



Business Strategies 2023

View of Saint-Petersburg

December 18, 2023

Ivan Monich, PhD (www.Monich.pro)

Class starts at 08:00 (Beijing Time, GMT+8)

Why It Matters: Place: Distribution Channels

Why evaluate how to use distribution channels to market an organization's products and services effectively?

More Than Just Another P

In this module, you'll learn more about distribution strategies and their role in the marketing mix.

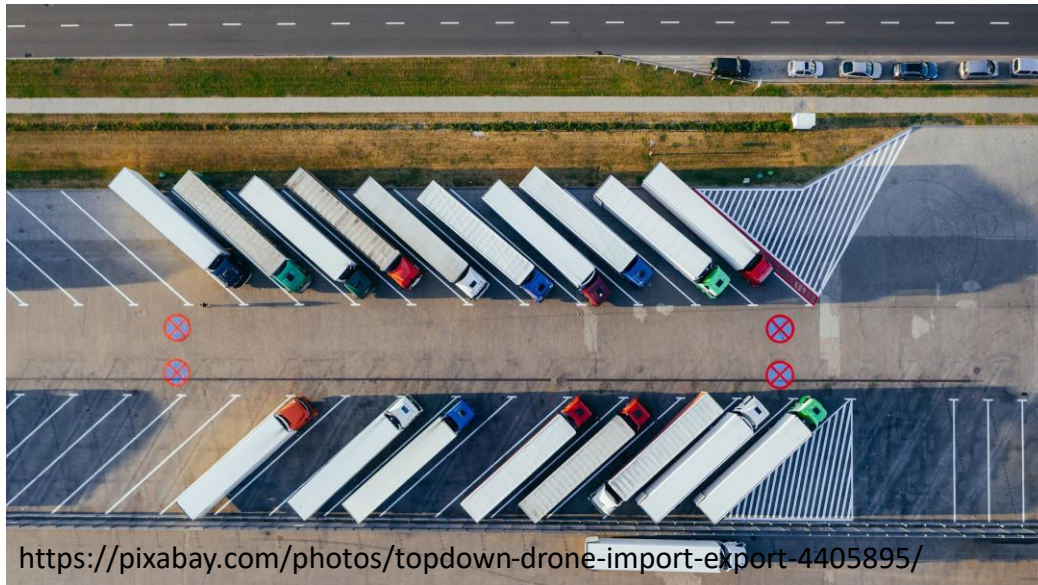
Learning Outcomes

- Explain what channels of distribution are and why organizations use them
- Explain how channels affect the marketing of products and services
- Describe types of retailers and explain how they are used as a channel of distribution
- Explain how integrated supply chain management supports an effective distribution strategy



Outcome: Using Channels of Distribution

What you'll learn to do: explain what channels of distribution are and why organizations use them



Define Channels of Distribution

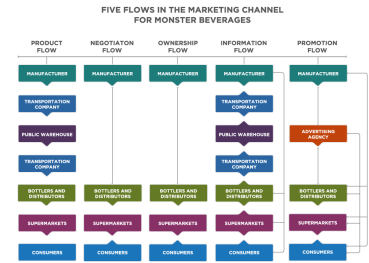
Evolution of Channels of Distribution

With the growth of specialization, particularly industrial specialization, and with improvements in methods of transportation and communication, channels of distribution have become longer and more complex.

Based on this relationship, we define a channel of distribution, also called a marketing channel, as sets of interdependent organizations involved in the process of making a product or service available for use or consumption, as well as providing a payment mechanism for the provider.



Channel Flows



One traditional framework that has been used to express the channel mechanism is the concept of flow. These flows reflect the many linkages that tie channel members and other agencies together in the distribution of goods and services. From the perspective of the channel manager, there are five important flows.

