

MARKETING AND SALES

BMGM5001

PRICE

Week #3

RECAP FROM LAST WEEK: PRODUCT

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

4 P's Marketing MIX

THE MARKETING MIX



People



Process



Physical evidence



(McCarthy, 1960)



(Booms & Bitner, 1981)



Scan the QR code and scroll through answer the quiz at the end (15 mins)

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 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...

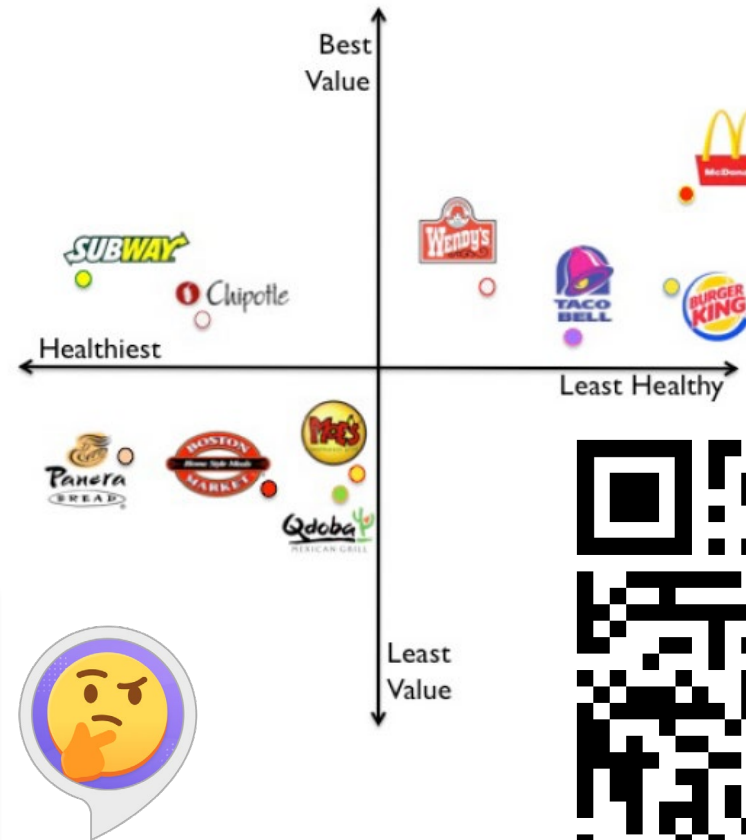
These 'maps' of the consumers mind are not limited to 2 fixed variables, this map can use any qualities consumers find important when examining a market.

