# MARKETING MANAGEMENT
## UNIT – I

Definition, importance and scope of Marketing - Company orientation towards Marketing - Core Concepts of marketing – Marketing Management Tasks – Indian Marketing Environment: Demographic, Economic, Socio-Cultural, Politico-Legal and Technological Environment – Marketing and Customer Value - Corporate Strategic Planning – Marketing Research Process – Forecasting and Demand Measurement – Consumer Behavior – Market Segmentation – Market Targeting – Brand Positioning.

### INTRODUCTION

Marketing is everywhere. Formally or informally people and organizations engage in a vast number of activities that could be called marketing. Good marketing has become an increasingly vital ingredient for business success. And marketing profoundly affects out day-to-day lives. It is embedded in everything we do from the clothes we wear, to the web we click on, to the ads we see.

Man is a creator of needs and wants. The needs and wants create state of discomfort and man tends to satisfying by buying relevant objects. The word Marketing is derived from the word "Market".

Change is occurring at an accelerating rate; today is not like yesterday, and tomorrow will be different from today. Continuing today's strategy is risky; so is turning to a new strategy. Therefore, tomorrow's successful companies will have to heed three certainties:

1. Global forces will continue to affect everyone's business and personal life.
2. Technology will continue to advance and amaze us.
3. There will be a continuing push toward deregulation of the economic sector.

These three developments globalization, technological advances, and deregulation spell endless opportunities. But what is marketing and what does it have to do with these issues?

Marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "meeting needs profitably." Whether the marketer is Procter & Gamble, which notices that people feel overweight and want tasty but less fatty food and invents Olestra; or CarMax, which notes that people want more certainty when they buy a used automobile and invents a new system for selling used cars; or IKEA, which notices that people want good furniture at a substantially lower price and creates knock-down furniture all illustrate a drive to turn a private or social need into a profitable business opportunity through marketing.

***Definitions:***

"It is a social and managerial process by which individuals & groups obtain what they need and want through creating & exchanging products and value with others". – ***Philip Kotler***

"Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably". – ***The Charted Institute of Marketing***

"The right product, in the right place, at the right time and at the right price". – ***Adcock***

To many, marketing is selling and advertising. However these are only a part of the marketing activity. Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer in the process of distribution.

Businessmen regard marketing as management function to plan, promote and deliver product to the clients or customers. Human efforts, finance and management constitute the primary resources in marketing.

There are two main activities which are most significant in marketing:

1. Matching the product with demand i.e. customer needs and desires to target market.
2. Transfer of ownership and possession at every stage in the flow of goods from the primary producers to ultimate consumer.

## SIGNIFICANCE OF MARKETING

The economic development of a country largely depends on marketing activities. The production of goods and services are based on the market and marketing processes. The growth of marketing is an indication in the growth of national income and gross national product. It is the task of marketing or more goods and services, which constitute the bulk of the gross national product. As the economy continues to grow, effective marketing will be required.

A high level of marketing activity is a prerequisite for a high level of economic activity. It has been applied remarked, "*Nothing happens until somebody sells something*". At present the urgency in for increased marketing and not merely for increased production. This shows the importance of marketing for the society as a whole.

- The nation's income is composed of goods & services which money can buy.
- Any increase in the efficiency of marketing really results in a lower cost of distribution. Lower process to consumers means a real increase in the national income.
- Any reduction in the cost of marketing is really a benefit to society. Low prices are boon to the entire population.
- Marketing process brings new varieties of useful and quality goods to consumers. This raises the standard of living of the people
- Marketing provides wide employment opportunities. It is estimated that in countries like the USA of the total number of persons employed, between one-fourth and one-third are engaged in the field of marketing.
- It is marketing, which has converted '*yesterday' luxuries into today's 'necessaries'*.

## NATURE OF MARKETING

1. Marketing is both consumer oriented and competitors oriented
2. Its starts with consumers and ends at consumers by satisfying their needs
3. Marketing is the most important function of management
4. The long term objective of marketing is profit maximization through customer satisfaction
5. Marketing is an integrated process which is based on strategies and models
6. Marketing must deliver goods and services in exchange of money

## THE SCOPE OF MARKETING

*Marketing people are involved in marketing 10 types of entities: goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.*

*1. Goods.* Physical goods constitute the bulk of most countries' production and marketing effort. The United States produces and markets billions of physical goods, from eggs to steel to hair dryers. In developing nations, goods particularly food, commodities, clothing, and housing are the mainstay of the economy.

*2. Services.* As economies advance, a growing proportion of their activities are focused on the production of services. The U.S. economy today consists of a 70–30 services-to-goods mix. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

*3. Experiences*. By orchestrating several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience; so is the Hard Rock Cafe.

*4. Events.* Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.

*5. Places.* Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents.5 Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

*6. Properties.* Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).

*7. Organizations.* Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." The Body Shop and Ben & Jerry's also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.

*8. Information.* The production, packaging, and distribution of information is one of society's major industries. 6 among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

## CORE MARKETING CONCEPTS / MARKETING PHILOSOPHIES

### 1. Needs, Wants & Demands

Needs are basic human requirements, people need, cloth, food, air, water to survive – Physical needs. People also have strong needs for recreation, education and entertainment – Individual needs. The need become wants when they are directed to a specific objects that might satisfy the need. Demands are human wants for specific products backed by an ability to pay.

**2. Products or Services**

People satisfy their needs and wants through products and services. Product is anything that can be offered to a market to satisfy a need or want. Any activity or benefit that party can offer to another party is essentially intangible & does not result in the ownership of anything.

**3. Value, Satisfaction & Quality**

- **Customer Value:** Value can be seen primarily a combination of quality, price and service. Value increases the quality and services, decreases the price. Customer value is the difference between the values, the customer's gains from owning or using products and cost of optimizing the product. The ratio between what customers gets and what he gives. The customer gets benefits and assumes costs.
  **Value = Benefit / Cost**

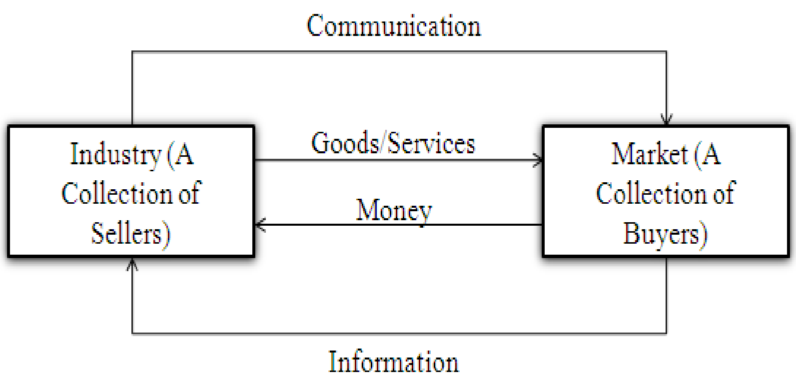
- **Customer Satisfaction:** Product perceived performance matches the buyer expectations then the customer will satisfy. Product perceived performance falls short of buyer's expectation then he dissatisfy. If performance exceeds expectations, buyer is delighted. Satisfying customers make repeat purchases & they tell others about their products.
- **Total Quality Management:** Customer satisfaction closely linked to satisfaction TQM. Programme designed to constantly improve the quality of products, services and marketing process. Quality begins with customer needs and ends with customer satisfaction.

**4. Exchange, Transactions & Relationships**

- **Exchange:** It is the process of obtaining a desired product or service, from someone by offering something in return.
- **Transaction:** A trade between two or more parties that involves at least two things of value agreed upon conditions a time of agreement and a place of agreement.
- **Transfer:** Which is not receives anything tangible in return.

**5. Markets**

A market is the set of actual and potential buyers of a product. It is a place where the sellers and buyers exchange their products and services. Collection of buyers and sellers gathered to exchange their goods. The goals of marketers are to understand the needs/wants of the target markets and satisfy them.



### 6. The Production Concept

The production concept holds that consumers will favor products that are available and highly affordable therefore management should focus on improving production and distribution efficiency. This concept is according to this concept marketing in mere appendage to production; production and technology dominate the thinking processes of the key people in the business. The production concept is still a use full philosophy in two types of situations. The first occurs when the demand for a product exceeds the supply. The second situation occurs when the product's cost is too high and improved productivity is needed to bring it down.

### 7. The Product Concept:

The product concept had that consumers will favor products that offer the most quality, performance and innovative features. This concept is somewhat different from the production concept, where as the production concept seeks to win markets and profits via high volume of production and low unit costs. The product concept seeks to active the same results via product existence, improved product, new products and ideally designed and engineered products.

### 8. The Selling Concept:

The selling concept which holds that consumers will not buy enough of the organizations products unless it undertakes a large scale selling and promotion effort. The sales concept becomes the dominant idea guiding marketing as more and more markets become buyers markets and as the entrepreneurial problem become one of solving the shortage of customers rather than the shortage of goods. The sales concept maintains that a company cannot accept its products to get picked you automatically by the customers. The company has to consciously promote and push its products.

### 9. The Marketing Concept

The marketing concept holds that achieving organizations goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently those competitors. Every department and every worker and manager will "Think customer and Act customer."

### 10. The Societal Marketing Concept

The social marketing concept is calls for a customer orientation backed by integrated marketing aimed at generating customer satisfaction and long-run profitable volume. **For ex:** Large, expensive automobiles may please their owners but increase air pollution, traffic congestion and parking problems, cigarettes and alcohol satisfy individual but create health and law and order problems and detergents ease house wives laundry problems but destroy.

### 11. The Customer Concept:

Companies practicing the marketing concept work at the level of customer segments, a growing no. of today's companies are now shaping separate offers, services and messages to individual customers. These companies collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences. They hope to achieve profitable growth through capturing a larger share of each customer's expenditures by building high customer loyalty and focusing on lifetime value.

## MARKETING MIX

Marketing activities are directed towards satisfying the needs and wants of customers. The marketing mix is the combination of strategies and process adopted for customer satisfaction. Marketing Mix as "the set of marketing tools that the firm uses to pursue its marketing objectives in the target marketing". Marketing Mix is used by marketing managers to design the process of marketing in the organization, which conditioned by controllable and uncontrollable factors.

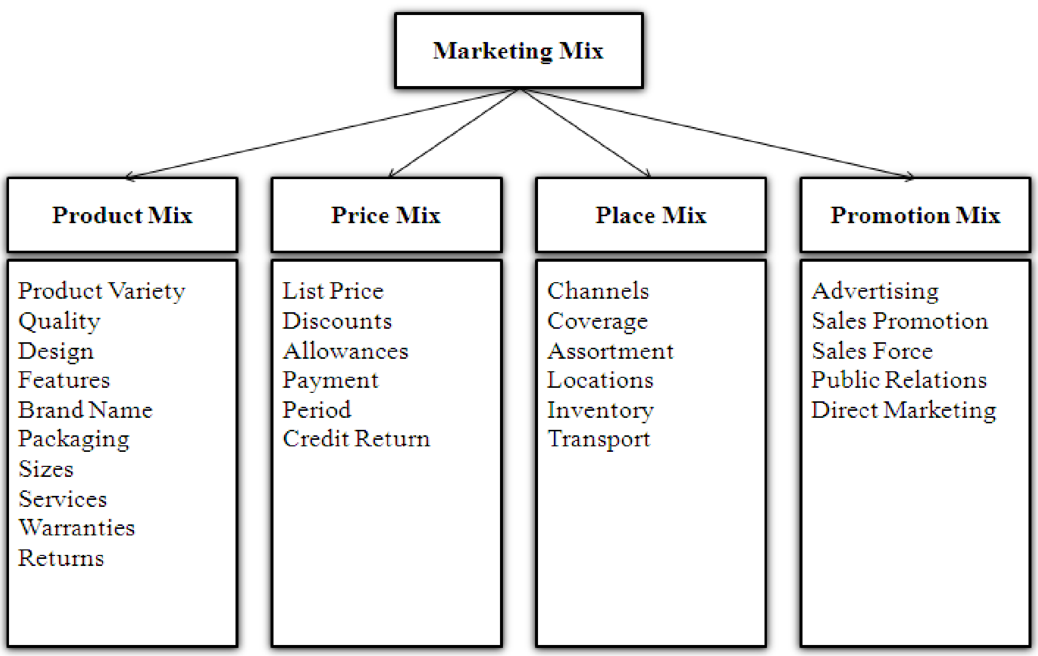
Marketing Mix is an effective tool to achieve success in marketing. The marketing mix is developed to satisfy the customer satisfaction. There are many marketing tools can be adopted. Jerome McCarty classifies the four elements of marketing mix as:

1. Product Mix
2. Price Mix
3. Place Mix
4. Promotion Mix

These elements of marketing mix are popularly known as 4Ps of marketing.

**Product Mix:** It is the heart of a marketing mix. It is the first in the needs of consumer or user. Product mix is the basic tool of marketing mix. It must offer economic, social and psychological satisfaction.

**Price Mix:** Price is the valuation placed upon the product by the offered. It is cover pricing, discount, allowance and terms of credit. It is a means of competition.




**Place Mix:** Distribution is the delivery of the products and rights to consume it. It includes channels of distribution, transportation, and warehousing and inventory control.

**Promotion Mix:** The tools of promotion mix are used to communicate and persuade the customer towards the particular products. It includes advertising, personal selling, sales promotion publicity and public relations.
According to one marketing expert the companies should view the 4Ps, in terms of the customers 4Cs

| | |
|---|---|
| Product | Customer Needs & Wants |
| Price | Cost of the Customer |
| Place | Convenience |
| Promotion | Communication |

## CONCEPT OF CUSTOMER VALUE

Value is the consumer's estimate of the product's overall capacity to satisfy his/her needs. More specifically, value means the benefits and usage the product delivers to customers. Customers will be only satisfied when their expectation meets with the product usage and benefits. If there is any deviation, it will lead to dissatisfaction.

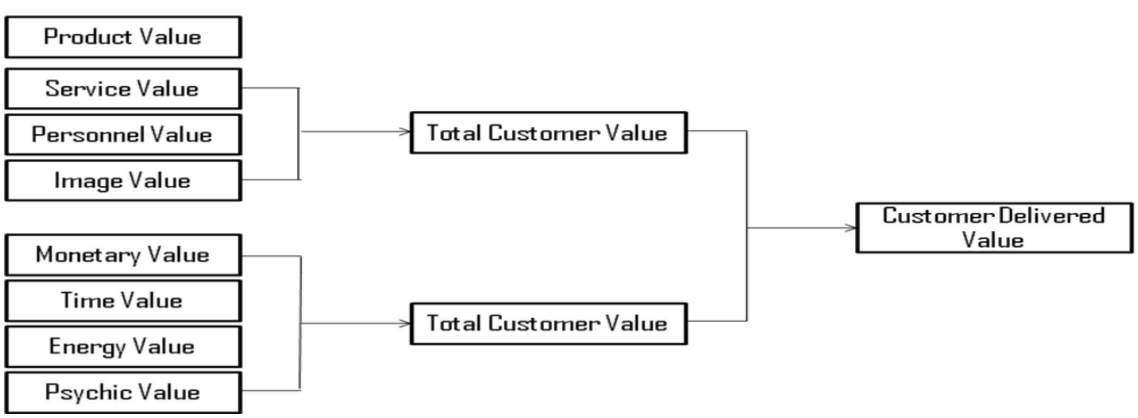
From a marketing perspective, 'Value' is defined as the worth derived by the customer from owning and using the product. Attribution of value to a product is the outcome of a dynamic human reasoning process which infers from subjective interpretation and the gap between the customer's perception of the product's quality and the expenses incurred by the customer from buying and using the product.

According to the Indian philosophy of value-based marketing, product or service must have four values in the following order:

- Functional value
- Aesthetic value
- Symbolic value
- Spiritual value

Mahatma Gandhi pointed out that the emphasis of these four values varies according to the way the product is designed or promoted. The first two values are physical and the next two are non-physical. Among these two values, the non-physical values are more important. Products have symbolic value. They express symbolically customer's personality, taste, status and modern or conservative attitude.

Customer Delivered Value = Total Customer Value – Total Customer Cost.



## MARKETING ENVIRONEMNT

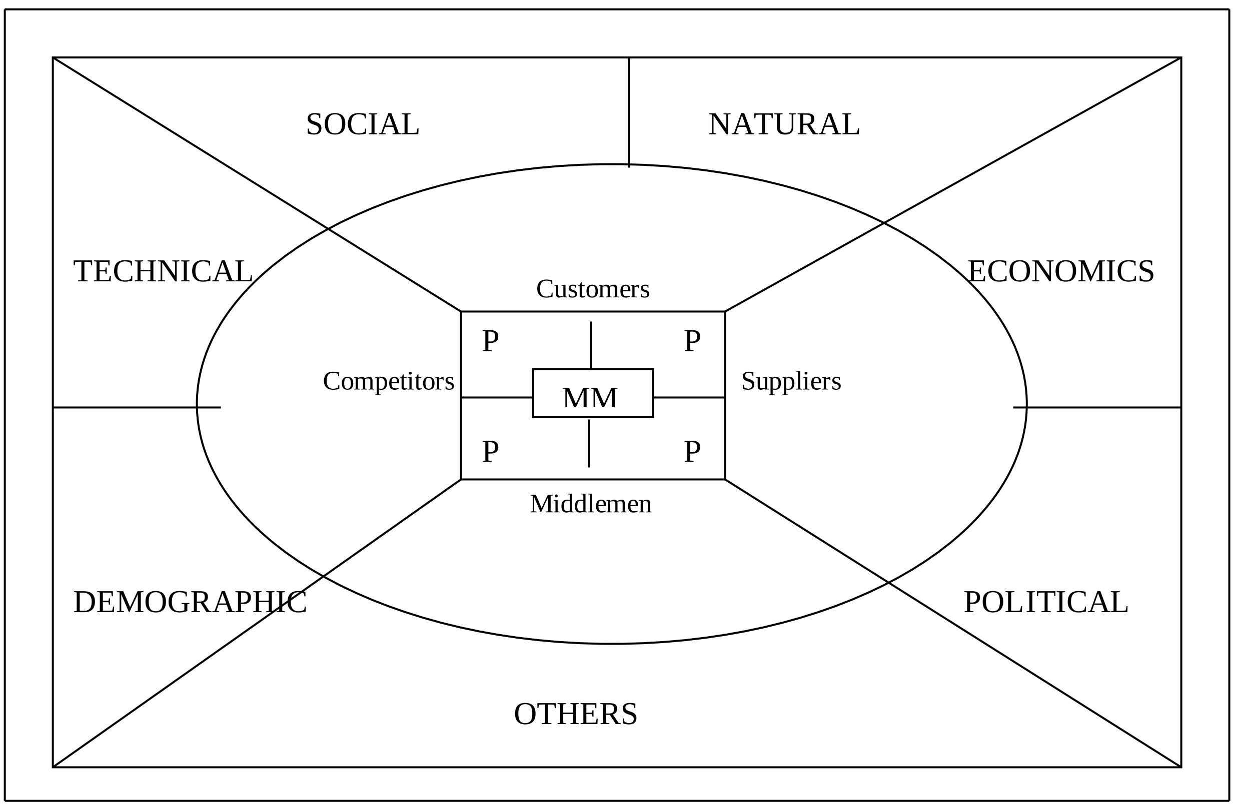
Marketing environment consists of the factors forces outside marketing that affect marketing management ability to develop and maintain successful transaction with its target customers.

