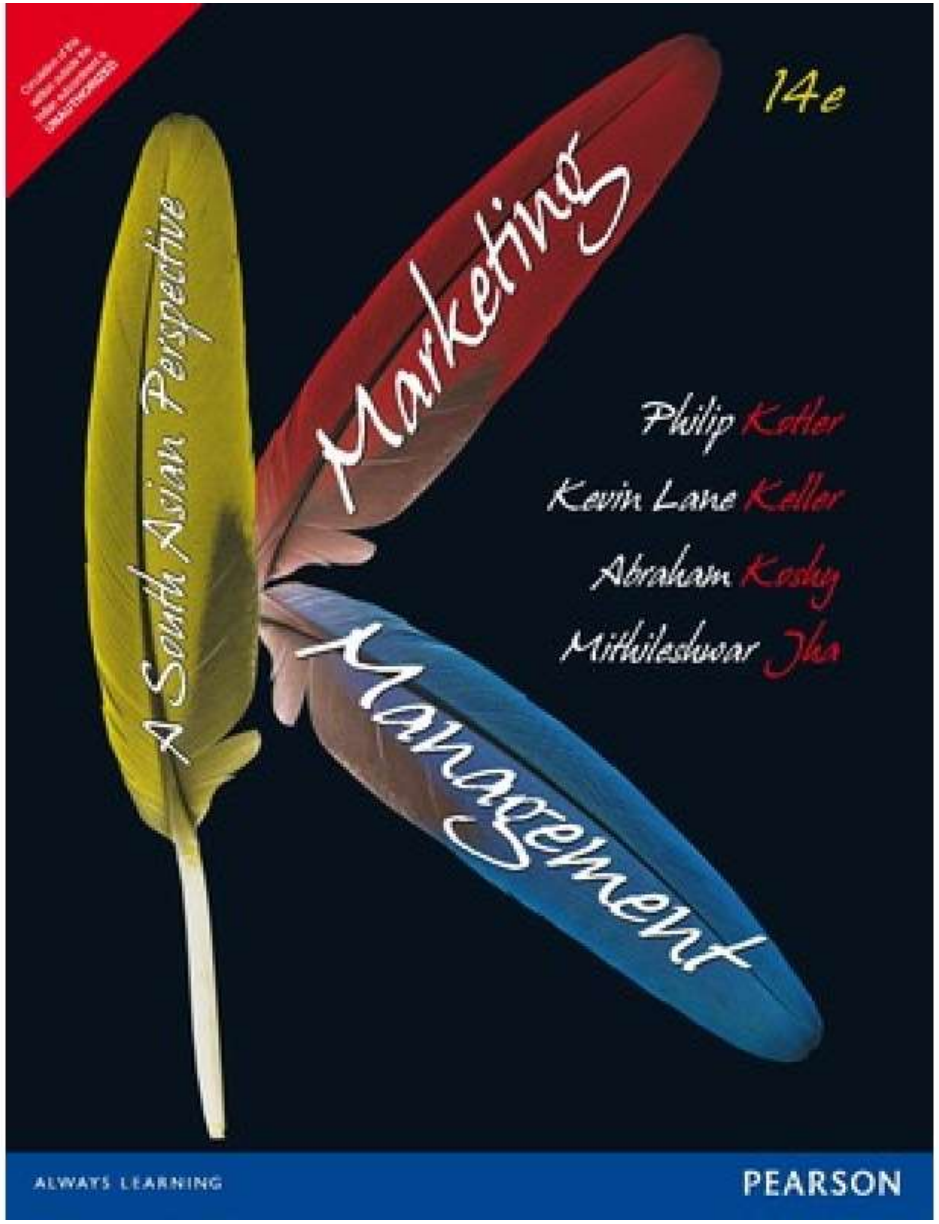
MARKETING MANAGEMENT

Course code –SM722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Marketing
Management
A South Asian Perspective
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CHAPTER 1: DEFINING MARKETING FOR 21ST CENTURY

- Marketing means meeting needs profitably

Definition according to American Marketing Association:

“Marketing is the activity, set of institution and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large”

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

What is marketed?

- Goods
- Services
- Events
- Experience
- Persons
- Places
- Properties
- Organisations
- Information
- Ideas

- Needs – Human requirements like air, food, transportation, etc
- Wants – Needs turns into wants when they are directed to specific objects that can satisfy needs
- Demand – Want backed by ability to buy

Demand states

- Negative demand – Consumers dislike the product but may even pay to avoid it
- Non-existent demand – Consumers may be unaware of or uninterested towards a product
- Latent demand – Consumers may have a strong need that cannot be satisfied by an existing product
- Declining demand – Consumers begin to buy products less frequently or not at all
- Irregular demand – Can vary seasonally, monthly, weekly, daily and even on hourly basis
- Full demand – Demand is meeting with the supply potential of a company
- Overfull demand – When demand for products is more than the supply
- Unwholesome demand – Demand for products that can have undesirable social consequences.

Key customer markets

- Consumer markets
- Business markets
- Global markets
- Non-profit & Government markets

Marketplace, Marketspace and Metamarket

- Marketplace – Physical in nature
- Marketspace – Digital in nature
- Metamarket – Includes a set of complementary products related to each other, but they can spread across industries

STP

- Segmentation – Dividing market into different sets on the basis of similarities when it comes to needs and requirements

- Targeting – Focusing on one or more segments with much more importance

- Positioning – Place that a brand occupies in the mind of the customer and how it is distinguished from competitor’s products

Four Ps of marketing

- Marketing mix Four Ps
  - Product
  - Place
  - Promotion
  - Price

- Modern marketing management Four Ps
  - People
  - Processes
  - Programs
  - Performance

- Value
  Customer value triad - Combination of quality, service and price

- Satisfaction

- Value proposition - A promise of value to be delivered, Communicated, and acknowledged.

- Offerings – Intangible value proposition is made physical by an offering, it can be a combination of goods, services, information, etc.

- Brand – A brand is an identifying symbol, mark, logo, name, word, and/or sentence that companies use to distinguish their product from others.

- Competition

- Marketing channels

  a) Communication channels

  b) Distribution channels

- Supply chain –The network of all individuals, organizations, resources, etc involved in creation and sale of a product, from receipt of raw materials from the suppliers to the manufacturers, to the end user.

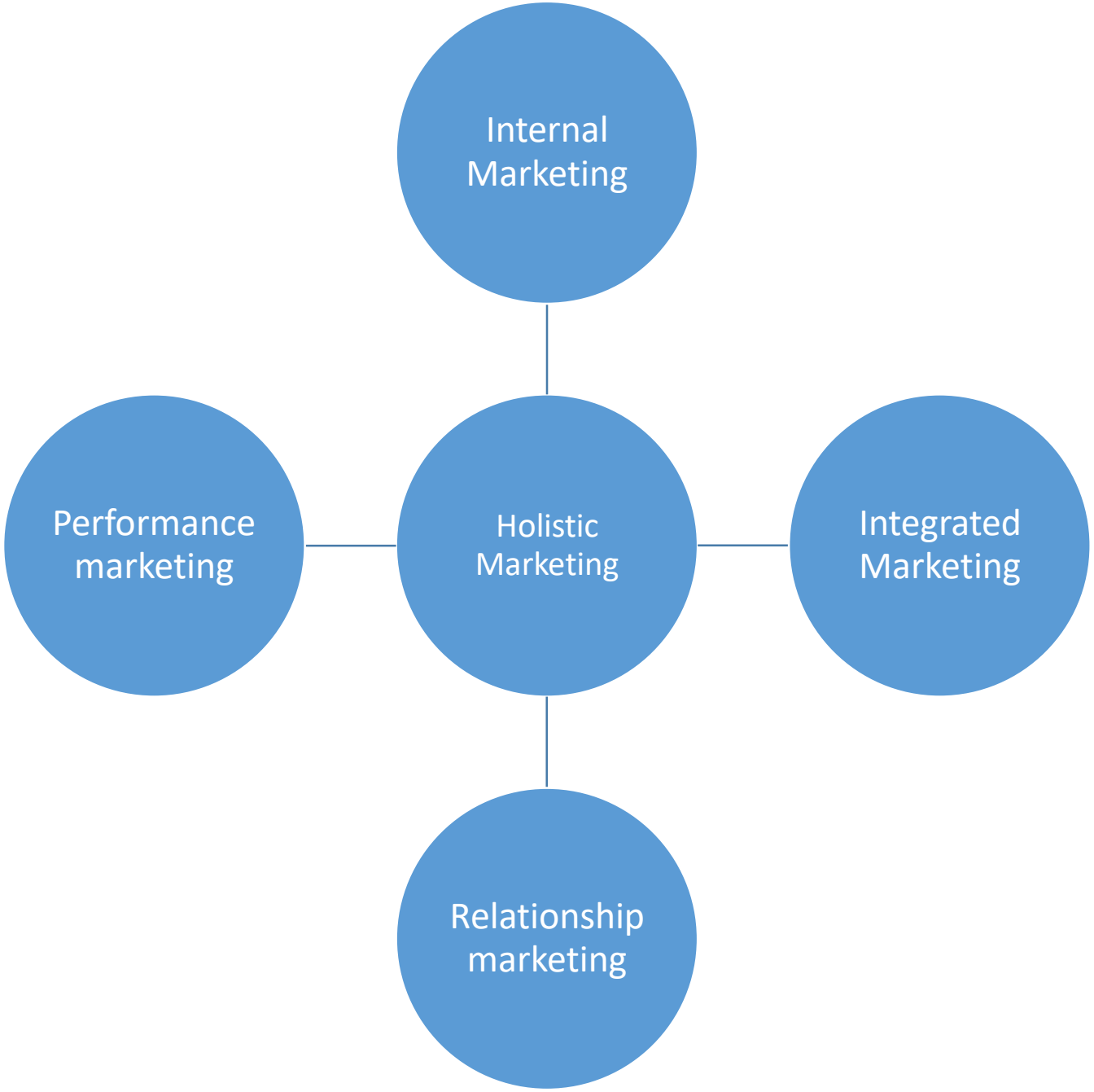
- Marketing environment

  Task environment

  Broad environment

Company orientation towards marketplace

- Production concept – Holds that consumers prefer products that are widely available and inexpensive
- Product concept – Consumers prefer products offering superior quality, performance and innovative features
- Selling concept – Holds that consumers & businesses if left alone won’t buy products. Marketing functions like promotions are important factor.
- Marketing concept – Job is not to find right customers for your products, but right products for your customers.
- Holistic marketing concept – Scope is very broad


Internal Marketing
Performance marketing
Holistic Marketing
Integrated Marketing
Relationship marketing

Internal marketing

- Marketing department, Other department, Senior management

Integrated Marketing

- Products & services, Communications, Channels

Relationship Marketing

- Four key constituents – customers, employees, marketing partners and financial community

Performance Marketing

- Financial returns
- Non-financial returns

Example on developing marketing strategies and plans

- Assessing market opportunities and customer value
- Choosing a value
- Designing value
- Delivering value
- Communicating value
- Sustaining growth and value

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CHAPTER 2: DEVELOPING MARKETING STRATEGIES AND PLANS

Value Chain - Value chain is a tool for identifying ways to create more customer values. It includes set of activities that a firm performs inorder to deliver a valuable product to the market.

- Primary value chain activities

  1) Inbound logistics
  2) Operations
  3) Outbound logistics
  4) Marketing
  5) Service

- Support activities

  1) Procurements
  2) Technological development
  3) HRM
  4) Firm infrastructure

Core Competency

- Introduced by KC Prahalad and Gary Hamel
- Core competencies fulfil three criteria

  1) Provides potential access to a wide variety of market
  2) Should make a significant contribution to perceived consumer benefits
  3) Difficult to be imitated

Eg- can be certain products, set of skills, production techniques, etc

Marketing plan is the central instrument for directing and coordinating the marketing effort

- Strategic
  - Target marketing decisions
  - Value proposition
  - Analysis of marketing opportunities

- Tactical
  - Product features
  - Promotion
  - Merchandising
  - Pricing
  - Sales channels
  - Service

Plans undertaken by corporate headquarters

1) Defining the corporate mission

2) Establishing strategic business units (SBU)
   An SBU has three characteristics:
   - It’s a single business or a collection of related business, that can be planned separately from rest of the company
   - It has it’s own set of competitors
   - It has a leader responsible for strategic planning and responsibility

3) Assigning resources to each SBU

4) Assessing growth opportunities

Accessing growth opportunities

- Here it’s about planning to enter in new businesses, downsizing and terminating older business.

1) Intensive growth strategies

   To improve the existing businesses

   - Market penetration strategy

   - Market development strategy

   - Product development strategy

2) Integrative growth

a) Forward integration

b) Backward integration

c) Horizontal integration

3) Diversification growth

a) Concentric diversification

b) Horizontal diversification

c) Unrelated/Conglomerate diversification

4) Downsizing and divesting older businesses

Business unit strategic planning process

2) SWOT ANALYSIS

3) GOAL FORMULATION

- Goals are objectives that are specific with respect to magnitude and time
- Goal formulation and MBO
- Four criterias to be met for an MBO system to work

  - They must be arranged hierarchically, from most to least important

  - Objectives should be quantitative from most to least important

  - Goals should be realistic

  - Objectives must be consistent

4) Strategy formulation

- Strategy is a game plan for achieving the goals which can contribute towards the achievement of those mission.

a) Porter's Generic Strategies

- Cost leadership strategy
- Differentiation strategy
- Focus strategy

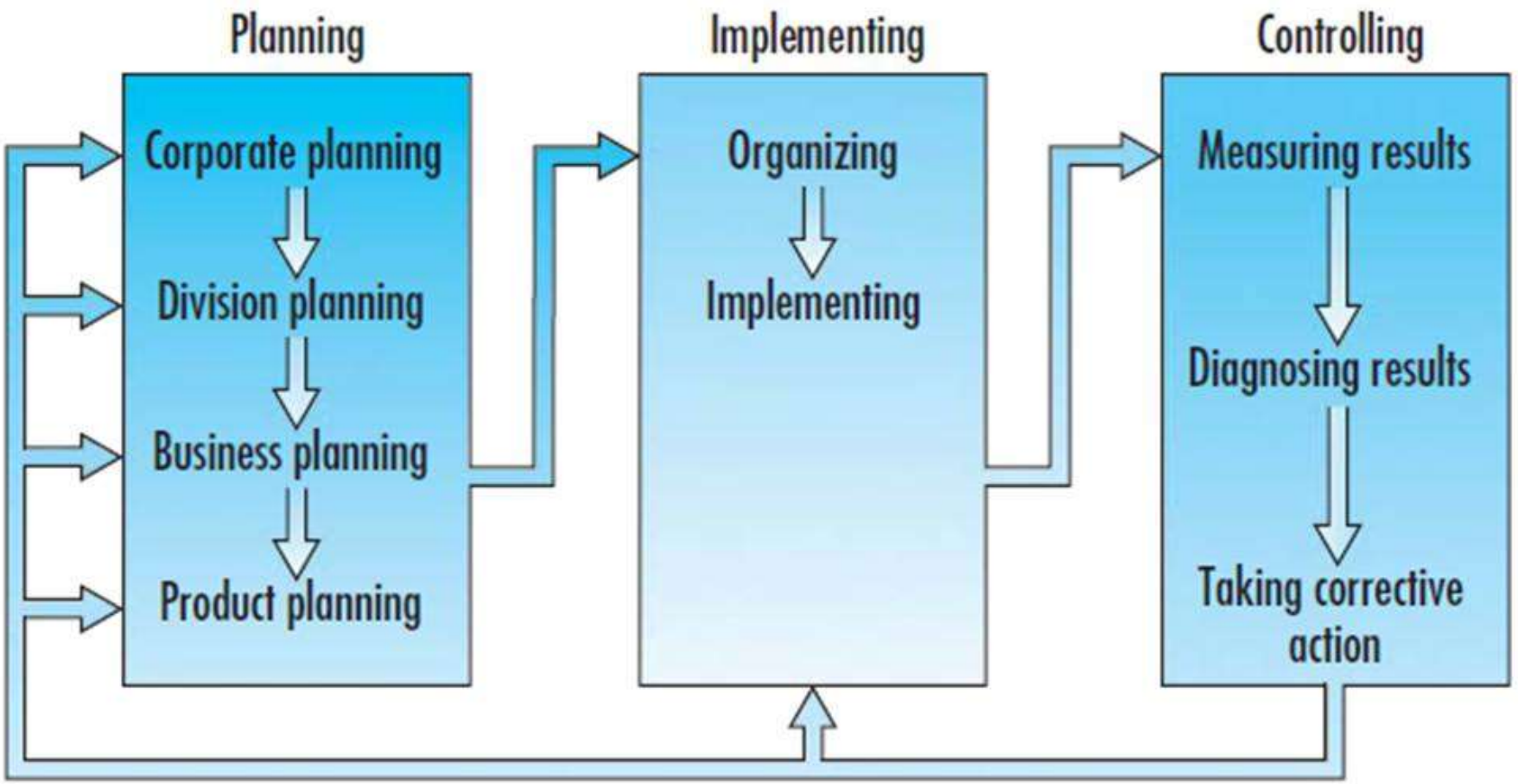
b) Strategic alliances

- Product or service alliances
- Promotional alliances
- Logistic alliances
- Pricing collaborations

5) Program formulation

6) Implementation

7) Feedback and control


Planning
Corporate planning
Division planning
Business planning
Product planning
Implementing
Organizing
Implementing
Controlling
Measuring results
Diagnosing results
Taking corrective action

MARKETING PLAN

- A marketing plan is a written document that summarizes what marketer has learned about the market and indicates how firms plans to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period.

- Contents of a marketing plan

  - Executive summary and table of contents

  - Situation analysis

  - Marketing strategy

  - Financial projections

  - Implementation controls

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CHAPTER 3: SCANNING THE MARKETING ENVIRONMENT, FORECASTING DEMAND, AND CONDUCTING MARKETING RESEARCH

MARKETING INFORMATION SYSTEM (MIS)

- A system that consists of people, equipment, and procedures to gather, sort, analyse, evaluate and distribute needed timely and accurate information to marketing decision makers.
- It has following components

1) Internal records system

    - Order-to-payment cycle,
    - Sales information systems
    - Databases, Data warehousing, Data mining

2) Marketing intelligence system

3) Marketing research system

Marketing Intelligence system

Is a set of procedures and sources that managers use to obtain everyday information about developments in the marketing environment.

Eight possible ways to improve to improve marketing intelligence

1) Train and motivate sales force to spot and report new developments
2) Motivate channel members to share intelligence
3) Hire external experts to collect intelligence
4) Network internally and externally
5) Set up a customer advisory panel
6) Utilize government data resources
7) Purchase information from outside suppliers
8) Collecting marketing intelligence on the internet

Marketing environment

A marketing environment is a combination of internal and external environmental forces and factors that influences the business operation of a business and its ability to serve its customers.

1) Internal environment

The internal factors of an organization that plays roles to create, communicate and deliver market offerings. This includes all departments such as sales, finance, research and development, accounting, etc. Each of these departments influences marketing decisions. Adding to this factors like organizational culture, organization structure, policies, etc.

2) External environment

- Microenvironment
- Macroenvironment

Micro environment

Factors close to the company that affects it’s ability to serve it’s customers.

- Customers
- Competitors
- Suppliers
- Creditors
- Marketing Intermediaries
- Publics – General public, Media publics, citizen action groups, etc

Macroenvironment

Macroenviroment components of a marketing environment consist of all external forces and factors that impact the whole industry rather than just changing an organization directly.

Macroenvironment components

1) Demographic environment
2) Economic environment
3) Socio-cultural environment
4) Natural environment
5) Technological environment
6) Political-legal environment

Demographic environment

- Population growth
- Population age mix
- Ethnic markets
- Educational groups
- Household patterns
- Geographical shifts

Economic environment

- Consumer psychology
- Income distribution
- Income levels and consumption patterns
- Business cycle

Sociocultural environment

- Based on views
    - Views of ourselves
    - Views of others
    - Views of organisation
    - Views of society
    - Views of nature
    - Views of the universe
- High persistence of core cultural values
    - Core beliefs and values
    - Secondary beliefs and values
- Religion
- Languages
- Food habits
- Lifestyle
- Subculture

Natural environment

- Availability of raw materials
- Environmental degradation
- Shift in usage of energy sources
- Corporate environmentalism
- Government protection
- Rise in sustainability marketing

Technological environment

- Rapid innovation
- Accelerating pace of change
- Unlimited opportunities for innovation
- Varying R&D budgets
- Increased regulation on technological changes
- Rise of social media

Political & legal environment

- Laws
- Political situation
- Increase in business legislation
- Government agencies
- Growth of special interest groups

Environmental scanning

Careful monitoring of an organisation's internal and external environments for detecting early signs of opportunities and threats that may influence it's current and future plans

- Ad-hoc scanning

Short term, infrequent examinations usually initiated by a crisis or due to the detection of an unexpected opportunity

- Regular scanning

Done on a regular schedule (Say weekly, monthly, quarterly, annually, etc)

- Continuous scanning

Done on an ongoing basis

FORECASTING DEMAND

Breakdown of a market

1) Potential market - Comprises of set of consumers with a sufficient level of interest in a market offer. However, their interest is not enough to define a market unless they also have sufficient income and access to the product
2) Available market – Is the set of consumers who have interest, income and access to a particular offer.
3) Target market – Part of qualified available market the company decides to pursue.
4) Penetrated market – Is the set of consumers who are buying the company's product

Market demand

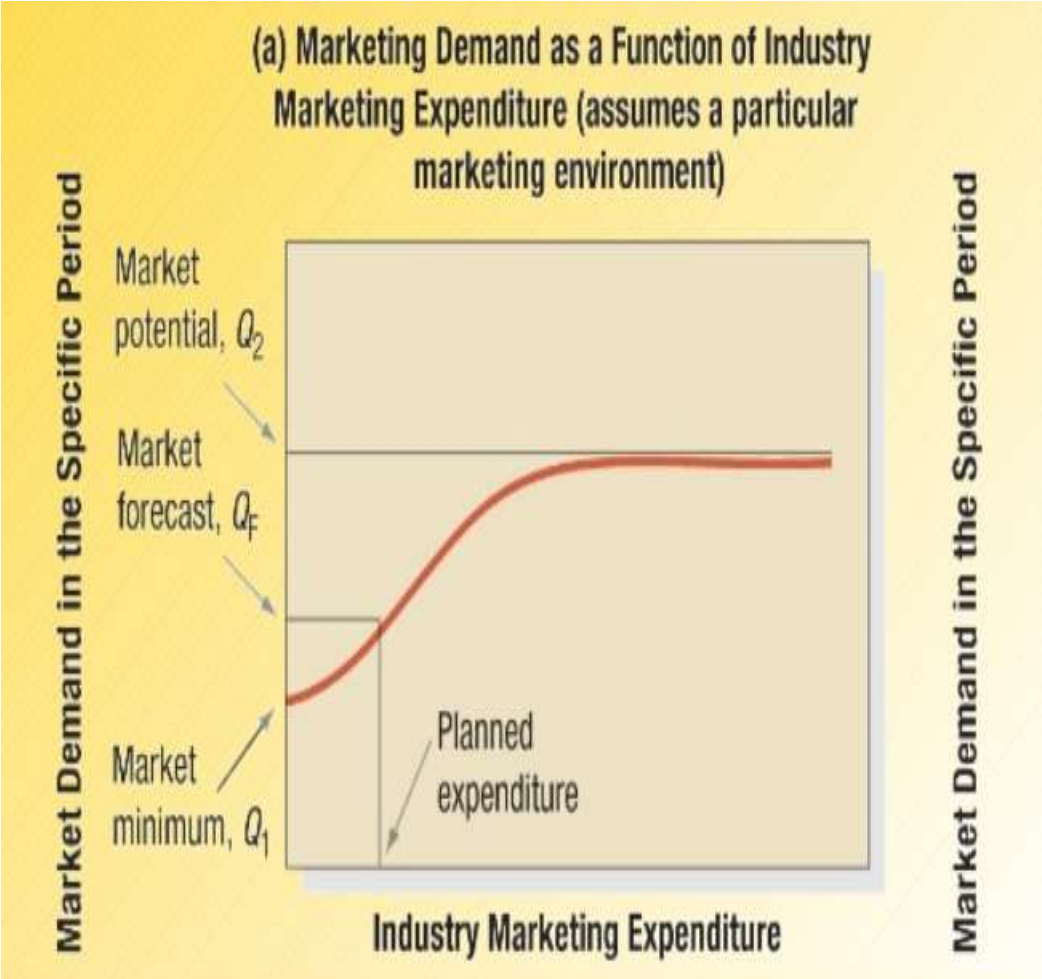
Market demand for a product is the total volume that would be by a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

Market forecast

The market demand predicted on the basis of a certain marketing expenditure is called market forecast for a given marketing environment under a defined marketing program.

Market potential

Market forecast shows expected market demand at a level of industry marketing expenditure. However market potential shows maximum possible market demand for a given marketing environment.


(a) Marketing Demand as a Function of Industry Marketing Expenditure (assumes a particular marketing environment)
Market Demand in the Specific Period
Market potential, Q_2
Market forecast, Q_F
Market minimum, Q_1
Planned expenditure
Industry Marketing Expenditure
Market Demand in the Specific Period

(b) Marketing Demand as a Function of Industry Marketing Expenditure (two different environments assumed)
Market potential (prosperity)
Market potential (recession)
Prosperity
Recession
Industry Marketing Expenditure

Company demand

Is company's estimated market demand at alternate levels of company marketing effort in a given time period. Competitor factor is considered overhere.

Company sales forecast

Is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

Sales quota

Sales goal set for a product line or a company division or for a particular region or for a salesperson.

Sales budget

Conservative estimate of expected volume of sales revenue and overheads for a particular time period. This helps to determine purchase quantity production, inventory management, fund allocation, etc.

Company sales potential

The absolute limit of a company demand is the market potential. Company sales potential will be equal to market potential if the company gets 100% market share. But it happens very rarely.

Estimating current demand

- Total market potential is the maximum sales available to all firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions.

Total market potential = Potential number of buyers * Average quantity purchased by a buyer * The price

<u>Area market potential</u>

Market potential based on cities, states and countries

1) Market-Buildup Method –

Calls for the potential buyers in each market and estimating their potential purchases. It produces accurate results if we have a list of all potential buyers and a good estimate of what each will buy. However this information is not always easy to gather. This method is primarily used by business marketers.

2) Multiple-Factor Index Method

Used primarily by consumer marketers. Market potential is estimated either by using existing market indexes or by developing their own indexes.

Example – To estimate sale of medicines in Delhi,

Estimated sales in Delhi = (a*Population of Delhi as percentage of Indian population)+(b*Per capita income of Delhi as to percentage of national per capita income)+(c*Number of physicians in Delhi as to percentage of number of physicians in India)

Estimating future demand

All forecasts are built on one of the three information bases

1) On the basis of what people say

Three methods:

a) Survey of buyer's intention

b) Composite of sales force opinions

Giving sales persons task to estimate their future sales. Each one of them estimates how much each current and prospective customer will buy each of company's products.

Demerits: - They can be pessimistic or optimistic depending on a recent setback or success
- Often unaware of larger environment
- Can deliberately underestimate demand to lower their sales quota
- Always need not find time to do estimates

Merits: - They have better insights
- Better confidence on sales quotas and incentives after participation on forecasting
- Provides detailed estimates broken down by product, territory, customers and sales employees

c) Expert opinion – Experts like marketing consultants, channel members, trade associations, etc.

Techniques like interviews, group discussions, pooling of individual estimates, Delphi methods, etc can be adopted.

2) On the basis of what people do

Market test method

Is desirable in forecasting new-product sales or established product sales in a new distribution channel or territory.

Undertaken when experts are not available or reliable. Can be undertaken even when buyers do not plan their purchases carefully.

3) On the basis of what people have done

Past-sales analysis

a) Time-series analysis

(Four components: Secular trend, Seasonal trend, Cyclical movement and erratic fluctuations)

b) Exponential smoothing – projecting next period's sales by combining an average of past sales and the most recent sales being given more weight than the latter.

c) Statistical demand analysis – consists of measuring each set of impact level of causal factors like income, marketing expenditures, price, etc on the sales level.

d) Econometric analysis – Consists of building sets of equation that describe a system, and proceeding to fit the parameters statistically.

MARKETING RESEARCH

A systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.

Marketing research is mainly conducted to solve specific marketing problems faced by a company.

Importance of marketing research

1) Provides valuable data
2) Studies consumer behaviour
3) Supplies marketing information
4) Evaluates marketing performance
5) Helps to increase goodwill
6) Helps in decision making
7) Can be beneficial for the company, distributors, consumers and the society
8) Comprises of application of scientifically accepted statistical methods

Limitations of marketing research

1) Costly
2) Time consuming
3) Need for experts
4) Can be misused
5) Data collection difficulties
6) Need not predict correctly
7) Not implementable everytime

TYPES OF MARKETING RESEARCH FIRMS

1) Syndicated-service research firms

Firms that gather consumer and trade information which they sell for a fee. Here marketing research activities are not customised in nature.

Example – A.C. Nielsen, Kantar group, etc.

2) Custom marketing research firms

Firms that tailor the research procedures to best meet the needs of each client.

3) Speciality-line marketing research firms

These firms provide specialised research services.

Example – field service firm

MARKETING RESEARCH PROCESS

Step 1: Define the problem, the decision alternatives and the research objectives

Clarity on the following helps to define the problem appropriately:

1) What is to be researched (the content, the scope)?
2) Why is it to be researched (the decisions that are to be made)?

The problem should not be too broad or too narrow

Specify decision alternatives

Objectives are statements that specify on what the researchers are aiming to accomplish through the research work.

1) Main objectives
2) Sub-objectives

- **<u>Step 2: Develop the research plan</u>**

Development of the most efficient plan for gathering the required information

1) Data sources
   a) Primary data
   b) Secondary data
2) Research approaches

   Primary data can be collected in five ways

   a) Observational research

      Gathering of fresh data by observing the subjects for the study

      Ethnographic research – Uses concepts and tools from anthropology and other social science disciplines to provide deep understanding of how people live and work

   b) Focus Group Research
   c) Behavioural data
   d) Experimental research
   e) Survey research

3) Research instruments

Instruments for collecting primary data

a) Questionnaire – A document that consists a set of questions inorder to collect the data from the respondents.

Types of questions

i) Closed-End questions

- Dichotomous questions
- Multiple choice questions
- Likert scale questions
- Semantic differential questions

Eg – Quality of service provided by Dell

Excellent ____ ____ _____ _____ ____ Poor

- Importance scale questions
- Rating scale questions
- Intention to buy scale questions

ii) Open end questions

b) Qualitative measures

Relatively unstructured measures

i) Word associations

What comes into your mind when you hear Nike? _____

ii) Projective techniques

Sentence completion

Story completion

Picture response

Thematic Appreciation Test

iii) Visualisation

iv) Brand personification

v) Laddering

c) Technological devices

- Galvanometers
- Tachistoscope
- Eye cameras
- Audiometer
- GPS

4) Sampling plan

Sampling unit : who is to be surveyed?

Sampling size: How many people should we survey?

Sampling procedure: How should we choose the respondents?

5) Contact methods

Mail contacts: Mail questionnaire

Telephone contacts: Telephonic interviewing

Personal contacts: Personal interviewing

Online contacts: Online questionnaires/Interviews

Step 3: Collect the information

The process through which the data will be collected from the respondents through various data collection instruments that have been developed to collect data.

Generally the most expensive, time consuming and the most prone to error part of a research

Step 4: Analyze the information

- Tabulation of data
- Elimination of unwanted/irrelevant data
- Application of statistical techniques
- Hypothesis testing

Step 5: Present the findings

- Translating data and information into insights and recommendations
- Making the report ready

STEP 6: Make the decision

- Depending on the confidence in findings, manager decide to use it ot discard it or to carry out more research

Marketing decision support system (MDSS)

Is a coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organisation gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.

Measuring Marketing Productivity

Two approaches to measuring marketing productivity are marketing metrics and marketing-mix modelling

1) Marketing metrics – Is a set of measures that helps them quantify, compare and interpret their marketing performance.

External marketing metrics – Awareness about the products, market share, relative price, no. of complaints, customer satisfaction, distribution/availability, no. of customers, perceived quality, loyalty, relative perceived quality

Internal marketing metrics – Awareness of goals, commitment to goals, active innovation support, resource adequacy, staffing, desire to learn, willingness to change, freedom to fail, autonomy, relative employee satisfaction

2) Marketing mix models

Market Mix Models helps in quantifying the impact of several marketing inputs on various marketing outputs. The purpose of using Market Mix Models is to understand how much each marketing input contributes to marketing output, and how much to spend on each marketing input.

Marketing inputs – Price, distribution time, promotional expenditure, etc

Marketing outputs – Sales, Market share, etc

Marketing Dashboards

A marketing dashboard is a reporting tool that displays marketing analytics, KPIs, and metrics using data visualizations. Marketing dashboards are designed to provide teams with a real-time window into marketing performance. At its core, a marketing dashboard answers the question, “How are we performing right now?”

