

# MARKETING STRATEGICO E COMUNICAZIONE

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# Designing marketing programs to build brand identity

# NEW PROSPECTIVES ON MARKETING



- The **strategy** and **tactics** behind marketing programs have changed dramatically in recent years as firms have dealt with enormous shifts in their external marketing environments.
- Changes in the economic, technological, political–legal, sociocultural, and competitive environments have forced marketers to embrace new approaches and philosophies. Some of these changes include:
  - Rapid technological developments
  - Greater customer empowerment
  - Fragmentation of traditional media
  - Growth of interactive and mobile marketing options
  - Channel transformation and disintermediation
  - Increased competition and industry convergence
  - Globalization and growth of developing markets
  - Heightened environmental, community, and social concerns
  - Severe economic recession

# NEW PROSPECTIVES ON MARKETING



- These changes have combined to give customers and companies new capabilities with a number of implications for the practice of brand management

- The new marketing environment of the twenty-first century has forced marketers to fundamentally change the way they develop their marketing programs.
- **Integration** has become a crucial factor in building and maintaining strong brands.

## Consumers

Can wield substantially more customer power.

Can purchase a greater variety of available goods and services.

Can obtain a great amount of information about practically anything.

Can more easily interact with marketers in placing and receiving orders.

Can interact with other consumers and compare notes on products and services.

## Companies

Can operate a powerful new information and sales channel with augmented geographic reach to inform and promote their company and its products.

Can collect fuller and richer information about their markets, customers, prospects, and competitors.

Can facilitate two-way communication with their customers and prospects, and facilitate transaction efficiency.

Can send ads, coupons, promotion, and information by e-mail to customers and prospects who give them permission.

Can customize their offerings and services to individual customers.

Can improve their purchasing, recruiting, training, and internal and external communication.

# PERSONALIZING MARKETING



- The rapid expansion of the Internet and continued fragmentation of mass media have brought the need for **personalized marketing** into sharp focus.
- Many maintain that the modern economy celebrates the power of the individual consumer.
- To adapt to the increased consumer desire for personalization, marketers have embraced concepts such as **experiential marketing** and **relationship marketing**.

# EXPERIENTIAL MARKETING



- ***Experiential marketing*** promotes a product by not only communicating a product's features and benefits but also connecting it with **unique and interesting consumer experiences**.
- The idea is not to sell something, but to demonstrate how a brand can enrich a customer's life.
- Pine and Gilmore, pioneers on the topic, argued over a decade ago that we are on the threshold of the "Experience Economy," a new economic era in which all businesses must orchestrate memorable events for their customers.
- Columbia University's Bernd Schmitt, another pioneering expert on the subject, notes that "experiential marketing is usually broadly defined as any form of customer-focused marketing activity, at various touchpoints, that creates a *sensory-emotional connection* to customers".

# EXPERIENTIAL MARKETING



Schmitt details **five different types** of marketing experiences that are becoming increasingly vital to consumers' perceptions of brands:

- *Sense marketing* appeals to consumers' senses (sight, sound, touch, taste, and smell).
- *Feel marketing* appeals to customers' inner feelings and emotions
- *Think marketing* appeals to the intellect in order to deliver cognitive, problem-solving experiences that engage customers creatively.
- *Act marketing* targets physical behaviors, lifestyles, and interactions.
- *Relate marketing* creates experiences by taking into account individuals' desires to be part of a social context (e.g., to their self-esteem, being part of a subculture, or a brand community).

# EXPERIENTIAL MARKETING



- In describing the increasingly more demanding consumer, Schmitt writes, “Customers want to be entertained, stimulated, emotionally affected and creatively challenged”.
- Next figure displays a scale developed by Schmitt and his colleagues to measure experiences and its dimensions. Their study respondents rated LEGO, Victoria’s Secret, iPod, and Starbucks as the most experiential brands.

## Brand Experience Scale

Source: Based on J. Joško Brakus, Bernd H. Schmitt, and Lia Zarantonello, “Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty?,” *Journal of Marketing* 73 (May 2009): 52–68.

