



Marketing Management(BA ZC 411/ MBA ZC 411)

Sidharth Mishra

Lecture -1

Chapter-1

Defining marketing for new realities

Instructor profile

Education

Bachelor of Engineering (Mechanical) from NIT, Rourkela
Post Graduate Diploma in Management from IIM, Ahmedabad.

Experience

22 years in sales, product and channel management in the consumer electronics and the edu-tech start up sector.

Contents

- Value and Scope of marketing
- Core marketing concepts
 - Needs, Wants and Demands
 - Segmentation, Targeting and Positioning
 - Marketing Channels etc.
- 4 Ps of Marketing
- 4 concepts of marketing
- Course Outline

Course Structure

- Introduction to Marketing
- Marketing Strategies and Plans
- Consumer Behaviour
- Segmentation, Targeting and Positioning
- Brand Positioning
- Product Management
- Pricing
- Distribution and Logistics
- Promotion

The course aims to make you familiar with the various concepts of marketing.

The Value of Marketing

- Marketing works in conjunction with other departments like finance, operations, accounts and other business activities to generate demand for products and services so that the firm can earn a profit.

$$\text{Profit} = \text{Revenue} - \text{Cost}$$

Valuation = Shares * Price of shares

1m shares * 1000 = Rs. 100 crore

The value of marketing

- The goal of marketing is to build brands and a loyal customer base for the company; intangible assets which contribute heavily to the value of a firm.

"A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers" (American Marketing Association).

The value of marketing

- Skilled marketing is a never ending pursuit. It involves the art of adaptability as companies and organizations need to navigate their ways through changing customer needs, technology and environmental factors among other things.

The scope of marketing

what is marketing?

- Marketing is about identifying and meeting human and social needs in a profitable manner for the firm.
 - Edu-tech firms
 - Electrical Vehicles
 - Human need : Affordable, noise free transport
 - Social need : Less pollution

The scope of marketing

what is marketing?

- Marketing is 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.
- Activity : Advertising, Selling, Product Management (product/package design), Pricing etc.
- Set of institutions: Marketing departments, Ad Agencies, Modelling Agencies, Market Research Firms, Event Management Companies, Transport Companies, Retailers
- Processes: Research Inputs – Product Design – Product launch – Response Measurement etc.

Scope of marketing

- Marketing is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.

Scope of marketing

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

marketing and selling

- A common management misconception.
- Selling at best is an activity associated with marketing. We shall visit this in greater detail later.

Scope of marketing

- Goods (Cars, cosmetics, medicines)
- Services (Education, Healthcare)
- Events (FIFA, A concert, IPL)
- Person (a politician, an author)
- Properties (Real Estate, Gold)
- Information (Big Data, News)
- Experiences (Vipassana, Adventure)
- Places (Kerala, Goa)
- Organization (Helpage India)
- Ideas (Swachh Bharat)

what is marketed?

Scope of marketing

- Marketers and prospects
- A marketer is someone who seeks a response – attention, purchase, vote or a donation – from another party called prospect.

Who markets?

Scope of marketing

Demand States

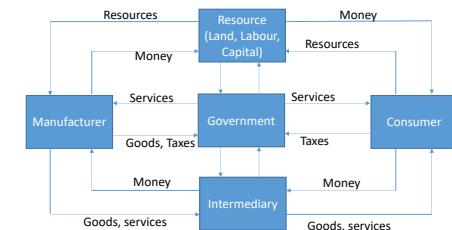
- Negative Demand
 - Petrol during Covid lock down. Gulf states were willing to pay US \$ 40/barrel to "buyers" of crude.
- Non-existent demand
 - Audio Systems
- Latent Demand
 - Unbiased news
- Declining Demand
 - Dongles for net connection, TV Sets
- Irregular Demand
 - Face Masks
- Full Demand
 - Demand = Supply
- Excessive Demand
 - Demand > Supply (Face Masks, sanitizers during initial days of Covid)
- Unwholesome demand
 - Computer Games like PUBG

Scope of marketing

- The word market traditionally refers to the market place – the location or area where buyers and sellers meet.
- In economics, market is described as a collection of buyers and sellers who transact over a particular product or product class.
- In marketing the word "market" is used to describe various grouping of customers. For example while referring to the automobile market we mean the set of people interested in buying an automobile.

what is a market?

Markets



Scope of marketing

key customer markets

- Consumer
 - Buyer is the end customer
- Business to Business Market (B2B Markets)
 - Business 1 sells to Business 2 which uses the product to meet the demands of its customers,
- Global
 - Challenges of customisation, localization.
 - Cars for the Indian market need high ground clearance.
 - No market for beef burghers in India.
- Non-profit and Govt. Markets (tenders)
 - NGOs (CRY, Helpage)

Core marketing concepts

- Needs , Wants and Demands
- Target Markets, Positioning and Segmentation
- Offerings and Brands
- Marketing Channels
- Paid, Owned, Earned Media
- Impressions and Engagement
- Values and Satisfaction
- Supply Chain
- Competition
- Marketing Environment

Needs, wants and demands

- Needs
 - Basic Requirements e.g. " I need food."
- Wants
 - Desire e.g. " I would like to have biryani."
- Demands
 - What I actually buy. " Please get me two rotis.

Types of needs

- Stated Needs (I need an inexpensive car.)
- Unstated Needs (I need good service.)
 - The customer has missed out on the point, by oversight.
- Real Needs (I need a car which is low on operating costs, i.e. fuel costs, maintenance costs.)
 - Here the customer does not know how to express. The seller would understand that to mean a cheap car.
- Delight needs (Hey! Is that audio system complimentary.)
 - The customer is not expecting this.
- Secret Needs (Am I getting a good deal? Am I buying the right car? Man, I am not an engineer, hopefully I got the specs right?)
 - The customer does not want to talk about this for personal, social reason.
 - Mental Health stigma

Core marketing

- Segmentation, Targeting, Positioning (STP)
 - Segmentation
 - Grouping of customers – demographic, psychographic etc.
 - Target
 - Market Offers
 - Positioning
 - Volvo – safe cars
 - BMW – driving pleasure

Levis launches five pocket jeans. (Market Offer).

High income, mid income, low income / Young, Middle Aged, Seniors/ Men,Women (segment)

High Income, young men (Target)

Macho (Positioning)

Core marketing concepts

Offerings and brands

- Value proposition
 - A set of benefits which satisfy needs of the customer
 - Quality, multi-specialty and hygienic medical service
 - State-of-the Art, innovative and high quality consumer electronics items with after-sales service
- Offering
 - A combination of products, services, information and experiences
 - Offering gives a 'physical shape' to the value proposition
 - Clean premises, experienced doctors, managers and staff equipment
 - Televisions, Mobile phones
- Brand
 - Brand is an offering from a known (identified) source.
 - "Apollo" Hospitals
 - SONY

Core marketing concepts

Marketing Channels

- Channel of Distribution
 - Dealers, Distributors, Retailers, e-commerce
 - Help display, sell, deliver physical goods and services
- Channel of Service
 - Warehouses, Transportation companies. Banks, insurance companies
- Channel of communication
 - Deliver and Receive messages to/from customers
 - Print media, electronic media, digital media, stores

Classification of Media

- Paid Media
 - Advertisements
- Owned media
 - Company's brochures, web site
- Earned media
 - Word of Mouth

Core marketing concepts Impression and Engagement

- Four ways to reach the customer
 - TV, Internet, Mobile, (Print),Outdoor
 - An impression occurs when a consumer views a communication.
 - Engagement is the extent of a customer's attention and action involvement in a communication.

Core marketing concepts

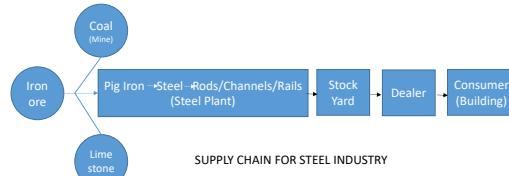
Value and satisfaction

- Value of a product (as perceived by customer) is a combination of features, quality, service and price. (FQSP)
- Satisfaction reflects a person's judgment of a product's perceived performance in relationship to expectation.

Core marketing concepts

Supply chain

- Supply Chain is the channel from raw material to component to finished product to final buyer.



CORE Marketing concept

competition

- All actual and potential rival offerings or substitutes a buyer might consider.
 - Toyota is a rival of Honda.
 - Tesla is a potential rival of Honda in India.
 - Metro Rail is a substitute for both. The internet is a potential substitute.

Four P's of Marketing

- Product
 - Product Variety, Quality, Design, Features, Brand Name, Packaging, Sizes, Services, Warranties, Returns
 - Price
 - List Price, Discounts, Allowances, Payment Period, Credit Terms
 - Place
 - Channels, Coverage, Assortment, Location, Inventory, Transport
 - Promotion
 - Sales Promotion, Advertising, Sales Force, Public Relations, Direct Marketing
 - People
 - Processes
 - Physical Evidence
- } Service Marketing

Four Concepts of Marketing

- Production Concept
 - Consumer prefer the most inexpensive and widely available product.
 - Such companies focus on high production efficiency, low costs, mass distribution
 - Steel Industry, Chinese Companies
- Product Concept
 - Consumer prefers quality and variety
 - Apple
- Selling Concept
 - Consumers need hard selling to buy a product
 - Insurance sector
- Marketing Concept
 - Right product for the customer
 - Creating, communicating and delivering a superior value to a customer



<https://www.youtube.com/watch?v=FLG8daAf7GI>

https://www.youtube.com/watch?v=SHdL4BgSz_U

Learning Objectives

- How do consumer characteristics influence buying behavior?
- What major psychological processes influence consumer responses to the marketing program?
- How do consumers make purchasing decisions?
- In what ways do consumers stray from a deliberative, rational decision process?



Consumer Behaviour

- Influences on consumer
 - Social Influences
 - Influences which are personal in nature
- Key Psychological Processes
 - Motivation, Perception, Learning, Emotion, Memory
- Buying Process
 - Need Arousal, Information Search, Evaluation, Purchase, Post-purchase

What Influences Consumer Behavior?

- Consumer behavior
 - The study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants
- Influenced by cultural, social, and personal factors

External

What Influences Consumer Behavior?

- Cultural factors
 - Culture
 - Subcultures
 - Social classes



Culture And Social Classes

- Culture
 - Ideas, customs and social behaviour of a particular people or society
- Subculture
- Social Classes
 - A division of society based on economic and social status
 - Lower, middle class, upper class, rich
 - Socio-economic classification

Social classes

- Socio-Economic Classification
 - Originally created by Indian Market Research Bureau (IMRB) in 1988
 - Urban Grid
 - Education and Occupational criteria (old, 9 groups)
 - Education and ownership of consumer durables (new, 12 groups, govt. of India)
 - Electricity, gas connection, ceiling fan, 2-wheeler, CTV, Ref, WM, Computer, Car, Air conditioner, Land
 - Rural Grid (4 groups)
 - Education
 - Type of Dwelling (pucca, semi-pucca, Katcha)

- Household Potential Index is calculated for urban consumers By taking into account their possession of particular consumer durable items.
- An item that was in more common usage (TV) fetched a low Score while one which was less popular (AC) got a higher Score.
- Education was factored into the score.

Results of HPI aggregate score across SECs						
SEC Class	HPI Score	Estd.	Households(mn)			
A 1	100.7	2.2				
A 2	54.9	4.1				
B 1	28.2	5.3				
B 2	18.7	5.3				
C	11.9	12.8				
D	6.8	14.2				
E 1	5.5	6.7				
E 2	3.7	10.8				
R 1	16.1	5.8				
R 2	7.3	15.9				
R 3	4.1	56.7				
R 4	2.5	67.3				

Illiterate							
School for less than 4 years							
School upto 9 years							
Some college							
Graduates and Above (General)							
Professional Graduates and Above							

Illiterate
School for less than 4 years
School upto 9 years
Some college
Graduates and Above (General)
Professional Graduates and Above

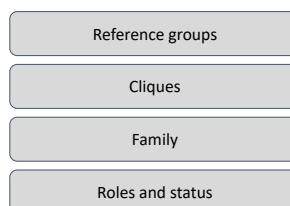
Urban Social classes

Topics for Discussion

- Reference Groups
- Key Psychological Processes
- Buying Process

What Influences Consumer Behavior?

- Social factors



Reference Groups

- Groups with who influence the individual through direct (face to face) or indirect interaction.
- Membership groups (Direct Interaction)
 - Primary: Family, Friends, Neighbors
 - I use Nike because all my friends use it.
 - I bought an SUV because everyone in my neighborhood has one.
 - Secondary: Religious, Professional, Ethnic
 - I buy the medicine the doctor prescribes. I even avoid other brands of the same chemical. (That is why pharma marketing is doctor-centric.)
 - I eat only vegetarian/halal/kosher food because of my religious denomination.

Direct Ref. Groups

Reference Groups

- Aspirational Groups
 - Group a person hopes to join
 - IIT, Brand Ambassadors
- Dissociative Groups
 - Group a person rejects.
 - Drug Addicts
- Opinion leaders
 - Person who offers informal advice or information about a specific product
 - Dentist for dental hygiene, IT professional for a PC, Painter for paints, Mason for cement, sanitary ware.

Indirect Ref. Groups



Cliques

- Cliques are small groups whose members interact frequently.
 - Professionals
 - Doctors in a small city.
 - Mavens
 - People who are knowledgeable.
 - Connectors
 - Connect with many people (press)
 - Salesmen
 - Persuasive skills. (insurance salesmen)
- Stickiness of Ideas
 - An idea that would motivate people to act on it.

The law of the few.

Application

Category	Who would belong to this category?	Normal Reaction	Marketing Input	Comment
Professional	Other Coaching Teachers, School Teachers	Negative (Hostile)	Appoint the most well known teachers of the city in the coaching center	Costly
Mavens	Bright Students	Judgmental	Offer incentives (scholarships etc.)	costly
Connectors	Parents	Judgmental	Good Service, Communication (PTM)	Cost Effective
Salesmen	Parents Group Discounts		A very good service, relationship	Group Discounts could appear over commercial
Stickiness of ideas				

Coaching Center

Family

- Family of orientation vs. family of procreation



Role of family

- Family of orientation
 - Inherited ideas.
- Family of procreation
 - Housewife
 - Household goods?, garments
 - Children as influencers
 - Mobile phones, PCs, movies, vacations



Exercise

1. Aspirational Groups
2. Dissociative Groups
3. Opinion Leaders
4. Family of orientation
5. Family of procreation

- A. <https://www.youtube.com/watch?v=pK005hEFyxs>
B. https://www.youtube.com/watch?v=z2_Tb9x1kQ
C. <https://www.youtube.com/watch?v=hlAammqC27Q>
D. <https://www.youtube.com/watch?v=qfID8YoZdE>
E. <https://www.youtube.com/watch?v=-Fo-Ge4afDg>

What Influences Consumer Behavior?

- Personal (individual) factors
 - Age/stage in life cycle
 - Occupation and economic circumstances
 - Personality and self-concept
 - Lifestyle and values



Age/Stages in Lifecycle

- Age plays an important role in our consumption pattern.
 - Childhood – Cakes, Chocolates, Books, cartoons
 - Young adults – Jeans, Bikes, T shirts, Movies
 - Middle Ages – Diet, Gym, Sugar free products.
 - Old Age – Health Care
- Lifecycle Stages
 - First Job – Insurance, Bike/Car, House
 - Marriage – Household items.
 - Child Birth – Infant items (diapers, disinfectants)
- Occupation
 - Self Improvement Products (Coursera, Udemy)
 - Tools related to occupation (Laptops, Stethoscopes, Calculators)
- Economic Circumstances
 - Times of boom and recession. – Recreational Expenses go up during “booms”

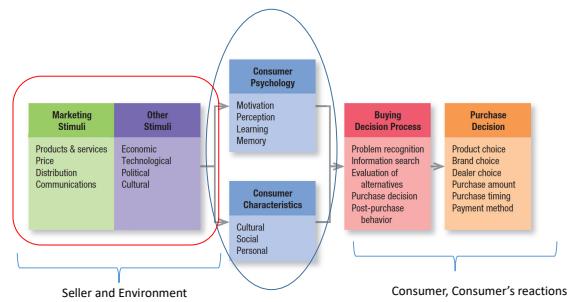
Personality and self concept

- Personality
 - A set of distinguishing human psychological characteristics that lead to relatively consistent and enduring responses to environmental stimuli.
 - Brand Personality
 - The sincere brand – Peter England (the honest shirt)
 - Excitement – the adventure bike
 - Competence – The fuel efficient bike, Hero Honda
 - Sophistication – The complete man, Raymond
 - Ruggedness – ruf n' tuf jeans, Bullet
- People choose brands which are consistent with their actual or ideal self concept.

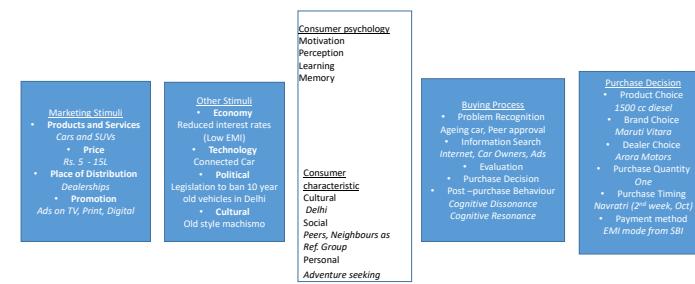
Lifestyle and values

- Lifestyle is a person's pattern of living in the world as expressed in activities, interests and opinions.
- Achievers
 - Personal computers
- Money constrained
 - Affordable products (Garib Rath)
- Time constrained
 - Packaged food industry
- Core Values
 - Simple living and high thinking
 - Dress is Address.

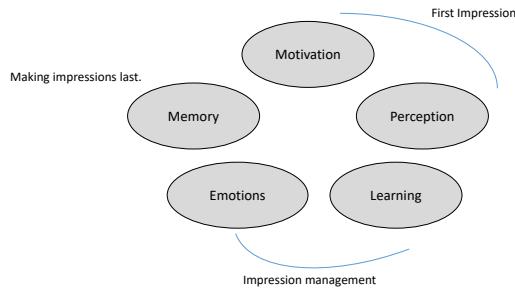
Figure 6.1
Model Of Consumer Behavior



A Delhi family buys an SUV



Key Psychological Processes



Key Psychological Processes

- Motivation
 - A need becomes a motive when it is aroused to a sufficient level of intensity to drive us to act



Motivation
Perception
Learning
Memory

Motivation

Freud's Theory
Behavior is guided by the subconscious.
Motivations
Projection Techniques, Laddering

Maslow's Hierarchy of Needs
Behavior is driven by lowest, unmet need

Herzberg's Two-Factor Theory
Behavior is guided by dissatisfiers and Satisfiers.
Absence of dissatisfiers, presence of satisfier.

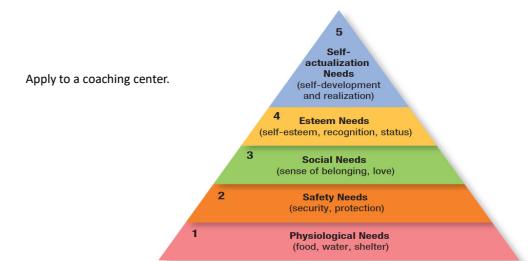
Techniques to identify motivational factors

- Projective Techniques
 - Sentence Completion
 - Picture interpretation
 - Role Playing
- Laddering
 - A technique used to discover the subconscious motives behind a decision.
 - Why did you choose a particular product /service?
 - Get the attributes.
 - What is good or bad about that?
 - Get the consequences.
 - Why is that important for you?
 - Get the values.