1) Customer performance scorecards
2) Stakeholder performance scorecards

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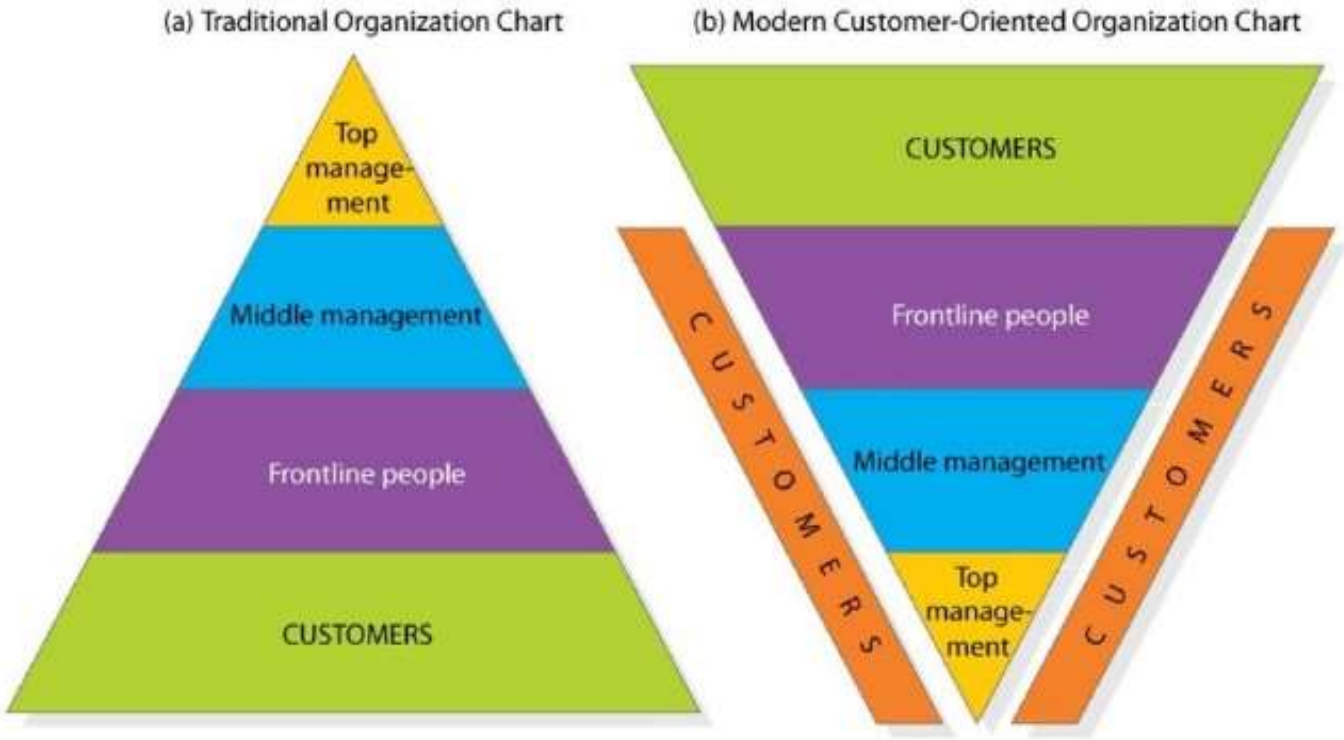
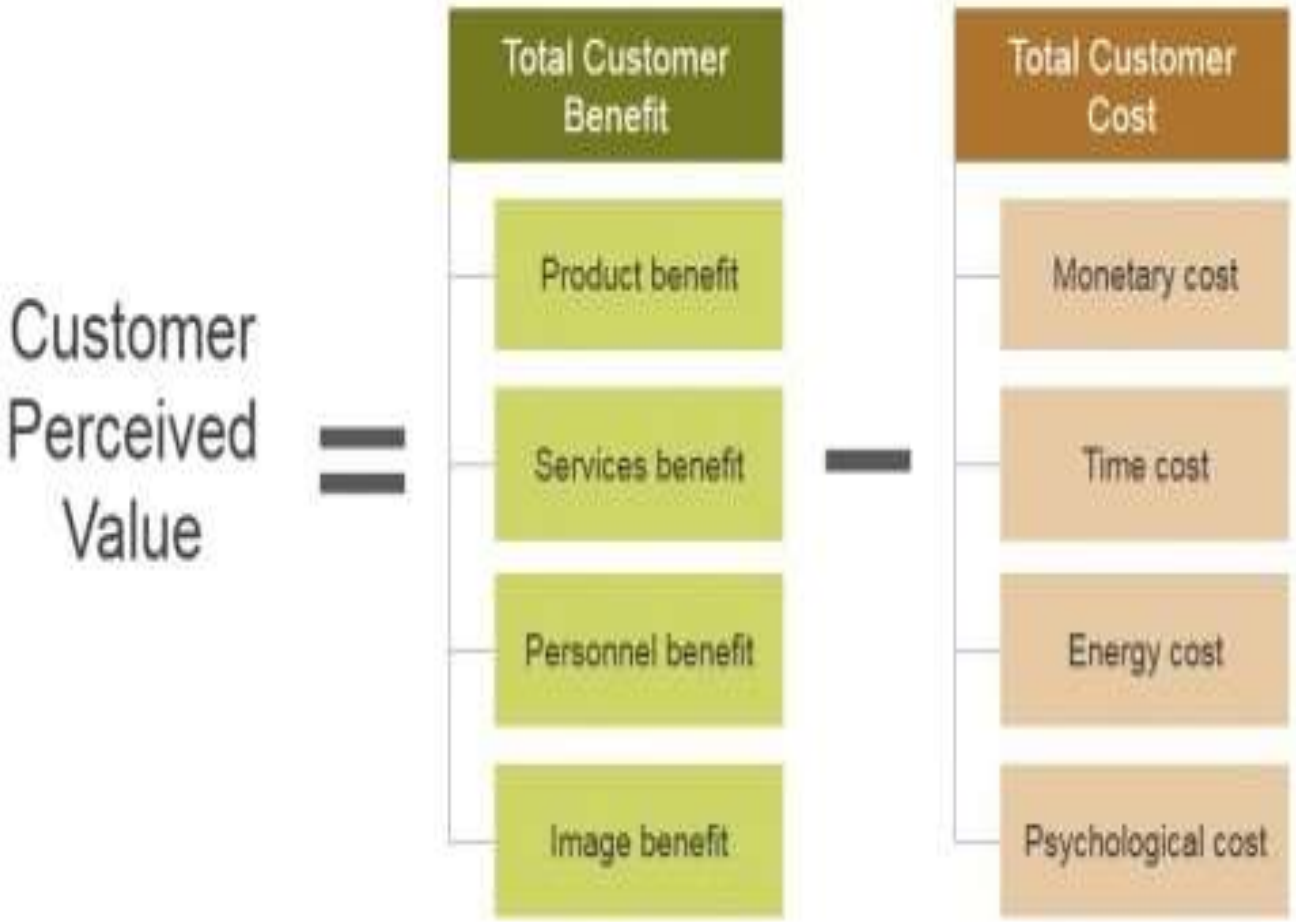
CHAPTER 4: CREATING CUSTOMER VALUE AND CUSTOMER RELATIONSHIPS

Traditional Organization vs. Modern Customer-Oriented Organization



Customer-perceived value (CPV) is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.



Steps in a Customer Value Analysis

1) Identify major attributes and benefits that customers value
2) Assess the quantitative importance of different attributes and benefits
3) Assess the company's and competitors' performances on the different customer values against rated importance
4) Examine ratings of specific segment by taking competition factor into consideration
5) Monitor customer values over time

Satisfaction – Is a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome to expectations.

Loyalty – Is a deeply held commitment to re-buy or re-patronize a prepared product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviour.

Satisfaction Measurement techniques

- Periodic surveys
- Customer loss rate
- Mystery shoppers
- Monitor competitive performance
- Customer complaints

Customer profitability

The customer profitability is the difference between the revenue earned from and the costs associated with the customer relationship in a specified period. This is a form of analysis that
assigns revenues and costs to customers, rather than to products or processes. By doing so, a business can differentiate between its high-profit and low-profit customers.

Customer lifetime value

Describes the net present value of the stream of future profits expected over the customer's lifetime purchases

Customer equity

Customer equity is the total of discounted lifetime values of all of the firms customers**.** Companies having very high customer equity and that is why they have an amazing and sustainable competitive advantage

Customer Relationship Management (CRM)

Customer relationship management is a management approach that allow a company to manage and analyse its interactions with its past, current and potential customers. It is the process of carefully managing detailed information about individual customers and all touch points to maximize loyalty. Focusing on customer retention and ultimately driving sales growth are the main objectives of Customer relationship management.

Personalized marketing

Four-step framework for one to one marketing that can be adapted to CRM marketing

1) Identify your prospects and customers
2) Differentiate customers in terms of their needs and their value to your company
3) Interact with individual customers to improve your knowledge about their individual needs and to build stronger relationships
4) Customize products, services and messages to each customer

Strategies to strengthen the customer base

1) Reducing the rate of customer defection
2) Increasing the longevity of the customer relationship
3) Enhancing the growth potential of each customer through “share of wallet”, cross-selling and up-selling
4) Making low-profit customers more profitable or terminating them
5) Focusing disproportionate effort on high-profit customers
6) Developing loyalty programs

Database marketing

Database marketing is the process of building, maintaining and using customer databases and other databases (products, suppliers, resellers, etc) to contact, transact and build customer relationships.

Databases can be used in following five ways

1) To identify prospects
2) To decide which customers should receive a particular offer
3) To deepen customer loyalty
4) To reactivate customer purchases
5) To avoid serious customer mistakes

Downside of database marketing and CRM

1) Not applicable for all kind of products
2) Not all customers want a relationship with the company
3) Building and maintaining customer database needs huge investment in hardware, database softwares, analytical programs, communication links and skilled staff
4) It may be difficult to get all in the company to be customer oriented and use the available information
5) The assumptions behind CRM may not always be true

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CHAPTER 5: ANALYZING CONSUMER MARKETS

Consumer behaviour is the study of how individuals, groups and organizations select, buy, use and disposal of goods, services, ideas, etc inorder to fulfil their needs and wants.

Factors influencing purchase decision

1) Internal factors (Psychological factors)

Motivations, perception, learning, memory, prior experience, emotions, self-esteem, safety, mental satisfaction, etc.

2) External factors

a) Cultural factors –Beliefs, food habits, clothes, subcultures, values, etc

b) Personal factors – Age and stage in life cycle, occupation and economic circumstances, personality and self-concept

c) Social factors –

Roles and status

Reference groups and membership groups

Primary groups – Family, friends, neighbours, coworkers, etc

Secondary groups – Religious groups, professional groups, clubs, etc

Aspirational groups – Group to which person does not belong but wish to join.

Disassociative reference groups – A group which has negative image

d) Economic factors – Personal income, family income, income expectations, savings, debt, etc

KEY PSYCHOLOGICAL PROCESSES

Four key psychological process- Motivation, perception, learning and memory

1) MOTIVATION

Motivation can be defined as willingness to exert efforts towards the accomplishment of a goal or a need

Freud's theory of motivation

This theory posits that unconscious psychological forces, such as hidden desires and motives, shape an individual's behavior, like their purchasing patterns and that person cannot fully understand his or her motivation

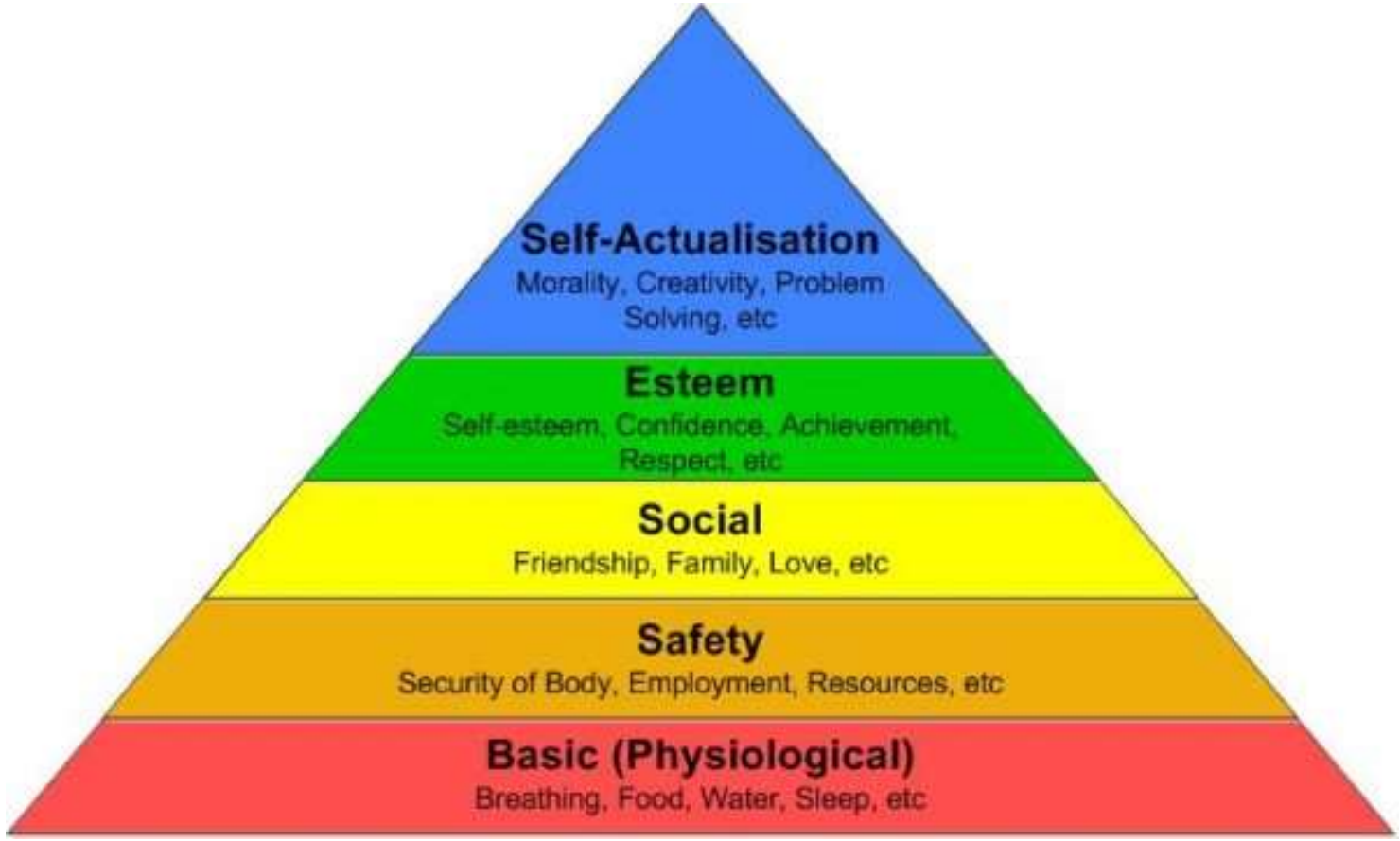
Marketers may utilize a number of such as role-playing, picture interpretation, sentence completion, or word association, among others. Such exercises can help researchers learn about how consumers react to products and how to best market them as a result.

Herzberg's theory of motivation

A two factor theory that distinguishes between satisfiers and dissatisfiers. The absence of dissatisfiers is not enough to motivate a purchase. However satisfiers must be present.

Example, A computer with no warranty is a dissatisfier. However having warranty need not be a primary reason for purchase. The presence of various satisfiers like product specifications, brand name, price, etc is.

Maslow's Theory of Motivation



2) Perception

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

- Selective attention
- Selective distortion
- Selective retention
- Subliminal perception – Occurs when stimulus is below the level of the consumer's awareness.

3) Learning

Learning induces changes in our behaviours arising from experience.

Drive is a strong internal stimuli impelling action.

Cues are minor stimuli that determine when, where and how a person responds.

Discrimination means we have learned to recognize differences in set of similar stimuli and can adjust our responses accordingly.

Learning theory teaches marketers that they can build demand for a product by associating it with strong drives, using motivation cues and providing positive reinforcement.

Hedonic bias – occurs when people attribute success to themselves and failure to external causes.

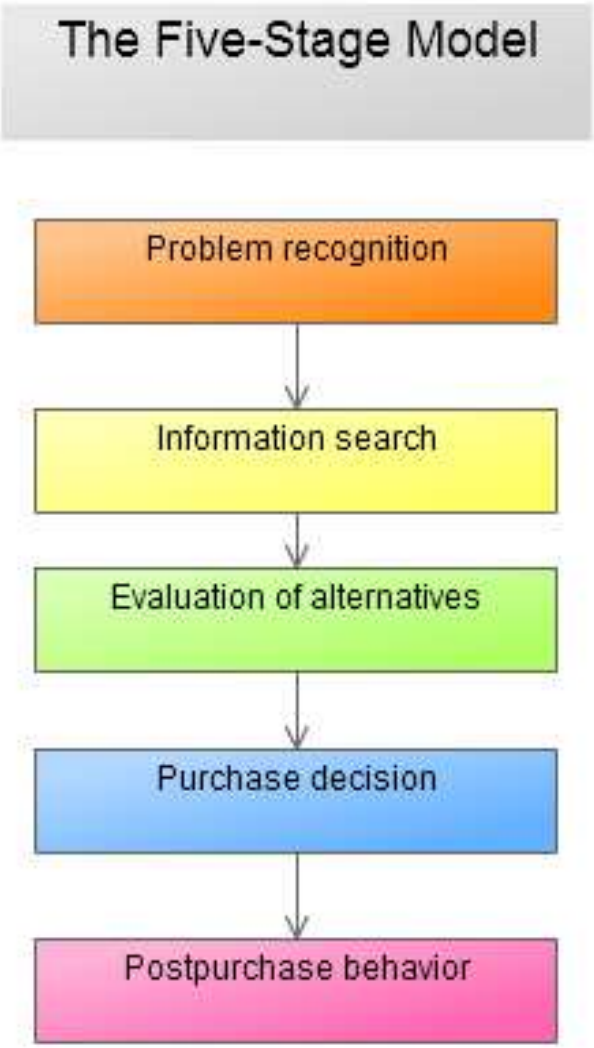
4) Memory

- Short term memory (STM) and Long term memory (LTM)
- Associative network memory model

Views LTM as a set of nodes and links. Nodes are stored information connected by links that vary in strength. The information stored can be verbal, visual, etc. A node becomes active when we encode an external information or retrieve internal information from LTM. Other nodes will also get activated if they are linked with that node.

- Memory encoding
- Memory retrieval

The buying decision process: The Five-Stage Model



1) **Problem recognition**

Buying process starts when the buyer recognises a problem or need triggered by internal or external stimuli.

2) **Information search**

Two levels of engagement in search

Level 1: Heightened attention – Milder search state

Level 2: Active information search

Information sources

Personal sources: Family friends, etc.

Commercial sources: Advertisements, salespersons, websites, etc.

Public sources: Mass media, consumer-rating organisations

Experiential sources: handling examining, using the product

3) Evaluation of alternatives

Consumers evaluate alternatives on the basis of factors like product features, brand perception, etc.

The alternatives can be similar products offered by different brands/companies and even different kind of products offered by a same brand/company.

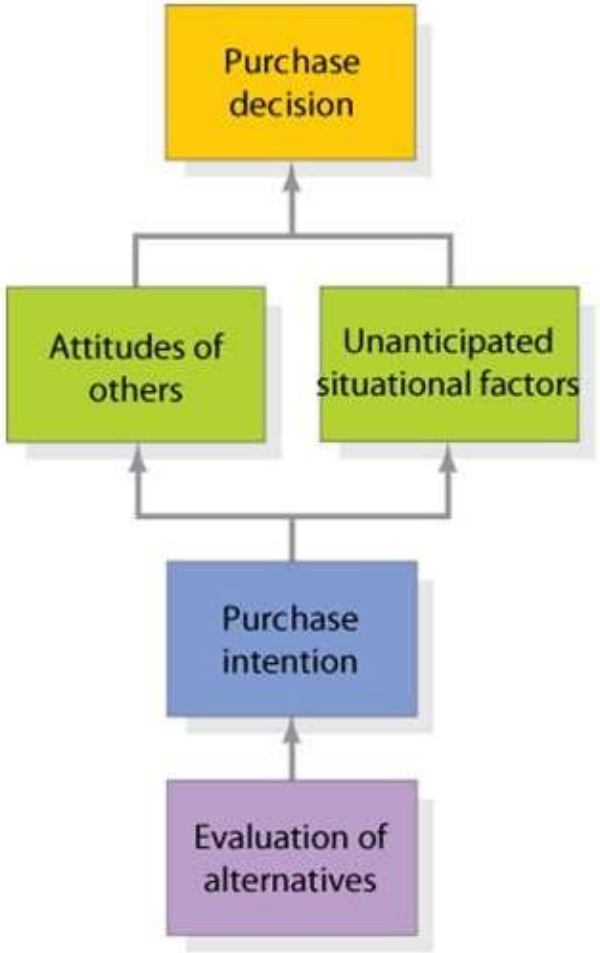
Consumer’s attitude and beliefs do play an integral role at this stage.

4) Purchase decision

At this stage the consumer chooses the product which can resolve their needs. This is the stage purchase takes place.

In executing purchase decisions the consumers can take following:

Product choice, brand choice, dealer choice, purchase amount, purchase timing and regarding the payment method.



Intervening factors

There are two factors that can intervene between the purchase intention and purchase decisions.

1) Attitude of others - Influence of other's attitude depends on

- Intensity of others negative attitude toward our preferred alternative
- Our motivation to comply with other's wishes

2) Unanticipated situational factors

Like misbehaviour by the staff, sudden job loss, sudden urgency to buy other products, etc

A consumer's decision to modify, postpone or avoid a purchase decision is influenced by one or more types of perceived risk

1) Functional risk - The product does not perform to expectations.
2) Physical risk – The product can be a threat to physical well-being or health of the user or others.
3) Financial risk – The product is not worth the price paid.
4) Social risk – The product results in embarrassment in front of others.
5) Psychological risk – The product affects the mental well-being of the user.
6) Time risk – The failure of product leads to an opportunity cost of finding another satisfactory alternative

5) Post-purchase Behaviour

Marketers must study post-purchase satisfaction, post-purchase actions and post-purchase product uses and disposal

Post-purchase satisfaction

Satisfaction is a function of the closeness between expectations and the product's perceived performance.

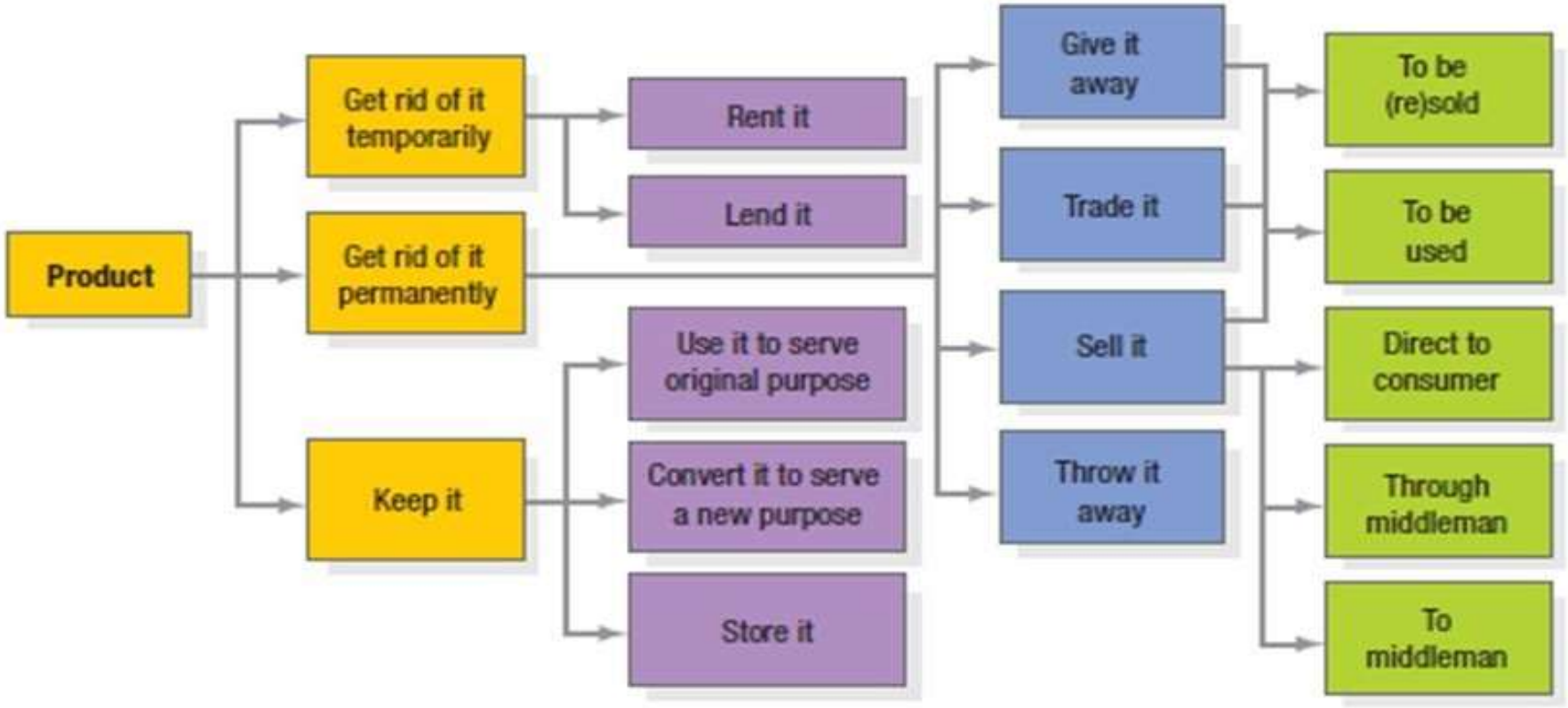
If performance falls short of expectations then customer will get disappointed. If it meets expectations the customer is satisfied. If it exceeds expectations then the customer is delighted.

Post-purchase actions

A satisfied/delighted customer is more likely to purchase the product again or it's upgrades and even the brand/company's future products. They can even say good things to others.

Dissatisfied customers would not like to purchase again and sometimes they may even abandon or return the product. They can take public action like complaining to the company, going to lawyer or complaining to business/private/government agencies. Private actions include deciding to stop buying (exit option) or warning friends (voice option).

Post-purchase uses and disposal



CONSUMER BUYING ROLES

1) Initiator
2) Influencer
3) Decider
4) Buyer
5) User

Decision heuristics

A heuristic is a mental shortcut that allows people to solve problems and make judgments quickly and efficiently.

1) Availability heuristics - The availability heuristic is when you make a judgment about something based on how *available* examples are in your mind.
2) Representative heuristics - Representative heuristics is when we judge the probability that a product belongs to a class by looking at the degree to that product resembles that class
3) The anchoring and adjustment heuristic - This heuristic is when consumers arrive at an initial judgement and adjust it based on additional information

Decision framing

Decision framing is the manner in which choices are presented to and seen by a decision maker. Decisions may be framed to influence decision makers or they may be framed to improve a decision making process.

For example, A Rs.50000 laptop may not seem that expensive in the context of a set of Rs.80000 laptops. But may seem very expensive infront of Rs.20000 laptops.

Mental accounting

Mental accounting refers to the way consumers code, categorise and evaluate financial outcome of choices. It involves behavioural bias where people tend to view the same amount of money differently based on source, need, uses, etc.

THANK YOU

CHAPTER 6: ANALYZING BUSINESS MARKETS

Organizational buying refers to the decision making process by which formal organisations establish the need for purchased products and services, and identify, evaluate and choose among alternative brands and suppliers.

Organizational buying happens typically when

- A business is sourcing materials for their production process
- A business needs the services of another for operational reasons
- A business re-sells the goods and services produced by others

Characteristics of business markets

1) Fewer, but larger buyers
2) Close supplier-customer relationships
3) Professional purchasing
4) Multiple buying influences – More people influence buying decisions. Buying committee can include technical experts and even senior management for major purchases.
5) Multiple sales calls
6) Derived demand – Demand for business goods is ultimately derived from demand for consumer goods.
7) Inelastic demand – Most of the times not much affected by price changes
8) Fluctuating demand – Demand for business products tends to be more volatile than demand for consumer goods and services.
9) Geographically concentrated buyers
10) Direct purchasing

Buying situations

1) Straight rebuy

A buying situation where buyer routinely order things without any changes or modification. It's mainly on past buying satisfaction and on the constant requirements. It is the easiest buying situation for the purchaser.

2) Modified rebuy

Here the buyer wants to modify product specifications, prices, delivery requirements or other terms. This usually needs additional participants on both sides.

3) New task

A situation requiring the purchase of a product or service for the first time. The greater the cost or risk, the larger number of participants, greater their information gathering and longer time to take a decision. The process passes through several stages: awareness, interest, evaluation, trial and adoption.

Participants in the business buying process

The buying center

Includes all individuals and groups who participate in the purchasing decision-making process.

1) Initiators – Those who request that something be purchased.
2) Users – Those who will use the product or service. Users are the initiators many of the times and they help to define specifications.
3) Influencers – Those who influence buying decisions, often by helping specifications and providing information for evaluating alternatives.
4) Deciders – People who decide on product requirements or on suppliers.
5) Approvers – People who authorize the proposed actions of deciders or buyers.
6) Buyers – People who have formal authority to select the supplier, arrange the purchase terms and negotiate.
7) Gatekeepers – People who have power to prevent sellers or information from reaching members of the buying center. For example, purchasing agents, receptionists, telephone operators, etc.

Stages in buying process

1) Problem Recognition

First stage of the business buying process whereby, someone in the company recognizes a problem or need which can be fulfilled by acquiring a good or service

2) General need description

Here it will be described about the general characteristics and quantity of a need item

3) Product specification

Here the features, qualities, functional aspects of a product is determined. Adding to this purchase quantity, cost estimation, mode of payment, delivery date, etc are also determined

4) Supplier search

- The buyer searches or identifies possible potential suppliers who can supply goods and services as per the product specifications that have been developed

- The list of supplier are prepared by looking at trade directory, searching in internet, buying alliances, asking other companies for suggestions, etc.

5) Proposal solicitation

At this stage buyer invite the qualified suppliers to submit proposals. After evaluating proposals, the buyer will invite a few suppliers to make formal presentations.

6) Supplier selection

At this stage the proposals and presentations are evaluated and then the most reliable and capable supplier is selected.

Several evaluation criteria can be past performance of suppliers, punctuality, product reliability, goodwill, quantity they are ready to sell, price, supplier flexibility, supplier flexibility, terms and conditions, etc are considered.

7) Order-routine specifications

Final negotiations happen at this stage. If the negotiation looks feasible then the final order is placed with the list of all the specifications, terms and conditions of purchase.

8) Performance Review

Buyer periodically reviews the performance of the chosen supplier(s). The review may lead the buyer to continue, modify or end a supplier relationship. Three methods for performance review

- Buyer may contact the end users and ask for their evaluations
- Rating the supplier on the basis of several criteria using a weighted score method.
- The buyer might aggregate the cost of poor performance to come up with adjusted costs of purchase including the price.

Buyphases	Buyclasses		
	New task	Modified rebuy	Straight rebuy
1. Problem recognition	Yes	Maybe	No
2. General need description	Yes	Maybe	No
3. Product specification	Yes	Yes	Yes
4. Supplier search	Yes	Maybe	No
5. Proposal solicitation	Yes	Maybe	No
6. Supplier selection	Yes	Maybe	No
7. Order-routine specification	Yes	Maybe	No
8. Performance review	Yes	Yes	Yes

Factors of buyer-supplier relationships

- Availability of alternatives
- Importance of supply
- Complexity of supply
- Supply market dynamism

Institutional and Government markets

- Institutional market consists of schools, hospitals, colleges, etc that provide goods and services to people in their care.
- Government organisations tend to require a higher level of paperworks from their suppliers as their spending decisions are subject to public review
- Suppliers must be prepared to adapt their offers to the special needs and procedures found in institutional and government organisation needs

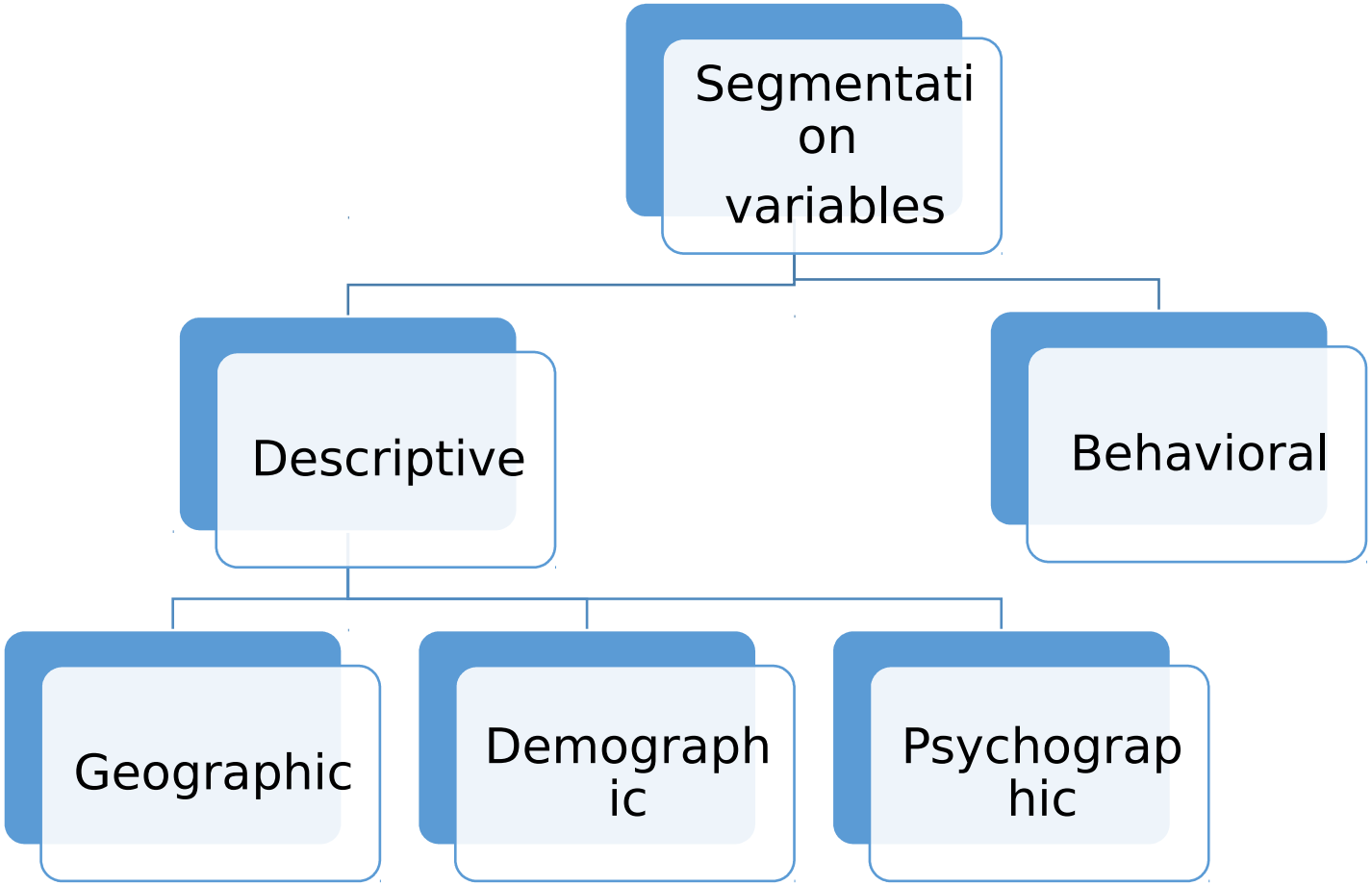
THANK YOU

CHAPTER 7: IDENTIFYING MARKET SEGMENTS AND TARGETS

- Market segmentation is the process of defining and subdividing a complete market into clearly identifiable segments having similar needs, wants, or demand characteristics.