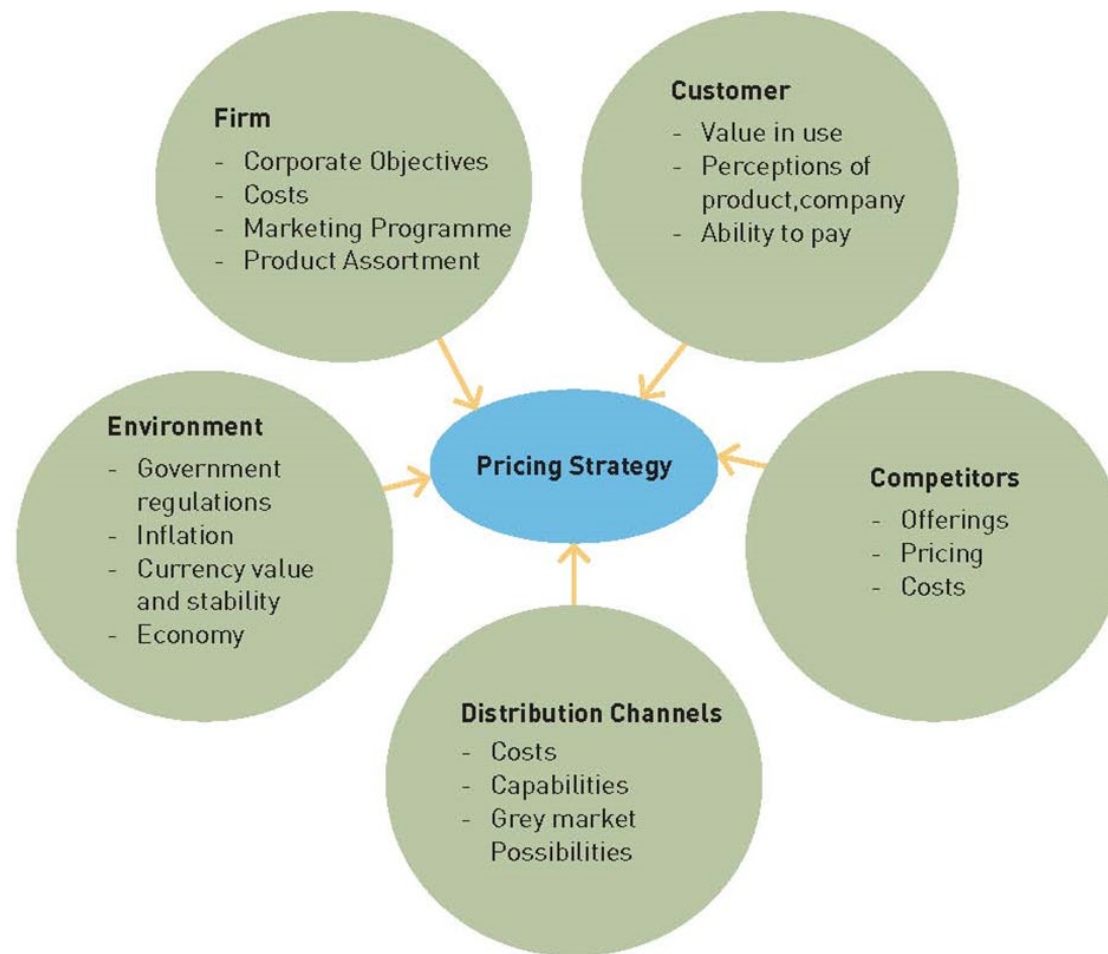
E.g, for a phone it could be speed 'X' and storage 'Y'
for cereal it could be taste 'X' and calories 'Y', etc..

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

In make a mind map of UK hospitality brands
(You choose the variables 'X'/'Y' what do you/customers value most about different types of brands) 15 mins





Price New buying processes require new pricing approaches

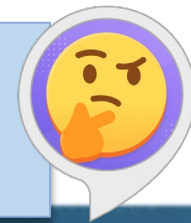
- Subscription
- Pay Per View
- Bundling
- Ad-supported content
- Pre-order
- Basic price
- Discounts
- Add-ons and extra products and services
- Guarantees and warranties
- Refund and return policies
- Order cancellation terms
- Revoke action buttons

