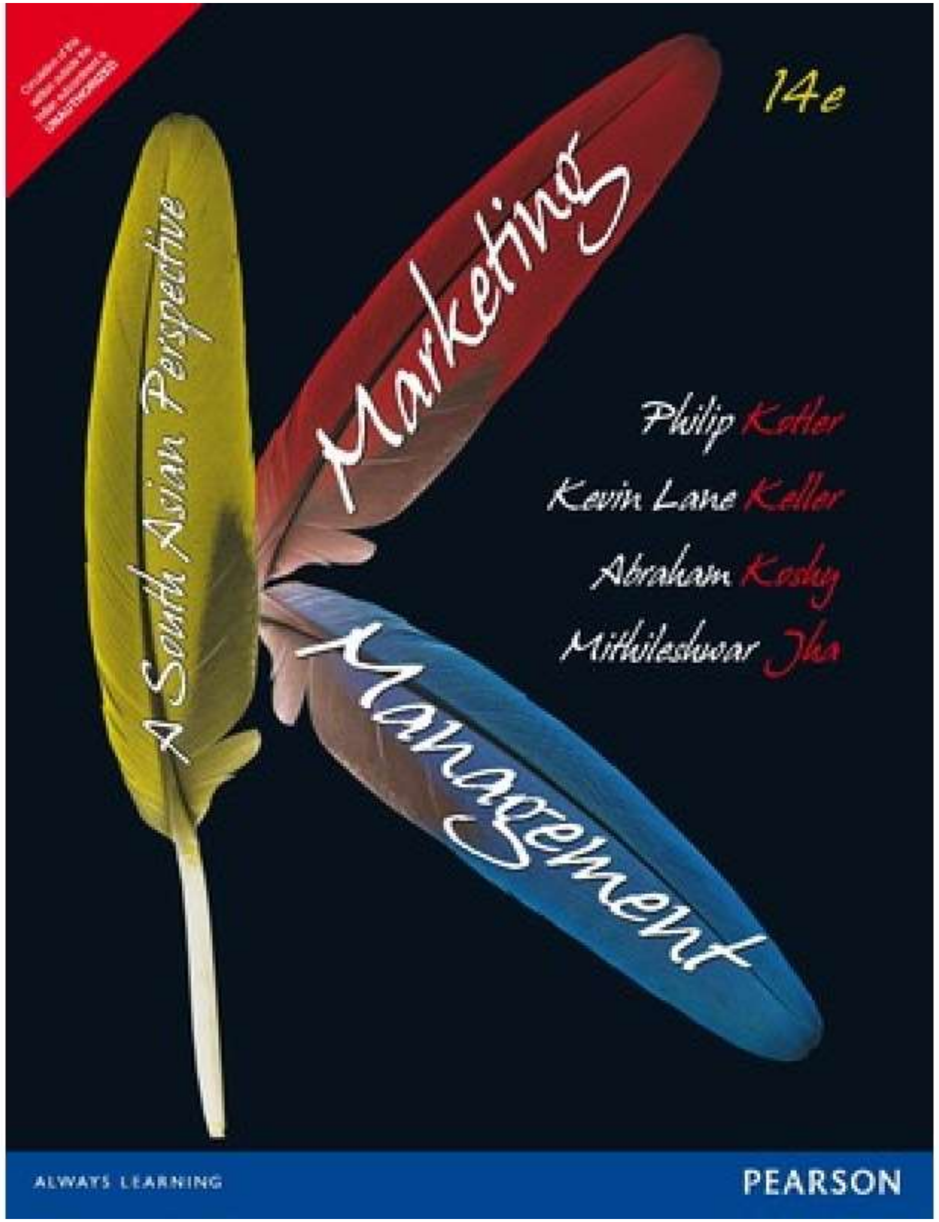
MARKETING MANAGEMENT
Course code –SM722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Marketing
Management
A South Asian Perspective
Philip Kotler
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ALWAYS LEARNING
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CHAPTER 1: DEFINING MARKETING 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.

