

# MARKETING BASICS

# WHAT IS MARKETING?

**HOW WOULD YOU DESCRIBE MARKETING?**

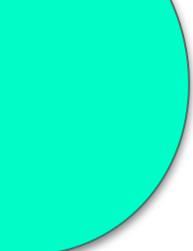
MARKETING IS ALL ABOUT PREPARING A  
CUSTOMER FOR AN OFFER AND A SALE

**TODAY'S GOAL IS TO PROVIDE YOU WITH BASIC MARKETING  
PRINCIPLES THAT ARE PART OF ANY MARKETING CAMPAIGN**

# THE BASIC PRINCIPLE

**The Difference between Product and Services Marketing**

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# PRODUCTS VS SERVICES MARKETING

Our point of departure should be one simple fact; there is a difference between marketing a product and marketing a service. Nowadays we see advertising media such as TV commercials, bus stop banners and billboards displaying different products and services.

This is not wrong by any means. However, there is and should be a clear distinction between how marketing is done for services when compared to product marketing.

The distinction is apparent even in the essence of the two offerings. While a product is TANGIBLE (can be physically bought), a service on the other hand is INTANGIBLE. This means that it does not have a physical form, but rather, it has to be experienced.

# PRODUCTS VS SERVICES MARKETING

The latter, is one of the main attributes that distinguishes a service from a product. Subjectively speaking, a product is easier to market and promote due to the fact that it can be seen, it can be trialed, it can be returned and can be offered in conjunction with other products (or services).

Therefore, one has to keep in mind that in order to successfully 'market' and 'sell' a service offering to consumers, the marketing campaign needs to hit all the attributes that make up that particular service.

The following is a diagram showing the main attributes of a service.

## No Ownership

When someone pays you for a service, they are not paying for ownership. For example, if you provide a cleaning service, when a customer pays they do not own your equipment. But rather, they are paying for your or your employees' time for you to clean their property.

## Inseparability

The service that is being performed, cannot be separated from the performer; meaning that a customer cannot pay for a service and then perform the service themselves. This puts pressure on the service provider to deliver the best service possible.

## Perishability

Once a service is experienced, that is it, there is no do-over. If a customer pays to get a haircut and they are not satisfied with their look, there is nothing that can be done. It is therefore up to entrepreneurs to ensure a high level of quality, in order to avoid a bad reputation and negative word of mouth.



## Intangible

Since a service is performed by a person, it cannot be physically touched. A service is experienced rather than consumed which gives rise to other attributes.

## Variability

Since a service company would have multiple employees performing the same service, it is impossible to guarantee customers the same exact service every time. This is because every person and employee is different and works in a different way. As an organisation you can set quality KPIs to ensure a consistent level of quality.

## Customer participation

Normally a service requires the user to participate in the consumption of the service delivery. A hairdressing salon asks the customer to point out the style they would like for their hair. It is important that employees are skilled in customer handling and trained well in their jobs so they deliver the best customer experience possible.

# MARKETING PRODUCTS AND SERVICES - THE 7PS

Products marketing can be split into 4 different 'Ps':

- ★ Product
- ★ Price
- ★ Promotion
- ★ Place



Services marketing can be split into 7 different 'Ps':

- ★ Product
- ★ Price
- ★ Promotion
- ★ Place
- ★ People
- ★ Physical evidence
- ★ Process



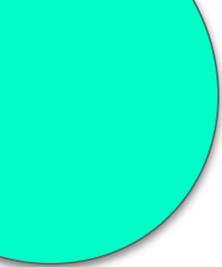
# THE MARKETING MIX

The 7 Ps of Marketing

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# THE '7PS' EXPLAINED

- The 7 Ps of marketing are known as the **Marketing Mix**
- Product marketing is usually done through the 'first' 4 Ps, namely;
  - Product
  - Price
  - Promotion
  - Place
- Services marketing requires more detail due to the very nature of the offer. Another 3 Ps are added to the services marketing mix, namely;
  - People
  - Physical evidence
  - Process



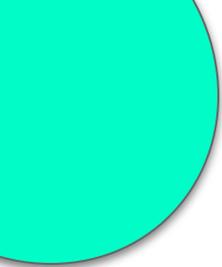
# THE '7PS' EXPLAINED

- 1. Product** - product research is essential before commencing product design and appropriate market research should be done to determine customers' needs and wants.
- 2. Price** - price should ideally reflect the value of the product on offer. There are various pricing strategies a company may adopt. to name a few, tactics such as market skimming and penetration are most commonly used.
- 3. Promotion** - this is all about advertising and communicating the value of the product/service to the target customer. Again, there are various ways to do this.

