
MARKETING RESEARCH



Case: Venus Razor

- As part of a \$300 million budget for the development of its first razor designed solely for women, Gillette conducted extensive consumer research and performed numerous market tests. The razor, called Venus, was a marked departure from previous women's razor designs, which had essentially been colored or repackaged versions of men's razors.
- After research revealed that women change their grip on a razor about 30 times during each shaving session, Gillette designed the Venus with a wide, sculpted rubberized handle offering superior grip and control, and an oval-shaped blade in a storage case that could stick to shower walls.

Marketing Research

- Introduction
 - Marketing Insights
 - ✓ Provides diagnostic information
- Marketing Research can be defined as 'the **systematic** design, collection, **analysis**, and **reporting** of data and **findings** relevant to a **specific marketing situation** facing the company'.

Types of Marketing Research Firms



- Syndicated-service research firms
 - Custom marketing research firms
 - Specialty-line research firms
-

Marketing Research Process



Marketing Research Process



Round	Problem (Symptom)
1	Our sales performance isn't up to par.
2	Salespeople aren't putting in enough effort.
3	It's hard to persuade customers to buy our products.
4	Our products don't really satisfy customer needs.
5	Our product design process is deficient on customer insight.

Step-1: Define the problem, the Decision Alternatives, and the Research Objectives

- What is to be researched (the content, the scope)?

 - Why is it to be researched (the decisions that are to be made)?
-

Step-2: Develop the Research Plan

Data Sources

- Primary Data
- Secondary Data

Research Approaches

- Observational Research
- Ethnographic Research
- Focus Group Research
- Survey Research
- Behavioral Research
- Experimental Research

Research Instruments

- Questionnaires
- Closed-end Questions
- Open-end Questions
- Qualitative Measures
- Technological Devices

Step-2: Develop the Research Plan (contd.)



Sampling Plan

- Sampling unit (Who should we survey?)
- Sample size (How many people should we survey?)
- Sampling procedure (How should we choose the respondents?)
- Types of Sampling

Probability Sampling

- Simple Random Sampling
- Stratified Random Sampling
- Cluster (area) Sampling

Non- Probability Sampling

- Convenience Sampling
- Judgment Sampling
- Quota Sampling

Step-2: Develop the Research Plan (contd.)



Contact Methods

- Mail Questionnaire
- Telephone Interview
- Personal Interview
- Online Interview

Step- 3: Collect the Information

- Data Collection Methods
 - Computers
 - Telecommunications
 - One-to-one Basis

Step- 4: Analyze the Information

- Tabulation of Data
- Application of Statistical Techniques and Decision Models

Step- 5: Present the Findings

Step- 6: Make the Decision

Forecasting and Demand Measurement

□ The Measures of Market Demand

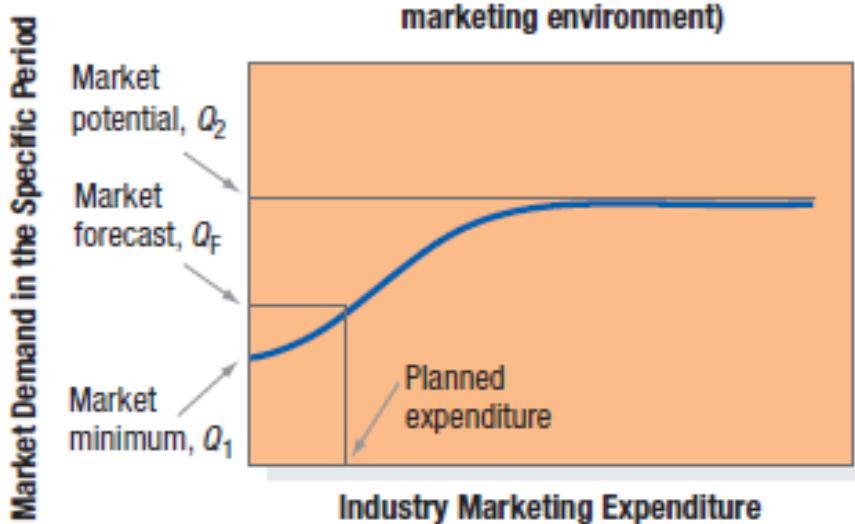
- Productive ways to break-down the market
 - ✓ Potential Market
 - ✓ Available Market
 - ✓ Target Market
 - ✓ Penetrated Market

□ Demand Management

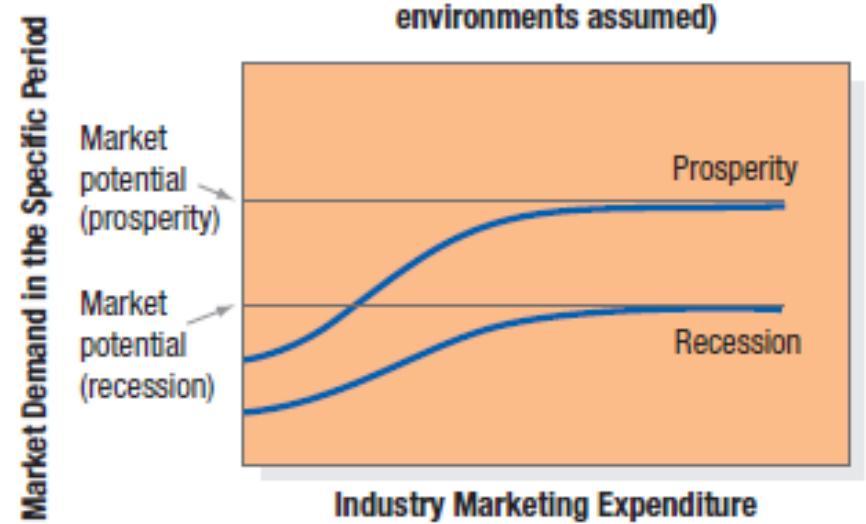
- Market Demand
 - ✓ Total volume that would be bought by a defined customer group in a geographical area in a defined time period in a defined marketing environment under a defined marketing program.

Demand

(a) Marketing Demand as a Function of Industry Marketing Expenditure (assumes a particular marketing environment)



(b) Marketing Demand as a Function of Industry Marketing Expenditure (two different environments assumed)



Forecasting and Demand Measurement (contd.)

□ Estimating Current Demand (contd.)

- Survey of Buyers' Intentions

0.00	0.20	0.40	0.60	0.80	1.00
No chance	Slight possibility	Fair possibility	Good possibility	High possibility	Certain

- Composite of Sales Force Opinions
- Expert Opinion
- Past-Sales Analysis
- Market- Test Method

Market Potential

Time Period	Market Segments	Total Number of Customers in Each Segment (millions) A	Percent Likely to Buy B	Number of Customers Likely to Buy C = A x B (millions)	Number of Units Purchasers Are Likely to Buy D	Segment Potential Calculation E = C x D (millions of units)	Market Potential (millions of units) Sum of the Es
6 years after launch	Seg 1	11	70%	7.7	6	46.2	58.6
	Seg 2	6	40%	2.4	4	9.6	
	Seg 3	7	10%	0.7	4	2.8	

Sales Potential

Time Period	Market Potential (millions of units) A	Firm's Potential Market Share (%) B	Sales Potential (millions of units) $C = A \times B$
6 years after launch	58.6	20%	11.72

Top-Down Approach of Sales Forecast



Market Segment	Forecast Segment Size (millions of units) A	Estimated Market Share (%) B	Sales Forecast by Segment (millions of units) C = A x B	Sales Forecast (millions of units) Sum of the Cs
Segment 1	120	10%	12	53
Segment 2	70	20%	14	
Segment 3	90	30%	27	

CDI & BDI

- **Category development index (CDI):** Percentage of category sales in a geographic area divided by the percentage of Indian population in the same geographic area, converted to a percentage
 - **Brand development index (BDI):** Percentage of brand sales in a geographic area divided by the percentage of Indian population in the same geographic area, converted to a percentage
-

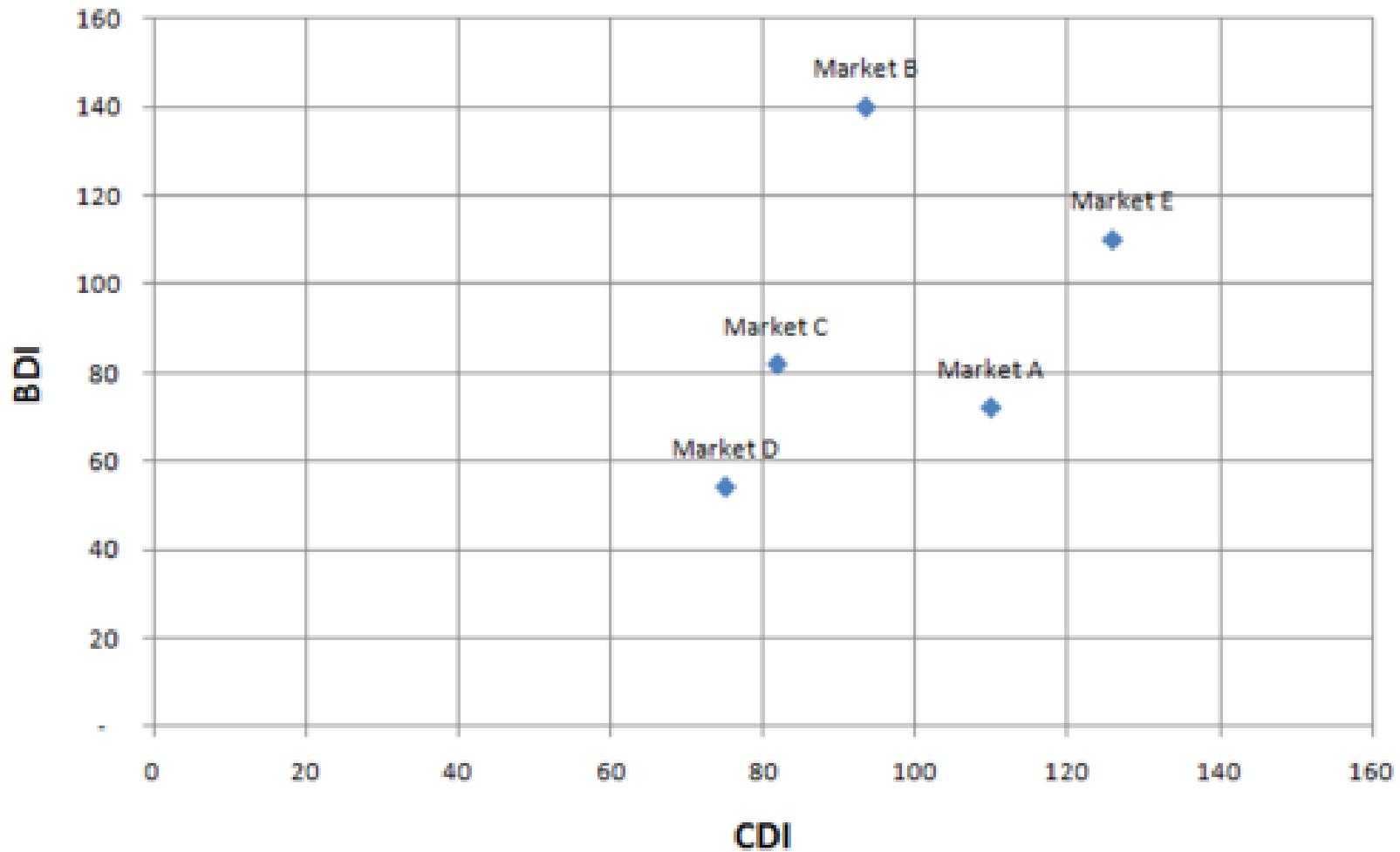
Population Data	Market Data
India = 120 crore	Sales = Rs 25 crore
Haryana = 2.5 crore	Sales in Haryana = Rs45 lakh
Haryana population percentage = 2.5 crore/120 crore = 2.1 %	Haryana percentage of sales = 45 lakh/25 crore = 1.8 %

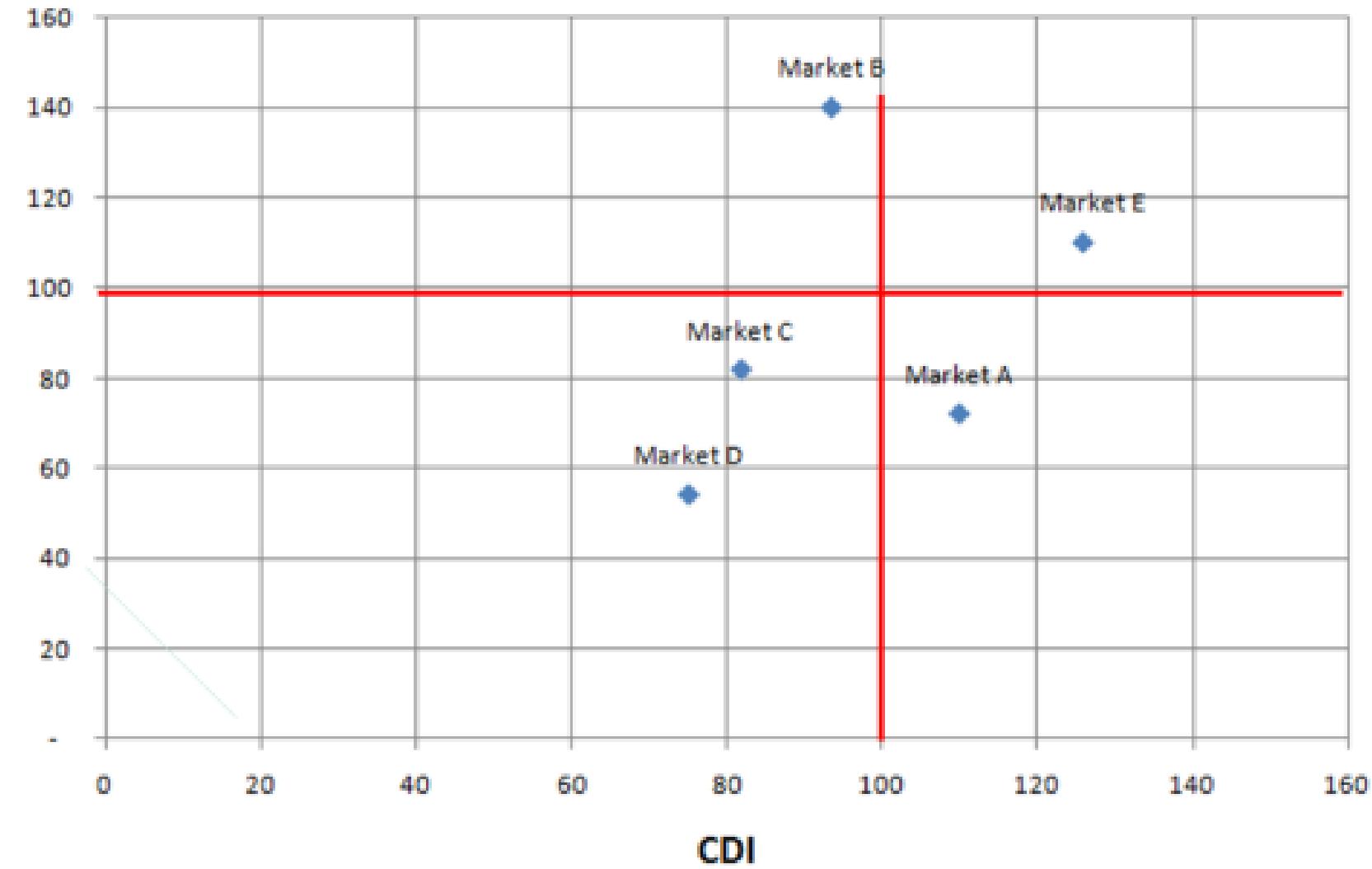
Category development index (CDI)
= Percent market sales/Percent population: Haryana
= 1.8/2.1 = 86 %

Population Data	Firm Data
India = 120 crore	Sales = Rs 5 crore
Haryana = 2.5 crore	Sales in Haryana = Rs 12 lakh
Haryana population percentage = 2.5 crore/120 crore = 2.1 %	Haryana percentage of sales = 12 lakh/5 crore = 2.4 %

Brand development index (BDI)
= Percent firm sales/Percent population: Haryana
= 2.4/2.1 = 114 %

	POP	% POP	Category Sales	% Category Sales	CDI	Brand Sales	% Brand Sales	BDI
Market A	3000	10%	\$ 110,000	11%	110	\$ 36,000	7%	72
Market B	6000	20%	\$ 187,000	19%	94	\$ 140,000	28%	140
Market C	11000	37%	\$ 300,000	30%	82	\$ 150,000	30%	82
Market D	1000	3%	\$ 25,000	3%	75	\$ 9,000	2%	54
Market E	9000	30%	\$ 378,000	38%	126	\$ 165,000	33%	110
TOTAL	30000	100%	\$ 1,000,000	100%		\$ 500,000	100%	





BDI

<p>High Brand Potential Low Market Potential</p> <p>Add media weight. Focus on reach. Monitor closely – sales may have peaked / saturated.</p>	<p>High Brand Potential High Market Potential</p> <p>Add media weight. Be very competitive.</p>
<p>Low Brand Potential Low Market Potential</p> <p>Don't add media weight.</p>	<p>Low Brand Potential High Market Potential</p> <p>Maybe add media weight. First find out why there is a problem (distribution, competition, etc.) Focus on frequency in areas where you can make a difference.</p>

CDI

Creating Customer Value, Satisfaction & Loyalty

Customer Perceived Value (CPV)

CPV is the difference between the prospective customer's evaluation of **all the benefits** and **all the costs** of an offering and the **perceived alternatives**.

Determinants of CPV

Total Customer Benefit

- # Product Benefit
- # Services Benefit
- # Personnel Benefit
- # Image Benefit

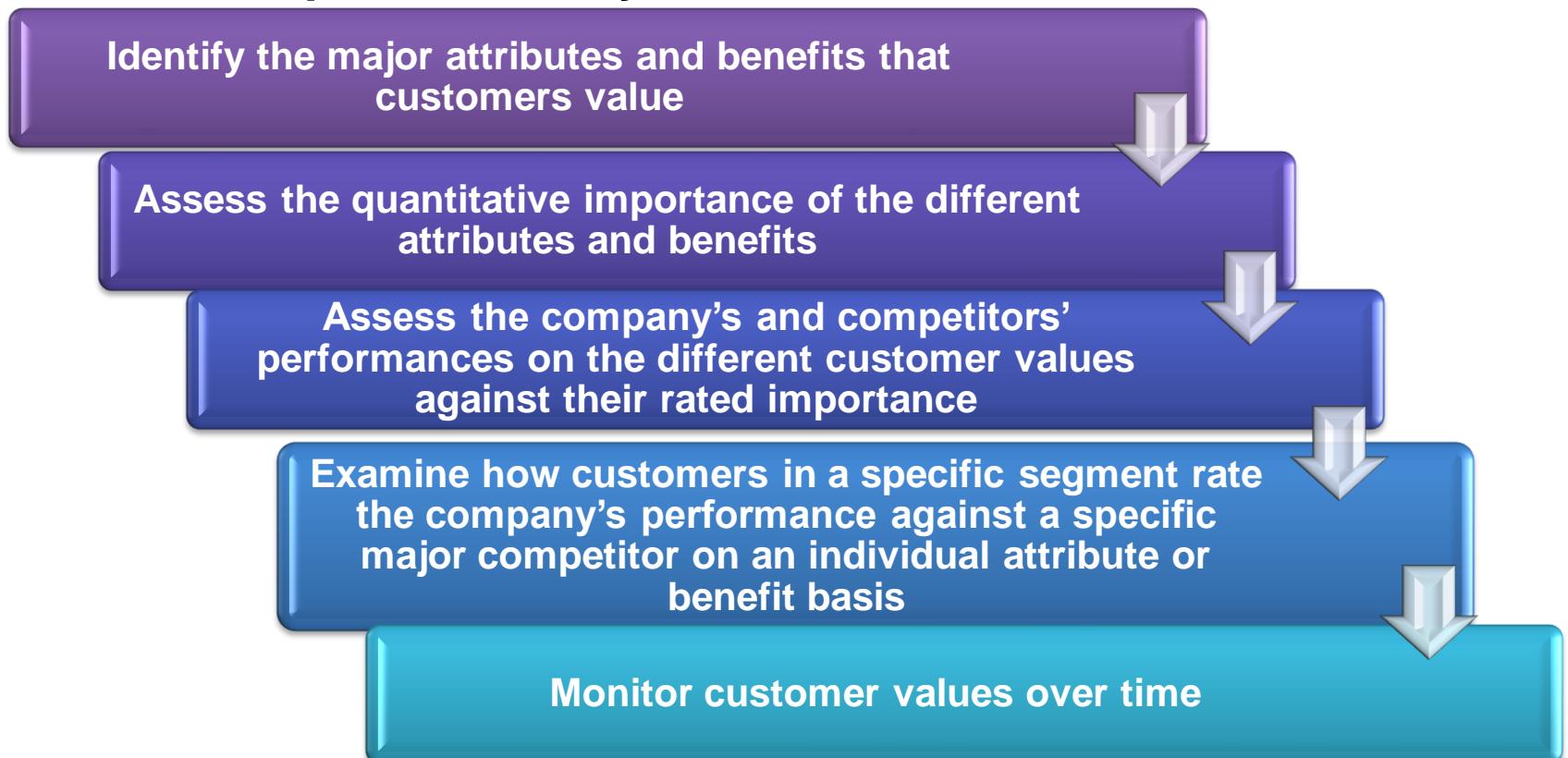
Total Customer Cost

- # Monetary Cost
- # Time Cost
- # Energy Cost
- # Psychological Cost

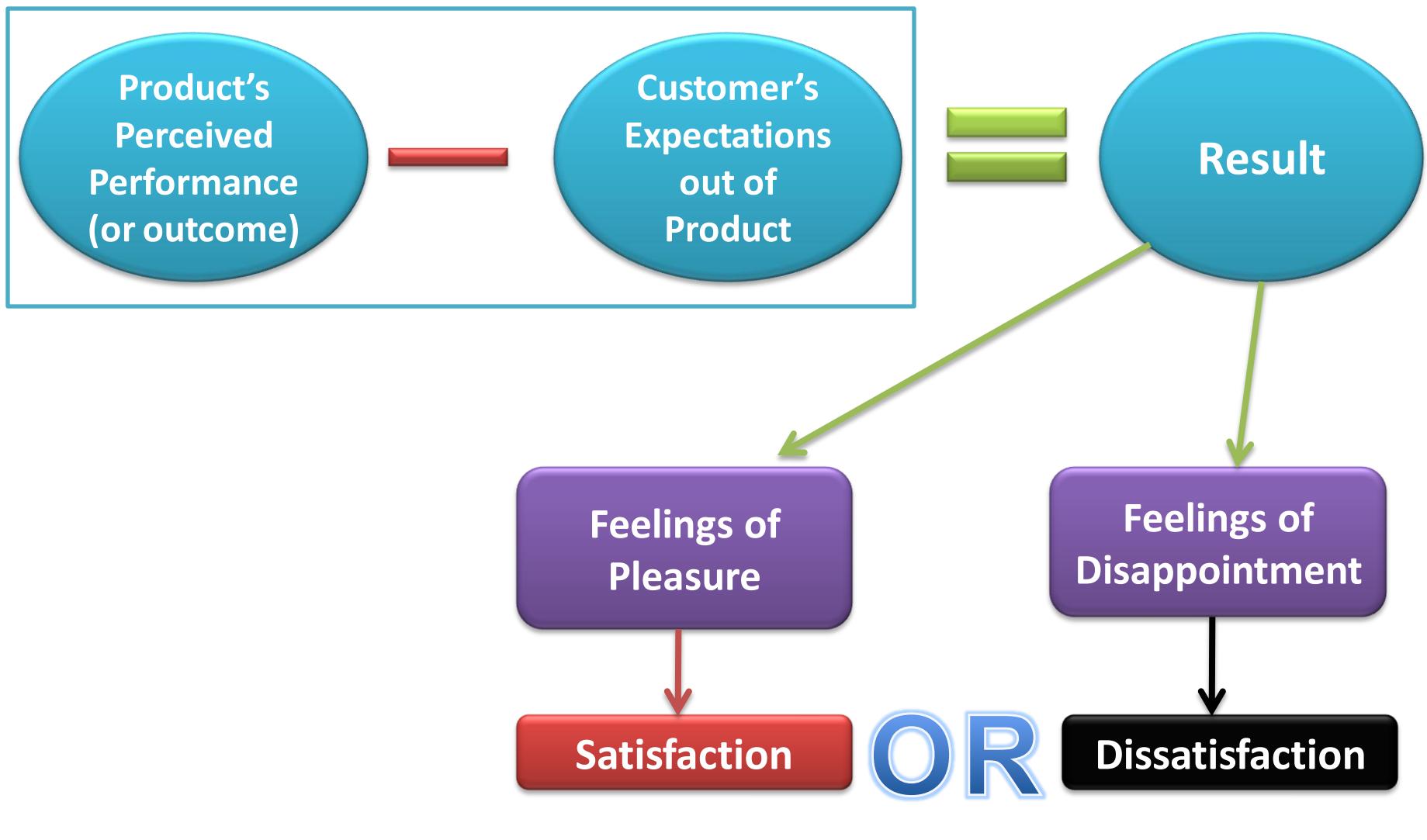
Customer Perceived Value (CPV) (contd.)

□ Applying Value Concepts

- Customer Value Analysis- Reveal company's strengths and weaknesses relative to various competitors.
 - ✓ **Steps in the analysis**



Total Customer Satisfaction



Monitoring Satisfaction

- Measurement Techniques
 - ✓ Conduct Periodic Surveys
 - ✓ Monitor Customer Loss rate and look for reasons
 - ✓ Mystery Shoppers
 - ✓ Monitor Competitors' Performance
 - Influence of Customer Satisfaction
 - ✓ In internet-age, dissatisfied customers can easily spread bad word of mouth using customer forums
 - Customer Complaints
 - ✓ Customers will do business with the organization again if their complaint is resolved timely
-

Product and Service Quality

“Quality is the totality of features and characteristics of a product or service that bear on its ability to stated or implied needs”

- American Society for Quality Control

- Impact of Quality
 - ✓ Product and Service quality, customer satisfaction and company profitability are intimately connected.
- Total Quality



Maximizing Customer Lifetime Value (CLV) (contd.)

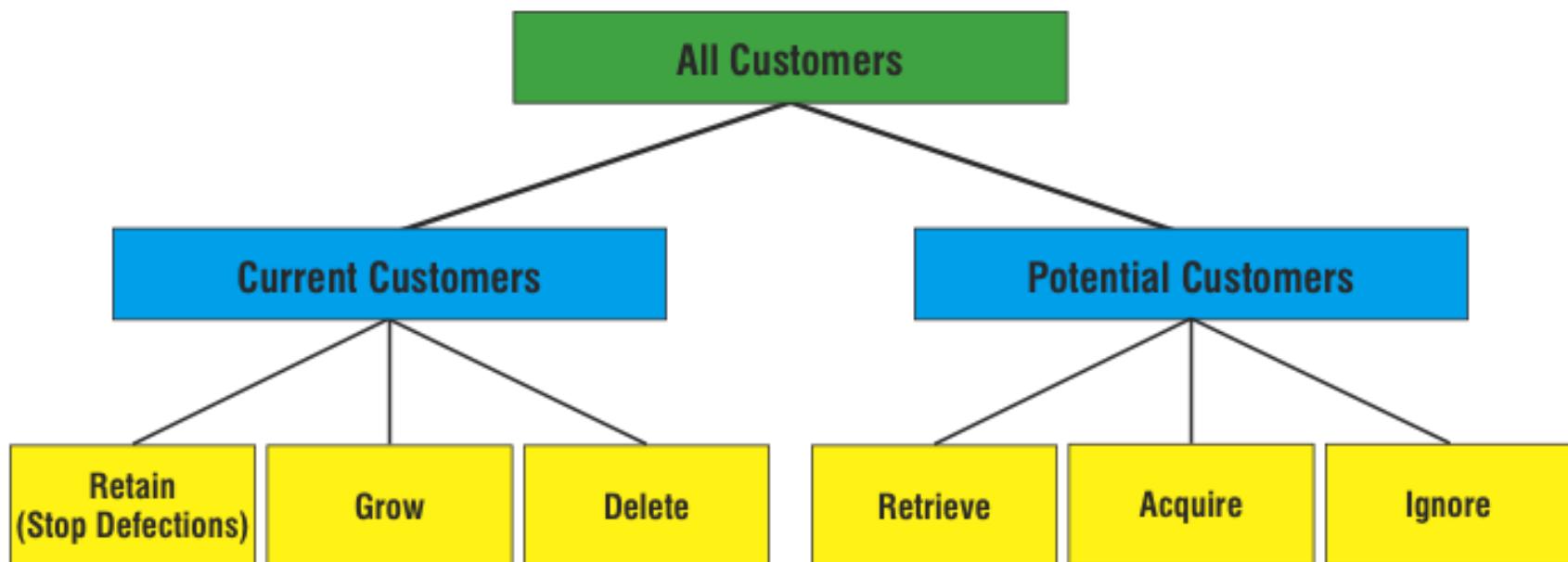
□ Customer Profitability

A **profitable customer** is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company's cost stream for attracting, selling and servicing that customer.

- Customer/Product Profitability Analysis

		Customers			
		C ₁	C ₂	C ₃	
Products	P ₁	++		+	Highly profitable product
	P ₂	+	+		Profitable product
	P ₃		-	-	Losing product
	P ₄	+		-	Mixed-bag product
		High profit customer	Mixed-bag customer	Losing customer	

Options



Customer Database

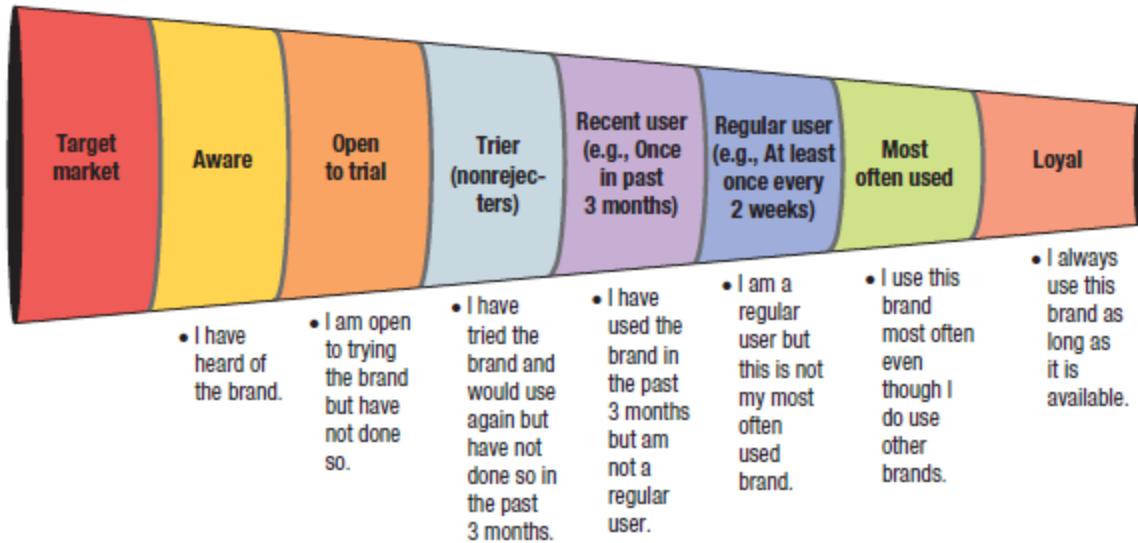


Customer Identifier	Customer Characteristics	Customer Responses to Firm Decisions	Customer Contact History	Customer Purchase History	Customer Value to the Firm
Jane Doe					
John Smith					
XYZ Inc.					
DEF Inc.					

How to deal with minds

- ✓ BMW flagship car 745i
 - ✓ Performance artist praised by everyone
 - ✓ Inserting entirely new user interface between the driver and driving i.e. Idrive
 - ✓ More than 700 control functions
 - ✓ Creates a lesson in frustration
 - ✓ Lesson (TAM)
 - ✓ Intelligently designed for lab not for road
 - ✓ Example clearly illustrates the failure of a big company
-

Funnel



Analyzing Consumer Markets

Make a Choice: *Illustration of Less Than Fully Rational Behavior*



You are in a store about to buy a Rs 600 book. Your friend walks by and says you can buy the same book two blocks away for Rs 450.

Question: Would you walk two blocks to save Rs 150?

You are in a store about to buy a home-entertainment system for Rs 8,000. Your friend walks by and says you can buy the same system two blocks away for Rs 7,850.

Question: Would you walk two blocks to save Rs150?

Make a Choice



You are about to buy a soft drink. You have 2 choices.

small – Rs 20

large – Rs 30

Which will you choose?

You are about to buy a soft drink. You have 3 choices.

small – Rs 20

large – Rs 30

very large – Rs 38

Which will you choose?

Case

- Contact lens salesperson visit to an eye doctor and conversation with receptionist
- Person looking to arrive from a rural area: 2 SUV and 1 van
- GM: 24 hummers for relatives and friends

What Influences Consumer Behavior?



Consumer Behavior is the study of how individuals, groups and organizations select, buy, use and dispose goods, services, ideas, or experiences to satisfy their needs and wants.

Factors Influencing Consumer's Buying Behavior

Cultural Factors

- # Culture
- # Subculture
- # Social Class

Social Factors

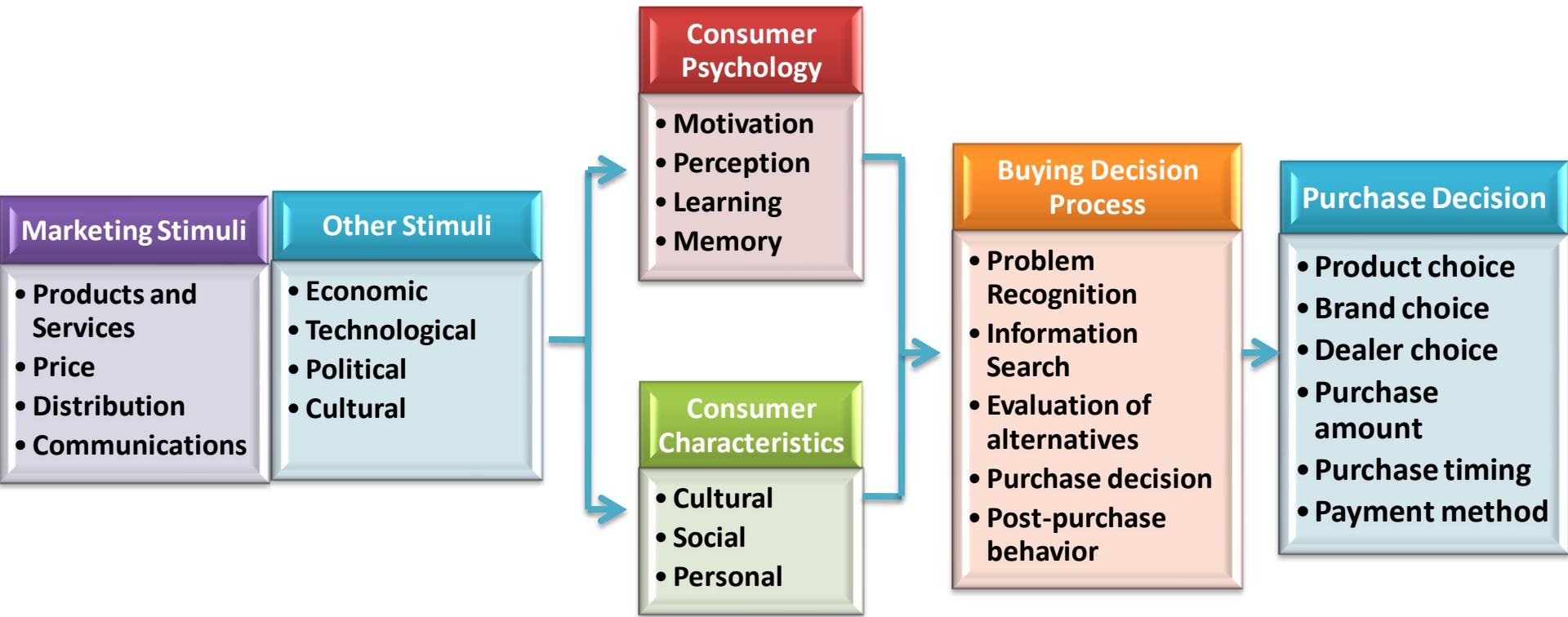
- # Reference Groups
- # Family
- # Roles and Status

Personal Factors

- # Age and Stage in the Life cycle
- # Occupation and Economic circumstances
- # Personality and Self-Concept
- # Lifestyle and Values

Key Psychological Processes

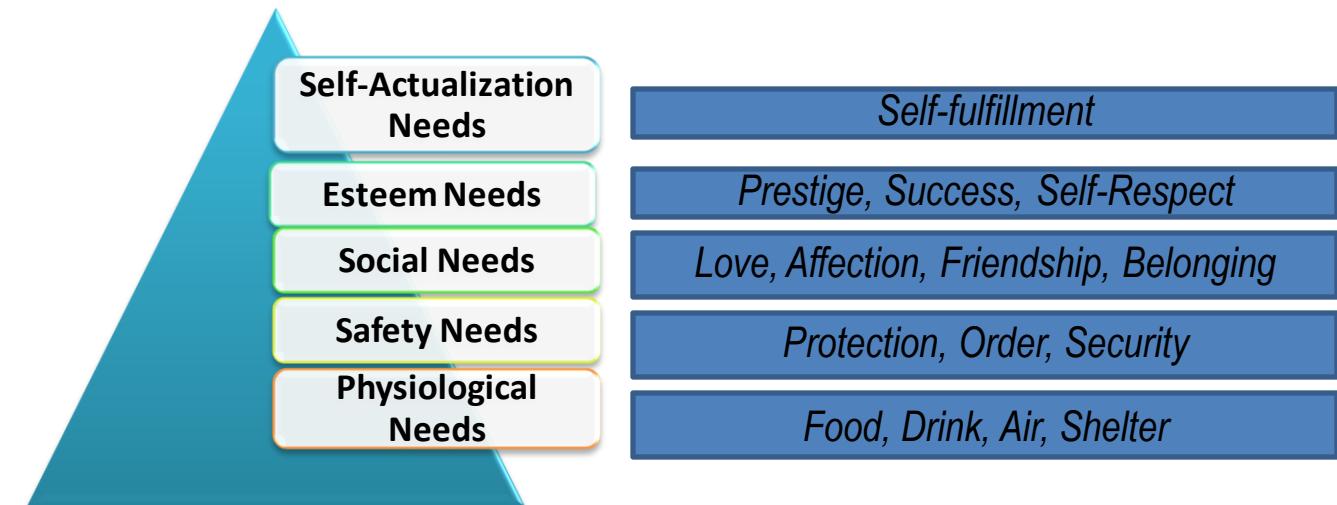
Model of Consumer Behavior (Stimulus-Response Model)



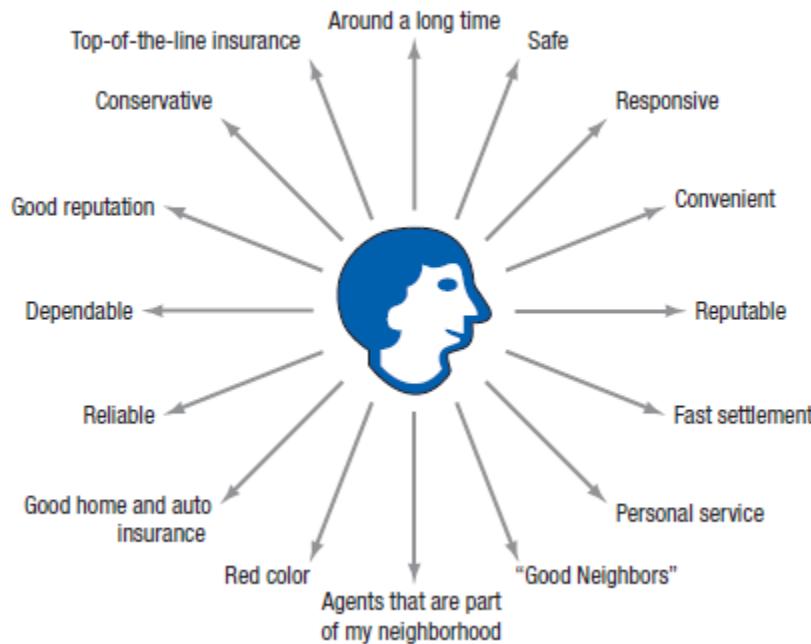
Key Psychological Processes (contd.)

