



# **Marketing Management(BA ZC 411/ MBA ZC 411)**

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### **Lecture -1**

# Course Structure

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

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

# The Value of Marketing

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

**Profit = Revenue - Cost**

Valuation = Shares \* Price of shares

1m shares \* 1000 = Rs. 100 crore

# The value of marketing

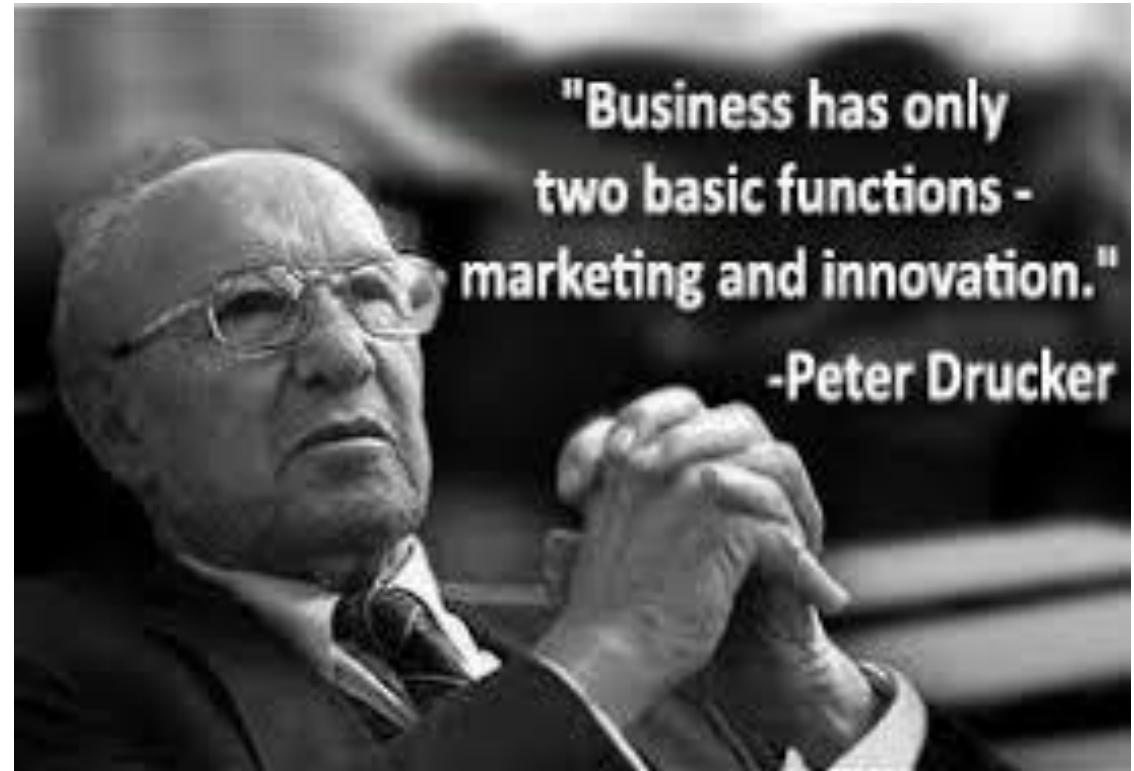
- The goal of marketing is to build brands and a loyal customer base for the company; intangible assets which contribute heavily to the value of a firm.

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

# The value of marketing

***Skilled marketing is a never-ending pursuit.***

- It involves the art of adaptability,  
as companies and organizations  
need to navigate changing  
customer needs, technology, and  
environmental factors, among  
other things.



# The scope of marketing

what is marketing?

Marketing is about identifying and meeting human and social needs in a profitable manner for the firm.

- Edu-tech firms
- Electrical Vehicles
  - Human need : Affordable, noise free transport
  - Social need : Less pollution



Marketing is not a function, it is the whole business seen from the customer's point of view.

Peter F. Drucker

# The scope of marketing

what is marketing?

- *Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for **customers, clients, partners and society at large.***
- **Activity:** Advertising, Selling, Product Management (product/package design), Pricing etc.
- **Set of institutions:** Marketing departments, Ad Agencies, Modelling Agencies, Market Research Firms, Event Management Companies, Transport Companies, Retailers
- **Processes:** Research Inputs – Product Design – Product launch – Response Measurement etc.

# Tata Curvv Marketing- How

Element	Tata Curvv Example
Activity	<ol style="list-style-type: none"><li>1. The <b>product design team</b> incorporated futuristic aesthetics, long-range capability, and sustainability to appeal to tech-savvy, eco-conscious consumers.</li><li>2. Conducted digital and on-ground <b>advertising campaigns</b>, influencer partnerships, and <b>roadshow events</b> to build excitement for Curvv.</li><li>3. Pricing strategies were aligned with consumer expectations in the premium EV segment.</li></ol>
Set of Institutions	<ol style="list-style-type: none"><li>1. Collaborated with <b>creative ad agencies</b> (for campaign design), <b>market research firms</b> (to gauge buyer preferences), <b>event management companies</b> (for auto expos and launch events), and <b>retail dealerships</b> (to deliver the vehicle).</li><li>2. Partnerships with <b>charging infrastructure providers</b> and <b>financing institutions</b> added more value.</li></ol>
Processes	<p>The launch followed a strategic process:</p> <p><b>consumer research</b> on EV expectations → <b>design and prototype development</b> → <b>digital and physical launches</b> → <b>test drives and feedback collection</b> → ongoing <b>performance monitoring and feature updates</b> based on customer input.</p>

# Four Concepts of Marketing

- **Production Concept** (During the Industrial Revolution and stages of capitalism, from the mid-1800s to the mid-1950s)
  - Consumers prefer the most inexpensive and widely available product.
  - Such companies focus on high production efficiency, low costs, and mass distribution (Push).
  - FMCG- Daily Essentials, Steel Industry, Chinese Companies
- **Product Concept** (focus for innovation and market entry- 1970's )
  - Consumer prefers quality and variety, meaning of customer value
  - Apple
- **Selling Concept (1980's)**
  - Consumers need hard selling to buy a product
    - Telecall, television, radio, Personal Selling- face to face selling, and different channels being available,
    - Financial Services like the Insurance sector
- **Marketing Concept (2000's)**
  - Right product for the customer (Hyper personalization)
  - **Creating, communicating, and delivering a superior value to a customer-like brand**

# Marketing Concept- Example

Marketing Concept	Key Idea	Characteristics	Indian Example
Production Concept	Consumers prefer affordable & widely available products	Focus on mass production, cost efficiency, and extensive distribution	<b>FMCG Brands</b> (e.g., Patanjali, Nirma, Amul – producing affordable consumer goods for mass consumption), <b>Steel Industry</b> (e.g., Tata Steel, JSW Steel)
Product Concept	Consumers prioritize quality, innovation & variety	Companies invest in superior quality, technology, and product differentiation	<b>Titan (Watches &amp; Eyewear)</b> – Known for high-quality products, <b>Royal Enfield</b> (Superior design & durability), <b>Tata Motors (Premium Cars like Tata Harrier)</b>
Selling Concept	Consumers need aggressive selling & persuasion	Heavy focus on promotions, advertising, and direct selling strategies	<b>Life Insurance &amp; Financial Services</b> (e.g., LIC, HDFC Life, Bajaj Allianz – Insurance policies require active sales efforts to convince consumers)
Marketing Concept	Understanding customer needs & delivering superior value	Customer-oriented approach, brand positioning, and relationship marketing	<b>Asian Paints (Personalized Color Consultation)</b> , <b>Zomato (Customer-Centric Service)</b> , <b>Flipkart (Tailored Offers &amp; Discounts)</b>

# Scope of marketing

what is marketed?

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

# Scope of marketing

## Who is the marketer?

### Marketers and prospects

- A marketer is someone who seeks a response – attention, purchase, vote or a donation – from another party called a prospect.
- A marketer seeks to influence the level, timing, and composition of demand to meet the organization's objectives.
  - Movie/OTT Marketing.
  - Festival and Seasonal Sale.
  - New Product Launch (Apple).

# Core marketing concepts

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

# Needs, wants and demands



## Needs

Basic Requirements, e.g., “ I need food.”



## Wants

Desire e.g. “I would like to have biryani.”

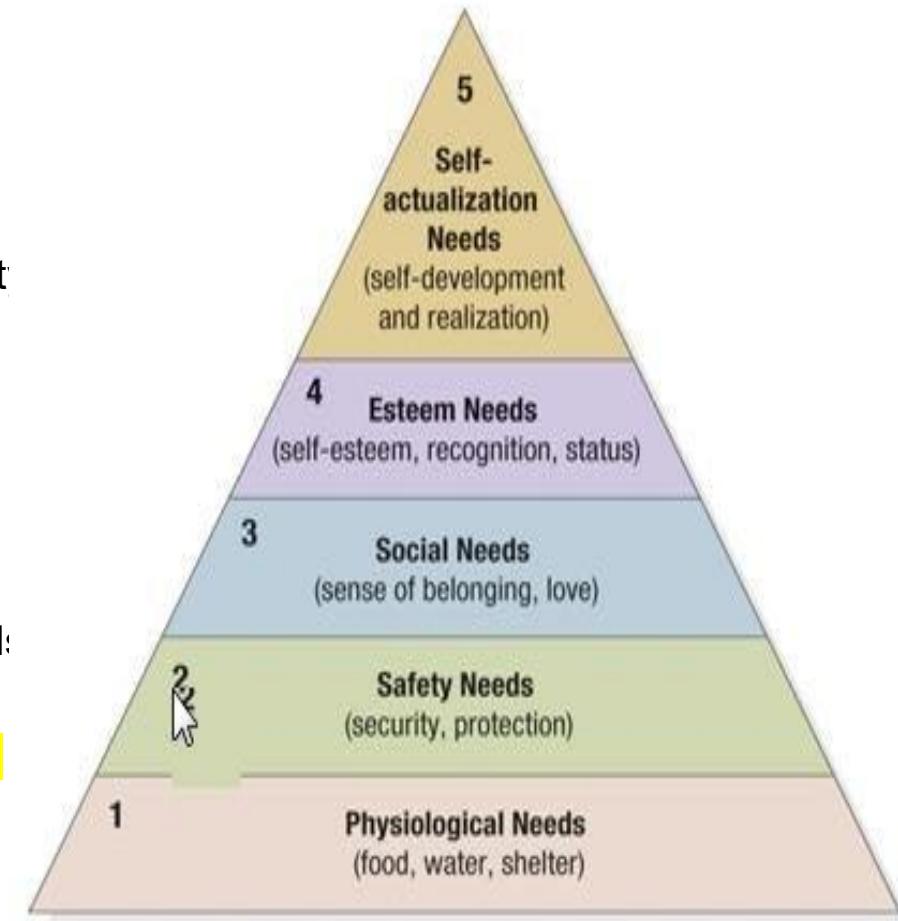


## Demands

What I actually buy is based on want and capability/wiliness to pay. “ I’d like to order a Vegan Biryani.

# Maslow's Hierarchy of Need & Application in Marketing

1. **Physiological Needs:** These are the **necessities required for survival**, such as food, water, shelter, and sleep. Individuals cannot focus on higher-level needs until these are satisfied.
  - **Example:** A bottled water company emphasizes the purity and health benefits of its product to fulfill the basic need for hydration.
2. **Safety Needs:** Once physiological needs are met, individuals seek safety and security including **personal safety, financial security, health, and protection** from harm.
  - **Example:** An insurance company highlights the peace of mind and financial security its policies provide to protect against unexpected events.
3. **Social Needs (Love and Belongingness) :** After safety needs are satisfied, individuals **desire social connections, love, and a sense of belonging**, which include relationships and community involvement.
  - **Example:** A social media platform markets itself as a place to connect with friends and family, fostering a sense of community and belonging.
4. **Esteem Needs:** Once lower-level needs are fulfilled, **individuals seek recognition, respect, and self-esteem through achievements, status**, and self-confidence.
  - **Example:** A luxury car brand promotes its vehicles as symbols of success and status, appealing to consumers' desires for recognition and esteem.
5. **Self-Actualization Needs:** At the top of the hierarchy, individuals **strive to achieve their full potential and personal growth**, pursuing meaningful goals, creativity, and self-expression.
  - **Example:** A travel company encourages customers to explore new destinations and experiences as a way to discover and fulfill their personal goals and potential.



**Need at the time of buying a car?**  
**Stated/Unstated/Real/Delight/Secrets**

# Types of needs

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

# Scope of marketing

## Demand States

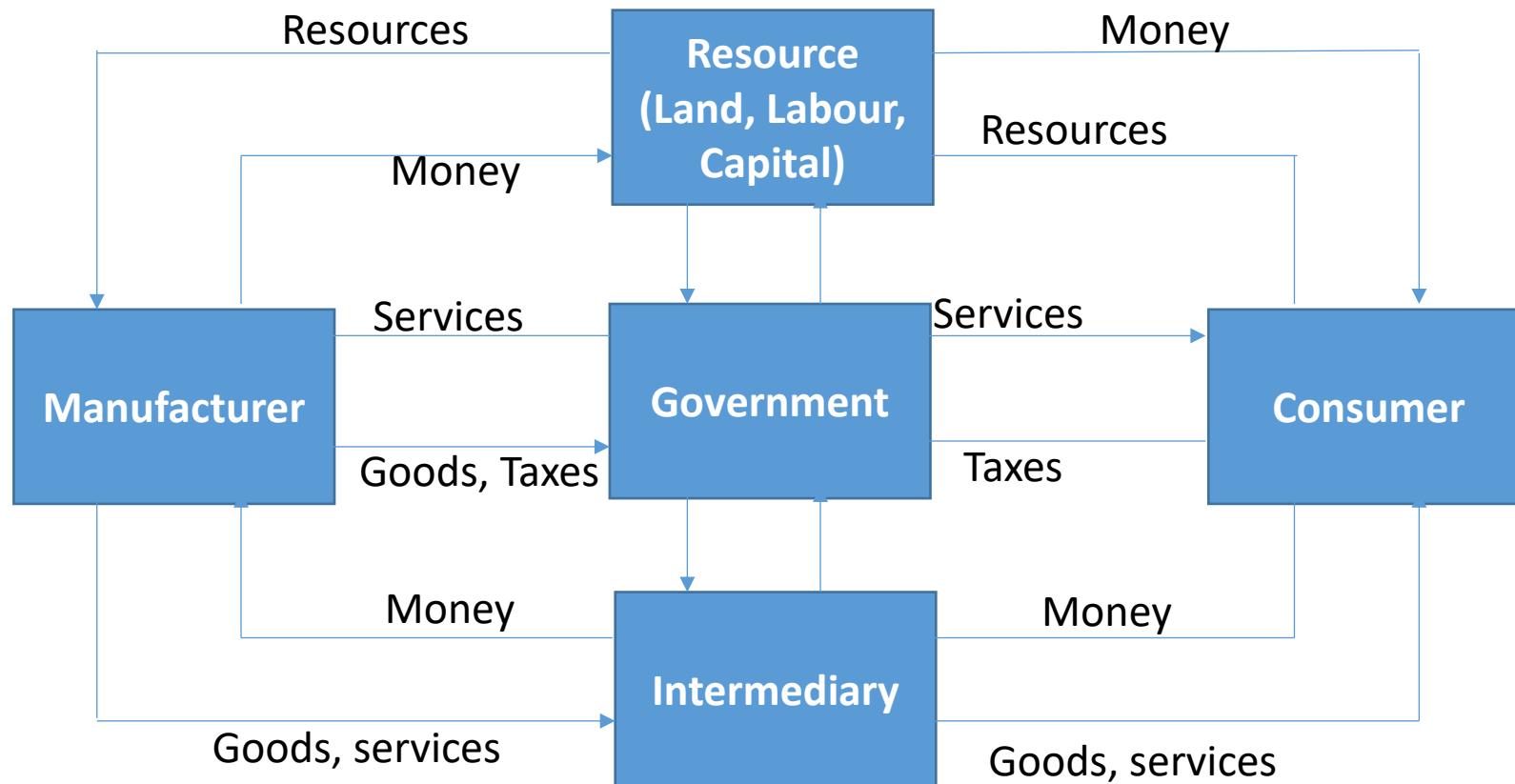
- **Negative Demand**
  - Petrol during Covid lockdown. Gulf states were willing to pay U\$ 40/barrel to “buyers” of crude.
- **Non-existent demand**
  - Audio Systems
- **Latent Demand**
  - Unbiased news, Wireless devices/charging (20 years ago)
- **Declining Demand**
  - Dongles for net connection, TV Sets, CD Players
- **Irregular Demand**
  - Face Masks, Air Conditioners
- **Full Demand**
  - Demand = Supply
- **Excessive Demand**
  - Demand > Supply (Face Masks, sanitizers during the initial days of Covid)
- **Unwholesome demand** (demand consumer badly wants the product but shouldn't desire or take the decision)
  - Computer Games like PUBG, Pirated Movies, Crackers

# Scope of marketing

what is a market?

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

# Markets



# Scope of marketing

key customer markets

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

# Marketing Process

Marketing is **about profitably identifying and meeting human and social needs for the firm** or in a way that **harmonizes with the organization's goals**.

1. Choosing **target markets** and
2. **Getting, keeping, and growing** customers through
3. **Creating, delivering, and communicating** superior customer value

## **Need Vs Demand**

1. Ability and Willingness
2. **MAN**-Money, Authority, Need

# Core marketing

## Segmentation, Targeting, Positioning (STP)

- **Segmentation**
  - Grouping of customers – **Similar Need profile, based on like** demographic, psychographic, etc.
- **Target**
  - **Choosing the right segment based on a profitable business opportunity**
  - Market Offers
- **Positioning**
  - **Act of creating a favourable image in the mind of the consumer** (with explicit promotion by the firm, integral communication (Partners, online), Incidental communication by others- Existing Customers)
  - Volvo – safe cars
  - BMW – driving pleasure

**Levis launches five-pocket jeans.** (Market Offer).  
High-income, mid-income, Young, Middle Aged, Seniors/ Men, Women (segment)

High Income, young men (Target)

Macho (Positioning)

# Core marketing concepts

## Offerings and brands

- **Value proposition**
  - A set of benefits that satisfy needs of the customer
    - *Quality, multi-specialty, and hygienic medical service*
    - *State-of-the Art, innovative and high-quality consumer electronics items with after-sales service*
- **Offering**
  - A combination of products, services, information and experiences
  - Offering gives a ‘physical shape’ to the value proposition
    - *Clean premises, experienced doctors, managers and staff equipment*
    - *Televisions, Mobile phones*
- **Brand**
  - Brand is an offering from a known (identified) source.
    - “*Apollo*” Hospitals (Quality healthcare, a patient-centric approach and a commitment to excellence.
    - *SONY-- Technology and creativity, offering unique experiences*



### **Value of a product (as perceived by the customer)**

- Is a combination of *features, quality, service, and price.* (*FQSP*)

### **Satisfaction reflects a person's judgment of a product's**

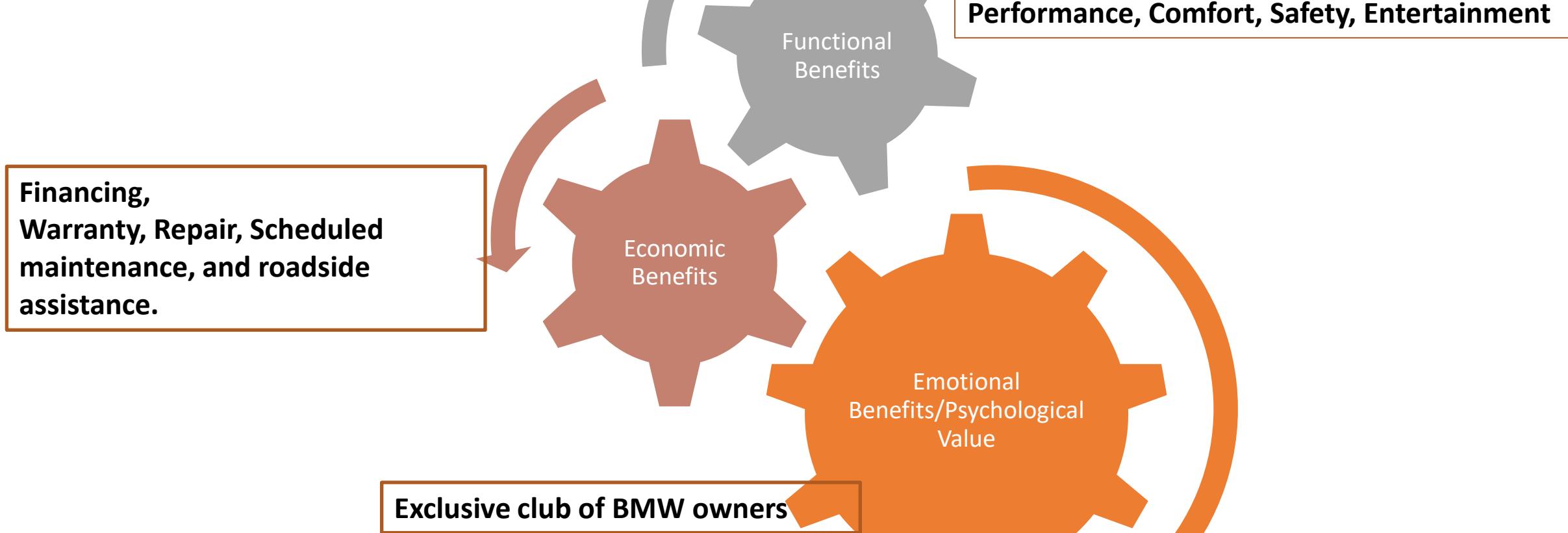
- Perceived performance in relationship to expectation.

# Value Proposition

## **Proposition is the ‘CONCEPT YOUR CUSTOMER BUYS INTO’**



# What's in it for me? – Volkswagen Case in Point



# Developing a Value Proposition (1 of 5)

**Create value** across three domains:

- **Functional** value- Rational Basic (mobile phone- connectivity)
- **Psychological** value- Psychological benefits and costs associated with the offering (Brand- Apple, Samsung)
- **Social** Value-Social Status (Jewelry)
- **Hedonic** Value- Experience ( App, Gaming, OTT)
- **Monetary** value- Financial benefits and costs associated with the offering. (Investments in MF's, Higher Mileage in car)



## Developing a Value Proposition (2 of 5)

### Total customer benefit

- The perceived value of the *bundle of functional, psychological, and monetary benefits customers expect from a given market offering* because of the product, service, and image.

## Developing a Value Proposition (3 of 5)

- **Total customer cost**
  - The perceived *bundle of functional, psychological, and monetary costs* customers will incur in evaluating, obtaining, using, and disposing of the given market offering

## Developing a Value Proposition (4 of 5)

- Customer value proposition
  - Based on the *difference between benefits the customer gets and the costs* he or she assumes for different choices
  - The **marketer can increase the value** of the offering by raising functional, psychological, and monetary benefits and/or reducing the corresponding costs

# Developing a Value Proposition (5 of 5)

## Customer value analysis

- Reveals the company's strengths and weaknesses relative to those of various competitors

Attribute	Description	Customer Value	Best Option
Content Variety	Range of movies, TV shows, and original series.	Attracts diverse audiences.	<b>Netflix</b> offers a broad spectrum of global and local content.
Pricing	Subscription cost and tier options.	Affordable plans increase value.	<b>Disney+ Hotstar</b> provides flexible pricing, including ad-supported tiers.
User Experience	Ease of use and quality of recommendations.	Enhances satisfaction and engagement.	<b>Netflix</b> excels with personalized content suggestions.
Streaming Quality	Video and audio quality options.	High quality is essential for customer satisfaction.	<b>Amazon Prime Video</b> offers content in 4K and HDR.

# Core marketing concepts

# Marketing Channels

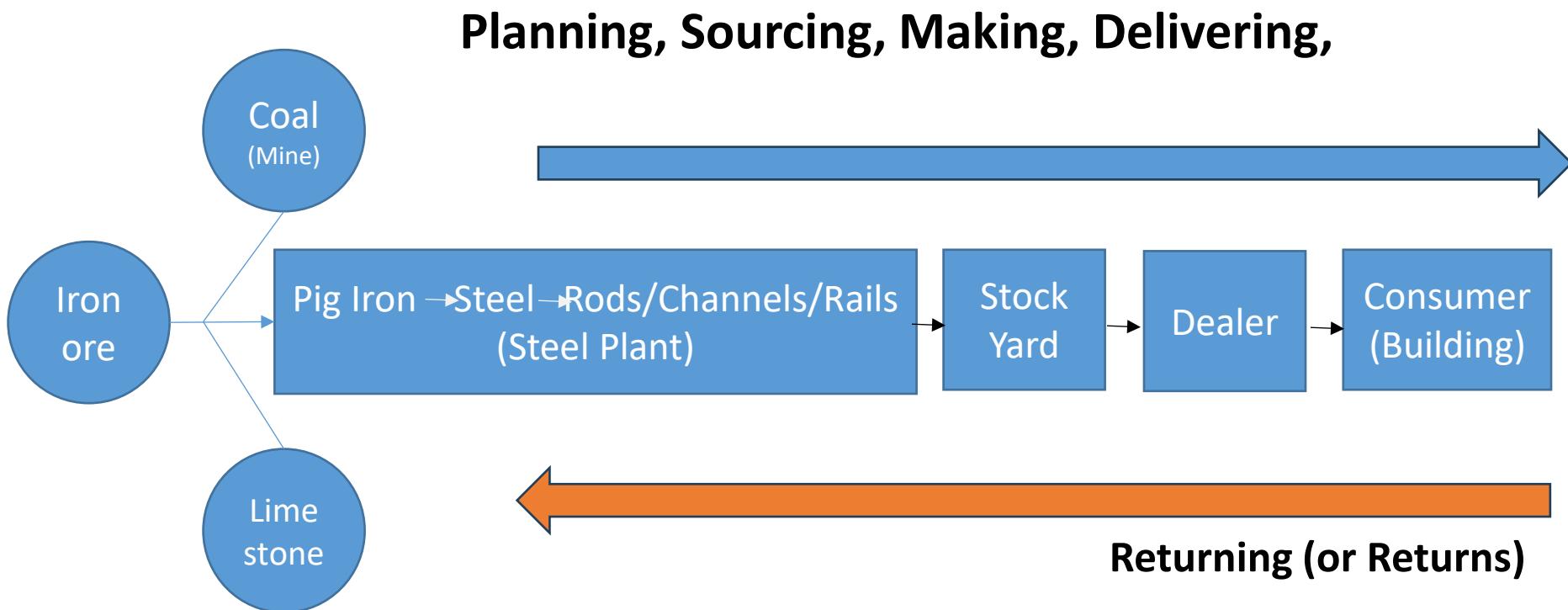
- **Channel of Distribution**
  - Dealers, Distributors, Retailers, e-commerce
  - Help display, sell, and deliver physical goods and services
- **Channel of Service**
  - Warehouses, Transportation companies. Banks, insurance companies
- **Channel of communication**
  - Deliver and Receive messages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

**POP / POS = Point of Purchase / Point of Sale**

# Core marketing concepts

supply chain

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



**SUPPLY CHAIN FOR STEEL INDUSTRY**

## Impression and Engagement

### Four ways to reach the customer

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

# Classification of Media (POE M)

Promotion

## POEM

- **Paid Media**
  - Advertisements
- **Owned media**
  - Company's brochures, website
- **Earned media**
  - Word of Mouth

# CORE Marketing concept

# competition

- All actual and potential rival offerings or substitutes a buyer might consider.
  - Toyota is a rival of Honda.
  - Tesla is a potential rival of Honda in India.
    - Rising Fuel Costs
    - Environmental Concerns
    - Tech. advancements
  - Metro/High-Speed Rail is a substitute for both.
  - The internet is a potential substitute.  
(Meet Virtually)

## Substitutes (Four wheeler automobile)

1. **Two-Wheelers:** In India, two-wheelers remain a significant substitute for cars, especially in urban areas where traffic congestion and parking are concerns.
2. **Public Transportation:** Buses, metro trains, and shared auto-rickshaws offer cost-effective alternatives to car ownership, particularly in metropolitan cities.
3. **Ride-Sharing Services:** Companies like Uber and Ola provide ride-hailing services, which serve as convenient substitutes for car ownership
4. **Car Leasing and Subscription Services:** These services offer flexibility without the long-term commitment of owning a car, appealing to consumers who want to experience different models
5. **Shared Mobility:** Car-sharing platforms and rental services like Zoomcar and Revv offer alternatives for occasional drivers.

# What is a Marketing Strategy? / Go – To-Market Strategy





Marketing Mix =  
Marketing Tactics /  
Marketing Levers

*A marketing mix is a strategic framework that combines marketing elements or levers to achieve a desired response from the target market.*

# Developing Marketing Mixes for Target Markets



# Four P's of Marketing (Marketing Mix)

## 1. Product

- Product Variety, Quality, Design, Features, Brand Name, Packaging, Sizes, Services, Warranties, Returns

## 2. Price

- List Price, Discounts, Allowances, Payment Period, Credit Terms

## 3. Place

- Channels, Coverage, Assortment, Location, Inventory, Transport

## 4. Promotion

- Sales Promotion, Advertising, Sales Force, Public Relations, Direct Marketing

## 5. People

## 6. Processes

## 7. Physical Evidence



Service Marketing

# Marketing Program with Marketing Mix 4 P's In Product

Marketing Mix	Description	Example
<b>Product</b>	<b>The goods or services</b> offered by the brand, including their features and benefits.	<b>Maruti Alto-</b> A compact car designed for the Indian market, emphasizing affordability and fuel efficiency.  <b>Patanjali Ayurveda</b> - Offering a range of ayurvedic products including skincare, food, and health supplements.
<b>Price</b>	<b>The cost at which the product is sold to customers,</b> including discounts and promotions.	<b>Jio Mart-</b> Known for offering discounts and promotions on groceries, clothing, and household items, catering to budget-conscious consumers.  <b>Tanishq</b> - Positioned as a premium jewelry brand, offering high-quality products at higher price points, targeting affluent customers.

# Marketing Program with Marketing Mix 4 P's In Product

Marketing Mix	Description	Example
<b>Place</b>	<b>The locations</b> where the product is available and the distribution channels used.	Amul - Available in various retail outlets, supermarkets, and Amul exclusive stores across India, ensuring wide accessibility.  Flipkart - Utilizes an online marketplace model, offering products through its website and mobile app, reaching customers nationwide.
<b>Promotion</b>	<b>The marketing and advertising efforts</b> used to promote the brand and its products.	Surf Excel - Known for its emotionally resonant advertising campaigns focusing on themes of family, unity, and positivity.  Coca-Cola - Engages in extensive advertising and sponsorship campaigns, including cricket tournaments and Bollywood partnerships, to maintain brand visibility and appeal.

# Services VS Product

- *Four characteristics distinguish services from tangible goods*
- *To understand and analyze the challenges and opportunities associated with providing services.*

Unique Service Feature	Resulting Marketing Problems
Intangibility	<ul style="list-style-type: none"><li>• Services cannot be stored</li><li>• Cannot protect services through patents</li><li>• Cannot readily display or communicate services</li><li>• Prices are difficult to set</li></ul>
Inseparability	<ul style="list-style-type: none"><li>• Customer involved in production</li><li>• Other consumers involved in production</li><li>• Centralised mass production of services difficult</li></ul>
Heterogeneity	<ul style="list-style-type: none"><li>• Standardisation and quality control difficult to achieve</li></ul>
Perishability	<ul style="list-style-type: none"><li>• Services cannot be inventoried</li></ul>

# Marketing Program with Marketing Mix 7 P's In Service

Marketing Mix	Description	Example
<b>Product</b>	<b>The services offered</b> , including medical treatments, Hospitality Professional consultations, eg. CA, Advocates, etc.	Apollo Hospitals offering a wide range of medical services including cardiac care, oncology, and organ transplants.  Fortis Healthcare providing specialized services such as neurology, orthopedics, and fertility treatments.
<b>Price</b>	<b>The cost services</b> to patients, including consultation fees, treatment costs, etc.	MakeMyTrip is an online travel company that offers a comprehensive range of travel services, including flight bookings, hotel reservations, and holiday packages. It provides users with a convenient platform to compare prices, explore destinations, and plan trips seamlessly.

# Marketing Program with Marketing Mix 7 P's In Service

Marketing Mix	Description	Example
<b>Place</b>	<b>The location and accessibility</b> of healthcare facilities, including hospitals, clinics, and pharmacies.	Primary health centers (PHCs) located in rural areas to provide basic medical services to the local population.  Multi-specialty hospitals situated in urban centers with easy access to advanced medical technologies and expertise.
<b>Promotion</b>	<b>Marketing and advertising efforts to promote</b> healthcare services, raise awareness, and attract patients.	Awareness campaigns by government bodies promoting vaccination drives, maternal health programs, etc.  Advertising campaigns by private hospitals showcasing their advanced medical equipment, skilled doctors, and success rates.

# Marketing Program with Marketing Mix 7 P's In Service

Marketing Mix	Description	Example
<b>People</b>	<b>Employees/ professionals involved in delivering services,</b> eg. doctors, nurses, technicians, etc.	Trained medical staff providing care and support to patients in hospitals, clinics, and diagnostic centers.  Community health workers conducting health camps, screenings, and awareness programs in rural areas.
<b>Process</b>	<b>The process, procedures and protocols followed in delivering services,</b> including appointment systems, treatment protocols, etc.	AIIMS (All India Institute of Medical Sciences) known for its streamlined processes and efficient patient care.  Online appointment booking systems implemented by various hospitals to streamline patient flow and reduce waiting times.

