

Getting to the Market Place

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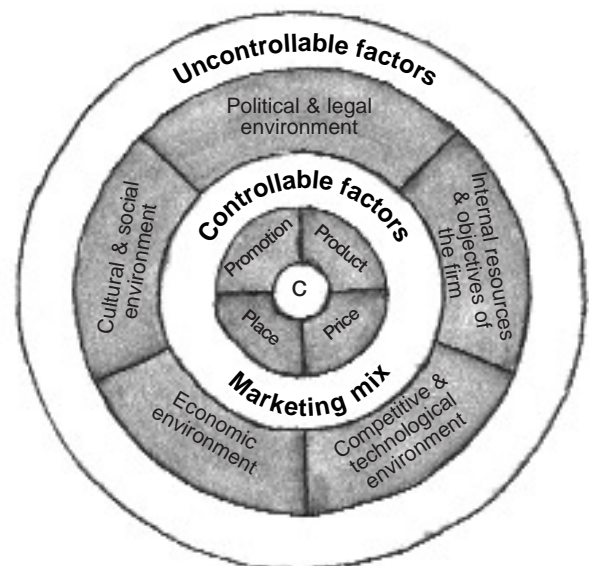
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Once this has been determined they can then move on to consider how they will attempt to achieve a maximum response from their target. To carry out this task, marketing makes use of what is known as the 'marketing mix'. The most fundamental task of marketing is the management of the marketing mix, classically described as the four Ps:

- product
- price
- place
- promotion



Source: Basic Marketing: A Managerial Approach
8th Edition 1984. E. Jerome McCarthy and William D. Perreault, Jr

1 WHAT IS MARKETING?

Marketing is human activity directed at satisfying consumer needs and wants by determining appropriate solutions to these desires and implementing them in a process of exchange.

The aim of Marketing is to generate the right mix of sales to customers, at the right price, with the right promotion and at the right time and place. However, before a company or organisation can decide upon, or put into practice, a marketing strategy, they must first understand their target market.

A **target market** is 'the set of actual and potential buyers of a product'. Hence, the company must:

- have a clear idea of the kind of people it wishes to serve;
- understand the full nature of the need it is trying to satisfy; and
- evaluate just what the customer is looking for in the product or service offered.

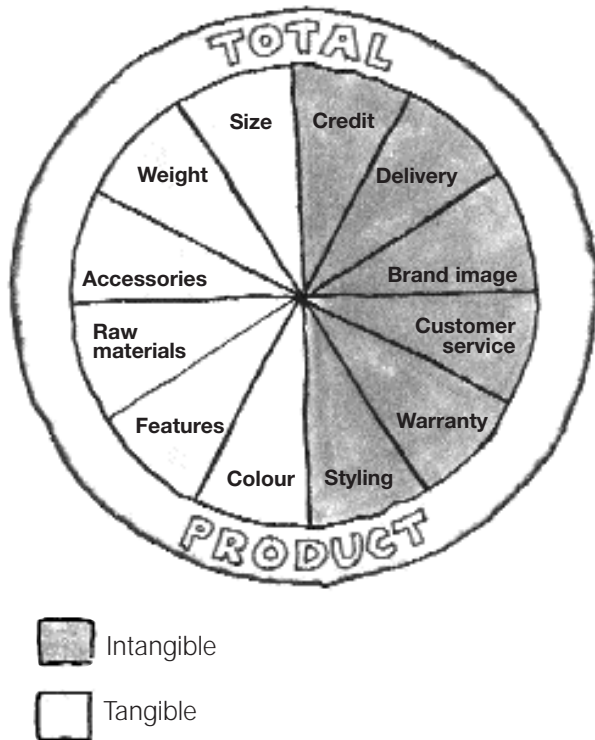
2 THE MARKETING MIX

2.1 Product

As a marketer, once you know the needs of your customers, you will have to decide upon the nature of the product you are going to offer. People need liquid to stay alive, but they choose what to drink according to their preferred taste and the mouthfeel. Therefore, soft drinks products need to be developed, produced and packaged according to what consumers like if the product is to be successful.

A product is made up of tangible and intangible attributes which a seller offers potential buyers. The consumer's needs and wants must be satisfied if the product is to be purchased. The following diagram illustrates the total product concept:

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Source: Principles of Marketing – Lusch and Lusch (1987)

2.2 Price

Before the product can be sold, the company must decide on the price point at which to sell it. This might mean choosing between producing a 'premium', 'mid-market' or 'budget' soft drink. The price point needs to reflect the perceived 'package of benefits' or the value of the product.

