MBA **2019-2020**

Semester – II

19MBAP202 **MARKETING MANAGEMENT** **4H – 3C**

Instruction Hours / week L: 4 T: 0 P: 0 **Marks: Internal: 40 External: 60 Total: 100**

End Semester Exam: 3 Hours

COURSE OBJECTIVES:

To make the students

1. To understand the marketing concepts and conduct market analysis through environment scanning
2. To recognize and apply market segmentation branding and New Product development concepts in real situations.
3. To identify the importance of selecting the marketing channel and the pricing strategies and its applications.
4. To recognize the role of advertising, sales promotion, public relations, and market research in the success of marketing a product.
5. To understand the ethical issues related to marketing and the latest development in marketing.

COURSE OUTCOMES:

Learners should be able to

1. Understand the core concepts of marketing and the role of marketing in business and society.
2. Perform market analysis and identify the best marketing mix.
3. Determine strategies for developing new products and services for the right target segment by Conducting marketing research.
4. Understand the latest trends in marketing and apply the ethical norms in marketing domain.
5. Effectively communicate ideas, explain procedures and interpret results and solutions in written and oral forms to the team members.

UNIT I Marketing Concept, Market Analysis and Marketing Mix

Marketing - Concepts, scope - Marketing Management Philosophies - Marketing environment - Strategic planning for Competitive advantage Marketing plan, Competitive advantage, Strategic directions, Strategic alternatives, Market Analysis and Selection: Marketing environment – macro and micro components and their impact on marketing decisions - Target market Strategy- Marketing Mix

UNIT II Market Segmentation, Branding and Product concepts

Marketing segmentation- Bases for segmenting consumer Markets and Business Markets -Steps in segmenting a Market-Strategies for selecting Target Markets, One to One Marketing-Positioning.

Product Concepts-Product-Definition, Levels of product, Types-Product Items, Product Lines and Product Mixes - New Product Development: Process-Global Issues in new product development-The spread of New Products-five categories of adopters-Product life cycle.

Branding-Branding strategies Packaging-Global Issues in Branding and Packaging.

UNIT III Marketing Channels and Pricing strategies

Marketing Channels- Channel intermediaries and their functions- Channel structures- Channel strategy- Types of Channel relationships - Managing Channel relationship- Channel leadership, conflict and Partnering- Channels and distribution decisions for global markets- Channels and distribution decisions for services.

Pricing Concepts-Importance of Price-Pricing objectives- Pricing Decisions: Factors affecting price determination; Pricing policies and strategies; Discounts and rebates - Legality and ethics of price strategy - Pricing Tactics-Product line pricing-Pricing during difficult economic times.

UNIT IV Promotion and Marketing Research

Promotion Decisions: Communication Process; Promotion mix – advertising, personal selling, sales promotion, publicity and public relations; Determining advertising budget; Copy designing and testing; Media selection; Advertising effectiveness; Sales promotion – tools and techniques.

Marketing Research: Meaning and scope of marketing research; Marketing research process.

Marketing Organisation and Control: Organising and controlling marketing operations.

UNIT V Issues and Developments in Marketing

Social, ethical and legal aspects of marketing; Marketing of services; International marketing; Green marketing; Digital and Social Media marketing; Customer relationship marketing - Customer database, identifying and analyzing competitors - Designing competitive strategies for Leaders, Challengers, Followers and Niche’s - Attracting and retaining customers.

Suggested Readings:

1. Philip T. Kotler, Gary Armstrong, Prafulla Agnihotri , (2018), *Principles of Marketing*, 17th edition, Pearson Education, New Delhi
2. V. S. Ramaswamy , S. Namakumari (2018), *Marketing Management: Indian Context Global Perspective*, 6th edition, , Sage Publications India (P) Ltd., New Delhi
3. Philip Kotler, Kevin Lane Keller, (2017), *Marketing Management*, 15th edition, Pearson Education, New Delhi
4. Rajan Saxena (2017), *Marketing Management*, 5th edition, McGraw Hill Education, New Delhi.
5. Philip Kotler (2017), *Marketing 4.0: Moving from Traditional to Digital*, Wiley, New Delhi

UNIT-I-Introduction to Marketing

SYLLABUS

Marketing - Concepts, scope - Marketing Management Philosophies - Marketing environment - Strategic planning for Competitive advantage Marketing plan, Competitive advantage, Strategic directions, Strategic alternatives, Market Analysis and Selection: Marketing environment – macro and micro components and their impact on marketing decisions - Target market Strategy- Marketing Mix.

Defining Marketing:

Social Definition:

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

Marketing's role is *to deliver a high standard of living*.

Managerial Definition:

Marketing is often described as the art of selling. Marketing is not just selling. Selling is only a part of it.

Peter Drucker: The aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.

American Management Association: Marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individual and organisational goals.

Kotler: We see marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.

Core Marketing Concepts:

Target Markets and Segmentation:

- Marketers can rarely satisfy everyone in the market. So they start with ' market segmentation'.
- Identify and profile different groups of buyers.

- Target segments that present the greatest opportunity – those whose needs the firm can meet in a superior fashion.
- For each chosen target market, the firm develops a **market offering**, which is positioned as offering some central benefit.

Marketers and prospects:

Marketer is someone seeking response in the form of attention, purchase, vote and donation. The response is sought from prospect.

Needs, Wants and Demand:

Needs describe basic human requirements. Example need for food, air, water, education, entertainment etc.

Needs become wants when they are directed to specific objects that might satisfy the need.

Need for food ---> Want for a Hamburger

Demands are wants for specific products backed by willingness and ability to pay.

Marketers do not create needs. Needs preexist marketers. Marketers along with other social influencers influence wants.

Product or offering:

A product is any offering that can satisfy a need or want.

Major typed of basic offerings: Goods, services, experiences, events, persons, places, properties, organizations, information and ideas.

A brand is an offering from a known source.

Nature of Marketing

- Marketing is an economic function of exchange function
- Legal function by which owner function is transferred
- Interacting business activity
- Managerial function of organizing & directing

Scope of marketing:

- Study of consumer need & want
- Study of buying behavior
- Product planning & development

- Pricing policies
- Distribution
- Promotion
- Consumer satisfaction
- Management control

Difference between selling & marketing

Point of difference	Selling	Marketing
Starting point	Factory	Marketplace
Focus	Existing products	Customer needs
Mean*s*	Selling and promoting	integrated marketing
End	Profits through volume	Profits through satisfaction

Corporate orientation towards market place

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

Market Focus: No Company can operate in every market and satisfy every need. Nor can it even do a good job within one broad market. Companies do best when they define their target markets carefully. The do best when they prepare a tailored marketing programme for each target market.

- **Customer Orientation:** a company can define its market carefully but still needs customer orientated thinking i.e. satisfy customer needs from the customer point of view, and not from its own point of view. Company's sales come from two groups: new customer's and repeat customers. It always costs more t attract new customers than to certain current customers. Therefore, customer retention is customer satisfaction.

- ✓ Buys again
- ✓ Talks favorably to other about the company
- ✓ Pays less attention to competing brands
- ✓ Buys other products from the same company

- **Coordinated Marketing**: Marketing requires the company to carry out internal marketing as well as external marketing. Internal marketing is the task of successfully hiring trained and motivating able employees to serve the customers well. Internal marketing must precede the external marketing. It makes no sense to promise excellent service before the company's staff is ready to provide excellent service.

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Company orientation towards the market place

We have defined marketing management as the conscious effort to achieve desired exchange with target markets. But what philosophy should guide a company's marketing efforts? What relative weights should be given to the interests of the organization, the customers and the society? Very often these interest conflict. Clearly, marketing activities should be carried under a well-thought out philosophy of efficient, effective, and socially responsible marketing. However, there are five competing concepts under which organizations conduct marketing activities: the production concept, selling concept, marketing concept and societal marketing concept.

The Production Concept:

The production concept is the oldest concept in business.

The production concept holds that consumers will prefer products that are widely available and inexpensive.

Managers of production-oriented business concentrate on achieving high production efficiency, low costs and mass distribution. They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than its features. It is also used when a company wants to expand the market.

Some service organizations also operate on the production concept. Many medical and dental practices are organized on assembly-line principles, as are some government agencies (such as unemployment offices and license bureaus). Although this management orientation cahandle many cases per hour, it is open to charges of impersonal and poor quality service.

The Product Concept:

Other businesses are guided by the product concept.

The product concept holds that consumers will favor those products that offer the most quality, performance, or innovative features.

Managers in these organizations focus on making superior products and improving them over time. They assume that buyers admire well-made products and can appraise quality and performance. However, these managers are sometimes caught up in a love affair with their product and do not realize what the market needs. Management might commit the "better-mousetrap" fallacy, believing that a better mousetrap will lead people to beat a path to its door. Such was the case when WebTV was launched during Christmas 1996 to disappointing results.

Product oriented companies often design their products with little or no customer input. They trust that their engineers can design exception products. Very often they will not even examine competitor's product. A General Motors executive said years ago: "How can public know what kind of cars they want until they see what is available?" GM's designers and engineers would design the new car. Then manufactures would make it. The finance department would price it. Finally, marketing and sales would try to sell it. No wonder he car required such a hard sell! GM today asks customers what they value in a car and includes marketing people in the very beginning stage of the design.

The product concept can lead to marketing myopia. Railroad management thought that travelers wanted trains rather than transportation and overlooked the growing competition from airlines, busses, trucks and automobiles. Slide-rule manufacturers thought that engineers wanted slide rules and overlooked the challenge of pocket calculators. Colleges, department stores, and post office all assume that they are offering the public the right product and wonder why their sales slip. These organizations too often are looking into a mirror when they should be looking out of window.

The Selling Concept:

The selling concept is another common business orientation.

The selling concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organizations products. The organization must, therefore, undertake an aggressive selling and promotion effort.

This concept one assumes that consumers typically show buying inertia or resistance and must be coaxed into buying. It also assumes that the company has a whole battery of effective selling and promotion tools to stimulate more buying.

The selling concept is practiced in the non-profit area by fund-raisers, college admission offices, and political parties. A political party vigorously sells its candidates to voters. The candidates' flaws are concealed from the public because the aim is to make a sale and not worry about post purchase satisfaction. After the election, the new official wants and a lot of selling to get the public to accept policies the politician or party wants.

Most firms practice selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. In modern industrial economies, productive capacity has been built up to a point where most marketers are buyer markets (the buyers are dominant) and sellers have to scramble for customers. Prospects are bombarded with TV commercials, newspaper ads, direct mails, and sales calls. At every turn, someone is trying to sell something. As a result, the public often identifies marketing with hard selling and advertising.

But marketing based on hard selling carries high risks. It assumes that customers who are coaxed into buying a product will like it; and if they don't, they won't bad mouth it or complain to consumer organizations and will forget their disappointment and buy it again. These are indefensible assumptions. One study showed that dissatisfied customers may bad-mouth the product to 10 or more acquaintances; bad news travels fast.

THE MARKETING CONCEPT

The marketing concept is a business philosophy that challenges the three business orientations we just discussed.

The marketing concept holds that the key to achieving its organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer values to its chosen target markets.

The marketing concept rests on four pillars: target market, customer needs, integrated marketing and profitability. The selling concept takes an inside-out perspective. It starts with the factory, focuses on the existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produces profits by satisfying customers.

Building and delivering customer value and satisfaction

Customer Value

- **Customer Value or Customer Delivered Value** is the difference between Total Customer Value and Total Customer Cost. Customer Value = Product Value + Service Value + Personnel Value + Image Value
- **Total Customer Value** is the bundle of benefits that the customers expect from a given product or service.
- Total Customer Cost is the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the product or service. Total Customer Cost = Monetary Cost + Time Cost + Energy Cost + Psychic Cost
- Customers make their purchases based on Customer Delivered Value or on the basis of value-price ratio. Value – price ratio = Total Customer Value / Total Customer Cost
- Seller who is at a delivered value disadvantage has two alternatives:
- Increase Total Customer Value: strengthen product, service, personnel and image benefits
- Decrease Total Customer Cost: reduce price, simplify ordering and processing process, absorb buyers risk by offering warranty etc.

Customer Satisfaction

- **Customer Satisfaction** is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations
- Customer Satisfaction is a function of perceived performance and expectations of the customer.
- A company must develop a competitively superior value proposition and a superior value delivery system.
- It often happens that customers are dissatisfied because of a wide gap between Brand value (product performance) and Customer value. So it is recommended that marketers pay as much attention to building brands as in influencing company's core processes.
- The goal of a company should be to maximize customer satisfaction, subject to delivering acceptable levels of returns to the other stakeholders within constraints of its resources.

Four methods of tracking customer satisfaction:

1. Feedback and Suggestion Forms

2. Customer Surveys
3. Ghost shopping
4. Analyze lost customers

✓ **Delivering Customer value and satisfaction**

Here are two important concepts from the customer value point of view –

Value chain – Michael Porter defined 9 processes as vital to a value-building network of a company, viz.

Primary Activities: Inbound logistics, Operations, Outbound logistics, Marketing Sales and Service.

Support Activities: Infrastructure, HRD, Technology development, Procurement.

A firm's task is to examine all costs and performance of these processes and try and improve them for better value-creation. Also a firm's success depends upon how each of these processes are coordinated to seamlessly perform the following core business processes –

- New – product realization
- Inventory management
- Customer acquisition and retention
- Order-to-remittance
- Customer service

Value delivery network – A firm needs to partner with its suppliers, distributors and customers to gain significant competitive advantages by creating a superior value-delivery network.

✓ **Attracting and Retaining customers**

Customer Acquisition – This process is accomplished in 3 steps viz.,

Lead generation – to generate leads, the company develops ads and places them in media that will reach new prospects; its sales person participate in trade shows where they might find new leads and so on.

Lead qualification – the next task is to qualify which of the suspects are really good prospects, and this is done by interviewing them, checking for there financials, and so on. The prospects may be graded as hot warm and cool. The sales people first contact the hot prospects and work on account conversion, which involves making presentations, answering objections and negotiating final terms.

Value and satisfaction:

Value is what customer gets and what he gives. Customer gets benefits and assumes costs. Benefits include functional and emotional benefits. Costs include monetary costs, time costs, energy costs and psychic cost.

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}} = \frac{\text{(functional and emotional benefits)}}{\text{(include monetary costs, time costs, energy costs and psychic cost)}}$$

Value of customer offering can be increased by:

- Raise benefits
- Reduce costs
- Raise benefits AND reduce costs
- Raise benefits by MORE THAN the raise in costs
- Lower benefits by LESS THAN the decrease in costs

Relationships and networks:

Transaction marketing is a part of larger idea called relationship marketing. Relationship marketing has the aim of building long term mutually satisfying relations with key parties – customers, suppliers, and distributors – in order to earn and maintain their long-term preference and business. Relationship marketing builds string economic, social and technical ties among the parties.

A marketing network consists of companies and its supporting stakeholders (customers, employees, suppliers, distributors, retailers, ad agencies, university scientists and others)

Importance of retaining customers – The following statistics are helpful to this end

1. Acquiring new customers costs 5 times more than retaining old ones
2. A 5% reduction in customer defection can increase profits by 25% to 85%
3. Customer profit rates tend to increase over the lifetime of the customer.