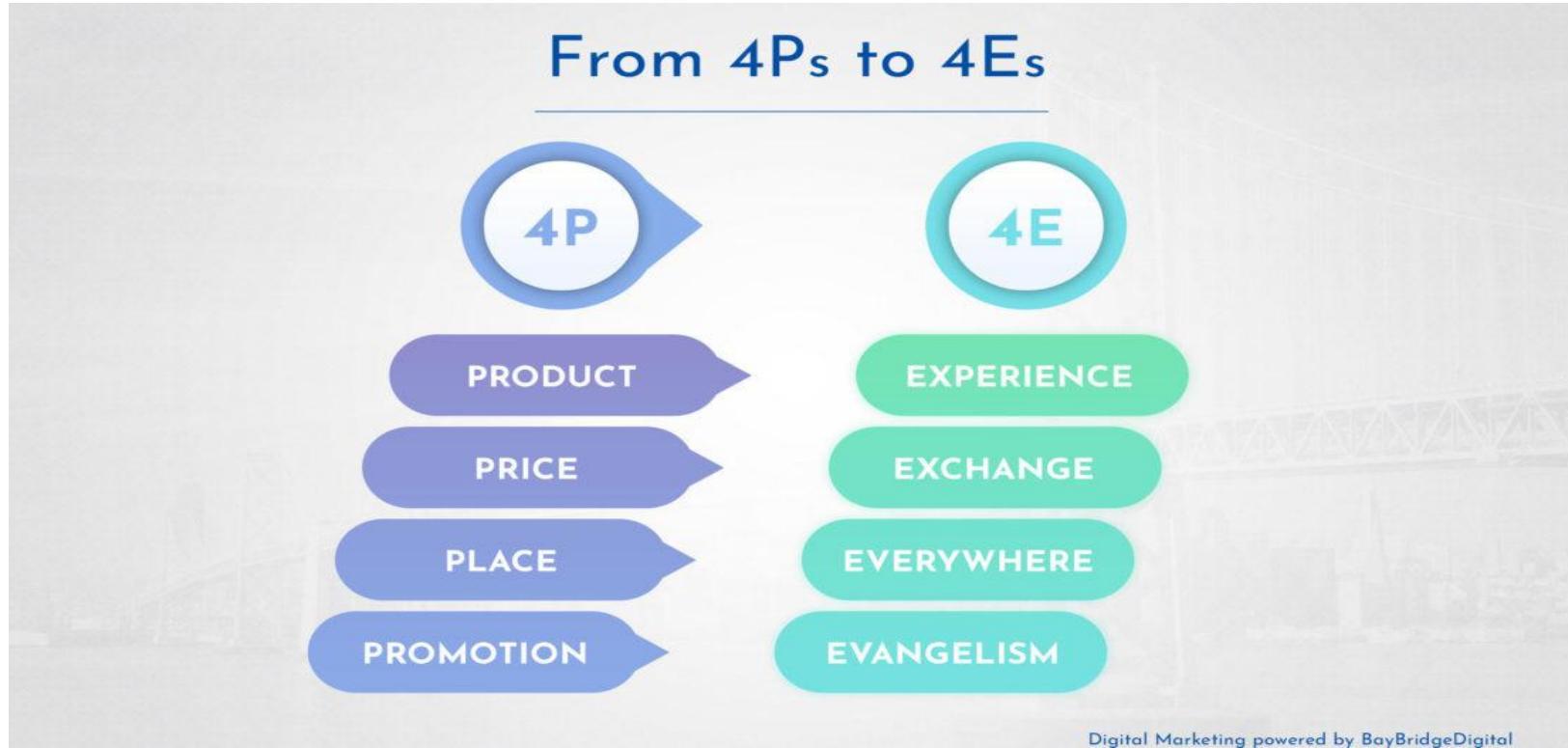
# Marketing Program with Marketing Mix 7 P's In Service

Marketing Mix	Description	Example
<b>Physical Evidence</b>	<b>Tangible elements that convey the quality of services</b> , eg. facilities, equipment, and ambience.	Clean and well-equipped hospital rooms, modern medical equipment, and comfortable waiting areas in hospitals.
		Well-maintained ambulances with advanced life support systems, ensuring safe transportation of patients.

# Transformation of 4 Ps to 4E's



The traditional marketing mix is exhibiting signs of aging due to the evolution of the customer journey in recent decades.



# 4 P's to 4 E's



Aspect	4 Ps of Marketing	4 Es of Marketing
Product → Experience	Emphasizes the physical product or service offered to meet customer needs.	Shifts focus to the customer experience, addressing customer wants and needs.
Price → Exchange	Concerned with setting a competitive and profitable price for the product.	Emphasizes the overall value and experience offered to customers rather than just the cost.
Place (Distribution) → Everywhere	Focuses on making the product available to customers through distribution channels.	Shifts to the convenience and accessibility of products, often leveraging online platforms.
Promotion → Evangelism	Involves advertising and promotional activities to create awareness and drive sales.	Shifts to engaging customers through experiences, storytelling, and interactive communication.

# Example-4 E's



***Giving consumers an immersive and unique experience***

Experience	Exchange	Everywhere	Evangelism
<ul style="list-style-type: none"><li>• Tata Sky</li><li>• Zerodha</li><li>• Apple Store</li></ul>	<ul style="list-style-type: none"><li>• FabIndia,</li><li>• Maruti Nexa</li><li>• MakeMy Trip</li></ul>	<ul style="list-style-type: none"><li>• ICICI Bank</li><li>• Amazon India</li></ul>	<ul style="list-style-type: none"><li>• Trip Advisor</li><li>• Booking.com</li><li>• Tanishq</li></ul>

# Elements of a Firm's Marketing Program

What?

Target  
Market

+ =

Marketing  
Mix

Marketing  
Strategy

+ =

Time-  
Related  
Details

How?

Marketing  
Plan

+ =

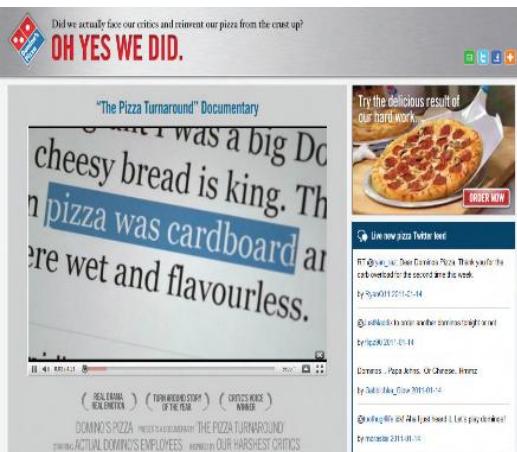
Other  
Marketing  
Plans

A Firm's  
Marketing  
Program

1. New Product Launch
2. Sales Promotion (Festival, Seasonal offers).
3. Customer Retention

# Learning Objectives

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



# Consumer Behaviour

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

# What Influences Consumer Behavior?

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



External

Marketers must fully understand both the theory and the reality of consumer behavior.

# What Influences Consumer Behavior?

- Cultural factors
  - Culture
  - Subcultures
  - Social classes



# Culture—Influence on consumer behaviour

## Culture

- Ideas, customs, and social behavior of a particular people or society
- Culture is a way of life for a group of people.
- Culture is a fundamental determinant of a person's wants and behavior.
- Cultures can differ on a variety of dimensions

**Example- Indian Culture-** We, as consumers make decisions based on the collective interests of our inner circle or, Very much a socialist, a socially oriented country, also called a collectivistic country.

A child growing up in another country might have a different view of self-relationships with others and rituals.

cultures can differ on various dimensions, such as the extent to which people prioritize close others, and whether they behave as if they are part of a collective.

**Marketers must closely attend to cultural values in every country to understand how best to market existing products and find opportunities to develop new products.**

# **Sub-Culture and Social Classes**

## **Subculture**

- Subcultures include nationalities, religions, racial groups, and geographic regions.
- Each culture also consists of subcultures that provide members with more specific identification and socialization.
- When subcultures grow sufficiently large and affluent. Companies often design specialized marketing programs to serve them.
- Marketers must understand how best to market their existing products and find opportunities to develop e.g. North India Vs South India

## **Social Classes**

**Virtually all human societies exhibit social stratification, most often in the form of social classes, relatively homogeneous enduring**

- A division of society based on economic and social status
- Lower, middle class, upper class, rich
- Socio-economic classification

# Culture And Social Classes

- These examples showcase how understanding cultural, subcultural, and social class nuances in India is essential for successful marketing campaigns tailored to the diverse preferences and behaviors of the population.

Aspect	Culture	Subculture	Social Class	Context in Marketing
1. Festivals	Diwali, Holi, Eid, Christmas	South Indian festivals, Bengali Durga Puja	Upper class celebrations vs. Middle class celebrations	Adapting marketing campaigns to align with festive seasons, creating special promotions or limited-time offers during major festivals e.g. consumer durables, automobiles, Builders
2. Language	Hindi, Tamil, Bengali, Punjabi	Youth slang, urban language trends	English as a marker of elite status	Crafting advertisements in multiple languages to reach diverse linguistic audiences, incorporating local language nuances to connect with subcultures e.g. Media-Print/Radio, OTT, Movies

# Social classes

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

# Social classes

Socio-Economic Group	Description	Examples
<b>A1: Elite</b>	High-income professionals, business leaders	CEOs of major corporations, Top executives in finance
<b>A2: Upper Middle</b>	Affluent professionals, established entrepreneurs	Doctors, Lawyers, Senior Managers in MNCs
<b>B1: Middle</b>	Middle-income professionals, mid-level managers	Engineers, Teachers, Bank Managers
<b>B2: Lower Middle</b>	Skilled workers, small business owners	Shopkeepers, Electricians, Plumbers
<b>C1: Working Class</b>	Semi-skilled workers, clerical staff	Factory workers, Office clerks, Taxi drivers
<b>C2: Lower Working</b>	Unskilled laborers, household service workers	Construction laborers, Domestic helpers
<b>D: Destitute</b>	Homeless, unemployed, marginalized	Street beggars, Slum dwellers, Ragpickers
<b>E1: City Affluent</b>	Urban wealthy retirees, non-working spouses	Retired professionals, Spouses of affluent individuals
<b>E2: City Struggler</b>	Urban lower-income retirees, single-income households	Pensioners with limited savings, Single parents
<b>F1: Rural Elite</b>	Wealthy landowners, rural business owners	Large-scale farmers, Agro-industrialists
<b>F2: Rural Middle</b>	Small farmers, rural professionals	Small-scale farmers, Rural doctors, Teachers in rural areas
<b>G: Rural Poor</b>	Agricultural laborers, marginalized villagers	Landless laborers, Tribal communities in remote villages

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

Results of HPI aggregate score across SECs		
SEC Class	HPI Score	Avg. Household (in m)
A 1	100.7	2.2
A 2	94.4	4.1
B 1	26.2	5.3
B 2	18.7	5.3
C	11.9	12.8
D	6.8	14.2
E 1	5.5	6.7
E 2	3.7	10.8
F 1	16.1	5.8
F 2	7.3	15.9
F 3	4.1	56.7
F 4	2.5	67.3

# What Influences Consumer Behavior?

## Social factors

Reference groups

Cliques

Family

Roles and status

# Reference Groups

The reference groups include all the groups that directly or indirectly affect a person's beliefs, decisions, and behavior.

- **Family members typically constitute the most influential primary reference group**
- **Parents and siblings have a major influence** in forming an individual's beliefs, value system, and behavior.
- **An individual spouse and children, on the other hand,** have a more direct impact on everyday buying decisions, especially in the case of high-ticket items and items that different members of the household use.
- Individuals may also be influenced by groups to which they do not belong, such as **aspirational groups that they hope to join**, and dissociative groups whose values or behavior they reject.

# Reference Groups

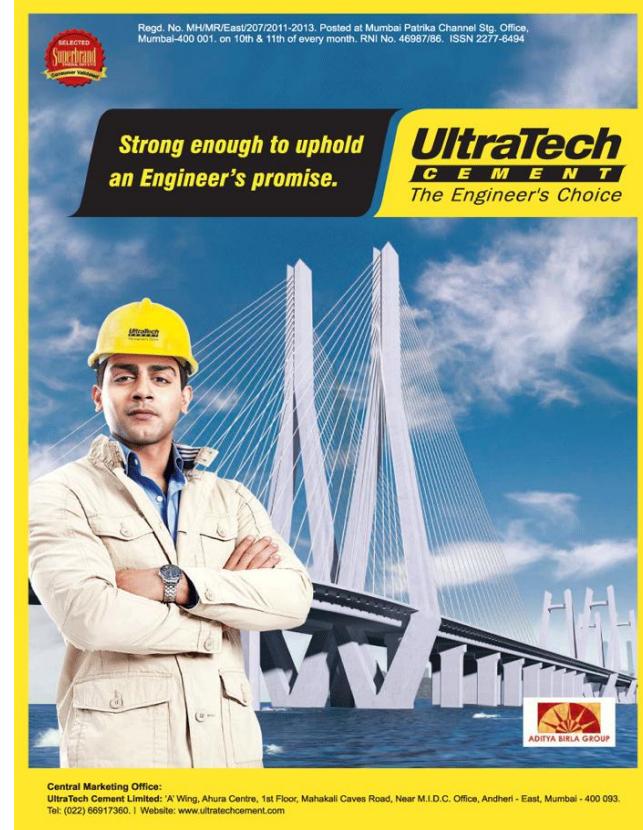
# Direct Ref. Groups

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

# Reference Groups

- Psychological Processes
- Buying Process
- **Aspirational Groups**
  - Group a person hopes to join
    - IIT, Brand Ambassadors
- **Dissociative Groups**
  - Group a person rejects. E.g. Drug Addicts
- **Opinion leaders**
  - A person who offers informal advice or information about a specific product
  - Opinion leaders are often highly confident, socially active, and frequent users of the product category.
    - Dentist for dental hygiene, IT professional for a PC, Painter for paints, Mason for cement, sanitary ware, Sarpanch, Carpenter.
  - **Marketers try to reach these leaders by identifying their demographic and psychographic characteristics and the media they read, as well as by directing messages to them.**

# Indirect Ref. Groups



# Cliques

# The law of the few.

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

# Clique

Clique	Description	Examples
<b>1. Fashionistas</b>	Trendsetters who influence style and fashion	Fashion bloggers, Celebrity stylists
<b>2. Tech Geeks</b>	Enthusiasts and experts in technology	Gamers, Tech reviewers, Early adopters of gadgets
<b>3. Foodies</b>	Passionate about food, dining experiences	Food bloggers, Culinary enthusiasts
<b>4. Fitness Fanatics</b>	Dedicated to health and fitness	Gym instructors, Fitness influencers
<b>5. Travel Enthusiasts</b>	Adventurers who love exploring new destinations	Travel bloggers, Backpackers, Adventure seekers
<b>6. DIY Crafters</b>	Enjoy creating homemade crafts and projects	DIY bloggers, Craft fair organizers
<b>7. Bookworms</b>	Devoted readers and literature enthusiasts	Book club members, Literature professors

# Family

- Family of orientation vs. family of procreation



# Family of orientation vs. family of procreation

Aspect	Family of Orientation	Family of Procreation
Definition	The family into which a person is born and raised	The family formed through marriage and childbearing
Role in Indian Context	Typically consists of parents and siblings	Example: The family in which an individual grows up with their parents and siblings
Example	A person's childhood family where they were raised	A newlywed couple starting their own family unit after marriage
Significance	Shapes individual beliefs, values, and behaviors	Forms the foundation for starting a new household and raising children
Cultural Influence	In Indian culture, family of orientation holds significant importance as it plays a crucial role in shaping an individual's identity, values, and socialization	In Indian culture, family of procreation is highly valued as it continues family lineage, fulfills societal expectations, and provides support for raising children
Responsibilities	Limited to familial roles such as being a child or sibling, and contributing to family duties as appropriate	Includes creating a nurturing environment for children, managing household affairs, and supporting each other in fulfilling familial responsibilities

# Role of family

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



# Exercise

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

family

- A. <https://www.youtube.com/watch?v=pK00ShEFyxs>
- B. [https://www.youtube.com/watch?v=z2\\_Tb9Xz1kQ](https://www.youtube.com/watch?v=z2_Tb9Xz1kQ)
- C. <https://www.youtube.com/watch?v=hIAammqC27Q>
- D. <https://www.youtube.com/watch?v=qfIID8YoZdE>
- E. <https://www.youtube.com/watch?v=-Fo-Ge4afDg>

# What Influences Consumer Behavior?

- Personal (individual) factors
  - Age/stage in the life cycle
  - Occupation and economic circumstances
  - **Personality**
    - self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.
  - **Self-concept** (how we view ourselves & how we think others see us)
  - **Lifestyle and values**
    - (expressed in activities, interests, and opinions.)



# **Age/Stage in Lifecycle**

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

# Personality and self concept

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

Marketers target consumers based on their values and believe that appealing to people's inner selves makes it possible to influence their outer selves.

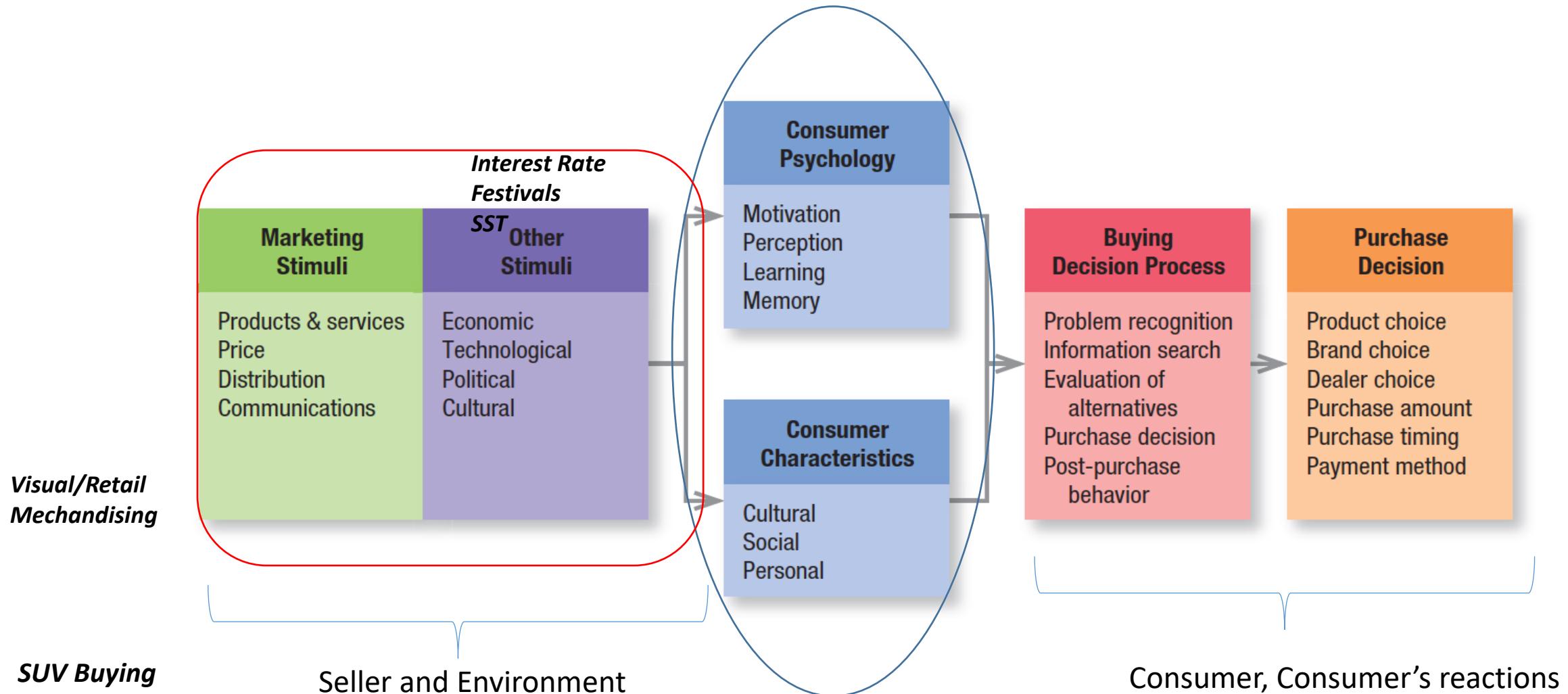
# Lifestyle and values

- Lifestyle is a person's **pattern of living in the world** as expressed in activities, interests, and opinions.
- People from the same subculture, social class, and occupation may adopt quite different lifestyles.
  - **Achievers**
    - Personal computers
  - **Money constrained**
    - Affordable products (Garib Rath)
  - **Time constrained**
    - Packaged food industry
  - **Core Values**
    - Simple living and high thinking
    - Dress is Address.

# Model Of Consumer Behavior-SOR Model stimulus-organism-response model

The consumer is exposed to marketing tactics: product/service, brand, price incentives, and communication distribution.

- Marketing tactics, market context, influence, consumer characteristics, and consumer psychology, → influenced buying decision process and purchase decision,



# A Delhi family buys an SUV

- Marketing Stimuli**
- **Products and Services**  
*Cars and SUVs*
  - **Price**  
*Rs. 5 - 15L*
- **Place of Distribution**  
*Dealerships*
  - **Promotion**  
*Ads on TV, Print, Digital*

- Other Stimuli**
- **Economy**  
Reduced interest rates  
(Low EMI)
  - **Technology**  
Connected Car
  - **Political**  
Legislation to ban 10 year old vehicles in Delhi
  - **Cultural**  
Old style machismo

## Consumer psychology

Motivation  
Perception  
Learning  
Memory

**Consumer characteristic**

Cultural  
*Delhi*  
Social  
*Peers, Neighbours as Ref. Group*  
Personal  
*Adventure seeking*

## Buying Process

- Problem Recognition  
Ageing car, Peer approval
- Information Search  
*Internet, Car Owners, Ads*
- Evaluation
- Purchase Decision
- Post –purchase Behaviour  
*Cognitive Dissonance*  
*Cognitive Resonance*

## Purchase Decision

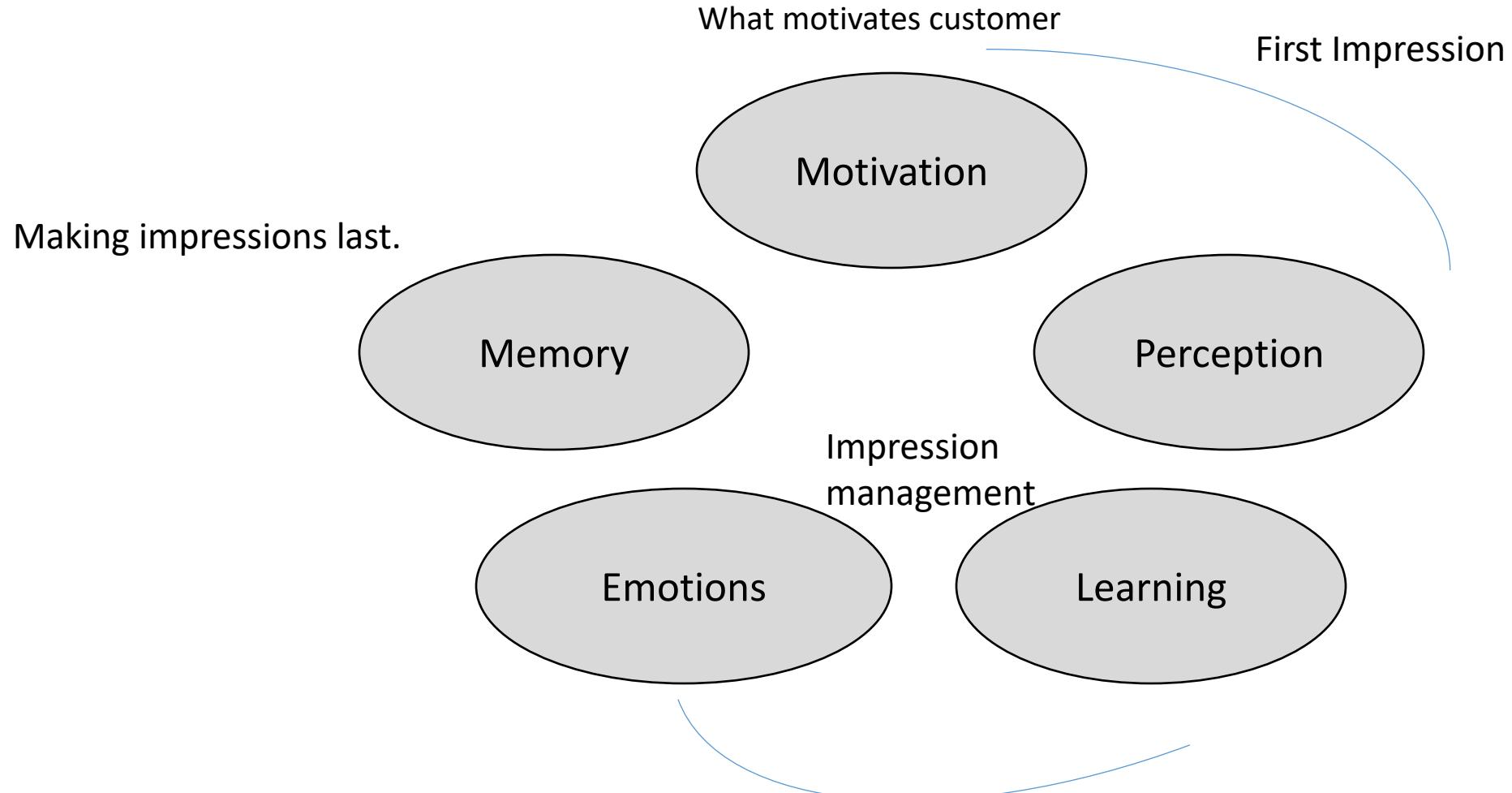
- Product Choice  
*1500 cc diesel*
- Brand Choice  
*Maruti Vitara*
- Dealer Choice  
*Arora Motors*
- Purchase Quantity  
*One*
- Purchase Timing  
*Navratri (2<sup>nd</sup> week, Oct)*
- Payment method  
*EMI mode from SBI*

# Stages of Buyer's Purchase Decision



# Key Psychological Processes

Marketing and environmental stimuli enter the consumer's consciousness, and a set of psychological processes



The marketer's task is to understand what happens in the consumer's consciousness between the arrival of the outside marketing stimuli and the ultimate purchase decisions

# Key Psychological Processes

## Motivation

- A need becomes a motive when it is aroused to a sufficient level of intensity to drive us to act.
- “Motive or drive” is a need → a person seeks to satisfy



**Motivation researchers often conduct market research and in-depth interviews with a few dozen consumers to uncover deeper motives triggered by a product.**

Market research for motivation--→ Subconscious motivations (emotions and behavior towards brand)

# Techniques to identify motivational factors

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

# Motivation

## Freud's Theory

Behavior is guided by the subconscious.

### Motivations

Projection  
Techniques, Laddering  
(BMW Car- Like or  
trying to impress others)

## Maslow's Hierarchy of Needs

Behavior is driven by lowest, unmet need (depend on time and phase)

## Herzberg's Two-Factor Theory

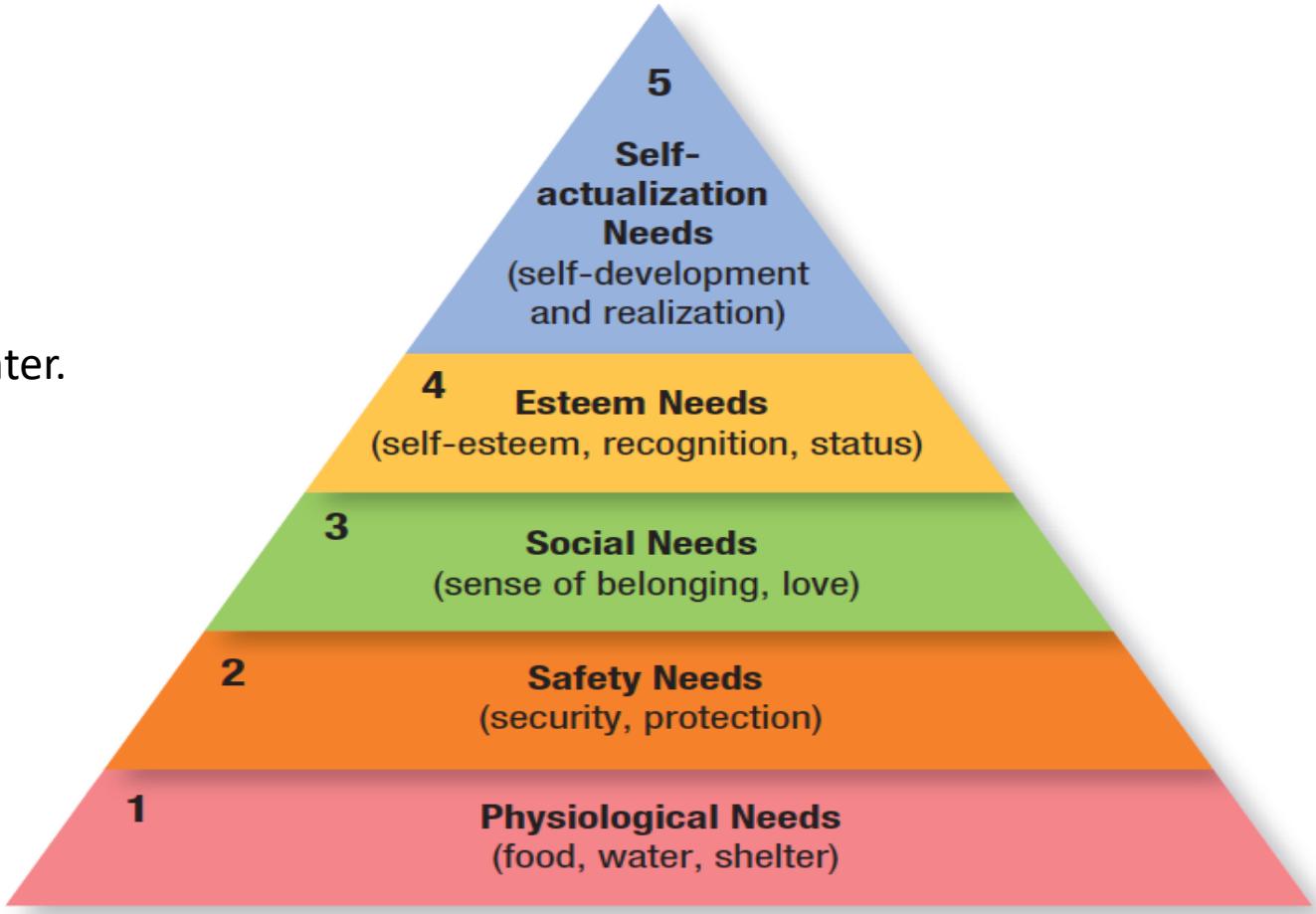
Behavior is guided by dissatisfiers and Satisfiers.

Absence of dissatisfier, presence of satisfier.

# Figure 6.2

## Maslow's Hierarchy Of Needs

Apply to a coaching center.



1. Marketers need to understand the level of need a targeting customer segment is striving to fulfill.
2. 4Ps/7Ps can be effectively designed to address that need level.

# Herzberg's Theory

# Satisfier & Dissatisfier

HR

Dissatisfier (Hygiene)	Satisfier (Motivation)
Salary	Performance and achievement
Physical Workplace	Recognition
Relationship with colleagues	Job Status
Relationship with supervisors	Responsibility

Source: [www.simplypsychology.com](http://www.simplypsychology.com)

**Understanding and addressing both motivation factors and hygiene factors can help businesses create compelling value propositions and customer experiences that not only attract customers but also retain them by satisfying their needs and desires while minimizing dissatisfaction.**

## Hospital / Healthcare Center

Dissatisfier	Satisfiers
Physical Workplace	Quality of Treatment
Waiting time	Affordability of Treatment
Staff Behaviour	

# Coaching Center

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

# Key Psychological Processes

## **Perception**

- The process by which we select, organize, and interpret information inputs to create a meaningful picture of the world
- **How customer act is influenced by their perceptions of the situation?**
- **In marketing,** Perceptions are more important than reality because they affect consumers' actual behavior
- Perceptions depend not only on physical stimuli but also on the stimulated relationship to the surrounding environment, on the and on conditions that exist within each of us.



1. **Perception registers in the customer's OR the prospect's mind.**
2. **Managing perception becomes an important task for a marketer.**

# Perception

Selective attention

*People can't pay attention to all Stimuli. Filtering most stimuli*

Selective distortion

*Interpret the information what they believe.*

Selective retention

*Likely to remember the good points of the brands they favor.*

Subliminal perception

*Some Consumers worry that Marketer is manipulating them*

# Selective attention

## Relevance

- **People can't pay attention to all Stimuli. Filtering most stimuli**
- **People are more likely to notice stimuli that relate to a current need.**
  - It's estimated that the average person may be exposed to thousands of ads of brand communications every day. Because customers cannot possibly attend to all these and screen out more stimuli.
- **Selective attention** means that marketers must work hard to attract consumers' notice.
- People are more likely to notice ads for products they are interested in.
  - *Google Ads are tagged to the individual's searches*

## Anticipate

- A bar of chocolate would not be noticeable in a chemist's shop.

## High Deviation

- 40% off is more pronounced than 20% off.

# Perception

**Selective Distortion-** the tendency to interpret information in a way that fits our preconceptions

- **Consumers often distort information to fit their prior product or brand experiences.**
- Can work to the advantage of marketers with strong brands when consumers distort neutral or ambiguous brand information to make it more positive- Tata Salt: Consumers perceive Tata as a trusted, high-quality, and reliable brand. AMUL is another example

That is one of the problems a “loser” brand has to struggle with.

- Brand- Volvo: Safe Car Vs Luxury; Nano: Affordable car Vs Cheap Car
- <https://www.youtube.com/watch?v=fFgoyl-a7iQ> and <https://www.facebook.com/MarketingMind.in/videos/policy-bazaar-ad/804791159858212/>

## Selective Retention

- We do retain information that supports our attitudes and beliefs. Because of selective retention, we’re likely to remember good points about a product we like and forget good points about competing products.
- Customers are exposed to various marketing inputs but some stay in the mind like Smart one-liners.
  - Catchy jingles-<https://www.youtube.com/watch?v=9yK3SeTyqZg>
  - Lifebuoy example.
  - 2- Minute Maggie, Nirma Washing Powder

## Subliminal Perception

**Marketers embed covert, subliminal messages in ads or packaging. Consumers are not consciously aware of them, yet they affect behavior.**

- Subconscious messages: Soft Drinks ads between movie frames.
- Color Marketing: Colors – Light Blue/white sends a message of peace.
- **Fevicol:** Fevicol’s humorous ads subtly associate the brand with unbeatable strength and unbreakable bonds

# Learning

## Cognitive

- Rational/Logical Learning
- The cognitive method is the rational or logical learning method.
- Cognitive (Rational/Logical)- LIC (Life Insurance Corporation), ICICI Home Loan- Lower interest rates and quick approval

## Emotional

- The second is learning through the emotional method.
- Cadbury Dairy Milk: Taps into emotions by associating chocolate with happiness, celebration, and bonding moments, creating an emotional connection with consumers.
- AMUL- The Taste of India
- TATA Salt- Desh Ka namak

# Key Psychological Processes

Motivation  
Perception  
Learning  
Memory



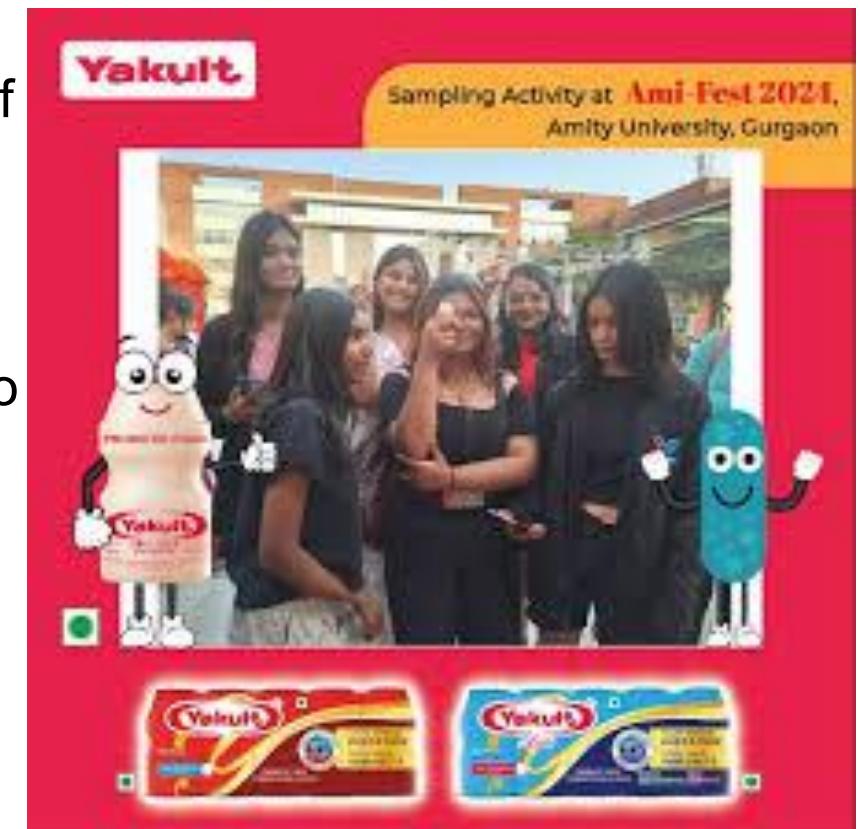
- **Learning**
  - Induces changes in our behavior arising from experience
    - If Tata Motors wants to gain market share, it needs to change customer perception by educating them about the brand.
  - Drive and cues → Response → Reinforcement (Burglary → Security → Camera)
    - **Drive** is a strong internal impulse
      - Order – a strong internal impulse (computerization)
      - **Cue** is a Minor external stimulus- Review/recommendation, Ads in magazines
    - Marketers seek a response and build demand by using a drive/cue
    - Followed by **a positive Reinforcement**. (Purchase experience)
  - **Generalization and discrimination**
    - Generalization is the ability to put things in broad categories.(Same Drive)
      - All car manufacturers offer you a warranty.
    - Discrimination: Recognize differences in a similar set of stimuli to induce a switch. (Different Drive)
      - Only Hyundai offers you 10 years of mental peace.

