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Marketing

By ALEXANDRA TWIN | Reviewed By AMY DRURY | Updated Aug 17, 2020

What Is Marketing?

Marketing refers to activities a company undertakes to promote the buying or selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses. Some marketing is done by affiliates on behalf of a company.

Professionals who work in a corporation's marketing and promotion departments seek to get the attention of key potential audiences through advertising. Promotions are targeted to certain audiences and may involve celebrity endorsements, catchy phrases or slogans, memorable packaging or graphic designs and overall media exposure.

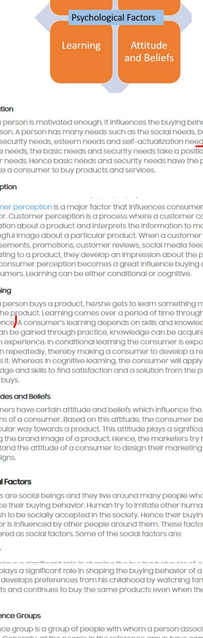
KEY TAKEAWAYS

- Marketing refers to all activities a company does to promote and sell products or services to consumers.
- Marketing makes use of the "marketing mix," also known as the four Ps—product, price, place, and promotion.
- At its core, marketing seeks to take a product or service, identify its ideal customers, and draw the customers' attention to the product or service available.

Understanding Marketing

Feedback

Major Factors Influencing Consumer Behavior



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5 Common Factors Influencing Consumer Behavior

1. Psychological Factors
2. Social Factors
3. Cultural Factors
4. Personal Factors
5. Economic Factors

Consumer behavior is influenced by many different factors. A marketer consumer behavior is influenced by many different factors. A marketer should try to understand the factors that influence consumer behavior. Here are 5 major factors that influence consumer behavior:

1. Psychological Factors

Human psychology is a major determinant of consumer behavior. These factors are difficult to measure but are powerful enough to influence a buying decision.

Some of the important psychological factors are:

i. Motivation

When a person is motivated enough, it influences the buying behaviour of the person. A person has many needs such as the social needs, basic needs, security needs, esteem needs and self-actualization need. Out of all these needs, the basic needs and security needs take a position above all other needs. Hence basic needs and security needs have the power to motivate a consumer to buy products and services.

ii. Perception

Consumer perception is a major factor that influences consumer behavior. Customer perception is a process where a customer collects information about a product and interprets the information to make a meaningful image about a particular product. When a customer sees advertisements, promotions, customer reviews, social media feedback, etc. relating to a product, they develop an impression about the product. Hence consumer perception becomes a great influence buying decision of consumers. Learning can be either conditional or cognitive.

iii. Learning

When a person buys a product, he/she gets to learn something more about the product. Learning comes over a period of time through experience. A consumer's learning depends on skills and knowledge. While a skill can be gained through practice, knowledge can be acquired only through experience. In conditional learning the consumer is exposed to a situation repeatedly, thereby making a consumer to develop a response towards it. Whereas in cognitive learning, the consumer will apply his knowledge and skills to find satisfaction and a solution from the product that he buys.

iv. Attitudes and Beliefs

Consumers have certain attitude and beliefs which influence the buying decisions of a consumer. Based on this attitude, the consumer behaves in a particular way towards a product. This attitude plays a significant role in defining the brand image of a product. Hence, the marketers try hard to understand the attitude of a consumer to design their marketing campaigns.

2. Social Factors

Humans are social beings and they live around many people who influence their buying behavior. Human try to imitate other humans and also wish to be socially accepted in the society. Hence their buying behavior is influenced by other people around them. These factors are considered as social factors. Some of the social factors are:

i. Family

Family plays a significant role in shaping the buying behavior of a person. A person develops preferences from his childhood by watching family buy products and continues to buy the same products even when they grow up.

ii. Reference Groups

Reference group is a group of people with whom a person associates himself. Generally, all the people in the reference group have common buying behavior and influence each other.

iii. Roles and status

A person is influenced by the role that he holds in the society. If a person is in a high position, his buying behavior will be influenced largely by his status. A person who is a Chief Executive Officer in a company will buy according to his status while a staff or an employee of the same company will have different buying pattern.

3. Cultural factors

A group of people are associated with a set of values and ideologies that belong to a particular community. When a person comes from a particular community, his/her behavior is highly influenced by the culture relating to that particular community. Some of the cultural factors are:

i. Culture

Cultural Factors have strong influence on consumer buyer behavior. Cultural Factors include the basic values, needs, wants, preferences, perceptions, and behaviors that are observed and learned by a consumer from their near family members and other important people around them.

ii. Subculture

Within a cultural group, there exists many subcultures. These subcultural groups share the same set of beliefs and values. Subcultures can consist of people from different religion, caste, geographies and nationalities. These subcultures by itself form a customer segment.

iii. Social Class

Each and every society across the globe has form of social class. The social class is not just determined by the income, but also other factors such as the occupation, family background, education and residence location. Social class is important to predict the consumer behavior.

4. Personal Factors

Factors that are personal to the consumers influence their buying behavior. These personal factors differ from person to person, thereby producing different perceptions and consumer behavior.

Some of the personal factors are:

i. Age

Age is a major factor that influences buying behavior. The buying choices of youth differ from that of middle-aged people. Elderly people have a totally different buying behavior. Teenagers will be more interested in buying colorful clothes and beauty products. Middle-aged are focused on house, property and vehicle for the family.

ii. Income

Income has the ability to influence the buying behavior of a person. Higher income gives higher purchasing power to consumers. When a consumer has higher disposable income, it gives more opportunity for the consumer to spend on luxurious products. Whereas low-income or middle-income group consumers spend most of their income on basic needs such as groceries and clothes.

iii. Occupation

Occupation of a consumer influences the buying behavior. A person tends to buy things that are appropriate to his/her profession. For example, a doctor would buy clothes according to this profession while a professor will have different buying pattern.

iv. Lifestyle

Lifestyle is an attitude, and a way in which an individual stay in the society. The buying behavior is highly influenced by the lifestyle of a consumer. For example when a consumer leads a healthy lifestyle, then the products he example when a consumer leads a healthy lifestyle, then the products he buys will relate to healthy alternatives to junk food.

5. Economic Factors

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products.

Whereas, a weak economy reflects a struggling market that is impacted by unemployment and lower purchasing power.

Economic factors bear a significant influence on the buying decision of a consumer. Some of the important economic factors are:

i. Personal Income

When a person has a higher disposable income, the purchasing power increases simultaneously. Disposable income refers to the money that is left after spending towards the basic needs of a person.

When there is an increase in disposable income, it leads to higher expenditure on various items. But when the disposable income reduces, parallely the spending on multiple items also reduced.

ii. Family Income

Family income is the total income from all the members of a family. When more people are earning in the family, there is more income available for shopping basic needs and luxuries. Higher family income influences the people in the family to buy more. When there is a surplus income available for the family, the tendency is to buy more luxury items which otherwise a person might not have been able to buy.

iii. Consumer Credit

When a consumer is offered easy credit to purchase goods, it promotes higher spending. Sellers are making it easy for the consumers to avail credit in the form of credit cards, easy installments, bank loans, hire purchase, and many such other credit options. When there is higher credit purchase, and many such other credit options. When there is higher credit available to consumers, the purchase of comfort and luxury items increases.

iv. Liquid Assets

Consumers who have liquid assets tend to spend more on comfort and luxuries. Liquid assets are those assets, which can be converted into cash very easily. Cash in hand, bank savings and securities are some examples of liquid assets. When a consumer has higher liquid assets, it gives him more confidence to buy luxury goods.

v. Savings

A consumer is highly influenced by the amount of savings he/she wishes to set aside from his income. If a consumer decided to save more, then his expenditure on buying reduces. Whereas if a consumer is interested in saving more, then most of his income will go towards buying products.

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Market

By WILL KENTON | Reviewed By MICHAEL J BOYLE | Updated Apr 7, 2020

What Is a Market?

A market is a place where two parties can gather to facilitate the exchange of goods and services. The parties involved are usually buyers and sellers. The market may be physical like a retail outlet, where people meet face-to-face, or virtual like an online market, where there is no direct physical contact between buyers and sellers.

The term market also takes on other forms. For instance, it may refer to the place where securities are traded—the securities market. Alternatively, the term may also be used to describe a collection of people who wish to buy a specific product or service such as the Brooklyn housing market or as broad as the global diamond market.

Understanding Markets

Technically speaking, a market is any place where two or more parties can meet to engage in an economic transaction—even those that don't involve legal tender. A market transaction may involve goods, services, information, currency, or any combination of these that pass from one party to another.

Markets may be represented by physical locations where transactions are made. These include retail stores and other similar businesses that sell individual items

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vertical integration

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Vertical integration is a strategy whereby a company owns or controls its suppliers, distributors or retail locations to control its value or supply chain. **Vertical integration** benefits companies by allowing them to control process, reduce costs and improve efficiencies. Jun 14, 2020

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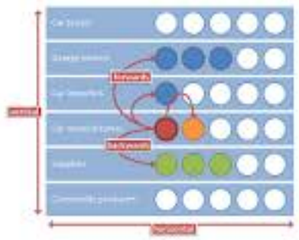

In microeconomics and management, vertical integration is an arrangement in which the supply chain of a company is owned by that company. Usually each member of the supply chain produces a different product or service, and the products combine to satisfy a common need. Wikipedia

Feedback

Marketing management

From Wikipedia, the free encyclopedia

Marketing management is the organizational discipline which focuses on the practical application of marketing orientation, techniques and methods inside enterprises and organizations and on the management of a firm's marketing resources and activities.

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1 Structure
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Structure [edit]

Marketing management employs tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others.[1]

In competitor analysis, marketers build detailed profiles of each competitor in the market, focusing on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often conduct market research and marketing research to perform marketing analysis. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research, such as focus groups and various types of interviews
- Quantitative marketing research, such as statistical surveys
- Experimental techniques such as test markets
- Observational techniques such as ethnographic (on-site) observation

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

Brand audit [edit]

A brand audit is a thorough examination of a brand's current position in an industry compared to its competitors and the examination of its effectiveness. When it comes to brand auditing, six questions should be carefully examined and assessed:

1. How well the business' current brand strategy is working,
2. What the company's established resource strengths and weaknesses are,
3. What its external opportunities and threats are,
4. How competitive the business' prices and costs are,
5. How strong the business' competitive position in comparison to its competitors is, and
6. What strategic issues are facing the business.

When a business is conducting a brand audit, the goal is to uncover business' resource strengths, deficiencies, best market opportunities, outside threats, future profitability, and its competitive standing in comparison to existing competitors. A brand audit establishes the strategic elements needed to improve brand position and competitive capabilities within the industry. Once a brand is audited, any business that ends up with a strong financial performance and market position is more likely than not to have a properly conceived and effectively executed brand strategy.

A brand audit examines whether a business' share of the market is increasing, decreasing, or stable. It determines if the company's margin of profit is improving, decreasing, and how much it is in comparison to the profit margin of established competitors. Additionally, a brand audit investigates trends in a business' net profits, the return on existing investments, and its established economic value. It determines whether or not the business' entire financial strength and credit rating is improving or getting worse. This kind of audit also assesses a business' image and reputation with its customers. Furthermore, a brand audit seeks to determine whether or not a business is perceived as an industry leader in technology, offering product or service innovations, along with exceptional customer service, among other relevant issues that customers use to decide on a brand of preference.

A brand audit usually focuses on a business' strengths and resource capabilities because these are the elements that enhance its competitiveness. A business' competitive strengths can exist in several forms. Some of these forms include skilled or pertinent expertise, valuable physical assets, valuable human assets, valuable organizational assets, valuable intangible assets, competitive capabilities, achievements and attributes that position the business into a competitive advantage, and alliances or cooperative ventures.

The basic concept of a brand audit is to determine whether a business' resource strengths are competitive assets or competitive liabilities. This type of audit seeks to ensure that a business maintains a distinctive competence that allows it to build and reinforce its competitive advantage. What's more, a successful brand audit seeks to establish what a business capitalizes on best, its level of expertise, resource strengths, and strongest competitive capabilities, while aiming to identify a business' position and future performance.

Marketing strategy [edit]

Main article: Marketing strategy

Two customer segments are often selected as targets because they score highly on two dimensions:

1. The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors; and
2. The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitably.[2]

A commonly cited definition of marketing is simply "meeting needs profitably".[3]

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segment(s) than it will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers who are not in its target segment. The doorman at a swanky nightclub, for example, may deny entry to unfashionably dressed individuals because the business has made a strategic decision to target the "high fashion" segment of nightclub patrons.

In conjunction with targeting decisions, marketing managers will identify the desired positioning they want the company, product, or brand to occupy in the target customer's mind. This positioning is often an encapsulation of a key benefit the company's product or service offers that is differentiated and superior to the benefits offered by competitive products.[4] For example, Volvo has traditionally positioned its products in the automobile market in North America in order to be perceived as the leader in "safety", whereas BMW has traditionally positioned its brand to be perceived as the leader in "performance".

Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage.[5] The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers.[4] To sum up,the marketing branch of a company is to deal with the selling and popularity of its products among people and its customers, as the central and eventual goal of a company is customer satisfaction and the return of revenue.

Implementation planning [edit]

Main article: Marketing plan

If the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make their own key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.

The Marketing Metrics Continuum provides a framework for how to categorize metrics from the tactical to strategic.

After the firm's strategic objectives have been identified, the target market selected, and the desired positioning for the company, product or brand has been determined, marketing managers focus on how to best implement the chosen strategy. Traditionally, this has involved implementation planning across the "4 Ps": product management, pricing (at what price slot does a producer position a product, e.g. low, medium or high price), place (the place or area where the products are going to be sold, which could be local, regional, countrywide or international) (i.e. sales and distribution channels), and promotion.

Taken together, the company's implementation choices across the 4 P's are often described as the marketing mix, meaning the mix of elements the business will employ to "go to market" and execute the marketing strategy. The overall goal for the marketing mix is to consistently deliver a compelling value proposition that reinforces the firm's chosen positioning, builds customer loyalty and brand equity among target customers, and achieves the firm's marketing and financial objectives.

In many cases, marketing management will develop a marketing plan to specify how the company will execute the chosen strategy and achieve the business' objectives. The content of marketing plans varies for each firm, but commonly includes:

- An executive summary
- Situation analysis to summarize facts and insights gained from market research and marketing analysis
- The company's mission statement or long-term strategic vision
- A statement of the company's key objectives, often subdivided into marketing objectives and financial objectives
- The marketing strategy the business has chosen, specifying the target segments to be pursued and the competitive positioning to be achieved
- Implementation choices for each element of the marketing mix (the 4 P's)

Project, process, and vendor management [edit]

More broadly, marketing managers work to design and improve the effectiveness of core marketing processes, such as new product development, brand management, marketing communications, and pricing. Marketers may employ the tools of business process re-engineering to ensure these processes are properly designed, and use a variety of process management techniques to keep them operating smoothly.

Effective execution may require management of both internal resources and a variety of external vendors and service providers, such as the firm's advertising agency. Marketers may therefore coordinate with the company's Purchasing department on the procurement of these services. Under the area of marketing agency management (i.e. working with external marketing agencies and suppliers) are techniques such as agency performance evaluation, scope of work, incentive compensation, RFx's and storage of agency information in a supplier database.

Reporting, measurement, feedback and control systems [edit]

Marketing management employs a variety of metrics to measure progress against objectives. It is the responsibility of marketing managers to ensure that the execution of marketing programs achieves the desired objectives and does so in a cost-efficient manner.

Marketing management therefore often makes use of various organizational control systems, such as sales forecasts, and sales force and reseller incentive programs, sales force management systems, and customer relationship management tools (CRM). Some software vendors have begun using the term *marketing operations management* or *marketing resource management* to describe systems that facilitate an integrated approach for controlling marketing resources. In some cases, these efforts may be linked to various supply chain management systems, such as enterprise resource planning (ERP), material requirements planning (MRP), efficient consumer response (ECR), and inventory management systems.

International marketing management [edit]

Globalization has led some firms to market beyond the borders of their home countries, making international marketing a part of those firms' marketing strategy.[6] Marketing managers are often responsible for influencing the level, timing, and composition of customer demand. In part, this is because the role of a marketing manager (or sometimes called managing marketer in small- and medium-sized enterprises) can vary significantly based on a business's size, corporate culture, and industry context. For example, in a small- and medium-sized enterprises, the managing marketer may contribute in both managerial and marketing operations roles for the company brands. In a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product.[7] To create an effective, cost-efficient marketing management strategy, firms must possess a detailed, objective understanding of their own business and the market in which they operate.[2] In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

See also [edit]

- Marketing effectiveness
- Predictive analytics
- Strategic management

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- Marketing at Wikibooks
- Quotations related to Marketing management at Wikiquote

Marketing

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Research [hide]

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Example of SWOT analysis chart

Management [show]

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Major Tasks of Marketing

Marketing management has to do a set of tasks necessary for success in marketing. The basic tasks of marketing are as follows:

1. Develop marketing strategies and plans

The first and foremost tasks of marketing are to develop marketing strategies and plans. They consist of following tasks:

- Determining the strategies consist of identifying the marketing objectives or goals of the organization, their determination, and modification as well as determination of specific resources to achieve objectives or goals set. They are concerned with product, price, channel, promotion, competitors, etc.
- Marketing plans involve mangers by which the marketing goals can be achieved. They involve deciding policy, strategy, tactics, procedures, rules and regulations and marketing programs, budgets and schedules to achieve the long-term as well as short-term goals.
- Marketing strategies and plans allocate economic, physical and managerial resources of the organization for future.
- They assess and analyze strength and weakness, opportunities and threats (SWOT).

2. Creating marketing information system

It is concerned with understanding what is happening inside and outside the company. Simply there are four components of marketing information. They are Internal Record System, Marketing Intelligence System, Marketing Research and Decision Support System.

3. Build customer relationship

Marketing needs to build customer relationship. Building customer relationship is a very effective way to increase satisfaction and sustain in market. The relationships can be built by using the emerging concepts such as relationship marketing and customer relationship management.

4. Build strong brands

Marketing needs to build strong brand. It is also a major task of marketing. Strong brand helps in promotion, value creating, image development, product positioning, brand loyalty and expansion of product lines.

5. Determine marketing mix

Marketing needs to create and determine and effective marketing mix to satisfy needs of target markets. It is the combination of four inputs such as the product, the price, the place and the promotional activities. Different marketing mix is essential for different groups of customers.

6. Deliver value

Marketing needs to deliver value to the target customers. Value is the ratio between what the customers pay and what they receive. Marketing must determine how to properly deliver the value embodied by the products and services to the target market. Customers' product choice is guided by value. So, marketing should add maximum value to the customers.

7. Communicate value

Marketing needs to communicate value to target markets. It has to develop an integrated marketing communication program that maximizes the individual and collective contribution of all communication activities by which firm attempts to inform, persuade, remain and reassure consumers about the brands. For this, marketing has to set up mass communication programs consisting of advertising, personal selling, sales promotion, public relations and publicity.

8. Create long-term growth

Marketing must take a long-term view of its products and brands and how its profits should be grown. Based on its positioning, it must initiate new-product development, testing and launching.

9. Implementation and control

Marketing must organize its marketing resources and implement and control the marketing plans. It must build a marketing organization that is capable of implementing marketing plans and strategies. Similarly, it must find out any deviations between achieved performances against planned or budgeted performance using predetermined standards. It provides feedback about marketing planning and strategies.

Reactions: Useful (0) Interesting (1) Cool (0)

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Marketing Management Philosophies – 5 Marketing Concepts

September 14, 2019 in Marketing Essentials by Aashish Pahwa

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Marketing is "the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit". *Marketing concepts or marketing management philosophies* are the philosophies used by the businesses to guide their marketing efforts. Basically, *marketing concepts* relate to the philosophy a business use to identify and fulfil the needs of its customers, benefiting both the customer and the company.

Same philosophy cannot result in a gain for every business, hence different businesses use different marketing concepts (also called marketing management philosophies).

Marketing concepts are driven by clear objectives like cost efficiency, product quality, customer's need fulfilment etc.

Table of Contents

Marketing Management Philosophies

There are five marketing concepts. A company should choose the right one according to their and their customers' needs.

1. Production Concept
2. Product Concept
3. Selling Concept
4. Marketing Concept
5. Social Marketing Concept

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Production Concept

This concept works on an assumption that consumers prefer a product which is inexpensive and widely available. This viewpoint was encapsulated in Says Law which states 'Supply creates its own demand'. Hence companies focus on producing more of the product and making sure that it is available to the customer everywhere easily.

Increase in the production of the product makes the companies get the advantage of economies of scale. This decreased production cost makes the product inexpensive and more attractive to the customer.

A low price may attract new customers, but the focus is just on production and not on product quality. This may result in a decrease in sales if the product is not up to the standards.

This philosophy only works when the demand is more than the supply. Moreover, a customer not always prefers an inexpensive product over others. There are many other factors which influence his purchase decision.

Examples Of Production Concept Of Marketing Management Philosophies

- Companies whose product market is spread all over the world may use this approach.
- Companies having an advantage of monopoly.
- Any other company whose product's demand is more than its supply.

Also Read: Different Types Of Advertising Mediums

Product Concept

This concept works on the assumption that customers prefer products of 'greater quality' and 'price and availability' doesn't influence their purchase decision. Hence the company devotes most of its time in developing a product of greater quality which usually turns out to be expensive.

Since the main focus of the marketers is the product quality, they often lose or fail to appeal to customers whose demands are driven by other factors like price, availability, usability, etc.

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Examples Of Product Concept Of Marketing Management Philosophies

- Companies in the technology industry.
- Companies having an advantage of monopoly.

Selling Concept

Production and product concept both focus on production but selling concept focuses on making an actual sale of the product. Selling Concept focuses on making every possible sale of the product, regardless of the quality of the product or the need of the customer. The main focus is to make money. This philosophy doesn't include building relations with customers. Hence repeated sales are very less. Companies following this concept may even try to deceive the customers to make them buy their product.

Companies which follow this philosophy have a short-sighted approach as they 'try to sell what they make rather than what market wants'.

Examples Of Selling Concept Of Marketing Management Philosophies

- Companies with short-sighted profit goals. This often leads to marketing myopia.
- Fraudulent companies.

Marketing Concept

Selling Concept cannot let a company last long in the market. It's a consumers market after all. To succeed in the 21st century, one has to produce a product to fulfil the needs of their customers. Hence, emerged the marketing concept. This concept works on an assumption that consumers buy products which fulfil their needs. Businesses following the marketing concept conduct researches to know about customers' needs and wants and come out with products to fulfil the same better than the competitors. By doing so, the business establishes a relationship with the customer and generate profits in the long run.

Also Read: What Is Lifestyle Marketing? [Definitive Guide]

However, this isn't the only philosophy that should be followed by all the businesses. Many businesses still follow other concepts and make profits. It totally depends on the demand and supply and the needs of the parties involved.

Examples Of Marketing Concept Of Marketing Management Philosophies

- Companies in perfect competition.
- Companies who want to stay in the market for a long time.

Societal Marketing Concept

Adding to the marketing concept, this philosophy focuses on society's well-being as well. The business focuses on how to fulfil the needs of the customer without affecting the environment, natural resources and focusing on society's well-being. This philosophy believes that the business is a part of the society and hence should take part in social services like the elimination of poverty, illiteracy, and controlling explosive population growth etc.

Many of the big companies have included **corporate social responsibility** as a part of their marketing activities.

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Holistic Marketing Concept

Holistic marketing is a new addition to the business marketing management philosophies which considers business and all its parts as one single entity and gives a shared purpose to every activity and person related to that business. A business, like a human body, has different parts, but it's only able to function properly when all those parts work together towards the same objective. Holistic marketing concept enforces this interrelatedness and believes that a broad and integrated perspective is essential to attain the best results.

Go On, Tell Us What You Think!

Did we miss something? Come on! Tell us what you think of this article on marketing management philosophies in the comments section.

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Marketing Mix

By WILL KENTON | Updated Apr 10, 2019

What Is a Marketing Mix?

A marketing mix includes multiple areas of focus as part of a comprehensive marketing plan. The term often refers to a common classification that began as the four Ps: product, price, placement, and promotion.

Effective marketing touches on a broad range of areas as opposed to fixating on one message. Doing so helps reach a wider audience, and by keeping the four Ps in mind, marketing professionals are better able to maintain focus on the things that really matter. Focusing on a marketing mix helps organizations make strategic decisions when launching new products or revising existing products.

KEY TAKEAWAYS

- A marketing mix often refers to E. Jerome McCarthy's four Ps: product, price, placement, and promotion.
- The different elements of a marketing mix work in conjunction with one another.
- Consumer-centric marketing mixes incorporate a focus on customers into their approaches.

Understanding Marketing Mix

The four Ps classification for developing an effective marketing strategy was first introduced in 1960 by marketing professor and author E. Jerome McCarthy. Depending on the industry and the target of the marketing plan, marketing managers may take various approaches to each of the four Ps. Each element can be examined independently, but in practice, they often are often dependent on one another.

Product

This represents an item or service designed to satisfy customer needs and wants. To effectively market a product or service, it's important to identify what differentiates it from competing products or services. It's also important to determine if other products or services can be marketed in conjunction with it.

Price

The sale price of the product reflects what consumers are willing to pay for it. Marketing professionals need to consider costs related to research and development, manufacturing, marketing, and distribution—otherwise known as cost-based pricing. Pricing based primarily on consumers' perceived quality or value is known as value-based pricing.

Placement

The type of product sold is important to consider when determining areas of distribution. Basic consumer products, such as paper goods, often are readily available in many stores. Premium consumer products, however, typically are available only in select stores. Another consideration is whether to place a product in a physical store, online, or both.

Promotion

Joint marketing campaigns also are called a promotional mix. Activities might include advertising, sales promotion, personal selling, and public relations. A key consideration should be for the budget assigned to the marketing mix. Marketing professionals carefully construct a message that often incorporates details from the other three Ps when trying to reach their target audience. Determination of the best mediums to communicate the message and decisions about the frequency of the communication also are important.

Important: Value-based pricing plays a key role in products that are considered to be status symbols.

Special Considerations

Not all marketing is product-focused. Customer service businesses are fundamentally different than those based primarily on physical products, so they often will take a consumer-centric approach that incorporates additional elements to address their unique needs.

Three additional Ps tied to this type of marketing mix might include people, process, and physical evidence. People refer to employees who represent a company as they interact with clients or customers. Process represents the method or flow of providing service to the clients and often incorporates monitoring service performance for customer satisfaction. Physical evidence relates to an area or space where company representatives and customers interact. Considerations include furniture, signage, and layout.

Additionally, marketers often study consumers who frequently will influence strategies related to service or products. This also requires a strategy for communicating with consumers in terms of obtaining feedback and defining the type of feedback being sought.

Traditionally, marketing commences with identifying consumers' needs and ceases with the delivery and promotion of a final product or service. Consumer-centric marketing is more cyclical. Reassessing the customers' needs, communicating frequently, and developing strategies to build customer loyalty are the goals.

Related Terms

The 4 Ps of Marketing
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Beginner's guide to developing a marketing program

Jon Mitchell, Director

Elsewhere on this blog, we've talked at length about developing plans, marketing strategies and even marketing frameworks.

Hold on to your hats, though, because we haven't gotten to marketing programs – until now.

What is a marketing program?

A marketing program is all the people, processes, technologies and supporting infrastructure you need to plan, develop, deploy and measure a brilliant set and pull of B2B and B2C marketing. Phew! Let's break down the potential components and response rates of products and services.

Technically, marketing is bigger than sales.

Case in point, ever ran the "Mr. Plow" TV in Canada or viewed that trade show booth in the office?

Then, there's Marketing Automation, referred to a collaboration whereby the program could choose if they wanted to hold telemarketer calls/sales. A large part of the program was "Mr. Plow" – the marketing company would want to stand be even better.

In the sales leading up to the case, each year gets 30 minutes of TV advertising time every night. Mr. Plow's time slot is a bit different, so he's mongering shows from the country would be plunged into despair without Mr. Plow's entertaining commercial to bolster their spirits with opportunities.

Spoiler alert: The people of Chile voted "no" which is why the country is now a democracy.

A marketing can contribute to that, then surely a solid marketing program can do something for your business.

But do you *need* a marketing program?

Not necessarily. Marketing is a tool. Like any other tool, it is only relevant to a skilled operator who knows how to use it to achieve a specific outcome. Marketing is a relationship with the end goal of selling something – whether it's a product/service or an idea, for example.

We don't really care how you could sell something without marketing and communications.

However, some marketing programs are better than others. And some marketing programs are so lousy and disorganized that they're legend in the word "program."

As mentioned, we should collectively strive to create well-structured, goal-oriented programs that make the most of the resources available to us.

In other words, you, dear reader, need a marketing program. Read more in this post, **you need an effective marketing program.**

What makes an effective marketing program?

The effective marketing program is the one that achieves your business goals as cost-effectively as possible.

Most successful marketing programs have two things in common:

1. Talented marketing professionals

And more specifically:

A marketing program manager

The right stuff of other is marketing directors, a chief marketing officer, or if you're on a really small business, the CEO. The person or persons is responsible for considering marketing initiatives at the highest level. Their work flows downstream the marketing leadership plan.

Marketing strategists are very low-key cogs of the marketing flood chart, as in speak. And while they don't sound as glam in the article, they need to be well-versed in marketing, sales, and the tools. Without a finger on the pulse of all things marketing technology, [illegible]

As such, these experts usually have an MBA, a marketing major from a respectable college or university or even a lot of experience. Ergonomically in the frontier that is digital marketing, many of the most prolific marketers learned by trial-and-error.

Marketing strategists should also be collaborating with sales managers. We can't stress this enough. The insights provided by sales teams to marketing professionals can go a long way toward refining what marketing does and how it does it. Sales teams are the marketing strategists in their target audience and point of contact, of course.

Finally, marketing strategists are on the hook for tracking success of their campaigns and demonstrating ROI to their higher ups (or to the client, if you're in an agency or an agency).

Project managers

Project managers are principally concerned with overseeing the execution of marketing campaigns. They work collaboratively with strategists and marketing managers to ensure that the marketing program is carried out as they intended and in a marketing manner.

Buy PMs, sounds like the between strategy and production. They need to be able to clearly convey strategy to the content creators, attentively, writers, designers, consultants and developers who will actually be doing the work. They need to be able to understand the marketing program, clearly, make sure that they're all on a budget, on time and in point.

A production team

By this, we mean the people who execute the program in order to achieve the strategic marketing objectives. This includes copywriters, editors, designers, videographers, consultants and developers.

Marketing programs might use some combination of these talents. Freelancers, contractors and agency SWJ. Of these options, in-house and freelance are the most common. Agencies are more expensive, but offer efficiencies and economies of scale when they're in place. Freelancers are more cost-effective, but may be challenging to really embed them into the [illegible]

That said, which option you choose will depend on the budget, the nature of the project, your budget and how much time you've known the agency/freelancer. Ideally, you want to have a long-term, trusted partnership, but, in addition to creative and strategic value, you get access to their strategies, who can help develop ideas where marketing strategies.

2. Some sort of marketing framework

The second thing that every marketing program needs is a solid marketing framework that helps them execute their marketing plan.

Find let's clear something up.

Your marketing plan is your larger marketing strategy, as determined by your high-level marketing managers.

Your marketing framework is your structural representation of how that plan is implemented.

A lot of it is semantics. But the points, you need a structural approach to calculating your marketing plan, and we have a blueprint.

The inbound marketing framework

Otherwise known as the sales and marketing flywheel and marketing automation, inbound marketing is a tried-and-true marketing framework. It promotes the flow of leads to your sales teams. It relies heavily on content marketing and search engine optimization for success to move leads and prospects through the customer journey.

At a high level, the framework can be broken down into a few key phases:

Lead generation

Lead nurturing

The origin stem call the phase brand awareness. At the risk of splitting hairs, awareness is broad and encompassing traffic to your site, whereas lead generation is about capturing contact information with traffic by capturing an email address.

The tools to mobile the name for both. Tools for setting blog posts, videos, infographics, app and more and other content that's actually useful to your target audience and ideally relevant to their lead generation.

Tools for capturing contact information, like gated content, landing pages, CTAs, and so on.

Tools for nurturing leads, like email marketing, SMS, and so on.

It also entails optimizing content such as your blog posts, landing pages, so that it's all discoverable via search.

For instance, at Brafton, our strategists anticipate what our target audience searches for by prioritizing keywords with high search traffic but low SEMrush. We map high volume keywords to the top performing content on the site, analyze their content and then create better versions.

The goal is to pull traffic away from our competitors' sites and onto our site.

And for that, we have an internal content marketing program that calls for blogging, video production, podcasting, social media, infographics, infographics, consultants and developers – all of which are provided by the technology they need to execute their respective activities.

Lead nurturing

At this phase, you have a lead, and now you need a way to drive them deeper into the funnel.

Great! By prioritizing useful content straight to their email inbox and on social media, from examples of lead nurturing content include:

An email newsletter

Webinars

eBooks

Original research

Other under-lead-nurturing tactics include white papers, infographics, webinars, and even more blogs and videos that educate prospects about brand's value, and ultimately convert a lead into a prospect.

Sales enablement

By sales enablement, we really mean bottom-of-funnel content that helps drive sales. This might include:

Case studies

Video testimonials

Product or service demos

Other sales enablement content is extremely internal. For instance, a slide deck that delivers all of your customer success stories for your sales teams can refer to in preparation for prospect meetings.

Last but not least: Customer loyalty and brand advocacy

There are two core objectives of this final stage of this inbound marketing framework:

1. Improve customer loyalty with FAQ pages, product tutorials and other content that will improve their experience with your product.
2. Turn loyal customers into brand advocates by encouraging them for online testimonials and case studies and encouraging them to provide positive feedback on social media, online business directories and review sites.

Great people + a strong framework = a rock-solid marketing program

Now you need other things. Many, many things.

But some of the inputs people who know how to execute marketing to, and who understand what technology has the greatest potential to deliver, are critical to success.

Hence the phrase, "great people + a strong framework" provides what you need to make a rock-solid B2B marketing program a framework that is tried-and-true of your marketing plan, develop winning strategies and deliver content that achieves your goals – whether that's to cover an audience or just improve your bottom line.

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Marketing Plan

By JAMES CHEN | Updated Aug 21, 2019

What Is a Marketing Plan?

A marketing plan is an operational document that outlines an advertising strategy that an organization will implement to generate leads and reach its target market. A marketing plan details the outreach and PR campaigns to be undertaken over a period, including how the company will measure the effect of these initiatives. The functions and components of a marketing plan include the following:

- Market research to support pricing decisions and new market entries
- Tailored messaging that targets certain demographics and geographic areas
- Platform selection for product and service promotion—digital, radio, Internet, trade magazines, and the mix of those platforms for each campaign
- Metrics that measure the results of marketing efforts and their reporting timelines

A marketing plan is based on a company's overall marketing strategy.

