

MARKETING AND SALES

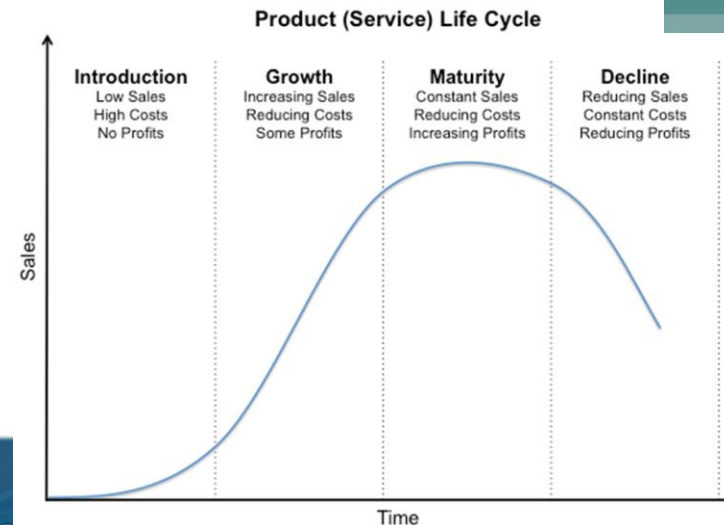
BMGM5001

PRICE

Week 4

RECAP FROM LAST WEEK: PRODUCT

- Product and services
- Products re: basic, augmented and perceived
- Product lifecycle

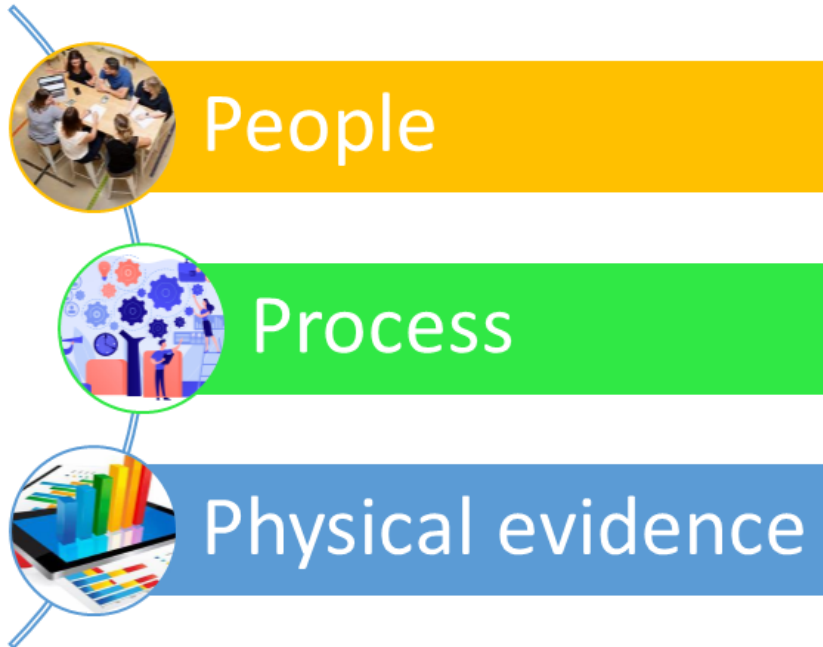


4 P's Marketing MIX



(McCarthy, 1960)

3 extras P's



(Booms & Bitner, 1981)



Scan the QR code and have a go at the quiz

https://quizizz.com/admin/quiz/5e8e8df73614f8001b5b1d90?source=quiz_share

ASPECTS TO SETTING PRICE

Discussion

- What things do you think a company has to take into consideration when setting their prices?
- Value
- Competitor set (positioning)
- Customer's mindsets
- Internal variables (costs etc.)
- Environment (incl. legal, governmental etc.)
- Distribution



Value propositions

A value proposition is the “the full mix of benefits on which a product is differentiated and positioned. It is the answer to the customer’s question ‘why should I buy your product?’” - Kotler et al. (2018, p.232).

To know the answer to this we’re going to consider the following:

- Brand positioning
- Objective/subjective positioning
- Perceptual positioning maps
- Competitive advantage and USP
- Positioning statements



Positioning: what is it?

Positioning is “the way a product is defined by consumers [based] on important attributes – the place it occupies in consumers’ minds relative to competing products”

- Kotler et al. (2018, p.228)

This is made up of:

- Feelings
- Impressions
- Perceptions

All in relation to other competing products/services/Events.



POSITIONING STRATEGIES

These are designed to answer two questions

1. Against who should a brand position?

There are usually other brands in the same competitive set:

Holiday inn Express competes against Hampton Inns (Hilton Brand) Domino's pizza competes against Papa Johns Pizza- they are in **direct** competition in the same product class.

2. How should a brand position?

The answer provides the basis for a brands competitive efforts. Burger King and McDonald are **direct competitors** in the burger market.

McDonalds dominates the Burger fast food product class but Burger King saw a market position as 'The competitor'. This happens often as brand rivalry can drive the market demand. E.g Coca-Cola-Pepsi.

Burger King has long positioned itself as the competitor which offers a unique feature of their products (being flame grilled!). However, McDonald has now introduced its '**create your taste**' initiative where customers can customise their burger **using electronic ordering screens...** *Burger King may need to rethink its positioning!*

The mind of the customer...

These 'maps' of the consumers mind are not limited to 2 fixed variables, this map can use any qualities consumers find important when examining a market.

E.g, for a phone it could be speed 'X' and storage 'Y' for cereal it could be taste 'X' and calories 'Y', etc..

Shows the relationship between competitors' offerings and the criteria that consumers use when making purchase decisions

Enables an organisation to know where consumers place them in relation to competitors.





