

## Lessons Do Be Learned From New Shoes

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## Profit

- The primary goal of Marketing is **profit**
- The levels of sales, customer satisfaction, product quality, market share , market growth and ROS are simply guides to improved profit

## Remember

- If you do not have a positive cumulative profit by the end of the game you receive a score of **0%** for the game

## Average Choices

- Average decisions lead to average results
- Average investments in product quality, price, advertising, sales promotions, sales force, dealer promotions lead to average profits (or losses)

## Buy Market Research

- You find out what the average decisions in your industry are by buying and reading the market research

## Superior Results

Superior results are due to superior choices in

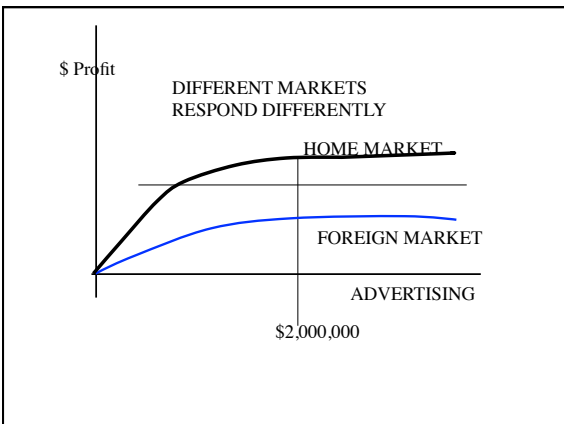
- Product investment
- Advertising
- Sales promotions
- Sales Force
- Dealer promotions
- Price

- Sometimes a superior results are achieved by having
- below average expenditures in advertising sales force, etc.
- Above average sales prices

- ### Do **NOT** fall behind in Product Quality
- Always spend at least the industry average in new product development.

- ### Product Quality
- Product quality is judged by the customer in both absolute terms and in terms relative to the competitive products.
  - You must have product quality at a level that is acceptable to your market and comparable to the best alternatives

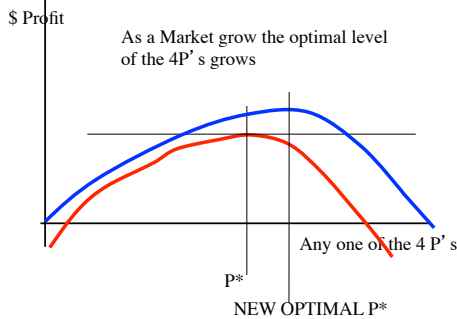
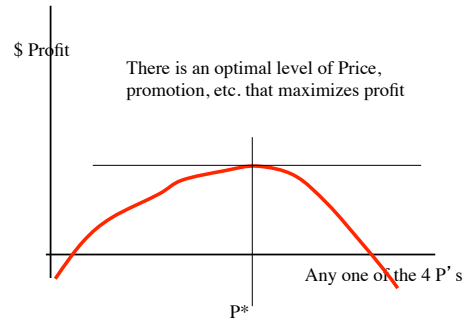
- ### Different Markets
- Different markets are different because the customers in different markets have different responses to price, advertising, sales promotions, sales force, and dealer promotions.
  - You should have different levels of advertising and prices, etc. in different markets



- ### Segment Description
- A single demographic dimension such as age, gender, region or geographical area does not provide very much explanation as to a market's response to the 4 P's
  - Labels like Home market, Foreign market are not segmenting dimensions

### Optimal Levels Exist

- In each market there are levels of advertising, consumer promotion, sales force, dealer promotion, price and product development that will maximize revenues and profits.
- Optimal levels of expenditure will change depending upon changes in market demand and competitive expenditures



### Find Optimum Levels First

- Find the optimal levels of advertising, price, etc. first. Use these as your default values.
- Adjust your default values to reflect competitive pressures and changes in market demand.
  - You may have to lower your default price to keep market share in a price war.

### Promotion Changes

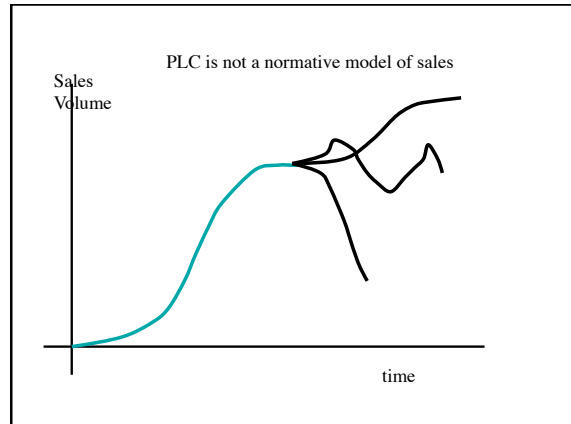
- Increases in levels of promotion increase unit sales at a diminishing rate.
- If you over-spend or under-spend on promotion you **reduce** your profits

### Price Choices

- If you pick a price that is too high or too low then revenues and **profits get smaller**