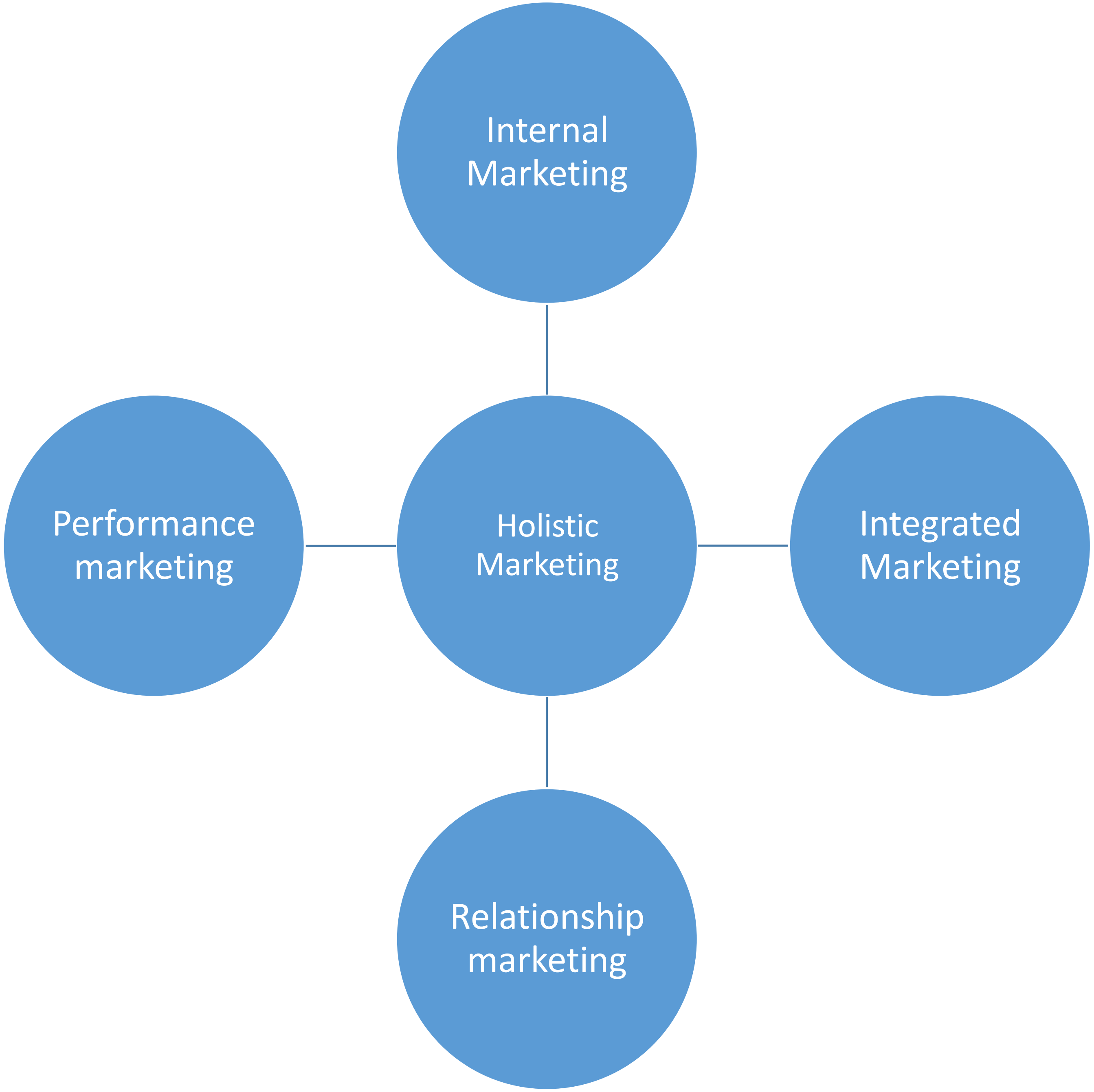
• Marketing environment

  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

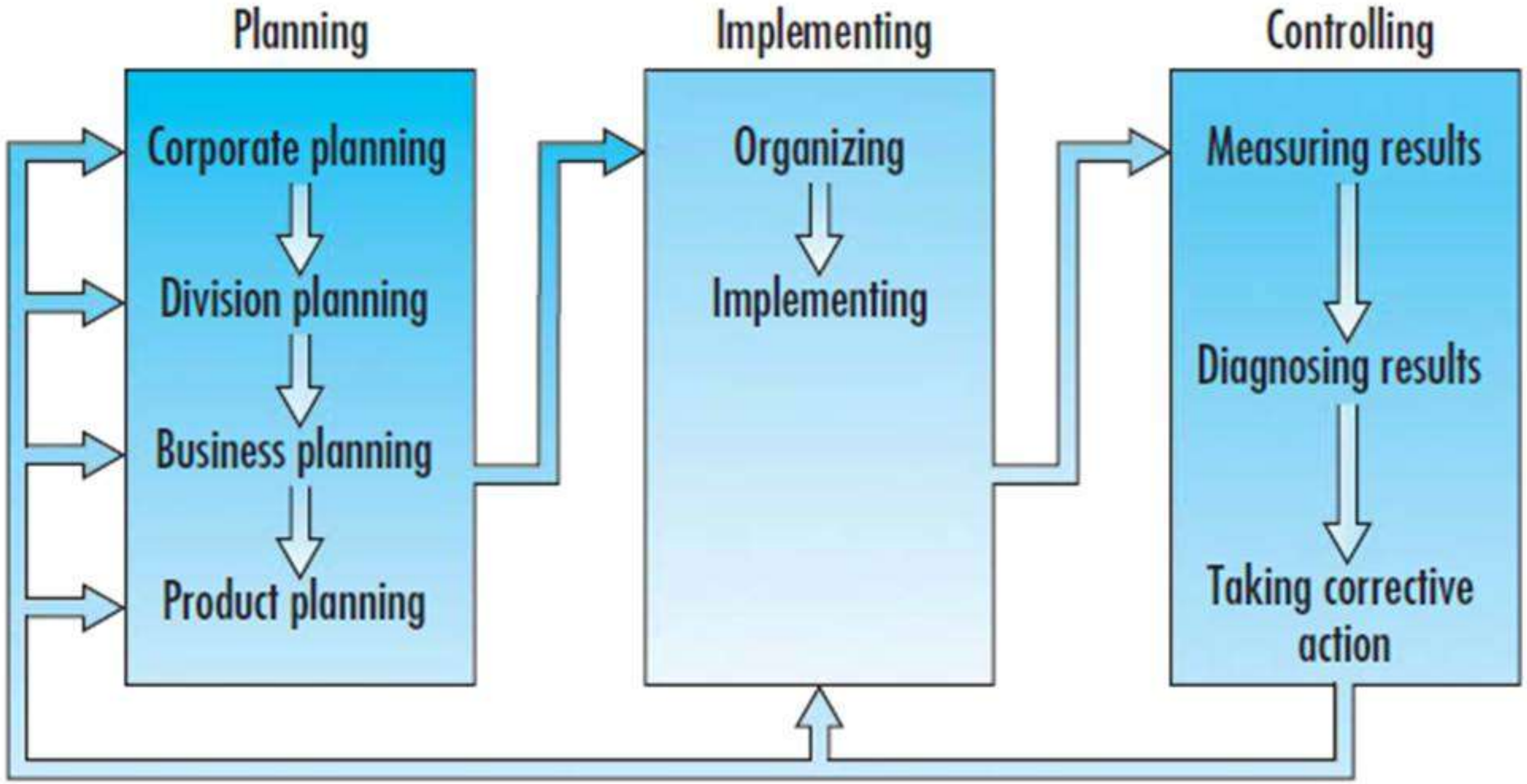
b) Strategic alliances

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

5) Program formulation

6) Implementation

7) Feedback and control


Planning
Implementing
Controlling
Corporate planning
Division planning
Business planning
Product planning
Organizing
Implementing
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

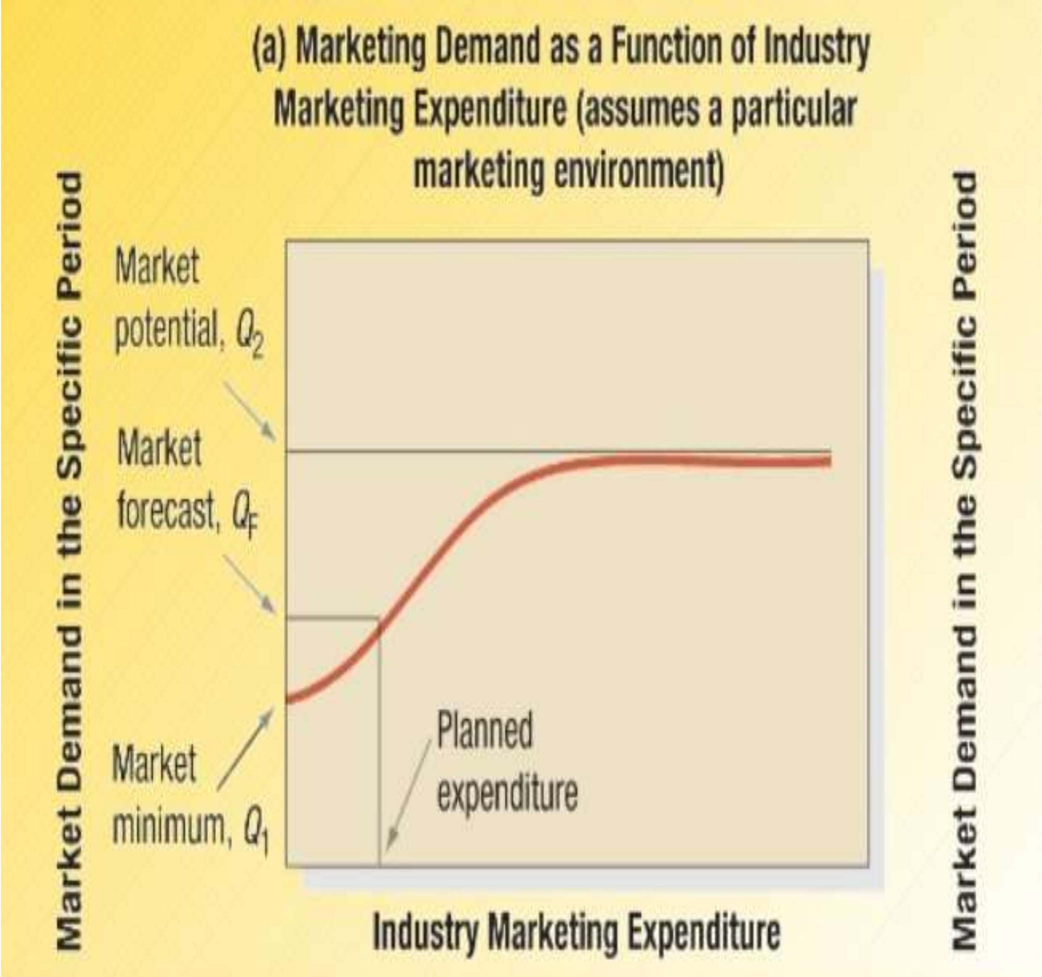
Market demand for a product is the total volume that would be by a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