The marketing environment made up of micro environment and a macro environment. The micro environment consists of the forces lose to the company that affect its ability to serve its customers. The company suppliers, marketing channel firms, customer markets, competitors and the publics. The macro environment is demographic, economic, natural, technological, political and cultural forces.

### MICRO ENVIRONMENT

The forces close of the company that affects its ability to serve its customers.

**The Company:** In designing marketing plans, marketing management takes other company groups into account groups such as Top Management, Finance, R&D, Purchasing, Manufacturing and Accounting. Top management sets the company Mission, Objectives, Strategies and Policies. Together all of these departments have an impact on the marketing department’s plans and actions.




**Suppliers:** Suppliers are in important link in the company’s overall customer “value delivery system”. They provide the services needed by the company to produce its goods and services.

**Marketing Intermediates:** Firms that help the company to promote sell and distribute its goods to final buyers. They include resellers, physical distribution firms, marketing service agencies and financial intermediates.

**Public:** Any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives.

### MACRO ENVIRONMENT

Larger societal forces that affect the micro environment that pore opportunities and threats to company.
**Demographic Environment:** The study of human population in terms of size density, location, age, gender, race, occupation other statistics the world population is growing at an explosive rate. A growing population means growing human needs to satisfy.

**Economic Environment:** Factors that affect consumer buying power and spending patterns. Nations vary greatly in their levels and distribution of income. Some countries have subsistence economics they consume most of their own agricultural and industrial put.

**Technological Environment:** Forces that create new technologies, creating new product and market opportunities. Technology has released and the Internet. It also has released horrors such as the nuclear missiles, chemical weapons and assault rifles.

**Political Environment:** Laws, Government agencies and pressure groups that influence and limit various organizations and individuals in a given society.

**Cultural Environment:** Institutions and other forces that affect society's basic values, perceptions, references and behaviours.

## MARKETING STRATEGY OR STRATEGIC PLANNING

Planning is a managerial activity which is a basic requirement for all organizations. Any organization will need general and specific plans to fulfill its objectives. The management will have to decide what it intends to accomplish as a total organization and develop a strategic plan to achieve those results. Based on the overall plan, each division of the organization will have to determine its own plan.

Planning deciding now what we are going to do later, including how and when we are going to do it. Without a plan we cannot accomplish anything effectively and efficiently because we do not know what needs to be done or how to do it.
Any planning activity will have the following key elements:

1. Timing
2. Tasks
3. Responsibility
4. Follow-up
5. Budgeting

### LEVELS OF PLANNING

In any organization, planning is done at different levels, which normally take the form of:
**1. Strategic Planning**
The most important level of planning is strategic planning, which is the overall corporate plan for the organization. This plan typically covers the company's long-range goals and dictates the direction for all

departments and divisions within the company. The means of achieving the company goals and the resources needed are detailed in full.

“Strategic planning is the process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing marketing opportunities.”

**2. Marketing Planning**

Marketing planning is the operation plan for a particular product or product line. The marketing plan is the detailed scheme of the marketing strategies and activities associated with each product’s marketing mix.

**3. Tactical Planning (Annual Marketing Planning)**

The next level of planning in any organization is tactical planning. Tactical planning involves specifying details which pertain to the organization’s activities for a specific period of time, usually one year. A tactic is a means by which a strategy is implemented. It is a more specific, detailed course of action than a strategy. Also, tactics generally cover shorter time periods than strategies.

## BASIC ELEMENTS OF STRATEGIC PLANNING

**1. Mission**

In strategic planning, mission is the most important element. In the mission statement, the organization must define its business, or what makes it different from competition. The mission states what customers it serves, what needs it satisfies, and what types of products it offers. The mission statement indicates the boundaries for an organization’s activities. The whole strategic plan is built around the mission. By focusing on its mission the management can concentrate its energy on making sound decisions, allocating resources, and generating profits in the long run. The mission statement is a guideline for the organization’s decision-making for both the short and long run. It provides direction to the strategic planning and marketing planning processes.

**2. Strategic Business Units**

Most of the large companies with multi-product lines or operating in many countries create strategic business units (SBUs), or smaller divisions, to facilitate planning and general operations. Some smaller companies also use SBUs as a way to organize operations. An SBU can be one specific product, one product line, or a specific business. The SBU operates as a separate, autonomous entity, and establishes it own mission statement, objectives and strategic as well as marketing plans independent of other SBUs in the same company. The individual SBUs have their own management teams and operational goals within the corporate management and production facilities.

**3. Objectives**

An organization’s mission statement directs its objectives. The mission is turned into detailed supporting objectives for each level of management. Profits can be improved by increasing sales or reducing costs. Sales can be increased by improving the company’s market share in the home country, by entering new global markets, or both. Such goals can become the company’s current marketing objectives. Marketing strategies are developed to support these marketing objectives. An objective is simply a desired outcome. All strategic and marketing plans are based on the objectives. Objectives must be clear, concise and realistic. They are typically based on profit, market share, growth or diversity.

## 4. Strategic Planning Tools

In order to help strategic planning in multi-business enterprises, many analytical tools and models have been developed. The basic issue is of resource allocation and prioritization. The firm has to decide which products most or least deserve additional investments.

### *a) Product-Market Growth Matrix*

Most organizations want or need to grow bigger and thus objectives focus on growth and profits. Growth is fundamental to the long-run success of any organization, and therefore, an integral part of the planning process. In seeking growth, a company has to consider both its markets and its products. Then the firm has to decide whether to sustain and enhance what it is now doing, or to establish new ventures. The product-market growth matrix depicts these options.

| | **Existing Products** | **New Products** |
|---|---|---|
| **Existing Markets** | Market Penetration Strategy | Product Development Strategy |
| **New Markets** | Market Development Strategy | Diversification Strategy |

**Product-Market Growth Matrix or Grid**

- Market penetration is a strategy that is used to increase sales and market share of existing products in their existing markets. This strategy is used mostly for mature products in mature markets. Companies attempt to penetrate markets either by improving quality, dropping process, increasing distribution, or engaging in aggressive advertising and other promotional activities.
- A market development strategy involves finding new markets and new users for existing products. This strategy is used when new uses are found for mature products, new uses are found due toa change in consumer behavior or demographics, or new markets are entered with an existing product.
- A product development strategy introduces new products into established markets. The new product, sometimes, is the first to enter in particular market.
- A product diversification strategy focuses on developing new products for new markets. Product diversification enables a company to be less dependent on any one product or product line.

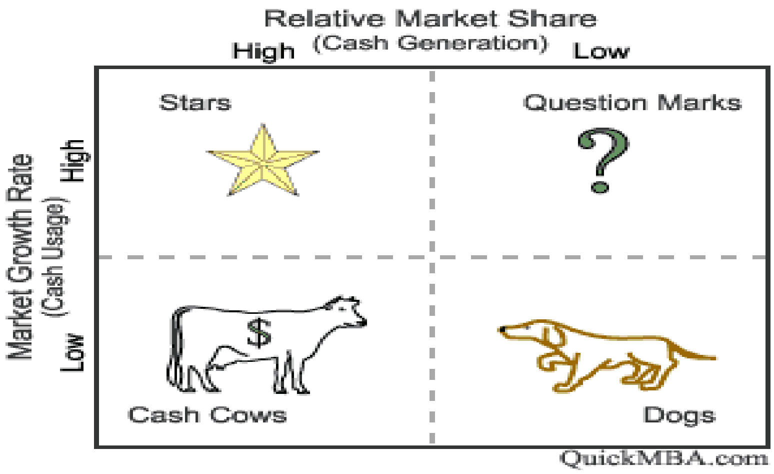
### *b) The BCG Matrix*

Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units (or major product lines). The **BCG growth-share matrix** displays the various business units on a graph of the market growth rate vs. market share relative to competitors:

Resources are allocated to business units according to where they are situated on the grid as follows:

- **Cash Cow** - a business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units.

**BCG Growth-Share Matrix**




- **Star** - a business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. If successful, a star will become a cash cow when its industry matures.
- **Question Mark (or Problem Child)** - a business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown.
- **Dog** - a business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose, it should be liquidated if there is little prospect for it to gain market share.

The BCG matrix provides a framework for allocating resources among different business units and allows one to compare many business units at a glance. However, the approach has received some negative criticism for the following reasons:

- The link between market share and profitability is questionable since increasing market share can be very expensive.
- The approach may overemphasize high growth, since it ignores the potential of declining markets.
- The model considers market growth rate to be a given. In practice the firm may be able to grow the market.

**5. Marketing Plans**

The final element in strategic planning is the marketing plan. The marketing plan is a detailed scheme of the marketing strategies and activities associated with each product's marketing mix. It develops from and is inspired by the overall strategic plan. Marketing plans can be of different forms based on the size of the organization and the number of products within its portfolio. A marketing plan can be developed for the entire family of products, for each product line, or for each individual product. Most marketing plans will be short-term, covering a one-year period.

## CONSUMER BEHAVIOUR

Consumer behaviour is comparatively a new field of study which evolved just after the Second World War. The seller's market has disappeared and buyers market has come up. This led to paradigm shift of the manufacturer's attention from product to consumer and specially focused on the consumer behaviour. The evaluation of marketing concept from mere selling concept to consumer oriented marketing has resulted in buyer behaviour becoming an independent discipline. The growth of consumerism and consumer legislation emphasizes the importance that is given to the consumer. Consumer behaviour is a study of how individuals make decision to spend their available resources (time, money and effort) or consumption related aspects (What they buy? When they buy?, How they buy? etc.).

More than a century ago, the father of our nation, Mahatma Gandhi, had made a visionary and deep meaningful statement at Johannesburg, South Africa in 1890 – "*A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it and not an outsider on our premises. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so". Though this statement was not made in the marketing concept, there is a lot of wisdom and insight into Mahatma's words.*

**Consumer Behaviour**
It is broadly the study of individuals, or organizations and the processes consumers use to search, select, use and dispose of products, services, experience, or ideas to satisfy needs and its impact on the consumer and society.

**Customers versus Consumers**
The term 'customer' is specific in terms of brand, company, or shop. It refers to person who customarily or regularly purchases particular brand, purchases particular company's product, or purchases from particular shop. Thus a person who shops at Bata Stores or who uses Raymonds clothing is a customer of these firms. Whereas the 'consumer' is a person who generally engages in the activities - search, select, use and dispose of products, services, experience, or ideas.

### CONCEPT AND NEED FOR STUDYING CONSUMER BEHAVIOUR

Consumer behaviour can be said to be the study of how individuals make decisions on how to spend their available resources (time, money, effort) on various consumption-related items. This simple definition of consumer behaviour tells marketers to resolve every activity around the ultimate consumer and guage their behaviour by specifically focusing on:

Who buys products or services?
How do they buy products or services?
Where do they buy them?
How often do they buy them?
When do they buy them? And
How often do they use them?

It is believed that consumers or customers make purchase decisions on the basis of receipt of a small number of selectively chosen pieces of information. Thus it will be very important to understand what and how much information is required by the customer to help them to evaluate the goods and services offerings.

## FACTORS INFLUENCING BUYING BEHAVIOUR

### *1. Cultural Factors*

Culture is a complex amalgam of symbols (attitudes, beliefs, values, language, etc.). Culture, subculture, and social class are particularly important influences on consumer buying behavior. The way people perform their biological activities such as eating is culturally determined. Thus, a hungry Indian consumer may like to eat rice and dal whereas a hungry American consumer may like to eat a hamburger, followed by a Coke.

### *2. Social Factors*

Social classes are relatively homogeneous and enduring divisions in a society. They are hierarchically ordered and their members share similar values, interests, and behavior. Social classes reflect income as well as occupation, education, and other indicators. Those within each social class tend to behave more alike than do persons from different social classes. Also, within the culture, persons are perceived as occupying inferior or superior positions according to social class. Social class is indicated by a cluster of variables rather than by any single variable. Still, individuals can move from one social class to another—up or down—during their lifetime. Because social classes often show distinct product and brand preferences, some marketers focus their efforts on one social class.

### *3. Personal Factors*

Cultural and social factors are just two of the four major factors that influence consumer buying behavior. The third factor is personal characteristics, including the buyer's age, stage in the life cycle, occupation, economic circumstances, lifestyle, personality, and self-concept.

### *4. Psychological Factors*

A person's buying choices are influenced by the psychological factors of *motivation, perception, learning, beliefs, and attitudes*.

## CONSUMER BUYING DECISION PROCESS

Marketers have to go beyond the various influences on buyers and develop an in-depth understanding of how consumers actually make their buying decisions. *Specifically, marketers must identify who makes the buying decision,* the types of buying decisions, and the stages in the buying process.

### Buying Roles

Marketers can identify the buyer for many products easily. In the United States, men normally choose their shaving equipment, and women choose their pantyhose. After the giant British chemical firm ICI discovered that women made 60 percent of the decisions on the brand of household paint, it began advertising its DeuLux brand to women.

We can distinguish *five roles* that people might play in a buying decision.
1.An initiator first suggests the idea of buying the product or service.
2.An influencer is the person whose view or advice influences the decision.
3. A decider actually decides whether to buy, what to buy, how to buy, or where to buy.
4.A buyer makes the actual purchase, while a
5.User consumes or uses the product or service.

## Buying Behavior

A consumer is a person who purchases goods and services for his own personal needs. Consumer Behaviour can be defined as those acts of 'individuals' which are directly involved in making decisions to spend their available resources (time, money, energy) in obtaining and using goods and services.

Marketers also need to be aware that consumer decision making varies with the type of buying decision. The decisions to buy toothpaste, a tennis racket, a personal computer, and a new car are all very different. In general, complex and expensive purchases are likely to involve more buyer deliberation and more participants.

1.*Complex buying behavior* applies to high-involvement products such as personal computers. Buyers may not know what attributes to consider in these products, so they do research. Knowing this, marketers can help educate buyers about product

2.*Habitual buying behavior* applies when the product is low-cost and frequently purchased; buyers do not pass through normal sequence of belief, attitude and behaviour but instead of making decision based on brand familiarity.

| | High Involvement | Low Involvement |
|---|---|---|
| Significant Differences between Brands | Complex buying behavior | Variety-seeking buying behavior |
| Few Differences between Brands | Dissonance-reducing buying behavior | Habitual buying behavior |

***Four Types of Buying Behavior***

3.*Dissonance-reducing buyer behavior* applies to high-involvement products such as carpeting. Carpeting is expensive and self-expressive, yet the buyer may consider most brands in a given price range to be the same. After buying, the consumer might experience dissonance after noticing certain disquieting features or hearing favorable things about other brands. Marketers should therefore supply beliefs and evaluations that help consumers feel good about their brand choices.

4. *Variety-seeking buying behavior* applies to low-involvement products such as cookies. In this category, consumers switch brands often because they want more variety. The market leader will therefore try to encourage habitual buying behavior by dominating the shelf space, keeping shelves stocked, and running frequent reminder ads.

## MARKET SEGMENTATION

The market consists of many types of customers, products, and needs; the marketer has to determine which segment offer the best opportunity for achieving company objectives. Consumers can be grouped and served in various ways based on Geographic, Demographic, Psychographic and Behavioural factors.

**Definition:** "The process of dividing a market into distinct group of buyers with different needs, characteristics, or behaviour who might require separate products or marketing mixes is called market segmentation".

Every market has segment, but not always of segmenting a market are equally useful. A market segment consists of consumers who respond in a similar way to give a given set of marketing efforts. In the car market, for example, consumers who choose the biggest, most comfortable car regardless of price make up one market segment

Another segment would be customers who care mainly about price and operating economy. It would be difficult to make one model of car that was the first choice of every customer. Companies are wise to focus their efforts on meeting the distinct needs of one or more market segments.

### BASES FOR SEGMENTATIONS

The following characteristic forms the bases for segmentation.

1. Geographic Segmentation
2. Demographic Segmentation
3. Psychographic Segmentation
4. Behavioural Segmentation

***Geographic Segmentation***

Geographic segmentation for dividing the market into different geographical units such as

- Nations
- States
- Regions
- Countries
- Citizen of neighbor hoods

The company can decide to operate in one or a few demographic areas of operate in all but pay attention to variations in geographic needs and preferences.

Example: General foods Maxwell house ground coffee is sold nationally but is flavored regionally. Its coffee is flavored stronger in the west than the east.

***Demographic Segmentation***

Demographic segmentation consists of dividing the market into groups on the basis of demographic variables such as

- Age
- Sex
- Family size
- Family life circle
- Income
- Occupation
- Education
- Religion
- Nationality

Demographic variables are the most popular bases for distinguishing customer groups. The reasons are:
Consumer wants, preferences and usage rates are often high associated with demographic variables
Demographic variables are easier to measure than most other types of variables

***Psychographics Segmentation***

In psychographics segmentation, buyers are divided into different groups on the basis of their social class life style and or personality characteristics. People within the same demographic groups can exhibit very different psychological profiles.

- ✓ **Life Style:** Peoples interest in various goods is influenced by life styles and infects the goods they consume express their life style marketers of various products and brands are increasingly segments their markets by consumer life style.