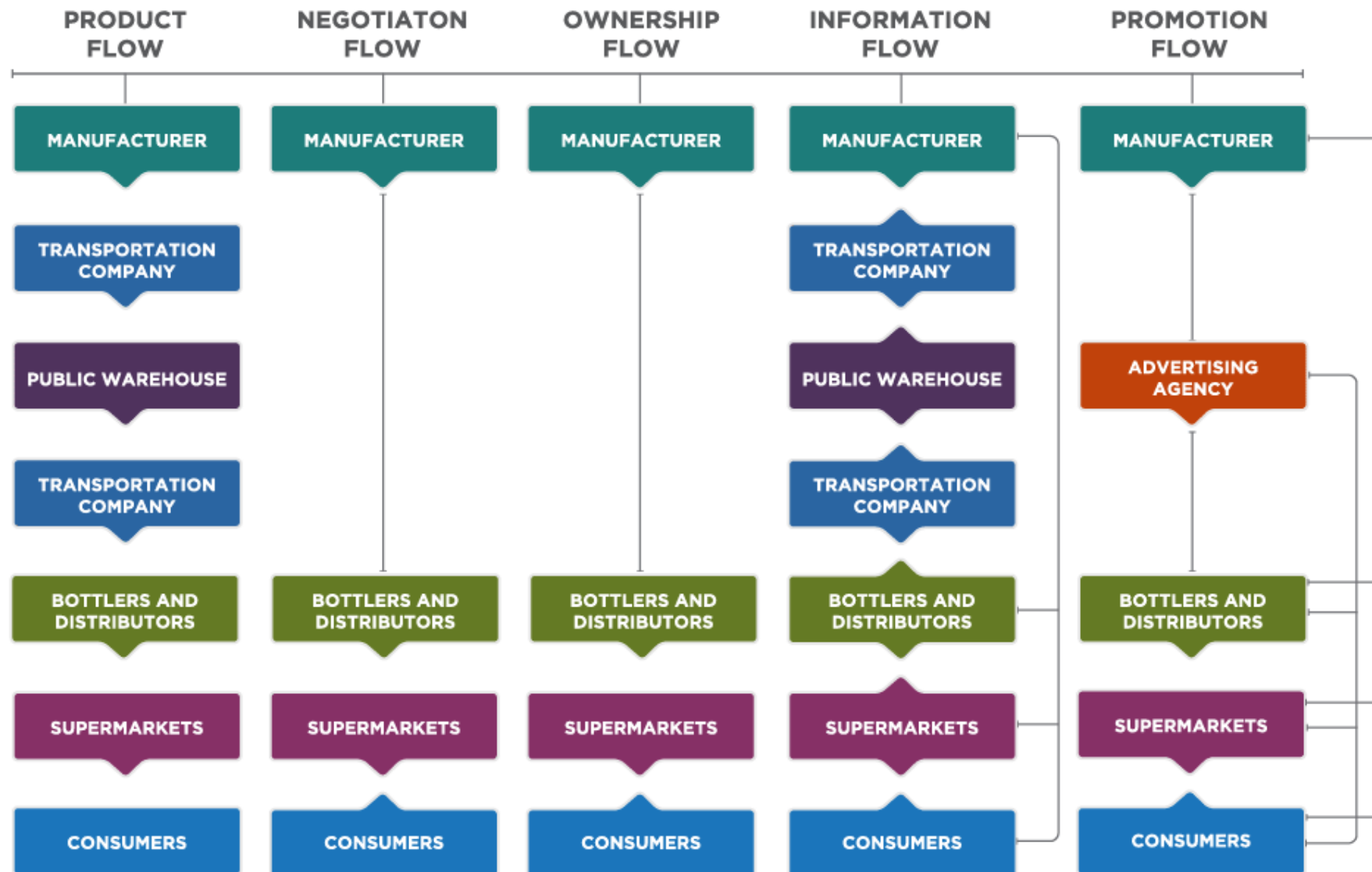
- Product flow:
- Negotiation flow
- Ownership flow:
- Information flow:
- Promotion flow:



0:30

el Flow

FIVE FLOWS IN THE MARKETING CHANNEL FOR MONSTER BEVERAGES



Channel flows

Product flow: the bottlers receive and process the bases and syrups

Negotiation flow: the bottlers buy concentrate, sell product and collect revenue from customers

Ownership flow: distributors acquire the title of the syrups and own the product until it's sold to supermarkets

Information flow: bottlers communicate product options to customers and communicate demand and needs to Coca-Cola

Promotion flow: bottlers communicate benefits and provide promotional materials to customers

“

While many view our Company as simply “Coca-Cola,” our system operates through multiple local channels. Our Company manufactures and sells concentrates, beverage bases and syrups to bottling operations, owns the brands and is responsible for consumer brand marketing initiatives. Our bottling partners manufacture, package, merchandise and distribute the final branded beverages to our customers and vending partners, who then sell our products to consumers.

All bottling partners work closely with customers — grocery stores, restaurants, street vendors, convenience stores, movie theaters and amusement parks, among many others — to execute localized strategies developed in partnership with our Company. Customers then sell our products to consumers at a rate of more than 1.9 billion servings a day.^[1]



Distribution Objectives

Introduction.

The primary purpose of any channel of distribution is to efficiently bridge the gap between the producer of a product and the user of it.



<https://pixabay.com/photos/parcels-packages-delivery-box-2484036/>



Channel Partners That Support Objectives

The channel is composed of different institutions that facilitate the transaction and the physical exchange. Institutions in channels fall into one of the following three categories:

- The producer of the product: a craftsman, manufacturer, farmer, or other producer
- The user of the product: an individual, household, business buyer, institution, or government
- Middlemen at the wholesale and/or retail level

