BA9223 MARKETING MANAGEMENT

SYLLABUS

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UNIT-I INTRODUCTION

DEFINITIONS

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

“Marketing is the economic process by which goods and services are exchanged between the maker and the user, and their values determined in terms of money prices.”

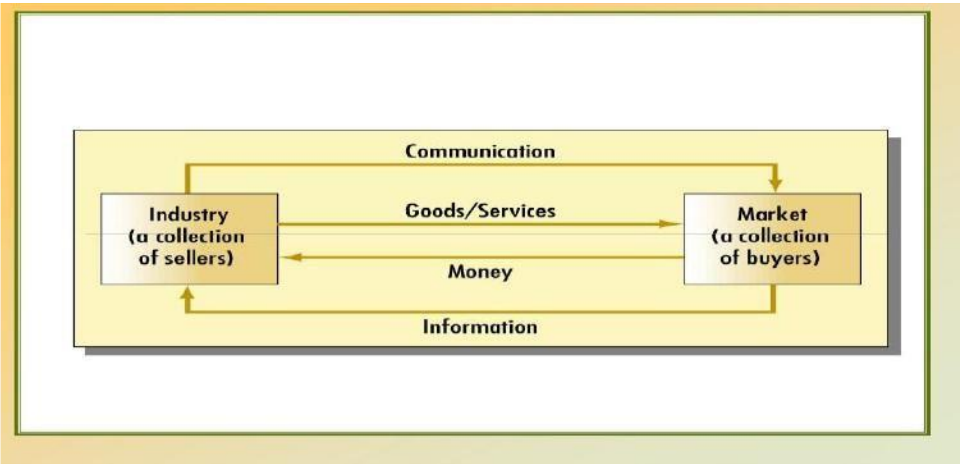
“Marketing is a total system of interacting business activities designed to plan, promote and distributes need-satisfying products and services to existing and potential customers.”

“Marketing is a viewpoint, which looks at the entire business process as a highly integrated effort to discover, create, arouse and satisfy consumer needs. “

“Marketing is the delivery of a standard of living to society.”

American Marketing Association [AMA] defined as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

The Chartered Institute of Marketing defines marketing as *"the management process responsible for identifying, anticipating and satisfying customer requirements profitably."*[5] A different concept is the *value-based marketing* which states the role of marketing to contribute to increasing shareholder value.[6] In this context, marketing is defined as *"the management process that seeks to maximise returns to shareholders by developing relationships with valued customers and creating a competitive advantage."*



CORE CONCEPTS OF MARKETING

Needs, wants, and demands; products (goods, services and ideas); value, cost and satisfaction: exchange and transaction: relationships and networks: markets: and marketers and prospects.

a) Needs

Describe basic human requirements such as food, air, water, clothing, and shelter.

b) Want

Needs become wants when they are directed to specific objects that might satisfy the need.

c) Demand

Are wants for specific products backed by an ability to pay.

d) Product

Is any offering that can satisfy a need or want, such as one of the 10 basic offerings of goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

e) Value

As a ratio between what the customer *gets* and what he *gives*. The customer gets *benefits* and assumes *costs*, as shown in this equation:

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}}$$

$$= \text{Functional benefits + emotional benefits}$$

Monetary costs + time costs + energy costs + psychic costs

F) Exchange

- Exchanges are carried out by business firms, and also by no business organizations and even individuals.
- Four conditions must exist for an exchange to be able to occur:
  - Two or more people or organizations must be involved.
  - The parties must be involved voluntarily.
  - Each party must have something of value to exchange, and the parties must believe they will each benefit from the exchange.
  - The parties must be able to communicate with each other.

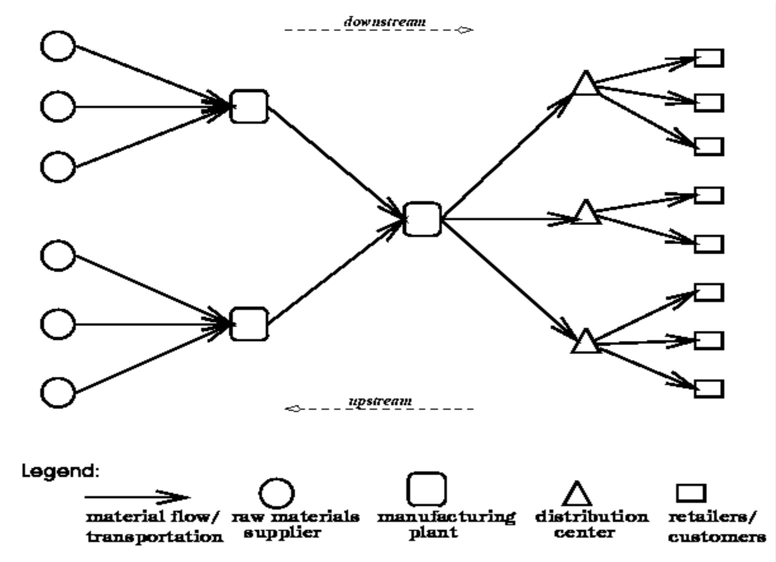
g) Marketing Channels:

To reach a target market, the marketer uses three kinds of marketing channels. **Communication channels** deliver messages to and receive messages from target buyers. They include newspapers, magazines, radio, television, mail, telephone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, communications are conveyed by facial expressions and clothing, the look of retail stores, and many other media. Marketers are increasingly adding **dialogue channels** (e-mail and toll-free numbers) to counterbalance the more normal **monologue channels** (such as ads)

The marketer uses ***distribution channels*** to display or deliver the physical product or service(s) to the buyer or user. There are physical distribution channels and service distribution channels, which include warehouses, transportation vehicles, and various ***trade channels*** such as distributors, wholesalers, and retailers. The marketer also uses ***selling channels*** to effect transactions with potential buyers. Selling channels include not only the distributors and retailers but also the banks and insurance companies that facilitate transactions. Marketers clearly face a design problem in choosing the best mix of communication, distribution, and selling channels for their offerings.

h) Supply Chain

Whereas marketing channels connect the marketer to the target buyers, the supply chain describes a longer channel stretching from raw materials to components to final products that are carried to final buyers. For example, the supply chain for women's purses starts with hides, tanning operations, cutting operations, manufacturing, and the marketing channels that bring products to customers. This supply chain represents a value delivery system. Each company captures only a certain percentage of the total value generated by the supply chain. When a company acquires competitors or moves upstream or downstream, its aim is to capture a higher percentage of supply chain value.



i) Competition

Competition, a critical factor in marketing management, includes all of the actual and potential rival offerings and substitutes that a buyer might consider.

1. ***Brand competition****:* A company sees its competitors as other companies that offer similar products and services to the same customers at similar prices. Volkswagen might see its major competitors as Toyota, Honda, and other manufacturers of medium price automobiles, rather than Mercedes or Hyundai.

2. ***Industry competition:*** A company sees its competitors as all companies that make the same product or class of products. Thus, Volkswagen would be competing against all other car manufacturers.

3. ***Form competition:*** A company sees its competitors as all companies that manufacture products that supply the same service. Volkswagen would see itself competing against manufacturers of all vehicles, such as motorcycles, bicycles, and trucks.

4. ***Generic competition****:* A company sees its competitors as all companies that compete for the same consumer dollars. Volkswagen would see itself competing with companies that sell major consumer durables, foreign vacations, and new homes.

j)Marketing Myopia

Sellers who concentrate their thinking on the physical product instead of the customer’s need are said to suffer.

k) Opportunity Cost

The product’s value and price before making a choice. According to Derose, value is “the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership, and use”.

NATURE OF MARKETING

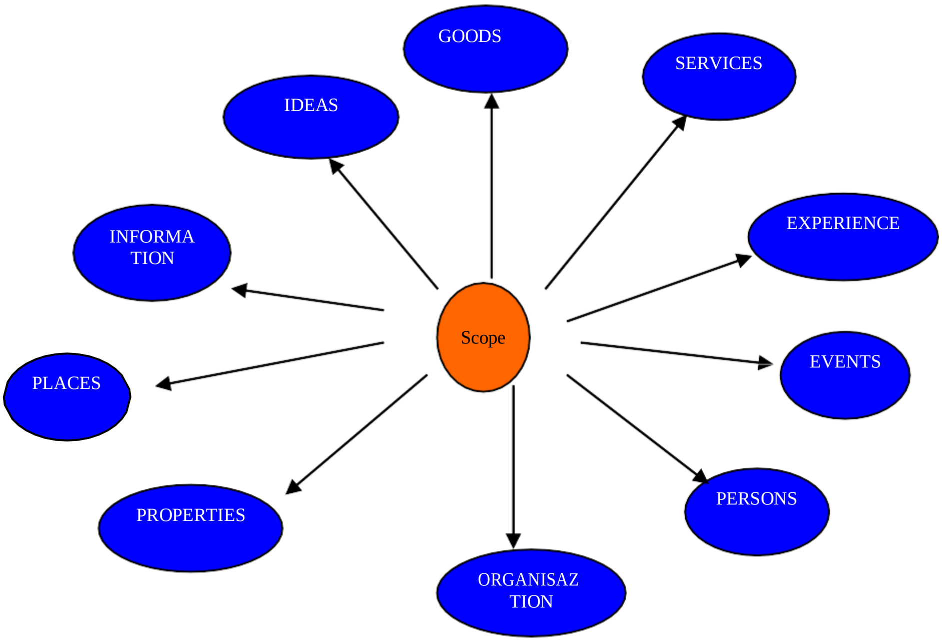
Marketing is Customer-focused. Marketing intends to satisfy and elight the customer. The activities of marketing must be directed and focused at e customer. Marketers can remain in customer mind if they are provided value n quality, price, and benefits. Thus, marketers ust allow customers to dictate product specifications and quality standards.

Marketing must Deliver Value. Marketer have to track customer needs and competitors. The corporate planning, processes, and people must be re-configured around the customer.

Marketing is Business. When customer is the focus of all activities marketer has not to search customers to seek response to his products. customer group is decided for whom the product is prepared and presented.

Marketing is surrounded by Customer Needs. Marketing starts with e identification of customer needs and requirements. These are turned into probable features that might satisfy the basic needs. The portable form of product is made out and presented before the customer for approval. The customer suggests changes or improvements in the portable product and the nal product is brought before the customer.

SCOPE OF MARKETING



Goods: Physical goods constitute the bulk of most countries' production and marketing effort. In developing nations, goods—particularly food, commodities, clothing, and housing—are the mainstay of the economy.

Services: Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

Events:. Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances

Persons : Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals draw help from celebrity marketers.

Properties. Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).

Organizations: Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.

Information: The production, packaging, and distribution of information is one of society's major industries.6 Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

Ideas:. Every market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

<u>FUNCTIONS OF MARKETING</u>

I Functions of exchange

1.Buying function

A manufacturer is required to buy raw materials for production purposes. Similarly, a wholesaler has to buy goods from manufacturer for purposes of sales to retailers. A retailer has to sell the goods to consumers. Thus functions of buying have to be performed at various levels.

2. Assembling function

Assembling is different and separate from buying. Buying involves transfer of ownership of the goods from seller to the buyer: Whereas in assembling, goods are purchased from various sources and assembled at one place to suit the requirements of the buyer**.**

3.Selling function

Selling involves transfer of ownership from seller to the buyer. Seller functions are vital to the success of any firm. Its importance has been continuously increasing in all organization due to the emergence of severe competition. Producing goods is easy but it is very difficult to sell them.

II Functions of physical Distribution

1. **Transportation**

   It includes decision to be taken on mode of transport, service selection, freight consolidation, carrier routing, vehicle scheduling, processing claims, etc

2. **Inventory Management**

   b. Short-term sales forecasting

   c. Product mix stocking points

   d. Number, size and location of stocking points

   e. Just in Time (JIT) or push or pull strategies

3. **Warehousing**

It includes the following functions:

a. Space determination
b. Stock layout and design
c. Stock placements

4. **Material handling** (act of loading and unloading and moving goods within e.g. a factory especially using mechanical devices). It includes the following functions:

a. Equipment selection
b. Equipment replacement
c. Order picking procedure
d. Stock Storage and retrieval

III Functions of Facilities

1. **Financing**

The importance of extending liberal credit facilities as a selling tool cannot be underestimated. This would necessarily involve higher working capital requirements. Hence arrangement of finance has become an increasingly important function. Therefore, a marketer can plan for various kinds of function: Short-term finance, medium-term finance and Long-term Finance. There are various sources of finance, for example: banks, Credit societies, Co-operative Banks

2. **Risk-taking**

There are innumerable risks which a marketing enterprise has to bear in the process of marketing of goods and services. Risks are due to unforeseen circumstances. Risks can be insured also. For example: Risk due to fire and accidents may be covered by insurance. But the risks due to increased competition, technological risks and business cycle risks cannot be insured

3. **Standardization**

Buyers and sellers always prefer to have standardized goods and services. This will relieve buyers from examining the product and wasting time. That is why Standardization has now been accepted as convenient and ethical basis of marketing.

4. **After-sales service**

The importance of after-sales service facilities as a marketing tool cannot be ignored. Hence arrangement of after-sales service has become an increasingly important function. Therefore, a marketer has to plan for after-sales service. For example, repairs, replacements, maintenance etc

EVOLUTION OF MARKETING MANAGEMENT

The evolution of marketing is composed of a series of responses to major external challenges. Pre industrial marketing, based around craft production and personal relationships with local customers, was challenged by the urbanization and mechanization of the industrial revolution. The industrial era created expanding markets which required an emphasis on production, logistics and selling to get the goods to the customer. In the late 1950s, the challenge of increasingly saturated and competitive markets led to the birth of an explicit marketing philosophy. Marketing is a relatively latest discipline having emerged in the early 1900s. Prior to this time most issues that are now commonly associated with marketing were either assumed to fall within basic concepts of economics (e.g., price setting was viewed as a simple supply/demand issue), advertising (well developed by 1900), or in most cases were simply not yet explored (e.g., customer purchase behavior, importance of distribution partners). Lead by marketing scholars from several major universities, the development of marketing was in large part motivated by the need to dissect in greater detail relationships and behaviors that existed between sellers and buyers. In particular, the study of marketing lead sellers to recognize that adopting certain strategies and tactics could significantly benefit the seller/buyer relationship. In the old days of marketing (before the 1950s) this often meant identifying strategies and tactics for simply selling more products and services with little regard for what customers really wanted. Often this lead companies to embrace a "sell-as-much-as-we-can" philosophy with little concern for building relationships for the long term.

But starting in the 1950s, companies began to see that old ways of selling were wearing thin with cstomers. As competition grew stiffer across most industries, organizations looked to the buyer side of the transaction for ways to improve. What they found was an emerging philosophy suggesting that the key factor in successful marketing is to understanding the needs of customers. This now famous "marketing concept" suggests marketing decisions should flow from first knowing the customer and what they want. Only then should an organization initiate the process of developing and marketing products and services. The marketing concept continues to be at the root of most marketing efforts, though the concept does have its own problems (e.g., doesn't help much with marketing new technologies) a discussion of which is beyond the scope of this tutorial. But overall marketers have learned they can no longer limit their marketing effort to just getting customers to purchase more. They must have an in-depth understanding of who their customers are and what they want.

ROLE OF MARKETING

As we've seen the key objective of an organization's marketing efforts is to develop satisfying relationships with customers that benefit both the customer and the organization. These efforts lead marketing to serve an important role within most organizations and within society.

At the organizational level, marketing is a vital business function that is necessary in nearly all industries whether the organization operates as a for-profit or as a not-for-profit. For the for-profit organization, marketing is responsible for most tasks that bring revenue and, hopefully, profits to an organization. For the not-for-profit organization, marketing is responsible for attracting customers needed to support the not-for-profit's mission, such as raising donations or supporting a cause. For both types of organizations, it is unlikely they can survive without a strong marketing effort. Marketing is also the organizational business area that interacts most frequently with the public and, consequently, what the public knows about an organization is determined by their interactions with marketers. For example, customers may believe a company is dynamic and creative based on its advertising message.

At a broader level marketing offers significant benefits to society. These benefits include:

- Developing products that satisfy needs, including products that enhance society's quality of life
- Creating a competitive environment that helps lower product prices
- Developing product distribution systems that offer access to products to a large number of customers and many geographic regions
- Building demand for products that require organizations to expand their labor force
- Offering techniques that have the ability to convey messages that change societal behavior in a positive way (e.g., anti-smoking advertising)

<u>MARKETING CONCEPTS/ PHILIPSOPHY</u>

The marketing concept is the philosophy that urges organization to focus on their customers' needs. Analyzing their needs and making such decisions that satisfy those needs in a better way than competitors. Clearly, marketing activities should be carried out under a well-thought-out philosophy of efficient, effective, and socially responsible marketing. In fact, there are five competing concepts under which organizations conduct marketing activities: production concept, product concept, selling concept, marketing concept, and societal marketing concept. To have a better understanding of marketing concept, it's worthwhile to review the other philosophies that once were dominated and are still being practiced by some of the firms.

Production Concept

Production concept prevailed into late 1920s because most of the products being produced were the basic necessities and there was a huge unfulfilled demand for them. The basic idea behind production concept was: The firms will produce what they can produce efficiently. This will ensure enough supply of the products at low-cost and demand will be created by itself. This concept holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features. It is also used when a company wants to expand the market. Texas Instruments is a leading exponent of this concept. It concentrates on building production volume and upgrading technology in order to bring costs down, leading to lower prices and expansion of the market. This orientation has also been a key strategy of many Japanese companies.

Product Concept

The product concept holds that consumers will favor those products that offer the most quality, performance, or innovative features. Product-oriented companies often design their products with little or no customer input, trusting that their engineers can design exceptional products. A General Motors executive said years ago: "How can the public know what kind of car they want until they see what is available?" GM today asks customers what they value in a car and includes marketing people in the very beginning stages of design. However, the product concept can lead to *marketing myopia.*16 Railroad management thought that travelers wanted trains rather than transportation and overlooked the growing competition from airlines, buses, trucks, and automobiles. Colleges, department stores, and the post office all assume that they are offering the public the right product and wonder why their sales slip. These organizations too often are looking into a mirror when they should be looking out of the window.

Sales Concept

By early 1930s, competition had increased in production and on the other hand there was less unfulfilled demand. So, all the firms turned towards sales concept. Now the companies were not only producing the product but also sell it to customers through personal selling and advertisement. The **selling concept** holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort. This concept assumes that consumers must be coaxed into buying, so the company has a battery of selling and promotion tools to stimulate buying. The selling concept is practiced most aggressively with unsought goods—goods that buyers normally do not think of buying, such as insurance and funeral plots. The selling concept is also practiced in the nonprofit area by fund-raisers, college admissions offices, and political parties. There was no concept of need identification, firms were just interested in beating competition by selling more but neglecting customers' satisfaction. We can call it hard selling. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants.

The Marketing Concept

After World War II, there was a variety of products available in the market and customers having discretionary income could make choices and purchase what really fulfill their needs. In that situation, firms were forced to think about what their customers need , when they need it and how to keep them satisfied which is the Marketing Concept. The main focus of all the firms turned from hard selling towards Identification of customer needs, making decision to fulfill those need and maintaining long-term relation with customers by satisfying their changing needs. The Marketing concept resulted in a separate marketing department in organization and today we can see many organization have structured themselves as marketing organization where every employee is contributing towards customer satisfaction whether or not he's a marketing person. So, The marketing concept totally relies upon marketing research that helps in identification of segments, their sizes, needs, target market and then by using the right 'Marketing Mix', marketing teams makes such decisions that results in customers satisfaction.

Societal Marketing Concept

This concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being. The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest. Yet a number of companies have achieved notable sales and profit gains by adopting and practicing the societal marketing concept.

MARKETING AND OTHER FUNCTIONS

All marketing decisions whether related to products, pricing, distribution, or promotion are affected by other business functions. Similarly, most other business decisions (R&D, Production) and the overall corporate strategy are strongly influenced by a variety of marketing consideration and inputs. A comprehensive understanding of the web of interrelationships between marketing and the other business requires predominantly a recognition of the importance of identifying and understanding the nature and magnitude of these sets of interrelationships.

Finance & Marketing

All well conceived marketing plans include major financial dimensions. Cost and profit history for the business (a brand, a product, product line) and a financial statement and budgets of each business and its related marketing strategies are components of any marketing plan. Profitability analysis & budgeting are key aspects of market planning. Marketing decisions to be viewed as Investment decisions. Financial concepts and tools are integral part of marketing programs (Credit sales) The finance function of the business usually controls the cost, money going in and out of the business. They would keep a record of cost going out the business, and calculate whether the business is making a profit or loss. The finance department is responsible for sending invoices to customers, clearing Cheque which is received, and also preparing payrolls so they can pay staff salaries. Anything to do with money is dealt by the finance department in any organization. The finance department work with the marketing department to help them with their finances. The finance department allocates the budget to support various activities of the marketing department carry out So for example, if the marketing department at Tesco's want to carry out a promotion through direct mail, they would ask the finance department first; from there the finance department will decide if they are able to fund this type of direct mail promotion**.** Tesco's would not be able to carry out this activity without consulting the finance department, because the money only goes in and out of the finance department. Furthermore when the marketing departments need money for researching and development to design new products to attract potential customers, they would again consult the finance department who would allocate suitable funds, so that the marketing department can carry out this activity efficiently. The marketing department at Tesco's may also need money if they want to distribute materials such as posters with special offers, if they don't consult the finance department about this activity, then the marketing department at Tesco's could be losing money . Marketing approach to financial documents offers a new perspective often lacking in the financial community. For example

1. Utilization of the annual report and other financial for marketing
2. Measurement of management tradeoff between risk and expected return utilizing conjoint analysis
3. Assessment of the market response functions to changes in prices, mode of payment , type and level of discount and credit.
4. Application of financial performance measures to relevant market segments and products.
5. Impact of marketing activities on investors expectations

Production & Marketing

Production capabilities determine the number and type of products to be marketed
Accurate sales forecast is also possible. When uncertainties & fluctuations are predicted

- Change the current production capacity
- Influence the nature, level or timing of demand

The strategy can be achieved by appropriate use of marketing strategies such as advertising, consumer and trade promotion and deals and deletion or addition of products.

The interdependency is evident in the development of new products. The size of new production facilities, depends on marketing research based estimates of the demand for the new products and the likely time and space distribution. It is important to identify the basic conflicts between the two functions. Production strives for efficient production runs which imply long runs, few models, relatively simple, model to produce, and reasonable quality control. Marketing would see shorter production runs with many models, they are less concerned about the ease of production and would like to minimize the possibility of any product failure.

Customer Service & Marketing

Customer and industrial products require pre & post purchase services. Service department is often address for customer complaints, Number and type of complaints are important inputs for marketing strategies, product modification, and new product development . Regular & Explicit communication should be established between service, marketing and other relevant functions.

Procurement & Marketing

Procurement is the broader functions of materials management. Many firms have been modifying their products to substitute scarce raw materials with more available, cheaper or legally acceptable ones. Marketing research on customer's acceptability for the substituted products is vital for input for procurement planning. Procurement research aimed at the identification and evaluation of new marketing research. Marketing plan require input from procurement plans to introduce new materials or anticipated changes in production output due to changes in the supply of various raw materials.

R&D and Marketing

The primary R&D and Marketing interface centre around new product development effort of the firm. New product development stages right from idea generation to final product development requires close interaction. Realistic expectations and Organizational climate encourages which encourage the interface between these two functions and stimulates innovation are essential ingredients for successful new product development.

Personnel & Marketing

Personnel –Hiring, training and management of appropriate marketing personnel. Marketing need to collaborate with personnel in developing job descriptions, screening candidates designing training programs and incentive systems.

Management Information System

Since the major implication of the independencies between marketing and the other business functions are with respect to the required information and its role in the firm's decisions making process, the design of marketing information systems should be undertaken as in integral part of a broader user oriented management information system. Such a system incorporates the marketing information (eg slaes, share, consensus, attitudes etc) with other relevant information (company sales, cash flow needs, macroeconomic projections, etc) providing a single organized and timely source of information to the relevant decision makers. To the extent that the firm's management information system includes information and models of competitive behavior, marketing can provide the necessary vehicles for the gathering, analysis and interpretation.

MARKETING ENVIRONMENT

An environment can be defined as everything which surrounds and impinges on a system. A good system will react to environmental change, for example the human body comprises numerous systems which constantly react to changes in the body's environment. Marketing can be seen as a system which must respond to environmental change. Just as the human body may die if it fails to adjust to environmental change (for example by not Compensating for very low temperatures), businesses may fail if they do not adapt to external changes such as new sources of competition or changes in consumers' preferences. An organization's marketing environment can be defined as: "... the actors and forces external to the marketing management function of the firm that impinge on the marketing management's ability to develop and maintain successful transactions with its customers" (Kotler 1997.)

