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STRATEGIC MARKETING PLAN IN PRODUCT LIFE CYCLE

(More Profitability in Stages of Product Life Cycling)

Case; PLC of HP and ACER laptop

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Nykypäivän liikemaailmassa tunnustaa strategian ja strategian hallinnan. Normaalisti kaikissa strategisissa prosesseissa on kolme eri vaiheanalyysia. Selkeyteen ja asetuksen suunnitelmien ja täytäntöönpanon kaikissa strategioissa vaikuttavat merkittävästi ympäristön muutos. Täällä keskitytään muotoiluun strategiasta ja sovittaa tuotteen elinkaaren vaiheet välittämään menestyksekkäästi markkinoilla kilpailuissa.

Johtajien täytyy laatia markkinointistrategia, joka luo kilpailuetua ja kannat organisaation tuotteita tehokkaasti. Strategian muotoilu sisältää kolme vaihetta, mutta tämä artikkeli on rajoitettu yhden vaiheen lisäksi hinnoittelustrategiaan, miten nämä strategiat ovat yhteydessä ja yhteistyössä keskenään ja kuinka sovittaa ne tuotteen elinkaaren vaiheisiin.

Tämä tavoite on saavutettu esimerkillä tietokoneita myyvistä yrityksistä Vaasassa ja niiden kilpailu haasteista ja strategioista. Tämän kautta lukijat näkevät, kuinka kilpailu tapahtuu markkinoilla, kuinka vaikeaa se on ohittaa, kuinka tärkeää on strategioiden valinta tässä voitoissa ja mitä kypsyy, kasvu ja väheneminen tarkoittavat markkinoinnissa ja yrityksessä.

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ABSTRACT

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Today`s business world recognizes the importance of strategy and strategic management .Normally any strategic process has three distinct stages which are analysis, formulation of plans and implementation, a strategy is significantly influenced by environmental change. In this study the focus is formulating strategy and fit this on the Product life cycle (PLC) phases to advance successfully in market competition.

Managers need to formulate a marketing strategy that generates a competitive advantage and positions the organization`s products effectively. Formulating strategy contain three steps, but this study is limited to one of the steps and pricing strategy in order to see how these strategies are related and now they cooperate with each other and also how to fit them in the phases of a product life cycle.

This objective was cleared with a sample of a company selling computers in Vaasa, studying their competition challenges and strategies through this case a reader will see how competition occurs in a market, how hard it is to over, the importance of chosen strategies in succeeding and what a maturity, growth and decline mean in a market and in a company.

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GENERAL DESCRIPTION OF THE THESIS

1 INTRODUCTION

1.1 Significance

Subject of this study is a challenging aspect for managers to dominate over stages of product life cycle to forward strategies as they planned, because of external impediment; like new market analysis, politics and many other aspects in addition to internal impediments which need to be already covered to progress next step (exporting).

Despite of all external problems such as competition effects on the length of the cycling, there are several internal impediments too, like difficulties in forecasting a product life cycle, IT problems of collecting information and changes in global conditions.

But there are many challenges and difficulties in innovation, design and introducing a new product to a market. Awaking the customers from the new product and its benefits, in despite of advertising costs to gain the competition.

So managers try to keep alive existing products by following strategies to maximize the length of the product cycle, and manage a successful company with all competition barriers among the competitors in the market.

Despite of all observations still companies do not get a high profit as their competitors do while they are good in market and successful in forwarding their products to maturity stage.

The main purpose of this thesis is to analysis different kinds of strategies that companies can or should observe for managing a profitable product life cycle. So product life cycle will not be only the routine stages which companies should go through but should also take precedence of profit gaining among market competition.

Also I would like to know more about the variety of strategies in each stage as to what should be considered more in each phase to forward and how does it effect on the profit. Finally is help to know how we can advance more benefit in each stage by the considerations.

My struggle is to remind essentiality of the chosen strategies due product life cycling; some controllable strategic consideration that effect on the profit of products life cycling through each stage will be focus of the article.

This thesis will show efficient of considering strategies before entering to market and thus cause a better evaluation for firms and students to protect with better forecast which will reduce solution and research expenses and cause higher benefit at the end.

1.2 Limitation of thesis

There are so many considerations and barriers that need to be observed for managing a successful product life cycle, and actually those are the first basic considerations that need to be remarked before entering the market and starting the cycling. But the most effectiveness part of these considerations which influence on the profitability are narrowed in this article.

I will try to find out which advantages (strategies) caused this higher benefit, as there are so many different strategies that can effect or being chosen by companies. Therefore I narrowed these strategies down to branding, pricing and segmenting to know which was more effective in this case and how each one of these aspects had an effect on the sales.

This thesis will mainly focus on formulating strategies which are most related on product life cycling profitability and narrowed to first stage of formulating strategy that is second step of whole strategy .This will be explained more in background with additional considerations for industrial products .

The secondary research that as provided by my trainee place is already clearing this success reasoning but I would like to prove or find out the customer`s point of view, to see were they interested in the same strategies as companies for more sales and benefit or not.Mainly this includes variable strategies which can be considered as a technique of a company for more profit gaining.

Through the accessible information and goals I had; tried to find out the most effective strategy in manner of more profit gaining, especially during maturity stage which have the most sells of the companies in count and this is more clear in the chosen case as you will see, company A is selling more than company B in the maturity stage but their income is less than company B. So I would like to know the reasoning behind this fact.

1.3 Outline of thesis

The process of this thesis will start by a brief definition of product life cycle and used strategies in each stage of the cycling. Then I will expand the information to the efficient strategies for making a profitable marketing, such as branding, segmenting, and pricing.

Also an introduction of product life cycling and profit increase and decrease during these stages will help to learn how to use PLC as a profit measurement and what are each stages strategic variations, and how the branch of the chosen strategies (segment, brand, price) are used in future stages, for a better forecasting and prepare for the further theories of strategies in each phase and chosen case study.

In background will start with a total picture of market strategy and main stages of it, then Theoretical part will start with brief explanation of product life cycle stages, and the strategies should be considered for forwarding to next stage.

then Properties of each strategy (branding ,pricing, segmenting) what are main considerations and important and how these may become advantages in stages of

the cycling, segmenting and branding which are most main effective strategies after the pricing techniques and have a direct effect on price changes will be analyzed by mentioning kinds, difference, and details of these strategies.

How to use them in the right stage and their differences in each stage will be mentioned and all of these will become a guide of how to manage and forecast these three strategies during forwarding a product to the next stage. These considerations will help to be more successful in managing these strategies at the right time with combining product life cycle's staging strategies.

Mentioned *Segmentation* methods will help in modeling right choices to make higher pricing opportunity or get more benefit by increasing volume of sell. We need to be aware of segmenting details for a right targeting and forecasting. Also, considering the right expectations to minimize future risks and planning easiness, to make an effective pricing.

Chosen approaches about *branding* are the knowledge that will help to improve branding and how right choice of targeting will influence on benefit increases, through the branding method.

Then will continue the theory on proving importance and effect of *pricing* on profit, in purpose of proving importance of the topic, and techniques for increasing prices which will cause profit increases that is goal of the thesis.

Thus I will narrow this article to industrial product's cycling strategies, to clearance some difference and methods that should be considered for industrial product in addition, which is related to the chosen case (computers).

Finally, a case study which is selected based on the provided statistical research of my previous training place that was done in laptops sales with different brand names which occurred in Vaasa. The chosen option is through the most profited laptop and its strongest competitor and how far they have similar PLC position in the market and what was their income diffractions in their maturity stage and why or what caused this income advantage.

The results based on the provided secondary research to aware of the starting strategy of companies and their continued strategy. Thus, this will more penetrate in depth through the primary research on the customers' reason of preference.

2 BACKGROUND

2.1 Strategic Marketing

Strategy and strategic management is an important aspect which have a direct influence on world business by embracing opportunities by occurred changes such as politics, economic, social and technological factors and understanding core competencies and external environment to meet customer need which will cause commercial success of a business.

To gain this goal a company needs to achieve a superior competitive position within a marketing strategy by considering and managing to forward all the strategy stages which include; *strategic analysis*, *formulating* plans and finally *implementing* the strategy. This process should be relevant to the marketing (business philosophy) which have an important role on strategy process. (Graeme, John & Ruth 2001, 14)

Table 1 in below is a total mind map of strategies that start with strategic analysis which is done in the early stage before starting the business to make future orientation. The second part that is goal of this thesis is a part of formulating strategy than show how to make a strategic marketing plan.

The third step is the implementation of making a total marketing strategy. For more clearance of the steps to be followed in making strategic marketing, wideness of these strategic considerations and the limitations of this thesis caused me to focus on the second step of the strategy, which is colored in the picture.

This second step is called formulating strategy used in making strategic marketing plan and is contains three steps;- targeting, positioning and branding ,which is the focus of this thesis. The two other steps that are product development, innovation and finally alliances and relationship will not be included in this theory. Product life cycle is used as a measurement of the chosen strategies and will help making the right timing in the use of the strategies.

(before start) Strategic Analysis/early stage		
External analysis	Internal analysis	Customer analysis
Future orientation		
Formulating strategy		
<i>Targeting</i>	Product development	Relationships
<i>Positioning</i>	Innovation	Alliances
<i>Branding</i>		
Strategic marketing plan		
Implementation		
Implementation	Control	
Make total strategic marketing		

Table 1 total strategic marketing (Graeme, John & Ruth 2001.14)

2.2 Identify competitive advantage

While generic strategy is understood, it may not be know how to translate it to specific competitive advantages which cause sustainability of an organization in a long term. To offer be sustainable competitive advantage should be appropriate to current and future market needs and relevant to the organization and achievable within the available resource base.

Also manager should be defensible to protect the strategy of duplicating by competitors which can be tended by asset based such as location, plant, machinery, brands or finance that are tangible factors controlled by the organization or might use intangible factors based on skills which required to

make optimum use of assets such as resources and skills like quality management, brand development, product design and IT skills (the focus of this case).

For making a successful competitive advantage, the strategic nature of the industry should be appropriate. And as Boston's evaluation industries are classified to four groups by their size of competitive advantage and the number of the possible way in advantage gain.

Industrial group which doesn't have potentiality of high advantage like technological advances, because of their high competition in rapidity and easily to be copied or developed by other industry or players and often they depend to commodity products and price is key buying criterion and potential for competitive advantage is limited, these are called *stalemate* industries.

Volume industries are capital intensive and win by a few but effective advantages, and usually dominated by some large players (like in the case). *Fragmented* industries use multi segmentation strategy because of undefined variable needs in the market and the industry is suitable for niche players and profitability is not linked directly to size and grow of the organization is by offering a range of niche products to different segments.

Other group of industries called *specialized* industries which have potential advantage of differentiation and several ways exist to gain these advantages. They develop solutions to specific problems and firms involved in application of innovative technology (e.g. HP in this case) so profitability and size are not automatically related. (Graeme 2003.150-152)

Thus understanding generic strategies and competitive advantage to the business environment are fundamental to success. Competitive advantage is achieved by making something better than competitors if that are important for the consumers or if a number of small advantage can be combined.

The most potent sources of competitive advantage are listed below in Table 2.

<u>Sources of competitive advantage</u>	<u>Examples</u>
1 actual product performance	Robust, economic, easy to use
2 perception of product	Brand image, product positioning
3 low cost operations	Location ,buying power
4 legal advantage	Patents, contracts and copyright
5 Alliances and relationships	Networking ,procurement and joint ventures
6 Superior skills	Database management, design skills
7 Flexibility	Developing customized solutions
8 attitude	Aggressive selling, tough negotiation

Table 2 samples of competitive advantages (Graeme 2003.150-152)

3 THEORETICAL PART

3.1 STAGES OF PRODUCT LIFE CYCLE (PLC)

For a right product life cycle (PLC) strategy need to understand shape of cycling and how the marketing mix vary in each stage and product life cycle is a measurement of customer`s demanding amount with showing how each change of needs are followed within stages.

All of markets and products strategic considerations are influenced by product life cycling (PLC). This why all of organizations should try to be fully understood the PLC for segmenting their products and industries. So, first I will go through each stage of the PLC to clearance the variety of sales in each phase.

Introduction stage is the first step of starting sales and introducing the products to the market and will consider more time for distributing, awaking and increasing the products to customers or market. Organizations consider strategies such as specializing in innovation or skimming (as our case) to get more financial benefit in shorter time or penetrating by pricing to encourage use and build market share over time.

Growth phase is a stage of competition increase and products will be sold at a more static price or fall in real terms. This phase includes a rapid increase in sales. Also product development and variation and distribution will increase despite of focusing offers on more segments.

Maturity is the longest phase and has the maximum product sales with most stable level in the market and intensity of the market competition in this stage will cause some decrease of profits despite of marketing expenses and there will more focus on expanding the products to potential customers with more encouraging or finding new segments (e.g. our case).

Decline is a replaceable phase of the PLC that can continue back to other stages which depend on the success of the organization by chosen strategy, demands, ongoing supports and services or user needs. Mostly organizations choose one of the following options for continuing; going back to maturity or reinvesting for more producing or developments, harvesting which mean maximizing financial

Returns and minimizing expenditures, and these up to the demands and market position

This cycling is not always in the same shape and there are points and concepts which need to be fully considered by managers for an effective marketing. (Graeme 2001.164-166). Figure 1 shows an example of the stages.