- A market segment consists of a group of customers who share a similar set of needs and wants.

Bases of segmenting consumer markets



Geographic segmentation

Countries

Region (International) – South Asia, Indochina, Latin America, etc

Region (Domestic)– South, West, North, East

State

City –Tier 1 cities, Tier 2 cities, etc

Rural and semi-urban areas

Climate

Demographic segmentation

Age and life cycle stage

Life stage

Family size

Marital status

Gender

Income

Occupation

Education

Socio-Economic Classification (SEC)

Generation – Baby boomers, Generation X, Generation Y, Generation Z, Generation alpha

Psychographic Segmentation

In psychographic segmentation, buyers are divided on the basis of their psychological/personality traits, lifestyles or values

Lifestyle

Beliefs

Personality traits

Interests

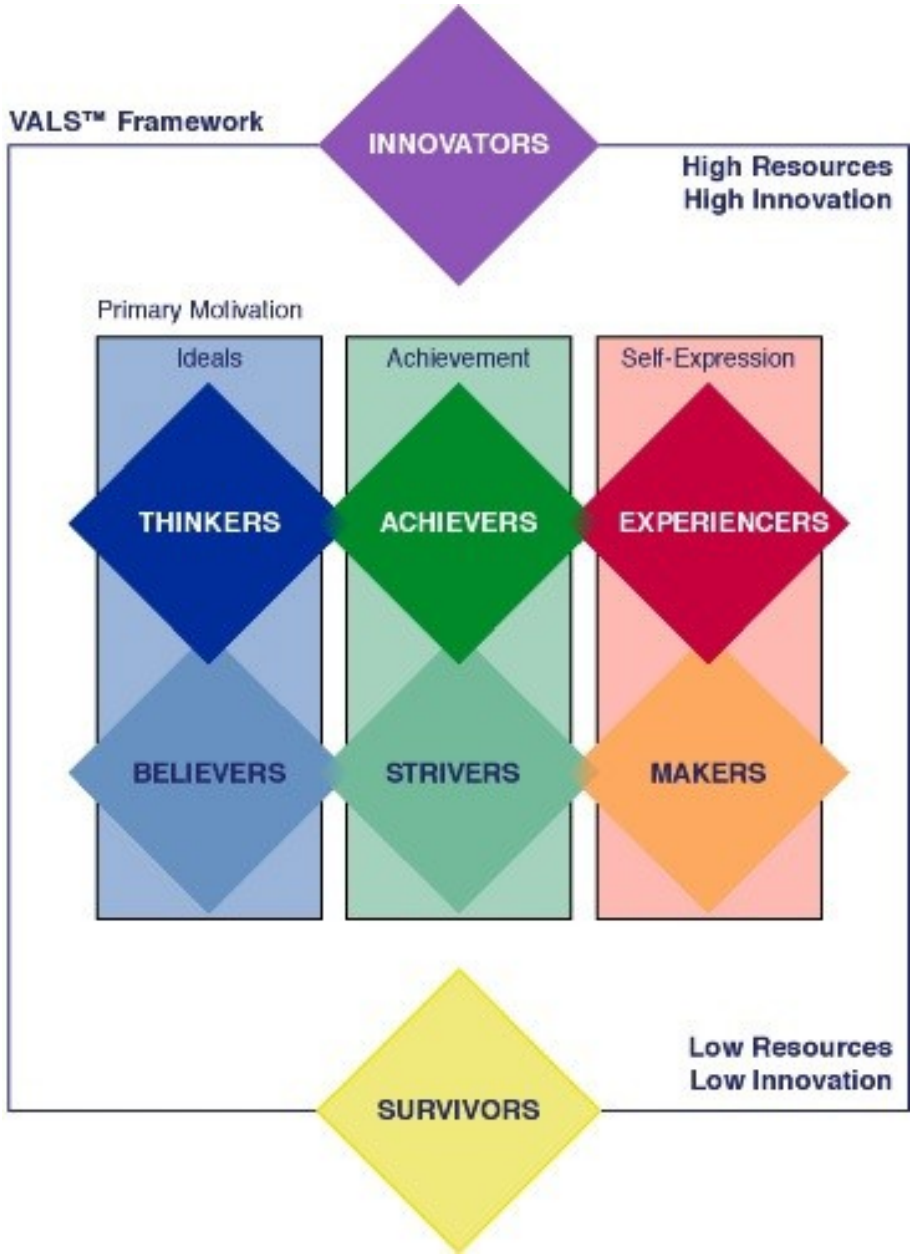
VALS framework

Three primary motivations

Ideals - Consumers driven by knowledge and principles

Achievement - Consumers driven by demonstrating success to their peers

Self-expression - Consumers driven by a desire for social or physical activity, variety, and risk taking



Four groups with higher resources

Innovators - Image is important to them as an expression of taste, independence, and character. Seek relatively upscale, niche-oriented products and services.

Thinkers - They are mature, responsible, well-educated. They seek durability, functionality and value in products.

Achievers – Successful goal oriented people who focus on career and family. Prefer premium products that show success to their peers.

Experiencers – Young, enthusiastic people who seek variety and excitement. Spend more on fashion, entertainment and socializing

Four groups with lower resources

Believers – Conservative, conventional and traditional people with concrete beliefs. Favor local products and established brands.

Strivers – Trendy- and fun-loving people. Favor stylish products that emulate the purchase of those with greater material wealth.

Makers – Practical, down-to-earth, self-sufficient people. They appreciate practical and functional products

Survivors - They are the oldest of all the segments. Within their limited means, they tend to be brand-loyal consumers.

Behavioural segmentation

- Purchase/Usage Occasion – Regular, Special
- Benefit sought – Quality, service, economy, speed, service level, access
- User Status – Non-user, ex-user, potential user, first-time user, regular user
- Usage rate – Light user, heavy user, moderate user
- Loyalty status – None, medium, strong, absolute

  Hard-core loyals, Split loyals, Shifting loyals, Switchers
- Readiness stage – Unaware, aware, informed, interested, desirous, intending to buy
- Attitude towards the product – Enthusiastic, positive, indifferent, negative, hostile
- Adopter status – Early adopter, late adopter, laggard

Bases for segmenting business markets

Demographic

Type of industry

Company size

Location

Operating variables

Technologies

User status – Heavy users, medium users, light users or nonusers

Customer capabilities

Purchasing approaches

Purchasing function organisation: highly centralized or decentralized

Power structure: engineering dominated, financially dominated, etc

Nature of existing relationship

General purchasing policies: On the time payment, leasing, service contract, credit transactions, sealed bidding

Purchasing criteria: Seeking quality or price or service or any of the combinations

Situational factors

Urgency

Specific application

Order size

Personal characteristics

Buyer-seller similarity

Attitude toward risk

Loyalty

Five key effective segmentation criteria

Measurable

Size, purchasing power profile of segment

Substantial

Large and profitable enough to serve

Accessible

Can be effectively reached and served

Differentiable

Segments should be differentiable and respond differently to different marketing mix elements and programs.

Actionable

Effective programs can be formulated for attracting and serving the segments

Targeting

Is the process of identifying and focusing on the segments that are most feasible for the organization.

Target market

Target market consists of set of buyers who share common needs and characteristics that the company decides to target. Target market is a subset of the total market for a product or service.

Steps in segmentation process

1) **Needs-Based Segmentation :** Grouping customers based on similar needs and benefits sought by customers in solving a particular consumption problem
2) **Segment identification:** Based on needs-based segment, determine demographics, usage behaviours , etc that make the segment distinct and identifiable
3) **Segment attractiveness:** Study the over all attractiveness of each segment and based on criterias like size, risk, market growth, competitive intensity and market access.

   Porter’s five force model

   a) Threat of intense segment rivalry

   b) Threat of new entrants

   c) Threat of substitute products

   d) Threat of buyers’ growing bargaining power

   e) Threat of suppliers’ growing bargaining power

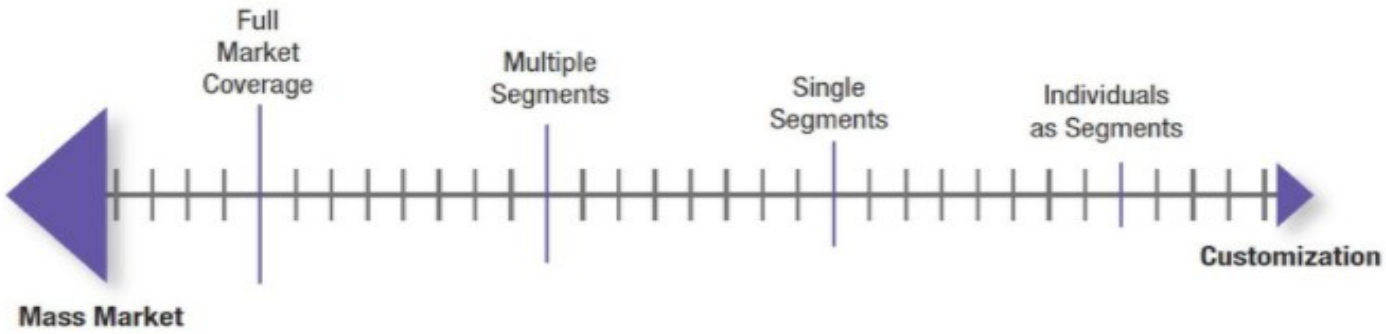
4) **Segment profitability:** Study the profitability of each segment that have been found as substantially attractive for the organisation

5) **Segment positioning:** For each feasible segment, create a value proposition and product-price positioning strategy based on segment’s unique customer needs and characteristics.

6) **Segment acid test:** Testing the attractiveness of each segment’s positioning strategy

7) **Marketing-mix strategy:** Expand the segment positioning strategy to include all the elements of marketing mix.

Possible levels of segmentation



1) Full market coverage

Firm attempts to serve all the customers with all the products they might need.

Undifferentiated/mass marketing – the firm ignores segment differences and goes after the whole market with one offer

Differentiate marketing – Firm sells different products with different marketing mix to different segments

2) Multiple segment specialization

3) Single segment concentration

Firm markets only to one particular segment

Niche – A sub segment under a segment that seeks a distinctive mix of benefits

4) Individual marketing/Customized marketing

THANK YOU

CHAPTER 8: COMPETITIVE DYNAMICS

Firms can be classified by the roles they play in the target market:

Leader – 40% of the market

Challenger – 30% of the market

Follower – 20% of the market

Niche – 10% of the market

Competitive strategies for market leaders

To stay number one the firm must

1) Expand the total market demand
2) Protect the current market share
3) Increase the market share even if market size remains constant

1) Expand the total market demand

- New customers – Attract those who are unaware of the product and those resisting it because of price or lack of certain features
  a) Market penetration strategy
  b) New-market segment strategy
  c) Geographical expansion strategy
- More usage – To increase the amount , level or frequency of consumption
  a) Additional opportunities to use the brand.
  b) Replacement rate
  c) New product uses

2) Protect the current market share

Continuous innovation. The front-runner should lead the industry in developing new products, customer services, distribution effectiveness and cost reduction.

Proactive marketing

A company needs two proactive skills

- Creative anticipation
- Responsive anticipation

Proactive firms are

- Ready to take risks and make mistakes
- Have a vision of the future and of investing in it
- Have the capabilities to innovate
- Are flexible and non-bureaucratic
- Have managers who think proactively

Defensive marketing strategies

Position defense – Occupying the most desirable image in consumers' minds, making the brand almost impregnable.

Flank defense - Market leader in addition to position defense but also puts up an outpost to defend the weak front or to act as a counter invasion base.

Preemptive defense - A more aggressive maneuver is to attack before enemy starts its offense. Hitting one competitor here, another there and keep every one off balance. Detect potential attacks and attack the enemies first.

Counteroffensive defense - Responding to competitor's attack by identifying the attacker's weakness and then launch a counter attack so that competitor will pull back to defend itself.

Mobile defense – By market broadening or/and market diversification

Contraction defense - Withdraw from the most vulnerable segments and redirect resources to those that are more defendable by planned contraction or strategic withdrawal

3) Increasing the market share

- The possibility of attracting legal action for violating the competition Act or Antitrust law
- Economic cost
- The danger of pursuing the wrong marketing activities
- The effect of increased market share on actual and perceived quality

Market challenger strategies

The market challengers’ strategic objective is to gain market share and to become the leader eventually

- By attacking the market leader

- By attacking other firms of the same size

- By attacking smaller firms

Choosing a general attack strategy

Frontal attack: In a pure frontal attack, the attacker matches its opponent’s product, advertising, price, and distribution. A modified frontal attack, such as cutting price can work if the market leader does not retaliate.

Flank attack: Attack the enemy at its weak points or blind spots. Ideal for challenger who does not have sufficient resources. An enemy’s weak spots are natural targets. A flank attack can be directed along two strategic dimensions- geographic and segmental.

Encirclement attack: Attack the enemy at many fronts at the same time. Ideal for challenger having superior resources

Bypass attack: By diversifying into unrelated products or markets neglected by the leader. Can help overtake the leader by using new technologies. The most indirect assault strategy is the bypass. It means bypassing enemy and attacking easer markets to broaden one's resource base. This strategy offers three lines approach: diversifying into unrelated product, entering new geographic markets, leapfrogging into new technologies to supplant existing products.

Guerrilla attack: By launching small, intermittent hit-and-run attacks to harass and destabilize the leader. These include selective price cuts, promotional blitzes, and occasional legal action, etc.

Market-follower strategies

1) Counterfeiter – Duplication of the leader's products and packages and sells it on black market or through disreputable dealers.
2) Cloner – Emulates the leader’s products, name and packaging with slight variations
3) Imitator – Copying some things from the leader but differentiates packaging, advertising, pricing or location
4) Adapter – The adapter takes the leader’s products and adapts or improves them.

Market-Nicher strategies

- Avoid directly competing with larger firms by targeting small markets of little or no interest to larger firms.
- Sometimes large profitable firms can also venture into niche market which can be a threat for smaller niche firms
- Return on investments for businesses in smaller markets exceeds that in larger markets on an average
- Nicher receives higher margins, mass marketer achieves high volume. The company is then
- Three main tasks of nichers: creating niches, expanding niches and protecting niches.
- Multiple niching over single niching

Product Life Cycles

Product Life Cycle is the sequence of stages that a product progresses through until it reaches the stage where it is finally abandoned or discontinued from the market.

To say a product has a life cycle is to assert four things

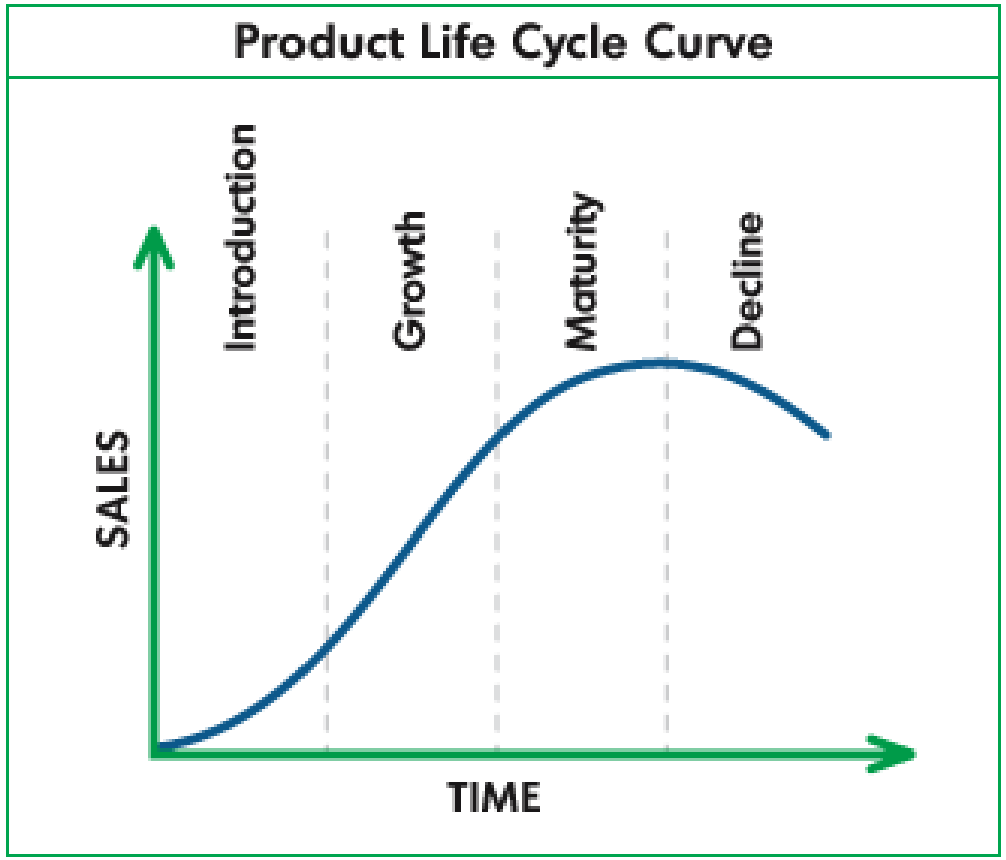
1) Products have a limited life
2) Product sales pass through distinct stages, each posing different challenges, opportunities and problems to the seller
3) Profits rise and fall at different stages of product life cycle
4) Products require different kind of strategies in during different stages

Introduction – Product is introduced to the market

Growth – A period of rapid market acceptance and substantial profit improvement

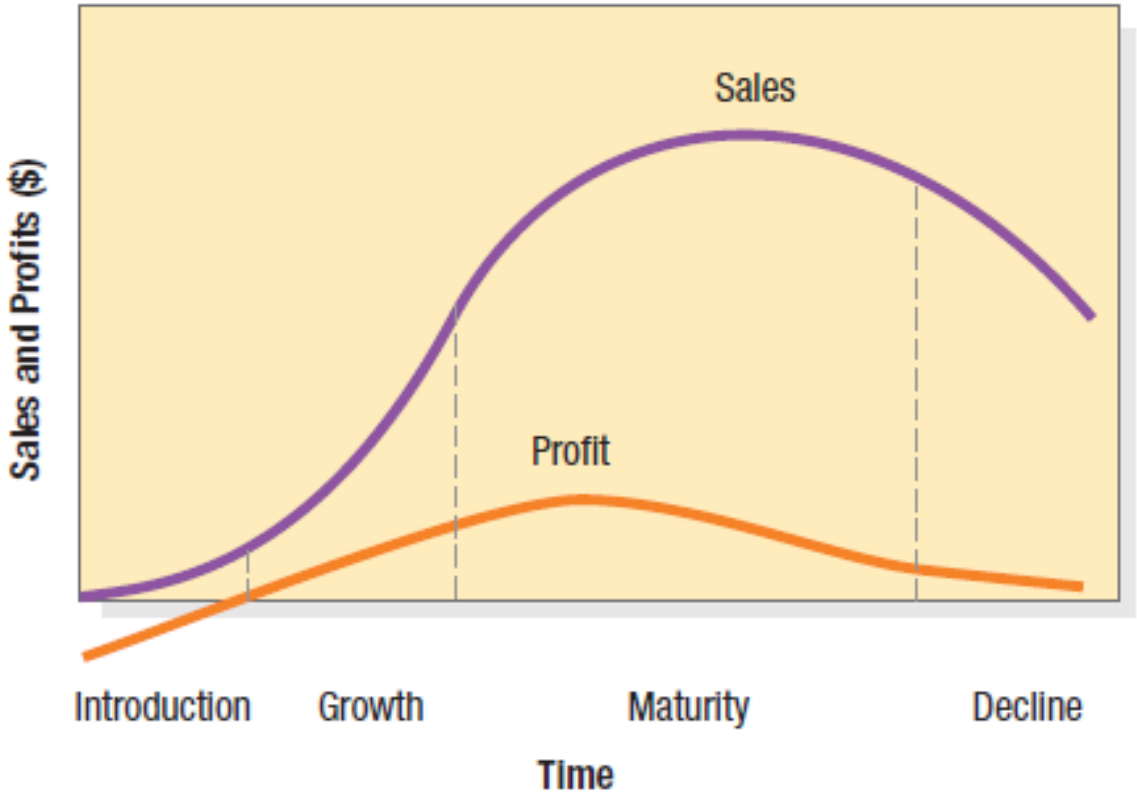
Maturity - Reaches to the peak and beginning of slight decline at the later part of this stage

Decline – Downward drift of sales



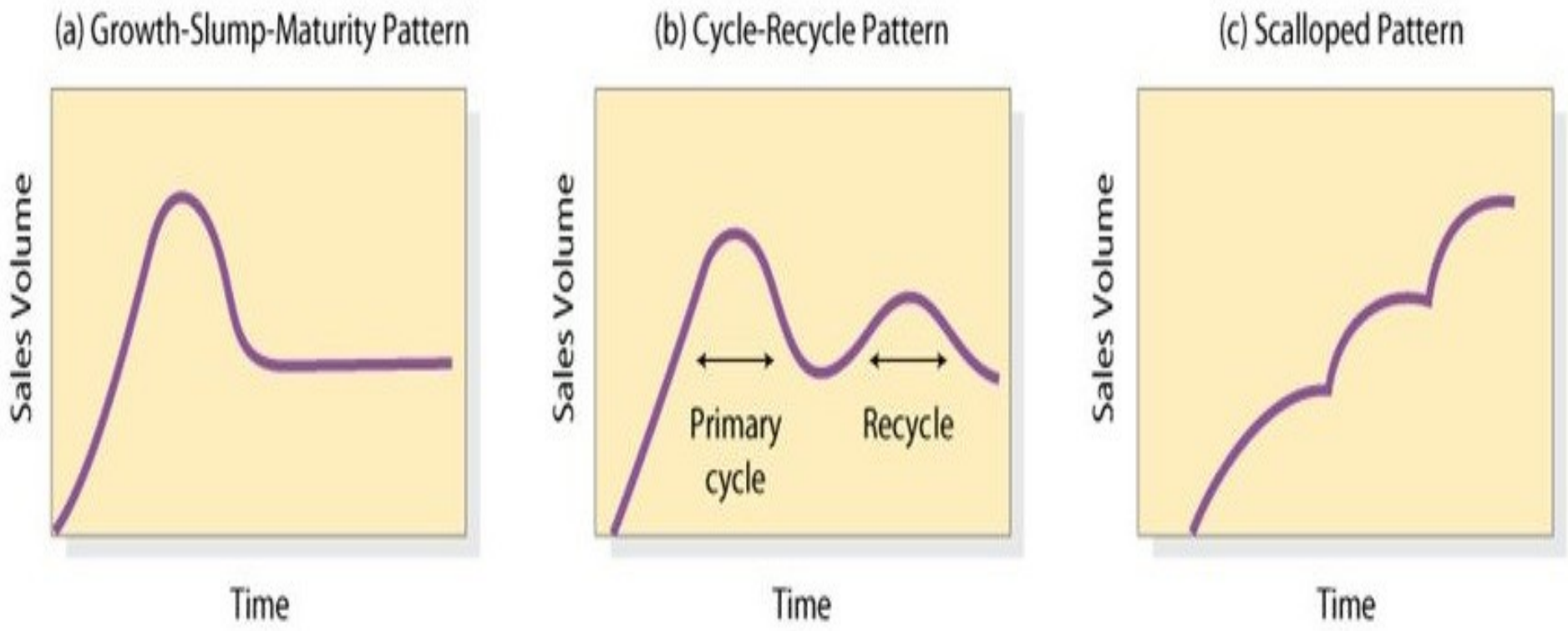
	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapid rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing objectives	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand

Sales and Profit Life Cycles

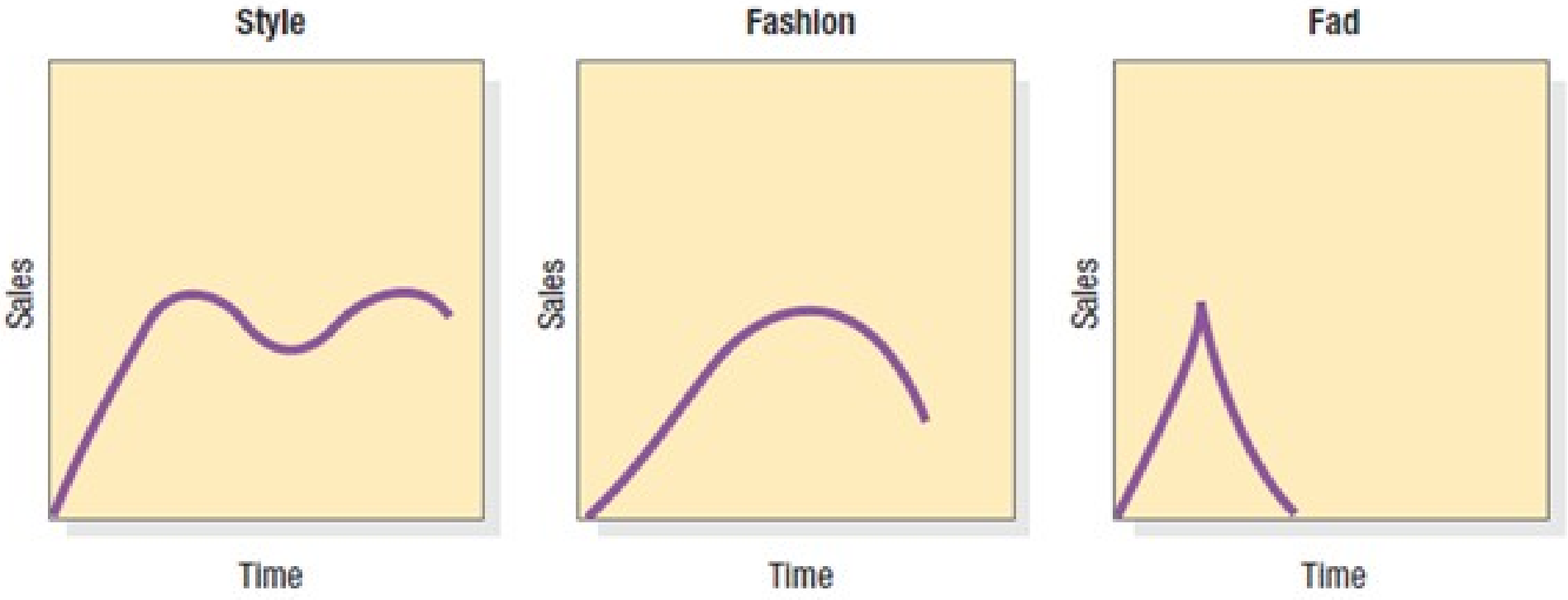


	Introduction	Growth	Maturity	Decline
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Product modification, diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build intensive distribution	Go selective: phase out unprofitable outlets
Communications	Build product awareness and trial among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits and encourage brand switching	Reduce to minimal level needed to retain hard-core loyals

Exceptional alternate patterns



Style, Fashion and Fad lifecycles



Criticism of Product Life Cycles

1) Shape of the curve need not be the same always
2) Differences in the length of the stages
3) Patterns may not apply to all global markets
4) Competitor reaction is not always predictable
5) Impact of other external forces
6) Stages always need not follow the same pattern
7) Difficulty in prediction

Thank you

CHAPTER 9: CRAFTING THE BRAND POSITIONING

Positioning

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

The result of positioning is the successful creation of a customer-focused value proposition.

Eg – Mahindra Scorpio

Target customers – Customers interested in lifestyle products

Benefits – Ruggedness, Luxury and comfort

Value Proposition – A vehicle that provides the luxury and comfort of a car and the adventure and thrill of an SUV

Determining a competitive frame of reference

Competitive frame of reference defines which other brands a brand competes with and therefore which brands should be the focus of competitive analysis.

Decisions about the competitive frame of reference are closely linked to target market decisions.

1) Identifying competitors

- Category membership - Product or set of products which a brand competes and which function as substitute.
- Competition can be examined from both the industry and market point of view
- Using the market approach, we define competitors as brands/companies that satisfy the same customer need.

2) Analyzing the competitors

Identifying optimal Points-of –Difference and Points-of-Parity

Points of difference - Attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand. That is points where the brands claim the superiority or exclusiveness over other brands on the category.

Three criteria determine whether a brand association can truly function as a point-of-difference

- Desirable to consumer: Consumers must see the brand association as a personally relevant to them
- Deliverable by the company: The company must have the internal resources and commitment to feasibly and profitably create and maintain the brand association in the minds of the consumers
- Differentiating from competitors: Finally consumers must see the brand association as distinctive and superior to relevant competitors

Points of parity

Attribute benefit or associations that are not necessarily unique to the brand but may be shared with other brands.

Category POPs are perceived obligation characteristics a brand has to provide to exist in a specific category.

Competitive POPs are associations designed to overcome perceived weakness of the brand. It may be required to either:

- Negate competitors perceived points of difference
- Negate perceived vulnerability of the brand as a result of its own points of difference.

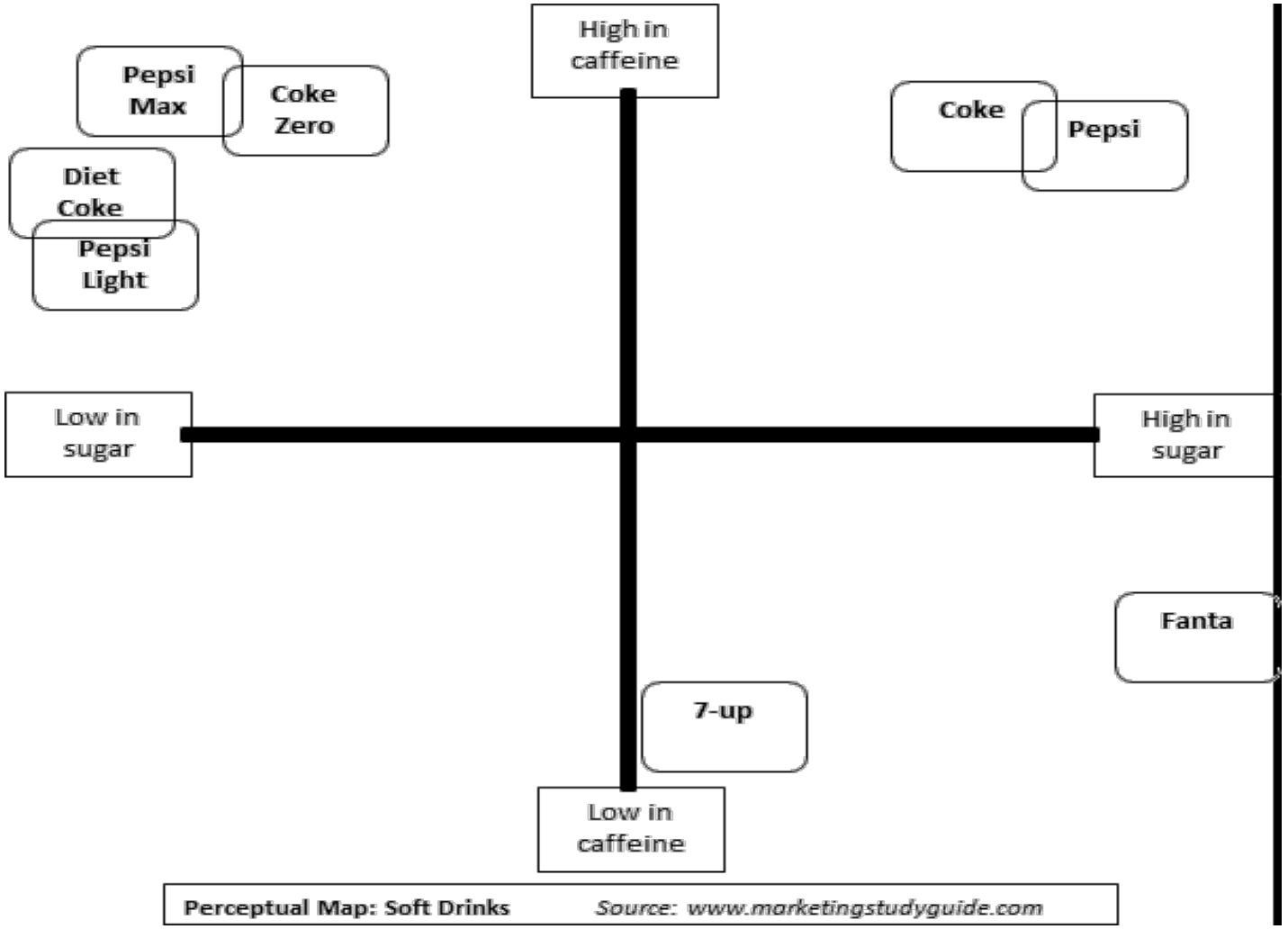
Straddle positioning

In straddle positioning, the marketers use the blend of POP (points of parity) and POD (points of difference) to arrive at the categories for which they are positioning their products. Here, the POD for one category becomes POP for the other and vice-versa.