Using Visual Paradigm [the QR code takes you there], make a mind map of UK restaurant brands (You choose the variables 'X'/'Y' based on what you/your customers value most about different types of brands) 25 mins



PRICING STRATEGY



Price New buying processes require new pricing approaches

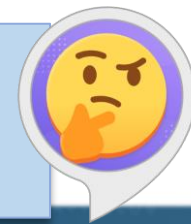
- Subscription
- Pay Per View
- Bundling
- Ad-supported content
- Pre-order
- Basic price
- Discounts
- Add-ons and extra products and services
- Guarantees and warranties
- Refund and return policies
- Order cancellation terms
- Revoke action buttons

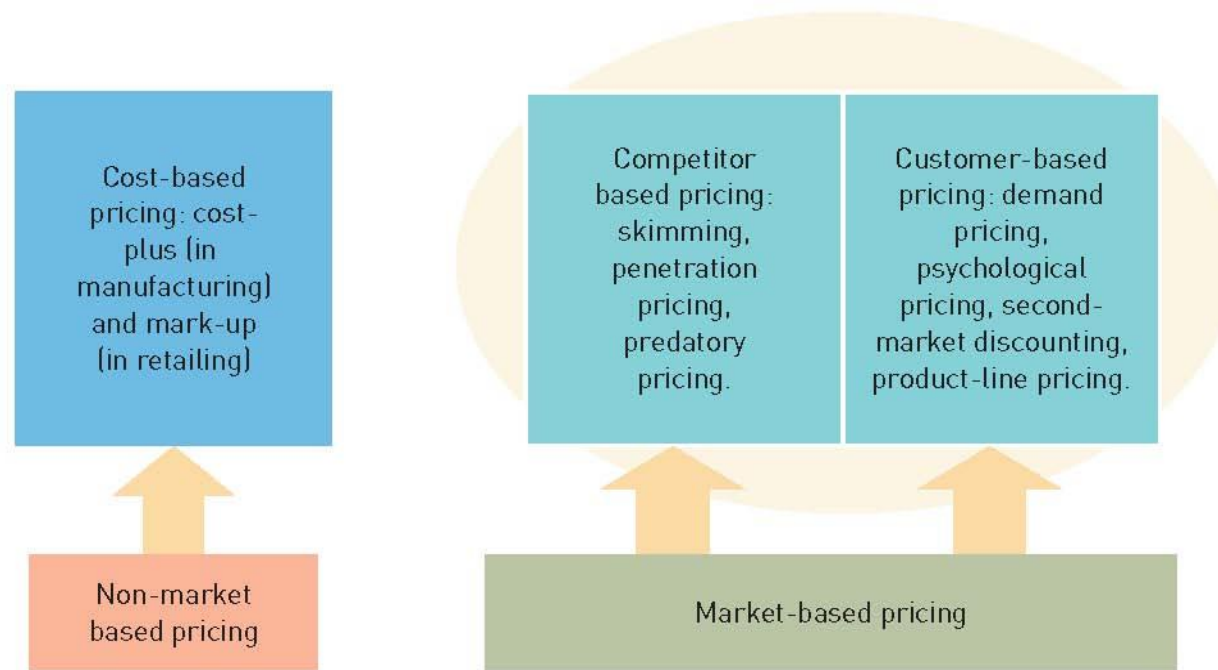
GLOBAL YEAR-OVER-YEAR BUSINESS TRAVEL & EVENTS PRICE CHANGES (\$USD)

	(actual) 2022	(forecasted) 2023	(forecasted) 2024
Air – Average Ticket Price	+72.2% \$749	+2.3% \$766	+1.8% \$780
Hotel – Average Daily Rate	+29.8% \$161	+4.3% \$168	+3.6% \$174
Car – Daily Rental Rate	+9.8% \$45	+6.7% \$48	+2.1% \$49
Meetings & Events – Average Cost-Per-Attendee Per Day	+58.1% \$160	+5.6% \$169	+3.0% \$174

Source: CWT/GBTA 2024 Annual Global Business Travel Forecast (all pricing detailed within the report and this release is \$ USD)

Are the cost of restaurants, events and tourism increasing or decreasing?



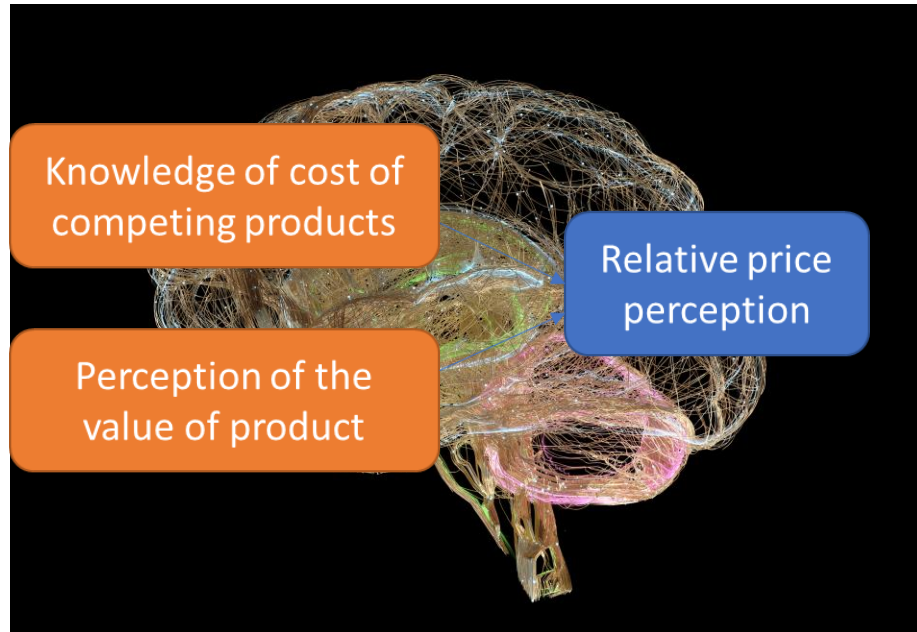


Market based and non-market based pricing

There are two main categories of pricing, each with their own approaches (Blythe, 2014).

