

MARKETING...
is a creative science

Radomila Soukalová

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KATALOGIZACE V KNIZE - NÁRODNÍ KNIHOVNA ČR

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INTRODUCTION

The publication “Marketing... is a creative science” coming into your hands is the result of the author’s effort to present a conceptually unified marketing theme and its creativity, together with the results of some of her own research investigations or marketing rules functioning in practice.

The publication is intended for communities of experts interested in marketing issues and its rules with an emphasis on effectiveness and creativity. The author’s endeavour is to present marketing not only as — analytical science but also as — science extremely creative.

From a theoretical perspective, the publication is focused on marketing and marketing management substance as a general science. Each chapter is conceived as an overview of the theoretical characteristics, with the so-called practice examples applied at the end of the chapter. Many of these examples are the result of our own research surveys constituting parts of scientific papers and articles.

Publication concept is based on work with secondary information through monitoring and analyzing such marketing approaches in practice which require a considerable creative potential amount. In many cases, the results of own primary research are presented as examples. These examples show that the results can be applied in practice and show that it is necessary to have a creative approach to marketing, strategic management and marketing communications.

Many examples of the marketing creative potential are the students’ work from the Faculty of Multimedia Communications, especially visual arts, which was the author’s intention. The aim was to show that the cooperation with people developing ingenuity, sophistication and creativity of marketing solution is necessary for effective application of marketing principles.

The author’s ambition was to show the readers that marketing... is — creative science. The proposal of marketing solutions, i.e. research, analyzes and strategies have to be approached individually and it has to be perceived the uniqueness of organization and situation which means the solution uniqueness. Whether this effort was successfully accomplished.....see for yourselves.

I would like to thank my dear colleagues ing. Jarmila Strážnická and ing. Přemysl Strážnický at the Technology Transfer Centre at TBU in Zlín for cooperating in the elaboration of a topic related to the Copyright Act and intellectual property.

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1. HISTORICAL ASSUMPTIONS, MARKETING DEVELOPMENT STAGES AND PRESENT https://doi.org/10.7441/978-80-7454-865-9_1

Key terms

marketing, needs, production, Bata's business philosophy, product, selling and marketing business concept, social marketing, guerrilla marketing, marketing buzz — whispering, viral marketing, creative economy and creative class.

The first chapter content is focused on basic concepts of marketing approaches development and introduction to marketing development, with basic business concepts in the context of socio-historical society development. An integral part is also constituted by an appeal to understand the importance of new marketing trends as an opportunity to increase competitiveness and increase the creative potential of the area.

1.1 MARKETING DEVELOPMENT

*"The marketing business concept in the true meaning of the word began to appear in the developed market economies in the 1950s and 1960s. It is related to the change in social and economic conditions after the Second World War, especially in the USA and Western Europe. In that time, developed market is characterized as a consumer market. Due to the customers' basic needs saturation and increasingly stronger competition, it was more and more difficult to enter the market. Companies were forced to seek new ways to meet their customers' needs, their understanding and respect. Apart from the marketing approach, however, there are other business concepts whose formation is, to a large extent, the result of historical development."*¹

Each organization should choose strategic approaches to the implementation of its goals and based on the importance of individual factors such as customers, society and organization interests. The company can be competing and realize its goals by the following strategic approaches: by applying production, product, sales or marketing conception and by applying social aspects of the so-called holistic marketing concept.²

Production concept (1900—1920)

The production concept is considered to be the oldest approach in business. Consumers are supposed to prefer products that are easily accessible and affordable. The company management concentrates primarily on high productivity, low cost and bulk distribution. This is understandable for companies in countries with huge development, such as China.

From a historical point of view, the production strategy approach was applied by H. Ford and T. Bata in their factories. The main emphasis was put on mass production, the lowest cost, for example the Just-in-time³ supply. These industrialists were able to deliver large quantities of products at the optimal prices (accessible to more population classes).

Product concept

The Product Concept is focused on the product. It is assumed that the customer's main interest is the product, its quality, characteristics and innovation. Management concentrates only on the product and its improvement. These companies may experience the so-called "mar-

1 Světlík, J. Marketing cesta k trhu, 2006. ISBN 80-86898-48-2.

2 Kotler, P., Keller, K.L.: Marketing management 12th, Pearson Prentice Hall, ISBN 0-13-145757-8, s. 15

3 <http://www.answers.com/topic/just-in-time> (5.7.2010)

keting myopia." Manufacturers "set their eyes on the product," do not perceive environment, competition, price development, and customer requirements.

Selling concept (1930—1950)

In applying the selling concept, the company management focuses mainly on sale to customers. As a rule, the customer's interests and needs are not identified, however, much effort is spent on different sale types and product promotion. This phase brings considerable sales techniques development leading to increased sales of manufactured products.

Marketing concept (since 1950)

The marketing concept began to apply in the mid-1950s in the USA. The marketing concept concentrates on identifying, searching and understanding customer needs and adapting production and supply to these needs. The centre of interest is the customer and the effort to offer and sell what he desires and wants. The purpose of the marketing approach is to produce as many products as the market requires. The marketing concept essence is also the effort to achieve the stated goals of the organization by effective and successful competition in creativity, communication of unique consumer value, reliable goods delivery, etc.

While introducing marketing into business, management faces many obstacles. P. Kotler⁴ describes 3 basic barriers: **organized resistance** (some departments in companies do not want to accept and understand the marketing department as an essential part of the company), **slow learning** (there is usually lack of good marketing experts, the company often has to train its own competent staff, it often needs marketing specialists in special area), **quick forgetting** (success is quickly forgotten). Many Czech companies face these problems; many of them have managed to overcome these obstacles and built a marketing-oriented business.

Social marketing concept (since 1960)

This concept endeavours to combine customer needs with long-term social and ethical company interests. The aim is to achieve a balance of three following factors: company profit — satisfaction of customers' needs — public interest.

Socio-ecological concept (since 1970)

There are serious, ecological problems behind this concept's origin. The basis is the effort for environmentally friendly production and consumer protection against adverse effects.

At that time, consumer protection organizations, environmental laws or various international environmental agreements were also emerging.

Socio-ethical marketing concept (since 1980)

It means realizing the fact that due to marketing, the commercialization and consumer way of life have increased. The company focuses on understanding the world's problems, such as the problems of the third world, the energy crisis, etc.

Guerrilla marketing

This tactic is characterized by creative approach and quick results. It focuses primarily on the idea, speed and understanding of the customer needs. There is an increased use of sales support, direct marketing and personal selling. The company relies mainly on its permanent customers.

⁴ Kotler,P,Keller, K.L: Marketing management 12th, Pearson Prentice Hall, ISBN 0-13-145757-8, s. 17

Integrated marketing and current marketing

The basis is to meet the customer needs and desires through the systematic work of the entire business and all its departments, using all marketing communications forms.

It is influenced by current trends in society, there is a clear return to conservative values (family, work, love). There is also an increased emphasis on the internal values of the person, the consumption rejection or the search for a balance between work and leisure. The company endeavours to get a good image, to offer quality goods, to maintain loyal customers using extended services and individual approach.

An important role in marketing is currently the use of the internet for the marketing influence on the customer, competitors and other partners in the market. It is the marketing application in the context of new trends, so called viral marketing, guerrilla marketing, event marketing and mobile marketing⁵ with the use of new media. Many companies use in their favour the power of oral tradition — references, buzz communication.

1.2 CURRENT CHANGES AFFECTING BUSINESS AND MARKETING

Scientific and technical progress development also brings society development and related change of society needs; as well as individuals. Companies have to constantly observe new trends and adapt their offers. In some areas, development is negligible, in others, for example in IT, it is very fast. Many successful companies had to adapt to the market, to clearly formulate their goals and future visions, to create their brand through innovation, inventive and efficient communication, to seek ways how to differentiate from competitors, i.e. to search for supply uniqueness. In the literature, these approaches are called “Radical marketing”.⁶ In connection with this concept we can characterize the basic influences of the company development, which contribute to behaviour changes of consumers and bring new opportunities and challenges:

Development and changes in technologies

According to Kotler, the digital revolution created the “Information Era”⁷; the industrial age was characterized by mass production and mass consumption, the information age assumes production at many levels, communication for many target groups with many price levels, where a considerable amount of current trade is and will be made by internet.

Globalization

Huge technical and technological possibilities in transport, transportation, communication and simple choice, product ordering and purchasing facilitate the process to sell in other countries.

Deregulation and privatization

In many countries, the state releases conditions for sale or business by abolishing state measures, thereby new opportunities in other (formerly regulated by state) areas are created; many organizations were transferred to private ownership by privatization, creating many opportunities for newcomers and business effectiveness increase and, ultimately, improvement of offer and price for the final customer.

5 FREY, P.: Marketingové komunikace: to nejlepší z nových trendů, 2. vyd., Management Press, Praha 2008, 195 s. ISBN 978-80-7261-160-7, s.46

6 HUGHES, M.: Buzzmarketing, přijměte lidi, aby o vás mluvili, 1.vyd.2006, Managemnt Press, 215 s. ISBN 80-7261-153-4

7 Kotler,P,Keller, K.L.: Marketing management 12th, Pearson Prentice Hall, ISBN 0-13-145757-8, s. 13

Customization

Organizations are able to produce a product according to a special customer offer who can order the goods personally, by internet or telephone, etc., the company is able to adapt to the specific customer requirements; thus at first, — customer orders the product, then it is made according to customer's wish and delivered in negotiated terms.

Increasing competition

Together with increasing consumer requirements, the competitor number in the market is also growing, they have to "fight" for their customers in the context of competition, for example in the field of communication and advertising, product innovation, design, offered services.

Industrial integration

Industrial enterprises are integrated and reorganized, new opportunities are emerging in interdisciplinary cooperation of companies such as the pharmaceutical industry, i.e. essentially the chemical industry cooperates with research in the biochemistry field in the research of new medicine, new cosmetic products and healthy nutrition products.

Sales network transformation

Smaller traders yield to big business giants, shops are exposed to competition from catalogue shops, selling through direct marketing, e-marketing and other new sales methods.

Disintermediation

Significant internet business development of successful companies such as Amazon, Yahoo and others posed a major threat to classical suppliers who, in their own interest in maintaining and retaining their customers, have started to offer goods not only through traditional distribution channels but also through online stores and "brick-and-click" method. Many of these companies have become more successful businessmen (in comparison to those who first started to do only the "click" internet trading), also by showing their ability to adapt in the environment and the good position of their "brand name" on the market.

1.3 MUTUAL INTERACTION OF MARKETING, CREATIVE ECONOMY AND CREATIVE CLASS

An equally important trend consists in increasing impact of creative activities on the economic potential growth of the areas. Current global development can be characterized as a transition period from the industrial economy to the creative economy. In this context, we deal with the terms "creative class"⁸ and creative industry. We consider scientists, engineers, designers, architects as well as education, art, advertising, and entertainment professionals as the creative class representatives. The essence of "creative class" is to create new ideas, develop new technologies, and come up with new creative content. Not only artists' activities, but all people with talent and ability to come up with original and creative ideas play an important role in the economy of society, and in the future, this role will be further reinforced by technological development. We can characterize work in a new economy as flexible, based on the ability to process and use information, which is highly dynamic and creative. Currently, the society is more perceived not only as a knowledge-based society and the knowledge-based economy but more and more the concept of creative society and the creative economy is preferred. New technol-

8 Florida, R.: 2004. The rise of the creative class: and how it's transforming work, leisure, community and everyday life. New York, NY: Basic Books. ISBN 978-0-465-042487

gies create new opportunities and ways to succeed in a hyper-competitive environment in the market. A prerequisite of success in the market is the effort to differentiate and identify with the products creation characterizing a certain lifestyle and cultural values. Creative (cultural) industry is part of many modern economy business areas. Also the position of an artist, a creative class representative, has been changed, because he does not make his living only at art, but also at industry.⁹

The development of economic indicators suggests that the creative industry growth in Europe outstripped not only the traditional sectors (agriculture) but also the car production. The creative industry employs more and more workers, e.g. in 2004, 3.1% of the total European Union population (25 countries), i.e. 5.8 million people, and according to the latest information contained in the "European Commission Notification of September 2012" the cultural and creative industries contribute 3% to total employment, i.e. 6.7 million people. The share of GDP in the cultural and creative sectors was 3.3% of the EU's total GDP. (Fig. 1) In 2003, cultural and creative industries contributed 2.6% to total EU GDP (30 countries), more than e.g. real estate or chemical industry.¹⁰

In the Czech Republic, the so-called Culture Account¹¹ was first published in 2011. It charts data from 2009 and 2010. The Culture Account brought the following important information for the creative and cultural industries in the Czech Republic. The culture share in GDP in 2009 was estimated at 1.79% (i.e. CZK 67.6 billion) and the employee number at 2.17% (i.e. 83 thousand) of the total employee number in the economy. In 2010, the culture share in GDP was 1.54% (i.e. CZK 59.5 billion) and the employee share was 2.2% (i.e. 84.2 thousand) of the total employee number in the whole economy of the Czech Republic.

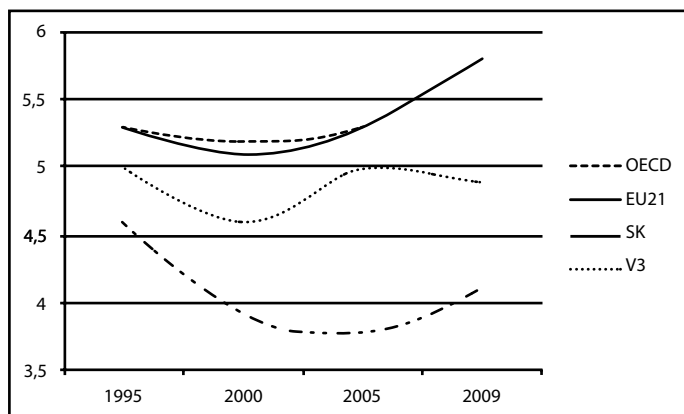


Fig. 1 Share of creative industries in the GDP of selected countries
Source:12

9 Giboda, M.: Inovace nebo kreativita, 28.6.2007, Czechdesign, 2007, [online], [cit. 2009-05-01], dostupné z <http://www.czechdesign.cz/index.php?status=c&clanek=1349&lang=1>

10 Cikánek, M.: 2013. Kreativní průmysly: příležitost pro novou ekonomiku II. New rev. ed. Prague: Institut of Art. ISBN 978-80-7008-274-4.

11 Český účet kultury vymezuje oblast kultury v souladu a v návaznosti na výstupy doporučení práce sítě Evropského statistického systému pro kulturu

12 Soukalová, R.: Vliv systému vzdělávání v oblasti kultury na rozvoj kreativních průmyslů in Šviráková, E. a kol. Kreativní třída talent vs. bohatství, 2014, ISBN 978-80-87500-48-4, s. 9-23

	2004 GDP / ZAM	2009 GDP / ZAM	2010 GDP % / ZAM %
EU	2,6 % / 3,1 %	not mentioned	3,3 % / 3,0 %
Czech Republic	not mentioned ¹	,8 % / 2,2 %	1,54 % / 2,2 %

Tab.1 Development comparison of the creative industry involvement in the EU / CR economy
Source: own survey

Development comparison of the creative industry involvement in the EU and CR economy, see tab.1, should lead to reflection of responsible institutions about the overall strategy of the Czech Republic. This should lead to effective and functional support for the creative and cultural industries of the republic.

From the graphic representation, see the graph figure 2, on one hand, we can observe the creative industry share in the growth of GDP on the EU economy average, however, on the other hand, this GDP development and employment in the creative industries of the Czech Republic does not correspond to this trend.

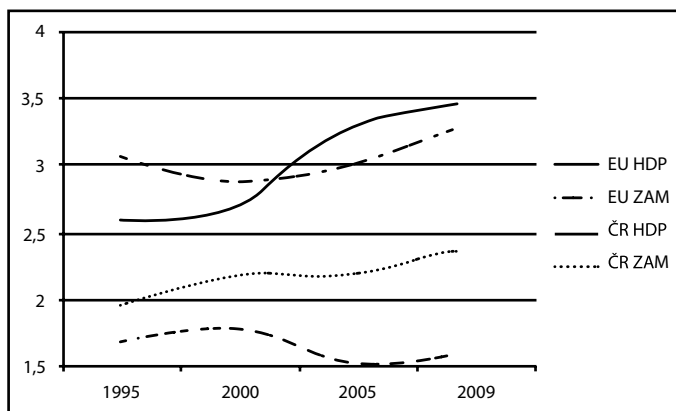


Fig. 2 Development comparison of the creative industry involvement in the economy
Source: own survey

Creative class

When studying the theoretical cultural and creative industry basis, we observe a number of opinion streams coming from many theorists. Florida's study,¹³ who considers creativity as a decisive competitive advantage of the present time, can be considered as the most famous. Florida distinguishes professions whose main function is to come up with new ideas, technologies or creative content, and their representatives are in creative classes; scientists, engineers, developers, architects, designers, educators, artists, musicians and many other people in the entertainment industry; it means the central creative class. In the area around the central creative class there is an area bringing together a wider group of creative professionals working in business and finance, legal sphere, health care, and other fields. The creative class is a more independent and more flexible class, with a higher degree of individuality than it is in case of other classes and for most developed economies it is very significant in terms of contribution.

Florida's definition of a creative class is very accurate. "A creative class is a social class defining today's social standards. Creative class standards are, however, very different from those prevailing in the past. The creative class express individuality, self-expression, openness and respect for differences. In addition, the creative class is the dominant social class, even in terms of wealth

¹³ Florida, R.: 2004. The rise of the creative class: and how it's transforming work, leisure, community and everyday life. New York, NY: Basic Books. ISBN 978-0-465-042487

and income. *Creative class members earn an average of twice as much as those working in manufacturing and services*¹⁴

Creative class people associate their identity with a profession rather than with an employer, often the factor of self-realization, self-expression is more important than the financial appreciation. They usually do not want to be bound; they want to be the masters of their time.

Florida mentions essential features of the creative class:

- It is a “workplace without collar”: dressing standards are not strictly required, usually members are internally motivated, the appreciation of colleagues is important, etc.
- lifestyle is based on experiences, meaning that creative class members are active in many diverse creative activities through work and leisure
- unconventional working hours, often working at home with irregular timing, overlapping of working hours and leisure time is typical
- associations with creative communities: creative class members often meet in places promoting creativity and experience and adapt their place of residence and others to their requirements.

Based on creative class identifying features, Florida introduces the term of a creative index. With this index it is possible to express the ability of a city, a region or a certain area to attract creative class and motivate it enough to contribute its outputs to the development and economic growth of the area. The creative index fundamental elements are:

- creative class share in the total number of the tracked area
- number of new per-inhabitant patents in the region
- number of innovative companies in the tracking area
- social and cultural acceptance degree of the area, showing how the region is able to
- accept members who are somehow different from most society.

Florida explains the creative index as an indicator of the creative economy level in the monitored area. And thanks to this index it is also possible to predict the economic potential of the area in a long-term period. In this way, so-called creative centres with higher creative index values can be identified. These centres attract creative class members who are involved in increasing the economic performance of the monitored area.

In the Czech Republic, Kloudová¹⁵ deals with this issue in detail, ranking the Czech regions according to the trend of the creative index growth. She classes Prague and Central Bohemian region as leaders. It means Prague can be considered as the “creative centre” of the Czech Republic. She considers the other regions as so-called “stragglers” and they should invest in the region development to attract a creative class.

1.4 ART ROLE IN MARKETING

Marketing issues also significantly affect the culture and art fields. In this context, we talk about the so-called Art Marketing which includes not only art but also all culture and art areas, i.e. literature, music, theatre, architecture, film, applied art. It deals with the marketing of

14 Florida, Richard: 2004. *The rise of the creative class: and how it's transforming work, leisure, community and everyday life*. New York, NY: Basic Books. ISBN 978-0-465-042487, s.9

15 Kloudová, Jitka. et al (2010) *Kreativní ekonomika: [trendy, výzvy, příležitosti]*. 1. vyd. Praha, Grada Publishing, ISBN 978-80-247-3608-2, 218 s.

performing artists (actors, singers), the marketing of copyright and the sale of art works.

The art role in marketing can be observed in two levels one level deals with use of artists and works of art for commercial purposes (for example poster creation or other work) in order to make the communication campaigns attractive and creative. The second level focuses on the trade with art and on the art marketing in the non-profit sphere (museums, galleries, monuments, etc.)

Art marketing can be used both in the non-profit sphere, where the aim is to satisfy the needs and desires of a certain group of people, as well as in the field of art trade in commercial sphere.

Art marketing extends into the following areas¹⁶: fine arts, media arts (television and radio production, texts, graphics, photography for print), film (live action, cartoon, documentary, feature film, short film, instructional etc.), multimedia arts (trade fairs, commercial exhibitions, other events), marketing of cultural organizations, performing arts (including classical and popular music, theatre — drama, ballet and opera), literature or music as a piece of work (which can be further reproduced), copyright business (writer, composer, director, artist, etc.), publishing and editorial activities, architecture, cultural institutions, monuments, cultural sponsorship, patronage, use of artists and art works for advertising and marketing purposes.

The basic characteristics of the creative industry have already been mentioned in the previous sections. Creative industry is defined as “activities that are original by their individuality, skills and talent and which have the potential for economic growth and job creation through the creation and spreading of intellectual property.”

For example the British Ministry for Culture, Media and Sport includes in the creative industry the following: advertising, architecture, fine arts and market with antiquities, cinema and audiovisual, television and radio broadcasting, crafts, design, fashion industry, entertainment industry including computer games, music, performing artists’ artwork, book publishing, internet and e-services.¹⁷

Creative industry is currently growing faster than other areas. It has begun to occupy a significant place among other areas in terms of added value to the GDP of the state and the economic community to which the country belongs. Economic studies have shown there is a dependency between the living standard growth and the added value growth of the creative industry.¹⁸

It follows from the above also the importance of marketing in the culture and art fields. Many artists perceive marketing as subordinate and unnecessary activities that only “draw off — finance.” Here, it is necessary to point out that only attractive, inventive and distinct marketing can bring an effect and a certain benefit (whether in the form of a financial support or image increase, etc.), which is not easy at present time. Therefore, it is right to leave marketing and communication solutions to marketing professionals. And artists who want their creative potential to be successful should want to know at least useful principles and also specific differences in art marketing, according to various art fields.

16 Johnová,Radka (2008) Marketing kulturního dědictví a umění, Art marketing v praxi, 1. vyd. Praha, Grada Publishing, ISBN 978-80-2724-0, 284 s.

17 Culture, media and sport, 2011, [online], [cit. 2014-04-15], dostupné z <http://www.parliament.uk/> 2014

18 Kloudová, Jitka. et al (2010) Kreativní ekonomika: [trendy, výzvy, příležitosti]. 1. vyd. Praha, Grada Publishing, ISBN 978-80-247-3608-2, 218 s.

PRACTICE EXAMPLE

Fashion marketing¹⁹

Fashion marketing appeared together with fashion and consumer society at the turn of the 19th and 20th centuries with the mass production as a result of the industrial revolution and increasingly more intense communication of the population in large cities. In the last twenty years, fashion has become even more globalized — from production to distribution. Fashion marketing must therefore be able to communicate through different cultures with different business practices.

The Internet, as a communication and distribution channel, greatly influenced the flow of creative ideas, product information and prices. For designers, who want to promote successfully their creative potential, the knowledge of at least generally valid marketing principles is essential. However, they should also learn to perceive specific factors of fashion marketing and fashion trends in general.

Is marketing the right solution to all business problems in fashion industry?

In general, marketing cannot be considered a panacea for all business problems. And the same is in fashion marketing because fashion industry is not influenced only by changes in external macro environment, i.e. overall company success, tax system, economic crisis, etc. It could be said that fashion itself is a change.

Fashion marketing²⁰

could be characterized as an application of various techniques and business philosophy focusing on customers of clothing products and services in order to meet the long-term goals of the fashion company. At the discussion heart concerning the fashion marketing role is very often the tension between design and marketing. There can be observed an issue that relatively few fashion designers have at least basic economic or marketing education or they have taken at least basic courses on the topic of fashion design launching.

Design vs. marketing

Current education tends more to the autonomy of these two disciplines which brings very different perspectives. Design students traditionally study their field, without being familiarized with economic and commercial pitfalls and, above all, the threat of hyper-competitive environment. Although talent and creativity play an irreplaceable role in this field, it is necessary to perceive and also accept economic conditions and environment as a complex and “living organism”. On the other hand, marketing education contains other values and perspectives. Future marketing experts are familiar with the systematic and analytical approach to market, innovation, competition, etc. Unfortunately, they are not always able to understand the aesthetic dimension of design. Under these circumstances, there is a real need and demand for education that could effectively interconnect the needs of designers and marketing specialists.

At present, designers and marketing specialists understand the need for training in these professions. In any case, the designer should not see the marketing worker as a person who restricts his freedom and imagination. And similarly, a marketer or marketing specialist cannot see a fashion designer as an undisciplined person who forgets and does not deal with costs or efficiency.

19 Interní materiály z přednášky dr. Lapšanské, 2012, FMK UTB, modified

20 Kureková, Sylvia.: Specifika módního marketingu a jeho vliv na chování spotřebitele, diplomová práce, 2014, Praha, VŠE Fakulta mezinárodních vztahů

2. MARKETING IMPORTANCE AND MARKETING SPACE OF COMPANIES https://doi.org/10.7441/978-80-7454-865-9_2

Key words

Marketing mix — marketing 4Ps, product, price, placement, promotion, marketing function in the organization, internal and external marketing space and its evaluation.

This following second chapter focuses on the concept of marketing itself and its importance to individuals, organization and society and on familiarizing with marketing content and its essential parts. Emphasis is put on the ability to systematically characterize and divide the factors influencing the company behaviour, to specify influences within the company, to get acquainted with importance of the company micro and macro and the environment influence on marketing decisions of the company management. It is equally important to get acquainted with main trends in technological, political and cultural development, including their impacts on corporate behaviour.

2.1 MARKETING IMPORTANCE

The marketing importance consists in the effort to promote consumption growth in case that it is the production which is responsible for the growth. Many factors contribute to the consumption and production growth, and thus to the company wealth. The marketing application is closely related to reducing production costs, improving quality and reducing business risk.

At present time (time of economic crisis), the companies' marketing behaviour is primarily focused on saving marketing costs. This effort supports more effective use of marketing expenses.

The marketing importance is comprehensively characterized in one of the many marketing definitions:

*"Marketing is a management process that results in knowing, anticipating, influencing, and ultimately meeting customer needs and desires in an effective and convenient way to meet the organization goals."*²¹

This definition covers almost all important aspects of corporate marketing.

The marketing basis is management process towards the customer. The company goal is to understand its needs not only as an individual customer but to understand the market needs in all contexts of economic, political, technological, legislative, cultural and many other influences. The company or organization success on the market is related to the environment in which it implements its business activities. The particular factors of the environment affect the company performance and also its success on market and with customers. In this context, we observe the company marketing environment as internal and external. The company market success is also related to customer feedback survey; it is the so-called marketing research. This process ensures that we obtain sufficient information from our customers and informs us about manner of buying behaviour, willingness to buy at a certain price, customer's response to promotional campaign, etc. In many cases, the company needs to focus only on a limited group of its customers due to a specific offer. And therefore the company adapts its marketing

21 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

strategy and communication to this target group. This process is called market segmentation. This customer group which, according to this classification, needs to be large enough and predictable is called market segment or target market.

The basic general element for company marketing is **marketing mix**, sometimes also called four Ps marketing (product, price, promotion, placement). Depending on the business type, marketing 4Ps can be extended by other important elements, for example, in the case of companies providing predominantly services, marketing mix is extended by three other factors — Ps (people, process, physical environment). The creation of marketing mix is closely related to company strategy and its composition reflects price, product, communication and distribution policy of the company.

2.2 MARKETING MIX CHARACTERISTIC

As already mentioned, the marketing mix is one of the key concepts in marketing. The main marketing mix includes four elements²²: **Product, Price, Place** and distribution, **Promotion**—communication mix.

Product is an essential tool of marketing mix. In particular, the buyer evaluates at particular product its: characteristics, quality, brand, size, packaging, design, guarantee, service, image and other specific features.

Price helps to achieve marketing goals. It is the amount that customer must spend to obtain product or service. The price should be proportionate to product quality. It includes following components: price list, discounts, due date, payment and credit terms. The consumer perceives the price from two perspectives: on the one hand as financial amount and on the other hand as equivalent of utility value. Even in the market economy, some prices may often be influenced and regulated by the state pricing policy. This part of marketing mix is the only one that brings profit.

Place and distribution have an irreplaceable role in marketing mix because the product must be available for target customers. The decision about the most suitable ways is at the same time a question of selecting an effective product delivery to target markets. These include, for example, market coverage, distribution routes, intermediaries and systems, assortment, transportation, supplies, delivery speed.

Companies can achieve competitive advantage by: chosen distribution path, coverage range, its levels and productivity. Currently, most producers do not sell their goods directly to end consumers but they use intermediaries called **distribution network** or **chain**.

Typical representatives are **wholesalers** and **retailers**. They become the goods owners (they make purchasing and selling).

Another group is represented by intermediaries who are called sales representatives or brokers; those are looking for customers but are not owners of the goods.

²² Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

Another group includes shipping and storage companies, banks and advertising agencies that help to distribute.

PRACTICE EXAMPLE

As a practice example we can mention Tomáš Baťa’s business philosophy. In his factories, he considered the speed of goods delivery as one of the key success factors. In order to deliver his products to the whole world, he built a world-wide network of company shops selling his own products, see figure 3.

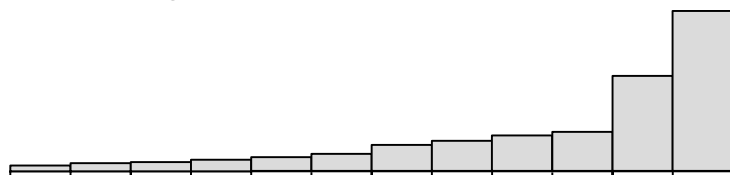


Fig. 3 development of the number of Bata stores

Promotion — communication mix

The communication mix includes the following elements: advertising, public relations, sales promotion, direct marketing, personal sales, and sponsorship.

The company usually does not rely only on one form of communication mix, but uses multiple forms in their mutual combination, so-called integrated marketing communication. The choice of communication form or forms depends on product type, life cycle stage in which the product is or purchasing process stage at the customer.

2.3 EXTERNAL AND INTERNAL MARKETING ENVIRONMENT

Almost all organizations are exposed to the various influences of the environment in which they carry out their activities. We divide these very different influences into internal and external, and the external influences are further divided into micro environment and macro environment.

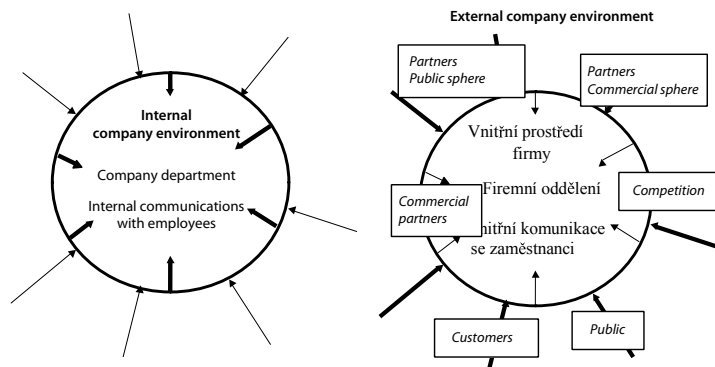


Fig. 4 Internal and external marketing environment of the company Source²³

23 Soukalová, Radomila. Současná role komunikace vysokých škol s cílovými skupinami, Zlín: VerBum 2011, ISBN 978-80-87500-14-9, 115s., s.24

Internal influences affect the internal environment of the organization and they are a prerequisite for good mutual communication and cooperation. Factors affecting the internal environment quality include an organizational structure where the marketing department has an irreplaceable role. It serves as a communication article between the company and its customers, monitors the market, analyzes it, plans and seek new chance for the company to succeed. Based on the analysis, it decides on the goals, line of business and company strategy in the future.

Internal environment is characterized by factors creating the organization itself. These include material environment, quality of the employees, organizational structure, company management quality and capacities, interpersonal relations between the employees and last but not least culture of the organization. In summary, these factors have a positive influence on quality of the organization activities and one of the most important internal environment components are people, their qualifications, their expert opinions, skills, desires to explore new issues, employee successes and satisfaction in their work environment. In summary, following factors constitute the internal environment: staff qualification, level of technical and technological background, financial situation, management capacity, image and corporate culture and many others also significantly affect the organization quality and its activities.

External influences

External environment of organizations is constituted by two groups of factors (influences). Some factors are able to influence the organization activities more and some less. Within the organization external environment we divide their marketing environment according to their impact on macro environment and micro environment, see Fig.5.

a) Company micro environment

It is an environment that we can partially influence. It includes competitors, customers, suppliers, intermediaries, financial institutions, media, company employees and public.

The organization micro environment is represented by entities that are not part of an organization but interact with it and interact with each other. Typically, it is about representatives of target groups who, for some reason, want or need to cooperate with the organization. These are employees, their employers, relevant ministries, potential sponsors, partner and competitive organizations, suppliers, cooperating business entities as well as professionals and general public.

Competition: business marketing creates communication providing the best possible competitiveness of their products. Companies have capacity to influence the competitor behaviour by their activities. Business marketing must study the strategy of its competitors and respond quickly to initiative.

Partner companies:

Suppliers — companies selling products which the company needs (we monitor their quality, price, supplier reliability)

Intermediaries — people or companies who search for customers, negotiate with them possibility of selling goods, providing their services for commissions

Carriers — companies dealing with storage

Customers represent the enterprise business goal which can be seen in a final consumer or in a company on the industrial market using our product.

Public is a local community (in the company surroundings, city population, authorities) and also interest groups (ecological movements, sports clubs, etc.).

b) Company macro environment

While the organization can influence internal environment and microenvironment effects by its strategic and planned activities, macro environment factors cannot be directly influenced. These factors are related to the political-legal system, economic, social-cultural, technological and natural environment. In this case, it is not usually an environment that would be the object of aimed communication with external target groups. This environment is almost unsusceptible but it is important to know it and to be able to use it.

These factors, in many cases, have a significant impact on the external macro environment of the organization. These are the following areas:

Economic phenomena — the global economic environment is composed of national, regional and local economies. Economic policy (set of objectives, tools and state measures) is influenced by other countries' policies and the total global economic situation. The state controls institutions (e.g. schools, hospitals and police) and tries to stabilize negative phenomena (unemployment, production decrease). All influences of the national economic environment are reflected in purchasing power and customer demand structure.

Demographic phenomena — Demography is population examination (size, age structure, sex, racial structure, religion).

Natural environment — reserve resources and their cost, environmental devastation.

Technology — changes in raw materials, production processes, product innovation.

Political phenomena — political environment is represented by legislation (regulating rules), government institutions and lobbying.

Cultural and social environments — factors resulting from values, habits, population attitude of a particular country or region (eating habits, value ranking changes)

Impulses coming from the macro-environment must be perceived by organization and it responds to them in their operational and strategic development plans.

The importance of marketing environment theory of the organization is oriented primarily to the strategic marketing management area.²⁴ The internal and external environment analysis is the basis for understanding current organization situation in a competitive environment and realization of strengths and weaknesses (in more detail in chapter Marketing Strategic Planning). As already mentioned, understanding the organization marketing environment factors and their evaluation, e.g. in the SWOT analysis, is part of the first phase of strategic marketing implementation and a prerequisite for creating an effective marketing mix of the organization.