Example, In the case of **Scorpio**, it came with the dual positioning as luxury as well as the adventure that helped the marketers to gain dual benefit in case of a luxury segment as well as in the adventure segment. In the case of the luxury segment, the luxury is POP and the adventure is POD and for the adventure segment, luxury is POD and the adventure is POP.

Perceptual maps

Perceptual maps are visual representations of consumer perceptions and preferences. They provides quantitative portrayals of market situations and how consumers view different products, service and brands.



Brand Mantras

A brand mantra is an articulation of the heart and soul of the brand and is closely related to other brand concepts. It is a short statement that expresses the core of what that brand represents or the image it seeks to project.
A brand mantra phrase/statement is often just three to five words.

It’s purpose is to ensure that all employees in the organization and all the external marketing partners understand what the brand fundamentally is. They can provide guidance about what products to introduce under the brand, what ad campaigns to run, where and how to sell the brand. Example Nike – “authentic athletic performance”.

A brand slogan/tagline is external manifestation or translation to creatively engage the consumers. A brand slogan/tagline is external manifestation or translation to creatively engage the consumers. Example, Nike – “Just Do It”.

Three criteria for a brand mantra:

1) Communicate: A good brand mantra should define the category of business for the brand and set the brand boundaries. It should also carify what is unique about the brand.

2) Simplify: Brand mantra should be short, crisp, vivid in meaning and memorable.

	Emotional Modifier	Descriptive Modifier	Brand Functions
	Authentic	Athletic	Performance
	Fun	Family	Entertainment
	Fun	Family	Food

Establishing brand positioning

Two approaches in establishing a brand positioning:

1) Category membership

Brands may be required to establish category membership for their brand. To tell consumers that they are part of a certain category

Communicating category membership - Three ways to convey brand’s category membership:

a) Announcing category benefit - Fundamental reason for using a category
b) Comparing to exemplars - Well-known brands used to specify category membership
c) Relying on the product description

2) POPs and PODs

Communicating POPs and PODs .

Negatively correlated attributes and benefits such as Low price vs. high quality ,Taste vs. low calories.

Consumers want to maximize both of the negatively correlated attributes or benefits. e.g. Philips – Sense and simplicity

Differentiation strategies

Differentiation strategy, as the name suggests, is the strategy that aims to distinguish a product or service, from other similar products, offered by the competitors in the market. It entails development of a product or service, that is unique for the customers, in terms of product design, features, brand image, quality, or customer service.

Competitive advantage is Company's ability to perform in one or more ways that competitors can not match.

For a brand to be effectively positioned, however, customers must see any competitive advantage as customer advantage.

Means of differentiation

Employee differentiation: to train employs who provide superior customer services.

Channel differentiation: to design distribution channel's coverage, expertise and performance more effectively to make product easily available.

Image differentiation: to craft powerful, compelling images according to consumer's social and psychological needs.

Services differentiation: to design better and faster delivery system that provides more effective and efficient solutions to consumer. Three levels: I. Reliability II. Resilience III. Innovativeness

Product differentiation: To have an edge over the competitors, a company can offer innovative products to its customers that best fulfils their requirements.

Price differentiation: Different type of pricing strategy

Emotional branding - refers to the practice of building brands that appeal directly to a consumer's emotional state, needs and aspirations.

Thus, a company has to

- decide which emotion it wants to target in its audience
- encourage customers to reach the desires emotionally bonded state: what the customers want, need and aspire
- create consistent communications centered on customers' emotional needs.

Brand narratives and story telling – Rather than outlining specific attributes or benefits, positioning of a brand is told through a narrative or story

Brand journalism - Brand journalism involves telling journalism- style stories about a company that make readers want to know more, stories that don't read like marketing or advertising copy.

THANK YOU

CHAPTER 10: CREATING BRAND EQUITY

A brand is a “name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.” :-American Marketing Association

The role of brands

- Identify the maker/source of the product
- Distinguishes from the competitors
- Simplify product handling
- Organize accounting
- Offer legal protection
- Emotional and trust based connection with consumer
- Simplifies the decision making for the customers
- Establish barriers to entry
- Signifies quality
- Helps to secure price premium

Branding is endowing products and services with the power of a brand. Branding is the process of creating a relationship or a connection between a company's product and emotional perception of the customer for the purpose of generating segregation among competition and building loyalty among customers.

Brand name gives a unique identity to the goods and services of a particular seller and can be easily differentiated from the other brands available in the market. Such as Tata Salt, Usha Fans, Nike, etc.

Brand mark is the part of the brand that appears in the form of a symbol, logo, design, shape or distinctive coloring which can be recognized only through the site and cannot be pronounced.

Trade Mark: When the brand name and the brand mark are given the legalized protection such that no other firm can use it for its product then it becomes a trademark.

Patents: The Patents are the legal protection given to the new inventions pioneered by any business. Any firm can get its inventions such as new process, new product or the new machine patented so that an exclusive right to use it is obtained solely by the inventor. The patent confers the right to the inventor to use the new technology while prohibits the unauthorized persons for a fixed number of years from making the commercial use of the technological invention.

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

Customer-based brand equity (CBBE) is used to show how a brand's success can be directly attributed to customers' attitudes towards that brand. The brand is viewed from the perspective of the customer. The power of the brand lies in what customers have seen, read, heard, learned, thought and thought about the product over time.

A brand is said to have positive customer brand equity when consumers react favorably to a product and a brand is said to have negative customer brand equity when consumers react unfavorably to a product in the same circumstance.

BRAND EQUITY MODEL

- Brandasset valuator Model
- Aaker model
- Brandz Model
- Brand resonance Model

Brandasset valuator model

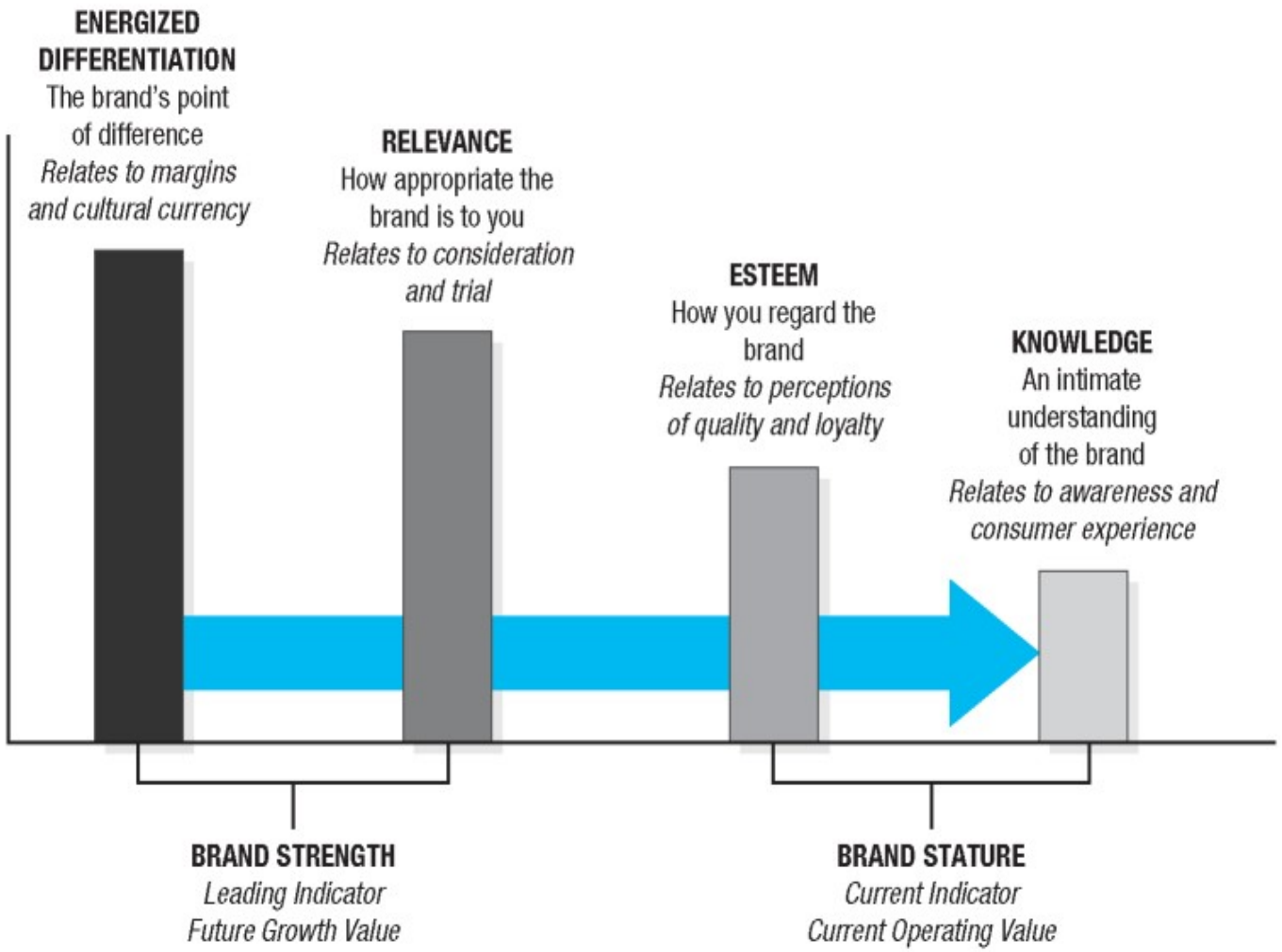
- Developed by Advertising agency Young and Rubicam(Y&R)
- According to BAV there are four pillars of brand equity:-

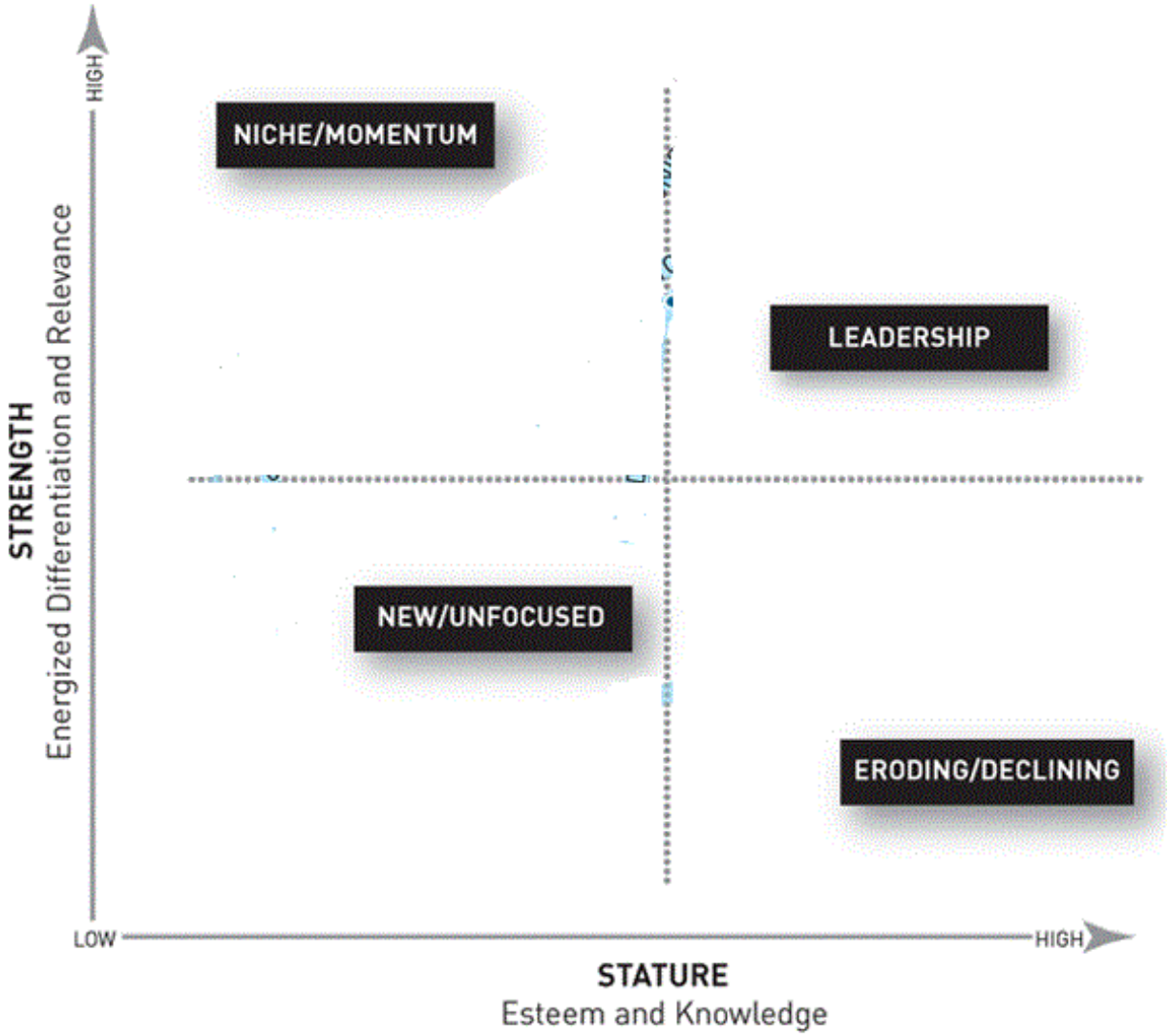
  Energizerd differentiation

  Relevance

  Esteem

  Knowledge




HIGH
STRENGTH
Energized Differentiation and Relevance
NICHE/MOMENTUM
LEADERSHIP
NEW/UNFOCUSED
ERODING/DECLINING
LOW
HIGH
STATURE
Esteem and Knowledge

Brandz Model

Developed by marketing research consultants Millward and WPP.

As per this model brand building involves series of steps

Aaker Model

Developed by David Aaker

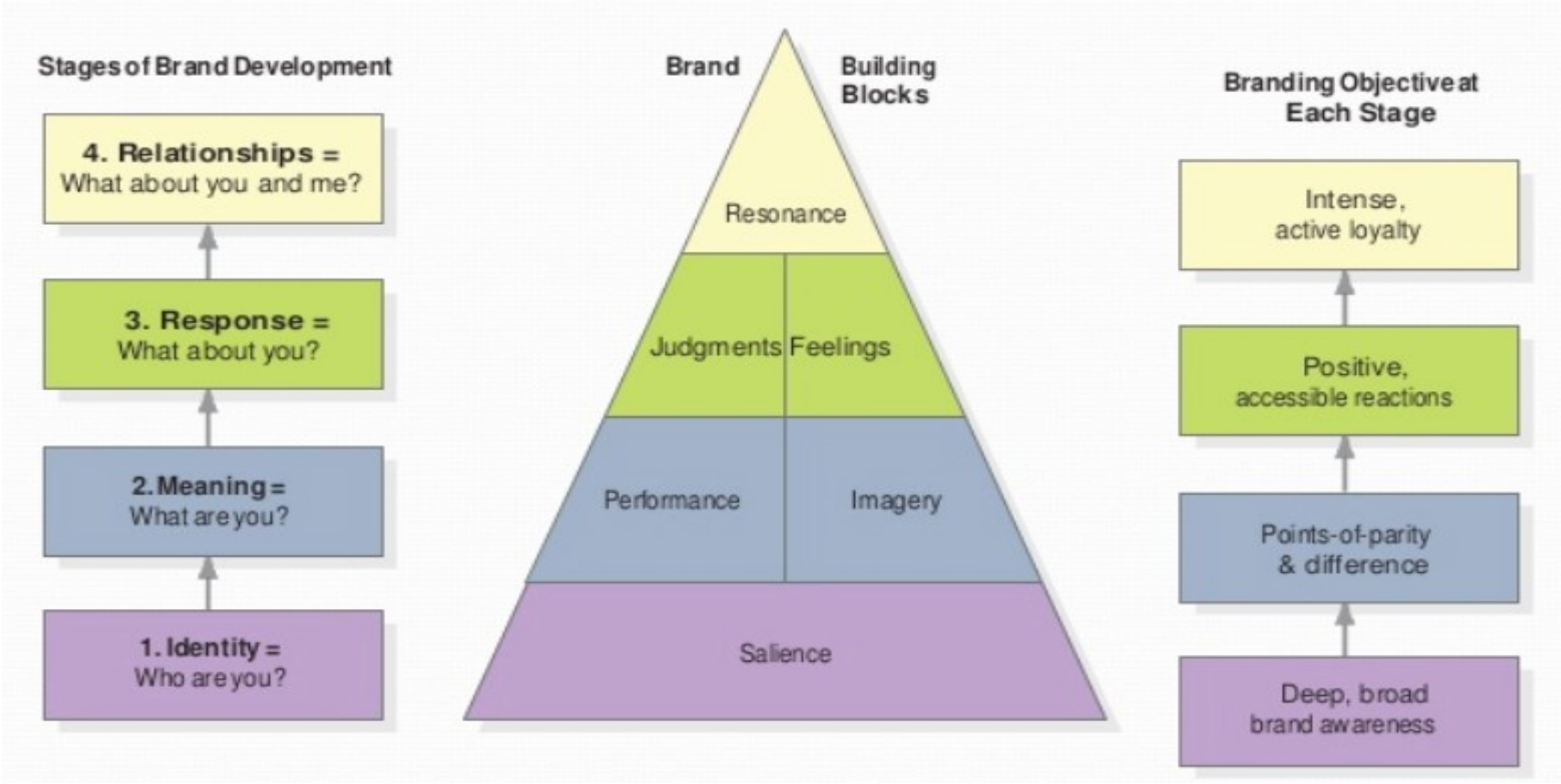
There are a set of five categories of brand assets and liabilities which add value to the product.

- Brand awareness
- Brand loyalty
- Perceived quality
- Brand associations
- Other proprietary assets

Brand resonance model

Developed by - Kevin Lane Keller

The brand resonance model also views brand building as an ascending series of steps, from bottom to top



Brand salience is how often and how easily customers think of the brand under various purchase or consumption situations.

Brand performance is how well the product or service meets customers’ functional needs.

Brand imagery describes the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers’ psychological or social needs.

Brand judgments focus on customers’ own personal opinions and evaluations.

Brand feelings are customers’ emotional responses and reactions with respect to the brand.

Brand resonance describes the relationship customers have with the brand and the extent to which they feel they’re “in sync” with it.

Building Brand Equity

From a marketing management perspective, there are three main sets of brand equity drivers:

1. The initial choices for the brand elements or identities making up the brand (brand names, URLs, logos, symbols, characters, spokespeople, slogans, jingles, packages, and signage)
2. The product and service and all accompanying marketing activities and supporting marketing programs
3. Other associations indirectly transferred to the brand by linking it to some other entity (a person, place, or thing)

Choosing Brand Elements

Brand elements are devices, which can be trademarked, that identify and differentiate the brand

Brand element choice criteria

1) Memorable – How easily do the consumers recall and recognize the brand element?
2) Meaningful – Are brand name, logo, tagline, etc meaningful to the category in which they belong to?
3) Linkable – How aesthetically appealing is the brand element?
4) Transferable – Can the brand element introduce new products in the same or different categories?
5) Adaptable – How adaptable and updatable is the brand element?
6) Protectable – How legally protectable is the brand element?

The first three—memorable, meaningful, and likable—are “brand building.” The latter three—transferable, adaptable, and protectable—are “defensive” and help leverage and preserve brand equity against challenges.

airtel

Designing Holistic Marketing Activities

Brand contacts - A brand contact is any information-bearing experience, whether positive or negative, a customer or prospect has with the brand, its product category, or its market.

Integrated marketing - is the process of aligning all of the various promotional mix elements (advertising, salesmanship, public relations, etc) and marketing elements used to communicate with your target market and customers. Is about mixing and matching these promotional activities to maximize their individual and collective effects.

Internal branding - Internal branding consists of activities and processes that help inform and inspire employees about brands. When employees care about and believe in the brand, they're motivated to work harder and feel greater loyalty to the firm. Some of the important principles of internal branding are:

a) Choose the right moment

b) Link internal and external marketing – The internal and external messages must match

c) Bring the brand alive for employees

Brand communities

A brand community is a specialized community of consumers and employees whose identification and activities focus around the brand.

Brand communities can arise organically from the brand users. While others are company sponsored and facilitated.

Benefits of a strong brand community

- Leads to increase in customer loyalty and committed customer base
- Companies can get feedback from the customers
- Companies can get new ideas for improvements or innovations
- Online customer service
- Knowledge sharing by expert users
- Shared product experience
- Improved collaboration

MEASURING BRAND EQUITY

Inorder to effectively measure brand equity, marketers need to fully understand:

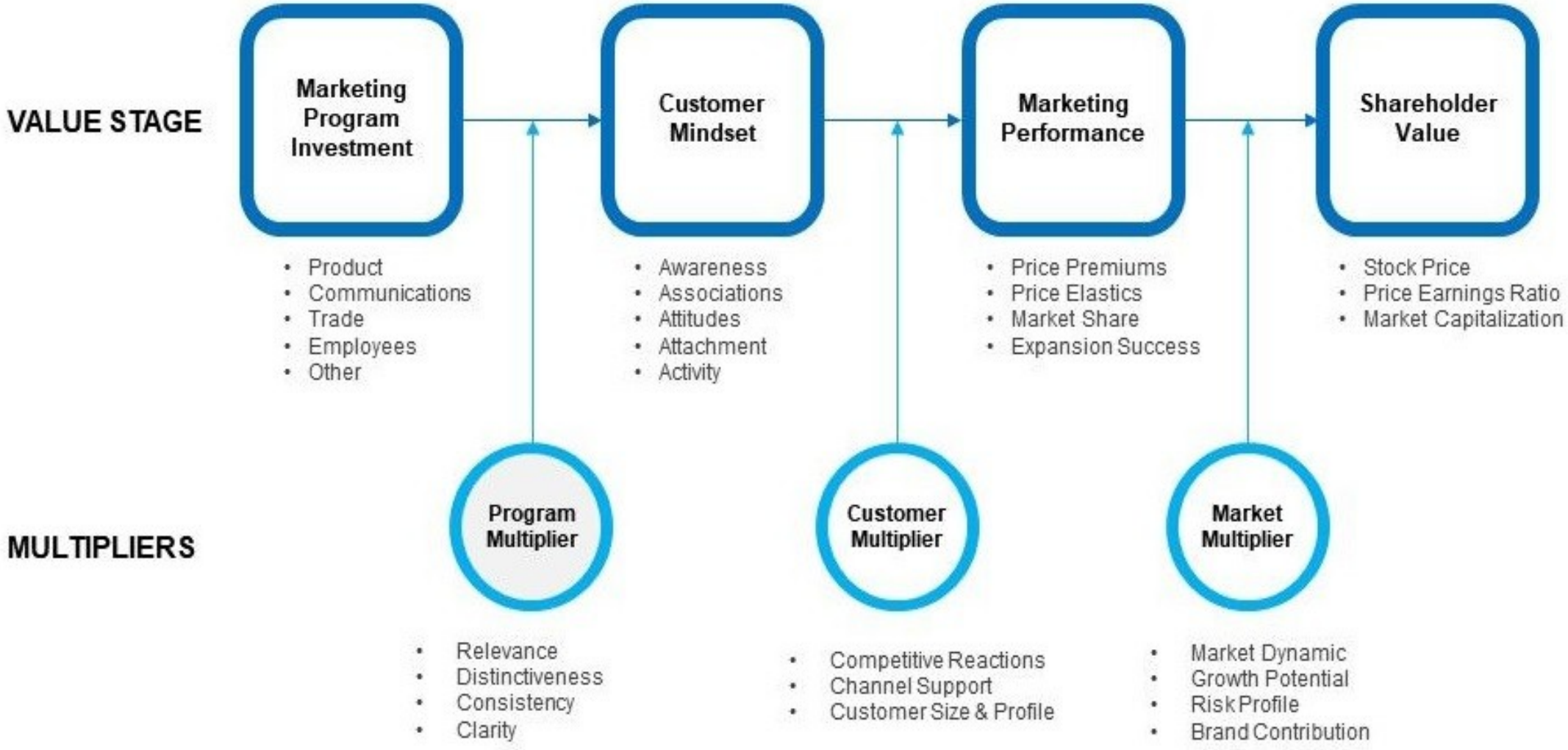
1) The sources of brand equity and how they affect outcomes of interest. This is studied mainly through brand audit

2) How these sources and outcomes change over a period of time. This is studied mainly through brand-tracking studies

Brand Audit is a meticulous and careful study and an examination of the brand's current position in the market, consumers' mind, and the industry as a whole as compared to its competitors. It is the review of the brand's effectiveness and helps to determine its strengths, weaknesses, opportunities for further development and evolvement and come up with the corrective measures if there are any inconsistencies that can harm the brand in future.

Brand-tracking studies collect quantitative data from consumers over a period of time to provide consistent, baseline information about how brands and marketing programs are performing. Tracking studies helps to understand where, how much and in what ways brand value is being created. This helps in day to day basis.

Brand Value chain: is a structured approach to assessing the sources and outcomes of brand equity and the manner in which marketing activities create brand value



Managing brand equity

Brand Reinforcement

The Brand Reinforcement majorly focuses on maintaining the Brand Equity by keeping the brand alive among both the existing and new customers. This can be done through consistently conveying the meaning of brand in terms of:

What are the products under the brand? What are its core benefits and how it satisfies the demand?

How is the brand different from other brands? How it enables a customer to make a strong, unique and favorable association in their minds?

Brand revitalisation

Brand revitalization is a strategic process initiated for improving the existing brand to meet the changing demands and requirements of the consumers in the evolving market. It is a corrective measure applied when the business or the product is at the maturity or decline stage (alarming phase) of its life cycle and is on the verge of becoming obsolete.

Devising a branding strategy

A firm’s branding strategy—often called the brand architecture—reflects the number and nature of both common and distinctive brand elements. Deciding how to brand new products is especially critical.

A firm has three main choices:

a) It can develop new brand elements for the new product.

b) It can apply some of its existing brand elements.

c) It can use a combination of new and existing brand elements.

The **Brand Extension** is the marketing strategy wherein a new product is launched under the existing brand name. The category in which product is launched may be related or unrelated to the brand’s current category. The brand that gives rise to a new product under its name is called **“The Parent Brand”**.

Sub-brand: When marketers combine a new brand with an existing brand.

Line extension – The parent brand launches a new product within a product category

Category extension – The parent brand enters into a different product category

Brand line – consists of all products – original as well as line and category extensions sold under a single brand

Brand mix – Set of all brand lines under a company.

<u>Alternative branding strategies</u>

Individual or separate family brand names (House of brands)

Corporate umbrella or company brand name (Branded house)

Sub-brands

Brand Portfolios

The **Brand Portfolio** refers to an umbrella under which all the brands or brand lines of a particular firm functions to serve the needs of different market segments. In simple words, brand portfolio encompasses all the brands offered by a single firm for sale to cater the needs of different groups of people.

Flanker Brand: A Flanker Brand also known as a Fighter Brand is a new brand launched in a market by the company in the same category wherein an established brand is already positioned. This is primarily done for the increased market share as well as to cater to the need of all the segments of customers.

Cash Cow Brands: Cash cow brands are those brands in the brand portfolio that has reached the maturity level but is able to bring in profits necessary for its survival. These brands are not removed from the market because necessary cash is flowing in through its sale which is better than incurring heavy cost on the launch of a new product.

Low-End Entry Level Brand: A low Entry Brand in a brand portfolio includes the product which is offered at less price. The low priced product is added to the portfolio to ensure the purchase at least once and bring the customer into the brand family. Once the customer becomes a part of the family, he is then persuaded for the purchase of the higher-priced product in near future.

High-End Prestige Brand: A High-End Prestige Brand in the brand portfolio is the product offered at a high price with the intention of creating a sense of prestige in the minds of customers. Other brands in the portfolio also get the recognition because of the premium brand and its quality do have a halo effect

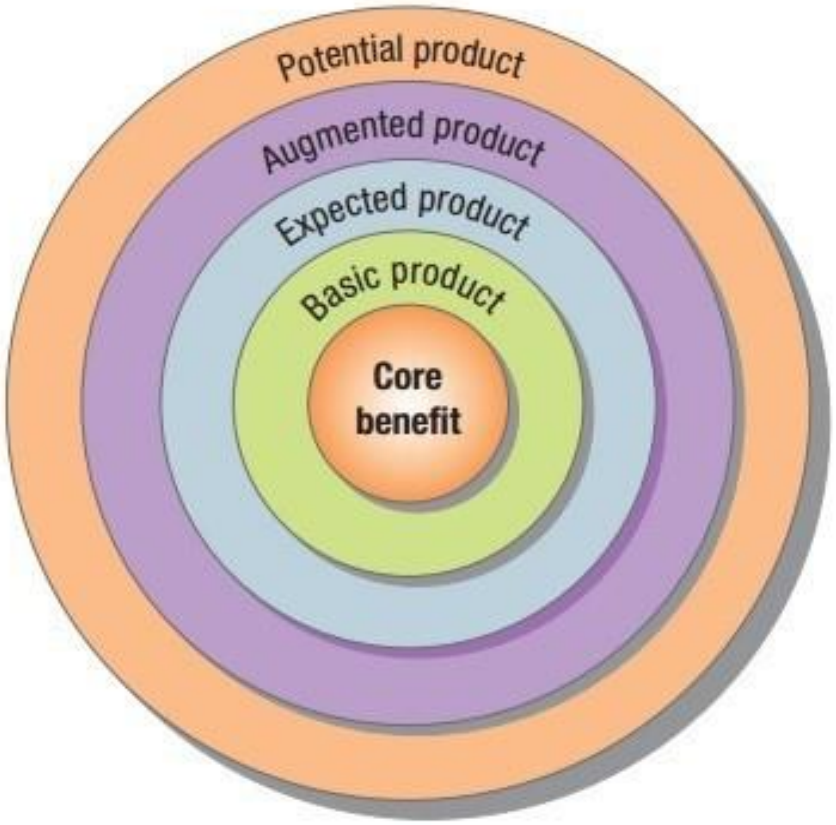
THANK YOU

CHAPTER 11: SETTING PRODUCT STRATEGY

Product is anything that can be offered to a market that might satisfy a want or need.

Product levels: The customer value hierarchy

1) Core benefit: The benefit or the service a customer is really buying. Example - A hotel guest buying a hotel room on rent for rest and sleep.
2) Basic product: Marketer must turn the core benefit into a basic product. Example – A hotel room includes bed, bathroom, towels, etc.
3) Expected product: A set of attributes and conditions buyers normally expect when they purchase a product. Example – Hotel guest expecting clean bed, clean bathroom, Fresh towels, etc.
4) Augmented product: Products that exceeds customer expectations. Example – Breakfast starting time much before the timing that most of the customers expect.
5) Potential product: When companies search for new ways to satisfy customers and distinguish their offering.



PRODUCT CLASSIFICATIONS

On the basis of durability and tangibility

1) Non-durable goods: Tangible goods normally consumer in one or few uses. Product's usage period is not much lengthy.
2) Durable goods: Tangible goods that survive despite many usage and survives for a longer period.
3) Services: Is an act or performance one party can offer to another that is essentially intangible and does not result in ownership of anything.

Classification of consumer goods

1) Convenience goods: Goods that the consumers purchase on a regular basis, immediately with minimal comparisons

   - Staples : Goods consumers purchase on a regular basis (Toothpaste, soap, etc).
   - Impulse Goods: Purchased without any planning or search efforts (Newspapers)
   - Emergency Goods: Are purchased when a need is urgent (umbrellas during a rainstorm).

2) Shopping goods: Compared on bases as ability, price, quality & style. Are purchased on infrequent basis.

   - Homogeneous shopping goods: Are similar quality but different enough in price to justify shopping comparisons.
   - Heterogeneous shopping goods: Differ in product features & services that maybe more important than Price.

3) Specialty goods: Goods with unique characteristics or brand identification for which a significant group of buyers are willing to make a special purchase effort
4) Unsought goods: Goods that consumers usually do not know about or normally think of buying.

<u>Classification of industrial goods</u>

1) Materials & Parts: Goods that enter the manufacturer's product completely.
   a) Raw materials
   b) Manufactured materials and parts
   - Component materials: Further processing/modifications are done
   - Component parts: Enter the finished goods without any further change in form
2) Capital Items: Long-lasting goods that facilitate developing or managing the finished product.
3) Supplies and Business Services: Short-term goods and services that facilitate developing or managing the finished product.
   a) Supplies
      - Maintenance and repair items
      - Operating supplies (oil, lubricants, papers, pens, etc)
   b) Business services
      - Maintenance and repair services
      - Business advisory services (legal services, management consulting services, etc)

PRODUCT DIFFERENTIATION (Mainly about goods differentiation)

- **Form** - Size, shape or physical structure of a product helps in differentiating it from others.
- **Features** - Most products can be offered with varying features that supplement their basic function.
- **Customization** - Companies have increased their ability to individualize market offerings, messages and media.
- **Performance quality** - The level at which the product's primary characteristics operate.
- **Durability** - A measure of the product's expected operating life under natural or stressful conditions.
- **Conformance quality** - The degree to which all the produced units are identical and meet promised specifications.
- **Reliability** - Measure of the probability that a product will not malfunction or fail within a specified time period.
- **Repairability** - Measures the ease of fixing a product when it malfunctions or fails.
- **Style** - Describes the product's look and feel to the buyer. It creates distinctiveness that is hard to copy.