An important part of the success of the soft drinks industry has been its ability to keep the selling price of its products low. The results of research show that important influences on demand for soft drinks include:

- how much money consumers have to spend
- the weather

In simple terms, if consumers have more money to spend, they will buy more soft drinks. When it is hot and the sun shines, sales of non-alcoholic drinks accelerate.

The 'sale prices' of soft drinks are not determined by manufacturers. They sell their products to various retail outlets which in turn set the prices

that customers must pay. Over the last few years, soft drinks prices have increased only quite slowly, more slowly in fact than the overall rate of inflation.

2.3 Place

Distribution or 'place' is a central feature of marketing because of the distance that exists between the final consumer and the initial manufacturer. In competitive markets, customers do not expect to have to go out of their way to find a product and will rarely do so. If a product is not available at the right time or place, then the consumer will choose a competitor's product and sales will be lost. Therefore, if you know the buying habits of your target market, i.e. where they look for the type of product you offer, you can distribute your goods to these outlets ensuring ease of availability.

While the food grocery trade has become the dominant distribution channel for non-alcoholic drinks, there remains a huge variety of other outlets which the industry continues to supply in order to maximise availability. In Britain, there are more than 400,000 outlets selling soft drinks including more than 100,000 vending machines. Comprehensive distribution of non-alcoholic drinks means substantial investment in the very latest technology for vending machines, beverage coolers and bulk dispense systems.

More than 90% of soft drinks sold in the UK are purchased for consumption at home with around 7.5% for consumption in hotels, restaurants and catering establishments, otherwise known as the HORECA trade. The 'for the use at home rate' is the highest in Europe.

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There are many outlets that sell soft drinks:

Total Soft Drinks Outlets 2003 (000s) – 456.2			*HORECA 361.2	
Retail 95.0				
Grocery	34.0 ▶	DISTRIBUTION CHANNELS	◀ Total eating & drinking (2)	107.1
- multiples & Coops	9.0 ▶		◀ - Hotels (2)	12.6
-independents	25.0 ▶		◀ - All others (2)	94.5
Other food retailers (1)	10.0 ▶		◀ *QSR (2)	27.5
*CTN	21.0 ▶		◀ Institutions	89.2
Specialist off licences	9.0 ▶		◀ Total other on-premise	35.0
Petrol Forecourts	12.0 ▶		◀ Can, bottle carton vending units (3)	102.4
Chemists	9.0 ▶		*Confectioners, Tobacconists and Newsagents	
Wholesalers	1.0 ▶		*Hotels, Restaurants, and Catering	
			*Quick-Serve Restaurants	

(1) Includes mixed retailers, bakers, fruit, etc.

(2) National statistics figures apply to businesses with a turnover of £55,000 or more

(3) It is estimated there are 225,000 ready to drink beverage (tea and coffee) vending machines in the UK, many of which include soft drinks in their offering

Source: Government Publications, Trade Sources, Canadian estimates, British Hospitality Association, Food service intelligence.

2.3.1 Warehousing

Warehousing is necessary for the smooth and efficient delivery of soft drinks to the many outlets throughout the country. Distribution centres are usually centrally located to supply nominated areas, resulting in them being located near motorways and main road systems.

Very efficient organisation systems must be in place to enable fast sorting of orders. The most modern organisation system will be wholly automated using information technology, with back-up facilities to ensure that a business can still proceed even through power cuts.

One such soft drinks distribution centre is located in Leicestershire and has a very fast turnaround of soft drinks products. During the peak summer period there is a throughput of 700 vehicles, with 340 pallets in and out per hour. Goods are received into the warehouse and are automatically off-loaded with 22 pallets handled in 90 seconds. Pallets are automatically checked for height, weight and profile to ensure consistency in loading. The

computer system automatically updates the inventory of stock when pallets are stacked. Customer orders are raised on the computer, which initiates the computer system to pick the pallets required. The order is then shrinkwrapped and labelled and assembled in the despatch area. The computer produces a load plan and the order is loaded on to a delivery vehicle.

