



**GATE INSTITUTE OF TECHNOLOGY AND MANAGEMENT SCIENCES,
CHIGURUWADA**

MBA – SECOND SEMESTER

201-MARKETING MANAGEMENT



SEMESTER-II 201 – MARKETING MANAGEMENT

UNIT - I

MARKETING: Definition, Scope and Importance of Marketing – Marketing Concepts – Marketing Mix- Marketing Environment: Meaning, Significance of Scanning Marketing Environment, Components of Micro Environment and Macro Environment.

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UNIT-I

MARKETING

INTRODUCTION TO MARKETING

In simple words, marketing is a process which carries goods from producer to ultimate consumer. Marketing bridges the gap between consumer and producer. It is in this sense that marketing has been defined as “all the activities involved in the creation of place, time and possession utilities’.

Marketing is thus concerned with handling and transportation of goods from the point of production to the point of consumption. In this process of carrying the goods from the place of production to the place of consumption, many hindrances have to be removed. Marketing involves the creation of three types of utilities viz,

1. Place Utility:

Goods are to be taken from the place of their origin or production to the place where they are needed.

2. Time Utility:

Goods are to be made available at the time when they are needed by the consumers. It means that they are to be stored and protected against the risks of fire, rain and pests etc.

3. Possession Utility:

The ownership and possession of these goods are to be transferred from the producer to the ultimate consumer.

IN SIMPLE WORDS MARKETING MEANS CONVERTING A PRODUCT INTO MONEY BY SELLING IT TO CUSTOMERS.

DEFINITIONS OF MARKETING

Generally, marketing is understood to mean the sale and purchase of goods and services but it is narrow thinking to understand it so. The term ‘Marketing’ is very wide. It does not mean only the sale and purchase of goods and services. It means entire process of satisfying the needs of consumers. It starts with discovery of needs and wants of the consumers, and it continues, till the need and wants are satisfied.

1. According to the American Marketing Association (AMA): Board of Directors Accessed 2012, 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.

2. The Chartered Institute of Marketing (CIM). Accessed 2012: Marketing is the management process for identifying, anticipating and satisfying customer requirements profitably.

3. Dr. Philip Kotler defines: Marketing as “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

4. Paul Flanigan defines: Marketing is the act of developing an engaging relationship with every single human being that shows an interest in you.

5. Julie Barile defines: Marketing is traditionally the means by which an organization communicates to, connects with, and engages its target audience to convey the value of and ultimately sell its products and services. However, since the emergence of digital media, in particular social media and technology innovations, it has increasingly become more about companies building deeper, more meaningful and lasting relationships with the people that they want to buy their products and services. The ever-increasingly fragmented world of media complicates marketers’ ability connect and, at the same, time presents incredible opportunity to forge new territory.

6. Mary Ellen Bianco defines: Marketing includes research, targeting, communications (advertising and direct mail) and often public relations. Marketing is to sales as plowing is to planting for a farmer—it prepares an audience to receive a direct sales pitch.

7. Renee Blodgett defines: Marketing is an on-going communications exchange with customers in a way that educates, informs and builds a relationship over time. The overtime part is important because only over time can trust be created. With trust, a community builds organically around products and services and those customers become as excited about the products as you are — they become advocates, loyal evangelists, repeat customers and often, friends. Marketing is a really great way to identify what grabs people and gets them excited about your brand and give it to them, involve them in the process, and yeah, the best part, build great friendships in the process.

8. Toby Bloomberg defines: Professor Philip Kotler explained that marketing was “meeting the needs of your customer at a profit.” For me that definition extends beyond just communicating product features. Marketers are responsible for a 360-degree experience. For example, in the social media world, a customer’s Twitter needs may differ from her needs to “play with the brand” in terms of a social game promotion. Every customer touch point from customer service to sales to accounting and more are part of the “new marketing.”

9. Mark Burgess Defines: Marketing is the process by which a firm profitably translates customer needs into revenue.

10. Andrew Cohen Defines: Marketing is meeting the needs and wants of a consumer.

SCOPE OF MARKETING

When we talk about the scope of marketing, we’re referring to all the different areas that marketing encompasses. It’s not just about promotions or ads; marketing touches every aspect of a business, from product development to customer relationship management.

1. Setting Marketing Goals:

The prime task of marketing manager is to set marketing goals and objectives. Clearly and precisely defined objective can help marketing manager to direct marketing efforts effectively. The goals and objective (whether strategic and operating, or short-term and long-term) must be suitably communicated with the employees concern. As far as possible, objectives should be expressed in the quantifiable terms.

2. Selecting Target Market:

Segmenting the total market and selecting the target market is a fundamental task of marketing management. Modern marketing practice is based on the target market, and not on the total market. Marketing manager cannot satisfy the needs and wants of entire market. He must concentrate his efforts only on well-defined specific groups of customers, known as the target market. All the marketing functions are directed to cater needs and wants of the target market only. Based on company’s overall capacity, the target market should be selected.

3. Formulating Suitable Marketing Organisation:

To implement marketing plan, a suitable organisation structure is essential. On the basis of analysis of type of products, type of market, geographical concentration of

market, and many other relevant factors, appropriate organisation must be designed. Various alternative structures are available, such as product organisation, geographic organisation, functional organisation, matrix organisation, etc. Based upon requirements, the appropriate structure should be prepared and modified as per needs.

4. Maintaining Healthy Relations with other Departments:

Marketing department needs cooperation from other departments of organisation, including financial department, personnel department, and production department, to satisfy customers effectively. Their support is considered to be important to satisfy consumers. Thus, for integrated efforts, marketing manager should try to establish good relations with them. Likewise, within marketing department, he must establish coordination among various personnel.

5. Establishing and Maintaining Profitable Relations with Outside Parties:

Alike internal support, the external relations are also extremely necessary. Marketer, in order to carry out marketing activities effectively, must establish and maintain healthy relations with various parties, such as suppliers, service providers, government agencies, dealers, consultants, and so forth. Without their support, marketing manager cannot carry out functions successfully. Due to important role of external relations, contemporary marketing practices can be said as relationship marketing.

6. Marketing Research Activities:

Marketing research is one of the important functions of modern marketing. Marketing research involves systematic collection, analysis, and interpretation of data on any problem related to marketing. It provides the manager with valuable information on which marketing decisions can be taken. Marketing research is essential to know adequately about consumers and market situation. It is a basic function to satisfy consumers. Marketing efforts are based on the marketing research information.

7. Sales Management:

Sales management is one of the important functions of marketing management. Sales management concerns with planning, implementation, and controlling selling efforts. It performs all the activities directly related to execution of sales. Sales department carry out selling functions. Sales department formulates sales policies, ensures

adequate quantity of products, maintains sales records, formulates structures for sales department, manages sales force (salesmen), and controls selling efforts.

8. Exercising Effective Control on Marketing Activities:

Control is essential to ensure that activities are performed as per plan. Control involves establishing standards, measuring actual performance, comparing actual performance with standards, and taking corrective actions, if needed. Control keeps the entire marketing department alert, active, and regular. Marketing manager should set up an effective controlling system to monitor marketing efforts.

9. Product Development:

Marketing plays a crucial role in product development. It's not enough to create a product and hope it sells; marketers must work closely with the product development team to ensure that the product meets customer needs. This involves identifying market gaps, developing features that provide value, and testing the product with real users before launching. To turn these insights into functional solutions, many businesses choose to hire software developers who can bring the vision to life with precision and scalability.

10. Branding:

Branding is one of the most critical aspects of marketing. It's about creating a unique identity that sets your business apart from competitors. A strong brand helps build trust and loyalty with customers. This includes your company's logo, tagline, colors, and the overall message you convey to your audience.

11. Advertising and Promotions:

While advertising is just one piece of the marketing puzzle, it's an essential one. It includes all the methods you use to promote your products or services to consumers. This could be through digital ads, TV commercials, print ads, or influencer marketing. Promotions, on the other hand, involve offering discounts, special deals, or limited-time offers to encourage sales.

12. Sales and Distribution:

Marketing is also responsible for determining how and where products will be sold. This involves choosing the right distribution channels—whether that's online stores, physical retail locations, or a mix of both. The goal is to make it as easy as possible for customers to purchase your products.

13. Digital Marketing:

In today's world, digital marketing is a vital component of the overall marketing strategy. This includes everything from search engine optimization (SEO) and content marketing to social media and email marketing. As more consumers spend time online, businesses must ensure they have a strong digital presence to stay competitive.

14. Customer Relationship Management (CRM):

Marketing doesn't end with a sale. Building and maintaining strong relationships with customers is key to long-term success. CRM systems help businesses manage customer interactions, track behaviour, and deliver personalized experiences that keep customers coming back.

15. Public Relations (PR):

Public relations are another essential part of marketing. It's all about managing a company's reputation and building a positive public image. This could involve handling media relations, responding to crises, and communicating with stakeholders through press releases or interviews.

16. Content Marketing:

Content marketing is all about creating valuable, relevant content to attract and engage your audience. This could be through blog posts, videos, infographics, or podcasts. The goal is to educate, entertain, and build trust with potential customers without directly selling to them.

17. Social Media Marketing:

Social media has transformed the way businesses interact with customers. Platforms like Facebook, Instagram, LinkedIn, and Twitter allow brands to engage with their audience in real-time, building relationships and fostering loyalty. Social media marketing involves creating content, running ads, and engaging with followers to grow your brand's presence. To make this process more efficient, many businesses also use social media automation tools, which help schedule posts, track engagement, and manage multiple platforms seamlessly.

18. Analytics and Reporting:

One of the advantages of digital marketing is the ability to measure results in real-time. Marketers can track the performance of their campaigns using analytics tools, which

provide insights into consumer behavior, engagement, and conversion rates. This allows marketers to optimize their strategies for better results.

IMPORTANCE OF MARKETING



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1. Marketing Helps in Transfer, Exchange and Movement of Goods:

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

2. Marketing Is Helpful In Raising And Maintaining The Standard Of Living Of The Community:

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living". Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society".

By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining

living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

3. Marketing Creates Employment:

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardisation, etc. In each such function different activities are performed by a large number of individuals and bodies.

4. Marketing as a Source of Income and Revenue:

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, “Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realise many dollars in total sales volume.

5. Marketing Acts as a Basis for Making Decisions:

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer.

6. Marketing Acts as a Source of New Ideas:

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

Marketing as an instrument of measurement, gives scope for understanding this new demand Pattern and thereby produce and make available the goods accordingly.

7. Marketing Is Helpful In Development Of An Economy:

Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving. The marketing organisation, more scientifically organised, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

MARKETING CONCEPTS

The marketing concept is the strategy that firms implement to satisfy customer's needs, increase sales, maximize profit and beat the competition. There are five marketing concepts that organizations adopt and execute.

Marketing is a department of management that tries to design strategies that will build profitable relationships with target consumers.

There are five alternative concepts under which organizations design and carry out their marketing strategies.

5 Marketing Concepts

- 1. Production Concept,**
- 2. Product Concept,**
- 3. Selling Concept,**
- 4. Marketing Concept,**
- 5. Societal Marketing Concept.**



1. Production Concept:

The basic proposition of the production concept is that customers will choose products and services that are widely available and are of low cost. So business is mainly concerned with making as many units as possible. By concentrating on producing maximum volumes, such a business aims to maximise profitability by exploiting economies of scale. Managers try to achieve higher volume with low cost and intensive distribution strategy. This seems a viable strategy in a developing market where market expansion is

the survival strategy for the business. Companies interested to take the benefit of scale economies pursue this kind of orientation.

In a production-orientated business, the needs of customers are secondary compared with the need to increase output. Such an approach is probably most effective when a business operates in very high growth markets or where the potential for economies of scale is significant. It is natural that the companies cannot deliver quality products and suffer from problems arising out of impersonal behavior with the customers.

Do note the production concept is a thing of the past and was used when there was very less competition. At such times, the more you produced, the more will be the consumption of the product. An example in this case is FORD, which manufactured huge number of automobiles through its manufacturing assembly line which was the first of its kind.

2. Product Concept:

The product concept proposes that consumers will prefer products that have better quality, performance and features as opposed to a normal product. The concept is truly applicable in some niches such as electronics and mobile handsets.

Two companies which stand apart from the crowd when we talk about the product concept are Apple and Google. Both of these companies have strived hard on their products and deliver us feature rich, innovative and diverse application products and people just love these brands.

One problem which has been associated with the product concept is that it might also lead to marketing myopia. Thus companies need to take innovations and features seriously and provide only those which the customer needs. The customer needs should be given priority.

In the past several of Microsoft products have been brought under the hammer with people feeling more and more disgruntled with the operating systems because of lack of innovation and new features. Each Microsoft operating system appears almost similar with just few tweaks.

On the other hand, innovating too soon becomes a problem. Several innovative products are marked as experimental in the market instead of being adopted as a result of which these products have less shelf life and might have to be taken off the market. Thus companies following the product concept need to concentrate on their technology such that they provide with excellent feature rich and innovative products for optimum customer satisfaction.

3. Selling Concept:

The selling concept holds the idea- “consumers will not buy enough of the firm’s products unless it undertakes a large-scale selling and promotion effort”.

Here the management focuses on creating sales transactions rather than on building long-term, profitable customer relationships.

In other words; The aim is to sell what the company makes rather than making what the market wants. Such aggressive selling program carries very high risks.

In selling concept the marketer assumes that customers will be coaxed into buying the product will like it, if they don’t like it, they will possibly forget their disappointment and buy it again later. This is usually very poor and costly assumption.

Typically the selling concept is practiced with unsought goods. Unsought goods are that buyers do not normally think of buying, such as insurance or blood donations.

These industries must be good at tracking down prospects and selling them on a product’s benefits.

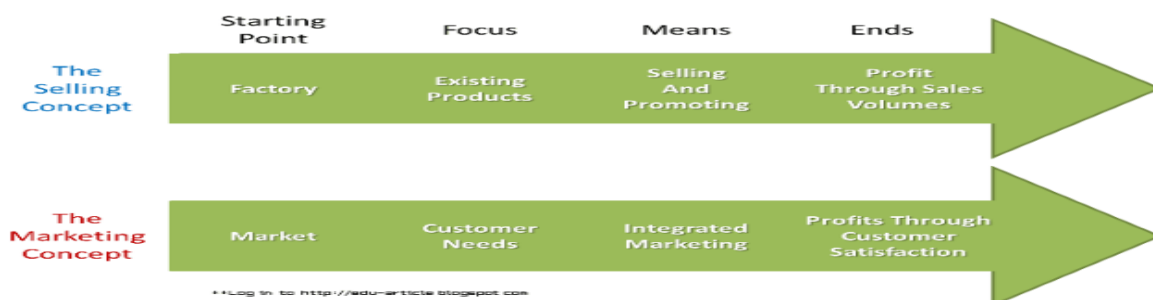
4. Marketing Concept:

The marketing concept holds- “achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do”.

Here marketing management takes a “customer first” approach. Under the marketing concept, customer focus and value are the routes to achieve sales and profits.

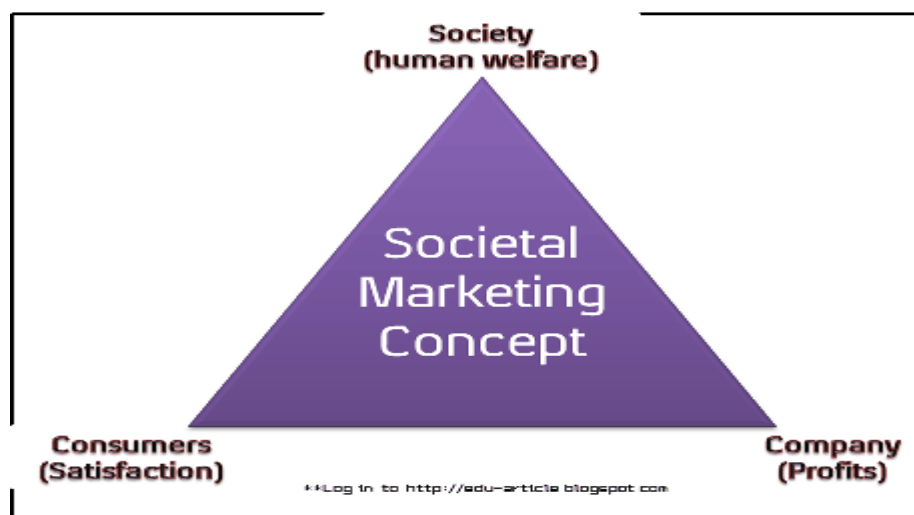
The marketing concept is a customer-cantered “sense and responds” philosophy. The job is not to find the right customers for your product but to find the right products for your customers. The marketing concept and the selling concepts are two extreme concepts and totally different from each other.

Difference between Selling Concept and Marketing Concept:



No.	The Selling Concept	The Marketing Concept
1	undertakes a large-scale selling and promotion effort	undertakes activities such as; market research,
2	The Selling Concept is suitable with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.	The Marketing Concept is suitable for almost any type of product and market.
3	Focus of the selling concept starts at the production level.	Focus of the marketing concept starts at understanding the market.
4	Any company following selling concept undertakes a high-risk	Companies that are following the marketing concept require bearing less risk and uncertainty.
5	The Selling Concept assumes –“customers who are coaxed into buying the product will like it. Or, if they don’t like it, they will possibly forget their disappointment and buy it again later.”	Instead of making an assumption, The marketing concept finds out what really the consumer requires and acts accordingly to them.
6	The Selling Concept makes poor assumptions.	Marketing concept works on facts gathered by its “market and customer first” approach.

5. Societal Marketing Concept:



The societal marketing concept holds “marketing strategy should deliver value to customers in a way that maintains or improves both the consumer’s and society’s well-being”.

It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

The Societal Marketing Concept puts the Human welfare on top before profits and satisfying the wants.

The global warming panic button is pushed and a revelation is required in the way we use our resources. So companies are slowly either fully or partially trying to implement the societal marketing concept.

MARKETING MIX (OR) 4Ps OF MARKETING



The 4Ps of marketing is a model for enhancing the components of your "marketing mix" – the way in which you take a new product or service to market. It helps you to define your marketing options in terms of price, product, promotion, and place so that your offering meets a specific customer need or demand.

Then in summary these 4 variables comprise the Marketing mix.

1. **Product** – What the company is manufacturing?
2. **Price** – What is the pricing strategy used by the company?
3. **Place** – Where is the company selling?
4. **Promotions** – How is the company promoting the product?

Marketing Mix



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1. 1P – Product:

The first thing you need, if you want to start a business, is a product. Therefore Product is also the first variable in the marketing mix. Product decisions are the first decisions you need to take before making any marketing plan. A product can be divided into three parts. The core product, the augmented product and the tertiary product. Before deciding on the product component there are some questions which you need to ask yourself.

- What product are you selling?
- What would be the quality of your product?
- Which features are different from the market?
- What is the USP of the product?
- Whether the product will be branded as sub brand or completely new?
- What are the secondary products which can be sold along with primary (Warranty, services)

Based on these questions, several **product decisions** have to be made. These product decisions will in turn affect the other variables of the mix. For example – You plan on launching a car which will have the highest quality. Thus the pricing, promotions and placing would have to be altered accordingly. Thus as long as you don't know your product, you cannot decide any other variable of the marketing mix. However, if the product features are



- What does the customer want from the product /service? What needs does it satisfy?
- What features does it have to meet these needs?
 - Are there any features you've missed out?
 - Are you including costly features that the customer won't actually use?
- How and where will the customer use it?
- What does it look like? How will customers experience it?
- What size(s), colour(s), and so on, should it be?
- What is it to be called?
- How is it branded?
- How is it differentiated versus your competitors?
- What is the most it can cost to provide and still be sold sufficiently profitably? (See also Price, below.

Pricing of a product depends on a lot of different variables and hence it is constantly updated. Major consideration in pricing is the costing of the product, the advertising and marketing

expenses, any price fluctuations in the market, distribution costs etc. Many of these factors can change separately. Thus the pricing has to be such that it can bear the brunt of changes for a certain period of time. However, if all these variables change, then the pricing of a product has to be increased and decreased accordingly.

Along with the above factors, there are also other things which have to be taken in consideration when deciding on a pricing strategy. Competition can be the best example. Similarly, pricing also affects the targeting and positioning of a product. Pricing is used for sales promotions in the form of trade discounts. Thus based on these factors there are several pricing strategies, one of which is implemented for the marketing mix.

Characteristics of Price:

- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive? Will a small decrease in price gain you extra market share? Or will a small increase be indiscernible, and so gain you extra profit margin?
- What discounts should be offered to trade customers, or to other specific segments of your market?
- How will your price compare with your competitors?

3. 3P – Place:



Place refers to the distribution channel of a product. If a product is a consumer product, it needs to be available as far and wide as possible. On the other hand, if the product is a Premium consumer product, it will be available only in select stores. Similarly, if the product is a business product, you need a team which interacts with businesses and makes the product available to them. Thus the place where the product is distributed depends on the product and pricing decisions, as well as any STP (segmentation targeting and positioning) decisions taken by a firm.

Distribution has a huge affect on the profitability of a product. Consider a FMCG company which has national distribution for its product. An increase in petrol rates by 10 rs will in fact bring about drastic changes in the profitability of the company. Thus supply chain and logistics decisions are considered as very important costing decisions of the firm. The firm needs to have a full proof logistics and supply chain plan for its distribution.

Characteristics of Place:

- Where do buyers look for your product or service?
- If they look in a store, what kind? A specialist boutique or in a supermarket, or both? Or online? Or direct, via a catalogue?
- How can you access the right distribution channels?
- Do you need to use a sales force? Or attend trade fairs? Or make online submissions? Or send samples to catalogue companies?
- What do your competitors do, and how can you learn from that and/or differentiate?

4. 4P – Promotion:



Promotions in the marketing mix includes the complete integrated marketing communications which in turn includes ATL and BTL advertising as well as sales promotions. Promotions are dependent a lot on the product and pricing decision. What is the budget for marketing and advertising? What stage is the product in? If the product is completely new in the market, it needs brand / product awareness promotions, whereas if the product is already existing then it will need brand recall promotions.

Promotions also decide the segmentation targeting and positioning of the product. The right kind of promotions affect all the other three variables – the product, price and place. If the promotions are effective, you might have to increase distribution points, you might get to increase the price because of the rising brand equity of the product, and the profitability might support you in launching even more products. However, the budget required for extensive promotions is also high. Promotions are considered as marketing expenses and the same needs to be taken in consideration while deciding the costing of the product.

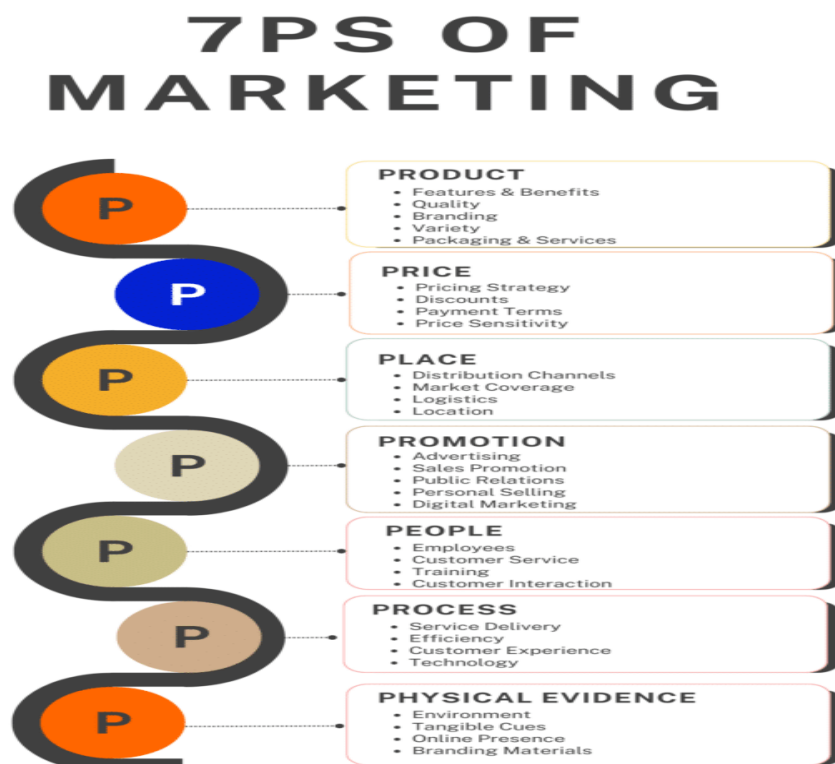
Characteristics of Promotion:

- Where and when can you get your marketing messages across to your target market?
- Will you reach your audience by advertising online, in the press, on TV, on radio, or on billboards? By using direct marketing mailshots? Through PR? On the internet?
- When is the best time to promote? Is there seasonality in the market? Are there any wider environmental issues that suggest or dictate the timing of your market launch or subsequent promotions?
- How do your competitors do their promotions? And how does that influence your choice of promotional activity?