Coaching Center

- Why did you send your son to the costly coaching center?
 - I want him to clear IIT and become an engineer.
- What is good or bad about your son becoming an engineer?
 - "What is possibly 'bad' about it Sir?"
 - "Firstly, the coaching center is costly. Secondly, what is the big deal about an engineer these days. There are so many of them."
 - "Thirdly, I know your son. He actually plays the guitar and wants to be a musician."
 - "Sir, in the society we live in, an engineer gets more prestige. Music is alright as a pastime, but not as a profession."
- Why is that important for you?
 - Of course I want my son to be well settled and respected. As far as music is concerned that is a risky industry where only a select few succeed. Secondly there are so many bad things, like drugs, happening there.

Figure 6.2
Maslow's Hierarchy Of Needs



Herzberg's Theory

Satisfier & Dissatisfier

Key Psychological Processes

perception

HR	
Dissatisfier	Satisfier
Salary	Performance and achievement
Physical Workplace	Recognition
Relationship with colleagues	Job Status
Relationship with supervisors	Responsibility

Source: www.simplypsychology.com

Hospital / Healthcare Center	
Dissatisfier	Satisfiers
Physical Workplace	Quality of Treatment
Waiting time	Affordability of Treatment
Staff Behaviour	

- Perception
 - The process by which we select, organize, and interpret information inputs to create a meaningful picture of the world



Selective attention

Selective distortion

Selective retention

Subliminal perception

Selective attention

- Relevance
 - People are more likely to notice ads of products they are interested in.
 - Google Ads are tagged to the individual's searches
- Anticipate
 - A bar of chocolate would not be noticeable in a chemist shop.
- High Deviation
 - 40% off is more pronounced than a 20% off.

Perception

- Selective Distortion
 - Consumers often distort information to fit their prior product or brand experiences.
 - Brand
 - That is one of the problems a "loser" brand has to struggle with.
- Selective Retention
 - Smart one liners
 - Catchy jingles
 - Lifebuoy example.
- Subliminal Perception
 - Subconscious messages
 - Soft Drinks ads between movie frames.
 - Colors – Light Blue/white sends a message of peace.
 - Color Marketing

Learning

- Cognitive
 - Rational/Logical Learning
- Emotional

Key Psychological Processes

Motivation
Perception
Learning
Memory



- Learning
 - Induces changes in our behavior arising from experience
 - If Tata Motors wants to gain market share they need to change customer perception by making them learn new things about the brand.
- Drive and cues
 - Drive is a strong internal impulse
 - Order – a strong internal impulse (computerization)
 - Cue is a minor external stimulus
- Marketers build demand by using drive/cue followed by positive Reinforcement.
- Generalization and discrimination
 - Generalization is the ability to put things in broad categories.
 - All car manufacturers offer you warranty.
 - Discrimination: recognize differences in a similar set of stimuli to induce switch.
 - Only Hyundai offers you 10 years of mental peace.

Key Psychological Processes

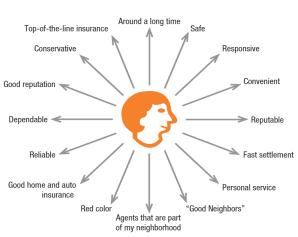
- Emotions
 - Many different kinds of emotions can be linked to brands
 - Axe has created the male body wash category by seeking to boost confidence of young men in the 18-24 category.
 - Hamara Bajaj
 - Emotion with which IIT JEE results are awaited.



Key Psychological Processes

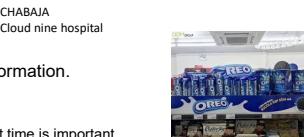
- Memory
 - Short-term vs. long-term memory
 - Visual, Verbal, Abstract, Contextual
 - Associative network memory model
 - Brand associations
 - All thoughts, feelings, perceptions, Images etc. associated with a brand

Brand Association for an Insurance Firm

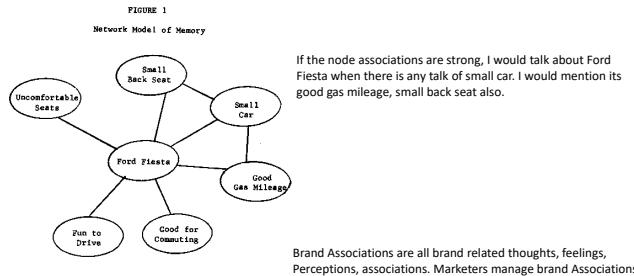


Memory

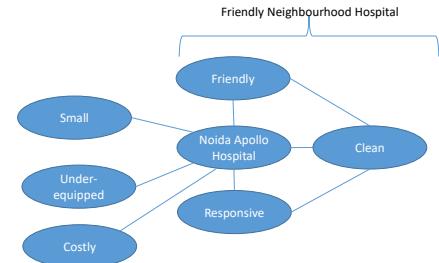
- Memory encoding
 - Encoding through understanding is Generally more efficient.
- Memory retrieval
 - Interference with competing information.
- Brand cues.
 - Time leads to decay.
 - Accessibility of information at the right time is important.
 - Point of Sale Ads



Associative Memory Network Model



Associative Memory Network



Apollo Hospital,Noida

The Buying Decision Process

- The consumer typically passes through five stages
 - Problem recognition
 - Information search
 - Evaluation of alternatives
 - Purchase decision
 - Postpurchase behavior

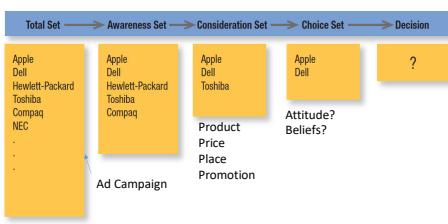


The Buying Decision Process

- Problem recognition
 - The buyer recognizes a problem/need triggered by internal/external stimuli



Figure 6.5
Sets Involved In Decision Making



The Buying Decision Process

- Purchase decision
 - Compensatory vs. noncompensatory models

Conjunctive heuristic

The customer sets minimum acceptable cut off for all attributes. Brand B if the cutoff is 7 for all attributes.

Lexicographic heuristic

The customer chooses brand on the basis of the most important attribute. Brand C

Elimination-by-aspects heuristic

Customer keeps on compressing their shortlists by comparing aspects based on their importance.
Memory Capacity >=7, Graphics >=4, Size >=6, Price whichever is lower. Brand A.

The Buying Decision Process

Compensatory Model

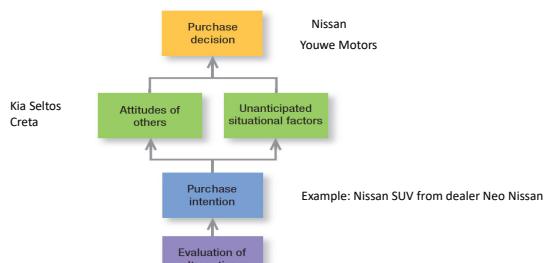
- Evaluation of alternatives
 - Expectancy-value model

Illustrative Calculation
 $0.4*8+0.3*9+0.2*6+0.1*9 = 8.0$

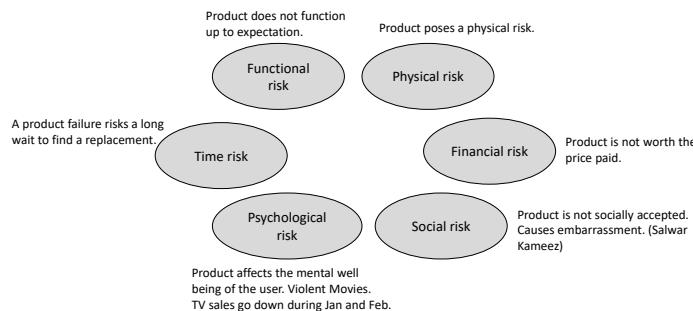
TABLE 6.3 A Consumer's Brand Beliefs about Laptop Computers				
Laptop Computer	Attribute			
	Memory Capacity	Graphics Capability	Size and Weight	Price
A	8	9	6	9
B	7	7	7	7
C	10	4	3	2
D	5	3	8	5
Compensatory Weights	0,4	0,3	0,2	0,1
Conjunctive heuristics	7	7	7	7
Min Qualifying Score				

8.0
7.0
6.0
5.0

Intervening factors



Types of perceived risk

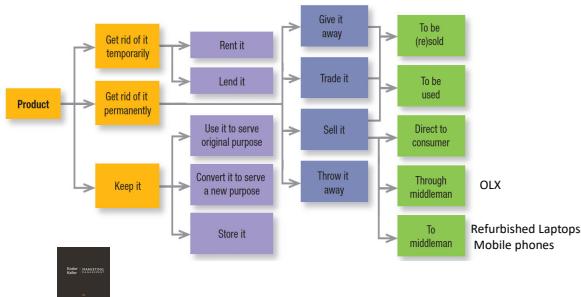


The Buying Decision Process

- Postpurchase behavior
 - Postpurchase satisfaction
 - Satisfaction depends on Expectation and performance. Perform. Be careful about the expectations you raise.
 - Postpurchase actions
 - Repeat Purchase or abandonment, good or bad WoM.
- Postpurchase uses and disposal
 - Product purchase frequency is dependent on the rate of usage.
 - Disposal should be environment friendly.



Figure 6.7
Customer Product Use/Disposal



Low Involvement Purchase

- Low-involvement Consumer Decision Making
 - Low priced, frequently purchased products are usually low involvement
 - Decision is generally based on peripheral cues—catchy jingle, pretty model etc.
 - By contrast high involvement purchases involve more rational decisions
- Variety-Seeking Buying Behavior
 - Consumer switched brands easily for low involvement products.
 - Leader defends by dominating shelf space, Launching variants.
 - Challenger offers discounts, deals etc.
- Why Maruti has a 50%+ market share in automobile market? Mahindra still leads the SUV market.



Behavioral Economics

Heuristics is a method of taking decisions based on their personal experiences.

- Decision Heuristics
 - Availability heuristic
 - How easily customers remember an outcome.
 - Auto company with prior image of poor quality would offer an extended product warranty.
 - Representativeness heuristic
 - How representative is the product of a category.
 - All five star hotels offer discounts.
 - All products in a mall are expensive or discounted.
 - Anchoring and adjustment heuristic
 - First impression and later adjusting
 - Service Industry. The first impression of a coaching Class followed by adjustments.
 - Mental accounting
 - A meal in a restaurant cost Rs. 500.
 - I had bought tickets to a movie paying Rs. 200 and lost it.
 - I was on the way to movie and found I had lost Rs. 200 on the way.

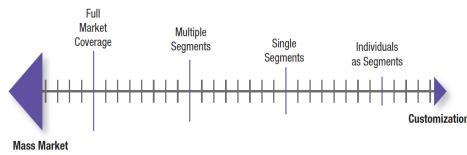


Consumer Behaviour

- Consumers tend to segregate the gains.
- Focus on each product features separately.
- Consumers tend to integrate the losses.
- Car accessories sell best at the time of new purchase.
- Consumers tend to integrate large gains with smaller losses.
- EMIs are preferable deducted at the time of receiving salary.
- Consumers tend to segregate small gains from large losses.
- They look for the silver lining.

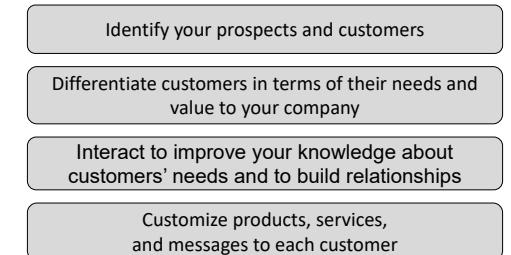
Evaluating & Selecting the Market Segments

- Figure 9.4: Possible Levels of Segmentation



Customization

Example : A Saloon often practices one-to-one marketing.



Legal and Ethical Issues

- Marketers must avoid consumer backlash
 - Labeling consumers
 - Old, spinsters, lonely
 - Vulnerable groups
 - Children (soft drinks)
 - Disadvantaged groups
 - Making fun of a disabled person.
- Potentially harmful products
 -



Marketing Management(BA ZC 411/ MBA ZC 411)
Sidharth Mishra
Lecture -1

Learning Objectives

1. How can a firm develop and establish an effective positioning in the market?
2. How do marketers identify and analyze competition?
3. How are brands successfully differentiated?
4. How do firms communicate their positioning?
5. What are some alternative approaches to positioning?
6. What are the differences in positioning and branding for a small business?



Developing a Brand Positioning

- Positioning
 - The act of designing a company's offering and image to occupy a distinctive place in the minds of the target market
- Value proposition
 - A cogent reason why a target segment should buy a product or service.

Allen Solly
Manyavar



Value proposition

TABLE 10.1 Examples of Value Propositions

Company and Product	Target Customers	Value Proposition
Hertz (car rental)	Busy professionals	Fast, convenient way to rent the right type of a car at an airport
Volvo (station wagon)	Safety-conscious upscale families	The safest, most durable wagon in which your family can ride
Domino's (pizza)	Convenience-minded pizza lovers	A delicious hot pizza, delivered promptly to your door
Cuttack Nursing Home	Lower middle class	Medical treatment for minor ailments at affordable price. Located in the outskirts of Cuttack city.

Competitive Frame of Reference

- Competitive frame of reference
 - Defines which other brands a brand competes with and which should thus be the focus of competitive analysis
 - Identifying and analyzing competitors

Does Rolex compete with Titan, Mercedes with Maruti?



Competitive Frame of Reference

TABLE 10.2 Customers' Ratings of Competitors on Key Success Factors					
	Customer Awareness	Product Quality	Product Availability	Technical Assistance	Selling Staff
Competitor A	E	E	P	P	G
Competitor B	G	G	E	G	E
Competitor C	F	P	G	F	F

Competitive Analysis

Hospital	Specialty	Location	Customer Care	Cost
A	Multi	Central	Poor (crowded)	Low
B	Multi	Central	Fair	High
C	Multi	Outskirts	Excellent	High

Cost leadership, Differentiator, Focus

Hospital

Points-of-Difference and Points-of-Parity

- Points-of-parity (POPs)
 - Attribute/benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands
 - Did Tata Nano have point of parity with "cars"?

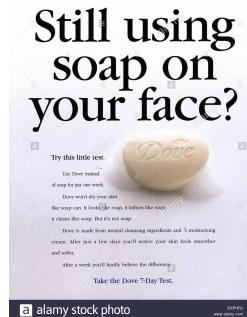


Points-of-Difference and Points-of-Parity

- Points-of-difference (PODs)
 - Attributes/benefits that consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand



Dove, the beauty bar



POP/POD

Points-of-Difference and Points-of-Parity

- POP forms

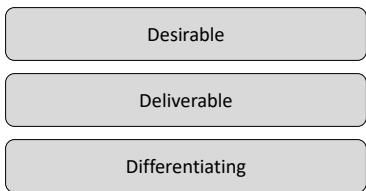
Category
The items which the customer considers essential for the category. Building, teachers, Sports ground etc. for a school.

Correlational
These are the associations that follow as a consequence of establishing a point of parity. Cheap products often are considered to be bad quality.

Competitive
Measures taken to overcome possible weaknesses vis-à-vis competition. 10 years warranty by Hyundai in US.

Points-of-Difference and Points-of-Parity

- POD criteria



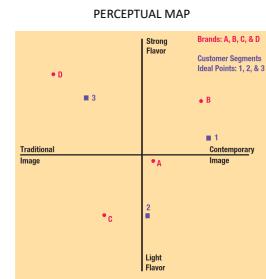
Pop vs. pod

- Multiple Frames of Reference
 - Normal School
 - Competitive Coaching
- Straddle Positioning
 - Amity Education Group runs a number of schools and Universities in India and abroad.
 - They offer a Synchro-Learning Program that combines school and competitive syllabi.



Points-of-Difference and Points-of-Parity

- Choosing specific POPs and PODs
 - Competitive advantage
 - Most affordable
 - Means of differentiation
 - Electric car
 - Perceptual map
 - Emotional branding
 - politics



Points-of-Difference and Points-of-Parity

- Brand mantras

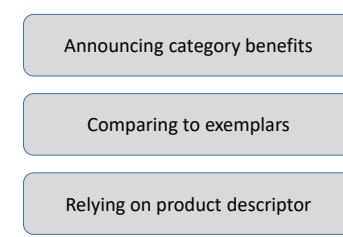
Brand mantras are short statements articulating the heart and soul of the brand and are generally meant for internal purposes (for example: employees). Brand slogans are for External purposes (customers)

For example: Health , Hygiene and Heart (compassion) for a hospital.



Establishing a Brand Positioning

- Communicating category membership



<https://www.youtube.com/watch?v=3C5JH2u5r78>

<https://www.youtube.com/watch?v=ftfCT3bB2E>

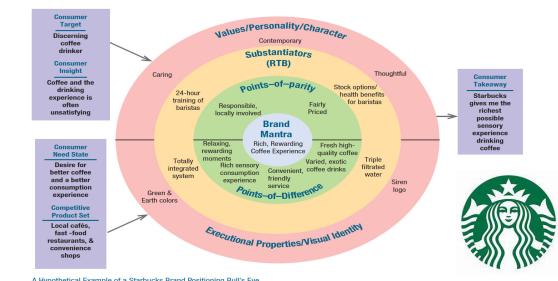
<https://www.youtube.com/watch?v=TMTaOJIIcG>

A premium hotel can mention its luxurious rooms, restaurant Bar, swimming pool, Spa etc.

A comparison with other premium hotels in the city.

Airbnb
Online platform for rental accommodations

Brand-positioning bull's-eye



A Hypothetical Example of a Starbucks Brand Positioning Bull's Eye

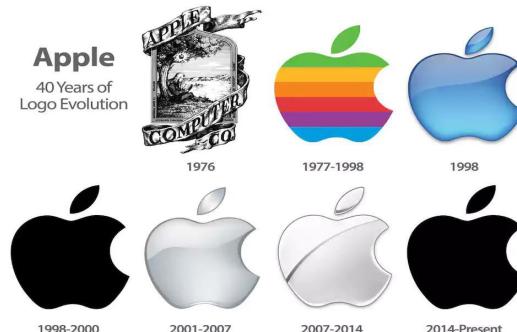
Brand Logo

- Brand Logo is a symbol, drawing or image representing a company, an organization or a person to optimize brand presence, reach and recognition.
- Grabs attention
- First impression
- Brand identity
- Brand differentiation
- Brand Loyalty

• Sourced from Marketing 91



The Evolution of the Apple Logo



Communicating POPs and PODs

- Negatively correlated attributes/benefits

- ✓ Low price vs. high quality
- ✓ Taste vs. low calories
- ✓ Powerful vs. safe
- ✓ Ubiquitous vs. exclusive
- ✓ Varied vs. simple

Monitoring Competition

- Variables in assessing potential competitors
 - Share of market
 - Share of mind
 - Brand Recall
- Share of heart
 - Brand Preference

Market Share = Sale / Market Size

Quantity (units) or Value (Amount Rs or U\$)

LG CTVs = 10000 TVs in a month, the television market size is 50,000 TVs

Market Share = 10000/50000 = 20%

Av price of an LG TV is Rs. 20000, overall average price is 22000.

Sale of LG in Rs terms = 20000X10000 = 20,0000000 (Rs 20 crore)

Market Size in terms of Rs. = 50000X22000 = 110,00000 (110 crore)

LG Market Share in terms of amount = 20 crore / 110 crore = 18%



Alternative Approaches to Positioning

1. The story
2. The customer's engagement with the brand
3. The visual language or expression of the brand
4. The manner in which the brand engages the senses.
5. The role the brand plays in the lives of the people.

Brand narratives and storytelling

- Setting
- Cast
- Narrative arc
- Language

Cultural branding

- Fair and lovely (Glow and Lovely) taps into the cultural notion of beauty.
- Bullet feeds notions of machismo.
- Hero Honda is about thrift.



