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How Channel Members Add Value 👍

Channel members play a crucial role in the distribution process by adding value in various ways. They help move products from manufacturers to consumers, making the entire process efficient and effective. Here are several key ways in which channel members add value, explained in simple words with examples:

1. Information
2. Promotion
3. Contact
4. Matching
5. Negotiation
6. Physical Distribution
7. Financing
8. Risk Taking

How Channel Members Add Value

Channel members, like wholesalers, retailers, distributors, and intermediaries, are crucial players in the distribution process. They help move products from manufacturers to consumers, making the entire process smoother and more efficient. Let's take a closer look at how these channel members add value:

1. Information:

Channel members gather information about what customers want and share it with manufacturers. This helps manufacturers make products that people will buy.

Example: A retailer notices that customers are asking for more eco-friendly products. They tell the manufacturer, who starts making more environmentally friendly options.

2. Promotion:

Channel members promote products to make people want to buy them. They use ads, special deals, and other tactics to get the word out.

Example: A distributor runs ads in newspapers and on social media to let people know about a new product. They offer a special discount to encourage people to buy it.

3. Contact:

Channel members talk to customers directly, answering questions and helping them choose the right products.

Example: A salesperson at a store helps a customer pick out the best laptop for their needs by explaining the features and benefits of different models.

4. Matching:

There are so many products out there, and it can be hard for customers to decide which one is best for them. Channel members help by offering a variety of choices. This way, customers can find exactly what they need.

Example: A wholesaler stocks different types of shoes, including athletic shoes, dress shoes, and casual shoes, to cater to different customer preferences.

5. Negotiation:

Channel members work with the companies that make products to get the best prices and deals. They negotiate terms and conditions to make sure everyone is happy. This helps keep costs down and profits up.

Example: A retailer negotiates with a supplier to get a lower price on a popular product, allowing them to offer it to customers at a competitive price.

6. Physical Distribution:

Channel members manage the transportation, storage, and delivery of products, ensuring they get to where they need to go on time.Getting products from where they are made to where they need to be takes a lot of coordination. Channel members manage this process. They make sure products are transported safely and arrive on time.

Example: A distributor coordinates with shipping companies to ensure that products are delivered to retailers in different parts of the country quickly and efficiently.

7. Financing:

Channel members provide financial assistance, like offering credit or flexible payment terms, to help manufacturers and retailers manage their cash flow.

Example: A wholesaler allows a retailer to buy products on credit, so they don't have to pay for them until they sell them to customers.

8. Risk taking:

Channel members take on risks associated with inventory management and market fluctuations, reducing the burden on manufacturers and retailers.

Example: A distributor invests in market research to anticipate changes in consumer demand, helping manufacturers avoid overproduction or stock shortages.

In summary, channel members play a vital role in the distribution process by adding value in various ways. From gathering information and promoting products to managing logistics and providing financial assistance, they help keep the supply chain running smoothly and ensure that products reach customers efficiently and effectively.

Promotion Mix: An Overview 👍

The promotion mix is a combination of different marketing communication tools that businesses use to reach their target audience, convey their message, and achieve their marketing goals. The key components of the promotion mix are advertising, sales promotion, personal selling, public relations, and direct marketing. Each element plays a unique role in promoting products or services.

The promotion mix is a combination of different marketing communication tools used to promote a product or service, such as advertising, sales promotions, personal selling, public relations, and direct marketing.

Components of the Promotion Mix

1. Advertising
2. Sales Promotion
3. Personal Selling
4. Public Relations (PR)
5. Direct Marketing

Let's explore each component in detail:

1. Advertising

Advertising is a paid form of non-personal communication through various media channels to inform, persuade, or remind customers about products or services. It helps create brand awareness and reach a broad audience.

Examples:

- Television Commercials: Ads shown on TV channels.
- Print Ads: Advertisements in newspapers, magazines, and brochures.
- Online Ads: Banners, pop-ups, and video ads on websites and social media.

Benefits:

- Wide Reach: Can reach a large audience quickly.
- Control: Companies have full control over the message.

Example:

- Bangladesh: Grameenphone, a leading telecom company, often uses TV commercials and online ads to promote its new data plans and services, ensuring that a wide audience is aware of their offerings.

2. Sales Promotion

Sales promotion includes short-term incentives to encourage the purchase or sale of a product or service. These promotions aim to stimulate immediate sales and are often used to introduce new products, clear out inventories, or boost sales temporarily.

Examples:

- Discounts and Coupons: Price reductions and vouchers.
- Samples and Free Trials: Free product samples to try before buying.

- Contests and Sweepstakes: Competitions with prizes to engage customers.

Benefits:

- Immediate Sales Boost: Encourages quick purchases.
- Customer Engagement: Engages customers with exciting offers.