The Psychology of Price:

3 key factors affect consumer's price sensitivity (Blythe, 2014)



- **Economics:** Percentage of total expense, Type of consumer, Level of involvement
- **Search and Usage:** Cost of information search, Ease of comparing competitive alternatives, Switching costs
- **Competition:** Differentiation, Perception of Price

Psychological pricing: is £9.99 cheaper than £10?

Loss leaders: a bargain draws customers in

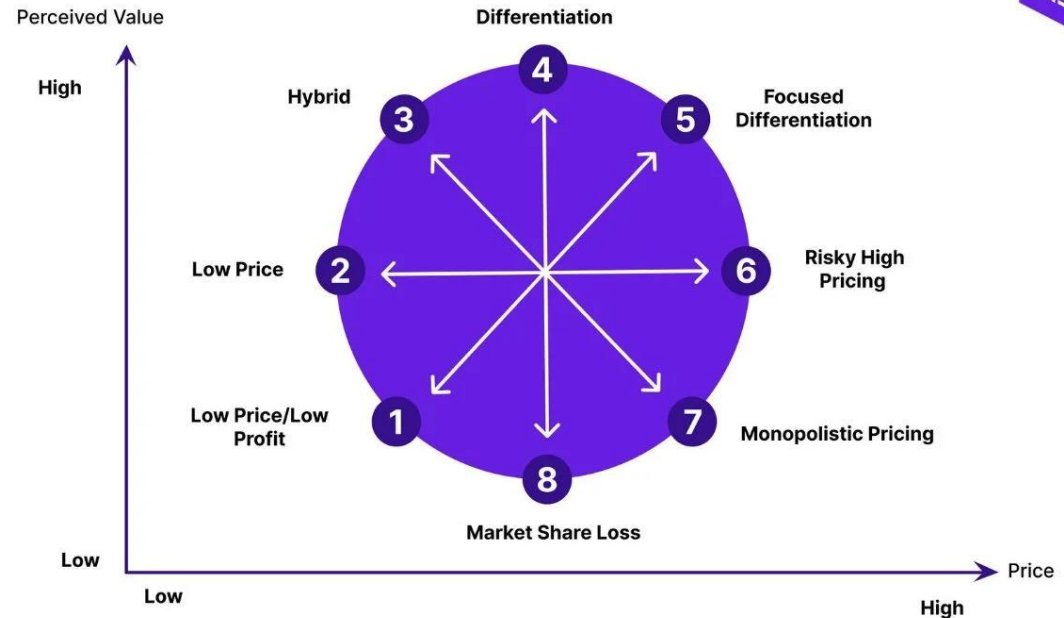
Promotional pricing and discounts: sales promotion

Bowman's Clock

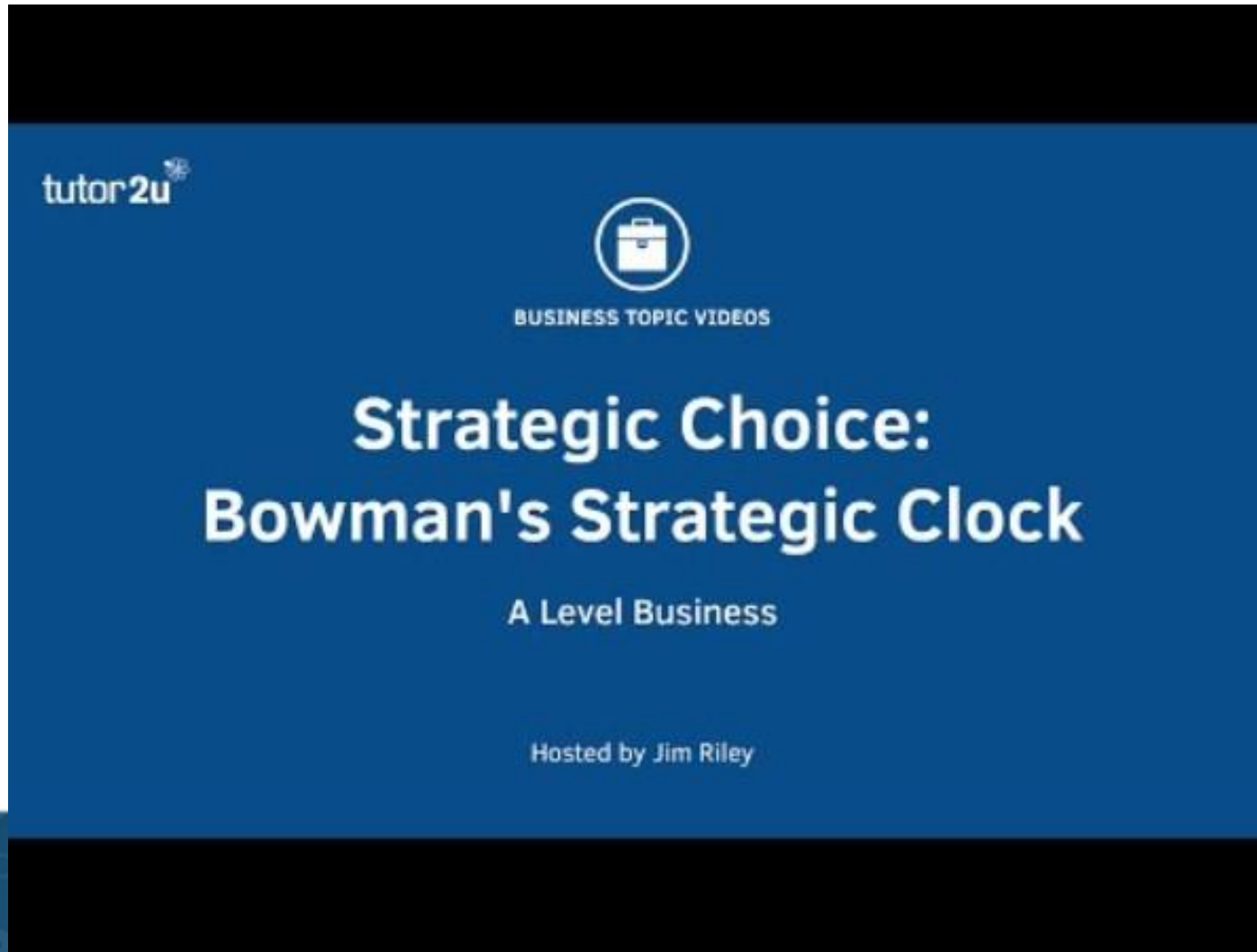
Research Bowman's clock online.