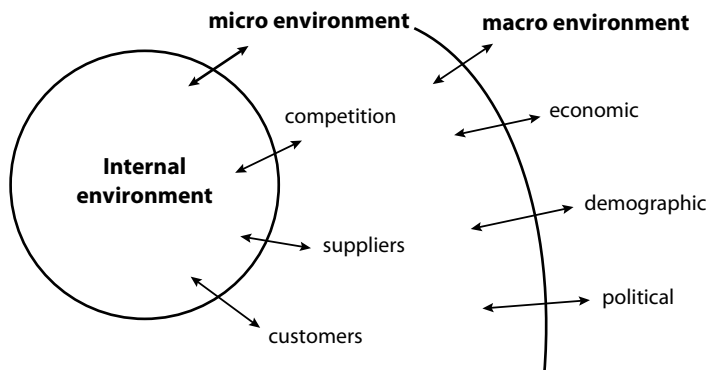


Fig. 5 Main factors of marketing micro and macro environment in company
Source²⁵

24 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

25 SOUKALOVÁ, Radomila. Strategický marketing, učební text, 1.vyd. 2004, UTB Zlín, ISBN 80-7318-177-0, 118 s. s.63

Relations between traders

As stated above, the marketing core is management of organization activities towards the customer. It is therefore the relationship between two parties involved in exchange on market. From the point of view of exchange participants, we can characterize the relations between them as follows: (we understand the entities as business and customer).

B2B (Business to Business) — business with materials, semi-finished products and investment goods; this market includes all those who buy goods and services to produce other goods and services which then they sell, hire or resell.

B2C (Business to Customer) — product sale to the end consumer; the consumer market consists of all individuals and households who purchase or require goods and services for personal consumption.

C2C (Customer to Customer) — the sale of (mostly new) products by the consumer to another consumer, most often by auctions and advertisements²⁶

Knowledge of main factors in company internal environment as well as external micro and macro environment is a basic prerequisite for marketing strategic planning and for realization of various analyses of competitive environment or current state analyses. The following chapters are dedicated to marketing strategic planning issues.

The internal and external marketing environment of organization is in mutual interaction and therefore the organization should, in its own interest, respond to external changes by adequate changes in internal environment. In order to respond to changes in the environment, it is necessary to conduct regularly marketing analyzes, to identify fundamental changes in the target group needs, to adapt marketing mix tools to these changes and to effectively inform marketing environment of the organization, i.e. internal and external target groups.

²⁶ Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

3. INFORMATION PROCESS IMPORTANCE

https://doi.org/10.7441/978-80-7454-865-9_3

Key words

marketing information system, internal sources of information, marketing research, segmentation research, primary data, secondary data, observation, survey, experiment, questionnaire, interview, contact, sample selection

3.1 CONCEPT AND STRUCTURE OF MARKETING INFORMATION SYSTEM (MIS)

Nowadays, when competition is high and competitive struggle is focused mainly on the customer, results of various marketing research concentrated not only on customer but also on whole environment analyzes are part of strategic planning and strategic decisions. In this context, many companies use, for example, the available research results already carried out and, if necessary, commission the marketing research at professional companies. This way, companies get information about market development, customer behaviours and their changes, market size or its growth, etc. Many companies have an effective information system for this purpose including the so-called marketing information system.

Prerequisites for effective strategic management are knowledge of the marketing information system structure, knowledge of the qualitative and quantitative information importance obtained from internal (corporate) and external sources, ways of their acquisition and last but not least, methods of interpreting analyzed results.

“Marketing information system is a system of all procedures designed to gather, analyze and evaluate the information necessary for better planning, organizing, managing and controlling of marketing activities. The marketing information system deals with collecting, sorting, analyzing, evaluating and distributing information to the company”²⁷

The marketing information system provides company management with necessary information required for qualified decisions. Thus, marketing information system represents the effort of companies to systemize information flows necessary for marketing management in order to make them opportune and effective.

The existence of marketing information system is especially necessary due to the transition of many companies from local to national and to global marketing. There is also an orientation change from the customer's needs to the customer's wishes (the customer is increasingly demanding).

There is also a change in competitive behaviour, i.e. the price competition is changing to non-price competition (customer will appreciate more information).

MIS includes staff, equipment and information technology for collecting, sorting, analyzing the evaluation and distributing opportune and necessary information relevant to marketing decisions. Marketing information system as a whole includes internal information system, marketing intelligence system, marketing research system and marketing support system.²⁸

27 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

28 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

Internal information system is especially important in obtaining information concerning orders, prices, sales, receivables, debts, revenues, suppliers, customers, relations between them, partner demands, seasonal supplies, before holidays, personal wishes, important anniversaries, etc. The data analysis usually leads to identification of strengths and weaknesses, provides information about different events and their development and how the order-delivery-invoice system works. Part of the system is sales reporting. Generally, these data are obtained from the company internal sources.

Marketing intelligence system provides information and estimation of expected developments in the company area and industry. This system includes a set of procedures and information sources used by managers to acquire information about the expected development of marketing environment; micro and macro environment.

Environment can be observed by:

indirect monitoring (general monitoring without specific goal or purpose)

conditioned monitoring (information monitoring in a particular area without specific focus — for example supermarket customers)

informal research (obtaining specific information in a given area in any way)

formal research — specific information according to predetermined plan and particular way.

Information can be obtained from: professional publications, press, interview with customers, suppliers, distributors, sales representatives, fake customers (check of vendors), exhibitions and fairs visits — information about competitors from: newspapers and magazines, purchasing from external suppliers, own marketing department, commissioning of professionals — specialists etc.

Marketing research system is based on research to acquire specific information. It is conducted with marketing research and is discussed in more detail in the following chapter Marketing Research.

Support information system includes a variety of statistical tools and statistical models assisting the IT managers in analyzing data and taking decisions (simulation of model situations, etc.) with information technology support.

PRACTICE EXAMPLE

Interesting and valuable sources of secondary information can be found on the official websites of the Czech and European authorities, for example:

Czech Statistical Office:	http://www.czso.cz/eng/redakce.nsf/i/home
European Statistical Office — EUROSTAT:	http://www.businessinfo.cz/en/articleinstitution-eu/european-statistically-urad-eurostat/1000723/39966/
Czech Customs Office — Intrastat	http://old.cs.mfcr.cz/CmsGrc/Obchod-se-zbozim/Intrastat/
Ministries of the Czech Republic	www.mpo.cz , www.mpsv.cz , http://www.mmr.cz/
Branch Organizations:	Czechinvest: http://www.czechinvest.org/
	Czechtrade: http://www.czechtrade.us
Economic portal:	www.euroekonom.cz

3.2 MARKETING RESEARCH^{29 30}

Marketing research is systematic identification, collection, analysis, information evaluation and conclusions corresponding to a particular marketing situation which the company is facing. **Marketing research suppliers** can be universities, own marketing research departments, specialized research companies.

Marketing research process goes through the following stages:

- problem definition and research goals
- forming a research plan - information sources, research methods, etc.
- choice of respondents, contact methods
- collecting information
- information analysis and presentation of results.

Problem definition

Problem definition includes specifying the problem which is about to be solved through research and determining the relevant information that will be necessary.

Research plan

Research plan determines where and how we get information and expresses approaches and research methods. At this stage, we acquire necessary information for better orientation in current situation of the issue we need to solve. Very often so-called pre-research or exploratory research is being carried out at this stage. This research type is designed to pre-examine the situation and it is not time-consuming and expensive. This is a very flexible method providing us with preliminary information about possibilities and scope of research. This method is used in a relatively small scope, both with secondary and primary information.³¹

Basic research methods include **observation, survey** and **experiment**.

Observation research monitors real behaviour and conduct. This is a good source of information, especially about customer real reactions. Not always responders behave as they say. Currently, the observation method is used, for example, to identify behavioural and attitudinal characteristics of some target groups, and then the results are combined and compared with other available information about the monitored group.

Frequently used method is a survey whose results provide us with information concerning consumer behaviour, their motivation, but also satisfaction or dissatisfaction, shopping frequency and many other factors of buying behaviour. The information retrieval tool is usually one of many forms of questioning, e.g. questionnaire, inquiry, formal or informal interview, guided discussion, etc.

Experiment

*"The experiment basis is to monitor relations between two or more variables. The principle consists in introducing a certain test element into a particular environment and afterwards its impact is measured. Experiments can be divided into two groups. These are laboratory experiments and field experiments."*³²

29 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

30 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

31 Výzkumy.cz Typy výzkumů, 2012 [online] [cit. 2015_06_15] dostupné z <http://vyzkumy.cz/typy-vyzkumu>

32 <http://www.vyzkumy.cz/vyzkumne-metody>

Respondent selection, contact methods

Sampling for a marketing survey is done when it comes to surveys in a very large group (for example supermarket customers). In case of a small survey group (for example building machines manufacturers); the researcher will investigate all members of this group. Sampling can be done as random selection, intentional or typical selection. More about sampling techniques of respondents is written e.g. in FORET, STÁVKOVÁ. *Marketingový výzkum: Jak poznávat své zákazníky*.³³

It is also necessary to think carefully about **making contact** with respondents. One of the most common methods of filling in the questionnaire is interview; another is telephone interview, questionnaire sent by post, telephone or electronic questioning. The great disadvantage of sending questionnaires, whether by post or electronically, is a very low return.

Information collection methods

Secondary information

In the first case, we talk about secondary data. These data are information that has already been processed for different purpose in the past, and is helpful to us in its form. We can obtain this information from organization's internal resources providing information about what has happened and has been developed in the past. The internal agenda can be a source of product prices development, development of production costs, transport, marketing and communication, etc.

External secondary information sources are all available information from the organization environment (economic, statistical, from branch development, etc.). Based on the information analysis, we can estimate future developments in environment and sector, as well as forecasting and estimating demand for products.

Secondary information collection should precede any decision concerning primary research, because based on the results we can make an overview of the current situation and focus primary research on specific, e.g. problematic, areas. However, we must take into account their particular disadvantages in relation to credibility and validity associated with our research needs. On the other hand, this information is generally easily accessible and relatively simple to collect.

Primary information

Marketing research is, however, an important information source of primary data, i.e. data demandingly obtained in research directly in the field according to the enterprise specific needs. They are concentrated, analyzed, and used on the basis of company marketing needs and requirements. Employees dealing with marketing research usually begin their work by collecting and processing secondary data.

Primary information is "tailor-made" to our needs and research requirements. Its biggest disadvantage is the high financial costs and further it is time-consuming, although nowadays, electronic communication is more affordable and people are "anonymously" willing to respond much more personally. The question is, then, what kind of research credibility the research will show.

Primary information detection methods:³⁴

— observation is the method allowing us to observe spontaneous reactions, it is the cheapest method

³³ FORET, Miroslav, STÁVKOVÁ Jana, *Marketingový výzkum: jak poznávat své zákazníky*. 1. vyd. Praha: Grada Publishing, 2003, 160 s. ISBN 80-247-0385-8

³⁴ FORET, Miroslav. *Marketingová komunikace*, 2.vyd. Brno: Computer Press, a.s. 2008, 451 s. ISBN 80-251-1041-9

- survey means inquiring about knowledge, opinion, preference, satisfaction, may take the form of inquiry or test, it is the most used method
- experimental research is important for the scientific area, reference sample - induction of experimental conditions in the field; however, this method is time-consuming and financially very demanding.

An important tool for obtaining primary information is a well-structured questionnaire and its author should pay attention while preparing questions. Within the pre-research phase it is recommended to test the questionnaire proposal on a small number of respondents. When preparing the questionnaire, it is necessary to choose carefully the questions order, - clear formulation, etc. More detailed questioning techniques and questionnaire general structure are described in publications of Kotler³⁵, Foret and Stávková.³⁶

We are also concerned with appropriate question types while compiling the questionnaire.

Questions may be closed-ended or open-ended. The open-ended questions are difficult to process, but on the other hand, they better show the respondent perception and knowledge. We also pay attention to question- sequence, e.g. difficult and personal questions are rather placed at the end of questionnaire. We also consider using the dichotomous questions, which can only be answered yes / no. We can also use a multiple choice offering 3 or more answers. There are also different rating scales, for example:

- agreement scale (from full agreement to strong disagreement)
- importance scale (from very important to totally unimportant)
- rating scale (choice from scale A-F — school evaluation) and other ways.

Information analysis and result presentation

The following step consists in **processing and analysing** the collected information. Researchers and staff processing data are able to identify necessary statistical variables; expressing occurrence frequency, mean value, dependence degree between variables, etc.; providing resource materials for management decisions concerning the investigated problem. Strong emphasis is placed on a brief and clear interpretation of significant findings.

3.3. MARKETING RESEARCH DIVIDED BY TERMS

Market research in subject terms³⁷

In this case, we talk about analysis of the all market situation, including analysis of the scale, structure, form and market performance, analysis of its balance, consumption social image, etc. They are:

demoscopic (subjective) research - involves everything related to — research of people and economic operators, their behaviour and characteristics, for example:

- supplier research / supply level, price development, availability, etc.
- distributor research / we monitor intermediaries, suppliers, financial companies, etc.

35 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

36 FORET, Miroslav, STÁVKOVÁ Jana, Marketingový výzkum: jak poznávat své zákazníky. 1. vyd. Praha: Grada Publishing, 2003, 160 s. ISBN 80-247-0385-8

37 Co znamená marketingový výzkum, 2010, [online] [cit. 2013_10_09], dostupné z <http://www.referaty10.com/referat/Marketing/1/tema-1-48-Marketing.php>

— competition research / we observe its objectives, strategy, development, communication strategy, etc.

— consumer research / we observe consumer characteristics, behaviour, habits, etc.

ecoscopic (objective) research deals with the so-called market objects, their characteristics and their position on the market, e.g.:

— research of needs (basic research) provides information about product purpose

— product research maps the market and provides the manufacturers a market situation overview in context of choosing the right product for production

Research in time terms includes:

market analysis, which is the understanding of the basic market structure at a given date, providing an image of the current market state

market observation, it is a record of phenomenon and process movements on the market, i.e. monitoring of the market situation development

Research in system terms³⁸

descriptive research - examines the actual subject state and describes the current situation of the studied phenomenon, provides basic image of selected market aspects in a given period, describes the phenomena and processes relevant to management decisions, monitors frequency and extent of the association, can be used to predict phenomena in a given area; secondary and primary data may be used in this research³⁹

diagnostic (causal) research - seeks all the factors affecting the subject, seeks mutual relations between them and asks why the relation is like this

prognostic research - endeavour to know where the current developments are approaching, trends observation.

Customer satisfaction and its examination⁴⁰

After purchase, the customer starts to use the product and it will give him a certain satisfaction. But marketer's work does not end when customer buys the product. Instead, marketer should monitor customer's satisfaction with the product; what activities he/she does after purchase and how the product is used. We have to keep in mind that the customer takes part in the purchase with some expectation; he/she assumes that by purchasing his/her expectations will be fulfilled — and when customer uses the product, he/she gradually evaluate the purchase. Customer satisfaction is created by satisfying customer's wishes, even the specific ones.

Satisfaction after purchase depends on the expected utility, and the customer may be: **dis-satisfied** — perceived utility is less than expected, **satisfied** — perceived utility is the same as expected, **pleased** — perceived utility is higher than expected. Furthermore, satisfaction depends on the fact whether consumer would buy the product next time and whether he/she would give positive references to friends.

Many marketers rely on the belief that it is better to promise less, and thus to create a realistic prerequisite for customer satisfaction who will report it to others.

38 Výzkum podle systémového hlediska, 2012, [online] [2015-06-15] dostupné z <http://vyzkumy.cz/typy-vyzkumu>

39 Výzkumy.cz Typy výzkumů, 2012, [online] [cit. 2015-06-15] dostupní z <http://vyzkumy.cz/typy-vyzkumu>

40 Juříková, Martina. Marketingový mix v současné praxi in Emoce v marketingu: Jak oslovit srdce zákazníků, Grada Publishing, 2014

Post-purchase action

Satisfaction or dissatisfaction with the product will also influence consumer behaviour. If he/she is satisfied, he/she is very likely to buy the product next time or at least recommend it to friends.

Dissatisfied customers react differently. They may throw away or return the product. Some people complain, others express their dissatisfaction to other groups (e.g. consumer protection associations). They can personally choose not to buy the product (abandonment option) or warn their acquaintances and friends (alert option).

Product usage

Marketers should know how consumers use the purchased product. If they throw it away or store it in the attic, they are unlikely to be satisfied with it. If they sell or exchange it — new product sale will suffer.

Currently, many research agencies offer research concerning the consumer satisfaction. The results will provide information how our consumers are satisfied with product, offer, quality, communication, customer service, etc. The goal is to eliminate the number of dissatisfied customers to a minimum.⁴¹

Marketing research in content terms

Total market analysis

The total market analysis provides a basic overview of the market and key players influencing it, i.e. demand characteristics, offered range and the main competitors. The analysis does not go into detail; it only provides a general image of the market as a whole unit, its size and its basic structure. It shows not only static image but also basic idea of its dynamics. This analysis should answer the company's question whether the market is convenient by its size, dynamism and existing competition for the company to enter, remain or expand on it. More detailed instructions concerning the activity on the market will be provided to the company by other types of research.

Industrial market research

It is — research concerning behaviour of businesses and organizations, analysis of their purchasing decisions which is, in some cases, very complex process (e.g. at larger companies or while deciding about the purchase of investment property, new technologies, etc.). It also involves researching knowledge, attitudes and motivation of executives or various professional groups. In our country, the English term **business-to-business (research)** has gradually expanded for this research type. It generally includes research among business entities, usually aimed at final products intended for widespread use, such as office equipment, communication technology, etc.

In addition to this term, another so-called **industrial research** term is used - which is a specific term for specialized market research in the industrial sectors and concerning the market of raw materials, semi-finished products, components, machines, technologies, etc.

The implementation of this research method is closely related to specific production processes, considerably higher demands on issues and terminology knowledge for researchers and interviewers.

41 Co je průzkum spokojenosti zákazníků, 2011, [online] [cit. 2015-06-15] dostupné z <http://mysteryshoppers.cz/cz/pruzkum-spokojenosti-zakazniku.php>

Competition research⁴²

Information about competition, its market share, quality, characteristics and product price offers, used strategy, etc. are essential parts of the information background of every company trying to orient itself on its market. In this case, there is a deeper perspective concerning the competition activity in the market than in the total market analysis. The difficulty in conducting competitive research and choice of appropriate techniques and methods is limited by availability of some information and the need to comply with the research ethics.

End consumer research

End consumer or household research and their consumer behaviour explain actual market behaviour in relation to the studied product or product group and the internal behaviour motivation. Consumer knowledge, attitudes, opinions are also a frequent research subject. Attitude research not only detects, but also measures their direction and intensity. An important consumer research area is the process of consumer's purchasing decision which is a complex composition of habits, rational and irrational elements. Consumer research uses a very wide range of sophisticated methods and techniques based on psychology, sociology, anthropology, statistics applications, etc.

Product research⁴³

The attention is focused on the product, its characteristics, quality, packaging, brand and price in relation to these previous attributes, comparison with competing products. Product research content can also be a more profound analysis of product perception by customer or consumer. Product research occupies paramount importance in the process of developing and introducing new product to the market where its task consists in bringing market information for each stage of the process. The product research aim is to define position of new product on the market and minimize the risk that the market will not accepting it. This special function also corresponds to a special methodical apparatus of product research including a number of testing procedures. The essence of most of these consists in comparing a new product with known, competitive products and understanding those features that are important to consumers while buying it.

Advertisement research

The research function for advertising purposes lies in both information security while preparing the advertising campaign and gaining information about its success in relation to set goals. The tasks performed by advertising research during the advertising campaign preparation include target group identification, specification of the argumentation that will be used, as well as obtaining information about viewer ratings of selected advertising media by selected target groups. The information source for the last type is data, which is broadly observed by so-called **media research**. The effectiveness research of the advertising campaign also brings information about the effects that have not been materialized in sales growth yet- e.g. positive attitude change, increased readiness to buy, etc.

⁴² <http://www.brandbrothers.cz/nase-sluzby/vyzkum-trhu/vyzkum-konkurence>

⁴³ Kozel, Roman. Moderní marketingový výzkum, Grada Publishing, 2006, ISBN 80-247- 0966-X, 280 s.

Sales research

The subject of this research type is to focus on the sales process, sales comparison and its effectiveness in different market segments, affecting fluctuations, seasonality, forecasting sales with different time horizons. Research provides background for sales planning, organization and effectiveness improvement.

Prognostic research

Prognostic research, as already briefly mentioned, affects the future consumer demand development and the dynamics of the market development as a whole unit as well as the expected development of the main factors affecting it. The research aiming to estimate demand is based on three information levels: analysis of subjects and market past behaviour, analysis of their current behaviour and analysis and measurement of attitudes, opinions related to future behaviour (buying intentions, interest intensity, etc.). For these purposes, prognostic research uses time series analysis, statistic analysis of demand, monitoring its dependence on the main factors (e.g. incomes, prices, etc.), questioning methods (consumers, sellers, etc.) and expert methods. The specific choice of used methods depends both on the particular product or service type for which the forecast is being processed and on the prognosis time horizon. In this case, the distinction is based on short-term prognosis (up to 2 years), medium-term (up to 5 years) and long-term (with a horizon of 10 years or more).

Image research

Image research monitors the image that costumers or consumers on the consumer or industrial market create about the company, its products or services, and provides the materials for reinforcement or alternative image change. Image research uses mostly psychological research methods and techniques.

Communication research

Communication research responds to the question how to reach the target group most likely, with the most probability and least cost. It is based on knowledge of market, target groups and product characteristics. Communication research helps to decide which of the tools is best suited to achieve marketing communication goals. If media are important tools, communication research often focuses on the research of their users. This includes research of journal, weekly, regional, advertising and other press readers, radio listeners, TV viewers, Internet owners and users. The survey subject is to find out who is the recipient of particular media, what population groups, how the media using is mutually combined, e.g. what journal is most often read by the target group, which magazine, what radio stations are listened to and what time, etc. For deciding which media to use, the frequency of contact between the recipient and the media is also important.

Research of marketing communication tools⁴⁴

The research of marketing communication tools focuses on identifying the most convenient instruments that are really effective in achieving the communication strategy goals. This research type is naturally related to both market research and communication research. The research examines strengths and weaknesses of advertising, direct marketing, sales promotion, public relations, and how to combine these tools in the most appropriate way.

⁴⁴ Pelssmacker Patrik. at kol. Marketingová komunikace, Grada Publishing a.s.,2003, ISBN 8024702541, 581 s.

The main reasons for the realization of the marketing communication tool research are usually the complexity of products and market, offer abundance, simultaneous effect of many influences on consumers. All this affects decisions about choosing the most effective tools.

Another important reason is the cost of any used communication tool. At present, in times of crisis, almost "all" communication costs are very high for manufacturers. Many literally "are trying to survive" on the market and are looking for areas where they can save. It is therefore primarily in the interest of the employer (the owner) to know that these resources have been effectively used.

Each marketing communication tool affects the consumer's psyche in a certain way, has different influence on his/her decisions and affects with variable intensity etc.

Strategy research

The marketing communication strategy determines what is to be communicated, to whom and how it is to be communicated, how often, where and with what use of fund spending.

Research of content and message forms spread by marketing communication tools or realization evaluation

The research subject is a testimony monitoring its interconnection with marketing communication (MC) strategy, the offer forms for consumers in terms of its attractiveness to target group, content and form convincingness. It is essential to test whether form and content stimulate the buying behaviour or rather behaviour we expected while preparing the strategy.

Effectiveness research means comparison of goals with achieved results. The research subject is to verify whether the main MC objective was satisfied. If not, then the analysis determines which of the partial goals have been satisfied and which not and finds out where the error occurred (e.g. poor timing, inappropriate communication, strong competition). Effectiveness research of some MC tools, such as advertisements, may be complicated by the fact that they often have an abstract character and because the campaign can be long-lasting and many variables come into its effectiveness and the goals may be different. When the MC effectiveness is found out through the consumer, a certain risk associated with target group characteristics, such as the inability to exactly identify the MC impact, to express the degree of satisfaction with product, inaccurate definition of the research needs, should be taken into account. Significant emphasis is placed on brief and clear interpretation of the important findings.

In conclusion of this chapter it would be worth considering the question of the necessity and, mainly, of the company's own marketing information system effectiveness. Whether, for example, a regional facility providing hairdressing services needs to have its own marketing information system. We can also improve an idea in terms of what importance the marketing research has or should have for an establishment, or, and under what circumstances it would be effective to use it.

4. EFFICIENT MARKET INFLUENCE AND PURCHASE DECISION

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Key words

Motivation theory, model "7 Os", market, target marketing, segmentation, competitive advantage, segmentation criteria, segmentation concepts, market targeting, market positioning, niche market, segment profile, segmentation phase, geographical, demographic and psychographic segmentation, segment features, segment attractiveness.

The chapter is focused on basic concepts related to market and its structure. To effectively implement segmentation and target marketing, it is necessary to understand the differences between mass and target marketing, to understand the segmentation term, and to identify the segmentation criteria and its benefits. It is absolutely necessary to know the segmentation concepts, market aim and market position. A prerequisite for effective target marketing is the marketing manager's ability to incorporate it into the marketing strategic planning system.

4.1 MOTIVATION OF MARKET SUBJECTS

The following lines are dedicated to the important marketing subject, i.e. the customer, his or her purchasing behaviour and incentives concerning the deciding process. Above all, it is important to know the main factors influencing customer's behaviour, to understand deciding process, different types of purchase behaviour, household behaviour as a specific customer and also to know the behaviour of organization as a buyer.

The characteristics describing factors typical for customer's behaviour in the market and its subjects closely follow- and extend- the basic characteristics described in publications *Marketing- cesta k trhu*,⁴⁵ *Emoce v Marketingu*⁴⁶ and *Marketing Management*.⁴⁷

The way a buyer decides about purchase and his/her following behaviour is affected by motives provoking him/her to make a purchase. Those who usually purchase on market are single individuals, households and organizations. Their purchasing behaviour is based on the subject's needs, which can be understood as a perceived lack of something (things, services, sentiment, etc.).

Herzberg's motivation theory⁴⁸

Sometimes it is also called the two-factor theory. In 1959, Frederick Herzberg formulated two factors that are relevant to employee motivation and satisfaction. These are hygienic factors, the so-called dissatisfiers. These are typical factors which can cause work dissatisfaction (e.g. working conditions, interpersonal relationships, wage conditions, job security, etc.). The second group of factors is so-called motivators, the so-called satisfiers. There belong factors encouraging motivation, such as success, recognition, professional growth, responsibility, etc.

45 SVĚTLÍK, Jaroslav. *Marketing - cesta k trhu*, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

46 Juříková, Martina. *Marketingový mix v současné praxi in Emoce v marketingu: Jak oslovit srdce zákazníka*, Grada Publishing, 2014, 228 s.

47 Kotler, Philip, Keller, Kevin Lane. *Marketing management 12th*, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

48 <https://managementmania.com/cs/herzbergova-teorie-dvou-faktoru>

Maslow's hierarchy of needs

One of the most used motivation theories in marketing is Maslow's motivation theory, see figure 6 characterizing the meaning and order of satisfying the person's needs.

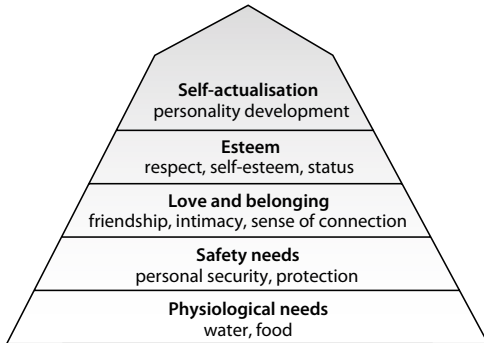


Fig. No. 6 Maslow's hierarchy of needs
Source:⁴⁹

Freud's motivation theory⁵⁰

"Freud's motivation theory is based on the statement that the real psychic powers affecting human behaviour are inherently unconscious. Freud claims that a person must suppress a variety of instincts while maturing and adopting social rules. These instincts are not perfectly controlled; they are shown in dreams, slips of the tongue or neurotic behaviour. For example (in a very simplified way): If someone wants to buy a PC, he may have an explanation either for wanting to have a new hobby or for his career, but under that explanation he can hide the desire to impress others and even deeper the desire to feel like his smarter and more educated ego."

Consumer behaviour of "7 Os"⁵¹

Another perspective regarding the consumer behaviour is provided by the "7 Os" model. In this area, consumer behaviour concerns how individuals, groups and organizations choose, buy, use, then treat the goods, services, thoughts, and experiences serving to meet their needs and desires. The goal of marketing staff is to answer **7 questions, i.e. "7 Os"**

— Who creates the market?	Occupants
— What does the market buy?	Objects
— Why does the market buy?	Objectives
— Who is involved in buying?	Organizations
— How does the market buy?	Operations
— When does the market buy?	Occasions
— Where does the market buy?	Outlets

49 <http://zrcadlo.blogspot.cz/2008/06/maslowova-pyramida.html>

50 <http://zrcadlo.blogspot.cz/2008/06/freud-teorie-motivace.html>

51 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

4.2 SUBJECT'S ACTIVITY ON MARKET

Market characteristics^{52 53}

The market is the place where **buyers with sellers and supply with demand** meet. The main market function is the optimization and allocation of resources. It is also distribution of production factors among various types of economic activity in such way that the limited resources are used as efficiently as possible for the society needs.

Limits of production possibilities - each enterprise has a number of production factors at its disposal and must decide how many production factors and which to use and in what activities. The production possibility limit shows all the maximum available combinations of the goods production; e.g. food versus clothing.

The market mechanism is based on the market interaction among supply, demand and price.

Market subjects on the market pursue different objectives.

These are **households** coming to the market to buy goods and services to meet their needs. They appear on the product and service markets as buyers, on the production factor market as the sellers.

Another subject is represented by **companies**, institutions whose activity is focused on the product and service production for the purpose of selling. They emerge on the product and service market as sellers, in the production factor market as buyers.

Last but not least, a significant subject is a **state** as a specific market subject. Its influence greatly affects the market activity, e.g. by many regulations, rules, laws, etc.

Market types are divided by several perspectives:

By the territorial perspective, we monitor the **local market** (from the historical point of view, the local markets were the fairs, nowadays they have been renewed in the form of the so-called farm markets, which are characterized by the offer of local products), the **national** one which is a market of particular state and **world** market is represented by international business which originated thanks to the natural development of labour division on an international scale.

By product perspective we can talk about a **sub-market**, where the purchase and sale subject is the only particular goods, and the **aggregate** market. It is the market of all goods; it is the so-called real market, which is studied in macroeconomics.

By subject of purchase, there are production factor market, consumer market, industrial market and trade market.

The market itself may have an informative function, markets often stimulate economic activity, or markets split pensions into individual subjects or take part in the pricing policy of firms.

Market features

The market has features ensuring that it is the most effective tool for coordinating resource use. But if we look at the market in its real form, we find that there exist some imperfections in coordination. In some situations, market does not work as expected, i.e. it does not provide an efficient allocation of resources. It is usually caused by market imperfections:

52 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2

53 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

- imperfect competitive environment that is manifested through state regulation, such as price regulation⁵⁴
- public goods are available to all subjects that can consume them at the same time. The market does not deal with the question of public goods, it is the state. These include, for example, health care, education etc. The state finances social activities such as state and local administration through the state budget.
- externalities are so-called spill over effects. These activities negatively or positively affect other entities without having to pay for them.

4.3 TARGET MARKETING AND ITS STAGES

In order to understand the problem of creating market segments, it is necessary to repeat the target marketing and mass marketing basics⁵⁵. Company's strategic marketing activity affecting the target group is called target marketing whose implementation is characterized by three stages:

First stage - market segmentation

The first stage purpose, market segmentation, is to divide market into a number of segments to identify mutually heterogeneous segments and within the segment to identify similar behaviour and requirements of individuals (homogeneous). The following basic approaches can be used for segmentation. We can segment according to customer characteristics, i.e. geographic, demographic and psychographic or customer behaviour, i.e. according to attitudes.

Second stage — market targeting

Market targeting stage deals with issue of selecting suitable and attractive segment meeting the specified criteria.

Segments can be ranked according to **size and growth of market segments**. Not always the best choice is to choose the largest segment. Large segments require large resources and small segments correspond with small resources. For the company's strategic goals, it is necessary to **consider the segment attractiveness** in terms of profitability. According to Porter, there are 5 influences being capable of affecting market attractiveness in the long term, see Porter's five forces model⁵⁶ (chapter 10.1). If the segment is growing, large enough and attractive, the company must **look at its own goals and resources** in relation to the segment. Sometimes it is necessary to give up attractive segments because they do not match the company's set goals. If the segment meets the set goals, it is necessary to consider whether we have sufficient resources and expertise to operate it.

Third stage - market positioning⁵⁷

The company searches market segments which are convenient to be addressed. It can choose from the following five approaches:

54 <http://www.mfcr.cz/cs/soukromy-sektor/regulace/cenova-regulace> [4.11.2014]

55 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2. s. 88

56 Keřkovský Miloslav, Vykypěl Oldřich, Strategické řízení: teorie pro praxi, 2.vyd. Praha C.H.Beck, 2006, ISBN: 80-7179-453-8

57 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

Focusing on **one segment** — the company selects one segment on the market. In this case, savings in promotion and distribution area can be achieved, but there is a risk that this segment will become unprofitable.

In **selective specialization**, the company will focus on several segments and each of them is attractive to the company. This option is less risky because there are still others in the event of a single segment fail.

A company specializing in one product that is offered to multiple segments uses so-called **product specialization**. In this case, the risk consists in introduction of new competitive products, technologies or approaches.

The company aiming to meet the different needs of one segment applies so-called **market specialization** and is exposed to the risk of a reduction in purchasing power or segment interest. If the company tries to satisfy all its customers, it applies so-called **undifferentiated marketing** and it is unnecessary to deal with target marketing.

4.4 MARKET SEGMENTATION PROCESS

Segmentation⁵⁸ is a process contributing to finding customer groups based on certain criteria. These groups are homogeneous inside but heterogeneous among themselves. This formulation expresses that the people characteristics inside segment are generally very similar (they have similar wishes, needs, education, income groups, hobbies, etc.), and the characteristics of people in other segments is considerably different (e.g. age, education, income groups). If we do not find significant differences between the segments, the management's task is to consider whether it is effective to use target marketing.

First, it is necessary to identify the basic features of segment that we need to understand in order to know whether or not to focus on this segment. We survey, for example, its size, whether it is available to the media (to be affected), whether it is homogeneous inside (similar needs), but also heterogeneous (different wishes), it should be measurable and fast growing.

A **segment** or a target group is group of customers who have their specific requirements for particular product group.

The **market segmentation advantage** is greater satisfaction of customer needs, more efficient stimulation and distribution. Also, product information is distributed in a target manner with the effort to adapt the product characteristics to the customer as much as possible. But also the way of communication is important. The **segmentation advantage** is also the possibility of gaining competitive advantage for narrowly specific market where competition is usually limited.

Market segmentation

Consumer Market

Consumer market segmentation constitutes the company's effort to achieve perfect targeting, as it realizes that the buyers are different.

58 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

Consumer market segmentation⁵⁹

Two broader sets of variables can be used to segment consumer markets. Some marketing researchers try to create segments according to consumer characteristics. They usually use geographic, demographic and psychographic characteristics. Then they examine whether these customer segments show different needs, wishes and priorities. They can, for example, examine the specific needs, desires and attitudes of technicians, officials, workers and other groups regarding the safety and usefulness of cars.

Depending on the **segment size**, there are four segmentation levels: segments, niches (small segments with specific characteristics), local areas (with specific features in the local market), and individuals.

Industrial market

Industrial market segmentation requires different criteria for segments to look for: demographic (what the sector is, size and location of a business), operating criteria (level of technology), purchasing approaches and personal characteristics (similarity, attitude to risk, loyalty).

Generally, segmentation of both industrial and consumer markets does not focus just on one criterion, but so-called multi-factor segmentation (multiple criteria splitting) is used.

Essential requirements for efficient segmentation can be characterized by segment features, i.e. measurability — segment size and purchase power, accessibility — how to influence the segment efficiently, significance — prospective and profitable.)

Segmentation process⁶⁰

In general, we can say the marketing goal is to understand the customer and offer him the goods he needs. However, customer behaviour and motivation is complex and demanding from the research point of view. But we need to have some methods to study or classify customers so that efficient communication could be proposed. The process of the target marketing first phase goes through three stages.

In the **first stage** of interview, the researcher performs informal interviewing and focuses on customer groups in order to understand their motivations, attitudes, behaviours, and on the basis of this, the researcher prepares a questionnaire concerning the product characteristics and their importance, brand awareness, method of use, demographic and psychological respondents' data.

In the **second stage**, factor analysis and afterwards multifactor analysis are used to create a number of maximally different segments. Segments should be homogeneous inside and heterogeneous from the outside. This stage result is formation of a certain number of target groups or segments.

