

Last Time: C15, Market Analysis and went over Exam 1

Today: Complete Analysis of the Market—Start Chapter 16:
Marketing Mix—the Product

Announce: Final Exam: Thursday, May 6th, 1:30 p.m., Holdsworth 203

Discussion Questions: Give the 4 goals of Marketing planning and explain each. Give a real world example of each. What is the Market Evaluation Grid used by Boston Consulting Group? Define a “star”, a cash cow, a dog, and ?. How do you know you are not in PC or even MC, if you can use this grid for a market evaluation? Give two ways to measure the size of a market.

Food in the News: U.S. standards on beef are lax, Consumer-Goods Makers
Pour Out Ads, Earth Day and Marketing

Quotes: “In 2008, Mexican authorities turned away an American shipment of beef, because it did not meet Mexico's limits when tested for copper traces. But the very same rejected meat could be sold in the United States, since no limit has been set, the analysis says.

That example shows "the government has fallen down on the job here," said Tony Corbo of the consumer advocacy group Food and Water Watch.”

Source: http://www.cnn.com/2010/US/04/14/us.beef.testing/index.html?eref=igoogle_cnn

Welcome
Res Econ 241
Intro to Food Marketing Economics

 Professor Richard Rogers
 Spring 2010





Lecture 34 –Wed, April 14, 2010
Announcements

Today: Finish C15, Market Analysis
 Start C16: Marketing Mix—the Product

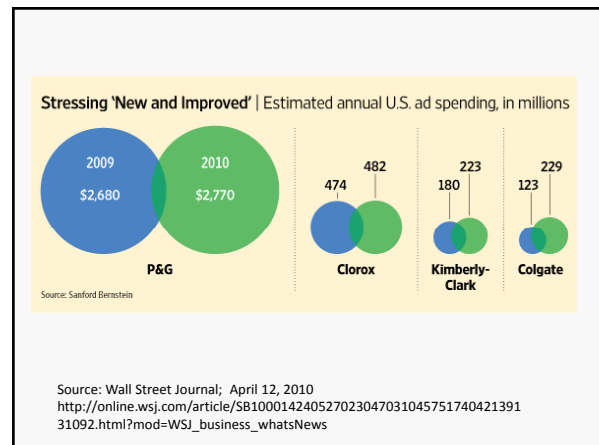
Read: *Guess Who’s Turning 100? Tracking a Century of American Eating*
<http://www.ers.usda.gov/AmberWaves/March10/Features/TrackingACentury.htm>

Consumer-Goods Makers Pour Out Ads

Amid signs of an improving economy, recent survey data show consumers are more willing to splurge by eating out or buying new shoes, but the same doesn't necessarily hold for everyday household goods.

"In consumer staples, you saw consumers trade down" to cheaper products due to the recession, and they were "quite satisfied," says Bill Pecoriello, chief executive of Consumer Edge Research LLC.

Source: Wall Street Journal; April 12, 2010



Getting tougher?!

"For many years, any hint of price was a no-no. It was all about generating emotional connections," Says Eli Portnoy, chief brand strategist at consulting firm Portnoy Group: "Now you're going to have to work harder to convince me that I'm getting much more value by trading up.. You need to show me that I'm getting more for my money, and it's not frivolous."

Source: Wall Street Journal; April 12, 2010
http://online.wsj.com/article/SB10001424052702304703104575174042139131092.html?mod=WSJ_business_whatsNews

Whole Foods Offers Electric-Vehicle Charging Station

"It is our hope that by offering electric-vehicle charging, we can support alternative transportation and help Austin residents decrease their environmental impact," said Mark Dixon of Whole Foods Market, in a statement.

http://supermarketnews.com/news/electric_vehicle_0412/?cid=upd

What is your view of this effort?

1. It is a marketing ploy
2. It is taking advantage of "Earth Day"
3. It is the Marketing Concept in action



Earth Day

Minneapolis-based mass merchandiser Target toyed with the wording a bit and announced a *month*-long celebration of Earth *Day*. As part of the plan, the retailer has installed permanent recycling stations in all 1,740 stores.

<http://whrefresh.com/2010/04/08/the-new-recyclables/?cid=ref>

Earth Day

A new report out from Mintel shows that green living is very much on the mind of Americans. More than one-third (35%) of survey respondents said they would pay more for "environmentally friendly" products.

Do you believe them?

1. Yes
2. No

<http://whrefresh.com/2010/04/08/the-new-recyclables/?cid=ref>



Estimating Market Potential

1. Factor Approach
 - % of total * % of this or that
2. Demographic Analysis
 - Buying Power Index
 - Per capita consumption data

Factor Approach

Estimate the market size for salad dressing

- Need some big numbers to start
 1. Total disposable income [USA]
 2. $10\% * \$10 \text{ trillion} = \1 trillion in food sales
 3. Your retail chain has 2% national share
 4. $.02 * 1,000,000,000,000 = \20 billion
 5. Produce is 5% of sales
 6. $.05 * 20 = \$1 \text{ b}$
 7. Salad dressings are 10% of that and so on....