2.3.2 Transportation

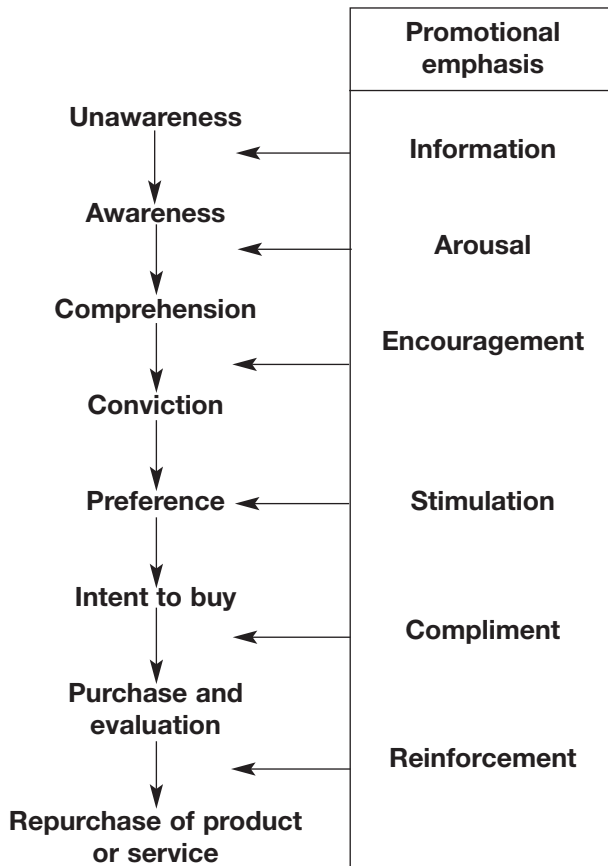
Transport is vital to the soft drinks industry for a number of reasons. Trade is impossible without the movement of goods from vendor to purchaser. It is essential to provide customers with the goods and services they want, when they want them. Good transport services can be the 'added value' which decides a contract.

Distribution has moved with the times and usually leads the way. Efficiencies have been found wherever possible. By encouraging on-site bottle production and locating can manufacturing near to the soft drinks plants, lorry movements have been reduced by 9,000 a year. Vehicle utilisation has improved immensely. In the last 10 years, 5% fewer vehicles have done 40% more work – an improvement of 50%. However, improved road link utilisation is restricted for a number of reasons. The biggest problem is that, in many industries, a lorry reaches its weight limit before it is fully loaded. However, the situation is better than in previous years owing to increased tonnage for lorries reducing the number needed. Examining whether lorry weights should be amended could mean that fewer vehicles use the road systems. The savings can be quite significant both financially and environmentally. By reducing lorry miles, emissions are also reduced.

A great many drinks are transported by rail in the UK particularly products imported from Europe. With the developments in distribution links such as rail and air over the past decade, retail outlets and consumers now have more regular supplies and ease of access to goods from abroad. This further expands choice to the consumer.

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Influencing the consumer



Source: T.R.G. Jenkins, The Marketing Continuum.

2.4 Promotion

Marketing cannot occur unless communication exists between the buyer and the seller. Promotion attempts to inform, persuade and influence potential buyers of a product in order to elicit response.

Several different techniques are involved in attempting to move customers through the buying process from a position of total unawareness to a point where they actually buy, and continue to purchase the same product. (See Influencing the Consumer above.)

The promotional techniques used are:

- advertising
- sales promotion
- personal selling
- public relations

Together these functions are described as the 'Communications mix'.

2.4.1 Advertising

Advertising is probably the most widespread form of promotion in the world today. Every week, each of us is exposed to over 2,000 advertisements and commercials, through television, radio, magazines, newspapers, outdoor billboards and posters, catalogues, and even cabs and buses.

The main roles of advertising are to:

- provide information
- attempt to persuade
- create uncertainty about the ability of current supplies to satisfy need, leading to a change of attitudes
- create reinforcement – advertising can compete with competitors' advertising to reinforce the idea that current purchases satisfy the customers need 'better than the rest' (brand loyalty)

There are three basic types of advertising:

- Primary – this aims to stimulate the basic demand for a particular product type.
- Selective – concentrates on promoting an individual brand name and not the manufacturer.
- Product – aims to promote a 'family' branded product or range of related brands.

The soft drinks industry is a major advertiser of its products. In the year 2002, it spent around £90 million in the UK on advertising. This represents approximately 10 per cent of all food and drink advertising in the UK and about 1.5 per cent of total advertising expenditure. Roughly 6 per cent of the average household's weekly grocery bill is spent on soft drinks.