Micro-Environment

The micro-environment of an organization can best be understood as comprising all those Other organizations and individuals who directly or indirectly affect the activities of the Organization. The following key groups can be identified:

• **Customers**

An organization should be concerned about the changing requirements of its customers and should keep in touch with these changing needs by using an appropriate information gathering system.

• **Intermediaries** - Intermediaries often provide a valuable link between an organization and its customers.

• **Suppliers** - These provide an organization with goods and services which it transforms Into value added products for customers. Very often, suppliers are crucial to an

Organization's marketing success, especially where factors of production are in short

Supply.

• **Other stakeholders** - In addition to customers, suppliers and intermediaries, there is a Wide range of other organizations and individuals in a firm's micro-environment who can Directly affect its marketing activities. These include local community groups; Government regulatory agencies; pressure groups; employees. These are all examples of "Stakeholders" in organizations.

Macro-Environment

The macro-environment comprises general trends and forces which may not immediately Affect the relationships that a company has with its customers, suppliers and intermediaries but sooner or later, macro-environmental change will alter the nature of these relationships. As an example, change in the population structure of a country does not immediately affect the way in which a company does business with its customers, but over time, it may affect the numbers of young or elderly people who it is able to do business with. Most analyses of the macro-environment divide the environment into a number of areas.

Macro-Economic Environment

Few business people can afford to ignore the state of the economy because it affects the willingness and ability of customers to buy their products. The effects of government policy objectives on the distribution of income can have profound implications for marketers. Through models of national economies, firms try to understand how sudden increases in expenditure (whether by government, households or firms) will affect their sector. Companies are particularly interested in understanding business cycles and in predicting the cycle as it affects their sector. An analysis of the macro-economic environment will also indicate the current and expected future level of competitor activity.

The Political Environment - The political environment can be one of the less predictable elements in an organization's marketing environment. Marketers need to monitor the changing political environment because political change can profoundly affect a firm's marketing. Political stability can be crucial for market stability. Governments pass legislation, have a Major influence on the economic environment and can influence the culture of a country.

The Social and Cultural Environment - It is crucial for marketers to fully appreciate the cultural values of a society, especially where an organization is seeking to do business in a country which is quite different to its own. Attitudes to specific products change through time and at any one time between different groups. Key issues relating to the social and cultural environment include the role of women; attitudes to the elderly; the importance of leisure time and the role of the family.

Demographic Environment. - Demography is the study of populations in terms of their size and characteristics. Among the topics of interest to demographers are the age structure of a country, the geographic distribution of its population, the balance between male and females, and the likely future size of the population and its characteristics. Changes in the size and age structure of the population are critical to many firms' marketing.

Technological Environment –

The pace of technological change is becoming increasingly rapid and marketers need to understand how technological developments might affect them in four related business areas:

- New technologies can allow new goods and services to be offered to consumers
- New technology can allow existing products to be made more cheaply, thereby Widening their market
- Technological developments have allowed new methods of distributing goods and Services
- New opportunities for companies to communicate with their target customers have Emerged.

SWOT Analysis

SWOT analysis is a useful framework for assessing an organization and its marketing Environment. SWOT analysis summarizes the main environmental issues in the form of Opportunities and threats facing an organization. These external factors are listed alongside the organization's internal strengths and weaknesses. An opportunity in an organization's external environment can only be exploited if it has the internal strengths to do so. If, on the other hand the organization is not capable of exploiting these because of internal weaknesses then they should perhaps be left alone. For this reason, the terms opportunities and threats should not be viewed as "absolutes", but assessed in the context of an organization's resources and the feasibility of exploiting them.

The Internal environment

Marketers do not operate in a vacuum within their organizations. Internally, the structure and politics of an organization affect the manner in which it responds to environmental change. Simply having a strong marketing department is not necessarily the best way of ensuring Adaptation to change. Such companies may in fact create internal tensions which make them less effective at responding to changing consumer needs than where marketing Responsibilities in their widest sense are disseminated throughout the organization. Two aspects to a marketing manager's internal environment are of importance here - firstly, the internal structure and processes of the marketing department itself (where one actually exists), and secondly, the relationship of the marketing functions to other business functions

GLOBAL MARKETING

Global marketing is not a revolutionary shift, it is an evolutionary process. While the following does not apply to all companies, it does apply to most companies that begin as domestic-only companies.

Domestic marketing

A marketing restricted to the political boundaries of a country, is called "Domestic Marketing". A company marketing only within its national boundaries only has to consider domestic competition.

International marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company's competitiveness in the foreign market, then offices could be built in the foreign countries. Sometimes companies buy firms in the foreign countries to take advantage of relationships, storefronts, factories, and personnel already in place. These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets. Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

Nature of Global Marketing:

- Denotes the use of advertising and marketing on a global basis.
- Marketing is at the threshold of a new and exciting era: e-business, e-commerce and e-marketing
- Business has two basic functions: marketing and innovation (Drucker)
- New era of competition, demanding customers
- More stakeholders (customers, employees, media).
- Companies need new set of guidelines, values and insight
- Marketing is a Strategic Business Concept
- Marketing is too important to be left to the Marketing Department. (David Packard)
- Formulated, integrated, long-term
- Hold to the responsibilities of customers, employees, investors
- Advantages, especially if the companies emphasize selection, availability, quality, reliability and lower prices.
- Economies of scale.
- Lower marketing and advertising costs in planning and control. Lower advertising production costs.
- Exploiting your best ideas on a worldwide basis.

Elements of the global marketing mix

The “Four P’s” of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide.

- **Product**

A global company is one that can create a single product and only have to tweak(squeeze/pinch) elements for different markets.

For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the bottle design and the dynamic ribbons in some way, shape, or form. However, the bottle or can also includes the country’s native language and is the same size as other beverage bottles or cans in that same country.

- **Price**

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product’s position in relation to the competition influences the ultimate profit margin. Whether this product is considered the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

- **Placement**

How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option. Placement decisions must also consider the product’s position in the market place. For example, a high-end product would not want to be distributed via a “dollar store” in the United States.

- **Promotion**

At this stage of a company’s development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge. Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized. Market research measures such as Flow of Attention, Flow of Emotion and branding moments.

Driving Forces

- Technology
- Culture
- Market Needs
- Costs
- Free Markets
- Economic Integration
- Peace
- Strategic Intent
- Management Vision, Strategy and Action

Restraining Forces

- Culture
- Market Differences
- Costs
- National Controls
- Nationalism
- Peace vs. War/ Stability
- Management Myopia
- Organization History
- Domestic Focus

Opportunities

- Profit
- Expanding the production capacities
- Severe Competition in the home country
- Limited home market
- Political stability Vs Political instability
- Availability of technology & managerial competence
- High cost of transportation
- Nearness to raw materials
- Availability of quality human resources at less cost

- To increase market share
- To avoid tariffs and import quotas

Challenges

- Huge Foreign indebtedness
- Unstable governments
- Foreign-exchange problems
- Foreign entry and government bureaucracy
- Tariffs and other trade barriers
- Corruption
- E-commerce doesn't offer complete solutions
- Technological pirating
- High cost of product and communication adaptations
- Markets can present higher profit opportunities than present markets.
- Markets can offer size but not profits.
- Company needs a larger customer base for economies of scale.

Global marketing Advantages and Disadvantages.

- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices
- Helps to establish relationships outside of the "political arena"
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player.

Disadvantages

- Differences in consumer needs, wants, and usage patterns for products
- Differences in consumer response to marketing mix elements
- Differences in brand and product development and the competitive environment
- Differences in the legal environment, some of which may conflict with those of the home market
- Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
- Differences in administrative procedures

- Differences in product placement.

Entry in Global Market

Companies that market internationally can organize in three ways.

1. Those just going global may start by establishing an *export department* with a sales manager and a few assistants (and limited marketing services).
2. As they go after global business more aggressively, they can create an international division with functional specialists (including marketing) and operating units structured geographically, according to product, or as international subsidiaries.
3. Finally, companies that become truly global organizations have top corporate management and staff plan worldwide operations, marketing policies, financial flows, and logistical systems.

- In these organizations, the global operating units report directly to top management, not to the head of an international division.

Global Industry

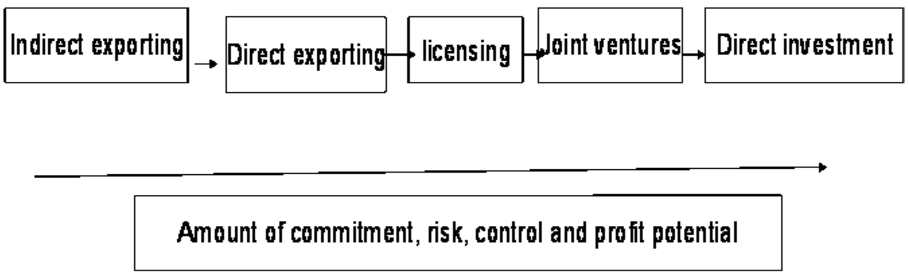
- A Global Industry is an industry in which the strategic positions of competitors in major geographic or national markets are fundamentally affected by their overall global positions.
- A Global firm is a firm that operates in more than one country and captures R&D, production, logistical, marketing and financial advantages in its costs and reputation that are not available to purely domestic competitors

Major Decisions

- **Deciding to go abroad:** (The company might discover foreign markets give higher profit opportunities, need a larger customer base to achieve economies of scale, to go abroad it requires international servicing.)
- **Deciding which markets**: (population and income size and growth are high in the initial countries chosen)
- **Deciding how to enter markets**: (It has to determine the best mode of entry. Choices are- Indirect marketing, direct exporting, licensing, joint ventures, and direct investment.)
- **Deciding on marketing programs**: (Standardized marketing mix, Adapted marketing mix)
- **Deciding on marketing organization**: (Companies manage their international marketing activities in 3 ways- through export departments, international divisions or a global organization.)

Deciding how to enter markets

FIVE MODES OF ENTRY INTO FOREIGN MARKETS



Indirect Export

- **Occasional exporting** is a passive level of involvement in which the company exports from time to time, either on its own initiative or in response to unsolicited orders from abroad.
- **Active exporting** takes place when the company makes a commitment to expand its exports to a particular market.
- **Indirect Marketing** –they work through independent intermediaries to export their product. (domestic-based merchant, agent, cooperative organization, export management company).

Direct Export

- Ways to handle direct exporting are:
- ➢ Domestic-based export department or division. (operate as profit centre).
- ➢ Overseas sales branch or subsidiary (handles sales distribution, warehousing, promotion, display centre, customer-service centre).
- ➢ Traveling export sales representatives (company send home-based sales representatives abroad to find business).
- ➢ Foreign-based distributors or agents. (hire/give exclusive rights to represent the manufacturer in that country or limited rights).

Licensing

- Licensing is a way for a manufacturer to become involved in international marketing.
- The licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret, or other item of value for a fee or royalty.
- The licensee gains production expertise or a well-known product or mane without having to start from scratch.

- For eg: Gerber introduced its baby products in the Japanese market through a licensing arrangement.

Joint Venture & Direct Investment:

- **Joint Ventures--** Join with local investors to create venture. Coca-Cola and Nestle joined forces in "ready to drink" coffee and tea.
  - P&G with rival, Fater, in Italy and Great Britain.
  - Whirlpool formed venture with Dutch electronic group Philip's on white-goods business to leapfrog into European market.
- **Direct Investment--**Ultimate form is direct ownership of foreign-based assembly or manufacturing facilities.
  - Can buy part or full interest in a local company.

TRENDS IN MARKETING

Mass Marketing

Mass marketing techniques were invented to sell the mass produced goods when the industrial revolution took off. Mass Produced uniform quality products, offered to large number of buyers, allowed companies to reap economies of scale.

Strategic Marketing

Is a decision making processes that involves the analysis of internal capabilities and external environments of a firm in order to efficiently and effectively use marketing resources to achieve organizational objectives.

Stimulating Marketing

Giving special offers, to create a demand by stimulating the people who were indifferent.

Synchromarketing

Indicates irregular demand. Under this state, demand is more than supply, in other seasons , whatever is supplied goes to waste for want of demand.

Demarketing

The demand for a product exceeds the supply, and this is known as overfull demand. The term overfull demand as "a state in which demand exceeds the level at which the marketer feels able or motivated to supply it".

Niche Marketing

Is a technique where marketer plays a specialist role in a particular segment.

Database Marketing

Is not a substitute for traditional marketing activities, it is way of improving the performance of those activities through the effective use of computers.

Network Marketing

Characterized by strong interdependence between firms controlling different activities**.**

Relationship Marketing

- An attempt to build personal, long-term bonds with customers.
- Relationship marketing has expanded to include all groups an organization interact with: suppliers, employees, unions, government, and even competitors.
- The ultimate outcome of RM is the building of a unique company asset called marketing Network, which consist of company and its supporting stakeholders.
- Competition is only between marketing networks and not between the companies
- "Build a effective network of Relationship with key stake holders and profit will follow"

Mass Customization

An attempt to provide affordable products customized to come as close as possible to meeting the needs of individual customers.This is made possible because of advances in information technology.

UNIT – II MARKETING STRATEGY

MARKETING STRATEGY

"Marketing Strategy is a series of integrated actions leading to a sustainable competitive advantage." - John Scully

Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable Competitive advantage.

Nature of Strategic Management

- Strategic Management is an on-going process of analysis, planning and action.
- It attempts to keep an organization aligned with its environment while capitalizing on organizational strengths and environmental opportunities and minimizing or avoiding organizational weaknesses and external threats.
- Strategic management is also a future-oriented provocative management system.
- Managers who use strategic management skills are seeking a competitive advantage for their organizations and long-term organizational effectiveness.
- Strategy is a process, a continuous process which can be summed up into these three statements:
    - Where do we wish to go? (in terms of growth, profitability, status. The mission and vision of an organization is to be developed and its value system is to be framed.)
    - Where we are? (It assess the current situation of the company. It analyses SWOT inside the company.)
    - How do we reach there? (Resources reqd in terms of manpower, money, infrastructure, etc. /policies /procedures)

Strategic Marketing Decision Process

Step 1 -Reaffirm the firm's intended general direction
[company mission, objectives, goal]

Step 2 –Determine broad areas of environment opportunity
[Market characteristics, political, legal, economic, & technological , cultural & social]

Step 3 -Narrow down alternative to those compatible with the company's strength

[management & finance, marketing, R&D]

Step 4 –Segment markets into groups having similar needs

[market & strategy, market satisfaction vs cost, measurability]

Step 5 – Assess Segment opportunities against competitor positions then select target

[Market segment opportunities, competitor strength analysis, target selection]

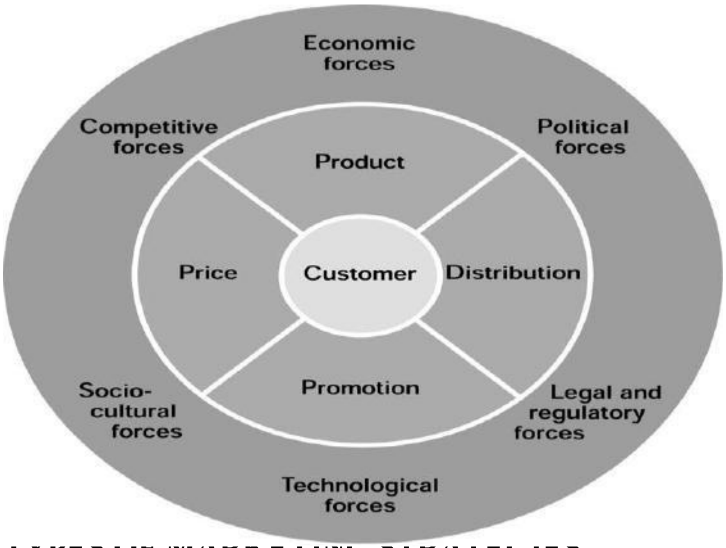
Step 6 – Determine Marketing strategy

[Market entry, expansion, development, retrenchment]

Step 7 – Develop, implement and control company's marketing actions

[organise, plan, budget & control marketing actions]

Key Drivers of Marketing Strategies



TYPES OF MARKETING STRATEGIES

I Market leader Strategies:

The leader firm might become weaker or old-fashioned against new entrants as well as existing rival firms. The leader firm can use one or a combination of three strategies:

1. **Expand the total market strategy:** The market-leader firms can gain the maximum when the total market expands. The focus of expanding the total market depends on where the product is in the maturity stage.
2. **Defending market share strategy:** When the leader firm tries to expand the total market size, it must also continuously defend its current business against enemy attacks. For Example: Bajaj Auto should constantly maintain its guard against LML Scooters. In this Strategy, the leader firm must keep its costs down, and its prices must be consistent with the value that customers see in the product. There are six ways that a market leader might use to protect its market position.

(a) **Position defence**: This Strategy involves pouring maximum firm's resources into its current successful brands. To overcome a position defence an attacker therefore, typically adopts an indirect approach rather than the head-on attack that the defender expects.

(b) **Flanking defence**: This strategy both guards the market positions of leading brands and develops some flank market niches to serve as a defensive corner either to protect a weak front or to establish an invasion base for counterattack, if necessary.

(c) **Pre-emptive defence:** This defence strategy involves the launching of an offence against an enemy before it starts an offence. For ex: TITAN launched more brands and sub-brands called Insignia Collection.

(d) **Counter-offensive defence:** This a strategy of identifying a weakness in an attacker and aggressively going after that market niche so as to cause the competitor to pull back its efforts to defend its own territory. When a leader is attacked ,he may base his counter-attack in the attacker's territory. The attacker has to deploy resources to this territory for defence.

(e) **Mobile defence:** This strategy involves the leader's broadening and expanding its territories into new market areas by diversifying. The leader takes innovation into new market areas by diversifying .The leader takes innovation works in both these directions. E.g.: A five-star hotel can become foreign exchange dealer. Diversification into related areas is used in mobile defence.

(f) **Contraction defence:** This strategy involves retrenching into areas of strength and is often used in later stages of a product life cycle or when the firm has been under considerable attack .For ex: HUL decided to concentrate on its core business areas, i.e. soaps and detergents and etc.

3. **Expanding the market share strategy:** Market leaders can improve their profitability through increasing their market shares. Market leaders are successful at expanding their market shares like, HUL, Procter and Gamble, McDonald's and titan.

In Conclusion, market leaders who stay on top have learned the art of expanding the total market, defending their current territory, and increasing their market share and profitability. Competing with highly aggressive market leaders presents a formidable challenge to all newcomers.

II Market Challenger Strategies:

Those firms which occupy second or third places in the market can be called as Runner up or Market Challenger. The market challengers' strategic objective is to gain market share and to become the leader eventually

How?

- By attacking the market leader
- By attacking other firms of the same size
- By attacking smaller firms

Types of Attack Strategies:

- Frontal attack
- Flank attack
- Encirclement attack
- Bypass attack

- Guerrilla attack

Frontal Attack: This strategy is used when the challenger masses its competitive forces right up against those of the opponent by attacking its competitor's strengths rather than its weaknesses. For this to succeed, the challenger needs a strength advantage over its opponent. An attack is called a frontal attack when the opponent's strength is challenged head on.

Flank Attack: This strategy is used when the challenger sets its sights on its target's weakest points. Attacking a weak position in the opponent's force is flank attack.

Encirclement Attack: It is used only by well-financed firms. In this attack both strong areas and weak areas attacked simultaneously.

Guerilla Attack: Guerilla attacks consist of making small, intermittent attacks on different marketing territories of the opposing firm.

Bypass Attack: In a bypass attack to gain market share, a firm identifies segments not served by the existing firms and makes efforts to gain market share.

III Market-Followers strategy

Market follower is the one who follows a leader or a challenger… the strategies are:

e.g. Product innovation—Sony , Product-imitation--Panasonic

Following Closely - Follower appears to be challenger in many respects, but doesn't muster too great an effort so as to block direct conflict.

Following at a distance - Follower parallels the leader's general price levels, product innovations and distribution at a distance without thread to challenger.

Following selectively - Follower follows the leader quite closely in some ways, goes its own way in other instances, and sometimes chooses not to participate at all.

IV Nichers Strategy

A market niche strategy coincides with a concentrated marketing strategy. Firm realizes that it lacks the resources to compete directly with bigger firms in the industry and Seeks to identify a particular niche or segment of the market upon which it can concentrate all its energies. The key to success in developing such a strategy is to define a viable market segment and then develop an offering which is perceived as differentiated from the competition by the users comprising the segments thereby by conferring a temporary monopoly upon the supplier.

e.g. Logitech , Babool

The nicher can play a role of specialist in the following ways

- **Channel specialist** - large size distribution network
- **Service specialist** - one or more services not available from other companies
- **Product feature specialist-** certain type of product or product features
- **Product line specialist** - only one product
- **Geographic specialist** - certain locality, region or area
- **Specific Customer specialist** - one or few major customers
- **Customer size specialist** -(Small or medium or large-size)

V Rivalry Strategies

a) Cost leadership Strategy

A cost leadership strategy aims to exploit scale of production, well defined scope and other economies (e.g. a good purchasing approach), producing highly standardized products, using high technology

b) Differentiating Strategy

It is the process of distinguishing a product or offering from others, to make it more attractive to a particular target market. This involves differentiating it from competitors' products as well as a firm's own product offerings. (Design, Brand image, Technology, Service, Dealer Network, etc)

c) Product Flanking Strategy

Introduction of various combination of products at different prices to cover the maximum market segments

d) Confrontation Strategy:

A combination of Market-challenger Strategies (Frontal attack, Flank attack, encirclement attack and guerilla attack)

e) Defensive Strategy;

Adopted by companies which are strong and not by the leader… attacking a perceived weakness in the leader's strategy

f) Offensive Strategy;

Strategy for market leader and attacking the competitors by introducing new products, services

g) De marketing Strategy

Withdrawing a product which is enjoying good demand and satisfies the demand by some other products, which it likes to popularise

h) Remarketing Strategy

A product with declining demand is brought back to life and remarketed

VI Growth Strategies

- **For Existing Markets**

1. Market penetration

Aims at increasing sales of existing products in the current market. It is achieved by increasing the level of marketing efforts or lowering the prices. Status quo strategy

2. Product Development

- Development of new products for the existing markets
- Meeting changing needs and wants
- Match new competitive advantage
- Get the advantage of new technology
- Fulfill the requirements of new market segments

3. Vertical integration

Vertically integrated companies in a supply chain are united through a common owner. Usually each member of the supply chain produces a different product or (market-specific) service, and the products combine to satisfy a common need. It is contrasted with horizontal integration.

  - **Backward Integration**
  - **Forward Integration**

- **For New Markets**

1. Market development:

An effort to bring current products to new markets (existing markets stagnant, market shares already high/ competitors are very powerful)

2. Market Expansion:

Moving into a new geographic market area.

3. Diversification

It seeks to increase profitability through greater sales volume obtained from new products and new markets.

a) Concentric diversification:

The technology would be the same but the marketing effort would need to change.

b) Horizontal diversification:

The company adds new products or services that are often technologically or commercially unrelated to current products but that may appeal to current customers.

c) Conglomerate diversification (or lateral diversification):

The conglomerate diversification has very little relationship with the firm's current business

VII Consolidation Strategies

a) Retrenchment :

Retrenchment is a pullback or a withdrawal from offering some current products or serving some markets. It seeks to reduce the size or diversity of an organization's operations.

b) Pruning:

Reducing the number of products offered in a market (too small or too costly to continue)

c) Divestment

Plan whereby a product line (or a product division of a business) is liquidated or sold so as to limit either real or anticipated losses and to redirect the resources behind that product line.

VIII Functional Strategies

a) Product Strategies

Specifying the exact product or service to be offered.

'Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer" ' - product width, product design, features….

b) Branding Strategies:

The process by which a marketer tries to build long-term relationship with the customers

- Brand Image or brand Building
- Brand equity

c) Brand Image

A brand is the identity of a specific product, service, or business . A brand can take many forms, including a name, sign, symbol, color combination or slogan.

d) Distribution Strategies

Selecting the method for distributing the product or service

selection of one or more channels

extent or intensity of distribution

e) Media Strategies

Media to be used

f) Sales promotion Strategies

Sales promotions are short-term incentive to encourage the purchase or sale of a product or service.

g) Price Strategy - Establishing a price for the product or service

<u>STRATEGIES FOR CONSUMER PRODUCTS</u>

Consumer market consist of 4 components

- People
- Purchasing Power
- Need for specific product
- Willing to fill the need with a given product

Definitions

American Marketing Association " Consumer Goods are destined for use by ultimate consumers or households and in such form that they can be used without commercial processing**"**

Characteristic Features of Consumer Products

- Large- Scale Production
- Demand is primary in nature
- Elasticity in demand
- Widespread buyers
- Horizontal markets

- Small purchases
- Competition
- Constant threat from change in fashion
- Shifts in buying powers
- Buying motive is emotional

Classification of Consumer Products

- Durable Goods
- Non-durable
- Services

Goods can also be classified as

- Convenience goods
- Shopping Goods
- Specialty Goods

1. Convenience goods

Goods which are easily available to consumer, without any extra effort are convenience goods. Mostly, convenience goods come in the category of nondurable goods such as like fast foods, confectionaries, and tobacco products, with low value. The goods are mostly sold by wholesalers/retailers to make them available to the consumers in good volume.

Features

- Buyers make their purchase as a routine matter
- Low unit price
- Greater frequency of purchase
- Brand preference is subject to change during non-availability of a particular brand

a) Staple Convenience Consumer Goods:

Goods which come under the basic demands of human beings are called staple convenience goods. For eg: milk, bread, sugar etc.

b) Impulse Convenience Consumer Goods:

Goods which are brought without any prior planning or which are brought impulsively are called impulse convenience goods. For eg: potato wafers, candies, ice creams, cold drinks etc.

2. Shopping Goods

In shopping consumer goods, consumer do lot of selection and comparison based on various parameters such as cost, brand, style, comfort etc, before buying an item. They are costlier than convenience goods and are durable nature. Consumer goods companies usually try to set up their shops and show rooms in active shopping area to attract customer attention and their main focus is to do lots of advertising and marketing to become popular. Goods like Clothing Items, Televisions, Radio, Foot Wears, Home Furnishing, Jewelleries

Features

- A full search of the product is made before it is bought
- They are non-routine products and the frequency of purchase is low
- Brand comparisons, inter-store comparisons are made

3. Specialty Goods (Insistence)

- Goods which are very unique, unusual, and luxurious in nature are called specialty goods. Specialty goods are mostly purchased by upper-class of society as they are expensive in nature.
- The goods don't come under the category of necessity rather they are purchased on the basis personal preference or desire.
- Brand name and unique and special features of an item are major attributes which attract customer attraction in buying them.

Examples of Specialty Products are: Antiques, jewelry, wedding dresses , cars.

Marketing Plan for Various types of Consumer Goods

Types of goods	Price	Place	Promotion
Convenience	Inexpensive	Many outlets	Advertising,
Shopping	Relatively expensive	Few outlets	Advertising, direct marketing
Specialty	High priced	Few select outlets	Advertisements, direct marketing

<u>Marketing Mix of Consumer Products</u>

Product Planning:

- evaluating the company resources
- Preparing to meet consumer preferences
- Developing the product
- Pre-testing the product
- Producing the product
- marketing the product
- Control and evaluation

Pricing Policies

Various factors Influencing pricing are

- Influence of cost
- Influence of competition
- Influence of distribution channels
- Influence of discounts & allowances
- Influence of Government interference

Physical distribution

Distribution strategy for consumer goods should cover the following basic activities…

- Choice of available channels
- Whether or not to confine distribution to one channel or several
- Whether to go direct to the customers or deal through intermediaries
- Expenditure to be allocated

Place/ Physical Channels open for the distribution of consumer goods

- Direct to the ultimate consumers
- Direct to the wholesalers/retailers
- Indirect sale through agents/brokers
- A combination

Factors influencing Channel Decision:

- Nature of the product
- Kinds of consumers and geographical concentration
- Cost involved
- Competition

Promotion

Three elements in promotional mix are

- Sales promotional activities
- Advertising
- Salesmanship

MARKETING STRATEGIES FOR INDUSTRIAL GOODS

Industrial goods are defined as "those goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to the ultimate consumers"

Characteristics Features of industrial products:

- Derived Demand
- Inelastic Demand
- Limited no. of buyers
- Concentration of Buyers
- Scale of purchase is greater
- Buying is a group process
- Price-Quality-Service mix
- Supplier's reputation
- Rational buying motive
- Awareness of marketing process
- Leasing is possible
- Short Distributive Channels

Classification of Industrial products:

- Raw Materials (farm products or natural products)
- Major equipment (any machinery to undertake production, lathes)
- Accessory equipment (typewriters)
- Component Parts (tyre, battery,)
- Process materials (ball bearing, electrical fitting)
- Consumable Supplies (paint, lubricating oil)
- Industrial Services (consultancy service)

Industrial Markets are Classified on the basis of Customers

- **OEM**

  Original Equipment Manufacturers may refer to a company that purchases, for use in its own products, a component made by a second company. e.g.: Maruthi Suzuki Buys speedometers, tyres & other accessories from external agencies and fits them in the car and sold as a single unit

- **User Firms**

  User firms buy the products for their own use or manufacturing other products

- **Industrial Distributors and Dealers -** buy the products for resale to large and industrial buyers

- **Government**

Different roles assumed by buying centres

- Users
- Buyers
- Influencer
- Deciders
- Gate-keepers

Marketing mix for Industrial Products

Product Planning:

- same set of models or machines cannot win the market
- reduction in noise, lower noise, higher speed…..
- Market research and analysis of business trends is must
- emphasizes on services
- conform to technical specification (pre-determined and agreed)
- packaging is for protection

Pricing policies

- Stable price (also depends on ss & dd)
- Rate of return

Factor in Pricing are

- Customer Demand,

- Competition and
- Cost

Distribution

3 major middlemen are;

- Industrial distributors
- Manufacturer's sales agents
- Manufacturer's sales branches and offices

FOUR C's in selecting the Channels of Distribution are;

- Customer buying habits
- Coverage of geographical area
- Cost of getting the product to the market
- Control over the channel and sales efforts

Promotion

- Personal selling is effective because of following factors
- Technical information is to be provided
- Customers are few in number
- Channels of distribution is shorter
- Direct contact is must (Esp. for pre-sales & after sales services)
- Hire Purchasing and leasing are also main sales promotional activities

MARKETING OF SERVICES

American marketing Association defines services as " activities, benefits or satisfaction which are offered for sale or are provided in connection with the sale of goods"

Three kinds of services;

- Activities that are intangible in nature
- Benefits purely derived from services
- Services obtained along with the buying of the products

Characteristics of Services

- Intangibility
- Inseparability

- Perish ability and fluctuating Demand
- Highly Differentiated Marketing system
- Absence of certain marketing functions
- Heterogeneity
- Customer Relationship
- Lack of Standardization

Differences between services & Products

SERVICES	GOODS
Intangible	**Tangible**
Usually perishable/ cannot be stored	**Can be stored.. Perishable or non-perishable**
Inseparable	**Separable**
Vary in quality	**Standardized**
Ownership cannot be transferred	**Ownership can be transferred**

Kinds of services

- Personal services (painting, domestic)
- Facility services (car, theatre)
- Business Services (consultancy)
- Customer Services (laundries, hotels)

Marketing mix for services

- Marketing should occur at all levels
- Establish direct contact with the customers
- Use high-quality personnel for marketing job
- Creation of loyalty
- Ensure quick resolving of problems
- Brand the services offered
- Provision of improved services at lower cost

<u>Service Mix:</u>

- Tangibles to be associated with intangibles
- Service Product is to be equated with the service provider

- Long term- relationship

Price Mix:

- Pricing plays both economic and psychological role
- More of psychological as the consumers rely on price as the sole indicator of service quality
- Higher price – peak period-reduce demand
- Lower price- slack period – increase demand
- Requirements of advance payment
- Negotiated Price
- Bids for high-price services

Physical Distribution Mix

Less concerned with storage, transportation and inventory control. Shorter channels of Distribution

Factors affecting the channel of distribution of Services

- Geographical Area
- Limited view of marketing (size of population doesn't matter)
- Lack of Competition
- No fear for Obsolescence

Promotion Mix:

- Advertising is somewhat challenging (to be accompanied by tangible things)
- Personal selling is potentially powerful
- Sales Promotional activities ,
  - more stress on consumer benefits,
  - Publicity

COMPETITOR ANALYSIS

Competition is defined by the Customer

- **Product form competition** - includes only products or services of the same product type.
- **Product category competition** - products that have similar features and provide the same basic function.
- **Generic competition** - incorporates the customer's notions of substitutability.
- **Budget competition** - products and services that are purchased from the same general budget.

Competitor Analysis is an important part of the strategic planning process. It involves the activities of tracking the competition, copying their moves and reacting to changes, determination of the competitors' major objectives , assessment of their marketing strategies, their strengths and weaknesses and internal analysis of your firm's strengths and weaknesses relative to competitors

Sources of information for competitor analysis

Davidson (1997) described how the sources of competitor information can be neatly grouped into three categories:

• **Recorded data:** this is easily available in published form either internally or externally. Good examples include competitor annual reports and product brochures;

• **Observable data:** this has to be actively sought and often assembled from several sources. A good example is competitor pricing;

• **Opportunistic data:** to get hold of this kind of data requires a lot of planning and organisation. Much of it is "anecdotal", coming from discussions with suppliers, customers and, perhaps, previous management of competitors.

The table below lists possible sources of competitor data using Davidson's categorisation:

Recorded Data	**Observable Data**	**Opportunistic Data**
Annual report & accounts	Pricing / price lists	Meetings with suppliers
Press releases	Advertising campaigns	Trade shows
Newspaper articles	Promotions	Sales force meetings
Analysts reports	Tenders	Seminars / conferences
Regulatory reports	Patent applications	Recruiting ex-employees
Government reports		Discussion with shared distributors
Presentations / speeches		Social contacts with competitors

Information about the competitor

- Overall sales and profits
- Sales and profits by market
- Sales by main brand
- Cost structure

- Market shares (revenues and volumes)
- Organisation structure
- Distribution system
- Identity / profile of senior management
- Advertising strategy and spending
- Customer / consumer profile & attitudes
- Customer retention levels
- Sales and profits by product
- Relative costs
- Customer satisfaction and service levels
- Customer retention levels
- Distribution costs
- New product strategies
- Size and quality of customer databases
- Advertising effectiveness
- Future investment strategy
- Contractual terms with key suppliers
- Terms of strategic partnerships

Competitive rivalry is likely to be based on dimensions such as price, quality, and innovation. Technological advances protect companies from competition. This applies to products and services. Companies that are successful with introducing new technology, are able to charge higher prices and achieve higher profits, until competitors imitate them. Examples of recent technology advantage in have been mp3 players and mobile telephones. Vertical integration is a strategy to reduce a business' own cost and thereby intensify pressure on its rival.

Competitor analysis has several important roles in strategic planning:

- To help management understand their competitive advantages/disadvantages relative to competitors.
- To generate understanding of competitors' past, present (and most importantly) future strategies.
- To provide an informed basis to develop strategies to achieve competitive advantage in the future.
- To help forecast the returns that may be made from future investments (e.g. how will competitors respond to a new product or pricing strategy?

Steps of Competitive Analysis

1. Define The Target Market
2. Define The Direct Competitors (Serving The Same Market

Segment(S) Use...Perceptual Mapping

A. Multi dimensional Scaling

B. Factor Analysis

3. Assess Competitive Dynamics

   A. Pioneering Advantage

   B. Potential For Technology Discontinuity

   C. Identify Future Competitors (New Entrants)

   D. Barriers

4. Assess Competitive Intensity-Include Conditions That Fosters Intense Competition
5. Identify Avenues For Attaining A Sustainable Advantage Over Competition
6. Sources Of Competitive Intelligence

Industry Concept of Competition

An industry is a group of firm that offers a product or class of products that are close substitutes for each other. Industries are classified based on

- No. of Sellers and degree of Competition
- Entry, Mobility, Exit Barriers
- Cost Structure
- Degree of Vertical Integration
- Degree of Globalization

Market Concept of Competition

Market concept of competition opens up a broader set of actual and potential competitors.

Analyzing Competitors

Strategies

Objectives

Strength & Weakness

Reaction pattern

Strengths and weakness

- The ability of the competitor to conceive and design new products.
- The ability of each competitor to produce the product.
- The ability to market.
- The ability to finance.
- The ability to manage

Types

- Dominant (controls behaviour of other competitors)
- Strong (independent action)
- Favorable (more than above avg to improve its position)
- Tenable(sufficiently satisfactory)
- Weak(unsatisfactory but can improve)
- Nonviable (unsatisfactory cannot improve)

A company should monitor three variables when analyzing each of its competitors

- Share of Market
- Share of Mind
- Share of heart

Reaction Patterns

- **Laid-Back Competitor -**A competitor who do not react quickly to a rival's move
- **Selective Competitor -** Reacting only to selective attacks
- **Tiger Competitor -**Reacting strongly and swiftly
- **Stochastic Competitor -** Not reacting to the attack as expected by the competitor.

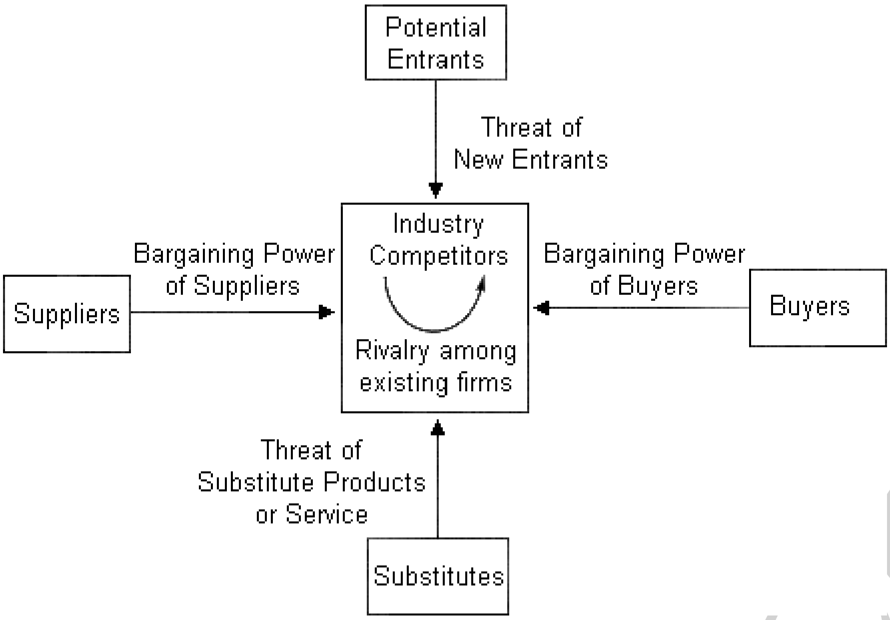
Designing the Competitive Intelligence System

- Setting up the system
- Collecting the data
- Evaluating and analyzing the data
- Disseminating Information and responding

PORTER FIVE FORCES ANALYSIS

Porter's Five Forces is a framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1979. It draws upon Industrial Organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. An "unattractive" industry is one in which the combination of these five forces acts to drive down overall profitability. A very unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven down to zero.

Three of Porter's five forces refer to competition from external sources. The remainder are internal threats. Porter's five forces include - three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. This five forces analysis, is just one part of the complete Porter strategic models. The other elements are the value chain and the generic strategies.



I The threat of the entry of new competitors

Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry. Unless the entry of new firms can be blocked by incumbents, the abnormal profit rate will tend towards zero (perfect competition).

- The existence of barriers to entry (patents, rights, etc.) The most attractive segment is one in which entry barriers are high and exit bers are low. Few new firms can enter and non-performing firms can exit easily.
- Economies of product differences
- Brand equity
- Switching costs or sunk costs
- Capital requirements
- Access to distribution
- Customer loyalty to established brands
- Absolute cost
- Industry profitability; the more profitable the industry the more attractive it will be to new competitors

II The threat of substitute products or services

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives:

- Buyer propensity to substitute
- Relative price performance of substitute
- Buyer switching costs
- Perceived level of product differentiation
- Number of substitute products available in the market
- Ease of substitution. Information-based products are more prone to substitution, as online product can easily replace material product.
- Substandard product
- Quality depreciation

III The bargaining power of customers (buyers)

The bargaining power of customers is also described as the market of outputs: the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes.

- Buyer concentration to firm concentration ratio
- Degree of dependency upon existing channels of distribution
- Bargaining leverage, particularly in industries with high fixed costs
- Buyer volume
- Buyer switching costs relative to firm switching costs
- Buyer information availability
- Ability to backward integrate
- Availability of existing substitute products
- Buyer price sensitivity
- Differential advantage (uniqueness) of industry products
- RFM Analysis

IV The bargaining power of suppliers

The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm, when there are few substitutes. Suppliers may refuse to work with the firm, or, e.g., charge excessively high prices for unique resources.

- Supplier switching costs relative to firm switching costs
- Degree of differentiation of inputs

- Impact of inputs on cost or differentiation
- Presence of substitute inputs
- Strength of distribution channel
- Supplier concentration to firm concentration ratio
- Employee solidarity (e.g. labor unions)
- Supplier competition - ability to forward vertically integrate and cut out the BUYER

Ex. If you are making biscuits and there is only one person who sells flour, you have no alternative but to buy it from him.

V The intensity of competitive rivalry

For most industries, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry.

- Sustainable competitive advantage through innovation
- Competition between online and offline companies; *click-and-mortar* -v- slags on a bridge.
- Level of advertising expense
- Powerful competitive strategy
- The visibility of proprietary items on the Web used by a company which can intensify competitive pressures on their rivals.

Competitors to attack and to Avoid

1. Customer value analysis

- Identify the major attributes customer value
- Assess the quantitative importance of the different attributes
- Asses the company's and Competitor's performance on the different customer values against their rated importance
- Examine how customers in a specific segment rate the company's performance against a specific major competitor on an attribute by attribute basis.
- Monitor customer values over time.

2. Classes of Competitors:

- Strong vs. Weak
- Close Vs. Distant
- Good vs. bad

Segment Marketing

A *market segment* consists of a large identifiable group within a market, with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. For example, an automaker may identify four broad segments in the car market: buyers who are primarily seeking (1) basic transportation, (2) high performance, (3) luxury, or (4) safety.

Because the needs, preferences, and behavior of segment members are similar but not identical, Anderson and Narus urge marketers to present *flexible market offerings* instead of one standard offering to all members of a segment.2 A flexible market offering consists of the product and service elements that all segment members value, plus options (for an additional charge) that some segment members value. For example, Delta Airlines offers all economy passengers a seat, food, and soft drinks, but it charges extra for alcoholic beverages and earphones.

Segment marketing allows a firm to create a more fine-tuned product or service offering and price it appropriately for the target audience. The choice of distribution channels and communications channels becomes much easier, and the firm may find it faces fewer competitors in certain segments.

Niche Marketing

A *niche* is a more narrowly defined group, typically a small market whose needs are not being well served. Marketers usually identify niches by dividing a segment into subsegments or by defining a group seeking a distinctive mix of benefits. For example, a
tobacco company might identify two subsegments of heavy smokers: those who are trying to stop smoking, and those who don’t care.

Steps in Segmentation, Targeting, and Positioning

1. Identify Bases for Segmenting the Market
2. Develop Profiles of Resulting Segments
3. Develop Measures of Segment Attractiveness
4. Select Target Segment(s)
5. Develop Positioning for each Target Segment
6. Develop Marketing Mix for Each Target Segment

Market Segmentation

Process of dividing a total market into groups, or segments, consisting of people or organizations with relatively similar product needs. The purpose is to enable a marketer to design a marketing mix (mm) that more precisely matches the needs of customers in the selected market segments.

Patterns of Market Segmentation

Market segments can be built up in many ways. One common method is to identify *preference segments.* Suppose ice cream buyers are asked how much they value sweetness and creaminess as two product attributes. Three different patterns can emerge:

➢*Homogeneous preferences: A* market in which all of the consumers have roughly the same preference, so there are no natural segments. We predict that existing brands would be similar and cluster around the middle of the scale in both sweetness and creaminess.

➢*Diffused preferences:* At the other extreme, consumer preferences may be scattered throughout the space indicating great variance in consumer preferences. One brand might position in the center to appeal to the most people; if several brands are in the market, they are likely to position throughout the space and show real differences to reflect consumer-preference differences.

➢*Clustered preferences:* The market might reveal distinct preference clusters, called *natural market segments.* The first firm in this market might position in the center to appeal to all groups, choose the largest market segment (*concentrated marketing*), or develop several brands for different segments. If the first firm has only one brand, competitors would enter and introduce brands in the other segments.

Market-Segmentation Procedure

Marketers use a three-step procedure for identifying market segments:

1. **Survey stage**. The researcher conducts exploratory interviews and focus groups to gain insight into customer motivations, attitudes, and behavior. Then the researcher prepares a questionnaire and collects data on attributes and their importance ratings, brand awareness and brand ratings, product-usage patterns, attitudes toward the product category, and respondents' demographics, geographics, psychographics, and media graphics.
2. **Analysis stage.** The researcher applies *factor analysis* to the data to remove highly correlated variables, then applies *cluster analysis* to create a specified number of maximally different segments.
3. **Profiling stage**. Each cluster is profiled in terms of its distinguishing attitudes, behavior, demographics, psychographics, and media patterns, then each segment is given a name based on its dominant characteristic. In a study of the leisure market, Andreasen and Belk found six segments:10 passive homebody, active sports enthusiast, inner-directed self-sufficient, culture patron, active homebody, and socially active. They found that performing arts organizations could sell the most tickets by targeting culture patrons as well as socially active people.

Bases for Segmenting Consumer Markets

In segmenting consumer markets, marketers can apply geographic, demographic, and psychographic variables related to *consumer characteristics* as well as behavioral variables related to *consumer responses*. Once the segments are formed, the marketer sees whether different characteristics are associated with each consumer response segment.

1) Geographic Segmentation

Geographic segmentation calls for dividing the market into different geographical units such as nations, states, regions, counties, cities, or neighborhoods. The company can operate in one or a few geographic areas or operate in all but pay attention to local variations. Some marketers even segment down to a specific zip code.

2) Demographic Segmentation

In *demographic segmentation,* the market is divided into groups on the basis of age and the other variables like gender, occupation, education, social class, income, religion, race, generation, life style etc. One reason this is the most popular consumer segmentation method is that consumer wants, preferences, and usage rates are often associated with demographic variables. Another reason is that demographic variables are easier to measure. Even when the target market is described in nondemographic terms (say, a personality type), the link back to demographic characteristics is needed in order to estimate the size of the target market and the media that should be used to reach it efficiently.

Age and life-cycle stage. Consumer wants and abilities change with age, as Gerber realized when it decided to expand beyond its traditional baby foods line because the market was growing more slowly due to lower birthrates, babies staying on formula longer, and children moving to solid foods sooner. The company hopes that parents who buy its baby food will go on to buy its Graduates foods for 1- to 3- year olds.13

Gender. Gender segmentation has long been applied in clothing, hairstyling, cosmetics, and magazines. Occasionally other marketers notice an opportunity for gender segmentation. The Internet portal iVillage.com reaped the benefits of gender segmentation after initially trying to appeal to a broader market of baby boomers. Noticing that Parent Soup and other offerings for women were the most popular, iVillage soon evolved into the leading women’s on-line community.

Income. Income segmentation is a long-standing practice in such categories as automobiles, boats, clothing, cosmetics, and travel.

Generation. Each generation is profoundly influenced by the times in which it grows up—the music, movies, politics, and events of that period.

Social class. Social class strongly influences preference in cars, clothing, home furnishings, leisure activities, reading habits, and retailers, which is why many firms design products for specific social classes.

3) Psychographic Segmentation

In psychographic segmentation, buyers are divided into different groups on the basis of lifestyle or personality and values. People within the same demographic group can exhibit very different psychographic profiles.

Lifestyle. People exhibit many more lifestyles than are suggested by the seven social classes, and the goods they consume express their lifestyles.

Personality. Marketers can endow their products with brand personalities that correspond to consumer personalities.

Values. Core values are the belief systems that underlie consumer attitudes and behaviors. Core values go much deeper than behavior or attitude, and determine, at a basic level, people's choices and desires over the long term.

4) Behavioral Segmentation

In behavioral segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Many marketers believe that behavioral variables—occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage, and attitude—are the best starting points for constructing market segments.

Occasions. Buyers can be distinguished according to the occasions on which they develop a need, purchase a product, or use a product. For example, air travel is triggered by occasions related to business, vacation, or family, so an airline can specialize in one of these occasions.