<b>SENSORY</b>	<p>This brand makes a strong impression on my visual sense or other senses.</p> <p>I find this brand interesting in a sensory way.</p> <p>This brand does not appeal to my senses.</p>
<b>AFFECTIVE</b>	<p>This brand induces feelings and sentiments.</p> <p>I do not have strong emotions for this brand.</p> <p>This brand is an emotional brand.</p>
<b>BEHAVIORAL</b>	<p>I engage in physical actions and behaviors when I use this brand.</p> <p>This brand results in bodily experiences.</p> <p>This brand is not action oriented.</p>
<b>INTELLECTUAL</b>	<p>I engage in a lot of thinking when I encounter this brand.</p> <p>This brand does not make me think.</p> <p>This brand stimulates my curiosity and problem solving.</p>

<https://www.topinteractiveagencies.com/digital/agency/articles/10-brilliant-examples-of-experiential-marketing-campaigns/>



# RELATIONAL MARKETING



- Marketing strategies must transcend the *actual product* or *service* to create stronger bonds with consumers and maximize brand resonance.
- This broader set of activities is sometimes called ***relationship marketing*** and is based on the premise that current customers are the key to long-term brand success.
- Relationship marketing attempts to provide a more **holistic, personalized brand experience** to create stronger consumer ties.

# RELATIONAL MARKETING



Here are just a few of the basic **benefits relationship** marketing provides:

- Acquiring new customers can cost five times as much as satisfying and retaining current customers.
- The average company loses 10 percent of its customers each year.
- A 5 percent reduction in the customer defection rate can increase profits by 25–85 percent, depending on the industry.
- The customer profit rate tends to increase over the life of the retained customer.

We next review three concepts that can be helpful with relationship marketing:

- **mass customization,**
- **one-to-one marketing,**
- **permission marketing.**

# MASS CUSTOMIZATION

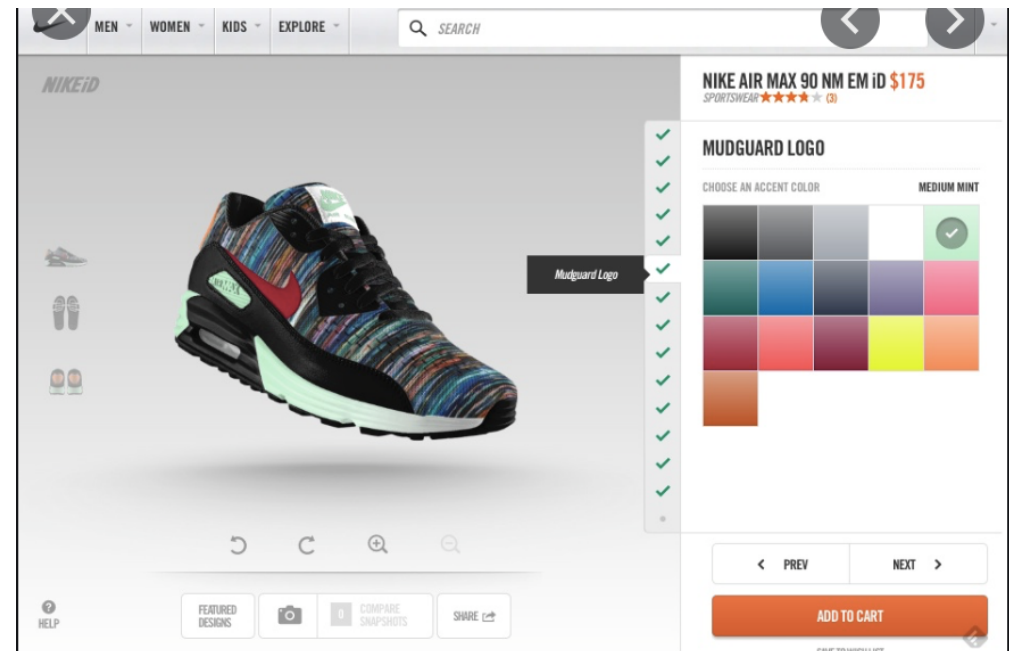


- The concept behind mass customization, namely making products to the customer's exact specifications, is an old one, but the advent of digital-age technology enables companies to offer customized products on a previously unheard-of scale.
- Customers can communicate their preferences directly to the manufacturer, which, by using advanced production methods, can assemble the product for a price comparable to that of a no customized item.
- Mass customization is not restricted to products. Many service organizations such as banks are developing customer-specific services and trying to improve the personal nature of their service experience with more service options, more customer-contact personnel, and longer service hours.

