

# Distribution Decisions



# Distribution

- Distribution caters to the **3<sup>rd</sup> P** i.e. Place, which is focused on **where** and **how** a product is distributed
- Adds value by bridging the **Time**, **Place**, and **Possession gaps**
- Ensure **promotional effort**



# Marketing Channels

- Sets of **interdependent organizations** participating in the process of making a product or service available for use or consumption
- **Intermediaries:** merchants, agents, distributors, wholesalers, retailers etc.



# Distribution Logistics Vs. Supply Chain Management

## **Distribution Logistics**

- It consists of activities that accomplish effective & efficient delivery of the product producer to the customers
- Includes transportation, warehousing/storage, inventory management and related activities
- Aim is to achieve efficient and effective product distribution

## **Supply Chain Mgt.**

- SCM is much larger in scope and covers the business process – end to end – from sourcing of raw materials to delivery of finished product to the users
- Concerned with sourcing, vendor development, purchasing, storing, conversion of inputs into products, physical distribution of the finished products to the ultimate consumers.
- Aim is to optimize its total customer value by managing the supply chain effectively and in an integrated manner, treating all the functions involved as one continuous chain

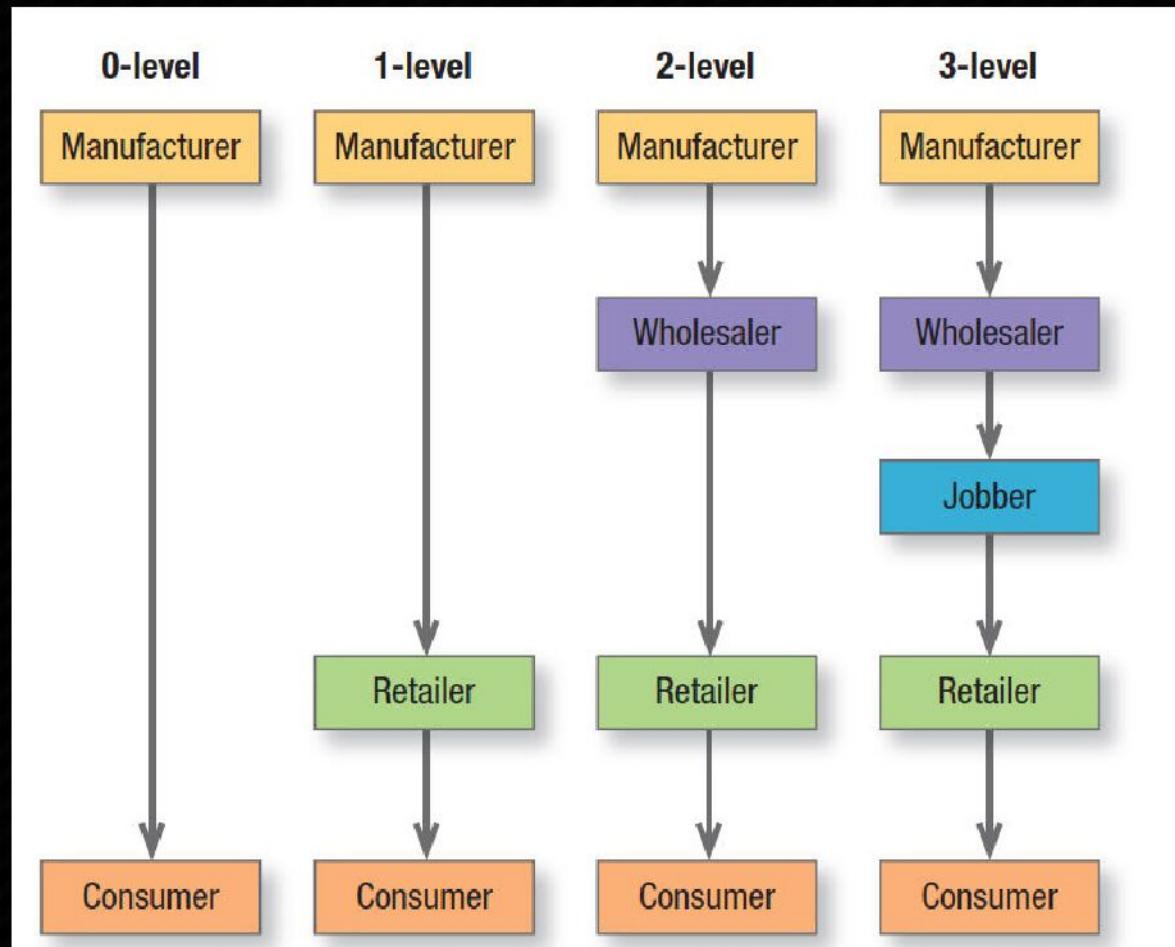


# Channels of Distribution

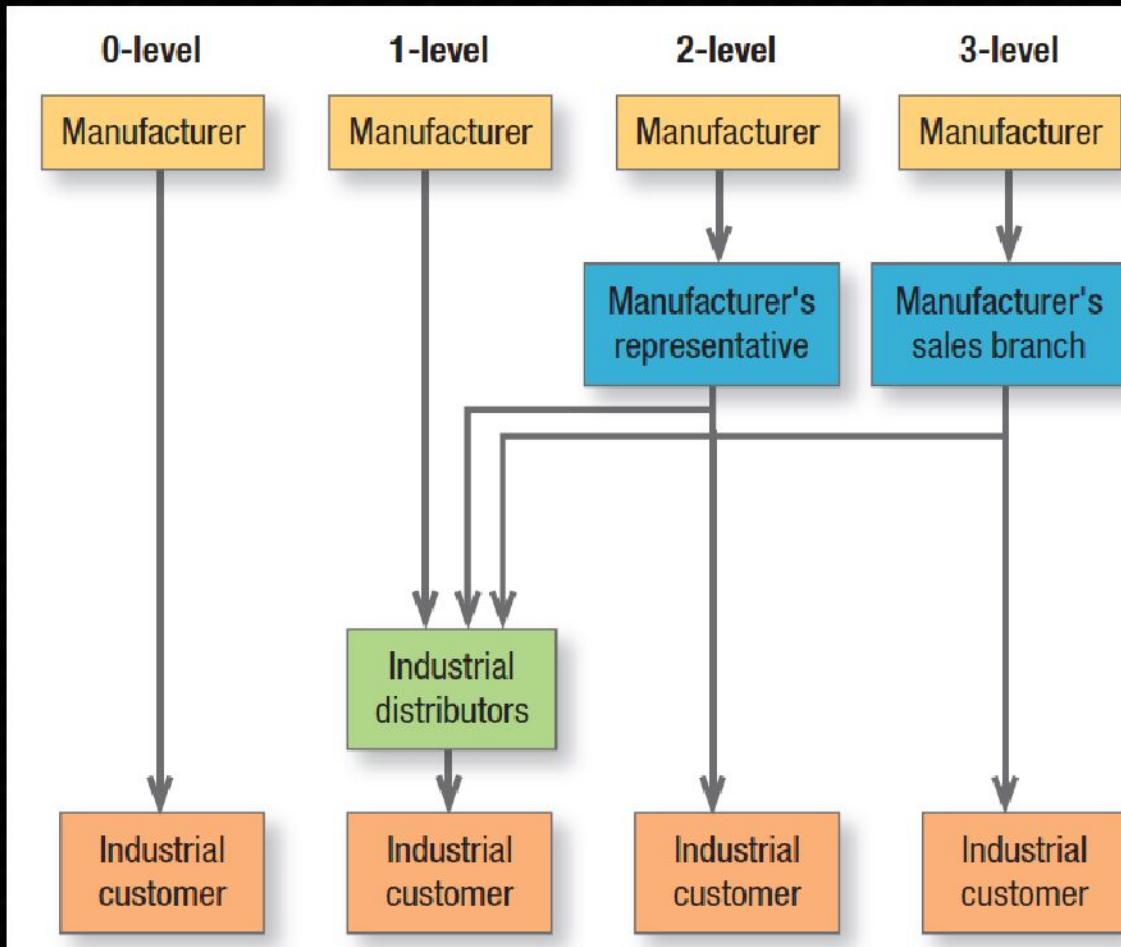
- **Direct Distribution**
  - When the producer sells goods or services directly to the customer with **no intermediaries**.
- **Indirect Distribution**
  - A channel of distribution that involves **one or more intermediaries**. (e.g. Wholesalers, Distributors, Retailers, Agents etc.)
- **Multichannel Distribution**
  - Company distributes its offering through **two or more different marketing channels** that may or may not compete for similar buyers.



# Consumer Marketing Channels



# Industrial Marketing Channels



## **Direct Distribution is Used when:**

- Buyers are easily identifiable
- Personal selling is a major component of the communication mix
- Organization has a wide variety of offerings for the target market
- Sufficient resources are available
- Intermediaries are not available for reaching target markets
- Intermediaries do not possess the capacity to service the requirements of target markets



## Indirect Distribution is Used when:

- Intermediaries can perform distribution functions more efficiently and less expensively
- Customers are hard to reach directly
- Organization does not have resources to perform distribution function



## **Multichannel Distribution is Used when:**

- Distribution to large and small retailers is required to target multiple segments (e.g. Titan)
- Geographic factors are essential to consider (e.g. HUL)
- Company adopts Multi-brand strategy (e.g. Maruti Suzuki Arena & Nexa)



# Multichannel Distribution Benefits & Limitations:

- Benefits:
  - Increased market coverage
  - Lower channel cost
  - Customized selling options
- Limitations
  - Potential for conflict and issues with control and cooperation



# Channels of Distribution

- **Digital Channels**

- Customer support in store/online/phone
- Check online for product availability at local stores
- Order product online to pick up at store
- Return a product purchased online to a nearby store

- **Omni Channel**

- Retail, wholesale and ecommerce channels integrated to offer a seamless experience to the customers across multiple channels



# The Hybrid Grid

Marketing Channels and Methods	Demand-generation Tasks								Facilitate product storage & movement	Facilitate payment	Oversee ownership transfer
	Gather relevant information	Develop & disseminate communications	Reach price agreements	Place orders	Acquire funds for inventories	Assume risks					
VENDOR											CUSTOMER
Internet											
National account management											
Direct sales											
Telemarketing											
Direct mail											
Retail stores											
Distributors											
Dealers and value-added resellers											



