

Marketing Mix - Promotion

Activity 16.1 (page 297): Toshiba drops HD DVD after promising start

- 1 *Explain why the typical product life-cycle concept is of limited use in cases such as Toshiba's HD DVD product. [8]*

Answers may include explanation of:

Definition of the product life cycle: this is the concept that all products follow a similar pattern from development to growth, maturity and decline. The concept may be of limited use in cases such as Toshiba's HD DVD product because:

- The pace of technological development is difficult to predict and, therefore, the length of each phase of the life cycle is uncertain.
- There was competition from a different technological format, Sony's Blu-ray, meaning that it was quite likely that one format would fail. Marketing managers at Toshiba could not be certain whether Toshiba's DVD format would be taken up by consumers.
- The winning format in the end depended on the decision of the major film-producing companies: a decision that Toshiba could influence, but not control. This external factor meant that once the companies unexpectedly decided to drop the Toshiba format, its market disappeared overnight. This was long before the format was expected to experience sales decline.
- While there was a battle between Sony and Toshiba, many consumers were reluctant to adopt either format. Following Toshiba's withdrawal of its HD format, sales of Blu-ray players exploded.

PLC – limited use

Pace of change

Competition

External decisions

- 2 Sony has already made sure that its PlayStation games consoles have built-in Blu-ray players. Evaluate any **two** further extension strategies the company could introduce for their DVD-format product. [10]

Extension strategy	Commentary
Product relaunch including new packaging/designs	<ul style="list-style-type: none"> • Packaging is often used to brighten up products to revitalise sales. However, in the case of Blu-ray players, the packaging is less likely to be a significant attraction to customers. Thus, although new packaging is a cheap extension strategy, it may be of limited value for electronic products. • However, bringing out new designs or producing the product in new colours could boost sales before the product needs to be replaced. This strategy has been used

Launch in new markets	<ul style="list-style-type: none"> • Blu-ray could be launched in new markets where adoption of newer technologies is much slower. For example, many electronic products are launched in Japan long before Western European markets. Sony may be able to carry out a similar strategy with regard to e.g. some African markets.
Increased advertising	<ul style="list-style-type: none"> • New forms of advertising and promotion can be developed to extend sales. For example, competitions are often used by firms to generate interest in already established products. This has been done by Kellogg's to boost sales of cereals.
Adding value	<ul style="list-style-type: none"> • This would involve Sony adding new features to Blu-ray, using existing technologies: for example, a Blu-ray player that can connect to the internet and download movies onto disk. This has the benefit that it might encourage existing owners of Blu-ray players to replace their models. Thus, the sales potential may be high even if the market is saturated.

Evaluation may consider:

- cost of the strategy
- impact on sales in short and long term.
- Likelihood of new competitors entering the market with a more advanced product.

Packaging – limited use
Produce colour change

New markets – Africa

Increased promotions - competitions

Adding value – perhaps internet connectivity; download movies;

Activity 16.6 (page 305): Does the price fit?

- 1 Calculate the profit made by Hartwood last year. [3]

$$\text{profit} = \text{revenue} - \text{costs}$$

$$\begin{aligned}\text{revenue} &= 6 \times 400,000 \\ &= \$2.4\text{m}\end{aligned}$$

$$\begin{aligned}\text{total costs} &= \text{fixed cost} + \text{total variable costs} \\ &= 200,000 + (400,000 \times 3) \\ &= \$1.4\text{m}\end{aligned}$$

$$\begin{aligned}\text{profit} &= 2.4\text{m} - 1.4\text{m} \\ &= \$1\text{m}\end{aligned}$$

- 2 *What was the contribution per cap last year? [1]*

$$\begin{aligned}\text{contribution per cap} &= \text{price} - \text{variable cost} \\ &= 6 - 3 \\ &= \$3\end{aligned}$$

- 3 *What price would be charged if full-cost pricing was used and 100% mark-up added to unit cost? [3]*

$$\begin{aligned}\text{average total cost} &= \text{total cost} \div \text{quantity} \\ &= 1.4\text{m} \div 0.4\text{m} \\ &= \$3.50 \\ \text{add 100\% mark-up: price} &= 3.50 \times 2 \\ &= \$7\end{aligned}$$

- 4 Refer to your answer to 3. Advise the firm on what factors it should consider before fixing the price at this level. [4]

Factors to consider might include:

- The reaction of the two big sports firms – will they switch to other manufacturers? Can the sports firms pass on the price increase to the consumer?
- Price elasticity of demand – this will affect the level of demand if the price is increased. If demand is price inelastic, then an increase in price will increase revenue. If demand is price elastic, then the increase in price will reduce demand significantly and revenues will fall.
- The degree of competition – the more competitors there are, the more likely it is that demand will be price elastic.
- Fixed costs and profit margin – a reduction in demand will reduce the capacity utilisation and, therefore, increase the average fixed cost per hat sold.
- Likely reaction of competitors to the increase in price – if competitors increase their prices, then there will be less impact on the demand for Hartwood Hats.

- 5 *If there were a 50% increase in variable costs and the contribution was lowered to \$2, what profit would be made if sales remained unchanged? [4]*

A number of approaches can be taken to answer this question.

Calculating profit using contribution:

$$\text{profit} = \text{total contribution} - \text{fixed costs}$$

As the contribution is just \$2, then the total contribution will be $400,000 \times 2 = \$800,000$.