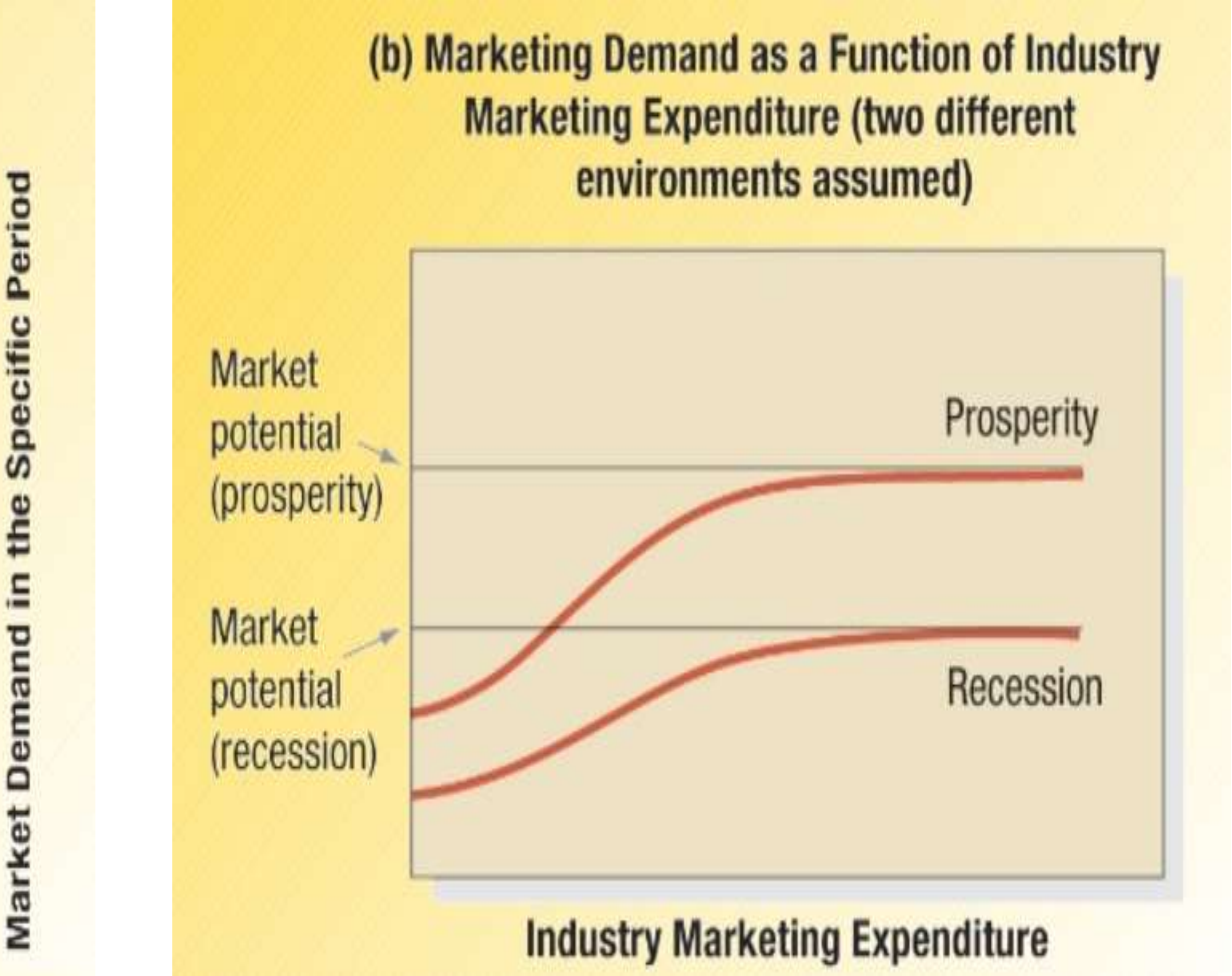
Market forecast

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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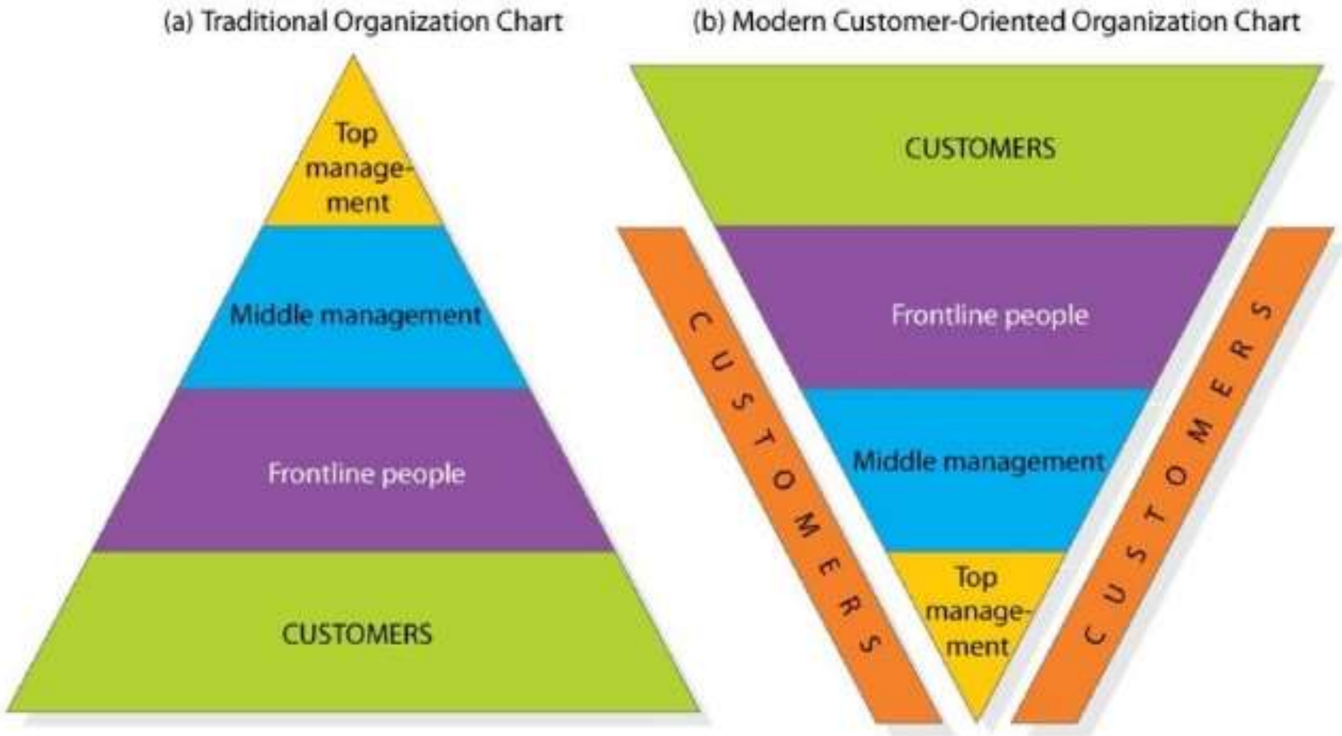
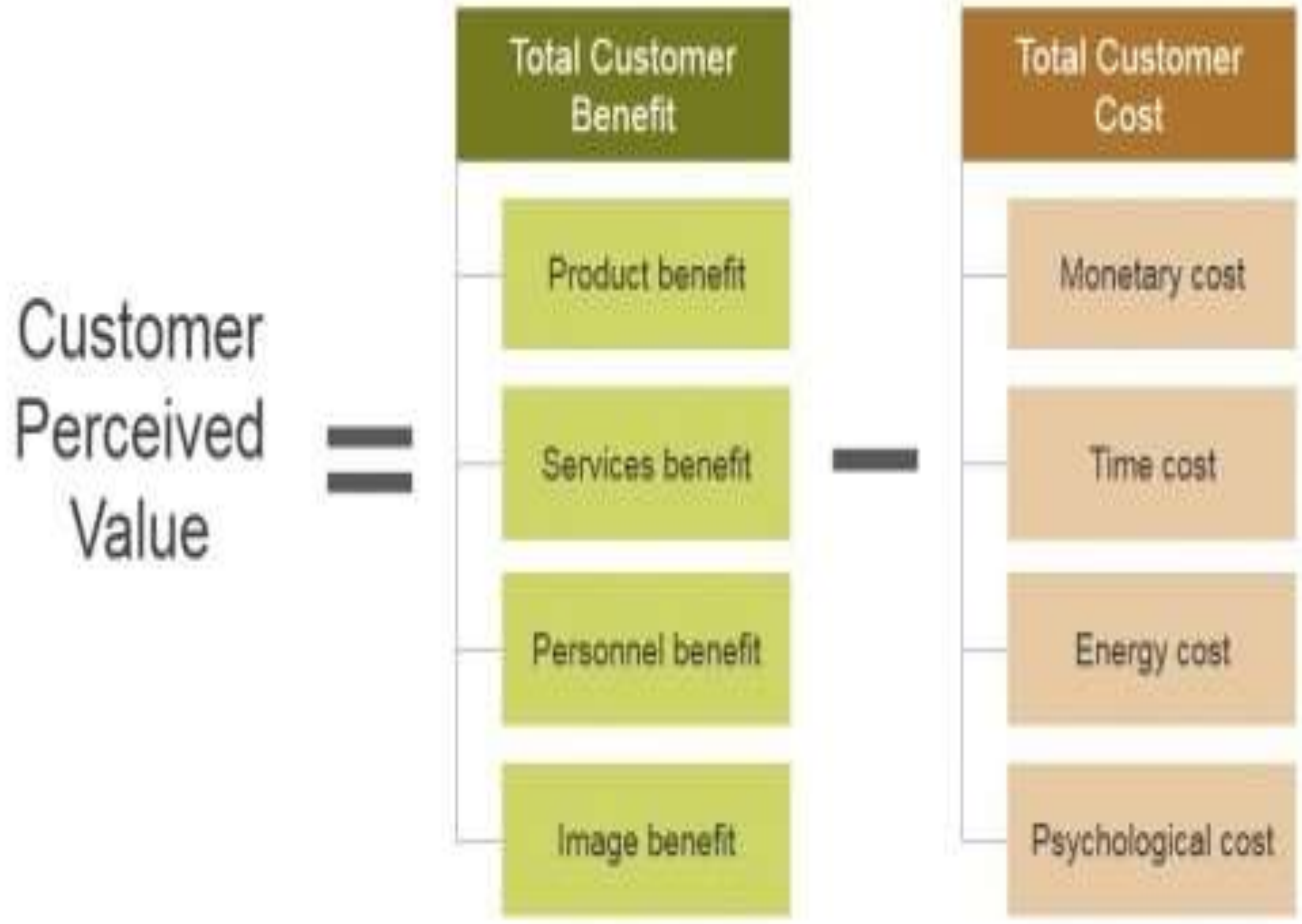
CHAPTER 4: CREATING CUSTOMER VALUE AND CUSTOMER RELATIONSHIPS

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

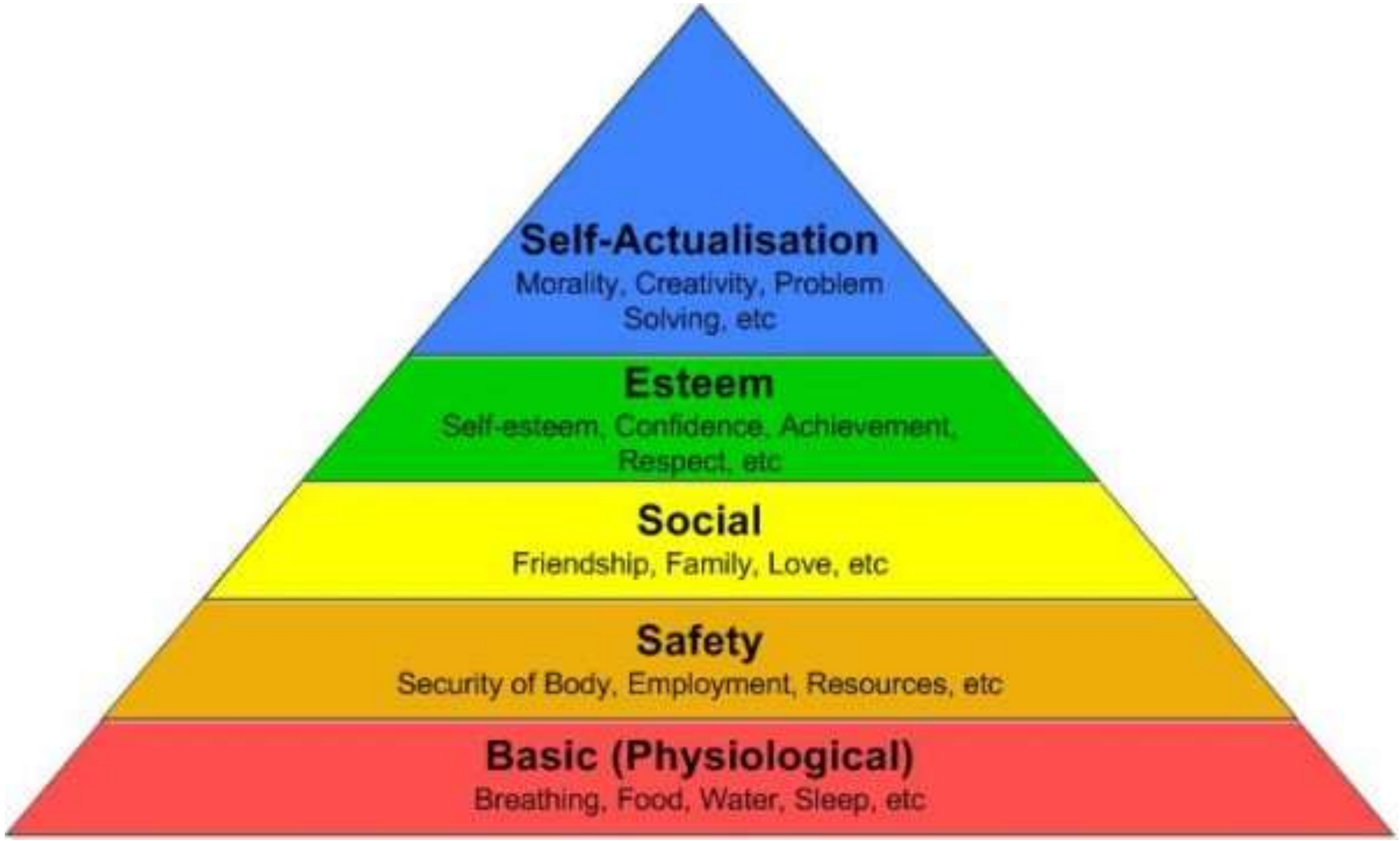
Marketers may utilize a number of such as role-playing, picture interpretation, sentence completion, or word association, among others. Such exercises can help researchers learn about how consumers react to products and how to best market them as a result.