2.4.2 Sales promotion

The main objectives of sales promotion are to:

- introduce new products, by motivating customers to try a new product or induce business
- attract new customers, by motivating existing customers to try a new product or induce business customers to accept it for resale

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- maintain competitiveness, by providing preferential discounts or special low prices to enable more competitive resale prices to be offered
- increase sales in off-peak seasons, by encouraging consumption 'out of season'
- increase trade stocks, by special monetary discounts or quantity purchasing allowances, in return for holding greater than 'normal' levels of stock
- induce present customers to buy more, by competitions to encourage customers to think of more ways and more occasions for using the product

There are many types of promotional schemes currently available to the marketer. However, these can be separated into two distinct categories: consumer, and 'in the trade' promotions.

a) Consumer promotions

i. In-home

These type of promotions attempt to attract customers before they have been subjected to competitors' in-store advertisements or displays: e.g. free samples delivered to consumers' homes; competitions; coupon offers via post or door-to-door distribution; newspapers or magazines; and in-pack or on pack samples.

ii. In-store

This type of promotion has an added advantage in the fact that it is situated in or at the location in which the final important decision to purchase is made. Methods of in-store promotions would include: temporary price reductions; extra value offers such as free samples attached to normal and economy packs; premium offers or incentives, e.g. free gifts; point-of-sale demonstrations; and personality promotions.

iii. Promotions by distributors

Not all promotions stem from manufacturers, although they may be contributing towards costs. Distributors also participate in promotions: e.g. special trade-in prices for used goods; free gifts, such as an electric food mixer with a refrigerator; trading stamps or gift vouchers.

b) In-trade promotions

In-trade promotions have three main aims, although there are numerous techniques available. The aims are to promote products to customers,

induce distributors to increase their stock levels and pre-empt competitive selling activities.

i. Bonusing

This is where the distributor is given 'free goods' (13 cases for the price of 12) or receives a monetary discount.

ii. Incentive schemes

These types of schemes are flexible and can be geared towards a number of targets. For example they may be tailored to the distributor's sales force, for instance achieve a certain level of sales and you will receive X. Alternatively sales targets may be set and agreed with distributors. If the distributor achieves or exceeds the target they will receive extra cash incentives. Competitions can also be introduced to distributors' sales staff, e.g. the first member of staff to reach a weekly target of sales will receive a cash bonus.

iii. Dealer loaders

Instead of money, gift incentives are offered to distributors for achieving sale targets or for stocking certain quantities of a product. Hence, promotion is helping to ensure that stocks are available in the right distribution channels and at the right time.

iv. Co-operative advertising schemes

Where the manufacturer assists the distributor with his advertisement or media costs.

v. Provision of display materials

The manufacturer provides the display materials for a product as opposed to the distributor funding a promotion.

vi. Tailor-made promotions

Any promotional literature or displays are designed to the individual distributor's own corporate image, i.e. they are 'tailor-made'.

2.4.3 Personal selling

In certain circumstances, advertising and sales promotion are not the most effective methods of communicating with a customer. It has been established that in moving the customer through the buying process, from desire to action, neither of these promotional techniques have the same impact as personal selling. Personal selling can provide specific inputs, at an individual level, 'personal' to the customer.

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Personal selling has three distinctive qualities:

a) Personal confrontation

An immediate type of communication and an intense method of attracting a customer. It is more difficult to forget or ignore a salesman and the image remains longer than advertising would.

b) Response

When visited or spoken to by a salesman the customer feels under an obligation to respond. This enables the salesman to build upon the conversation and persuade the customer to buy.

c) Cultivation

An effective sales representative will establish and maintain a relationship with customers which enables a good buyer–seller relationship to develop.

2.4.4 Public relations

Public relations can be an effective tool and is aimed at informing and educating. Unlike other forms of promotion it is not limited to a product. Public relations or PR does not sell like advertising and is a larger activity than the other promotional functions. This is because it affects every kind of company, no matter what they do, and relates to every element of their operation not just the product they sell. If a company wishes to communicate effectively and maintain its sales, it must consider every section of the public which could have an influence upon it achieving sales and making profits.

3 CATEGORY MANAGEMENT

An important development in business processes and relationships is currently taking place. It's called category management. This aims to help retailers and manufacturers drive profitable growth by not just seeking to sell one brand but by making sure the whole category, shelf or aisle of drinks offers the most profitable combination.

Soft drinks companies aim to make drinks that consumers like and will buy regularly. In doing so they aim to make a profit, in order to be able to support their drinks and develop new drinks for the future. Retailers seek to provide the most popular products at suitable prices in convenient locations.

To do this successfully requires co-operation between both the soft drinks suppliers and the retailer. This co-operation has been described as category management.

3.1 A definition

In its simplest terms, category management means managing the category effectively. For example, it means deciding how best to sell soft drinks: what to sell, where to sell them, when and how.

In terms of soft drinks, this means which products should be included on the retailers' buying list, where they should be located in the store, when they should be in store (some drinks are more popular at certain times of the year) and how they should be displayed.