The two ways of retaining a customer would be –

1. To erect high switching costs - customers are less inclined to switch to another supplier when this would involve high capital costs, high search costs, or loss of loyal customer discounts.
2. Deliver high customer satisfaction

Relationship marketing

The task of creating strong customer loyalty is called Relationship Marketing.

The steps in customer development process is

Suspects -> Prospects -> First-time customers -> repeat customers -> Clients -> members -> Advocates -> Partners.

There might be defections from any of these levels, in which case, relationship marketing works on customer win-back strategies.

There are 5 different types of levels of investment in customer relationship marketing –

1. Basic marketing : the sales person simply sells the product
2. Reactive marketing: the salesperson sells the product and encourages the customer to call if he or she has questions comments or complaints.
3. Accountable marketing: the salesperson phones the customer a short time after the sales to check whether the product is meeting the expectation.
4. Proactive marketing: the company salesperson contacts the customer from time to time with suggestion about the improved product uses or helpful new products.
5. Partnership marketing: the company works continuously with the customer to discover ways to perform better.

Marketing Environment

Competition represents only one force in the environment in which the marketer operates. The marketing environment consists of the *task environment* and the *broad environment.*

The task environment includes the immediate actors involved in producing, distributing, and promoting the offering. The main actors are company, suppliers, distributors, dealers, and the target customers. Included in the supplier group are material suppliers and service suppliers such as marketing agencies, advertising agencies, banking and insurance companies, transportation and telecommunication companies. Included with distributors and dealers are agents, brokers, manufacturer representatives, and others who facilitate finding and selling to consumers.

The broad environment consists of six components: *demographic environment, economic environment, natural environment, technological environment, political-legal* environment, and social-cultural environment. These environments contain forces that can have a major impact on the actors in the task environment. Market actors must pay close attention to the trends and the developments in these environments and then make timely adjustments to their marketing strategies.

Measures of market demand – Demand can be measured at 6 product levels, 5 space levels and 3 time levels…

4 types of markets possible –

- potential – who show a specific level of interest to the offer
- available – have interest, income and access to the offer
- served-that part which decides to pursue
- penetrated – who are already buying

A market is the set of all actual and potential buyers of a market offer.

Market Potential – Is the limit approached by market demand as expenditure reaches infinity for a given marketing environment?

Company demand – Is the company's estimated share of market demands at alternate levels of company marketing effort in a given time period.

Company sales forecasts – is the level of company sales based on a chosen marketing plan in an assumed marketing environment.

Sales quota – is the sales goal set for a product line, company division or sales rep. It is used to define and push for sales efforts. Its kept higher than forecasts to give stretch targets.

Sales budget – is a conservative estimate of the expected volume of sales. Its used for current purchasing, production and cash flow decisions.

Company sales potential – Is the sales limit approached by company demand as company marketing efforts increase relative to competitors. Max is market potential.

Estimation of Demand ----

Total market potential - Broadly 2 ways

1. Multiply potential no of buyers with the average quantity purchased and the price
2. Chain ratio method – Multiplying a base no by several adjusting percentages.

Both being essentially the same they start with the population and keep reducing with assumed percentages w.r.t income/age groups and expenditures to arrive at a final figure

ESTIMATING CURRENT DEMAND

Marketing executives need to estimate total market potential, area market potential and total industry sales and market shares.

Total market potential

It is the maximum amount of sales that might be available to all the firms in the industry during a given period under a given level of industry marketing effort and given environmental conditions. A common way to estimate total market potential as follows: Estimate the potential no. of buyers times the average quantity purchased by a buyer times the price.

A variation on this method is the **chain ratio method**. It involves multiplying a base number by several adjusting percentages. Suppose a brewery is interested in estimating the market potential for a new light beer, it can be done as follows:

Area market potential

Companies need to measure the market potentials of different cities, states and nations. Two major methods of assessing market potentials are: the market build up method, which is used primarily by business marketers, and the multiple factor index method which is used primarily by consumer marketers.

Market build up method: It calls for identifying all the potential buyers in each market and estimating their potential purchases. This method gives us accurate results if we have a list of all potential buyers and a good estimate of what they buy.

Multiple factor index method: Like business marketers even consumer marketers also have to estimate the area market potentials. But the consumers of consumer companies are too numerous to be listed. Thus the most common method is the straightforward index method.

Industry sales and Market shares

Identifying competitors and estimating their sales do this. The industry trade association will often collect and publish total industry sales, using this information each company can evaluate its performance against the whole industry. Another way to estimate is to buy reports from a marketing research that audits total sales and brand sales. These audits can give a company valuable information about its total product its total product category sales and its brand sales. It can compare its performance to the total industry and/or any particular competitor to see whether it is gaining or losing market share. Business marketers have typically harder time in estimating sales than consumer goods manufacturers do.

ESTIMATING FUTURE DEMAND

Very few products lend themselves to easy forecasting. In most markets total demand and company demand are not stable. Good forecasting becomes a key factor in company's success. The unstable the demand the more critical is forecast accuracy and the more elaborate is forecasting procedure.

A three-stage procedure is used to prepare a sales forecast. They prepare a macro economic forecast, followed by a industry forecast then by a company sales forecast.

Firms develop their forecasts internally and externally as:

Market research firms, specialized forecasting firms and futurist research firms.

All forecasts are built on three information bases: what people say, what people do and what people have done.

Survey of buyers intentions

Forecasting is the art of anticipating what buyers r likely to do under a given sat of conditions. The survey looks inquires into the purchase intentions of consumer, their present and future personal finances and their expectations about the economy. This can be analyzed and major shifts in consumer preferences can be anticipated and production schedules and marketing plans changed accordingly.

Composite of sales force opinions.

Where buyer interviewing is impractical there companies ask their salespersons to estimate their future sales. Each of them estimates how much each current and prospective customer will buy of each of the company's products. To encourage better estimating the company could supply certain aids or incentives to sales force. The benefits are:

1) Better insights into developing trends
2) Greater confidence in sales reps and more incentive to achieve targets.
3) Provides detailed estimates broken down by product, territory, customer and sales reps.

But some sales reps may use for their advantage like setting smaller forecasts for low targets and sometimes they r not aware of the recent major economic developments.

Expert opinion

Companies also obtain forecasts from experts including dealers, distributors, suppliers marketing consultants and trade associations. Dealer estimates the subject to the same merits and demerits of sales reps estimates the experts estimates r done by group discussion method or pooling of individual estimates method or Delphi method where every estimate is refined and re-refined.

Past sales analysis

Sales forecasting is also done on the basis of past sales.

Time series analysis (breaking down the past data into trend, cycle, seasonal and erratic), exponential smoothing (combining the past sales and recent ones by giving more weight to the latter), statistical demand analysis (impact level of each set of casual factors e.g. income, price, marketing.

ANALYSING CONSUMER MARKET & BUYING BEHAVIOUR:

Major Factors influencing Buying Behaviour

Cultural Factors

- Culture: values, perceptions, preferences and behaviour.
- Subculture: nationalities, religions, racial groups & geographic regions.
- Social Class: homogeneous & enduring divisions, hierarchically ordered, members share common values indicated by occupation, income, education, etc.

Social Factors

- Reference Groups: all groups that have a direct *(membership groups)* or indirect influence on attitudes or behavior. These groups

1. expose us to new behaviors & lifestyles
2. influence attitudes &self concept
3. create pressures for conformity that influence brand choice

- *Family: Most important & influential primary reference group.*

  Family of orientation – parents & siblings

  Family of procreation – spouse & children

Roles and Statuses

A person participates in many groups – family, clubs, and organizations. The person's position in each group can be defined in terms of role and status. A **role** consists of the activities that a person is expected to perform. Each role carries a *status.* People choose products that communicate their role and status in society. Thus CEOs drive Mercedes, etc. Marketers are aware of the status symbol potential of products and brands.

PERSONAL FACTORS

A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyle and personality and self-concept.

Age and stage in the life cycle

People buy different goods and services over a lifetime.

Consumption is shaped by the family life cycle. Marketers often choose life cycle groups as their target market. Yet target households are not always family based: there are also single households, gay households and co-habitor households.

Some recent work has identified psychological life cycle stages. Adults experience certain passages or transformations as they go through life. Marketers pay close attention to changing life circumstances – divorce, widowhood, remarriage – and their effect on consumption behavior.

Occupation & economic circumstances

Occupation also influences a consumption pattern. A company can even specialize its products for certain occupational groups.

Product choice is greatly affected by economic circumstances: spendable income (level, stability, time pattern), savings and assets (including the % that is liquid), debts, borrowing power, and attitude towards spending Vs saving. Marketers of income-sensitive goods pay constant attention to trends in personal income, savings and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and re price their products so they continue to offer value to target customers.

Stages in the Family Life Cycle

1. Bachelor stage: young, single not living at home

   Few financial burdens

Fashion opinion leaders

Recreation oriented.

Buy:basic home equipment, furniture, cars, vacations

2.Newly married Couple: Young no children

Highest purchase rate & highest average purchase of durables

Cars, appliances, furniture, vacations

3.Full nest I: youngest child under 6

Home purchasing at peak.

Liquid assets low

Interested in new products, advertised products

Buy: washers, dryers, TV, baby food, vitamins, dolls,

4. Full Nest II: youngest child 6 or over

Financial position better

Less influenced by advertisements

Buy larger sized packages, multiple unit deals

Buy: cleaning material, bicycles, piano

5. Full Nest III: older married couple with dependent children

Financial position still better

Less influenced by advertising

High average purchase of durables

Auto, boats, dental services, magazines

6. Empty Nest I: older married couple, no children living with them, head of house in labor force

Home ownership at peak

Interested in travel, recreation, self education

Not interested in new products

Buy: vacations, luxuries, home improvements

7. Empty Nest II: older married couple, no children living with them, head of house retired

Drastic cut in income

Keep home

Buy: medical appliances, medical care products

8. Solitary survivor: in labor force

Income still good but likely to sell home

9. Solitary survivor: retired

Same medical and product needs as other retired group

Drastic cut in income

Special need for attention, affection, security

Psychological Factors:

The 4 major psychological factors that influence a person's buying choices:

1. Motivation: A person has many needs at a given time –
   i. Biogenic Needs – Arising from psychological states of tension such as hunger, thirst, discomfort.
   ii. Psychogenic needs – Arising from psychological states of tension such as need for recognition, esteem or belonging.
   iii. Motive: A need becomes a motive when it is aroused to a sufficient level of intensity causing a person to act.

   Theories related to Motivation:

   iv. Freud's Theory:

   Psychological forces shaping a persons behavior are largely unconscious.

   "Laddering" can be used to trace a person's motivations from the stated instrumental ones to the more terminal ones.

   This helps the marketer decide at what level the message/appeal is to be developed.

   Motivation researchers collect consumer interviews for insights using techniques like word association, sentence completion, picture implementation & role playing.

   Motivational positioning: The whisky example – Whisky can attract someone who seeks social relaxation, status or fun. Hence whisky brands have specialized in these three kinds of appeals.

v. Maslow's theory: Maslow's theory helps marketers understand how various products fit into the plans goals and lives of consumers.

Buying roles:

Initiator – Influencer – Decider – Buyer – User

Buying behavior:

Complex buying behavior – three-step process – develops belief about the product, attitude about the product and then makes a thoughtful choice.

Dissonance reducing buying behavior – consumer is highly involved in a purchase but sees little difference in brands. Marketing communication should supply beliefs and evaluations that help the consumer feel good about his/her brand choice.

Habitual buying behavior – bought under conditions of low involvement and absence of significant brand differences.

Variety seeking buying behavior – characterized by low involvement but significant brand differences.

	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

Stages of the Buying Decision Process

Ways to find out the buying decision process by marketers:

1) Introspective Method: they would think how they would behave
2) Retrospective Method: Ask people to recall their buying decision process
3) Prospective process: Ask prospective customers to think aloud
4) Prescriptive process: Ask customers the ideal way to buy the product

Five stage Process of Consumer Buying Decision

Problem Recognition

⇩

Information search

⇩

Evaluation of alternatives

⇩

Purchase Decision

⇩

Post purchase Behaviour

<u>Problem Recognition</u>

The buying process starts when the customer feels the need for the product

<u>Information Search:</u>

An inclined customer wud look for more information. At the first level it is called **heightened attention**. He simply becomes more receptive for information

At the next level is the **active information search** lookin for more information from friend, reading material, etc.

- Sources of information for the customer:
- Personal Sources: family, friends
- Commercial sources: Ads, sales people
- Public sources: Mass media
- Experimental sources: Handling, examining

<u>Post purchase behaviour:</u>

Post purchase Satisfaction: the customer may either be satisfied, delighted or dissatisfied after the purchase. These feelings make a lot of difference to the customers perception and behaviour towards the company.

Post purchase actions: the customer may take different actions depending upon his satisfaction level. The dissatisfied customer may stop buying (***exitopition)*** or the customer may be tell his friends not to buy the product (***voice option)***

Post purchase use and disposal: Marketers need to monitor what the consumer does with the product after purchase and how it is disposed off to maintain environmental friendliness of the product.

Organizational buying

Organizational Buying is the decision making process by which formal organizations, establish the need for purchased products and services and identify, evaluate and choose between alternative brands and suppliers.

Business market versus consumer market

Business Market consists of all the organizations that acquire goods and services used in the production of other products and services that are sold, rented or supplied to others. Main industries comprising this are agriculture, forestry, fisheries, manufacturing, mining, banking, insurance, etc.

Characteristics that contrast with consumer market

- Fewer buyers
- Larger buyers
- Close supplier- customer relationship (customization)
- Geographically concentrated buyers- reduces selling costs, also because of regional shifts of certain industries
- Derived demand- ultimately demand is derived from that for consumer goods, so one must closely monitor the buying patterns of ultimate consumers
- Inelastic demand- not too affected by price, especially inelastic in short run because it is not easy to make changes in production methods
- Fluctuating demand- more volatile than that for consumer goods and services. Acceleration effect: a certain rise in consumer demand can cause a much larger increase in the demand for plant and equipment necessary to produce that additional output.
- Professional purchasing- Business goods are purchased by trained purchasing agents who must follow purchasing policies, constraints and requirements, for example, requests for quotations, proposals and purchase contracts.

- Several buying influences- More people influence buying decisions. Buying committees often consist of technical experts and even senior management.
- Multiple sales calls
- Direct purchasing- from manufacturers instead of intermediaries especially in the case of items that are technically complex or expensive.
- Reciprocity- buyers selecting suppliers who also buy from them.
- Leasing- instead of buying heavy equipment.

Buying Situations

There are three types:

- Straight re-buy- Purchasing department reorders on a regular basis. The buyer chooses from suppliers on an approved list. The suppliers make an effort to maintain product and service quality and propose “automatic reordering systems”. The “out-suppliers” attempt to offer something new or exploit dissatisfaction with existing supplier.
- Modified re-buy- The buyer wants to modify product specifications, prices, delivery requirements and other terms. This involves additional decision participants on both sides. The “in-suppliers” become nervous and “out-suppliers” try to offer a better deal.
- New task- The purchaser buys a product or service for the first time.