Positioning/Branding for A Small Business

- Find compelling product performance advantage
- Focus on building one or two strong brands based on one or two key associations
- Encourage product trial in any way possible
- Develop cohesive digital strategy to make the brand "bigger and better"
- Create buzz and a loyal brand community
- Employ a well-integrated set of brand elements
- Leverage as many secondary associations as possible
- Creatively conduct low-cost marketing research



Learning Objectives



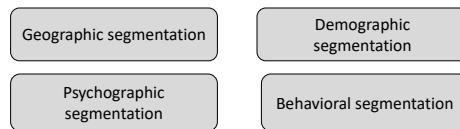
1. In what ways can a company divide the consumer market into segments?
2. How should business markets be segmented?
3. How should a company choose the most attractive target markets?
4. What are the requirements for effective segmentation?
5. What are the different levels of market segmentation?

Why segmentation?

- It is nearly impossible for a company to connect with all customers in large, broad, or diverse markets. They need to identify the market segments they can serve effectively.

Bases for Segmenting Consumer Markets

- Market segment
 - A group of customers who share a similar set of needs and wants



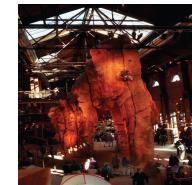
Geographic Segmentation

- Geographical units
 - Nations, states, regions, counties, cities, or neighborhoods
 - Nielsen Claritas' PRIZM (Potential Rating Index by Zip Markets)
- US based rating of different neighborhoods (500,000) into 16 groups and 66 lifestyle segments based on the following.

- Education and affluence
- Family life cycle
- Urbanization
- Race and ethnicity
- Mobility

Nariman Point, Cuffe Parade, Peddar Road, (all Mumbai)
Panchsheel Park, Amrit Shergill Marg (all Delhi) may have
Similar characteristics.

A Retail chain. School etc. would find such a segmentation useful.

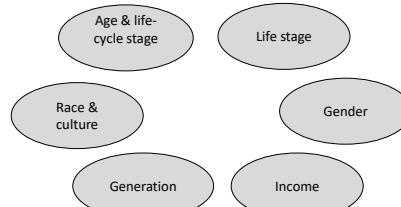


Geographic Segmentation

TABLE 9.2 Examples of PRIZM Clusters

- Young Digerati.** Young Digerati are the nation's tech-savvy singles and couples living in fashionable neighborhoods on the urban fringe. Affluent, highly educated, and ethnically mixed, they live in areas typically filled with trendy apartments and condos, fitness clubs and clothing boutiques, casual restaurants, and all types of bars—from juice to coffee to microbrew.
- Belway Boomers.** One segment of the huge baby boomer cohort—college-educated, upper-middle-class, and home-owning—is Belway Boomers. Like many of their peers who married late, these boomers are still raising children in comfortable suburban subdivisions and pursuing kid-centered lifestyles.
- The Cosmopolitans.** Educated, upscale, and multiracial, the Cosmopolitan are urban couples in America's fast-growing cities. Concentrated in a handful of metros—such as Las Vegas, Miami, and Albuquerque—these households feature older homeowners, empty nesters, and college graduates. A vibrant social scene surrounds their older homes and apartments, and residents love the nightlife and enjoy leisure-intensive lifestyles.

Demographic Segmentation



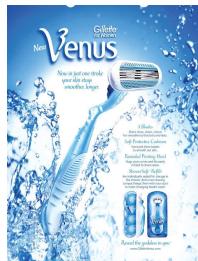
Demographic Segmentation

- Age and life-cycle stage
 - Childhood, Adolescence, Adulthood, Middle Age, Old
 - Our wants and abilities change with age
- Life stage
 - A person's major concern like job, marriage, children's education, children's marriage etc.



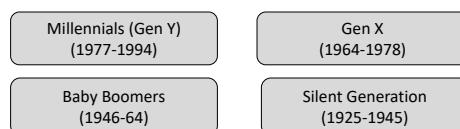
Demographic Segmentation

- Gender
 - Men and women have different attitudes and behave differently
- Income
 - Income segmentation is a long-standing practice



Demographic Segmentation

- Generation



Demographic Segmentation

- Race and culture

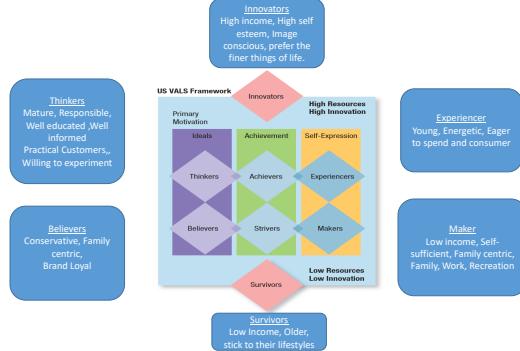
Hispanic Americans	Asian Americans
African Americans	LGBT
India	
Linguistic Groups Ads, Cuisines, Dress, Festivals	Religious Groups Ethnic Wear, Cuisines

Psychographic Segmentation

- Buyers are divided into groups on the basis of psychological/personality traits, lifestyle, or values. (Adventure Freaks, Young-at-heart, Geeks)



VALS (Values, Lifestyle) Segmentation System



Agenda

- Behavioural Segmentation
- Segmentation in B2B markets
- Segmentation and Targeting Issues
 - Porter's Five Forces
 - Customization
- Product Management

Behavioural Segmentation

- Marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product



Behavioral Segmentation

- Needs and benefits
- Decision roles
 - Initiator
 - Influencer
 - Decider
 - Buyer
 - User



Caselet

- As he entered class 10, Rishi's mother told her husband that it was time to look for a coaching center to train Rishi to face competitive entrance exams for admission to prestigious engineering or medical colleges. They were proud parents of an older girl, Rishi's sister, who had gained admission to the coveted All India Institute of Medical Sciences at Delhi and his parents expected he would also prove to be equally bright. Unfortunately, Rishi's academic career thus far had not really been stellar, but the parents were hopeful that a good coaching center would help in turning him around. Both the parents were successful professionals who were well established in their careers. They sincerely believed, Rishi, who had their genes, was intelligent, and would soon prove his worth.
- When asked Rishi took some time before saying that he wanted to take competitive exam for engineering though he considered himself out of the league for the hotly contested Joint Entrance Examination. His parents asked him to take heart. His sister contacted some of her batch mates who had been successful at JEE who suggested she considered sending her brother to Kota. The idea was not appreciated by their parents who did not think Kota to be a good option. Rishi's sister, and his father studied the web sites of various institutes before shortlisting a few.
- Rishi attended a few demo classes at this institute, before agreeing to join Varun Coaching, a renowned center with branches all over the country. Unfortunately, after a few classes he did not feel much interested in the curriculum. The concepts and the problems were way beyond his scope. It was difficult for him to keep with home work. He started sharing them with a friend of his, whose parents had not been able to afford a coaching class.
- Identify the initiator, influencer, decider, buyer and the user.
- What is the implication for a coaching center for a person like Rishi's parents?
 - Career Counselling?

Coaching center

Implication

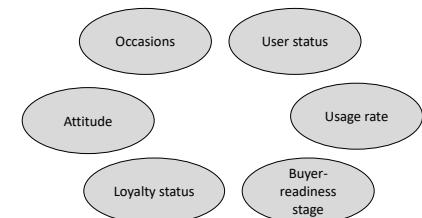
Coaching Centre

Continued

User and usage-related variables

Decision Role	Person	Implication for Coaching Centre
Initiator	Mother	1. Marketing communication should be directed at parents and not at the students 2. Hope
Influencer	Sister (academic excellence)	Good students as influencers
Decider	1. Rishi (child)	Demo Classes to be of excellent quality

Decision Role	Person	Implication for Coaching Centre
Buyer	Parents	Financing Options
User	Rishi / friend	Design product to meet the user's needs



User and usage based segmentation

- Occasion
 - Stay in a hotel for business (Taj Mahal hotel), leisure(Taj Holiday Village), experience (Oberoi Vilas hotels – experience of staying in a Fort)
 - Bicycle?
- User status
 - Non-user, Ex-user, Potential User, First time user, Regular user.
 - Many 5 star hotels offer memberships to non-users who can be potential users.
 - Many portals run campaigns to attract ex-users. (LinkedIn)
- Usage Rate
 - Light, Medium and heavy users.
- Buyer Readiness Stage
 - Unaware, Aware, Informed, Interested, Intend to buy.
- Loyalty Status
 - Hard core loyals, Split Loyals, Shifting Loyals, Switcher
- Attitude
 - Enthusiastic, Positive, Indifferent, Negative, Hostile.

A few examples



Figure 9.2
Marketing Funnel

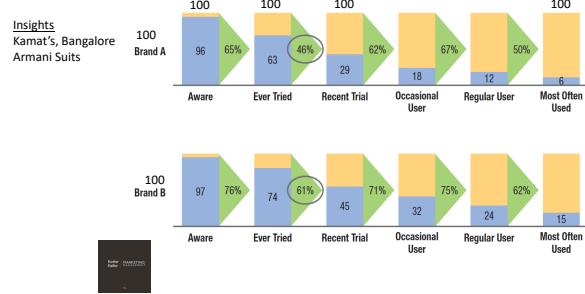
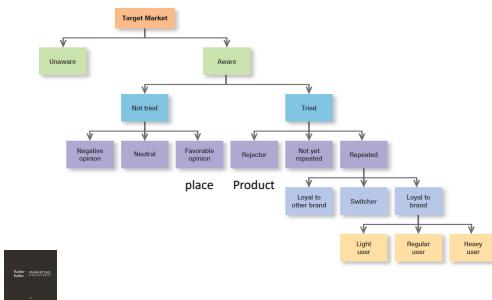


Figure 9.3
Behavioral Segmentation Breakdown



How Should Business Markets Be Segmented?

- ✓ **Demographic**
 - ✓ What industries? What company size? What geographical location?
✓ English Medium Schools. Schools with over 1000 students. Schools in urban areas.
- ✓ **Operating variables**
 - ✓ What technology? User status? Customer Capability?
✓ Chalk and Talk? New to digital classes? What is the level of IT awareness among its teachers?
- ✓ **Purchasing approaches**
 - ✓ Centralized Purchase, Decentralized Purchases
✓ Are all purchase decisions centralized for a school chain?
✓ Are individual schools allowed the option of choosing their own digital classrooms?

The above example is about a school ERP start up..

How Should Business Markets Be Segmented?

Situational factors

- ✓ Large order/ Small order
- ✓ how many users for the ERP?
- ✓ Specific Application or All application
- ✓ Would they use it for teaching all subjects or only science?
- ✓ Personal characteristics
- ✓ Buyer-Seller similarity
- ✓ PSUs selling to PSUs, German/Jap companies?
- ✓ Attitude towards risk.
- ✓ PSU banks financing start ups?
- ✓ Loyalty
- ✓ Is the customer expected to stay loyal?

Market targeting

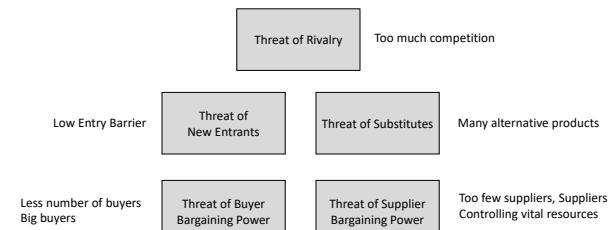
TABLE 9.6 Steps in the Segmentation Process

	Description
1. Needs-Based Segmentation	Group customers into segments based on similar needs and benefits sought by customers in solving a particular consumption problem.
2. Segment Identification	For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (factorable).
3. Segment Attractiveness	Use predetermined segment attractiveness criteria (such as market growth, competitive intensity, and market access), determine the overall attractiveness of each segment.
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning	For each segment, create a "value proposition" and product-price positioning strategy based on that segment's unique customer needs and characteristics.
6. Segment "Aid Test"	Create "segment storyboard" to test the attractiveness of each segment's positioning strategy.
7. Marketing Mix Strategy	Expand segment positioning strategy to include all aspects of the marketing mix: product, price, promotion, and place.

Effective Segmentation Criteria

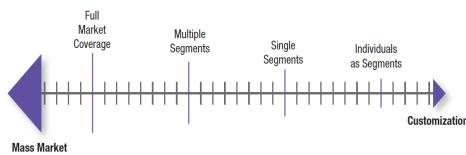
- ✓ Measurable
- ✓ Substantial
- ✓ Accessible
- ✓ Differentiable
- ✓ Actionable

Porter's five forces



Evaluating & Selecting the Market Segments

- Figure 9.4: Possible Levels of Segmentation



One-to-one marketing

Identify your prospects and customers

Differentiate customers in terms of their needs and value to your company

Interact to improve your knowledge about customers' needs and to build relationships

Customize products, services, and messages to each customer

Example: Hotels, Saloons.

Legal and Ethical Issues

- Marketers must avoid consumer backlash
 - Labeling consumers
 - "Old", "non-performer"
 - Vulnerable groups
 - Children
 - Disadvantaged groups
 - Racist Toys
 - Potentially harmful products
 - Cigarettes.



Marketing Model (BA ZC 421)

Sidharth Mishra

03.04.2019

Contents

- Classification of Products
- Feature, Attribute, Benefit
- Product Strategy
 - Monopolist in a homogeneous market
 - Multi-Attribute model
 - Attribute and pricing

Contents

- Hotelling Competitive positioning model
- Product model for a heterogeneous market
- Product Model to avoid cannibalization

Product management introduction

- A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need.
 - Classification as per durability
 - Nondurables
 - Soap, Chewing Gums etc.
 - Durables
 - Automobiles, Furniture
 - Service
 - Banking, Legal Services
 - Customer
 - Consumer
 - Convenience Goods
 - Frequent impulse purchases (soap, ice creams)
 - Shopping Goods
 - Customer spends time and effort on their purchase (garments)
 - Specialty Goods
 - Products with unique appeal (deodorants)

Product management

- A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need.
 - Classification as per durability
 - Nondurables
 - Soap, Chewing Gums etc.
 - Durables
 - Automobiles, Furniture
 - Service
 - Banking, Legal Services
 - Customer
 - Consumer
 - Convenience Goods
 - Frequent impulse purchases (soap, ice creams)
 - Shopping Goods
 - Customer spends time and effort on their purchase (garments)
 - Specialty Goods
 - Products with unique appeal (deodorants)

introduction

Product management introduction

- Industrial Goods
 - Raw Material
 - Iron Ore
 - Semi manufactured Goods
 - Ingots
 - Supplies
 - Lubricant Oil, Coolants
 - Accessory Equipment
 - Portable factory equipment and tools – gas cutters, welding equipment
 - Installation
 - Blast Furnace, Boiler etc.
 - Business services
 - Insurance, Legal Service
 - Spare Parts

Product management introduction

- Core product
 - A transporting vehicle
- Tangible Product
 - Body, Chassis, Engine and wheels make a car
 - Tangible product has features, styling, quality level, brand name and packaging
- Augmented product
 - Installation, Delivery ,Warranty and After Sales Service etc.

Product management feature, attribute, benefit

F, A and B for a car

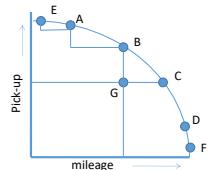
Feature	Attribute	Benefit
Car AC	Temperature control inside car	Cool Interiors
		Reduces Mileage

Product management attribute, efficient frontier

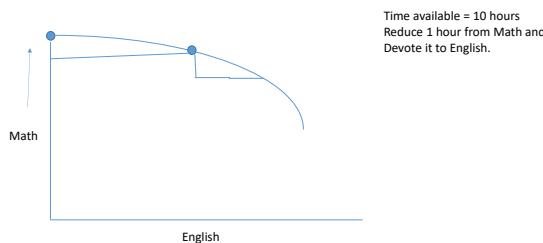
Monotone Attributes are those Attributes of a product on which there is agreement among consumers. For Example : mileage of a car, pick-up

Non monotone Attributes are more Subjective in nature like the aesthetics Or styling of a car.

Efficient Frontier Hypothesis
The hypothesis relates to monotone attributes and has been illustrated in the accompanying diagram.



M



Product strategy

One key decision in product strategy is determining the level of a particular attribute.

Condition 1

- There is an ideal level of the attribute favored by all customers.
- At this ideal level the cost of production is also least.

The solution is to produce at this ideal level and maximize profit by administering reservation price.

Condition 2

- More the merrier form of customer.
- The cost of production goes up with addition of the attribute.

For example, all customers favor a roomier car and are willing to pay a higher price. But as we start making the car spacious, its cost starts rising. Ultimately there has to be trade off for an optimal solution.

Let us say there are N customers in the market. The customer's reservation price is $u(s)$ when the s is the level of the said attribute. $c(s)$ is the corresponding cost per unit of the product.

Monopolist /homogeneous market

$$\text{Firms' profit} = N(u(s) - c(s))$$

Differentiating and equating to zero in order to maximize profits....
 $N(u'(s) - c'(s)) = 0$

The level of the attribute s should satisfy the equation given above. Assuming the Utility function to be additive we can work on a multi attribute product too.

Product Strategy

Monopolist/Homogeneous Market

Product strategy-Monopolist, Homogeneous problem

For a product $u(s) = ks$, $c(s) = as^2$ Find the optimal level of the attribute s . Take the number of customers to be equal to 100. (Refer Book, page: 225)

Solution :

$$\text{Profit} = 100(k s - as^2)$$

For maximization of profit
 $d(\text{Profit})/ds = 0$

This means $100(ks - 2as) = 0$
Hence $s = k / 2a$

$$\text{Corresponding price} = u(s) = k^2 / 2a$$

$$\text{Profit} = 100(k^2/2a - a(k/2a)^2) = 25k^2 / a$$

Product strategy-monopoly, homogeneous multi-attribute model

A firm is manufacturing a product with two different attributes s_1 and s_2 . The Utility function is given by $u(s_1, s_2) = k_1 s_1 + k_2 s_2$ and the cost function is known to be $c(s_1, s_2) = a(s_1)^2 (s_2)^2$. Find the profit maximizing product and price when $N = 100$

Solution

$$\text{Profit} = 100 [k_1 s_1 + k_2 s_2 - a (s_1)^2 (s_2)^2]$$

This is an equation in two variables s_1 and s_2 . In order to maximize the function we differentiate it first with respect to s_1 assuming s_2 to be constant and then with s_2 assuming s_1 to be constant. Both outcomes should be equated to zero.

$$\text{Hence } 100[k_1 - 2as_1 s_2^2] = 0 \text{ and } 100[k_2 - 2a s_2 s_1^2] = 0$$

Solving the first equation one gets $s_1 = k_1 / 2as_2^2$. Substituting the value in second equation one can obtain $s_2 = (k_2 / 2ak_1)^{1/3}$. s_1 can be obtained similarly.

Product strategy with competition

Consider a customer whose target performance on an attribute is t . The customer's Utility function is $u(t, s) = R - (t - s)^2$. As you may note, utility function gets reduced as the product's performance on the said attribute is deviating either way. R is the maximum Utility the customer would derive from the product, when $s=t$. Let us say There are two products with performances s_1 and s_2 on the said attribute and prices p_1 and p_2 .

The consumer surplus for the two products are $R - (t-s_1)^2 - p_1$ and $R - (t-s_2)^2 - p_2$ respectively.

The customer would prefer product 1 over product 2 if and only if
 $R - (t-s_1)^2 - p_1 > R - (t-s_2)^2 - p_2$

The above equation can be solved to deliver the limiting value of t for which the Customer would prefer product 1 over product 2.

$$t < (p_2 - p_1) / [2(s_2 - s_1)] + (s_1 + s_2) / 2$$

Scaling

- Utility = $R - k(t-s)^2$ (k is a constant linking attribute to price with suitable units)
- A homogeneous group of customers may be willing to pay Rs. 100L for a 2000 sq. ft. house and Rs. 60L for a smaller 1800 sq. ft house.

R = Rs. 100L

$$60L = 100L - k(2000-1800)^2, k = (100 - 60)*10^5 / 200^2 = 100$$

By suitably modifying the units we can make $k=1$. In the above case, if we quote prices in 00s (in place of 100L) we call it 1L hundred, the constant k would be reduced to 1).