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.

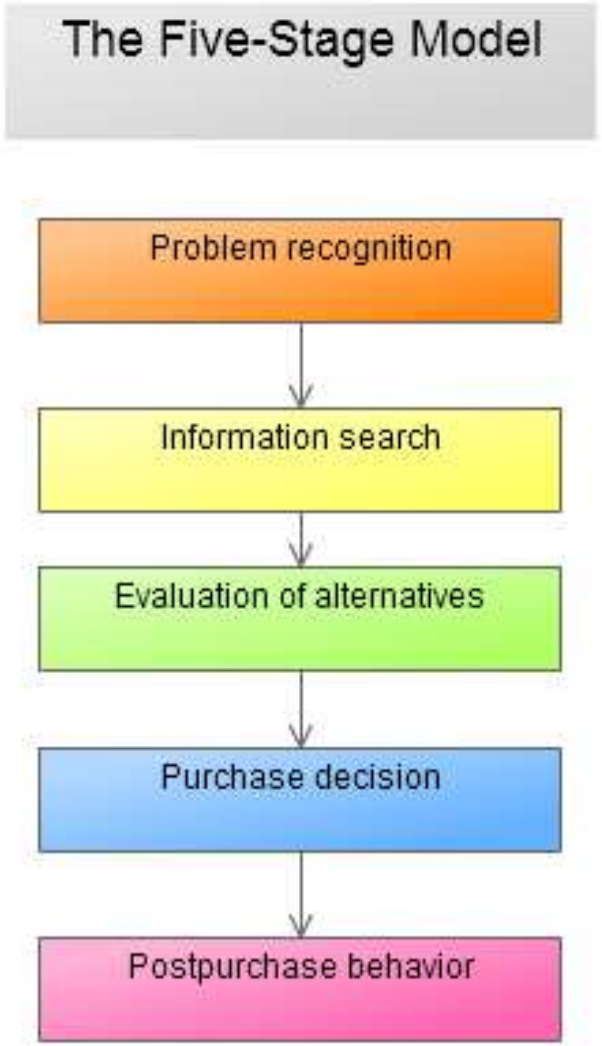
4) Memory

- 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.

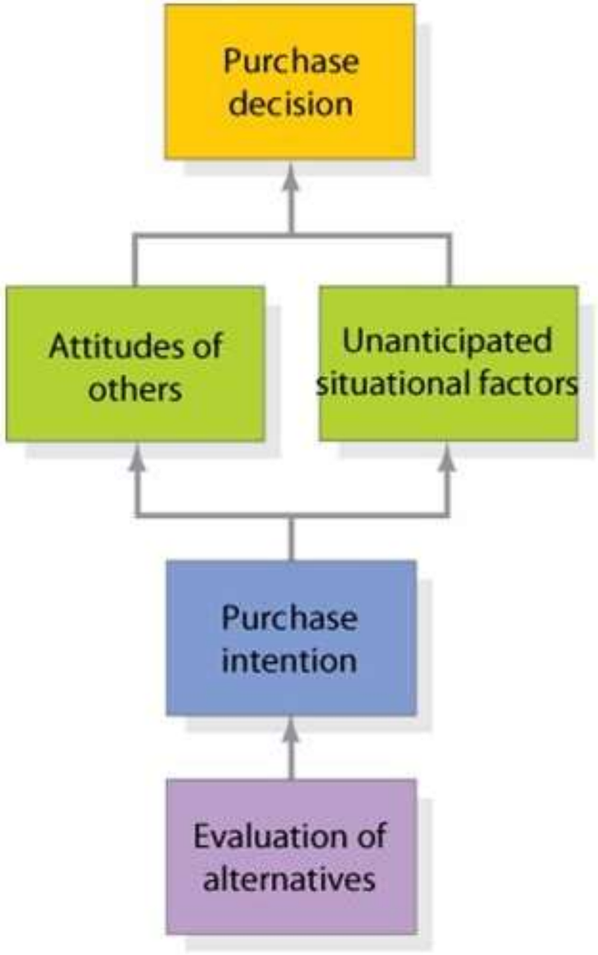
Consumer’s attitude and beliefs do play an integral role at this stage.

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.

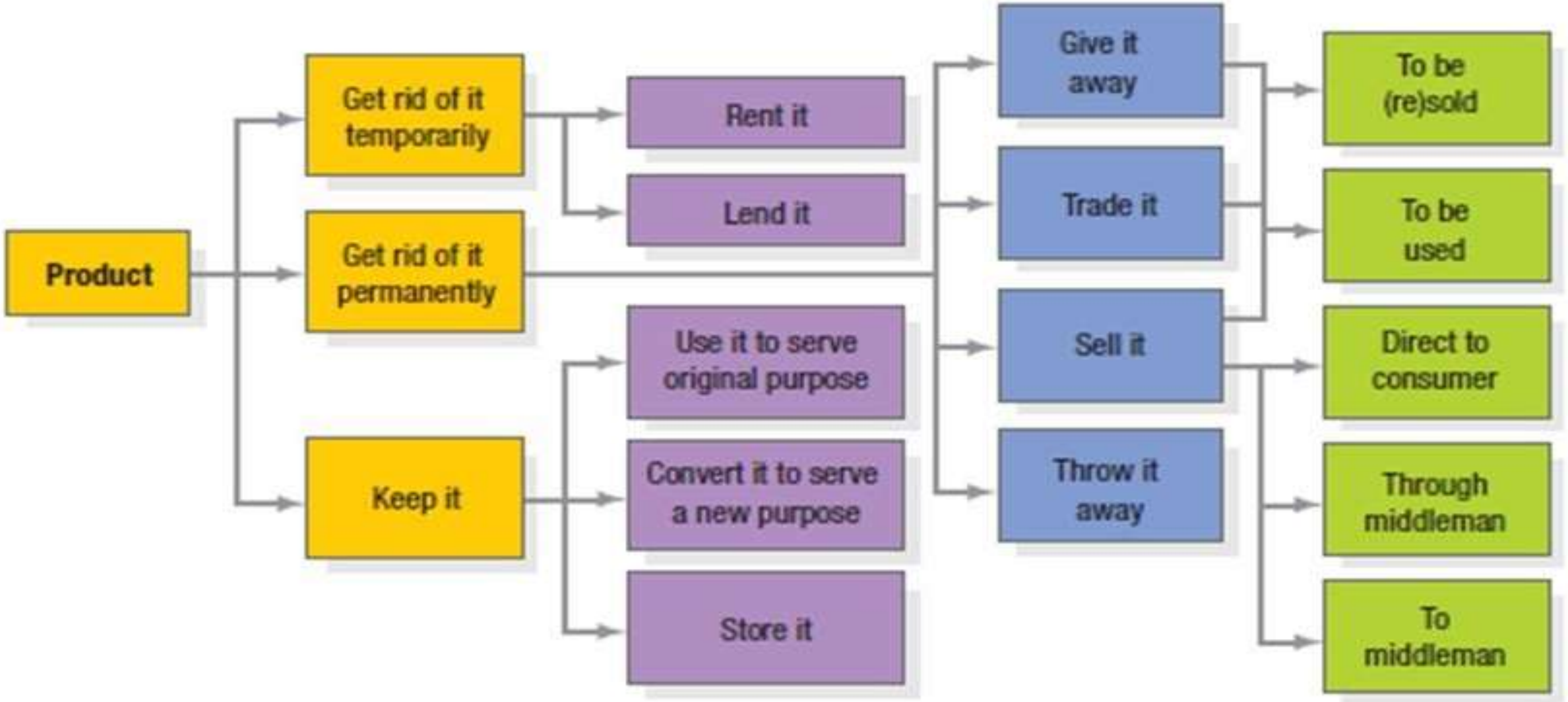
If performance falls short of expectations then customer will get disappointed. If it meets expectations the customer is satisfied. If it exceeds expectations then the customer is delighted.