# THE '7PS EXPLAINED



**4. Place** – entrepreneurs or CEOs need to listen and learn from customers about their shopping habits. This is important so that the product is delivered at the place the target audience is populated. Products can be sold at a physical store, delivered, or online.



# THE '7PS' EXPLAINED

Now that we have gone through the Ps for a product, let us go over the reasons why 3 other Ps are needed when marketing a service.

5. **People** - a service can be made more 'tangible' by showing potential customers the abilities of the people (employees) that will be performing the service
6. **Physical evidence** - as a marketing tactic, one might choose to promote the physical environment of the workplace or provide tangible proof of past customers
7. **Process** - depending on the type of service, it is important that a company designs a customer experience that is appreciated and valued

# THE MARKETING MIX - 7PS

The marketing mix is the basis for all other marketing techniques and tactics. Every campaign you see on the internet or in print marketing is focusing on one or more of the 7Ps. It is for this reason that we have started with pointing out the difference between marketing products and services. Both offerings require different promotional tactics as well different marketing content to pull people in.

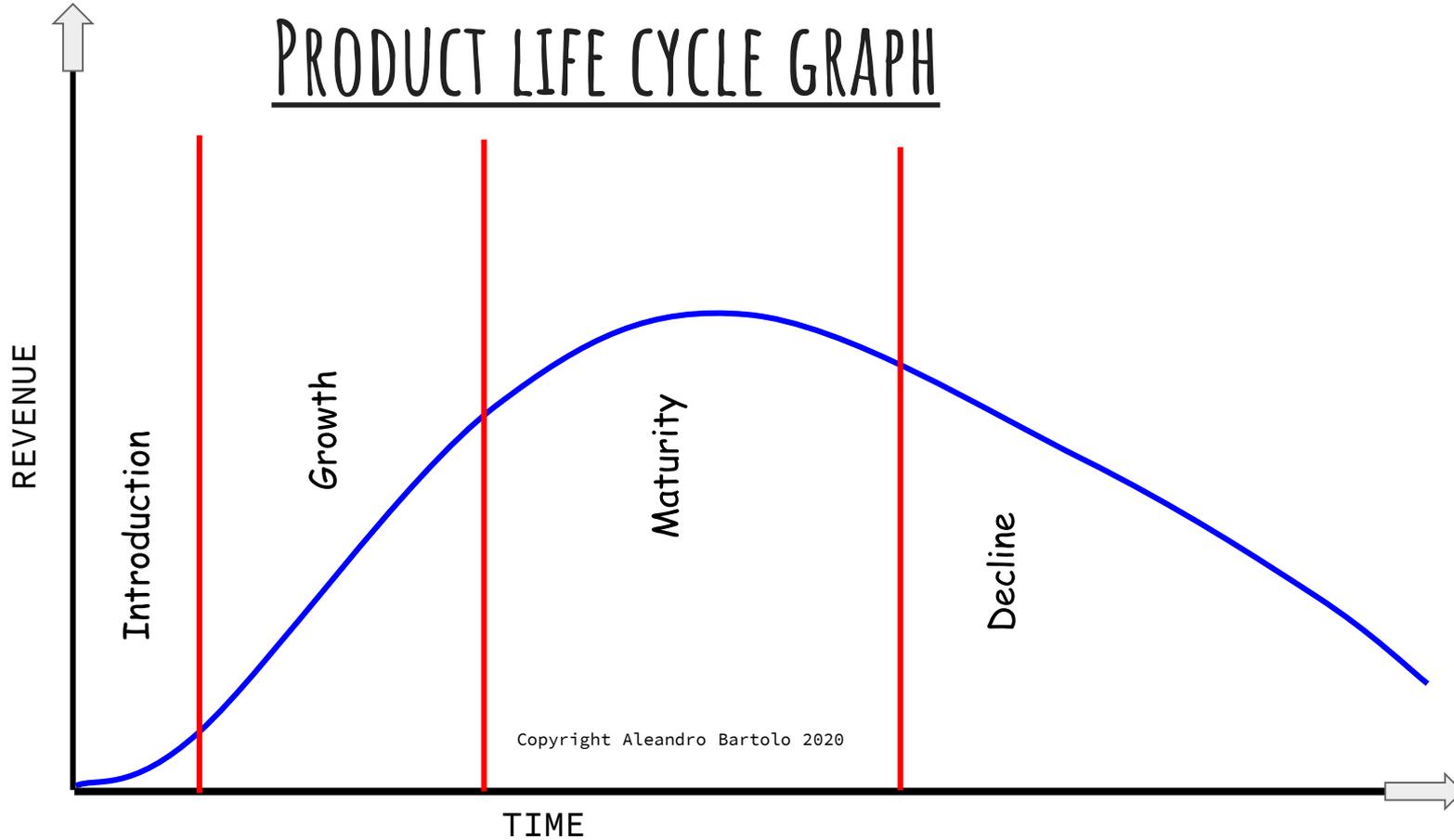
In the next chapter we will discuss the product life cycle. After going through it, you will be able to detect the current stage of your products and take subsequent action based on this information.