Example: Find the point of indifference for the above set of customers when faced with two options, 1600 sq. ft apartment @ Rs. 60L and 2200 sq. ft apartment @ Rs. 120L.

Calculate k by taking price in units Rs. and lakh of rupees. Find the point of indifference in both cases. The modified formula including the scaling constant is

$$t = (s_1 + s_2)/2 + (p_1 - p_2)/(2k(s_1 - s_2))$$

Product Strategy

Conclusion :
If $p_1 = p_2$, t' (ideal point where the customer is indifferent to the two products) = $(s_1 + s_2)/2$
A customer whose target is lower than t' would prefer product 1 and a customer with a higher target would prefer product 2.

In the following analysis we shall discuss a situation as follows.

- The attribute in question has two different levels s_1 and s_2 .
- There are two firms with two offerings one of which has attribute level s_1 while the other has attribute level s_2 .
- The costs of the products are same.
- Because of the difference in the levels of the attribute, the firms charge different prices p_1 and p_2 respectively.

We shall find the corresponding prices for maximum profits for the respective firms and the ensuring market shares.

Attribute and Pricing

Hotelling Model

Competitive positioning

- The Hotelling Model deals with the competitive positioning of two identical firms competing on a single non-monotonic attribute. We shall further assume that the cost of production is independent of the level of the attribute in the product.
- Example
 - Two stores competing for the businesses of households located uniformly along a road.
 - The advantage of accessibility is not equal for all households. Everyone would not agree that one store is more accessible than the other. As the customer households are spread along a road, one store would be more accessible to some customers while the other would be more accessible for the rest.
- Two fast food vendors competing for the businesses of passers by on basis of the saltiness of their fare. We have to ignore the cost of salt in order to satisfy the assumption that the cost of production is independent of the attribute of the product.
- This is again a non monotonic attribute because customers have different preferences for salt.

Hotelling Model

Competitive positioning

- The Hotelling Model deals with the competitive positioning of two identical firms competing on a single non-monotonic attribute. We shall further assume that the cost of production is independent of the level of the attribute in the product.
- Example
 - Two stores competing for the businesses of households located uniformly along a road.
 - The advantage of accessibility is not equal for all households. Everyone would not agree that one store is more accessible than the other. As the customer households are spread along a road, one store would be more accessible to some customers while the other would be more accessible for the rest.
- Two fast food vendors competing for the businesses of passers by on basis of the saltiness of their fare. We have to ignore the cost of salt in order to satisfy the assumption that the cost of production is independent of the attribute of the product.
- This is again a non monotonic attribute because customers have different preferences for salt.

Hotelling Model

Competitive positioning

- We shall use the second example for further exploration.
- Let us consider 2 street vendors competing on the saltiness of their fare (?chat/dosa/burgher). Vendor 1 is using s_1 amount of salt and Vendor 2 is adding s_2 amount to his product. The prices are p_1 and p_2 respectively.
- If a customer has a target " t " amount of salt in the food he consumes, his consumer surpluses are $R - (t-s_1)^2 - p_1$ and $R - (t-s_2)^2 - p_2$ respectively. As we have seen in the previous class, the customer would behave in the following manner.
 - If $t < \{(p_2 - p_1)/[2(s_2 - s_1)]\} + (s_1 + s_2)/2$ the customer would prefer the first vendor.
 - If $t > \{(p_2 - p_1)/[2(s_2 - s_1)]\} + (s_1 + s_2)/2$ the customer would prefer the second vendor.
 - In case of equality the customer would stay indifferent.
- $t < (p_2 - p_1)/[2(s_2 - s_1)] + (s_1 + s_2)/2$

Hotelling Problem

Competitive Positioning

- Let us assume that the customers are uniformly spread between a minimum (a) and a maximum level (b) of the attribute (salt, in this case) in their food. This means there is no customer who likes his food to have less salt than " a ". Similarly no customer likes to have more amount of salt than " b ". All customers are spread uniformly between these two extremes.
- The situation is shown in the figure alongside.
- As the customers are assumed to be uniformly spread in their preference for the attribute, it is common sense to conclude that $(t-a)/(b-a)$ proportion of customers would prefer Vendor1 while the balance $(b-t)/(b-a)$ would opt for Vendor 2.



Hotelling Problem

- Market Share of Vendor1 = $(t-a)/(b-a)$
- Market share of Vendor2 = $(b-t)/(b-a)$
- Profit of Vendor 1 = $[(t-a)/(b-a)](p_1 - c) - (1)$ remember that $t = (p_2 - p_1)/2(s_2 - s_1) + (s_1 + s_2)/2$
- Profit of Vendor 2 = $[(b-t)/(b-a)](p_2 - c) - (2)$

Decision of Pricing:

Both vendors would choose prices which maximize their profits.

We can differentiate the two equations (1) and (2) given above and equate them to 0 (zero) in order to arrive at the profit maximizing prices for the two vendors.

This yields the following equations.

$$(p_2 - c) - 2(p_1 - c) + (s_2^2 - s_1^2) - 2a(s_1 - s_2) = 0 \quad (3)$$

Hotelling Problem

Decision Pricing

$$(p_2 - c) - 2(p_1 - c) + (s_2^2 - s_1^2) - 2a(s_1 - s_2) = 0 \quad (3)$$

$$-2(p_2 - c) + (p_1 - c) - (s_2^2 - s_1^2) + 2b(s_2 - s_1) = 0 \quad (4)$$

Analysis

- From Eqn-3 it is apparent that if Vendor-2 increases prices, vendor -1 has to respond by increasing his price in order to maximize his profit. This is because, if the second vendor increases prices there would be a few borderline consumers whose consumer surpluses would turn negative and they would be willing to flock to the first vendor even if he increased his prices to some extent.
- It must be noted that the two vendors CANNOT take independent pricing decisions without making sub-optimal profits.

Hotelling Problem

- The two equations can be solved to yield the optimal prices (P_1 and P_2) given below.

$$\begin{aligned} P_1 - c &= 2(s_2 - s_1)/3 [b-2a + (s_1 + s_2)/2] - \text{Eqn 4} \\ P_2 - c &= 2(s_2 - s_1)/3 [2b-a - (s_1 + s_2)/2] - 5 \end{aligned}$$

- The corresponding market shares at these equilibrium prices are as follows.
 $m_1 = [1/3(b-a)](b-2a + (s_1 + s_2)/2) - 6$
 $m_2 = [1/3(b-a)](2b-a - (s_1 + s_2)/2) - 7$

The corresponding profits at these prices are

$$\begin{aligned} \text{Profit to the first vendor} &= [2(s_2 - s_1)/9(b-a)][b-2a + (s_1 + s_2)/2]^2 - 8 \\ \text{Profit to the second vendor} &= [2(s_2 - s_1)/9(b-a)][2b-a - (s_1 + s_2)/2]^2 - 9 \end{aligned}$$

Hotelling Problem

- Decision on Level of Attribute
 - The vendors can maximize these equilibrium profits by optimizing the levels of each attribute. This can be done by individually differentiating the two expressions of profit and equating them to zeroes.

This yields the following expression

$$S_1 = s_2 - \{2(b-2a)/3\}, S_2 = s_1 - \{2(2b-a)/3\} - 10$$

As the equations indicate if one of the vendors alters the level of attribute in his product, the other vendor has to follow suit in order to maximize his profit.

This could set in motion a competition among them on the level of attribute concerned till one of the competitor hits a flipping point. At the flipping point the competitor turns its strategy on the head and works at competing by lowering the level of the attribute and reducing price.

Hotelling Problem

- If the customer preference varies between a and b , the first player to enter the market would typically start at $(a+b)/2$.

A competitor who follows should operate either

$$\text{At point } P_1 \text{ or } P_2 \text{ to maximize profit, the points being } a, (3a-b)/2, (a+b)/2, (3b-a)/2, b$$

Determined by Equation – 10. The corresponding prices, market shares and profits are given below.

$$P_1 - c = 4(b-a)^2 / 3$$

$$P_2 - c = 2(b-a)^2 / 3$$

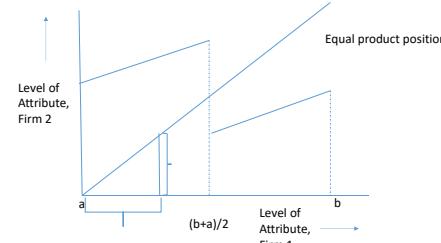
$$m_1 = 2/3$$

$$m_2 = 1/3$$

$$\text{Profit}_1 = 8(b-a)^2 / 9$$

$$\text{Profit}_2 = 2(b-a)^2 / 9 \text{ As you can see, the first mover commands higher price, market}$$

Hotelling Problem



Flipping Point

Positioning a single product

Heterogeneous market

- Problem: A market consists of three segments designated with the letter t . (for the first segment $t=1$, second segment $t=2$ etc). We have a product with just one attribute whose level is specified by the letter 's' and the t^{th} segment's reservation price for the product is given by the formula $u_t(s) = ts$. The cost of production with attribute level at 's' is given by the formula $c(s) = as^2$. What is the optimal product design? (or what is the optimal level of attribute in the product?) The numbers of customers in each segment are 30, 50 and 20 respectively.

Solution

We have earlier studied how in segmented markets with different reservation prices the optimal pricing policy would be one of the many reservation prices. The optimal price cannot fall in between reservation prices for two different segments.

Positioning a single product

Heterogeneous market

- There are three options in the above case.

- Option 1: Make the product and price it at the reservation price (RP) of the bottom segment so that all segments can now buy the product.
- Option 2: Make and price the product at the RP of second segment. Customers in the second and the third segment can use the product while those in the first segment shall be left out.
- Option 3: Price the product at the third segment and omit the first and the second segments.

We shall analyse the three scenarios and opt for the one that brings maximum profits.

Analysis

- Option 1:

$$\text{Profit} = (30+50+20)(s-as^2) = 100(s-as^2) - \text{Equation: 9}$$

This can be maximized by differentiation the above expression and equating it to 0.

This would yield $100(1-2as) = 0$; $s = 1/2a$

Putting $s = 1/2a$ in equation 9 we get the corresponding profit = $25/a$

- Option 2:

In this option the first segment is left out.

$$\text{Profit} = (50+20)(2s-as^2) = 70(2s-as^2)$$

Differentiating and equating to 0, we get $s = 1/2a$

$$\text{Profit} = 70/a$$

- Option 3:

$$\text{Profit} = 20(3s-as^2)$$

On maximization we get $s = 3/2a$ and the corresponding profit = $45/a$

Profit is maximized at option 2 which should be preferred.

Please note that the first segment is getting ignored because it does not generate sufficient profits.

Segment 1: 30
Segment 2: 50
Segment 3: 20
 $\text{Reservation Price} = ts$
 $t=1, \text{Price} = s$

$$C(s) = as^2$$

Positioning a single product

Heterogeneous market

- In general mathematical terms

- If there are T customer segments with reservation prices $u_t(s)$ where $t = 1, 2, 3, 4, \dots, T$ and we choose to position our products and price from the t^{th} segment onwards
- $\text{Profit} = \sum_{i=t}^T u_i(s) - c(s)$
- Profit is maximized when the equation is differentiated and equated to zero for $t=1, 2, 3, 4, \dots, T$. The

Corresponding profits are manually tried for the best solution.

Product line management

Heterogeneous market

- Problem: A market consists of three segments designated with the letter t . (for the first segment $t=1$, second segment $t=2$ etc). We have a product with just one attribute whose level is specified by the letter 's' and the t^{th} segment's reservation price for the product is given by the formula $u_t(s) = ts$. The cost of production with attribute level at 's' is given by the formula $c(s) = as^2$. What is the optimal product design? (or what is the optimal level of attribute in the product?) The numbers of customers in each segment are 30, 50 and 20 respectively.
- In the previous slides we dealt with the above situation under the condition that the company only had one product to offer to the market. Apparently the more sensible thing on part of the company is to offer a product line to cater to all three segments
- It looks logical on part of the company to launch three products which maximize its profits from the three segments mentioned while staying within the reservation prices of the customer for each segment.

Product line management

Heterogeneous Market

- Product 1 would be meant for the first segment. The level of attribute would be chosen as to maximize profit = $30(s_1-as_1^2)$. Differentiating and equating to zero yields the solution $s_1 = 1/2a$ and the corresponding price $p_1 = 1/2a$. Repeating the procedure for the second and the third products would yield $s_2 = 1/a$ and $s_3 = 3/(2a)$ and $p_2 = 2/a$ and $p_3 = 9/(2a)$.
- So we now have three products for the three segments with clearly differentiated levels of attribute (s) and prices. Product1 ($1/2a, 1/2a$), Product2 ($1/a, 2/a$), Product3 ($3/2a, 9/2a$)
- Second segment profit = $50(2s_2-as_2^2) - 2as_2 = 0$, $s_2 = 1/a$, $2*1/a = 2/a$
- CANNIBALIZATION !!
- The reservation price for the second segment for product 1, $(s = 1/2a) = 2s = 1/a$
- The consumer surplus = Reservation price – Actual Price = $1/a - 1/2a = 1/2a$
- This is positive while the surplus for product 2 = $2/a - 2/a = 0$. Obviously second segment would prefer product 1 over product 2 leading to the latter's cannibalization.



Marketing Management(BA ZC 411/ MBA ZC 411)

Sidharth Mishra

14.04.2019



Chapter 16

Developing Pricing Strategies and Programs

Learning Objectives



1. How do consumers process and evaluate prices?
2. How should a company set prices initially for products or services?
3. How should a company adapt prices to meet varying circumstances and opportunities?
4. When and how should a company initiate a price change?
5. How should a company respond to a competitor's price change?

Understanding Pricing

- Pricing in a digital world

- ✓ Get instant vendor price comparisons
 - ✓ Amazon
- ✓ Check prices at the point of purchase
 - ✓ Prices of Restaurant (Zomato)
- ✓ Name your price and have it met
- ✓ Get products free
- ✓ Monitor customer behavior & tailor offers
 - ✓ Air line offers
- ✓ Give customers access to special prices
 - ✓ Cash Back offers, Schemes, Discounts etc
- ✓ Negotiate prices online or even in person

Learning Objectives



1. How do consumers process and evaluate prices?
2. How should a company set prices initially for products or services?
3. How should a company adapt prices to meet varying circumstances and opportunities?
4. When and how should a company initiate a price change?
5. How should a company respond to a competitor's price change?

Understanding Pricing

- Pricing in a digital world

- ✓ Get instant vendor price comparisons
- ✓ Check prices at the point of purchase
- ✓ Name your price and have it met
- ✓ Get products free
- ✓ Monitor customer behavior & tailor offers
- ✓ Give customers access to special prices
- ✓ Negotiate prices online or even in person

Understanding Pricing

- A changing pricing environment
 - Sharing economy
 - Time share
 - Cars (Bla Bla Car)
- Bartering
- Renting
 - AirBnB



Reference Price

Most customers enter the market with a reference price in mind.

- Fair Price
- Typical Price
- Last Price Paid
- Upper Bound Price
- Lower Bound Price
- Historical Competitor Price
- Expected Future Price
- Usual Discounted Price

Consumer Psychology and Pricing

Reference prices

Price-quality inferences

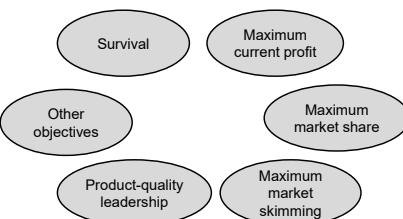
Price endings
(Rs. 499, 599 etc.)



Understanding Pricing

- How companies price
 - Small companies: boss
 - Large companies: division/product line managers
- How companies should price
 - Understanding of consumer pricing psychology
 - a systematic approach to setting, adapting, and changing prices

Step 1: Selecting the Pricing Objective



Copyright © 2016 Pearson Education Ltd.

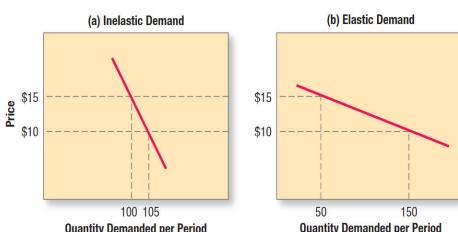
16-11



Copyright © 2016 Pearson Education Ltd.

16-12

Figure 16.1
Inelastic And Elastic Demand



Copyright © 2016 Pearson Education Ltd.

16-13

Price Sensitivity

TABLE 16.3 Factors That Reduce Price Sensitivity

- The product is more distinctive.
- Buyers are less aware of substitutes.
- Buyers cannot easily compare the quality of substitutes.
- The expenditure is a smaller part of the buyer's total income.
- The expenditure is small compared to the total cost of the end product.
- Part of the cost is borne by another party.
- The product is used in conjunction with assets previously bought.
- The product is assumed to have more quality, prestige, or exclusiveness.
- Buyers cannot store the product.

Copyright © 2016 Pearson Education Ltd.

16-14



(a) Cost Behavior in a Fixed-Size Plant
Cost per Unit
Quantity Produced per Day
SRAC

(b) Cost Behavior over Different-Size Plants
Cost per Unit
Quantity Produced per Day
SRAC
LRAC

Copyright © 2016 Pearson Education Ltd.

16-15

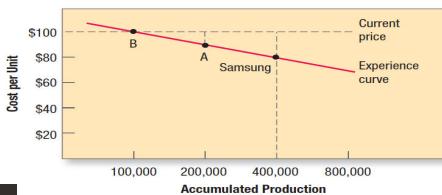
Step 3: Estimating Costs

- Types of costs and levels of production
 - Fixed vs. variable costs
 - Total costs = Fixed Cost + Variable Cost = $10\text{ cr} + 5\text{ cr} = 15\text{ cr}$
 - Average cost = $15\text{ cr} / 10000 = 15000$ per bicycle
- Total Cost/ no of goods produced.

Factory : Rs. 10 crore

Step 3: Estimating Costs

- Accumulated production
 - Experience/learning curve



Copyright © 2016 Pearson Education Ltd.

16-16



Step 3: Estimating Costs

- Target costing
 - Price less desired profit margin



Copyright © 2016 Pearson Education Ltd.

16-17



Step 4: Analyzing Competitors' Prices

- Firm must take competitors' costs, prices, & reactions into account
 - Value-priced competitors
 - Low cost, good quality competition
 - May precipitate a price war



16-18

Step 5: Selecting a Pricing Method

- Figure 16.4: three major considerations in price
 - Costs** = price floor
 - Competitors' prices** = orienting point
 - Customers' assessment of unique features** = price ceiling



Copyright © 2016 Pearson Education Ltd.

16-19

Step 5: Selecting a Pricing Method

- **Markup pricing**
 - Add a standard markup to the product's cost

$$\text{Markup price} = \frac{\text{unit cost}}{(1 - \text{desired return on sales})}$$

Copyright © 2016 Pearson Education Ltd.

16-20

Mark-up Price

- The cost of a television is Rs. 20,000. The retailer wishes to make a margin of 10% on the selling price. What price should he charge from the customer?
- Let us say the selling price = x
 $\text{Profit expected} = 0.1x$
 $\text{Selling price} = \text{Cost} + \text{Profit} = 20000 + 0.1x = x$
 $x - 0.1x = x(1-0.1) = 20000$
 $0.9x = 20000$
 $x = 20000/0.9 = \text{Cost} / (1 - \text{Mark up}) = \text{Rs. } 22,222$

Step 5: Selecting a Pricing Method

- **Target-return pricing**
 - Price that yields its target rate of return on investment

$$\text{Target-return price} = \text{unit cost} + \frac{\text{desired return} \times \text{invested capital}}{\text{unit sales}}$$

Copyright © 2016 Pearson Education Ltd.