# MASS CUSTOMIZATION



- With the advent of social media, customers can now share with others what they have co-created with firms.
- For example, Nike enables customers to put their own personalized message on a pair of shoes with the NIKEiD program. Then they can share it with others for them to admire.



# ONE-TO-ONE MARKETING



The basic rationale is that **consumers** help add value by providing information to marketers; marketers add value, in turn, by **taking that information** and generating **rewarding experiences** for consumers.

The firm is then able to create switching costs, reduce transaction costs, and maximize utility for consumers, all of which help build strong, profitable relationships.

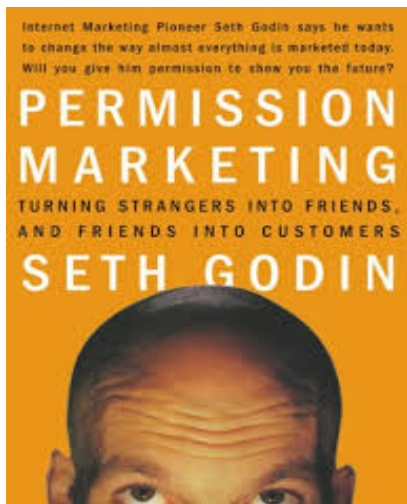
One-to-one marketing is based on several fundamental strategies:

- Focus on individual consumers through consumer databases—“We single out consumers.”
- Respond to consumer dialogue via interactivity—“The consumer talks to us.”
- Customize products and services—“We make something unique for him or her.”

Another tenet of one-to-one marketing is treating different consumers differently because of their different needs, and their different current and future value to the firm

Several examples of brands that have practiced one-to-one marketing through the years, such as Avon, Owens-Corning, and Nike. Ritz-Carlton hotels uses databases to store consumer preferences, so that if a customer makes a special request in one of its hotels, it is already known when he or she stays in another

# PERMISSION MARKETING



- Permission marketing, the **practice of marketing** to consumers only after **gaining their express permission**, was another influential perspective on how companies can break through the clutter and build customer loyalty.
- Given the large number of marketing communications that bombard consumers every day, Godin argues that if marketers want to attract a consumer's attention, they first need to get *his or her permission* with some kind of inducement—a free sample, a sales promotion or discount, a contest, and so on.
- By eliciting consumer cooperation in this manner, marketers *might develop* stronger relationships with consumers so that they desire to receive further communications in the future. Those relationships will only develop, however, if marketers respect consumers' wishes, and if consumers express a willingness to become more involved with the brand.

## RECONCILING THE DIFFERENT MARKETING APPROACHES



- **Mass customization and one-to-one and permission marketing** might be particularly effective at creating greater relevance, stronger behavioral loyalty, and attitudinal attachment.
- **Experiential marketing** would seem to be particularly effective at establishing brand imagery and tapping into a variety of different feelings as well as helping build brand communities
- One implication of these new approaches is that the traditional “marketing mix” concept and the notion of the “4 Ps” of marketing—product, price, place (or distribution), and promotion (or marketing communications)—may not fully describe modern marketing programs.
- Nevertheless, firms still have to make decisions about what exactly they are going to sell, how (and where) they are going to sell it, and at what price. In other words, they must still devise **product, pricing, and distribution strategies as part of their marketing programs.**

# PRODUCT STRATEGY



- The product itself is the **primary influence** on what **consumers experience** with a brand, what they hear about a brand from others, and what the firm can tell customers about the brand.
- For **brand loyalty** to exist, consumers' experiences with the product must at least meet, if not actually surpass, their expectations.
- We have to consider how marketers can go beyond the actual product to enhance **product experiences** and add additional value before, during, and after product use.



# PRODUCT STRATEGY – Perceived quality



*Perceived quality* is customers' perception of the overall quality or superiority of a product or service compared to alternatives and with respect to its intended purpose.

- Achieving a satisfactory level of perceived quality has become **more difficult** as continual product improvements over the years have led to heightened consumer expectations.
- Product quality depends not only on functional product performance but on broader performance considerations. Research has identified the following general dimensions: primary ingredients and supplementary features; product reliability, durability and serviceability; and style and design.
- Brand attitudes may also depend on more **abstract product imagery**, such as the symbolism or personality reflected in the brand.
- Consumer evaluations may not correspond to the perceived quality of the product and may be formed by less thoughtful decision making, such as **simple heuristics** and **decision rules** based on brand reputation or product characteristics such as colour or scent.

