

Marketing law essay sample



There is a prevalence of new macroenvironment trends emerging in the automotive industry. Consumers are generally aware about the adverse affects of the pollution generated by the motor vehicles; therefore deciding to elect 'green' motor vehicles which produce substantially lower green house gases than petroleum cars. The structure of Australian families are changing as couples are delaying birth to their children or opt to only have one child or no children at all. Australia's population is also experiencing a shift in the age structure as there is a distinct increase in the proportion of those aged 65 years and above from 10% to 13%, this is due to the sustained low fertility rate and increased longevity. Australia is a stage of economic growth, due to the historically low interest rates and the achievement of full employment; therefore consumers are currently wealthier.

Target Market

Kotler et al (2007) states that geographic segmentation calls for dividing a market into different geographical units such as nation, regions, states, municipalities, cities or neighbourhoods. Automotive Innovation is focusing on targeting city areas within North Sydney, North Parramatta, Castle Hill as the three areas are urban and have a strong concentration of mature aged adults (50 to 65 years old) with high household incomes and are tertiary educated.

Demographic segmentation consists of dividing the market into groups based on variables such as age, gender family size, income, occupation, education, religion, race and nationality Kotler et al (2007). Demographic

segmentation variables are popular amongst marketers as customer's wants are associated to variables such as income and age.

Mature adults are joining health and wellness facilities faster than any other group today (Gale, 2003), indicating an increased awareness of their health and environment. The demographics aforementioned, mature aged adults comprise at least 11% of each area (ID, 2007) and obtain a high household income (\$1500 and above). Automotive Innovation focuses on high income earners as the company's Hybrid car is relatively expensive due to the relative novelty of electronically powered combustion system and will only appeal to the consumers that can service a high valued loan.

To quote from Kotler et al (2007), psychographic segmentation is where buyers are divided into different groups based on socioeconomic status, lifestyle or personality characteristics. People categorised in the same geographical group can have rather distinctive psychographic profiles.

Clark et al (2006) states that older consumers are more likely than any other demographic group to practice environmentally conscious behaviours. The Hybrid automobile was developed to reduce gas emissions, air pollution, fuel consumption and resources, by running on a reduced amount of petrol and relying primarily on electricity as its source of fuel. The Hybrid appeals directly to the socially aware group who are generally the mature aged adults, as this group lives an environmentally conscious lifestyle.

Behavioural segmentation divides buyers into groups based on their knowledge of the product, their attitude towards it, the way they use it and their responses to it. The main benefit the Hybrid provides is economic, with

increased gas mileage by essentially limiting how much they use the gas engine when accelerating, which is when the car burns the most fuel. This is essentially for the consumer segment that is interested in saving both money and the environment. The Hybrid is a high usage product as it can be utilised everyday as a means of transport for personal usage.

Kotler et al (2007) states that a target market consists of a set of buyers sharing common needs or characteristics that the company decides to serve. Automotive Innovation will construct a Hybrid car that delivers the utmost comfort and utilises the internal combustion engine to exploit the economic and environmental benefits. The company will employ a concentrated marketing strategy and focus its marketing efforts towards the mature age adults located in the aforementioned locations, as the group presents an attractive prospect with a substantial market available and with a projected increase from 13% in 2002 to 27% in 2051 (ABS, 2003).

Marketing objectives

- To develop an environmentally friendly car based on a hybrid model that will have a green house rating of 9, attaining the highest in the hybrid class that addresses the concerns for our environment. This will strengthen the ‘green’ credentials of the company and take advantage of the social trend towards environmental concern.
- To obtain product-quality leadership in the local hybrid car market by developing the most fuel efficient and technologically advanced car in the hybrid market, focusing on the economic trend that consumers have an increased amount of disposable income. The technology is plausible as

currently there are only two model hybrid cars available in the Australian market (Choice, 2005). The hybrid car will achieve a fuel consumption of 4.0L per 100km, excelling the Toyota Prius by 0.4L.

- To enhance profits by introducing new profit revenue in the hybrid market, increase the market share in the hybrid market by consistently being the vanguard of innovation and efficiency. The increase in overall sales will lead to a decrease in production costs due to the excess sales being reinvested into production improvements.

- Develop and deploy an additional marketing channel, establishing a virtual store where consumers can attain information on our current automobile range, book a test drive online and arrange a meeting with one of the salesmen.

Marketing mix

According to Kotler et al (2007) the marketing mix is defined as the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The four groups of variables known as the marketing mix are the 'four Ps': product, price, place and promotion.

Kotler et al (1998, p57) defines the marketing mix as "the set of controllable marketing variables that the company blends to produce the response it wants in the target market." The variables of the marketing mix are the 'four Ps':

Product

As Kotler et al (2007) points out, a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. A product is more than simply the tangible, physical entity that a company may be buying or selling. A product from a marketer's perspective is considered on three levels.