Therefore:

$$\text{profit} = 800,000 - 200,000 = \$600,000$$

Calculating profit from revenue and costs:

$$\text{profit} = \text{revenue} - \text{total costs}$$

Unit variable cost will be $\$3 + 50\%$

$$= 3 \times 1.5$$

$$= \$4.5$$

Total variable cost will be $4.5 \times 400,000$

$$= \$1.8\text{m}$$

OR

Total variable costs will now be $\$1.2\text{m} + 50\%$, that is $1.2 \times 1.5 = \$1.8\text{m}$

A contribution of \$2 means that the selling price is \$6.50

Thus, profit = $(400,000 \times 6.50) - (200,000 + 1,800,000)$

$$= 2,600,000 - 2,000,000$$

$$= \$600,000$$

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iPad mini

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9.4:1
67.0mm x 53.0mm
Electric
5-speed, constant mesh
Oil damped, leading axle

Oil damped, 5 load settings

160mm (6.3")
Hydraulic caliper double discs
Hydraulic caliper disc
3.25-H19-4PR
4.00-H18-4PR
Wet sump
19 lit (5.0 Gal)
3.2 lit (3.4 Qt)
2,240mm (88.2")
870mm (34.3")
1,170mm (46.1")
1,520mm (59.8")
233kg (514 Lbs)
Silver, Blue

Engine Type

Displacement
Carburetor

Compression Ratio
Bore and Stroke
Starter System
Transmission
Suspension: Front

Suspension: Rear

Ground Clearance

Brakes: Front
Brakes: Rear
Tires: Front
Tires: Rear
Lubrication System
Fuel Tank Capacity
Engine Oil Capacity
Length
Width
Height
Wheelbase
Dry Weight
Color

GS-1100ET

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4, constant velocity, Mikuni BS34SS
9.5:1
72.0mm x 66.0mm
Electric

5-speed, constant mesh
Air type, oil damped, leading axle, 4 damping adjustments, 4 load settings

Boxed aluminum swing arm, oil damped, 4 damping adjustments, 5 load settings
155mm (6.1")

Hydraulic caliper double discs

Hydraulic caliper disc
3.50-V19-4PR
4.50-V17-4PR
Wet sump
19 lit (5.0 Gal)
3.2 lit (3.4 Qt)
2,245mm (88.4")
870mm (34.3")
1,190mm (46.9")
1,520mm (59.8")
243kg (536 Lbs)
Silver, Red

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Kellogg's ad campaign **“have you forgotten how good they taste?”**



We all know the product...we just need reminding

This is mostly in response to competition: Pepsi and other drinks do the same



Notice anything?

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The logo for Iceland, featuring the word "Iceland" in white, bold, sans-serif font, centered within a rectangular box with a red-to-orange gradient background.

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Stars of the smaller screen

Chinese online-video services

Website	Traffic*, Sep 2013, m	Highlights
Youku Tudou	309	Merger of Youku and Tudou in Aug 2012
Sohu	254	Rumours that it may buy Kankan, another video service
QQ TV	251	Owned by Tencent
Baidu (iQiyi)	168	Bought PPS for \$370m in May, partnering to make a set-top box
LeTV	162	Developed a set-top box and internet TV
PPTV	137	Suning and Hony invested \$420m in Oct

Sources: iResearch;
press reports

*Unique monthly visitors

Good for firms - can measure

- exactly **how many** views;
- time spent on the site; what people watched;
- which websites they used before and after
- **'cookies'** gather data about users. This is what you often 'pay' for 'free'

Safe as houses
Strongest property growth in three years
Property PI

Code-breakers
Personal gene maps become latest luxury item
Behind the News A13



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Judgment day. US Democratic presidential candidate Hillary Rodham Clinton gestures to the heavens during a rally in Austin, Texas. Senator Clinton's performance in the Texas primary could be decisive in her race for the party nomination against Senator Barack Obama. Photo: AP

NPC official defends China's plan to increase military spending 17pc

Josephine Ma in Beijing and **Lawrence Hsu** in Taipei

China will spend 17 per cent more on its military this year, but Beijing says the rise is a defensive measure. The increase of the figure is part of the government work report to be delivered to the nation's legislature, even as the US called for Chinese arms curbs.

China's military spending rose 17 per cent in 2007, according to the SIPRI, a Stockholm-based arms control think tank. The report says that the increase was needed to replace equipment, but also to improve the military's readiness.

The SIPRI said the increase accounted for only 1.4 per cent of gross domestic product and 72 per cent of total military spending in the US, France, India and Israel.

US arms control experts have expressed concern about China's growing military budget and believe it shows a move toward independence.

David Sedes, US deputy assistant secretary of defense at the Pentagon, said on Monday that Beijing needed to explain more. "China's military build-up has been characterized by opacity, but there is not much by which we can judge the military's needs and how they fit together with the capabilities that China is acquiring with the transition."

Edison would be wise to keep his nose clean

Victoria Che

It may take a long time for Edison Chen to get his nose clean, but he is trying to get it done. The former star of the movie "The Hot Chick" is reportedly working to clear his name from the internet. A report of his alleged affair with a Hong Kong public figure has been widely reported.

The report, which was published in a magazine, said that he had had an affair with a woman who was a public figure. The report also said that he had had an affair with another woman who was a public figure.