# PRODUCT STRATEGY – Aftermarketing



- Much marketing activity is devoted to finding ways to **encourage** trial and repeat purchases by consumers.
- Perhaps the strongest and potentially most favorable associations result from **actual product experience**—what Procter & Gamble calls the “second moment of truth” (the “ first moment of truth” occurs at purchase).
- One notable trend in marketing is the growing role of **aftermarketing**, that is, those marketing activities that occur after customer purchase.
- Innovative design, thorough testing, quality production, and effective communication are without question the most important considerations in enhancing product consumption experiences that build brand equity.
- However, they may only be necessary and not sufficient conditions for brand success, and marketers may need to use other **means** to enhance consumption experiences. Here we consider the role of **user manuals**, **customer service programs**, and **loyalty programs**.

# PRODUCT STRATEGY – Aftermarketing



## USER MANUALS

- Instruction or user manuals for many products are too often an afterthought, put together by engineers who use overly technical terms and convoluted language.
- As a result, consumers' initial product experiences may be frustrating or, even worse, unsuccessful.
- To enhance consumers' consumption experiences, marketers must develop user manuals or help features that clearly and comprehensively describe both what the product or service can do for consumers and how they can realize these benefits.
- Manufacturers are spending more time designing and testing instructions to make them as user **friendly as possible**.

# PRODUCT STRATEGY – Aftermarketing



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Instruction given by Champlain College:  
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**Place:** Tweelid/Makiba Training Room/Computer Lab  
**Class Schedule:** 9 am to 3 pm  
**Course Begins:** May 20, 2014 (6 week course (200 hrs))  
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Limited space available!

Candidates who successfully complete the program are guaranteed an interview with Morris Mohawk.

You must complete an Employment 8, Training Registration form and submit a cover letter and resume. Registration forms are available online at [www.hivest.ca](http://www.hivest.ca) or you can pick up a copy at reception of Tweelid/Makiba, Kibwele's Economic Development Commission.

**Application Deadline: ... May 2, 2014 at 6 pm (Deadline Extended)**

For more info contact Navee Beaulieu, Administrative Assistant, at: [navee.beaulieu@hivest.ca](mailto:navee.beaulieu@hivest.ca) or Tel: +860-833-4330

## CUSTOMER SERVICE PROGRAMS

- The term “aftermarketing” describes a necessary new mind-set that reminds businesses of the importance of building a lasting relationship with customers, to extend their lifetimes.
- It also points to the crucial need to better balance the allocation of marketing funds between conquest activities (like advertising) and retention activities (like customer service programs)
- Research by Accenture found that two in three customers switched companies in the past year due to poor customer service

- Customer service programs can include the sale of *complementary products* that help make up a system or in any other way enhance the value of the core product. Printer manufacturers derive much of their revenue from high-margin post-purchase items such as ink-jet cartridges, laser toner cartridges, and paper specially designed for PC printers.
- Customer service programs can be an important determinant of *profitability*. For example, roughly three-quarters of revenue for aerospace and defense providers comes from aftermarket support and related sales.

# PRODUCT STRATEGY – Aftermarketing



## LOYALTY PROGRAMS

- **Loyalty** or **frequency programs** have become one popular means by which marketers can create stronger ties to customers
- Their purpose is “identifying, maintaining, and increasing the yield from a firm’s ‘best’ customers through long-term, interactive, value-added relationships
- Firms in all kinds of industries have established loyalty programs through different mixtures of specialized services, newsletters, premiums, and incentives.
- The value created by the loyalty program creates switching costs for consumers, reducing price competition among brands.

# PRODUCT STRATEGY – Aftermarketing



## LOYALTY PROGRAMS

**Some tips** for building effective loyalty programs follow:

- *Know your audience:* Most loyalty marketers employ sophisticated databases and software to determine which customer segment to target with a given program. Target customers whose purchasing behavior can be changed by the program.
- *Change is good:* Marketers must constantly update the program to attract new customers and prevent other companies in their category from developing “me-too” programs. “Any loyalty program that stays static will die,” said one executive.
- *Listen to your best customers:* Suggestions and complaints from top customers deserve careful consideration, because they can lead to improvements in the program. Because they typically represent a large percentage of business, top customers must also receive better service and more attention.
- *Engage people:* Make customers want to join the program. Make the program easy to use and offer immediate rewards when customers sign up. Once they become members, make customers “feel special,” for example, by sending them birthday greetings, special offers, or invitations to special event .

