

Setting Up Businesses

Topic 3. Commercial viability



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Organisation of Business and Work, Administration
and Human Resource Management

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3.1. The role of marketing when setting up a business.

3.2. The relevant market.

3.3. Defining and implementing a business strategy:

3.3.1. Identification of business goals.

3.3.2. Product, price, placement, promotion.

3.4. Launch campaign of the new company.

3.5. Demand estimation.

3.6. Degree of commercial definition of the new company.

3.7. Conclusion on the commercial viability.

3.1. The role of marketing when setting up a business

- **First stage:** delimitation of relevant market.
- **Second stage:** definition and operationalization of the business strategy.
- **Third stage:** budgeting the cost of the launch campaign.
- **Fourth stage:** demand estimation.

3.2. The relevant market

- The relevant market must be the most suitable one for the selected competitive advantage.
- Who will be your customers?:
 - Motivations.
 - Purchase habits.
 - Geographic location.
 - Purchasing power.
- Who are the competitors?:
 - Features.
 - Forms of acting.
- Future development.

3.2. The relevant market

1. **Potential market:** number of customers and sales volume that would be theoretically possible to reach.
2. **General market trends** and foreseeable development.
3. **Geographical distribution of the market.**
4. **Specific features of the market:** they impact differently on the company (legal regulations, seasonality of demand...).
5. **Customer profile:** personal characteristics of the consumer (age, gender, economic resources, education, profession, place of residence...).
6. **Why** the product or service **attracts** the consumer?
7. **Competitors.**

3.3. Defining and implementing a business strategy

• CONTENT OF A MARKETING PLAN TO LAUNCH A NEW PRODUCT:

- Identification of business objectives.
- Product policy.
- Price policy.
- Placement policy.
- Promotion policy.



3.3. Defining and implementing a business strategy

3.3.1. Identification of business goals

- **Quantitative goals:**

- Forecast figures for key business concepts (monthly sales, gross margin, market shares...).
- Goals can be given for product lines, regions, sectors, customers, distribution channels...





- **Qualitative goals:**

- They set standards of behavior and guide decisions: interest in conquering certain markets, introduction of certain products, acquiring a certain reputation...
- **How do we achieve these goals?**

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- **Basic aspects:**

1. **Differentiation and definition of the product or service**
(with the product / service / people / image / placement).
2. **Quality of product or service: customer satisfaction.**
3. **Product lifecycle.** 
4. **Brand:**
 - **Strategies of name brand:** single brand / multiple brand / second brand / umbrella brand or family brand. 
 - Brand name choice. 
5. **Product presentation:** container and packaging. 
6. **Anticipating a possible evolution of range.**

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

Before planning the launch of products and in order to ensure they have the highest possibility of matching the tastes and purchasing motivations of the target audience, it is advisable to perform a series of market tests to certify that the products may be successful:

- **Definition of the product**: what product features may be attractive to the target audience?
- **Branding test and packaging test**: do they have the necessary appeal and will they contribute to the expected product positioning?
- **Test of product**: what is the opinion of the target audience? Discover willingness to purchase.
- **Test of market**: market testing for a limited time, by selecting areas, sectors and certain customers.

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- Price: total monetary and non-monetary sacrifice, that a consumer must perform in return for obtaining a given level of utility.
- How can price be changed?
- In order for products to be accepted, they must have a competitive price-quality relationship → pricing, discounts and payment terms that allow achieving expected sales volume and expected margins and thus return investments.
- Relevant to the achievement of goals:
 - High quality product – policy of high prices.
 - Ordinary products – make it popular through a policy of low prices.
 - Introduction of products – policy of low prices (barriers to entry).

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

Factors affecting price:

- Direct costs of the product (the higher they are, the higher the price).
- Gross margin to be achieved (affects price).
- Discounts and payment facilities.
- Similar prices to competitors.
- Can our customers pass an increased price onto their customers? (it facilitates the imposition of higher prices).

That's interesting... you should take a look!



