



The Marketing Plan of
"ProMinent" in the Swimming Pool Market

by

Mr. Watcharapol Asawachao

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

March 2004

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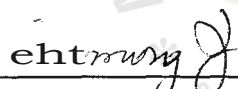
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.


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ABSTRACT

This project studies on how the ProMinent, which has the customer base in industrial sector, expands its business into the swimming pool market as a new entrant. The company has the strength in the disinfection system that can be the competitive advantage of them to be differentiated from competitors. It begins with the literature review on marketing management and the analysis of the marketing situation in the swimming pool market in Thailand.

The project segments the market into four major segments which are residence, consultant/contractor, distributor, and housing estate segment. The company targets on four segments that have different needs and conditions. They need different marketing strategies to implement that will be described in this project. The company expects this market to be another area of the major business of ProMinent.

Because of the limited resource, the plan is separated into three phases: the first two year plan, the third and fourth year plan, and the fifth year plan. In the first two year, the plan concentrates on the distributor and housing estate segment because these segments can create the sales in a shorter period of time. It is a good customer base to support the company's growth. For the third and fourth year plan, it concentrates on the consultant and architect segment that are channel to the project and residential market respectively. These segments need a longer time to create the relationship and connection with customer base but they are the important part to support the long-term growth.

After the plan implementation, the company must develop the monitoring system to monitor the result periodically and create the correction plan for taking the company to what the plan expects. It is essential to the success of the plan.

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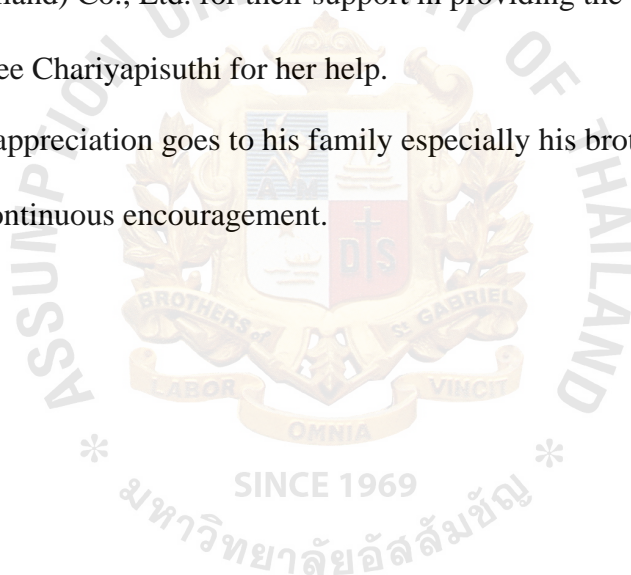


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I. INTRODUCTION

1.1 Overview

ProMinent Fluid Controls (Thailand) Co., Ltd. is a subsidiary of ProMinent Dosiertechnik GmbH, Germany, which has 40 subsidiaries and 70 authorized agencies around the world. In Thailand, ProMinent was established in 1985 and has been totally managed by the Thai managing director. The company has two core business areas that are:

- (1) Chemical Fluid Handling (CFH): The company supplies the fluid handling equipment (such as chemical dosing pump, measuring and control system, etc.) and also provides after sales service to customers.
- (2) Water Treatment System (WTS): In this area the company provides the system (such as disinfecting system, filtration system, water purifier system, swimming pool water treatment system, etc.) for the water treatment plant. The company has provided information, designing, installation, commissioning, and also after sales service of the whole system.

At the beginning, the company was not much concerned about water treatment system area but paid more attention to chemical fluid handling area. Now the company is interested in the water treatment system especially swimming pool market that used to generate sales volume only a few million bahts, which is relatively low compared to the total market size. In addition, the real estate segment in Thailand boomed last year so the company established the swimming pool section in the sales department and wants this section to penetrate into this market segment. In the past the company used to provide only some items of equipment to the

swimming pool water treatment but now they are trying to combine every necessary item to offer customers the complete system as a whole.

1.2 Objectives

There are several major players and many smaller ones in this market already so the company must have a proper plan to expand and penetrate into this market. The objectives of this project are to create a marketing plan of ProMinent for making the company to be one of the major market share holders, and to fulfil the company's ultimate goal of becoming the market leader. This also can be beneficial to anybody who wants to develop a marketing plan for similar products. They may use this project as a guideline to develop a good marketing plan for their products and situation.

1.3 Project Scope

The scope of this project is to analyze the current situation, segment the market, identify the target group, and develop the action plan to accomplish the company's mission and goal in the swimming pool business area. The scope covers all areas throughout the country and the limitations of this project are time and information constraint because there is no any government department or organization that keep the exact and up-to-date data about the swimming pool situation in Thailand. Some primary information is obtained from the market survey in swimming pools in Bangkok area.

II. LITERATURE REVIEW

2.1 Marketing Philosophies

Marketing, more than any other business function, deals with customers. Building customer relationships based on customer value and satisfaction is at the very heart of modern marketing. Although we will soon explore more detailed definitions of marketing, perhaps the simplest definition is this one: Marketing is managing profitable customer relationships. The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction (Kotler 2003).

The market-oriented organization understands buyers' needs and wants and effectively combines and directs the skills and resources of the *entire* organization to provide high levels of satisfaction to its customers. "That model of competing, which links R&D, technology, innovation, production, and finance — integrated through marketing's drive to own a market — is the approach that all competitors will take to succeed in the 1990s." Rather than a specialized function within the organization, marketing is a central process of the entire business. Marketing includes all of the various actions of the organization that are aimed at providing customers with superior value (Cravens 1997).

Marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "meeting needs profitably." Marketing is typically seen as the task of creating, promoting, and delivering goods and services to consumers and businesses. Marketers are skilled in stimulating demand for a company's products, but this is too limited a view of the tasks marketers perform. Just as production and logistics professionals are responsible for demand

management. Marketing managers seek to influence the level, timing, and composition of demand to meet the organization's objectives (Kotler 2003).

A buyer's degree of satisfaction with a product is the consequence of the comparison a buyer makes between the level of the benefits perceived to have been received after consuming or using a product and the level of benefits expected prior to purchase. If, after a given purchase and use occasion a customer believes that a good or service has met expectations, satisfaction results; if not, dissatisfaction results. Repeated satisfactory experiences over time enhance a customer's overall level of satisfaction and enable the customer to develop clear expectations about what to expect in the future (Guiltnan 1996).

We define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. To explain this definition, we will examine the following important core marketing concepts: needs, wants, and demands; marketing offers (products, services, and experiences); value and satisfaction; exchange, transactions, and relationships; and markets. For each chosen target market, a firm develops a market offering that positioned in the minds of buyers as delivering some central benefits. Marketers must try to understand the target market's needs, wants, and demands: A product or offering will be successful if it delivers value and satisfaction to the target buyer. The term markets covers various groupings of customers. Today there are both physical marketplace and digital marketplaces, as well as megamarkets. Exchange involves obtaining a desired product from someone by offering something in return. A transaction is a trade of values between two or more parties: It involves at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement. In the most generic sense, markets seek to elicit a behavioral response

from another party: a purchase, a vote, active membership, adoption of a cause (Kotler 2003).

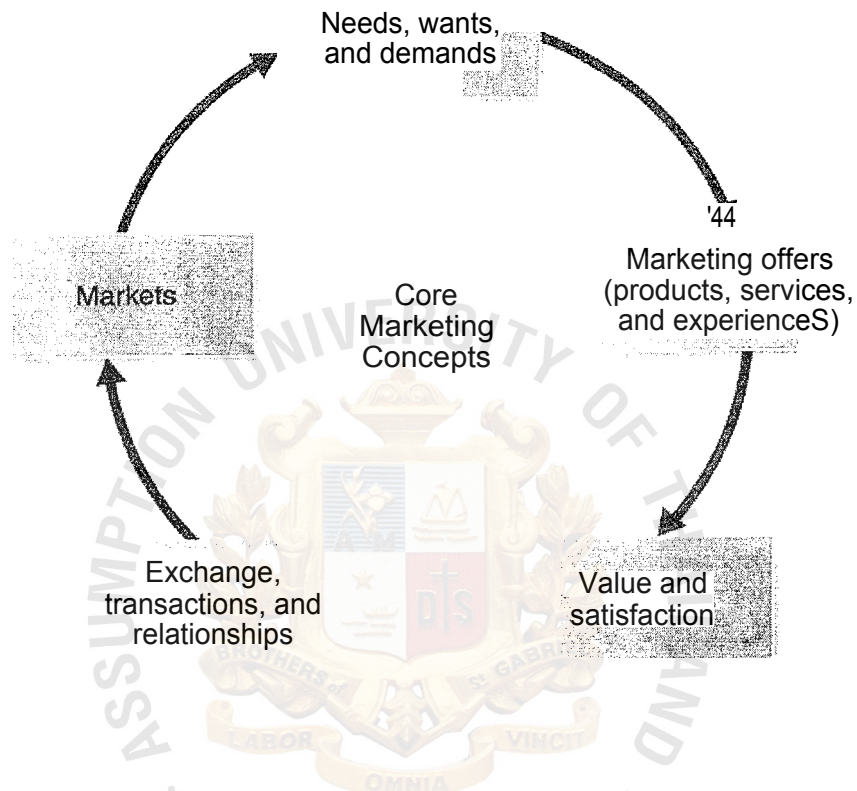


Figure 2.1. Core Marketing Concepts (Kotler 2003).

The concept of markets finally brings us a full circle to the concept of marketing. Marketing means managing markets to bring about profitable exchange relationships by creating value and satisfying needs and wants. Thus, we return to our definition of marketing as a process by which individuals and groups obtain what they need and want by creating and exchanging products and value with others (Kotler 2003).

We define marketing management as the art and science of choosing target markets and building profitable relationships with them. This involves getting, keeping, and growing customers through creating, delivering, and communicating

superior customer value. Thus, marketing management involves managing demand, which in turn involves managing customer relationships (Kotler 2003).

There are five alternative concepts under which organizations conduct their marketing activities: the production, product, selling, marketing, and social marketing concepts (Kotler 2003).

- (1) **The Production Concept:** The production concept holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is one of the oldest orientations that guide sellers. The production concept is still a useful philosophy in two types of situations. The first occurs when the demand for a product exceeds the supply. Here, management should look for ways to increase production. The second situation occurs when the product's cost is too high and improved productivity is needed to bring it down. For example, Henry Ford's whole philosophy was to perfect the production of the Model T so that its cost could be reduced and more people could afford it. He joked about offering people a car of any color as long as it was black. Although useful in some situations, the production concept can lead to marketing myopia. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective—satisfying customer's needs.
- (2) **The Product Concept:** The product concept holds that consumers will favor products that offer the most in quality, performance, and innovative features. Thus, an organization should devote energy to making continuous product improvements. Some manufacturers believe that if

they can build a better mousetrap, the world will beat a path to their door. But they are often rudely shocked. Buyers may well be looking for a better solution to a mouse problem but not necessarily for a better mousetrap. The solution might be a chemical spray, an exterminating service, or something that works better than a mousetrap. Furthermore, a better mousetrap will not sell unless the manufacturer designs, packages, and prices it attractively; places it in convenient distribution channels; brings it to the attention of people who need it; and convinces buyers that it is a better product. Thus, the product concept also can lead to marketing myopia. For instance, railroad management once thought that users wanted trains rather than transportation and overlooked the growing challenge of airlines, buses, trucks, and automobiles. Kodak assumed that consumers wanted photographic, film rather than a way to capture and share memories and at first overlooked the challenge of digital cameras. Although it now leads the digital camera market in sales, it has yet to make significant profits from this business.

The Selling Concept: Many companies follow the selling concept, which holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations. These industries must be good at tracking down prospects and selling them on product benefits. Most firms practice the selling concept when they face overcapacity. Their aim is to sell what they make rather than make what the market wants. Such marketing carries high risks. It focuses on

creating sales transactions rather than on building long-term, profitable customer relationships. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions. Most studies show that dissatisfied customers do not buy again. Worse yet, whereas the average satisfied customer tells three others about good experiences, the average dissatisfied customer tells ten others about his or her bad experiences.

- (4) The Marketing Concept: The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the paths to sales and profits. Instead of a product-centered "make and sell" philosophy, the marketing concept is a customer-centered "sense and respond" philosophy. It views marketing not as "hunting," but as "gardening." The job is not to find the right customers for your product, but the right products for your customers. As stated by famed direct marketer Lester Wunderman, "The chant of the Industrial Revolution was that of the manufacturer who said, 'This is what I make, won't you please buy it.' The call of the Information Age is the consumer asking, 'This is what I want, won't you please make it.'"
- (5) The Social Marketing Concept: The societal marketing concept holds that the organization should determine the needs, wants, and interests of target markets. It should then deliver superior value to customers in a way that maintains or improves the consumer's and the society's well-being. It

questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. Is a firm that senses, serves, and satisfies individual short-term wants always doing what's best for consumers and society in the long run? Consider the fast-food industry. Most people see today's giant fast-food chains as offering tasty and convenient food at reasonable prices. Yet many consumer and environmental groups have voiced concerns. Critics point out that hamburgers, fried chickens, french fries, and most other foods sold by fast-food restaurants are high in fat and salt. The products are wrapped in convenient packaging, but this leads to waste and pollution. Thus, in satisfying short-term consumer wants, the highly successful fast-food chains may be harming consumer health and causing environmental problems.

2.2 Strategic Planning

Each company must find the game plan that makes the most sense given its specific situation, opportunities, objectives, and resources. This is the focus of strategic planning—the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities (Kotler 2003).

Strategic planning sets the stage for the rest of the planning in the firm. Companies usually prepare annual plans, long range plans, and strategic plans. The annual and long range plans deal with the company's current businesses and how to keep them going. In contrast, the strategic plan involves adapting the firm to take advantage of opportunities in its constantly changing environment (Kotler 2003).

Strategic planning calls for action in three key areas: The first is managing a company's businesses as an investment portfolio. The second involves assessing each business's strength by considering the market's growth rate and the company's position and fit in that market. The third is establishing a strategy. For each business, the company must develop a game plan for achieving its long-run objectives (Kotler 2003).

At the corporate level, the company starts the strategic planning process by defining its overall purpose and mission. This mission then is turned into detailed supporting objectives that guide the whole company. Next, headquarters decides what portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans that support the companywide plan. Thus, marketing planning occurs at the business-unit, product, and market levels, supporting company strategic planning with more detailed planning for specific marketing (Kotler 2003).

The marketing plan operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising pricing, sales channels, and service (Kotler 2003).

The marketing plan is the central instrument for directing and coordinating the marketing effort. Today, the marketing department does not set the marketing plan by itself. Plans are developed by teams, with inputs and sign-offs from every important function. These plans are then implemented at the appropriate levels of the organization. Results are monitored, and corrective action is taken when necessary.

The complete planning, implementation, and control cycle is shown in Figure 2.2 (Kotler 2003).

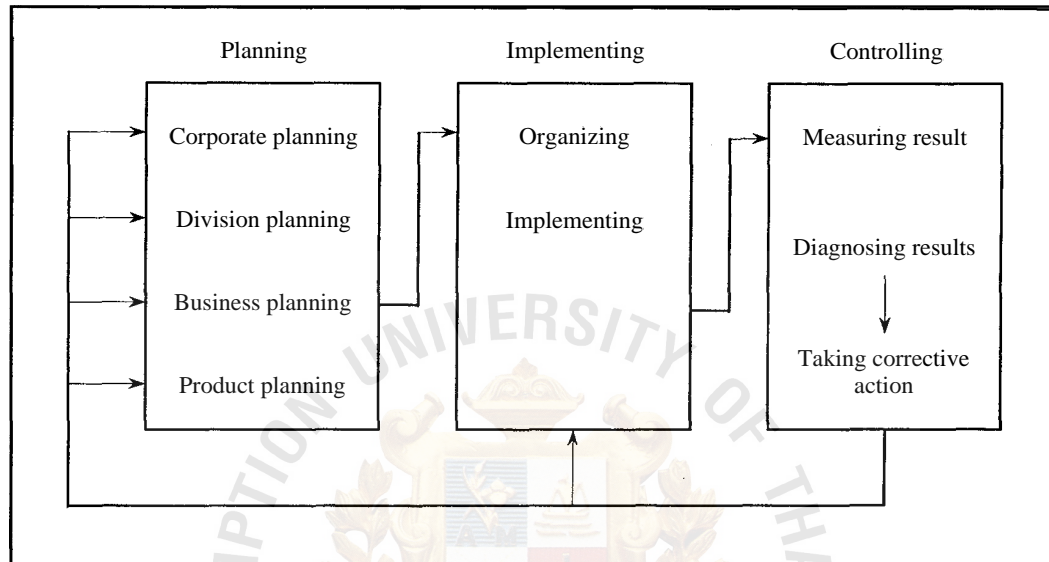


Figure 2.2. The Strategic-Planning, Implementation, and Control Processes (Kotler 2003).