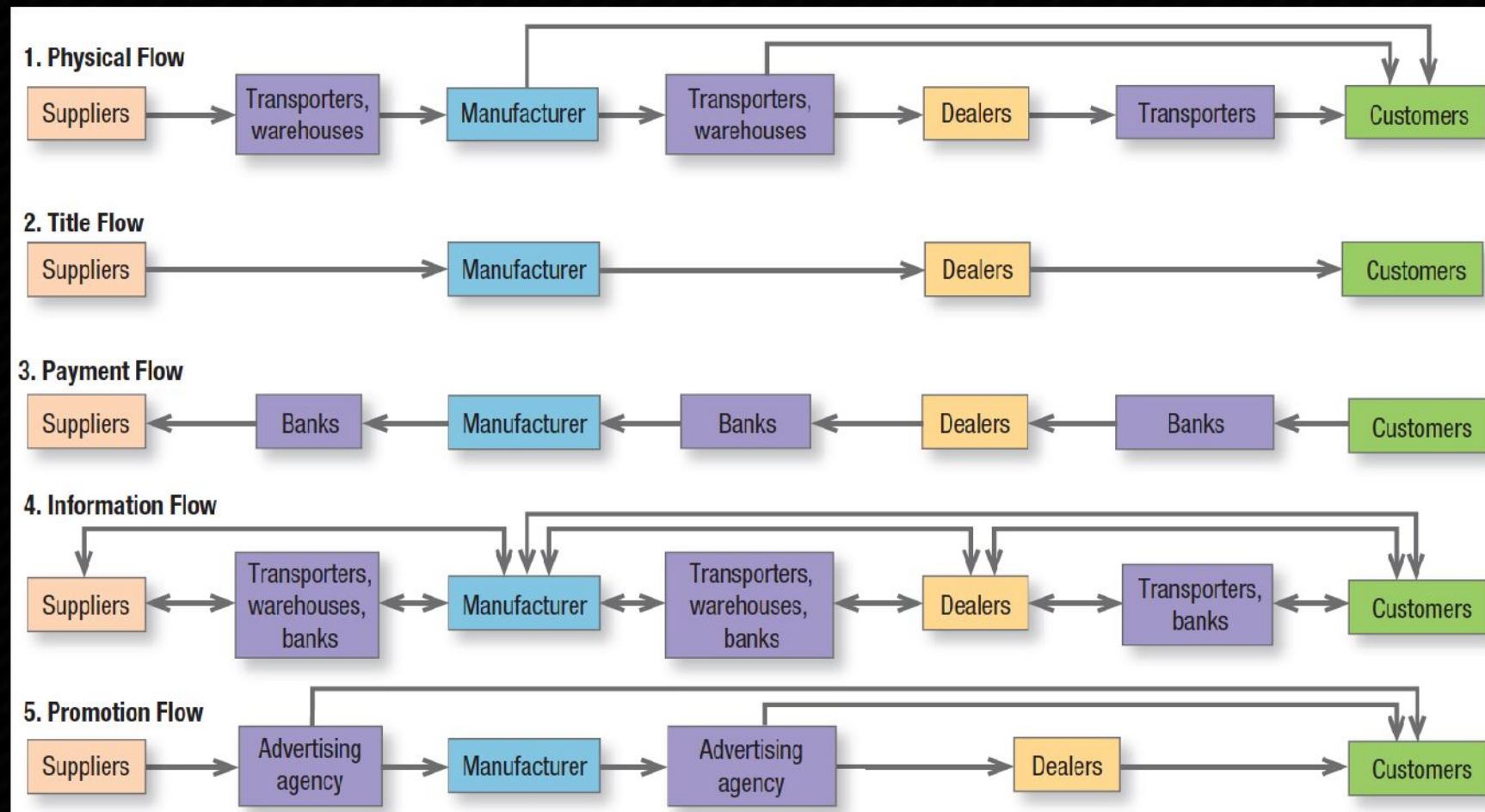
# Channel Member Functions

## Channel Member Functions

- Gather information about potential and current customers, competitors, and other actors and forces in the marketing environment.
- Develop and disseminate persuasive communications to stimulate purchasing.
- Negotiate and reach agreements on price and other terms so that transfer of ownership or possession can be affected.
- Place orders with manufacturers.
- Acquire the funds to finance inventories at different levels in the marketing channel.
- Assume risks connected with carrying out channel work.
- Provide for the successive storage and movement of physical products.
- Provide for buyers' payment of their bills through banks and other financial institutions.
- Oversee actual transfer of ownership from one organization or person to another.



# Five Marketing Flows in the Marketing Channel



# Channel Design Decisions

## Analyzing customer needs and wants

- **Desired lot size**
  - No. of units the channel permits a typical customer to purchase on one occasion
- **Waiting and delivery time**
  - Average time customers wait for receipt of goods. Customers increasingly prefer faster delivery channels
- **Spatial convenience**
  - The degree to which the marketing channel makes it easy for customers to purchase the product without space/ place constraints



# Channel Design Decisions

## Analyzing customer needs and wants

- **Product variety**
  - The assortment/ choices provided by the marketing channel
- **Service backup**
  - Add-on services (credit, delivery, installation, repairs) provided by the channel



# Channel Design Decisions

## Establishing objectives and constraints

- Service output levels and the associated cost and support levels

## Identifying major channel alternatives

- Types of intermediaries
- Number of intermediaries
- Terms/responsibilities of channel members



# Channel Conflicts

## Channel Conflict

- Generated when one channel member's actions prevent another channel member from achieving its goal

## Channel Coordination

- Occurs when channel members are brought together to advance the goals of the channel instead of their own potentially incompatible goals



# Channel Conflicts

## Types of conflict

- Horizontal channel conflict occurs between channel members at the same level.
- Vertical channel conflict occurs between different levels of the channel.
- Multichannel conflict exists when the manufacturer has established two or more channels that sell to the same market.
- It's likely to be especially intense when the members of one channel get a lower price (based on larger-volume purchases) or work with a lower margin.



# Channel Conflicts

## Causes of Channel conflict

- **Goal incompatibility**

- The manufacturer may want to achieve rapid market penetration through a low-price policy.
- Dealers, in contrast, may prefer to work with high margins and pursue short-run profitability.

- **Unclear roles and rights**

- HP may sell laptops to large accounts through its own sales force, but its licensed dealers may also be trying to sell to large accounts.
- Territory boundaries and credit for sales often produce conflict.



# Channel Conflicts

## Causes of Channel conflict

- **Differences in perception**

- The manufacturer may be optimistic about the short-term economic outlook and want dealers to carry higher inventory, while the dealers may be pessimistic.
- In the beverage category, it is not uncommon for disputes to arise between manufacturers and their distributors about the optimal advertising strategy.

- **Intermediaries' dependence on the manufacturer**

- The fortunes of exclusive dealers, such as auto dealers, are profoundly affected by the manufacturer's product and pricing decisions.
- This situation creates a high potential for conflict.



# Channel Conflicts

## Strategies to Manage Channel conflict

- **Strategic Justification**

- In some cases, a convincing strategic justification that they serve distinctive segments and do not compete as much as they might think can reduce potential for conflict among channel members.

- **Dual Compensation**

- Pays existing channels for sales made through new channels.



# Channel Conflicts

## Strategies to Manage Channel conflict

- **Superordinate Goals**

- Channel members can come to an agreement on the fundamental or superordinate goal they are jointly seeking, whether it is survival, market share, high quality, or customer satisfaction.

- **Employee Exchange**

- A useful step is to exchange persons between two or more channel levels. Thus participants can grow to appreciate each other's point of view.



# Channel Conflicts

## Strategies to Manage Channel conflict

- **Joint Memberships**

- Marketers can encourage joint memberships in trade associations.

- **Co-optation**

- An effort by one organization to win the support of the leaders of another by including them in advisory councils, boards of directors, and the like.



# Channel Conflicts

## Strategies to Manage Channel conflict

- **Diplomacy, Mediation, and Arbitration**

- Diplomacy takes place when each side sends a person or group to meet with its counterpart to resolve the conflict.
- Mediation relies on a neutral third party skilled in conciliating the two parties' interests.
- In arbitration, two parties agree to present their arguments to arbitrators (appointed to settle dispute) and accept their decision.

- **Legal Recourse**

- If nothing else proves effective, a channel partner may choose to file a lawsuit.



# Type & Number of intermediaries

- **Intensive Distribution**

- Distribution through every reasonable outlet in the market
  - E.g. HUL

- **Selective Distribution**

- Distribution through multiple, but not all, reasonable outlets in the market
  - E.g. LG, Samsung



# Type & Number of intermediaries

- **Exclusive Distribution**

- The producer gives only a limited number of dealers the exclusive right to distribute its products in their territories
- E.g. Royal Enfield, Bose



# Retailing

## Retailing

- All the activities in selling goods or services directly to final consumers for personal, nonbusiness use

## Retailer/retail store

- Any business enterprise whose sales volume comes primarily from retailing



# Types of Retailers

- **Store Retailers**
- **Non-store Retailers**
- **Retail organizations**



# Types of Retailers

## Store Retailers

- Specialty store: Narrow product line.
- Department store: Several product lines.
- Supermarket: Large, low-cost, low-margin, high-volume, self-service store designed to meet total needs for food and household products.
- Convenience store: Small store in residential area, often open 24/7, limited line of high-turnover convenience products plus takeout.



# Types of Retailers

## Store Retailers

- **Drug store**: Prescription and pharmacies, health and beauty aids, other personal care, small durable, miscellaneous items.
- **Discount store**: Standard or specialty merchandise; low-price, low-margin, high-volume stores.
- **Extreme value or hard-discount store**: A more restricted merchandise mix than discount stores but at even lower prices.
- **Off-price retailer**: Leftover goods, overruns, irregular merchandise sold at less than retail.



# Types of Retailers

## Store Retailers

- Superstore: Huge selling space, routinely purchased food and household items, plus services (laundry, shoe repair, dry cleaning, check cashing).
- Catalog showroom: Broad selection of high-markup, fast-moving, brand-name goods sold by catalog at a discount. Customers pick up merchandise at the store.



# Types of Retailers

## Store Retailers - Levels of service

- **Self-service**: It is the cornerstone of all discount operations. Many customers are willing to carry out their own “locate-compare-select” process to save money.
- **Self-selection**: Customers find their own goods, though they can ask for assistance.



# Types of Retailers

## Store Retailers - Levels of service

- Limited service: These retailers carry more shopping goods and services such as credit and merchandise-return privileges. Customers need more information and assistance.
- Full service: Salespeople are ready to assist in every phase of the “locate-compare-select” process. The high staffing cost and many services, along with the higher proportion of specialty goods and slower-moving items, result in high-cost retailing.



# Types of Retailers

## Non-store Retailers

- Direct marketing has roots in direct-mail and catalog marketing. It includes telemarketing, television direct-response marketing, and online shopping.
- Direct selling also called multilevel selling and network marketing, is a multibillion-dollar industry, with companies selling door to door or through at-home sales parties.



# Types of Retailers

## Non-store Retailers

- Automatic vending offers a variety of merchandise, including impulse goods such as soft drinks, coffee, candy, newspapers, magazines, and other products such as hosiery, cosmetics, hot food, and paperbacks.
- Buying service is a store-less retailer serving a specific clientele—usually employees of large organizations—who are entitled to buy from a list of retailers that have agreed to give discounts in return for membership.



# Types of Retailers

## Corporate Retailing and Franchising

### Major Types of Corporate Retail Organizations

**Corporate chain store:** Two or more outlets owned and controlled, employing central buying and merchandising, and selling similar lines of merchandise. Gap, Pottery Barn.

**Voluntary chain:** A wholesaler-sponsored group of independent retailers engaged in bulk buying and common merchandising. Independent Grocers Alliance (IGA).

**Retailer cooperative:** Independent retailers using a central buying organization and joint promotion efforts. Unified Grocers, ACE Hardware.

**Consumer cooperative:** A retail firm owned by its customers. Members contribute money to open their own store, vote on its policies, elect a group to manage it, and receive dividends. Local cooperative grocery stores can be found in many markets.

**Franchise organization:** Contractual association between a franchisor and franchisees, popular in a number of product and service areas. Dunkin' Donuts, Marriott, H&R Block, and The UPS Store.

**Merchandising conglomerate:** A corporation that combines several diversified retailing lines and forms under central ownership, with some integration of distribution and management. Federated Department Stores renamed itself after one of its best-known retailers, Macy's, but also owns other retailers such as Bloomingdale's.



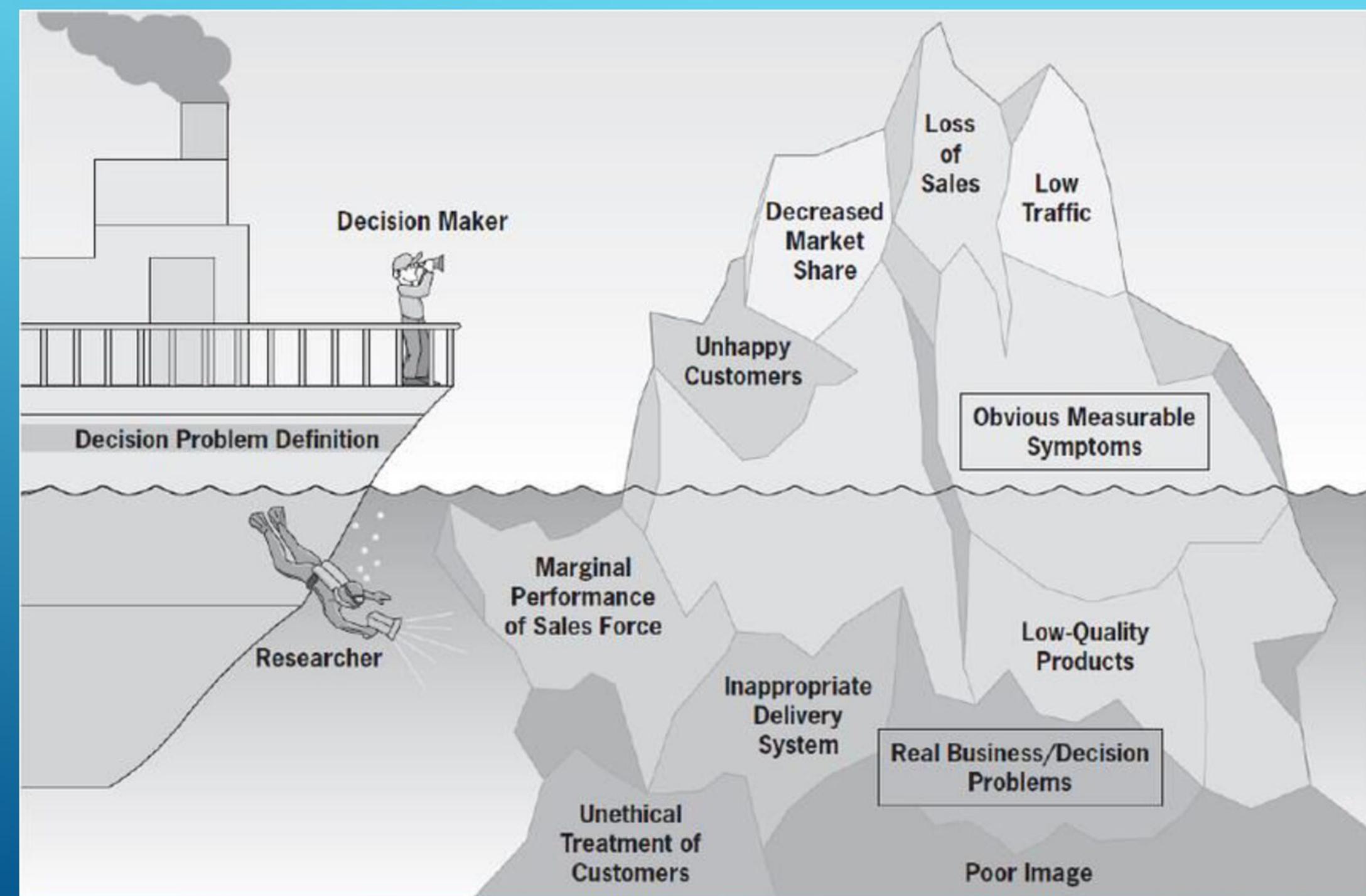
# Types of Retailers

## Corporate Retailing and Franchising

- **Franchises are distinguished by three characteristics:**
  - The franchisor owns a trade or service mark and licenses it to franchisees in return for royalty payments
  - The franchisee pays for the right to be part of the system
  - The franchisor provides its franchisees with a system for doing business

