

Marketing plan phase

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Marketing Plan Marketing Plan: Phase II December 15, 2006 Marketing Plan

Marketing Plan Phase II

Introduction

Price decisions are virtual high wire acts. Different companies deal with pricing decisions differently. In a small setup the decision is the boss's prerogative. In large companies pricing is handled by senior managers based on set goals and guidelines. In situations where price is fundamental there is a department that handles price decisions. Whatever the pricing process, several factors are considered before such seminal decisions are made.

(Kotler, 2001, p. 457)

There are different situations in which businesses are called upon to set prices. One situation is when a company introduces a product for the first time. Pricing should not be seen in isolation of the other factors that have a bearing and often influence the decision itself. Predominantly price is part of a price-quality equation.

Objectives of Pricing

The most important consideration in price decisions is its objectives. And objectives are in turn based on the strategy of product positioning.

Commonly companies try to achieve any of five objectives through pricing: survival, maximize profit, maximize market share, skim the market or product-quality leadership. (Kotler, 2001, p. 458)

" The business of businesses is business!" Friedman (as cited in Pohl, Eva, 1970, p. 12). So understandably businesses exist to maximize profits. This then brings up for consideration the price-demand-profit relationship.

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Price Sensitivity

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This in other words is the demand for a product at different prices; which is the product's price sensitivity. " Price sensitivity is a measure of how important lower prices are to the customer" (Day, 1999, p. 114).

In general products are less price sensitive if buyers are less aware of substitutes, when a one-on-one comparison between competing products is not possible and when a product is perceived to have quality and exclusivity.

Bread is such routine fare. As such it is highly price sensitive. But Panera's customers don't see the company's products as just any bread. There is a definite value perception. Customers seem to appreciate the handcrafted bread made from select ingredients to the highest quality standards. This is the reason they are willing to pay a premium.

Another important factor to consider is that while the industry sales declined by 0. 10% Panera registered a growth of 0. 34%. Obviously revenues such as this cannot come from first time buyers. Such revenues could only have come from a loyal customer base. The company also ranks among the highest in the country for customer satisfaction.

Brand Identity

" Brand identity potentially consists of twelve elements organized around four perspectives" (Aaker, 1996, p. 105). One of these four perspectives is the brand as a product. From what has been mentioned above Panera's customers think highly of its products. And any extension of the brand will also be received well.

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A New Market Segment

One factor that needs to be considered is that the entry barriers to the

handcrafted high quality freshly baked bread are not insurmountable. That being the case why is Subway not entering that market in spite of the market being quite attractive One reason could be that Subway does not want to encroach into Panera's turf.

If on the other hand Panera decides to get into the health segment of the fast foods market it could result in retaliatory moves. And that may not indeed help either establishment. Besides by making near-identical products will give customers the scope for an attribute-to-attribute comparison. They will even compare prices. This will harm Panera more than it will hurt Subway, whose offerings are lower in calorie.

" Strategic positioning attempts to achieve sustainable competitive advantage by preserving what is distinctive about a company. It means performing different activities from rivals, or performing similar activities in different ways" (Porter 2). What Porter is saying is that with sufficient ingenuity and creativity there must be ways in which value can be delivered in unique new ways.

Since Panera has not firmed up its range of health food offerings it could use focus groups of regular customers to get their opinion. Customers are a primary source of information needed for product improvements and new product development. " The market has become a forum in which consumers play an active role in creating and competing for value" (Prahalad and Ramaswamy, 2000, p. 80).

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A company like Microsoft gave away 650, 000 copies of its Windows 200 for customers to beta test. Considering the high cost of customer acquisition Panera could test its proposed products by giving away some to its regular

customers for feedback. This will not only help in shaping products that could fill existing " need gaps" in this segment, it will also preempt any possibility of consumer dissatisfaction and ill will. In the process Panera could be creating an entirely new niche segment.

Conclusion

Panera is a strong brand and the addition of a new line will be equally well received as its existing products. But the new products will have to walk the talk. Consumers these days are very knowledgeable. They know that the single most important attribute in health fast foods is calories. And to compete, a company must at least aim for competitive parity if it cannot offer best in the market. Quality is an entry level requirement.

Panera's new offerings should be different from that of Subways to avoid the possibility of turf skirmishes. They should be relatively unique making quality and price comparisons difficult. An important fallout of this is the impression that will form in the minds of consumers: That these products have no substitute. Panera should charge a premium for its proposed line in proportion to the premium it is charging for its existing products. It could have some items in this line that address a lower price point. This will give the company to make price corrections if required from a profit maximization perspective.

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