SERVICES DIFFERENTIATION

When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality.

Bases of Service Differentiation:

Ordering ease - Refers to how easy it is for the customer to place an order with the company.

Delivery - Refers to how well the product or service is brought to the customer. Includes speed , accuracy and care throughout the process.

Installation - Refers to the work done to make a product operational in its planned location.

Customer training - Helps the employee's customers use the vendor's equipment properly and efficiently.

Customer consulting - Includes data , information systems and advice services the seller offers to buyers

Returns - It is an unavoidable reality of doing business these days, especially with online purchases.

Maintenance and repair - Help customers keep purchased products in the good working order.

Design

Design is the totality of features that affect how a product looks , feels and functions to a customer.

For a company, a well-designed product is easy to manufacture and distribute. To the customer, a well-designed product is pleasant to look at and easy to install , use and repair.

Design can shift consumer perceptions to make brand experiences more rewarding.

Well-designed features can help differentiate a product from others in the market.

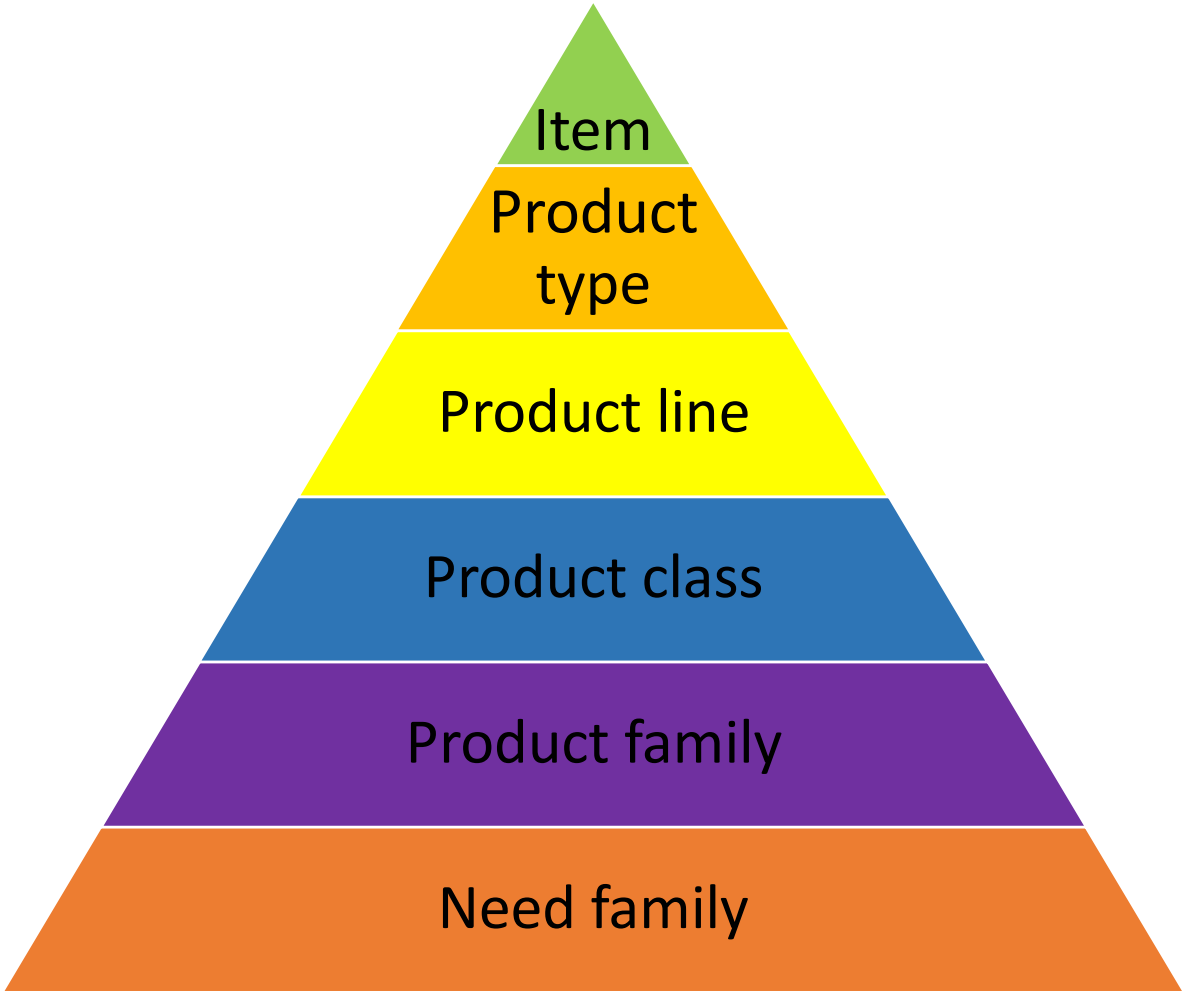
Design should penetrate all aspects of the marketing program so that all the design aspects can work together.

Design thinking: Is a formal, structured processes and very much data-driven approach with three phases: observation, ideation and implementation. Design thinking requires intensive ethnographic studies of consumers involves creative brainstorming sessions and requires collaborative teamwork to bring ideas to reality.

Product hierarchy

The product hierarchy - The product hierarchy stretches from basic needs to particular items that satisfy those needs.

1) Need family – The core need that underlies the existence of a product family. Example – Cooking
2) Product family – All product classes that satisfy a core need. Example – Cooking utensils
3) Product class – A group of products in a product family that have a certain functional coherence. Example – Boiling utensils
4) Product line – Is group of products within a product class closely related because of similar function, targeted at same groups, etc Example – Cooker
5) Product type – A group of items within a product line that share one of several possible forms of products. Example – Non-stick cooker
6) Item – Prestige omega non-stick cooker



PRODUCT MIX

Product mix or product assortment refers to the set of all products and items that an organisation offers for sale.

An organisation's product mix has following four dimensions :-

Width of a product mix

The width of an organisation's product mix pertains to the number of product lines that the organisation is offering.

Length of a product mix

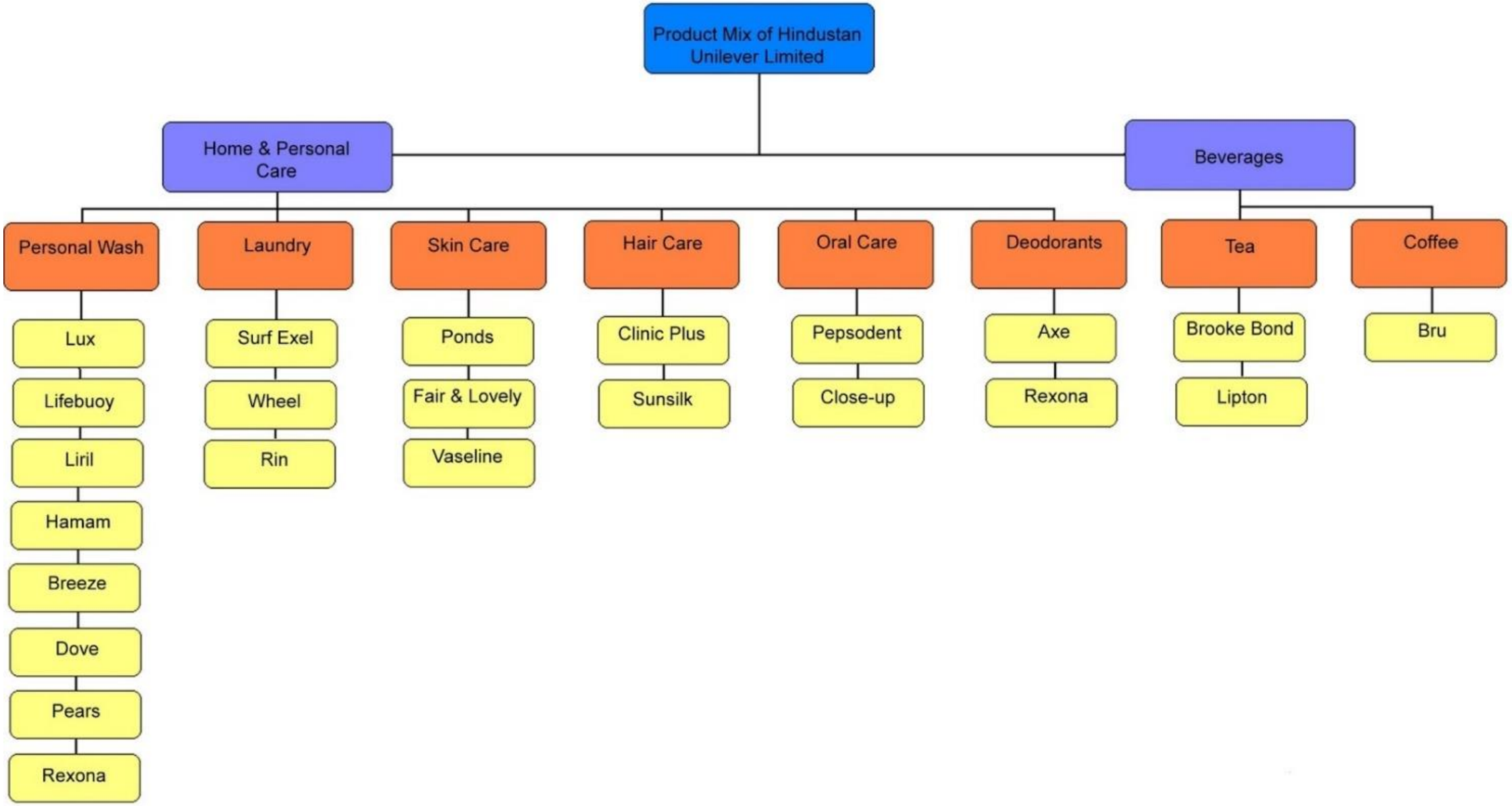
The length of an organisation's product mix pertains to the total number of brands or items in the product mix.

Depth of a product mix

The depth of an organisation's product mix pertains to the total number of variants of each product offered in the line. Variants includes size, colour, flavors, and other distinguishing characteristics.

Consistency of the product mix

The consistency of an organisation's product mix refers to how closely related the various product lines are in use, production, distribution, or in any other manner.


Product Mix of Hindustan Unilever Limited
Home & Personal Care
Beverages
Personal Wash
Laundry
Skin Care
Hair Care
Oral Care
Deodorants
Tea
Coffee
Lux
Lifebuoy
Liril
Hamam
Breeze
Dove
Pears
Rexona
Surf Exel
Wheel
Rin
Ponds
Fair & Lovely
Vaseline
Clinic Plus
Sunsilk
Pepsodent
Close-up
Axe
Rexona
Brooke Bond
Lipton
Bru

Product mix decision

Product mix decision refers to the decisions regarding adding a new or eliminating any existing product from the product mix, adding a new product line, lengthening any existing line, or bringing new variants of a brand to expand the business and to increase the profitability.

Product Line Decision - Product line managers takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.

Line Stretching Decision - Line stretching means lengthening a product line beyond its current range. An organisation can stretch its product line downward, upward, or both way.

Down-Market Stretch - means adding low-end items in the product line

Up-Market Stretch - means adding high-end items in the product line for more growth and higher margins.

Two-Way Stretch - means stretching the line in both directions if an organisation is in the middle range of the market.

Line Filling Decision - It means adding more items within the present range of the product line. Line filling can be done to reach for incremental profits, or to utilise excess capacity.

Product Mix Pricing

1) Product line pricing

Product line pricing is used when the prices within the product line is kept variant so that the customer purchases one or the other product within the product line. Like one in the lower range, one in the medium range and one in the higher range, so that it can satisfy each type of customer.

2) Optional feature pricing

Pricing strategy where a business sets a low price for its most basic product and then profits from selling more costly accessories.

3) Captive product pricing

Captive product pricing is used when the value of the main product is very low, but the value of the supporting product, which is necessary for working of main product is high.

4) Two-Part Pricing

A pricing strategy in which consumers are charged both an fixed fee and a variable usage fee.

5) By-product pricing

A pricing strategy in which a secondary, by-product has significant value and the manufacturer achieves an advantage by recovering some of its expenses by selling the by-product. Usually the profit earned by selling the by-products at higher price are used to reduce the price of the primary product.

6) Product bundling pricing

This pricing strategy involves price deals with the combination of multiple products.

CO-BRANDING

Two or more well-known brands are combined into a joint product or marketed together in the same fashion. Also known as ‘Dual Branding’ or ‘Brand Bundling.’ Different forms of co-branding - same company co-branding, Joint-venture co-branding, Retail co-branding.

INGREDIENT BRANDING

A special case of co- branding, where a company creates brand equity for components that are contained within the other branded products.

Example - ‘Intel inside’ Intel processors inside various brands of computer

PACKAGING

The packaging refers to all those activities related to designing, evaluating and producing the container for a product. Like the box-like container, wherein the product is stored to protect it from any kind of physical damage and at the same time attracting the customer through its appearance.

LABELLING

The label may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. The various labelling functions include identification of the product or brand, identification of product grade, description about the product usage, a tool to promote the product, etc.

Warranties and Guarantees

Warranties are formal statement of expected product performance by the manufacturer. Products under warranty can be returned to the manufacturer at designated repair centre for repair. If it can't be repaired then for the replacement or refund depending on the terms and conditions. Warranties are legally enforceable.

Guarantees reduce the buyer's perceived risk. They suggest that the product is of high quality and the company and it's service performances are highly dependable.

Thank you

CHAPTER 12: DESIGNING AND MANAGING SERVICES

Service is any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

7Ps of services marketing

- Product
- Price
- Place
- Promotion
- Processes
- People
- Physical evidence

Service Industries are present every where:

Government sector

Private non-profit sector

Private business sector

Manufacturing sector

Retail sector

Categories of Service Offerings/Service mix

1) Pure tangible good - consists primarily of a tangible good such as soap, toothpaste, or salt with no accompanying services

2) Tangible good with accompanying services – Car, Computer, etc

3) Hybrid – When an offering involves both goods and services at same time – In restaurant

4) Major service with accompanying minor goods and services – Air travel (major service). Accompanying additional goods – Food in aircraft, Accompanying additional services – services provided by on-air staffs.

5) Pure service – Primarily an intangible service –Eg- legal services, accounting services, etc.

Classification of services

1) On the basis of skill requirement and expertise
   a) Professional services
   b) Skilled labour services
   c) Unskilled labour services
2) On the basis of the end-user
   a) Personal services
   b) Business services
3) On the basis of the objectives of service providers
   a) For-profit services
   b) Non-profit services
4) On the basis of the ownership
   a) Private services
   b) Public services

5) On the basis of the presence of clients

a) High contact services

b) Low contact services

6) On the basis of type of processes involved in rendering services

The classification of services under this criteria varies as per the area (category) in which service provider belongs to

Example, If it is restaurant, then the type of services can be cafeteria services, fast food services, Buffet services, etc

7) On the basis of whether the services are provided by equipments or by the people

a) Equipment based services

b) People based services.

DISTINCTIVE CHARACTERISTICS OF SERVICES

1) Intangibility

Unlike physical products, services cannot be seen, tasted, felt, heard or smelled before they are bought.

Service companies can try to demonstrate their service quality through physical evidence and presentation. Like: Place, People, Equipment, communication material, symbol and price. This is done by the service providers to ‘tangibilize the intangible’.

Let’s take an example of a restaurant which delivers food fast.

Place – The interior and exteriors of a restaurant should be convenient and attractive.

People - Personnel should be busy, but there should be a sufficient number of employees to manage the work load.

Equipment – Like utensils, menu card, the kitchen, etc should look like “state of the art”

Communication material - Printed material, Web page contents, text and photos should suggest efficiency and speed.

Symbols – The restaurant’s name and symbol should suggest and indicate about the fast service

Price – Should be such that the people should feel that the price is worth the fast service. Adding to this incentives if the delivery time crosses the prescribed limit.

2) Inseparability

Though physical goods are manufactured, put into inventory, distributed through multiple reseller, and consumed later, services are typically produced and consumed simultaneously. Service provider and client interaction is a special feature of services marketing.

3) Variability

The quality of services depends on who provides them, when and where and to whom, services are highly variable. Hence service providers offer service guarantees that may reduce the consumer perception of risk.

Three steps service firms can take to increase quality

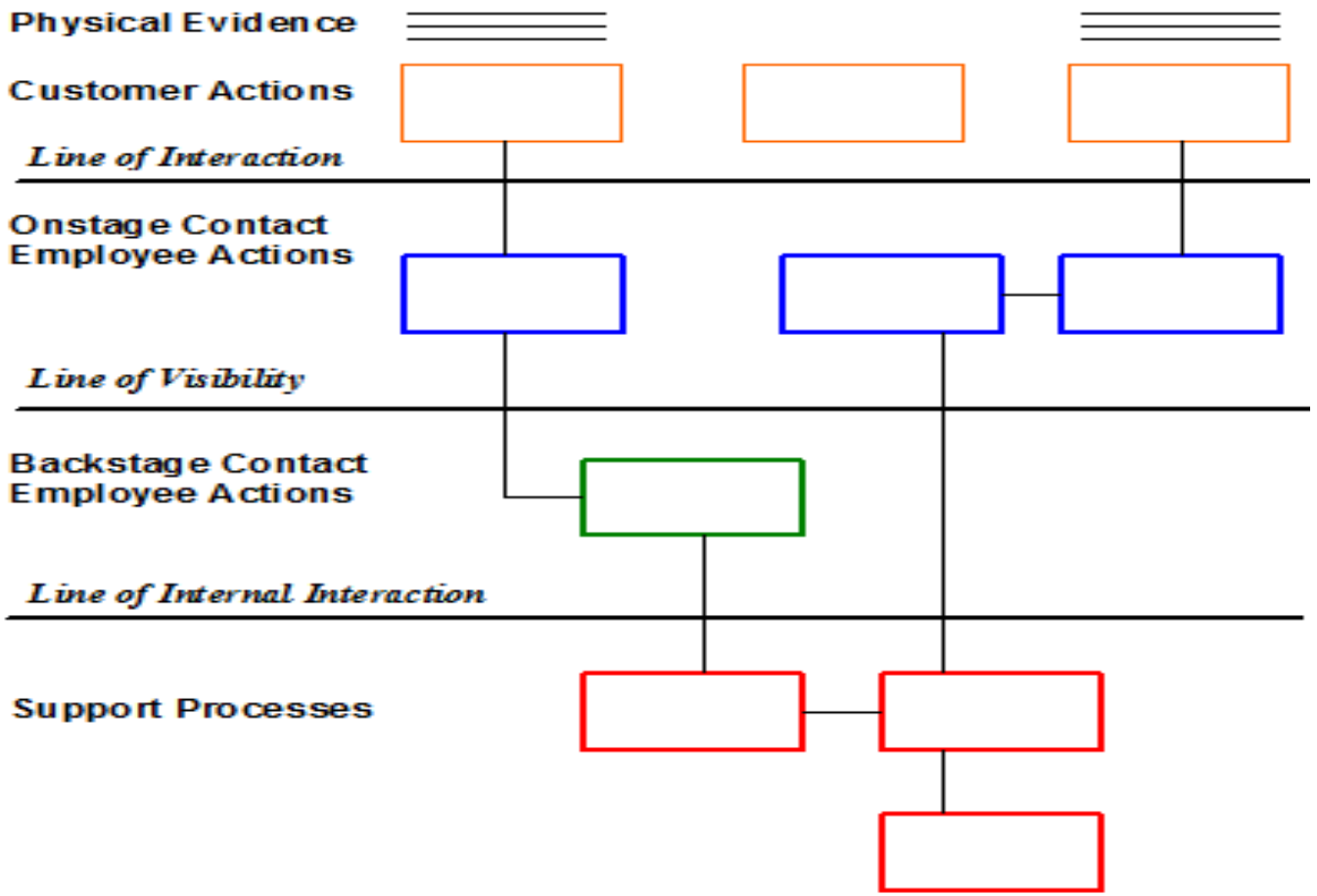
a) Invest in good hiring and training procedures

b) Standardise the service-performance process throughout the organisation

A service blueprint can map out the service process, the points of customer contact and the evidence of service firm from customer's point of view.

c) Monitor customer satisfaction

Service blueprint model



4) Perishability

services cannot be stored, so their perishability can be a problem when demand fluctuates. Hence the demand/yield management is critical.

Demand side strategy

- Differentiated pricing
- Non-peak pricing
- Complementary services
- Reservation systems

Supply side strategy

- Part-time employees
- Peak-time efficiency
- Increased consumer participation
- Shared services
- Facilities for future expansion

Marketing excellence with service marketing triangle

Here marketing excellence is required in three broad areas

1) External marketing

Marketing to end-users. Involves pricing strategy, promotional activities, and all communication with customers.

"Setting the Promise“.

2) Internal marketing

Involves training, motivational, and teamwork programs, and all communication with employees so that the employees could deliver the service well.

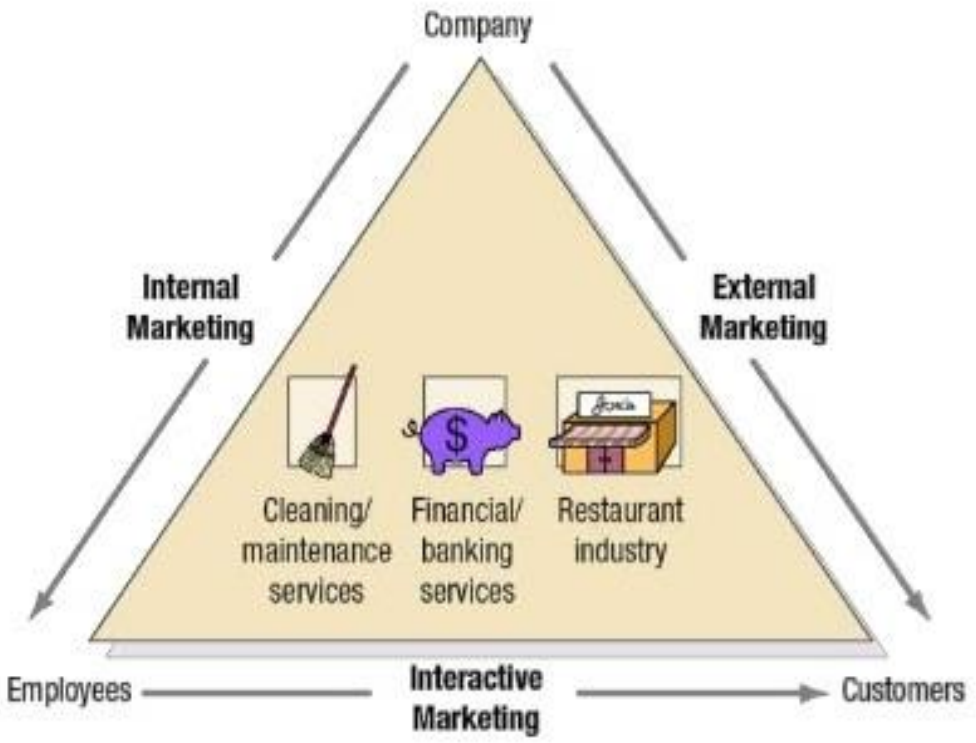
"Enabling the Promise"

3) Interactive marketing

This refers to the decisive moment of interaction between the front-office employees and customers. This step is very important, because if the employee falters at this level, all prior efforts made towards establishing and maintaining a relationship with the customer, would be wasted.

Service encounter/Moment of truth

“Delivering the promise”



Managing service quality

Factors leading to Customer Switching Behaviour

Pricing – High price, Increase of prices, Unfair pricing, Deceptive pricing

Inconvenience – Location/hours, Wait for appointment, Wait for service

Core service failure – Service mistakes, Billing errors, Service catastrophe

Service encounter failures – Uncaring, unresponsive, Impolite, Unknowledgable

Response to service failure – Negative response, No response, Reluctant response

Competition – Found better service

Ethical problems – Cheat, Unfair hard sell, Unsafe, Conflict of interest

Involuntary switching – Customer moved, Provider closed

Gaps model of service quality

Developed by A. Parasuraman, Valarie Zeithmal and LL Berry

Customers form service expectations from many sources like word of mouth, past experience, their own personal needs, etc. Most of the times they compare the perceived service with expected service. If the perceived service falls below the expected service, then customers will get disappointed.

Gap 1: Gap between consumer expectation and management perception of customer expectation

Causes: - Inadequate Marketing Research Orientation

- Poor of Upward Communication
- Insufficient relationship focus
- Inadequate service recovery

Gap 2: Gap between management perception and service-quality specifications

Causes: - Poor service design

- Absence of customer-driven standards
- Inappropriate physical evidence and servicescape

Gap 3: Gap between service quality specifications and service delivery

Causes: - Deficiencies in human resources policies

- Customers who do not fulfill roles
- Problems with service intermediaries
- Failure to match supply and demand

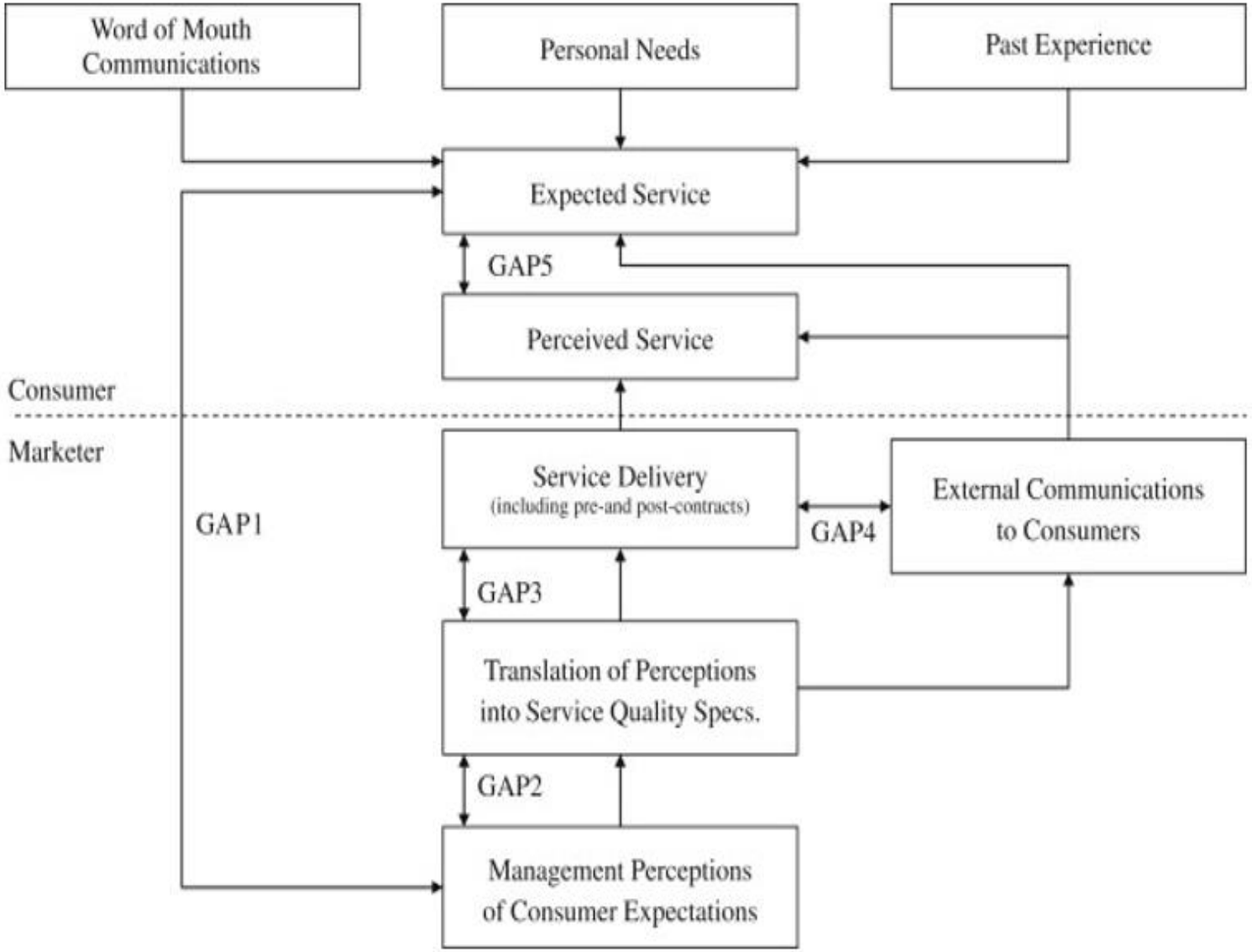
Gap 4: Gap between service delivery and external communications

Causes: - Lack of integrated services marketing communications

- Ineffective management of customer expectations
- Overpromising
- Inadequate horizontal communications

Gap 5: Gap between perceived service and expected service

Cause: - When the customer misperceives the service quality


Word of Mouth Communications
Personal Needs
Past Experience
Expected Service
GAP5
Perceived Service
Consumer
Marketer
Service Delivery
(including pre-and post-contracts)
External Communications to Consumers
GAP1
GAP4
GAP3
Translation of Perceptions into Service Quality Specs.
GAP2
Management Perceptions of Consumer Expectations

Five determinants of service quality

After extensive research, Zeithaml, Parasuraman and Berry found five dimensions customers use when evaluating service quality. They developed a 21 item SERVQUAL scale was developed on the basis of these five factors.

Reliability - The ability to perform the promised service dependably and accurately

Responsiveness - The willingness to help customers and to provide prompt service

Assurance - The knowledge and courtesy of employees and their ability to convey trust and confidence

Empathy - The provision of caring, individualized attention to customer

Tangibles - The appearance of physical facilities, equipments, personnel and communication materials

Product support services

Product support services are becoming a major battleground for competitive advantage.

When designing service support programs, marketers must consider key customer concerns:

1) Concern regarding reliability and failure frequency
2) Downtime duration
3) Out-of-pocket costs – How much does the customer have to spend on regular maintenance and repair costs?

Marketers must design appealing and competitive service offerings that will attract new customers and even to retain the customers.

Service offerings should include:

Facilitating services

Value-augmenting services

Service contracts

Best Practices of top service providers

Strategic concept: Top service companies are “customer obsessed”. They have a clear sense of their target customers and their needs. They have developed a distinctive strategy for satisfying these needs.

Top-management commitment – focuses both on financial performances along with service performances

High standards: Best service providers set high service-quality standards

Profit Tiers: Varied level of services and offers for different levels of profit-tiers.

Monitoring systems: Auditing of the service performance of theirs as well as that of the competitors on a regular basis. They collect voice of customer (VOC) measurements to probe customer satisfiers and dissatisfiers.

Listening to the customers

Satisfying customer complaints

Efficient service recovery system

Self-service technologies: Are technological interfaces allowing customers to produce services independent of involvement of direct service employee. The intention is to make service transactions more accurate, convenient, economical and faster.

Satisfying employees

THANK YOU

CHAPTER 13: DEVELOPING PRICING STRATEGIES AND PROGRAMS

- Price is the amount of money charged for a product or service, or the sum of all values that consumers exchange for the benefits of having or using the product or service. Price is the only element in the marketing mix that produces revenue. Others produce cost.
- Pricing is the process of determining what a company will receive in exchange for its products

Common pricing mistakes

- Companies base their prices on their costs and ignoring the customers' perceptions of value.
- Companies base their prices on "the marketplace" taking traditional industry margins
- Failure to vary price by product item, market segment, distribution channels, and purchase occasion.
- Companies holding the prices at the same level for too long, ignoring changes in costs, market, competitive environment and in customers' preferences.
- Setting price independent from the rest of the marketing mix

Consumer Psychology and Pricing

1) Reference Prices

- Comparing an observed price to an internal reference price or external frame of reference
- Sellers often try to manipulate reference prices
- Perceived price can vary from the stated price

2) Price-Quality inferences

- Consumers usually use price as an indicator of quality
- If information about true quality is on-hand, price is a less significant indicator of quality Consumer Psychology and Pricing

3) Price Endings

- Sellers usually believe prices should end in an odd number
- Consumers tend to process prices “left-to-right” rather than by rounding
- Sale signs next to prices encourage demand Consumer Psychology and Pricing

Example – Item priced as ‘Rs.2999 only’

Steps involved in setting the price

1) Selecting the pricing objective
2) Determining demand
3) Estimating costs
4) Analyzing Competitors' costs, prices and offers
5) Selecting a pricing method
6) Selecting the final price

Step 1: Selecting the pricing objective

The company first decides where it wants to position its market offering. The clearer a firm's objectives, the easier it is to set price.

Five major objectives are:

a) Survival – This objective is pursued if they are plagued with over capacity or intense competition or changing customer wants. As long as prices cover variable costs and some fixed costs, the company stays in business.

b) Maximum current profit – Ideal when the demand and costs associated with alternative prices are known.

c) Maximum market share – The belief that a higher sales volume will lead to lower unit costs and higher long-run profit. They set the lowest price, assuming the market is price sensitive. The following conditions favor setting a low price. When the market is highly price sensitive, and a low price stimulates market growth. The production and distribution costs fall with accumulated production experience. A low price discourages actual and potential competition.

d) Maximum market skimming – Usually adopted by technology oriented companies while unveiling a new technology favor setting high prices to "skim" the market. Here prices start high and slowly drop over time.

e) Product-quality leadership – Products of services characterized by high levels of quality, taste and status

Step 2: Determining Demand

Each price will lead to a different level of demand and have a different impact on a company's marketing objectives. The normally inverse relationship between price and demand is captured in a demand curve. The higher the price, the lower the demand.