Prepare a slide about it.

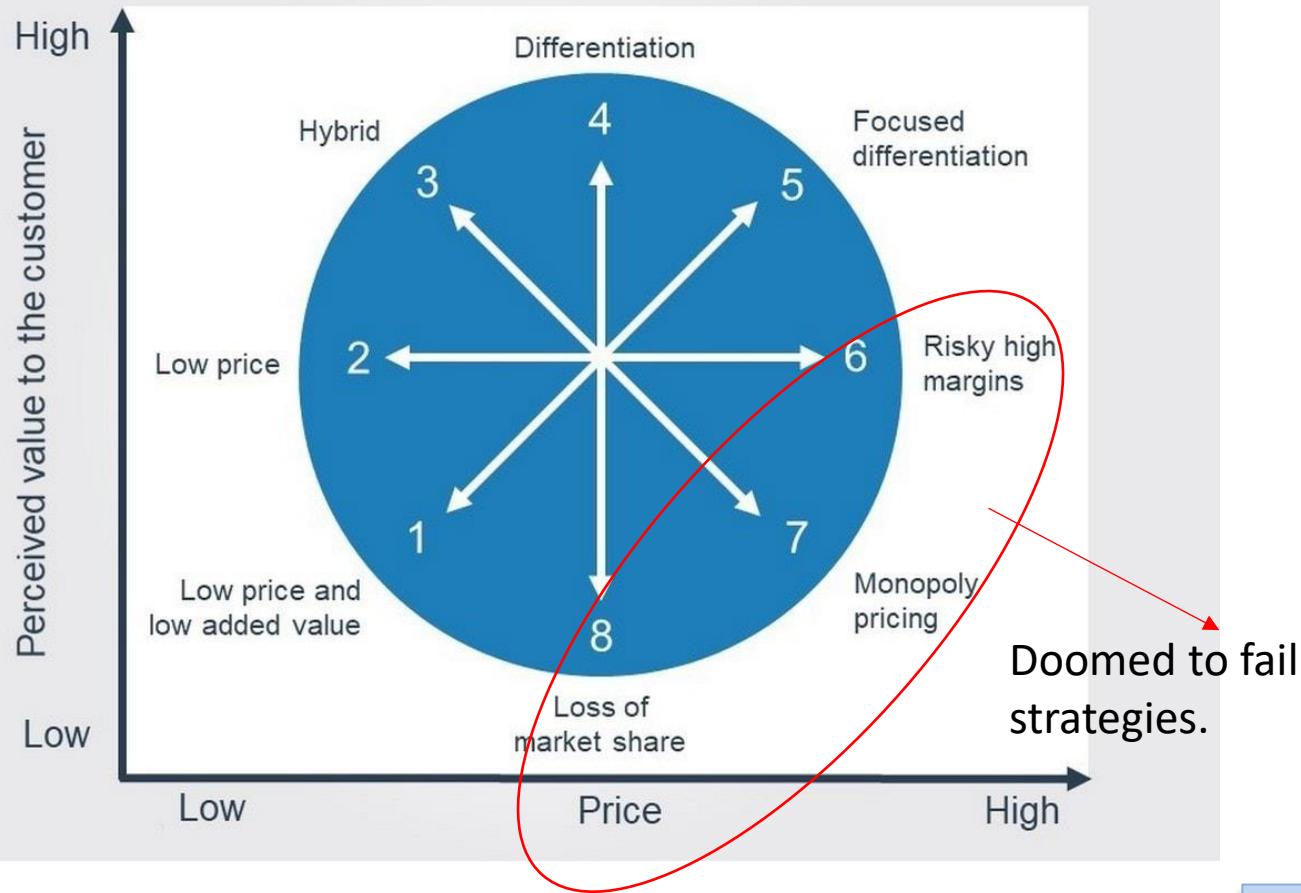
Explain what it is, and how and why it is used.



Bowman's Clock



Bowman's Strategy Clock



Objective positioning

A great tool to highlight differentiation strategies of both your business and the competition is (Bowmans) strategy clock.

Each of the positions on the clock represent how pricing strategy and perceived 'Value' can help identify market position as well as present opportunities to fill market gaps or highlight opportunities for entry into markets.



Based on what you have learned, where do you think these brands belong on the strategy clock?

Price, like other elements of the marketing mix is influenced by our external operating environment/climate.