News Digest

Business	City	City
No 2 at BOJCOO pits The deputy chief executive of the Bank of China (Shanghai) has resigned two months after his much publicized fall from grace. The resignation sparks speculation that the bank's chief executive, Wang Yi, will be replaced by another senior executive.	Advice on public space The government's new book legal advice on the right to use public space is expected to be published in the next few months. The book will provide guidance on how to use public space, such as parks and squares, and will be available in both Chinese and English.	Family blames hospital for girl's death The family of a young girl who died in a hospital in Hong Kong has accused the hospital of negligence. The family says that the hospital failed to provide adequate care for the girl, and that the hospital's staff were negligent.
2.8 BOJCOO pits The deputy chief executive of the Bank of China (Shanghai) has resigned two months after his much publicized fall from grace. The resignation sparks speculation that the bank's chief executive, Wang Yi, will be replaced by another senior executive.	Advice on public space The government's new book legal advice on the right to use public space is expected to be published in the next few months. The book will provide guidance on how to use public space, such as parks and squares, and will be available in both Chinese and English.	Family blames hospital for girl's death The family of a young girl who died in a hospital in Hong Kong has accused the hospital of negligence. The family says that the hospital failed to provide adequate care for the girl, and that the hospital's staff were negligent.
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Care options 'buy time' until poll

Ideas but no plan in health reform paper

Ellie Lee

Health officials will next week present the public with six options for future health financing - including higher taxes and various medical schemes - rather than set a goal to start long-term reform by the end of the year.

The document, seen as a "blueprint of basic principles," is being pushed out partly to ease government reform momentum and partly to give the public a chance to voice their views, even though officials acknowledge the reform plans are not ready, so far, to be put into effect.

The target is to push better-off people to seek services in the private sector.

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Additional reporting by Reuters

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世界解读胡锦涛回答提问

胡锦涛在两会期间回答了中外记者的提问，其中关于中美关系和货币体系的讨论成为焦点。胡锦涛表示，中国将坚持走和平发展道路，同时也会坚定维护国家利益。在货币体系方面，中国将积极参与国际货币体系的改革，推动人民币国际化。



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省第十一次
党代会主席团

举行第三次会议

本报讯(记者 张琦) 5月23日下午,中国共产党陕西省第十一次代表大会主席团在陕西宾馆举行第三次会议,赵乐际同志主持会议。会议听取了各代表团讨论两个《决议》(草案)情况的汇报,通过了两个报告的《决议

(草案)。接着,会议通过了大会《选举办法》,通过了省委十一届委员、省纪委委员候选人预选名单,通过了我省出席党的十七大代表候选人预选名单,通过了预选监察人、总监票人、副总监票人名单。

省第十一次
党代会主席团

举行第四次会议

本报讯(记者 张琦) 5月23日晚,中国共产党陕西省第十一次代表大会主席团在陕西宾馆举行第四次会议,赵乐际同志主持会议。会议通过了省委十一届委员、省纪委委员

候选人名单,通过了我省出席党的十七大代表候选人名单,通过了大会选举监察人、总监票人、副总监票人名单。

孙清云在参加西安代表团讨论时指出 实现率先发展为建设 西部强省做贡献

本报讯(记者 张琦) 5月21日下午,孙清云同志在参加省第十一次党代会西安代表团讨论时指出,在建设西部强省的进程中,西安要自觉肩负起率先发展的责任,真抓实干,狠抓落实,努力为建设西部强省多做贡献。

孙清云说,赵乐际同志所作的报告立意高远、主题鲜明、结构清晰、文风朴实,报告把“推动科学发展,促进社会和谐”作为主题,这是时代的要求、历史的责任、人民的期盼,完全符合中央精神,符合陕西实际。这次党代会提出建设西部强省的奋斗目标,是一个综合性、前瞻性、惠及全省人民的发展目标和总体要求,是一个符合经济社会发展规律,符合我省改革发展稳定实际的目标。陕西是科教大省,也是文化大省,科教和文化是陕西实现又好又快发展最大的潜在优势,是构成陕西核心竞争力的重要支撑,是推动科学发展、促进社会和谐这一主题的重要组成部分。把科教、文化优势和潜能进一步发挥和释放出来,转化为产业和发展上的优势,实现“科教强”、“文化强”,是我们科学发展、加快发展正确的战略选择,是我们必须勇于担责的重要使命。报告还对经济、政治、文化、社会和党的建设各个方面作了全面安排部署,重点突出,措施具体,有很强的可操作性。

孙清云说,报告在对全省工作进行全面部署的同时,也对西安的发展提出了明确要求。我们要认真学习好大会报告,宣传好大会精神,落实好大会提出的各项任务,努力为建设西部强省多做贡献。

陈宝根在西安代表团讨论报告时强调 鼓励支持全民创业 增加城乡居民收入

本报讯(记者 张琦) 日前,陈宝根同志在西安代表团讨论审议省党代会报告时强调,要进一步解放思想,更新观念,做好服务,鼓励支持全民创业,在增加城乡居民收入方面走在全省前列。

陈宝根表示,省第十一次党代会报告主题突出,目标明确,是一个全面体现科学发展观,强调社会和谐,高度关注民生的好报告,是一个能够指导陕西未来五年加快发展,科学发展的好报告。西安作为省会和西部中心城市,在全省经济发展中具有重要的地位,肩负着重要的责任。贯彻落实好党代会报告,实现西安加快发展率先发展,既是省委和全省人民的期望和要求,也是西安广大干部群众的历史责任。