Promotion is a very important component of marketing as it can boost brand recognition and sales. Promotion is comprised of various elements like:

- **Personal selling**
- **Public Relations**
- **Advertising**
- **Sales Promotion**

7 P'S OF MARKETING



The 4Ps of marketing (Product, Price, Place, Promotion), introduced by E. Jerome McCarthy in 1960, serve as the foundational, initial-stage framework designed primarily for manufacturing-based businesses. As the industry evolved towards service-oriented, digital, and complex consumer interactions, this model was expanded to the **7Ps (adding People, Process, and Physical Evidence)** by Booms and Bitner in 1981 to provide a more comprehensive, customer-focused strategy.

5. 5P-People:

The fifth P in the marketing mix stands for people. Like the two areas of measures to follow below, this measure is particularly important in the service sector. Consumers find it difficult to evaluate services, as these are immaterial. Which is why they look for indicators which give an idea of the quality of the service. A high quality of staff in the service sector is such an important indicator.

Therefore, when it comes to the service sector, the name of the game is finding excellent personnel and leveraging them efficiently. The reason why people are one of the marketing tools is because they are the ones frequently providing the service and the satisfaction of customers depends first and foremost on these people.

6. 6P-Process:

When it comes to process management, it is not only about just the technical processes, such as the manufacturing of a product. A very important factor is making the service an experience. For this reason, the business process has to be designed to be customer-centric and make the usage by the customer as comfortable and convenient as possible.

7. 7P-Physical Evidence:

The final and 7th P in the marketing mix is physical evidence, concerning the optimisation of the physical environment of a product or service. Especially within the service sector, the equipment plays a leading role – after all, here is where the perception of a service cannot be so easily influenced compared to a product, for instance, which can have a high-quality design or elegant haptics.

When it comes to physical evidence, it is about finding the right objects for the company's objectives that enable the visible environment of a service to positively influence the subjective awareness of the customer. The main tools for this are design, architecture, appearance, equipment and furnishings. These also allow a company to stand out from the

competition. Many service providers offer similar services, yet are different from one another in terms of their ambience.

MARKETING ENVIRONMENT

The marketing environment is an entire set of events, circumstances, and objects that have an impact on the marketing practices of an organisation. Several environmental factors have a direct impact on the organisation's marketing operations and decision-making ability. **For instance**, A car tire manufacturer's marketing environment can consist of external factors such as import-export laws, tax systems, technological changes, etc., and the internal environment such as competitors, marketing intermediaries, suppliers, the company itself, etc.

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

SIGNIFICANCE OF SCANNING MARKETING ENVIRONMENT

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

- **Essential for planning:** An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.
- **Understanding Customers:** A thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand the consumer behaviour better.
- **Tapping Trends:** Breaking into new markets and capitalizing on new trends requires a lot of insight about the marketing environment. The marketer needs to research about every aspect of the environment to create a fool proof plan.

- **Threats and Opportunities:** A sound knowledge of the market environment often gives a first mover advantage to the marketer as he makes sure that his business is safe from the future threats and taps the future opportunities.
- **Understanding the Competitors:** Every niche has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.

COMPONENTS OF MARKETING ENVIRONMENT

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





1. Internal Environment:

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

- Men
- Money
- Machinery
- Materials
- Markets

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

2. External Environment:

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

I. Micro Environment:



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

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

II. Macro Environment:



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

- **Demographic Environment:**

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

- **Economic Environment:**

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

- **Physical Environment:**

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

- **Technological Environment:**

The technological environment constitutes innovation, research and development in technology, technological alternatives, and innovation inducements also technological

barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organisation and it is very dynamic.

- **Political-Legal Environment:**

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

- **Social-Cultural Environment:**

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

UNIT-II

CONSUMER BEHAVIOUR

CONSUMER BEHAVIOR



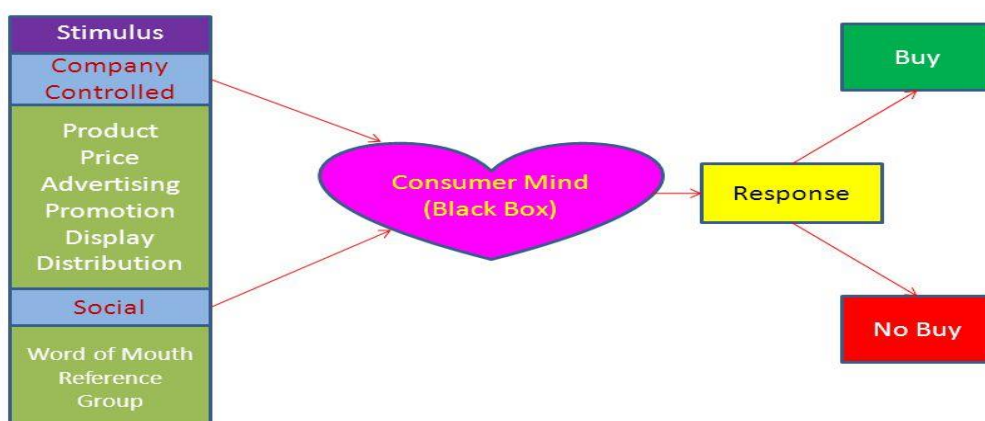
Meaning:

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Definitions of consumer behaviour:

1. **According to Engel, Blackwell, and Mansard**, 'consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.
2. **According to Louden and Bitta**, 'consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

Consumer Mind: A Black Box



FACTORS INFLUENCING CONSUMER BEHAVIOUR

The consumer behaviour or buyer behaviour is influenced by several factors or forces. They are:

- 1. Internal or Psychological factors**
- 2. Social factors**
- 3. Cultural factors**
- 4. Economic factors**
- 5. Personal factors**

1. Internal or psychological factors:

The buying behaviour of consumers is influenced by a number of internal or psychological factors. The most important ones Motivation and Perception.

a) Motivation:

A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to drive the person to act. There can be of types of needs:

- **Biogenic needs:** They arise from physiological states of tension such as thirst, hunger
- **Psychogenic needs:** They arise from psychological states of tension such as needs for recognition, esteem

b) Perception:

Human beings have considerably more than five senses. Apart from the basic five (touch, taste, smell, sight, hearing) there are senses of direction, the sense of balance, a clear knowledge of which way is down, and so forth.

2. Social factors:

Man is a social animal. Hence, our behaviour patterns, likes and dislikes are influenced by the people around us to a great extent. We always seek confirmation from the people around us and seldom do things that are not socially acceptable. The social factors influencing consumer behaviour are a) Family, b) Reference Groups, c) Roles and status.

a) Family:

There are two types of families in the buyer's life viz. nuclear family and Joint family. Nuclear family is that where the family size is small and individuals have higher liberty to take decisions whereas in joint families, the family size is large and group decision-making gets more preference than individual.

b) Reference group:

A group is two or more persons who share a set of norms and whose relationship makes their behaviour interdependent. A reference group is a group of people with whom an individual associates. It is a group of people who strongly influence a person's attitudes values and behaviour directly or indirectly.

c) Roles and status:

A person participates in many groups like family, clubs, and organisations. The person's position in each group can be defined in term of role and status. A role consists of the activities that a person is expected to perform. Each role carries a status. People choose products that communicate their role and status in society. Marketers must be aware of the status symbol potential of products and brands.

3. Cultural factors:

Kotler observed that human behaviour is largely the result of a learning process and as such individuals grow up learning a set of values, perceptions, preferences and behaviour patterns as the result of socialisation both within the family and a series of other key institutions.

Cultural factors consist of a) Culture, b) Sub culture and c) Social class.

a) Culture:

Culture is the most fundamental determinant of a person's want and behaviour. The growing child acquires a set of values, perception preferences and behaviours through his or her family and other key institutions. Culture influences considerably the pattern of consumption and the pattern of decision-making.

b) Sub-Culture:

Each culture consists of smaller sub-cultures that provide more specific identification and socialisation for their members. Sub-culture refers to a set of beliefs shared by a subgroup of the main culture, which include nationalities, religions, racial groups and geographic regions.

c) Social class:

Consumer behaviour is determined by the social class to which they belong. The classification of socioeconomic groups is known as Socio-Economic Classification (SEC). Social class is relatively a permanent and ordered division in a society whose members share similar value, interest and behaviour.

4. Economic Factors:

Consumer behaviour is influenced largely by economic factors. Economic factors that influence consumer behaviour are

- a) Personal Income,
- b) Family income,
- c) Income expectations,
- d) Savings,
- e) Liquid assets of the Consumer,
- f) Consumer credit,
- g) Other economic factors.

5. Personal factor:

Personal factors also influence buyer behaviour. The important personal factors, which influence buyer behaviour, are a) Age, b) Occupation, c) Income and d) Life Style

a) Age:

Age of a person is one of the important personal factors influencing buyer behaviour. People buy different products at their different stages of cycle. Their taste, preference, etc also change with change in life cycle.

b) Occupation:

Occupation or profession of a person influences his buying behaviour. The life styles and buying considerations and decisions differ widely according to the nature of the occupation. For instance, the buying of a doctor can be easily differentiated from that of a lawyer, teacher, clerk businessman, landlord, etc.

c) Income:

Income level of people is another factor which can exert influence in shaping the consumption pattern. Income is an important source of purchasing power. So, buying pattern of people differs with different levels of income.

d) Life Style:

Life style to a person's pattern or way of living as expressed in his activity, interests and opinions that portrays the "whole person" interacting with the environment. Marketing managers have to design different marketing strategies to suit the life styles of the consumers.

CONSUMER DECISION MAKING PROCESS (OR) BUYING PROCESS



Simply, we can define the term as: Consumer buying process consists of sequential steps the consumer follows to arrive at the final buying decisions. Mostly, consumers follow a typical buying process. Marketer must know how consumers reach the final decision to buy the product. According to Philip Kotler, the manager can learn about the stages in the buying process through four methods. Each method gives hint regarding the steps in the consumer buying process.

According to Philip Kotler, the typical buying process involves five stages the consumer passes through described as under:

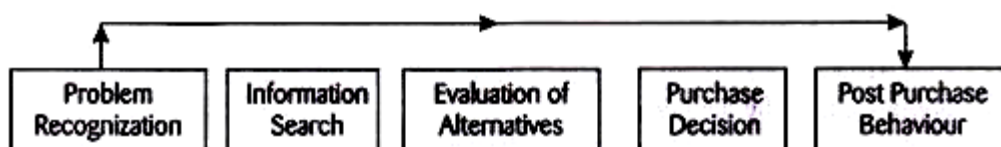


Figure 3: Consumer Buying Process

1. Problem Identification:

This step is also known as recognizing of unmet need. The need is a source or force of buying behaviour. Buying problem arises only when there is unmet need or problem is recognized. Need or problem impels an individual to act or to buy the product.

Buyer senses a difference between his actual state (physical and mental) and a desired state. The need can be triggered by internal or external stimuli. Internal stimuli include basic or

normal needs – hunger, thirst, sex, or comfort; while external stimuli include external forces, for instance, when an individual watch a new brand car, he desires to buy it.

Marketer must identify the circumstances that trigger a particular need. He can collect information from a number of consumers regarding how stimuli spark an interest in products. Based on information, he can develop marketing strategies to trigger consumer interest.

2. Information Search:

Interested consumer will try to seek information. Now, he will read newspapers and magazines, watch television, visit showroom or dealer, contact salesman, discuss with friends and relatives, and try all the possible sources of information.

Mostly, the consumer can try one or more of following sources of information:

i. Personal Sources:

They may include family members, friends, package, colleagues, and relatives.

ii. Commercial Sources:

Advertising, salesmen, dealers, package, trade show, display, and exhibition are dominant commercial sources.

iii. Public Sources:

Mass media (radio, TV, newspapers, magazines, cinema, etc.), consumer- rating agencies, etc., are main public sources.

iv. Experimental Sources:

They include handling, examining, testing, or using the product.

3. Evaluation of Alternatives:

In the former stage, the consumer has collected information about certain brands. Now, he undergoes evaluation of brands. He cannot buy all of them. Normally, he selects the best one, the brand that offers maximum satisfaction. Here, he evaluates competitive brands to judge which one is the best, the most attractive. Evaluation calls for evaluating various alternatives with certain choice criteria.

Following criteria are considered while evaluating alternatives:

- i. Benefits offered by the brands
- ii. Qualities, features or attributes, and performance
- iii. Price charged by various brands
- iv. History of brands

- v. Popularity, image or reputation of brands
- vi. Product-related services offered by the brands, such as after-sales services, warrantee, and free installation
- vii. Availability of brands and dealer rating.

Different criteria are used for different products.

For example, if a person wants to purchase a motorbike out of Enfield Bullet 350; TVS Victor, TVS Centra, Suzuki Ferro; Hero Honda Splender, Ambition, and CBZ; Kawasaki Bajaj Boxer, Pulsar and Caliber; LML Freedom, etc., he will consider following criteria:

- i. Price
- ii. Pick-up and performance
- iii. Facilities and comfort
- iv. Gear-transmission system
- v. Get-up/appearance
- vi. Speed per hour
- vii. Average per liter petrol
- viii. Maintenance costs
- ix. Image, status and novelty
- x. Safety
- xi. Resale value
- xii. Services, guarantee, warrantee, etc.

The brand that meets most of the above conditions reasonably is more likely to be preferred. Marketer should highlight superior features of his brand. Some companies also advertise comparative table to help consumers evaluate various brands. For example, Yamaha, Maruti, and Hyundai provide comparative table in newspapers to show how the bike/car is superior to other brands.

4. Purchase Decision:

This is the stage when the consumer prefers one, the most promising brand, out of several brands. The former stage helps consumers evaluate various brands in the choice set. The brand that offers maximum benefits or satisfaction is preferred.

Simply, the most attractive brand, that can offer more benefits in relation to price paid, is selected by comparing one brand with others. Comparison shows superiority/inferiority of the brands.

Now, consumer makes up his mind to purchase the most preferred brand. However, three factors further affect whether buying intention result into actual purchase. More clearly, the consumer's decision to avoid, modify, or postpone a purchase decision is influenced by these factors.

The first factor is attitudes of others. The impact of other persons' attitudes depends on degree of their negative attitudes toward the consumer's preferred brand, and consumer's degree of compliance with other persons' wishes.

The second factor is unanticipated situational factors. Purchase intention may change due to certain unanticipated situational factors like price hike, loss of job, family income, major medical expenses, non-availability of the preferred brand, or such similar factors.

The third and the last factor is consumer's perceived risk. Degree of risk depends on price, attribute uncertainty, entry of a new superior product, and his self-confidence.

5. Post-purchase Decisions:

Consumer buys the product with certain expectations. Though he decides very systematically, there is no guarantee of a complete satisfaction. There is always possibility of variation between the expected level of satisfaction and the actual satisfaction. His subsequent behaviour is influenced by degree of satisfaction/dissatisfaction.

SEGMENTATION



Segmentation is the first stage of the STP- Segmentation, Targeting, Positioning process

MEANING OF MARKET SEGMENTATION

- Market segmentation is a marketing term that refers to aggregating prospective buyers into groups or segments with common needs and who respond similarly to a marketing action.
- Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another.
- Market segmentation allows a company to increase its overall efficiency by focusing limited resources on efforts that produce the best return on investment (ROI).
- Market segmentation is an extension of market research that seeks to identify targeted groups of consumers to tailor products and branding in a way that is attractive to the group.

DEFINITION OF MARKET SEGMENTATION

According to Philip Kotler, “Market segmentation is the sub-dividing of market into homogeneous sub-sections of customers, where any sub-section may conceivably be selected as a market target to be reached with a distinct marketing mix.”

According to Stanton, “Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.”

NEED OF MARKET SEGMENTATION

- It helps the marketers to devise appropriate marketing strategies and promotional schemes
- To understand the needs of the target audience and adopt specific marketing plans
- Results in focused approach
- Gives the customers a clear view of what to buy and what not to buy
- Helps the organizations to target the right product to the right customers at the right time
- It classifies consumers according to their locations, tastes & preferences.
- helps the organizations to know and understand their customers better
- It can now reach a wider audience and promote their products more effectively
- Helps to target their target audience.

BENEFITS OF MARKET SEGMENTATION

- Positioning to spot marketing opportunities.
- Allocation of marketing budgets
- Adjustment of marketing appeals
- To reach market expansion
- Better communication
- Increase profitability
- Identify new products
- Reduces costs
- Reduces credit risks
- To better make use of competitive advantage.

BASES OF MARKET SEGMENTATION

- **Gender:** The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

Organizations need to have different marketing strategies for men which would obviously not work in case of females. A woman would not purchase a product meant for males and vice a versa.

The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

- **Age Group:** Division on the basis of age group of the target audience is also one of the ways of market segmentation. The products and marketing strategies for teenagers would obviously be different than kids.

- Age group (0 - 10 years) -Toys, Nappies, Baby Food, Prams
- Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags
- Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

- **Income:** Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

- High income Group

- Mid Income Group
- Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

- **Marital Status:** Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.
- **Occupation:** Office goers would have different needs as compared to school / college students. A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.
- **Place:** The place where the target audience lives affect the buying decision the most. A person living in mountains will have less or no demand for ice cream than the person living in a desert. Usage: Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.
- **Lifestyle:** Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

TYPES OF MARKET SEGMENTATION



1. Geographic Segmentation:

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

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

2. Demographic Segmentation:

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

3. Behavioural Segmentation:

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

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

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

4. Psychographic Segmentation:

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

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

TARGET MARKET



A target market is a specific group of people most likely to buy a product or service, based on shared characteristics such as age, income, lifestyle, or interests. Identifying the target market helps businesses design relevant products and create focused marketing strategies that better meet customer needs.

Why it matters:

- Focuses resources on customers most likely to buy
- Guides product design and marketing decisions
- Improves engagement by addressing real customer needs
- Increases customer satisfaction and overall market success

Defining a Product's Target Market

1. Conduct Market Research

First and most crucial step to gain a detailed understanding of the market.

- Identifies potential customers and analyses key aspects, including:
 - **Demographics:** Age, gender, income.
 - **Psychographics:** Lifestyle, values.
 - **Behaviour:** Purchase patterns, product usage.
 - **Geography:** Region, country.
- Uses various research methods such as:

- Surveys
- Interviews
- Focus groups
- Data analysis
- Provides actionable insights that form the basis for informed decision-making.

2. Identify Customer Needs and Preferences:

Focuses on understanding the specific needs and preferences of the target customers.

- Identifies real issues or pain points that the product aims to solve.
- Helps determine key benefits and features valued by customers.
- Ensures product offerings align with customer expectations for better satisfaction and engagement.

3. Segmentation

Divides the larger market into smaller, manageable groups.

- Uses criteria such as:
 - **Demographics:** Age, gender, income.
 - **Psychographics:** Interests, values, lifestyle.
 - **Behavioural factors:** Purchasing patterns, product usage.
 - **Geography:** Location, region, country.
- Enables marketing efforts to focus on groups with shared characteristics for better targeting and effectiveness.

4. Create Buyer Personas

Develops detailed profiles representing ideal customers.

- Builds on demographic information and examines lifestyle, interests, and behaviors.
- Helps identify target customers with clarity.
- Enables businesses to tailor marketing messages for greater relevance and impact.

5. Competitor Analysis

Conduct research to understand the competitive landscape.

- Identify competitors targeting the same audience.
- Learn from competitors' strategies and identify market gaps. Determine opportunities where your product can stand out.

- Helps craft a unique value proposition for the target customers.

6. Evaluate Product Fit

Assess how well the product meets the needs of the target segment.

- Ensure the product design is customer-centered.
- Align features and benefits with the expectations and preferences of the target audience.
- Aim to satisfy the specific needs of the market and provide effective solutions.

7. Test and Refine

Validate assumptions through real-world feedback.

- Launch pilots or trials
- Collect user feedback on product and messaging
- Iterate and improve based on insights

8. Develop Marketing Strategies

Create targeted and effective marketing plans.

- Tailor messaging to the audience
- Select the right channels for reach and engagement
- Leverage market insights to maximize relevance and impact.

9. Positioning

Clarify how the product is perceived in the market.

- Highlight unique value and differentiators
- Build a strong and consistent brand image

10. Review and Adjust

Markets and customer needs evolve over time.

- Monitor trends and customer feedback
- Adjust strategies to remain relevant and competitive

What are the 4 Target Markets

1. Fitness Apparel for Women

- **Demographics:** Women aged 25–40.
- **Psychographics:** Health-conscious individuals engaged in yoga, jogging, or gym workouts.

- **Behavioural Factors:** Regular fitness routines; value both comfort and style; willing to pay more for quality.
- **Geographic Factors:** Urban and suburban areas with fitness clubs and outdoor recreation spaces.

2. Online Educational Courses for Professionals

- **Demographics:** Workers in their 20s–40s.
- **Psychographics:** Career-focused, innovative, eager to learn and upskill.
- **Behavioural Factors:** Seek flexible learning; choose courses aligned with industry or professional growth.
- **Geographic Factors:** Nationwide or global; urban professionals clustered in key areas.

3. Organic Baby Food Products

- **Demographics:** Parents of infants and toddlers (6 months–2 years).
- **Psychographics:** Health-conscious parents preferring organic and natural products.
- **Behavioral Factors:** Prioritize nutrition; willing to pay premium for quality and convenience.
- **Geographic Factors:** Urban and suburban regions where health-conscious parenting is popular.

4. Luxury Vacation Packages for Retirees

- **Demographics:** Senior citizens over 60 years old.
- **Psychographics:** Wealthy retirees seeking luxury, relaxation, and cultural experiences.
- **Behavioural Factors:** Focus on comfort and unique travel experiences; have time and resources for leisure travel.
- **Geographic Factors:** Affluent neighborhoods; areas near luxury resorts and cultural destinations.