BPI Approach

Estimate the market size for salad dressing

- BPI, Buying Power Index is:
- Population + income + retail sales
- Need weights:
- Buy them!

Per Capita Approach

Estimate the market size

- Get per capita data, esp by demographics
- Where?
 - Buy it
 - Major libraries buy a lot of it!
 - USDA for broad categories:
 - Broilers →

Table 3.1
U.S. Broiler Production, Exports and Per Capita Consumption

Year	Production Live weight (million pounds)	Exports (million pounds)	Per Capita Consumption (pounds)
1935	120	n.a.	0.7
1940	413	n.a.	2.0
1945	1,107	n.a.	5.0
1950	1,945	n.a.	8.7
1955	3,350	n.a.	14.6
1960	6,137	93	23.5
1965	7,176	88	29.8
1970	10,074	94	36.9
1975	10,983	138	36.7
1980	15,531	567	46.9
1985	18,623	417	54.8
1990	25,550	1,143	69.1
1995	34,353	3,894	79.2
2000	41,254	5,516	89.6 90 lbs

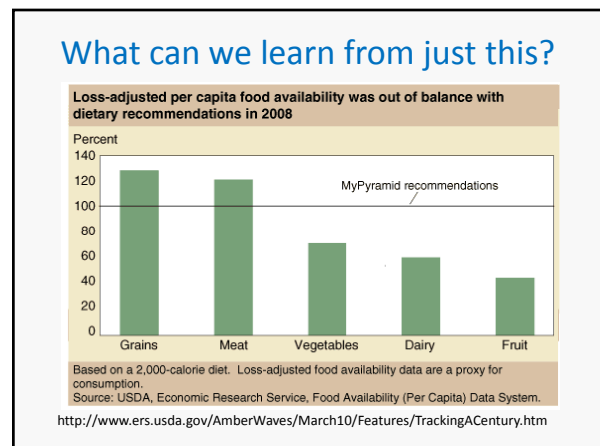
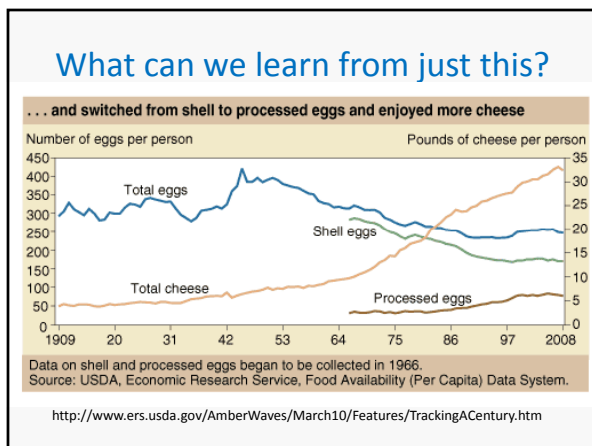
Source: USDA.

Cheap Low Cost Marketing Research

- Library
- Web – trusted sites
- Then don't forget:
 - License plates in a parking lot
 - Get number from State X, date, time, weather
 - Sales slip – why do they ask for your Zip Code!
 - Rebate coupons—you have to fill it out.

Product Positioning

- Adjust the Marketing Mix for greatest success
- What is your focus?
- Lowest prices
- Highest quality
- Inversely related.



Chapter 16: Marketing Mix Product

- Right Product
- Not so easy....
- Lettuce that won't wilt, but organic
- Marketers need to discover what we want
- Then provide us the right product given that

Marketing Mix: Product

- Consumers don't like Marketers in general
- Why?
- But they want the Right Product
- We are complex
- Study all the social sciences
- If you understand people and what makes them do what they do— you will be good at this!

Classify Products

- Durable
- Non-durable
- Services

Another way

- Consumer goods
- Producer goods

Consumer Goods

1. Convenience goods or experience goods
 - Must buy to try
 - Low unit cost
 - purchased frequently

Convenience goods

1. Staple goods
 - Little planning, just buy (bread and milk)
 - Favorites/habitual goods
2. Impulse goods
 - Little if any planning
 - Candy or magazine at checkout
3. Emergency goods
 - Immediate need [umbrella, cold remedy,...]
 - A Planner will buy an umbrella on a sunny day as an impulse item to be ready for that eventual rainy day

Consumer Goods

1. Convenience goods or experience goods
 - Must buy to try
2. Shopping goods or search goods
 - Can try before you buy
3. Specialty goods
 - That special item, the French wine opener I saw
4. Unsought, unplanned goods
 - Unaware
 - Or unwanted, denial....