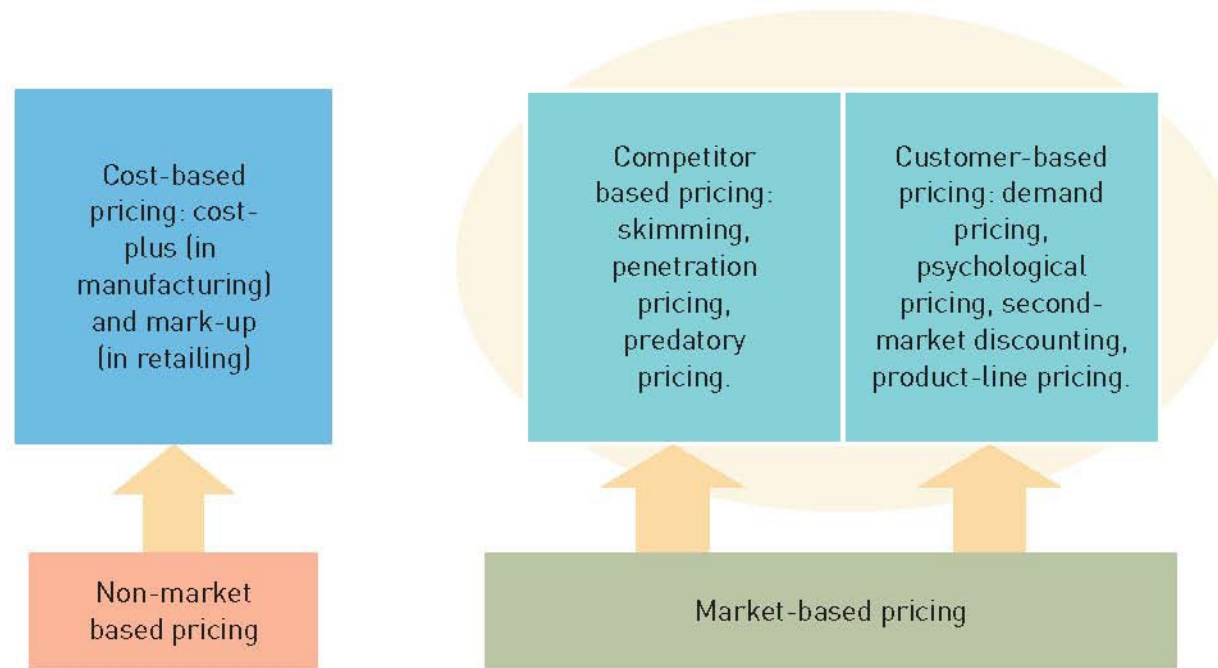
GLOBAL YEAR-OVER-YEAR BUSINESS TRAVEL & EVENTS PRICE CHANGES (\$USD)

	(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 events and tourism increasing or decreasing?



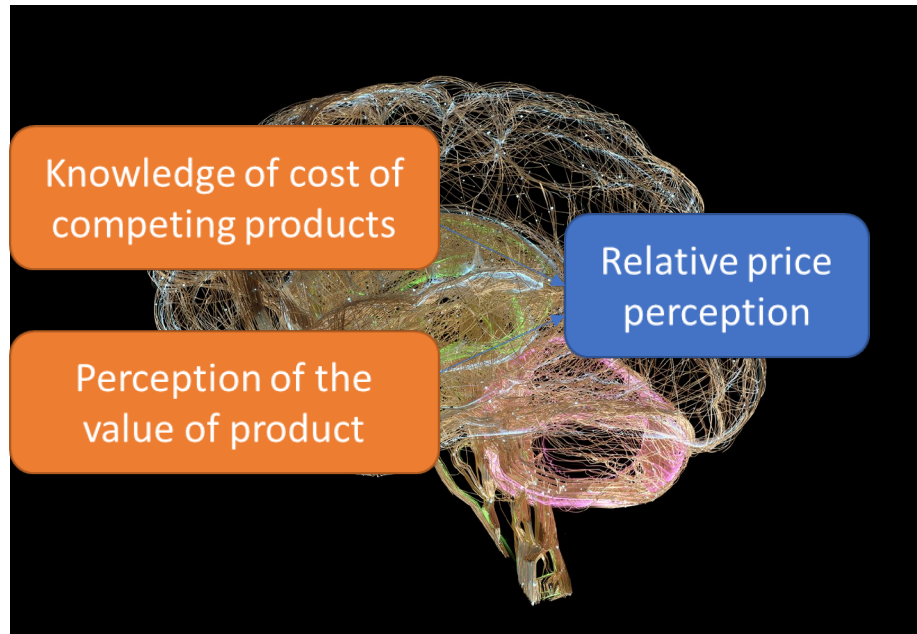


Market based and non-market based pricing

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)