# PRODUCT STRATEGY - SUMMARY



- Perceived quality and perceived value are particularly important brand associations that often drive consumer decisions.
- **Consumers' actual product experiences and relationship marketing has become a branding priority.**



- **Aftermarketing activities** have taken on increased importance in building customer-based brand equity.

# PRICING STRATEGY



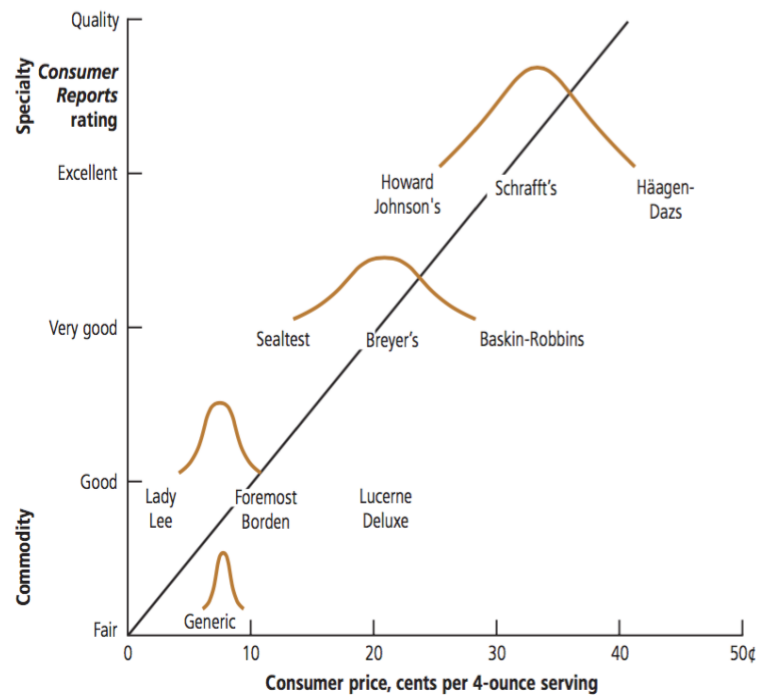
- **Price premiums** are among the most important benefits of building a strong brand and **price premiums** are among the most important benefits of building a strong brand.
- This section considers the different kinds of **price perceptions** that consumers might form, and different pricing strategies that the firm might adopt to build brand equity.



# PRICING STRATEGY – CONSUMER PRICE PERCEPTION



Consumers often rank brands according to price tiers in a category



- Figure shows the price tiers that resulted from a study of the ice cream market.
- In that market there is also a relationship between **price** and **quality**.
- Within any price tier, there is a range of acceptable prices, called **price bands**, that indicate the flexibility and breadth marketers can adopt in pricing their brands within a tier.

# PRICING STRATEGY – CONSUMER PRICE PERCEPTION



- Some companies sell multiple brands to better compete in multiple categories.
- Figure displays clothing offerings from Phillips Van Huesen that at one time covered a wide range of prices and corresponding retail outlets

- In many categories, they may infer the quality of a product on the basis of its price and use perceived quality and price to arrive at an assessment of **perceived value**.
- Consumer associations of perceived value are often an important factor in purchase decisions. Thus many marketers have adopted **value-based pricing strategies**—attempting to sell the right product at the right price—to better meet consumer wishes, as described in the next section.

# PRICING STRATEGY – SETTING PRICE TO BUILD BRAND EQUITY



Choosing a pricing strategy to **build brand equity** means determining the following:

- A method for setting current prices
- A policy for choosing the depth and duration of promotions and discounts

Factors related to the costs of making and selling products and the relative prices of competitive products are important determinants in pricing strategy

Many firms now are employing a **value-pricing approach** to **setting prices** and an everyday-low-pricing (EDLP) approach to determining their discount pricing policy over time.

# PRICING STRATEGY – Value pricing



Marketers have employed **value pricing** in various ways for years, sometimes learning the hard way that consumers will not pay price premiums that exceed their perceptions of the value of a brand.

Two important and enduring branding lessons emerged from the Marlboro episode.