Example:

- Bangladesh: During festivals like Eid, retail stores like Aarong offer discounts and promotional deals to attract more customers and increase sales during the festive season.

3. Personal Selling

Personal selling involves direct interaction between a sales representative and potential customers. This face-to-face communication allows for personalized presentations and immediate feedback, making it effective for complex or high-value products.

Examples:

- Sales Meetings: In-person meetings to present products.
- Product Demonstrations: Live demonstrations to show product benefits.
- Follow-up Calls: Phone calls to answer questions and close sales.

Benefits:

- Personal Touch: Builds relationships and trust.
- Customization: Tailors the message to individual customer needs.

Example:

- Bangladesh: Pharmaceutical companies like Beximco send sales representatives to doctors' offices to present their latest medicines and answer any questions, ensuring that medical professionals are well-informed about their products.

4. Public Relations (PR)

Public relations involves building and maintaining a positive image of the company through unpaid or earned communication. PR activities focus on creating a favorable public perception and managing the company's reputation.

Examples:

- Press Releases: Official statements sent to media outlets.
- Events and Sponsorships: Hosting or sponsoring events to gain visibility.
- Media Relations: Building relationships with journalists and influencers.

Benefits:

- Credibility: Earned media can be more credible than paid ads.
- Relationship Building: Strengthens relationships with the public and stakeholders.

Example:

- Bangladesh: When Unilever Bangladesh launches a new product, they often issue press releases and engage with media outlets to ensure positive coverage and build a strong brand reputation.

5. Direct Marketing

Direct marketing involves communicating directly with customers through various channels to generate a response or transaction. This form of marketing is highly targeted and measurable.

Examples:

- Email Marketing: Sending promotional emails to a targeted list.
- Telemarketing: Calling potential customers to promote products.
- Catalogs and Mailers: Sending printed catalogs or flyers directly to customers' homes.

Benefits:

- Targeted: Reaches specific audiences with personalized messages.
- Measurable: Easy to track responses and effectiveness.

Example:

- Bangladesh: E-commerce platforms like Daraz use email marketing to inform subscribers about upcoming sales, new arrivals, and special offers, encouraging them to make purchases online.

Integration of the Promotion Mix

For a promotion campaign to be successful, it is essential to integrate all elements of the promotion mix effectively. This means using a combination of advertising, sales promotion, personal selling, public relations, and direct marketing in a cohesive strategy that delivers a consistent message across all channels.

Example:

- Bangladesh: A company like Parachute, which sells hair oil, might launch a new product using a mix of TV and online ads (advertising), offer discounts in stores (sales promotion), have sales representatives explain the benefits in beauty shops (personal selling), issue press releases about the product's benefits (public relations), and send promotional emails to their customer base (direct marketing).

Conclusion

The promotion mix is a vital aspect of marketing that helps businesses reach their target audience, communicate their value propositions, and achieve their marketing objectives. By effectively combining advertising, sales promotion, personal selling, public relations, and direct marketing, companies can create comprehensive and impactful marketing campaigns that drive customer engagement, brand awareness, and sales. Understanding and strategically implementing each element of the promotion mix allows businesses to connect with consumers in meaningful ways and build strong, lasting relationships.

Market Segmentation 👍

Market segmentation is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments) based on some type of shared characteristics. These shared characteristics can be based on demographics, needs, priorities, common interests, and other psychographic or behavioral criteria.

Importance of Market Segmentation

1. Better Customer Understanding: By dividing the market into segments, businesses can better understand the specific needs and preferences of each group. This allows for more targeted marketing and product development.
2. Efficient Resource Allocation: Segmentation allows businesses to allocate their resources more efficiently by focusing on the most profitable segments.
3. Improved Marketing Effectiveness: Marketing messages can be tailored to specific segments, making them more relevant and effective.
4. Competitive Advantage: Businesses that understand and cater to specific segments can create a competitive advantage by meeting the needs of those customers better than competitors.

Types of Market Segmentation

1. Demographic Segmentation:
    - Definition: Dividing the market based on demographic variables such as age, gender, income, education, occupation, family size, and nationality.

    - Example: A company selling baby products might target new parents by focusing on age and family size demographics.
2. Behavioral Segmentation:
    - Definition: Dividing the market based on consumer behavior, including purchase history, usage rate, brand loyalty, and benefits sought.
    - Example: A software company might segment its market based on customers who need advanced features versus those who need basic functionality.

Steps in Market Segmentation

1. Identify the Market: Start by defining the broad market that you want to segment. This could be a product category or a service industry.
2. Choose Segmentation Criteria: Decide on the criteria you will use to segment the market. This could be based on demographics, geographic locations, psychographics, or behavior.
3. Collect Data: Gather data on the market based on the chosen segmentation criteria. This can be done through surveys, market research, and data analysis.
4. Analyze the Segments: Evaluate the different segments to understand their size, needs, and potential profitability. This will help you identify which segments are worth targeting.
5. Select Target Segments: Choose the segments that align best with your business goals and capabilities. These are the segments you will focus your marketing efforts on.