La forma correcta de determinar un precio

Producto → Coste → Precio → Valor → Consumidores
Consumidores → Valor → Precio → Coste → Producto

Source: <http://marketisimo.blogspot.com.es/2008/09/la-forma-correcta-de-determinar-un.html>

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- Strategies for new products:
 - Price skimming.
 - Penetration pricing.
- Differential strategies, focused on profit and profitability:
 - Price discrimination.
- Competitive strategies, focused on competition:
 - Prices similar to those of competitors.
 - Premium pricing.
 - Discount pricing.
- Strategies for product lines:
 - Package price.
 - Captive pricing.
 - Unique price.
- Psychological price strategies, focused on position and branding image:
 - Customary price.
 - Prestige pricing.
 - Round prices vs. Just-below prices.

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- The choice of the distribution channel must define where and how products are marketed, having a great influence on quantity demanded and price.
- Relevant to the achievement of goals:
 - High quality product – selective distribution.
 - Ordinary products – make it popular with intensive distribution.
 - Introduction of products – adequate network of sales and distribution channels.

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

Key features of the distribution channel:

- *Link or relationship between distributor and company:* the more integrated the distribution channel, the higher the control and the financial needs of the company:
 - Direct distribution: the company distributes products to retail customers. Total control.
 - Distribution through contractually integrated channels. High degree of control.
 - Independent distribution: business relations with distributors. No control.
- *Length of distribution channel:* number of intermediaries from the moment the product leaves the factory until it reaches the final customer (representatives, wholesalers and retailers). Direct effect on the price.

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- Exclusive distribution: exclusive agreement with one retailer (E.g.: Car dealers):

- Control.
- Cooperation.
- High involvement products.



- Selective distribution: few retailers cover a specific geographical area

- Middle involvement.
- Comparison.



- Intensive distribution: as many retailers as possible

- Possible loss of control.
- Frequently purchased products.



3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- Intended to attract the interest of the target audience so that they buy the product, try it out and are satisfied and repeat.
- It is necessary to introduce and position the brand, creating the expected image / differentiation regarding other brands already established.
- Intense campaign to make it known and break the inertia of the marketplace.

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

- In a new business, communication should be doubly persuasive.
- Define the target:
 - Who makes up the target audience?
 - What messages do they receive? From whom?
 - To whom is communication targeted?
 - What are their motivations for purchasing?
 - What are their purchase habits?
 - What areas and sector do we want to target?
 - What is the size of the target audience?
 - What is the desired coverage?

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

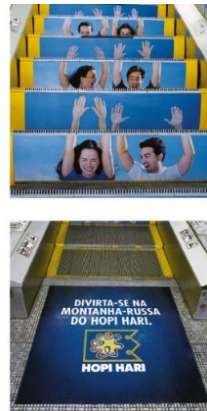
- The marketing manager, alone or in **collaboration with an agency specialized in communication campaigns**, will decide the goals and actions of communication that best apply to the target audience.
- Goals:
 - Introducing new products and brands in the chosen market segment.
 - Giving prestige to the company and its brands.
 - Positioning products and the company.
 - Creating a corporate image.

3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

Merchandising:


- POS (Point of sale) advertising.
- Labels.
- Entrances to establishments.
- Shop windows.



3.3. Defining and implementing a business strategy

3.3.2. Product, price, placement, promotion

Communication strategies for entrepreneurs:

- **Select the information.**
- Social media campaigns: generate media presence.
- Blogs.
- Visibility and positive image.
 - Sponsorship – local festival, school festival or charities. 
 - Donations.
- Constant relationship with media: newspapers, radio and local TV channels.

Source: NEGOCIOAZ

PRODUCT

PRICE

The product must be well finished, differentiated from its competitors, sold at a competitive price, easily purchasable y reach potential customers, making their existence known.

PLACEMENT

PROMOTION

3.4. Launch campaign of the new company

- Marketing actions whose aim is to inform potential customers of the relevant market about the new product/service.
- Costs of this campaign must be considered and specific investment → included in the capital budget of the investment project.
- It is necessary to design commercial goals, to budget the cost and finally, to select media based on effectiveness, speed and budget.
- It must not jeopardize the viability of the company and it must achieve flexibility and efficiency to obtain a rapid expansion of sales.

3.4. Launch campaign of the new company

Most used systems:

- Direct marketing:
 - Telemarketing: more personal contact with customers: information, advice, arrangement of interviews...
 - Mail or fax: sending information to a selected group of customers, informing about the company and its products.
- Sales team (may be temporary) to visit customers and potential distributors.
- Dealers that serve less important areas or places that don't have their own sales team.
- Special visits by the commercial manager to major customers who require special treatment.
- Trade shows and exhibitions.
- Promotions.
- Advertising through conventional systems.