- First, **strong brands can command price premiums**. Once Marlboro's price entered a more acceptable range, consumers were willing to pay the still-higher price, and sales of the brand started to increase.
- Second, **strong brands cannot command an excessive price premium**. The clear signal sent to marketers everywhere is that price hikes without corresponding investments in the value of the brand may increase the vulnerability of the brand to lower-priced competition.

In today's challenging new climate, several firms have been successful by adopting a value- pricing strategy

An effective value-pricing strategy should strike the proper balance among three key components:

- Product design and delivery
- Product costs
- Product prices

# PRICING STRATEGY – Value pricing



## Product design and delivery

- Consumers are willing to pay premiums when they perceive added value in products and services.
- Some companies actually have been able to **increase** prices by skillfully introducing new or improved “value-added” products. Some marketers have coupled well-marketed product innovations and improvements with higher prices to strike an acceptable balance to at least some market segments.
- P&G introduced (2008-2010) its most expensive Gillette razor ever, the Fusion ProGlide, by combining an innovative product with strong marketing support. Its “Turning Shaving into Gliding and Skeptics into Believers” campaign for Fusion ProGlide gave sample razors to bloggers and ran ads online and on TV showing men outside their homes given impromptu shaves with the new razor.

# PRICING STRATEGY – Value pricing



## PRODUCT COSTS

- The second key to a successful value-pricing strategy is to **lower costs** as much as possible. Meeting cost targets invariably requires finding additional cost savings through productivity gains, outsourcing, material substitution (less expensive or less wasteful materials) product reformulations, and process changes like automation or other factory improvements.
- The customer is only going to pay you for what he perceives as real value-added.
- To reduce its costs to achieve value pricing, Procter & Gamble cut overhead according to four simple guidelines: change the work, do more with less, eliminate work, and reduce costs that cannot be passed on to consumers. P&G simplified the distribution chain to make restocking more efficient through continuous product replenishment.
- Cost reductions certainly cannot sacrifice quality, effectiveness, or efficiency.

# PRICING STRATEGY – Value pricing



## PRODUCT PRICES

- The final key to a successful value-pricing strategy is to understand exactly **how much value consumers perceive** in the brand and thus to what extent they will pay a premium over product costs.
- Perhaps the most straightforward approach is to directly ask consumers their perceptions of price and value in different ways.
- The price suggested by estimating perceived value can often be a starting point for marketers in determining actual marketplace prices, adjusting by cost and competitive considerations as necessary.

# PRICING STRATEGY – Every day low pricing



- **Everyday low pricing (EDLP)** has received increased attention as a means of determining price discounts and promotions over time.
- EDLP avoids the sawtooth, whiplash pattern of alternating price increases and decreases or discounts in favor of a more consistent set of “everyday” base prices on products.
- Advocates of EDLP argue that maintaining consistently low prices on major items every day helps build brand loyalty.



# PRICING STRATEGY -SUMMARY



- To build brand equity, marketers must determine strategies for setting prices and adjusting them, if at all, over the short and long run. Increasingly, these decisions will reflect consumer perceptions of value.
- **Value pricing strikes a balance among product design, product costs, and product prices.**
- Everyday low pricing is a complementary pricing approach to determine the nature of price discounts and promotions over time that maintains consistently low, value-based prices on major items on a day-to-day basis.

# CHANNEL STRATEGY



- The manner by which a product is sold or distributed can have a profound impact on the equity and ultimate sales success of a brand.
- **Marketing channels** are defined as “sets of interdependent organizations involved in the process of making a product or service available for use or consumption”.

# CHANNEL DESIGN



A number of possible channel types and arrangements exist, broadly classified into direct and indirect channels.

**Increasingly, winning channel strategies will be those that can develop “integrated shopping experiences” that combine physical stores, Internet, phone, and catalogs.**

Consider the wide variety of direct and indirect channels by which Nike sells its shoes, apparel, and equipment products:

- **Branded Niketown stores:** Over 500 Niketown stores, located in prime shopping avenues in metropolitan centers around the globe, offer a complete range of Nike products and serve as showcases for the latest styles. Each store consists of a number of individual shops or pavilions that feature shoes, clothes, and equipment for a different sport (tennis, jogging, biking, or water sports) or different lines within a sport (there might be three basketball shops and two tennis shops).
- **NikeStore.com:** Nike’s e-commerce site allows consumers to place Internet orders for a range of products or to custom-design some products through NIKEiD
- **Outlet stores:** Nike’s outlet stores feature discounted Nike merchandise.
- **Retail:** Nike products are sold in retail locations such as shoe stores, sporting goods stores, department stores, and clothing stores.
- **Catalog retailers:** Nike’s products appear in numerous shoe, sporting goods, and clothing catalogs.
- **Specialty stores:** Nike equipment from product lines such as Nike Golf is often sold through specialty stores such as golf pro shops.