The final **third stage**, profiling, defines a brief but accurate profile characteristic of each segment (target group) in order to characterize differences in behaviour, demographic and psychographic significant features. It is appropriate to name the segments according to the dominant characteristics and to create a brief but accurate characteristic of the whole segment.

59 Kalka Jochen., Allgayer Florian. Marketing podle cílových skupin, 1. Vyd. Brno, Computer Press 2007, 270 s. ISBN 978-80-251-1617-3

60 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

The market segmentation process must be repeated periodically because market segments change in time.

Criteria types for segmentation

In general, most markets are segmented according to the following criteria. Segmentation types can be used individually or in combination. Here are the basic criteria, for more detail, see.⁶¹

- **Geographic criteria** - e.g. nations, areas, states, districts, cities
- **Demographic criteria** - e.g. age, gender, income, origin, number of children, education
- **Psychographic criteria and lifestyle criteria** - such as spending leisure time, self-realization, interests, personality, attitudes, motives, living habits, experience, as we see ourselves
- **Criteria for used media** - for example, it divides the market according to media type and time when customers are using it or watching it.

Target group evaluation

*"There are many perceptions about target group and target class definitions from very narrow to broadly conceived in Marketing and Communication field. Whether we focus on people from 14 to 49 years of age, or a few fashion trending people in the capital who bring a cult brand into society, is a crucial decision in marketing."*⁶²

At present, the socio-demographic segmentation of target groups is insufficient due to offered brands, products and media variety. One of the evaluating options for target groups is so-called Consumer Insight allowing looking inside the "consumer head". Goods manufacturers should know, while addressing the consumer, what life areas they represent, what values they recognize, what their needs and interests are, etc. Kalka and Allgayer describe three approach types to evaluate target groups on the market. It is typical of all three approaches that they do not evaluate consumers according to sociodemographic features, but according to sociopsychic features. These approaches determine the target groups by Sinus classes, by semiometric model and by galaxy GIM.

Target groups by Sinus - classes

This method for identifying target groups analyzes our society's life worlds and monitors consumer lifestyles. It brings together consumers who have a similar view of life and lifestyle. The higher the observed group is in figures 7 and 8, the higher education, income and professional background they have and vice versa. According to these identification criteria there can be identified different target groups in the market: conservative, established, postmaterial, young and successful, experimental, hedonistic, traditionalist, nostalgic, consumer materialists, conservative centre.

61 <http://www.vladimirmatula.zihlavvy.cz/profilovani.php> [4.11.2014]

62 Kalka,J., Allgayer,F.: Marketing podle cílových skupin, Computer Press 2007, ISBN 978-80-251-1617-3

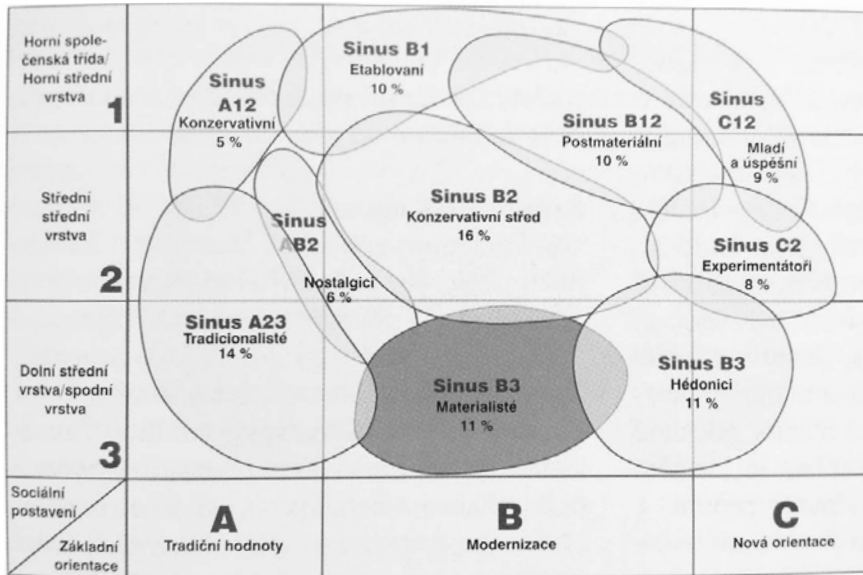
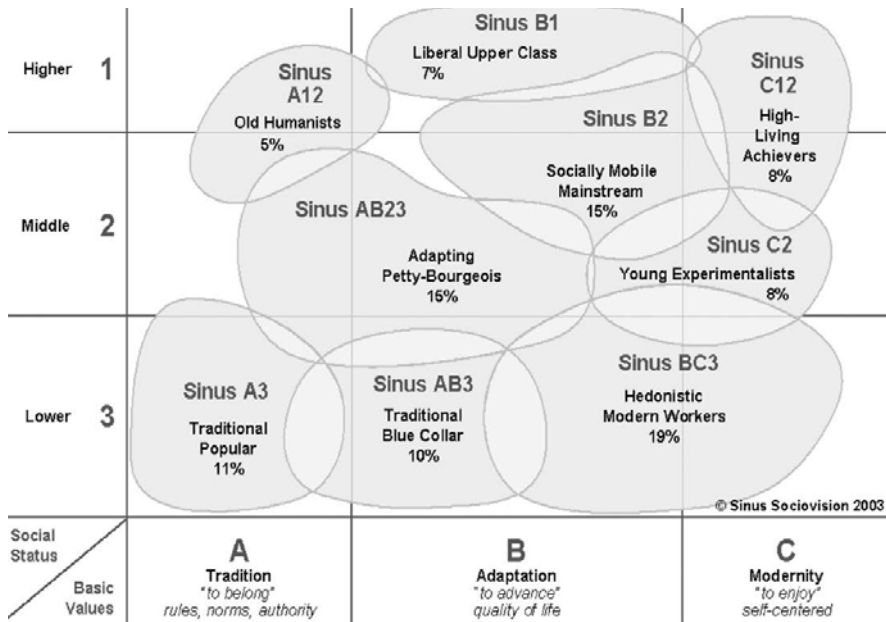


Fig. No. 7 Target groups by Sinus - classes in the Czech Republic
Source:⁶³

Fig. No. 8 Target groups by Sinus - classes in Germany
Source:⁶⁴

63 Bárta, Michal. K čemu jsou segmentace a typologie, prezentace interní materiály

64 Kalka Jochen., Allgayer Florian. Marketing podle cílových skupin, 1. Vyd. Brno, Computer Press 2007, 270 s. ISBN 978-80-251-1617-3, s.98

Target groups by semiometric⁶⁵ approach

With the use of quite difficult analytical processes, a two-dimensional semantic value area was designed. The axes used to illustrate this model are situated on a horizontal level like poles “duty” and “joy of life”, on a vertical level like poles “sociality” and “individuality”. For practical use, there were identified 14 value areas: familial, social, religious, material, dreamy, pleasure-oriented, experience-oriented, cultural, rational, critical, dominant, combative and bound to tradition. For each area a typical characteristic with a specific marketing recommendation is prepared, see fig. 9.

Target groups by Galaxy GIM⁶⁶

The essence of this target group model is the combination of “living values” (via ethnographic interviews) and the daily consumption day. Research system is relatively demanding, carried out in the first stage by qualitative pre-research (focusing on the housing state, furniture, clothing and brand preference, etc.) and in the second stage by a two-hour in-depth interview when the target group members are shopping. A video record was taken during each visit. The final evaluation was carried out by discussions. On the basis of obtained information, the GIM target groups and their characteristics were formulated: critically creative promoters of new trends, unconventional consumer, subcultural individualists, self-centred hedonists, multicultural immigrants, career oriented mothers, ecologically aware people, postcommunist fighters, authentic aware people, modest pragmatists, self-representatives and distinguished experts on style.

From the strategy perspective, we can look at the market from two points of view:

1. market aggregation — assumes that all customers are similar, many of them will be interested in the offered product, we use mass marketing (mass communication)

2. market segmentation — we concentrate our efforts only on a certain market, segment where we see the majority of the purchasing potential (specific communication programs for a particular group or customer groups), we use target marketing.

INTERESTS ORIENTED TOWARDS FUN AND PLEASURE

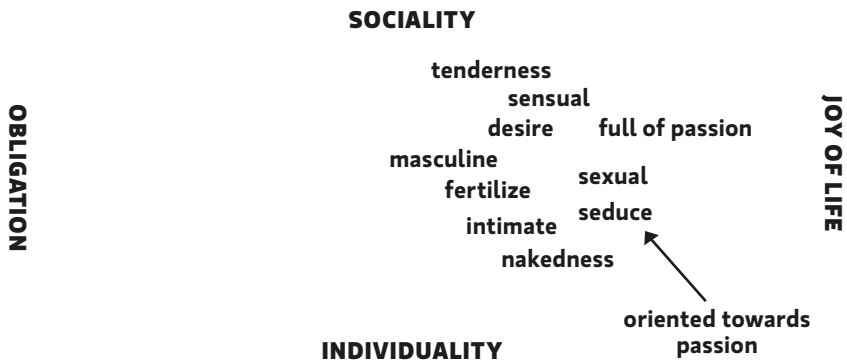
Activities in free time: Go out, go to cinema, sport action visiting, trend sports (in-line, scooter, etc.) watching DVD/video, to use privately computer/Internet, computer games, videogames

Brands: Bacardi, Franziskaner, Ramazotti, Coca-cola light, Barilla, Buitol, Chio Chips, Pringles, Pick up, Heinz Ketchup, Strothmann, Fishermann’s Friend, Haribo, Wrigley’s, Alfa Romeo, BMW, Audi, Diesel, Levi’s, Replay, Adidas shoes, Benetton, Boss fashion, Nokia, Panasonic, Sony Playstation, Avis, American Express, Diner Club, T-Mobile, DWS, Douglas, KFC

⁶⁵ Semiometry compares basic attitudes and ideas regarding target group values

⁶⁶ Kalka,J., Allgayer,F.: Marketing podle cílových skupin, Computer Press 2007, ISBN 978-80-251-1617-3, s. 162

- Press media:** Fit for Fun, ComputerBild Spiele, Bravo Screen Fun, PC games, CumputerBild PC Welt, AutoBild, Auto, Motor und Sport, ADAC-motorwelt, Kicker, SportBild, TV Movie, TV Spielfim, TV14, TV direct, Bravo
- TV programs:** Sex and the City, Charmed — Zaurbehaffe Hexen, Emergency room, TV total, Ladykracher, Ritus Welt, Will&Grace, Abendteuer Auto, Talk talk talk, Gute Zeiten, schlechte Zeiten, verbotene Limbe, Nur Die Limbe zählt, Bizz, Planetopia, Welt der Wunder, S:A:M;, Stern TV, Focus TV, Bravo TV
- Radio broadcasting:** Funk Kombi Nord, Funk Kombi Nord Kompakt, RMS Ost Kombi, RMS Südwest Kombi Premium, RMS West Kombi, RMS West Kombi Plus, RMS Super Kombi, RMS Young Stars, Radio Kombi Sachsen, Hit Radio Antene, Radio ffn, R,SH-Radio Schleswig Holstein, 94.3. r.r.2, Energy 103.4 Berlin, N-Joy, Eins Live, Antene Sachsen, Jump, Radio PSR



Value field “oriented towards fun and pleasure” is for people with basic hedonic orientation who, at the same time, try to achieve sensual passionate enjoyment. There are mostly men in young or middle age segment.

Fig. No. 9 Two-dimensional semantic value area, for the segment “oriented towards fun and pleasure”
Source: TNS Infratest

Effective segmentation requirement

A prerequisite for effective segment or target market selection is to meet several basic conditions:

Segment **identifiability** represents the existence of specific features that can be used to determine who belongs to selected segment.

Sufficient segment **size**, or segment significance, expresses its purchasing power; meaning that it should have sufficient purchasing potential to valorize advertising and market efforts and to be worthwhile to operate it. It should be a homogeneous group for the purpose of developing efficiently a marketing program.

We understand the segment **measurability** in terms of possibility to measure size, purchasing power and other characteristics of a market segment.

Segment **availability** is related to the ability to effectively reach it and operate it.

Readiness for action is related to the company capacity to develop effective programs for a selected segment (so that the segment responds to it).

PRACTICE EXAMPLE

How does the communication and purchasing behaviour of seniors change?⁶⁷

In recent years, the older generation in the Czech Republic has made significant progress in the use of information technology. The times when marketing managers have claimed that seniors cannot communicate via Internet are becoming a thing of the past. Statistical data show that 19% of seniors use the Internet, which means that the Czech Republic has the third largest proportion of seniors using the Internet in the countries of Central and Eastern Europe (a larger share is in Estonia and Slovenia). For society, this is at least a bit encouraging, given the steady increase in the number of seniors, because in this case the Internet has the following positive effects on seniors:

- reduces the loneliness feeling, as it enables seniors to make new contacts and improve communication with friends and acquaintances
- increases self-sufficiency, reduces aid dependency, and allows them to help their peers
- expands the mental horizon, e.g. by offering online courses that can be 'attended' from home
- provides entertainment, it is not a problem to play e.g. chess even when seniors are alone at home
- allows shopping and services, almost everything can be bought by the Internet, nowadays even in many cases with direct home delivery.

The last advantage of the Internet is a good inspiration for marketing specialists who can apply these trends in communication with customers - seniors.

Other statistics also show that seniors are a very interesting group for business marketing. What do people over 50+ do on the network? 71% use online banking, 40% use Skype, 71% buy online and 35% communicate on social networks. Nearly 84% of these people find this communication form as a way how to stay in touch with family and friends, 88% want to keep up with technological advances and changes, and 97% of the "silver surfers" used email last year. And what about the elderly aged 65 to 74 years and their Internet use? 7.6% spend 5 to 20 hours a week on the Internet, 23.6% send mail, 3.1% are on social networks, 22.3% read online news, newspapers and magazines, 20, 3% look for information about services, 17.7% look for health information and 7.8% of seniors look for Wikipedia information.

These statistics show that the use of new technologies changes to a certain extent the seniors behaviour on the market both in terms of communication with them and in the possibilities and approaches for the business implementation.

67 „Česko má ve střední Evropě třetí největší podíl seniorů“ in *Magazín pro aktivní seniory*, 2013 [online] [cit.2014-11-05] dostupné z <https://www.i60.cz/clanek/detail/5439/cesko-ma-ve-stredni-evrope-treti-nejvetsi-podil-senioru-na-nbsp-internetu?page=13>

Target group profiles for the Leipzig Automotive Fair - AMI in motion⁶⁸

(April 2016)

To address the target groups, there was established a strategy whereby individual target groups with a specific relation to cars will be addressed with an individualized offer and will be able to experience new models and innovations in practice (see figures 10—13).⁶⁹

New car buyers and those interested in cars

They will be offered premieres and current car models, exhibition concepts and new technologies, alternative types of drives and product innovations, AMI Classics, accessories

Experience-oriented car fans

They will be offered adventure off-road jumping, wide range of test rides, school of economical driving with experienced trainers, attractions in the children's world



Fig. No. 10 New car buyers and those interested in cars



Fig. No.11 Experience-oriented car fans

People interested in mobility

The offer will be related to the connection between the car and the city, alternative drive technology, automated driving, communication technology, connectivity, infotainment and telematics.

Expert public

The expert public will be addressed with the offer of the professional and framework program. The offer will include congresses and conferences, symposia and prizes, with the thematic area "new mobility" and accessories.



Fig. No. 12 People interested in mobility



Fig. No.. 13 Expert public

68 Tvůj autosalon plný zážitků, cílové skupiny, 2015, [online,] [cit.2015-11-04], dostupné z] <http://www.ami-lipko.cz/vystavovatele/profil/cilove-skupiny/>

69 Tvůj autosalon plný zážitků, cílové skupiny, 2015, [online,] [cit.2015-11-04], dostupné z <http://www.ami-lipko.cz/vystavovatele/profil/cilove-skupiny/>

5. PRODUCT AS PART OF MARKETING MIX

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Key word

marketing mix, complex product, product core, extending product effects, consumer goods, capital estates, product brand, trademark, logo, generic products, packaging, service, product range, quality, product lifecycle phases, PLC — The product life cycle, technology demand lifecycle, demand for need, strategic business area, product lifecycle stage, product category lifecycle and product forms, product brand lifecycle, rapid collection strategy, slow collection strategy, fast penetration strategy, slow penetration strategy, market modification, product modification.

The following chapter summarizes and deepens the marketing basis for both the commercial area and the non-profit area. An essential element for successful understanding of marketing is to perceive the product as a complex of features by which the product is offered on the market. An integral part of marketing theory is comprehension of the basic product segmentation on the consumer and manufacturing market. The current hyper-competitive age places high demands on research, development and innovation, which have become an important part of marketing strategic planning. A prerequisite for adopting development and innovation in strategic plans is to understand the social need for new product development and innovation benefit importance for society. Innovation issues are also closely related to the development of PLC different phases and their various modifications resulting from fashion, technical progress, changes in the company lifestyle, etc. It is equally important to comprehend the product life cycle and the related lifecycle of demand for technology and need; and to learn how to characterize the PLC of product category, product form and product brand and to familiarize oneself with characteristic strategies for each stage of PLC.

5.1 PRODUCT

In order to achieve the desired response from target market, marketing managers use several tools. It is a set of tools that a company uses to reach its marketing goals in target markets. Generally, these tools can be divided into four groups, called Marketing 4P: product, price, placement, promotion.⁷⁰ This basic model is often supplemented by other parts, depending on the product nature. There can be tangible products or intangible products which are in form of an idea or service, etc. In this last case, the marketing mix basic parts are supplemented, for example, by packaging, processes, people, etc.⁷¹

From a marketing point of view the product is a part of marketing mix. By marketing mix we mean the following factors:

Product

The product is perceived in terms of its characteristics, quality, brand, design, features, packaging, size, offered services, warranty, diversity, profit, product life cycle, etc. Customers purchase this marketing mix part for its utility features (i.e. to satisfy a certain need).

Price

This marketing mix part includes ways and issues relating to pricing, discount, reduction, due date, payment terms, etc. From the customer's point of view we talk about financial amount which the customer will pay for the product.

70 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8

71 Soukalová, Radomila. Strategický marketing. UTB FMK, učební text, 2004, 1.vyd. ISBN 80-731170

Placement

In this case, marketing activities are focused on the solution of distribution ways, market coverage by the product range, warehouse size and location, optimum stock determination, efficient logistics solutions both in-house and complex distribution ways from the manufacturer to final consumer.

Promotion

Promotion deals with a solution of an effective customer communication, comprising advertising, sales promotion, personal sales, direct marketing and publicity including various electronic communication forms.

These tools, called marketing 4P, are the vendor's tools used to influence the customer. Customers understand marketing tools as part of consumer benefit. They perceive the product as a specific solution for their needs, the price represents for them financial costs, the place is related to availability and comfort while buying and promotion is perceived by them as an information base and space for communication with seller or manufacturer etc.

5.2 MARKETING PERSPECTIVE ON PRODUCT

In its essence, marketing observes product as a complex of features that not only satisfy the customer's need but also inform the customer about quality, brand, price, services, nutritional values, etc. Therefore, the product features cannot be seen only from the perspective of own benefit but also in terms of lifestyle, values, purchasing behaviour and also from the perspective of the so-called extended product effects on **complex product**^{72 73} (see figure 14).

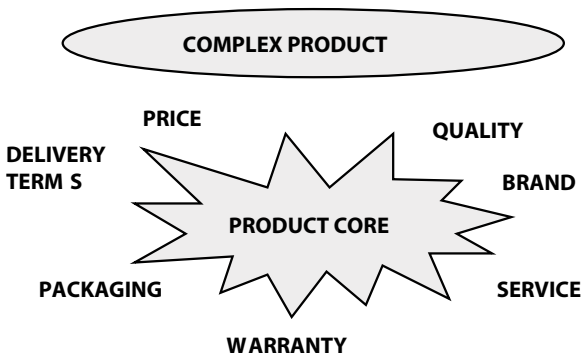


Fig. 14 Complex product parts
Source:⁷⁴

Due to changes in human needs, in technology and technical development, in competition number and strength, the market has been going through constant changes. If the companies want to survive in current fierce competition they must react flexibly to these changes and develop new products.

The product has a limited lifetime and goes through different stages of the so-called product lifecycle (see below).

72 SVĚTLÍK, Jaroslav. Marketing — cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

73 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

74 Soukalová, R. Strategický marketing. UTB FMK, učební text, 2004, 1.vyd. ISB N 80-731170

Complex product

We understand complex product as a complex of all physical and psychological product features. As a rule, consumers require the market to satisfy only the product core leading directly to meeting their needs. However, the product is in many cases, without the other parts such as packaging, services, etc., almost impossible to sell. The product success is therefore determined by the degree of customer need and desire satisfaction, and all this result in a complexity of product features. This complexity is formed by product **core** (expressing the intrinsic utility value of the product that is able to satisfy our need) and product **extending effects** (brand, quality, price, warranty terms, expiration date, service, additional services, delivery terms, business credit possibility and many others according to product type).⁷⁵ Extending product effects are factors that customers/consumers evaluate and based on which they choose the product. For example, a car as a complex product consists of its own technical equipment with certain technical parameters, brand, features, warranty and service.

Products are divided into two basic categories: **consumer goods** and **capital estates**. This division depends on what kind of customer makes the purchase. It can be a consumer who buys the product for his or her own consumption. In this case, we understand a customer as a consumer who appears on B2C (business-to-consumer) market and buys consumer goods. When a customer purchases the product to process, sells or provides his or her business activities, we understand customer - organization as a participant on B2B (business to business) market.⁷⁶ Product is a crucial element of the market offer. Marketing mix planning must therefore begin by trying to prepare an offer to meet the needs and wishes of target customer group. The customer will evaluate the offer from three basic perspectives: **product** and its **quality** and **offered services** and their quality and **price acceptability** of the offered goods.

We consider the product as anything that can be offered on the market to meet needs or desires. Products offered on the market include material items (cars, books), services (hairdresser's, concerts), organizations and ideas.

Five product levels — The product exists in five hierarchically arranged levels:⁷⁷

Core benefit — a basic service or benefit for which a customer buys a given product, for example, from the hotel, a customer buys a place to sleep and rest.

Generic product — it is necessary to transform the general utility into a product or service that is specifically usable. (For example, in the hotel, there is a room with bed, desk, dressing room, bathroom ...)

Expected product — represents the set of features and benefits that customers normally expect and that suits them when buying a product or service. (The hotel guest expects the bed and towels to be clean, the lights functional, etc. The customer will prefer those hotels offering the most comfort at the lowest price).

Augmented product — it is a product including additional services and benefits that differentiate the offer of one company from the other one, i.e. from the competition. (We need to add something extra to the basic product to surpass the customer wishes or expectations, such as TV, fresh flowers, room service).

Potential product — This product level includes all extensions and changes that can occur with the product in the future.

From these levels of product existence, a product value scale for customer is derived. Moving to a hierarchically higher level also increases the product utility value.

75 SVĚTLÍK, Jaroslav. Marketing — cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2, s.101

76 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2. s.101

77 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8

However, it is important to note that today's competitive struggle occurs mainly in the area of the supplement to basic offer whose task is not only to satisfy the customer needs but also to surprise him and excite him. This means the companies try to overcome the usual expectations and wishes of the customer which results in unexpected benefits.

5. 3 AUGMENTED EFFECTS CHARACTERISTICS

Brand

The product brand is part of the so-called augmented elements of a complex product and is therefore also an important marketing strategy tool holding an irreplaceable role. Brand management strategy and its use are also significant for start-up companies, especially in the context of competitive struggle and customer struggle, both on local and global markets. In principle, the brand differentiates product from competition, helps customer in market orientation and also serves as an identifying factor in terms of quality, price and service guarantees. For today's time a large number of more or less well-known brands is typical, whether the traditional ones or the brand new ones.⁷⁸

Product branding origins

In the past, products were sold as nameless and they were only distinguished from the utility point of view. "The origins of using signs to distinguish or designate objects fall within the first civilization period. At this time, it is not possible to speak about trademarks but about primitive signs and marks that were far from being related to production and trade. Their significance was rather religious, cult or social. The actual trademark predecessors as we know them nowadays were marks applied in relation to owner or manufacturer. The trade development led to target labelling as the product became goods and needed to be distinguished on the market. The brand importance grew along with the business growth and the attempt to impose their uniqueness, impeccability and legal protection began to show. History of most today's legal institutes began with old Romans, the same it is with trademarks. Various signs and marks had existed earlier but in ancient Rome they got legal protection, of course not in such a way as we know it nowadays. Brand owners were provided with temporary protection and those who abused it were prosecuted. At slave-time, the distinguishing function of signs and marks was extended with the control function. Their use also went into the indication of production or trade places — i.e. the notification function.

Due to rising feudalism power, marks were extended in the form of aristocratic coats of arms, which became a lineage designation. They had information value and identified their owner; they were used practically on all aristocratic property labelling clothing, seals, historical vessel and tombstones. The own sign use was not limited so aristocracy was followed by craftsmen and merchants who used the marks to differentiate their products in the market. If there were some limitations in the use of marks, they were only in the form of customs.

Afterwards, guild emblems were developed from aristocratic coat of arms and they were used either by individuals or by guilds that were a feudal form of craft organization. The guilds initially protected the manufacturer but later they imposed a strict duty to label the products and produce good quality goods. Non-compliance with goods quality or brand abuse was penalized. Product labelling with geographic data within guilds was important in trading beyond the city walls or in trading within castles and monasteries.⁷⁹

78 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

As historically stable brands we can mention, for example, brands according to the product origin area; as is the case of the Chianti wine brand — originated in 1398⁸⁰, the mustard from the Dijon region - dated back to 1777⁸¹ or brands according to the producer's name, e.g. Smirnoff Vodka from the 1860s⁸². There have emerged also newer "artificial" brands based on the product purpose or the active substance purpose such as CocaCola, Kenwelo, Adidas, Puma, etc. The **brand** is not basically a product but it sells it. It is more than just a name, each one imagines something while mentioning the brand and has a certain relation with it and perceives it. The brand should meet many requirements, for example, to be particularly easy to pronounce and easy to remember and to be recognized. These brands are short, vivid and sound good. The brand goal is, from marketing perspective, to create a set of deep-rooted positive associations concerning the brand.

Brand informs us in 6 different levels:⁸³

Attributes — The brand evokes the memory associated with branded product characteristics. (The Mercedes brand is perceived as an expensive car that has a very good construction, durability and symbolizes high prestige).

Benefits — features and technical parameters need to be translated correctly and transformed into functional or emotional benefits. E.g. the high price must be interpreted emotionally: "Such a car will contribute to making you feel important."

Values — the brand also indicates the manufacturer's values. Mercedes strives for high utility value, safety and prestige.

Culture — the brand can also represent the culture. Mercedes represents German cultural values- organized character, performance efficiency and high quality.

Personality — The brand can be projected into a personality. Mercedes may resemble a successful businessman, animal king - lion, etc.

User — we imagine that the branded product is bought and used by a certain customer type. We suppose, for example, that we could see a 55-year-old top management at the Mercedes wheel.

Brand importance on the commercial market

Brand position is a place that the brand occupies in the customer mind in relation to other competitors. Brand strong place on the market is good for securing its position against the competition, and it makes the way to the customer easier.

The brand is also an **integral part of the product**, it helps with distribution, it is reflected in price and it is a marketing communication tool because the customer can identify it.

Branding is part of art marketing because the name and logo creation, colour design and design are a work of art in the applied art field.

The brand represents the product benefit. High brand value leads to lower marketing costs and to customer loyalty. It facilitates easier distribution and communication. The brand also leads to higher customer confidence in it and branded goods are usually better sold. The brand indicates the user personality (what is the customer like, what are the customer's values, etc.). That is the reason why the branding goal is to create such a complex of product aspects that it would not be necessary to add and explain other characteristics while mentioning the brand name.

79 <http://www.epravo.cz/top/clanky/ochranne-znamky-a-jejich-historicky-vyvoj-72318.html>

80 <https://en.wikipedia.org/wiki/Chianti>

81 <http://lenii.blog.cz/0902/dijonska-horcice>

82 <https://en.wikipedia.org/wiki/Smirnoff#History>

83 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

Brands can be distinguished by different forms:

Name — Bata, Mary Kay, Ford, Smirnof

Title — Nike, Activia, Thetre Na Zábřadlí

Abbreviation — IBM, Čedok (Czech Transport Office), HABAKO

Symbol and logo — Apple, Adidas, Nike, Puma

Term — National Museum, Student Agency

Design — bottle of Coca-Cola, Matoni

Graphic symbol — Nivea, Zlin region

It is also possible to combine the above variants.

Deciding on brand “To have a brand or not?”

The question is: ***Should the company develop a branded product and set up a brand name for it?*** At present, branding is so strong that there can hardly be found any products without labelling. However, there are also many products previously considered non-branded, e.g. Kaufland, Tesco and their products such as water, milk, flour, etc. with chain brand name. Nowadays, these products are commonly labelled with chain brands and thanks to price and quality they get an increasing number of consumers. These products are usually cheaper which is caused by lower labelling and packaging costs and effective collective advertising.

Branded products advantages

Branded name makes it easy for vendors to process orders and reduce consequent problems. Branded products and trademarks provide legal protection for unique product features that could otherwise be copied by competitors.

Brand allows vendors to attract a loyal and profitable customer group. Brand loyalty gives vendors some protection against competition and enables them to better plan and control their marketing plans. And also the brand helps them in market segmentation. Strong brands take part in creating a company image; facilitate new brand entry into the market and its acceptance by distributors and customers.

Deciding on brand sponsor

The manufacturer can process the brand from different perspectives. The product may be marketed under the brand name (national brand) or under the license. The manufacturer may also sell one part under own brand and the other part under the distributor brand (called retail, business or private brand).

On the market, we can meet so-called individual brand names. In this case, the company does not associate its reputation with the product. If the product fails, the good company name is not damaged.

With the generic family name for all products (sometimes also the umbrella brand name), the advantage is lower marketing costs while entering the market, as there is no need to conduct a market survey concerning the appropriate name and spend a lot of advertising money on brand promotion. Moreover, it is good if the company has a good name.

Individual names for a product group are used by the company if it produces entirely different products such as e.g. ham and fertilizers. In this case, it is not appropriate to use the same names. It can be used, for example, for the same products but different qualities.

Company name combined with individual brand names — the name should evoke a general recognition and the product name should individualize the new product (AB rice, AB puffs, AB cornflakes, etc.)

Deciding on brand strategy

A company may have several ways in its brand management strategy. It can be a way of **product line extension** — the existing brand name will expand with new size, flavour, smell, characteristics, etc. within the existing product category. With **brand extension** strategy — the brand name will be transferred to new product categories. The company can choose a **multi-branding strategy** — the use of new names for the product category. The **co-branding** strategy is characterized by combining two or more well-known brands into one. Frequent is the strategy of **umbrella brands** — many products are covered with one brand. This strategy main advantage is that advertising and brand stimulation is extended to all products of a particular line. On the other hand, in case of **individual brand** strategy, the company does not associate its reputation with any failure of any product on the market. This strategy is more appropriate for company producing and selling wide range of completely different products.⁸⁴

Brand development and redesign

The visual brand aspect develops together with company strategy as well as with the technology development that currently have a significant impact on marketing and communication with the customer. The development can be observed on real examples of Coca-Cola brand development, see figure 15, and of Kofola brand, see figure 16.

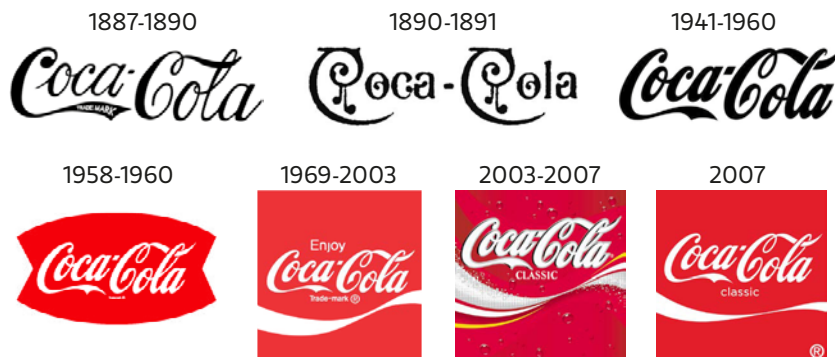


Fig. 15 Coca-Cola brand development, Source: ⁸⁵



Fig. 16 Kofola brand development 1966 1972 1998 2000 2003 2006 Present Source: ⁸⁶

84 Kotler, P., Keller, K.L.: Marketing Management, Pearson Prentice Hall, 2006, ISBN 013-145757-8

85 <http://www.coca-cola.co.uk/125/history-of-coca-cola-logo.html> [9.6.2014]

86 <http://sasa-sasadrag.blogspot.cz/2010/04/vyvoj-logotypu-kofola.html> [9.6.2012]

Nowadays, a brand means an ability to identify the product of a particular manufacturer (this may be not only manufacturer's brand but also distributor's or seller's brand). Together with the term brand we also often encounter the term Trademark. This may be a part of the brand which is legally protected (registered)⁸⁷. The trademark is usually a graphically designed word (e.g. Kofola, Samsung) which is supplemented by the trademark sign.⁸⁸

Trademark is a distinctive mark on the products, packaging and sometimes on other places referring to qualitative consumer features. Its goal is to distinguish and individualize products and services from others. Act No. 441/2003 Coll.,⁸⁹ on trademarks regulates the trademark terminology. Trademark means a sign comprising words, letters, numbers, drawings or shapes of a product or its packaging, or alternatively their combination, intending to distinguish goods or services coming from different entrepreneurs. This sign is registered in the trademark register maintained by the Industrial Property Office.

Czech trademark act only knows the registration sign Õ and Ó (intellectual property protection). Sometimes, however, we can also see the sign Ô (trademark). This trademark usually determines a foreign provenance trademark. If the "TM" is used in connection with the trademark for the Czech Republic territory, the relevant mark must be in accordance with the international registration rules; in that case the international trademark registration with application for protection in the Czech Republic has the same effects as the trademark registration kept by the Office Industrial Property. If the "TM" sign does not comply with the international registration, it is false information and the mark may conflict with Czech law. Overall, we can summarize that only trademarks registered with corresponding authority can be identified by the ® symbol. On the other hand, the ™ sign can be used by trademarks that are not registered but they can be protected by "common law"⁹⁰. In principle, the use of ®, TM or similar trademark sign is not necessary and generally does not provide any extra trademark protection. In case of providing service, we can notice SM (service mark). symbol. These symbols are more informative character informing others that the sign is a trademark⁹¹; see fig. 17 a) b).

a) Kofola⁹²

b) UNICEF Organization⁹³



Fig. 17 Trademark examples — letter and logotype combination

87 Občanský zákoník č.89/2012, účinnost od 1.1.2014

88 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2

89 http://business.center.cz/business/pravo/zakony/ochranne_znamky/cast1.aspx online [20.10.2014]

90 <http://www.akont.cz/cz/180.common-law>

91 Pokorná, I. "Ochráně známky a jejich označování (2011), <http://www.educationonline.cz/index.php/clanky/clanky-v-cestine/160-ochranne-znamky-a-jejich-oznacovani> online [20.10.2014]

92 <https://drive.google.com/folderview?id=0B5C5qbMhtAuOYzR3a2tCdVnKvZA&usp=sharing&tid=0B5C5qbMhtAuOdkKMLhuUGZNaHM> online [20.10.2014]

93 <http://www.unicef.cz/co-delame/nase-mise> online [20.10.2014]

It can also be a certain emblem (characteristic winged arrow at car Škoda).⁹⁴ The brand name selection and its logo are very important for the product success.

Logo is usually a graphic or artistic branding. It's the brand's signal part. A word mark is called logotype. To create a good logo it is required to have original and quality idea. There is no manual, definite pattern or standard clue. Often the term of brand or image is confused with the term "logo". It is possible in a certain way, but it is important to point out that brand and image have a wider meaning and include also the term "logo". The widest meaning represents the term image which is a superior for both remaining terms. Determining the boundaries between brand and logo will be always very difficult so it is necessary to deal with the fact that both concepts are intertwined. Let us give you an obvious example: Škoda brand, logo — a winged arrow named Škoda.