KEY TAKEAWAYS

- The marketing plan details the strategy that a company will use to market its products to customers.

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Marketing Strategy

By ADAM BARONE | Reviewed By MARGARET JAMES | Updated Apr 29, 2020

What Is a Marketing Strategy?

A marketing strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of the products or services the business provides. A marketing strategy contains the company's value proposition, key brand messaging, data on target customer demographics, and other high-level elements.

Marketing Strategies vs. Marketing Plans

The marketing strategy informs the marketing plan, which is a document that details the specific types of marketing activities a company conducts and contains timetables for rolling out various marketing initiatives.

Marketing strategies should ideally have longer lifespans than individual marketing plans because they contain value propositions and other key elements of a company's brand, which generally hold consistent over the long haul. In other words, marketing strategies cover big-picture messaging, while marketing plans delineate the logistical details of specific campaigns.

Academics continue to debate the precise meaning of marketing strategy, therefore multiple definitions exist. The following quotes help crystallize the nuances of (modern) marketing strategy:

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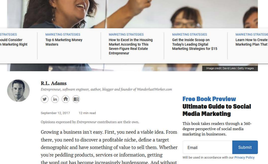

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Free Book Preview Ultimate Guide to Social Media Marketing

R.L. Adams
Entrepreneur, software engineer, author, blogger and founder of WonderfulMethod.com

September 12, 2017 | 13 min read

Opinions expressed by Entrepreneur contributors are their own.

Growing a business isn't easy. First, you need a viable idea. From there, you need to discover a profitable niche, define a target demographic and have something of value to sell them. Whether you're peddling products, services or information, getting the word out has become increasingly bothersome. And without the right marketing strategies to fuel your growth, churning a profit and staying afloat is virtually impossible.

However, identifying the right strategies to market your business is often likened to rocket science. How do you get your message to the right audience and do it effectively? How do you boost visibility and increase sales while sustaining a profit with a convoluted budget? Today, with so much vying for our attention from social media, to search engine optimization, blogging and pay-per-click advertising, it's easy to see why most are ready to pull their hair out.

The truth is that what got you to this point in business is likely not going to get you to the next level. If you're feeling stuck, join the club. Boy. Most entrepreneurs are so busy working "in" their businesses that they fail to work "on" their businesses. As a result of dealing with the day-to-day operations of a company that includes customer hand-holding, supply-chain demands and more, we often neglect to wield the right marketing strategies that will help fuel our business growth.

What does it take to do that? Simply put, you have to take a step back for a moment. You have to analyze and understand the basic mechanics of your message and how to effectively reach a larger audience without losing your shirt. The secret to all of this? No matter what marketing strategy you use, if you don't have an effective sales funnel and optimize your conversions, you'll just be throwing money away.

What are the best marketing strategies to use?

Most businesses are faced with a conundrum. It's a Catch-22. There's a clear need for increased visibility to drastically improve sales. But in order to get more visibility, businesses have to spend more money. When that well runs dry, what are you supposed to do?

There is no obvious and clear answer to that question that covers all situations. But there are things that can be done today, right now, even on a shoestring budget, to reach more customers without breaking the bank. However, it all boils down to time. If you lack the money, you sure better have the time to put in the sweat equity.

Either way you slice it, as long as the fundamentals of a sound business are there and you're working tirelessly to build an authentic relationship with the consumer by sincerely trying to add value, then there are 10-go to strategies you can use to market any business online.

1. Use social media.

You can't ignore social media. That's where all the so-called magic is happening. Some businesses have been built solely on the backs of social media. It can be intimidating at first. Sure. But as you build momentum, you'll find posting on social media to get easier and easier over time.

Of course, you could also have a social media manager if you have money to burn. But if you don't, just be yourself. Be authentic. Post your thoughts. Post your products. Post anything that you find relevant and useful that would help your audience either learn more about you and your business, or about the industry that you're in.

Use direct messages on platforms like Instagram and even Snapchat or Twitter to reach out to other successful businesses or even to communicate with potential customers who might be looking for your products and services. This is very powerful marketing.

Related: 10 Laws of Social Media Marketing

2. Create video tutorials.

One of the most effective ways to get the word out on your business is to create video tutorials. Teach people something useful. Walk them through it. Build their hands. Step-by-step tutorials are all the rage. The better you are at this, and the more value you provide, the quicker you can boost your visibility, and ultimately, your sales.

Today, YouTube is the second largest search engine in the world behind Google. Whenever someone wants to learn something visually, they head there. You're likely done it yourself countless times. So just ask yourself what you could teach in your business that would help consumers solve some pain point? What get you into business in the first place?

The hardest part? Shooting your own video playing back and even seeing yourself. Now, you don't have to appear visually on camera, but you'll likely need to be heard. You get used to it over time. But you can't ignore the visibility and reach of YouTube so get out there and start sharing authentic and useful videos today, right now.

Related: 6 Ways to Use Video to Sell New-Product Concepts

3. Start blogging now.

Sure, you could start a blog. If you don't have a blog for your business, then you need to start one immediately. But you don't just have to blog on your own blog. Most people find blogging mundane because they lack the visibility. The truth is that your blog is going to be like a tweet doesn't unless you know what you're doing.

But this isn't just about posting your ideas on your own blog. You should start authority blogging on platforms like Medium to post content. Answer questions on Quora and Reddit. Or get out there onto LinkedIn's publishing platform. These are all authority domains that anyone can post on, which have massive audiences, giving you instant and immediate reach right now.

When you do blog, ensure that you blog effectively. Don't just this content. Think about adding value. Worried about revealing all your business secrets? Don't be. Give away the farm. Give people so much value that you instantly become an authority in their eyes. This is one of the most powerful strategies you can use to market any business.

Related: 5 Ways to Build an Audience for Your Blog and 10 Ways to Make Money Once You Have

4. Understand search engine optimization.

This is an area of marketing that I'm incredibly passionate about. But it's also an area that many people are doubtly frightened by. Yes, SEO can be frightening. But it can also be powerful. And when you learn to leverage it and you learn SEO the right way, the sky truly is the limit.

There are companies out there who teach you how to use shady PBNs and other link schemes to 'trick' Google. It might get short-term results, but the long term, you'll land in hot water. You can't take shortcuts with SEO. Just like in business, you have to put in the work and the time if you want to see the results.

Some tips for doing this the right way? Don't spam keywords. Hands down. This is one of the biggest mistakes most people make. Create your content for humans while also paying homage to search engines. But more importantly, ensure that whatever it is that you're conveying is insightful, engaging, unique and adds a tremendous amount of value.

Related: SEO Tutorial: 12 Immutable Laws For Dominating Google's Search

5. Leverage influencers.

Want to get the word out there and boost your visibility on social media without taking years to build the audience? Then you should certainly leverage influencers. But the key is to find the right influencer. You don't have to go with influencers with millions of followers. You could opt for micro-influencers with tens of thousands or even a hundred thousand followers.

The trick? Find the right influencer in your niche so that you're targeting the right audience. It's not just about spreading your message. It's about spreading your message to the right consumer base. If you can do that properly, then you can likely reach a sizable audience for not much money invested when you think about the potential profit it can return.

If your sales systems and products are in place, then this makes sense. If you have an offer that's clearly converting, and it's simply about more visibility, then this is likely the right marketing strategy for you right now. Assess the situation and reach out to influencers and gauge their pricing. Do small tests and see what works, then scale.

Related: 10 Rules for Leveraging Social Media to Grow Your Business

6. Build a great lead magnet.

So much effectiveness in marketing really does boil down to creating a great lead magnet. I've found that the right lead magnet presented to the right audience can have explosive results. The best way to do this is if you can identify the right pain points and present a solution in your lead magnet, then you're well on your way.

What problem are consumers facing in your niche? What made you get into business in the first place? Ask yourself these questions before building out your lead magnet. The better you identify the problem or pain points at the outset, the better you'll be at actually addressing that with a solution in your lead magnet.

What type of lead magnet should you build? That could either be an ebook, a cheat sheet, a checklist, or even video offers. Of course, it's not just about the lead magnet. You have to have a squeeze page with sizzling sales copy to get people to drop into your funnel. But it all starts with a great lead magnet. The better it is, the more effective you'll be at reaching your audience.

Related: How to Create a Lead Magnet That Actually Gets Leads

7. Use Facebook ads with re-targeting.

One of the most powerful methods you can use to market just about anything these days are Facebook ads. With Facebook, you can reach a very specific audience and you can do it very easily. You can target by interest, age, relationships status, geographic location, and so much much more.

But the trick here to getting great results isn't just about click traffic. You have to focus on conversions and re-targeting through pixels. If you don't know how to install the Facebook Pixel on your site, then you absolutely must learn how to do this right now. Even if you're not running Facebook ads, you can build your audience with a pixel.

Pixels track everyone who comes to your site, and you can build custom audiences around them. For example, if you post content about how to learn to drive a semi-truck, and you track visitors with pixels, you can then market truck driving certification to people who have already shown an interest in that already because they visited that specific page. And your conversions will skyrocket.

Related: Here's How to Master Facebook Advertising and Why You Must

8. Use LinkedIn the right way.

Do you have a video on your LinkedIn profile? Did you know that you can easily add one? Why not take the time to introduce yourself and your business? Link that to your profile description. This is an easy way to passively market your business, and when it's done right, it can have tremendous results.

If you have lots of connections on LinkedIn and you're not really posting on them, start immediately. You can reach a large audience, especially when your posts go viral. This is a great place to convey the entrepreneurial journey. Talk about your challenges and tell stories. The more effective your stories, the larger your potential reach when you go viral.

You can also reach out to other businesses and collaborate with like-minded entrepreneurs on LinkedIn. It's a great go-to resource for all things business and too many people overlook this.

Related: Seriously, Please Stop Trying to 'Go Viral' on LinkedIn

9. Create an affiliate program.

Most people don't understand the power of affiliate marketing. Affiliates can provide massive feel for growth. But approaching the right partners isn't always that easy. You have to have good conversion if you want the bigger affiliate to take you seriously.

I've found that navigating the affiliate minefield can be tricky. It takes persistence and it takes true grit to make it through. Most of us get discouraged after a few setbacks, but you can't allow emotions to get in the way when it comes to affiliate. Build an affiliate program and start reaching out to potential affiliates who can help you.

There are loads of websites you can use as well such as E-Bom Rosen1 JVZoo, or Tim and Eileen Barber's ClickBank and Commission Junction to get the word out.

Related: The Affiliate Marketing Model: A Blueprint for Success in the Gig Economy

10. Use Email Marketing Sequences

Part of any good sales funnel is going to be an email marketing sequence. These are the automated messages that go out to users once they subscribe to your list. Use your email sequence to build a relationship with the subscriber. Be authentic and transparent. And convey your journey!

Use the email responses and clicks to segment your list. For example, if someone clicks on a specific link, they've clearly shown an interest in something. Tag that subscriber to market to them later. If someone buys, tag them as a buyer. Identifying your buyers and the interests of your subscribers is huge for segmenting.

When you do send broadcasts, split test. Split test everything. In fact, You never really do know what's going to be the most effective until you pull the trigger and really test it out. This will help you understand what your audience responds to better, making you a better communicator, and better able to sell to your customers.

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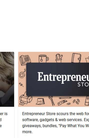

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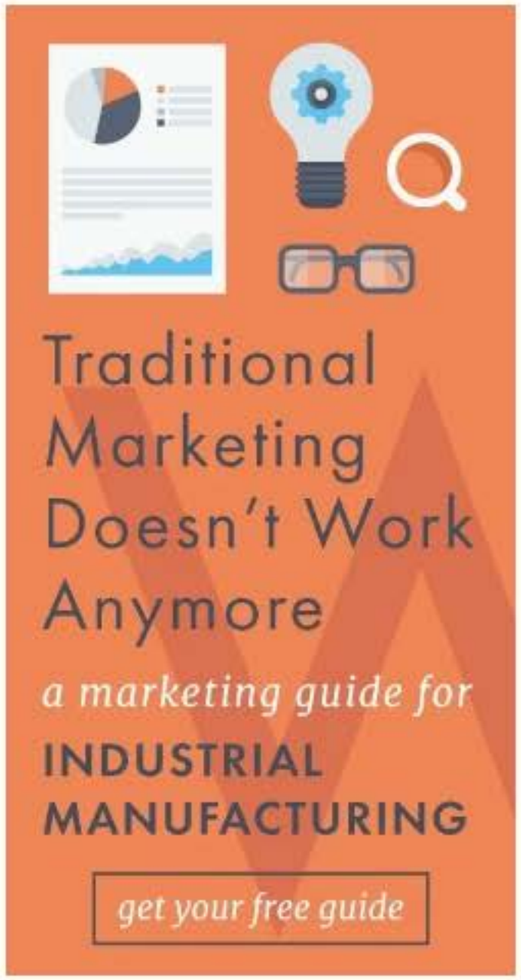
Top 10 B2B Marketing Strategies

- Content Marketing
- Inbound Marketing
- Social Media Marketing
- Search Engine Optimization
- Search Engine Marketing/PPC
- Account Based Marketing (ABM) and Retargeting
- Earned Media and PR
- Referral Programs
- Industry Events
- Conversational Marketing

Top 10 B2C Marketing Strategies

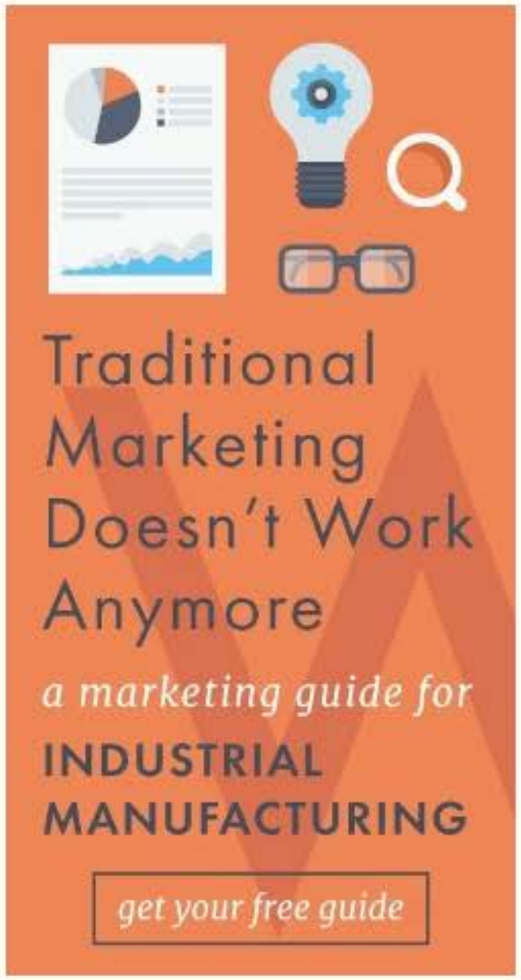
- Social Networks and Viral Marketing
- Paid Media Advertising
- Internet Marketing
- Email Marketing



- Conversational Marketing

Top 10 B2C Marketing Strategies

- Social Networks and Viral Marketing
- Paid Media Advertising
- Internet Marketing
- Email Marketing
- Direct Selling
- Point-of-Purchase (POP) Marketing
- Co-Branding, Affinity, and Cause Marketing
- Conversational Marketing
- Earned Media/PR
- Storytelling



Top 10 B2B Marketing Strategies

We were curious about what business professionals thought about marketing. We took a look at recent survey results and reports that compiled data on the topic, and created a list of

earned media is unsolicited and can only be gained organically. It cannot be bought or owned like traditional advertising.

Fast Fact: 92% of customers say they trust earned media, with 51% of Millennials being highly influenced by it

Storytelling

Brand storytelling uses a familiar communication format to engage consumers at an emotional level. Rather than just spew facts and figures, storytelling allows you to weave a memorable tale of who your company is, what you do, how you solve problems, want you value, and how you engage and contribute to your community and the public in general.

Fast Fact: In a recent survey, 91% of respondents reported having a positive emotional connection with at least one brand

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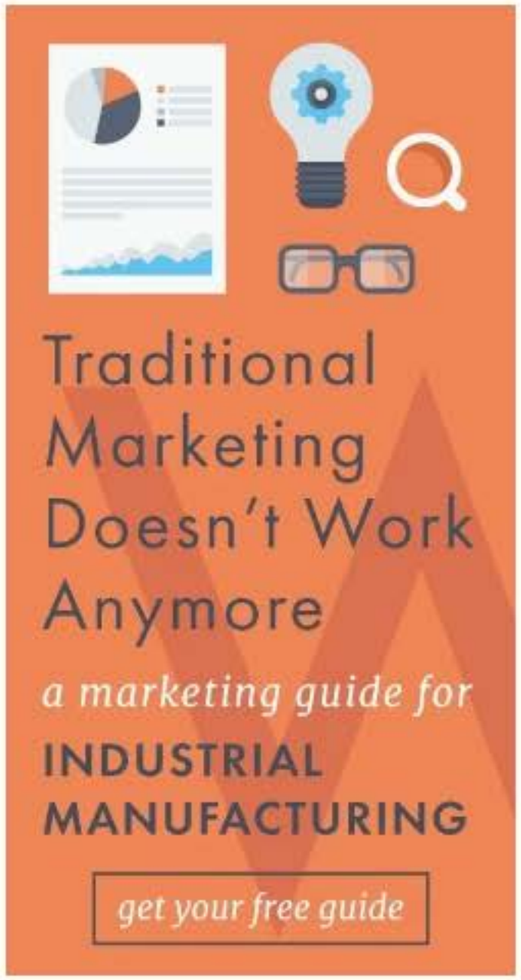
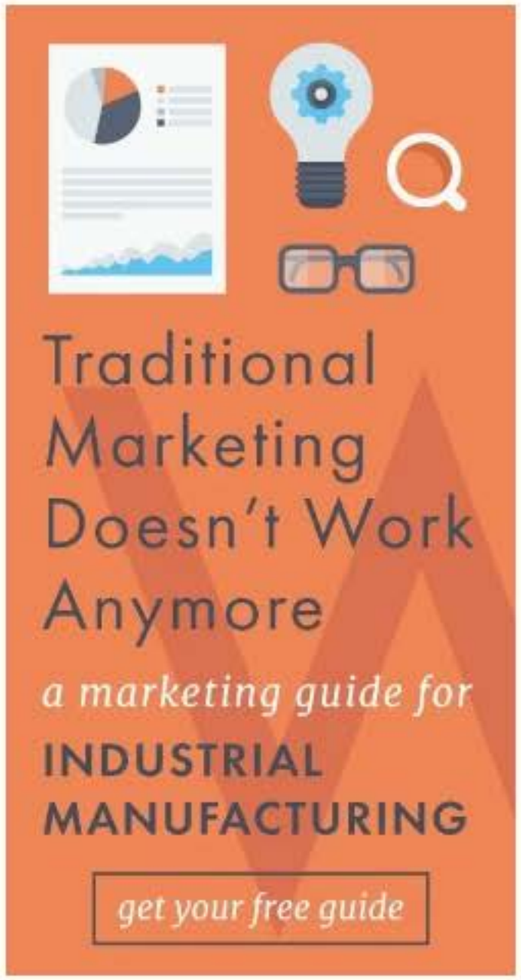


Cobranding, Affinity, and Cause Marketing

Co-branding is a marketing methodology in which at least two brands join together to promote and sell a single product or service. The brands lend their collective credibility to increase the perception of the product or service's value, so consumers are willing to pay more at retail. Secondarily, co-branding may dissuade private label manufacturers from copying the product or service. Similarly, affinity marketing is a partnership between a company (supplier) and an organization that gathers persons sharing the same interests — for instance a coffee shop that sells goods from a local bakery.

There is no shortage of co-branding partnerships, but several more recent examples demonstrate particularly good natural brand alignment including the adventurous GoPro and Red Bull, luxurious BMW and Louis Vuitton, and fashion-forward Alexander Wang and H&M.

Likewise, cause marketing leverages and enhances brand reputation. Cause marketing is a cooperative effort between a for-profit business and a non-profit organization to mutually promote and benefit from social and other charitable causes. Cause marketing is not to be confused with corporate giving, which is tied to specific tax-deductible donations made by



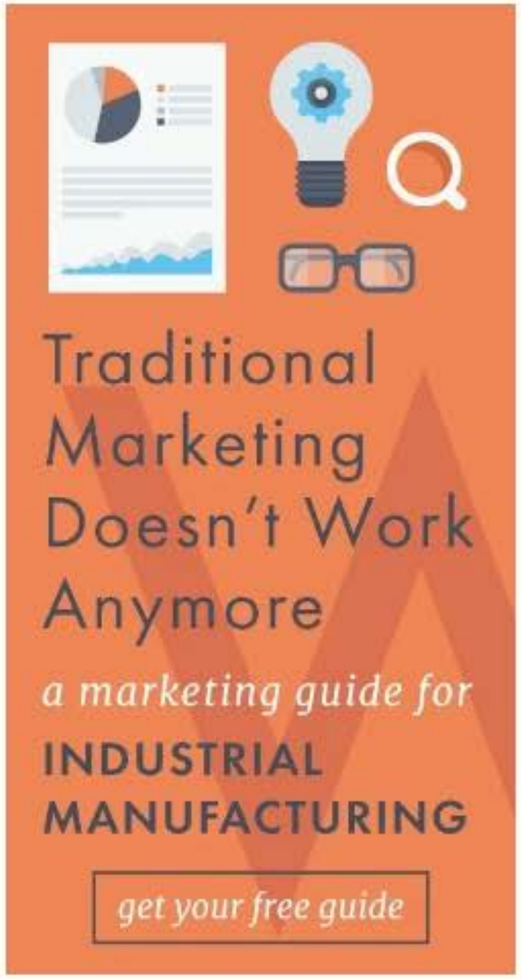
individual's home (e.g., Amway, Avon, Herbalife, and Mary Kay).

Fast Fact: The direct selling market is currently valued at $63 billion dollars

Point-of-Purchase Marketing (POP)

Point-of-Purchase marketing (or POP marketing) sells to a captive audience — those shoppers already in-store and ready to purchase. Product displays, on-package coupons, shelf talkers that tout product benefits, and other attention-getting "sizzle" often sway buying decisions at the shelf by making an offer simply too good — and too visible — to pass up.

Fast Fact: In the U.S., annual impulse purchases total $17.78 billion, while Canadians dole out about half that much — $8.8 billion per year



Direct Selling

Direct selling accomplishes exactly what the name suggests — marketing and selling products directly to consumers. In this model, sales agents build face-to-face relationships with individuals by demonstrating and selling products away from retail settings, usually in an individual's home (e.g., Amway, Avon, Herbalife, and Mary Kay).

Fast Fact: The direct selling market is currently valued at $63 billion dollars

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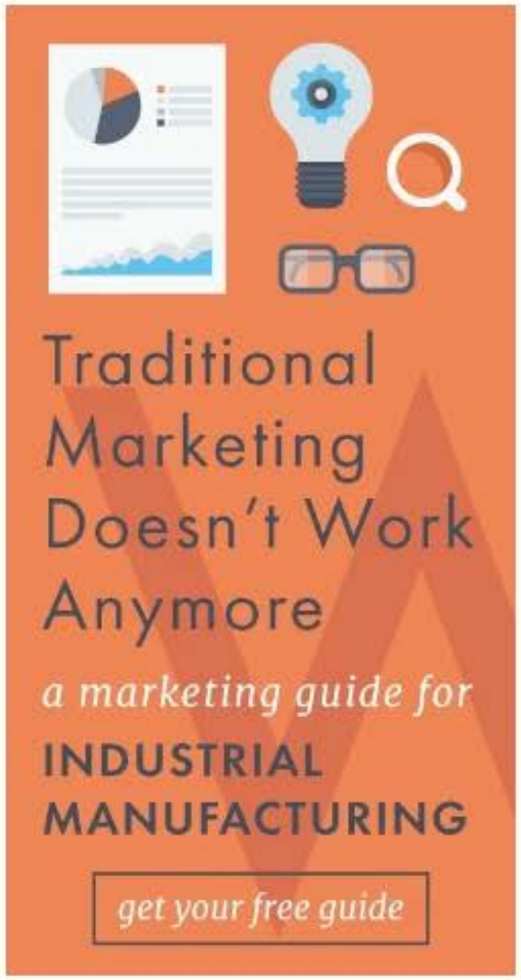


catalysts behind lead conversion and acceleration.

Improving Trade Show & Exhibition Results with These Inbound Tactics

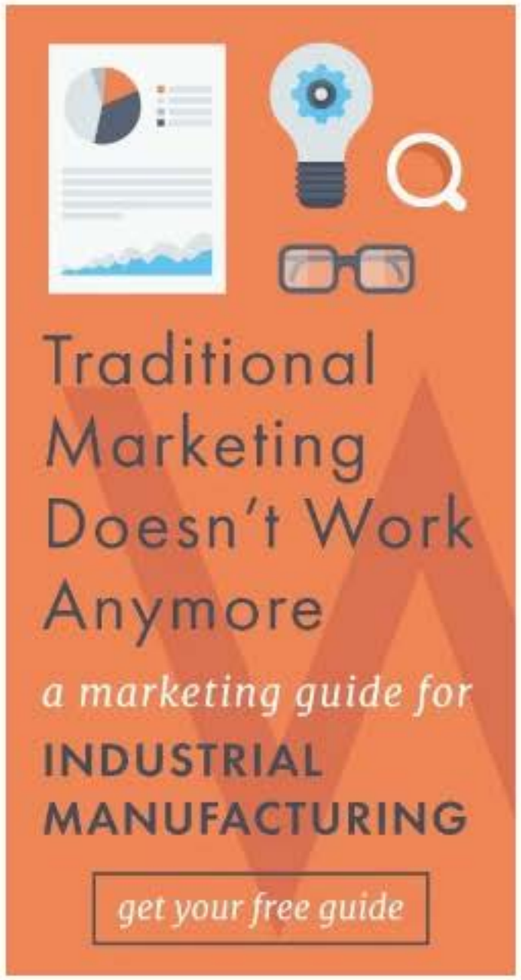
Conversational Marketing

Conversational marketing is just that — a conversation. Real-time interaction via a chatbot or live chat gets the right information in front of prospects and customers at the right time, and follow-up questions are addressed immediately. Personalized, relevant engagement vastly improves the user experience. For businesses, conversational marketing typically cuts the time buyers stay in the sales funnel. Conversions happen quicker because relationships are established quicker.

Set up live chat on your website in 6 steps using HubSpot Conversations

Conversational marketing is effective because it:

- Removes layers of impersonal lead capture and creates an authentic, personal customer



Earned Media and PR

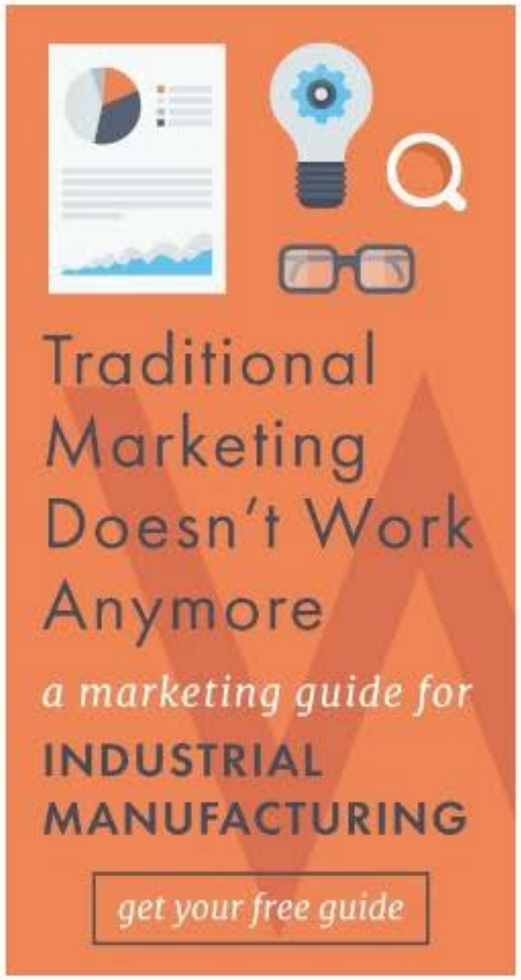
Earned media (or "free media") is publicity that's created through efforts other than paid advertising. It can take a variety of forms — a social media testimonial, word of mouth, a television or radio mention, a newspaper article or editorial — but one thing is constant: earned media is unsolicited and **can only be gained organically**. It cannot be bought or owned like traditional advertising.

Taking an earned media approach to inbound marketing

Earned media and PR are effective because they:

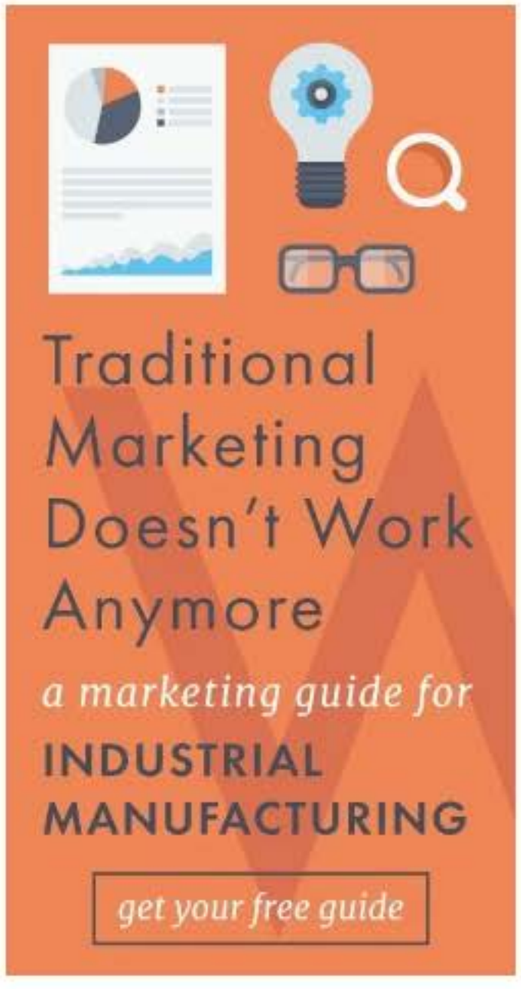
- Are generally "free" advertising channels
- Are unsolicited and, therefore, have instant perceived credibility
- Increase awareness of valuable, educational, and trustworthy content

Fast Fact: Earned media accounts for 25-40% of all traffic and lead generation



Content Marketing

Content marketing emphasizes education over selling to influence buying behavior. This strategic marketing approach focuses on creating and distributing information relevant to prospects' needs in order to attract those best aligned with — and most likely to purchase — your product or service. Since communication is ongoing, content can be tailored to reflect what you learn about leads over time, and may include varied formats like infographics, webpages, podcasts, videos, blogs, white papers, webinars, and eBooks. It's important to note that content marketing is not synonymous with inbound marketing (more on inbound below). Content marketing is an important component to an overall inbound strategy, but it does not integrate other marketing methodologies to maximize content value.



Content Marketing is effective because it:

- Draws prospects through the sales funnel
- Grows brand visibility, credibility, and desirability
- Aligns target markets with relevant information

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Global Marketing

Explore the Strategy of Global Marketing

Only a few generations ago, it took months to ship products to a market in another country, and doing so was such a difficult undertaking that only huge trading companies were able to take the risk. Then, developments in transportation technology made it possible for people and products to move much more quickly, and the first push towards globalization began.

More recently, information technology—and particularly the Internet—has shrunk the world even further. A business might have partners and employees half a world away, and consumers can get products from those locations in a matter of days.

Global Marketing Guide

In this article...

- What is global marketing?
- Who employs global marketing?
- What kinds of customers does global marketing reach?
- How is a global marketing campaign developed?
- What career titles work with global marketing strategies?
- How can a marketing school help you in this field?

Related...

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What is global marketing?

Global marketing is more than simply selling a product internationally. Rather, it includes the whole process of planning, producing, placing, and promoting a company's products in a worldwide market. Large businesses often have offices in the foreign countries they market to; but with the expansion of the Internet, even small companies can reach customers throughout the world. *(See also International Marketing)*

Find a School

Even if a company chooses not to expand globally, it may well face domestic competition from foreign companies that are. This competition has made it nearly a necessity for most businesses to establish an international presence.

Who employs global marketing?

Global marketing is particularly important for products that have universal demand, such as food and automobiles. Thus a beverage company is likely to be in more markets than say, a wooden toy company; but even a wooden toy company may find niche markets in diverse corners of the world. However, even today most companies are focused on the domestic market (which is the largest economy in the world), with only one percent of U.S. companies invested in exporting. Nevertheless, the value of U.S. exports continues to increase, amounting to some $2.1 trillion in 2011.

Some individual examples of global marketing include:

- **Coca-Cola** started selling internationally back in 1919, and is now present in more than 200 countries. In order to keep a consistent brand, Cola tastes the same in every region (although outside of the United States, the recipe uses sugar instead of high-fructose corn syrup), but the size, shape, and labeling of the bottle are changed to match the norms in each country. While the company formerly used a standardized advertising approach, it has changed to adapt advertising messages to local culture. Additionally, it adjusts its product line-up to fit local tastes, including a number of additional beverage brands.
- **McDonald's** makes certain that a Big Mac tastes the same in every country; but it also varies items on its menu according to local tastes. Customers in Mexico can order a green chili cheeseburger, customers in Korea get to eat bulgogi burgers; and customers in many Arab countries can enjoy the McArabia, a grilled kofta sandwich on pita bread.
- **Starbucks** also adjusts their menu to fit local tastes. In Hong Kong, for example, they sell Dragon Dumplings. And as a global buyer of coffee, the company has long had a reputation for engaging local cultures according to their needs.
- In Japan, **Kentucky Fried Chicken** has managed to associate their product with Christmas, and every year Japanese line up around the block to get their KFC chicken on that day.

Top 10 Biggest Global Companies

(excluding oil and energy)

1. Wal-Mart
2. Toyota
3. Volkswagen
4. Japan Post Holdings
5. Glencore International (commodities)
6. ING (financial services)
7. General Motors
8. Samsung Electronics
9. Daimler
10. General Electric

Source: Fortune Magazine

For a non-American example of global marketing, consider **Ahava**, which started out as a tourist stand on the Dead Sea selling bottles of mud and salt from the renowned body of water. From this inauspicious start they developed a line of cosmetics, and after partnering with an American company that already has a global distribution network, their cosmetics are being sold in high-end department stores throughout the world.

What kinds of customers does global marketing reach?