6. Develop a Segmentation Strategy: Create a strategy for how you will reach and appeal to the chosen segments. This might include tailored marketing messages, specific product features, and customized customer service.

Example of Market Segmentation

Example: Coca-Cola

Coca-Cola uses market segmentation to tailor its products and marketing efforts to different customer groups.

- Demographic Segmentation: Coca-Cola targets different age groups with different products. For example, Diet Coke is marketed more towards older consumers who are health-conscious, while Fanta is targeted at younger consumers who prefer a fruity and fun beverage.
- Behavioral Segmentation: Coca-Cola segments its market based on consumer behavior such as purchase occasion and usage rate. For example, it offers larger bottles and multi-packs for families who consume more soda at home and smaller cans for individuals who drink soda on the go.

Marketing Target: Understanding Competition, Substitutes, Buyer Power, and Supplier Power : Segment structural attractiveness👍

When a company identifies its marketing target, it looks at various factors that can influence its success in the market. Four critical aspects to consider are competition, substitutes, the power of buyers, and the power of suppliers.

1. Competition 👍

Competition refers to other companies or products that offer similar solutions or satisfy similar customer needs. Understanding competition is crucial because it helps companies differentiate themselves and identify areas where they can excel. Key aspects to consider regarding competition include:

- Market Share: Analyzing the market share of competitors helps in understanding their strength and influence in the market.
- Product Differentiation: Assessing how products or services differ from competitors' offerings helps in identifying unique selling points.
- Pricing Strategies: Understanding how competitors price their products helps in developing competitive pricing strategies.

2. Substitutes

Substitutes are alternative products or services that can fulfill the same need or provide a similar benefit to customers. It's essential to consider substitutes because they can impact demand for a company's offerings. Key aspects to consider regarding substitutes include:

- Cross-Industry Analysis: Looking at substitutes from related industries helps in identifying potential threats and opportunities.
- Price Sensitivity: Assessing how price changes in substitutes affect demand for the company's products helps in understanding price elasticity.
- Product Innovation: Monitoring developments in substitute products helps in identifying emerging trends and potential competitive threats.

3. Power of Buyers

The power of buyers refers to the influence customers have on the market, particularly in terms of pricing and product demand. Understanding the power of buyers helps companies tailor their marketing strategies to meet customer needs effectively. Key aspects to consider regarding the power of buyers include:

- Market Segmentation: Identifying different customer segments helps in understanding their unique needs and preferences.
- Brand Loyalty: Assessing customer loyalty and brand preferences helps in developing strategies to retain existing customers.
- Price Sensitivity: Understanding how sensitive customers are to price changes helps in setting competitive pricing strategies.

4. Power of Suppliers

The power of suppliers refers to the influence suppliers have on the market, particularly in terms of pricing and product availability. Understanding the power of suppliers helps companies manage their supply chains effectively. Key aspects to consider regarding the power of suppliers include:

- Supplier Concentration: Assessing how concentrated the supplier market is helps in understanding the bargaining power of suppliers.
- Supply Chain Risks: Identifying potential risks in the supply chain helps in developing strategies to mitigate disruptions.
- Negotiating Power: Understanding how negotiating power varies among suppliers helps in securing favorable terms and conditions.

Conclusion

Understanding competition, substitutes, the power of buyers, and the power of suppliers is crucial for companies when identifying their marketing target. By analyzing these factors, companies can develop effective marketing strategies that address customer needs, differentiate their offerings, and create sustainable competitive advantages in the market.

Brand Development Strategy 👍

Brand development strategy refers to the plans and actions a business undertakes to grow and strengthen its brand. This involves creating and maintaining a strong brand presence in the market, enhancing brand equity, and ensuring the brand stays relevant to its target audience. A well-executed brand development strategy helps build brand recognition, customer loyalty, and a competitive edge in the market.

Key Elements of a Brand Development Strategy

1. Brand Positioning
2. Brand Name Selection
3. Brand Sponsorship
4. Brand Development

Let's explore each element in detail using simple language and examples:

1. Brand Positioning

Brand positioning is about defining what your brand stands for, who it targets, and how it is different from competitors. It is the process of positioning your brand in the mind of your customers.

Steps to Position a Brand:

1. Identify Target Audience: Understand who your customers are and what they need.
2. Analyze Competitors: Look at your competitors to understand how they are positioning themselves.
3. Define Unique Value Proposition: Determine what makes your brand unique and valuable to your customers.

4. Craft a Positioning Statement: Create a clear and concise statement that summarizes your brand's unique position in the market.