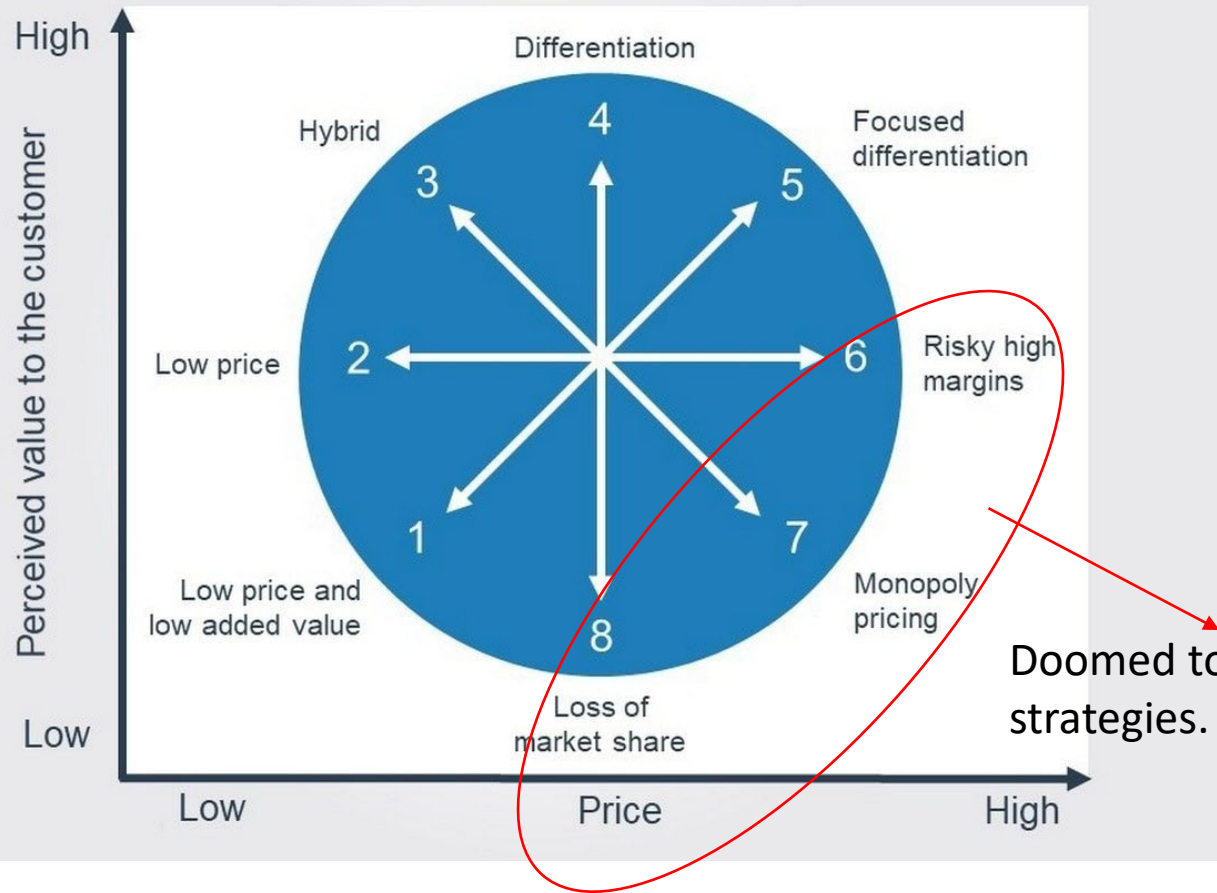
- **Economics:** Percentage of total expense, Type of consumer, Level of involvement
- **Search and Usage:** Cost of information search, Ease of comparing competitive alternatives, Switching costs
- **Competition:** Differentiation, Perception of Price

Psychological pricing: is £9.99 cheaper than £10?

Loss leaders: a bargain draws customers in

Promotional pricing and discounts: sales promotion

Bowman's 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.

Type in the chatbox where these brands belong on the strategy clock e.g "1 Lidl, 2 Asda, 2 Morrisons etc."





Climate

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.