We can check our external operating environment/climate using a PESTLE analysis

PESTLE Analysis

POLITICS

- Bureaucracy
- Corruption
- Freedom of the Press
- Government Type
- Government Stability
- Social/Employment Legislation
- Trade Restrictions

ECONOMICS

- Interest rates
- Taxes
- Exchange rate
- Economic growth – GDP, FDI
- Employment rate
- Likely Economic Change
- Big Mac Index

SOCIAL

- Health
- Population Growth Rate
- Age Distribution
- Career Attitudes
- Educational Infrastructure
- Social Mobility
- Employment Patterns
- Cultural Taboos
- Core Ethics

TECHNOLOGICAL

- Degree of Automation
- Emerging Technologies
- Rate of Technological Change
- R&D Activity

LEGAL

- Antitrust Law
- Consumer Law
- Discrimination Law
- Employment Law
- Health and Safety Laws

ENVIRONMENTAL

- Weather
- Climate
- Geography
- Disaster Quotient
- Infrastructure
- Legal



Gives the organisation something to focus their analysis

Provides a checklist

Identifies the long term **DRIVERS OF CHANGE**

Can be the starting point for further competitor and impact analysis

Political factor

Increase in minimum wage The National Living Wage (NLW) will rise to £10.42 from 1 April 2023, an increase of 92 pence or 9.7 per cent. (YouGov, 2023).

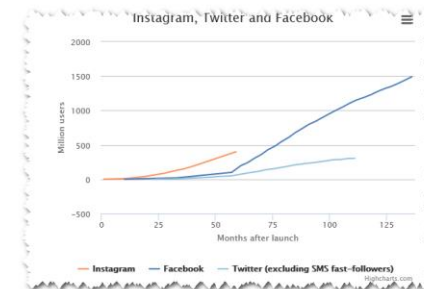
At April 1, 2024 it is £11.44 (21 and over) which is a 9.8% increase (+£1.02). (YouGov, 2024)

Impact on Company

Could be a cost increase within a company 'staffing cost.'

OR

Could mean that a company is in a better position than competitors as it already pays above living wage and competitors don't.





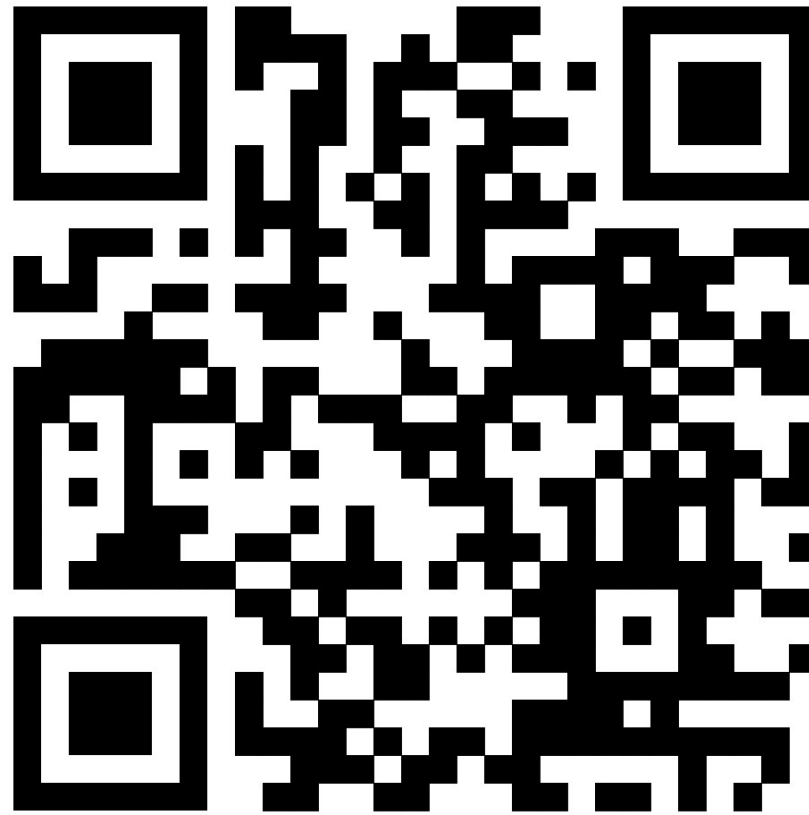
PESTEL Analysis of Restaurant Industry



P Political	E Economics	S Sociological	T Technological	E Ecological	L Legal
• Political stability ensures how much a business will flourish. • Companies must be flexible to adapt to these changes and plan business strategies accordingly.	• The increasing disposable income of people has given it a boost. • Growing labor costs can be a matter of concern for the restaurant industry. It will lead to less profit for the owners.	• It might affect the growth of the restaurant industry in the coming years. • The busy lifestyle of people has increased people's dependence on ready-made food instead of home-cooked food.	• Technological advancement such as accepting payments via smartphones • The introduction of the latest software to manage the accounts of companies can lead to fewer errors and more profit.	• The primary criterion in the restaurant industry is cleanliness. • The restaurant industry must work in collaboration with the government.	• Legal factors play an essential role for restaurant industries, especially the ones operating globally. • Food quality and hygiene criterion are two crucial factors that come under the product safety of the legal factors.

[Detailed PESTEL Analysis of Restaurant Industry | EdrawMax Online](#)

Scan this QR code and read about Tacco Bell's PESTLE analysis



poster
mywall

Activity

Create a poster of 'PEST' factors affecting the restaurants industry, Find examples from news and current events to support your points. Provide a short explanation of the factor and the impact to the organisation download your poster, get creative!