3.4. Launch campaign of the new company



Launch campaign «Cruzcampo Gran Reserva»



Cruzcampo Gran Reserva was released in 2009 exclusively for haute cuisine restaurants.

BTL (below the line) plan to unveil the product to beer lovers: premiere product tastings at home by food critics and sommeliers; tasting events in the best gourmet restaurants in Spain and participation in food/gourmet events.



3.5. Demand estimation

- Most important data.
- Company sales depend on estimated demand and therefore so does the INCOME to cover costs and obtain benefit to maximize investment.
- Demand estimation is a forecast upon which project planning is based.
 - Planning: sum of forecasts, identification of goals and economic calculation:
 - Forecast is a rational operation based on the current situation, the past and the likely evolution of external factors to determine the possible evolution of a variable:
 - a) Quantitative data: sector production, investments in the sector, sales of the company products, etc.
 - b) Qualitative data: evolution of consumer tastes, new consumer needs, etc.
- Before starting any business project, it is necessary to forecast the potential demand of the target market.

3.5. Demand estimation

There are three different techniques that can be applied. Depending on the knowledge that you have about the market, you will apply one technique or another:



If you have previous experience in the market → **Objective demand estimation.**



If the business is similar to one that is already running → Demand interval is between -20% and +20% of estimated demand (that of the other business).



If you have little information → **Chain-ratio method.** Demand interval is between -40% and +40% of estimated demand.

3.5. Demand estimation

Chain-ratio method: Demand of a consumer good

Estimated demand =
Population of the relevant market * Per capita income * % of income spent in
the sector * % of income spent on our segment * % of income spent on our
product * (1 / number of competitors) * Relative company size compared to the
industry average.

- **Total income in the RM** = Population of the RM * Pc income.
- **Turnover** = Disaggregate consumption based on data from INE [*Spanish Statistics Institute*] or magazines to obtain average expenditure on the product.
- **Magnitude of business** = Divide turnover by the number of competitors to see what the average demand is for each one.
- Correct value depending on the size (E.g.: measured by the number of workers or the surface).
- **Estimated demand** = Final data.
- **Demand range** = Add and subtract 40%.

3.5. Demand estimation

Information obtained by the entrepreneur:

- Population of the relevant market.
- Wealth of the target population.
- Consumption of the activity.
- Number of competitors.
- Direct and personal knowledge of competitors in the relevant market.

3.5. Demand estimation

Chain-ratio method: Demand for services

Estimated demand =
 Population of the relevant market * Per capita income * % of income spent
 on services * % of income spent on our segment * % of income spent on
 our service * (1 / number of competitors) * Relative company size compared
 to the industry average.

Chain-ratio method: Demand for industrial goods

Estimated demand =
 Expenditure on industrial goods by companies in the area of action * %
 of expenditure on our industry * % of expenditure on our product or similar *
 (1 / number of competitors).

Demand estimation. Case 1

Estimating demand for nonfat yogurt in Cantabria

FACTORS	DATA
Population	
Per capita income	
% income spent on food, beverages and tobacco sector	
% income spent on food	
% income spent on dairy products and yogurt	
% income spent on yogurt	
% income spent on nonfat yogurt	
TOTAL SPENT	



The more specific, the more difficult to obtain.

Demand estimation. Case 1

Estimating demand for nonfat yogurt in Cantabria

FACTORS	DATA
Population in Cantabria	593,861 inhabitants (2012)
Total and average real expenditure per household.	285,172,256.11 thousand euros (2005)
Group 1. Food and non-alcoholic beverages.	59,663,483.68 thousand euros (2007P) – 20.92%

Padrón. Población por municipios (INE).

Encuesta continua de presupuestos familiares. Base 1997. Resultados anuales 2005.

Encuesta continua de presupuestos familiares. Base 1997. Resultados anuales 2005.


02. Gastos totales y gastos medios

Gasto total y medios por 5 dígitos de la COICOP.(Grupos 01 y 02) y distribución porcentual del gasto total.

Unidades:Gasto total: miles de euros. Gastos medios: euros

	gasto total	distribución porcentual	gasto medio por hogar	gasto medio por persona	gasto medio por unidad de consumo
01144 Yogures	1.783.386,07	2,59	119,97	41,37	53,31

Demand estimation. Case 1



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01
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03
Métodos y estándares

05
Prensa


e
Censo electoral

02
INEbase

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Formación y empleo

06
Productos y servicios

:)
Sede electrónica



Encuesta continua de presupuestos familiares. Base 1997. Resultados anuales 2005.