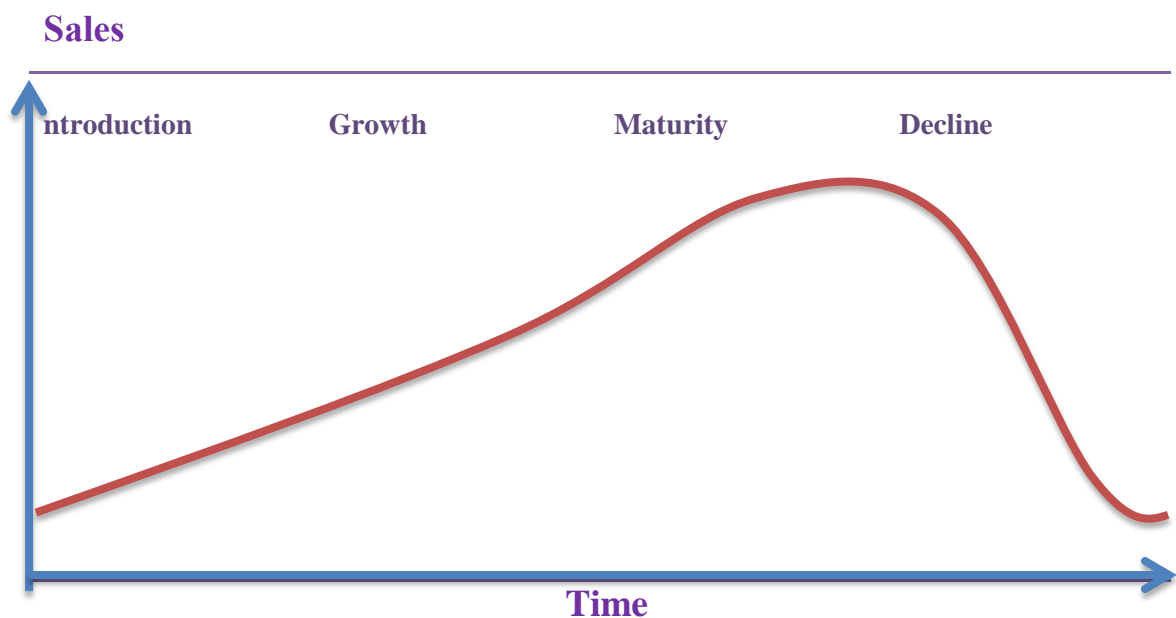


Figure 1 Stages of Product Life Cycle (Graeme 2001.165).

3.2 Variations in PLC

Despite of the mentioned common PLC phases and strategies, some factors vary in PLCs. This depends on the products such as high technology industrial products like telecommunication are in the growth phase and individual product lines have short PLCs because of their rapid replacements with new technology. (Graeme, John & Ruth 2001.166)

Sometimes the sales level is not same as in the graph, mostly graphs are smoother than the sales level, and in fact, sales are not constant all the time and a fall in sales does not always mean a decline point of a product. This is why it is hard to

forecast the exact position in the life cycle because a position can be temporary and it might take a longer time than current moment to point out the stage of the shape.

Duration of the stages depends on the effectiveness of the marketing decisions, thus marketing can extend the growth or maturity stage or opposite around hastening to declining. Shape of the PLC which is often like an S, but not always. These changes depend on the stability of sales or repetition of growth and the fall of the product like fashion. Some of these cycling shapes are shown below in Figure 2 (Graeme 2001. 166).

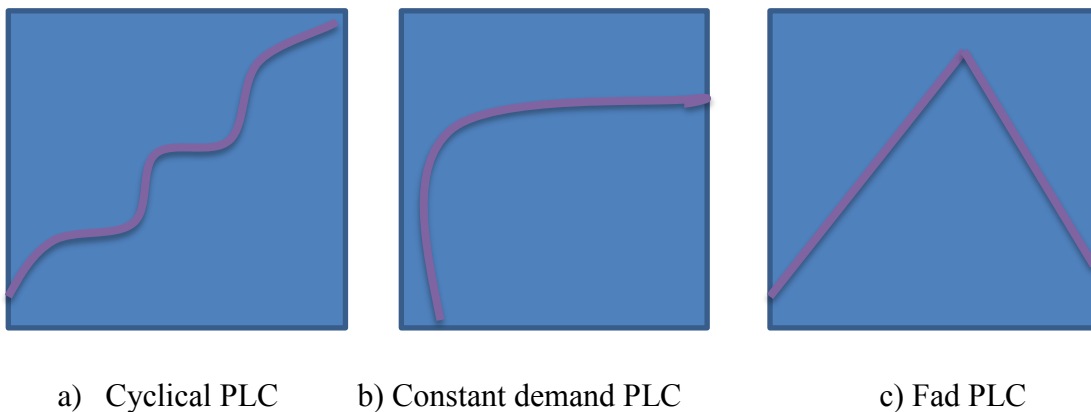


Figure 2 Cycling Variations (Graeme 2001. 166)

In figure of *Constant demand (b)* growth is slowly, the product remains popular for a while, decline is slow and the length of the cycle is hard to predict. Usually the end is caused by a purchase compromise and consumers start looking for the missing attributes. This length depends on the extent to which genuine need is consistent, society, and how satisfies societal norms and values are.

Fads(c) come quickly into the public eye; they are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only limited following. Fads appeal mostly to the people who look for excitement or who want to distinguish themselves from others and so they are hard to predict. Winner of this shape are the one who recognize fads early. (Philip kotler 2000. 349)

3.3 Technology adaption across lifecycle

Tornado 
Bowling Alley 

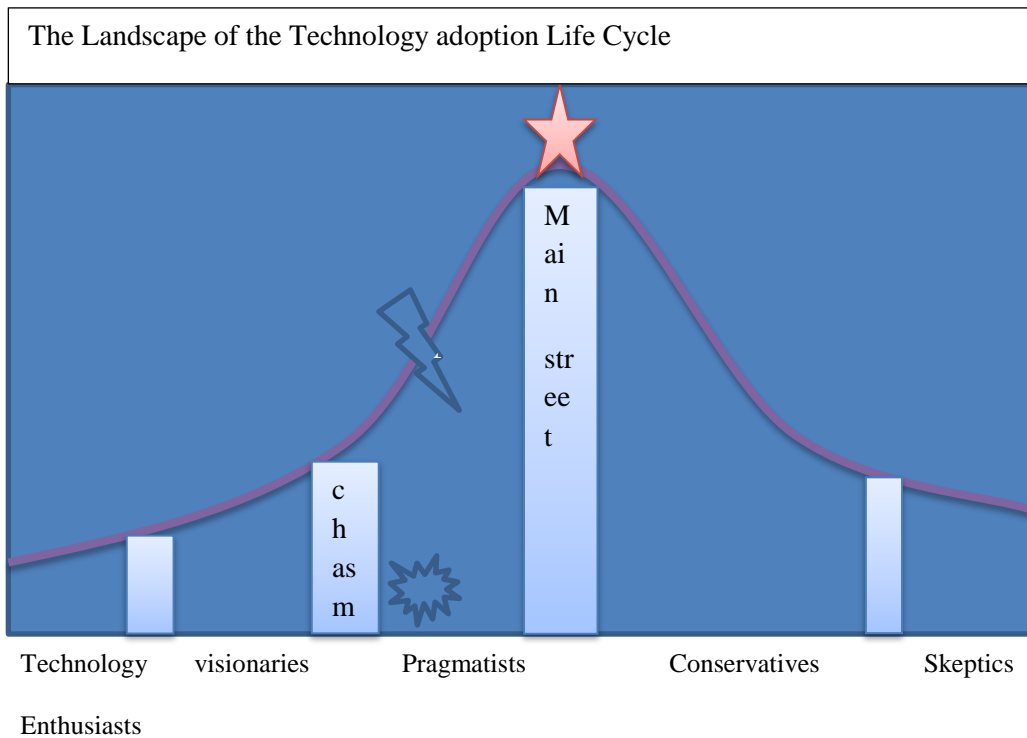


Figure 3 Life cycle of Technical products (Michel D .Hutt 2004.295)

Each new technology satisfy the needs better than the previous one. If a company concentrates only on its own brand life cycle, it will miss the total picture of the product life cycle which is going on. Companies should decide when and what kind of technology demand should be invested in.

Today many technology changes occur and companies cannot invest in all of them, so they have to find which technology demand will win. They can bet heavily on one new technology or bet lightly on several, but if they focus on several they will not become industry leader. (Philip Kotler 2000.344-345)

In the high technology market by making a strong brand name can make competitive advantages with the trusty and familiarity to customers. To cross from chasm

and forwarding from an early market to the mainstream market a company needs to make pragmatists with 100% solution to the problems. Some high-tech firms make products for all type of customers instead of considering any particular market segment to meet a complete requirement.

The key to success is to identify a simple beachhead of those customers (pragmatist) in the mainstream segment .The goal is to quickly win a niche foothold in a mainstream (crossing the chasm).Each market segment is like a bowling, hit one segment to carry over into the next segment.

Lotus notes; when first introduced, notes were offered as a new paradigm for corporate wide communication. To cross into the mainstream market, the Lotus team shifted the product's focus from an enterprise wide vision of corporate communication to specific solutions for particular business functions.

The first nitch was global account management function of worldwide accounting and consulting firms. The solution offered to the customer was enhanced account activity coordination for highly visible products. This led to a second niche, global account management for sales team which enhanced the coordination and information sharing spur productivity.

A focused strategy was the next step for Lotus to forward customer service and shares the information which can support the solutions of customer problem. Success of this step makes another opportunity such as incorporating the customer into the notes loop.

As mentioned earlier key customers to success in a bowling alley are economic buyers looking for particular solutions. Technical buyers in an organization can make a tornado, therefore IT managers are responsible for making efficient systems for members to be used for communicating and providing the job. These buyers are pragmatists and they prefer to buy from an established market leader.

In this step IT managers try to act at same time for creating the latest technology and, thus, they move together and make a tornado while a massive amount of new customers enter to the market at the same time with similar demand.

There are some strategic differences between a tornado and a bowling alley. In this stage, instead of focusing on market segmentations companies should try on

maximizing production opportunity to broad market present. (Michel D .Hutt & Thomas W. Speh 2004.294-296)

3.4 International PLC

When products sales decline in a country, they might be raising in another country. Product adoption occurs throughout the world at different rates. Late adapting countries often end up producing more economically and become a leader in diffusing the product to other countries.

Despite of domestic product life cycling products have also an international PLC to be considered in national trade which conducts; Manufacture *exports the product* in other country with a huge market and high developed infrastructure.

Foreign production starts when a foreign manufacturer becomes familiar with the product and starts producing a product for their home country under licensing or a joint venture arrangement or just copies the products and their government aid by imposing tariffs or quotas on the imports of the product.

Then foreign production becomes *competitive in export markets* by gained experience and their lower costs because they easily start exporting the product to the other countries. *Import competition* begins when foreign manufacturers growing volume and lower costs and start exporting and competing with internal producers.

The main implication of an international PLC is that manufacturer`s sales in the home market will eventually decline as foreign markets start producing the product and exporting them to the home country. Thus, global marketers are able to extend the PLC by moving the product into countries that are ready to use it. (Philip Kotler 2000.350)

FORMULATING STRATEGIES IN PLC

5.1 Branding strategy across product life cycle (PLC)

The case study has been successful in sale volumes by considering some of these aspects but their profitability were not as expected in comparison to their sales amounts. Below I will also mention the influence of several factors for raising the profitability which is the purpose of the case.

Some aspects such a technology developments, consumer behavior changes and competitions will cause organizations to improve their branding performances rapidly to raise brands profitability (the goal of the study) or sales volumn.

To increase the volume of the sales factors which have most influence are entering to a new geography, expanding new segmentation to their targets, motivating consumers for more purchasers for new occasions, offers, opportunities or focus on increasing quantity use by occur able changes with considering customers point of view, advertisements for more promotion, or by removing consumption barriers. (Graeme, John & Ruth 2001, 199-201)

The time involved during cycling and the length of each stage depends on actions of firms within the industry. Slowing down, speeding up or recycling of the lifecycle are due to firms and industries reinventing constantly.

Product life cycle has many limitations. First of all most new products never get past development and most successful products never die. Secondly, the product life cycle really refers to the life of a product (market), industry, sector or product category than specific brands or firm.

Managers consider current periods as much as future plans, also PLC offer a framework that is useful for making product strategies over time and force managers to industry and brand considerations these stage strategies start with development stage in this section.

The development stage is one step before introduction while firms have no revenue involved with cash flow and innovation and development expenses, investment financial resources and time are necessary for most innovations and

developments and thus with a high risk in the stage.

This stage is mostly for understanding the use and benefit of targets who are looking for new product, describing products with considering potential benefits, creating a complete product line that can create synergy in the marketing mix, analyzing product feasibility like sales anticipates, investment returns, time of market introduction and lengthy time of use for investment recoups.

Failing of products become a reason for identifying target customer needs before developing a product, by test marketing to gauge customers response before launching. Most match products with customer's needs will be able to compete and more easily enter the introduction stage as a new product.

Introduction stages start after products are developed for the accepted target and focus on strategies and competitive advantages to reach goals of this stage which are to attract more customers by informing them of new products with the right choice of advertisements to be able to fulfill the customers' needs or wants. Making different strategy motives for customers to try or buy a product with offering free samples, or sales for example.

A company can engage in customer's education activities, to teach members of the target market how to use the new product is one possibilities strengthening the supply chain or expanding channels and relationships to ensure products are accessible for customers through their distributions.

Also a company can make available and visible activities to motive intermediaries' channels for support and being able to stock the products. Making a good price strategy to cope with competitive and investment expenses.

Good distribution and promotion are efficient and being able to teach customers where they can buy, how to use the product correctly and by making it cheaper announcements as a smart strategy.

Marketers should be ready for the *growth stage*, as the competitors and sales, because they can begin quickly. Therefore a company should gain the profit before a decline of the growth stage. The length of the growth stage can depend on competitive reactions and the nature of the products. In this stage the two main

factors will be objectives; first readying a good market position that can be strong and defensive enough to compete with competitors, and secondly achieving financial objectives to compensate investment costs and profit.

To reach these two objectives there are some strategies to be followed such as making differentiation advantages like branding, value, quality or price to gain a stronger market position. A company should clear brand and product identity, making advertisements to gain an unique position to announce product's benefits for the segment, give customer satisfaction by controlling product's quality, maximize product availability due to product popularity, enhance ability of delivering benefits to key partners, like supply chains and retailers. A company must Keep eyes on the competition market and balance the price with demands; this pricing elasticity will become even more important in the maturity stage.

In growing stages acquisition strategies will turn to retention strategies, and product trials will change to great repeat purchases and brand loyalty, these changes are for both customers and other members such as; traders, wholesalers, retailers and supply chains.

