

## Chapter Fifteen: Marketing answers

### Mini case 15(i) Nokia

#### Discussion point

#### Has innovation in mobile phones reached its peak?

Innovators will always come up with new ideas and adaptations of existing products and services as a means of adding value to customers. The rate at which this happens may slow as the finite possibilities become fewer. However, in many instances, innovation occurs in small incremental steps rather than radical and transformational ones. The mobile phone as a device has undergone some significant adaptations and additions since it first emerged as a product in the mid-1980s. The functionality and design has been changed to incorporate more services and applications and the devices are designed for specific market segments. So, innovation in the industry will continue as long as there is demand and technological advance.

#### Mini case questions and tasks

#### Access a *Nokia* mobile phone product on the internet and describe its key features.

Example: Nokia Lumia 800

The Nokia Lumia 800 is 116.5mm in height and 61.2mm in width. It has a curved, clear black glass touch screen and keys for power, volume and camera. The device supports a people hub including Facebook, Twitter, LinkedIn, e-mail, chat and SMS. Internet access includes Bing, Windows Explorer9, HTML5 and Wi-Fi. The camera is an 8 MP auto focus with Carl Zeiss

Optics and 2 LED flash and HD video. There are accessories available such as headphones, carrier cases and Bluetooth wireless headsets.

**What differentiates Nokia products from that of rival firms?**

One of the key differentiators of the Nokia product portfolio is the brand itself. The company set out to be world leaders in the manufacture and design of mobile phones and deliberately focused on a differentiation strategy to achieve this aim. Differentiation in this sense means that the firm had to enhance its reputation as the world's foremost producer of the product. To support the brand loyalty that this aimed to achieve, the company focused on quality, cost, and innovative designs and applications. The brand of Nokia consequently became synonymous with the mobile phone product. Customers perceived that they were buying a certain standard of quality when exercising their demand. Instead of reacting to what the market was saying, Nokia was proactive in bringing forward innovative new designs and applications so that customers always felt that Nokia were the brand to go to for the latest versions of the product. This perception of customers is vital in underpinning a differentiation strategy. The advertising and promotion of the products reflects this differentiation and the marketing effort is designed to exploit it to its fullest extent to achieve sustained competitive advantage.

**Is Nokia's success all down to the way in which the products are marketed?**

Marketing is about influencing the perception of customers about the added value of products and services. Consequently, it plays a key role in strategies for competitive advantage as it can help build brand loyalty and repeat business. However, marketing in itself does not sustain a competitive advantage. At Nokia, the marketing effort is an important component of a broader strategy that is built around the quality of the product and within a

price range that is inclusive of a wide customer base. Thus, issues of research and development, quality assurance, innovation, and cost effectiveness all play a role in determining the success of the firm.

**Name five key characteristics that you think are key to the mobile phone as a product.**

- Product quality in its basic application.
- Additional applications that are perceived by customers to be compelling and innovative.
- An innovative design that matches the profile of customer segments.
- A powerful brand logo that communicates the emotional link between the experience of using the product to the brand.
- Ease of use.

**Mini case 15(ii): Adidas**

**Discussion point**

**Is the dominance of Adidas and Nike in the sports apparel industry good for the consumer?**

There are two ways of looking at this question. It might be answered negatively, in the sense that the dominance of a few competitors in any industry gives them excessive economic power that may result in higher prices for consumers. Competition would focus attention on prices and the net effect would be lower prices for consumers.

In a more positive sense, the brand management, product quality, and customer service that Adidas and Nike deliver would be hard to match by

smaller scale rivals with far fewer resources and capabilities at their disposal. The power of the brands is something that other companies would find difficult to match. In this sense, the consumer derives added value from wearing the brand, as they have the same perceived experience as professional sportsmen and women whom they seek to emulate or whom they admire. Such an emotional link is almost impossible to replicate.