Yakult: <https://www.youtube.com/watch?v=dsEERPNVnM8>

<https://www.facebook.com/TheShilpaShetty/videos/yakult-india-new-product/2637824222980148/>

# Learning- Yakult

- **Product Sampling & Trial:** Yakult uses free samples to introduce consumers to its probiotic benefits, encouraging future purchases after positive experiences.
- **Health Education:** Through consistent messaging on digestive health benefits, Yakult shifts consumer behavior by positioning itself as essential for a healthy lifestyle.
- **Emotional & Habitual Connection:** Yakult fosters an emotional bond by promoting well-being, leading consumers to integrate it into their daily routines.



# Key Psychological Processes

## Emotions

- Many different kinds of emotions can be linked to brands
- To trigger people's desire to pass along things they hear about brands
- Axe has created the male body wash category by seeking to boost the confidence of young men in the 18-24 category.
- Hamara Bajaj-  
<https://www.youtube.com/watch?v=mKF5PBtEIJQ>
- Emotion with which IIT JEE results are awaited.



# Key Psychological Processes

## Memory

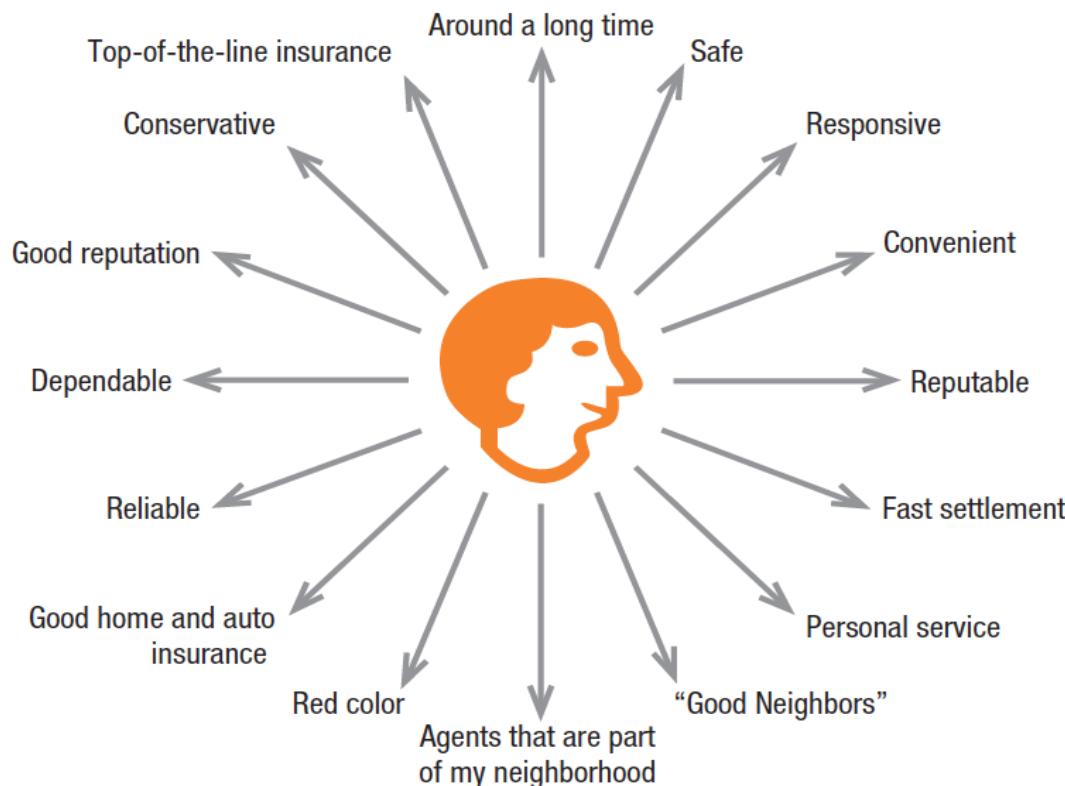
The brain's ability to record, store, and retrieve information and events also plays a role in consumers' purchasing decisions.

- Short-term vs. long-term memory
  - Visual, Verbal, Abstract, Contextual (event)

Long term Memory models are three types:

- **Episodic memory, Semantic memory, and Procedural memory.**
- **Semantic memory stores general knowledge** about the world, including facts, meanings, and concepts, unlike **episodic memory**, which is tied to personal experiences.
- **Procedural memory is the memory of motor skills**, like walking, talking, or riding a bike, learned through repetition. These actions become automatic and deeply ingrained over time
  - Associative network memory model
  - Brand associations
    - All thoughts, feelings, perceptions, Images etc. associated with a brand

## Brand Association for an Insurance Firm



# Memory

**Memory can be described as a process of encoding and retrieval.**

Long term memory, it is extremely durable, and its strength of association decays very slowly.

## Memory encoding

- **Memory encoding describes how and where information gets into memory.**
  - Encoding through understanding is Generally more efficient.

## Memory retrieval

- **Memory retrieval is the way we reclaim information from memory,**
- Information may be available in memory but not accessible for recall without the proper retrieval.
- Queues per reminders the effectiveness of retrieval queues is one reason why marketing inside a supermarket or retail store is so critical.
  - Interference with competing information.
- Brand cues.
  - Time leads to decay.
  - Accessibility of information at the right time is important. Eg. Dream11
  - Accessibility of a brand in memory is important for another reason. People talk about a brand when it is top of mind. **Marketers constantly subject consumers to repeated exposure**
    - Point of Sale Ads e.g. Pepsi, Haldiram



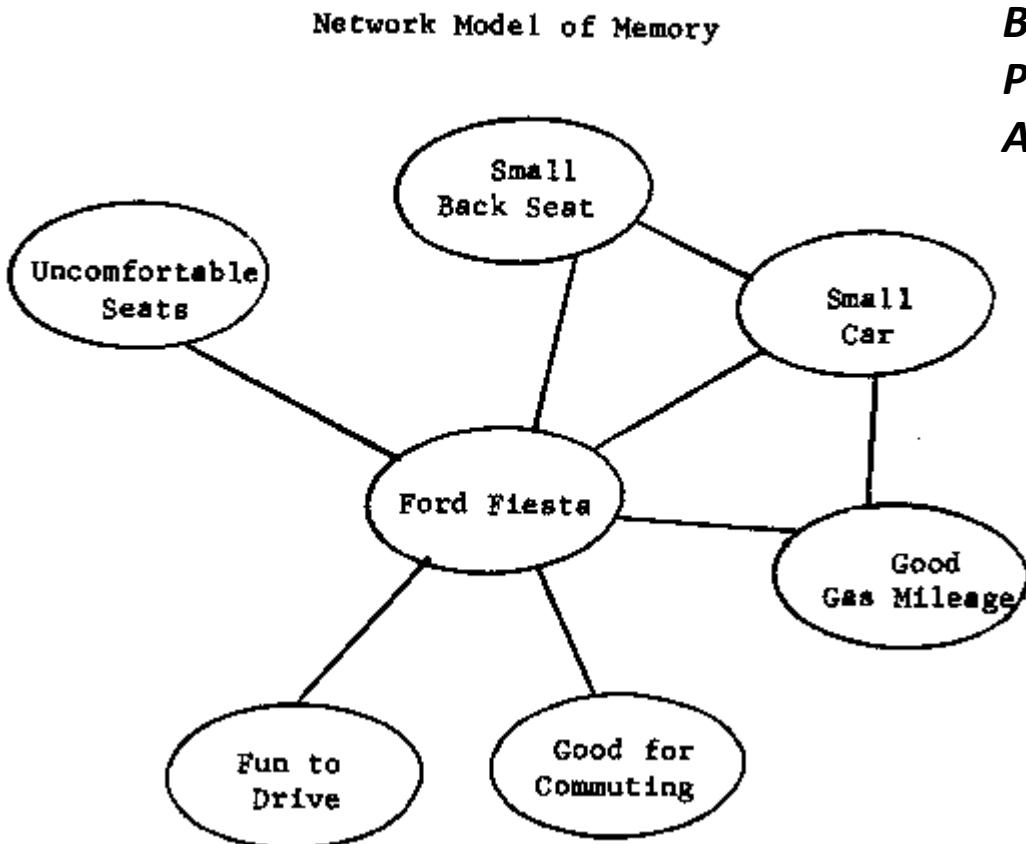
# Associative Memory Network Model

Marketers are interested in making the brand stay in consumer memory and stay in a positive manner, not in a negative manner.

Promote the brand in such a manner that it stays in your memory for a long period.

The customer does brand association

FIGURE 1

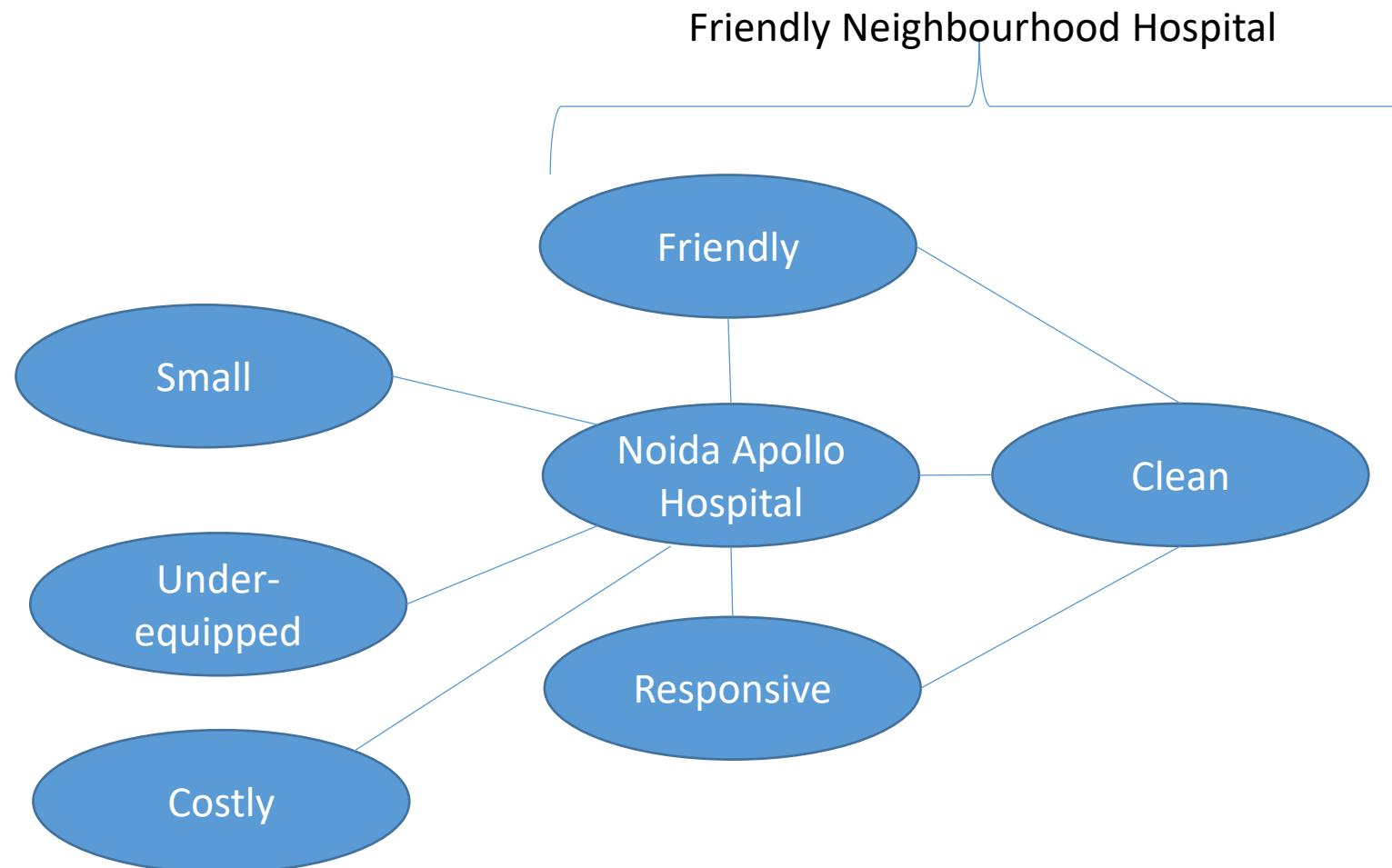


***Brand Associations are all brand-related thoughts, feelings, Perceptions, and associations. Marketers manage brand Associations.***

If the node associations are strong, I would talk about the Ford Fiesta when there is any talk of a small car. I would mention its good gas mileage, small back seat also.

# Associative Memory Network

# Apollo Hospital, Noida



# Memory Encoding

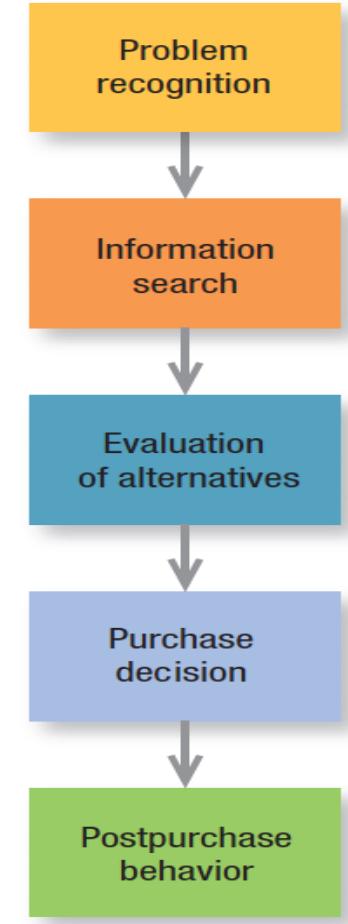
Memory Encoding Factors	Marketing Application Examples
Visual Elements	<b>The colorful and visually appealing packaging of Kurkure</b> snacks helps in easy recognition on store shelves and enhances brand recall.
Catchy Jingles/Slogans	<b>"Har Ghar Kuch Kehta Hai" (Every home has a story)</b> - The catchy slogan of <b>Asian Paints</b> creates a memorable association with their brand, enhancing recall.
Emotional Appeal	<b>Tanishq's "Remarriage" ad campaign challenged societal norms</b> , evoking strong emotions and making the brand memorable for its progressive stance.
Celebrity Endorsements	<b>Amitabh Bachchan endorsing Dabur Chyawanprash</b> reinforces positive associations with health and trust due to his iconic status in India.
Storytelling	<b>Fevicol's long-running "Fevicol ka Jod"</b> series uses humorous and memorable storytelling to highlight the product's strong bonding capabilities.

# Memory Retrieval Factors

Memory Retrieval Factors	Marketing Application Examples
Brand Logos	The instantly recognizable 'Amul girl' in the Amul Butter ads becomes a powerful memory trigger, aiding quick retrieval of the brand in the consumer's mind.
Slogans/Mnemonics	"Daag Acche Hai" (Stains are good) - Surf Excel's memorable slogan reinforces the brand's stain-removing capabilities in the consumer's memory.
Repeat Exposure	Frequent and widespread use of Coca-Cola's advertising across various media ensures continuous exposure, aiding easy recall when consumers think of soft drinks.
Limited Time Offers/Deals	E-commerce platforms like Flipkart and Amazon often use limited-time sales events (e.g., Big Billion Days) to create urgency and enhance memory retrieval for discounts.
Seasonal Campaigns	Cadbury's "Kuch Meetha Ho Jaye" (Let's have something sweet) campaign during festivals associates the brand with joy and celebrations, making it more memorable during festive seasons.

# The Buying Decision Process

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



# The Buying Decision Process

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



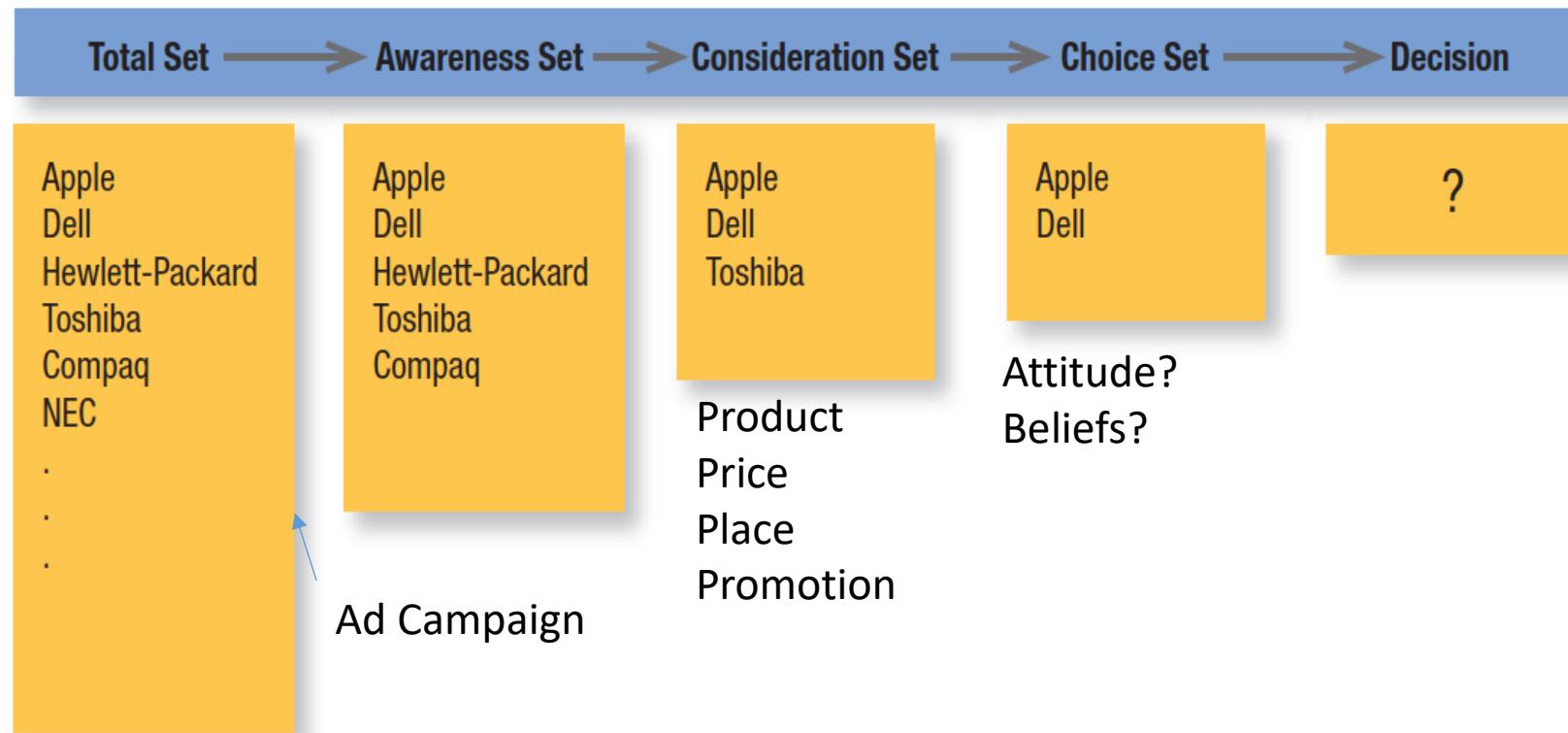
Marketers need to identify the circumstances that trigger a particular need by gathering information from many consumers. They can then develop marketing strategies that spark consumer interest.

# The Buying Decision Process

- Information search
  - ✓ Internet ---Search Engine ?
  - ✓ Personal sources – Friends, Relatives, Colleagues
    - ✓ Ask a user (car as an example)
  - ✓ Commercial sources – Advertising, Websites, Salespersons
    - ✓ Advertising, Company Website
  - ✓ Public sources – Social Media, Press, Consumer Rating Organizations
    - ✓ Quora.com, Auto Car (magazine), JD Power Rating
  - ✓ Experiential sources – Handling, Examining, Using the product
    - ✓ Test Drive

# Figure 6.5

## Sets Involved In Decision Making



# The Buying Decision Process

## Evaluation of alternatives:

The way consumers decide, the pros and cons of available options is affected by the beliefs and attitudes they hold. Whether these are valid or erroneous.

- Purchase decision
- Compensatory vs. noncompensatory models

### Conjunctive heuristic

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

### Lexicographic heuristic

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

### Elimination-by-aspects heuristic

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

# Compensatory Model Vs Noncompensatory Model

	Compensatory Model	Non-compensatory Model
Aspect	Considers trade-offs among attributes	Does not allow trade-offs among attributes
Decision Process	Weighs the pros and cons of each attribute	Focuses on specific criteria without considering others
Evaluation	Overall evaluation based on weighted attributes	Eliminates options that do not meet certain criteria
Example-1	Buying a smartphone where price and features are considered. If one phone has a higher price but better features, it may still be chosen.	Choosing a restaurant based solely on its proximity rather than considering its menu variety or ambiance.
Example-2	Selecting a car based on factors like price, mileage, safety, and brand reputation, where a higher price might be justified by better mileage or safety features.	Choosing a fast-food outlet based solely on its price, without considering factors like taste or hygiene. (Student)

# Conjunctive Vs Lexicographic Vs Elimination-by-Aspects

Heuristic	Explanation	Examples
Conjunctive	In involves setting minimum acceptable thresholds for each attribute, and choosing the option that meets all these minimum requirements.	Choosing a budget smartphone based on minimum requirements such as battery life, camera quality, and storage capacity. If a smartphone meets or exceeds these minimum criteria, it is considered.
Lexicographic	In this attributes are ranked in order of importance, and the option that performs best on the most important attribute is selected, ignoring the rest.	Selecting a university primarily based on its reputation, regardless of other factors like location, facilities, or faculty. If a university is highly reputed, it is chosen regardless of other considerations.
Elimination-by-Aspects	It involves setting specific criteria or "aspects" and eliminating options that do not meet the most important aspect, then proceeding to the next most important aspect.	Choosing a vacation destination based on aspects such as safety, cost, and cultural experience. If a destination is deemed unsafe, it is eliminated, regardless of other factors. Eg Pet friendly resort

# The Buying Decision Process

## Compensatory Model

- Evaluation of alternatives
  - Expectancy-value model

### Illustrative Calculation

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

TABLE 6.3

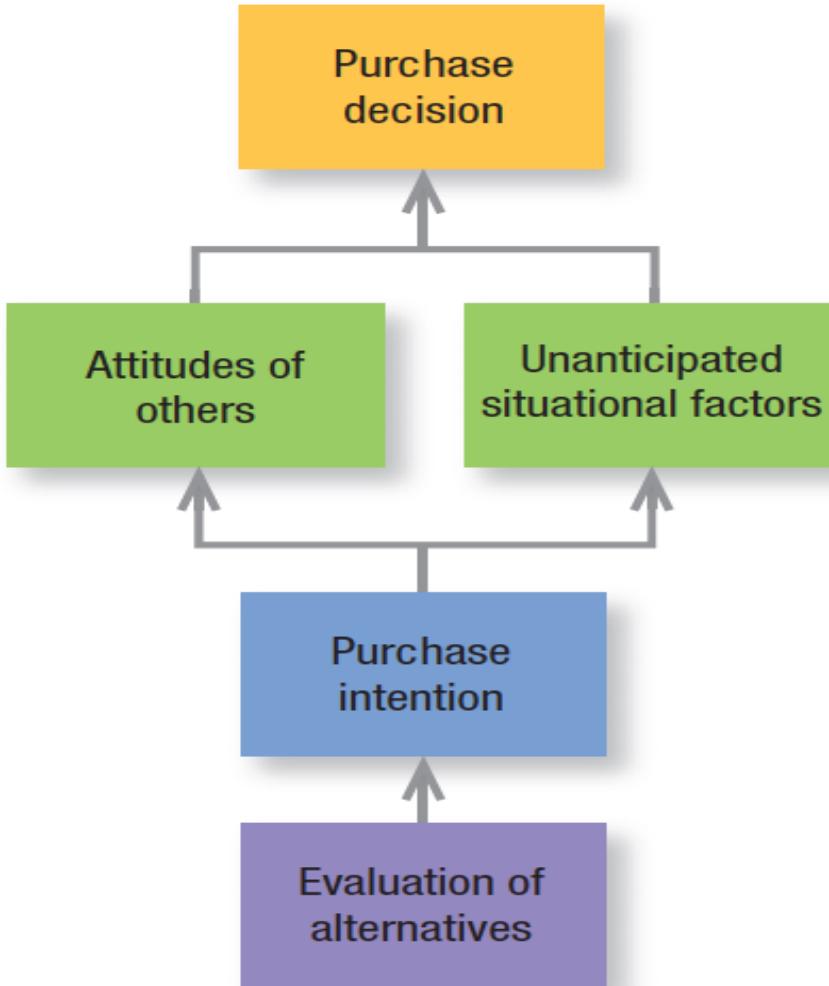
A Consumer's Brand Beliefs about Laptop Computers

Laptop Computer	Attribute			
	Memory Capacity	Graphics Capability	Size and Weight	Price
A	8	9	6	9
B	7	7	7	7
C	10	4	3	2
D	5	3	8	5

8.0  
7.0  
6.0  
5.0

Compensatory Weights	0,4	0,3	0,2	0,1
Conjunctive heuristics	7	7	7	7
Min Qualifying Score				

# Intervening factors



## Example car brands:

### Attitudes of Others:

If a consumer's friend strongly dislikes a particular Indian car brand due to poor past experiences, and the consumer highly values their friend's opinion and wants to comply with their wishes, they may reconsider their purchase intention towards that brand.

### Intensity of Negative Attitude towards Brand:

If a consumer's colleague expresses strong dissatisfaction with a certain Indian car brand, highlighting multiple issues with reliability and after-sales service, it could significantly impact the consumer's perception of that brand.

### Consumer's Motivation to Comply with Others' Views:

If a consumer highly respects their family's preferences and wishes to maintain harmony within the family, they may prioritize their family members' opinions over their own preferences when making a decision about which Indian car brand to purchase.

# Purchase Decision & Types of perceived risk

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

Product does not function up to expectation.

Functional risk

Product poses a physical risk.

Physical risk

A product failure risks a long wait to find a replacement.

Time risk

Product is not worth the price paid.

Financial risk

Psychological risk

The product is not socially accepted.

Social risk

Causes embarrassment.  
The product results in embarrassment in front of others.  
e.g. Sanitary Napkins,

The product affects the mental well-being of the user.

Violent Movies. Child Safer Options/YouTube & WhatsApp Safer Options

**Example: WATER PURIFIER**

# Water Purifier Example perceived risk

Risk Type	Description	Example
Functional Risk	The risk that the water purifier may not perform to expectations, such as failing to effectively remove contaminants or providing unreliable filtration.	Purchasing a water purifier that claims to remove all impurities but fails to do so, leading to doubts about the quality of the purified water.
Physical Risk	The risk that the water purifier poses a threat to the physical well-being or health of the user or others, such as if it introduces contaminants or harmful substances into the water.	Using a water purifier that is poorly constructed and contaminates the water with harmful chemicals, causing health issues for the consumers.
Financial Risk	The risk that the water purifier is not worth the price paid, either due to poor performance, high maintenance costs, or frequent breakdowns, resulting in a loss of money.	Investing in an expensive water purifier that constantly requires repairs and maintenance, leading to additional expenses beyond the initial purchase cost.
Social Risk	The risk that using the water purifier results in embarrassment in front of others, such as if it is aesthetically unpleasing or if guests question its effectiveness or quality.	Hosting guests and having them express doubts or concerns about the efficacy of the water purifier, causing embarrassment and undermining confidence in the product.
Psychological Risk	The risk that the water purifier affects the mental well-being of the user, such as causing stress, anxiety, or dissatisfaction due to concerns about its performance or reliability.	Constantly worrying about the quality of the water being consumed despite using a water purifier, leading to stress and anxiety about potential health risks.
Time Risk	The risk associated with the amount of time spent on purchasing, installing, maintaining, or repairing the water purifier, which could be considered wasteful or inefficient.	Spending significant time researching and comparing different water purifiers before making a decision, only to encounter issues with the chosen purifier that require frequent maintenance and repairs.

# The Buying Decision Process

## Post-purchase Behavior

- Postpurchase behavior
  - Postpurchase satisfaction
    - Satisfaction depends on Expectation and performance.
  - Be careful about the expectations you raise.
  - Post-purchase actions
    - Loyalty from satisfaction. Repeat Purchase or
    - Abandonment- bad WoM. Exit-Silent leave
    - Complaints and Social media reviews
    - Consumer Court
  - Post-purchase uses and disposal
    - Product purchase frequency is dependent on the rate of usage.
    - Disposal should be environmentally friendly.
    - True-Value by Maruti-Suzuki
    - Exchange of consumer durable
    - Sustainable disposal

Michelin

Rate restaurants

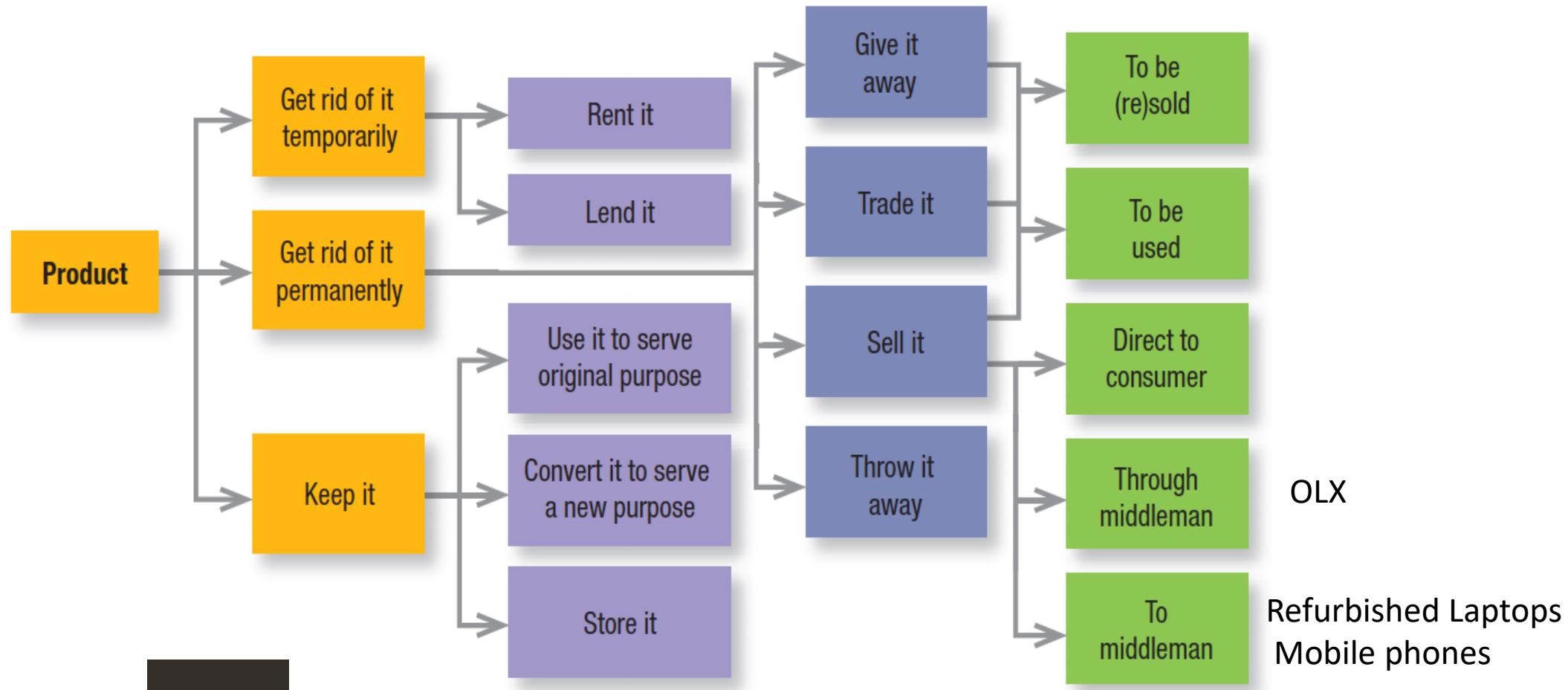


# Expectation vs. Performance (Fine Dine Restaurant)

Expectation vs. Performance	Description	Example- Fine Dining Restaurant
Exceeds Expectations	When the performance of the restaurant surpasses the customer's expectations- <b><i>Delight</i></b> .	A customer visits a fine dining with moderate expectations but is pleasantly surprised by the exceptional quality of food, impeccable service, and elegant ambiance, exceeding their initial expectations.
Meets Expectations	When the performance of the restaurant matches the customer's expectations- <b><i>Satisfaction</i></b> .	A customer visits a fine dining restaurant with certain expectations regarding the food quality, service standards, and ambiance, and finds that the experience aligns well with what they anticipated, leading to satisfaction.
Falls Short of Expectations	When the performance of the restaurant falls below the customer's expectations- <b><i>Dissatisfaction</i></b>	A customer visits a fine dining restaurant with high expectations based on recommendations and previous experiences but finds the food quality mediocre, service slow, and ambiance lacking, resulting in disappointment.

# Figure 6.7

## Customer Product Use/Disposal



# Low and High Involvement Purchase

- Low-priced, frequently purchased products are usually low involvement
- Decision is generally based on peripheral cues – catchy jingle, pretty model etc.
- By contrast, high involvement purchases involve more rational decisions
- **Variety-Seeking Buying Behavior**
  - Consumers switched brands easily for low-involvement products.
  - Leader defends by dominating shelf space, launching variants.
  - Challenger offers discounts, deals etc.

## High Involvement (Rational and Time-Taking Decision Making)

- Why does Maruti have a 50 %+ market share in the automobile market?
- Mahindra still leads the SUV market.

# Low Involvement

Behavior	Description	Example
<p><u>Low-</u> <u>Involvement</u></p>	<p><b>Low-priced, frequently purchased products</b> that typically require minimal cognitive effort for decision-making.</p>	<p>Packaged snacks such as chips or biscuits.</p>
<p><u>Consumer</u> <u>Decision</u> <u>Making</u></p>	<p><b>Decision-making is often influenced by peripheral cues</b> such as branding, packaging, or advertising rather than extensive research or evaluation.</p>	<p><b>Peripheral Cues:</b> Lays Chips using catchy jingles and attractive packaging to appeal to consumers' emotions rather than focusing on product specifications.</p>

# Variety Seeking

Behavior	Description	Example
<b>Variety-Seeking Buying Behavior</b>	<ul style="list-style-type: none"><li>- Consumers easily switch between brands for low-involvement products, driven by factors like price promotions, discounts, or novelty.</li></ul>	<b>Leader's Defense:</b> Parle launching variants of its biscuits to maintain consumer interest and dominate shelf space.
	<ul style="list-style-type: none"><li>- Market leaders often defend their position by dominating shelf space and continuously innovating or introducing variants.</li></ul>	<b>Challenger's Strategy:</b> Britannia offering discounts and deals on its biscuits to lure consumers away from the market leader and encourage brand switching.