02. Gastos totales y gastos medios

Gasto total y medios por 5 dígitos de la COICOP.(Grupos 01 y 02) y distribución porcentual del gasto total.

Unidades:Gasto total: miles de euros. Gastos medios: euros

Seleccione valores a consultar:

5 dígitos de la COICOP.(Grupos 01 y 02)

Seleccionados 0 Total 75

🔍 📄 📑

Total

01111 Arroz

01112 Pan

01113 Pastas alimenticias

01114 Productos de pastelería y masas cocidas

01115 Otros productos

01116 Sandwich

Distribución porcentual del gasto total

Seleccionados 0 Total 5

🔍 📄 📑

gasto total

distribución porcentual

gasto medio por hogar

gasto medio por persona

gasto medio por unidad de consumo

Elija cómo quiere visualizar sus datos:

Variables en filas

5 dígitos de la COICOP.(Grupos 01 y 02)

Variables en columnas

Distribución porcentual del gasto total

Demand estimation. Case 1

Estimating demand for nonfat yogurt in Cantabria

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Alimentación

[Ir a Consumo y comercialización y distribución alimentaria](#)

Panel de consumo alimentario

- Metodología
- Series anuales
- Últimos datos
- Resumen anual de la alimentación
- Libro: "La Alimentación en España"
- Valoración de la dieta
- Base de datos de consumo en hogares**
- Hostelería y restauración

[Ir a Consumo y comercialización y distribución alimentaria](#)

Base de datos de consumo en hogares

Seleccione otra comunidad si lo desea

Consulta por Comunidad Autónoma:

Seleccione la Comunidad Autónoma:

Consultar

Aviso - En aquellos productos cuya penetración (porcentaje de hogares compradores) sea el **15% o inferior**, las comparaciones de consumo mes a mes pueden ser erráticas. Es aconsejable que estas comparaciones se hagan con periodos acumulados de al menos 6 meses para tener mayor fiabilidad.

COMUNIDAD: Cantabria

PERIODO DESDE: Enero/2008 - HASTA: Diciembre/2012

Datos de consumo

GRUPO DE PRODUCTOS: Derivados lácteos

Producto	Volumen (miles de kg)	Valor (miles de €)	Precio medio kg	Consumo per capita	Gasto per capita
Preparados lácteos	5.507,12	6.665,68	1,21	9,9	11,94
Derivados lácteos	103.312,40	362.690,02	3,51	185,63	651,65

Demand estimation. Case 1

Estimating demand for nonfat yogurt in Cantabria

GRUPO DE PRODUCTOS: Derivados lácteos					
Producto	Volumen (miles de kg)	Valor (miles de €)	Precio medio kg	Consumo per capita	Gasto per capita
Preparados lácteos	5.507,12	6.665,68	1,21	9,9	11,94
Derivados lácteos	103.312,40	362.690,02	3,51	185,63	651,65
Batidos de leche	2.712,12	3.758,82	1,39	4,85	6,76
Batidos con cereal	327,49	547,86	1,67	0,59	0,98
Batidos de yogurt	1.738,11	3.195,23	1,84	3,13	5,7
Batidos de yogurt con aditivos	18,11	24,75	1,37	0,03	0,03
Leches fermentadas	52.919,03	124.235,37	2,35	95,05	223,05
Yogurt	34.974,89	63.081,87	1,80	62,85	113,36
Yogurt con aditivos	9.364,34	22.222,52	2,37	16,82	39,88
Yogurt sin aditivos	25.610,57	40.859,34	1,60	46	73,45
Yogurt natural	9.914,76	13.809,24	1,39	17,83	24,87
Yogurt sabores	6.968,91	10.201,43	1,46	12,5	18,29
Yogurt frutas	1.486,40	3.200,19	2,15	2,68	5,78
Yogurt desnatado	10.442,65	18.938,74	1,81	18,73	33,99