Marketing strategy is defined as the analysis, strategy development, and implementation activities in selecting market target strategies for the product-markets of interest to the organization, setting marketing objectives, and developing, implementing, and managing the marketing program positioning strategies designed to meet the needs of customers in each market target (Cravens 1997).

Strategic marketing is a market-driven process of strategy development, taking into account a constantly changing business environment and the need to achieve high levels of customer satisfaction. Strategic marketing focuses on organizational performance rather than the traditional concern about increasing sales. Marketing

strategy builds competitive advantage by convincing the customer-influencing strategies of the business into an integrated array of market-focused actions. Strategic marketing links the organization with the environment and views marketing as a responsibility of the entire business rather than a specialized function (Cravens 1997).

An organization exists to accomplish something. At first, it has a clear purpose or mission, but over time its mission may become unclear as the organization grows, adds new products and markets, or faces new conditions in the environment. When management senses that the organization is drifting, it must renew its search for purpose. It is time to ask: What is our business? Who is the customer? What do consumers value? What should our business be? These simple sounding questions are among the most difficult the company will ever have to answer. Successful companies continuously raise these questions and answer them carefully and completely (Kotler 2003).

Organizations develop mission statements to share with managers, employees, and (in many cases) customers. A clear, thoughtful mission statement provides employees with a shared sense of purpose, direction, and opportunity. The statement guides geographically dispersed employees to work independently and yet collectively toward realizing the organization's goals (Kotler 2003).

Good mission statements have three major characteristics. First, they focus on a limited number of goals. The statement, "We want to produce the highest-quality products, offer the most service, achieve the widest distribution, and sell at the lowest prices" claims too much. Second, mission statements stress the major policies and values the company wants to honor. Policies define how the company will deal with its various stakeholders and narrow the range of individual discretion so that

employees act consistently on important issues. Third, they define the major competitive scopes within which the company will operate: (Kotler 2003)

- (1) Industry scope: The range of industries in which a company will operate.
Some companies will operate in only one industry; some only in a set of related industries; some only in industrial goods, consumer goods, or services; and some in any industry.
- (2) Products and application scope: The range of products and applications that a company will supply.
- (3) Competence scope: The range of technological and other core competencies that a company will master and leverage.
- (4) Market-segment scope: The type of market or customers a company will serve. Some companies will serve only the upscale market.
- (5) Vertical scope: The number of channel levels from raw material to final product and distribution in which a company will participate.
- (6) Geographical scope: The range of regions, countries, or country groups in which a company will operate.

Managing the marketing function begins with a complete analysis of the company's situation. The company must analyze its markets and marketing environment to find attractive opportunities and avoid environmental threats. It must analyze company strengths and weaknesses as well as current and possible marketing actions to determine which opportunities it can best pursue. Marketing provides input to each of the other marketing management functions (Kotler 2003).

Michael Porter has proposed three generic strategies that provide a good starting point of strategic thinking: overall cost leadership, differentiation, and focus. (Kotler 2003)

- (1) **Overall cost leadership:** The business works to achieve the lowest production and distribution costs so that it can price lower than its competitors and win a large market share. Firms pursuing this strategy must be good at engineering, purchasing, manufacturing, and physical distribution. They need less skill in marketing. The problem with this strategy is that other firms will usually compete with still lower costs and hurt the firm that rested its whole future on cost.
- (2) **Differentiation:** The business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market. The firm cultivates those strengths that will contribute to the intended differentiation. Thus the firm seeking quality leadership, for example, must make products with the best component, put them together expertly, inspect them carefully, and effectively communicate their quality.
- (3) **Focus:** The business focuses on one or more narrow market segments. The firm gets to know these segments intimately and pursues either cost leadership or differentiation within the target segment.

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2.3 SWOT Analysis

Corporate strategies should be derived from the analysis of three elements: environmental threats and opportunities, corporate mission and objectives, and organizational strengths and weaknesses. A corporate strategy should be consistent with a company's objectives and achievable with existing (or anticipated) resources and competencies. Further, it should take into account prospective threats and opportunities in the environment (Guiltinan 1996).

The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT analysis (Kotler 2003).

- (¹) External environment analysis (opportunity and threat analysis). In general, a business unit has to monitor key macroenvironment forces (demographic-economic, technological, political-legal, and social-cultural) and significant microenvironment factors (customers, competitors, distributors, suppliers) that affect its ability to earn profits. The business unit should set up a marketing intelligence system to track trends and important developments. For each trend or development, management needs to identify the associated opportunities and threats. A major purpose of environmental scanning is to discern new marketing opportunities. A marketing opportunity is an area of buyer need or potential interest in which a company can perform profitably. Opportunities can take many forms and marketers have to be good at spotting them. Some developments in the external environment represent threats. An environmental threat is a challenge posed by an unfavorable trend or development that would lead, in the absence of defensive

marketing action, to deterioration in sales or profit. Threats should be classified according to seriousness and probability of occurrence.

(2) Internal environment analysis (strengths/weaknesses analysis). It is one thing to discern attractive opportunities and another to be able to take advantage of these opportunities. Each business needs to evaluate its internal strengths and weaknesses. Clearly, the business does not have to correct all its weaknesses, nor should it gloat about all its strengths. The big question is whether the business should limit itself to those opportunities where it possesses the required strengths or whether it should consider better opportunities where it might have to acquire or develop certain strengths.

Because environmental changes result in changing opportunities and changing threats, they are fundamental considerations in the development of corporate strategies. However, not all firms are equal in terms of their ability to take advantage of an opportunity or to avoid a threatening situation. A second fundamental consideration in selecting a corporate strategy is whether the firm possesses the strengths and weaknesses required to respond to environment developments. In general, a firm's strengths are analyzed by identifying its resources and competencies. Managers should pursue those market opportunities that allow it to capitalize on those strengths (Guiltinan 1996).

Often a firm finds that its strategic options are limited unless it can acquire new resources or competencies. In such cases, the firm's strategy may be to form a strategic alliance with another firm. A strategic alliance is more than a joint venture. In the case of a joint venture, two firms essentially create a third entity that develops on its own. In a true strategic alliance, two firms collaborate in a far more complete

way by exchanging some key resources (although new entities may also be formed) that enable both parties to enhance their performance (Guiltinan 1996).

Every company must manage some basic processes, such as new-product development, sales generation, and order fulfillment. Each process creates value and requires interdepartmental teamwork. Although each department may possess specific core competencies, the challenge is to develop superior competitive capability in managing the company's key processes. Stalk calls this capabilities-based competition (Kotler 2003).

2.4 Market Segmentation and Market Targeting

A company cannot serve all customers in a broad market such as computers or soft drinks. The customers are too numerous and diverse in their buying requirements. A company needs to identify the market segments it can serve effectively. Here we will examine levels of segmentation, patterns of segmentation, market-segmentation procedures, bases for segmenting consumer and business markets, and requirements for effective segmentation (Kotler 2003).

Many companies are embracing target marketing. Here sellers distinguish the major market segments, target one or more of these segments, and develop products and marketing programs tailored to each. Instead of scattering their marketing effort (a "shotgun" approach), they focus on the buyers they have the greatest chance of satisfying (a "rifle" approach) (Kotler 2003).

Target marketing requires marketers to take three major steps: (Kotler 2003)

- (1) Identify and profile distinct groups of buyers who differ in their needs and preferences (market segmentation).
- (2) Select one or more market segments to enter (market targeting).

- (3) For each target segment, establish and communicate the key distinctive benefit(s) of the company's market offering (market positioning).

Levels of market segmentation: (Kotler 2003)

- (1) **Mass marketing:** In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers. The argument for mass marketing is that it creates the largest potential market, which leads to the lower costs, which in turn can lead to lower prices of higher margins. However, many critics point to the increasing splintering of the market, which makes mass marketing more difficult. The proliferation of advertising media and distribution channels is making it difficult and increasingly expensive to reach a mass audience. Some claim that mass marketing is dying. Not surprisingly, many companies are turning to micromarketing at one of four levels: segments, riches, local areas, and individuals.
- (2) **Segment marketing:** A market segment consists of a group of customers who share a similar set of wants. The marketer does not create the segments; the marketer's task is to identify the segments and decide which one(s) to target. Segment marketing offers several benefits over mass marketing. The company can create a more fine-tuned product or service offering and price it appropriately for the target segment. The company can more easily select the best distribution and communications channels, and it will also have a clearer picture of its competitors, which are the companies going after the same segment.
- (3) **Niche marketing:** An attractive niche is characterized as follows: The customers in the niche have a distinct set of needs; they will pay a

premium to the firm that best satisfies their needs; the niche is not likely to attract other competitors; the nicher gains certain economies through specialization; and the niche has size, profit, and growth potential. Niche marketers presumably understand their consumers' needs so well that the customers willingly pay a premium.

- (4) Local marketing: Target marketing is leading to marketing programs tailored to the needs and wants of local customer groups. Those favoring localizing a company's marketing see national advertising as wasteful because it fails to address local needs. Those against local marketing argue that it drives up manufacturing and marketing costs by reducing economies of scale. Logistical problems become magnified when companies try to meet local requirements. A brand's overall image might be diluted if the product and message differ in different localities.
- (5) Individual customer marketing: The ultimate level of segmentation leads to "segments of one," "customized marketing," or "one-to-one marketing." Ultimately, every individual has a unique set of wants and preferences. In past centuries, producers customized their offerings to each customer: The tailor fitted a suit and a cobbler made shoes for each individual. The industrial Revolution ushered in an era of mass production: Now companies made standard goods in advance of orders and left it to individuals to fit into whatever was available. Producers moved from built-to-order marketing to built-to-stock marketing. Today the Information Revolution is enabling a growing number of companies to mass-customize their offerings. Mass-customization is the ability of a company to prepare on a mass basis individually designed products,

services, programs, and communications, to meet each customer's requirements.

Not all segmentation is useful. For example, table salt buyers could be divided into blond and brunette customers, but hair color is not relevant to the purchase of salt. Furthermore, if all salt buyers buy the same amount of salt each month, believe all salt is the same, and would pay only one price for salt, this market would be minimally segmentable from a marketing point of view (Kotler 2003).

To be useful, market segments must be: (Kotler 2003)

- (1) Measurable: The size, purchasing power, and characteristics of the segments can be measured.
- (2) Substantial: The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are under four feet tall.
- (3) Accessible: The segments can be effectively reached and served.
- (4) Differentiable: The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.
- (5) Actionable: Effective programs can be formulated for attracting and serving the segments.

The major segmentation variables - geographic, demographic, psychographic, and behavioral segmentation — are described as follows: (Kotler 2003)

- (1) Geographic segmentation: Geographic segmentation calls for dividing the market into different geographical units such as nations, states, regions, countries, cities, or neighborhoods. The company can operate in one or a few geographic areas, or operate in all but pay attention to local variations.
- (2) Demographic segmentation: In demographic segmentation, the market is divided into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class.
- (3) Psychographic segmentation: In psychographic segmentation, buyers are divided into different groups on the basis of lifestyle or personality or values. People within the same demographic group can exhibit very different psychographic profiles.
- (4) Behavioral segmentation: In behavioral segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Many marketers believe that behavioral variables—occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage, and attitude—are the best starting points for constructing market-segments.

Once the firm has identified its market-segment opportunities, it has to decide how many and which ones to target (Kotler 2003).

In evaluating different market segments, the firm must look at two factors: the segment's overall attractiveness and the company's objectives and resources. Does a potential segment have characteristics that make it generally attractive, such as size, growth, profitability, scale economies, and low risk? Does investing in the segment

make sense given the firm's objectives, competencies, and resources? Some attractive segments may not mesh with the company's long-run objectives, or the company may lack one or more necessary competencies to offer superior value (Kotler 2003).

Having evaluated different segments, the company can consider five patterns of target market selection: (Kotler 2003)

- (1) Single-segment concentration: Through concentrated marketing, the firm gains a strong knowledge of the segment's needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies through specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment. However, concentrated marketing involve risks. A particular market segment can turn sour. For these reasons, many companies prefer to operate in more than one segment.
- (2) Selective specialization: The firm selects a number of segments, each objectively attractive and appropriate. There may be little or no synergy among the segments, but each promises to be a money maker. This multisegment strategy has the advantage of diversifying the firm's risk.
- (3) Product specialization: The firm makes a certain product that it sells to several segments. The downside risk is that the product may be supplanted by an entirely new technology.
- (4) Market specialization: The firm concentrates on serving many needs of a particular customer group. The firm gains a strong reputation in serving this customer group and becomes a channel for additional products the

customer group can use. The downside risk is that the customer group may suffer budget cuts.

- (5) Full market coverage: The firm attempts to serve all customer groups with all the products they might need. Large firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

In undifferentiated marketing, the firm ignores segment differences and goes after the whole market with one offer. It designs a product and a marketing program that will appeal to the broadest number of buyers. It relies on mass-distribution and mass-advertising. It aims to endow the product with a superior image in people's minds. Undifferentiated marketing is "the marketing counterpart to standardization and mass production in manufacturing." The narrow product line keeps down costs of research and development, production, inventory, transportation, marketing research, advertising, and product management. The undifferentiated advertising program keeps down advertising costs. Presumably, the company can turn its lower costs into lower prices to win the price-sensitive segment of the market (Kotler 2003).

In differentiated marketing, the firm operates in several market segments and designs different products for each segment. Differentiated marketing typically creates more total sales than undifferentiated marketing. However, it also increases the costs of doing business (Kotler 2003).

2.5 Market Positioning and Differentiation

All marketing strategy is built on STP—Segmentation, Targeting, and Positioning. A company discovers different needs and groups in the marketplace, targets those needs and groups that it can satisfy in a the superior way, and then positions its offering so that the target market recognizes the company's distinctive

offering and image. If a company does a poor job of positioning, the market will be confused as to what to expect. If a company does an excellent job of positioning, then it can work out the rest of its marketing planning and differentiation from its positioning strategy (Kotler 2003).

We define positioning as follows: Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. The end result of positioning is the successful creation of a customer-focused value proposition, a cogent reason why the target market should buy the product (Kotler 2003).

As companies increase the number of claimed benefits for their brand, they risk disbelief and a loss of clear positioning. In general, a company must avoid four major positioning errors: (Kotler 2003)

- (1) Underpositioning: Some companies discover that buyers have only a vague idea of the brand. The brand is seen as just another entry in a crowded marketplace.
- (2) Overpositioning: Buyers may have too narrow an image of the brand.
- (3) Confused positioning: Buyers might have a confused image of the brand resulting from the company's making too many claims or changing the brand's positioning too frequently.
- (4) Doubtful positioning: Buyers may find it hard to believe the brand claims in view of the products; features, price, or manufacturer.

To communicate a company of brand positioning, a marketing plan should include a positioning statement. The statement should follow the form: To (target group and need) our (Brand) is (concept) that (point-of-difference) (Kotler 2003).

Note that the positioning first states the product's membership in a category and then shows its point-of-difference from other members of the group. The product's membership in the category suggests the points-of-parity that it might have with other products in the category, but the case for the product rests on its points-of-difference. Sometimes the marketer will put the product in a surprisingly different category before indicating the points of difference (Kotler 2003).

Once the company has developed a clear positioning statement, it must communicate that positioning effectively through all the elements of the marketing mix. Suppose a company chooses the "best quality" positioning (Kotler 2003).

Quality is also communicated through other marketing elements. A high price usually signals a premium-quality product. The product's quality image is also affected by packaging, distribution, advertising, and promotion (Kotler 2003).

The task of positioning is to deliver a central idea about a company or an offering to the target market. Positioning simplifies what we think of the entity. Differentiation goes beyond positioning to spin a complex web of differences characterizing that entity. We define differentiation as the process of adding a set of meaningful and valued differences to distinguish the company's offering from competitors' offerings (Kotler 2003).