Why Are Target Markets Important

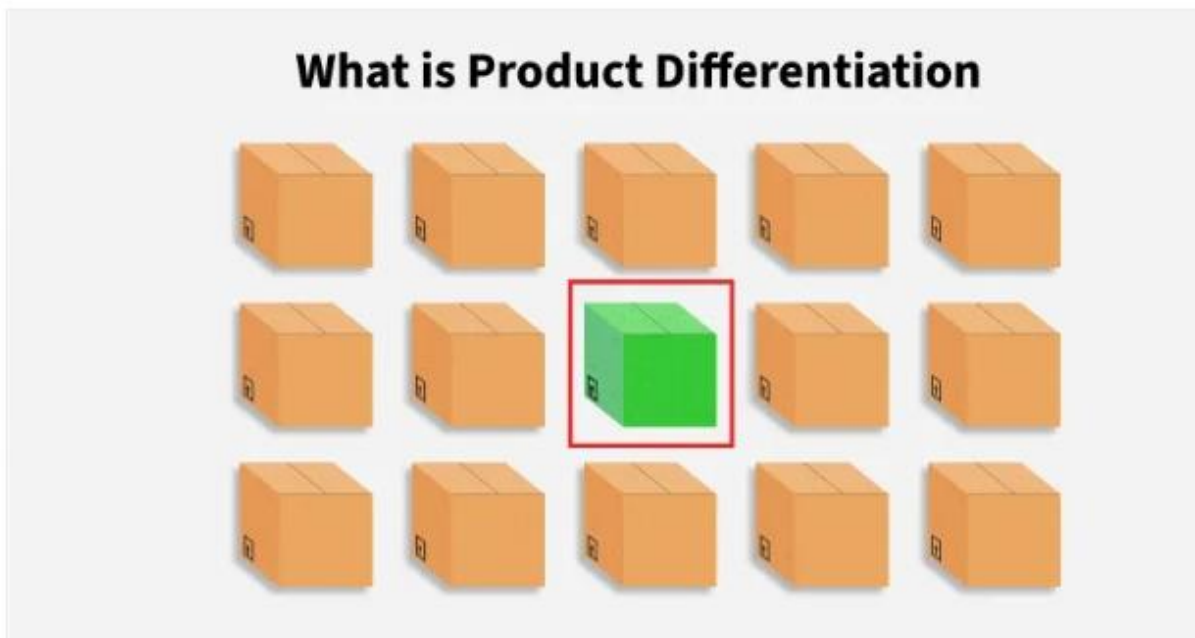


- **Efficient Resource Allocation:** Focus time, budget, and effort on customers most likely to purchase, reducing waste.
- **More Effective Marketing:** Create relevant, targeted messages that increase engagement and conversion rates.
- **Better Product Development:** Design products and features that directly match customer needs and expectations.
- **Higher Customer Satisfaction:** Deliver solutions that meet or exceed expectations, improving overall experience.
- **Competitive Advantage:** Stand out from competitors by serving a clearly defined audience.
- **Cost-Effective Advertising:** Improve ROI by advertising only to relevant customer segments.
- **Stronger Brand Loyalty:** Build trust and long-term relationships with customers who feel understood.

PRODUCT DIFFERENTIATION

Product differentiation is a marketing strategy used to make a product or service stand out from competitors. It emphasizes unique features, benefits, or qualities to attract the target market and create a competitive advantage.

- Product differentiation highlights distinctive features or benefits that set the product apart.
- Can involve higher quality materials, innovative design, or added functionality.
- Improves customer preference and brand loyalty.
- Enhances competitive positioning in the market.
- May include superior customer service or a strong, recognizable brand image.



IMPORTANTS OF PRODUCT DIFFERENTIATION

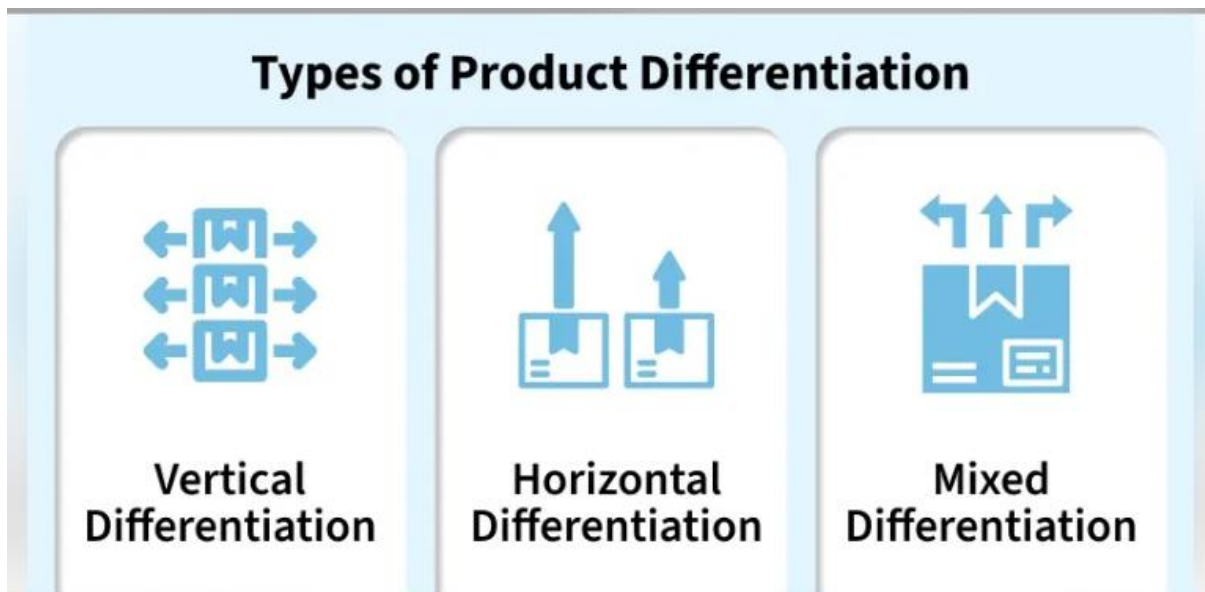
- **Gain Competitive Advantage:** Makes your product superior to alternatives and helps stand out in the market.
- **Level the Playing Field:** Prevents large companies from dominating solely on price, giving smaller producers a chance.
- **Control Market Costs:** Supports a competitive market, benefiting consumers with better options.

- **Critical in Crowded Markets:** Differentiation is essential when many competitors exist.
- **Showcase Unique Value:** Demonstrates to customers what sets your product apart and why it matters to them.

HOW DO YOU DIFFERENTIATE A PRODUCT?

- **Define Unique Features:** Identify the attributes that set your product apart from competitors.
- **Focus on Customer Needs:** Understand desires, pain points, and preferences to guide differentiation.
- **Leverage Unique Selling Points (USPs):** Highlight a new feature, function, or benefit that competitors don't offer.
- **Streamline and Simplify:** Sometimes differentiation comes from offering fewer features but a more user-friendly or efficient experience.
- **Apply Throughout Development:** Differentiation can be introduced at any stage—product innovation doesn't require starting from scratch.

TYPES OF PRODUCT DIFFERENTIATION



Product differentiation can take various forms, and companies employ different strategies to set their products apart from those of competitors. The types of product differentiation include:

1. Vertical differentiation:

- Products are compared using objective criteria such as price, quality, or performance.
- Importance of each criterion may vary by consumer.
- **Example:** Choosing a lower-calorie meal for health versus a cheaper higher-calorie option.

2. Horizontal differentiation:

- Products are chosen based on subjective preferences rather than objective quality.
- Decisions depend on personal taste when products are similar in price and features.
- **Example:** Choosing ice cream flavors like chocolate, vanilla, or strawberry.

3. Mixed differentiation:

- Combines both vertical and horizontal differentiation for complex purchase decisions.
- Consumers evaluate objective metrics (vertical) alongside subjective preferences (horizontal).
- **Example:** Buying a car by considering gas mileage and safety (vertical) plus brand perception and design (horizontal).

FACTORS OF PRODUCT DIFFERENTIATION



Product differentiation is influenced by various factors that companies consider when developing strategies to distinguish their products from competitors. The key factors of product differentiation include:

1. Customer Needs and Preferences:

- Understanding the needs, preferences, and desires of the target market.
- Identifying unmet needs or areas where existing products fall short.

2. Market Research:

- Conducting thorough market research to analyze market trends.
- Collecting information about the views, behavior's, and buying habits of consumers.

3. Competitive Landscape:

- Assessing the strengths and weaknesses of competitors.
- Identifying opportunities to differentiate by offering unique features or addressing gaps in the market.

4. Innovation and Technology:

- Spending money on research & development to provide cutting-edge features.
- Leveraging advanced technologies to create a competitive advantage.

5. Brand Identity:

- Building a strong and positive brand image.
- Creating a brand identity that appeals to the intended market.

6. Cost Structure:

- Analyzing the cost structure to determine pricing strategies.
- Differentiating based on cost by offering products at various price point.

EXAMPLE OF PRODUCT DIFFERENTIATION

Let's consider an example of product differentiation in the smartphone industry, where companies often employ various strategies to distinguish their products. In this example, we'll focus on the differentiation strategy of "Feature Differentiation."

Example: Smartphones

Feature Differentiation:

- Companies in the smartphone industry differentiate their products by introducing unique features that set them apart from competitors. One notable example is the introduction of advanced camera technology.

Product: XYZ Smartphone

Key Features:

- **Triple-Lens Camera System:** Wide-angle, telephoto, and ultra-wide lenses for versatile photography.
- **Night Mode Enhancement:** AI-powered low-light photography for clear and vibrant images.
- **AI-powered Photography:** Intelligent scene recognition and automatic camera adjustments.
- **Customizable Camera Settings:** Manual controls for advanced users while maintaining user-friendly interface.

How It Differentiates:

- Offers a sophisticated, feature-rich camera system that stands out in a crowded market.
- Emphasizes AI integration, customization, and specialized lenses for unique user value.

Impact:

- Attracts photography enthusiasts who prioritize advanced camera capabilities.
- Marketing highlights the camera's unique features, increasing consumer interest and engagement.
- Positive reviews and word-of-mouth reinforce the product's standout attribute, boosting sales and market share.

Other smartphones may differentiate via processing power, display quality, or design, showing how companies focus on specific features to create unique value propositions in a competitive market.

PRODUCT POSITIONING



Positioning is the third stage of the STP process. The process of creating an image of a product in the minds of the consumers is called as positioning. Positioning helps to create first impression of brands in the minds of target audience. In simpler words positioning helps in creating a perception of a product or service amongst the consumers.

Example:

- The brand “Bisleri” stands for purity.
- The brand “Ceat Tyre” stands for better grip.

BENEFITS OF PRODUCT POSITIONING

1. To Make Entire Organisation Market-oriented:

Product positioning is a part of the broader marketing philosophy. It concerns with identifying superior aspects of product and matching them with consumers more effectively than competitions. This philosophy makes the entire organisation market oriented.

To Cope with Market Changes:

Once the product is positioned successfully doesn't mean the task of manager is over. He has to constantly watch the market. As per new developments in the market place, new competitive advantages should be identified, discovered or developed to suit the changing expectations of the market. It makes the manager active, alert and dynamic.

3. To Meet Expectation of Buyers:

Generally, the advantages to be communicated are decided on the basis of expectations of the target buyers. So, product positioning can help realize consumers' expectations.

4. To Promote Consumer Goodwill and Loyalty:

Systematic product positioning reinforces the company's name, its product and brand. It popularizes the brand. The company can create goodwill and can win customer loyalty.

5. To Design Promotional Strategy:

More meaningful promotional programme can be designed. Based on what advantages are to be communicated, appropriate means are selected to promote the product.

6. To Win Attention and Interest of Consumers:

Product positioning signifies those advantages that are significant to consumers. When such benefits are promoted through suitable means of advertising, it definitely catches the interest and attention of consumers.

7. To Attract Different Types of Consumers:

Consumers differ in terms of their expectations from the product. Some want durability; some want unique features; some want novelty; some want safety; some want low price; and so on. A company, by promoting different types of competitive advantages, can attract different types of buyers.

8. To Face Competition:

This is the fundamental use of product positioning. Company can respond strongly to the competitors. It can improve its competitive strength.

9. To Introduce New Product Successfully:

Product positioning can assist a company in introducing a new product in the market. It can position new and superior advantages of the product and can penetrate the market easily.

10. To Communicate New and Varied Feature Added Later on:

When a company changes qualities and/or features of the existing products, such improvements can be positioned against products offered by the competitors. Product positioning improves competitive strength of a company. Normally, consumers consider product advantages before they buy it. So, product positioning proves superiority of company's offers over competitors. It may also help consumers in choosing the right product.

POSITIONING PROCESS- STEPS INVOLVED IN POSITIONING



The positioning process is important to be identified and followed by any organization which wants to implement its marketing strategy soundly. It is a difficult task to identify and select a positioning strategy and thereby the correct positioning process for an organization. The below article discusses the steps involved in positioning process.

There are 6 main steps in positioning process. In each of the steps, marketing research techniques can be employed to get the necessary information. These steps are discussed as follows:

1. Identifying the Competitors:

A first step is to identify the competition. This step is not as simple as it seems to be. For example, 'Pepsi' might define its competitors as follows:

- Other cola drinks
- Non-diet soft drinks
- All soft drinks
- Non-alcoholic beverages,
- All beverages except water

One thing, which should be clear to you, is that there is basically two types of competitors

- Primary competitors i.e., competitors belonging to the same product class
- Secondary competitors, those belonging to other product category.

In the above example other cola drinks are primary competitors and other drinks and beverages are secondary competitors.

2. Determining how the Competitors are Perceived and Evaluated:

The second step is related to determining the product positioning which is basically done so as to see, *when* the competitors' products are purchased by the customers. It is to see comparative view. An appropriate set of product attributes should be chosen. The term 'attributes' includes not only product characteristics and consumer benefits but also product associations such as product use or product users. In any product category, there are usually a host of attribute possibilities.

3. Determining the competitor's positions:

Our next focus should be to determine how different brands (including our own brand) are positioned with respect to the relevant attributes selected under the previous step. At this point we should be clear about what is the image that the customer has about the various product brands? You have to see how are they positioned in respect to each other? Which competitors are perceived as similar and which as different? This judgment can be made subjectively. However a research can be taken up for getting the answer of these questions.

4. Analysing the Customer:

Now you need to analysis the customers habits and behaviour in a particular market segment. The following questions need attention while understanding the customer and the market – (i) how is market segmented? (ii) What role does the product class play in the customer's life style? What really motivates the customers? And what habits and behavior patterns are relevant?

The segmentation question is, of course, critical. There are various approaches to segmentation but out of all benefit segmentation is relevant here, which focuses upon the benefits or attributes that a segment believes to be important. In order to specify that benefit segments, it is useful to highlight the role of 'ideal object' as a tool.

5. Making the positioning Decision:

The above four steps provide you a useful backgrounds and are necessary to be conducted before taking any decision about positioning. The managers can carry these steps or exercises. After these four exercises, the following guidelines can be offered to reach a positioning decision: –

- An economic analysis should guide the decision.
- Positioning usually implies a segmentation commitment.
- If the advertising is working, the advertiser should stick to it.
- Do not try to be something, you are not.
- In making a decision on position strategy, symbols or set of symbols must be considered.

6. Monitoring the position:

An image objective, like an advertising objective should be measurable. It is necessary to monitor the position overtime, for that you have variety of techniques that can be employed it can be on the basis of some test and interviews which will help to monitor any kind of change in the image.

Thus, the first four steps in the positioning process provides a useful background. The fifth one only is taken to make the position decision. The final step is to evaluate and measure and follow up.

MARKETING RESEARCH



Marketing research is defined as any technique or a set of practices that companies use to collect information to understand their target market better. Organizations use this data to improve their products, enhance their UX, and offer a better product to their customers. Marketing research is used to determine what the customers want, and how they react to products or features of a product.

Marketing research is the process of gathering, analyzing, and interpreting data to understand consumer behavior, market trends, and business opportunities. It helps companies answer critical questions like: Who is my target audience? What do they need? How can I position my product better?

Rather than relying on guesswork, businesses use marketing research to make informed, data-driven decisions that minimize risks and maximize success. From launching new products to fine-tuning marketing campaigns, research acts as a compass, guiding brands toward smarter strategies and stronger connections with their audience.

OBJECTIVES OF MARKETING RESEARCH



1. Understanding Customer Needs

Businesses need to know what their customers want. Marketing research helps find out what people like, dislike, and expect from a product or service. Companies can use surveys, interviews, and feedback to learn about customer preferences. When a business understands its customers, it can create better products and services that match their needs, leading to happy and loyal customers.

2. Finding Market Opportunities

Markets keep changing, and businesses must keep up. Marketing research helps companies discover new trends, customer demands, and areas where they can grow. It shows if there is a demand for a new product or if a business should expand to a new location. By spotting these opportunities early, companies can take action before their competitors and gain an advantage.

3. Studying the Competition

Every business has competitors. To stay ahead, companies need to know what others are doing. Marketing research helps businesses understand their competitors' strengths and weaknesses. It looks at things like pricing, product quality, and marketing strategies. This information helps businesses improve their own offerings and attract more customers by providing something better or different.

4. Checking if Marketing is working

Marketing efforts cost money, so businesses need to know if their ads and promotions are effective. Marketing research helps track customer responses, sales, and brand awareness. If an advertisement isn't bringing in customers, the business can adjust its strategy. This prevents wasted money and helps companies focus on what actually works.

5. Reducing Risks in Decision-Making

Every business decision carries a risk. If a company launches a new product without research, it might fail. Marketing research helps test ideas before big investments are made. It provides insights into customer interest and possible challenges. This way, businesses can make smarter decisions, avoid costly mistakes, and increase their chances of success.

TYPES OF RESEARCH



1. Primary Research

Primary research means collecting new information directly from people. Businesses do this through surveys, interviews, or focus groups. It helps them understand customer needs, opinions, and behavior. Since the data is fresh, it is more accurate and useful. However, primary research takes time and money. Companies use it when they need specific details that are not available from other sources.

2. Secondary Research

Secondary research is using existing information from books, reports, websites, or government data. Businesses collect this data from sources like industry reports, market studies, or company records. It is cheaper and faster than primary research. However, it may not be completely relevant or up to date. Companies use secondary research to get a general understanding of a market before conducting primary research.

3. Qualitative Research

Qualitative research focuses on opinions, emotions, and motivations. It helps businesses understand why customers think or act a certain way. This type of research is done through interviews, focus groups, and open-ended surveys. The information collected is detailed but not in numbers. It helps companies improve their products and marketing by understanding customer feelings and preferences.

4. Quantitative Research

Quantitative research deals with numbers and statistics. Businesses use surveys, polls, and experiments to collect data from many people. The results are analyzed using graphs and charts. This research helps companies measure things like customer satisfaction, market size, or sales trends. Since it is based on numbers, it provides clear and measurable insights for making business decisions.

MARKETING RESEARCH PROCESS

1. Defining the Problem

The first step is to clearly understand what needs to be researched. Businesses must identify the exact problem they want to solve. It could be low sales, customer dissatisfaction, or a new product idea. A well-defined problem leads to better research. If the problem is unclear, the research may not give useful answers. This step sets the direction for the entire process.

2. Developing the Research Plan

Once the problem is clear, businesses create a plan to gather the right information. They decide what type of research to use—primary or secondary, qualitative or quantitative. They also choose methods like surveys, interviews, or data analysis. A good research plan includes a timeline, budget, and target audience. Proper planning ensures that the research is accurate and useful for decision-making.

3. Collecting Data

This step involves gathering information from the chosen sources. If using primary research, businesses collect data through surveys, focus groups, or interviews. If using secondary research, they use reports, studies, or online sources. Data collection must be done carefully to avoid errors. The quality of research depends on how well the data is collected. More reliable data leads to better business decisions.

4. Analyzing Data

After collecting data, businesses organize and study it to find patterns and insights. They use graphs, charts, and reports to understand the information. The goal is to find answers to the problem defined in the first step. Proper analysis helps businesses identify trends, customer preferences, and market opportunities. If data is not analyzed correctly, it can lead to wrong decisions.

5. Presenting Findings

The final step is to share the research results with decision-makers. Businesses create reports, presentations, or summaries to explain their findings. Clear and simple reports help managers make informed choices. The research should provide actionable solutions, not just raw data. Good presentation of findings ensures that businesses can use the research effectively to improve products, marketing, and customer experience.

TOOLS AND TECHNIQUES IN MARKETING RESEARCH

1. Surveys and Questionnaires

Surveys and questionnaires are easy ways to ask customers questions. Businesses use them to learn about likes, dislikes, and experiences. They can be done online, in person, or over the phone. Surveys are quick and reach many people. They help understand customer needs and trends. But the results are only good if people answer honestly. This method is simple but very useful.

2. Focus Groups

Focus groups are small discussions with customers. A moderator asks questions and guides the talk. This helps businesses learn how people feel about a product or idea. It gives detailed feedback. But it can take time and cost money. To get good results, the right people and questions are needed. Focus groups are great for deep insights.

3. Observational Research

Observational research is about watching what customers do. Businesses see how people shop or use products. They don't ask questions. This method shows real actions, not just opinions. It works in stores, online, or on social media. But it doesn't explain why people act a certain way. So, it's often used with other methods to get the full picture.

4. Experiments and Field Trials

Experiments test new ideas in small steps. For example, a store might try a new product in one location first. This helps see if customers like it before spending more money. It reduces risks and helps make better decisions. Testing ideas in real-world settings is a smart way to succeed. It's a safe and practical method for businesses.

MERITS OF MARKETING RESEARCH

- **Improved efficiency:** Efficiency draws you closer to your users. You can improve the efficiency of delivering the product to the market and also increase its usability.
- **Cost-effective:** Marketing research helps you make the right decisions based on consumer demand, thus saving you costs in creating something that customers do not like or want.
- **Competitive edge:** Quicker, more robust insights can help you place your services and products strategically, gaining a competitive advantage over others.
- **Build strategies:** You can quickly build, alter, or design new approaches to attract your users and consumers.
- **Improved communication:** Bridge the communication gap by interacting with consumers and hearing them out. This helps consumers feel wanted and special.

DEMERITS OF MARKETING RESEARCH

- **It is not a Panacea:**

Marketing Research is not the ultimate solution to all marketing problems. Rather it offers accurate information, which can arrive at suitable decisions to solve problem.

➤ **Not an exact science:**

It deals with human behaviour and as such cannot be examined in a controlled environment. There are various and uncontrollable factors which influence marketing forces. This gives scope for wrong conclusions. Hence this leads to marketing research as not being an exact science.

➤ **Limitation of time:**

Its process is lengthy and needs long time to complete it. During the period between starting the research and implementation of decisions, the situation and assumptions may have changed drastically which reduces the utility of research report. Decisions based on such report prove to be obsolete and result in false conclusions.

➤ **Erroneous findings:**

The complicated problems may not be comprehensively studied and their impact properly analysed by the researcher on account of insufficient fund, time and technique. This leads to erroneous findings, which disappoint the management.

➤ **Not an exact tool of forecasting:**

It cannot be used as a fool proof tool of forecasting because there are number of intervening factors between the findings of the research and marketing complex. The forces act and react and interact to give a complex state, which is difficult to be studied.

➤ **In experienced research staff:**

It needs great expertise and well-trained and experienced researcher, interviewer and investigator.

➤ **Narrow Conception:**

Marketing research is a fact-finding exercise. It is not problem oriented. It is of low and questionable validity.

➤ **Involves high cost:**

It is considered as a luxury for the management as it involves high cost.

➤ **Limitations of tools and techniques:**

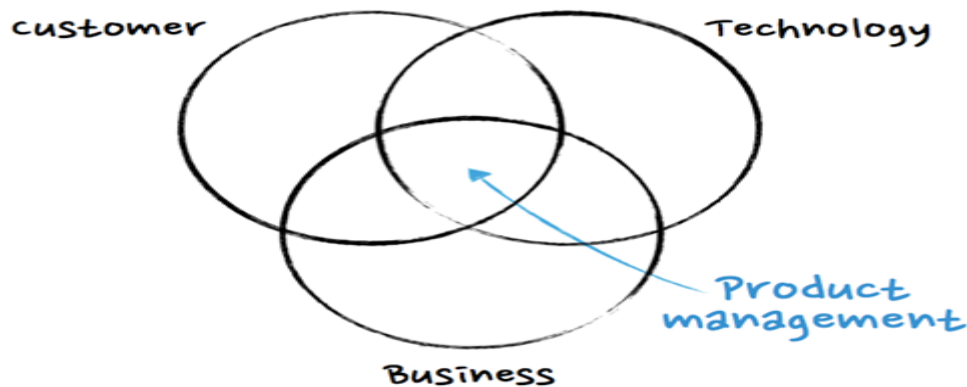
The validity of marketing research is also limited by the limitation of tools and techniques involved.

➤ **It is passive:** Its use and effectiveness largely depends upon the ability of executives to get the most value of it.

UNIT-III

PRODUCT

CONCEPT OF PRODUCT



Product management is the practice of strategically driving the development, market launch, and continual support and improvement of a company's products.