- ✓ **Personality:** Marketers have also used personality variables to segmentation markets they endow their products with brand personality that correspond to consumer personalities.

***Behavioural Segmentation***

In behavioural segmentation buyers are divided into groups on the basis of their knowledge attitude use and response to a product many marketers believe that behavioural are best starting point for constructing market segments.

- ✓ **Occasions:** Buyers can be distinguished according to occasions. They develop a need, purchase a product or use a product.

- ✓ **Benefits:** A powerful form of segmentation is the classification of the buyers according to the different benefits that they seek from the product. Benefit segmentation requires determining the major benefit that people look for in the product class, the kinds of people who look for each benefit, and the major brands that deliver each benefit.

- ✓ **User Status:** Many markets can be segmented into non-users, example users, potential users, first time users and regular users of a product high market share companies we particularly interested in converting potential users into actual users, while smaller firms will try to get users of competitive brand to switch to their brand.

- ✓ **Usage Rate:** Market can also be segmented into light medium and heavy user group if the product (called volume segmentation). Heavy users are often a small percentage of the market but occasion for high percentage of total consumption. Heavy users of a product often have common demographic, psychographic and media habits.

- ✓ **Loyalty Status:** A market can also be segmented by consumer loyalty patterns. Consumers can be loyal to brands, stores and other entries. Suppose there are firebrands: A, B, C, D and E, buyers can be divided into four groups according to their loyalty status.

  - ➢ **Hard-core loyal:** Consumers who buy one brand all the fire. Thus a buying pattern of A, A, A, A, A represents a consumer with undivided loyalty to brand A.

  - ➢ **Soft-core loyal:** Consumers who are loyal to two or three brands. The buying pattern A, A B, B A, B represents a consumer with divided loyalty between A and B.

  - ➢ **Shifting loyal:** Consumers who shift from favoring one brand to another. The buying pattern A, A, A B, B, and B would suggest a consumer who is shifting brand loyalty from A to B.

  - ➢ **Switchers:** Consumers who show no loyalty to any brand the buying pattern A, B, E, C, D, B would suggest a non loyal consumer who is either deal prone (buys the brand on sales) or variety prone (wants something different).

- ✓ **Buyer Readiness Stage:** At any time, people are in different stage of readiness to buy a product some people are unaware of the product; some are aware; some are informed; some are interested; some are desirous if buying and some inland to buy.

## REQUIREMENTS FOR EFFECTIVE SEGMENTATION

An effective segmentation of the market depends upon various factors like the firm's ability to reach out to the segment and its ability to sustain its marketing efforts.

1. Measurability
2. Accessibility
3. Substitutability
4. Actionability

## PROCESS OF MARKET SEGMENTATION

The process of market segmentation involves three major steps.

1. **Identifying Customer Segments:** Customers can be identified on the basis of geographic, demographics, behaviourist, psychographic etc; the marketer should determine the basis for

segmentation based on the area of business. Identifying customer segments helps the marketers in designing, promoting and delivering or pricing the service for each segment.

2. **Developing Measures for Structural Attractiveness:** Estimating each segment on the above bases will help marketers select and invest in segments that can fetch the best results for the company.

3. **Selecting Customer Segments:** This is the final stage in the segmentation process and involves developing the profiles of the customer segments identified in the first step and analyzed for profit and growth potential in the second step. It includes developing products or services and their marketing mix that match the user profiles.

## CUSTOMER RELATIONSHIP MANAGEMENT

Smart companies capture information at every possible customer touch point. These touch points include customer purchases, sales force contacts, service and support calls, Web site visits, satisfaction surveys, and every contact between the customer and the company. This information is usually scattered widely across the organization. Many companies are now turning to customer relationship management (CRM) to manage detailed information about individual customers and carefully manage customer touch points in order to maximize customer loyalty.

CRM consists of sophisticated software and analytical tools that integrate information from all sources, analyze it in depth, and apply the results to build stronger customer relationships. CRM analysts develop data warehouses. A data warehouse is a companywide electronic database of finely detailed customer information that needs to be sifted through for gems. Once the data warehouse brings the data together, the company uses high-powered data mining techniques to sift through the mounds of data and dig out interesting findings about customers. By using CRM to understand customers better, companies can provide the higher levels of customer service and develop deeper customer relationships. An estimated half of all CRM efforts fail to meet their objectives. The most common cause of CRM failures is that companies mistakenly view CRM only as a technology and software solution. When it works, the benefits of CRM can far outweigh the costs and risk.

CRM can be defined as "A management process of acquiring customers by understanding their requirements, retaining customers by fulfilling their requirements more than their expectations and attracting new customers through customer specific strategic marketing approaches. The process invites total commitment on the part of the entire organization in evolving and implementing relationship strategies that would be rewarding to all concerned."

The relationship marketing approach has great significance from the organizations' point of view due to the following:

- Reduction in customer recruitment cost.
- Generation of more and more loyal customers.
- Expansion of customer base.
- Reduction in advertisement and other sales promotion expenses.
- Benefiting customer selectivity approach.
- Increase in the number of profitable customers.
- Easy introduction of new products.

- Easy business expansion possibilities.
- Increase in customer partnering.

## CRM STRATEGIES

***1. Customer Acquisition***

- Gain the greatest number of new 'Best' customers as early in their lifespan as possible.
- Customer Retention.
- Retain and expand your business and relationships with your customers through up-selling, cross-selling and servicing.

***2. Customer Loyalty:*** Offer programs to ensure that your customers happily buy what you offer only from you.

***3. Customer Evangelism:*** Enable loyal customers to become a volunteer sales force.

***4. Cost Reduction:*** Reduce costs related to marketing, sales, customer service and support.

***5. Improve Productivity:*** Enhance your e-business strategies.

## BUILDING CUSTOMER RELATIONSHIP MANAGEMENT

***Step 1: Acquisition:*** It is a vital stage in building customer relationship. The acquisition process constitutes the following stages:

- Enquiry
- Interaction
- Exchange
- Co-ordination
- Adoption

Each one of the above stages assumes a significant role in the acquisition process. In the enquiry stage, the prospective buyer undertakes a detailed enquiry with regard to several aspects pertaining to the organization, product, nature of transaction and all other related aspects. Having stored the information he passes on to the interaction stage, where the customer interacts with the organization and obtains additional information clarifies and ensures already collected information.

Terms of exchange, mode of delivery and other things related to exchange, are settled at the exchange stage. Further coordinated effort on either side would lead the customers moving to adoption of the product or service concerned, and that completes the acquisition process.

***Step 2: Customer Interaction Management (CIM):*** Interaction plays a lead role in building customer relationships. CIM constitutes the customer relationship technologies with additions of technology-based interactive solutions. The interactive channels that are currently available enable very effective customer interactive communications, which leads to CIM, which further leads to relationship building.

***Step 3: Customer Retention:*** The focus of the organizations is more on customer retention than simply on customer acquisition. Customer retention is the process of keeping customers in the customer inventory for an unending period by meeting the needs and exceeding the expectations of those customers. It is the approach of converting a casual customer into a committed loyal customer.

## STRATEGIES FOR BUILDING RELATIONSHIP

The strategies for building and maintaining customer relationship will vary from company to company. The variations will depend on factors like nature of business, its size, its market share, nature of product type, volume of sales, geographic spread or concentration, socio-economic status and lifestyle of the customers concerned, competitor's strength, etc. Some major strategies which are commonly practiced in various combinations by successful companies are explained below:

***People:*** All the employees within the company have an important role in CRM. Every employee should understand that his or her work is towards satisfying the customers. The marketing department should co-ordinate integrated activity towards customer satisfaction.

***Product:*** The product or service must constantly provide value addition. The expectations of the customer keep on changing and may increase due to many reasons. A customer satisfied with a given product or service now may soon become a dissatisfied customer in view of the changes taking place in his expectations. Manufacturers and marketers must correctly understand the customer's expectations and match them.

***Service:*** Customers expect quality service during pre-sales, and after-sales phases. The company has to set standards for quality of service and adhere to it to satisfy its customers.

***Competitive Advantage:*** Customers always compare the products, services and style of operation of a company with competitors to decide their future purchases. So a company needs to make similar analysis and increase its strengths and reduce weaknesses, to ensure that it delivers customer value and satisfaction better than the competitors and maintains competitive advantage. This will help to retain its customers.

***Partnership with Customers:*** Partnership alliance will help to build relationship with the customer. Partnership understanding could be in the form of buy-back arrangements, training employees and extending managerial support to the customer organizations. It creates proof for the care and interest shown by customers towards a company.

***Customer Clubs:*** Formation of customer clubs is another way to promote relationship. Such clubs will focus a sense of mutual belonging, understanding, and sharing of common problems and emotions. An ideal customer club can act as a bridge between companies and the customers. It helps to enhance the level of satisfaction and improve relationship.

***Frequency/Loyalty Programmes:*** Many companies offer frequency marketing programmes or loyalty programmes that reward customers who buy frequently or use a service frequently. Airlines offer frequent-flier programmes, hotels give room upgrades to their frequent guests, and supermarkets give patronage discounts. Such programmes will induce customers to continuously patronize a product or service from a company, thereby building a long-term relationship.

***Social Events and Concern for Societal Problems:*** Organizations should volunteer to identify themselves with all social events with which the customers and organizations are concerned. They can celebrate religious functions and national festivals; organize or sponsor cultural meets, sports, etc., in their locations. Similarly, the organizations must come forward to help whenever a crisis situation arises which disturbs the normal life of the customer.

***Communications and Complaint Redressing:*** Organizations should develop simple, open, efficient customer-friendly communication. A good communication system tuned to customer requirements will improve relationship. An organization should also have an efficient and transparent complaints redress system and complaint-monitoring cell. This would enable the creation of better relationship with the customers.

***Brand Switching Barriers:*** Some organizations build brand-switching barriers to retain customers by making it difficult and costly for customers to change brands. Examples are incentive schemes, annual quantity rebates, relationship-based pricing, additional services, attractive prize schemes, and sentiments-based schemes.

## POSITIONING

Positioning is a concept in marketing which was first popularized by Al Ries and Jack Trout in their bestseller book “Positioning – a battle for your mind". According to them ‘Positioning is what you do to mind of the prospect’. They iterate that any brand is valued by the perception it carries in the prospect or customer's mind. Each brand has thus to be 'Positioned' in a particular class or segment. Example: Mercedes is positioned for luxury segment, Volvo is positioned for safety. The position of a product is the sum of those attributes normally ascribed to it by the consumers – its standing, its quality, the type of people who use it, its strengths, its weaknesses, any other unusual or memorable characteristics it may possess, its price and the value it represents.

Although there are different definitions of Positioning, probably the most common is: "A product's position is how potential buyers see the product", and is expressed relative to the position of competitors. Positioning is a platform for the brand. It facilitates the brand to get through to the mind of the target consumer. The position of the brand has thus to be carefully maintained and managed. Example: when Malboro cut down its prices, its sales dropped immediately, as it began being associated with the generic segment. Watches like Rolex are positioned as luxury segment watches, thus they being one of the most expensive have become a symbol for accomplishment in life. If Rolex reduces its prices, it loses its perceived image and hence is in danger of losing its customers. This differs slightly from the context in which the term was first published in 1969 by Al Ries and Jack Trout in the paper "Positioning" is a game people play in today’s me-too market place" in the publication Industrial Marketing, in which the case is made that the typical consumer is overwhelmed with unwanted advertising, and has a natural tendency to discard all information that does not immediately find a comfortable (and empty) slot in the consumers mind. It was then expanded into their ground-breaking first book, "Positioning: The Battle for Your Mind", in which they define Positioning as "an organized system for finding a window in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances."

## Positioning Concepts

Generally, there are three types of positioning concepts:

1. Functional positions
   - Solve problems.
   - Provide benefits to customers.
   - Get favorable perception by investors (stock profile) and lenders.

2. Symbolic positions
   - Self-image enhancement.
   - Ego identification.
   - Belongingness and social meaningfulness.
   - Affective fulfillment.

3. Experiential positions
   - Provide sensory stimulation.
   - Provide cognitive stimulation.

## Approaches of Positioning

The main positioning strategy is to either developing or reinforcing a particular image for the brand in the mind of the customer. The main approaches to positioning strategy are:-

a. Customer benefits approach.
b. The price-quality approach.
c. The use or application approach.
d. The product user approach.
e. The product class approach.
f. The cultural symbol approach.
g. The competitor approach.

***a. Customer benefits approach:*** This is an important positioning strategy. It involves putting the brand above competitors, based on specific brand attributes and customer benefit. In the automobiles sector we can see many car manufacturer give emphasis on different technical aspects such as fuel efficiency, safety, engine performance, power windows etc. Generally marketers identify positioning in respect of product characteristics that have been ignored by the competitor. Often we can see that firms attempts to position their brands along with two or more characteristic simultaneously, this is done to give an extra edge to the product from its rival and also helps increase the product's life cycle. Thus a single product can solve many problem is the main theme behind the product. Example: Procter &Gamble's Head & shoulder shampoo functions as anti dandruff and anti hair fall shampoo. Head & Shoulder positioned as both anti-dandruff & anti-hair fall shampoo.

***b. Price quality approach:*** Sometimes brands attempts to offer more in term of service, feature, quality, or performance. Manufacturer of such brands charge higher prices partly to cover the cost and partly to communicate the fact that they are of high quality. In fact in the same product category there are brands, through comparable in qualities, which appeal on the basis of price. For example brands like Rado and Timex use quality and price positioning technique respectively. Rado competes for quality and Timex competes for price. It is difficult to use both quality and price positioning together because there is a risk that high quality-low price positioning technique may infer the image of the product in the mind of the consumer.

***c. The use and application approach:*** In this strategy the product is positioned with a use or application approach. For example: - Largest Mobile manufacturer in the world Nokia positioned its few variant of N-series mobiles as music phones with enhanced memory and multimedia capabilities. Nokia N-70 Music edition Nokia N-73 Music edition with 1GB memory with 1GB memory

***d. The product user approach:*** In this approach, the brand identifies and determines the target segment for which the product will be positioned. Many brands uses a model or a celebrity to position their product. The expectations are that a model or a celebrity is likely to influence the product's image by reflecting their own image to it. For example:- Dabur Chyvanprash is positioned for all age groups.

***e. The product class approach:*** This approach is use so that the brand is associated with a particular product category. This is generally used when a category is too crowded. For example:- HLL has positioned Dove toilet soap as a cleansing cream product for young women with dry skin and its is positioned as a premium segment toilet soap.

***f. The cultural symbol approach:*** The positioning strategy is based on deeply entrenched cultural symbol. The use of cultural symbol can help to differentiate the brand from competitors' brands. For example: - The positioning techniques of Marlboro cigarettes use the image of typical American cowboy.

***g. The competitor approach:*** Many brands use competitor as a dominant plank in their campaign. These brands are positioned following its competitor. This is an offensive strategy.

## Different Positioning Planks / Bases

Different types of positioning planks /bases are used by the marketers are:-

***1. Economy:-*** Product positioned toward a particular segment keeping in mind it economy. Example- Maruti 800, Tata Nano, Nirma detergent powder etc are positioned for the economy segment

***2. Benefit:-*** Product positioned with some beneficial features. Example- Colgate total, Clinic plus etc.

***3. Gender:-*** Product positioned for a particular segment. Example- Scooty Pep, Titan Raga.

***4. Luxury and exclusiveness:-*** Product or services positioned toward luxury segment. Example-Taj group of hotel, Mercedes Benz E-class etc. Mercedes Car - symbol of luxury and exclusiveness

***5. Fashion for elite class:-*** Product positioned for fashionable elite class or member of the society, who always want to stay ahead in term of fashion and demands exclusive products only. Example Peter England, Van Heusen, Raymond etc.

***6. Technology and value added features:-*** Positioning of a product according to its technological advancement and value added features. Example:- Microsoft's positioning of its recent operating system Windows Vista as the advanced operating system, Sony with various electronic goods, LG etc. Preview of Microsoft's window Vista operating system.

## BRANDING

The word brand is comprehensive, it encompasses other narrower terms. A brand is a name and a mark intended to identify the product of one seller or groups of sellers and differentiating the product from competing products.

A brand name consists of words, letters and numbers that can be vocalized. And a brand mark is the part of brand that appears in the form of symbol, design or distinctive colour. A brand mark is recognized by sight but cannot be expressed. When a person pronounces the brand name. Trademark is a brand that has been adopted by a seller and given legal protection. One method of classifying brand is on the basis of who owns them. Thus we have producer's brands and middle men's brand and later being owned by retailer or whole sellers.

### What Is a Brand?

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands.

*"The American Marketing Association defines a brand as a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors."*

In essence, a brand identifies the seller or maker. Whether it is a name, trademark, logo, or another symbol, a brand is essentially a seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers. The best brands convey a warranty of quality. But a brand is an even more complex symbol.

Selection of a brand name starts with a careful analysis of the product and its benefits, the target market, and proposed marketing strategies. A good brand name, after all, will add greatly to a product's success. The following are the desirable qualities for a brand name:

- The name should be suggestive of the product's benefits and qualities.
- It should be easy pronounce, recognize and remember.
- The brand name should be distinctive.
- It should be extendable.
- The brand name should translate into foreign languages easily, and should not have different meanings in different languages.
- The name should be capable of registration and legal protection. For this, the name should be original and not copy of other product names.

### Brand Equity

Brands vary in the amount of power and value they have in the marketplace. At one extreme are brands that are not known by most buyers. Then there are brands for which buyers have a fairly high degree of brand awareness. Beyond this are brands with a high degree of brand acceptability. Next are brands that enjoy a high degree of brand preference. Finally there are brands that command a high degree of brand loyalty. Aaker distinguished five levels of customer attitude toward a brand:

1. Customer will change brands, especially for price reasons. No brand loyalty.
2. Customer is satisfied. No reason to change the brand.
3. Customer is satisfied and would incur costs by changing brand.
4. Customer values the brand and sees it as a friend.
5. Customer is devoted to the brand.

High brand equity allows a company to enjoy reduced marketing costs because of high brand awareness and loyalty, gives a company more leverage in bargaining with distributors and retailers, permits the firm to charge more because the brand has higher perceived quality, allows the firm to more easily launch extensions because the brand has high credibility, and offers some defense against price competition.