# CHANNEL DESIGN



From the viewpoint of consumer shopping and purchase behaviors, we can see channels as blending three key factors: **information**, **entertainment**, and **experiences**.

- Consumers may learn about a brand and what it does and why it is different or special.
- Consumers may also be entertained by the means by which the channel permits shopping and purchases.
- Consumers may be able to participate in and experience channel activities.

The risk in designing a hybrid channel system is having too many channels (leading to conflict among channel members or a lack of support), or too few channels (resulting in market opportunities being overlooked). The goal is to maximize channel coverage and effectiveness while minimizing channel cost and conflict.

# INDIRECT CHANNEL



- Retailers tend to have the most visible and direct contact with customers and therefore have the greatest opportunity to affect **brand equity**.
- Consumers may have associations to any one retailer on the basis of product assortment, pricing and credit policy, and quality of service, among other factors.
- Through the products and brands they stock and the means by which they sell, retailers strive to create their own brand equity by establishing awareness and strong, favorable, and unique associations.
- Retailers can have a profound influence on the equity of the brands they sell, especially in terms of the brand-related services they can support or help create.
- The **interplay** between a **store's image** and the **brand images** of the products it sells is an important one.

# PUSH AND PULL STRATEGIES



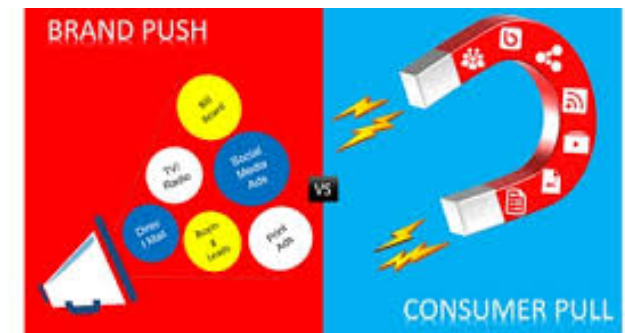
- Retailers can directly affect the equity of the brands they sell. Their methods of stocking, displaying, and selling products can enhance or detract from brand equity, suggesting that manufacturers must take an active role in helping retailers add value to their brands.
- A topic of great interest in recent years in that regard is shopper marketing.
- **Shopper marketing** emphasizes collaboration between manufacturers and retailers on in-store marketing like brand-building displays, sampling promotions, and other in-store activities designed to capitalize on a retailer's capabilities and its customers.



# PUSH AND PULL STRATEGIES



- Much conflict has also emerged in recent years between manufacturers and the retailers making up their **channels of distribution**. Because of greater competition for **shelf space** among what many retailers feel are increasingly undifferentiated brands, retailers have gained power and are now in a **better position** to set the terms of trade with manufacturers.
- One way for manufacturers to regain some of their lost leverage is to create **strong brand**.
- In this way, consumers may ask or even pressure retailers to stock and promote manufacturers' products. By devoting marketing efforts to the end consumer, a manufacturer is said to employ a pull strategy, since consumers use their buying power and influence on retailers to **"pull"** the product through the channel.
- Alternatively, marketers can devote their selling efforts to the channel members themselves, providing direct incentives for them to stock and sell products to the end consumer. This approach is called a **push strategy**.
- The most successful marketers—brands like Apple, Coca-Cola, and Nike—skillfully blend push and pull strategies.



# CHANNEL SUPPORT



- A number of different services provided by **channel members** can enhance the value to consumers of purchasing and consuming a brand name product
- Establishing a “marketing partnership” with retailers may nevertheless be critical to ensuring proper channel support and the execution of these various services.