Stages in New task buying: Awareness, Interest, Evaluation, Trial and Adoption.

Mass media have the greatest effect at the awareness stage, sales-people at the interest stage and technical sources at the evaluation stage.

The new task situation is said to be the marketer’s greatest opportunity and challenge. Some companies use a *Missionary sales force* consisting of their best people for this.

The numbers of decisions for the business buyer are the fewest in the straight re-buy and the maximum in the new task.

Systems buying and selling

Systems buying is said to happen when business buyers buy a total solution to their problems from one seller, for example, government soliciting bids from prime contractors (who can then sub-contract); turnkey solutions, etc.

Systems selling has been adopted by several sellers as a marketing tool, for example, auto part manufacturers selling whole systems such as the seating system, the door system, the breaking system, etc.

Systems contracting is said to occur when a single supply source provides the buyer with his entire requirement of MRO (maintenance, repair and operating) supplies. This helps the buyer lower costs in inventory (which is maintained by seller), reduced time on supplier selection and price protection. This is a key strategy for large-scale industrial projects.

2. Participants in the business buying process

The Buying Center

The ***Buying center*** is composed of all those individuals and groups who participate in the decision making process, who share some common goals and risks arising from the decisions.

- Initiators: Those who request that something be purchased.
- Users: Those who will use the product or service.
- Influencers: People who influence the buying decision. They help define specifications and provide information about alternatives.
- Deciders: People who decide on product requirements or on supplies.
- Approvers: people who authorize the proposed actions of deciders and buyers.
- Buyers: People who have formal authority to select the supplier and arrange the purchase terms.
- Gatekeepers: People who have the power to prevent sellers or information from reaching the buying center.

When a buying center includes many participants the business marketer will not have the time or resources to reach all of them. Small sellers concentrate on reaching the key buying influencers whereas the large sellers go for multilevel in depth selling to reach as many participants as possible.

Organizational factors: Every organization has specific purchasing objectives, policies, procedures, organizational structures and systems.

Interpersonal factors: Buying centers have several participants with different interests, authority, status, empathy and persuasiveness. Whatever information the marketer can discover about personalities and inter personal factors will be useful.

Individual factors: Each buyer carries personal motivations, perceptions, preferences as influenced by his age, income, education, job position, personality attitudes towards risk and culture.

3. The Purchasing/Procurement Process:

Business buyers buy goods and services to make money or to reduce operating costs or to satisfy a social or legal obligation. Business buyers try to obtain the highest benefit package relation to a market offering's costs.

There are three company-purchasing orientations:

1. ***Buying***- discrete transactions, relations are arms-length and adversarial, buyer focus is short term and tactical. Buyers assume that "value pie" is fixed, and they must bargain hard to maximize benefits. Buyers use two tactics: commoditization and multi-sourcing.
2. ***Procurement***- Buyers seek quality improvements and cost benefits. More collaborative with smaller no of suppliers working in close cooperation with customers. The goal is to establish win-win relationship.
3. ***Supply management***- Purchasing is more of a strategic value adding operation. Focus is on improving value chain from raw materials to end-users. Buyer behaves as a lean enterprise operating under demand pull rather than supply push.

Stages in the process

1. Problem recognition:
2. Most common events leading to problem recognition: company decides to develop new product, machine breaks down, purchased material turns out to be defective, purchases senses opportunity to obtain materials at cheaper price.
3. General need description**:**

Determination of needed item's general description, characteristics (viz reliability, durability, price) & quantity. Marketers may assist buyers in this stage.

4. Product specification:

Buying organization will develop technical specifications for the product and assign a product value analysis (PVA) engineering team to the project.

PVA is an approach to cost reduction in which components are carefully studied to determine if they can be redesigned or standardized or made by cheaper methods of production.

5. Supplier search:

Identify the most appropriate suppliers. Suppliers who lack the required production capacity or suffer from a poor reputation get rejected. Those who qualify may be visited by the buyer's agents, who will inspect supplier's manufacturing sites. After this stage, buyer will end up with a short list of qualified suppliers.

6. Proposal solicitation:

Buyer invites proposals from suppliers. After evaluating proposals, buyer will invite a few suppliers to make formal presentations.

7. Supplier Selection:

Buyer will first specify desired supplier attributes like price, reputation, reliability, flexibility and assign weightages according importance. They will be rated then and the best will be identified.

8. Order – Routine specification:

After selecting supplier, buyer lays the purchase conditions related to final order, tech specs, delivery etc. a blanket contract is signed for supplier to keep ready stock with the buyer over a specified period of time

9. Performance review:

Buyer periodically reviews its suppliers using any of 3 methods

- Ask end users for feedback
- Evaluation suing weighted score method
- Find out cost of poor performance and adjust price accordingly

Buy Flow map describes major steps in the business buying processes.

4. Institutional and Government Markets

Institutional markets consist of schools, hospitals, nursing homes, prisons and other institutions that must provide goods n services to people in their care. These are characterized by low budgets and captive clienteles. The focus here is on quality and cost minimization and profit are not objectives.

Characteristics

- Governments invite bids for contracts and award to lowest bidder.
- Might make exceptions for superior quality or reputation

- Favor domestic suppliers over foreign ones
- Governments have a lot of red tape and bureaucracy which tends to put off most people from doing business with them

Governments have traditionally never seen a whole package – but have always bargained on price and used that as a decision factor. They are moving towards web based procurement and more transparency in their dealings. Marketing people have realized that where product features are advertised, differentiation doesn't really help and similarly for price as well.

Part A (ONE Mark)

Multiple Choice Questions

Online Examination

Part B (2 Marks)

1. What are the main objectives of marketing?
2. Define Marketing.
3. Write notes on marketing conceptual framework.
4. What is Marketing Environment?
5. Define Green Marketing.
6. What is meant be micro environment?
7. Write any two bases of classification of products with example.
8. What is meant by concept marketing?

Part C (8 Marks)

1. Explain the advantages of marketing in current scenario.
2. Elaborate the functions of marketing
3. Bring out in detail the scope of marketing.
4. Discuss the main characteristics that distinguish services from physical products.
5. Explain Green marketing
6. Explain the various Environmental factors that affect an Organization.
7. How Marketing is integrated with other functional areas of an Organization?
8. Mention any five internal factors which influence marketing with examples.

UNIT-II – Market Segmentation

SYLLABUS

Marketing segmentation - Bases for segmenting consumer Markets and Business Markets – Steps in segmenting a Market - Strategies for selecting Target Markets, One to One Marketing - Positioning. Product Concepts - Product - Definition, Levels of product, Types - Product Items, Product Lines and Product Mixes - New Product Development: Process - Global Issues in new product development - The spread of New Products-five categories of adopters - Product life cycle. Branding - Branding strategies Packaging - Global Issues in Branding and Packaging

A Company cannot serve all customers in a broad market – customers are too numerous and diverse in their requirements. The company needs to identify the market segments that it can serve more effectively.

Many companies embrace *target marketing* where sellers distinguish the major market segments, target one or more of those segments, and develop products and marketing programmes tailored to each. Instead of scattering the marketing effort (shotgun approach) they focus on the buyers the have the greatest chance of satisfying (Rifle approach).

Target marketing requires three steps:

- Identify and profile distinct group of buyers who might require separate products or marketing mixes – *market segmentation*.
- Select one or more market segments to enter – *market targeting*.
- Establish and communicate the products' key distinctive benefits to the target market – *market positioning*.

Levels and Patterns of Market Segmentation

Levels of market segmentation

Market segmentation is an effort to increase a company's precision marketing.

Mass marketing: In this sellers engages in mass production, mass distribution and mass promotion of one product for all buyers. Model T-ford, Coca-Cola etc are example of mass marketing.

Mass marketing creates a large potential market, which leads to the lowest cost, which in turn can lead to lower prices or higher margins. But with the increasing splintering of the market, mass marketing gets more difficult.

Four levels of marketing:

- **Segment Marketing:** A market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes or buying habits. For example, for an auto company might have four broad segments: customers seeking basic transportation or high performance or luxury or safety.

  Each segment buyers are assumed to be quite similar in needs and wants. Anderson and Narus urge to present *flexible market offering* instead of a standard offering ("one size fits all") to all members within the segment. A flexible market offering consists of two parts:
  - *Naked Solution:* Product and service element that all segment members value
  - *Options:* That some segment members value, each option carries extra chrge.

  For example seat, food and drinks offered to the economy class passenger of an airline are *naked Solution* while extra amount charged for an alcoholic beverage/ Internet facility to those who are ready to pay for it would be *option*.

  Benefits of Segment Marketing are:
  - The company can create more fine tuned product or services offering and price it appropriately for target audience
  - Choice of distribution channel and communication channel becomes much easier
  - The company also may face fewer competitions in a particular segment.
- **Niche Marketing:** A niche is more narrowly defined group, typically a small market whose needs are not well served. Marketers usually identify niches by dividing a segment into sub segments or defining a group seeking a distinctive mix of benefits. Niches are fairly small and attract very few competitors. Large companies loose pieces of their market to nichers and Dalgic has labelled this confrontation as "Guerrillas against gorillas". Niche marketing requires more decentralization and changes in the way normal business is done. Niche marketers understand their customers so well that customer's willingly pay a premium. Attractive niches are characterized as:

- Customers in the niche have a distinct set of needs
- They will pay a premium to the firm that best satisfies their needs
- The niche is not likely to attract other competitors
- The nichers gain certain economies trough specialization
- The niche has size, profit and growth potential

Linneman and Santon, "There are riches in the niches"

Blattberg and Deighton, "Niches too small to serve profitably today will become viable as marketing efficiency improves."

The low cost of setting up shop on the Internet is a key factor on making it more profitable to serve even more seemingly miniscule niches.

- **Local Marketing:** Marketing programmes being tailored to the needs and wants of local customer groups – trading areas, neighbourhood individual stores. Disadvantages of local marketing are – it drives up the manufacturing and marketing cost by reducing the economies of scale, logistical problems become magnified and a brands overall image may be diluted if the product and message differ in different localities.
- **Individual Marketing:** Ultimate level of marketing – "segment of one", "customised marketing", "one-to-one marketing". Tailors, cobblers etc. B2B marketing today is customised. *Mass customisation* is the ability to prepare on a mass basis individually designed products and communication to meet each customer's requirements. New technologies such as computers, Internet, databases, robotic production, email, fax etc. permit companies to adopt mass customisation.

  For mass customisation marketers need to set up – toll free phone number and email ids for customers suggestions, complaints, feedback, involve customer more during the product specification process, sponsor web pages containing full details about the products and services offered, guarantees and locations etc.

Patterns of Market Segmentation

Way to build up market segments – *preference segments*. Three different patterns

- **Homogeneous Preferences:** Markets where all customers have roughly same preference. The market shows no natural segments.

- **Diffused Preferences:** Consumer preferences are scattered throughout the space – consumers vary widely in their preferences. The first brand to enter the market is likely to position itself in the centre to appeal the most people. A brand in the centre minimizes the total customer dissatisfaction.
- **Clustered Preferences:** The market reveals distinct preference clusters – *natural market segments.* The first firm to enter the market has three options-
  - *Position in the center to appeal to all groups*. It will develop only one brand, competitors would enter and introduce brands in the other segments
  - *Position in the largest market segment* – concentrated marketing
  - *Develop several products positioned in a different segment*.

Market segmentation procedure

3-step procedure

1. Service stage: the researcher conducts exploratory interviews and focused groups to gain insights into consumer motivations attitudes and behaviours. Then the researcher prepares a questionnaire and collects data on attributes and their importance ratings, brand awareness and brand ratings, product usage patterns, attitudes towards product category and demographics, geographic, psychographics and media graphics of the respondents.
2. Analysis Stage: under this he applies factor analysis to the data to remove highly correlated variables then apply cluster analysis to create specific number of maximally different segments
3. Profiling stage: each cluster is profiled according to its distinguishing attitudes, behaviour, demographics, psychographics and media graphics and media patterns. Each segment is given a name depending on its dominant characteristics. Market segmentation should be redone periodically because they change.

   Way to discover new segments is to discover the hierarchy of attributes that consumers examine while choosing a brand. This process is called ***market partitioning.***

   The hierarchy of attributes can reveal customer segments. Buyers who first decide on price are price dominant. Those who first decide on type of car (eg sports, passenger) are type dominant. Those who first decide on the car brand are brand dominant. Each segment may have different demographics, psychographics and media graphics.

SEGEMENTING CONSUMER AND BUSINESS MARKETS

Basis for segmenting consumer markets:

The 2 broad groups of variables are used to segment consumer markets. Some researchers try to form segments by looking at consumer characteristics: demographic, geographic, and psychographic. Then they examine whether these customer segments exhibit different needs or product responses.

Methods of Segmentation

Geographic segmentation: it calls for dividing the market into different geographic units such as nations, states, regions, counties, and cities. The company can operate in one or few geographic areas or operate in all but pay attention to local variations.

Demographic segmentation: in this the market is divided into groups on the basis of variables such as age, family, size, life cycle, gender, income, occupation, education, religion, race, generation, nationality, social class. These variables are the most popular basis for distinguishing customer groups. One reason is that consumer wants, preferences, usage rates are often associated with demographic variables. Another reason is that demographic variables are easier to measure even when the target market is defined in non-demographic terms. The link back to demographic characteristics is needed in order to estimate the size of the target market and the media that should be used to reach it efficiently.

Geographic	
Region	Pacific, mountain, west north central
City or metro size	Under 5000 etc
Density	Urban rural
Climate	Northern, southern

Age and life cycle stage: consumer wants and abilities change with age. Gerber realized this and began expanding beyond its baby food lines. Nevertheless age and life cycle can be tricky variables.

Gender: gender segmentation has been applied to clothing hairstyling cosmetics and magazines. Other marketers also noticed opportunity for gender segmentation for eg the cigarette market where brands like Virginia slims was launched to reinforce female image.

Income: it is a long standing practice in such product and service categories e.g. Automobile, clothing and cosmetic and travel.

Generation:

- ❖ Baby boomers born between 1946-64
- ❖ Generation X born between 1964-84 – more sophisticated in evaluating products, turn off by advertising that has too much hype or takes itself too seriously
- ❖ Cohort segmentation: cohorts are groups of people who share experiences of major external events that have deeply affected their attitudes and preferences. Members of cohort groups feel the bonding with each other for having shared the same major experiences. Advertising to a cohort group should be done using icons and images prominent in their experiences.

Social Class: has a strong influence on preference in cars clothing home furnishing, leisure activities reading habits and retailers. The taste of social class can change with years.

<u>Psychographic segmentation:</u>

Buyers are divided into different groups based on personality and values. People within the same demographic group can exhibit very different psychographic profiles.

Lifestyle: people generally exhibit more lifestyle than are suggested by social classes generally the goods they consume express their lifestyle such as cosmetics, alcoholic beverages, furniture etc.

Personality: Marketers can use personality variables to segment markets. They endow their products with brand personalities that correspond to consumer personalities.