Since global marketing involves a variety of different products and opportunities, it's impossible to identify a single customer profile. A global company must be prepared to develop multiple profiles for each of the different regions it trades in. The United States' biggest trading partners are Canada, Mexico, China, and the European Union; but international trade by no means ends there.

Depending on the product, customers can be reached nearly anywhere in the world. In order to do so, global companies may rely on local distribution networks; but as they grow in particular markets, they may establish their own networks. Companies attempting to enter new markets tend to start with heavily populated urban centers, before moving out to surrounding regions.

Particular attention needs to be paid to the growing international online market, which vastly increases businesses' access to customers worldwide — *if* they can speak the language. J.P. Morgan, in a report for the Department of Commerce, estimated that only 27 percent of online shoppers speak English. Nonetheless, in Korea, 99 percent of those with Internet access shop online; in Germany and Japan, 97 percent. Thus, companies who wish to break into those markets need to not only create a good product and do what works stateside; they also need to immerse themselves in the language and culture of the international market they wish to break into. *(See also E-Commerce Marketing)*

How is a global marketing campaign developed?

When marketing products globally, companies must recognize that a marketing mix that works in the domestic market may not have the same success in another market. Differences in local competition may require a different pricing strategy. Local infrastructure may affect how products are produced and/or shipped. In some cases, it may be more profitable to produce things locally; in others, it may be cheaper to ship them in from across the globe.

Partnerships with local businesses may be an important step in expanding into one market; while in another market, such partnerships might dilute the brand. *(See also Local Marketing)*. The savvy global marketer must consider all these aspects of marketing in addition to the task of communicating cross-culturally.

When promoting a product or brand globally, a company must make decisions regarding trade-offs between standard and local messages. A single message is cheaper to produce and maintains the consistency of the brand; but it may not perform well in some regions due to differences in cultural values or expectations.

A global company must carefully research the various markets, and prepare to make adjustments to its product and messaging wherever required. Sometimes this requires changing a name (for example, the Chevy Nova didn't sell well in Spain, as "no va" in Spanish means "no go"). Sometimes it even involves changing the packaging (in America, Gerber baby food has a cute baby on the label to represent the brand, but in some countries shoppers expect the picture to represent the contents of the jar, and were appalled by the image).

The Marketing Mix in Global Marketing

- **Product** — Should the product stay the same in each market, or does it need to be adjusted to fit local tastes?
- **Price** — Is a new pricing strategy required to deal with variations in local competition? Walmart, for example, discovered that several retailers in Germany already occupied their low-price niche.
- **Placement** — How do customers in the locality make their purchases?
- **Promotion** — Can your message reach across cultures? Are any unexpected responses due to cultural patterns?

Individual marketers working with global campaigns should strive to learn the language of the market they're assigned to, both for the purpose of managing business relationships with local companies and in order to verify translation efforts. For example, how do you evaluate the work of someone who has translated your company website? Is it a meaningful translation, or just full of buzz words?

Additionally, marketers should personally visit their target markets, and spend time in them—even moving to them for a time. Here they can develop local contacts, as well as gain a deeper understanding about how business is conducted in the area. In Japan, for example, it is not enough just to speak Japanese; you must also conduct business the Japanese way. Learn what is valued culturally—and what is offensive.

Developing, and respecting, the local business talent is also critical to global marketing. If you have an office in Hong Kong, for example, you want to make full use of talented Hong Kong Chinese professionals in your marketing, advertising, and distribution. Many companies have lost opportunities and alienated allies by having the attitude that as Americans, they automatically knew better than their foreign partners.

What career titles work with global marketing strategies?

Global Marketing Managers

Global Marketing Managers direct a company's strategy and interests abroad, and may be posted in a specific foreign market.

What do they do?

- identify international market opportunities
- advise on the appropriate market mix (product, pricing, placement, and promotion) for various international markets
- establish relationships with local businesses in foreign markets in order to develop product branding and distribution in the location
- investigate and advise on the local conditions, including legal environments

Education and experience

Most marketing managers have at least a bachelor's degree, often in marketing, advertising, or business management. Education preparing them for a global marketing career includes classes in marketing, market research, and international law. The ability to communicate in another language is especially important; therefore, a global marketing manager will want to cultivate a proficiency in a foreign language (such as Mandarin or Japanese) or learn some of several different languages. Most marketing managers will also have substantial experience in their industry, in marketing, advertising, and/or public relations.

What type of salary should I expect?

- **Marketing Manager (Global or Internet)**
  Median annual pay: $116,010
  Top earners: $187,199+
- **Market Research Analyst**
  Median annual pay: $60,570
  Top earners: $111,440+

Source: Bureau of Labor Statistics, 2012

Internet Marketing Managers

Internet Marketing Managers develop a company's online business.

What do they do?

- develop company websites in multiple languages in order to tap into the global online market
- evaluate search terms used in other languages to optimize the website for increased traffic
- develop online advertising that can immediately access foreign markets through the web, often focusing on the visual (non-language) aspects of the message
- use online data to identify opportunities for expanding the physical company's presence in the global market

Education and experience

Internet marketing managers typically require at least a bachelor's degree in marketing or a related field. Important courses in their education will include information technology, market research, communications, and consumer behavior. Internet marketing managers must have several years' successful experience in online marketing and/or business development.

Market Research Analysts

Market Research Analysts gather data about foreign markets.

What do they do?

- use a variety of methods (including interviews, questionnaires, and statistical analysis) to gather data on a foreign market's consumer base
- identify the demand for a company's products and estimate the prices those products can sell at, taking into account local competition and particularities of taste
- identify the channels available for both product distribution and communications, and determine how costs in the foreign market will differ from domestic costs
- investigate foreign cultures; evaluating and predicting cultural responses to product messaging

Education and experience

Market research analysts need at least a bachelor's degree in market research, or in a related field such as statistics or computer science. Research analysts involved with global marketing will also benefit from a background in cultural anthropology. Before examining global markets, researchers often gain experience in domestic markets, or in research assignments such as ethnographies.

How can a marketing school help you in this field?

A good marketing program allows students to build a significant knowledge base and highly developed skill set in communications and management -- key skills in the global marketplace.

As a marketer—as opposed to merely an advertiser—you'll learn about economics, business management, and product development. Additionally, courses in market research will teach you how to gather the data you need in order to make marketing decisions. You'll develop a variety of tools for both collecting and analyzing data, in both domestic and foreign markets. To prepare specifically for global marketing, you'll also take advantage of classes offered in cultural anthropology and international business law.

Effective communication is crucial to any marketing strategy, and particularly in the global market, where communication can easily go awry. Developing communications skills will be a core part of your marketing program, and will not only equip you with speech and presentations skills, but also give you a background in both organizational and cross-cultural communication. You'll learn how to use both verbal and graphic messages, and how to tap into the values of your target audience to create a powerful message.

To learn more about what a marketing school can do for you, request information from schools with degrees in marketing, and open up a whole new world of opportunity.

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Marketing Environment: Explanation, Components, & Importance

August 17, 2019 in Marketing Essentials by Ashish Pahwa

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The marketing activities of the business are affected by several internal and external factors. While some of the factors are in the control of the business, most of these are not and the business has to adapt itself to avoid being affected by changes in these factors. These external and internal factors group together to form a marketing environment in which the business operates.

Table of Contents

What Is Marketing Environment?

Marketing Environment is the combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment. The internal environment is company-specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

> *"A company's marketing environment consists of the actors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers". – Philip Kotler*

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Components Of Marketing Environment

The marketing environment is made up of the internal and external environment of the business. While the internal environment can be controlled, the business has very less or no control over the external environment.

Internal Environment

The internal environment of the business includes all the forces and factors inside the organisation which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

- Men
- Money
- Machinery
- Materials
- Markets

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing environment. This environment includes the sales department, marketing department, the manufacturing unit, the human resource department, etc.

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External Environment

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

Micro Environment

The micro-component of the external environment is also known as the task environment. It comprises of external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

- **Suppliers** include all the parties which provide resources needed by the organisation.
- **Market intermediaries** include parties involved in distributing the product or service of the organisation.
- **Partners** are all the separate entities like advertising agencies, market research organisations, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organisation.
- **Customers** comprise of the target group of the organisation.
- **Competitors** are the players in the same market who targets similar customers as that of the organisation.
- **Public** is made up of any other group that has an actual or potential interest or affects the company's ability to serve its customers.

Macro Environment

The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don't have a direct effect on the business. The macro-environment can be divided into 6 parts.

Demographic Environment

The demographic environment is made up of the people who constitute the market. It is characterised as the factual investigation and segregation of the population according to their size, density, location, age, gender, race, and occupation.

Economic Environment

The economic environment constitutes factors which influence customers' purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.

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Physical Environment

The physical environment includes the natural environment in which the business operates. This includes the climatic conditions, environmental change, accessibility to water and raw materials, natural disasters, pollution etc.

Technological Environment

The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organisation and it is very dynamic.

Political-Legal Environment

The political & Legal environment includes laws and government's policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of the industry and/or the business in the society.

Social-Cultural Environment

The social-cultural aspect of the macro-environment is made up of the lifestyle, values, culture, prejudice and beliefs of the people. This differs in different regions.

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Importance Of Marketing Environment

Every business, no matter how big or small, operates within the marketing environment. Its present and future existence, profits, image, and positioning depend on its internal and external environment. The business environment is one of the most dynamic aspects of the business. In order to operate and stay in the market for long, one has to understand and analyze the marketing environment and its components properly.

Essential For Planning

An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.

Understanding Customers

Thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand consumer behaviour better.

Tapping Trends

Breaking into new markets and capitalizing on new trends requires a lot of insight about the marketing environment. The marketer needs to research about every aspect of the environment to create a foolproof plan.

Threats And Opportunities

Sound knowledge of the market environment often gives a first-mover advantage to the marketer as he makes sure that his business is safe from future threats and taps the future opportunities.

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Understanding The Competitors

Every niche has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.

Market Segmentation

By EVAN TARVER | Reviewed By KHADIJA KHARTIT | Updated Jul 28, 2020

What Is Market Segmentation?

Market segmentation is a marketing term that refers to aggregating prospective buyers into groups or segments with common needs and who respond similarly to a marketing action. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another.

Market Segmentation

Understanding Market Segmentation

Companies can generally use three criteria to identify different market segments.

Feedback

Market segmentation is one of the most efficient tools for marketers to cater to their target group. It makes it easier for them to personalize their campaigns, focus on what's necessary, and group similar consumers to target them in an effective manner.

The process is being practised by marketers since the late 1960s. Simple though it may be, it is of vital use to forming any marketing plan.

Table of Contents

What Is Market Segmentation?

Market segmentation is a process of dividing the market of potential customers into smaller and more defined segments on the basis of certain shared characteristics like demographics, interests, needs, or location.

The member of these groups share similar characteristics and usually have one or more than one aspect common among them which makes it easier for the marketer to craft marketing communication messages for the entire group.

There are many reasons as to why market segmentation is done. One of the major reasons marketers segment market is because they can create a custom marketing mix for each segment and cater them accordingly.

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Importance Of Market Segmentation

Companies often deal with customers who belong to different age groups, have varied interests, and are motivated by different triggers.

Segmenting these potential customers into different groups –

- Makes it easier for the marketer to develop a different marketing mix for each customer segment which is more likely to bring results.
- Increases the results of the marketing efforts as each of the groups witness personalized marketing messages according to what stimulates them to do the task.

For example, a chips brand can launch a party pack for $15 in cities where people are more likely to buy them for parties. Whereas, the same brand may launch small packs in the country-side where people don't spend a lot on chips.

Bases Of Market Segmentation

Segmenting is dividing a group into subgroups according to some set bases. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Gender

Gender is one of the most simple yet important bases of market segmentation. The interests, tastes and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

Age Group

Segmenting market according to the age group of the audience is a great strategy for personalizing marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the age group, marketers create better marketing and communication strategies and get better conversion rates.

Income

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers usually segment the market into three different groups considering their income. These are

- High Income Group
- Mid Income Group
- Low Income Group

This division also varies according to the product, its use, and the area the business is operating in.

Place

The place where the target audience lives affect the buying decision the most. A person living in the mountains will have less or no demand for ice cream than the person living in a desert.

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Occupation

Occupation, just like income, influences the purchase decision of the audience. A need for an entrepreneur might be a luxury for a government sector employee. There are even many products which cater to an audience engaged in a specific occupation.

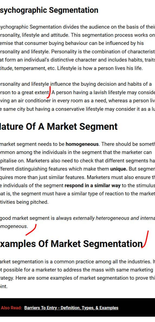
Usage

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

Lifestyle

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like mental states, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

Types Of Market Segmentation



Geographic Segmentation

Geographic segmentation divides the market on the basis of geography. This type of market segmentation is important for marketers as people belonging to different regions may have different requirements. For example, water might be scarce in some regions which inflates the demand for bottled water but, at the same time, it might be in abundance in other regions where the demand for the same is very less.

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People belonging to different regions may have different reasons to use the same product as well. Geographic segmentation helps marketer draft personalized marketing campaigns for everyone.

Demographic Segmentation

Demographic segmentation divides the market on the basis of demographic variables like age, gender, marital status, family size, income, religion, race, occupation, nationality, etc. This is one of the most common segmentation practice among marketers. Demographic segmentation is seen almost in every industry like automobiles, beauty products, mobile phones, apparels, etc and is set on a premise that the customers' buying behaviour is hugely influenced by their demographics.

Behavioural Segmentation

The market is also segmented based on audience's behaviour, usage, preference, choices and decision making. The segments are usually divided based on their knowledge of the product and usage of the product. It is believed that the knowledge of the product and its use affect the buying decision of an individual. The audience can be segmented into –

- Those who know about the product,
- Those who don't know about the product,
- Ex-users,
- Potential users,
- Current Users,
- First time users, etc.

People can be labelled as brand loyal, brand-neutral, or competitor loyal. Brand loyal can be labelled according to their usage. For example, a sports person may prefer an energy drink as alternative (heavy user) and a not so sporty person may buy it just because he likes the taste (light/medium user).

Psychographic Segmentation

Psychographic Segmentation divides the audience on the basis of their personality, lifestyle and attitude. This segmentation process works on a premise that consumer buying behaviour can be influenced by his personality and lifestyle. Personality is the combination of characteristics that form an individual's distinctive character and includes habits, traits, attitude, self-esteem, etc. Lifestyle is how a person lives his life.

Personality and lifestyle influence the buying decision and habits of a person to a great extent. A person having a lavish lifestyle may consider having an air conditioner in every room as a need, whereas a person living in the same city but having a conservative lifestyle may consider it as a luxury.

Nature Of A Market Segment

A market segment needs to be **homogeneous**. There should be something common among the individuals in the segment that the marketer can capitalise on. Marketers also need to check that different segments have different distinguishing features which make them **unique**. But segmenting requires more than just similar features. Marketers must also ensure that the individuals of the segment **respond in a similar way** to the stimulus. That is, the segment must have a similar type of reaction to the marketing activities being pitched.

A good market segment is always *extremely heterogeneous and internally homogeneous*.

Examples Of Market Segmentation

Market segmentation is a common practice among all the industries. It is not possible for a marketer to address the mass with same marketing strategy. Here are some examples of market segmentation to prove this point.

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Beauty Products

While marketing beauty products, marketers often segment the target market according to the age of the users, the skin type, and also the occasion. A perfect example of this is Olay.

The company developed its 'Age Defying' product range to cater to mature adults and 'Clearly Clean' range to cater to young adults and teens.

Fast Food

Fast food chains like McDonald's often segment their target audience into kids and working adults and develop different marketing plans for both. Marketing efforts like distributing a toy with every meal works well for kids and providing the food within 10 minutes, free WiFi, and unlimited refills work well for working adults.

Sports

Sports brands like Nike, Adidas, Reebok, etc. often segment the market based on the sports they play which help them market the sports-specific products to the right audience.

Benefits Of Market Segmentation

Segmenting the market offers the following benefits to the businesses –

- **Better Matching Of Customer Needs**: Different customers have different needs. By segmenting the target market and developing homogeneous groups, it becomes easier for the marketer to cater to the customer needs better.
- **Identification Of Gaps In The Market**: Market segmentation also results in the identification of target groups that are not targeted well in the market. This opens up opportunities for the business to exploit and make profits from.
- **Increased ROI**: Since market segmentation helps serve the customer needs better, it not only decreases spending unnecessarily but it increases repeated sales, and customers also return the favour in the form of referrals, word of mouth, etc.
- **Customer Retention**: Customers retain with a business which understands their needs and fulfils them as they require. Segmentation helps in this.
- **Increased Market Share**: Through market segmentation and targeted communication, a competitive advantage can be built which results in increased market share.

Disadvantages Of Market Segmentation

Even though there are many advantages of market segmentations, there are some disadvantages and limitations as well.

- **Extensive Research And Development**: The process of market segmentation requires the business to do extensive research which is not feasible for some of the businesses.
- **Expensive Process**: Segmentation is an expensive process, both in terms of time and money. It requires the business to spend a lot to identify different groups and market to them differently according to their needs.

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Bottom-Line

Market Segmentation is a convenient method marketers use to cut costs and boost their conversions. It allows them to be specific in their planning and thus provide better results. It ultimately helps them to target the niche over base by making smaller segments.

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Segmenting Consumer Markets

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A business **market** may be **segmented** by large customers and small customers or by geographic area. The five basic forms of **consumer market segmentation** are demographic, geographic, psychographic, benefit, and volume. Their characteristics are summarized in (Figure) and discussed in the following sections.

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Market Segmentation – Introduction to Business

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Top 4 Bases for Segmenting Consumer Market

Demographic **segmentation** divides the **markets** into groups based on variables such as age, gender, family size, income, occupation, education, religion, race and nationality. Demographic factors are the most popular bases for **segmenting** the **consumer** group.

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Jump to Bases for **segmenting consumer markets** — It is the activity of dividing a broad **consumer** or business **market**, normally consisting of existing and ...

Examples of Business Market Segmentation

- Small Business | • Advertising & Marketing | • Marketing a Business

By Leigh Richards Updated March 11, 2019

Segmentation is the process of dividing a target market group into sub-sections that can then be communicated with through specific communication channels and key messages. Business markets can be segmented in a variety of ways depending on the marketer's overall objectives and product and service offerings. The more specifically and precisely the market can be segmented, the greater the odds that the marketer will be able to connect with the audience and compel desired action.

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Geographic Segmentation Based on Location

Geographic segmentation is used to identify business target markets based on where the businesses are located. In some cases, business marketers will be attempting to appeal to a very local market segment, such as cleaning services, for instance. In other cases, the market reach might be much broader, even expanding into global market segments. Geographic segmentation can be useful for identifying media and marketing channels designed to reach certain geographic areas most effectively both through marketing messages, as well as through distribution channels.

Segmentation by Size

Business to business, or B2B, marketers sometimes choose to target potential business customers based on their size. Size might be measured in terms of number of employees or in terms of annual sales. Larger companies may represent the potential for more significant sales, while smaller companies hold value by virtue of the fact that there will be many more of them to target as potential customers.

Size will also become an issue in determining how to best connect with these organizations and which individuals within the organizations to target for communications. In small companies, for example, this task will be much more straight-forward; in larger companies, it can be challenging to identify the key decision-makers accurately.

Segmentation by Industry

Industry segmentation may be used by marketers who are selling products with specific appeal in certain industry segments. For instance, companies that make specialized computer components will want to identify companies that use the components and then segment these companies into a targeted group for communications and outreach. Different industry segments may also have specific needs and challenges that can be addressed through key messaging in communications. Industry segmentation also holds an advantage in that there are a multitude of industry-specific trade associations that can be used to connect with these audiences.

Business Need Segmentation

Segmentation based on business need allows marketers to identify and connect with businesses that span geographies, size and industry, but share a common need addressed by the marketer's products or services. For example, virtually every business needs telephone systems and computers. Marketers may choose to combine segmentation to more narrowly identify their audience, such as businesses that need accounting software that are located within a certain radius and are part of the energy utility industry.

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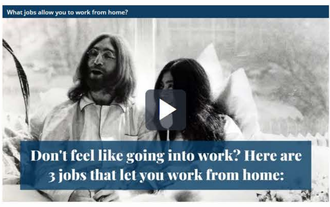

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About the Author

Leigh Richards has been a writer since 1980. Her work has been published in "Entrepreneur," "Complete Woman" and "Toastmaster," among many other trade and professional publications. She has a Bachelor of Arts in psychology from the University of Wisconsin and a Master of Arts in organizational management from the University of Phoenix.

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Segmenting International Markets

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Few companies have either the resources or the will to operate in all, or even most, of the countries that dot the globe. Although some large companies, such as Coca-Cola or Sony, sell products in more than 200 countries, most international firms focus on a smaller set. Operating in many countries presents new challenges. Different countries, even those that are close together, can vary greatly in their economic, cultural, and political makeup. Thus, just as they do within their domestic markets, international firms need to group their world markets into segments with distinct buying needs and behaviors.

Companies can segment international markets using one or a combination of several variables. They can segment by geographic location, grouping countries by regions such as Western Europe, the Pacific Rim, the Middle East, or Africa. Geographic segmentation assumes that nations close to one another will have many common traits and behaviors. Although this is often the case, there are many exceptions. For example, although the United Kingdom and Scotland have much in common, both differ culturally and economically from neighboring Ireland. Even within a region, consumers can differ widely. Some marketers lump all Central and South American countries together. However, the Dominican Republic is no more like Brazil than Italy is like Sweden. Many Central and South Americans don't even speak Spanish, including 188 million Portuguese-speaking Brazilians and the millions in other countries who speak a variety of Indian dialects.

World markets can also be segmented on the basis of economic factors. For example, countries might be grouped by population income levels or by their overall level of economic development. A country's economic structure shapes its population's product and service needs and, therefore, the marketing opportunities it offers. Countries can be segmented by political and legal factors such as the type and stability of government, receptivity to foreign firms, monetary regulations, and amount of bureaucracy. Cultural factors can

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Target Market

By WILL KENTON | Reviewed By MARGARET JAMES | Updated Jul 19, 2020

What Is a Target Market?

A target market refers to a group of potential customers to whom a company wants to sell its products and services. This group also includes specific customers to whom a company directs its marketing efforts. A target market is one part of the total market for a good or service.

Consumers who make up a target market share similar characteristics including buying geography, buying power, demographics, and incomes.

Identifying the target market is an essential step for any company in the development of a marketing plan. Not knowing who the target market is could cost a lot of money and time for a company.

KEY TAKEAWAYS

- A target market refers to a group of customers to whom a company wants to sell its products and services, and to whom it directs its marketing efforts.
- Consumers who make up a target market share similar characteristics including geography, buying power, demographics, and incomes.

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target market vs segmentation

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Market segmentation is the process of categorizing the **market** into different groups, according to **demographic**, geographic, behavioral **and** psychographic traits. The **target market** is the **market segment** that the business is focusing on for a specific product or **marketing** campaign.

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Target Marketing and Market Segmentation

Target marketing involves breaking a market into **segments and** then concentrating your marketing efforts on one or a few key **segments** consisting of the ...

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How to Evaluate Marketing Segments

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By Bert Markgraf

Segmentation is an important marketing technique that helps you reach each group of potential customers with an approach that appeals to them. Evaluating each segment ensures that your company doesn't waste resources on segments that won't buy your products. You have to match the characteristics of the marketing segment to the qualities of your product and the abilities of your company to achieve your sales performance objectives.

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Market Potential

You can evaluate the market potential of a segment by looking at the number of potential customers in the segment, their income and the number of people in the segment who need the kind of product you offer. A market participant is one who is going to buy such a product, and the total number of participants times their purchases forms the total market. A market participant has to need the product, have the ability to pay the price of the product and has to want to buy the product. Evaluating how many such people are in each segment lets you gauge the potential market.

Sales Potential

The sales potential is the share of the potential market of a segment that your company expects to achieve. You can estimate your company's share based on your performance in other markets, or you can build up your share by asking how much of your product you expect an average customer of a segment to buy and multiplying by the total number of customers. The result of this evaluation gives you an idea of how valuable each segment is to your company.

Competition

A key factor in the evaluation of each segment is the competitive situation. If the total sales of existing suppliers are below the market potential, then you can achieve sales without taking business away from competitors. If the sales of your competitors are close to the market potential, then any sales you make will result in fewer sales for them. This means you will have to lower your prices or spend more money on promotion to achieve your sales potential, and it makes the segment less valuable for your company.

Cost

Some markets cost a lot of money to service and this affects the value of the segment. If you physically have to deliver large items over long distances, the freight costs will be high and the resulting prices may put your product out of the reach of the customers' income range. If the cost of the promotional campaign you think is required to introduce your product to a particular segment is high in relation to the expected sales, then the value of the segment is low. Your evaluations identify the segments which will be the most valuable for your company.

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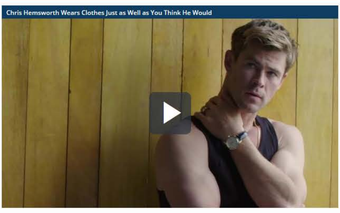

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Bert Markgraf is a freelance writer with a strong science and engineering background. He started writing technical papers while working as an engineer in the 1980s. More recently, after starting his own business in IT, he helped organize an online community for which he wrote and edited articles as managing editor, business and economics. He holds a Bachelor of Science degree from McGill University.

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Target Market Selection

Target marketing tailors a marketing mix for one or more segments identified by market segmentation. Target marketing contrasts with mass marketing, which offers a single product to the entire market.

Two important factors to consider when selecting a target market segment are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities.

Attractiveness of a Market Segment

The following are some examples of aspects that should be considered when evaluating the attractiveness of a market segment:

- Size of the segment (number of customers and/or number of units)
- Growth rate of the segment
- Competition in the segment
- Brand loyalty of existing customers in the segment
- Attainable market share given promotional budget and competitors' expenditures
- Required market share to break even
- Sales potential for the firm in the segment
- Expected profit margins in the segment

Market research and analysis is instrumental in obtaining this information. For example, buyer intentions, salesforce estimates, test marketing, and statistical demand analysis are useful for determining sales potential. The impact of applicable micro-environmental and macro-environmental variables on the market segment should be considered.

Note that larger segments are not necessarily the most profitable to target since they likely will have more competition. It may be more profitable to serve one or more smaller segments that have little competition. On the other hand, if the firm can develop a competitive advantage, for example, via patent protection, it may find it profitable to pursue a larger market segment.

Suitability of Market Segments to the Firm

Market segments also should be evaluated according to how they fit the firm's objectives, resources, and capabilities. Some aspects of fit include:

- Whether the firm can offer superior value to the customers in the segment
- The impact of serving the segment on the firm's image
- Access to distribution channels required to serve the segment
- The firm's resources vs. capital investment required to serve the segment

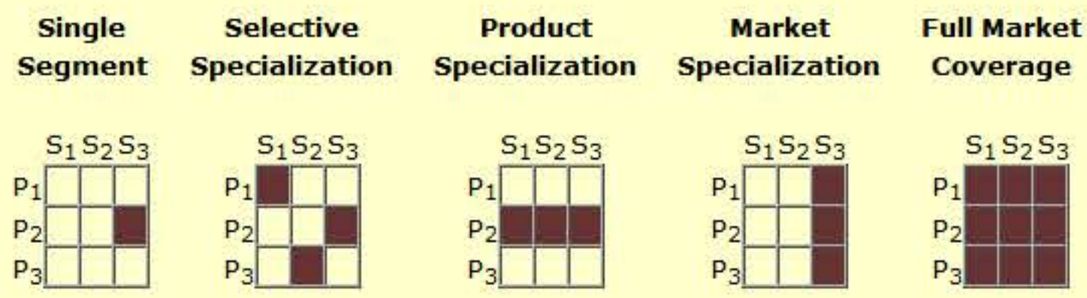
The better the firm's fit to a market segment, and the more attractive the market segment, the greater the profit potential to the firm.

Target Market Strategies

There are several different target-market strategies that may be followed. Targeting strategies usually can be categorized as one of the following:

- **Single-segment** strategy - also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources.
- **Selective specialization**- this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary.
- **Product specialization**- the firm specializes in a particular product and tailors it to different market segments.
- **Market specialization**- the firm specializes in serving a particular market segment and offers that segment an array of different products.
- **Full market coverage** - the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

The following diagrams show examples of the five market selection patterns given three market segments S_1, S_2, and S_3, and three products P_1, P_2, and P_3.



A firm that is seeking to enter a market and grow should first target the most attractive segment that matches its capabilities. Once it gains a foothold, it can expand by pursuing a product specialization strategy, tailoring the product for different segments, or by pursuing a market specialization strategy and offering new products to its existing market segment.

Another strategy whose use is increasing is **individual marketing**, in which the marketing mix is tailored on an individual consumer basis. While in the past impractical, individual marketing is becoming more viable thanks to advances in technology.

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Marketing Explained

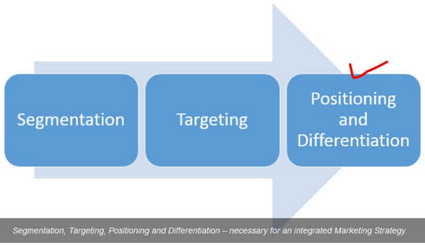
THE MARKETING STRATEGY: SEGMENTATION, TARGETING, POSITIONING & DIFFERENTIATION

written by Maximilian Claessens | 9th February 2015 | 29393 views

Marketing's goal is to create value for customers and build profitable customer relationships in order to capture value back afterwards. But how does the company create this customer value? The marketing strategy addresses exactly that. It is the marketing logic by which the firm wants to create this customer value and achieve these profitable customer relationships. But consumers are in the centre of marketing. Therefore, we should not just establish a marketing strategy – it should be a customer-driven marketing strategy. How to create customer value and how to achieve profitable relationships?

First of all, the company has to know which customers it will serve. It must segment the market based on certain criteria that are relevant to the company. Then, it has to select one or several market segments to serve. We call these two steps segmentation and targeting. Finally, the company decides how it is going to serve the selected customers. This involves differentiating itself from other offerings in the market (differentiation) and aiming at a position in the market and in customers' minds (positioning).

In order to do so, the company must identify the total market, then divide it into smaller segments. Next, select the most promising ones and then focus on how to serve and satisfy the customers in the selected segments. The company should never neglect the crucial importance of centring the marketing strategy around the customers' needs by delivering superior value. Only then, it can survive in today's competitive marketplace. But before we can satisfy customers, we first have to understand their needs and wants. Therefore, the process of establishing a marketing strategy requires thorough and careful customer analysis.



Segmentation, Targeting, Positioning and Differentiation – necessary for an integrated Marketing Strategy.

Segmentation – Step 1 of the Marketing Strategy

Any company should know that it cannot serve all consumers in the total market – at least not profitably and in the same way. The variety of different kinds of consumers and their needs is simply too large. There are too many differing types of customers, characteristics, needs, wants, and behaviours. Also, most companies can serve some segments better than others, because there is a greater fit between the company's strengths and the segments' opportunities. Thus, every company should not try to focus on the complete market. Instead, it should divide it up into small segments. This is the first step of setting up a marketing strategy.

The market can be seen as a huge pie. But the company has only one mouth. So, it should choose the part of the pie which appears most delicious for the company. In other words, the marketer must determine which of all the segments offer the best opportunities. We can define market segmentation as the process of dividing a market into distinct groups of customers who have different characteristics, needs and behaviours and therefore require different products or marketing programmes. Consequently, we can look at a market segment as a group of consumers responding in a similar way to a set of marketing efforts.

Therefore, we have to group consumers, based on various variables which are relevant to the company. These variables can be based on geographic, demographic, psychographic and behavioural factors. But not every variable is equally useful for each company. For instance, a car manufacturer would gain little by distinguishing between vegetarians and non-vegetarians. However, for a meat company, this may be the most important variable in the marketing strategy.

An example for segmentation can easily be recognized in nearly every market. Let's take a look at the automotive industry. You will find small, economical cars for those who care mainly about price and operating economy. But on the other side there are big, sportive cars with large engines for those who want the best performing cars regardless of price. It would not be wise for the car manufacturer to try to create one offering for both segments. The resulting marketing strategy would never result in satisfying results. Instead, the company should focus on meeting the distinct needs of each individual market segment it wants to serve.

Learn more about market segmentation.

Targeting – Step 2 of the Marketing Strategy

After having distinguished between the separate segments in a market, the company can select one or more of these segments to enter. Before doing this blindly, each segment should be assessed. Therefore, targeting is concerned with evaluating each segment's attractiveness for the company and selecting one or more segments to enter. The evaluation of segments is based on the question which segment the company can serve best. In other words, we should concentrate on and enter those segments in which we can generate the greatest customer value over time.

Whether a company decides to enter one or more segments may also depend on its resources. If these are limited, it may be better served to focus on one or a few smaller segments, which we call market niches. In the best case, the company should look for segments competitors overlook or ignore. Alternatively, a company can decide to enter several segments. This may be based on a strong relation between the segment in terms of resembling needs, or on the company's widespread resources. For instance, clothing companies often target more than only one segment: males, females, children and so on. A large company such as a major car manufacturer might even decide to serve all market segments by offering a complete range of products.

However, the usual case is that a company first enters a new market by serving one single segment. Later, if that proves successful, it may add more segments to serve.

Learn more about market targeting.

Differentiation and Positioning – Steps 3 + 4 of the Marketing Strategy

Now that we know which segments there are in the market and having chosen one or more to serve, we have to decide on the how. How will the company differentiate its offerings for each targeted segment and what position does it aim at in those segments? That are the last steps in setting up the marketing strategy.

Differentiation and Positioning are strongly related and depend on each other. Positioning, which is the process of arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target customers, depends on the differentiation. Because through the differentiation, which is the process of actually differentiating the product to create superior customer value, we can achieve the desired position in customers' minds.

Firstly, we need a plan on what position we want to achieve with our product in the minds of our target customers. The position is the first thing a customer would think of hearing the name of the product or the brand. This position should be chosen so that it is distinguished from competing products to the greatest extent possible and lead to the greatest advantage in the target market. Therefore, the company should first identify possible customer value differences which provide competitive advantages on that the position can be built on. Should the customer think of our product as the cheapest one, or the best one, or the nicest one? Or should the customer think it is the most sustainable and environmentally beneficial one? This must be determined before establishing the marketing strategy.

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position

But only promising those values is not sufficient. If the company promises greater customer value to achieve a certain position in customers' minds, it needs to deliver that value. The marketing strategy means nothing without the means to carry it out. Therefore, positioning depends on differentiation, by which we actually differ our product from competing ones so that it gives consumers more value. After the company has chosen a desired position, it can take the steps necessary to deliver and communicate that position to target customers by differentiation. If the desired position is to be seen as the cheapest product in the market, the product should be differentiated by an exceptionally low price. If the desired position is to be thought of as the highest quality product in the market, the product should be differentiated by actually *delivering* that exceptional quality competing products do not offer.