16-22

Example

- A company has made an investment of Rs. 10 crore to set up a plant. It expects an annualized return of 20% on its invested capital. The units cost of goods sold is Rs. 1000. During the year it expects to sell 100,000 units of the product. Determine the selling price.
- Solution
 $\text{Profit desired} = 10 \text{ crore} \times 20\% = 2 \text{ crore}$
 $\text{Total cost of goods sold} = 1000 \times 100,000 = 10 \text{ crore}$
 $\text{Sales Revenue} = \text{Profit} + \text{Cost of Goods sold} = 2+10 = 12 \text{ crore}$
 $\text{Unit Selling Price} = 12 \text{ crore} / 100,000 = \text{Rs. } 1200$
 $= 1000 + (10 \text{ crore} \times 20\%) / 100,000$
 $= \text{unit cost} + (\text{investment} \times \text{desire return}) / \text{number of units sold}$

Step 5: Selecting a Pricing Method

- **Perceived-value pricing**
 - Based on buyer's image of product, channel deliverables, warranty quality, customer support, and softer attributes (e.g., reputation)



Copyright © 2016 Pearson Education Ltd.

16-25

Perceived Value Pricing

- Our bike gives mileage of 80 km per liter of petrol, the salesman at the showroom said. The competitor's bike, in comparison gives 60 km per liter of petrol. Secondly, our bikes are built to 99.9% Japanese reliability, which would mean 0.3 days of maintenance work in a year. The other bike, if I choose to say something nice about it, would probably have 99% reliability which means nearly 3.5 days in the service center.
- If you drive for 40 km in a day, that is 15000 km in a year. That is saving 50 liter petrol in just one year. That is equal to Rs. 3500. If you keep the bike for 5 years, you have saved, Rs. 17,500.
- Then you save three days at the service center, which is equal to Rs. 2500. That more than explains why my bike is costlier by Rs. 10,000.

Step 5: Selecting a Pricing Method

- **Value pricing**
 - Low price, high quality (Japanese cars)
 - Reengineering of processes
- **EDLP (Every Day low pricing)**
 - High-low pricing
- **Going-rate pricing**
 - competitor' prices as bench mark

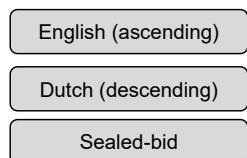


Copyright © 2016 Pearson Education Ltd.

16-27

Step 5: Selecting a Pricing Method

- Auction-type pricing



Copyright © 2016 Pearson Education Ltd.

16-28

Step 6: Selecting the Final Price

- Additional factors to select final price:
 - ✓ Impact of other marketing activities
✓ High advertising fetches a price premium.
 - ✓ Company pricing policies
✓ Price competitors charge penalties to shore up bottom lines
✓ Ola charges for cancellations
✓ OYO penalizes hotels for deviations.
 - ✓ Gain-and-risk-sharing pricing
✓ Extended warranty, Lawyer's Fees in US as a proportion of damage won.
 - ✓ Impact of price on other parties
✓ Sales Team, Dealers, competitors

Copyright © 2016 Pearson Education Ltd.

16-29

Adapting the Price

- Geographical pricing (International Trade)

Barter

- Buyer and seller exchange goods

Compensation deal

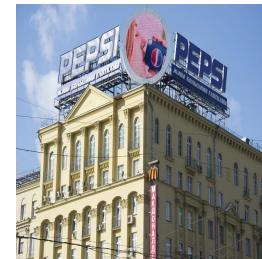
- Cash+products

Buyback arrangement

- Build a factory, buy back products.

Offset

- Use a part of the cash in the host country



Copyright © 2016 Pearson Education Ltd.

16-30

Adapting the Price

- Price discounts and allowances

TABLE 16.4 Price Discounts and Allowances	
Discount:	A price reduction to buyers who pay bills promptly. A typical example is "2/10, net 30," which means payment is due within 30 days and the buyer can deduct 2 percent by paying within 10 days.
Quantity Discount:	A price reduction to those who buy large volumes. A typical example is "\$10 per unit for fewer than 100 units; \$9 per unit for 100 or more units." Quantity discounts must be offered equally to all customers and must not exceed the cost savings to the seller. They can be offered on each order placed or on the number of units ordered over a given period.
Functional Discount:	Discounts (also called trade discount) offered by a manufacturer to trade-channel members if they perform certain functions, such as selling, storing, and record keeping. Manufacturers must offer the same functional discounts within each channel.
Seasonal Discount:	A price reduction to those who buy merchandise or services out of season. Hotels, motels, and airlines offer seasonal discounts in their selling periods.
Allowance:	An extra payment designed to gain reseller participation in special programs. Trade-in allowances are granted for turning in an old item when buying a new one. Promotional allowances reward dealers for participating in advertising and sales support programs.

Copyright © 2016 Pearson Education Ltd.

16-31

Adapting the Price

- Promotional pricing:
 - 2 garments, 30% discount
- Loss-leader pricing
 - A product is sold at a very low price, sometimes incurring a loss, so that the firm could attract customers and make profit on other items.
- Special event pricing
 - Diwali discounts
- Special customer pricing
 - Special pricing to big customers, loyal customers
- Psychological discounting
 - Artificially increasing price and then discounting
- Cash rebates
 - Rebates for cash purchases are

Copyright © 2016 Pearson Education Ltd.

16-32

Adapting the Price

- Price discrimination

Senior citizen Discount Hospital Pricing

Customer-segment pricing

Product-form pricing

300 ml of Coke: Rs. 20
500 ml: Rs. 30

Happy Hour

Time pricing

Image pricing

Same shirt would have 2 different prices when using the labels Louise Philippe

Location pricing

Channel pricing

Discount Stores
Factory Outlets
Supermarket

Food on non ac side
Of a restaurant is cheaper.

Copyright © 2016 Pearson Education Ltd.

16-33

Adapting the Price

- Price discrimination

- Yield pricing: Variable pricing model to maximize the revenue yield. Example: Airline dynamic pricing.



Copyright © 2016 Pearson Education Ltd.

16-34

Initiating and Responding to Price Changes

- Initiating price cuts
 - Excess plant capacity
 - Domination of market
- Price-cutting traps
 - Price concessions
 - Low-quality
 - Fragile market share
 - Shallow pockets
 - Price war



Copyright © 2016 Pearson Education Ltd.

16-35

Initiating and Responding to Price Changes

- Initiating price increases

Delayed quotation pricing

- Supplier delays quoting an exact price till the time of delivery
- Often they work with indicative prices
- Used in Industrial Marketing especially for items with long lead times.
- Takes care of cost over runs, delays and increases of prices of raw materials and components during the course of production.

Escalator clauses

- Clauses are placed in contract that the price of the final product would depend on the cost of particular components at the time of delivery or when production is over. The components in question are typically those with highly fluctuating prices.

Unbundling

- Certain parts of the product are which initially came free are now unbundled and are charged separately. (A landlord charging for car parking).

Reduction of discounts

Copyright © 2016 Pearson Education Ltd.

16-36

Initiating Price Increases

TABLE 16.5 Profits before and after a Price Increase		
	Before	After
Price	\$10	\$10.10 (a 1% price increase)
Units sold	100	100
Revenue	\$1,000	\$1,010
Costs	–970	–970
Profit	\$30	\$40 (a 33 1/3% profit increase)

Copyright © 2016 Pearson Education Ltd.

16-37



Initiating and Responding to Price Changes

- Anticipating competitive responses
 - Historical
 - Competitor's intent
 - Market share?
 - Profit?
- Responding to competitors' price changes
 - Understand the reason behind the price move
 - Excess Capacity?
 - Staying power?
 - Differentiate
 - Low cost version
 - Become a low cost player.



Copyright © 2016 Pearson Education Ltd.

16-38

Marketing Management(BA ZC 411/ MBA ZC 411) Sidharth Mishra

Topics covered

- Definition of marketing
 - Marketing strategies
 - Consumer Behavior
 - Segmentation, Targeting and Positioning
 - Product
 - Price
 - Place
 - Promotion
 - Branding
 - Market Research
- 4Ps of marketing



Chapter 13 Setting Product Strategy

Learning Objectives

7. How can companies combine products to create strong co-brands or ingredient brands?
8. How can companies use packaging, labeling, warranties, and guarantees as marketing tools?



Marketing Mix

- Product
 - **Product**, Price, Place, Promotion
- Service
 - **Product**, Price, Place, Promotion, Process, Physical Evidence, People



Learning Objectives

1. What are the characteristics of products, and how do marketers classify product?
2. How can companies differentiate products?
3. Why is product design important, and what are the different approaches taken?
4. How can marketers best manage luxury brands?
5. What environmental issues must marketers consider in their product strategies?
6. How can a company build and manage its product mix and product lines?

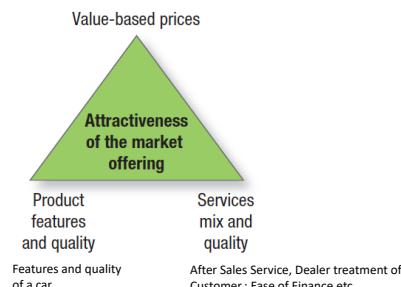


Product Characteristics and Classifications

- Product
 - Anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas

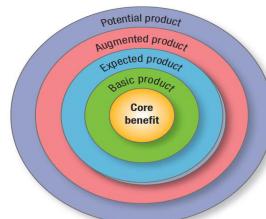
Physical Goods: Car
Service: healthcare, coaching
Experience: Vacation
Event: IPL
Person: Mahatma Gandhi
Place: Kerala, God's own country.
Properties: Real Estate, Gold.
Organization: Helpage
Information: Covid Guidelines
Ideas: Beti Bachao, Beti padhao. (Protect the girl child)

Figure 13.1
Components Of The Market Offering



Product Levels: The Customer-Value Hierarchy

- Figure 13.2: Five Product Levels



Copyright © 2016 Pearson Education Ltd.

13-9



Copyright © 2016 Pearson Education Ltd.

13-10

PRODUCT LEVELS - CAR

- Core Benefit
 - Transportation
- Basic Product
 - A chassis on wheels
- Expected Product
 - Reasonable speed
 - Roomy
 - Safe
 - Environment Friendly
 - Economical

PRODUCT LEVELS - CAR

- Augmented Product

- Air conditioner, Climatic Control
- Power Steering

- Power Windows
- Armoured Car

- Potential Product

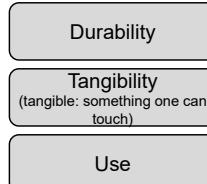
- Electric Car
- Amphibian Car?
- Flying Car?

Copyright © 2016 Pearson Education Ltd.

13-11



Product Classifications



Copyright © 2016 Pearson Education Ltd.

13-12



Durability and Tangibility

Nondurable goods

Frequently purchased, Soap, Tooth paste
Heavy Distribution, Low mark-up, heavy advertising

Durable goods

Infrequently purchased: TVs, Refs
Personal Selling, Service, Higher margin, Warranty

Services

Intangible, Inseparable, variable, perishable
Quality Control, Supplier Credibility, Adaptability
Doctor's consultation, Education, Hospitality

Copyright © 2016 Pearson Education Ltd.

13-13

Consumer-Goods Classification



13-14



Industrial-Goods Classification



Copyright © 2016 Pearson Education Ltd.

13-15



Product Differentiation

- Form
 - Physical Structure, size or shape of the product.
- Features
- Performance quality
 - Level at which product's primary characteristics operate: low, average, high or superior.
- Reliability
 - The probability that the item would not malfunction within a given period of time.
- Repairability
 - The Ease of Repair
- Style
 - Look and Feel of the product.
- Conformance quality
 - Performance up to specifications
 - All products of a brand must represent similar quality.
- Customization
- Durability

Copyright © 2016 Pearson Education Ltd.

13-16

Services Differentiation-Car

- ✓ Ordering ease
 - ✓ The ease with which a car can be ordered.
 - ✓ Convenient location of dealer showrooms
 - ✓ Trial facility at home
 - ✓ Finance Services
- ✓ Delivery
 - ✓ Low waiting period
 - ✓ Scratch less vehicle
 - ✓ Display of all facilities
- ✓ Installation
 - ✓ Matching Upholstery, interior
 - ✓ Accessories (Audio system, Gear Lock, Central locking)
 - ✓ Car Registration, Insurance

Copyright © 2016 Pearson Education Ltd.

13-17



Services Differentiation-Car

- ✓ Customer training
 - ✓ Efficient, Safe Driving (economical speed, safety features)
- ✓ Customer consulting
 - ✓ What is the best model suitable to a customer?
- ✓ Maintenance and repair
- ✓ Returns
 - ✓ Controllable (preventable)
 - ✓ Product flaws (AC not working)
 - ✓ Uncontrollable (not preventable in the short term)
 - ✓ Product unsuitability which follows customer experience
Customer returns a garment bought online because of poor feel

Copyright © 2016 Pearson Education Ltd.

13-18



Services Differentiation-OYO

- ✓ Ordering ease
 - ✓ Online ordering
 - ✓ Customer feedback helps selection
 - ✓ Pictures
 - ✓ Room Details, Prices
- ✓ Delivery
 - ✓ GPS guided navigation
 - Non standard delivery
 - The previous occupant has not vacated.
(“Room is getting ready.”)
- ✓ Installation
 - ✓ Basic yet standardized (liquid soap)

Copyright © 2016 Pearson Education Ltd.

13-19

Services Differentiation-OYO

- ✓ Customer training
 - ✓ Generally not applicable
 - Use of AC and TV remote, switches
- ✓ Customer consulting
 - ✓ Variety of choices. Locations, Distances, Room Details
- ✓ Maintenance and repair
 - ✓ Customer feedback helps
- ✓ Returns
 - ✓ Controllable
 - ✓ Misleading pictures, Room Size
 - ✓ Uncontrollable
 - ✓ Product unsuitability which follows customer experience
(room size, location, room view etc. for a hotel)

Copyright © 2016 Pearson Education Ltd.

13-20



Design

- Design
 - The totality of features that affect the way a product looks, feels, and functions to a consumer
 - Function
 - Aesthetics
 - Ergonomics
 - Ease of usage.
 - » A chair should be stable, support back, swivel, transportable



Copyright © 2016 Pearson Education Ltd.

13-21



Design

- ✓ Is emotionally powerful
- ✓ Transmits brand meaning/positioning
- ✓ Is important with durable goods
- ✓ Makes brand experiences rewarding
- ✓ Can transform an entire enterprise
- ✓ Facilitates manufacturing/distribution
- ✓ Can take on various approaches
 - ✓ Design thinking
 - ✓ A kitchen appliances manufacturer studies how different people cook, the shapes of their kitchen, utensils While designing their products.

Copyright © 2016 Pearson Education Ltd.

13-22



Bullet Motorcycle
Tough, rugged, macho

PRODUCT DESIGNS



Hobble Skirt Design
Ergonomics, Distinctive



Jelly Bean Design
Roomier, More aerodynamic
More fuel efficient,



The round rimmed glasses became a distinctive feature of John Lennon's Persona.

Pearson Education Ltd.

13-23



Luxury brands

- Quality
- Uniqueness
- Craftsmanship
- Heritage
- Authenticity
- History
 - Moet & Chandon
 - Perrier



Copyright © 2016 Pearson Education Ltd.

13-24



Marketing Luxury Brands

TABLE 13.1 Guidelines for Marketing Luxury Brands

1. Maintaining a premium image for luxury brands is crucial; controlling that image is thus a priority.
2. Luxury branding typically includes the creation of many intangible brand associations and an aspirational image.
3. All aspects of the marketing program for luxury brands must be aligned to ensure high-quality products and services and pleasurable purchase and consumption experiences.
4. Besides brand names, other brand elements—logos, symbols, packaging, signage—can be important drivers of brand equity for luxury products.
5. Secondary associations from linked personalities, events, countries, and other entities can boost luxury brand equity as well.
6. Luxury brands must carefully control distribution via a selective channel strategy.
7. Luxury brands must employ a premium pricing strategy, with strong quality cues and few discounts and markdowns.
8. Brand architecture for luxury brands must be managed carefully.
9. Competition for luxury brands must be defined broadly because it often comes from other categories.
10. Luxury brands must legally protect all trademarks and aggressively combat counterfeits.

Copyright © 2016 Pearson Education Ltd.

13-25

BRAND ARCHITECTURE

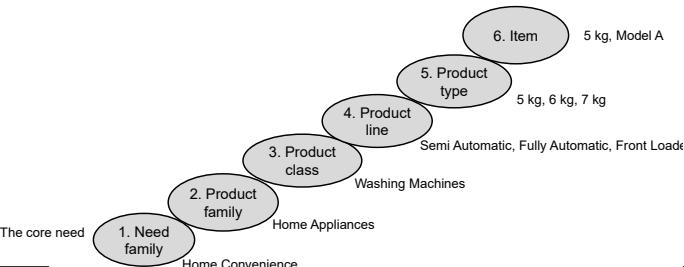
- Aditya Birla Fashions
 - Louis Philippe
 - Super premium
 - Van Heusen
 - Premium
 - LP
 - Young professionals
 - Allen Solly
 - Smart Casuals

Copyright © 2016 Pearson Education Ltd.

13-26



THE PRODUCT HIERARCHY



Copyright © 2016 Pearson Education Ltd.

13-29



Environmental Issues

- Environmental issues are also playing an increasingly important role in product design and manufacturing
 - Plastic bottles used for selling bottled water
 - Sigg makes reusable bottles with embedded micro filters.

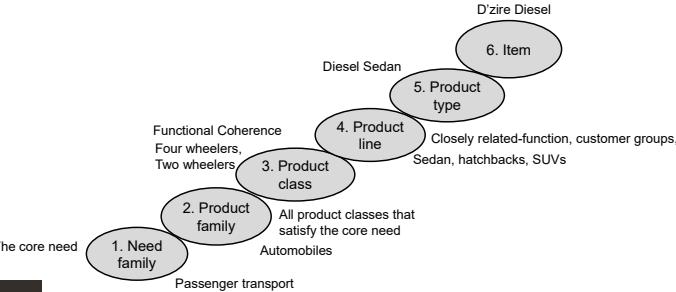


Copyright © 2016 Pearson Education Ltd.

13-27



THE PRODUCT HIERARCHY



Copyright © 2016 Pearson Education Ltd.

13-28

ILLUSTRATION

- Depth
 - Presence of more variants (alto Lx, alto vx)
 - Mahindra has greater depth in SUVs
- Consistency
 - Does the line up make sense?
 - Customer point of view
 - Manufacturing point of view
 - Distribution point of View

Copyright © 2016 Pearson Education Ltd.

13-32



Product Systems and Mixes

- Product system
 - A group of diverse but related items which function in a compatible manner.
 - Cell phone, charger, headphone, screen guards, covers,
- Product mix/assortment
 - Set of all products and items a particular seller offers for sale.
 - Maruti 800, Alto, Wagon R, Ignis, Swift, Swift Dzire etc.
 - Width, Length, Depth, Consistency

Copyright © 2016 Pearson Education Ltd.

13-30



ILLUSTRATION

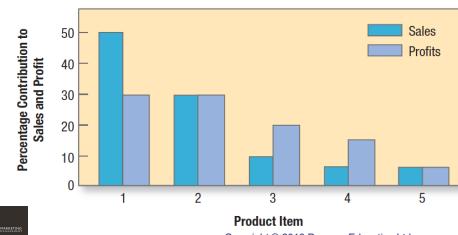
- Width
 - Car maker X has one model each in hatchback(A), premium hatchback(B), Entry sedan (C), Premium Sedan (D) and SUV (Wide)
 - Car maker Y has does not have an SUV, but has all other models.
- Length
 - Y has 10 products, X has only 5 (Y has a longer line-up)

Copyright © 2016 Pearson Education Ltd.

13-31

Product Line Analysis

Sales and profits



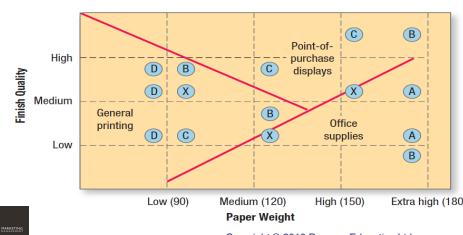
Copyright © 2016 Pearson Education Ltd.