While creating logos, timelessness and constancy should be preserved (unless there are serious reasons why not). However, it should be added that the logo is usually registered as a trademark and therefore it is often used together with the trademark sign.

As it was already mentioned, the brand is an element distinguishing company, products or services from the competition on the market. It can be distinguished by creative form, simplicity, colour combination or simple writing design, etc. (e.g. Milka, NIVEA, IKEA, OBI). If it is an original version, it is possible to ensure its legal protection, but it is associated with a lot of financial costs and it should be considered whether this solution is necessary for the company. For example, trademark registration is necessary for companies of world-known brands achieving significant values, see figure 18. The world brand values are evaluated every year. Typically, there are brands that have been systematically building their brand.

*"Brandbuilding is a specific marketing domain dedicated to building brand awareness and immortality. Thanks to this service you have the opportunity to create the brand that people will want, they will identify with it and most importantly - they will buy it."*⁹⁵



Fig. No.18 The most valuable global brands in 2018, Source:⁹⁶

94 http://www.google.no/search?q=zna%C4%8Dka+%C5%A1koda&tbm=isch&tbo=u&source=univ&sa=X&ved=0CDYQsARqFQoTCOWH_f_o6sgCFav-cgoddmwFfg&biw=1280&bih=612

95 <http://www.m4you.cz/cinnost/budovani-znacky-brandbuilding-25>

96 <https://www.mediaguru.cz/clanky/2018/02/amazon-se-stava-nejhodnotnejsi-znackou-sveta/>

Gradually with the marketing approach development and the producers' ingenuity, non-branded products began to appear on the market and they were clearly similar to those of branded ones; these were called **generic products**. Goods were usually packed simply without any idea, sometimes without manufacturer identification. This trend began in 1980s in US supermarkets. It was possible to quote a lower price for generic products thanks to higher production volumes, lower advertising costs, packaging costs and sometimes lower product quality. Currently, generic products are hardly seen on the market. More and more goods are sold under the chain brand names.

At present, producers can be divided into four categories:⁹⁷ large multinational producers with their own factories and their own products and distribution channels; smaller manufacturers with distinctive private brands; gigantic chains producing exclusively for their own stores; local manufacturers producing for specialized local markets. According to strategy and producer type, it can be applied either the **producer's brand** or the so-called **own brand/store brand** which is typical of the retail chains.

Currently, this is common with large multinational companies that are involved in distribution networks both within retail and wholesale (Hypernova, Tesco in the UK, Intespar in Austria, etc.). Also in the Czech Republic after 1989, some retail chains operating on the local market have emerged. As the successful and popular retail chain stores we can mention Coop or Hruška. Own brand creation may be convenient for companies. They have their products made at a time when the producers have free production capacity. Since products have the store brand name, the producers do not bring their names to the market and very often the cooperation is beneficial for them because the sales are already guaranteed. The chain can provide its products with a better location in the store. Own brand products are cheaper, quality is average and customers can choose from multiple brands and prices. Basically, one product can be sold under more brands. The producer usually adapts to purchaser's requirements for quality (e.g. the sardine producer supplies Kaufland with cans of the same grammage but with lower sardine content, and of course, at a lower price than the other market). At present, the use of own brands is extended into many commodities.

In principle, we can distinguish the producer's brand (Škoda Volkswagen) and the brand of the intermediary, i.e. own brand/store brand (Hruška, Penny, Billa etc.). Next, the company may use **umbrella brand** or **individual brand** for its products:⁹⁸

The **umbrella brand** indicates more products with one brand (e.g. Milka, Apple, etc.). The advantage is that the communication strategy affects all the company products.

On the contrary, the **individual brand** is intended for each product separately. Communication is therefore directed only to one specific product type. The advantage consists in lower risk while launching a new product on the market. The product will be branded differently and will not be associated with another product (which may be both advantage and disadvantage).

The brand is an important tool for vendors or producers to build image and encourage customer loyalty towards to brand. Nowadays, when there are a lot of traditional brands and new brands on the market, customer loyalty is priceless for the company. Maintaining a customer is a matter not only of good brand management but also of invention and creativity in the communication strategy development. That is why many companies spend a lot of money on accurate identification of their target groups and their buying behaviour characteristics, decision features, etc.⁹⁹

97 <http://strategie.e15.cz/zurnal/kouzlo-no-name-tricet-let-s-generickymi-potravinami-416378>

98 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

99 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

How to use trademarks in advertisement?

If the registered mark contains particular pattern or writing, it is necessary to keep it exactly as it was registered. It is important to monitor its use as it is essential for the company's product image. It is also crucial not to use a trademark as a common verb or noun because consumers should not think that it is a common word.¹⁰⁰ At present, when the market is literally flooded with brands, the trademark registration process and its protection seems to be an integral part to a successful branding strategy and can also be seen as a process against brand or reputation abuse.

Packaging

Product packaging from a marketing point of view means the physical packaging itself and its label. It is sometimes called the fifth marketing mix P, probably because in many cases "the packaging sells the product".

Packaging performs the following functions

The main task is primarily to **protect the product from damage** during transport, storage, handling in warehouses, but also at sale. Through the packaging, the manufacturer can also communicate with customers and encourage their willingness to buy the goods. Packaging that attracts customers' attention and looks attractive can also lead to an unplanned purchase. Product innovation is very often carried out at the packaging level such as new packaging design, new dosing method, the use of new environmentally friendly materials or technologies, etc. The product can become attractive to consumers thanks to these attributes. Some companies are also known thanks to packing their products into paper bags.

It is also the packaging **esthetical level** which plays an important role while communicating with the end customer, i.e. the consumer. In this case, it is one of the significant factors creating the manufacturer image. Packaging has an irreplaceable role for successful product sale, especially when a company is placing a new or upgraded product on the market. However, too much emphasis on the esthetical level of packaging may not always produce the desired positive effect; see the example below.

PRACTICE EXAMPLE¹⁰¹

Among other things, an interesting article states: Why do I need to use scissors when I am opening wrapped scissors? How can we hurt ourselves when trying to open a product? The problem concerning the unwrappable products comes from the English terms "wrap rage"¹⁰², see fig. 19. The absurdity of modern packaging has been studied by many experts since the late 1990s and has produced many interesting and alarming results.

The Australian company Arthritis interviewed 500 people from Australia, New Zealand and Malaysia and found out that almost 42% of the interviewees had ever cut themselves when opening a product and about 14% had broken or chipped their teeth trying to get into the product packaging. Whether a product is easily accessible will also affect the a customer's decision to spend money for it, as stated in the article.

On the other hand, the main function of the packaging is to protect the product. Quality packaging, however, also protects manufacturers who protect themselves from a potential thief who could easily pull out the product. Even improper handling of a poorly packaged product can damage it and become unsellable. Some packaging also makes goods more attractive and food less perishable.

100 Vytvoření ochranné známky: http://cpi.vsb.cz/export/sites/cpi/kvvav/cs/ke-stazeni/VYTVORENI_OZ_11032009.pdf online [20.10.2014]

101 časopis 21.století, prosinec 2013, s. 75

102 <http://www.express.co.uk/news/uk/456493/Wrap-Rage-soars-over-packaging-we-can-t-open>

WRAP RAGE AFFECTS THE WORLD

In English language, there is an idiom of getting upset while trying to unwrap the product — "wrap rage". Similar term, "package rage", was used in 1998, however, the more melodious "wrap rage" has been used since 2003 when it appeared in The Daily Telegraph. American Dialect Society, in 2007, included this term in its ranking of the most used words.

According to a magazine Yours survey, which is aimed at readers over 50 years old, 99% of the 2000 respondents agreed that packaging has been for the last 10 years more and more difficult to open. 97% said that there has been used too much unnecessary material for packaging and 60% of them have already bought a different product than they originally intended, just because it was easier to open. The most common form of injury when opening packages is cut finger, cut hand, sprained wrist, bruised hand and stretched muscle. Scientists from the Southern Methodist University of Texas found out, from volunteers, that 80% of them had experienced an anxiety, rage or frustration from plastic packaging. According to the British insurance company Cornhill Direct, annually about 60,000 people are treated by a doctor and their injuries were caused while tearing the packaging.



WRAP RAGE ZACHVÁTIL SVĚT

V anglickém jazyce existuje ustálený výraz pro rozčilení z nemožnosti odstranit obal – „wrap rage“. Podobný termín „package rage“ (package = obal) byl použit v roce 1998, libozvučnější „wrap rage“ se používá od roku 2003, kdy se objevil v *The Daily Telegraph*. Americká lingvistická společnost American Dialect Society

v roce 2007 zařadila tento termín do svého žebříčku nejvíce užitých slov.

Podle průzkumu časopisu *Yours*, který se orientuje na čtenáře starší 50 let, se 99 % z 2000 respondentů shodlo, že jsou obaly za posledních 10 let čím dál hůře otevíratelné. 97 % uvedlo, že se používá na obaly příliš mnoho zbytečného materiálu navíc a 60 % z nich již někdy zakoupilo jiný produkt, jenom proto, že šel snáze otevřít. Nejčastější

rukou, vymknuté zápěstí, pohmožděná ruka a natažený ramenní sval.

Vědci z Jižní metodistické univerzity v americkém Texasu od dobrovolníků zjistili, že 80 % z nich zažilo záchvat zlosti, zuřivosti či frustrace z plastových obalů.

Podle britské pojišťovny Cornhill Direct bývá ročně lékařem ošetřeno okolo 60 000 lidí, kteří si své zranění způsobili při trhání obalu. ■

Fig. 19 WRAP RAGE AFFECTS THE WORLD
Source¹⁰³

Packaging and corporate social responsibility

When deciding about the material used for packaging production, the company must take into account the environment. Subjects dealing with the waste problems and their disposal have been gradually starting to apply so-called social marketing, described in more detail in the publication "Marketing — cesta k trhu"¹⁰⁴. The problem is that some materials, due to their composition, are not decomposed in the course of time (plastics) and can be burned only in a special, technologically and financially demanding way. Also limited raw material resources encourage the question whether current packaging requirements are not an unnecessary waste of these resources. Taking this issue lightly can, among other things, damage the company's name. That is the reason why some supermarkets and department stores offer their customers only paper bags or recyclable plastic bags. Some beverage manufacturers have returned to classic, recyclable glass bottles. Newly used packaging materials not only do not harm the health but they are also spontaneously decomposed after their use. Many companies strengthen their image through their positive environmental attitudes and their relationship

¹⁰³ Wrap Rage soars over packaging we can't open, 2014, [online] [cit. 2014-12-01], dostupné z <https://www.google.com/search?xsrf=ACYBGNQZSSYx9dP2tAlZMxUQ3WWRTf6UoQ:1570569630750&q=wrap+rage>

¹⁰⁴ SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

to the environment and consumers' health can be detected from the information on the packaging or on the products themselves.

Environmentally friendly product

In the 1970s several movements protecting the environment and nature began to emerge in the world. Governments in developed countries were forced by the public pressure to seriously deal with environmental problems. The ecolabelling, which is identifying environmentally friendly products, also emerged in this time.

The consumers of developed countries showed their interest in the environment by favouring products with less negative impact on the ecosphere. This fact soon began to be reflected in the corporate strategy of many companies (so-called green marketing). And consequently it was reflected also in large promotion of products that were considered environmentally friendly.

The Czech Ecolabelling Program was introduced on 1st April 1994. The Czech Ministry of Environment is responsible for this national program providing the consumer a guarantee that the labelled product has limited unfavourable environmental impacts. Ecolabel Council is expert, advisory and supervisory body of the program. The trademark owner is the Czech Environmental Office which includes the Eco-friendly Product Agency which is the executive body and acts as the Council Secretariat.

However, if we want to achieve the desired result- to make the environment healthier, consumers need to be properly informed in order to be able to easily orient themselves and make own decisions when there is a mass of various advertisements and offers.

*"Ecolabelling is the labelling of products and services that are, throughout their lifecycle, demonstrably more environmentally friendly and also healthier for consumers. Their quality remains at a very high level. Such products or services can be identified by a simple and easy-to-remember symbol, so-called eco-labels. Companies can effectively use eco-labels in marketing of such valued products and consumers use them as a guideline when purchasing more environmentally friendly goods and services. Currently the eco-labels as Eco-friendly Product/Service or EU Ecolabel are used on one or more products of over 100 Czech and foreign companies and their number has been constantly growing."*¹⁰⁵

The holder of trademark "Environmentally Friendly Product" will present its attitude through the following trademarks, see fig.20.



Fig. No. 20 Environmentally Friendly Product Trademarks
Source:¹⁰⁶

Package identification code

The manufacturers identify the packaging of their product in order to inform the consumer that packaging is suitable for further waste recovery (e.g. recycling, energy recovery, composting or biomethanisation). Package identification code simplifies package sorting for waste collection organization according to the material type. These codes or symbols can be used for all packaging defined in accordance with ČSN 770052-2, except for dangerous goods packaging.

¹⁰⁵ <http://www1.cenia.cz/www/ekoznaceni/ekologicky-setrne-vyrobyky>

¹⁰⁶ <http://www1.cenia.cz/www/ekoznaceni/ekologicky-setrne-vyrobyky>

In the ČSN 770052-2 is stated: "The identification marking according to this standard applies to all consumer packaging components made of metals, plastics and composite materials. This means that in case of these materials the identification code application is mandatory. However, the identification of consumer packaging components from other materials (paper, glass, wood and textiles) is voluntary which means that manufacturer can choose to apply the recommended standard and identify the material or not to identify it because the material type is absolutely obvious. People should be able to recognize materials such as glass or wood. Further detailed conditions concerning the package identification can be found in the relevant standard."¹⁰⁷

The identification codes for the packaging waste recovery may be represented by identification graphic symbol and a numerical identification code, by graphic symbol with material identification code or by combination of all three elements and eventually only by material identification code, see figure 21. Any of these alternatives may be used. Specific different identification symbols are for plastic packaging. These symbols additionally contain identification codes, both numerical and alphabetical. The numeric codes are placed at the graphic symbol centre and indicate the type of used packaging material.¹⁰⁸

The arrows in triangle and the number on packaging indicate the information from which material the packaging is made of. Numbers or letters below the triangle indicate material type because different materials pollute the environment differently. It is not currently mandatory for manufacturers to indicate this information for every material type.



Fig. 21 Package identification code options
Source:¹⁰⁹

Barcode is an important information part. It is an identification code that does not directly give any message to consumers but it is useful for them by saving their time while purchasing (i.e. at checkout counter). It is used in storing, receiving, dispatching, sorting, checking, inventory, etc. Barcodes have been recently supplemented with security labels. This is also related to the extension of the barcode importance and protection function against unwanted manipulation and theft. Barcode is one of the oldest automatic identification tools. The first patent was registered in the US in 1949. Its aim was to eliminate considerable customers' time losses while waiting at checkout counters in supermarkets and department stores.

In 1977 the European Article Numbering (EAN) code emerged, see figure 22, and it is actually the Universal Product Code (UPC) used previously in the US and Canada. The codes are divided into many groups depending on how a particular character is encoded into a group of bars. At present, there are defined approximately 200 different barcode standards.¹¹⁰



Fig. 22 Barcode
Source:¹¹¹

Fig. 23 Green dot symbol
Source:¹¹²

107 http://www.ekoporadna.cz/wiki/doku.php?id=spotrebiteel:co_znamenaji_znacky_na_obalech_trisipkovy_symbol_panacek_odhazujici_do_kose

108 <http://www.ekokom.cz/uploads/attachments/Klienti/znaceni-obalu.pdf>

109 <http://www.ekokom.cz/uploads/attachments/Klienti/znaceni-obalu.pdf>

110 <http://www.kodys.cz/carovy-kod.html>

111 https://www.google.cz/search?q=%C4%8D%C3%A1rov%C3%BD+k%C3%B3d&ie=utf-8&oe=utf-8&aq=t&rls=org.mozilla:cs:official&client=firefox-a&gfe_rd=cr&ei=Q4JbVMmIloaj8Qf344DgDw&gws_rd=ssl

112 <http://www.veronica.cz/?id=12&i=42>

Green dot symbol

Green dot symbol on the product packaging means that package waste from used goods has to be recycled (i.e. decomposed and reprocessed, e.g. as cellulose used to produce less demanding paper products). This green dot labelling system originated in 1991 in Germany and was called *Duales Systemes Deutschland* as *Verpackung Ordnung*. By contractual relationship the scheme was provided to Austria, Belgium and France.

In Germany and Austria, the recycling system is used on a legal basis. The green dot has the character of a license mark, see figure 23, which may be used by producers who contributed to dispose ecologically their packaging waste with a predetermined amount. In Germany and Austria, companies can only accept products labelled with green dot symbol. This fact proves that the company financially contributes to recycling. Experts say the German and Austrian recycling systems are very expensive for consumers.

In the Czech Republic, this label only indicates that the manufacturer has paid a financial contribution to the packaging waste organization, i.e. that the cost of packing waste is included in the product price. Organization dealing with this business in the Czech Republic is EKO-KOM. The principles concerning the packaging waste management system are based on Act No. 125/97 Coll. regarding the waste.¹¹³

QR codes

In 2006, so-called QR codes were standardized for product identification purposes. These codes are similar to barcodes; however, they are able to contain much more information. *“Any text information can be stored in the QR code. It is most often used to **store an Internet address or contact information** which means the QR code may be in a certain way your business card or perhaps a supplement to an article in magazine providing a code address where you can read more about the topic. For example, QR codes have become part of movie posters hiding a link to a site relating to the movie or to a multimedia content with the film theme.”*¹¹⁴

At present, QR codes are more likely to be found in the customer communication field, for advertising or business information purposes. They also appear on some packaging as communication and advertising platform.

Despite some critical opinions, the popularity of these codes has been gradually growing. It is important for consumers to see the product added value in view of their effort spent on reading the additional information. For example, in the Czech Republic, QR payments, serving as a practical tool for convenient and quick payment in banking applications, are very promising. Significant success can also be achieved with QR codes in advertising campaigns.¹¹⁵ An interesting example of a creative approach is the successful Korean Emart SunnySale campaign.¹¹⁶

Services

Services are an integral part of a complex product. As a rule, these services are complementary and they make the purchase or product use more pleasant to the customer. Currently, in many cases, they help - customers - make purchasing decisions because they understand the services as a benefit which is nowadays more important for many customers than impressive advertising. The provided services may vary depending on the product type. At present, they are an integral part of the warranty service offering the product repair or its installation. Even the possibility to exchange goods within a certain time and the warranty including **money refund-**

113 Co znamená označení zelený bod: <http://www.veronica.cz/?id=12&i=42>

114 <http://magazin.stahuj.centrum.cz/qr-kody-na-co-jsou-jak-je-vytvaret-cist-a-pouzivat/>

115 <http://byznys.ihned.cz/c1-59765400-qr-kody-marketing-reklama>

116 https://www.google.cz/search?q=Emart+SunnySale&ie=utf-8&oe=utf-8&aq=t&rls=org.mozilla:cs:official&client=firefox-a&gfe_rd=cr&ei=RlpbVPm5DYmJ8QfNy4G4Bw&gws_rd=ssl

ing (currently offered by many e-shops) can attract customers to buy the product. A properly chosen service reduces the risk and motivates the customer to buy the product; for example guaranteeing service and assembly as well as delivering goods to the customer. Nowadays, most companies have a strong focus on customer service and communicate with them through different departments whose task is to deal with customer satisfaction, comments or ideas to improve the offer. This segment is usually called **customer service** department.

*"The department task is to solve customer complaints and wishes, to provide commercial loan or lease purchase, to deduct value added tax in case of purchased goods export and to provide information. In addition to the mentioned services, the department also organizes services related to goods delivery, their installation, customer training relating to product use, warranty repairs, etc. This department and the provision of these services are tools for better customer satisfaction and increased loyalty to the company."*¹¹⁷

Assortment

Companies typically offer a product portfolio that matches the company focus and strategy. There is usually an offer of multiple product types. A set of all products and items that a particular seller offers for sale to the target market is called a **product assortment** or a **product mix**. The product mix is created by **product lines** consisting of individual product items. Items include the product itself, its brand, packaging and services.

We can monitor the **product mix characteristics** from several dimensions:¹¹⁸

— **product mix width** represents a number of different product lines (soaps, detergents, diapers).

— **product mix depth** shows how many product variants are available for each product line.

— **product mix length** expresses the total number of items in the product mix (many manufacturers simply indicate the assortment size).

— very often the seller's assortment is **consistent** (tight). It expresses the interrelationship between individual production lines (e.g. the consumer can buy ski gear and also the ski equipment of the same brand).

— for most companies the production assortment is not unchanging. They can, as part of their marketing strategy, **expand or reduce** the assortment.

Reasons for changing assortment:

— **launching new product** in case that competition comes to market with a **new product** that as a strong influence on a particular segment and gains a fairly high competitive advantage. If the company wants to keep up with the competition and does not want to lose its position on the market, it must follow the competition and come to the market with a new or similar and improved product as competitor. The brands Coca-Cola and Pepsi, both producing non-alcoholic beverages, are known for their rivalry; in Czech area their competitor is Kofola brand (new decaffeinated coca beverages, without sugar, gradual product portfolio expansion of soft drinks producer with new flavours as vanilla, cherry, lemon, etc.). Mobile operators and electronics manufacturers (i.e. laptops, tablets, notebooks and others) have been literally flooding the market with constantly new products.

117 SVĚTLÍK, Jaroslav. Marketing - cesta k trhu, 2005, Plzeň vydavatelství Aleš Čeněk, ISBN 80-86898-48-2.

118 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8, s. 13

— **searching for a new segment.** The reason for expanding the product range can be the effort to attract and catch on a certain market segment that has a certain relationship to the original segment.

— **increasing the assortment attractiveness** can be used by the company, for example, if it wants to make a very diverse range of kitchen utensils and kitchenware (company Tescoma); the constant innovation of mobile operator tariffs, etc. The assortment expansion allows the company, in line with its diversification strategy, to enter into completely new markets and fundamentally weaken the competition power (e.g. the new coffee making technology — the coffee capsule; from the historical perspective the introduction of freezers, microwaves, etc.) As we can see from the example above, a new and unique product is once outdated and old and will eventually become undesirable on the market. In order to deal with this situation and to keep its customers, the company is “forced” to come to the market with innovations or eventually with new unique products.

Quality

Quality is a very important part of a complex product and very often closely related to brand and price. “Branded products”, although they have higher prices, are generally a quality guarantee. The quality of products and services has also been at the forefront for many years, especially in connection with the presence of dangerous and poor quality products and various pseudo-labels.

In the 1990s, in the Czech Republic, there began a trend to emphasize the product quality through various certification marks “guaranteeing” quality; such as CZECH MADE quality certification mark. We can say that this mark was a “pioneer” in the quality marks development in the Czech Republic. Since 1993 it has been awarded for products manufactured in a wide range of industries. In 1995, it expanded its reach and began to be awarded for services. It is a complex mark focusing not only on quality system certification but also on customer satisfaction.

The purpose of awarding quality labels is to inform consumers about the quality product of domestic production that is fully comparable to foreign quality. A set of requirements and criteria stated in relevant directives serve to ensure objective quality assessment. As a rule, directives are prepared by an independent expert committee comprising representatives of customers, manufacturers, trade, design, state professional supervision authorities and others. The testing was carried out by accredited testing laboratories, state laboratories and test sites at university institutions. The quality mark CZECH MADE provides consumers easy instructions how to choose a quality product or service with minimal risk; this mark’s logo is a guarantee of the purchased goods quality. The quality of each product and service is always subject to examination by an independent accredited test facility. The mark CZECH MADE was in 2002, as one of the first, accepted by the Czech government in the guaranteed Czech Quality Program¹¹⁹. This trademark has a long tradition in the Czech Republic, see below figure 24

The program was set up in 2002 on the basis of Government Resolution No. 685 of 26th June 2002 as a response to the increasingly prevailing theme of consumer protection in the Czech Republic. The consumer is still the weakest part in the goods and services circle. The program’s main objective was to ensure that consumers are informed about the offer of quality products and services in our market and to allow them better offer orientation and lead them to better orientation on quality goods. Another goal was to create a credible mark system that would face a large number of pseudo-labels that have appeared in recent years and which, unfortunately, are still appearing on our market today. This program is based on similar product and service marking programs in Europe.

¹¹⁹ <http://ceskakvalita.cz/spotrebitele>

The Czech Quality Program originated precisely to distinguish reliable and trustworthy quality marks that would be a good guide for consumers when making a purchase. The Czech Quality Program is guaranteed by government resolution. The main purpose of this program is to separate wheat from chaff and point to honest marks awarded only after strict and independent quality verification and regular inspection.

Each brand in the program has exactly defined criteria for assessing quality according to a particular product type or service and must meet the following four basic conditions:

1. Product must have superior quality compared to similar products on the market.
2. Quality must be verified by an independent accredited testing centre.
3. Quality must be kept under constant inspection.
4. Customer satisfaction must be checked

At present, there are 20 trademarks included in the program, some of which are shown in figure 24.



Fig. No. 24 Samples of Czech quality labels
Source¹²⁰



Fig. No. 25, see figure 28
Registered brand “Vína z Moravy” and “Vína z Čech”
Source¹²¹

5.4 PRODUCT LIFE CYCLE

Life cycle is characterized by stages that vary in sales volume, growth rate or product profits. Stages are also different regarding the care that the product requires from the entrepreneur in the form of marketing tools of varying intensity.

Great importance for the product success on the market, from economic perspective, consists in observation of sales volume development factor and the profit development from the product sales, see figure 26 “Product Life Cycle”.

The first product cycle stage — development

A company, according to its strategic plan, intends to come up with a new product or find out the possibility of future product demand for new models, or a competitor comes with a new product and the company wants to follow it.

If the new product fits into the company strategy and the marketing department convinces the management about new market opportunities, R&D begins with production preparation. Companies spend considerable amounts and at high risk because it is very difficult to predict the market response. Research and development costs are significant and profit is zero.

If a new situation arises on the market, it is also possible to stop the development at this stage. Losses will be lower than in the case of later project closure.

¹²⁰ <http://ceskakvalita.cz/spotrebitele>

¹²¹ <http://www.wineofczechrepublic.cz/dalsi-informace-o-znacce.html>

In this period, you have to mentally prepare yourself that for a long time period, that may often exceed one year, you will only spend money on the product or service whose success is highly uncertain and you will have worries about that and a lot of work, and nothing from that.¹²²

Second stage of product launch - introduction¹²³

New product is unknown — demand is low — sales volume is low - profit rate is small. Buyers are so-called **innovators** (2 — 3% of the population, they like change and new things). At this stage, it is possible, when launching product on the market, to use the following: The market penetration strategy is characterized by a lower initial price, which can attract more customers and increase the sales volume. There is an attempt to gain more market share and superiority over competitors.

— slow penetration strategy — low price, little promotion

— fast penetration strategy — low price, high promotion

— skimming strategy — is characterized by a higher initial price which results in lower advertising costs. In this case, it is an attempt to maximize profits and make quick returns on investment spent in research and development.

— slow collection strategy — high price, little promotion

— fast collection strategy — high price, high promotion

Third stage of sales growth - growth

The product is accepted in the market — production volume increases — profit is growing.

Buyers are **innovators and early adopters** (they buy more carefully, without risk).

At this stage, strategies focus mainly on quality improvement, market coverage, entering new markets, product modifications, choosing additional distribution channels, and sales increase.

Fourth stage of maturity — maturity I

In this period, most buyers know the product, demand is high, sales volume is also high and the costs are small due to big sales and profits are the highest. The competition pressure is increasing. Buyers are so-called **early majority** which usually behaves cautiously on the market. For this stage, there are typical strategies of competitive struggle regarding entering new markets, attracting customers from competition, product innovation, product line expansion, quality improvement and price modification (mostly lowering).

Fifth stage of market saturation — maturity II

This stage is part of the maturity stage, typical mainly for the other half. The quantity of sold product is at its peak, it is the longest phase in the product life cycle, with the buyers who are called the **late majority** (very cautious customers).

Last stage of sales diminution — decline

In this final product life cycle stage, customers are losing interest and the company decides whether to stop or boost the product. Advertising costs are reduced, prices are lower and there are discounts. Buyers are so-called **laggards** people who emphasize tradition. During this period, implemented strategies are aimed at increasing investment in the product, increasing sales support (discounts, bonuses, etc.), ceasing the production and ending product sales.

122 <http://www.businessvize.cz/strategie/zivotni-cyklus-vyrobku-od-fabie-po-coca-colu>

123 Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8

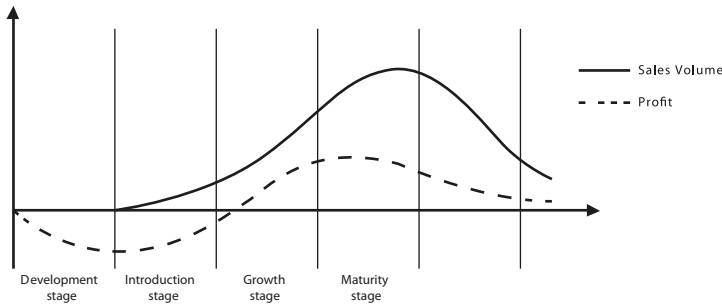


Fig. 26 Product Life Cycle
Source¹²⁴

Life Cycle Modification¹²⁵

However, in many cases, the course of product life cycle does not develop in accordance with the declared theory. Product life cycle development is related to the market situation, economic situation in the company but above all to the product type, its dependence on technologies, fashion and consumer trends. If we want to characterize these modifications, we can basically classify them into ageless products, growth-decline products, products with renewed cycle and newly introduced products.

Ageless products are remarkable for their maturity stage, they are “permanent stars” in the market, we do not expect decline (e.g. Coca Cola).

For **growth-decline products** is typical the process when product launching is followed by a sharp increase in sales and then there is a decline, the maturity phase) is almost lacking (e.g. fashion toys, fashion fads).

In case of **products with renewed cycle**, the decline phase has been replaced by a new introduction to the market, basically without changes. This category contains fashionable products (e.g. bell bottom pants, heel shapes for ladies’ shoes, etc.)

The life cycle of **newly launched products** may immediately go into decline. This is an unfavourable phenomenon that points to unsuccessful innovation.

PRACTICE EXAMPLE

“An example of a very successful innovation with very poor timing or execution could be the IBM Net PC (cheap computers concept whose all applications and data are in the today’s so-called cloud) or a Tablet PC that first appeared massively in the market in 2001 but only the Apple iPad in 2010 made tablets a successful phenomenon.”¹²⁶

At each life cycle stage, the product requires a different way of using marketing tools, such as price, distribution and communication. **The course of the product life cycle depends on many factors**, such as consumer reaction, competition activity, company marketing policy, product type, etc.

5.5 PRODUCT LIFE CYCLE DEVELOPMENT AS PART OF MARKETING PROCESS

Demand Life Cycle

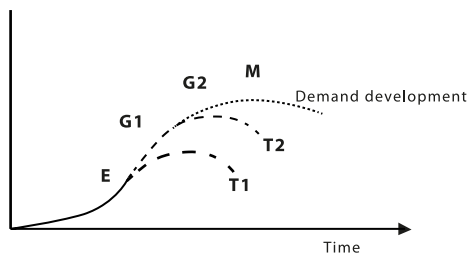
If we want to understand the product life cycle process in the context of the following information, it is necessary to realize that marketing thinking begins with needs. In the following

124 <http://managementmania.com/cs/zivotni-cyklus-vyroбку-sluzby> [3.11.2014]

125 <http://www.businessvize.cz/strategie/zivotni-cyklus-vyroбку-od-fabie-po-coca-colu>

126 <http://www.businessvize.cz/strategie/zivotni-cyklus-vyroбку-od-fabie-po-coca-colu>

chapter, we should perceive the product life cycle (PLC) in the context of the **demand life cycle** and technology demand cycle, see fig. 27.



E — demand growth
G1 — degressive growth
G — progressive growth
M — maturity
T1, T2 — technology demand cycle

Fig. No. 27 Demand Life Cycle Development
 Source: ¹²⁷

During each cycle of technology demand, various successful product forms appear to meet specific needs in the course of time.

A company cannot concentrate only on PLC of its products but a company should monitor the general situation in the given area; how the competitors meet the customers' specific needs. The company considers important decisions; what technology demand (so-called Strategic Business Area) they should invest in and when they should come up with new technology. In principle, taking into account scientific and technological developments, two options can be applied:

- to bet on one technology
- to bet on more technologies (it is very difficult to maintain leadership)

If a company chooses the first option, it should be certain about the uniqueness of the product which is being launched and the company should be able to resist the competitive pressure. If a company goes the other way, its position is not dependent on just one technology but this strategy is demanding with the regard to costs and position keeping.

Life Cycle of category, form and product brand

We can monitor the life cycle from strategic perspective at more levels. **Product categories** have the longest life cycle. Many product categories have unlimited maturity, because people like them, and their growth or decline depends on population trends (cigarettes, computers, coffee). **Product forms** are marked more obviously in standard life cycle than product categories. Products go through analogue life cycles as corresponding product forms (filter cigarettes, instant coffee, coffee in capsules, instant tea, etc.).

Product brands should theoretically have the shortest life cycle. Frequent exceptions are represented by brands with a long tradition and high image. Some of them keep their position for years (Marlboro, Start, Nivea) and the others "die" very soon.

PLC stages in strategic marketing terms¹²⁸

Introduction stage

is characterized by high advertising and marketing costs. At this stage, a company can apply one of the four following strategies.

The first is **fast skimming strategy** which can be used to launch a new product if the market does not know the product. There is an attempt to maximize profit because there is not big competition. A company has to count with - high costs of demanding advertising campaign; the market entry is usually simple.

The second strategy can be characterized as **slow skimming strategy**. This strategy is convenient when launching a new product at a higher price. The advertising costs are lower because

¹²⁷ Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8

¹²⁸ Kotler, Philip, Keller, Kevin Lane. Marketing management 12th, Pearson Prentice Hall, 2006, 733 s. ISBN 0-13-145757-8

the market is already informed about the new product. The competition is small and there is a market willingness to make a purchase.

The next, **rapid penetration strategy** is characteristic of a large market and a high market share. The important element here consists in market's sensitivity to price, i.e. there are many competitors and the production costs decrease when production volume increase.

And the last **slow penetration strategy** is suitable for products with lower prices and low advertising activity. It can be used in a large market with high sensitivity and with high competition, which causes difficult market entry.

Growth stage

is typical of increasing sales and competition presence. It is possible to use a strategy where the company improves the product quality and thus boosts it or even extends its range with other product modifications and accessories. It may be also convenient to apply a strategy consisting in entering new markets or finding new distribution channels.

Maturity stage

represents the highest profits and there is an effort to keep it as long as possible by use of following strategies: **market modification, product modification, marketing mix modification.**

Decline stage

deals with product strategies that are designed to resolve further product position in the product portfolio of the company or its elimination. The company can use a strategy to identify weak products that can be subsequently removed from the product portfolio or the decision strategy dealing with the product production termination.

5.6 MANAGING PRODUCT LINES, BRANDS AND PACKAGING

Part of this subchapter is product characteristics extended into five levels and product mix characteristics, its features such as depth, width and length of the product line and no less important product packaging aspect. Emphasis is placed on customer's perception of the five product levels, familiarization with the concept of product mix and understanding its particular parts and properties, identification of activities related to decision-making concerning product lines and importance of brand and packaging.

Customer's view on the offer

The customer considers the offer from three basic points of view. As a rule, customer deals with price, quality and service according to his needs and possibilities. These three factors may not always be in balance, and it is up to the customer and his or her needs and expectations which importance attributes to these factors. The interaction between particular factors can be seen as the attractiveness of the offer, see fig. 28.