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

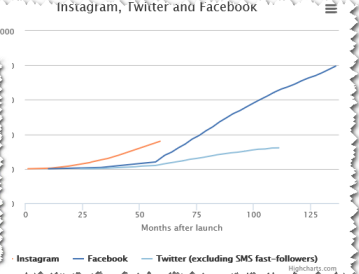
- Health
- Population Growth Rate
- Age Distribution
- Career Attitudes
- Educational Infrastructure
- Social Mobility
- Employment Patterns
- Cultural Taboos
- Core Ethics

LEGAL

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

ENVIRONMENTAL

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



(Chartered Institute of Personnel and Development 2021; www.cipd.co.uk)

HOSPITALITY
AND
TOURISM
MANAGEMENT

Man Geni Addysg Uwch yng Nghymru
Where Higher Education Began in Wales

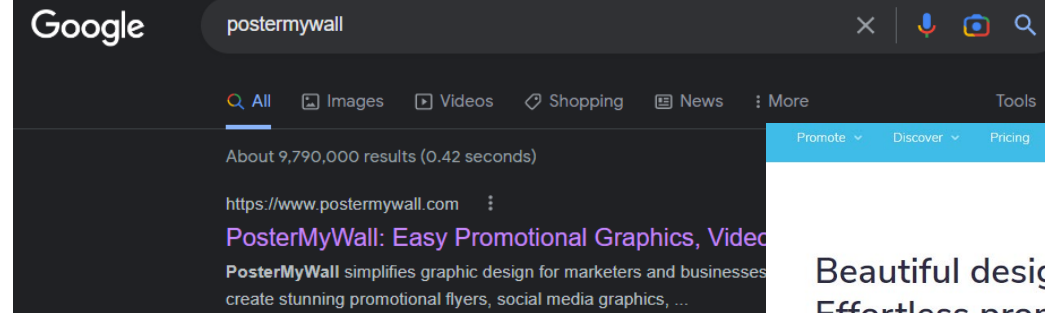


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Y Drindod Dewi Sant
University of Wales
Trinity Saint David

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! Until 12.30



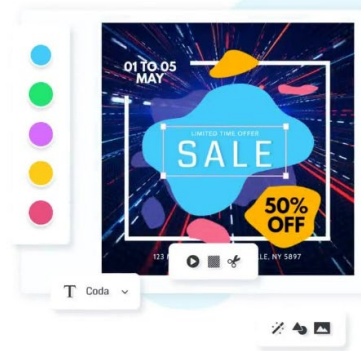
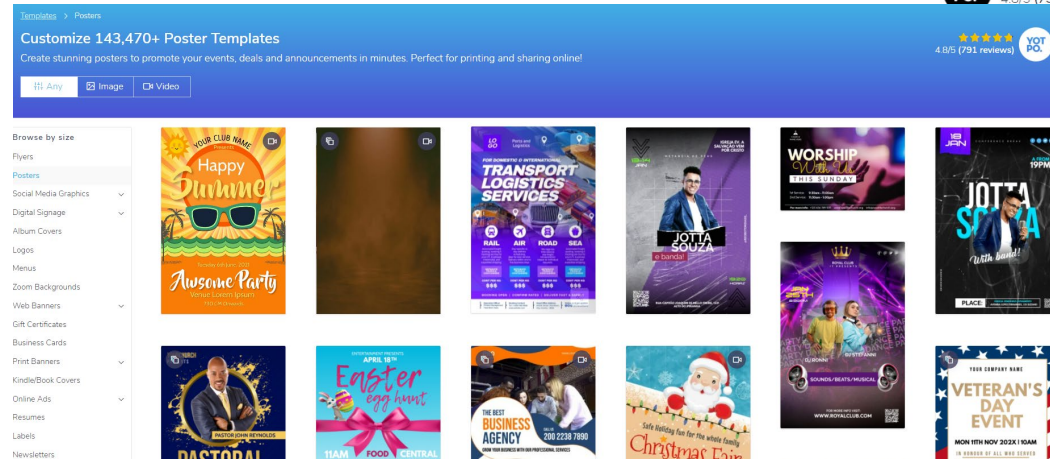
Beautiful designs.
Effortless promotion.

Get the word out with amazing social media graphics, videos, flyers and email campaigns.