13-33



Product Line Analysis

Market profile and image

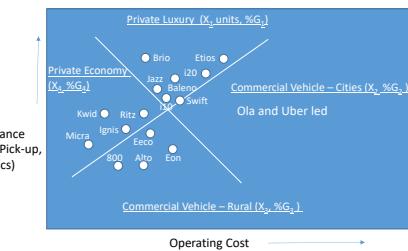


Copyright © 2016 Pearson Education Ltd.

13-34

Product Line Analysis

This is a high growth market. A car manufacturer can have a tie up with them and make an exclusive model for this segment.



Hatchback Cars

Product line length

- Line stretching
 - Down-market stretch
 - Lower priced line
 - Up-market stretch
 - Higher priced line
 - Two-way stretch
 - Both way
- Line filling
 - Adding more items within the Present range.



Copyright © 2016 Pearson Education Ltd.

Product line length

- Line modernization
 - Upgrading to electronic power Steering from a hydraulic one
- Line featuring
 - Adding new features to the existing range of products
 - Introducing ABS
- Line pruning
 - Discontinuing some models

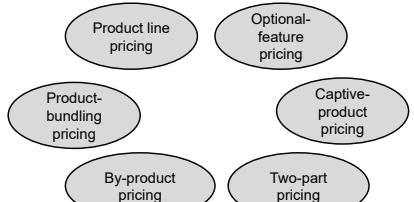


Copyright © 2016 Pearson Education Ltd.

13-36

Product Mix Pricing

- The firm searches for a set of prices that maximizes profits on the total mix



Copyright © 2016 Pearson Education Ltd.

13-38



Packaging

- All the activities of designing and producing the container for a product



Copyright © 2016 Pearson Education Ltd.

13-41



Co-Branding

- Two or more well-known brands are combined into a joint product or marketed together in some fashion

- ✓ Same-company
 - ✓ Synchro-Learning offered by schools
 - ✓ Combines school and competition preparation
- ✓ Joint-venture
 - ✓ Hero Honda
 - ✓ Multiple-sponsor
 - ✓ Events marketed by multiple sponsors
 - ✓ Retail
 - ✓ Samsung Phone on Amazon

13-39



Copyright © 2016 Pearson Education Ltd.

13-40

INGREDIENT BRANDING

- Co-branding that creates brand equity for parts that are necessarily contained within other branded products (Intel-Inside campaign.)



Copyright © 2016 Pearson Education Ltd.

Packaging

Used as a marketing tool

- Self-service
- Company and brand image
- Innovation opportunity

Packaging objectives

- Identify the brand
- Convey descriptive and persuasive information
- Facilitate product transportation and protection
- Assist at-home storage
- Aid product consumption

Copyright © 2016 Pearson Education Ltd.

13-42

Cherry Blossom



Packaging

OFFER

Packaging Issues



Packaging

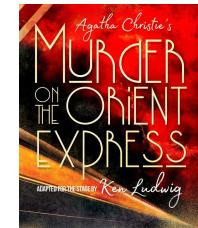
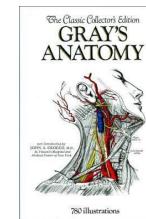
TABLE I3.3 The Color Wheel of Branding and Packaging

Red symbolizes excitement, energy, passion, courage, and being bold.
Orange connotes friendliness and fun. It combines the energy of red and the warmth of yellow.
Yellow, as the color of the sun, is equated with warmth, joy, and happiness.
Green, as the color of nature, connotes health, growth, freshness, and renewal.
Blue, as the color of the sky and sea, is associated with dependability, trust, competence, and integrity.
Purple has symbolized nobility, wealth, and wisdom. It combines the stability of blue and the energy of red.
Pink is considered to have soft, peaceful, comforting qualities.
Brown, as the color of the earth, connotes honesty and dependability.
Black is seen as classic, strong, and balanced.
White connotes purity, innocence, and cleanliness.



Copyright © 2016 Pearson Education Ltd.

Judge a book by its cover.



Labeling, Warranties, and Guarantees

- Labeling
 - Identifies, grades, describes, and promotes the product
 - Green Label for Vegan products.
- Warranties
 - Formal statements of expected product performance by the manufacturer
- Guarantees
 - Promise of general or complete satisfaction

Copyright © 2016 Pearson Education Ltd.

13-47

A slide from a presentation titled 'Marketing Management(BA ZC 411/ MBA ZC 411)' by Sidharth Mishra on 28.04.2019. The slide features a large image of a clock tower against a blue background, with the text 'BITS Pilani' and 'Pilani Campus' above it. The top right corner has three colored squares with the words 'innovate', 'achieve', and 'lead'.

Learning Objectives



1. What is a marketing channel system and value network?
2. What work do marketing channels perform?
3. How should channels be designed?
4. What decisions do companies face in managing their channels?
5. How should companies integrate channels?

Learning Objectives

6. What are the key channel issues in e-commerce?
7. What are the key channel issues in m-commerce?
8. How should companies manage channel conflict?

The 'Invisible' P of Marketing

- Invisible, yet crucial
 - Product is tangible, price hits the pocket, promotion catches the eye
 - Only those products sell which are available.
 - A firm might do saturation advertising and stimulate the sell of the competition if its products are not available.
 - A dissatisfied dealer or channel partner can kill sales by badmouthing a brand.
- We need to understand how the channel works, there concerns and issues and find ways to handle them.

Place

Marketing Channels and Value Networks

- Marketing channels
 - Sets of interdependent organizations participating in the process of making a product or service available for use or consumption
- Intermediaries: merchants, agents, and facilitators
- Organizations
 - Financing
 - Banks
 - Logistics
 - Transport, Insurance
 - Sales
 - Retail outlets



Channel functions

- Address spatial discrepancy
 - Covers the distance between manufacturer and buyer.
 - Ex: LG manufacturing TVs in Noida and selling them in Tamilnadu through a chain of distributors / retailers of e-commerce sites.*
- Address temporal discrepancy
 - Covers the time gap between manufacturing and consumption
 - Ex: LG manufacturing TVs in August and selling them in October during Deepavali. During this period, most of the stock (TVs) lies with Distributors, retailers*
- Bulk Breaking
 - Reduces lot sizes to achieve scale economies
 - Provides credit to smaller retailers and working capital to company
 - Ex: LG making 10,000 TVs in a batch then distributing them among distributors and retailers. Distributors supply the company with cash (working capital). They support the retailers by giving credit (again a working capital support.)*

Other channel functions

- Assortment
 - Provides options to the customers.
 - Ex: A consumer electronics retailer displays many brands and models for the customer to choose from.*
 - She/he also provides supporting products like voltage stabilizer etc.*
- Information and promotion
 - Information about product, customer promotion gifts etc. (manufacturer to customer)
 - Customer and competitor information (customer to manufacturer)
 - Ex: A consumer electronics retailer educates the customer about the product features, schemes and consulting support for the best fit with customer needs.*
 - The retailer also gathers information about changing customer needs, competitor products and provides them to the company.*
- Service
 - Providing after sales service to customers
 - Ex: A CE retailers repairing defective/breakdown products.*
- Spares and Returned Goods logistics
 - Ex: A CE retailer carrying stocks for spares to repair defective TV sets. Returns defective*

Types of Intermediaries

Intermediary	Stocks	Owens	Sell	Affiliated	Remarks
Distributor	Y	Y	Y	Y	
Stackist	Y	Y	N	Y	
Wholesaler*	Y	Y	Y	N	
Carrying and Forwarding Agent	Y	N	N	Y	
Dealer (Retailer)	Y	Y	Y	Y/N	Direct interaction with end customer

C&F Agents (Carrying and Forwarding Agents) are widely used in the FMCG/Pharma industry with a wide variety of products.

Marketing Channels and Value Networks

- A marketing channel system
 - The particular set of marketing channels a firm employs: Company-Distributor-Retailer
 - Push vs. pull strategy
 - Push strategy uses higher margins, trade promotions etc. to induce channel partners to promote the company's products.
 - Pull strategy uses advertising and other modes of communication to get customer.
 - Pull strategy has a higher element of risk

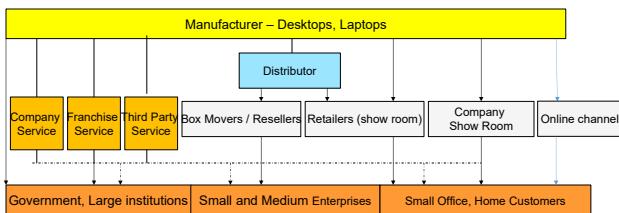


Marketing Channels and Value Networks

- Multichannel marketing
 - Using two or more marketing channels to reach customer segments in one market area
- Omnichannel marketing
 - Digital distribution
 - Integrated marketing channel system
 - A system that works smoothly
 - The strategy and tactics in one channel is reflected in other channels too.



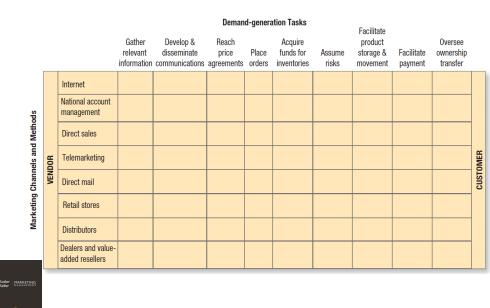
Multi-channel marketing



Challenges of multichannel

- Price Imbalance
- Territory Poaching
- Margin cutting

Figure 17.1
The Hybrid Grid

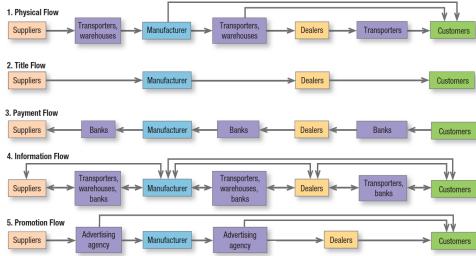


Marketing Channels and Value Networks

- Value network
 - A system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings (the value they offer for the end customer)
 - Demand chain planning



Figure 17.2
Marketing Flows For Forklift Trucks



Marketing Channels and Value Networks

- The digital channels revolution
 - Customer support in store/online/phone
 - Check online for product availability at local stores
 - Order product online to pick up at store
 - Return a product purchased online to a nearby store



The Role of Marketing Channels

- Channel functions and flows

TABLE 17.1 Channel Member Functions

- Gather information about potential and current customers, competitors, and other actors and forces in the marketing environment.
- Develop and disseminate persuasive communications to stimulate purchasing.
- Negotiate and reach agreements on price and other terms so that transfer of ownership or possession can be affected.
- Place orders with manufacturers.
- Acquire the funds to finance inventories at different levels in the marketing channel.
- Assume risks connected with carrying out channel work.
- Provide for the successive storage and movement of physical products.
- Provide for buyers' payment of their bills through banks and other financial institutions.
- Oversees actual transfer of ownership from one organization or person to another.

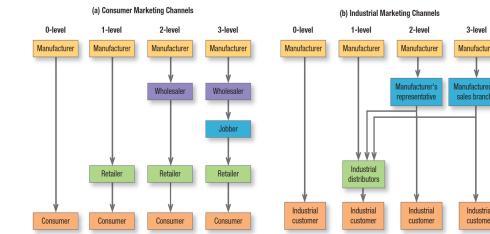


The Role of Marketing Channels

- Channel levels
 - Zero-level channel (direct)
 - One/two/three-level channels (intermediaries)
 - Reverse-flow channels
 - Service sector channels



Figure 17.3
Consumer/Industrial Marketing Channels



Channel design

- We need to design a channel that would carry our products and services to our customers.
- Channel decisions are taken at many different levels within the organization.
- Dell operated on the Direct from Dell principle globally for decades till the emergence of the consumer sector forced them to change their tack.
- Samsung in the IT business worked with National Distributors who supplied to Regional Distributors who in turn made the products available to local retailers. LG its competitor chose to work with Regional Distributors and ignored the national distributors.
- A sales executive posted to a city often has to design the channel for his market.

Channel-Design Decisions

- Analyzing customer needs and wants
 - ✓ **Desired lot size**
 - ✓ One car, a packet of ten biscuits for the end customer.
 - ✓ A carton of biscuits for a retailer
 - ✓ **Waiting and delivery time**
 - ✓ How long is the customer willing to wait for the product?
 - ✓ Low waiting time would call for (costly) intensive distribution.
 - ✓ **Spatial convenience**
 - ✓ How far the customer is willing to travel to buy the product?
 - ✓ If the customer is not willing to travel far, intensive distribution.
 - ✓ **Product variety**
 - ✓ Does the customer want variety? Too much of variety would mean high inventory that would make distribution costly.
 - ✓ **Service backup**
 - ✓ Immediate?

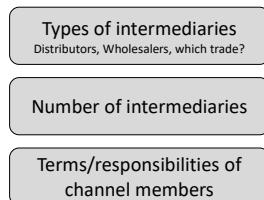
Channel-Design Decisions

- Establishing objectives and constraints



Channel-Design Decisions

- Identifying major channel alternatives



Identifying major channel alternatives

- Number of intermediaries
 - Exclusive distribution
 - One distributor services the market (Nokia was sold by HCL in India.)
 - Selective distribution
 - (Limited number of intermediaries)
 - Intensive distribution
 - Large number of intermediaries

Larger the number of intermediaries, the greater would be price competition among them
Leading to erosion of profits.

Why is the world's number one selling brand of chain saw not sold at Lowe's or The Home Depot?



Identifying Major Channel Alternatives

- Terms and responsibilities of channel members

- ✓ Price policy
 - Retailer, Distributor margins, Market Operating Price
- ✓ Conditions of sale
 - Payment Terms, Warranty Terms, DOA Terms
- ✓ Distributors' territorial rights
- ✓ Mutual services and responsibilities
 - Product display, Promotion Support (Point of Sale, Local Promotion),
Sales Support, Product Return Terms

Pricing in the FMCG and Consumer Goods Sector

Item	FMCG	Consumer Goods	Remarks
Maximum Retail Price /Market Operating Price	500	19700	
Retailer Margin	100	200	
Retailer Billing Price	400	19500	Price at which distributor bills to the retailer
Retailer Scheme	50	500	Provided by the company
Retailer Landing Cost	350	19000	
Net Retailer Margin	150	100	
Distributor Margin	12	100	
Distributor Billing Price	388	20000	Price at which company bills to the distributor
Distributor Scheme@3%	6	600	Provided by the company
Distributor Landed Cost	382	19400	
Net Distributor Margin	18	600	
Total Scheme	56	1100	Provided by the company
Company Retention	332	18900	
Cost of Goods Sold	300	18000	
Company Profit	32	900	
% Company Profit	9.8	4.8	

- Issues of price imbalance in the consumer goods sector.
- Payment Terms

Channel-Design Decisions

- Evaluating major channel alternatives
 - Economic criteria
 - Control and adaptive criteria

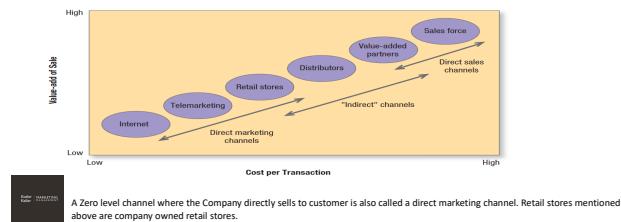
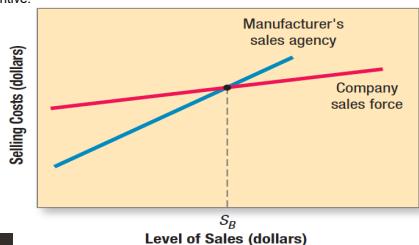


Figure 17.5
Break-Even For Sales Force vs. Sales Agency

Sales Force has a higher fixed cost (salary) and lower commission (incentive) structure. Agents on the other hand work purely on commission which is higher than sales force incentive.



Channel Design

- Channel Design for Bosch Fuel Injection System Components
 - Analyze Customer Needs and Wants
 - Who is the final customer?
 - A car owner. Purchase decision is influenced by mechanic.
 - Desired Lot Size
 - One
 - Waiting and Delivery Time
 - Purchase and Installation to be done in one day.
 - Spatial Convenience
 - Must be available in all automobile repair markets
 - Product Variety
 - Depend on the population of various makes of cars.
 - Service Back up
 - Not required, Fuel Pump can only be replaced.

Summary

Channel design

- Objective**
 - The products must reach the customer without damage.
 - The products must be sold by honest retailers. Due care must be taken to avoid it falling into unscrupulous middlemen.
 - The channel must allow for reverse flow for damaged or defective goods.
 - The operation of the channel should generate profit for all.
- Constraints**
 - During the first year, we can employ 100 sales personnel to service this channel.
 - We cannot allow for credit.

Objective and Constraint

Channel Alternatives

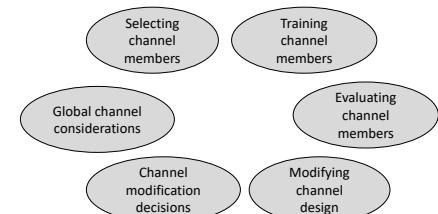
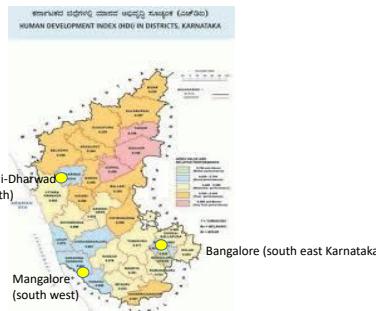
Identify and Evaluate

Channel Design

Market Coverage

Channel-Management Decisions

- Types of Intermediaries
 - Automobile Spare Parts Shops
 - Distributor or Direct Retailers or a combination
- No of Intermediaries
 - Metro cities: 2/3 direct retailers per auto market
 - Tier II cities and state capitals: similar to Metro cities
 - Upcountry/Rural Markets: Distributor from feeder market.
 - Which market to cover?
- Terms and Conditions
 - Payment Terms (cash or credit with bank guarantee)
 - Stocking Norms (stock at retailer and distributor = 1 month sale)
 - Company would provide shop sign boards
 - Company would organize training and entertainment programs for mechanics.