1) Understand factors that affect price sensitivity

Consumers are less price sensitive when:

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

2) Estimating demand curves

a) Surveys

b) Price experiments: can vary the prices of different products in a store or charge different prices for the same product in similar territories to see how the change effects sales

c) Statistical analysis: Through trend projection, regression analysis, etc.

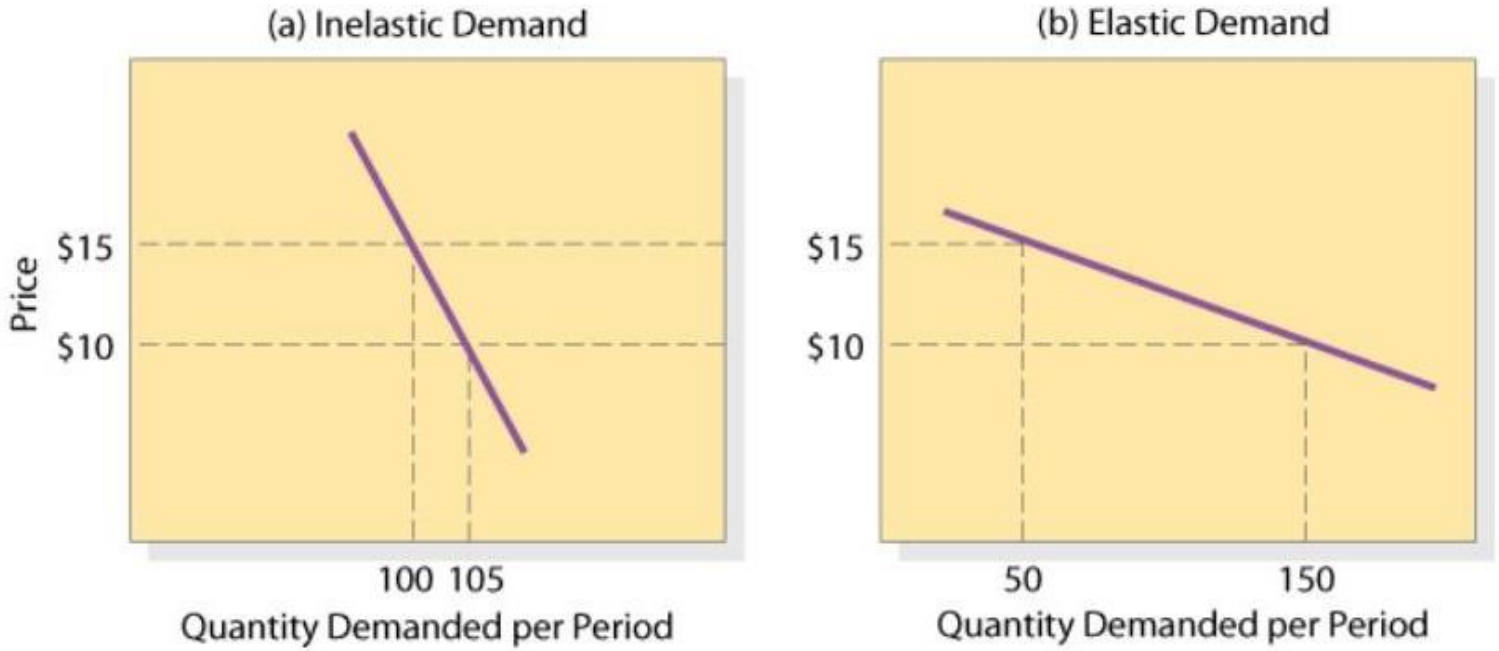
3) Price elasticity of demand

Elastic demand is the one when the response of demand is greater with a small proportionate change in the price. On the other hand, inelastic demand is the one when there is relatively a less change in the demand with a greater change in the price.

Demand is less elastic when:

- There are few or no substitutes/competitors
- Buyers do not readily notice the higher price
- Buyers are slow to change their buying habits and search for lower prices
- Buyers think higher prices are justified

Inelastic and Elastic Demand



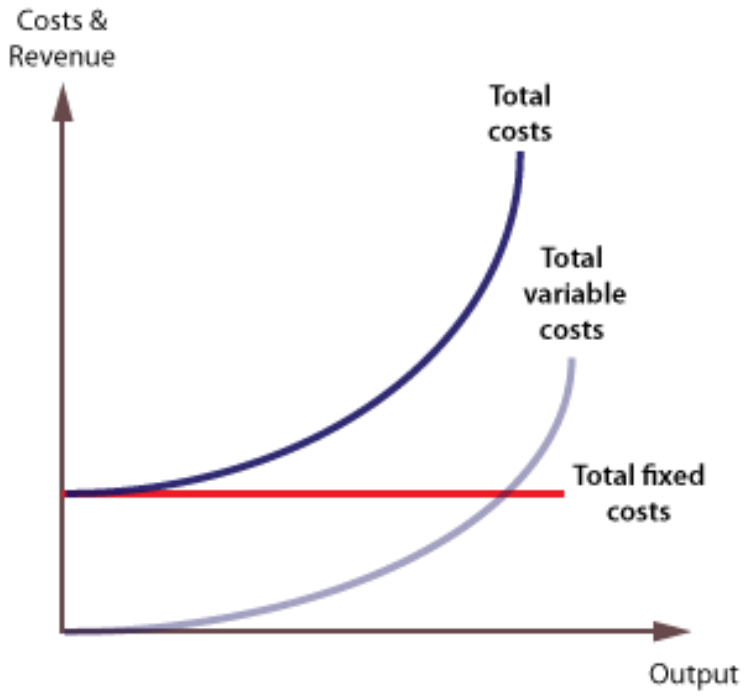
Step 3: Estimating Costs

Fixed costs/overhead: costs that don't vary with production or sales revenue.

Variable costs: vary with the level of production.

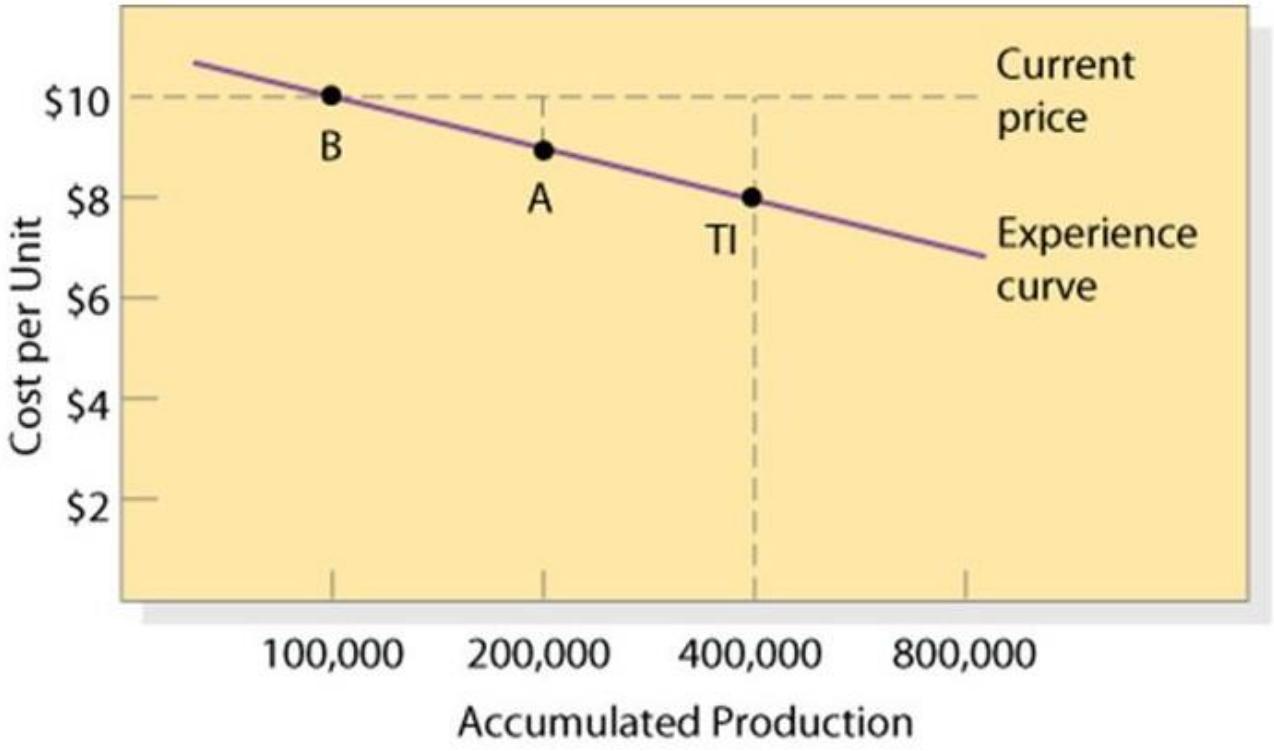
Total costs: sum of fixed and variable costs at a given level of production

Average cost: cost per unit at a given level of production = total cost/quantity of production



Accumulated production

An experience curve is a curve which represents that the more a firm produces of a particular good or service, the more it gains in efficiency. Thus, the cost of production decreases in proportion to the volume of products produced.



Step 4: Analyzing Competitors' Costs, Prices and Offers

- The firm should benchmark its price against competitors, learn about the quality of competitors offering, & learn about competitor's costs.

- Evaluate the features of the competitor's products

- Anticipate a competitor's reactions Setting the Price

Step 5: Selecting a pricing method

Mark-up pricing: The Mark-up pricing is the method of adding a certain percentage of a markup to the cost of the product to determine the selling price.

Variable cost per unit: Rs.30
Fixed Cost: Rs.5,00,000
Expected Unit Sales: 50,000 units

The manufacturer's unit cost is given by:

Unit Cost = Variable cost + (Fixed cost/unit sales)

Thus, Unit cost = 30 + (500000/50000) = Rs.40

Once the cost is determined, the manufacturer decided to add a 20% markup on sales. The mark-up price is given by:

Mark-up price = unit Cost/(1-desired return on sales)

Thus, mark-up price = 40/(1-0.2) = Rs.50

Hence, the manufacturer must charge Rs.50 to earn a profit of Rs.10.

Target-Return Pricing: is a method wherein the firm determines the price on the basis of a target rate of return on the investment i.e. what the firm expects from the investments made in the venture.

Example, a pen manufacturer has invested 2 million in his venture and he expects to earn 20% as an ROI.

- Unit cost: Rs.20
  Expected sales: 50,000 units
- The Target-Return Pricing is given by:
- Target-Return Pricing = unit cost + (desired return x invested capital) /unit sales
- Target-Return Pricing = 20 + (0.20 x 2,000,000) / 50,000 = Rs.28

To earn the ROI of 20%, the company must sell the product at Rs.28, provided 50,000 units are sold.

Perceived-Value Pricing

In Perceived-Value Pricing method, a firm sets the price of a product by considering what product image a customer carries in his mind and how much he is willing to pay for it.

The perceived value is made up of several elements such as buyer's experience with the product, service support, warranty quality, channel deliverables, customer support, supplier's reputation, trustworthiness, etc.

Every company tries to enhance the perceived value in customer's minds by adopting several marketing mix elements such as advertising, promotion, sales force, etc.

Many times, the customer is not aware of the cost incurred by the firm in producing the product, but what they only care is the final price and how much it varies from the competitor's product.

The benefit of using this method is only when a company offers more value that its competitor.

Value pricing

Win loyal customer by charging a fairly low price for a high-quality offering. Value pricing not just a matter of simply setting lower prices, it is a matter of reengineering the company's operations to be low-cost without sacrificing quality, to attract a large number of value conscious customers

Going-Rate Pricing: The firm bases its price largely on competitors' prices. (smaller firms "follow the leader").It is quite popular where costs are difficult to measure or competitive response is uncertain.

Auction-type pricing

a) English auctions (Ascending bids)

One seller many buyers. Seller puts an item and bidders raise the offer price until the top price is reached.

b) Dutch auctions (Descending bids)

- One seller many buyers: An auctioner announces high price then slowly decreases until a bidder accepts
- One buyer many sellers: Buyer announces something he/she wants to buy and potential sellers compete to offer lowest price.

c) Sealed bid auctions: Bidders can submit only one bid and therefore cannot adjust their bids based on competing bids. A variant of this method is two-bid system, where technical bids are first evaluated, based on pre-qualification/ short listing on technical grounds, commercial bids are considered.

Step 6: Selecting the final price

Selecting the final price requires consideration of additional factors

a) Impact of Other Marketing Activities .

The final price must take into account the brand image, promotional expenditures, margins for distributors, etc relative to the competition.

b) Company Pricing Policies.

The price must be consistent with company pricing policies in order to ensure that salespeople quote prices that are reasonable to customers and profitable to the company.

c) Gain and Risk Sharing Pricing.

In case buyers resist accepting a seller's proposal because of a high perceived level of risk, the seller has the option of offering to absorb part or all the risk if it does not deliver the full promised value.

d) Impact of Price on Other Parties.

Considering the impact of price on other parties such as distributors, sales force, suppliers, competitors, retailers, government, etc

Adapting the price

Companies usually do not set a single price but rather develop a pricing structure that reflects variations in geographical demands and costs, market-segment requirements, purchase timing, order levels, etc.

1) Geographical pricing

About the pricing of the company's products to different customers in different geographical locations

Countertrade: Is undertaken when buyers lack sufficient hard currency to make payment and they want to offer other items in payment.

Types of countertrade:

a) Barter: The buyer and seller directly exchange goods with no money and no third party involved.

b) Compensation deal: The seller receives some percentage of the payment in cash and the rest in products

c) Buyback arrangement: Occurs when a seller sells a plant, technology or equipment to another country and agrees to take a certain percentage of the plant's output as partial payment for the contract.

d) Offset: The seller receives full payment in cash but agrees to spend a substantial amount of the money in that country within a stated time period.

2) Price Discounts and Allowances

Quantity discount: Price reduction to those buy in large volumes

Functional/Trade discounts: Discount offered by a manufacturer to trade-channel members if they will perform certain functions

Cash discount: A deduction granted to buyers for paying their bills within a specified period of time, (after first deducting trade and quantity discounts from the base price)

Seasonal discount: A price reduction to those who buy during off-season

Allowance: An extra payment designed to gain reseller participation in special programs. Example, promotional allowances.

3) Promotional pricing

The Promotional Pricing is a sales promotion technique, wherein the firm reduces the price of a product, but for a short period.

Loss-leader pricing: Loss leader brands or products are sold at very slim margins or at a loss. With the intention to attract customers into their premises, with the hope that those customers will end up buying other goods as well, once inside. with the conscious understanding that other products that gets sold will make up for the loss.

Special-Event Pricing: Companies offer discounts or special price during certain special events. Example – During festivals

Cash Rebates: The consumer goods companies such as Automobile companies, electronic companies, etc. offers the cash rebates on their items if purchased in a particular time period.

Low-interest financing: Instead of cutting its price, the company can offer products through low interest financing. Example through EMI.

Longer payment terms : sellers especially mortgage banks and auto companies stretch loans over longer periods and thus lower the monthly payment

Warranties and service contracts: The companies offer the extended warranties and free services of the product to the customers.

Psychological Discounting: Under this strategy, the companies artificially set the high price of the product and then offer it at substantial savings, such as an item was of RS 359, but now it is available at just Rs 299.

Special customer pricing

4) Differential pricing

Price discrimination

a) First degree price discrimination: Selling to each customer at a different price

b) Second degree price discrimination: Sellers charges less to buyers of larger volumes

c) Third degree price discrimination

- **Customer-Segment pricing:** Different group of people pays different prices for the same kind of a product on the basis of a segment they belong to.
- **Image pricing:** The companies can charge different prices for the same kind of a product on the basis of an image, a product enjoys in a market.
- **Product-form Pricing:** Different prices charged for different variants of the same product. E.g., The price of a car may vary because of different color or add-on features.
- **Location Pricing:** The companies charge different prices for the same product on the basis of different locations where it is offered. Eg- different price for different seats on the basis of where the seats are located in a theatre
- **Time Pricing:** Price varies by season, day or hour.
- **Channel pricing:** Here the strategy is to sell products to the consumers on the basis of the type of outlet where it is being sold.
- **Yield pricing:** offering different prices for the same product at different times. In somecases, for different locations as well.

Initiating and responding to price changes

A price-cutting strategy can lead to following traps

1. **Low-quality trap:** Consumers will assume that quality is low.

2. **Fragile-market share trap:** A low price buys market share but not market loyalty always. The same customers will shift to any lower- priced firm that comes along.

3. **Shallow-pockets trap:** The higher priced competitors may cut their prices and may have longer staying power because of deeper cash resources.
4. **Price –war trap**

Initiating Price Increases

The factors leading to price increase can be:

- Increase in cost inflation.
- Over demand when the company cannot supply to all of its customers, it can raise its prices, ration or cut supplies to customers or both.

The price can be increased in four ways:

Delayed quotation pricing: Here, the company does not set final price until product is finished or delivered.

Unbundling: The company under this plan maintains its price but removes or prices separately one or more elements that were part of the former offer, such as free delivery or installation.

Reduction of discounts: The company asks the sales force to offer its normal cash and quantity discounts at reduced rate.

Escalator clauses: The company requires the customer to pay today's price and all or part of any inflation increase that takes place before delivery. An escalator clause bases price increases on some specified price index. Escalator clauses are found in contracts for major industrial projects like infrastructure projects, aircraft buildings, etc.

Customer Reactions to price changes:

Consumers are more interested in knowing the cause or causes of price change.

A price cut can be interpreted in several ways:

1. The item or product is about to be replaced by a new model.
2. The item is faulty and it is not selling well.
3. The firm’s financial position is badly affected.
4. The price will come down further.
5. The quality has been reduced.

A price hike may have some positive meanings:

1. The product is more technologically advanced
2. It has a high value because of quality.

Competitor reactions are common when:

– Few firms offer the product

– The degree of product homogeneity

– Buyers are highly informed

Market leader's responses to Price Changes

- Maintain price and profit margin
- Maintain price, add value
- Increase price, improve quality
- Launch a low-price fighter line
- Reduce price

THANK YOU

CHAPTER 14: DESIGNING AND MANAGING INTEGRATED MARKETING CHANNELS

Marketing Channels are sets of interdependent organizations participating in the process of making a product or service available for use or consumption.

Types/categories of marketing channels or intermediaries

Merchants: Merchants such as wholesalers and retailers buy, take title to, and resell the merchandise.

Agents: Agents such as brokers, manufacturers' representatives, sales agents search for customers and may negotiate on the producer's behalf but do not take title to the goods

Facilitators: Facilitators such as transportation companies, independent warehouses, banks, advertising agencies assist in the distribution process but neither take title to goods nor negotiate purchases or sales.

Push strategy

A push strategy uses the manufacturer's sales force, trade promotion money, or other means to induce intermediaries to carry, promote, and sell the product to end users.

- Brand loyalty is low
- Brand choice is made at store.
- Product is an impulse item.
- Product benefits are well understood.

Pull strategy

In a pull strategy the manufacturer uses advertising, promotion, and other forms of communication to persuade consumers to demand the product from intermediaries, thus inducing the intermediaries to order it.

- Brand loyalty is high.
- High involvement product.
- Consumers are able to perceive differences between brands.
- Brand selection prior to purchase.

The Role Of Marketing Channel

A marketing channel performs the work of moving goods from producers to consumers. It overcomes the time, place, and possession gaps that separate goods and services from those who need or want them.

Channel member functions

- Gather information about potential & current customers, competitors & other actors & forces in the marketing environment.

- Develop & disseminate presuasive communication to stimulate purchasing.

- Negotiate & reach agreements on price & other terms so that transfer of ownership or possession can be affected.

- Place orders with manufacturers.

- Acquire the funds to finance inventories at different levels in the marketing channel.

- Assume risks connected with carrying out channel work.

- Provide for the successive storage & movement of physical products

- Provide for buyers payment of their bills through banks & other financial institutions. Oversee actual transfer of ownership from one organization or person to another.

Forward flow functions:

– From company to customers

– Develop / disseminate communication

– Store and move the physical products

– Oversee transfer of ownership

Backward flow functions:

– From customers to company

– Place orders with manufacturers

– Facilitate payment of bills

Forward and backward flow functions:

– Gather information

– Negotiate price and transfer of ownership

– Finance inventories

– Assume risk

Channel levels

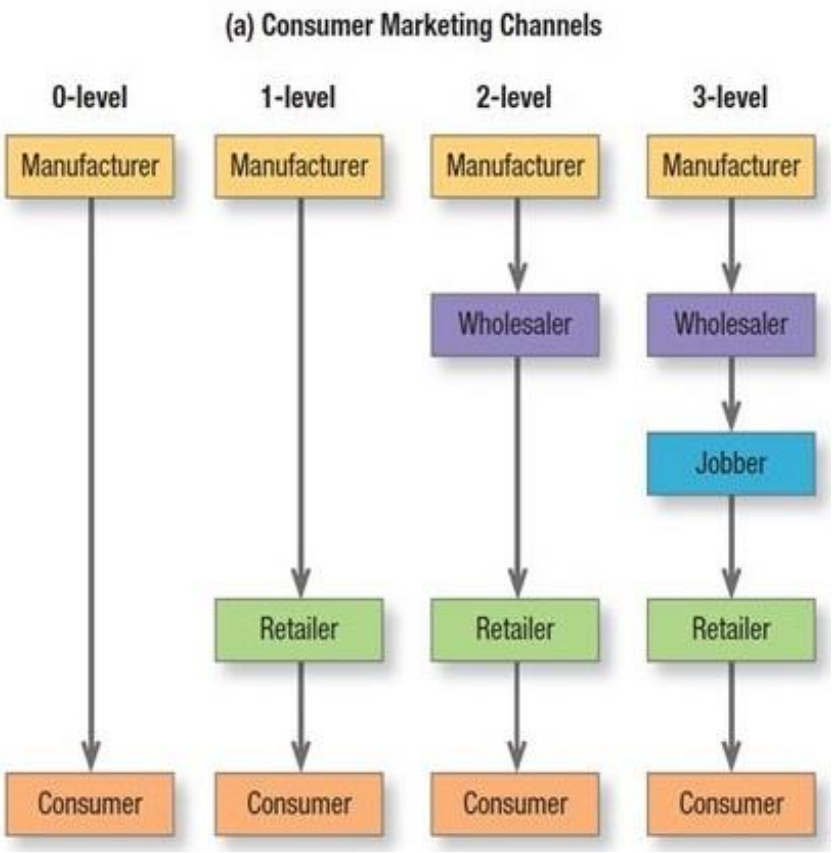
Consumer marketing channels

Zero-level channel: also called a direct marketing channel, consists of a manufacturer selling directly to the final customer. Examples are door-to-door sales, mail order, telemarketing ,etc.

One-level channel: contains one selling intermediary, such as a retailer.

Two-level channel: contains two intermediaries such as a wholesaler and a retailer.

Three-level channel: contains three intermediaries. wholesalers sell to jobbers (essentially small-scale wholesalers) who sell to small retailers.



Industrial marketing channels

An industrial-goods manufacturer can use its sales force to sell directly to industrial customers, or it can sell to industrial distributors who sell to industrial customers.

It also sell through manufacturer's representatives or it's own sales branches directly or indirectly to industrial customers through industrial distributors.

Reverse flow channels

Reverse-flow channels are important:

- To reuse of products or containers
- To refurbish the products for resale
- To recycle the products
- To disposal of products and packaging.

Reverse-flow intermediaries include manufacturers' redemption centers, community groups, trash-collection specialists, recycling centers, trash-recycling brokers, and central processing warehousing

Channel-Design Decisions

Channel-Design Decisions Designing a marketing channel requires:-

1. Analyzing customer needs and wants.
2. Establishing channel objectives and constraints.
3. Identifying Major Channel alternatives.
4. Evaluating major channel alternatives.

1) Analyzing customer needs and wants.

The marketer must understand the service output levels desired by the target customer.

Channel produce five service outputs:

Lot Size - the number of units the channel permits a typical customer to purchase on one occasion.

Waiting And Delivery Time - the average time customers wait for receipt of goods. costumer increasingly prefer faster delivery channels.

Spatial Convenience - the degree to which the marketing channel makes it easy for customers to purchase the product.

Product Variety - The assortment provided by the marketing channel. Customer prefer a greater variety because more choices increases the chance of finding what they want, also many choice creates a negative effect.

Service Backup - add on services (Credit, delivery, installation, repairs) provided by the channel. the greater the service backup, the greater the work provided by the channel.

2) Establishing channel objectives and constraints.

Marketers should state their channel objectives in terms of service output levels and associated cost and support levels.

Channel objectives vary with product characteristics:-

1. Perishable products
2. Bulky products - channels that minimize shipping distance and amount of handling.
3. Custom built machinery – are sold directly by company sales representatives.
4. Products requiring installations and regular check ups – company owned or leased franchisees.

3) Identifying Major Channel alternatives

Channel alternatives differ in three ways:

A) Types of intermediaries

Agents, Wholesalers, company stores, online retailers, other retailers, etc.

B) Number of Intermediaries

C) Terms and responsibilities of channel members

B) Number of intermediaries

Three strategies based on number of intermediaries are exclusive distribution, selective distribution and intensive distribution.

a) Exclusive distribution

Means severely limiting the number of intermediaries

In an exclusive distribution approach, a manufacturer chooses to deal with one intermediary or one type of intermediary in a certain geographical area. Usually there will be an agreement between a distributor and a manufacturer that the manufacturer will not sell the product to anyone else and will sell it only to the exclusive distributor. At the same time, even the exclusive distributor has to enter the agreement that he/she will only sell the products of the manufacturers exclusively and will not sell those of the competition.

Can be used for the distribution of automobiles (especially luxury automobiles), luxurious products, etc.

b) Selective distribution

selective distribution is a distribution approach where selective and few outlets are chose through which the product is made available to the customers.

Eg - for television, furniture, etc

c) Intensive distribution

Sale of products through as many outlets as possible.

Eg- for soft drinks, toothpastes, soaps, etc.

C) Terms and Responsibilities of Channel Members.

Each channel member must be treated respectfully and given the opportunity to be profitable.

The main elements in this regard are:

– **Price policy:** calls for the producer to establish a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient.

– **Conditions of sale:** refers to payment terms and producer guarantees. Most producers grant cash discounts to distributors for early payment. They might also offer a guarantee against defective merchandise or price declines, creating an incentive to buy larger quantities.

– **Distributors' territorial rights:** define the distributors' territories and the terms under which the producer will enfranchise other distributors.

– **Mutual services and responsibilities:** must be carefully spelled out, especially in franchised and exclusive-agency channels. Eg – between McDonalds and its franchisee firms.

4) Evaluating major channel alternatives

Each channel alternative needs to be evaluated against economic, control & adaptive criteria.

- Economic Criteria:- Each channel alternative will produce a different level of sales & costs.

- Control & Adaptive Criteria:- Using a sales agency can pose a control problem. Agents may concentrate on the customers who buy the most, not necessarily those who buy the manufacturer’s goods. They might not master the technical details of the company’s product or handle its promotion materials effectively.

Commitment between the various channel members, between the channel members and the manufacturers is important for the success of any distribution channel.

Channel Management Decisions

- Selecting channel members
- Training and motivating channel members
- Evaluating channel members
- Modifying channel design and arrangements
- Global Channel Considerations

Selecting channel members

To select the appropriate channel members, producers should determine what characteristics distinguish the better intermediaries such as:

– number of years in business

– other lines carried, growth

– profit record

– financial strength

– Cooperativeness

– service reputation

Training and Motivating Channel Members.

Carefully implemented training, market research, and other capability- building programs can motivate and improve intermediaries' performance. The company must constantly communicate the importance of intermediaries in a joint effort to satisfy end users of the product.

Channel power

The channel power is the ability member to alter or modify the behavior of other members in the distribution channel, due to its relatively strong position in the market.

Coercive Power: The manufacturer threatens to terminate the relationship with other channel partners or withdraw the resources deployed with them. With this power, the manufacturer can dominate the others and keep them under his control.

Reward Power: The manufacturer provides several additional benefits to the intermediaries, with the intention to motivate them to perform certain activities as required.

Legitimate Power: Here the manufacturer reminds the channel partner to carry out their activities in accordance with the contract they have entered into at the time they became the channel partners.

Expert power: The manufacturer has the expertise that he transfers to the channel partners, and once they acquire it, the power of expertise reduces. Thus, the manufacturer should focus on creating the new expertise, thereby keeping the channel partners updated with the day to day operations.

Referent Power: The manufacturer should develop its image in such a way, that the intermediaries must feel proud to be associated with it. The manufacturer with the influential image can get varied options with regard to the channel partners.

Channel partnership.

It is important for companies to maintain a fruitful long-term relationship with its channel partners and the relationship even between the various channel membership should also be good.

To streamline the supply chain and cut costs, many manufacturers and retailers have adopted Efficient Consumer Response (ECR) practices in three areas:

a) Demand side management:- Collaborative activities to stimulate demand from consumer side by promoting joint marketing and sales activities.

b) Supply side management:- Collaborative practices to optimize supply.

c) Enablers & integrators:- Collaborative information technology & process improvement tools to support joint activities that reduce operational problems & allow standardization

Evaluating Channel Members.

Producers must periodically evaluate intermediaries' performance against standards such as:

– sales quota attainment

– average inventory levels

– customer delivery time

– treatment of damaged and lost goods

– cooperation in promotional and training programs

The underperformers need to be counseled, retrained, motivated, or terminated.

Modifying Channel Design and Arrangements.

In competitive markets with low entry barriers, the optimal channel structure will inevitably change over time.

The change could mean:

– adding or dropping individual market channels or channel members or

– developing a totally new way to sell goods.

Global Channel Considerations

International markets pose distinct challenges, including variations in customers' shopping habits, but opportunities at the same.

Companies must:

– Try to get close to customers in order to understand their needs and wants.

– modify and design channels to satisfy the customers.

Channel Integration and systems

Vertical Marketing Systems

A **Vertical Marketing system (VMS)** comprises of the main distribution channel partners- the producer, the wholesaler and the retailer who work together as a unified group/system to serve the customer needs.

1) Corporate VMS: Combines the successive stages of production and distribution under single ownership
2) Administered VMS: Coordinates successive stages of production and distribution through same size and power of one of the members

3) Contractual VMS: In Contractual VMS, every member in the distribution channel works independently and integrate their activities on a contractual basis to obtain more economies or sales impact than they could have achieved alone.

a) Wholesaler-sponsored voluntary chains: Wholesalers organize voluntary chains of independent retailers to help standardize their selling practices and achieve buying economies in competing with larger chain organizations.

b) Retailer cooperatives: Retailers take the initiative and organize a new business entity to carry on wholesaling and possibly some production.

c) Franchise organisations: A continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration.

Horizontal Marketing Systems

A Horizontal Marketing system is a form of distribution channel wherein two or more organisations at the same level that are unrelated to each other come together to gain the benefits in the market.

In this marketing system, the collaboration can be between:

- Two or more Manufacturers- With an objective of making optimum utilization of scarce resources.
- Two or more Wholesalers-With the objective of covering a larger area of the distribution of goods and services.
- Two or more Retailers- With the objective of providing bulk quantities in a particular area.

Channel Conflict

Conflict among the channel partners gets generated when one prevents the other from achieving its objective. It results in a huge loss for all the partners in the channel.

- **Vertical Channel Conflict:** This type of conflict arises between the different levels in the same channel.
  E.g. The conflict between the manufacturer and the wholesaler regarding price, quantity, marketing activities, etc.
- **Horizontal Channel Conflict:** This type of conflict arises between the same level in the same channel.
  E.g. The conflict between two retailers of the same manufacturer faces disparity in terms of sales target, area coverage, promotional schemes, etc.
- **Multichannel conflict:** It arises when the manufacturer has established two or more channels that sell in the same region.

Managing channel conflict

- Strategic justification
- Dual compensation
- Superordinate goals
- Employee exchange
- Joint membership
- Co-optation
- Diplomacy, Mediation and Arbitration
- Legal Recourse

Pure-click companies

Pure-click companies are ones that conduct their business operations only online

B2C Pure click companies – Flipkart, Snapdeal, etc

B2B Pure click companies – TradeIndia, go4WorldBusiness, etc

Brick and click companies

It's a business model used by merchants to operate both an online store and a physical retail outlet. In other terms, the retailers give their customers both an online and offline channel to do their shopping.

Brick-and-mortar companies

refers to a traditional street-side business that offers products and services to its customers face-to-face in an office or store that the business owns or rents.

THANK YOU

CHAPTER 15: MANAGING RETAILING, WHOLESALING, AND LOGISTICS

Retailing is the process of selling goods or services directly to final consumers for personal, non-business use.

Types of retailers

1) Speciality store - Specialty stores are retail businesses that focus on specific product categories
2) Department store - A department store is a retail establishment offering a wide range of consumer goods in different areas of the store, each area ("department") specializing in a product category.
3) Supermarket – A large, self-service retail store which generally sells food products and household items, properly placed and arranged in specific departments.
4) Superstore - Superstores are retail stores which are huge in size and have many different categories under their belt. Example – Hypermarkets
5) Drug store - Drug stores are the ones which sell medicines and are specialized in it. But drugstores now sell many other things besides pharmaceuticals like Health and beauty products, basic snacks, etc.
6) Convenience store – Small stores located in residential area which provides the most basic material to you in a timely manner and which is available to you for all basic needs.

7) Discount store - Discount stores offer a huge range products (can be standard or specialty merchandise) to the end-users but at a discounted rate. They are low-price, low-margin, high-volume stores. Example, Walmart

8) Extreme value or hard-discount store: A more restricted merchandise mix than discount stores but at even lower prices. Most of the brands they carry are from small manufacturers. Such stores prefer buying from local suppliers to cut transportation cost and have strict cost control measures in place. Example – Aldi, Lidi, etc.