Example:

- Bangladesh: Aarong, a popular lifestyle brand in Bangladesh, positions itself as a premium and authentic provider of traditional Bangladeshi handicrafts. It targets customers who value tradition, quality, and craftsmanship.

2. Brand Name Selection

Brand name selection is the process of choosing a name that reflects the essence of your brand and resonates with your target audience. The brand name should be easy to remember, pronounce, and reflect the brand’s personality and values.

Criteria for Selecting a Brand Name:

1. Simplicity: The name should be easy to spell and pronounce.
2. Memorability: It should be catchy and easy to remember.
3. Relevance: The name should reflect the brand's identity and values.
4. Uniqueness: It should stand out from competitors.
5. Future-Proof: Ensure the name can grow with the brand and isn’t limiting.

Example:

- Bangladesh: Grameenphone, the leading telecom operator, has a name that resonates with its mission of connecting rural and urban areas across the country, reflecting its broad reach and social commitment.

3. Brand Sponsorship

Brand sponsorship refers to the association between a brand and another entity, such as a celebrity, event, or another brand, to increase brand visibility and credibility.

Types of Brand Sponsorship:

1. Manufacturer's Brand: A brand created and owned by the manufacturer.
2. Private Brand: A brand owned by a retailer or a distributor.
3. Licensed Brand: A brand licensed for use by another company.
4. Co-Branding: Two or more brands working together to create a product or service.

Example:

- Bangladesh: Grameenphone often sponsors major cultural events and sports activities in Bangladesh, such as the Dhaka International Film Festival and the Bangladesh Premier League, to enhance its brand visibility and connect with a larger audience.

4. Brand Development

Brand development involves expanding the brand in various ways, such as introducing new products, entering new markets, or updating the brand's image. It ensures the brand stays relevant and grows over time.

Strategies for Brand Development:

1. Line Extension: Introducing new products in the same category under the same brand name.
2. Brand Extension: Using an existing brand name for new products in different categories.
3. Multibrands: Introducing additional brands in the same category.
4. New Brands: Creating a completely new brand for new products.

Brand Development Strategies with Examples

1. Line Extension:
    - Definition: Adding new features, flavors, or sizes to existing products under the same brand name.
    - Example: Nestlé Bangladesh extends its Maggi noodles line by introducing new flavors like spicy chicken or masala.
2. Brand Extension:
    - Definition: Using an existing brand name to launch new products in different categories.
    - Example: Lux, a well-known soap brand, extends its brand to introduce a line of shampoos in Bangladesh.
3. Multibrands:
    - Definition: Introducing new brands in the same product category.
    - Example: Unilever Bangladesh markets both Lifeboy and Dove soaps, targeting different customer segments with each brand.
4. New Brands:
    - Definition: Creating an entirely new brand for a new product category.
    - Example: Square Pharmaceuticals, a leading pharmaceutical company in Bangladesh, creates a new brand for its herbal health supplements.

Implementing a Brand Development Strategy

Steps to Implement a Brand Development Strategy:

1. Research and Analysis:
    - Conduct market research to understand customer needs, market trends, and competitor strategies.
    - Analyze your brand's current position and identify areas for improvement or expansion.
2. Define Brand Objectives:

- Set clear, measurable goals for what you want to achieve with your brand development strategy.
- Objectives could include increasing brand awareness, entering new markets, or launching new products.

3. Develop a Brand Plan:
    - Create a detailed plan outlining the actions you will take to achieve your brand objectives.
    - The plan should include timelines, resources, and budget allocations.
4. Implement the Strategy:
    - Execute the brand development plan by launching new products, updating marketing materials, or entering new markets.
    - Ensure all actions align with your brand's values and positioning.
5. Monitor and Evaluate:
    - Continuously monitor the performance of your brand development efforts.
    - Evaluate the results against your objectives and make adjustments as needed to improve outcomes.

Example of a Successful Brand Development Strategy

Example: bKash

bKash, a leading mobile financial service provider in Bangladesh, has successfully implemented a brand development strategy to become a household name.

1. Brand Positioning:
    - bKash positioned itself as a convenient, safe, and reliable mobile financial service that enables easy money transfers and payments.
2. Brand Name Selection:

- The name "bKash" is short, memorable, and relevant to its service of providing financial transactions (as "Kash" sounds like "Cash").

3. Brand Sponsorship:
    - bKash sponsors various events, such as cricket tournaments and cultural festivals, to enhance its brand visibility and connect with a wider audience.
4. Brand Development:
    - Line Extension: bKash introduced new services like bill payments, mobile recharge, and savings schemes under the same brand name.
    - Brand Extension: bKash expanded its brand to offer services like remittance transfers, partnering with international financial services.