The image shows a Google search for 'postermywall'. The search results page displays the website's URL and a brief description: 'PosterMyWall: Easy Promotional Graphics, Videos'. Below the search results, the website's homepage is visible, featuring the tagline 'Beautiful designs. Effortless promotion.' and a call to action 'Create a design'. A gallery of various poster templates is shown, including 'Happy Summer Awesome Party', 'Transport Logistics Services', 'Jotta Souza', 'Worship', 'Jotta Souza', 'Pastor', 'Easter egg hunt', 'The Best Business Agency', 'Christmas Fair', 'Veteran's Day Event', and 'Happy Summer'. The templates are categorized by size and type, such as 'Flyers', 'Social Media Graphics', 'Digital Signage', 'Album Covers', 'Logos', 'Menus', 'Zoom Backgrounds', 'Web Banners', 'Gift Certificates', 'Business Cards', 'Print Banners', 'Kindle/Book Covers', 'Online Ads', 'Resumes', 'Labels', and 'Newsletters'.

Choose a template and see what you can make with it.

MARKET SEGMENTS



Marketing works best when you have a clear idea of who is likely to buy from you. For Starbucks there are many potential segments – these are just examples:

- Commuters
- Students
- People on a shopping trip
- Age 18-55
- Higher income etc.

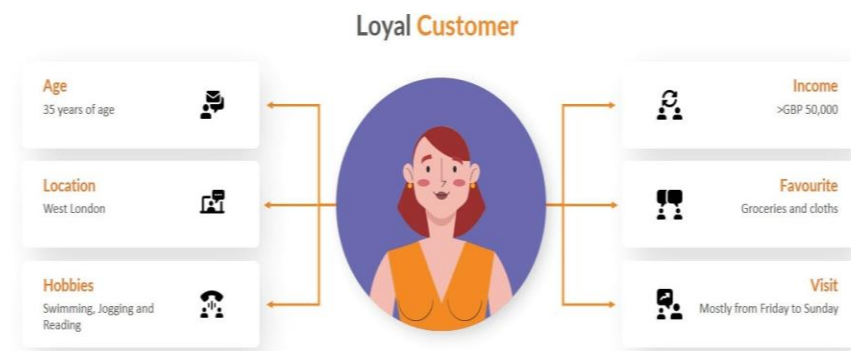
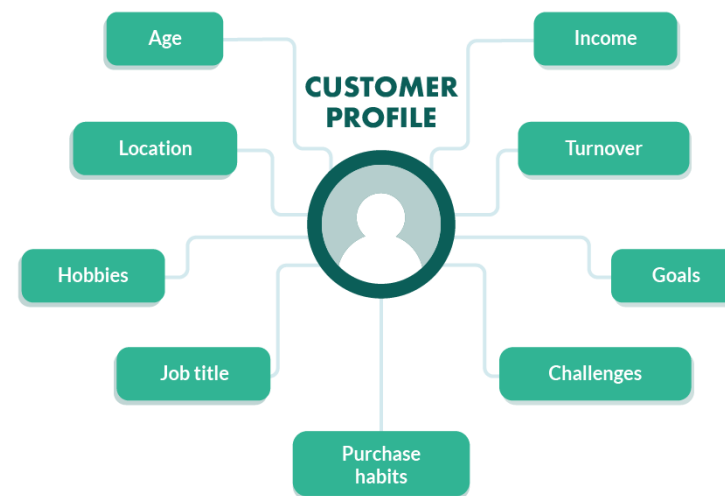
SEGMENTATION/CUSTOMER PROFILE

Customer profiles help us to get a good idea of the similarities within – and the differences between – customer segments. Using segmentation criteria allows us to build these profiles in a way that is meaningful to our brand.

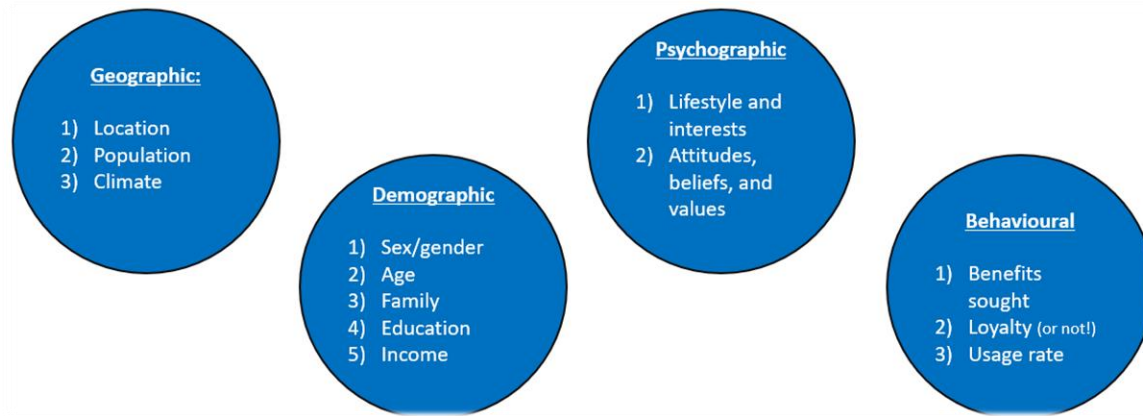
Ideal buyer profiles are used to target the most profitable customer group as a priority. We can use this information to paint a picture of the “average” customer/s by looking at each of these age ranges, incomes, browsing habits etc.

There will typically be several profiles that fit a given brand.

For example, you may have found that the most common customer profile for your brand is 18-24 age range, that most visitors are female and also google words like music or travel and most frequently visit your webpage via Facebook advertisements. Now we have a basic picture of our main target customer.



