

MARKETING MANAGEMENT

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MARKETING MANAGEMENT

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Introduction to Marketing

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STRUCTURE

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1.1 Learning Objectives

After going through this chapter, you are expected to:

- ◆ Define marketing and discuss its central concepts.
- ◆ Understand marketing management as well as how marketers manage to develop healthy customer relationships by satisfying customer demand.
- ◆ Think about five marketing philosophies and be able to explain management of demand as well as customer value creation and customer satisfaction.
- ◆ Understand the marketing mix elements
- ◆ Have an idea about the key marketing difficulties to be faced by marketers in the fourth coming times.



1.2 Introduction

All small and big businesses strive for one thing i.e., success in achieving its goals, Numerous factors all together help the business to achieve what they strive for- various factor endowments like hard-working employees, free flow of information, planning, resource utilization, strategies, execution of plan, control mechanism etc. But modern businesses have one thing in common, they prioritize customers and heavily invest in marketing, they understand the fact that customer is king and accordingly they predict the needs and wants of customers way in advance by analyzing the market, serve to those needs and wants and ultimately satisfying (delighting) their customers in a manner that it leaves a positive impact on the target market.

Marketing has different meaning to different people, further in the chapter we will discuss various definitions of marketing given by eminent authors and institutions, So, marketing can be considered a lifestyle, marketing is getting the right product (goods, services, people, places, experience, event etc.) to the right people (target market, customers) at the right places at the right time at the right price with the right communication and promotion to deliver more than the perceived value to the customer which will make them delighted. Businesses now a days know it well that if they take good care of their customers, every other goal will fall in place including profitability, customer base and an edge over competitors.

In any business, there are several functional departments, marketing is one such departmental function which directly deals with customers. Delivering the right value or sometimes more than perceived value keeps the customers delighted enough to become another medium of promotion for the business as well as it retains the customer for a longer period.

It is normally perceived that only large businesses having huge profits, practice marketing or invest in it, but if we pay attention to the environment or markets, we are in, we will notice that some sort of marketing is being used by all businesses around us, for example a small vendor on the roadside, if you analyze you will find that the vendor has its own pricing strategy, an unique product mix, the place where this vendor sells is by choice on the basis of footfall to that place. So, you consider any business small or big, local or global, marketing has a role to play in the success story of that business.



Marketing has its own history as well, if you search the term marketing in the dictates of before 1910, you would not find this term in it, but for the first time this term was propounded in 1910 and was also instilled in dictionaries as well with a clear meaning, but that meaning has evolved a lot from the era of industrial revolution to the era of digital revolution. Marketing firstly was brought in use by consumer packaged-goods, consumer durable and industrial equipment companies and all sort of industries saw the magic of marketing unfold and then the world saw the evolution of marketing, we will discuss more about history and evolution of marketing as we move further in this chapter.

Marketing is not confined to core product business only, organization's working for welfare of society and providing services have started marketing in modern world like hospitals, educational institutions, NGOs, police departments etc. Even service providers like advocates and chartered accountants also market their services.

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You already have an in-depth understanding of marketing; you see it happening around you daily:

- ◆ You see and experience marketing through various mails and messages pouring in your mailbox and inbox.