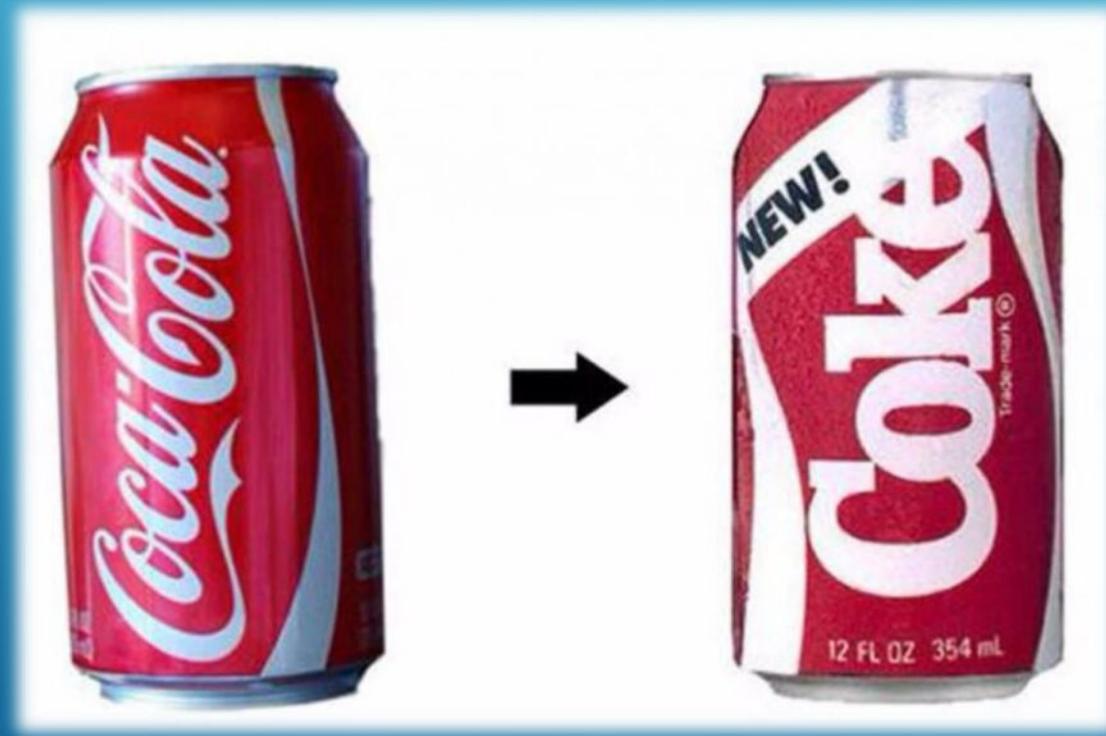


# INTRODUCTION TO MARKETING RESEARCH



# WHY MARKETING RESEARCH?

- ▶ Launching new product to replace the older one

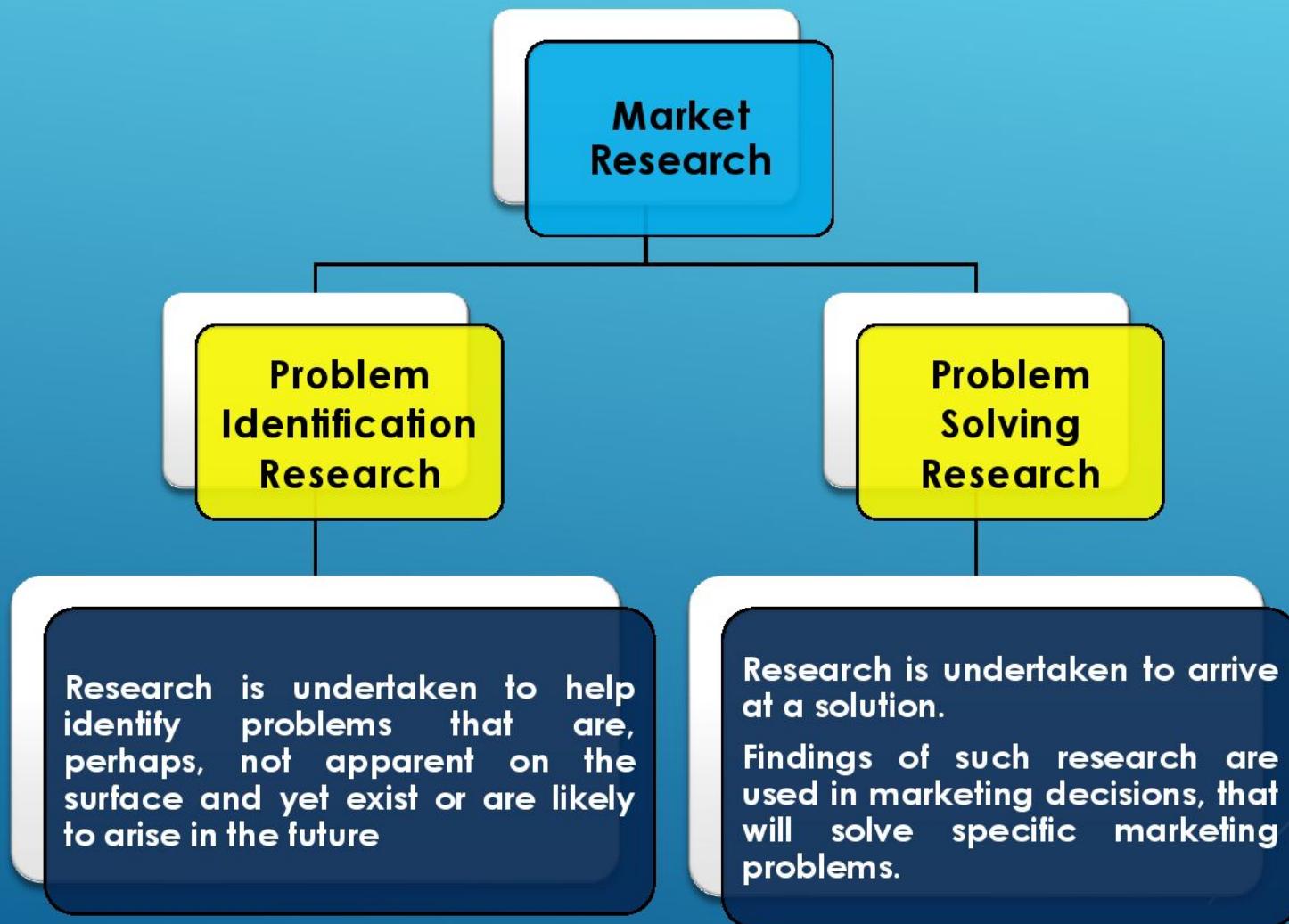


# WHAT IS MARKETING RESEARCH?

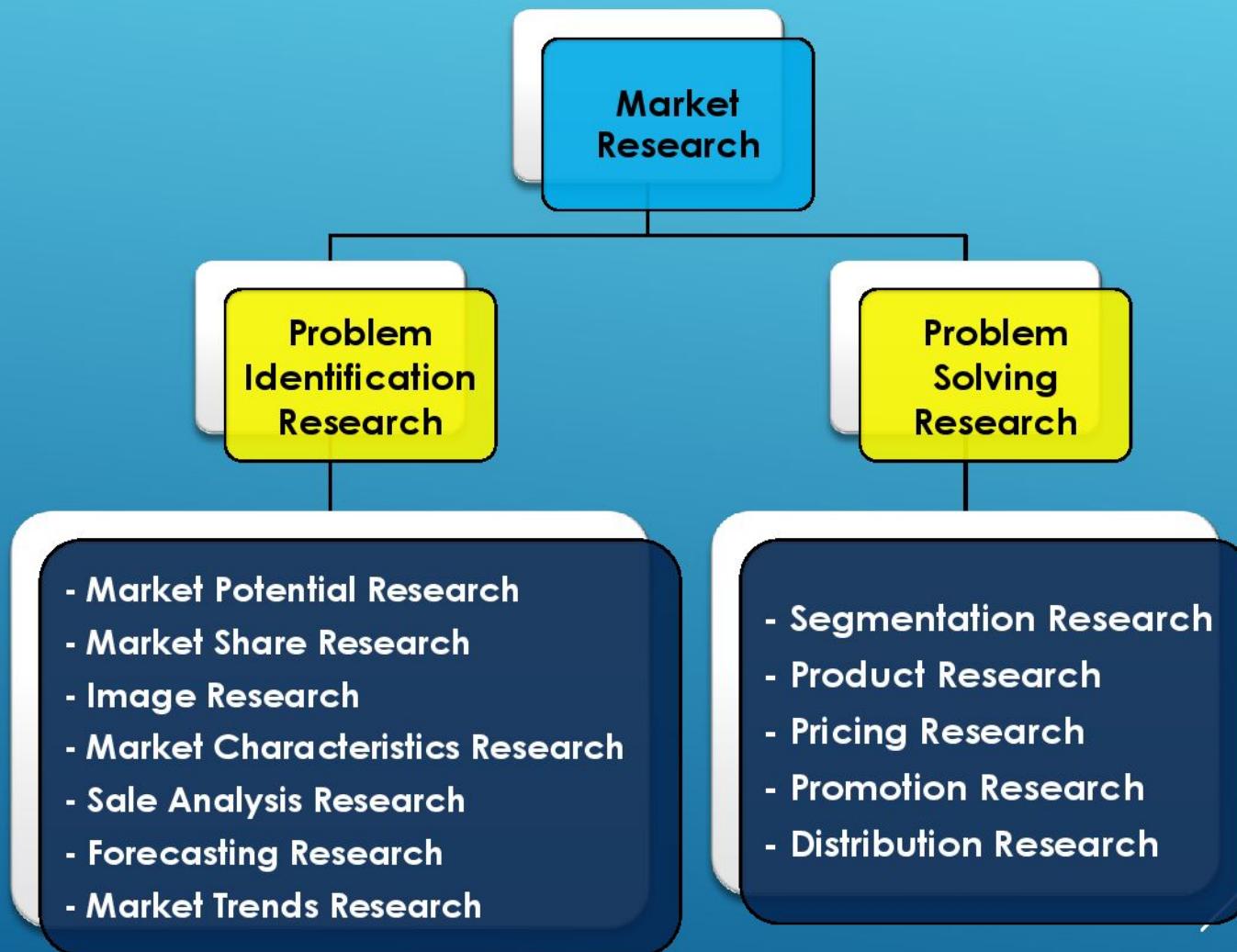
- ▶ Marketing Research is the function that links the consumer, customer and public to the marketer through information – information used to identify and define
  - ▶ Marketing opportunities and problems
  - ▶ Generate, Refine and Evaluate marketing Actions
  - ▶ Monitor Marketing Performance
  - ▶ Improve Understanding of Marketing as a process

*American Marketing Association*

# TYPES OF MARKET RESEARCH



# TYPES OF MARKET RESEARCH



# **TYPES OF MARKETING RESEARCH**

- **Product Research**

- New Product Design
- Market validation
- Evaluating strength of existing products
- Opportunity & potential to extend the product line

- **Pricing Research**

- Measures and evaluates the impact of changes in price of a product on its demand
- Analyze suitability & feasibility of pricing strategies
- Helps determining an optimal price for new products, in order to maximize revenue and market share

# **TYPES OF MARKETING RESEARCH**

- **Place/ Distribution Research**

- Collection and analysis of information related to the sales of a product/ brand and its distribution through various retail channels
- Evaluating effectiveness of channel strategies

- **Positioning Research**

- Determine the positioning of a brand in the minds of consumers, in comparison to competitors
- Analyze & measure perceptions of consumers about the brand
- Helps determining relevant positioning strategies

# **TYPES OF MARKETING RESEARCH**

- **Advertising Research**

- Determine the effectiveness of an advertising campaign
- Analyze whether ROI of an advertisement has been achieved
- Helps in devising future ad campaigns

- **Customer Satisfaction Research**

- Determine the satisfaction levels of existing customers
- Analyze & measure how well a company's products, services, and overall customer experience meet customer expectations
- Helps improving company's offering to customers

# TYPES OF MARKETING RESEARCH

- **Concept Testing Research**

- Analyze & evaluate advertising concepts, ad theme concepts and appeals, new product concepts, pricing, brand concepts, new brand names & so on.
- Helps company in taking informed marketing decisions

- **Brand Equity Research**

- Brand equity refers to the value that a specific brand adds to a product or service – including dimensions such as brand loyalty, brand awareness, brand associations, and perceived quality
- Brand equity research measures the breadth and depth of brand power in your target markets.

