TOPIC 3: MARKETING

The businesses used for case study purposes are:

- Subway – target market
- Pepsi – branding and packaging
- Coca-Cola – product differentiation
- Tiger Airways – pricing and promotional strategies
- Nintendo – word of mouth
- Lion Nathan – promotional strategies
- L'Oreal Paris – marketing orientation and marketing mix
- Starbucks – price and product positioning
- Virgin Blue – ethical aspect of marketing
- Cadbury – legal aspect of marketing

Subway: Choosing the right target market

Subway started as a single outlet in Perth in 1987. It is now one of the most successful fast food franchises in Australia. Its target market is young Australians who prefer nutritious fast food instead of burgers and fries.

Unlike its competitors such, as McDonald's, Subway allows its franchisees to choose their own food suppliers, to ensure they can access the freshest ingredients from their local markets. This gives Subway a competitive advantage by enabling them to produce nutritious sandwiches with the freshest ingredients. Hence their catch advertising tagline – 'Subway – eat fresh'.

Pepsi: Branding and packaging

Pepsi's problem is that it is a **big brand in a shrinking market**. Sales of carbonated soft drinks declined from 10.24 billion cases in 2004 to 10.18 billion cases in 2005. The main reason for the decline is growing concern about obesity.

Last month Pepsi launched a global re-styling of its Pepsi cans, with a series of 35 new **designs, with themes such as music, sport or fashion. The globe logo and the lettering on the cans will remain the same**, but a new theme will make its debut every few weeks. Each one has its own website with video clips and other enticements to engage consumers. The aim is to represent the "fun, optimistic and youthful spirit" of Pepsi, says the firm. Analysts believe changing the packaging is a tired brand's last refuge.

During its 109-year history Pepsi has undergone many re-brandings, of course, none on this scale. By next year the current red, white and blue Pepsi can, will disappear from the shelves. The company instead promises a "sustained discovery" for people of all ages and – not surprisingly – a new "experience."

Coca Cola: Product differentiation
Soft Drinks In Asia – Hong Kong Orange Gold

Adapted from *The Economist* March 3, 2007

Coca-Cola strikes it rich in Asia with a new drink

A drinks company must be able to depend on a powerful brand; but it also needs to come up with sought-after novelties. The odds against such a thing are staggering. The selection in vending machines has barely changed, if it has changed at all, in a generation. So the success of Coca-Cola's new orange-juice drink, developed in China is a rare triumph.

In most parts of the world Coke's sales are driven by the famous fizz, with richer countries, where calories are all too abundant, leaning increasingly towards Diet Coke, developed in 1982, and poorer countries leaning towards the original sugary stuff dating back to the 19th century. Not so China's poorer interior, where the **dark colour of colas is associated with the dark tea traditionally used to mask the sediment in the local water**. Here the consumers prefer the clear, citrus-flavoured Sprite, developed in 1981.

After much consumer and product research at a new laboratory in Shanghai, Coke came up with a drink that combines the ingredients of plain old orange-juice and real pulp, accounting for about one-fifth of the liquid – with calcium, vitamins and lots of water. The diluted drink costs about $0.30 for a 500mL container, or about a quarter as much as pure orange juice. Following a small test-marketing project in 2003, "fruit pulp orange" has steadily been rolled out across China and has recently become available throughout the country.

The results have been staggering, particularly in poor regions, where the usual orange juice sold by Coca-Cola's Minute Maid subsidiary would be unaffordable. The new drink quickly became the most popular or second-most popular juice in every region of the country.

As a result, Coca-Cola's overall volume of sales in China surpassed those in Japan in 2006, making it the company's fourth largest market, behind Brazil, Mexico and

America. Following orange pulp's success in China, Coke launched it in Thailand in 2005, where it has been a huge hit, and on February 19 the company began rolling out the new drink in India too. This enthusiastic welcome is in sharp contrast to Coca-Cola's fate in developed markets: single digit growth in Europe and none at all in America. For mass-market drinks firms, the opportunities, such as they are, lie in the developing world.

Tiger Airways: Pricing and promotional strategies
Airfares set to fall as Tiger finds a home

Adapted from *SMH* May 3, 2007

Melbourne will be the Australian home of budget carrier Tiger Airways which has already managed to spark a price war.

It has already set off a **discount price** war in the domestic airline market with Tiger promising to beat the prices set by Jetstar and Virgin Blue.

Jetstar pre-empted Tiger's decision by selling 30,000 domestic route tickets at $3 each to its customers.

From midnight, it also began offering 100,000 tickets for $3 for domestic flights and tickets to Honolulu, Bangkok and New Zealand during restricted times with the purchase of another Jetsaver fare.