Some analysts see brands as outlasting a company's specific products and facilities, so brands become the company's major enduring asset. Yet every powerful brand really represents a set of loyal customers. Therefore, the fundamental asset underlying brand equity is customer equity. This suggests that the proper focus of marketing planning is that of extending loyal customer lifetime value, with brand management serving as a major marketing tool.

## Reason for branding and non-branding

In the past, producers and intermediaries sold their goods out of barrels, cases without any superior identification. And buyers depend upon seller's integrity. The earliest signs of branding were the "medieval guilds" efforts require crafts people to product themselves and consumer against inferior quality. But today branding is such a strong force that hardly anything goes unbranded. So called commodities do not have to remain commodities. e.g., salt is packaged in distinctive container, oranges are stamped with growers cane and fresh food products such as chicken, turkey are increasingly being sold under strongly advertised brand name.

## Branding Strategies

Both producer and middlemen faces strategic decisions regarding branding of their goods and services.

### *(A) Producer's Strategies*

Producer's most deciding whether to brand their products and whether to sell any or all of their output under middlemen's brands.

*Marketing entire output under producer's own brands:* Companies that rely strictly on their own brands usually are very large, well-financed and well-managed. The examples are I.B.M that has broad product lines, well established distribution system and large shares of market. Some producers use a strategy of branding fabricating parts and materials. With this strategy, the seller seeks to develop a market preference for its branded parts or materials. The strategy is most likely to be effective when particular type of fabricating parts or materials have two characteristics.

(1) The product is also consumer good that is brought for replacement.
(2) The item is a key part of finished products, a microprocessor within a personal computer, for example Intel developed the slogan," Intel inside" to strengthen its product's position. The campaign

become so successful that some computer makers, including IBM feared that brand of personal computer would become less important than the brand of microprocessor contained in machine.

*Marketing under middlemen's brand:* A wide spread strategy among manufacture is to sell part or all of their output to middlemen for branding by these customers. Firms such as Borolen and Keebler have their own well-known brands and they also produce goods for branding by middlemen. This approach allows a manufacturer to "hedge its bets".

A company employing this strategy hopes that its own brands will appeal to some loyal customers; whereas middlemen's brands are of interest to other. One drawback of that strategy is that the manufacturer may lose some customers for its own brands.

***(B) Middlemen's Strategies***

There are also some middlemen strategies. Carry only producer's brands. Most retailers and whole sellers follow this policy, because they do not resources to promote a brand and maintain its quality. Carry both producers and middlemen's brand many large retailers and some large wholesaler stock popular producers brands and also have their own labels. Middlemen may own brands, in place of or in addition to producer's brands, because it increases their control over their target markets. Furthermore, middlemen usually can sell their brands at prices below those of producer's brands and still earn higher gross margins.

### Co-branding

Most often, two companies or two divisions within the same company agree to place both of their respective brands on a particular product or enterprise. The agreement termed as co branding or dual branding. Co branding has potential benefits and drawbacks. Co-branding can be provide added revenues for one or both of the participating firms, such as fee paid to Sunkist Growers by Generals Mills in order to use Sunkist name as packages of Betty Crocker lemon bar mix. The biggest potential drawbacks to co-branding are possible over-exposure of a brand of name.

## MARKETING RESEARCH

**Definition:** Formal communication link with the environment to provide accurate and useful information for better decision making. Systematic process of specifying, collecting, analyzing, and interpreting. Useful for planning, problem-solving, and controlling.

Marketing research activities can be divided into four main strategic categories:

- Market Analysis
  - ✓ Identifying and evaluating opportunities
  - ✓ Competitive Analysis
- Market Segmentation
  - ✓ Analyzing market segments and selecting target markets
- Marketing Strategy Design
  - ✓ Planning and implementing a marketing mix
- Analyzing Marketing Performance

## RESEARCH PROCESS

1. Define the Research Problem
2. Determine Research Design and Data Sources
3. Develop Sample Design and Sample Size
4. Develop Measurement Instruments
5. Collect and Prepare Data
6. Analyze and Interpret Data
7. Communicate Results

### *Define the Research Problem*

Process begins with the recognition of a marketing problem or opportunity

- Marketing Problem: Set of circumstances in a market and/or in the company that requires modified or new marketing strategy to respond in a way that will maintain or improve performance.
- Market Opportunity: Set of circumstances in a market that defines a situation in which a company can improve performance by creating modified or new marketing strategy.

### *Determine Research Design and Data Sources*

- Exploratory, Descriptive, Causal
- Secondary vs. Primary Data
- Survey research
- Observation research
- Focus Groups
- Experiments

### *Develop Sample Design and Sample Size*

- Sample: a subset from a larger population
- Probability vs. non probability sample
- Number of respondents
- Method of contact
- Management of non-response
- Detailed field instructions
- Handling of data

### *Develop Measurement Instruments*

- What observation form or questionnaire will be best suit the needs of the project?
- Anonymous? Confidential?
- Structured vs. open-ended
- What types of rating scales?
- What is the layout going to look like?

### *Collect and Prepare Data*

- Editing and Coding
- Data Entry
- Data Cleansing
- Summarization
- Error Assessment
- Reliability/Validity

### *Analyze and Interpret Data*

- Purpose of the analysis is to interpret and draw conclusions from the mass of collected data
- Must select appropriate analytic tools to match data, research objectives, and information needs

### *Communicate Results*

- Researchers must remember to speak in managerial terms rather than in the terminology understood only by research specialists
- Reports should outline technical details of the research project and methods in an appendix, if at all
- Researchers should spell out their conclusions in clear, concise, and actionable terms
- Be open-minded to findings, be willing to refute expectations, and acknowledge limitations.

## SCOPE OF MARKETING RESEARCH

The scope of marketing research stretches from the identification of consumer wants and needs to the evaluation of consumer satisfaction. A clear view of the scope of marketing research may be obtained by the following classification of marketing research activity.

1. **Consumer research:** Consumer research seeks answers to a variety of questions in respect of consumer characteristics and behavior. The aim of this research is to develop an understanding about consumers, both current and potential and the level of satisfaction expected and derived by them from company's products.

2. **Market research:** Market research answers questions in respect of different markets. The purpose of this research is to gather facts about markets and the forces operating therein like competitors and government so as to enhance the competitive advantages strength of the company in the market place.

3. **Product research:** Product research addresses itself to the questions associated with the products of the company and competitors. The purpose of research is to find out the product image which will be compatible with the self image of consumers and to ascertain whether the former really fits into the latter or not.

4. **Sales research:** Sales research attempts to answers questions relating to the sales of company's products. The purpose is to find out the sales potential and appraise sales performance of company's products.

5. **Distribution channel research:** The purpose of this research is to identify the appropriate distribution channels and intermediaries and to ascertain whether they help the company in meeting the consumer needs.

6. **Pricing research:** The purpose of this research is to find out the price expectations of consumers and their responses and reactions to them.

7. **Physical distribution research:** The purpose of this research is to explore the possibilities of cost reduction in any of these areas and enhancing the time and place utilities of products.

8. **Post-Transaction research:** It involves research into all those problems that are not covered above but other wise concern marketing of company’s products. It also encompasses receiving feedback from the market about consumer satisfaction.

# UNIT – II

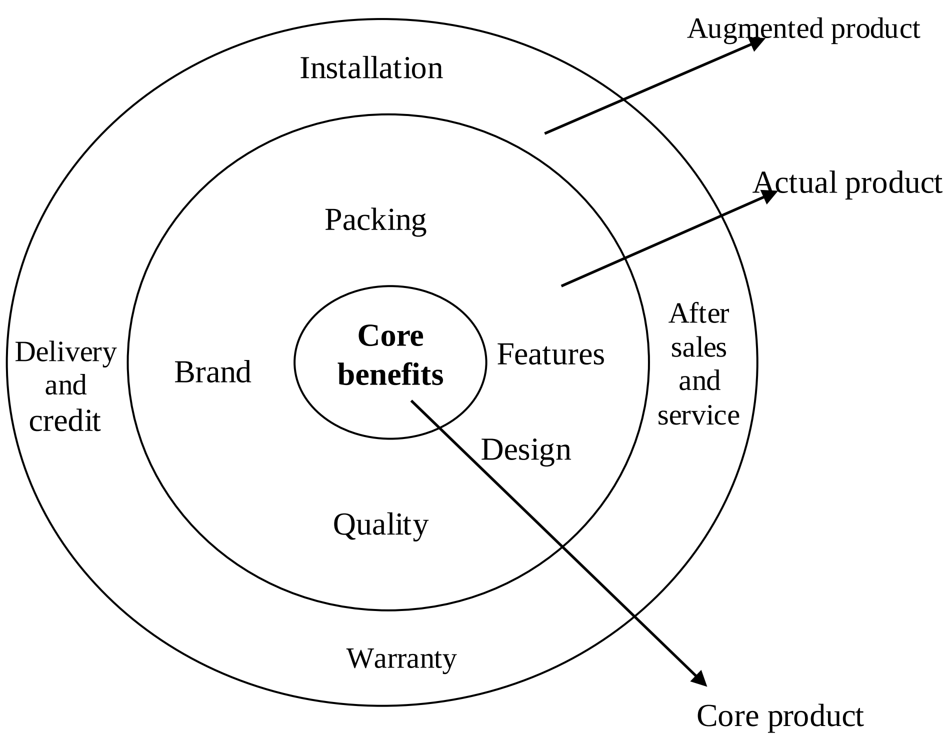
Product strategy: - product concept – product characteristics and classifications –differentiation – Product and brand relationships – packaging, labeling, warranties and guarantees.- product life cycle and marketing strategies- new product development process– branding- brand equity - trademark.- significance of marketing of services.

## PRODUCT STRATEGY

"A product as anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need." Products include more than just tangible goods. It includes physical objects, services, persons, place, organizations, ideas or mixtures of these entities.

"A product is complex of tangible and intangible attributes, including, packing, colour, price, manufacture's prestige, retailer's prestige, and manufacturer's and retailer's services which buyer bay accept as offering satisfaction of want or needs.

## LEVELS OF PRODUCT




## PRODUCT CLASSIFICATION

Products are classified into 3 types.

- Customer Goods
- Industrial Goods
- Based on Durability & Tangibility

***Customer Goods:***

Customer's products are those bought by final customer for personal consumption. Customers products include convince products, shopping products, specially products and unsought goods.

- **Convince products**: Convince products consumer products and services that the consumer usually buys frequently, immediately and with a minimum of comparison and buying effort.

  Ex: Soap, Toothpaste, and Magazines.

- **Shopping products**: Shopping products are less frequently purchased consumer products and service that consumers compare carefully on suitability, quality, price and style. Consumers spend much time and effort in gathering information and making comparison.

  Ex: Furniture, Clothing, cars, major appliances, hotel and motel service.

- **Specially products**: Consumer's products with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purpose effort.

  Ex: Luxury goods such as Rolex watches or fine crystal.

***Industrial Goods:***

Products bought by individuals and organizations for further processing or for use in conducting a business. Three groups of industrial products and services: materials and parts, capital items and supplies and services.

- **Material and parts:** Raw materials consists of form product-wheat, cotton, live stock, fruits, vegetables manufactured material, iron, yarn, cement and wires.

- **Capital items:** installations consist of major purchases such as buildings-factories, offices. Accessory equipment-hand tools lift trucks.

- **Suppliers and services:** Suppliers-lubricants, coal, paper, pencils, advisory services-legal, management consulting, and advertising.

***Durable and Non durable Goods:***

- **Durable Goods** are those tangible products that last longer or they do not get exhausted even after repeated use. **Ex:** the chair on we sit, the cars we drive, the refrigerators we use etc.

- **Non-durable Goods** are those, which get exhausted with a single, or a few uses. **Ex:** food items, we eat the soft drinks we drink, the soaps, pastes, and paper.

## PRODUCT MIX

Product mix is the full list of all products offered for sale by a company. **Example:** Kodak's cameras photographic supplies, chemicals, plastics and fibers are it products mix.

Product mix can be described by four dimension; length, width, depth and consistency with the example of **Procter &gamble**

***Length:*** Total number of items the company carries within its product lines.

Eg:- Eleven laundry detergent, eight hand soaps, six shampoos & four dish washing detergent.

***Width**:* By width of the product mix is meant the number of different product lines found within the company. Other word, breadth is measured by the number of product lines carried.

Eg:- Paper, food, house hold clearing, medical, cosmetics& personal care products.

***Depth**:* It refers to the average number of items offered by the company within each product line. In other words, the end quality offered within each product line.

Eg: - Crest toothpaste comes in three sizes and two formulations (paste& gel)

***Consistency**:* Consistency of product mix refers to how closely relate the various product lines are in end use, product requirement, distribution channels (or) in some other way.

Eg: - The products produced by the general electric company have an overall consistency in that must products involve electricity in one way or the other.

## PRODUCT LINE

A group of products that are closely related because they satisfy a lease of need or used together, are sold to the same customer group, are marketed through the same types of out les or fall within given price ranges or that are considered a unit because of marketing, technical, or end use considerations.

**Eg**: Kodak camera or wearing apparel is a product line of non food product line for babies includes body clothes, nursery equipment, vaporizers and toiletries.

A company can systematically enlarge the length of its product line in the following ways:

1) **Line-stretching decision**: Line stretching occurs when a company lengthens its product line beyond its current range. The company con stretches its line down word up word or both ways.

    - **Down word stretch**: - many companies initially locate at the high end of the market and subsequently stretch their line down word.

      A company might stretch down word for any of the following reasons.

- ✓ A company is attached at the high end and decides to counter attack by invading the low end.
- ✓ The company finds that slower growth is taking place at the high end.
- ✓ The company initially entered the high end to establish a quality image and intended to roll down word.
- ✓ The company adds a low-end unit to plug a market hole that would otherwise attract a new competitor.

- **Up word stretch**: Companies in the lower end of the market might contemplate entering the higher end. They may be attracted by a higher growth rate, higher margins, or simply the chance to position themselves as full-time manufacturers.

- **Two way stretch**: Companies in the middle range of the market may decide to stretch their line in both directions.

2) **Line filling decision:** A product line can also be lengthened by adding more items with in the present range of the line filling in order if it results in cannibalization and customer confusion. The company needs to differentiate each item in the customer's mind.

   Motives for line filling

   - Reaching for incremental profits
   - Trying for to satisfy dealers who complain about lost sales, because of missing items in the line.
   - Trying to utilize excess capacity
   - Trying to be the leading full-line company
   - Trying to plug holes to keep out competitors

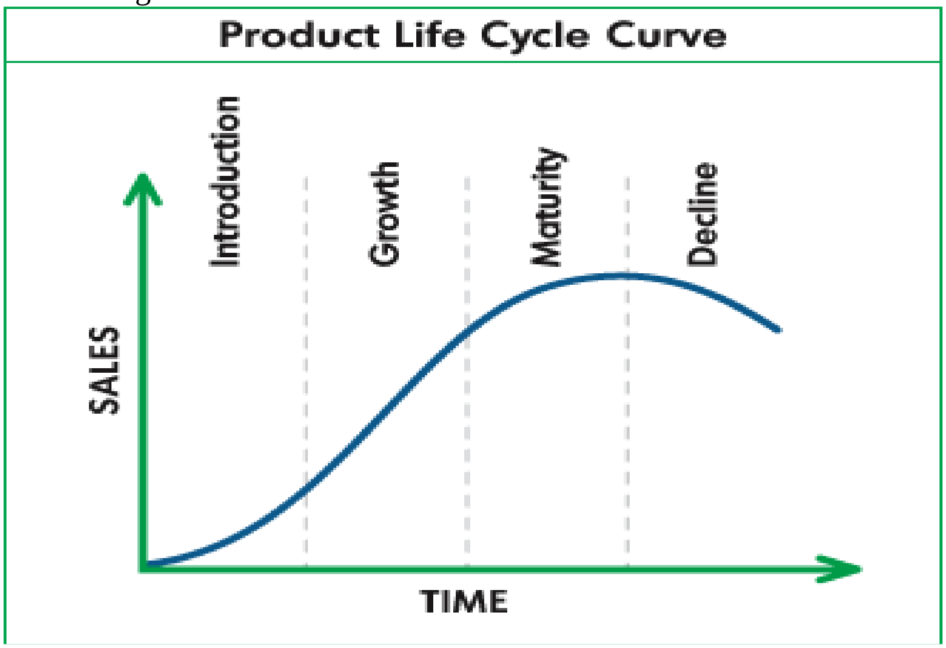
3) **Line modernization decision**: A company's product line can be modernized either by over hauling the line piece meal or all at once. A piece meal approach allows the company to see how customers and dealers take to the new style before changing the whole line. A major disadvantage of piecemeal modernization is that it allows competitors to see changes and start designing their own line.

4) **Line-pruning decision:** Product line managers must periodically review items for pruning. There are two occasions for pruning. One is when the product line includes deadwood that is depressing profits. The other is when the company lacks production capacity to produce all of the items demanded in their desired quantities companies typically shorten. Their lines in periods of fight demand and lengthen their lines in periods of slow demand.

## THE PRODUCT LIFE CYCLE

A product's sales potential and profitability change over time. The product life cycle (PLC) is the course of a product's sales and profits over its life-time. A product life cycle consists of the aggregate demand over an extended period of time for all brands comprising a generic product category. A product life cycle can be graphed by plotting aggregate sales volume for a product category over a time, usually years. It is also worthwhile to accompany the sales volume curve with the corresponding profit curve for the product category.

After all a business in interested in profit not in just sales. The shape of these two curves varies from one product category to another. Still for most categories, the basic shape of the relationship between the sales and the profit curves. In this typical life cycle the profit curve for most new product is negative, satisfying a loss, through much of introductory stages. In the later part of growth stage, the profit curve starts to decline while the sales volume is still rising. Profit declines because the companies in an industry usually must increase their advertising and selling efforts or cut their prices to sustain sales growth in the face of intensifying competition during the maturity stage. The product life cycle consist of four stages




**1) Introduction:-** During introduction stage, sometimes called pioneering stage, a product is launched into the market in a full scale of marketing program. It has gone through product development, including idea screening, prototype, and market test. The entire product may be new, such as the zipper, the video cassette recorder, etc for a new product there is very little competition. However, if the product has tremendous promise, numerous companies may enter into the industry early on. That has occurred with digital TV, introduced in 1988. Introduction is the most risky and expensive stage because substantial dollars must be spent not only to develop the product but also to seek consumer acceptance of the offering.