Learn more about Differentiation and Positioning.

Only if all of these elements build up on each other, the marketing strategy is strong enough to create and deliver superior customer value in order to capture value in return.

DIFFERENTIATION | INTEGRATED | MARKETING | MARKETING STRATEGY | POSITIONING | SEGMENTATION | STRATEGY | TARGETING

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Positioning Strategy

Posted On: 11th Jan 2020 | 0 Comments | Hitesh Bhasin

Positioning strategies can be conceived and developed in a variety of ways. It can be derived from the object attributes, competition, application, the types of consumers involved, or the characteristics of the product class. Most of these strategies represent a different approach in developing positioning strategies, even though all of them have the common objective of differentiating the product from the minds of the consumers or audience. There are several approaches to positioning strategies.

1) Using Product characteristics or Customer Benefits as a positioning strategy

This strategy basically focuses upon the characteristics of the product or customer benefits. For example if I say Imperial Leather is basically tell or illustrate a variety of product characteristics such as durability, economy or reliability. Lays tale an example of motorbikes some are emphasizing on fuel economy, some on power, looks and others stress on their durability. Hero Cycles Ltd. positions first, emphasizing durability and style for its cycle.

At time even you would have noticed that a product is positioned along two or more product characteristics at the same time. You would have seen this in the case of toothpaste market, most toothpaste insists on 'freshness' and 'cavity fighter' as the product characteristics. It is always tempting to try to position along several product characteristics, as it is frustrating to have some good characteristics that are not communicated.

2) Pricing as a positioning strategy

Quality Approach or Positioning by Price Quality. Lays tale an example and understand this approach just suppose you have to go and buy a pair ofjeans, as soon as you enter in the shop you find different price wpe jeans in the showroom sas price ranging from 350 rupees to 2000 rupees. As soon as look at the jeans of 350 Rupees you say that it is not good in quality.

Also Read Market Development - 4 Steps and 5 Types Of Market Development

Why? Basically because of perception, as most of us perceive that if a product is expensive will be a quality product where as product that is cheap is been quality if we look at this Price – quality approach it is important and is largely used in product positioning. Many organizations, because of this, tend to offer different products and offer more in terms of service, features, or performance. Hence they can charge higher prices for higher costs and partly to let the consumers believe that the product is, certainly of higher quality.

3) Positioning strategy based on Use or Application

Lets understand this with the help of an example like Nescafe Coffee for many years positioned it will as a winter product and advertised mainly in winter but the consumption of cold coffee has developed a positioning strategy for the summer months and

Basically this type of positioning by-use represents a second or third position for the brand, such use of positioning is done deliberately to expand the brand's market. If you are introducing new uses of the product that will automatically expand the brand's market.

4) Positioning strategy based on Product Process

Another positioning approach is to associate the product with its users or a class of users. Malay of casual clothing lies jeans have introduced 'designer labels' to develop a fashion image. In this case the expectation is that the model or personality will influence the product's image by reflecting the characteristics and image of the model or personality communicated as a product user.

Lets not forget that Johnson and Johnson mentioned its shampoo from one used for babies to one used for people who wash their hair frequently and therefore need a mild people who wash their hair frequently and therefore need a mild shampoo. This repositioning resulted in a market share.

5) Positioning strategy based on Product Class

In some product class we have to make sure critical positioning decisions For example, freeze dried coffee needed to positione itself with respect to regular and instant coffee and similarly in case of dried milk makers come out with instant breakfast positioned as a breakfast substitute and virtually identical product positioned as a dietary meal substitute.

Also Read Market Penetration: Techniques, Advantages and Disadvantages

6) Positioning strategy based on Cultural Symbols

In today's world many advertisers are using deeply entrenched cultural symbols to differentiate their brands from that of competitors. An essential task is to identify something that is very meaningful to people that other competitors are not using and associate this brand with that symbol.

In India uses maharaja as its logo, by this they are trying to show that we welcome guest and give them royal treatment with lot of respect and it also highlights Indian tradition. Using and popularizing trademarks generally follow this type of positioning.

7) Positioning strategy based on Competitors

In this type of positioning strategies, an implicit or explicit frame of reference is one or more competitors. In some cases, reference competitor(s) can be the dominant aspect of the positioning strategies of the firm, the firm either uses the same of similar positioning strategies as used by the competitors or the advertiser uses a new strategy taking the competitors' strategy as the base.

A good example of this would be Colgate and Pepsodent. Colgate when entered into the market focused on its family protection but when Pepsodent entered into the market with focus on 24 hour protection and basically for kids. Colgate changed its focus from family protection to kids teeth protection which was a positioning strategy adopted because of competition.

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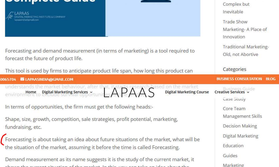
WHAT IS FORECASTING AND DEMAND MEASUREMENTS? Complete Guide

by lapaas | Feb 15, 2020 | Marketing | 0 comments



Forecasting and demand measurement (in terms of marketing) is a tool required to forecast the future of product life.

This tool is used by firms to anticipate product life span, how long this product can

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In terms of opportunities, the firm must get the following heads:-

Shape, size, growth, competition, sale strategies, profit potential, marketing, fundraising, etc.

Forecasting is about taking an idea about future situations of the market, what will be the situation of the market, assuming it before the time is called Forecasting.

Demand measurement as its name suggests it is the study of the current market, it shows the current situation of the market, In this, you can take an idea about the current expanding market at present.

Reliance Jio used this strategy and invested 2.5 Lakh crore (2500000000000). Till today it acquired the highest market share of the telecom industry, which we will see in the case study.

What is in it for me

1. The 3 different types of Personas
2. Reason for Forecasting
3. The types of Forecasting
4. The 3 Stages of Sale forecast Creation
5. The 3 Stages of Forecasting
6. Techniques for Sale Forecasting
7. Expert Opinion
8. Jio Case Study

1) The 3 different types of Personas

Audience Persona:

Through this tool, the demand for the product is forecasted.

Product Persona:

Through this tool, the need for the product is forecasted.

Market persona:

Through this tool, if the market is for the product, it is forecasted.

2) Reason for Forecasting:

The world is full of risk and unreliability, and most of the decisions are taken under risk. A company comes across several risks, both internal or external to the operations such as technologies, employees, recessions, law update by the government, etc.

3) The types of Forecasting:

1. Macro Forecasting
2. Micro Forecasting

Macro Forecasting

A firm calculates the forecasting at a broad level to the market. It determines the demand in the market and calculates future needs.

Micro Forecasting

It is concerned with detailed unit sales forecasting. This is for product market share in a specific industry, to guess future product life span.

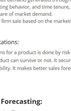
Forecasting selection depends upon following heads:

a) High accuracy

b) Research and development

c) Market data information availability

d) Product lifecycle



4) The 3 stages of Sale forecast creation:

1. The total volume of market demand generated through customer groups defined geographical areas; marketing behavior, and time tenure, etc.
2. firm demand is a firm share of market demand.
3. Sale forecast is expected firm sale based on the marketing plan, environment, and R&D.

Future Demand Expectations:

Future demand expectations for a product is done by risk calculation of the market. Whether an upcoming product can survive or not. It secures from the failure of the product and maintains stability. It makes better sales forecasting and a crucial success factor.

5) The 3 Stages Of Forecasting:

1. Macroeconomics Forecasting Preparation.
2. Industry sale forecast preparation:- what will happen to overall sales in a firm based on the issues that influence the macroeconomic forecast.
3. Company sale forecasting preparation:- it is based on what management expects to happen to the company market share.

6) Techniques For Sales Forecasting:

1. What is the customer feedback about the product and its intention to rebuy the product?
2. What customer is doing in the market?
3. What customer had done in the market.
4. Time series analysis.

7) EXPERT OPINION:

A firm can gain future expectation reports from experts, dealers, distributors, suppliers, marketing consultants, and trade associations.

Dealer estimates are subject to the same strengths and weaknesses as sales force estimates.

Many industries purchase economic and industry forecasts from well known economic forecasting firms that have more data available and more forecasting expertise.

Sometimes, the firm invites a group of experts to prepare a forecast. The experts exchange views and produce an estimate as a group or individually.

PAST SALES ANALYSIS:

Firms can develop sales forecasts based on past sales. Exponential smoothing projects the next period's sales by combining an average of past sales and the most recent sales, giving more weight to the latter. Statistical demand analysis measures the impact of a set of causal factors on the sales level.

MARKET TEST METHOD:

When buyers don't plan their purchases carefully, or experts

are unavailable, a direct market test can help forecast new product sales or established product sales in a new distribution channel or territory. Read relevant topic to understand how it works

Forecasting makes isolation for businesses. Planning and forecasting are an approach in which companies work together for market share and take responsibility for their actions. The objectives of Forecasting are to supply chain by generating a need demand and, delivering the right product at the right time to the market, and improving customer services.

We can better understand the Forecasting and Demand Measurement through this Jio Case Study:-

8) JIO CASE STUDY

In 2002, after the death of Dhirubhai Ambani, The Ambani brothers wanted to run a business on their own. And it became a big issue in the media. So, to tackle this situation, their mother decided to do a partition of the business. Anil Ambani gets Reliance Communication, Reliance Energy, Reliance Capital, etc. and Mukesh Ambani got Reliance Industries and I.P.L.

So there was put a non-competing low against Mukesh Ambani. In 2015 the clause has ended, so, elder brother Mukesh Ambani buy the 90% share of Infotel broadband, and that converted into Jio in 2016.

Infotel Broadband wanted to set the biggest network tower in India. Now Jio has India's biggest 4G network, at that time there was not fully working 3G. Jio continuously researches for 5 years and try to set their network in every state. Now, they have to launch themselves.

Mukesh Ambani always made clear that India is the price-sensitive market and if you have to succeed, you have to provide cheaper services. So they started distributing their sims for free of cost, which had unlimited data and voice calling. After the launch, it became a word of mouth and jio didn't have to market itself. Media had a very limited role in its advertising, and JIO became the fastest growing mobile network in India gradually.

So, it is the strategy for gaining customers in the initial stage, after building a strong network jio starts charging for their plans. Jio releases their membership plan for rs.99 and the base plan for rs.149. In their base plan, they provide unlimited data or voice calling so everyone consumer ready to invest in jio.

Mukesh Ambani Invested 2.5 Lakh crore in jio, which is the total value of Airtel, Vodafone and Idea combine. Before Jio, every telecom rules the market after arising the jio all telecom companies have to decrease their prices. It causes competition and ultimately it's a win-win situation for consumers.

As of now, Jio is India's largest network provider and recently it launches its Jio Fiber that provides free internet for home.

Conclusion:

Demand forecasting contains good planning and utilization of resources for the company. Forecasting is the main part of demand marketing since it provides predictions of future demand and the basis for planning and making decisions. Both quality and quantity methods are available to help organizations. Since forecasts are completely accurate for businesses.

FAQs

What are the types of Forecasting?
There are two types of Forecasting. Macro Forecasting, Micro Forecasting.
How many different types of Personas are there?
There are three types of Personas:
Audience Persona, Product Persona, Market Persona.
How demand forecasting is done?
The first approach involves forecasting demand by collecting information regarding the buying behavior of consumers from experts or through conducting surveys. On the other hand, the second method is to forecast demand by using past data through statistical techniques.
Why demand forecasting is important?
It helps an organization to reduce the risks involved in business activities and make important business decisions.
What do you mean by Forecasting?
Forecasting is about taking an idea about future situations of the market, what will be the situation of the market, assuming it before the time is called Forecasting.

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The **test marketing** is the most reliable **method** of sales forecasting wherein the product is launched in a few selected cities/town to check the response of customers towards the product. On the basis of such response, the firm decides whether to commercialize the product on a large scale or not.

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9 Techniques of Sales Forecasting

Same as for demand measurement

Techniques of Sales Forecasting

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There are several techniques or methods of sales forecasting, and a company may use one or more of them. The important techniques of sales forecasting are briefly explained below.

Techniques of Sales Forecasting

1. Survey of buyers' intentions

Under this method of sales forecasting, first, a list of all potential or prospective buyers is drawn up. Then, a face to face interview with a selected group of potential buyers is conducted. On the basis of the interview, the buyers' intentions are ascertained and an estimate of the sales of the products of the firm is made. This method is a practical method of sales forecasting. This method or approach is, generally, adopted by industrial marketers, i.e., marketers of industrial goods.

2. Opinion poll of sales force

Under this method of sales forecasting, an opinion poll of the sales force is conducted. On the basis of the opinion poll, an estimate of the sales of the firm is made. This method is a very good method of sales forecasting, because the salesmen have a good idea of market conditions. Further, it is less expensive. This method is, generally, used when it is not possible to make use of the first method (i.e., the survey of buyers' intentions).

3. Expert opinion

Under this method, the opinions of the experts are sought, and on that basis sales forecasts are made. The experts may be outside experts or top executives of the firm itself, such as the production executive, marketing executive, finance executive, etc.

4. Market test method

A company may conduct a direct market test, and on the basis of its outcome, sales forecast is made. This method may be used either independently or as a supplement to other methods. It is used more frequently by consumer goods marketers. It may also be used by industrial goods marketers. When this method is used by industrial goods marketers, it is called a market probe.

5. Projection of past sales

Under this approach of sales forecasting, the past year sales of the firm are studied, and by making certain changes in the last year's sales (i.e., by adding or deducting a certain percentage to or from last year's sales), sales forecasts are made. This approach is simple and easy to adopt. It is also the most widely used approach. It is also a safe method for companies engaged in more or less stable industries. However, in many cases, this method is not reliable. Again, this method cannot be adopted in the case of new products or by new companies.

6. Products in use analysis

Under this method, a firm undertakes a census of a number of products or closely related brands already in use in the market, and on the basis of such a census, makes the sales forecast for its products. This method is based on two assumptions. First, it assumes that the future market for a product will vary in direct proportion to the quantity already in use. Secondly, it assumes that the present users of the product of a concern will continue to patronize the same in future.

7. Industry forecast and share of the sales of the industry

Under this method, a company estimates its sales by applying a certain percentage (based on past sales or expected sales) to the sales forecast of the whole industry. The sales forecast for the whole industry can be obtained from the Government or trade associations or other outside agencies. This method is very simple. Besides it is quick and less expensive.

8. Statistical demand analysis

Under this method, the important factors which are likely to cause variations in the sales, such as the population, disposable income in the hands of the people, the prices of the products, advertising programmes, etc., are analyzed, and on the basis of such an analysis, sales forecast is made by a firm for it products. This method has become quite popular with the introduction of computers.

9. Time series analysis

Under this approach of sales forecasting, long-term trends, cyclical changes, seasonal variations and irregular fluctuations in the sales of a concern are isolated (ignored), and the sales forecast is made on the basis of normal trends. This approach is inexpensive. So, it is widely used.

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How to estimate the Current Demand

PRAGHA PRAGHI | JUNE 24, 2019

HOW DO YOU ESTIMATE THE CURRENT MARKET DEMAND?

Before you get into the actual process, get to know these following terms related to Demand:

Potential Market: they are the set of consumers with a sufficient level of interest to buy your product. They may or may not have sufficient financial resources to afford the product.

Available Market: they are the set of customers who have interest, income, and access to a particular offer. It constitutes the set of the qualified available market.

Target Market: they are the part of the qualified market, which the company is interested in selling the product.

Penetrated Market: they are the set of consumers who are buying the company's product. They are the existing customers for the company.

Market Demand: it is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment.

We all know that the higher the demand, the higher is the sales. And that is what brings you revenues and profits to the company. The following are the methods, through which one can estimate the current demand for the product.

TOTAL MARKET POTENTIAL: It is the maximum sales available to all firms in an industry during a given period of time, under a given level of industry marketing effort and other environmental conditions. It is calculated by multiplying the potential number of buyers and the average quantity each purchase and then by the price.

Here the task is to estimates the number of buyers which is actually difficult. This can be done by eliminating the unwanted group numbers, which is known as a ratio-chain method. This method is carried out by multiplying a base number by several adjusting percentages.

AREA MARKET POTENTIAL: It involves two methods which are mentioned as follows

MARKET BUILD-UP METHOD: If your business is a Business to Business market, then this is the best method to estimate your current market demand adopting selective distribution. For this, you should first identify all the potential buyers in that particular market and then estimate their potential purchases, which would give you the current demand.

MULTIPLE FACTOR INDEX METHOD: If your business is a Business to Customer market, then this is the best method to estimate your current market demand adopting intensive distribution. Since it consists of a very large number of customers it is a little difficult to estimate. Hence, one can estimate the factors that influence buying behavior and give them specific weights and then rate them.

INDUSTRY & SALES MARKET: A company needs to know the sales taking place in the industry whole, that represents that of its competitors too. This data can be collected from the industry trade association, though individual sales of the company may not be revealed. Through this, the growth of the company Vs the growth of the industry can be compared and the relative standing of the company can be evaluated and the required procedures for the development can be implemented.

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What is Competitive Strategy

Umar Farooq November 11, 2018

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What is a Competitive Strategy?

Competitive strategy is a long-term action plan of a company which is directed to gain competitive advantage over its rivals after evaluating their strengths, weaknesses, opportunities and threats in the industry and compare it with your own. Michael Porter, a professor at Harvard presented competitive strategy concept. According to him there are four types of competitive strategies that are implemented by businesses globally. It is necessary for businesses to understand the core principles of this concept that will help them to make a well-informed business decisions in the course of action.

Definition of Competitive Strategy

As mentioned above, competitive strategy is a long-term action plan of firms so as to gain a competitive advantage over its rivals in the industry. This strategy is focused to achieve above average position and generate a superior Return on Investment (ROI). This strategy is very important when firms having a competitive marketplace and several similar products available for consumers.

Four Types of Competitive Strategy

Michael Porter divided competitive strategy in four different types of strategies.

Cost Leadership Strategy

Cost leadership strategy is difficult to implement for small scale businesses as it involves making long term commitment for offering products and services at lower prices in the market. For this purpose firms need to produce products at low cost otherwise it will not make profit.

Since the cost leadership means to become low cost producer or provider in the industry, Any large-scale business which can provide and manufacture products at low cost by attaining economies of scale. There are many cost leadership factors such efficient operation, large distribution channels, technological advancement and bargaining power. Here Walmart is a good example.

Differentiation Leadership Strategy

Identifying attribute of a product which are unique from competitors in the industry is the driving factor in the differentiation leadership strategy. When a product is able to differentiate itself from other similar products or services in the market through superior brand quality and value added features it will be able to charge premium prices to cover the high cost.

There are few business examples who successfully differentiated their brands e.g. Apple, Clif Bar and Company, Ben & Jerry's and T Mobiles.

Cost Focus Strategy

This strategy is quite a resemblance to the cost leadership strategy; however, a major difference is that the cost focus strategy businesses target a particular segment within the market and that segment is offered the lowest price of the product or service. This type of strategy is very useful to satisfy your consumer and increase brand awareness.

For example, beverage companies manufacturing mineral water can target market segment like Dubai, where people need and use only mineral water for drinking, can be sold at a lower than competitors.

Differentiation Focus Strategy

Similar to the cost focus strategy, differentiation focus strategy targets a particular segment within the market; however, instead of offering lower prices to consumer; firms differentiate itself from its competitors. Differentiation strategy offers unique features and attributes to appeal its target segment. For example, Breezes Resorts, is a company having several resorts and caters only couple having no children and offer peaceful environment without any children disruption.

Examples of competitive Strategies

Case Study of Aldi

The rise of Aldi in the food retail industry is very impressive and this position is mainly associated with its competitive strategy which is its use of 'Lean Production' which makes the organization more efficient. Through lean production, Aldi aims to reduce the number of resources that are used in the provision of goods and services to consumers. Additionally, the concept also involves eliminating waste and utilizing lesser material, space, labour and time. The overall result is a reduced cost of production.

Another competitive strategy which stands for Aldi and against its competitors is that its investment in staff members. Every member undergoes a comprehensive training program which makes them multi-skilled and they are able to undertake different roles in the workplace. In this way, Aldi has to hire lesser staff to run its stores.

Case Study of Apple

Apple Inc. is the manufacturer and marketer of computers and consumer electronic products including tablets, smartphones, and music players. The company has attained a distinct position in the industry through its competitive strategy which is innovation and premium pricing policy. Apple has a consistent practice of developing new products and its ability to make product complement with each other and strengthens customer loyalty and helps in creating a barrier for competitors in the market.

The company also sets premium prices for its products. The aim of the company is to offer a high-quality product with unique features and uses higher prices to reinforce the perception of added value along with maintaining profitability.

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What is Competitive Strategy

Umar Farooq November 11, 2018

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Strength, Weakness, Opportunity, and Threat (SWOT) Analysis

By MITCHELL GRANT | Reviewed By GORDON SCOTT | Updated Feb 24, 2020

What Is SWOT Analysis?

SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, its initiatives, or an industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

KEY TAKEAWAYS

- SWOT analysis is a strategic planning technique that provides assessment tools.
- Identifying core strengths, weaknesses, opportunities, and threats lead to fact-based analysis, fresh perspectives and new ideas.
- SWOT analysis works best when diverse groups or voices within an organization are free to provide realistic data points rather than prescribed messaging.

Feedback

PEST Analysis

By WILL KENTON | Updated Feb 6, 2020

What Is PEST Analysis?

PEST Analysis (political, economic, social and technological) is a management method whereby an organization can assess major external factors that influence its operation in order to become more competitive in the market. As described by the acronym, those four areas are central to this model.

A popular variation on the PEST Analysis format, especially in the U.K., is the PESTLE strategic planning approach, which includes the additional aspects of Legal and Environmental.

It is believed that PEST Analysis was first introduced under the name ETPS by Harvard professor Francis J. Aguilar. In the 1967 publication "Scanning the Business Environment," Aguilar presented the economic, technical, political, and social factors as being major influences on the business environment. Subsequently, the letters were rearranged to create a convenient and quirky acronym used today.[1]

KEY TAKEAWAYS

- PEST analysis stands for political, economic, social, and technological.
- This type of analysis is used to gauge external factors that could impact the profitability of a company.
- Generally, it is more effective with larger organizations that are more likely to experience the effects of macro events.
- PEST analysis is commonly used in conjunction with SWOT analysis, which stands for strengths, weaknesses, opportunities, and threats.

Feedback

Marketing Explained

INDIVIDUAL PRODUCT DECISIONS – DECISIONS IN THE DEVELOPMENT AND MARKETING OF INDIVIDUAL PRODUCTS

written by Maximilian Claessens | 13th May 2015 | 20643 views

In the development and marketing of individual products (and services), individual product decisions need to be made. These decisions apply to any kind of product and service and set the base for all other decisions. But which fundamental individual product decisions need to be made?

Individual product decisions required can be sorted into five categories or stages. Firstly, we look at product attributes. Branding and packaging follow. The individual product decisions are completed by labelling and product support services.

Individual Product Decisions – Decisions in the development and marketing of individual products

Product Attributes – Stage one of Individual Product Decisions

Individual product decisions start by deciding on product attributes. This, in turn, means that the development of a product starts by defining the benefits it will offer to consumers. These benefits are communicated as well as delivered by the product attributes. Thus, in stage one of the individual product decisions, we define the product attributes, such as quality, features, style and design.

Product Quality

One element of the product attributes is the quality of the product. Although quality can be defined in many ways, we can define it as the characteristics of a product or service that determine its ability to satisfy the customer needs. Therefore, the quality is one of the most important individual product decisions. It has a direct impact on the product's (or service's) performance. It is directly linked to customer value and satisfaction. So, we could say: Quality is when the customer is satisfied and will come back, while the product does not (come back).

Total Quality Management (TQM) is an approach that deals with quality in every part of the organization. All parts of the company are involved in the constant improvement of the quality of products, services, and business processes.

To be more specific, defining the product's quality involves two levels or dimensions. These are Quality Level and Quality Consistency. Firstly, we need to choose a quality level which will support the product's positioning. At this level, the quality can be understood as performance quality: the ability of the product to perform its functions. To give an example, a Mercedes-Benz car provides a higher performance quality than a Dacia Logan: it has a smoother ride, offers more luxury, comfort, lasts longer etc. The quality level should be chosen so as to meet the target market needs and the quality levels of competing products.

The second level is the Quality Consistency. Here, the product quality means conformance quality. Thus, we refer to freedom from defects and the consistency in delivering the targeted quality level (level of performance). At this level, the Dacia Logan can have as much quality as the Mercedes. Although it does not perform at the same level as the Mercedes (Quality Level), it can deliver the quality that customers pay for and expect (Quality Consistency).

Product Features

Another product attribute that is highly important for the individual product decisions is that of the product features. Obviously, we can offer a product with varying features: A low-level model, without any extras, or a high-level model, with a lot of features. In fact, product features can be seen as a competitive tool for differentiation. By features, we can differentiate our product from competitors' products.

However, just adding features is not the right way to enhance customer value. A remote control does not provide additional value to a customer if it has 250 buttons and vibrates while playing music. The company always has to assess each feature's value to customers first. Do customers really need that feature? Also, the feature's value has to be contrasted to its cost to the company. Only features that add substantial value worth more than the marginal costs should be added.

Product Style and Design

Individual product decisions also include the product style and design. Clearly, we can add customer value by means of a distinctive product style and design. While style describes the appearance of the product, design goes deeper. Good design does not only contribute to the product's look, but also to its usefulness. In order to find the right product design, marketers should investigate how customers will use and benefit from the product.

Branding – Stage two of Individual Product Decisions

Branding is one of the most crucial individual product decisions. Today, people do not buy a product – they buy a brand. A brand is a name, term, sign, symbol, design or a combination of these elements that identifies the products or services of one seller and differentiates them from those of competitors. To give an example, look at Coca-Cola. If you buy a bottle of coke, you do not only buy the pure beverage, you buy the brand. You buy it because you know and value the worldwide-known brand. For clothing, brands are even more important. Many people do not buy a sweatshirt because of its features – they buy it because there is a label on it showing the brand. They become part of the brand, show that they have this brand, that they can afford this brand and so on. Thus, a brand is much more than only the product, it is the whole identity around the offerings of a seller.

Therefore, branding adds significant value to a product. In short, a brand is so crucial because customers can attach meanings to brands and develop brand relationships. Branding also consumers identify products that might benefit them. The brand says something about the product's quality and consistency. And you probably know yourself that buyers who always buy the same brand know that they will get the same benefits, features and quality each time. To go even further, the brand is the basis on which a whole story can be built about the product's special qualities. The product gets an identity with which consumers can identify each time they buy a product of that brand.

Today, branding has become so strong that hardly anything goes unbranded. Even homogenous products such as gasoline or salt are packaged in branded containers or sold as a brand. Likewise, even fruits and vegetables are branded: on many apples, bananas and other fruits and vegetables you find the brand, such as Chiquita Bananas or Pink Lady Apples.

Packaging – Stage three of Individual Product Decisions

Going on with the individual product decisions, we land at packaging. Packaging refers to activities of designing and producing the wrapper or container for a product. The packaging of a product is a more important decision than you would expect it to be. Traditionally, the primary function of a package was to hold and protect the product. However, packaging is nowadays an important marketing tool, too. This is a result of increased competition and offer of products. Packaging must now perform many tasks, which include attracting attention, describing the product, and even making the sale.

To illustrate the importance of packaging, we will look at the highly competitive environment in supermarkets. A normal shopper passes by some 300 items per minute. Therefore, the package may be the seller's best and last chance to influence the buyer. It has become, in fact, a significant promotional tool.

In addition, poorly designed packages can harm a lot. For instance, hard-to-open packages such as DVD cases with sticky labels or sealed plastic clamshell containers do not contribute to the buyer's satisfaction. Indeed, customer frustration is often the result.

Finally, in making packaging decisions, companies should also have environmental considerations. "Green" packaging, meaning the use of environmentally responsible packaging materials, becomes more and more important and adds value to many products.

Labelling – Stage four of Individual Product Decisions

Labels perform several functions and are therefore one of the important individual product decisions. The most straight-forward function is to identify the product or brand. But the label can also describe several things about the product: who made it, where and when was it made, the contents, how it is to be used etc. Finally, the label can promote a brand. It supports the brand's positioning and may help to connect with customers. By a brand logo, the label can add personality to a brand and contribute to the brand identity.

However, a label should only show and state what is true and what the customer can rely upon. Misleading or deceptive labels must be seen as unfair competition. If labels mislead customers, fail to describe important ingredients or even fail to mention required safety warnings, legal consequences are likely to follow.

Labelling has also been affected recently by unit pricing (the price per unit of standard measure must be stated), open dating (the expected shelf life of the product must be mentioned) and nutritional labelling (the nutritional values in the product must be shown). These elements are required by law.

Product Support Services – Stage five of Individual Product Decisions

Individual product decisions also include product support services. Usually, the company's offer includes some form of customer service, of product support services. This can be a minor part of the product or a major part of the total offering. Product support services contribute to the augmented product, as defined by the three levels of product. Without doubt, support services do also belong to the significant individual product decisions because they contribute to the customer's overall brand experience. The key is to keep customers happy *after* the sale in order to build lasting relationships.

Besides these individual product decisions, many other choices need to be made. However, these five individual product decisions built the base for the product development and marketing. If individual product decisions are made carefully in accordance with consumer needs and wants, the product can become a success.

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Product Line

By ALEXANDRA TWIN | Reviewed By MARGARET JAMES | Updated Jul 11, 2020

What Is a Product Line?

A product line is a group of related products all marketed under a single brand name that is sold by the same company. Companies sell multiple product lines under their various brand names, seeking to distinguish them from each other for better usability for consumers.

Companies often expand their offerings by adding to existing product lines because consumers are more likely to purchase products from brands with which they are already familiar.

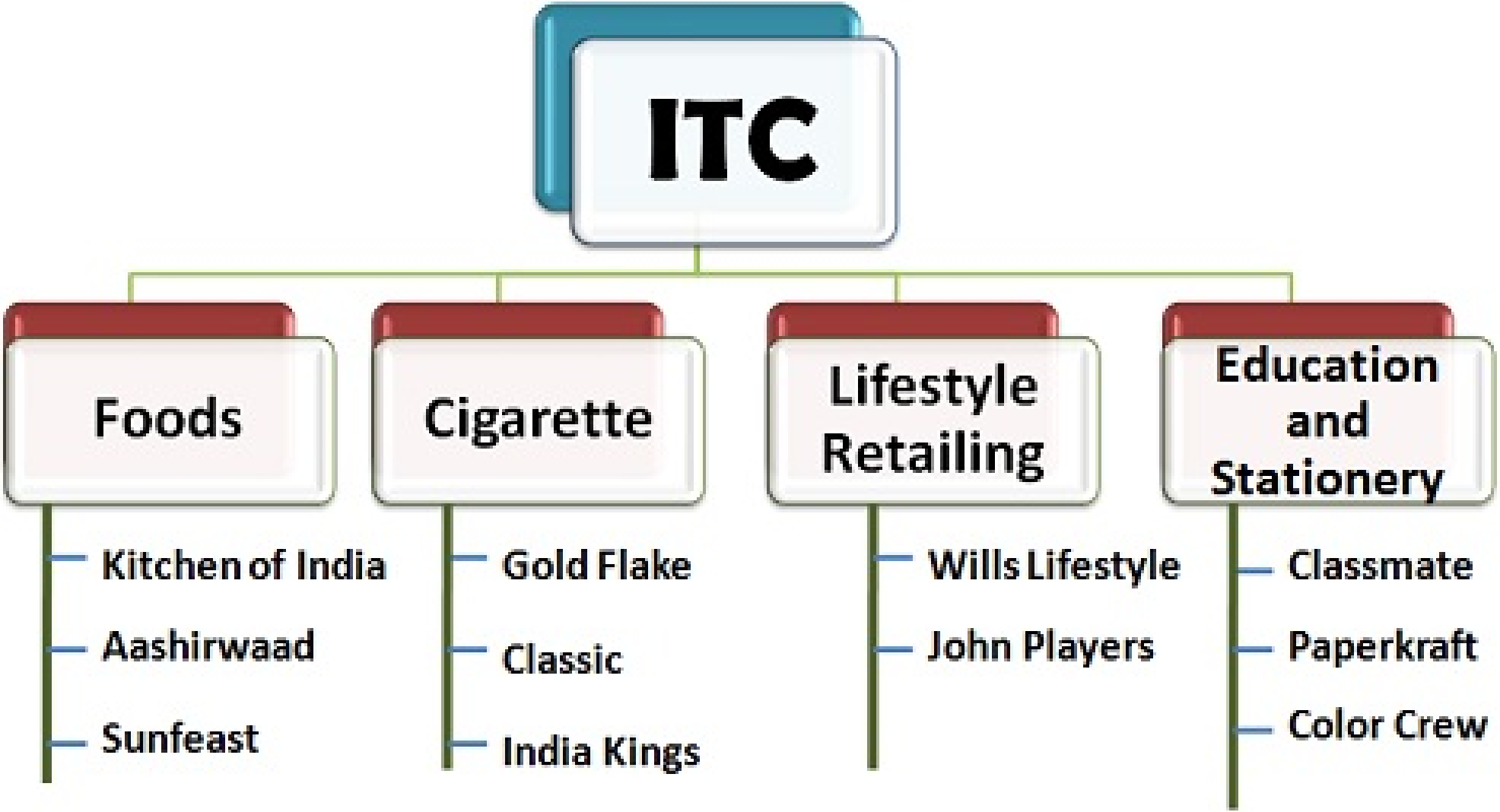
KEY TAKEAWAYS

- A product line is a group of connected products marketed under a single brand name by the same company.
- Companies sell multiple product lines under their various brand names, often differentiating by price, quality, country, or targeted demographic.
- Companies often expand their offerings by adding to existing product lines because consumers are more likely to buy products from brands they already know.

How Product Lines Work

Product lines are created by companies as a marketing strategy to capture the

Feedback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Product Line Decisions

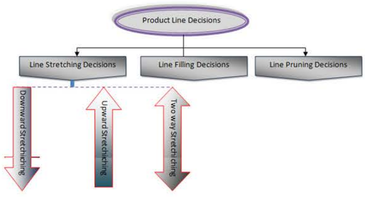
5 COMMENTS

Production-Mix Decisions:

An organization is required to bring changes in product mix to make it adaptable according to the needs of consumer. Product mix decisions refer to addition, deletion or modification of product in product mix. Primary aim of product mix decisions is sales and profit maximization.