Benefits. Buyers can be classified according to the benefits they seek. One study of travelers uncovered three benefit segments: those who travel to be with family, those who travel for adventure or education, and those who enjoy the "gambling" and "fun" aspects of travel.

User status. Markets can be segmented into nonusers, ex-users, potential users, first time users, and regular users of a product. The company's market position also influences its focus.

Usage rate. Markets can be segmented into light, medium, and heavy product users. Heavy users are often a small percentage of the market but account for a high percentage of total consumption.

Loyalty status. Buyers can be divided into four groups according to brand loyalty status: (1) hard-core loyals (who always buy one brand), (2) split loyals (who are loyal to two or three brands), (3) shifting loyals (who shift from one brand to another, and (4) switchers (who show no loyalty to any brand)

Buyer-readiness stage. A market consists of people in different stages of readiness to buy a product: Some are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy.

Attitude. Five attitude groups can be found in a market: (1) enthusiastic, (2) positive, (3) indifferent, (4) negative, and (5) hostile.

Bases for Segmenting Business Markets

Business markets can be segmented with some variables that are employed in consumer market segmentation, such as geography, benefits sought, and usage rate. Yet business marketers can also use several other variables. Bonoma and Shapiro proposed segmenting the business market with the variables. The demographic variables are the most important, followed by the operating variables— down to the personal characteristics of the buyer. A company should first decide which industries it wants to serve. Then, within a chosen target industry, the company can further segment by company size, possibly setting up separate operations for selling to large and small customers.

Major Segmentation Variables for Business Markets

Demographic

- **Industry :** which Industries should we serve?
- **Company size:** what size companies should we serve?
- **Location:** what geographical areas should we serve?

Operating Variables

- **Technology**: What customer technology should we focus on?
- **User or Non-user Status**: Should we serve heavy , medium, light or non-users?
- **Customer capabilities**: should we serve customers needing fewer or many services?

Purchasing Approaches:

- **Purchasing- function Organization**: should we serve companies with highly centralized or decentralized purchasing organizations?
- **Power Structure:** should we serve companies that are engineering dominated, financially dominated or so on?
- **Nature of existing Relationships**: should we serve companies with which we have strong relationships or simply go after the most desirable companies?
- **General Purchase policies**: should we serve companies that prefer leasing , service contracts, system purchases or sales bidding?
- **Purchasing Criteria:** should we serve companies that are seeking quality, service or price?

Situational Factors:

- **Urgency**: should we serve companies that need quick and sudden delivery or service?
- **Specific application**: should we focus on certain application of our product rather than all applications?
- **Size of Order**: should we focus on large or small Orders?

Personal Characteristics;

- **Buyer-Seller similarity**: should we serve companies whose people and values are similar to ours?
- **Attitudes towards Ri**sk: should we serve Risk – taking or risk avoiding customers?
- **Loyalty**: should we serve companies that show high loyalty to their suppliers/

Rangan, Moriarty, and Swartz found these four business segments within the steel strapping industry

1. **Programmed buyers**: Buyers who see the product as not very important to their operation. This is a very profitable segment: The buyers view the product as a routine purchase item, usually paying full price and receiving below-average service.

2. **Relationship buyers:** Buyers who regard the product as moderately important and are knowledgeable about competitive offerings. They get a small discount and a modest amount of service and prefer the vendor as long as the price is not far out of line. This is the second most profitable segment.

3. **Transaction buyers**: Buyers who see the product as very important to their operations. They are price and service sensitive and receive some discounts, but they know the competition and will switch for a better price, even at the sacrifice of some service.

4. **Bargain hunters**: Buyers who see the product as very important and demand low prices and top service. They know the alternative suppliers, bargain hard, and are ready to switch if dissatisfied. The company needs these buyers for volume purposes, but they are not very profitable. Clearly, developing a segmentation scheme for this kind of industry will help a business marketer determine where to increase or decrease price and service, since each segment reacts differently.

Effective Segmentation

Even after applying segmentation variables to a consumer or business market, marketers must realize that not all segmentations are useful. For example, table salt buyers could be divided into blond and brunette customers, but hair color is not relevant to the purchase of salt. Furthermore, if all salt buyers buy the same amount of salt each month, believe all salt is the same, and would pay only one price for salt, this market would be minimally segmentable from a marketing perspective. To be useful, market segments must be:

➢**Measurable**: The size, purchasing power, and characteristics of the segments can be measured.

➢ **Substantial**: The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program.

➢**Accessible**: The segments can be effectively reached and served.

➢ **Differentiable:** The segments are conceptually distinguishable and respond differently to different marketing mixes. If two segments respond identically to a particular offer, they do not constitute separate segments.

➢**Actionable**: Effective programs can be formulated for attracting and serving the segments.

Advantages of segmentation

- Understand potential customers
- Proper attention to particular area
- Formulate marketing programmes
- Select channels of distribution
- Understand competition

- Use marketing resources efficiently
- Design marketing mix
- Sales promotion

MARKET TARGETING STRATEGIES

Once the firm has identified its market-segment opportunities, it is ready to initiate market targeting. Here, marketers evaluate each segment to determine how many and which ones to target and enter.

Evaluating Market Segments

In evaluating different market segments, the firm must look at two factors: (1) the segment's overall attractiveness, and (2) the company's objectives and resources. First, the firm must ask whether a potential segment has the characteristics that make it generally attractive, such as size, growth, profitability, scale economies, and low risk.

Second, the firm must consider whether investing in the segment makes sense given the firm's objectives and resources. Some attractive segments could be dismissed because they do not mesh with the company's long-run objectives; some should be dismissed if the company lacks one or more of the competences needed to offer superior value.

Factors in Evaluating Market Segments

1. Segment Size and Growth - Analyze sales, growth rates and expected profitability**.**

2. Segment Structural Attractiveness - Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.

3. Company Objectives and Resources - Company skills & resources relative to the segment(s). Look for Competitive Advantages

4. Target Market should be consistent , should meet the goals of the organization

5. Markets must be consistent with the resources

Selecting and Entering Market Segments

Having evaluated different segments, the company can consider five patterns of target market selection,

Single-Segment Concentration

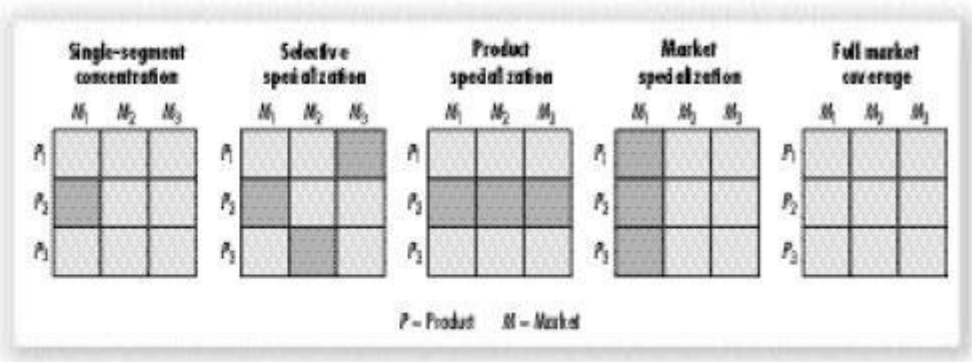
Many companies concentrate on a single segment: Volkswagen, for example, concentrates on the small-car market, while Porsche concentrates on the sports car market.

Through concentrated marketing, the firm gains a thorough understanding of the segment's needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies by specializing its production, distribution, and promotion; if it attains segment leadership, it can earn a high return on its investment. However, concentrated marketing involves higher than normal risks if the segment turns sour because of changes in buying patterns or new competition. For these reasons, many companies prefer to operate in more than one segment.

Selective Specialization

Here the firm selects a number of segments, each objectively attractive and appropriate.
There may be little or no synergy among the segments, but each segment.

Figure 3-7 Five Patterns of Target Market Selection



promises to be a moneymaker. This multi segment coverage strategy has the advantage of diversifying the firm's risk.

Product Specialization

Another approach is to specialize in making a certain product for several segments. An example would be a microscope manufacturer that sells microscopes to university laboratories, government laboratories, and commercial laboratories. The firm makes different microscopes for different customer groups but does not manufacture other instruments that laboratories might use. Through a product specialization strategy, the firm builds a strong reputation in the specific product area. The downside risk is that the product may be supplanted by an entirely new technology.

Market Specialization

With market specialization, the firm concentrates on serving many needs of a particular
customer group. An example would be a firm that sells an assortment of products only to university laboratories, including microscopes, oscilloscopes, and chemical flasks. The firm gains a strong reputation in serving this customer group and becomes a channel for further products that the customer group could use. However, the downside risk is that the customer group may have its budgets cut.

Full Market Coverage

Here a firm attempts to serve all customer groups with all of the products they might need. Only very large firms can undertake a full market coverage strategy. Examples include IBM (computer market), General Motors (vehicle market), and Coca-Cola (drink market). Large firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

In undifferentiated marketing, the firm ignores market-segment differences and goes after the whole market with one market offer. Focusing on a basic buyer need, it designs a product and a marketing program that will appeal to the broadest number of buyers. To reach the market, the firm uses mass distribution backed by mass advertising to create a superior product image in people's minds. The narrow product line keeps down costs of research and development, production, inventory, transportation, marketing research, advertising, and product management; the undifferentiated advertising program keeps down advertising costs. Presumably, the company can turn its lower costs into lower prices to win the price-sensitive segment of the market. In differentiated marketing, the firm operates in several market segments and designs different programs for each segment. General Motors does this with its various vehicle brands and models; Intel does this with chips and programs for consumer, business, small business, networking, digital imaging, and video markets.

Differentiated marketing typically creates more total sales than does undifferentiated marketing. However, the need for different products and marketing programs also increases the firm's costs for product modification, manufacturing, administration, inventory, and promotion. Because differentiated marketing leads to both higher sales and higher costs, we cannot generalize regarding this strategy's profitability. Still, companies should be cautious about over segmenting their market. If this happens, they may want to use coun*ter- segmentation* to broaden their customer base.

COMPARITIVE ANALYSIS

FACTORS	**UNDIFF**	**CONCEN**	**DIFF**
Service/ Product	One brand- many type of consumers	One brand- one group	Different brand for each group
Distribution	All possible outlets	All suitable outlets	All suitable outlets- differs by segment
Promotion	Mass media	All suitable media	All suitable media- differs by segment

Price	One price range	One price range aimed to the consumer group	Distinct price range for each consumer group
Strategy emphasis	Appeal to large no.of consumers via uniform broad cased marketing programme	Appeal to one specific consumer group via highly specialised but uniform marketing programme	Appeal to two or more distinct market segments via different marketing plan catering to each segments
Target markets	Broad range of consumers	One well defined consumer group.	Two or more well defined consumer group
Strategy emphasis	Appeal to large no.of consumers via uniform broad cased marketing programme	Appeal to one specific consumer group via highly specialised but uniform marketing programme	Appeal to two or more distinct market segments via different marketing plan catering to each segments

SELECTING THE TARGET MARKET

The essence of the marketing strategy of a firm for a given product/brand can be grasped from the target market chosen, the way it is positioned and how the marketing mix is organized. The target market shows to whom the unit intends to sell the products, positioning and marketing mix together show how and using what uniqueness or distinction the unit intends to sell.

Eg: Reliance Industries-quality synthetic fabrics. The target market is spotted the well-to-do and fashion loving upper middle class of urban India**.**

POSITIONING

The process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization.

Objectives of Positioning

- To create a distinctive place of a product or service in the minds of the potential customers

- To provide competitive edge to a product or service
- Place an intangible service within a more tangible frame of reference
- Help influence both service department and the redesign of existing service
- Follow competitor's moves and responses to take appropriate action
- To give the target market the reason of buying your services
- Guidelines for development of marketing mix

Positioning of Products and services

The process of designing a service has an impact of the image of the service in the minds of the customers.

Image is the picture of an organization as perceived by the target group

Identity is the way in which a company presents itself… different types of images are

Current image (way that a company is seen by different groups)

Mirror Image (way that a company thinks that it is seen by different groups)

Wish image (the way that a company would like to be seen by different group)

Criteria for distinguish the products/ services for Positioning

- **Importance -** highly valued to a sufficient large market
- **Distinctiveness** - superior to other offerings
- **Communicability -** possible to communicate the difference in a simple and strong way
- **Superiority -** not easily copied by the competitors
- **Affordability -** target customers – able & willing to pay for the difference
- **Profitability -** additional profit for customers

Effective Positioning

The positioning or the offering must be believable in the customer's mind. The promises must be delivered consistently and constantly over time

Positioning Process/ Steps

1. Market Positioning

It is the process of identifying and selecting markets or segments , that represent business potential, to determine the criteria for competitive success….. this must be based on the following factors. Thorough knowledge of needs, wants and perceptions of the target market and benefits offered by the services offered

Marketers must seek answer for the following:

- What is important to Target Market?
- How does the target market perceive the service offering?
- How does the target market perceive the competition?
- What attributes should a service offering use to differentiate itself to make the best use of its resources?

2. Psychological Positioning

This step involves the use of communication to convey the firms or its offerings identity and image to the target market.. It converts the needs in to images and positions the offerings in the customer's mind…

a) Objective Positioning

Here the positioning relates to the objective attributes of the physical product
Creation of an image of service offering that reflects physical and functional features.
This is concerned with what actually is… what exist in real

b) Subjective Positioning

It relates to the subjective attributes of the service offerings. It is the mental perceptions or image perceived by the customers

Positioning Approaches

- Positioning by attributes, features or customer benefits
- Positioning by Price value
- Positioning by use of application
- Positioning according to users or class or Users
- Positioning with respect to product class
- Positioning against Competition
- Positioning by endorsement
- Positioning by Quality Dimensions

(RATER)

1. Reliability
2. Assurance
3. Tangibility
4. Responsiveness
5. Empathy

- Positioning by Physical Evidence

- Positioning by Process

1. Positioning By Product Attributes And Benefits:

Associating a product with an attribute, a product feature or a consumer feature. Sometimes a product can be positioned in terms of two or more attributes simultaneously. The price/ quality attribute dimension is commonly used for positioning the products.

A common approach is setting the brand apart from competitors on the basis of the specific characteristics or benefits offered. Sometimes a product may be positioned on more than one product benefit. Marketers attempt to identify salient attributes (those that are important to consumers and are the basis for making a purchase decision).

Consider the example of Ariel that offers a specific benefit of cleaning even the dirtiest of clothes because of the micro cleaning system in the product. Colgate offers benefits of preventing cavity and fresh breath. Promise, Balsara's toothpaste, could break Colgate's stronghold by being the first to claim that it contained clove, which differentiated it from the leader. Nirma offered the benefit of low price over Hindustan Lever's Surf to become a success. Maruti Suzuki offers benefits of maximum fuel efficiency and safety over its competitors. This strategy helped it to get 60% of the Indian automobile market.

2.Positioning By Price/ Quality:

Marketers often use price/ quality characteristics to position their brands. One way they do it is with ads that reflect the image of a high-quality brand where cost, while not irrelevant, is considered secondary to the quality benefits derived from using the brand. Premium brands positioned at the high end of the market use this approach to positioning.

Another way to use price/ quality characteristics for positioning is to focus on the quality or value offered by the brand at a very competitive price. Although price is an important consideration, the product quality must be comparable to, or even better than, competing brands for the positioning strategy to be effective. Parle Bisleri – "Bada Bisleri, same price" ad campaign.

3. Positioning By Use Or Application:

Another way is to communicate a specific image or position for a brand is to associate it with a specific use or application.

Surf Excel is positioned as stain remover 'Surf Excel hena!'

Also, Clinic All Clear – "Dare to wear Black".

4. Positioning By Product Class:

Often the competition for a particular product comes from outside the product class. For example, airlines know that while they compete with other airlines, trains and buses are also viable alternatives. Manufacturers of music CDs must compete with the cassettes industry. The product is positioned against others that, while not exactly the same, provide the same class of benefits.

5. Positioning By Product User :

Positioning a product by associating it with a particular user or group of users is yet another approach. Motography Motorola Mobile Ad. This ad the persona of the user of the product is been positioned.

6.Positioning By Competitor :

Competitors may be as important to positioning strategy as a firm's own product or services. In today's market, an effective positioning strategy for a product or brand may focus on specific competitors. This approach is similar to positioning by product class, although in this case the competition is within the same product category.

Onida was positioned against the giants in the television industry through this strategy, ONIDA colour TV was launched with the message that all others were clones and only Onida was the leader. "neighbor's Envy, Owners Pride".

7. Positioning By Cultural Symbols :

An additional positioning strategy where in the cultural symbols are used to differentiate the brands.

Examples would be Humara Bajaj, Tata Tea, and Ronald McDonald. Each of these symbols has successfully differentiated the product it represents from competitors.

Steps to Choosing and Implementing a Positioning Strategy

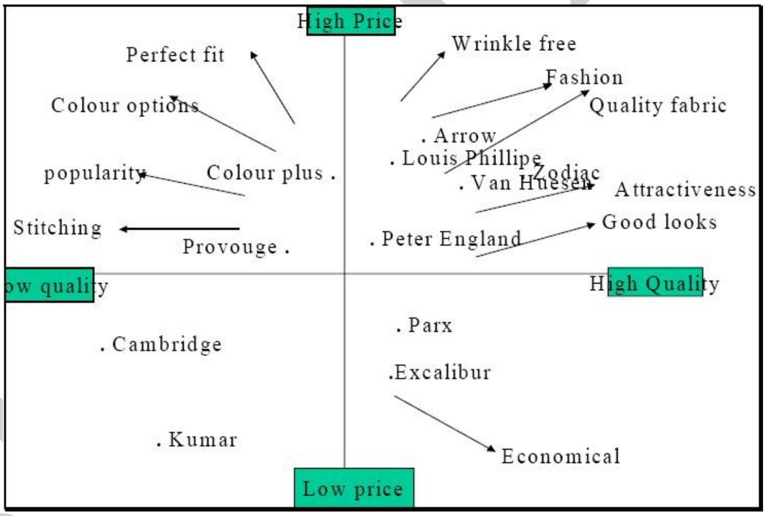
Step 1. Identifying a set of possible competitive advantages: Competitive Differentiation.

Step 2. Selecting the right competitive advantage.

Step 3. Effectively communicating and delivering the chosen position to the market.

Positioning Maps

This is also referred to as Perceptual map.. This map is used for graphical representation of consumers perception about different products or services



UNIT – III MARKETING MIX DECISIONS

INTRODUCTION TO PRODUCT MANAGEMENT:

Product management is an organizational lifecycle function within a company dealing with the planning or forecasting or marketing of a product or products at all stages of the product lifecycle. Product management (inbound focused) and product marketing (outbound focused) are different yet complementary efforts with the objective of maximizing sales revenues, market share, and profit margins. The role of product management spans many activities from strategic to tactical and varies based on the organizational structure of the company.

Product management can be a function separate on its own and a member of marketing or engineering. While involved with the entire product lifecycle, product management's main focus is on driving new product development. According to the Product Development and Management Association (PDMA), superior and differentiated new products — ones that deliver unique benefits and superior value to the customer — is the number one driver of success and product profitability. Product management may be defined as the entrepreneurial management of a piece of business (product, product line, service, brand, segment etc.) as a 'virtual' company, with a goal of ling-term customer satisfaction and competitive advantage.

OBJECTIVES OF PRODUCT MANAGEMENT:

Products are the basis of any organization. Sales are realized through sales of the products. Thus the overall success of the organization depends upon the planning and development of products. Product

Management is the holistic job of product managers, including planning, forecasting and marketing products or services. Product management is an organizational function within a company dealing with the planning marketing of a product or products at all stages of the product lifecycle. Product Management is also a collective term used to describe the broad sum of diverse activities performed in the interest of delivering a particular product to market.

1. To design product strategies with respect to customer, industry and competition analysis.
2. To spot marketing opportunities, and to see whether they are exploitable.
3. To seek growth through new product development.
4. To plan strategies for each stage of product life cycle.
5. To generate new product ideas, and develop them further.
6. To consolidate existing product profile and to do portfolio analysis.
7. To improve and modify existing products and to introduce brand extensions and line extensions.
8. To identify the brand identity, build a brand image, position a brand, build a brand, to develop brand equity and measure it.

PRODUCT PLANNING:

According to W.J.Stanton, "product planning embraces all activities which enable producers and middlemen to determine what should constitute a company's line of products".

According to Johnson, " product planning determines the characteristics of product best meeting the consumer's numerous desires, characteristics that add stability to products and incorporates these characteristics into the finished product".

Elements of Product Planning:

1. **RESEARCH BEFORE PRODUCTION**: before taking a decision to produce a new item, market research should be carried-out extensively. The company should decide the characteristics of the product that can meet the requirement of the people.
2. **POSSIBILITY OF PRODUCTION METHOD**: The possibility of production method which would be followed and is practicable to develop a product exactly what the consumer wants should be examined before taking a decision of producing a new product.
3. **MODIFIATION IN EXISTING LINES**: The existing product lines should also be examined whether they can be improved and to what extent to meet the new requirements of the consumer or a new product is to be developed.

4. **ELIMINATION OF THE PRODUCT**: product planning also involves the decision regarding the elimination of the unprofitable product lines so that resources may be used to some other product profitably.
5. **IMPROVEMENT IN THE PRODUCT**: Product planning includes regarding the improvement of the existing product in terms of quality, packaging, etc, taking in view of the competitor's strategies in the market.

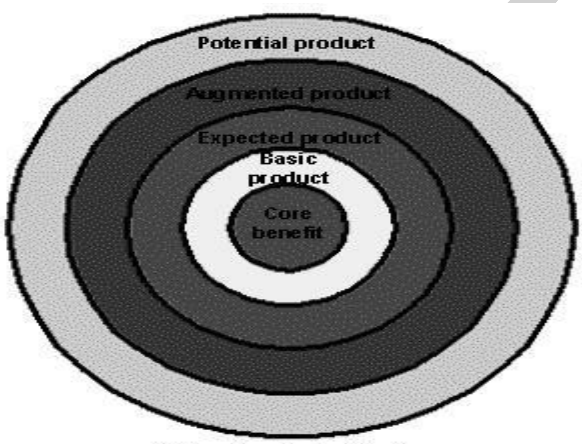
PRODUCT:

Anything that can be offered to a market to satisfy a want or need.

FEATURES OF PRODUCT:

1. Tangiblility.
2. Intangible attributes
3. Associated attributes.
4. Exchange value.
5. Consumer satisfaction:

Levels of Product



Kotler: Five Product Levels

Core Benefit : rest & sleep

Basic : bed, bathroom, towel

Expected : attributes like clean bed, fresh towel, working fan

Augmented : exceeds customer expectation remote control television**,**

Potential : benefits not only satisfy but also delight them

Product Hierarchy

- **Need Family** – Core need that underlies the existence of a product family. Eg. Security

- **Product Family** – Product classes that can satisfy a core need with reasonable effectiveness. Eg. Savings & Income

- **Product Class** – A group of products within a product family recognized as having a certain functional coherence. Eg. financial instrument

- **Product line** – Group of products within a product class that are closely related because they perform a similar function, are sold to same customer group, are marketed through the same channel. Eg. life insurance

- **Product type –** group of items within a product line that share one of several possible forms, of the product. Eg. term life

- **Brand –** The name associated with one or more items in the product line that is used to identify the source or character of the item. Eg. Prudential

- **Item –** A distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute. Eg. Prudential renewable term life insurance

Product Classifications - Consumer Goods

1. **Convenience Products**
   - Buy frequently & immediately
   - Low priced
   - Mass advertising
   - Many purchase locations

   i.e Candy, newspapers

2. **Shopping Products**
   - Buy less frequently
   - Higher price
   - Fewer purchase locations
   - Comparison shop

i.e Clothing, appliances

3. Specialty Products

- Special purchase efforts
- High price
- Unique characteristics
- Brand identification
- Few purchase locations

i.e can be anything

4. Unsought Products

- New innovations
- Products consumers don't want to think about these products
- Require much advertising & personal selling

i.e Life insurance, blood donation

Industrial Goods Classification:

1. **Materials and parts**
   a) farm products
   b) natural products
   c) Manufactured material & parts
   d) Compound material
   e) Compound parts
2. **Capital items**
   a) installations
   b) equipment
3. **Supplies & business services**
   a) maintenance and repair service
   b) operating supplies
   c) maintenance & repair services
   d) Business advisory services

Brand

Brand is a name , term , sign, symbol or design or a combination of them intended to identify the goods or services of one seller or group of sellers and to differentiate from those of competitors. In essence the brand identifies the seller or maker. Brand is considered to be a trademark or distinctive name identifying a product or manufacture. The brand must be a bridge between the customer and owner of the brand. Both functional and emotional satisfaction is attainted through branding. A brand has the power to create interest and command an immediate second look. The value of a business is directly related to the strength of its brand . A string brand will evoke a number of images in the mind of the prospects.