**2) Growth:-** In the growth stage on market acceptance stage, sales and profit rise frequently at a rapid rate. Competitors enter the market, often in large number if the profit outlook is particularly attractive. Mostly as a result of competition profit start to decline nears the end of the growth stage. As a part of firm's efforts to build sales and in turn, market share, prices typically decline gradually during this stage. ''The only thing that matters is if the exponential growth of your market is faster than the exponential decline of your prices''

**3) Maturity:-** During the first part of the maturity stag, sales continue to increase, but at a decreasing rate. When sales level off, profits of both producers and middle-man decline. The primary reason increase price competition. Some firms extends their product lines with new models, other come up with a new improved version of their primary brand. During the later part of this stage marginal producers those with high cost or no differentiate advantage drop out to the market. They do so because the lack sufficient customers or profit.

**4) Decline:-** For most products a decline stage, as gauged by sales volume for the total category is inevitable for one of the following reason.

- A better or less expensive product is developed to fill the same need.
- The need for product disappears, often because of other product development.
- People simply grow tired of a product so disappear from the market.

**NEW PRODUCT DEVELOPMENT**

There are several possible categories of new products. Each separate category may require quite a separate marketing programmed to ensure a reasonable probability of market success.
Three considerable categories of new products are:-

**1) Products which are really innovative:-** Truly unique, e.g., a hour restores, cancer cure products for which there is a real used but for which no existing substitutes are considered satisfactory. In this case we also includes product that are quite different from existing product but satisfy the same need.

**2) Replacement for existing products:-** That are significantly different from existing goods. Annual model, change automobiles and new fashions in clothing, belong to this category.

**3) Imitative Product:-** That are new to a particular company but not new to market, with a “me-too” product. Perhaps the key criterion as to whether a given product is new is how to intend market perceives it. If a buyer perceives a product is significantly different from competitive goods in some characteristics then it is a new product.

***Reasons of failure of new product:-***

The new product fails due to certain reasons in market.

1. The idea is good, but market size is overestimated.
2. The product is not well-designed.
3. The product is incorrectly positioned in market, no advertised effectively and overpriced.
4. The product fails to gain sufficient distribution coverage or support.
5. Development costs are higher than expected.
6. Competitors fight back harder than expected.

***Stages of New Product Development***

A new product is best developed through a series of eight stages. As compared to unstructured development the formal development of new product provides benefits such as improved team work, lesser work, earlier failure detection and most important higher success rate.

**1) Idea generation:-**

The new product Development process with the search for ideas. New product ideas comes through interacting with various group of people , such as customer, scientists, competitors , employees and top management. Companies can also find good ideas by searching competitor’s products and services. From this they can find out what the customers likes and dislike about competitors products. They can buy their competitors products, take them a part and build better ones. Many companies also encourage employees particularly those on production line to come forth with ideas, often offering cash reward for good suggestion. New product ideas also come from inventors, university and commercial laboratories, advertising agencies. As the ideas start to flow, one will sprat another, and within a short time hundred of new ideas may be brought to surface.

**2) Idea screening: -**

Idea screening is second stage in new product development once a large pool of ideas has been generated by whatever their means, their number have to be pruned to manageable level. In screening ideas the company must avoid two types of error.

*Drop error:* Occurs when the company dismisses an otherwise good idea.
*Go error:* Mean adoption of poor ideas The purpose of screening is to drop poor ideas as early as possible. Many companies require their executives to write up new product on a standard form that can be received by a new product committee. The write up describes product idea, target market and competition. It makes some rough estimate of market size, product price, development cost and rate of return.

**3) Concept development and testing: -**

A product idea is possible product the company might offer to the market. A product concept is an elaborated version of ideas expressed in a meaningful consumer terms. Throughout the stages of idea generation and screening, the developers are only with the product idea, general concept of what product might be. Concept development involves many questions:

i) Who will buy the new product?
ii) What is the primary benefit of new product?
iii) Under what circumstances, the new product may be used?

*Concept testing:* Concept testing involves presenting the product concept to appropriate target consumers and getting their reactions.

**4) Marketing Strategy: -**

Following the successful concept test, the new product manager will develop a preliminary marketing strategy plan for introducing the new product into market. The plan consists of three parts. The first part describes the target market size, structure and behavior, the planned product positioning and sales, market share, profit goals sought in the first few years. The second part outlines the planned price, distribution strategy and marketing budget for first year. The third part of marketing strategy plan describes the long run sales and profit goals and marketing strategy overtime.

**5) Business Analysis: -**

The next step in new product development is business analysis. The market must project costs, profit and return on investment for the new product if it were placed in market. Business analysis is not a short process; it is a detailed realistic projection of both maximum and minimum sales and their impact on economy or company. For some products such as another candy bar, marketers can use existing sales data to guide themselves. But with a product, for which sales data does not exist, only estimation can be used.

**6) Product Development: -**

If the result of business analysis is favourable then a prototype of the product is developed. In development stage, the idea is given in a concrete or tangible form. Up to now, the product has existed only a word description, a drawing or a prototype. This step involves a large investment. The company will determine whether the product idea can be translated into a technically and commercially feasible product.

**7) Test marketing: -**

After management is satisfied with functional and psychological performance, the product is ready to be dressed up with a brand name and packaging and put into a market test. Test marketing involves how large the market is and how consumers and dealers react to handling, using and repurchasing the product. The amount of test marketing is influenced by investment cost and risk on one hand and time pressure and research cost on the other.

**8) Commercialization: -**

As the company goes ahead with commercialization, it will face its large gets costs to date. The company will have to contract for manufacturing facility. Another major cost is marketing.

**Example:-** To introduce a major new consumer packaged goods into the national market, the company may have to spend b/w $20 million and $80 million in advertising and promotion in the first year. In the introduction of new food products, marketing expenditures typically represents 57% of sales during the first year.

**PACKAGING**

Most physical products have to be packaged. One package, such as coke bottle is world famous. Many marketers have called packaging a fifth “P” along with product, price place and promotion. Packaging is defined as all the activities of designing and producing the container for a product.

Purpose & importance of packaging

(1) Protest the product on its way to customer.
(2) Provide protection often the product is purchased.
(3) Help gain acceptance of the product from middleman.
(4) Help persuade consumer to buy the product.

Historically, packaging was intended primarily to provide protection. Today packaging is a major factor in gaining distribution and promotion. And packaging may become a product’s differential advantage, or at least a significant part of it. That was certainly true with coca-cola and its distinctive contour glass bottle.

## Packaging Strategies

In managing the packaging of a product, executive must make the following strategic decisions.

**1) Packaging the product line:** A company must decide whether to develop a family resemblance when packaging related products. Family packaging uses either higher similar package for all products with a common and clearly noticeable feature. Family packages makes since when products are of similar quality and have a similar use.

**2) Multi packaging:** For many years, there has been a trend toward multiple-packaging, the practice of placing several units of same product in one container. For example, dehydrated soups, motor oil, beer, candy bars and countless other products are packaged in multiple units.

**3) Changing the package:** When something is detected in package then company must change a poor feature in an existing package. For this firm's need to consider continuing developments such as new packaging materials, uncommon shapes, innovative closures, all these are intended to provide a benefit to middlemen and to consumer and as a result are selling points for markers.

## SERVICE MARKETING

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

Definition of Services "Activities, benefits and satisfactions, which are offered for sale or are provided in connection with the sale of goods" (American Marketing Association, Committee of Definitions 1960).

### The Special Characteristics of Services

- Intangibility
- Inseparability of production and consumption
- Heterogeneity
- Perishability

**Intangibility**:- Services are activities performed by the provider, unlike physical products they cannot be seen, tasted, felt, heard or smelt before they are consumed. Since, services are not tangibles, they do not have features that appeal to the customers' senses, their evaluation, unlike goods, is not possible before actual purchase and consumption. The marketer of service cannot rely on product-based clues that the buyer generally employs in alternative evaluation prior to purchase. So, as a result of this, the services are not known to the customer before they take them. The service provider has to follow certain things to improve the confidence of the client. The provider can try to increase the tangibility of services. For example, by displaying a plastic or a clay model showing patients an expected state after a plastic surgery. The provider can emphasize on the benefits of the service rather than just describing the features. Not all the service product has similar intangibility. Some services are highly intangible, while the others are low i.e. the goods (or the tangible component) in the service product may vary from low to high. For example: Teaching, Consulting, Legal advices are services which have almost nil tangible components; While restaurants, fast food centers, hotels and hospitals offer services in which their services are combined with product (tangible objective) , such as food in restaurants, or medicines in hospitals etc.

**Inseparabilit**y:- Services are typically produced and consumed simultaneously. In case of physical goods, they are manufactured into products, distributed through multiple resellers, and consumed later. But, in case of services, it cannot be separated from the service provider. Thus, the service provider would become a part of a service. For example: Taxi operator drives taxi, and the passenger uses it. The presence of taxi driver is essential to provide the service. The services cannot be produced now for consumption at a later stage / time. This produces a new dimension to service marketing. The physical presence of customer is essential in services. For example: to use the services of an airline, hotel, doctor, etc a customer must be physically present.

**Heterogeneity**:- Services are highly variable, as they depend on the service provider, and where and when they are provided. Service marketers face a problem in standardizing their service, as it varies with experienced hand, customer, time and firm. Service buyers are aware of this variability. So, the service firms should make an effort to deliver high and consistent quality in their service

**Perishability:-** This is attained by selecting good and qualified personnel for rendering the service. Services are deeds, performance or act whose consumption take place simultaneously; they tend to perish me the absence of consumption. Hence, services cannot be stored. The services go waste if they are not consumed simultaneously i.e. value of service exists at the point when it is required. The perishable character of services adds to the service marketers problems. The inability of service sector to regulate supply with the changes in demand; poses many quality management problems. Hence, service quality level deteriorates during peak hours in restaurants, banks, transportation etc. This is a challenge for a service marketer. Therefore, a marketer should effectively utilize the capacity without deteriorating the quality to meet the demand.

**Significance of services marketing**

Proper marketing of services contributes substantially to the process of development. If innovative marketing principles are followed in services marketing, the socio-economic transformation will take place at a much faster rate. In future, the service sector would operate in a conducive environment offering great potential. If the opportunities are properly utilised by the service sector, it will lead to an all round development of the economy. The significance of the service economy may be discussed under the following headings:

1. Generation of employment opportunities
2. Optimum utilization of resources
3. Capital formation
4. Increased standard of living
5. Use of environment-friendly technology.

**1. Generation of employment Opportunities:-**

The components of the service sector are wide and varied. For example, the service sector includes personal care services, education services, medicare services, communication services, tourism services, hospitality services, banking services, insurance services, transportation services, consultancy services, etc The organised and systematic development of the service sector would create enormous employment opportunities. Application of marketing principles in the I service sector is instrumental to the development of the economy. However, it is appropriate to mention that India has not been successful in utilising the potential of the service sector. As seen in Table 1.1, in USA about 80 per cent of job opportunities are offered by the service sector compared to India's 60%. So, the significance of the service sector lies in its capacity to create job opportunities. If the service sector is properly developed, it will solve the problem of unemployment in India to a great extent. After liberalisation policy, the service sector in India has been emerging as a dominant component in the economy.

**2. Optimum Utilisation of Resources :-**

India is bestowed with rich resources. Particularly, the human resources available in India favour the growth of the service sector. While the labour content in most manufacturing activities is dropping steadily with use of technology, the labour content in the service sector is comparitively high. As India is rich in human resources, service sector can grow steadily. Moreover, service sector offers excellent export opportunities too. In fact, the important agenda of the World Trade Organisation (WTO) is opening up of market for services. So, by exploiting these factors, India can maximise its services export. Though its performance in the export of computer software is quite commendable already, it should concentrate on other areas as well. Service firms such as personal care services, the entertainment services, tourism services, hotel service contribute to the growth of the economy without consuming any natural resources. In a sense, the growth of service firms of this kind conserve natural resources. Thus, services marketing help conserve the valuable resources for future generations.

**3. Capital Formation :-**

There are indications that Services will grow more rapidly in the near future. Economic, social and political factors signal an expansion of the service sector. Investments and job generations are far greater in the service sector compared to manufacturing. It is estimated that telecom alone will account for an investment of Rs. 150,000 crores in the coming years. Investment encourages capital formation. For the development of a nation, the flow of capital should be directed towards the most productive uses. If investments are made in the service sector, it will contribute to the nation-building process. With increased developmental activities, the per capita income increases which, in turn, facilitates capital formation. Performance of profitable services can absorb higher investments, thereby accelerating the rate of capital formation.

**4. Increasing the Standard of Living :-**

The standard of living of the people in any country would be decided on the basis of quality and standard of products consumed or services availed in the day-to-day living. Any development is transparent only when the living conditions of the masses improve. When compared with developed countries, the standard of living in India is far from satisfactory. Standard of living cannot be improved by offering more opportunities for earnings. On the other hand, the standard of living is determined by the availability of goods and services for citizens and a wise spending on them. The development of services industry is sure to promote the standard of living of the people. Use of Environment-friendly Technology; now-a-days, almost all services are found technology-driven. Developed countries are making full use of latest technology while rendering services. Technologies used by service generating organisations such banks, insurance companies, tourism, hotel services, communication services. and education services are not detrimental in any way to the environment. On the contrary, technologies used in manufacturing organisations may have harmful effects on the environment. So, services industry do not pollute the environment which is indeed laudable.

## UNIT – III

Pricing strategy: - setting the price –adapting the price - initiating and responding to price changes.
Distribution strategy: - designing and managing channels- managing retailing, wholesaling and logistics

### MARKETING CHANNEL

Products must be available to consumers who want to purchase them conveniently, quickly, and with a minimum effort. The distribution system determines a product's marketing presence and the buyers' accessibility to the product.

A distribution channel (also known as a marketing channel) is a set of interdependent organizations or intermediaries involved in the process of making a product available for consumption. A channel directs the flow of products from producers to customers.

According to **American Marketing Association** "A Channel of distribution is a structure of intra-company organization, units and intra-company agents and dealers, wholesalers and retailers through which a commodity product or service is marketed".

The role of distribution in ensuring the success of organization strategy is often underestimated. Distribution is thought of as a competitive advantage for those organizations which have built up distribution clout and distribution through sheer size. Well executed distribution strategy can be a source of competitive advantage for organizations irrespective of size or market share, provided that it is focused on end consumer needs and optimized with respect to cost of distribution.

The major focus of distribution channel is on delivery. It is only through distribution that public and private goods and service can be made available for use or consumption. Distribution channel help enhance promotion and selling and impart marketing controls. It is the set of marketing institutions or intermediaries who participate in distribution of goods and services from the point of production to point of consumption. The emergence and of wide verity of distribution-oriented institutions and agencies, typically called intermediaries because they stand between production on the one hand and consumption on the other can be explained in the following terms:

- Intermediaries can improve the efficiency of the process.
- Intermediaries help in the proper arrangement of routs of the transactions.
- Intermediaries help in the searching process.
- They help in the sorting process.

### Objectives of Channel of Distribution:-

- To ensure availability of products at the point of sale
- To build channel members' loyalty
- To stimulate channel members to put greater selling efforts
- To develop managerial efficiency in channel organization
- To identify organization at the buyer level
- To have an efficient and effective distribution system, to make your products and services available:

- ✓ Readily
- ✓ Regularly
- ✓ Equitably and
- ✓ In a fresh form.

## Types of Distribution Channel:-

Because of the wide variety of channel arrangements that exists, it is difficult to generalize the structure of channels across all industries. However, distribution channels are usually of two types:

**1) Direct Marketing Channel (Zero Level)**
This type of channel has no intermediaries. The goods go from the producer directly to the consumer, e.g. Retail Outlet of companies

**Producer** ⟷ **Consumer**

**2) Indirect Marketing Channel**
This may further be classified into the following categories.

I. **One Level Channel**
Producer → Retailer\ Distributor → Consumer

II. **Two Level Channel**

Producer → Wholesaler\ Distributor → Retailer → Consumer

III. **Three Level Channel**

Producer → Distributor → Wholesaler → Retailer → Consumer

IV. **Four Level Channel**

Producer → Agent → Distributor → Wholesaler → Retailer → Consumer

**<u>Designing Distribution Channels</u>**

Designing of the distribution channels deals with those decisions that are associated with forming a new distribution channel or modifying an existing one. While designing a channel, marketers need to take into consideration the utility that the channel needs to serve. The four types of utility that marketing channels can serve include lot size utility, convenience utility, selection utility and service utility. A firm's selection of a specific channel for distribution of its products or services depends on three criteria – economic, control and adaptive.

1. Analyzing customer expectations of service output

   - Lot size utility
   - Convenience utility
   - Selection utility

- Service utility

2. Formulating objectives
3. Evaluation of distribution environment
4. Evaluating channel alternatives

- Economic criteria
- Control criteria
- Adaptive criteria

## DISTRIBUTION

Physical distribution involves planning, implementing and controlling the physical follows of materials and final goods from points of origin to points of use to meet customer needs at a profit.

The main elements of total physical distribution costs of a product are transportation, warehousing inventory carrying receiving and shipping packaging administration and other processing.

### OBJECTIVES

Hitting the right goods to the right places at the right time for the least cost.

- Maximum customer service implies large inventories, premium transportation &multiple warehouses, all of which arise distribution cost.
- Minimum distribution cost implies cheap transportation low stocks and few warehouses.

### COMPONENTS OF PHYSICAL DISTRIBUTION

- **Order processing**: Processing deals receiving, recording, filling & assembling of product for dispatch. The possible time required from the data of receipt of an order up to the data of dispatch of goods must be reasonable & as start as possible. Order cycle time must not exceed & days.

- **Inventory management**: Inventories are reservoirs of goods held in anticipation promptly, inventories are kept to meet market demands promptly, inventory means, money is held temporarily in the form of raw materials component parts supplies in process goods and finished goods, 20% to 30% of the total assets of a firm are locked up-inventory.

- **Location of warehouses**: Storage means holding the stock of goods for a relatively longer period as the goods are not immediately in demand warehouses also provide the following services breaking bulk, dispatch of smaller consignments to retailers, holding the stocks for retailers, regulating the goods.