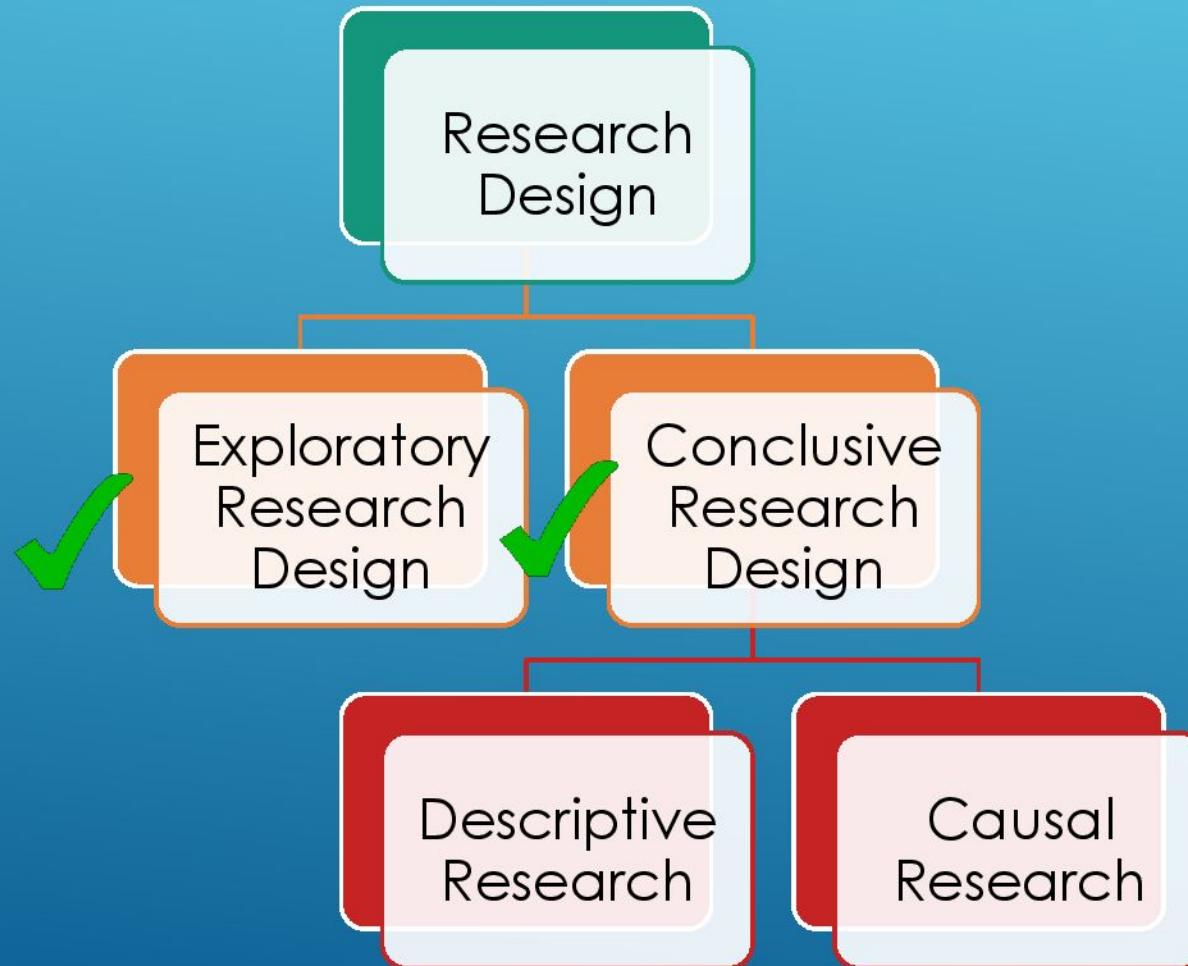
# MARKETING RESEARCH DESIGNS



# RESEARCH DESIGN

- ▶ Research design is a **framework** or a **blueprint** for conducting the marketing research project
- ▶ It involves following components or tasks:
  - ▶ Define the information needed
  - ▶ Design the exploratory, descriptive and/or causal phases of the research
  - ▶ Specify the measurement and scaling procedures
  - ▶ Construct and pretest a questionnaire or an appropriate form for data collection
  - ▶ Specify the sampling process and sample size
  - ▶ Develop a plan of data analysis

# CLASSIFICATION OF RESEARCH DESIGN



# CLASSIFICATION OF RESEARCH DESIGN

## ► **Exploratory Research**

- Primary objective is to provide insights into, and an understanding of the problem confronting the researcher
- It is used in cases when you must
  - Define the problem more precisely
  - Identify relevant courses of action or
  - Gain additional insights before an approach can be developed
- The information needed is only loosely defined at this stage, and the research process that is adopted is flexible and unstructured

# CLASSIFICATION OF RESEARCH DESIGN

## ► **Exploratory Research**

- E.g. personal interviews with industry experts
- The sample selected to generate maximum insights, is small and non-representative
- The primary data are qualitative in nature
- Findings should be regarded as tentative or as input to further research

# CLASSIFICATION OF RESEARCH DESIGN

## ► **Conclusive Research**

- Designed to assist the decision makers in determining, evaluating and selecting the best course of action to take in a given solution
- More formal and structured than exploratory research

# CLASSIFICATION OF RESEARCH DESIGN

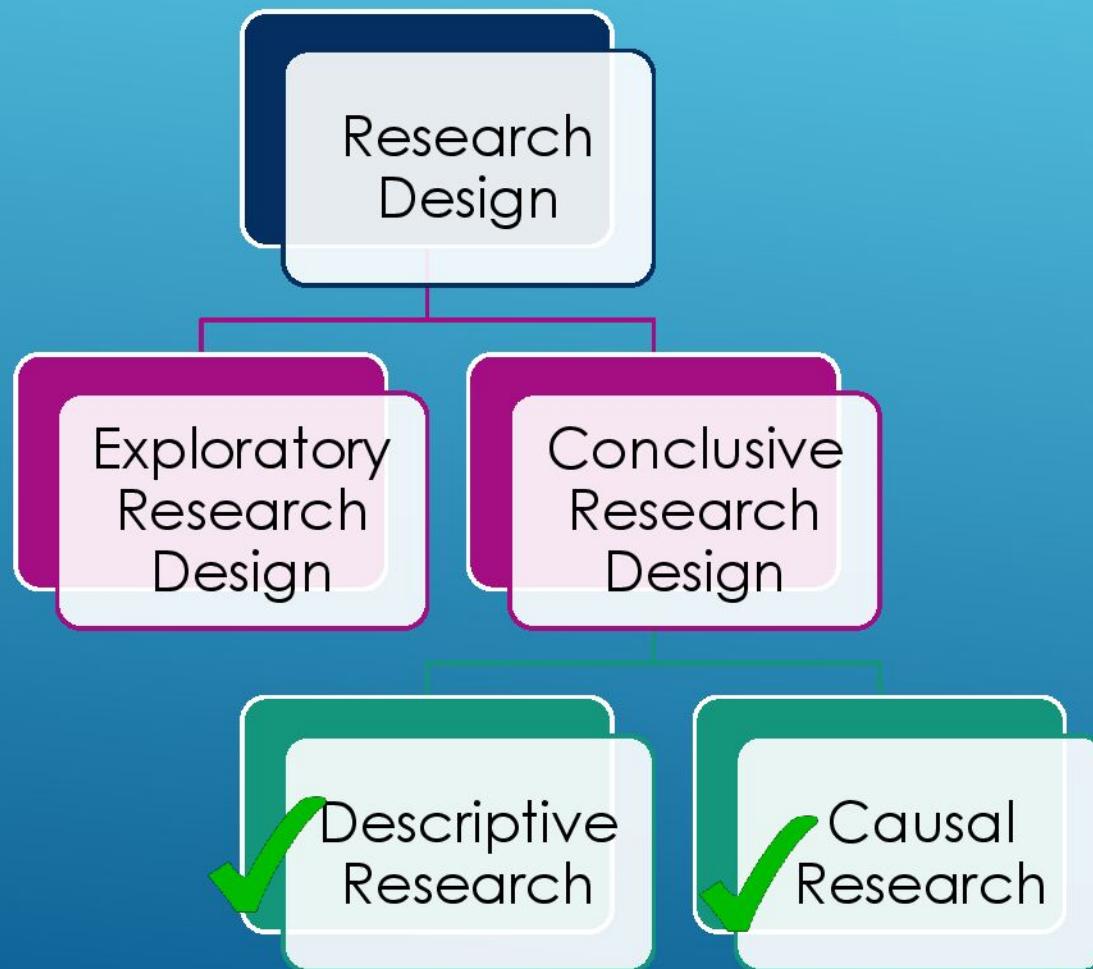
## ► **Conclusive Research**

- Based on large representative samples and the data obtained are subjected to quantitative analysis
- Findings are conclusive in nature and used as input into managerial decision making
- It may be either Descriptive or Causal

# EXPLORATORY RESEARCH VS. CONCLUSIVE RESEARCH

Objective	<u>Exploratory</u> Provide insights and understanding	<u>Conclusive</u> To test specific hypotheses and examine relationships
Characteristics	Information needed is defined loosely. Research process is flexible & unstructured. Sample is small & non-representative. Analysis of primary data is qualitative	Information needed is clearly defined. Research process is formal & structured. Sample is large & representative. Data analysis is quantitative
Finding / results	Tentative	Conclusive

# CLASSIFICATION OF RESEARCH DESIGN



# CLASSIFICATION OF RESEARCH DESIGN

## ► **Descriptive Research**

- A type of conclusive research, aimed at describing something- usually market characteristics or functions
- Descriptive Research is conducted to:
  - Decide the characteristics of relevant groups – consumers, salespeople, market areas, organizations etc.
    - E.g. Frequent Shoppers/ Weekend Shoppers in a retail store
  - Estimate the % of units in a specified population exhibiting certain behavior
    - E.g. % of shoppers visits only in the weekend/ prefer discount offers