Product mix decisions can be explained as follows:

- Product Line Decisions
  - Line stretching decisions
    - Downward Stretching
    - Upward stretching
    - Two Way Stretching
    - Line Filling Decisions



Product Line Decisions:

Product line refers to a group of same products. Product line decisions refer to decisions relating to addition or deletion of product from the existing product line. Addition and deletions in product can be explained as follows:

Line Stretching Decisions:

Line stretching implies increasing the length of product line. It can take place in three directions.

a) Downward Stretching:

Downward stretching refers to addition of a new product into existing product line but at a lesser price. For example; TATA introduced low cost car "Nano" in the market.

b) Upward Stretching:

Upward stretching is the opposite of downward stretching. When an organization adds a new product in the current product line but at higher price than the existing one, it is called upward stretching. For example; Parle started with low cost biscuits like Parle G then introduced high cost product of same category like Hide and Seek.

c) Two-way Stretching:

Two way stretching refers to addition of product in product line in both the directions. So, a low priced as well as a high priced product are added at the same time in product line. Marriot- Hotels & Resorts started Renaissance Hotels to serve upper end of the market and Town Place suites to serve lower section of the market.

Line Filling Decisions:

Product line filling involves adding a new product in the existing product line to face competition and increase consumer base. Under product line filling price of the new product is normally same. For example, Maruti Suzuki introduced Alto when Maruti Zen was already available in the same range.

Line Pruning Decisions:

Line pruning decisions refer to removal of unprofitable product from the product line. For example Pepsi launched Pepsi Gold but the product was not successful in the market. So after some time it was removed from the market.

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What Is a Product Mix?

By Rick Suttle Updated February 12, 2019

Product mix, also known as product assortment, refers to the total number of product lines a company offers to its customers. For example, your company may sell multiple lines of products. Your product lines may be fairly similar, such as dish washing liquid and bar soap, which are both used for cleaning and use similar technologies. Or your product lines may be vastly different, such as diapers and razors.

The four dimensions to a company's product mix include width, length, depth and consistency.

Tip

Product mix, also known as product assortment, refers to the total number of product lines a company offers to its customers. The four dimensions to a company's product mix include width, length, depth and consistency.

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Width: Number of Product Lines

The width, or breadth, of a company's product mix pertains to the number of product lines the company sells. For example, if you own EZ Tool Company and have two product lines – hammers and wrenches – your product mix width is two.

Small and upstart businesses will usually not have a wide product mix. It is more practical to start with some basic products and build market share. Later on, the company's technology may allow the company to diversify into other industries and build the width of the product mix.

Length: Total Products

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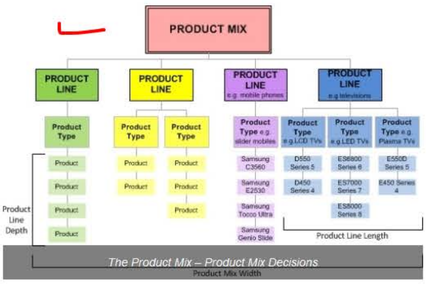
PRODUCT MIX DECISIONS – WIDTH, LENGTH, DEPTH AND CONSISTENCY

written by Maximilian Claessens | 1st June 2015 | 41442 views

After having taken a look at the product line decisions, product mix decisions need to be discussed. Product mix decisions arise as soon as an organization has several product lines. But what is a product mix, and what product mix decisions are to be taken?

The Product Mix

Before turning to the product mix decisions, we first have to know what the product mix actually is. The product mix, also called product portfolio, is the set of all product lines and items that a company offers for sale. For instance, the product mix of Colgate consists of three product lines: oral care, personal care and pet nutrition. Each of these product lines, in turn, consists of several sub-lines. A vehicle manufacturer may have two product lines: motorbikes and cars. Product mix decisions need to be taken for the whole product mix and affect each line.



4 Dimensions of the Product Mix – 4 Product Mix Decisions

Four important dimensions of a product mix can be identified. These are: width, length, depth, and consistency. The first of the product mix decisions refers to the **product mix width**. The width is all about the number of different product lines the company carries. As mentioned in the previous example, Colgate has 3 product lines. Thus, it has a rather limited width.

The **product mix length** refers to the total number of items a company carries within the product lines. For instance, Colgate carries several different brands within each line. In Colgate's oral care product line, several different categories of toothpastes can be identified. A car manufacturer may have several series in its car product line, such as 3-series, 5-series, and 7-series.

The next one of the product mix decisions is the **product mix depth**. It refers to the number of versions offered for each product in the product line. For instance, Colgate toothpastes come in several tastes and variations. The vehicle manufacturer's 3-series in the car product line may be offered in several versions: convertible, coupé, sedan, and so further.

Finally, the **consistency** of a product mix completes our four product mix decisions. Consistency refers to how closely related the product lines are in terms of end use, production requirements, distribution channels or any other way. In Colgate's case, we can observe a rather strong consistency, which is based on the fact that all product lines constitute consumer products and go through the same distribution channels. The vehicle manufacturer also has a relatively consistent product mix, since both product lines contain consumer-vehicles, can be sold in the same way etc.

Certainly, these four product mix decisions are interrelated.

4 Ways to increase business with Product Mix Decisions

We can identify four ways in which a company can increase its business on basis of the four product mix decisions determined above.

1. Add new product lines: widen the product mix. New lines benefit from and build on the company's reputation in its other lines.
2. Lengthen the existing product lines. More items in the product lines may result in a more full-line company.
3. Add more versions of each product: Deepen the product mix.
4. Make product lines more consistent (or less). This depends on whether the company wants to have a strong reputation in a single field or in several fields of business.

As you can see, the four product mix decisions are more than a strategic issue that has some impact on the company's success. To be precise, the product mix is one of the most critical instruments the company has. It is the centre of its offerings. Therefore, the right product mix decisions should be taken, in line with customer needs. Since customer needs may change rapidly, product mix decisions need to be taken more than once at the beginning – product mix decisions are part of an ongoing process. Only if product mix decisions are taken on an ongoing basis, maximum value for customers can be created.

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Marketing Explained

THE NEW PRODUCT DEVELOPMENT PROCESS (NPD) – OBTAIN NEW PRODUCTS

written by Maximilian Claessens | 24th June 2015 | 117683 views

In order to stay successful in the face of maturing products, companies have to obtain new ones by a carefully executed new product development process. But they face a problem: although they must develop new products, the odds weigh heavily against success. Of thousands of products entering the process, only a handful reach the market. Therefore, it is of crucial importance to understand consumers, markets, and competitors in order to develop products that deliver superior value to customers. In other words, there is no way around a systematic, customer-driven new product development process for finding and growing new products. We will go into the **eight major steps in the new product development process**.

1. Idea generation – The New Product Development Process

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

- Internal idea sources: the company finds new ideas internally. That means R&D, but also contributions from employees.
- External idea sources: the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.

2. Idea screening – The New Product Development Process

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs rise greatly in later stages. Therefore, the company would like to go ahead only with those product ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

3. Concept development and Testing – The New Product Development Process

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. You should distinguish

- A product idea à an idea for a possible product
- A product concept à a detailed version of the idea stated in meaningful consumer terms
- A product image à the way consumers perceive an actual or potential product.

Let's investigate the two parts of this stage in more detail.

Concept development

Imagine a car manufacturer that has developed an all-electric car. The idea has passed the idea screening and must now be developed into a concept. The marketer's task is to develop this new product into alternative product concepts. Then, the company can find out how attractive each concept is to customers and choose the best one. Possible product concepts for this electric car could be:

- Concept 1: an affordably priced mid-size car designed as a second family car to be used around town for visiting friends and doing shopping.
- Concept 2: a mid-priced sporty compact car appealing to young singles and couples.
- Concept 3: a high-end midsize utility vehicle appealing to those who like the space SUVs provide but also want an economical car.

As you can see, these concepts need to be quite precise in order to be meaningful. In the next sub-stage, each concept is tested.

Concept testing

New product concepts, such as those given above, need to be tested with groups of target consumers. The concepts can be presented to consumers either symbolically or physically. The question is always: does the particular concept have strong consumer appeal? For some concept tests, a word or picture description might be sufficient. However, to increase the reliability of the test, a more concrete and physical presentation of the product concept may be needed. After exposing the concept to the group of target consumers, they will be asked to answer questions in order to find out the consumer appeal and customer value of each concept.

4. Marketing strategy development – The New Product Development Process

The next step in the new product development process is the marketing strategy development. When a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

The marketing strategy statement consists of three parts and should be formulated carefully:

- A description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years
- An outline of the product's planned price, distribution and marketing budget for the first year
- The planned long-term sales, profit goals and the marketing mix strategy.

5. Business analysis – The New Product Development Process

Once decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage.

In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys. Then, it should be able to estimate minimum and maximum sales to assess the range of risk. When the sales forecast is prepared, the firm can estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyse the new product's financial attractiveness.

6. Product development – The New Product Development Process

The new product development process goes on with the actual product development. Up to this point, for many new product concepts, there may exist only a word description, a drawing or perhaps a rough prototype. But if the product concept passes the business test, it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. The problem is, though, that at this stage, R&D and engineering costs cause a huge jump in investment.

The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype, however, can take days, weeks, months or even years, depending on the product and prototype methods.

Also, products often undergo tests to make sure they perform safely and effectively. This can be done by the firm itself or outsourced.

In many cases, marketers involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.

7. Test marketing – The New Product Development Process

The last stage before commercialisation in the new product development process is test marketing. In this stage of the new product development process, the product and its proposed marketing programme are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made.

The amount of test marketing necessary varies with each new product. Especially when introducing a new product requiring a large investment, when the risks are high, or when the firm is not sure of the product or its marketing programme, a lot of test marketing may be carried out.

8. Commercialisation

Test marketing has given management the information needed to make the final decision: launch or do not launch the new product. The final stage in the new product development process is commercialisation. Commercialisation means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

Some factors should be considered before the product is commercialized:

- Introduction timing: For instance, if the economy is down, it might be wise to wait until the following year to launch the product. However, if competitors are ready to introduce their own products, the company should push to introduce the new product sooner.
- Introduction place: Where to launch the new product? Should it be launched in a single location, a region, the national market, or the international market? Normally, companies don't have the confidence, capital and capacity to launch new products into full national or international distribution from the start. Instead, they usually develop a planned market rollout over time.

In all of these steps of the new product development process, the most important focus is on creating superior customer value. Only then, the product can become a success in the market. Only very few products actually get the chance to become a success. The risks and costs are simply too high to allow every product to pass every stage of the new product development process.

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Product Life Cycle

By CAROL M. KOPP | Reviewed By DAVID KINDNESS | Updated May 11, 2020

What Is a Product Life Cycle?

The term product life cycle refers to the length of time a product is introduced to consumers into the market until it's removed from the shelves. The life cycle of a product is broken into four stages—introduction, growth, maturity, and decline. This concept is used by management and by marketing professionals as a factor in deciding when it is appropriate to increase advertising, reduce prices, expand to new markets, or redesign packaging. The process of strategizing ways to continuously support and maintain a product is called product life cycle management.

KEY TAKEAWAYS

- A product life cycle is the amount of time a product goes from being introduced into the market until it's taken off the shelves.
- There are four stages in a product's life cycle—introduction, growth, maturity, and decline.
- The concept of product life cycle helps inform business decision-making, from pricing and promotion to expansion or cost-cutting.
- Newer, more successful products push older ones out of the market.

Feedback

- Newer, more successful products push older ones out of the market.

How Product Life Cycles Work

Products, like people, have life cycles. A product begins with an idea, and within the confines of modern business, it isn't likely to go further until it undergoes research and development (R&D) and is found to be feasible and potentially profitable. At that point, the product is produced, marketed, and rolled out.

As mentioned above, there are four generally accepted stages in the life cycle of a product—introduction, growth, maturity, and decline.

- Introduction: This phase generally includes a substantial investment in advertising and a marketing campaign focused on making consumers aware of the product and its benefits.
- Growth: If the product is successful, it then moves to the growth stage. This is characterized by growing demand, an increase in production, and expansion in its availability.
- Maturity: This is the most profitable stage, while the costs of producing and marketing decline.
- Decline: A product takes on increased competition as other companies emulate its success—sometimes with enhancements or lower prices. The product may lose market share and begin its decline.

When a product is successfully introduced into the market, demand increases, therefore increasing its popularity. These newer products end up pushing older ones out of the market, effectively replacing them. Companies tend to curb their marketing efforts as a new product grows. That's because the cost to produce and market the product drop. When demand for the product wanes, it may be taken off the market completely.

Important: While a new product needs to be explained, a mature one needs to be differentiated.

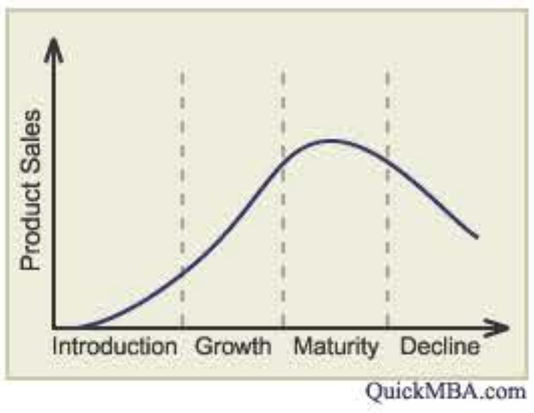
Feedback

The Product Life Cycle

A new product progresses through a sequence of stages from introduction to growth, maturity, and decline. This sequence is known as the **product life cycle** and is associated with changes in the marketing situation, thus impacting the marketing strategy and the marketing mix.

The product revenue and profits can be plotted as a function of the life-cycle stages as shown in the graph below:

Product Life Cycle Diagram



Introduction Stage

In the introduction stage, the firm seeks to build product awareness and develop a market for the product. The impact on the marketing mix is as follows:

- **Product** branding and quality level is established, and intellectual property protection such as patents and trademarks are obtained.
- **Pricing** may be low penetration pricing to build market share rapidly, or high skim pricing to recover development costs.
- **Distribution** is selective until consumers show acceptance of the product.
- **Promotion** is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

Growth Stage

In the growth stage, the firm seeks to build brand preference and increase market share.

- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

Maturity Stage

At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit.

- **Product** features may be enhanced to differentiate the product from that of competitors.
- **Pricing** may be lower because of the new competition.
- **Distribution** becomes more intensive and incentives may be offered to encourage preference over competing products.
- **Promotion** emphasizes product differentiation.

Decline Stage

As sales decline, the firm has several options:

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

The marketing mix decisions in the decline phase will depend on the selected strategy. For example, the product may be changed if it is being rejuvenated, or left unchanged if it is being harvested or liquidated. The price may be maintained if the product is harvested, or reduced drastically if liquidated.

Recommended Reading

Gorchels, L., *The Product Manager's Handbook: The Complete Product Management Resource*

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Distribution Channel

By WILL KENTON | Reviewed By AMY DRURY | Updated Jul 1, 2020

What Is a Distribution Channel?

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.

Distribution channels are part of the downstream process, answering the question "How do we get our product to the consumer?" This is in contrast to the upstream process, also known as the supply chain, which answers the question "Who are our suppliers?"

> **Important:** A distribution channel, also known as placement, is part of a company's marketing strategy, which also includes the product, promotion, and price.

Understanding Distribution Channels

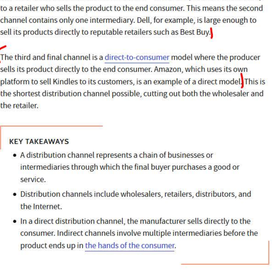
A distribution channel is a path by which all goods and services must travel to arrive at the intended consumer. Conversely, it also describes the pathway payments make from the end consumer to the original vendor. Distribution channels can be short or long, and depend on the number of intermediaries required to deliver a product or service.

Goods and services sometimes make their way to consumers through multiple channels—a combination of short and long. Increasing the number of ways a consumer is able to find a good can increase sales. But it can also create a complex system that sometimes makes distribution management difficult. Longer distribution channels can also mean less profit each intermediary charges a manufacturer for its service.

Direct and Indirect Channels

Channels are broken into two different forms—direct and indirect.
A direct channel allows the consumer to make purchases from the manufacturer while an indirect channel allows the consumer to buy the goods from a wholesaler or retailer. Indirect channels are typical for goods that are sold in traditional brick-and-mortar stores.

Generally, if there are more intermediaries involved in the distribution channel, the price for a good may increase. Conversely, a direct or short channel may mean lower costs for consumers because they are buying directly from the manufacturer.



Distribution Channel

Types of Distribution Channels

While a distribution channel may seem endless at times, there are three main types of channels, all of which include the combination of a producer, wholesaler, retailer, and end consumer.

The first channel is the longest because it includes all four: producer, wholesaler, retailer, and consumer. The wine and adult beverage industry is a perfect example of this long distribution channel. In this industry—thanks to laws born out of prohibition—a winery cannot sell directly to a retailer. It operates in the three-tier system, meaning the law requires the winery to first sell its product to a wholesaler who then sells to a retailer. The retailer then sells the product to the end consumer.

The second channel cuts out the wholesaler—where the producer sells directly to a retailer who sells the product to the end consumer. This means the second channel contains only one intermediary. Dell, for example, is large enough to sell its products directly to reputable retailers such as Best Buy.

The third and final channel is a direct-to-consumer model where the producer sells its product directly to the end consumer. Amazon, which uses its own platform to sell Kindles to its customers, is an example of a direct model. This is the shortest distribution channel possible, cutting out both the wholesaler and the retailer.

KEY TAKEAWAYS

- A distribution channel represents a chain of businesses or intermediaries through which the final buyer purchases a good or service.
- Distribution channels include wholesalers, retailers, distributors, and the Internet.
- In a direct distribution channel, the manufacturer sells directly to the consumer. Indirect channels involve multiple intermediaries before the product ends up in the hands of the consumer.

Choosing the Right Distribution Channel

Not all distribution channels work for all products, so it's important for companies to choose the right one. The channel should align with the firm's overall mission and strategic vision including its sales goals.

The method of distribution should add value to the consumer. Do consumers want to speak to a salesperson? Will they want to handle the product before they make a purchase? Or do they want to purchase it online with no hassles? Answering these questions can help companies determine which channel they choose.

Secondly, the company should consider how quickly it wants its product(s) to reach the buyer. Certain products are best served by a direct distribution channel such as meat or produce, while others may benefit from an indirect channel.

If a company chooses multiple distribution channels, such as selling products online and through a retailer, the channels should not conflict with one another. Companies should strategize so one channel doesn't overpower the other.

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Explanation of Channel Management decisions

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After completing the channel major alternatives, a company should determine the best channel management designs, and then the company works to implement and manage the selected channel. In a word, marketing channel management involves selecting, managing, motivating and evaluating the channel member's performance.

Selecting channel members

All producers are not the same. There is a various way of doing work. They also vary in attracting their marketing intermediaries. Some are not waste their time by doing this.

For example: When Ford first introduced its Lexus line in the USA, it had no problem to attract its dealers. Moreover, there are so many resellers present to carry their product.

On the other hand, some producers work so hard to bring out their product with qualified intermediaries. For example: When Titan first try to sell its watches through resellers or regular jewelry stores. The maximum sellers refuse to sell these watches.

When the company adopts mass media marketing, this turned out to be a wise decision for them. Because almost all people accepting their product. After then, it established it as a brand. Then it was too difficult to maintain the customers desired distribution. This was a big problem, especially when dealing with powerful resellers.

For example, You never found P&G diapers in Costco store. Because one time P&G refuses to produce Costco's own diapers called Kirkland. So, Huggies take the opportunity to produce this and became the market leader of baby diaper in the Costco store.

So, the learning is that at the time of selecting intermediaries, a company should determine what characteristics that can best suit them.

Managing and motivating channel members

After being selected as a channel member, they're continuously managed and motivated by the producers to do their best. Companies not only sell through intermediaries but also sell with them. Maximum companies try to treat their channel intermediaries as first-line customers and partners.

This can bring strong partnership relationship management with channel members and these members tried their best to create value delivery systems that can satisfy the customers most. Companies also manage their suppliers and distributors very efficiently so that they can work together as a part of value delivery systems.

Nowadays, many companies adopt high-tech partnership relationship management systems that can help them to coordinate their whole channel marketing efforts.

They also use CRM, SCM software to manage their relationships with customers and help recruit, train, organize, motivate and evaluate their relationship with their partners.

Evaluating channel members

In this stages, every company their channel members performance against the standards like sales quotas, delivery time, average inventory sales, after sale services of services for damaged goods, helping in a training program, cooperation in promotional activities etc.

Sometimes companies should reward their intermediaries who perform better and add value to the customers. And those who perform poorly should be replaced by others.
Finally, companies are very sensitive about their channel partners because if any company treat their partners poorly that can affect their reputation as well as losing their support and face some legal problems. In this way, a company manages its channel decision.

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- Marketing Research
- Marketing Mix
- Kinds of Promotion
- Market Share Method
- Marketing Information System

Trending Terms

- Group
- Business
- Accounting
- Budget
- Entrepreneurship
- Journal
- Leadership
- Motivation
- Communication
- Stress

Promotion Mix

Definition: The **Promotion Mix** refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

The fourth element of the 4 P's of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase. The several tools that facilitate the promotion objective of a firm are collectively known as the Promotion Mix.

The Promotion Mix is the integration of Advertising, Personal Selling, Sales Promotion, Public Relations and Direct Marketing. The marketers need to view the following questions in order to have a balanced blend of these promotional tools.

- What is the most effective way to inform the customers?
- Which marketing methods to be used?
- To whom the promotion efforts be directed?
- What is the marketing budget? How is it to be allocated to the promotional tools?

Elements of Promotion Mix

1. **Advertising:** The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy wherein the customer is instigated to try the product at least once.The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. **Personal Selling:** This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. **Sales Promotion:** The sales promotion is the short term incentives given to the customers to have an increased sale for a given period.Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes.With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.

4. **Public Relations:** The marketers try to build a favourable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly.The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that the company may use with the intention to bring newsworthy information to the public.

E.g. Large Corporates such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. **Direct Marketing:** With the intent of technology, companies reach customers directly without any intermediaries or any paid medium.The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

E.g. The Shopperstop send SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Thus, the companies can use any tool of the promotion mix depending on the nature of a product as well as the overall objective of the firm.

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1. Factors Affecting Promotion Mix
2. Kinds of Promotion
3. Product Promotion
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CONSUMER BEHAVIOUR MODELS

A consumer`s behaviour varies owing to the many factors that influence consumer behaviour. Consumer Behaviour Models have been developed to substantiate the various factors that influence consumer behavior and their decision making process.

Consumer Behaviour: Meaning, Models and Factors | Marketing

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After reading this article you will learn about:- 1. Meaning of Consumer Behaviour 2. Models of Consumer Behaviour 3. Factors.

Meaning of Consumer Behaviour:

Buyer behaviour is an important tool in the hands of marketers to forecast the future buying pattern of customers and devise appropriate marketing strategies to create long-term customer relationships. A vital part of the marketing process is to understand why a customer or buyer makes a purchase.

Without such an understanding, businesses find it hard to respond to customer needs and wants. Consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money and effort) on consumption-related items.

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It includes the study of what they buy why they buy, when they buy how often do they buy and how often do they use the product. For example, consumer researchers want to know what types of toothpaste consumers buy (gel, regular, etc.); what brand (national, international and generic); why do they buy it (to prevent cavities, to remove stains and to brighten or whiten teeth); where do they buy it (supermarket, drugstore and convenience store); how often do they use it (when they wake up, after each meal, when they go to bed, or any combination thereof); and how often do they buy it (weekly, biweekly or monthly).

Models of Consumer Behaviour:

An insight into psyche of the consumer helps us understand the processes that go behind their preference of certain goods and services over other. Consumer behaviour not only helps companies plan market strategies, but also facilitates the process of new product development to cater to the needs of customers.

India is home to over 1.17 billion people who represent a broad spectrum of cultures, traditions and ideologies. Indians thus belong to different market segments based on characteristics such as demographics, social status and income levels. Traditionally, Indian consumers have a high degree of family orientation. As a result values like nurture and care have been preferred to ambition and achievement.

So brands with identities that support family values are more likely to be popular with Indian consumers. Many FMCG products have aimed at connecting with the cultural values of people. For instance, Cadbury India launched its Celebrations range as an expression of love and festivity for occasions like Raksha Bandhan. Nestle s Nescafe Coffee emphasizes building relationships over coffee. We now look at popular models of consumer behaviour applied to the Indian context.

A. The Nicosia Model:

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The Nicosia model illustrates how a potential consumer responds to news of a new brand. The model's three-stage sequence begins with the consumer being made aware of the brand's existence and then traces the decision process through, from purchase to post-purchase evaluation and feedback. This sequence is assumed to begin with advertising, which makes the consumer aware of the brand's existence and of an unfilled want.

The perception of the message is influenced by attributes of both the company and the consumer, and may lead to the development of an attitude towards the brand. The consumer is then assumed to search for alternative brands which are evaluated by means of other consumers, advertising messages, and previous experiences with each company and so on.

This search process leads the consumer to either dismiss or purchase the product. The experience of purchase and consumption then has the effect of modifying the consumer's psychological state and acts as a feedback loop, leading either to a decision to repeat the purchase or not buy it again.

B. The Engel, Kollat and Blackwell (EKB) Model:

The starting point for the EKB model is the consumer's perception of a want that must be satisfied. This stimulates the search for information internally (memory), externally (neighbours, colleagues, and friends) and from market sources (advertisements, trade literature, magazine reports).

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This search process identifies the various ways in which the, want can be satisfied and leads to the consumer setting the criteria by which the alternatives can then be compared and evaluated. This leads in turn to the emergence of a set of attitudes and beliefs that ultimately determine choice. The outcome of this choice then feeds back to influence future behaviour.

C. The Howrard and Sheth Model:

Howard and Sheth's approach is broadly similar to those of Nicosia and Engel et al. in that it again attempts to coalesce, a disparate set of variables.

These are grouped under four main headings:

Traditionally, Indian consumers have a high degree of family orientation. As a result, values like nurturing and care have been preferred to ambition and achievement. So, brands with identities that support family values and exhibit strong emotions are more likely to be popular with Indian consumers.

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1. Inputs, which stimulate the buying process. These include product-related factors (price, quality and distinctiveness), symbolic factors (images that stem from the mass media and sales people), and social factors (family, reference groups and social class influences).

2. Perceptual constructs, which explain the consumer's cognitive activity in terms of information processing.

3. Learning constructs, which represent the results of information processing.

4. Outputs, which include not just the purchases but also the implications for perception and learning.

Factors Influencing Consumer Behaviour:

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People today have become far more empowered due to the widespread availability of information. This is causing a transformation in consumer preferences, much of which is powered by the evolving middle class.

For instance, a vast majority of middle class women were housewives, so they preferred self-cooked meals that catered to the family's taste. With time, more women have begun to work, thus increasing the demand for packaged food. Some other changing consumer preferences are presented in Figure 2.1.

Figure 2.1: Changing consumer preferences

India's dramatic pace of urbanization is influencing lifestyle patterns and buying behaviour of consumers:

1. Bulk purchases from supermarkets and hyper stores instead of frequent trips to the nearby shops this is due to convenience, hygiene and an attractive ambience associated with the former. Consumers today are also more experimental and ready to take risks.

2. A changing work culture leads to an increasing focus on ready to eat food instead of traditional cooking. ITC offers a range of such products under the 'Kitchens of India' label. Other packaged food products include Knorr and Maggi soups and MTR idli and upma mixes. Despite the presence of Indian brands, the ready to eat food segment is underdeveloped and has become the focus of foreign companies who are eyeing the growth opportunities presented by this market.

3. There is a growing influence of Western culture on Indians, who have become more modernized and willing to experiment. A number of foreign brands have been successful in the FMCG sector in India due to this Westernization. For instance, many Indian women use L'Oreal and Maybelline products.

4. Consumers today are also health conscious. They want to eat healthy and stay fit. Hence, a greater number of FMCG products position themselves as being healthy options. Maggi Atta Noodles, Sunfeast's Sachin Fit Kit Multigrain Biscuits, and Tropicana fruit juices are a few products that address this need.

5. In India, celebrities, especially movie stars and cricketers, are frequently asked to endorse products and play a role in marketing communication. As the print and electronic media become all pervasive, the influence of celebrities has increased.

They are closely followed and even their most mundane activities create headlines. They are watched and imitated. Consequently roping in celebrities for advertising attracts a lot of consumer attention.

6. Consumers like advertisements more if they feature their favorite celebrity. What the star says has a positive impact on the consumer's mind leading to positive vibes about the product. Also, these advertisements have a higher recall value amidst the advertisement clutter.

For example, Lux soaps created headlines when they aired the advertisement featuring Bollywood hearthrob Shah Rukh Khan along with four Bollywood beauties.

From the viewpoint of marketing strategy the mix of cultural, social, personal and psychological factors which influence behaviour are largely non-controllable. Because of the influence they exert on patterns of buying, it is essential that we understand how they interact and influence purchase behaviour.

In doing this, we should not lose sight of the differences that exist between customers and consumers, and the implications of these differences for strategy.

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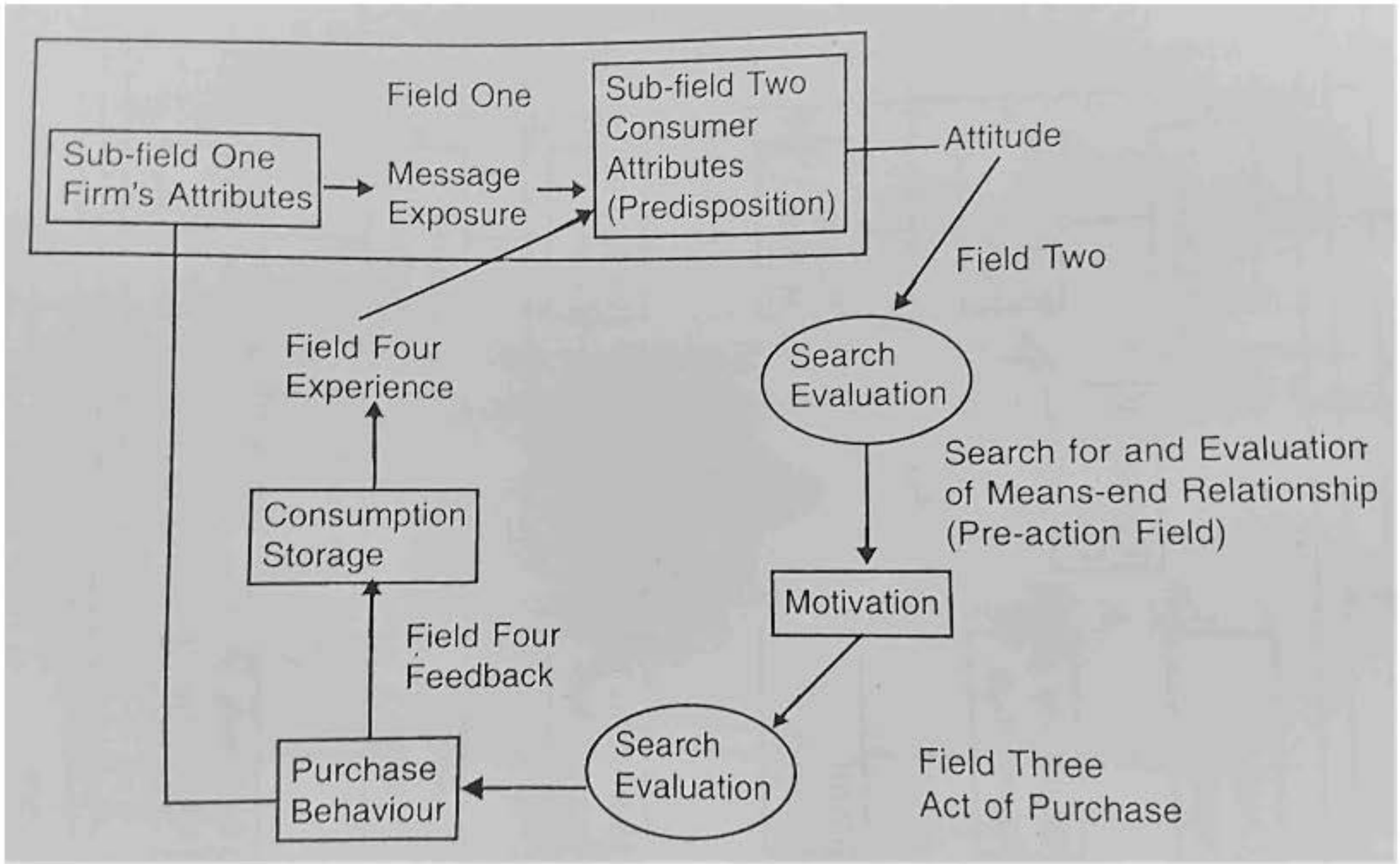
Consumer Behaviour Models – Nicosia Model

Nicosia Model deals with the level of exposure a consumer gets with respect to the purchase decision. This model is based on four fields such that the output of one field acts as the input of second field and so on.



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The **First field** divided into two sub fields namely:

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The **First field** divided into two sub fields namely:

Sub-field one consists of:

- Product Attributes
- Firm`s Attributes

While subfield two consists of:

- Pre-disposition or existing attitude of a consumer towards the product
- The attributes exhibited by the organization whose products are to be purchased.

The **Second Field** consists of consumer research and evaluation.

The **Third Field** is concerned with the buying decision of the consumer.

The **Fourth Field** is concerned with the post purchase behavior, use of product, its storage and consumption. The consumer who is satisfied with a product or service tends to stock the product for regular or future usage and develops a positive attitude. On the contrary, a dis-satisfied customer tends to develop a negative attitude towards the product or the business house.

The feedback from Fourth Field acts as input for field one. Feedback from field four compels a firm to change the product attributes which in turn act as in put for field two. A change in product attributes bring a change in consumers perception about the product and hence may affect his buying decision and subsequently his post purchase behavior.

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enable him to tailor future strategies and tomorrows realities rather than today's.

The 7 o's Framework:

This framework is popularly known as 7 O's framework and is used for basic understanding of consumer behaviour.

Who is the Consumer (Occupants):

Answer to this question helps us to understand consumer's geographic, demographic, psychographic and media graphic profile. Obviously this question helps in explaining the state of being of the consumer. Demographic profile is the study of age, income, sex, occupation and education qualification etc., of the consumer.

Psychographic profile is the study of the lifestyle of the consumer as expressed by activities, interests and opinions of the consumer. Geographic profile is the region to which the consumer belongs. Media graphics are the media habits of the consumer, for instance, fair and Lovely cream sells more in the Southern region than in the other regions.

A study of demographic profile of Frooti drinkers revealed only 5 – 12 years' age group drinks frooti. Teenagers, the biggest market for soft drinks, did not drink Frooti because they found it too kiddish. Hence, the Digen Verma campaign was released for re-launching Frooti as a 'cool drink" for 'cool dudes'. The advertisements also show the typical psychographic profile of today's teenagers, using their language and talking about their interests like careers, computers etc.