The first level is the core product, this is not the tangible, physical product but is essential the benefit of the product that makes it valuable to you Baron et al (2006). Automotive Innovation hybrid automobile is titled Paramount as the quality, efficiency and safety of the car is of the utmost excellence. The core product provided by Paramount is essentially environmentally comfortable transportation.

The next design after the core product is the actual product. Kotler et al (2007) states that the actual product is a product's parts, styling, features, brand name, packaging and other attributes that combine to deliver core product benefits. Paramount is a 5 door sedan, with a 1.7 L internal combustion engine (ICE), the boot and the hood are made out of aluminium to decrease the weight and improve the overall efficiency of the car. The economic trend that consumers are wealthier caused the inclusion of the latest technological equipment including DVD satellite navigation, radar cruise control, dual climate control and leather trimming sets to distinguish the Paramount from its competition. The increased concern towards the environment allows the company to adopt a product strategy that uses recycled paper for the labels and brochures advertising the automobiles.

The final design around the core and actual products is augmented product. Referring to Kotler et al (2007) augmented products are additional consumer services and benefits built around the core and actual products. Augmented product is the non-physical part of the product. The augmented product that is delivered with the Paramount is a 3 year on road warranty, negotiable credit conditions and 3 years road side assistance.

Kotler et al (2007) states that consumer products are those bought by final consumers for personal consumption. This allows marketers to further classify the products in order to understand how consumers go about buying them. Paramount is considered to be a specialty product, Kotler et al (2007) shows us that specialty products are consumer goods and services that have unique characteristics or brand identifications for which a significant groups of buyers is willing to make a special purchase effort. Consumers are willing to travel the extra distance in order to purchase the Paramount as it provides features that are unique in the hybrid class, primarily the economic and technological advantages possessed.

To quote from Kotler et al (2007), " product position is the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products." The Paramount's advantages over the competition is within the physical features of the automobile, the bonnet and boot are composed of aluminum and employs the latest advance in hybrid engine technology to promote the benefit of the economic advantages the automobile entails. The position maintained by the Paramount in the Hybrid class is an automobile with

superior efficiency and quality employing the latest technological advances within the vehicle.

Price

Kotler et al (2007) states price is the amount of money charged for a product or service, or the sum of the values consumers exchange for the benefits of having or using the product or service.

Automotive Innovation is large company able to realise economies of scale through the sheer production capacity of the company lowering the production costs per unit. The production costs to construct the Paramount requires a large outlay of capital and in order to profit maximise a premium pricing strategy must be adopted. The Paramount offers an array of benefits that surpass the benefits of the hybrids currently in the market. Paramount offers the most efficient fuel automobile in the hybrid market and delivers the latest technology (DVD satellite navigation, and radar cruise control) providing a competitive advantage over the competition allowing the company to charge and adopt a premium pricing strategy.

The company will adopt a cost-plus pricing strategy and set the price to \$39,999 for the vehicle realising a profit of \$3,999 per unit sold after fixed and variable costs. The price exceeds the most expensive car in the current hybrid market by \$3,499 (Toyota Prius) though more than compensates for the premium with the benefits associated in the Paramount.

Toyota and Honda are the only two companies currently in the hybrid car market (Choice, 2005); therefore the hybrid car market is under oligopolistic

competition. Kotler et al (2007) shows that oligopolistic competition is a market consisting of a few sellers who are highly sensitive to each other's pricing strategies. As an oligopolist, sensitive pricing strategy must be adapted; therefore charging a premium price for the Paramount may cause competitors to adopt a similar strategy and lose demand.

The company also integrates an optional product/service pricing, Kotler et al (2007) states that optional product/service pricing is offering to sell optional or accessory products or services along with their main product. In addition to the standard features that come with the Paramount, the company offer additional features with the vehicle including roof racks, tinted windows and a wide selection of professional coating for the automobile.

Automotive Innovation will also employ a number of price-adjustment strategies that includes allowances. Consumers will be able to trade in their vehicle and purchase the Paramount at a discounted rate. Psychological pricing is a pricing approach that considers the psychology of prices and not simply the economics – the price is used to say something about the product (Kotler et al 2007). The Paramount is charged at a premium price therefore consumers associate a high price with high quality, though in this vehicle there is a correlation with price and quality as the vehicle is valuable. The vehicle is charged at a price of \$39, 999, this is an example of psychological pricing as the difference between \$39, 999 and \$40, 000 is one dollar, though it is primarily used for customers viewing the vehicle within the \$30, 000 range and not the \$40, 000 range.