# CLASSIFICATION OF RESEARCH DESIGN

## ► Descriptive Research

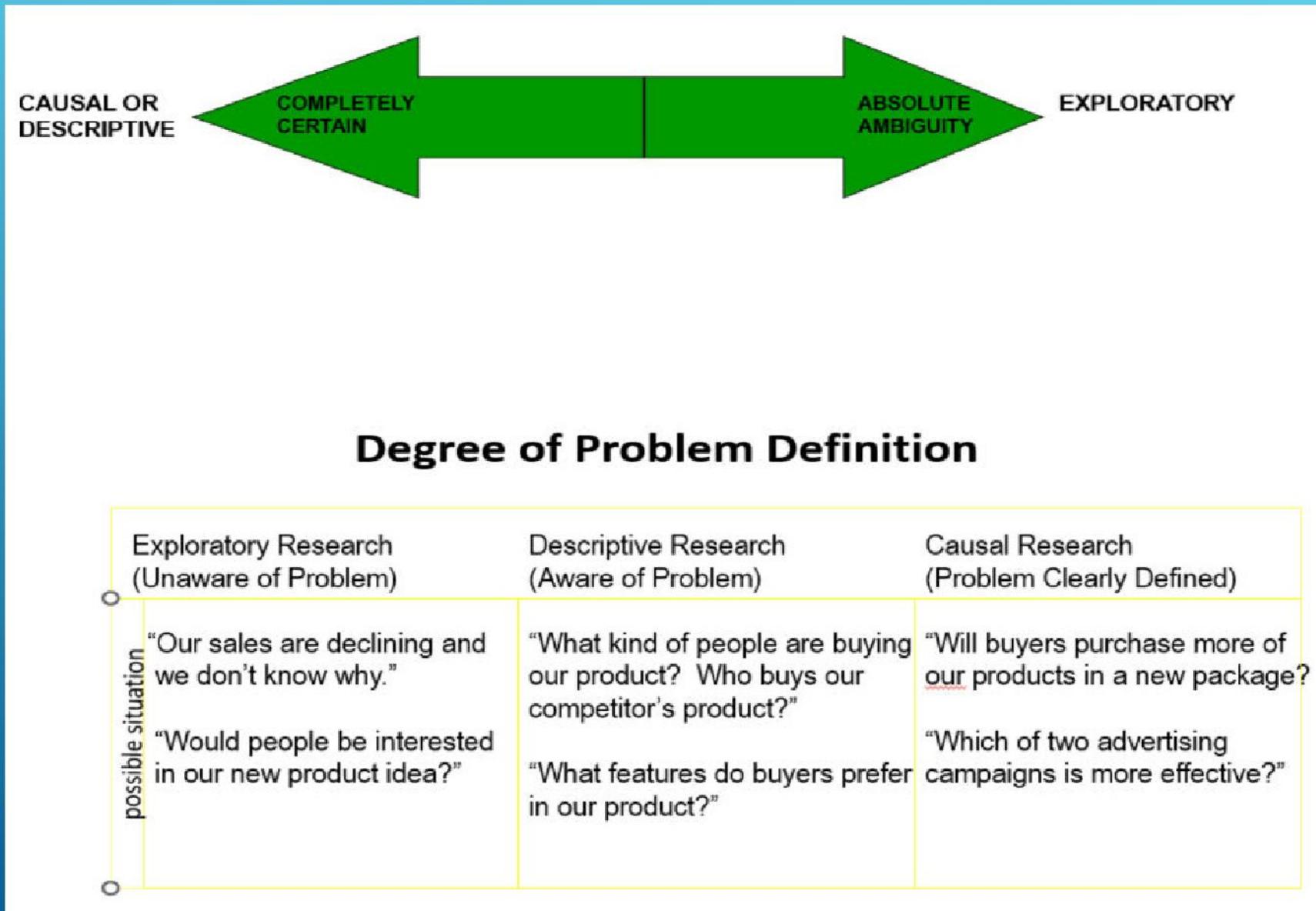
- ▶ Determine the perceptions of product characteristics
  - ▶ E.g. Perceptions of shoppers towards different factors of retail store
- ▶ To determine the degree to which marketing variables are associated
  - ▶ E.g. Relevance of shopping with eating out/ entertainment options nearby
- ▶ To make specific predictions
  - ▶ E.g. How much sales can be generated in specified period

# CLASSIFICATION OF RESEARCH DESIGN

## ► **Causal Research**

- ▶ A type of conclusive research, aimed at obtaining evidence regarding cause & effect relationships
- ▶ Causal research helps marketer to:
  - ▶ Understand which variables are the cause (independent variables) and which variables are the effect (dependent variables) of a phenomenon
  - ▶ Determine the nature of the relationship between the causal variables and the effect to be predicted
- ▶ It involves manipulation of one or more independent variables and measure its effect on dependent variables
- ▶ The main method of causal research is experimentation

# HOW UNCERTAINTY AFFECTS TYPES OF RESEARCH DESIGN



# TEMPORAL CLASSIFICATION OF RESEARCH DESIGN

- ▶ **Cross-sectional study**
- ▶ Various segments of a population are sampled and data are collected at a single moment in time.
- ▶ **Longitudinal study**
- ▶ A survey of respondents at different times, thus allowing analysis of response continuity and changes over time.
- ▶ **Tracking study**: Uses successive samples to compare trends and identify changes in variables such as consumer satisfaction, brand image, or advertising awareness
- ▶ **Consumer panel**: A survey of the same sample of individuals or households to record (in a diary) their attitudes, behavior, or purchasing habits over time

# MARKETING RESEARCH TECHNIQUES

- ▶ Designed to **reveal** a target audience's range of **behavior** and the **perceptions** that drive it with reference to specific topics or issues
- ▶ It uses individual depth interviews and focus groups to **discover** certain **feelings**, **beliefs**, **values** and **attitudes** that are important for customers
- ▶ The goal is to gain insight, explore the depth, richness, and complexity of the research problem

## QUALITATIVE RESEARCH



- ▶ The dynamic nature of the interview or group discussion process, which **engages respondents more actively** than is possible in more structured survey
- ▶ The opportunity to **investigate** ("Help me understand **why** you feel that way") enabling the researcher to reach beyond initial responses and rationales

## UNIQUE ASPECTS OF QUALITATIVE RESEARCH



- ▶ The opportunity to observe, record and interpret **non-verbal communication** (i.e., body language, voice modulation) as part of a respondent's feedback, which is valuable during interviews or discussions, and during analysis
- ▶ The opportunity to engage respondents in "play" such as **projective techniques and exercises**, overcoming the self-consciousness that can inhibit **spontaneous reactions** and comments

## UNIQUE ASPECTS OF QUALITATIVE RESEARCH

► **Direct observation:**

- A researcher studies people as they go about their daily lives without participating or interfering.
- This type of research is often unknown to those under study, and as such, must be conducted in public settings where people do not have a reasonable expectation of privacy.
- For example, a researcher might observe the ways in which consumers shop in organized retail compared to the unorganized retail store

## METHODS OF QUALITATIVE RESEARCH



- ▶ **Open-ended surveys:**

- ▶ Surveys with open-ended questions that allow for the collection and analysis of qualitative data.
- ▶ For example, a survey might be used to investigate not just which products they chose, but also why they chose them, in their own words.

## METHODS OF QUALITATIVE RESEARCH



► **Focus group:**

- A researcher engages a small group of participants in a conversation designed to generate data relevant to the research question.
- Focus groups can contain anywhere from 5 to 15 participants.

## METHODS OF QUALITATIVE RESEARCH



► **In-depth Interviews:**

- Researchers conduct in-depth interviews by speaking with participants in a one-on-one setting.
- Researcher can approach the interview with a predetermined list of questions or topics for discussion and allow the conversation to evolve based on how the participant responds.

## METHODS OF QUALITATIVE RESEARCH



- ▶ **Participant observation :**

- ▶ It is similar to observation, however with this one, the researcher also participates in the action or events in order to not only observe others but to gain first-hand experience in the setting.

## METHODS OF QUALITATIVE RESEARCH



- ▶ These experiments are sometimes referred to as true science, and use traditional mathematical and statistical means to measure results conclusively.
- ▶ It is an excellent way of finalizing results and proving or disproving a hypothesis.
- ▶ It is useful for testing the results gained by a series of qualitative experiments, leading to a final answer, and a narrowing down of possible directions for follow up research to take.

## QUANTITATIVE RESEARCH



- ▶ **Descriptive Design :**
  - ▶ It seeks to describe the current status of a variable
  - ▶ The researcher does not begin with a hypothesis, but typically develops one after the data is collected.

## METHODS OF QUANTITATIVE RESEARCH



► **Correlational Design :**

- It explores the relationship between variables using statistical analyses
- However, it does not look for cause and effect and therefore, is also mostly observational in terms of data collection.

## METHODS OF QUANTITATIVE RESEARCH

► **Quasi-Experimental/ Causal Design :**

- It seeks to establish a cause-effect relationship between two or more variables.
- Control groups are identified and exposed to the variable.
- Results are compared with results from groups not exposed to the variable.

# METHODS OF QUANTITATIVE RESEARCH

# SAMPLING

- ▶ Sampling is the method of choosing a smaller, representative group of respondents with which to conduct research instead of the whole population.
- ▶ Sampling reduces the cost and time to carry out research. Careful sampling can provide reliable data about the population.

# SAMPLING METHODS

## **Random sampling**

Everyone in the population has an equal chance of being chosen to be in the sample.

## **Quota sampling**

People in the sample are chosen to reflect the proportions of different groups in the target market e.g. 80% over 60s, 20% under 60s when researching the market for mobility aids.

## **Stratified sampling**

The appropriate market segment is first selected, for example, married men, then the sample is randomly selected from this segment.

# SAMPLING METHODS

## **Cluster sampling**

This uses random sampling from a specific area or cluster e.g. tourist towns when researching leisure hotels.

## **Convenience sampling**

This simply means using a sample of willing volunteers. This method often results in bias and may only produce small samples.

## **Systematic sampling**

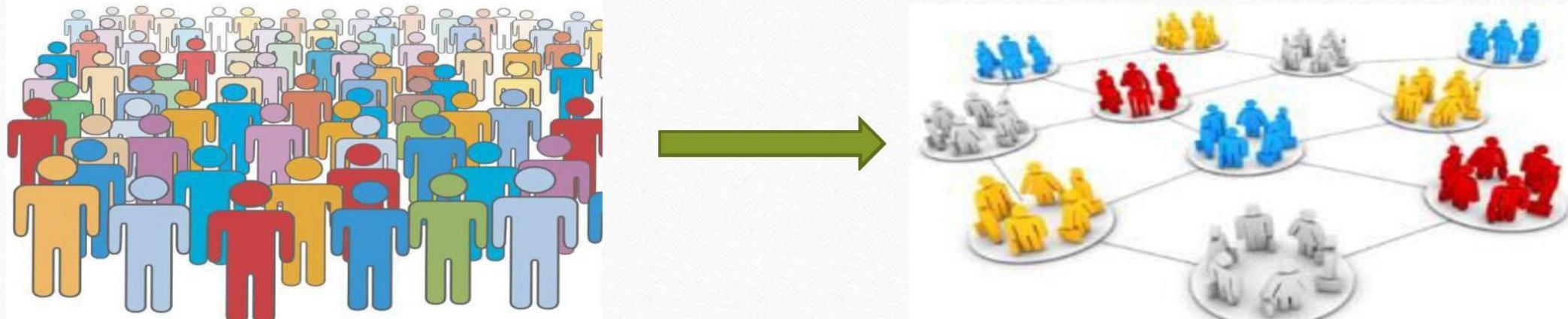
Every  $n^{\text{th}}$  person is selected from a list of the population. This can be costly if the sample is widespread.

# Internet Marketing

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# Market Segmentation

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## **Classic Marketing Segmentation**

Geographic

Demographic

Behavioral

Psychographic

# Traditional Market Characteristics

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- Vertical relationship between brand & its customers
  - Flow of Innovation and Communication
- Unilateral decisions made by marketers without the consent of their customers
- The involvement of customers is limited through inputs in market research

# Digital Market Characteristics

- Socially connected customers through horizontal webs of communities
  - *Communities* are the New *Segments*

## Few Highlights of the Article:

- Johnson's needs to win and keep the trust of the **new parent**
- In the past, the brand was reactionary, which didn't quite serve it well. Today it's more **proactive**
- New Approach: **cultivation of communities** of people with micro-influencers who advocate on its behalf
- Company is tapping into **WhatsApp** groups like **Voice of Moms**

The screenshot shows a news article from ET BrandEquity. The header features the ET BrandEquity logo and a sub-header 'An initiative of The Economic Times'. The main title is 'The billion dollar baby' with a subtitle 'Can J&J leapfrog its already large baby care business, banking on an online network of mums?'. Below the title is the author's name 'Delshad Irani' and the publication date 'July 11, 2018, 07:15 IST'. There are social sharing buttons for Facebook, Google+, LinkedIn, and Twitter. The main content features a large image of a baby wearing red boxing gloves. To the right of the article, there is a sidebar with a 'Subscribe' button, a 'Trending In Business' section, and a 'RIP Tata Nano' news snippet.