Channel management Decisions

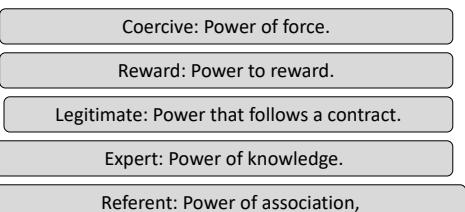
- Selection issues
 - Product line, Experience, Financial Strength, Market Reputation, Interest
- Training Issues
 - Product Training, Market Research, Sales person training
- Evaluation issues
 - Sales Target Achievement, Inventory Level, Promotion, Downstream Feedback

Channel management

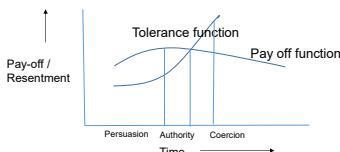
- Modifying Channel Design
 - Dell's strategic shift
 - E-commerce
- Channel Modification Decisions
 - Changing Intermediaries
- Global Market Decisions
 - Appreciating differences in channel across countries. (Bangladesh – Consumer Electronics)

Training and Motivating Channel Members

- Channel power



Channel Power



Training and Motivating Channel Members

- Channel partnerships and ECR* practices
 - Demand-side management
 - Supply-side management
 - Enablers and integrators
 - * Efficient Customer Response



Training and motivating channel partners

- Demand Side Management
 - Joint effort to stimulate demand
 - Joint sales and marketing activities
- Supply Side Management
 - Joint Effort to smoothen supplies
 - Joint Logistics activities, product development activities
- Enablers and Integrators
 - Information , Process Improvement tools
 - Automobile Trade

Channel Integration and Systems

- Conventional marketing channel
- Vertical marketing systems
- Horizontal marketing systems
 - 24X7 stores at petrol pump outlets
 - Toyota –Maruti



Vertical Marketing Systems

- Corporate VMS
 - All stages of ownership under one ownership (Bata India)
- Administered VMS
 - Channel led by one member.
- Contractual VMS
 - Wholesaler-sponsored voluntary chains
 - Wholesaler brings together retailers under one umbrella to standardize and build buying economies.
 - Retailer cooperatives
 - Retailers come together on their own.
 - Franchise organizations
 - Apollo Pharmacy
- New competition in retailing
 - Specialty Stores (Decathlon), Reliance Jewels
 - E-Commerce

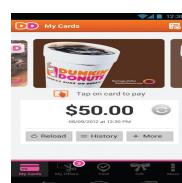
E-Commerce Marketing Practices

- E-commerce
 - Uses a Web site to transact or facilitate the sale of products and services online
- Pure-click vs. brick-and-click companies



M-Commerce Marketing Practices

- Mobile channels and media can keep consumers as connected and interact with a brand as they choose
 - Advertising and promotion
 - Geofencing: Targeting a customer at a particular geographical area.
- Privacy issues

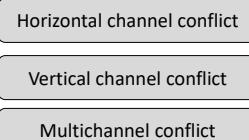


Conflict, Cooperation, and Competition

- Channel conflict
 - Generated when one channel member's actions prevent another channel member from achieving its goal
 - The classic channel conflict between the manufacturer and the reseller.
- Channel coordination
 - Occurs when channel members are brought together to advance the goals of the channel instead of their own potentially incompatible goals

Conflict, Cooperation, and Competition

- Types of conflict and competition



Conflict, Cooperation, and Competition

- Causes of channel conflict

- ✓ Goal incompatibility
- ✓ Unclear roles and rights
- ✓ Differences in perception
- ✓ Intermediaries' dependence on manufacturer

TABLE 17.2 Strategies to Manage Channel Conflict	
Strategic justification	
Dual compensation	
Superordinate goals	
Employee exchange	
Joint memberships	
Co-optation	
Diplomacy, mediation, or arbitration	
Legal recourse	

Conflict, Cooperation, and Competition

- Dilution and cannibalization
 - Marketers must be careful not to dilute their brands through inappropriate channels
- Legal and ethical issues in channel relations
 - Exclusive dealing/territories, tying agreements, and dealers' rights
 - Tying Agreements are used by strong brands to push their entire lines on dealers, also called line forcing.
 - It is usually difficult to "drop" a dealer.

Chapter 19

Designing and Managing Integrated Marketing Communications

Learning Objectives



1. What is the role of marketing communications?
2. What is the marketing communications mix?
3. How do marketing communications work?
4. What are the major steps in developing effective communications?
5. How should the communications mix be set and evaluated?
6. What is an integrated marketing communications program?

The Role of Marketing Communications

- Marketing communications
 - The means by which firms attempt to inform, persuade, and remind consumers about the products and brands they sell



Marketing Communications Mix

- | | |
|--|--|
| 1. Advertising
2. Sales promotion
3. Events and experiences
4. Public relations and publicity | 5. Online and social media marketing
6. Mobile marketing
7. Direct and database marketing
8. Personal selling |
|--|--|

Common Communication Platforms

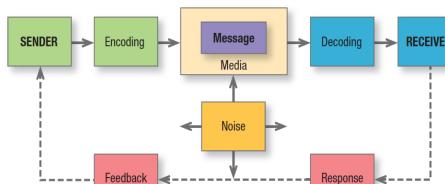
TABLE I.9.1 Examples of the Eight Common Communication Platforms							
Advertising	Sales Promotion	Events and Experiences	Public Relations and Publicity	Online and Social Media Marketing	Mobile Marketing	Direct and Database Marketing	Personal Selling
Print and broadcast ads	Contests, games, sweepstakes, lotteries	Sports	Press kits	Web sites	Text messages	Catalogs	Sales presentations
Packaging—outer	Premiums and gifts	Entertainment	Speeches	E-mail	Online marketing	Mailings	Sales meetings
Packaging inserts	Sampling	Festivals	Seminars	Search ads	Social media marketing	Telemarketing	Incentive programs
Cinema	Fairs and trade shows	Arts	Annual reports	Display ads		Electronic shopping	Samples

How Does Marketing Communications Work?

- The communications process models
 - Macromodel of the communications process
 - Micromodel of consumer responses



Figure 19.1
Elements in Communications Process (Macro model)

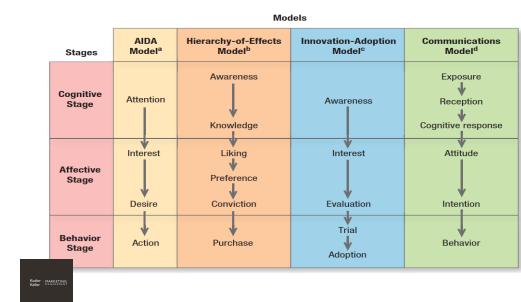


Noise: Random and competing messages that interfere with Intended communication.
Peter England, The honest Shirt "Honest" encodes value for money. Would there be decoding problems?

Decoding

- The process of decoding involves the following
 - Selective Attention
 - Selective Distortion
 - Receiver accepts only those messages which fit into his belief system. Based on his belief system, he often adds things to the communication which are not there (amplification) and ignores things which are there. (levelling).
 - Selective Retention
 - If the Prospect's attitude is positive and he is made to mentally rehearse it, the retention is better. That is why, you often seen ads being repeated over a small interval of time.

Figure 19.2
Response Hierarchy Models



AIDA Model

- Fiat launches its Ferrari range of cars.
- Ferrari is Sachin Tendulkar's favourite car.
- A Ferrari does 0-100kmph in less than 2 seconds.
- Buy a Ferrari today. Get 7 years' warranty.

Hierarchy of effects

Awareness	I saw it on a friend's wrist at Jogger's Park	Saw an Ad	Read about its take over by google	
Knowledge	Asked my friend about its function, features etc.	Googled it	Googled it.	
Liking		It is good monitor of health. I am getting older.	One more of these money wasting gadgets.	All these features are available on a mobile phone app.
Preference	It looks trendy.	All those features are there on the mobile phone. Still the fit bit is convenient.	I shall stick to my mobile phone.	
Conviction	I prefer a watch though. It looks classier.	Why not? Let me look up-to-date?	Let us invest on health.	I think at Rs. 15000 it is too costly.
Purchase	yes	yes	yes	

Fit-Bit

Different products, different models

- Learn, Feel, Do
 - High involvement purchase, large differentiation Example: A house
 - Learn about the neighbourhood, dimensions and construction of the house etc.
 - Take a tour of the property
 - Buy / Rent etc.
- Do, Feel, Learn
 - High Involvement, Low Differentiation Example: Airline ticket
 - Impulse Purchases
 - Borrow from some one and write for a while / buy
 - Use for a while
 - Develop an impression
- Learn, do, Feel
 - Low involvement purchases (a movie)
 - Learn about a particular movie (trailers, posters, word of mouth etc.)
 - Watch it.
 - Develop an impression

Micromodel of Consumer Responses

- With an ideal ad campaign:
 1. The right consumer is exposed to the message at the right place and time
 2. The ad causes the consumer to pay attention
 3. The ad reflects consumer's level of understanding of brand
 4. The ad positions points-of-difference and points-of-parity*
 5. The ad motivates consumers to consider purchase
 6. The ad creates strong brand associations

*Windsor School is an affordable IB School.
IB School establishes parity with other International Schools in the city.
Affordable sets apart from them.

Developing Effective Communications

- Identify the target audience
 - Segmentation and targeting
- Set the communications objectives
- Establish need for category
 - Electric car for Economy and Environment
- Build brand awareness
 - Tesla – first operational electric car.
- Build brand attitude
 - Tesla – sturdy, efficient, environment friendly
- Influence brand purchase intention
 - Buy today and get 0% finance



Developing Effective Communications



We shall study this in more detail using the example of a new Coaching Class for engineering and medical entrance seeking to establish itself in a mid-size city like Nashik.

Developing Effective Communications



Developing Effective Communications

- Design the Communications



Message Strategy

	SATISFACTION			
	Rational	Sensory	Social	Ego
Result of Use	Safety		A more socially active life.	Social Recognition
Product in Use		Comfortable	Appreciation of friends, peers and relatives	Social Recognition
Incidental Use				
REWARDto Use				

A car

Message Strategy

	SATISFACTION			
	Rational	Sensory	Social	Ego
Result of Use	Getting admitted to a good college, a good career	The recognition getting into a cushioned life, and peers	A good car, from family a top institute	The high of getting into a top institute
	Product in Use	Less work, better performance	Good network of aspirants	Getting selected in a tough-to-get-through coaching
REW/ARD related to Use			Great Alumni Network	

Creative Strategy

- Get admission at a top college, or your money back.
- What if we say, we can take you to a top college with less than half the sweat (effort)?
- JEE is one amongst the world's top 3 most challenging exams. Do you have it in you?
- The Vidyamandir Entrance is the half way mark to IIT.
- Find the best students and top teachers at our institute.

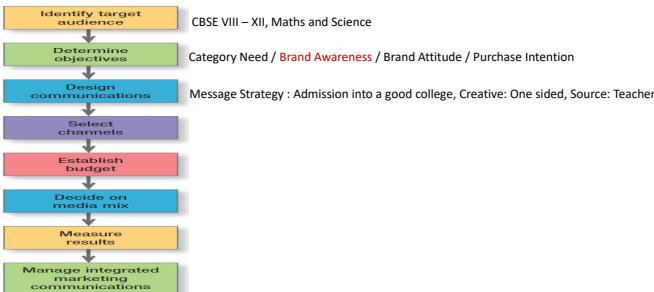
- Informational appeals (Reason based)**
 - One-sided vs. two-sided arguments
 - One sided arguments focus on advantages of the product.
 - Let our qualified faculty help your child do better.
 - Two sided arguments also mention short-comings
 - We agree with you when you say most coaching centers are commercial. That's why we offer you a money back.
- Transformational appeals (Emotion based)**
 - Negative/fear vs. positive appeals (humor, joy, love, Pride etc.)
 - 80% of our students cleared JEE.
 - It is nearly impossible to clear NEET without proper coaching.
 - No parent would want to see their child unsuccessful.
 - Success is easy when you work smart, not hard.

Message source

- Messages delivered by attractive or popular or relevant sources can achieve higher attention and recall
- Expertise, Trustworthiness, Likeability
 - A young, dynamic teacher
 - A successful student
 - ? Shraddha Kapoor



Developing Effective Communications



Developing Effective Communications

- Select the communications channels
 - Personal communications
 - Advocates (Sales people, Counsellor), Experts, Social (Word-of-mouth)
 - Used for products which are risky*
 - Non-personal channels
 - Advertisement, Sales promotion, PR
 - Advertisement is useful in building awareness



Establish the Marketing Communications Budget

- Affordable method
- Percentage-of-sales method
- Competitive-parity method
- Objective-and-task method



Objective-and-Task Method

- Establish market share goal
 - There are 10,000 students in my target category
 - There are about 20 competent coaching centers
 - 2% market share in the first year i.e. 200 students
- Select % of market to be reached by advertising
 - To reach 40% of the market by advertising (inserts in a newspaper)
 - The above is about the choice of media (which newspaper)
- Estimate % of prospects who should try brand
 - 30% of those reached try and 15% of those who try stay.
 - Inducing trial is about frequency while stickiness (no of people who stay) is about a good demo
- Calculate ad impressions per 1% trial rate
 - We need 4 exposures per 1% of population to get 30% trial.
- Find gross rating points to be purchased
 - We need $30 \times 4 = 120$ exposures to get the required trial rate
- Calculate budget for cost of gross rating point
 - Each ad costs Rs. 10,000, ad budget = $10000 \times 120 = \text{Rs. } 12 \text{ lakh}$

Selecting the Marketing Communications Mix

- Advertising
- Sales promotion
- Events and experiences
- Public relations and publicity
- Online and social media marketing
- Mobile marketing
- Direct and database marketing
- Sales force

Marketing Communications Mix Characteristics

- Advertising
 - Pervasiveness
 - High reach
 - Amplified expressiveness
 - Emotional connect
 - Control
- Sales Promotion
 - Ability to be attention-getting
 - Incentive
 - Invitation



Marketing Communications Mix Characteristics

- Events and experiences
 - Relevant
 - Engaging
 - Implicit
 - The marketing is subtle.
- Public relations and publicity
 - High credibility
 - Ability to reach hard-to-find buyers
 - Dramatization
 - Companies achievements etc can be described in a story format, making it appealing.

Marketing Communications Mix Characteristics

- Online and social media marketing
 - Rich (Good amount of information can be given)
 - Interactive
 - Up to date
 - Pay per click
- Mobile marketing
 - Timely
 - Influential
 - Pervasive

Marketing Communications Mix Characteristics

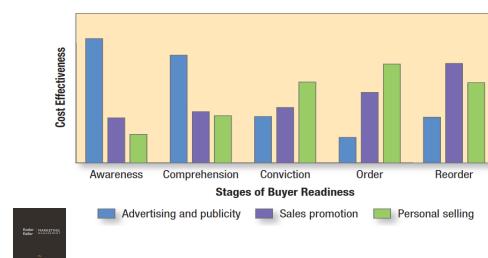
- Direct and database marketing
 - Personal
 - Proactive
 - Complementary – Helps market other products, e.g. once you buy a shirt, can help bring a tie to your notice
- Personal selling
 - Customized
 - Relationship-oriented
 - Response-oriented

Setting the Marketing Communications Mix

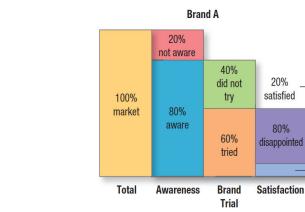
- Type of product market
 - Consumer vs. business markets
 - Consumer market spends more on ads and sales promotion. Business markets personal selling
 - Advertising/sales promotion vs. personal selling
- Product life-cycle stage
 - Personal Selling is more important during maturity phase. Sales promotion during decline.

Setting the Marketing Communications Mix

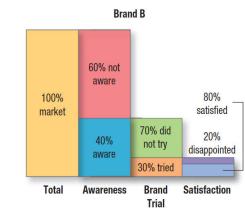
- Buyer-readiness stage



Measuring Communication Results



High Awareness, High Brand Trial, Low Satisfaction



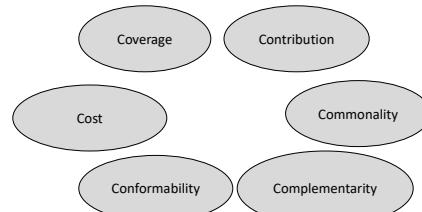
Low Awareness, Low Brand Trial, High Level of Satisfaction
This could be a niche product also which has a very specific Clientele. (Ananda on Himalayas)

Managing Integrated Marketing Communications

- Integrated marketing communications (IMC)
 - "A planning process designed to assure that all brand contacts received by a customer or prospect for a product, service, or organization are relevant to that person and consistent over time"

Managing Integrated Marketing Communications

- Coordinating media & implementing IMC



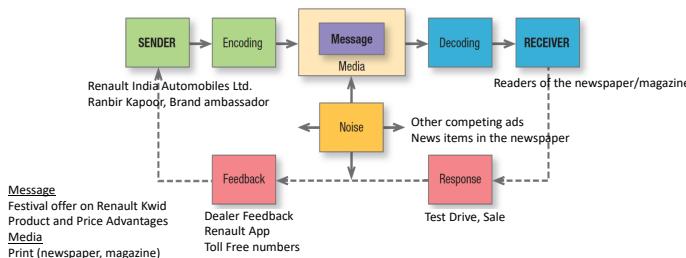
Solved Example

Question

Apply the macro model of communication to the following ad identifying the different elements. Critically discuss the message Strategy, the creative strategy and the message source.



Figure 19.1
Elements in Communications Process
(Macro model)



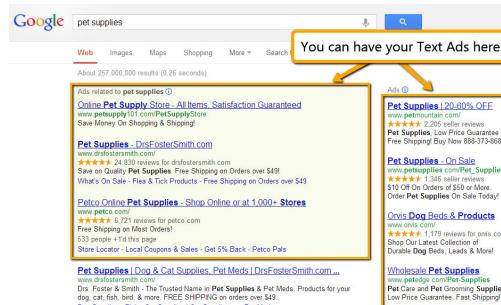
Encoding and Decoding

- **Encoding and Decoding**
 - The message is direct and is presented against a background of Deepavali. The offers and product advantages are prominently mentioned. The Brand Ambassador, Ranbir Kapoor is a well known actor with a strong brand following among the country's upper class youth and is likely to fetch their attention which is the target customer segment for this car.
 - **Message Strategy**
 - The ad is based on the rational appeal of price and festival offers. It also mentions some product-in-use advantages like boot space, ground clearance etc.
 - **Creative Strategy**
 - Information based, one sided argument
 - **Message Source**
 - Renault is an established manufacturer and scores well on all three parameters of expertise, trustworthiness and likeability.
 - Ranbir Kapoor as the brand ambassador is likeable.

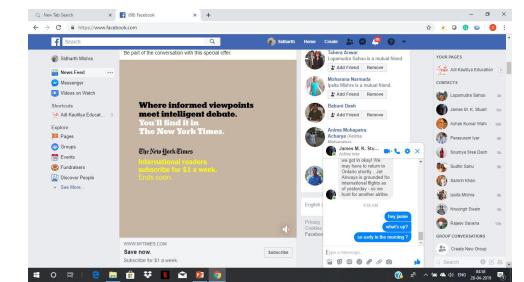
Digital marketing

- Search Engine optimization
 - Organic search results
 - Relevance
 - Words on the web site.
 - Social Media discussions
 - Past behaviour
 - Search Engine Marketing
 - Ads linked to search words (JEE Coaching in Delhi, CBSE Coaching in Gurgaon)

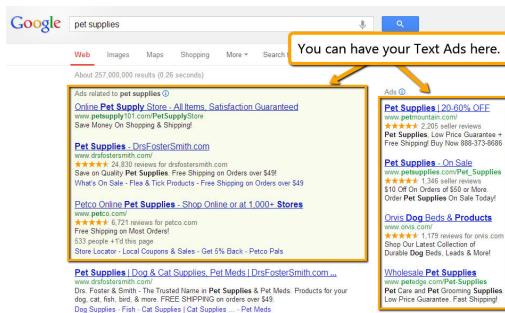
Digital marketing



Digital marketing



Digital marketing



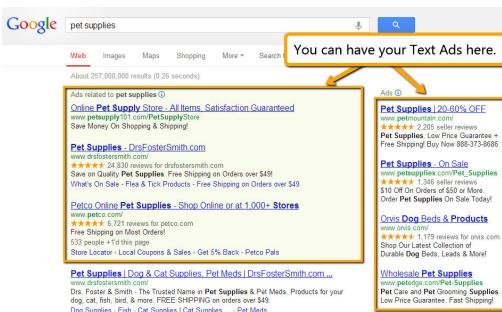
Digital marketing

- Search Engine Marketing
 - Impressions (views), Clicks, Conversions (activity on the web site – sign up)
 - Pay per click
 - Targeted viewing (customers in Delhi)
 - Rank, click-through rate, Bids
 - Social Media Marketing
 - Marketing at social media sites like face book, linked in, Instagram etc.