The company employs a market-skimming pricing, Kotler et al (2007) states that market-skimming pricing is setting a high price for a new product to skim maximum revenue from the segments willing to pay a high price; the company make fewer but more profitable sales. The Paramount is charged at a premium price of \$39, 999 allowing the company to realise a profit margin of \$4, 000 per each unit sold.

Automotive Innovation competes using primarily price factors, as a premium pricing strategy is adopted in order to ensure the company maximises the potential profits and exploits advantages provided by the vehicle against its competitors.

Place

Bucklin et al (1966) states place is a channel of distribution comprising a set of institutions which perform all of the activities utilised to move a product and its title from production to consumption. Place is also known as channel, distribution, or intermediary. It is a mechanism through which goods and/or services are moved from the manufacturer/service providers to the user or consumer.

Automotive Innovation is a large car manufacturing company located on the M7 Business Hub in Eastern Creek it has several dealerships located within New South Wales and Victoria. Optimal distribution channels are ensured as the company is located in the heart of the M7 motorway, thus ensuring maximum time efficiency in the distribution networks.

The company utilises the logistic services of TOLL as it is the leading provider of integrated logistics services providing a cost effective form of distribution. The company primarily uses the road trucks as the form of transportation between networks and exploits the benefits provided by the location of Automotive Innovation. The increase in transportation efficiency generates an overall decrease in distribution costs.

The Paramount is retailed in the company's dealerships and consumers can access information regarding the details of Automotive Innovation's fleet. The salespeople in the dealership exude the utmost professionalism, thus enabling the salespeople to develop a personal relationship with each customer increasing the prospect of a purchase. The dealership contains a showroom where customers can view, touch and organise a test drive with one of the company's motor vehicles. The dealership provides a pleasant ambience as contemporary classical music arouses the ear and enlightens the mind of the consumers who are generally of the more matured aged. Timber furnishings and trim European carpeting adds a dash of sophistication in the showroom.

Promotion

Kotler et al (2007) states that promotion is the activities that communicate the merits of the product and persuade the target customer to buy it. This includes personal selling, sales promotion, public relations, direct mail, trade fairs, exhibitions, advertising and sponsorship.

The company will primarily focus on communicating with the through Foxtel, a form of pay-TV. This is a form of targeted communication and the

advertisements of the Paramount will be employed during 5pm to 7pm where there is a high concentration of mature aged viewers (ABS, 2005). Direct marketing is utilised through the use of catalogues that will be distributed in the target areas (North Sydney, North Parramatta, Castle Hill) and also where there is a high concentration of mature aged adults in New South Wales.

Advertising for the Paramount targets the consumers categorised as the socially aware, where the desired response is first to be consciously aware of the relatively novel automobile technology and the vehicle's environmental and technological advanced features. Thus, establishing a preference towards the economical advantages it possesses, ultimately leading to a purchase of the Paramount. The main objective for the advertising of the vehicle is primarily to inform the target market thus establishing increasing demand, then to persuade individuals increasing select demand.

The primary message content in the advertisements will possess rational and moral appeal. Rational appeal as the vehicle is economically superior to its competitors and moral appeal as the vehicle is environmentally friendly. The message structure in the advertisement will assert the economic and technological advantages over the competitors.

The establishment of the Automotive Innovation website allows the evaluation of online marketing to be utilised, the use of cookie can monitor web behaviour and a click stream analysis.

The marketing communications mix is a pull strategy as it employs the marketing activities towards the final consumer. Advertising and direct

marketing provides a stimulus if successful induces the consumer to ‘ pull’ through the channels.

Automotive Innovation is a large company and with the introduction of the Paramount into the fleet, the vehicle is being heavily promoted. The IMC mix budget strategy is large as the company approximating \$2 million dollars within the first three months to initiate the awareness of the vehicle.

Conclusion

Automotive Innovation is subject to the forces of the macroenvironment, the forces that comprise the macroenvironment have the ability to change the marketing environment. The company is primarily targeting the mature aged adults (50 to 65 years old), with a high income who are concerned with the detrimental impact on the environment.

The company’s marketing objectives include developing a environmentally friendly vehicle using a hybrid model, obtaining quality-product leadership by utilising innovative and technological strengths, increasing profits through the addition of an income stream from the Hybrid market and develop and deploy an additional marketing channel through the internet.

There are four variables in the marketing mix including product, price, place and promotion. The company developed a hybrid vehicle titled the Paramount; the vehicle is the most efficient in the hybrid market and technologically advanced. The company adopted a premium pricing strategy for the vehicle and competes primarily on price factors. The manufacturing plant is located in the M7 business hub to maximise time efficiency between

networks and utilises TOLL's logistics system. Automotive Innovation is implementing a pull strategy IMC, focusing the marketing efforts on advertising on Foxtel and direct marketing through catalogues.