Product management is an organisational lifecycle function within a company dealing with the planning, forecasting, and production, or marketing of a product or products at all stages of the product lifecycle.

PRODUCT

According to Philip Kotler, “A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need.”

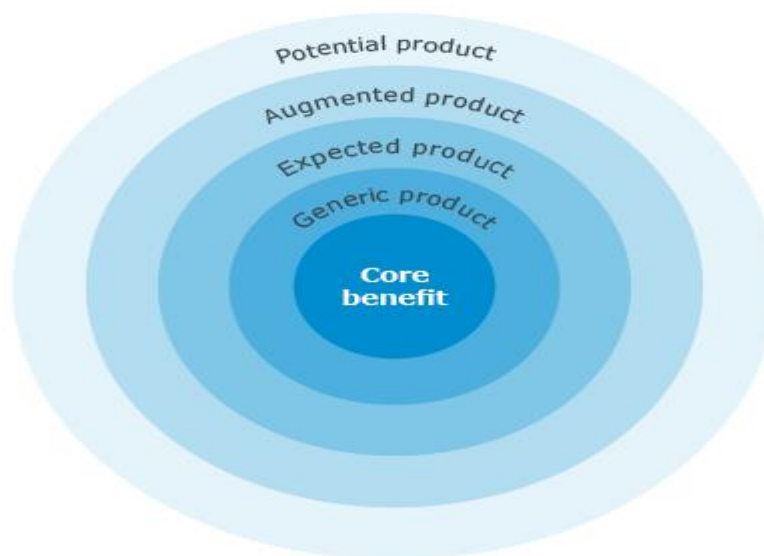
Definition: A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted. Each product has a useful life after which it needs replacement, and a life cycle after which it has to be re-invented. In FMCG parlance, a brand can be revamped, re-launched or extended to make it more relevant to the segment and times, often keeping the product almost the same.

CHARACTERISTICS OF PRODUCT

1. Product is one of the elements of marketing mix or programme.
2. Different people perceive it differently; management, Society, and customers have different expectations.

3. Product includes both good and service.
4. Marketer can actualize its goals by producing, selling, improving, and modifying the product.
5. Product is a base for entire marketing programme.
6. In marketing terminology, product means a complete product that can be sold to consumers. That means branding, labelling, colour, service, etc., constitute the product.
7. Product includes total offers, including main qualities, features, and services.
8. It included tangible and non-tangible features and benefits.
9. It is vehicle or medium to offer benefits and satisfaction to customers.
10. Important lies in services rendered by the product, and not ownership of product.

LEVELS OF PRODUCT



1. **Core benefit:** The fundamental need or want that consumers satisfy by consuming the product or service. For example, the need to process digital images.
2. **Generic product:** A version of the product containing only those attributes or characteristics absolutely necessary for it to function. For example, the need to process digital images could be satisfied by a generic, low-end, personal computer using free image processing software or a processing laboratory.

3. **Expected product:** The set of attributes or characteristics that buyers normally expect and agree to when they purchase a product. For example, the computer is specified to deliver fast image processing and has a high-resolution, accurate colour screen.
4. **Augmented: product:** The inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors. For example, the computer comes pre-loaded with a high-end image processing software for no extra cost or at a deeply discounted, incremental cost.
5. **Potential product:** This includes all the augmentations and transformations a product might undergo in the future. To ensure future customer loyalty, a business must aim to surprise and delight customers in the future by continuing to augment products. For example, the customer receives on going image processing software upgrades with new and useful features.

CLASSIFICATION OF PRODUCTS

A company sells different products (goods and services) to its target market. They can classify into two groups, such as:

- Consumer product, and
- Industrial product

1. Consumer Products:

A consumer product is a product bought by final consumers for personal consumption. But not every consumer product is the same. There are four different types of consumer products. Marketers usually classify consumer products into these 4 types of consumer products:

- Convenience products
- Shopping products
- Speciality products
- Unsought products
- Durable Products
- Non-Durable products
- Services.

These 7 types of consumer products all have different characteristics and involve a different consumer purchasing behaviour. Thus, the types of consumer products differ in the way consumers buy them and, for that reason, in the way they should be marketed.

- **Convenience products:**

Among the four types of consumer products, the convenience product is bought most frequently. A convenience product is a consumer product or service that customers normally buy frequently, immediately and without great comparison or buying effort. Examples include articles such as laundry detergents, fast food, sugar and magazines. As you can see, convenience products are those types of consumer products that are usually low-priced and placed in many locations to make them readily available when consumers need or want them.

- **Shopping products:**

The second one of the 4 types of consumer products is the shopping product. Shopping products are a consumer product that the customer usually compares on attributes such as quality, price and style in the process of selecting and purchasing. Thus, a difference between the two types of consumer products presented so far is that the shopping product is usually less frequently purchased and more carefully compared. Therefore, consumers spend much more time and effort in gathering information and comparing alternatives. Types of consumer products that fall within the category of shopping products are: furniture, clothing, used cars, airline services etc. As a matter of fact marketers usually distribute these types of consumer products through fewer outlets, but provide deeper sales support in order to help customers in the comparison effort.

- **Speciality products:**

Number three of the types of consumer products is the speciality product. Speciality products are consumer products and services with unique characteristics or brand identification for which a significant group of consumers is willing to make a special purchase effort. As you can see, the types of consumer products involve different levels of effort in the purchasing process: the speciality product requires a special purchase effort, but applies only to certain consumers.

Examples include specific cars, professional and high-prices photographic equipment, designer clothes etc. A perfect example for these types of consumer products is a Lamborghini. In order to buy one, a certain group of buyers would make a special effort, for instance by travelling great distances to buy one. However, speciality products are usually less compared against each other. Rather, the effort must be understood in terms of other factors: Buyers invest for example the time needed to reach dealers that carry the wanted products. To illustrate this, look at the Lamborghini example: the one who wants one is immediately convinced of the choice for a Lamborghini and would not compare it that much against 10 other brands.

- **Unsought products:**

The 4 types of consumer products also include unsought products. Unsought products are those consumer products that a consumer either does not know about or knows about but does not consider buying under normal conditions. Thus, these types of consumer products consumers do not think about normally, at least not until they need them. Most new innovations are unsought until consumers become aware of them. Other examples of these types of consumer products are life insurance, pre-planned funeral services etc. As a consequence of their nature, unsought products require much more advertising, selling and marketing efforts than other types of consumer products.

- **Durable products:**

Durable products can last for a longer period and can be repeatedly used by one or more persons. Television, computer, refrigerator, fans, electric irons, vehicles, etc., are examples of durable products.

- **Non-Durable products:**

As against durable products, the non-durable products have short life. They must be consumed within short time after they are manufactured. Fruits, vegetables, flowers, cheese, milk, and other provisions are non-durable in nature. They are also known as consumables.

- **Services:** Services are different than tangible objects. Intangibility, variability, inseparability, perishability, etc., are main features of services. Services make our life

safe and comfortable. Trust, reliability, costs, regularity, and timing are important issues.

The police, the post office, the hospital, the banks and insurance companies, the cinema, the utility services by local body, the transportation facilities, and other helpers (like barber, cobbler, doctor, mechanic etc.,) can be included in services.

Types of Consumer Products				
Marketing consideration	<i>Convenience</i>	<i>Shopping</i>	<i>Speciality</i>	<i>Unsought</i>
Customer buying behaviour	Frequent purchase, little effort (planning, comparison), low customer involvement	Less frequent purchase, much effort (planning and comparison of brands on price, quality, style etc.)	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness and knowledge or little interest
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution, fewer outlets	Exclusive distribution in only one or a few outlets	Varies
Promotion	Mass promotion	Advertising and personal selling	More carefully targeted promotion	Aggressive advertising and personal selling
Examples	Toothpaste, magazines, laundry detergent	Television, furniture, clothing	Luxury goods (e.g. Rolex watch), designer clothing	Life insurance and pre-planned funeral service

2. Industrial products:

Industrial goods can be classified into following five categories:

- **Raw materials:**

Raw materials are the industrial goods. They have not been processed except for their physical handling. Raw materials may be divided into natural products- minerals and product of the forests and the seas and agricultural products- wheat, cotton, tobacco and animal products such as eggs and raw milk.

- **Fabricating material & parts:**

- Fabricating materials and parts are the industrial goods. These goods have undergone manufacturing processes but they need further processing or need to be combined with other materials or parts before they are ready to reach the ultimate consumers.

- **Equipment:**

Equipment are used merely to provide facilities to the manufacturer, as they cannot be part & parcel of finished goods. Unit price and life are less than installations. For example, tools, such as screwdrivers, files set, spanners set, computers, time clock, conveyers, sharpeners, typewriter, etc.

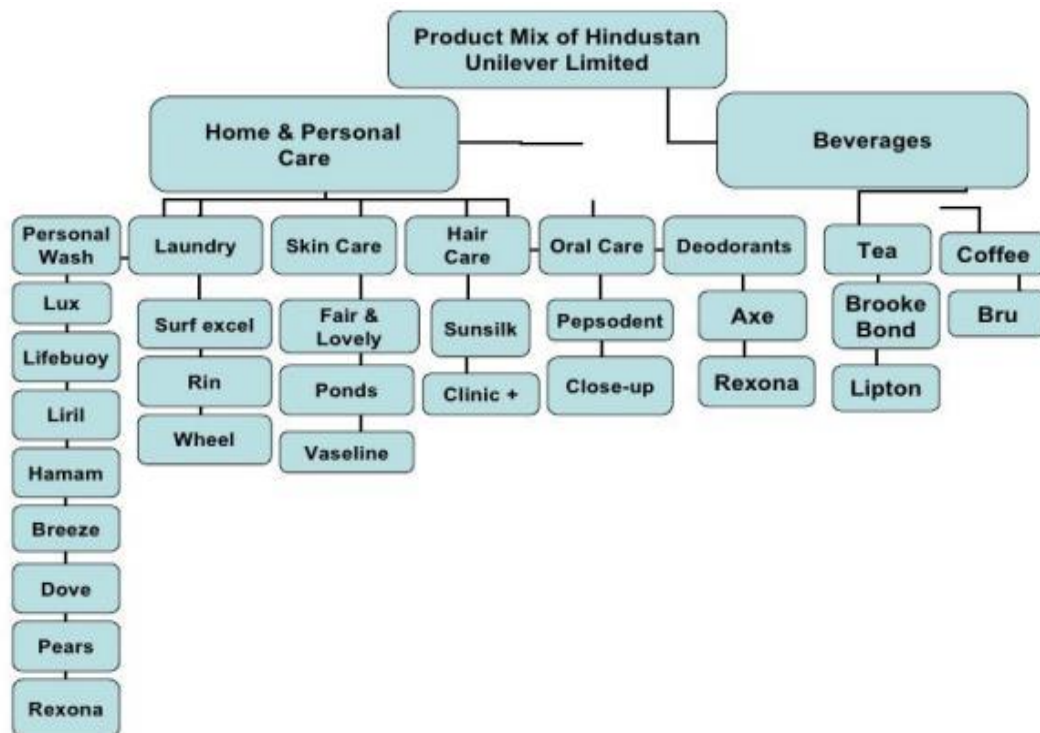
- **Installation:**

Installations mean major industrial equipment's and major machinery in the industry. It can be consumed only after repeated usage due to wear and tear. They are long life orientated and very costly enough. These goods are designed and produced only against the order with a view to meet the special needs of an individual purchaser.

- **Operating supplies:**

Operating supplies mean the goods which are used by the industrial producer with a view to provide facilities for the operation of machine or plant continuously without loss of time, but which will not become a part of the finished product. Operating supplies are the physical items required for running of a manufacturing production or service facility owned by a business.

PRODUCT MIX



Product mix refers to the complete set of products or services offered by a business. These products or services are usually grouped within product lines, representing the different types of products offered.

For example, The Coca-Cola Company has its signature Coca-Cola brand, featuring original Coca-Cola, Diet Coke, Coke Zero, Cherry Coke, etc. This would be described as a product *line*, while their product *mix* consists of their Coca-Cola, Dr. Pepper, Glaceau Smartwater, Sprite (and so on) product lines.

- Product mix of a company is made of all product lines and items. It includes the total number of varieties or models offered by the company.
- According to Philip Kotler: “A product mix is the set of all product lines and items that a particular seller offers for the sale to buyers.”
- The complete range of products present within a company is known as the product mix. In any multi brand organizations, there are numerous products present. None of the organizations wants to take the risk of being present in the market with a single product.

If a company has only a single product, then it is understood that the demand of the product is very high or the company does not have the resources to expand the number of products it has. Generally, most companies now days realise the importance of product diversification.

However, if the business market is any example, then all the top companies have multiple products. Coca cola, Apple, Microsoft, Nestle, Hindustan unilever, Pharmaceutical companies, so on and so forth. These companies need to have a wide product portfolio to be present in the market and to have a sustainable business model. The combination of products that they have in their product portfolio can be the product mix.

As explained, product mix is a combination of total product lines within a company. A company like HUL has numerous product lines like Shampoos, detergents, Soaps etc. The combination of all these product lines is the product mix.

Product Mix Dimensions:

Product mix of a particular company includes major product lines.

1. Product Mix Length:

It refers to the total number of items (in all the product lines) in product mix. For example product mix of Bajaj Company has more than 100 items in various product lines, such as fans, bulbs and tubes, heaters, motorbikes, shooters, rich-show, processing machines, and many other ranges.

2. Product Mix Width or Breadth:

It indicates the total number of product lines a company carries. For example, two wheelers (including various models) constitutes one of the product lines of Bajaj Company.

3. Product Mix Depth:

It refers to a number of varieties in forms of sizes, colors, and models offered within each product line. It can be said as the average number of product items offered by the firm in each product line.

4. Product Mix Consistency:

It refers to degree to which different product lines are related in one or other ways. It indicates how closely various product lines are related. The consistency can be judged on the basis of production requirements, uses of products, distribution channels, or some other ways. For example, product lines of Philips India Ltd., include radios, bulbs and tubes, different television sets, VCR, CD-DVD player, tape recorders, etc., can have higher consistency. While Hindustan Machines and Tools produce wrist watches as well as tractors, it is called inconsistent product mix.

PRODUCT LINE

Product line is a group of product items that can satisfy the same needs and wants, they have more or less similar features. For example, Bajaj Auto Ltd., in its two wheeler product line, makes Discover, Boxer, Boss, Pulsar, Cub scooter, Bajaj Sunny, etc.

According to Philip Kotler: “Product line is a group of products that are closely related because they function in a similar way, are sold to same customer groups, are marketed through the same type of outlets, or fall within given price range.” Thus, product line is the group of similar products. The similarity may be seen in one or more ways. Product line consists of product items belonging to same class.

The definition suggests following five ways the items are closely related:

- i. They function in similar manner.

- ii. They offer similar benefits, or meet similar expectations.
- iii. They are sold to similar customer groups.
- iv. They are marketed by similar outlets.
- v. They fall within same price range.

Characteristics of Product Line:

Main characteristics of product line can be listed as:

1. Product line consists of closely related product items. Difference is only found in terms of colour, size, shape, model, performance, weight, and capacity.
2. It is a compose of various similar items.
3. Product items are complementary to one another. For example, tube, tyre, and related materials.
4. There is difference in price. For example, Hero Honda charges different price for different models.
5. The purpose of offering similar items in each of the product line may be to attract customers by offering more varieties, and to create a good image or reputation.
6. Different items of a product line can be manufactured using same technology and/or inputs.
7. Product items in each of the product lines are distributed in same distribution channel. That is, similar outlets market them.
8. Product items in each product line function in same manner. They need same technical skills to use them.
9. They are sold to similar customer groups. They satisfy needs of the same groups.
10. They have more or less same use or utility. They are used for the same purpose.

PRODUCT ITEM

Product items are various varieties offered within product line, which are similar in one or other ways. Such varieties are based on quality, size, colour, capacity, price, model, performance, and so on.

Table 1: Product Mix, Product Line, and Product Items

No.	Name of product Lines	Product Items	Total Items in Each Line
1.	A	A1, A2, A3, A4, A5, A6, A7.	7
2.	B	B1, B2, B3, B4.	4
3.	C	C1, C2, C3, C4, C5, C6, C7, C8.	8
4.	D	D1, D2, D3, D4, D5, D6.	6
5.	E	E1, E2, E3, D4, E5.	5
		TOTAL	30

Number of product lines : 5
Number of product items : 30
Product mix length : 30
Product mix width : 5
Product mix depth : $30/5=6$
Product mix consistency : ?

NEW PRODUCT DEVELOPMENT

Organisations want to bring a new product or service to market. You've done your homework and decided exactly what you plan to offer; now all you need to generate is sales

1. Study your competition: Many business marketing classes teach participants how to perform a SWOT (strengths, weaknesses, opportunities and threats) analysis. You have to start by taking a serious look at your competitors. Make a list of the businesses that offer products or services similar to the one you plan to launch.

2. Target the ideal customer: To successfully launch your new product or service with minimum financial outlay, it's essential to focus exclusively on the prospects you believe are most likely to purchase from you. These may be customers who are currently buying something similar and will appreciate the additional features your new product or service provides. Your best prospects have a perceived need for what you offer, can afford to buy it and have demonstrated a willingness to do so--probably by purchasing from your competition. Bear in mind, it's always easier to fill a need than to create one.

3. Create a unique value proposition: At this stage, you should have a clear understanding of what you must offer in order to stand apart from your competition and who will want to take advantage of your offer. But do you know why customers will want to buy from you vs. the vast field of competitors out there? What benefits and features will you provide that your

prospective customers will value most? The bottom line is that your product or service "bundle" should be unique and meet the needs and desires of your best prospects.

4. Define your marketing strategy and tactics: Next, choose your sales and marketing channels. Will you market online, via catalogue or through dealers, for example? Generally, multichannel marketers achieve the greatest success because customers who can shop when and however they like tend to spend more and shop more often.

5. Test your concept and marketing approach: With all the money it takes to bring a new product or service to market, it's foolhardy to rush headlong into the launch phase prior to testing. What should you test? It's best to examine your product or service bundle plus your marketing message and your marketing materials.

6. Roll out your campaign: Public relations often play a vital role in the launch of a product or service. You can use media relations tactics to place articles and win interviews, get coverage by allowing key press to review your product, hold a launch event, or use grass roots marketing to build buzz.

7. Know your product's lifecycle: The campaign you use during the introduction and education phase of your product or service launch will need to be updated as your product or service matures.

STAGES OF NEW PRODUCT DEVELOPMENT

New product development is a process of taking a product or service from conception to market. The process sets out a series of stages that new products typically go through, beginning with ideation and concept generation, and ending with the product's introduction to the market. Occasionally, some of the stages overlap or vary depending on the nature of the business. Key stages in the process of product or service development. The process involves eight key stages:

- 1. Idea generation** - brainstorming and coming up with innovative new ideas. See generating ideas for new products and services.
- 2. Idea evaluation** - filtering out any ideas not worth taking forward. See screening new product or service idea.
- 3. Concept definition** - considering specifications such as technical feasibility, product design and market potential. See researching new product and service ideas.

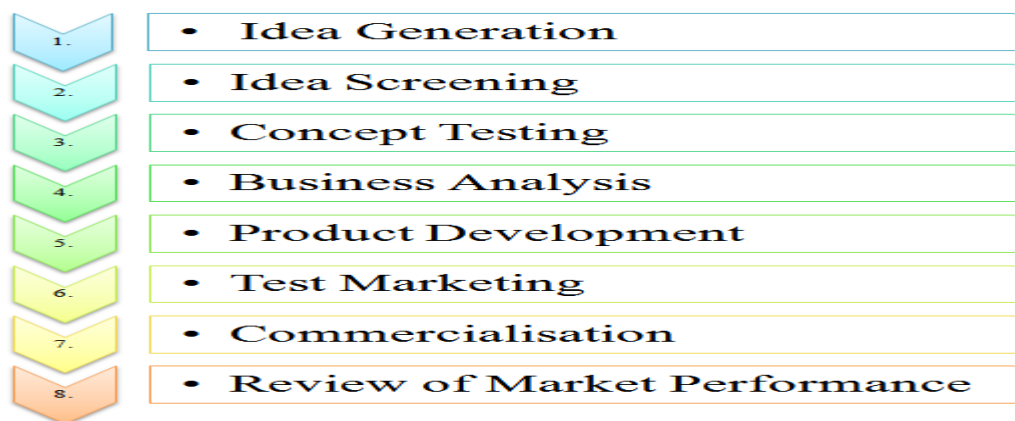
4. Strategic analysis - ensuring your ideas fit into your business' strategic plans and determining the demand, the costs and the profit margin.

5. Product development and testing - creating a prototype product or pilot service. See concept development and testing.

6. Market testing - modifying the product or service according to customer, manufacturer and support organisations' feedback. This involves deciding the best timing and process for piloting your new product or service. See how to test the market.

7. Commercialisation – determining the pricing for your product or service and finalising marketing plans. See pricing your proposed service or product.

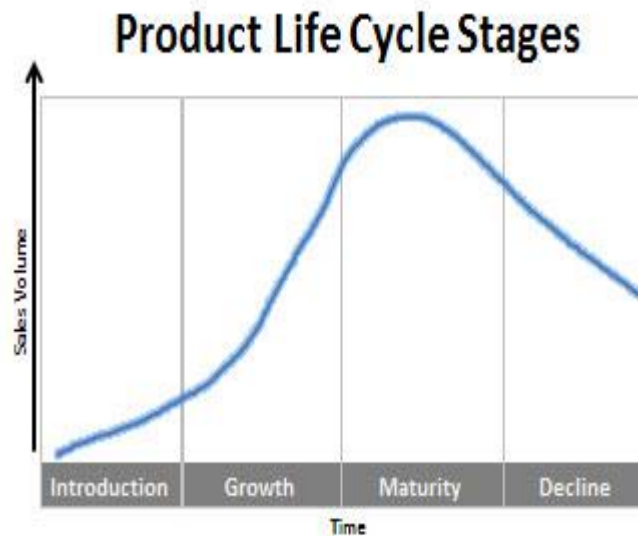
8. Product launch – a detailed launch plan can help ensure smooth introduction to market.



PRODUCT LIFE CYCLE

As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched.

Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.



Product Life Cycle Stages

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

1. Introduction Stage :

This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it's a competitive sector.

2. Growth Stage :

The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

3. Maturity Stage :

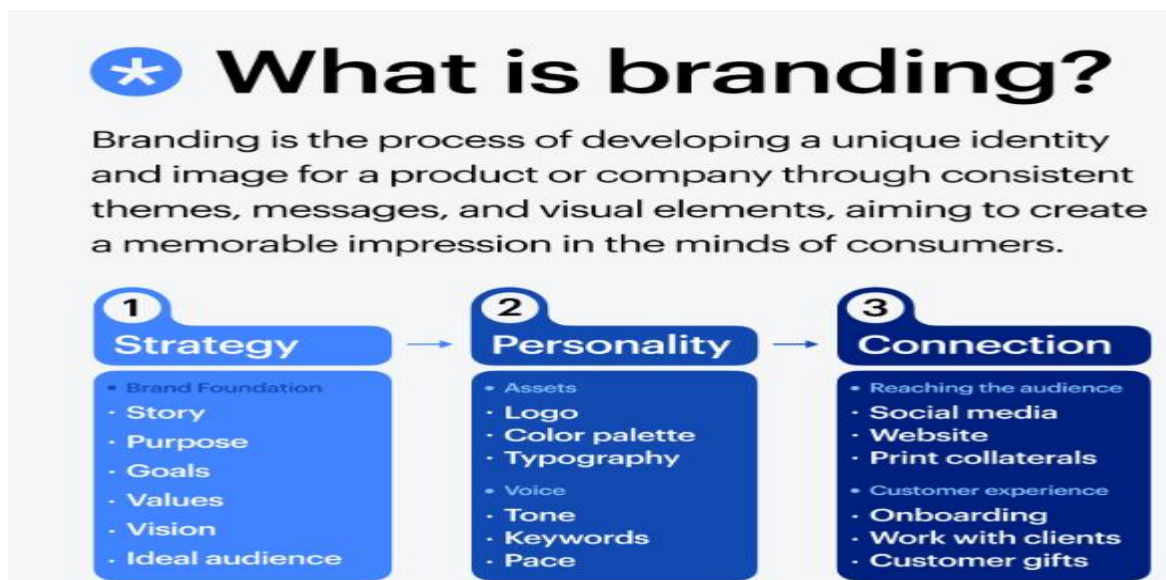
During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any

marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

4. Decline Stage :

Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

BRANDING



Meaning:

Branding has been around for centuries as a means to distinguish the goods of one producer from those of another. A brand is a specific term that may include a name, sign, symbol, design or a combination of these, with an intention to identify goods or services of a particular seller.