What does the Consumer Buy (Object of Purchase):

Answer to this question explains what product proposition the consumer is buying. The answer is in terms of product (for examples, soft drinks, soft drink concentrate syrups etc.), product forms (in soft drinks Cola Vs. Lime Vs. Orange) and brands (Coke Vs. Pepsi). What

interests like careers, computers etc.

What does the Consumer Buy (Object of Purchase):

Answer to this question explains what product proposition the consumer is buying. The answer is in terms of product (for examples, soft drinks, soft drink concentrate syrups etc.), product forms (in soft drinks Cola Vs. Lime Vs. Orange) and brands (Coke Vs. Pepsi). What are the features, sizes, colours, flavours etc., that the consumer seeks?

Why is the consumer Buying (Objective):

What benefits is he seeking? What motives is he trying to satisfy? For example, Fair and Lovely caters to a very strong motive of women, based on the desire to look fair, in a country obsessed with fair skin. Consumers today are also looking for sun protection in their cream.

When do they Buy or How often do they Buy and use (Occasion)?:

This explains the buying rate or buying frequency of consumers and the occasion on which they would buy the product or service for desired benefits. For example, items like refrigerators, air-conditioners etc., are bought during Diwali.

Where do they buy (Outlets):

They explain the type and nature of outlets from where the customer makes a choice. The type of outlet may be a retail shop, grocery store and wholesaler's shop. The nature of outlets also include urban outlets, shopping malls or rural shops.

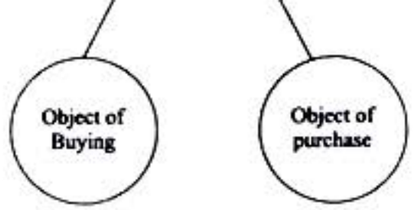

Fig. 9.2 7'0 Framework

How do they Buy (Operations)?

This explains what kind of background information do consumers collect before buying and from whom do they seek information? For instance before buying a car the consumer collects a lot of background information from friends and does a lot of deliberation before buying. Also when be enters a dealer's showroom he asks the dealer or salesman many questions.

Who is involved (Organisation)?:

This explains the organisation of information sources around the key players in the decision process. It describes the various roles played by people in the purchase process.

Buyer Behaviour Models:

The influence of social sciences on buyer behaviour has prompted marketing experts to propound certain models for explaining buyer behaviour. Broadly, they include the Economic Model, the Learning Model, the Psychoanalytical Model, and the Sociological Model etc.

Let us discuss the models, in brief:

A. The Economical Model (Marshallian Model):

Economists were the first professional group to advance formal explanation of buyer

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5 Stages to the Consumer Adoption Process

Published on October 24, 2014

Nathan Chandra · Follow
Creative Executive

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The consumer adoption process is constant. Marketing tools may change, the way consumers discover products may change, and consumer behaviors may change, but the 5 stages that make up the consumer adoption process will always remain the same.

In my years of business, my days in business school, and my experience at WeLink and AT&T, I have learned about numerous companies and how they market their products. I have witnessed many failures and witness many successes. What is interesting to me is how important it is for businesses to truly understand the 5 stages of the consumer adoption process and the important role this process plays to the success of the business. The 5 stages are: **product awareness, product interest, product evaluation, product trial, and product adoption**. Companies work hard to create a product, but in order to sustain and succeed in the market, organizations also need to create a process that successfully walks their consumers through the stages of the consumer adoption process.

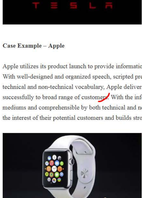
5 Stages to the Consumer Adoption Process

Stage 1 – Product Awareness

This first stage is about creating awareness that your product is in the market. It is important that your company develops a successful avenue for your consumers to become aware of your product. If consumers do not know your product exists, than it might as well not exist! Create marketing material. These can be one-sheets, video teasers, images, and landing pages. Make these marketing materials easily accessible. Utilizing creativity and wit is a great way to engage consumers in this awareness stage. I recommend creating a strong social presence for said product. In the era of social media, many tools are available in the market that provide companies with the techniques and methods to increase product awareness through social channels – enabling them to reach a large number of customers at a low cost!

Case Example – Movie Teasers and Tesla Model D

As an example, movie teasers are designed to inform the audience and customers that a movie will be released soon, but it doesn't provide them in-depth information about the movie. Another great example includes Tesla's Model D. Prior to its launch and release, Elon Musk published the below image on his Twitter in order to build momentum and awareness of their upcoming launch. What's amazing about this picture is the way it has been strategically designed to make consumers aware of the product without exposing too much about the product. The viewer is left wanting to learn more.



Stage 2 – Product Interest

In this stage consumers are ready to learn more about your companies product and / or service. Your organization must guide the consumer through the interest stage by providing easily accessible information on your product. Among the methods used in the todays business landscape include a website describing the product, blog posts, tutorial or instructional videos, white papers, and other sources of info that the potential consumer can discover and review.

Case Example – Apple

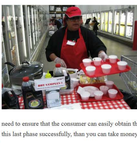
Apple utilizes its product launch to provide information and insight into its latest product. With well-designed and organized speech, scripted presentation, and balanced use of technical and non-technical vocabulary, Apple delivers information eloquently and successfully to broad range of customers. With the information now available in multiple mediums and comprehensible by both technical and non-technical individuals, Apple gains the interest of their potential customers and builds strong momentum of interested buyers.

Stage 3 – Product Evaluation

Prior to purchasing, consumers examine, compare and evaluate the product. Such behavior increases in intensity and need once the item in question is more expensive, sophisticated and complex, or critical. Consumers are searching for information. We are now finding that consumers go online and utilize social media channels to ask other individuals about your product or service. In addition, they find online reviews and recommendations. In order to simplify a customer's search and evaluation of your product, I suggest creating information that outlines the difference between your product and other similar products, or differences within the different products and services you sell. Outline what separates your product from others, and emphasize on strength. Another great system to utilize is the webinar. This platform allow you to communicate with potential customer in depth information about your product and provides time for Q&A.

Case Example – PCMag

PCMag is a world-renowned website for comparing gadgets and computers. They are notable for their reliable reporting, comprehensive evaluation editorials, and categorization of different gadgets based on their qualities. For example, in order to maintain fairness, PCMag categorizes laptops differently (such as work laptop, ultra-notebooks, …etc) in order to provide a more reasonable evaluation that fits the needs of the customer. PCMag is a great tool for consumers to evaluate products. Product manufactures can contact PCMag and request to get their products included in the magazine.

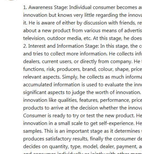


Stage 4 – Product Trial

This is the stage where the consumer "kicks the tires". Nothing helps a consumer make a decision about your product more than actually trying your product out. There are many ways this is accomplished. For example, your company can provide your consumer with a free trial or a proof of concept campaign. In this stage it is very important to set the customer expectations correctly and deliver on said expectations.

Case Example – Costco

Costco is known for their free samples. I have heard that some customers piecemeal an entire lunch just from bouncing around the free sample tables during a visit to a Costco location. This "free sample" approach is very smart. In some cases Costco has seen this strategy increase sales of a product over 1000 percent. There are additional psychological effects from this, which include consumer loyalty and consumer reciprocity. Consumers feel that if they receive something for free they owe something in return.



Stage 5 – Product Adoption

When the consumer enters the product adoption phase, he/she is ready to purchase your companies product. This is the critical stage that businesses need to get their consumers to. When the customer is here, you need to make the payment process simple, intuitive, and pain free. In addition, you need to ensure that the consumer can easily obtain the product. If you make it to and through this last phase successfully, then you can take money to the bank - A job well done!

Consumer Adoption Process is for All!

Whether you have a new business or an existing business, a product built for the enterprise or a product built for a consumer; the consumer adoption process is the same. It is important to create a strategy and the necessary tools to successfully take your consumers through these 5 stages. If you can nail this, than you are in business. Last piece of advice; Marketing your product is as important, if not more important, than creating your product.

Nathan Chandra
Creative Executive
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Carolina Ojil
Advertising and Public Relations student at The University of Tampa
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1. Awareness Stage: Individual consumer becomes aware of the innovation. He is exposed to innovation but knows very little regarding the innovation. He has only limited information about it. He is aware of either by discussion with friends, relatives, salesmen, or dealers. He gets idea about a new product from various means of advertising like newspapers, magazines, Internet, television, outdoor media, etc. At this stage, he doesn't give much attention to the new product. 2. Interest and Information Stage: In this stage, the consumer becomes interested in innovation and tries to collect more information. He collects information from advertising media, salesmen, dealers, current users, or directly from company. He tries to know about qualities, features, functions, risk, producers, brand, colour, shape, price, incentives, availability, services, and other relevant aspects. Simply, he collects as much information as he can. 3. Evaluation Stage: Now, accumulated information is used to evaluate the innovation. The consumer considers all the significant aspects to judge the worth of innovation. He compares different aspects of innovation like qualities, features, performance, price, after-sales services, etc., with the existing products to arrive at the decision whether the innovation should be tried out. 4. Trial Stage: Consumer is ready to try or test the new product. He practically examines it. He tries out the innovation in a small scale to get self-experience. He can buy the product, or can use free samples. This is an important stage as it determines whether to buy it. 5. Adoption Stage: If trial produces satisfactory results, finally the consumer decides to adopt/buy the innovation. He decides on quantity, type, model, dealer, payment, and other issues. He purchases the product and consumes individually or jointly with other members. 6. Post Adoption Behaviour Stage: This is the last stage of consumer adoption. If a consumer satisfies with a new product and related services, he continues buying it frequently, and vice-versa. He becomes a regular user of innovation and also talks favourable to others. This is a crucial step for a marketer.
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Industrial Marketing

Explore the Strategy of Industrial Marketing

Consider the differences between a candy store selling a chocolate bar to a single customer, and a chocolate manufacturer selling thousands of chocolate bars to a single candy store.

While selling candy to an individual customer might rely on salesmanship and knowledge about individual tastes and cravings, selling candy to a store takes more than attractive packaging.

Rather, the manufacturer must ensure a safe, profitable agreement between the two organizations. The manufacturer will market the quality, cost, and customer appeal of its chocolate bars to convince the candy store it will have an easy time selling them.

Industrial Marketing Guide

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- What is industrial Marketing?
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What is industrial Marketing?

Industrial marketing, also known as business-to-business (B2B) marketing, is a branch of communications and sales that specializes in providing goods and services to other businesses, rather than to individual customers *(See also B2B Marketing)*.

Find a School

Because industrial marketing often involves large orders and long-term relationships between the producer and client, the process from first pitch to close of sale is often more complex than the process between a business and a private customer.

While B2C sales might focus on one-on-one interactions between two parties, businesses are usually made up of a number of individuals. Before the product appears on the other store's shelves, the two businesses must reach a deal that will involve the manufacture, purchase, and shipping of thousands of products.

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The industrial market (also called the producer market or business market) is the set of all individuals and organizations that acquire goods and services that enter into the production of other products or services that are sold, rented, or supplied to others. The major types of industries making up the industrial market (business market) are agriculture, forestry, and fisheries; mining; manufacturing; construction and transportation; communication and public utilities; banking, finance, and insurance; and services.

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Distinctive Features Of Industrial Marketing

Just what are the most distinctive factors of industrial marketing, and how will they help an industrial business grow?

October 25, 2018

It's difficult to give a quick, condensed definition of industrial marketing, without completely downplaying the significance of what it truly is. We like to say that industrial marketing is marketing goods and services to customers. Though, this definition doesn't provide any justice still.

In fact, we find that the best way to explain what industrial marketing truly is all about is to highlight the most distinctive features of it.

It's extremely complex

A great analogy for industrial marketing follows; consumer marketing is a candy shop selling candy to a single customer. Industrial marketing is a candy manufacturer selling thousands of pieces of candy to a candy store. Obviously, the latter is much more appealing, but this obviously means that it is a little more complicated.

Industrial marketing requires large orders, long-term relationships which makes the first pitch and sale often more complex. This revolves around the simple fact that businesses are made up of several individuals, which means you have to impress multiple people, with numerous different bits of information.

Longer sales cycle

A result of industrial marketing being more complicated is a longer sales cycle. When you pitch to a business, the whole process revolves around calculated decisions, reviewing, analyzing.

This shouldn't be seen as a negative, the outcome of industrial marketing, as you probably imagined, is worth any complexity or lengthy process.

The variety of marketing

Industrial marketing can mean that you have a wide range of products. Every single product requires a different marketing strategy, sometimes the difference can be extreme.

To put this into perspective, it is much different to sell, say, a standard motor to a known business, compared to selling capital equipment to various companies.

The strategies that you may use for the motors won't be successful in selling large custom machines. Ultimately, the variety of marketing can be boundless.

Low market information

Consumer products have a lot of database information available for them, including customer demographics. In comparison, information revolving around industrial market niches are hard to come by. It actually requires a considerable amount of industrial experience to gather useful market information.

That being said, it isn't impossible; to gather the information you will need to analyze the niche in-depth. Information like the number of employees, line speeds, shifts, sizes, and so on, will all be acquired and you will be able to discover prospective buyers.

Advertising generally doesn't follow trends

When it comes to industrial marketing, advertising and promotion are a bit different. You see, in the grand scheme of things, it is comparatively simple to develop newspaper adverts, billboards, and videos for impulsive consumers.

"With industrial marketing, because of the lengthy sales cycle, advertisements can't be focused on trends. Instead, they have to address the product's benefits and applications directly." — Jennifer Watts, CMO at The Word Point.

The buyers and their behaviors

As mentioned earlier, industrial marketing is aimed at a team of people, rather than an individual. Thus, the behaviors are varied, follows a specific process and, ultimately, you need to impress multiple people, all of which may have different opinions.

Communication with your potential buyers is crucial; email, phone, and one-to-one conversations help to secure a business relationship. The good news? This relationship will be long-term, rather than a one-time buy relationship. Just like any successful relationship, communication is vital… many manufacturers choose to send samples too.

Bidding is customary

An individual consumer will buy, or they won't. Bidding isn't a daily scenario in for the average consumer. On the other hand, industrial marketing rarely doesn't revolve around quotes and bids.

Quotations and specifications can sometimes be hundreds of pages long, specifying the product and the prices right down to the itty-bitty details. This will ultimately help secure a deal.

The geographical and demographical distribution

The average consumer market research generally doesn't work for industrial markets, purely because the samples are just too small. Industrial market research almost has to be simultaneously niche and broad.

The most important part of industrial market research is to acquire information on market shares and market sizes. These can be found using qualitative techniques, unstructured interviewing techniques, and field research.

In conclusion

Suffice to say, industrial marketing is hard work but has high rewards. Once you secure a client/customer, it's a long-term, secure relationship. There's a tiny bit of a knowledge gap when it comes to industrial marketing, which makes the process more challenging, but completely worth it.

The fact is, manufacturers of industrial products need to find new customers in order to grow. The best way to develop this growth is to use industrial marketing techniques.

Erica Sunarjo graduated from South Texas College majoring in Marketing and Creative Writing. She used her knowledge to make a difference in the realm of business copywriting and invested heavily in travelling and language learning. At present, Erica is fluent in French and Spanish, studying Chinese and working her way to being a multilingual copywriter. She keeps track of the latest trends in IT and technologies, blogs about efficient strategies in education and business coaching, holds educational webinars.
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MARKETING

What Are the Factors That Influence Industrial Buying Behavior?

By: Michael Wolfe
Updated January 22, 2019

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Industrial buying behavior is the pattern of actions by a company involved in manufacturing, processing and other heavy industry. Many of these companies are required to make regular purchases as a means of supplying their businesses. Although each company -- and each industry -- will have buying behavior affected by its own set of factors, there are several main variables that can affect industrial buying as a whole.

Demand

Perhaps the main driver of industrial buying is demand. The amount of buying that an industrial concern will do is directly depended on the amount of business that the company can expect in the near future. Generally, if a company expects higher demand, then it will stock up on raw materials as a means of ensuring that it will be able to meet consumer demand and maximize revenue.

Price

Buying patterns are also affected by the price of the materials the companies are purchasing. When prices are higher or the company expects a decrease in the near future, the company may choose to hold off making purchases, so as to save money. This can involve some difficult decision making. For example, a company that uses fuel in the production of its products may attempt to guess the direction of oil prices.

Economy

In addition to current demand and the current prices for a product, industrial companies may look to the economy as an indication of the future availability of materials relative to the consumer demand for them. If the economy is trending upward, the company may purchase more based on the expectation of a future rise in sales, while a downward trending economy may push it to the opposite course of action.

Technological Changes

In addition, industrial companies are heavily influenced by changes in technology that affect both the provision of goods and their own requirements. For example, if purchasing a piece of technology means that a raw material becomes cheaper to use, then the company may choose to invest in the new technology. Similarly, the acquisition of new technology will often change the company's buying habits, as the technology will have different raw material requirements to run.

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Marketing Explained

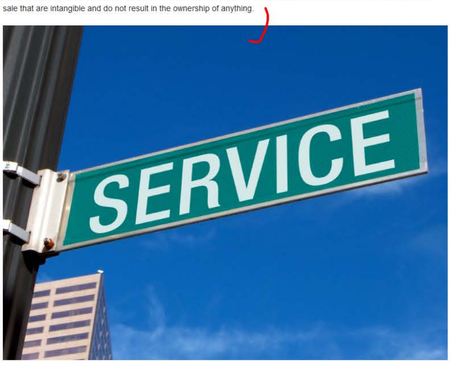
CHARACTERISTICS OF SERVICES: WHAT IS A SERVICE – AND WHAT MAKES IT SO SPECIAL?

written by Maximilian Claessens | 3rd June 2015 | 65485 views

What is a service, and what distinguishes a service from a product? We will go into the various special service characteristics.

Definition of Service

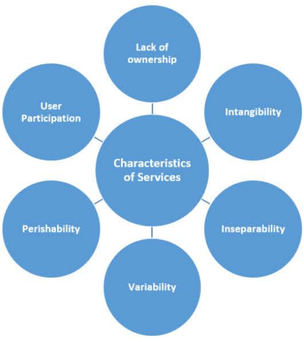
What is a service? Services are a special form of product which consists of activities, benefits or satisfactions offered for sale that are intangible and do not result in the ownership of anything.



Importance of Services for the World Economy

Without doubt, services have grown dramatically in recent years, and are growing quickly in the world economy, becoming more and more important. Today, they make up already more than 65% of the gross world product (read more at CIA Word Factbook). In the developed countries, the service sector contributes more to economic growth than any other.

However, service is not service. That is, service industries vary greatly. Not only companies do offer services, but also governments and non-profit organisations. However, all services have certain characteristics in common: the characteristics of services.



Characteristics of Services

In the following, we will go into the most relevant characteristics of services. Characteristics of services apply universally to any service. The most important characteristics of services are:

- Lack of ownership
- Intangibility
- Inseparability
- Variability
- Perishability
- User participation

Lack of Ownership – Characteristics of Services

Lack of ownership may be one of the most obvious ones of the characteristics of service. It refers to the fact that you cannot own and store a service like you can a product. This characteristic is strongly linked to several other characteristics of services, such as intangibility, perishability, inseparability.

Intangibility – Characteristics of Services

When thinking about the characteristics of services, intangibility may come to your mind first. Service intangibility means that services cannot be seen, tasted, felt, heard or smelled before they are bought. You cannot try them out. For instance, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination. But there is nothing that can be touched.

Inseparability – Characteristics of Services

Characteristics of services include inseparability, which means that services are produced and consumed at the same time. This also entails that services cannot be separated from their providers. Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at exactly the same time. A product can, after production, be taken away from the producer. However, a service is produced at or near the point of purchase. For instance, when visiting a restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter/ress etc. All these parts, including the providers, are part of the service and therefore inseparable. In services marketing, a service provider is the product.

Variability – Characteristics of Services

Variability does also belong to the important characteristics of services. It refers to the fact that the quality of services can vary greatly, depending on who provides them and when, where and how. Because of the labour-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.

Perishability – Characteristics of Services

Perishability means that services cannot be stored for later sale or use. In other words, services cannot be inventoried. This is one of the most significant characteristics of services, since it may have a major impact on financial results. Doctors or dentists often charge patients for missed appointments because the service value has foregone. The value existed only at that particular point and disappeared when the patient did not come. When demand is steady, the perishability of services is not a problem. However, in case of fluctuating demand, service firms can have difficult problems. For this reason, transport companies own much more equipment than they would if demand were even throughout the day: the demand during rush-hours needs to be served at that specific time, it cannot be served later or earlier. Consequently, service companies use various techniques for creating a better match between demand and supply: Demand shifting.

User participation – Characteristics of Services

Finally, the characteristics of services include user participation. Indeed, users participate in every service production. Even when the user is not required to be at a location where the service is performed, users participate in every service production. A service cannot be separated from its provider, but neither can it be separated from its user.

CHARACTERISTICS OF SERVICE | INSEPARABILITY | INTANGIBILITY | PERISHABILITY | SERVICE MARKETING | USER PARTICIPATION | VARIABILITY

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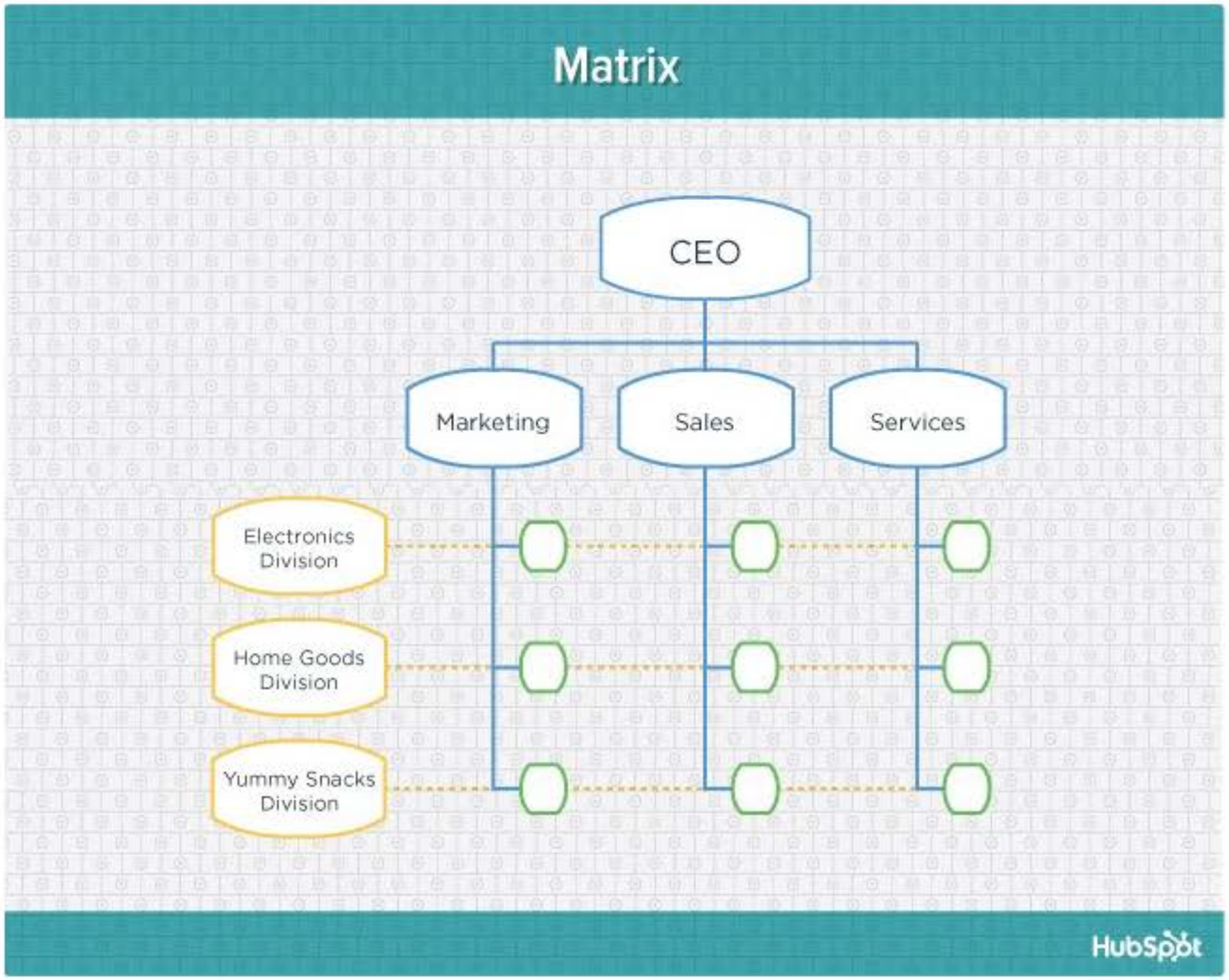
Disadvantages

This structure can erect barriers between the different process groups, which leads to problems communicating.

6. Matrix Structure

Matrix structure is when all employees have dual reporting relationships. When looking at this type of chart, solid lines represent strong, direct-reporting relationships, whereas dotted lines indicate that the relationship is secondary or not as strong.



Disadvantages

The key word is complexity. There more layers of approvals employees have to go through, the more confusing it is.

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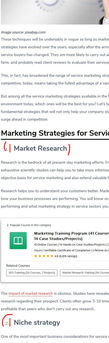
Service Marketing Strategies – When service firms think of marketing strategies, they usually consider outbound and direct techniques i.e. messages that are sent straight to your prospective customers and clients. The goal, in this approach, is to be persuasive and compelling so that your audience responds to and engages with the service offered.



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These techniques are all undoubtedly in vogue as long as marketing exists. But service marketing strategies have evolved over the years, especially after the arrival of digital marketing. The behavior of service buyers has changed. They are more likely to carry out an internet search to find a service form, and probably read client reviews to evaluate their services.

This, in fact, has broadened the range of service marketing strategies at your disposal. Staying competitive, today means taking the best advantage of a variety of strategies.

But among all the service marketing strategies available in the hyper-competitive business environment today, which ones will be the best for you? Let's take a look at the 10 absolutely fundamental strategies that will not only help your company stay relevant, but will also help you to surge ahead in competition.

Marketing Strategies for Service Companies

.1 Market Research

Research is the bedrock of all present-day marketing efforts. From marketplace to brand research, wholesome strategies are made to take you to take more informed decisions. It will bind you an objective basis for service marketing and deliver valuable business insights to your company.

Research helps you to understand your customers better. Market research gives you an insight about how your business processes are performing. You will know on what courses your company is performing and what marketing strategy or service sectors you need to speed up.

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The impact of market research is obvious. Studies have revealed that firms carry out systematic research regarding their prospect. Clients often grow 3-10 times faster and are up to twice more profitable than peers who don't carry out any research.

.2 Niche strategy

Niche is one of the present business considerations for service marketing in a niche targeting and specialization. Research has shown that some of the fastest growing service firms are specialists in a carefully selected niche. The niche must be a sector of the industry which you thoroughly understand, a space where you can become an undisputed leader and research.

Specialization can make the all the difference to your marketing efforts. It defines what you do exactly and distinguishes you among competition. Specialization is a differentiator which proves itself.

.3 High performance website

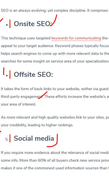
In the professional service marketplace today, your company's website will be one of the most important asset. It's more than just a digital billboard, as many companies believed in the past. A good website is at the center of a service firm's online presence as well as an info-rich projection of your expertise in the marketplace.

The website is a major tool to build brand visibility. Prospective clients usually search online to hire service providers. You must have an easily navigable website where people find all the information they need and practical a better chance of winning a business. Besides, the website will help you to demonstrate your expertise and grab better acceptability in the marketplace. It's usually seen that around 60% of people look online for service marketing firms. The internet has also emerged as the commonest source of all information.

When a visitor lands on your website, robust information and carefully devised offers can drive leads to closer engagements. It eventually brings qualified business to you. The process to nurture leads via content is shown below:

Content Funnel

Nurturing Target Audiences



The second component of the website which you must consider is the design. Graphic and web designs can greatly influence audience perception and ad recall, and intuitively and swiftly differentiate business.

The power of a good website design is often underrated. This, in turn, gives a tremendous opportunity to a company to set it apart from the rest of competition and convey the credibility that's needed to drive home the rewards.

The compatibility of your website over a wide range of devices is also important. These include computers, androids, tabs, mobiles, and others. Responsive design, which allows a website to suit a viewer's device, has become one of the key features for business as more people are using mobile and handheld devices for business. Google here already begun to rank websites that are "mobile friendly" higher up the search results. Making a responsive website is now a necessity for service marketing firms.

.4 Search engine optimization (SEO)

As already said before, the target audience must be able to hand over your site without any problem. The website must be effective in that way. And this were SEO comes in. So much is its importance in the online service marketing puzzle that high growth companies consider SEO as one of the most important strategies available to drive traffic.

SEO is an always evolving, yet complex discipline. It comprises of two major components.

.5 Onsite SEO

This technique uses targeted keywords for communicating the content of your website which will appeal to your target audience. Keyword phrases typically focus on the services that you offer and helps search engines to come up with more relevant data to the searchers. And when the audience searches for some angle on service area of your specialization, they'll land on your website.

.6 Offsite SEO:

It takes the form of back links to your website, which are guest articles on other websites, or through third-party engagement. These efforts increase the website's authority as an acknowledged leader in your area of interest.

As more relevant and high quality websites link to your sites, popular search engines will understand your credibility, leading to higher rankings.

.7 Social media

If you require more evidence about the relevance of social media for professional services, here's some info. More than 80% of all buyers check new service providers over the social media which makes it one of the commonest social information sources than formal recommendations or referrals.

In fact, the nature of referrals has changed with the arrival of social media. A recent referral marketing study found that only 17% of all respondents based referrals on personal ties on the basis of social media interactions. Simply put, the social media acts as an accelerator to reach your expertise, reputation and content to your target customers. It helps you to connect to valuable influencers and partners, along with monitoring your brand via social listing.

.8 Advertising

There are several platforms on which you can advertise your service marketing firm. These commonly include the following:

- Service Industry websites and publications
- Social media
- Google AdWords, search engine marketing (SEM), Yahoo Bing and other portals.
- Retargeting: A cookie-based technology which uses a tracking code to anonymously following your audience across the internet and serve relevant advertisements.

Advertising doesn't merely promote your service marketing. It also plays a major role to drive content downloads, building increasing both visibility and expertise.

Remember to use the various forms of advertising that best matches your professional service. Networks like LinkedIn and other service industry oriented advertising, often works best. These networks allow to directly target the appropriate customer segment which leads to more conversation, better click rates and lower download cost.

SEM, on the other hand, is usually more expensive and harder to target for extending professional services. Certain advertisements, at the same time, could be two times more effective because it is less used by professional service customers than other similar networks.

It needs to be remembered at the same time that there are several variations of each type of advertisement. A service marketing firm may find them somewhat successful depending upon the advertisement purpose, budget, targeting or industry niche.

.9 Referral service marketing

The nature of professional service referrals have changed over the years. This has impacted service marketing strategy in a big way. It has been found out that more than 82% of service providers have received referrals from people who were never a client.

But from where do all these referrals come from? Most of them come from the firm's expertise or reputation.

Content marketing can be used in connection with the tactics mentioned above. In this way you can build goodwill for your brand and get endorsements for your specialized domain. You build a brand recall among the audience that may not have worked with you. This, in turn, leads to more referral and new business.

.10 Marketing automation, CRM, and lead nurturing

Marketing automation:

It replaces repetitive manual repetitive and high-touch manual processes with the automated ones. The champions supported by technology. Automation brings together all the online service marketing channels into a single centrally managed system to create, manage, and measuring campaigns and programs.

Like any other technological tool, it's important that you select the correct service marketing automation software most suitable for your company. The complexity, scalability, and size of the solution must be a good match for your requirements.

CRM:

Another valuable software is the customer relationship management (CRM) system. A large number of companies use CRMs for tracking and organizing client information and scoring opportunities. A CRM module, in short, can help you to stay connected and organized, regardless of how complex your operations be.

The CRM system functions as a database for all the connected information about clients and opportunities, including detailed notes about interactions. Information can be keyed in, stored and accessed by the staff as and when needed. It leads to the synchronization of efforts across various departments in your firm.

Lead nurturing:

CRM is not the end of bagging new clients. Remember the lead-nurturing funnel given in the diagram earlier? The website is an important part of the puzzle. Email marketing is also equally important. Analytics driven and targeted email service marketing campaigns help you define both hard and soft offers for particular buyers, tailored to their demands. One email campaign, on the other hand, allow you to send targeted offers for segments in your audience over a particular period of time. It forges a much closer engagement between the service provider and the client and educates via relevant and successive offers and content.

.11 Testing and optimization

Testing and optimization allows you to schedule your marketing efforts and take decisions based on hard facts and not presumptions. While research is at the base of marketing, testing and optimization is a continuous guide. Testing of marketing campaigns should never stop. But they can be adjusted according to market demands.

- **A/B testing of landing pages and emails:** Using popular A/B tools like Unbounce or Optimizely, learn which of the landing pages or emails most successfully convert users in various designs, languages or other elements.
- **Landing and email page rendering:** Using tools like Email on Acid for testing the rendition of pages on various platforms and devices, ensure they function as they are supposed to.

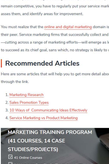


Image source: pixabay.com

.12 Analytics and reporting

It's always important to analyze the proper metrics to measure results effectively. But you must have the tools in place for collecting the accurate data. This includes social media, your website and SEO.

Among all others, Google Analytics is a crucial tool to measure and analyze the traffic landing on your site. You can improve the SEO results with MOZ, while Frontseat and similar tools can provide detailed social media analytics.

Regular analyzing and testing will help you understand what's working and what's not. Use them wisely. They will help you to turn service marketing efforts from an art to science.

Final thoughts

The most important thing is not to grow complacent of how you have been doing professionally. To remain competitive, you have to regularly put your service marketing strategies under the scanner, assess them, and identify areas for improvement.

You must realize that the online and digital marketing domain is evolving much faster than any of their peer. Service marketing firms that successfully collect and utilize data about their performance—cutting across a range of marketing efforts—will emerge as leaders. But a firm must have the will to succeed as its chief goal, sans which, no strategy is likely to work.

Recommended Articles

Here are some articles that will help you to get more detail about the Service Marketing so just go through the link.

1. Marketing Research
2. Sales Promotion Types
3. 10 Ways of Communicating Ideas Effectively
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Marketing Organization Charts You Can Use In Your Business

By Kirill Belov · July 20, 2018 · No Comments

Using a systematic, disciplined approach is very important: it allows people to be good leaders and effective managers. One of the areas where it is especially valuable is in business and marketing. There are many people and resources that must be managed quickly and efficiently, so having a proper marketing company organizational structure is a must. So, if you don't know how to structure a marketing system, this article will provide you with all the basics you need to know.