To prepare for this stage to eventuate to future stages (maturity) should make long term relationship strategy, again with both customer and partner member, to stay competitive. Competitors need to make loyal and good friendships with customers in the supply chain and the growth stage too. The growing stage is the most expensive stage of marketing as these relationship requirements are expensive and challenging. While competition becomes more challenging especially in this stage, efficiency of pricing will also increase. Then firms despite of balancing prices will need cash flow for being competitive.

Having a good pricing strategy with the fact of it being an indication of perceived quality and challenge of increasing customer's pricing sensitivity are some of the decision impediments. Therefore some firms base their market position on premium or value based pricing, and some of them offer different products with different prices to solve this dilemma.

Having enough space to enter the market will reduce a firm's attention of defining their market for the maturity stage, because in the growth stage everyone can get

their own piece, Soon this stage will over and the stronger firms will stay in the maturity stage. Most strategies used to be more defensible of this situation are making positions by a good image, quality, price or some technological advantage specially in industrial market for not being shacked out of the market in maturity should take steps in growth stage.

In the *Maturity* stage competitors will no longer enter the market except those who have new products or have found some innovations which are enough to make a market share and attract a large amount of customers. However, a window of opportunity will stay open in this stage. The fact of being limited to or not having any growth at this stage, stealing becomes a way of covering competitor for weaker firms. Strategy of lowering prices during the growth stage to keep customers becomes a door of entering for some competitors to enter only with significant promotional investments or cuts in gross margins.

The Maturity stage will be the longest stage if firms can manage the growth stage and also if companies keep the sales. This stage has four goals that can be pursued; generating cash flow, holding market share, stealing market share, and increase share of the customer.

Generating cash flow is important to penetrate investment expenses and developing new products and growth firms strategic options should enable to hold market shares among other dominant brands of the market otherwise they can be taken of market. Stealing market shares is usually used by weaker firms but it can be used by any firm in the mature market too. The goal of this strategy is switching brand, even temporarily market share is important in amount of benefits, and any small gains can encourage a large increase in benefit of firms.

The last goal is increasing customer share and it is mostly used by financial services and it refers to percentages of customer's need in the particular area met by the firm. Stealing customer of others can be an expensive task. However in some cases making an agreement with a customer can lock them for a certain amounts of time in to using the product.

The factors mentioned above were the goal of the maturity stage. Next, I will go through the strategic options to be selected for these goals obtaining. These

strategies are; introducing a new product image, finding new users, discovering new or used applications of the product and finally coming up with a new technology for the product.

Finally the *maturity stage* will end and start with the next stage which is called the *Decline* stage and then there are no more options other than to attempt to postpone, decline or just accept it. To postpone the stage firms need to renew their products and make new demands, repositioning or making new technologies. All of these need resource investments and consume a lot of time.

While companies do not have the opportunity of renewing resources or lack of investment they should choose the second option of accepting inevitability of the stage in this case. Firms can harvest their profit while demand declines or divest the product by abandoning or selling it to another firm.

New product developments in a divesting firm stop supporting product, and the company might continue selling until losses will be harvesting is gradual reduction and causes less resource focus and more cash flow by increasing taken over by another firm.

Before choosing a correct strategy for managing operations during the declining stage there are considerations to be observed, such as potentiality of the market segment which means if target customers who will continue to purchase the product will still be viable and profitable, firms should slowly harvest or postpone the decline stage.

If products have a stronger market position by having a good image it can be profitable in comparison of other abandoned competitor's products. Another aspect which can help profitability during decline is the value of the firm, while production cost may have been low, the firm can keep the sales price, or by not investing any more funds on the product's marketing program products can still stay viable.

The rate of market deterioration is another aspect that has an effect on the speed of the decline as fast as deterioration occurs. In product life cycling firms should focus on market changes instead of products, because a product's life cycle depends on market and customer changes. So the focus is enough to create a

better product which is matching it with the customer's needs, this is the way of being a source of solution by the target market, remain competitive and able to continue. (O.C. Ferrell & Michael D.Hartline 208-216)

For maximizing beneficiary of a branded product can observe strategies in minimum profit stage (decline) such as raising price because in this stage smaller or weaker competitors are dropped out of market and buyer will have less options for purchasing and thus forced to buy with offered price (higher price).

Another method of this maximization that is more in management's control is cutting costs to invest in branding and hasten declining stage for later stage. Also saving additional costs by cutting product ranging which will not make a strong effect on overall sales. (Graeme, John & Ruth 2001, 203-204)

5.2 Pricing strategy across PLC

As other marketing strategies, pricing also change while products forward through life cycling stages. These changes depend on demand and expectation of customers, competition and product's changes over time. Competitors consideration will make a general method of use in each stage to gain benefit of each as much as possible.

In the introduction stage pricing depends on sensitivity of the market, If the market is price sensitive firms will set a lower price to win amongst competitors (penetration), If the market is not price sensitive, manufactures will set a higher price to penetrate investment costs (skimming). Especially industrial products are harder or it will take a longer time to copy them by competitors.

In the growth stage prices are usually decreasing to gain more customers in the high competition stage and reduce marketing costs, and selling will expand to a broader part of customers who are quite price sensitive in this stage.

In the maturity stage price decreases will continue until overtaking competitions and remain in the market. This stage is mostly in use of saving costs promotion, distribution and other effective aspects in profit margins. Specific pricing tactics encourage brand switching in an attempt to steal business away from the competition.

Decline stage will continue price decreases until competitors fall in a few numbers. In that point a company can stabilize their prices but if they are still unique or popular they can even increase the price to use a last opportunity of getting high profit. (O.C. Ferrell 2008. 231)

5.3 Segmenting in PLC

The stage of an industry's life cycle depends on segments entering time. If a segmentation enter in early stages of an industry's life cycle offers the advantages of potentially high growth in the future also in this stage there are less competitors. However there is a need for more investment, securing distribution channels and promotional activities in this stage when there may be only modest sales revenue. Also there is a need for more cash in this stage.as a result companies which look for short term profits and cash generation in mature markets are more favourable. (Graeme Drummond 2003.172-174)

6 PROPERTIES OF FORMULATING STRATEGIES

6.1 SEGMENTATION

6.1.1 Segmenting importance and effects

Segmentation is setting potential buyers in different groups; member of these groups should have similar tastes and attitudes. Difficulties of customer segmentation today are caused by targeting smaller segmentation (niches). Strategic process of dividing total markets to a particular product or category into similar segments is called market segmentation. (O.C Ferrell 2008. 163)

Awaking of segmenting difference will increase the profitability of the firms by allowing companies right customer choice which has similar behavior and sense of certain price, so organizations can gain their best benefit by distinctions different segments through their price sensate reactions.

One of considerations for maximizing benefit of segmentation based on key reason of the customer's purchase, for this purpose producer need to identify purchasers who look for similar benefit in a market, by this identification producer can develop specific offer for the chosen segment and finally satisfy them.

For this purpose the best way of satisfying customer for more benefit is awaking of consumers need. Consumers are mostly divided to categories which are heavy users, medium users, occasional users and nonusers of a provided good or service. The most profitable segment is the heavy users who have the highest consume percentage of the sales. Identifying this segment will cause new opportunities for the organization. (Graeme, John & Ruth 2001.63)

6.1.2 Benefits of Segmentation

Market segmentation provides a basic unit of analysis for market planning and control. If requirements for effective segmentation are considered, several benefits will be gained for a firm. Segmenting force the marketer to become more

attuned to the unique needs of segment's customers.

Gained knowledge of their need cause marketer focus on product development and develop profitable pricing strategies, select appropriate channels of distribution and deploy the sales with develop and target advertising messages.

Also, market segmentation provides the business marketer with guidelines that are of significant value in allocating marketing resources. Market segmentation provides the foundation for efficient and effective business marketing strategies. Industrial firms often serve multiple market segments and must continually monitor the relative attractiveness and performance of these segments. (Michael D.Hutt 2004.177-178)

6.2 Basic Segmenting Considerations

6.2.1 Segmenting Business Markets

Business market can be segmented on several bases that are broadly classified into two major categories of macro segmentation and micro segmentation. Macro segmentation centers on characteristics of the buying organization and situation.

The market can be divided by characteristics such as size and geographic location, SIC or NAICS category and organizational structure. Customers are segmented to large (government), small businesses and nonprofit segments such as education and healthcare.

Micro segmentation requires a higher degree of market knowledge, and should focus on characteristics of decision making units within each macro segment including; buying decision criteria, perceived importance of the purchase, and attitudes toward vendors.

Shortly, business market segmentation is based on identifying meaningful macro segments and macro segments into micro segments. In evaluating alternative bases for segmentation, the marketer should identify buyer behavior differences and then target segments with appropriate marketing strategy.

Secondary sources of information, coupled with data in firm's information system can be used for dividing the market to macro level segments. Marketing concentration of business market, allows the marketers to monitor the purchasing patterns of each customer. And some market concentrations, couple with rapidly advancing marketing intelligence systems and make it easier for the marketer to monitor the purchasing patterns of individual organizations.(Michael D .Hutt 2004 178-180)

6.2.2 Criteria of Successful Segmentation

To be a success in having an effective segmentation, there are criteria to be conducted in a manner of segmenting strategy, firstly the segment's member characteristics should be clear and identifiable to allow a segment's characteristic such as size and purchasing power. Also, the segment should be large enough or profitable enough, and potential of profitability should be more than outgoing

costs to which have been used in business.

A successful segmentation should be accessible in distributions and communication which means having effective advertisement, emails or telephone calls to remind or announce any new products. The segment should be responsive enough to match with marketing efforts even while changes occur overtime and differ of other segments to be responsive.

It should cover basic exchange criteria like being ready and be sustainable to make an effective strategy for serving over a long period of time and should match with mission of the company. (O.C. Ferrell 2008 -168)

6.3 Identifying Market Segments

6.3.1 Segmenting consumer market

In whole business, consumer segmentation has many similar issues. Despite of all the differences and extra considerations foundation is still same. This why marketers should clearly understand the needs of their potential customers and how they differ across different segmentations within the total market.

The problem with consumer segment is isolating one or a few characteristics to fill the need of the customer. This is why four main consumer segment's characteristics we made by examining different effective factors on this market that are divided into geographic segmentation, behavior, demographic and geographic segmentation.

While segmenting groups of customers, firms should observe related groups of the segmentation, to be able place customers in right category of the consumer market or business market. In consumer market organizations try to find out individual characteristics of consumers. These characteristics are the factors which isolate segmentation groups by grouping them with similar character or needs.

One of the isolation guides can be consumer behavior which is most powerful factor in segmenting and being able to use consumer's actual *behavior* or usage of the product. This method is related to reasoning of consumers' needs and

grouped to heavy, medium and light users of the product, heavy users should always be served well, and most of the strategies are used to increase light or non-consumer groups.

To make a successful behavioral segmentation business' need to identify clear basic needs and profit sought in different consumer groups and combine it with other segment factors as demographic, psychographic and geographic to be able to make a clear portfolio of grouped consumers.

Segmenting specific consumer benefits are the best way of using behavioral segmentation to isolate a best segment while identifying different benefits. segments need to focus more on research to develop a profile of each segment which is expensive and also time consuming while it is a strong tool and personal characteristics which are actually effecting on purchase reasoning is not so clear and hard to estimate and identify, like buying new car for transportation, even some consumers reasoning be easy like buying minivan for a big family.

Demographic Segmentation is dividing market factors that are relative to demographic factors such as age, gender, income and education this is most used method of segmenting because of its availability and easiness of measuring, and availability in secondary sources for analysis.

It is easier to make demographic segmentation when there are clear differences in kinds of needs and characteristics. in this case demographic needs and desired product make it easier to make this segment, like group of men and women's clothing differences and needs like that which the differences are totally clear. Demographic segmenting isn't used much only when firms look for motives or values that drive buying behavior.

Understanding motive and value of the consumers are more related to what a customer feels and thinks of them than whom they are and this is related to *psychographic* segmentation which is dealing more with personality, attitudes, lifestyle, motives and factors like this which are all directly related to buying behavior. This method is harder to measure and usually needs primary marketing research; psychographic is also able to be combined with other segmentation factors (behavior, demographic...) in making a consumer portfolio.

One of most useful tools of this segmentation is VALS which stands for evaluating values and lifecycles this tool is used in several marketing activities such as new product development, product positioning, branding development or promotional strategies.

This tool is also developed for *geographic segmentation* which is called GEO VALS that is connected each consumer group of VALS by either a zip code or geographic information, while most segmentation is focused on specific area, this is primary consideration for marketers some tools like PRIZM in the United States are useful to help focus on their best area and this will help in reducing marketing expenses and more successful activities. (O.C. Ferrell 2008.169-175)

6.3.2 Segmenting Business Market

Segmenting business markets depend on different types of business markets (e.g. producer, reseller, government, institutional) and sometimes business buyers. even with one type of market firms have variable and unique characteristics, in this case more variables can be used to fill needs of segmentation like printers in an office, photography and fine art therefore segmenting business buyers depend on types of organizations, characteristic ,benefits sought or buying processes, relationship intensity and personal or psychological characteristics.

To manage these organizations need to make specific strategies, like different and specific marketing programs depending on type of the organization (e.g.) a glass manufacture can segment car manufacturers, furniture, window or repair manufactures.

Need of business segments depend on *characteristics* of target such as location, size, usage, computer manufactures often segment markets based on how their product will be used. Also organization varies depend on goaled benefits and buying process they use for the sale of their products as some buyers use on line services and some look for a buying center and others may look for a low cost product.

Also *personal* and *psychological* characteristics of buyers are having an effect on segment decisions and making changes on buying influence, risk tolerance, job responsibilities and decision styles.

Also *relationships* are another factor that can be considered for segment decisions sometimes organizations uses this approach to make their business and select their strongest or longest team or person as their segmentation and the rest of the organization can focus on developing strategies and finding new customers. (O.C. Ferrell 2008. 175-176)

6.4 Segmenting Attractiveness

6.4.1 Market Factors Influence on Segment Attractiveness

For managing an effective segmentation should consider both competing segments attractiveness in the market and their ability in filling need of those segments. Most important considerations and strategies which are relevant to our case for managing attractive market segment mainly include market factors, competition nature of industry structure and environmental effects.