### **Questions and tasks**

#### **Link five high profile sportsmen to the brand of Adidas.**

- David Beckham (football)
- Andy Murray (tennis)
- Ronaldo (football)
- Maurice Green (sprinting)
- Dwight Howard (basketball)

#### **What key characteristic defines the design of the Adidas brand?**

The three stripes

#### **Identify three types of marketing employed by Adidas.**

- Web-based (New media marketing)
- Television (Traditional marketing)
- Advertising billboards at sporting events (Outbound marketing)

#### **List the top five sporting events where Adidas would focus their marketing efforts.**

- FIFA World Cup
- The Olympic Games
- UEFA European Football Championships
- UEFA Champions League

- Grand Slam tennis

### **Mini case 15(iii): IKEA**

#### **Discussion point**

**Is IKEA perceived as a company catering for all types of customers or as one that focuses on particular market segments?**

IKEA is a brand that aims at a relatively young market segment. In particular it is aimed at people who are moving into their first home either independently, or with housemates or partners. The design, colour schemes, and flat-pack arrangements are aimed at younger audiences and the marketing and promotion of the products reflect this, with use of new media channels prominent among the methods used to communicate the message of the brand. With the target audience in mind the products are also priced within a range accessible to those starting out in the home buying or renting sector. This is reflected in the type of materials used to create the products, which are typically hard wearing but cheap to produce.

#### **Questions and task**

**Identify the key factors that led to the success of the Facebook competition campaign.**

- The campaign used existing applications on the Facebook site.
- There was no complex third party involvement.
- The campaign was personalized by using the store manager's profile.
- The campaign lasted only a short, fixed time and created a sense of immediacy for users.
- All users had an opportunity to win.

- The method of communication ensured that news of the opportunity went viral very quickly.

**What does 'going viral' mean in the context of online marketing?**

Going 'viral' refers to the speed and extent to which a communication accelerates and spreads between online users of social media. Going 'viral' means that the message reaches a critical mass quickly.

**What other social media does IKEA use for marketing purposes?**

IKEA also use Twitter and YouTube.

**What are the dangers of using social media for marketing purposes?**

Social media for marketing purposes runs the risk of allowing the users to influence how the message is communicated and received. It offers the opportunity for users to pass judgment on a product or service and to disseminate that opinion to a large number of people very quickly. If the response is positive then the firm benefits, if not, then diseconomies in marketing kick in, which could prove costly to the firm. Some rivals may deliberately try to sabotage a marketing campaign based on social media by posing as customers who are unhappy with the product or service or by disseminating negative messages about the firm. There is also the danger that by concentrating on social media, the marketing campaign neglects other channels of communication used by other market segments. This may alienate potentially valuable customers. Finally, there may be a backlash against this form of marketing as consumers tire of being used as part of the marketing effort.

### **Case study: Chilean wines**

#### **What are the key drivers in the global wine trade?**

The key drivers of the global wine trade are value for money; exploiting emerging markets such as China; delivering quality products and service; maintaining innovation in service delivery; advertising and promotion and packaging; pursuing sustainability and ecologically sound practices; and using the internet for integrating the supply chain and communicating with customers.

#### **Identify five main challenges facing firms seeking to increase exports to China.**

Firms seeking to export to China need to be able to access the core customers who form the basis of the target market. This challenge involves understanding how those target markets traditionally access information about products and services.

Firms need to be able to communicate the value of the product or service in ways that resonate with the expectations and aspirations of the Chinese market.

Relationships need to be created along the supply chain to smooth the transition of the product or service into the Chinese market. This can take a long time and requires a significant investment and commitment. Exporters need to work in tandem with their own national bodies such as Chambers of Commerce, as well as Chinese agencies that are geared towards encouraging imports.

Firms need to educate Chinese customers about the differentiated characteristics of the product or service. Knowledgeable customers are more likely to understand the quality of products and services. Customers need to understand the characteristics of the product, where the innovation came from, the production process and the added value elements that underpin its quality.

Firms face the challenge of securing distribution channels to key customers in China. The products have to be able to be transported and delivered in pristine condition to maintain their quality.

**What are the main consumer characteristics of the target market for Chilean wines in China?**

The Chinese market for alcoholic drinks is defined by a distinct target audience of the 25-35 year old age group. This age group is predominantly resident in urban areas, especially the metropolises of Beijing and Shanghai. They are urban professionals, well-educated, relatively affluent and culturally sophisticated. This generation has grown up in an era of increasing freedom and has emerged as a middle class with discerning tastes and wide choice.