Conclusion

Brand development strategy is crucial for businesses to grow and maintain a strong presence in the market. By effectively positioning the brand, selecting an appropriate brand name, leveraging brand sponsorships, and continuously developing the brand through line extensions, brand extensions, multibrands, and new brands, businesses can create a powerful brand that resonates with customers, stands out from competitors, and drives long-term success. Implementing a well-thought-out brand development strategy ensures that the brand stays relevant, meets customer needs, and achieves business goals in a dynamic and competitive marketplace.

New-Product Development Process 👍

The new-product development process is a series of steps that companies follow to conceive, design, and bring new products to the market. This process helps ensure that new products meet market needs, align with business objectives, and are successfully launched. Here are the stages involved in the new-product development process, explained in simple words and sentences:

1. Idea Generation

2. Idea Screening
3. Concept Development and Testing
4. Marketing Strategy Development
5. Business Analysis
6. Product Development
7. Test Marketing
8. Commercialization

Let's explore each stage in detail:

1. Idea Generation

Idea Generation is the first step in the new-product development process. This stage involves coming up with new ideas for products. These ideas can come from various sources such as customers, employees, competitors, research and development (R&D) teams, or even brainstorming sessions.

Sources of New Product Ideas:

- Internal Sources: Employees, R&D teams, and company executives.
- External Sources: Customers, competitors, distributors, suppliers, and market research.

Example:

- A tech company may gather ideas for new products by holding brainstorming sessions with its R&D team, collecting feedback from customers through surveys, and analyzing competitor products.

2. Idea Screening

Idea Screening is the process of filtering out the best ideas from the pool of ideas generated. The goal is to identify ideas that are feasible and align with the company's goals and resources.

Criteria for Screening:

- Market Potential: Is there a demand for the product?
- Feasibility: Can the product be developed with available resources and technology?
- Profitability: Will the product be profitable?

Example:

- A company may screen new product ideas by evaluating their potential market size, development costs, and expected profitability, discarding ideas that do not meet these criteria.

3. Concept Development and Testing

Concept Development and Testing involves taking the screened ideas and developing detailed product concepts. These concepts are then tested with a target audience to gather feedback.

Steps in Concept Development:

- Concept Development: Create detailed descriptions, sketches, or prototypes of the product.
- Concept Testing: Present the concepts to potential customers to get their feedback.

Example:

- A car manufacturer might develop several concept designs for a new electric vehicle and show them to focus groups to gather feedback on which design is most appealing.

4.Marketing strategy development for introducing a new product to the market involves creating a detailed plan to ensure the product's successful launch and adoption by the target audience. This strategy outlines the steps needed to generate awareness, stimulate interest, and drive sales. Here's an example of how a company might develop a marketing strategy for launching a new product:

Example: Launching a New Smart Home Device

Company: SmartHome Innovations **Product:** HomeHub – a smart home device that integrates home automation, security, and energy management in a single platform

5. Business Analysis

Business Analysis involves evaluating the business potential of the product concept. This includes estimating sales, costs, and profits to determine if the product is financially viable.

Key Elements of Business Analysis:

- Sales Forecasting: Predicting future sales based on market research and historical data.
- Cost Estimation: Estimating the costs of development, production, marketing, and distribution.
- Profitability Analysis: Calculating the expected profit margins and return on investment (ROI).

Example:

- A smartphone company may conduct a business analysis to estimate the sales potential of a new model, calculate the costs of production and marketing, and determine if the expected profits justify the investment.

6. Product Development

Product Development is the stage where the product concept is turned into a physical product. This involves creating prototypes, conducting tests, and making any necessary adjustments.

Steps in Product Development:

- Prototype Creation: Building a working model of the product.
- Testing: Conducting tests to ensure the product meets design specifications and quality standards.
- Refinement: Making improvements based on test results.

Example:

- A food company developing a new snack might create several prototype recipes, conduct taste tests with potential customers, and refine the recipes based on their feedback.

7. Test Marketing

Test Marketing involves introducing the product to a limited market to evaluate its performance and gather feedback before a full-scale launch.

Steps in Test Marketing:

- Market Selection: Choosing a representative sample of the target market.
- Product Launch: Introducing the product to the selected market.
- Performance Monitoring: Collecting data on sales, customer feedback, and market reactions.

Example:

- A cosmetics company might launch a new skincare product in a few selected cities to gauge customer response and make any necessary adjustments before a nationwide launch.

8. Commercialization

Commercialization is the final stage where the product is launched on a full scale. This involves finalizing the marketing strategy, production plans, and distribution channels.

Steps in Commercialization:

- Marketing Plan: Developing a comprehensive marketing strategy to promote the product.
- Production Planning: Scaling up production to meet anticipated demand.
- Distribution: Setting up distribution channels to ensure the product reaches customers.

Example:

- A beverage company might roll out a new flavor of soda nationwide, supported by an advertising campaign, retail promotions, and widespread distribution to stores.