Estimating demand for nonfat yogurt

	Consumo total (TM/año)	Consumo por cápita (Kg./año)
Leche fermentada	101.841	15,13
<i>Yogurt</i>	64.465	9,58
<i>Yogurt natural</i>	19.903	2,96
<i>Yogurt sabores</i>	9.959	1,48
<i>Yogurt frutas</i>	3.851	0,57
<i>Yogurt desnatado</i>	18.816	2,80
<i>Yogurt enriquecido</i>	1.969	0,29
<i>Otros yogures</i>	9.967	1,48
<i>Yogur con bifidos*</i>	21.087	3,13
<i>Otros tipos de leche fermentada</i>	16.289	2,42

**El yogur con bifidos, clasificado por separado, también está incluido en los diferentes tipos de yogurt.*

Tabla 2. Consumo total y por cápita de leche fermentada en Cataluña, 2009

Source: http://www.ruralcat.net/c/document_library/get_file?uuid=8e454ed4-a878-4210-adb7-0a2e1ea5a574&groupId=10136

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Inicio > Alimentación > Consumo y comercialización y distribución alimentaria > Panel de consumo alimentario > Resumen anual de la alimentación

Alimentación

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Panel de consumo alimentario

- Metodología
- Series anuales
- Últimos datos
- Resumen anual de la alimentación
- Libro: 'La Alimentación en España'
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- Base de datos de consumo en hogares
- Hostelería y restauración

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Panel de Consumo Alimentario: Resumen anual de la alimentación

Imprimir
 Descargar en PDF
 Ayuda

La alimentación en España. Resumen de los datos más relevantes.

En esta presentación se muestran los datos más importantes del consumo alimentario en 2006, 2007, año móvil de julio 2007 a junio 2008 y año móvil de julio 2008 a junio 2009.

Año Móvil julio 2008 - junio 2009

[Año Móvil Julio 2008 - Junio 2009. Dossier de Consumo Alimentario en España.](#)

Año Móvil julio 2007 - junio 2008

[Fichas de Consumo Alimentario.](#)

[Evolución de los hábitos de compra y consumo en España: 1987-2007, dos décadas del panel de consumo alimentario](#)

[Dossier de Consumo Alimentario en España.](#)

Año 2007

En el año 2007, se presenta las principales cifras en Hogares, tanto del Panel de Consumo, como del Observatorio del Consumo y la Distribución Alimentaria. En lo que respecta a

Novedades

Presentación de los datos de consumo alimentario en España 2012

Disponible en Panel de consumo alimentario: Últimos datos

[+info](#)

Abierta la convocatoria de ayudas para los programas de información y promoción de productos agrícolas

Disponible en [+info](#)
Promoción alimentaria

Destacados

PANEL DE CONSUMO ALIMENTARIO: Estudios del consumo alimentario en hogares y en establecimientos de restauración comercial y social en España

(enlace web)

CARACTERIZACIÓN DEL SECTOR

Sources of information

IN e Instituto Nacional de Estadística

01 EI INE 03 Métodos y estándares 05 Prensa
02 INEbase 04 Formación y empleo 06 Productos y servicios

e Censo electoral
:) Sede electrónica

02 INEbase / Sociedad / **Cultura y ocio**

Operaciones estadísticas relacionadas

Elaboradas por el INE	Tablas INEbase	Contenido	Elaboradas por otros organismos	Tablas INEbase	Contenido
Producción editorial de libros			Archivos		
Estadística de bibliotecas			Museos y colecciones		
			Patrimonio		
			Artes musicales		
			Artes escénicas		
			Cinematografía		
			Deportes		
			Juegos de azar		
			Medios de comunicación		
			Otra información disponible sobre el sector del libro		

Sources of information

The screenshot shows the website of the Instituto Cántabro de Estadística (ICANE). The main navigation bar includes links for 'Enlaces de interés', 'Ayuda', 'Sugerencias', 'Petición de datos', and 'Perfil del contratante', along with a search bar. Below the navigation bar are five main categories: 'ICANE', 'Población', 'Economía', 'Sociedad', and 'Territorio y medio ambiente'. The 'Sociedad' category is selected, leading to a page titled 'Principal > Sociedad > Cultura, deportes y ocio'. The page content is organized into a sidebar with 'Publicaciones', 'Calendario de difusión', and 'Fichas Municipales', and a main area with a hierarchical list of folders: 'Datos regionales' (containing 'Cultura', 'Financiación y gasto público en cultura', 'Gasto de consumo cultural de los hogares', 'Empresas culturales', 'Estadísticas de bibliotecas', 'Producción editorial de libros', 'Museos y colecciones', 'Artes musicales', 'Artes escénicas', 'Cinematografía', 'Medios de comunicación', 'Turismo cultural'), 'Deportes' (containing 'Licencias y clubes federados'), 'Ocio' (containing 'Juegos de azar'), and 'Datos municipales'. The footer contains contact information for the Instituto Cántabro de Estadística and social media icons for Twitter, RSS, Facebook, and YouTube.