Values: some marketers segment by core values, the belief systems that underlie consumer attitudes and behaviours. Core values go much deeper than behaviour or attitude and determine at a basic level people's choices and desires over long term. Marketers who segment by values believe that by appealing to people's inner selves it is possible to influence their outer selves- their purchase behaviour.

Behavioral Segmentation

Buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

Starting points for constructing market segments

Occasions:

Distinguish buyers according to the occasions they develop a need, purchase a product, or use a product

Benefits:

Buyers classified on the basis of the benefits they seek

User status:

Market segmentation into non-users, ex-users, potential users, first time users and regular users of a product.

Usage rate:

Market segmented into light, medium and heavy product users.

Loyal status:

Consumers can be divided into 4 groups according to the brand loyalty status:

- Hard-core loyals – one brand all the time
- Split loyals – loyal to 2 or 3 brands
- Shifting loyals – consumers who shift from one brand to another
- Switchers – no loyalty to any brand

Markets

- Brand loyal markets – high % of hard-core brand loyal buyers
  - Hard-core loyals: the company can identify products' strengths
  - Split loyals: company can pinpoint which brands are most competitive with its own
  - Shifting loyals: company can learn about its marketing weaknesses and attempt to correct them.

Buyer readiness stage:

A market consists of people in different stages if readiness to buy a product.

Stages of readiness:

- Aware of product
- Informed about product
- Interested in product
- Desirous of buying the product

- Intention to buy product

Attitude:

Five attitude groups can be found in the market:

- Enthusiastic
- Positive
- Indifferent
- Negative

Positioning the Market Offering Through the Product Life Cycle

Companies are constantly trying to differentiate their market offering from competitors'. They dream up new services and guarantees, special rewards for loyal users, new conveniences and enjoyments.

How to differentiate

It is a 3-step process:

1. *Defining the customer value Model:* The Company first lists all the product and service factors that might influence the target customers' perception of value.
2. *Building the customer value hierarchy:* 4 factors come under this head. Consider a fine restaurant
   a. Basic: the food is edible and delivered in a timely fashion.
   b. Expected: there is good china and tableware, a linen tablecloth and a napkin etc (These factors make the offering acceptable but not exceptional)
   c. Desired: the restaurant is pleasant and quiet and the food is especially good and interesting.
   d. Unanticipated: the restaurant serves a complimentary sorbet between the courses and places candy on the table after the last course is served.
3. Deciding on the customer value package: now the company chooses that combination of tangible and intangible items, experiences, and outcomes designed to outperform competitors and win the customers' delight and loyalty.

Marketing strategies in the different stage of the product life cycle

Four stages of a product life cycle

- **Introduction**: A period of slow sales growth as the product is introduced in the market. Profits are non existent at this stage because of the heavy expenses done for the product introduction
- **Growth**: - period of rapid market acceptance and substantial profit improvement
- **Maturity**:- period of slowdown in the sales growth because the product has achieved acceptance by most potential buyers. Profits decline or stabilize
- **Decline**:- Sales show a downward drift and profits erode

The PLC concept can be used to analyze a product category, form, a product itself and a branded product

- **Product Categories** have the longest life cycles. Many product categories stay in the maturity stage indefinitely and grow only at population growth rate. E.g.; - typewriters, newspapers, fax machines etc.
- **Product forms** follow the standard PLC more faithfully. E.g.: - Electric and Electronic typewriters
- **Standard products** follow either the standard PLC or one of its variants
- **Branded products** can have a short or long PLC. E.g.; - Ivory, Jell-O have a very long PLC

MARKETING STRATEGIES: INTRODUCTION STAGE

Sales growth tends to be slow at this stage because it takes time to roll a new product and fill dealer pipelines. The key reasons are:

- Delays in the production capacity
- Technical problems
- Delays in obtaining adequate distribution through retail outlets
- Customer reluctance to change established behaviour.
- Product complexity
- Fewer buyers

Promotional expenditures are at the highest ratio to sales because:

- Need to inform potential consumers

- Induce product trial
- Secure distribution in retail outlets

Prices tend to be high because costs are high due to:

- Relatively low output rates
- Technological problems in production
- High required margins to support the heavy promotional expenditures

Strategies that can be pursued:

- Rapid skimming: Launching a new product at a high price and a high promotional level. This strategy makes sense when a large part of the potential market is unaware of the product; those who become aware of the product are eager to have it and can pay the asking price; and the firm faces potential competition and wants to build brand preference
- Slow skimming: Launching the new product at a high price and low promotional. This strategy makes sense when the market is limited in size; most of the market is aware of the product; buyers are willing to pay a high price; and potential competition is not imminent.
- Rapid promotion: Launching the product at a low price and spending heavily on promotion. This strategy makes sense when the market is large, the market is unaware of the product, most buyers are price sensitive, there is strong potential competition, and the unit manufacturing costs fall with the company scale of production and accumulated manufacturing experience

Slow penetration: Launching the new product at a low price and low level of promotion. This strategy makes sense when the mkt is large, is highly aware of the product, is price sensitive, and there is some potential competition

MARKETING STRATEGIES: MATURITY STAGE

The salient features are:

1. Sales growth will slow down.
2. This stage lasts longer.
3. Challenges to marketing management.
4. Overcapacity because of sales slowdown.
5. Intense competition because of point 4
6. Increase advertising and R&D budgets.
7. Weaker competitors withdraw from the market.

8. Basic market drive is to increase market share.
9. Abandon weaker products and concentrate on profitable products.

Growth phase:

a. Sales growth rate starts to decline.
b. No new channels of distribution

Stable phase:

a. Sales flatten because of market saturation.
b. Future sales governed by replacement demand and population growth only.

Maturity phase:

a. Absolute level of sales starts to decline
b. Customer start switching to new products and substitutes.

Strategies

The strategies for the managers to face this situation is to adopt

A) Market modification
B) Product modification and
C) Marketing mix modification

Marketing strategies: Decline stage

Sales decline for a number of reason like technological advances, consumer tastes, increasing domestic or foreign competition. All lead to overcapacity, increased price reduction and profit erosion.

As sales and profit decline, some firms withdraw from the market, others reduce number of products in the market or withdraw from weaker market segments or cut down on product promotion.

But most companies do not have a developed well-thought-out strategy of handling their product ageing where both sentiments and logic plays a role. Logic saying, sales would improve when economy improves or when marketing strategy is revised, or if its contribution is covering costs if not giving profits. Unless there are strong reasons to retain a product, it could prove very costly for the firm. E.g.: even if the costs are covered, the weaker products take a lot of management's time which could otherwise have been used to make other products profitable. Also failing to eliminate weak products also delays introduction of new products into the markets

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New product development process:

Developing New Market Offerings

("*Who should ultimately design the product? The customer, of course*")

A company can add new products through acquisition or development. The acquisition route can take three forms. The company can buy other companies, it can acquire patents from other companies, or it can buy a license or franchise from another company. The development route can take two forms. The company can develop new products in its own laboratories. Or it can contract with independent researchers or new product development firms to develop specific new products.

Booze, Allen and Hamilton has identified six categories of new products:

1. *New-to-the-world products*: New products that create an entirely new market.
2. *New product lines*: New products that allow a company to enter an established market for the first time.
3. *Additions to existing product lines:* New products that supplement a company's established product lines (package sizes, flavors and so on)
4. *Improvements and revisions of existing products:* New products that provide improved performance or greater perceived value and replace existing products.

5. *Repositioning:* Existing products that are targeted to new markets or market segments.
6. *Cost reductions:* New products that provide similar performance at lower cost.

CHALLENGES IN NEW-PRODUCT DEVELOPMENT

Companies that fail to develop new products are putting themselves at a great risk. Their existing products are vulnerable to changing customer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition.

Why do new products fail?

- A high-level executive pushes a favorite idea through in spite of negative market research findings
- The idea is good, but the market size is overestimated
- The product is not well designed
- The product is incorrectly positioned in the market, not advertised effectively or overpriced
- Development costs are higher than expected
- Competitors fight back harder than expected

Several other factors that hinder new-product development:

- *Shortage of important ideas in certain areas*: There may be ways left to improve some basic products (such as steel, detergents).

Fragmented products: Keen competition is leading to market fragmentation. Companies have to aim their new products at smaller market segments, and this can be mean lower sales and profits for each product

- *Social and governmental constraints*: New products have to satisfy consumer safety and environmental concerns. Governments require slowing down innovation in drugs, toys and some other industries.
- *Costliness of the development process*: A company typically has to generate many ideas to find just one worthy of development. Furthermore, the company often faces high R&D, manufacturing and marketing costs.
- *Capital Shortages*: Some companies with good ideas cannot raise the funds needed to research and launch them.

- *Faster required development time*: Companies that cannot develop new products quickly will be at a disadvantage. Companies must learn how to compress development time by using computer-aided design and manufacturing techniques, strategic partners, early concept tests, and advanced marketing planning. Alert companies use *concurrent new-product development,* in which cross-functional teams collaborate to push new products through development and to market.
- *Shorter product life-cycles:* When a new product is successful, rivals are quick to copy it.

Factors for developing successful new products:

1. Unique, superior product
2. Well-defined product concept prior to development
3. Technological and marketing synergy
4. Quality of execution in all stages
5. Market attractiveness

Managing the Development Process

Steps:

- Idea Generation
- Idea Screening
- Concept Development and Testing
- Marketing Strategy Development
- Business Analysis
- Product Development
- Market Testing
- Commercialization

Idea Generation

- Customer needs and wants are the logical place to start the search for ideas
- Companies can learn great deal by studying their *lead users* – those customers who take most advanced use of the company's products and who recognize the need for improvements before other customers do
- Ask employees new ways of improving production, products and services
- Find good ideas by researching competitor's products and services

- Company sales representatives, intermediaries and top management are good sources for ideas
- Even though ideas flow from various channels, the chances of them being noticed depend upon persons in the organization taking the role of *product champion*

Idea Screening

- Idea to be submitted to idea manager and then to be reviewed by idea committee
- Must avoid two types of errors:
  - Drop Error – Dismissal of an otherwise good idea
  - Go Error – Permitting a poor idea to move into Development and Commercialization
- Three types of product failures:
  - Absolute Product Failure – Product loses money, sales do not cover variable costs
  - Partial Product Failure – Product loses money, sales cover variable costs and part of the fixed costs
  - Relative Product Failure – Product yields a profit that is less than the company's target rate of return
- Screening is done because product development costs rise substantially with each successive stage
- Executive committee reviews each idea against a set of criteria:
  - Overall Probability of Success = (Prob. Of technical completion) X (Prob. Of commercialization given technical completion) X (Prob. Of economic success given commercialization)

Concept Development and Testing

- Each concept represents a category concept that defines the product's competition
- Product concept has to be turned into a brand concept
- Concept testing involves presenting the product concept to appropriate target consumers and getting their reactions
- The more the tested concepts resemble the final product or experience, the more dependable concept testing is
  - Concept testing entails presenting consumers with an elaborated version of the After receiving information about product, customer responds to following questions:

Question	Product Dimension Measured
Are the benefits clear to you and believable	Communicability and believability
Will the product fill your need	Need Level
Do other products currently meet this need and satisfy you	Gap Level – The greater the gap, the higher the expected consumer interest. Need Level X Gap Level = Need Gap Score…. Higher score means customer has strong need not being filled by existing products
Is price reasonable in relation with value	Perceived value
Would you (definitely, probably not, definitely not) buy the product	Purchase Intention
Who would use and when and how often	User targets, purchase occasions, purchasing frequency

- Conjoint Analysis – a method for deriving the utility values that customers attach to varying levels of product's attributes

Marketing Strategy Development

Once the testing is over, the next stage is development of a preliminary marketing strategy plan for the introduction of the new product. The plan consists of three parts.

First – describes the target market's size, structure, and behavior; the planned product positioning; and the sales, market share, and profit goals sought in the first few years.

Second – outlines the planned price, distribution strategy, and marketing budget for the first year.

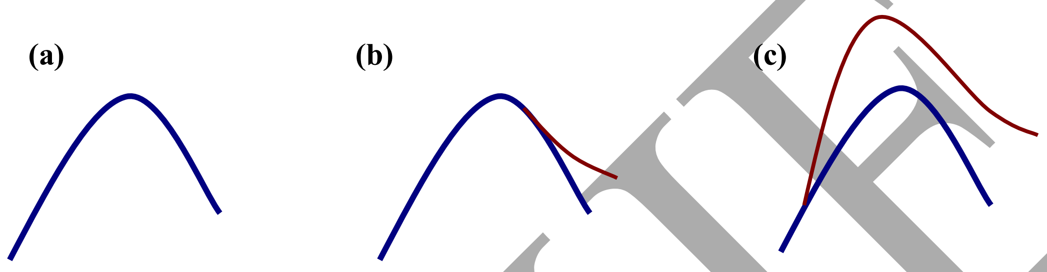
Third – describes the long run sales and profit goals and marketing mix strategy over time.

Business Analysis

After the management develops the product concept and the marketing strategy, it can evaluate the proposal's business attractiveness. Management needs to prepare sales, cost, and profit projections and to determine whether they satisfy company objectives. If they do the project concept can move to the product-development stage. As new information comes in the business analysis undergoes revision and expansion.

Estimating total sales

It is necessary to estimate whether the sales will be high enough to yield satisfactory profits. Total estimated sales are a sum of estimated first time sales, replacement sales, and repeat sales. Sales



estimation depends upon whether the product is a one-time purchase (a), an infrequent purchase (b) or a frequent purchase (c)

Managing the Development Process: Development to commercialization

Product Development

After the business test the concept moves on to R&D for development of physical product. This step involves huge costs. At this stage the company decides whether the idea can be translated in to a commercially feasible product.

The job of translating the target customer requirements into a working prototype is helped by a set of methods known as ***quality function deployment*** (QFD). It involves listing of customer attributes (CAs), collected by market research, and turns them into engineering attributes (EAs). QFD improves communication between markets, engineers and the manufacturing people.

The R&D first develops a prototype and ensures that it includes all that the customer wants.

The R&D people not only design the product's functional characteristics but also communicate its psychological aspects through physical cues. Marketers inform the R&D about the attributes customer seek and how consumers judge whether these attributes are present.

Market Testing

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 to a market test. The new product is introduced to an authentic setting to learn how large the market is and how consumers and dealers react to handling, using, and repurchasing the product.

Consumer-Goods Market Testing

In testing consumer goods the company seeks to estimate four variables:

- Trial
- First repeat
- Adoption
- Purchase frequency

The company hopes to find all these variables at high levels. Here we describe the major methods of consumer goods market testing, from the least costly to the most costly.

Commercialization

If the company goes ahead with commercialization, it will face its largest cost to date.

The company will have to contract for manufacture or build or rent o full scale manufacturing unit. It can build a smaller plant than called for by the sales forecast.

Another major cost is marketing

Product mix & product line

Product-Line Decisions

Product-line analysis

Product line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest or divest.

Sales & Profits

A high concentration of sales in a few items means line vulnerability. These items must be carefully monitored and protected.

Market Profile

The product line manager should review how the line is positioned against competitor's lines. The product map is useful for designing product-line marketing strategy. Another benefit of product mapping is that it identifies market segments.

After performing a product-line analysis, the product-line manager has to consider decisions on product-line length, line modernization, line featuring and line pruning.