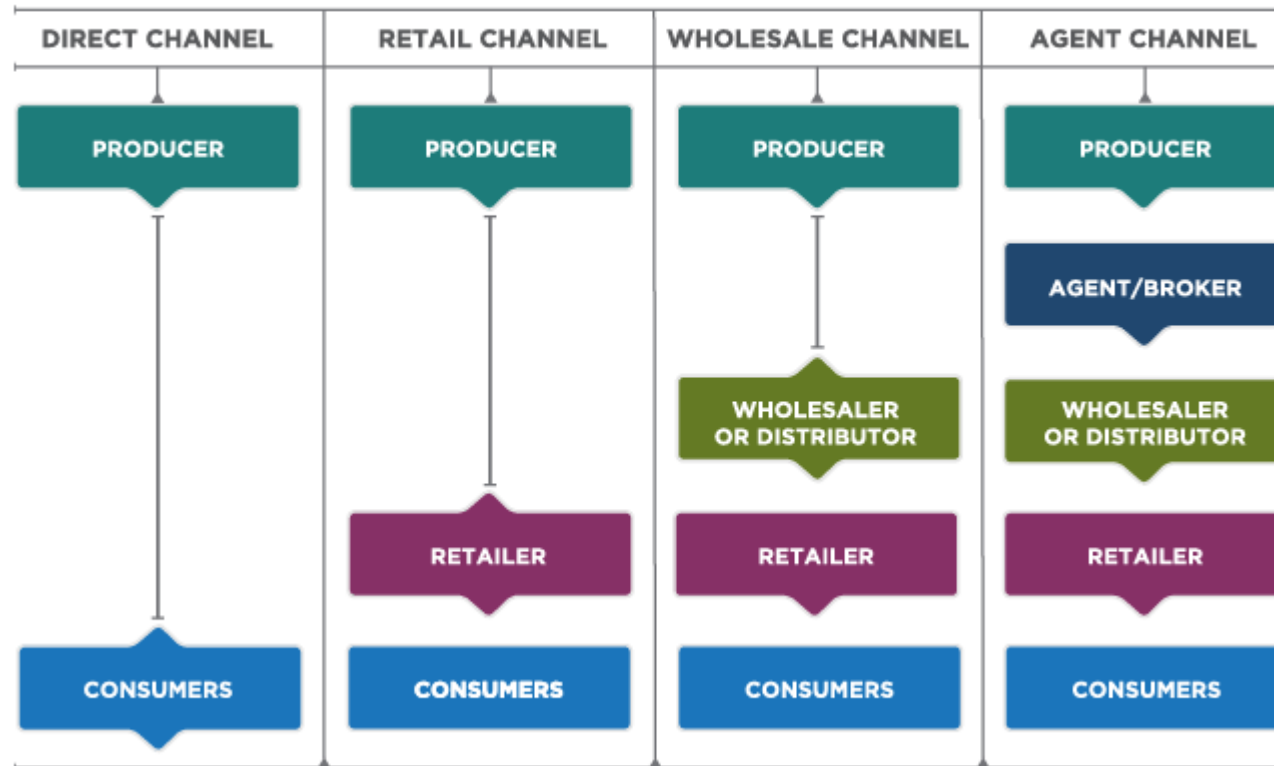
Not all channel members perform the same function. Channel partners perform the following three important functions:

- Transactional functions: buying, selling, and risk assumption
- Logistical functions: assembly, storage, sorting, and transportation
- Facilitating functions: post-purchase service and maintenance, financing, information dissemination, and channel coordination or leadership



Channel Structures

MARKETING CHANNELS FOR CONSUMER PRODUCTS



The Role of Intermediaries

Wholesalers play an important role as intermediaries. Intermediaries act as a link in the distribution process, but the roles they fill are broader than simply connecting the different channel partners. Wholesalers, often called “merchant wholesalers,” help move goods between producers and retailers.

Let’s look at each of the functions that a merchant wholesaler fulfills.

<https://www.istockphoto.com/photo/short-long-and-direct-distribution-channel-gm1048069280-280332438>



Purchasing

Wholesalers purchase very large quantities of goods directly from producers or from other wholesalers. By purchasing large quantities or volumes, wholesalers are able to secure significantly lower prices.



Source: <https://pixabay.com/vectors/shopping-shopping-bag-paper-sales-3158120/>



Warehousing and Transportation

Once the wholesaler has purchased a mass quantity of goods, it needs to get them to a place where they can be purchased by consumers. This is a complex and expensive process.

Source: <https://www.istockphoto.com/photo/a-warehouse-worker-takes-inventory-in-the-storage-room-gm1367106352-437455765>



Grading and Packaging

Wholesalers buy a very large quantity of goods and then break that quantity down into smaller lots. The process of breaking large quantities into smaller lots that will be resold is called bulk breaking. Often this includes physically sorting, grading, and assembling the goods.

Source: <https://www.istockphoto.com/photo/inflation-concept-gm1385196919-444099357>



Risk Bearing

Wholesalers either take title to the goods they purchase, or they own the goods they purchase. There are two primary consequences of this, both of which are both very important to the distribution channel. First, it means that the wholesaler finances the purchase of the goods and carries the cost of the goods in inventory until they are sold. Because this is a tremendous expense, it drives wholesalers to be accurate and efficient in their purchasing, warehousing, and transportation processes.



Marketing

Often, the wholesaler will fill a role in the promotion of the products that it distributes. This might include creating displays for the wholesaler's products and providing the display to retailers to increase sales. The wholesaler may advertise its products that are carried by many retailers.

Source: <https://pixabay.com/illustrations/social-media-social-marketing-5187243/>



Distribution

As distribution channels have evolved, some retailers, such as Walmart and Target, have grown so large that they have taken over aspects of the wholesale function. Still, it is unlikely that wholesalers will ever go away. Most retailers rely on wholesalers to fulfill the functions that we have discussed, and they simply do not have the capability or expertise to manage the full distribution process. Plus, many of the functions that wholesalers fill are performed most efficiently at scale. Wholesalers are able to focus on creating efficiencies for their retail channel partners that are very difficult to replicate on a small scale.



5-minute break

Marketing Channels vs. Supply Chains

What Is a Supply Chain?

The supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer

Source: <https://pixabay.com/photos/supply-chain-supplying-goal-7139790/>



Supply chain

“

Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. Supply Chain Management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance and information technology.[\[2\]](#)



Supply Chain and Marketing Channels

The supply chain and marketing channels can be differentiated in the following ways:

1. The supply chain is broader than marketing channels.
2. Marketing channels are purely customer facing.
3. Marketing channels are part of the marketing mix.



Task 1. Seminar.

Please choose the company and show its approach to Distribution channel building. Use the framework of the Distribution Channel from our lecture. Make a 3-5-minute speech on it by the end of the class. You may work in pairs.