3.6. Commercial viability test

What to do:

- Answer the questions (Yes/No).
- Calculate the equation.
- Understand the result (identify improvements).

ECONOMIC VIABILITY TEST	YES	NO
C1: I have defined the target market or reference market	10	0
C2: I have defined the target consumer profile	10	0
C3: I know the socioeconomic characteristics of the target audience	10	0
C4: I know the purchasing habits of the target audience	10	0
C5: I have the possibility of knowing the percentage of income spent on products similar to mine	10	0
C6: I know the number of competitors in the market	1	0
C7: I have clearly defined the business strategy	1	0
C8: Is there scope for expansion in the market?	1	0
C9: I have defined the characteristics of the transaction (price, payment terms...)	1	0
C10: I have defined the launch campaign	1	0
C11: Do I know where my product/service is in the product lifecycle (growth, maturity, decline)?	1	0
C12: Is there any possibility of including additional lines or ranges of products?	1	0
C13: I have defined the placement strategy (intensive, selective, exclusive)	1	0
C14: Is there any possibility of agreements with other companies in the distribution channel?	1	0
C15: I have determined the communication policy: advertising, public relations, sales promotion, sponsorship...	1	0

$$CVT = \frac{\sum_{i=1}^6 C_i \cdot 10 + \sum_{i=7}^{15} C_i}{69}$$

RESULT	IDEA	VIABILITY
0-50%	Undeveloped idea	More development
50-80%	Idea with prospects	Some aspects should be concretized
80-100%	Well-defined idea	It could be viable (commercial viability)

3.7. Conclusion of commercial viability

- Commercial viability attempts to assess whether or not there is sufficient market demand for the transaction that you intend to offer
- Conclusions:
 - Choice of the relevant market
 - Defining commercial strategy, fixing commercial goals.
 - Commercial plan: product, price, placement, promotion.
 - Description and budgeting of launch campaign.
 - Demand estimation.

Keywords

Relevant market

Demand estimation

Customer

Product

Placement

Price

Promotion

«It is not the employer who pays the wages. Employers only handle the money. It is the customer who pays the wages».

Henry Ford

Tasks (Topic 3)



Identify the industry that your new company belongs to and then try to find secondary data that are useful for developing your marketing plan.



Find five examples of advertising (TV, newspapers, Internet, magazines...). Explain how it fits into the overall marketing mix and what consumer group advertising is for.

Project guiding notes – Basic outline

1. General description of the idea. *How did I come up with the idea (opportunity, failure, inefficiency).*

2. Economic viability.

3. Commercial viability.

A. Description of the relevant market.

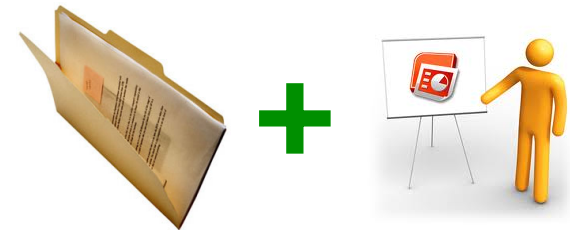
B. Determination of commercial strategy:

1. Goals.

2. Marketing mix: product, price, placement, promotion.

C. Demand estimation.

D. Is it commercially viable? Identify improvements.



«I hear and I forget, I see and I remember, I do and I understand».

Confucius

Case studies (Topic 3)

Lesson 3 Commercial viability
Adapted from <http://businesscasestudies.co.uk>

Creating value through the marketing mix An Aldi case study

Introduction

In increasingly competitive markets, consumers have a greater choice over where they buy their goods and services. For an organization to meet its business objectives, it has to find out what consumers require and then identify the best way in which it can satisfy these needs and wants. Creating a competitive advantage can be difficult. A unique marketing strategy with clear objectives is vital to ensure effective promotional activity.