All products can be differentiated to some extent, but not all brand differences are meaningful or worthwhile. A difference will be stronger to the extent that it satisfies the following criteria: (Kotler 2003)

- (1) Important: The difference delivers a highly valued benefit to a sufficient number of buyers.
- (2) Distinctive: The difference is delivered in a distinctive way.

- (3) Superior: The difference is superior to other ways of obtaining the benefit.
- (4) Preemptive: The difference cannot be easily copied by competitors.
- (5) Affordable: The buyer can afford to pay for the difference.
- (6) Profitable: The company will find it profitable to introduce the difference.

The number of differentiation opportunities varies with the type of industry.

The Boston Consulting Group (BCG) has distinguished four types of industries based on the number of available competitive advantages and their size (Kotler 2003).

- (1) Volume industry: One in which companies can gain only a few, but rather large, competitive advantages. In the construction-equipment industry, a company can strive for the low-cost position or the highly differentiated position and win big on either basis. Profitability is correlated with company size and market share.
- (2) Stalelated industry: One in which there are few potential competitive advantages and each is small. In the steel industry, it is hard to differentiate the product or decrease manufacturing costs. Companies can try to hire better salespeople, entertain more lavishly, and the like, but these are small advantages. Profitability is unrelated to company market share.
- (3) Fragmented industry: One in which companies face many opportunities for differentiation, but each opportunity for competitive advantage is small. A restaurant can differentiate in many ways but end up not gaining a large market-share. Both small and large restaurants can be profitable or unprofitable.

(4) Specialized industry: One in which companies face many differentiation opportunities, and each differentiation can have a high payoff. Among companies making specialized machinery for selected market-segments, some small companies can be as profitable as some large companies.

Here we will examine how a company can differentiate its market offering along five dimensions: product, services, personnel, channel, and image (see Table 2.1) (Kotler 2003).

Table 2.1. Differentiation Variables (Kotler 2003).

Product	Services	Personnel	Channel	Image
Form	Ordering ease	Competence	Coverage	Symbols
Features	Delivery	Courtesy	Expertise	Media
Performance	Installation	Credibility	Perfomance	Atmosphere
Conformance	Customer training	Reliability		Events
Durability	Customer consulting	Responsiveness		
Reliability	Maintenance and repair	Communication		
Repairability	Miscellaneous			
Style				
Design				

Product differentiation. Physical products vary in their potential for differentiation. At one extreme we find products that allow little variation: chicken, steel, aspirin. Yet even here, some differentiation is possible. At the other extreme are products capable of high differentiation, such as automobiles, commercial buildings, and furniture. Here the seller faces an abundance of design parameters, including form, features, performance quality, conformance quality, durability, reliability, repairability, style, and design (Kotler 2003).

- (1) Form: Many products can be differentiated in form—the size, shape, or physical structure of a product.
- (2) Features: Most products can be offered with varying features that supplement the product's basic function. Being the first to introduce valued new features is one of the most effective ways to compete.
- (3) Performance quality: Most products are established at one of four performance levels: low, average, high, or superior. Performance quality is the level at which the product's primary characteristics operate. The important question here is: Does offering higher product performance produce higher profitability? The Strategic Planning Institute studied the impact of higher relative product quality and found a significantly positive correlation between relative product quality and return on investment (ROI). High-quality business units earned more because premium quality allowed them to charge a premium price; they benefited from more repeat purchasing, consumer loyalty, and positive word of mouth; and their costs of delivering more quality were not much higher than for business units producing low quality. Quality's link to profitability does not mean that the firm should design the highest

performance level possible. The manufacturer must design a performance level appropriate to the target market and competitors' performance levels. A company must also manage performance quality through time. Continuously improving the product often produces the highest return and market share. The second strategy is to maintain product quality at a given level. Many companies leave quality unaltered after its initial formulation unless glaring faults or opportunities occur. The third strategy is to reduce product quality through time. Some companies cut quality to offset rising costs; others reduce quality deliberately in order to increase current profits, although this course of action often hurts long-run profitability.

- (4) Conformance quality: Buyers expect products to have a high conformance quality, which is the degree to which all the produced units are identical and meet the promised specification. The problem with low conformance quality is that the product will disappoint some buyers.
- (5) Durability: A measure of the product's expected operating life under natural or stressful conditions, is a valued attribute for certain products. Buyers will generally pay more for vehicles and kitchen appliances that have a reputation for being long lasting. However, this rule is subject to some qualifications. The extra price must not be excessive. Furthermore, the product must not be subject to rapid technological obsolescence, as is the case with personal computers and videocameras.
- (6) Reliability: Buyer normally will pay a premium for more reliable products. Reliability is a measure of the probability that a product will not malfunction or fail within a specified time period. Maytag, which

manufactures major home appliances, has an outstanding reputation for creating reliable appliances.

- (7) **Repairability:** Buyers prefer products that are easy to repair. Repairability is a measure of the ease of fixing a product when it malfunctions or fails. An automobile made with standard parts that are easily replaced has high repairability. Ideal repairability would exist if users could fix the product themselves with little cost in money or time. Some products include a diagnostic feature that allows service people to correct a problem over the telephone or advise the user how to correct it.
- (8) **Style:** Style describes the product's look and feel to the buyer. Style has the advantage of creating distinctiveness that is difficult to copy. On the negative side, strong style does not always mean high performance.
- (9) **Design:** As competition intensifies, design offers a potent way to differentiate and position a company's products and services. **In** increasingly fast-paced markets, price and technology are not enough. Design is the factor that will often give a company its competitive edge. Design is the totality of features that affect how a product looks and functions in terms of customer requirements. Design is particularly important in making and marketing retail services, apparel, packaged goods, and durable equipment. All the qualities we have discussed are design parameters. The designer has to figure out how much to invest in form, feature development, performance, conformance, durability, reliability, repairability, and style. To the company, a well-designed product is one that is easy to manufacture and distribute. To the customer, a well-designed product is one that is pleasant to look at and

- (6) **Maintenance and repair:** Maintenance and repair describes the service program for helping customers keep purchased products in good working order.
- (7) **Miscellaneous services:** Companies can find other ways to differentiate customer services. They can offer an improved product warranty or maintenance contract. They can offer rewards.

Personnel differentiation. Companies can gain a strong competitive advantage through having better-trained people. Better-trained personnel exhibit six characteristics: Competence: They possess the required skill and knowledge; courtesy: They are friendly, respectful, and considerate; credibility: They are trustworthy; reliability: They perform the service consistently and accurately; responsiveness: They respond quickly to customers' requests and problems; and communication: They make an effort to understand the customer and communicate clearly (Kotler 2003).

Channel differentiation. Companies can achieve competitive advantage through the way they design their distribution channels' coverage, expertise, and performance (Kotler 2003).

Image differentiation. Buyers respond differently to company and brand images. Identity and image need to be distinguished. Identity comprises the ways that a company aims to identify or position itself or its product. Image is the way the public perceives the company or its products. An effective identity does three things. First, it established the product's character and value proposition. Second, it conveys this character in a distinctive way. Third, it delivers emotional power beyond a mental image. For the identity to work, it must be conveyed through every available communication vehicle and brand contact. It must be worked into ads and media that

convey a story, a mood, a claim—something distinctive. It should be diffused in annual reports, brochures, catalogs, packaging, company stationery, and business cards (Kotler 2003).

2.6 Marketing Program

A given type of marketing strategy may be achieved through two or more difference marketing programs. For example, acquiring new customers through head-to-head positioning could imply direct competition among price, availability, quality, or brand awareness. However, over the course of the life cycle the productivity of different programs changes. Specifically, as the cycle moves from introduction toward maturity and decline, the following trends in the response of market share occur (Guiltinan 1996).

- (1) Price: The impact of price on primary demand is usually very high during introduction. But the impact of price on market share is relatively low at this stage because of a lack of competitors. As the technology matures, competing products become increasingly responsive to price.
- (2) Product quality: As buyers gain information from experience and from word-of-mouth communications, they became knowledgeable about the relative quality of various products. Thus, market share becomes increasingly responsive to product quality.
- (3) Advertising: Over time, awareness of a brand and its attributes will grow with cumulative exposure to advertisements. Saturation levels may ultimately be reached. In any event, diminishing returns will ultimately set in, so market share will become decreasingly responsive to awareness-oriented (as opposed to price-oriented) advertising.

Distribution: For consumer goods, the sales force usually focuses on obtaining distribution in large-volume stores initially and then in smaller, less important outlets. By maturing, only the marginal outlets are likely to not carry the product. Thus, money spent on additional salespeople, travel expenses, or incentives to gain additional distribution will have diminishing returns. Market share will, therefore, become decreasingly responsive to distribution expenditures.

2.6.1 Product mix

A product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, service, organizations, places, people, and idea. This view of the product covers a wide range of situations, including both tangible services (Cravens 1997).

Services differ from physical products in several ways. A service is intangible. It cannot be placed in inventory; the service is consumed at the time it is produced. There is often variability in the consistency of service rendered. Services are often linked to the people who produce the service. Establishing a brand image for a service requires association with the tangible components that service or are somehow related to the service (Cravens 1997).

In planning its market offering, the marketer needs to think through five levels of the product (see Figure 2.3). Each level adds more customer value, and the five constitute a customer value hierarchy. The most fundamental level is the core benefit: the fundamental service or benefit that the customer is really buying. A hotel guest is buying "rest and sleep." The purchaser of a drill is buying "holes." Marketers must see themselves as benefit providers. At second level, the marketer has to turn the core benefit into a basic product. Thus a hotel room includes a bed, bathroom, towels, desk, dresser, and closet. At third level, the marketer prepares an expected product, a

set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests expect a clean bed, fresh towels, working lamps, and a relative degree of quiet. Because most hotels can meet this minimum expectation, the traveler normally will settle for whichever hotel is most convenient or least expensive. At fourth level, the marketer prepares an augmented product that exceeds customer expectation (Kotler 2003).

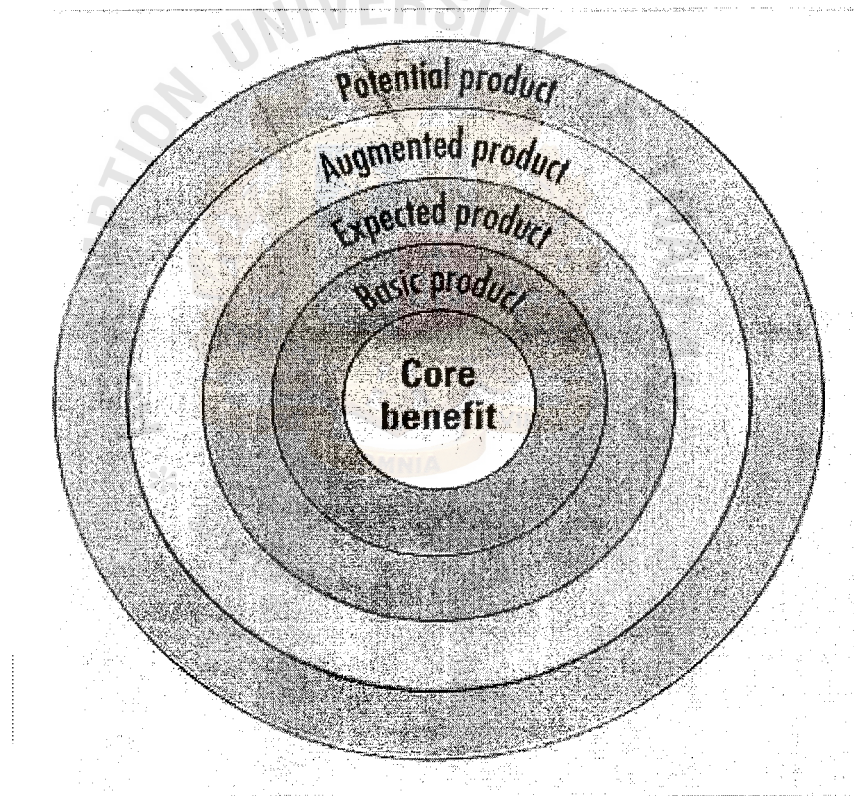


Figure 2.3. Five Product Levels (Kotler 2003).

Some things should be noted about product-augmentation strategy. First, each augmentation adds cost. Second, augmented benefits soon become expected benefits.

Today's hotel guests expect a remote-control television set. This means competitors will have to reach for still other feature and benefits. Third, as companies raise the price of their augmented product, some competitors offer a "stripped-down" version at a much lower price (Kotler 2003).

At the fifth level stands the potential product, which encompasses all the possible augmentation and transformations of the product or offering might undergo in the future. Here is where companies search for new ways to satisfy the customer and distinguish their offer (Kotler 2003).

Product-line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest, or divest. They also need to understand each product line's market profile (Kotler 2003).

Figure 2.4 shows a sales and profit report for a five-item product line. The first item accounts for 50 percent of total sales and 30 percent of total profits. The first two items accounts for 80 percent of total sales and 60 percent of total profits. If these two items were suddenly hurt by a competitor, the line's sales and profitability could collapse. These items must be carefully monitored and protected. At the other end, the last item delivers only 5 percent of the product line's sales and profits. The product line manager may consider dropping this item unless it has strong growth potential (Kotler 2003).

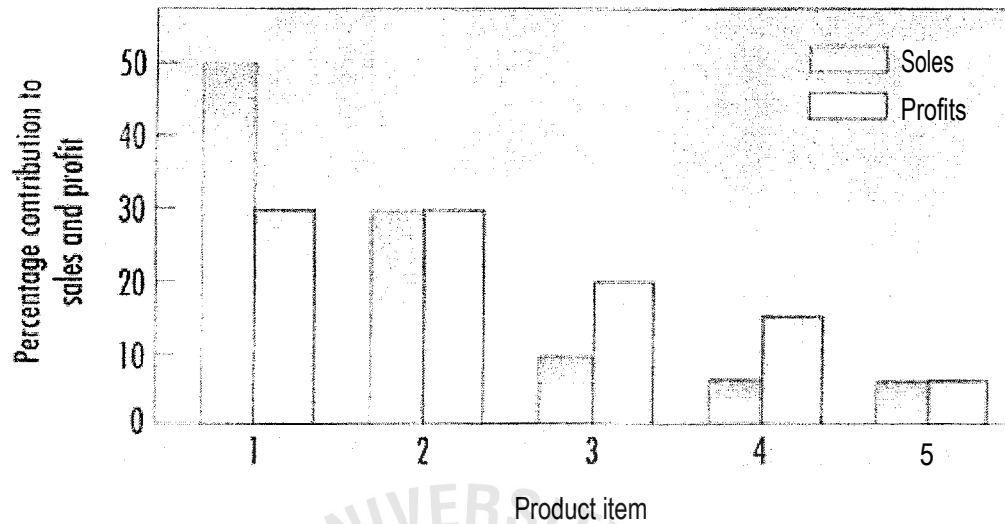


Figure 2.4. Product-Item Contributions to a Product Line's Total sales and Profits (Kotler 2003).

A company can classify its products into four types that yield different gross margins, depending on sales volume and promotion. To illustrate with personal computers: (Kotler 2003)

- (1) Core product: Basic computers that produce high sales volume are heavily promoted but with low margins because they are viewed as undifferentiated commodities.
- (2) Staples: Items with lower sales volume and no promotion, such as faster CPUs or bigger memories. They yield a somewhat higher margin.
- (3) Specialties: Items with lower sales volume but which might be highly promoted, such as digital movie-making equipment, might generate income for services, such as personal delivery, installation, or on-site training.

- (4) Convenience items: Peripheral items sell in high volume but receive less promotion such a computer monitor, printers, upscale video or sound card, and software consumers tend to buy them because it is more convenient than making further shopping trips. These items can carry higher margins.

The main point is that companies should recognize that these items differ in their potential for being priced higher or advertised more as a way to increase their sales, margins, or both (Kotler 2003).