# Digital Market Characteristics

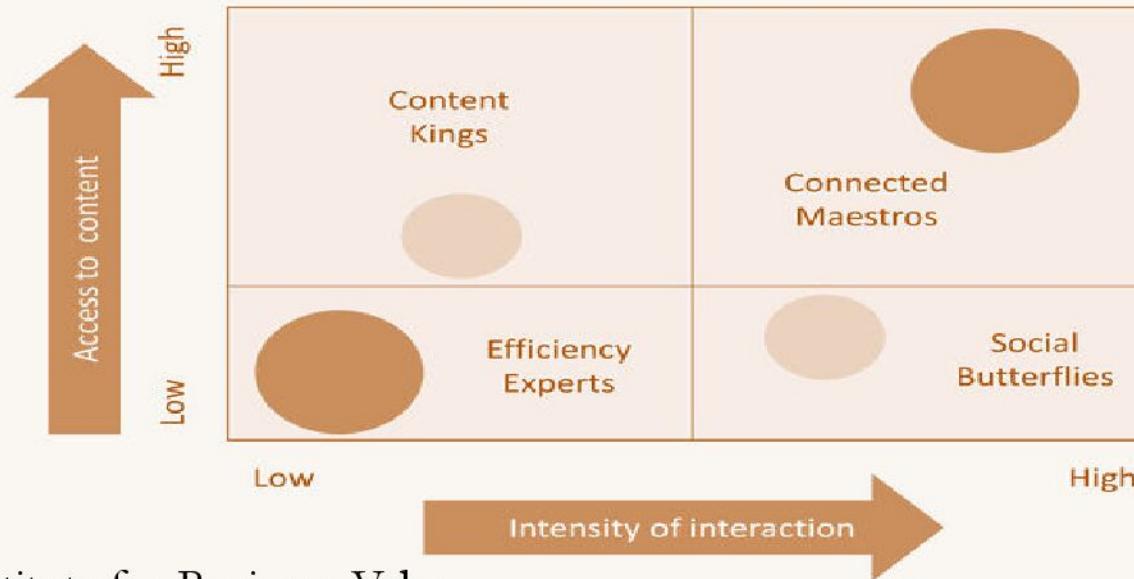
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- Socially connected customers through horizontal webs of communities
  - *Communities* are the New *Segments*
- Permission Marketing (Choice to opt-in to receive promotional message)
  - Brands must act as friends with sincere desire to help
- Horizontal & two-way interactive relationship between brands and customers

# Digital Consumer Segmentation

## CUSTOMER SEGMENTATION

Digital Consumer Segmentation Analysis



Source:

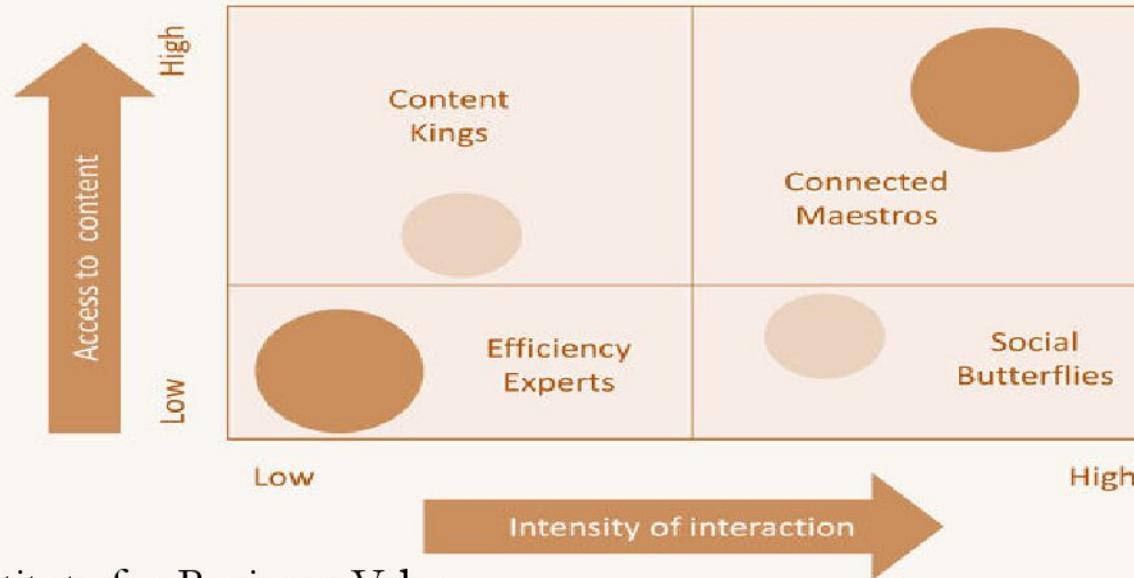
IBM Institute for Business Value

- **Efficiency Experts:** see the adoption of digital devices and services as a way to make life easier
  - **Behavior:** Sending Email instead of Letters, accessing news, magazines and video content online, creating a profile on a social networking sites, and substituting in-store experiences with shopping online

# Digital Consumer Segmentation

## CUSTOMER SEGMENTATION

Digital Consumer Segmentation Analysis



Source:

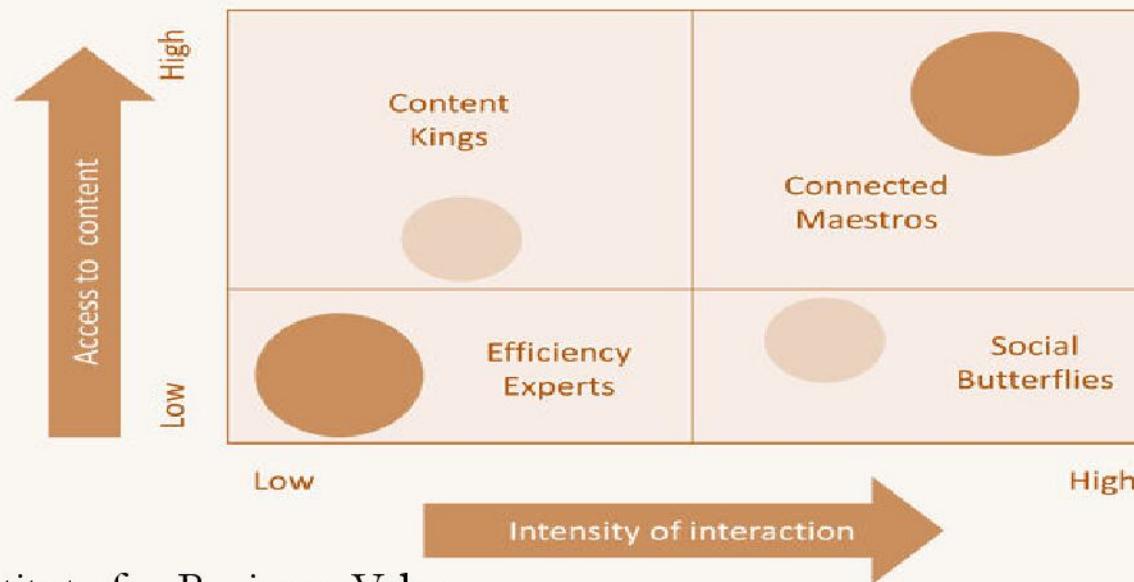
IBM Institute for Business Value

- **Content Kings:** includes dedicated gamers, news-hunters, movie-buffs, music lovers and TV fans
  - **Behavior:** They often watch TV shows and movies online, frequently download music or listen to streaming music online, and regularly play online games alone and/or with others.
  - They want an “all-access pass” to content.

# Digital Consumer Segmentation

## CUSTOMER SEGMENTATION

### Digital Consumer Segmentation Analysis



Source:

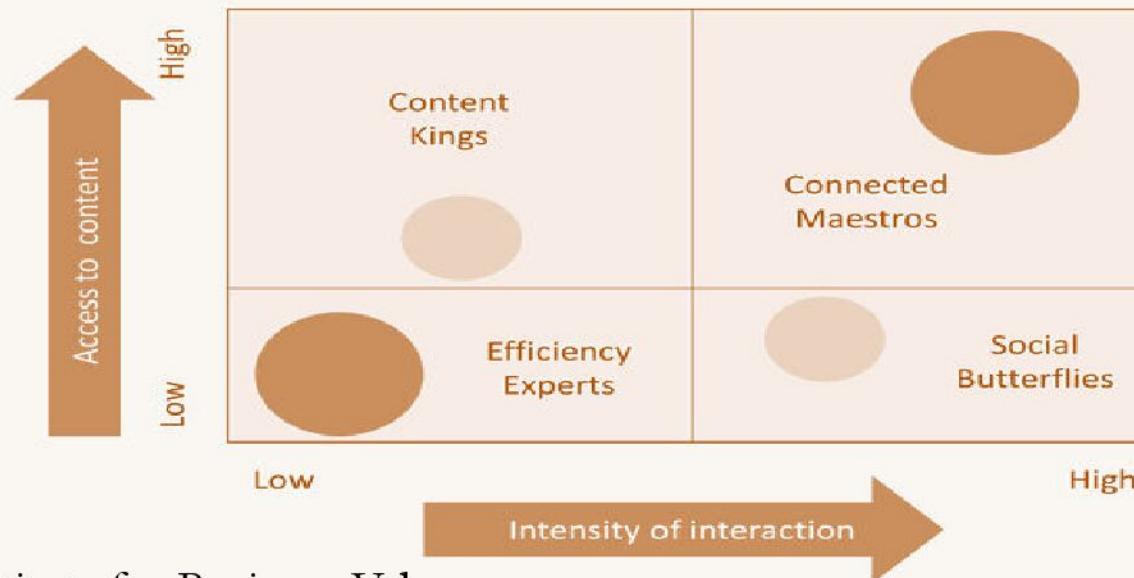
IBM Institute for Business Value

- **Social Butterflies:** They cannot imagine not being able to instantly access any of their friends, regardless of time or place.
  - **Behavior:** They maintain/update a profile on a social networking sites regularly, visit social networking sites religiously, frequently add labels or “tags” to online photos and web pages, and often view videos from other users (on YouTube/ FB/ Instagram etc.)

# Digital Consumer Segmentation

## CUSTOMER SEGMENTATION

Digital Consumer Segmentation Analysis



Source:

IBM Institute for Business Value

- **Connected Maestros:** They combine the behaviors common to Content Kings and Social Butterflies with even more sophisticated behaviors.
  - **Behavior:** They more frequently consume media contents (like games, music or video) via mobile devices; access multiple apps via mobile devices; and regularly check news, weather, sports scores and information searches via mobile devices.
  - They are Early Adopters and with their “always on” behaviors, are a window into the future

# Brand Positioning for Digital Consumers

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- Positioning – a compelling promise of brand to win the customers' minds and hearts
- ***Key Success factor in Traditional marketing*** – consistent communication of brand identity in a repetitive manner
- ***Key Success factor in Digital marketing*** – community driven, dynamic communication with consistency in brand character and value
  - E.g. [Dabur video 1](#), [Dabur video 2](#)

# Marketing Mix for Digital Consumers

## 4Cs

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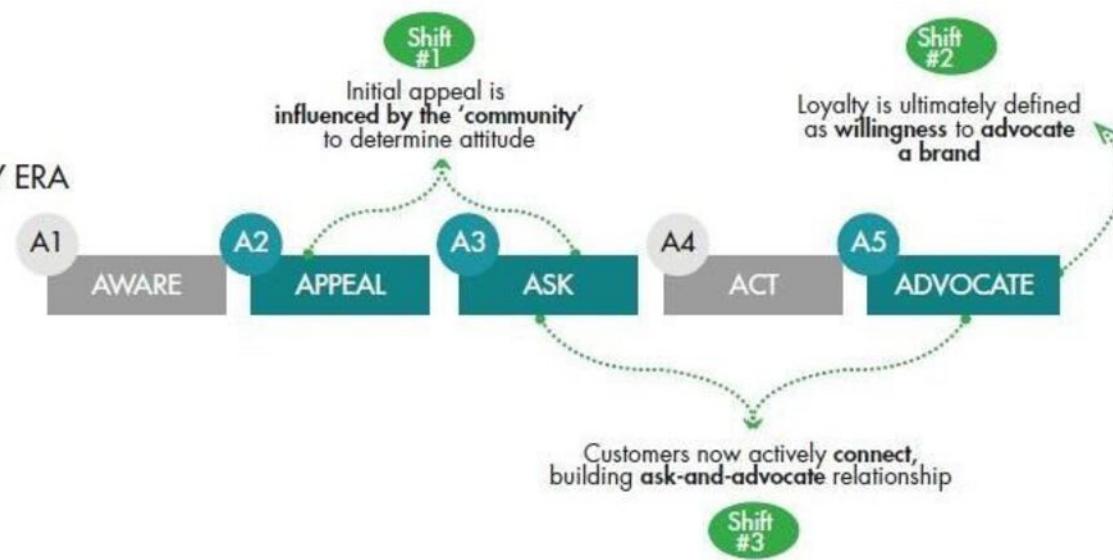
- **Co-creation**
  - Involving customers early in the Ideation stage
  - Superior value through customization and personalization
- **Currency**
  - Dynamic Pricing (E-Commerce)
- **Communal Activation**
  - Easy access of the products to customers through other customers (Ola, OYO Rooms sharing the codes)
- **Conversation**
  - Interaction of customers with brands along with the other customers.

# Changes in the Customer path

## PRE-CONNECTIVITY ERA



## CONNECTIVITY ERA



# Significance of Internet as a Marketing Tool

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- **Better Control over your budget**
  - Marketers can decide how much they want to spend, and pay only when someone clicks or view their ad
  - Lower cost compared to traditional medias like TV, Radio or Print
- **Real Time Results**
  - Marketer can see
    - The numbers of visitors to their site and its subscribers increase
    - Peak trading times
    - Conversion rates and much more at the touch of a button

# Significance of Internet as a Marketing Tool

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- **Design & Content Flexibility**

- Changes can be done in between the ad campaign
- Advantage of different ad formats and features to customize the ads as per different business goals, like adding a clickable "Call" button to the ads to get more phone calls, or using video ads to showcase the brand.