1 more; Strategic Groups

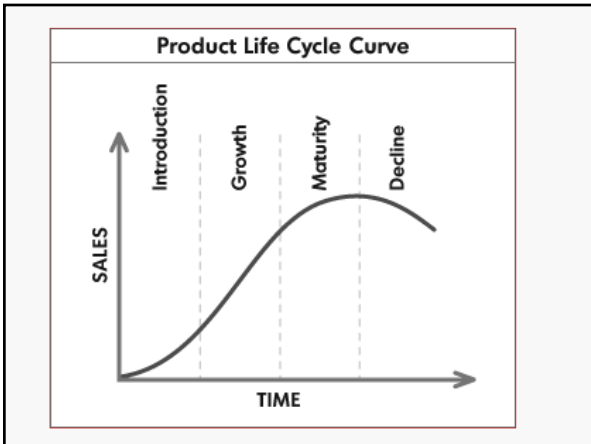
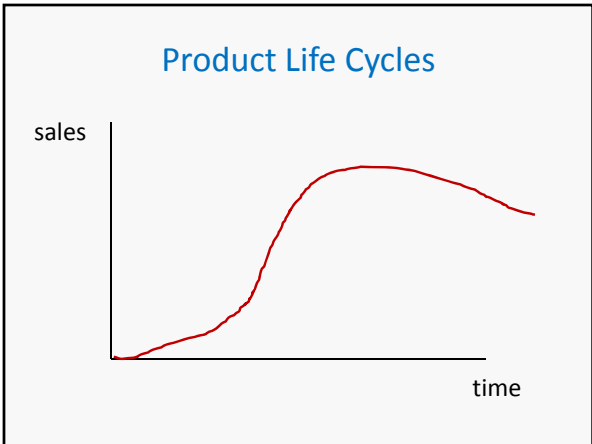
1. Producer goods
 - Ingredients, ...
2. Food service
 - Final products but sold via restaurant—most likely without knowing who produced it
3. Consumer goods
 - A. Branded
 - Identifier, can tell who produced it
 - B. Unbranded
 - Private label
 - No label

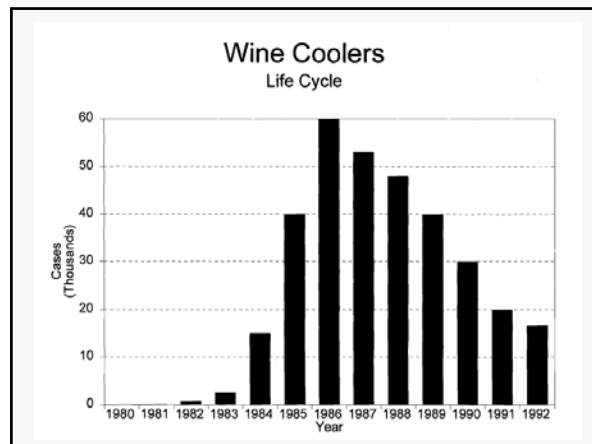
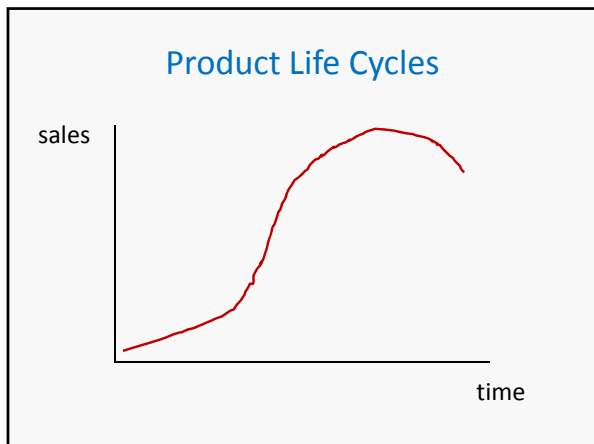
Branding

- Advantages
 - Consumers can reward with repeat purchase
 - Loyalty
 - Once loyal, switching costs keep them
 - Perception of Quality
 - Proud to put name on it
 - Price premium

Branding

- Disadvantages
 - Consumers can avoid repeating a bad experience
 - Cost money to brand, less efficient
 - Consumers must value the brand name at least as much as the cost of doing it
 - Cucumbers
 - Milk versus Beer
 - What is "Drinkability"?





In what stage of the Life Cycle is:

- Milk

1. Intro
2. Growth
3. Maturity
4. Decline

In what stage of the Life Cycle is:

- Soft drinks

1. Intro
2. Growth
3. Maturity
4. Decline

In what stage of the Life Cycle is:

- Lime flavored beer

1. Intro
2. Growth
3. Maturity
4. Decline

In what stage of the Life Cycle is:

- Bunless chicken sandwich—double down

1. Intro
2. Growth
3. Maturity
4. Decline