- **Determining material handling system**: To develop efficient material handling system to move the material from are stages of production to another stage. Little handling involves moving, packaging, storing, all the materials used by the firm with the development of technology a variety of material handling requirements have been developed to economic the cost reduce the effort of workers improve the safety for men & materials.

- **Selecting of a method of transport system**: The choice of transportation carries affects the pricing of products, delivering performance and condition of the goods when they arrive all of which will affect customer satisfaction. In shipping goods to its ware houses, dealers and customers. The company can choose among 5 transportation models: trail, truck, water, pipeline and air.

## DISTRIBUTION CHANNEL FUNCTIONS

- **Information**: Gathering and distributing marketing research and intelligence information about actor and faces in the marketing environment immediate for planning and aiding exchange.
- **Promotion**: Developing and speeding persuasive communication about an offer.
- **Contact**: Finding and communication with prospective buyers.
- **Negotiation**: Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
- **Physical distribution**: Transporting and storing goods.
- **Matching**: Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing, grading, assembling and packing.
- **Financing**: Acquiring and using funds to cover the cost of the channel work.
- **Risk taking**: Assuming the risks of carrying out the channel work.

## FACTORS OF DISTRIBUTION CHANNEL

- Nature of market
- Nature of product
- Buying habits of the customer
- Competition
- Financial resources
- Channel cost

## ROLE OF DISTRIBUTION CHANNEL

The product available to the customer, middlemen perform several other roles and functions. Some of these key roles are summarized below.

**Information:** Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychograph, media habits and the entry of a new competitor or a new brand and changes in customer preferences are some of the information that all manufacturers want.

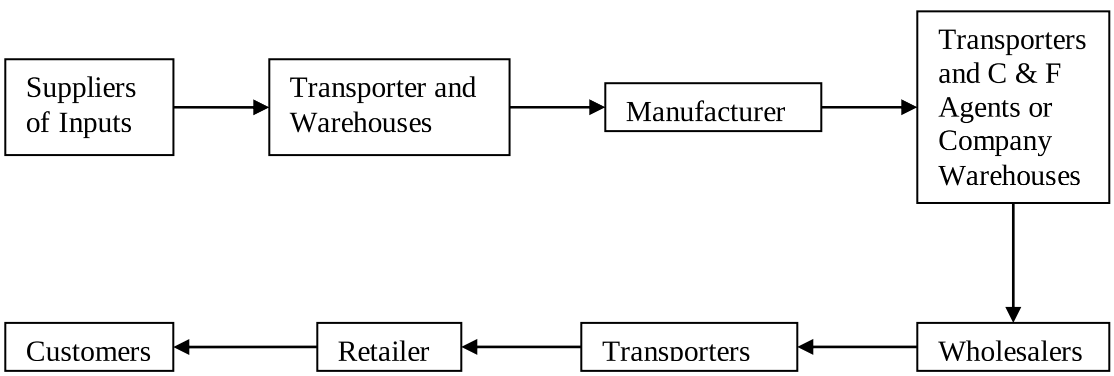
**Price Stability:** The middleman absorbs an increase in the price of the products and continues to charge the customer the same old price. This is because of the intra middlemen competition. The middleman also maintains price stability by keeping his overheads low.

**Promotion:** Promoting the products in his territory is another function that middlemen perform. Many of them design their own sales incentive programmes, aimed at building customer traffic at their outlets.

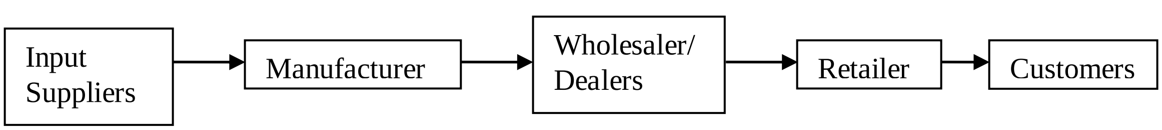
**Financing:** Middlemen finance manufacturer's operations by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though credit may be extended by the manufacturer, because it has to be made even before the products are bought, consumed and paid for by the ultimate customer.

**Title:** Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at the very moment it arises.
Thus, the role and functions of any marketing channel can be viewed from five different perspectives or marketing flows as shown in following figure.

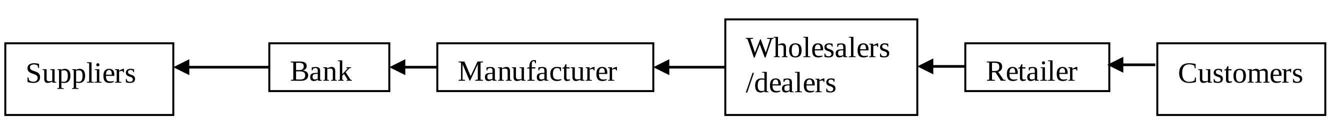
- **Physical flow**



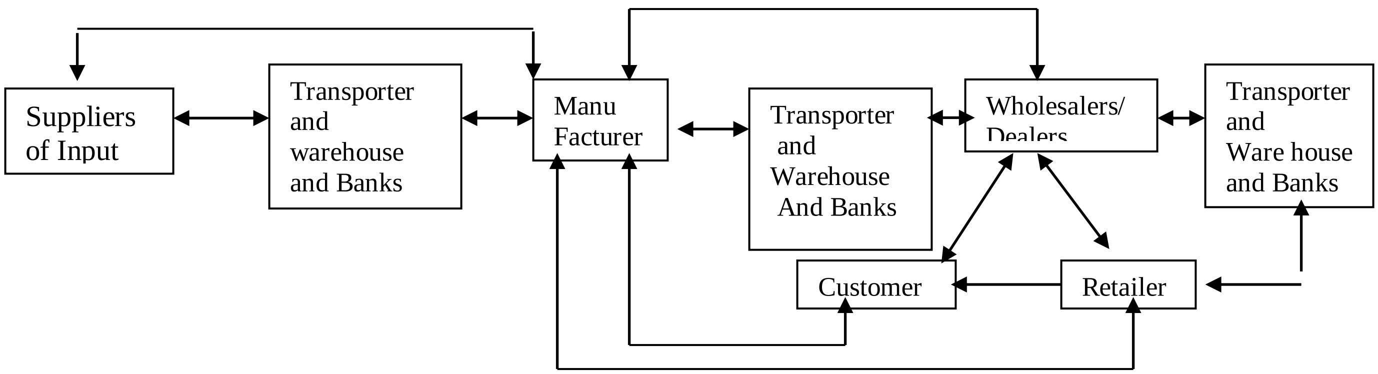

- **Title flow**



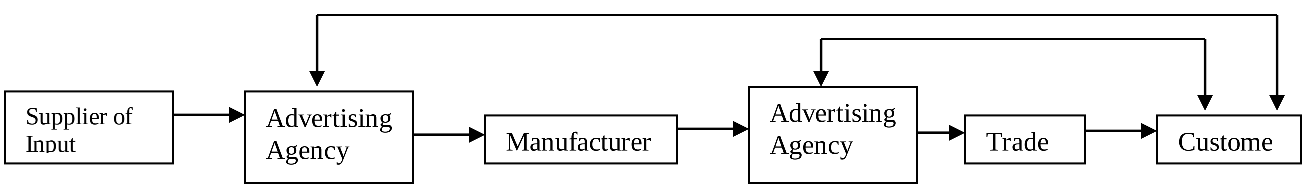

- **Payment flow**



- **Information flow**




- **Promotion flow**




5) **Line-stretching decision**: Line stretching occurs when a company lengthens its product line beyond its current range. The company con stretches its line down word up word or both ways.

   - **Down word stretch**: - many companies initially locate at the high end of the market and subsequently stretch their line down word.

     A company might stretch down word for any of the following reasons.

     - ✓ A company is attached at the high end and decides to counter attack by invading the low end.
     - ✓ The company finds that slower growth is taking place at the high end.
     - ✓ The company initially entered the high end to establish a quality image and intended to roll down word.
     - ✓ The company adds a low-end unit to plug a market hole that would otherwise attract a new competitor.

   - **Up word stretch**: Companies in the lower end of the market might contemplate entering the higher end. They may be attracted by a higher growth rate, higher margins, or simply the chance to position themselves as full-time manufacturers.

- **Two way stretch**: Companies in the middle range of the market may decide to stretch their line in both directions.

6) **Line filling decision:** A product line can also be lengthened by adding more items with in the present range of the line filling in order if it results in cannibalization and customer confusion. The company needs to differentiate each item in the customer's mind.

   Motives for line filling

   - Reaching for incremental profits
   - Trying for to satisfy dealers who complain about lost sales, because of missing items in the line.
   - Trying to utilize excess capacity
   - Trying to be the leading full-line company
   - Trying to plug holes to keep out competitors

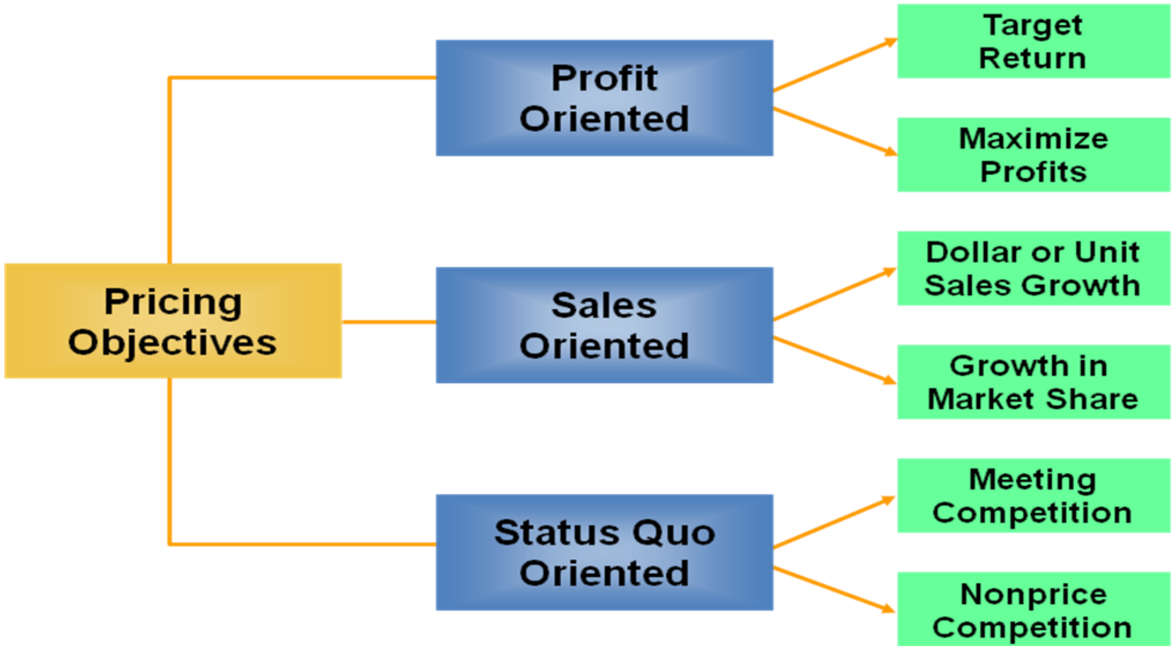
7) **Line modernization decision**: A company's product line can be modernized either by over hauling the line piece meal or all at once. A piece meal approach allows the company to see how customers and dealers take to the new style before changing the whole line. A major disadvantage of piecemeal modernization is that it allows competitors to see changes and start designing their own line.

8) **Line-pruning decision:** Product line managers must periodically review items for pruning. There are two occasions for pruning. One is when the product line includes deadwood that is depressing profits. The other is when the company lacks production capacity to produce all of the items demanded in their desired quantities companies typically shorten. Their lines in periods of fight demand and lengthen their lines in periods of slow demand.

## PRICING OBJECTIVES & POLICIES

Price is the value placed on what is exchanged. Before determining the price itself, the organization must establish a pricing objective compatible with the goals for the organization and its marketing program. Pricing objectives include profitability, volume, meeting competition, and other objectives.

### PRICING OBJECTIVIES




***Profit maximization*:** Management sets increasing levels of profitability as its objective.

***Target return*:** Desired profitability is stated in terms of return on sales or investment.

***Sales maximization*:** Management sets an acceptable level of profitability and then tries to maximize sales.

***Market share:*** It is a percentage of a market controlled by a certain company or product.

***Meeting competition:*** Some prices are set to *beat competition* by beating the pricing leader's prices.

## PRICE SETTING METHODS

✓ **Market uprising / cost pricing**:

The most elementary pricing method is to add standard markup to the cost of the product. Construction companies omit job bids by estimating the total project cost and adding a standard markup for profit. Lawyers, accountants and other professions typically price by adding a standard markup to their costs.

✓ **Target return pricing**:

Another cost oriented pricing approach is target return pricing. The firm tries to determine the price that is at would yield the target rate of return on investment. This pricing method is also used by public utilities that are constrained to make a fair return on their investment.

✓ **Perceived value pricing**:

The key to perceive value pricing is to accuracy determine the market's perception of the offer is value. Market research is needed to establish the market perception of value as a guide to effective pricing. They use the non-price variables in the marketing mix to build up perceived value in the buyers' minds.

- ✓ **Going rate pricing**:

In going rate pricing, the firm bases its rice largely on competitor's prices, with less attention aid to its own cost or demand. The firm might change the same, more or less than its major competitors. Going rate pricing is quite popular. Where costs are difficult to measure or competitive response is uncertain firms feel that the going rice represents a good solution.

- ✓ **Sealed- bid pricing**:

Competitive oriented pricing also dominates where firms bid for jobs. The firm bases its price on expectations of who competitors will rice rather than on a rigid relation to the firm a costs or demand. The firm wants to win the contract and this requires pricing lower than the other firms. The higher its sets its rice above the costs the lower its chance of getting the contract.

**PRICING STRATEGIES**

Companies do not set a single price but set a pricing structure that covers different products and items in the line and reflect variations in geographical demand and costs market segment intensity of demand, purchase timing and other factors.

The following are the price adoption strategies

- **Geographical pricing**: Geographical pricing involves company in deciding how to price its products to customers located in different parts rice of the country. Companies have evolved few different approaches to geographical pricing strategy. They are as follows
    - ✓ Uniform delivered pricing.
    - ✓ Basic-point pricing.
    - ✓ Zero pricing.
- **Promotional pricing**: Under certain circumstances, companies will temporality price their products below the list price and sometimes even below cost promotional pricing takes several forms.
    - ✓ **Loss leader pricing**: Here supermarkets and departments stores drop the price on well-known brands to stimulate additional traffic.
    - ✓ **Special event pricing**: This will be used by sellers in certain seasons to draw in more customers. Thus lines are promotionally priced every January to attract shopping-weakly customers into the stores.
    - ✓ **Cash rebates**: consumers are offered cash rebates to get them to buy that manufacturer's product, within a specified time period. The rebate can help the manufacturer clean inventories without having to cut the list price.
    - ✓ **Low-interest financing**: This is another tool for stimulating sales without lowering the price.

- ✓ **Psychological discounting**: This involves putting artificially high rice on a product and then offering it at substantial savings.
- ✓ **Warranties and service contracts**: The Company can promote sales by adding a free warranty offer or serves contract. This is a way reducing the price.

- **Discriminatory pricing**: Discriminatory pricing describes the situation where the company sells a product or service at two or more prices that do not reflect a proportional deference in costs. It takes several forms.

  - ✓ **Customer segment pricing**: - Here different customer groups are charged different prices for the same products or service museums will change a lower admission fee to students and senior citizens.
  - ✓ **Product form pricing**: - Here different versions of the product are priced differently but not proportionality to their respective costs.
  - ✓ **Image pricing**: - Some companies will price the same product at two different levels based on image differences.
  - ✓ **Location pricing**: - Here different locations are priced differently even through the cost of offering each location in the same. A theater varies its seat prices because of audience references for curtain locations.
  - ✓ **Time pricing**: - Here prices are varied seasonally by the day and even by the hour public utilities vary their energy raises to commercial users by time of day and weekend versus week day.
  - ✓ **Product mix pricing**: - Price-setting logic has to be modified when the product is a part of a product-mix. In this case, the firm searches for a mutual set of prices that maximize the profits on the total product mix.

## METHODS OF PRICING

The companies resolve pricing issue by selecting a pricing method that combine cost, competition and demand factors. The choice of a particular method, however, depends on the pricing needs and the decision input barriers encountered by the management.

The most important pricing methods are based on

1. Cost based pricing method
2. Competition based pricing method and
3. Demand based pricing method

**1. Cost based pricing method:** Cost establishes the floor for the possible range and there are two commonly used costs oriented pricing methods to set the product prices. These are

**a. Cost plus pricing method:** Cost plus or target or mark-up pricing involves simply adding a percentage of the cost to arrive at the price. There is slight difference between cost plus and mark-up pricing. Mark-up pricing is addition of profit calculated as a percentage of sales rather that as a percentage of cost.

The easy formula of set price under mark-up pricing method will be.

$$\text{Selling Price} = \frac{\text{Average unit cost}}{\text{1-Desired mark-up percentage}}$$

**b. Target return pricing**:

It is another very popular cost oriented method followed by good many manufacturers. It is based on the break event analysis. It sets the prices at a desired percentage return over and above the

| Merits | Demerits |
|---|---|
| Simplicity | Ignores demand and competition |
| Harmonious competition | Arbitrary cost allocation |
| Socially justifiable | Cost irrelevance |
| It is safer | New products |
| It moves with new technology | No penalty for inefficiency |

**2. Competition based pricing method:**

There is two such commonly used competition based pricing method, namely:

a. **Going rate pricing:** Going rate is the method of setting the prices in relation to the price of competitions the firm bases its process largely on the competitors prices with less attention paid to its own costs or demand.
b. **Sealed bid pricing:** The firm finds its prices how the competitors price the product set means that if the firm to win a contract or a job, it should quote less than the competitors.

On the other hand, higher price above its costs the chances of winning the job.