陈宝根强调,报告中提出增加收入是城乡居民的共同要求,这是科学发展、社会和谐、关注民生的根本。我们要重点做好五个方面的工作:一、进一步解放思想,更新观念,增强全民的创业意识,激发全民的创业热情,毫不动摇地鼓励、支持和引导非公有制经济发展;二、做好金融服务,各级政府要创造良好的服务环境,减少审批,简化手续,提高效率,下决心再取消和调整一批行政审批项目;三、做好就业服务,认真抓好针对城市“零就业家庭”等就业困难群体的公益性岗位的开发工作,确保每年新增就业岗位8万个以上;四、做好金融服务,加快西安金融中心建设,为企业做好信息、技术、担保等方面的服务,进一步做好面向城市下岗失业人员和农民的信贷服务。五、提供法律服务,保证大家在法律规定的范围内通过自己的劳动创业增加收入。解决好群众反映强烈的突出问题,对困难群众提供法律援助,维护公平正义的发展环境。

下月20日前全市建筑垃圾清运车辆都要加装GPS监控系统

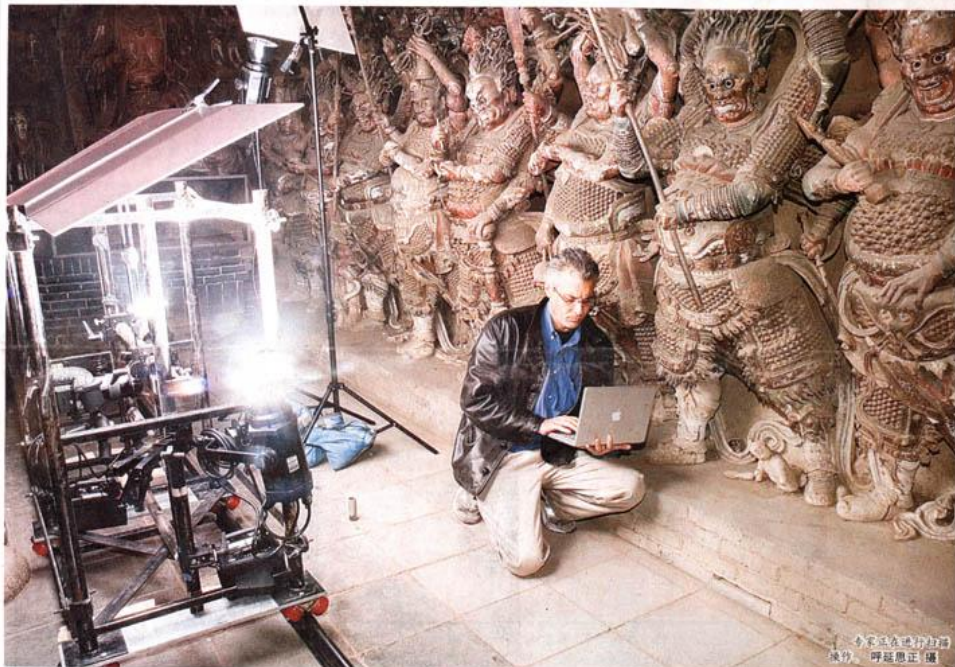
渣土车也要装黑匣子

随意倾倒最高罚5万 超速行驶罚2000元

5版

中美合作全方位
拍摄高精度照片

数字化保存水陆庵



李学斌在进行水陆庵数字化保存工作



The **cinema** has a 'captive audience': people can't switch over the channel!



Billboards –modern billboards has technology that allows them to change according to demand

FARM JOURNAL

PRODUCTION • POLICY • TECHNOLOGY

OCTOBER 2009

Steps To Strip-Till Success

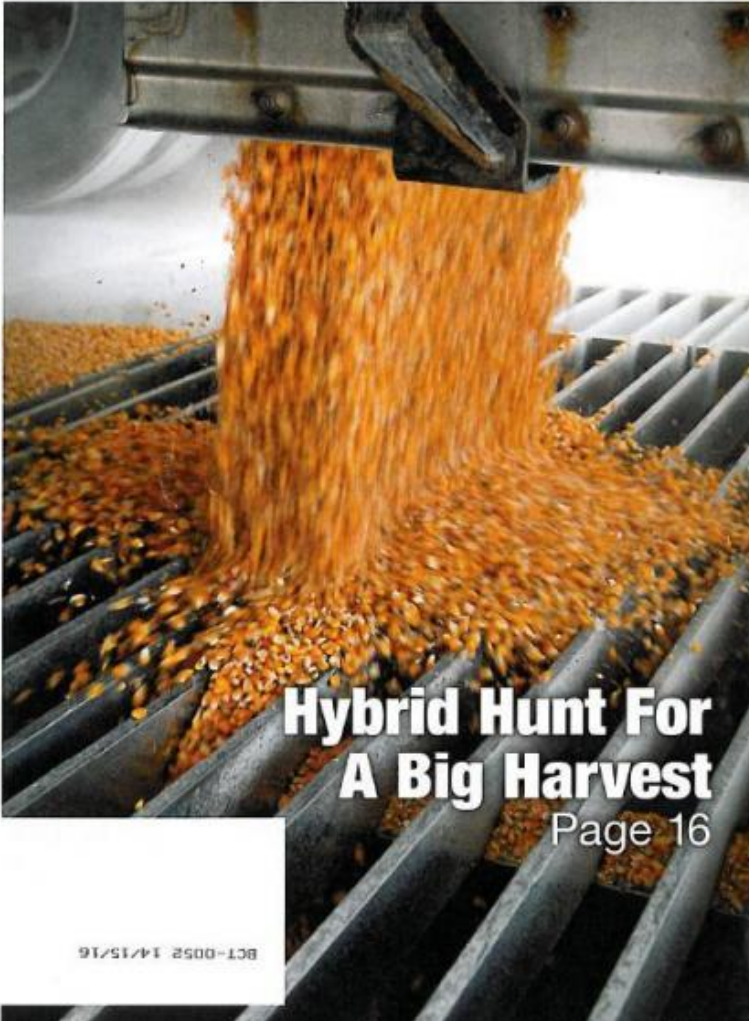


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Spotlight On Fertility For Soybeans