# **Behavioral Economics (Behavioral Decision Theory (BDT)).**

Heuristics

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

- **Decision Heuristics**

- **Availability heuristic**

- How easily customers remember an outcome. (Poor screen in laptop/mobile)
      - An auto company with a prior image of poor quality would offer an extended product warranty.

- **Representativeness heuristic**

- How representative is the product of a category? Coaching center with Toppers Image
      - All five-star hotels offer discounts.
      - All products in a mall are expensive or discounted.

- **Anchoring and adjustment heuristic**

- First Impression and later adjusting (Combo, Upgraded Version)
    - Service Industry. The first impression of a coaching Class followed by adjustments.



# Consumer Behaviour-Mental accounting

- Comparison, and 9999 pricing
  - Selling something if its cost can be added to another large purchase: House buyers.
- Consumers tend to segregate the gains.
  - Focus on each product feature separately.
- Consumers tend to integrate the losses.
  - Car accessories sell best at the time of new purchase.
  - Consumers tend to segregate small gains from large losses: the popularity of rebates on big-ticket purchases such as cars
- Consumers tend to integrate large gains with smaller losses.
  - EMIs are preferably deducted at the time of receiving salary.
- Consumers tend to segregate small gains from large losses.
  - They look for the silver lining.

# Legal and Ethical Issues

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



[www.cigarettespedia.com](http://www.cigarettespedia.com)

# Four Concepts of Marketing

- **Production Concept**
  - Consumers prefer the most inexpensive and widely available product. (***Utilitarian Approach***)
  - Such companies focus on high production efficiency, low costs, mass distribution, Price sensitive.
  - FMCG- Daily Essentials, Steel Industry, Chinese Companies
- **Product Concept**
  - Consumer prefers quality and variety.
  - Objective to create market.
  - E.g. Sony, Apple, Taj Hotel and Resorts
- **Selling Concept**
  - Consumers need hard selling to buy a product
    - Financial Services like the Insurance sector
- **Marketing Concept**
  - Right product for the customer
  - **Creating, communicating, and delivering a superior value to a customer-like brand**

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Keller | MARKETING  
MANAGEMENT

15e

# Chapter 9

## Identifying Market Segments and Targets

# Learning Objectives



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

# Why segmentation?

## Segmentation

It is nearly impossible for a company to connect with **all customers in large, broad, or diverse markets.**

Companies need to identify the market segments they can serve effectively. It leads to more effective marketing strategies and better customer satisfaction.

*These customer groups should be definable, accessible, actionable, profitable and potential to grow.*

*Segmentation is a component of micro-marketing strategy*

- **Consumer Market**-----→ original demand (Own Consumption)
- **Business Market (B2B and B2G)**---→ Derived Demand

## Segment

- **Segment** refers to a specific subgroup of a broader market that shares common characteristics, needs, or behaviors.

# Market segment & Market segmentation

- **Market segment**
  - Individuals, groups, or organizations with one or more similar characteristics that cause them to **have similar product needs**.
- **Market segmentation** –
  - The **process of dividing a total market into groups** with relatively similar product needs to design a marketing mix that matches those needs
- **Purpose of market segmentation**
  - To **understand the choice of market** area or marketing methods.
  - Enables a firm **to concentrate more on a specific group and earn more profits** rather than catering to the needs of the entire market
  - **To determine differences among the buyers** that may be consequential in choosing among them or marketing to them.

# Advantage of market segmentation

- To discover marketing opportunity.
- Effective knowledge of customer needs.
- Adopt sound and effective marketing program.
- Increase in Sales Volume.
- Effective advertising appeal.
- Adjustment in products as per changing needs
- Provides opportunities to expand market

# Four Level of Micro Marketing

Segment Type	Example
<b>Niche Segment</b>	A narrowly defined group with specific needs or interests within a larger market. A company that produces vegan protein bars specifically for endurance athletes.
<b>Local Area Segment</b>	A group of consumers within a specific geographic area, often targeted for regional marketing. A restaurant chain promoting a special menu only available in its Chennai/ Bangalore locations.
<b>Individual Segment (Customisation)</b>	A highly personalized approach, targeting individual customers based on their unique preferences. An online baker offering personalized cake recommendations based on a customer's past purchases and behavior. E.g. starbucks

# Bases for Segmenting Consumer Markets

## Market segment

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

*Based on  
Geography*

Geographic segmentation

*Based on  
multidimensional  
psychographic  
space*

Psychographic  
segmentation

*Based on gender  
and social  
economic class*

Demographic  
segmentation

Behavioral segmentation

*Based on  
behavioral  
parameters*

# Geographic Segmentation

## Geographical units

- Global Market ( based on Nations)
- Country Demand (states, regions, counties (US/UK), cities, or neighborhoods)
- Nielsen Claritas' PRIZM (Potential Rating Index by Zip (PIN) Markets)

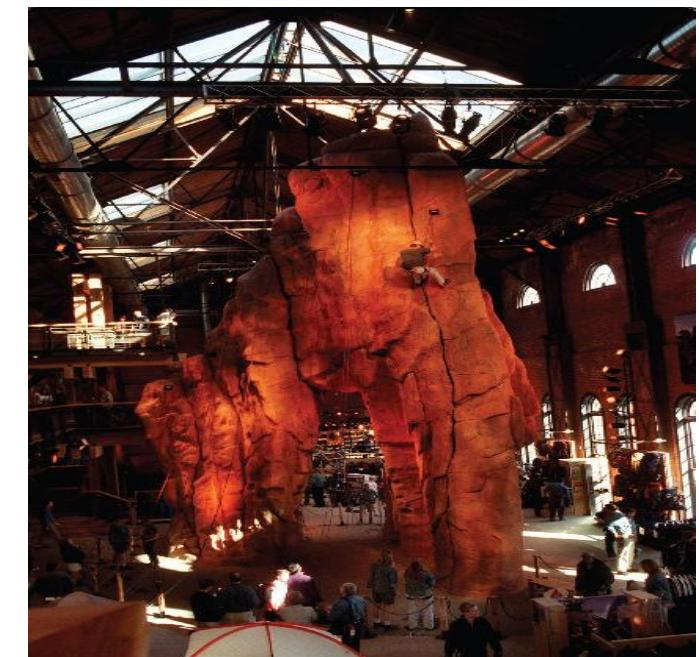
**US-based rating of different neighborhoods** (500,000) into 16 groups and 66 lifestyle segments based on the following.

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

Blue Blood  
Estates, Winner's  
Circle, Hometown  
Retired.

Blue Blood e.g. Nariman Point, Cuffe Parade, Peddar Road, (all Mumbai)

Panchsheel Park, Amrita Shergill Marg (all Delhi) may have  
Similar characteristics.



*A Retail chain. Schools etc. would find such a segmentation useful.*

# National Council of Applied Economic Research's (NCAER) Socio-Economic Classification (SEC) system

- This classification system categorizes households in India based on their socio-economic status, taking into account factors such as education, occupation, and income levels.

EC Class	Description	Occupation	Education Level	Income Level
A1	Elite	High-level professionals, business owners	Postgraduate and above	High six to seven-figure income
A2	Upper Middle Class	Senior executives, professionals	Graduate and above	Mid to high six-figure income
B1	Middle Class	Junior executives, small business owners	Graduate and above	Mid five to mid six-figure income
B2	Lower Middle Class	Skilled workers, small business proprietors	Higher secondary and above	Low to mid five-figure income
C1	Working Class	Blue-collar workers, small shop owners	Secondary and above	Low four to low five-figure income
C2	Lower Working Class	Laborers, unskilled workers	Below secondary	Low four-figure income
D	Destitute	Unskilled laborers, daily wage earners	Illiterate or primary education	Below poverty line income

# Socio-Economic Classification (SEC) system Example

- **Class A:** Mr. and Mrs. Sharma, both senior executives in multinational companies, residing in an upscale neighborhood in Mumbai.
- **Class B:** Dr. Patel, a renowned surgeon, and his family living in a luxury apartment complex in Delhi.
- **Class C:** The Singh family, comprising teachers and small business owners, residing in a suburban area in Bangalore.
- **Class D:** The Gupta family, consisting of skilled workers and small shop owners, living in a semi-urban locality in Kolkata.
- **Class E:** Mr. and Mrs. Khan, daily wage laborers, residing in a rural village in Uttar Pradesh.
- **Class F:** Homeless individuals living on the streets of Chennai.

# Segmentation-geographic and economic characteristics

Segment	Description	Target Audience	Marketing Strategy
<b>Urban Elite</b>	Affluent neighborhoods in major cities	High-income professionals, executives	Exclusive product launches, luxury brand partnerships, events
<b>Suburban Families</b>	Residential areas in metro suburbs	Middle to upper-middle-class families	Family-centric promotions, discounts on bulk purchases
<b>Rural Markets</b>	Villages and rural areas	Low to middle-income households	Affordable pricing, emphasis on traditional values
<b>Tech Hubs</b>	Areas with a high concentration of IT hubs	Young professionals, tech enthusiasts	Digital marketing, tech-savvy campaigns, online exclusives
<b>Tourist Hotspots</b>	Popular tourist destinations	Tourists, travelers	Tourist-specific promotions, cultural tie-ins, souvenirs

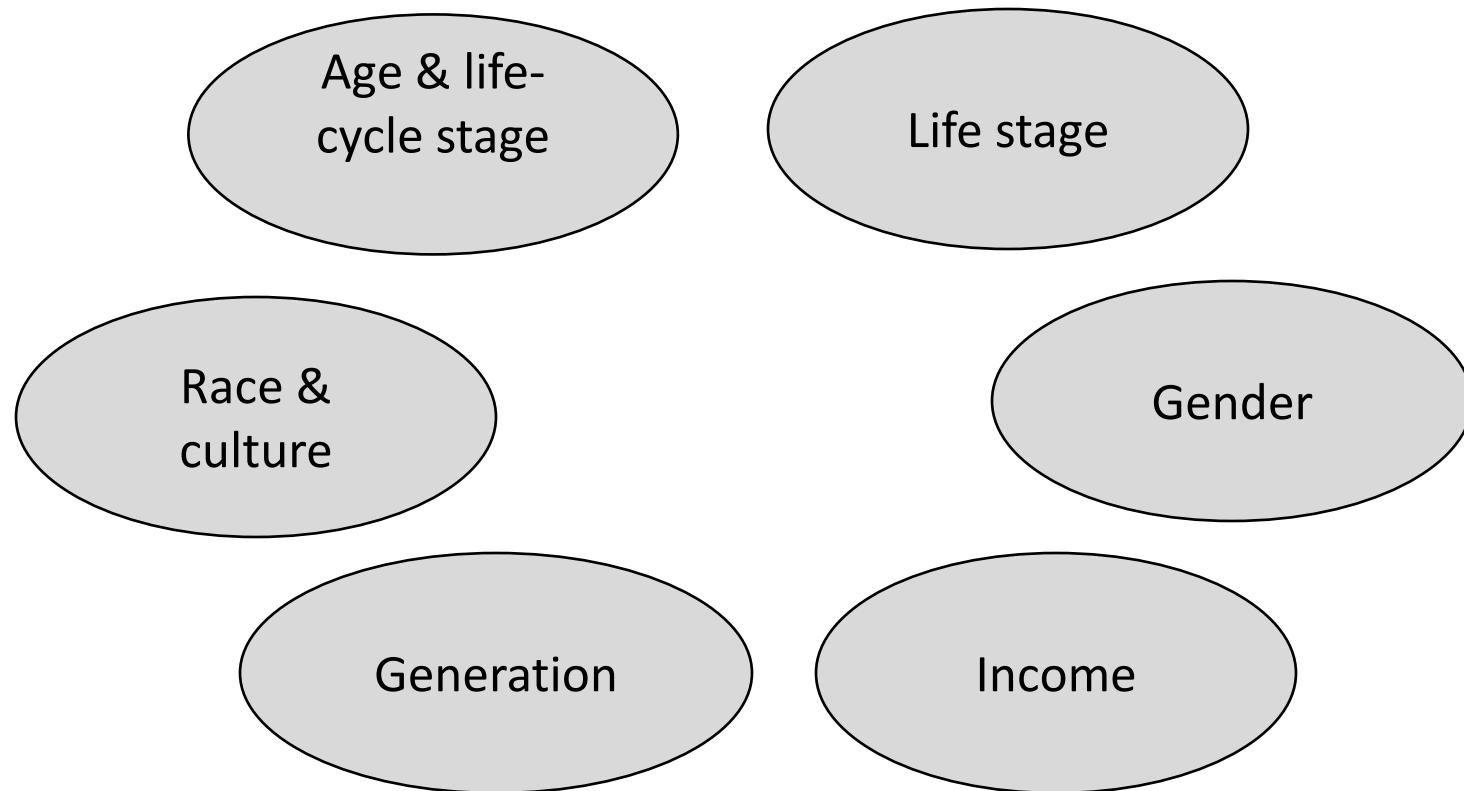
# Geographic Segmentation

TABLE 9.2

Examples of PRIZM Clusters

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

# Demographic Segmentation



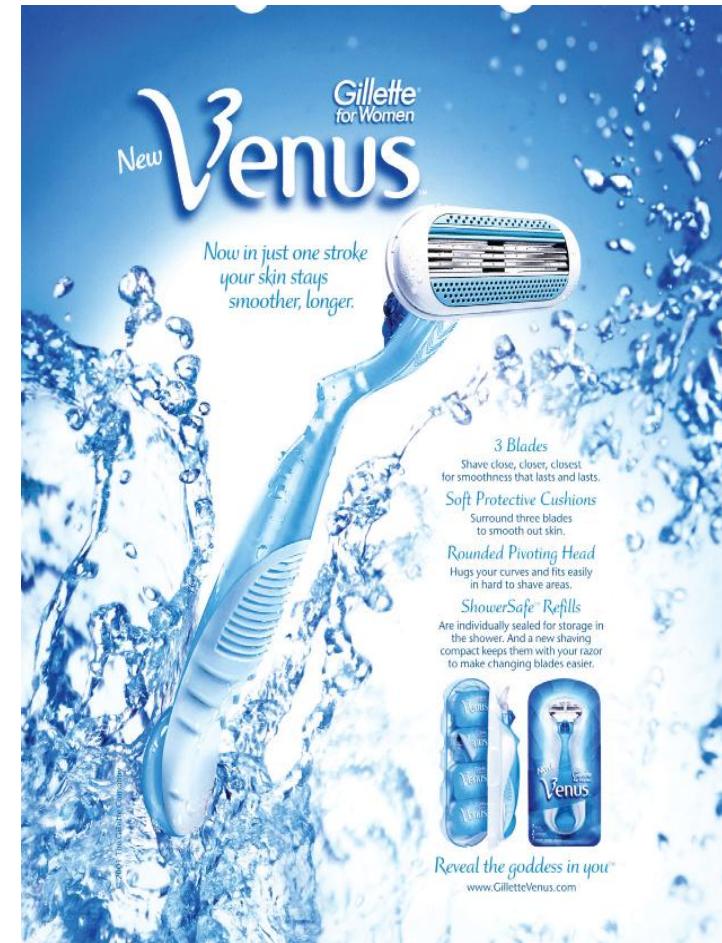
# Demographic Segmentation

- **Age and life-cycle stage**
  - Childhood, Adolescence, Adulthood, Middle Age, Old
  - Our wants and abilities change with age
- **Life stage**
  - A person's major concerns like job, marriage, children's education, children's marriage, etc.
  - Automobile, Apartment, Coaching Center, Health, Insurance
  - Honda Jazz- College Student



# Demographic Segmentation

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



2009: Since women account for more than 70 per cent of Scooty sales, the campaign, positioned as empowerment of women, was a smart move. It helped TVS post a 24 per cent volume growth in Scooty sales against the overall industry growth of 18 per cent.

# Income Segmentation

Income Segment	Description	Brands
<b>High Income</b>	Individuals with significant disposable income, often belonging to top executives, business owners, and professionals	Rolex, Mercedes-Benz, Louis Vuitton
<b>Upper Middle Income</b>	Affluent professionals and senior managers with comfortable disposable income	Apple, BMW, Tommy Hilfiger, Louis Phillip
<b>Middle Income</b>	Middle-class individuals with moderate disposable income, including skilled workers, teachers, and small business owners	Samsung, Maruti Suzuki, Titan
<b>Lower Middle Income</b>	Individuals with limited disposable income, often working in semi-skilled or clerical positions	Micromax, Bajaj

# Demographic Segmentation

## Generation

(the time during which it grows- Impact of cultural, political, and economic experiences)

Millennials (Gen Y)  
(1977-1994)

Gen X  
(1964-1978)

Baby Boomers  
(1946-64)

Silent Generation  
(1925-1945)

# Demographic Segmentation

- **Race and culture**

Hispanic Americans

Asian Americans

African Americans

LGBT

India

Linguistic Groups

Ads, Cuisines, Dress, Festivals

Religious Groups

Ethnic Wear, Cuisines

# Segmentation- Culture And Race

Segment	Description	Examples
North Indian	Individuals from states in <b>Northern India</b> , often characterized by Hindi-speaking population and cultural traditions such as Diwali and Holi	<b>Maggi (popular in North India)</b> , Airtel (communications provider), Kurkure (snack brand)
South Indian	Individuals from <b>states in Southern India</b> , characterized by Rich languages and <b>cultural traditions such as Pongal and Onam</b>	<b>MTR Foods (Southern Indian cuisine)</b> , Titan (based in Southern India), <b>Cuisine-</b> Dosa Batter (packaged food brand)
East Indian	Individuals from states in <b>Eastern India</b> , known for cultural diversity and traditions such as <b>Durga Puja and Bihu</b>	<b>Bata (footwear brand with a presence started in Eastern India)</b> , <b>Birla Cement</b> (based in Eastern India), <b>Ethnic Wear-</b> Sarees (traditional attire), Manyavar/FAB India ( Life stage & Heritage)
West Indian	Individuals from states in <b>Western India</b> , known for vibrant cultural festivals like <b>Navratri and Ganesh Chaturthi</b>	<b>Amul</b> (dairy brand based in Gujarat), Bollywood (film industry centered in Mumbai), Feni (Goan alcoholic beverage)
Northeast Indian	Individuals from states in Northeastern India, characterized by diverse <b>ethnicities and cultural practices such as Bihu</b>	<b>Mizo Shawls (traditional attire)</b> , <b>Assam Tea</b> (renowned tea from Assam), Naga Chilies (spice from Nagaland)

# Psychographic Segmentation

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



# VALS (Values, Lifestyle) Segmentation System

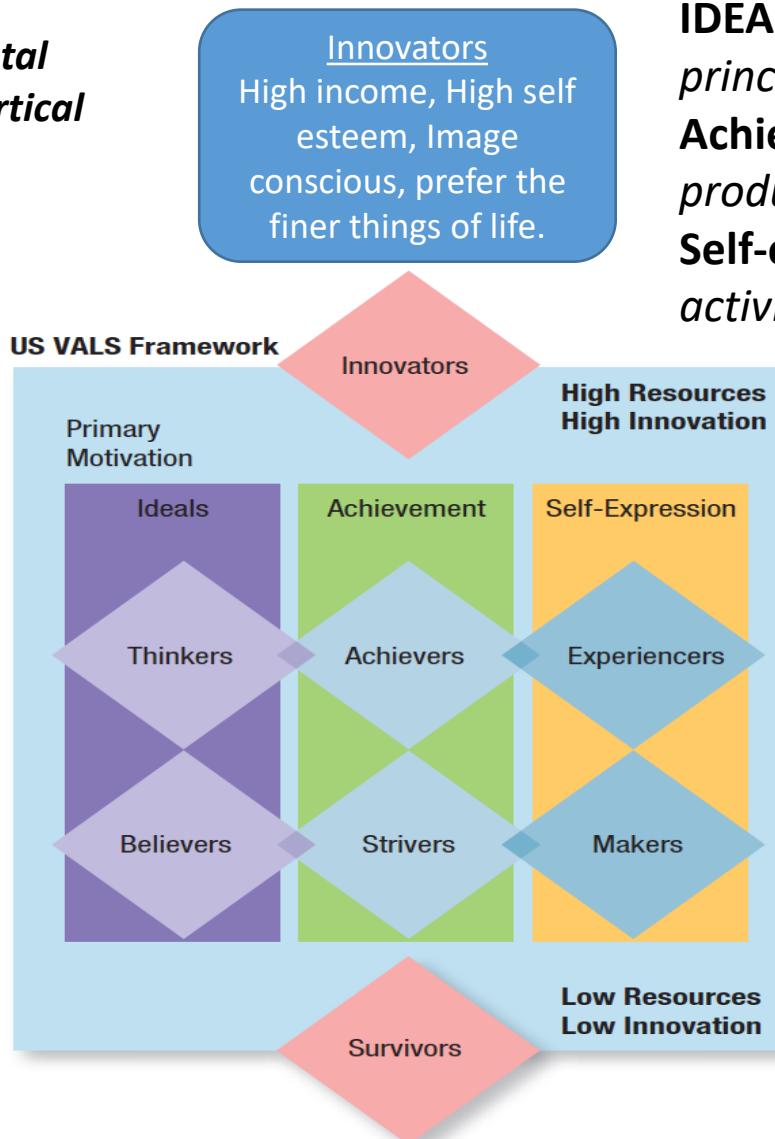
8 groups: **Consumer motivation (the horizontal dimension)** and **Consumer resources (the vertical dimension)**.

Educated,  
Open-minded

Thinkers  
Mature, Responsible,  
Well educated ,Well informed  
Practical Customers,,  
Willing to experiment

Believers  
Conservative, Family centric,  
Brand Loyal

Set norms- Not changes  
Raymond, Bata



**IDEALS-** Motivation guided by knowledge and principles.

**Achievements-** Motivation guided by products/services that reflect success to peers.

**Self-expression-** Guided by desire, social or physical activity, variety, and risk.

Experiencer  
Young, Energetic, Eager to spend and consumer

More Resources to spend, Balanced, live life

Maker  
Low income, Self-sufficient, Family centric, Family, Work, Recreation

Economic spender, Spend on experience

Spend on skill, Target better education to link with achievement

<b>Innovators</b>				
<b>Experiencers</b>				
<b>Makers</b>				
<b>Survivors</b>				
<b>Believers</b>				
<b>Strugglers</b>				

1. **BMW 7 Series**
2. **Maruti Suzuki Alto**
3. **Lifebuoy soap**
4. **Tata Tea Gold**
5. **Narayan Healthcare**
6. **SBI Life Insurance**
7. **Zara Fashion**
8. **Bajaj Boxer**
9. **Airbnb**
10. **Grameen Bank**
11. **Taj Hotels**

Marketing Segment	Description	Examples
Innovators	Visionaries who seek out new ideas and cutting-edge products.	<p><b>BMW 7 Series:</b> A luxury sedan known for its cutting-edge technology, superior comfort, and prestigious image, appealing to individuals seeking the pinnacle of automotive innovation and status.</p> <p><b>Taj Hotels:</b> Renowned for their opulent accommodations, impeccable service, and iconic heritage properties, Taj Hotels caters to discerning travelers who appreciate luxury and sophistication.</p> <p><b>Tanishq Diamond Jewelry:</b> Offering exquisite diamond jewelry collections crafted with precision and creativity, Tanishq appeals to individuals who value fine craftsmanship and indulgence in luxury accessories.</p>
Experiencers	Adventurous individuals who embrace new experiences and trends.	<ol style="list-style-type: none"> <li>1. <b>Airbnb</b> - Provides unique and experiential accommodations for travelers.</li> <li>2. <b>GoPro Action Cameras:</b> GoPro offers rugged and versatile action cameras designed for capturing adventurous moments, appealing to young consumers who enjoy outdoor activities like hiking, surfing, or skydiving.</li> <li>3. <b>Zara Fashion:</b> Zara offers fast-fashion clothing and accessories that are trendy, affordable, and constantly refreshed, catering to fashion-forward young consumers</li> </ol>
Makers	Practical and hands-on consumers who value functionality and reliability.	<ol style="list-style-type: none"> <li>1. <b>Maruti Suzuki Alto:</b> Maruti Suzuki's Alto is a budget-friendly and fuel-efficient car that addresses the practical needs of a family-centric individual who prioritizes essential transportation.</li> <li>2. <b>SBI Life Insurance:</b> State Bank of India Life Insurance caters to the family-centric mindset by offering affordable life insurance plans that address the practical need for financial security and protection.</li> </ol>
Survivors	Price-conscious consumers who prioritize basic necessities and value affordability.	<ol style="list-style-type: none"> <li>1. <b>Bajaj Boxer:</b> is a cost-effective and fuel-efficient bike designed for practical commuting, appealing to lower-income individuals who prioritize affordability and reliability in transportation.</li> <li>2. <b>Lifebuoy soap</b></li> </ol>
Believers	Traditional and loyal consumers who trust established brands and values.	<ol style="list-style-type: none"> <li>1. <b>Tata Tea Gold</b> - A premium tea brand known for its rich taste and heritage.</li> <li>2. <b>Bajaj</b> - A trusted motorcycle brand with a legacy of performance and reliability.</li> </ol>
Strugglers	Consumers facing economic challenges who prioritize budget-friendly options.	<ol style="list-style-type: none"> <li>1. <b>Grameen Bank</b> - Provides microfinance services to empower rural communities economically.</li> <li>2. <b>Narayan Healthcare</b> - Offers free healthcare and resources to support public health during crises.</li> </ol>

# **VALS \_ Indian Consumers (Evolving)**

- **Urban Millennials**
  - Young, tech-savvy individuals living in urban areas value experiences and authenticity
- **Traditional Families**
  - Young, tech-savvy individuals living in urban areas and **families with strong cultural values, with an emphasis on** experiences and authenticity
- **Health Enthusiasts**
  - Individuals who prioritize health and wellness seek organic and natural products
- **Eco-Conscious**
  - Consumers who prioritize sustainability and environmental responsibility
- **Luxury Seekers**
  - Individuals who value exclusivity and prestige seek premium products and experiences

1. <https://www.youtube.com/watch?v=Wp9-BYoevdA>
2. <https://www.youtube.com/watch?v=YicuKTFPxX0>

# Examples- Lifestyle

Psychographic Segment	Description	Example Brands/Marketing Strategies
Urban Millennials	<b>Young, tech-savvy individuals living in urban areas, value experiences, and authenticity</b>	Airbnb's "Live There" campaign
Traditional Families	<b>Conservative families with strong cultural values, prioritize family traditions and stability</b>	Surf Excel's "Daag Achhe Hain" campaign
Health Enthusiasts	<b>Individuals who prioritize health and wellness, seek organic and natural products</b>	Yoga Bar's "Fuel Your Hustle" campaign
Eco-Conscious	<b>Consumers who prioritize sustainability and environmental responsibility</b>	FabIndia's "Celebrate India, Celebrate Handmade" campaign
Luxury Seekers	<b>Individuals who value exclusivity and prestige, seek premium products and experiences</b>	Taj Hotels' "Timeless Luxury" campaign

# Behavioural Segmentation

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

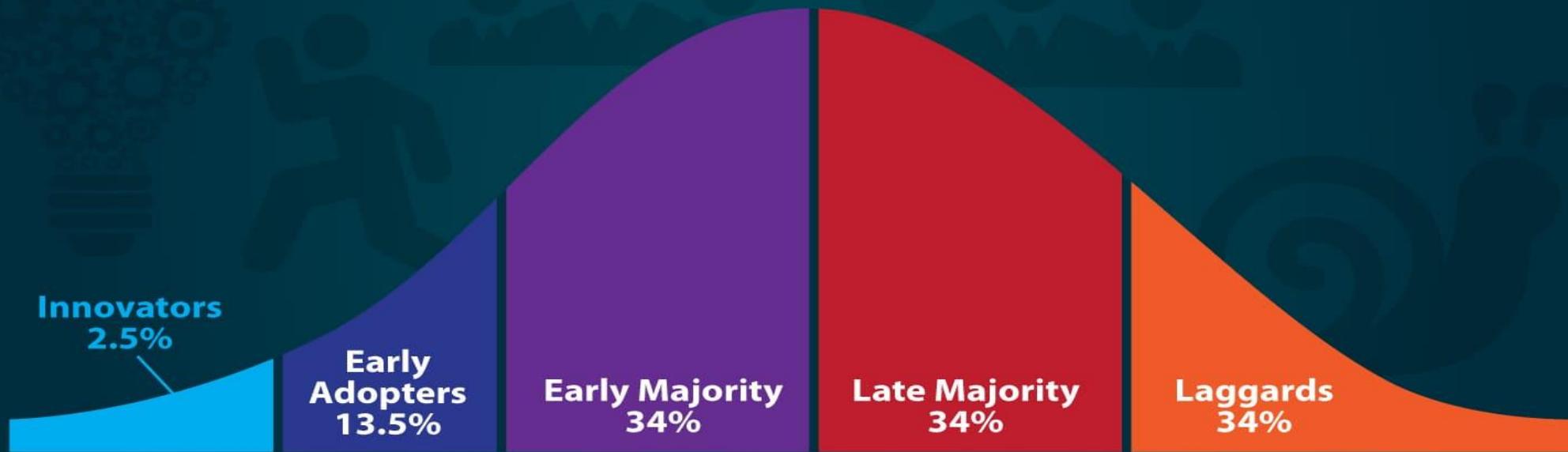


# Behavioral Segmentation

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



# Your **customer can be categorized** into one of five adopter categories.



Innovators love to discover new ideas, inventions and technology. These are the people that typically responsible for creation of new products themselves.

Early adopters can be thought of as influencers. They develop the first opinions on products because they are open to change, and are always attracted to new experiences.

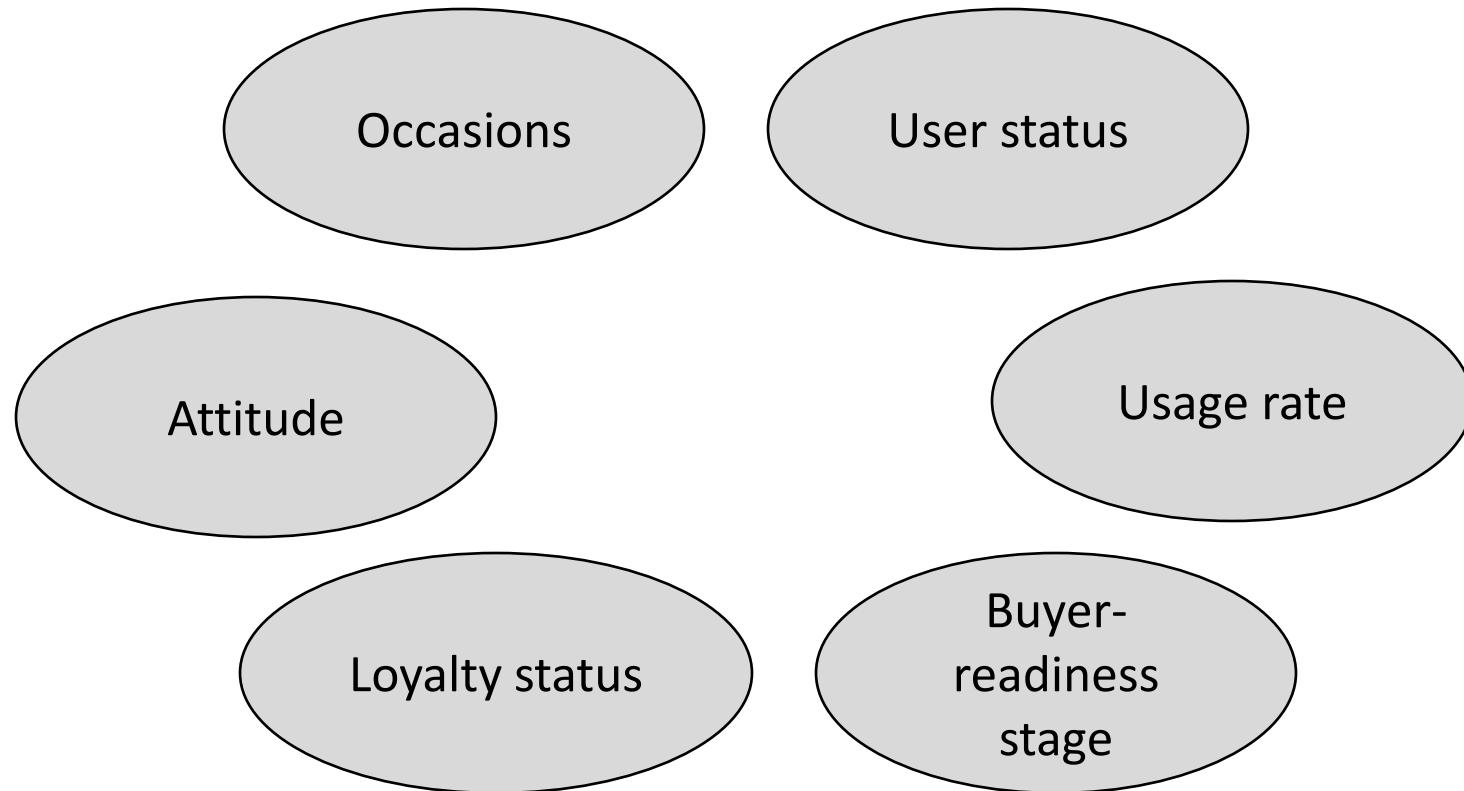
They are basically the population that follows the early adopters or opinion leaders. They believe influencers' opinions, so their behavior typically includes reading and watching reviews before purchasing products.

They are skeptics who don't really like change. Often, they only adopt to a new product when they are pressured into believing that if they don't adopt to this new innovation, they could fall behind.

They are lazy bones that only adopt to a new product if they feel they have no other choice. This conservative bunch only gets persuaded after a whole boat-load of personal research and oodles of reviews.



# User and usage-related variables



# User and usage based segmentation

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

# Behavioral Segmentation Example

- **Switchers** – Buys one product at present, switches to another brand in the future.
- **Shifting Loyals** – Loyal to a particular brand at present, shifts to another brand in the future.
- **Split Loyals** – Loyal to two or three brands.
- **Hardcore Loyals** – Loyal to a particular brand.