**3. Demand based pricing methods**:

Demand for products has its impact and, hence demand schedule can be purposively incorporated into price setting through different methods. There are two important demand based methods namely:

1. **Demand modified break even analysis pricing:** Demand modified break even pricing is that method which sets the prices to achieve highest profit in consideration of the amount demanded at alterative process.
2. **Perceived value pricing:** It is the buyer's perception of value and nods the seller's cost, which is the key to the product pricing. The prices setter use non-price variables in marketing-mix to build up perceived value in the buyer's minds and price is set to capture the perceived value.

## NEW PRODUCT PRICING POLICIES

Basically, price determination process involved in case new products need not be very much different from those of existing products. There is growing competition and limited accepted prices when the new product is in the growth, maturity and decline stage. In case of new products, there can be two possible rice policies namely,

- **Skimming price policy and**
- **Penetration price policy**

***Skimming price policy:***

Skimming price policy sets high initial rice to first profit from price inelastic customers, and then successively lowering the races, often under increasing competitive conditions, to the levels that more price sensitive customers are willing to pay.

- It sets introductory prices at high levels relative to costs to "skim the cream" off the market.
- As there is no immediate competition and there are price inelastic.
- The firm finds it easier and safer to set initial new product prices as high market conditions dictate.
- It is essentially a low risk strategy and allows the sellers to recover their investment rapidly through the higher returns.

The skimming pricing policy is going to be very successful under the following conditions:

- Where the demand is relatively inelastic because, the customers know little about the product and close rivals are few.
- Where the market can be broken down into segments with different price elasticity's of demand.
- Where little is know about the cost or price elasticity of the product.
- Where it is essential to minimize the risk as one can move down than move up in the prices.
- Where the firm is effecting to 'up-market' its product so as to improve further on quality, service and expenditure on marketing cost.

***Penetration price policy:***

As opposed to the concept of skimming price strategy, it is an attempt to set new product prices low relative to the costs. It involves setting low initial price to establish market share, pre-empt the competitors and or to capitalize production economics.

- By setting low initial prices, the competitors are kept away and this makes possible for the firm to enlarge its share by generating larger sales volume.

The conditions, which favor penetration-pricing policy, are:

- Where there is high rice elasticity of demand. That is the firm is depending on low prices to attract more customers to new product.
- Where large-scale economics are possible, it is because; larger sales volume means lower unit cost.
- Where there is a strong threat of competition here only a low price.
- Where there is unutilized capacity it is because, the price policy that increases the demand has no meaning unless the firm is in a position to meet the demand created.
- Where market segments are not there so that high price may be accepted.

## <u>WHOLESELING AND RETAILING:</u>

### <u>Wholesalers:</u>

Wholesaler is a trader who deals in large quantity. He purchases goods from the producers in bulk quantity and sell it to the retailers in small quantity. According to American Management Association, “ wholesalers sells to retailers or other merchants and/or individual, institutional and commercial users but they do not sell in significant amounts to ultimate consumers.”

**Functions of wholesalers**

1. **Assembling and buying**: It means bringing together stocks of different manufactures producing same line of goods, and making purchases in case of seasonal goods.

2. **Warehousing**: The warehousing function of the wholesalers relieves both the producers and the retailers from the problem of storage.

3. **Transporting**: In the process of assembling and warehousing, the wholesaler do undertake transportation of goods form producers to their warehouse and back to retailers

4. **Financing**: They grant credit on liberal terms to retailers and taking early delivery of stock from the manufacturers to reduce their financial burden.

5. **Risk bearing:** Wholesaler bear the risk of loss of change in price, deterioration of quality, pilferage, theft. Fire etc.

6. **Grading**, Packing and packaging: By grading they sort out the stocks in terms of different size, quality shape and so on.

7. **Dispersing and selling:** Dispersing the goods already stored with them to the retailers.

8. **Market information**: Finally providing the market information to the manufactures

## Retailers:

The term ‘retail’ implies sale for final consumption. A retailer is the last link between final user and the wholesaler or the manufacturer. According to Professor William Standton, ”retailing includes allactivities directly related to the sale of goods and services to the ultimate consumers for personal or non business use.” In other words retailer is one whose business is to sell consumers a wide variety of goods which are assembled at his premises as per the needs of final consumers. In India, Most of the Indianretail outlets are owner managed and have few or no sales assistant. Most important issues of these outlets are those of inventory management and funds management.

**Retailing** includes all the activities in selling goods or services directly to final consumers for personal, non-business use. Any organization selling to final consumers-whether it is a manufacturer, wholesaler, or retailer – is doing retailing.

**Functions of retailers:**

1. **Buying and Assembling**:- A retailer buys goods from the best and most dependable wholesalers and assemble the goods in a single shop.

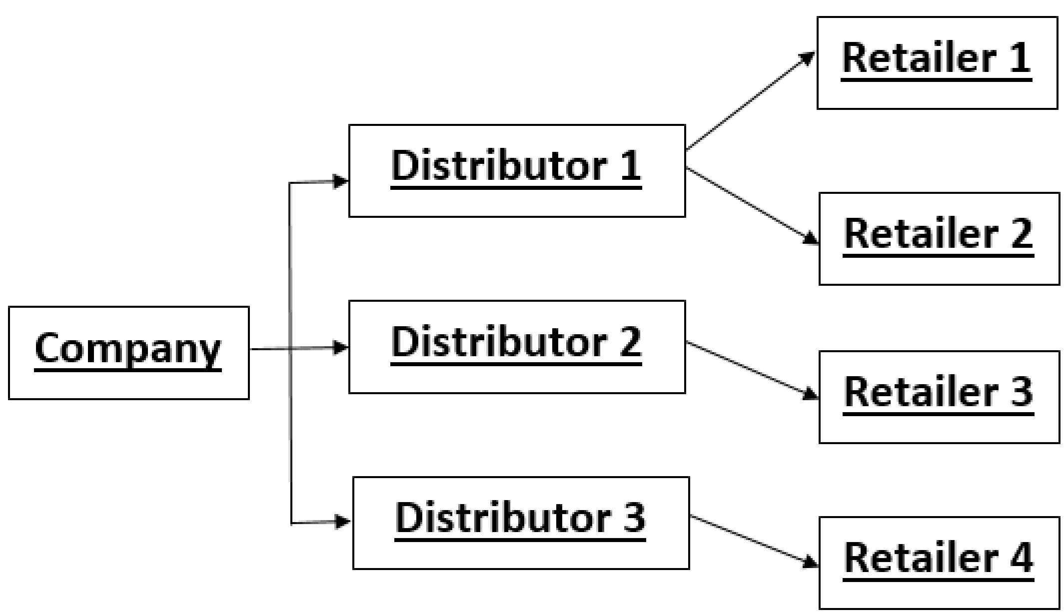
2. **Warehousing**: It helps the retailer to ensure adequate and uninterrupted supply of goods

3. **Selling**: A retailer sells the products in small quantities to the needy consumers.

4. **Risk bearing:** It is the basic responsibility of a retailer to bear the risk arising out of physical deterioration and changes in prices.

5. **Sales promotion**: Retailer undertakes some sales promotion through displaying of goods in the shop, distribution of sales literature, introduction of new product etc.

6. **Financing:** A retailer granting credit in liberal terms to the consumer and it helps the consumers a lot to purchase the required goods.




**UNIT – IV**

Promotional strategy – designing and managing integrated marketing communications - managing mass communications and personal communications.

## PROMOTION STRATEGIES

### MARKETING COMMUNICATION & PROMOTION STRATEGIES

Marketing communications or promotion helps marketers communicate information to potential customers about the product's existence, value and the benefits that can be accrued from it; it comprises one of the four elements of the marketing mix.

Designing an effective marketing communication mix helps marketers to attract, persuade, urge and remind customers of the company's brands.

### COMMUNICATION & PROMOTION PROCESS

The communication process consists of the following components:

1. Communication source
2. Receiver
3. Coding process
4. Medium of transmission
5. Decoding process
6. Noise
7. Feedback

***Communication Source:*** The communication process starts when an individual, group of individuals or an organization wants to communicate some message to the target audience. Therefore, the sender of the message is the source of communication. The sender sends the message to a communication destination through a medium. The communication destination in the communication process is called the receiver. Communication can take place in many ways ranging from simple face-to-face communication to communicating through electronic media such as television, the Internet, radio or the print media

***Receiver:*** The receiver, the destination of the communicated message, receives the message transmitted by the sender. The manner in which the communication is received is dependent on the perception of the receiver.

***Coding process:*** The coding process involves selection of the right amount of information, the type of information and the organization of information that has to be sent to the receiver. The sender has to ensure that the right amount of information is communicated to the receiver. Too much information may confuse the receiver and too little may not serve the sender's purpose in communicating it.

***Medium of transmission:*** The medium of transmission is the interface between the sender and the receiver. It acts as a carrier of information from the source to the destination. The marketing department of an organization must choose the medium of communication on the basis of the type of information that has to be communicated, the location of the receivers, speed of the medium, etc.

***Decoding process:*** Decoding is the process in which the receiver analyzes or interprets the information that has been sent by a sender. The decoding process is successful only when the receiver interprets the message as it was intended to be interpreted by the sender.

***Noise:*** Noise is the disturbance or interference caused during the coding, transmission and decoding process. Noise may spoil the entire communication process. It disturbs the intended message, which therefore may not be perceived by the receiver accurately. It can be a technically caused noise when the message gets distorted during transmission due to a technical defect like an improper telephone connection.

***Feedback:*** Feedback is an important step in the communication process, as it helps in the continuation of the communication process. The feedback given by the receiver forms the basis for further communication. The feedback also helps in analyzing the way in which the receiver interprets the information and thus helps the sender take corrective action, if necessary.

### PROMOTIONAL TOOLS OR PROMOTION MIX

The promotional tools that are widely used by organizations for their marketing activities include

- Advertising
- Sales promotion
- Publicity
- Public relations
- Personal Selling
- Direct marketing.

These tools deliver the intended message at different levels and through different formats. The marketing department of an organization, therefore, has to choose the most effective promotional tool.

## ADVERTISING & SALES PROMOTION

### ADVERTISING

“Advertising is a paid form of non personal presentation of goods or services by an identified sponsor.”

It can be done using any form of media like television, radio, print media, etc. A firm has the flexibility of choosing the target market while advertising. It can advertise its product/service in the local newspaper to reach a small geographical area.

**Advantages:**

- ✓ The ability to reach a large audience at a very low cost.
- ✓ It helps marketers reach the maximum number of potential customers at a very affordable cost.
- ✓ Different channels available if the marketers choose to advertise on television helps them significantly in reaching the most appropriate target audience.

- ✓ Advertising is primarily used to reach consumers and is suitable for marketing low cost, and low involvement products.

**FIVE MS OF ADVERTISING**

1. Mission
2. Money
3. Message
4. Media
5. Measurement

**DEVELOPING AN ADVERTISING PROGRAMME**

Select the best possible tool so that the desired communication reaches the right audience, at the right time, and at the right place. And the selected promotional tools should help an organization maximize its sales.

***1. Target Audience Identification***

The success of a marketing communication program is dependent on identifying the target customers accurately. To identify the target market, attributes like age, gender, occupation, and income will not by themselves suffice. Lifestyle and psychographic segmentation should also be used. The following series of steps help identify the most appropriate target audience.

**Step 1:** Involves selecting a sample from the total potential market to identify the individual needs of the customers. It helps reveal the divergent needs of the customers representing a specific market.

**Step2:** Involves grouping the customers into homogeneous segments i.e., segmenting the customers on the basis of their common needs. These different groups again differ from each other.

**Step 3:** Factors influencing the various need-based subgroups should be identified. These may be the geographic and demographic factors, or the lifestyle and consumption patterns of the customers.

**Step 4:** The target audience has to be selected for developing a specific marketing communication program. This audience should offer the highest profitability under given market and competitive conditions.

**Step 5:** After selecting the target audience, the product and services should be appropriately positioned. Positioning a product or service is done to give it a special place in the minds of the customers so that they perceive it as better than that of the competitors.

***2. Determination of Communication Objectives***

The marketing communication objectives of a company involve creating awareness and knowledge about the company's product or service, and enhancing the image of the product/service by developing suitable positioning strategies.

- ➢ Awareness

- Knowledge
- Liking
- Preference
- Conviction
- Purchase
- Stimulate demand

***3. Developing Marketing Communication Budget***

It is generally difficult for organizations to develop a marketing communications budget, as it is not easy to estimate the exact amount of finances required for communication purposes. Companies usually follow certain procedures for allocating marketing communication budgets. They are the objective and task method, competitive parity method, percentage of sales method, and affordable method.

- Objective and task method
- Competitive parity method
- Percentage of sales method
- Affordable method
- Factors Influencing the Designing of Communication Message
- Message content
- Structure
- Format
- Source

***4. Developing the Advertising Message***

- ✓ Meaningful
- ✓ Distinctive
- ✓ Believable

***5. Measuring Advertising effectiveness***

- ✓ Receptiveness
- ✓ Comprehension
- ✓ Response

***6. Schedule the advertising campaign***

***7. Select the media***

**SALES PROMOTION**

"Sales promotion is a form of attracting the consumers by offering them various benefits in the form of incentives or by adding value to the products." Sales promotions are generally aimed at resellers and final consumers.

The various kinds of sales promotional tools include

- Handling public relation activities
- Distribution of free samples
- Offering free gifts
- Conducting free trade fairs
- Exhibitions
- Tele marketing
- Offering price discounts
- Door to door selling

Most often organizations spend more money on sales promotions than on advertising. Although sales promotion is often considered a short-term tool to achieve immediate benefits in the form of increased sales, sales promotional activities like event sponsorships, trade shows and such are used for attaining long-term benefits in the market.

## SALES PROMOTION DECISIONS

1. **Consumer Sales Promotion**

    - Price Promotions
    - Coupons
    - Money rebates
    - POP Displays
    - Consumer Contexts
    - Installment Offers

2. **Trade Sales Promotion**

    - Buying Allowance
    - Buyback Allowance
    - Merchandise Allowance
    - Free Merchandise
    - Dealer Loader

## PUBLICITY

"Publicity is a non-paid form of communicating information about the company or the product or both as a news article in newspapers or television or radio."

**Publicity** is the deliberate attempt to manage the public's perception of a subject. The subjects of publicity include people (for example, politicians and performing artists), goods and services, organizations of all kinds, and works of art or entertainment.
From a marketing perspective, publicity is one component of promotion. The other elements of the *promotional mix* are advertising, sales promotion, and personal selling. Promotion is one component of marketing.

But the publicist cannot wait around for the news to present opportunities. They must also try to create their own news. Examples of this include: and that people that

- Art exhibitions
- Event sponsorship
- Arrange a speech or talk
- Make an analysis or prediction
- Conduct a poll or survey
- Issue a report
- Take a stand on a controversial subject
- Announce an appointment
- Invent then present an award
- Stage a debate
- Organize a tour of your business or projects
- Issue a commendation

The advantages of publicity are low cost, and credibility (particularly if the publicity is aired in between news stories like on evening TV news casts). New technologies such as weblogs, web cameras, web affiliates, and convergence (phone-camera posting of pictures and videos to websites) are changing the cost-structure. The disadvantages are lack of control over how your releases will be used, and frustration over the low percentage of releases that are taken up by the media.

Publicity draws on several key themes including birth, love, and death. These are of particular interest because they are themes in human lives which feature heavily throughout life. In television serials several couples have emerged during crucial ratings and important publicity times, as a way to make constant headlines. Also known as a publicity stunt, the pairings may or may not be truthful.

## PERSONAL SELLING

Personal selling is the form of selling a product or a service directly to the consumer by explaining or demonstrating the features of the product to Customer. Personal selling is highly specific, with regard to the target audience. The costs involved are high as the salesperson has to personally meet every potential customer.

### PROCESS

1. Identifying Potential Customers
2. Qualifying Prospects
3. Approaching the Prospect
4. Making the Sales Presentation
5. Handling Objections
6. Closing the Sale
7. Following Up

## Marketing communication / Integrated Marketing Communications.(The Promotional Mix)

***Promotional mix** An organization.s combination of personal selling, advertising, publicity and public relations, and sales promotion; its total promotional effort.*

***Intergrated marketing communications** Marketing communications in which all elements of the promotional mix are coordinated and systematically planned so as to be harmonious*

The effective marketer recognizes that each of the four elements of promotion has certain strength. The combination of elements a marketer chooses is the marketer.s **promotional mix.**

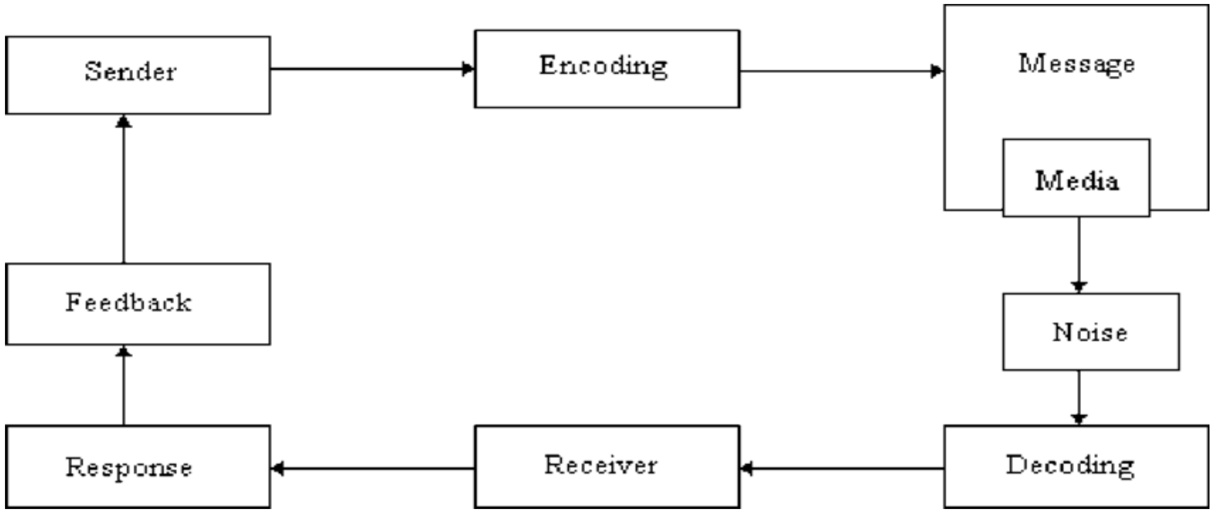
Some organization, like the Hindustan Lever Limited emphasize advertising and public relations efforts in their promotional mixes. Other, especially those engaged in business to business marketing, make personal selling the main ingredient. No matter what the pomotional mix, marketers should strive to blend theelements effectively, integrating and uniting the appropriate elements to accomplish their promotional objectives.