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Hybrid Hunt For A Big Harvest

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Industry journals:

often read by the right people







Trade fair



Mostly B2B but there are also B2C





Ellen MacArthur and the Kingfisher-sponsored boat; sponsorship of this boat in a well-publicised race secured 'free' publicity worth \$200 million



Product launch – free publicity for Apple



Press conference for Alibaba



Lei Jun

Activity 17.3

Read the case study below and then tackle the exercises that follow.

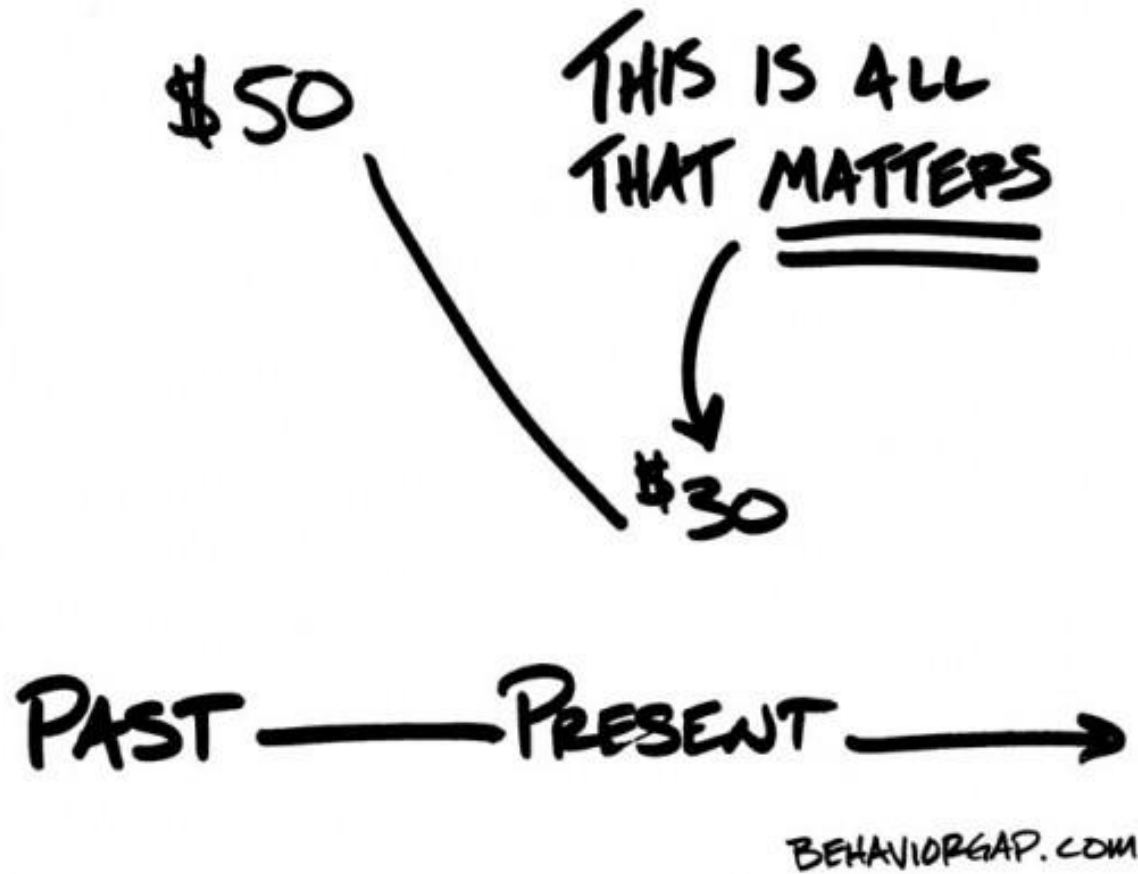
Does sales promotion work?

A survey of over 200 supermarket shoppers in Hong Kong found that some sales promotions worked better than others. Price discounts and buy-one-get-one-free offers were felt by consumers to be the most effective promotional tool for encouraging consumers to bring purchases forward (buying this week rather than next week), stockpiling and spending more. In-store displays and demonstrations were felt to be effective in encouraging consumers to try a product for the first time. Loyalty cards and rewards for spending more were effective in encouraging consumers to buy just from one store. Competitions and games, in contrast, were felt to be ineffective in terms of generating all types of consumer response. A supermarket manager said: 'We

have to be careful with the cost of sales promotions – if they reduce our profits through the cost of them, but fail to lead to longer-term increases in sales or brand switching, are they really worthwhile?'