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

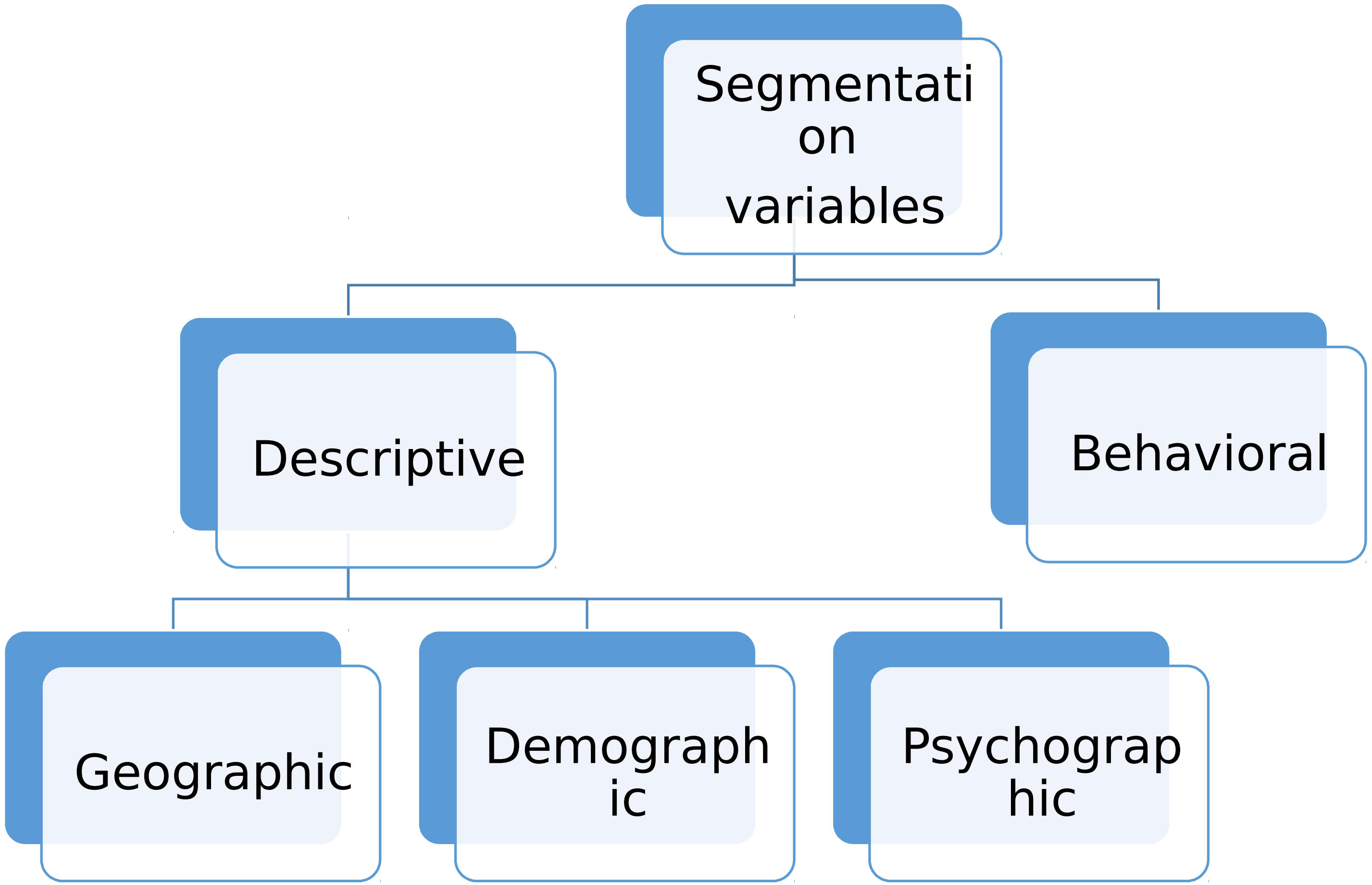
THANK YOU

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

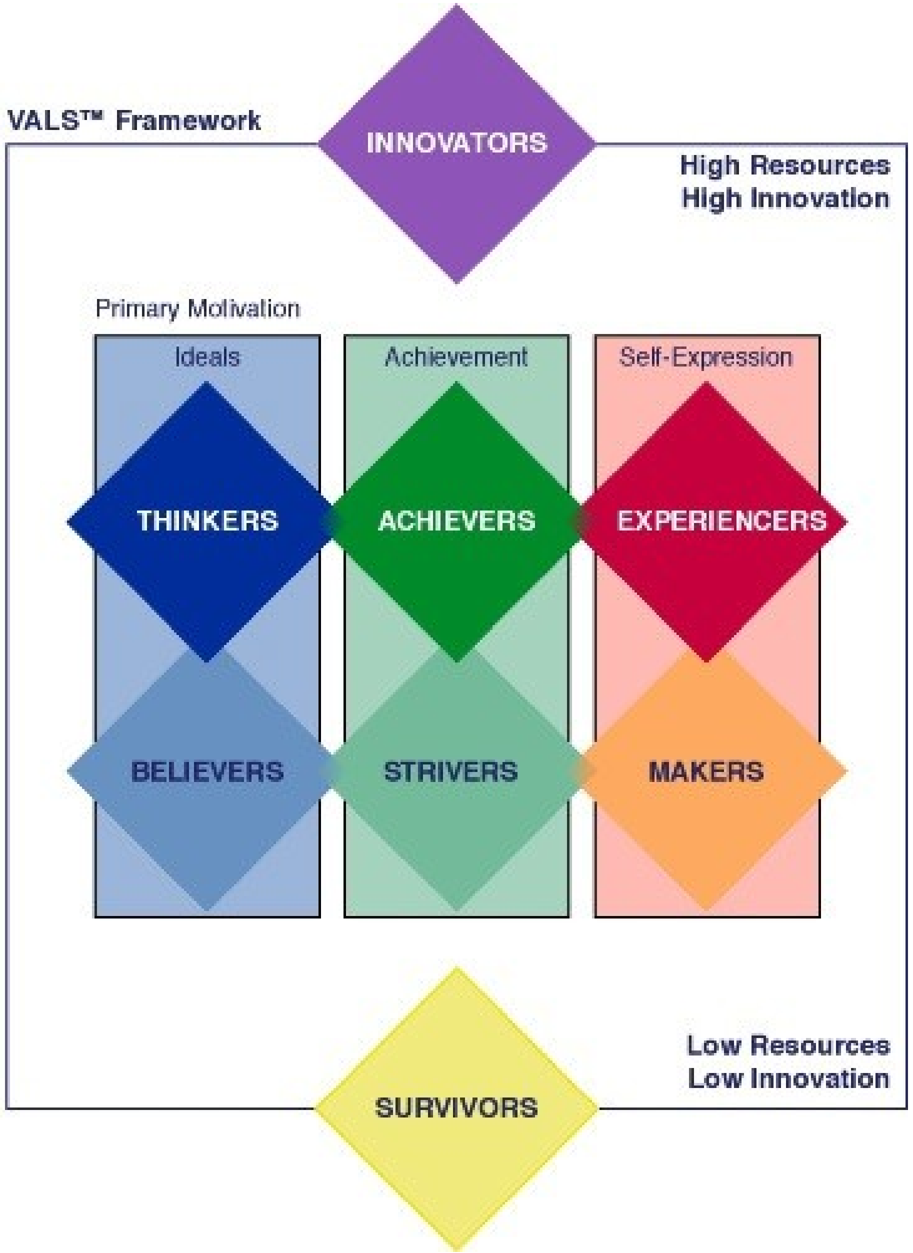
VALS framework

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



<u>Four groups with higher resources</u>

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

<u>Four groups with lower resources</u>

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

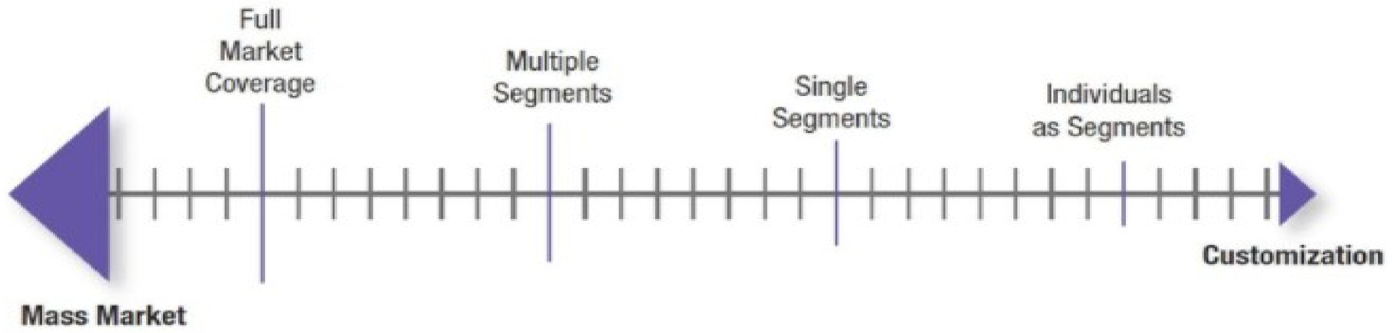
4) Segment profitability: Study the profitability of each segment that have been found as substantially attractive for the organisation

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

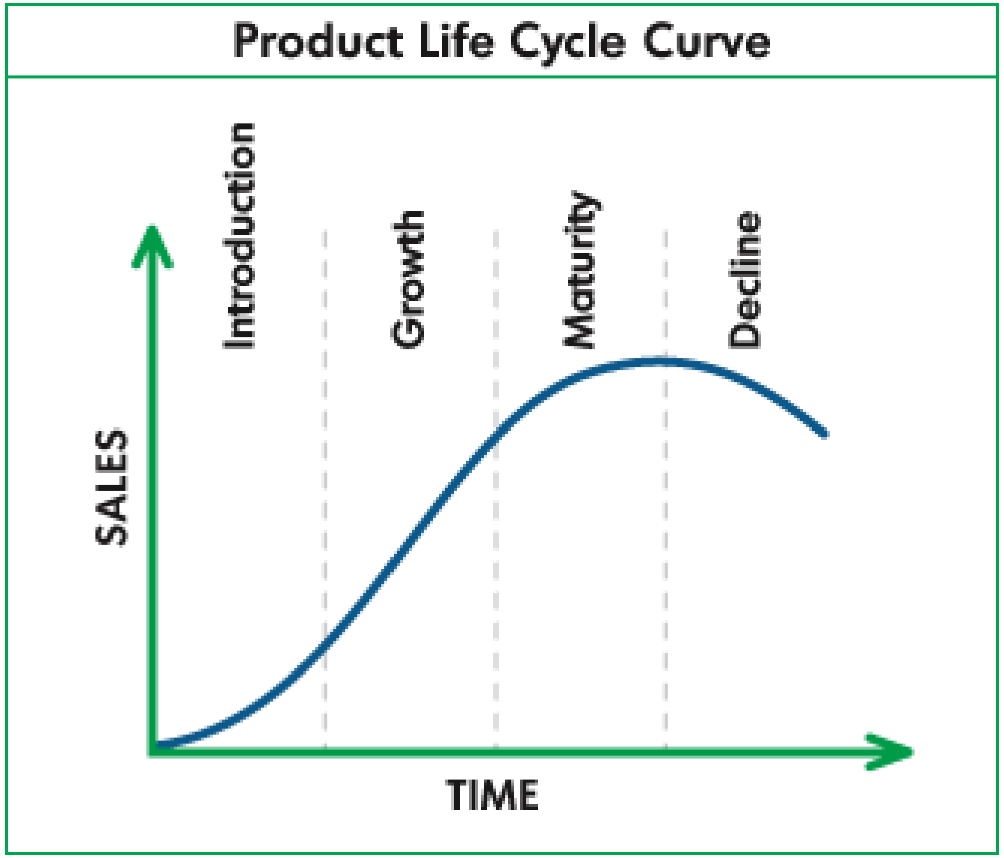
1) Products have a limited life
2) Product sales pass through distinct stages, each posing different challenges, opportunities and problems to the seller
3) Profits rise and fall at different stages of product life cycle
4) Products require different kind of strategies in during different stages