Having a large segment and volume cause higher investment needs and doesn't always mean most attractive segment because they can be more competitive. Smaller organizations may not have the resources to address a large market and therefore smaller segment might be more appropriate for their attention.

Segments in growth(after inflation) are more attractive than the ones where growth has peaked or even begun to decline because they have justify of any necessary investments by having longer-term potentiality in despite of being more competitive. Organization`s profitability should be reviewed by calculating profitability of all companies operating in the segment, this include analysed estimation of competitors` activities too.

Also, higher profit margins may be gained in segments with lower price sensitive customers who focus more on quality and services than price, so the price competition is not necessary, in other hand of price sensitive segments that care more about price and that cause lower margins and attractiveness.

In a long term a predictable market is more viable. The potential value of a market will be easier to predict if it is less prone to disturbance and possibility of discontinuities. Any seasonal or other cyclical demand patterns effects on segments attractiveness. Organizations have to be able to withstand the cash flow implications

of any skewed demand, such as Christmas time or other events. Thus segmentations should have potential for substitution to keep the attractiveness by ability of innovations to change the nature of competition to their advantage. (Graeme 2003.172-174)

6.4.2 Comparative Ability of Segment Attractiveness

Segments with weak competition are more attractive than the ones with strong and aggressive competitors. Number of competitors is not as important as nature of them (quality of competition) in a segment competition.

Having potentiality of differentiating position in the market cause attractiveness of a segment when it contain unsatisfied customers cause the company create a differentiated product or service and gain a higher margin by charging a premium price. Also segments with limited competition may appear attractiveness, however should consider the potential for other competitors when enter to this market. Also having rang of suppliers make strong negotiating position. If supply is more in control of a few dominant companies, power of negotiation will lie with the suppliers and thus make a segment less attractive.

Customers may be end user or channel of distribution, if customers are in a strong negotiation position they will force down the suppliers price and reduce the margin, so when a few major customers dominate it or the channels of distribution market segment will be less attractive. Some entry barriers may reduce appeal of a segment such as necessity for new specialized plant or machinery or need of high promotional expenditure, if a company can calculate that it can overcome these barriers, it might be able to enter where there is little direct competition.

Also organizations should anticipate the potential barriers of exit, such as expensive facilities or machineries, when they are initially evaluating a segment's attractiveness. (Graeme 2003.174-175)

6.5 Segmenting Strategies

6.5.1 Market Segment Approach

Differentiated marketing is another method of segmenting that occurs when firms divide total markets to groups with similar needs to focus on their marketing program on one or more of these groups. With a good researching method firms can make a good marketing program with identifying particular needs of the segment to make the best match of their expectation.

Differentiated marketing consists of two approaches to reach their goal, first approach is a method to attract customers who are in more than one segment and therefore organizations try to provide different kinds of products to fill different needs and is called *multi segment*. This method might cover a larger share market by their wider segment considerations to respond to different needs.

If the product is good enough and segmentation becomes enough for buying potentiality, firms will cover cost off setting easily .medium to large sized firms mostly use this method.

Market Concentrations is the second approach of differentiated marketing and focus' on single segments (other hand of multi segment). This method has an advantage of being less time consuming on searching variable sources and focus on understanding single segments and make a better fill of their requirements in despite of, they also include a disadvantage of leading to too much on one segment and this will become more of a risk in economic or any negative changes. But some organizations such as music and arts which are international in needs, are more successful even with smaller segmenting options.

Narrowing Market Concentration will make another suitable method of segmenting that is called *niche marketing*, this market focus' on a single group which have more specialized needs and contain smaller share of the market, however firms of the substantial share market make this segment more profitable, this segment`s specialized needs enables customers to be willing to pay for it.

However for this purpose firms need to understand and completely fill the need of the niche market and offer a unique product for the customer to become interested

in this. This method is attractive when it has potential for growth and profit but doesn't attract competitors.

INDIVIDUAL SEGMENTATION is development of technology that is possible to make more special offers to customers, with the knowledge of their previous and current purchase behavior and ensure customers are satisfied with the correct choice of product to suit their needs. Three kind of the *individualized* segmentation occur in marketing; one-to-one marketing, mass customization, and permission marketing.

Individualized Marketing will become more important in future time as individualized efforts will be based on long term relationships. Customers make this relation with who they feel fulfills their needs in the most suitable way this method is good in the way of filling these needs and approaches(individualized) are expensive. therefore organizations should try to make a cost efficient delivery program, secondly their marketing program shouldn't become too automated to lose advantage of a customer's preference of using methods, like being able to choose a suitable payment method, shipping terms, delivery location, gift wrapping and things like that.

One-To-One marketing occurs when firms make a special product or marketing program for each customer of target group. This method is mostly used for business markets that design unique systems for each customer. like designing insurance and pension programs for insurance companies. (E.g. our case).

This method is used less in consumer marketing and is mostly used in luxury and custom made products, like airplanes or sail boats. Now a days this method is used more than those like in hairstylists, educational institutions and commerce which can be easily targeted and suitably matched more to the customer's needs.

Getting *Customer Suggestions* through their websites will also make new efforts, filling more exact needs of customers, using designing time and innovation expense, and finally being able to gain a long term relation with their customer.

Also *mass* customization is a progressed method of one-to-one marketing, by expanding this unique product in more of a mass scale customers advancing supply chain management and inventory control will help to offer specialized

products for customers considering both cost and practical effect.

This method is popular in e commerce too, as it helps saving costs of inventory and prices. Selling firms benefit as well by customizing their catalogues to specific buying firms, allowing them to sell higher quantities of goods and services at reduced costs.

Individualized segmentations are expensive, therefore delivery of the marketing program should be cost efficient, and internet is one of tools for cost reduction. Secondly marketing program should not become so automated that the offering lacks personalization.

Permission Marketing is similar to the one-to-one method however in this case customers can choose to be a part of company's segment if they wish, if customers choose to give their permission to receive emails. This method has an advantage over individualized methods by decreasing their effort and expenses by focusing on customers who are already interested in their products, so competitors won't tend to waste too much time on customers who clearly are not interested or looking for customers who are interested, because this target group has already purchased and is interested in their group.

Making databases and more options for customer's choice, and customizing point of sale information's will fill more customer satisfaction in despite of sale increases and establish a long term relationship.

One to one marketing, mass customization and permission marketing will become even more important on future time because of their focus on individual customers make it more critical to the development and maintenance of long term relationship. (O.C Ferrell 2008.164-168)

6.5.2 Target Marketing Strategy

evaluating our segmentation to match the resources and capabilities of the firm with opportunities, should use the correct strategies of targeting, while all criteria's of segmenting be considered still there might be reasons such as lack of resources, mission misleading, overwhelming competition in segment, impending technology shift, and legal or ethical problems to be failed in success. Basic

considerations which are based on SWOT analysis and analyzing of current and future anticipations for targeting strategies are; single segments targeting, selective and mass market targeting, product and market specialization.

Choices of segmentation depends on brands, products or the market, therefore some organizations use more than one segmentation. Some of the segmenting strategies are more traditional and have been used for a long time, but are still useful. Three main kinds of traditional market segmentation which are still in use more than individual segmentation will be mentioned below.

Single segment targeting is an approach usually used when manufactures think all customers can be satisfied with *a single product* because market customers have similar needs, best time to use this method is when customers have similar needs. This method is useful for just few markets or products to lowers marketing costs and products and become more efficient and inherently risky with provided standard product in comparison of more specialized products through competitors which are making more specialized products that are more suitable with the customer's needs.

Firms use *single segment targeting* when their offer is tied to a particular customer group (segment) of need. This strategy is usually successful in this case as firms have a clear idea about their segment's needs, preference and lifestyle, with this they are able satisfy their purchasers easier and develop their success by improving their quality and meeting their preference changes that occur over time.

Other kinds of targeting is the *selective strategy* that is used when there are several kind of product categories advantages of the method are sharing risk and (cherry pick) picking most attractive segment opportunities.

Mass market targeting is another method which is used by big marketers to cover all customer segments with a multiple marketing program simultaneously. Using *mass marketing* as an entry method is more risky in comparison of targeting a more focused organization especially in global marketing , even if competitors have a global brand, before competitors enter should consider local taste and customs an adapt the product with their own variety. Only largest firms have

capability of mass market targeting which involves development of multiple marketing programs to serve all customer segments.

Product specialization occurs when a firm is good in their production of a product category among different segments and competitors, so they can develop their product to fill special group of customers.

And marketing *specialization* occur when a firm is familiar enough with one market and their knowledge allows them to offer more than just delivering required products and provide customers needed solutions as well .

All of these methods were for targeting products or marketing customers, another method of segmentation is targeting non customers. This mean when *potential customers* don't buy the products for reasons such as other competitors, pricing advantages, lack of awareness or any other reason as to which the customer was hesitant in purchasing. Goals of this targeting are to find out the reason of their hesitance and remove the barriers with examining firm's used strategies like their product, distribution or their marketing communication. (O.C. Ferrell 2008.177, 178)

7 BRANDING

7.1 Brand reasoning

In essence, a brand identifies the seller or maker; it can be a symbol, trade mark, logo or other symbol. Brand is seller's promise to consistently deliver a specific set of features, benefits, and services to the buyers.

A brand can convey six kind of meaning; first of all it brings to mind certain attributes. Then this attribute should translate in to functional or emotional benefits because customers are buying benefits not attributes.

A brand should say something about the producer's value and marketer should look out for specific groups of buyers who are seeking for these values. Also may represent a certain culture like Mercedes represents German culture.

Also should project a certain personality, like a character of a person to become well known by focused personality, and users will be those who respect the product's values, culture and personality. If a company treats a brand only as a name, it will miss the point of branding. (Philip kotler 2000. 443)

Main goal of branding is creating identity for the provided products or services with considering proper targeting, in strive of making value for the customers to create more willingness to pay premium price and loyalty, for this purpose a good symbol (brand) need to make a strong awareness, quality and loyalty which will consume higher amount of investment and time to reach these characters. (Graeme 2003. 188)

7.2 Branding development

Brand attitude is a component of brand equity. A way of counting attitude percentage is amount of customers with positive image minus customers with negative mind of image. Increase of brand attitude will improve financial performance after six or three months later. And all the investments for making brand attitudes in high technique products will improve the value of the firm and cause to pay off the cost. This why we will go through some factors that effect on attitudes' changes. Strengthens of attitude depend on competitive actions" e.g. after Canon ran a hard-hitting comparison advertising campaign about HP

printers, a downturn in HP attitude occurred” and finally legal actions were associated with decrease in brand attitude.

Aspects such as aggressive advertisements for supporting products, especially when those are new in market, attitude will increase if it be pointed with a well-known officer who makes a new strategy, e.g. Steve jobs returned to apple computer. (O.C Ferrell 2008. 292).

Some factors are developed for more branding value to make products more sustainable and higher returns than competitors by turning general concept of brand equity into specific financial valuation, and may compete with other factors than pricing for stronger margin compete.

so considering market type, market share, durability ,global presence, extend ability and making protection are some of factors which develop value of a brand , like brands in high volume, high margin and in stable market will be more valuable than in less profitable or less stable sectors(market type).

Also having larger market shares which mean being market leader will be an entry barrier for other brands because it will be hard to overcome for competitors because of customers’ tendency for the dominant brand.

Brands that have potentiality of being exploited internationally are more valuable than those suitable just for domestic market. E-commerce had lower the barriers of establishing global brands and set a potential challenge to the high values placed on current global brands.

Being a long-term brand leadership and make strong customer loyalty cause high valuation of a brand(durability).Also brands that have ability of expanding to new markets instead of being limited (extent ability) and which are protected of being copied have greater value.

These are factors developed from an accountancy perspective but some of terms effect on judging brand`s potential value such as making superior products or services, by making a clear benefits to the customer as a preference reasoning like quality, style or cheapness.

country of origin may decrease or increase the value of a brand, depend on positive or negative image of a certain product of a country, if the country doesn't have positive effect on the value, the country can distance itself as naming country of origin and appear more international, like negative image of telecommunication of British caused to mention BT as country of origin.

And market domination is another way of ability to command good shelf positions and become an asset of value by gaining extensive coverage in the market. Many of customers are now moving from major brands to no branded labels which carry high quality. (Graeme Drummond 2003.189, 191)

7.3 Branding strategy

7.3.1 Strategy

Branding is one of most important marketing strategies because of its advantages for both customers and firms, branding strategy is more than a good symbol or name, branding should answer the needs of a customer and when they look for a solution to a problem it should immediately come to mind of the customer, in this case strategies of a branding have been successful.

To gain this purpose manager should consider some critical issues to fill these needs and image in customers minds and cause more willing for payments and even higher payments. *Branding loyalty, equity, alliance, manufacturer and private label branding* are some of the strategies that make advantages for brand sells.

kind of brands have their own advantages for merchants if they were to be used in a proper case like selling manufacturer brands , the heavy promotion of manufacturer will reduce their marketing cost and also will build a stronger *loyalty* with including own loyal customers and image of the product's brand will develop.

Also will reduce inventory cost by capability of delivery in time and finally this method is less risky to distribute the image of the brand because of any failings will be attributed to manufacturer than merchant.

Advantages of selling through *private label* brands are: increasing merchant's profit by less price cuts for making competition advantage, keeping more margin for own brands, wide amount of merchants who sell manufacture's brands will reduce competition sand. In this way also merchant will have a better control on marketing of the brand. Finally merchant loyalty will increase as customers of private label brands will, and in turn become loyal to merchants.

Branding loyalty affects the customers purchase by advancing images of the product in the customer's mind this will in turn help the customer with their preference of what they wish to buy. Their preference is grouped to three degrees, first group is called brand *recognition*, it occurs when customers is aware of the brand, and have it in mind as an alternative for purchasing, in this case branding is

more about awareness than purchasing desire.

Second group occurs when customers *prefer* one brand to , in this degree they have more willing to buy ,but still availability of the product is important because the purchaser is willing to accept a substitute instead if the preferred product doesn't be available .

Brand *insistence* include strong customer of a brand, by not accepting any other substitute and only look for their purposed brand and are willing to spend time for looking.