A brand is essential a seller's promise to deliver a specific set of features benefits services consistently to the buyers. The best brand conveys warranty of quality Brands convey even more meanings up to six levels.

- Attributes
- Benefits
- Producer's values
- Culture
- Personality
- User

Benefits of branding

1. Branding makes it causes for the seller to process orders and track down problem.
2. The seller's brand name and trademark provide legal protection of unique product features
3. Branding gives the seller the opportunity to attract a loyal profitable set of customers. Brand loyalty gives some protection from competition
4. Branding helps the seller segment markets
5. Strong brands help build the corporate image, making it easier to launch new brands and gain acceptance by distributers and consumers

Use of a successful brand

With a successful brand, a company will usually have:

1. Improved margins through higher realizations leading to higher profits
2. Generated better cash flows and improved management and productivity of assets
3. Reduced or even eliminated the need for regular infusion of fresh capital – investment needs can be met out of internal accruals and extensions of a successful brand can give the benefits of new benefits of new product launch at reduced cost.
4. Created an entry barrier for would be rivals, who must now spend heavily to counter the brand and
5. Insulated the brand from economic cycles, since a successful brand immediately reduces the impact of prices alone on demand.

There are certain basic categories of brand or corporate name:

1. Descriptive name
2. Associative name

3. Freestanding name
4. Abstract name
5. Coined name

Table 4.1 Levels of Brand Meaning

Meaning	Description	Example
Attributes	A brand brings to mind certain attributes.	Mercedes suggests expensive, well-built, durable, high-prestige vehicles.
Benefits	Attributes must be translated into functional and emotional benefits.	The attribute "durable" could translate into the functional benefit "I won't have to buy another car for several years."
Values	The brand says something about the producer's values.	Mercedes stands for high performance, safety, and prestige.
Culture	The brand may represent a certain culture.	Mercedes represents German culture: organized, efficient, high quality.
Personality	The brand can project a certain personality.	Mercedes may suggest a non-nonsense boss (person) or a reigning lion (animal).
User	The brand suggests the kind of customer who buys or uses the product.	Mercedes vehicles are more likely to be bought by 55-year-old top managers than by 20-year-old store clerks.

BRAND STRATEGY

A company has five choices with regards to brand strategy. They are

1. **Line Extensions:**

   Existing brand name extended to new sizes of flavors in the existing product category like Cinthol "Cologne" , Cinthol 'Lime'. Extension may lead to brand name losing in specific meaning. However there is a much higher chance of survival than brand new products

2. **Brand Extensions:**

   Where a company may use its existing brand name to launch new products in other categories like the brand 'Rin' being extended to both detergent powders, detergent cakes. The new product may disappoint buyers and damage their report for company's other products. The brand name may be in appropriate to the new product. The brand name may also lose its special positioning in consumers' mind though over extension. Brand dilution occurs when consumers mind trough over extension. Brand dilution occurs when consumers no longer associate a brand with a specific product ore highly similar products

3. **Multi brands:**

   A company will often introduce additional brand in the same product category. Sometimes the company is trying to establish different features or appeal to different buying motives. A multi-branding strategy also enables the company to lock up more distributors shelf space and to protect its major brand by setting up flanker brand. Hindustan lever limited produces three different brands of detergent powders. Company inherits different brand name in the process of acquiring competitors Smithkline beecham consumer health care owns the acquired brand names like brook bond. Hamam Kissan A major pitfall introducing multi-brand entries is that each might obtain only a small market share and none may be particularly profitable. The company will have dissipated its resources over several brands instead of building a few highly profitable brands

4. **New Brands:**
   New brands are created when company launches products in a new category it may find that none of its current brand names are appropriate. Yet the cost of establishing a new brand name in the market place is costly.
5. **Co-brands:**
   A Co brand is a combination of two or more well known brands in an offer like the combination of SBI and GE Capital in the issue of SBI credit cards.

Brand Repositioning

However well a brand is currently positioned, the company may have to reposition it later when facing new competitors or changing customer preferences. Consider 7-Up, which was one of several soft drinks bought primarily by older people who wanted a bland, lemon-flavored drink. Research indicated that although a majority of soft-drink consumers preferred a cola, they did not prefer it all of the time, and many other consumers were non cola drinkers.

Brand stretching

Brand stretching is applying an existing brand to a completely different business area or a new product or service- such as Cadbury's entry into cola market. The risk attached to brand stretching is that failure in the new field may affect the core product

Brand equity:

Brand equity is a set of assets and liabilities linked to a brand's name and symbol that add to subtract from the value provided by a product or service to ad firm and / or that firm's customers.

PACKAGING

Packaging includes the activities of designing and producing the container for a product. The container is called the *package*, and it might include up to three levels of material. Old Spice aftershave lotion is in a bottle *(primary package)* that is in a cardboard box *(secondary package)* that is in a corrugated box *(shipping package)* containing six dozen boxes of Old Spice.

Reasons For the development of packaging:

Self-service*:* The typical supermarket shopper passes by some 300 items per minute. Given that 53 percent of all purchases are made on impulse, an effective package attracts attention, describes features, creates confidence, and makes a favorable impression.

Consumer affluence*:* Rising consumer affluence means consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages.

Company and brand image*:* Packages contribute to instant recognition of the company or brand. Campbell Soup estimates that the average shopper sees its red and white can 76 times a year, the equivalent of $26 million worth of advertising.

Innovation opportunity*:* Innovative packaging can bring benefits to consumers and profits to producers. Toothpaste pump dispensers, for example, have captured 12 percent of the toothpaste market because they are more convenient and less messy.

LABELING

Every physical product must carry a label, which may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. Labels perform several functions. First, the label *identifies* the product or brand—for instance, the name Sunkist stamped on oranges. The label might also *grade* the product, the way canned peaches are grade labeled A, B, and C. The label might *describe* the product: who made it, where it was made, when it was made, what it contains, how it is to be used, and how to use it safely. Finally, the label might *promote* the product through attractive graphics.

PRODUCT LIFE CYCLE

Describes the stages a product goes through in the marketplace including introduction, growth, maturity, and decline.

I. Introductory Stage:

During the market introductory stage, there may not be ready market for the product. Sales are low; the product undergoes teething troubles, profits seem a demand has to be created and developed ; customers have to be prompted to try out the product. This stage poses several problems for the marketer. The complexity of the problems and the duration of the stage depend upon the nature of the product, its price, its technological newness and the consumer’s view of the product. the management can pursue one of the four strategies

1. Rapid skimming :

Launching the new product at a high price and a high promotion level. It will take advantage of early entry and the realitive novelty of the product in the market introduction stage. Those who became aware of the product are eager to have it and can pay the asking price and the firm faces potential competition and wants to build brand preferences.

2.Rapid Penetration : Launching the product at a low price and spending heavily on promotion. This strategy make sense when the market is large, the market is unaware of the product, most buyers are price sensitive, there is strong potential competition, and the unit manufacturing costs fall with the company’s scale of production and accumulated manufacturing experience.

3 Slow penetration : Launching the product at a low price and low level of promotion. This strategy make sense when the market is large, is highly aware of the product, is price sensitive, and there is some potential competition. Another crucial area demanding attention at this stage is market development and promotion. In this stage, demand has to be created and developed. The firm has to invest heavily in promotion and visit for the reward

4. Slow Skimming : Launching the new product at a high and low promotion. This strategy make sense when the market is limited in size. Most of the markets are aware of the product, buyers are willing to pay a high price and potential competition is not imminent

A. **Characteristics**

Low sales volume

High costs

No or little direct competition

Basic product configuration

B. Strategies

Develop primary demand by building awareness and educating consumers

Stimulate opinion leaders to buy the product

Build channels of distribution (selective in the beginning)

Two pricing strategies:

price skimming – introduce at high price

price penetration – introduce at low price

II Growth Stage

During this stage, the demand for the product increase and the size of the market grows. There is a rapid increase in sales. Early adopters like the product and additional consumers start buying it. Now competitors enter attacked by the opportunities. They introduce new product features and expand distribution. Price remain where they are or fall slightly depending on how fast demand increase. Profits increase during this stage as promotion cost are spread over a large volume and unit manufacturing costs fall faster than price decline owing to the producer learning effect.

During this stage the firm uses several strategies to sustain rapid market growth as long as possible.

- It improves product quality and adds new features and improved styling
- It adds new models and flanker, products i.e products of different size, flavours
- It enters new market segments
- It increases its distribution coverage
- It shifts from product awareness advertising to product preference advertising
- It lowers price to attract the next layer of price sensitive buyers.

A. Characteristics

Sales volume increases significantly

Costs per unit decrease

Competition increases

More product variation

B. Strategies

Engage in product modification

Build selective demand; stress differentiation

Move toward intensive distribution

Practice more aggressive pricing

III Maturity Stage

In the maturity stage the demand for the product reach a saturation point Price competition become intense and pioneer tries to distinguish his brand by subtle company. Maturity divides into 3 phases:

I. Growth Phase

II. Stable Phase

III. Decaying Maturity

Market Modification

The company might try to expand the market for its mature brand by working with the two factors that makeup sales volume.

Volume = Number of brand users * usage rate per user

The company can try to expand the number of brand users in three ways

I. Convert non users
II. Enter new market segments
III. Win competitors customers

A. Characteristics

Sales growth slows then levels off

Profits decline for the industry

Marginal competitors leave marketplace

B. Strategies

Rejuvenate product – change packaging, new models, line extensions

Stimulate usage rate

Maintain brand loyalty through reminder promotions

Continue aggressive pricing

Continue intensive distribution

IV Decline Stage :

In this stage, sales begin to fall. The demand for the product shrinks probably due to new and functionally advanced products becoming available in the market/ market being more saturated to the product. In any case, price and margins get depressed: total sales and profits diminish . Firms do perceive the impounding total decline and prepare for the gradual phasing out of the product. Successful firms quite often keep new products ready in the queue to fill the vacuum created by the decline of existing products

A. Characteristics

Strong downward shift in sales

Profits stay low and continue to decline

Only a few strong competitors remain

Back to basic product configurations

B. Strategies

Distribution reduced to fewer outlets

Promotional support reduced

Prices lowered

Use harvesting strategy

- Product life cycles vary in length
- Product life cycles are getting shorter

Competition	None of importance	Some emulators	Many rivals competing for a small piece of pie	Few in number with a rapid shakeout of weak members
Profits	Profits are negligible because of high production and marketing costs	Profits reach peak levels as a result of high prices and growing demand	Increasing competition cuts into profit margins and ultimately into total profits	Declining volumes pushes costs up to levels that eliminate profits entirely
Distribution	Selective, as distribution is slowly built up	Intensive; employ small trade discounts since dealers are eager to store	Intensive; use heavy trade allowances to retain shelf space	Selective; slowly phase out unprofitable outlets
Advertising strategy	Aim at the needs of early adopters	Make the mass market aware of brand benefits	Use advertising as a vehicle for differentiation among	Emphasise low price to reduce stock

Stages	Main strategy	Price	Advertising and sales promotions
Introduction	Aim to get the innovators try the product	Try to have a higher price to cover the launch costs	Generate awareness; Samples, test drives etc.
Growth	Aim at the weaker market	Keep price up to take advantage of market growth	Reinforce success; Reduced sales promotions
Maturity	Fight off the increasing competition and support loyal customers	Avoid price wars	Stress the differential advantages; use sales promotions to attract users to the brand
Decline	1.Revamp 2.Promotion 3.Substitution	Change price levels Reduce price Price down to clear stocks	Stress and inform change Spend more, special offers Do nothing

Life Cycle Length

Because of

- technology and
- globalization
- the introduction stage is getting very short
- some cycles more quickly to maturity, then have many product modifications so the decline stage drags on and on
- Fashions - currently popular products that tend to follow recurring life cycles
- Fads(A fashion that is taken up with great enthusiasm for a brief period of time; a craze) - Fashions with abbreviated life cycles - only popular with certain groups
    - Music
    - Fast food
    - Children’s toys
    - “adult toys

Product Life Cycle Considerations in Marketing Strategy

- Understand that profits have a predictable pattern
- in the early stages, focus is on product information

- in the later stages, focus is on brand promotion
- use market segmentation in maturity stage to maintain strong core customer basis

NEW PRODUCT DEVELOPMENT AND MANAGEMENT:

New product development (NPD) is the term used to describe the complete process of bringing a new product or service to market. There are two parallel paths involved in the NPD process: one involves the idea generation, product design and detail engineering; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management used to maintain or grow their market share.

The process/ Steps :

Stage 1 Idea Generation is often called the "fuzzy front end" of the NPD process

- Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weaknesses, Opportunities & Threats), Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or Ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.
- Lots of ideas are being generated about the new product. Out of these ideas many ideas are being implemented. The ideas use to generate in many forms and their generating places are also various. Many reasons are responsible for generation of an idea.
- Idea Generation or Brainstorming of new product, service, or store concepts - idea generation techniques can begin when you have done your OPPORTUNITY ANALYSIS to support your ideas in the Idea Screening Phase (shown in the next development step).

Stage 2. Idea Screening

This process involves shifting through the ideas generated above and selecting ones which are feasible and workable to develop. Pursing non feasible ideas can clearly be costly for the company. The object is to eliminate unsound concepts prior to devoting resources to them. The screeners should ask several questions:

- Will the customer in the target market benefit from the product?
- What is the size and growth forecasts of the market segment/target market?

- What is the current or expected competitive pressure for the product idea?
- What are the industry sales and market trends the product idea is based on?
- Is it technically feasible to manufacture the product?
- Will the product be profitable when manufactured and delivered to the customer at the target price?

Stage 3. Concept Development and Testing

The organization may have come across what they believe to be a feasible idea, however, the idea needs to be taken to the target audience. What do they think about the idea? Will it be practical and feasible? Will it offer the benefit that the organization hopes it will? or have they overlooked certain issues? Note the idea and concept is taken to the target audience not a working prototype at this stage. Develop the marketing and engineering details like

- Investigate intellectual property issues and search patent data bases
- Who is the target market and who is the decision maker in the purchasing process?
- What product features must the product incorporate?
- What benefits will the product provide?
- How will consumers react to the product?
- How will the product be produced most cost effectively?
- Prove feasibility through virtual computer aided rendering, and rapid prototyping
- What will it cost to produce it?

Testing the Concept by asking a sample of prospective customers what they think of the idea. Usually via Choice Modeling.

Stage 4. Business Analysis

The company has a great idea, the marketing strategy seems feasible, but will the product be financially worth while in the long run? The business analysis stage looks more deeply into the cashflow the product could generate, what the cost will be, how much market shares the product may achieve and the expected life of the product.

- Estimate likely selling price based upon competition and customer feedback
- Estimate profitability and break-even point

Stage 5 . Marketing Strategy

A proposed marketing strategy will be written laying out the marketing mix strategy of the product, the segmentation, targeting and positioning strategy sales and profits that are expected.

Stage 6: Product Development

Finally it is at this stage that a prototype is finally produced. The prototype will clearly run through all the desired tests, and be presented to the target audience to see if changes need to be made.

Stage 7: Test Marketing

Test marketing means testing the product within a specific area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed, be modified before national launch.

Stage 8: Commercialization

If the test marketing stage has been successful then the product will go for national launch. There are certain factors that need to be taken into consideration before a product is launched nationally. These are timing, how the product will be launched, where the product will be launched, will there be a national roll out or will it be region by region?

New Product Pricing

- Impact of new product on the entire product portfolio
- Value Analysis (internal & external)
- Competition and alternative competitive technologies
- Differing value segments (price, value, and need)
- Product Costs (fixed & variable)
- Forecast of unit volumes, revenue, and profit

Integrated Marketing communication:

Integrated Marketing Communications (IMC) is the coordination and integration of all marketing communication tools, avenues, functions and sources within a company into a seamless program that maximizes the impact on consumers and other end users at a minimal cost

Marketing Communication Objectives:

- Behaviour Modification
    - Modify behaviour & Thoughts
    - Reinforce existing behaviour- To strengthen by adding extra support or material.
- To Inform
- To persuade- To influence or gain over by argument, advice.
- To remind
- Specific Objectives
    - Shift the demand
    - To change the pattern of demand

Factors determining marketing Communication Mix:

- Type of product
- Nature of market
- Stage in Product Life cycle
- Budget availability
- Company policies
- Type of Product Market
- Buyer Readiness

CHANNEL MANAGEMENT

According to Philip Kotler, " Every producer seeks to link together the set of marketing intermediaries that best fulfill the firm's objectives. This set of marketing intermediaries is called the marketing channel (also called as trade channel or channel of distribution.)

A system of marketing institutions that promotes the physical flow of goods and services, along with ownership title, from producers to consumer or business user; also called a distribution channel

For marketers the distribution decision is primarily concerned with the supply chain's front-end or channels of distribution that are designed to move the product (goods or services) from the hands of the company to the hands of the customers

Characteristics of Distribution channel:

1) Route or pathway:

2) Flow:

3) Composition:

4) Functions:

5) Remuneration:

6) Time Utility:

7) Convenience Value:

8) Possession Value:

9) Marketing tools:

10) Supply-demand Linkage:

Channel Functions:

1) Information Provider

2) Price stability.

3) Promotion

4) Financing

5) Title

6) Help in Production Function

7) Matching demand and supply.

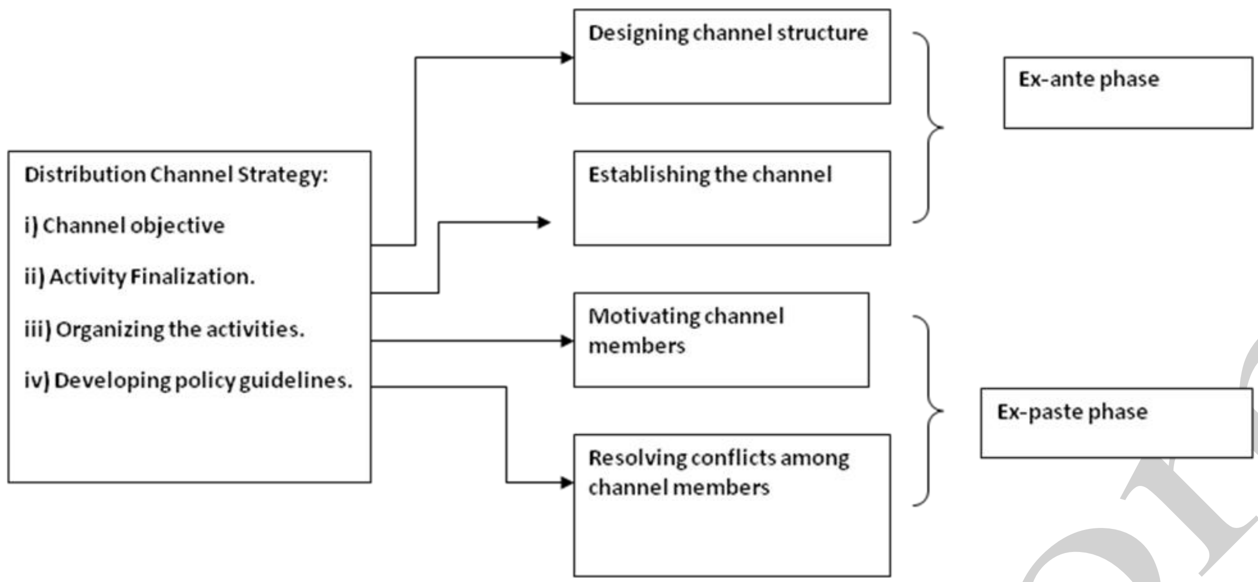
- Contractual: Finding out buyers and sellers.
- Merchandising: Producing goods that will satisfy market requirements.
- Pricing: Process of attaching value to the product in monetary terms.
- Propaganda: Sales promotion activities.
- Physical Distribution: Distribution activities.
- Termination: Settlement of contract, i.e., paying the value and receiving the goods.

8) Pricing

9) Standardizing Transactions.

10) Matching Buyers and Sellers.

Concepts of Channel Management:



1. The Ex Ante phase: The ex ante phase involves all the activities that are associated with the design and establishment of the distribution channel actually starts functioning.

i) Designing channel structure.

ii) Establishing the channel.

a) Appointing processing Entities.

b) Infrastructure Development.

c) Miscellaneous Functions.

2. The Ex-paste Phase:

While these activities are just preparatory activities, the main task of a channel manager starts only after the channel is set up and starts functioning. It comprises following two set of activities:

i) Motivating Channel Members:

ii) Resolving Conflicts among Channel Members.

The Role of Marketing Channels in Marketing Strategy

Channels provide the means by which the firm moves the goods and services it produces to ultimate users

- Facilitate the exchange process by cutting the number of contacts necessary
- Adjust for discrepancies in the market's assortment of goods and services via sorting
- Standardize exchange transactions
- Facilitate searches by both buyers and sellers

Factors Influencing Channel Decisions

1. Relating to Product Characteristics

- Perishability

- Industrial / consumer products
- Unit values
- Style obsolescence
- Weight & technicality
- Standardized Products
- Purchase Frequency
- Newness & Market Acceptance
- Seasonally
- Product Breadth

II Relating to Company Characteristics

- Financial Strength
- Marketing Policies
- Size of the company
- Past Channel Experience
- Product Mix
- Reputation

III Factors relating to Market or consumer Characteristics

- Consumer Buying habits
- Location of the market
- Number of customer
- Size of orders

IV Factors relating to middleman consideration

- Sales volume potential
- Availability of middleman
- Middlemen's Attitude
- Service provided by middlemen
- Cost of channel

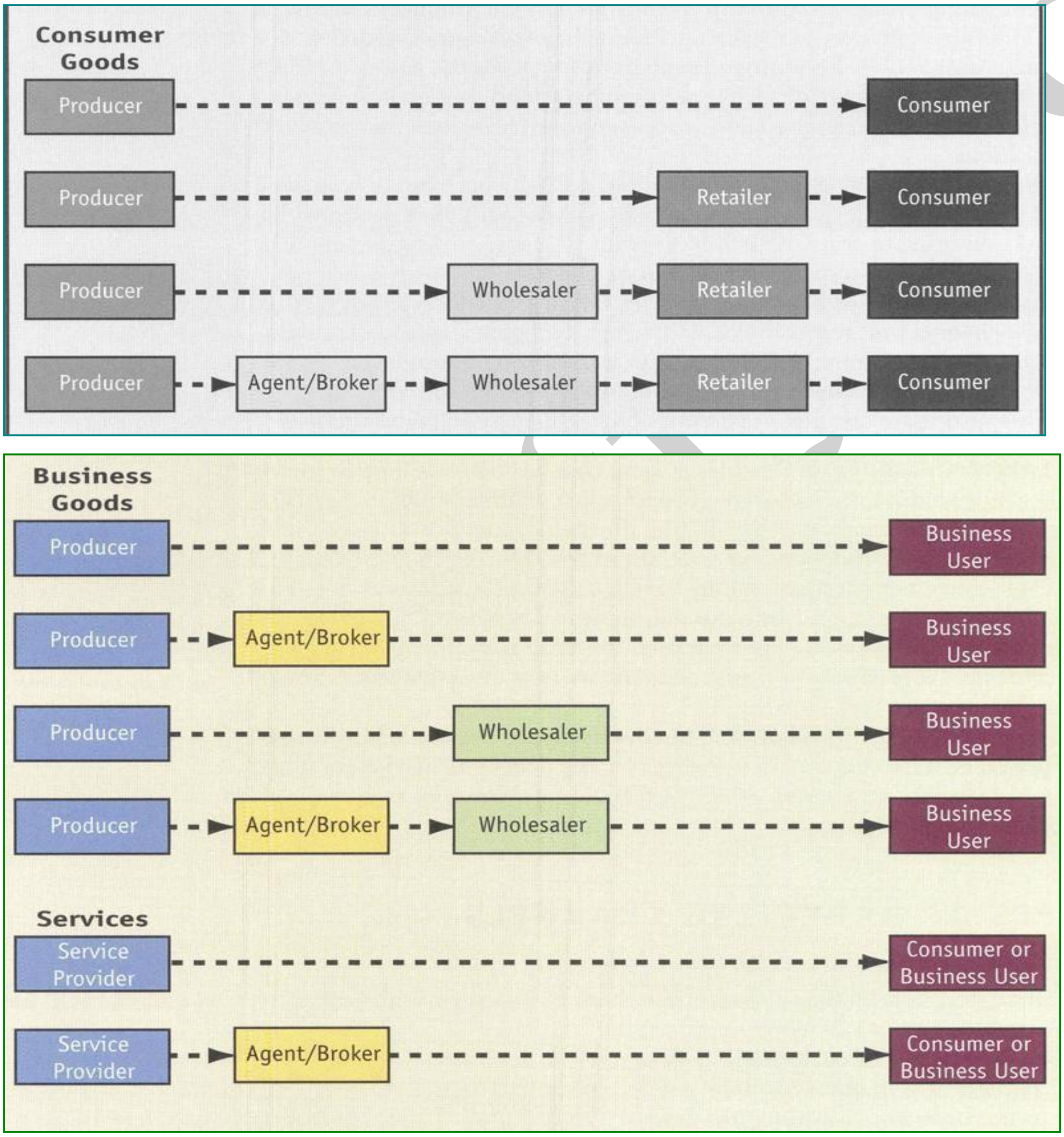
V Factors relating to environmental characteristics

- Economic conditions
- Legal restriction
- Competitors channel
- Fiscal structure

Channels Using Marketing Intermediaries

- Wholesaler / Stockist/ Distributor
- Retailer
- Sole Selling Agent
- C & F Agents
- Semi- Wholesaler
- Value added resellers

Types of Marketing Channels



Hybrid/Multi/Dual Distribution: Network that moves products to a firm's target market through more than one marketing channel

Reverse Channels: Channels designed to return goods to their producers

Determining Distribution Intensity

Number of intermediaries through which a manufacturer distributes its goods

Intensive distribution: channel policy in which a manufacturer of a convenience product attempts to saturate the market

Selective distribution: channel policy in which a firm chooses only a limited number of retailers to handle its product line

Exclusive distribution: channel policy in which a firm grants exclusive rights to a single wholesaler or retailer to sell its products in a particular geographic area

Channel Management

The administration of existing channels to secure the cooperation of channel members in achieving the firm's distribution objectives.