Introduction – Product is introduced to the market

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

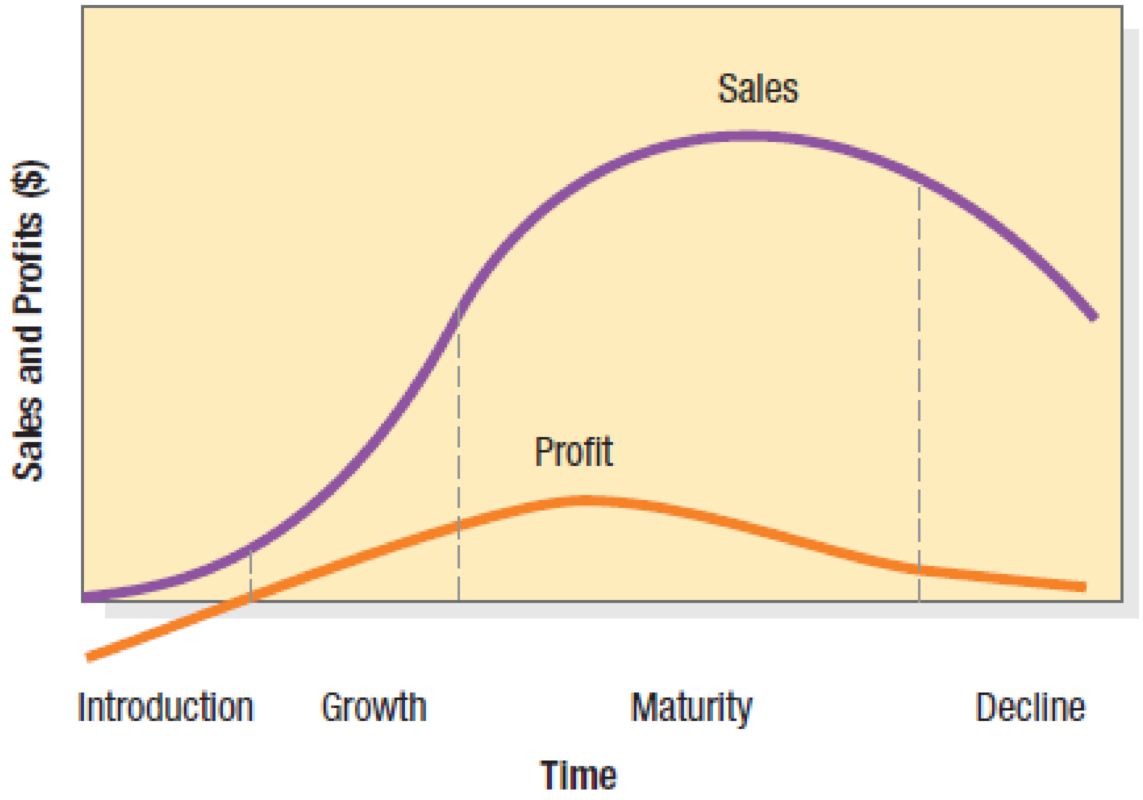
Maturity - Reaches to the peak and beginning of slight decline at the later part of this stage

Decline – Downward drift of sales



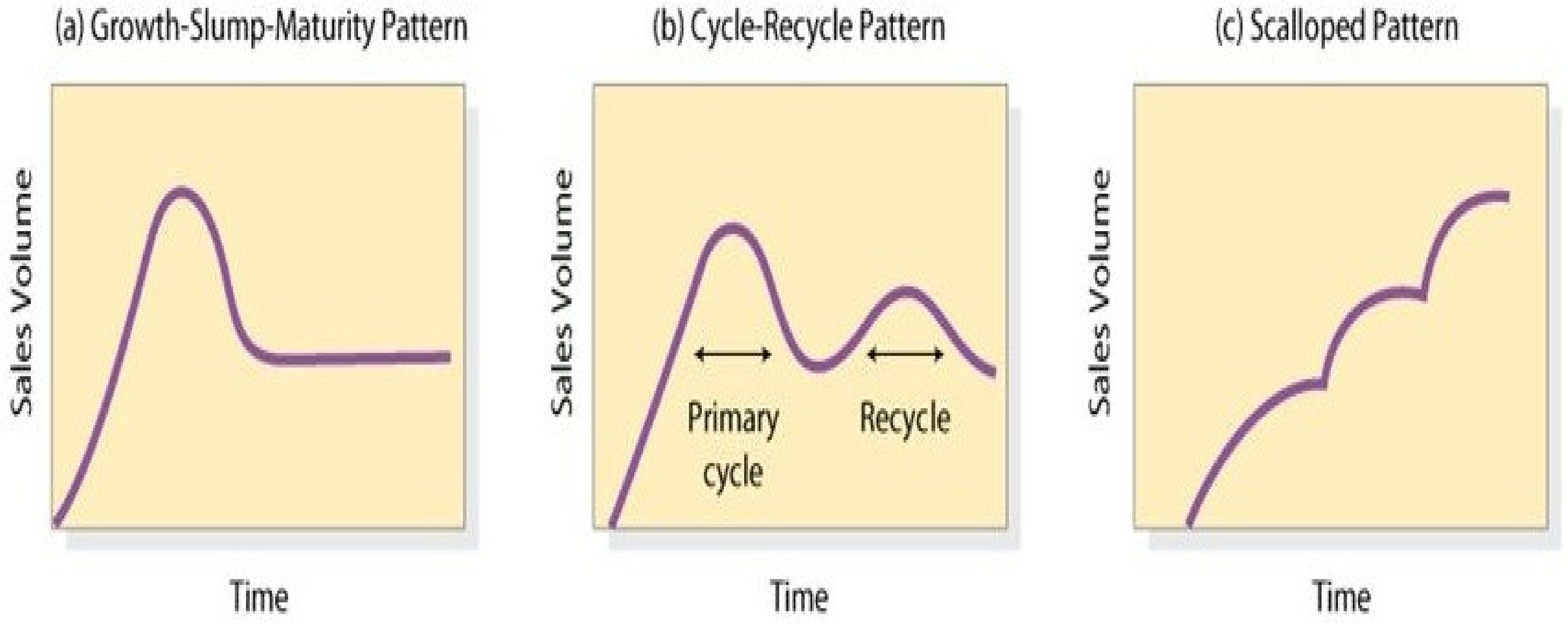
	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapid rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	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

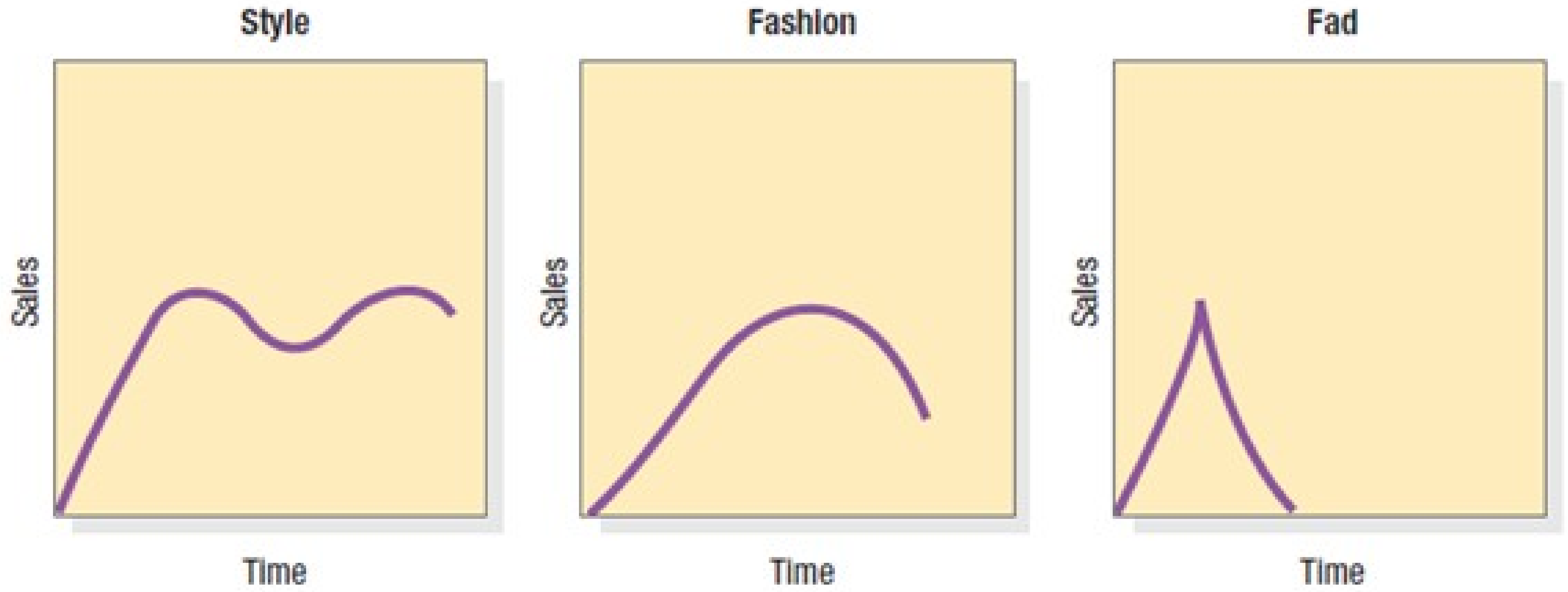


	Introduction	Growth	Maturity	Decline
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Product modification, diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build intensive distribution	Go selective: phase out unprofitable outlets
Communicati ons	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.