➤ Motivation

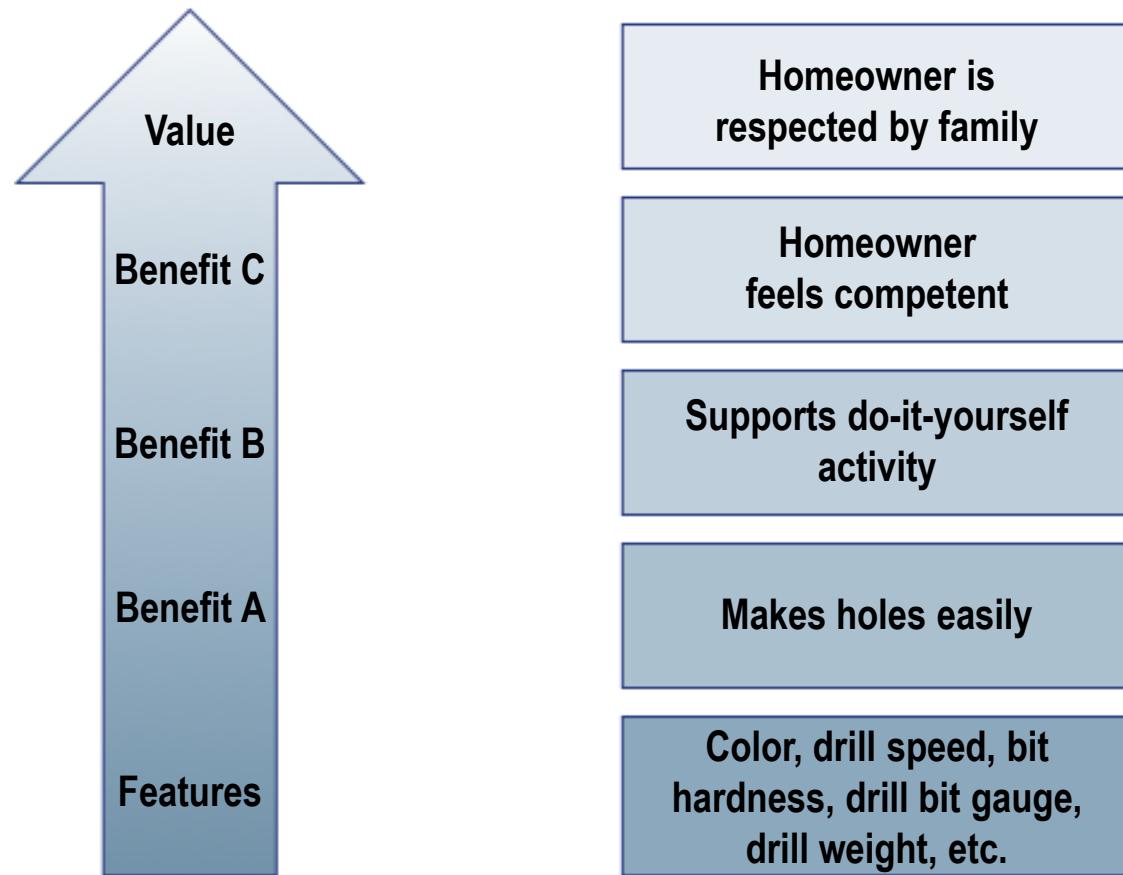
- Motivation researchers
 - In depth interviews
 - Projective techniques
- Maslow's Theory
 - Maslow sought to explain why people are driven by particular needs at particular times
 - Human needs are arranged in a hierarchy from most to least:



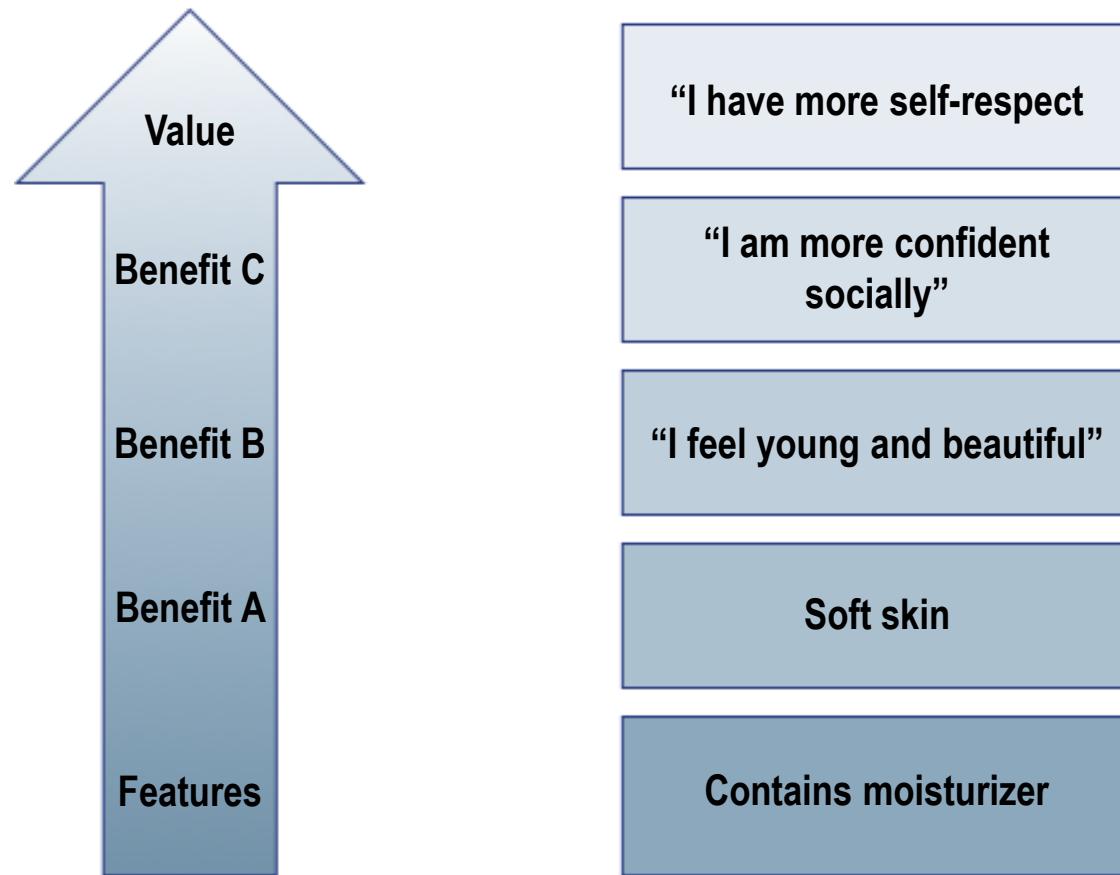
Memory



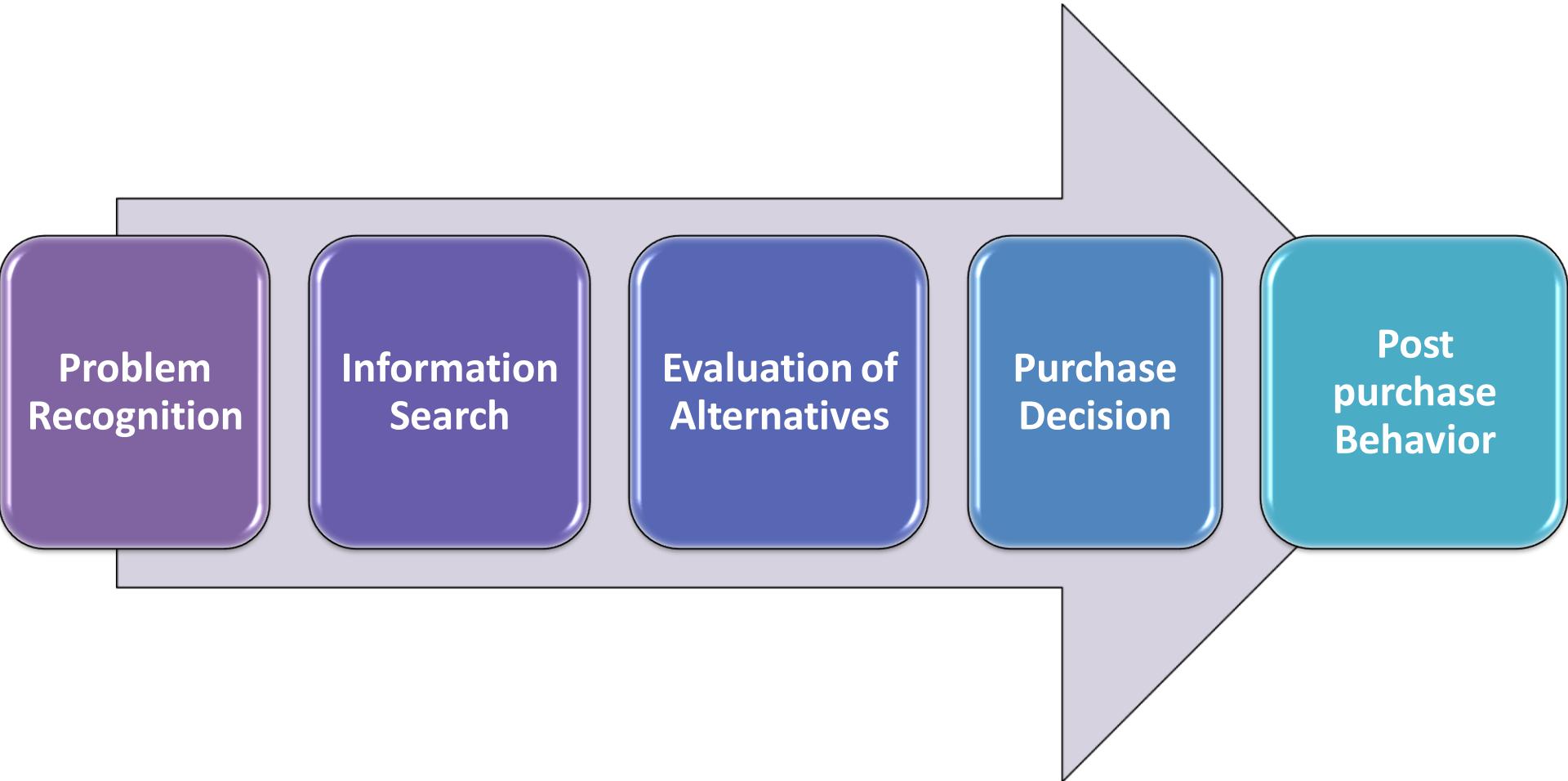
Laddering: Illustration – Electric Drill



Laddering: Illustration – Nivea Skin Cream



The Buying Decision Process: The Five-Stage Model



Compensatory Decision Making



Features/attributes	Relative importance A (1–100)	Air India (AI)		British Airways (BA)		United Airlines (UA)	
		Belief B (1–10)	A x B	Belief B (1–10)	A x B	Belief B (1–10)	A x B
Frequent-flyer program	30	9	270	2	60	8	240
Price	20	6	120	6	120	6	120
Schedule	20	8	160	5	100	6	120
Service level	20	5	100	7	140	9	180
Upgrade probability	10	2	20	3	30	7	70
Total	100		670		450		730

Non-Compensatory Decision Making



Features/attributes	Relative importance A (1-100)	British Airways (BA)		American Airlines (AA)		United Airlines (UA)	
		Belief B (1-10)	A x B	Belief B (1-10)	A x B	Belief B (1-10)	A x B
Schedule	20	8	160	5	100	6	120
Service level	20	5	100	7	140	9	180
Upgrade probability	10	2	20	3	30	7	70
Frequent-flier program	30	9	270	2	60	8	240
Price	20	6	120	6	120	6	120
Total	100		670		450		730

Non-compensatory

Conjunctive

The customer sets a performance cut-off for each attribute.

The chosen alternative must meet or exceed each cut-off.

Suppose the traveler sets cut-offs as: schedule — 5, service level — 6, upgrade probability — 4, frequent-flier program — 7, and price — 5.

Only UA — column B — exceeds each cut-off. The traveler chooses UA.

Non-compensatory

Disjunctive

The customer sets a different sort of cut-off. The chosen alternative must meet or exceed the cut-off for at least one attribute.

Suppose the business traveler sets cut-offs as: schedule — 7, service level — 10, upgrade probability — 8, frequent-flier program — 10, and price — 8.

Only BA exceeds a cut-off. BA's score — column B — for schedule equals 8 versus a cut-off of 7. The traveler chooses BA.

Non-compensatory

Lexicographic

The customer starts with the most important attribute — column A.

He chooses the alternative with the highest belief — column B. If several alternatives have equally high beliefs, she chooses the alternative with the highest belief on the second most important attribute, and so on, until a single alternative remains.

Frequent-flier program — 30 is the most important attribute; BA — 9 dominates both AA — 2 and UA — 8. The traveler selects BA.

The Buying Decision Process: The Five-Stage Model (contd.)

□ Purchase Decision

➤ Intervening Factors

- Others attitudes
- Unanticipated Situational Factors
- Types of risks:
 - ✓ Functional Risk
 - ✓ Physical Risk
 - ✓ Financial Risk
 - ✓ Social Risk
 - ✓ Psychological Risk (mental well being)
 - ✓ Time Risk

The Buying Decision Process: The Five-Stage Model (contd.)

□ Post-purchase Behavior

- Post-purchase Satisfaction
- Post-purchase Actions (repurchase, word of mouth etc.)
- Post-purchase use and disposal

□ Case: Rural consumer behavior

Customer Experiences



Type of Experience	Example
Real experience	Go to see a movie
Anticipatory experience	See an advertisement for the movie
Vicarious experience	Send a friend to the movie

Other Theories of Consumer Decision Making (contd.)

□ Decision Heuristics and Biases

- Availability Heuristic – Consumers base their predictions on the quickness and ease with which a particular example of an outcomes comes to mind.
- Representatives Heuristic - Consumers base their predictions on how representative or similar the outcome is to other examples
- Anchoring and Adjustment Heuristic- Consumers arrive at an initial judgment and then adjust it based on additional information

□ Mental Accounting

Refers to the way consumers code, categorize and evaluate financial outcomes of choices.

□ Hyperbolic Discounting

Inexpensive and expensive air conditioners.

Other Theories of Consumer Decision Making (contd.)

□ Profiling the Customer Buying-Decision Process

- Introspective Method
- Retrospective Method
- Prospective Method
- Prescriptive Method

Recognizing Customers



The name on the deed to her house is **Lisa O'Conner**.



The name on her credit card is **Lisa M. Molloy**.



The name on her personal email is **Lisa M.**



The name on her work email is **L. Molloy**.



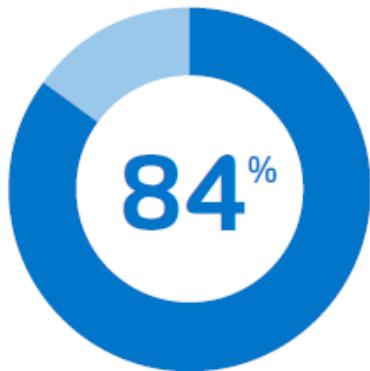
Her social media accounts are registered to **Lisa Molloy (O'Conner)**.



Her phone number is registered to **John Molloy**.

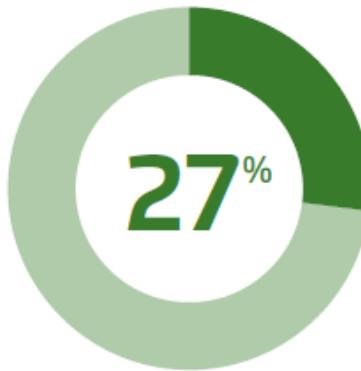
Insights

Take these **findings**, for instance:



In 2014, 84% of smartphone and tablet owners used their mobile devices as a second screen while watching TV.

([NIELSEN](#))



27% of the general population has researched information online based on an advertisement seen on TV.

([NIELSEN](#))



60% of catalogue recipients were influenced to visit a website.

([UNITED STATES POSTAL SERVICE](#))

Reasons for Loyalty



Who she is



What she likely shops for



How she prefers to buy



Communication channel preference

All of this is for the purpose of creating a compelling reason why she should become **loyal to your brand**.

Case of Fastrack

- 1998
- Youth
- Product line extension
- Promotion on social media
- 150 exclusive stores
- Social media
- Celebrity endorsement
- 2013 become the fourth most exciting brand by Brand equity

Examples (Maslow's need hierarchy)

Need	Product-Nescafe	Product-Haldiram's sweets
Self-actualization	Savoring	Be part of a cultural phenomenon
Ego	Confidence, achievement	Be in vogue (especially among food lovers)
Social	Togetherness, freshness, taste, aroma	Eating sweets is a group experience/togetherness
Safety & Security	Easy on the stomach, no jitters	Safe, easy for kids to eat and no mess
Physiological	Satisfies thirst, keeps you alert, keeps you warm	Satisfies hunger and the sweet tooth

Analyzing Business Markets

Reducing the number of suppliers



Company	Previous number of suppliers	New number of suppliers	Reduction (%) in number of suppliers
Airbus	3,000	500	83%
BAA Airports	11,500	3,000	74%
Barclay's Bank	2,000	180	90%
Boeing	30,000	10,000	67%
Motorola	10,000	3,000	70%
Texas Instruments	22,000	14,000	36%
Volkswagen	2,000	200	90%
Xerox	5,000	500	90%

What is Organizational Buying? (contd.)

- Some characteristics of Business market which makes it different from consumer markets:
 - ✓ Fewer, larger buyers
 - ✓ Close supplier-customer relationship
 - ✓ Professional purchasing
 - ✓ Multiple buying influences
 - ✓ Multiple sales calls
 - ✓ Derived demand
 - ✓ Inelastic demand
 - ✓ Fluctuating demand (acceleration effect)
 - ✓ Geographically concentrated buyers
 - ✓ Direct purchasing

Only mind share
however emotions can
be used

What is Organizational Buying? (contd.)

❖ Buying Situations

- Types of Business Situations
 - ✓ **Straight Re-buy:** Here, the purchasing department reorders supplies on a routine basis and from suppliers on an approved list
 - The goal is to get a small order and then enlarge their purchase share over time.
 - ✓ **Modified Re-buy**
 - ✓ **New Task**

❖ Systems Buying and Selling

- **Systems buying-** Many buyers prefer to buy a total solution to a problem from one seller.

Participants in the Business Buying Process

❖ The Buying Center

- Refers to the decision-making unit of a buying organization
- It includes all those members who play any of the seven following roles in purchase decision process:
 - ✓ Initiators
 - ✓ Users
 - ✓ Influencers
 - ✓ Deciders
 - ✓ Approvers
 - ✓ Buyers
 - ✓ Gatekeepers

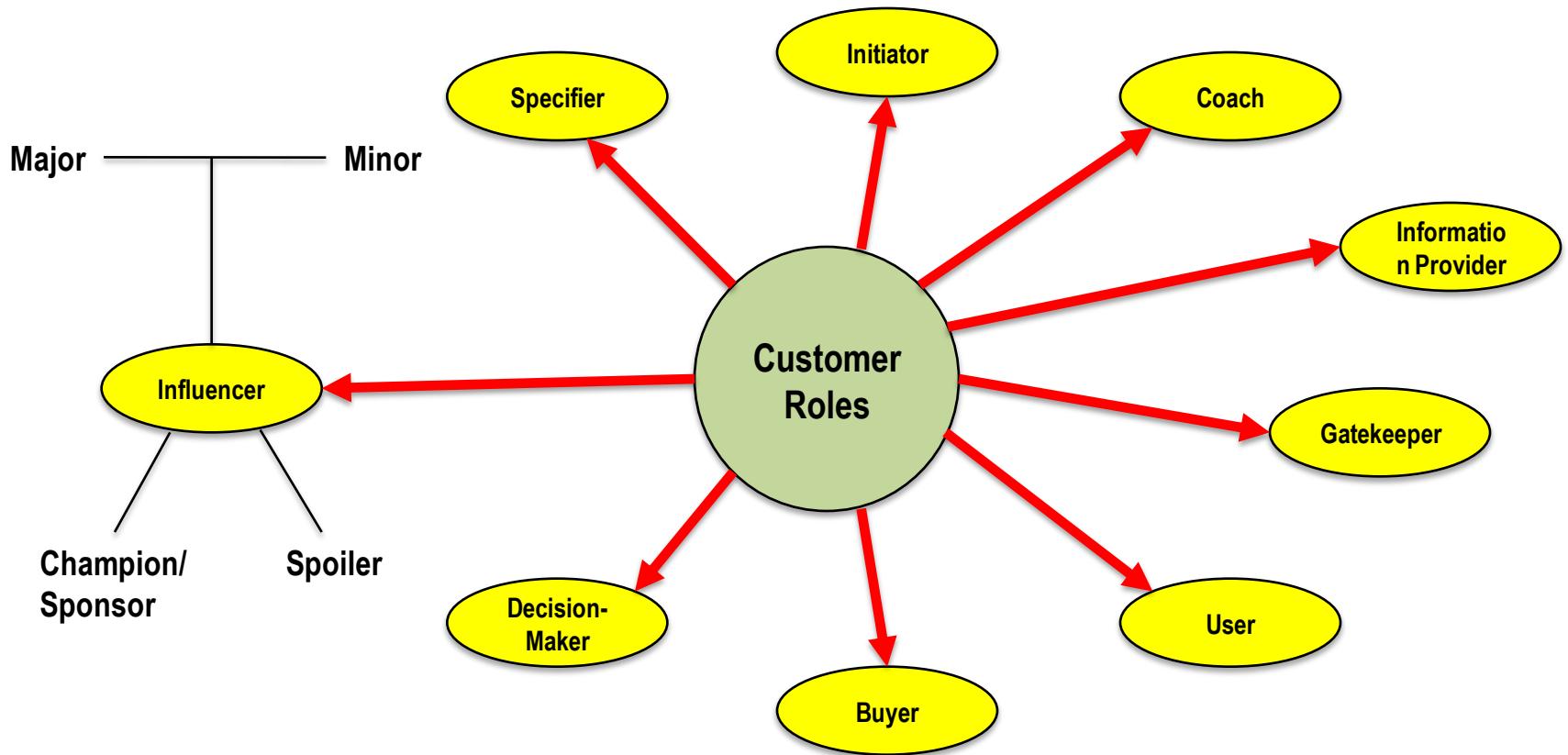
B2B Micro targeting

- A company sells nonwoven disposable surgical gowns to hospitals. The hospital staff who participate in this buying decision include the vice president of purchasing, the operating-room administrator, and the surgeons. The vice president of purchasing analyzes whether the hospital should buy disposable gowns or reusable gowns.
- If the findings favor disposable gowns, then the operating-room administrator compares various competitors' products and prices and makes a choice. This administrator considers absorbency, antiseptic quality, design, and cost and normally buys the brand that meets functional requirements at the lowest cost. Surgeons influence the decision retroactively by reporting their satisfaction with the particular brand.

Roles in the Purchase Process



Roles in the Purchase Process



Purchase Decision Roles: Illustration – B2B



Roles	Purchase Decision: Multinational firm seeks supplier for marketing training programs
Initiator	Head of HR
Specifier	Junior HR personnel who develop the program
Influencer Champion/sponsor Spoiler	Senior line executives Senior executives committed to Columbia Business School Two senior line executives with MBAs from Harvard and Wharton
Decision-maker	CEO
Buyer	Purchasing officer
User	Middle managers
Gatekeeper	Senior HR personnel
Information provider	Bricker's – good source on executive education
Coach	Consultant to firm; previously Columbia faculty member

Evolution in Buyer-Seller Relationships



Increased
Competitive Pressure

Commodity
Relationship

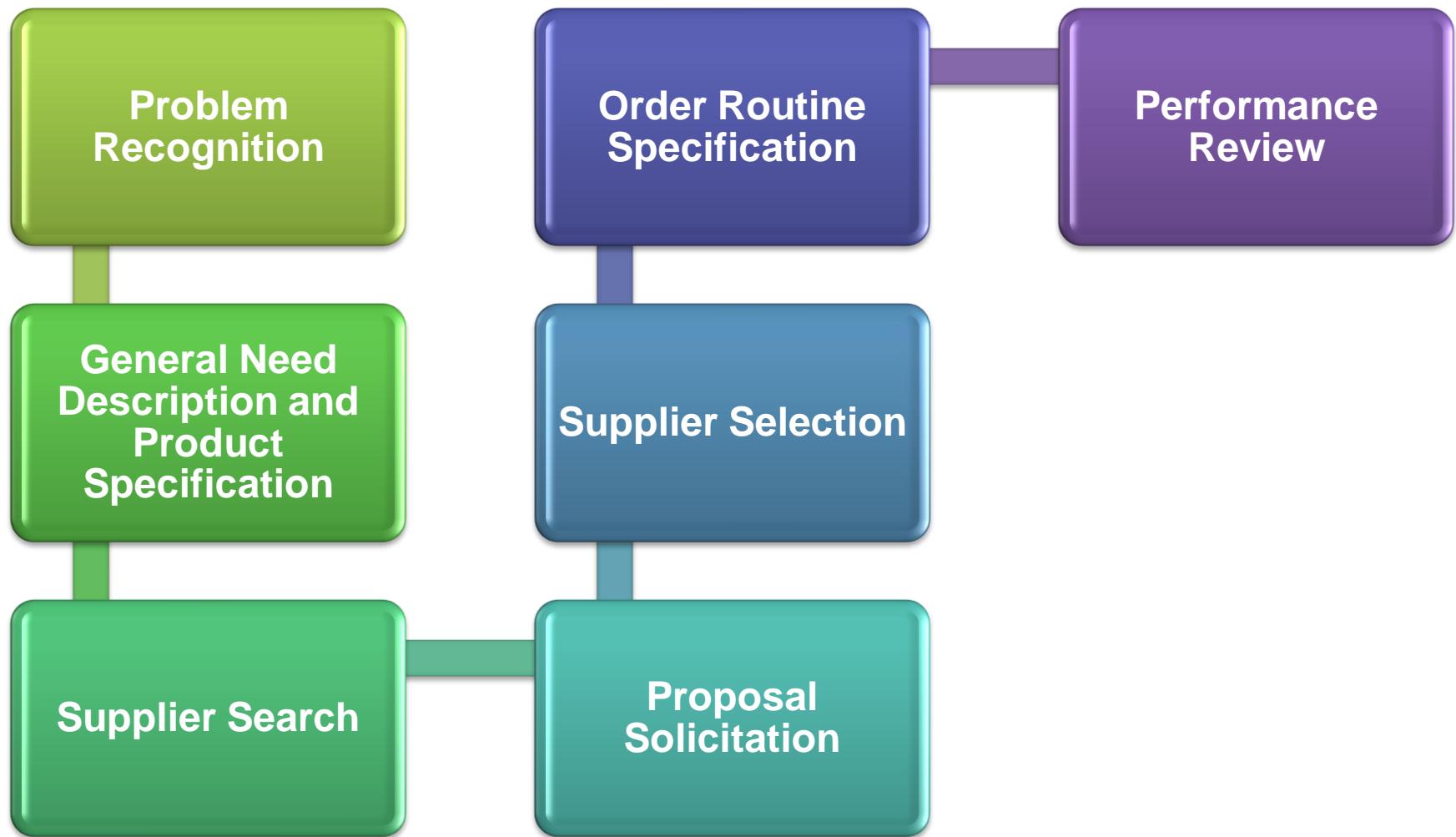
Add Organizational
Value

Deep Supplier/Global
Account Relationship

Market Gridding

- In place of characteristics of consumers start focusing on functions of the products
- E.g. Air Conditioning

Stages in the Buying Process



Phases in different situations

	Buyclasses		
	New Task	Modified Rebuy	Straight Rebuy
Buyphases	1. Problem recognition	Yes	Maybe
	2. General need description	Yes	Maybe
	3. Product specification	Yes	Yes
	4. Supplier search	Yes	Maybe
	5. Proposal solicitation	Yes	Maybe
	6. Supplier selection	Yes	Maybe
	7. Order-routine specification	Yes	Maybe
	8. Performance review	Yes	Yes

Stages in the Buying Process (contd.)

➤ Step 1: Problem Recognition

- This process begins with problem recognition in the company, and which can be met by acquiring a product or service.

➤ Step 2: General Need Description and Product Specification

- In this the buyer will determine the needed item's general characteristics and required quantity.
- Often develop item's technical specifications
- Product value analysis for ingredients

Stages in the Buying Process (contd.)



➤ Step 3: Supplier Search

Here comes identification of most appropriate suppliers through trade directories, contacts with other companies, trade advertisements, trade shows and the Internet.

- ✓ Supplier search over Internet makes the companies to use electronic marketplaces in several forms: Catalog Sites, Vertical markets, “Pure play” auction sites, Spot markets, Private exchanges, Barter markets, Buying alliances.
- ✓ Lead Generation- Supplier’s task is to ensure and make the required product in required quantity

Stages in the Buying Process (contd.)

➤ Step 4: Proposal Solicitation

In this the buyer will invite qualified suppliers to submit proposals. Then these proposals are being evaluated.

➤ Step 5: Supplier Selection

- Here the buyer center needs to specify desired supplier attributes and indicate their relative importance.
- The choice and importance of different attributes varies with the type of buying situations.

Example of Vendor Analysis

Attributes	Importance Weights	Rating Scale			
		Poor (1)	Fair (2)	Good (3)	Excellent (4)
Price	.30				x
Supplier reputation	.20			x	
Product reliability	.30				x
Service reliability	.10		x		
Supplier flexibility	.10			x	
Total Score: .30(4) + .20(3) + .30(4) + .10(2) + .10(3) = 3.5					

Stages in the Buying Process (contd.)



Step 5: Supplier Selection (Continued)

- Overcoming price pressures- Buying center often attempts to negotiate with preferred suppliers for better prices and terms before making the final selection.
- Some companies handle price-oriented buyers by setting a lower price but establishing restrictive conditions: (1) limited quantities, (2) no refunds (3) no adjustments (4) no services
- Solution selling can also alleviate price pressure and comes in different forms.
 - ✓ **Solutions to enhance Customer revenues**
 - ✓ **Solutions to decrease Customer risks**
 - ✓ **Solutions to reduce Customer costs**
- Number of Suppliers

Stages in the Buying Process (contd.)

➤ Step 6: Order-Routine Specification

After selection, they buyer negotiates the final order, listing the technical specifications, the quantity needed, the expected time of delivery, return policies, warranties and so on.

➤ Step 7: Performance Review

Periodic reviews of the performance of the chosen suppliers.

Case

- Medline Industries, the largest privately owned manufacturer and distributor of health care products in the United States, used software to integrate its view of customer activity across online and direct sales channels.
 - The results?
 - The firm enhanced its product margin by 3 percent, improved customer retention by 10 percent, reduced revenue lost to pricing errors by 10 percent, and enhanced the productivity of its sales representatives by 20 percent
-

Case

- Hewlett-Packard launched a “Technology at Work” e-mail newsletter to focus on retention of its current customers. The newsletter’s content and format were based on in-depth research to find out what customers wanted.
 - Hewlett-Packard measures the effects of the newsletter carefully and found that e-mailing product updates helped avoid inbound service calls, saving millions of dollars.
-

Institutional and Government Markets



❖ **Institutional Market**

It consists of schools, college and university, hospitals and nursing homes, and other institutions that provide goods and services to people in their care.

❖ **Procedure followed by government to buy products and services:**

- Announcing request for a prequalification offer
- Short-listing of bidders
- Evaluating technical and commercial bids of the shortlisted bidders

Case: Selling to the Indonesian Government

The Indonesian government requested bids to build a cement factory near Jakarta. A U.S. firm made a proposal that included choosing the site, designing the factory, hiring the construction crews, assembling the materials and equipment, and turning over the finished factory to the Indonesian government.

A Japanese firm, in outlining its proposal, included all these services, plus hiring and training the workers to run the factory, exporting the cement through its trading companies, and using the cement to build roads and new office buildings in Jakarta. Although the Japanese proposal involved more money, it won the contract. Clearly, the Japanese viewed the problem as not just building a cement factory (the narrow view of systems selling) but as contributing to Indonesia's economic development. They took the broadest view of the customer's needs, which is true systems selling.

Case: American Express

- American Express has been steadily adding new features to its credit card for small business, which some small companies use to cover hundreds of thousands of dollars a month in cash needs.
- It has also created a small business network called OPEN Forum to bring together various services, Web tools, and discount programs with other giants such as FedEx, JetBlue, Hertz, and Hyatt. With OPEN Forum, American Express not only allows customers to save money on common expenses, it also encourages them to do much of their recordkeeping on its Web site and gain business insights.

Identifying Market Segments & Targets

Levels of Market Segmentation

Mass Marketing

- ✓ Here, the seller engages in the mass production, mass distribution and mass promotion of one product for all buyers.
- ✓ Mass marketing is now in dying state. Therefore some companies are moving towards micromarketing at one of four levels: Segments, Niches, Local areas, and Individuals.

□ Segment Marketing

- A market segment consists of a group of customers who share a similar set of needs and wants.
- Its characteristics:
 - ✓ Homogeneous preferences
 - ✓ Diffused preferences
 - ✓ Clustered preferences

Levels of Market Segmentation (contd.)



□ Niche Marketing

- A niche is a narrowly defined customer group seeking a distinctive mix of benefits. Eg. Ezee, the liquid detergent; Crack.

□ Local Marketing

- It is about tailoring the needs and wants of local customer groups in trading areas, neighborhoods, even individual stores.

□ Individual Marketing

- “Segments of one”, “Customized marketing” or “one-to-one marketing”
- Customerization: Dell; Asian Paints; Credit Cards

Bases for Segmenting Consumer Markets



Geographic Segmentation

- Region
- City
- Rural and semi-urban areas

Demographic Segmentation

- Age and Life-cycle stage
- Life stage
- Gender
- Income
- Occupation
- Social class

Psychographic Segmentation

- VALS Segmentation System
- SEC

Behavioral Segmentation

- * Decision Roles
- * Behavioral variables
- * The conversion model

Market Segment Matrix: Illustration – Skin Care Cream



Customer Need/Required Benefits	Age-Based Market Segments					
	14–18	19–29	30–39	40–49	50–64	65 and over
Beauty	5	4	1	2	2	3
Confidence	2	2	3	3	3	4
Economy	4	5	7	7	6	5
Health	6	6	4	4	4	2
Sexual Allure	3	1	2	5	5	6
Status	1	3	6	6	7	7
Youthfulness	7	7	5	1	1	1

Case

Best Buy

US Consumer Electronics Retailer

Revenues > \$ 50 billion

Market share = 20%

Finding most valuable customers and using market research for segmentation

Barry: An affluent tech enthusiast

Mr. Storefront: Owns a small business

Ray: A price-conscious family guy

Jill: A busy suburban mom

Carrie: A young single women etc.