Emergence of distribution channel could be attributed to the need for facilitating exchanges by speeding up the time consuming matching process between buyers and sellers.

Channel Management Decisions

1. Selecting Channel Members

During the selection process, producers should determine what characteristics distinguish the better intermediaries. They will want to evaluate number of years in business, other lines carried, growth and profit record, solvency, cooperativeness, and reputation. If the intermediaries are sales agents, producers will want to evaluate the number and character of other lines carried and the size and quality of the sales force.

2. Training Channel Members

Companies need to plan and implement careful training programs for their distributors and dealers because the intermediaries will be viewed as the company by end users. Microsoft, for example, requires third-party service engineers who work with its software applications to complete a number of courses and take certification exams. Those who pass are formally recognized as Microsoft Certified Professionals, and they can use this designation to promote business.

3. Motivating Channel Members

The most successful firms view their channel members in the same way they view their end users. This means determining their intermediaries' needs and then tailoring the channel positioning to provide superior value to these intermediaries. To improve intermediaries' performance, the company should provide training, market research, and other capability-building programs. And the company must constantly reinforce that its intermediaries are partners in the joint effort to satisfy customers.

4. Evaluating Channel Members

Producers must periodically evaluate intermediaries' performance against such standards as sales-quota attainment, average inventory levels, customer delivery time, treatment of damaged and lost goods, and cooperation in promotional and training programs. A producer will occasionally discover that it is paying too much to particular intermediaries for what they are actually doing

5. Modifying Channel Arrangements

Channel arrangements must be reviewed periodically and modified when distribution is not working as planned, consumer buying patterns change, the market expands, new competition arises, innovative distribution channels emerge, or the product moves into later stages in the product life cycle.

Channel Conflict

Horizontal Conflict

Most often, horizontal conflict causes sparks between different types of marketing intermediaries that handle similar products.

Sometimes results from disagreements among channel members at the same level.

Vertical Conflict

Channel members at different levels find many reasons for disputes

Example: when retailers develop private brands to compete with producers' brands or when producers establish their own retail outlets or WWW Sites.

Multichannel conflict

Exists when the manufacture has established two or more channels that sell to the same market

Causes of channel conflict

- Goals incompatibility

- Unclear roles & rights

Managing Channel conflict

- Super ordinate goals
- Exchange persons
- Cooptation
- Mediation
- Diplomacy

Vertical Marketing Systems

Vertical marketing system (VMS): planned channel system designed to improve distribution efficiency and cost effectiveness by integrating various functions throughout the distribution chain

Types of VMS

Administered marketing system: VMS that achieves channel coordination when a dominant channel member exercises its power

Corporate marketing system: a VMS in which a single owner operates at each stage in its marketing channel

Contractual marketing system: VMS that coordinates channel activities through formal agreements among channel members like:

- Wholesaler-Sponsored Voluntary Chains
- Retail Cooperatives
- Franchises

Horizontal Marketing Systems

Two or more unrelated companies put together resources or programs to exploit an emerging marketing opportunity

Multichannel Marketing System

Occurs when a single firm uses two or more marketing channels to reach one or more customer segmentations.

Integrated Marketing communication

Is the coordination and integration of all marketing communication tools, avenues, functions and sources within a company into a seamless program that maximizes the impact on consumers and other end users at a minimal cost

Marketing Communication Objectives

Behaviour Modification

- Modify behaviour & Thoughts
- Reinforce existing behaviour

To Inform

To persuade

To remind

Specific Objectives

- Shift the demand
- To change the pattern of demand

Factors determining marketing Communication Mix

- Type of product
- Nature of market
- Stage in Product Life cycle
- Budget availability
- Company policies
- Type of Product Market
- Buyer Readiness

PROMOTION:

“ It compasses all the tools in the marketing mix whose major role is persuasive communications” - Philip Kotler.

Elements of Marketing Communication Mix

- Advertisement
- Publicity
- Personal Selling
- Sales Promotion
- Public Relations

Promotion Methods

- Nonpersonal communication paid for by a clearly identified sponsor promoting ideas, organizations, or products
- Most familiar outlets are broadcast (TV, radio) and print (newspapers, magazines) media
- However, there are many other advertising vehicles, from billboards to T-Shirts and, more recently, the Internet

ADVERTISING:

According to American Marketing Association, “Advertising is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor”.

Features of Advertising:

(i) It is Mass-Communication Process.
(ii) It is Informative in Action.
(iii) It is a Persuasive Act.
(iv) It is a Competitive Act.
(v) It is a Paid-For.
(vi) It has an Identified Sponsor.
(vii) It is Non-personal Presentation.

Purpose / Objectives of Advertising:

(i) To increase Demand.
(ii) To sell a new product and to build
(iii) To educate the masses.
(iv) To build Brand Preference.
(v) To build Goodwill.
(vi) To attract and to help Middlemen.
(vii) To support Salesmen.
(viii) To remind the customers of the Product and company.
(ix) To inform about changes in marketing Mix.
(x) To Neutralize.
(xi) To enter in New Geographical Area.
(xii) To do Entire Selling Job.
(xiii) To overcome Dissonance of buyers.

Classification of Advertising:

Basis of Geographical Area

- National Advertising
- Local advertising
- Global advertising

Basis of Target Groups

- Consumer Advertising
- Industrial Advertising
- Trade Advertising
- Professional Advertising

Basis of demand influence level

- Primary Demand
- Selective Demand

Institutional or Product Advertising

- Product Advertising
- Informative Product Advertising
- persuasive Product Advertising
- Remainder-oriented Advertising
- Institutional Advertising

Criteria For selecting advertising Media

- Communication Effectiveness
- Geographic Selectivity
- Audience Selectivity
- Flexibility
- Impact
- Prestige
- Message life
- Coverage
- Cost
- Frequency
- Lead times

Advantages of advertising

1. To Manufacturers

- Increased sales

- Steady demand
- Lower Costs
- Greater dealer interest
- Quick Turnover and smaller inventories
- Supplementing salesmanship
- Encouragement to better performance
- Creation of goodwill

2. Advantages to Consumers

- Facility of Purchasing
- Improvement in Quality
- Elimination of unnecessary intermediaries
- Consumer's surplus
- Education of consumers

3. Advantages to Middleman:

- Guarantees Quick sales
- Acts as a salesman
- It makes possible retail price maintenance

4.Advantages to the society

- Encouragement to Research
- Sustaining the press
- Change in motivation

Disadvantages

- Multiplication of needs
- Misrepresentation of Facts
- Consumer's deficit
- Increased cost
- Wastage of national resources
- Barriers to entry
- Product proliferation
- Deferred revenue expenditure
- Managerial difficulties

Sales Promotion

- A sponsor-funded, demand-stimulating activity designed to supplement advertising and facilitate personal selling

- Frequently consists of a temporary incentive to encourage a sale or purchase
- Included are a wide spectrum of activities, such as event sponsorships, frequency programs, contests, trade shows, in-store displays, rebates, samples, premiums, discounts, and coupons

Marketing activities , other than personal selling , advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstration and various non-recurrent selling efforts not in the ordinary routine”

Characteristics of sales Promotion

- Sales Promotion does not include personal selling , advertising and publicity
- Activities are not regular
- Makes advertisement & Personal Selling more effective
- It encourages dealers, distributors and consumers.

Methods/ tools of Sales Promotion

1. Consumer Promotion

- Free Samples
- Coupons
- Money Refund offer
- Temporary price Reduction/ price Off
- Contests/sweepstakes
- Bonus offer
- Draw
- After Sales service
- P-O-P material
- Exchange Offer
- Product placements/tie-ins

2. Middleman Promotion

- Buying allowance Discount
- Buy-back allowance
- Display & Advertising allowances
- Dealer – listed Promotions
- Push Money
- Sales Contest
- Free Gifts

- Advertising materials
- Credit Facility

3. Sales Force Promotions

- Bonus to Sales Force
- Sales force Contest
- Sales Meetings

Advantages of Sales Promotion:

- Introduction of new brands
- During inflationary stage, to increase sales
- For stimulating demand

Disadvantages

- Creates feeling that it is intended to sell sub-standard product
- Discounts are artificial as price is inflated
- Activities are short-lived and so the result is also short-lives
- Brand image may be affected
- Effective activities easily copied by competitors

PERSONAL SELLING

Personal selling involves the two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.

Advantages of Personal Selling

- Provides a detailed explanation or demonstration
- of product
- Message can be varied to fit the needs of each
- prospective customer
- Can be directed to specific qualified prospects
- Instant feedback
- Personal persuasion can be used
    - "A good salesman can get you to buy ice in winter"

Characteristics of Personal Selling

Pro

1. Flexibility

- Adapt to situations
- Engage in dialog

2. Builds Relationships

- Long term
- Assure buyers receive appropriate services
- Solves customer's problems

Con

- Can not reach mass audience
- Expensive per contact
- Numerous calls needed to generate sale
- Labor intensive

Public relations

Public Relations involves a variety of programs designed to promote or protect a company's image or its individual products.

PR can take many forms, including newspapers, annual reports, lobbying, and support of charitable or civic events

Functions of PR

- Promoting goodwill
- Promoting product, service, corporate image
- Corporate communications
- Lobbying
- Counteracting negative publicity

Major Decisions in PR

- Establishing the marketing Objectives
    - Build Awareness
    - Build Credibility
    - Stimulate sales force and dealers
    - Build a core consumer base
    - Hold down promotion Cost
    - Build one-one relationship with customers

- Influence the influential

- Choosing Messages and vehicles
- Implementing the plan
- Evaluating Results

Advantages of PR

- Very credible and inexpensive
- PR can hold down promotion costs

Disadvantages of PR

- Difficult to quantify PR benefits
- Lack of control
- 'Deft' management required

Public Relations

- publications (annual reports, brochures, News latter…)
- Events (Conference, exhibitions, Anniversaries…)
- news (press releases)
- Speeches
- Service activities

Online Public Relation

- Videoconferencing
- Satellite Media tour
- Video new release
- Streaming video of live events
- Website
- email

Publicity

- is a special form of PR that involves news stories about an organization or its products
- Like advertising, it consists of an impersonal message that reaches a mass audience
- But: Placement is not paid for, the organization that is the subject of the publicity has little or no control over it, it appears as news and therefore has greater credibility than advertising
- Organizations should try to provide the material for good publicity

PRICE

The sum or amount of money at which a thing is valued, or the value which a seller sets on his goods in market; that for which something is bought or sold, or offered for sale

Objectives of Pricing

- To maximize the profits
- Competitive Situation
- Capturing the Market
- Long-run Welfare of the Firm
- Price Stability
- Achieving a Target-Return
- Ability to Pay
- Margin of profit to Middlemen.
- Resource mobilization.

Factors Affecting the Pricing Decisions:

1. Internal factors:

(a) Organizational Factors: pricing decisions occur on two levels in the organization. Overall Price strategy is with the top executives. They determine the basic ranges that the product falls into in terms of market segments.

The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies.

(b) Marketing Mix: Marketing experts view prices as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three- production, Promotion and distribution.

(c) Product Differentiation: The price of the product also depends upon the characteristics of the product. In order to attract the customers, differentiation

Pricing Process

1. Set Pricing Objectives
2. Analyze demand
3. Estimating Cost
4. Analyzing Competitor's Costs, Prices and Offers
5. Select pricing Method
6. Selecting the final price

I Pricing Objectives

- Profit objectives e.g.
  - Targeted profit return
- Volume objectives e.g.
  - Dollar or unit sales growth
  - Market share growth
- Other objectives e.g.
  - Match competitors' price
  - Non-price competition

II Demand Analysis

- Measure the impact of price change on total revenue
- Predicts unit sales volume and total revenue for various price levels
- Different customers have different price sensitivities and needs

Price Sensitivity

- Unique-Value Effect
- Substitute –awareness effect
- Difficult-Comparison Effect
- Total-Expenditure Effect
- End-Benefit Effect
- Shared-Cost Effect
- Sunk-Investment Effect
- Price-quality Effect
- Inventory Effect

Estimating Demand Curve

- Statistical analyzing past prices, quantities sold etc.
- Conduct price experiments
- Ask buyer to state how many units they would buy at different proposed prices.

Price Elasticity of Demand

Marketers need to know how responsive or elastic, demand would be to a change in price.

III Estimating Cost

- Demand sets a ceiling on the price the company can charge for its product.

- Cost set the floor.
- The company wants to change a price that covers its costs of producing, distribution and selling the product, including a fair return for its effort and risk.

Types of costs and levels of production

Fixed Cost

Variable Cost

Total cost

Decline in the average cost with accumulated production experience is called the experience curve or learning curve.

Accumulated Production

Differentiated Marketing Offers

- Today's companies try to adapt their offers and terms to different buyers.
- Thus, a manufacturer will negotiate different terms with different retail chains, meaning the costs and profits will differ with each chain.
- To estimate the real profitability of dealing with
- different retailers, the manufacturer needs to use activity-based cost (ABC) accounting
- instead of standard cost accounting

Target Costing

- Cost can also change as a result of a concentrated effort by the company's designers, engineers, and purchasing agents to reduce them.
- Many Japanese firms use a method called *target costing.*
- First, they use market research to establish a new product's desired functions, then they determine the price at which the product will sell given its appeal and competitors' prices.
- They deduct the desired profit margin from this price, and this leaves the target cost they must achieve.

IV Analyzing Competitors' Costs, Prices, and Offers

- Within the range of possible prices determined by market demand and company costs, the firm must take into account its competitors' costs, prices, and possible price reactions.

- If the firm's offer is similar to a major competitor's offer, then the firm will have to price close to the competitor or lose sales.
- If the firm's offer is inferior, it will not be able to charge more than the competitor charges.
- If the firm's offer is superior, it can charge more than does the competitor—remembering, however, that competitors might change their prices in response at any time**.**

V Selecting a Pricing Method

Customers' demand schedule,

Cost function, and

Competitors

Pricing Method

- **Mark up Pricing**: The practice of adding a constant percentage to the cost price of an item to arrive at its selling price.
- **Target- Return Pricing**: is a pricing method used almost exclusively by market leaders or monopolists.
- **Perceived- value Pricing**: is an open line pricing technique where respondents estimate the price of a new product compared to those who are already in the market.
- **Value Pricing**: Occurs when prices are set on the basis of fair value for both the service provider and the consumer.
- **Going-Rate Pricing:** Establishing the price for a product or service based on prevalent market prices. (steel or meat).
- **Sealed – Bid Pricing**: Price quotes solicited by governmental and other public agencies to ensure objective consideration of competitive bids.

Selecting the final price

- Psychological Pricing
- The influence of other Marketing-mix Elements
- Company pricing policies
- Impact of Price on other parties
- Adapting the price
- Geographical Pricing- (Barter, Compensation deal, Buyback arrangement, Offset).
- Price discounts & allowances
    - Cash Discounts
    - Quantity Discounts

- Functional Discounts/ trade discounts.
- Seasonal Discounts - price reduction to buyers who buy merchandise.
- Allowances / Trade-in allowances. (turning in an old item when buying a new one

- Promotional Pricing
    - Loss-Leader Pricing
    - Special-event Pricing
    - Cash Rebates
    - Low-interest financing
    - Longer Payment terms
    - Warranties & Service Contracts
- Discriminatory Pricing
    - Customer-segment pricing - Museums often charge a lower admission fee to students and senior students.
    - Product – form pricing : Different versions of the product are priced differently but not proportionately to their respective costs.
    - Image pricing: Some companies price the same product at two different levels based on image differences.
    - Location pricing
    - Time Pricing: varied by season, day, or hour.

Product-Mix Pricing

- Product-Line Pricing - Companies normally develop product lines rather than single products and introduce price steps. Rs.200, 400, and 600.
- Optional-feature Pricing – Many companies optional products ,features.
- Captive-product Pricing- Some products require the use of ancillary or captive products. Manufacturers of razors, digital phones and cameras often price them low and set high markups on razor blades and film, respectively.
- Two-part Pricing - Service firms often engage in two-part pricing, consisting of fixed fee plus a variable usage fee. Amusement parks charge an admission fee plus fees for rides over a certain minimum.
- By-product Pricing- Any income earned on the by-products will make it easier for the company to charge a lower price on its main product if competition forces it to do so.
- Product- Bundling Pricing- is a marketing strategy that involves offering several products for sale as one combined product. This strategy is very common in the software business (for example: bundle a word processor, a spreadsheet, and a database into a single office suite)

Initiating & Responding to Price Changes:

- Initiating Price Cuts
  - Excess plant capacity
  - Declining market Share
  - Dominating the market
  - Results in various traps like low-quality,

Fragile market:

A low price buys market share but not market loyalty. and shallow-pocket traps

- Initiating price increases
  - Cost inflation
  - Over demand
- Reactions to price Changes
  - Customers' reactions
  - Competitors

Distribution / Marketing Channels:

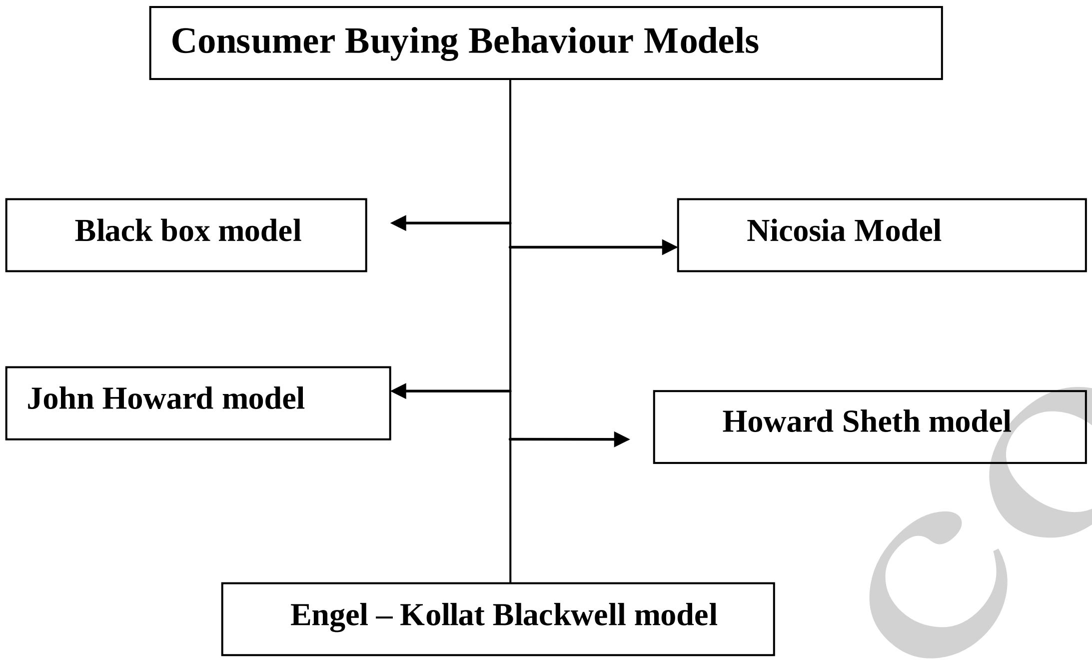
UNIT – IV BUYER BEHAVIOUR

Understanding industrial and individual buyer behavior - Influencing factors – Buyer Behaviour Models – Online buyer behavior - Building and measuring customer satisfaction – Customer relationships management – Customer acquisition, Retaining, Defection.

According to Solomon, "Consumer behaviour is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."

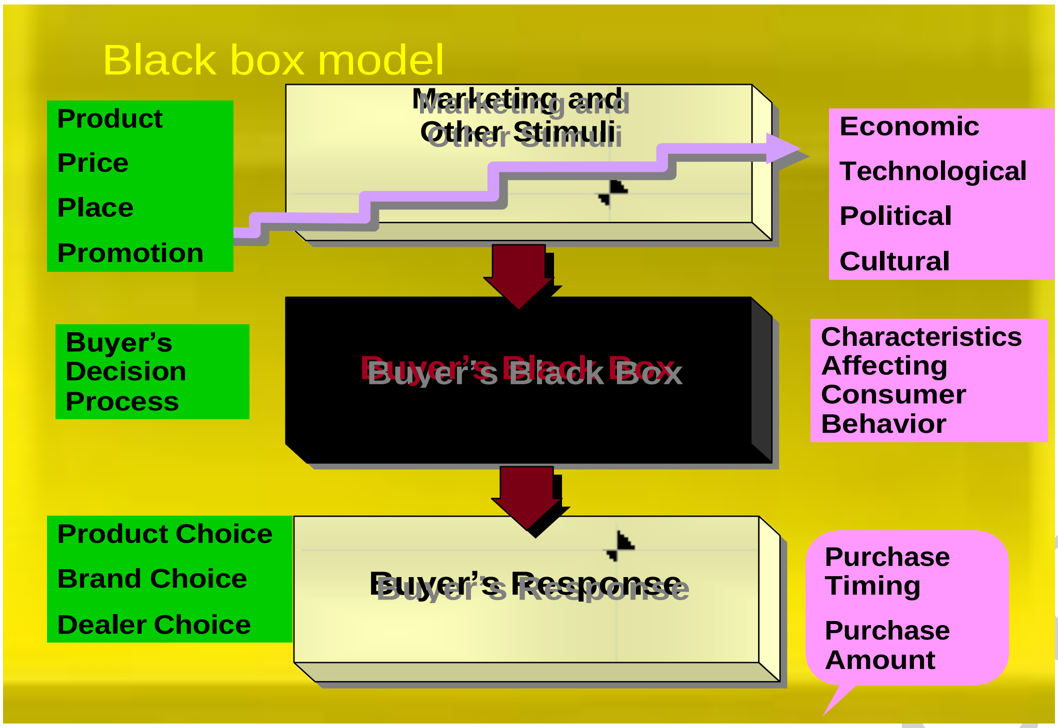
Importance of Consumer Buying Behaviour:

1. Production Policies.
2. Price Policies.
3. Decision Regarding Channels of Distribution.
4. Decision Regarding Sales Promotion.
5. Exploiting Marketing Opportunities.
6. Consumers do not always act or react predictability.
7. Consumer preferences are changing and becoming Highly Diversified.
8. Rapid Introduction of New Products.
9. Implementing the "Marketing Concept".