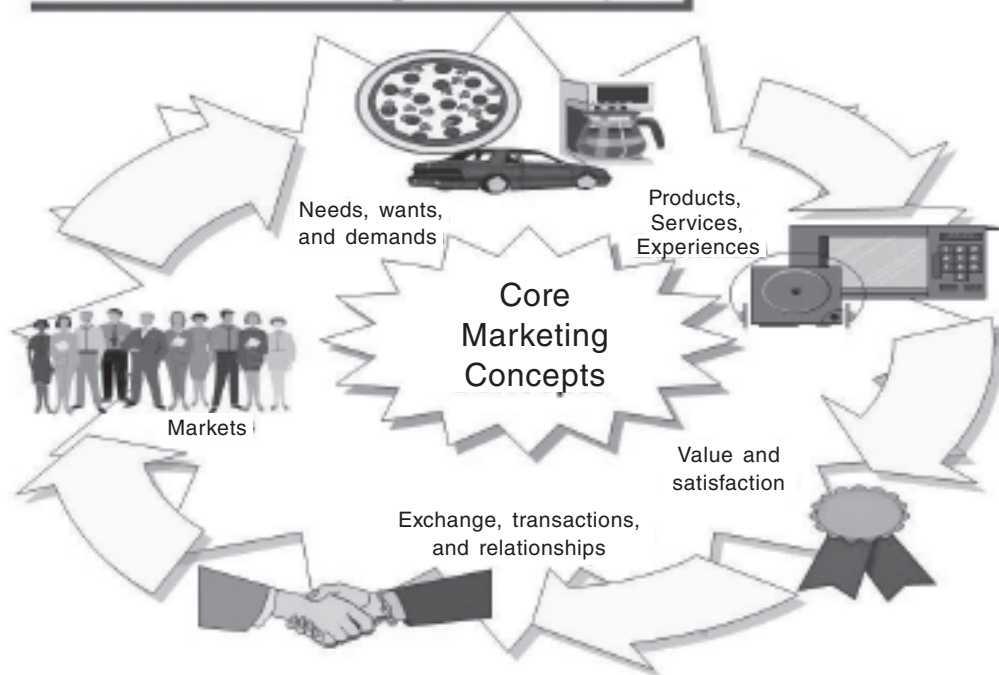


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- ◆ While surfing the internet various pop-ups make you curious about attaining more information of the marketer.
- ◆ Knowingly or unknowingly, you are hammered through television, radio, newspaper and social media etc. in the form of advertisement again and again.
- ◆ On a regular basis your eyeballs capture hundreds of brands, even while travelling you see bombardment of advertisement through different modes like transit advertising, hoardings, pamphlets etc.

But marketing is more than what your eyes see on a regular basis, behind what your eyes see or your mind experience as marketing is a huge number of people working tirelessly to withdraw your attention and extract money out of your pocket by promising to deliver you some value. Most of us are confused and assume marketing and advertising as one and the same thing, but it is not, we will have much better understanding about what marketing actually is further in this chapter.

Core Marketing Concepts



Source: <https://slideplayer.com/slide/5689557/>



1.3 What is Marketing?

What marketing is all about? It will make you realize after you conduct proper research over this topic that it's more than what you thought it to be. In simple language, if we define marketing as per our understanding it is analyzing the perceived value, expectations or preferences of customers for their money about a product (it includes everything like services, person, idea or experience etc.), and approaching those customers to deliver the expected value to delight them, it is nothing but exchange of value for the satisfaction of human needs and wants.

It is not to be assumed as mere **selling** like old times, but it is more than selling and delivering value to the customer for satisfaction (delightedness) in modern times like now. In introduction as we discussed that marketing and advertising is confused to be the same thing, but it is not, advertising is just one out of many ways of marketing, it is not the innocent people's mistake to assume marketing or advertising or selling the same thing, as we see a lot of advertisements on a daily basis on television, newspapers, magazines, transport mediums trying to persuade us to buy a new thing every now and then, our minds has been approached by these marketers through advertising so many times in a day that we clearly assume marketing and advertising to be the same thing. If any marketer focuses well on customer's needs and develop a product which gives the customer more than the expected value, also makes that product reach to every customer in demand as well as promotes it well, product will sell off without putting many efforts, in today's world if you have the right combination of quality and quantity of a particular product it will sell with minimum efforts.

1.3.1 Some Important Definitions

A platform or a place that facilitates marketing is known as market in simple language. If you have watched a movie named "Mohenjo-Daro" starred by Hritik Roshan and if you can recollect there is a place in that movie where our hero went to sell indigo cultivation in exchange of some grains, Whole point of bringing out this example in this discussion is giving you a view of how traditional markets used to be in the ages of barter exchange, in narrow sense where ever seller and buyer



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meets in order to exchange their products or something of value to each other is a market. In modern world a virtual space can be a market, for example during Covid days there were many home kitchens delivering food through swiggy or Zomato without having any physical presence in the market. So, market can facilitate marketing to bring more ease to buyers and sellers and whenever or wherever seller and buyers are ready to exchange value to each other, marketing occurs.

Human needs and wants are the main things to be satisfied by any marketer offering a product in exchange of monetary value. If we talk about needs, they arise out of deprivation state, for example food, shelter, clothing, safety etc. and wants are desires which arises when basic needs are fulfilled, and they keep on changing time to time as and when your social status changes, your wants also are reshaped, basically stressing upon a specific need is a want, for example - need is having bread to meet hunger state of body, want is deciding what exactly to eat out of many choices available. North Indian households would want chapattis as their main food but South Indians might want rice etc. Human needs might be very few but wants can be numerous. Once wants are backed by purchasing power it becomes demand, in other words, demand is willingness and ability to buy a wanted product. So, to understand marketing we must have a clear understanding of needs, wants and demand as marketing exist because of these terms. Marketers stress much on demand creation; they would always want to stimulate demand by attracting the customers through offering better quality product or through packaging or sometimes through advertising heavily.

Products are the medium to satisfy the needs and wants of customers. Anything which is offered to market for satisfaction of need and want is called product. In marketing terminology product is not just physical object like television, fan, table or chair, services, experience, events, places, ideas and even people come in the category of product. A customer would buy a product for satisfying their need and want, they might buy it up till it serves some value to them as expected, otherwise product is of no use to them. Different customers might choose different product for the same need as per their purchasing power or taste and preferences or sometimes various other factors play a role in product buying decision. For example, any one might require mobile phone for communication



as its core feature but some might go for a smart phone, some might choose a simple table phone for communication, some might choose an advanced version of top class smart phone, core function of all these devices is communication but people showcase different choices and behavior while buying a product as per the purchasing power capacity or because of various other variables.