“The Women Consumer”

Distinct set for many products

- Apparels in India
- Shoes (Adidas): 35% of business worldwide, Indian 15%
- Women specific scooters (Hero Honda, TVS, Bajaj)
- “Just4her” outlets
- 80% of total gearless scooter market

Examples

Titan:

Xylus, Edge

Aurum, Royale, Nebula

Fastrack

Fastrack digital

Euro collection

Titan “wedding collection”

Dash, Zoop

Exacta

Raga

Sonata

iBall Aasaan

- Senior citizens
- Talking keyboards
- Display screen with bigger fonts
- Bright LED torch with a dedicated button
- Special indicators for missed call, incoming call and battery recharge
- SOS button for emergency



Bases for Segmenting Business Markets

□ Demographic

- Industry, Company Size, Location

□ Operating Variables

- Technology, user or nonuser status, customer capabilities

□ Purchasing Approaches

- Purchasing-function organization, power structure, nature of existing relationship, general purchasing policies, purchasing criteria

□ Situational factors

- Urgency, specific application, size or order

□ Personal characteristics

- Buyer-seller similarity, attitude toward risk, loyalty

Case: Tata Structura Steel



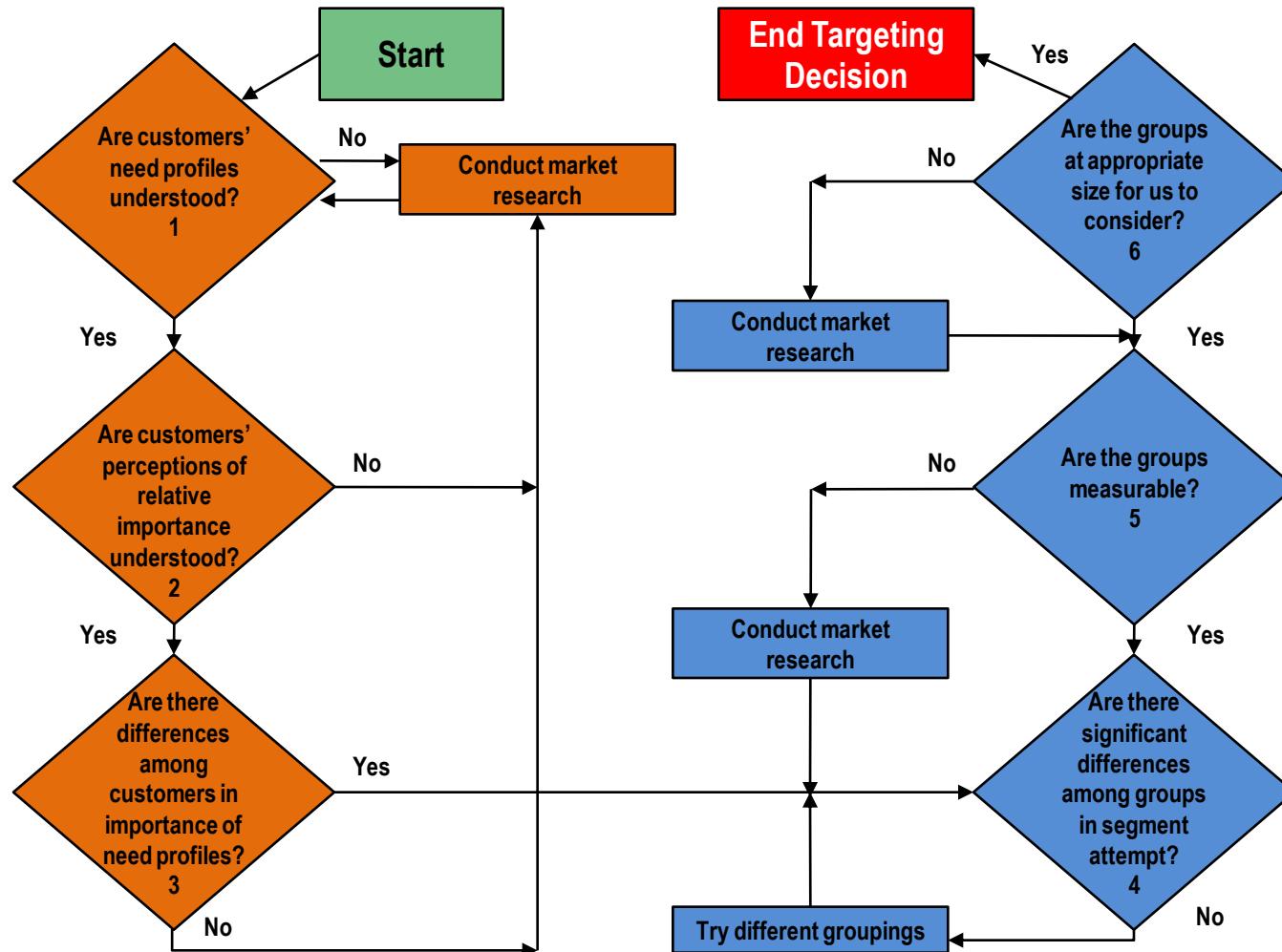
Segment	Applications and Distribution Channel
Industrial	Racks, Sheds, Structures
	Distributors
Architectural	Commercial construction, malls, offices
	Distributors
Infrastructure	Airports, Bridges, bus and rail terminals, highways
	Long-term contracts with construction companies
General Engineering	Defence, Furniture, Housing, Parking
	Long-term contracts with construction companies



Market Targeting

- After identifying market-segment opportunities, next is to decide how many and which ones to target.
- **Effective Segmentation Criteria**
 - Market segments must rate favorably on five key criteria:
 - ✓ Measurable
 - ✓ Substantial
 - ✓ Accessible
 - ✓ Differentiable
 - ✓ Actionable

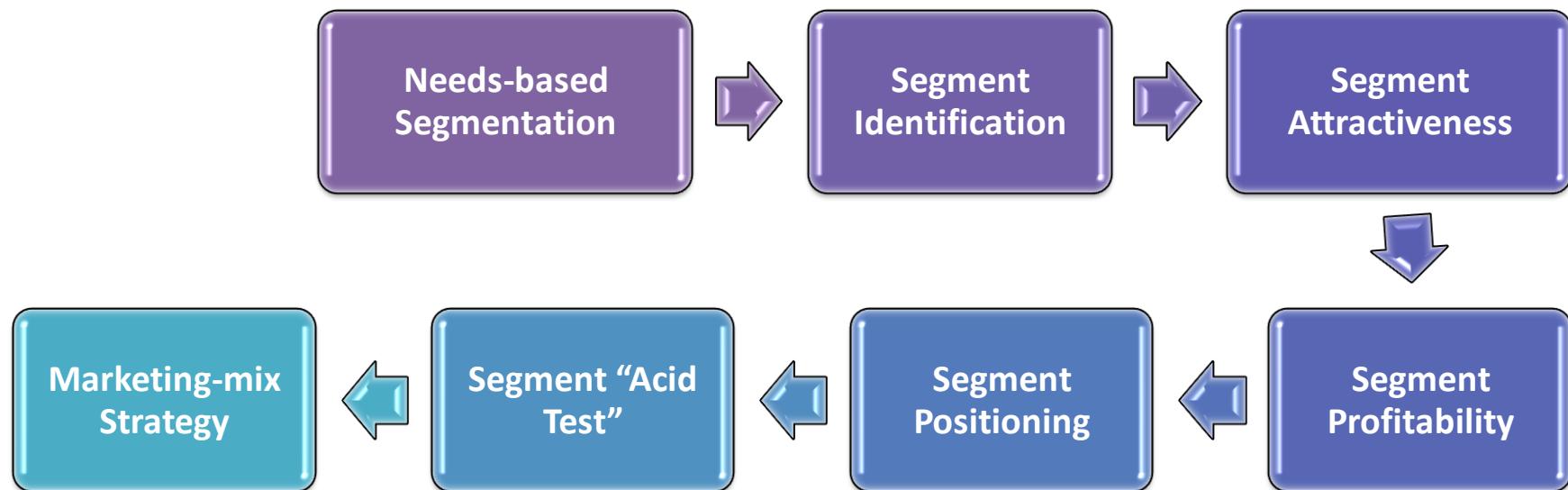
Developing Market Segments: A Process View



Market Targeting (contd.)



Steps in Segmentation process



Market Targeting (contd.)

➤ Evaluating and Selecting the Market segments

Five patterns of target market selection:

Single-segment concentration

	M1	M2	M3
P1	Yellow	Yellow	Yellow
P2	Green	Yellow	Yellow
P3	Yellow	Yellow	Yellow

Selective specialization

	M1	M2	M3
P1	Yellow	Yellow	Green
P2	Green	Yellow	Yellow
P3	Yellow	Green	Yellow

Product specialization

	M1	M2	M3
P1	Yellow	Yellow	Yellow
P2	Green	Green	Green
P3	Yellow	Yellow	Yellow

Market specialization

	M1	M2	M3
P1	Green	Yellow	Yellow
P2	Green	Yellow	Yellow
P3	Green	Yellow	Yellow

Full market coverage

	M1	M2	M3
P1	Green	Green	Green
P2	Green	Green	Green
P3	Green	Green	Green

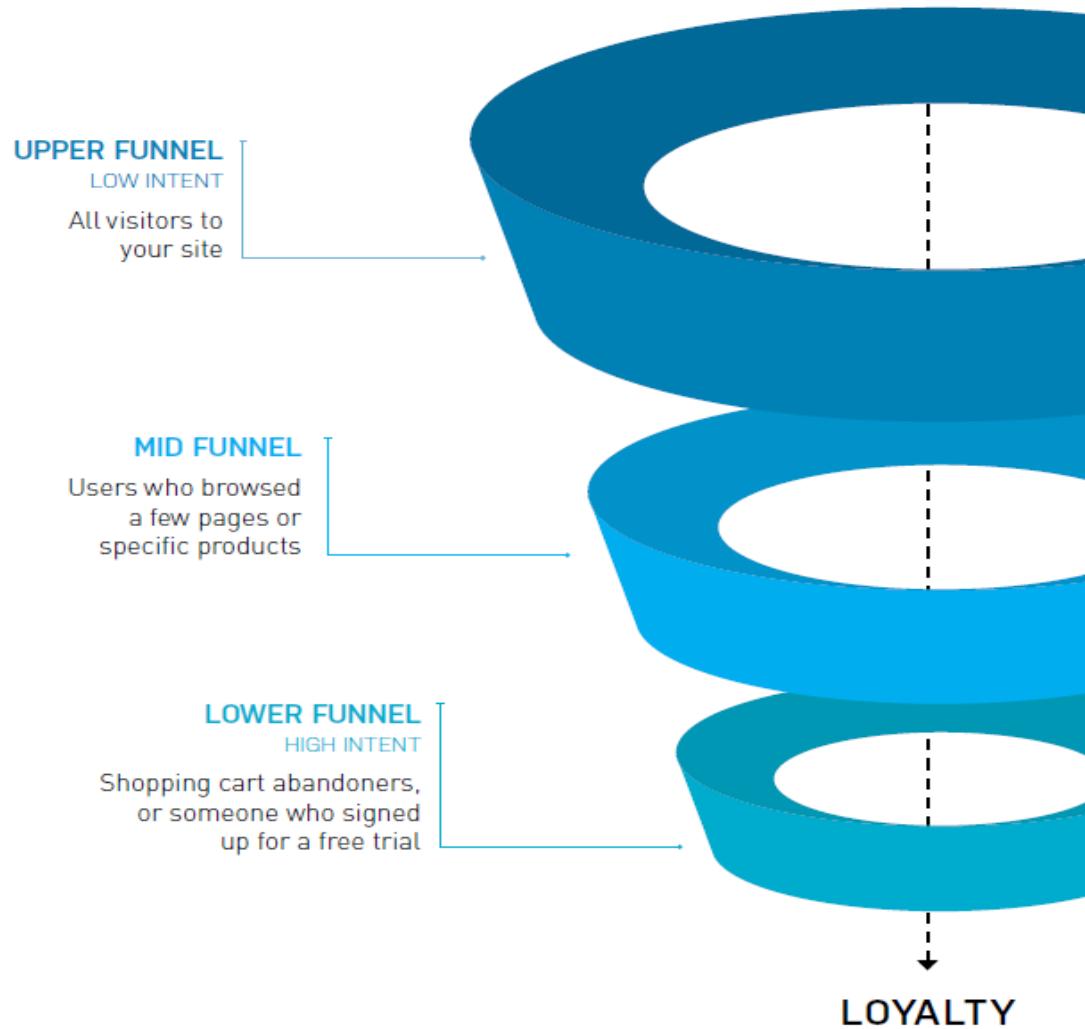
P = Product
M = Market

Market Targeting (contd.)

- Large firms can cover a whole market in two broad ways:
 - **Undifferentiated Marketing**
The firm ignores segment differences and goes after the whole market with one offer.
 - **Differentiated Marketing**
The firm operates in several market segments and designs different products for each. Counter Segmentation can also be possible.

- **Additional Considerations**
 - Segment-by-segment invasion plans
 - Ethical choice of market targets

Segmentation Strategies



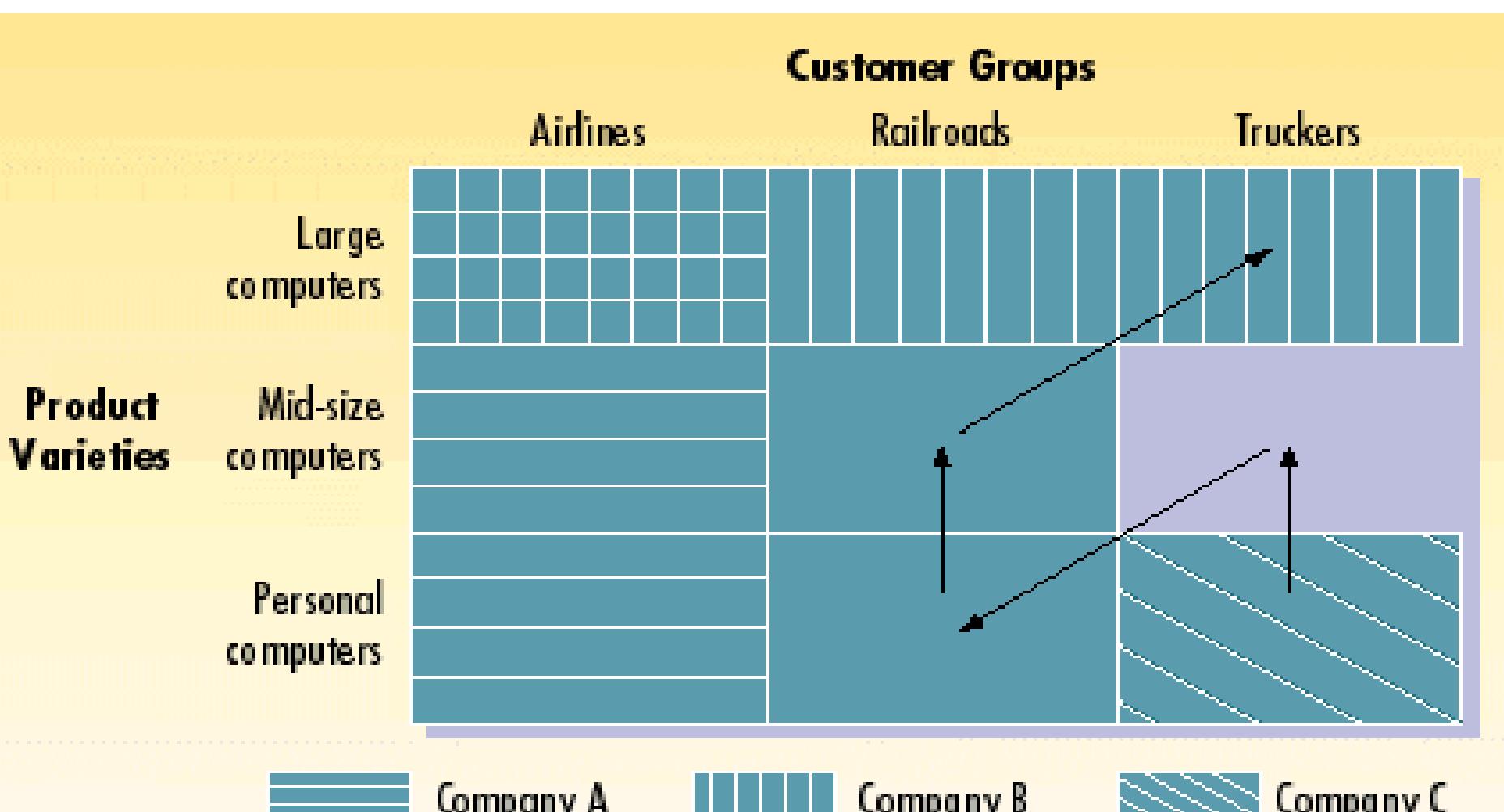
Segment By Level Of Intent

Segment By Products Viewed

Conversion Segments

Personalized Messaging

Segment-by-segment invasion plans



Dealing with Competition

Insights

Colgate

- Toothpowder
- Binaca
- Colgate herbal
- Sensitive care
- Total

Case

- Proctor and Gamble (P&G) is an American Global Corporation established in 1837 with several successful current brands like Tide and Ariel detergent powders, Duracell batteries, Gillette safety razors, Max Factor cosmetics, Pantene hair care products, Pampers brand diapers, etc.
- When they entered the Japanese market for Pampers in 1977, they used the American product range, American advertising and American sales and promotional strategies.
- The product was quite thick and designed for American mothers who would leave the diapers on their babies for long periods. The Japanese mothers were however; highly cleanliness minded and would change the diapers on their babies at least twice as often as the American mothers do.

Case

- Seeing this opportunity, many Japanese companies introduced thinner leak proof diapers that were better suited to Japanese mothers.
- This resulted in Pampers' market share crashing to 7% in 1985, from a high of 90% in 1977.
- The company realized their mistakes after a market study and an improved product with one third of the original thickness was introduced.
- This resulted in their improving their share to about 35% in 1990 and the same product was introduced in the American market with a new brand name- "Ultra Pampers".

Introduction

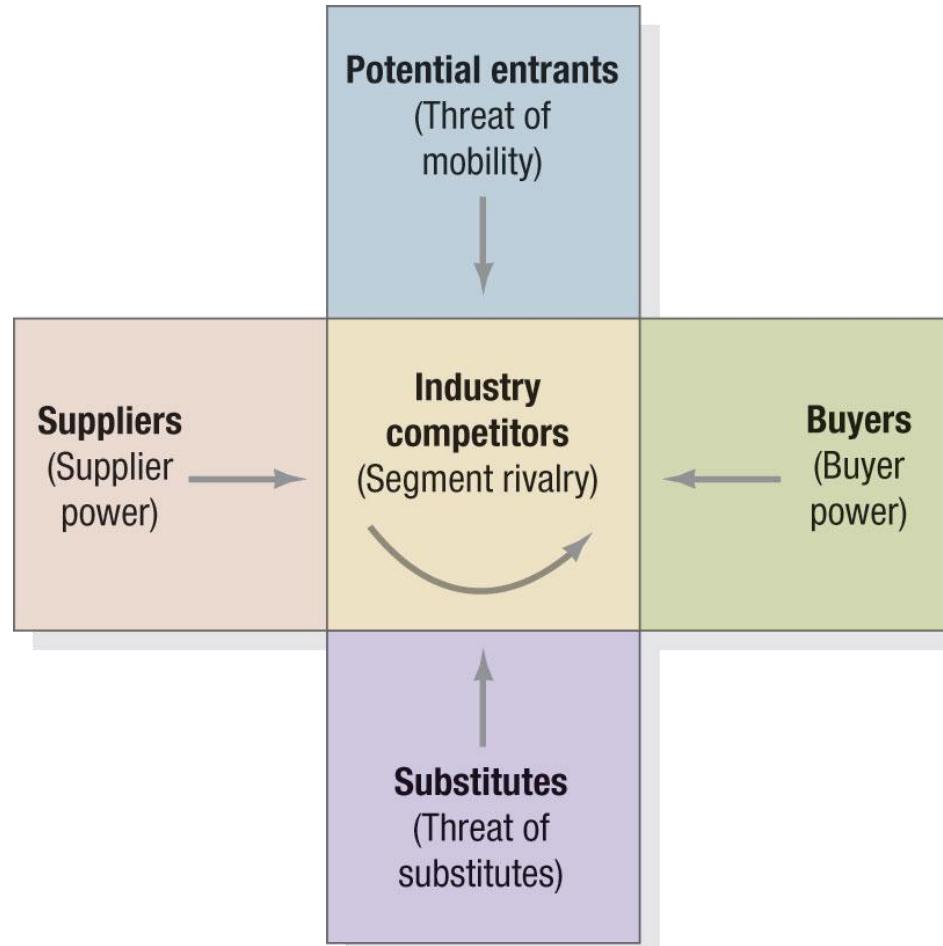
- Building Strong brands requires a keen understanding of competitors, and competition grows more intense every year.
 - New competition comes from all directions
 - Global competitors
 - Online competitors
 - Private labels and strong brands
 - One good way to start a deal with competition is through creatively designed and well executed marketing programs.
-

Introduction



- To effectively devise and implement the best possible brand-positioning strategies, companies must pay keen attention to their competitors.
- Markets have become too competitive to focus on customer alone.
- Marketers must understand the role competition plays and how marketers can best manage their brands depending on their market position.

Five Forces Determining long run Attractiveness of a market and segment



Value of the Five Forces Model

The five forces model can be used in two ways:

1. To help a firm determine whether it should enter a particular industry.
2. Whether it can carve out an attractive position in that industry.

Force 1

Threat of Substitute products

- Industries are more attractive when the threat of substitute is low.
- When close substitute for a product exist, industry profitability is suppressed because consumers will opt not to buy when price is too high.

Force 2

Threat of New Entrants

- Industries are more attractive when the threat of new entry is low.
- There are a number of ways that firms in an industry can keep the number of new entrants low. These techniques are known as **barriers to entry**. (**Airline Industry**)

Force 3 Rivalry among Existing Firms

- Number and balance of competitors
- Degree of difference between products
- Growth rate of an industry
- Level of fixed costs: Break even point (cellular phone market)

Force 4 Bargaining Power of Suppliers

- Supplier concentration
- Switching costs

Defense Mechanism:

- Win-win relationship with suppliers
- Using multiple supply sources

Force 5

Bargaining Power of Buyers

- Buyer group concentration
- Degree of standardization of supplier's products

Defense Mechanism:

- Developing superior offers
- Buyers with least power of negotiation

Determine the Attractiveness of an Industry

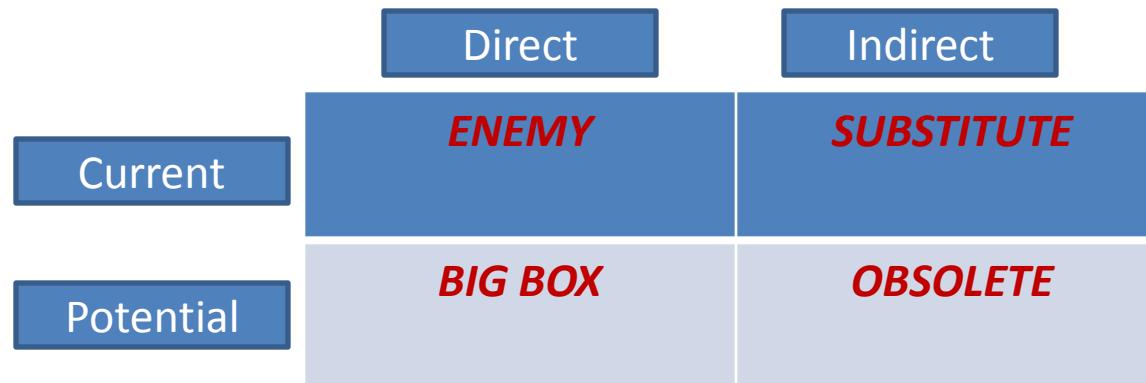


Threat to Industry Profitability

Competitive Forces	Low	Medium	High
Threat of substitutes			
Threat of new entrants			
Rivalry among existing firms			
Bargaining power of suppliers			
Bargaining power of buyer			

Competitor Analysis

- Identify competitors: Who are your competitors?
 - Direct competitors: offer identical products or services
 - (Aquafina Vs. Dasani & Citigroup Vs. Bank of America)
 - Indirect competitors: offer close substitutes to the product.
 - Future competitors: could become direct or indirect competitor.

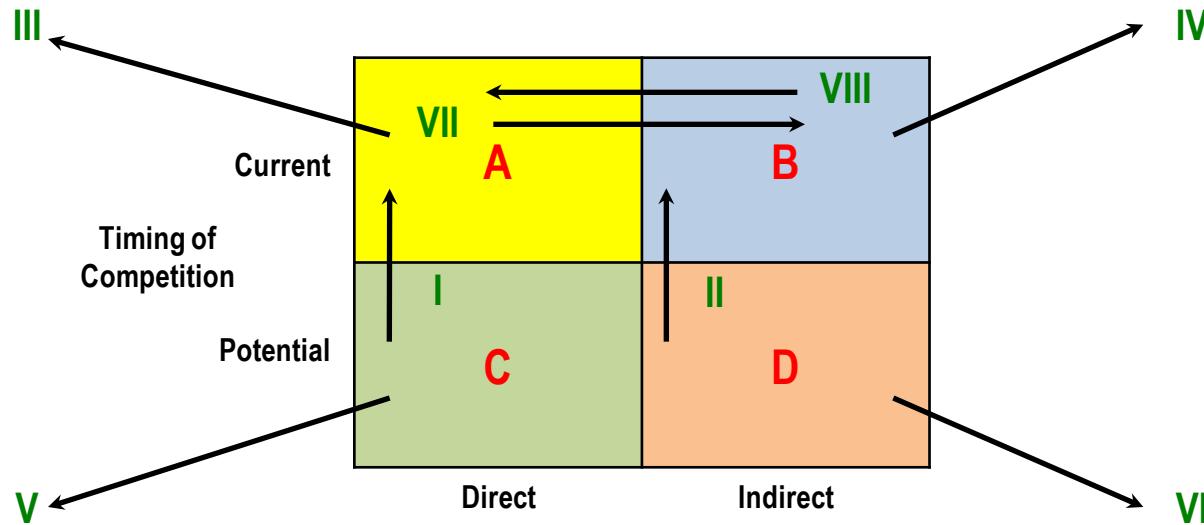


Examples

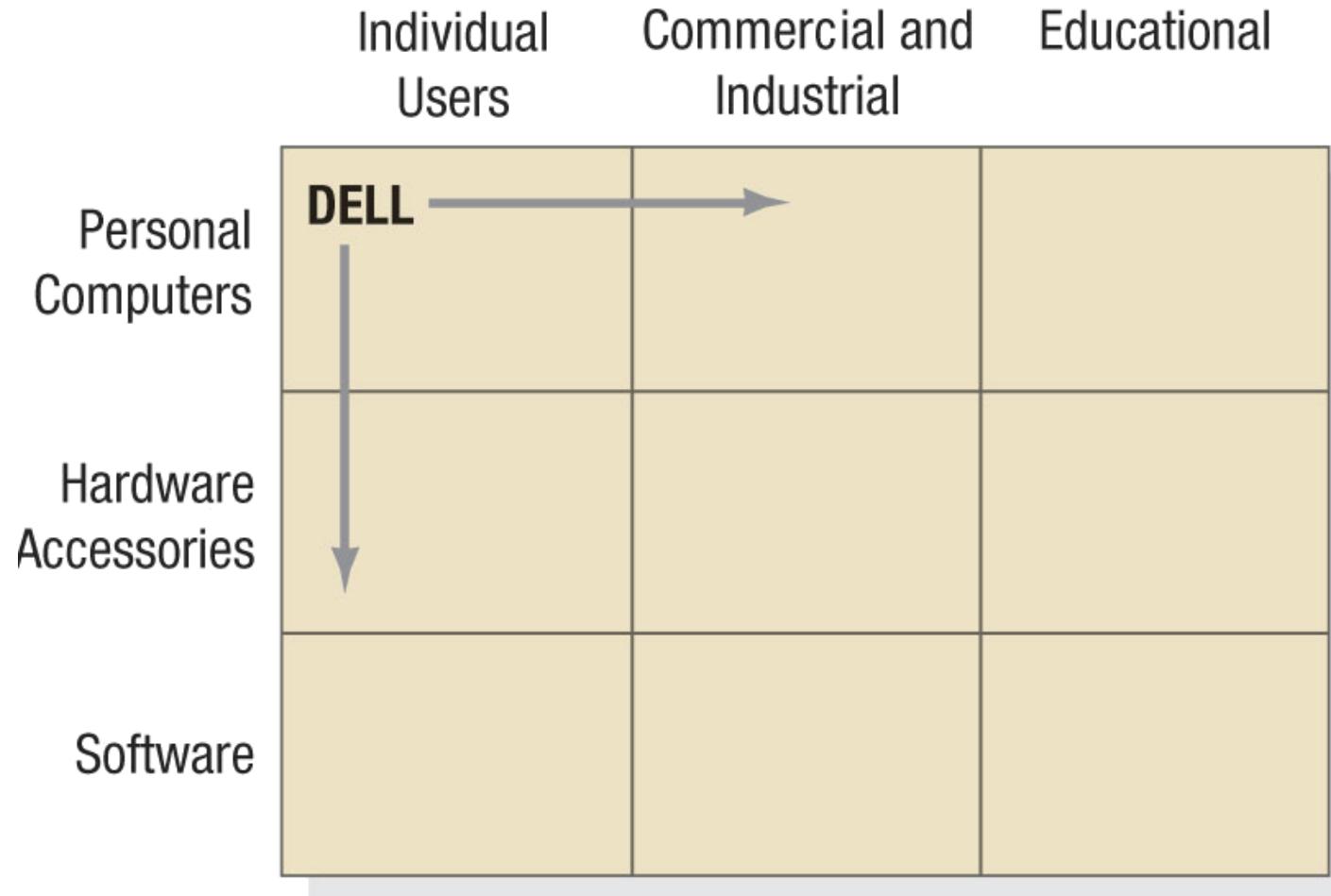
Firm	Customer Benefits and Values	Direct Competitors	Indirect Competitors
<i>Business Today</i>	Business information	<i>Business Outlook, Forbes India</i>	Moneycontrol, CNBC Awaaz
Naukri.com	Employee recruiting	Monster India, Times Jobs	Newspaper classifieds
PVR Cinemas	Movies	Big cinemas, fun cinemas	Theme parks, home theatres, IPL matches
Sony Digicams	Digital pictures	Canon, Nikon	Samsung and Apple (Smart phones)
Star Sports	Games showing	Neo Cricket, TenSports	MTV, News channels



Threat Framework



Objectives: A Competitor's Expansion Plans



Strengths and Weaknesses:



Customer Ratings of Competitors on Key Success Factors

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
<i>Note: E = excellent, G = good, F = fair, P = poor.</i>					

Strengths and Weaknesses



Share of market

Share of mind

Share of heart

Market Share, Mind Share and Heart Share



	Market Share			Mind Share			Heart Share		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
Competitor A	50%	47%	44%	60%	58%	54%	45%	42%	39%
Competitor B	30	34	37	30	31	35	44	47	53
Competitor C	20	19	19	10	11	11	11	11	8

Selecting competitors

- Strong versus Weak
 - Close versus Distant
 - Good versus Bad
-



Customer Selection Grid

	Vulnerable	Not Vulnerable
Valuable	/	//
Not Valuable	///	/V

Illustration



Indicators	Inferences
Hired new <i>customer service</i> manager	Competitor is going to upgrade service quality
Reorganized customer support and service (CSS)	Initial confirmation of alerting signal
CSS now reports to VP of marketing (versus sales)	Signals increased importance of service
Initiating new training programs for sales force	Enhancing service for all key customer segments
Emphasizes customer service in advertising	Service seen as valuable to attract, retain, and grow customers
CEO comments: "Customers expect quality in services as well as in the product"	Service is becoming part of the competitor's mind-set — it will be institutionalized
Customer to our salesperson: "ABC is now doing things for us they never did before"	Confirms competitor is institutionalizing and leveraging service

Competitive strategies for Market Leaders

- Different firms play different role in the target market:
Leader, Challenger, Follower, Nicher
(40:30:20:10)
- **Staying number one firm calls for action on three fronts:**
 - expanding total market demand
 - Protecting current market share through good defensive or offensive actions
 - Increasing market share even if market size remains constant.

Expanding the Total Market demand

New customers

(Market penetration strategy; new-market segment strategy; geographical-expansion strategy)

More usage

(Increasing amount of consumption;
increasing frequency of consumption;
Replacing the product)
Package size; Impulse Products

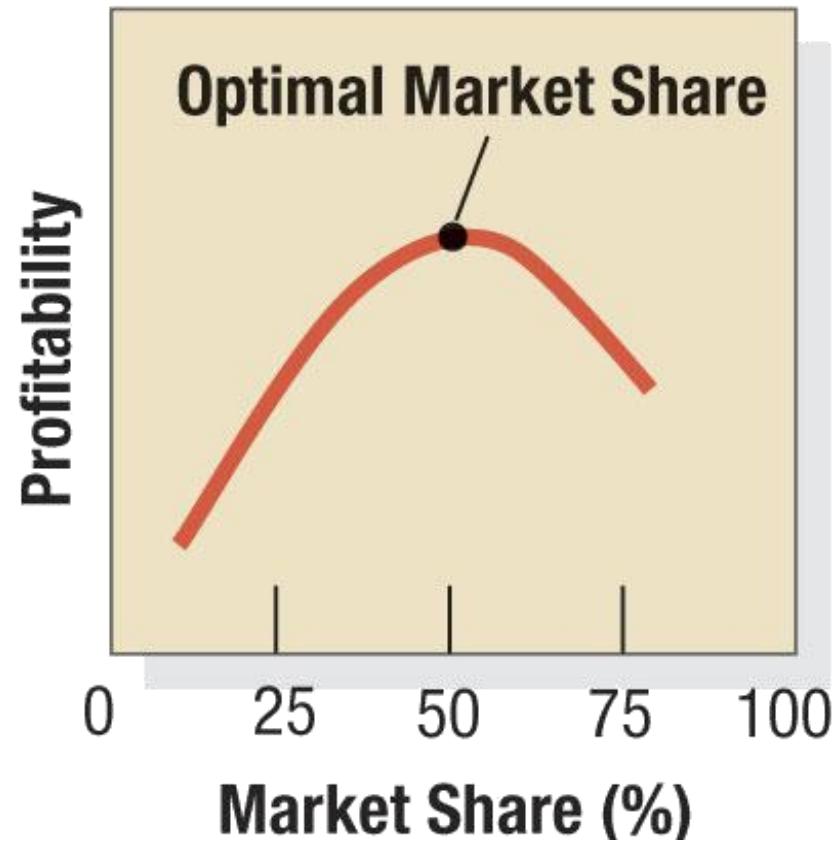
Consumer satisfaction



- Assimilation and contrast
- Assimilation leads to no negative affect and look at other positive aspects
- Contrast lead to negative effect
- Look at the degree of disparity between expectations and performance
- That's how post purchase satisfaction survey matters
- Bike mileage 60 to 55/ 60 to 40

Competitive strategies for Market Leaders : Expanding Market Share

Optimal Market Share

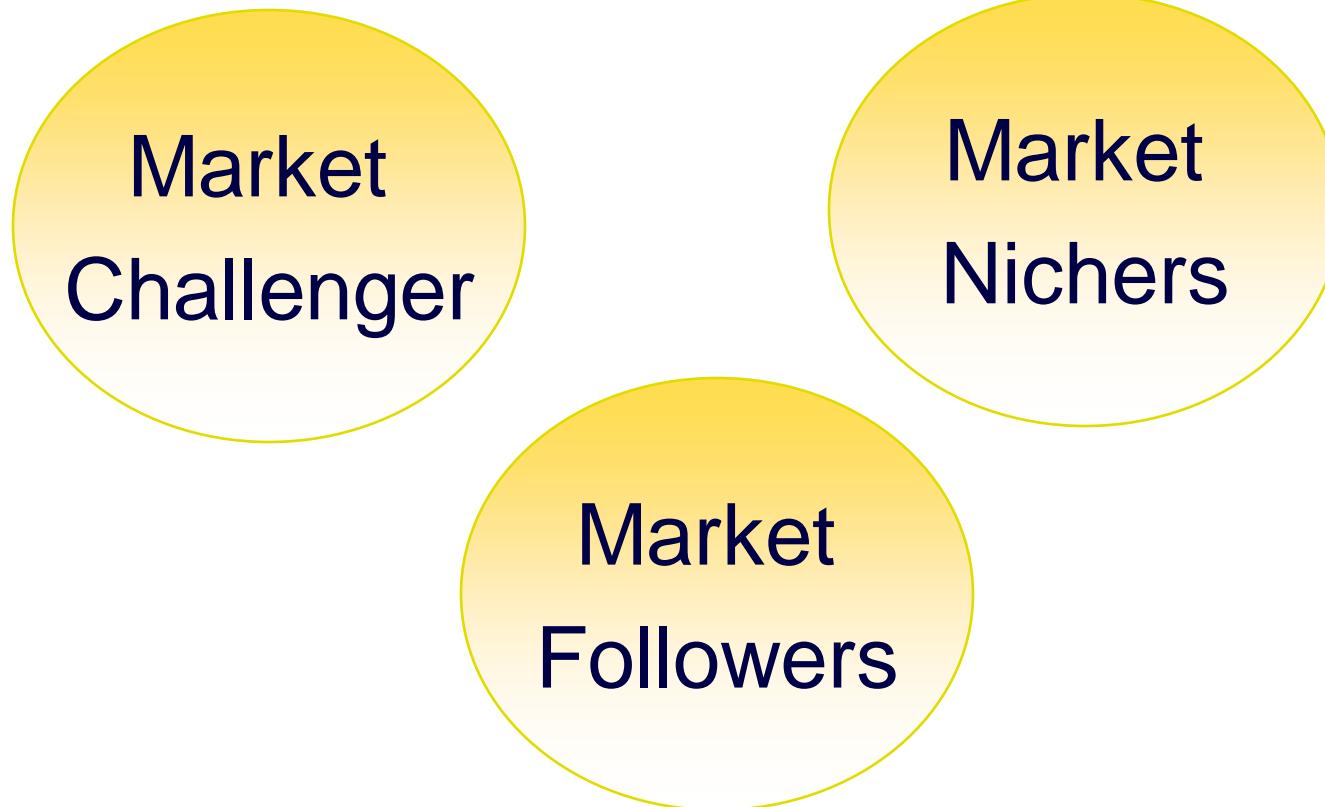




Factors Relevant to Pursuing Increased Market Share

- Possibility of provoking antitrust action (Microsoft and Intel)
- Economic cost
- Pursuing the wrong marketing-mix strategy (Deep Price cuts)
- The effect of increased market share on actual and perceived quality (AOL)

Other Competitive Strategies



Market-challenger Strategies

Defining the strategic objective and opponent(s): A market challenger must first define its strategic objectives. Most aim to increase market share. The challenger must decide whom to attack:

- It can attack the market leader.
- Can attack firms of its own size that are not doing the job and are underfinanced.
- Can attack small local and regional firms.