Buying Behavior Model

1. Black box model
2. Nicosia Model
3. Howard Sheth model
4. Engel – Kollat Blackwell model

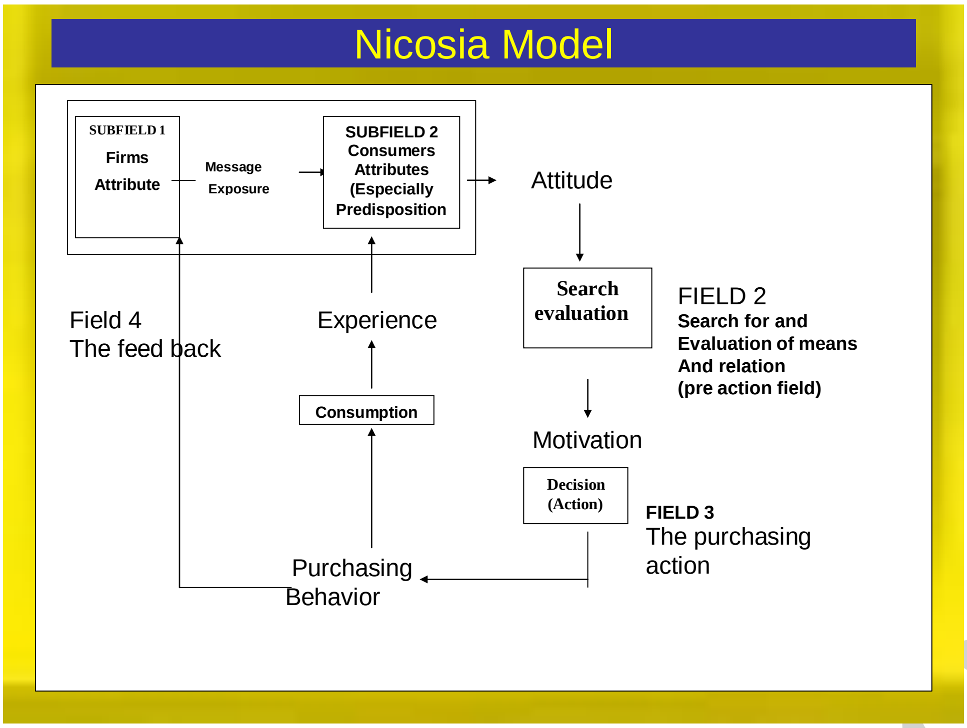


Black box model:

Input stimulus:	Purchase behavior
Product	Product choice
Price	Brand choice
Promotion	Brand loyalty
Place.	

Black box model is also called stimulus response model. Consumers mind and thought processing is treated like a "Black Box" which cannot be opened to find out its working.

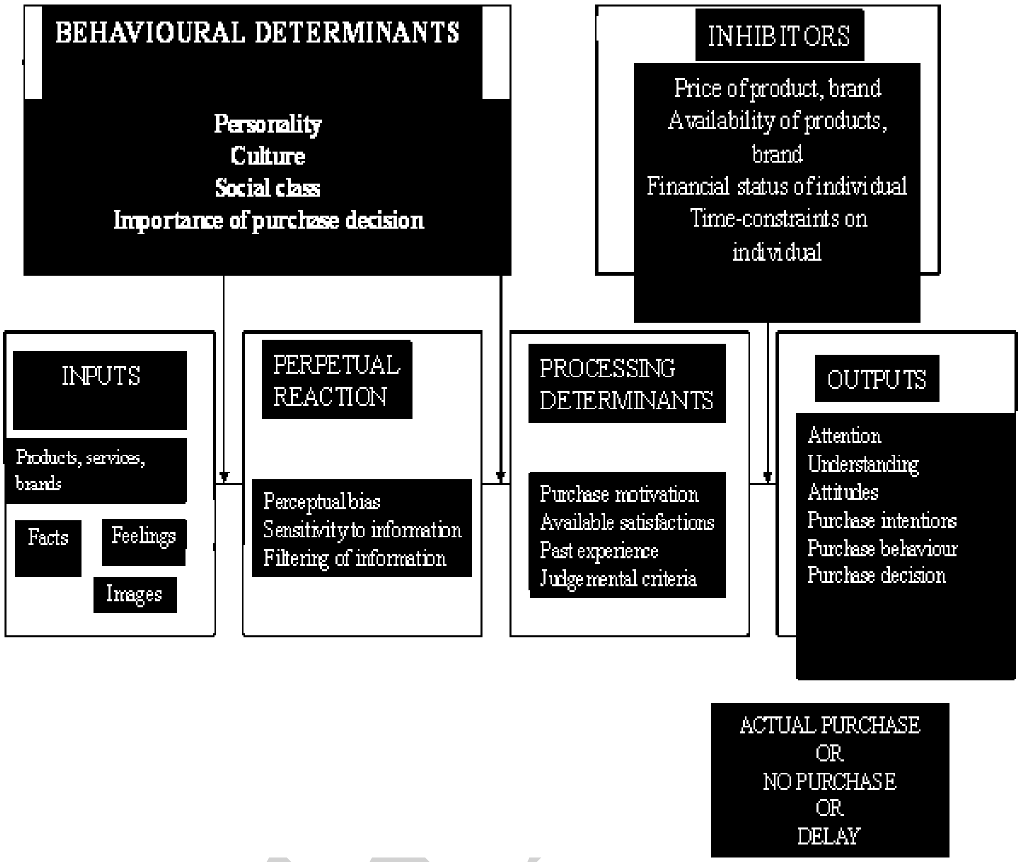
1. Nicosia Model:



- There are four basic 'fields' in the model. It is assumed that neither the seller nor the buyer has had any previous experience directly related to the particular product or brand.
- Each field in the model is like a sub-programme in the overall master programme.
- Field one covers the flow of a message from its origin, the promotion or advertisement of the product or brand to the final reception and 'assimilation' of the message by the buyer.
- Field one is also concerned with environmental factors, personality of the buyer and learning experience affecting the reception of the message.
- Field two is concerned with data search and comparative evaluation.
- Nicosia differentiates between internal or external search processes.
- The formal relates to the consumer's conscious and unconscious associations with the product, brand, etc. The later refers to information gathered from the environment like advertisement, interacting with people influence etc.Both types of data are weighted by the consumer to strike a balance.
- Field three covers the possible transformation of the motivation into the act of buying. Buying process is affected by several factors like availability of a particular brand advertised.
- If the purchase occurs, field four consists of storage and use of the product; the output is feedback which may or may not result in repeat purchase.
- Field Four closes the consumer loop, as the cycle is completed.

2. Howard Sheth model: Refer pg.no: 409 in varshney book.

The Howard – Sheth Theory of Buyer Behavior



The model explains the buyer decision process using six sets of variables. They are:

(i) Input Variables: These include information inputs about the alternative services or products available with rational and emotional elements.

(ii) Behavioural Determinants: These variables are the pre-existing elements in consumer's mind and existing pre-disposition of the consumer, influenced by his culture, family and other such factors.Behaviural determinants do not play an overt role-play a significant role in buying decisions.

(iii) Perceptual reaction: Information's from inputs are not accepted at their face value by the consumer but are processes in the minds of the consumers and then interpreted.

(iv) Processing determinants: These are the factors affecting evaluation of the gathered information. Factors affecting are motivation and the past relevant experience (the learning process). Learning process will be including experience about the product and also on post- purchase services. Consumer will apply some judgemental criteria to evaluate the alternatives

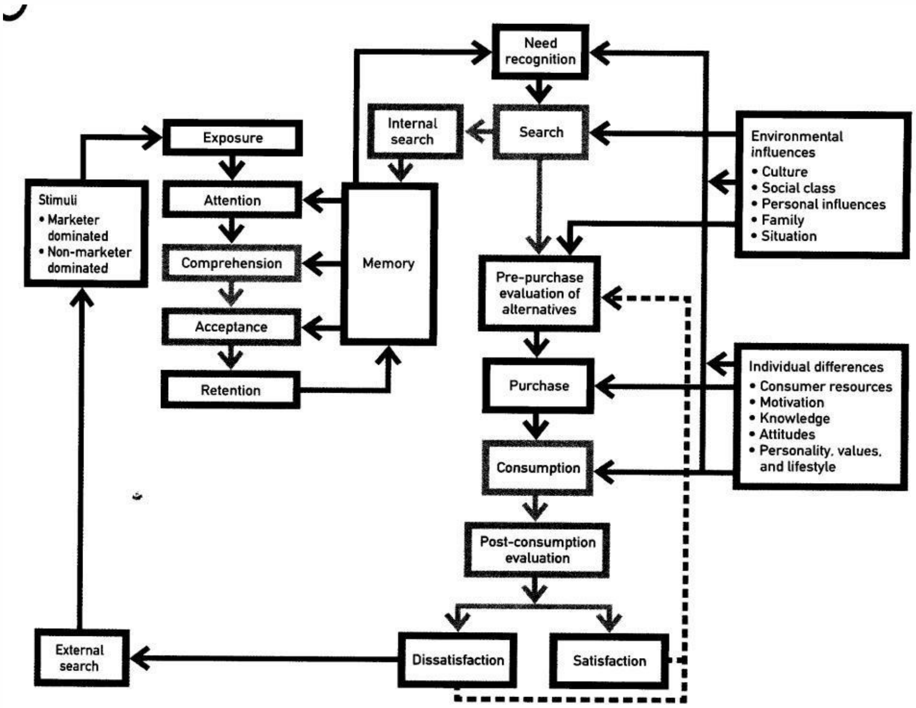
(v) Inhibitors: These are the external constraints inhibiting the actual or potential purchase behaviour. The inhibitors can be:

- Rate of interest charged.
- Income of the person.
- Relative price of other equivalent credit cards.
- Any formality that has to be fulfilled,

(vi) Output variables: The outcome of the process of interacting elements may result in the purchase decision, not to purchase or post-dated purchase.

5. Engel – Kollat Blackwell model:

Engel Kollat Blackwell Model



Buying Habits of Consumers / levels of Consumer Decision-Making:

Consumer decision making varies with the types of buying decision.

1. Complex Buying Behaviour / Extensive Problem Solving:

At this level, the consumer needs a great deal of information to establish a set of criteria on which to judge specific brands and a corresponding large amount of information concerning each of the brands to be considered.

The Marketer has to ensure two tasks:

i) The marketer must continue to provide satisfaction to the existing customers by maintaining quality, service and value.

ii) He must try to attract new customers by making use of sales promotion techniques like point of purchase displays, off-price offers etc. and also introduce new features to the products.

2. Dissonance-Reducing Buying Behaviour / Limited Problem Solving:

At this level consumers already have established the basic criteria for evaluating the product category and the various brands in the category. However, they have not fully established preferences concerning a select group of brands.

3. Habitual Buying Behaviour / Routinized Response Behaviour:

At this level, consumers have some experience with the product category and a well-established set of criteria with which to evaluate the brands they are considering.

4. Variety-seeking Buying Behaviour:

Some buying situation are characterized by low involvement but significant brand differences, here consumers often do a lot of brand switching.

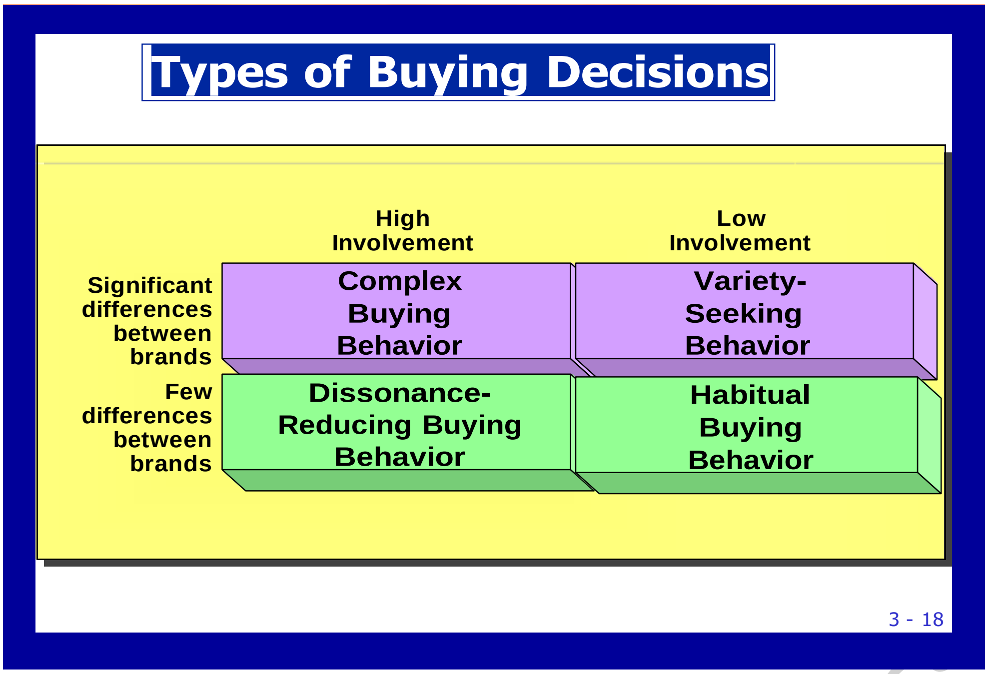
Introduction to Industrial Markets:

According to Philip Kotler, "The industrial market consists of all the organizations that acquire goods and services that are sold, rented or supplied to others."

Characteristics of Industrial Markets:

1. Market Structure and Demand:
   - i) Geographical Concentration:
   - ii) Fewer, larger buyers.
   - iii) Vertical or Horizontal Markets.
   - iv) Derived Demand.
   - v) Inelastic demand.
   - vi) Fluctuating Demand.
2. Buyer Characteristics:
   - i) Group Involvement.
   - ii) Professional Purchasing / Technical Knowledge.
   - iii) Rational Motivation.

3. Decision Process and Buying Patterns:



Customer Retention:

Model of Customer Retention:

The customer retention process actually begins during acquisition, which creates customer expectations, including perceptions of product value and uniqueness. Initial product usage determines whether these expectations are met. Then other factors, such as ease of exit, ease of purchase, and customer service, come into play. Together these factors affect long-term customer behavior and determine the relationship between seller and buyer.

In this model, there are seven determinants of customer retention:

1. Customer expectations versus the delivered quality of the prod¬uct or service
2. Value
3. Product uniqueness and suitability
4. Loyalty mechanisms
5. Ease of purchase
6. Customer service
7. Ease of exit (lock-out provisions

CUSTOMER EXPECTATIONS VERSUS DELIVERED QUALITY:

Customers do not simply evaluate a product or service on its own merits. They evaluate it relative to their expectations. This is a crucial issue, because through its market communications a firm sets customer expectations.

When customer expectations are too high (though this can generate initial trial) and the delivered product does not meet those expectations, the customer will not repeat-purchase.

Thus a critical factor in determining retention is the difference between the customer's expectations and the delivered quality of the product or service.

Raising expectation levels generates trial, but overly high expectations contribute to low retention. A firm must strike the optimal balance between expectations and delivered quality.

VALUE :

Here, we define value as quality divided by price. A firm can provide greater value either by offering higher quality and matching the competition on price or by offering the same quality at a lower price. Unfortunately, firms often try to justify higher prices by arguing that they provide greater quality. But quality is difficult to define and measure. From a customer equity perspective, firms should trade off the potential price premium against the risk of customer defection—and the resulting loss of substantial retention equity.

PRODUCT UNIQUENESS AND SUITABILITY:

The more different (or less substitutable) a product is, the greater the retention rate. When a customer has access to almost identical products or services, the probability of purchasing any particular one decreases significantly.

In addition, it is critical that products remain relevant to customers. Just as the use of "acquisition products" is important in obtaining new customer assets, so too companies should ensure that their product portfolios contain "retention" offerings that customers can trade up to as they proceed through their life cycles.

LOYALTY MECHANISMS:

Loyalty mechanisms can generate high retention rates even when competing products or services are almost identical. The airlines have used frequent-flyer programs to generate high degrees of loyalty even though their services are very similar. Retailers now use frequent-shopper cards or credit cards to induce customer loyalty. Neiman-Marcus has its In Circle card, which offers special services to its better customers. Target, a mass discounter, entices customers to use its credit card by donating 1 percent of their purchases to education. Such loyalty mechanisms, which link usage and rewards, can become very powerful generators of retention.

EASE OF PURCHASE:

Some products and services are very difficult to find or purchase, which hurts retention. For example, a customer will not regularly buy a specialty brand of stocking if it is not widely available, even if the product is highly differentiated.

Ease of purchase is not only a consideration for retail companies; manufacturers of specialty industrial components also need to make sure that their products are easily available to buyers. W.W. Grainger addresses this problem by widely distributing specialty suppliers' products to the construction industry. Aero quip, a maker of specialty hoses and fittings, invested in retail stores because it found that customers needed its products quickly. Because of the emergency nature of fixing a broken hose, if their customers could not obtain Aero quip's brand within a short time period, they changed brands.

CUSTOMER SERVICE:

Clearly, customer service is an important factor in customer retention. In some recent studies, customer service was the most important determinant of whether or not a customer would defect from a firm. But defining customer service is not as easy for a company to do as it may seem.

Customer service has many components, and many parts of an organization provide it. Accounting provides customer service when it solves a customer's billing problems, logistics handles customer service problems when the product is not delivered, and engineering provides customer service when it shows a customer how to utilize the equipment more efficiently or how to increase production-line speed through a minor product modification. Customer service opportunities are pervasive in any organization.

The issue becomes how best to manage the process. No simple answer exists. Some companies have customer service representatives who are responsible for handling all customer problems. Other companies decentralize the process. For the customer equity-oriented manager, evaluating the range of service options comes down to three questions:

• What customers will this service approach retain, and for how long?
• What is the potential asset value of those customers?
• Does the retention equity created exceed the service cost?

EASE OF EXIT:

Exit barriers offer one strategy for increasing retention. Examples of these barriers include programs that reward continued use based on historical usage; product-design characteristics that make it difficult to change suppliers; and product-learning curves that make it costly to switch to competing products.

Customer Retention:

Customer Retention marketing is a tactically-driven approach based on customer behavior. It's the core activity going on behind the scenes in Relationship Marketing, Loyalty Marketing, Database Marketing, Permission Marketing, and so forth. Here's the basic philosophy of a retention-oriented marketer:

1. Past and Current customer behavior is the best predictor of Future customer behavior. Think about it. In general, it is more often true than not true, and when it comes to action-oriented activities like making purchases and visiting web sites, the concept really shines through.

We are talking about actual behavior here, not implied behavior. Being a 35-year-old woman is not a behavior; it's a demographic characteristic. Take these two groups of potential buyers who surf the 'Net:

- People who are a perfect demographic match for your site, but have never made a purchase online anywhere
- People who are outside the core demographics for your site, but have purchased repeatedly online at many different web sites

If you sent a 20% off promotion to each group, asking them to visit and make a first purchase, response would be higher from the buyers (second bullet above) than the demographically targeted group (first bullet above). This effect has been demonstrated for years with many types of Direct Marketing. It works because actual behavior is better at predicting future behavior than demographic characteristics are. You can tell whether a customer is about to defect or not by watching their behavior; once you can predict defection, you have a shot at retaining the customer by taking action.

2. Active customers are happy (retained) customers; and they like to "win." They like to feel they are in control and smart about choices they make, and they like to feel good about their behavior. Marketers take advantage of this by offering promotions of various kinds to get consumers to engage in a behavior and feel good about doing it.

These promotions range from discounts and sweepstakes to loyalty programs and higher concept approaches such as thank-you notes and birthday cards. Promotions encourage behavior. If you want your customers to do something, you have to do something for them, and if it's something that makes them feel good (like they are winning the consumer game) then they're more likely to do it.

Retaining customers means keeping them active with you. If you don't, they will slip away and eventually no longer be customers. Promotions encourage this interaction of customers with your company, even if you are just sending

The truth is, almost all customers will leave you eventually. The trick is to keep them active and happy as long as possible, and to make money doing it.

3. Retention Marketing is all about: Action – Reaction – Feedback – Repeat.

Marketing is a conversation, Marketing with customer data is a highly evolved and valuable conversation, but it has to be back and forth between the marketer and the customer, and you have to LISTEN to what the customer is saying to you.

For example, let's say you look at some average customer behavior. You look at every customer who has made at least 2 purchases, and you calculate the number of days between the first and second purchases. This number is called "latency" - the number of days between two customer events. Perhaps you find it to be 30 days.

Now, look at your One-Time buyers. If a customer has not made a second purchase by 30 days after the first purchase, the customer is not acting like an "average" multi-purchase customer. The customer data is telling you something is wrong, and you should react to it with a promotion. This is an example of the data speaking for the customer; you have to learn how to listen.

4. Retention Marketing requires allocating marketing resources. You have to realize some marketing activities and customers will generate higher profits than others. You can keep your budget flat or shrink it while increasing sales and profits if you continuously allocate more of the budget to highly profitable activities and away from lower profit activities. This doesn't mean you should "get rid" of some customers or treat them poorly.

How to Build Customer Loyalty:

Customer loyalty is among the most important problems faced by an organization. Ultimately, it is not rocket science to retain loyal customers. However, it does involve implementing the following steps to help build customer loyalty and retain customers.

Customer Service:

According to industry estimates, companies lose nearly 50% of their customer base over a five year period. The single most important reason for customers switching vendors is dissatisfaction with the customer service. Today, customers want more than just service. They want quick resolution of the problem and an enhanced support experience. Customer service needs to be customized according to the customer's unique needs to ensure complete satisfaction.

Business should provide “true” customer service. Criticism surrounding customer service and the lack thereof is easy to find. The focus should be on providing creative, personalized service to differentiate your offerings in an ever increasingly crowded market.

Product Knowledge:

Customers often look to customer service representatives (CSRs) for product suggestions, especially when making online purchases. CSR suggestions often increase the level of confidence the customer has about the company. The greater the CSRs product knowledge, the greater the customer’s level of respect and confidence in the firm.

To ensure a high level of customer confidence, there should be regular training of the CSR staff on new products and modifications or enhancements to existing products. Your customer should be confident in receiving satisfactory answers when communicating with support staff. Once this occurs, you can be assured of repeat visits by the customer—which translates into increased first time sales and up-sell/cross-sell opportunities.

Acquisition:

- Acquisition is nothing but making profits by attracting the users to purchase our product
- It emphasis on both sales promotional programs as well as service during the time of purchase.
- Acquisition refers the process of attracting the new customers, making them initial purchase and trying to incur gain for its investment on acquiring the new customers.

Definition

- Customer acquisition is a process of gaining new customers through marketing and sales efforts. It involves identifying the target market and prospects, designing marketing and sales campaigns and implementation of the same to increase the customer base.

Objectives:

- Setting objectives should take into account the cost of customer Acquisition.
- The following steps can be taken to identify the investment requires to win a new customer and to track the return on investment.
- Establish a system to enumerate all costs of acquiring new customers.
- Divide the total cost of acquisition by the number of new customers gained in a given time period to determine the average cost of acquiring a customer
- Determine the number of months the organizations must keep a customer in order to provide a pay back on investment
- Evaluate the average new customer profitability and set customer acquisition objectives.

Process of Acquisition:

- The acquisition process constitutes the following stages:
- Enquiry:

The prospective buyer undertakes a detailed enquiry with regard to several aspects pertaining to the organization, product, nature of transaction and all other related aspects.

- Interaction:

Where the customer interacts with the organization and obtains additional information, clarifies and ensures already collected information

- Exchange:

- Terms of exchange, mode of delivery and other things related to exchange are settled at the exchange stage.

- Co-ordination:

- Further coordinated effort on either side would lead customers to…

- Adoption:

- Moving adoption of the product or service concerned and that completes the acquisition process.

REQUISITES FOR EFFECTIVE ACQUISITION:

- Focused Approach: (knowers , preferers, indifferent, rejecters).
- Providing a win-win platform.
- Initiate Forum For Communication.
- Attempt to Minimize “FUD”: (Fear, Uncertainty, Doubts).
- Projection of Benefits and not Products.
- Contextual Application. (initiator, influencers, Decider, Buyer, User)

PROCESS OF ACQUISITION:

The acquisition process are influenced by:

- Type of buying.
- Type of product.
- Type of customers.
- Economic Environment.
- Contextual Operations

Definition- Customer retention

- Customer retention is the forging of a relationship with an existing customer that will lead to continuous, on-going business.

- It is about employing strategies and programs that lead to optimal realization of customer lifetime value (e.g.; value of a customer to a business over lifetime of the interaction).

WHY CUSTOMER RETENTION PREFERRED?

- Customer retention is the process of keeping customers in the customer inventory for an ending period by meeting the needs and exceeding the expectations of those customers.
- It is approach of converting a casual customer into committed loyal customers.
- Customers come in a fold of an organization in following ways:
- Customer by chance.
- Customer by occasion.
- Customer by choice.
- Customer by repetition.
- Customer by loyalty.
- They makes every effort to convert a customer by chance into customer into loyalty.