Create a design

How it works

YOT PO. 4.8/5 (791 reviews)



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

HOSPITALITY
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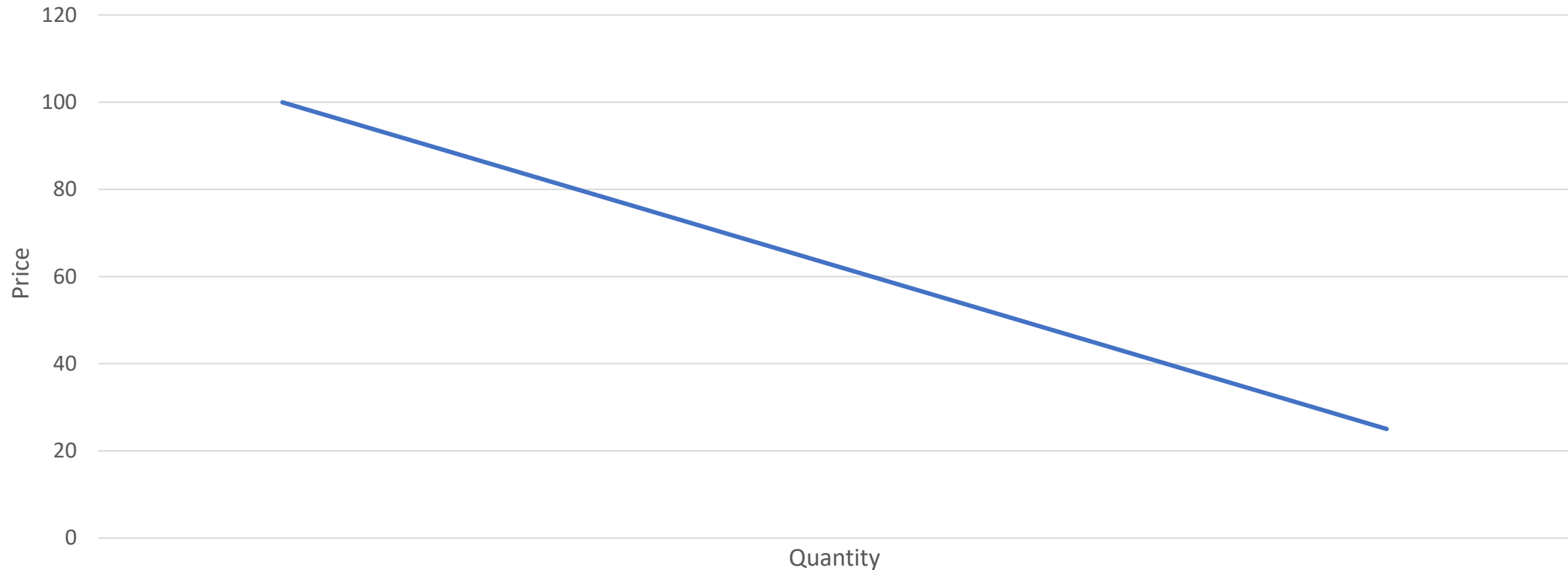
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DEMAND AND SUPPLY