In fact, the word 'brand' is derived from the Old Norse word *brander*, which means 'to bum'. Branding helps to develop customer loyalty and it is advertised by sellers under their own name. A good brand develops a corporate image. Usually customers prefer brands as they can easily differentiate the quality.

Thus, branding facilitates product differentiation. Managing a brand is a major task in marketing. The battle in the market takes place not between companies but between brands, and every firm tries best to develop its brand image.

Definition:

According to Kotler and Armstrong, ‘a brand is a name, term, sign, symbol or design or a combination of these that identifies the maker or seller of a product, or services’.

Significance of Branding: Branding provides benefits to buyers and sellers.

To Buyer:

- A brand helps buyers in identifying the product that they like/dislike.
- It identifies the marketer.
- It helps reduce the time needed for purchase.
- It helps buyers evaluate quality of products, especially if they are unable to judge a product's characteristics.
- It helps reduce buyers' perceived risk of purchase.
- The buyer may derive a psychological reward from owning the brand (e.g., Rolex watches or Mercedes).

To Seller:

- A brand differentiates product offering from competitors.
- It helps segment market by creating tailored images.
- It identifies the companies' products making repeat purchases easier for customers.
- It reduces price comparisons.
- It helps the firm introduce a new product that carries the name of one or more of its existing products.
- It promotes easier cooperation with intermediaries with well-known brands
- It facilitates promotional efforts.
- It helps in fostering brand loyalty, thus helping to stabilize market share.
- Firms may be able to charge a premium for the brand.

ESSENTIALS OF GOOD BRAND

- A good brand should be easy to pronounce.
- It should be easy to remember.

- It should be able to attract attention.
- It should suggest the company or product image.
- It should be easy to recognize.
- The brand identity should be very clear.
- The brand name should be registered.
- A good brand should be easy to translate into all languages in the markets where the brand will be used.
- A good brand should suggest the product benefits or suggest its usage.

TYPES OF BRAND

1. Personal Brand

This focuses on promoting an individual rather than a company. It helps professionals establish authority, showcase personality, and attract opportunities.

Example: Narayana Murthy, founder of Infosys, has cultivated a personal brand rooted in ethics, humility, and innovation. It builds trust beyond the Infosys brand.

2. Product Brand

A product brand distinguishes a single product from others, often through packaging, identity, and unique value.

Example: Parachute Coconut Oil—the blue bottle and smell are instantly recognisable across India. It stands apart from other Marico products.

3. Corporate Brand

This refers to the branding of the entire organisation rather than a single product or service.

Example: Tata Group—a symbol of trust, quality, and philanthropy across industries like steel, tech, cars, and tea.

4. Service Brand

Service branding emphasises experience and customer satisfaction over tangible products.

Example: Taj Hotels is known for its luxury service, attention to detail, and heritage. The brand consistently delivers “royal treatment”.

5. Retail Brand

This type of brand focuses on physical store environments, in-store experience, and layout to attract and retain customers.

Example: Croma—owned by the Tata Group—delivers a tech-focused, interactive shopping experience that aligns with modern consumers.

6. Geographical or Place Brand

This branding highlights location-based attributes, often used in tourism or regional product positioning.

Example: Darjeeling Tea—leverages its place of origin to connote premium quality and cultural heritage globally.

7. Luxury Brand

Luxury branding focuses on exclusivity, high quality, and aspirational appeal.

Example: Sabyasachi—India’s most elite designer label known for opulence, craftsmanship, and limited-edition collections.

8. Experience Brand

This branding type ties brand value to the sensory and emotional experiences of customers.

Example: Amul’s “The Taste of India” campaign creates emotional resonance with Indian households through nostalgic ads and cultural references.

9. Innovative or Disruptive Brand

These brands challenge industry norms and bring radical changes in technology, experience, or business model.

Example: Ola Electric—a disruptor in India’s auto industry with bold EV innovations and a direct-to-consumer model.

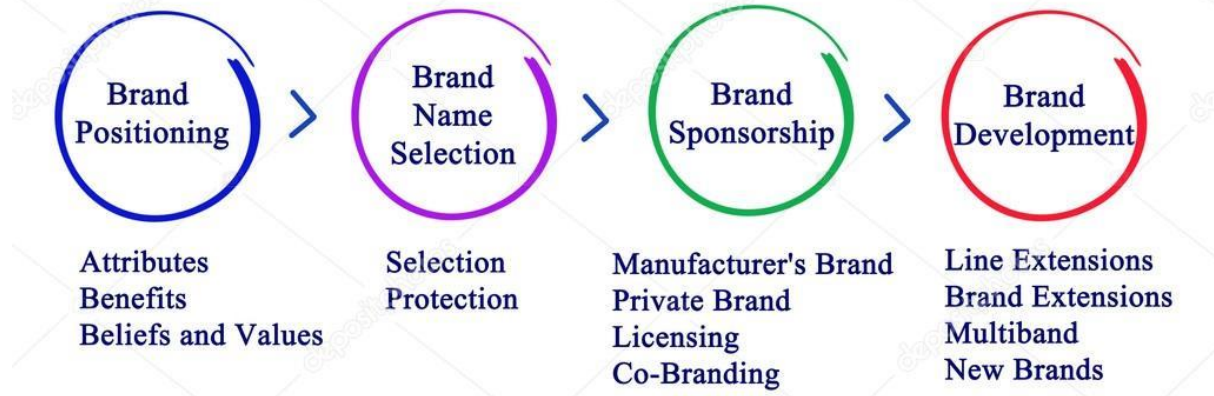
10. Group Brand

Group branding occurs when multiple product or service brands operate under a single parent brand, sharing core values and design principles.

Example: Hindustan Unilever Limited (HUL)—manages multiple brands like Dove, Surf Excel, and Lakmé, all with unique identities under one trusted umbrella.

BRAND DECISIONS

Major Brand Strategy Decisions



In marketing, a brand isn't just a logo; it's the **emotional and psychological relationship** between a company and its customers. Making the right brand decisions determines whether a product becomes a household name or remains a commodity on a shelf.

1. Brand Positioning

Before a brand can exist in the market, it must exist in the consumer's mind. Positioning is the "space" you want to own.

- **Target Audience:** Who is this for? (e.g., budget-conscious students vs. luxury-seeking executives).
- **Point of Difference (POD):** What makes you unique? Is it price, quality, innovation, or sustainability?
- **Frame of Reference:** Which category are you competing in? (e.g., Is Starbucks a coffee shop or a "third place" between home and work?)

2. Brand Name & Identity

This is the "face" of the brand. These decisions are often permanent and costly to change.

- **Naming Strategy:** Should the name be **Descriptive** (Whole Foods), **Metaphorical** (Amazon), or **Inventive** (Google)?

- **Visual Identity:** This includes the logo, color psychology (e.g., blue for trust, red for excitement), and typography.
- **Brand Voice:** Does the brand speak like a "Professional Expert," a "Friendly Neighbor," or a "Rebel"?

3. Brand Sponsorship & Ownership

Marketers must decide who will "carry" the brand.

Strategy	Description	Example
Manufacturer Brand	The producer sells under their own name.	Apple, Nike
Private Label	Retailers create their own brands to compete with manufacturers.	Kirkland (Costco), Amazon Basics
Licensing	Paying a fee to use a famous name or character.	LEGO using <i>Star Wars</i> characters
Co-Branding	Two brands team up for a single product.	Red Bull & GoPro

4. Brand Development Strategies

As a company grows, it must decide how to expand its portfolio without confusing the customer.

- **Line Extension:** Adding new forms or flavors to an existing product category (e.g., Coca-Cola launching Cherry Coke).
- **Brand Extension:** Using a successful brand name to launch a product in a *new* category (e.g., Dyson moving from vacuums to hair dryers).
- **Multi-Brands:** Managing different brands in the same category to capture different segments (e.g., P&G owning both Tide and Ariel).

- **New Brands:** Creating an entirely new identity for a new category to avoid "diluting" the original brand.

5. Brand Equity Management

Brand equity is the **commercial value** derived from consumer perception. Decisions here focus on long-term health:

- **Consistency:** Ensuring the brand experience is the same across social media, in-store, and customer service.
- **Rejuvenation:** Deciding when a brand looks "tired" and needs a refresh (rebranding) to stay relevant to younger generations.

A brand is a promise. Every decision made—from the font on the packaging to the tone of a tweet—either fulfills that promise or breaks it.

PACKAGING



Packaging serves different functions for products. Packaging serves a practical purpose of helping to store, handle, transport and display the product. Packaging also provides a means to market products.

Types of packaging:

Packaging performs five basic functions: Protection, containment, Information, Utility of use, Promotion

1) Protection: One of the major functions of packaging is to provide for the ravages of time and environment for the natural and manufactured products. The protection function can be divided into some classes viz.

- **Natural deterioration:** It is caused by the interaction of products with water, gases and fumes, microbiologic organisms like bacteria, yeasts and moulds, heat, cold, desiccation (dry environment in deserts and high-altitude areas), contaminants and insects and rodents.

- **Physical protection:** The packaging is also used for physical protection, which include improving shock protection, internal product protection and reducing shock damage caused from vibration, snagging, friction and impact.
- **Safety:** A special kind of protective packaging is required for products that are deemed hazardous to those who transport them or use them. These product include highly inflammable gas and liquid, radioactive elements, toxic materials etc. The packaging should also be done so that children could not easily use or dispose them.
- **Waste reduction:** Packaging also serves to reduce the amount of waste specially in case of food distribution

2) Containment: This involves consolidation of unit loads for shipping. It starts with spots of adhesives on the individual shippers that stick them together, straps of steel and plastic, entire shrouds of shrinkable or stretchable plastic films and paper or corrugated wraps that surround an entire pallet of product.

There are some special bulk boxes or pallet bins made from unusually strong corrugated board or fabricated form plastics or metal, the method of which depends on the type and weight of product and its protective needs. The cargo containers made of aluminium used to hold many pallet loads of goods can be transferred to or from ships, trains and flatbed trucks by giant cranes.

3) Information: The packaging conveys necessary information to the consumers. The common information that packaging provides include general features of the product, ingredients, net weight of the contents, name and address of the manufacturers, maximum retail price (MRP).

4) Utility of use: The convenience packaging has been devised for foods, household chemicals, drugs, adhesives, paints, cosmetics, paper goods and a host of other products. This type of packaging includes dispensing devices, pre-packaged hot metals, disposable medical packaging.

5) Promotion: Companies use attractive colours, logos, symbols and captions to promote the product that can influence customer purchase decision.

Packaging requires several decisions:

- **Packaging concept:** This defines what the package should be or do for the particular product in terms of size, shape, materials, colour, text, and brand mark and tamperproof ability
- **Engineering tests:** This will ensure that the package stands up under normal conditions
- **Visual tests:** This is to ensure that the script is legible and colours are harmonious
- **Dealer tests:** This is to ensure that the dealers find the packages attractive and easy to handle
- **Consumer tests:** This is to ensure favourable consumer response.

Importance of packaging:

- **Function:** The purpose of product packaging is to protect the product from damage. Product packaging not only protects the product during transit from the manufacturer to the retailer, but it also prevents damage while the product sits on retail shelves. Most products have some form of packaging. For example, soups must have a container and package while apples may have packaging for transport but not to sell the product from the produce department of the local grocery store.
- **Attraction:** How a product is packaged may be what attracts the consumer to take a look on the product as it sits on store shelves. For this reason, many companies conduct extensive research on colour schemes, designs and types of product packaging that is the most appealing to its intended consumer.
- **Promotion:** Packaging also plays an important role for portraying information about the product. Outside packaging may contain directions on how to use the product or make the product.
- **Facilitates Purchase Decision:** Packaging may also contain ingredients and nutritional information about the product. This information can help to sell the product because it allows potential customers to obtain the necessary information they need to make a purchase decision. Information contained on a package may propel the reader to buy the product without ever having to speak to a store clerk.

- **Differentiation:** Packaging can also differentiate one brand of product from another brand. Because the product packaging can contain company names, logos and the colour scheme of the company, it helps consumers to identify the product as it sits among the competition's products on store shelves.

LABELLING

Labelling is another significant means of product identification like branding and packaging. Labelling the act of attaching or tagging labels. A label is anything may be a piece of paper, printed statement, imprinted metal, leather which is either a part of a package or attached to it, indicating value of contents of price of product name and place of producers.

It carries verbal information about the product, producer or such useful information to be beneficial to the user. Thus, a label is an informative tag, wrapper or seal attached to a product or product's package.

5 Important Functions of Labelling:

1. Describe the Product and Specify its Contents:

A label provides complete information regarding the product. It mainly includes ingredients of the product, its usage, and caution in use, cares to be taken while using it, date of manufacturing, batch number, etc.

2. Identification of the Product or Brand:

It is easier to identify a particular product among many with the help of labelling. For example, you as a consumer want to select CINTHOL SOAP. The task of finding the desired soap from a heap of various branded soaps becomes easier with the help of labelling.

3. Grading of Product:

When a product has different qualities, labelling helps to find out which pack contains what type of quality. For example, Hindustan Unilever Ltd., manufactures three types of tea and to differentiate the each type of tea, the company uses Green, Red and Yellow coloured labels.

4. Help in Promotion of Products:

The fourth function of labelling is to promote sales. Sometimes a consumer gets encouraged to buy a product simply due to attractive label. Nowadays labelling is used as an effective sales promoting tool.

5. Providing information required by Law:

Another important function performed by labelling is to provide statutory warning required by law. To put 'smoking is injurious to health' on the package of cigarette and 'Chewing Tobacco is Injurious to Health' on the package of Pan Masala are the examples of statutory warning? Similarly, in case of hazardous or poisonous products, appropriate statutory warning need to be put on the label.

UNIT-IV

PRICE AND PLACE

PRICING

Pricing can be defined as the process of determining an appropriate price for the product, or it is an act of setting price for the product. Pricing involves a number of decisions related to setting price of product. Pricing policies are aimed at achieving various objectives. Company has several objectives to be achieved by the sound pricing policies and strategies. Pricing decisions are based on the objectives to be achieved. Objectives are related to sales volume, profitability, market shares, or competition.

OBJECTIVES OF PRICING

1. Profits-related Objectives:

Profit has remained a dominant objective of business activities.

(i) Maximum Current Profit:

One of the objectives of pricing is to maximize current profits. This objective is aimed at making as much money as possible. Company tries to set its price in a way that more current profits can be earned. However, company cannot set its price beyond the limit. But, it concentrates on maximum profits.

(ii) Target Return on Investment:

Most companies want to earn reasonable rate of return on investment

Target return may be:

- Fixed percentage of sales,
- Return on investment, or
- A fixed rupee amount.

Company sets its pricing policies and strategies in a way that sales revenue ultimately yields average return on total investment. For example, company decides to earn 20% return on total investment of 3 crore rupees. It must set price of product in a way that it can earn 60 lakh rupees.



Figure 1: Pricing Objectives

2. Sales-related Objectives:

The main sales-related objectives of pricing may include:

i. Sales Growth:

Company's objective is to increase sales volume. It sets its price in such a way that more and more sales can be achieved. It is assumed that sales growth has direct positive impact on the profits. So, pricing decisions are taken in way that sales volume can be raised. Setting price, altering in price, and modifying pricing policies are targeted to improve sales.

ii. Target Market Share:

A company aims its pricing policies at achieving or maintaining the target market share. Pricing decisions are taken in such a manner that enables the company to achieve targeted market share. Market share is a specific volume of sales determined in light of total sales in an industry. For example, company may try to achieve 25% market shares in the relevant industry.

iii. Increase in Market Share:

Sometimes, price and pricing are taken as the tool to increase its market share. When company assumes that its market share is below than expected, it can raise it by appropriate pricing; pricing is aimed at improving market share.

3. Competition-related Objectives:

Competition is a powerful factor affecting marketing performance. Every company tries to react to the competitors by appropriate business strategies.

i. To Face Competition:

Pricing is primarily concerns with facing competition. Today's market is characterized by the severe competition. Company sets and modifies its pricing policies so as to respond the competitors strongly. Many companies use price as a powerful means to react to level and intensity of competition.

ii. To Keep Competitors Away:

To prevent the entry of competitors can be one of the main objectives of pricing. The phrase 'prevention is better than cure' is equally applicable here. If competitors are kept away, no need to fight with them. To achieve the objective, a company keeps its price as low as possible to minimize profit attractiveness of products. In some cases, a company reacts offensively to prevent entry of competitors by selling product even at a loss.

iii. To Achieve Quality Leadership by Pricing:

Pricing is also aimed at achieving the quality leadership. The quality leadership is the image in mind of buyers that high price is related to high quality product. In order to create a positive image that company's product is standard or superior than offered by the close competitors; the company designs its pricing policies accordingly.

iv. To Remove Competitors from the Market:

The pricing policies and practices are directed to remove the competitors away from the market. This can be done by forgoing the current profits – by keeping price as low as possible – in order to maximize the future profits by charging a high price after removing competitors from the market. Price competition can remove weak competitors.

4. Customer-related Objectives:

Customers are in center of every marketing decision

i. To Win Confidence of Customers:

Customers are the target to serve. Company sets and practices its pricing policies to win the confidence of the target market. Company, by appropriate pricing policies, can establish, maintain or even strengthen the confidence of customers that price charged for the product is reasonable one. Customers are made feel that they are not being cheated.

ii. To Satisfy Customers:

To satisfy customers is the prime objective of the entire range of marketing efforts. And, pricing is no exception. Company sets, adjusts, and readjusts its pricing to satisfy its target customers. In short, a company should design pricing in such a way that results into maximum consumer satisfaction.

5. Other Objectives:

Over and above the objectives discussed so far, there are certain objectives that company wants to achieve by pricing.

They are as under:

i. Market Penetration:

This objective concerns with entering the deep into the market to attract maximum number of customers. This objective calls for charging the lowest possible price to win price-sensitive buyers.

ii. Promoting a New Product:

To promote a new product successfully, the company sets low price for its products in the initial stage to encourage for trial and repeat buying. The sound pricing can help the company introduce a new product successfully.

iii. Maintaining Image and Reputation in the Market:

Company's effective pricing policies have positive impact on its image and reputation in the market. Company, by charging reasonable price, stabilizing price, or keeping fixed price can create a good image and reputation in the mind of the target customers.

iv. To Skim the Cream from the Market:

This objective concerns with skimming maximum profit in initial stage of product life cycle. Because a product is new, offering new and superior advantages, the company can charge relatively high price. Some segments will buy product even at a premium price.

v. Price Stability:

Company with stable price is ranked high in the market. Company formulates pricing policies and strategies to eliminate seasonal and cyclical fluctuations. Stability in price has a good impression on the buyers. Frequent changes in pricing affect adversely the prestige of company.

vi. Survival and Growth:

Finally, pricing is aimed at survival and growth of company's business activities and operations. It is a fundamental pricing objective. Pricing policies are set in a way that company's existence is not threatened.

FACTORS AFFECTING PRICING DECISIONS

The influencing factors for a price decision can be divided into two groups:

- (A) Internal Factors and
- (B) External Factors.



Fig. 14.1

I. Internal Factors:

1. Organisational Factors:

Pricing decisions occur on two levels in the organisation. Over-all price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies. Usually, some combination of production and marketing specialists are involved in choosing the price.

2. Marketing Mix:

Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three—

Production, Promotion and Distribution. In some industries, a firm may use price reduction as a marketing technique.

Other firms may raise prices as a deliberate strategy to build a high-prestige product line. In either case, the effort will not succeed unless the price change is combined with a total marketing strategy that supports it. A firm that raises its prices may add a more impressive looking package and may begin a new advertising campaign.

3. Product Differentiation:

The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product, such as quality, size, colour, attractive package, alternative uses etc. Generally, customers pay more prices for the product which is of the new style, fashion, better package etc.

4. Cost of the Product:

Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise product would be flapped in the market.

5. Objectives of the Firm:

A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value-oriented objectives, such as maximizing sales revenue, maximizing market share, maximizing customer volume, minimizing customer volume, maintaining an image, maintaining stable price etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

II. External Factors:

1. Demand:

The market demand for a product or service obviously has a big impact on pricing. Since demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay, their preference etc. are taken into account while fixing the price.

A firm can determine the expected price in a few test-markets by trying different prices in different markets and comparing the results with a controlled market in which price is not

altered. If the demand of the product is inelastic, high prices may be fixed. On the other hand, if demand is elastic, the firm should not fix high prices, rather it should fix lower prices than that of the competitors.

2. Competition:

Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination. A firm can fix the price equal to or lower than that of the competitors, provided the quality of product, in no case, be lower than that of the competitors.

3. Suppliers:

Suppliers of raw materials and other goods can have a significant effect on the price of a product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers, in turn, pass it on to consumers.

Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to make profits by charging more for their supplies. In other words, the price of a finished product is intimately linked up with the price of the raw materials. Scarcity or abundance of the raw materials also determines pricing.

4. Economic Conditions:

The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution. To meet the changes in demand, price etc.

Several pricing decisions are available:

- (a) Prices can be boosted to protect profits against rising cost,
- (b) Price protection systems can be developed to link the price on delivery to current costs,
- (c) Emphasis can be shifted from sales volume to profit margin and cost reduction etc.

5. Buyers:

The various consumers and businesses that buy a company's products or services may have an influence in the pricing decision. Their nature and behaviour for the purchase of a particular product, brand or service etc. affect pricing when their number is large.

6. Government:

Price discretion is also affected by the price-control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in prices of certain

products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector. The marketers obviously can exercise substantial control over the internal factors, while they have little, if any, control over the external ones.

PRICING METHODS

Meaning:

Method adopted by a firm to set its selling price. It usually depends on the firm's average costs, and on the customer's perceived value of the product in comparison to his or her perceived value of the competing products. Different pricing methods place varying degree of emphasis on selection, estimation, and evaluation of costs, comparative analysis, and market situation

The two methods of pricing are as follows: A. Cost-oriented Method B. Market-oriented Methods.

There are several methods of pricing products in the market. While selecting the method of fixing prices, a marketer must consider the factors affecting pricing. The pricing methods can be broadly divided into two groups—cost-oriented method and market-oriented method.

The different pricing methods:

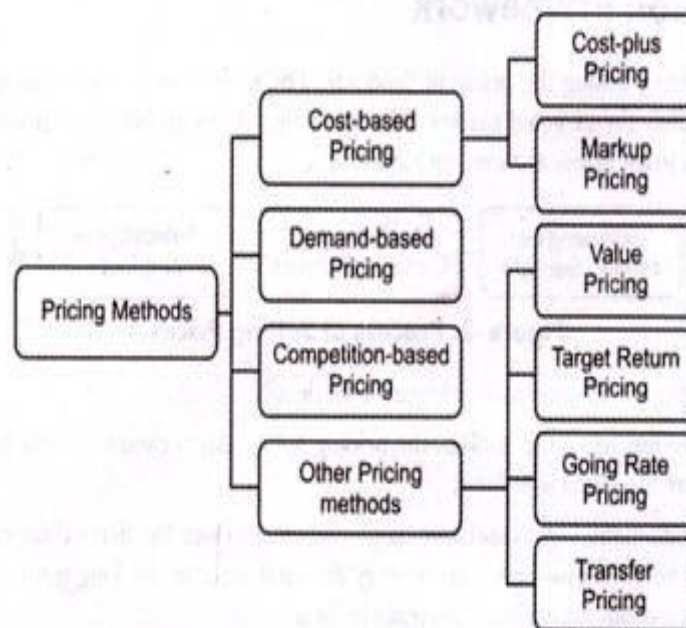


Figure-4: Various Pricing Methods

1. Cost-based Pricing:

Cost-based pricing refers to a pricing method in which some percentage of desired profit margins is added to the cost of the product to obtain the final price. In other words, cost-based pricing can be defined as a pricing method in which a certain percentage of the total cost of production is added to the cost of the product to determine its selling price. Cost-based pricing can be of two types, namely, cost-plus pricing and markup pricing.