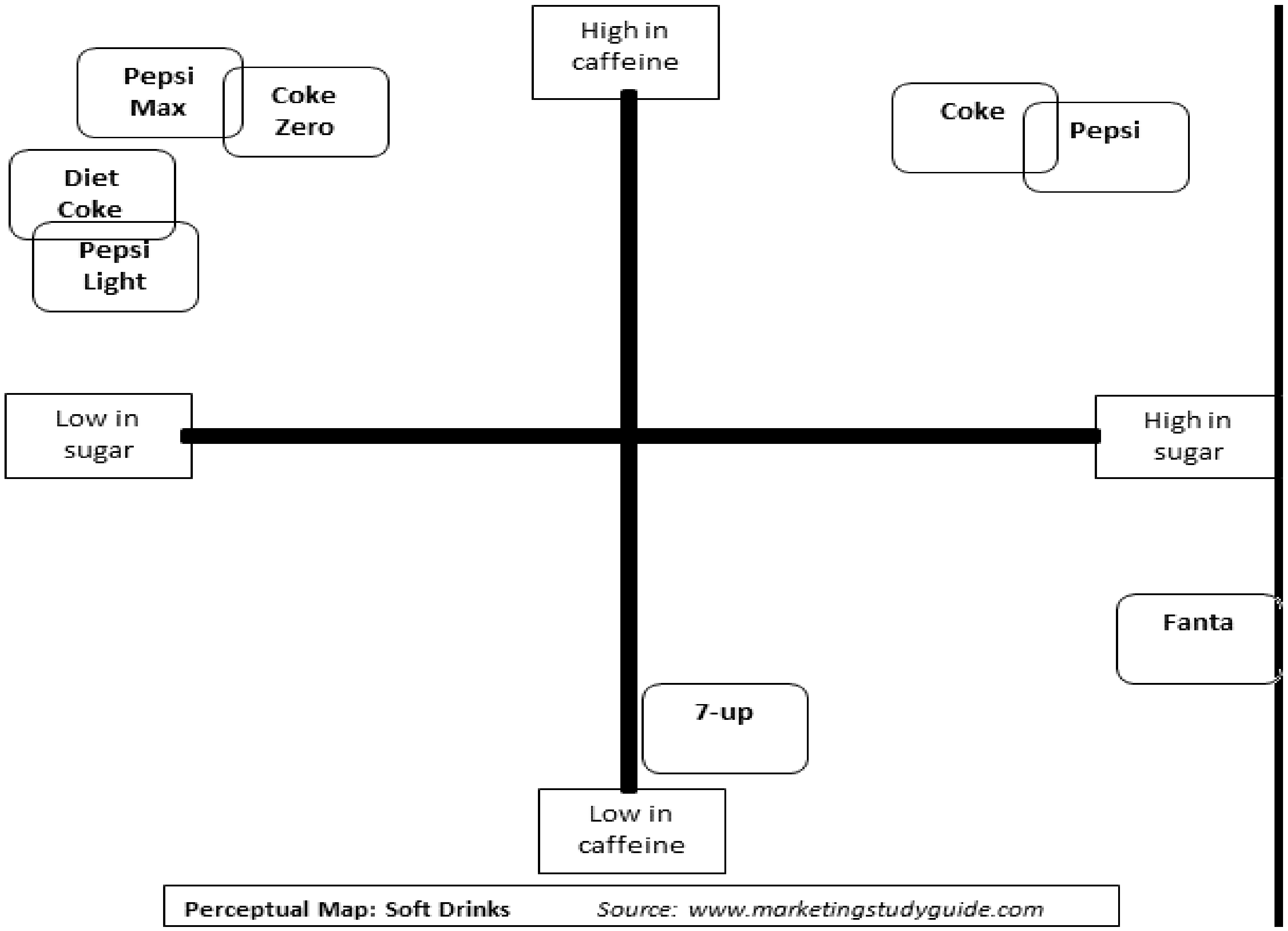
Straddle positioning

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
Disney	Fun	Family	Entertainment
i'm lovin' it	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

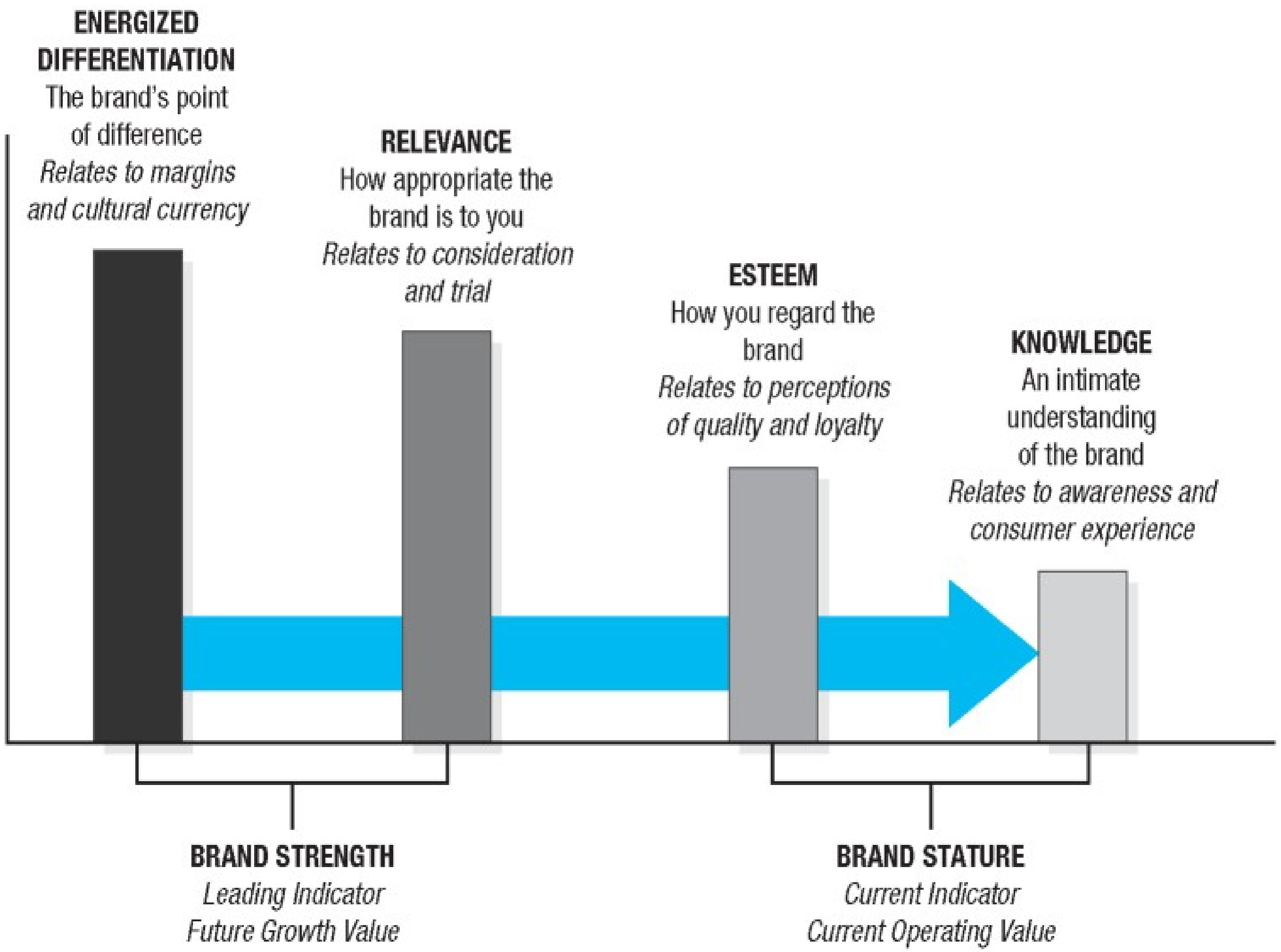
- Developed by Advertising agency Young and Rubicam(Y&R)
- According to BAV there are four pillars of brand equity:-