Example: New-Product Development Process at a Smartphone Company

Let's consider a smartphone company in Bangladesh that wants to develop a new smartphone model. Here's how they might follow the new-product development process:

1. Idea Generation:
    - The company gathers ideas for new smartphone features through brainstorming sessions with engineers, surveys from customers asking what new features they want, and analysis of competitor smartphones.
2. Idea Screening:
    - The company evaluates the feasibility of these ideas, considering factors like the cost of new technology, potential demand, and alignment with the brand's strategy. Ideas that are too costly or do not align with the company's goals are discarded.
3. Concept Development and Testing:

- Several concepts are developed, such as a smartphone with a longer battery life, a better camera, and a more durable screen. These concepts are presented to potential customers through focus groups and surveys to gather feedback.

4. Business Analysis:
    - The company conducts a detailed analysis, estimating the costs of developing and producing the new smartphone, forecasting sales based on market trends, and calculating the expected profitability. The analysis shows that the concept of a smartphone with a longer battery life and better camera has the highest market potential.
5. Product Development:
    - The company develops a prototype of the new smartphone with the selected features. Engineers work on refining the design, while extensive testing is conducted to ensure the smartphone meets quality standards. Adjustments are made based on test results.
6. Test Marketing:
    - The new smartphone is launched in a few selected cities in Bangladesh. The company monitors sales performance, gathers customer feedback, and observes market reactions. The test marketing shows a positive response, with high demand and positive reviews.
7. Commercialization:
    - The company finalizes its marketing plan, which includes an advertising campaign highlighting the smartphone’s long battery life and superior camera. Production is scaled up to meet the anticipated demand, and distribution channels are set up to ensure the smartphone is available in stores nationwide. The smartphone is officially launched with a major event and advertising blitz.

Conclusion

The new-product development process is a structured approach that helps companies bring new products to market successfully. By following these stages—idea generation, idea screening, concept development and testing, business analysis, product development, test marketing, and commercialization—businesses can ensure their new products meet customer needs, are financially viable, and have a higher chance of success in the market. Understanding and executing this process effectively is key to staying competitive and innovative in today’s fast-paced market.

New Product Pricing Strategies 👍

When launching a new product, selecting the right pricing strategy is crucial to its success. Two common strategies are Market Skimming Pricing and Market Penetration Pricing. These strategies have different goals and are used based on the nature of the product, the market conditions, and the company's objectives.

1. Market Skimming Pricing

Market Skimming Pricing involves setting a high initial price for a new product to "skim" maximum revenue layer by layer from segments willing to pay the high price. The price is then gradually lowered to capture more price-sensitive customers over time.

Key Points of Market Skimming Pricing:

1. High Initial Price: The product is introduced at a high price.
2. Targeting Early Adopters: This strategy targets customers who are less price-sensitive and willing to pay a premium for being the first to own the product.
3. Gradual Price Reduction: The price is reduced over time to attract more customers from different market segments.
4. Maximizing Profits: The aim is to maximize profits from each segment before moving to the next.

Example:

- Smartphones: When Apple releases a new iPhone, it often comes with a high price tag. Tech enthusiasts and loyal Apple customers are willing to pay this premium to get the latest model. Over time, Apple reduces the price to attract more budget-conscious customers and clear out inventory before the next model is released.

Advantages:

- High Profit Margins: The company can earn high profits initially.
- Brand Perception: Creates a perception of high quality and exclusivity.
- Recovery of Development Costs: Helps recover research and development costs quickly.

Disadvantages:

- Limited Initial Market: High prices may limit the number of early customers.
- Attraction of Competitors: High profits can attract competitors to enter the market.
- Customer Dissatisfaction: Early buyers might feel cheated when the price drops.

Suitable Conditions:

- Innovative Products: Products that offer unique features or significant improvements.
- Limited Competition: Few or no competitors in the market.
- High Initial Demand: Strong demand from customers who value the new product highly.

2. Market Penetration Pricing

Market Penetration Pricing involves setting a low initial price for a new product to quickly attract a large number of customers and gain significant market share. The low price helps build customer base and discourage competitors.

Key Points of Market Penetration Pricing:

1. Low Initial Price: The product is introduced at a price lower than competitors or the industry average.
2. High Sales Volume: The aim is to achieve high sales volume quickly.
3. Market Share Growth: Focuses on gaining a large market share and building customer loyalty.
4. Economies of Scale: Higher production volumes can lead to lower production costs per unit, increasing profitability over time.

Example:

- Internet Services: When a new internet service provider enters the market, it might offer lower prices compared to existing providers. This attracts customers to switch to the new service, helping the company quickly build a customer base.