- **Level playing field**

- Any business can compete with any competitor regardless of size
- Smooth customer journey and fantastic service, thus service is king – not the size

# Significance of Internet as a Marketing Tool

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- **Better Targeting**

- Enables Marketer to choose the target audience to whom the Ad should be displayed, based on the data analytics

- **Greater engagement**

- Two way communication
- Integration of multiple tools: contents, images, videos, games, chats, apps etc.

# Significance of Internet as a Marketing Tool

---

- **Easy to Measure**

- Real time performance indicators
- FB Business Manager, Google Analytics etc.

- **Greater exposure**

- Once posted online, business can be seen anywhere in the world from one marketing campaign

# Significance of Internet as a Marketing Tool

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- **Viral Effect**

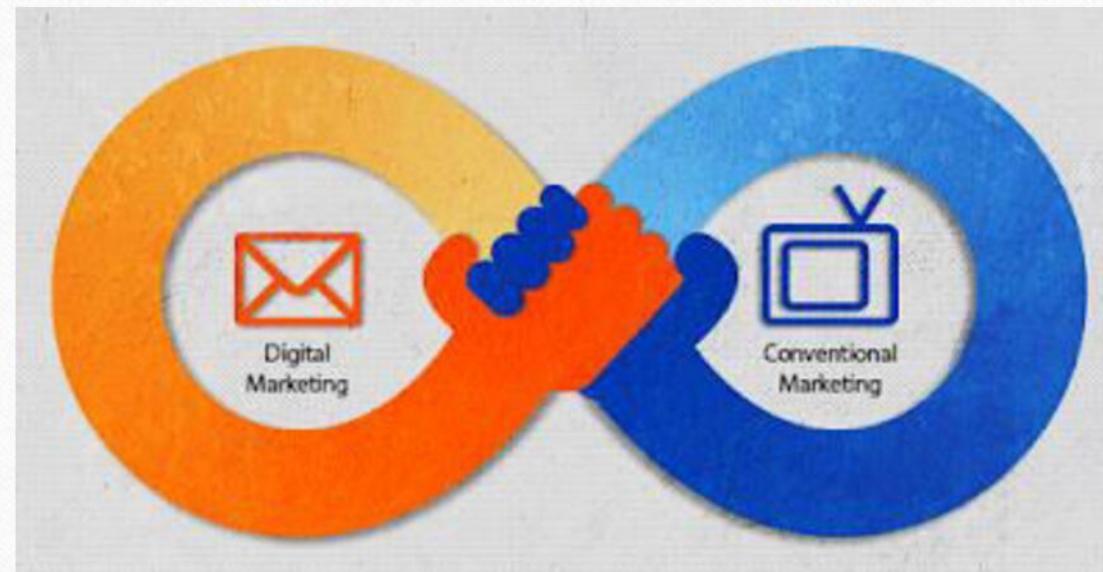
- Using social media share buttons on the website, email and social media channels enables marketer to share the message quickly, compared to flyer or brochure.

- **Helps in developing the Brand**

- A well maintained website and social media pages with quality content targeting the needs and adding value to the target audience can provide significant value and lead generation opportunities.

# How to Use Both Digital & Traditional Marketing

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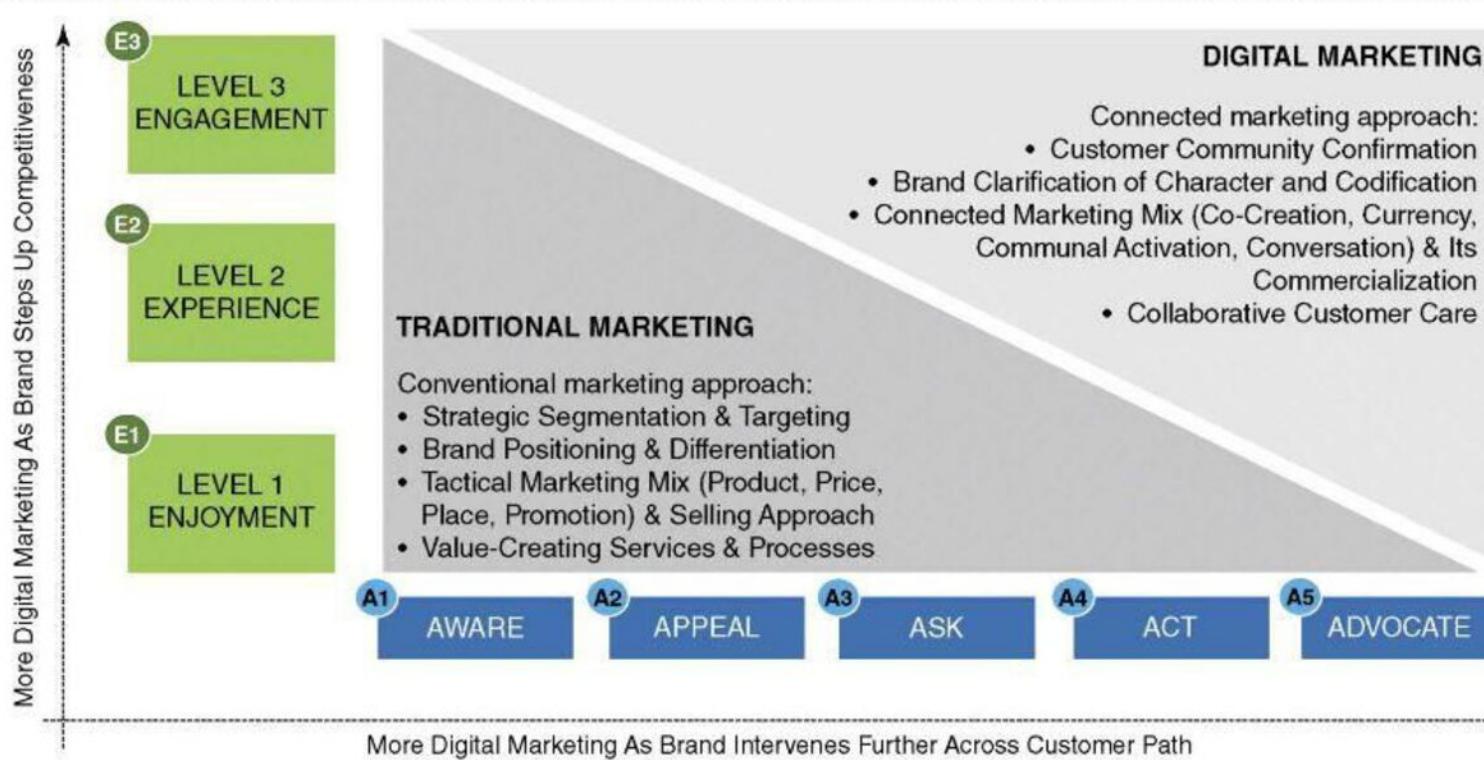
# How to Use Both Digital & Traditional Marketing

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- Traditional marketing methods support the digital marketing efforts. The two do not operate in exclusion from each other.
- We can use hard copy marketing materials to further strengthen a relationship with a contact, referral partner or client.
- Rather than taking an all or nothing approach, it appears that a multi-channel approach that leverages the unique benefits of paper with the convenience and accessibility of digital will perform best.

E.g. [Kellogg's Video](#)

# Interchanging Roles of Traditional and Digital Marketing



# Behavioral & Contextual Targeting

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- **Behavioral Targeting**

- Ads follow user on various websites they visit or apps they use
- Ads are delivered to the sites/ apps based on the user's web-browsing behavior, such as:
  - User's clickstream data
  - The IP address and personal information
  - The frequency of online activity

Marketers focus on showing the ads only to the users interested in relevant contents.

# Behavioral & Contextual Targeting

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- **Contextual Targeting**

- Marketers places advertisements where they are **in context with the content** of the host website or page
- Ads do not follow users on the websites/ apps they visits, as ad depends on the contents and keywords of the websites/ apps

# Categories of Digital/ online marketing communications

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- Web sites
- Search ads/ promotion
- Display ads
- E-mail
- Social Media
- Mobile Marketing

# Categories of Digital/ online marketing communications

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- Web sites
  - Ease of use
    - Site downloads quickly
    - First page is easy to understand
    - It is easy to navigate to other pages that open quickly

# Categories of Digital/ online marketing communications

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- Web sites
  - Physical attractiveness
    - Individual pages are clean & not crammed with content
    - Typefaces and font sizes are readable
    - The site makes good use of color/ sound

# Categories of Digital/ online marketing communications

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- Web sites
  - Microsites
    - Individual Web pages or clusters of pages that function as supplements to a primary site
    - **E.g.** Van Heusen - Most Fashionable Professional

# Key Design Elements of a Web site

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

# Categories of Digital/ online marketing communications

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- Search Ads/ Promotion
  - Paid search or pay-per-click ads
    - Marketers bid in a continuous auction on search terms that serve as a proxy for the consumer's product or consumption interests.
    - Advertisers pay only if people click on the links, but marketers
    - E.g. Snickers, Kleenex

# Categories of Digital/ online marketing communications

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- Search Ads/ Promotion
  - Search engine optimization (SEO)
    - Activities designed to improve the likelihood that web-link for a brand is as high as possible in the rank order of **nonpaid/ organic search results**, when consumers search for relevant terms.
    - **On-page Optimization** – Website, Keywords, Meta Tags
    - **Off-page Optimization** - Results are also influenced by what other sites are saying about ours (Backlinks, Social Media, Blogging, Directory Submission, Social Bookmarking, Business Reviews

# Categories of Digital/ online marketing communications

---

- Display Ads
  - Banner Ads
    - Vertical/ Horizontal/ Expandable/ Pop-ups
  - Contextual Ads
    - Market places advertisements where they are in context with the content of the host website or page
  - Behavioral Ads
    - Ads follow user on various websites they visit or apps they use

# Categories of Digital/ online marketing communications

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## Emails

- How to Maximize the Marketing Value of E-mails
  - Give the customer a reason to respond
  - Personalize the content of your e-mails
  - Offer something instead of direct mail
  - Make it easy to opt and unsubscribe
  - Combine e-mail and social media

# Categories of Digital/ online marketing communications

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## Social Media

- Means for consumers to share text, images, audio, and video information with each other and with companies, and vice versa
  - Online communities and forums
  - Blogs (individual blogs and blog networks)
  - Social networking Platforms (Facebook, Twitter, Instagram, YouTube, LinkedIn etc.)

# Categories of Digital/ online marketing communications

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## E-WOM (Word of Mouth)

- Identify and devote effort to influencers
- Supply key people with product samples
- Work through community influencers
- Develop WOM referral channels
- Provide compelling info to pass along



# Business Marketing



## Business Markets



- Consists of all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others



## How Business Markets differ from Consumer Markets?

- Fewer, larger buyers
- Close supplier–customer relationships
- Professional purchasing
- Multiple buying influences
- Multiple sales calls
- Derived demand
- Inelastic demand
- Fluctuating demand
- Geographically concentrated buyers
- Direct purchasing

## B2B Marketing Vs. B2C Marketing

	<b>Business-to-Business Marketing</b>	<b>Consumer Marketing</b>
<b>Product</b>	Relatively technical in nature; exact form often variable; accompanying services very important	Standardized form; service important but less than for business products
<b>Promotion</b>	Emphasis on personal selling	Emphasis on advertising
<b>Distribution</b>	Relatively short, direct channels to market	Product passes through a number of intermediate links en route to consumer
<b>Customer Relations</b>	Relatively enduring and complex	Comparatively infrequent contact; relationship of relatively short duration
<b>Decision-making Process</b>	Diverse group of organization members makes decision	Individual or household unit makes decision
<b>Price</b>	Competitive bidding for unique items; list prices for standard items	List prices

## Business Buying Behaviour

- It is the decision making process by which formal organizations establish the need for purchasing products & services and identify, evaluate & choose among alternative brands and supplies.

# Business Buying situations

## ▪ **Straight Rebuy:**

- Purchasing dept. reorders items like office supplies and bulk chemicals on a routine basis and chooses from suppliers on an approved list.
- Suppliers make an effort to maintain product and service quality and often propose automatic reordering systems to save time.
- Out/ Prospective suppliers attempt to offer something new or exploit dissatisfaction with a current supplier.
- Their goal is to get a small order and then enlarge their purchase share over time.

## Business Buying situations

- **Modified Rebuy:**
  - Change of product specifications, prices, delivery requirements, or other terms
  - In-suppliers (existing) become nervous and want to protect the account.
  - Out-suppliers (prospective) see an opportunity to propose a better offer to gain some business

# Business Buying situations

- **New Task:**

- Purchasing dept. buys a product or service for the first time (E.g. an office building, a new technology or security system).
- The greater the cost or risk, the larger the number of participants, and the greater their information gathering—the longer the time to a decision.