Since opening its first store in 1913, Aldi has established itself as one of the most reputable retailers in the global business market by providing great value and quality. Aldi's goal is simple:

'To provide our customers with the products they buy regularly and ensure that those products are of the highest possible quality at guaranteed low prices.'

Aldi's products are sourced from hand-picked suppliers whose products are sold under Aldi's own brand labels.

Marketing objectives

Aldi's main marketing objective is to grow its market share within the UK grocery market. Aldi's marketing strategies therefore focus on generating customer loyalty.

Another key focus of Aldi's marketing strategy is on demonstrating that Aldi brands are of equal quality to well-known brands such as Heinz and Fairy Liquid. To do this Aldi ran blind taste tests amongst a cross section of shoppers. These confirmed that the majority of consumers that liked the famous brands also liked Aldi's brands. These findings formed the basis to Aldi's 'Like Brands' marketing campaign. This provided Aldi with a platform to communicate its quality and value messages effectively.

Aldi's immediate challenge for the 'Like Brands' campaign was to increase market share from 2.3% to 2.5%. Although this sounds very little, the retail grocery market is very large. A single 0.1% is worth an extra £65 million revenue.

The marketing mix

The Chartered Institute of Marketing describes the term marketing as the process: *'Responsible for identifying, anticipating and satisfying consumers' requirements profitably.'*

This places consumers at the heart of every organization. The marketing mix is often referred to as the four Ps. It involves creating a unique blend of the right product, sold at the right price, in the right place, using the most suitable methods of promotion.

Topic 3 – Commercial viability.
Case Study 1 (PDF).




Planning effective marketing strategies for a target audience



Introduction

Since it was established in Germany in 1949, by Adolf Dassler, adidas has been synonymous with the sporting industry. Today, adidas is a global public company and is one of the largest sports brands in the world. It is a household brand name with its three stripes logo recognised in markets across the world.

The company's product portfolio is vast, ranging from state-of-the-art sports footwear and clothing to accessories such as bags, watches, eyewear and other sports-related goods and equipment. Employing over 46,000 people worldwide, the adidas Group consists of around 110 subsidiaries including Reebok, TaylorMade-adidas Golf, Rockport and CCM-Hockey. The Group's headquarters are in Herzogenaurach, Germany. In the second quarter of 2013 the Group's revenue was €3.383 billion.

The adidas brand is built on a passion for sports excellence and innovative design to help athletes perform to the best of their ability. It is therefore no surprise that adidas has supported many iconic athletes to achieve great things at the Olympic Games. In the UK, adidas has partnered and supplied Team GB since 1984. The company's heritage with the Olympic Games dates back to the Games in Amsterdam in 1928 when adidas' running shoes were debuted. Footwear and clothing by adidas has been seen on athletes at every Olympic Games since. In fact, all British medal-winning athletes at the last 8 Olympic Games wore adidas products.



There are countless historic sporting achievements that have taken place in adidas products. These include:

- Jesse Owens' 4 gold medals in Berlin 1936.
- Cassius Marcellus Clay (Muhammad Ali) taking gold in the boxing light-heavyweight division at Rome 1960.
- Dick Fosbury's revolutionary new back-first high jump technique at Mexico 1968, known as the 'Fosbury Flop'.
- Gymnast Nadia Comaneci's perfect 10 at Montreal 1976.

This case study demonstrates how adidas used innovative marketing strategies in its sponsorship deal with the London 2012 Olympic Games to engage with young consumers in the UK and across the globe.

The marketing mix

For most organisations the marketing function is vital for survival. The Chartered Institute of Marketing defines marketing as:

'Marketing is the management process responsible for identifying, anticipating and satisfying consumer requirements profitably.'

This definition outlines the key purposes of the marketing function. These are:

- to compete in a competitive marketplace
- to identify and anticipate consumer requirements and then satisfy these requirements
- to make a profit.

As a market-orientated organisation adidas continuously identifies and reviews consumers' needs to ensure its products meet these needs. It aims to exceed customer expectations by adapting its product portfolio to meet the changing needs of consumers. It is this focus on its customers, teamed with product and marketing innovation, that plays a key role in adidas' success.

Curriculum topics covered: • The marketing mix • Marketing strategies
• Sponsorship • Measuring a promotional campaign

Topic 3 – Adidas.
Case Study 2 (PDF).