- + Luckin Coffee, online+offline stores (delivery), Cheng Xuanchao
- + Amazon, e-commerce, distribution centres and warehouses, Wu Yuzhe
- + Apple 1. Independent distributors 2. There are 83 Largest scale resellers in China. 3 General retailer, Wang Yuran and Feng Yushu
- + Meituan Hotel platform. 1. Direct channel - Website and mobile APP, 2. online travel platforms, APPs and 3. Offline stores and agents, Ni Meng, Li Fuyu
- + Holiland, Yang Ruyu
- + Pangdonglai, Li Jiayao and Wu Shize
- + Lining, direct sales: official flagship stores, Zhang Yingying and Lei Xinyi
- + 华为 Direct sales channels to control the quality and post-purchase service. Online channels, e-commerce platforms, and social media, Ren Yifei and Wang Xiaotian.

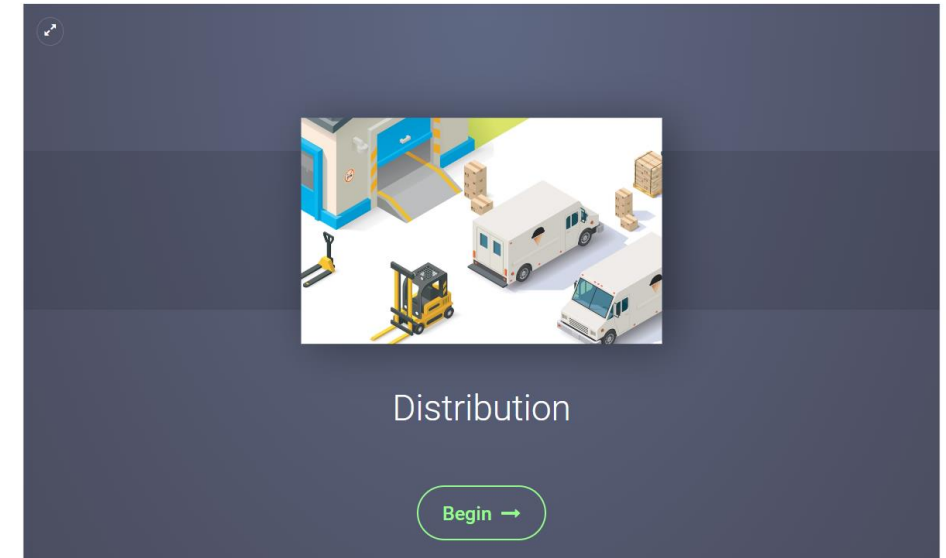
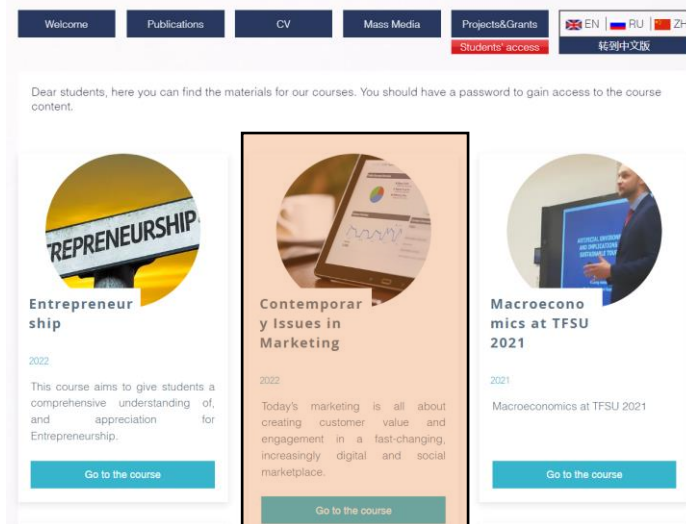


Simulation: Distribution

Try It

Play the simulation

<https://www.monich.pro/for-students>



Self Check

Check Your Understanding:

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

Sets of interdependent organizations participating in the process providing a payment mechanism for a provider while making a service or product accessible and available for use or consumption is the definition of _____.



☒ a channel of distribution

Correct

☐ positioning and differentiation

☐ product marketing



Managing Distribution Channels

What you'll learn to do: explain how channels affect the marketing of products and services

As you'll learn in this next section, much of marketing's role in the distribution process is identifying the right channels, creating and managing effective channel partnerships, and ensuring that the channel performance provides value to customers.

Learning Activities

- Optimizing Channels
- Third-Party Sales
- Service Outputs
- Self Check: Managing Distribution Channels



Optimizing Channels

The Channel Management Process. The channel management process contains five steps.

1. Analyze the Consumer
2. Establish the Channel Objectives
3. Specify Distribution Tasks
4. Evaluate and Select Among Channel Alternatives
5. Evaluating Channel Member Performance



1. Analyze the Consumer

We begin the process of channel management by answering two questions. First, to whom shall we sell this merchandise immediately? Second, who are our ultimate users and buyers? The immediate and ultimate customers may be identical or they may be quite separate. In both cases, certain basic questions apply: There is a need to know what the customer needs, where they buy, when they buy, why they buy from certain outlets, and how they buy.



2. Establish the Channel Objectives

Once customer needs are specified, the marketer can decide what the channel must achieve, which can be captured in the channel objectives. Channel objectives are based on customer requirements, the marketing strategy, and the company strategy and objectives. However, in cases where a company is just getting started, or an older company is trying to carve out a new market niche, the channel objectives may be the dominant objectives.