Market Follower Strategies

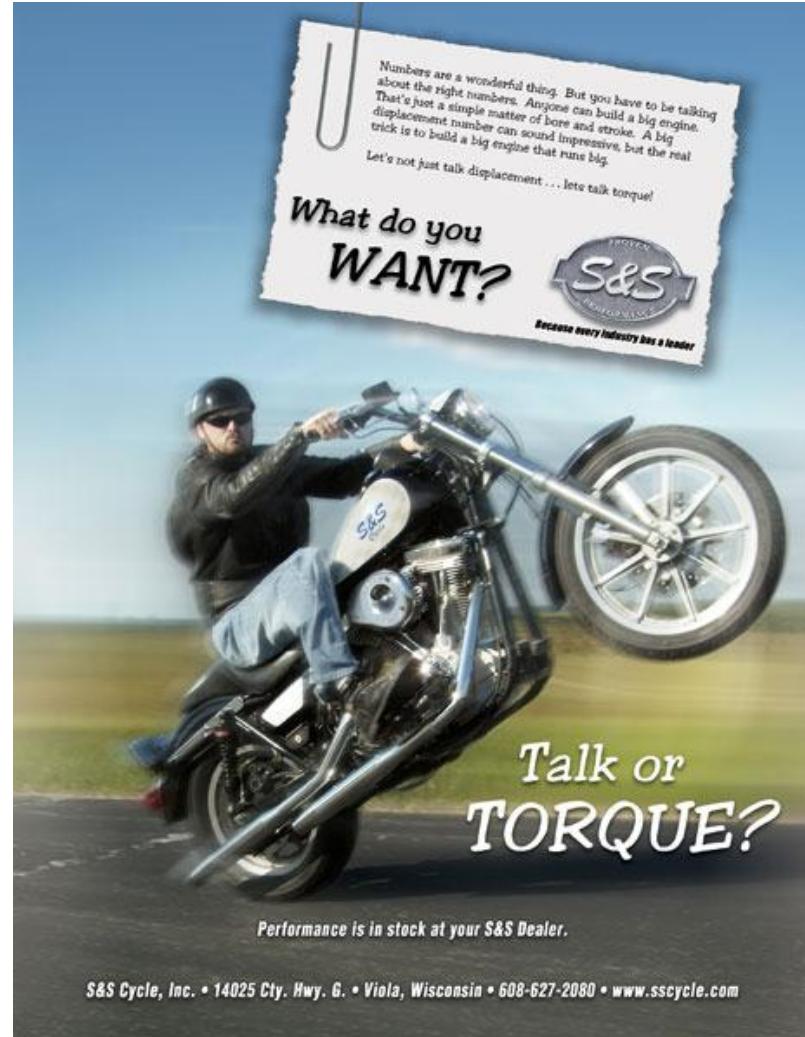
Counterfeiter

Cloner

Imitator

Adapter

Product Innovation = Product Imitation



Market Follower Strategies

- **Counterfeiter:** duplicates the leader's product and packages and sells it on the black market or through disreputable dealers.
 - **Cloner:** emulates the leader's products, name, and packaging with slight variations.
 - **Imitator:** copies something from leader but maintains differentiation in terms of packaging, advertising, pricing, or location.
 - **Adapter:** adapter takes the leader's products and adapts or improves them.
-

Market-Nicher Strategies

- Return on investment (27% vs. 11%)
- Substantial price
- Higher margin
- Creating, expanding and protecting niches
- Continually create new ones
- Multiple niching

Balancing Orientations

Competitor-
Centered

Customer-
Centered

Competitive Assessment Analysis



Customer Requirements: needs, benefits, values A	Importance Rank B	Necessary Capabilities / Resources C				
		Efficient Manufacturing System	Good Distribution System	Just-in-Time Delivery Systems	Well-Funded R&D	Access to Low Cost Materials
Easy product availability	1	*	*			
Low prices	2	*				*
Low inventories	3			*		
Access to cutting-edge technology	4				*	
<i>Etc.</i>						

Three Questions



- Relevance — Do we have the capability/resource?
- Superiority — Is our capability/resource superior to competition?
- Sustainability — Would it be difficult for competitors to catch up with us?

Competitive Assessment Analysis



Customer Requirements: needs, benefits, values A	Importance Rank B	Necessary Capabilities / Resources C				
		Efficient Manufacturing System	Good Distribution System	Just-in-Time Delivery Systems	Well-Funded R&D	Access to Low Cost Materials
Easy product availability	1	* YN	* YYY			
Low prices	2	* YN				* YYN
Low inventories	3			* N		
Access to cutting-edge technology	4				* YYN	
<i>Etc.</i>						

Crafting the Brand Positioning

Introduction

- All marketing strategies are built on STP – Segmentation, Targeting, and positioning.
- A company discovers different needs and groups in marketplace, target those it can satisfy in a superior way, and then positions its offering so the target market recognizes the company's distinctive offering and image.
- If a company does a poor job of positioning, the market will be confused.

What is Positioning?

Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.

The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm.

Everyone in the organization should understand the brand positioning and use it as context for making decisions.

What is Positioning?

The result of positioning is the successful creation of a customer-focused value proposition, a cogent reason why the target market should buy the product.

Volvo (station wagon)	Safety-conscious upscale families	Durability and safety	20% premium	The safest, most durable wagon in which your family can ride
Domino's (pizza)	Convenience-minded pizza lovers	Delivery speed and good quality	15% premium	A good hot pizza, delivered promptly to your door, at a moderate price

Positioning



- Johnson and Johnson
- Dove
- Amul
- Jaago Re
- Product Attributes : LG Golden Eye
- Benefits, Problem Solutions and Basic Needs : Pepsodent, Close-up
- Quality : Sony
- Product User: celebrity
- Product Usage: Burnol
- Specific use: Archies
- Distribution: Dell

Developing and communicating Positioning Strategy



- Positioning requires that similarities and differences between brands be defined and communicated.
 - Specifically, deciding on a positioning requires determining a **frame of reference** by identifying the target market and the competition and identifying the ideal **points-of-parity** and **points-of-difference** brand association.
-

Competitive Frame of Reference



- A starting point in defining a competitive frame of reference for a brand positioning is to determine **category membership** - the products or sets of products with which a brand competes and which function as close substitutes.
 - To determine the proper competitive frame of reference , marketers need to understand consumer behavior and the consideration sets consumers use in making brand choices.
 - UK automobile service (Police, Fire and Ambulance)
 - Moov positioning in India
 - Industry vs. Market view of competition
-

Defining Associations

Once marketers have fixed the competitive frame of reference for positioning by defining the customer target market and the nature of the competition, they can define the appropriate points-of-difference and points-of-parity associations.

Points-of-difference (PODs)

Attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand

Apple, Nike, Lexus

Visa Vs. American Express

Points-of-parity (POPs)

- Associations that are not necessarily unique to the brand but may be shared with other brands. These type of association comes in two forms: **Category and competitive**

Establishing Category Membership



This “four-in-one entertainment solution” from Konica failed to establish category membership



Dettol vs. Savlon
HP Cameras



First Brand Awareness than Brand Image

Communicating Category Membership



Announcing category benefits

Comparing to exemplars

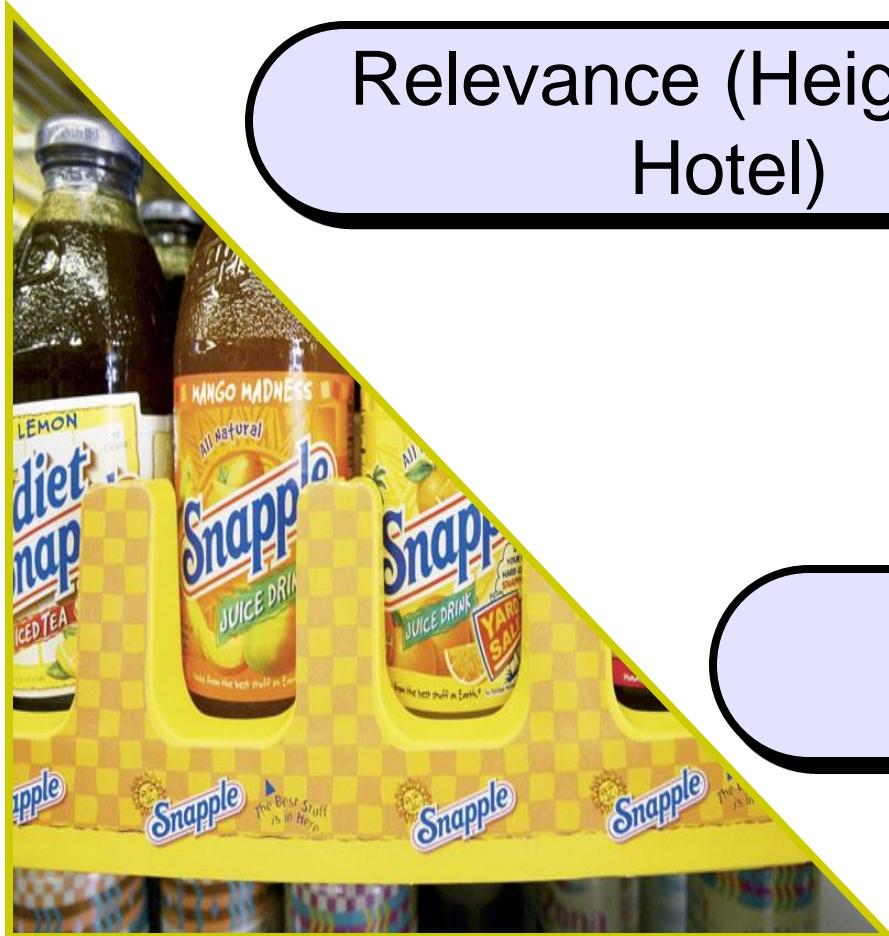
Relying on the product descriptor



Choosing POPs and PODs

- Point-of-parity are driven by the needs of category membership (to create category POPs) and necessity of negating competitors' PODs (to create competitive POPs).
- In addition to distinctiveness, two other important considerations in choosing points-of-difference are that consumers find the POD desirable and the firm has the capabilities to deliver on it.
- Bottom to top : attributes --- benefits --- values

Consumer Desirability Criteria for PODs



Relevance (Height of a
Hotel)

Believability
Mountain Dew

Deliverability Criteria for PODs



Feasibility (Features
change or perception)

Communicability (Facts)

Sustainability

Examples of Negatively Correlated Attributes and Benefits

- Low-price vs. High quality
- Taste vs. Low calories
- Nutritious vs. Good tasting
- Powerful vs. Safe
- Strong vs. Refined
- Varied vs. Simple

Addressing negatively correlated PODs and POPs

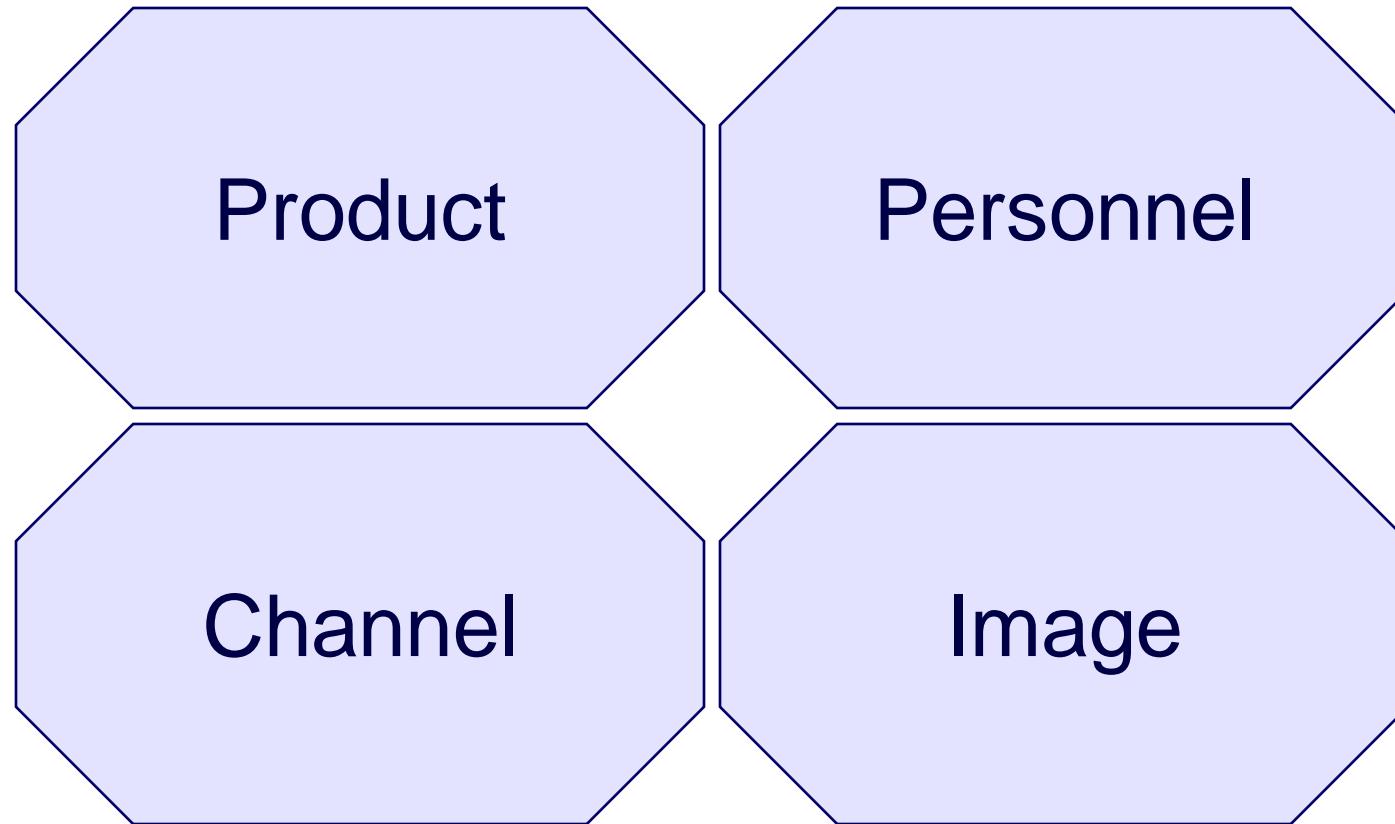
- Present separately: Launching two different marketing campaigns.
- Linking themselves with any kind of entity like (person, place, or thing) to Leverage equity of these entities.
- Redefine the relationship.

Example: Mountain Dew Positioning Statement

“To young, active soft-drink consumers who have little time for sleep, Mountain Dew is the soft drink that gives you more energy than any other brand because it has the highest level of caffeine. With Mountain Dew, you can stay alert and keep going even when you haven’t been able to get a good night’s sleep.”

Differentiation Strategies

Competitive advantage and Leverageable advantage



Competitive advantage as a customer advantage

Product Differentiation

- Product form
- Features
- Performance
- Conformance
- Durability
- Reliability
- Reparability
- Style
- Design
- Ordering ease
- Delivery
- Installation
- Customer training
- Customer consulting
- Maintenance

Channel Differentiation

- Direct distribution
- Eurochamp

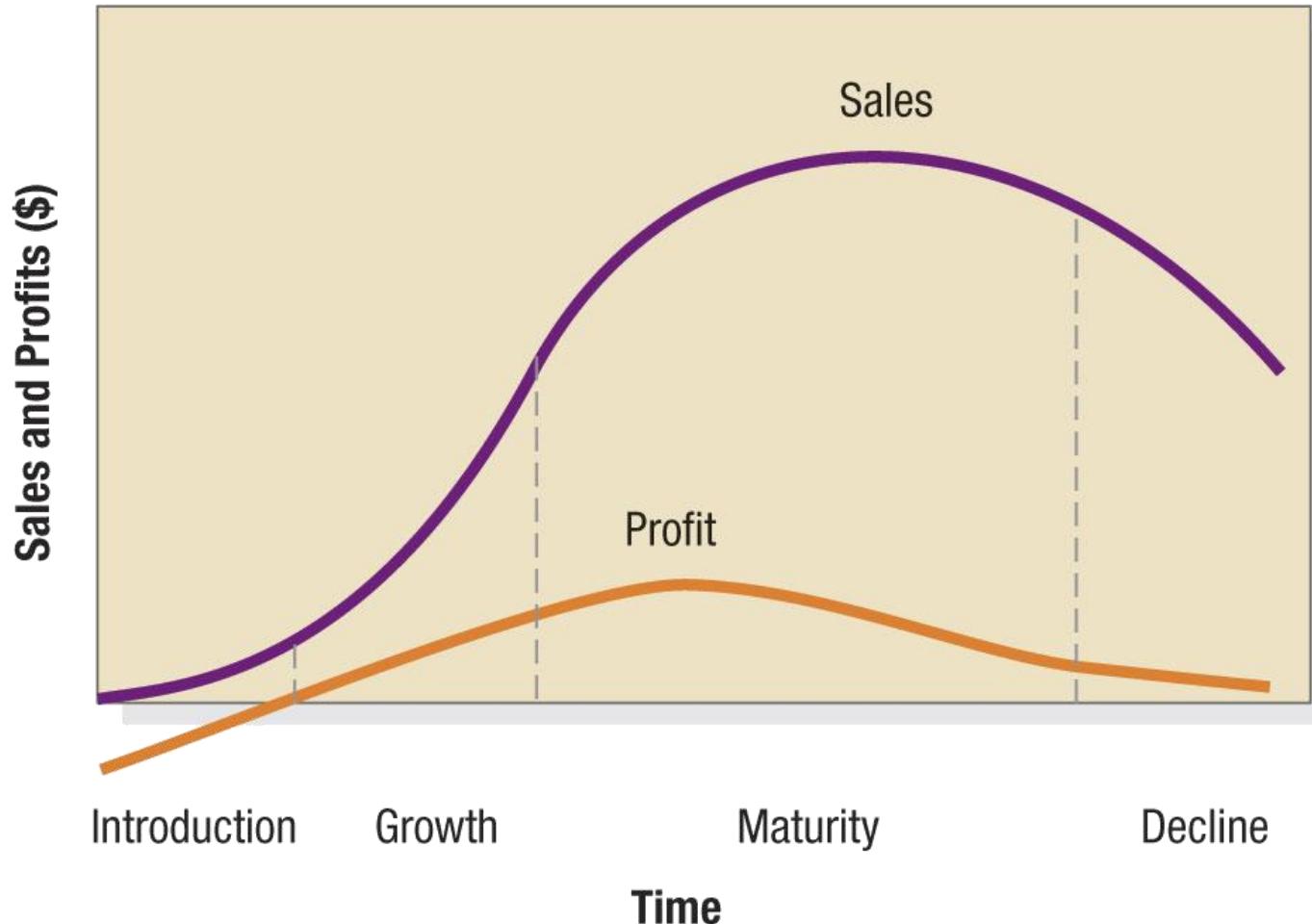
Personnel Differentiation: Singapore Airlines



Image Differentiation

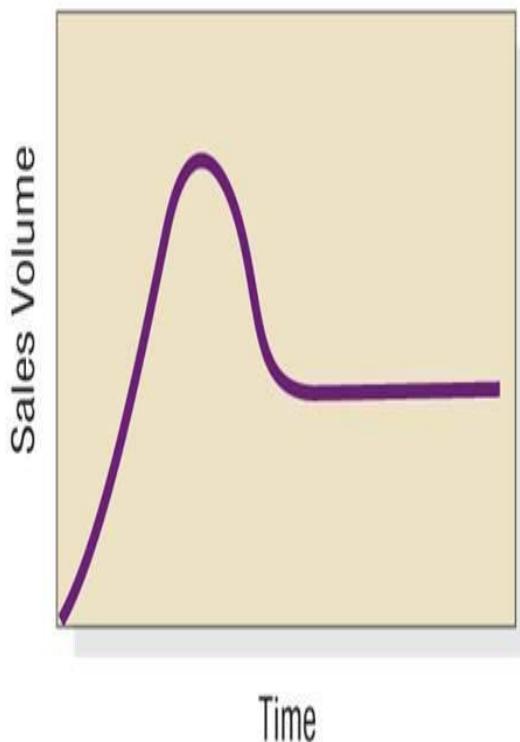


Sales and Product Life Cycle

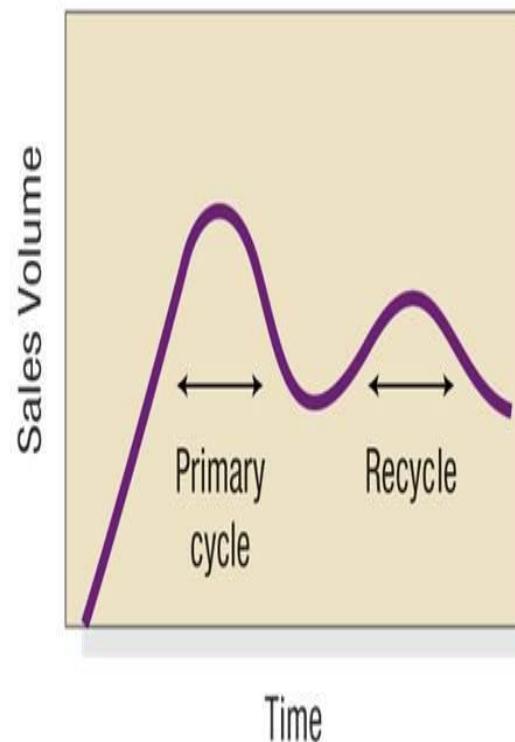


Common product life cycle patterns

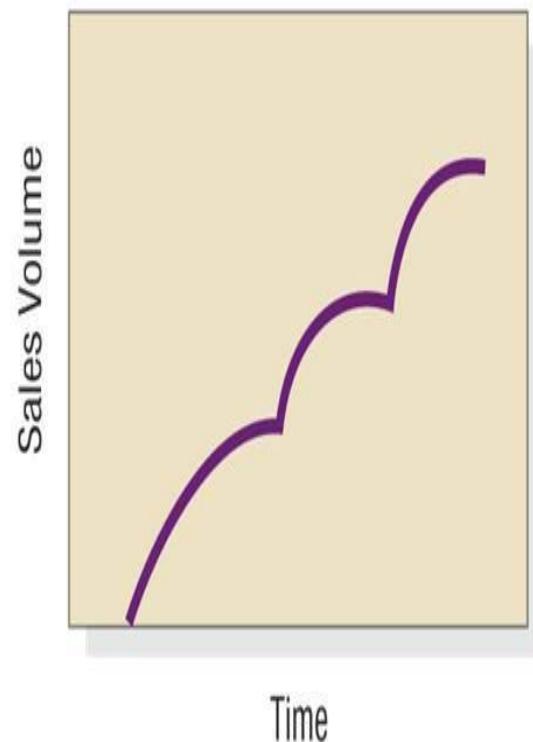
(a) Growth-Slump-Maturity Pattern



(b) Cycle-Recycle Pattern



(c) Scalloped Pattern



Introduction Stage

- Information
- Trial
- Distribution arrangement
- Being early seems to pay
- Amazon.com
- Pioneer's brand normally aims at middle

The Pioneer Advantage

WIKIPEDIA

<p>English <i>The Free Encyclopedia</i> 2 192 000+ articles</p>	<p>Deutsch <i>Die freie Enzyklopädie</i> 700 000+ Artikel</p>
<p>Français <i>L'encyclopédie libre</i> 612 000+ articles</p>	<p>Polski <i>Wolna encyklopedia</i> 483 000+ hasł</p>
<p>日本語 フリー百科事典 460 000+ 記事</p>	<p>Italiano <i>L'enciclopedia libera</i> 405 000+ voci</p>
<p>Nederlands <i>De vrije encyclopedie</i> 404 000+ artikelen</p>	<p>Português <i>A encyclopédia livre</i> 355 000+ artigos</p>
<p>Español <i>La encyclopédie libre</i> 325 000+ artículos</p>	<p>Svenska <i>Den fria encyklopedin</i> 271 000+ artiklar</p>

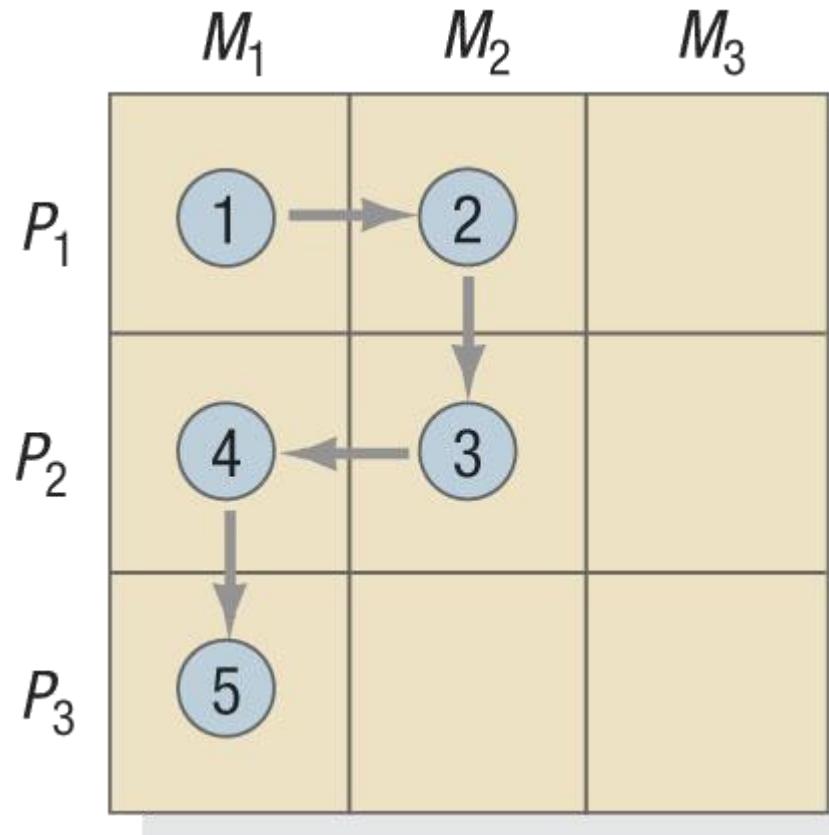
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 busca · buscar · sök · поиск · 搜索 · sök · haku · suk · căutare · cerca

English ▼ >

Also look at
second
mover's
advantage

CitizenD

Long-Range Product Market Expansion Strategy



Strategies for Sustaining Rapid Market Growth

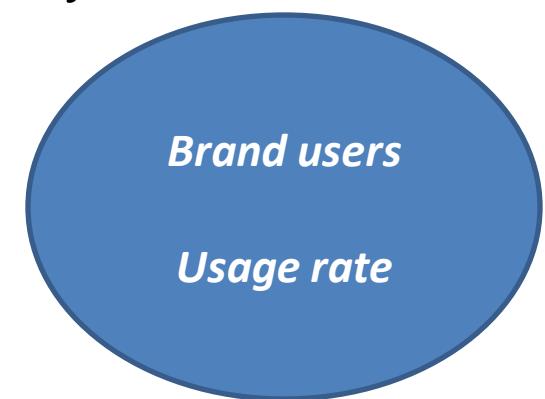
- Improve product quality, add new features, and improve styling
- Add new models and flanker products
- Enter new market segments
- Increase distribution coverage
- Shift from product-awareness advertising to product-preference advertising
- Lower prices to attract the next layer of price-sensitive buyers

Maturity Stage

- Population growth
- Replacement demand
- Finding niches
- Frequent mark-downs

Market Modification: Ways to Increase Sales Volume

- Convert nonusers
- Enter new market segments
- Attract competitors' customers
- Have consumers use the product on more occasions
- Have consumers use more of the product on each occasion
- Have consumers use the product in new ways



Product Modifications



- Quality improvements (Chakki fresh atta)
- Feature improvements
- Style improvements

Marketing Program Modifications



Prices

Distribution

Advertising

Sales promotion

Services

Decline Stage

Product-review committee (weak products)

- Leave it alone
- Modify marketing strategy
- Drop it
- Low exit barriers

Critique of PLC

Market Evolution

Emergence

- Diffused preferences
- Calculator
 - Single-niche strategy
 - Multiple-niche strategy
 - Mass-market strategy (middle)

Growth

- Other firms entry
- Centre or corner targetting

Market Evolution

Maturity

- Intense competition
- Market fragmentation
- Market consolidation

Decline

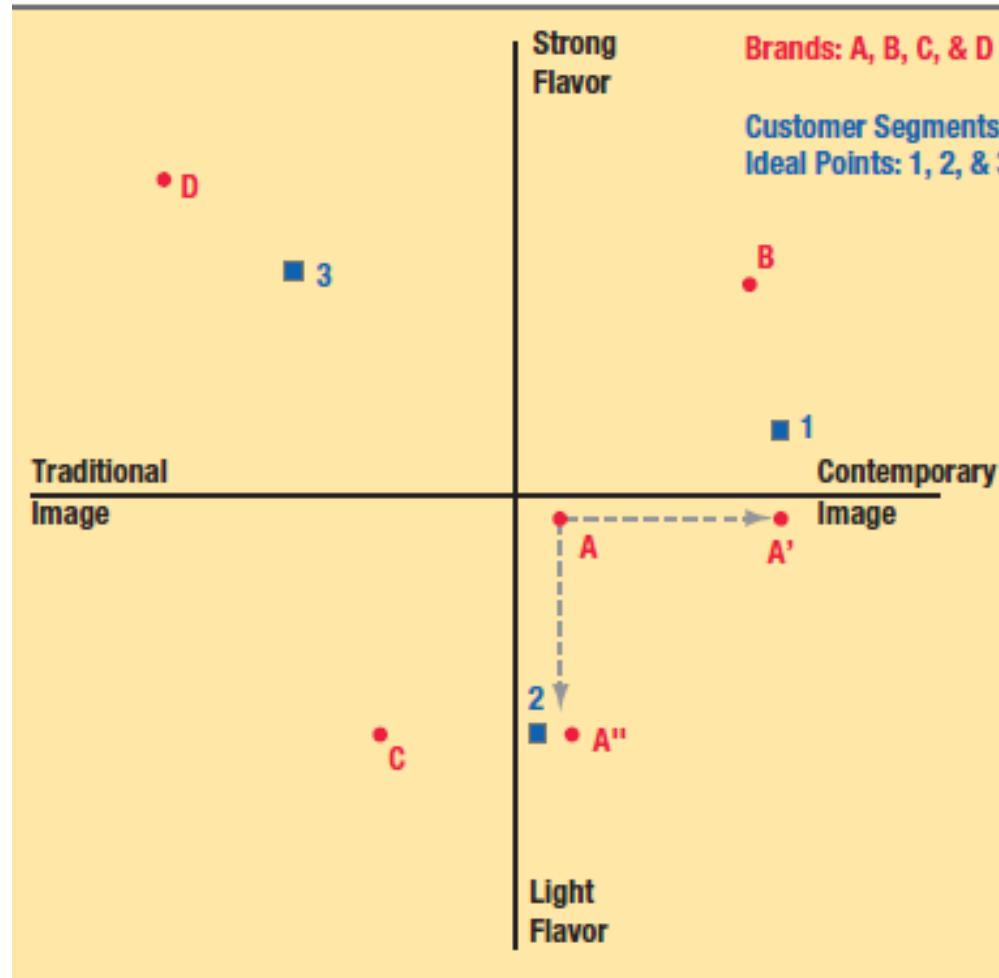
- Demand
- New technology

Case: BMW

- When BMW first made a strong competitive push into the U.S. market in the early 1980s, it positioned the brand as the only automobile that offered both luxury and performance.
- At that time, consumers saw U.S. luxury cars as lacking performance, and U.S. performance cars as lacking luxury. By relying on the design of its cars, its German heritage, and other aspects of a well-conceived marketing program, BMW was able to simultaneously achieve:
 - (1) a point-of-difference on luxury and a point-of-parity on performance with respect to U.S. performance cars like the Chevy Corvette, and
 - (2) a point-of-difference on performance and a point-of-parity on luxury with respect to U.S. luxury cars like Cadillac.

The clever slogan “The Ultimate Driving Machine” effectively captured the newly created umbrella category—luxury performance cars.

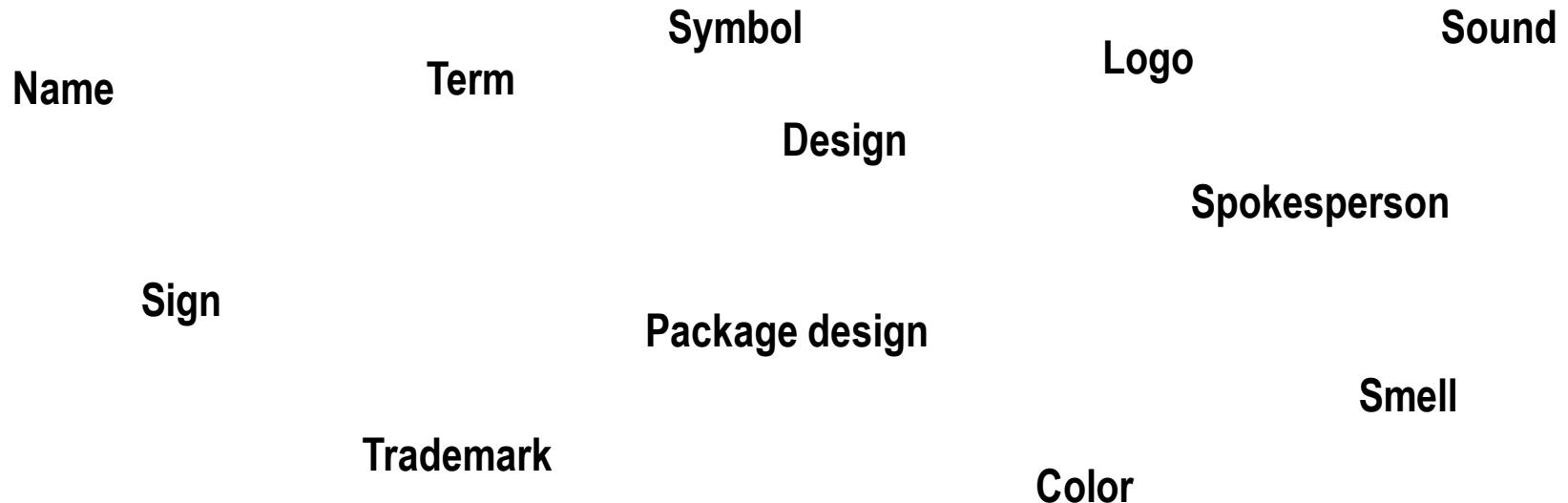
Map: Possible Repositioning for Brand A



Creating Brand Equity

What is a Brand?

A **brand** is a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.



Role of Brands



Bisleri®



The Role of Brands



Identify the maker of a product

Simplify product handling or tracing

Organize inventory and accounting records

Offer legal protection

The Role of Brands



Signify quality

Create barriers to entry

Serve as a competitive advantage

Secure price premium

What is Brand Equity?

Brand equity is the added value endowed on products and services, which may be reflected in the way consumers, think, feel, and act with respect to the brand, as well as in prices, market share, and profitability the brand commands for the firm.

Customer-based brand equity is the differential effect that brand knowledge has on consumer response to marketing of that brand.

- Positive or Negative

Advantages of Strong Brands

- Improved perceptions of product performance
- Greater loyalty
- Less vulnerability to competitive marketing actions
- Less vulnerability to crises
- Larger margins
- More inelastic consumer response
- Greater trade cooperation
- Increased marketing communications effectiveness
- Possible licensing opportunities

Apple is a Strong Brand



The world's thinnest notebook. **MacBook** Air.

Watch the ad 

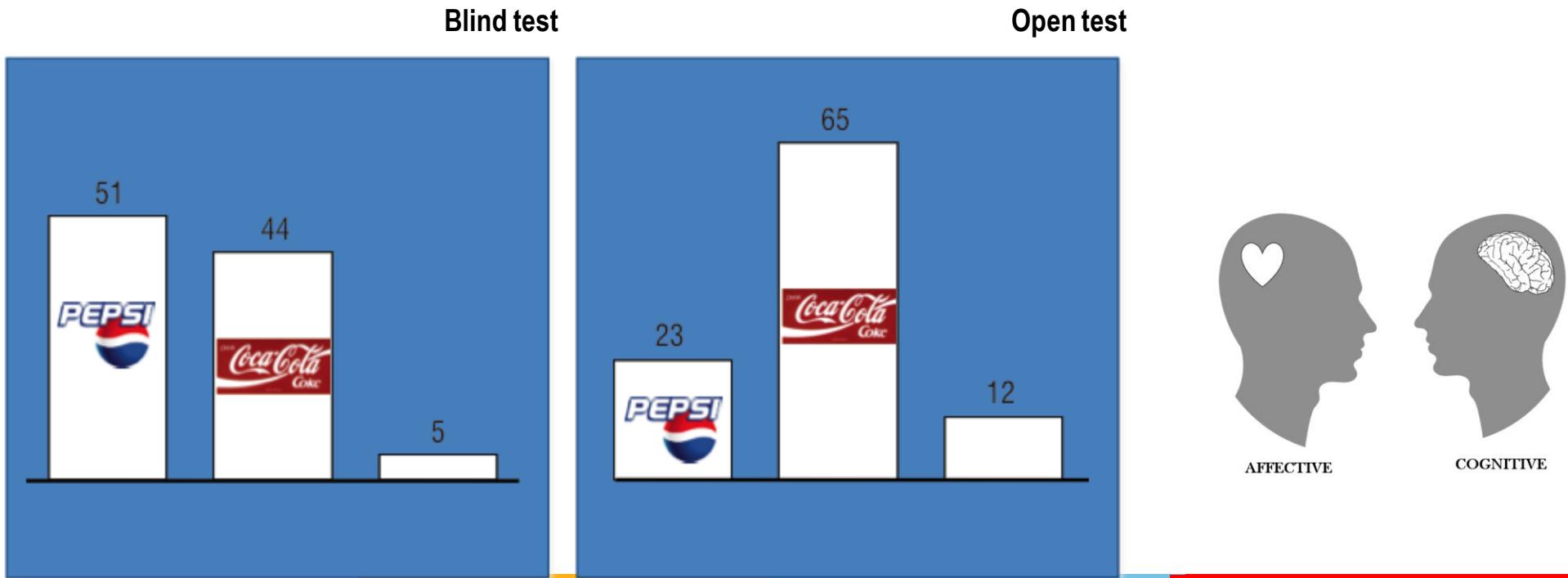
Watch the guided tour 

A screenshot of the official Apple website homepage. At the top, there is a navigation bar with links for Store, Mac, iPod + iTunes, iPhone, Downloads, Support, and a search bar. The main content area features a large image of a silver MacBook Air laptop standing upright on its keyboard. Below the image, the text "The world's thinnest notebook. **MacBook** Air." is displayed. Two small video thumbnail images are shown below the main headline: one showing a hand interacting with the laptop and another showing Steve Jobs speaking. Below each thumbnail is a "Watch the ad" or "Watch the guided tour" link with a play button icon.