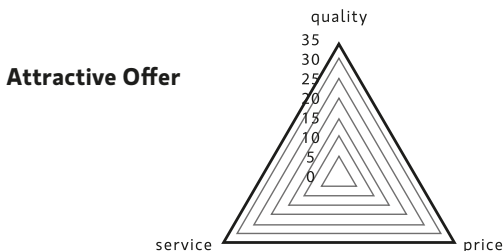


Fig. No. 28 Attractive Offer (with balanced preferences)
Source: ¹²⁹

129 Kotler,P, Keller, K.L: Marketing management 12th, Pearson Prentice Hall, ISBN 0-13-145757-8

In practice, customers do not generally have balanced preferences and they prefer different factors depending on the type of product and need. The decision is affected by factors that are the most important to him at the moment, e.g. figures 29 and 30. In this situation, a significant role is performed by effective and well-targeted marketing. By identifying customer preferences for a particular offer, the manufacturer/retailer may focus on communication according to these preferences (e.g. accent on the lowest price, accent on the quality at a reasonable price, etc).¹³⁰

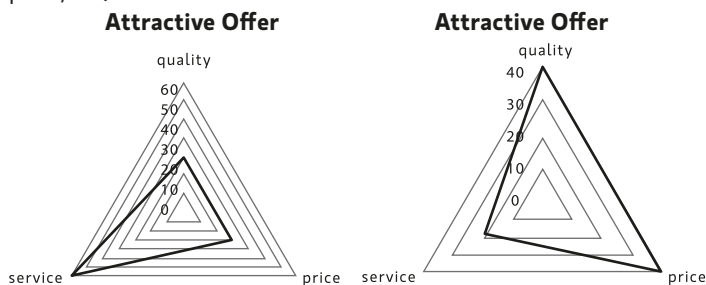


Fig. No. 29 Attractive Offer with Service Preference

Fig. No. 30 Attractive Offer with Price and Quality Preference

Source: own

Product mix

The product itself is perceived by a customer as a complex of properties and the main focus is concentrated on the product core which can satisfy customer’s needs. However, a customer observes the product through other levels. The most attractive level to the final consumer is the 4th level represented usually by the packaging, see fig. 31. Product mix is a complex of all the products and items offered by particular vendor. It can be characterized by **width** — i.e. number of different product lines, **length** — i.e. total number of items, **depth** — i.e. number of variants for each product line and **consistency** — i.e. tight links between the product lines.

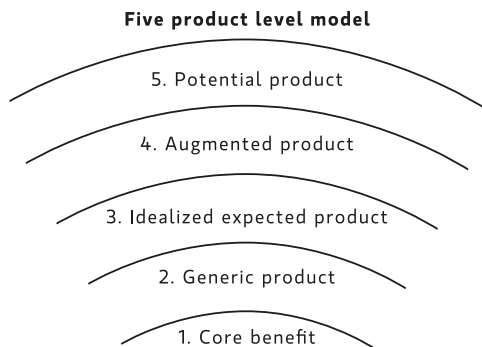


Fig. No 31 Five product level model Source: ¹³¹(modified)

Product Line Decision

The product line efficiency in the company is managed by **product manager** who carries out its analysis and decides on completion or change. Partial analyzes can be made by analyzing sales and profits of particular product lines, by identifying the product line market profile, i.e. the position vis-à-vis the competitor (shown in the so-called product map). The product manager also tracks the need for expansion or thickening of the product line. The analysis may also result in a proposal for line modernization or a proposal to remove ineffective items from the product line.

130 Soukalová, R.: Marketing II, Studijní opory VI pro studijní program Mediální a komunikační studia, učební texty vysokých škol, s. 5 - 43, vyd.1., srpen 2005, UTB Zlín, ISBN 80-7318-322-6

131 Kotler,P, Keller, K.L: Marketing management 12th, Pearson Prentice Hall, ISBN 0-13-145757-8

Product Brand Decision

As mentioned above, a brand can be represented by name, sign, art expression or by combination of all these options. A brand's purpose is to distinguish goods and services from competitors. The brand provides information about associations which evokes, about benefits, value system and cultural values and also about personality and user.

The **brand value** is characterized by brand loyalty and degree of acceptability. The brand value is related to how it is sought after, how the quality is perceived, what associations and emotional relationships it causes. Marketing aims to increase the number of regular and loyal customers. Successful branding should express the usefulness and properties of the product, it should be easy to pronounce, clear, and unequivocal in all languages. It is dangerous for the brand when people lose brand awareness, i.e. customers stop associate the brand with the product. "The closer focus the brand has, the stronger it is."

Product Packaging Decision

Packaging is an activity related to designing and manufacturing product packaging. Packaging evinces an important role at various logistic levels, i.e. primary and secondary packaging, as well as transport packaging. Packaging is often seen as another part of marketing mix for the following reasons: more products are offered in the form of self-service sale; packaging contributes to consumer comfort; leads to quick and safe recognition of the company; and, last but not least, brings innovation. Recently, packaging has become a "place" where is visible innovation progress which contributes to making the product attractive and tempting. At present, copying rules the world and originality and novelty are highly appreciated and rated.¹³² The current packaging strategy also accepts modern approaches concerning the company marketing management, especially social aspects; the so-called corporate social responsibility (CSR). **"Corporate Social Responsibility identifies a voluntary company behaviour which fundamentally contributes to increase the corporate credibility in the eyes of customers, business partners and society as a whole entity. Socially Responsible Corporations put first the procedure observations ordered by legislation and beyond that they apply long-standing, responsible and ethical behaviour towards their environment."**¹³³

5.7 PRODUCT AND ART MARKETING

Art can be understood as a product. The artwork is an original, highly valuable and limited property. The topic dealing with relationship between art and marketing has already been described in the first chapter. In this chapter, art is identified and emphasized mainly from the point of view of the product itself, i.e. in the sense of art as a subject of sale or purchase. Both reproduction and copy are similar to the artwork. Reproduction is the commercial production of the artwork (it can successfully fulfil the decorative function). In the course of time, reproduction may also be a subject of collector's interest and value-keeper. A quality copy can also be an artwork. However, not that copy which appears to be the original (falsification); that one is not legal.

Thus, the artwork is a **specific product**; it does not lose its value or moral wear by viewing or displaying it. On the contrary, its value is growing as the time goes. The work (especially artwork) consists of material substance (size, format, material) and non-material properties (brand, style, quality, period of origin, technical competence and theme). In many cases, the very value of the

132 Košťuriak, J., Chál, J.: *Inovace vaše konkurenční výhoda*, Computer Press Brno, 2008, ISBN 9788025119297, s.10

133 <http://www.ipodnikatel.cz/O-podnikani/spolecenska-odpovednost-firem.html>

artwork is related to copyright, industrial and intellectual protection. This topic is studied in more detail by Čada¹³⁴ in his publication “*Innovation Your Competitive Advantage*”.

5.8 COPYRIGHT AND TRADEMARK, LOGO¹³⁴

co-authors ing. Jarmila Strážnická, ing. Přemysl Strážnický

The marketing approach of companies to the overall market situation is closely related to creativity and originality, with the aim to maximally differentiate its offer from competition, but also with the aim to maximally attract attention of potential customer. It is therefore entirely objective in this context to discuss the issues of intellectual property protection, copyright and industrial law, see figure 32.

Intellectual Property		
Copyright	Other immaterial possessions	Industrial property
audio and video recordings performers' rights database computer programs author's work: literary, artistic and scientific	discoveries know-how business secret business names unregistered designations	topography of semiconductor products/integrated circuits origin indication/ geographical indication patents utility model industrial design trademark

Figure 32 Intellectual Property source: ¹³⁶

Copyright protection

Copyright includes the protection of literary, artistic and scientific work, computer programs and databases, performer rights, as well as the protection of audio and video recordings. Copyright protection is informal, i.e. there is no registration. It appears in the moment of expression in objectively perceivable form, which means that it is “this” original expression that is protected. Its validity is unrelated to the fee payment and lasts during the author's life and 70 years after his death.

According to Act No. 121/2000 Coll. (AZ), paragraph 1, the author's work are “*literary, artistic and scientific works which lead in unique result of author's creative work, in particular verbal, theatrical, musical, artistic, architectural works and works of art, film, photography, cartography, audiovisual, computer programs and database structure.*”¹³⁷ Copyright law protects the author from plagiarism.

Symbol © indicates the rights holder's name, year of the first edition and publication. In most countries and also in the Czech Republic, this symbol is only informative because the work is fully protected even with no symbol. Copyright protection arises in a moment of expression in an objectively perceivable form. Only unique and original expression of the author's work can be protected. In these cases, content is not protected. Copyright refers to the finished work, its individual phases and parts, including the name and character names, as well as the work resulting from creative processing of another artwork, including the translation into another language.

The author is a natural person who has created a creative piece of work. In practice, we can also register co-author's work. It is the result of collective creative activity of two or more

¹³⁴ Čada: Chránit/nechránit - to je otázka ISBN 978-80-905538-0-4

¹³⁵ Strážnická, J., Strážnický, P: Upraveno dle přednášek Ligo vs design, Design, průmyslová vzor a autorské právo, CTT UTB

¹³⁶ Strážnická, J, Strážnický, P.: Design, průmyslový vzor a autorské právo, ppt. Prezentace, interní materiály CTT UTB Zlín, 2015

¹³⁷ Autorský zákon č. 121/2000 Sb. (AZ) odst. 1

authors who created indivisible work, eligible for use only as a whole. Copyright belongs to co-authors collectively and inseparably. The co-authors decide unanimously how the work is handled, and their authorship share and revenue share is proportional to the size of their creative contribution. The co-author cannot be a person who only contributes to the work creation by providing assistance or by providing technical, administrative or other expert advice.

The Copyright Act also regulates the author's rights. These are the **rights of personality**, i.e. the right to decide about the work publication, the right to authorize the work, the right to work inviolability, including the right to author's supervision, as well as the right to control whether the work is not used in a way that reduces its value.

Furthermore, there are also **property rights** in the sense of how the work can be used. The Copyright Act here states the right to reproduce the work, to distribute the original or its reproduction, to rent and lease and to communicate or present the work to public.

The Copyright Act specially regulates an audiovisual work. This is a work created with audiovisual work arrangements, whether processed or unprocessed audiovisual works. It consists of a series of recorded images associated with the movement impression, accompanied with a sound or not, perceptible with sight or hearing. The work can be processed and included in the audiovisual work only with the author permission; i.e. author of script writer, dialogues, composition, etc. The audiovisual work author is called director.

Industrial legal protection

Industrial legal protection forms a part of intellectual property. It includes trademarks, designations of origin, patents, utility models and industrial designs, semiconductor element topography. Industrial legal protection, unlike copyright protection, is formal and based on the registration procedure. The registration procedure results in the registration of utility models, industrial designs and trademarks in the register, or eventually it results in a patent granting. Their validity is limited by fee payment and it is related to the registration validity extension which can be a maximum of 10 years in case of utility models, 25 years for industrial designs and 20 years for patents. In the case of trademark, it is necessary to renew it every 10 years; and here the validity is unlimited.

Trademark

As already mentioned, trademarks form also a part of the industrial legal protection. This topic is closely related to company strategy and its marketing, marketing communications, creative packaging processing, and many other business activities in the market. Procedures concerning the trademark registration are regulated by:

— National Act No. 441/2003 Coll. about trademarks. This is protection only for the Czech Republic. The application can be filed with the Industrial Property Office.¹³⁸

— The International Madrid Agreement and Protocol to this agreement ensure the trademark protection for members of contracting parties in all contracting states of the Madrid Agreement or the Protocol on the basis of a single application. This application is filed with the World Intellectual Property Organization (WIPO) through the applicant's Office of Origin.¹³⁹

138 úřad průmyslového vlastnictví, ochranná známka, [online], [cit. 2015-01-03], dostupné z <http://www.upv.cz/cs/prumyslova-prava/ochranna-znamky.html>

139 WIPO is the global forum for intellectual property services, policy, information and cooperation., 2003, [online], [cit.2014-04-10], dostupné z <http://www.wipo.int>

— Council Regulation of European Community No 207/2009. These are so-called Community Trademarks that are protected within the EU. Applications are filed with the Office for Harmonization in the Internal Market (OHIM).¹⁴⁰

A trademark may be registered provided that it is a sign capable of graphic representation (e.g. letters, numbers, words, colours, drawings, product shape, packaging, etc.) and it is able to distinguish products of one person from other person's products. Various trademark types can be registered — for example verbal, verbally graphic, visual, combined or trademarks made of colour and sound.



Fig. No. 33 Registered trademarks of TBU in Zlín: MISS academia, Salvator, Busfest, and exposition and presentation of ZLÍN Design Week.

Copyright and industrial protection conjunction

Artwork can also represent a trademark, usually in case of logo. For example see fig. 33. The same product visual aspect can be protected by both industrial design and copyright at the same time. In that case, their protection content is independent of each other and it is determined by the industrial design regulation according to § 1 paragraph 2 of Act. No. 207/2000 Coll. According to this Act, the protection provided to identical objects under copyright law, civil law and trademark law is not ensured. The copyright protection of works does not exclude protection according to special legal regulations (Copyright Act §105 Act No. 121/2000 Coll.). Both the trademark and the industrial design can protect a three-dimensional work. In this case, copyright originates with artwork creation (such as a graphic design of a cartoon character) and the protection is informal. The author's rights to the work last during his life and 70 years after his death. Legal protection of industrial designs, for example. design famous cartoon character "Little Mole" takes 25 years.

PRACTICE EXAMPLE



Fig. No. 34 Registered Trademarks of Bata Company, Source: ¹⁴¹

¹⁴⁰ Office for harmonization in the internal market, [online], [cit. 2014-04-10], dostupné <https://oami.europa.eu/ohim-portal/en/>

¹⁴¹ Madrid — The International Trademark System, [online], [cit. 2014-04-10], dostupné z <http://www.wipo.int/madrid/en/166> Česko, Předpis č. 526/1990 Sb. Zákon o cenách — znění od 01. 01. 2014 (úplné znění), [online], [cit. 2014-04-21], dostupné z <http://www.podnikatel.cz/zakony/zakon-c-526-1990-sb-o-cenach/zneni-2014-01-01/uplne/>

6. PRICING POLICY AS A PART OF MARKETING MIX

https://doi.org/10.7441/978-80-7454-865-9_6

Key words

Price as part of marketing mix, price importance, pricing company goals, trade margin, profit, pricing methods based on costs, competition, perception of customers' value, demand and its elasticity, penetration and skimming strategies, price change, contract and tender prices, price discounts, price strategies, price/quality, average cost curve, long-term cost curve, experience curve, 3C pricing model.

The aim of this chapter is to familiarize readers with the price structure of manufacturer, wholesaler and retailer because price is the only part of marketing mix that can bring benefits to the organization. For effective pricing strategies it is also necessary to recognize advantages and disadvantages of particular pricing methods. This is connected with the term "demand elasticity" and with skills of distinguishing goods with high demand elasticity and goods with low demand elasticity. The basis for effective pricing of the firm's pricing policy is correct understanding of individual pricing strategies. Integral parts of corporate pricing are also strategies reflecting the psychological effects on consumers when the company changes prices and discounts. The final part of this chapter is related to the importance of strategic decision making concerning the price, in terms of price/quality strategy, product life cycle strategy, and strategy depending on company goals. Last but not least, it is important to understand the experience curve in relation to price and 3C model application.

6.1 PRICE

The price is an important part of marketing mix. It is an amount of money paid on the market for products which are being sold or for services which are being provided. Customers perceive the price on one hand from the financial perspective and, on the other hand, evaluate the benefit that the purchase brought them. They may positively evaluate the purchase when the amount of spent money brought them the desired benefit or their purchase experience is negative, i.e. they are not satisfied with the product benefit and the financial amount. Price is the only element of marketing mix that brings profit. Other parts of the mix only generate costs. With a good market pricing, there is a consistency between value which the product has for customers and firm's economic interest that manufactures the product.

Corporate pricing policy should be set in line with the company marketing strategy and its goals. Main goals in choosing pricing strategy include profit, profit maximization, market share increase, sales volume growth, return on investments and top product quality. In more detail, these objectives are characterized in publications focusing on marketing theory; Světlík,¹⁴² Kotler.¹⁴³

142 SVĚTLÍK, Jaroslav. Marketing — cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005, 340 s. ISBN 80-86898-48-2

143 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

6.2 STRUCTURE AND PRICING METHODS¹⁴⁴

Price Structure

The price is made by companies at different levels, in different sectors and for different customers. Therefore, individual companies will approach the pricing differently. Pricing methods are different for the producer himself and for individual distribution parts (wholesale and retail). If we want the price to be acceptable to both sides of the business (seller and buyer), it should have the following structure:

price made by producer:¹⁴⁵

— production cost + profit + VAT¹⁴⁶ (+ excise duty if the product is subject to it)

price made by wholesale:

— initial price (for which it was purchased) + trade margin (includes wholesale costs and profit) + VAT

price made by retail:

— initial price + trade margin (includes retail costs and profit) + VAT

Basic price types

— **T&M (time and material) price** or contracted prices- prevail on the market (e.g. lunch payment)

— **fixed** or regulated by the Act about prices No. 526/90 Coll. as subsequently amended, their importance has been decreasing (gradual price deregulation)¹⁴⁷

The price expresses on one hand the utility value, i.e. the satisfaction extent of the requested need and, on the other hand, the monetary expression of the value in CZK. When purchasing, the customer always considers and compares the amount of money with the benefit that the purchased product will bring and which he expects.

Market prices are, as a rule, the following:

— **contractual or loose**; these are the prices negotiated for the purchase of goods, i.e. the seller proposes the price and the customer can, to a certain extent, "bargain".

— we also encounter **regulated prices** on the market, i.e. price fixing or direct pricing by price authorities and local authorities (Ministry of Finance of the Czech Republic, municipal office); list of regulated prices — see price list¹⁴⁸. These may represent the minimum or maximum of regulated prices. With this measure, the state can monitor the protection of consumer against high prices or the protection of sellers against too low prices.

144 SOUKALOVÁ, Radomila. Strategický marketing: učebni text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

145 SOUKALOVÁ, Radomila. Strategický marketing: učebni text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

146 Only in the case of VAT payers; it is necessary to reduce VAT in output by this VAT in input

147 Česko, Předpis č. 526/1990 Sb. Zákon o cenách - znění od 01. 01. 2014 (úplné znění), [online], [cit. 2014-04-21], dostupné z <http://www.podnikatel.cz/zakony/zakon-c-526-1990-sb-o-cenach/zneni-20140101/uplne/>

148 Současný rozsah cenové regulace, 2012, [online], [cit. 2014-05-12], dostupné z <http://www.mfcr.cz/cs/soukromy-sektor/cenova-regulace-a-kontrola/vyvoj-a-rozsah-regulace>

New Product Pricing

In the case of a new product which has not been manufactured or sold yet, the pricing process should include following steps:

- 1) set enterprise's pricing strategy (see above)
- 2) determine costs by calculation or estimation according to technical and economic standards of organization and industry sector
- 3) carry out qualified demand estimation - through the marketing research methods; including estimation based on long-term development in the sector
- 4) identify competitive prices of similar products and prices of their substitutes
- 5) choose appropriate pricing method: comparative, cost, demand, competitive-oriented; selected method should keep the strategic objectives of the organization
- 6) propose the price, its verification on the market and its possible correction according to the market response

Pricing Methods¹⁴⁹

In its strategic planning, the organization also sets an appropriate pricing strategy for its products according to marketing goals.

The most common pricing methods include the following:

— The **cost-plus pricing** method, which is based on calculating the costs of producing, promoting and implementing the product. In its use, an enterprise determines the average profit rate (surcharge) which is attributed to the production cost. The basic items of this price are the production costs.

— Another method is **competition based pricing**, in which competitive prices have a major influence on the price.

For prestigious and more expensive branded products, it is possible to use the **value based pricing** according to customer's perceived value.

When creating a **demand based pricing**, it is necessary to determine the so-called demand elasticity which reflects the extent of demand response to price change (price reduction or its increase).

In some cases, **tender pricing** may be advantageous for the business. In that case, the company selects the most appropriate price quotation. However, it is important to point out that not always the lowest price can guarantee the quality.

Particular pricing methods are explained in more detail in Kotler's¹⁵⁰ and Světlík's¹⁵¹ publications.

6.3 FROM PRICING TO NON-PRICING POLICY

The 1990s are marked by revolutionary changes in the political and economic map of Europe. On one hand, the development and integration efforts of the European Community countries,

149 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

150 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

151 SVĚTLÍK, Jaroslav. Marketing — cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005, 340 s. ISBN 80-86898-48-2

and on the other hand, disillusion and decay of centrally planned economies related to widespread political changes, disintegration tendencies and painful economic reforms in Eastern European countries.

That means that old, formerly busy way stop operating. The transition to market economy implies a change in activities, thinking and access of all market subjects, i.e. households, businesses and states. Market-oriented thinking, mainly customer-focused, is absolutely necessary in a rigid competitive market environment. However, it is a fact that there is still an undeveloped market with enough attributes of supplier market; but it is possible to assume that with the economic reform process- privatization, gradual removal of protectionist measures against imports, etc., the market mechanism will soon become fully operational.

Until now, many businesses have not behaved efficiently in a market way, their approach is static, wait-and-see. They do not come into the market with anything new; their aim is to get from the government various benefits that will allow them the longest survival. Very often, executives of these companies complain about objective difficulties, blame the government, foreign competition, their own employees, etc. However, their problems are often caused by mistakes in management.

However, there is a number of companies that respect the market behaviour, they carefully analyze the market situation, identify their possibilities and try to use them for their benefit. They consider whether their product will be successful on the market, who will be willing to buy it if its price is not too high, how the product will be distributed and how they will support its sales. The approach of such companies is dynamic because their business strategy consists of marketing approach.

Art market price¹⁵²

Artists-beginners often use a **cost pricing**, which is calculated, for example, from the artwork size, used techniques, material, time needed for its creation, etc. For a famous artist, the cost pricing is pointless because the **market price depends on demand**. Fame, prestige exhibitions, style, fashion or positive criticism make the author's name more important. The price of such an author increases many times; also for example after his death.

The artwork does not use the discounts system as it would reduce the artist value and the work value. However, according to the organization's goals, a special offer system can be used, e.g. various service packages, extraordinary exhibitions, sale of goods in the museum shop, exhibit rental, etc.¹⁵³ The artwork price is also affected by the period in which it was created and its function (i.e. why it should be purchased — investments, decorations, prestige).

6.4 PRICING AS A PART OF COMPANY STRATEGY

When the companies deal with pricing, they can prefer different goals. Pricing goals may be: survival strategy (short-term goal), long-term efficiency bring profit maximization, market share maximization, i.e. so-called price penetration, another goal can be also the effort to get

¹⁵² Cena v umění, 2012, [online], [cit. 2014-05-21], dostupné z http://artslexikon.cz/index.php/Cena_v_um%C4%9B-n%C3%AD

¹⁵³ JOHNOVÁ, Radka. Marketing kulturního dědictví a umění: [art marketing v praxi]. 1. vyd. Praha: Grada, 2008, 284 s. Manažer. ISBN 978-80-247-2724-0.

a leading position in product quality. According to Kotler, there may be 9 different price classes related to certain customer groups; so-called price/quality strategy, see figure 39.

A prerequisite for an effective pricing strategy is to know how the company costs should be pre-calculated.

Costs calculation

While calculating company costs, it is important to understand the short-run average costs. If the firm has a fixed production capacity, the unit costs are the lowest only for the specified capacity production (expressed by the SRAC curve).¹⁵⁴ In the case of the possibility to operatively adapt the production capacity to market requirements, companies need to know the long-run average cost course (expressed by the LRAC curve).¹⁵⁵ An important role in long-term pricing is the expression of unit cost dependence on produced quantity. The **experience effect** is presented in the form of **experience curve**.¹⁵⁶ Figure 35 shows the cost relation between production unit and total number of produced products. The curve downward shows a unit cost decrease per production unit with an increasing number of manufactured products; this happens thanks to the fact that workers gradually acquire manufacturing experience and become more efficient. Figure 36 shows how this effect can be reflected in the product price. The curve has a downward tendency, i.e. the price can be lowered and profit contribution remains constant.

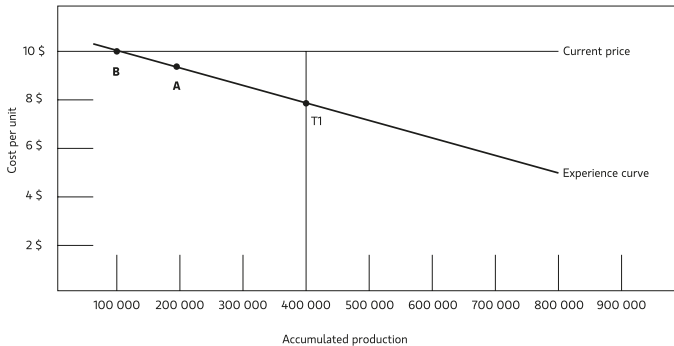


Fig. No. 35 Experience curve

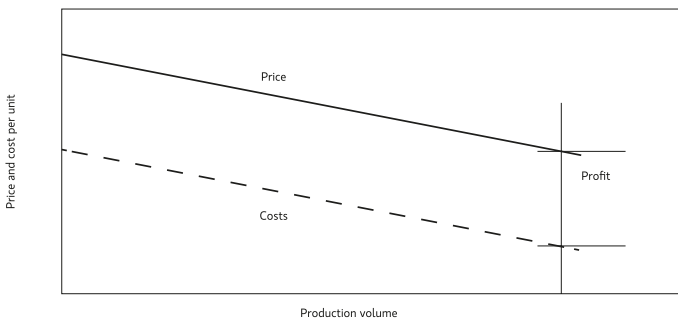


Fig. No. 36 Price and Experience Effect, Source:¹⁵⁷

154 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall,c2006, xxxix, 733. ISBN 0131457578

155 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall,c2006, xxxix, 733. ISBN 0131457578

156 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall,c2006, xxxix, 733. ISBN 0131457578

157 Bouška, P.: Zkušenostní křivka, 2007/2008, online <http://www.google.cz>

Price research

In connection with the choice of company's price strategy, it is necessary to know the price situation in competitive market. Price testing can be obtained either by simply comparing with competitive products or by using more sophisticated techniques. Price analysis monitors the position of our product and sale price under free pricing conditions. We monitor for what prices our product is sold in certain types of stores, what is our price position comparing to price position of our competitors.

Marketing distinguishes two extreme pricing strategies:

— **priceleader**¹⁵⁸ focuses on products with a high image in terms of quality and product reliability; company can afford prices that are not exceedable for competitors unless they risk a failure in a competitive comparison.

— **costleader**¹⁵⁹ focuses on a low-priced segment. Therefore, he minimizes costs and maximizes production which allows cheaper production. That is the reason why, in a certain area, the costleader cannot be exceeded from below in the long term. Comparing price levels, we monitor our position in terms of pricing strategy.

Company goals as a basis of pricing strategy

Based on their strategic goals, companies can choose one of the strategies represented in figure 37.

Generally applicable company goals	Current situation characteristics	Chosen strategy
Survival	Difficulties with unused capacities, with competition, changes in consumers wishes	price lowering leads to demand growth, prices usually under cost level
Common profit maximization	Lack of common profit short-term maximum profit	To chose prices to reach
Market share maximization	Effort to gain dominant market share, eventually specific share amount determined in advance	by low prices achieve dominant market share position and also profit maximization
Leadership in product quality	Effort to gain leadership in quality	High quality corresponds with high prices which are invested in costs of R&D, production, marketing
Faster market entrance than competitors	Competition wants to enter market with the same product	Low prices allowing fast market share acquisition
Market stabilization	Instable market	Prices on competition level
Support of other company products	Current product has a good position on market and it is necessary to support other new products	

Fig. No. 37 Pricing strategiesm Source:¹⁶⁰

158 Definition of „Price Leadership“, 2005, [online], [cit. 2014-05-18], dostupné z <http://www.investopedia.com/terms/p/price-leadership.asp>

159 Definition „Cost leadership“, 2005, [online], [cit. 2014-05-12], dostupné z <http://www.businessdictionary.com/definition/cost-leadership.html>

160 JAKUBÍKOVÁ, Dagmar. Strategicky marketing: strategie a trendy. 2., rozš. vyd. Praha: Grada, 2013, 362 s. Expert (Grada). ISBN 978-80-247-4670-8.

Pricing strategies related to product life cycle

If the pricing company chooses a strategy in relation to the product lifecycle stages, it will basically choose between the two basics, namely “skimming” and “penetration” strategies, Fig. 38.

Pricing strategy based on PLC

Introduction stage

When introducing a new product, it is possible to determine the low or high level of individual marketing variables (price, promotion, distribution, quality).

Fast skimming strategy

— Introducing a product on the market with a high price and high advertising costs.

The company sets a high price in order to get the most profits from each product.

— Massive promotion helps speed up product penetration.

Slow skimming strategy

— Introducing a high-priced product with low advertising costs.

— The high price allows you to achieve high profits from individual products and low promotion reduces marketing costs

— possible only if most of the market about the existence of the product must know, the customer must be willing to pay a high price, low competition

Fast penetration strategy

— Introducing a low-priced product with high costs for its promotion. Promoting fast market penetration and gaining the largest market share.

— this strategy is appropriate if the market is large enough. Unit costs drop significantly with the size of the produced and sold production, high competition.

Slow penetration strategy

— introducing a low-priced and low-priced product. The low price of the product encourages its rapid adoption by the market and low advertising costs help to achieve higher net revenues

— weak competition, price-sensitive market.

	High Promotion	Low Promotion
High price	Fast skimming strategy	Slow skimming strategy
Low price	Fast penetration strategy	Slow penetration strategy

Fig. No. 38 Diagram of pricing strategies related to PLC stages
Source¹⁶¹

Pricing strategies price/quality

According to Kotler, companies can also use dependency of product price on its quality to determine their pricing strategy. Figure 39 shows a 3×3 matrix showing 9 pricing strategies based on price and quality.

161 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

		PRICE		
		High	Medium	Low
QUALITY	High	Premium	High value	Superb value
	Medium	Over charging	Average	Good value
	Low	Rip-off	False economy	Economy

Fig. No. 39 Price/quality matrix
Source¹⁶²

“While deciding about the pricing strategy as a part of marketing plan (project), it should be proceeded from the whole goal concept of company strategy, especially its marketing strategy. It is important to understand the price decision making as strategic not only while making the business plan but also while changing and agreeing contracts, mostly their payment and delivery conditions. Company pricing strategy should consider also possible changes on the demand or supply side, which can be difficult to predict and therefore the strategy should have more options and should count with wider financial context.” (Tomek, 1998, s.176)

Pricing Strategy — 3C’s Model

The basis for choosing a pricing method is to know demand function, cost function and competitive price analysis. It is important to understand price floor (low price that is still acceptable to sellers), price ceiling (high price that is still acceptable to buyers) and price centre, i.e. price equilibrium describing competitive prices and substitute prices.

When choosing the final price, it is also necessary to consider the geographical and psychological aspects and to choose an appropriate system of price discounts and reductions. That is the reason why it is convenient to apply this 3C’s model for adequate pricing. These three C’s represent customers’ demand, costs’ function and competitors’ prices.¹⁶³ Based on this model, the organization is ready to quote an objective price.

Changes in pricing policy

However, the firm’s pricing policy is directly dependent on the situation in competitive market, on the current situation in sector in terms of innovation, new technologies and developments. Each corporate strategy should also include proposals for operative methods of crisis management. These may arise, for example, when there is a law (tax) change, crown strengthening or weakening comparing to foreign currencies (e.g. the Czech National Bank’s intervention to weaken the crown against the euro) or by the longer-lasting economic crisis, etc. In these cases, firm’s pricing policy must be changed according to company needs. The reasons for this change may be as follows: change in the competitor behaviour, need to increase or decrease production capacity, increase or decrease market share, increase production costs, etc. see.¹⁶⁴

162 JAKUBÍKOVÁ, Dagmar. Strategický marketing: strategie a trendy. 2., rozš. vyd. Praha: Grada, 2013, 362 s. Expert (Grada).ISBN 978-80-247-4670-8. S.289

163 WILCZKOVA, Úvod do strategie cenové tvorby, 2008, [online], [cit. 2014-06-15], dostupné z <http://r.search.yahoo.com>

164 SVĚTLÍK, Jaroslav. Marketing — cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005, 340 s.

ISBN 80-86898-48-2. s. 145

7. LOGISTICS AND EFFICIENT SOLUTION

OF DISTRIBUTION CHANNELS https://doi.org/10.7441/978-80-7454-865-9_7

Key words

Sales channel, zero level and multilevel distribution channels, wholesale, retail, sales intensity, vertical and horizontal distribution system, specialized stores, supermarkets and hypermarkets, department stores, catalogue stores, types of wholesale and retail units, marketing distribution channels, optimal marketing distribution channels and their goals and limitations, evaluating criteria of marketing distribution channels, selection and motivation of participants in distribution.

The chapter "Logistics and distribution channels" complements the previous chapters focusing on individual elements of marketing mix. The third element is placement, i.e. placing the product on the market. That is the reason why logistics and distribution channels are part of marketing mix. This chapter focuses on their basic division and their functions, on the organizational structure of individual distribution systems, on the understanding of basic wholesale functions and characteristics of each wholesale unit type. In market placement theory it is also important to know basic retail functions and the characteristics of each retail unit type. It is likewise significant to understand the importance of retail mix in relation to marketing communications as well as other parts of marketing mix. The final part of the chapter is dedicated to the strategic view of the distribution channels management. The emphasis is placed on the functions and flows of marketing distribution channels and the understanding of the decision-making process concerning their creation. Last but not least, it is necessary to understand the evaluation process and the effectiveness of marketing distribution channels.

7.1 LOGISTICS

*"Professional literature defines **logistics** as a field dealing with planning and management of material and goods flow, with services related to its way from the manufacturer to the final consumer and, of course, storage. In **logistics**, it is important to do everything at the right time and gets to the right place. **Logistics** is a very extensive field which includes producing companies, retailers and state administration. **Logistics** is one of the young disciplines, and we are allowed to study it only briefly. However, humanity has been using logistics for thousands of years. It can be said that since people have exchanged things from everlasting, they discovered new regions and countries, moved their troops, and tried to expand their business relations. As the time went, there was not only the discovery of new continents but also massive transport development satisfying the increasing demands of production. Of course, the increasing distance from the production point to the final consumer meant that it was necessary to solve the product transfer. And at that time the first **logistics** solutions were created."¹⁶⁵*

The concept of logistics has its origins in military and army supplying. There it was necessary to plan and solve the army supplying fluently, regularly and without unexpected changes and supply outages. Since the 1960s, not only the logistics concept but also its principles have begun to be used in the commercial business sphere. Even in the strategic marketing area the logistics occupies its irreplaceable place. From the logistics perspective, companies deal with effective distribution channels, i.e. channels that will meet the basic requirements of successful sales and, above all, satisfied customers. The goal of logistics and distribution will be a satisfied customer from a marketing point of view. In a simplified way, we could say that the lo-

165 Logistika, 2011, [online], [cit. 2014-08-21], dostupné z <http://logistika.yonix.cz/>

gistics goal is to deliver the goods in the required quantity, at the right place, at the right time and at optimal costs.

7.2 DISTRIBUTION CHANNELS

Distribution as part of marketing mix deals with goods placement on the market. It includes the procedures allowing the product to arrive, from its production point, at its destination place, i.e. place where it will be consumed. Distribution channels constitute a link between manufacturer, supplier and consumer. If manufacturer deals directly with consumer, we call this process a **zero-level distribution channel; manufacturer — consumer**. If there is an intermediary between manufacturer and final consumer, then the **distribution channel is multi-level, manufacturer/supplier - distribution intermediary — consumer**.¹⁶⁶

The distribution intermediate is the number of organizations and individuals who participate in the distribution process, i.e. they contribute to moving the goods from producer/supplier to final consumer. These are, for example:

- **intermediaries** who buy goods (become their owners) and resell it
- **agents** who are actively involved in the commodity exchange process but the goods do not become their property
- **supportive distribution intermediaries** that facilitate commodity exchanges (e.g. shipping companies, banks, etc.), they do not become the owner of the goods.

Zero-level and multi-level distribution channels

Zero-level distribution channel

The main advantages of zero-level distribution channels are direct contact and communication with the consumer, direct feedback and, under certain circumstances, lower costs (since there is no intermediate element). On the other hand, zero-level distribution channels have their disadvantages, especially because they need a large number of contacts and partners; it is also difficult to present the product because the customer does not see the goods in physical form but only in the form of a catalogue offer; it is not economical to deliver to geographically dispersed customers.