The "take a friend" promotion meant seats for selected flights and times in June, July, October and December allowed a second seat on the same flight for $3.

Tiger, which is 49 per cent owned by Singapore Airlines, will require space at Tullamarine to house five aircraft. The fleet is expected to grow to about 20 in the years ahead. Virgin Blue operates with about 50 planes while Jetstar has about 25.

Melbourne Airport would not comment on the decision ahead of this morning's announcement but confirmed it had "plenty of room" at Tullamarine for Tiger.

It is expected that Tiger will initially offer services from Melbourne to Sydney, Brisbane, Canberra and Adelaide.

The airline could be ready for take-off in the domestic market within months.

Nintendo and Microsoft:
The benefits and pitfalls of selling products by word of mouth

Adapted from *The Economist* April 7, 2007

When it came to promoting its new video game console, the Wii, in America, Nintendo **recruited a handful of carefully chosen suburban mothers in the hope they would spread the word among their friends that the Wii was a gaming console the whole family could enjoy together**. Nintendo thus became the latest company to use "word of mouth" marketing. Nestle, Sony and Philips have all launched similar campaigns in recent months to promote everything from bottled water to electric toothbrushes. As the power of traditional advertising declines

After all, no form of promotion **carries as much weight as an endorsement** from a friend. "Amway and Tupperware know you can blend the social and economic to business advantage. The difference now, is that the Internet can magnify the effect of such endorsements.

The difficulty for marketers is creating the right kind of buzz and learning to control it. Negative views spread just as quickly as positive ones, so if a product has flaws, people will soon find out. When Microsoft send laptops loaded with its new Windows Vista software to influential bloggers in an effort to get them to write about it, the resulting online discussion ignored Vista and focused instead on the morality of accepting gifts and the ethics of word-of-mouth marketing. Bad buzz, in short.

Lion Nathan: Promotional strategies

Adapted from *BRW* March 8-14, 2007

When Lion Nathan was devising a marketing campaign for Tooheys Extra Dry Premium it knew it could not rely on mainstream media such as TV and magazines alone to reach its main target of men aged 18-24, many of whom are not big consumers of mass-market media.

Instead, Lion's marketers and its creative and media ad agencies developed a campaign covering 30 different media channels. These channels included websites, mobile phones, ads in toilets, and **promotions** in pubs, clubs and liquor stores. It also created a Tooheys Extra Dry Premium **website** that included interactive features such as games to engage the audience and give them a way to interact with the brand.

The campaign was a success, leading to strong sales and high "brand health" scores. It also provides a guide for other marketers who know they can no longer rely on two or three media to reach consumers but are not sure how to create and manage a multimedia strategy

L'Oreal: Marketing orientation and marketing mix

Adapted from www.afrbiz.com.au

L'Oreal Paris, the signature brand of the L'Oreal Group, operates at the prestige end of the mass health and beauty market with a range of skincare, cosmetics and home hair colour for women of all ages. This sector of the market is highly competitive. Numerous products jostle for sales, with competitive promises and price leading to frequent brand switching. **Brand loyalty** is a challenge to maintain.

Traditional forms of advertising, through glossy magazines and TV, have been the preferred and accepted advertising approach. However, advertisers have become far more selective in targeting their markets and spending their advertising and promotional budgets.

L'Oreal Paris wanted to **diversify** its ability to reach its market. In an effort to differentiate itself from competitors, strengthen brand values and consumer loyalty. It sought a communications program which:

- Established a direct communications channel that enabled targeting subgroups of consumers
- Gained consumer insights through regular and cost-effective research
- Developed relationships with consumers that engender brand loyalty consideration on each and every purchase occasion.

An obvious solution was to produce a custom magazine. Recognising the marketplace was already crowded. L'Oreal Paris decided against this medium. L'Oreal Paris researched Internet penetration, finding that women use the Internet as much as men and the most common application by women was e-mail.

The results were compelling and the decision was to use the **e-mail** to communicate to its customers. Rather than build an expensive website, the company took a more strategic approach and created an online loyalty program – The L'Oreal Beauty Club. The site was designed to be refreshing, capture the essence of the brand and be visually appealing to the target market.

The Beauty Club is a **loyalty program**, supported electronically and designed to reach and hold customers. It is a monthly membership based email newsletter. In return, the newsletter provides members with product reviews, beauty and fashion tips as well **as exclusive offers and competitions**. The newsletter enables L'Oreal to showcase its products, conduct market research, trial products and share its expertise with a loyal consumer base.