Product-line length

A product line is too short if profits can be increased by adding items; the line is too long if profits can be increased by dropping items.

A company lengthens its product line in two ways: by line stretching and line filling.

Line stretching occurs when a company lengthens its product line beyond its current range.

Down market stretch

A company positioned in the middle market may want to introduce a lower price line for any of three reasons:

1. The company may notice strong growth opportunities in the down market as mass retailers attract a growing no. of shoppers who want value-priced goods.
2. The company may wish to tie up lower-end competitors who might otherwise try to move upmarket.
3. The company may find that the middle market is stagnating or declining.

Upmarket stretch

Companies may wish to enter the high end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers.

Two-way stretch

Companies serving the middle market might decide to stretch their line in both directions.

Line filling

A product line can also be lengthened by adding more items within the present range. There are several motives for line filling: reaching for incremental profits, trying to satisfy dealers who complain about lost sales because of missing items in the line, trying to utilize excess capacity, trying to be leading full-line company, and trying to plug holes to keep out competitors.

Line modernization

In rapidly changing product markets, modernization is carried on continuously. Companies plan improvements to encourage customer migration to higher-valued, higher-priced items.

Line featuring and line pruning

Product-line managers must periodically review the line for pruning. The product line can include deadwood that is depressing profits. The weak items can be identified through sales and cost analysis.

Another occasion for pruning is when the company is short of production capacity. Companies typically shorten their product lines in periods of tight demand and lengthen their lines in periods of slow demand

Branding & Packaging decision

What is a brand?

A **brand** is a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

A brand is essentially a **seller's promise** to deliver a specific set of features, benefits and services.

A brand conveys up to 6 levels of meanings.

- Attributes
- Benefits
- Values
- Culture
- Personality
- User

Branding is important because

- Buyers are more interested in benefits than attributes.
- Competitors can easily copy attributes.
- Current attributes may become less desirable later.

Brand-Name Decision

Four strategies are available:

1) Individual names: The advantage is that the company does not tie its reputation to the product. E.g. this policy is followed by General Mills.
2) Blanket Family Names: Development cost is less since there is no need to spend heavily on advertising to cause brand awareness. E.g. Heinz and General Electric
3) Separate family names for all products: Companies often invent different family names for different quality lines within he same product class. E.g. Sears, Craftsman

4) Company trade name combined with individual product names: Some manufacturers tie their company name to an individual brand name for each product. The company name legitimizes and the individual name individualizes the new product e.gKelogg

Desirable Qualities of a brand name

1) It should suggest some thing about the product's benefits, e.g. Craftsman, Beauty-rest
2) It should suggest product qualities such as action or color, e.g. Sunkist, Spic and Span
3) It should be easy to pronounce, recognize and remember, e.g. Tide, Crest
4) It should be distinctive, e.g. Kodak, Exxon
5) It should not carry poor meanings in other languages and countries, e.g. the brand name "Nova" for cars means "doesn't go" in Spanish

Brand name research procedures:

1) Association Tests – what images come to mind?
2) Learning Tests – how easily is the name produced?
3) Memory Tests – how well is the name remembered?
4) Preference Tests – which names are preferred?

Brand Strategy Decision

Brand Strategy Decision involves five key choices.

Line Extension

This means existing brands extended to new sizes, flavors, forms, colors in the existing product category. Some companies also introduce branded variants that are specific brand lines supplied to specific retailers or distribution channels. Line extensions involve risks and have provoked heated debate among marketing professionals. But line extensions have a better chance of survival than brand-new products. It is also fueled by fierce competition in some cases.

Brand Extension

This means brand names extended to a new product category. Brand extension strategy offers some of the same benefits like line extensions. But brand extension can bring with it disadvantages too. The new product may fail and damage the image of the old products. Brand dilution may occur if the brand lose its specific positioning in the minds of the customers. But some brand extensions like that of Virgin have been very successful.

Multibrands

New brands introduced in the same product category. This happens sometimes when the company wants to establish different features or appeal to different buying motives. A multibranding strategy also enables the company to lock up more distributor shelf space and to protect its major brand by creating flanker brands. But cannibalization can be a major pitfall.

New Brand

New brand name adopted for a new category product.

Cobrands

This means brands bearing two or more well-known names. It is also called dual branding. Now cobranding can take variety of forms. One is ingredient cobranding, as when Betty Crocker's brownie mix includes Hershey's chocolate syrup. Another form is same-company cobranding, Nestle advertises Maggi noodles and tomato ketchup together. Still another form is joint venture cobranding, as in Maruti Zen with Kenwood stereos. Finally there is multiple-sponsor cobranding, as in Toshiba laptops with Intel Pentium III processors.

Brand Repositioning

Brand repositioning is specially required when the brand and the product associated with it reaches the decline stage. It is also sometimes needed when the initial positioning was wrong.

Packaging and Labelling:

Packaging includes activities of designing and producing the container for a product

Container is called package,

Primary package – Bottle of Old Spice

Secondary – Cardboard box

Shipping package – Corrugated box

Issues –

Factors affecting the increasing importance of packaging

1. Self Service – Packaging becomes an "impulse purchase" stimulus
2. Consumer affluence – People are willing to pay more for attractive packaging
3. Co. and brand image – contribute to brand recognition

4. Innovation opportunity – Scope for innovation

Key decisions: What the package should do → Size, dimensions, attributes, etc→ Engineering testing → Consumer testing

Emphasis should be given to environmental factors such as bio-degradable material, etc.

Labelling :

May be a simple tag, or fun designed graphic. May contain only brand name, or loads of information. May perform any of the following Functions:

Identifies the product, grades the product, describes the product, promotes the product.

Legal issues become important in labeling, wherein

Open dating – to describe product freshness

Unit pricing – product cost in std measurement units

Grade labeling – rate the quality level

Percentage labeling – percentage of each important ingredient

Are being demanded by consumer groups

Part A (ONE Mark)

Multiple Choice Questions

Online Examination

Part B (2 Marks)

1. Mention any two bases of classification of products with example.
2. Define introduction stage of PLC
3. What is Brand?
4. Define Packaging.
5. Write notes on Labelling.

Part C (8 Marks)

1. How can test marketing be helpful in launching new products? Justify.
2. Explain market positioning.
3. Explain the process of buyer behavior.
4. Explain the various patterns of target marketing function.
5. What are the factors that influence buyer’s behaviour? Discuss.
6. Draw and describe Product Life Cycle.

UNIT-III – Market Channels

SYLLABUS

Marketing Channels - Channel intermediaries and their functions - Channel structures - Channel strategy - Types of Channel relationships - Managing Channel relationship - Channel leadership, conflict and Partnering - Channels and distribution decisions for global markets - Channels and distribution decisions for services.
Pricing Concepts - Importance of Price - Pricing objectives - Pricing Decisions: Factors affecting price determination; Pricing policies and strategies; Discounts and rebates - Legality and ethics of price strategy - Pricing Tactics - Product line pricing - Pricing during difficult economic times

Managing Marketing Channels

What work is performed by Marketing Channels?

Producers delegate some of the selling job to intermediaries, means relinquish some control over how and to whom the products are sold, due to following reasons:

- Many producers lack the resources to carry out direct marketing
- In some cases direct marketing is not feasible. An example is given of the gum business which is completely impractical for a gum producer to establish small retail gum shops throughout the world or to sell gum by mail order.
- Producers who do establish their own channels can often earn greater returns by increasing their investment in their main business. If a company earns a 20 percent rate of return on manufacturing and only a 10 percent return on retailing, then it doesn't make sense to undertake its own selling.

Channel functions and flows

Members of marketing channel perform a number of key functions:

- Gather information about potential and current customers, competitors and other factors.
- Develop and disseminate persuasive communications to stimulate purchasing.
- Reach agreement on price and other terms so that ownership can be effected.
- Place orders with manufacturers.
- Acquire funds to finance inventories.

- Assume risks connected with carrying out channel work.
- Provide for the successive storage and movement of physical products.
- Provide for buyer's payment of their bills through banks and other financial institutions.

Oversees actual transfer of ownership from one organization or person to another

- Some functions like:
- Physical, title & promotion etc.: Forward flow of activity
- Ordering & payment etc: Backward flow from customers to the company
- Information, negotiation, finance and risk taking etc.: occur in both directions.

Channel Levels

The consumer and industrial marketing channels diagrams are given in the PPT named as Ch 16[1].

Examples of various channels

Consumers marketing

1. Zero – level channel: door to door sales, home parties, mail order, tele marketing, TV selling, Internet selling, and manufacturer owned stores.
2. One – level channel: one intermediary, such as retailer.
3. Two – level channel: wholesalers and retailers.

Three – level channel: wholesalers, jobbers and retailers

In designing the marketing channel, the marketer must understand the service output level desired by the target customer.

- Lot size – The no of units the channel permits a typical customer to purchase on a occasion
- Waiting time – The average time customers of that channel wait for receipt of goods
- Spatial convenience – The degree to which the marketing channels makes it easy for customers to purchase the product
- Product variety – The assortment breadth provided by the marketing channel
- Service backup – The add-on services provided by the channel.

Establishing channel objectives & constraints

- Channel institutions should arrange their functional tasks to minimize total channel costs with respect to desired level of service outputs.
- Channel objective vary with product characteristics. perishable goods require more direct mktg.

- Channel design must take into account the strengths and weaknesses of different types of intermediaries.
- Competitor's channels also influence channel design.
- Channel design must adapt to the larger environment.
- Legal restrictions and regulations also affect channel design.

Identifying major channel alternatives

Types of intermediaries

Number of intermediaries

- Exclusive distribution
- Selective distribution
- Intensive distribution

Terms and responsibilities of channel members

The main elements in the "trade relation mix" are

- Price policies
- Conditions of sale
- Territorial rights
- And specific services to be performed by each party

Evaluating the major alternatives

Channel alternative should be evaluated against

Economic,

Control and

Adaptive criteria

Channel Management Decisions:

Selecting Channel Members

The producers should select the channel members by determining the characteristics like number of years in business, other lines carried, growth and profits record, solvency, cooperativeness and reputation. If the intermediaries are sales agent, producers would look into the number and characteristics of other lines carried and the size and quantity of the sales force. If the intermediaries want exclusive dealership, the producer would like to consider its locations, future growth prospects and type of clientele.

Training Channel members

Companies should conduct training programs for their distributors and dealers because the end users would view them as company.

Motivating Channel Members

A company needs to view its channel members in the same way as its end users. The company needs to determine the intermediary needs and construct a channel positioning such that its channel offering is tailored to provide superior value to these intermediaries. The company should provide training programs, market research programs and other capability-building program to improve intermediary's performance. The company must constantly communicate its view that the intermediaries are the partners in the joint effort to satisfy end-using consumers. This should start with understanding their needs and wants.

Producers vary greatly in managing intermediaries. They can draw on the following types of power to elicit cooperation:

1. Coercive Power: When the producer threatens to withdraw a resource or terminate a relationship if intermediaries fail to cooperate. This power is quite effective if the intermediaries are highly dependent upon the manufacturer but it can produce resentment can lead intermediaries to organize countervailing powers.
2. Reward Power: When the producer offers intermediaries an extra reward for performing specific acts or functions. Reward power typically produces better results than coercive power but can be overrated. The intermediaries may start expecting reward every time the manufacturer wants a certainbehaviour to occur.
3. Legitimate Power: When the manufacturer requests a behavior that is warranted under contract.
4. Expert Power: When the manufacturer has special knowledge that the intermediaries value. This is an effective form of power bcoz intermediaries would perform poorly without this. But it weakens once the expertise is passed on to the intermediaries. So manufacturer must keep on developing new expertise to keep influencing the intermediaries.

5. Referent Power: When the manufacturer is so highly respected that the intermediaries are proud to be associated with him.

Manufacturers can gain cooperation best if they resort to referent power, expert power, legitimate power and reward power and avoid using coercive power.

Intermediaries can aim for relationship based on cooperation, partnership or distribution program. Manufacturers can gain intermediaries cooperation through higher margins, special deals, premiums, cooperative advertising allowances, display allowances and sales contests. At time they may apply negative sanctions such as threatening to reduce margins. Slow delivery or terminate the relationship.

More companies try to forge a long term partnership with the intermediaries by defining what it wants from the intermediaries in terms of market coverage, inventory levels, marketing development, account solicitation, technical advice and services and marketing info. There may be a compensation plan for adhering to these policies.

Distribution Planning: Building a planned, professionally managed, vertical marketing system that meets the need of both. The manufacturer establishes a department within the company called distribution relations planning. Its job is to identify distributor needs and build up merchandising programs to help each distributor work as efficiently as possible. Both of them work jointly. The aim is to make distributors feel for making money from the sale side rather than on the buying side.

Evaluating Channel members:

Producers must constantly evaluate the channels performance against such standards as sales quota attainment, avg inventory levels, customer delivery time, treatment of damaged and lost goods and cooperation in the promotional and training programs.

Modifying Channel Arrangements:

A producer must periodically review and modify its channel arrangements. It becomes necessary when the channel is working as per the plans, the consumers buying patterns changes, the market expands, new competition arises, innovative distribution channels emerge and the product moves into the later stages of the PLC.

Marketing Channels vis-à-vis PLC:

Introductory stage: Specialist channels

Rapid growth stage: Dedicated stores, department stores that offer services

Maturity stage: Mass merchandisers

Decline stage: Lower cost channels like mail order, off price discounters.

The most difficult decision is revising overall channel strategy. It may become outdated and a gap would be created.

Customer Driven Distribution System Design:

1. Research target customers value perceptions, needs, and desires regarding channel service outputs.
2. Examine the performance of the company's and competitors existing distribution systems in relation to customer desires
3. Find service output gaps that need corrective actions
4. Identify major constraints that will limit possible corrective actions
5. Design a management bounded channel solution
6. Implement the reconfigured distribution system.

Managing Retailing Wholesaling

1. **Retailing**
    a. All activities involved in selling goods & services directly to final consumer for personal, non-business use.
2. **Types of Retailers**
    a. **Specialty Store**: Narrow Product line with a deep assortment, such as apparel stores, furniture stores, bookstores etc.
    b. **Department Store:** Several Product lines-typical clothing, home furnishings and household goods
    c. **Super market:** Relatively large, low cost low margin, high volume, self service operation designed to serve total needs for food, laundry and household maintenance products
    d. **Convenience Store:** Relatively small store located near residential area, open long hours seven days a week and carrying a limited line of high turnover convenience products at slightly higher prices

e. **Discount store:** Standard merchandise sold at lower prices with lower margins and higher volumes
f. **Off-Price Retailer:** Merchandise bought at less than regular wholesale price and sold at less than retail; often left over goods, overruns and irregulars obtained at lower prices.

3. **Retailers can position themselves as offering one of four levels of service:**
   a. **Self-service:** It is corner stone of all discount operations.
   b. **Self selection:** Customers find their own goods, although they can ask for assistance
   c. **Limited service:** These retailers carry more shopping goods and customers need more information and assistance
   d. **Full Service:** Sales people are ready to assist in every phase of the locate-compare-select process.