The product-line manager must review how the line is positioned against competitor' lines. Consider the paper company X with a paper-board product line. Two paper-board attributes are weight and finished quality. Paper weight is usually offered at standard levels of 90, 120, 150, and 180 weight. Finished quality is offered at low, medium, and high levels. Figure 2.5 shows the location of the various product-line items of the company X and four competitors, A, B, C, and D. Competitor A sells two product items in the extra-high weight class ranging from medium to low finished quality. Competitor B sells four items that vary in weight and finished quality. Competitor C sells three items in items in which the greater the weight, the greater the finished quality. Competitor D sells three items, all lightweight but varying in finished quality. Company X offers three items that vary in weight and finished quality (Kotler 2003).

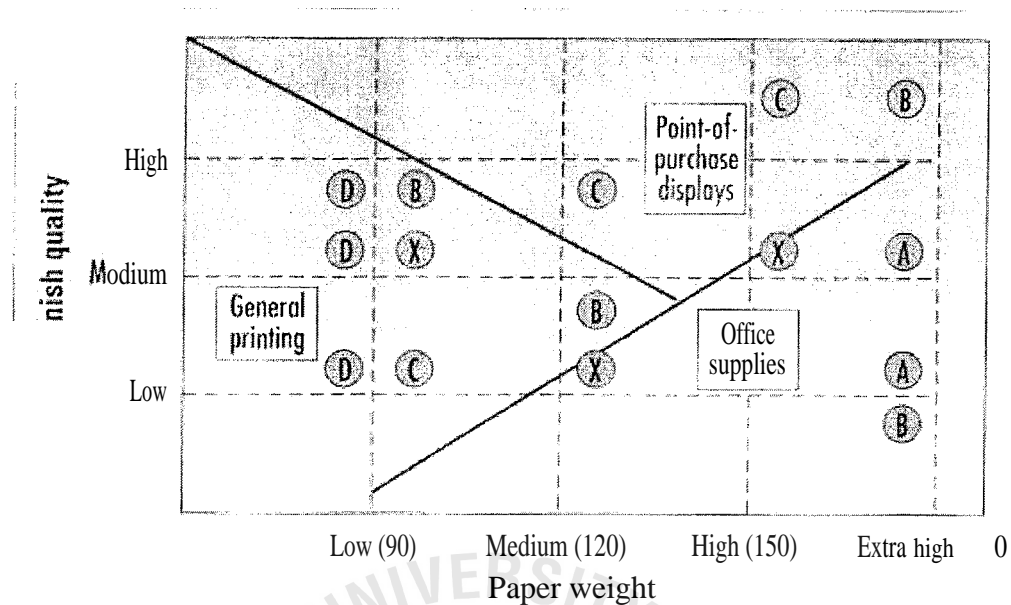


Figure 2.5. Product Map for a Paper-Product Line (Kotler 2003).

The product map shows which competitors' items are competing against the company X's items. For example, the company X's low-weight, medium-quality paper competes against competitor D's and B's papers, but its high-weight, medium-quality paper has no direct competitor. The map also reveals possible locations for new items. No manufacturer offers a high-weight, low-quality paper. If the company X estimates a strong unmet demand and can produce and price this paper at low cost, it could consider adding this item to its line (Kotler 2003).

After performing a product-line analysis, the product-line manager has to consider decisions on product-line length, line modernization, line featuring, and line pruning (Kotler 2003).

A product line is too short if profits can be increased by adding items; the line is too long if profits can be increased by reducing items. Companies seeking high market share and market growth will generally carry longer product lines. Companies

that emphasize high profitability will carry shorter lines consisting of carefully chosen items (Kotler 2003).

A company lengthens its product line in two ways: by line stretching and line filling (Kotler 2003).

Every company's product line covers a certain part of the total possible range. For example, line stretching occurs when a company lengthens its product line beyond its current range. The company can stretch its line downmarket, upmarket, or both ways (Kotler 2003).

A product line can also be lengthened by adding more items within the present range. There are several motives for line filling: reaching for incremental profits, trying to satisfy dealers who complain about lost sales because of missing items in the line, trying to utilize excess capacity, trying to be a leading full-line company, and trying to plug holes to keep out competitors (Kotler 2003).

Line filling is overdone if it results in self-cannibalization and customer confusion. The company needs to differentiate each item in the consumer's mind. Each item should possess a just-noticeable difference. According to Weber's law, customers are more attuned to relative than to absolute difference. They will perceive the difference. They will perceive the difference between boards 2 and 3 feet long and boards 20 and 30 feet long but not between boards 29 and 30 feet long. The company should also check that the proposed item meets a market need and it is not being added simply to satisfy an internal need (Kotler 2003).

Branding is a major issue in product strategy. Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brand. Branding is the art and cornerstone of marketing. The American Marketing Association defines a brand as: a name, term, sign, symbol, or design, or a

combination of them, intended to identify the good or service of one seller or group of sellers and to differentiate them from those of competitors. Thus a brand identifies the seller or maker. Under trademark law, the seller is granted exclusive rights to the use of the brand name in perpetuity. Brands differ from other assets such as patents and copyrights, which have expiration dates (Kotler 2003).

A brand is a complex symbol that can convey up to levels of meaning: (Kotler 2003)

- (1) **Attributes:** A brand brings to mind certain attributes. Mercedes suggest expensive, well-built, well-engineered, durable, high-prestige automobiles.
- (2) **Benefits:** Attributes must be translated into functional and emotional benefits. The attribute "durable" could translate into the function benefit "I won't have to buy another car for several years." The attribute "expensive" translated into the emotional benefit "The car makes me feel important and admired."
- (3) **Values:** The brand also says something about the producer's values. Mercedes stands for high performance, safety, and prestige.
- (4) **Culture:** The brand may represent a certain culture. The Mercedes represent German culture: organized, efficient, high quality.
- (5) **Personality:** The brand can project a certain personality. Mercedes may suggest no-nonsense boss (person), a reigning lion (animal), or an austere palace (object).
- (6) **User:** The brand suggests the kind of customer who buys or uses the product. We would expect to see a 55-year-old top executive behind the wheel of a Mercedes, not a 20-year-old secretary.

Building the brand identity requires additional decisions on the brand's name, logo, colors, tagline, and symbol. At the same time, a brand means much more than a name, logo, color, a tagline, or symbol. These are marketing tools and tactic. A brand is essentially a marketer's promise to deliver a specific set of features, benefits, and services consistently to the buyer. The marketer must establish a mission for the brand and a vision of what the brand must be and do. The marketer must think that he is offering a contract to the customer regarding how the brand will perform. The brand contract must be honest (Kotler 2003).

Branding poses several challenges to the marketer. The key decisions are shown in Figure 2.6 (Kotler 2003).

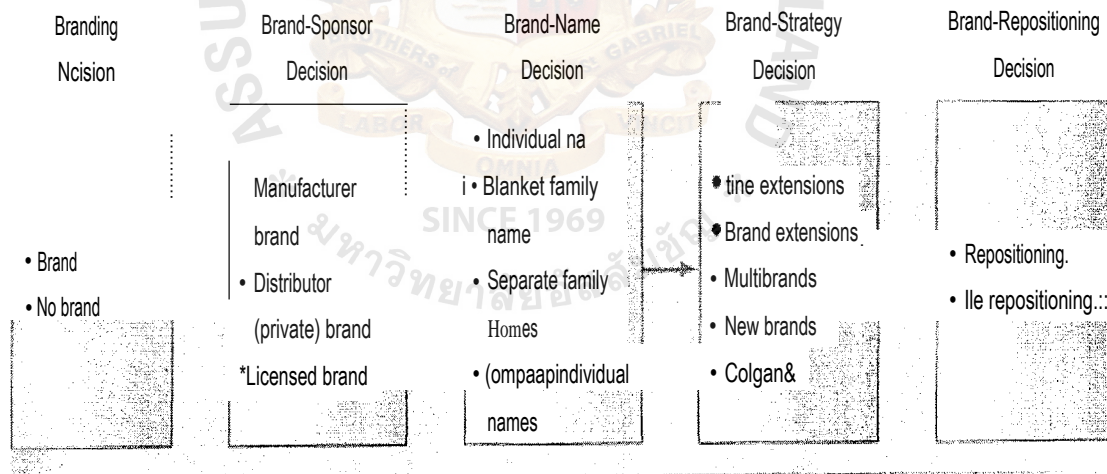


Figure 2.6. An Overview of Branding Decisions (Kotler 2003).

Branding decision: The first decision is whether to develop a brand name for a product. In the past, producers and intermediaries sold their goods out of barrels, bins, and cases, without any supplier identification. Buyers depend on the seller's integrity. The earliest signs of branding were the medieval guilds' effort to require craftspeople

to put trademarks on their product to protect themselves and consumer against inferior quality. In the fine arts, too, branding began with artists signing their works (Kotler 2003).

Brand-sponsor decision: A manufacturer has several options with respect to brand sponsorship. The product may be launched as a manufacturer brand (sometimes called a national brand), a distributor brand (also called reseller, store, house, or private brand), or a licensed brand name. Another alternative is for the manufacturer to produce some output under its own name and some under reseller labels (Kotler 2003).

Brand-name decision: Manufacturers and services companies who brand their products must choose which brand names to use. Four strategies are available: (Kotler 2003)

- (1) Individual names: A major advantage of an individual-name strategy is that the company does not tie its reputation to that of the product. If the product fails or appears to have low quality, the company's name or image is not hurt. The strategy permits the firm to search for the best name for each new product.
- (2) Blanket family names: Development cost is less because there is no need for "name" research or heavy advertising expenditures to create brand-name recognition.
- (3) Separate family names for all products: Where the company produces quite different products, it is not desirable to use one blanket family name. Companies often invent different family names for different quality lines within the same product class.

(4) Corporate name combined with individual product names: The company name legitimizes, and the individual name individualize the new product.

Brand strategy decision: Brand strategy will vary with whether the brand is a functional brand, an image brand, or an experiential brand. Consumers purchase a functional brand to satisfy a functional need such as to shave, to clean clothes, to relieve a headache. Functional brands have the best chance to satisfy customers if they are seen as providing superior performance or superior economy. Functional brands rely heavily on "product" or "price" features. Over time, each type of brand can be developed further. A company can introduce line extensions (existing brand name extended to new sizes or flavors in the existing product category), brand extensions (brand name extended to new-product categories), multibrands (new brand name introduced in the same product category), new brands (new brand name for a new category product), and co-branding (combining two or more well-known brand names) (Kotler 2003).

Brand auditing and repositioning: Companies need to periodically audit their brand's strengths and weaknesses. A company will occasionally discover that it may have to reposition the brand because of changing customer preferences or new competitors (Kotler 2003).

Most physical products have to be packaged and labeled. We define packaging as all the activities of designing and producing the container for a product. The container is called the package, and it might include up to three levels of material. Old Spice after shave lotion is in a bottle (primary package) that is in a cardboard box (second package) that is in a corrugated box (shipping package) containing six dozen boxes of old Spice (Kotler 2003).

Well-designed packages can create convenience and promotional value. Various factors have contributed to the growing use of packaging as a marketing tool: (Kotler 2003)

- (1) Self-service: An increasing number of products are sold on a self-service basis.
- (2) Consumer affluence: Rising consumer affluence means consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages.
- (3) Company and brand image: Packages contribute to instant recognition of the company or brand.
- (4) Innovation opportunity: Innovative packaging can bring large benefit to consumers and profits to producers. Companies are incorporating unique materials and features such as reasonable spouts and openings. Toothpaste pump dispensers have captured 12 percent of the toothpaste market because they are more convenient and less messy. The fragrance industry is continuously developing unique bottle designs.

Sellers must label products. The label may be a simple tag attached to the product or an elaborately designed graphic this is part of the package. The label might carry only the brand name or a great deal of information. Even if the seller prefers a simple label, the law may require additional information (Kotler 2003).

Labels perform several functions. First, the label identifies the product or brand. The label might also grade the product; canned peaches are grade labeled A, B, and C. the label might describe the product: who made it, where it was made, when it was made, what it contains, how it is to be used, and how to use it safely. Finally, the label might promote the product through its attractive graphics (Kotler 2003).

As companies find it harder to differentiate their physical products, they turn to service differentiation. Companies seek to develop a reputation for superior performance in on-time delivery, better and faster answering of inquiries, and quicker resolution of complaints. Service becomes the mantra, and many books have been written to point out the superior profitability of companies that manage to deliver superior service (Kotler 2003).

A company must consider four special service characteristics when designing marketing program: intangibility, inseparability, variability, and perishability (see Figure 2.7) (Kotler 2003).

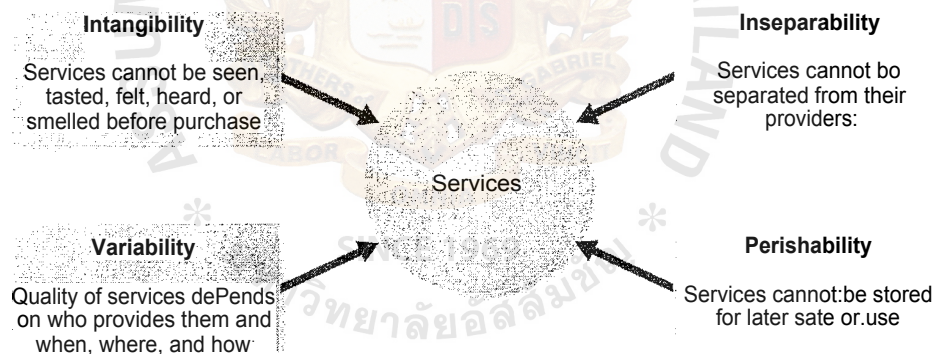


Figure 2.7. Four Service Characteristics (Kotler 2003).

Service intangibility means that service cannot be seen, tasted, felt, heard, or smelled before they are bought. To reduce uncertainty, buyers look for "signals" of service quality. They draw conclusions about quality from the place, people, price, equipment, and information that they can see. Therefore, the service provider's task is

to make the service tangible in one or more ways. Whereas product marketers try to add intangible to their tangible offers, service marketers try to add intangible to their tangible offers (Kotler 2003).

Physical goods are produced, then stored, later sold, and still later consumed. In contrast, service are first sold, then produced and consumed at the same time. Service inseparability means that service cannot be separated from their providers, whether the providers are people or machines. If a service provides the service, then the employee is a part of the service. Because the consumer is also present as the service is produced, provider-customer interaction is a special feature of service marketing. Both the provider and the customer affect the service outcome (Kotler 2003).

Service variability means that the quality of service depends on who provides them as well as when, where, and how they are provided (Kotler 2003).

Service perishability means that service cannot be stored for later sales or use. Some doctors change patients for miss appointment because the service value existed only at the point and disappeared when the patient did not show up. The perishability of service is not a problem when demand is steady. However, when demand fluctuates, service firm often have difficult problems. Thus, service firm often design strategies for producing a better match between demand and supply (Kotler 2003).

2.6.2 Pricing Program

Price is the one element of the marketing mix that produces revenue; other elements produce costs. Prices are the easiest marketing-mix element to adjust; product features, channels, and even promotions take more time. Price also communicates to the market the company intends to value the positioning of its product or brand (Kotler 2003).

The primary role of the pricing decision is to help management implement its chosen marketing strategy. In some instances, price will play a minor role in the buying process, either because buyers are more concerned about other attributes and benefits or because the difference in price among competitors is minimal. In other cases, pricing will be a central thrust of the marketing strategy. As Table 2.2 indicates, however, there is a potentially important strategic role for price decisions in any type of marketing strategy (Guiltinan 1996).



Table 2.2. Marketing Strategies and Possible Pricing Objectives (Guiltinan 1996).

Marketing Strategies	Pricing Objectives
Primary-demand strategies	
Increase the number of users	Reduce economic risk of trial Offer better value than competing product forms/classes
Increase the rate of purchase	Enhance frequency of consumption Enable use in more situations
Selective-demand strategies	
Expand served market	Serve price-oriented segment Offer hi-end versions of product
Acquire competitors' customers	Undercut competitor on price Use price to signal high quality
Retain/expand current customer demand	Eliminate competitors' price advantage Expand sales of complementary products

Pricing can be supportive of primary-demand-oriented marketing strategies if the firm believes that lower prices can increase either the number of users or the rate of use or repurchase within the product form or class. Especially in the early stages of the product life cycle, an important goal is to generate new users. A lower price may reduce the risk of trial for a new product or it may enhance the value of a new product

relative to an older one. Alternatively, lower price may be designed to increase the rate of purchase by existing customers (Guiltinan 1996).