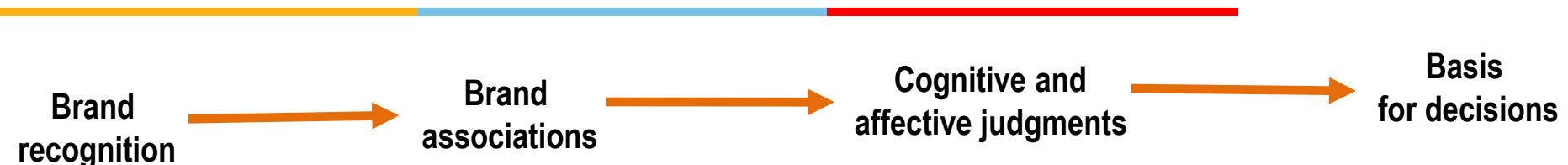
What is a Brand Promise?

A **brand promise** is the marketer's vision of what the brand must be and do for consumers.

Cognitive and Affective Judgments: *Illustration*



Brand Associations



Chennai Super Kings

Microsoft

Tide

Google

LinkedIn

Apple

Facebook

YouTube

Starbucks

The Economic Times

NarendraModi

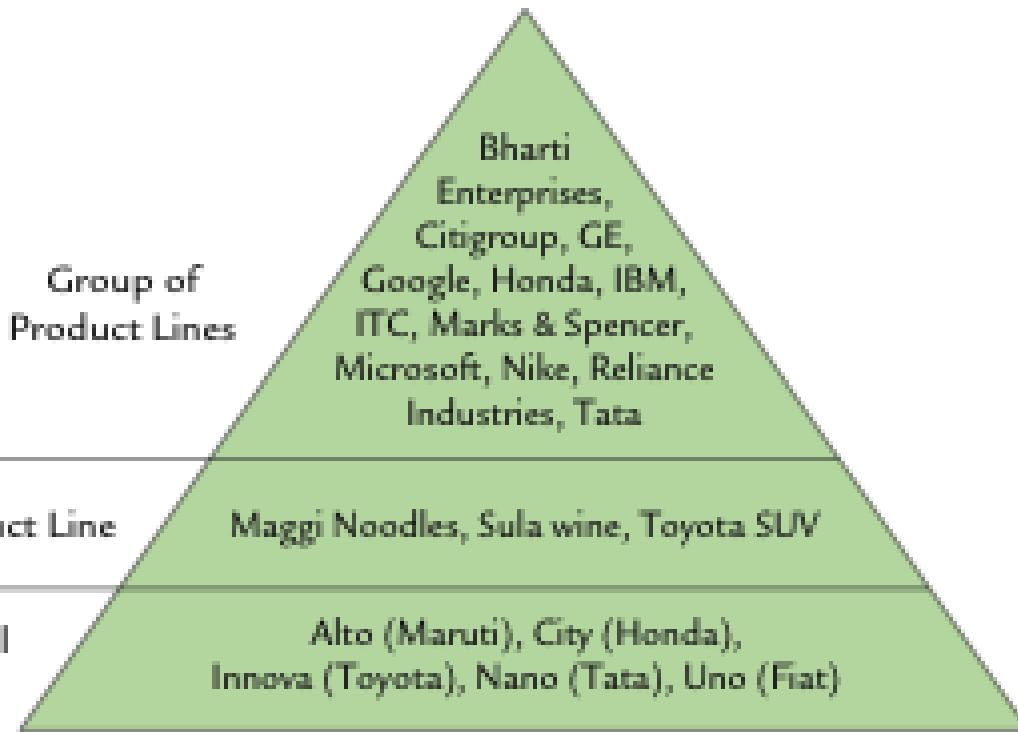
Harley Davidson

A R Rehman

Priyanka Chopra

Kolkata Knight Riders

Levels of Branding



Branding Audiences



Alliance partners

Competitors

Owners/
shareholders

Current and
potential
customers

Investment
analysis

Suppliers

Regulators

Bondholders

Intermediaries

Government
bodies

Current and
prospective
employees

Media

INTERBRAND METHOD FOR CALCULATING FIRM BRAND EQUITY

INTERBRAND METHOD FOR CALCULATING FIRM BRAND EQUITY. Interbrand uses two factors:

1. **After-tax profits.** The firm's annual after-tax profits *less* the expected earnings from an equivalent unbranded product, averaged over time.
2. **Brand strength.** Calculated by estimating the sustainability of profits, and expressed as a multiple. Seven factors are differentially weighted to develop the brand-strength multiple:
 - **Market leadership** (maximum 25 points) — the brand's ability to influence the market.
 - **Stability** (maximum 15 points) — the brand's survival ability related to the degree of customer loyalty.
 - **Market** (maximum 10 points) — where the brand competes and its ability to address changes in technology and fashion.
 - **Internationality** (maximum 25 points) — the brand's ability to cross geographic and cultural borders.
 - **Trend** (maximum 25 points) — the ongoing importance of the brand to the industry and its ability to remain contemporary.
 - **Support** (maximum 10 points) — the likelihood of continued consistent and effective support for the brand
 - **Protection** (maximum 5 points) — the brand owner's legal title to the brand.

The brand-strength multiple is scaled to have a maximum value equals to 20

INTERBRAND METHOD FOR CALCULATING FIRM BRAND EQUITY



Global sales	\$2.6 billion
Operating income	\$961 million
Estimated operating income from non-branded product line equivalent to Gillette	<u>\$ 49 million</u>
Earnings attributable to Gillette brand	\$912 million
Net income after 35% tax	\$593 million
Brand strength multiple (based on the items noted above)	17.9
Estimated value of Gillette brand	$\$593 \text{ million} \times 17.9 = \10.6 billion

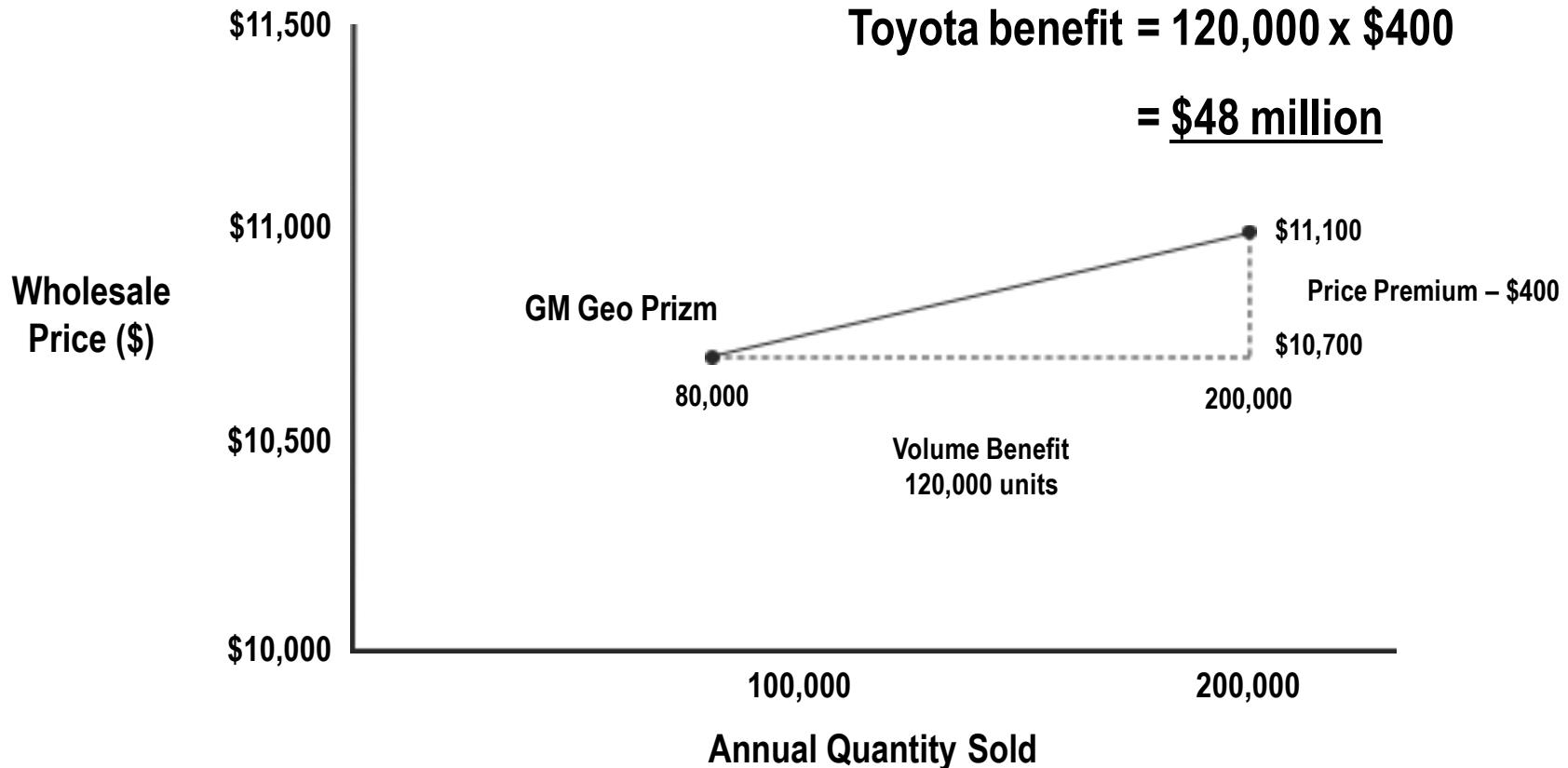
Leading Brand Values 2013: Top 15 – Interbrand



Rank (2013)	Brand Name	Country of Origin	Industry	Firm Brand Equity (\$U.S. million)
1	Apple	U.S.	Computers	\$98.3
2	Google	U.S.	Internet	\$93.3
3	Coca-Cola	U.S.	Beverages	\$79.2
4	IBM	U.S.	Computers	\$78.8
5	Microsoft	U.S.	Software	\$59.5
6	General Electric	U.S.	Diversified	\$46.9
7	McDonald's	U.S.	Food	\$41.9
8	Samsung	South Korea	Electronics	\$39.6
9	Intel	U.S.	Computers	\$37.3
10	Toyota	Japan	Automobiles	\$35.3
11	Mercedes-Benz	Germany	Automobiles	\$31.9
12	BMW	Germany	Automobiles	\$31.8
13	Cisco	U.S.	Networking	\$29.1
14	Disney	U.S.	Entertainment	\$28.1
15	Hewlett-Packard	U.S.	Computer	\$25.8

Monetary Value of the FBE

High Customer Brand Equity – Impact on Firm Brand Equity:
Illustration – Toyota Corolla versus GM Geo Prizm



Monetary Value of Brand Equity

Customer willingness to Pay for Brand A : Rs. 480

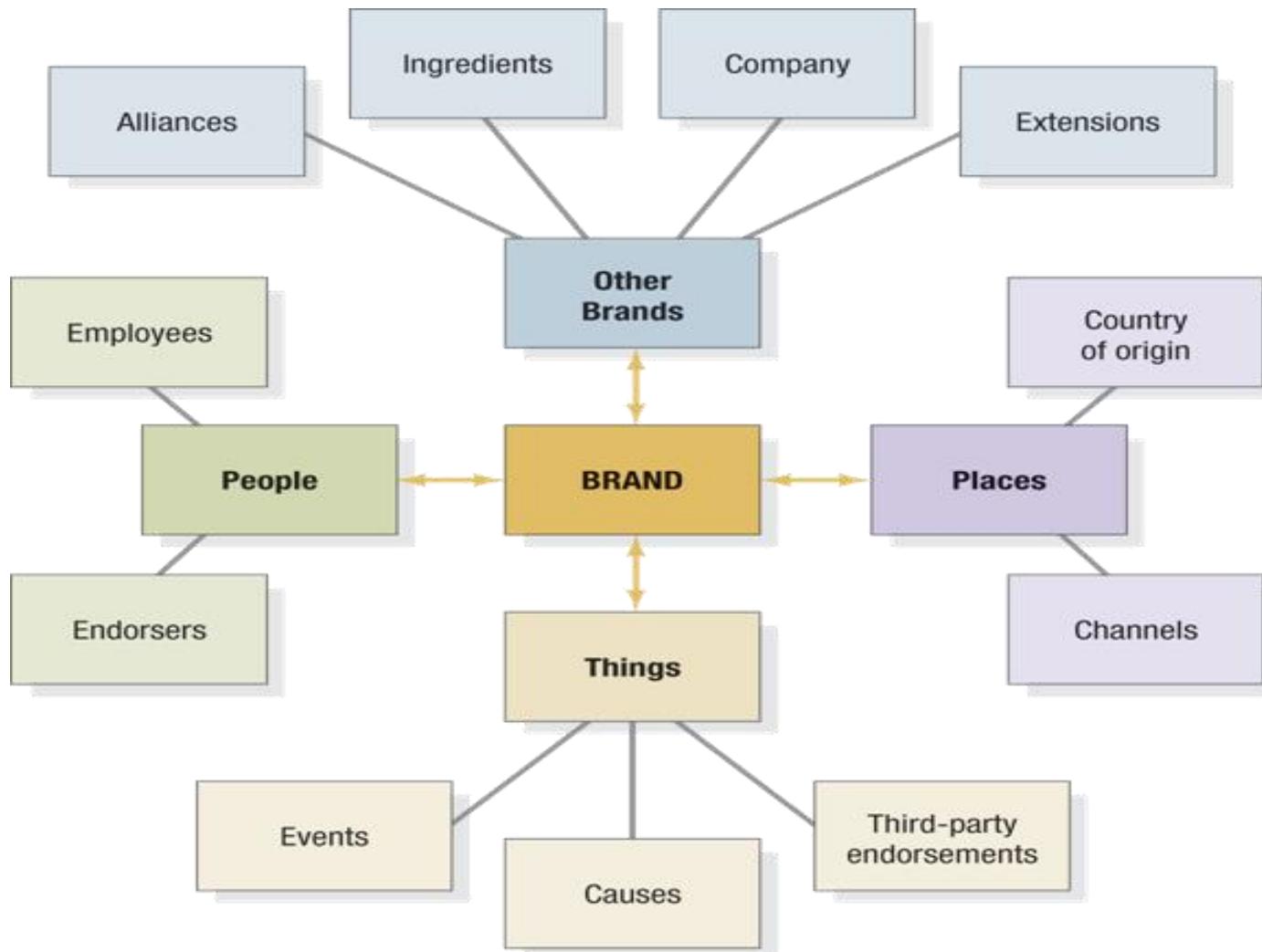
Actual Price of A: Rs. 420

Generic Product Price: 120

For A: Receives 360 CBE for Rs. 300 additional price

Drivers of Brand Equity

Leveraging Secondary Associations



Branding – B2C



KitchenAid®



Branding – B2B



SIEMENS

ABB

citigroup

accenture

Goldman
Sachs

FedEx®



AIRBUS

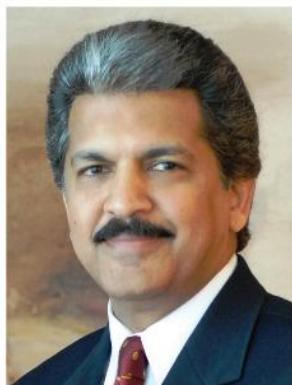
CATERPILLAR®

WIPRO
Applying Thought

Infosys®

Building
Tomorrow's Enterprise

CEO as a brand



Drivers of Brand Equity - Brand Element Choice Criteria

- Memorable (Taj, Lux, LG)
- Meaningful (Fair and lovely fairness cream)
- Likeable (Scorpio, Splendor)
- Transferable (Amazon)
- Protectable



Branding Decisions

- Individual names
- Blanket family names
- Separate family names for all products
- Corporate name combined with individual product names

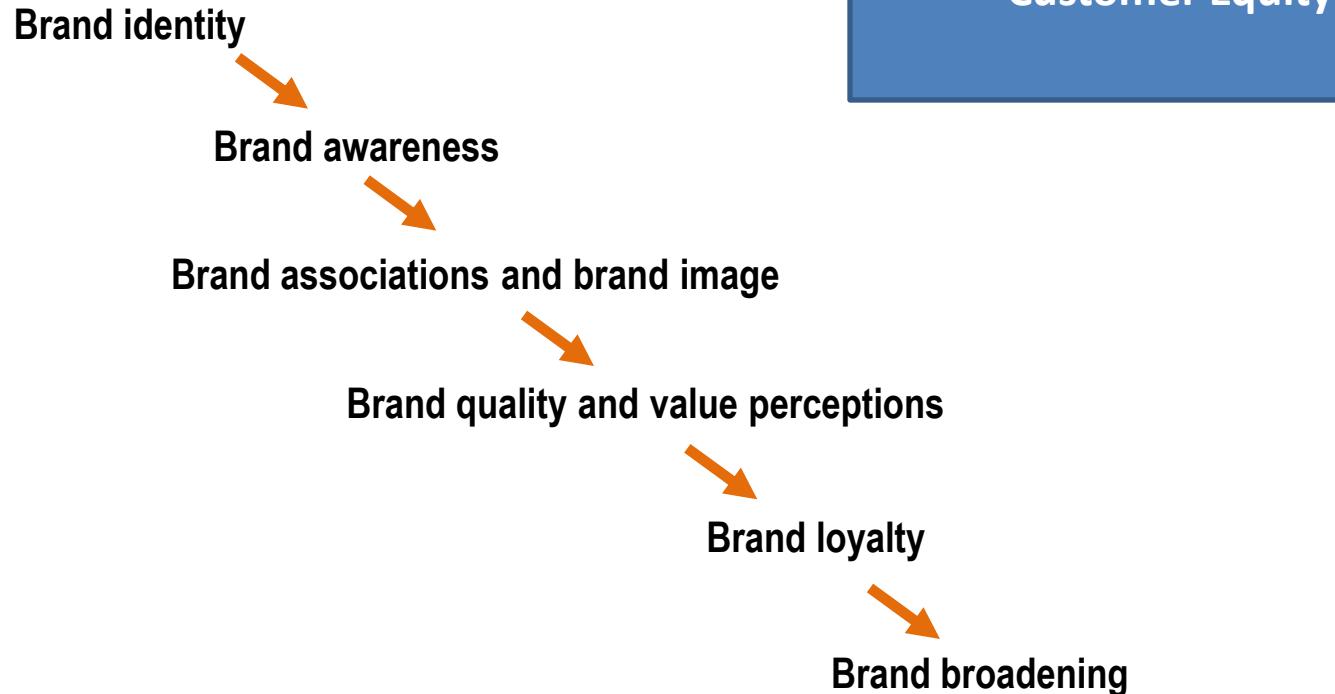
Brand portfolio

- Low end entry level
- High end prestige
- Cash cows

Building and sustaining strong brands

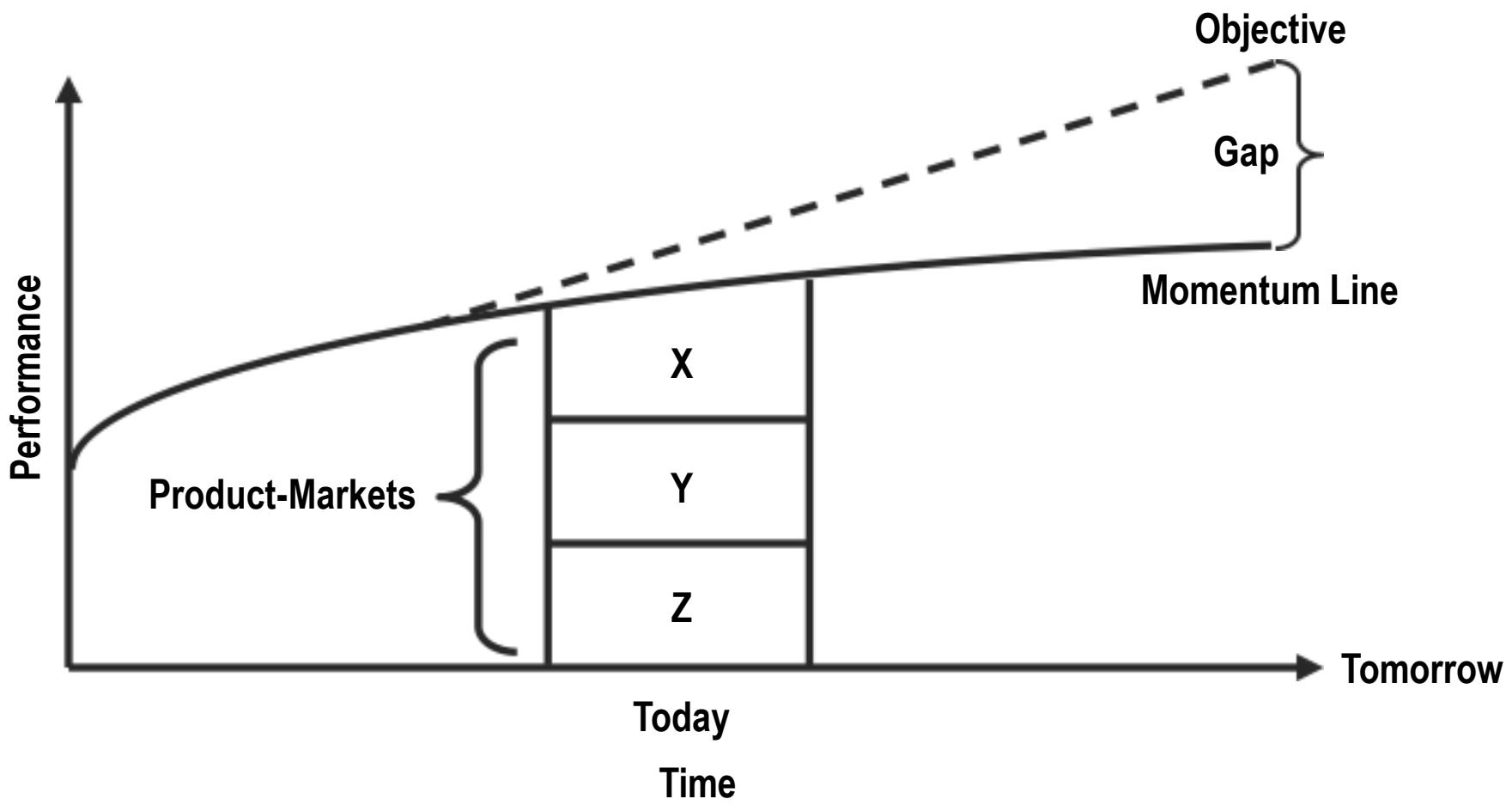


A Process View



Setting Product Strategy

Resource Allocation



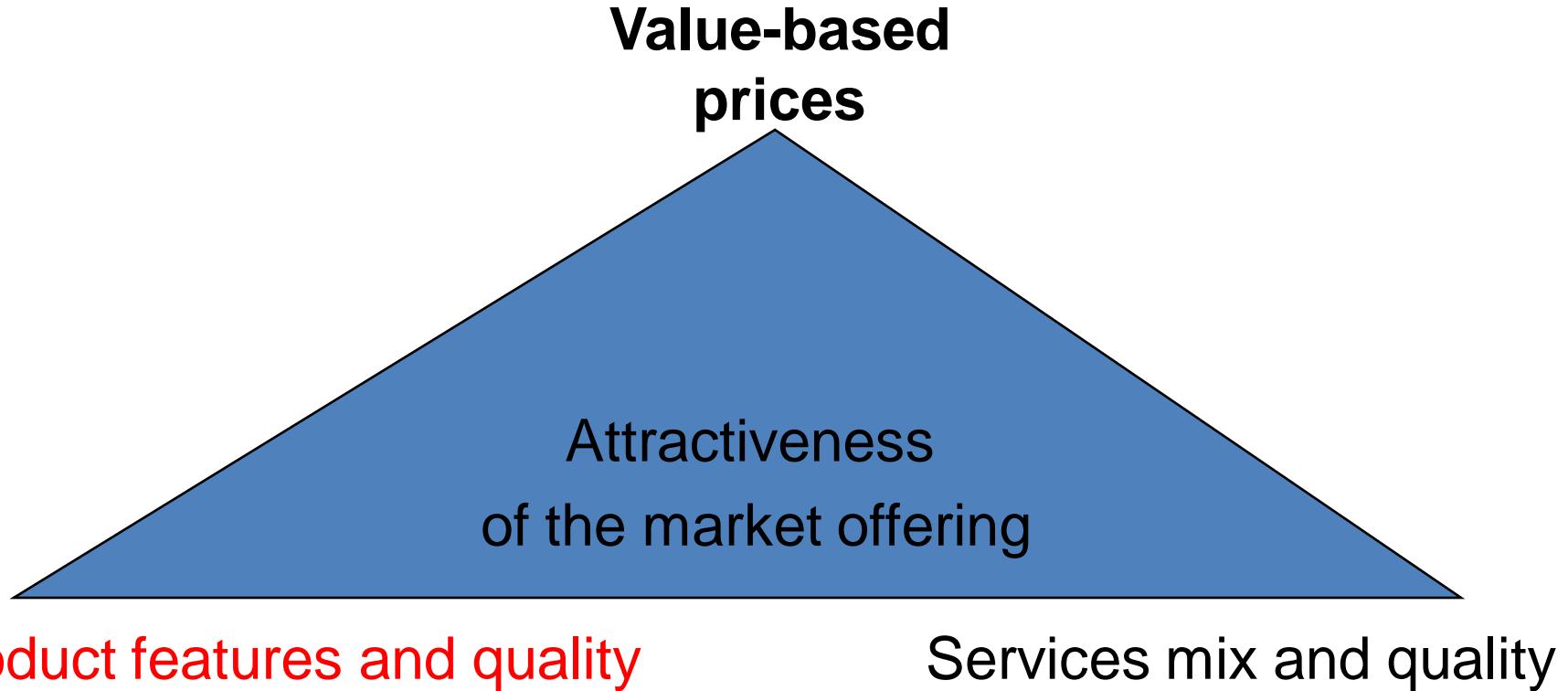
Product strategy

- Case: Ashok Leyland
- Marketing planning begins with formulating an offering to meet target customers needs and wants.

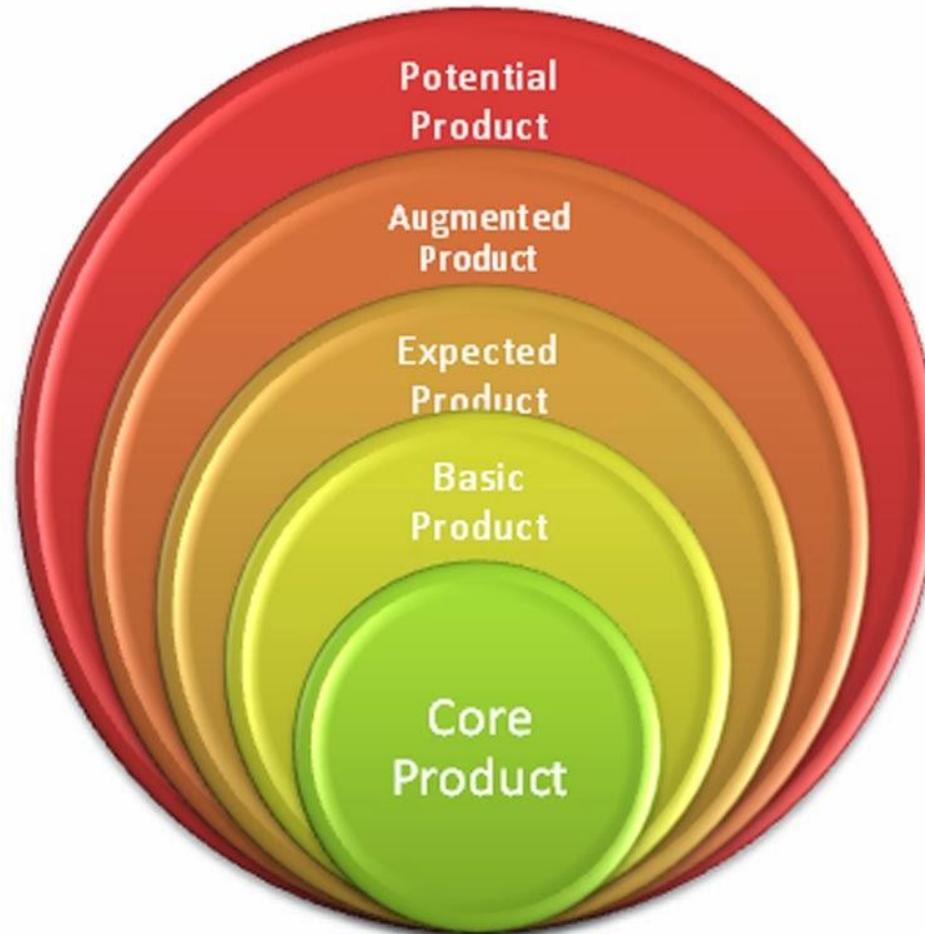
What is a Product?

A **product** is 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.

Components of the Market Offering



Five Product Levels



Examples of product augmentation

- Aristocat Luggage
- Colgate toothbrush (battery)
- Park avenue trousers
- Windows OS

Product features vs. product benefits

Consumer Goods Classification



**Convenience
Goods**

Staples, Impulse and
emergency

**Shopping
Goods**

**Specialty
Goods**

**Unsought
Goods**

Industrial Goods Classification



Materials and parts

Capital items

Supplies &
business services

Product Differentiation

- Form (Medicines)
- Features
- Customization
- Performance Quality (Mercedes Benz)
- Conformance Quality
- Durability
- Reliability
- Repairability
- Style

Case: Blue Dart

Product Differentiation

- Design
 - Totality of features that affect how a product looks, feels and functions in terms of customer requirements.
 - Developing products for rural markets
 - Utsav Paint

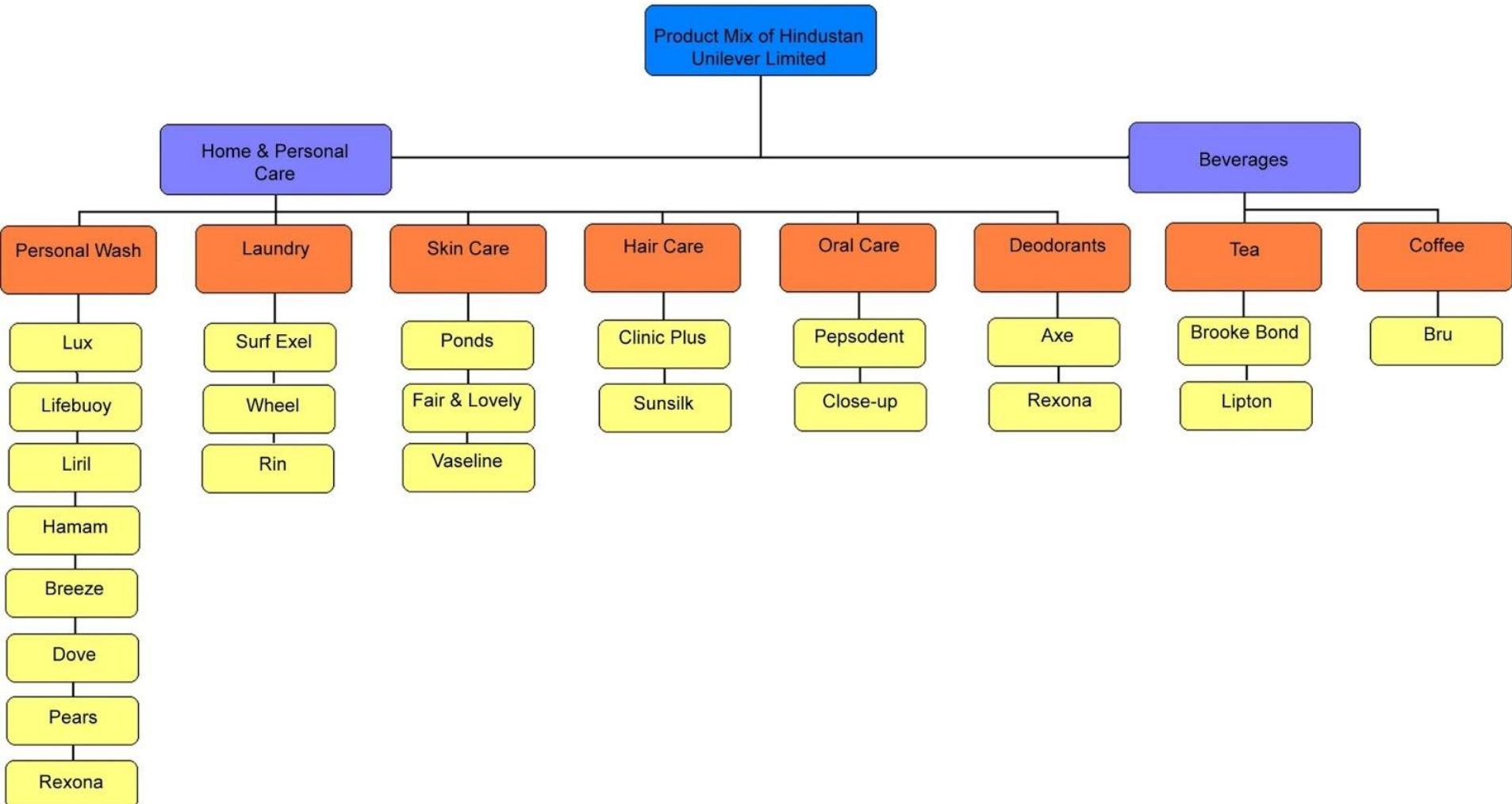
Service Differentiation

- Ordering ease
- Delivery
- Installation
- Customer training (GE healthcare)
- Customer consulting
- Maintenance and repair
- Returns

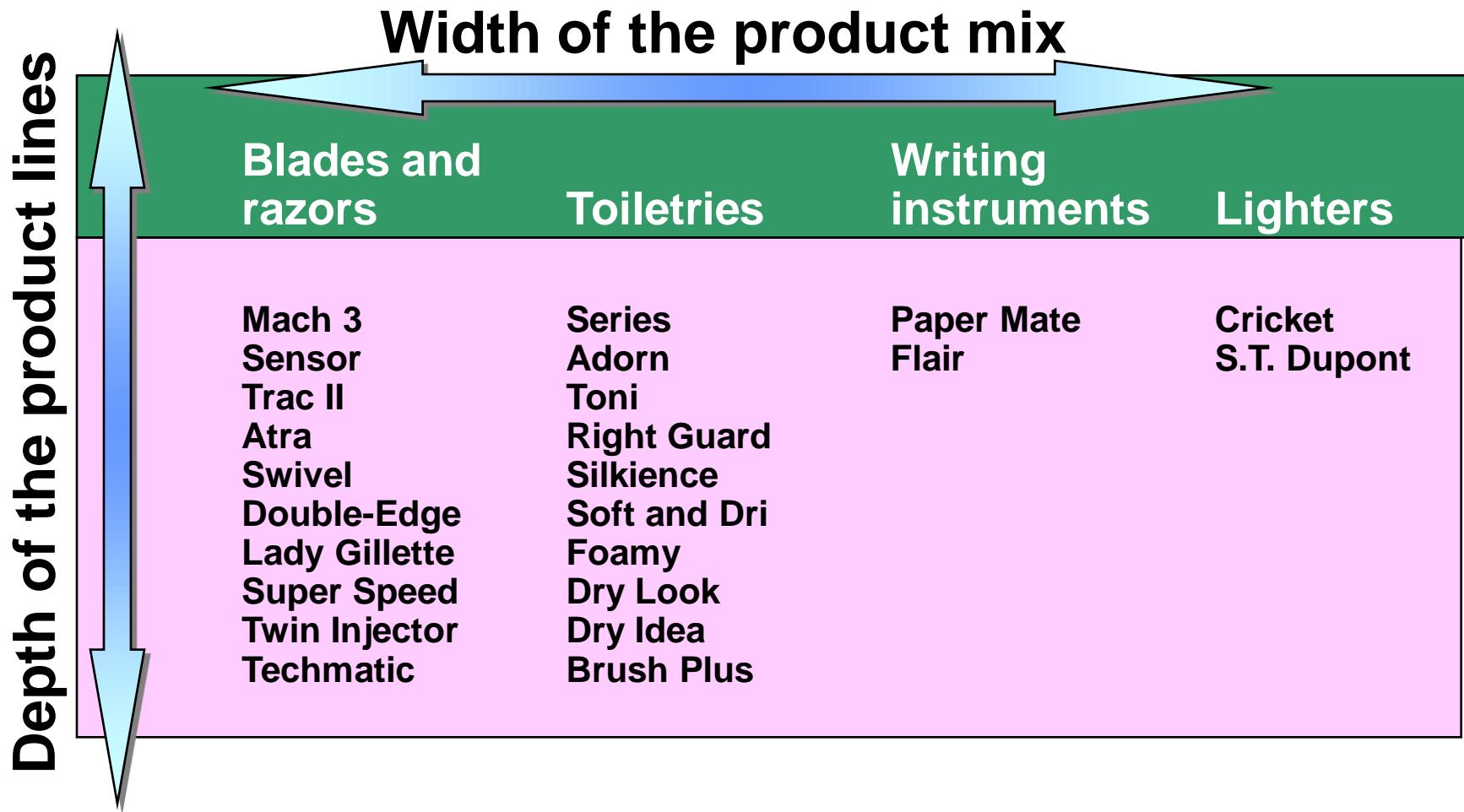
Product Systems and Mixes

- Product system (Smartphone)
 - Product mix
 - Width
 - Length
 - Depth
 - Consistency
-