By combining these different service levels with different assortment breadths, we can distinguish the four broad positioning strategies available to retailers

e. **Bloomingdale's:** Stores that feature a broad product assortment and high value added, Pay high attention to store design, product quality, service and image. Profit margin is high.
f. **Tiffany:** Narrow product assortment but high value added. Cultivate an exclusive image and tend to operate on high margin and low volume.
g. **Sun glass hut:** narrow prod assortment and low value added, such stores keep their costs and prices low by designing similar stores and centralizing buying, merchandising and distribution
h. **Wall Mart:** Broad product line but low value added. Focus on keeping prices low. High volume

4. **Non store Retailing falls into 4 major categories:**
   a. **Direct selling**
   b. **Direct marketing**
   c. **Automatic vending**

d. **Buying services is a store less retailer serving a specific clientele-**usually employees of large organizations, who are entitled to buy from a list of retailers who have agreed to give them discounts in return for memberships.

5. **Major types of corporate retailing**
   a. **Corporate chain stores:** Two or more outlets commonly owned and controlled, employing central buying and merchandising and selling similar lines of merchandise.
   b. **Voluntary chains;** A wholesaler sponsored group of independent retailers engaged in bulk buying and common merchandising
   c. **Retailer cooperatives;** Independent retailers who set up a central buying organization and conduct joint promotion effort
   d. **Franchises;**
   e. **Merchandising conglomerates**: A free form corporation that combines several diversified retailing lines and forms under central ownership along with some integration of distribution and management

Merchant wholesalers: Independently owned businesses that take title to the merchandise they handle. They fall under two categories:

a. **Full service wholesalers**: carry stock, maintain a sales force, offer credit, make deliveries and provide management services. There are 2 types of full-service wholesalers: i) *wholesale merchant*: sell primarily to the retailers and provide a full range of services. *General line wholesalers* carry one or two lines. *Specialty wholesalers* carry only one part of line. ii) *Industrial distributor* sell to manufacturer rather than to retailers and provide several services.

b. **Limited service wholesalers**: Offer fewer services to suppliers and customers.

Brokers and agents: do not take title to goods, perform few functions.

Brokers

Agents: Manufacturing agents, selling agents, purchasing agents, commission merchants,

Manufactures' and Retailers' Branches and Offices: Sales offices, purchasing offices

Miscellaneous wholesalers: specialized wholesalers like agriculture assemblers, petroleum bulk plants

WHOLESALER MARKETING DECISION

1. Target Market
2. Product Assortment and Services
3. Price Decision
4. Promotion Decision
5. Place Decision

Pricing strategies and programmes

All profit organizations and many nonprofit organizations set prices on their products or services. Price goes by many names:

Price is all around us. You pay rent for our apartment, tuition for your education, and a fee to your physician or a dentist. The airline, railway, and bus companies charge you a fare; the local utilities call their price a rate; and the local bank charges and interest for the money you borrow. The price for driving your car on Florida's Sunshine Parkway is a toll, and the company that insures your car charges a premium. The guest lecturer charges an honorarium to tell you about a government official who took a bribe to help a shady character steal dues collected by a trade association. Clubs or societies to which you belong may make a special assessment to pay unusual expenses. Your regular lawyer may ask for a retainer to cover her services. The price of an executive is a salary, price of a salesperson may be a commission, and the price of a worker is a wage. Finally, although economists would All profit organizations and many nonprofit organizations set prices on their products or services. Price goes by many names:

Price is the marketing-mix element that produces revenue; the others produce cost. Price is also one of the most flexible elements: It can be changed quickly, unlike product features and channel commitments. At the same time, price competition is the number one problem facing the companies.

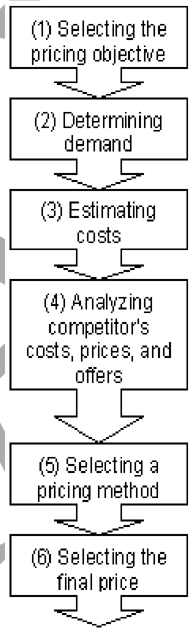
Managing marketing channels

Setting the Price

A firm must set a price for the first time when it develops a new product, when it introduces its regular products into a new distribution channel or geographical area, and when it enters bids on new contract work.

The firm must decide where to position its product on quality and price. In some markets, such as the auto market, as many as eight price points can be found

Segment	***Example (Automobiles)***
Ultimate	Rolls-Royce
Gold Standard	Mercedes-Benz
Luxury	Audi
Special Needs	Volvo
Middle	Buick
Ease/Convenience	Ford Escort
Me Too, but Cheaper	Hyundai
Price Alone	Kia



Price setting logic must be modified when the product is part of a product mix. In this case, the firm searches for a set of prices that maximizes profit on the total mix. Pricing is difficult because the various products have demand and cost interrelationship and are subject to different degree of competition.

- *Product-line Pricing:* Companies normally develop product lines rather than single products and introduce price steps. Ex- men's suit at 5000/- to 25000/-
- *Optional feature pricing:* many companies offer optional products, features, and services along with their main products. Ex- Auto companies also offering accessories at extra prices.
- *Captive product pricing:* Some product requires the use of ancillary, or captive products. Ex- low price for razors but high price for razor blades. There is a danger in pricing the Captive product too high in the aftermarket (market for ancillary supplies to the main product). Caterpillar for example,, makes high profits in the aftermarket by pricing its parts and services high. This practice has given rise to "pirates", who counterfeit the parts and sell them.
- *Two part pricing:* Service firms often engage in two-part pricing, consisting of a fixed rate plus a variable usage fee. Telephone users pay a minimum monthly fee plus charges for calls beyond a certain area. Amusement parks charge an admission fee plus fees for rides over a certain minimum. The service firm faces a problem similar to captive-product pricing- namely, how much to charge for the basic service and how much for the variable usage. The fixed fee should be low enough to induce the purchase of the service; the profit can then be made on the usage fees.
- *By-product Pricing:* The production of certain goods often results in by-products. If the by-products have value to a customer group, they should be priced n their value. Any income earned on the by-products will make it easier for the company to charge a lower price on its main product if competition forces it to do so.
- *Product Bundling Pricing:* Sellers often bundle their products and features at a set price. An auto manufacturer might offer an option package at less than the cost of buying all options separately. A theater company will price a season subscription at less than the cost of buying all performances separately. Because customers may not have planned to buy all the components, the savings on the price bundle must be substantial enough to induce them to buy the bundle. Some customers will want less than the whole bundle. Suppose a medical equipment suppliers' offer includes free delivery and training. A particular customer might ask to forego the free delivery and training in exchange for a lower price. The customer is asking the seller to "unbundled" or "rebundle" its offer.

Part A (ONE Mark)

Multiple Choice Questions

Online Examination

Part B (2 Marks)

1. What is channel of distribution?
2. Mention any two conventional channels of distribution with examples.
3. Write any two pricing objectives with examples.
4. What are the two factors affecting pricing decisions?
5. Brief on any two pricing methods.

Part C (8 Marks)

1. Explain the price mix with different methods and strategies.
2. Discuss the marketing challenges with examples.
3. Elaborate the channel systems in marketing.
4. Explain in detail the role of Retailers in marketing.

UNIT-IV – Promotion Mix

SYLLABUS

Promotion Decisions: Communication Process; Promotion mix – advertising, personal selling, sales promotion, publicity and public relations; Determining advertising budget; Copy designing and testing; Media selection; Advertising effectiveness; Sales promotion – tools and techniques. Marketing Research: Meaning and scope of marketing research; Marketing research process. Marketing Organisation and Control: Organising and controlling marketing operations.

ADVERTISING

Various marketing Gurus have defined advertising according to their own views:

" Advertising *Consists* of all the activities involved in presenting to a group a non –personal, oral or visual openly – sponsored, identified message regarding a product, service or idea. This message, called an advertisement, is disseminated through one or more media and paid for by the identified sponsor".

W.Z. Stanton

"To give public notice or to announce publicly".

"Advertising is mass communication of information intended to persuade buyers so as to maximize profits".

J.E. Littlefield

To summarise, advertising means any paid form of non – personal presentation and promotion or ideas, goods or services by an identified sponsor.

IMPORTANCE OF ADVERTISING

It is just not enough to manufacture a product. People must be informed of its existence and should be given good reasons to buy it. This is a job which is sought to be done by advertising. Without advertising, people would not be aware of the attributes of the product nor of its price. Let us now discuss the role and importance of advertising.

(i) Way of Informing

Advertising is a way of communicating information to the consumer –information which enables him to compare and choose from the products and services available.

Advertising enables consumbers to exercise their right of *free choice1 " Encyclopedia Bitannica"* such diverse media as handbills, newspapers, magazines, billboards, letters, radio and television broadcasts and motion pictures.

(ii) Manufacturer's concerns

Advertising is the most economical means by which a manufacturer or an institution can communicate to an audience either to sell a product or to promote a cause of social welfare, such as, civic drive, or an immunization programme. This includes the process of mass communication which is different from ordinary communication. Here a macro level mass communication is between manufacturer and his mass 243 audience. This is also connected through new sources. Mass audience gives various reactions as responses. Here audience is interconnected as a group within groups.

ADVERTISEMENT AND SALES PROMOTION

Difference between Advertising and Sales Promotion

Advertising is a message which promotes ideas, good or services communicated through one or more media by an identified sponsor while sales promotion consists of short – terms incentives provided by the identified sponsors to consumers and traders to persuade them to purchase and stock his products. The major differences between Advertising and

Advertising Goals

If an organization is spending crores of rupees on advertisement, then as managers we must attempt and be able to measure its effectiveness and delivery to find out whether we are receiving the value for money. However, advertising is only one part of marketing mix and the final delivery in rupees terms would involve the various marketing variables.

The tragedy of advertising is that if it does not lead to an increase in sales of the product, the entire blame is put on advertising. Hence a clear definition of advertising goals in required. A successful advertising campaign can be compared with a military compaign where goal is set as " capture the army post No. 11" and the goal is achieved.

Advertising goal can be defined as a clear and concise description of exactly what advertising is intended to accomplish, i.e.,

-- To increase sales,

-- To establish brand equity, and

-- To enter the target market.

Sometimes these objectives are considered as marketing objectives instead of advertising objectives.

Need to set Advertising Objectives

Some of the possible objectives that are stressed are :

(i) Return on Investment (R.O.I) Advertising involves an investment of funds. Hence, it should produce a measurable return on the said investment in order to assess the desirability and profitability of advertising.

(ii) Selection of media. The most effective advertising tool should be chosen in order to get the most profitable result.

(iii) Coordination An appropriate co-ordination and integration of marketing and advertising efforts is imperative. Otherwise objectives of advertising are superimposed on objectives of marketing. 249

VARIOUS APPROACHES FOR SETTING ADVERTISING OBJECTIVES

(I) DAGMAR Approach

This is the most popular method of setting advertising goals and was proposed by Russel M. Colley. DAGMAR stands for - Defining advertising Goals for Measured Advertising Results.

Colley outlined this method for turning advertising objectives into specific measurable goals. He lists 52 possible advertising objectives under the same approach. The theory is based on the following: " The consumer passes through a hierarchy of stages between the time when the first ideas about the product comes to his mind and when he actually buys it" For example, an advertisement of a Generator should highlight fuel efficiency, easy start, after –sales service and ready availability of spares.

-- Initially it would inform us and we shall become aware of such a product. Then through product endorsement and trial we shall develop a favourable attitude and ultimately, we shall buy the product.

-- To set advertising objectives, we shall need to identify the stage in which the product is available and then we can set the objective.

Example :

A detergent manufacturing company wanted to position its product as the most powerful cloth cleaner and as a low cost detergent.

-- They worked out a campaign targeted to 3 crore households who own automatic washers.

-- Prior to the campaign release, they did an attitude survey on brand perception.

After the campaign was over, they repeated the attitude survey.

Objectives of Personal Selling

Personal selling has been defined as the oral presentation to prospective customers of one's goods and services for the purpose of ultimately making a sale.

All selling processes contain the same basic steps, though the detail of each step and time required to complete it, will vary according to the product that is being sold. For example, a door –to – door sales representative may go through all the steps from prospecting to closing of sale in a matter of ten to fifteen minutes ; in contrast, the selling process for computer or electronic typewriter may take several visits, even years, for getting an order.

THEORIES OF SELLING

Old Approach : Generally the selling theories emphasized 'What to do' and 'How to do' rather than 'Why to do'. The theories are based upon the practical and experimental knowledge accumulated from the years of "living in the market", rather than on a systematic, fundamental body of knowledge.

The second or the *new approach* made use of the findings of the behavioural sciences. Theories according to the new approach :

1. AIDAS theory of selling – seller oriented
2. 'Right set of the circumstances' Theory of Selling – Seller – oriented.
3. 'Buying Formula' Theory of Selling – Buyer -oriented
4. 'Behavioural Equation' theory – Buyers' decision process.

AIDAS Theory of Selling : In this theory AIDAS stands for

A - Attention

I - Interest

D - Desire

A - Action

S - Satisfaction

This theory tells about the consumer readiness stage. It is a psychological theory of selling which tells us about the consumer mind – the stages through which the mind passes. These stages are attention, interest, desire, action and satisfaction. This theory tells about the fact that the salesman should make the consumer pass through these five stages so that the purchase should occur.

Phase – I – Securing Attention :

1. Get the appointment with the consumer
2. Salesperson must show mental alertness and be a skilled conversationalist.
3. He should establish a good rapport at once and should be a conversation opener.
4. He should do his homework properly.
5. Good conversation opener causes the prospect to relax and sets stage for the overall presentation.

Phase –II – Gaining Interest :This deals with the evolvement of the strong interest of the consumer in the product, to develop a contagious enthusiasm for the product and to give facts and figures about the product. There should be a strong selling appeal to make their interest in the product. There should be a strong selling appeal to make their interest in the product very effective. Also the attitudes and the feelings toward the product should be clarified. Sales – person must take all these into account in selecting the appeal to be emphasized

Phase III – Kindling Desire : Here the interest of the consumer is to be converted into the desire for buying the product. The ways should be found to face and dispose of the sales obstacles, the consumer objections, external interruptions, digressive remarks, etc.

The consumer should be satisfied in all respects and all of his doubts should be cleared.

Phase IV – Inducting Action : The perfect presentation results in the readiness of the consumer to buy the product. All this requires experience of the sales personnel as the buying is not automatic and it should not be closed until the sales persons are positive that the right time has come. Most prospects find it easier to shy away from the hints than from frank requests for an order.

Phase V – Building Satisfaction:After the purchase generally the customer passes through the state of mental cognitive dissonance in post – purchase anxiety. Now this is the job of the sales person to relieve him of this tension and convince him that him decision was correct. Building satisfaction means thanking the customer for the order and also to make the customer feel delighted and also to assure him of the promises made by the salesman.

PUBLIC RELATIONS

Public relations professionals must go beyond media relations and serve as more than a company mouthpiece; they are called on to simultaneously build consensus's and understanding, create trust and harmony, articulate and influence public opinion, anticipate conflicts, and resolve disputes. As companies become more involved in global marketing and the globalization of industries continues, it is important that company management recognize the value of international public relations. One recent study found that, internationally; PR expenditures are growing an average of 20 percent annually. Fueled by soaring foreign investment, industry privatization, and a boom in initial public offerings (IPOs), PR expenditures in India are reported to be growing by 200 percent annually.

