a turnover for the organization. The remaining 3p's are the variable cost for the organization. *It costs to produce and design a product; it costs to distribute a product and costs to promote it.* Price must support these elements of the mix. Price is the exchange value of a good or service. An item is worth only what someone else is willing to pay for it. Pricing strategy deals with the multitude of factors that influence the setting of a price.

Types of Pricing Strategy:

| Pricing Strategy | Definition |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Penetration Pricing | Here the organization sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price. |
| Skimming Pricing | The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer. |
| Competition Pricing | Setting a price in comparison with competitors. Really a firm has three options and these are to price lower, price the same or price higher |
| Product Line Pricing | Pricing different products within the same product range at different price points. |
| Bundle Pricing | The organization bundles a group of products at a reduced price. Common methods are buy one and get one free promotions or BOGOF's as they are now known. |
| Psychological Pricing | The seller here will consider the psychology of price and the positioning of price within the market place |
| Premium Pricing | The price set is high to reflect the exclusiveness of the product. |

| | |
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| Optional Pricing | The organization sells optional extras along with the product to maximize its turnover. |
| Cost Based Pricing | The firm takes into account the cost of production and distribution, they then decide on a mark-up which they would like for profit to come to their final pricing decision. |
| Cost Plus Pricing | Here the firm adds a percentage to costs as profit margin to come to their final pricing decisions. |

6.3 Distribution strategies

When selling products what is your business' main purpose, the first thing you must do is create a demand for those products. The second is getting those products into consumers' hands. It's imperative to know how you will satisfy the demand for your product once you have created desire in the hearts of your consumers. Planning your product distribution strategy should be considered during the product development stage. The strategies you design are the means you will use to get your product/service to the consumer. Below you will find a checklist to use when designing your strategies.

| DISTRIBUTION STRATEGY CHECKLIST |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Will you introduce new distribution or delivery systems – such as home delivery, subscription delivery, free delivery to volume customers, and so on – to increase sales, serve customers, or gain advantage over competitors? |
| 2. Can you increase sales by adding new distribution channels, such as online sales, distributor relationships, or new retail outlets? |
| 3. Would your business benefit from business partnerships that allow you to achieve off-premise sales outlets in other retail settings? |
| 4. If you use or are adding distributors or representatives, do you have adequate plans for recruiting, training, motivating, and compensating them, and do you have a clear plan for assignment of territories? |
| 5. Other distribution strategy considerations... |

6.4 Sales strategies

Oliver Wendell Holmes said, "The great thing in life is not where we stand, but what direction we are moving." No matter what business you work in, a "business as usual" mindset will insure your competitors are making more money than you are. If you don't stand out from the competition you may find yourself stood up by your customers. Below you will find 8 useful Sales strategies:

Strategy 1 audit your time. How much time is consumed by routine office work someone else should be doing? Spend more time with more important tasks such as marketing strategies, improving customer relations, and implementing new strategies to expand your services.

Strategy 2. Be different and stand out from the competition. Jordan Furniture sells more furniture per square foot than any other furniture store in the nation. They transformed their family-owned business into a multi-million dollar corporation by following a principle called "shoppertainment." To surprise employees and customers, Barry and Eliot Tatleman dressed up like the Lone Ranger and Tonto and rode horses in their parking lot. They built an IMax theater inside one store to entertain children while their parents shopped. When you drive around the back to pick up your furniture they provide you free hotdogs and wash your car windows.

Strategy 3. Build relationships with your customers. For each month that goes by, customers lose 10% of their buying power. Create a customer database and contact them on a regular basis. Mail them a postcard, birthday card, sales flyer, newsletter etc. to keep your name, phone number, and service on their mind.

Strategy 4. Collect E-Mail Addresses. Get permission from your customers to use their E-mail address. Periodically send updates and notices to your client list. As long as you have their permission and avoid overuse, E-mail can be a powerful and inexpensive marketing tool.

Strategy 5. Hire top sales people. Successful businesses realize the quality of their sales staff is critical to sustaining their growth in the marketplace. A top salesperson can outsell an average one 4 to 1.

Strategy 6. Put a shopping cart on your website. Online sales are still growing at a dramatic pace. This is coming from people who want to save time, avoid crowded stores, convenience, and the ability to shop outside of store hours. Just consider E-Bay for example, which generates millions of dollars of sales each year.

It does not cost anything to set up an account on E-Bay, and you pay a proportion based on the cost of the item you are trying to sell. If you don't want to use E-bay, consider using your own shopping cart system on your website.

Strategy 7. Pay-per-click advertising. Many business owners are finding classified advertising is not an effective use of their marketing dollars. Others are finding pay-per-click advertising is an easier and cheaper way to reach a larger market. Pay-per-click will insure you receive top visibility on websites driving more customers to your door. Advertisers bid on keywords and the more popular the keyword, the more expensive each click is. Prices vary between ten cents to many dollars depending on the popularity of the word. The most popular pay-per-click advertisers are Google, Business.com, and Yahoo.

Strategy 8. Use customer service commandments to create good habits. Bates Ace Hardware store located in Atlanta created "Twenty Customer Service Commandments" modeled after the Ritz-Carlton hotels outlining specific behaviors employees are to demonstrate when dealing with customers and fellow employees. For example, "Accompany a customer to the correct aisle instead of pointing to another area of the store." They print the commandments on a small card and employees carry it with them at work.

6.5 Promotion strategies

Promotional strategies are ways companies communicate information about their products and services with the end goal of increasing sales. Examples of promotional strategies in marketing include advertising, public relations, personal selling and sponsorship.

Advertising

Advertising is a promotional marketing strategy companies use to create awareness about their products and services. The goal of advertising as a promotional strategy is to generate a response from your target customer. You can use a variety of different types of advertising: television and radio advertisements; print advertisements in newspapers, magazines and journals; direct mail advertisements in which you send marketing materials directly to a select list of customers; and outdoor advertising such as posters, banners, signs and bus ads.

Public Relations

Public Relations is a promotional strategy that seeks to establish and maintain communication and understanding between your company and the public. Public

relations is a long-term promotional marketing strategy that helps communicate positive updates about your company, product or service, and helps you control damage when a problem arises that puts your business in the public spotlight.

Personal Selling

Personal selling is another promotional strategy you can use to market your business. Personal selling involves hiring one or more sales people to manage personal customer relationships and sell your products and services.

Sponsorship is a promotional strategy in marketing in which your company pays to be associated with a certain event, cause or other organization. For example, large companies pay to sponsor professional sports teams, television events and international competitions such as the Olympics.