These two types of cost-based pricing are as follows:

(i) Cost-plus Pricing:

Refers to the simplest method of determining the price of a product. In cost-plus pricing method, a fixed percentage, also called mark-up percentage, of the total cost (as a profit) is added to the total cost to set the price. For example, XYZ organization bears the total cost of Rs. 100 per unit for producing a product. It adds Rs. 50 per unit to the price of product as 'profit'. In such a case, the final price of a product of the organization would be Rs. 150.

Cost-plus pricing is also known as average cost pricing. This is the most commonly used method in manufacturing organizations.

In economics, the general formula given for setting price in case of cost-plus pricing is as follows:

$$P = AVC + AVC (M)$$

AVC= Average Variable Cost

M = Mark-up percentage

AVC (m) = Gross profit margin

Mark-up percentage (M) is fixed in which AFC and net profit margin (NPM) are covered.

$$AVC (m) = AFC + NPM$$

For determining average variable cost, the first step is to fix prices. This is done by estimating the volume of the output for a given period of time. The planned output or normal level of production is taken into account to estimate the output.

The second step is to calculate Total Variable Cost (TVC) of the output. TVC includes direct costs, such as cost incurred in labor, electricity, and transportation. Once TVC is calculated, AVC is obtained by dividing TVC by output, Q. [AVC= TVC/Q]. The price is then fixed by adding the mark-up of some percentage of AVC to the profit [P = AVC + AVC (m)].

The advantages of cost-plus pricing method are as follows:

- a. Requires minimum information
- b. Involves simplicity of calculation
- c. Insures sellers against the unexpected changes in costs

The disadvantages of cost-plus pricing method are as follows:

- a. Ignores price strategies of competitors
- b. Ignores the role of customers

(ii) Markup Pricing:

Refers to a pricing method in which the fixed amount or the percentage of cost of the product is added to product's price to get the selling price of the product. Markup pricing is more common in retailing in which a retailer sells the product to earn profit. For example, if a retailer has taken a product from the wholesaler for Rs. 100, then he/she might add up a markup of Rs. 20 to gain profit.

It is mostly expressed by the following formulae:

- a. Markup as the percentage of cost= $(\text{Markup}/\text{Cost}) * 100$
- b. Markup as the percentage of selling price= $(\text{Markup}/\text{Selling Price}) * 100$
- c. For example, the product is sold for Rs. 500 whose cost was Rs. 400. The mark up as a percentage to cost is equal to $(100/400) * 100 = 25$. The mark up as a percentage of the selling price equals $(100/500) * 100 = 20$.

2. Demand-based Pricing:

Demand-based pricing refers to a pricing method in which the price of a product is finalized according to its demand. If the demand of a product is more, an organization prefers to set high prices for products to gain profit; whereas, if the demand of a product is less, the low prices are charged to attract the customers.

The success of demand-based pricing depends on the ability of marketers to analyze the demand. This type of pricing can be seen in the hospitality and travel industries. For instance, airlines during the period of low demand charge less rates as compared to the period of high demand. Demand-based pricing helps the organization to earn more profit if the customers accept the product at the price more than its cost.

3. Competition-based Pricing:

Competition-based pricing refers to a method in which an organization considers the prices of competitors' products to set the prices of its own products. The organization may charge higher, lower, or equal prices as compared to the prices of its competitors.

The aviation industry is the best example of competition-based pricing where airlines charge the same or fewer prices for same routes as charged by their competitors. In addition, the introductory prices charged by publishing organizations for textbooks are determined according to the competitors' prices.

4. Other Pricing Methods:

In addition to the pricing methods, there are other methods that are discussed as follows:

i. Value Pricing:

Implies a method in which an organization tries to win loyal customers by charging low prices for their high- quality products. The organization aims to become a low cost producer without sacrificing the quality. It can deliver high- quality products at low prices by improving its research and development process. Value pricing is also called value-optimized pricing.

ii. Target Return Pricing:

Helps in achieving the required rate of return on investment done for a product. In other words, the price of a product is fixed on the basis of expected profit.

iii. Going Rate Pricing:

Implies a method in which an organization sets the price of a product according to the prevailing price trends in the market. Thus, the pricing strategy adopted by the organization can be same or similar to other organizations. However, in this type of pricing, the prices set by the market leaders are followed by all the organizations in the industry.

iv. Transfer Pricing:

Involves selling of goods and services within the departments of the organization. It is done to manage the profit and loss ratios of different departments within the organization. One department of an organization can sell its products to other departments at low prices. Sometimes, transfer pricing is used to show higher profits in the organization by showing fake sales of products within departments.

PRICING STRATEGIES

Pricing Strategies

		Quality	
		Low	High
Price	Low	Economic	Penetration Pricing
	High	Skimming Pricing	Premium Pricing

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1. Premium pricing:

Premium pricing strategy allows business to set their prices higher than the competition. It's great for a small business whose niche is selling unique goods, as well as for the times when you are first in placing a product on the market that has a specific competitive advantage. Premium pricing strategy can be a good choice for businesses entering a new market and trying to cash in the early days of a product's life cycle.

In order to justify the premium price, a company must create a perceived value of its product or service. Every aspect needs to support the notion of the premium price, including packaging and marketing efforts in order for the customers to perceive the product as worth its prices.

2. Penetration pricing:

In the instance of penetration pricing strategy, a company is looking to establish its presence by entering the market and offering lower prices (sometimes at a steep discount) than their competitors. The reason why is to attract customers away from the competition, which often results as an initial, albeit calculated income loss.

The point of penetration pricing is to raise brand awareness and brand loyalty in the crowded market and stand out so that in the long run, a company can effectively raise its prices that actually reflect their true market positioning.

3. Price skimming or milking:

In the third P of pricing strategies, price skimming acts as a way for a business to leverage their competitive advantage and maximize their sales on new products and services. Contrary to penetration pricing, a company initially sets a higher price, then gradually lowers it as competition begins to catch on and offer similar products or alternatives.

The primary benefit of price skimming is a strategic approach to gain maximum revenue advantage on early adopters until it lowers prices to cater to more price-sensitive groups. It can be highly useful for smaller businesses who can cover the developments cost of their unique product, all the reaping the benefits of perceived exclusivity in the early stages.

4. Psychological pricing:

Psychological pricing strategy is more of a technique that plays on the customer's emotional perception (thus the name) of the price, down to the small details that can make a difference. It's a widely used strategy that is one of the favorites by many marketers.

As an ever-present example, a product with a \$99 price tag is cheaper than a product of \$100. That is clear as a sunny day but in the mind of a buyer, \$99 is psychologically "less" than \$100, possibly due to the fact it has one less digit (as in our example) or that consumers have a tendency to pay more attention to the first number on a price tag than the last. In essence, you are creating an illusion of enhanced value (cheaper price) for the consumer.

5. Economy pricing:

Finally, something that doesn't start with a p. Economy pricing is often used by large companies, especially in the food market, like Wal-Mart and Target, as it aims to attract a particular segment of the market – the price-sensitive buyers. In this case, companies reduce their marketing and production costs to a bare minimum in order to maintain low prices.

This strategy is not suitable for businesses that lack the large sales volumes which are needed to stay profitable with low prices. Instead, they can opt for discounts tailored to most loyal customers to cement their patronage long-term.

6. Bundle pricing

Bundle pricing is a great way for small businesses to sell multiple products for a slightly lower rate, convincing buyers that they are getting a bargain as compared to purchasing each item individually. The main point of bundle pricing strategy is that it increases the customer perceived value while also providing an effective way of selling unsold items that are stored for far too long.

The strategy is most effective for businesses that sell complementary products, that actually have something to bundle. It makes the entire shopping process a bit easier by bundling similar items together (although, when was shopping ever anything but easy?). However, it's very important to remember that the profits earned on the higher-value items must cover the losses you take on the lower-value product. Otherwise, it's all for naught.

CHANNELS OF DISTRIBUTION

According to McCarthy- “Any sequence of institutions from the producer to the consumer including one or any number of middlemen is called the channel of distribution.”

W.J. Stanton defines the channel of distribution as “the route taken by the title to the goods as they move from the producer to the ultimate consumer or industrial users.”

A channel of distribution is known as marketing channel. A channel of distribution is the structure of intra-company organisation units and extra- company agents and dealers, wholesale and retail through which a commodity, a product or service is marketed.

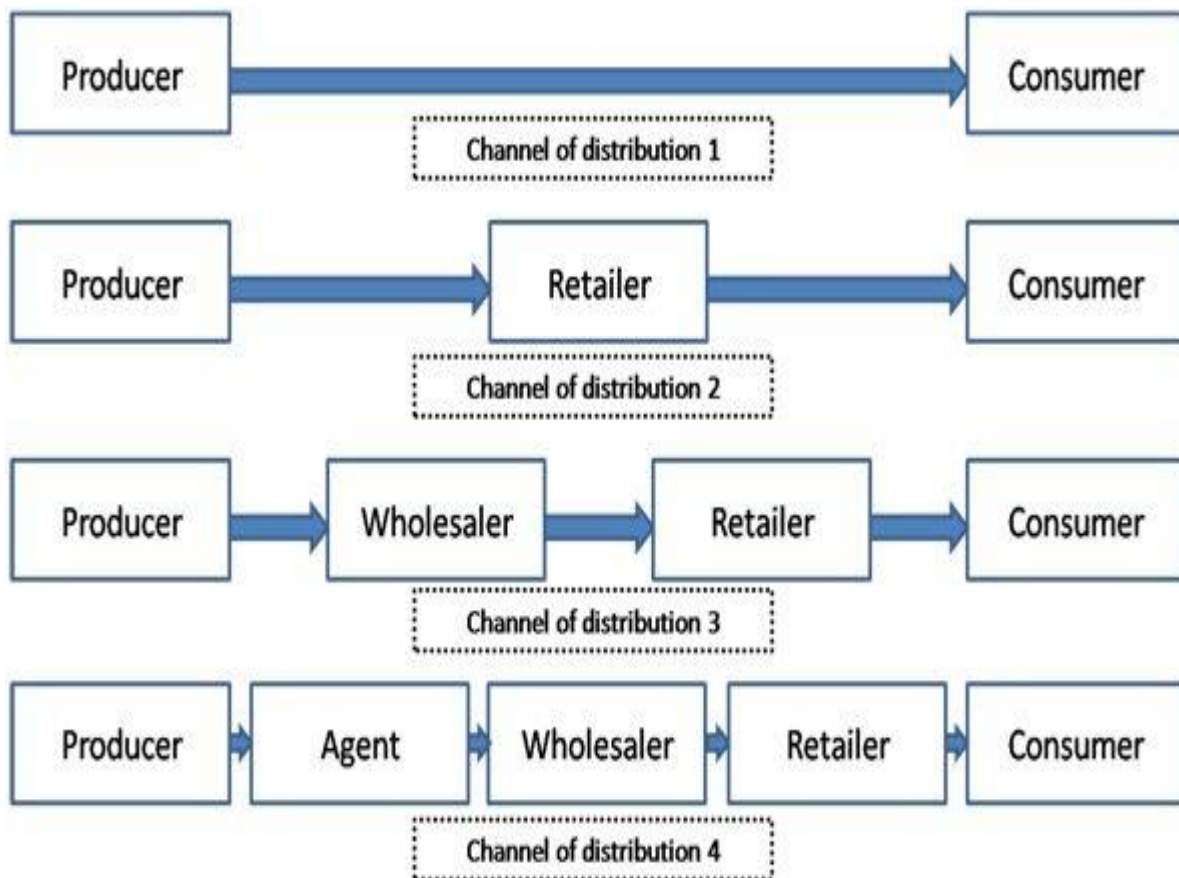
NEED OF MARKETING CHANNELS

- The channels of distribution refer to the various link-roads which connect the producer and the final consumer. Production is meant for distribution. Various are the products; various also are the ways or link-roads which may be used for the products to reach the ultimate consumers. The paths by which products may be channelized may be straight, short, direct or long and indirect.
- Manufacturers are to depend on and rely on the persons (middle men) who operate between the producer and the consumer. It is principally on the nature of the product that will determine the nature of its passage to the consumer.
- A middle-man may be adequate for the product to reach the consumer or a number of middle-men may be required considering the nature of the product and the distance

between the producer and consumer. However, the significance of the channels cannot be overemphasized.

- It is common sense to appraise the need of a channel or a number of channels for a product to meet the consumer. The ultimate object of the marketing mixture all are the means and an end in themselves, the end is to place the products in the hands of the consumers who are ready to pay for them.
- Middle-men bridge the gap between the producer and the consumer. The channels or routes may be different but agents must be waiting for the work of conveying the products to the consumers but for which activity, the whole of the marketing functions result in nothingness.

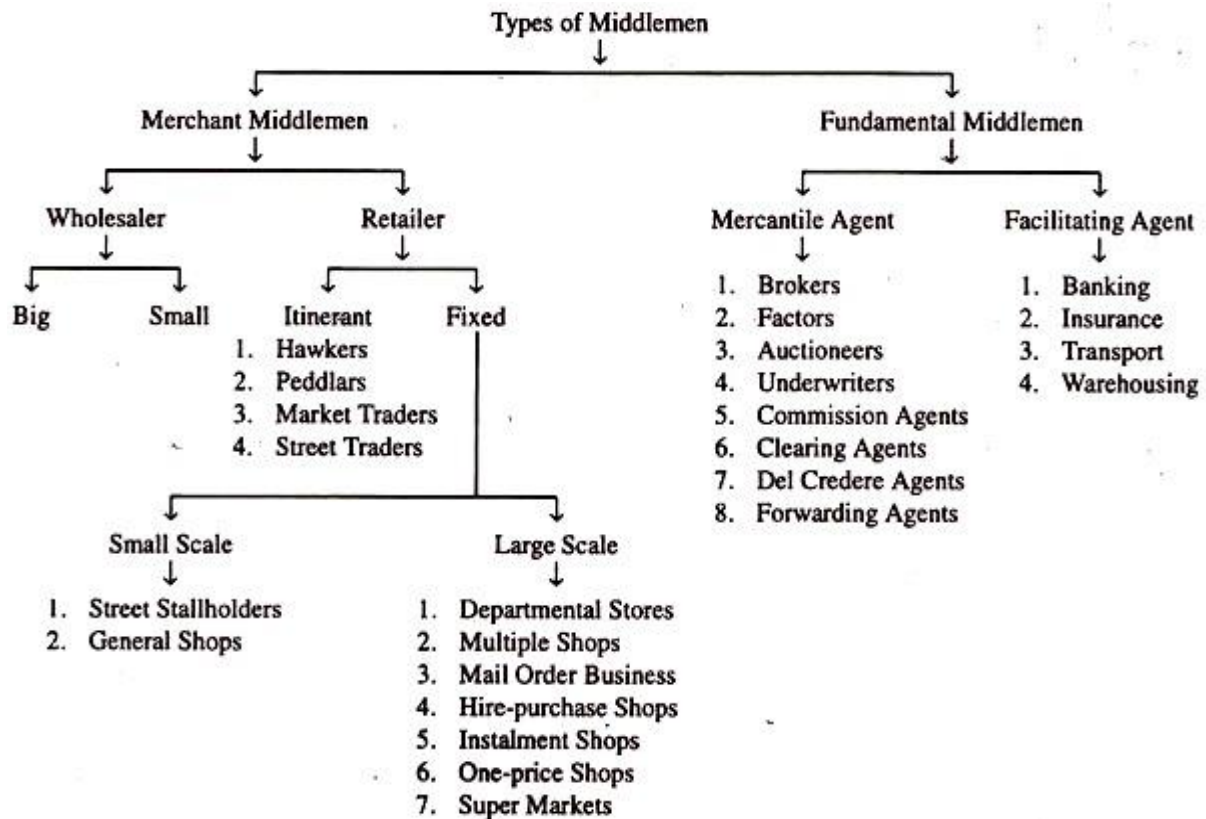
TYPES OF CHANNELS



1. **Manufacturer to Customer:** Manufacturer makes the goods and sells them to the consumer directly with no intermediary, such as a wholesaler, agent or retailer. Goods come from the manufacturer to the user without an intermediary or middleman. For

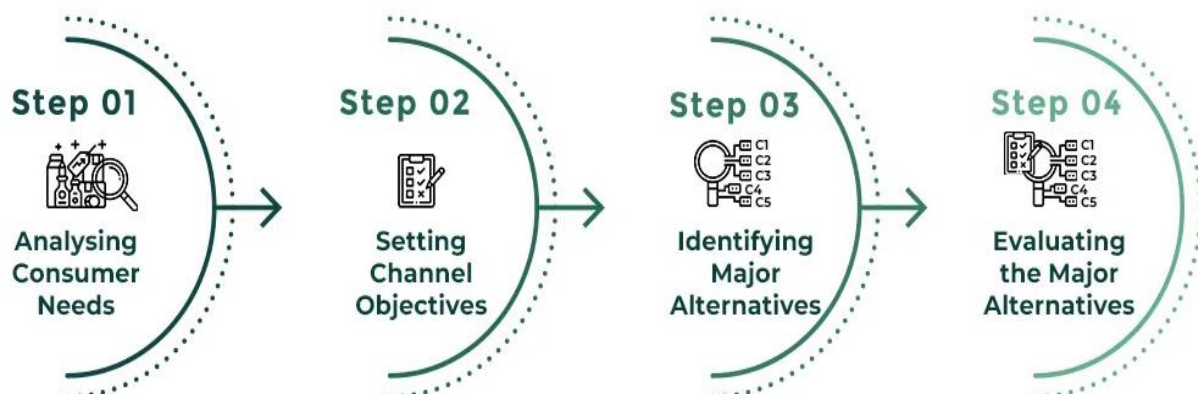
example, a farmer may sell some produce directly to customers. For example, a bakery may sell cakes and pies directly to customers.

2. **Manufacturer to Retailer to Consumer:** Purchases are made by the retailer from the manufacturer and then the retailer sells the merchandise to the consumer. This channel is used by manufacturers that specialize in producing shopping goods. For example, clothes, shoes, furniture and fine china. This merchandise may not be needed immediately and the consumer may take her time and try on the items before making a buying decision. Manufacturers that specialize in producing shopping goods prefer this method of distribution.
3. **Manufacturer to Wholesaler to Customer:** Consumers can buy directly from the wholesaler. The wholesaler breaks down bulk packages for resale to the consumer. The wholesaler reduces some of the cost to the consumer such as service cost or sales force cost, which makes the purchase price cheaper for the consumer. For example, shopping at some of the warehouse clubs, the customer may have to buy a membership in order to buy directly from the wholesaler.
4. **Manufacturer to Agent to Wholesaler to Retailer to Customer:** Distribution that involves more than one intermediary involves an agent called in to be the middleman and assist with the sale of the goods. An agent receives a commission from the producer. Agents are useful when goods need to move quickly into the market soon after the order is placed. For example, a fishery makes a large catch of seafood; since fish is perishable it must be disposed of quickly. It is time consuming for the fishery to contact many wholesalers all over the country so he contacts an agent. The agent distributes the fish to the wholesalers. The wholesalers sell to retailers and then retailers sell to consumers.



CHANNEL MANAGEMENT DECISION

Steps to Channel Design Decisions



Step 1: Analysing Consumer Needs

The first step in channel design decisions is to analyse consumer needs and desires from the channel. This involves understanding customers' preferences, expectations, and behaviours regarding how they want to access and purchase products or services. It can be done by answering the following questions:

- Do the customers want to buy from a nearby location, or are they willing to go to a place away from their home to buy the product or service?
- Do they want to purchase the product or service online, in person, or by phone?
- Do they want specialised products or services or value breadth of assortment?
- Do the consumers want add-on services with the main product, such as delivery, installation, repair, etc., or are they ready to get these services from some other place?

It is not possible for any company to provide all the desired services to the consumers as the company and its channel members may not possess all the required skills for the same. Also, if a company provides higher service levels to the consumers, then it will increase the cost of the channel, ultimately increasing the prices for consumers. Therefore, it is essential for the company to maintain a balance between consumer needs, feasibility and cost of meeting those needs, and customer price preference. Besides, through the success of discount retailing, it can be said that consumers will be ready to get lower services if they have to pay lower prices for the same.

Thus, by gaining insights into consumer needs, businesses can tailor their channel design to meet those requirements and deliver an enhanced customer experience.

Step 2: Setting Channel Objectives

After analysing consumer needs, the next step is to establish clear channel objectives. It means that the company, in this step, will have to state its marketing channel objectives according to the targeted level of customer service. For this, a company has to first identify different segments of consumers who want different service levels, and then decide which segment they should serve along with the best channel for each of the selected segments. The basic motive of the company for each segment is to minimise the total channel cost of meeting the requirements of customers-service.

Other factors that influence the channel objectives of a company include the company's nature, its products, marketing intermediaries, competitors, and the environment. **For example**, a company can decide between which marketing function to handle itself and which to give to the intermediaries through its size and financial situation. Besides, the companies selling perishable products may use more direct marketing so they can avoid delays and too much handling of the product.

Step 3: Identifying Major Alternatives

In this step, businesses need to identify major alternatives for their distribution channel. This involves considering the types of intermediaries, determining the number of marketing intermediaries, and defining the responsibilities of channel members.

a) Types of Intermediaries: Different types of intermediaries can be considered based on the nature of the product, target market, and distribution strategy. Some common types of intermediaries include:

- **Retailers:** These can include brick-and-mortar stores, online retailers, department stores, supermarkets, or specialty shops.
- **Wholesalers:** Wholesalers purchase products in bulk from manufacturers and distribute them to retailers or other businesses.
- **Distributors:** Distributors act as intermediaries between manufacturers and retailers, specialising in specific industries or geographical areas.
- **Agents/Brokers:** Agents or brokers facilitate transactions between buyers and sellers without taking ownership of the products. They earn commissions or fees for their services.

A company has to identify the different types of channel members that are available for its channel work. Some companies use many channel members to provide their customers with their products. **For example**, earlier, Dell used to sell directly to its final consumers and businesses through internet marketing and its sophisticated phone. It also used to sell directly to large institutional, government, and corporate buyers through its direct sales force. But, in order to reach more consumers, and to match its competitors (such as Lenovo, HP), the company, besides the older ways, now sells its product indirectly with the help of retailers like Croma, Big Bazaar, Wal-Mart, and E-Zone. Along with the retailers, it also sells through

independent distributors, value-added resellers, and dealers who develop computer applications and systems based on the needs of small and medium-sized business customers.

b) Number of Marketing Intermediaries: The decision regarding the number of marketing intermediaries depends on various factors, such as the complexity of the product, target market coverage, and distribution efficiency. Options to consider include:

- **Intensive Distribution:** It involves placing products in as many outlets as possible to maximise market coverage. The basic aim of this strategy is to make the products available where and when the consumers want. This approach suits low-cost or convenience products. **For example**, toothpaste, candy, chips, etc. Companies like Coca-Cola, Hindustan Unilever, Nestle, etc., use this way to distribute their products.
- **Exclusive Distribution:** It involves granting exclusive rights to a single intermediary or a limited number of intermediaries in a particular geographic area or market segment. This strategy is often employed for luxury or specialised products. **For example**, Rolex watches are sold by limited authorised dealers. This strategy helps a business in enhancing its brand image and allows it for higher markups.
- **Selective Distribution:** It involves selecting a limited number of intermediaries based on their ability to effectively reach specific market segments. This strategy is often used for products with unique characteristics or targeted customer segments. **For example**, Television, Refrigerator, Home Appliances, Furniture, etc. Companies like Whirlpool, Sony TV, and General Electric uses this approach to sell their major appliances/products through selected large retailers and dealer networks.

c) Responsibilities of Channel Members: Each channel member has specific roles and responsibilities within the distribution process. It is the duty of the producer and the intermediaries to agree on the terms and responsibilities of each of the channel members. They should agree with each other on the price policies, sale conditions, services to be performed by each party, and territorial rights. For this, the producer has to first prepare a list price and set a fair discount rate for the intermediaries. It is essential to define the territory of each channel member and be careful while placing new sellers. Also, it is important to carefully spell out the mutual duties and services (especially in the case of franchise and exclusive distribution channels).