You must be embuzzled many a times while choosing from alternatives available to buy a product or service? Questions starts creeping in your mind about choosing the best alternative and you start creating perception-based value for each alternative product by processing thoughts in your mind as well as by seeking opinion from your close friends, relatives and near and dear ones. So, **Value** is your perception about a product's ability to satisfy your needs. If customer's expectation from a product delivering value is met a customer feels satisfied, **satisfaction** is that state of mind when a customer judges the product's actual value in comparison to expected value, the customer experiences satisfaction when actual value meets expected value.

Marketing exchange takes place when two or more parties are involved in the activity of **exchange** of something valuable by both the parties, there are certain conditions to be fulfilled to name it as exchange, which are as follows:

- ◆ There must be two or more parties willing to exchange.
- ◆ Both the parties must possess something of value to each other.
- ◆ They must communicate well with each other as well as can take delivery of valuable item being exchanged.
- ◆ There must be consent from and rights with both the parties to accept or reject the exchange being done.
- ◆ There should be trustworthiness amongst both the parties dealing with each other.

According to (Philip Kotler, Gary Armstrong, J. Saunders, V. Wong, 1999) marketing is "A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others".

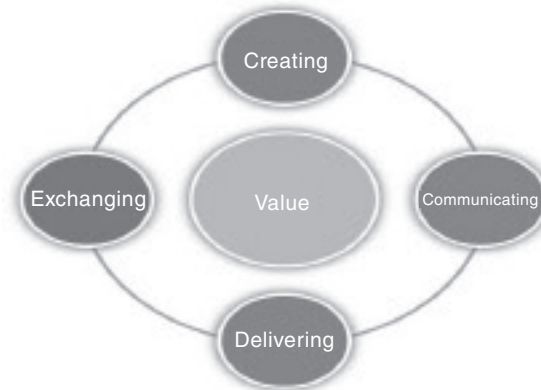
According to AMA (American Marketing Association,) (American Marketing Association, 2017) "Marketing is the activity, set of institutions,



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and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”.

If you break this definition intently and try to understand it, you see that there are four exercises, or parts, of marketing:



- ◆ **Creating:** The most common way of teaming up with providers and customers to make contributions that have value.
- ◆ **Communicating:** Comprehensively, portraying those offerings, as well as gaining from customers.
- ◆ **Delivering:** Getting those offerings to the shopper in a manner that enhances value.
- ◆ **Exchanging:** Exchanging value for those offerings.

ACTIVITY

Find out people near you who are still at need fulfilling stage or want fulfilling stage or are they demanding in the market?

Also list 5 products each which will fall in category of needs, wants and demands respectively.

1.3.2 Nature and Scope of Marketing

Global world is full of marketing phenomena, if we observe on a regular basis from waking up in the morning till, we sleep in night and even after our sleep there is a lot of marketing involved to which we usually do not pay attention to.



For example after you wake up in the morning and you directly pick up your phone which is sold to you by a specific brand, while surfing through the internet and social media there are numerous brands which pass by through your eyeballs and then you use a particular toothpaste and tooth brush provided by various brands but you choose a specific one to keep your oral hygiene, then getting ready and wearing clothes and shoes of a specific brand, the car through which you commute is again a result of marketing because of which you choose that car, then your eyes see a lot of advertisements outside while you commute, the food you eat, the water you drink, the bed in which you sleep, everything around you is a result of tireless marketing done by companies. For this very reason marketing is considered as:

- ◆ **Fulfilling Needs and Wants:** The very basic feature of marketing is to understand the changing needs and wants of customers, for that marketers will have to keep a track on the customers changing taste and preferences, marketing not only satisfy current needs and wants but also predicts future needs of customer by analyzing through the feedback or information provided by customers and takes up all the necessary ventures to meet the upcoming needs of customer.
- ◆ **Satisfied Customers:** Any marketing campaign can be considered successful only when marketing activities have provided satisfaction to customers by delivering them the value, they expected their chosen product or brand to deliver. Sometimes companies try to offer more than customer satisfaction which is called customer delightedness. For example, if you visit a restaurant in search of good food only and you are offered a nice ambience in addition to good food, you will be more than satisfied and you will be delighted to visit that restaurant as it exceeded your expectation.
- ◆ **Exchange of Value is the Result of Marketing:** Any transaction made by seller in order to serve to the needs of buyer is communicated to the buyer once product or service is delivered and after that buyer provides some value in exchange either through money or through some other product which is of value to seller.
- ◆ **Plays a Critical Role in Business:** Any start-up in modern world would require analyzing the market for the needs and wants and then requirements to start a business, all the business owners take



a close look at the process of marketing. They check if the market is unexplored or not, analyses the adaptability of the product they are going to offer, and various other decisions are taken with the help of marketing only.