3.2 Category captains

Shops sell products in so many different categories (e.g. soft drinks, shampoo, cereals) that it is difficult for them to analyse each and every one in detail and to decide how to develop them without the help of the individual suppliers. The various sector manufacturers know a great deal about the categories they operate in.

As a result, when applying category management retailers choose a key supplier within a category. This supplier is known as the 'category captain'. Together they work to develop plans that will grow the category most profitably.

3.3 Planning

In developing plans the retailer and supplier focus on the 'consumer' of the category (e.g. the person who uses, drinks or consumes the products) and the 'shopper' (i.e. the person who actually buys the products from the shop). In many cases the consumer and the shopper are the same, but this is not always true. Understanding the needs of both is an important factor in developing effective plans.

Once plans have been agreed, the retailer and supplier implement them. Once implemented, the activities are then reviewed and their success assessed. This review process is important in deciding how future plans should be developed and changed. Lessons learned from past activities help shape the thinking for the future and ultimately drive profitable growth of all businesses.

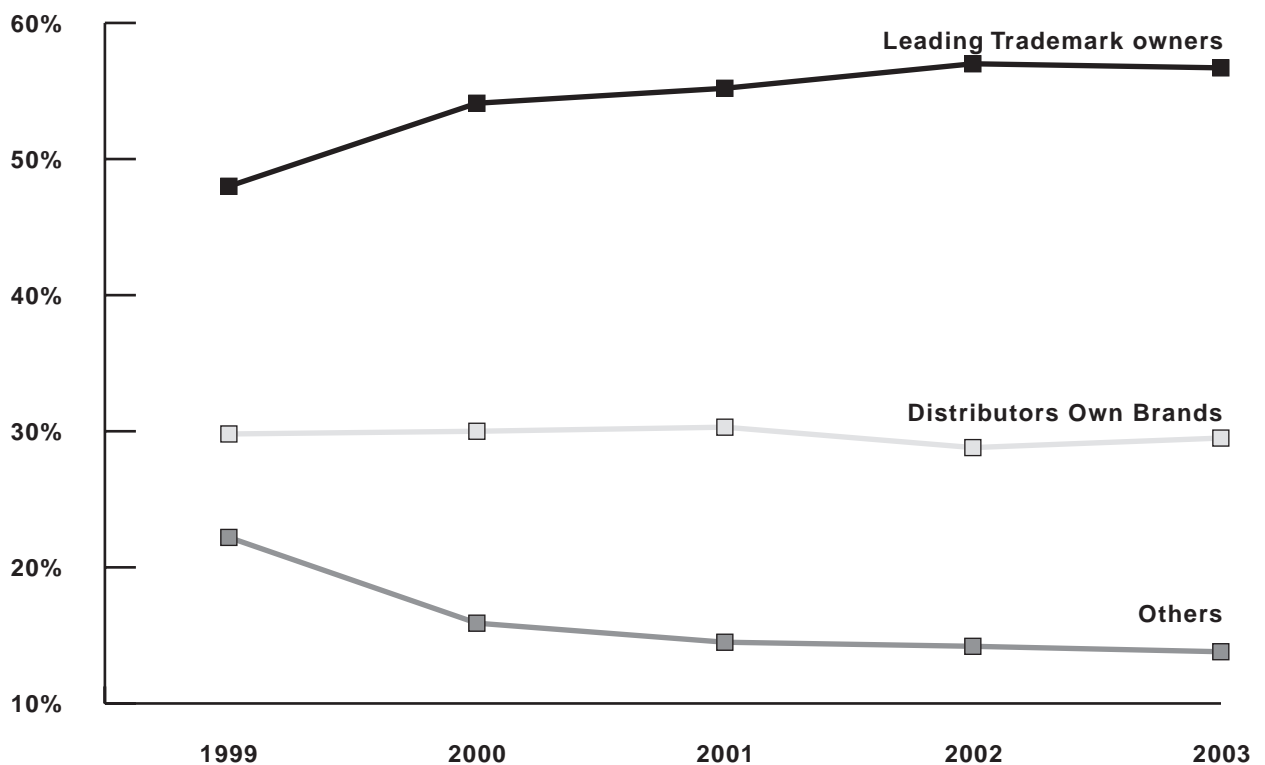
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3.4 Decisions

Ultimately the final decision on how to develop a category with the store rests with the retailer. Category captains may well have a significant influence because of their depth of knowledge and their experience of the products

in the category. The major manufacturers have a major role in the market place.

Soft drinks in the UK 1999–2003



Source: Canadean