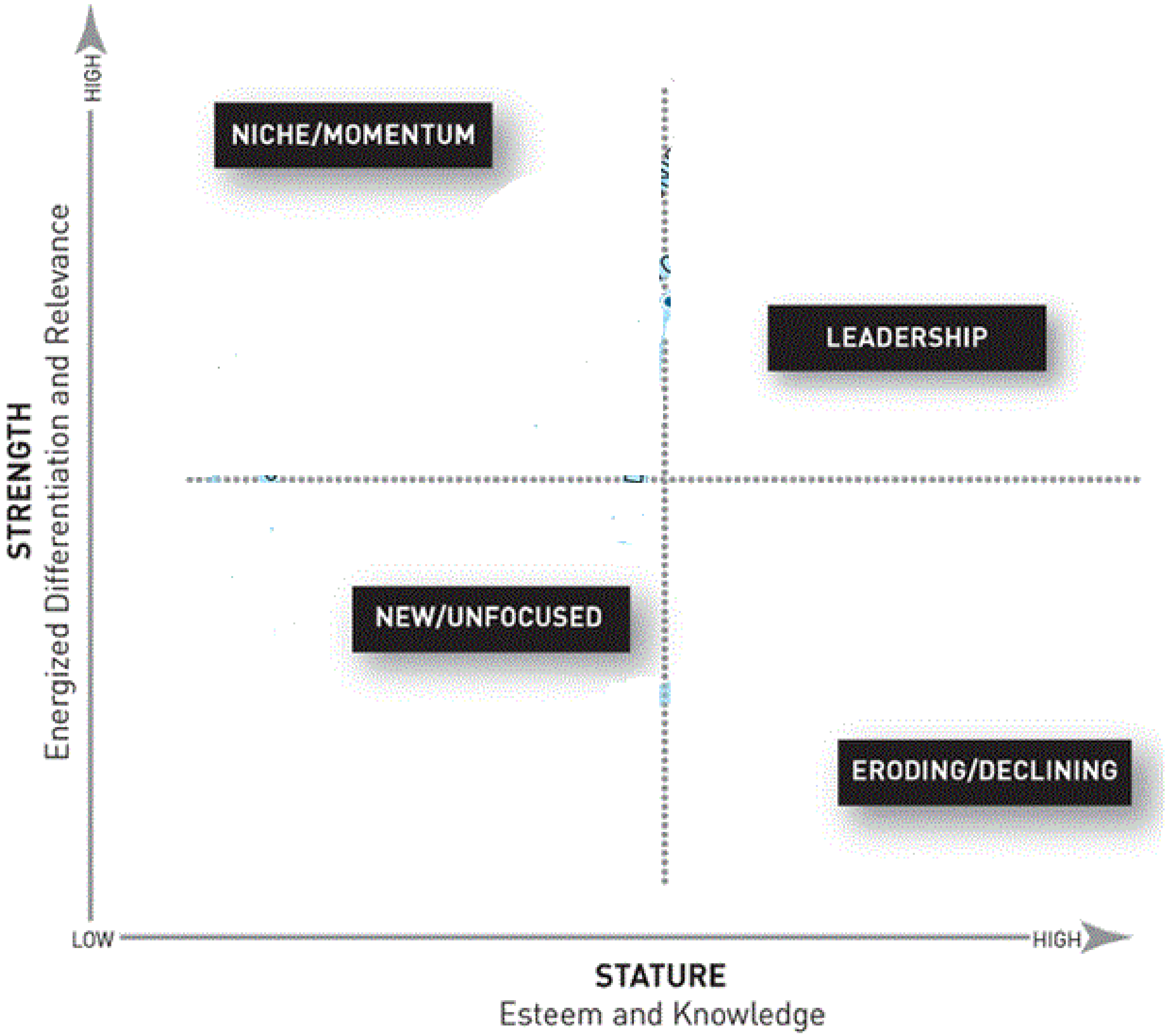
  Energizerd differentiation

  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

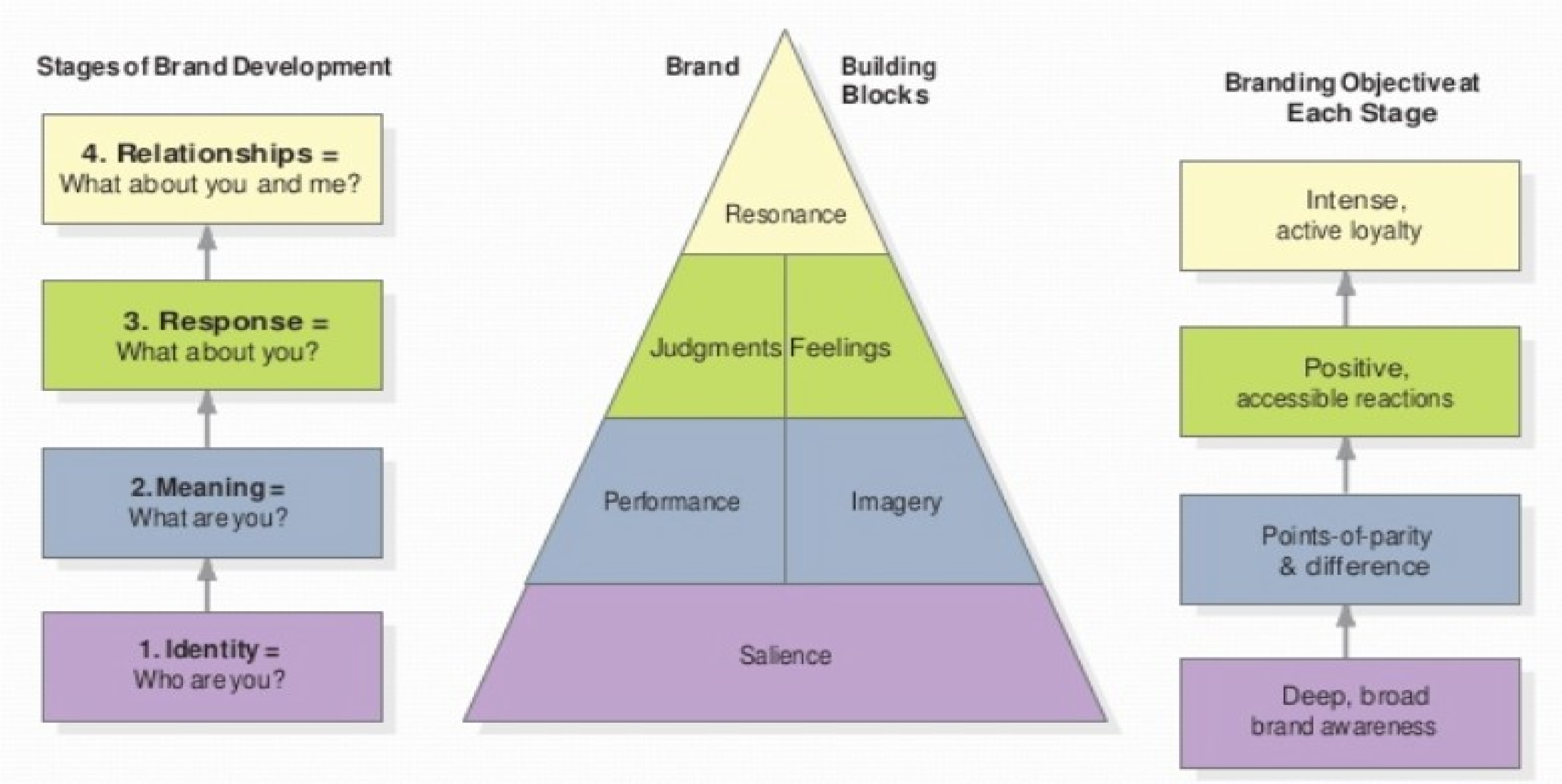
There are a set of five categories of brand assets and liabilities which add value to the product.

- 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.

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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

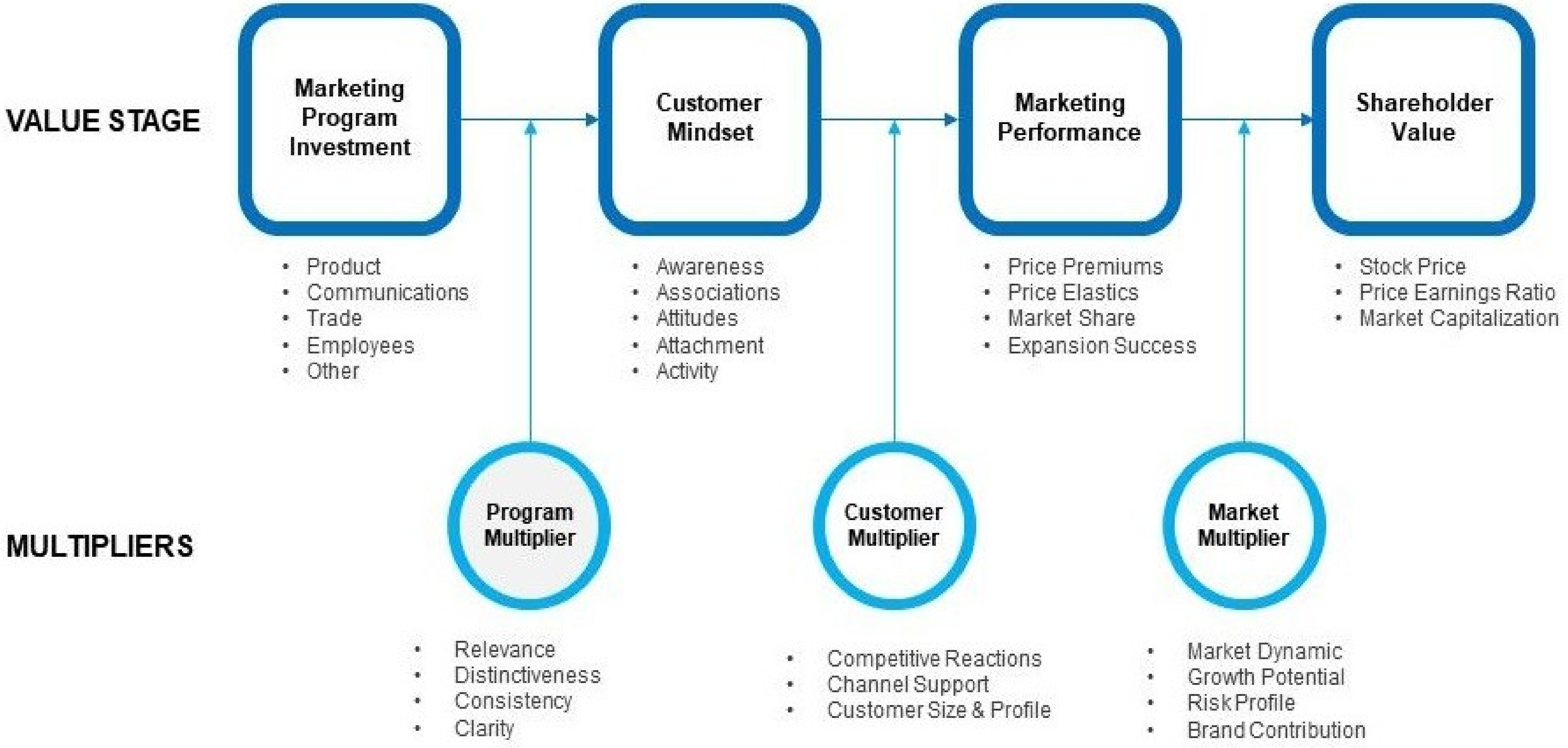
Inorder to effectively measure brand equity, marketers need to fully understand:

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.

Alternative branding strategies

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