Information about members is stored a database which integrates registration data, consumer survey responses, competition interaction and offer redemption. This enables the business to customize the newsletter content based on interests, geographic region, product usage, survey responses, demographics and other important factors.

Benefits of ongoing market research – L'Oreal Beauty Club

- ✓ Editorial exclusivity and control
- ✓ Support for product lines
- ✓ Pre-emptive competitive launches
- ✓ Access to a rich source of consumer insights
- ✓ Development of meaningful relationships with consumers

Starbucks and Pepsi: The relationship between place and product positioning

Two global drink brands are trying to revitalise themselves

Adapted from *The Economist* March 3, 2007

Pepsi and Starbucks share a problem. The second-biggest maker of cola and the world's largest chain of coffee shops are both worried about how consumers **perceive their brands**. Pepsi has always been about "experience", says Ron Coughlin, a Pepsi marketing executive. The trouble is that consumers are increasingly experiencing healthier soft drinks and bottled water, rather than sugary cola. Starbucks, meanwhile many have expanded too quickly, which is why Howard Schultz, its chairman, worries that the "Starbucks experience" is under threat.

Mr Schultz says that the expansion from 1 000 to more than 13 000 shops over the past ten years has led to a watering down of the Starbucks experience. One result, says Mr Schultz is that some people find its stores sterile, cookie-cutter, no longer reflecting the passion or partners feel about coffee.

Starbucks and Pepsi rank among the 50 most valuable brands in the world. Both have prospered by exploiting their strong brands to sell what they are really commodities – coffee and cola – at premium prices. A cup of coffee costs about three times more at Starbucks than at an ordinary coffee shop in New York and Pepsi sells for 60-70%

more per litre than supermarkets' own label colas. Now both companies are at risk from a growing sense that their products are indeed just commodities.

Mr Schultz suggests the company needs to go back to its roots. The smell of fresh coffee beans is supposed to waft through brightly lit cafes fitted with tables and comfortable chairs. Electrical plugs let customers recharge their portable music players or laptop computers. Most Starbucks in America and in some other countries provide wireless Internet access.

But during its expansion Starbucks installed automatic espresso machines, rather than hand pulled ones, added drive-through windows for motorists and started to sell hot food, mugs and even CDs. **As McDonald's, Dunkin' Donuts and other fast-food chains moved upmarket, Starbucks looked less distinctive**. A US magazine published reviews of consumer products, recently rated McDonald's coffee more highly than that sold at Starbucks.

Mr Schultz's desire to return Starbucks to its roots would appear to be at odds with the company's stated goal of growing to 40 000 outlets worldwide. Some analysts think Starbucks' brand is already over-stretched. This year Starbucks lost first place in an annual study of consumer loyalty in the coffee-and-doughnuts category to Dunkin' Donuts.

Virgin Blue: Ethical marketing - environmentally responsible products

Virgin Blue turning planes green

Adapted from *SMH* May 10, 2007

Virgin Blue will apply a world-first green treatment to the paintwork on more than 70 of its aircraft, eliminating the need to wash the planes and saving tens of thousands of litres of water.

The airline has just signed a six-year agreement with Sydney-based specialist Permagard Aviation to rejuvenate and protect the exteriors of 72 current and future Boeing 737s and new Embraer regional jets.

"By reducing the amount of grime which sticks to the aircraft and by extending the life of the paintwork, we can reduce exterior cleaning time, defer major repainting and exterior restoration and increase the time in which the aircraft are in the air," Virgin chief operations officer Andrew David said.

The Permagard process cleans and completely seals the aircraft's outer surfaces without using water, creating a permanent barrier between the aircraft's paint and the extreme flying conditions in the Southern Hemisphere.

"Our treatment is a **totally green solution**, designed specifically to protect high-performance painted surfaces," said Permagard Aviation managing director Mark Pettitt said.

Virgin is required to wash each of its aircraft every 60 days, but Mr Pettitt said his program **eliminates the need to wash the planes**, replacing this process with a re-application of the protective coating every 12 months

Cadbury: Legal aspects of marketing – Misleading and Deceptive Advertising

Cadbury’s blue over purple goes back to court

Adapted from the *AFR* May 22, 2007

The two well-known chocolate companies, Cadbury and Darrell Lea has had long dispute over the **similar colour** of their brand. Companies develop brand image through numerous marketing campaign and strategies to build a **customer loyalty** or a certain **perception from consumers**. Cadbury claims that Darrel Lea uses “deceptively similar” shade of purple to that used by Cadbury to create a “purple bullseye” on shops. Furthermore, Darrell Lea is appealing against Cadbury’s trademark in its shade of purple. Both cases are currently still underway.