9) Off-price retailer: Sells leftover goods, overruns, irregular merchandise that are sold at discounted rates.

10) Catalog showroom: Broad selection of high-markup, fast moving, brand-name goods sold with the help of catalog documents at a discount. Usually customer pick up the products from the store.

Levels of services at retail levels

a) Self-service

b) Self-selection – Customers find their products by themselves but they ask for assistance.

c) Limited service – Customers carry shopping produces such as credit and merchandise-return privileges.

d) Full service – Sales people are ready to assist in every phase of ‘locate-compare-select’ process. Here high staffing cost, along with higher proportion of speciality goods and slower-moving items and other services result in high-cost retailing.

Non-store retailing

Direct selling/Network marketing – One to one selling, One to many selling

Direct marketing – telemarketing, television direct-response marketing, electronic shopping

Automatic vending

Buying service – storeless retailers serving specific clients- usually employees of large organisations who are entitled to buy from a list of retailers that have agreed to give discounts in return for membership.

Corporate retail organisations

- Corporate chain store: Two or more outlets owned and controlled, employing central buying and merchandising and selling similar lines of merchandise.
- Voluntary chain: A wholesaler-sponsored group of independent retailers engaged in bulk buying and common merchandising.
- Retailer cooperative: Independent retailers using a central buying organization and joint promotion efforts.
- Consumer cooperative: A retail firm owned by its customers. Members contribute money to open their own store, vote on its policies, elect a group to manage it, and receive dividends.
- Merchandising conglomerate: A corporation that combines several diversified retailing lines and forms under central ownership, with certain level of integration of distribution and management.

Marketing decisions to be taken by retailers

- Target market
- Channels
- Product assortment
- Procurement
- Pricing
- Services

Pre-purchase services - accepting telephone, mail and electronic orders, fitting rooms, shopping hours, etc

Post-purchase services - shipping and delivery, gift wrapping, adjustments and returns, alterations andinstallations, etc

Ancillary service - parking, repairs, rest rooms, baby-attendant service, etc

- Store atmosphere
- Store activities and experiences
- Communication
- Location

a) Central business districts

b) Regional shopping centres – Large suburban mall with 40 to 60 stores

c) Community shopping centres - Smaller malls with one anchor store and 20 to 40 smaller stores

d) Shopping strips - A cluster of stores, usually in one long building, serving a neighborhood’s needs for groceries, hardware, laundry services, etc

e) A location within a larger store

f) Stand-alone store

Wholesaling

Wholesaling includes all the activities in selling goods or services to those who buy for resale.

Functions of wholesalers

- Selling and promoting
- Buying and assortment building
- Bulk breaking
- Warehousing
- Transportation
- Financing
- Risk bearing
- Market information
- Management services and counselling

Types of wholesalers

1) Merchant wholesalers – Independently owned businesses that take the title of the merchandise they handle.
2) Full-service wholesalers - these wholesalers provide a full line of services like carrying stock, maintaining a sales force, offering credit, making deliveries, providing assistance, etc.
3) Limited-service wholesalers - they provide limited services or fewer services. Eg – Cash and carry wholesalers
4) Specialized wholesalers
5) Brokers and agents
6) Manufacturers’ and retailer’s branches and offices

Market logistics

Market logistics includes planning the infrastructure to meet demand, then implementing and controlling the physical flows of materials and final goods from points of origin to points of use, to meet customer requirements at a profit.

Market logistics planning has four steps

1) Deciding on the company's value proposition to its customers. (What on-time delivery standard should we offer? What levels should we attain in ordering and billing accuracy?
2) Deciding on the best channel design and network strategy for reaching the customers.
3) Developing operational excellence in sales forecasting, warehouse management, transportation management, and materials management
4) Implementing the solution with the best information systems, equipment, policies, and procedures

Integrated Logistics Systems

It includes material management, material flow system& physical distribution, aided by information technology.

It plays a crucial role in managing market logistic, especially through computers, point of sale terminals, uniform product bar codes, satellite tracking, electronic data interchange,& electronic funds transfer

.

Market-Logistics Objectives

It means “getting the right goods to the right places at the right time for the least cost.”

- Inventory reduction
- Reliable and consistent delivery performance
- Freight economy
- Minimum product damage
- Quick response

Given the market-logistics objectives, the company must design a system that will minimize the cost of achieving these objectives

Each possible market-logistics system will lead to the following cost:

$M = T + FW + VW + S$

where,

M = total market-logistics cost of proposed system

T = total freight cost of proposed system

FW = total fixed warehouse cost of proposed system

VW= total variable warehouse costs (including inventory) of proposed system

S = total cost of lost sales due to average delivery delay under proposed system

Market-logistics decisions that a firm must make four major decisions about its market logistics:

1) How should we handle orders (order processing)?

2) Where should we locate our stock (warehousing)?

3) How much stock should we hold (inventory)?

4) How should we ship goods (transportation)?

THANK YOU

CHAPTER 16: DESIGNING AND MANAGING INTEGRATED MARKETING COMMUNICATIONS

Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the products and brands they sell.

Marketing communication mix

1) Advertising - Any paid form of non-personal presentation and promotion of products by an identified sponsor.
2) Sales promotion - A variety of short-term incentives to encourage trial or purchase of a product or service including consumer promotions (such as samples, coupons, and premiums),trade promotions (such as advertising and display allowances), and business and sales force promotions (contests for sales reps)
3) Events and experiences – Sports activities, entertainment activities, arts, etc.
4) Public relations and publicity – Programs directed internally to employees. If it is external then it can be directed towards consumers, other firms, government, etc.

5) Direct marketing – Use of mail, telephone, , e-mail, etc to communicate directly with specific customers or prospects

6) Interactive marketing – Online activities and programs designed to engage the customers or prospects either directly or indirectly.

7) Word-of-mouth marketing – From one person to another in oral or written mode. Can happen through electronic mode as well.

8) Personal selling – Face to face interaction with one or more customers or prospective purchasers

MACROMODEL OF COMMUNICATION PROCESS

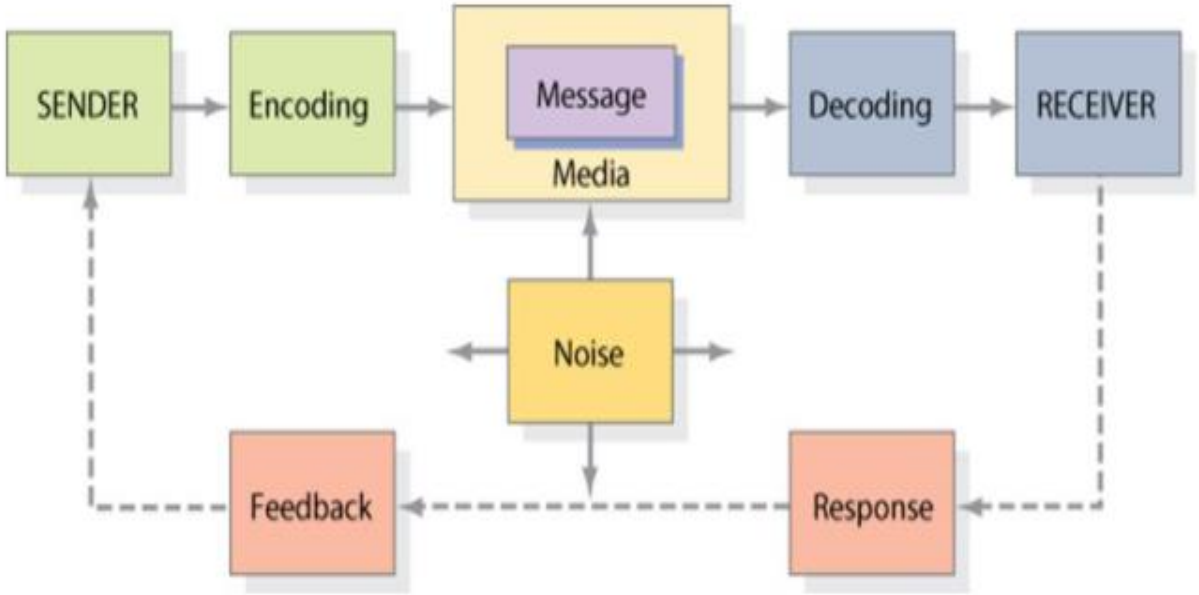
Macro-model consists of nine key factors in effective communication.

Two represent the major parties -- sender and receiver.

Two represent the major tools -- message and media.

Four represent major communication functions -- encoding, decoding, response, and feedback.

The last element is noise, random and competing messages that may interfere with the intended communication.



Micro-model of consumer responses

Models

Stages	AIDA Model[a]	Hierarchy-of-Effects Model[b]	Innovation-Adoption Model[c]	Communications Model[d]
Cognitive Stage	Attention	Awareness Knowledge	Awareness	Exposure Reception Cognitive response
Affective Stage	Interest Desire	Liking Preference Conviction	Interest Evaluation	Attitude Intention
Behavior Stage	Action	Purchase	Trial Adoption	Behavior

Developing effective communications

1) Identifying the target audience
2) Determining the communication objectives
3) Designing the communications
4) Select the communication channels
5) Establish the Total Marketing Communications Budget
6) Deciding on the marketing communications mix
7) Measuring communication results
8) Managing Integrated Marketing Communications

1) Identifying the target audience

Potential buyers of the company's products such as current users, deciders, or influencers, and individuals, groups, particular publics, or the general public.

2) Determining the communication objectives

Category Need—Establishing a product or service category as necessary

Brand Awareness—Fostering the consumer’s ability to recognize or recall the brand within the category, in sufficient detail to make a purchase.

Brand Attitude—Helping consumers evaluate the brand’s perceived ability to meet a currently relevant need.

Brand Purchase Intention—Moving consumers to decide to purchase the products of a brand or take purchase-related action.

3) Designing the communications

Message Strategy: In determining message, management searches for appeals, themes, or ideas in line with the brand positioning to help establish points of parity or points of differences. •

Creative Strategy: Creative strategy are how marketers translate their message into a specific communication:

Informational Appeals: elaborate on product or service attributes or benefits. They assume very rational and logical processing of the communication on the part of the consumer.

Transformational Appeals: elaborate on a non-product-related benefit or image. They often attempt to stir up emotions that will motivate purchase. Design The Communications

Message Source: Messages delivered by attractive or popular sources can achieve higher attention and recall, which is why advertisers often use celebrities as spokespeople.

Three most identified sources of credibility are

a) Expertise: The specialized knowledge the communicator possess to back the claim

b) Trustworthiness: Describes how objective and honest the source is perceived to be

c) Likability: Describes the source’s attractiveness

4) Select the communication channels

Personal Communications Channels involve two or more persons communicating directly face-to-face, persons-to-audience, over the telephone, or through e-mail or through video conference. They derive their effectiveness from individualize presentation and feedback, include direct and interactive marketing, word-of-mouth marketing, and personal selling.

The kinds of personal communications channels are:

– Advocate channels consist of company salespeople contacting buyers in the target market.

– Expert channels consist of independent experts making statements to target buyers.

– Social channels consist of neighbors, friends, family members, and associates talking to target buyers.

Non-personal Channels are communications directed to more than one person and includes: Media advertising, sales promotions, events and experiences and public relations

Integration of Communications Channels: Although personal communication is often more effective than mass communication, mass media can turn into major means for stimulating personal communication. Mass communications affect personal attitudes and behavior through a two-step process. Ideas often flow from radio, television, print and internet medias to opinion leaders, and from these to those who focus less on medias.

5) Establish the Total Marketing Communications Budget

Affordable Method: Set the promotion budget at what they think the company can afford.

Percentage of Sales Method: Set promotion expenditures at a specified percentage of sales (either current or anticipated) or of the sales price.

Competitive Parity Method: Set the promotion budget to achieve share-of-voice parity with competitors.

Objective and Task Method: The objective-and-task method calls upon marketers to develop promotion budgets by defining specific objective, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

6) Deciding on the marketing communications mix

Companies must allocate the marketing communications budget over the eight major modes of communication—advertising, sales promotion, public relations and publicity, events and experiences, direct marketing, interactive marketing, word-of-mouth marketing and personal selling.

Factors in setting the marketing communications mix

a) Type of product market

Consumer markets – Mainly Advertising and sales promotion

Business markets – More focus on personal selling

However advertisements turn out to be fruitful even in business markets and personal selling in consumer markets as well.

b) Buyer-readiness stage

Awareness building stage – Advertising and publicity plays the most important role

Comprehension stage – Advertising and publicity plays the most important role

Conviction stage – Personal selling plays the most important role

Order stage/Closing the sale stage – Personal selling and sales promotion plays the most important role

Reorder stage – Most effected by sales promotion then by personal selling.

c) Product life-cycle stage

Introduction stage – Advertising, publicity, events and experiences.

Growth stage – Word of mouth and interactive marketing along with advertising, publicity, events and experiences.

Maturity stage - Advertising, Personal selling, events and experiences

Decline stage – Sales promotion continues to be strong where as other tools gets reduced.

7) Measuring communication results

In order to measure the Communication results/impact, members of the target audience can be asked through surveys or interviews:

– whether they recognize or recall the message

– how many times they saw it

– what points they recall

– how they felt about the message

– what are their previous and current attitudes toward the product and the company.

The communicator should also collect behavioral measures of audience response, such as how many people bought the product, liked it and talked to others about it. Measuring Communication Results

8) Managing Integrated Marketing Communications

Integrated Marketing Communication (IMC) is a concept of marketing communications planning that recognizes the added value of a comprehensive plan and evaluates strategic roles of various elements of communication mix such as advertising, sales promotion, etc. It ensures that all forms of communications and messages are carefully linked together to provide clarity, consistency and maximum impact.

It involves

a) Coordinating the media

b) Implementing IMC

Thank you

CHAPTER 17: MANAGING MASS COMMUNICATIONS

ADVERTISING

Advertising - Any paid form of non-personal presentation and promotion of products by an identified sponsor.

Five Ms of advertising

Mission: What are our advertising objectives?

Money: How much can we spend and how do we allocate our spending across media types?

Message: What message should we send?

Media: What media should we use?

Measurement: How should we evaluate the results?

1) Mission

Setting the Objectives

The advertising objectives can be classified as follows:

- **Informative advertising:** aims to create brand awareness and knowledge of new products or new features of existing products.
- **Persuasive advertising**: aims to create liking, preference, conviction, and purchase of a product or service. Some persuasive advertising is comparative advertising.
- **Reminder advertising:** aims to stimulate the repeat purchase of products and services.
- **Reinforcement advertising:** aims to convince current purchasers they made the right choice.

2) Money

Factors affecting budget decisions

a) Stage in product life cycle

b) Market share and customer base

c) Competition and clutter

d) Advertising frequency

e) Product substitutability

3) Message

i) Message generation

ii) Message evaluation

iii) Message selection

iv) Creative development and execution

v) Legal and social issues

4) Media

i) Deciding on Reach, Frequency and Impact

ii) Choosing among major media types

iii) Selecting specific media vehicles

iv) Deciding on media timing

v) Deciding on geographical media allocation

i) Deciding on Reach, Frequency and Impact

- The effect of exposures on audience awareness depends on the exposures' reach, frequency, and impact:
- ***Reach (R).*** The number of different persons or households exposed to a particular media schedule at least once during a specified time period
- ***Frequency (F).*** The number of times within the specified time period that an average person or household is exposed to the message
- ***Impact (I).*** The qualitative value of an exposure
- The relationship between reach, frequency, and impact is captured in the following concepts:
- Total number of exposures (E). E = R × F, also called the gross rating points (GRP). If a given media schedule reaches 80 percent of homes with an average exposure frequency of 3, the media schedule has a GRP of 240 (80 × 3).
- Reach is most important when launching new products, flanker brands, etc
- Frequency is important where there are strong competitors, high consumer resistance, higher chances of forgetting, etc.

ii) Choosing among major media types

Types of advertising media: Newspapers, Television, Direct mail, Internet, Radio, Magazine, Brochures, Telephone, etc.

Place advertising

-Bill boards

-Public spaces - Ads are appearing in such unconventional places such as movie screens, airplane bodies, and fitness equipment, sports arenas, office and hotel elevators, etc

-Product placement – Products and brands being placed in movie scenes to get viewer attention and communicate brand messages in the context of story.

- Point of purchase - The point of purchase (POP) is the area in which marketers and retailers plan promotional activities surrounding the consumer products. In-store advertising includes ads on shopping carts, windows, shelves, floor, etc.

iii) Selecting specific media vehicles

- Audience quality
- Audience attention probability
- Editorial quality
- Ad placement policies and extra services

iv) Deciding on Media Timing and Allocation

Macro-scheduling problem involves scheduling the advertising in relation to seasons and their business cycle.

Micro-scheduling calls for allocating advertising expenditures within a short period to obtain maximum impact.

The timing pattern should consider three factors.

a) Buyer turnover - expresses the rate at which new buyers enter the market; the higher this rate, the more continuous the advertising should be.

b) Purchase frequency - is the number of times the average buyer buys the product during the period; if higher purchase frequency is required to happen, the more continuous the advertising should be.

c) The forgetting rate is the rate at which the buyer forgets the brand; the higher the forgetting rate, the more continuous the advertising should be.

Classification of advertising timing patterns

Continuity - means exposures appear evenly throughout a given period. Generally, advertisers use continuous advertising in expanding markets, with frequently purchased items, and in tightly defined buyer categories.

Concentration - calls for spending all the advertising expenditure in a single period. This makes sense for products with one selling season or related holiday

Flighting - calls for advertising during a period, followed by a period with no advertising, followed by a second period of advertising activity. It is useful when funding is limited, the purchase cycle is relatively infrequent, or items are seasonal.

Pulsing - is continuous advertising at low levels, reinforced periodically by waves of heavier activity. It draws on the strengths of continuous advertising and flights to create a compromise scheduling strategy

V) Geographical media allocation

National buys – When company places ads on nation wide TV networks or in nationally circulated newspapers, magazines, etc

Spot buys – When it buys TV time in just a few markets or in regional editions of magazines, newspapers,etc

Local buys – When company advertises in local TV channels, newspapers, magazines, etc

5) Measurement

Evaluating advertisement effectiveness

Communication-effect research

Seeks to determine whether an ad is communicating effectively. Marketers should perform this test both before an ad is put into media and after it is printed or broadcasted

Pre-testing – Questionnaire, Paired comparison tests, Recall tests, Reaction tests, Trailer tests, Theatre test, etc

Post-testing - Questionnaire, Recall tests, Recognition tests, sales test, etc

Sales-effect test

A company's *share of advertising expenditures* produces a *share of voice* (proportion of company's advertising of a product to all advertising of the similar products in the market) that earns a *share of consumers' minds and hearts* and, ultimately, a *share of market.*

Historical approach – A predictive method which correlates past sales to past advertising

Experimental design - In this method the entire sales territory is divided into three or four sub areas In one group, an advertisement is inserted involving a certain amount. In another group; the amount is doubled; in the third it is tripled; in the fourth, it is quadrupled. The results in the form of sales are measured and compared with a view to finding out the impact of increased advertising effort.

SALES PROMOTION

Sales promotion consists of collection of intensive tools, designed to stimulate quicker or greater purchase of products or services by the customers.

Major decisions

1) Establishing objectives

In relation to consumers: Encouraging larger-sized units, building trial among non-users, attracting people away from competitors' brand, etc.

In relation to retailers: Persuading retailers to carry new items, higher level of inventories, encouraging off-season buying, to counter the competitors' sales promotion, etc.

In relation to sales force: Encouraging support of a new product or model, encouraging more prospecting, stimulating off-season sales, etc.

2) Selecting sales promotion tools

Major consumer promotion tools – Samples, Coupons, Frequency programs, Prizes, Patronage awards, Cross-Promotions, etc.

Major trade promotion tools – Price-off, Free goods and allowances (advertising allowance, display allowance)

Major business and sales force promotion tools – Trade shows and conventions, Sales contests, Speciality advertising (consists of useful low cost items bearing the company's name and address. Items such as calendars, key chains, bags, etc)

3) Implementing and evaluating the program

After developing overall programmes, the marketers have to prepare implementation and control plans for each individual promotion.

Evaluation: By utilizing sales data, consumer surveys and experiments.

EVENTS AND EXPERIENCES

Events objectives

1) To identify with a particular target market or lifestyle
2) To increase salience of company or product name
3) To enhance the corporate image
4) To create or reinforce perceptions of key brand image associations
5) To create experiences and evoke feelings
6) To express commitment to the community or on social issues
7) To entertain key clients or reward key employees
8) To permit merchandising or promotional opportunities

Major Sponsorship Decisions

1) Choosing events

2) Designing sponsorship programs

3) Measuring sponsorship activities

Supply-side methods – Amount of time or space devoted to media coverage of an event. For example, the number of seconds the brand is clearly visible on TV screen, number of time a brand gets mentioned, etc.

Demand-side methods – Identifies the effect sponsorship has on consumers' brand knowledge. Can survey the event spectators to measure recall of event, resulting attitudes and intentions toward the sponsor.

Public relations

Public relations includes a variety of programs to promote or protect a company's image or individual products. Example – Press kits, speeches, Seminars, Annual reports, Publications, Community relations, etc.

Functions performed by Public relations departments:

1. Press relations—Presenting news and information about the organization in the most positive light

2. Product publicity—Sponsoring efforts to publicize specific products

3. Corporate communications—Promoting understanding of the organization through internal and external communications

4. Lobbying—Dealing with legislators and government officials to promote or defeat legislation and regulation

5. Counseling—Advising management about public issues as well as company positions and image during good times and bad.

Marketing Public Relations (MPR) plays important role in following tasks:

- Launching new products
- Repositioning a mature product
- Building interest in a product category
- Influencing specific target groups
- Defending products that have encountered public problems
- Building the corporate image in a way that reflects favourably on its products

Major decisions in Marketing Public Relations

1) Establishing objectives

- Inorder to build awareness
- To increase the credibility
- To boost the sales force and dealer enthusiasm
- To bring down the promotion cost

2) Choosing messages and vehicles

3) Implementing the plan and evaluating results

After choosing messages and vehicles, plans which have been developed should be implemented.

Measuring the change in product awareness, comprehension or attitude resulting from MPR campaigns. Evaluation should go on in an ongoing manner. Task of evaluation can be performed on the basis of attendance records, surveys, press clippings, content analysis, observation, social media mentions, etc.

THANK YOU

CHAPTER 18: MANAGING PERSONAL COMMUNICATIONS

Direct marketing

Direct marketing is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen.

Direct marketing channels- direct mail, catalogue marketing, telemarketing, etc.

The benefits of direct marketing

For customers: home shopping can be fun, convenient, and hassle-free. It saves time and customers can do comparative shopping

For sellers: direct marketers can have the profiles of customers so that they can customize and personalized messages. In the long run, direct marketers can build a continuous relationship with each customer.

The public and ethical issues in direct marketing

Irritation, unfairness, deception and fraud, invasion of privacy

Direct-mail marketing:

- Involves sending an offer, announcement, reminder, or other item to a person at a particular physical or virtual address.
- Largest direct marketing medium.
- Well-suited to one-to-one communication.
- Target markets and prospects – Recency, Frequency, Monetary amount

Catalog marketing

Companies can send,

- Full-line merchandise catalogs
- Specialty consumer catalogs
- Business catalogs
- List of available services

Combining websites and catalogs are an effective way to sell

Telemarketing

Involves the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions.

It helps the companies to increase revenue , reduce selling costs and improve customer satisfaction.

Companies can use call centers for

Inbound telemarketing – Receiving calls from customers

Outbound telemarketing – Initiating calls to prospects and customers

Interactive marketing

The internet provides marketers and consumers with opportunity for much greater interaction and individualization through well-designed web sites as well as online ads and promotions.

Advantages

Tailored messages possible

Easy to track responsiveness

Contextual ad placement possible

Search engine advertising possible

Disadvantages

Subject to click fraud

Consumers develop selective attention

Pishing

Interactive Marketing Communication Options

1) Websites

Companies must design websites that expresses their history, vision, products, etc

Seven key design elements of an effective website 7Cs

- *Context* - Layout and design
- *Content* - Text, pictures, sound, and video the site contains
- *Community* - How the site enables user-to-user communication
- *Customization* - Site's ability to tailor itself to different users or to allow users to personalize the site
- *Communication* - How the site enables site-to-user, user-to-site, or two-way communication
- *Connection* - Degree that the site is linked to other sites
- *Commerce* - Site's capabilities to enable commercial transaction

To encourage repeat visits, companies must pay special attention to context and content factors and embrace another 'C' – Constant change.

2) Search ADs

search advertising is a method of placing online advertisements on web pages that show results from search engine queries.

3) Display ADs

Display advertising is a method of attracting the audience of a website, social media platform or other digital mediums to take a specific action.

4) E-Mail

5) Mobile marketing

6) Social media marketing

Word of Mouth

Transfer of message from one person to another in oral or written mode. Can happen through electronic mode as well.

- Through social media: Three main platforms. Online communities and forums, blogs and social networks (Like Facebook, Twitter, etc).
- Buzz and Viral marketing
- Opinion leaders

Personal Selling

Face to face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions and procuring orders.

Types of salespersons

Deliverer – A salesperson whose major task is the delivery of a product. There is little attempt to persuade customers to increase the order.

Order taker – An inside order taker (standing behind the counter) or outside order taker

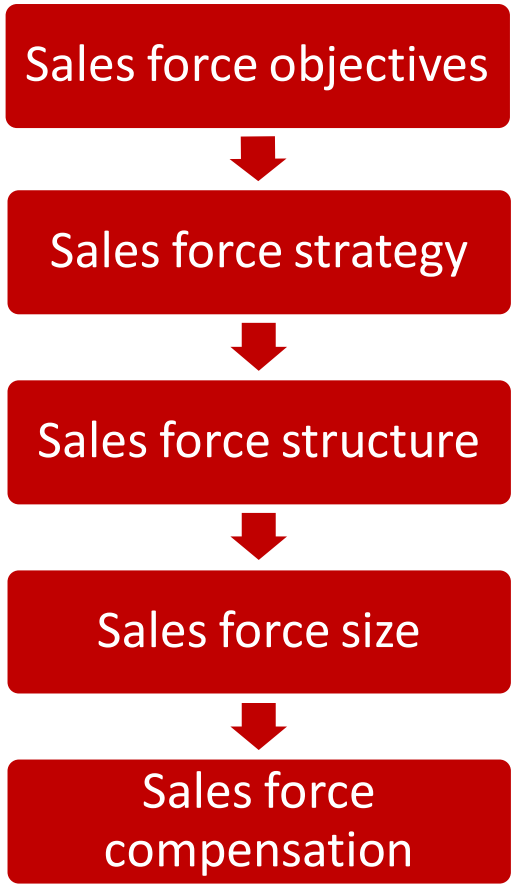
Missionary—A salesperson not permitted to take an order but expected rather to build goodwill or educate the actual or potential user

Technician—A salesperson with a high level of technical knowledge

Demand creator—A salesperson who relies on creative methods for selling tangible products (vacuum cleaners, household products, etc) or intangibles (insurance, advertising services, etc).

Solution vendor—A salesperson whose expertise is solving a customer's problem, often with a system of the company's products and services

Designing the sales force



Sales force objectives and strategies

Common sales force objectives:

1. To improve the revenue generation capabilities
2. To increase the sales volume
3. Inorder to attain and increase sustained profits
4. To contribute towards the growth of the organization
5. To increase the market share
6. To increase the efforts to convert prospects into customers
7. Inorder to motivate the Sales Force
8. To reduce the churn rate
9. To increase the functional coordination and co-operativeness

In performing their jobs, salespeople complete one or more specific tasks:

- Prospecting: Searching for prospects or leads
- Targeting: Deciding how to allocate their time among prospects and customers
- Communicating: Communicating information about the company's products and services
- Selling: Approaching, presenting, answering questions, overcoming objections, and closing sales
- Servicing: Providing various services to the customers—consulting on problems, rendering technical assistance, arranging financing, expediting delivery
- Information gathering: Conducting market research and doing intelligence work
- Allocating: Deciding which customers will get scarce products during product shortages

A **direct (company) sales force** consists of full- or part-time paid employees who work exclusively for the company. Inside sales people conduct business from the office and receive visits from prospective buyers, and field sales people travel and visit customers.

A **contractual sales force** consists of manufacturers' reps, sales agents, and brokers who earn a commission based on sales.

Sales force structure

The sales force strategy also has implications for its structure. A company that sells one product line to one end-using industry with customers in many locations would use a territorial structure. A company that sells many products to many types of customers might need a product or market structure.

Companies can adopt some combination of four types of sales force:

(1) A strategic market sales force assigned to major accounts

(2) a geographic sales force calling on customers in different territories

(3) a distributor sales force calling on and coaching distributors

(4) an inside sales force marketing and taking orders online and via phone.

Sales Force Size

Sales representatives are one of the company's most productive and expensive assets.

Methods to decide optimum sales force size.

1) Workload approach

Five steps

Step 1: Group customers into size classes according to annual sales volume.

Number of class A customers: 1000, class B customers: 2000

Step 2: Establish desirable call frequencies (number of calls on an account per year) for each customer class.

Call frequency for class A customers: 18, for class B customers: 6

Step 3: Multiply the number of accounts in each size class by the corresponding call frequency to arrive at the total workload for the country, in sales calls per year.

Sales call per year = (1000*18)+(2000*6) = 30000 sales call per year

Step 4: Determine the average number of calls a salesperson can make per year.

Average number of calls a sales person can make per year = 1000 calls

Step 5: Divide the total annual calls required by the average annual calls made by a sales representative to arrive at the number of sales representatives needed.

Number of sales persons required = 30 salespersons

2) Incremental method

A company can appoint any number of salesmen (normally minimum number). Then, it will continue adding more salespersons as long as the additional sales revenues are greater than additional selling costs. According to this method, profit will increase when additional salespeople are added, if the incremental sales revenues exceed the incremental costs.

3) Breakdown method

In this method, it is assumed that each member of the corporate sales team possess the same level of productivity. Hence to determine the size of the sales force needed, the total sales figure forecasted for a period is divided by the sales likely to be generated by each individual in that period.

4) Experts' opinion method

Experts can be internal experts such as Chief Marketing Officer, general managers, National level chief, state level chief, marketing research head, etc., or external experts like marketing consultants, advertising agencies, and marketing research firms.

5) Affordable method

In this method the number of salespersons is determined on the basis of a company's financial capacity to spend on salesforce.

Sales Force Compensation

The company must quantify four components of sales force compensation.

Fixed amount - a salary, satisfies the need for income stability.

Variable amount - commissions, bonus, etc

Expense allowances – travel expenses, food expenses, etc

Other benefits - paid vacations, sickness or accident benefits, pensions, etc

Fixed and variable compensation give rise to three basic types of compensation plans:

1) Straight salary - salespersons receive fixed salary at regular interval of time
2) Straight commission - Commission can be paid on the basis of sales volume, sales value, profits, collections , order size etc
3) Combination of salary and commission

Managing the sales force

Recruiting and selecting sales representatives

↓

Training sales representatives

↓

Supervising sales representatives

↓

Motivating sales representatives

↓

Evaluating sales representatives

1) Recruiting and selecting sales representatives

2) Training sales representatives

3) Supervising sales representatives

- Norms for prospect calls
- Using sales time efficiently
- Sales technology

4) Motivating sales representatives

- Intrinsic rewards and extrinsic rewards
- Sales quotas

5) Evaluating Sales Representatives

Sources of information

Most important source: Sales report. Sales reports are divided between activity plans and write-up of activity results.

Additional sources: Personal observation, salesperson self-reports, customer surveys, customer feedbacks, etc.

Sales persons also submit expense reports, new-business reports, lost-business reports and reports on local business and economic conditions.

These reports provide raw data from which sales managers can extract key indicators of sales performance:

a) average number of sales calls per salesperson per day

b) average sales call time per contact

c) average revenue per sales call

d) average cost per sales call

e) entertainment cost per sales call

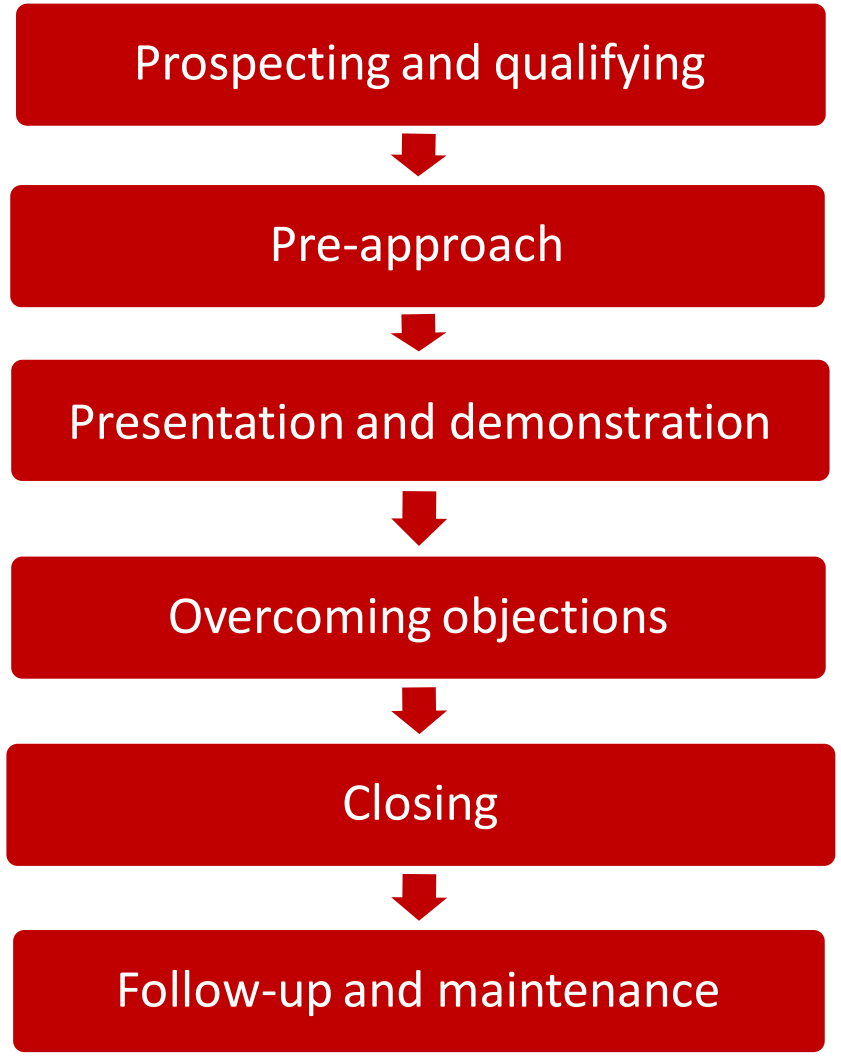
f) percentage of orders per hundred sales calls

g) number of new customers per period

h) number of lost customers per period

i) sales force cost as a percentage of total sales

Major steps in effective selling



1) Prospecting and qualifying

a) Identify and define the prospects

b) Search of Sources of potential accounts

Primary sources – family, friends, suppliers, employees, shareholders, etc

Secondary sources – Responses from previous surveys, list of members published by a trade association, Internet sources, etc

c) Qualify the prospects from suspects

BANT method:

Budget - Does the prospect/customer have the necessary budget?