Source: <https://pixabay.com/photos/arrow-target-bullseye-goal-aim-2886223/>



3. Specify Distribution Tasks

After the distribution objectives are set, it is appropriate to determine the specific distribution tasks (functions) to be performed in that channel system. The channel manager must be very specific in describing the tasks and also detail how these tasks will change depending upon the situation.



4. Evaluate and Select Among Channel Alternatives

Determining the specific channel tasks is a prerequisite of the evaluation and selection process. There are four considerations for channel alternatives: number of levels, intensity at the various levels, types of intermediaries at each level, and application of selection criteria to channel alternatives. In addition, it is important to decide who will be in charge of the selected channels.

- Number of Levels
- Intensity at Each Level
- Types of Intermediaries and Application of Selection Criteria
- Who Should Lead?



5. Evaluating Channel Member Performance

The need to evaluate the performance level of the channel members is just as important as the evaluation of the other marketing functions. Clearly, the marketing mix is quite interdependent, and the failure of one component can cause the failure of the whole. There is one important difference, though: the channel member is dealing with independent business firms, rather than employees and activities under its control, these firms may be reluctant to change their practices.



The Human Aspect of Distribution

By its very nature, a channel of distribution is made up of people. Ideally, a channel member should coordinate his or her efforts with other members in such a way that the performance of the total distribution system to which he or she belongs is enhanced. This is rarely the case, though. Part of this lack of cooperation is due to the organizational structure of many channels, which encourages a channel member to be concerned only with channel members immediately adjacent to them, from whom they buy and to whom they sell.

Source: <https://pixabay.com/photos/adult-bald-beard-corporate-1868750/>



Role

Most channel members participate in several channels. Establishing the role of a channel member means defining what the behavior of the channel member should be. For example, a basic role prescription of the manufacturer may be to maximize the sales of his or her particular brand of product. This suggests that the manufacturer is to actively compete for market share and aggressively promote his or her brand. The role prescriptions of independent wholesalers, however, are likely to be quite different.



Communication

Channel communication is sending and receiving information that is relevant to the operation of the channel. It is critical for the channel member to foster an effective flow of information within the channel. Communication will take place only if the channel member is aware of the pitfalls that await. The channel manager should therefore try to detect any behavioral problems that inhibit the effective flow of information through the channel and try to solve these problems before the communication process in the channel becomes seriously distorted.



Conflict

Any time individuals or organizations must work together and rely on one another for personal success, conflict is inevitable. In a distribution channel, conflict usually arises in one of two forms: structural or behavioral.

Eric Schmidt, chairman and CEO of Google Inc., notes: “From my experience the most successful companies are the ones where there is enormous conflict.



We stopped here 200716 & 200717 on 18-12-2023 Power

Power is the capacity to use force in a relationship. It is often the means by which one party is able to control or influence the behavior of another party. In the channel mechanism, power refers to the capacity of a particular channel member to control or influence the behavior of another channel member.

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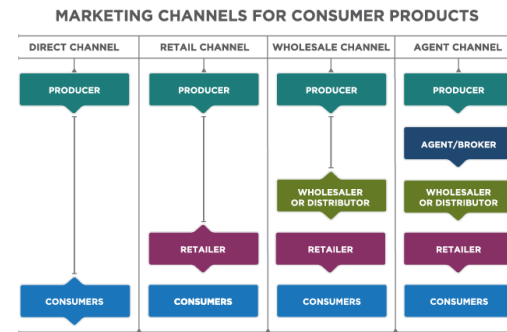
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- + Zou Yujie. Amazon, an e-commerce company, warehouses and distribution centres, online platform.
- + Anyway, direct sales, Gong Xirui
- + Luckin coffee: retail channel online sales + e-commerce platform。 Offline stores in commercial areas, crowded places – Li Honglin and Shi Xinqi
- + Lenovo, MNC multi-channel, 1. operated directly by Lenovo 2. Mediators Li Zirui and Gu Shuqi
- + Apple, partnership with suppliers, retail stores, strong partnership with ... after support, Yang Yiming and Zhou Situ
- + Nongfu Springs. 5 indirect distribution channels (wholesale, fast food restaurants, suning苏宁, stores) and one direct, Zhang Jiayun, Cao Jiayi
- + Faxianyu, direct sales and Distributions.
- + Apple uses the concentration strategy with official stores Wang Yutong
- + Xiaomi, cost-effective products, online website, increased number of offline official stores, online retailers collaboration, Zhao Jiaying



Third-Party Sales



Throughout the channel structure there are a number of points where sales may occur.

The most straightforward of these is the direct channel, in which the producer sells directly to the consumer. In every other structure, multiple sales occur—from producer to wholesaler, from wholesaler to retailer, from retailer to buyer. In cases involving an intermediary, there is a third-party sale. Third-party sales are sales conducted by anyone other than the producer. Even when there are four or five parties involved, we refer to all of them as third parties.

Third-party sales are often vexing for marketers. When a company uses a direct sales approach, the marketer can devise a sales compensation structure that creates the right incentives for the sales team to sell the right products to the right customers at the right price. In a third-party sales situation, it is much more difficult to understand and influence the sales process.



Approaches to Support Third-Party Sales Success

If the marketer works for the producer, he or she will lose significant control and influence in the third-party sale, while the marketing team will gain control or power. How can a marketer approach third-party sales most effectively? The following approaches can be used:

1. Understand and align incentives.
2. Provide exceptional sales support.
3. Create demand for your product.



Service Outputs

As with each element of the marketing mix, different segments of customers have different needs with regard to place, or distribution. Service outputs offer a way to focus on the unique needs of a target buyer and plan for those in the distribution strategy. Service outputs are the productive outputs of the marketing channel that consumers value and desire.