# A few examples



**JOIN THE MY STARBUCKS REWARDS™  
PROGRAM AND  
get 50% off\*  
ON ANY TALL SIZED  
HANDCRAFTED BEVERAGE**



Valid only till 30<sup>th</sup> August  
\*T&Cs Apply



Spend  
**INR 3000\***  
And get a food of your  
choice on us



Valid till  
30<sup>th</sup> April, 2021  
\*T&Cs Apply\*

# Usage- Low to Heavy Users



Browse Prepaid  
Plans



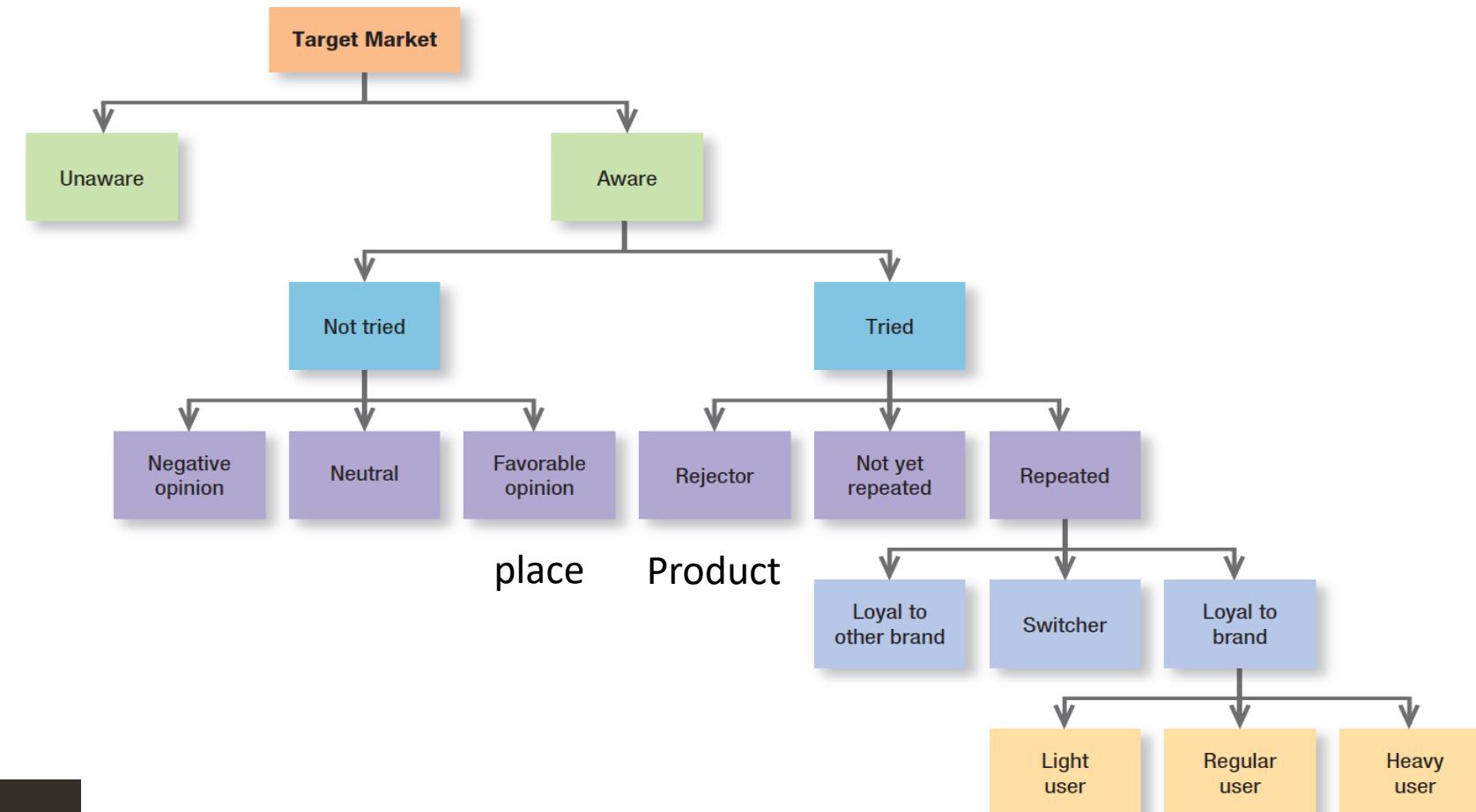
Truly Unlimited	Smart Recharge	Data	Talktime	International Roaming
₹128 ₹0 Talktime	0 MB data	28 Days validity	₹128	<a href="#">VIEW DETAIL &gt;</a>
₹79 ₹128 Talktime	200 MB data	28 Days validity	₹79	<a href="#">VIEW DETAIL &gt;</a>
₹49 ₹38.52 Talktime	100 MB data	28 Days validity	₹49	<a href="#">VIEW DETAIL &gt;</a>
₹45 ₹0 Talktime	0 MB data	28 Days validity	₹45	<a href="#">VIEW DETAIL &gt;</a>

mysmartprice

Benefits	Disney+ Hotstar Mobile	Disney+ Hotstar Mobile	Disney+ Hotstar Mobile
Price	Up to Rs 3359	Up to Rs 3119	Rs 3099
Data	Up to 3GB/day	Up to 3GB/day	Up to 3GB/day
Validity	Up to 365 Days	Up to 365 Days	Up to 365 Days
Calls	Unlimited	Unlimited	Unlimited

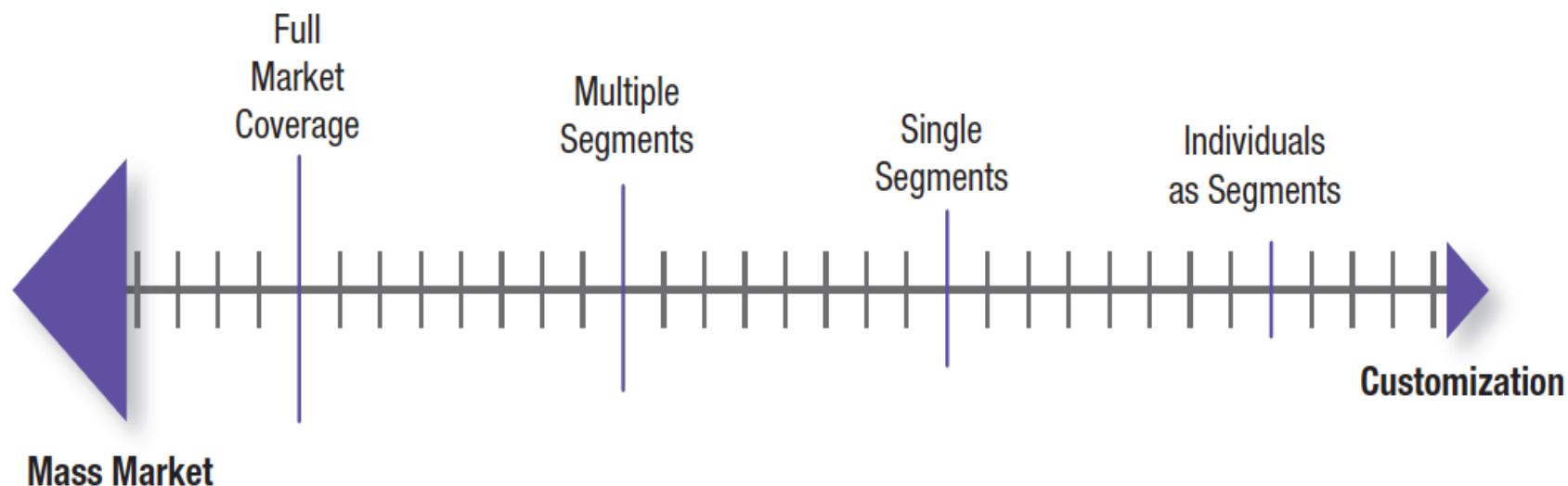
# Figure 9.3

## Behavioral Segmentation Breakdown



# Strategy to Select the Market Segments

- Figure 9.4: Possible Levels of Segmentation



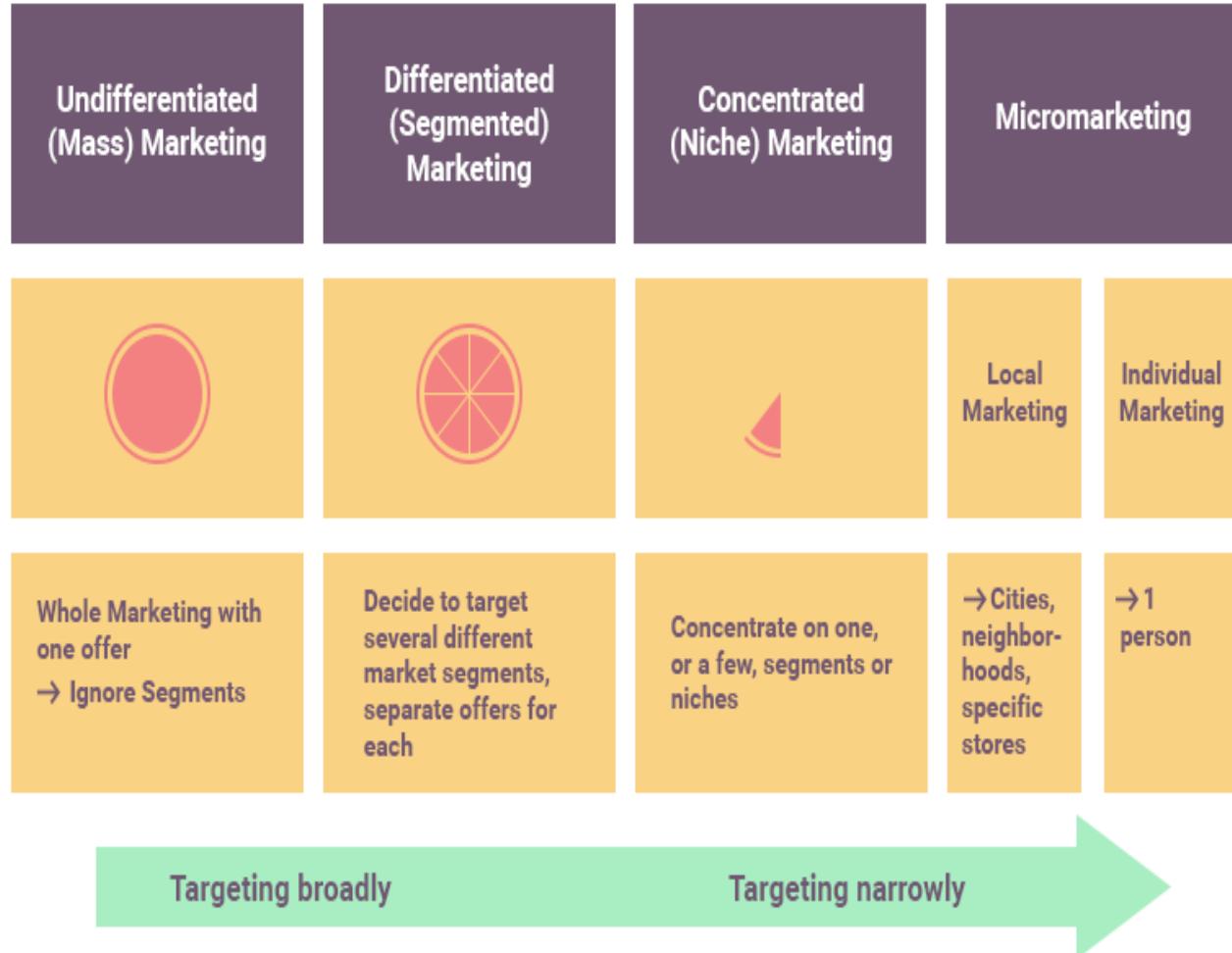
# Segmentation Strategy

- **Undifferentiated:**

- I. Treats the entire market as one homogenous group
- II. Single marketing mix for all, as there is little variation in consumer needs and preferences

- **Differentiated:**

- I. Targeting multiple market segments with distinct marketing mixes.
- II. To cater to diverse customer needs and increase market share. e.g. Hospitality.



Source: Marketing Insider

# Segmentation Strategy

- **Concentrated Marketing (Niche Marketing):**
  - I. Focuses on a single, well-defined market segment or niche.
  - II. Commits all its resources to serving this specific segment.
  - III. Adopted by specialized companies or for targeting luxury or specialized products.
- Luxury watches, such as Rolex, target a high-income segment.
- Travel company for adventure trips
  
- **Micromarketing:**
  - i. Tailoring products and marketing programs to the needs and preferences of individuals or very small, localized groups.
  - ii. Reaching down to the individual or local level.
- A local bakery offering customized cakes for specific birthdays.
- A clothing store providing personalized styling advice based on individual customer preferences.

# Caselet

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

# Coaching center

# Implication

Decision Role	Person	Implication for Coaching Centre
Initiator	Mother	<ol style="list-style-type: none"><li>Marketing communication should be directed at parents and not at the students</li><li>Hope</li></ol>
Influencer	Sister (academic excellence)	Good students as influencers
Decider	1. Rishi (child)	Demo Classes to be of excellent quality

# Coaching Centre

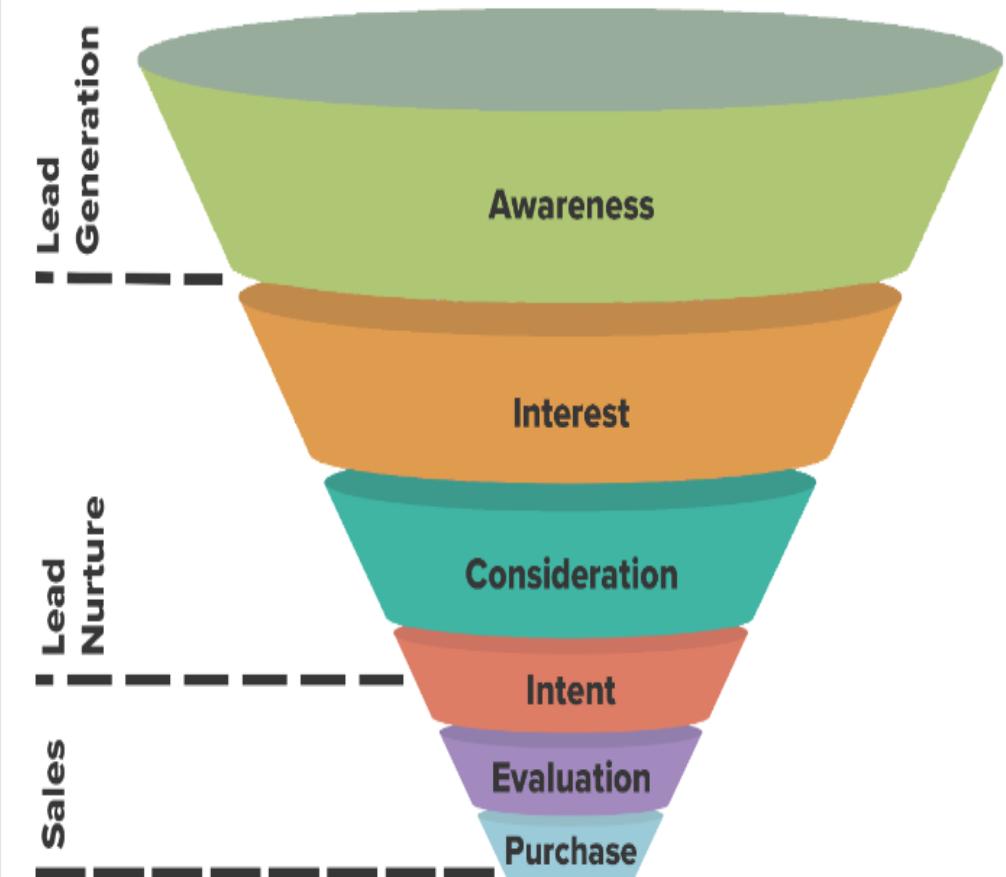
# Continued

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

# Buyer Readiness Stage

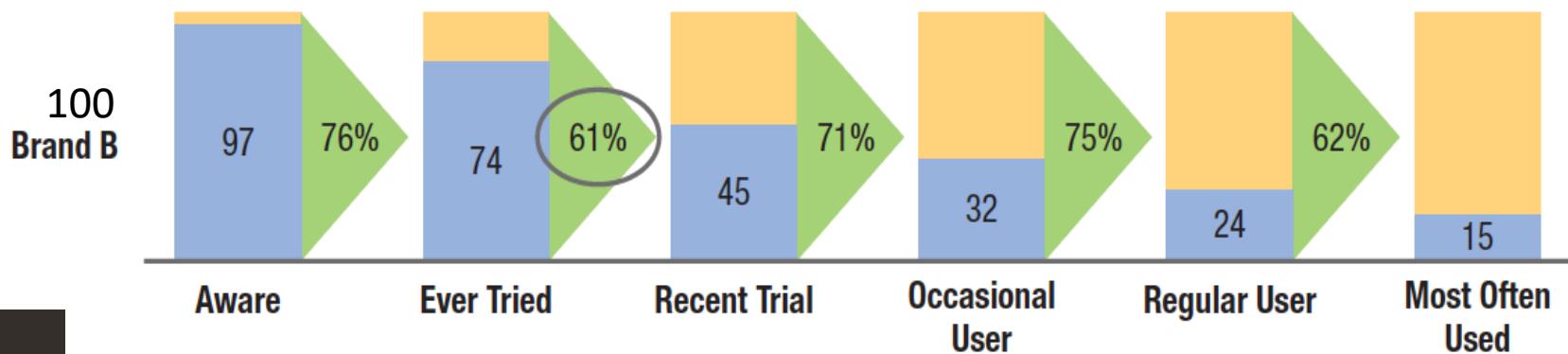
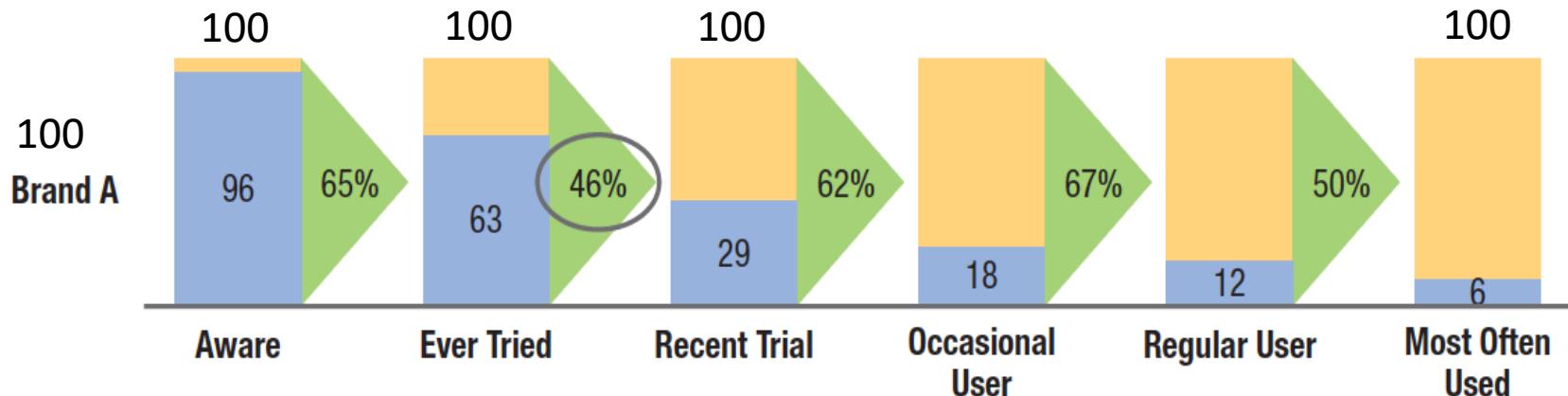
<b>Awareness</b>	Customers in this stage are aware of their need or problem but may not be familiar with available solutions. They are seeking information and education about potential solutions.	A person realizes they need to lose weight but is unsure about the best approach and is researching different diet and exercise plans.
<b>Interest</b>	Customers in this stage have identified potential solutions and are actively seeking more information about specific products or services. They are comparing options and evaluating features and benefits.	After researching various diet and exercise plans, a person becomes interested in a specific weight loss program and is reading reviews and testimonials to learn more.
<b>Evaluation/Consideration</b>	Customers in this stage have narrowed down their options and are carefully assessing the value and suitability of specific products or services. They may be comparing prices, analyzing features, and considering factors like quality and reliability.	A person has shortlisted two weight loss programs and is comparing their pricing, meal plans, and success rates before making a decision.
<b>Intent/Trial</b>	Customers in this stage are ready to try out a product or service to see if it meets their needs and expectations. They may be seeking trial offers, free samples, or demos before committing to a purchase.	After comparing options, a person decides to sign up for a trial period of a weight loss program to see if it works for them before purchasing a subscription.
<b>Purchase/Adoption</b>	Customers in this stage have made a decision to purchase and are ready to commit to a product or service. They may be finalizing details like payment options, delivery arrangements, or installation plans.	A person completes the purchase of a subscription to a weight loss program and begins following the meal plans and exercise routines outlined in the program.

## The Marketing Funnel



# Figure 9.2

## Marketing Funnel



# Market Segmentation Process

TABLE 9.6

Steps in the Segmentation Process

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

# Targeting

- **Segmentation** is dividing the consumers based on their similar and homogeneous need profile

## The next step is Targeting

Targeting is choosing the segments to execute the organization's marketing strategy

## Effective Targeting requires

1. Identifying and profiling distinct group of buyers (differs in their need and preferences).
2. Developing the products/services
3. Developing the communication strategy to communicate the distinctive benefit provided through the product or services

# Customization

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

Identify your prospects and customers

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

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

Customize products, services, and messages to each customer

# coverage patterns- Customer segments

- **Single-segment concentration:**

- You select a single segment to concentrate on.
- With limited resources, this is a good approach.

## Examples:

- Woodland Shoes- Adventure Enthusiasts,
- Motilal Oswal Portfolio Management Services for HNI

# Coverage patterns- Customer segments

- **Product specialization:**
  - You concentrate on making a particular product and sell it to a variety of segments.
  - This coverage pattern helps to build a strong reputation in a certain product/technology.
  - Downside risks- if your product is made obsolete by another product.

## Examples-

- M&M Jeeps, Royal Enfield

# Coverage patterns, Customer segments

- **Market specialization:**
  - You concentrate on a specific segment and provide a variety of products or variations of a product that match the benefits that customers.
  - Helps to build a strong reputation and provides you with specific experience benefits by serving a particular segment.
  - **Risk-** You will be more dependent on this segment, which may be costly if the segment's needs change.

## Examples:

Sultan Chand & Sons Book publishers

# Coverage patterns- Customer segments

- **Selective specialization:**
  - You select several segments and appeal to them with different products.
  - Allows you to diversify your risk.

## Examples\_

- Dabur Lal Ayurvedic Toothpaste

# coverage patterns- Customer segments

- **Full market coverage:**
  - You serve all segments with all products.
  - This approach is viable for firms with a large amount of resources.
  - Examples- Pepsi, Titan, Bata

# Market selection strategies based on segmentation:

	Market Selection Strategy	Example
Undifferentiated (Mass) Marketing	<b>Targeting the entire market with a single offer</b> , ignoring segment differences.	Coca-Cola offers one product to a broad audience initially.
Differentiated (Segmented) Marketing	<b>Targeting several market segments</b> with separate offers for each.	L'Oréal providing different skincare products for various age groups and skin types.
Concentrated (Niche) Marketing	<b>Focusing on a single market segment</b> , catering to a specific niche.	Rolex targeting the luxury watch segment for high-income consumers.
Micromarketing (Local or Individual Marketing)	<b>Tailoring products and marketing programs</b> to suit individual or local market preferences.	Local restaurants offering region-specific dishes.
Product Specialization	<b>Offering a specific product or product line</b> across different market segments.	Apple focusing on innovative tech products like iPhones and MacBooks for various user segments.
Market Specialization	<b>Serving a specific market segment</b> with various tailored products.	Johnson & Johnson targeting the healthcare market with a range of products from baby care to medical devices.
Mass Customization	<b>Providing customized products or services</b> on a large scale to meet individual customer needs.	Dell allowing customers to configure their computers online for a personalized product.

# Targeting- How?- Effective Segmentation Criteria

## How is targeting done by organizations

1. **Measurable**- Size and Value
2. **Substantial**- On all occasions
3. **Accessible**- The organization should have resources and capabilities to access segments
4. **Differentiable**- Serving different types of needs
5. **Actionable**- Should be able to execute marketing strategies (Luxury Vs value for Money, Rural Vs Urban)

# Example of Tata Motors: Targeting

Criteria	Tata Motors Example
<b>Measurable</b>	<p><b>Size and value of the market segment</b> demand in the affordable hatchback segment.</p> <p>should be quantifiable, allowing for clear insights into potential returns.</p>
<b>Substantial</b>	<p>The segment should <b>be large and profitable</b> enough to serve effectively on various occasions.</p>
<b>Accessible</b>	<p><b>The organization must have the resources</b> and capabilities to reach the target segment efficiently.</p>
<b>Differentiable</b>	<p><b>The segments must be distinct, responding differently to different marketing mixes</b>, thus allowing for tailored marketing strategies.</p>
<b>Actionable</b>	<p><b>The organization should be able to create and implement effective marketing strategies</b> for the targeted segments.</p>

# One-to-one marketing

Identify your prospects and customers

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

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

Customize products, services, and messages to each customer

Example: Hotels, Saloons, Healthcare.

# How Should Business Markets Be Segmented?

## ✓ Demographic

- ✓ What industries? What company size? What geographical location?
  - ✓ English Medium Schools. Schools with over 1000 students. Schools in urban areas.

## ✓ Operating variables

- ✓ What technology? User status? Customer Capability?
  - ✓ Chalk and Talk? New to digital classes? What is the level of IT awareness among its teachers?

## ✓ Purchasing approaches

- ✓ Centralized Purchase, Decentralized Purchases
  - ✓ Are all purchase decisions centralized for a school chain? (Budget, Implementation, decision-making time)
  - ✓ Buying Committee, Tender Process, Government Orders, Bidding
  - ✓ Are individual schools allowed the option of choosing their own digital classrooms?

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

# How Should Business Markets Be Segmented?

## Situational factors

- ✓ Large order/ Small order
- ✓ how many users for the ERP?
  
- ✓ Specific Application or All application
- ✓ Would they use it for teaching all subjects or only science?

## ✓ Personal characteristics

- ✓ Buyer-Seller similarity
- ✓ PSUs selling to PSUs, German/Jap companies?
  
- ✓ Attitude towards risk.
- ✓ PSU banks financing start-ups? Risk Averse
- ✓ Loyalty (Stability, Customisation, long-term Relationship)
- ✓ Is the customer expected to stay loyal?

# Legal and Ethical Issues

Marketers must avoid consumer backlash

- Labeling consumers
  - “Old”, “non-performer”
- Vulnerable groups
  - Children
- Disadvantaged groups
  - Racist Toys
- Potentially harmful products
  - Cigarettes.
    1. Packaging & warning
    2. Advertisement Ban



# Learning Objectives



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

# Positioning – Why?

- A company cannot succeed if its products and services are indistinguishable from those of its competitors.
- So no company can win if its products and services resemble every other product
- Lack of differentiation leads to products becoming commodities, making it difficult to stand out in the marketplace.
- It is crucial to distinguish your product from competitors to avoid commoditization, which poses significant risks.
- **As part of strategic brand management, offering unique value through products and services is essential.**
- **Each offering should create the right perception in the minds of the target market.**
- **Marketers needs to create a compelling, well differentiated brand position,---→ It required Disciplined but Creative Thinking**

# Developing a Value Proposition

1. One result of positioning is the successful **creation of a customer-focused value proposition.**
2. How the Value Proposition forms a base for positioning.
  - **Value proposition**
    - A cogent reason why a target segment should buy a product or service.
    - Developing a compelling value proposition to target customers is key to positioning
    - Customer can recognize the distinct benefits.

**Statement or a promise that a marketer makes to the target group.**

## Value for customer

- **Functional** Value (Functionality of product)
- **Social** Value (Social Status Associated)
- **Hedonic** Value (Pleasure you derived while using the product)
- **Psychological** Value (trust with brand)
- **Monetary** value (ROI)
  - (Financial benefits and costs associated with the offering Cost/fee)



# Customer Value Proposition

- **Customer value proposition** is based on the difference between benefit and the costs he or she assumes for different choices.
- Customer Value Proposition =Total Benefits- Total Costs
- **Customer want to get maximum value by comparing the set of option- Value Maximisers**

The marketeer can increase the value of the offering by raising functional, psychological and monetary benefits and or reducing the corresponding costs.

Managers perform **customer value analysis** to identify a company's strengths and weaknesses compared to competitors.

The analysis involves several steps:

1. Identify **the key attributes and benefits that customers value.**
2. Assess the **relative importance of these attributes and benefits to customers.**
3. Evaluate the **company's and competitors' performance on these crucial attributes** and benefits.
4. Continuously **monitor customer value over time to track changes and trends.**

# Value Proposition

A company's value proposition is defined as the set of benefits or values it promises to deliver to consumers to satisfy their needs (Kotler & Armstrong, 2014).

- It must be strong and catchy to answer the consumer question, "Why should I buy your brand rather than a competitor's?"

Customer  
Benefits

Points of  
Differentiation

Unique Selling  
Proposition  
(USP)

Relevance

Clarity

Credibility

# **Value Proposition- Why?**

- A **compelling value proposition** helps companies attract and retain customers, differentiate themselves in the marketplace, and drive sales and profitability.
- It serves as the **foundation for marketing messaging**, product development, and overall business strategy.

# Value proposition

TABLE 10.1 Examples of Value Propositions		
Company and Product	Target Customers	Value Proposition
Hertz (car rental)	Busy professionals	Fast, convenient way to rent the right type of a car at an airport
Volvo (station wagon)	Safety-conscious upscale families	The safest, most durable wagon in which your family can ride
Domino's (pizza)	Convenience-minded pizza lovers	A delicious hot pizza, delivered promptly to your door

**How did Skechers do Brand Positioning?**

**Allen Solley  
Manyavar**

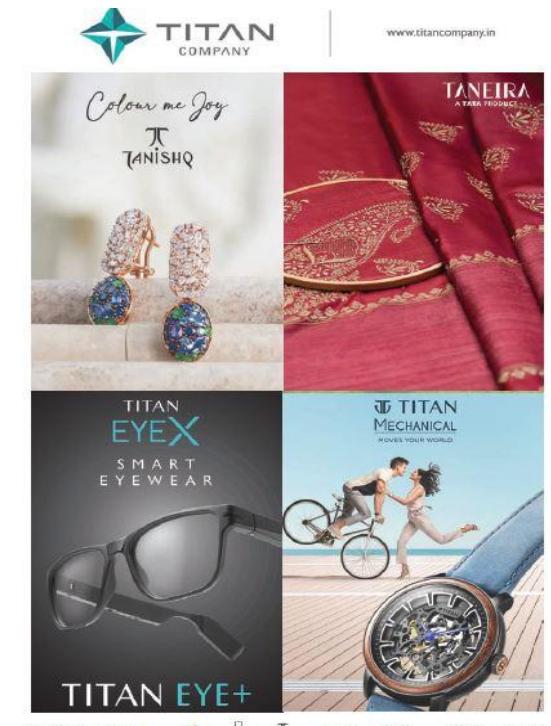
# Positioning-Developing a Positioning Strategy

## Positioning

- The act of **designing a company's offering and image to occupy a distinctive place in the minds of the target market.**
- It **requires a keen understanding of consumer needs and wants, company capabilities and competitive actions.**

## Effective positioning helps

- To guide marketing strategy by clarifying the brand's essence,
- Identifying the goals it helps the consumer achieve, and showing how it does so in a unique way



# Brand Positioning

A good brand positioning helps guide marketing strategy by clarifying the brands essence, identifying the goals that helps the customer achieve, and showing how it does so in a unique way.

- **Everyone in the organization should understand** the brand positioning and use it as context for making decisions,
- **Well positioned brand should be distinctive** in its meaning and execution.
- **Future Oriented-** Good positioning has one foot in the present and one in the future.
- **Aspirational-** It needs to be aspirational so that the brand has room to grow, grow and improve.

***Result of positioning is the successful creation of a customer focused value proposition.***

<https://www.youtube.com/watch?v=FeJ7ngEPiao>

<https://www.youtube.com/watch?v=QqtYIY6k53I>

<https://www.youtube.com/watch?v=DhkypQ2U7b4>

<https://www.youtube.com/watch?v=TVQ7NreVNeU>

# Value Proposition- Sketcher

## Comfortable and Stylish Footwear:

- Wide range of footwear that combines comfort with style, making it appealing to Indian consumers who prioritize both comfort and fashion in their footwear choices.

## Innovative Technology:

- With features like memory foam insoles, breathable materials, and lightweight designs, Skechers footwear provides superior comfort and support, catering to the active lifestyles of Indian consumers.

## Versatile Product Range:

- From casual sneakers and sandals to performance athletic shoes and formal footwear, Skechers offers a diverse range of products

## Credibility with Celebrity Endorsements:

- Leveraging endorsements from popular Indian celebrities like Ranbir Kapoor and Ananya Panday, Skechers enhances its brand appeal and credibility among Indian consumers, reinforcing its value proposition of stylish and comfortable footwear.

## Affordable Pricing:

- Despite offering high-quality products with innovative features, Skechers maintains competitive pricing in the Indian market

## Excellent Customer Service:

With a strong focus on customer satisfaction, Skechers ensures a seamless shopping experience both online and offline,

# Why Brand Positioning

By articulating its value proposition and positioning, the companies can deliver high customer value and satisfaction, which lead to higher customer acquisition and high repeat purchases and ultimately to greater company profitability.

- **It allows you to differentiate your brand.**
  - Explain to your target audience why you are the best company for them and what sets your products or services apart.
- **It helps you justify your pricing strategy.**
  - When the price of the products is high because of the quality and exclusivity, and the brand positioning emphasizes these factors, the cost automatically becomes reasonable in the eyes of the customers.
- **It makes your brand more creative**
  - A good positioning can make or break your brand. A creative, innovative strategy combined with strong execution will leave customers coming back for more



# Skecher's Brand Positioning Strategy

## 1. Comfort and Performance:

- Positioned itself as a brand synonymous with comfort and performance, emphasizing features such as memory foam insoles, lightweight materials, and advanced cushioning technologies to appeal to consumers seeking both style and comfort in their footwear.

## 2. Lifestyle Brand:

- Recognizing the evolving lifestyle trends in India, Sketchers positioned itself as a lifestyle brand catering to the active and fashion-conscious urban population.
- Through its Promotion and product offerings, Sketchers aimed to align itself with the aspirational lifestyle choices of Indian consumers.

## 3. Celebrity Endorsements:

- Leveraged the power of celebrity endorsements by collaborating with popular Indian athletes, actors, and influencers to enhance brand visibility and credibility among its target audience.

## 4. Omnichannel Presence:

- Adopted an omnichannel approach, combining its brick-and-mortar retail outlets with e-commerce platforms to ensure widespread availability and accessibility of its products across India.

# Skecher's Brand Positioning- How?

Strategic positioning tailored to resonate with Indian consumers aimed to carve a niche for itself in India's competitive footwear industry.

- To understand Cultural Diversity in India
  - to appeal to a broad spectrum of consumers.
- To Create Brand Awareness
  - establishing brand recognition and awareness among Indian consumers who were already accustomed to local and international footwear brands.
- To address Price Sensitivity
  - To strike a balance between offering quality products and maintaining competitive pricing to attract and retain customers.
- To differentiate from Competition
  - A significant challenge for Sketchers in gaining market share and standing out amidst fierce competition.

# Essentials for positioning

- **Choosing A-frame of reference** by identifying the target market and relevant competition.
- **Then second one is identifying the points of parity and points of difference** brand associations.
- **Creating a brand mantra-** Using the positioning and essence of the brand.

# Competitive Frame of Reference

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

Does Rolex compete with Titan, Mercedes with Maruti?



# Competitive Frame of Reference

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

1. Competitor A turns out to be well known and respected for producing high-quality products sold by a good sales force, but poor at providing product availability and technical assistance.
  2. Competitor B is good across the board and excellent in product availability and sales force.
  3. Competitor C rates poor to fair on most attributes.
- This result suggests that in its positioning, the company could attack Competitor A on product availability and technical assistance and Competitor C on almost anything, but it should not attack B, which has no glaring weaknesses.
  - As part of this competitive analysis for positioning, the firm should also ascertain the strategies and objectives of its primary competitors.