Multi-level distribution channels

The main advantages of multi-level distribution channels are that the manufacturer leaves a large part of the distribution tasks to intermediaries and they use their experience and contacts to sell the goods more efficiently. However, there are a number of disadvantages, such as minimisation of manufacturer's control over the sold goods; it is more difficult to obtain information about the final consumer; it is necessary to create a motivation system for distributors to sell the products. The manufacturer usually has to agree with the marketing strategy of intermediaries and this system often leads to an increase in the distribution channel costs.

Functions and organization of distribution channels¹⁶⁷

¹⁶⁶ SOUKALOVÁ, Radomila. Strategický marketing: učebni text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

¹⁶⁷ KEŘKOVSKÝ, Miloslav. VYKYPĚL, Oldřich. Strategický marketing: učebni text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

According to Světlík, the distribution channel fulfils the following functions:

“commercial function that includes activities directly affecting the transactions between manufacturers, intermediaries and customers; logistics function includes activities that are necessary for ensuring the physical distribution of the product from manufacturer to consumer, supporting functions helping to simplify and facilitate the goods transport from manufacturer to consumer. The intermediary often provides financial assistance to both producers and customers in the form of a commercial loan.” Distribution channels can be dealt at logistic horizontal level, i.e. commercial or distribution centres, and at the vertical level, i.e. the creation of commercial chains or multinational corporations. These systems and functions are described in more details in Světlík’s publication.¹⁶⁸

Trends in retail

New forms of retailing and various combinations arise continuously:¹⁶⁹ for example, banks build their branches in supermarkets, petrol stations set up grocery stores that have more profits than the station itself, etc. We can also observe the return of old retailing forms (e.g. sale of mobile stands). **New forms of retailing are struggling with shortening of their lifecycle** and are quickly copied and lose novelty. At present, individual vendors are trying to attract customers with an interesting, comfortable, fast and secure delivery. **At the age of electronics, retail sales without B&M (brick-and-mortar) shop have grown rapidly. In the distribution area also increases in competition between the same and different types of business.** Suppliers/traders lead the fight for customers by offering better conditions; many small shops thrive because they know their customers better and can provide better personal service.

Retailers move to one or the other extreme position, they behave as either retailers of a wide range of goods or as retailers of a specialized goods. As a consequence there emerge powerful retailers able to offer great cost savings using advanced marketing information and logistics systems. There is a trend of crowding out small manufacturers from this system, and nowadays a number of big retailers dictate to big manufacturers what they are supposed to produce, what price to quote, how to advertise the goods, etc.

Traditional department stores have shown the way to shopping malls which consist of a large number of specialized shops and offer parking facilities.

Thanks to IT development, marketing ways are better and more professionally managed and programmed.

The trend is also to design and set up new shops types for different groups of people who differ in lifestyle; they do not focus on one type but on a mix of different forms.

Information technology has become an important competitive tool. Maximum IT use leads to better forecasting, efficient management of warehouse costs and electronic ordering at suppliers, etc. The payment conditions while ordering goods can also be a competitive advantage for suppliers; such as electronic cashier systems, electronic financial transfers, data exchange, shop monitoring, improved systems for handling and inventory of goods and continuity in supplying. Large retailers with a unique character and strong brands have increasingly been expanding into other countries. About 40% of European and 18% of US retails operate worldwide. In the shopping centres there are available cafes, tearooms, soft drinks, bookstores, children’s play-rooms, restaurants and florist’s shops.

168 SVĚTLÍK, Jaroslav. Marketing — cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005, 340 s. ISBN 80-86898-48-2., s. 154—160

169 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

Types of retailers (according to Kotler):

From the supply and marketing perspective, we can meet different types of retailers on the market.

Specialized shop is typical of a limited product assortment with a wide range of choices within this assortment, such as sportswear shops, professional books ...

Another type is a **department store** that usually offers different assortments (e.g. clothing, household equipment, furniture); each item is offered in a separate department.

Supermarkets are large self-service stores with low costs, low trade margins and a large sales volume.

Convenience or local shops are characterized by small shops near the residential districts, they usually close late and are open 7 days a week. Their assortment is not extensive but they offer daily everyday goods with slightly higher prices. In Czech, this path was taken by typical food chain Hruška whose smaller shops are located in residential districts.

In addition, we can meet on the market some **discount stores**, i.e. stores with cheap goods. These are characterized by a low price due to small trade margin and sale of a large volume of goods. We can also include into this category shops with products at reduced prices, **off-price retailers**, (manufacturer's stores, independent store at discounted prices and system of club selling at better prices). They purchase at lower prices than official wholesale prices and charge customers less than regular shops. Nowadays, famous and popular are also **superstores**, for example IKEA with furniture and household equipment, or other superstores with mixed goods, i.e. hypermarkets. Specialized superstores offer a wide range of goods for individual product lines as well as experienced staff. The popular retail shop forms are also **catalogue showrooms** offering a wide selection of expensive branded goods; they have a quick turnover and lower prices. The purchase is based on ordering according to catalogue. At present, these stores offer (if necessary) the possibility of trying the delivered goods.

Internet and distribution

As mentioned before, the current distribution phenomenon is to do trades with the use of information technology. Internet trading is still limited but it will continue to grow in the future. Internet trading can be characterized as an on-line selling that provides quick and operational choices including delivery. Its typical features are low costs, lower final price and the possibility to compare prices and parameters. Popular goods purchased by this way are books, magazines and consumer and computer technology. The popular service ordered online is the purchase of tickets and photo services, ordering systems, etc. **What are the advantages of this method?** Speed, price, offer, reliability and time saving.

7. 3 DISTRIBUTION IN ART MARKET¹⁷⁰

Distribution in the art market has several differences; the most striking is **limited availability** (luxury goods, limited series, original - often only one specimen). This market comprises two types: primary market and secondary market.

Primary market is the first artwork sale and serves as a follow-up to the secondary market. It includes the following forms: direct sales from the studio, direct sale of custom-made artwork, sales through intermediary, sales gallery, gallery etc., and sales to art traders who become, after buying the artwork, its temporary owners.

170 JOHNOVÁ, Radka. Marketing kulturního dědictví a umění: [art marketing v praxi]. 1. vyd. Praha: Grada, 2008, 284 s. Manažer. ISBN 978-80-247-2724-0.

Secondary market is a distribution form where the artwork is beyond the author's control. This category includes, for example, sales galleries, intermediaries, art traders, auction companies, private collectors, museums and galleries, state (e.g. decoration of representative places), companies purchasing artwork as company assets. The most frequent buyers in this market are museums and galleries.

7.4 DISTRIBUTION AS PART OF STRATEGIC MARKETING

Marketing distribution channels are a collection of interdependent organizations that mediate product use to consumers. Flows within marketing channels can take the form of information, promotion, negotiation, ordering, financing, risk taking, property relationships, payments and ownership. Marketing distribution channels can be directed either to small consumers requiring flexibility or to large consumers with specific requirements.

Making decisions about marketing distribution channel creation¹⁷¹

Producers must consider what is ideal, feasible, and affordable for them. It is necessary to analyze customer needs: it is necessary to analyze the service level according to customers' wishes, i.e. pack size, waiting time, space availability, range of assortment and complementary services. Equally important is the setting of goals and limitations of marketing distribution channel, e.g. cost minimization, required level of provided services and ability to adapt according to environment, product and time. Part of the decision process consists in choosing a suitable combination of possible distribution channels, e.g. the establishment of sales rep network, cooperation with representatives in particular areas, identification of subcontractors, cooperation with specialized dealers or delivery service, etc. The choice of marketing distribution channels is also related to the requirement formulations of the distribution channel participants and determination of their responsibility, pricing policy, sales conditions, distributor rights, mutual service and responsibility.

Marketing distribution channel evaluation

Each alternative of the distribution channel has to be evaluated from the economic perspective concerning the financial demands of particular alternatives and the turning point determination. It is also necessary to evaluate the distribution channel in terms of control option. From the adaptability perspective, it is appropriate to look for a way that is able to respond quickly to market changes.

Managing decision-making about marketing distribution channels

The company management, when deciding about the marketing distribution channel form, deals with the selection of the distribution channel participants and monitors the characteristics of a good intermediary, length of the existence in the area, profit prospect, solvency and willingness to cooperate, and, last but not least, reputation. An important element is the distribution channels participant motivation in terms of costs, bonuses, partnerships, program distribution. A part of the management is to evaluate the distribution channel participants according to agreed criteria. While choosing the marketing distribution channel forms, the management must also consider the possibility of modifying their organisation in relation to the market or economic needs.

171 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

7.5 MARKETING STRATEGIES FOR MARKET OFFER DIFFERENTIATION

An indispensable part of marketing strategy is to know how customers recognize the value and how they choose suppliers. It is important to identify the main options for differentiating the offer to be attractive for customers and to bring competitive advantage. It is also necessary to analyze ways how to achieve an effective market position and to learn how to communicate customers this position in an effective way.

Supplier selection and added value

The customer will do the shopping in the place where he gets the **highest added value**. Added value is the difference between total consumption value and total consumption price. The company should define the consumer value which customers expect and prepare an offer exceeding their expectations. It is necessary to:

- define customer concepts of consumer value — to identify properties that could affect this value
- determine the customer value hierarchy — decisive factors will be grouped into the particular groups: basic, expected, desirable, undesirable
- decision about the consumer value structure — a company chooses a combination of factors that create consumer value; the customer should be satisfied with these products more than with the competitive ones..

Options for offer differentiation¹⁷²

There are a lot of tools allowing the differentiation from competition and they are related to a creative approach of choosing a competitive advantage. Offer differentiating can be understood as an effort focused on differences that a firm can use to distinguish its offer from competitors. Differentiation variability is influenced by industry type, product type and offer placement. In terms of the number and size of competitive advantages, we can characterize four industry types:

- **volume** sector- there can be achieved a small number of benefits but large, which is typical of the machinery and equipment sector — low price, high quality
- sector with **few competitive advantages**- these are also of little importance in terms of offer diversification (steel industry)
- sector with **many opportunities** for differentiation- these differentiations bring little competitive advantage
- **specialized** sector that offers many differentiation options and each can be very significant.

Offer differentiation methods¹⁷³

The firm can understand these offer differentiation methods as a strategic advantage in the competitive struggle. Offer differentiations can be found, for example, in case of product differentiation, service differentiation (extra service, assembly and import), staff differentiation (specially trained personnel who can advise), distribution differentiation (delivery time, card payment, delivery to a specific place), image differentiation (usually for branded and prestigious products).

172 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

173 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

Product form differentiation is typical of physical (tangible) products.

Here we observe 2 extremes:

one extreme is characterized by highly standardized products (only small variations) that are not very often differentiated, and the other extreme is characterized by products with a high degree of differentiation (car, furniture) where there are high differentiation possibilities.

Features differentiation — these are characteristic features that represent the basic product function. In this case, the differentiation of the new creative solution is the object of the product feature.

Performance quality differentiation consists of 4 basic grades of quality — low, average, high, top quality — these indicate the level of the basic product features. In this case, it is necessary to choose the appropriate quality in relation to the target market and to the competition. Quality is an important prerequisite for a successful competitive fight. Therefore, it is necessary to be interested in quality during the product life cycle, e.g. by:

— continuous product improvement (product profitability increases and also its market share)
— keeping the quality at a particular level (changes are searched only in case of opportunities or threats)

— quality reduction, e.g. due to a large increase in quality maintenance costs; the company goals can be damaged, it is a short-term strategy.

Conformance quality differentiation representing the degree of compliance with projected and actual features; many customers are disappointed because the product has not achieved the required and promised features.

Durability differentiation — it is the expected operating life of the product under normal or difficult conditions.

Reliability differentiation, it is the measure of the probability that the product will not malfunction or fail in the particular time period.

Reparability differentiation defines how easy it is to repair the product in case of its malfunction or failure.

Style differentiation expresses how the customer is impressed by the product; style differentiation can include packaging, design ... (it is very important for food and cosmetics sector ...)

The **complex differentiation** represents the overall solution- form, features and functionality of the product from the customer's point of view. All the above-mentioned properties are the result of the project solution. It is a difficult task because it involves many compromises, the designer has to determine how much investment is necessary to achieve the required features and performance; well-designed products can be easily manufactured and distributed. For customer it is important that the product will look good, will be simply opened, easily installed and user-friendly.

Services differentiation

If the differentiation cannot be found in the product, we are looking for extension and improvement of services such as ordering ease, quick and careful delivery, installation — make the product operational, customer training — for product use, consulting, maintenance and repairs — company operating system, other services — various advantages.

Personnel differentiation

The emphasis is put on the trained employees and their competences (whether they have the required knowledge and skills), courtesy (whether they are friendly, thoughtful, attentive), credibility, reliability (whether they provide services continuously and accurately), responsiveness (whether they react quickly to customer's demands and problems), communication (whether there is an effort to understand and communicate with the customer).

Distribution channel differentiation

In distribution channel differentiation is monitored whether it is implemented through its own distribution network, what is its coverage extent and what are the professional and performance levels.

Image differentiation

Image differentiation is a difficult, long-term strategic process related to building the company image or brand. It is important to distinguish the concepts of **identity and image**. **Identity** includes ways serving the company to identify itself or its products. **Image** is the way customers perceive the company or its products. An effective image has 3 features: to communicate a simple message, to communicate in a different way, to communicate with emotional aspect. Image includes **symbols** that allow identification. The company must choose **convenient media** for promotion where should be included the selected symbols. **Atmosphere**, i.e. the environment in which the company realizes production influences strongly the company image (interior, colours ...). Part of image creating and reinforcing are **events** such as sponsorship, participation in sports events, charity ...

PRACTICE EXAMPLE¹⁷⁴

For example in case of Marlboro cigarettes, the company bet on a "macho cowboy" and thus identified itself with many smokers. This way Marlboro acquired and built its "personality".

Marlboro cowboy as a symbol of strength, masculinity and muscularity has been used since the 60s. The Marlboro brand is a symbol of strong character and the traditional campaign symbolize personification of freedom, action, beauty of Marlboro country; and the cowboy represents the creator of their own destiny.

Author: Leo Burnett Advertising; Leo Burnett Chicago

Efficiency and market presentation method

If we want the different positioning to bring the desired effect, it must meet the following criteria: importance (increase consumer value for a sufficient number of customers), clarity (other differentiation than competition), communication (the customer notes the difference), inimitable (distinction is inimitable), affordability (customers can afford to pay for differentiation), profitability (differentiation is profitable for the company).

¹⁷⁴ Strategie.cz Marlboro, 2007, [online], [cit. 2014-06-15], dostupné z <http://strategie.e15.cz/zurnal/marlboro-3>

Positioning

Positioning includes designing a company offer that takes a meaningful and different competitive position in the target customers' subconscious. However, it is important to decide how many differentiations we choose or find for our offer.

How many differentiations should be offered?

— **the unique differentiation** — the so-called **unique selling feature** - the company determines which feature is number one (best quality, best service, biggest benefit, fastest, safest ...)

— **two benefits (differentiations) positioning** — suitable for addressing the market niche (fastest delivery and highest-quality installation ...)

— **three benefits positioning** — e.g. toothpaste: protects against tooth decay, refreshes breath and makes teeth whiter.

More benefits result in customer mistrust.

Positioning mistakes:

Underpositioning (customers do not have a clear idea about the brand, they do not know it very much)

Overpositioning (customers have a misrepresented brand idea)

Confused positioning (confused brand idea due to a large number of positioning differentiations)

Doubtful positioning (customers come to the conclusion that the product features, its price or the producer cannot be trusted).

While positioning, we can choose different positioning strategies or combine them appropriately, such as positioning according to:

attributes — in terms of characteristic feature

benefits — for a product that offers significant benefit/experience

use or application — specific use option

user — positioning the product as the most appropriate for a specific target group

competition — better than competition

product category — leader in a particular category

price and quality — offers high consumer value

It is important for companies to be able to **present** the chosen positioning strategy. It means the company should find the right how to present its customer the message through an interesting and attractive marketing mix.

8. MARKETING COMMUNICATION MIX

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Key words

marketing communications, promotion, communication mix, communication process model, sender, communication, message receiver, interferences or noises, feedback, encoding and decoding, message format, communication objectives, hierarchy of effects, BTL (below the line) and ATL (above the line) activities, integrated marketing communication

In this chapter we will become more familiar with the terms of marketing communication, promotion, integrated marketing communication and their position and importance in marketing mix. Promotion is another, and in our case, the last part of the marketing mix that we will study in this chapter. The aim of this chapter is not to show readers the secrets of marketing communications but rather to show them the linkage of marketing communications with other parts of the marketing mix and to indicate the place of marketing communications in strategic marketing. We will study the communication process model and its individual parts and their applications in the advertising field, the concepts of push&pull and there will be also explained the concept of BTL and ATL activities. So, if we want communication to be cultivated and creative, it is necessary at this stage to start cooperating with artists or creative people, having in mind Tomas Bata's quotation: *"It's good and right to do advertising with artist, but not to do advertising for art but for selling."*¹⁷⁵

8.1 COMMUNICATION MIX

With regard to the possibilities how to reach customers or other subjects on the market, there are a lot of them and their complex is called the Communication mix and there are included the following elements: advertising, public relations, sales promotion, direct marketing, personal selling, sponsorship.

The company usually does not rely only on one form of communication mix but uses multiple forms in their mutual combination. The choice of form or forms of communication mix depends on product type, its life cycle stage or stage of the customer's purchasing process. The detailed characteristics and specifications of particular marketing communications forms are described in Kotler,¹⁷⁶ Pelismarker,¹⁷⁷ Světlík¹⁷⁸ and Horňák.¹⁷⁹

Advertising

It is a paid form of impersonal mass communication that is determined through media. The advertising goal is to inform a wide range of consumers with the intent to influence their purchasing behaviour. The main feature of advertising is that it addresses broad sections of the population and is suitable for communicating a limited amount of information to a large number of people. It attracts attention and raises interest.

¹⁷⁵ BAŤA, Tomáš. Marketingove zasady, archiv T. Bati, Zlín

¹⁷⁶ KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

¹⁷⁷ PELSMACKER, Patrick de. Marketingova komunikace. Praha: Grada, 2003, 581 s., 32 obr. příl. Expert. ISBN 80-247-0254-1.

¹⁷⁸ SVĚTLÍK, Jaroslav. O podstatě reklamy. 1. vydanie. Bratislava: Paneurópska vysoká škola, 2012, 312 stran. ISBN 978-80-8944-785-5.

¹⁷⁹ HORŇÁK, Pavel. Kreativita v reklamě. Vyd. 1. Zlín: VerBuM, 2014, 293 s. ISBN 978-80-87500-49-1.

Public Relations (PR)

PR is an impersonal form of demand stimulation for products, services and business activities, often through the publication of positive information. The PR goal is to bring positive attitudes of the public to the company and thus to the products or services provided by this company.

Sales promotion

Sales promotion includes activities stimulating products and services sales through additional incentives. It focuses on the particular distribution channel articles or end-users for which purchasing becomes more attractive using coupons, bonuses, samples of goods, favourable package, etc. Sales promotion is focused on a wide range of customers.

Direct marketing

There is a direct communication between the customer and the seller. It is focused on goods sales and is based on advertising made through mail, telephone, television, radio broadcasts, newspapers and magazines. The customer is addressed directly - there is a direct relation between the seller and the buyer.

Personal selling

It is a form of personal communication with one or several potential customers. Its goal is to achieve sales. The personal communication is what differentiates this form from the others; the content and message form can be adapted to a particular customer and situation.

Sponsoring

Sponsoring is increasingly used as a marketing and communication policy tool. It is a form of communication based on the principle of service and service in return. The sponsor makes available a financial amount or material resources and receives the service in return which helps him to achieve the marketing goals. Sponsorship is mostly focused on the sport, cultural and social areas.

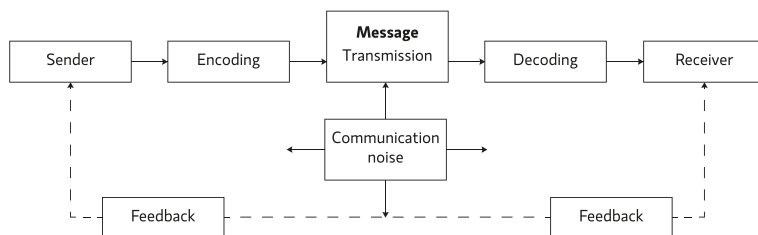
8.2 COMMUNICATION PROCESS MODEL, COMMUNICATION BASIS

Understanding the essence of marketing communication (or promotion) requires more detailed view of the elements of the basic **communication process model**, see figure 40. It contains eight elements: **sender, encoding, message, transmission, decoding, receiver, feedback and communication noise**.

The **sender** of any communication can be a person or an organization that creates the message and decides about its content. It must be sufficiently acceptable and attractive for the receiver. The communication **receiver** is the person who perceives it and who the message is intended to. The **message** is a certain amount of information the sender tries to send to the receiver. **Encoding** is the process of converting information that is the message content into symbols that the receiver understands. **Transmission** is made through media that may be hot or cold. **Decoding** is the process of understanding the encoded message. Feedback is the message that the receiver sends back to the sender of the information, it is a form of receiver's reaction to the obtained information.

A very important role in the communication process is the sophistication and linguistic correctness of the communication process itself. The language plays a prominent role in spoken communication, such as radio advertising. This phenomenon is described in publication by Göttli-

chová¹⁸⁰ who characterizes the current linguistic situation as a general diffusion of professional expression in journalism; Anglicism intermingles with domestic vocabulary and entertaining texts intermingle with the reportages ones.



Source¹⁸¹
Fig. No. 40. Communication process model

8.3 STRATEGY AFFECTING THE COMMUNICATION MIX CREATION¹⁸²

The **5's M strategy in advertising** (Mission, Message, Money, Media and Measurement) is the basic strategy for creating a communication mix. If we talk about 5M's in advertising, we mean elements creating the overall advertising schedule.

Mission

When defining the advertising mission and goals, the correct setting of the communication goal (e.g. to inform, convince, remind) is monitored. At the same time, it is necessary to specify the target group (e.g. older men, young women, children). It is also important to determine what change is required and the time horizon (e.g. short-term, long-term).

Message

The specification of the message is mainly focused on style, words, slogan, message format, tone and coloured processing.

Money

The budget is based on the financial possibilities of the client. In this case, we can use a top to bottom strategy (money is available first and the mission is set after) or a bottom-up strategy (mission is set first and after the needed funds are calculated).

Media

Depending on the communication character and the financial possibilities, appropriate media for communication is selected. Very often, companies choose a combination of communication tools such as television, radio, Internet with all communication options (email, Skype, chat, social networks, etc.), press, outdoor advertising, direct or indirect mailing.

Measurement

The 5M's model also includes measurement of advertising efficiency. This is usually monitored as sales efficiency (whether the sales have increased) and communication efficiency (whether the image or fame of a product or service has increased).

180 GÖTTLICHOVÁ, Marcela. Rozhlasová reklama a její recipienti. 1. vydání. Zlín: Radim Bačuvčík - VeRBuM, 2014, 192 stran. ISBN 978-80-87500-59-0. s. 5

181 Schéma komunikačního procesu, [online], [cit. 2014-11-03], dostupné z <https://www.google.cz/search?q=komunikační+proces>

182 PELSMACKER, Patrick de. Marketingova komunikace. Praha: Grada, 2003, 581 s., 32 obr. příl. Expert. ISBN 80-247-0254-1.

Push and pull strategy

„**Push marketing** means you are trying to promote a specific product to an audience you find relevant. **Pull marketing** implies that you implement a **strategy** that will draw consumers towards your products — often creating loyal customers or followers“.¹⁸³

8.4 MARKETING COMMUNICATION IN ART MARKETING¹⁸⁴

Advertising

In advertising, artistic expression is sometimes suppressed and emphasis is placed on the advertising purpose and the target group requirements. Advertising uses all artistic professions from artists (graphic artists, painters), through composers, lyrics writers to screenwriters, directors, architects, actors, musicians and presenters. It could be said that advertising needs a creative approach, i.e. it needs to cooperate with artists and other creative artists, but, provided that creative advertising messages accomplish their primary function — they reach a potential customer. Creativity in advertising is described in the publication by Horňák, *Kreativita v reklamě*.¹⁸⁵

Design

Design is currently being extensively promoted in product designs or their packaging. Products with interesting design attract customers looking for prestige and diversity. The necessity of design grows in case of products that are used visually (mobile phones, watches, clothing, footwear, cars) or those expressing the owner's status (furniture design, household appliances). Applied arts, such as artistically processed furniture or clothing from fashion designers, have become a prestigious and lucrative issue.

Music

Music in the commercial area can be divided into two groups. The first one is custom-made music; the other is the use of music part from an existing artwork. If this is the second option, it is best to use music libraries^{186 187} which serve as a central sound bank focused on the use of musical works in the commercial area. The main advantage of the music library is the ownership of all copyrights related to the recording. The music library allows convenient access to music without obligation to ask for the consent of all authors of the work separately (author of the music, performer, sound record producer). The library clients do not have to worry about the violation of the copyright law whose obedience is monitored by the OSA in the Czech Republic (Copyright Association for Music Rights). The music library offers hundreds of thousands of compositions, jingles, foley effects, theme songs from Czech and foreign production. The importance of music in marketing communication is discussed in the Bačuvčík's publication. The author emphasizes various components of marketing communications and the influence of music in the promotional messages.¹⁸⁸

183 <https://www.google.com/search?client=firefox-b-d&q=strategy+pull+push>

184 JOHNOVÁ, Radka. *Marketing kulturního dědictví a umění: [art marketing v praxi]*. 1. vyd. Praha: Grada, 2008, 284 s. Manažer. ISBN 978-80-247-2724-0.

185 HORŇÁK, Pavel. *Kreativita v reklamě*. Vyd. 1. Zlín: VeRBuM, 2014, 293 s. ISBN 978-80-87500-49-1, s. 106

186 Hudební knihovna.cz, [online], [cit. 2014-11-04], dostupné z <http://www.hudebniknihovna.cz>

187 Hudební knihovna.cz, [online], [cit. 2014-11-04], dostupné z <http://www.hudebniknihovna.cz>

188 BAČUVČÍK, Radim. *Hudba v reklamě a dalších oblastech marketingové komunikace*. 1. vyd. Zlín: VeRBuM, 2014, 220 s. ISBN 978-80-87500-51-4, s. 85

Film

Film production plays an important role in marketing communication, especially in the field of promotional films of non-profit organizations (related to state, town, monument), promotional films as corporate presentations or films presenting a product, as well as advertising spots. At present, film production can also be used to promote products or services within the so-called **product placement**; that means the placement of a particular product in a movie or series to make it more visible. It can either be **active**, i.e. the product or service is placed in the program scenario where the selected character works with this product and the product story is developed in the scenario. **Passive product placement**¹⁸⁹ means to present the product in program decoration, usually in a non-dominant way - the product is used as in everyday life. In Czech TV screens, legal form of commercial communication is from June 2010. It must be marked before and after its broadcasting of the program in which it appears (for this purpose Czech TV's use the abbreviation PP).

A movie **trailer**¹⁹⁰ is also used for the film promotion. It is a cinetrailer- short, no more than three-minute trailer for a future film released half a year before its premiere and mostly in the form of a cut of the most important or visually interesting parts. It's actually a movie ad but intended only for cinemas.

Artists performances at commercial events

Performances of singers, musicians or actors at commercial corporate events are a combination of corporate image and art. By inviting a respected artist, the company increases its prestige and attracts media interest. At present, we can observe promotional activities of artists in connection with non-profit activities (foundations, benefit concerts, anti-cancer marches, etc.).

Media

Through the media, we try to communicate with our customers and we focus our messages on them. There are a variety of media, but the communicator must always carefully consider their choice.

For communicating with customers we can choose **print media**. Their great advantage is that customers can bring them home and study them calmly in detail or compare them with different offers. These are various leaflets which are the simplest form and usually draw attention to promo offers. They can be sent directly or distributed on the street. In addition, we can use prospectuses containing multiple pages and often having quality print and paper which makes them suitable for presentation. Similarly, brochures, usually around 10 pages, provide more detailed information than flyers. Catalogues often include the entire assortment with product descriptions and technical features. Furthermore, there are auction catalogues which are the basic material for the artwork auction. These catalogues describe auction rules, list of items and auction schedule. They are especially suited to be studied before the auction. In this category belong also advertising books usually issued as gift items; they are given to important partners or guests.

Significant print media are represented by advertising newspapers and magazines which are distributed free of charge, i.e. they are paid from advertising. They often contain crosswords or competitions. Newspapers are still considered trustworthy and used particularly by older generation. Their advantage consists in flexibility and disadvantage is their short lifetime. It

189 Mediální slovník Product placement, 2010, [online], [cit. 2014-09-04], dostupné z [http://www.mediaguru.cz/mediální-slovník/product-placement/](http://www.mediaguru.cz/medialni-slovník/product-placement/)

190 Moviezone filmový magazín, Trailery, 2014, [online], [cit. 2014-09-04], dostupné z <http://www.moviezone.cz/trailery/>

interferes with a broad target group which is not appropriate if we need to focus on a limited circle of customers. Magazines as a medium have a longer life, better print and paper, better focus on the target group but they are not very flexible (usually issued once a month).

Another type is printed and flat media for viewing. The customer can only watch them, cannot bring them home (e.g. posters, public transport advertising). Poster generally informs about cultural events and other events. Both the printing and the posting are very fast. They can be divided into several groups: small posters (usually on the place where the customer stays for a while, for example, in front of the consulting room, offices). **Medium size** is suitable for posting on the advertising space in cities — it must be concise, as people only pass around them. **Large formats** (billboards, megaboards) are for the purpose of being seen from the means of transport; that is why the message must be concise and clear at first glance.

Audiovisual media

The main AV medium is **radio**. A major disadvantage for advertising is that radio is often perceived only as a sound background. The advantage is quite simple and inexpensive production of such advertising, i.e. audio spot. Another advantage is the possibility of a good focus on the target group.

Unlike radio, **TV advertising** is the most demanding for production and has high transmission costs. However, it has a very high efficiency and lots of targeted TV viewers. Its difficulty may be the viewer's inattention, i.e. switching over during the advertising block, going to a WC, etc. In such cases, so-called **information confusion** can occur and the communication effect is low. Promotional programs (infomercials) are in the form of a document and they are suitable for presentation at trade fairs, tourist centres and on the organization's website.

Other Media

Additionally, we can see a variety of media in promotion. For example, **large-screen illuminated advertising** such as neon lights, light boards, screens. It is more demanding concerning the energy, installation and maintenance. They are in places where a high density of people is. The advantage is the message changing, the disadvantage is high costs.

Shop windows are still an irreplaceable form of communication. Their goal is to attract the customer and encourage him to enter the shop. The same way is in case of display cases which present their assortment or organization activity in busy places.

We also often see **promotional letters**. These are sent directly, mostly to registered customers, members of the club, etc.

An important role in communication is played by **advertising gifts** (small items with logo, name, etc.), they are used visually, such as on caps, umbrellas or placed in the office (pens, calendars, etc.). Advertising gifts often express gratitude for cooperation (e.g. a set of wine glasses, watches).

The most effective form is **moving advertising** including advertising on cars, buses, trams, balloons, trains, etc.

A particular importance, especially in local advertising, consists in **live advertising** in the form of walking boxes, walking plush mascots or customers with advertising bags or backpacks with organization's logo.

Another type of advertising is called **advertorials** which are advertising articles promoting a certain product and they can be very often found in newspaper advertising.

New media

The new media or the so-called new media art include, for example, computer-manipulated photographs, spatial interactive installations, moving, sound and light objects, various displaying technologies called virtual reality, passive or active 3D projections emerging from stereoscopic efforts from the beginning of 20th century. In the Czech Republic, this genre originated from avant-garde film, theatre and art experiments.

New media advantages¹⁹¹

Interactivity — The user can actively interfere with communication, interact with information or influence its content

Financial low-cost — the cost of access to new media is minimal due to the large amount of data, both from the perspective of user and publisher (online magazine is not as financially demanding as its printed version)

Freedom of expression — everyone can be an author or publisher and publicly propagate her/his views or real creation, which is closely related to financial low demands

Up-to-dateness information research in real time, fast accessible information concerning current events (Internet newsletters)

Multimediality — easy connection of text, image, audio and video comparing to old media (press can only contain text or images, radio provides only audio)

Availability — information is not limited in time or space (for example, mobile internet in the phone) and its content is available in any number of repetitions over a long period of time

Virtual world — a computer-generated artificial environment where new identities (games) are available or a virtual space replacing real-world communication (chat, email) allows also easy creation of communities that would not be possible in the real world - people go through barriers (communication between people of different languages, cultures or social status)

Hypertextuality — simple links to other and other resources, easy extension and information connection

Disadvantages and risks of new media

But most of these advantages are inherent in their disadvantages and risks.

Virtual reality — one of the greatest threats, breaking away from the real world, addiction and associated health problems (computer games, intentional creation and misuse of other identities).

Availability — abuse of free access to information (terrorist and hacker attacks). Easy accessibility also involves financial low demands because there are a number of poor, untrue or undesirable information that can be created by anyone (spam, the risk of encyclopaedias openness).

Privacy loss — the current new media omnipresence (mobile phones, computers and above all the Internet)

Negative language influence — especially younger generations - new words creation ("lajknout" from English "like", "thanx"), combination of numbers and letters ("4u"= for you) abbreviations ("BTW"= by the way or just writing without diacritics and general ignorance of the written language.

New media and its use in marketing communications can be understood as combining technological innovations with new artistic expression forms of communication with the customer or the market in general. Retrospectively, we also include in new media also photography, film, radio, television, satellites, video and other technologies that have significantly influenced and transformed traditional forms of artistic creation as well as creative communication concept.

191 FLAŠAR, Martin; HORÁKOVÁ, Jana; MACEK, Petr a kol. Umění a nová média. Brno: Masarykova univerzita, 2011.

Advertising campaign efficiency

Almost every investor providing funds for advertising activities is interested in knowing the campaign effectiveness. One of the possible tools how to evaluate the campaign effectiveness is the annual EFFIE Award, see figure 41.



Fig. No. 41 EFFIE 2011 Competition Winner
Source ¹⁹²

The National competition Louskáček evaluates the creativity and artistic factor of advertising processing.¹⁹³ Whether the advertising has priority in effectiveness, art or creativity is the subject of many discussions among artists, creative and marketing professionals; however, an important role here is played by the investor and his or her expectations.

8.5 COMMUNICATIONS ON SOCIAL NETWORKS¹⁹⁴

The current expansion in IT development affects also communication tools, traditional media, new media and social networks. *“The designation of new media or, more precisely, digital media is linked to the platform of media technologies based on digital, i.e. numerical data processing. By extension, the concept of digital media covers the whole field of computer technologies and associated data content; and in the narrow sense it is related only to computer-mediated digital communication technology. The digital media emergence in their narrower conception may well be associated with the successful realization of hypertext media in the computer environment (late 1960s) and the emergence of the first decentralized computer network within the US military project APRN 1963.”*¹⁹⁵

At present, in the area of communication, we talk about socio-technical change. Successful technical innovation is usually closely related to the emergence of new types of socially settled behaviour and to leaving behind older practices. The conclusion of the research carried out at Masaryk University in Brno in the Czech Republic (which was focused on socio-technical changes on online social networking) shows that communication on social networks actively and passively satisfies the need for social contact; social networks are used as access to the public space, as a channel for the selection of consumed media texts and also as a space for discussion, attitude formation and opinion defence.

¹⁹² Effie Awards Czech Republic, 2011, [online], [cit. 2012-08-03], dostupné z <http://www.effie.cz>

¹⁹³ AKA ACD Awards (Louskáček), 2010, [online], [cit. 2012-08-03], dostupné z <http://www.aka.cz/souteze/louskacek/>

¹⁹⁴ SOUKALOVÁ, Radomila. Role mediální komunikace vysokých škol s veřejnosti. 1. vyd. Zlín: Radim Bačuvčík - VeR-BuM, 2013, 62 s. ISBN 978-80-87500-47-7.

¹⁹⁵ MACEK, J. Nová média. Revue pro media, 2002, č.4 [online], [cit. 2010-05-12], dostupné z http://rpm.fss.muni.cz/Revue/Heslar/nova_media.htm

On-line communication on social networks is based on communication between users. As a rule, users make up the content and they also consume it. Social networks, basically, create only space for communication. If we want to use social networks for effective communication or promotion, it is necessary to respect these basic rules.