The user of pricing programs to support primary-demand strategies is somewhat limited. As discussed below, market demand must be price-elastic for such strategies to be successful. Research shows that this is most likely to be the case in the early stages of the product life cycle. Moreover, industry price tends to decline over the life cycle, leaving less margin available for future price cuts (Guiltinan 1996).

With respect to selective-demand marketing strategies, the effectiveness of price depends, in large measure, on the importance customers attach to price in market choice within a product form or class and on the nature of demand interrelationships within the product line. Too low price on an extension targeted at a price sensitive segment can enhance the probability of cannibalization of existing products' sales. On the other hand, if the line extension is a "high-end" quality-oriented addition, the higher price may signal higher quality. If the firm's strategy is focused on retaining existing customers, the role of price is generally to meet the prices charged by the most direct competitors. Often, price can be used to sell complementary product to existing customers through tactics such as "price leaders" and "bundling." We discuss these tactics later in this chapter. Finally, price may be a critical factor in acquiring competitor' customers, either by becoming the low-price leader or by using a high price to underscore a quality-based differentiation. In most categories, price differences among competitors decline over time as consumers become more knowledgeable about products and quality differences are harder to maintain. Thus, the pursuit of competitive advantage through pricing programs requires a very thorough understanding of competitive forces (Guiltinan 1996).

The firm has to consider to many factors in setting its pricing policy. We will describe the six-step procedure: (1) selecting the pricing objective; (2) determining demand; (3) estimating costs; (4) analyzing competitors, costs, prices, and offers; (5) selecting a pricing method; and (6) selecting the final price (Kotler 2003).

- (1) Selecting the pricing objective: The company first decides where it wants to position its market offering. The clearer a firm's objectives, the easier it is to set price. A company can pursue any of five major objectives through pricing: survival, maximum current profit, maximum market share, maximum market skimming, or product-quality leadership. Whatever the specific objective, businesses that use price as a strategic tool will profit more than those who simply let costs or the market determine their pricing.
- (2) Determining demand: Each price will lead to a different level of demand and therefore have a different impact on a company's marketing objectives. The relation between alternative prices and the resulting current demand is captured in a demand curve (see Figure 2.8). In a normal case, demand and price are inversely related: the higher the price, the lower the demand. In the case of prestige goods, the demand curve sometimes slopes upward. A perfume company raised its price and sold more perfume rather than less! Some consumers take the higher price to signify a better product. However, if the price is too high, the level of demand may fall.

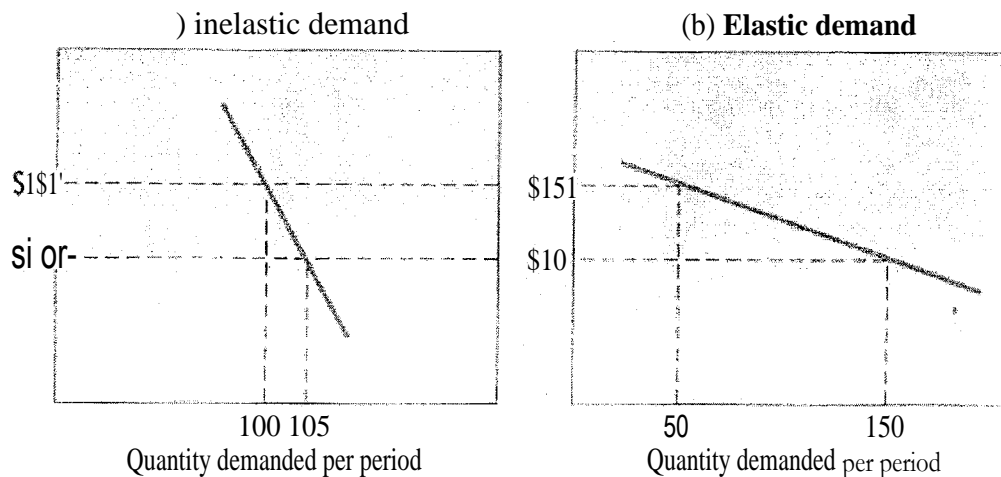


Figure 2.8. Inelastic and Elastic Demand (Kotler 2003).

- (³) Estimating costs: Demand sets a ceiling on the price the company can charge for its product. Costs set the floor. The company wants to charge a price that covers its cost of producing, distributing, and selling the product, including a fair return for its effort and risk. A company's cost takes two forms, fixed and variable. Fixed costs (also known as overhead) are costs that do not vary with production or sales revenue. A company must pay bills each month for rent, electricity, interest, salaries, and so on, regardless of output. Costs change with production skill and experience. They can also change as a result of a concentrated effort by designers, engineers, and purchasing agents to reduce them. The Japanese use a method called target costing. They use market research to establish a new product's desired functions. Then they determine the price at which the product will sell, given its appeal and competitors' prices. They deduct the desired profit margin from this price, and this leaves the target cost

they must achieve. They then examine each cost element—design, engineering, manufacturing, and sales. They consider ways to reengineer components, eliminate functions, and bring down supplier costs. The objective is to bring the final cost projection into the target cost range. If they cannot succeed, they may decide against developing the product because it could not sell for the target price and make the target profit. When they can succeed, profits are likely to follow.

- (4) Analyzing competitors' costs, prices, and offers: Within the range of possible prices determined by market demand and company costs, the firm must take the competitors' costs, prices, and possible price reactions into account. The firm should first consider the nearest competitor's price. If the firm's offer contains positive differentiation features not offered by the nearest competitor, their worth to the customer should be evaluated and added to the competitor's price. If the competitor's offer contains some features not offered by the firm, their worth to the customer should be evaluated and subtracted from the firm's price. Now the firm can decide whether it can charge more, the same, or less than the competitor. The firm must be aware, however, that competitors can change their prices in reaction to the price set by the firm.
- (5) Selecting a pricing method: The three Cs—the customers' demand schedule, the cost function, and competitors' price—the company is now ready to select a price. Costs set a floor to the price. Competitors' prices and the price of substitutes provide an orienting point. Customers' assessment of unique product features establishes the ceiling price.

Companies select a pricing method that includes one or more of these three considerations.

- (6) Selecting the final price: Pricing methods narrow the range from which the company must select its final price. In selecting that price, the company must consider additional factors, including psychological pricing, gain-and-risk-sharing pricing, the influence of other marketing-mix elements on price, company pricing policies, and the impact of price on other parties.

Most companies will adjust their list price and give discounts and allowances for early payment, volume purchases, and off-season buying (see Table 2.3). Companies must do this carefully or find that their profits are much less than planned (Kotler 2003).

Table 2.3. Price Discounts and Allowances (Kotler 2003).

Cash Discount:	A price reduction to buyers who pay bill promptly. A typical example is " ² / ₁₀ , net 30," which means that payment is due within 30 days and that the buyer can deduct 2 percent by paying the bill within 10 days.
Quantity Discount:	A price reduction to those who buy large volume. A typical example is "\$10 per unit for less than 100 units; \$9 per unit for 100 or more units." Quantity discount must be offered equally to all customers and must not exceed the cost savings to the seller. They can be offered on each order placed or on the number of units ordered over a given period.
Functional Discount:	Discount (also called trade discount) offered by a manufacturer to trade-channel members if they perform certain functions, such as selling, storing, and recordkeeping. Manufacturers must offer the same functional discounts within each channel.
Seasonal Discount:	A price reduction to those who buy merchandise or service out of season. Hotel, motels, and airlines offer seasonal discounts in slow selling periods.
Allowance:	An extra payment designed to gain reseller participation in special programs. Trade-in-allowance are granted for turning in an old item when buying a new one. Promotional allowances reward dealers for participating in advertising and sales support programs.

Sales management needs to monitor the proportion of customers who are receiving discounts, the average discount, and the particular salespeople who are overrelying on discounting. Higher levels of management should conduct a net price analysis to arrive at the "real price" of their offering. The real price is affected not only by discounts, but by many other expenses that reduce the realized price (Kotler 2003).

2.6.3 Marketing Channel and Distribution

Marketing channel are sets of interdependent organizations involved in the process of making a product or service available for use or consumption. Marketing-channel decisions are among the most critical decisions facing management. The channels chosen intimately affect all the other marketing decisions. The company's pricing depends on whether it uses mass-merchandisers or high-quality boutiques. The firm's sales force and advertising decisions depend on how much training and motivation dealers need. In addition, the company's channel decisions are relatively long-term commitments to other firms (Kotler 2003).

Companies can design their distribution channels to make products and service available to customers in different ways. Each layer of marketing intermediaries that performs some work in bringing the product and its ownership closer to the final buyer is a channel level. Because the producer and the final consumer both perform some work, they are part of level channel (Kotler 2003).

The number of intermediary levels indicates the length of a channel. Figure 2.9A shows several consumer distribution channels of different lengths. Channel 1, called a direct marketing channel, has no intermediary levels; the company sells directly to consumers. The remaining channels in Figure 2.9A are indirect marketing channels, containing one or more intermediaries (Kotler 2003).

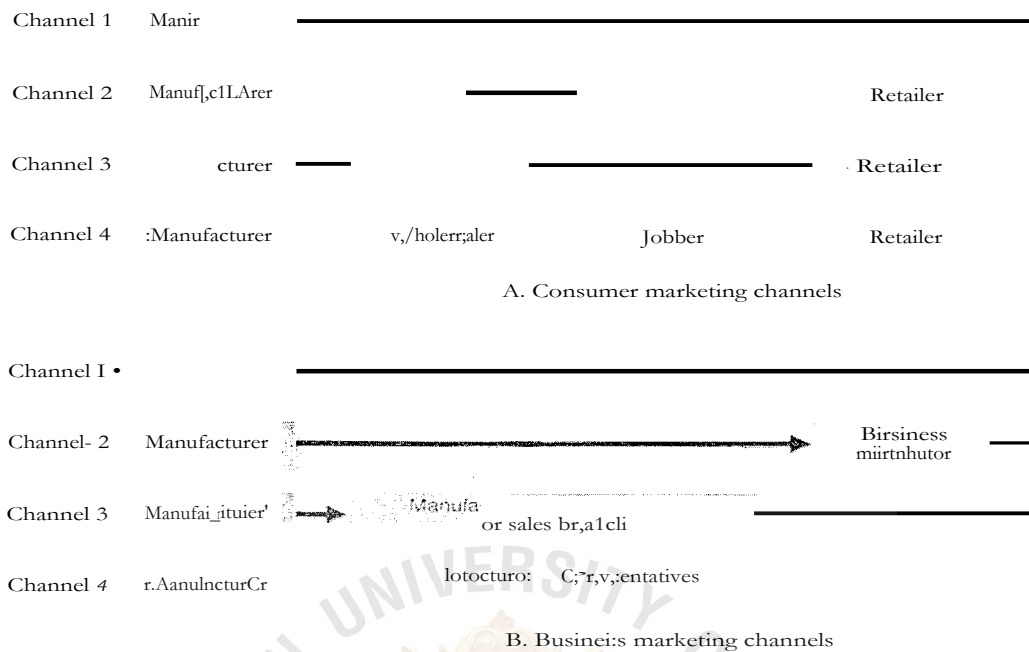


Figure 2.9. Consumer and Business Marketing Channels (Kotler 2003).

Figure 2.9B shows some common business distribution channels. The business marketer can use its own sales force to sell directly to business customers. Or it can sell to various types of intermediaries, who in turn sell to these customers. Consumer and business marketing channels with even one level are sometimes found, but less often. From the producer's point of view, a greater number of levels means less control and greater channel complexity. Moreover, all of the institutions in the channel are connected by several types of flows. These include the physical flow of products, the flow of ownership, the payment flow, the information flow, and the promotion flow. These flows can make even channels with only one or a few levels very complex (Kotler 2003).

In addition to direct marketing systems, marketers can employ three other basic types of sales and distribution systems. As summarized in Table 2.4, each of these systems differs in terms of the role played by personal selling (Guiltnan 1996).

Table 2.4. Types of Sales and Marketing Channel Systems (Guiltinan 1996).

Types	Key Characteristics
Direct Systems	
1. Direct	Products distributed directly to final buyer
personal	Sales message delivered to individual buyers by face-to-face
selling	contact (Telephone selling may be used for order taking.)
systems	Primary functions are to provide product information, technical advice, customer service; identify changing customer needs
Indirect Systems	
1. Trade	Products distributed through wholesalers or retailers who usually
selling	buy to resell to final buyers
systems	Sales message delivered by face-to-face contact (Telephone selling may be used for order taking.)
	Primary functions are to obtain distributor support, provide product information, provide sales training and assistance to distributors
2. Missionary	Products distributed through wholesalers or retailers who usually
selling	buy to resell to final buyers
systems	Sales message delivered by face-to-face contact
	Primary function is to provide product information and customer service directly to final buyer or to those who influence buyers

- (1) Direct personal selling systems: As with direct marketing systems, in direct personal selling systems products are shipped directly to the customer. However, unlike direct-marketing systems most sales messages are delivered face to face. Note that this direct selling may be performed by a manufacturer's own sales force or by commissioned sales representatives. Technically, such representatives are agent wholesalers, but they perform only selling activities, so if they call only final buyer they function as a direct sales force. Direct personal selling is used when the role of the sales force is more complex than the presentation of a simple sales message and asking for the order. Specifically, these salespeople focus their efforts on helping customer solve selected purchasing problems by demonstrating how a product (or service) can be used or adapted to its customer needs. Additionally, they might also be responsible for identifying new products that might be developed to satisfy these needs. Finally, they might also perform customer service activities such as following up on customer complaints; providing maintenance, repair, and operating (MRO) services; assuring reliable delivery; providing information on inventories and order processing; and assisting customers in managing spare parts inventories.
- (2) Trade selling systems: When organizations employ wholesalers and/or retailers to physically distribute products to final customers, a major role for the sales force is to assure that distributors are willing and able to support the marketing strategy. Accordingly, the sales force is usually called on to demonstrate to distributors how they can benefit from following specific policies that also enhance a manufacturer's sales.

These policies can include promotion, service, space allocation, inventory, and production-assortment decisions. Additionally, this sales force may be responsible for providing distributors with the same kinds of customer service support that the direct sales force provides for the final buyer.

- (3) Missionary selling systems: Missionary selling also involves activities that enhance distributors' sales. However, these activities are primarily directed toward final buyers or toward individuals who influence the buying decision rather than toward distributors. These kinds of sales forces are employed when distributors' salespeople are inadequately trained or insufficient in number to provide the technical information required. Additionally, when distributors carry extremely wide and diverse product lines and when new products are developed at a high rate, the missionary sales force will be especially useful.

In today's global marketplace, selling a product is sometimes easier than getting it to customers. Companies must decide on the best way to store, handle, and move their products and services so that they are available to customer in the right assortment, at the right time, and in the right place. Physical distribution and logistics effectiveness has a major impact on both customer satisfaction and company costs (Kotler 2003).

Companies today are placing greater emphasis on logistics for several reasons. First, companies can gain powerful competitive advantage by using improved logistics to give customer service or lower prices. Second; improved logistics can yield tremendous cost savings to both the company and its customers. About 15 percent of an average product's price is accounted for by shipping and transport

alone. Third, the explosion in product variety has created a need for improved logistics management. Ordering, shipping, stocking, and controlling such a variety of product presents a sizable logistics challenge. Finally, improvements in information technology have created opportunities for major gains in distribution efficiency. Using sophisticated supply chain management software, Web-based logistics systems, point of sale scanners, uniform product codes, satellite tracking, and electronic transfer of order and payment data, companies can quickly and efficiently manage the flow of goods, information, and finances through the supply chain (Kotler 2003).

The major logistics functions include: (Kotler 2003)

- (1) Warehousing: Production and consumption cycles rarely match. So most companies must store their tangible goods while they wait to be sold. The storage function overcomes differences in needed quantities and timing, ensuring that products are available when customer are ready to buy them. A company must decide on how many and what types of warehouses it needs and where they will be located. The company might use either storage warehouse or distribution centers. Storage warehouses store goods for moderate to long periods, distribution centers are designed to move goods rather than just store them. They are large and highly automated warehouses designed to receive goods from various plants and suppliers, take orders, fill them efficiently, and deliver goods to customers as quickly as possible.
- (2) Inventory management: Inventory management also affects customer satisfaction. Here, the manager must maintain the delicate balance between carrying too little inventory and carry too much. With too little stock, the firm risks not having products when customers want to buy. To

remedy this, the firm may need costly emergency shipments or production. Carrying too many inventories result in higher than-necessary inventory-carrying costs and stock obsolescence. Thus, in managing inventory, firms must balance the costs of carrying larger inventories against resulting sales and profits.