E- Exceptional  
G- Good  
F- Fair  
P-Poor

# Points-of-Parity

- Positioning should have two components, points of difference and points of parity.
- Points-of-parity (POPs)
  - Attribute/benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands
  - Did Tata Nano have point of parity with “cars”?



# Point of Parity in Dental Clinics

- Location:** Conveniently located clinics accessible to patients
- Qualifications:** Dentists with proper certifications and qualifications
- Services:** Basic dental services like cleanings, fillings, and extractions
- Hygiene Standards:** Adherence to strict hygiene and sterilization protocols
- Technology:** Utilization of modern dental equipment and technologies
- Insurance Accepted:** Acceptance of common dental insurance plans
- Appointment Scheduling:** Easy scheduling process for appointments
- Emergency Services:** Availability of emergency dental care when needed
- Payment Options:** Flexible payment options for patients, including cash, card, and online payments
- Patient Education:** Provision of information and guidance on oral health and preventive care

# Points-of-Difference and Points-of-Parity

- Points of difference-are where your competition
- Points of parity Vs what are points of difference
- Points-of-difference (PODs)
  - Attributes/benefits that consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand
- the attribute that you are thinking is differentiable enough.
- **POD Should have three should match the three criteria, differentiability, deliverability and desire.**



# Points-of-Difference and Points-of-Parity

- POP forms

## Category

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

## Correlational

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

## Competitive

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

# Still using soap on your face?

Try this little test.

Use Dove instead  
of soap for just one week.

Dove won't dry your skin  
like soap can. It looks like soap, it lathers like soap,  
it cleans like soap. But it's not soap.

Dove is made from neutral cleansing ingredients and  $\frac{1}{4}$  moisturising  
cream. After just a few days you'll notice your skin feels smoother  
and softer.

After a week you'll hardly believe the difference.

[Take the Dove 7-Day Test.](#)



# POD-Clove Dental/ Center for Sight

Clove Dental	Center for Sight
<b>Specialization:</b> Specializes in comprehensive dental care, including preventive, restorative, and cosmetic dentistry.	Specializes in eye care services, including diagnostics, treatment, and surgery for various eye conditions.
<b>Clinic Network:</b> Boasts a vast network of dental clinics across India, providing accessible oral healthcare to a wide range of patients.	Operates a network of eye care centers equipped with state-of-the-art facilities and experienced ophthalmologists, ensuring quality eye care services.
<b>Focus on Technology:</b> Embraces advanced dental technology and digital dentistry solutions to enhance treatment outcomes and patient experience.	Utilizes cutting-edge eye care technology and surgical techniques to offer advanced treatments such as LASIK surgery and cataract surgery.
<b>Patient Experience:</b> Offers a patient-centric approach with personalized treatment plans, emphasis on comfort, and a welcoming clinic environment.	Prioritizes patient satisfaction through compassionate care, efficient service delivery, and a focus on improving vision health and quality of life.
<b>Comprehensive Services:</b> Provides a wide range of dental services, including routine check-ups, orthodontics, implants, and oral surgeries, catering to diverse dental needs.	Offers a spectrum of eye care services, including eye examinations, refractive surgeries, treatment for eye diseases, and specialized pediatric eye care.
<b>Brand Recognition:</b> Recognized as a leading dental care provider in India, known for its expertise, professionalism, and commitment to oral health.	Established as a trusted name in eye care, renowned for its skilled ophthalmologists, advanced infrastructure, and successful treatment outcomes.

# Points-of-Difference and Points-of-Parity

- POD criteria
- Any product or service benefit that is sufficiently desirable, deliverable, and differentiating can serve as a point-of-difference for a brand.

Desirable

Tesla  
Organic Food

Deliverable

I-phone  
AMUL  
Zomato

Differentiating

Amazon Prime  
Flipkart-COD

# Pop vs. pod

- Multiple Frames of Reference
  - Normal School
  - Competitive Coaching
  - Dummy School
- Straddle Positioning (straddling between these two distinct consumer segments)
  - Amity Education Group runs many schools and Universities in India and abroad. They offer a Synchro-Learning Program that combines school and competitive syllabi.
  - Manyaver Clothing (Traditional & Modern look) fashion-conscious urban youth and value-seeking middle-class consumers.



# Example- Multiple Frames of Reference

POP Vs POD	Normal School	Competitive Coaching for IIT/NEET	Dummy School
Point of Parity (POP)	Basic curriculum as per CBSE/ICSE board	Experienced teachers	Physical infrastructure
	Qualified teaching staff	Regular assessment tests	Accessible location
	Adequate facilities	Comprehensive study materials	Recognized certifications
Point of Difference (POD)	Personalized attention	Specialized faculty for JEE/NEET	Practical Lab facility
	Emphasis on holistic development	High success rate in entrance exams	Online learning techniques
	Extracurricular activities	Advanced technology in teaching	Tailored learning programs
Example POD	After School: workshops on art and music, Sports alongside curriculum.	offering intensive doubt-clearing sessions and simulated test environments.	No compulsory minimum attendance or low attendance criterion

## Concept

### Competitive Frame of Reference

### Point of Parity (PoP)

### Point of Difference (PoD)

### Pears (Success)

Pears competes in the **premium skincare & bathing soap category**, emphasizing purity and glycerin content.

Provides cleansing, freshness, and skin nourishment like other premium soaps (e.g., Lux, Dove).

Strong branding as a **pure, transparent, glycerin-rich soap**, associated with gentle skincare. The unique "**See-through**" **appearance** reinforced its premium positioning.

### Vicco Vajradanti (Failure)

Vicco Vajradanti competes in the **oral care market**, alongside Colgate and Dabur, but struggled to differentiate itself effectively.

Offers cavity protection and oral hygiene benefits like other toothpaste brands (e.g., Colgate, Dabur Red, Close-Up).

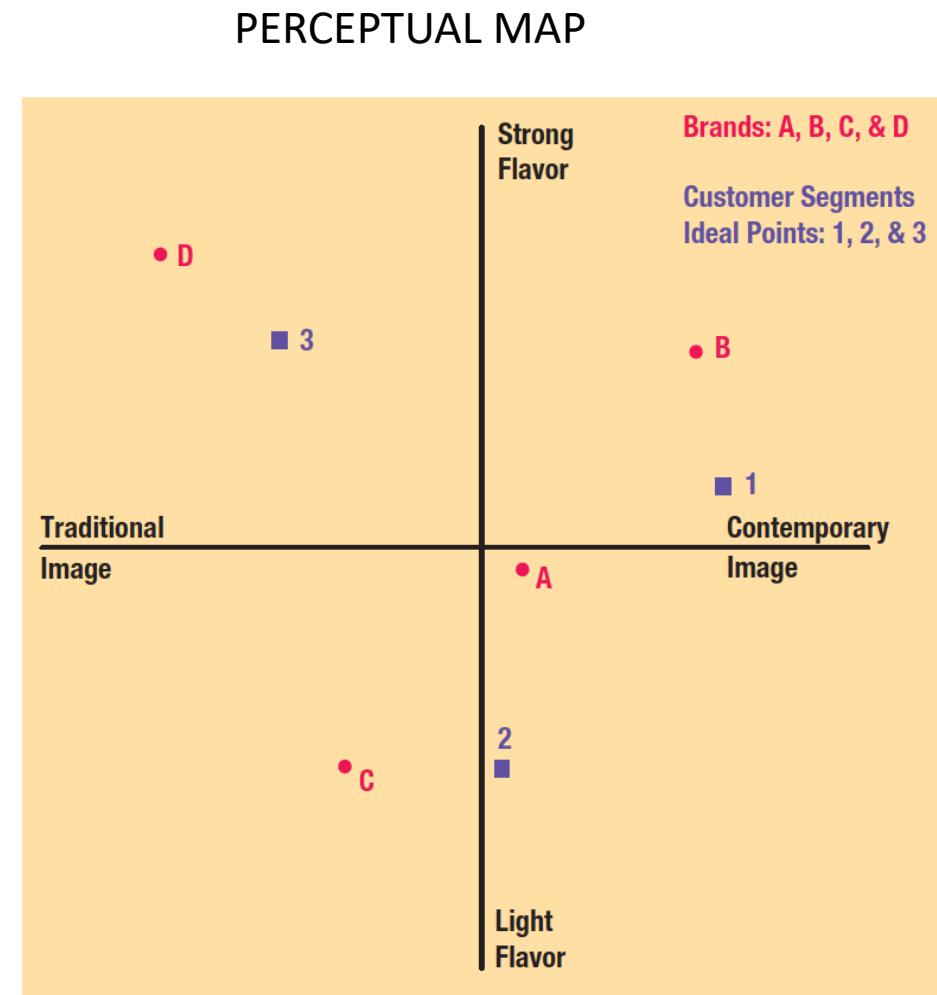
Overemphasis on **Ayurvedic heritage** without clear differentiation in functionality. Lacked strong **modern branding** and marketing, making it less aspirational for consumers.

# Points-of-Difference and Points-of-Parity

- Choosing specific POPs and PODs
  - Competitive advantage
    - Most affordable
  - Means of differentiation (desirable, deliverable & differentiating)
    - Electric car
  - Perceptual map
  - Emotional branding
    - politics

Chewing gum market

Perceptual maps are visual representations of consumer perceptions and preferences. They provide quantitative pictures of market situations and the way consumers view different products, services, and brands along various dimensions.



# Chocolate Brands- Nestle, Mars, and Mondelez



- The brand often focuses on themes of togetherness, celebration, and happiness, connecting its products with positive emotions.
- Cadbury's iconic campaigns like "Asli Swaad Zindagi Ka" and "Kuch Khaas Hai" have become synonymous with emotional storytelling, resonating with consumers on a deeper level.  
(<https://www.youtube.com/watch?v=oSXn9VkJMuGs>)

By overlaying consumer preferences with brand perceptions, marketers can reveal “holes” or “openings” that suggest unmet consumer needs and marketing opportunities.

Many marketing experts believe a brand positioning should have both rational and emotional components. In other words, it should contain points-of-difference and points-of-parity that appeal to both the head and the heart. A person’s emotional response to a brand and its marketing will depend on many factors. An increasingly important one is the brand’s authenticity.

# Points-of-Difference and Points-of-Parity

- Brand mantras (Brand Essence /Core brand promise)

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

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



Amul: "The Taste of India"

Patanjali: "Swadeshi and Ayurveda"

Airtel: "Express Yourself"

# Communicating the Positioning (1 of 5)

- Positioning statement
  - Communicating an **offering's category membership along with points of parity (POP) and points of difference (POD)**, and **developing a narrative to convey** the offering's positioning

## Communicating the Positioning (2 of 5)

Positioning is a statement or a promise that a marketeer makes to the target group.

***Positioning is creating a distinctive place in the minds of the consumers.***

### Crafting a positioning statement

- **Attributes** that describe the offering v.s **benefits** delivered by the attributes
- Multiple attributes may support a certain benefit, and they may change over time.
- Attributes provide “reasons to believe” or “proof points” for why a brand can credibly claim it offers certain benefits.

# Communicating the Positioning (3 of 5)

## Communicating category membership

- Target customers are aware that Maybelline is a leading brand of cosmetics, Cheerios is a leading brand of cereal, McKinsey is a leading consulting firm, and so on. But when a product is new, marketers must inform consumers of the brand's category membership.

The typical approach to positioning is to inform consumers of a brand's membership before stating its point of difference.

- Announce category benefits
- Compare to exemplars
- Rely on the product descriptor



# Establishing a Brand Positioning

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

- Communicating category membership

Announcing category benefits

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

Comparing to exemplars

A comparison with other premium hotels in the city.

Relying on product descriptor

Airbnb  
Online platform for rental accommodations

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

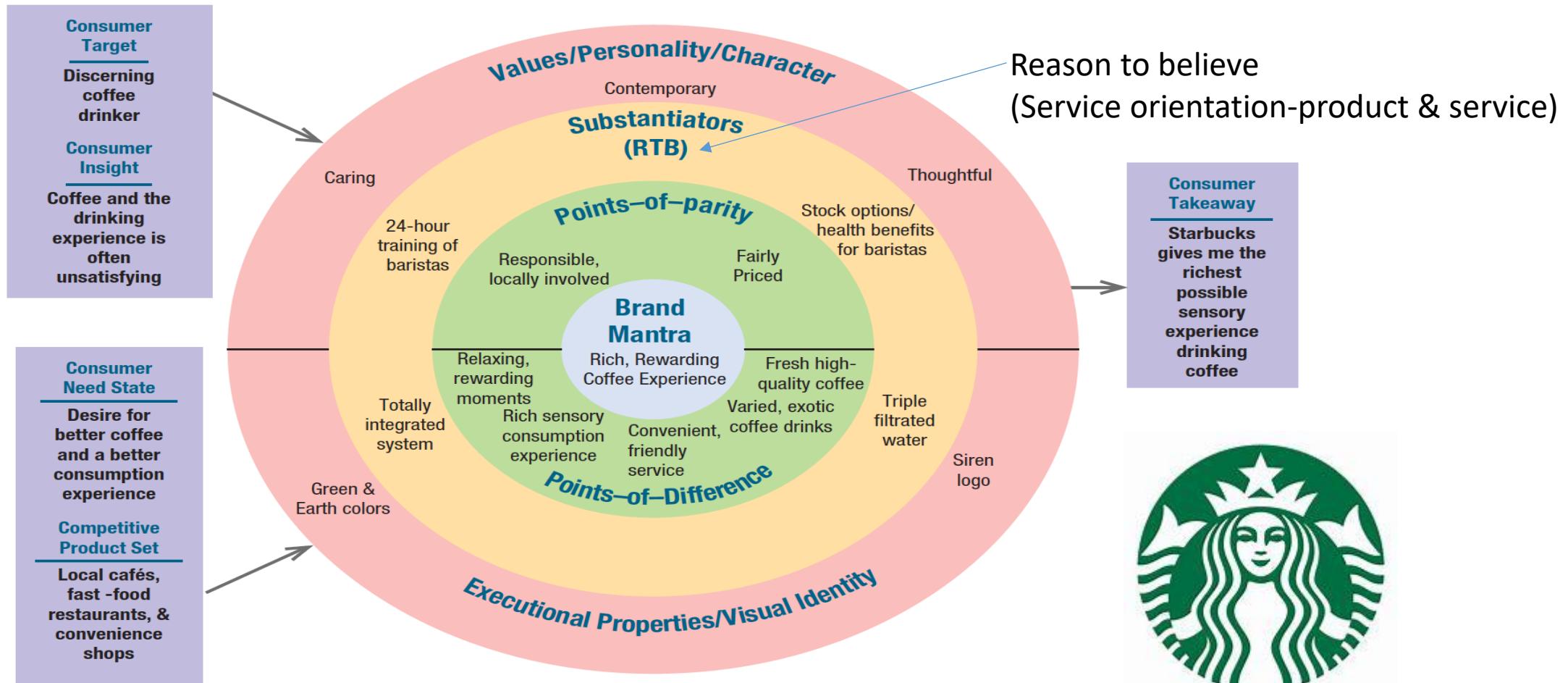
<https://www.youtube.com/watch?v=TMTaOJILiCg>

# Consider your college or university's positioning statement.

- How does your college or university describe its attributes and the benefits it provides to the buyer (in this case the student)?
- How would you describe your college or university's competitive advantage?

# Brand-positioning bull's-eye

Moby Dick



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



Mermaid-like picture  
(Tempting for people/Logo Identification)

# Haldiram- Brand positioning Bulls Eye

Element	Description
Brand Mantra	"Authentic Indian Delight"
Points-of-Parity (POPs)	<ul style="list-style-type: none"> <li>- <b>Wide range</b> of traditional Indian snacks</li> <li>- <b>High quality ingredients</b> and manufacturing standards</li> <li>- <b>Strong presence</b> in both domestic and international markets</li> </ul>
Points-of-Difference (PODs)	<ul style="list-style-type: none"> <li>- <b>Innovative flavors</b> and variations not found elsewhere</li> <li>- <b>Strong emphasis on hygiene and cleanliness</b> in production processes</li> <li>- <b>Deep-rooted heritage and legacy</b> in Indian snack culture</li> </ul>
Substantiators	<ul style="list-style-type: none"> <li>- <b>Rigorous quality control</b> measures ensuring consistent taste and freshness</li> <li>- <b>Long-standing reputation</b> for reliability and customer satisfaction</li> </ul>
Values	<ul style="list-style-type: none"> <li>- <b>Tradition:</b> Preserving the authenticity of Indian snacks through time-tested recipes</li> <li>- <b>Quality:</b> Committed to using the finest ingredients and maintaining high production standards</li> <li>- <b>Warm and welcoming:</b> Evokes feelings of home and nostalgia through familiar flavors</li> </ul>
Personality	<ul style="list-style-type: none"> <li>- <b>Innovative:</b> Continuously introducing new and exciting products to delight customers</li> </ul>
Character of Brand	<ul style="list-style-type: none"> <li>- <b>Trustworthy:</b> Established as a reliable brand synonymous with quality and taste</li> <li>- <b>Vibrant:</b> Reflects the dynamic and diverse nature of Indian cuisine</li> </ul>
Visual Identity	<ul style="list-style-type: none"> <li>- <b>Bold and colorful</b> packaging reflecting the vibrancy of Indian culture</li> </ul>



# Brand Logo

- Brand Logo is a symbol, drawing or image representing a company, an organization or a person to optimize brand presence, reach and recognition.
  - Grabs attention
  - First impression
  - Brand identity
  - Brand differentiation
  - Brand Loyalty
- Sourced from Marketing 91



# The Evolution of the Apple Logo

**Apple**

40 Years of  
Logo Evolution



1976



1977-1998



1998



1998-2000



2001-2007



2007-2014



2014-Present

# Communicating POPs and PODs

- Negatively correlated attributes/benefits

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

# Monitoring Competition

- Variables in assessing potential competitors
  - Share of market
  - Share of mind
    - Brand Recall
  - Share of heart
    - Brand Preference (like to buy)

Market Share = Sale / Market Size

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

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

Market Share =  $10000/50000 = 20\%$

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

Sale of LG in Rs terms =  $20000 \times 10000 = 20,000,000$  (Rs 20 crore)

Market Size in terms of Rs. =  $50000 \times 22000 = 110,000,000$  (110 crore)

LG Market Share in terms of amount =  $20 \text{ crore} / 110 \text{ crore} = 18\%$



# Alternative Approaches to Positioning

Moet and Chandon  
Perrier – Mineral water, Hannibal

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

- Brand narratives and storytelling
  - Setting
  - Cast
  - Narrative arc
  - Language

## Cultural branding

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



# Moet and Chandon – Brand Story

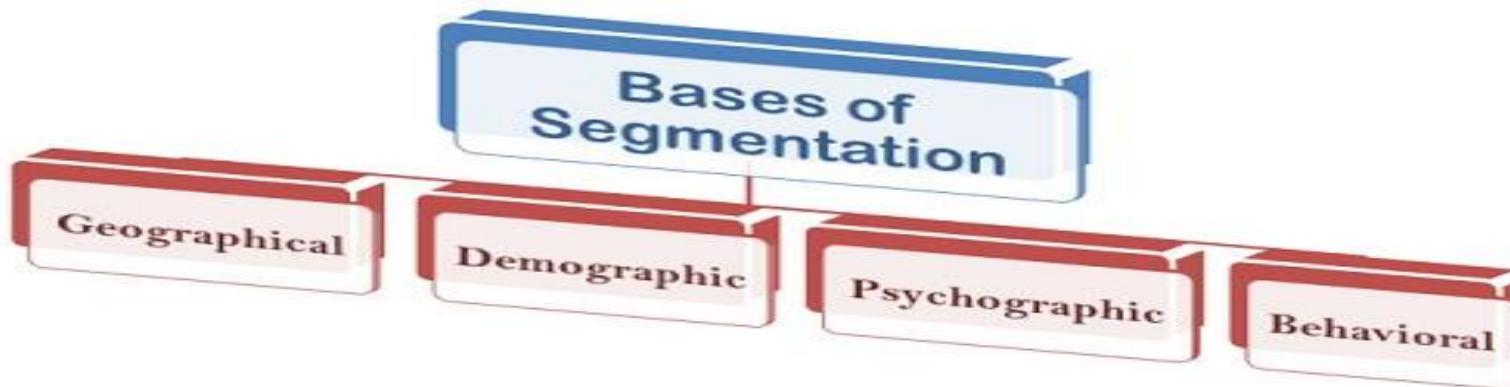
***Moet and Chandon Founded in 1743 by Claude Moët in Champagne, France***

Brand Story Aspect	
<b>Legacy</b>	Renowned for over 270 years of champagne-making expertise
<b>Prestige</b>	Supplier to royal courts and aristocracy across Europe
<b>Innovation</b>	Pioneered méthode champenoise technique for consistent quality
<b>Global Reach</b>	Distributed in over 150 countries worldwide
<b>Iconic Products</b>	Famous for Dom Pérignon and Impérial Brut champagne
<b>Luxury Experience</b>	Symbolizes celebrations, luxury, and sophistication

# Positioning/Branding for A Small Business

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

# Segmenting Consumer Markets



- **Geographic**
  - Based on location of the customers
  - Premise that people living in one area have different purchasing or buying habits than those living in other.
  - **Example** -Rural Vs Urban, Based on Area language (Media-Newspaper, Radio, OTT) .
- **Demographic**
  - basis of several variables -age, sex, gender, occupation, income, education, marital status, family size, community, social status, stage of life etc.
  - GenY (millennials), GenZ
  - **Examples**- Apparel, Beauty Products, Health Products, Automobile, loans

# Bases of Segmentation

- **Psychographic (VALS-Value and LifeStyle)**
  - Relates to the personality, lifestyle, and attitude of the individual- Self Expression (Energy drink, Branded Product /Services).
  - Consumer buying behavior can also be determined by his personality and lifestyle.
  - **Personality**-refers to the traits, attitudes and habits of an individual-introvert, extrovert, ambitious, aggressiveness, etc.
  - **Lifestyle** - the way a person lives his life and do the expenditures. Influence from peers.
  - **Examples**- Gamers for PC (Technology Enthusiasts), Fitness Freak (Bicycles), Sport Enthusiasts, Diet/Age /Beauty Cautious, Luxury/Prestige(Watch, Car, Jewelry),
- **Behavioral**
  - Individual's knowledge about the product and his attitude towards the usage of the product.
  - **Occasions**, benefits-buy the product or services occasionally or derive benefits
  - **User status** (ex-users, potential users, first-time users and regular users)
  - **Usage rate** (light, medium and heavy users- Drinks, Fast-food, etc)
  - **Buyer readiness stage**, loyalty status and the attitude eg. Loyal, switchers
  - Initiator, Influencer, Decider, Buyer, User
  - **Occasions**-Wedding, Festivals, Vacations
  - **Examples**- Cultural preferences (Food), Shampoo (Volumizing, Oil reduction, Dry scalp, Damaged hair, Scent)

# Market segment & Market segmentation

- **Market segment –**
  - Individuals, groups, or organizations with one or more similar characteristics that cause them to have similar product needs.
- **Market segmentation –**
  - The process of dividing a total market into groups with relatively similar product needs to design a marketing mix that matches those needs

# Targeting coverage patterns- Customer segments

- **Single-segment concentration:**
  - You select a single segment to concentrate on.
  - With limited resources, this is a good approach.
  - Examples\_ Woodland Shoes- Adventure Enthusiasts, Motilal Oswal Portfolio Management Services for HNI

# coverage patterns- Customer segments

- **Product specialization:**
  - You concentrate on making a particular product and sell it to a variety of segments.
  - This coverage pattern helps to build a strong reputation in a certain product/technology.
  - Downside risks- if your product is made obsolete by another product.
  - Examples- M&M Jeeps, Royal Enfield

# coverage patterns- Customer segments

- **Market specialization:**
  - You concentrate on a specific segment and provide a variety of products or variations of a product which match the benefits that customers.
  - Helps to build a strong reputation and provides you with specific experience benefits by serving a particular segment.
  - **Risk-** You will be more dependent on this segment which may be costly if the segment's needs change.
  - Examples\_ Sultan Chand & Sons Book publishers

# coverage patterns- Customer segments

- **Selective specialization:**
  - You select a number of segments and appeal to them with different products.
  - Allows you to diversify your risk.
  - Examples\_ Dabur Lal Ayurvedic Toothpaste

# coverage patterns- Customer segments

- **Full market coverage:**
  - You serve all segments with all products.
  - This approach is viable for firms with a large amount of resources.
  - Examples- Pepsi, Titan, Bata

# Topics covered

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



4Ps of marketing

Kotler  
Keller | MARKETING  
MANAGEMENT

15e

# Chapter 13

## Setting Product Strategy

# Learning Objectives

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



# Learning Objectives



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

# Marketing Mix

## Product

- Product, Price, Place, Promotion

## Service

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

# Product Characteristics and Classifications

## Product

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

**Physical Goods:** Car (Touch and Feel)

**Service:** healthcare, coaching ( Experiences)

**Experience:** Vacation

**Event:** IPL, Concerts

**Person:** Rahul Gandhi, Celebrity, Sport Stars

**Place:** Statue of Unity, Kerala, God's own country. Religious places

**Properties:** Real Estate, Gold.

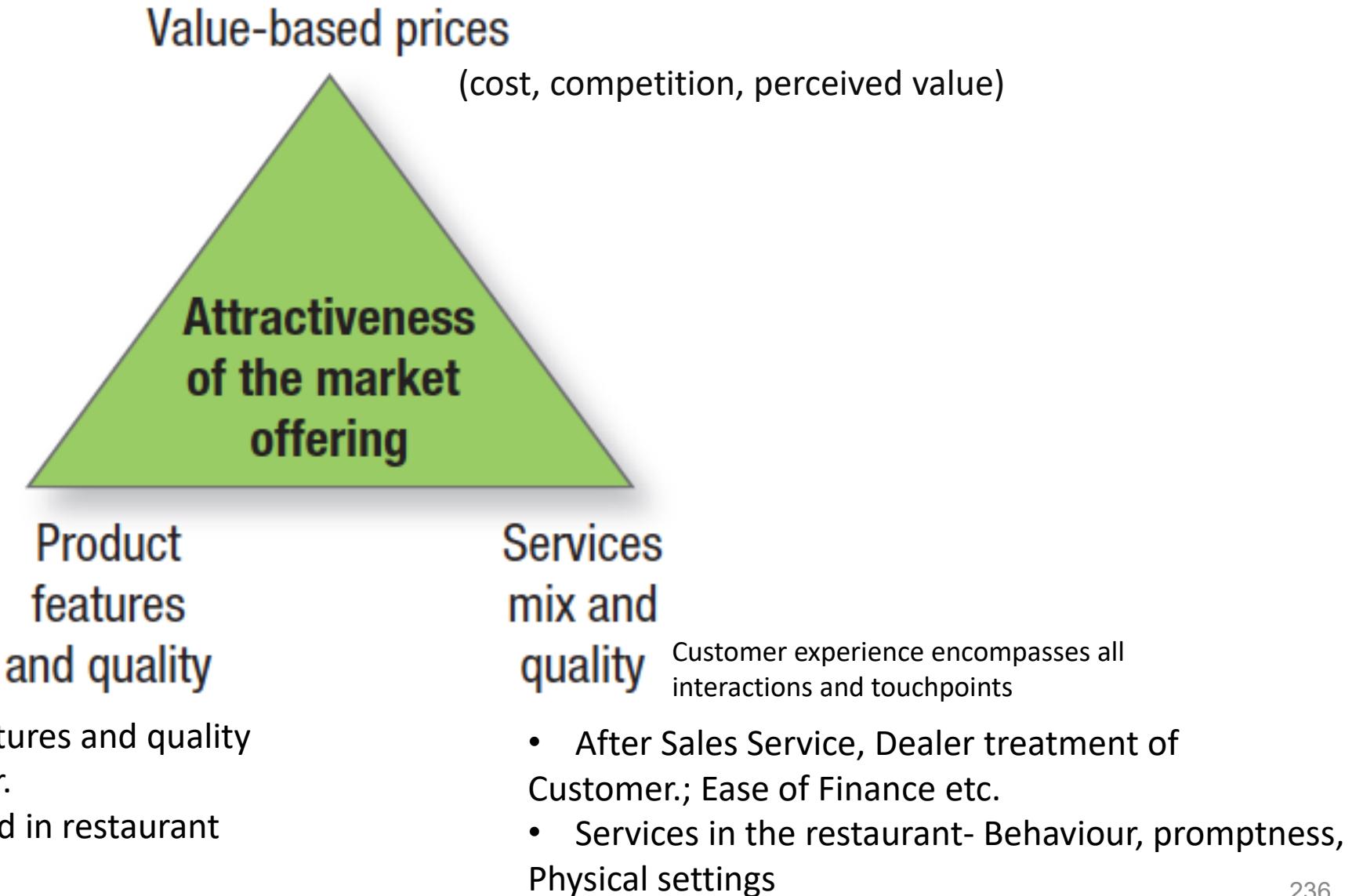
**Organization:** Helpage, CRY, Akshaya Patra

**Information:** Covid Guidelines, Polio Vaccination, Road Safety, Smoking-Cancer Prevention

**Ideas:** Swacch India, Beti Bachao, Beti padhao. (Protect the girl child)

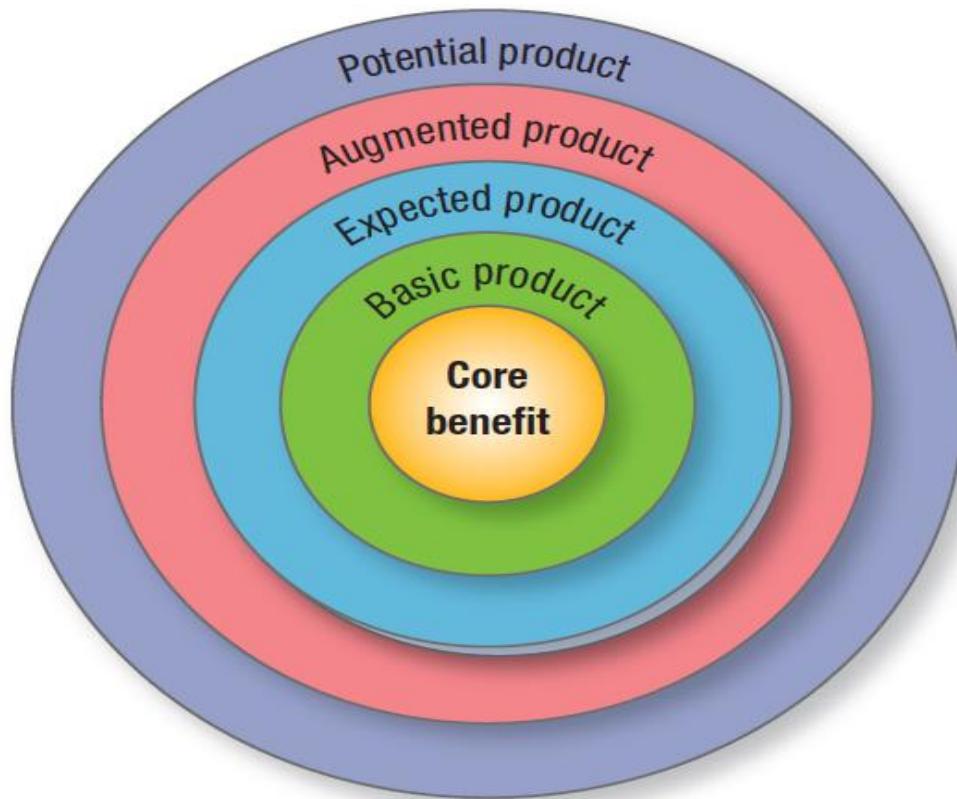


# Components Of The Market Offering



# Product Levels: The Customer-Value Hierarchy

- Five Product Levels



- 1. Core Benefits:** Product must deliver on their core benefit; products that fail to deliver on their core value proposition will inevitably fail in the market.
- 2. Basic-** Minimum required
- 3. Expected-** a set of attributes and conditions that buyers usually expect when they purchase this product.

# Product levels - CAR

- **Core Benefit**
  - Mobility/ Transportation
- **Basic Product**
  - A chassis on wheels
- **Expected Product**
  - Reasonable speed
  - Roomy
  - Safe
  - *Environment-Friendly (own contribution to the environment)*
  - *Economical*

# Product levels - car

- Augmented Product
  - Air conditioner, Climatic Control
  - Power Steering (15 yrs ago, but it is expected)
  - Power Windows
  - Armoured Car
- Potential Product
  - Electric Car
  - Amphibian Car? (Boat+Car)
  - Flying Car?
  - Self-drive car



# Product levels -Mobile phone

Product Level	Description	Example
Core Benefit	The fundamental service or benefit that addresses the primary need or problem of the customer. It represents the essence of what the product is designed to deliver.	Communication
Basic Product	The tangible product itself, including its features, design, and functionality. It embodies the core benefit and provides the basic utility to the customer.	Smartphone
Expected Product	The minimum set of features, quality, and performance that customers expect from a product within its category. It represents the standard offering in the market and meets customers' basic requirements and industry norms.	High-resolution display, long battery life, fast processing speed
Augmented Product	Additional services, benefits, or features that enhance the basic product and differentiate it from competitors. These extras go beyond customers' basic expectations and provide added value, convenience, or satisfaction.	Extended warranty, 24/7 customer support, free software updates
Potential Product	Future enhancements, innovations, or possibilities that have the potential to further enhance the product's value proposition and exceed customers' current needs and expectations. It represents the product's future growth and evolution.	Integration with emerging technologies (e.g., AI, augmented reality), additional accessories or add-ons, customization options

# Product

- At the heart of a great brand is a great product to achieve.
  - Market leadership firms must offer products and services that are of quality and provide unsurpassed customer value.
- Value to the Customer: It is the set of benefits that a customer receives
  - Functional value, hedonic value, social value or economic value or value for money.
  - Products are called value offerings.

# Product Classifications

- Consumer Product
- Actual Demand  
(Tyre)
- Derived Demand

Durability

Tangibility

(tangible: something one can touch)

Use

# Durability and Tangibility

## Nondurable goods

Frequently purchased (grocery i.e. Soap, Tooth-paste)

Heavy Distribution, Low mark-up (Amount wise), heavy advertising (Top of mind recall)

## Durable goods

High value/Involvement & Infrequently purchased: TVs, Refs  
Personal Selling, Service, Higher margin, After sales support Warranty

## Services

Intangible, Inseparable, Variable (non-standard), Perishable  
Quality Control (Challenge), Supplier Credibility, Adaptability (individual customers are different)

Example---Doctor's consultation, Education, Hospitality

# Consumer-Goods Classification (Buying behavior)

## Convenience (Time & Effort)

Frequent purchase, Consumable Staples: Regular purchases (Soap), Immediate purchase, Minimal Effort Impulse Goods: Random purchases (Chewing Gum), Emergency Goods: Painkillers

Impulse goods are purchased without any planning

## Shopping

Customer spends time and energy to check & Compare based on suitability, quality, price, and style. Clothing, Furniture, Appliances

## Specialty

Products are known for their unique characteristics/brand, extra efforts to choose car, audio-video components, , suits, high-value pens

## Unsought

People normally don't think of buying.  
Life insurance policies, Smoke detectors

# Industrial- B2B Goods/Services Classification

***Classification in terms of their relative cost and the way they enter the production process***

## Materials and parts

They form parts of the final product.