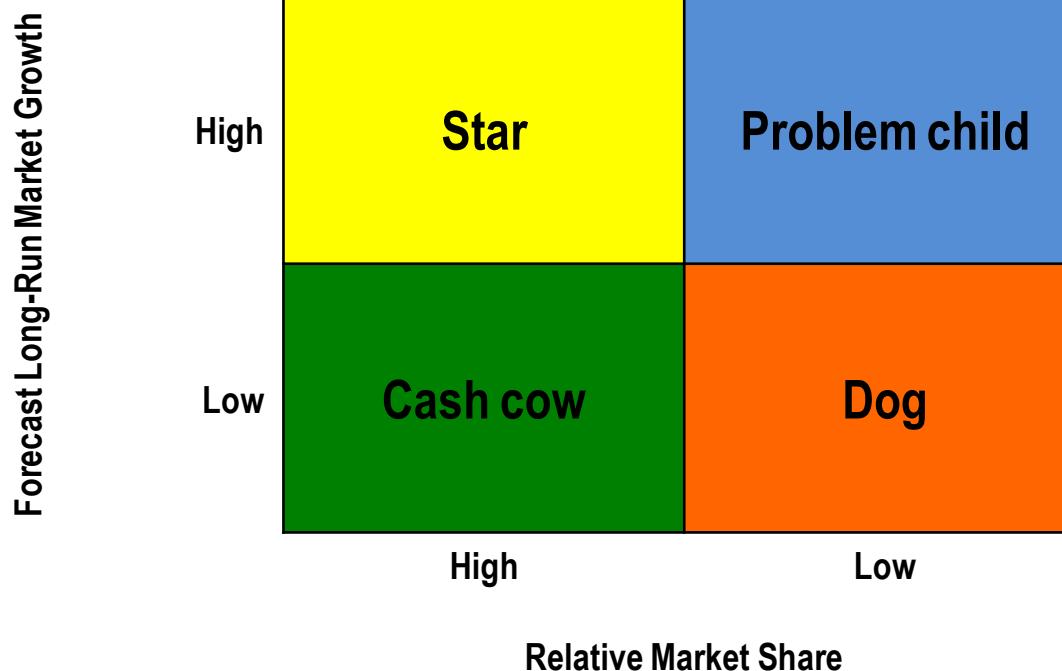
Product-mix of HUL



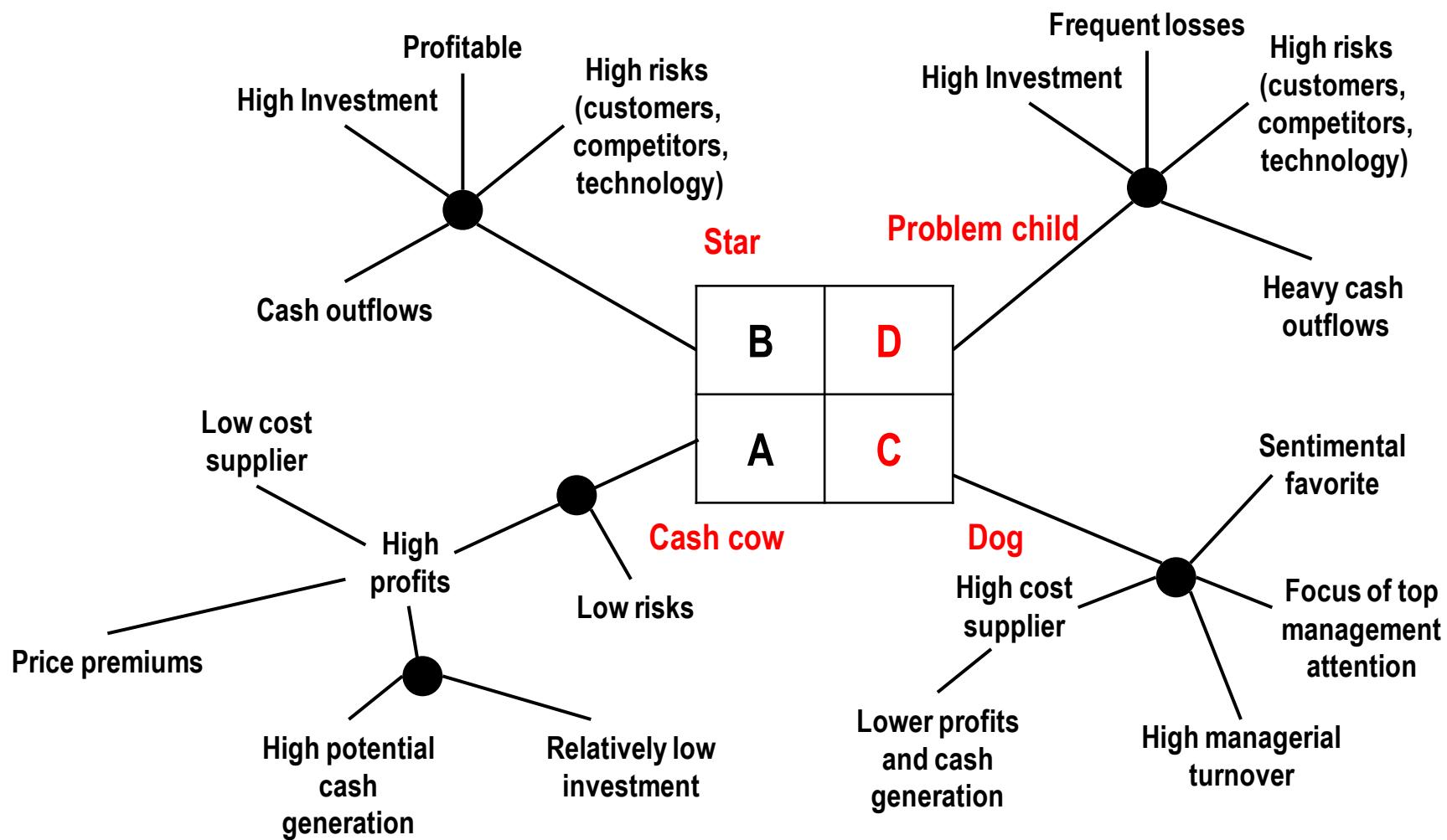
Gillette's Product Lines and Mix



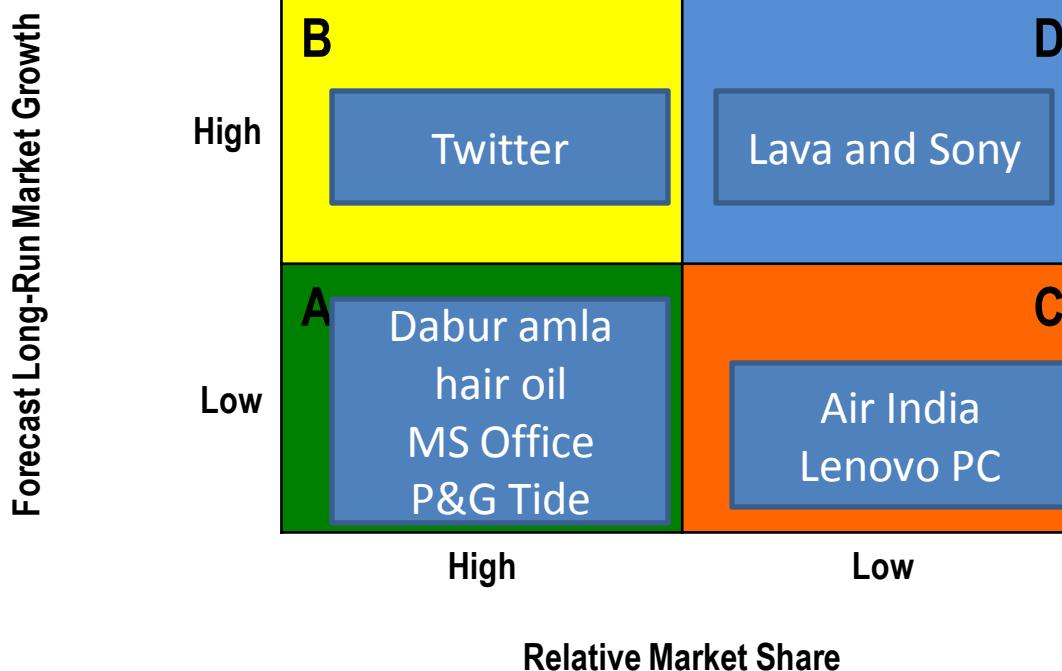
Growth/Share Matrix



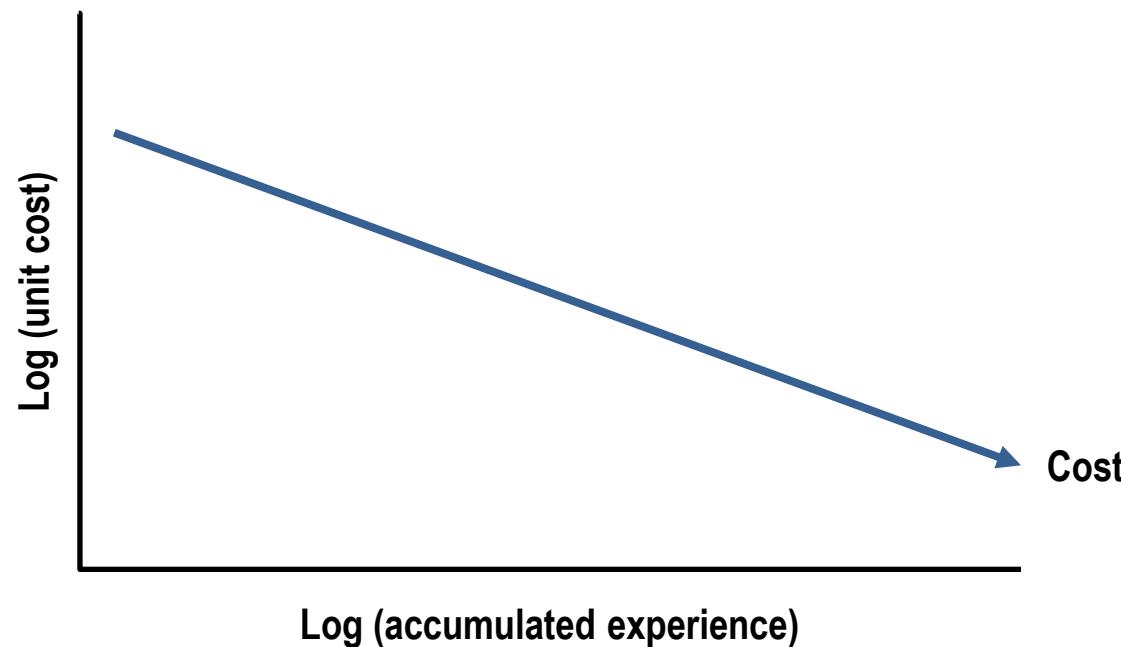
BCG Matrix



Growth/Share Matrix



Experience Curve



Relative Market Share

$$\text{Relative Market Share} = \frac{\text{Firm Market Share}}{\text{Market Share of Largest Competitor}}$$

Few Competitors
Leader market share= 40%

Number 2 firm market share =
30%

$$\text{RMS} = 40/30 = 1.33$$

Many Competitors
Leader market share= 40%

Number 2 firm market share =
15%

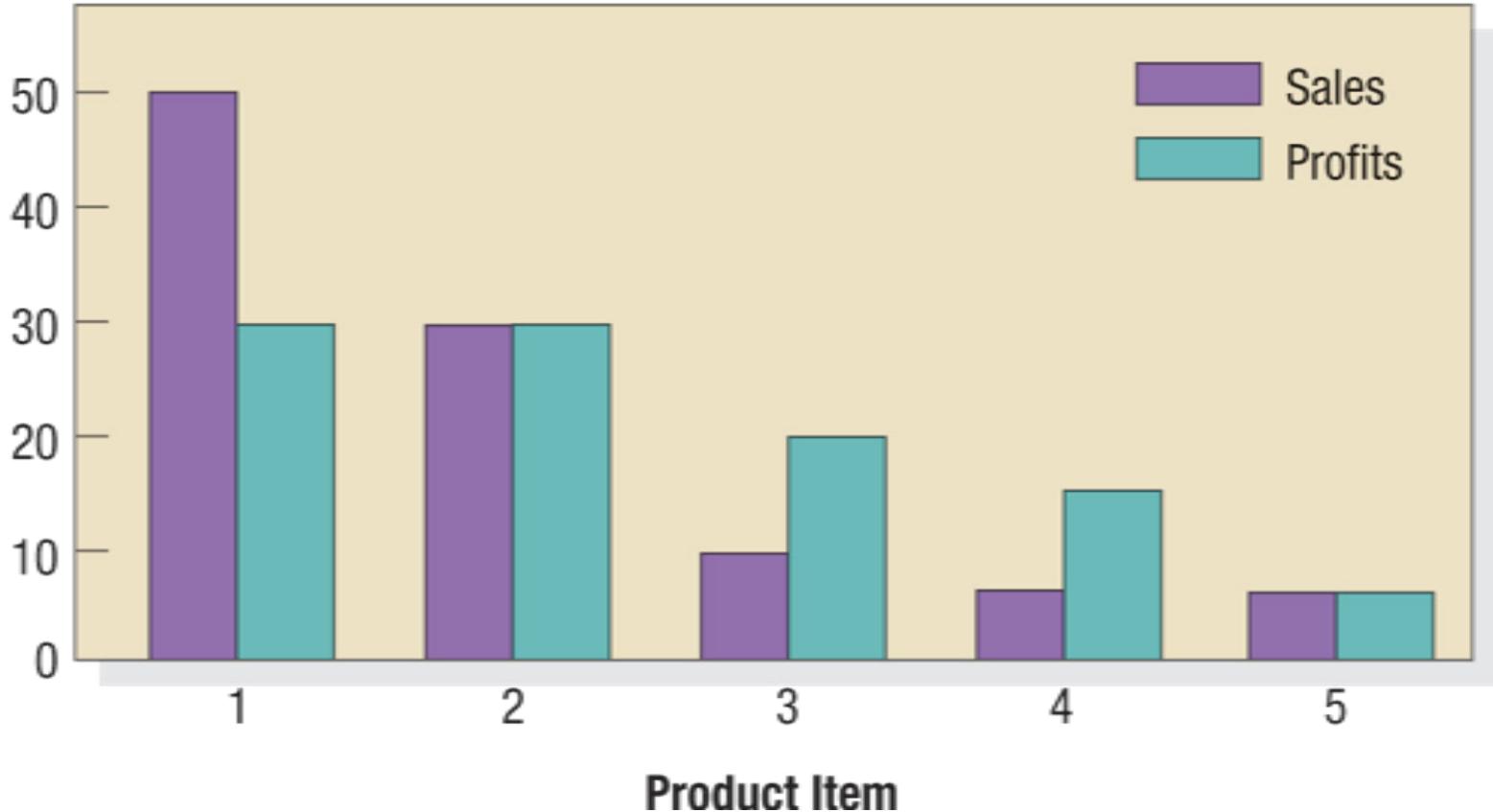
$$\text{RMS} = 40/15 = 2.67$$

Simplifying the Product Line – Be Cautious: *Illustration (Rs crore)*

	Overall Firm	Product A	Product B	Firm less Product A
Sales revenues	Rs 35	Rs 15	Rs 20	Rs 20
Variable costs	Rs 19.5	Rs 8.5	Rs 11	Rs 11
Contribution margin	Rs 15.5	Rs 6.5	Rs 9	Rs 9
Direct Fixed Cost	Rs 8	Rs 4.5	Rs 3.5	Rs. 3.5
Indirect Fixed Cost	Rs 7	Rs 3	Rs 4	Rs 7
Total fixed costs	Rs 15	Rs 7.5	Rs 7.5	Rs 10.5
Profit	Rs 0.5	Rs 1	Rs 1.5	Rs 1.5

Product-Line Analysis

Percentage Contribution to
Sales and Profit



Product Line Analysis

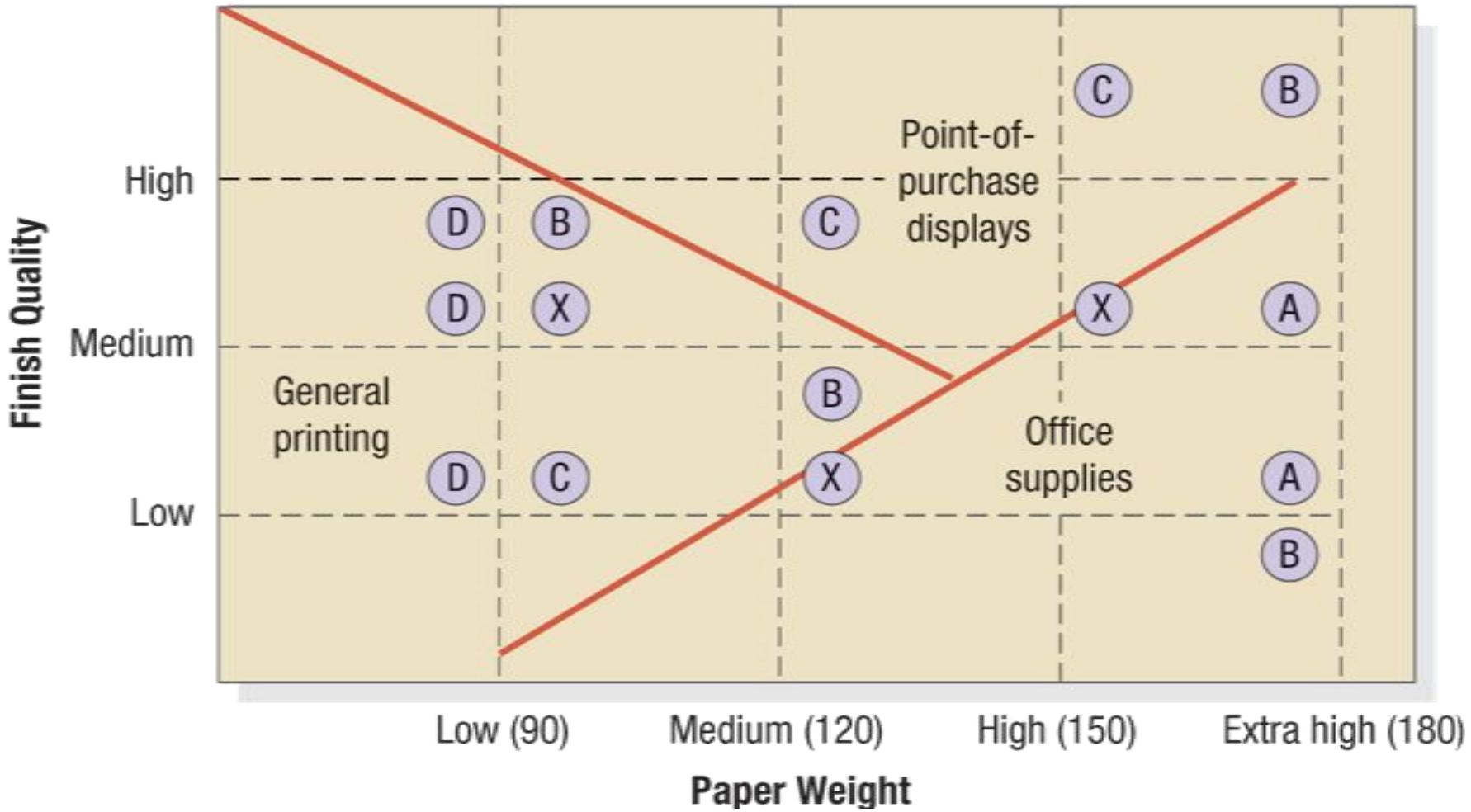
Core product
(Laptop)

Staples
(RAM and storage)

Specialties
(installation)

Convenience
Items
(software etc)

Market Profile: Product Map



Product-Line Length (Line Stretching)

Down-Market Stretch

Up-Market Stretch

Two-Way Stretch

Stretching down and up

- Stretching down
 - HUL
 - Surf and wheel
- Stretching up
 - Philips
 - Stereo music player

Product line lengthening

Johnson and Johnson Baby care line

- Skincare wipes
 - Baby cream
 - Baby milk lotion
 - Baby oil
 - Baby hair oil
 - Baby shampoo
-

Product-Line Length

- Line Filling (Videocon TV and AC)
 - Line modernization
 - Line featuring
 - Line pruning (Nokia and Titan)
 - Pruning weak brands can strengthen the remaining brands in the line
-

Product-Mix Pricing

- Product-line pricing (shirt pricing)
- Optional-feature pricing
- Captive-product pricing (HP)
- Two-part pricing (amusement parks)
- By-product pricing
- Product-bundling pricing
 - Rebundle and unbundle

Co-branding

- Two or more well known brands are combined into a joint product or marketed together in some fashion.
- Same company co-branding
 - Gillette India and Eureka Forbes
- Joint venture co-branding
 - Citibank and jet airways
- Retail co-branding
- **Cases: ABN-AMRO Airblue Mastercard**
 - » HDFC & Snapdeal

Ingredient Branding

- Special case of co-branding
- Creates brand-equity for materials, components, or parts that are necessarily contained within other branded products
- “Intel Inside”

What is the Fifth P?

- **Packaging**, sometimes called the fifth P, is all the activities of designing and producing the container for a product.

Factors Contributing to the Emphasis on Packaging



Self-service

Consumer affluence

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
-

Functions of Labels

Identifies

Grades

Describes

Promotes

Warranties and Guarantees

- Warranties are formal statements of expected product performance by the manufacturer.
- Guarantees reduce the buyer's perceived risk
 - Quality and service performance
 - Not well known company/products
 - Superior quality as compared to competitors

Severe lapses in product quality



- 2010, Maruti Recalls one lakh A-Star cars
 - Tank problem
 - Overseas (6 out of 10)
 - Good thing is using proactive approach before the complaints by finding internally
- 2009, Tata Nano too gets into trouble
 - Smoking nano/ nano catches fire
 - One customer's compensation 15 lakhs
 - Free upgrade from TATA
 - Dented Product promise and value proposition

Severe lapses in product quality



- Exploding laptops
 - Dell
 - Conference
 - Sony batteries
 - Both have faced cost implications
 - Nightmare for HP, Apple and Lenovo using Sony
- Sony's Sickness
 - 2001 cell phone market entry
 - Battery problems (plastic case melting)
 - Joint venture with Ericsson

DESIGNING & MANAGING SERVICES

Categories of Service Mix



- Pure tangible goods
- Goods accompanying services
- Hybrid
- Service with accompanying minor goods
- Pure service

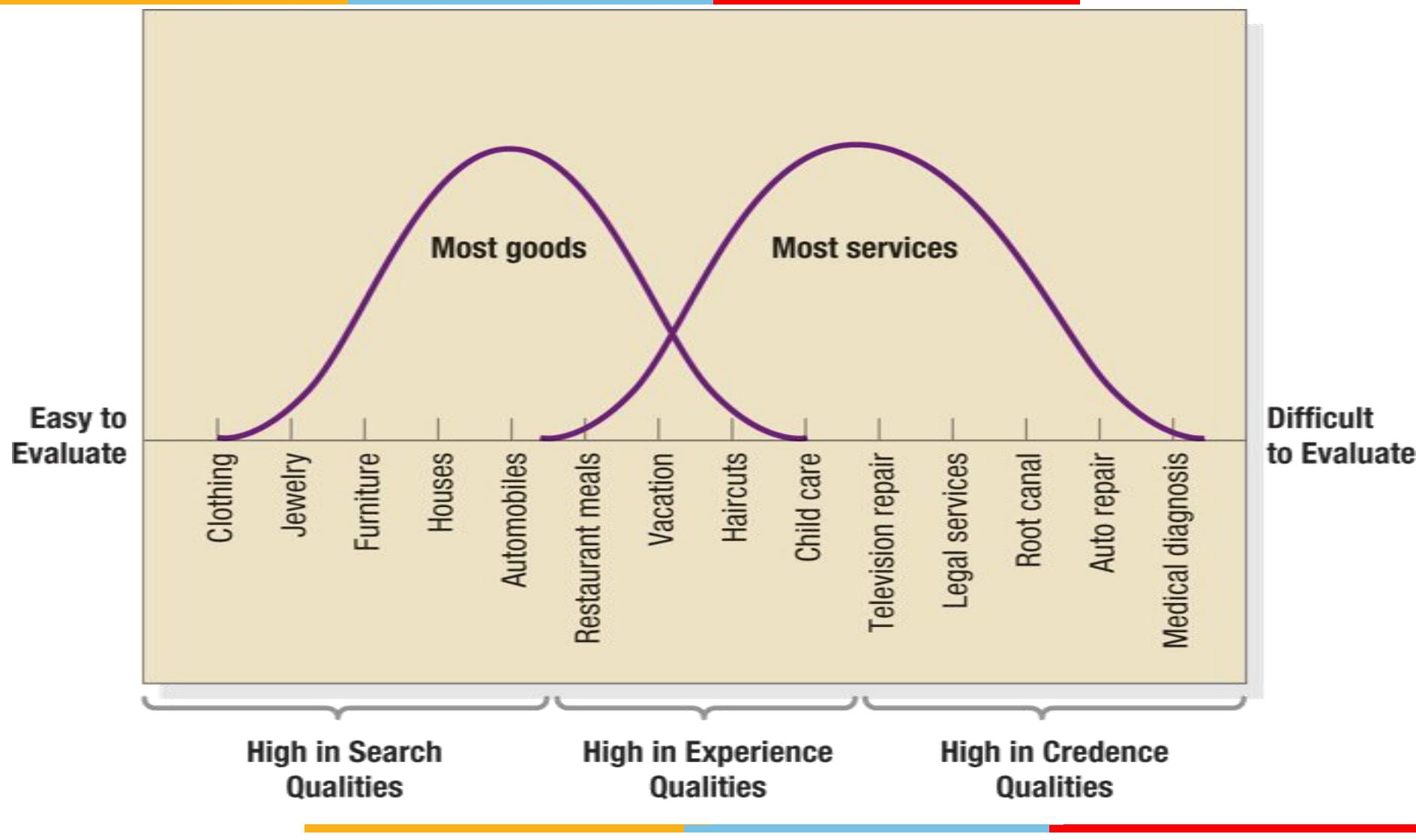
*Computer Vs. Computer Education
Production vs. Perform
Entertainment vs. Dry cleaning*

Service Distinctions

The range of service offerings makes it difficult to generalize without a few further distinctions:

- Equipment-based or people-based
- Client's presence required or not
- Personal needs or business needs

Continuum of Evaluation for Different Types of Products



Differing through convenience

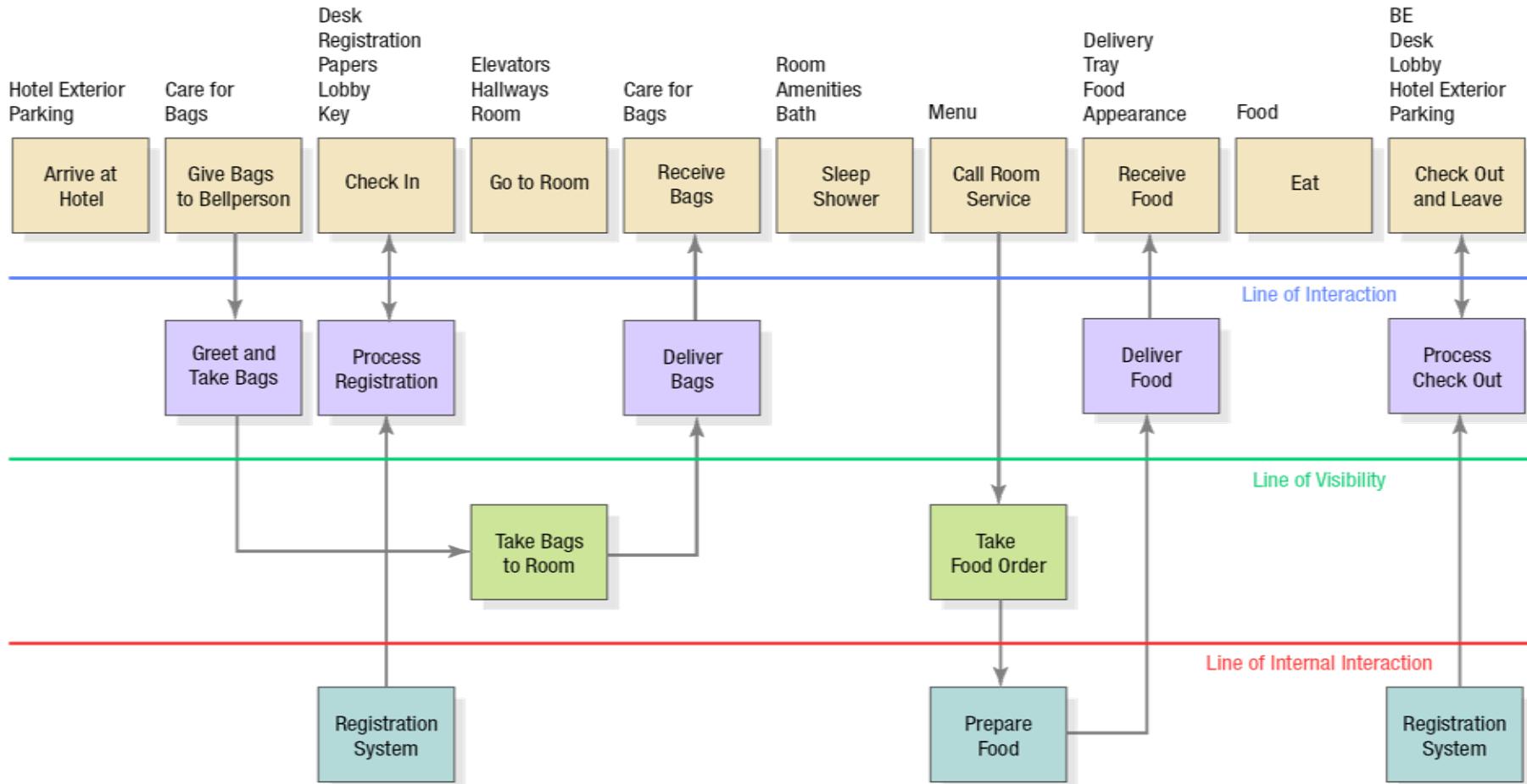
- 24*7 Service outlets
 - Café coffee Day (Selected); Comesum
- Standard Chartered Bank
 - Day and night branches
 - Businessman and wedding attenders
- Apollo Pharmacy
 - Round the clock
 - Chennai and Hyderabad

How to Increase Quality Control

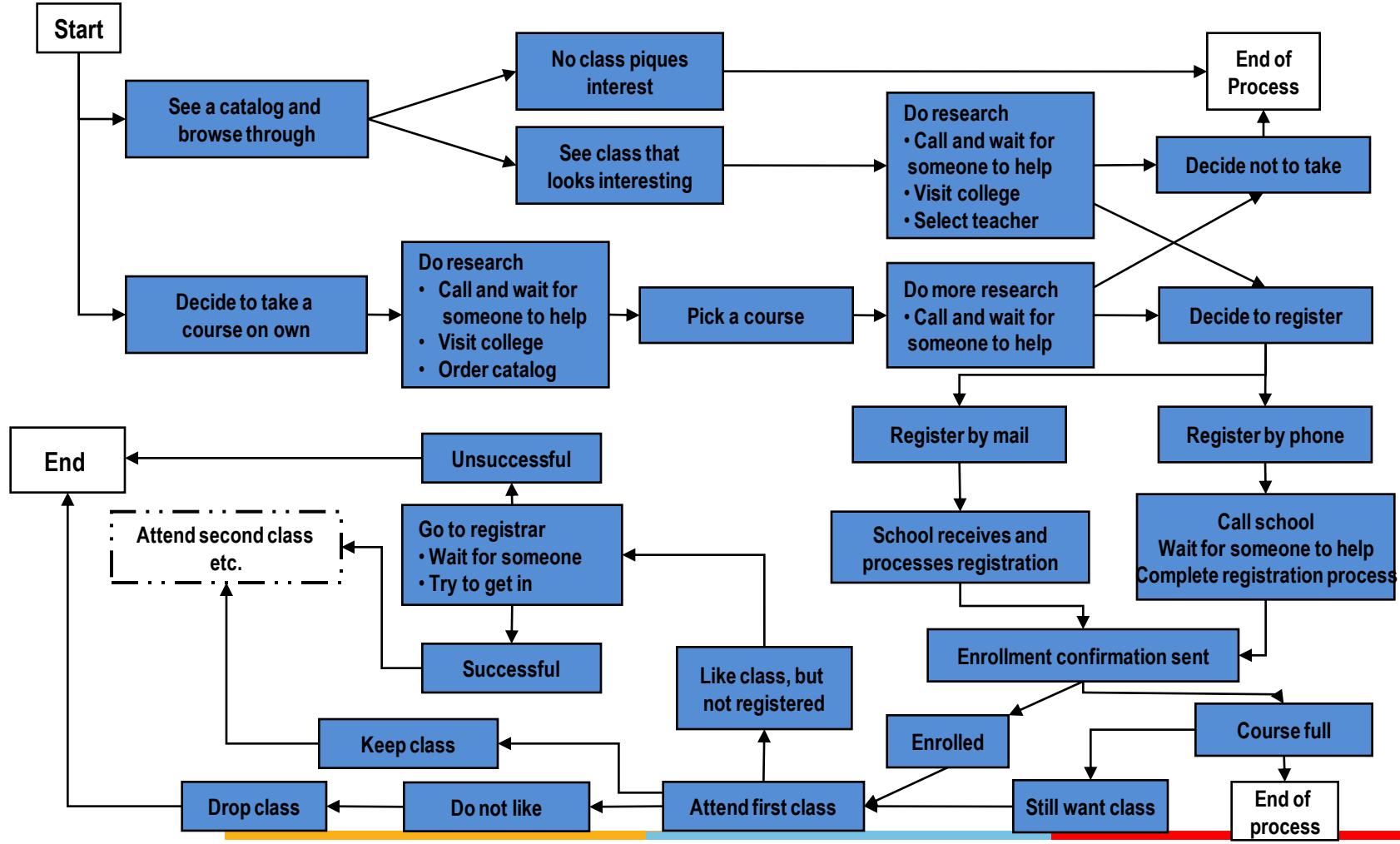


- Invest in good hiring and training procedures
 - Competence, courtesy, credibility, reliability, responsiveness, communication
- Standardize the service-performance process
 - Service blueprint
- Monitor customer satisfaction
 - Customer survey, comparison shopping
 - GE, Citibank

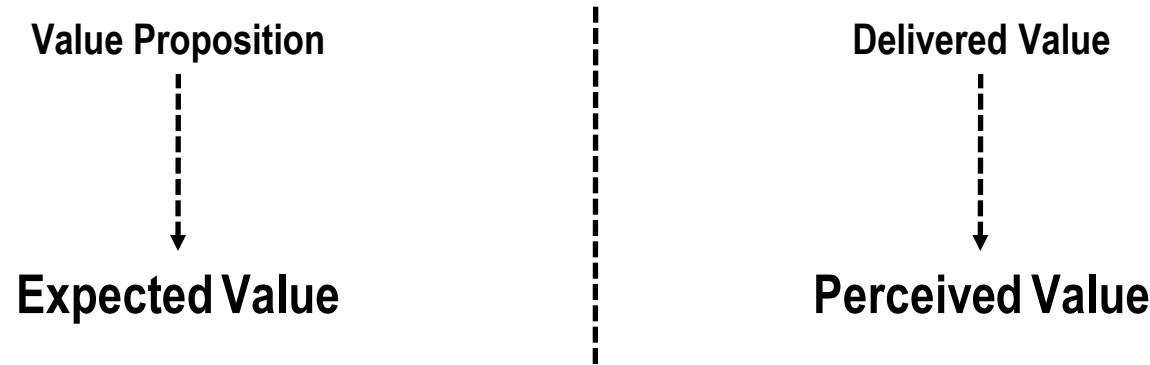
A Blueprint for Overnight Hotel Stay



Blueprint of Course Registration



Service quality and customer satisfaction



Customer Satisfaction = f(Perceived Value less Expected Value)

Service quality and customer satisfaction



$f(\text{Perceived Value less Expected Value}) = \text{Customer Satisfaction}$

	Expected Value	Perceived Value	Customer Satisfaction
Firm A	5 hours	6 hours	low
Firm B	8 hours	7 hours	high

Distinctive Characteristics of Services



- Perishability
 - Major problem when demand fluctuates
 - Public transport companies
 - Doctors

Service Performance (5 hrs. to 8 hrs.)

Vs.