# Business Buying Center

- **Initiators**

- Users or others in the organization who request that something be purchased.

- **Users**

- Those who will use the product or service.

- **Influencers**

- People who influence the buying decision, often by helping define specifications and providing information for evaluating alternatives (e.g. Technical people or departmental experts).

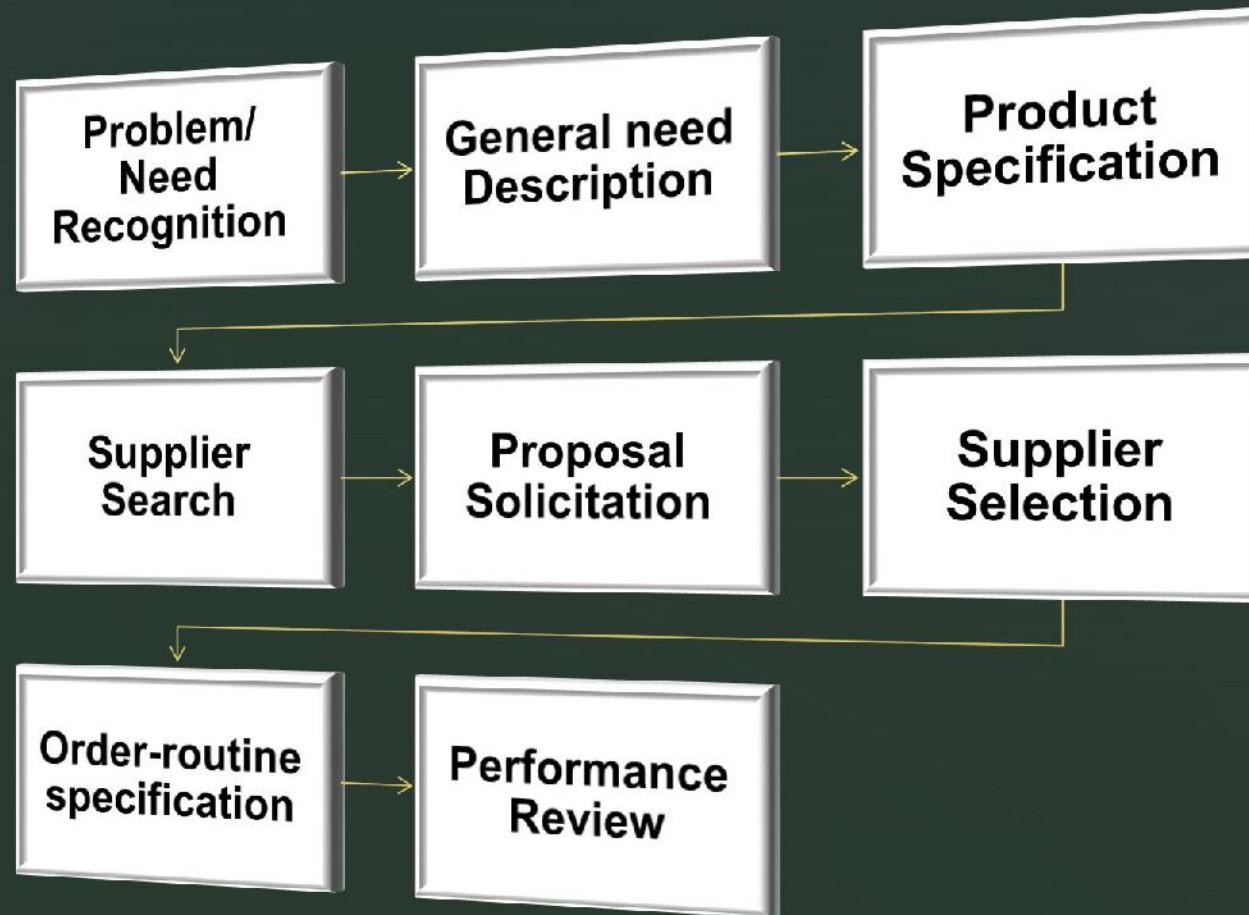
- **Deciders**

- People who decide on product requirements or on suppliers.

# Business Buying Center

- **Approvers**
  - People who authorize the proposed actions of deciders or buyers.
- **Buyers**
  - People who have formal authority to select the supplier and arrange the purchase terms.
  - Buyers may help shape product specifications, but they play their major role in selecting vendors and negotiating.
  - In more complex purchases, buyers might include high-level managers.
- **Gatekeepers**
  - People who have the power to prevent sellers or information from reaching members of the buying center.
  - **E.g.** purchasing agents, receptionists, and telephone operators may prevent salespersons from contacting users or deciders.

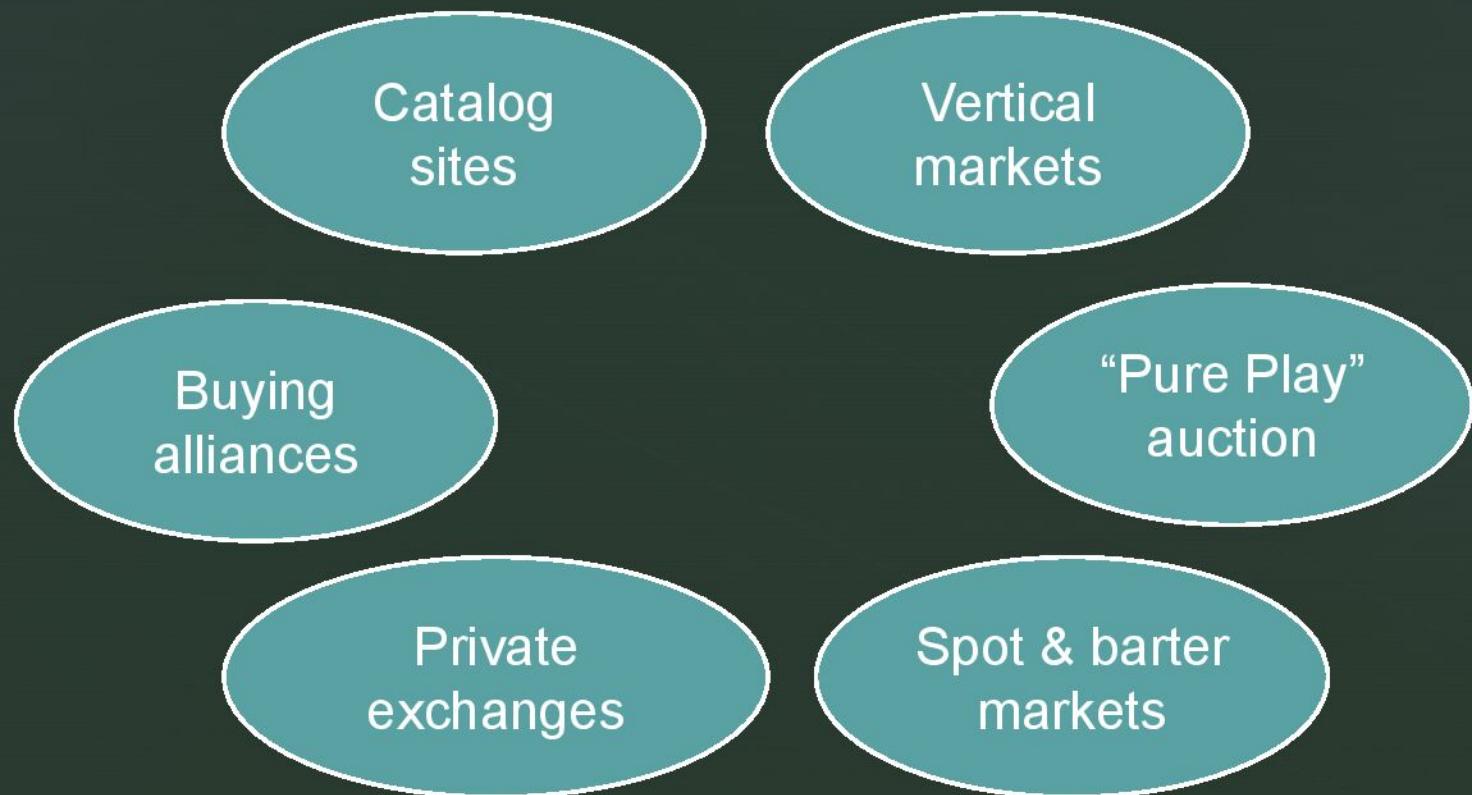
## Stages in the Industrial/ Organizational Buying Process



# Stages in the Buying Process

- Problem recognition
  - Someone in the company recognizes a problem or need that can be met by acquiring a good or service
- General need description and product specification
  - Next, the buyer determines the needed item's general characteristics, required quantity, and technical specifications

# Stages in the Buying Process



# Stages in the Buying Process

- **Catalog sites.** Companies can order thousands of items through electronic catalogs, such as W. W. Grainger's, distributed by e-procurement software.
- **Vertical markets.** Companies buying industrial products such as plastics, steel, or chemicals or services such as logistics or media can go to specialized Web sites called e-hubs. Plastics.com allows plastics buyers to search the best prices among thousands of plastics sellers.
- **“Pure Play” auction company.** Ritchie Bros. Auctioneers is the world's largest industrial auctioneer, with 44 auction sites worldwide. It sold \$3.8 billion of used and unused equipment at more than 356 unreserved auctions in 2013, including a wide range of heavy equipment, trucks, and other assets for the construction, transportation, agricultural, material handling, oil and gas, mining, forestry, and marine industry sectors.

# Stages in the Buying Process

- **Spot (or exchange) markets.** On spot electronic markets, prices change by the minute. Intercontinental Exchange (ICE) is the leading electronic energy marketplace and soft commodity exchange with billions in sales.
- **Barter markets.** In barter markets, participants offer to trade goods or services.
- **Private exchanges.** Hewlett-Packard, IBM, and Walmart operate private exchanges to link with specially invited groups of suppliers and partners over the Web.
- **Buying alliances.** Several companies buying the same goods can join together to form purchasing consortia to gain deeper discounts on volume purchases. TopSource is an alliance of firms in the retail and wholesale food-related businesses.

## E-procurement

- Vertical hubs
- Functional hubs
- Direct extranet links to major suppliers
- Buying alliances
- Company buying sites



# Stages in the Buying Process

- **Proposal solicitation**
  - The buyer next invites qualified suppliers to submit written proposals
- **Supplier selection**
  - Before selecting a supplier, the buying center will specify and rank desired supplier attributes

# A supplier-evaluation model

TABLE 7.2

An Example of Vendor Analysis

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

# Supplier selection

- **Overcoming price pressures**
  - Solution selling
  - Risk and gain sharing
- **Number of suppliers**



# Stages in the Buying Process

- Order-routine specification
  - After selecting suppliers, the buyer negotiates the final order, listing the technical specifications, the quantity needed, the expected time of delivery, return policies, warranties, etc.
- Performance review
  - The buyer periodically reviews the performance of the chosen supplier(s)

## Factors Influencing Organizational Buying Decisions

- Purchase Policy & Rules
- Group Decisions
- Buying Situations
- Personal Factors
- Environmental Factors
- External Regulators
- Negotiations & Contracts

# Developing Effective b2b Marketing Programs

- **Communication and branding activities**
  - Importance of corporate brand identity
- **Systems buying and selling**
  - Total problem solution from one seller (turnkey solution)
- **Role of services**
  - Provide greater value and establish closer ties with customers

# Classification of Buyer–supplier Relationships

- **Basic buying and selling**—These are simple, routine exchanges with moderate levels of cooperation and information exchange.
- **Bare bones**—These relationships require more adaptation by the seller and less cooperation and information exchange.
- **Contractual transaction**—These exchanges are defined by formal contract and generally have low levels of trust, cooperation, and interaction.
- **Customer supply**—In this traditional supply situation, competition rather than cooperation is the dominant form of governance.

# Classification of Buyer–supplier Relationships

- **Cooperative systems**—The partners in cooperative systems are united in operational ways, but neither demonstrates structural commitment through legal means or adaptation.
- **Collaborative**—In collaborative exchanges, much trust and commitment lead to true partnership.
- **Mutually adaptive**—Buyers and sellers make many relationship-specific adaptations, but without necessarily achieving strong trust or cooperation.
- **Customer is king**—In this close, cooperative relationship, the seller adapts to meet the customer's needs without expecting much adaptation or change in exchange.

# Institutional and Government Markets

- **Institutional market**
  - Schools, hospitals, nursing homes, prisons, etc. that must provide goods and services to people in their care
- **Government organizations**
  - Are a major buyer of goods and services in most countries