- + Luckin Coffee, online+offline stores (delivery), Cheng Xuanchao
- + Amazon, e-commerce, distribution centres and warehouses, Wu Yuzhe
- + Apple 1. Independent distributors 2. There are 83 Largest scale resellers in China. 3 General retailer, Wang Yuran and Feng Yushu
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- + Lining, direct sales: official flagship stores, Zhang Yingying and Lei Xinyi
- + 华为 Direct sales channels to control the quality and post-purchase service. Online channels, e-commerce platforms, and social media, Ren Yifei and Wang Xiaotian.

Common Service Outputs

When considering the goals of channel management in meeting customer needs, there are a few broad service outputs that channels can address. The service outputs are explained from the perspective of the target customer, by identifying needs or preferences that a target customer might have:

Spacial convenience: Can I get the product at or near the location where I want it?

Timing of availability: Do I need the product immediately or am I willing to wait?

Quantity: Am I willing to buy in bulk or buy multiple items?

Assortment and variety: Do I have a very particular need or a flexible need? Am I looking for one or many options?

Service: Do I require assistance or support through the purchase process?

Information: Do I need information to make a purchase, or do I enter the buying process having already made a decision?



Service Outputs in Practice

Imagine that a farmer is selling eggs and wants to meet the needs of her final consumers. Eggs are a fairly uniform product, a commodity, so most consumers are going to make decisions about which eggs they purchase based more on the distribution strategy than on a product or promotional strategy. Price is likely to be a factor, too.



Service Outputs in Practice



Service Output	Experience: I'm looking for a nice restaurant for brunch.	Service Output Level	Experience: I need eggs that I can cook for my family's breakfast.	Service Output Level
Spatial Convenience	I'm willing to drive a little bit, especially to an interesting location with strong reviews.	Low	I want the most convenient location on my route where I can get in and out quickly.	High
Timing of Availability	I'm seeking an experience and am willing to spend some time to get it.	Low	I want the quickest purchase possible.	High
Quantity	I would like a nicely sized portion that seems like good value for the money.	Medium	I don't use eggs in bulk but need enough to feed my family.	Medium
Assortment and Variety	I would like to have a nice selection of preparations, and I prefer organic farm-fresh eggs.	High	I just need a dozen eggs of any brand.	Low
Service	I want a full-service experience from the wait staff and chef.	High	I want a quick, efficient check-out, but I don't require help selecting.	Low
Information	I would like to have information about my options, and to understand the opinions of others who have eaten at this restaurant.	High	I already know everything I need to make a purchase.	Low



Self Check

Check Your Understanding:

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

Select all correct answers

The first step of channel management is to analyze the consumer. Which of the following are the two questions a marketer should answer for this step?



Who are our ultimate buyers and users?

Answered Correctly

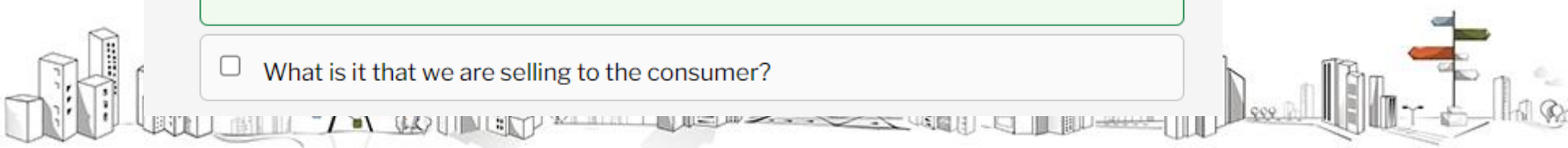


To whom can we sell this merchandise immediately?

Answered Correctly



What is it that we are selling to the consumer?



<https://nrf.com/retails-impact>

U.S. retail by the numbers



52 million

Jobs Supported by Retail



4.2 million

Retail Establishments



\$3.9 trillion

Total GDP Impact



32 million

Direct Retail Employment



\$1 trillion

Direct Labor Income



\$1.6 trillion

Direct Impact on GDP

10

Albertsons Companies

Boise, Idaho

\$59.71



Define Retailing

Retailing involves all activities required to market consumer goods and services to ultimate consumers who are purchasing for individual or family needs.

By definition, B2B purchases are not included in the retail channel since they are not made for individual or family needs. In practice this can be confusing because many retail outlets do serve both consumers and business customers



Types of Retailers

Beyond the distinctions in the products they provide, there are structural differences among retailers that influence their strategies and results. One of the reasons the retail industry is so large and powerful is its diversity. For example, stores vary in size, in the kinds of services that are provided, in the assortment of merchandise they carry, and in their ownership and management structures.



Department Stores

Department stores are characterized by their very wide product mixes. That is, they carry many different types of merchandise, which may include hardware, clothing, and appliances. Each type of merchandise is typically displayed in a different section or department within the store. The depth of the product mix depends on the store, but department stores' primary distinction is the ability to provide a wide range of products within a single store. For example, people shopping at Macy's can buy clothing for a woman, a man, and children, as well as house wares such as dishes and luggage.



Chain Stores

The 1920s saw the evolution of the chain store movement. Because chains were so large, they were able to buy a wide variety of merchandise in large quantity discounts. The discounts substantially lowered their cost compared to costs of single unit retailers. As a result, they could set retail prices that were lower than those of their small competitors and thereby increase their share of the market. Furthermore, chains were able to attract many customers because of their convenient locations, made possible by their financial resources and expertise in selection locations.