Advantages:

- Rapid Market Entry: Quickly establishes the product in the market.
- Discourages Competition: Low prices make it difficult for competitors to enter the market.
- Customer Loyalty: Attracts a large customer base that can be retained over time.

Disadvantages:

- Low Profit Margins: Initial profits are low due to the low price.
- Sustainability Issues: If costs are not managed well, the strategy may not be sustainable.
- Perceived Quality: Customers may perceive the product as low quality due to the low price.

Suitable Conditions:

- Price-Sensitive Market: Customers are highly responsive to price changes.
- High Competition: The market has many competitors, and a low price is needed to attract customers.
- Mass Market Products: Products that appeal to a wide range of customers and benefit from economies of scale.

Choosing the Right Strategy

Choosing between market skimming and market penetration depends on various factors:

- Product Type: Innovative and high-end products often use market skimming, while everyday products use market penetration.
- Market Conditions: In a market with little competition, skimming can be effective. In a highly competitive market, penetration pricing may be better.
- Company Objectives: If the goal is to maximize early profits, skimming is suitable. If the goal is to build a large customer base quickly, penetration is better.

Example Scenario:

Product: A new fitness tracker with advanced health monitoring features.

Market Skimming Pricing:

- The company sets a high initial price to target fitness enthusiasts and tech-savvy customers who are willing to pay a premium for the latest features.
- Over time, the price is reduced to attract a broader audience.

Market Penetration Pricing:

- The company sets a low initial price to quickly attract a large number of customers and gain market share.

- The low price helps build a strong customer base and discourage competitors.

By understanding the advantages, disadvantages, and suitable conditions for each strategy, companies can choose the approach that best aligns with their product, market, and business goals.

Product Mix Pricing Strategies

Product mix pricing refers to the pricing strategies a company employs for a group or portfolio of products it offers. These strategies are crucial for maximizing profitability, maintaining competitiveness, and achieving strategic objectives. Here, we'll delve into various product mix pricing strategies in simple terms.

1. Product Line Pricing

Product Line Pricing involves setting prices for a group of products that are related or similar in function or target market. Prices are strategically set to create perceived value distinctions between different products within the same product line.

Key Points:

- Price Differentiation: Different products within the same line are priced differently based on features, quality, or target market.
- Value-Based Pricing: Prices are set based on the perceived value of each product relative to others in the line.
- Catering to Segments: Allows catering to different customer segments with varied price sensitivities.

Example:

- Smartphones: A smartphone company may offer different models within the same product line, such as a standard model, a mid-range model, and a premium model, each priced differently based on features and specifications.

2. Optional Product Pricing

Optional Product Pricing involves offering optional or accessory products along with a main product and pricing them separately. Customers have the choice to purchase additional features or enhancements at an extra cost.

Key Points:

- Base Price and Add-Ons: The base price is set for the main product, while optional features or accessories are priced separately.
- Incremental Revenue: Allows generating additional revenue from customers who opt for additional features or upgrades.
- Customization: Provides customers with the flexibility to customize their purchase according to their preferences and budget.

Example:

- Automobiles: Car manufacturers often offer optional features such as premium sound systems, navigation systems, or leather upholstery at an additional cost, allowing customers to customize their vehicle according to their preferences.

3. Captive Product Pricing

Captive Product Pricing involves setting a low price for the main product while pricing the necessary accompanying products or consumables at a higher price. The initial product serves as a "captive" to drive sales of complementary products.

Key Points:

- Low Initial Price: The main product is priced competitively or even below cost to attract customers.
- High Margins on Complementary Products: Profits are made from the sale of accessories, consumables, or related products.
- Long-Term Revenue: Establishes a recurring revenue stream as customers continue to purchase complementary products.

Example:

- Printer and Ink Cartridges: Printer manufacturers often sell printers at a low price or even at a loss, but they profit from selling ink cartridges at higher prices, creating a continuous revenue stream over time.

4. Bundle Pricing

Bundle Pricing involves offering multiple products or services together as a package at a discounted price compared to purchasing each item separately. This strategy encourages customers to buy more items and increases overall sales volume.

Key Points:

- Discounted Pricing: The total price of the bundle is lower than the sum of individual prices, offering savings to customers.
- Cross-Selling Opportunities: Encourages customers to purchase complementary products they may not have considered otherwise.
- Perceived Value: Creates a perception of value and encourages larger purchases.

Example:

- Fast Food Combos: Fast-food restaurants often offer combo meals that include a burger, fries, and a drink at a lower price compared to purchasing each item separately, enticing customers to buy a complete meal.

5.By-product pricing

By-product pricing is a pricing strategy where a company sets a price for by-products, which are secondary products generated during the production of the main product. The objective is to find a profitable way to dispose of these by-products or even generate additional revenue from them. This approach helps in offsetting the costs of the main product, potentially lowering its price and making it more competitive in the market.

