

Marketing Term Papers

Marketing Information and Competitors

In today highly charged competitive environment, looking inwards is not enough. A company also has to analyze its competitors so that it can tackle any given surprises thrown by its competitor to gain market share.

First and foremost task is to identify the competitor or competitors – it may seem easy but it is one of the most critical tasks. Identifying competitors help in analyzing how bigger or smaller the threats are and from which direction they are coming. Information like market share in overall categories (Volume and in dollar terms), product specific market share (Volume and in dollar terms), pricing policy, distribution network and channel support, promotion strategy and market positioning will help in zeroing down the macro factors. But marketing success is about making winning strategies for trenches competition. It is about gaining inch by inch rather than wiping out competitors, this is where micro information become so critical.

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Integration

Micro information like - Sales and profits by product, Relative costs Customer satisfaction and service levels, Customer retention levels, Distribution costs, New product strategies, Size and quality of customer databases, Advertising effectiveness, Future investment strategy, Contractual terms with key suppliers, Terms of strategic partnerships can be used to develop focused strategies against the competitors in a given market. The use of this information can be based upon the company's market position, if

it is a market leader than based on them it can formulate defensive strategies or if it is a new entrant then it can use the information to decide upon areas from where it can secure market share from the competitors.

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What are the types of Vertical Marketing Systems (VMS) a company can choose from?

According to American Marketing Association “The channel systems consisting of horizontally coordinated and vertically aligned establishments that are professionally managed and centrally coordinated to achieve optimum operating economies and maximum market impact”. To put it in simpler terms it is a distribution channel in which the manufacturer, wholesaler, and retailer act as a single system. There are three types of vertical marketing systems - corporate vertical marketing system, administered vertical marketing system and contractual vertical marketing system.

Corporate Vertical Marketing System – A corporate vertical marketing system is single ownership of marketing channel by the company at each stage.

Administered Vertical marketing system – the dominant market force in the channel administer the flow of channel. It is not completely owned by any single unit and has various partners but it is influenced by the dominant power. For example recently Wal-Mart banned keeping above 18 magazines in its lower display spaces as children can access them. In the whole scenario Wal-Mart is only one unit of the whole marketing system but it's the dominant partner so it administers the flow.

Contractual Vertical Marketing System – In this independent companies join together for mutual benefits and acts like a chain. This is the most popular form of vertical marketing system. The different channel partners are producers, wholesalers and retailers. Among contractual vertical marketing system, franchising is the most prominent one.

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Under what circumstances would a company want to forward integrate into distribution?

Forward integration is reducing the numbers of partners in the distribution side of the business. Each chain has certain value centers which can be broadly classified under two headings – increased revenue and control over chain. If a company believes that it can cut costs by delivering more efficiently than the third party distribution networks it takes a plunge into forward integration. For example recently Google Base has started its own transaction system then relying on E-Bay backed PayPal system. The company believed that it can serve its Froggle buyers and sellers by charging less transaction amount compare to Paypal.

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Secondly and probably the most important reason to forward integrate is to gain the control over the chain of distribution. A company wants to gain more control over the chain if the chain is not able to deliver the desired results. For example Amway and Avon believed that the traditional chain of wholesalers and retailers won't deliver the value the

company wants to deliver so they opted for their own way of distribution chain. Avon focused on direct marketing while Amway focused on affiliate marketing.

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