- (3) Transportation: The choice of transportation carriers affects the pricing of products, delivery performance, and condition of the goods when they arrive-all of which will affect customer satisfaction. In shipping goods to its warehouses, dealers, and customers, the company can choose among five main transportation modes: truck, rail, water, pipeline, and air, along with an alternative mode for digital products: the Internet.
- (4) Logistics information management: Companies manage their supply chains through information. Channel partners often link up to share information and to make better joint logistics decisions. From a logistics perspective, information flows such as customer orders, billing, inventory levels, and even customer data are closely linked with the channel performance.

2.6.4 Promotion

Promotion strategy combines advertising, personal selling, sales promotion, direct marketing, and publicity into a coordinated program for communicating with buyers and others who affect purchasing decisions. Promotion activities are important influences on the sales achieved by companies. Billions are spent every week in the United States and other nations around the world on promotion. Effective management of these expensive resources is essential to gain the optimum return from the promotion expenditures (Cravens 1997).

Promotion informs people about products and persuades the company's buyers, channel organizations, and the public at large to purchase brands. Increasingly, marketing management is finding it profitable to combine the promotion components into an integrated strategy for communicating with buyers and others who influence purchasing decisions. Since each form of promotion has certain strengths and shortcomings, the integrated strategy incorporates the advantages of each component into a cost effective promotion mix (Cravens 1997).

Promotion strategy is the planning, implementing, and controlling of the communications from an organization to its customer and other target audiences. The function of promotion in the marketing mix is to achieve various communications objectives with each audience. The components of the promotion mix include advertising, personal selling, sales promotion, direct marketing, and public relations. And important marketing responsibility is planning and coordinating and integrating promotion strategy and selecting strategies for the promotion components. The marketing manager has little or no control over word-of-mouth communication or the communications of organizations. Nevertheless these communications also influence the firm's target audience(s) (Cravens 1997).

Advertising is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. Among the advantages of using advertising to communicate with buyers are the low cost per exposure, the variety of media (newspaper, magazines, television, radio, direct mail and outdoor advertising), control of exposure, consistent message content, and the opportunity for creative message design. In addition, appeal and message can be adjusted when communications objectives change. Advertising also has some disadvantages. It

cannot interact with the buyer and may not be able to hold viewers' attention. Moreover, the message is fixed for duration of an exposure (Cravens 1997).

Advertising objectives can be classified according to whether their aim is to inform, persuade, remind, or reinforce. They aim at different stages in the hierarchy of effects: (Kotler 2003)

- (1) Informative advertising: aims to create awareness and knowledge of new products or new features of existing products.
- (2) Persuasive advertising: aims to create liking, preference, conviction, and purchase of a product or service.
- (3) Reminder advertising: aims to stimulate repeat purchase of products and services.
- (4) Reinforcement advertising: aims to convince current purchasers that they made the right choice.

Advertising objectives must include a precise statement of generally accepted communication objectives: who, what, and when. "The who" relates to the audience or target market at whom the message will be aimed. "The what" relates to the effect we wish to achieve awareness, attitude change, reminder, and so on. "The when" relates to the time period during which the object should be obtained (Guiltnan 1996).

Sales promotion consists of various of promotion activities, including trade shows, contests, samples, point-of-purchase displays, trade incentives, and coupons. Sales promotion expenditures are substantially greater than the amount spent on advertising. This array of special communications techniques and incentives offers several advantages: Promotion can be used to target buyers, respond to special occasions, and create an incentive for purchase (Cravens 1997).

Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, price off, premiums, patronage rewards, free tails, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations); trade promotion (price off, advertising and display allowances, and free goods); and business, and sales-force promotion (trades shows and conventions, contests for sales reps, and special advertising). These tools are used by most organizations, including nonprofit organizations (Kotler 2003).

Direct marketing consists of the various communication channels that enable companies to make direct contact with individual buyers. Included are catalogs, direct mail, telemarketing, television selling, radio/magazine/newspaper selling, electronic shopping, and kiosk shopping. Direct marketing expenditures account for a large portion of promotion expenditures. Electronic shopping is one of the new forms of direct marketing. While accounting for a small portion of total shopping expenditures today, virtual shopping via the computer is expected to total \$7 billion by 2000 (Cravens 1997).

Direct marketing is the use of consumer-direct (CD) channel to reach and deliver goods and services to customers without using marketing middleman. These channels include direct mail, catalogs, telemarketing, interactive TV, Kiosks, Web site, and mobile devices. Direct marketing is one of the fastest growing avenues for serving customers (Kotler 2003).

Direct marketing can be aimed to reach prospects at the right moment, and direct marketing material receives higher leadership because it is sent to more interested prospects. Direct marketing permits the testing of alternative media and messages in search of the most cost-effective approach. Direct marketing also makes

the direct marketer's offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable (Kotler 2003).

Public relations involve a variety of programs designed to promote or protect a company's image or its individual product. Public relations has often been treated as a minor element in the promotion mix, but the wise company takes concrete steps to manage successful relations with its key publics. Most companies have a public-relations department that monitors the attitudes of the organization's publics and distributes information and communication to build goodwill. The best PR departments spend time counseling top management to adopt positive programs and to eliminate questionable practices so that negative publicity does not arise in the first place. They perform the following five functions: (Kotler 2003)

- (1) Press relations: Presenting news and information about the organization in the most positive light.
- (2) Product publicity: Sponsoring efforts to publicize specific products.
- (3) Corporate communication: Promoting the understanding of the organization through internal and external communications.
- (4) Lobbying: Dealing with legislators and government officials to promote or defeat legislation and regulation.
- (5) Counseling: Advising management about public issues and company positions and image during good times and crises.

III. MARKETING STRATEGIES

3.1 Company Background

As mentioned before, ProMinent is the subsidiary of ProMinent Dosiertechnik GmbH, Germany. Since the company has many business areas and products, it was not much concerned about the swimming pool market at the beginning. But now the company wants to penetrate and expand into this market segment. One of the main reasons is that this market is growing very fast right now due to the real estate and hotel market expansion. Since the company did not pay much attention in this segment before, they are like a new player in this area.

The swimming pool water treatment system can be divided into two main parts. The first one is physical treatment that makes the pool water clean and clear. It comprises of circulating pump, filter, and other accessories in the pool basin. The second one is disinfection system that makes the hygienic pool. There are many options in the pool water disinfection system such as automatic pool water quality controller, ozone treatment system, salt chlorinator, etc. ProMinent has manufactured product only for the disinfection part in Germany, under the brand "ProMinent". Their product has very good quality and many well-known references such as Olympic pool.

Since ProMinent does not provide any product for physical treatment system and pool accessories, their product cannot complete the whole system for swimming pool. In addition, the pool equipment suppliers in Thailand are providing only pumps, filters, and pool accessories. Those suppliers did not provide equipment for disinfection. So at the beginning, the company's strategy was to co-operate with those pool suppliers and asked them to be the distributors of ProMinent products. The

company tried to be a strategic partner with those pool suppliers but it did not work and the sales volume of ProMinent product in this area is still very low.

Finally the company changed their strategy to be the supplier of the whole pool equipment so they become the distributor of "Astral" swimming pool equipment from Spain. Astral is one of the leaders in the pool global market who can provide the complete product line. With this decision, to increase sales in this product line, ProMinent has to compete with several major competitors in this market.

3.2 Current Market Situation

Now the swimming pool market is growing very fast due to the expansion of the real estate sector after the economic crisis in 1997. The statistical data from the Department of Lands in year 2002 and 2003, shown in Table 3.1, 3.2, and 3.3 points out a clear fast-growing overall picture of real estate business.

Table 3.1. The Comparison of Total Numbers of New Permitted Land Allotment in Bangkok, Year 2002-2003 (Department of Lands).

Year	Number of Permissions	Type of Permitted Lands (units)					
		Single House	Twin House	Town House	Shop House	Land	Total
2001	50	1,373	152	859	147	311	2,842
2002	62	2,558	698	1,329	262	1,130	5,977
2003	136	7,532	568	5,184	599	1,197	15,080

Table 3.2. The Comparison of Total Numbers of New Permitted Land Allotment in Year 2002 and 2003 (Department of Lands).

Branch Office	In year 2002 (unit: numbers)	In year 2003 (unit: numbers)
1. Bangkok	3	7
2. Bangkean	11	19
3. Phrakhanong	2	5
4. Bangkuntien	3	16
5. Bangkoknoi	5	11
6. Bangkapi	15	7
7. Nongkam	2	5
8. Minburi	4	8
9. Huaykwang		1
10. Thonburi	2	4
11. Ladpraw	2	10
12. Donmuang	1	5
13. Bungkum	4	16
14. Prawes	6	19
15. Nongjok	1	2
16. Ladkrabung	1	1
Total	62	136

Table 3.3. Registered Data of Self-Construction House and Housing Estate from January to September (Department of Lands).

Type	Number of Units In Year 2002	Number of Units in Year 2003	Increased Percentage
Self-Construction	13,915	14,110	1.4
Housing Estate	12,778	17,011	33
Total	26,693	31,121	17

Table 3.4 is the statistical data from Thai Hotels Association in year 2001, 2002, and 2003. It shows the growth of the hotel sector in terms of numbers of room for each region in Thailand. From the table, there are some potential areas that have high growth rate such as in central and southern region.

Table 3.4. The comparison of Total Numbers of Hotel Room in Each Region of Thailand, Year 2001 to 2003 (Thai Hotels Association).

Region	2001		2002		2003	
	Rooms	Growth	Rooms	Growth	Rooms	Growth
Bangkok	40,588	-	40,326	-0.65%	41,071	1.85%
Central	1,552		1,346	-13.27%	1,696	26%
Eastern	9,885		10,072	1.89%	10,162	0.89%
Northern	10,317	-	9,978	-3.29%	10,358	3.81%
Northeastern	3,968	-	3,968	0%	3,681	-7.23%
Southern	13,592		15,042	10.67%	15,859	5.43%
Western	4,006		4,021	0.37%	4,232	5.25%

By interviewing some project managers of real estate companies and distributors, the reasons that make the market expand are identified. They are as follows:

- (1) The government's policy tried to stimulate the real estate sector. The property transfer and registration fee was reduced from 3% to 0.01% until the end of 2003. The government tried to solve the economic downturn of Thailand by stimulating real estate sector and increase the purchasing power of consumers.
- (2) The loan interest rate was much decreased due to the decrease in deposit interest, especially the loan for residence. There are many promotion from almost every bank for resident loan such as fixed low interest for the first three years, low interest for re-financing, lucky drawing, etc.
- (3) There has been accumulation of residence need since the economic crisis. The need was there even in the downturn period. Consumers had saved their money so the need was accumulated year by year. After the crisis period, the situation is getting better and the consumers start using their money again so there is a big demand in housing sector.
- (4) The marketing program of real estate companies that tries to catch up with the increasing buying power of consumers. They launch programs that aim to have an influence on the decision making of customers to increase their sales volume in the upturn period.
- (5) The policy of government that tries to increase the income from tourism sector makes the expansion of hotel segment including new, renovated, and expanded ones. Many government's programs - such as long stay

program, Unseen in Thailand, Thailand elite card — bring more investment in hotel sector.

- (6) The rapid boom in some potential areas that make the high growth rate of real estate and hotel industry such as Phuket, Samui, Pattaya, etc. It also makes the high growth rate of numbers of swimming pool.
- (7) Swimming pool is one of the highlights of that kind of project. So almost every project must have at least one swimming pool included. So the number of swimming pool is proportionately increasing according to the number of the project constructed.

3.3 Competitors Analysis

By analyzing the data of market situation and market share right now, there are five major market share holders that have the background described as follows:

S. Napa

S. Napa was founded in 1959 by Khun Snan Napasab as S. Napa Trading dealing initially with the import and distribution of motor oil. Realizing potential in water treatment through the distributorship of Culligan International, U.S.A., S. Napa started to flourish in the water business and thus creating a start in water treatment, swimming pools and fountains system.

In 1987, S. Napa re-registered as S. Napa (Thailand) Co., Ltd. to reinforce established identity of a reputable company with firm business principles and ethics which stemmed from steady growth of organization and sound corporate culture. Seeing the challenge in environmental field, S. Napa focussed on providing solutions to fulfill industries and communities' requirements through water and wastewater services ranging from the consultancy, design, implementation, construction, to operation and maintenance.

In 1999, S. Napa formed an alliance with U.S. Filter, a member of Vivendi Group, the world leader in water and environmental services, to establish an international company, US Napa Co., Ltd. (corporate name now changed to Vivendi Napa Limited). In 2000 Vivendi Napa entered the field as a joint venture with the Industrial Estate Authority of Thailand (IEAT) to establish a new Global Utilities Services Co., Ltd. (GUSCO) which provides operating and maintenance services for utilities and environmental infrastructures systems.

The company' main business is divided into three types as follows:

- (1) Swimming pools and fountains: They provide design and installation of swimming pools, fountains and Hydrotherapy massage including chemicals for pools and all related equipment. Over the years, S.Napa has also designed and installed fountains and waterfalls for various water-scaping applications. Such projects have ranged from simple water detailing to highly complex, computer synchronized dancing fountains and hydro facilities for water amusement parks. As the company is one of the most experienced swimming pool specialists in Thailand, it offers custom-made pools, hydrotherapy massage pools, saunas, pre-fabricated wave pools, and therapeutic spas. These pools can be designed into any specification. They offer a comprehensive line of motors, pumps, filters and accessories such as underwater lights, chemical treatment systems, tiles & mosaic and cleaning equipment. S. Napa provides an efficient pool-cleaning service along with preventive maintenance of all equipment on a regular basis.
- (2) Wastewater treatment: Design and installation of wastewater treatment systems for communities, hospital, industries and industrial parks.

- (3) Water treatment: Design and installation of various water treatment systems for home, community, commercial, industrial and hospital applications. All types of water treatment equipment such as filters, softeners, deionizers, reverse osmosis for desalination and reverse osmosis for Hemodialysis units etc.

Pool Spa

With over 25 years of experience, Pool & Spa Company has become a leader in the swimming pool business. The growth they gradually developed from a small market has virtually built up an increasing demand for today's business.

They have created the genuine needs of swimming pool and spa. Moreover they have introduced various types of equipment to streamline the complete workshop of the best for swimming pool, spa, waterslide, water features and hi-tech fountain.

The business areas of Pool & Spa are as follows:

- (1) Residential pool: Concrete pool including both in-ground pool and above-ground pool.
- (2) Semi-commercial pool
- (3) Commercial and competition pool
- (4) Spa, sauna, and steam
- (5) Water park: Water slides, water features, child's play.

Pool King

The company provides swimming pool treatment system and equipment. In co-operation with S.S. Suan (Bangkok) Co., Ltd., run by the same owner, they also provide the complete offering including the pool construction. Another advantage of the company is that they have many branches, named Pool Mart, in almost all the potential place such as Pattaya, Koh Samui, Phuket, etc.

They provide the following services.

- (1) The pool and spa construction by Gunit system
- (2) Swimming pool equipment installation with the brand name: Sta-Rite, Certikin, and Triogen.
- (3) Chemicals for swimming pool with Sunbrite and Astral brand.

Pool Tech

It is a trading company that provides only swimming pool treatment system.

The main target market of the company is the distributor segment. The most important thing is that they are one of two major distributors of Astral products in Thailand, besides ProMinent. So they are the main competitor in the distributor segment. They also provide other famous pool equipment brands such as Hayward from the USA, Sauna equipment, Heater, etc.

Mister Pool

It is a trading company that distributes chemical products, water pumps, and filters with spare parts for swimming pools and spas. It also offers cleaning services for pools. Now it is the market leader in pool maintenance product service for pools serving more than 600 customers especially hotels, both in Bangkok and provinces. The company exports to neighbouring countries like Myanmar, Laos, Sri Lanka, and Vietnam.