Examples of By-Product Pricing

1. **Agriculture:**

In the dairy industry, whey is a by-product of cheese production. Companies can sell whey protein to the food and supplement industry instead of discarding it.

2. **Oil Refining:**

In petroleum refining, by-products like asphalt, lubricants, and petrochemicals are sold to various industries, generating additional revenue

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Conclusion

Product mix pricing strategies play a vital role in the success of a company's product portfolio. By employing these strategies effectively, businesses can optimize revenue, enhance competitiveness, and achieve their strategic objectives. Whether it's setting prices for product lines, offering optional products, implementing captive pricing, bundling products, or managing the pricing of the entire product mix, companies must carefully evaluate market dynamics, customer preferences, and strategic goals to make informed pricing decisions.

1. **Undifferentiated (Mass) Marketing: One product and approach for everyone.**
2. **Differentiated (Segmented) Marketing: Different products and approaches for different groups.**
3. **Concentrated (Niche) Marketing: One product and approach for a specific, small group.**
4. **Micromarketing (Local or Individual Marketing): Customized products and approaches for individual people or locations.**

Market Targeting Strategies

Market targeting is the process of selecting specific segments from a larger market to focus marketing efforts on. Once a company has segmented its market, it needs to decide which segments to target. There are several market targeting strategies that businesses can use:

1. Undifferentiated (Mass) Marketing
2. Differentiated (Segmented) Marketing
3. Concentrated (Niche) Marketing
4. Micromarketing (Local or Individual Marketing)

1. Undifferentiated (Mass) Marketing

This strategy involves targeting the entire market with one basic marketing plan. The company ignores the differences between segments and aims to reach as many people as possible.

Example in Bangladesh:

- Example: A company like BATA might use undifferentiated marketing for its basic line of flip-flops, targeting all age groups and demographics across the country because the product is universally needed and used.

2. Differentiated (Segmented) Marketing

This strategy involves targeting multiple segments with different marketing approaches tailored to each segment. The company creates separate offers and marketing mixes for each segment.

Example in Bangladesh:

- Example: A telecom company like Grameenphone might use differentiated marketing by offering different packages for students (with more data and affordable prices), professionals (with more calling minutes and premium services), and businesses (with customized business solutions).

3. Concentrated (Niche) Marketing

This strategy involves targeting a large share of one or a few small segments or niches. The company focuses on serving a specific segment very well rather than trying to appeal to the whole market.

Example in Bangladesh:

- Example: A high-end fashion boutique in Dhaka might use concentrated marketing by targeting affluent women who are looking for exclusive, designer clothing. This boutique would offer personalized services and premium products to attract this specific group.

4. Micromarketing (Local or Individual Marketing)

This strategy involves tailoring products and marketing programs to suit the tastes of specific individuals or locations. It includes local marketing (tailoring to local customer groups) and individual marketing (one-to-one marketing).

Example in Bangladesh:

- Local Marketing: A supermarket chain like Agora might use local marketing by stocking different products in stores located in different parts of the country. For instance, they might stock more fish and rice in regions where these are staple foods, while offering more packaged snacks and ready-to-eat meals in urban areas.

- Individual Marketing: An online custom tailoring service might use individual marketing by offering bespoke clothing where customers can choose fabrics, styles, and measurements to create personalized garments.

Benefits of Market Targeting Strategies

- Increased Efficiency: By focusing on specific segments, companies can allocate their resources more efficiently and create more effective marketing campaigns.
- Better Customer Understanding: Targeting specific segments allows companies to gain deeper insights into customer needs and preferences, leading to better product and service offerings.
- Higher Customer Satisfaction: Tailored marketing efforts can result in higher customer satisfaction as the products and services are more closely aligned with customer needs.
- Competitive Advantage: Companies that effectively target specific segments can differentiate themselves from competitors and establish a stronger market presence.

Implementation in Bangladesh

Businesses in Bangladesh can benefit greatly from these market targeting strategies by understanding the diverse needs and preferences of their customer base. For example:

- Undifferentiated Marketing: Large FMCG companies like Unilever Bangladesh might use undifferentiated marketing for basic hygiene products like soap and toothpaste, aiming to reach a broad audience across the country.
- Differentiated Marketing: A bank like BRAC Bank might offer different banking products for students (student savings accounts), professionals (personal loans), and small business owners (business loans).
- Concentrated Marketing: A specialty tea company might target health-conscious consumers by offering organic, herbal teas that cater specifically to this niche market.
- Micromarketing: Local garment manufacturers in the Dhaka garment district might use micromarketing by producing custom clothing for individual clients based on their specific style preferences and measurements.

By employing the appropriate market targeting strategy, businesses in Bangladesh can effectively reach their desired customers, enhance their marketing efforts, and ultimately drive growth and profitability.