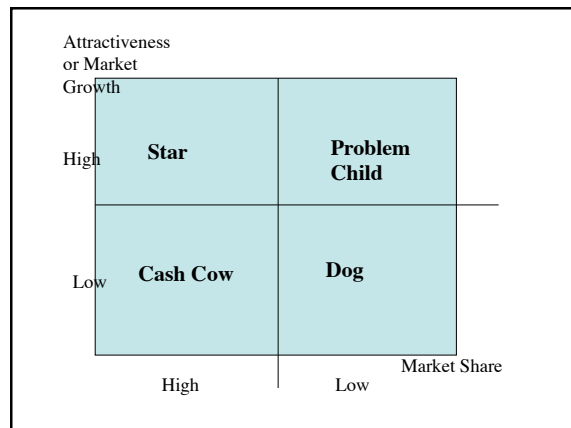
### PLC

- The Product Life Cycle helps us predict changes in market growth in the early stages but not after maturity



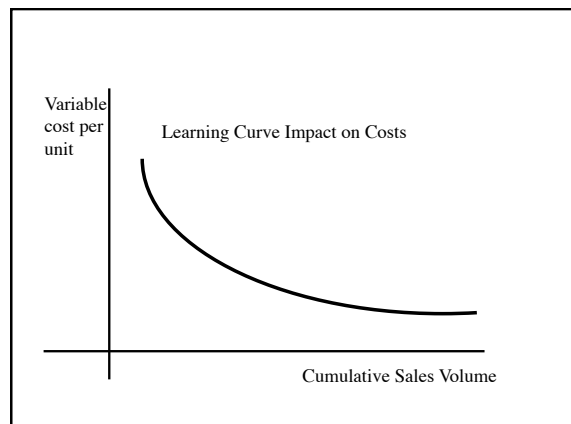
### BCG/Portfolio

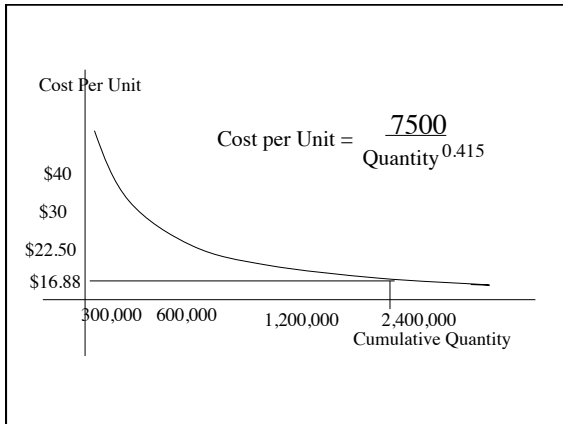
- The typology of BCG portfolio model based on Market Share and Growth is useful
- Stars
- Cows
- Dogs
- Question Marks



### Learning Curve

- The Experience or Learning curve dramatically reduces production costs during the early stages of the Product Life Cycle.
- Gross Profits and Break Even Points improve dramatically in early PLC





**NS learning Curve**

$$\text{Cost per Unit} = \frac{7500}{\text{Quantity}^{0.415}}$$

Easier to write as

$$V = 7500 Q^{-0.415}$$

Where

V = cost per unit  
Q = cumulative quantity

**Efficiency of Marketing**

- Return on Sales (Profit / Revenue)
- Return on Marketing Effort (Profit / Total Promotion Expense)

are good indicators of the firm's internal efficiency at converting revenues to profits

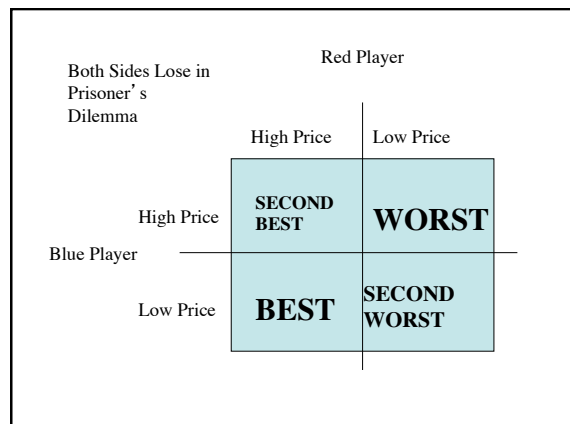
**You Need A Balanced Scorecard**

- Relative Market Share
- Relative Share of Marketing Effort
- Relative Customer Satisfaction

Provide clues for competitive performance

**Price Wars**

- Price Wars have a Prisoner's Dilemma component
- Avoid price wars



Both Sides Lose in Prisoner's Dilemma

		Red Player	
		High Price	Low Price
Blue Player	High Price	3, 1	1, 1
	Low Price	4*, 2*	2*, 2*

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		Red Player	
		High Price	Low Price
Blue Player	High Price	3, 3	1, 4*
	Low Price	4*, 1	2*, 2*

### Market Research

- Market Research has value if and only if it is used and used properly
- If you don't use it then it is like flushing profits down the drain

### Knowledge is power

- To do well you must **read the manual**