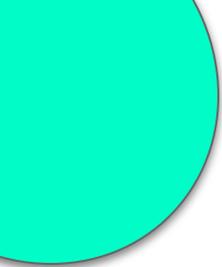
# THE PRODUCT LIFE CYCLE

From Introduction to Decline

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# PRODUCT LIFE CYCLE GRAPH





# THE PRODUCT LIFE CYCLE (PLC)

As depicted in the previous page, the product life cycle is made up of 4 different stages. Every stage must be approached in a different way when it comes to marketing the product. Spending on ads, media, research, etc., fluctuate as the product moves from one stage to the next over the course of months or years.

Next, we are going to take a deeper look at the PLC and analyse how marketing efforts differ at each stage.

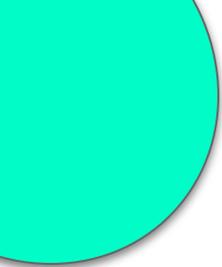
# THE DIFFERENT STAGES OF THE PLC

## Product introduction: REVENUE LEVEL - \$

As entrepreneurs know, strictly speaking, this is not the first stage of a product's life. A product is born when a simple idea crops out during a brainstorming session at company headquarters.

But for simplicity reasons, we are going to tackle the moment a product goes live in the market. So, at this stage, the product is very new and apart from beta testing and pre-launch research, very few people have actually used or seen the product before.

Therefore, as one can assume, marketing efforts here are massive. The company needs to bombard the market with different types of promotions such as TV infomercials, social media ads, demonstration videos, etc.



# THE DIFFERENT STAGES OF THE PLC

## Growth stage: REVENUE LEVEL - \$\$

During this second stage, the product begins to gain traction in the market as it has been present for an amount of time. Although one might think that marketing efforts can be reduced here, in fact it's better to do the opposite. Why?

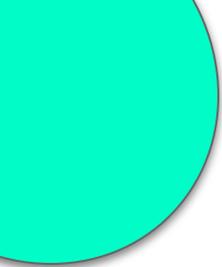
At this stage, competition will begin to creep in with copycat products or similar products being developed, marketed and launched. Marketing tactics should stay away from price wars at this point and focus solely on communicating the benefits of the product to the niche audience.

# THE DIFFERENT STAGES OF THE PLC

## Maturity Stage: REVENUE LEVEL - \$\$\$\$

During this penultimate stage of the PLC, the product would have a good following, a good reputation and would be a constant stream of revenue for the company. At this point, marketing efforts are at a minimum with finances being increasingly aimed at R&D for new products.

The company would also be wise to create and market new versions of the product, upsells and complimentary products. By doing this, the entrepreneur would be riding the wave of good momentum and goodwill the product has to introduce the target audience (and the market) to other products in the product line.