Step 4: Evaluating the Major Alternatives

Once the major alternatives have been identified, businesses need to evaluate them based on factors, such as cost, efficiency, market reach, customer satisfaction, and compatibility with overall business objectives. This evaluation helps in selecting the most suitable channel design alternative. For better evaluation, it is essential to check each alternative against economic, control, and adaptive criteria.

- **Economic Criteria:** With the help of this criteria, a company can compare the likely sales, profitability, and cost of different alternatives.
- **Control Criteria:** If a company is using intermediaries for distributing its products to consumers, it generally means giving the intermediaries some control over the marketing of the product. Some intermediaries have more control over the marketing than others. Besides, keeping other things equal, a company always prefer to keep as much control as possible with itself.
- **Adaptive Criteria:** Even though the channels involve long-term commitments, a company tries to keep the channel as much flexible as possible so that it can easily adapt to environmental changes.

UNIT-V

PROMOTIONAL MIX

CONCEPT OF PROMOTIONS

MEANING

Whether it is a private or public sector, organizations today are aware of the fact that it is very essential to communicate the target audience effectively and efficiently. Advertisements, personal selling, exhibitions, sales promotion etc. are various methods of promotion by which consumer come to know about the various products in the market.

The process of Promotion includes all the activities that persuade and make the customers aware of the product making them interested in purchasing them. A seller can be successful in selling his product when he has good communication skills and a positive influence on his customers. He can easily convince the customers to buy the products and also invite more customers by using different promotional techniques such as providing discounts, organising contests, etc. **For example**, when a company uses a campaign or a logo on its products, it usually indicates an idea about the product or something that catches the attention of people and makes them interested in buying the product.

- In promotion, the most important key to selling products is communication.
- In other words, promotion is a process that makes use of various tools of promotional techniques that encourage customers to buy products or services.

DEFINITION

- Promotion is defined as the co-ordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas. Thus promotion is persuasive communication to inform potential customers of the existence of products, to persuade and convince them that those products have want satisfying capabilities.
- Promotion offers the communication of the benefits to consumers who buy a bundle of expectations to satisfy their economics, psycho-social wants and desires. Promotion is persuasive communication and also is a tool of competition. It is a form of non-price competition.

- Promotion is responsible for awakening and stimulating consumer demand for a Product or Service. It can create and stimulate demand, capture demand from rivals and maintain demand even against stiff competition. While speaking in favour of promotion, it is taken, for granted that the product has the capacity to satisfy consumer expectations and can fill their wants and desires.

IMPORTANCE OF PROMOTION

Marketing provides many different purposes and is important to the success of any organisation. The main purposes of marketing include the following:

- 1. Increase Brand Awareness:** Promotion makes potential consumers aware of what is available on the market, but it can also help to build brand equity. Brand equity is the overall value of a brand, based on consumer perception. Businesses may convey their brand message, values, etc., to a vast number of people through several promotional activities increasing their brand awareness, loyalty, and trust among the customers.
- 2. Recall Brand Value:** Businesses may improve the image of their brands and survive competition in the market by promoting their products regularly. Promotions can draw attention to a brand's distinct qualities, such as superior quality, reliability, or outstanding customer service.
- 3. Increase Customer Traffic:** Promotions can attract more customers and increase customer traffic. Time-limited promotional activities like contests, giveaways, or samples can generate interest among customers and create opportunities for sale. This also acts as a platform for building long-term relations with the customers.
- 4. Increase Sales and Profits:** One of the main purposes of marketing is to increase the sales of the business. Once the customers are properly made aware of the product or service, they buy those products that they find worthy of purchase. This helps the seller to sell more products and draw more customers. In marketing, the sellers are always looking for ways that can increase the worth or value of their products. This will make sure that the customers prefer their products instead of their competitors.

ELEMENTS IN PROMOTION MIX

Promotion mix is also called marketing communication mix. Promotion is one of the elements of marketing mix. The success of any product depends upon the appropriate promotion mix. The elements of promotion mix are:

1. **Advertising:** – it is non-personal presentation. For advertisement newspapers, magazines, hoardings, banners, radio, television etc. are used.
2. **Personal selling:** – it means direct personal presentation by company's sales force for sale.
3. **Public relation:** – it means building good public relation by favourable publicity.
4. **Sales promotion:** – it is done by way of displays, exhibitions, demonstrations or samples etc.
5. **Direct marketing:** – it means making direct communication with the consumer on one to one basis through direct mail, fax etc.

NATURE AND CHARACTERISTICS OF PROMOTION



- Promotion is a form of communication with an additional element of persuasion to accept ideas, products, services and hence persuasive communication becomes the heart of promotion, the third element of marketing-mix.
- Promotion is an important marketing strategy and is the sparkplug of the marketing-mix. Promotion helps people know that the right product at right price is available at the right place. In a competitive market, without promotion, practically no sale is

effected. Promotion is the process of marketing communication to inform, persuade, remind and influence consumers in favour of a product or service.

Promotion has following three specific purposes:

- It communicates marketing information to consumers, users and resellers.
- It persuades and convinces the buyer and influences his/her behaviour to take the desired action.
- Promotional efforts act as powerful tools of competition, providing the cutting edge of its entire marketing programme.

ADVERTISING

DEFINITION

Advertisement can be defined as the “paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor”.

According to Kotler:

Advertising is any paid form of non-personal presentation & promotion of ideas, goods, or services by an identified sponsor.

According to Advertising Association of the UK:

Advertising is any communication, usually paid-for, specifically intended to inform and/or influence one or more people.

A simpler (and modern) definition of advertising can be :

A paid communication message intended to inform people about something or to influence them to buy or try something.

It is an impersonal presentation where a standard or common message regarding the merits, price and availability of product or service is given by the producer or marketer. The advertisement builds pull effect as advertising tries to pull the product by directly appealing to customer to buy it.

CHARACTERISTICS OF ADVERTISING

- **Paid Form:** Advertising requires the advertiser (also called sponsor) to pay to create an advertising message, to buy advertising media slot, and to monitor advertising efforts.
- **Tool for Promotion:** Advertising is an element of promotion mix of an organization.

- **One Way Communication:** Advertising is a one way communication where a brands communicate to the customers through different mediums.
- **Personal or Non-Personal:** Advertising can be non-personal as in the case of TV, radio, or newspaper advertisements, or highly personal as in the case of social media and other cookie based advertisements.

OBJECTIVES OF ADVERTISING

There are 3 main objectives of advertising. These are:

1. To Inform:

Advertisements are used to increase the brand awareness and brand exposure in the target market. Informing the potential customers about the brand and its products is the first step towards attaining business goals

2. To Persuade:

Persuading customers to perform a particular task is a prominent objective of advertising. The tasks may involve buying or trying the products and services offered, to form a brand image, develop a favourable attitude towards the brand etc.

3. To Remind:

Another objective of advertising is to reinforce the brand message and to reassure the existing and potential customers about the brand vision. Advertising helps the brand to maintain top of mind awareness and to avoid competitors stealing the customers. This also helps in the word of mouth marketing.

Other objectives of advertising are subsets of these three objectives. These subsets are:

- Brand Building
- Increasing Sales
- Creating Demand
- Engagement
- Expanding Customer Base
- Changing Customers' attitudes, etc.

IMPORTANCE OF ADVERTISING

1. To The Customers:

Convenience: Targeted informative advertisements make the customer's decision making process easier as they get to know what suits their requirements and budget.

Awareness: Advertising educates the customers about different products available in the market and their features. This knowledge helps the customers compare different products and choose the best product for them.

Better Quality: Only brands advertise themselves and their products. There are no advertisements of unbranded products. This ensures better quality to the customers as no brand wants to waste money on false advertising.

2. To The Business:

Awareness: Advertising increases the brand and product awareness among the people belonging to the target market.

Brand Image: Clever advertising helps the business to form the desired brand image and brand personality in the minds of the customers.

Product Differentiation: Advertising helps the business to differentiate its product from those of competitors' and communicate its features and advantages to the target audience.

Increases Goodwill: Advertising reiterates brand vision and increases the goodwill of the brand among its customers.

Value For Money: Advertising delivers the message to a wide audience and tends to be value for money when compared to other elements of promotion mix.

TYPES OF ADVERTISING

Companies can use various advertisements to reach their target consumers or to inform the public. Here are 14 types of advertising and examples:

1. Print advertising

Print advertising refers to printed advertisements, often seen in newspapers and magazines. However, this category also includes other printed materials, such as brochures, directories and flyers. Companies can place advertisements in local newspapers—whether throughout the paper or within the classifieds section—to target consumers within a geographic location. For a more targeted audience, companies may seek advertising opportunities in magazines. Specialty magazines can help a company reach a specific group or type of people. For example, a company that sells golf equipment would place ads in magazines for golf enthusiasts because they know that audience is more likely to appreciate their product. Magazine advertising can also offer a better visual experience for consumers, as the full-page

opportunities allow for more color and high-production images than newspaper advertisements.

2. Direct mail advertising

Direct mail is a type of print advertising that sends advertisements to customers through the mail. Examples include brochures, catalogs, newsletters and flyers. This approach enables companies to identify an even more targeted market than other print advertising formats because it distributes ads via a direct mailing list. For example, someone who opens a hair salon can create a flyer that announces their grand opening. They can then send that flyer to a list of residents located within five miles of the salon. To attract new customers, the owner can also include a discount coupon with the mailer.

3. Television advertising

Television advertising is a type of broadcast advertising where companies advertise their products or services through 20-, 30- or 60-second TV commercials. It can be costly but enables companies to repeat their advertisements regularly. The costs to air television commercials can vary due to the following factors:

- The ad length
- The time of day
- The television show
- Frequency of airing
- The geographic reach
- The number of networks

For example, it is much more costly to air a commercial during a widely watched event, such as the Super Bowl. While consumers now have the ability to skip advertisements on their televisions, it still serves as an effective method of reaching a large audience. Repeating advertisements help build recognition and brand awareness, and even if consumers are not watching the ads, they may still be listening to them.

4. Radio advertising

Radio is another form of broadcast advertising that plays ads during programming breaks. Customers can listen to radio advertisements while conducting other activities, such as driving or doing household chores. Like television, radio enables the repetition of advertisements, which can give companies more recognition with consumers. Companies can

research what radio stations are popular with their target customers. They can also learn what times of day these customers listen to the radio most. For example, they may try to advertise during a morning time slot when they know many of their customers will be driving to work.

5. Podcast advertising

In podcast advertising, companies can sponsor podcasts or have advertisements for their products or services played during the episodes. Typically, podcasts play ads at the beginning, middle and end of episodes. Similar to radio advertising, companies can research which podcasts are most popular with their target audience. Some podcast hosts read from a script provided by the company or create their own, which can be an entertaining way for listeners to consume advertising content. Often, companies will offer a discount code available to listeners of a podcast. Besides attracting new customers, this code can help companies assess how well this advertising strategy works based on its use.

6. Mobile advertising

Mobile advertising reaches consumers through any mobile device with internet connectivity, such as a cellphone or tablet. These advertisements may appear to consumers through social media, on web pages or within apps. For example, a customer playing a mobile game may receive ads for similar games between gameplay rounds. The benefit is that these advertisements can reach consumers no matter where they are. If individuals enable location settings, companies may even be able to target them via geographic location. Another way companies conduct mobile advertising is by combining it with print advertisements using QR codes. When consumers see a QR code in a magazine, they can scan it using their mobile device. It could then take them to the brand's website or offer them a coupon.

7. Social media advertising

Companies use social media advertising to promote their products or services on various platforms. Social media advertising, like other digital advertising, enables companies to target specific audiences. They may focus on reaching customers based on their geographic location, age group or buying habits. They can either pay for the platforms to promote their advertisements, or they can use more organic methods. For example, a small business can use organic social media advertising by asking its followers to like and re-share one of their posts. They then may pick a participant at random to receive a discount or gift. Today's businesses also utilize online influencers, bloggers or celebrities to create posts promoting

their brands or products. Rather than full advertising campaigns, these methods may serve as more cost-effective techniques that enable the business to spread awareness of their brand.

8. Paid search advertising

Paid search is a type of online advertising, sometimes referred to as pay-per-click (PPC) advertising. Companies that use PPC advertising only pay a fee when users click on their ad. They bid on specific keywords, usually related to their business, along with the placement of their ad on the search engine. For example, a company that sells folding bicycles includes the keyword "foldable bikes" in its bid. When users search that phrase, the company's products appear as an ad within the search results—typically at the top of the page.

9. Native advertising

Native advertising is a type of digital advertising in which ads look similar to the rest of the page content. Pay-per-click advertisements can serve as a form of native advertising because the advertised product often blends in with the other results. Businesses enjoy using this format because it does not interrupt the user experience, unlike display advertising. For example, a website that publishes articles about professional development may also include sponsored articles. These look the same as the articles published by the site's writers and editors but came from a business looking to promote its products or services. A reader may find an article about time management tips and realize later that it is a sponsored post from a company that sells time-tracking software. In this scenario, the company also would likely mention or advertise its software within the article's content.

10. Display advertising

Display advertising is a type of digital advertising that uses identifiable ads. These may include banner ads at the tops or sides of web pages and pop-up ads. Another example would be the video ads that appear before or during streaming video content. Display advertising encourages users to click on them to move to the company's website, often to make a purchase. These advertisements are very prevalent online, though sometimes that can make them easy for consumers to ignore. One method used in display advertising is remarketing or retargeting. When users visit a brand's website, they often accept browser cookies that allow the site to track their journey. If the user decides not to purchase anything on the site, the brand may target that customer and place ads for their products on other websites to remind them to return and buy the item.

11. Outdoor advertising

Outdoor advertising refers to advertisements that consumers see outside their homes. As a result, this type of advertising is sometimes called out-of-home advertising. Examples include billboards and advertisements seen in public places or transit vehicles, such as on the sides of buses or inside subway cars. Outdoor advertising aims to catch the attention of a large population. Usually, these ads help businesses build their brand awareness within a geographic location. The space allotted to outdoor advertisements may be limited, as can the amount of time a consumer takes to view the advertisements. Typically, these ads use bold images and fewer words so that the content is easily understood.

12. Guerrilla advertising

Guerrilla advertising refers to less conventional methods that are generally low-cost and employ creative techniques to draw attention. A common strategy in this category is ambient advertising, in which a company places ads in public places but uses an unconventional manner. For example, rather than advertising on a bus stop, a company may paint a mural on the sidewalk advertising their services. Guerrilla marketing sometimes invites public interaction or participation. For example, the advertisement may encourage individuals to take a photo with the ad and post it on social media using a hashtag. That is why companies using guerilla advertising aim for eye-catching ads — to entice consumers to interact with their content. Advertising via word-of-mouth can serve as an effective and less costly way for companies to build brand awareness.

13. Product placement advertising

In product placement advertising, a company pays to have their product embedded in media content, such as a television show or movie. The content sometimes does not explicitly mention the product, but it is viewable by the audience. This method can help companies reach targeted groups more discreetly. For example, a soda brand may want to target teenagers. They can pay to have their beverages advertised via product placement in a popular teen film franchise. Characters in the film who drink soda will drink that company's beverage, and the label will be visible. The characters may mention the beverage brand, but not necessarily.

14. Public service advertising

Public service advertising refers to advertisements that promote a cause or initiative rather than a product. Often called public service announcements (PSAs), these ads aim to inform the public about a topic in a way that benefits them or others. Organizations can use public service advertising in various formats, such as television, radio or online video advertising. Providers will donate airtime to these ads, though they must meet particular requirements to qualify as a PSA. This type of advertising often is used by government agencies or charitable organizations to educate consumers on health and safety topics. For example, the Centers for Disease Control airs PSAs to inform citizens of the necessity to take health screenings or prepare for natural disasters.

ADVERTISING EFFECTIVENESS

Advertising is a major source of revenue for businesses. Advertising effectiveness measures how well a marketing or advertising campaign did and how well it met the company's goals. It is very important if the company wants to get a good return on investment (ROI).

An effective advertising campaign can increase sales, attract new customers, and enhance brand perception. Measuring ad effectiveness allows you to understand the impact and reach of your campaign, allowing you to determine the ideal amount of exposure and what is and is not working with your advertising strategies.

Importance of advertising effectiveness

Advertisement is important for any business, and measuring ad effectiveness is important to know how well your campaign is doing. Let's discuss some importance of ad effectiveness measurement below:

- Measuring advertising effectiveness helps in identifying ineffective advertisements and campaigns. It makes it easier to change advertising at the right time, which makes advertising more focused on customers and results. As a result, ineffective advertising can be avoided.
- Measuring ad effectiveness provides advertisers with helpful information to take corrective action against ineffective advertisements.
- Advertisers are doubtful about campaign success. Evaluating advertising effectiveness aids in predicting results and avoiding total loss.

We learned the importance of ad effectiveness. Now it's time to get into the next section, where we will discuss how to measure it.

How to measure advertising effectiveness?

There are several ways to measure how well an advertising campaign works. Let's find them out below:

- **Set a specific goal:**

Setting a clear goal for your advertising effectiveness is essential for measuring its success. What does it mean for your advertising to be effective for your company? It could be to track the conversions and sales of a campaign or the effect on brand recognition following an advertising campaign. You have absolute freedom of choice.

For example, if your goal is to get 20% more Instagram followers, it's much *easier* to measure than if your goal is just to get more social media followers.

- **Analyze site traffic:**

Usually, a successful advertising campaign will lead to more people visiting a site. Customers who are interested in doing business with a company research its website.

Compare site traffic before and after your advertising campaign to see if more people visit your site. You can use different analytical tools to get daily, weekly, and monthly reports on site traffic.

- **Check lead quality:**

Lead quality refers to how likely a lead will turn into a customer. The better the quality of the lead, the more likely it is that you will get a new customer. A lead's quality can be measured in a few ways:

- (i) Check the types of pages people visit. For example, see how many product pages they look at compared to blog posts.
- (ii) Check how long people look at each page. Do they look at your website for seconds or minutes?
- (iii) Learn how people found the page. Did they come across it via a search engine or social media?

When you concentrate on lead quality, you can increase the likelihood of converting a lead into a sale.

- **Compare and contrast key metrics**

It is important to know the context to figure out advertising effectiveness. When you have clear pre-campaign metrics to use as a baseline, you can see what worked and what didn't

in your campaign. And to understand your post-campaign performance, you must examine how you performed before the campaign began.

- **Survey testing**

Another important indicator for measuring advertising effectiveness is survey testing. Getting survey data gives important information about how well an advertising campaign is working. When you ask your audience what they think about your advertising campaign, you can ask them specific questions that will help you.

Survey data can help understand the success of advertising campaigns. When you survey your audience about your advertising campaign, you can ask specific questions that help you:

- (i) Identify how many people saw your ad.
- (ii) Learn what viewers thought of the advertisement.
- (iii) Find out whether these potential leads remember your brand.

Following these metrics, you can measure your organization's advertising effectiveness.

SALES PROMOTION



Sales promotion refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product. Sales promotion techniques are very useful because they bring:

- (a) Short and immediate effect on sale.
- (b) Stock clearance is possible with sales promotion.

(c) Sales promotion techniques induce customers as well as distribution channels.

(d) Sales promotion techniques help to win over the competitor.

OBJECTIVES OF SALES PROMOTION

Sales promotion acts as a bridge between advertising and personal selling. Due to the diversity of the market, the importance of sales promotion has increased tremendously. Sales promotion helps to remove the consumer's dissatisfaction about a particular product and manufacturer. It creates a brand image in the mind of the consumers and the users. Sales promotional devices are the only promotional devices available at the point of purchase. The sales promotional devices at the point of purchase stimulate the customers to make purchase promptly on the spot.

The importance of sales promotion in business organization can be briefly shown below:

- **Spreads information:** The first function sales promotion is to spread the important information about the availability, characteristics and uses of a particular product. Spreading the information about the product helps to do the marketing activities easily. It is important to provide the information about the product in the market.
- **Stimulates demand:** Sales promotion helps in stimulating the demand for the product in the market. Sales promotion activities are designed to create interest in new products and to persuade people to buy them.
- **Customer satisfaction:** Sales promotion helps in satisfying the consumers. In the promotion of selling activities, the new product is available in the market. The consumer has the desire to have a new product. If they consume the new product, they will get satisfied in it. The new product in the market provides satisfaction to the customer.
- **Stabilization of sales volume:** Sales promotion helps to stabilize the sales volume. It is an important purpose of sales promotion to help in establishing sales volume by reassuring the customers about the quality and price of the product. It is possible that a customer using a particular brand may buy another because the another brand is promoted in an effective manner.
- **Performance appraisal or marketing control:** Sales promotion helps in the marketing control too. It is important to have market control about the performance of

the situation of the market. Performance in the market helps to raise the condition of the market which is approved by the customer.

SALES PROMOTION TECHNIQUES



(i) Rebate:

It refers to selling product at a special price which is less than the original price for a limited period of time. This offer is given to clear off the stock or excessive inventory for example; coke announced 2 liter bottles at Rs 35 only.

(ii) Discounts:

This refers to reduction of certain percentage of price from list price for a limited period of time. The discounts induce the customers to buy and to buy more. Generally at the end of season big companies offer their products at discounted price to clear off the stock e.g., season's sale at Snow-White Jain Sons, Paul Garments, Bhuvan Garments, etc.

(iii) Refunds:

This refers to refund or part of price paid by customer on presenting the proof of purchase for example, Rs 2 off on presentation of empty pack of Ruffle Lays.

(iv) Premiums or Gifts/or Product Combination:

These are most popular and commonly used promotion tool. It refers to giving a free gift on purchase of the product. Generally the free gift is related to product but it is not necessary for example, Mug free with Bourn vita, Shaker free with Coffee, Toothbrush free with Toothpaste, etc.

(v) Quantity Deals:

It refers to offer of extra quantity in a special package at less price or on extra purchase some quantity free for example, buy three get one free e.g., this scheme of buy three get one free scheme is available on soaps.

(vi) Samples:

It refers to distribution of free samples of product to the customers. These are distributed when the seller wants the customer must try the product. Generally when a new product is launched for example, when Hindustan Level launched Surf Excel it distributed the samples as it wanted the customers to try it.

(vii) Contests:

It refers to participation of consumers in competitive events organised by the firm and winners are given some reward for example, Camlin Company organizes painting competition, Bourn vita quiz contest and some companies organise contest of writing slogans and best slogan is awarded prize.

(viii) Instant Draws and Assigned Gifts:

It includes the offers like 'scratch a card' and win instantly a refrigerator, car, T-shirt, computer etc.

(ix) Lucky Draw:

In this draws are taken out by including the bill number or names of customers who have purchased the goods and lucky winner gets free car, computer, A.C., T.V., etc. Draw can be taken out daily, weekly, monthly, etc.

(x) Usable Benefits:

This includes offers like 'Purchase goods worth Rs 5000 and get a holiday package' or get a discount voucher, etc.

(xi) Full Finance @ 0%:

Many marketers offer 0% interest on financing of consumer durable goods like washing machine, T.V. etc. e.g., 24 easy installments 6 paid as front payment and

remaining 18 with post-dated cheques. In these types of scheme customers should be careful about the file charges etc.