- Demand
- Supply

DEMAND CURVE: LINK BETWEEN DEMAND AND REVENUE

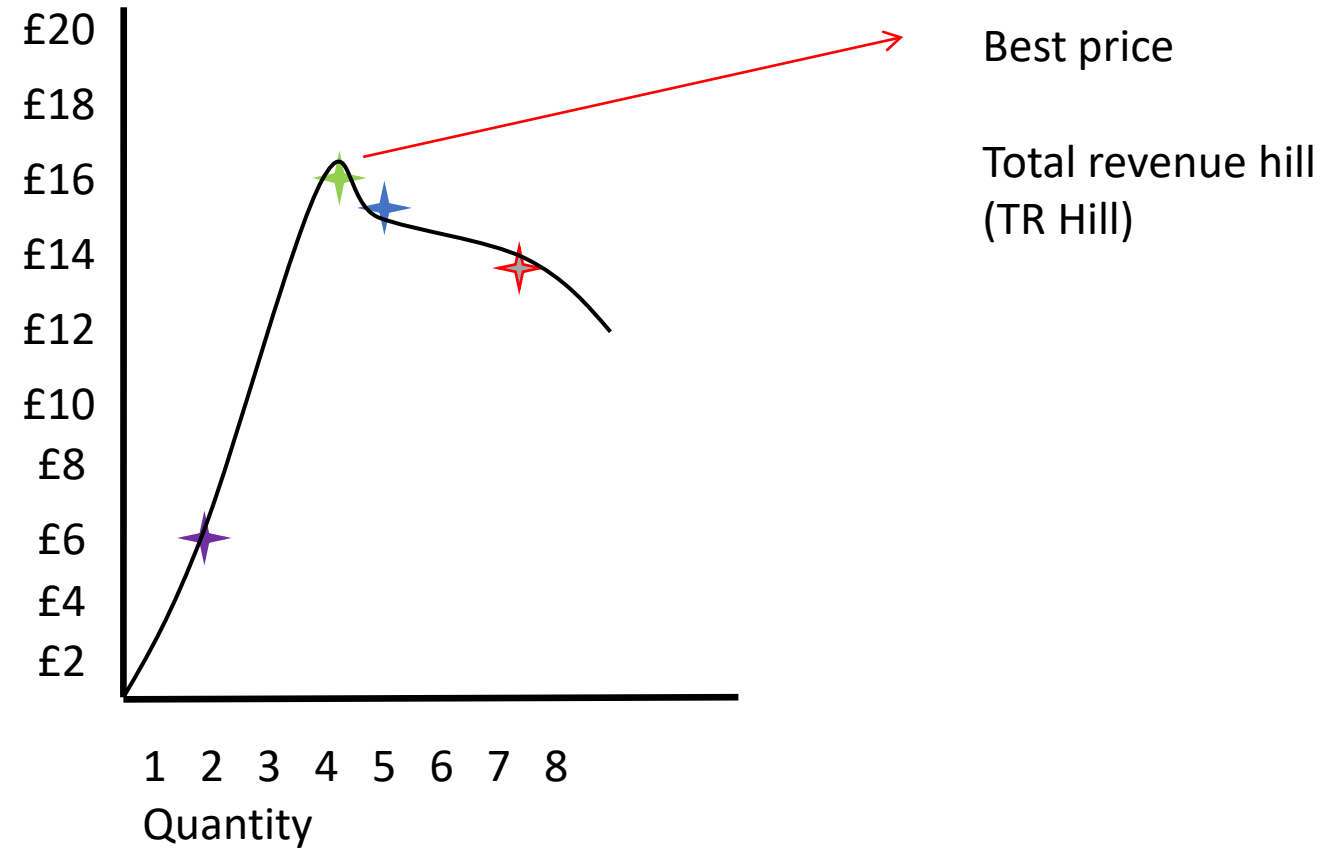
Restaurant Meals



DEMAND CURVE: Diminishing returns

PRICE	QUANTITY PURCHASED (units)	REVENUE
£4.00 x	10	£40.00
£6.50 x	9	£58.50
£8.50 x	8	£68.00
£10.00 x	7	£70.00
£10.50 x	7	£73.50
£12.50 x	6	**£75.00
£14.00 x	5	*£70.00
£15.00 x	4	*£60.00

TOTAL REVENUE HILL



ELASTIC AND INELASTIC DEMAND

- **Elasticity of demand** refers to the change in demand when there's a change in price.
- **Elastic demand** means consumer demand for a product changes proportionately when the price of the good or service changes.
- **Inelastic demand** means that consumer demand for a product does not change proportionately with a fall or rise in its price.

ELASTIC AND INELASTIC EXAMPLES

- **Elastic demand:** Occurs when a minor price change has a significant effect on demand (there are often many substitutes available).
- **Elastic demand example:** if the cost of one detergent brand goes up, consumers are likely to switch brands. In this case, demand goes down for that product. *Examples are: coffee, clothes, internet providers.*
- **Inelastic demand:** Occurs when a minor price change does not have a significant effect on demand (there are not often many substitutes).
- **Inelastic demand example:** If consumers buy the same amount of a product even after significant changes in price, economists describe that product as having inelastic demand. This means that demand for this product does not stretch or change easily (buyers are insensitive to price). *Examples are: concert tickets, alcohol, electricity, petrol.*

BRANDS

What is a
brand?