# THE DIFFERENT STAGES OF THE PLC

## Decline Stage: REVENUE LEVEL - \$\$\$/\$\$/\$

The last stage of a product's natural life cycle is characterised by dropping revenues. At this point, the product would be bleeding market share and sales would have begun to plummet. This could be due to a number of factors but usually, newer products, strong competition, and spending power contribute to the natural death of products.

Marketing efforts here are futile unless the marketing team sits down with the development team and together, based on data available, are able to tweak the product for re-launch in another market or sector. At that point the PLC would start over again.

# THE DIFFERENT STAGES OF THE PLC

It is important to note that PLC varies for different products and different markets. Some products have a natural PLC of a number of years (ex. Game consoles & tech peripherals).

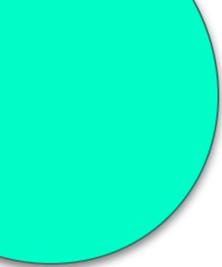
Others have a much shorter PLC because of seasonality patterns present in the market (ex. Weight loss programs, tourist accommodation).

No entrepreneur or marketer can predict precisely when a product will die a natural death; mainly because it is improbable to guess the length of the growth and maturity phases. It is therefore imperative that market research and feedback is collected frequently so that the company does not lose touch with the audience's needs and wants.

# THE DIFFERENT TYPES OF PRODUCTS

The Boston Consulting Group (BCG) Matrix

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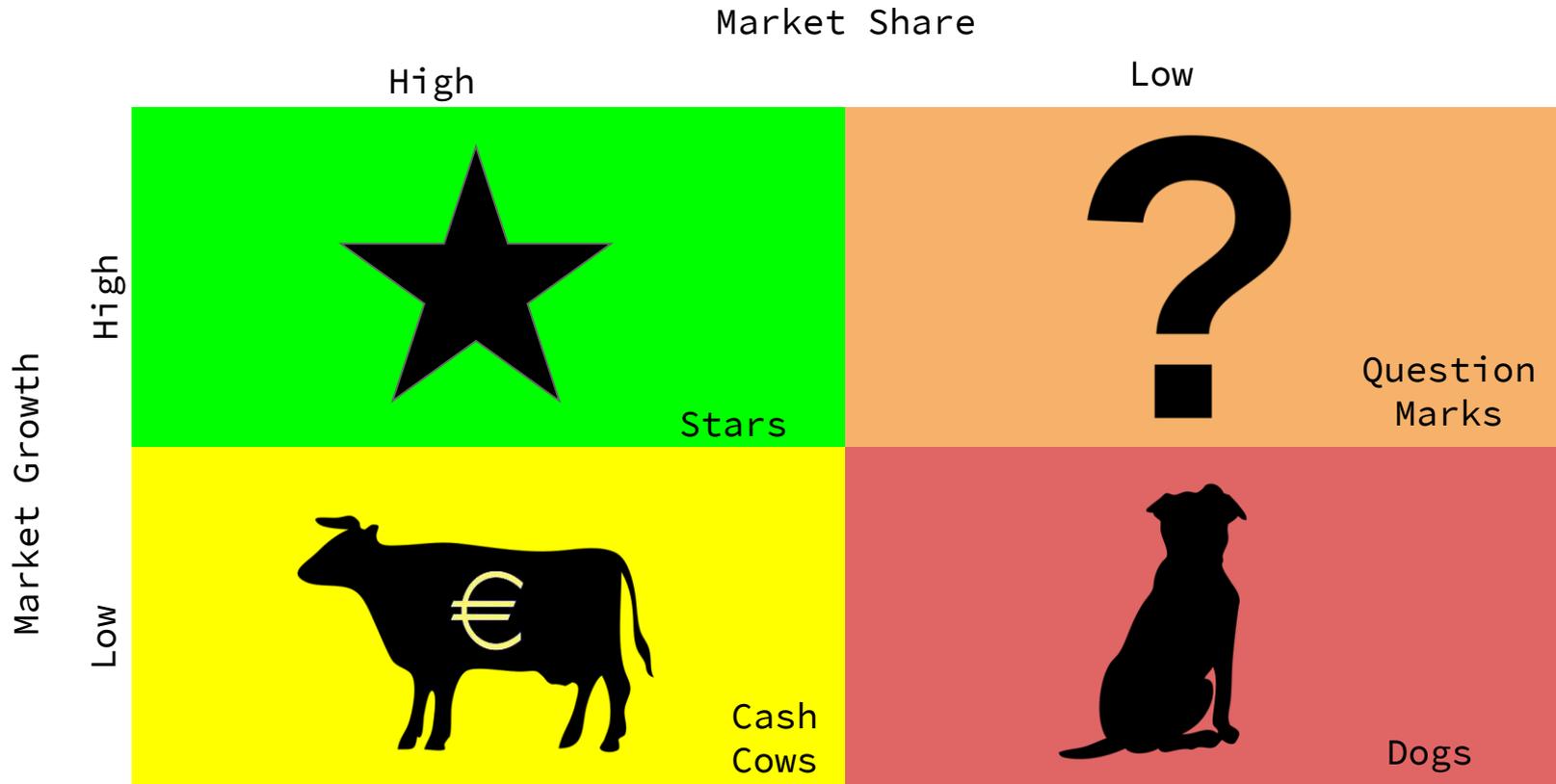
# BOSTON CONSULTING GROUP (BCG) MATRIX