(xii) Packaged Premium:

In this type of sales promotion the free gift is kept inside the pack. The gift is kept in limited products but the excitement of getting the gift induces the customer to buy the product for example, gold pendant in soap, gold coin in Tata tea etc.

(xiii) Container Premium:

This refers to use of special container or boxes to pack the products which could be reused by the customer for example, Pet Bottles for Cold Drinks. These bottles can be used for Steering Water, Plastic Jars for Bourn vita, Maltova, etc. which can be reused by the housewives in kitchen.

(xiv) Demonstrations:

Product demonstrations are organized by many a manufacturers, to teach the Customers how to use the product. These demonstrations can be organized in person or through videos. Sometimes, celebrities may be invited to such demonstrations, in order to ensure that maximum potential customers attend the event.

(xv) Coupons:

Coupons are one of the best promotion techniques for inducing trial for the company's products. Free coupons are generally included in the print advertisements. Consumers can carry these coupons and avail discount on buying the company's product or service, by showing it to the retailers while making a purchase. These days mobile coupons are becoming very popular too.

(xvi) Event Sponsorship:

Companies sponsor a popular event, like a football match or a rock concert. The attendees are already in a positive mood at such events. When they see the brand flashed all over the event venue, it invokes positivity towards the brand too, thus resulting in high sales.

(xvii) Price Pack Deal:

The consumers are given something "extra" at the same price. For instance, on 1000 ml shampoo pack, 200 ml extra is given free i.e. at the same price.

PERSONAL SELLING

Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale.

The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction.

NATURE OF PERSONAL SELLING

1. **Part of promotional mix:** Personal selling is a part of promotional mix, or the communication mix, in the company's marketing program. The major elements in the promotional mix are the company's advertising, sales promotion, and personal selling efforts.
2. **Individual, personal communication:** Personal selling is the individual and personal communication of information, in contrast to the mass, impersonal communication of advertising, sales promotion, and other promotional tools.
3. **Flexible tool:** Personal selling is more flexible than these other tools. Salespeople can see their customer's reaction to a particular sales approach and make adjustments on the spot."
4. **Focused on customers:** Personal selling is usually focused or pinpointed on prospective customers. It considers the needs, desires and buying problems of the customers.
5. **Alive interaction:** Each party observes the other's needs at close hand and makes immediate adjustments.
6. **Long-run relationship:** Personal selling permits all kinds of relationship to spring up. It establishes a selling relationship and also a deep personal friendship. It keeps customer's best interests at heart. It maintains long-run relationships.
7. **Response:** Personal selling is based on buyer's reactions and response. It makes the buyer feel that he is listened to, and his needs are considered.
8. **Persuasion:** It is concerned with persuasive communication. A salesperson in personal selling tries to persuade the prospect so that he can take a decision to acquire the product which the salesperson is talking about.

9. **Human element into marketing:** It is a major factor in creating sales volume. It brings human element into marketing transactions and increases the customer's confidence in the supplier
10. **Creative:** Personal selling is creative by nature. The salespeople try to create needs, make the customers aware of these need and try to persuade them to buy the product. The salesman "does not sell, but he creates in the other man the urge to buy."
11. **Service element:** Personal selling is not getting rid of a thing or cheating the customers. It is necessarily an act of assisting the customers to buy wisely. Today, it has become a symbol for honesty and dependability. In fact, it is a service that is serving the customer for the good cause of humanity.

FEATURES OF PERSONAL SELLING

(i) Personal Interaction:

In personal selling the buyers and sellers have face to face interaction. This closeness allows both the parties to observe each other's action closely.

(ii) Two Way Communication:

In personal selling the sellers give information about the product, at the same time the buyer get a chance to clarify his doubts. It is suitable for sale of complex products where buyer wants to interact with the manufacturer.

(iii) Better Response:

When seller is personally explaining the utilities of product to the customers then customer do pay some attention and listen to the information.

(iv) Relationship:

When the seller and buyer come together this may improve relation between the customer and seller. Salespersons normally make friendly relations with the customers.

(v) Better Convincing:

Personal selling is most effective form of promotion because with this the sales person can convince the buyer by demonstrating the use of product and making changes in the product according to the need of customer.

STEPS IN PERSONNEL SELLING

The personal selling process consists of a series of steps. Each stage of the process should be undertaken by the salesperson with utmost care. The stages in personal selling are briefly explained below.

1. Prospecting and qualifying:

Prospecting and qualifying' are the first steps the personal selling process. This is to identify and qualify prospects in order to help sales people in the process of selling. Companies generate leads in the following ways:

- Searching names by examining data sources such as newspapers, directories, CD-ROMs etc.
- Establishing a booth at trade shows and exhibitions
- Getting the names of the prospects from existing customers
- Cultivating referral sources such as dealers, suppliers, sales reps, executives, bankers etc.
- Getting the names of the prospects from organizations and associations
- Using the telephone, mail and the internet to find leads.

2. Pre-approach:

Having found out the prospective customers, the salesperson should collect some important details about the prospects. For example, if the prospect is a company, then he should know what the company needs, who takes purchase decisions and who are its buyers.

After knowing the important particulars about the prospects, the salesperson should set call objectives. The salesperson should qualify the prospect, collect information and make an immediate sale. He should also decide on the best approach which may be a personal visit, a phone call or a letter. Besides he should also decide on the timing of approach, based on the convenience of the prospects.

3. Approach:

The salesperson should properly approach the prospects. He should know how to greet the buyer before starting his conversation. The salesperson should be properly dressed which coincides with the temperament of the buyer. The opening line should be positive.

For example, “Mr. Jacob, I am Rahim from Jeevan Company. My company and I appreciate your willingness to see me. I will do my best to make this visit profitable for you”. The opening line must pay importance to the buyer’s needs.

4. Presentation and demonstration:

The sales presentation should be based on AIDA formula. In other words, the presentation should gain attention, hold interest, arouse desire and obtain the action of the buyer. Moreover, the salesperson should adopt **FABV approach**. This is a “**features, advantages, benefits and value**” approach. Features narrate physical characteristics of a market. Advantages describe why the features provide an advantage to the customer. Benefits explain the economic, technical aspects and social benefits delivered by the offering. Finally, value describes the overall worth in terms of money.

Sales presentation varies in style. There are three styles of sales presentation, namely,

- a. canned approach,
- b. formulated approach and
- c. Need-satisfaction approach.

Canned approach is memorized sales talk covering the main points while **formulated approach** identifies the buyer’s needs and buying style and then uses an appropriate approach. The **need-satisfaction approach** starts with a search for customer’s real needs. It encourages the customer to talk of his own needs.

5. Overcoming objections:

Customers when pressed for orders, voice their objections known as customer’s resistance. The resistance of the customers may either be psychological or logical. Psychological resistance includes resistance to interference, giving importance for well established brands, apathy, impatience, reluctance to participate in the talk, unpleasant situation created by the salesperson, aversion towards decision making, etc.

Logical resistance is based on some reasons associated with price, delivery schedule; product or company characteristics, etc. Salesperson should overcome these objections by adopting a positive approach. He must convert the objections into reasons for buying. Handling and overcoming objections are the most important part of sales process.

6. Closing the sale:

A goods sales talk results in clinching a sale. At this juncture, the salesperson closes the sale at the right moment. A salesperson can successfully close the sale by studying the body language and the statements made by the buyers. They can ask for the order by drawing the attention of the customers towards colour, size or type of the product. If the buyers remain undecided, they may be guided in making the choice of the product.

7. Follow-up and maintenance:

Immediately after closing the sale, the salesperson should take some follow up measures. He may give details about delivery time, purchase terms and mode of payment of price, etc. The salesperson can ensure customer satisfaction by properly attending matters which are important to the customers. Thus, follow up is necessary if the salesperson wants to ensure repeat purchase.

EMOTIONAL MARKETING

- Emotional Marketing is a strategy that **appeals to consumers' emotions rather than logic** to influence buying behaviour. Instead of focusing only on product features, it builds **emotional connections** with customers to create loyalty, trust, and long-term engagement.
- People may forget what you said, but they never forget how you made them feel.
- Emotional marketing is a marketing strategy that focuses on creating a strong emotional connection between a brand and its customers. Instead of highlighting only product features or price, emotional marketing appeals to human emotions such as happiness, love, trust, fear, nostalgia, or excitement. By targeting these emotions, brands influence customer attitudes and purchasing behavior more effectively.
- Emotional marketing helps consumers relate to a brand on a personal level. When people feel emotionally connected, they are more likely to remember the brand and prefer it over competitors. This approach makes advertisements more meaningful and memorable, as customers associate the brand with feelings rather than just products.
- In today's competitive market, emotional marketing plays a vital role in building brand loyalty and long-term relationships. Since emotions strongly influence decision-making, brands that successfully use emotional marketing can increase customer satisfaction, encourage repeat purchases, and generate positive word-of-mouth promotion.

IMPORTANCE OF EMOTIONAL MARKETING

1. Emotions drive purchase decisions more than rational thinking

Emotional marketing works on the principle that consumers often make buying decisions based on feelings rather than logical evaluation. Emotions such as happiness, trust, fear, love, or nostalgia strongly influence how people perceive a product or brand. Even when customers later justify their choice with facts and features, the actual decision is usually triggered by an emotional connection. Therefore, brands that appeal to emotions are more successful in influencing customer behavior.

2. Builds brand loyalty and attachment

Emotional marketing helps create a deep emotional bond between the brand and the customer. When consumers feel understood, valued, or emotionally connected, they develop trust and attachment toward the brand. This emotional connection encourages repeat purchases and long-term relationships. Loyal customers are less likely to switch to competitors, even if alternatives are cheaper or similar

3. Differentiates brands in highly competitive markets

In markets where products and services are similar in quality and price, emotional marketing helps brands stand out. While functional features can be easily copied by competitors, emotional connections are unique and difficult to replicate. By telling meaningful stories and evoking emotions, brands can create a distinct identity and memorable presence in the minds of consumers.

4. Increases customer lifetime value

Customers who feel emotionally connected to a brand tend to stay with it for a longer period. Emotional marketing encourages repeat purchases, cross-buying, and long-term engagement, which increases the overall value a customer brings to the business over time. Such customers are also more forgiving of minor mistakes, further strengthening the brand–customer relationship.

5. Encourages word-of-mouth marketing

Emotionally engaging campaigns motivate customers to share their experiences with others. When people feel inspired, happy, or emotionally moved by a brand, they naturally talk about it with friends, family, and on social media. This positive word-of-mouth acts as free promotion and is highly trustworthy, helping brands attract new customers more effectively.

EMOTIONAL MARKETING VS RATIONAL MARKETING

Basis	Emotional Marketing	Rational Marketing
Meaning	Emotional marketing focuses on appealing to customers' feelings, emotions, and personal values to influence buying decisions.	Rational marketing focuses on logical thinking by highlighting facts, features, price, quality, and benefits of a product.
Decision Driver	Purchase decisions are driven by emotions such as happiness, trust, fear, love, or nostalgia.	Purchase decisions are driven by logic, reasoning, and careful evaluation of information.
Customer Connection	Builds a strong emotional bond and long-term attachment with customers.	Builds a functional relationship based on product performance and utility.
Brand Loyalty	Creates higher brand loyalty as customers feel emotionally connected.	Brand loyalty is lower as customers may switch if better features or price are offered.
Differentiation	Helps brands stand out in competitive markets through storytelling and emotional appeal.	Differentiates brands mainly through technical superiority or cost advantage.
Marketing Content	Uses stories, visuals, music, and emotional messages in advertisements.	Uses facts, statistics, comparisons, and demonstrations in advertisements.
Long-term Impact	Has a strong long-term impact on customer relationships.	More effective for short-term decision-making and immediate purchases.
Examples	Advertisements showing family bonding, social causes, or inspirational stories.	Advertisements comparing prices, discounts, specifications, or performance.

TYPES OF EMOTIONAL MARKETING APPEALS

1. Happiness & Joy

- Creates positive association
- Example: Coca-Cola's "Open Happiness"

2. Fear

- Highlights risks to motivate action
- Example: Insurance & health campaigns

3. Love & Care

- Focuses on relationships and bonding
- Example: Mother-child advertisements

4. Trust & Security

- Builds reliability and confidence
- Example: Banks, insurance companies

5. Pride & Status

- Appeals to self-esteem and achievement
- Example: Luxury brands (Rolex, BMW)

6. Belonging & Community

- Makes customers feel part of a group
- Example: Nike, Harley-Davidson

7. Nostalgia

- Connects past memories with present
- Example: Old jingles, retro packaging

KEY ELEMENTS OF EMOTIONAL MARKETING

1. Storytelling

- Real-life stories
- Relatable characters
- Emotional journey

2. Visuals & Colors

- Colors evoke emotions:
 - Red – excitement
 - Blue – trust

- Yellow – happiness
- Black – luxury

3. Music & Sound

- Background music strengthens emotional recall

4. Brand Voice

- Friendly, caring, inspirational tone

5. Personalization

- Customized messages based on customer data

ADVANTAGES OF EMOTIONAL MARKETING

1. Strong customer loyalty

Emotional marketing helps build a deep emotional connection between the brand and its customers. When consumers feel emotionally attached, they are more likely to stay loyal to the brand and make repeat purchases. This loyalty reduces customer switching and strengthens long-term brand relationships.

2. Higher brand recall

Advertisements that evoke emotions such as happiness, sadness, or inspiration are more memorable. Emotional experiences stay longer in the customer's mind compared to factual information. As a result, customers are more likely to remember the brand when making purchase decisions.

3. Premium pricing possible

Brands that successfully create emotional value can charge higher prices. Customers are often willing to pay a premium for brands they trust or feel emotionally connected to, even when similar products are available at lower prices. Emotional value adds perceived worth beyond functional benefits.

4. Competitive advantage

Emotional marketing helps brands stand out in highly competitive markets. While product features can be easily copied, emotional connections are unique and difficult for competitors to replicate. This gives the brand a sustainable competitive advantage.

5. Better engagement

Emotional marketing encourages higher customer engagement through likes, shares, comments, and discussions. Emotion-based content connects with audiences on a personal level, increasing interaction across advertising platforms and social media.

LIMITATIONS OF EMOTIONAL MARKETING

1. Emotions vary across cultures

Emotions are perceived differently across cultures, regions, and social backgrounds. A message that works well in one culture may fail or even offend in another. This makes emotional marketing challenging for global brands.

2. Risk of manipulation

Emotional marketing can sometimes be seen as manipulative if it exploits sensitive emotions such as fear, guilt, or sadness. If customers feel manipulated, it can damage trust and negatively affect the brand's reputation.

3. Difficult to measure ROI

Measuring the return on investment (ROI) of emotional marketing campaigns is complex. Emotional impact and brand sentiment are difficult to quantify, making it harder to evaluate the direct effectiveness of such campaigns.

4. Overuse may reduce credibility

If emotional appeals are used excessively without delivering real value, customers may lose trust in the brand. Overuse of emotional content can make messages seem artificial or insincere, reducing the brand's credibility over time.

Conclusion

Emotional Marketing is a powerful tool that helps brands move from **selling products to building relationships**. When used ethically, it creates long-lasting customer connections and sustainable brand success.

DIGITAL MARKETING

Digital marketing, or online marketing, is the practice of promoting brands, products, or services through digital channels. It uses the internet and various online platforms to reach customers, boost brand visibility, and support business growth.

Many businesses rely on digital marketing services or agencies to strengthen their online presence.

For example, when you see an advertisement while watching a YouTube video, that is digital marketing in action. These ads are a form of video marketing, a powerful strategy used by businesses to reach potential customers through engaging and targeted video content. Such advertisements can be tailored to the viewer's interests and behavior, making them a highly effective component of a comprehensive digital marketing strategy.

TYPES OF DIGITAL MARKETING

Digital marketing encompasses a wide range of strategies and techniques aimed at promoting products or services through digital channels. Here are the key types of digital marketing:



- **Search Engine Optimization (SEO)** – Improves website visibility on search engines to gain organic traffic.
- **Content Marketing** – Creates and shares valuable content to attract, engage, and convert audiences.
- **Social Media Marketing** – Promotes brands and engages customers through social media platforms.

- **Pay-Per-Click (PPC) Advertising** – Paid ads where businesses pay only when users click on their ads.
- **Email Marketing** – Sends targeted emails to nurture leads, retain customers, and boost sales.
- **Affiliate Marketing** – Rewards partners for driving traffic or sales through referral links.
- **Influencer Marketing** – Uses influential individuals to promote products to their engaged audience.
- **Video Marketing** – Uses video content to educate, promote, and engage potential customers.
- **Marketing Automation** – Automates repetitive marketing tasks to deliver personalized campaigns efficiently.
- **Search Engine Marketing (SEM)** – Uses paid search ads to increase visibility in search engine results.

KEY ELEMENTS OF DIGITAL MARKETING

1. Search Engine Optimization (SEO)

SEO, or Search Engine Optimization, is the process of optimizing your website and content to rank higher on search engine results pages (SERPs). It involves keyword research, on-page optimization, and building high-quality backlinks. For example, Moz, a leading SEO software company, uses SEO services to improve their visibility for high-volume keywords like "SEO tools" and "search engine optimization strategies."

2. Content Marketing

Content marketing focuses on creating and distributing valuable, relevant content to attract and engage a target audience. This includes blog posts, videos, infographics, and ebooks. HubSpot, a prominent digital marketing agency, utilizes a robust content marketing strategy by offering free resources such as blogs, ebooks, and webinars to drive traffic and generate leads for their marketing automation software.

3. Social Media Marketing

Social media marketing involves using platforms like Facebook, Instagram, Twitter, and LinkedIn to promote products, engage with customers, and build brand awareness. For example, Nike effectively uses social media advertising on Instagram and Twitter to

showcase their products, engage with followers, and drive online sales, often targeting their audience with visually compelling ads.

4. Email Marketing

Email marketing is a powerful tool for nurturing leads and maintaining customer relationships. It involves sending targeted emails to a subscriber list to promote products, share news, and provide valuable content. For instance, Mailchimp offers comprehensive email marketing services and email marketing software that businesses use to create, send, and analyze their email campaigns, helping them reach their audience effectively.

5. Pay-Per-Click (PPC) Advertising

PPC, or Pay-Per-Click advertising, is a model where advertisers pay a fee each time their ad is clicked. Google Ads is the most popular PPC platform. An example is Amazon, which uses PPC management to run targeted ads on Google, driving traffic to their product pages and increasing sales by bidding on high-volume keywords like "buy electronics online."

6. Affiliate Marketing

Affiliate marketing involves partnering with other businesses or individuals to promote your products or services. Affiliates earn a commission for each sale made through their referral links. An example is Bluehost, which offers an affiliate program where bloggers and website owners earn commissions by promoting Bluehost's web hosting services on their sites.

7. Influencer Marketing

Influencer marketing leverages individuals with large social media followings to promote your brand. This can include product placements, reviews, and endorsements. For example, the beauty brand **Glossier** uses influencer marketing platforms to collaborate with beauty influencers on Instagram, driving brand awareness and sales through authentic endorsements.

8. Video Marketing

Video marketing involves creating and sharing video content to engage and educate your audience. Platforms like YouTube and social media channels are commonly used. For example, Dollar Shave Club's viral video marketing campaign on YouTube effectively promoted their subscription service, generating millions of views and significantly boosting their brand recognition.

9. Marketing Automation

Marketing automation uses software to automate marketing tasks and processes, enhancing efficiency and relevance. HubSpot's marketing automation software is widely used by businesses to automate email marketing, social media posting, and lead nurturing, making their marketing efforts more efficient and personalized.

10. Marketing Analytics

Marketing analytics tools are essential for measuring and analyzing the performance of digital marketing campaigns. These tools help businesses understand their audience, track conversions, and make data-driven decisions. Google Analytics is a prime example, offering in-depth insights into website traffic and user behavior, helping marketers refine their strategies.

11. Consulting Services

Digital marketing consultants provide expert advice and strategies to help businesses improve their online presence. Neil Patel, a well-known digital marketing consultant, offers consulting services that help businesses enhance their SEO, content marketing, and overall digital strategy to achieve better results.

DIGITAL MARKETING TOOLS

Digital marketing tools are essential for optimizing online marketing efforts. They help manage campaigns, analyze performance, and engage audiences. These tools streamline workflows, offer key insights, and support better results in digital marketing campaigns.

- **Google Analytics:** Tracks website traffic, user behavior, and campaign performance.
- **SEMrush:** Offers keyword research, competitor analysis, and site audits.
- **Hootsuite:** Manages multiple social media accounts, schedules posts, and tracks engagement.
- **Mailchimp:** Handles email marketing with features like templates, segmentation, and automation.
- **Ahrefs:** Focuses on backlink analysis and competitor research.
- **Canva:** Provides graphic design tools for creating social media graphics and marketing materials.
- **HubSpot:** Combines marketing, sales, and CRM tools for automation and lead management.

- **Buffer:** Schedules social media posts and tracks performance.

BENEFITS OF DIGITAL MARKETING

1. Cost-Effective

Digital marketing is often more affordable than traditional marketing methods, making it accessible for businesses of all sizes. For example, a small local coffee shop can use social media marketing to reach a wider audience without the high costs associated with print or TV advertising.

2. Measurable Results

Digital marketing provides clear metrics that allow you to track the performance of your campaigns. Tools like Google Analytics and social media insights help you analyze data and make informed decisions to optimize your strategies. For instance, an e-commerce store can track the number of clicks, conversions, and sales generated from an email marketing campaign.

3. Targeted Audience Reach

Digital marketing enables precise targeting based on demographics, interests, and behaviors. This ensures your marketing efforts are directed towards the most relevant audience, increasing the likelihood of conversions. For example, a fitness brand can target ads to people who have shown an interest in health and wellness.

4. Flexibility and Adaptability

Digital marketing allows for real-time adjustments to campaigns, ensuring your strategies remain effective and relevant. This flexibility helps businesses respond quickly to market changes and consumer behavior. For instance, an e-commerce site can adjust their PPC campaigns based on the performance of different keywords.

5. Enhanced Customer Engagement

Digital channels provide various opportunities for interaction and engagement with customers. This fosters stronger relationships, brand loyalty, and higher customer satisfaction. For example, a fashion brand can use social media to respond to customer inquiries and gather feedback on new products.

EXAMPLES OF DIGITAL MARKETING IN THE REAL WORLD

These examples illustrate how various digital marketing strategies can be effectively implemented to achieve specific business goals. By understanding and utilizing these

techniques, businesses can create powerful digital marketing plans that drive engagement, growth, and success.

1. Coca-Cola's Social Media Campaigns

Coca-Cola has effectively utilized social media marketing to engage with their audience on platforms like Facebook, Twitter, and Instagram. Their "Share a Coke" campaign encouraged customers to find bottles with their names on them and share photos on social media, generating massive user engagement and brand awareness.

2. Airbnb's Content Marketing

Airbnb excels in content marketing by sharing travel stories and guides on their website and social media channels. By providing valuable content that inspires and informs potential travelers, Airbnb enhances its brand presence and drives bookings.

3. Amazon's PPC Advertising

Amazon extensively uses Pay-Per-Click (PPC) advertising through Google Ads and Amazon's own advertising platform. By targeting specific keywords like "best electronics deals," Amazon drives high-intent traffic to its product pages, boosting sales and visibility.

4. Spotify's Personalized Email Marketing

Spotify leverages email marketing by sending personalized playlists and recommendations to users based on their listening habits. This tailored approach increases user engagement and loyalty by providing relevant content that resonates with individual preferences.

5. Nike's Influencer Marketing

Nike partners with influencers and athletes to promote their products on social media. By collaborating with high-profile individuals like LeBron James and Serena Williams, Nike reaches millions of followers and enhances its brand credibility and appeal.

6. HubSpot's Marketing Automation

HubSpot uses marketing automation to streamline its lead nurturing process. By automating email campaigns, social media posts, and content distribution, HubSpot ensures consistent and timely communication with potential customers, improving conversion rates and customer retention.