Raw Materials (1. Farm Products- Crops and 2. Natural –Crude Petro, Iron ore), Manufactured materials (Component materials (iron, cement) and Component parts- Parts of finished goods (motors, tires, gears)

## Capital items

Long-lasting goods that facilitates developing or managing the finished product. 1. Installations (Buildings, Boilers, Blast Furnaces) are fixed and not moveable 2. Equipment (Generators, Lathes, Milling Machines, computers) are portable.

## Supplies and business services

Maintenance and Repair Items (spares, paints, bolts, nails), Operating Supplies (Lube Oils, Paper, pencils), Business Services (Housekeeping, Copier/print repair) Business advisory (Legal, consulting, advertising)

# Product differentiation

- The primary reason why a product ***can be a great product is product differentiation.***
- Product Differentiation: The basic difference between a product and its competition.
- Products must be differentiated to successfully compete in the market.
  - Well-differentiated products can create significant competitive advantages.
  - As there is a lot of scope for variation which may include core functionality, Features, Performance quality, Conformance Quality, Durability, Reliability, Style, and Customization.
  - If a product is not very differentiated, it becomes a commodity,

# Product Differentiation based on...

- **Form**
  - Physical Structure, size, colour or shape of the product.
- **Features**
  - It is a specific piece of functionality that has a corresponding benefit or set of benefits to the user.
  - Marketers develop a laundry list of features that can be added. However, only a few features make it to the final list of features. So the onus is on the product manager to identify and prioritize the right kind of features. Prioritization determines what product features to build(RAM, Screen Size, Battery Life)
- **Performance quality**
  - Level at which product's primary characteristics operate: low, average, high, or superior.
  - Eg. Mileage, Inverter AC
- **Conformance quality (Gypsy for Army)**
  - Performance up to specifications (buyers expect high conformance quality. The degree to which all produced units are identical and meet promised specifications).
  - All products of a brand must represent similar quality.
- **Durability**
  - A measure of the product's expected operating life under natural or stressful conditions is the valued attribute. (Rust-free Coil in Geyser)
- **Reliability**
  - The probability that the item would not malfunction within a given period (Household A.C. malfunction).
  - premium for more reliable products.
- **Repairability**
  - The Ease of Repair (Maruti Suzuki, Samsung after-sale service)
- **Style**
  - Look and feel of the product to the buyer.
  - creates distinctiveness that is hard to copy e.g. pay a premium for Jaguar.
  - Strong style does not always mean high performance.
- **Customization (eg. SubWay)**

# Services Differentiation-Car

## ✓ Ordering ease

- ✓ The ease with which a car can be ordered.
  - ✓ Convenient location of dealer showrooms
  - ✓ Trial facility at home
  - ✓ Finance, Registration and Insurance Services

## ✓ Delivery

- ✓ Low waiting period
- ✓ Scratch less vehicle
- ✓ Display of all facilities

## ✓ Installation

- ✓ Matching Upholstery, interior
- ✓ Accessories (Audio system, Gear Lock, Central locking)

# Services Differentiation-Car

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

# Services Differentiation-OYO

## ✓ Ordering ease

- ✓ Online ordering
  - ✓ Customer feedback helps selection
  - ✓ Pictures
  - ✓ Room Details, Prices

## ✓ Delivery

- ✓ GPS guided navigation
- Non standard delivery
  - The previous occupant has not vacated.  
("Room is getting ready.")

## ✓ Installation

- ✓ Basic yet standardized (liquid soap)

# Services Differentiation-OYO

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

# Design

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



# Design

Questions to be answered....

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



Modi jacket



Bullet Motorcycle  
Tough, rugged, macho

# Product designs



Hobble Skirt Design  
Ergonomics, Distinctive  
(Easy to hold and not getting warm easily)



Jelly Bean Design  
Roomier, More aerodynamic  
More fuel efficient,

<https://www.youtube.com/watch?v=ygn0Vre4wv0>  
<https://www.youtube.com/watch?v=oBlfstGSc3Q>



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

# Luxury brands

- Quality
- Uniqueness
- Craftsmanship
- Heritage
- Authenticity
- History
  - Moet & Chandon
  - Perrier (mineral water)



# Marketing Luxury Brands

TABLE 13.1

Guidelines for Marketing Luxury Brands

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

Parker Pen

[https://www.youtube.com/watch?v=k\\_HdndRWNK8](https://www.youtube.com/watch?v=k_HdndRWNK8)  
<https://www.youtube.com/watch?v=nn0vDrIPGF4>  
<https://www.youtube.com/watch?v=6OENPOyRu18>

# Brand Architecture

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

# Example -Brand Architecture

Brand	Target Audience	Product Range	Price Range	Brand Positioning
Louis Philippe	Upper-middle to upper class men	Premium men's clothing, including formal wear, casual wear, and accessories	High-end	Sophisticated, elegant, and classic menswear brand catering to the discerning gentleman
Allen Solly	Urban professionals, both men and women	Casual wear, semi-formal wear, and accessories for men and women	Mid-range	Trendy, vibrant, and youthful brand offering versatile fashion options for the modern lifestyle
Peter England	Middle-class men	Formal and semi-formal men's clothing, including shirts, trousers, suits, and accessories	Affordable	Affordable yet stylish menswear brand offering quality and comfort for everyday wear
LP	Middle to upper-middle class men	Casual and semi-formal men's clothing, including shirts, trousers, and accessories	Mid-range	Modern and fashionable brand offering trendy yet affordable clothing options for young men
Van Heusen	Upper-middle to upper class men	Formal and semi-formal men's clothing, including shirts, trousers, suits, and accessories	High-end	Contemporary and sophisticated menswear brand known for its quality and style

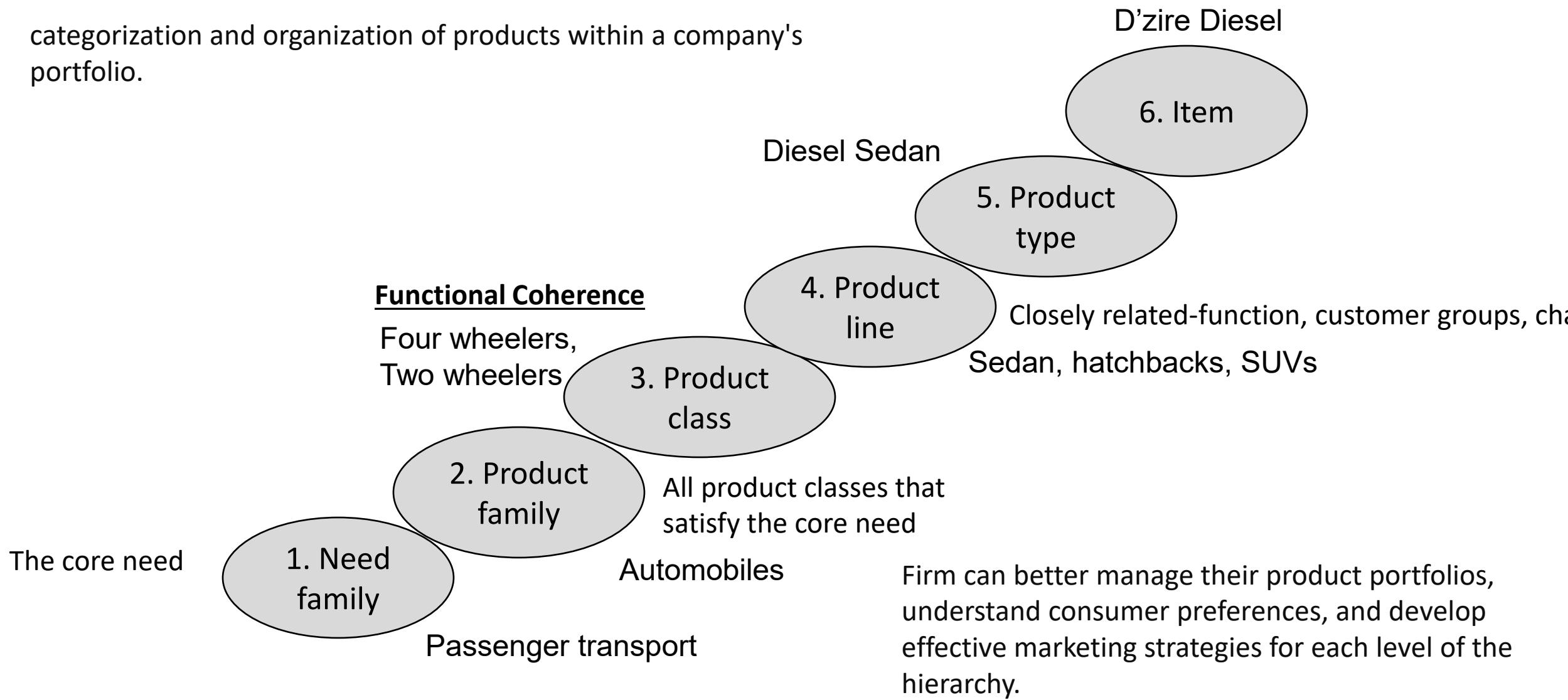
# Environmental Issues

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

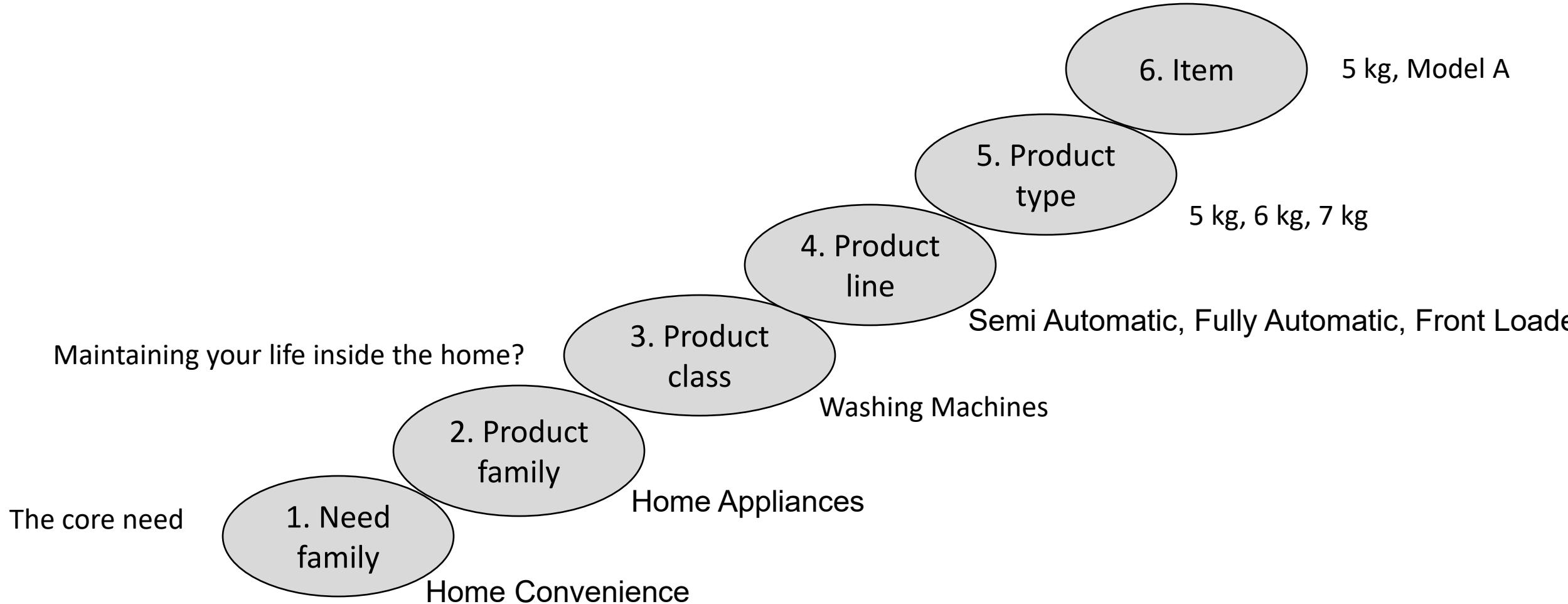


# The Product Hierarchy

categorization and organization of products within a company's portfolio.



# The Product Hierarchy



# Product Systems and Mixes

- Product system
  - A group of diverse but related items which function in a compatible manner.
  - Cell phone, charger, headphone, screen guards, covers,
- Product mix/assortment
  - Set of all products and items a particular seller offers for sale.
  - Maruti 800, Alto, Wagon R, Ignis, Swift, Swift Dzire etc.
  - Width, Length, Depth, Consistency
  - The width of a product mix refers to how many different product lines the company carries. The length of a product mix refers to the total number of items in the mix. The depth of a product mix refers to how many variants are offered of each product in the line.
  - The consistency of the product mix describes how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

# Product Portfolio Design (1 of 2)

- Product portfolio
  - Encompasses all products offered by a company, including various product categories and product lines



**PRODUCTS PORTFOLIO**

## Figure 8.1 Product Portfolio Width and Product Line Length for Procter & Gamble Products



# Product Portfolio Design (2 of 2)

## Product portfolio (Proctor and Gamble)

- Width
  - The *width* of a product portfolio is the number of different product lines the company carries.
- Length
  - The *length* of a product portfolio is the total number of items in the mix.
- Depth
  - The depth of a product portfolio consists of the number of variants offered for each product in the line.
- Consistency
  - How closely related are the various product lines in end use, production requirements, distribution channels, or some other way?

# Product Line Analysis (1 of 2)

- Product line
  - A group of related products sold by the same company



- Product line managers need to know the sales and profits of each item in their line to determine which items to build, maintain, harvest, or divest.
- They must also understand each product line's market profile and image.

# Illustration

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

## ***Product offerings between the two car makers.***

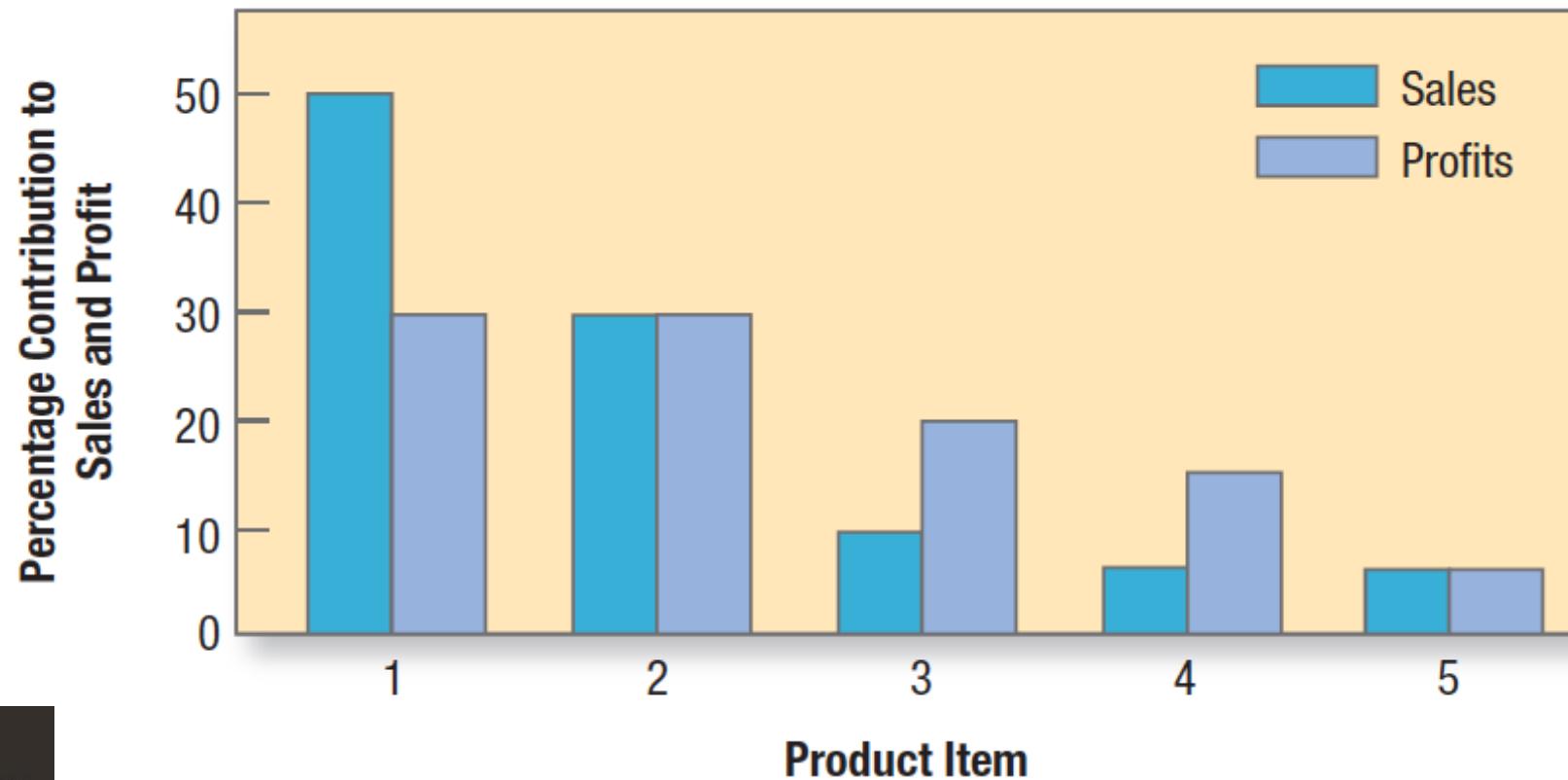
	Motors (X)	Automobile (Y)
Details of Product	5 models across different segments: Hatchback, Premium Hatchback, Entry Sedan, Premium Sedan, SUV	4 models: Hatchback, Premium Hatchback, Entry Sedan, Premium Sedan, no SUV
Width (Segment Coverage)	<b>Wider</b> , due to SUV offering	<b>Narrower</b> , no SUV offering
Product Line-up (Length)	<b>Shorter</b> , only 5 products	<b>Longer</b> , with 10 products in the lineup

# Illustration

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

# Product Line Analysis

- Sales and profits (Contribution?)
- Implication of Marketer?



# Ansoff Matrix



1. A strategic planning tool
  2. analyze and identify growth opportunities by considering
    1. Existing products or services in existing/ New Market
    2. New Product to new markets.
- Apply for ITC India Ltd

# Illustration – ITC India

## Ansoff's Product/ Market Expansion Grid

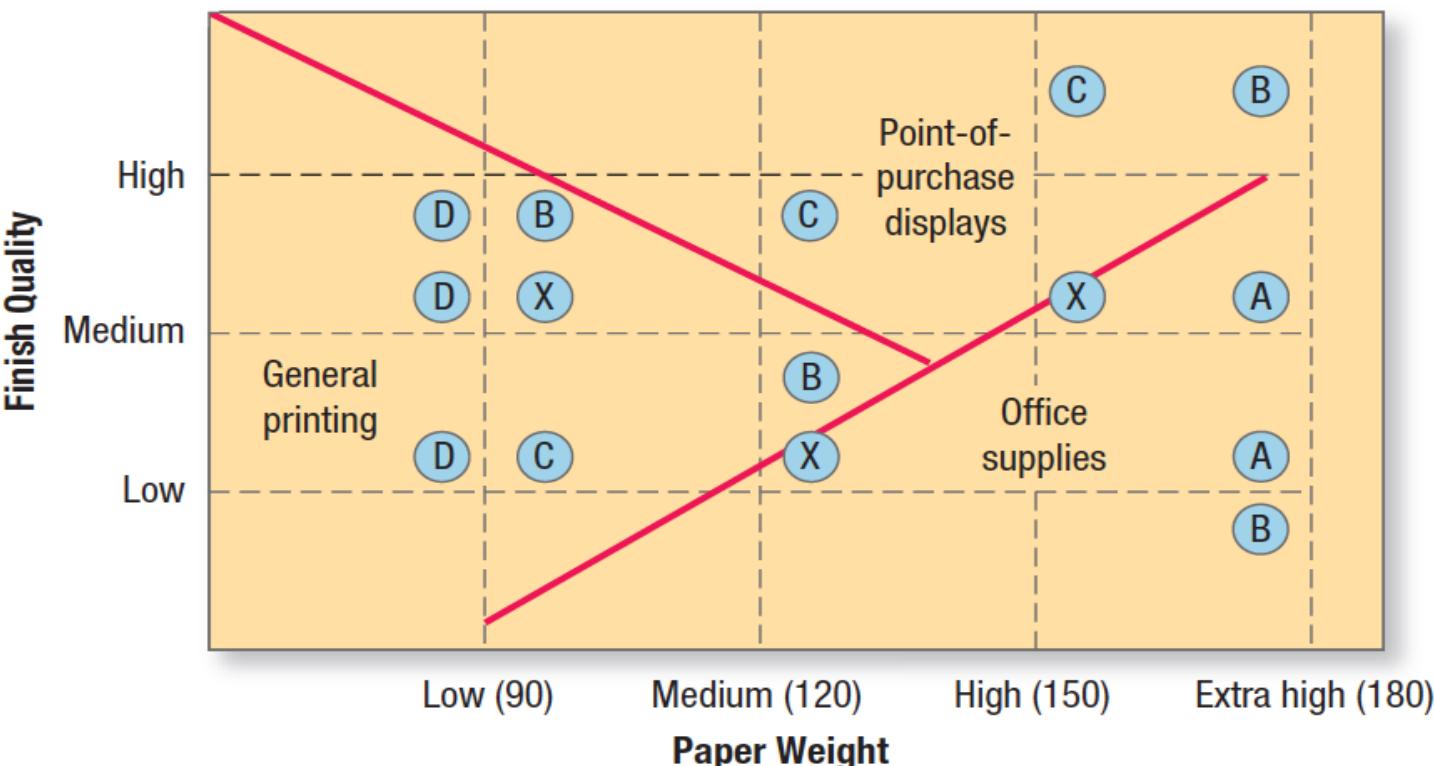
PRODUCT/ MARKET	Existing Product	New Product
Existing Market	<b>Market Penetration</b> Ex.: ITC targets 18% market share in agarbattis in September 2014	<b>Product Development</b> Ex.: Launch of products like Bingo Tangles, Yippee noodles, etc.
New Market	<b>Market Development</b> Ex.: Targeting rural markets	<b>Diversification</b> <ul style="list-style-type: none"><li>• This has been used extensively by ITC at various points of time.</li><li>• Best example is Hotel business.</li></ul>

# The product map

- How the line is positioned against competitors' lines.
- Shows which competitors' items are competing against a company's items.
- Another benefit of product mapping is that it identifies market segments. Product-line

# Product Line Analysis

- Market profile and image- Product Map
- Paper Board attributes- Weight and Finish Quality



- Location of the various product line items of company X and four competitors, A, B, C, and D
- E.g. Competitor A sells two product items in the extra-high weight class ranging from medium to low finish quality.
- Company X offers three items that vary in weight and finish quality.
  - The product map also shows which competitors' items are competing against company X's items.
  - Identifies market segments.

This product map shows which competitors' items are competing against Company X's items

1. X's low-weight and Medium-quality paper compete against D, and B papers.
2. But X's High-weight, Medium-quality paper has no direct competitor
3. No one is offering high weight Low-quality paper.

X can check demand in this segment and offer the item to

Tap the market by adding paper to its line and also X can modify the paper to demand of office supplies and POP display

# Product Line Analysis

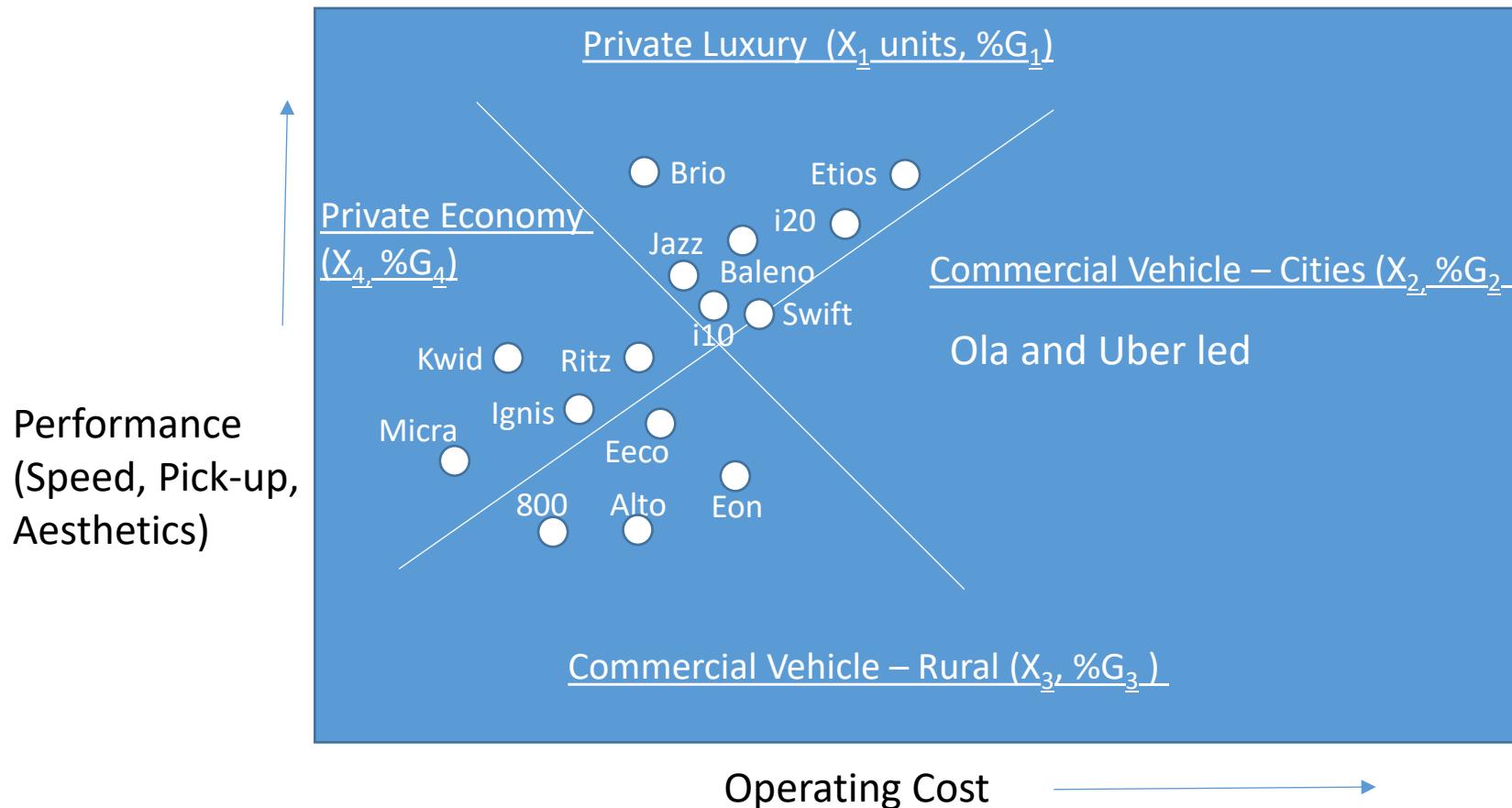
A	Depth			
Line				
Office Supplies	EH, L	EH, M		2
B				
Office Supplies	EH, L			1
Point of Purchase Displays	EH, H			1
General Printing	M,M	L,H		2
C				
Point of Purchase Displays	H,H	M, H		2
General Printing	L,L			1
D				
Office Supplies	L,L	L,M	L,H	3
X				
Office Supplies	M,L			1
Point of Purchase Displays	H,M			1
General Printing	M,M			1

# Product Line Analysis

# Hatchback Cars

This is a high growth market.

A car manufacturer can have a tie up with them and make an exclusive model for this segment.



# Product line length

- Line stretching (*Lengthen product line- Excess Manuf. Capacity*)
  - Down-market stretch
    - Lower priced line (declining demand in the current segment)
      - ( eg. Due to strong demand in the lower market segment)
      - P&G Tide, Peter England
  - Up-market stretch
    - Higher priced line (Lexus by Toyota, Nexa by Maruti, Surf-Excel)
  - Two-way stretch
    - Both ways (Tata Motors, Amul- Organic/Probiotic)
- Line filling (Maruti Suzuki, Amul)
  - Adding more items within
  - Present range(Can create Cannibalization)



# Product line length

- Line modernization (CNG, EV, Liquid Detergents)
  - Upgrading to electronic power
  - Steering from a hydraulic one
- Line featuring
  - Adding new features to the existing range of products introducing ABS
- Line pruning
  - Discontinuing some models
  - Maruti 800, Zen, Diesel Vehicle



# Product line length

- **Motives for line filling:**
  - Reaching for incremental profits,
  - Satisfying dealers who complain about lost sales because of items missing from the line, utilizing excess capacity
- Trying to become the leading full-line company & to keep out competitors.
- **Line Modernization:**
  - Featuring, and Pruning Product lines regularly need to be modernized.
  - The product line manager typically selects one or a few items in the line to feature.
- Using sales and cost analysis, product line managers must periodically review the line for deadwood that depresses profits.

# Product Mix Pricing

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

New product launch  
Slow-moving with fast-moving product  
Typically Thali/Combo Products at fast-food

Product line pricing

Optional-feature pricing

Product-bundling pricing

Captive-product pricing

By-product pricing

Two-part pricing

Meats, petroleum products,

Accessories or maintenance e.g. printer Cartridge is higher, the printer is sold at a lower price

Club Membership is higher but services are lower  
Saloon Membership

# Optional feature

brands might employ optional-feature pricing to provide customers with choices and flexibility in their purchases.

Product	Base Price (INR)	Optional Feature	Additional Cost for Feature (INR)
Smartphone	15,000	Extended Warranty	1,000
Car	800,000	Sunroof	30,000
Refrigerator	25,000	Water Dispenser	2,500
Laptop	50,000	Upgraded RAM	5,000
Sofa	40,000	Leather Upholstery	8,000

# Captive-product pricing

<b>Captive Product</b>	<b>Base Product</b>	<b>Pricing Strategy</b>	<b>Example</b>
Printers	Ink cartridges	Low initial cost for base product, higher recurring costs for consumable	HP - Printers sold at lower prices, while ink cartridges priced higher
Gaming consoles	Games	Low initial cost for base product, higher recurring costs for accessories/games	Sony PlayStation - Consoles sold at lower prices, while games priced higher
Coffee machines	Coffee pods	Low initial cost for base product, higher recurring costs for consumable	Nespresso - Coffee machines sold at lower prices, while coffee pods priced higher

# Two-part pricing

Product/Service	Fixed Fee (Part 1)	Variable Fee (Part 2)	Example
Mobile Network Plans	Monthly subscription fee	Per-minute or per-GB usage fee	Airtel, Jio, Vodafone-Idea
Gym Memberships	Monthly membership fee	Additional fee for personal training sessions or classes	Gold's Gym, Fitness First
Software Subscriptions	Annual subscription fee	Additional fee for extra features or usage beyond a certain limit	Zoho, Freshworks, Tally
Amusement Parks	Entry ticket fee	Additional fee for rides, games, or attractions inside the park	Wonderla, EsselWorld
Streaming Services	Monthly subscription fee	Additional fee for renting or purchasing specific movies or shows	Netflix, Amazon Prime Video, Disney+ Hotstar

# By Product and Bundling

Brand	Product	By-Product	Pricing Strategy (Bundling)	
Amul	Dairy Products	Whey Protein, AMUL Chaas	Mobile phone + Protective case + Screen protector + Power bank + Earphones	Bundled price lower than individual prices
Tata Steel	Steel	Slag used in construction and roadways	Gold earrings + Diamond necklace	Combined price lower than the sum of individual prices
				with additional discount for purchasing both together

# Co-Branding

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

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

# Ingredient Branding

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



# Packaging

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



Distinctive packaging like that for Kiwi shoe polish

# Packaging

## Used as a marketing tool

- Self-service (Super Market)
  - attract attention,
  - describe the product's features,
  - create consumer confidence, and
  - make a favorable overall impression.
- Company and brand image
- Innovation opportunity

## Packaging objectives

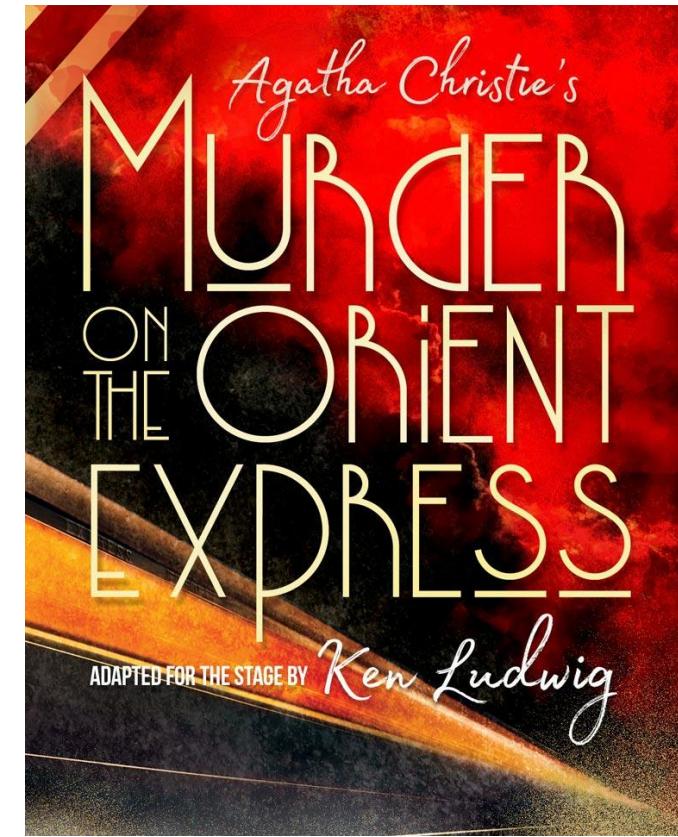
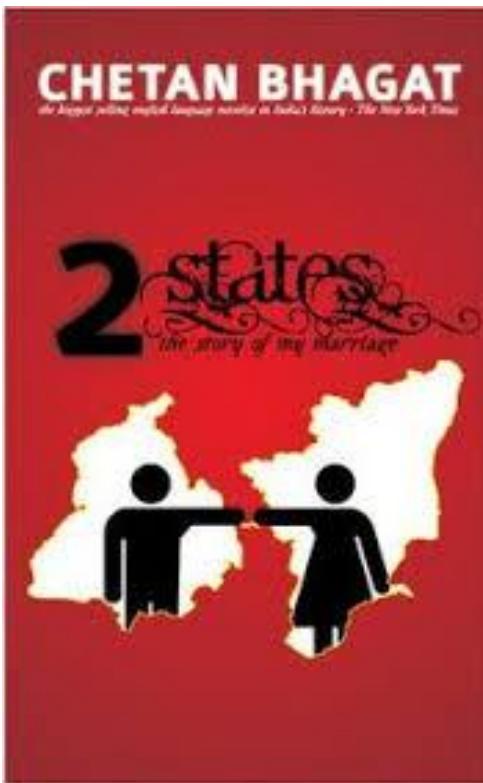
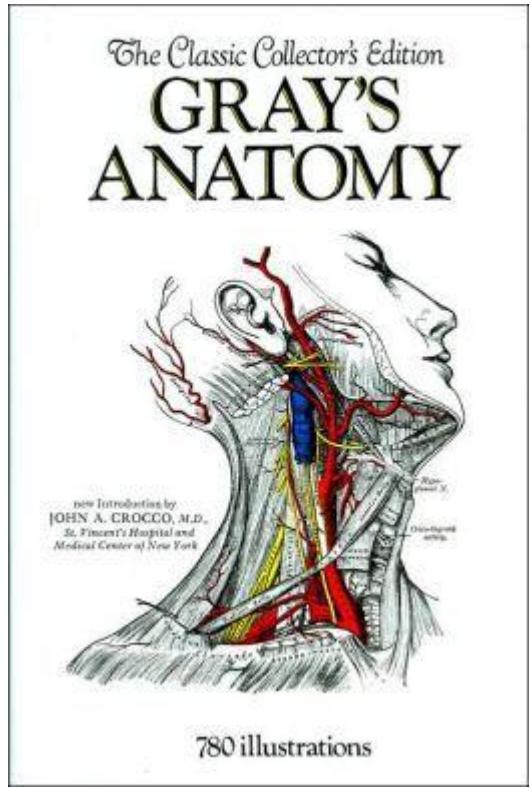
- Identify the brand
- Convey descriptive and persuasive information
- Facilitate product transportation and protection
- Assist at-home storage
- Aid product consumption

consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages



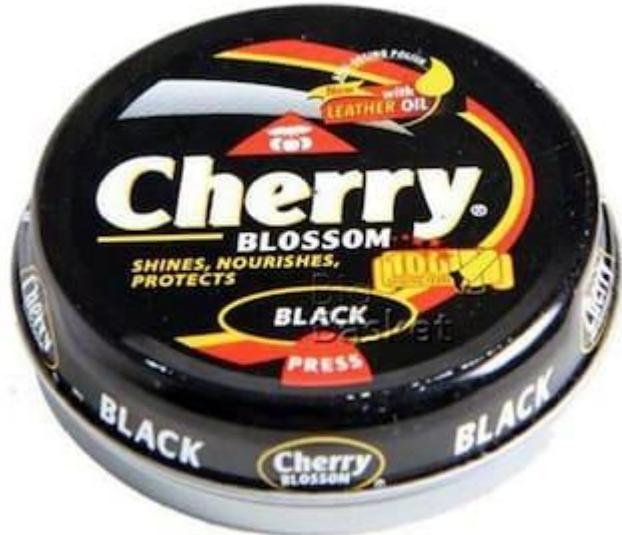
Audience Reports  
Analysed on Indian Advertising, Media and Marketing  
[mail@audiencereports.in](mailto:mail@audiencereports.in)

# Judge a book by its cover.



# Cherry Blossom

# Packaging



OFFER



# Packaging

TABLE 13.3

## The Color Wheel of Branding and Packaging

**Red** symbolizes excitement, energy, passion, courage, and being bold.

**Orange** connotes friendliness and fun. It combines the energy of red and the warmth of yellow.

**Yellow**, as the color of the sun, is equated with warmth, joy, and happiness.

**Green**, as the color of nature, connotes health, growth, freshness, and renewal.

**Blue**, as the color of the sky and sea, is associated with dependability, trust, competence, and integrity.

**Purple** has symbolized nobility, wealth, and wisdom. It combines the stability of blue and the energy of red.

**Pink** is considered to have soft, peaceful, comforting qualities.

**Brown**, as the color of the earth, connotes honesty and dependability.

**Black** is seen as classic, strong, and balanced.

**White** connotes purity, innocence, and cleanliness.

# Labeling, Warranties, and Guarantees

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



# Guarantee Vs Warranty

	Guarantee	Warranty
<b>Definition</b>	Promise of quality for a specific time.	Assurance of product quality for a defined period.
<b>Duration</b>	Shorter, specific time frame.	Longer, predetermined period.
<b>Inclusions</b>	Specific defects outlined by manufacturer.	Broader coverage, including defects and malfunctions.
<b>Cost</b>	Usually free, automatic.	Included or as additional purchase.
<b>Activation</b>	No action required.	May need registration by consumer.
<b>Example</b>	OnePlus: 1-year screen replacement.	Samsung: 2-year refrigerator warranty.