Content:

- Why Do You Need A Marketing Organization Structure?
- The Most Common Types Of Marketing Structure
- Conclusion

Why Do You Need A Marketing Organization Structure?

To be fair, every organization has some kind of structure. According to the marketing structure definition, it simply refers to how the parts of a system are arranged and interact with each other. However, you should always ask yourself the following question: "Is the marketing structure of my organization as efficient as possible?". If the answer is yes, you will have a lot of benefits, including:

- Clear and fair division of work, with everything done by specialists;
- Simple and clear communication between employees;
- Coherent and more accessible goals, which leads to better efficiency.

The Most Common Types Of Marketing Structure

There are many different ways of assessing a marketing organization structures. Furthermore, most of the marketing structure charts you might need are model cases, but in the real world, everything is much more complex. However, it's a great way to learn about the general principles of creating a marketing organization to figure out which model is most applicable to your business. So, here are some of the most prominent marketing organization structure examples.

1. Linear structure

A linear structure is one of the simplest organization structures, yet one of the most flawed as well. This model is based on a straightforward military chain of command where the top member is responsible for the whole operation and each chain responds only to its immediate predecessor.

It works fairly well for small businesses, and it is quite easy to implement, but it has proven to be unreliable and uncompromising for even moderately large businesses. Unless you want to be a tyrant in charge of an army, you'd better come up with something better than this.

2. Functional structure

The next simplest (and probably most common) modern marketing organizational structure is the function-based structure. As you might notice from its name, in this model the employees are organized into divisions based on the functions they perform.

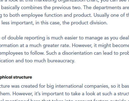
What's great about this type of structure is that it is easy to manage on a bigger scale. Furthermore, it is much easier to adapt to new conditions as your business continues to grow. Another advantage is that every division can be highly specialized and fairly autonomous. However, here lies a problem with this system – there can be difficulties and limitations in communication between divisions.

3. Product-based structure

This model draws its inspiration from the previous one, but it is specifically developed for businesses that sell more than one product. It divides the staff based on the product they are working with. This way, every division has members of every functional specialty.

In this model, every division becomes almost completely independent. There is no need for communication between departments in this case. On the other hand, it is a bit more difficult to manage, and distributing resources can become a much harder task.

4. Matrix structure



If you take a look at this marketing organization chart, you can see that this structure basically combines the previous two. The departments are defined according to both employee function and product. Usually one of the dividing criteria is less important, in this case, the product division.

This type of double reporting is much easier to manage as you deal with much more information at a much greater rate. However, it might become quite difficult for your employees to follow. Such a discrimination can lead to problems in communication and too much bureaucracy.

5. Geographical structure

This structure was created for big international companies, so it basically works only for them. However, it's important to take a look at such a structure as it is the first model mentioned here that takes into account factors outside of the company as well as internal factors. It is easy to forget that an organization should not only adapt to the strengths and weaknesses of each team member but also pay attention to the world around.

The problem with this model is basically the same as for the product-based structure: every division becomes almost completely independent and it becomes harder to manage and monitor the decisions they make. Resource distribution remains a problem too. However, now you can rely on the statistics you can gather from your customers. The more clients there are in a certain region, the more resources the corresponding division needs.

6. Channel-based structure

The main external factor influencing the marketing structure is its customers. Although you can't definitively predict each and every move your customers make, you can make some simplified predictions.

An easier solution is to divide your clients into groups and distribute your goods through different channels based on the preferences of each group. For example, you can contact your loyal returning customers directly, if they have given you their mail address, but you can't catch the attention of new customers this way. For them, you need another channel, such as your own website.

The difference between these channels has become increasingly bigger over the years. That's why the smart decision would be to divide your staff into departments based on different channels. The only problem with this decision is that it would be much harder to offer the same fair treatment to your customers no matter what channel they use. It is manageable, but it definitely requires some extra effort.

7. Segment-based structure

This model is similar to the previous one, but it is based on a more deep and thoughtful analysis of your customers. If you know your target group well, you can implement more effective and efficient division into different segments.

For example, if your product has multiple uses, you can divide your user base into groups based on the way they will mostly use it. Other criteria you may use include the industry they work in, the position they hold, or even their age.

If you create the departments to look after each segment of your customers, you will be able to tailor the customer experience just for them – everyone loves the personal approach.

Conclusion

All in all, don't forget that everything mentioned above often does not correlate with real life. Firstly, sometimes it is more efficient to combine a couple of different models and structure an organization, for example, both geographically and based on a product. Secondly, there might be a situation where it's better not to create an elaborate structure. Finally, there are certain types of marketing structure organizations that are much more detailed and take into account a lot of relatively minor factors. Implementing such innovative designs can be risky, but sometimes it pays off very well.

However, now you know the basics of marketing structure. With this knowledge, you can start your own journey. Tailor your own organization chart according to your business specifics and needs. If you need some help, talk to marketing specialists and try out your organizational structure in practice. So, if you want to boost your sales and make a marketing organizational chart that suits your business the best, start right now and don't be afraid to make mistakes.

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Kirill Belov

Kirill is an experienced Digital Marketing and SEO specialist at SpurIT. He is a CRM industry analyst, strategist, and eCommerce connector into optimization expert. He has 12 years of experience helping eCommerce companies increase revenue. He is passionate about leveraging the right strategic partnerships and software to scale digital growth.

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Oct 21 2014 | 2014 | in Marketing Best Practices, Marketing Organizations, Marketing Strategy, Marketing Talent

7 Types of Marketing Organization Structures

When you think of marketing organizations, what structures come to mind? Do you believe in the strictly traditional marketing structures? Have should we organize their marketing teams for optimal efficiency, communication, and customer focus?

In this article, we will share the key trends in organizing marketing teams, based on a recent Modern Marketing Partners study, The CMO's Guide to Marketing Organization Structures. In this, we will share the key features of efficient marketing teams, the structures that leading organizations use, and quotes from the organization leaders.

We have three generous contributors (and some light on the support of the marketing leaders who are referring how to organize their departments to take advantage of changes in all stages of the buying process. Please take a look at these varied structures, compare them to your own, and share your point of view on Twitter using the hashtag #CMOPOV. I look forward to swapping thoughts.

The Elastic Organization—Mindjet

Company Example: Mindjet

Company Headquarters: San Francisco, CA

Products or Services: Apps to help you brainstorm, plan, and manage projects.

Chief Marketing Officer: Jascha Kaykas-Wolff (@kaykas)

The marketing contributes to make this organizational structure and adapt to whatever needs come about. Coupled with the adoption of new business processes like Agile Marketing, Valerie's functional team expertise, coupled with cross-functional management of the work your team is focused on, will keep a steady stream of ideas flowing, more analytical decisions about which of those ideas to implement, and ultimately, create predictability in the outcome of you and your team's efforts!

Structure of an Elastic Organization

(Note: Click image for Larger View)

Features of an Elastic Organization

- Marketing Operations professionals oversee the complexity of the marketing tech stack, IT integration, hypothesis testing, and optimizing customer experiences in the product.
- Flexible structure allows for adding headcount and/or functions seamlessly as the company's product mix evolves.
- Much of the marketing is run through Project Marketing Managers (PMMs).
- PMMs partner with functional experts in other sub-departments.

Source: Mindjet

Related: Employee Marketing for B2B Companies

The TOFU Organization—Zendesk

Company: Zendesk

Company Headquarters: San Francisco, California

Products or Services: Helpdesk & Customer Support Software

Chief Marketing Officer: Bill Macaitis (@billmacaitis)

"I think have marketing orgs structures will put a much greater emphasis on positioned metrics like Net Promoter Score (NPS) as they attempt to maximize growth, revenue chart, and drive lifetime value."

Structure of a TOFU Organization

(Note: Click image for Larger View)

Features of a TOFU Organization

- This is a team built to scale top-of-funnel ("TofU") growth, with content marketing as the largest group, followed by advertising and product marketing.
- Tight alignment with the creative team is key – the head of the creative team reports to the CEO, and the department totalies both marketing and product.

Source: Zendesk

The Inbound Organization: HubSpot

Company: HubSpot

Company Headquarters: Cambridge, Massachusetts

Products or Services: B2B Marketing and Sales Software and Apps

Chief Marketing Officer: Mike Volpe (@mvolpe)

"I think the old way (had to the team when I joined HubSpot) and started from the beginning. We built our entire company for the consumer-first marketing to sales to service. because the buyer has all the power today and you need to realign your company for that. I think our org chart is the best way of the marketing org because of that – we focus on inbound experience that the buyer drives, with us providing value along each stage."

Structure of an Inbound Organization

(Note: Click image for Larger View)

Features of an Inbound Organization

- Focused on providing a buyer-driven inbound experience.
- Adds value through content and contextual marketing (e.g., dynamic, smart site pages and content based on a prospect's relationship to the company)
- Steeped in buyer personas and delivering experiences tailored to those personas.
- Content as a dedicated function allows it to serve multiple internal "clients" (demand generation, PR, sales enablement)

Source: HubSpot

Related: 4 Ways to Align Marketing & Sales

The Funnel Focused Organization: Forrester

Company: Forrester

Company Headquarters: Cambridge, Massachusetts

Products or Services: Proprietary market research, consulting, events, and peer-to-peer executive programs.

VP of Marketing: Jeff Ernst Forrester VP of Marketing (@JeffErnst)

"I try to rationalize the structure by saying that team 1 is about the funnel, team 2 is top and middle of the funnel, and team 3 creates materials for the bottom of the funnel and acts as a service bureau to the rest."

Structure of a Funnel-Focused Organization

(Note: Click image for Larger View)

Features of a Funnel-Focused Organization

- Team 1 manages relationships with the top 50 publications and places Forrester analysts to speak at industry events.
- Team 2 focuses on lead generation.
- Team 3 manages product collateral for the sales team and the production of anything that carries the Forrester brand.

Source: Forrester

Related: Is Your Marketing Modern?

The Culture Organization: GitHub

Company: GitHub

Company Headquarters: San Francisco, California

Products or Services: Hosted Git repository and social network for programmers, allowing members to collaborate on and monitor project development

VP of Marketing: Brian Dell (@brianmdell)

"I like to think of marketing as the intentional transfer of culture. It is an essential element to just about everything. Running great product is marketing. The way we talk to our customers is marketing. Within this definition, I do see everyone participating in marketing to various degrees."

Structure of a Culture Organization

(Note: Click image for Larger View)

Features of a Culture Organization

- At the flat organization, everything is based on merit. Very few titles exist – only team names.
- The goal of marketing in this org is to transfer the culture everywhere, in the product that's built, the marketing assets used to drive awareness and adoption, even internally.
- At the org, we have just defined "marketers" take part in marketing. The entire company is expected to uphold the culture of the company, whether through offline events, social media, or one-to-one user interactions.

Source: GitHub

Related: CMO vs. CEO: Clash in the Culture

The Customer Organization: Atlassian

Company: Atlassian

Company Headquarters: Sydney, Australia

Products or Services: Software that helps teams track, collaborate, code, and ship products.

Structure of a Customer Organization

(Note: Click image for Larger View)

Features of a Customer Organization

- Built with a focus on the marketing funnel, from awareness-based branding to lead generation and marketing to customer retention.
- The creation of the funnel increases a great deal of attention as the "Customer 4Life" team exists specifically to nurture and retain existing customers. The team's goal is to improve customer success on existing products (to retention) while upselling new features.
- Marketing Ops supports the rest of the organization.

Source: Atlassian

The Creative Organization: Rue La La

Company: Rue La La

Company Headquarters: Boston, Massachusetts

Products or Services: Members-only shopping site featuring some of the most sought-after brands in fashion, accessories, footwear, home, travel, and more.

Chief Marketing Officer: Robin Domeniconi (@RobinDMC)

"The future of marketing is truly dependent on the ability to integrate compelling content and commerce into a seamless experience. Creating that added value will keep customers loyal and coming back to your brand. That's why all teams must be aligned and working together to deliver the most personal and enriching experiences for our customers."

Structure of a Creative Organization

(Note: Click image for Larger View)

Features of a Creative Organization

- Marketing, merchandising, and creative align to provide Rue La La members with a fully integrated, seamless shopping experience.
- Marketing is organized by disciplines (such as acquisition, PR, or social) across each business category (e.g. fashion, home, travel). The CMO of each business line sets the overall objective.

Source: Rue La La

Related: CMO Predictions for 2014

Redefine Your Marketing Organization

We welcome you to look into other marketing structures and tell us what you believe is the most effective.

At Modern Marketing Partners, we believe and recognize the value that each structure provides to each organization. We welcome you to share your opinions in the content section and please bookmark and share this with your CMO.

SHARE THIS ARTICLE

Tagged with: Marketing Organization Structures, marketing strategy, Marketing Structure, Marketing Talent

3 Comments

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Neale
27th August 2014 at 6:00 am

Following Organizational diagram templates would be a great resource for making organizational structures. Creating diagram community is consist of many diagram templates and examples to be used freely.

JJ Ainsworth
28th August 2014 at 6:26 pm

I would like to start up a new marketing research co. what type of structure best suits me. thanks

Caroline
29th August 2014 at 2:54 am

These are some really good models. We've have had a look on some key questions to consider before designing your marketing structure. Take a look here: http://www.thebusinessdesk.com/marketing-agencies.html

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1215 Hampden Street, Suite Reynoldsville, 19711

Factors to Consider For International Marketing

by Andreea Bacior
Self Updated on September 2, 2019

Add Your Review

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In this article, we cover the topic of international marketing and explain 5 of the factors to consider for international marketing, and 3 factors to consider for international marketing and 3 in conclusion.

INTRODUCTION TO INTERNATIONAL MARKETING

Let's look quickly at what it means to be a global organization in the world of business today. Companies that are considered to be international are those that they are found outside their home country borders. As the whole new frontier opened up, businesses realized there was a brand new opportunity out there for them to increase their revenue. All this has led to both and growth of international marketing.

What Is International Marketing?

In simple terms, international marketing means taking the same marketing strategies you use in your home country and applying them in other countries. It would call a the combination of marketing strategies by a company that is necessary to sell goods or services in a foreign marketplace.

Why Do Businesses Need International Marketing?

A very good reason why companies need to consider international marketing is to get a piece of the over 75 million dollars of goods and services that are traded internationally. Yes, that is a lot of money and international marketing is a necessary tool that can help you to get a share of that pie.

Not only do businesses have a good opportunity to grow their revenue if they market themselves internationally, but they will also run into a lot of obstacles that are not typically encountered in domestic marketing.

[ad_middle_1]

Download this Marketing Mix Checklist to learn how to optimize your marketing (e.g. product, pricing, place promotion) and accompanying your customers!

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FACTORS TO CONSIDER FOR INTERNATIONAL MARKETING

International marketing is very different from domestic marketing. There are a whole host of issues since marketing internationally that it becomes hard to remember how to deal with when marketing in their own country. The following are some key things to consider when making any international marketing decision.

Cultural Factors

A. Language

Language, more specifically translation, needs to be paid very close attention to when doing international marketing. There have been some embarrassing mistakes in international advertising that most day not help companies sell their products in other countries. One of the most famous examples of this is Chevrolet's model Nova was a flop in Spanish speaking countries because Nova means "it doesn't go" in Spanish. Nova was doomed, and sales were poor, which Chevrolet stated it was translated into. No one at General Motors noted the problem with the name before it was too late. Ford, in the 1970s, had to change the name of their same packaging with the Corcel like early on it ran that Corcel means "horse" in Spanish. Ford had to change the name of their same product because it was a horse. Ford had to change the name of their same product because it was a horse.

B. Taste

Entering international markets can be very difficult for some companies because of the different tastes that people have in other countries. Coca-Cola is a good example of a company having trouble in a country, the taste that does well consumption — being "off-taste" they ended up being successful there by introducing raspberry and orange Fanta to the many selection. Many international brand products such as Kentucky Fried Chicken, Wendy's and McDonalds had to alter offering combinations with our delivery in order to break into the Asian market.

C. Regional Values

Many times a country in which you would like to sell a product has extreme regional differences that must be accounted for when marketing. A perfect example of this is Brazil. Brazil is a very large country and consumers in different areas of the country that are culturally much different that the English speaking communities found throughout the rest of the country.

D. Consumer Habits

Culture and personality combine to shape consumer behavior in every particular region of the world in country. When you want to market a product in a foreign country you need to find alternative whether it is an individualistic society (from the US, Canada, and Western Europe) or a collectivist society (Asia and most of South America) and how to consider other crucial cultural factors. Some of the factors that influence buying decisions in the country you are targeting to sell your goods or services to.

E. Age-Demographics

Age and other demographics play a key role in international marketing and they are not in domestic marketing, companies have to pay very close attention to them. Your country is probably not going to want to market products to senior citizens. A third-world country where there is very little internet and where a large percentage of people live in rural areas, is not a good place to market a product that is only understanding age and other demographics is a crucial factor when it comes to sell your goods or services to since they are both reliable and used in marketing international markets.

Economic Factors

A. Per Capita Income

Of course a country's wealth is a huge factor when determining potential target market countries and how to market your product to those countries. For instance, Ethiopia have a per capita income of less than $800 a year, it is probably not going to be a good market to sell your $1000 dollar iPhone to.

Then again you don't always need an overwhelming number of people in a certain country to make it worth your time to market internationally. Luxembourg is a very small country with luxury automobiles that sell for $80,000 - $80,000 range, maybe less than 1% of the people in a country such as Kirkiss can afford a car in that price range. But, Luxembourg is a country of 500,000 people, so 1% of that is 5000 to buy your product, that country is still worth to be an potential sales go.

B. Relevant Class Structure

When you are marketing your product or service internationally you must also take into consideration the relevant class structure in the country you are marketing in. Most countries have an upper, middle and lower class, but the numbers of people in these classes can be significantly different from country to country. An example of this can be seen like the USA that have a very large proportion of their citizens located in what is termed "middle class", as opposed to the Philippines where there is a very small middle class and a very large lower class and a very small percentage of upper class individuals and many poor people.

C. Supply and Demand

Of course supply and demand will play a major role in trying to market your product in a foreign country. If there is a very large demand for your product and there is a very small supply of that product, then it would be a good idea to market it the right way and at the right price. Imagine how surprised the masses of people in Ethiopia would be if a company came in and started selling iPhones for less than product internationally and it never ever occurred to them that there is a very more expensive cup of coffee.

D. Financial Transactions and Banking

Considering how you will get paid for the products and services you market and sell internationally is important. Not all countries have the same currency, so it is best to be grateful that you can buy goods internationally and pay for them in your home currency. Many companies do not want to deal with the hassle of dealing in foreign currency in businesses, but that is many not the case everywhere in the world. These types of financial realities will greatly impact your marketing strategy.

Political and Legal Factors

A. Laws

There are laws in some countries that will greatly affect your ability to do business in them or protect it altogether. One such example is Thailand which has specific laws stating a foreign person or company can own more than 49% of a business in Thailand. Thailand is a very large market, with over 70 million people and many tourists there. You must be aware of laws like this if part of your business strategy includes manufacturing or distributing your wares in a foreign target country.

B. Licensing and Permits

There is a chance that the only way you can do business in a foreign country is to give out an expensive permit or license of another business in the country to manufacture and sell your product for you. Governments do these things as a way to make money, and it is a very good way to make money for the country in question. An example of this is Pepsi's license to Heineken to bottle and sell Pepsi products in the Netherlands.

C. Taxes

Taxes are another very high governments can cash in on foreign businesses operating and selling products in their country, so their chosen spending does not allow much money to leave the country. Taxes can and do impact your ability to make a profit selling goods and services in a foreign country and are important in international marketing strategy because of that. High tax rates on goods sold, high tax rates on profits, high tax rates on business to helps, on the right side of that this be between profit and loss.

D. Fees

When you market your products for sale in a foreign country, you may be subject to fees that are not in your home country. These fees are sometimes very high, recurring, and they can also be quite high in some circumstances if they involve what might be considered luxury items.

E. Tariffs

Tariffs have long been used to balance trade between countries and to protect national companies from having businesses to foreign competition. This can be a big factor when it comes to international trade and marketing your company's products in a foreign country. Tariffs are taxes on goods that are being imported and is shipped from the office. A way to see how a high tariff rate can hurt a country's citizens toward buying domestically sweet chicken.

F. Currency risks

There are many risks when doing business in the currency of a foreign country that you are marketing your product or services to. If you have your money tied up in a foreign currency and economic events fall just right, your company could lend to lose millions of dollars. Between July 2011 - August 2, 2011, one had to spend almost 50% from 25.00 for one US to 36.00 for one US Dollar. Many types of currency events can and do happen.

Other Political Risks and Restrictions

Government restrictions Many countries have strict requirements or who can own businesses and or other business related investments in their country. Some countries require that a local person or company own 51% of a business in Malaysia, if you are an agricultural business and you want to buy land to produce fruits and vegetables to sell there, very land purchases over $10,000 dollars must be approved by the government and may come with restrictions too.

Operational restrictions Most have much operational control you will have from your overseas business to be aware, and that is a concern for some. Because of some of the restrictions that have been discussed and mentioned in this article, some companies find it difficult to do business in countries and need an international management team. This will affect the operational control of your business and it is important to be aware of this marketing decisions that your company makes.

Discriminatory restrictions Discriminatory practices in a foreign country can be very dangerous to your business. Some countries have laws that favor the locals, for example, Mexico requires a certain percentage of employees to be Mexican. If your business in currently owns, then that would be a big marketing factor. Some countries have laws that favor the locals in terms of business ownership, such as above discriminatory. In country markets that prefer to hire from country cheaper to buy than another important goods such as through tariffs and quotas, chances are you may have to think about hiring your goods in that country.

Quotas Quotas work a lot like tariffs when it comes to restricting foreign business profits to another country. Quotas are also designed to encourage domestic business within a country or state. An example of this is Indonesia, which has quotas on how many cars can be imported into the country every 6 months. This quota ensures Indonesian firms that sell their cars a place to sell their stores and encourages them to continue growing them. Your business and your international marketing team must be aware of an quotas a particular country has in place when you are deciding where to market your goods and services internationally.

Adaptability

These steps for adaptility of a country has to be considered very strongly before you market your product in a foreign country.

Tariffs Tariffs are taxes on your business or your business in a foreign country. Tariffs are very large and business customs taxes that because extract abroad overnight when we broke out in Libya.

Political Unrest Political instability in a foreign country can affect your ability to market your product or service to a foreign country too. If you were to invest in a foreign country and political unrest occurs, you may lose your money. Libya was the rise in among our customer base it can break out because of the current political instability in the country.

Intangibles

A. Environmental

Environmental factors will play a role in international marketing and they can have both a positive and negative effect on your international marketing strategy. If you manufacture a product that does not hold up well when consumers subjected to certain climate conditions, it will negatively impact your international marketing and hurt sweetest product internationally to such climate as Saudi Arabia.

You must also be aware of places that are regularly affected by such natural disasters as typhoons and earthquakes. When these types of events happen, they can wipe out your entire customer base in a country or risk their purchasing power of overseas products of this, statistically impacting your business.

B. Regional Partnerships

Developing companies know it will difficult to break with a foreign market without the help of a local company that knows the nuances of marketing in product to the consumers in that country. Many companies have developed partnerships with companies that are based out of the country whose market they are trying to get into. An example of this is when McDonalds went into the Indian market, they did it with the help of a local company. Many companies have developed partnerships with were Mercedes Restaurants Private Ltd which have a long history of restaurant brids, and Connaught Plaza Restaurants Private Ltd which were popular in the northern India.

C. Product Adaptation

Many a new successful marketing strategy may seem to a fairly homogenous country like the US, this same type of strategy would most likely be a huge failure in countries like Iraqi or the Middle East that are exceptionally cultural, historical and religious divides. Any product international marketing strategy needs to take things like this into account.

CONCLUSION

As technology grows more and more advanced and the world continues to become smaller and smaller because of it, those companies that market their product or services internationally will be those that are the most successful. Remember that international markets are also there, as you have seen from the article, in order to market your product or service internationally, there are many factors that your business and marketing team must consider before deciding which country or region you want to sell your goods or services to.

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Marketing Control

July 27, 2019 By Preeti M — Leave a Comment

Definition: Marketing control refers to the measurement of the company's marketing performance in terms of the sales revenue generated, market share captured, and profit earned. Here, the actual result is compared with the standard set, to find out the deviation and make rectifications accordingly.

Marketing is one of the crucial functions of any organization. Therefore, the management must exercise proper control over the marketing operations to ensure error-free results, optimum utilization of the resources and achievement of the planned objectives.

Content: Marketing Control

1. Types
   - Annual Plan Control
   - Profitability Control
   - Efficiency Control
   - Strategic Control
2. Process

Types of Marketing Control

When we say control, it is not about overpowering the personnel, but it means enhancement of efficiency, by reducing the chances of errors and meeting the standards set by the management.

Let us now discuss the four major types of control, implemented in an organization:

Annual Plan Control

As the name suggests, the plans which are determined for one year for the control of operational activities through the successful implementation of management by objectives is termed as annual plan control.

Such programs are usually framed and controlled by the top management of the organization.

Following are the five vital tools used under the annual plan control mechanism:

Sales Analysis

The first one is the sales analysis, where the manager determines whether the sales target of the organization have been achieved or not. For this purpose, the actual sales are compared with the desired sales and deviation is computed.

This method is also used for finding out the efficiency of sales personnel by comparing the individual sales with the target set for each salesperson.

Market Share Analysis

To evaluate the competitiveness, the management needs to find out the market share acquired by the organization.

However, it is quite challenging to determine the market share of other organizations which constitute of unorganized firms, due to lack of sufficient data.

Marketing Expense to Sales Analysis

Sometimes the firms spend much on the marketing of products, which diminishes their profit margin or increases the product price.

Therefore, a marketing expense to sales ratio is calculated to know the percentage of sales value paid off as a marketing expense.

Let us now go through the other ratios computed to determine the share of each marketing expense in sales value:

- **SalesForce Cost to Sales Ratio** estimates the percentage of sales value used to pay the salespeople.
- **Sales Administration to Sales Ratio** determines the share of sales amount utilized for meeting the sales and administration expenses.
- **Sales Promotion to Sales Ratio** is the value of sales invested in the sales promotion activities.
- **Advertising to Sales Ratio** is the percentage of sales value, which is contributed to the advertising expenses of the products.
- **Distribution Expenses to Sales Ratio** is the value of sales, which is utilized for paying off distribution expenses.

Financial Analysis

The management needs to handle its finances well. It should examine the reasons and factors which influence the rate of return and financial leverage and return on assets in the organization through financial analysis tools.

It also helps to enhance the financial leverage position of the company.

Customer Attitude Tracking

Consumer satisfaction has been considered as an essential parameter to analyze the organization's performance. It is a qualitative analysis tool which can be of the following three types:

1. **Customer Surveys:** The companies get the questionnaires filled to make calls to the end customers for finding out the level of consumer satisfaction. It provides a direction to the sales team and the management.
2. **Customer Panels:** The organizations form consumer panels where the customers are hired to review the products, advertisements and other marketing activities. It helps the management to know about the consumer's perception and attitude.
3. **Feedback and Suggestion Systems:** Market performance of the products can be analyzed with the help of genuine feedback from the customers, and the same can be improved through their suggestions and input.

Profitability Control

Maximizing the profit margin has become a difficult task in today's highly competitive market. This has enforced pressure on the marketing team of the organizations too.

They now need to frame strategies for profit assessment and control in the different product line, trade channels and territories.

Following is the process of profitability control in an organization:

The *first step* is to **understand the functional expenses**, i.e., selling, distribution, administrative and advertising expenses incurred while carrying out the marketing function of a territory or marketing channel.

The *second step* is to **segregate the non-marketing expenses** from the marketing overheads and then to associate these pure marketing expenses to the marketing entities (like apportioning the building rent into marketing function).

Lastly, to **compile everything systematically** and to ascertain the profit or loss incurred on carrying out the particular marketing activity, an individual profit and loss account is prepared for each operation.

Efficiency Control

The management and the marketers are regularly involved in finding out ways to improve the task performance in the organization. These improvements bring in efficiency and perfection in marketing operations.

The three essential mechanisms used under efficiency control are as follows:

SalesForce Efficiency Indicators

The competence of the sales team can be determined by evaluating the various factors. It includes acquisition of new customers, customer turnover, average cost incurred on each sales call, return on time invested on the prospective customers, market share lost to the competitors, average sales made by each person per day, etc.

Advertising Efficiency Indicators

To know the effectiveness of the advertising activities, the marketers analyze the various advertising functions on different grounds. For this purpose, it finds out the brand awareness, cost incurred on each enquiry, media cost to reach per thousand customers, advertising campaign reach, etc.

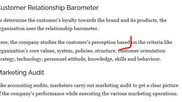
Distribution Efficiency

The performance of the distribution channels in comparison to the cost incurred on channel partners and distribution of products can be analyzed through the distribution efficiency control.

It includes the measurement of the channel member's market reach, cost incurred on operating a particular channel and the contribution of each channel member in selling the brand's products.

Strategic Control

The external environment creates a significant impact on the organization's marketing strategies. To understand and align the plans with the prevailing external environment, the organization can adopt any of the following control functions:



Customer Relationship Barometer

To determine the customer's loyalty towards the brand and its products, the organization uses the relationship barometer.

Here, the company studies the customer's perception based on the criteria like organization's core values, system, policies, structure, customer orientation strategy, technology, personnel attitude, knowledge, skills and behaviour.

Marketing Audit

Like accounting audits, marketers carry out marketing audit to get a clear picture of the company's performance while executing the various marketing operations.

It is a systematic record which periodically examines the problem areas and provides for the means of rectification, to overcome the weakness by utilizing the organizational strength and grab the current opportunities.

Marketing Control Process

Marketing control is a systematic and integrated process. A marketer follows the following steps while exercising control over the marketing operation in an organization:

1. **Determining Marketing Objectives:** The initial step in marketing control is the setting up of the marketing goals, which are in alignment with the organizational objectives.
2. **Establishing Performance Standards:** To streamline the marketing process, benchmarking is essential. Therefore, performance standards are set for carrying out marketing operations.
3. **Comparing Results with Standard Performance:** The actual marketing performance is compared and matched with the set standards and variation is measured.
4. **Analyzing the Deviations:** This difference is then examined to find out the areas which require correction, and if the deviation exceeds the decided range, it should be informed to the top management.
5. **Rectification and Improvement:** After studying the problem area responsible for low performance, necessary steps should be taken to fill in the gap between the actual and expected returns.

Thus, marketing can be seen as a complete function, which needs to be performed successfully through proper control over the related activities, to ascertain the achievement of the set goals and objectives.

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1 SHARES

Marketing Audit

Definition: The **Marketing Audit** refers to the comprehensive, systematic, analysis, evaluation and the interpretation of the business marketing environment, both internal and external, its goals, objectives, strategies, principles to ascertain the areas of problem and opportunities and to recommend a plan of action to enhance the firm's marketing performance.

The marketing audit is generally conducted by a third person, not a member of an organization.

The firm conducting the Marketing Audit should keep the following points in mind:

- The Audit should be **Comprehensive, i.e.** it should cover all the areas of marketing where the problem persists and do not take a single marketing problem under the consideration.
- The Audit should be **Systematic, i.e.** an orderly analysis and evaluation of firm's micro & macro environment, marketing principles, objectives, strategies and other operations that directly or indirectly influences the firm's marketing performance.
- The audit should be **Independent;** the marketing audit can be conducted in six ways: self-audit, audit from across, audit from above, company auditing office, company task-force audit, and outsider audit.The best audit is the outsider audit; wherein the auditor is the external party to an organization who works independently and is not partial to anyone.
- The audit should be **Periodical;** generally, the companies conduct the marketing audit when some problem arises in the marketing operations. But it is recommended to have a regular marketing audit so that that problem can be rectified at its source.

Components of Marketing Audit

1. **Macro-Environment Audit:** It includes all the factors outside the firm that influences the marketing performance. These factors are Demographic, Economic, Environmental, Political, and Cultural.

2. **Task Environment Audit:** The factors closely associated with the firm such as Markets, Customers, Competitors, Distributors and Retailers, Facilitators and Marketing Firms, Public etc.that affects the efficiency of the marketing programs.

3. **Marketing Strategy Audit:** Checking the feasibility of Business Mission, Marketing Objectives and Goals and Marketing Strategies that have a direct impact on the firm's marketing performance.

4. **Marketing Organization Audit:** Evaluating the performance of staff at different levels of hierarchy.

5. **Marketing Systems Audit:** Maintaining and updating several marketing systems such as Marketing Information System, Marketing Planning System, Marketing Control System and New-Product Development System.

6. **Marketing Productivity Audit:** Evaluating the performance of the Marketing activities in terms of Profitability and Cost-Effectiveness.

7. **Marketing Function Audit:** Keeping a check on firm's core competencies such as Product, Price, Distribution, Marketing Communication and Sales Force.

Thus, the marketing audit helps to determine how well a firm's marketing department is carrying out the marketing activities. And how much it is adding to the overall performance of the organization.

Related Terms:

1. Sales Audit
2. HR Audit
3. Marketing Environment
4. Market Share Method
5. Guerrilla Marketing

5 Comments

Ester February 16, 2019 at 5:50 pm — Reply

Thank you so much

Sandhyaraj April 23, 2019 at 2:53 pm — Reply

Its very helpful. Thank you

Frank Musonda May 17, 2019 at 8:05 pm — Reply

Yeah indeed it is very helpful.

Nelson Filipe Nembo March 22, 2020 at 1:07 am — Reply

Very helpful thank you very much.

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Really powerful article. Enjoyed the read!

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The Coke Pepsi Rivalry

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Our real competition is water, tea, nimbupani and Pepsi... in that order."

- Coke sources in 1996.

"When you're No 2 and you're struggling, you have to be more innovative, work better, and be more resilient. If we became No 1, we would redefine the market so we became No 2! The fact is that our competition with the Coca-Cola company is the single most important reason we've accomplished what we have. And if they were honest, they would say the same thing."

- Pepsi sources in 1998.

"Both companies did not really concentrate on the fundamentals of marketing like building strong brand equity in the market, and thus had to resort to such tactics to garner market shares."

- Business India in 1998.

The Coke Pepsi Rivalry: Pepsi Vs. Coke

The cola wars had become a part of global folklore - something all of us took for granted. However, for the companies involved, it was a matter of 'fight or succumb.' Both print and electronic media served as battlefields, with the most bitter of the cola wars often seen in form of the comparative advertisements.