Supermarkets

Supermarkets evolved in the 1920s and 1930s. For example, Piggly Wiggly Food Stores, founded by Clarence Saunders around 1920, introduced self-service and customer checkout counters. Supermarkets are large, self-service stores with central checkout facilities. They carry an extensive line of food items and often nonfood products. There are 37,459 supermarkets operating in the United States, and the average store now carries nearly 44,000 products in roughly 46,500 square feet of space. The average customer visits a store just under twice a week, spending just over \$30 per trip. Supermarkets' entire approach to the distribution of food and household cleaning and maintenance products is to offer large assortments these goods at each store at a minimal price.



Discount Retailers

Discount retailers, like Ross Dress for Less and Grocery Outlet, are characterized by a focus on price as their main sales appeal. Merchandise assortments are generally broad and include both hard and soft goods, but assortments are typically limited to the most popular items, colors, and sizes. Traditional stores are usually large, self-service operations with long hours, free parking, and relatively simple fixtures. Online retailers such as Overstock.com have aggregated products and offered them at deep discounts. Generally, customers sacrifice having a reliable assortment of products to receive deep discounts on the available products.



Warehouse Retailers

Warehouse retailers provide a bare-bones shopping experience at very low prices. Costco is the dominant warehouse retailer, with \$138.4 billion in sales in 2018. Warehouse retailers streamline all operational aspects of their business and pass on the efficiency savings to customers. Costco generally uses a cost-plus pricing structure and provides goods in wholesale quantities.



Franchises



Paris Baguette



Tim Hortons

Entrepreneur
EUROPE



Franchises

Franchise 500

2022 Franchise 500 Ranking

Entrepreneur's 43rd annual Franchise 500® ranking shines a light on the unique challenges and changes that have shaped the franchise industry over the last year—and how franchisors have adapted and evolved to meet them.

Understanding the Ranking

<https://www.entrepreneur.com/franchise500>



2022 Franchise 500 Ranking

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Understanding the Ranking

Malls and Shopping Centers

Malls and shopping centers are successful because they provide customers with a wide assortment of products across many stores. If you want to buy a suit or a dress, a mall provides many alternatives in one location. Malls are larger centers that typically have one or more department stores as major tenants. Strip malls are a common string of stores along major traffic routes, while isolated locations are freestanding sites not necessarily in heavy traffic areas. Stores in isolated locations must use promotion or some other aspect of their marketing mix to attract shoppers.



Nonstore Retailing

Beyond those mentioned in the categories above, there's a wide range of traditional and innovative retailing approaches.

Vending machines and point-of-sale kiosks have long been a popular retail device. Today they are becoming more targeted, such as companies selling easily forgotten items—such as small electronics devices and makeup items—to travelers in airports.



5-minute break

Retail Strategy



Just when we have finally mastered the marketing mix that includes the four Ps, we arrive at the retail strategy. The retail marketing strategy includes all of the elements of the traditional marketing mix:

- Retailers buy product from producers or wholesalers that will most appeal to their target market.
- Retailers set a price that delivers value for the product and the complete shopping experience.
- Retailers promote their offering, which includes the shopping experience, the products, the pricing, and broadly, the retail brand.
- Retailers create the right place, which is the point of purchase for the buyer.



Presentation



Personnel

Retail employees are the face of the brand to the shopper. This is true of a sales associate who helps with a purchase decision, a waitperson in a restaurant, a hotel check-in clerk, or a checker in a grocery store who efficiently rings up purchases. Retail employees fill a weighty role in the brand for two reasons. First, they do work that has the potential to add immense value to the purchase process. When an employee is helpful and efficient with the selection and/or purchase of a product, it's an important and necessary aspect of the buyer's retail experience. The retail employees working directly with customers have a much more personal and profound impact on the brand experience of each shopper than the senior executives of the company or even store managers, who have less customer contact.



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0:30

Self Check

Check Your Understanding:

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

The retail industry is designed to create _____.



☒ contact efficiency for consumers

Correct

☐ multiple market forces

☐ a master retail plan



What AI tool do you use?

1. ~~OpenAI = ChatGPT 3.5 or 4 turbo~~
2. ~~Bard and Gemini~~
3. 百度 = 文心一言
4. ~~YandexGPT~~
5. ~~Bing~~



Q&A session



Can you propose some extra attractors for the retailers?

- Like food court with affordable prices at IKEA stores.
- Live Gaming streams at Huawei's flagship stores to demonstrate the TVs.
- Activities at the Apple's stores.

November 19, 2023, in Riverside 66 store

- Sam's club free food samples



Promotion: Integrated Marketing Communication (IMC)

Why It Matters: Promotion: Integrated Marketing Communication (IMC)

Why demonstrate how organizations use integrated marketing communication (IMC) to support their marketing strategies?

The fourth P, promotion, focuses on communicating with target audiences about something: a product, service, organization, idea, or brand. Communication is how you let people know about your offering (product) and why it matters, how much it costs (price), and where to find it (place).

A very wide array of tools is available today to help marketers communicate with their target audiences. Selecting the right tools for the job and combining them into a successful marketing effort is a critically important task for modern marketers. In fact, it has a special name: integrated marketing communication (IMC).