Authority – Sufficient authority to buy?

Need - a compelling need for the product?

Timeline - for delivery that aligns with what is possible?

2) Pre-approach

The salesperson needs to learn as much as possible about the qualified prospect (what it needs, who takes part in the purchase decision) and its buyers (personal characteristics and buying styles). How is the purchasing process conducted?, etc

Involved functions

- Determination of call objectives
- Development of customer profile
- Determination of customer benefits
- Determination of sales presentation
- Decision on best contact approach—a personal visit, phone call, e-mail, or letter?

3) Presentation and demonstration

FABV Approach

Features - describe characteristics of a market offering

Advantages – describe why the features give customer an edge

Benefits - describe the economic, technical, service, and social pluses delivered

Value - describes the offering's worth (often in monetary terms)

Demonstration – Direct demonstration, through videos, etc

4) Overcoming objections

Price is the most frequently negotiated factor. Others include contract completion time, quality of goods and services offered, purchase volume, product safety, and responsibility for financing, risk taking, promotion, and title.

5) Closing sales

The success in earlier stages will lead to the last stage of closing the sale.

Should persuade the qualified prospect to act right now than postponing or delaying the action.

Finalization of the order takes place at this stage.

6) Follow up and Maintenance

Follow-up and maintenance are necessary to ensure customer satisfaction and to undertake transactions in future.

Thank you

CHAPTER 19: INTRODUCING NEW MARKET OFFERINGS

Categories of new product

- New to the world - These products are truly new because they create a totally new market
- New product lines - These products are not new in the market. But are new from the side of the company.
- Addition to existing product line **-** is when the company introduces an additional product which is similar to its existing range of products.
- Improvements - these products offer improved quality, features or performance of an existing product. They might also act as replacements of existing products.
- Repositionings - Existing products can be targeted to new markets or market segments.
- Cost reduction - New products may be developed that provide similar performance at lower cost.

Reasons for new product development

- Change in consumer demand
- Product Reaches The End Of Its Product Life Cycle
- Product Is At The Maturity Stage Of The Product Life Cycle
- Environmental Changes
- New opportunities (growth and development)
- Competition
- Innovation story
- Rules and regulations
- Changes in technology
- Reputation and goodwill
- Diversification of risk
- Utilization of excess capacity

Reasons for new-product failure

- Ignored or misinterpreted market research
- Overestimation of market size
- Poor design or ineffectual performance
- Incorrect marketing communication
- Inefficient pricing
- Insufficient distribution support
- Competitors who fight back hard
- Inadequate ROI or payback
- Shortage of important ideas in certain areas
- Fragmented markets
- Social, economic and governmental constraints
- Capital shortages
- Shorter required development time
- Poor launch timing
- Shorter product life cycles
- Lack of sufficient organizational support

Essentials or Requirements for Successful Development of New Products

- Studying the market at higher accuracy
- Market trends and economic conditions
- Compatibility with the present production and marketing structure
- Availability of funds
- Competitiveness
- Managerial experience and ability
- Suitability with objective, image, and goodwill of company
- Time period, or gestation period
- Legal and social aspects
- Internal integration and cooperation.

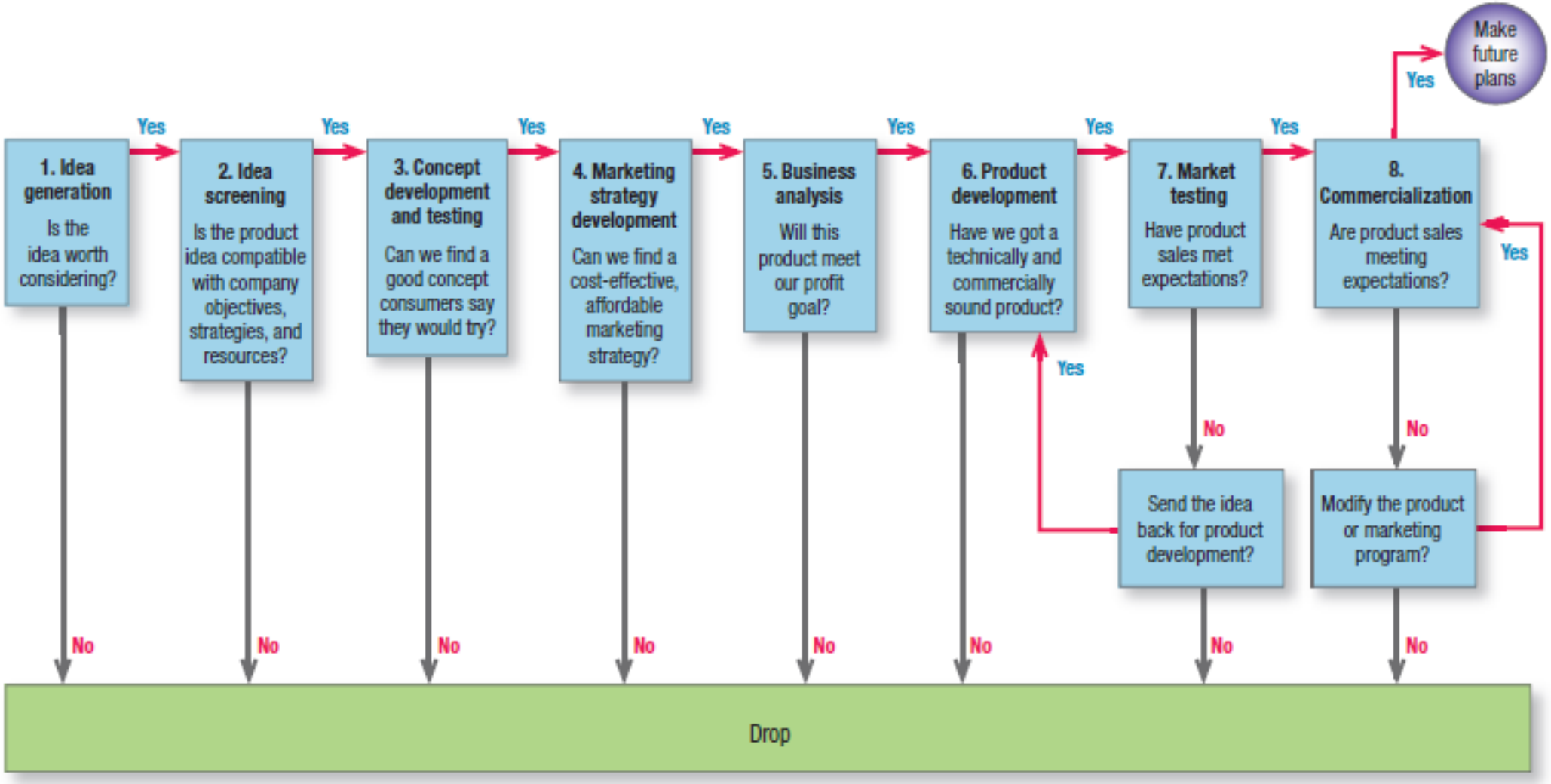
Venture team

A venture team is a cross-functional group charged with developing a specific product or business. These ‘intrapreneuer’ are relieved of other duties and given a budget, time frame and skunkworks.

Criteria for staffing venture teams

- Desired team leadership style
- Desired level of leader expertise
- Team member skills and expertise
- Level of interest in concept
- Potential for personal reward
- Diversity of team members

The New-Product Development Decision Process



1) Idea generation

New-product development process starts with the search for ideas.

Internal sources of new ideas: R&D Department employees, other employees

External sources of new ideas: Customers, channel members, online discussion and opinions, marketing agencies, competitors, etc

Idea generation techniques

a) Attribute listing

- List out major attributes of a product.
- Modify each attribute in search of an improved product

b) Forced relationships

This technique involves listing of several objects and then trying to find how each object can be combined with the other objects.

c) Morphological analysis

Problem is defined first then explores all possible solutions to it. By listing every possible combination, many new solutions can be generated.

d) Studying the needs of the customers and problems faced by them

e) Reverse assumption analysis

The guidelines are:

- List all the normal assumptions about an entity.

- Challenge the fundamental assumptions by reversing them. Write down the opposite of each assumption.

- Ask yourself how to accomplish each reversal. List as many useful viewpoints as you can.

f) Brainstorming

g) New contexts

h) Mind mapping

2) Idea screening

At this stage, the ideas generated are screened to find out the good ideas and to drop poor ideas as soon as possible.

New-product idea description on a standard form for a committee's review. The description states:

- The product idea, the target market, and the competition
- Rough estimates market size, product price, development time and costs, manufacturing costs, and rate of return.

Focus should be given on questions such as

- Does the product meet a need?
- Would it offer superior value?
- Can it be distinctively advertised or promoted?
- Does the company have the necessary know-how and capital?
- Will the new product deliver the expected sales volume, sales growth, and profit?
- The current and future competitive pressure for the product idea?

Two serious errors to be avoided at idea screening stage – Drop error and Go error

3) Concept development and testing

At this stage, the product idea is converted into product concept.

Product Ideas means Possible product that company may offer to the market.

A product concept is a detailed version of the idea stated in meaningful consumer terms

When developing product concept following questions should be considered.

Who will use the product?

What primary benefit should this product provide?

When will this product be consumed?

Perceptual maps can be developed.

Concept testing means presenting the product concept to target consumers, physically or symbolically, and getting their reactions.

Creating physical prototypes was costly and time consuming. Hence firms can use rapid prototyping to design products on a computer and then produce rough models to show potential consumers for their reactions. Companies are also using virtual reality to test product concepts.

Researchers measure product dimensions by having consumers respond to questions like these:

1. Communicability and believability—“Are the benefits clear to you and believable?” If the scores are low, the concept must be refined or revised.

2. Need level—“Do you see this product solving a problem or filling a need for you?” The stronger the need, higher the expected consumer interest.

3. Gap level—“Do other products currently meet this need and satisfy you?” The greater the gap, the higher the expected consumer interest.

4. Perceived value—“Is the price reasonable in relationship to value?” The higher the perceived value, the higher is expected consumer interest.

5. Purchase intention—“Would you (definitely, probably, probably not, definitely not) buy the product?”

6. User targets, purchase occasions, purchasing frequency—“Who would use this product, when, and how often?”

4) Marketing strategy development

A preliminary three-part strategy plan for introducing the new product into the market.

The first part describes the

- Target market's size, structure and behaviour
- The planned brand positioning
- The sales, market share, and profit goals sought in the short-term

The second part describes the

- Planned price
- Distribution strategy
- Marketing budget for the first year

The third part describes the

- Long run sales and profit goals
- Marketing mix strategy overtime

5) Business analysis

- Evaluate the proposal's business attractiveness.
- This stage will decide whether from financial as well as marketing point of view, the project is beneficial or not.
- In Business Analysis

  - Estimate likely selling price based upon competition and customer feedback.

  - Estimate sales volume based upon size of market.

  - Estimate profitability and break-even point.
- Management needs to prepare sales, cost, and profit projections to determine whether they satisfy company objectives.
- If they do, the concept can move to the development stage. As new information comes in, the business analysis will undergo revision and expansion.

6) Product development

Up to now, the product has existed only as a word description, a drawing, or a prototype.

The job of translating target customer requirements into a working prototype is helped by a set of methods known as quality function deployment (QFD).

The methodology takes the list of desired customer attributes (CAs) generated by market research and turns them into a list of engineering attributes (EAs) that engineers can use.

Physical prototypes

The goal of the R&D department is to find a prototype that embodies the key attributes in the product-concept statement, performs safely under normal use and conditions, and can be produced within budgeted manufacturing costs.

Customer tests

When the prototypes are ready, they must be put through rigorous functional and customer tests

Alpha testing - tests the product within the firm to see how it performs in different applications.

Beta testing - After refining the prototype further, the company moves to beta testing with customers. Consumer testing can bring consumers into a laboratory or give them samples to use at home.

7) Market testing

After management is satisfied with functional and psychological performance, the product is ready to be branded with a name, logo, and packaging and go into a market test.

The Extent of market testing depends on:

a) Investment Cost & Risk: Higher investment cost/risk needs, market testing more thoroughly.

b) Time Pressure: May reduce testing time.

c) Newness of Product: More newness of product leads to more testing.

Business-goods market testing

Expensive industrial goods and new technologies will normally undergo alpha and beta testing.

During beta testing, the company's technical employees observe how customers use the product, unanticipated problems of safety, servicing and alerts the company to customer training and servicing requirements.

The company can also observe how much value the equipment adds to the customer's operation, as a clue to subsequent pricing.

Beta test results must be handled carefully because only a small number of test customers are used, they are not randomly drawn, and tests are somewhat customized to each site. Another risk is that testers unimpressed with the product may leak unfavorable reports about it.

Methods of consumer goods market testing:

1) Sales-Wave Research

Consumers who initially try the product at no cost are reoffered it, or a competitor's product, at slightly reduced prices.

The offer may be made as many as five times (sales waves).

Helps to study how many customers select it again and their reported level of satisfaction.

2) Simulated Test Marketing

30 to 40 qualified shoppers are asked about brand familiarity and preferences in a specific product category and attend a brief screening of both well-known and new TV or print ads.

The company notes how many consumers buy the new product of the brand and competing brands.

Consumers are asked the reasons for their purchases or non purchases.

Those who did not buy the new product are given a free sample.

Some weeks later, they are contacted to ascertain product attitudes, usage, satisfaction, and repurchase intention and are offered an opportunity to repurchase any products

3) Controlled test marketing

The company with the new product specifies the number of stores and geographic locations it wants to test.

Company research team/ an external research firm delivers the products to a panel of participating stores and controls the shelf position, pricing, number of facings, displays and point-of-purchase promotions.

The company can also evaluate the impact of local advertising and promotions and interview a sample of customers later to get their impressions of the product.

4) Test markets

The most effective way way to test a new consumer product is to put it into full-blown test markets.

The company chooses a few representative cities and puts on a full marketing communications campaign, and the sales force tries to sell the trade on carrying the product and giving it good shelf exposure.

Test marketing also measures the impact of alternative marketing plans by implementing them in different cities.

In designing a test market, management faces several decisions:

1) How many test cities?

2) Which cities?

3) Length of the test?

4) What information to collect?

5) What action to take?

If test market shows,

- High trial and repurchase rates: the marketer should launch the product nationally
- If high trial rate and low repurchase rate: redesign or drop the product
- If low trial rate and high repurchase rate: develop marketing communications to convince more people to try it
- If trial and repurchase rates are both low: abandon the product

8) Commercialization

For formally launching a New Product, the following decisions to be taken:

A) When to launch (Timing)

The company faces three choices:

First entry—The first firm entering a market usually enjoys the first mover advantages.. But if rushed to market before it has been thoroughly debugged, the first entry can backfire.

Parallel entry—The firm might time its entry to coincide with the competitor's entry.

Late entry—The firm might delay its launch until after the competitor has borne the cost of educating the market, and its product may reveal flaws the late entrant can avoid. The late entrant can also learn the size of the market.

B) Where to launch (Geographic Strategy)

C) To Whom (Target-Market Prospects)

D) How to launch (Introductory Market Strategy)

The Consumer-Adoption Process

Adoption is an individual's decision to become a regular user of a product

Stages in adoption process

1. Awareness—The consumer becomes aware of the innovation but lacks information about it.
2. Interest—The consumer is stimulated to seek information about the innovation.
3. Evaluation—The consumer considers whether to try the innovation.
4. Trial—The consumer tries the innovation to improve his or her estimate of its value.
5. Adoption—The consumer decides to make full and regular use of the innovation.

Readiness to try new products and personal influence

The five adopter groups differ in their value orientations and their motives for adopting or resisting the new product.

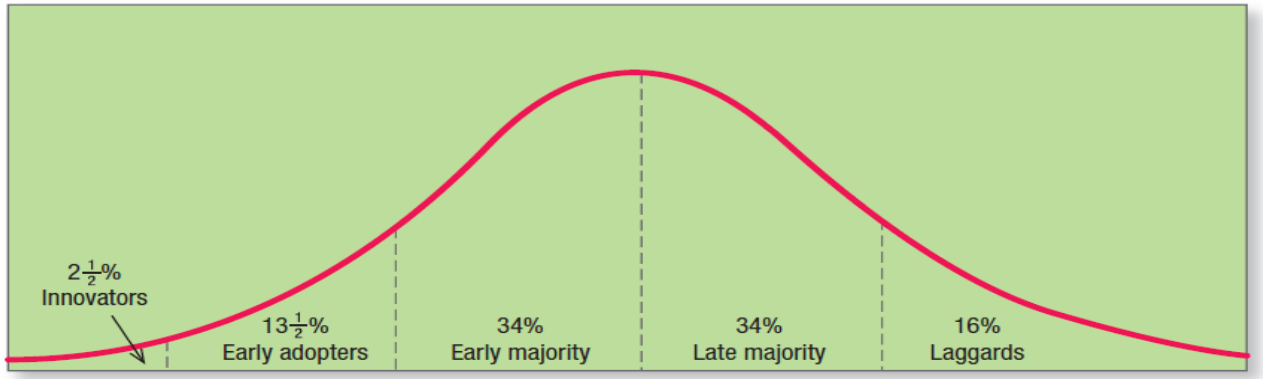
Innovators: are technology enthusiasts. They are happy to conduct alpha and beta testing and report on early weaknesses.

Early adopters: are opinion leaders who carefully search for new technologies that might give them a competitive advantage. They are less price sensitive and are willing to adopt the product if given personalized solutions and good service support.

Early majority: adopt the new technology when its benefits have been proven and a lot of adoption has already taken place. They make up the mainstream market.

Late majority: conservatives who are risk averse, technology shy, and price sensitive.

Laggards: are tradition-bound and resist the innovation until the status quo is no longer defensible.



Time of Adoption of Innovations

Characteristics of the innovation

Five characteristics influence an innovation's rate of adoption.

1. *Relative advantage*—the degree to which the innovation appears superior to existing products.
2. *Compatibility*—the degree to which the innovation matches consumers' values and experiences.
3. *Complexity*—the degree to which the innovation is difficult to understand or use.
4. *Divisibility*—the degree to which the innovation can be tried on a limited basis.
5. *Communicability*—the degree to which the benefits of use are observable or describable to others.

THANK YOU

CHAPTER 20: TAPPING INTO GLOBAL MARKETS

Major decisions in international marketing

Deciding whether to go abroad

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Deciding which markets to enter

↓

Deciding how to enter the market

↓

Deciding on the marketing program

↓

Deciding on the marketing organisation

Deciding on whether to go abroad

Factors that draw companies into the international arena:

- Some international markets present better profit opportunities than the domestic market.
- The company needs a larger customer base to achieve economies of scale.
- The company wants to reduce its dependence on any one market.
- The company decides to counterattack global competitors in their home markets.
- Customers are going abroad and require international service.
- Favorable government policies
- Financial strength of the company
- Rapid technological growth
- Geographic Factors
- Greater choice for consumers
- Exchange of technical know-how
- International co-operation and understanding

Before making a decision to go abroad, the company must also weigh several risks:

- The company might not understand foreign preferences and could fail to offer a competitively attractive product.
- The company might not understand the foreign country's business culture.
- The company might underestimate foreign regulations and incur unexpected costs.
- The company might lack managers with international experience.
- The foreign country might change its commercial laws, devalue its currency, or undergo a political revolution and expropriate foreign property.

The internationalization process typically has four stages:

Stage 1: No regular export activities

Stage 2: Export via independent representatives (agents)

Stage 3: Establishment of one or more sales subsidiaries

Stage 4: Establishment of production facilities abroad

Deciding which markets to enter

Waterfall approach - gradually entering countries in sequence

Sprinkler approach - entering many countries simultaneously

Born global approach

Entry into developed countries, developing countries, under-developed countries

Neighbouring countries, Non-neighbouring countries

Market Attractiveness is influenced by income and population, product and communication adaptation costs, dominant foreign firms as barrier to entry, political-legal-culture environments

Market risks

Competitive advantages on 4P's – product, price, place, promotion, marketing infrastructure (technology), management and human resources, and capital resources

Regional Trade Areas and Agreements

1) The European Union

27 member nations, Common currency – Euro, Official languages – 24

2) NAFTA (North American Free Trade Agreement)

Member nations – USA, Canada, Mexico

3) MERCOSUR

Member nations - Argentina, Brazil, Paraguay, Uruguay

Adding to this - 7 associated members

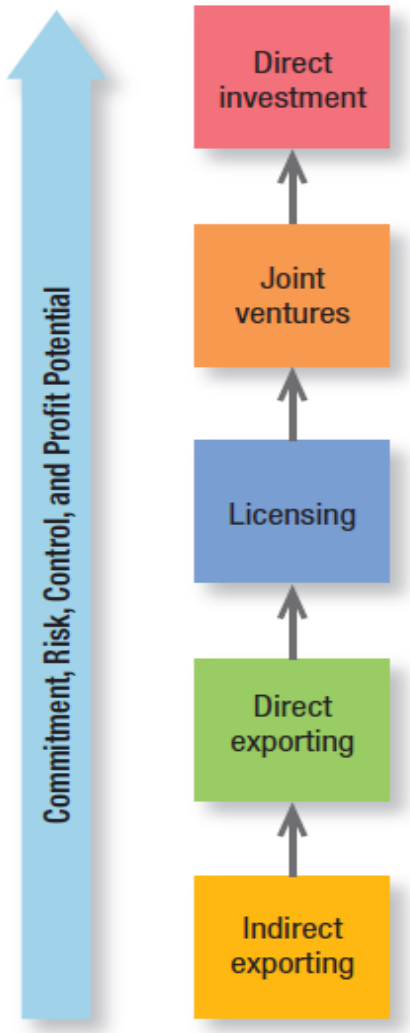
4) APEC (Asia Pacific Economic Cooperation)

21 member nations

5) ASEAN (Association of Southeast Asian Nations)

10 member nations

Deciding How to Enter the Market



Once a company decides to target a particular country, it must choose the most suitable mode of entry.

Its broad choices are

- Indirect exporting
- Direct exporting
- Licensing
- Joint ventures
- Direct investment

Each succeeding strategy entails more commitment, risk, control, and profit potential.

1) Indirect export

Domestic-based export merchants: buy the manufacturer's products and then sell them abroad.

Domestic-based export agents: including trading companies, seek and negotiate foreign purchases for a commission.

Cooperative organizations: conduct exporting activities for several producers—often of primary products such as fruits or nuts—and are partly under their administrative control.

Export-management companies: agree to manage a company's export activities for a fee.

Merits

- Less investment: The firm doesn't have to develop an export department, an overseas sales force, or a set of international contacts

- Lesser risk

Demerits

- Lower profit margin

- Dependence on commitment of the partner

2) Direct export

- Domestic-based export department or division.
- Overseas sales branch or subsidiary: The sales branch or subsidiary handles sales and distribution and promotion as well. It often serves as a display and customer service center.
- Traveling export sales representatives: Home-based sales representatives travel abroad to find business.
- Foreign-based distributors or agents: These third parties can hold limited or exclusive rights to represent the company in that country.

Many Companies adapt their Web sites to provide country-specific content and services

Many companies use direct or indirect exporting to “test the waters” before building a plant and manufacturing their product overseas.

3) Licensing

The licensor issues a license to a foreign company to use a manufacturing process, trademark, patent, trade secret, or other item of value for a fee or royalty.

Management contract – Another firm performs the necessary managerial functions in return for a fee.

Contract manufacturing - the firm hires local manufacturers to produce the product.

Franchising - a more complete form of licensing. The franchisor offers a complete brand concept and operating system. In return, the franchisee invests in and pays certain fees to the franchisor.

4) Joint venture

Joint Venture can be described as a business arrangement, wherein two or more independent firms come together to form a legally independent undertaking, for a stipulated period, to fulfil a specific purpose such as accomplishing a task, activity or project.

The firms joining hands in a joint venture are called Co-venturers. The co-venturers agree to share the profits and losses of the business in an agreed ratio. Once the term or purpose of the joint venture is complete, the agreement comes to an end, and the accounts of the co-venturers, are settled and then dissolved.

Why joint ventures?

- To enter foreign market and even new or emerging market.
- To reduce the risk factor for heavy investment.
- To make optimum utilisation of resources.
- To gain economies of scale.
- To achieve synergy.

5) Direct investment

The ultimate form of foreign involvement is direct ownership: The foreign company can buy part or full interest in a local company or build its own manufacturing or service facilities.

Why direct investment?

- The firm can secures cost economies through cheaper labor or raw materials, government incentives, and freight savings.
- The firm can strengthens its image in the host country because it creates jobs.
- The firm can deepen its relationship with the government, customers, local suppliers, and distributors, enabling it to better adapt its products to the local environment.
- The firm retains full control over its investment and can develop manufacturing and marketing policies that serve its long-term international objectives.
- The firm ensures its access to the market in case the host country insists that locally purchased goods must have domestic content.

Deciding on the marketing program

International companies must decide how much to adapt their marketing strategy to local conditions

Globally standardized marketing program and adapted marketing program

Globally standardized marketing program

Advantages

- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices

Disadvantages

- Ignores differences in consumer needs, wants, and usage patterns for products
- Ignores differences in consumer response to marketing programs and activities
- Ignores differences in brand and product development and the competitive environment
- Ignores differences in the legal environment
- Ignores differences in marketing institutions
- Ignores differences in administrative procedures

Hofstede's cultural dimensions theory

Individualism versus collectivism—In collectivist societies, the self-worth of an individual is rooted more in the social system than in individual achievement (high collectivism: Japan, Russia, India; low: United States).

High versus low power distance—High power distance cultures tend to be less egalitarian (high: Russia, India; low:Nordic countries).

Masculine versus feminine

Masculinity - a preference in society for achievement, heroism, assertiveness and material rewards for success

Feminine - a preference for cooperation, modesty, caring for the weak and quality of life

(highly masculine: Japan; low: Nordic countries)

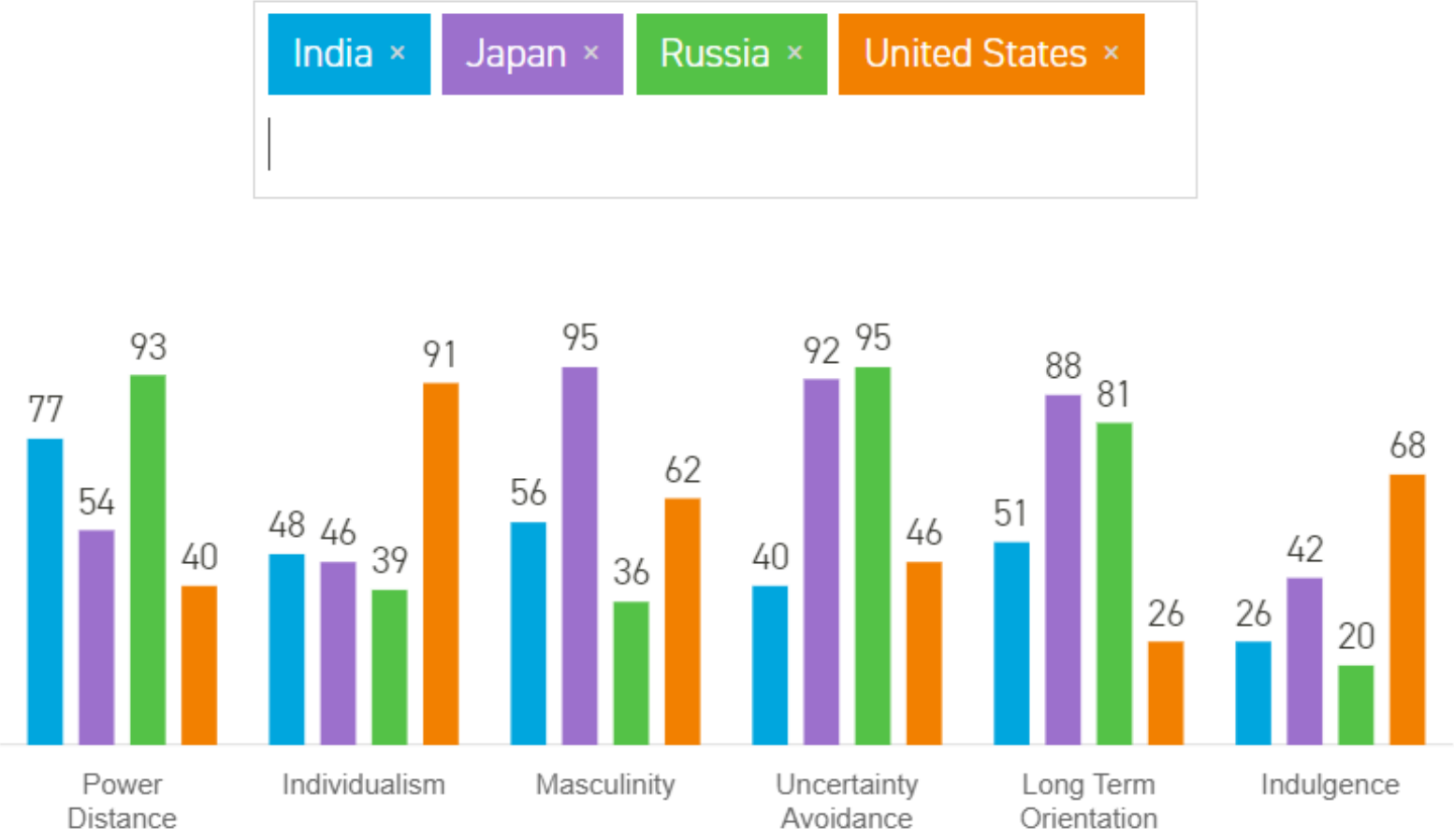
Weak versus strong uncertainty avoidance—Uncertainty avoidance indicates how risk-aversive people are (high avoidance: Greece, Russia, Japan; low: Jamaica).

Long-term versus short-term orientation (High: Japan, Russia; Low: USA)

Indulgence versus restraint

Indulgent cultures believe it is okay for people to have fun and enjoy life (USA)

Restrained cultures have strict social norms (Russia, UAE)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Power Distance
Individualism
Masculinity
Uncertainty Avoidance
Long Term Orientation
Indulgence

Marketing adaptation

A company should review the following elements and determine which add more revenue than cost if adapted:

- Product features
- Labeling
- Colors
- Materials
- Sales promotion
- Prices
- Advertising media
- Brand name
- Packaging
- Advertising execution

Five international product and communication strategies

Communications	Product: Do Not Change Product	Product: Adapt Product	Product: Develop New Product
Do Not Change Communications	Straight extension	Product adaptation	Product invention
Adapt Communications	Communication adaptation	Dual adaptation	

Global Pricing Strategies

- Price escalation

Three choices for setting prices in different countries

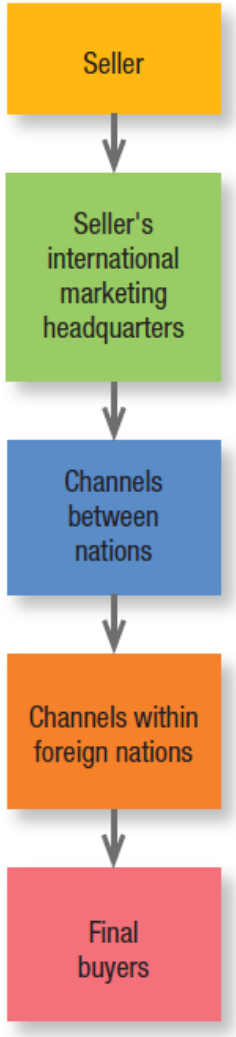
a) Set a uniform price everywhere

b) Set a market-based price in each country

c) Set a cost-based price in each country

- Transfer prices
- Gray markets
- Counterfeit products

Global Distribution Strategies



Channel entry

Seller's international marketing headquarters - the export department or international division makes decisions about channels and other marketing activities.

Channels between nations - Decisions made in this link include the types of intermediaries (agents, trading companies), type of transportation (air, sea), and financing and risk management.

Channels within foreign nations

Channel differences – Distribution channels can vary across countries.

Country of Origin Effects

Building country images

Consumer perceptions of country of origin

Deciding on the marketing organisation

- Export department
- International division
- Global organization

THANK YOU