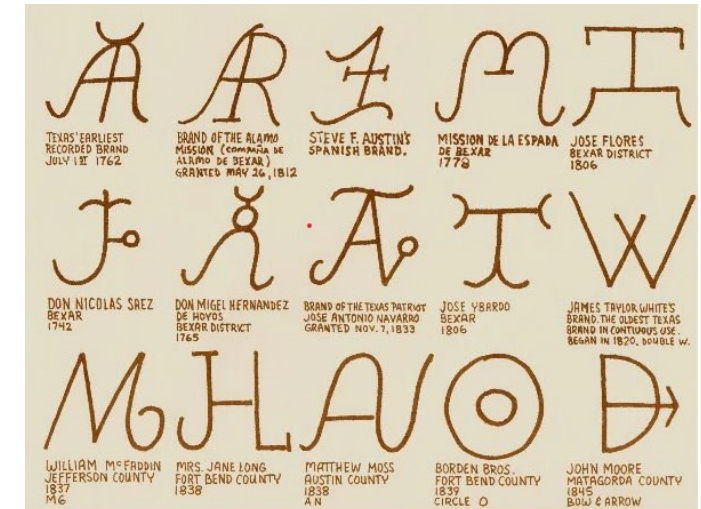
Question:

How would you define a brand?



BRANDS: A BRIEF HISTORY

In Ancient Norse, a Scandanavian language, the word “brandr” means “to burn.



A diagram of ancient cattle brands via [Texas State Historical Association](#)

This cattle branding made a transition with the emergence of mass production and soon brands were burned into wooden crates to show authenticity and quality (much like the cattle brands of the 1700/1800's).



When we walk down the high street or browse the web, you will likely recognise some or all of the brand images presented to you, but what influences you to make choices?

Choose a brand in the next three sectors and make some notes as to what would influence you to purchase the product.

- **Fast Food?**
- **Shoes?**
- **Holiday destination?**

COLOR EMOTION GUIDE



Color Psychology

PRIMARY COLORS:

YELLOW

- Cheerful or warm
- Most likely to strain eyes or cause eye fatigue
- Makes Babies Cry
Don't paint a baby's room yellow, because they are more prone to crying.

RED

- Evokes strong emotions
- Encourages appetite
(many restaurants use red in their signage/ads)
- Passion or intensity
- Red roses symbolize love

BLUE

- The color most preferred by men
- Calmness or serenity
- Most used color for offices
People are more productive in blue rooms
- Curbs appetite
- Associated with water and peace

Studies show that red can make you do poorly on exams!
 "Red is hypothesized to impair performance on achievement tasks, because red is associated with the danger of failure in achievement contexts and evokes avoidance motivation."

GAME THEORY

- Game theory is a theoretical framework for conceiving social situations among competing players. In some respects, game theory is the science of strategy, or at least the optimal decision-making of independent and competing actors in a strategic setting.
- Game theory is used in various fields to lay out various situations and predict their most likely outcomes. Businesses may use it, for example, to set prices, decide whether to acquire another firm, and determine how to handle a lawsuit. [Game Theory \(investopedia.com\)](https://www.investopedia.com/terms/g/game-theory/)

GAME THEORY

Coca-Cola and Pepsi both selling at £1.00

- An example, what could Coca-Cola do if Pepsi increased their price to £2.00?

1.They could keep their price at £1.00

2.They could increase their price to meet Pepsi at £2.00

3.They could increase their price to £3.00

*What to do can depend on what your competitor does

*Perceived value

*"Better" to be "friends" and charge the same price (collusion/monopoly)

GAME THEORY SHORT VIDEO

- [Game Theory Explained in One Minute - YouTube](#)

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