During the last chapter we discussed the different stages of the PLC. We explained how it is difficult for entrepreneurs and managers to determine whether or not to discontinue a product because of the different variables one has to take into account.

In 1968, Bruce Henderson, founder of the Boston Consulting Group, created a matrix to help businesses identify which of their products are doing well (and therefore to keep and promote) while taking note and deciding on other not-so-good performers.

On the next page you will find an illustration of the BCG Matrix and we will then explain each segment in detail.

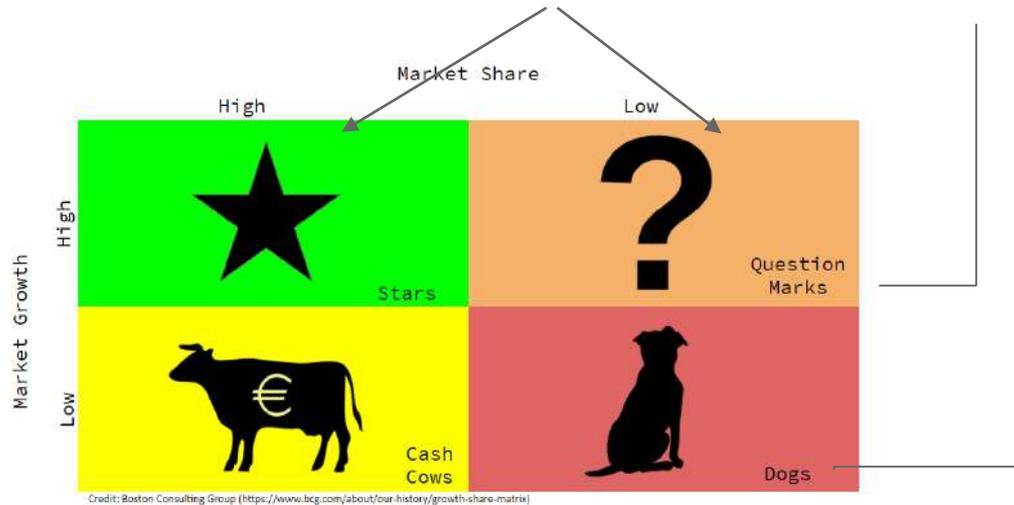
# BCG MATRIX



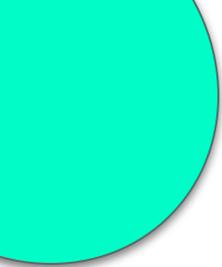
Credit: Boston Consulting Group (<https://www.bcg.com/about/our-history/growth-share-matrix>)

# THE MATRIX EXPLAINED

The matrix is divided into two columns and two rows.



Each column and each row represent the contrasting market share and market growth realities of the different product types.