Brand equity is another aspect of a marketing strategy which is hard to measure and mostly has a relation to awareness of a brand name. Equity is another way of looking at financial values and marketing. The position of the brand in marketplace loyalty and awareness of a brand will allow customers become more familiar or confident with a product and therefore more consideration will be taken in, before purchasing from a customer's point of view. Combination of the familiarity and quality will help brand equity to increase purchasing percent.

Brand equity can also be negative by having weak quality image while it was not in fact. In these cases companies have to make extra efforts to compensate for the bad image or prove the opposite, for example 10 years guarantee from Kia and Hyundai. Developing the image and the brand take a long time, therefore it is harder to compensate or to change the image.

Other methods of use to make competition advantage through branding is *brand alliance* that mean co -operating with other firms which are mostly based on joint branding strategy, like using several brands on one product which is called co-branding, to make product different. Also brand licensing is another way of branding alliance that is giving permit by a contract to an uncompetitive product as a right of use their brand with payment of a licensing fee.

Thus branding will reduce risk of purchasing by becoming more acceptable to sell new products and buy more known quantities of a brand which customers are already familiar with. Customers will then in turn repeat their purchases with consuming less time and searching (speeds up) a known brand. This purchase repetition can occur more easily when customer be able to identify the brand they

like or need (fill their needs).(O.C. Ferrell 2008.196-201)

7.3.2 Brand name strategy

For better beneficiary of branding strategy managements can combine or choose a right naming strategy by observing advantage and disadvantage of each alternative for naming their products. Sometimes organizations use same name for all the similar or variable products under the corporate umbrella, and this linking create stronger image and more measurable marketing communication and distribution but any problem of an individual product will effect on total image and unrelated products of the brand.

An organization need to decide about policy of naming brands across all of its product and service ,to emphasize on creating a distinctive offering in the market .therefore need to consider an overall brand strategy by choosing right kind of naming strategy which will be listed in below:

Corporate brand make a corporate name across all of products and cause linking the individual products together and cause a strong overall image. And create economies of scale in marketing communication and distribution. The problem is that all of products might suffer negative effect of specific product.

Multi branding is apposite of corporate branding which mean each product has its own unique brand name in aim of making completely separate brand identities. This strategy is suitable when company is competing in a number of different segments and their consumer's perception of a product position may effect on the other once.

Company and individual brand is used in different ways, endorsing a product with the corporate name gives new product credibility while at the same time allowing the new brand some degree of freedom. a fixed endorsed approach entails the corporate brand name being given a consistent profile against each individual product's brand name in the range. Depend on how independent they choose to make the brand.

Rang brand is made when organization make different names for rang of products, to create a family of products with containing different segments.

Private brand (distributor's own brand) may be applied by particular retail brands, in this case the private brand is controlled by the distributor who will make decisions regarding the product's position in the market.

Generic brand strategy is used when products don't have any brand name and just mentioning content on the pack. (Graeme 2003. 195,198)

These naming strategies have some advantage and disadvantages that will help the manager on selecting a right strategy for different cases that are listed in the table in below;

Branding strategy	Advantages	Disadvantages
Corporate Brand	<ul style="list-style-type: none"> -The strength of the corporate brand is conveyed to all products -Promotional costs are spread across all products 	<ul style="list-style-type: none"> -Any new product failure has the potential to damage the corporate brand -The positioning of the corporate brand constrains decisions on the quality and pricing for individual products
Multi-Brand	<ul style="list-style-type: none"> -Allows individual differentiation of brands -Allows products to occupy different positions in the same market, i.e. a premium & discount brand from the same parent company -Current brands are insulated from any new product failure 	<ul style="list-style-type: none"> -Each brand requires a separate promotional budget -Market sectors have to contain enough potential to support more than one brand -Highly focused brands are hard to reposition once a market segment enters decline

Company & Individual brand	Product can be supported by the reputation of an existing corporate brand while at the same time the individual characteristics of the specific offering can be emphasized	A new product failure has the potential to cause some damage to the company brand -The positioning of the company brand constrains decisions on quality and pricing of the individual product
Range brand	-The strength of the brand is conveyed to all the products in the range -Promotional costs are spread across all the products in the range	-any new product failure has the potential to damage the rang brand -The positioning of the brand constrains decisions on quality and pricing for individual products
Private brand	-Demands little promotional spend by producer -Producer can concentrate on gaining cost efficiency through volume production	-Marketing decisions controlled by distributors -Removes the producer from direct contact with the market
Generic brand	Limited promotional budget, Reduced packaging costs	Competition becomes based mainly on price and service levels

Table 2 advantages and Disadvantages of Branding strategy (Graeme 2003. 197)

7.3.3 Managing products in high technology market

A strong brand name is valuable for both in business market and high technology market. Brand equity can be an asset or liability for a product by increasing or decreasing value through chosen symbol or name. Brand loyalty, Equity, name awareness and provided quality are the assets or liabilities of branding.

To overcome market challenges in high technology market need to build a strong brand name and design a right marketing strategy during turbulent life of a high technology product. And be able to ensure of keeping promises of their new products, services, promoted or sold productions. Keeping and ensuring customers from a valuable promise to become advantage of preference for purchaser when there is not a big price differences, good image of a brand will become a distinctive identity.

This branding can be placed at the corporate level or at the sub brand level and for high technology brands, the emphasis is generally at the corporate level, like lotus share brand equity with domino. Making a strong branding will gain loyal customers who will be more stable and in technical changes and uncertainties.

For a better management of a high-tech branding, a pyramid with 5 levels have been made. This pyramid is a good way for well understanding targeted customers for their trusty and stability dues changes.

followed in steps for a better manner which contain five levels that start with representing the core product and the tangible product characteristics ,secondly solutions or benefits that brand provides .these two steps are embody of product competition than brand competition and may use it while competitors continually match and over each other by offering better products with identifying benefits of their products for customers.by providing emotional benefits and psychological rewards, a firm can differentiate itself from other competitors.

Third level is to develop and fulfill a promise of value which attract and keep selected customers. This *level is* about customers feeling and benefits received and made to fulfill promised values.

level four make a deeper value evaluation, a strong brand reflect the values of target customers and this create brand loyalty, *level five& four* are for isolating differentiating, nature and character of the brand. These last two levels of the pyramid isolate the relevant and differentiate character of the brand and capture personality of the brand.

A strong brand manager make a brand loyalty which keep the customers in markets technical changes and turn them back to the company because of their grown trusty feeling and believing of understanding their need.(Michael Hutt &Thomas W. Speh 2004.290,291)

8 PRICING

8.1 Pricing Benefits

In business market pricing mean level of the product quality, technical service, reliability. Feeling of security, friendship or any other element of seller and buyer relationship will be important. Product specification like quality, company attribute like technological excellence or sale persons attributes like dependability are the categories that make attributes used by buying center .In total product mean more than physical attributes.

Cost of industrial good includes more than seller's price, therefore pricing decisions and product policy decisions should be inseparable and balanced with market segment of the firm.(Michel D .Hutt 2004 .384)

Pricing is most influenced factor of marketing with 4 reasons; first because of simplicity of counting revenue. Revenue equal with price time quantity sold, so there is no other way of growing revenue else than growing price or the volume of the products and this cause easiness of counting and planning for the marketers.

Secondly the easiness of changing in comparison of other influenced factors of products, distributions or products on marketing revenue. Those factors need to spend longer time for changes or development while prices can be immediately changed.

Also varying those factors are much more expensive than pricing, especially if there is a need of research and development. Thus difficulty of anticipation and strategic discovery between competitors make it best method of competition, to make differentiation between similar offers and product. (O.C .Ferrell 2008 221)Pricing decisions and product policy decisions must balance with firm's segment plan. Different marker segments have their own benefits with unique needs; Benefit of any particular product can be functional, operational, financial or personal.

Operational benefits are durability and reliability and qualities desirable to production managers. *Functional benefits* are the design characteristics that can be attractive to technical personnel, optional benefits are durability and reliability and qualities suitable to production managers.

Financial benefits are opportunities for cost saving and important for controllers and purchasing managers. Organizational status cause risk reduction and personal benefits occur in personal satisfaction and mostly to individuals from particular supplier choice. (Michel D .Hutt 2004. 385)

8.2 Price setting

Firms start setting a price when they develop a new product or introduce a regular product to a new market or bidding a new work contract. Firms should decide where they should position their products on quality or price .they may position the product on one of seven levels. Pricing for products on up three levels; are gold standard products that consider special need or high performance and contain ultimate, luxury or special need groups and Second level place in the middle of the market which usually contain a large number of brands.

Finally down three levels are cheaper brands that doesn't focus on satisfactory performance are more convenience and cheaper (price alone) which provide functional benefits. Below of these levels are products that are not just cheap also cheaply made to shout the price sensitive market. This product positioning level doesn't compete with each other but they compete within each group so competition might be between price-quality segments.

So some of firms focus on price senility and compete with announcing of similar quality, but greater saving is more for the quality sensitive customers if they believe on them. And some might over price for a better image of the product but might cause bad word of mouth about company too.

professional companies should avoid these strategies and instead consider factors of pricing policy steps instead, like selecting pricing objective-2 determine demand-3estimating costs -4 analyzing competitors-5 selecting a price method-6 and selecting a final price, to make a right pricing. (Philip Kotler 2000. 496-497)

8.3 Selecting a price objective

After deciding aim of the offering and in which level the product will fit better, company should select a right target market and market positioning carefully then is time to forward with marketing mix which include pricing. clearance of the firm`s objective cause easier price decision. Pricing objective may be one of objectives in below;

Survival is a method of staying in the market and it`s a short term objective later on they should think how to add value to get more benefit.in this technique profits are less important than surveying ,as long as company cover some variable and fix costs to stay in business. This method is used when company is plagued with overcapacity, intense competition or changing consumer wants.

Sometimes companies try to get *Maximum current profit*, cash flow or rate of return on investment by setting a price which estimates demand and costs association with alternative prices .the problem with this strategy is not to have enough knowledge about costs and demands and that is hard to estimate in reality. Also by emphasizing current financial performance the company may sacrifice long run performance, ignoring the effects of other marketing mix variables, competitor`s reactions and legal restraints on price.

Maximum current revenue is one of methods which some managers believe it will cause long run profit maximization and market share growth. This method requires estimating only the demand function and setting a price that maximizes sales a superior product.

A maximum sale growth occurs with maximizing sales unit. When market is price sensitive they set the lowest price. They believe higher sales volume cause lower unit costs and higher long run profit. This is called market penetration pricing. This low price method is favour of conditions such as; the market is highly price sensitive and low price stimulates market growth 2- production and distribution costs fall with accumulated production experience 3- discourage actual and potential competition.

Maximum market skimming with setting a high price to skim the market by setting a price that make it just worthwhile for some segments of the market to adopt the new market with new product and offer in simpler and lower price to more price sensitive market.

this method is best when sufficient number of buyers have a high current demand and when the unit costs of producing a small volume are not so high that they cancel the advantage of charging what the traffic will bear, also while high initial price doesn't attract more competitors to the market and a high price communicates the image of superior product.

Product-quality leadership is aimed to be product quality leader in the market and higher some amount of price. *Other pricing objective* may occur when non-profit and public organizations would like to use different kind of pricing objectives like a hospital for full cost cover .(Philip Kotler 2000. 497-498)

In despite to make a proper pricing decision should consider pricing objectives which are shortly mentioned in the table below:

Description of common pricing objectives	
Profit-oriented	designed to maximize price relative to competitor's prices, the product's perceived value, the firm's cost structure, and production efficiency. profit objectives are typically based on a target return, rather than simple profit maximization.
Volume-oriented	Sets prices in order to maximize dollar or unit sales volume. This objective sacrifices profit margin in favor of high product turnover.
Market demand	Set prices in accordance with customer expectations and specific buying situations. this objective is often known as "charging what the market will bear".
Market share	Designed to increase or maintain market share regardless of fluctuations in industry sales. Market share objectives are often used in the maturity stage of product life cycle.
Cash flow	Designed to maximize the recovery of cash as quickly as possible. This objective is useful when a firm has a cash emergency or when the product life cycle is expected to be quite short.
Competitive matching	Designed to match or beat competitor's prices. The goal is to maintain the perception of good value relative to the competition.
Prestige	Sets high prices that are consistent with a prestige or high status product. Prices are set with little regard for the firm's cost structure or the competition.
Status Quo	Maintains current prices in an effort to sustain apposition relative to the competition.

Table 3: common Pricing Objectives (O.C. Ferrell 2008. 229)

8.4 Pricing Perspectives

8.4.1 Sellers perspectives

While sellers try to sell as high as they can, customers want to buy as cheap as possible, pricing strategies are mainly based on the revenues that is aimed to meet at a common point. Purchasers mostly depend on received value and their price senility is hard to be determined because each customer has different expectation and judgment. This why choosing right prices or even changing prices aren't easy. These considerations cause spending a long time for being worried instead of setting a right price.

Sellers prices are usually more than what can be paid in the real market, therefore price strategies are made to focus on market factors instead of emotional senses. Factors which will influence on sellers decisions are market demand, competitor prices, customer value and costs.

Profit gain without direct and indirect cost considerations is impossible. Also availability of products has direct effect in pricing strategy which mean should consider their opportunity costs and this mostly is used by service firms.

Complex pricing method is a way to anticipate profit losing in this case, like service companies or ticket sales, but in product manufactures it is not necessary because they can sell same product in other day with same price, what is not so possible with service firms.

Market demand and expectation is another effective factor and through understanding this relation can manage good price elasticity for their offers. Another method is focusing on value like innovations and also awaking of competitors charge for comparable or same product, to reach goal of changing seller's perspective to buyer's perspective by making a better strategy to perceive differentiation for the product offers. (O.C. Ferrell 2008. 223-225)

8.4.2 Buyers Perspective

Most of time buyers perspective on pricing is opposite of seller's perspective because as much as seller bid prices up, buyers see the prices less than dictated prices because they consider different perspective and it's more about what they will give up in exchange for product. And actually they give up more than their money.