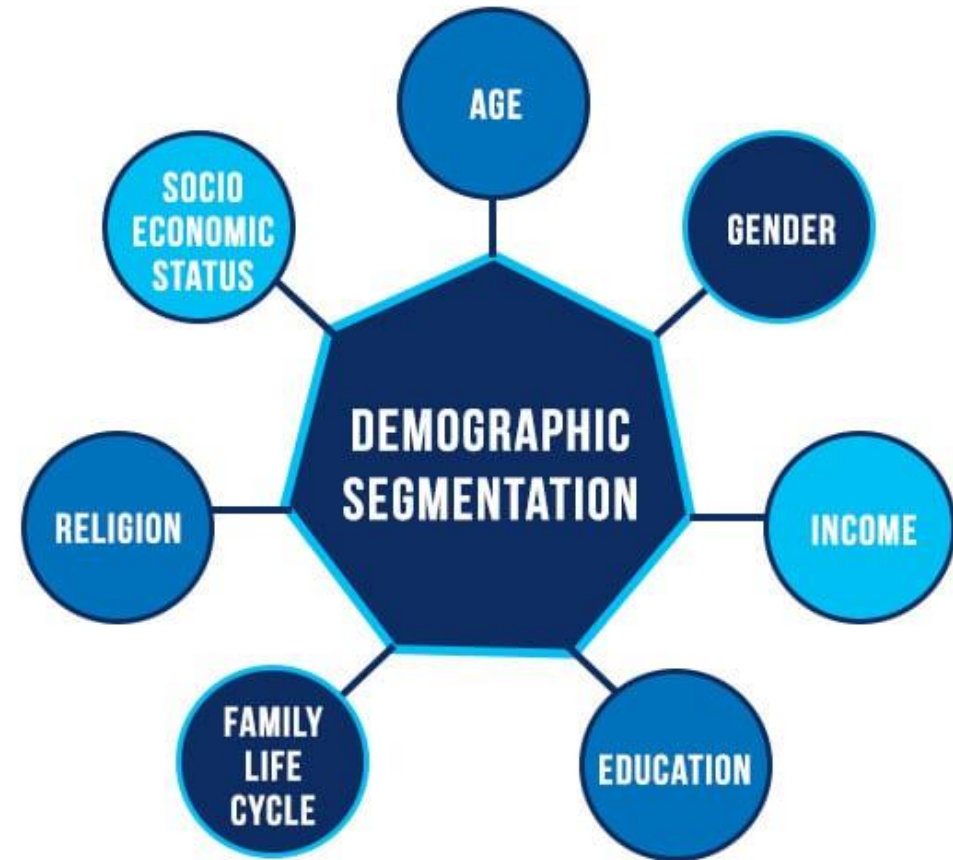
SEGMENTATION VARIABLES



Segmentation is the process of breaking down the market into groups of customers with similar needs. These four categories can be used to assess and group consumers.

DEMOGRAPHIC

A demographic refers to distinct characteristics of a population. Researchers use demographic analysis to analyse whole societies or just groups of people. Some examples of demographics are age, sex, education, nationality, ethnicity, or religion, to name a few.

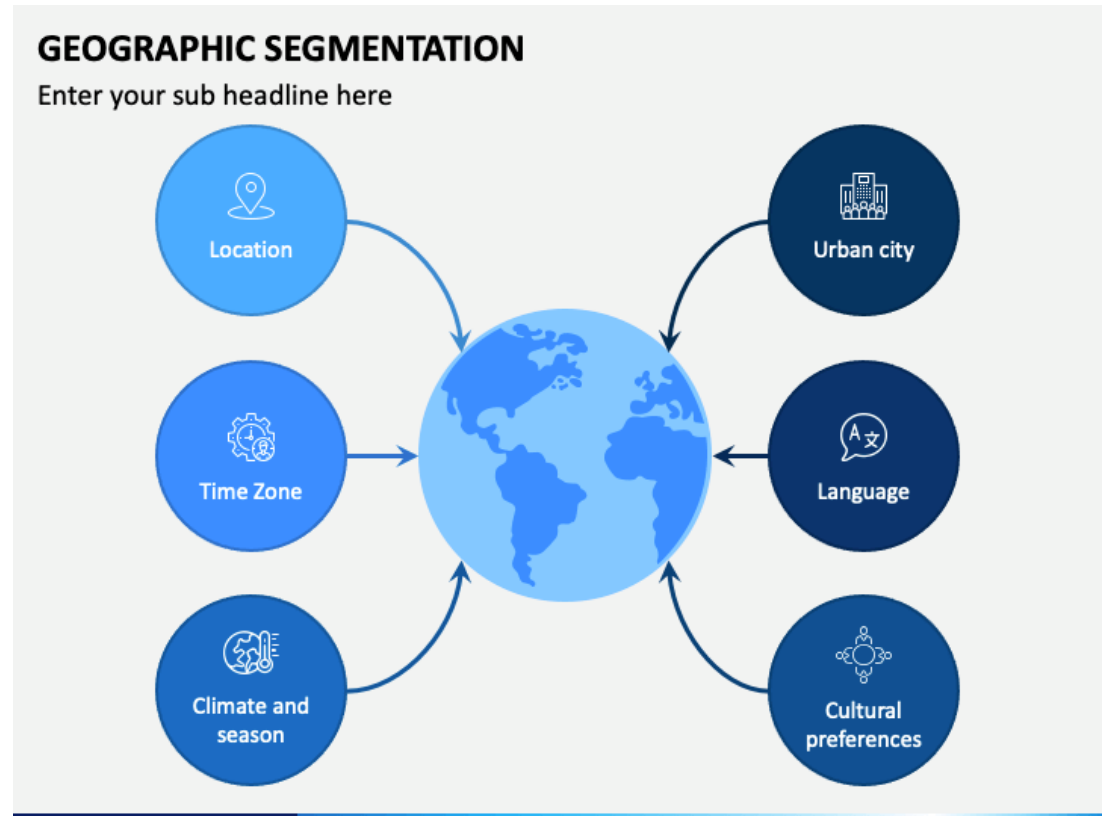


DEMOGRAPHICS

- Individuals within the ABC1 social grade demographic, likely hold professional or managerial positions in their careers and have completed higher education. They tend to have a higher income, resulting in increased access to housing and healthcare.
- C2 is for skilled manual occupations
- DE if for semi-skilled and unskilled manual occupations; unemployed and lowest grade occupations.