Evaluation & control of Marketing efforts:

Controlling marketing efforts:

Control involves measurement, evaluation, and monitoring. Resources are scarce and costly so it is important to control marketing plans. Control involves setting standards. The marketing manager will than compare actual progress against the standards. Corrective action (if any) is then taken. If corrective action is taken, an investigation will also need to be undertaken to establish precisely why the difference occurred.

There are many approaches to control:

- Market share analysis.
- Sales analysis.
- Quality controls.
- Budgets.
- Ratio analysis.
- Marketing research.
- Marketing information systems (MkIS).
- Feedback from customer's satisfaction surveys.
- Cash flow statements.
- Customer Relationship Management (CRM) systems.
- Sales per thousand customers, per factory, by segment.
- Location of buyers and potential buyers.

- Activities of competitors to aspects of your plan.
- Distributor support.
- Performance of any promotional activities.
- Market reaction/acceptance to pricing polices.
- Service levels.

and many other methods of monitoring and measurement

Marketing Control Process:
1.Marketing Objectives
2. Performance Standard
3.Comparing Results against Standard
4.Corrections& Alternatives.
Consumerism in India

Web Marketing:
The number of international PR associations is growing as well. The new Austrian Public Relations Association is a case in point; many European PR trade associations are part of the Confederation Europeans des Relations Publiques and the International Public Relations Association. Another factor fueling the growth of international PR is increased governmentalrelations between countries. Governments and organizations are dealing with broad-based issues of mutual concern such as the environment and world peace. Finally, the technology-driven communication revolution that has ushered in the information age makes public relations a profession with truly global reach. Faxes, satellites, high-speed modems, and the Internet allow PR professionals to be in contact with media virtually anywhere in the world. E-mail and Web casting
Companies can also sign on with any of a number of Webcasting services. For a monthly subscription fee, customers can sit back while the Webcaster automatically delivers information of interest to their screens. Called “push” programming, on-line marketers see this as an opportunity to deliver information and ads to subscribers without the subscriber having to make a request. Webcaster must be careful however not to overload subscribers with “junk e-mail”.

A company can encourage prospects and customers to send questions, suggestions and even complaints to the company via e=mail. Customer service reps can quickly respond to these messages. Thcompany may also develop Internet-based electronic mailing lists. Using the lists, on-line marketers can send out customer newsletters, special product or promotion offers based on purchasing histories, reminders of service requirements or warrantly renewals, or announcements of special events.

However, one must guard against developing the reputation of a "Spammer" – Spam is the term for unsolicited e-mail.

Web communities are commercially sponsored web sites where members congregate online and exchange views on issues of common interest.

Webcasting – a service that automatically downloads customized information to the recipient's PC. For a monthly fee, subscribers can get information on their topics of interest automatically downloaded. A form of "push programming"

Challenges of online marketing

Consumers ability to order direct will hurt groups like travel agents, stock brokers, insurance salespeople, car dealers, book store owners.

Infomediaries- online intermediaries who help consumers shop more easily and obtain lower prices.

Other challenges are:

- Limited consumer exposure and buying
- Skewed demographics and psychographics
- Chaos and clutter
- Security
- Ethical concerns
- Consumer backlash – consumers have more power through a means of expressing their disgruntlement.

Email marketing model is centered on permission- based marketing.

For successful email marketing:

- Give the customer a reason to respond
- Personalize the content of your emails

- Offer something the customer could not get via direct mail

Ethical issues in direct marketing

Irritation – people find it bothersome.

Unfairness

Deception and fraud

Invasion of privacy

Green marketing refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in itself or produced and/or packaged in an environmentally friendly way.

The obvious assumption of green marketing is that potential consumers will view a product or service's "greenness" as a benefit and base their buying decision accordingly. The not-so-obvious assumption of green marketing is that consumers will be willing to pay more for green products than they would for a less-green comparable alternative product - an assumption that, in my opinion, has not been proven conclusively.

While green marketing is growing greatly as increasing numbers of consumers are willing to back their environmental consciousnesses with their dollars, it can be dangerous. The public tends to be skeptical of green claims to begin with and companies can seriously damage their brands and their sales if a green claim is discovered to be false or contradicted by a company's other products or practices. Presenting a product or service as green when it's not is called greenwashing.

For green marketing to be effective, you have to do three things; be genuine, educate your customers, and give them the opportunity to participate.

1) Being genuine means that

a) that you are actually doing what you claim to be doing in your green marketing campaign and

b) that the rest of your business policies are consistent with whatever you are doing that's environmentally friendly. Both these conditions have to be met for your business to establish the kind of environmental credentials that will allow a green marketing campaign to succeed.

2) Educating your customers isn't just a matter of letting people know you're doing whatever you're doing to protect the environment, but also a matter of letting them know why it matters.

Otherwise, for a significant portion of your target market, it's a case of "So what?" and your green marketing campaign goes nowhere.

3) Giving your customers an opportunity to participate means personalizing the benefits of your environmentally friendly actions, normally through letting the customer take part in positive environmental action.

Let's put the three essential elements of a successful green marketing campaign together by looking at an example.

Suppose that you have decided that your business will no longer use plastic bags to wrap customer purchases. You know that the traditional plastic bag takes about one thousand years to decompose and want to do your part to stop the proliferation of plastic bags in landfills. You feel that this is the kind of environmental action that will be popular with potential customers and a good opportunity to do some green marketing.

To be genuine, you have to ensure that none of your business practices contradict your decision not to use plastic bags. What if customers who happen to walk behind your store see an overflowing trash bin filled with paper, cardboard and plastic bottles? Obviously, he or she will decide that you don't care as much about recycling as you say you do in your green marketing.

Not using plastic bags appears to be environmental no-brainer, but you will still need to educate your target market. Did you know that a single use plastic bag takes about one thousand years to decompose? I didn’t until I researched this article and probably a fair number of otherwise environmentally conscious people don't either. This one little factoid about plastic bags could be used as part of your green marketing campaign - all by itself it lets the public know why single use plastic bags are environmentally disastrous and that you and your business care about the environment.

Marketing Research

Marketing Research is the systematic design and collection, analysis and reporting of data and findings to a specific marketing situation facing the company.

Suppliers of marketing research:

1) In-house marketing research dept
2) engage b-school students or professors to design and carry out projects

3) use the internet for public domain information at low cost
4) checking out rivals through products, advts. etc
5) Companies also purchase research from :
   - Syndicated service research firms : they gather research and sell for a fee
   - Custom research firms : They design and carry out specific projects customized for the company concerned
   - Speciality line marketing research firm: provide specialised research services. Eg: field service firm does only interviews.

Marketing research process

1. Define a problem and research objectives
2. Develop the research plan
3. Collect the information
4. Analyze the information
5. Present the findings.

The Marketing Research Process

Step 1: Define the Problem and Research Objectives

Management must not define a problem too broadly or too narrowly.

Example of an ideal problem definition:

"Will offering an in-flight phone service create enough incremental preference and profit for American Airlines to justify its cost against other possible investments American might make?"

Specific research objectives:

1) What are the main reasons that airline passengers place phone calls while flying?
2) What kinds of passengers would be the most likely to make calls?
3) How many passengers are likely to make calls, given different price levels?
4) How many extra passengers might choose American because of this new service?
5) How much long-term goodwill will this service add to American Airlines' image?
6) How important is phone service relative to improving other factors such as flight schedules, food quality, and baggage handling?

Not all research projects can be specific. Some research is **exploratory**- its goal is to shed light on the real nature of the problem and to suggest possible solutions or new ideas. Some research is

descriptive- it seeks to ascertain certain magnitudes, such as how many people would make an in-flight call at $25 a call. Some research is **causal**- its purpose is to test a cause-and-effect relationship. For example, would passengers make more calls if the phone were located next to their seat rather than in the aisle near the lavatory?

Step 2: Develop the Research Plan

This stage calls for developing the most efficient plan for gathering the needed information. The cost of the research plan must be known before it is approved. Designing a research plan calls for decisions on the data sources, research approaches, research instruments, sampling plan, and contact methods.

Data Sources

The researcher can gather **secondary data, primary data**, or both. Secondary data are data that were collected for another purpose and already exist somewhere. Primary data are data gathered for a specific purpose or for a specific research project. Primary data is costly while secondary data provide a starting point for research and offer the advantages of low cost and ready availability. The WWW is a powerful source of secondary data and can provide information on associations, business information, government information, international information.

When the needed data do not exist or are outdated, inaccurate, incomplete, or unreliable, the researcher will have to collect primary data. Primary data can be collected by individual and group interviews.

A customer or prospect database is an organized collection of comprehensive data about individual customers, prospects, or suspects that is current, accessible, and actionable for marketing purposes such as lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships.

Data warehousing and data mining techniques are becoming increasingly popular. Companies are using data mining, a set of methods that extracts patterns from large masses of data organized in what is called a data warehouse. A company could benefit in several ways:

- Knowing which customers may be ready for a product upgrade offer
- Knowing which customers might buy other products of the company
- Knowing which customers would make the best prospects for a special offer

- Knowing which customers have the most lifetime value and giving them more attention and perks
- Knowing which customers might tend to exit and taking steps to prevent this

Example: Marriott's Vacation Club International has managed to reduce its volume of mail and yet increase its response rate by developing a model showing which customers in its database are most likely to respond to specific vacation offerings.

But data mining and data warehousing come with a heavy cost.

Research Approaches

Primary data can be collected in the following five ways:

Observational research: Fresh data can be gathered by observing the relevant actors and settings. The American Airlines researchers might meander around airports, airlines offices, and travel agencies to hear how travelers talk about the different carriers. This exploratory research might yield some useful hypotheses about how travelers choose air carriers.

Focus-group research: A focus group is a gathering of six to ten people who are invited to spend a few hours with a skilled moderator to discuss a product, service, organization, or other marketing entity. This is a useful exploratory step. With the development of the WWW, many companies are now conducting on-line focus groups.

Survey research: Surveys are best suited for descriptive research. Companies undertake surveys to learn about people's knowledge, beliefs, preferences, and satisfaction, and to measure these magnitudes in the general population.

Behavioral data: Customers leave traces of their purchasing behavior in store scanning data, catalog purchase records, and customer databases. Much can be learned by analyzing this data.

Experimental research: This is most scientific and captures cause-and-effect relationships.

Research Instruments

There are 2 main options:

- **Questionnaires**
- **Mechanical Instruments**

Questionnaires

Closed-end Questions

- Easier to interpret and tabulate

Name	**Description**
Dichotomous	2 possible answers (Yes/No)
Multiple-choice	3 or more answers
Likert scale	Agreement/disagreement scale (1 for strongly disagree, 5 for strongly agree)
Semantic differential	Scale connecting two bipolar words-the respondent selects the point that represents his or her opinion. American Airlines: Large -------------------------Small
Importance scale	Scale that rates the importance of some attribute (1 for extremely important, 5 for not at all important)
Rating scale	Scale that rates some attribute from "poor" to "excellent"
Intention-to-buy Scale	Scale that describes the respondent's intention to buy

Open-end Questions

- Useful in exploratory research

Name	Description
Completely unstructured	"What is your opinion of American Airlines?"
Word association	"What is the first word that comes to your mind when you hear the word TRAVEL?"
Sentence completion	Respondents complete an incomplete sentence
Story completion	Respondents complete an incomplete story
Picture	A picture of 2 characters is presented, with one making a statement. Respondents are asked to identify with the other and fill in the empty balloon.
Thematic Apperception Test (TAT)	A picture is presented and respondents are asked to make up a story about what they think is happening or may happen in the picture.

Mechanical Instruments

Mechanical devices are occasionally used in marketing research. Galvanometers measure the interests emotions aroused by exposure to a specific ad or picture. An audiometer is attached to TV sets in participating homes when the set is on and to which channel it is tuned. A tachistoscope may also help.

This is continuation of STEP 2: Develop the research plan

Sampling plan after deciding on the research approach , the marketer researcher needs to draw up a sampling plan. For this he needs to make 3 decisions

1. sampling unit – who is to be surveyed..? the target population to be surveyed so as to have the right kind of population representation
2. sample size – how many people to be surveyed…large samples gives more accurate results but it may not always be feasible to sample the total population
3. sampling procedure – how should the sample be selected to have the right kind of representation. Probability sampling methods with confidence intervals for sampling errors

Contact methods how to contact the subject (people to be surveyed)

* mail questionnaire
* telephone interviews
* personal interviewing
* arranged interviews
* online interviewing

Attached with such interviews are incentives that should be given to respondents to attract them to answer such questions

STEP 3.collect the information

Collecting the information is most expensive and prone to error.

However technology (computers etc) are making things easier and enhancing the process of data collection and analysis.

STEP 4 Analyse the information

Develop frequency distributions, averages, measures of dispersion etc to analyse the information collected

STEP 5 Present the findings

Present the main findings to the marketing decision makers.

Overcoming barriers to the use of marketing research – why companies fail to use it sufficiently or correctly

1. narrow conception – they see it as a fact finding process.
2. uneven caliber of marketing researchers – hiring unprofessional and less competent workers to do market research leads to unsatisfactory results resulting in disappointment.
3. late and erroneous finding by market research – managers look for quick results…they are disappointed with high costs and the time required for such researches..
4. personality and presentational differences - differences in the style of line managers and marketing researchers often get in the way of productive relationships.

Seven characteristics of a good marketing research

1. scientific method
2. research creativity
3. multiple methods
4. independence of models and data
5. value and cost of information
6. healthy skepticism

Ethical marketing of data, systems, tools and techniques with supporting software and hardware but which an organisation gathers and interprets relevant information from business and environment and turns it into basis for marketing action. Eg. Brand-aid, callplan, detailer etc

Diff types of Statistical tools –

1. Multiple regression - same as QM
2. Discriminant Analysis - ---do---
3. Factor Analysis – technique used to determine a few underlying dimensions of a larger set of correlated variables
4. Cluster analysis – separating objects into mutually exclusive groups of specified no. such that they are relatively homogenous
5. conjoint analysis – respondents rank preferences for each attribute.

6. multidimensional scaling – techniques to produce perceptual maps of competitive products/brands

Types of Models –

1. Markov process Model – shows probability to move from current state to a future state
2. queuing model – shows waiting times and queue lengths
3. new product pretest models- estimates functional relations between customer attributes in a pretest situation of a marketing offer
4. sales response models – estimate relations b/w one or more marketing variables

Optimization routines –

1. Diff. Calculus – finds maxima and minima
2. Mathematical programming – optimization
3. Statistical decision theory – concept of decision tree
4. game theory
5. heuristics – using set of rules of thumb to reduce time/work and find a reasonably good solution

Part A (ONE Mark)

Multiple Choice Questions

Online Examination

Part B (2 Marks)

1. What are the components of promotion mix?
2. What are the major objectives of advertising? Give examples?
3. List the major objectives of advertising and publicity with suitable examples.
4. Distinguish between Advertising and Publicity
5. List out the two main objectives of sales promotion.