The profile also reveals that this section of Chinese society is tech savvy, with social networking and online buying forming part of its everyday experience. This is the environment in which young professionals derive their information on products and services that fit their lifestyles much more than traditional forms of mass advertising.

**Highlight a key attribute that differentiates Chilean wines from rivals.**



One of the key attributes that differentiates Chilean wines from many rivals is the distant and exotic location of the country. Compared to countries such as Australia and France, relatively little is known by consumers about the country. This presents an alluring emotional reaction linked to something new and intriguing for consumers. The differentiation is not just in the taste of the product but also the landscape and geography within which the product is produced. The marketing effort reflects this with educational aspects revealing the profile of the country and the unique features of the land from which the wines are produced.

**Outline five key advantages of using social media for communicating a marketing message.**

- Ability to reach a critical mass of customers quickly.
- Ability to build on-going relationships with customers.
- Ability to educate customers about the nature of the product or service.
- Integrate large numbers of people into the marketing campaign.
- Receive instant feedback on products or services that help inform future marketing efforts.

**Chapter questions and task**

**What are the main benefits of using the internet for marketing purposes?**

The key benefits of using the internet for marketing purposes is the scale of access firms get to potential customers. The internet hosts firms' websites which act as a storefront for their goods and services. It is a quick, easy and effective means of communicating the unique selling points of the range of

products and services on offer. The internet also enhances the richness of relationships between buyers and sellers. Firms can better understand the needs and demands of customers and target their marketing towards those key characteristics. This helps to target audiences with relevant information and is more conducive to building effective relationships. Firms can also market products and services in a range of different methods using different applications of the internet such as social media. This type of marketing keeps the marketing effort relevant to the types of audiences that typically use such methods for information and communications. In some cases firms can use the internet as a means of getting customers to tell them what they want or give them permission to send information on products and services of interest to them. All of these advantages make the internet a vital communications channel for firms in their pursuit of competitive advantage.

**Highlight the differences between traditional marketing and e-marketing.**

Traditional forms of marketing focused on advertising in broadcast media such as newspapers, television, and radio. Billboards were another popular means of spreading the message. However, in the last two decades, there has been an increase in the types of media through which the marketing effort can be channeled. New media technologies, such as the internet, have opened up possibilities to extend the types of marketing of products and services. The scope for accessing new customers on a global basis is another major change in the marketing function. In line with the new opportunities for spreading the message has been an increase in the types of marketing techniques applied.

**Choose an internet-based firm and:**

- (i) undertake a profile of their customer base using demand analysis;**

- (ii) undertake a profile of their marketing mix;**
- (iii) identify the values that underpin the brand.**

Students should research a business that operates online such as Amazon.com; eBay; lastminute.com, etc. These are what are termed internet 'pure play' companies who only operate in the online environment. This ensures that they have a different approach to marketing from traditional 'bricks and mortar' firms who have physical shops or premises. Students should research the types of customers they seek to attract using the socio-economic categories. It may be that the company seeks to target the whole market or they may target particular market segments. Following the demand analysis, students can then work through the four components of the marketing mix – product, price, place, and promotion. Finally, students can comment on the brand values using the branding criteria outlined in the chapter. In combination, the three elements of the exercise should provide a good insight into the key issues of demand, marketing and brand management in the company.

**Explain how the marketing function of an organization can benefit from using a customer relationship management (CRM) system.**

The marketing function of an organization can benefit from CRM in three important ways. These are customer acquisition, customer retention, and customer extension.

Customer acquisition refers to any technique used to form relationships with new customers including advertising, marketing and promotion; the offering of discounts, loss leaders or other incentives to attract new customers; value-adding services offered to new customers and targeting groups of customers through direct mailshots or e-mail.

Customer retention refers to any technique used to retain existing customers including using information on customers to offer a personalised service, access to a community of buyers, discounts for loyalty or access to specialist promotional material.

Customer extension refers to techniques used to encourage and facilitate customer interactivity or involvement in the activities of an organization. This may include sending additional information via direct mail or e-mail relating to the types of products and services the organization has for sale, or information on the organization itself.