GEOGRAPHIC

Geographic segmentation is the practice of dividing your audience based on geographic location, from country right down to post code. It's used to target products, services or marketing messages at people who live in, work in, or shop at a particular location.



BEHAVIOURAL

Behavioural segmentation is the process of grouping customers according to their behaviour when making purchasing decisions. Market researchers observe aspects such as readiness to buy, for example, the knowledge they have about the product, level of loyalty, interactions with your brand or product usage, experience, etc.

EXAMPLE:

A company offers a £2 discount on a future purchase for being a loyal customer. Other industries that frequently use customer loyalty segmentation are hospitality (preferred hotel guests), travel (frequent flier programs), and finance (platinum credit card members).

PSYCHOGRAPHIC

- Psychographics is the qualitative methodology of studying consumers based on psychological characteristics and traits such as values, desires, goals, interests, and lifestyle choices (value for £ or high end, for example).
- There are five psychographic segmentation variables, which are: Personality, Lifestyle, Social Status, AIO (Activities, Interests, Opinions), and Attitudes.

For example, customers might have different attitudes toward pets, work, industries, and so forth. A good psychographic segmentation example of how attitudes impact buying decisions is that someone who loves pets would be more likely to purchase premium pet beds.

PRIMARY RESEARCH

Primary research involves gathering data that has not been collected before. Methods to collect it can include interviews, surveys, observations or any type of research that you go out and collect yourself.

Advantages:

- Is generally accurate
- Is current

Disadvantages:

- Can be costly (time and money)
- Response bias
- Can be challenging to ensure there are enough surveyed etc.

SECONDARY RESEARCH

- Secondary research, also known as desk research, is a research method that involves compiling existing data sourced from a variety of channels. This includes internal sources (for example, in-house research) or, more commonly, external sources (such as government statistics, organisational bodies, and the internet).

Advantages:

- Easier to obtain
- Easier to correlate (if looking at statistics, this may already be done)

Disadvantages:

- May not be targeting specifically

RESEARCH

QUALITATIVE

- Qualitative research is a type of research that aims to gather and analyse non-numerical data to gain an understanding of individuals' social reality, including understanding their attitudes, beliefs, and motivation. It is inductive in nature.
- Qualitative research methods include observations, one-on-one interviews, case study research, focus groups, etc.

QUANTITATIVE

- Quantitative research is the process of collecting and analysing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations. It is deductive in nature.

RESTAURANTS RE: MARKETING

- How to research and find information (new and existing)?
- Social media
- Primary research
- Secondary research
- Websites
- Competitors (re: above)



TARGETING/CREATE A CUSTOMER PROFILE ACTIVITY

- Create a customer profile on Similar Web using demographic, geographic, behavioural and psychographic variables.
- For example, McDonalds (see link below and/or put Similar Web followed by restaurant chain of your choice).
- [mcdonalds.com Traffic Analytics, Ranking & Audience \[April 2024\] | Similarweb](#)



REFERENCES

- Bowie, D. (2017) *Hospitality marketing*. 3rd ed. London: Routledge.
- Bowman, C. and D. Asch. 1987. *Strategic Management*. Basingstoke. London: Macmillan.
- Britannica Money (2024) *Demand Curve: Supply & Demand Elasticity, Market Equilibrium*. Available at: <https://Demand curve | Supply & Demand, Price Elasticity, Market Equilibrium | Britannica Money> / (Accessed: 20 April 2024).
- CIPD the professional body for Human Resources and People Development (2023) CIPD. Available at: <http://www.CIPD.co.uk/> (Accessed: January 18, 2023).
- Chartered Institute of Personnel and Development (2021) *PESTLE*. Available at: <https://www.cipd.co.uk/>
- GOV.UK (2024) *National Minimum Wage and National Living Wage rates*. Available at: [https://National Minimum Wage and National Living Wage rates - GOV.UK \(www.gov.uk\)/](https://National Minimum Wage and National Living Wage rates - GOV.UK (www.gov.uk)/) (Accessed 22 April 2024)
- Indeed (2024) *Elastic vs. Inelastic Demand: What's The Difference?* Available at: <https://Elastic vs. Inelastic Demand: What's The Difference? | Indeed.com> / (Accessed 22 April 2024).
- Investopedia (2024) *Game Theory*. Available at: [https://Game Theory \(investopedia.com\)/](https://Game Theory (investopedia.com)/) (Accessed 25 April 2024).
- Kotler, P. and Armstrong, G. (2013) *Principles of marketing*. 6th ed. London: Pearson.
- Netsuite (2024) *Demand Curve Defined*. Available at: <https://www.Demand Curve Defined | NetSuite> / (Accessed: 20 April 2024).
- The Economist (2024) *Our Big Mac Index shows how burger prices are changing*. Available at: [https://Our Big Mac index shows how burger prices are changing \(economist.com\)/](https://Our Big Mac index shows how burger prices are changing (economist.com)/) (Accessed 22 April 2024)
- Toppr (2024) *Why Demand Curve Slopes Downward? Downward Demand Curve*. Available at: [https://Why Demand Curve Slopes Downward? | Downward Demand Curve \(toppr.com\)/](https://Why Demand Curve Slopes Downward? | Downward Demand Curve (toppr.com)/) (Accessed 20 April 2024).
- (One Minute Economics, 2017) *Game Theory Explained*. Available at: <https://youtu.be/Game Theory Explained in One Minute – YouTube> (Accessed 28 April 2024)

See You
Next time!