In the early 1970s, the US soft-drinks market was on the verge of maturity, and as the major players, Coke and Pepsi offered products that 'looked the same and tasted the same,' substantial market share growth seemed unlikely. However, Coke and Pepsi kept rejuvenating the market through product modifications and pricing/promotion/distribution tactics. As the competition was intense, the companies had to frequently implement strategic changes in order to gain competitive advantage. The only way to do this, apart from introducing cosmetic product innovations, was to fight it out in the marketplace. This modus operandi was followed in the Indian markets as well with Coke and Pepsi resorting to more innovative tactics to generate consumer interest.

In essence, the companies were trying to increase the whole market pie, as the market-shares war seemed to get nowhere. This was because both the companies came out with contradictory market share figures as per surveys conducted by their respective agencies - ORG (Coke) and IMRB (Pepsi). For instance, in August 2000, Pepsi claimed to have increased its market share for the first five months of calendar year 2000 to 49% from 47.3%, while Coke claimed to have increased its share in the market to 57%, in the same period, from 55%.

Media reports claimed that the rivalry between Coke and Pepsi had ceased to generate sustained public interest, as it used to in the initial years of the cola brawls worldwide. They added that it was all just a lot of noise to hardsell a product that had no inherent merit.

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The Players

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Coke had entered the Indian soft drinks market way back in the 1970s. The company was the market leader till 1977, when it had to exit the country following policy changes regarding MNCs operating in India. Over the next few years, a host of local brands emerged such as Campa Cola, Thumps Up, Gold Spot and Limca etc. However, with the entry of Pepsi and Coke in the 1990s, almost the entire market went under their control.

Making billions from selling carbonated/colored/sweetened water for over 100 years, Coke and Pepsi had emerged as truly global brands. Coke was born 11 years before Pepsi in 1887 and, a century later it still maintained its lead in the global cola market. Pepsi, having always been number two, kept trying harder and harder to beat Coke at its own game. In this never-ending duel, there was always a new battlefront opening up somewhere. In India the battle was more intense, as India was one of the very few areas where Pepsi was the leader in the cola segment. Coke re-entered India in 1993 and soon entered into a deal with Parle, which had a 60% market share in the soft drinks segment with its brands Limca, Thums Up and Gold Spot.

Following this, Coke turned into the absolute market leader overnight. The company also acquired Cadbury Schweppes' soft drink brands Crush, Canada Dry and Sport Cola in early 1999.

Coke was mainly a franchisee-driven operation with the company supplying its soft drink concentrate to its bottlers around the world. Pepsi took the more capital-intensive route of owning and running its own bottling factories alongside those of its franchisees. Over half of Pepsi's sales were made by its own bottling units.

Though Pepsi had a lead over Coke, having come in before the era of economic liberalization in India, it had to spend the early years fighting the bureaucracy and Parle's Ramesh Chuahan every step of the way. Pepsi targeted the youth and seemed to have struck a right chord with the market. Its performance was praiseworthy, while Coke had to struggle to a certain extent to get its act right. In a span of 7 years of its operations in the county, Coke changed its CEO four times. Media reports about the troubles faced by Coke and the corrective measures it adopted were aplenty.

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The Rivalry on Various Fronts

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I - BOTTLING

Bottling was the biggest area of conflict between Pepsi and Coke. This was because, bottling operations held the key to distribution, an extremely important feature for soft-drink marketing. As the wars intensified, both companies took pains to maintain good relationships with bottlers, in order to avoid defections to the other camp.

A major stumbling block for Coke was the conflict with its strategic bottling partner, Ramesh Chauhan of the Parle group of companies. Coke alleged that Chauhan had secretly manufactured Coke's concentrate. Chauhan, in turn, accused coke of backtracking on commitments to grant him bottling rights in Pune and Bangalore and threatened legal action. The matter almost reached the courts and the strategic alliance showed signs of coming apart. Industry observers commented that for a company like Coke that was so heavily franchisee driven, antagonizing its chief bottler was suicidal.

While all this was going on, Pepsi wasted no time in moving in for the kill. It made huge inroads in the north, particularly in Delhi where Chauhan had the franchise and also snapped up the opportunity to buy up Coke's bottler Pinakin Shah in Gujarat. Ironically, the Gujarat Bottling Company owned by Shah, also belonged in part to Chauhan for whom the sell-out was a strategic counter-move in his battle with Coke. Coke moved court and obtained an order enforcing its bottler's agreement with the Gujarat company, effectively freezing Pepsi's right to use the acquired capacity for a year. Later, Coke made a settlement of $10 million in exchange for Chauhan foregoing bottling rights in Pune and Bangalore.

Towards the end of 1997, bottling agreements between Coke and many of its bottlers were expiring. Coke began pressurizing its bottlers to sell out and threatened them that their bottling agreements would not be renewed. Media reports claimed that Coke's bottlers were not averse to joining hands with Pepsi. They said they would rather offer their services to Pepsi than selling out to Coke and discontinuing a profitable business. In November 1997, Pepsi made a bid to gain from the feud between Coke and its franchised bottlers. It declared that it was ready to join hands with 'any disgruntled Coke bottler, provided the latter's operations enhanced Pepsi's market in areas where Coke was dominant.' Pepsi was even willing to shift to a franchisee-owned bottling system from its usual practice of focusing on company-owned bottling systems supplemented by a few franchisee-owned bottling companies, provided it found bottlers who would enhance both the quantity and quality, especially in areas where Coke had a substantial marketshare. Pepsi won over Goa Bottling Company, Coke's bottler in Goa and became the market leader in that city.

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The Rivalry on Various Fronts Contd...

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II - ADVERTISING

When Coke re-entered India, it found Pepsi had already established itself in the soft drinks market. The global advertisement wars between the cola giants quickly spread to India as well. Internationally, Pepsi had always been seen as the more aggressive and offensive of the two, and its advertisements the world over were believed to be more popular than Coke's. It was rumored that at any given point of time, both the companies had their spies in the other camp. The advertising agencies of both the companies (Chaitra Leo Burnett for Coke and HTA for Pepsi) were also reported to have insiders in each other's offices who reported to their respective heads on a daily basis. Based on these inputs, the rival agency formulated its own plans. These hostilities kept the rivalry alive and healthy. However, the tussle took a serious turn at times with complaints to Advertising Standards Council of India, and threats of lawsuits.

While Pepsi always relied on advertisements featuring films stars, pop stars and cricket players, Coke had initially decided to focus on Indian culture and jingles based on Indian classical music. These were also supported by coke advertisements that were popular in the West.

Somehow, Coke's advertisements missed the Indian pulse by a wide margin. Pepsi soon came to be seen as a 'defender' who had humiliated the 'invader' with its superior creative strengths. When Coke bagged the official sponsorship rights to the 1997 Cricket World Cup, Pepsi created media history by unleashing one of the country's most successful advertisement campaigns - the 'Nothing Official About It' campaign . Pepsi took on Coke, even when the latter sponsored the replays of the matches, through the campaign, 'Uncork a Cola.' Media coverage of the war even hinted that the exclusion of Rahul Dravid (Pepsi's model) from the Indian team had something to do with the war. However, Coke had its revenge when it bagged the television sponsorship rights for the 1997 Pepsi Asia Cup. Consequently, Pepsi, in spite of having branded the event was not able to sponsor it.

The severe damage caused by the 'Nothing Official About It' campaign prompted Coke to shift its advertising account from McCann Erickson to Chaitra Leo Burnett in 1997. The 'Eat-Sleep-Drink' series of ads was born soon after. Pepsi responded with ads where cricket stars 'ate a bat' and 'slept on a batting pad' and 'drank only Pepsi.' To counter this, Coke released a print advertisement in March 1998, in which cricketers declared, 'Chalo Kha Liya!' Another Thums Up ad showed two apes copying Pepsi's Azhar and Ajay Jadeja, with the line, 'Don't be a bunder (monkey), Taste the thunder.' For once, it was Pepsi's turn to be at receiving end. A Pepsi official commented, "We're used to competitive advertising, but we don't make fun of the cricketers, just the ad." Though Pepsi decided against suing Coke, the ad vanished soon after the dissent was made public. Commenting on this, a Pepsi official said, "Pepsi is basically fun. It is irreverent and whacky. Our rival is serious and has a 'don't mess with me' attitude. We tend to get away with fun but they have not taken it nicely. They don't find it funny."

Coke then launched one of its first offensive ads, ridiculing Pepsi's ads featuring a monkey. 'Oye! Don't be a bunder! Taste the Thunder', the ad for Thums Up, went with the line, 'issued in the interest of the present generation by Thums Up.'

The 1998 Football World Cup was another event the cola majors fought over. Pepsi organized local or 'para' football matches in Calcutta and roped in Indian football celebrity Bhaichung Bhutia to endorse Pepsi. Pepsi claimed it was the first to start and popularize 'para' football at the local level. However, Coke claimed that it was the first and not Pepsi, to arrange such local games, which Coke referred to as 'pada.'

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The Coke Pepsi Rivalry

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Themes: Advertising and Promotion
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Organization : Coca Cola India Ltd / Pepsi India Ltd
Pub Date : 2001
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II - ADVERTISING Contd...

While Pepsi advertisements claimed, 'More football, More Pepsi,' Coke utilized the line, 'Eat football, Sleep football, Drink only Coca-Cola,' later replaced by 'Live football, dream football and drink only Coca-Cola.' Media reports termed Pepsi's promos as a 'me-too' effort to cash in on the World Cup craze, while Coke's activities were deemed to be in line with its commitment and long-term association with the game.

Coke's first offering in the lemon segment (not counting the acquired market leader brand Limca) came in the form of Sprite launched in early 1999. From the very beginning, Sprite went on the offensive with its tongue-in-cheek advertisements. The line 'Baki Sab Bakwas' (All the rest is nonsense) was clearly targeted at Pepsi's claims in its ads. The advertisement made fun of almost all the Pepsi and Mirinda advertisements launched during 1998. Pepsi termed this as Coke's folly, claiming it was giving Sprite a 'wrong positioning,' and that it was a case of an ant trying to fight a tiger.

Sprite received an encouraging response in the market, aided by the high-decibel promotions and pop music concerts held across the country. But Pepsi was confident that 7 Up would hold its own and its ads featuring film stars would work wonders for Mirinda Lemon in the lemon segment.

When Pepsi launched an advertisement featuring Sachin Tendulkar with a modified Hindi movie song, 'Sachin Ala Re,' Coke responded with an advertisement with the song, 'Coke Ala Re.' Following this, Pepsi moved the Advertising Standards Council of India and the Advertising Agencies Association of India, alleging plagarisation of its 'Sachin Ala Re' creation by Coke's advertising agency, Chaitra Leo Burnett, in its 'Coke Ala Re' commercial. The rivals were always engaged in the race to sign the most popular Bollywood and cricket celebrities for their advertisements. More often than not, the companies pitched arch-rivals in their respective fields against each other in the cola wars as well. (Refer Table I)

Table I
Celebrity Endorsers *

	Indian film industry	Cricket players
Coke	Karisma Kapoor, Hrithik Roshan, Twinkle Khanna, Rambha, Daler Mehndi, Aamir Khan, Aishwarya Rai. **	Robin Singh, Anil Kumble, Javgal Srinath.
Pepsi	Aamir Khan, Aishwarya Rai**, Akshay Kumar, Shahrukh Khan, Rani Mukherjee, Manisha Koirala, Kajol, Mahima Chaudhary, Madhavan, Amrish Puri, Govinda, Amitabh Bachchan.	Azharuddin, Sachin Tendulkar, Rahul Dravid, Sourav Ganguly.

** The list is not exhaustive.*
***Aamir and Aishwarya had switched from Pepsi to Coke.*

In October 2000, following Coke's 'Jo Chaaho Ho Jaaye' campaign, the brand's 'branded cut-through mark, ' reached an all-time high of 69.5% as against Pepsi's 26.2%. In terms of stochastic share, Coke had a 3% lead over Pepsi with a 25.5% share. Pepsi retaliated with a campaign making fun of Coke's advertisements. The advertisement had a mixed response amongst the masses with fans of both the celebrities defending their idols. In May 2000, Coke threatened to sue Pepsi over the advertisements that ridiculed its own commercials. Amidst wide media coverage, Pepsi eventually stopped airing the controversial advertisement. In February 2001, Coke went on the offensive with the 'Grow up to the Thums Up Challenge' campaign. Pepsi immediately issued a legal notice on Coke for using the 'Yeh Dil Maange More' phrase used in the commercial. Coke officials, however, declined to comment on the issue and the advertisement continued to be aired.

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III - PRODUCT LAUNCHES

Pepsi beat Coke in the Diet-Cola segment, as it managed to launch Diet Pepsi much before Coke could launch Diet Coke. After the Government gave clearance to the use of Aspertame and Acesulfame-K (potassium) in combination (ASK), for use in low-calorie soft drinks, Pepsi officials lost no time in rolling out Diet Pepsi at its Roha plant and sending it to retail outlets in Mumbai. Advertisements and press releases followed in quick succession. It was a major victory for Pepsi, as in certain parts of the world, Coke's Diet Coke sold more than Pepsi Cola itself. Brand visibility and taste being extremely important in the soft drink market, Pepsi was glad to have become the first-mover once again.

Coke claimed that Pepsi's one-upmanship was nothing to worry about as Coke already had a brand advantage. Diet Coke was readily available in the market through import channels, while Diet Pepsi was rarely seen.

Hence, Diet Coke has a brand advantage. Coke came up later with a high-profile launch of Diet Coke. However, as expected, diet drinks, as a percentage of the total cola demand, did not emerge as a major area of focus in the years to come. Though the price of the cans was reduced from Rs 18 to Rs 15 in July 2000, it failed to catch the fancy of the buyers. In September 2000, both the companies again slashed the price of their diet cans by over 33% per cent to Rs 10. Both the companies were losing Rs 5-6 per can by selling it at Rs 10, but expected the other products to absorb these losses. A Pepsi official said that the diet cola constituted only about 0.4% of the total market, hence its contribution to revenue was considered insignificant. However, both companies viewed this segment as having immense potential and the price-cuts were part of a long-term strategy.

Coke claimed that it was passing on the benefit of the 5% cut in excise duty to the consumer. Industry experts, however, believed that the price cut had more to do with piling up inventories. Diet drinks in cans had a rather short shelf life (about two months) and the cola majors were simply clearing stocks through this price cut. However, by 2001, the diet-cola war had almost died out with the segment posting extremely low growth rates.

IV – POACHING

Pepsi and Coke fought the war on a new turf in the late 1990s. In May 1998, Pepsi filed a petition against Coke alleging that Coke had 'entered into a conspiracy' to disrupt its business operations. Coke was accused of luring away three of Pepsi's key sales personnel from Kanpur, going as far as to offer Rs 10 lakh a year in pay and perks to one of them, almost five times what Pepsi was paying him. Sales personnel who were earning Rs 48,000 per annum were offered Rs 1.86 lakh a year. Many truck drivers in the Goa bottling plant who were getting Rs 2,500 a month moved to Coke who gave them Rs 10,000 a month. While new recruits in the soft drinks industry averaged a pay hike of between 40-60% Coke had offered 300-400%. Coke, in its reply filed with the Delhi High Court, strongly denied the allegations and also asked for the charges to be dropped since Pepsi had not quantified any damages. Pepsi claimed that this was causing immense damage as those employees who had switched over were carrying with them sensitive trade-related information. After some intense bickering, the issue died a natural death with Coke emerging the winner in another round of the battle.

Pepsi also claimed that its celebrity endorsers were lured into breaking their contracts with Pepsi, and Coke had tried to pressure the Board of Control for Cricket in India (BCCI) to break a sponsorship deal it had signed for the Pepsi Triangular Series. According to Pepsi's deal with BCCI, Pepsi had the first right of refusal to sponsor all cricket matches played in India where up to three teams participated. The BCCI, however, was reported to have tried to break this contract in favor of Coke. Pepsi went to court protesting against this and won. Pepsi also alleged that Coke's Marketing Director Sanjiv Gupta was to join Pepsi in 1997. But within days of his getting the appointment letter, Coke made a counter offer and successfully lured Gupta away.

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V – OTHER FRONTS Contd...

• Coke also turned its attention to Pepsi's stronghold - the retail outlets. Between 1996-98, Coke doubled its reach to a reported 5 lakh outlets, when Pepsi was present at only 3.5 lakh outlets. To reach out to smaller markets, interceptor units in the form of mobile vans were also launched by Coke in 1998 in Andhra Pradesh, Tamil Nadu and West Bengal. However, in its rush to beat Pepsi at the retail game, Coke seemed to have faltered on the service front. For instance, many shops in Uttar Pradesh frequently ran out of stock and there was no servicing for Coke's coolers. Though Coke began servicing retail outlets on a daily basis like Pepsi, it had to wait for a while before it was able to match Pepsi's retailing strengths.

One of Coke's victories on the retail front was in the form of its tie up with Indian Oil to set up dispensing units at its petrol pumps. Pepsi responded by striking a deal with Bharat Petroleum, whose network was far smaller than Indian Oil's. Of the estimated 2,50,000 retail outlets in the country that sold soft drinks, Pepsi was stocked only at 2,00,000.

In the late 1990s, Pepsi and Coke kept trying to outdo each other in sponsoring music concerts by leading artists in order to reach out to youth. Pepsi also tied up with MTV to hold a series of pop concerts across the country. Coke on the other hand, tied-up with MTV's rival Channel V for a similar venture. There were frequent skirmishes regarding movie sponsorships and vending rights at leading cinema halls.

In May 1999, the companies were involved in a 'freebies war' - promotional schemes designed to help grow the overall cola market besides the usual market share enhancement. Coke was running as many as 12 volume-building, national-level consumer promotions, while Pepsi had 8 schemes for its brands. Coke's schemes ranged from crown exchanges to under the crown prizes, which included toys, cars, free travel, consumer durables etc. Pepsi had crown exchanges and under the crown prizes as well, it also offered free gifts like cards and tattoos. A huge outlay was involved in promoting these schemes, with frequent media splashes.

Is The Rivalry Healthy?

In a market where the product and tastes remained virtually indistinguishable and fairly constant, brand recognition was a crucial factor for the cola companies. The quest for better brand recognition was the guiding force for Coke and Pepsi to a large extent. Colorful images, lively words, beautiful people and places, interesting storylines, innovative/attractive packaging and catchy jingles have made sure that the cola wars, though often scoffed at, rarely go unnoticed. And that's what it has all been about till now. The management of both the companies had to constantly adapt to the changing attitudes and demands of their consumers or lose market share.

The wars seemed to have settled down into a pattern. Pepsi typically won a market, sustained itself for a few years, and then lost to a very determined Coke. In the earlier years, Coke was content with advertising its product to build a strategic positioning for its product. With Pepsi's offensive moves getting stronger and stronger, Coke had no option but to opt for the same modus operandi. Though the market share debates would not have any conclusions, it would be safe to infer that the cola wars were a major factor in keeping customer interest alive in the segment so far. However, in the late 1990s, questions were raised about the necessity and more importantly, about the efficacy of these wars. Answers for this would be too difficult to ascertain and too shaky to confirm.

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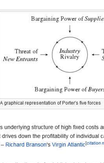
Porter's five forces analysis

From Wikipedia, the free encyclopedia

Porter's Five Forces Framework is a method for analyzing competition of a business. It draws from industrial organization (IO) economics to derive five forces that determine the competitive intensity and, therefore, the attractiveness (or lack thereof) of an industry in terms of its profitability. An "unattractive" industry is one in which the effect of these five forces reduces overall profitability. The most unattractive industry would be one approaching 'pure competition', in which available profits for all firms are driven to normal profit levels. The five-forces perspective is associated with its originator, Michael E. Porter of Harvard University. This framework was first published in *Harvard Business Review* in 1979.[1]



A graphical representation of Porter's five forces

Porter refers to these forces as the microenvironment, to contrast it with the more general term macroenvironment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to reassess the relevance of its business strategy. The overall change in industry information. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business model or network to achieve a profit above the industry average. A clear example of this is the airline industry. As an industry, profitability is low because the industry's underlying structure of high fixed costs and low variable costs afford enormous latitude in the price of airline travel. Airlines tend to compete on cost, and that drives down the profitability of individual carriers as well as the industry itself because it simplifies the decision by a customer to buy or not buy a ticket. A few carriers – Richard Branson's Virgin Atlantic[Citation needed] is one – have tried, with limited success, to use sources of differentiation in order to increase profitability.

Porter's five forces include three forces from 'horizontal' competition – the threat of substitute products or services, the threat of established rivals, and the threat of new entrants – and two others from 'vertical' competition – the bargaining power of suppliers and the bargaining power of customers.

Porter developed his five forces framework in reaction to the then-popular SWOT analysis, which he found both lacking in rigor and ad hoc.[2] Porter's five-forces framework is based on the structure–conduct–performance paradigm in industrial organizational economics. Other Porter strategy tools include the value chain and generic competitive strategies.

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Five Forces That Shape Competition [edit]

Threat of new entrants [edit]

New entrants put pressure on current organizations within an industry through their desire to gain market share. This in turn puts pressure on prices, costs and the rate of investment needed to sustain a business within the industry. The threat of new entrants is particularly intense if they are diversifying from another market as they can leverage existing expertise, cash flow and brand identity as it puts a strain on existing company's profitability.

Barriers to entry restrict the threat of new entrants. If the barriers are high, the threat of new entrants is reduced and conversely if the barriers are low, the risk of new companies venturing into a given market is high. Barriers to entry are advantages that existing, established companies have over new entrants.[3] [4] [5]

Michael E. Porter differentiates two factors which can have an effect on how much of a threat new entrants may pose:[6]

Barriers to entry

The most attractive segment is one in which entry barriers are high and exit barriers are low. It's worth noting, however, that high barriers to entry almost always make exit more difficult.

Michael E. Porter list 7 major sources of entry barriers:

- Supply-side economies of scale - spreading the fixed costs over a larger volume of units thus reducing the cost per unit. This can discourage new entrant because they either have to start trading at a smaller volume of unit and accept a price disadvantage over competitors or risk coming into the market on a large scale in an attempt to dispace the existing market leader.
- Demand-side benefits of scale – this occurs when a buyers willingness to purchase a particular product or service increases with other people's willingness to purchase it. Also known as network effect, people tend to value being in a 'network' with a larger number of people who use the same company.
- Customer switching costs - These are well illustrated by structural market characteristics such as supply chain integration but also can be created by firms. Airline frequent flyer programs are an example.
- Capital requirements – clearly the Internet has influenced this factor dramatically. Web sites and apps can be launched cheaply and easily as opposed to the brick and mortar industries of the past.
- Incumbency advantages independent of size (e.g. customer loyalty and brand equity)
- Unequal access to distribution channels – if there are a limited number of distribution channels for a certain product/ service new entrants may struggle to find a retail or wholesale channel to sell through as existing competitors will have a claim on them.
- Government policy such as sanctioned monopolies, legal franchise requirements, patents, and regulatory requirements.

Expected retaliation

For example, a specific characteristic of oligopoly markets is that prices generally settle at an equilibrium because any price rises or cuts are easily matched by the competition.

Threat of substitutes [edit]

A substitute product uses a different technology to try to solve the same need/wants. Examples of substitutes are meat, poultry, and fish; landlines and cellular telephones; airlines, automobiles, trains, and ships; beer and wine; and so on. For example, tap water is a substitute for Coke; but Pepsi is a product that uses the same technology (albeit different ingredients) to compete head-to-head with Coke, so it is not a substitute. Increased marketing for drinking tap water might "shrink the pie" for both Coke and Pepsi, whereas increased Pepsi advertising would likely "grow the pie" (increase consumption of all soft drinks), while giving Pepsi a larger market share at Coke's expense.

Potential factors:

- Buyer propensity to substitute. This aspect incorporated both tangible and intangible factors. Brand loyalty can be very important as in the Coke and Pepsi example above; however contractual and legal barriers are also effective.
- Relative price performance of substitute
- Buyer's switching costs. This factor is well illustrated by the mobility industry. Uber and its many competitors took advantage of the incumbent taxi industry's dependence on legal barriers to entry and when those fell away, it was trivial for customers to switch. There were no costs as every transaction was atomic, with no incentive for customers not to try another product.
- Perceived level of product differentiation which is classic Michael Porter in the sense that there are only two basic mechanisms for competition – lowest price or differentiation. Developing multiple products for niche markets is one way to mitigate this factor.
- Number of substitute products available in the market
- Ease of substitution
- Availability of close substitute

Bargaining power of customers [edit]

The bargaining power of customers is also described as the market of outputs: the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes. Firms can take measures to reduce buyer power, such as implementing a loyalty program. Buyers' power is high if buyers have many alternatives. It is low if they have few choices.

Potential factors:

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

Bargaining power of suppliers [edit]

The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm when there are few alternatives – if you are making biscuits and there is only one person who sells flour, you have no alternative but to buy it from them. Suppliers may refuse to work with the firm or charge excessively high prices for unique resources.

Potential factors are:

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

Competitive rivalry [edit]

For most industries the intensity of competitive rivalry is the biggest determinant of the competitiveness of the industry. Having an understanding of industry rivals is vital to successfully marketing a product. Positioning depends on how the public perceives a product and distinguishes it from competitors'. An organization must be aware of its competitors' marketing strategies and pricing and also be reactive to any changes made. Rivalry among competitors tends to be cutthroat and industry profitability low while having the potential factors below:

Potential factors:

- Sustainable competitive advantage through innovation
- Competition between online and offline organizations
- Level of advertising expense
- Powerful competitive strategy which could potentially be realized by adhering to Porter's work on low cost versus differentiation.
- Firm concentration ratio

Factors, Not Forces [edit]

Other factors below should also be considered as they can contribute in evaluating a firm's strategic position. These factors can commonly be mistaken for being the underlying structure of the firm: however, the underlying structure consists of the five factors above.[7]

Industry Growth Rate [edit]

Sometimes bad strategic decisions can be made when a narrow focus is kept on the growth rate of an industry.[8] While rapid growth in a industry can seem attractive, it can also attract new entrants especially if entry barriers are low and suppliers are powerful.[9]. Furthermore, profitability is not guaranteed if powerful substitutes become available to the customers

For example, Blockbuster dominated the rental market throughout 1990s. In 1998, Reed Hastings founded Netflix and entered the market. Blockbuster's CEO was famously laughed out of the room.[10]. While Blockbuster was thriving and expanding rapidly, its key pitfall was ignoring its competitors and focusing on its growth in the industry.

Technology and Innovation [edit]

Technology in itself is a rapidly growing industry. Regardless of the advanced growth, it presents its limitations; such as customers not being able to physically touch/test products. Technology stand alone cannot always provide a desirable experience for a customer; "Boring" companies that are in high entry barrier industries with high switching costs and price-sensitive buyers can be more profitable than "tech savvy" companies.[11]

For example, quite commonly websites with menus and online booking options attract customers to a restaurant. But the restaurant experience cannot be delivered online with the use of technology. Food delivery companies like Uber Eats can deliver the food to customer but cannot replicate the restaurant atmospheric experience.

Government [edit]

Government cannot be a standalone force as it is a factor that can affect the firms structure of five forces above.[8]. It is neither good or bad for the industry's profitability.[7].

For instance,

- patents can raise barriers to entry
- supplier power can be raised by union favoritism from government policies [7]
- failing companies reorganizing due to bankruptcy laws [7]

Complementary Products and Services [edit]

Similar to Government above, complementary products/services cannot be a standalone factor because its not necessary bad or good for industry's profitability.[7]. Complements occur when customer benefits from multiple products combined together. Individually those standalone products can be redundant. For example, a car would be unusable without petrol/gas and a driver. For the sake of a computer is best used with computer software.[12]. This factor is controversial (as discussed below in Criticisms) as many believe it to be 6th Force. However, Complements influence the forces more than they form the underlying structure of the market.

For instance, complements can

- influence barriers of entry by either lowering or raising it e.g. Apple providing set of tools to develop apps, lowers barriers to entry;
- make substitution easier e.g Spotify replacing CDs

A strategy consults job is to identify complements and apply to the forces above.[7].

Usage [edit]

Strategy consultants occasionally use Porter's five forces framework when making a qualitative evaluation of a firm's strategic position. However, for most consultants, the framework is only a starting point and value chain analysis or another type of analysis may be used in conjunction with this model.[13] Like all general frameworks, an analysis that uses it to the exclusion of specifics about a particular situation is considered naive(*by whom?*).

According to Porter, the five forces framework should be used at the line-of-business industry level; it is not designed to be used at the industry group or industry sector level. An industry is defined at a lower, more basic level: a market in which similar or closely related products and/or services are sold to buyers (see industry information). A firm which competes in a single industry should develop, at a minimum, one five forces analysis for its industry. Porter makes clear that for diversified companies, the primary issue in corporate strategy is the selection of industries (lines of business) in which the company will compete. The average *Fortune Global 1,000* company competes in 52 industries.[12]

Limitations [edit]

1. Too General - only a starting point prior to deeper investigation
2. Better suited for static firms and less complex firms
3. Not suitable for non-profit organizations
4. Bias perspective on the industry and/or lack of training or research can jeopardize integrity of the analysis
5. The model lacks quantitative aspect as importance cannot be determined (quantitative factors can however be included

Criticisms [edit]

Porter's framework has been challenged by other academics and strategists. For instance, Kevin P. Coyne and Somu Subramaniam claim that three porous assumptions underlie the five forces:

- That buyers, competitors, and suppliers are unrelated and do not interact and collude.
- That the source of value is structural advantage (creating barriers to entry).
- That uncertainty is low, allowing participants in a market to plan for and respond to changes in competitive behavior.[14]

Also, the last chapter of the book, "Age of agile" attributes the bankruptcy of Porter's firm to the outdated nature of his model around competitiveness instead of creating customer value and not making the customers at the center of the universe, i.e customer centricity.

An important extension to Porter's work came from Adam Brandenburger and Barry Nalebuff of Yale School of Management in the mid-1990s. Using game theory, they added the concept of complementors (also called "the 6th force") to try to explain the reasoning behind strategic alliances. Complementors are known as the impact of related products and services already in the market.[14] The idea that complementors are the sixth force has often been credited to Andrew Grove, former CEO of Intel Corporation. Marilyn Richard Jones, while consulting at Groupe Bull, developed an augmented five forces model in Scotland in 1993. It is based on Porter's framework and includes Government (national and regional) as well as pressure groups as the notional 6th force. This model was the result of work carried out as part of Groupe Bull's Knowledge Asset Management Organisation initiative.

Porter indirectly redubbed the assertions of other forces, by referring to innovation, government, and complementary products and services as "factors" that affect the five forces.[8]

It is also perhaps not feasible to evaluate the attractiveness of an industry independently of the resources that a firm brings to that industry. It is thus argued (Wernerfelt 1984)[15] that this theory be combined with the resource-based view (RBV) in order for the firm to develop a sounder framework.

Other criticisms include:

- It places too much weight on the macro-environment and doesn't assess more specific areas of the business that also impact competitiveness and profitability.[16]
- It does not provide any actions to help deal with high or low force threats (e.g., what should management do if there is a high threat of substitution?).[16]

See also [edit]

- Coopetition
- Economics of Strategy
- Industry classification
- Marketing Strategy
- National Diamond
- Strategic management
- Porter's four corners model
- Nonmarket forces
- Value chain
- Marketing management

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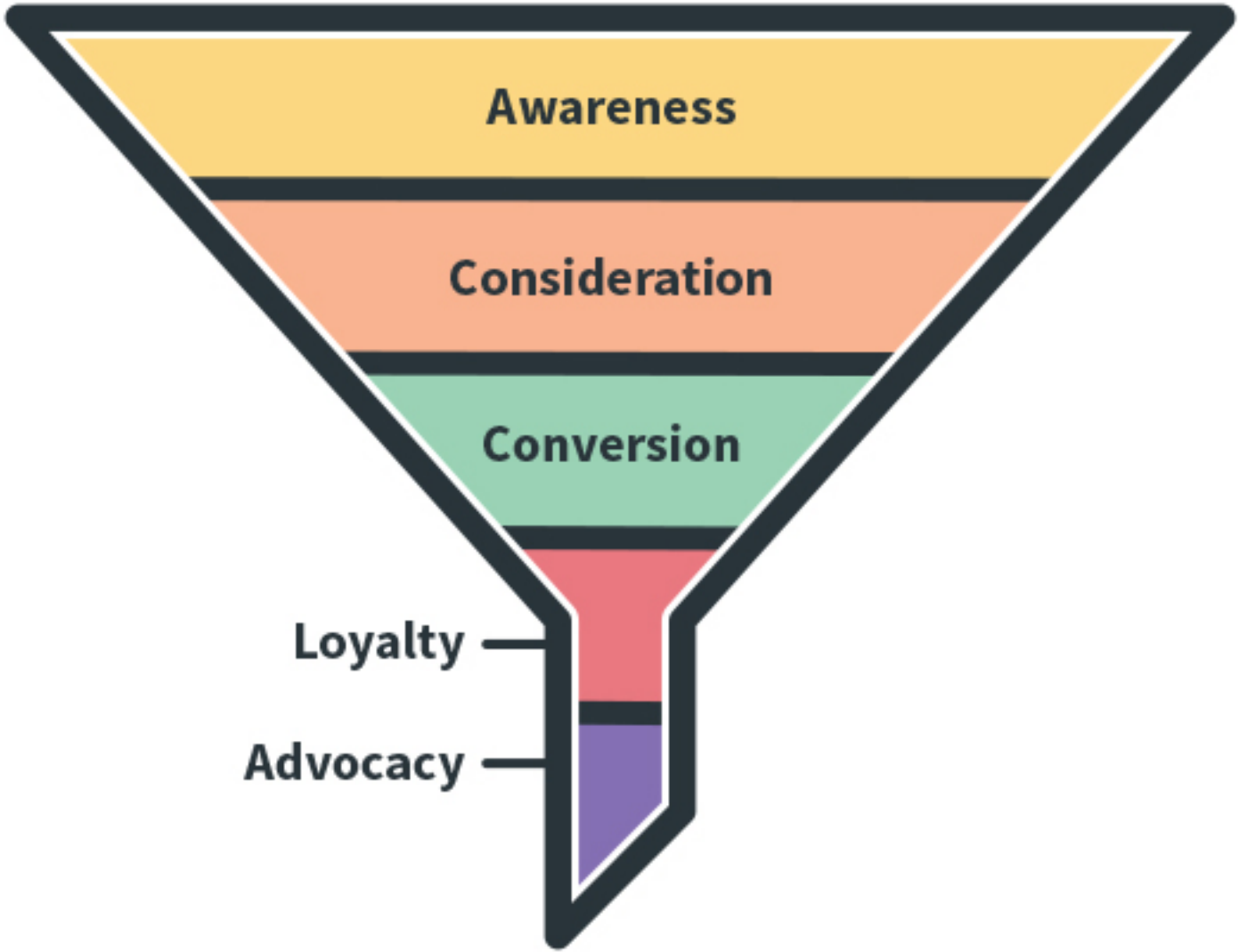
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