SO the key for pricing strategy for the firms is to determine how much the buyer will give up. and count the amount of buyers perspective which are mainly perceived value and price sensitivity, because buyers give up price depend on their perceived value and that vary for each case, but as a whole may say perceived value is customer's benefit to costs.

Customer benefit mean anything obtained from product; such as quality, satisfaction prestige or solution and cost mean anything they should give off for the purchase and that can be opportunity cost ,money or time.

Value is a key component of pricing strategy; good value depends on every element in the marketing program than just pricing. good pricing strategy should be elastic with firm's goods and services which make customers more or less price sensitive.

Firms should know what customers will pay for a product, and understand their buying behaviour in specific situations that lead to price sensitivity. (O.C. Ferrell 2008. 225-226)

8.5 Adjusting Prices

8.5.1 Adjusting prices in Consumer market

Consumer market is a technique of pricing adjustments which can be permanent or temporary only for a particular time. We will mention some of these techniques which are related to one of the groups of Consumer Market or Business Market.

some of the main factors such as *promotional discounting* that mainly benefits from sales which are customers favorite and because of excitement for them and retailers ad department stores use high-low pricing as their promotional discounting with charging higher daily prices and instead using more frequent sales as a way of increasing store traffic and main benefit of promotional discount is its main drawback.

Other factors of consumer market are reference pricing which is used by the firms for comparing their prices with actual internal or external prices. Customers use internal reference prices or internal expected price for a product, external references become more important for customers when they don't have much experience about or intangibles like services in this case manufacture's provide an external reference for the customer.

Reference price should really be a regular price and not use it as a sale price with raising the price after sales. Sale prices should be for a limited time only. While reference prices set at a lower price than competitors. Prices of competitors are the reference price and this price lowery is called price lining which is used to make advantage among competitors with similar products.

Odd-even is another technique in the way of helping customers to think manufactures did as much as they can for price suitability for the customers by not making a round price. It will also come across as cheaper for customers, even in fact it is not; like 9, 85 € instead of 10 €.

Price bundling or solution-based pricing occurs when a few of products are sold for a single price. This pricing is lower than what manufactures make of selling the products separately, usually this method is used for slow moving items.

This method is favorable when customers don't want spend time looking for a solution and prefer to pay and enjoy their time, and is mostly useful in banking, travel, insurance, computer and automobiles, customers who believe they can find a better solution than what manufactures may offer isn't very favorable for the customer. These consumer market techniques are used in business markets too.

8.5.2 Adjusting price in business market

But some techniques which will be mentioned below are specialized for business markets like: *Trade discounts* are one of these factors which are used for certain intermediaries and mostly offered to wholesalers rather than retailers to compensate them for the extra functions they perform.

Price discounts are widely variable and became more complicated now a day by growth of retailers that perform their wholesalers' functions as well. Business buyers can use discount advantages same as consumers in despite of additional discounts for cash payments, bulk discounts and trade allowance for participation in advertisements or sell support programs.

Geographic pricing is another kind of pricing which is counting transportation costs or physical distance, uniform delivered pricing which is the same price for all customers regardless of transportation costs. *Zone pricing* is based on different transportation costs it also varies by geographic zones, therefore are made different prices.

Another specific pricing occurs when one unit is selling products to another unit (transfer) it's called *transfer pricing*. Technique for these exchanges across national boundaries while companies use products instead of cash payments, *barter* is used to minimize direct product exchanges by making agreements to use both cash and goods as a payment or to buy goods and services from each other.

Another technique is *price discrimination*, this aspect occurs when firms are making different prices based on costs for different customers and this is advantage for sells which have much higher sell costs to a firm than others. (O.C. Ferrell 2008. 242-245)

8.6 Influences on Price Sensation

8.6.1 Situations increase price sensitivity

Some situations *increase price sensitivity* of the customers. In this case flexibility of pricing will be more challenging and a wrong decision may easily cause customer loss because they have many options and choices to fill their wants.

Customers who are more price sensitive are harder to gain a high margin because they are in lack of interest to pay for a better quality or service which helps the company to charge a higher price and mostly they look straight on a low price for their purchase.

Usually when availability of a product is high and customer have more opportunity to purchase from different product substitute with different prices, they become more price sensitive. This case is most often in brand name products or in a market where product offerings have become commoditize.

A higher total *expenditure* to purchase will make demands more elastic. Little percentage increase of an expensive product might become a huge while won't affect lot on the customer, if this technique be used in inexpensive products. (e.g 20% add to car price)

Noticeable price changes may easily make inelastic mind-set to elastic, while this won't be that easy when price change is not noticeable. Also when price comparison is easy for the customers they become more sensitive with price changes while they may easily compare similar products with different prices through online or in a market why not to go for the cheaper one.

8.6.2 Situations decrease price sensitivity

Some factors may *decrease price sensitivity* (lower elasticity) of the customers like when they have just few options which mean when market is in lack of substitutes customer become less sensitive to the time and effort required to obtain products, also the more unique or specialized the product is the more customer will pay for it because Product differentiation is another factor may decrease the sensitivity.

This differentiation doesn't have to be real and can be special kind of offer through company too, and not necessarily a characteristic of the product. Also a brand name may cause this differentiation when a brand become loyal for a customer demand for other products may fall even to zero. This loyalty occur by reliability and trusty which is done through the relation so product is easily compatible for the customers and actually reasoning of the preference is not all about characteristic, because customer believe on the brand.

Sometimes product is true necessity for a customer, so they have a real or perceived needs for them.so if company can make the product as a necessity or then if it's really necessity, like food, then purchaser may sometimes pay even double to get the product.

Complementary products are mostly depending on the related products. If the price of one product falls, customer may pay less or more for the other product (complementary).like if price of a cruise goes down, price of shore excursions at each port becomes more inelastic.

Also price elasticity depend on perceived benefits of the product, if customer is thinking of it may be expensive but worth it, then price increases won't vary much. Also some situational may influence on purchase decision like when customer tend to buy a gift or when others may notice their purchase then they might pay even more than value too.(O.C Ferrell 2008.235-238)

8.7 Responding price attacks and strategies

8.7.1 Pricing strategies

Most firms make general pricing strategies, pricing have a direct relation onto other marketing elements such as Distribution, Product or Promotion and target market's act is not only about the pricing because it has a direct relation to information process and customer's psychology.

Base price of the firms is a strategy to set initial prices and prices movement during product life cycle and more profit in long term, there are several factors effecting on this strategy such as introduction pricing ,prestige pricing ,value-based pricing, competitive matching and non-price strategy. There are brief explanations of each approach listed in below to know effect of relations on price base.

Market *introduction pricing* is a strategy used by firms while entering into the market and most common method of this stage are skimming and penetration pricing. Skimming is a method for gaining higher benefit by setting higher prices than competitors, and is usually used for compensating research and development (R &D) expenses for developing the new product.

For skimming success need to have some advantage over competitors. and not to forget the customer about the price, and cause more willingness to pay more for what they get, this will work until a competitor make similar product.

Penetration pricing is in the way around with focusing more on the sale volume rather than raising prices. This method is made to maximize sale amounts and be able to gain a larger market share in shorter time by setting lower initial prices. this will also discourage competitors for entering to new market. This method is best to use when there is not much R & D expense, customer is price sensitive or competitors can enter easily to the new market .To be successful in this method you need to have a good cost structure and scale economies to define the little profit margins.

To be able to gain the same profit as the skimming method by the low price in penetration method you need to maximize the sale volume so it won't mean low profit per unit sold. This method is used while firms are expecting for a high sale volume to gain financial benefits from the product.

Prestige Pricing is another method in use of getting high benefit while setting high prices. The sole purpose is promoting images of the product or service with a high quality. This method within the company is not competing with the price at all; instead they do this by the high value and unity. This method is also useful in sales for inexperienced customers who don't know much about the product and make their judgment by stamped prices, which higher price mean better quality for them.

Value-based pricing is a method used for products offered with low price despite of their high quality. This is not the highest or lowest price of the market, this method make reasonable prices to conduct both cost and benefit. Some firms exhibit both characteristics leading to their capacity of being a low cost provider for their ability of having low prices .Some firms use the value-based method over time by discounts, sales or other tactics.

value-based method is interesting for customers because of their trust to the value of the firm's product, and they also don't need to consume a long time to find their appropriate price.

Competitive matching method is a pricing strategy that mostly focus on competitors prices and their price changes and is mostly set in a price of what firms think are more suitable to sell .In commodity type of products which mean products are mostly the same or similar, customers will not spend long time in making price comparisons because they expect similar prices as well (e.g. oil) sometimes competitive matching is essential to stay in the market (e.g. automobile industries).

In some cases pricing strategy or competition is not as effective as it should be therefore firms focus more on promotion, packing ,services or other similar aspects to encourage customers for the purchase. These cases mostly occur when the product can easily differ, and this differentiation has value for customer and

competitors and is unable to be easily copied as the market is not price sensitive. (Philip Kotler 2000.238-241)

8.7.2 Responding Price Attacks

When managers prefer to provide value than decreasing prices, to make competitive advantage between competitors who per sue, using price changes as their competitive method to fight back with aggressive competitors pricing cuts is the first strategy come in mind.

These pricing wars will cause extra costs and short term benefits instead of long terms which enhance project goal, therefore managers should observe some considerations to override this challenge of pricing competition.

Before decreasing prices, competitors should think about what amounts will be lost, are the costs more than the benefits gained through depreciation or the loss of ignoring competitors will threat for a short time. Sometimes depreciation will be less than what lose can be occurred by sales and might be better not to change prices.

To minimize price threats when price response is required, firms incorporate some of strategies such as: price reduction be focused only on the segment which will be attracted through competitor's offers, like considering only specific geographical region or distribution channel or product line that the competitor will gain a higher lose from price reduction, or making competitive advantages that increase value of offer, like giving longer warranty for the products that have better quality.

Secondly should find out the reason of competitors price deprecation to make appropriate decision. if competitors would continue reduction in future time too then price cuts will be ineffective when competitors have price reductions as the only option of competition which occur mostly when they have too much invested on R & D or if they have a little market share without lowering prices, they will continue lowering prices until they gain sales . In this case they won't have much to lose because losing market shares will cost less than price war.

Price competition mostly occurs in industries that need significant investments for entering while competitors are likely to continue their price cutting. Best defense is to let them win or creating barriers for competitors to reach less price sensitive and more profitable segments. Before responding with price reduction strategies, competitors should make a long term benefit strategy and its risky response to this benefit might include immediate gain of sales, complementary products or additional sales in a particular market in future.

To be effective in an aggressive market of competition it's not enough to have willingness to fight, to make any appropriate responses need a good competitive strategy and understanding rules of competition strategy and when competitors should make price cuts to ignore competitors.

When idea is to develop a good competitive strategy firms should not make competitive engagements if they cannot win. This is why competitors should focus on competing where the company have strengths, not in the disadvantaged parts and participate in engagements from positions you have advantages not following competitors' rules which have been selected, instead of using what is more advantageous for you.(Michael D 2004 .400-403)

Competitive bidding is another strategy to develop a price or a bid instead of following specific price list. most public agencies and the government are purchasing by competitive bids, competitive bidding in private industry sector include two ways of bidding, one for purchase of nonstandard and complex products that design and manufacturing is variable and made for buyer specifications and purchaser is able to evaluate the prices.

Secondly is using reverse auctions while many sellers bid for an order from a single buyer. This method is mostly used in the best product categories that buyers view as commodity, and commodity can be open or closed (Michael D .Hutt 2004. 403-404)

8.8 Pricing on Industrial Products

8.8.1 Industrial Pricing Considerations

Pricing industrial products or service is multidimensional, different demand, costs, competition, profit relationship and customer's usage. There is no easy formula for pricing just manufactures could formulate the role of pricing in marketing strategy.

Pricing decision should base on marketing objective. This strategy will start with principal objectives and later on adds collateral pricing goals like achieving a target return on investment, gaining market share and meeting competition and many other objectives such as channel relationship and product line.

An industrial product can be used in different ways, depend on segment's application. Potential demand, price senility and profitability can vary among segments. To make an effective pricing competition need to focus on the value of the product for target customers, and this reverse products cost and desired markup.

Core pricing issue is related to the most attributed offer, the one that have most value for the buyers and differ among others (*assessing value*).since high costs are incurred to make a better performance, two methods should be considered; to focus on different market segment or offer the strongest versus competitors.

Premium price differential or perceived relative value can be Brocken down to components based on each important attribute, one value of the attribute to the buyer and perception of how competing offerings perform on that attribute.by summing all of component values we will get perceived value.

cost and benefit analysis By understanding cost/ benefit calculations of buyers of the organization and isolate important attributes, marketer can make a better price decision and also shape other marketing strategy.it is not enough to perform a high value product without good marketing communication to make them aware of the difference.

Also marketing communication is good to alter the values, then buyers of the organization assign to specific product perceived value can be varied by

improving level of the firm's performance, for the products which have special importance for the buyers and knowledge of the cost/benefit perception of potential customers presents market segments that value particular product interest for which the firm have competitive advantage.

8.8.2 New entered industries

There is some difference between a product that is already in line and new ones that enter. Strategies such as skimming or price maximization to get immediate profit or recover expenditure and penetration or making low initial price strategy to gain market share.

Industrial products have a longer life cycle while they enter in early stage of a segment with gaining advantages such as future growth (demand growth) less competitors and instead more need for investments for later promotions or distributing secures.

In below will mention some methods of pricing new entered industrial product or service and how to price a product in line or while an item is added to the existed one. There are some technic different between a product that is already in line and the one newly enter.

Strategy of pricing new products in the best way can be understood by examining policies at the boundaries of continuum from *skimming* (high initial price) to *penetration* (low initial price) some pricing strategy is used to recover Research and development expenses and immediate profit with using high price methodology on new products like du Pont strategy or using Dow chemical strategy to make low price strategy for gaining more market share. For skimming and penetration strategy marketer should consider buyers point of view for evaluation.

Strategies such as skimming to get immediate profit or recover expenditure and penetration or making low initial price strategy to gain market share. *Skimming* is a good method of distinctiving new products with segmenting customers who are not price sensitive when customers become more familiar with the product and demanding increase, price can become more elastic later on. This strategy will cause early profit and recovering high development costs more quickly .later on,

prices will be reduced to consider more price sensitive segments.