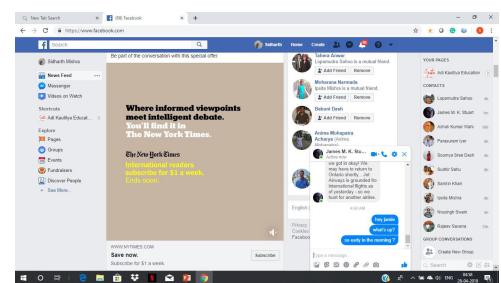
Digital marketing

- Search Engine Marketing
 - Impressions (views), Clicks, Conversions (activity on the web site – sign up)
 - Pay per click
 - Targeted viewing (customers in Delhi)
 - Rank, click-through rate, Bids
- Social Media Marketing
 - Marketing at social media sites like face book, linked in, Instagram etc.

Digital marketing



Digital marketing



Digital marketing terms

- Impression
 - The ad is placed before the prospect.
- Clicks
 - The customer clicks on the hyperlink and reached website.
- Conversion
 - The customer performs some action on the website. (signs up, downloads something etc.)

Digital marketing

- Search Words: The word or phrase to which ad is tagged. "JEE Coaching in Delhi." or "CBSE coaching in Gurgaon"
- Rank is the place where the ad appears.
- Click-through rate = clicks /impressions
- Landing page is page where the customer lands on clicking on the ad



Chapter 19
Designing and Managing Integrated Marketing Communications

Learning Objectives



1. What is the role of marketing communications?
2. What is the marketing communications mix?
3. How do marketing communications work?
4. What are the major steps in developing effective communications?
5. How should the communications mix be set and evaluated?
6. What is an integrated marketing communications program?

The Role of Marketing Communications

- Marketing communications
 - The means by which firms attempt to inform, persuade, and remind consumers about the products and brands they sell



Marketing Communications Mix

1. Advertising
2. Sales promotion
3. Events and experiences
4. Public relations and publicity
5. Online and social media marketing
6. Mobile marketing
7. Direct and database marketing
8. Personal selling

Common Communication Platforms

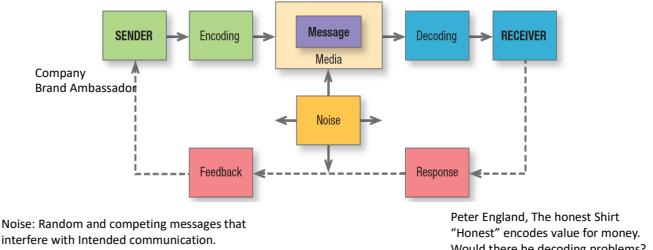
TABLE 19.1 Examples of the Eight Common Communication Platforms								
Advertising	Sales Promotion	Events and Experiences	Public Relations	Online and Social Media Marketing	Mobile Marketing	Direct and Database Marketing	Personal Selling	
Print and broadcast ads	Contests, games, sweepstakes, lotteries	Sports	Press kits	Web sites	Text messages	Catalogs	Sales presentations	
Packaging—outer	Premiums and gifts	Entertainment	Speeches	E-mail	Online marketing	Mailings	Sales meetings	
Packaging inserts	Sampling	Festivals	Seminars	Search ads	Social media marketing	Telemarketing	Incentive programs	
Cinema	Fairs and trade shows	Arts	Annual reports	Display ads		Electronic shopping	Samples	

How Does Marketing Communications Work?

- The communications process models
 - Macromodel of the communications process
 - Micromodel of consumer responses



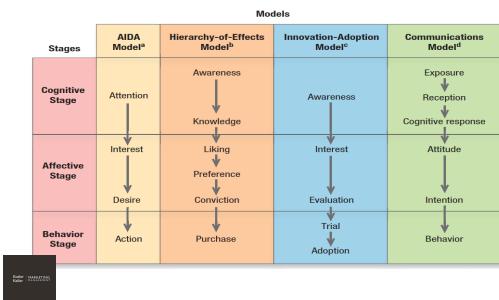
Figure 19.1
Elements in Communications Process (Macro model)



Decoding

- The process of decoding involves the following
 - Selective Attention
 - Selective Distortion
 - Receiver accepts only those messages which fit into his belief system. Based on his belief system, he often adds things to the communication which are not there (amplification) and ignores things which are there. (levelling).
 - Selective Retention
 - If the Prospect's attitude is positive and he is made to mentally rehearse it, the retention is better. That is why, you often see ads being repeated over a small interval of time.

Figure 19.2
Response Hierarchy Models



AIDA Model

- Fiat launches its Ferrari range of cars.
- Ferrari is Sachin Tendulkar's favourite car.
- A Ferrari does 0-100kmph in less than 2 seconds.
- Buy a Ferrari today. Get 7 years' warranty.

Hierarchy of effects

Awareness	I saw it on a friend's wrist at Joger's Park	Read about its take over by google	
Knowledge	Asked my friend about its function, features etc.	Googled it	Googled it.
Liking	It is good monitor of health. I am getting older.	One more of these money wasting gadgets.	All these features are available on a mobile phone app.
Preference	I prefer a watch though. It looks classier.	All those features are there on the mobile phone. Still the fit bit is convenient.	I shall stick to my mobile phone.
Conviction	Why not? Let me look up-to-date?	Let us invest on health.	I think at Rs. 15000 it is too costly.
Purchase	yes	yes	

Fit-Bit

Different products, different models

- Learn, Feel, Do
 - High involvement purchase, large differentiation Example: A house
 - Learn about the neighbourhood, dimensions and construction of the house etc.
 - Take a tour of the property
 - Buy / Rent etc.
- Do, Feel, Learn
 - High Involvement, Low Differentiation Example: Airline ticket
 - Impulse Purchases
 - Borrow from some one and write for a while / buy
 - Use for a while
 - Develop an impression
- Learn, do, Feel
 - Low involvement purchases (a movie)
 - Learn about a particular movie (trailers, posters, word of mouth etc.)
 - Watch it.
 - Develop an impression

Micromodel of Consumer Responses

- With an ideal ad campaign:
 - The right consumer is exposed to the message at the right place and time
 - The ad causes the consumer to pay attention
 - The ad reflects consumer's level of understanding of brand
 - The ad positions points-of-difference and points-of-parity*
 - The ad motivates consumers to consider purchase
 - The ad creates strong brand associations

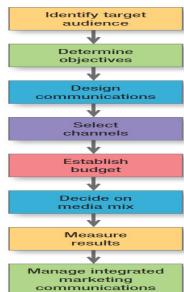
*Windsor School is an affordable IB School.
IB School establishes parity with other International Schools in the city.
Affordable sets is apart from them.

Developing Effective Communications

- Identify the target audience
 - Segmentation and targeting
- Set the communications objectives
 - Establish need for category
 - Electric car for Economy and Environment
 - Build brand awareness
 - Tesla – first operational electric car.
 - Build brand attitude
 - Tesla – sturdy, efficient, environment friendly
 - Influence brand purchase intention
 - Buy today and get 0% finance



Developing Effective Communications



We shall study this in more detail using the example of a new Coaching Class for engineering and medical entrance seeking to establish itself in a mid-size city like Nashik.

Developing Effective Communications



CBSE VIII – XII, Maths and Science, Income criteria (schools)- students, parents
Category Need / Brand Awareness / Brand Attitude / Purchase Intention

Developing Effective Communications

- Design the Communications

Message strategy Appeal, Theme, idea brand positioning
Creative strategy Informational (product advantages) and Transformational (non product related advantage)
Message source Expertise, Trustworthy and Likeable

Message Strategy

		SATISFACTION			
		Rational	Sensory	Social	Ego
Result of Use	Safety			A more socially active life.	Social Recognition
	Product in Use		Comfortable Ride	Appreciation of friends, peers and relatives	Social Recognition
REWARD	Incidental to Use				

A car

Message Strategy

		SATISFACTION			
		Rational	Sensory	Social	Ego
Result of Use	Getting admitted to a good engineering college, a good career			The recognition from family and peers	The high of getting into a top institute
	Product in Use		Less work, better performance	Good network of aspirants	Getting selected in a tough-to-get-through coaching
REWARD	Incidental to Use			Great Alumni Network	

- Get admission at a top college, or your money back.
- What if we say, we can take you to a top college with less than half the sweat (effort)?
- JEE is one amongst the world's top 3 most challenging Exams. Do you have it in you?
- The Vidyamandir Entrance is the half way mark to IIT.
- Find the best students and top teachers at our institute.

Creative Strategy

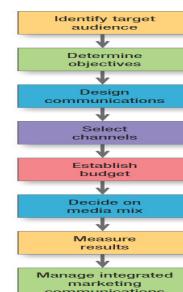
- Informational appeals (Reason based)**
 - One-sided vs. two-sided arguments
 - One sided arguments focus on advantages of the product.
 - Let our qualified faculty help your child do better.
 - Two sided arguments also mention short-comings
 - We agree with you when you say most coaching centers are commercial. That's why we offer you a money back.
- Transformational appeals (Emotion based)**
 - Negative/fear vs. positive appeals (humor, joy, love, Pride etc.)
 - 80% of our students cleared JEE.
 - It is nearly impossible to clear NEET without proper coaching.
 - No parent would want to see their child unsuccessful.
 - Success is Easy when you work smart, not hard.

Message source

- Messages delivered by attractive or popular or relevant sources can achieve higher attention and recall
 - Expertise, Trustworthiness, Likeability
 - A young, dynamic teacher
 - A successful student
 - ? Shraddha Kapoor



Developing Effective Communications



CBSE VIII – XII, Maths and Science
Category Need / Brand Awareness / Brand Attitude / Purchase Intention

Message Strategy : Admission into a good college, Creative: One sided, Source: Teacher

Developing Effective Communications

- Select the communications channels
 - Personal communications
 - **Advocates (Sales people, Counsellor)**, Experts, Social (Word-of-mouth)
 - Used for products which are risky*
 - Non-personal channels
 - **Advertisement**, Sales promotion, PR
 - Advertisement is useful in building awareness



Establish the Marketing Communications Budget

- Affordable method
- Percentage-of-sales method
- Competitive-parity method
- Objective-and-task method



Objective-and-Task Method

- ✓ Establish market share goal
 - ✓ There are 10,000 students in my target category
 - ✓ There are about 20 competent coaching centers
 - ✓ 2% market share in the first year i.e. 200 students
- ✓ Select % of market to be reached by advertising
 - ✓ To reach 40% of the market by advertising (inserts in a newspaper)
 - ✓ The above is about the choice of media (which newspaper)
- ✓ Estimate % of prospects who should try brand
 - ✓ 30% of those reached would try and 15% of those who try would stay.
 - ✓ Inducing trial is about frequency while stickiness (no of people who stay) is about a good demo
- ✓ Calculate ad impressions per 1% trial rate
 - ✓ We need 4 exposures per 1% of population to get 30% trial.
- ✓ Find gross rating points to be purchased
 - ✓ We need $30 \times 4 = 120$ exposures to get the required trial rate
- ✓ Calculate budget for cost of gross rating point
 - ✓ Each ad costs Rs. 10,000, ad budget = $10000 \times 120 = \text{Rs. 12 lakh}$

Selecting the Marketing Communications Mix

- Advertising
- Sales promotion
- Events and experiences
- Public relations and publicity
- Online and social media marketing
- Mobile marketing
- Direct and database marketing
- Sales force

Marketing Communications Mix Characteristics

- Advertising
 - Pervasiveness
 - High reach
 - Amplified expressiveness
 - Emotional connect
 - Control
- Sales Promotion
 - Ability to be attention-getting
 - Incentive
 - Invitation



Marketing Communications Mix Characteristics

- Events and experiences
 - Relevant
 - Engaging
 - Implicit
 - The marketing is subtle.
- Public relations and publicity
 - High credibility
 - Ability to reach hard-to-find buyers
 - Dramatization
 - Companies achievements etc can be described in a story format, making it appealing.

Marketing Communications Mix Characteristics

- Online and social media marketing
 - Rich (Good amount of information can be given)
 - Interactive
 - Up to date
 - Pay per click
- Mobile marketing
 - Timely
 - Influential
 - Pervasive

Marketing Communications Mix Characteristics

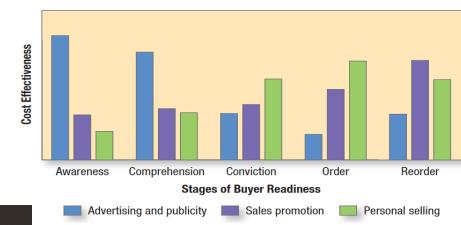
- Direct and database marketing
 - Personal
 - Proactive
 - Complementary – Helps market other products, e.g. once you buy a shirt, can help bring a tie to your notice
- Personal selling
 - Customized
 - Relationship-oriented
 - Response-oriented

Setting the Marketing Communications Mix

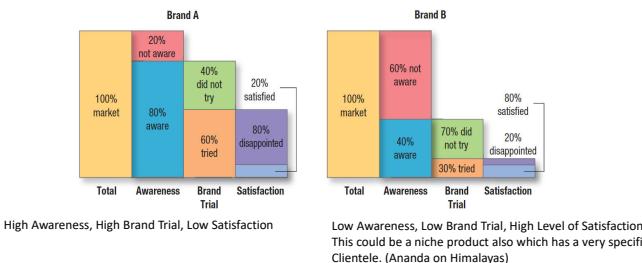
- Type of product market
 - Consumer vs. business markets
 - Consumer market spends more on ads and sales promotion. Business markets personal selling
 - Advertising/sales promotion vs. personal selling
- Product life-cycle stage
 - Personal Selling is more important during maturity phase. Sales promotion during decline.

Setting the Marketing Communications Mix

- Buyer-readiness stage



Measuring Communication Results

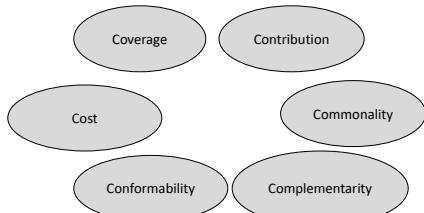


Managing Integrated Marketing Communications

- Integrated marketing communications (IMC)
 - “A planning process designed to assure that all brand contacts received by a customer or prospect for a product, service, or organization are relevant to that person and consistent over time”

Managing Integrated Marketing Communications

- Coordinating media & implementing IMC



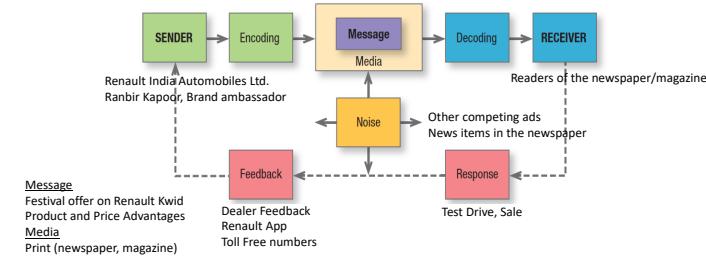
Solved Example

Question

Apply the macro model of communication to the following ad identifying the different elements. Critically discuss the message strategy, the creative strategy and the message source.



Figure 19.1
Elements in Communications Process (Macro model)



Encoding and Decoding

- Encoding and Decoding
 - The message is direct and is presented against a background of Deepavali. The offers and product advantages are prominently mentioned. The Brand Ambassador, Ranbir Kapoor is a well known actor with a strong brand following among the country's upper class youth and is likely to fetch their attention which is the target customer segment for this car.
- Message Strategy
 - The ad is based on the rational appeal of price and festival offers. It also mentions some product-in-use advantages like boot space, ground clearance etc.
- Creative Strategy
 - Information based, one sided argument
- Message Source
 - Renault is an established manufacturer and scores well on all three parameters of expertise, trustworthiness and likeability.
 - Ranbir Kapoor as the brand ambassador is likeable.

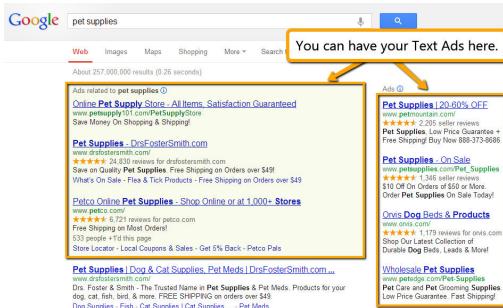
Digital marketing

- Search Engine optimization
 - Organic search results
 - Relevance
 - Words on the web site.
 - Social Media discussions
 - Past behaviour
- Search Engine Marketing
 - Ads linked to search words (JEE Coaching in Delhi, CBSE Coaching in Gurgaon)

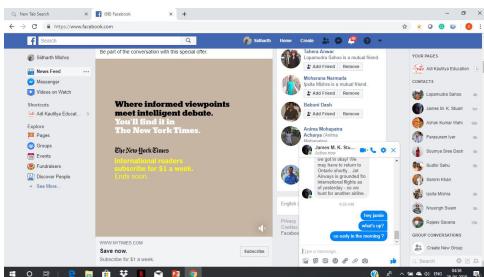
Digital marketing

- Search Engine Marketing
 - Impressions (views), Clicks, Conversions (activity on the web site – sign up)
 - Pay per click
 - Targeted viewing (customers in Delhi)
 - Rank, click-through rate, Bids
- Social Media Marketing
 - Marketing at social media sites like face book, linked in, Instagram etc.

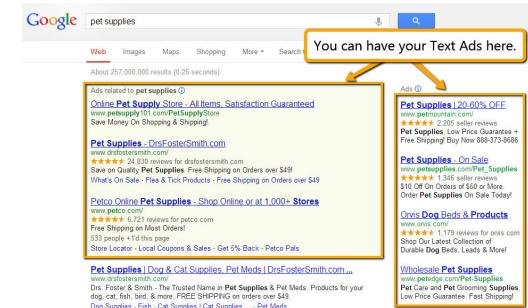
Digital marketing



Digital marketing



Digital marketing



Digital marketing

- Search Engine Marketing
 - Impressions (views), Clicks, Conversions (activity on the web site – sign up)
 - Pay per click
 - Targeted viewing (customers in Delhi)
 - Rank, click-through rate, Bids
- Social Media Marketing
 - Marketing at social media sites like face book, linked in, Instagram etc.

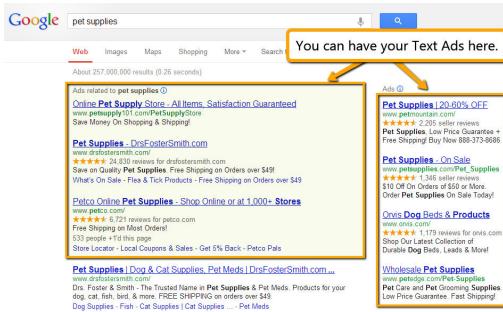
Digital marketing

- Search Engine optimization
 - Organic search results
 - Relevance
 - Words on the web site.
 - Social Media discussions
 - Past behaviour
- Search Engine Marketing
 - Ads linked to search words (JEE Coaching in Delhi, CBSE Coaching in Gurgaon)

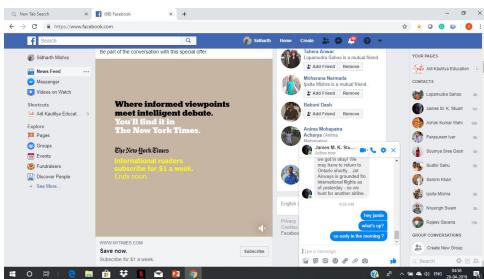
Digital marketing

- Search Engine Marketing
 - Impressions (views), Clicks, Conversions (activity on the web site – sign up)
 - Pay per click
 - Targeted viewing (customers in Delhi)
 - Rank, click-through rate, Bids
- Social Media Marketing
 - Marketing at social media sites like face book, linked in, Instagram etc.

Digital marketing



Digital marketing



Digital marketing terms

- Impression
 - The ad is placed before the prospect.
- Clicks
 - The customer clicks on the hyperlink and reached website.
- Conversion
 - The customer performs some action on the website. (signs up, downloads something etc.)

Digital marketing

- Search Words: The word or phrase to which ad is tagged. "JEE Coaching in Delhi." or "CBSE coaching in Gurgaon"
- Rank is the place where the ad appears.
- Click-through rate = clicks /impressions
- Landing page is page where the customer lands on clicking on the ad