[AS/A level – 20 marks, 25 minutes]

- 1 Explain why it is important for shop managers to compare the cost and effectiveness of sales promotions. **[8]**
- 2 Assume you are a supermarket manager. You have been asked by head office to promote one very profitable brand of breakfast cereal. Which sales promotions would you use for this product? Explain and justify your answer. **[12]**



People use **\$50** as an anchor (starting point) and then **assume** they have saved \$20
They justify their purchase to themselves or other people through this

Companies mostly set high **anchors** in order to 'discount' later



Companies understand people's purchasing behaviour **better** than themselves:

Customer relationship management allows this through **loyalty cards**, **data mining**, **marketing analytics**



Brand extension





Paul Smith 男装











Combination of packaging, innovation and brand extension



Paul Smith 男装



Paul Smith

Branding through colours



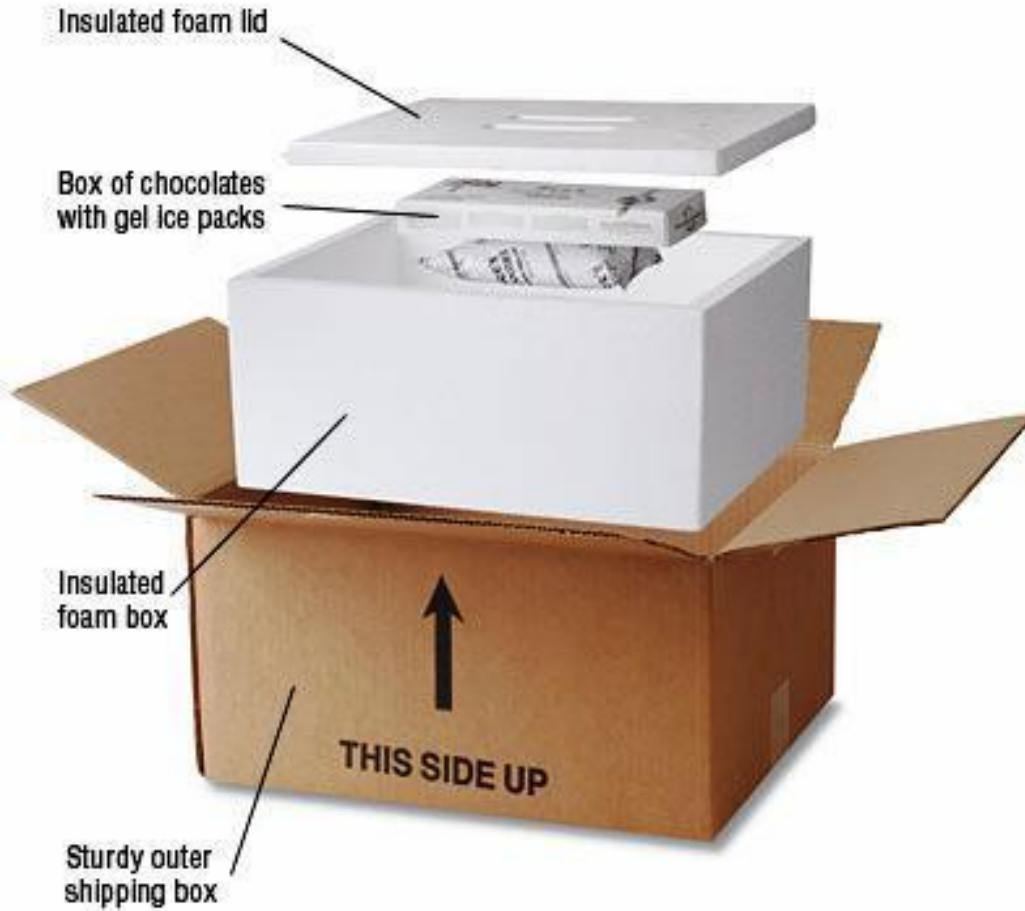
Consumer markets versus industrial markets

- *Specialist magazines or journals*
- *Very clear and specific targets*
- *Trade fairs*
- *Trade promotions could be **financing deals** to aid firms with the purchase of expensive equipment*
- *Other **important** marketing mix factors could be:*
 - *Focus on price, reliability of delivery*
 - *Selling many to the few (opposite to many to the few)*
 - *Focus on specifications - offering solutions*

Packaging – Adding value

Luxury chocolates: special packaging adds more value as perceived by the consumer





Protection and contain the product

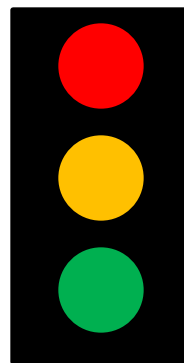
Tetra Pak



British 'Traffic Light' system:

Easy for customers

Law requires it



Red = Bad

Amber/Orange = Okay, caution

Green = Good



Old packaging versus the new

What is the difference?



Packaging

Promotion of seasonal products – Starbucks presents the red colour



Cosmetics



Consider packaging of Baijiu and Moon cakes in China



However, the government has moved towards **banning** 'excessive' packaging

According to the new rules about restricting the over-packaging of goods, there cannot be more than **three layers on a package**.