The term **integrated marketing communications** is used to remind managers that all elements of the promotional mix should be coordinated and systematically planned to be in harmony with each other.

Table 14.2: Characteristics of Promotional Types

| ***Factor*** | ***Advertising*** | ***Publicity Form of Public Relations*** | ***Personal Selling*** | ***Sale Promotion*** |
|---|---|---|---|---|
| Audience | Mass | Mass | Small (one-to-one) | Varies |
| Message | Uniform | Unifrom | Specific | Varies |
| Cost | Low per viewer | None for media space and time; can be some costs for media releases and publicity materials | High per customer | Moderate per customer |
| ***Sponsor*** | ***Company*** | ***No formal sponsor (media are not paid)*** | ***Company*** | ***Company*** |
| Flexibility | Low | Low | High | Moderate |
| Control over content and placement | High | None (controlled by media) | High | High |
| Credibility | Moderate | High | Moderate | Moderate |
| Major goal | To appeal to a mass audience at a reasonable cost, and create awareness and favorable attitudes | To reach a mass audience with an independently reported message | To deal with individual consumers,to resolve question, to close sales | To stimulate short-run sales, to increase impulse purchases |
| Example | Television ad for a Sony CD player for use in cars | Magazine article describing the unique features of a Sony CD player for use in cars | Retail sales personnel explaining how a Sony CD player for cars works | A Sony CD player for cars exhibited at trade shows |

**<u>MARKETING COMMUNICATION PROCESS</u>**:




## Factors affecting communication mix

- Nature of product
- Stages of product life cycle
- Nature of target market
- Size of promotion budget
- Push and Pull strategy
- Promotional objectives
- Price policy
- Distribution policy
- Availability of promotional methods
- Level of competition

Introducing New Market Offerings - Managing a holistic marketing organization – marketing implementation, evaluation and control- marketing audit.

## HOLISTIC MARKETING ORGANIZATION

Holistic marketing is done for companies to consider the entire business. In the implementation of holistic marketing strategy, company has to analyse every aspect of the business. The company must consider interaction with consumer with its product, its website, its advertising materials, and everything else. Holistic Marketing denotes a strategy that enables organizational team to look at their marketing efforts as a 'whole', which assists to develop an overall or 'holistic marketing' policies. the holistic marketing principle at marketing is a complicated activity and it acknowledges that every concept is significant in marketing process. Company effectively uses touch points to gain success and respect among customers such as Brand strategy and development, Image building, Logos and identity, Advertising, Newsletters, Direct mail, Web-site, Event marketing and trade shows, Word of mouth tactics and Public relations.

There are four basic elements that exemplify holistic marketing. These are relationship marketing, internal marketing, integrated marketing, and socially responsive marketing. Holistic marketing integrates the new thought with the societal marketing theory. The holistic marketing model has numerous characteristics such as the starting point is the target market. Main concentration is given to all factors related to marketing.

First major component is relationship marketing which is used to develop lifelong relations with customers. Relationship marketing highlights customer retention and satisfaction instead of a dominant focus on sales transactions. Relationship marketing was first developed from direct response marketing campaigns. In marketing a practice, relationship marketing differentiated from other types of marketing in that it identifies the long term value of customer relationships and extends communication beyond invasive advertising and sales promotional messages.

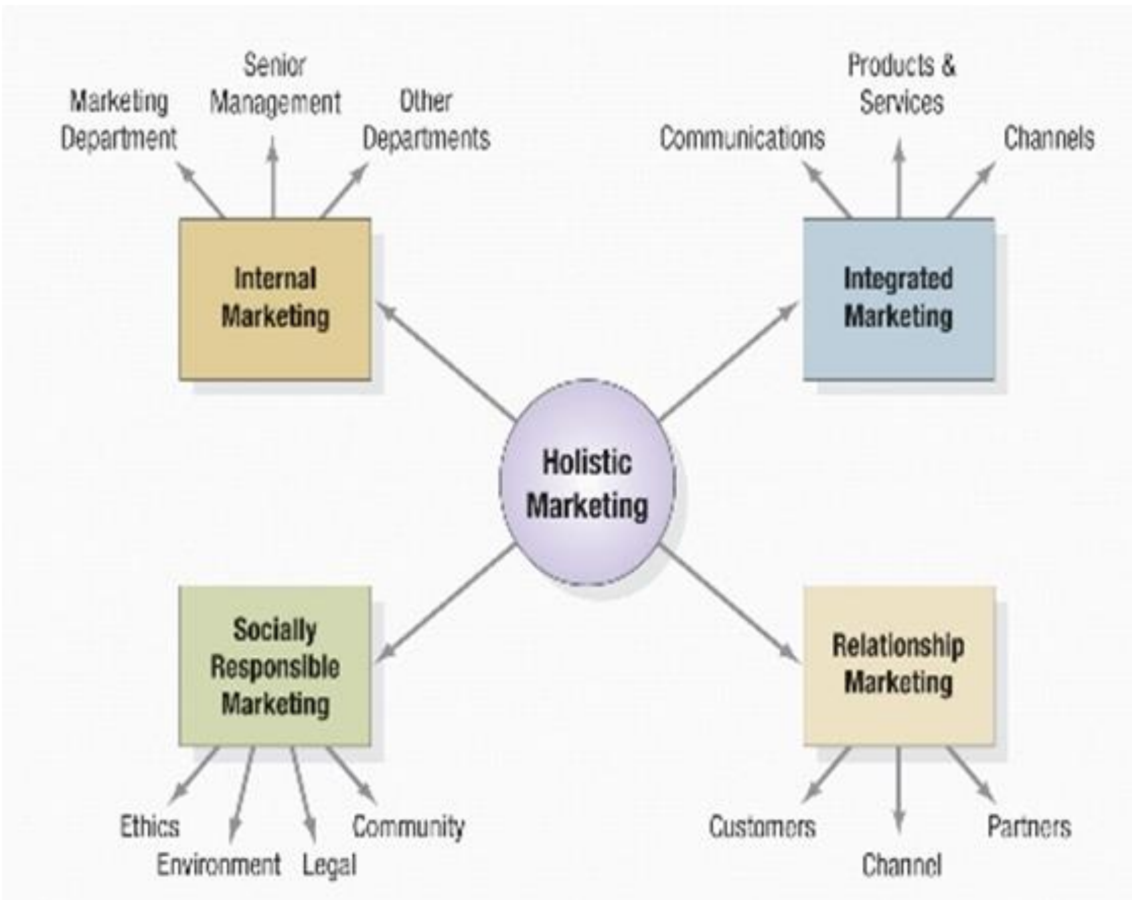
Internal marketing is used to make all members of the organization customer-oriented. Internal marketing practices occur within a company whereby the functional process supports, motivates, and authorizes employees at all management levels to deliver a good customer experience. Currently, internal marketing has been increasingly incorporated with employer branding and employer brand management, which strives to develop strong links between the employee brand experience and customer brand experience. The challenge for internal marketing is not only to get the right messages across, but to entrench them in such a way that they both change and strengthen employee behaviour.

Integrated marketing is employed to fulfil the changing requirement of consumers. Integrated marketing is an approach to brand communications where the dissimilar modes work together to generate a faultless experience for the purchaser and reinforces the brand's core message. Major objective of this marketing approach is to make all aspects of marketing communication such as advertising, sales promotion, public relations direct marketing, online communications, and social media work together as a combined force rather than allowing each to work in separation, which generate revenue and enhance economic status of company.

Integrated marketing is important in marketing practice because it lessens the cost of mass media and media fragmentation. As consumers spend more time online and on mobile devices, all exposures of the brand need to tie together so they are more likely to be remembered. It is observed that the tactics of brands cannot be understood by looking only at their advertising. Instead, they can be understood by considering how all aspects of their communications system work together particularly how communications are personalized for each customer and react in real time, as in a conversation.

Social responsibility is practiced to encourage consumer and societal welfare. Socially responsible marketing is marketing beliefs that denote a company should take into consideration about the best options for society in current situation and long term. Socially responsible organizations should seek to create attractive merchandise that gives instant satisfaction to consumers and long term benefits.

Performance marketing is practiced to ensure financial accountability in profit terms. Performance marketing is a marketing practice adopted by merchants and advertisers in all industries. The main benefit of this practice is that, the seller or advertiser does not incur any marketing expenses unless clear positive results. Performance marketing process is jointly favourable business model in which collaborators and affiliates encourage the merchant's products and services to escalate business to the merchant's website. In response, the merchant rewards the associate by giving back part of the revenues generated by the referred customers.



MARKETING AUDIT

**Definition**: The **Marketing Audit** refers to the comprehensive, systematic, analysis, evaluation and the interpretation of the business marketing environment, both internal and external, its goals, objectives, strategies, principles to ascertain the areas of problem and opportunities and to recommend a plan of action to enhance the firm's marketing performance.

The marketing audit is generally conducted by a third person, not a member of an organization.

The firm conducting the Marketing Audit should keep the following points in mind:

The Audit should be **Comprehensive, i.e.** it should cover all the areas of marketing where the problem persists and do not take a single marketing problem under the consideration.

The Audit should be **Systematic, i.e.** an orderly analysis and evaluation of firm's micro & macro environment, marketing principles, objectives, strategies and other operations that directly or indirectly influences the firm's marketing performance.

The audit should be **Independent;** the marketing audit can be conducted in six ways: self-audit, audit from across, audit from above, company auditing office, company task-force audit, and outsider audit.The best audit is the outsider audit; wherein the auditor is the external party to an organization who works independently and is not partial to anyone.

The audit should be **Periodical;** generally, the companies conduct the marketing audit when some problem arises in the marketing operations. But it is recommended to have a regular marketing audit so that that problem can be rectified at its source.

***Components of Marketing Audit***

**Macro-Environment Audit**: It includes all the factors outside the firm that influences the marketing performance. These factors are Demographic, Economic, Environmental, Political, and Cultural.

**Task Environment Audit**: The factors closely associated with the firm such as Markets, Customers, Competitors, Distributors and Retailers, Facilitators and Marketing Firms, Public etc.that affects the efficiency of the marketing programs.

**Marketing Strategy Audit**: Checking the feasibility of Business Mission, Marketing Objectives and Goals and Marketing Strategies that have a direct impact on the firm's marketing performance.

**Marketing Organization Audit**: Evaluating the performance of staff at different levels of hierarchy.

**Marketing Systems Audit**: Maintaining and updating several marketing systems such as Marketing Information System, Marketing Planning System, Marketing Control System and New-Product Development System.

**Marketing Productivity Audit**: Evaluating the performance of the Marketing activities in terms of Profitability and Cost-Effectiveness.

**Marketing Function Audit:** Keeping a check on firm's core competencies such as Product, Price, Distribution, Marketing Communication and Sales Force.

Thus, the marketing audit helps to determine how well a firm's marketing department is carrying out the marketing activities. And how much it is adding to the overall performance of the organization.

## *What are the four characteristics of a marketing audit?*

The four characteristics of a successful audit are:

1. They should be performed on a regular basis, rather than when a business finds itself in a marketing crisis.

2. The audit should apply to all of the company's marketing activities; one which focuses on just a small number of activities is referred to as a 'functional audit', which can lead to oversights and, ultimately, fail to reach useful conclusions.

3. An effective marketing audit examines the business's strategies, goals, internal marketing system(s), marketing activities, and marketing environment, in a consistent step-by-step process.

4. Audits should be performed by marketing experts from within the company, though they are considered more credible and honest if conducted by an independent consultant.

## Evaluating and Controlling Marketing Activities

Introduction Marketing is a complex activity. It involves many options, it requires coordination among many functions and tasks, and it must respond to changes in customers and competitors. These factors make planning difficult, and often make the achievement of a marketing strategy or program even more problematic. Without good control and evaluation procedures, implementation of even best marketing effort could produce unexpected and often undesirable results.

## Meanings and Purposes of Control and Evaluation

The terms control and evaluation are often used with the same meaning, but they can be distinguished as follows. Control is "the feedback process that helps the manager learn (1) how ongoing plans are working and (2) how to plan for the future"2 . Control means keeping on target. Control takes place while an activity or project is in progress, and managers are informed immediately when any significant deviation from objectives is detected or even suspected so that corrective action can be taken. Evaluation involves reviewing the results from a program or activity to determine how well intended objectives were achieved. Evaluation is sometimes considered more diagnostic than control, because evaluation attempts to explain reasons for results. But in a practical sense, control and evaluation are closely related and often hard to separate since they have the same aim of bettering performance.

## Controlling Marketing Activities

To achieve marketing objectives, as well as general organizational objectives, it is imperative for marketing managers to effectively control marketing activities. The marketing control process consists of establishing performance standards, evaluating actual performance by comparing it with established standards, and reducing the differences between desired and actual performance. No management process can be completed without control. Marketing control, you know, is the process of evaluating achieved results against established standards and of taking corrective action to exploit opportunities or solve problems. Planning and controlling are closely interrelated because plans include statements about what to be accomplished. For purposes of control, these statements function as performance standards. A performance standard is an expected level of performance against which actual performance can be compared. Examples of performance standards might be the reduction of customers' complaints by 50 percent, a monthly sales quota of Tk.100,000, or a 20 percent increase per month in new customer accounts.

**The Control Process**: The control process involves evaluating results against objectives as shown in the figure-12.7. Although this stage of the process is crucial, it tells us if we have met, exceeded, or fallen short of objectives. Perhaps the most creative aspect of control involves establishing why those results were achieved and what we should do in response - in other words, what, if any, corrective action should we take. types of Marketing Control Two major types of marketing control are common.

The first is the control of day-to-day operations; thus, implementation control involves ongoing activities and uses the organization's regular accounting and reporting procedures to analyze the implementation of marketing plans and actions. Primarily, implementation control seeks to answer the question , 'Are we doing things right?' Strategic control involves major strategy directions. This process seeks to answer the question, 'Are we doing the right things?' Rather than relying on regular ongoing reports, in general strategic control involves special studies and procedures. Let us now have a look at both types of control at some length :

**Implementation Control**

Implementation control is the responsibility of functional level managers within a marketing organization. A product manager may be responsible for a sales promotion campaign of a toilet soap; an advertising manager will monitor the execution of programs created by an advertising agency. If one objective is to increase the number of sales calls by 10 percent, the sales manager is accountable for ensuring that sales representatives actually make those additional calls. Each marketing manager is assisted by the work of accountants in their organization

**Major Methods of Implementation Control:**

The following sections investigate three major methods of controlling marketing activities: sales analysis, cost analysis, and profitability analysis. Each type of analysis has its own goals up to a point, yet the three methods are cumulative as well. Since sales minus cost equal profits, these factors clearly interrelate. As we discuss each method, their cumulative nature should become clear

**Sales Analysis**: Sales analysis compares actual with estimated sales. Sales are analyzed on both an ongoing (weekly, monthly, quarterly) and cumulative (year-end) basis. Overall corporate or business unit sales are evaluated at strategic levels. By contrast, operational and functional managers analyze sales at a micro level of component factors - for example, by product, by region, or by sales territory. Sales analysis gives experienced managers much more than a simple measurement. If sales of one product are up by 25 percent while another product's performance is 10 percent behind the goals, manager will study the reasons for the first product's success and the second product's less than desirable performance.

Market share analysis is an evaluation of the firm's performance in comparison to that of its competitors. Such analysis gives executives a broad view of the company's performance. For example, suppose that sales are exactly as forecasts: up by 5 percent over the previous year

**Sales Component Analysis**: Overall company sales can give only a general idea of marketplace performance, trends, and market share. Both sales analysis and market share analysis are more valuable when data can be broken down into various sales components. Managers are better able to plan and to take corrective action if they can analyze sales by components such as product line, products, region, district, sales territory, and customer type or size.

**B. Cost Analysis**: Just as sales analysis deals with revenues, cost analysis deals with expenses. With marketing cost analysis, various costs are broken down and classified to determine which costs are associated with specific marketing activities. Cost analysis involves the reallocation of the natural accounts of financial accounting to the functional accounts of managerial accounting so that managers can control marketing costs. This process involves breaking down marketing costs and then assigning them to specific marketing activities or units, such as products, geographic units, channels of distribution, or market segments.

Natural accounts and functional accounts: Natural accounts are the usual financial accounting units found on the official statements of an organization. Our interest here is in the expense accounts, such as rent, salaries, advertising, marketing research, and supplies. Most of these accounts do not show for what purpose - for what product - these expenses were incurred.

**Allocating costs**: Typically, functional costs are allocated to products, to geographic areas, to market segments, and even to specific customers. Allocation of marketing costs usually requires the advice and counsel of the organization’s accounting department. Accountants have the specialized training necessary to decide the fairest and most useful method of allocating functional costs.

**Cost Analysis by Product, Geographic Area, or Customer**: Although marketers ordinarily get a more detailed picture of marketing costs by analyzing functional accounts than by analyzing natural accounts, some firms need an even more precise cost analysis - especially if they sell several types of products, sell in multiple geographic areas, or sell to a wide variety of customers. Activities vary in marketing different products in specific geographic locations to certain customer groups. Therefore, the costs of these activities also vary. By allocating the functional costs to specific product groups, geographic areas, or customer groups, a marketer can find out which of these marketing entities are the most cost effective to serve

**C. Profitability Analysis**: Sales analysis and cost analysis are both very useful in diagnosing how well a company’s marketing plan is being implemented. The third type of analysis used for implementation control uses a combination of sales and costs to determine profits. Profitability analysis provides information on the profit performance of individual units within an organization to determine appropriate corrective action. Profitability analysis also provides vital information which allows marketing managers to more effectively control the future of their marketing units.

**Strategic Control**

The control of marketing implementation is an ongoing process designed to keep the organization on course. While it is obviously essential to regularly ask if we are doing things right, on occasion it is important to ask if we are doing the right things. This requires a broad overview of the entire marketing organization. Hard questions must be asked about the strategy being followed; the fundamental assumptions guiding management of the organization must be reevaluated.