Since 1997, Mister Pool has opened a new department that provides pool cleaning and treatment services. Now another four branches are open. They are:

- (1) Mister Pool Co., Ltd. (Phuket Branch)
- (2) Provincial Supplies Co., Ltd. (Samui Branch)
- (3) H&H Supplies Co., Ltd. (Pattaya Branch)
- (4) H&H Co., Ltd. (Cha-Am Branch)

AEU Intertrade

The swimming pool company's service includes design, construction and installation of the water treatment for swimming pools. It is the sole distributor of Dinotec from Germany. The company was established several years ago so their customer base is not large compared to other market share holders.

According to the data from the Department of Business Development, the sales and market share of each market share holder can be estimated as follows:

S. Napa:	85	million bahts
Pool Spa:	50	million bahts
Pool King:	30	million bahts
Pool Tech:	15	million bahts
Mister Pool:	8	million bahts
AEU Intertrade:	5	million bahts
Others:	15	million bahts
Total:	208	million bahts

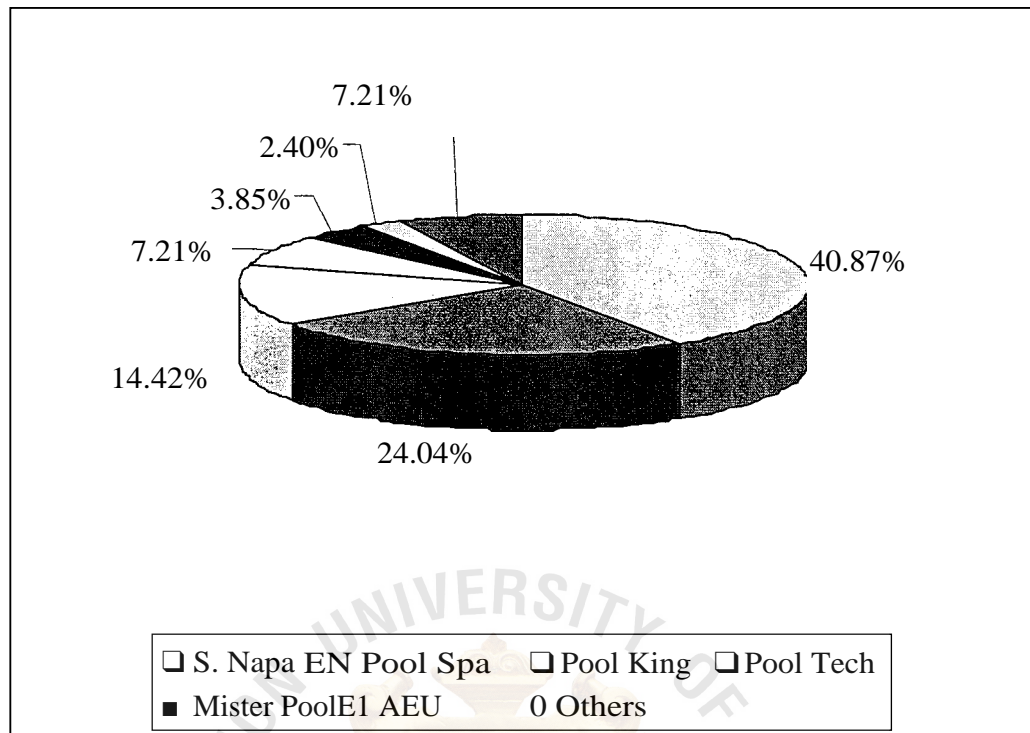


Figure 3.1. Market Share of Each Company in the Market.

3.4 SWOT Analysis

After collecting and analyzing the data, the following strengths, weaknesses, opportunities, and threats of ProMinent are identified.

Strengths

- (1) ProMinent is a subsidiary of ProMinent Germany who is providing the strong financial support from the headquarters.
- (2) The company has many business areas that are mostly successful, so the financial status of the company is very good. In this situation, investment should be made in the new section.
- (3) Headquarters in Germany has the strong R&D and technical departments that can provide technical support. From the ProMinent group, they can

share the new technology or application from the international level among subsidiaries.

- (4) The company has the core competence in swimming pool disinfection system that can differentiate the company from the competitors.
- (5) ProMinent has produced the equipment used in the swimming pool disinfection system by its own manufacturer. So there is the cost advantage over the competitors who have to order this equipment from others.
- (6) The company has expertise in the ozone treatment system with good project references. This is advantageous to the company because now there is the trend to use ozone in the swimming pool.
- (7) Since it is not a new company, there are resources that the new department can use with low addition cost including human resource.
- (8) Because of the technical support and updated technology from the headquarters in Germany, the company can offer the latest technical information and technology other competitors are lack of.
- (9) The company can offer a complete range of the system - from economy to hi-end — that covers all customers' need.

Weaknesses

- (1) There is a lack of experience in installation and on site works.
- (2) There is a lack of its own employees for installation works, but using a subcontractor. So the cost of the company is higher than its competitors who have their own installation teams. It is hard for the company to compete with its competitors in the competitive situation.

- (3) The company does not offer the pool construction. It is a crucial weakness of the company because customers expect a company to provide complete service, both civil and mechanical works.
- (4) A small number of sales persons and technicians in the team.
- (5) New and young sales persons have limited experience in the market.
- (6) Lack of low cost material sources. Some competitors have their own factories to manufacture some equipment locally such as fiberglass factory.
- (7) Lower inventory level that sometimes causes shortage problems.
- (8) Since the company has just started this business unit, the order volume of equipment placed to the manufacturer is still low. It makes the cost of goods higher than the competitors who order more and get bigger discount.
- (9) Lack of chemical products that customers have to order periodically.
- (10) Lower project references.

Opportunities

- (1) Now this market is growing and in great demand. This is a good opportunity for the new entrant.
- (2) ProMinent has the international reputation so it is advantageous to the company in dealing with overseas suppliers and manufacturers with good credit.
- (3) Its strength in quality and hygienic pool water meets health-conscious customers' need such as ozone treatment system.
- (4) ProMinent has the strength that can differentiate the company's image from the competitors in customers' perception.

- (10) The company may take the major risk if the market stops expanding before the company can build the potential customer base and strong competitive advantage.

Opportunity Analysis

The swimming pool market is a potential market for business expansion of ProMinent because the market is growing and the company has its own products that can be offered to the market. This expansion can increase the sales of the headquarters' products that are manufactured by its own factory so there is an opportunity that the headquarters will appreciate this strategy. The growing market is a good opportunity for the new entrant to build their core competence. But they must complete building their competitive advantage before the market shrinkage or price war so that they can survive and get this market as one of their long-term business area. In addition, the competitors who hold the major market share are the local companies that do not have much experience in the disinfection system. This is a good chance of ProMinent to communicate their competence to the market especially in hi-end market that has the high purchasing power.

3.5 Market Segmentation

The swimming pool can be segmented in two variables: geographic and channel segmentation.

3.5.1 Geographic Segmentation

The market can be segmented in the location where the customer is. Since the number of swimming pool built in the developed area is much higher than those built in other areas, we will consider and target only in the potential area nationwide.

The potential areas are as follows:

- (1) Bangkok: In this area, where the company is located, the company can approach directly to the customers. The strategy for this area is both a direct approach and through the distributors. It depends on what kind of the target customer is.
- (2) Provincial area: The company cannot approach directly to customers in this area because of the distance. So they must sell their products through the distributors. The potential areas in this segment are Pattaya, Phuket, Koh Samui, Ratchburi, Chiangmai, Nakornratchasima, and Khonkaen.

3.5.2 Channel Segmentation

The swimming pool can also be segmented by channel to approach the customers or users. The nature, behavior, and need of each segment is different. Since the data collection of swimming pool in Thailand is poor, the share of each segment has to be estimated by interviewing the customers, distributors, and by the data from National Housing Authority. The market will be segmented as follows:

Residence:	30%
Consultant/contractor:	25%
Distributor:	25%
Housing:	15%
Others:	5%

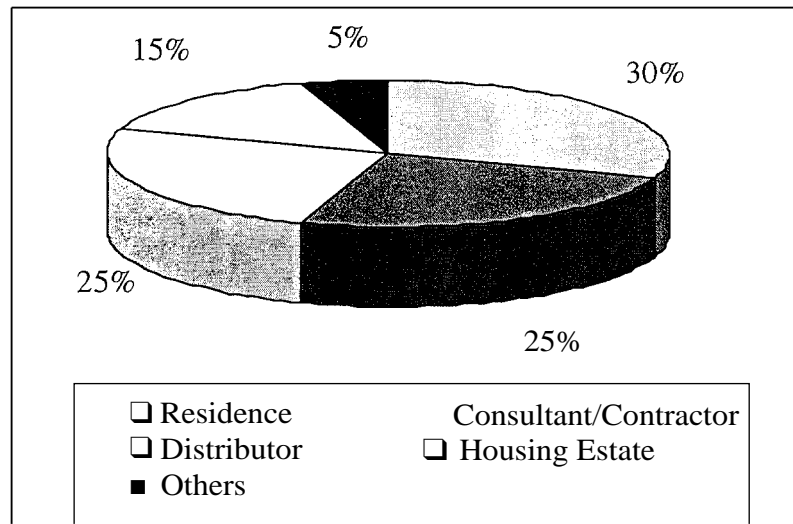


Figure 3.2. Market Channel Segmentation.

- (1) Residence segment: For the residential swimming pool, suppliers can offer either directly to the house owner or through the architect. It depends on each project and the customer needs in the swimming pool system. In the case of direct offer to the owner, the company has an opportunity to present the company's image and their competitive advantage. But in the case of offering through the architect, the company may face the strong connection of the competitors who have dealt with the architect. The need of this segment ranges from the economical system to the best one, depending on the concern about the pool water quality and the budget of the customer.
- (2) Consultant/contractor segment: Most of them are large projects in which many parties involved including owner, project management team, consultant, contractor, subcontractor, etc. The consultant is responsible for designing and specifying the equipments for proper use. The

contractor who wins the bid will get the job and sign the contract. Most main contractors, that are construction companies, will subcontract the mechanical works to the subcontractor. In this segment the suppliers rarely have the chance to offer and present directly to the owner but have to offer to the consultant or project management company instead. The consultant needs the swimming pool company who can provide them the technical support, up-to-date technology, high quality system, etc. They often choose the company who has a good image and reputation in the market, while the contractor needs the cheapest-priced products that are complied according to the specification of the consultant. The level of the system that should be offered for this segment ranges around the best one.

- (3) Distributor segment: The customers in this segment are swimming pool contractors or suppliers but they do not import the equipment by themselves because their volume is not big enough. Distributors are located in Bangkok and other potential areas nationwide. They hold the market or customer that is unreachable for a big company. Most of them are local customers in that area. Distributors need medium-level products which are available in stock, competitive-priced, with good after sales service. In addition, most of them often buy products from the supplier whom they have a close relationship with.
- (4) Housing segment: Most of the pools in this segment are in club house of the project. This market is successful right now especially in the hi-end segment. Almost all projects are located around Bangkok area. The swimming pool company often offers directly to the project owner, rarely offer to the main contractor. The need of this segment depends on the

level of each project and the price of their house. The offer ranges from the economical to medium system. The five-star system is offered only in the highlighted project. Price, which is the cost of the customers' project, plays the important role in customer decision making. High bargaining always occurs especially with a customer who has high purchasing power.

(5) Others: This segment covers the replacements, chemicals, and service markets. Suppliers use chemical products that the pool owner has to use regularly. When the customers' pool needs to be maintained, they usually contact the suppliers that they have dealt regularly with. Actually the chemical product generates low margin but it creates the connection with customers. So the suppliers can make more margin with the replacements equipment.

3.6 Market Targeting and Market Positioning

3.6.1 Market Targeting

We choose four segments as the target markets that are residence, consultant/contractor, distributor, and housing segment. The major reason is that it is more risky for a company holding high market share in only one or two market segments than the one holding medium share but in many segments. When there is any problem occurrence in the market such as market downturn, aggressive competitor's attack, or price war, it will cause more serious problems to the company who holds share in only one or two segments. But if the company has customer base in other segments, they have some more market that can support and compensate the one with problems. Because of the limited sales force and resources of the new section, the company can not penetrate into those four segments at the same time. The

company has to set the priority of those target markets to implement the marketing plan.

3.6.2 Market Positioning

For the position of ProMinent in the market, we separate the market into two areas with different positions that make more competitive advantage for the company. In the typical market in which most of them are price-oriented, the position of ProMinent is set as the medium-quality product with competitive price.

In the hi-end market that is quality-oriented, they need the best quality products, not concerning the price. ProMinent is set at the top position of the market with premium price. The company provides high technology and quality equipment associated with good after sales service because they are the subsidiary, not just a dealer, from the headquarters in Germany.

IV. MARKETING PLANS

4.1 Objectives

The objectives of the marketing plan are to:

- (1) achieve total sales revenue of 21 million baht in the first year with a projected market share of 10%, based mainly on customer base in two market segments which are the distributor and housing segment.
- (2) generate a 10% profit margin out of total sales.
- (3) increase the market share by 20% in the second year, based on all four target markets.
- (4) achieve a second-year total sales revenue of 42 million baths.
- (5) arrange for distribution through major distributors in potential areas nationwide within the first six months.
- (6) create a strong relationship with the top ten potential designers consultants and top ten architects within the first six months of the second year.

4.2 Product Mix

Customers' needs vary from the price-oriented to the quality-oriented one. In addition the swimming pool treatment system is so complicated that it is hard for customers to understand. It would be better if the company can handle and provide speedy response to the needs and wants of its customers. We arrange the package of the pool water treatment system which varies from a one-star system that is an economical one, to a five-star system, that is the superior. This classification can help to communicate with customers who sometimes have no idea about the water treatment. It is a big advantage for the company to provide a wide range of offer that covers all levels of customers' need. The classification is shown in Table 4.1.

Table 4.1. Classification of Swimming Pool Treatment System.

Pool Classification	Description
※ ※ ※ ※ ※	Circulation and filtration system with Dulcomarin control system (PID control) and Ozone treatment.
※ ※ ※ ※	Circulation and filtration system with Dulcomarin control system (PID control).
※ ※ ※	Circulation and filtration system with D2C control system (proportional control).
※ ※	Circulation and filtration system with DSR control system (on-off control).
※	Circulation and filtration system with manual chemical dose

- (1) One-star system: There is only a physical treatment in this system without any ProMinent product. It comprises of circulating pump, filter, and pool accessories. This is the competitive-priced system which is appropriate for the customers who have low budget and are not quality-conscious.
- (2) Two-star system: This system consists of the physical treatment system, as in the one-star, plus ProMinent automatic pH and Chlorine control system type DSR which is an economical on-off control system. The DSR control system can serve the pool with maximum volume of 300 m³. It is appropriate for quality-conscious customers with limited budget.
- (3) Three-star system: It comprises the one-star system plus ProMinent automatic pH and Chlorine control system type D2C which has a

proportional control system. The accuracy of this system is higher compared to the DSR model and can serve the pool volume up to 600 m³. It is designed for the middle class customers who have a higher budget and a preference for quality.

- (4) Four-star system: This system consists of a one-star system associated with ProMinent automatic pH and Chlorine control system type Dulcomarin that is PID control system. This is the highest-accuracy control system which has been used in Olympic swimming pool. The system, that can serve the pool up to 50 x 25 m., will maintain pH and Chlorine value in the swimming pool water at the standard level all the time. This system is appropriate for hi-end customers who have more budget and a preference for quality.
- (5) Five-star system: This is the best system that comprises of the four-star system plus ozone treatment. The pool water will be almost natural with a minimum of chemical composition. Since ozone is one of the most powerful disinfectants, it can kill all pathogenic germs in the pool water within a short period of time. This system is designed for the hi-end customers who have large budget and a preference for health and safety in swimming. It can provide customers fun and pleasure in swimming.

Since the system can be divided into two groups, the strategy is also separated for each group. In the physical treatment system, as the equipment is mainly of Astral without any ProMinent product, any high technology or know-how is not required. It means there is no difference among brands. That is why the price must be competitive. Now the situation in the market tends to be price-cutting and there can be a price war in the near future. The company should be prepared to handle that

situation by reducing the cost of products and also find another fighting brand that has the cost advantage like the products from China. For some equipment that can be locally made, such as ABS fittings, grating, transfoimer, etc., the company should find a source with the lowest cost.