Part C (8 Marks)

1. Bring out in detail the role of personal selling and advertising in promotional industrial products?
2. Explain the limitation of advertising with examples
3. Discuss in telemarketing?
4. Describe the significance of online marketing in current scenario.
5. Explain the different types of advertising?

UNIT-V – Developments in Marketing

SYLLABUS

Social, ethical and legal aspects of marketing; Marketing of services; International marketing; Green marketing; Digital and Social Media marketing; Customer relationship marketing - Customer database, identifying and analyzing competitors - Designing competitive strategies for Leaders, Challengers, Followers and Niche's - Attracting and retaining customers.

Social Aspects of Marketing

Consumerism

In the good olden days the principle of Caveat emptor', which meant buyer beware governed the relationship between seller and the buyer. In the era of open markets buyer and seller came face to face, seller exhibited his goods, buyer thoroughly examined them and then purchased them. It was assumed that he would use all care and skill while entering into transaction.

The maxim relieved the seller of the obligation to make disclosure about the quality of the product. In addition, the personal relation between the buyer and the seller was one of the major factors in their relations. But with the growth of trade and its globalization the rule no more holds true. It is now impossible for the buyer to examine the goods before hand and most of the transactions are concluded by correspondence. Further on account of complex structure of the modern goods, it is only the producer / seller who can assure the quality of goods. With manufacturing activity becoming more organized, the producers / sellers are becoming more strong and organised whereas the buyers are still weak and unorganized. In the age of revolutionized information technology and with the emergence of e-commerce related innovations the consumers are further deprived to a great extent. As a result buyer is being misled, duped and deceived day in and day out. Mahatma Gandhi, the father of nation, attached great importance to what he described as the "poor consumer", who according to him should be the principal beneficiary of the consumer movement. He said "A Consumer is the most important visitor on our premises. He is not dependent on us we are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving an opportunity to serve him." In spite of these views consumerism is still in its infancy in our country, thanks to the sellers market and the government monopoly in most services. Consumer awareness is low due to the apathy and lack of education among the masses. No one has told them about their rights - to be informed about product quality, price, protection against unsafe products, access to variety of goods at competitive prices, consumer education etc. What consumerism lacks here is education and information resources, testing facilities, competent leadership, price control mechanism, and adequate quasi-judicial machinery. The providers of goods and services have been reluctant to give due consideration to consumer interest protection.

In present situation, consumer protection, though as old as consumer exploitation, has assumed greater importance and relevance. Consumerism is a recent and universal phenomenon. It is a social movement. Consumerism is all about protection of the interests of the consumers. According to McMillan Dictionary (1985) "Consumerism is concerned with protecting consumers from all organisations with which there is exchanged relationship. It encompasses the set of activities of government, business, independent organisations and concerned consumers that are designed to protect the rights of consumers". The Chamber's Dictionary (1993) defines Consumerism as the protection of the interests of the buyers of goods and services against defective or dangerous goods etc. "Consumerism is a movement or policies aimed at regulating the products or services, methods or standards of manufacturers, sellers and advertisers in the interest of buyers, such regulation maybe institutional, statutory or embodied in a voluntary code occupied by a particular industry or it may result more indirectly from the influence of consumer organizations".

As commonly understood consumerism refers to wide range of activities of government business and independent organisations designed to protect rights of the consumers. Consumerism is a process through which the consumers seek redress, restitution and remedy for their dissatisfaction and frustration with the help of their all organised or unorganised efforts and activities. It is, in-fact a social movement seeking to protect the rights of consumers in relation to the producers of goods and providers of services. In-fact consumerism today is an all-pervasive term meaning nothing more than people's search for getting better value for their money. Consumer is the focal point of any business. Consumers' satisfaction will benefit not only business but government and society as well. So consumerism should not be considered as consumers' war against business. It is a collective consciousness on the part of consumers, business, government and civil society to enhance consumers' satisfaction and social welfare which will in turn benefit all of them and finally make the society a better place to live in.

Components of Consumerism

There are various components of consumerism. First and foremost is self-protection by consumers. Consumer must be aware of his rights, raise voice against exploitation and seek redressal of his grievances. Consumers' consciousness determines the effectiveness of consumerism. It is the duty of the consumer to identify his rights and to protect them. Voluntary Consumer Organizations engaged in organizing consumers and encouraging them to safeguard their interests is another important element of consumer movement The success of consumerism lies in the realization of the business that there is no substitute for voluntary self-regulations. Little attention from the business will not only serve consumers interest but will also benefit them. Some businesses in India have come together to adopt a code of conduct for regulating their own activities. Regulation of business through legislation is one of the important means of protecting the consumers. Consumerism has over the time developed into a sound force designed to aid and protect the consumer by exerting, legal, moral and economic pressure on producers and providers in some of the developed countries.

<u>Identifying & analyzing Competition</u>

1. Michael Porter's 5 forces:
    a) Threat of intense segment rivalry (competition within the industry)
    b) Buyers' power
    c) Suppliers' power
    d) Threat of potential entrants (threat of mobility)
    e) Threat of substitutes
2. Industry – group of firms that are close substitutes for each other. Classified according to degree of product differentiation, presence or absence of entry, mobility, and exit barriers, cost structure, degree of vertical integration, degree of globalization.
3. Degree of differentiation -

Pure monopoly – Only 1 firm provides a particular product or service in the region / country / area (regulated monopoly / unregulated monopoly)

Oligopoly – Small no. of large firms provide a range of products or services – highly differentiated or standardized. Pure oligopoly – few companies, commodity markets. Differentiated oligopoly – few companies, partially differentiated products along certain features like quality / features – each competitor seeks leadership along one of these major attributes.

Monopolistic competition – Many competitors, differentiated (wholly or partially) products, competitors focus on market segments which can meet customer needs ina superior way and command a price premium.

Pure competition – commodity markets, many players, no advertising unless it can create psychological differentiation (e.g. cigarettes, cement)

4. Barriers

Mobility barriers – barriers of entry into new markets

Exit barriers (many stay on as long as they cover all their variable and part of their fixed costs)

5. Cost structure

More modern equipment, greater efficiency, lower costs

6. Degree of Vertical Integration

Backward / Forward integration to lower costs and / or gain a larger share of the value stream. A vertically integrated company can manipulate prices in various parts of the value stream and earn more profits where taxes are lowest.

7. Degree of globalization

Compete on a global basis in order to achieve economies of scale and keep up with the latest advances in technology

8. Competitor analysis

Once the primary competitors are analyzed, the company needs to ascertain the characteristics, i.e. strategies, objectives (what is each company seeking in the marketplace – history, management, financial situation, expansion plans etc.), strengths, weaknesses, reaction patterns of the competitors.

A strategic group is a group of firms following the same strategy in a given target market.

Six competitive positions of a firm in its target market – dominant, strong (can take independent action without endangering its long term position regardless of competitors' actions), favourable (more than average opportunity to improve), tenable (satisfactory enough to continue, but improvement opportunity is less than average), weak (change or exit), non-viable (divest).

Three variables to monitor while analyzing its competitors – Share of market, share of mind, share of heart.

Reaction patterns of competitors – Laidback competitor, Selective competitor (reacts to certain types of attacks), Tiger competitor (reacts to every move), Stochastic competitor (no predictable behaviour)

Competitive equilibrium (Bruce Henderson) :

If competitors are nearly identical and make their living in a similar way, then their competitive equilibrium is unstable as differentiation is hard to maintain.

If a single factor (e.g. a cost breakthrough or technical advancement achieved by one firm) is the critical factor, then competitive equilibrium is unstable as competitors can defend their share only at a great cost.

If multiple factors may be critical factors, then it is possible for each competitor to have some advantage and be differentially attractive to some customers. The more factors that may provide a competitive advantage, the more competitors can coexist.

The fewer the number of critical factors, the fewer the number of competitors.

A ratio of 2 to 1 in market share between any two competitors seems to be the equilibrium point at which it is neither practical nor advantageous for either competitor to increase or decrease share. At this level, the costs of extra promotion or distribution would outweigh the gains in market share.

9. Four main steps to designing a competitive intelligence system:

Setting up the system

Collecting the data

Evaluating and analyzing the data

Disseminating information and responding

10. Selecting competitors to attack and to avoid

Customer value analysis – to reveal the company's strengths and weaknesses relative to various competitors

Identify the major attributes customers' value

Assess the quantitative importance of the different attributes

Assess the company's and competitors' performances on the different customer values against their rated importance

Examine how customers in a specific segment rate the company's performance against a specific major competitor on an attribute-by-attribute basis

Monitor customers' values over time

11. Classes of competitors

Strong vs. weak

Close vs. distant (companies should avoid trying to destroy their closest competitor – *Porter*)

Good vs. bad (do not play by the rules, set unreasonable prices, try to buy share rather than earn it, take large risks, invest in overcapacity, upset the industrial equilibrium)

12. Competitive Strategies

Defending market share – Position defence (build an impregnable fortress around one's territory), Flank defence (erect outposts, i.e. new products/ alternatives) to protect a weak front or serve as an invasion base for counterattack, e.g. Starbucks coffee launching non-coffee products like tea and juice ('teazzi'), Counteroffensive defence (hit back to counter the competitor's price cut or promotional blitz), Mobile defence (stretch your domain over new territories that can serve as future centres for defence and offence.

Market broadening – shift focus from the current product to the underlying generic need. Do not carry this too far lest you fault upon the two fundamental military principles – the principle of the objective (pursue a clearly defined, decisive and attainable objective) and principle of mass (concentrate your efforts at a point of enemy weakness.)

Market Diversification – shift focus to unrelated industries. eg: Tobacco companies moving into beer, liquor, soft drinks, etc, as a result of curbs on the cigarette industry.

Contraction Defense – Planned contraction by large companies (strategic withdrawal) – giving up weaker territories and assigning resources to stronger territories – concentrate competitive strength – pruning of product lines – eg: GE, Heinz, etc.

Expanding Market Share – to improve profitability as it rises with its relative market share of the served market. Eg: GE – No. 1 or No. 2 in every market. Some industries have a V-shaped relationship curve between market share and profitability – Few large profitable firms – many small focused profitable firms – many medium-sized low profitable firms – Looks at total market and not market segments

Increase in costs as a result of increase in market share beyond a point (say 50%). This is due to cost of legal work, public relations and lobbying. Pushing for higher market share not justified as a result of few scale or experience economies, unattractive market segments, high exit barriers, etc.

Share Gaining companies outperform competitors in:

- New Product activity
- Relative product quality
- Market expenditures

Ways to protect and increase market shares derived from P&G and Caterpillar:

P&G:

- Customer Knowledge
- Long term outlook
- Product innovation
- Quality Strategy
- Line-extension strategy
- Brand-extension strategy
- Multi-brand Strategy
- Heavy Advertising & Media pioneer
- Aggressive sales force
- Effective sales promotion
- Competitive toughness
- Manufacturing efficiency – cost cutting
- Brand Management system

Caterpillar:

- Premium performance
- Extensive and efficient dealership system
- Superior service
- Superior parts management

- Premium price1
- Full line strategy
- Good financing

Marketing strategy for challenger

Market challenger strategies – first define strategic objective and opponent(s)

- Attack the market leader: high risk-high payoff strategy. Makes sense if the leader isn't serving the market well. Targeting unsatisfied customers – out innovate competitor across whole segment.
- Attack firms of its own size that are under performing and are under financed: they charge excessive prices, have ageing products, etc.
- Attack small & regional firms:

General Attack Strategy:

Frontal Attack: match opponents products, pricing, advertising & distribution. Win through sheer greater manpower & resources.

Modified Frontal Attack: price cutting vis-à-vis opponent. Can work if market leader doesn't retaliate or competitor can convince of better/equal quality products.

Main principle of offensive warfare – "Concentration of strength against weakness"

Flank Attack:

a) Geographical – challenge opponent in spot areas where he is under performing
b) Segmental – serve uncovered market needs

Rush in to fill gaps developing in market due to shifts. Flank attack is attractive to a challenger with fewer resources than the opponent.

Encirclement maneuver: capture a wide slice of opponent's market through a 'blitz'. Launch a grand offensive on several fronts. Can be pursued by firms having superior resources.

Bypass Strategy: bypass the enemy and attack easier markets to broaden resource base. 3 ways:

a) Diversifying into unrelated products
b) Diversifying into new geographical markets
c) New technologies to supplant existing products

Guerilla Attack: small intermittent attacks to harass and demoralize opponents and secure permanent footholds. Conventional & unconventional means – selective price cuts, intense promotional blitzes, occasional legal actions.

Specific Attack Strategies: (Beyond the above broad strategies)

- Price Discount
- Cheaper Goods
- Prestige Goods
- Product Proliferation
- Product Innovation
- Improved services
- Distribution innovation
- Manufacturing cost reduction
- Intensive advertising promotion

Marketing strategy for follower:

Market-Follower Strategies

Product imitation could be better than product innovation.

In industries with low image differentiation, comparable service quality, price sensitivity. There is high possibility of price wars. Strategy against short run gains but for long term sustainability.

Market follower – know to hold on to current customers – win a fair share of new customers – distinctive advantages in location, services, financing – low manufacturing costs – high product & service quality – new market penetration

Four Broad Strategies:

- Counterfeiter: duplicate leader's product & package – sell it in the black market thru disreputable dealers
- Cloner: emulate leader's products, name, and packaging, with slight variations
- Imitator: copy some things from the latter but maintain differentiation in packaging, advertising, pricing, etc.
- Adapter: take the leader's products and adapt or improve them. Choose to sell to different markets. Grows into the future challenger.

MARKET NICHER STRATEGY

This strategy involves avoiding competing with large firms by targeting small markets which are low volume but highly profitable. The profits are higher because of higher margin as compared to mass market. The specialization of niche market can be of following type.

1. End user specialist – customized computer hardware and software.
2. Vertical level specialist- copper firm producing raw mat or comp or finished prod
3. Customer size spec- small customer neglected by others
4. Specific customer spec- selling entire output to GM or Sears
5. Geographic spec – selling in one particular location
6. Product line spec – lenses of microscope or ties
7. Job shop spec – customizing for individuals , Customized cars
8. Quality price spec – HP operated on high price and high quality
9. Service spec – bank accepting loans on phone and hand delivery of money
10. Channel spec – soft drink selling thru only gas stations

Operating in one niche is dangerous so either should continuously create new niches or multiple niches operation.

Companies can be Competition oriented or Customer oriented

Competitor oriented – Constant watch on competitor and actions are more reactive.

Customer oriented – identify new opportunities and make strategy, more proactive.

Part A (ONE Mark)
Multiple Choice Questions
Online Examination

Part B (2 Marks)

1. Who is a Market Leader?
2. What are the major strategies of Market Challenger?
3. List the counter attacks available against competitors.
4. Write notes on Niche Marketing.
5. Is retaining customers important?

Part C (8 Marks)

1. Explain the strategies adopted by market leaders?
2. Describe the strategies adopted by market Challengers?
3. Elaborate the strategies of market followers and niches?
4. Discuss the ways of using customer database
5. Differentiate between attracting and retaining customers?
6. Elucidate the ways of identifying and analyzing competitors?