RETENTION STRATEGY

A plan identifying what basic retention objectives will be pursued & how will be achieved in the time available is considered to be a customer retention strategy.

- The welcome.
- Reliability.
- Responsiveness. (wanted to treat right)
- Recognition. (special attention ,appreciation)
- Rewards. (redeemable points)

SATISFACTION IN THE RETENTION PROCESS

- Satisfaction is a state of mind that occurs when then customer feels that his expected requirements are fulfilled by what is offered by the organization.
- Customer aims for four major components:

  ->Product satisfaction (tangible core benefit)

  -> Peripheral satisfaction (addition to core benefit)

  -> Ambience satisfaction (tangible & intangible)

  -> Psychic satisfaction (individuality of customer)

- Incentives and Rewards Programs

Give your customers a reason to return to your business.

When designed and implemented properly, customer rewards programs can lead to a significant increase in customer loyalty.

It is important though to ensure that customer rewards offered through your loyalty programs are beneficial to your customer.
If the customer perceives little benefit in the reward, the incentive has diminished value and will add little, if anything to your program.
Your loyalty program should be simple to understand and convey value to the customer.

Customer Feedback With customer satisfaction and loyalty being the primary objective, it becomes imperative to understand customer expectations and measure customer satisfaction. Only in this way can we begin to understand customer behavior.

In order to drive employee loyalty and hence, customer loyalty, there needs to be thorough employee training on the values and objectives of the organization. Training should include optimal methods to interact with the customer in order to enhance the overall customer experience. Employees should be given enough power to make decisions that will benefit the customer.

Customer retention is a frequent buzz word, an often discussed strategy in board rooms and the differentiator flaunted by organizations. But much more needs to be put in practice to remedy the ill effects of neglecting existing customers in terms of lost business, higher costs and negative publicity.
Some of the most efficient methods to increase customer loyalty include:

- Providing excellent customer service
- Ensuring thorough product awareness and knowledge
- Implementing sound rewards and loyalty programs
- Consistent customer feedback and analysis
- Developing employee loyalty that transcends to an enhanced customer experience

WHY DO COMPANIES MEASURE CONSUMER SATISFACTION?
Measuring consumer satisfaction is a means of determine how well a product or service is meeting customer expectations & organizational objectives.

- It is to communicate “we care” message to customers.
- Customer satisfaction is often measured by surveying customers and by recording certain objective measures of operational activity.

UNIT – V MARKETING RESEARCH & TRENDS IN MARKETING

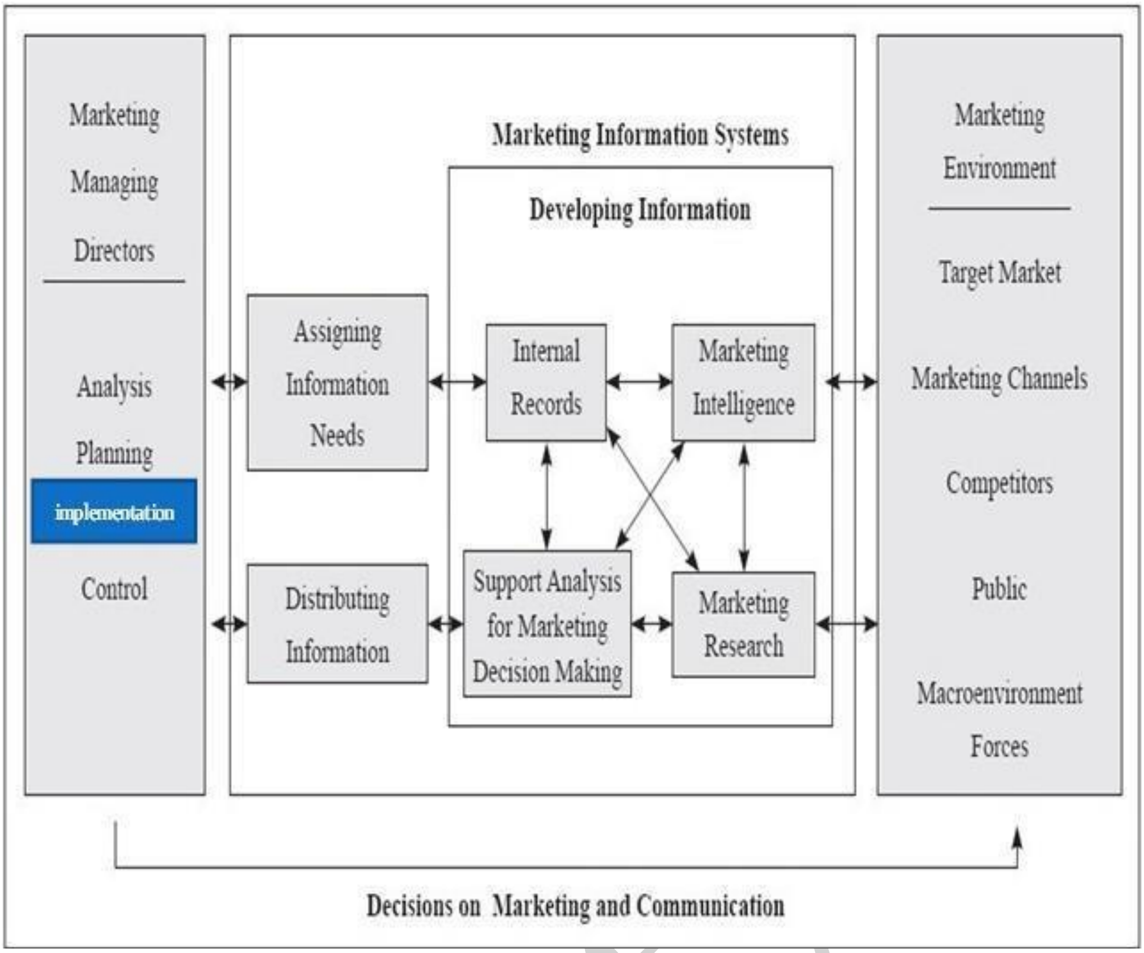
Marketing Information System-Definition

"A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyze, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control" (Kotler)

A Marketing Information System can be defined as 'a system in which marketing information is formally gathered, stored, analysed and distributed to managers in accord with their informational needs on a regular basis' (Jobber, 2007)

Characteristics

1. It is a planned system developed to facilitate smooth and continuous flow of information.
2. It provides pertinent information, collected from sources both internal and external to the company, for use as the basis of marketing decision making.
3. It provides right information at the right time to the right person.
4. ongoing Process
5. Future Oriented
6. Co-ordinates Internal & External Environment



- Internal reporting systems
- Marketing research systems(data is collected in a purposeful way to address a well-defined problem)
- Marketing intelligence systems (set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making)
    - Unfocused scanning
    - Semi-focused scanning
    - Informal search
    - formal search

Designing MIS:

- Define the system
- Source & Frequency identification
- Formats of MIS
    - Research Assessment Sheet
    - Marketing activity evaluation Sheet
- Implementation

Benefits of marketing information system:

- helps to recognise market trends: MIS helps managers to recognise market trends, in respect of price, designs of products, fashions, etc. timely information of the market trend enables the firm to follow the right course of action.
- facilitates marketing planning and control: effective marketing planning is required in terms of product planning, pricing, promotion and distribution. such planning will be possible only if the company is possessing adequate and relevant information. this is also possible through MIS.
- quick supply of information: today a firm has to take quick decisions. for this purpose it requires fast flow of information which is facilitated by a properly designed MIS.
- improves quality of decision making: a properly designed MIS supplies reliable and relevant information. with the help of computers and other data processing equipments, the marketing managers can make the right decisions at the rught time.

Marketing Research:

"Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing.“

Marketing research is the function that links the consumer, customer, and public to the marketer through information - information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. (AMA)

Objectives of Marketing Research:

- Discovering the new markets
- Analyzing tastes & preferences of customers
- Reducing the cost of marketing
- Suitable price policy formulation
- Liaison with ultimate consumers
- Greater mkt share
- To know future sales volume
- Quality of products
- Facing competition
- To study external environment

Contents of marketing research report

Preparatory Information	Introduction
Letter of Transmittal	Problem Statement
TitlePage	Research Objectives
Authorization Statement Executive Summary Table of Contents	Background
Methodology	
Sampling Design	Findings
Research Design	Conclusions
Data Collection	Summary & Conclusion
Data Analysis	Recommendations
Limitation	Recommendations

<u>Different types of Marketing Research</u>

Types	*Description*
Reporting	Provides an account or summation of some marketing phenomenon
Descriptive	Discovers and reports the who, what,when, when or how related to a specific marketing decision
Explanatory	Attempts to explain the reasons for a marketing phenomenon
Predictive	Attempts to forecast a marketing phenomenon

Comparison

Aspect	*Industrial Marketing Research*	*Consumer Marketing Research*
Market Size	Very large value-wise	Very large Volume-wise
Structure	Oligopolistic, Geographically concentrated	Monopolistic - Geographically Dispersed
Demand	Derived, Joint, Fluctually demand, price inelastic	Mostly autonomous and price elastic
Nature	Technical complexity Customized	Technically less complex standardized
Motives	Rational / Task motives	Socio-psychological motives
Factors	Quality, Service and Price in that order	Price, Quality and service are important
Channels Logistics	Mostly direct, fewer linkages, SCM for efficient physical distribution	Indirect, Multiple linkages, simple planning and lime management
Management	Top management, Closely related to corporate strategy	Functional management, aligned with corporate strategy.

Marketing Research process

Step 1: *Identifying and defining your problem:* This step is always the start of the marketing research process. At this point, the problem will have been recognized by at least one level of management, and internal discussions will have taken place. The most common tools are internal and external secondary research. Secondary research intelligence consists of information that was collected for another purpose, but can be useful for other purposes. Examples of internal secondary research are sales revenues, sales forecasts, customer demographics, purchase patterns, and other information that has been collected about the customer. Most external secondary information is produced via research conducted for other purposes, financial performance data, expert opinions and analysis, corporate executive interviews, legal proceedings, competitive intelligence firms, etc.

Step 2: *Developing your approach:* Once your problem is better defined, you can move onto developing your approach, which will generally be around a defined set of objectives. Clear objectives developed in Step 1 will lend themselves to better approach development. Developing your approach should consist of honestly assessing you and your team's market research skills, establishing a budget, understanding your environment and its influencing factors, developing an analysis model, and formulating hypotheses.

Step 3: *Establishing research design and strategy:* Based upon a well-defined approach from Step 2, a framework for the designing your marketing research program should be apparent. This step is the most encompassing of all steps in the research process, requiring the greatest amount of thought, time and expertise - and is the point at which those less experienced with market research will obtain assistance from an internal market research expert or perhaps partner with an external marketing research provider. Research design includes secondary information analysis, qualitative research, methodology selection, question measurement & scale selection, questionnaire design, sample design & size and determining data analysis to be used.

Step 4: *Collecting the data:* Often called data collection or survey fielding, this is the point at which the finalized questionnaire (survey instrument) is used in gathering information among the chosen sample segments. There are a variety of data collection methodologies to consider such mail survey, internet panel, mail panel, in-home panel etc.

Step 5: *Performing data analysis:* Any questionnaire data analysis will depend on how the questionnaire was constructed. Less complex questionnaire data analysis can be handled with any of a number of office suite tools, while more complex questionnaire data analysis u-quires dedicated market research analysis programs. Types of statistical data analysis that might be performed are simple frequency distributions, cross tab analysis, multiple regressions (driver analysis), cluster analysis, factor analysis, perceptual mapping (multidimensional ruling), structural equation modeling and data mining.

Step 6: *Reporting and presentation:* Market research reporting mid presentation is easily the second most important step, if not the first Any business critical information and knowledge that comes from your market research investment will be limited by how it is presented to decision makers.

Elements of Research report

Title Page: This shows the title or subjects of the report, which the report is for, the name of the writer and date of submission.

Table of Contents: This details all sections and sub-sections of the report with page numbers.

Executive Summary or Abstract: This summarizes the main points and findings. (This is not always required, particularly if it is a short report).

An Introduction: This includes the scope and background to the work including:The aims and objectives and the terms of reference. The context of the report and its purpose. Sometimes included are details of the organization requesting the report and the question(s) they are hoping will be answered.

The Methodology - how the information presented in the report will be obtained and what procedures will be used, for example: interviews or postal questionnaires. Sometimes an explanation is included explaining why a particular investigative approach / methodology was chosen.The topics covered - giving a broad outline of content and scope and indicating any limitations of the project.

Body of the Report: This is where information is presented, explanations provided and questions answered. It deals with what, how, where and why? The findings of the report are broken down into discrete sections and sub-sections. Each section and sub-section should have a title/heading, and be numbered.

Conclusion: The conclusion sums up the main points raised in the report and arrives at conclusions, which clearly relate to the objective(s) of the report. This is the place to draw together key points made in the report . However, nothing new should appear here.

Recommendations: These should provide practical and viable proposal(s) and may offer solutions to problems investigated in the report. (You will not always be asked to include recommendations). Each recommendation should be listed and discussed separately.

Bibliography: This should detail all: books, articles, journals, websites, and any other sources consulted when writing the report.

Appendices: These should be placed at the end of the report. They detail relevant information, which is too lengthy or detailed to include in the body of the report. Each appendix should contain different information. These should refer to within the Report (Appendix 1) and so on.

Distinction B/w Marketing Information System & Marketing research:

MIS	MR
Handles both internal and external data	Emphasizes the handling of external information.
Is concerned with preventing as well as solving problems.	Is concerned with solving problems.
Tends to be future-oriented.	Tends to focus on past information.
Is a computer-based process.	Need not be computer-based
includes other subsystems besides marketing research.	Is one source of information input for a marketing information system.

Advertising & Promotion research:

- Advertising Strategy Research
  - Target Audience
  - Product & its positioning
  - Communication media
  - Advertising message-Element
- Creative Concept Research
- Pre-Testing & post-Testing

(Pre-testing helps in sharpening advertising variables)

- Merchandise (features & benefits of product)
- Markets
- Motives (identify & appeal to needs & wants)
- Messages
- Media

Consumer Behaviour Research/ consumer research. It includes

1. Determining demographics of existing & potential users
2. Identify customer needs & product expectation levels
3. Identify factors influencing purchase decision
4. Ascertain the level of customer satisfaction

Scope of Consumer Research

- Market Research
- Product Research
- Distribution Channel Research
- Advertising Research
- Pricing research
- Sales Research
- Post transaction research

Functions of Marketing Research:

- Describing
- Evaluating
- Explaining
- Predicting
- Assisting

Concepts in Marketing Research:

- Consumer Research
- Market Research
- Product Research
- Sales Research
- Distribution Channel Research
- Advertising & Promotion Research
- Pricing Research
- Retail Research

Product Research:

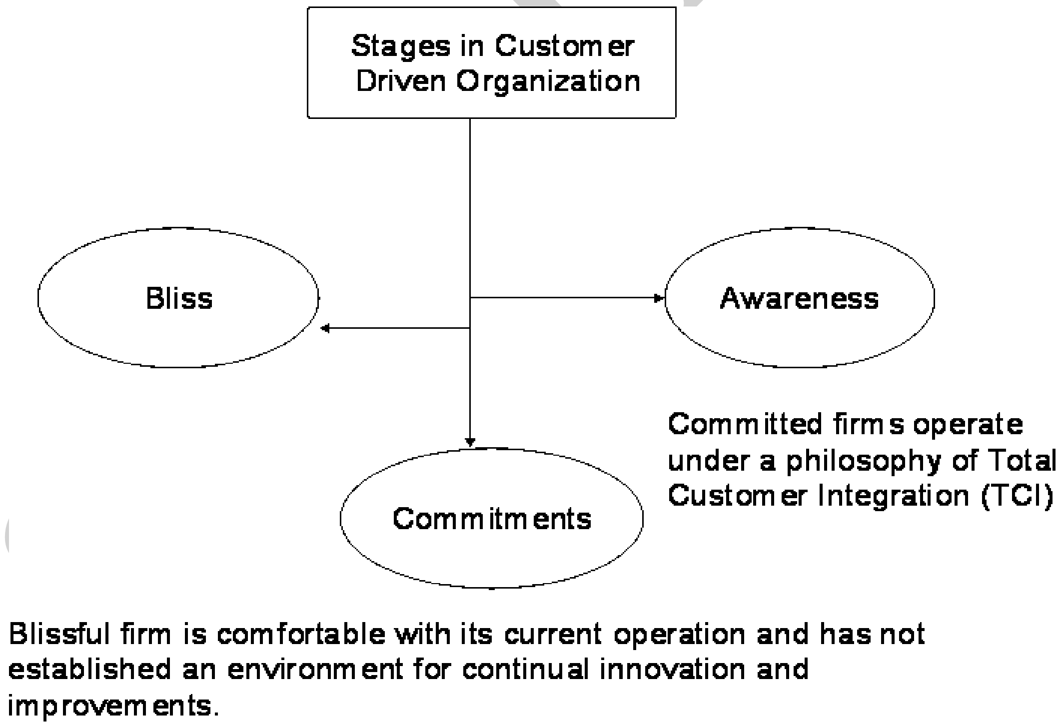
- Opportunity identification
- Concept screening
- Market Strategy Development
- Product Development
- Market testing
- Product Introduction

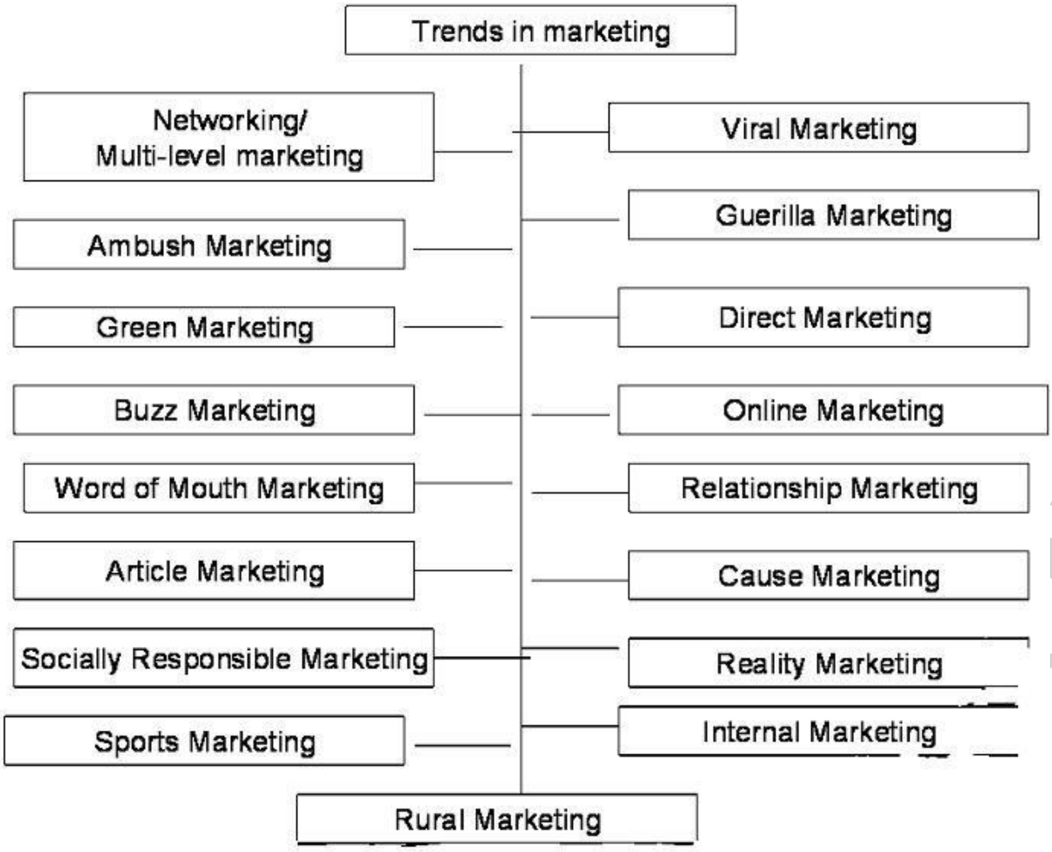
Customer Driven Organizations:

Customer driven marketing involves the products or services from the customer's perspective and communicating the messages in the customer's language.

Characteristics:

Customer-driven organizations realize that a quality market offering (tangible or intangible) delivered at a fair price or at a reasonable cost is the starting point for building service success that will lead to value-added service satisfaction and future partnerships.





Cause related marketing:

According to Thompson, "Cause-Related Marketing (CRM) is the public association of a profit company with a non-profit organization, intended to promote the company's product or service and to raise money for the non-profit."

Objectives:

1. Increase Sales.
2. Enhancing Corporate Stature.
3. Thwarting Negative Publicity. To prevent the occurrence, realization, or attainment of. Negative publicity is a deliberate attempt to manage the public's perception of a subject with an intention to demote it to an extent that it arouses public interest in it.
4. Customer Pacification.
5. Facilitating Market Entry.
6. Increase the level of Trade Merchandising Activity for the Brand(s) Promoted.

Ethics in marketing:

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members.

Norms: are established standards of conduct that are expected and maintained by society and / or professional organization.

Values represent the collective conception of what people find desirable, important and morally proper.

Framework of analysis for Marketing Ethics:

1) Value-oriented Framework: It analyses ethical problems on the basis of the values which they infringe (e.g: Honesty, autonomy, privacy, transparency).
2) Stakeholder Oriented Framework: It analyses ethical Problems on the basis of whom they affect.(e.g: Consumers, competitors.)
3) Process-Oriented Framework: It analyses ethical Problems in terms of the categories used by marketing specialists (e.g: research, price, promotion, and placement.)

Online advertising Options

Text Ads

Text ads are one of the most common ad types used in online advertising. Google's AdWords program has made text advertising .in easy, accessible, and affordable option for many businesses. One of the greatest advantages is that they can be matched to highly sped lie keywords and appear on sites where they are the most likely to reach potential customers.

Banner Ads

Banner ads are large, rectangular advertisements intended to capture the attention of online viewers. These ads often feature images or animations designed to catch the eye and inspire the reader to click mi the banner. One problem with this type of online advertising is that it has become so prevalent that many users experience what lias been called banner blindness, where commonly viewed ads are ignored and disregarded.

Advertorials

Advertorials are a combination of an editorial and an advertisement. T h i s type of online advertising is common on e-commerce websites, l-'or example, a business selling entertainment media might write an advertorial review of a product and then provide an affiliate link where the customer can purchase the item.

E-mail

E-mail offers an excellent opportunity to make direct contact with potential customers. However, customers do not want to be inundated with unwanted e-mail. The key to using e-mail as and online advertising tool is to encourage customers to sign up for a mailing list or newsletter. By providing valuable information to potential customers, they will be more receptive to your marketing message.

Online Marketing Techniques

Over the years, different companies have generated a number of tried and tested advertising techniques. These methods increase the profile of your business on the Web, draw potential customers to your website, and increase sales. Use some of these proven and tested marketing methods to rev up the company's online advertising.

Search Engine Marketing (SEM)

Search engine marketing involves advertising your website through search engine, often through search results, paid listings, or pay-per- click campaigns. By using effective search engine optimization (SEO) techniques, businesses can achieve top results in search engine results. Many businesses have found that search marketing dramatically improves site traffic and sales.

Affiliate Programs

Allowing other websites to advertise and promote your product and service is a great way to significantly expand your customer base and increase your online sales. In exchange for marketing your business, affiliates earn a commission on the sales they produce. Affiliate programs are an ideal solution for product-based websites that need to reach out to a targeted audience.

Reciprocal Links

Exchanging links with other websites is another important Internet advertising tool-. When you place a reciprocal link on your website, the other business will place a corresponding link on their side leading back to your Web location. The advantage of reciprocal links is that they are relatively easy way to reach more customers and improve search engine rankings. A potential drawback of this marketing techniques is that it can be time consuming and difficult to determine the effectiveness.

BLOGS

Blogs are one of the latest tools used in Internet advertising. While t h e y a r e often thought of as personal journals, many businesses have discovered ways of successfully using blogs to promote products, services, and other business-related news. Blogs are a great way t o a d d interactivity and liveliness to your website. Syndicating your blog, with an RSS feed is another way to promote your website and r.ive readers a chance to access all of the latest updates and news about your business.

The Internet has opened up a world of advertising opportunities for many businesses. Unlike traditional advertising, which is often expensive and limited in scope, online advertising is a relatively affordable way to promote your business and service. By understanding some of the basic principles and techniques of Internet advertising, business can take advantage of this powerful marketing tool.

************************* The End ******************************