# THE MATRIX EXPLAINED

As can be seen from the matrix, market growth and market share are categorised into two realities; HIGH and LOW. Given these considerations, 4 product types are born;

1. HIGH market share, HIGH growth = **STAR**
2. HIGH market share, LOW growth = **CASH COW**
3. LOW market share, HIGH growth = **QUESTION MARK**
4. LOW market share, LOW growth = **DOG**

So what conclusions can be drawn from these situations?

# MATRIX COMPONENTS - DOGS



Let us start with the simplest and most straightforward products on the matrix - dogs.

‘Dog’ products have low market share and a low growth rate, meaning they struggle against competing products and are unlikely to grow in sales in the near future. Although profitable, they sell much less than other products and their revenue numbers do not seem to be on the up.

Entrepreneurs and marketers should look at the situation of other products in the pipeline before deciding on the fate of ‘dog’ products. Therefore, the elimination of certain products from the product line should form part of a wider strategy.



# MATRIX COMPONENTS - DOGS

## Decision should be based on:

Deciding on 'dogs' is straightforward. If the company has a product that is ready to go and can easily replace the existing one, then the older product can be pulled from circulation and the new product introduced.

But if new products are a long way from hitting the market, dogs provide an opportunity to fill the gap while the company works on finding new products to order or create.

Promotional efforts on dogs should be very limited as this budget would be more efficiently used for stronger product types.

# MATRIX COMPONENTS - QUESTION MARKS



From the most straightforward to the most complicated - question marks. These products have low market share in a fast growing market.

If looked after and cultivated the right way, these products have the potential to turn into a star product. Since it has a presence in a growing market, it is feasible to invest in research and promotion as techniques for growing the market share.

Through research, the reason for low market share can be found, and potential weaknesses can be turned into opportunities.



# MATRIX COMPONENTS - QUESTION MARKS

## Decision should be based on:

Undoubtedly, question marks should see a big chunk of investment as they represent the business's potential star product.

R&D should be done so to ascertain whether some variations or tweaks to the product can increase its market share quickly. In a fast growing market, the business should take the bull by the horns and try to get in on the action as early as possible.

This shows the customers that are yet to enter the market that the company is credible and trustworthy, given that it has been operating in the market for a period of time.

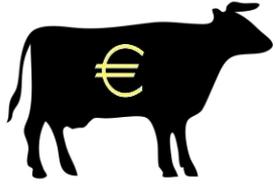
# MATRIX COMPONENTS - CASH COW



The cash cow is the most profitable product in the product line. Usually, such products are the ‘flagship’ product of a company and are the biggest drivers of revenue and profits.

Profits are so high that they finance promotional activities for other products. This high profit margin comes from the fact that since it is established in the market and has a high market share, promotional expenses are very low.

Being a flagship product, and having been around for a long time, these products ‘sell themselves’; which in essence means that customers need only be reminded once in a while to go and buy.



## MATRIX COMPONENTS - CASH COW

### Decision should be based on:

It is important to note that cash cows operate in a dying market. As such, they are moving towards the decline stage of the PLC and at present are in their maturity phase.

If you recall, the maturity phase is when the highest profits are recorded because of the familiarity and popularity of the product with customers.

As such, companies should be attentive for signs of market fatigue for the product and/or the introduction of new competing products by competitors.

# MATRIX COMPONENTS - STARS



Stars are what each company and organisation should aim for. Star products occupy high market share within a growing market.

Copycat products are usually rampant in this space and therefore this might lead to price wars which drive down profit margins. The business should, therefore, find a way to make the product the market leader and eventually drown out competitors. This can be achieved through various methods including:

- ★ Buying the competition
- ★ Differentiating the product
- ★ Offering better after sales services
- ★ Packaging the product with other complimentary products
- ★ Investing more in market research



# MATRIX COMPONENTS - STARS

## Decision should be based on:

Although it might be a risk to invest a lot of money in star products, in the long run it can pay off if the product is adopted by the majority of the market and becomes the go-to solution for customers.

Market positioning comes into play here. The company should focus on how it wants the product to be positioned in the market and how it wants it to be perceived by potential customers.

By deciding on these facts, the entrepreneur can get a clearer idea of how much they want to spend on promotional efforts.

THANK YOU FOR FOLLOWING

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