The basic principle of information spreading on social networks is going viral with the message. Only sufficiently interesting information is spread among users, friends circles etc. Information dissemination due to the social network functioning can be very fast, but on the other hand its lifetime lasts only hours or days. Social networks are the ideal medium of feedback. The audience can communicate with the author, users can respond to the communicator, they can also share and comment on themes or offer new themes expressing their interest with "I like". The darker side is the fact that communication can also have a negative impact or commentary, which can also have a negative impact on the communicator or institution/college.¹⁹⁶

The world leader in social networking is Facebook¹⁹⁷ which was founded in 2004. Currently, according to the latest annual report July 2013, this social network has 1.15 billion monthly active users.¹⁹⁸ Other networks usually work on a similar principle but they are more some local mutations. The most popular social network in the Czech Republic is Facebook. According to the analytical site zoosphere.com there are 3,945,120 Czech accounts. The latest data show that in the first quarter of 2013, the number of users increased by 3% (it is comparable amount to the previous year). Analytical data of the social networking system socialbakers.com also show that this number represents almost 39% of the Czech population and 55% from the perspective of people active on the internet. Population distribution by gender is almost equal, i.e. 49% male and 51% female. Analytical source Zoomsphere.com¹⁹⁹ also provides important information concerning the demographic distribution of Facebook users in the Czech Republic. The data show that nearly 14% (about 500,000 accounts) of users is aged 16-19 years, i.e. a group representing potential university candidates. Almost 14% are aged 20-24 years, i.e. the age of current university students. Also, another group aged 25-29 years, 17%, can be considered as students, especially in case of extra-mural studies, see figure 41. It is clear from these data that the members of the target group of potential university candidates are intensive users of social network Facebook in the Czech Republic.

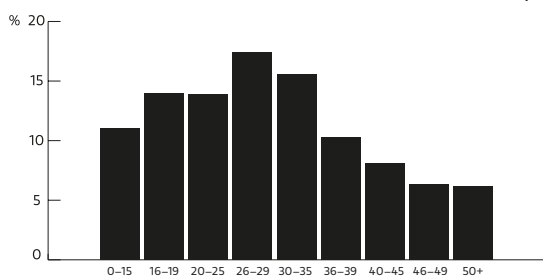


Fig. No.41 Age composition of Facebook social network users (Zoomsphere.com)
Source:²⁰⁰

196 BEDNÁŘ, Vojtěch. Marketing na sociálních sítích: prosadte se na Facebooku a Twitteru. Vyd. 1. Brno: Computer Press, 2011, 197 s. ISBN 978-80-251-3320-0. [26.3.2013].

197 Facebookem. In: Aktuálně.cz: tech.ihned.cz [online]. 2013 [26.3.2013]. Dostupné z: <http://tech.ihned.cz/c159221110-google-plus-je-vetsi-nez-twitter> <http://thenextweb.com/facebook/2013/01/02/>

198 Facebook Reports Second Quarter 2013 Results, 2013, [online], [cit. 2013-03-26], dostupné z <http://investor.fb.com/releasedetail.cfm?ReleaseID=780093>

199 ZOOMSPHERE.COM Facebook Users from Czech Republic. 2013. Dostupné z <http://www.zoomsphere.com/charts/facebook/countries,cz> [26.3.2013].

200 JĚZEK, J.: Strategie komunikace vysokých škol na sociálních sítích, 2013, Diplomová práce FMK UTB ve Zlíně, vedoucí práce Soukalová R.

From the perspective of content, it is also important to monitor what posts (or published content) are most often watched. A study, published on databoutique.cz, see figure 42, shows that half of the posts are published in the photographic form. In the study, there were randomly selected 190 pages with more than 10,000 fans.

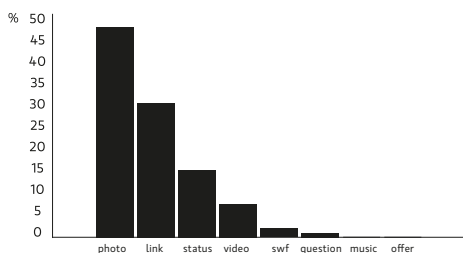


Fig. No.42 Types of Facebook posts (databoutique.cz)
Source:²⁰¹

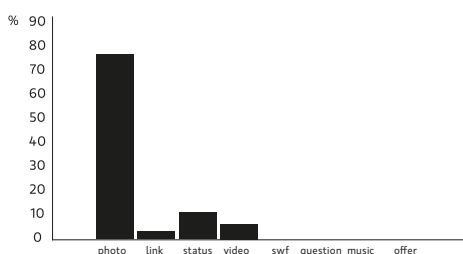


Fig. No. 43 Types of Facebook posts with more than 75 likes (databoutique.cz)

However, sharing itself is not always an adequate indication. From page administrator's point of view, it is also important to monitor fans' interest according to particular posts, see figure 43. In this case, the criterion was to get more than 75 likes on those 190 pages mentioned above. Obvious winners are photos which contain 81% of all successful site updates. The reason why photos are winners is that they are visually more intensive among the posts; they represent an interesting and creative way of communication. Another perspective and often used social network in the Czech Republic is Twitter. Concerning the analysis of data regarding number of users, communicated content, etc., there is a problem with this social network because there is no available unified data yet. Klaboseni.cz, the most respected analytical company of Czech Twitter, says the number of Czech and Slovak accounts is more than 100 thousands. The tools for measuring the number of users are not uniform and therefore it is very difficult to set the corresponding data. To complete the social network topic, it is worth mentioning the popular predecessors of social networks in the Czech Republic which had to give way to the before mentioned networks; these predecessors are Lidé.cz, Spolužáci.cz, Libimseti.cz. However, for the purposes of this study, their analysis is irrelevant.

²⁰¹ JEŽEK, J.: Strategie komunikace vysokých škol na sociálních sítích, 2013, Diplomová práce FMK UTB ve Zlíně, vedoucí práce Soukalová R.

9. MARKETING STRATEGIC PLANNING

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Key words

strategy, strategic marketing, mission and company mission, strategic goals, SWOT analysis, portfolio analysis BCG and GE, strategic business unit, marketing situation analysis, planning stage, realization and control of marketing strategic planning, profitability control, annual plan and effectiveness control, marketing strategies, marketing audit, complexity, systematic character, independence, regularity of marketing audit.

The subject of this chapter is to understand the strategic planning importance and to understand the connections with marketing strategic planning. Subsequently, will get acquainted with the different stages of strategic and marketing planning and penetrate the mysteries of SWOT analysis, marketing situational analysis and portfolio analysis.

Planning is an integral part of strategic management. It is a process determining, on the one hand, the objectives achievable in future and, on the other hand, the procedures and means enabling to achieve these objectives. Strategic planning is mentioned in a complex perspective concerning a company development in relation to decisive activities and general objectives. It is a long-term strategic view of the future overall orientation of the company in constantly changing market situation.

Strategy can have a number of meanings. From the strategic planning perspective, we understand it as a way or idea of how to achieve the organization's goals. We can talk about strategic planning in a timeframe of at least three, but preferably five or more years. The planning must always aim at certain clear objectives. Although goals may be flexibly altered in the course of time, based on internal or external factors, it is still necessary to set clear objectives at the beginning.

Strategic marketing planning²⁰² is part of company strategic planning. Strategic goals are closely related to marketing goals and plans. Plans look for ways to achieve set goals in compliance with declared marketing policy of the company. Strategic marketing can be understood as the process related to analyzing internal and external conditions of the company and competitive factors, formulating corporate strategies and goals, setting marketing goals as well as creating marketing strategies and developing and implementing marketing plans.

9.1 STRATEGIC MANAGEMENT PROCESS

The strategy sets the direction and the extent of organization's activities in the long term. Ideally, it adapts the organization's resources to the changing situation in which the organization operates, i.e. to markets, customers and stakeholder expectations.

Basic strategic planning model

Strategic planning must be a continuous process that begins with the **mission statement** and continues with the **analysis of the company external factors and internal resources**. Based on this, there are identified opportunities and options for the company, taking into account

202 SOUKALOVÁ, Radomila. Strategický marketing: učebni text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

its **strengths and weaknesses**. Based on this, the strategic vision and the final strategic goals are set. Afterwards, there are prepared several alternative strategies drawing from available methods and techniques. The next step is evaluation of these strategies and the choice of optimal strategy based on the given criteria.

Strategic planning is followed by the preparation of short-term plans and tactics contributing to their achievement. They support the implementation of the strategic plan for middle and lower management positions. Strategic planning is a process consisting in formulating the long-term strategic goals of an enterprise or its organizational components in a way that enables to efficiently use the company's resources in compliance with market opportunities. The strategic planning task is to enable a company to gain a competitive advantage and achieve profitable, realistic long-term goals.

Strategic planning requires determining organization mission, meaning of its existence and its current strategic position definition with regard to the external factors. In the next stage, it analyzes the company external factors, competition, internal resources and organization performance efficiency. It is advisable to use SWOT analysis, PEST, etc. Strategic planning must be ensured by top management. Its importance does not allow delegating this activity to lower management positions.

Environment analysis²⁰³

The business environment of the organization (company) consists of all external influences affecting the company decision-making and its performance. The problem, then, is how can managers monitor or independently analyze environmental conditions?

In the context of environmental analysis (even in marketing), the PEST framework is often used. It is the awareness of the political, economic, social, technological and increasingly often ecological factors (PESTE) that affect the external environment of the company. This framework includes, for example, the factors shown in figure 44.

<p>Political factors (e.g.)</p> <ul style="list-style-type: none"> — Antimonopoly regulation — Environmental protection — Tax law — Foreign trade barriers — Access to foreign investors — Government stability — Wage regulation 	<p>Economic factors (e.g.)</p> <ul style="list-style-type: none"> — GNP TrendsInterest rate — Money offer — Inflation rate — Unemployment rate — Devaluation / revaluation — Changes in lifestyle
<p>Socio-cultural factors (e.g.)</p> <ul style="list-style-type: none"> — Career expectations — Consumer activity — Number of new marriages — Age stratification — Birth rate — Regional distribution of population 	<p>Technological factors (e.g.)</p> <ul style="list-style-type: none"> — R&D expenses — Focus on technology — Patent protection — Automation — Technology transfer

Fig. No 44 Factors of external environment analysis Source²⁰⁴

203 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

204 KEŘKOVSKÝ, Miloslav a Oldřich VYKYPĚL. Strategie řízení: teorie pro praxi. 2. vyd. Praha: C.H. Beck, 2006, xiv, 206 s. C.H. Beck pro praxi. ISBN 80-7179-453-8.

This so-called **PEST analysis** contributes to the overall strategic analysis in four ways:

- it can be used as a checklist
- it can help identify a certain number of key environmental influences
- it can help identify long-term “driving forces” or “change triggers”
- it helps to examine the different impact of external influences on the organization

Within the PEST analysis, managers can ask a number of questions; e.g. which environmental factors affect our organization? Which of these factors are currently the most? Which factors will be the most important in the next few years?

Factors affecting the organization in the external environment represent the source of opportunities or threats for this organization.

Sector analysis

The starting point of the sector analysis is the question “What (which factors in the sector) predict the profitability level in the sector?” Profit gained by firms in the sector is determined by three factors, such as value of a product or customer service; competition intensity; relative bargaining power at different levels of the supply chain.

Competitive analysis²⁰⁵

A widely used framework for classifying and analyzing the factors in the industry is Porter’s analysis of 5 competing forces. Each of the five forces is the bigger, the stronger the decisive factor is. **Porter’s Five Forces Model:**

- threat of new entrants-competitors in the sector
- bargaining power of suppliers
- bargaining power of the buyers
- threat of substitutes (substitutes products or services)
- rivalry among existing competitors in the sector

The key factors in the threat of entry of new entrants-competitors are economy of scale, absolute cost advantage (low costs), capital requirements (need for investment), product differentiation, access to distribution channels, legislative barriers and government policy, expected competition measures.

The key factors in the suppliers’ bargaining power are concentration of suppliers, inputs differentiation, costs of switching from one supplier to another, substitute inputs, importance of supply volumes for suppliers.

The key factors in buyers’ bargaining power are price sensitivity (i.e. demand elasticity), product cost versus total costs, buyer competition, product differentiation, purchasing motivation, bargaining power, buyer concentration vs. supplier concentration, cost of switching to another supplier, buyer awareness, ability to integrate with sellers (backward integration), existence of substitutes.

The key factors in the threat of substitutes are cost of switching to new (substitute) product, willingness (inclination) to switch to substitute product, the relative extent of substitute prices

The key factors influencing the rivalry intensity among existing competitors are sector growth, products differentiation, competition concentration, diversity of competitors, cost conditions, exit barriers of the sector, occasional capacity surplus.

²⁰⁵ PORTER, Michael E. Konkurenční strategie: Metody pro analýzu odvětví a konkurentů. Praha: Victoria Publishing, 1994, 15, 403 s. ISBN 80-85605-11-2.

The primary purpose of Porter's analysis (model)²⁰⁶ is to analyze the attractiveness of the sector in order to predict its profitability. The main criticism of the Porter model is related to its theoretical foundations and also to the fact that competing is a dynamic process in which equilibrium is never reached. And the sector structure is also constantly changing.

The emerging industries are sectors in the forming phase. Companies start, they hire people, start running devices and machines, try to expand distribution and get customers. It is necessary to work on product design and on solution of technological problems. A wide range of strategic approaches can be applied as the "rules of the game" are not set yet.

Dynamic markets are characterized by rapid technological changes, short product life cycles, entrants of new competitors, acquisitions and mergers, new requirements and customer expectations.

Maturing industries are characterized by growth slowing.

The fragmented industries are sectors with a large number of small and medium-sized companies (hundreds to thousands), mostly private, with no significant share of total sales in the industry. There are no industry leaders and companies with a large market share.

Portfolio analysis: Market share and market growth²⁰⁷

This analysis is mainly used in marketing (sales management). Its purpose is to evaluate the perspectives of particular products, taking into account the relative market share of the company and the expected product growth. An important point is the analysis of the company Boston Consulting Group. It divides the products into 4 quadrants, see figure 45.

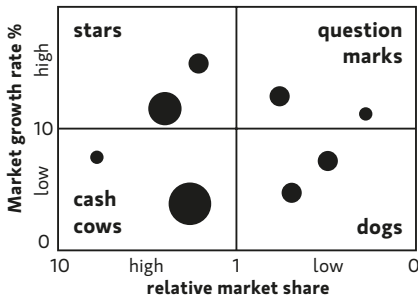


Fig. No. 45 BCG Matrix
Source:²⁰⁸

Question marks — low market share, prospect of rapid growth

— newly launched products into the market. This position is characterized by rapid market growth, but the low market share raises a question of whether products from this quadrant can succeed. In general, these are the products which need investing (advertising, innovation, development, etc.)

Stars — high market share, prospect of rapid growth

— products that are in a high growing sector and have a high market share. Stars usually require a large capital investment to expand their production capacities, and in some cases they can already bring incomes.

206 206 s. C.H. Beck pro praxi. ISBN 80-7179-453-8.

207 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

208 Maticc BCG (Bostonská maticc), 2015, [online], [cit. 2012-06-10], dostupné z <https://managementmania.com/cs/maticc-bcg>

Cash cows — high market share, growth stagnation may be expected

— products in slowly growing markets with high market shares. They earn significant income that can be used for investing in problem areas or cash cows.

Poor dogs — low market share, dampening of product production

— products have a weak competitive position in the slowly growing markets. They do not often produce enough income on their own maintenance strategy. The solution consists in liquidation strategy. Sometimes these are products that are important from the perspective of the company image (they complement the assortment so that the company does not lose customers).

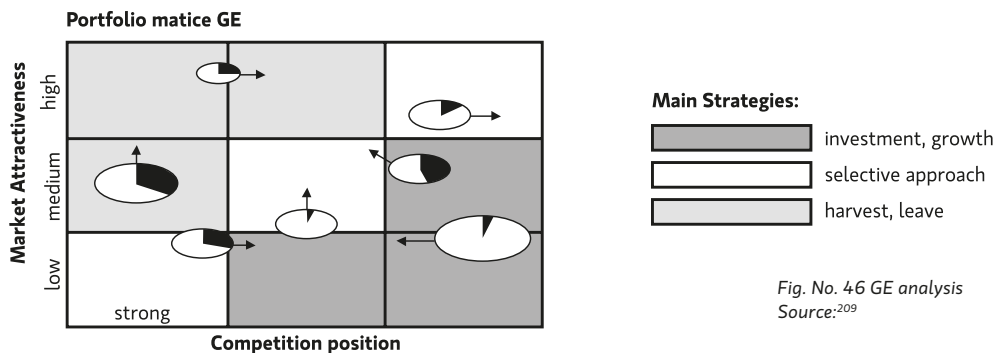
Portfolio analysis: GE (General Electric)

New qualitatively higher aspects of the business evaluation are expressed in the GE model on the vertical axis in the form of so-called industry attractiveness. On the horizontal axis, there is the strength of the business, i.e. its competitive position. Two dimensions offer excellent opportunities for evaluating the company portfolio from a marketing perspective.

Successful will be the company that will be do business in an attractive industry and will have enough strength, i.e. competitiveness in the industry and the effort to succeed in the market. Unless both conditions are satisfied, an organization cannot be successful in its business.

GE is a matrix with nine fields, which is based on the evaluation of the following two factors: the overall industry attractiveness and the business strength (its competitive position), see figure 46 GE matrix portfolio.

Each of these factors consists of other sub-factors. In addition to the GE matrix, there exists also a business life cycle matrix.

**9.2 STRATEGIC MARKETING PROCESS**

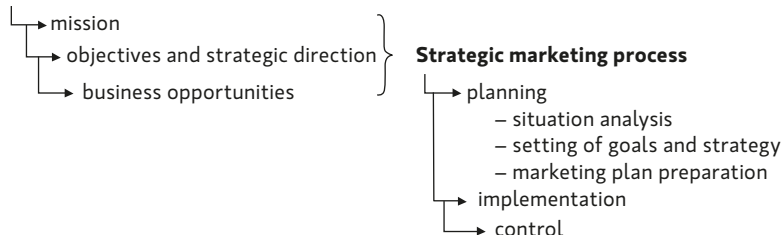
The strategic marketing process is based on basic objectives, mission and strategic management process. At the marketing level, the strategic marketing process takes place in three consecutive stages:

- Planning
- Implementation
- Control

²⁰⁹ Analýza tržní pozice firmy, produktu, 2008, [online], [cit. 2012-06-10], dostupné z <http://www.synext.cz/analýza-trzni-pozice-firmy-znacky-produktu.html>

Strategic management process

Source: 210



Planning Process and Strategy Formulation

Planning process

The main task of planning is to establish and keep a relationship between the set goals of the company and the strategies chosen to achieve those goals.

Planning processes are carried out in the following sequence: Marketing situation analysis, Marketing goals setting, Formulation of marketing strategies, Marketing plan preparation.

Marketing situation analysis — SWOT analysis

The objective of the SWOT analysis is to identify the strengths and weaknesses of the company. The SWOT abbreviation originated from English words:

Strengths — strengths and pluses of the organization

Weaknesses — weaknesses and minuses of the organization

Opportunities — opportunities in the external environment

Threats — threats in the external environment.

This analysis explores the **external environment**, i.e. opportunities and threats and the **internal environment**, i.e. strengths and weaknesses of the company.

Strengths are positive internal conditions allowing reaching superiority over competition. For example, good location of the business, possibility of getting productive inputs at a bargain, skilled workers, etc.

Weaknesses are negative internal conditions that can lead to lower productivity of the company efficiency, e.g. problems with gaining inputs, morally backward machines, unskilled workers, etc.

Opportunities are present or future favourable conditions in production, sales, possibility of obtaining favourable inputs, new technologies, possibilities for export, etc.

Threats represent unfavourable prospects in terms of gaining inputs, sales problems, declining numbers of customers or their purchasing power and so on.

Marketing Goals Setting²¹¹

Marketing goals should be set based on knowledge of customer needs. When identifying them, it is necessary to respect the internal and external limits. It is advisable to formulate and express marketing goals briefly, accurately, clearly and comprehensibly for all business levels. Significant aspect is the possibility of quantifying and subsequently evaluating the achieved objectives in time.

210 SOUKALOVÁ, Radomila. Strategický marketing: učební text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

211 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

In business practice, the goals setting means the expression of marketing tasks in measurable units with defined timetable. Marketing objectives provide answers to the question: What? (what kind of benefit is it), How much? (expressed in units of quantity). For whom? (identification of specific market segments), When? (what time period we are dealing with, short-term or long-term).

Formulation of marketing strategy²¹²

Marketing strategies determine the basic directions of the process leading towards the goals satisfaction. The purpose is to create a favourable market position and to achieve effective results. It is a series of steps designed by the management to achieve a higher performance. The first point is always the sense and purpose of corporate strategic planning. However, it is possible to characterize the basic procedure in formulating strategies: marketing managers respect the mission of the company and follow the basic **corporate strategic direction**, the presumption of good knowledge of **situation analysis results** as the main basis for strategic decision making and they respect the **primary and secondary goals**. The marketing mix is a very common starting point for the formulation of a marketing strategy: **product marketing strategy, price strategy directions, distribution strategy and appropriate communication strategy**. Companies, when formulating a strategy, **may be inspired by Porter's approach, by American economist Ansoff's strategic approach, or by P. Kotler's theory** defining four strategies, where the key criterion is the market position of the firm according to the market share in the industry (market leader, challenger, follower and nicher).

Marketing Plan Preparation

Corporate marketing plans may vary from one another — depending on the business type, size, area or the stage of the company development. The marketing plan presented in this article is a typical example whose individual chapters should be further elaborated according to the business character of the company.

A typical marketing plan for small business should include the following chapters:

1. Overall summary

This chapter introduces the company and its business, and also introduces the main goals and strategies for the period for which the marketing plan is being prepared. At the beginning of planning, it is advisable to outline an idea in this paragraph and then further elaborate it in the following chapters.

2. Situation analysis

This chapter is dedicated to the analysis of the current business situation. There should be a careful analysis of the company and its offer and the current market situation (customers, competition, external conditions). The appropriate materials for these analyzes will be provided by marketing research where the company itself or with the help of an external company searches the necessary information concerning the market. Using the so-called SWOT analysis it is possible to analyse the company position in the market, products or even the quality of company management.

²¹² SVĚTLÍK, Jaroslav. Marketing — cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005, 340 s. ISBN 80-86898-48-2.

3. Marketing goals

In the previous paragraph, the current situation of the company was analysed and now we proceed to planning. Setting the goals actually mean the description of the future company situation. The objectives have to be measurable and evaluable — otherwise there is a danger that the company may not know whether the goal is accomplished or not (example: the well-set goal can be “We will get 50 new customers who will together represent 15% of the total sales”; on the contrary, the goal “Getting new interesting customers” is bad, if you get 5, is it enough or is it too little? And who of those 5 is actually interesting — what are the criteria of his interestingness?). The goals can be related to the sales results (“We will increase the total turnover of the company by 20%”), customers (see example above), position of the company on the market (This year we will gain a 35% market share in the Czech Republic), product (“In May we will launch new innovated product”) etc. It is advisable to focus only on the 3—4 main goals which we want to achieve.

4. Marketing strategy

If situation analysis describes current situation and marketing goals the future, then the marketing strategy determines how we get to that final target situation — i.e. what must be done to achieve the goals. The long-term strategy should include, in particular, the definition of key customers and the way how to work with them. Specific elaboration of the strategy represents the marketing mix:

Products and services: what products we offer, their features and advantages

The way of market positioning, i.e. how the products will be offered, the range of options is very wide. In the case of a commercial company, we can, for example, choose traditional shop, delivery service, direct selling through a sales team or even internet shop. In the case of a manufacturing company, we can choose between direct or indirect selling - to supply the products to distributors, retailers or wholesalers, etc.

Prices: pricing policy determination, payment terms, etc.

Promotion: Depending on the goals, we choose the most appropriate communication mix — we want to ensure that marketing activities realization will lead to marketing goals accomplishment in the most probable and most efficient (with reasonable marketing costs) way.

5. Action programs

This chapter is about developing the strategy into concrete activities and tasks. Most activities will relate to customer communication; but other tasks resulting from the analysis and marketing mix may also be included. For each activity, it is important to describe as precisely as possible: what is to be done; what is the goal of the activity (important: once again, the most accurately, it is necessary to evaluate the goal achievement); who is responsible for the activity; prepare the work schedule — when the activity starts and when it ends; determine the expected marketing costs.

6. Budget

Concerning the budget, it is necessary to determine the expected marketing costs, or eventually marketing sales (e.g. we will provide an advertising space in the business premises). Marketing costs will consist of the marketing activities costs (see point 5); if we need to have a total overview concerning the sales and marketing expenses, we can include sales team costs and administration related to sales and marketing.

7. Measuring and controlling system

This chapter describes how and in what intervals we will evaluate the results regarding the marketing plan goals fulfilment. The evaluation should be done at least quarterly, but it is recommended to do it once a month. If we evaluate the marketing plan monthly, we will prepare the annual sales and marketing goals in the form of particular goals for each month.

8. Attachments

Marketing plan can be completed with reports, charts, results of marketing researches, organizational schemes, etc. These materials can be found in the attachments.

Finally, it is necessary to submit the plan to a detailed examination of whether all of its parts are completely consistent — whether they create a logical whole plan, whether the particular activities are in the right order, whether the marketing costs are proportionate to the planned increase in turnover and profits, whether there are available all resources necessary for activities implementation. Briefly, whether the plan represents a demanding but realistic and viable model of a company development regarding its near future.

Implementation process

Implementation means concentrating on activities that lead to the set goals. The tasks are accomplished through specific implementation plans. Strategies should be described in particular implementation activities, i.e. in individual daily operative actions. It is necessary to specify the work schedule, tasks and quantification scale. Emphasis is put on the organization of individual activities, which should be reflected in the managers' work and in the company results. For the successful implementation of the marketing plan, the following requirements must be met:

To work systematically with constant attention of company management and particular strategic business units. The managers' presence is also appropriate for the implementation of specific tasks. And then the gained knowledge and experience come directly to the company management.

To use maximally expertise, professional skills and experience of people involved in marketing strategy implementation.

To perceive and respect the corporate culture and work style of management.

Ability to adapt the marketing plan to changing conditions, ability to react flexibly to situations that occur during the implementation of strategic steps.

Control stage²¹³

The control stage of the strategic marketing process comprehensively monitors and evaluates the results of the marketing effort in the company. It monitors how and to what extent the objectives have been met. If they are not fulfilled, this stage investigates the failure causes and identifies the differences and their consequences.

It is not just resulting control but it consists also of activities control and their guidance during the whole process. The strategy success is verified by a control process in two key areas:

Control focused on monitoring the initial assumptions — verifies that the chosen strategic direction is correct, determines whether the activities are oriented to the set basic goals, and verifies that the performed activities are the right ones.

213 SOUKALOVÁ, Radomila. Strategický marketing: učební text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

Control focused on the actual strategic plan implementation — identifies and compares the actual achievements with the planned ones, verifies the suitability of the proposed procedures and their possible modification according to the current conditions, proposes the necessary change in marketing implementation activities.

Various approaches can be used to evaluate the marketing effort performance. The subject of the evaluation is usually the amount of sales volume, costs and profits; this evaluation is made through analysis of sales volume, costs and profit.

Sales volume analysis shows sales achieved in a certain period of time.

The analysis can be done by monitoring:

sales volumes — planned and actual sales are monitored and compared, as well as regional sales, sales in different market segments, sales made by different distribution channels or vendors and also in different time periods

market share — reflects the sales volume of a particular product of the firm compared to the total sales volume of this product in the given sector

relative market share — compares the sales volume of the company to its largest competitor.

Cost analysis solves problems with the amount of the cost invested in selected strategies, it is necessary to classify specific costs for individual marketing activities (costs of sales promotion, advertising, storage...)

Profit analysis deals with profit measurement and evaluates the profitability of products, product lines, particular segments, sales areas and distribution channels. Profit is not usually identical and its development is the basis for deciding about the next step, i.e. maintaining, expanding, reducing or eliminating the particular products.

9.3 CONTROL AND EVALUATION OF MARKETING ACTIVITIES²¹⁴

In the process of implementing marketing strategy plans, various unpredictable situations can arise and therefore it is necessary to constantly monitor and control the course of particular marketing activities. Marketing activities can be monitored and controlled in terms of four levels: **annual plan control, profitability control, effectiveness control, marketing strategy control.**

We can use two ways for marketing strategy evaluation: **marketing effectiveness evaluation** from the perspective of key factors such as customer-oriented philosophy, integrated marketing organization, adequate marketing information, effectiveness of individual activities. And the second way is **marketing audit** providing a more in-depth control of the individual activities.

Marketing audit definition by P. Kotler.²¹⁵

"... it is comprehensive, systematic, independent and periodic examination of company's marketing environment, objectives, strategies and activities with a view of determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance."

214 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733 [45] p. ISBN 0131457578 S.692

215 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733 [45] p. ISBN 0131457578 S.692

For marketing audit are characteristics the following points: **comprehensive, systematic, independent and periodical.**

Marketing audit examines 6 main components:²¹⁶

- **marketing environment audit:** macro-environment and micro-environment
- **marketing strategy audit:** mission, goals and strategy
- **marketing organization audit:** formal structure, job performance, effectiveness of cooperation
- **marketing systems audit:** marketing information system, marketing planning, marketing control, new product development system.
- **marketing productivity audit:** analysis of profitability and efficiency
- **marketing function audit:** products, price, distribution, communication, sales force.

216 SOUKALOVÁ, Radomila. Strategický marketing: učebni text. Vyd. 1. Zlín: Univerzita Tomáše Bati ve Zlíně, 2004, 118 s. ISBN 80-7318-177-0.

10. ANALYSIS OF COMPANY COMPETITORS

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Keywords

Porter's five-factor model, brand competition, industry competition, form competition, generic competition, monopoly market position, oligopoly, perfect competition, entry and mobility barriers, exit barriers, vertical integration, competitive perceptual mapping.

From the management perspective, we will deal, in the following chapters, with the issues that need to be solved in relation to recognition and identification of competitors. Why do you have to know and deal with your competition? Thanks to the strong expansion of foreign firms and the strengthening of EU positions, a competitive fight has intensified in the 1990s. The number and strength of competitors are steadily growing and more and more goods are produced in the eastern parts of the world, which brings an increasing number of products to more developed countries. At this time, IT has been dynamically developing and equally the importance concerning customer information, competition and marketing planning has been growing. Companies have to compete on the market and have to deal with competition issues.

10.1 WHAT TO KNOW ABOUT COMPETITION

At present, forethoughtful companies set up and use different systems to collect information about their competitors and dedicate considerable effort and resources to these activities. A basic overview about competition can be obtained by analyzing the competitive environment using **Porter's 5 forces model**,²¹⁷ which perceives the entire market environment as a competitive environment. The five key factors include: sector rivalry or competition, potential entrants, competitors can be customers, suppliers and substitution products, see chapter strategic planning. However, in the context of competitive fight, we must continually focus on price, quality and efficiency of distribution channels and evaluate competitors' promotion. We should find out about the competition as much as possible, for example, **who** are the main competitors, what are **their strategies, goals, strengths and weaknesses** and how **their reactions** can be expressed. We should find out about the competition the maximum amount of information and it is only up to company management capabilities and needs how much and how valid information they will find. Even from this perspective, marketing ... is a creative science because the method of analysis is related to the creativity and the manager's art of combining different analytical approaches in the competitor analysis.

Who are the competitors?

Competitors can be perceived from many points of view. Within the entire market environment, we can see them as **brand competitors, industry competitors** (all automotive manufacturers), **form competitors** (all who meet the same needs) and **generic competitors** (all who fight for the customer's money).

Industry and market conception of competition

Industry is a group of companies offering products that can be easily replaced by substitute products with high demand elasticity. It is important to know and understand the industry

217 KEŘKOVSKÝ, Miloslav a Oldřich VYKYPĚL. Strategické řízení: teorie pro praxi. 2. vyd. Praha: C.H. Beck, 2006, xiv, 206 s. C.H. Beck pro praxi. ISBN 80-7179-453-8.

dynamics. The main **criteria how to get to know the industry include** the number of vendors and differentiation degree, barriers to entry and exit, mobility barriers, cost structure, vertical integration and the degree of globalization.

Knowing the number of vendors and the differentiation degree can determine whether the offer is homogeneous or highly differentiated. This implies five types of industry structure, i.e. monopoly, oligopoly, differentiated oligopoly and monopolistic competition. The competitive structure in the industry is not stable and market trends may change.

The barriers to entry and mobility are characterized by the degree of difficulty to enter the industry and the ability to move in this industry. The main barriers to entry are high capital requirements, need to obtain patents or licenses, territorial conditionality, raw materials, etc. Mobility barriers need to be continually solved and overcome even after entering the sector.

The barriers to exit can be characterized by the degree of difficulty to leave the industry. The ideal situation happens when you can leave the industry without any problem. As a rule, there are significant barriers to exit: commitments towards employees, creditors, customers, government measures, and also emotional barriers. It is usually in the interest of all companies to reduce or eliminate the exit barriers as much as possible, such as offering redemption, meeting commitments, etc.

Each sector has its own specific **cost structure**. The main focus is on the largest company costs with the aim of reducing them as much as possible.

In many sectors there is perspective **vertical integration** bringing engagement to multinational chains. This leads to cost reductions and value flow control is better.

The degree of globalization brings information about the local or global importance of the industry and its competitors.

The market conception of competition focuses on companies that meet the same need. It means that we can identify a wider group of competitors who meet the same need. For identification serves the so-called competitive perceptual mapping²¹⁸, i.e. a competitive map analysing and identifying the strength of customers.

Identification of competitors strengths and weaknesses

It is based on collecting information about competitors and their businesses, i.e. information concerning sales, market share, profits, return on investment, turnover, investment and utilization of production capacity. Information can be collected from primary and secondary sources. Significant meaning and predictive value have information from customers informing about market share in relation to other competitors, about perception share or share of popularity.

What reaction can be expected from competitors?

A competitor who assumes the loyalty of his customers does not respond to competitors; (he is a careless competitor). A selective competitor reacts only to certain types of attacks he considers dangerous. In practice, we meet a competitor responding to any threat quickly and emphatically; (the so-called competitor — tiger). The reactions of some competitors cannot be predicted, sometimes they react and sometimes they do not react at all. These competitors operationally evaluate the market situation and respond according to current options (capacity, finance).

218 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

What are — competitors' goals?

When determining the goal, it is necessary to consider whether the company activities will focus on competition or customer. It is convenient when the company is reasonably oriented towards both, customers and competitors.

What are competitors' strategies?

The company strategy in a competitive market can be assessed according to its current position in the target market.

10.2 MARKETING STRATEGIES PROPOSING

In the context of competition monitoring, companies can also evaluate the strategic position of competitors on the market, which will serve to better assessment of the competitors' reactions. Knowledge of competitors' strategies is related to their typical market behaviour and its typical features are described in strategic marketing theory.²¹⁹

The company strategy in a competitive market can be evaluated according to its current position in the target market. Idealized market structure can be seen in figure 47.

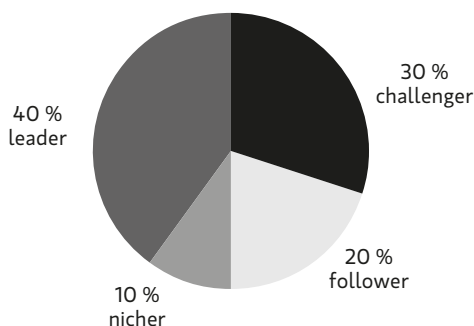


Fig. No 47 Idealized Market Structure
Source²²⁰

Market leader strategy

The market leader is the company with the largest market share which brings new products and innovations, influences the competitors by motivating them to implement innovations, affects distribution channels and promotion. In order to maintain the market first position, the company must look for ways to **increase overall market demand, protect its existing market share** (defence strategies), and keep trying to **maintain its market share**. To expand the overall market, it is possible to search for new users, find new uses of the product and expand products. For maintaining the first position it is also promising to search for new target markets from a demographic and geographic point of view, for possibility of re-using the product or causing its higher consumption. For leaders, the best defence is the continual product innovation, innovations in provision of supplementary services and in increasing distribution efficiency. Leaders use defensive strategies against competitors to maintain their positions, not only to maintain but also to strengthen this position in the market. *"The best defence is an attack"*.