Learning Outcomes

- Explain integrated marketing communication (IMC) and its connection to the organization's marketing strategy
- Discuss how to develop effective messaging for marketing communications
- Explain factors to consider when selecting marketing communication methods to execute the strategy
- Describe common methods of marketing communication, their advantages and disadvantages
- Explain how IMC tools support the sales process
- Describe the uses of Customer Relationship Management (CRM) systems for marketing communication purposes
- Explain common tools and approaches used to measure marketing communication effectiveness
- Create a marketing campaign and budget using multiple IMC tools to execute a marketing strategy



Outcome: Integrated Marketing Communication (IMC) Definition

What you'll learn to do: explain integrated marketing communication (IMC) and its connection to the organization's marketing strategy.

The specific things you'll learn in this section include:

- Define integrated marketing communication (IMC)
- Explain how IMC strengthens the impact of marketing communication tools
- List the primary marketing communication methods marketers use as part of their IMC strategy
- Explain how marketers use IMC in their campaigns in order to execute marketing strategy

Learning Activities

- Integrated Marketing Communication (IMC) Definition
- Marketing Campaigns and IMC
- Self Check: Integrated Marketing Communication (IMC) Definition



Integrated Marketing Communication (IMC) Definition

IMC: Making an Impact with Marketing Communication

In today's marketing environment, promotion involves integrated marketing communication (IMC). In a nutshell, IMC involves bringing together a variety of different communication tools to deliver a common message and make a desired impact on customers' perceptions and behavior.

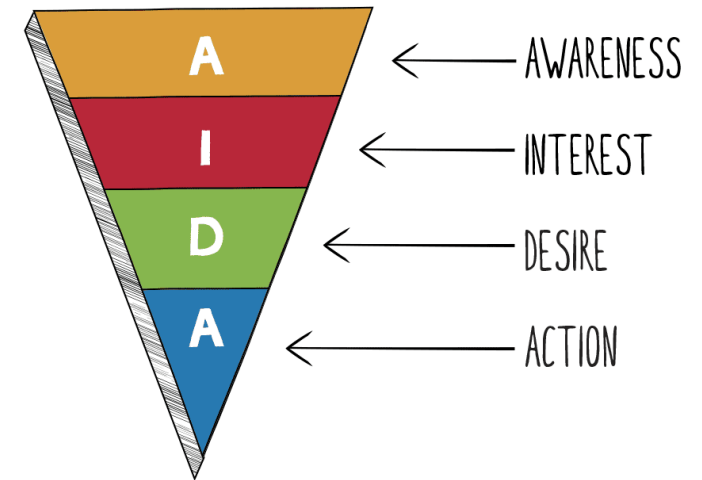


Communicating with Target Segments: The AIDA Model

AIDA is an acronym marketers use to help them develop effective communication strategies and connect with customers in a way that better responds to their needs and desires. Credited to the American advertising and sales pioneer, Elias St. Elmo Lewis, the model originally applied mainly to advertising.

AIDA describes a common list of events that occur when a consumer views an advertisement or other marketing communication. As marketing communication methods have evolved, the model has been used to encompass other marketing tools and channels as well.

THE AIDA MODEL



Let's take a look at typical campaign objectives in each stage:

Awareness: Build awareness to motivate further action

Develop brand awareness and recognition

Increase traffic to physical or virtual stores, Web sites, or other channels

Remind customers about a brand, product, service or category

Interest: Generate interest by informing about benefits; shaping perceptions

Differentiate a product, stressing benefits and features not available from competitors

Provide more information about the product or the service because information may be correlated with greater likelihood of purchase

Increase demand for a specific product or a product category; generate enough interest to research further

Desire: Create desire; move from “liking” to “wanting”

Build brand equity by increasing customer perceptions of quality, desirability, and other brand attributes

Stimulate trial, an important step in building new brands and rejuvenating stagnant brands

Change or influence customer beliefs and attitudes about a brand, product, or category, ideally creating an emotional connection

Action: Take action toward purchasing

Reduce purchase risk to make prospective customers feel more comfortable buying a new or unfamiliar product or brand

Encourage repeat purchases in the effort to increase usage and brand loyalty

Increase sales and/or market share, with the goal of broadening reach within a time period, product category, or segment



MINI AND THE AIDA MODEL

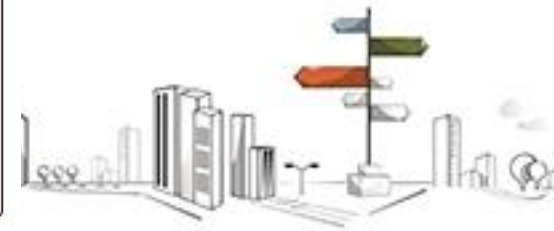
Car marketing is a prime example of using the AIDA model to narrow the target market and get results. Marketers in the automotive industry know their advertisements and other marketing communications must grab the attention of consumers, so they use colors, backgrounds, and themes that would appeal to them. Next, automotive marketers pique interest by showing the advantages of owning the car. In the case of the Mini, for instance, marketers imply that a small car can drive the consumer to open spaces and to fun.



Advertisers can target a precise market by using the AIDA model to identify a narrow subset of consumers that may be receptive to the product offering. Car advertisements are especially made to grab attention, pique interest, meet desires, and evoke action in consumers.

Third, automotive marketers speak to what their consumers desire. For Mini drivers, it's the "fun" of driving, while for Prius consumers it may be the fuel economy or the environmental friendliness. Only after evaluating consumer desires are marketers able to create effective campaigns. Lastly, marketers use advertising and other methods, such as sales promotions, to encourage consumers to take action by purchasing the product or service.

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Thank you