Robert and Abel demonstrate during the innovative firm's monopoly period a skimming policy is optimal if the demand curve is stable over time and if production costs decline with accumulated volume.

a *penetration policy* is optimal and penetration policy is the best in use when there is a high repeat purchase for nondurable products or durable goods demand is characterized by diffusion, and when high price elasticity of demand, strong threat of imminent competition and while there are opportunities of substantial reduction in production costs as volume expands.

Viability of this strategy increase potential sizing of the future market. Factors determine value of gaining more market share depending on investment requirements, potential benefits of experience, expected market trends, competitive reactions, and short or long term profit implications.

Contemporary industrial firm with a long *Product line* will have problem with price balancement .if both the demand and costs of individual product line items are interrelated, production and marketing decisions about one product line item will influence on both costs and revenues of the others .a firm may add or develop a product line for a better fit of specific market segment. (Michael D 2004-398,400)

8.8.3 Structure of competition

To manage pricing competitions firms need to be flexible with (raising and lowering) instead of responding to competitors pricing changes all the time. Certain kinds of industries are also effective in pricing. Four structures that include these observations should be considered to manage pricing methods for competition.

Sometimes markets include huge amount of buyers and sellers with similar products and therefore single or small participants aren't very effective on prices and entry to this market are easy, and even some marketers get closer, and this is *perfect competition*.

Other kinds of competition which contain most of the markets are *monopolistic competition* which occurs in a market with relatively similar (homogeneous) products. In this market competitors use production differentiation as their strategy to define availability challenges, but this product similarity tends to cause more price controlling.

While markets include smaller manufactures, no seller actually controls the market or pricing of any firm effect on other competitors and this is why manufactures match the prices with competitors. Competitors mostly use non price strategies to take advantage of the offers that have an advantage by quick pricing reaction of competitors.

Most pricing would be flexible by the seller if it wasn't regulated by federal, state or government, single seller with being an only source of the market which is called monopolistic and for one to gain over these competitors need to make real differentiations to be able to make higher prices. Firms also face significant pricing challenges when their industry shifts to a different structure like telecommunication filled from monopolies to oligopoly by activity increases and regulation decreases. (O .C. Ferrell 2008. 230,231)

Legal considerations is another issue to be considered in making a pricing decisions and also when providing a legal defense against price discrimination charges. it`s unlawful discriminations cause lessen competition or create a monopoly, injure, destroy or prevent competition. Price differentials are permitted but they should base on cost differences and meet competition. (Michel .D 2004.398, 400)

9 RESEARCH METHODOLOGY

9.1 Case Reasoning

I have always wondered about the most efficient aspects on benefit of sales of similar products. Also I would like to know what is their strategic difference and especially in technical products like laptops which are so common to be renewed with better systems while many of customers are not even aware of the changes, except for basic developments, and just some segments are aware enough of last developed details of new technologies or innovations.

Despite of this I would like to know more about variety of strategies at each stage so what they should consider more in each stage to get more profit, and by gaining this knowledge how we can advance to be able to benefit more in each stage by all considerations. How focused strategies (branding, pricing, segmenting) should be used during product life cycle stages.

In this manner information and researches which have been available through my training place motivated me to focus on laptops which have a hard market competition. I could also get a better result by utilizing research results that previously been researched through my employer.

The result will lead on the provided secondary research of the companies starting strategy to continued strategy. Thus, this will more penetrate in depth through my primary research on the customers' reason of preference.

Elucidating the chosen strategy that caused success of the firms by penetrating impediments toward company's secrecy caused me to gain this knowledge by focusing on customers mind and I would like to know what encourages the customers to purchase than the methods companies preferred for sales ,because companies strategies can be fail or success and customers mind vary within different segmenting.

9.2 Case study

Income statements of different brands from each year made it easy to evaluate the cycling picture of the most profited companies and compare it with its strongest competitor. Then noticed difference of their chosen strategy and profit varies on maturity stage. How far they had similar product life cycle (PLC) position in the market and what caused their income differentiations became the goal of the case evaluation.

Company A was the most successful company between the other branded computers that have been presented. Price differences between company A and B (strongest competitor) in the starting stage were a proof of their different choice of segmenting, And while in 2009 company A is in the decline stage of the life cycle in comparison of company B, but still it had higher income.

So I would like to find out the reason behind this fact by making some calculations of the income statements I had, and compare their yearly strategy and product life cycle will be a measurement of their yearly income and volume amounts.

This case is a sample of how companies with similar products compete in the market with each other and how their strategic choices effect on their success, and what they should consider while selecting a strategy.

Figures 3 and 4 are a result of the calculations from income statements I have got from my trainee place. From a document that had exact income, costs, prices with taxes and without taxes of 21 different well known brand companies during five years (2005-2009) and I could easily find out the sale prices by dividing earned amount by sold amount in count to find out their pricing strategy that as a result discovered Acer`s skimming method as their starting method.

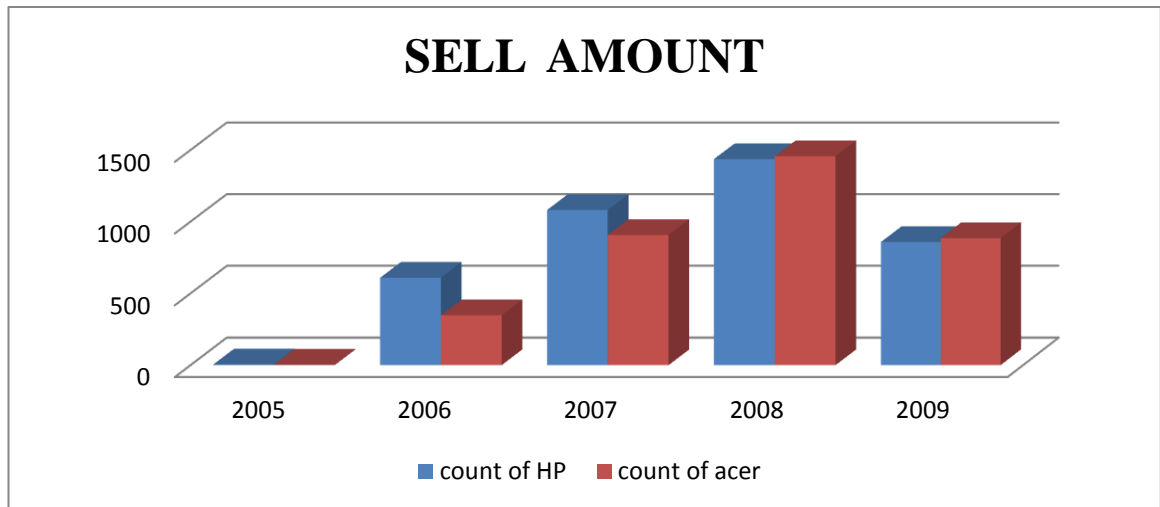


Figure 3: Yearly Amounts of Sells

These graphs are based on the sales and incomes amount I have got from my trainee place from document could not be shown in this theory because of privacy reasons.

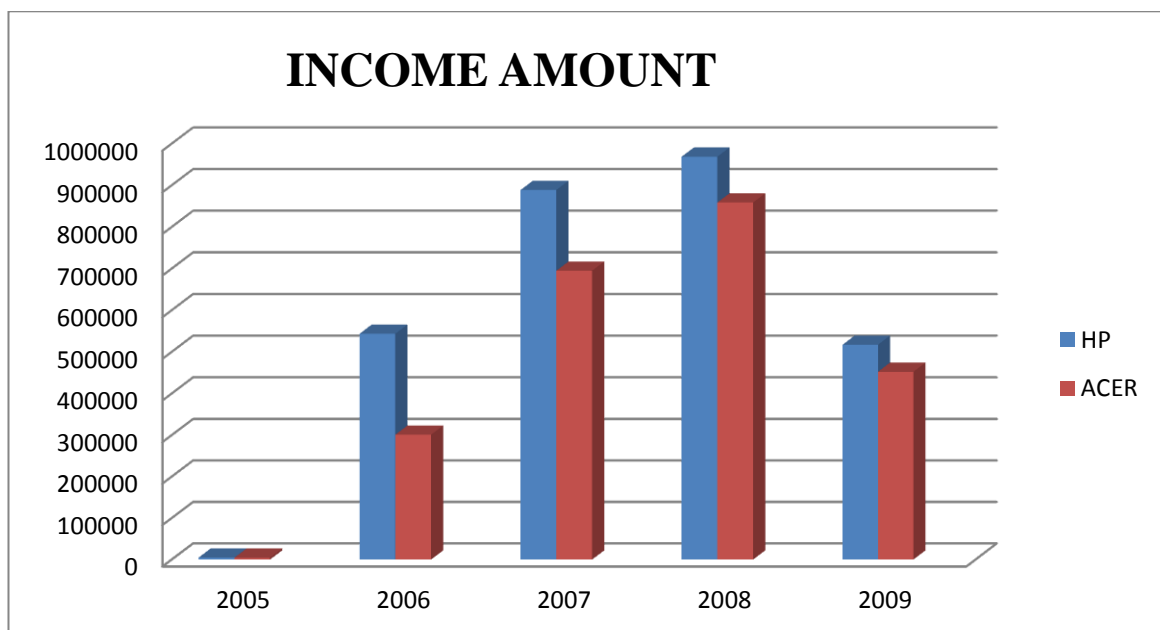


Figure 4: Yearly amount of incomes

In 2005 while Acer started with skimming strategy in pricing they gained less income at the end of the year with a little difference in the amount of sales.(less than HP)

In 2006 in this year Acer decreased the price and sold products at a bit lower price than HP laptops were sold, but sales numbers of products cannot so over the HP products in comparison. Therefore, in 2006 a bigger gap appears in the graph as in the image in above.

In 2007 both companies increased their sales amount with decreasing prices and increasing amount of sales, but Acer could minimize the gap with making more sales than in the previous year but still could not so over HP because they also decreased their prices.

In 2008 Acer succeeded in selling more with selling their products at a cheaper price than HP but still did not successes to gain more income in competition.

In 2009 Thus Acer continued with selling more by keeping the same pricing methodology (cheaper than HP) but could not over the income in comparison.

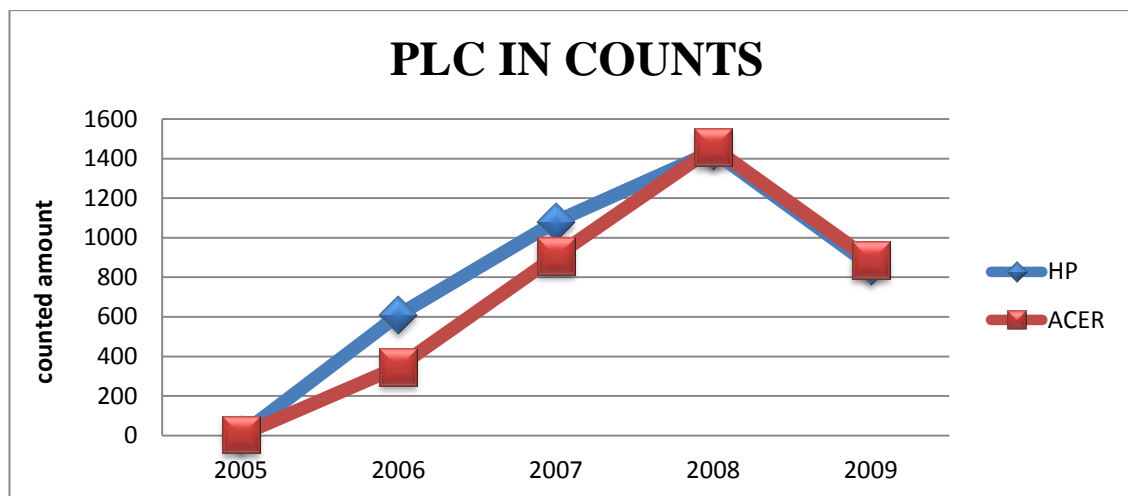


Figure 5: Yearly Sold Amount in PLC

In the result of each yearly sales numbers, ACER sold less than HP in all of years till 2008. ACERS made their maximum sales by overtaking the HP amount of sales in both 2008 and 2009 with approximately 25 more products in sales. However, HP made their income maturity in 2008 with even having fewer numbers amounts of products on sale than ACER.

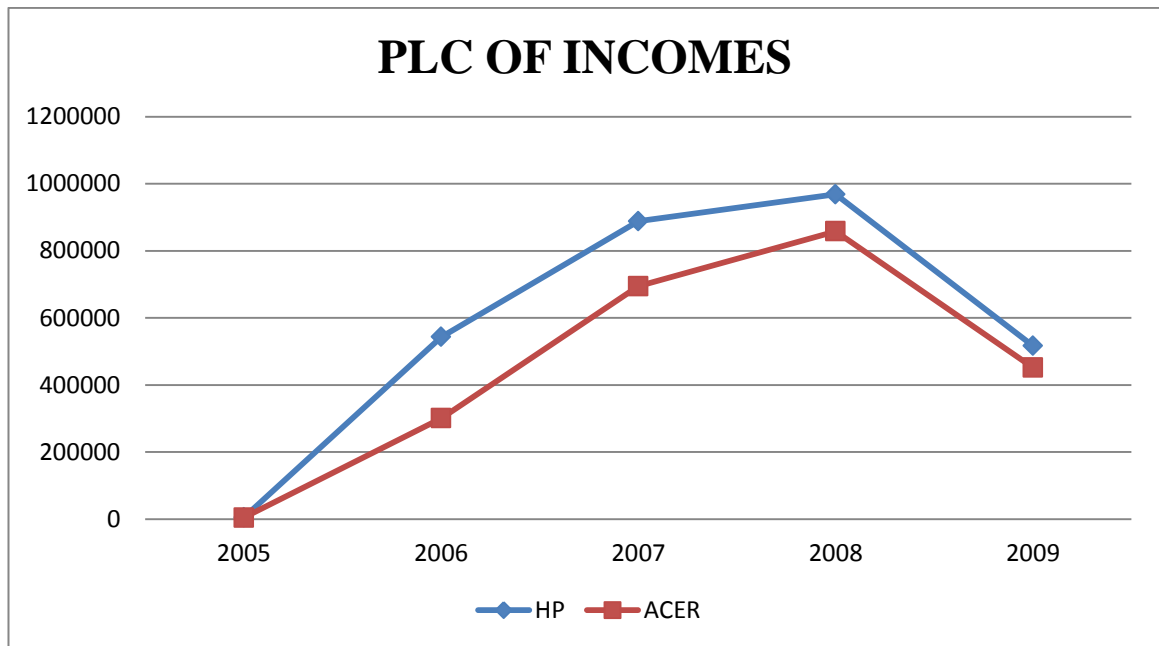


Figure 6: Yearly Income in PLC

These figures show the product life cycle of yearly incomes and as in the stages are visible above, in despite of all precedence; Acer could not over take with the income while they sold even more products in some of stages.