Marketing research	Gathering information necessary for planning and facilitating interactions with customers
Communications	Developing and executing communications about the product and service
Contact Matching	Seeking out and interacting with prospective customers Shaping and fitting the product/service to the customer's requirements
Negotiations	Reaching final agreement on price and other terms of trade
Physical distribution	Transporting and storing goods (inventory)
Financing	Providing credit or funds to facilitate the transaction
Risk-taking	Assuming risks associated with getting the product or service from firm to customer
Service	Developing and executing ongoing relationships with customers, including maintenance and repair

Two important components of partnership strategies are **retail segmentation activities** and **cooperative advertising programs**.



# CHANNEL SUPPORT – Retail segmentation

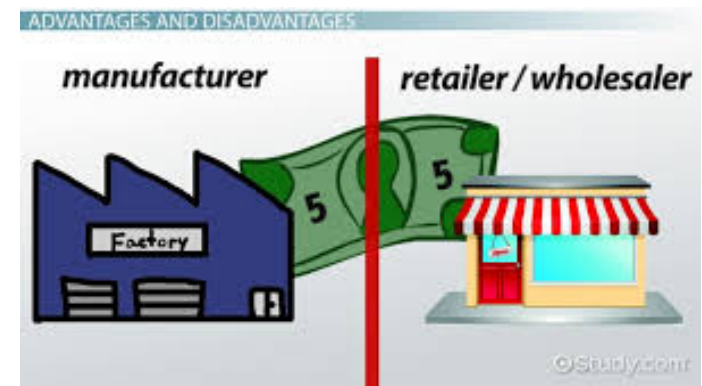


- **Different retailers** may need different product mixes, special delivery systems, customized promotions, or even their own branded version of the products.
- **Branded variants** have been defined as **branded items** in a diverse set of durable and semi- durable goods categories that are not directly comparable to other items carrying the same brand name.
- Manufacturers create branded variants in many ways, including making changes in color, design, favor, options, style, stain, motif, features, and layout.
- For example, portable stereo “boom boxes” from brands like Sony, Panasonic, and Toshiba come in a broad assortment of variants, varying in speaker size, total weight, number of audio controls, recording features, and SKU number.
- Branded variants are a means to reduce **retail price competition** because they make direct price comparisons by consumers difficult.

# CHANNEL SUPPORT – Cooperative advertising



- A manufacturer pays for a portion of the advertising that a retailer runs to promote the **manufacturer's product** and its availability in the retailer's place of business.
- Manufacturers generally share the cost of the advertising on a percentage basis up to a certain limit but usually **50–50**.
- The rationale behind cooperative advertising for manufacturers is that it concentrates some of the **communication efforts** at a **local level** where they may have more relevance and selling impact with consumers.
- There is a danger that the emphasis in a co-op ad may be on the store or on a particular sale it is running rather than on the brand.



# DIRECT CHANNEL



## Company-Owned Stores

- To gain control over the **selling process** and build stronger relationships with customers, some manufacturers are introducing their own retail outlets, as well as selling their product directly to customers through various means.
- Company stores are a means to showcase the brand and all its **different product varieties** in a manner not easily achieved through normal retail channels.
- A disadvantage of company stores is that some companies lack the skills, resources, or contacts to operate effectively as a retailer.
- Another issue with company stores, of course, is potential conflict with existing retail channels and distributors.

## Store within a store

- Dual benefits of appealing retailers—and perhaps even allowing them to benefit from the retailer's brand image—while at the same time allowing the firm to retain control over the design and implementation of the product presentation at the point of purchase

# ON LINE STRATEGIES



- The advantages of having both a physical “brick and mortar” channel and a virtual, online retail channel are becoming clearer to many firms.
- **Integrated channels** allow consumers to shop when and how they want.
- Many consumers value the convenience of ordering from companies online or over the phone and picking up the physical product at their local store rather than having it shipped.
- Many consumers also like the convenience of being able to access their online account inside the store and use Internet kiosks to research purchase decisions in the store itself integrating channels does not benefit only consumers.
- Analysis (JCPenney Customer Channel Value Analysis) reveal that the most profitable customers were those who shopped multiple channels.

# CHANNEL STRATEGY - SUMMARY



**Indirect channels** can influence brand equity through the actions and support of intermediaries such as retailers, and the transfer of any associations that these intermediaries might have to the brand. →

Channel activities can encourage trial purchase and communicate or demonstrate product information, to build brand awareness and image and to elicit positive brand responses.

**Direct channels** can enhance brand equity by allowing consumers to better understand the depth, breadth, and variety of the products associated with the brand as well as any distinguishing characteristics.