In the disinfection system, the equipment is mainly of ProMinent product, there is the R&D and technical support from Germany so the company can use this strength to differentiate ProMinent from its competitors. The company should bargain for a special price from Germany by placing a huge volume order. Moreover the company can also reduce the cost by assembling some local products partially. There is the cost advantage for the company because the competitors have to order this kind of equipment from other supplier while ProMinent produces this product in their own factory. In addition the company has to build an image in customers' mind as a leader in swimming pool treatment technology.

4.3 Price Mix

The pricing strategy is divided into two strategies: one strategy for Astral products and one for ProMinent products. For Astral, which is physical treatment equipment, we decide to use competitive pricing strategy because there is nothing to differentiate from the competitors and to sell at premium price. It includes local products and installation works. The profit margin of this group will be set at 20% - 25%.

For ProMinent products, used in the disinfection area, the company can make use of their strength to build differentiation and competitive advantage. So they can sell their products at premium price that generates a higher profit margin which is set at 30% - 35% because the customers who buy this product usually have high purchasing power with greater budgets.

For the clearer picture of the price of each pool classification, ranged from one-star to five-star system, the 12.5*25m swimming pool will be used as an example, shown in Table 4.2.

Table 4.2. Price for Each Pool Classification.

Pool Classification	System	Price (bahts)
※ ※ ※ ※ ※	Dulcomarin control system with Ozone treatment	1,550,000
※ ※ ※ ※	Dulcomarin control system	620,000
※ ※ ※	D2C control system	590,000
※ ※	DSR control system	540,000
※	Manual chemical dose	450,000

For the credit term of each customer segment will be set differently depending on the business that they do. For example, the contractors need some credit period for installation works after collecting money from the owner, or dealers need longer credit for stock, selling, and credit period for their customers. But before making a credit decision, customers have to provide the manager with the information of their company and financial status to prevent the loss.

In addition, the company will offer dealers with special quantity discount of 5% - 10% to convince them to order the product in bulk. In this way, the company can reduce the inventory cost and build a barrier for competitors because the dealers will

have less capacity to stock other' products. Moreover, the company will be able to offer a special discount for product that dealers want to display in their showroom.

The price list is set as a standard. The discount and credit term is shown in Table 4.3.

Table 4.3. Discount and Credit Term for Customer.

Customer	Maximum Discount	Maximum Credit Term
End user/owner	10%	30 days
Contractor/small dealer	30%	60 days
Potential dealer	40%	90 days

The pricing policy is not fixed at the same rate all the time. It can be flexible in some cases. For example, sales person can offer the cash discount of 3% for customers who buy in cash, or a big project with high order volume must be considered case by case.

4.4 Place Mix

The Channel

The channel is separated into three areas as follows:

- (1) Bangkok area: There are two channels: sell directly or through dealers. In the case of high potential customer, the competitors usually offer directly and the company also has to offer directly to get the order. But in another case that is the customer base of dealers, the company should prevent the price conflict and let the customers buy from the dealers.

- (2) **Project area:** It usually is a big project that the competitors always approach directly. There are the main contractors and subcontractors involved in this area. The company has to try to convince the designer or the consultant to put their equipment in the specification. After bidding and the contractor is awarded, the company will offer the product through the contractor which will be approved by the consultant.
- (3) **Provincial area:** Since the company is located in Bangkok without any branches, they should sell their product through the distributors in that area who can well approach the customers and handle the after sales service. The company should not sell directly in this area to prevent the conflict with their distributors. As mentioned before, the potential zones are **Pattaya, Phuket, Koh Samui, Ratchburi, Chiangmai, Nakornratchasima, and Khonkaen.** We will try to sell through every dealer in each zone because the market share is distributed except in some zones that have the only one potential dealer like in Koh Samui. The potential dealer has a reputation, good strategic plan, sufficient resources that can support the growth of the company. In the case of high potential dealers, the company should try to be as a strategic partner of them for a long-term co-operation.

Coverage

This marketing plan will cover only the Bangkok area and the potential area mentioned above. The dealers in the potential area can also expand to the nearby area where the market is there.

Inventory

The cost of inventory may be high because of the large stock that can help to increase the bargaining power to reduce the cost. The advantage is that the company can save the inventory holding cost because they can share the space with other products in the existing warehouse. The company can also try to move the stock to the dealers to reduce the inventory cost and build a barrier for preventing the competitors from penetrating into the market.

Transportation

In the Bangkok area, we will use the existing resources of the company to deliver the products. It can help reduce the overhead cost. But for the provincial area, we will use the transportation service provider that can lessen our cost.

4.5 Promotion Mix

Advertising

- (1) Purchase one full page from Yellow Pages to build the brand image from the beginning. The competitors usually have only a half page. The target groups of this advertising strategy are owners and the customers who never have a contact with any company before.
- (2) Put advertisements in the magazine of the related association such as The Association of Siamese Architects whose aim is to attract designer groups.
- (3) Put advertisements in decoration magazines for hi-end people such as ELLE Decor, Baan Lae Suan, etc. The target group is the hi-end customers that can be separated into two segments: new pool constructions and existing pool owners. For a new pool, the advertising aim is to build the brand image and differentiate from its competitors

while the existing pool's target is to add the disinfection system into the pool.

- (4) Purchase a page for the advertisement in the related directories such as architectural directory, mechanical directory, construction directory, etc.
- (5) Prepare a brochure featuring an interview with well-known customers as a good reference to the company.

Sales Promotion

- (1) Participate in the Entech Pollutec Exhibition where the company has a large booth every year. The swimming pool section can be arranged and share the cost with other product lines of the company.
- (2) Arrange an attractive booth in the Architect exhibition to introduce the company. This exhibition aims to communicate the strength and build the image of ProMinent in the target group of designers and owners.
- (3) Set a promotion period with a special discount at the beginning of market penetration to cut distributors' brand loyalty and relationship toward competitors.
- (4) Offer a special discount of the product displayed to convince the dealers of our products in their show room. It can help to increase the sales opportunity of the product.
- (5) Set a special-priced package of the two-star controller type DSR for dealers. Since the target group of this product is the customer who has limited a budget with a preference quality, the low-priced package can help the dealers to sell it easier and also increase the volume of our sales at the same time. Moreover, this can help to increase the money value per order of both dealers and the company.

- (6) As the ozone treatment system can upgrade the four-star to the five-star system, it requires a high investment cost for the equipment. The customers who are interested in that system sometimes cannot afford that much money at one time. We plan to co-operate with the financing service company to provide the financial service to those customers. It can increase the sales opportunity of the five-star system.
- (7) Offer a commission for some designers who usually receive it from suppliers. Sometimes a good product cannot be sold without this kind of offer and it can help in cutting the connection between the designers and competitors.

Public Relations

- (1) Arrange a seminar for the target group of consultants and architects to build the brand and corporate image in customers' perception. The seminar should concentrate on the disinfection system that can differentiate the company from other competitors. The company may invite technical experts from Germany to the seminar that can help increase the image of the company globally.
- (2) Plan to be a sponsor of the swimming pool conference for any government department or related associations. The company may have a chance to present the ProMinent's technology in that conference.
- (3) Lobby the related government department such as Public Health Ministry to upgrade the regulation on the swimming pool treatment system from only one-star system to two- or three-star system. Like in Germany, there has been the regulation that every public pool must use at least three-star system for more than ten years ago.

- (4) Provide support to conduct research about swimming pool to any university or institute to find out bad effects of the one-star system.

Personal Sales

- (1) Arrange the sales training program to provide the know-how, selling point, and tricks to reach the sales target for the sales team of the company that can increase the sales opportunity of the company.
- (2) Prepare presentation materials that can help the sales persons to reach the sales target easier. The materials such as Power point presentation, interview leaflet, photos of the reference projects, etc.
- (3) Set regular commission for the net sales that sales persons can make each month and offer the incentive money to the one who can reach monthly target.
- (4) Arrange an in-house presentation or training for potential customers who have many staffs involved in the swimming pool area.

Direct Marketing

- (1) Launch the direct mail about company profile, technical information, and project references for the potential customers to build the brand image and customer relationship. This strategy can help compensate the limited sales force.
- (2) Arrange the quarterly direct mail of updated news, application, reference of the company to the target segment of designers via the direct mail or e-mail.

4.6 Action Plans for the First and the Second Year

In the first two years, we will concentrate on two segments which are the distributor and the housing segment. The distributor segment can generate the sales immediately because they usually have inquiry and order of product but they just have to decide where to place their order to. For the housing segment, it is a good opportunity because this time is the prosperous period of this segment and some of them can be the customer base of the company that can generate the recurrent order such as Land and Houses, Quality House, etc. For the rest two segments, we will just start create the reputation and relationship with the potential customers at the market in the end of second year because of limited sales force. The marketing activities for the first two years will be as follows:

- (1) Arrange the swimming pool section in the company web site www.prominent.co.th.
- (2) Settle down the swimming pool section in the existing show room of ProMinent.
- (3) Recruit three sales persons for the first two years and arrange a two-week training program to provide both technical knowledge and sales skills for the sales team.
- (4) Assign two sales persons to be responsible for the segments of distributor and housing and the other one for the residence and consultant/contractor segment. The provincial area will be appropriately divided for each sales person.
- (5) Unlike its competitors, the company has no data about dealers in each potential area so they have to find that information first. Within two months, we plan to find those dealers by contacting hotels in each

potential area and ask them about the local swimming pool company that they are dealing with. By this method, besides the name and contact of the dealers, we can estimate the market share of each dealer at the same time.

- (6) After collecting the data of dealers in each area, the sales team will visit each dealer to get more information. Then they will make an analysis and create strategies, that may differ in each area, to be implemented by the sales persons. We plan to use our promotion strategies to accomplish the activity plan in distributor segment within nine months.
- (7) After finishing in the distributor segment in the first nine months, the company will get more volume of each product and can estimate the need in each period of time. Then the company can plan to place the order for each product quarterly that can help in managing the inventory. In this way, there will be no occurrence of shortage problems.
- (8) We plan to place the order of regular products in bulk so we can bargain for a better discount that can support the competitive price, especially for the Astral products.
- (9) Implement the promotion strategy as mentioned before, such as promotion discounts for displayed products, special discounts at the beginning period for dealers, to convince the dealers to stock and sell our products.
- (10) For dealers, arrange the special-priced package of the two-star controller type DSR which they never sell before. Since the target group of this product is the customers who have limited budgets with a preference of pool water quality, the low-priced package can help the dealers to sell it easier and also increase the sales volume at the same time.

- (11) For the housing segment, we plan to find the data of customers from housing estate directories, magazines, and advertisements. After collecting data which took the company about four months, we found out that there are approximately five new projects on pool requirement every month.
- (12) In the second half of the first year, we plan to approach all high potential housing estate companies such as Land and Houses, Quality House, etc because they always have about 5-15 projects every year so that the recurrent orders can be generated for the company. Sometimes we need lobbyists to help in approaching the management level of those housing companies.
- (13) Since the company is new in the customers' perception, the sales team must work harder than its competitors. They have to approach the customers more frequently than the competitors do. This strategy can help penetrate into the market faster.
- (14) In the first quarter of the second year, we plan to launch the direct mail of the company profile, some technical data, and project references to the consultant and architect segment. Since the company has the limited sales force, they can approach wider customer base within a shorter period of time by this method.
- (15) In the second year, we plan to introduce the company into the market by participating in the Architects Exhibition that will be held in April with initial investment of 800,000 bahts for the company grand opening. We also plan to keep participating in this exhibition every year.

- (16) In the consultant/contractor and architect segment, we plan to approach the potential customer and convert them from competitors' to be our customer base by differentiate strategy. We will use our strength in disinfection system to differentiate ProMnent from the others and build the reputation in the market.
- (17) In the third quarter of the second year, we will arrange a seminar for the potential customers including dealers, consultants, contractors, and architects to build the company image and communicate our strengths. This customer base usually has projects and inquiries for the pool water treatment system periodically.

4.7 Action Plans for the Third and the Fourth Year

In this period, the plan concentrates on the consultant/contractor and residence segment. In general, the consultant segment is the channel to the project or the commercial pool whereas the architect segment is the channel to the residential pool. The consultants and architects can be defined as the designers of the project. If the company can make a strong connection with those designers, we can get orders from their specification or recommendation periodically. Some potential designers can give us ten to twenty projects per year. For the distributor and housing segment that we concentrated on in the first two years, we plan to maintain the existing customer base and also increase the sales by expanding the market and the product line.

- (¹) For the distributor and housing segment, we plan to maintain the existing customer base and create a stronger relationship by setting regular visiting schedules for the sales persons who are assigned to be responsible for these segments. We also plan to offer premium gifts to the potential customers at the end of each year.

- (2) Expand the product line in the existing customer base. Add the potential products into the market to increase the sales volume and make more profit.
- (3) Expand the customer base in each area. Assign sales persons to find more customers, which can be a smaller one or used to be the competitors', to increase the sales volume.
- (4) For the designer segments, we will recruit our sales teams with two more sales persons and provide them with the intensive technical and sales skill training program.
- (5) Assign all three sales persons in the designer segment to individually approach the customers who attended our seminar last year. Communicate the company's strength to build the image, differentiate ProMinent from its competitors, and create the connection with customer base.
- (6) Try to add the disinfection system, ranging from three-star to five-star system, into the swimming pool system offered to the customers. It is the value added that can generate more profit for the company.
- (7) Keep arranging the in-house presentation for the potential customers with people involved in the swimming pool design. This strategy can help in building the image and creating the connection with them.
- (8) Arrange the project reference trip for consultants and architects.
- (9) Offer the commission of 5%-10% for some designers who usually receive it from suppliers. It can help to make the connection easier in some cases.
- (10) Put the advertisements in the magazine of The Association of Siamese Architects to approach architect segment and in Elle Decor magazine to

approach the residence market, both new pools and the existing pools being renovated.

- (11) Find the low-priced swimming pool equipment that may be from China to be the fighting brand of the company for price war situation that may occur in the near future.

4.8 The Action Plan for the Fifth Year

The main objective of this plan is to maintain ProMinent as one of the major market share holders and finally to be the market leader in this business. We expect the swimming pool market to be one of the major business areas of ProMinent. The plan aims to create this market to be the significant part of the company's growth.

- (1) By increasing the order of the company, we will negotiate with Astral export department in Spain to authorize ProMinent as the sole distributor of Astral product in South East Asia.
- (2) The company should develop and introduce the new technology or product in the swimming pool treatment system which can be supported by R&D department of headquarters in Germany. It helps to create the image and status of the market leader in the customers' perception.
- (3) We plan to keep creating and launching new promotion programs to the market to create the brand awareness and a long-term relationship with customer base.
- (4) After the plan in Thailand, the company plans to expand the market into the neighbouring countries where the company already has the authorized distributors such as Bangladesh, Myanmar, Laos, Cambodia, etc. The company should assign one or two potential sales persons to be

responsible for this market. We have to arrange the technical and marketing strategies training program for employees of those distributors.

After implementing this marketing plan, the company must have the monitoring system to check whether the result is what we expect. We plan to arrange the monthly meeting for sales team and any colleagues involved to monitor the result compared to the target in terms of sales volume, market share, pricing situation, competitor's situation, and overall market situation. After doing an analysis of the data, the manager has to initiate the correction action to take the situation as our plan.



V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

ProMinent Fluid Controls (Thailand) Co., Ltd. that provides equipment to the industrial sector plans to expand its business into the swimming pool market. This marketing plan is created to make the company to be one of the major market share holders, and finally to become the market leader. As the company is a new entrant, firstly it has to find out and analyze the infoliation of the current market situation. From the analysis, the market is divided into four segments: residence, consultant/contractor, distributor, and housing estate segment. Because of the limited resource, they cannot penetrate into those segments at the same time. Therefore, they have to set the priority for each segment. The plan is divided into three phases as follows.

In the first two years, we plan to penetrate into the distributor and housing estate segment first because these segments can create the sales in a shorter period compared to the rest two segments. They are the good customer base for supporting the company growth in the market. Firstly we have to find potential dealers in each target area because we do not have any information on this market before. After collecting all data and making an analysis, we will use all promotion strategies to create the sales and a long-term relationship with those dealers. For the housing estate segment, we will make a greater effort than our competitors do to reach the potential customer base. We also use our strength in disinfection system to differentiate ProMinent from our competitors and create the image and connection with customers.

In the third and fourth year, we plan to maintain the existing customers, expand the customer base and product line to increase the sales and generate more profit for

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