219 KEŘKOVSKÝ, Miloslav a Oldřich VYKYPĚL. Strategie řízení: teorie pro praxi. 2. vyd. Praha: C.H. Beck, 2006, xiv, 206 s. C.H. Beck pro praxi. ISBN 80-7179-453-8.e

220 SOUKALOVÁ, Radomila. Studijní opory: texty pro studující v kombinované formě : magisterský studijní program : medal a komunikační studia. Vyd. 1. Zlín: Univerzita Tomáše Bati, 2005, 225 s. ISBN 80-7318-322-6.

Market challenger strategy²²¹

A company as a market challenger tries to attack the leading firm and other competitors with an effort to try to win their market share. When deciding about strategic goals, the market challenger deals with the question of **“Focusing on a competitor or eventually which competitor.”** The strategic thinking of challenger consists in three possible choices. It is possible to choose a strategy of **attacking a leading company** — it is risky but profitable; strategy of **attacking an equally large company** that makes mistakes and does not have sufficient funds, has outdated products and high prices. The following possibility is **attacking small local businesses** that make strategic mistakes and have no money. Attack strategies can take various forms, such as price discount strategies, cheaper goods strategies or prestigious goods, strategy of launching several new products, product innovation strategies, service improvement strategies, distribution innovation or strategy of intensive advertising campaigns.

Market follower strategy

A market follower, in their competitive fight on the market, wants, in the first place, to follow the leading company and does not try to fight for the first position. His or her effort is to keep his market share and s/he does not want to take risks. Market follower is very often the target of the challengers' attacks; he or she must not be passive in the competitive fight but it is necessary to look for ways that do not cause strong competitors feedback.

The follower may use various approaches to the competitor. The strategy of **“hidden adversary”** represents product copying and selling on the “black market”, strategy of **“parasite”** occurs in cases when follower imitates products, advertising, packaging and character and company symbols. Another possible strategy is **imitation**, which consists in copying some elements while the other elements are different (packaging, prices, advertising). This behaviour does not usually jeopardize the leader but sometimes it can lead to a weakening of leader's brand image or even to the registered trademark abuse. The follower often takes inspiration from already finished products; he modifies and offers them on other markets. In practice, the follower usually becomes the challenger. The follower's position on the market can be generally characterized by smaller profits as he does not bring any new ideas, no innovations. In any case, the followers have their place on the market because their offer is attractive for other target groups than those of market leaders.

Market nicher strategy

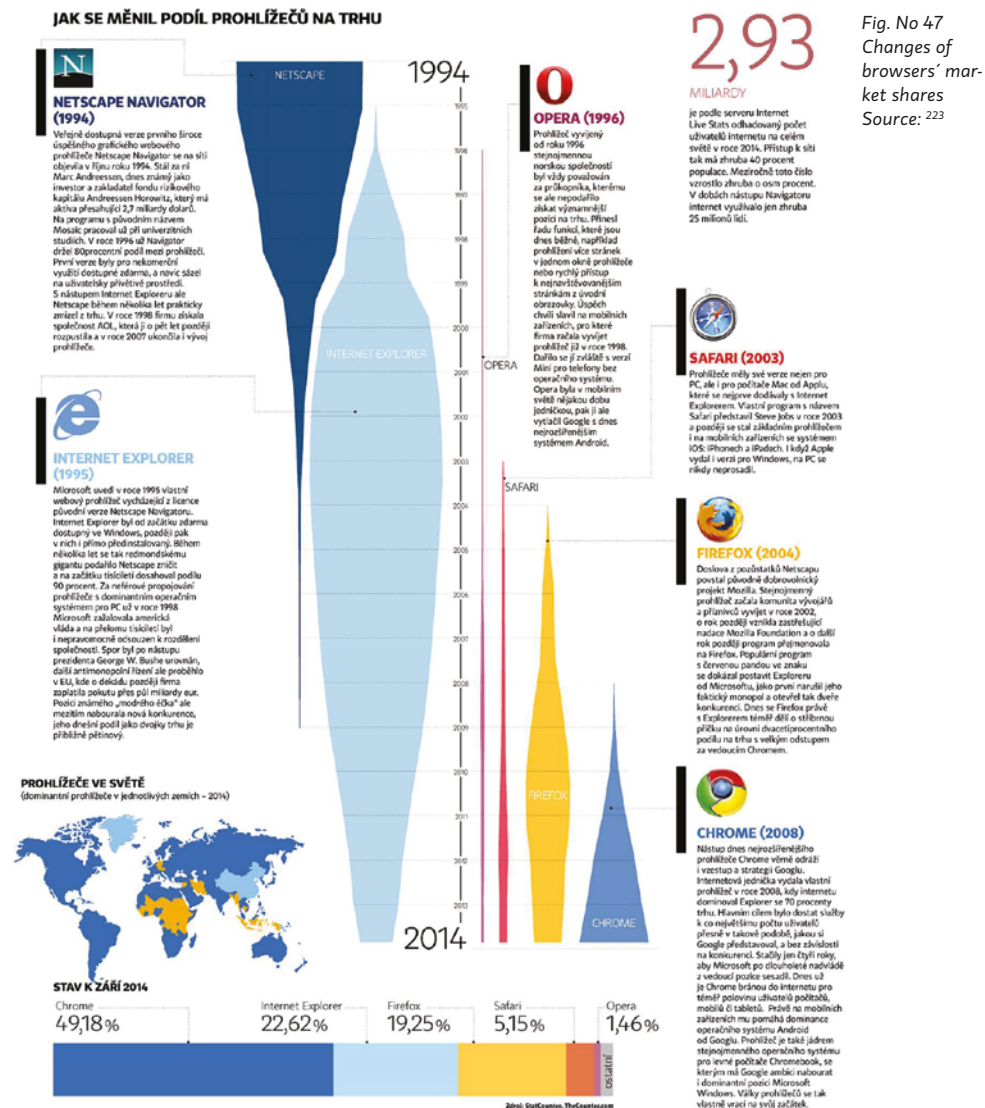
The market nicher focuses on finding niches on the market. This strategy is applied primarily to a market that is small that is why it is not occupied by an important large company. Although it is a small segment typical of its specialization, it can be very attractive and profitable for smaller specialized companies called **nichers**. Their strategy consists in offering high consumer value and high sales culture with high level of company performance. The market nicher knows his or her segment very well and is able to fully meet its needs. The high added value corresponds to the higher price. The nichers' main task is to create, expand, maintain and defend their niches on the market because these are their customers. Nowadays, thanks to the globalization, there is a great risk of new and new entering competitors and the risk of niche extinction.

221 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

PRACTICE EXAMPLE²²²

20 years ago the browser war began

How can the company strategic position in the market change in terms of time and technology development? 20 years ago, the duel known as the “browser war” began with the first Internet browser release. This war left behind destroyed Netscape, a nearly fragmented Microsoft, and eventually it can lead to the defeat of Windows by Google, see figure 47.



222 Před 20 ti lety začala válka prohlížečů, 2014, [online], [cit. 2015-06-15], dostupné z <http://archiv.ihned.cz/c1-62942380-pred-20-lety-zacala-valka-prohlizecu>

223 Před 20 ti lety začala válka prohlížečů, 2014, [online], [cit. 2015-06-15], dostupné z <http://archiv.ihned.cz/c1-62942380-pred-20-lety-zacala-valka-prohlizecu>

11. MEASURING, ANALYSIS AND DEMAND FORECASTING²²⁴

https://doi.org/10.7441/978-80-7454-865-9_11

Key words

demand measurement conception, market measurement, available market, qualified market, target market, penetrated market, market demand, company demand, market potential, company potential, environmental development forecast, sales forecast in industry.

The following chapter continues with the topic of strategic marketing. The aim is to know the ways of measuring and forecasting demand, how to measure and analyze the market related to supply. Demand estimation is closely connected with ways and methods of estimating current market and company demand.

11.1 MAIN CONCEPTION OF DEMAND MEASUREMENT²²⁵

The basis of the demand measurement conception is to create a large number of market estimations which must be made from the perspective of **3 levels: 6 product levels** (product item, product form, product line, company sales, industry sales, total sales), **5 space levels** (customer, territory, region, country, world) and **3 time levels** (short, medium and long-range forecasts), see figure 48.

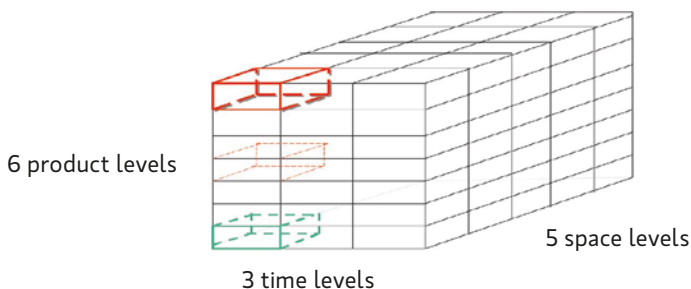


Fig. No. 48 Market Estimation Methods
Source: modified²²⁶

11.2. HOW TO MEASURE THE MARKET

The market has to be understood as the set of all real **potential buyers**. Market size depends on the number of customers who have the following features. They are interested in buying, have sufficient income and have access to the purchase. It has to be based on the experience "If one of the ten addressed customers is interested in purchasing, i.e. that about 10% really wants to make a purchase. A set of customers interested in purchasing and have enough income and access is the so-called **available market**. Gradually, when we measure the market, we identify the **qualified available market**, i.e. the sum of customers who have interest, income and access and qualifications for a particular offer. The **target market** is part of the qualified available market the firm chooses to pursue. The group of customers who have

²²⁴ Based on publication by KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

²²⁵ KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

²²⁶ SOUKALOVÁ, Radomila. Studijní opory: texty pro studující v kombinované formě : magisterský studijní program : medální a komunikační studia. Vyd. 1. Zlín: Univerzita Tomáše Bati, 2005, 225 s. ISBN 80-7318-322-6.

already made the purchase is very important for the company; it is the so-called **penetrated market** that already has experience with the purchase.

11.3 BASIC TERMS OF DEMAND MEASUREMENT

To understand the ways and logic of demand forecasting, it is necessary to get acquainted with the terms related to **market demand**, i.e. demand function, market demand forecast, market demand potential and **company demand**, i.e. company demand forecasting and company demand potential.

Market demand is the amount of goods that customers want to buy at a certain price and corresponds to a company marketing expenditures at a certain level. (I recommend repeating the market mechanism function, demand and supply function see marketing and economics basis).

Market potential is the limit which the market demand approaches if the industry marketing expenditures (for given marketing environment) are close to infinite. In the period of **prosperity**, the market potential is greater, in the **recession**, the market potential is smaller. Individual firms can influence the market potential with the amount of marketing expenditures (see figures 49, 50).

The **company forecast** is the expected level of company sales according to the chosen marketing plan and the predicted marketing environment. When forecasting the company demand, we cannot proceed only from the sales forecast, but also from the marketing expenditures plan. The terms of sales quota and budget are related to the company forecast. The **sales quota** is the sales goal set for given unit; it is usually set higher than the estimation. The **sales budget** is an estimation of the expected sales volume, taking into account the sales forecast; it is usually lower than the company sales forecast.

The **company potential** is the limit approached by company demand when its marketing efforts are bigger than the competitors' efforts.

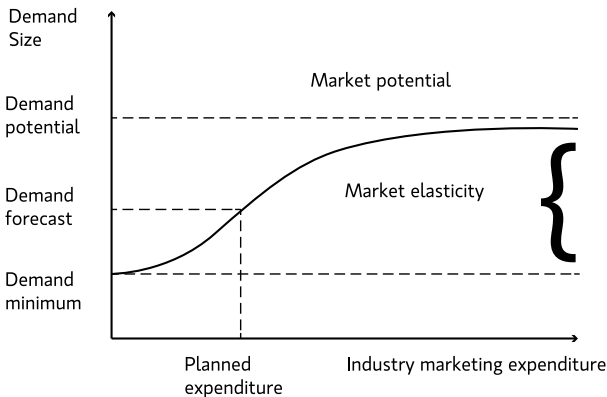


Fig. No. 49 Market demand in the specific period
Source: 227

11.4 ESTIMATING CURRENT DEMAND

The main issues that need to be dealt with are estimation of **total market potential** and subsequently estimation of **area market potential**. According to the results, it is necessary to determine the **total sales** and **market shares** of the company.

227 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

The **company total potential** is the maximum sales volume that can be achieved by all companies in the area in a certain period of time. From this, it is possible to determine the **area market potential**; it must also be based on fundamental statistic data such as average revenues from company sales, etc. The purpose of determining the area market potential is to identify the “best” areas (in conformity with strategic objectives).

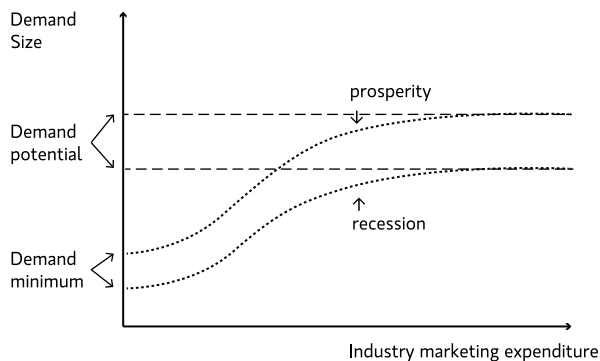


Fig. No. 50 Market demand during prosperity and recession
Source: modified²²⁸

When estimating sales and market shares, it is necessary to identify the competitors and estimate their sales size. Various industry associations collect and publish the total sales in the industry, from which companies can be estimated. It is also appropriate to use marketing research companies that study and research the given industry.

11.5 ESTIMATING FUTURE DEMAND

Estimating future demand is simple for products that are consistent with trend developments because their demand is almost constant. For most companies in the market, demand is not constant and therefore it is necessary to make a quality forecast. For estimating future demand, it is possible to use the “**Three-Stage Method**” or the “**Past-Sales Analysis**”.

The **Three-stage method** is based on three basic steps:

- **environmental forecast**: forecasts of inflation, unemployment, interest rates, etc., and estimate of GDP
- **industry forecast**: follows on from the previous stage
- **company sales forecast**: is derived from the forecast of the industry development; the basis is the assumption of an achieved market share.

The Three-stage method is based on the acquisition of information obtained from customers, closest environs, sellers and experts, whose attitudes characterize the **current situation**. Different statistical processing provide information about **customers’ past behaviour**. Significant information concerning the customers’ future behaviour will be obtained by trial product placement on the market and by analyzing the customer response.

Past-Sales Analysis Method is supported with information about the past sales. This method accepts the development in time in terms of development trends, seasonality; it also permits the effects of extraordinary events that can fundamentally affect the future sales.

228 SOUKALOVÁ, Radomila. Studijní opory: texty pro studující v kombinované formě: magisterský studijní program : medaIn a komunikační studia. Vyd. 1. Zlín: Univerzita Tomáše Bati, 2005, 225 s. ISBN 80-7318-322-6.

12. DEVELOPING AND LAUNCHING NEW PRODUCT, INNOVATION

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Key words

New product categories, acquisition, ideas creation, product evaluation, product conception, conception testing, business analysis, commercialization, consumer adoption, innovation.

The following chapter provides the readers basic issues related to the new products development and their innovations. New product development is a process that is very demanding for every company. Innovations are typical of current markets. Thanks to incredibly fast development, for example in IT, the product life cycle is significantly reduced and that leads to accelerating innovation process.

12.1 METHODS OF NEW PRODUCTS ACQUISITION

As a rule, every successful company care about the new products development. Customers desire new and new products, and competition strives to best meet their wishes. Methods how to make new products are numerous, such as acquisition (one company buys another company), purchasing a patent from another company, purchasing a product license, developing in its own R&D departments, assigning the development to specialized researchers or university development departments.

According to product novelty, there are **6 categories of new products**:^{229 230}

- **new-to-the-world products** that create completely new markets
- **new product lines** with which the company first enters the existing markets
- **addition to existing product lines**, i.e. new products by which companies complement their product lines
- **improvements to existing products**, these products have better characteristics and bring higher consumer value
- **repositioning**, i.e. existing products are brought to new markets
- **cost reductions**, i.e. new products that have lower costs but the same characteristics.

Experience shows that less than 3% of new products are new-to-the- world products (and the percentage is constantly decreasing).

Problems in new products development. The new products development is risky. As a rule, about 75% of new products fail during its introduction. Reasons for failure can be different: the idea is good but the market potential is small; imperfect implementation of new products; inappropriate placement on the market; development costs higher than planned; strong rival in competition.

The **new products success** may be jeopardized by the lack of new significant ideas; social and government constraints; financial demands; development times shortening; product lifecycles shortening.

Organizing the new ideas development is the responsibility of TOP management that makes decisions about the research budget and solves the question whether to finance all projects or to act on competition or according to the fact what finances the company has available. The

229 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578

230 SOUKALOVÁ, Radomila. Studijni opory: texty pro studující v kombinovane formě : magistersky studijni program : medalni a komunikačni studia. Vyd. 1. Zlín: Univerzita Tomáše Bati, 2005, 225 s. ISBN 80-7318-322-6.

product development organization is managed by product managers who, because they are very busy, often only propose expanding the existing product lines. New product managers are generally inferior to product managers and have the authority to develop new products. New products are evaluated and approved by the commission for new products and designs. The luxury of having new product department is only for large companies. These departments are responsible for proposal evaluations and work closely with the R&D department.

12.2 MANAGING NEW PRODUCT DEVELOPMENT PROCESS

New products development goes through different stages according to the nature of product and target group for which it is designed; according to its production and difficulty of market adoption.

Stages of new product development

Ideas creation. In the first stage, TOP Management plays a significant role in specifying the products and markets that they need to focus on or where to find new ideas.

We can get the ideas from customers by questioning and observing, from researchers, technicians, designers and employees, very often these are successful ideas. Ideas can also be drawn from our competitors by exploring competitive products or by finding out information from our distributors, sales representatives or suppliers. The main task of TOP management in the innovation and development process of new products is to create a motivating environment for the employees' new ideas.

Techniques of new ideas creation. In the second stage, there is created a list of features, i.e. a list of the main features of an existing product and from that there are created various modifications, for example, a list of subjects examining the interrelationships and connections leading to new product development; needs/problems identification, i.e. questioning the customers' needs, problems and ideas or brainstorming²³¹, i.e. creative group thinking, 6 to 10 people thinking about as many ideas as possible. It is one of the techniques developing creative thinking.

Ideas evaluation. The third stage consists in ideas evaluation. These are generally divided into 3 groups: promising ideas (these are proceeding), marginal and rejected ideas. A major risk in the evaluating process is a false denial or a wrong approval. This can lead to the development of unsuccessful products which brings: absolute failure and great loss, partial failure where most of the costs are covered or relative failure, i.e. the expected success has not been achieved. The company continues evaluating the ideas according to established criteria and methods, e.g. by using the index method (i.e. determining the importance and the level of particular factors).

Concept development and testing. The next stage continues with the product concept development process. The concept represents the new product specification in the sense of: WHO will use the product, WHAT benefit it will provide, WHEN it will be used (opportunities).

These concepts represent the category concept, i.e. the particular concept position. This is further elaborated on the brand concept, there is made a positioning map showing the current position of existing competing brands on the market.

Furthermore, there is the concept testing, i.e. verification of the suitability of the product features through the target customers group reactions. Testing is done in symbolic or physical form, sometimes virtual techniques can also be used. It is possible to use also the conjoint

231 Brainstorming, slovník cizích slov, [online], [cit. 2014-05-15], dostupné z <http://slovník-cizich-slov.abz.cz/web.php/slovo/brainstorming-1>

analysis method, i.e. the determination of utility values to which customers attribute levels and further assessments.

Strategy determination. This stage focuses on preparing a marketing strategic plan to introduce the new product into the market. The strategic plan describes the target market's size and behaviour, product positioning, sales, market share and economic goals, price planning, distribution and marketing budget, long-term sales, profit goals and marketing mix.

As part of **business analysis**, experts evaluate the attractiveness of proposed changes and new products. Analyses must be made in terms of first sales estimation, re-sales estimation, cost and profit estimation, and more.

Product development. Up to now, the product only existed in verbal, symbolic or virtual form. Now there will be produced a prototype²³² which will be tested (functional tests) or modified in its structure or technology. At the same time, there is conducted consumer testing according to the product type (e.g. the product samples are given to selected consumers to use them).

Market Testing. This penultimate stage purpose is to find out how customers respond to the handling, use and repeated purchase of the new product. The testing extent depends on investment costs, risk, time and other factors.

The final stage of commercialization deals with the decision concerning the product launching. It deals with the high marketing costs issue. At this stage, it is necessary to consider:

- when to enter the market (timing): first entry (the first mover advantage; there is no time for the product fine-tuning), parallel entry or late entry (here we can avoid imperfection and find out how big the market is)
- where (geographic strategy)
- to whom (target markets): these are those who quickly adapt, they are strong users, respected by others (their opinions)
- how (what introductory marketing strategy will be used) : critical path scheduling — new product launch model, budget, schedules for individual activities implementation.

12.3 CONSUMER ADOPTION PROCESS

New products must be offered to those customers who are able to adapt quickly. The **adoption stages** can be characterized by **awareness** (the consumer is aware of the innovation but do not have information about it), **interest** (the consumer has the incentive to seek information), **evaluation** (the consumer is considering whether to try the innovation), **trial** (the consumer tries and discovers the consumer value), **adoption** (the decision to use the new product).

Approaches to individual innovations are characterized by the consumers' willingness to accept innovation. We have so-called **innovators** — 2.5%, **early adopters** — 13.5%, **early majority** — 34%, **late majority** — 34% and **laggards** — 16%. These groups correspond to shopping groups in each stage of the product life cycle.

The influence of the adoption process features has the following tendency: the more relative benefits are perceived, the faster the adoption will be. The **adoption process is influenced** by different attitudes of the consumers to try new products and by their strong personal influence. Innovators are usually the opinion leaders who are able to influence other consumers.

232 <http://slovník-cizich-slov.abz.cz/web.php/slovo/prototyp>

The adoption process is also influenced by the product's properties, more specifically by so-called adoption rate ("how fast it gains a toehold"), compatibility, complexity, divisibility and communicability. The company can make the adoption process easier for the consumer through various promotional activities such as product testing, demonstration events with competitive themes, etc. The question is how much funds the company can or wants to provide for the consumer adoption process.

13. NEW TRENDS IN MARKETING CONCEPT

https://doi.org/10.7441/978-80-7454-865-9_13

Key words

Guerrilla marketing, viral marketing, banner advertising, optimization

The last chapter returns a bit to the publication beginning. We will again deal with different marketing approach forms, but not from a historical perspective but from the perspective of new approaches that are literally “attacking” the classic marketing approaches. A creative marketer can use their synergy effect by combining both classic and modern marketing approaches. However, there is not a rule that new trends in marketing concept are related only to the IT and new media development.

13.1 GUERRILLA MARKETING

“Guerrilla marketing is a special (unconventional) marketing form (e.g. shocking, extravagant, controversial...) which does not use traditional media types (or they are used but non-traditionally). The goal is to achieve maximum effect from minimal resources.

One of the guerrilla marketing hallmarks is its low cost and that is the reason why it is mainly used by smaller companies (with lower advertising budgets) which cannot compete with large advertisers. However, big contract owners are also willing to play on guerrilla.

*Sometimes guerrilla marketing is described as an offensive marketing because it sometimes uses aggressive campaigns. Its tactic lies in three steps: strike unexpectedly, focus precisely on selected goals and pull immediately back”.*²³³

The guerrilla marketing purpose is courageous creativity, good relationships with customer, and the readiness to try different approaches.

Guerrilla marketing 12 tactics²³⁴

The guerrilla marketing basic principles can be derived from the experience of Jay Conrad Levinson, president of **Guerrilla Marketing International** association and North California educator who talks about guerrilla marketing 12 tactics:

1. Guerrilla marketing, as opposed to traditional marketing, considers **time, energy and imagination** as the main investment.
2. Guerrilla marketing is particularly applicable in **small companies** where the philosophy of the account balance raises the small company chief’s dreams and fantasies more than the idea of big money.
3. Traditional marketing measures success through a complex way of evaluating sales, fast return on investment, interest rates, storage and transportation while guerrilla marketing is interested only in **profit**.
4. Guerrilla marketing cannot afford any erroneous estimation and therefore it uses **psychology and human behaviour principles**.
5. Unlike traditional marketing, the guerrilla diverges from the diversification of the offered goods or services and is only interested in what attracts the customer’s **attention**.

²³³ Mediální slovník, Querilla marketing, [online], [cit. 2015-10-13], dostupné z <http://www.mediaguru.cz/medialni-slovník/guerrilla-marketing/>

²³⁴ Levinson, J.C.: Guerrilla Marketing, <http://gmarketing.com/What-Is-Guerrilla-Marketing?>, [online], [cit. 2015-10-13], dostupné z <http://gmarketing.com/>

6. Guerrilla marketing aims to grow business in a **geometric** perspective. And that means it focuses on more transactions with existing customers.
 7. Traditional marketing requires seeking ways to discourage competition, while guerrilla marketing allows the possibility of **cooperation** with competitors and mutual support with the aim to reach profit, even if only temporarily.
 8. Traditional marketing promotes either by advertising or direct advertising via mail or web, while the guerrilla marketing admits the **combination** of all promotion forms.
 9. According to the traditional marketing version, the company should calculate, at the end of the month, how much sales have been made, while guerrilla marketing focuses on how many and what **relations** are established each month.
 10. Unlike traditional marketing, guerrilla marketing **accepts** today's technology as it is simple, cheaper to buy and unlimited in use.
 11. Traditional marketing admits several tools helping to improve business and all of them are relatively costly, while guerrilla marketing identifies at least a hundred ways to **increase profits** and half of these are for free.
 12. Traditional marketing intimidates many small business owners as it is shrouded in mystique and complexity, while the guerrilla marketing **eliminate the mystique** and exposes marketing exactly where it belongs, that means, under the company or customer control.
- Guerrilla marketing includes the following forms, see fig. 51.



Fig. No. 51 Guerrilla marketing forms scheme
Source²³⁵

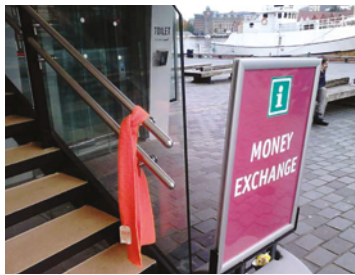
PRACTICE EXAMPLE

Imagine that you are in the city centre and suddenly you notice an interesting element that was not definitely there yesterday and you start wondering what this is all about? Here is an example of communication, see for yourselves.



Fig. No 52 Guerrilla Marketing, Source: own

235 What is Guerilla Marketing? https://www.google.no/search?q=querila+marketing&ie=utf-8&oe=utf-8&gws_rd=cr&ei=qcszVpzsCMj-ywOS4aGYCw



13.2 VIRAL MARKETING²³⁶

Viral marketing includes all marketing activities using the users themselves (target customers) to spread advertising information. It is effectuated **through the uncontrolled information spreading among people whose knock-on effect can be likened to a viral epidemic** — hence the method name. A variety of jokes and other similar messages that are handed down from generation to generation serve as a model of viral marketing. If the people are motivated well, it is enough to “inoculate” at the campaign beginning only a small group which will ensure that the message will be further spread.

The Internet, particularly e-mail, is an **ideal medium** for viral marketing. It allows very rapid news spreading; there is not a problem to affect the entire country within weeks. At the same time, the viral campaign can be continuously nourished, e.g. by creating a specialized micro net, links to other sites or by involving Internet communities.

The essence of viral marketing is a **properly “tuned” message**. Most often the message is funny, parodying, mystical or erotic. It is also possible to motivate users with various discounts or gifts; there are often provided free professional papers and other electronic publications. To come up with message idea, regarding the target group, is also the most difficult part of viral marketing. In addition to emails, viral marketing also uses other media sent in attachment — these are most often **texts, pictures, movies, flash animations, online games, audio and video**, etc. Its purpose can also be fulfilled by spreading a simple link to the useful information source. In this context, viral marketing is often connected to email marketing — a paper or publication is accessible only after entering an email address, which can be used afterwards, for example, for sending newsletters.

²³⁶ Mediální slovník, Virální marketing, [online], [cit. 2015-10-13], dostupné z <http://www.mediaguru.cz/medialni-slovník/viralni-marketing/>

13.3 MARKETING TOOLS IN NEW ECONOMY

According to Kotler²³⁷, the current business environment in developed markets is characterized by the following aspects:

- increasing concentration in the consumer goods distribution
- significant increase of brands on the market
- reducing the product life cycle
- patents and trademarks increase
- products modification
- expensive new products launching
- dividing the market into micro-segment
- people are sated with advertising
- greater consumer's demands
- more difficult to get the consumer's attention

Companies are oriented mostly towards customers and not products as it was before. New tools allowing to bring the offer closer to a particular customer start to apply. Thanks to the use of new technologies in the management, it is possible to get to know the customers better and adapt products to their needs.

Successful business development is currently based primarily on: key customers' identification and their retention; the effort to increase the market profit; customer value measurement.

Customer loyalty is an important element for the company. It is necessary to distinguish the terms "loyalty" and "retention". Loyalty is an emotional attitude, a state of mind expressing a positive intention to make purchase in the future at the same company. However, this does not have to mean retention which is a sure re-purchase in the future.

Customer satisfaction plays a crucial role in the size and amount of consumption. There is a willingness to buy more expensive products (for example higher quality product lines). The company tries to motivate the customer to make those purchases and if the customer is satisfied with the current business relationship, then the next sale is much easier and more successful. Satisfaction also affects the consumer's willingness to accept higher prices.

Customer satisfaction measurement. Customers' loyalty and satisfaction are a prerequisite for the company survival in a competitive environment. That is the reason why companies invest a lot of money in customer satisfaction surveys. The most commonly used information sources include: customer complaint records, qualitative and quantitative surveys (group interviews, personal interviewing, telephone interviewing, written questionnaire, on-line questionnaire).

Marketing, in a new economy, gets closer to individual customers and focuses on making positive relationships. It uses new technologies — Internet is an important tool for marketing communications and its growing potential is perceived as a tool for branding. Another current trend is the public's orientation towards the social issues. Companies engage in socially beneficial projects and inform customers about these activities to differentiate themselves from competition and to enhance brand value.

237 KOTLER, Philip a Kevin Lane KELLER. Marketing management. Twelfth ed. Upper Saddle River, NJ: Pearson Prentice Hall, c2006, xxxix, 733. ISBN 0131457578.

13.4 ON-LINE MARKETING TOOLS

Internet usage is almost a necessity in marketing because Internet advertising is, for brand promotion, very effective. The Internet is a medium that can immediately provide information about the ad format effectiveness and it is also easy to find out from where the most visitors come to the company website.

We choose online marketing tools according to the goals we want to achieve. If we want to support the brand, we can use, for example, banner advertising, viral campaigns, community creation, microsites, online PR, advergames.

When the marketing tool goal is focused on performance, it is useful to use, for example, search engine marketing, e-mail campaigns, affiliate marketing.

Interesting electronic marketing elements

Banner advertising²³⁸ — it's more appropriate for brand image campaigns. An important role here is creativity. The banners importance decreases with the price but they still have their place, both in the case of targeting a specific group and when a wide range of users is needed. Nowadays, newer aggressive ad formats are more popular but beware of the excessively intrusive advertising that might turn against the company.

Viral campaigns²³⁹ — fast and inexpensive message spreading allows the e-mail. People forward a special message that is interesting, funny, parodying or erotic. The problem may be the loss of control over brand awareness, uncontrolled spread, badly verifiable response or spamming threat.

Search Engine Marketing²⁴⁰ is divided into two groups: unpaid search results and paid search results. Search engine marketing is an important tool for internet marketing. The goal is to ensure the site visibility in a mass of competing sites. The company that wants to use the internet for business activities should be interested in its good position in search engine while entering the right keywords. Search engines work mostly on the pay per click principle. The advantage is that the company pays only for the visitor who was attracted.

Affiliate marketing²⁴¹ is a tool dividing revenue among online sellers referring to each other's offers. For Internet shop owners, this is the most cost effective tool. They pay commission for the realized sales, not just for their ad displaying or attracted visitor. The problem may consist in getting suitable partners, complicated initial cooperation set-up and more demanding maintenance.

238 Internetový marketing, bannerová reklama, 2005, [online], [cit. 2015-08-10], dostupné z <http://www.lupa.cz/clanky/internetovy-marketing-bannerova-reklama/>

239 Virální marketing, 2005, [online], [cit. 2015-08-10], dostupné z <http://www.adaptic.cz/znalosti/slovnicek/viralni-marketing/>

240 Full service marketing, [online], [cit. 2015-08-10], dostupné z http://www.h1.cz/fullservice-marketing#utm_source=google&utm_medium=cpc&utm_campaign=top-brand

241 What is Affiliate Marketing?, 2006, [online], [cit. 2015-08-10], dostupné z <http://www.probloger.net/archives/2009/07/07/what-is-affiliate-marketing>

FINAL SUMMARY

Finally, I would like to thank all those who reached these sentences. What was my effort to tell you and show, it was already mentioned at the beginning of this publication. I suppose, I managed, at least in part, to show you marketing as a creative science.

In particular, I would like to emphasize that many of current marketing projects are actually characterized by a great amount of creativity, not just those in the field of communication and advertising. With an incredibly fast IT development, the door to marketing creativity is opened and new opportunities for variability of all marketing tools and marketing communication tools have emerged. We would certainly find many others, perhaps more appropriate, marketing creativity examples, and that's alright. It is good to be inspired by examples and seek unique and original approaches and solutions.

Michael Porter^{242 243}

"The best companies are always worried."

"It's not a matter of being better at what you do — it's a matter of being different at what you do."

Tomáš Baťa²⁴⁴

"When everyone talks about impossibilities, look for opportunities."

242 Citáty slavných osobností, Michael Porter, [online], [cit. 2015-11-10], dostupné z <http://citaty.net/autori/michael-porter/>

243 Nestačí být nejlepší, buďte jedineční, 2007, [online], [cit. 2014-09-10], dostupné z <http://euro.e15.cz/profit/nestaci-byt-nejlepsibudte-jedinecni>

244 Citáty slavných osobností, Tomáš Baťa, [online], [cit. 2015-11-10], dostupné z <http://citaty.net/autori/tomas-bata/>

RESUMÉ

The publication entitled „Marketing... is a creative science“ that you have in your hands is the result of author's efforts to present a conceptually unified marketing theme and its creativity with the results of some of their own researches or with the results of application of marketing principles in practice.

The publication is intended for professionals dealing with marketing and its principles with an emphasis on efficiency and creativity. The effort of the author is to present marketing not only as — analytic science but also as — science extremely creative.

From the theoretical perspective this publication is focused on principle of marketing and marketing management as — general science. Each chapter is designed as an overview of the theoretical characteristics and it concludes the chapters with applied practice examples. Many of these examples are the result of author's own research studies which are part of the professional scientific papers and articles.

Publication concept is based on work with secondary information through monitoring and analyzing such marketing approaches in practice requiring a considerable amount of creative potential. In many cases, the results of own primary research are presented as examples. These examples show that the results can be applied in practice and show that it is necessary to have a creative approach to marketing, strategic management and marketing communications.

Many examples of the marketing creative potential are the work of students from the Faculty of Multimedia Communications, especially visual arts, which was the author's intention. The aim was to show the cooperation with people developing ingenuity, creativity of marketing solution is necessary for effective application of marketing principles.

The author's ambition is to show the readers that marketing... is — creative science. The proposal of marketing solutions, i.e. researches, analyzes and strategies has to be approached individually and it has to be perceived the uniqueness of the organization, the uniqueness of the situation and which means the uniqueness of solution.

I would particularly like to emphasize that many of the current marketing projects are indeed characterized by a large amount of creativity, not just those in the field of communication and advertising. With the incredibly rapid development of information technologies the door for creativity in marketing and are continuously opening new possibilities for variability of marketing tools and marketing communications. Surely we could find many other, perhaps more appropriate examples of creativity in marketing, which is good. It is good to be inspired by examples and seek unique and original approaches and solutions.

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