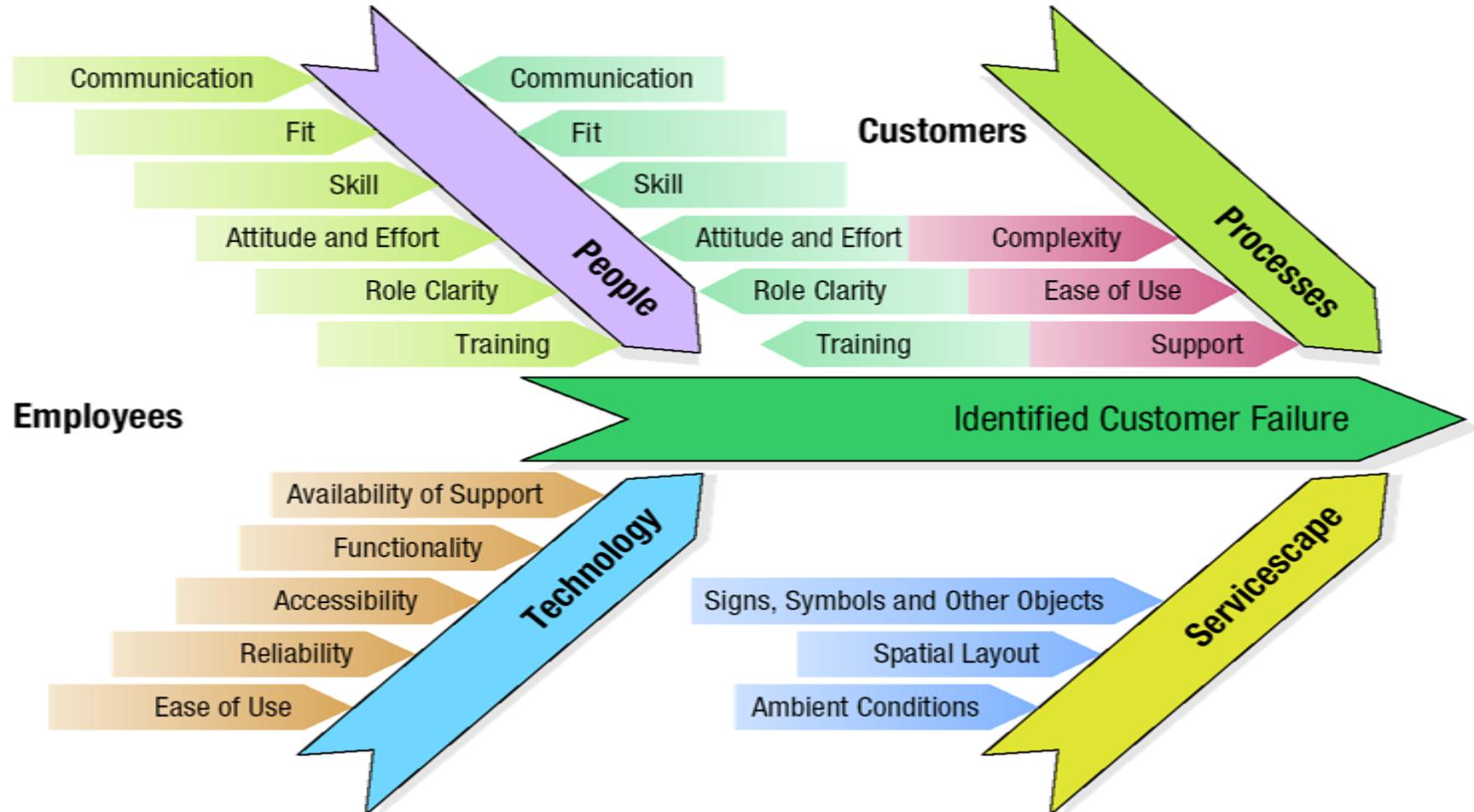
Satisfaction rating
Brand A & Brand B

Examples (Differentiating with Speed)

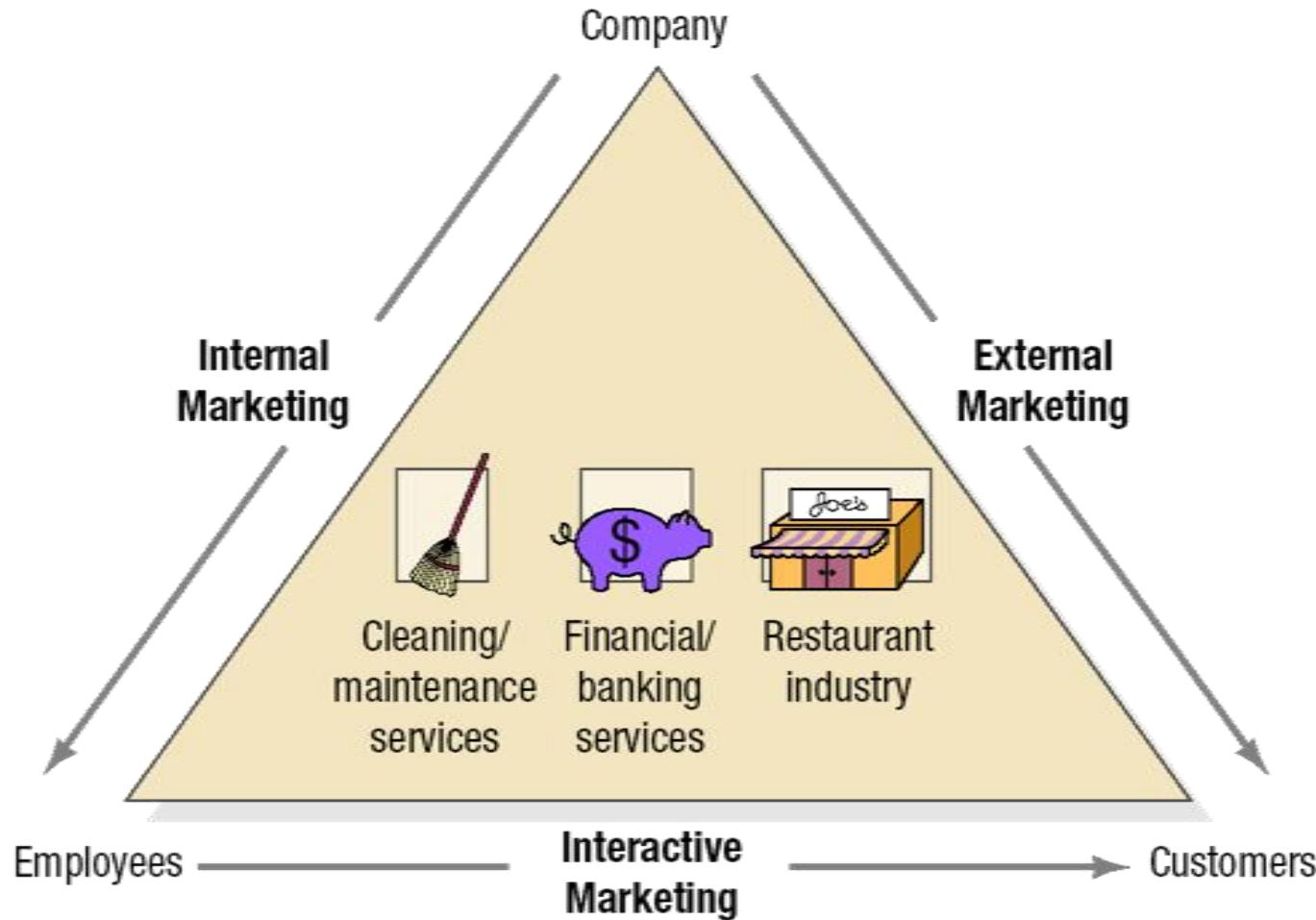


- **Hotel Windsor Manor, Bangalore**
 - Half-an-hour room service order
 - No payment required if the promise is unfulfilled
- **Hotel Taj West-end, Bangalore**
 - Business traveler
 - Time constraints
 - 2-minutes check-in; 4-minutes baggage delivery; 5-minutes room service(beverages)
 - You have extra minutes for business

Root Causes of Customer Failure



Three Types of Marketing in Service Industries



Three Types of Marketing in Service Industries



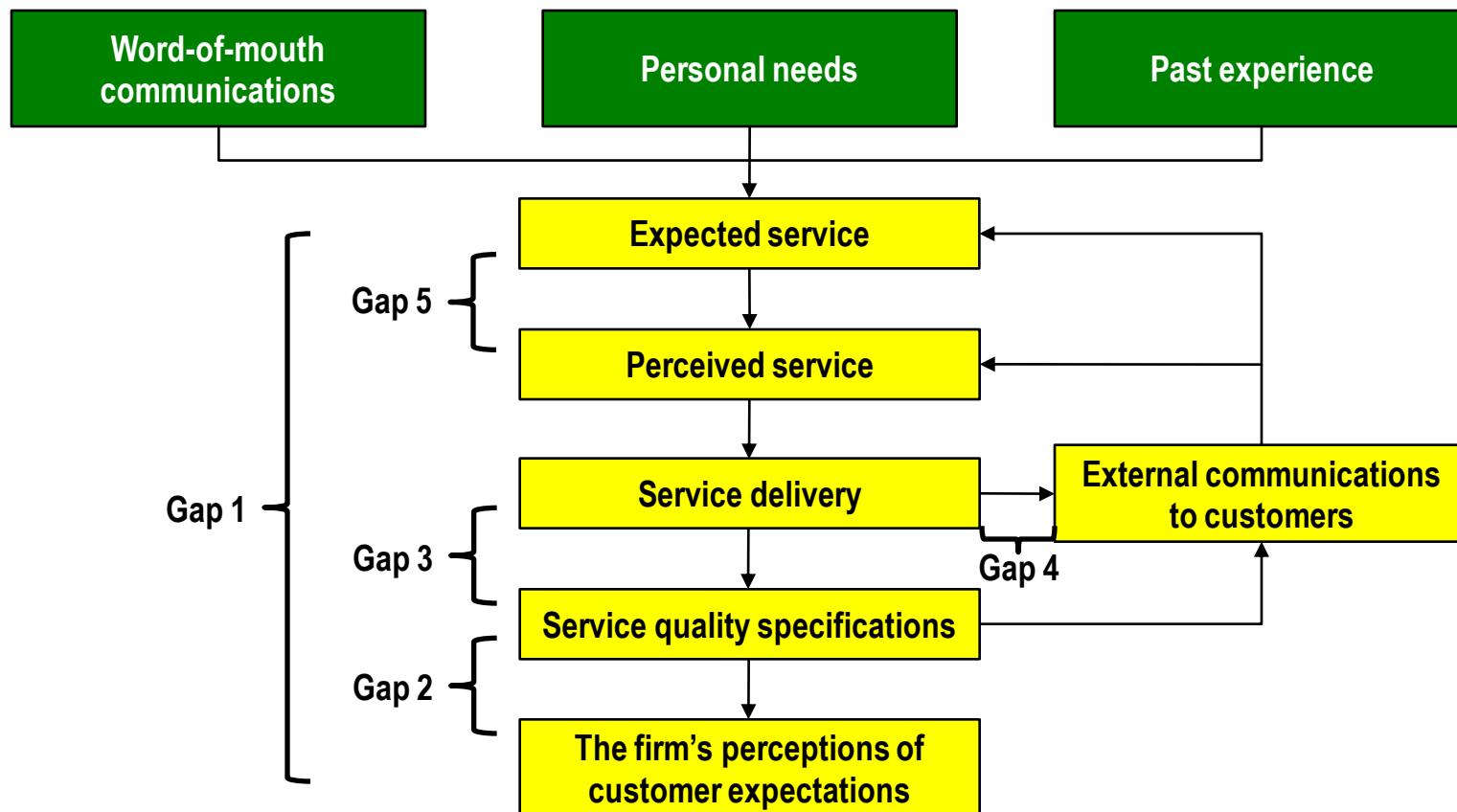
- External marketing
- Internal marketing
 - Case: Singapore Airlines
- Interactive marketing
 - Use of technology

ICICI & HDFC
Maintaining
relationships without
face-to-face
interactions

Service-Quality Model



The service-quality model highlights the main requirements for delivering high service quality. It identifies five gaps that cause unsuccessful delivery:



Developing Pricing Strategies & Programs

Consumer Psychology and Pricing (contd.)



- Understanding how consumers arrive at their perception of prices:
 - Reference prices
 - Price-Quality inferences
 - Price cues

Pay as you use software by IBM

Philips Rs. 999 Campaign

DVD actual price=14,000 Rs.

Consumer Psychology and Pricing (contd.)

- Reference prices
 - Possible consumer reference prices:
 - “Fair Cost” (what the product should cost)
 - Last price paid
 - Upper-bound price (what most consumers will pay)
 - Lower-bound price (lower threshold price or the least consumers would pay)
 - Competitor prices
 - Expected future price
 - Usual discounted price

Consumer Psychology and Pricing (contd.)

- Price-Quality inferences
 - ✓ Price is considered as an indicator of quality
 - ✓ Perfume bottle

- Price Cues
 - ✓ Sale Signs
 - ✓ Prices that end in 9
 - ✓ Limited edition stock

Setting the Price

Selecting the Pricing Objectives



Determining Demand



Estimating Costs



Analyzing Competitors' costs, prices and offers

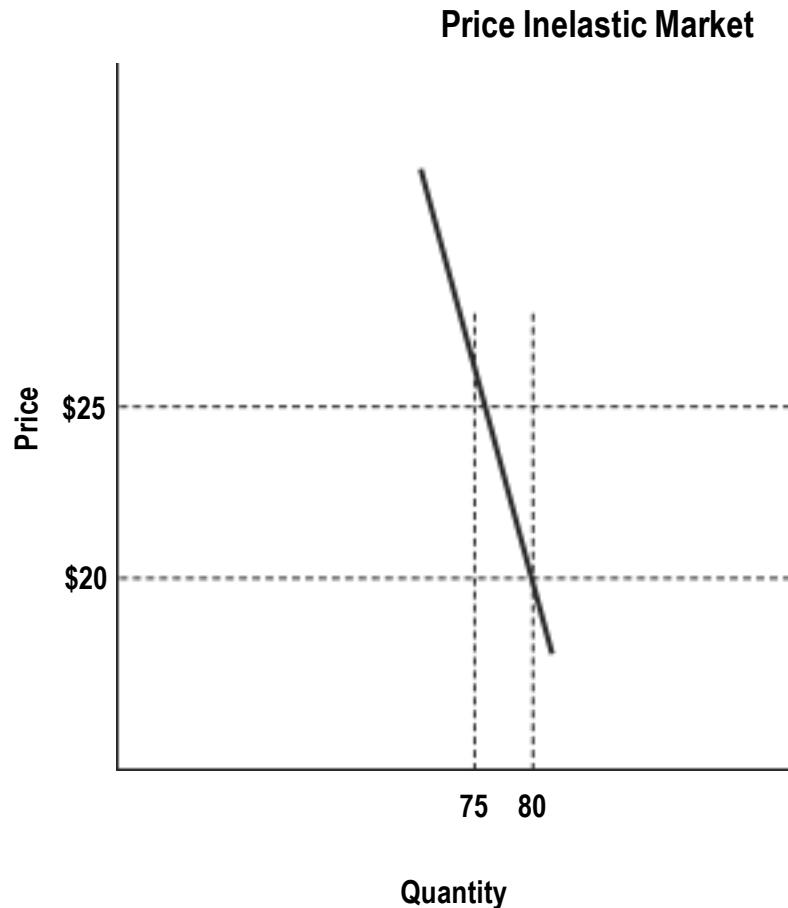


Selecting a Pricing Method

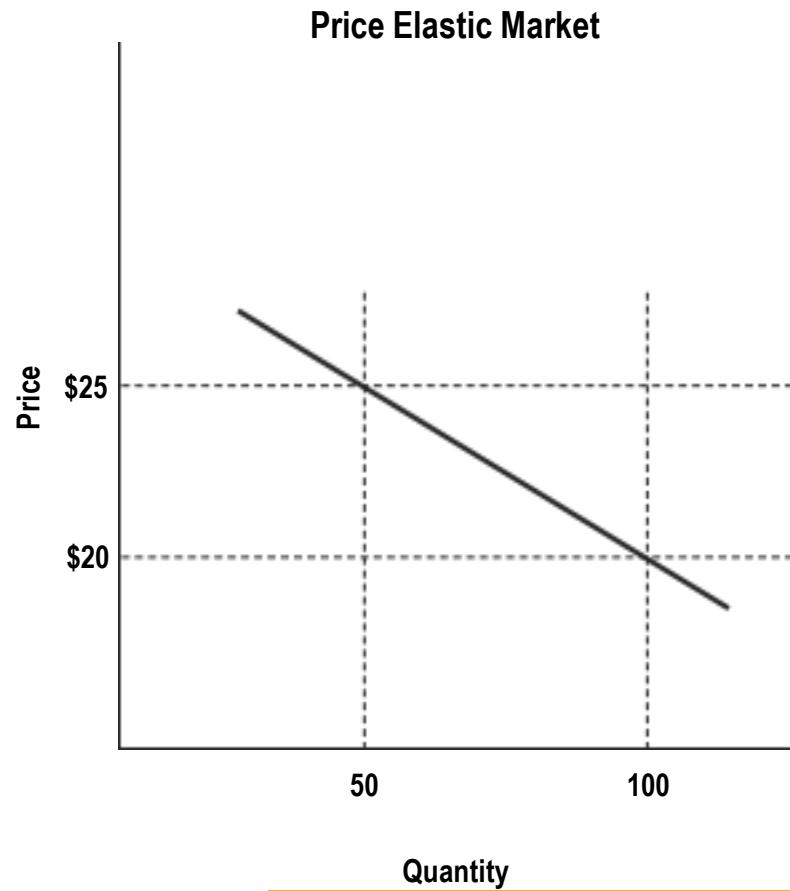


Selecting the Final Price

Inelastic Demand



Elastic Demand



Setting the Price (contd.)

✓ Estimating Demand Curves

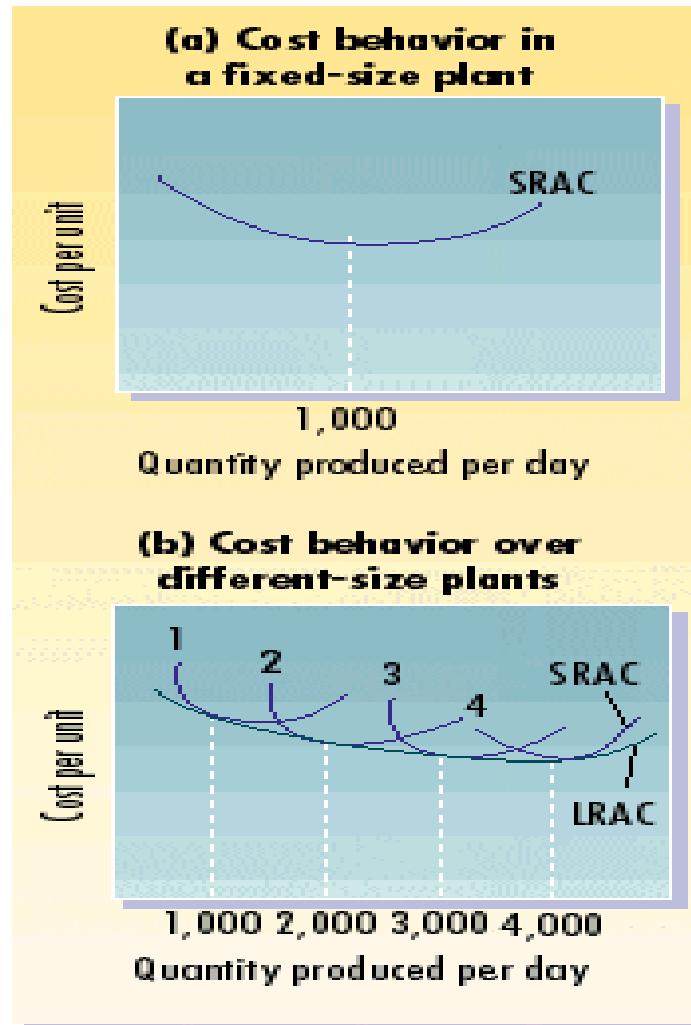
▪ Various methods:

- Surveys (purchase intentions at different proposed prices)
- Price experiments (conveying different prices and capturing purchase intentions)
- Statistical analysis (on the basis of data collected overtime; building appropriate model and fitting data)

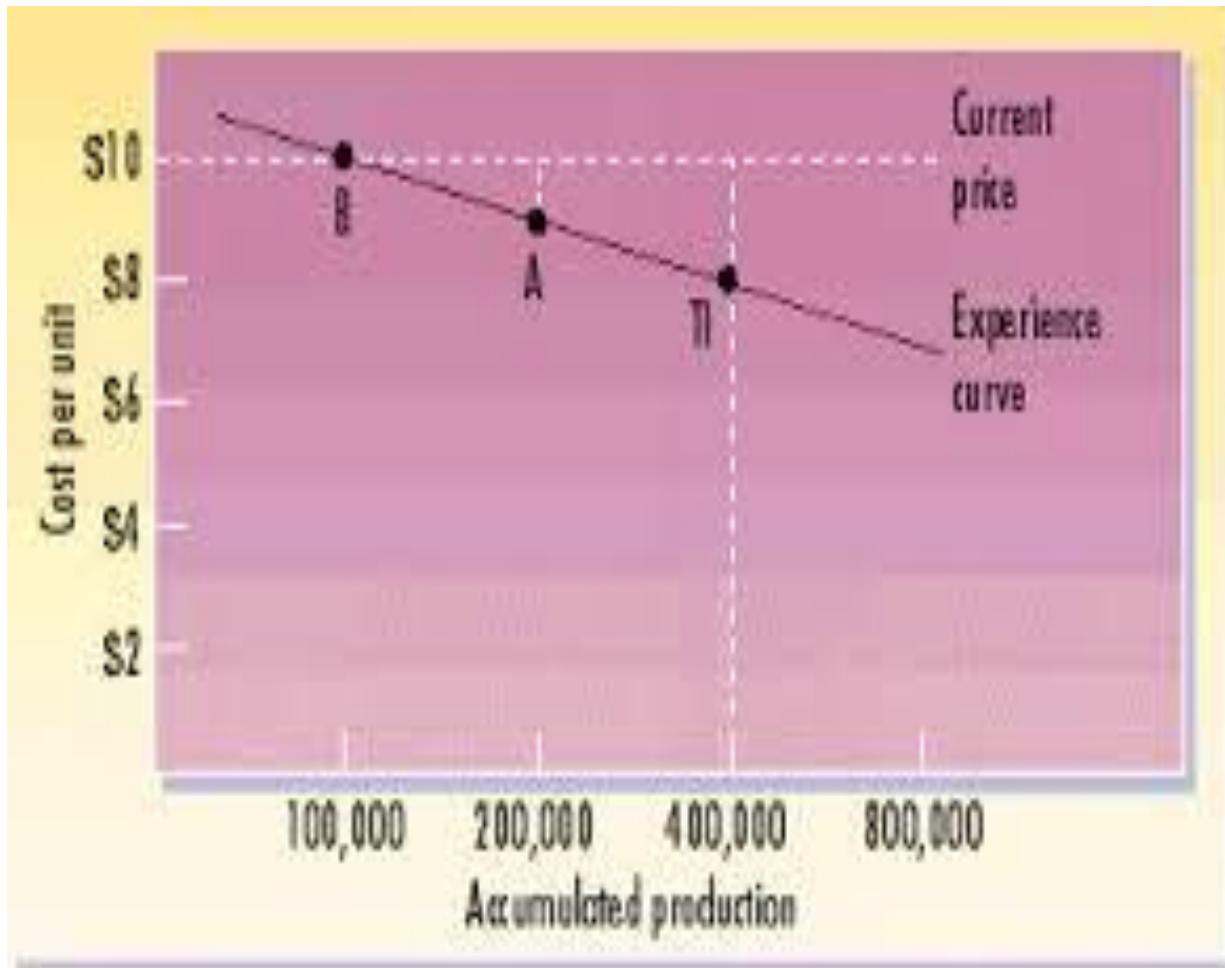
Setting the Price (contd.)

- **Step 3: Estimating Costs**
 - Types of costs and levels of production
 - ✓ Variable costs
 - ✓ Fixed costs
 - ✓ Total costs
 - How costs vary at different production levels will influence price setting

Cost per unit at different levels of production per period



Experience curve



Price Discounts and Allowances



- Discount: Price reduction to buyers who pay bills promptly.
 - “2/10, net 30”
- **Quantity discount:** Price reduction to those who buy large volumes
- **Functional discount:** Offered to trade channel members on performing functions like, selling, storing etc.
- **Seasonal discount:** Price reduction to those who buy goods or services out of season. Eg, hotels, airlines
- **Allowance:** Extra payment designed to gain resellers' participation in special programs.
 - **Trade-in allowance:** For turning in an old item when buying a new one.
 - **Promotional allowance:** Reward dealers for participating in advertising and sales support program.

Case

- Pricing for rural market
 - Khata system
 - Break the bulk
 - Low-unit packing
 - Utsav, Sonata, Tiger
 - Lifebuoy, Chota coke

Alternative approaches to avoid price increase

- Shrinking the amount of product.
 - Substituting less-expensive materials or ingredients.
 - Reducing or removing product features
 - Removing or reducing product services (after-sales services, installation)
 - Using less-expensive packaging material and larger package sizes
 - Reducing the number of sizes and models offered
 - Creating new economic brands
-



Fighting low-cost rivals

- Design
- Continual innovation
- Brand a community
- Sell experiences (Starbucks)

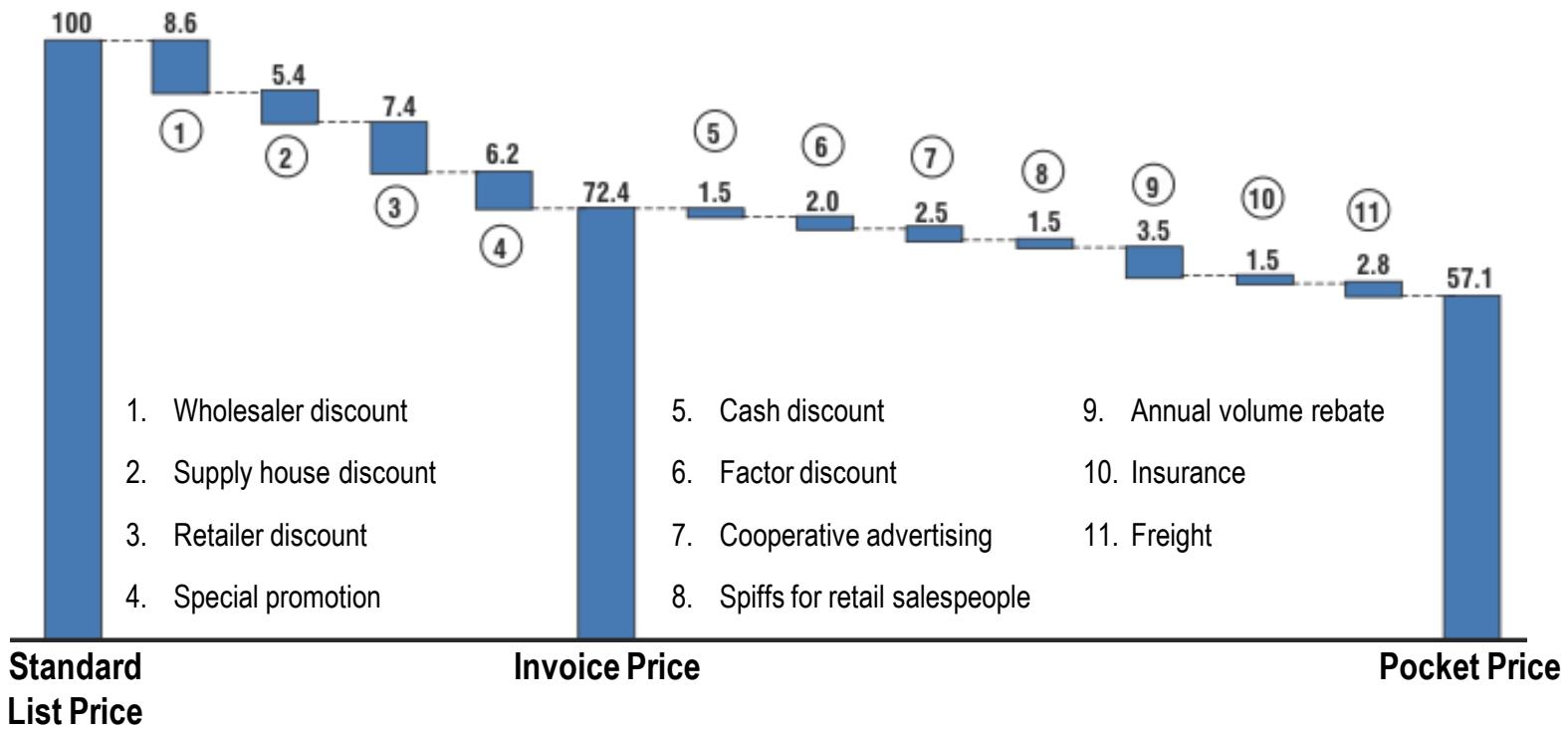
Additional Insights

Resale Price Maintenance (MRP)

Bait and Switch (Limited Stock)

Deceptive Pricing

Price Waterfall



Rupeemetric Method: Illustration – A, B, C, D



Options Compared	Preferred Option	Extra Price for Preferred Option
A and B	B	Rs 600
A and C	C	Rs 780
A and D	A	Rs 300
B and C	C	Rs 180
B and D	B	Rs 480
C and D	C	Rs 720

Rupeemetric Method: Illustration – A, B, C, D



Preferred Option – Price	
A and B	Rs 600
A and C	Rs 780
A and D	Rs 300
B and C	Rs 180
B and D	Rs 480
C and D	Rs 720

Options: Relative Values

$$A = -600 - 780 + 300 = -1080/3 = -360$$

$$B = +600 - 180 + 480 = 900/3 = +300$$

$$C = +780 + 180 + 720 = 1680/3 = +560$$

$$D = -300 - 480 - 720 = -1500/3 = -500$$

Options: Relative Values

$$A = -360$$

$$B = +300$$

$$C = +560$$

$$D = -500$$

Willingness to Pay Versus Least Value Option

$$A = -360 - (-500) = \text{Rs } 140$$

$$B = +300 - (-500) = \text{Rs } 800$$

$$C = +560 - (-500) = \text{Rs } 1060$$

Perceived Value Analysis: Illustration – Chair



Benefits Required	Relative Importance	Supplier A Price =Rs 5,000		Supplier B Price =Rs 4,500		Supplier C Price =Rs 3,000	
		Weighting	Rating (1–10)	Total	Rating (1–10)	Total	Rating (1–10)
Chair design	20	5	100	7	140	6	120
Comfort	30	6	180	8	240	4	120
Fabric quality	15	10	150	9	135	8	120
Fabric design	15	5	75	7	105	4	60
Ease of purchase	20	8	160	10	200	8	160
Total	100	Total	664	Total	820	Total	580

Designing and Managing Integrated Marketing Channels

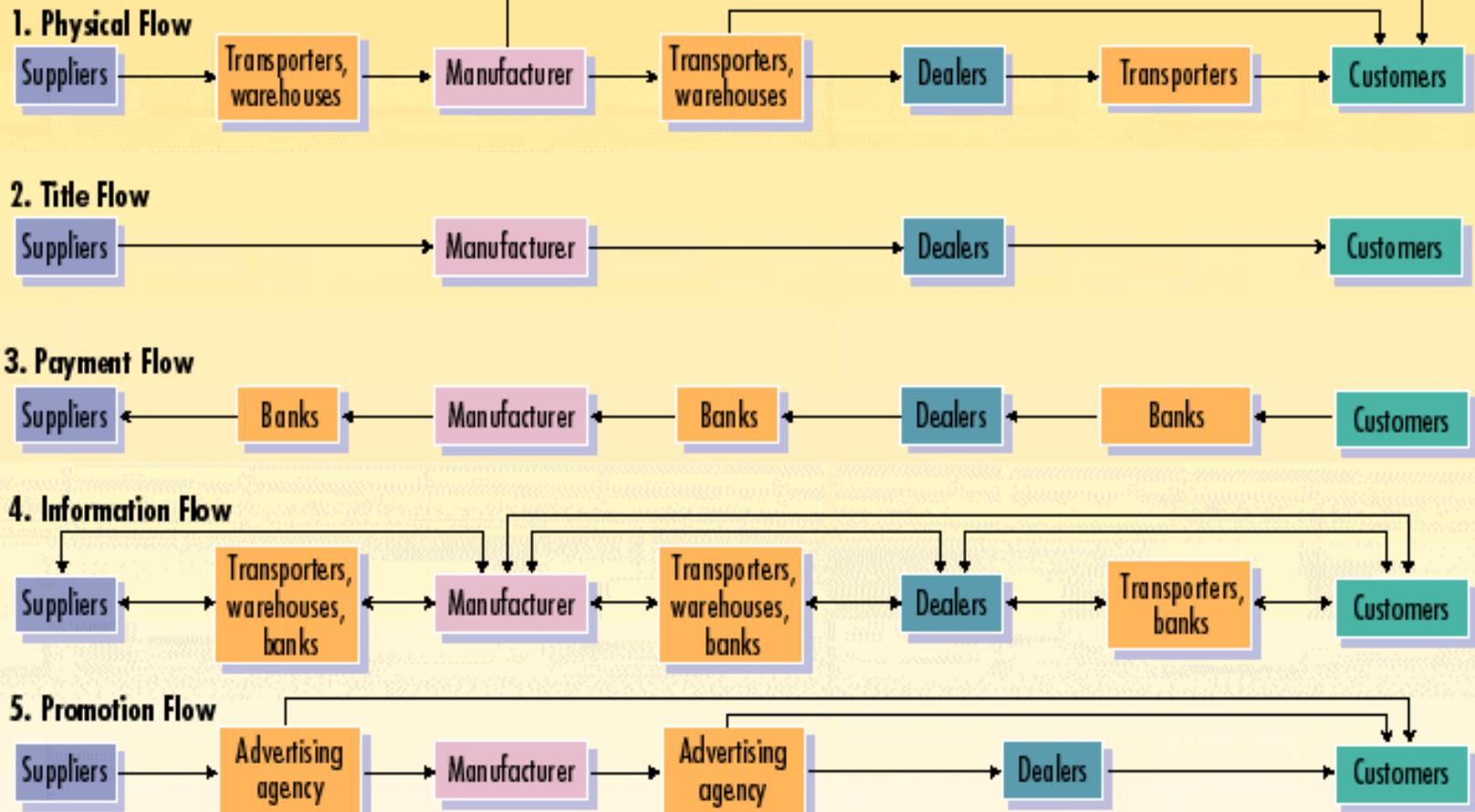
Definition

A set of interdependent organizations involved in the process of making a product/service available for use or consumption.

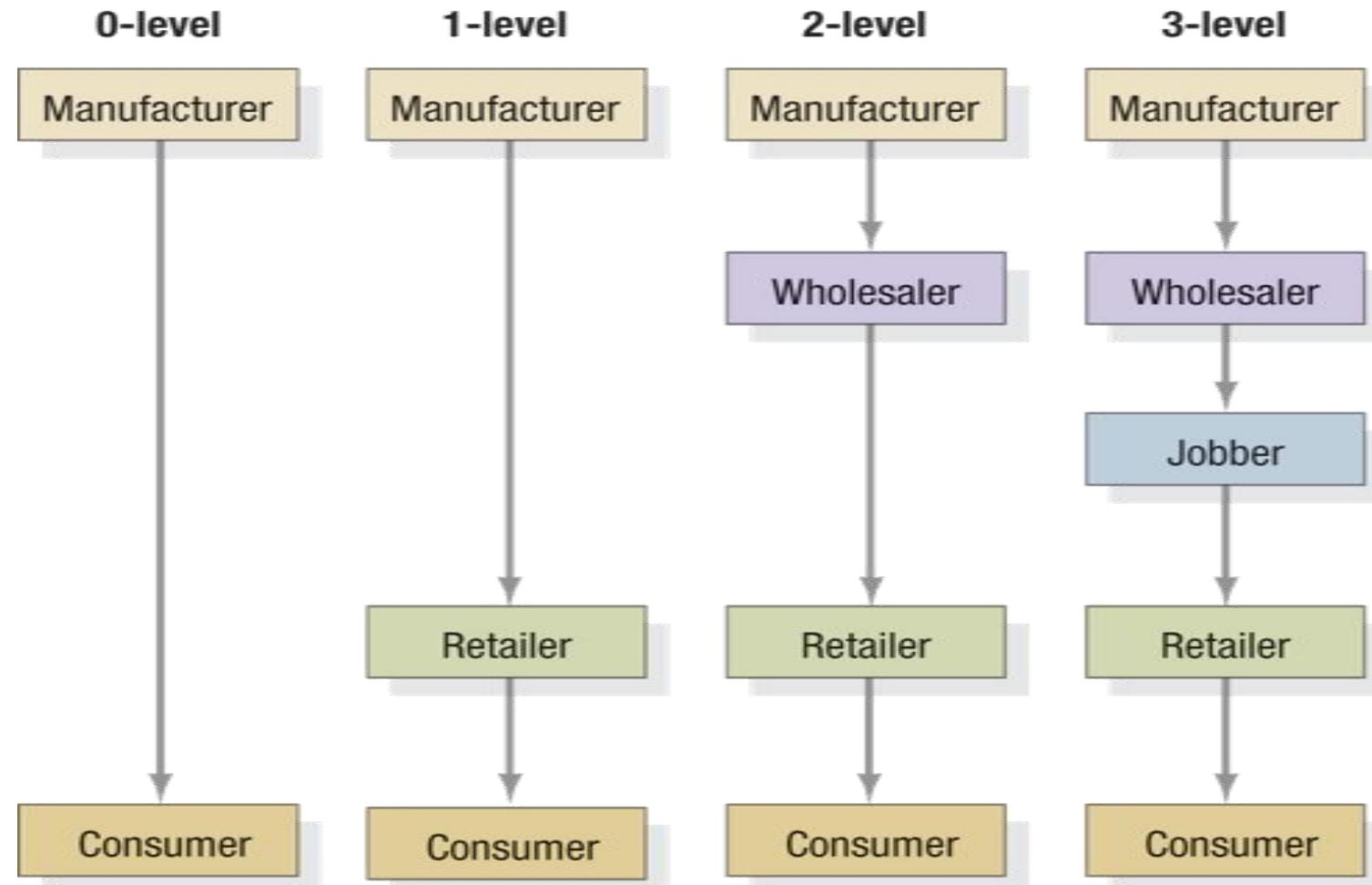
Push and Pull Strategies

- **Push strategy:**
 - Uses the Manufacturer's sales force, trade promotion money or other means to induce intermediaries to carry, promote and sell the product to end users. (low brand loyalty)
 - **Pull Strategy:**
 - The manufacturer uses advertising, promotion and other forms of communication to persuade consumers to demand the product from intermediaries, thus inducing the intermediaries to order it. (High brand loyalty)
 - Market leaders (Push than Pull)
-

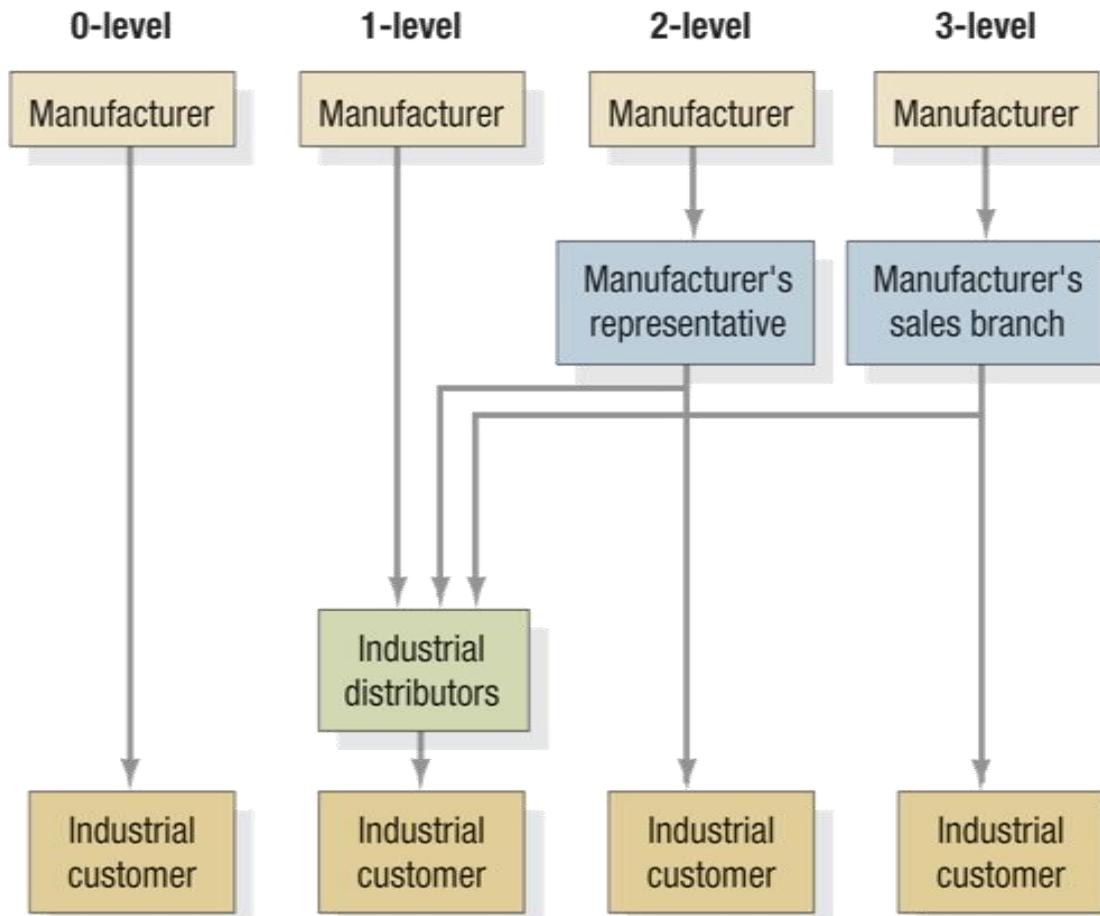
Five Major Marketing flows in Marketing Channels