This may have two reasons; the right timing with increase and decrease of the prices like in starting the year there were not many competitors in the market and ACERs skimming method did not succeed because HP could sell cheaper laptops. In starting stage customers were more price sensitive when the product is unfamiliar and in 2005 people did not know as much as they do about computers recently, so they would easily go for the cheaper products because they had less information about technical uses and the image gap is not so big.

In 2006 more competitors appeared, HP increased their pricing and had a higher price than Acer but customers were less price sensitive in this year or their focused segment was less sensitive, and price difference was not so high to become an advantage for competitors as well. So they sold bigger (amounts) numbers and won a competition which could not be covered in the future years either, because they succeeded in making a big gap distance already. They also continued with the same strategy from next year 2007 on too.

And even in the future years ACER could succeed the competition with selling more, but still could not fill the income distance and always gained less than HP. This may have had two reasons; first because the gap distance was too big and it became too hard to fill it and another reason were HP's segmenting advantage.

As it was proved by the conducted interview HP is covering technical segments too, so they get special orders from their customers to fill technical advantages by cheaper price than stronger competitors such as Apple do. So they sell their specified product at a high price but cheaper than the competitors who focused on the same segment which is filling up and making specific product for specific need of a certain customer.

As a sample of segmenting differentiation I will mention HP Company that made some design advantages for the company which is used in the interview in the case study.

9.3 Interview

A result based on a company in Turkey that have been interviewed about their choice of laptop, and luckily they just made a specific kind of a laptop for their work which is not available in the normal market, except by well-known brands such as in Apple or Dell, and those were so expensive for the company to purchase.

As the interviewer stated they had a need for a more advanced model of a laptop which includes some designing programs with a high memory to insert the work in it and some extra designing programs. After researching they found a brand (HP) that is getting ordered by their customers to fill their specific needs at a higher price than normal laptops in the market. So, in fact the branded company had considered more narrowed segment with higher incomes.

He stated that finally the company ordered all of their needs and got a laptop from company A (HP) at a cheaper price but with a bit lower quality and specification than that of Apple is, or Dell is, but that still filled the needs of the company.

10 USED METHODS

10.1 Research Design

Both the quantitative and qualitative methods are used; the quantitative research will include secondary data which has been provided by my training place. The qualitative method is primary data to be collected to proceed with the research process by the answers from the questionnaires and interviews.

Projective technique of qualitative methods will be used to obtain ideas from customers by filling out questionnaires. In other ways customers will perform a specific task by responding to our questionnaires. *Interview method* will be used to gain in depth strategies or special segment of the consumers which gained extra income for the HP computer products.

From three researching methods of primary research which are exploratory, descriptive and causal; Descriptive and causal methods will be used in the studied case. Methods of *descriptive* will be useful to determine adaptive business strategy for future time, by using the information gained in the result of researching on the focus of customer's interest, difference and similarities for our case.

The *causal* method will be used to know by the result of the research which variable is the most effective aspect on successful strategy of the HP and which effective and variable can be focused more to develop a better strategy for the future.

10.2 Challenges of the Research

A variation of chosen strategies and awaking of reasons behind of being best entered country would be so useful in this researching, but unfortunately the respondents were not allowed to answer to these kinds of questions.

Gaining information about chosen strategies of the companies are so challenged by focusing on internal researches, like applying questionnaires to managers, or company workers because of the privacy of the companies. Even if it was possible to penetrate, similarity of the answering through HP companies because they follow the same method of strategy for success would not make enough responses.

Other problems are focusing on specific brand of laptops, as it is hard to have personal interviews and ask each respondent their used laptop brand before handing the questionnaires to them and having questionnaires for all kinds of laptops and separating the HP from the rest as it can add up to being a costly exercise as it would not be possible to know how many of the replies will actually be related to our segment.

Thus, to minimize this problem I used an online method to minimize the cost and time consumption. Also, I was able to forward questionnaires through the online method only to some students instead of the customers of the company, due to customer database privacy of the companies.

Dependency to secondary source will consume lots of time because companies are not allowed to give customer information to secondary persons and then do not have much willingness to spend time on gathering information expanding and informing customers and me.

Therefore, I could not focus on a special segment and had expanded the questionnaires to students, but preferably first to IT students who know more about tech-

nical advantages. The aim was to see how far customers are interested or care about technical differences, or it is mainly about branding image or price. Also questionnaires should not be so long so people would desire to respond to the questionnaire well, and despite this shortening the questions should be qualified enough to gain the answers needed without repetition.

10.3 Qualitative Research

A research with 16 responders from technical students including 5 females and 12 males (69 %) and 75 % of the segment are between 20 to 30 years old and the rest just under 40.

6 of them have purchased the products earlier, and 11 are using one of focused brands, 9 would prefer ACER if the price was the same and one of responds does not like any of products , 6 think they have got more than what they were expected and 2 got just what they had expected . The rest bought other brands. 2 of the respondents are really interested in HP, one had bought an HP earlier too but the other one had an ACER.

In the results of the respondents opinion about pricing, image or technique is their biggest reason of choice 12 respondents were carried about quality and technical advantages and 3 about price. While the segment is both technical and price sensitive, the responds that were not so related to our case mostly preferred computers with higher techniques. 9 of responders would buy the same product as they did earlier.

Mostly the respondents use the same computer between 3 to 4 years or as long as it works well. The rest of questions are not mentioned in the explanation because of the variety of the answers which were not so relevant for the study.

10.4 Evaluation of the qualitative research

As a result students who are price sensitive customers were still interested more on technical advantage because they use the product for a long period and the respondents were IT students .This research had shows how important quality is for the customers, but this result depends a lot on the segment. I would like to have got responces from students of other majors too and compare the results with the

focused segment but, unfortunately, I did not get any responses from them. That might be a result of their lack of interest in technical products too, so it is possible that they just buy what is cheaper, but there is no proof of that.

Even if segment is related to technical interested customers still they were not related to the segment which HP used for higher benefit (specifications), because these customers did not look for specific products and they can also find the higher technique which are cheaper in the market like LENOVO that was actually the preference of most of the respondents. Also those specifically made HP laptops are not available in the market, so the customer who really needs one will look for and, of course, will have more willingness to pay a higher price, so normal customers may not be even aware of these specifications.

The results of the qualitative research are not much related to the quantitative results I had for the reasons I explained above. Also the answers were limited in number. There were only 16 responses and some of them did not answer the main questions, some of them had miss understood the questions while I tried to keep it as simple as I could for example, the respondents answered how long per day they use the computer instead of answering how many years or months they had used the same product. Some of answers were not useful for evaluation (errors) at all.

10.5 Reliability and Validity

Proving of pricing and pricing effects need enough qualitative studies because it is not possible to evaluate a result through the secondary research collected. However, segmenting differences by visible pricing differences are provable by the gained information.

This research focused on customers, to learn what was favored and the willingness or need to pay more for an HP than for an ACER. The secrecy of company to protect customer's data caused the strategy as the companies doesn't help in gaining any knowledge about the chosen strategy. So, customers point of view was more accessible, but it is not as reliable because their point of view may be different than the focus of the company.

Availability of expanding the questionnaire to the same buyers would make this research more reliable, so both the counted amount of sales and incomes would be from the same segment and the same customers who would reply mainly to the research questionnaire as well. But the challenges caused focusing on students and limited responses that decreased the validity and reliability of the qualitative research. Specially, in this case most income of the company was from their focused segment which is based on specialization and expanding questionnaire to that segment is not possible, even to have had an interview with one of those segments but we may not find easily enough amount of those respondents to get a reliable research.

So, the qualitative research gave a total view of customers' views about their interest on the chosen brands than reasoning the success of the case. The reasons for success is more related to qualitative research (the interview) from which is hard to find out those special segments, so the interview is a sample of the chosen segment (strategy).

This will reduce the reliability of the result to be counted as a whole market competition because we focused on special and different segment (students). But the quantitative research which is based on statistical research that were already collected (secondary) are reliable enough to demonstrate the success and yearly stages.

As a result I would say the qualitative research carried out was not so reliable but the quantitated research was reliable enough as I could not show the real prices and statements because they were used in fact and show clearly income, outcome, and expenses of the company. But it was possible to find out this used strategy through the graphs. I only mentioned the result of the statements not the amounts to keep secrecy of the companies.

10.6 Benefits of Investigation

This case will gain more information for the students about differences and strategies of each stage, despite awaking them from the problems and challenges of managing product life cycling, and not to be careless about this important aspect.

Thus this research by focusing on chosen strategy and customer's point of views will elucidate the key points for success in product life cycle (PLC) management. At least the chosen case study (HP) will be a guidance of a company which have been successful and guide the students and managers on how to win in other markets with other strategies by considering this case as a sample.

Also, this case can be useful for the HP Company by making comparisons between their focused strategy and customer point of view. So does the customer focus on the same utility or they can benefit more by focusing on other utilities which might be even cheaper than they thought. Customers have not chosen the product because of their focused virtue, or which segmenting strategy can be more profitable as the sample of the study.

11 CONCLUSION

Through the theoretical part of the study we could see the relation between strategies and how important especially a starting strategy is and how hard it is to fill a competition gap later on. Especially in this case adding a narrowed segmentation made a big gap which could not be covered later by the competition and would not be easy to find out this strategy by other competitors either.

Also, when an entering product is new in the market and there are not many competitors skimming is not always a successful strategy while a product is expensive, valuable and on later competition on customer's trust will become a reason of preference and that will not occur if the purchaser is not familiar or has not tested the product before and will rely mostly on words.

The used quantitative sources and comparison between two companies had more elucidated the meaning of the decline stage for a company, and clear the idea behind declining stage in a company does not necessarily mean always declining in the market as well.

In this case there are two successful company that are stable and well known in the market and it seems they will be later on too while by the comparison now we know which one is gaining more and more success, but the only considerable aspect on customers mind is his image of the brand, trust which has come after many years at sales and word of mouth, but through this analyses students as later entrepreneurs and managers as a companies planning developer can see more in depth strategies effects on the incomes and consider it due Mannering a business.

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APPENDICES

QUESTIONAIRES

Gender

Female

Male

2) How old are you?

20-30

31-40

41-50

51-over

3) What is your current position?

Student

Working

Retired

unemployed

4) What was your previous laptop's brand name?

Name:

5) What is your favorite laptop's brand name? Why?

6) Do you use ACER or HP laptop? Why?

YES Because:

NO Because:

7) How long did it work (was usable)?

8) How long do you usually use the same laptop?

9) Which option was the reason of your preference?

Price suitability technical advantages
what?

Image Other,

10) Is your current laptop as you expected?

Better

worse

as expected

11) Which laptop would you prefer to buy if you had enough money? Why?

HP

ACER

Because:

12) What did you like about your laptop AFTER purchase?

13) Would you buy the same brand again? If not why?

YES

NO

Because:

14) Why would you buy a new laptop?

10.8 Questionnaires Reasoning

To find out customer's perspective and the most effectiveness factor on their purchasing decision. This questioning had start with age of the customers to facilitate targeting relation between ages and preference reasoning (image, price, and technique).

Q 2) second question made in purpose of revealing income importance on choice of customer.

Q 3) Naming of responders previous laptop is made to measure distance of the fact and answers, in despite of future use of answering to know which expectation caused competitor's laptop use, and which experience caused a change. This will help on later strategic considerations and development.

Q 4) This question ask favorite laptop and the reasoning to compare customers real interest and how far this reason is similar to their choice in fact (previous Q) my chosen strategies (image, price, technique). This comparability with fact and break limitation of reasoning which is made by my limited strategies (image, price, technique).

Q5) To make best result of this question is comparing answers of question 3,4, to see what is customer's real favorite, with Q 4 how possible is in fact with the reason, and which aspect is more effecting in fact than what customer is considering.

Q6) Mentioning focused brand names and answering the reason by responder's own sentence instead of optional choice are written ,first to know the responds part our focus (HP,ACER) .secondly the reason of their preference have been asked to see if any other reason than my optional strategies have been effected.

Also if use other kind of brand what had caused this preference so maybe our company can focus or develop their method by considering that strategy too, an also we will aware of another important aspect in customers point of view.

Q 6&7) these questionnaires are cooperating to get the best result of customer's

goal of purchasing. Do they need to buy or they prefer to buy. Second reason is to measure lifelong strength of the brand and how important is for renewing.

Q 8) focused on the chose strategies due theoretical part which are image, technique advantage and price; to see which mostly our segment is affected by .Also this question will be compared to explanation in previous question.

Q 9) made in purpose of examining equality of expectation and experience by asking their opinion about their current laptop.

Q10) in purpose of measuring importance of pricing of our segment and Also to measure responders answering reliability, by repeating pricing issue. Also it's a way of value comparison of our two focused competing laptop, and to know which one is more price sensitive and in other hand which is more focused on value and quality.

Q10) is asking about what purchaser had like after buying and also had been mention in purpose of finding strongest of the product or what have been more than expectation. In this way can focus more on that aspect in future development.

Q11) this question asks what customer didn't like of the purchase, to find out weakness of the product.

Q12) Is asked reasoning of buying a new laptop, to see is it mostly based on need or want. Also respond of this question will help to know what is more considered in customers point of view and observe it due developments on future generations.