And the cost of the packaging **cannot exceed 15 percent** of the sales price

Firms will now have to find a way around this...perhaps gaining an advantage



Hot When You Want: claims to be the biggest innovation since instant coffee

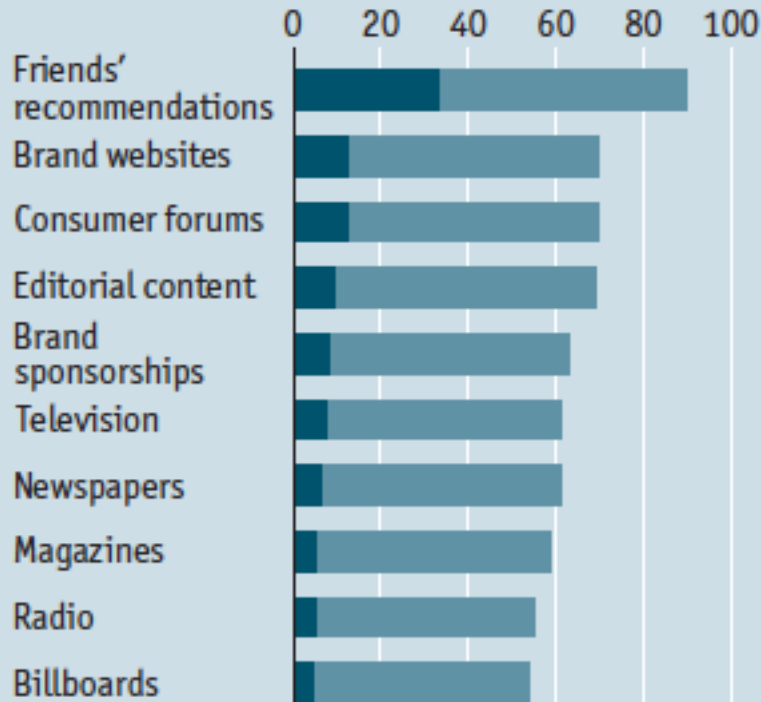
In friends we trust

5

Global consumer trust in advertising, Q1 2009
% of respondents

Trust completely

Trust somewhat



Source: Nielsen

Word of mouth: *probably the most powerful marketing tool - Kotler*



S-commerce = Social commerce

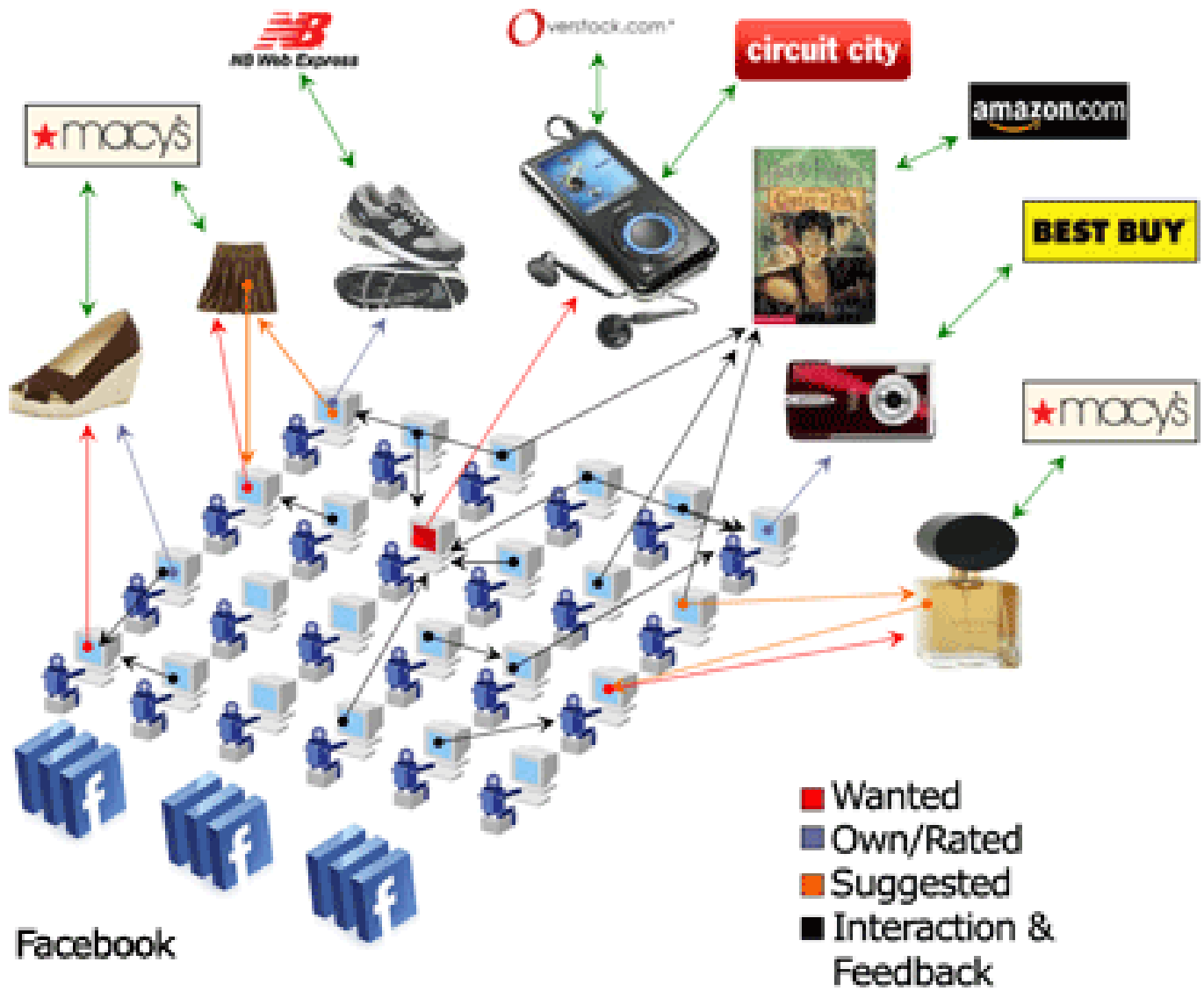


twitter

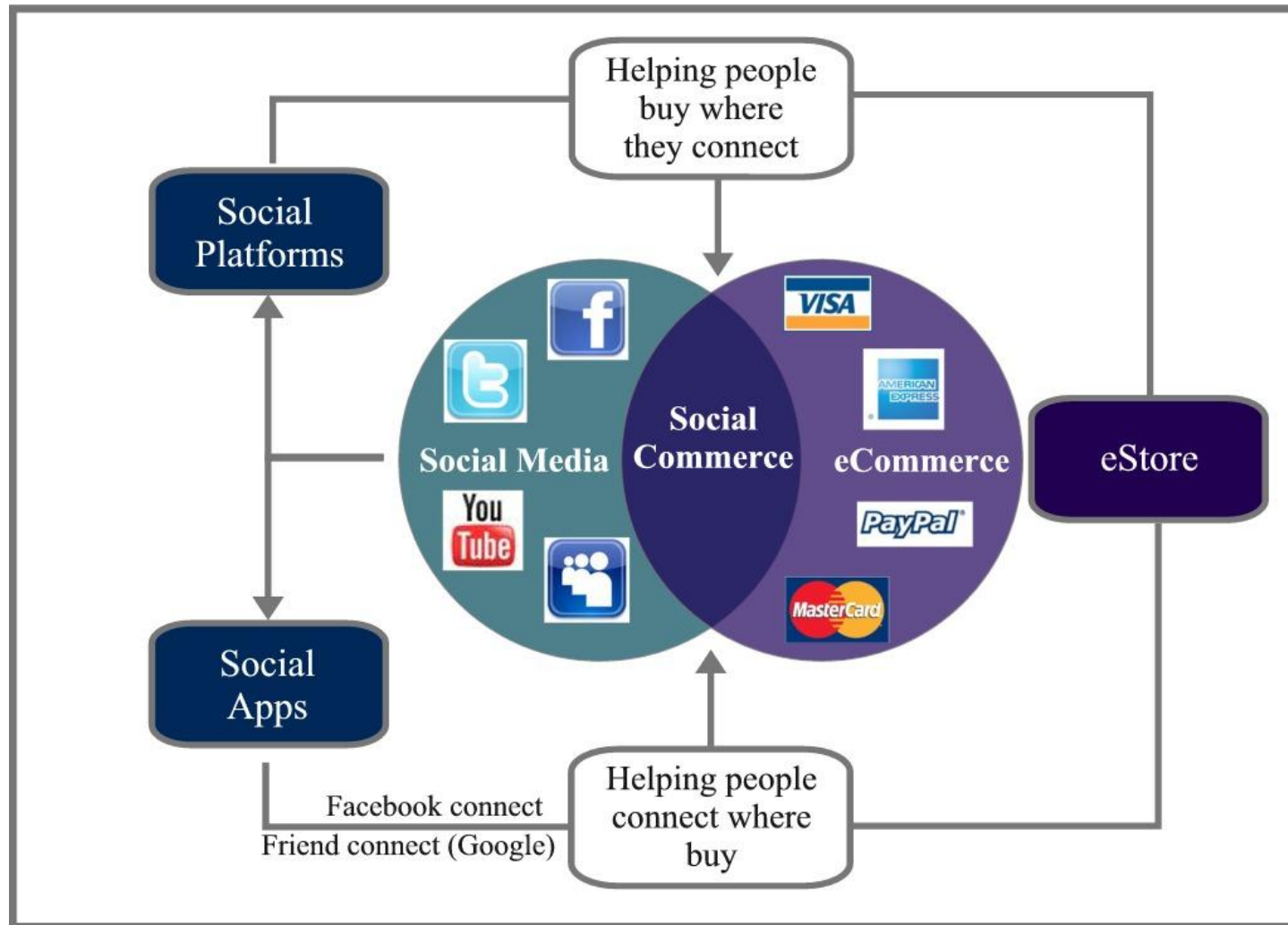


flickr™





Facebook



Cross between promotion and place

Payment



iffeelgoods

living**social**



amazon.com[®]

GROUPON

PayPal[™]

facebook

ebay

Etsy

bing[™]







Specifications

- **Screen:** 5.9in full HD LCD
- **Processor:** 1.7GHz quad-core Qualcomm Snapdragon 600
- **RAM:** 2GB of RAM
- **Storage:** 16/32GB plus microSD slot supporting up to 64GB cards
- **Operating system** Android 4.3 with HTC Sense
- **Camera:** 4MP UltraPixel rear and 2.1-megapixel front-facing camera
- **Connectivity:** LTE, Wi-Fi (n/ac), NFC, Bluetooth 4.0, IR and GPS
- **Dimensions:** 164.5 x 82.5 x 10.29 mm
- **Weight:** 217g

Unlocked Convenience

Users unlock their phones over 20 times a day on average. The HTC One max removes this hassle with a rear-side fingerprint scanner that unlocks the phone as well as launches your favorite apps with a single finger swipe. Up to three fingers can be registered. Forget complicated passwords, with the HTC One max, you're just a swipe away.



HTC BoomSound™: Unleashed Sound

Unchain your audio with volume blasting toward you, not away. Serve up your movies, videos, and music with the decibels you deserve from dual frontal stereo speakers boosted with built-in amps. Stop stooping toward your phone and put your content onstage with HTC BoomSound™.



HEAR
HTC BOOMSOUND