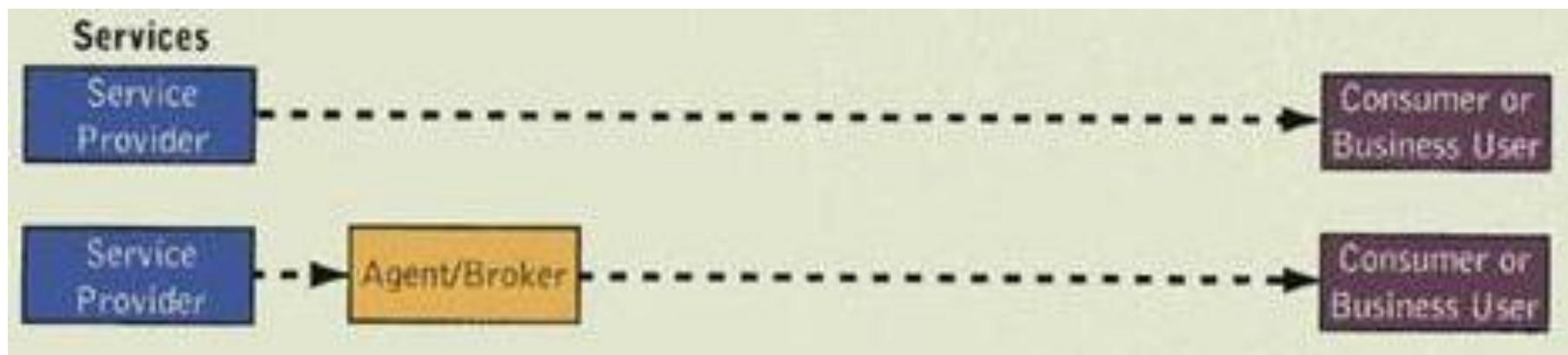
Channel levels (B2C)



Channel levels (B2B)

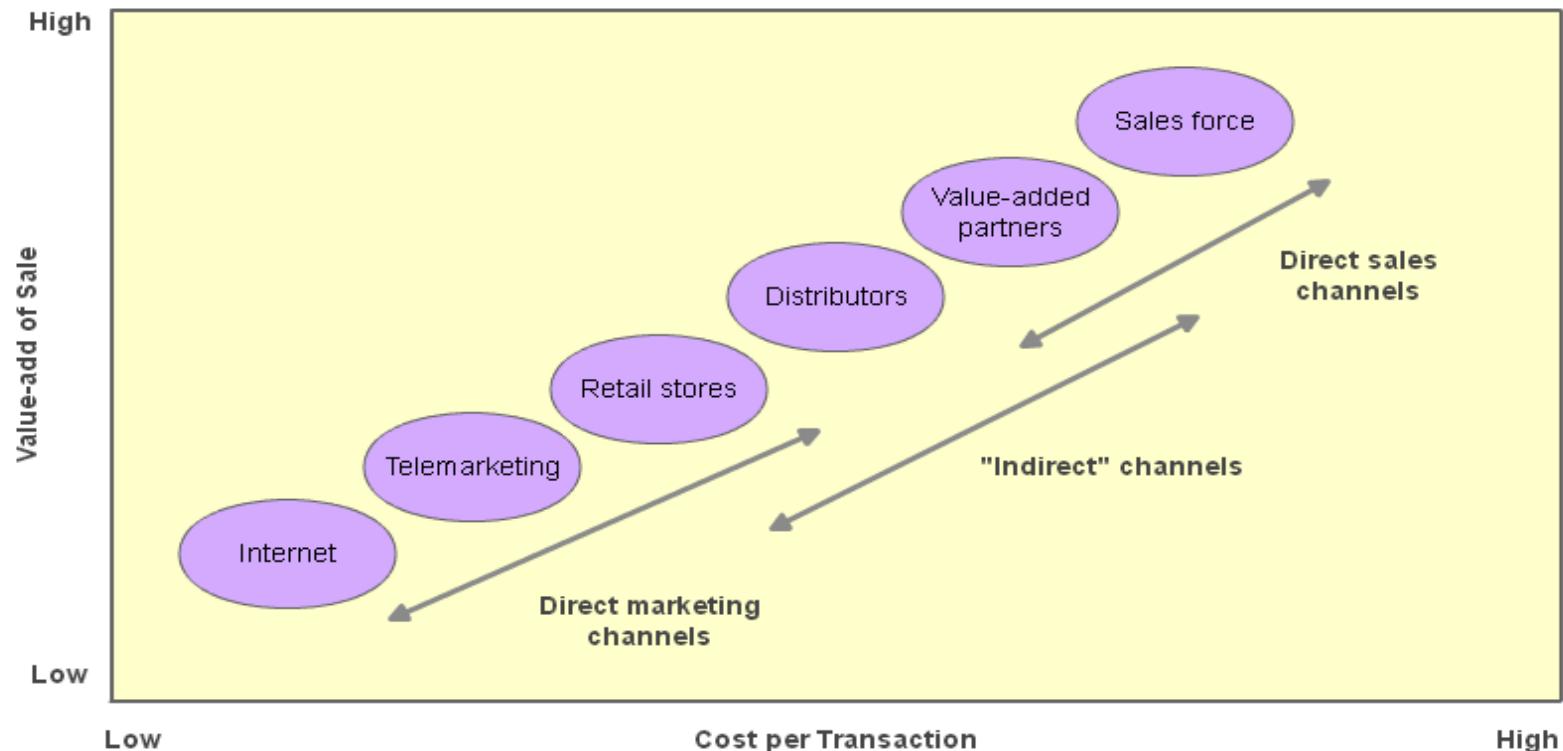


Service Sector Channels



Channel-Design Decisions (contd.)

- Evaluating Major Channel Alternatives
 - Economic criteria



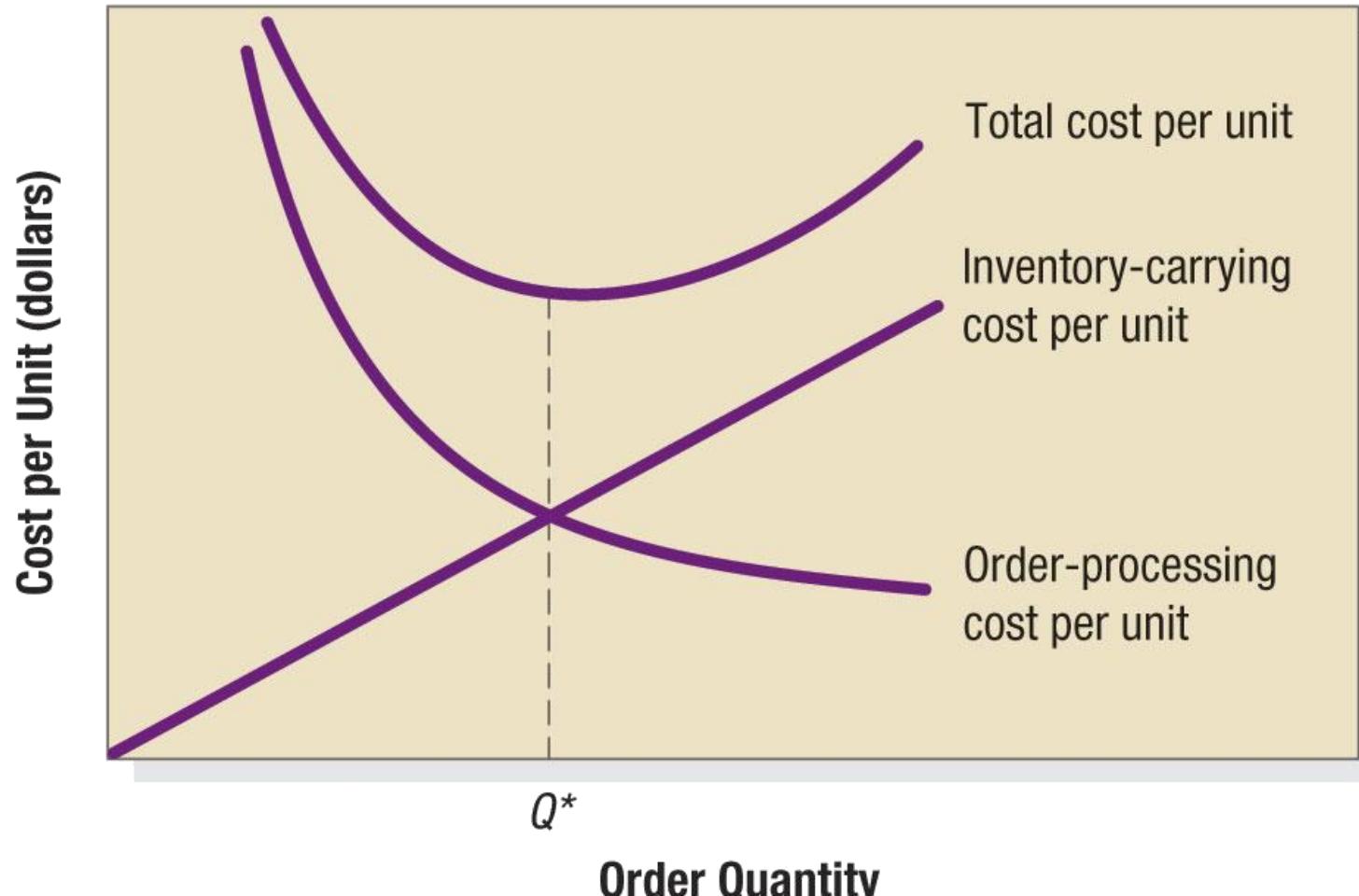
Insights

- **Japan:** Selling automobiles through visiting customer at home
- **U.S.:** Handtech.com sells PCs via technology consultants who target friends, neighbors and small businesses
- **ITC India e-chaupal**
- **HUL Shakti:** Shakti Ammas and Shaktimaans
- **Apple** offline store in 2001
 - Other product categories

Private Labels Brands

- Big Bazaar and Shopper's Stop (products under their own or private labels)
- More profitable
- As a point of differentiation from competitors
- Consumer preference for store brands in certain product categories
- **Generics:** unbranded, plainly packaged and less expensive versions

Determining Optimal Order Quantity



Transportation Factors

- Speed
- Frequency
- Dependability
- Capability
- Availability
- Traceability
- Cost

Case: Organized rural retailing: Chaupal Sagar

Other considerations

Retail store image:

- ✓ Width and type of product assortments
- ✓ Smaller discounts vs. larger discounts
- ✓ Carefully chosen price reduction

Manufacturer's image:

- ✓ Apple vs. others
- ✓ Rolex vs. titan
- ✓ Social image
- ✓ Brand extension

Insights

- Even big firms and major brands have to fight for shelf space
 - HUL
 - Special communication brief for dealers
 - Kellogg's and Pepsi have a team of staffers



Designing and Managing Integrated Marketing Communications

Modes of Marketing Communications



- Direct marketing
- Interactive marketing
 - Online activities and programs
- Word-of-mouth marketing
 - Oral, written and electronic
- Personal selling
 - Presentation, handling queries and closure

Communication Platforms

Advertising

Print and broadcast ads
Packaging inserts
Motion pictures
Brochures and booklets
Posters
Billboards
POP displays
Logos
Videotapes

Sales Promotion

- Contests, games, sweepstakes
- Premiums
- Sampling
- Trade shows, exhibits
- Coupons
- Rebates
- Entertainment
- Continuity programs

Communication Platforms

Events/ Experiences

Sports

Entertainment

Festivals

Arts

Causes

Factory tours

Company museums

Street activities

Public Relations

- Press kits
- Speeches
- Seminars
- Annual reports
- Charitable donations
- Publications
- Community relations
- Lobbying
- Identity media
- Company magazine

Communication Platforms

Personal Selling

Sales presentations

Sales meetings

Incentive programs

Samples

Fairs and trade shows

Word-of-Mouth

Person-to-person

Chat rooms

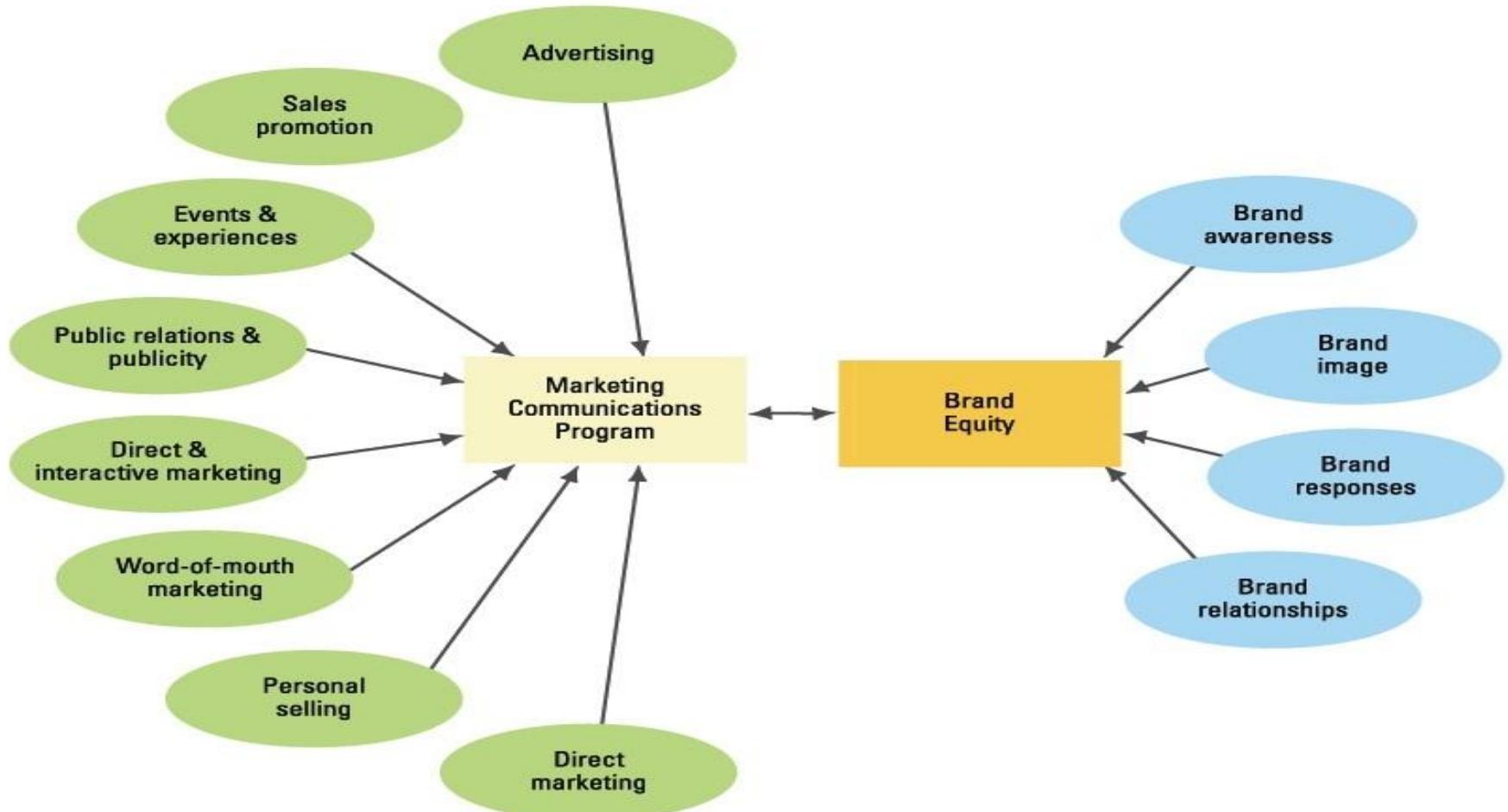
Blogs

Direct Marketing

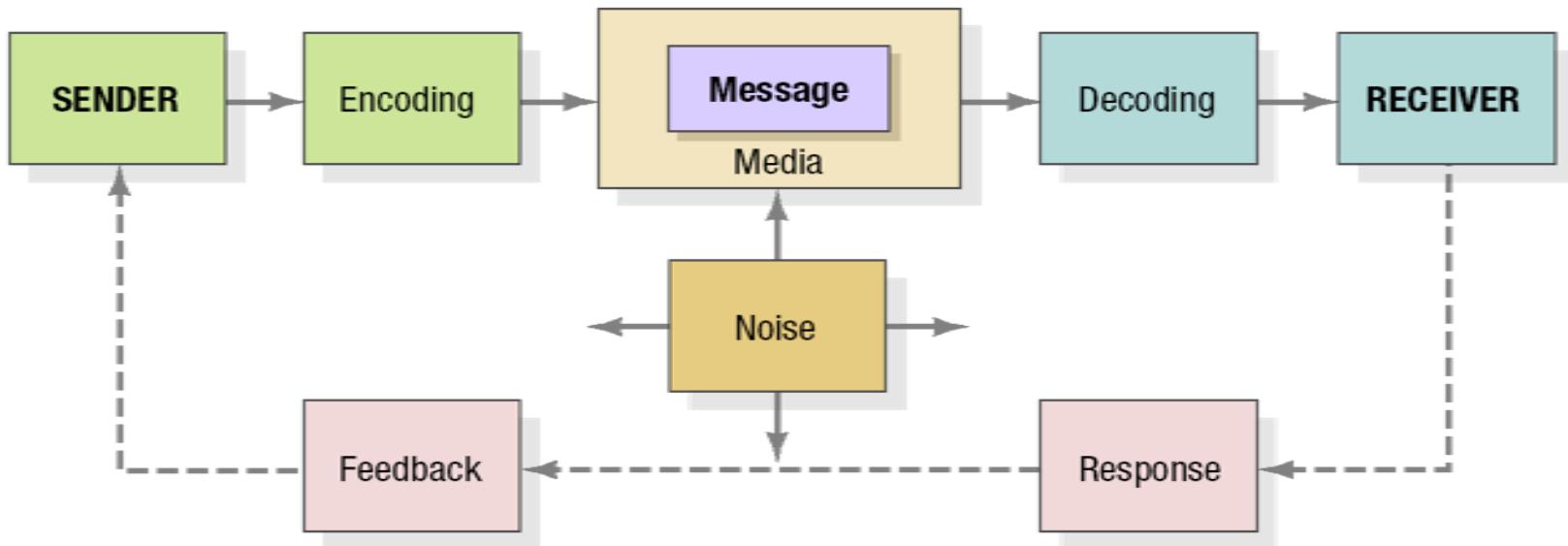
- Catalogs
- Mailings
- Telemarketing
- Electronic shopping
- TV shopping
- Fax mail
- E-mail
- Voice mail
- Blogs
- Websites

Marketing communications activities

contribute to Brand equity and drives sales in many ways:



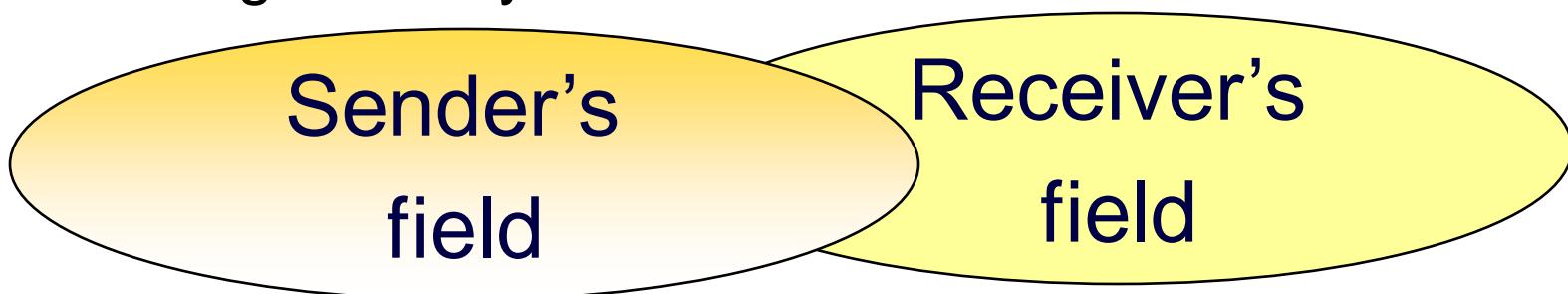
Macro-model of the Communications Process



- ✓ 2 Major Parties Involved
- ✓ 2 Major communication tools
- ✓ 2 Major communication functions

Macro-model

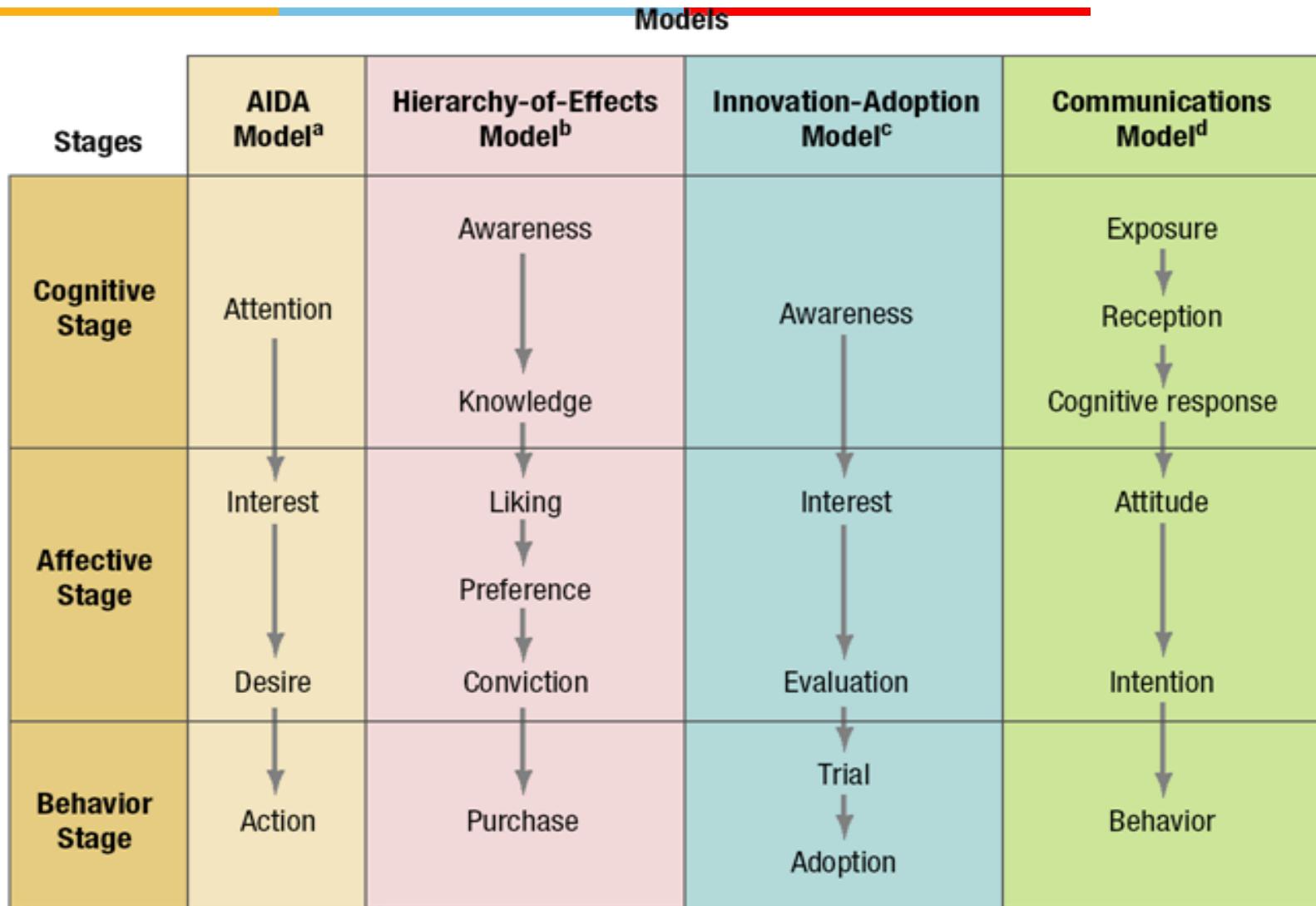
- ✓ The model emphasizes the key factors in effective communication. Senders must know what audiences they want to reach and what responses they want to get.
- ✓ They must encode the message so the target audience can decode them.
- ✓ They must transmit the message through media that reach the target audience and develop a feedback channels to monitor the responses. The more the sender's field of experience overlaps that of the receiver, the more effective the message is likely to be.



The Communications Process

- Selective attention
- Selective distortion
- Selective retention

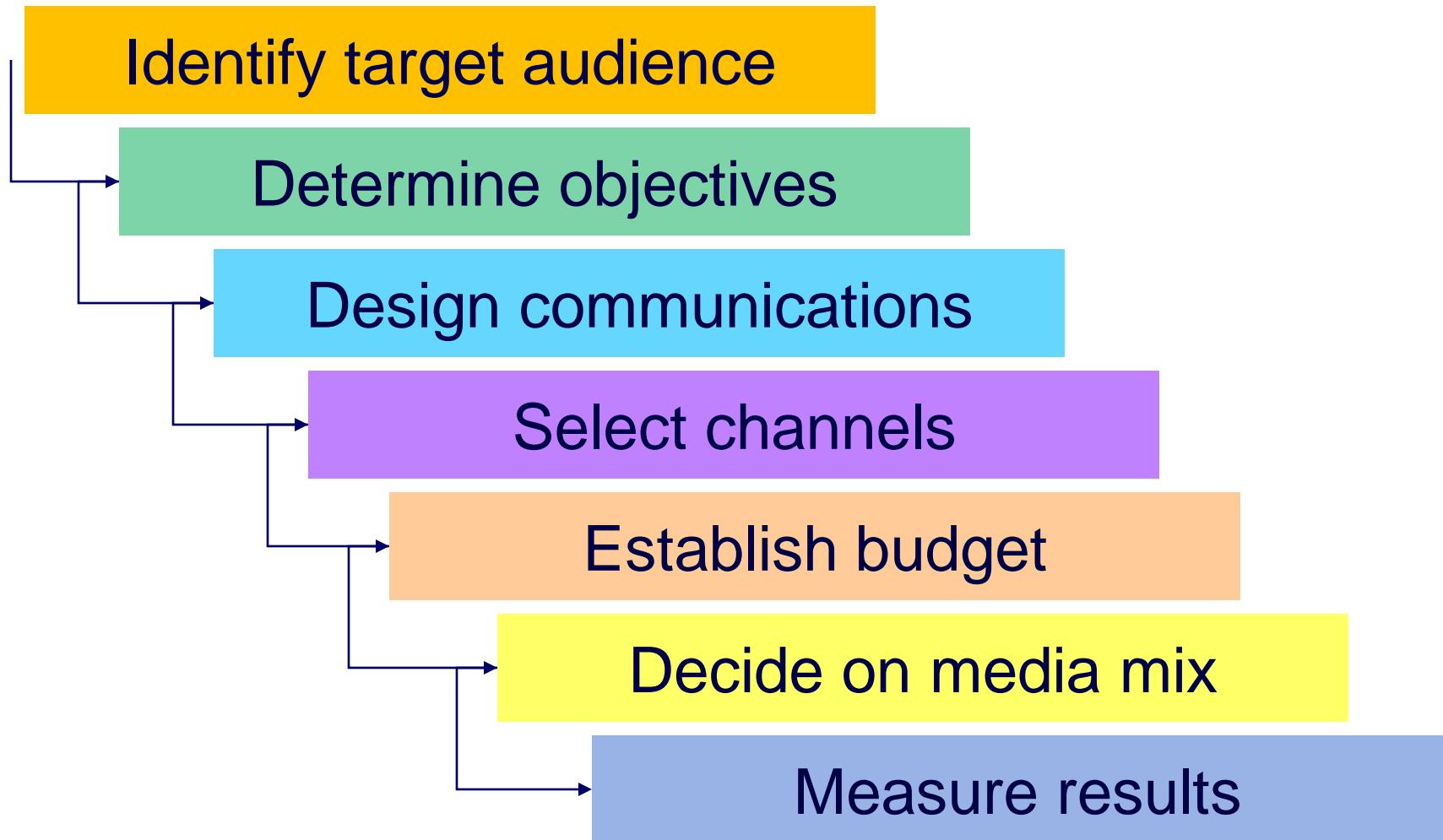
Micro-model of consumer responses: Response Hierarchy Models



An Ideal Ad Campaign

- ✓ The right consumer is exposed to the message at the right time and place
 - ✓ The ad causes consumer to pay attention
 - ✓ The ad reflects consumer's level of understanding and behaviors with product
 - ✓ The ad correctly positions brand in terms of points-of-difference and points-of-parity
 - ✓ The ad motivates consumers to consider purchase of the brand
 - ✓ The ad creates strong brand associations
-

Steps in Developing Effective Communications



Identify the target audience

- ✓ Potential users
- ✓ Current users
- ✓ Deciders, influencer
- ✓ Usage
- ✓ Loyalty status
- ✓ Image analysis

*In 2013
Amul have launched outdoor
advertising with Indian Railways
Amul brand name on 20
locomotives
1.80 Lakh per engine per month*

*Another Campaign by Amul
Eat Milk with every meal*

Determine the communications objectives

- Category need
 - Electric cars, water purifiers
- Brand awareness
 - Brand recognition and recall
 - Inside and outside the store
- Brand attitude
 - Perceived ability to meet the need
 - Negative vs. positive orientation
 - Household cleaning products vs. food products
- Brand purchase intention
 - Coupons, buy-one-get-one free, customer presence during ad exposure

Establishing the Budget

- Half of the advertising is wasted but don't know which half
- Cosmetics industry (40-45%)
- Industrial equipment (5-10%)

Methods:

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

Establishing the Budget

- **Percentage of Sales**

Sales = Rs. 50 Crores; Firm's advertising to sales ratio = 5%; Advertising Budget = Rs. 2.5 Crore

- **Competitive Parity**

Competitor's advertising = Rs. 3 Crore

Competitor's market share = 25%

Your company market share = 15%

Your advertising budget = Rs. 3 Crore *

$15\%/25\% = \text{Rs. } 1.8 \text{ Crore}$

Establishing the Budget

Methods:

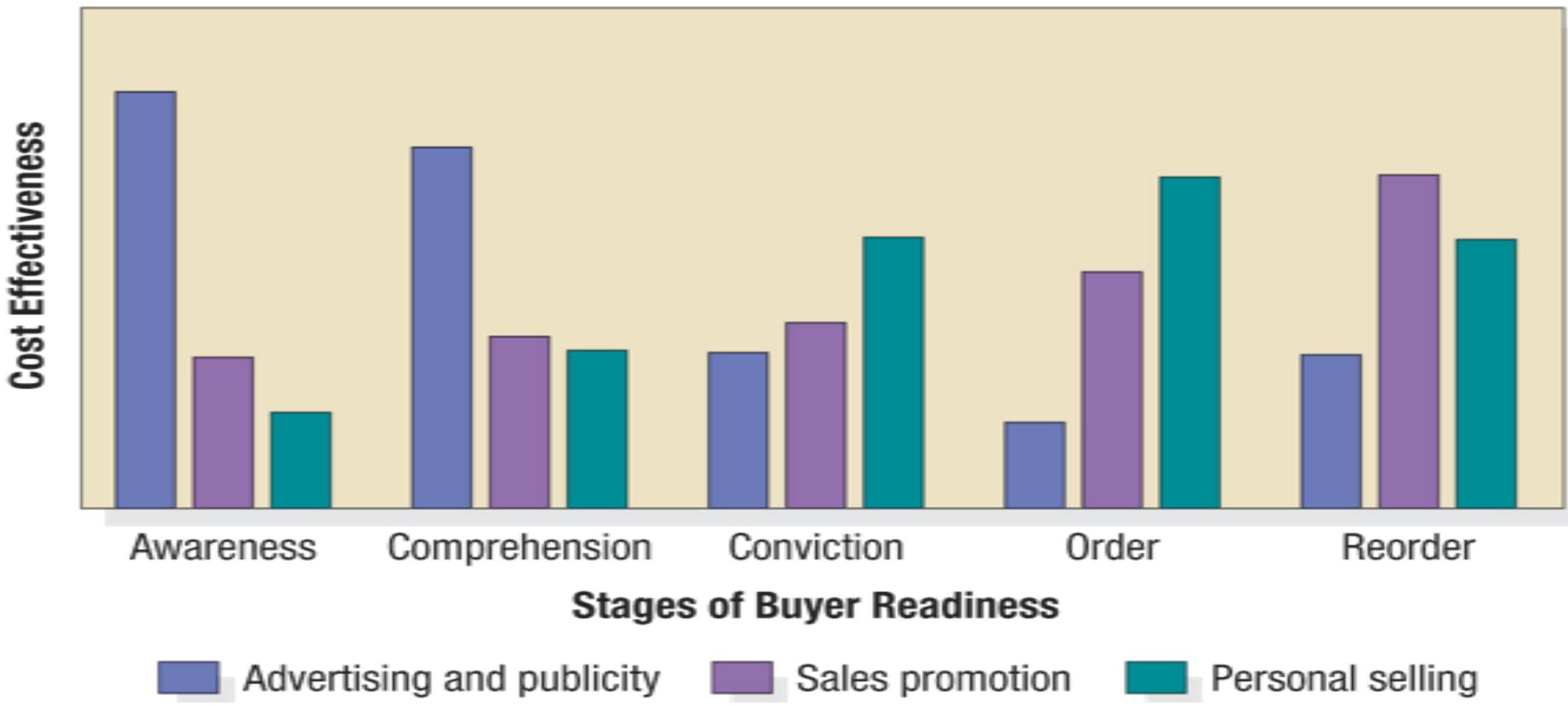
- Objective and task method
 - Establish the market share goal
 - 50 million- 8%- 4 million
 - Determine % of market reached by advertising
 - 50 million- 80%- 40 million
 - Determine % of aware prospects who will try the product
 - 40 million- 25% aware- 10 million will try- 40% will become loyal- 4 million

Objective and task method (Contd.)

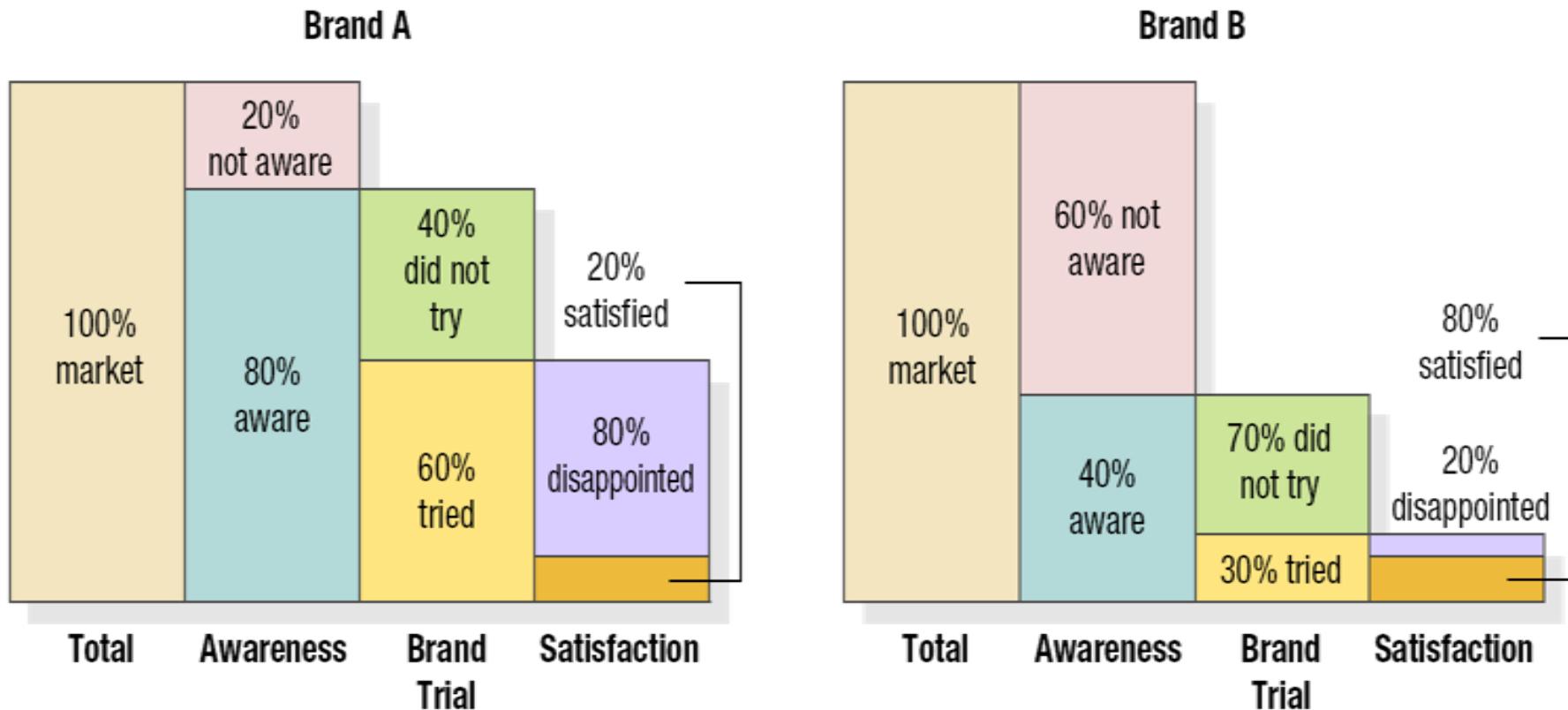
- Number of advertising impressions per 1% trial rate
 - 40 advertising impressions for every 1% of population
 - Determine number of GRP (Gross rating points) to be purchased
 - 40 exposure to 80% population= 3200 GRP
 - Determine the budget based on average cost of buying GRP
 - To expose 1% cost= 10,000 Rs.
 - $3200 \times 10,000 = 3,20,00,000$ Rs.
-

Factors in setting the marketing communication mix

- Buyer-Readiness stage



Current Consumer States for Two Brands



Factors in setting the marketing communication mix

- Product life-cycle stage

Measuring communication results:

- Financial measures
- Non-financial measures