Kotler  
Keller | MARKETING  
MANAGEMENT

15e

# Chapter 16

## Developing Pricing Strategies and Programs

# Learning Objectives



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

# Understanding Pricing

## **Pricing in a digital world**

- ✓ Get instant vendor price comparisons (Amazon, Cardekho.com)
- ✓ Check prices at the point of purchase (Blinkit, Urbancode)
- ✓ Name your price and have it met (InDrive)
- ✓ Get products free- Freemium Model (OTT-Netflix, LinkedIn Premium)
- ✓ Monitor customer behavior & tailor offers (recommendation engine, Re-marketing )
- ✓ Give customers access to special prices (memberships)
- ✓ Negotiate prices online or even in person.
- ✓ Strategic Alliance (EMI, CC Offer)
- ✓ Building loyalty with future purchase pricing option

# Understanding Pricing

## A changing pricing environment

- Severe Recessions
- Technology
- Pandemic
- Millennials and GenZ

## Sharing economy

- Time share (Sharing room in per hr)
- Cars (Bla Bla Car)
- Bartering
- Renting
- AirBnB



<https://www.aninews.in/news/national/general-news/indian-railways-introduces-first-pod-retiring-rooms-in-mumbai-central-station20211118093421/>

# Pricing Model

Pricing Model	Method	Example
Sharing Economy	Shared ownership of property for a period with fluctuating prices based on demand and location.	Club Mahindra time-share vacation ownership.
	Ride-sharing with prices varying based on distance, demand, and time.	Ola Outstation or IDrive Ride in India.
Bartering	Goods or services exchange without money, pricing based on mutual agreement.	Websites and apps facilitate bartering between individuals or businesses. Examples OLX
Renting	Temporary property use with prices influenced by location, amenities, and demand.	Airbnb listings in India, priced by hosts.

# Consumer Psychology and Pricing



List Price \$1199.99

Our Price \$199.99

You save \$1,000!

**Purchase decisions are based on how consumers perceive prices and what they consider the current actual price to be—not on the marketer's stated price.**

Although consumers may have fairly good knowledge of price ranges

## Reference prices

- Internal reference price (Remember)
- MRP

## Price-quality inferences

Perfumes, expensive cars, and designer clothing.

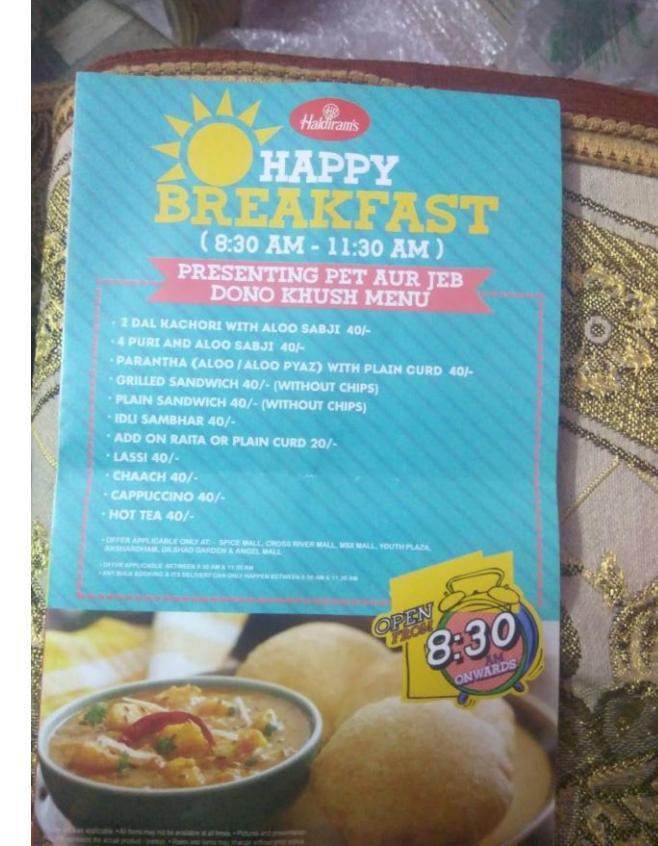
## Price endings (Rs. 499, 599 etc.)



**Image pricing** is especially effective with ego-sensitive products

# Reference Price

- The price point customers use as a benchmark to judge if a product's current price is fair or worth it.
- Most customers enter the market with a reference price in mind.
  
- Fair Price (Auto price- Mumbai \_ Per km price, Pre-paid taxi, Economy Vs Business Class, Price of breakfast)
- Typical Price (for unbranded goods- Mobile cover, artificial jewelry)
- Last Price Paid ( last stay in the resort, last rent paid in locality)
- Upper Bound Price ( Price of apparel )
- Lower Bound Price
- Historical Competitor Price
- Expected Future Price (Waiting for Airline/Hotel to drop)
- Usual Discounted Price



# Reference Price

Reference Price		Example
<b>Last price paid</b>	The price point customers use as a benchmark to judge if a product's current price is fair or worth it as per last paid price.	When buying a smartphone, a customer may remember the price they paid for a similar model in the past and use it as a reference to evaluate the current offer.
<b>Historical Competitor Price</b>	Previous prices of similar products or services offered by competitors, which customers use to compare with the current price.	Before purchasing a laptop, a customer might research the prices of similar models from different brands in the past to assess whether the current offer is competitive.
<b>Expected Future Price</b>	The anticipated price of a product or service in the future, influencing whether customers decide to buy now or wait for a better deal.	A customer may delay buying a new gaming console, expecting its price to drop during a holiday sale based on previous years' trends.
<b>Usual Discounted Price</b>	The regular discounted price offered by a seller, which customers compare to the original or reference price to determine the value of the deal.	When shopping for clothes, a customer sees a jacket advertised at a discounted price and compares it to the usual retail price to decide if it's a good deal. Example- Canatbill

# Understanding Pricing

## How companies price

- Small companies: boss (owner-driven decisions)
- Large companies: division/product line managers

## How companies should price

- Understanding of consumer pricing psychology.
- Capitalize on market changes.
- A systematic approach to setting, adapting, and changing prices.

# Step 1: Selecting the Pricing Objective

Skimming is a strategy of charging the maximum price one can get at any point of time. This is employed in Industries where a trend of price decline prevails (the consumer electronics industry.)

- Over capacity
- Intense competition
- Changing needs/wants
- Social entrepreneurship

NPO/Charity

Apple  
BMW  
Tesla

Survival

Maximum current profit

Other objectives

Maximum market share

Product-quality leadership

Maximum market skimming

Economies of scale

- Budget Airlines
- Walmart superstores
- Large Telecom companies Like JIO, LG, Samsung

Consumer Durable  
Sony has been a frequent practitioner (High price to low Price with Product/Tech life cycle)

# Pricing Objective

Objective	Explanation	Example
Survival (PLC)	Prices set to cover costs and ensure company survival.	Local grocery store pricing essentials.
Maximum Current Profit (seasonal/Demand-Supply)	Pricing to maximize short-term profits.	Retailer selling AC/Refrigerators in Summer and Heater/Air Purifier in winter
Maximum Market Share (Start-ups)	Prices set low to capture a larger market share.	Budget airline offering competitive fares.
Maximum Market Skimming (Innovative products)	Setting high prices to target premium customers.	Luxury fashion brand pricing designer wear.
Product-Quality Leadership	Prices reflect superior quality to lead the market.	Automobile manufacturer pricing EVs.

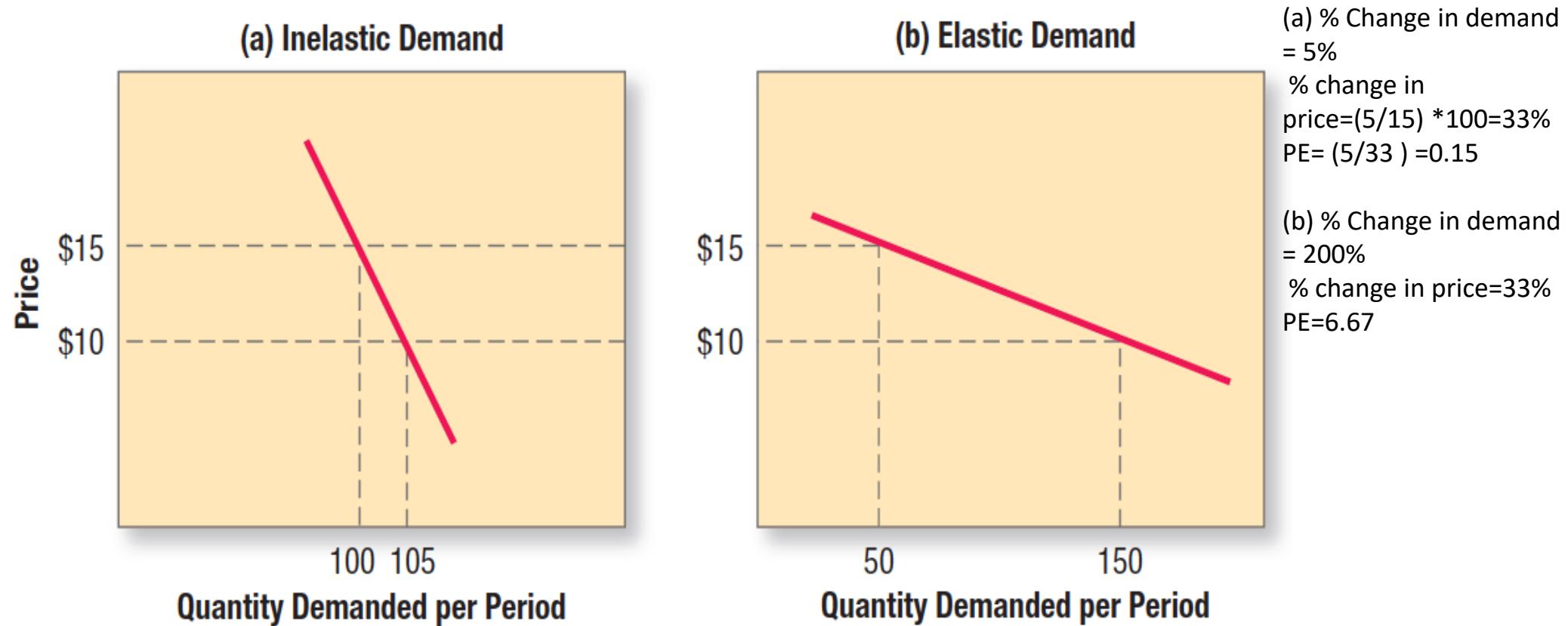
# Step 2: Determining Demand

- Price sensitivity
- Estimating demand curves
  - Surveys, price experiments, & statistical analysis
- Price elasticity of demand



# Figure 16.1

## Inelastic And Elastic Demand



Price elasticity of demand = (% change in demand)/(% change in price)

# Price Sensitivity

TABLE 16.3

## Factors That Reduce Price Sensitivity

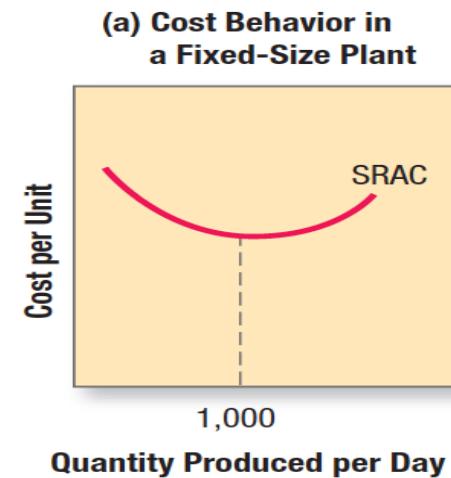
- The product is more distinctive.
- Buyers are less aware of substitutes.
- Buyers cannot easily compare the quality of substitutes.
- The expenditure is a smaller part of the buyer's total income.
- The expenditure is small compared to the total cost of the end product.
- Part of the cost is borne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

Higher price sensitivity is a challenge and brand loyalty is difficult

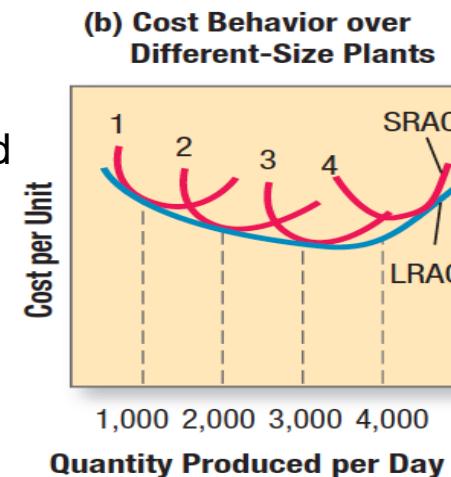
1. Apple Vision Pro
2. Sony Play Station/ car part at a service station
3. Generic medicine vs. branded medicine
4. Difficult to understand features. E.g. FMCG, Chayyos
5. Laptop accessories/ Car Accessories with main product.
6. Children select branded shoes/apparel/bike/games and parents pay.
7. EMI from bank, Car Battery and AMC of equipment.
8. Smartwatch/Luxury watch/Jewelry
9. Petrol/Electricity

# Step 3: Estimating Costs

- Types of costs and levels of production
  - Fixed vs. variable costs
  - Total costs ( $10\text{cr}+5\text{cr} = 15\text{cr}$ )
  - Average cost =  $15\text{cr}/10,000 = 15000$  per bicycle



**Short-run average cost**  
Short-run average cost increases after 1,000 units, however, because the plant becomes inefficient.

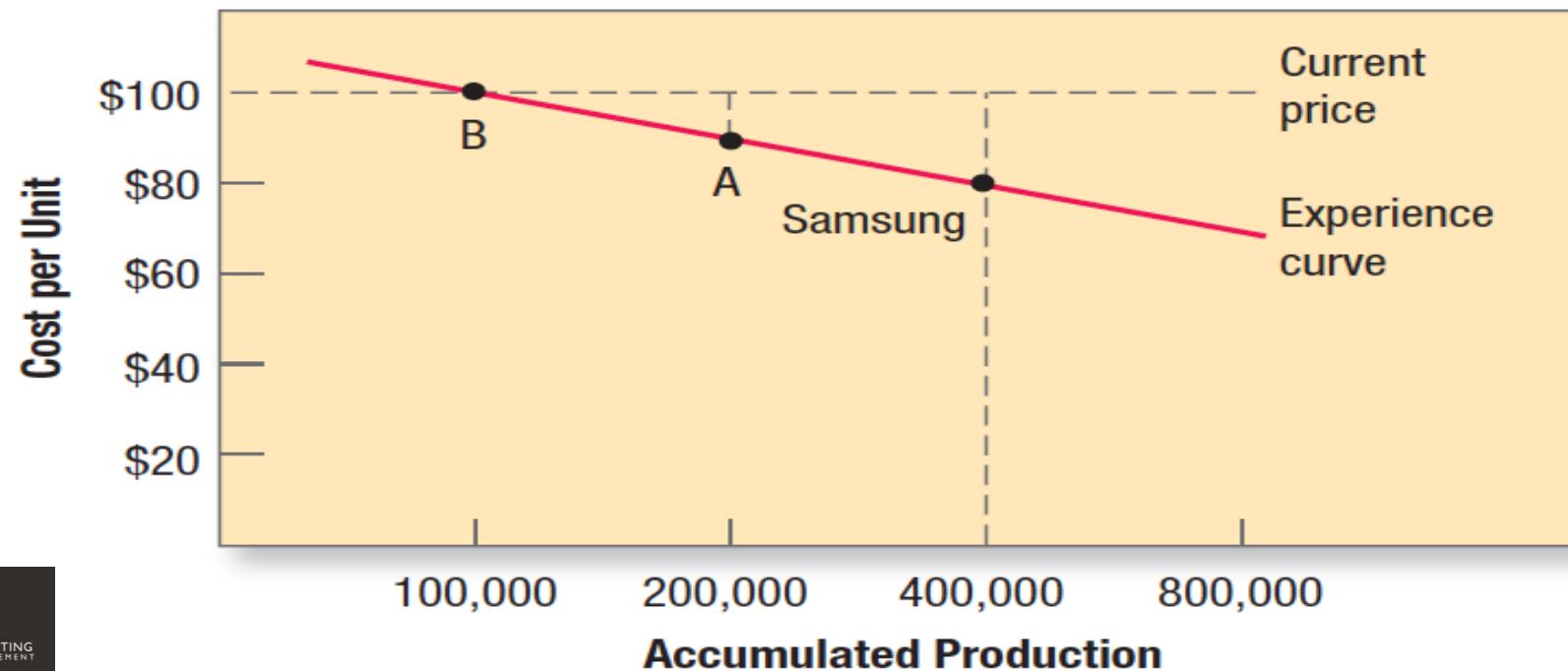


**Large-run average cost**  
Comp. believes it can sell 2,000 units per day, it should consider building a larger plant with more efficiency.

1. The company wants to charge a price that covers its cost of producing, distributing, and selling the product, including a fair return for its effort and risk.
2. Average cost is the cost per unit at that level of production; it equals total costs divided by production.

# Step 3: Estimating Costs

- Accumulated production
  - Experience/learning curve (Waste reduction with quality initiatives, negotiation with vendors, low logistic cost)



# Step 3: Estimating Costs

- Target costing
  - Price less desired profit margin



# Target Costing Example

## IndiGo Airlines wants to introduce a new route from Delhi to Goa.

Target Selling Price: After market research and considering competitors' prices, IndiGo sets the target selling price at ₹5,000 for a one-way ticket on the Delhi-Goa route.

Desired Profit Margin: IndiGo aims for a profit margin of 20% on each ticket sold.

Target Cost: Based on the selling price and desired profit margin, the target cost can be calculated as follows:

$$\text{Target Cost} = \text{Target Selling Price} - \text{Desired Profit Margin}$$

$$= ₹5,000 - (20\% \text{ of } ₹5,000)$$

$$= ₹5,000 - ₹1,000$$

$$= ₹4,000$$

Cost Analysis: IndiGo's cost analysis reveals that the variable costs per passenger, including fuel, crew salaries, airport fees, and other operational expenses, amount to ₹4000 per passenger on the Delhi-Goa route.

Gap Analysis: Comparing the target cost with the actual variable costs, we find:

$$\text{Gap} = \text{Target Cost} - \text{Actual Variable Costs}$$

$$= ₹4000 - ₹4500$$

$$= - ₹500$$

Action Plan: IndiGo to achieve the target cost of ₹4,000 which could involve negotiations with airports for lower fees, optimizing fuel consumption through route planning, or renegotiating contracts with suppliers for better rates on goods and services.

# Step 4: Analyzing Competitors' Prices

- The firm must take competitors' costs, prices, & reactions into account
  - **Value-priced competitors** (powerful combination of low price and high quality are capturing the hearts and wallets of consumers)
  - May precipitate a price war



Based on the value to the customer by competitors, the firm can decide whether it can charge more, the same, or less than the competitor.

# Aldi in UK

Aldi's success as a value-priced competitor in the UK market is driven by its commitment to offering quality products at affordable prices, appealing to price-conscious consumers while maintaining a competitive edge in the retail industry.

- Aldi Supermarket in the UK is a prime example of a value-priced competitor. Here's how Aldi operates in this context:
  1. Low-cost business model (efficiency in operations and minimizing overhead costs)
  2. Private label brands (sells private label brands, which are manufactured specifically for the company. )
  3. Limited selection (offers a limited selection of products compared to traditional supermarkets. )
  4. Everyday low prices
  5. Efficient operations (efficiency in its operations, including inventory management, store layout, and staffing)

# Step 5: Selecting a Pricing Method

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



## Step 5: Selecting a Pricing Method

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

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

# Mark-up Price

- The cost of a television is Rs. 20,000. The retailer wishes to make a margin of 10% on the selling price. What price should he charge from the customer?

- Let us say the selling price =  $x$

$$\text{Profit expected} = 0.1x$$

$$\text{Selling price} = \text{Cost} + \text{Profit} = 20000 + 0.1x = x$$

$$x - 0.1x = x(1 - 0.1) = 20000$$

$$0.9x = 20000$$

$$x = 20000 / 0.9 = \text{Cost} / (1 - \text{Mark up}) = \text{Rs. } 22,222$$

# Step 5: Selecting a Pricing Method

- Target-return pricing
  - Price that yields its target rate of return on investment
  - Unit sales (projected)

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

Example---

Investment-20 lac

FD Interest- 7%

Opportunity cost -1.4 lac

## Example

- A company has invested Rs. 10 crore to set up a plant. It expects an annualized return of 20% on its invested capital. The unit cost of goods sold is Rs. 1000. During the year it expects to sell 100,000 units of the product. Determine the selling price.
- Solution

$$\text{Profit desired} = 10 \text{ crore} \times 20\% = 2 \text{ crore}$$

$$\text{Total cost of goods sold} = 1000 \times 100,000 = 10 \text{ crore}$$

$$\text{Sales Revenue} = \text{Profit} + \text{Cost of Goods sold} = 2+10 = 12 \text{ crore}$$

$$\text{Unit Selling Price} = 12 \text{ crore} / 100,000 = \text{Rs. } 1200$$

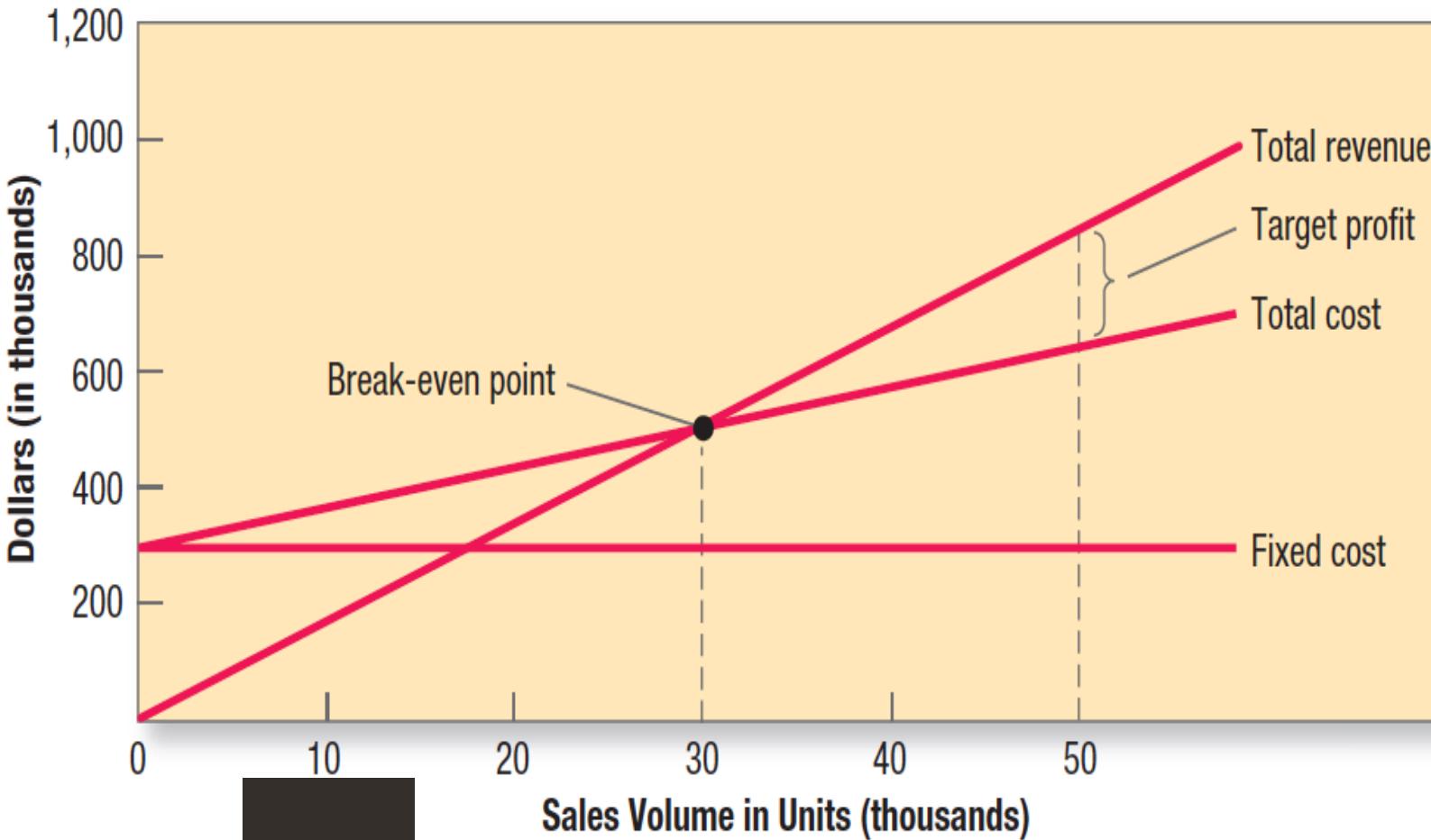
2nd method : Target-return pricing

$$= 1000 + (10 \text{ crore} \times 20\%) / 100,000$$

$$= \text{unit cost} + (\text{investment} \times \text{desire return}) / \text{number of units sold}$$

# Break-Even for Target-Return Price

Revenue and cost get even together. Overall market share is important to consider and how the market is competitive (Nos of competitors) and Consumer Purchasing Power



1. Fixed costs are \$300,000 regardless of sales volume.
2. Variable costs, not shown in the figure, rise with volume.
3. Total costs equal the sum of fixed and variable costs.
4. The total revenue curve starts at zero and rises with each unit sold.
5. The total revenue and total cost curves cross at 30,000 units.
6. This is the break-even volume.

# Step 5: Selecting a Pricing Method

- Perceived-value pricing (To deliver more unique value)
  - **Create-** Based on the buyer's image of the product, channel deliverables, warranty quality, customer support, and softer attributes (e.g., reputation)
  - **Demonstrate-** Firms use advertising, sales force, and the Internet, to communicate and enhance perceived value in buyers' minds.
  - The company can try to determine the value of its offering in several ways: focus groups, surveys, experimentation

- Inverter AC
- Dolby Sound
- Maruti Baleno
- Toyota Glanza Hybrid



# perceived-value pricing for air purifiers in the Indian market

- **Leverage Pollution Levels:** Given the severe air quality issues in Delhi NCR, emphasize how your air purifier can significantly reduce indoor pollution, offering cleaner air amid external smog and pollutants.
- **Target Health-Conscious Segments:** Highlight benefits for vulnerable groups like children, the elderly, and people with respiratory issues, positioning the product as essential rather than optional.
- **Premium Features & Emotional Appeal:** Showcase advanced features like HEPA filters, smart sensors, and energy efficiency, promoting peace of mind as a key benefit.
- **Tailored Marketing Campaigns:** Use data-driven campaigns focusing on pollution peaks, leveraging social media, influencer endorsements, and limited-time offers to enhance perceived value and urgency.

# Step 5: Selecting a Pricing Method

- Value pricing
- EDLP (Everyday low pricing)  
e.g. Walmart, Aldi, Tesco
  - High-low pricing
- Going-rate pricing
  - competitor's prices as benchmark



# Step 5: Selecting a Pricing Method

- Auction-type pricing

English (ascending)

Noida Flats  
DDA Flats

Dutch (descending)

Renting residential

Sealed-bid

# Step 6: Selecting the Final Price

- Additional factors to select final price:

- ✓ **Impact of other marketing activities**

- ✓ High advertising fetches a price premium.

- ✓ **Company pricing policies**

- ✓ Price competitors charge penalties to shore up bottom lines
    - ✓ Uber/Ola charges for cancellations
    - ✓ OYO penalizes hotels for deviations.

- ✓ **Gain-and-risk-sharing pricing**

- ✓ Extended warranty (Hyundai in the US)
    - ✓ Property Broker
    - ✓ Attorney in the Western world for lawsuits

- ✓ **Impact of price on other parties**

- ✓ Training Sales Team, Persuasion Dealers, competitors

# Adapting the Price

- Geographical pricing
  - Barter
    - Old car exchange
    - Old car battery
  - Compensation deal
    - Dealer get Cash+products
  - Buyback arrangement
    - Flat or Jewelry
    - Outsourcing in another country
  - Offset
    - Seller gets the full price but spends a part of it in the buyer's country. Used for international transactions



# Adapting the Price

- Price discounts and allowances

TABLE 16.4

Price Discounts and Allowances

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

# Adapting the Price

- Promotional pricing: (BOGO)
- Loss-leader pricing
  - A product is sold at a meager price, sometimes incurring a loss, so the firm could attract customers and profit from other items.  
Mother Dairy)
- Special event pricing
  - Diwali discounts/B-Day/Voting Day
- Special customer pricing
  - Special pricing to big customers, loyal customers.
- Cash rebates
  - Rebates for cash purchases as against credit purchases.
- **Low-interest financing**
  - **0% finances**
- Longer payment terms
  - 7-year car loans
- Warranties/service contracts
  - Extended warranty, service contracts
- Psychological discounting
  - Artificially increasing price and then discounting

# Adapting the Price

- Price discrimination

Senior citizen Discount  
Hospital Pricing

Customer-  
segment  
pricing

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

Happy Hour  
Peak hour rates Uber  
Weekend Vs Weekday movie

Time pricing

Image pricing

Same shirt would have 2  
Different prices when using  
the labels Louise Phillippe or  
Pharma Cos

Food on non ac side  
Of a restaurant is cheaper.  
Multiplex and Airport shops

Location pricing

Channel  
pricing

Discount Stores  
Factory Outlets  
Supermarket (Coca-Cola, Popcorn)

# Adapting the Price

- Price discrimination
  - Yield pricing: Variable pricing model to maximize the revenue yield. Example: Airline dynamic pricing.
  - Last-minute Air ticket, off-time airfare, Happy Hour, emergency care in hospital



# Initiating Price Increases

## Incremental Impact

TABLE 16.5

Profits before and after a Price Increase

	Before	After	
Price	\$10	\$10.10 (a 1% price increase)	
Units sold	100	100	
Revenue	\$1,000	\$1,010	
Costs	-970	-970	
Profit	\$30	\$40 (a 33 1/3% profit increase)	

Profits are very sensitive to price change: Reducing the weight Vs Increase in price

# Initiating and Responding to Price Changes

- Initiating price cuts
  - Excess plant capacity (Need additional business, No R&D)
  - Domination of market (With lower cost to gain market share (Korean cos))
- Price-cutting traps
  - Price concessions (Habit building)
  - Low-quality (perception)
  - Fragile market share (No loyalty)
  - Shallow pockets
  - Price war



# Initiating and Responding to Price Changes

- Initiating price increases (Inflation pressure- Fuel, Raw material, Milk price, pulses).
- High/Over demand low supply

## ✓ Delayed quotation pricing

- ✓ Supplier delays quoting an exact price till the time of delivery (B2B industrial market-long production cycle)
- ✓ Often, they work with indicative prices. **Used in Industrial Marketing**, especially for items with long lead times.
- ✓ Takes care of cost overruns, delays, and increases in raw materials and components prices during production.

## ✓ Escalator clauses

- ✓ **Clauses are placed in the contract that the price of the final product would depend on the cost of particular components at the time of delivery or when production is over.** The components in question are typically those with highly fluctuating prices. ( Construction Project delays – Revised Budget and estimates, Jewllery, Govt. Supply)

## ✓ Unbundling

- ✓ Certain parts of the product that initially came free are now unbundled and charged separately.  
(A landlord is charging for car parking, a car without stereo or GPS, and seat charging in aircraft).

## ✓ Reduction of discounts (exercise with caution, keep it for a limited period)

# Initiating and Responding to Price Changes

The introduction or change of any price can provoke a response from customers, competitors, distributors, suppliers, and even the government.

Telecom Price War

Unlimited Plan

- Anticipating competitive responses
- Responding to competitors' price changes (Coke Vs Pepsi)
  - Product life cycle stage
  - Understand the reason behind the price move
    - Profit or Mkt share
    - Excess Capacity? (A/C in winter)
    - Staying power?
      - Differentiate
      - Low-cost version (Alto-800 Vs EON)
      - Become a low-cost player.