- ◆ **It is a Process:** Marketing takes place when a buyer and seller agrees to exchange something of value, as transactions go on it leads to building relationships as well, these relationships gives something of value or benefit to customers in every transaction and reaps benefits for the organization from customers. Also, marketing is the process of environmental scanning and dealing with uncontrollable factors of environment by using its marketing mix variables.
- ◆ **Complex, Pervasive and Ever Changing:** There can be different point of views of looking at marketing, it can be of business', suppliers', customers' and other stakeholders. Also, it is not easy to control all the internal and external factors of business environment, which might impact business in positive or negative way. It is a continuous process through different departments of a business which makes it a wholesome activity known as "marketing". It keeps on changing with time as it is evident from past 100 years of evolution of marketing.

Marketing has developed as a significant business capability and is a pervasive activity and its scope can be grasped concerning application of marketing (I) in different horizons, as non-profit organizations, service organizations, and public service organizations like power, education, medical, (ii) with respect to what is being promoted, and (iii) as to customer market.

Marketing idea now a days is applied to non-profit organizations as marketing is done for business organizations. A wide range of public and private non-profit association going from government organizations, medical care organizations, educational foundations, and religious organizations to charities and political groups apply marketing ideas to have the option to reach out to their target audiences more readily. Very much like business firm, a non-profit association needs assets and support to make do and accomplish its goals. They additionally face competition for the assets they need. An educational institution might fail if supporters focus on something else than education.

Marketing give recognition to four major customer markets, first one is known as consumer market, these markets offer consumer goods like



food items, clothes, transport facility etc. second one is business markets where raw material to process finish products is offered to sale or sometimes business buy products to resell for an additional profit. Third one is known as global market, where in there is integration of economies, there is no restriction by the company's management to sell product in a specific boundary, companies decide about entering other countries and make strategy accordingly, here in company's product must be customized as per the requirements and standards of that country where the company enters for marketing. The fourth and the last type of customer market is non-for-profit or governmental market, here in these markets' companies dealing with non-profit organizations and government agencies must be very cautious while making marketing strategy, marketing mix is used in different proportion as compared to normal products, especially prices has to be set very cautiously for such markets.

As discussed earlier, not only physical products are being marketed, but Product also has different meaning for different type of companies, some companies for example might be offering services as their core product such as doctor services, education by private institutes, banking, hotel and legal services etc. some might be facilitating events such as trade shows, concerts, sports event etc. Some businesses might be offering experiences such as water parks, amusement parks, movies etc., business also do marketing for people for example public relation agencies for celebrities, or sometimes single individuals also become managers for such people, ultimately called person or people marketing. Similarly, marketing can be done for places as in tourism destination marketing, organizations are also marketed and even ideas can be marketed for example "Swachh Bharat Abhiyan". So, Marketing has a huge scope and is still unexplored, it has got potential to tap the untapped, untouched markets, also it can influence the attitude of customer by making them aware by providing cognitive learning and ultimately motivating them to buy a product offering.

1.3.3 Importance of Marketing

- ◆ **Marketing Helps in Engaging Consumer Effectively:** Organizations should engage customers, and thus, marketing ends up being a successful instrument. Customers can be engaged by letting them know what they don't have and creating great substance around your



products and services. Customers like to have as much information as they can access for the product they are searching, marketing just let them get that information with a lot of engagement.

- ◆ **Creates Goodwill:** Goodwill of a company or a business is built gradually with the kind of product and services they have offered for a long period of time, also it depends on how your business has grown with the time, the better you serve to the market with the most effective quality of your product, the better will be the goodwill of the business.
- ◆ **Helps in Creation of Customer Relationship and Its Management:** Marketing helps you access the information about the needs and wants of customers and when you serve to those needs and wants by developing and creating a product which is customer centric, it will give a sense of attachment to customers with the business, and once the customer feels an attachment with the business due to the activities a customer relationship is formed and such customers stay for longer duration with the business, longer they stay maximum will be the customer equity. There are various factors like demographic, psychographic and consumer behavior which gives marketing management a sense of how to deal with those customers, which will last in fruitful and long-lasting relationship with customers.
- ◆ **Helps in Increasing Sales:** Since marketing uses various ways of promoting products or services, it helps in improving the probability of better sales. Cheerful customers convert into an organization's brand endorsers naturally.
- ◆ **Expands Reach Globally:** Many of the big brands like TATA, Reliance, BOAT, Apple, Tesla, McDonald's etc. can reach their customer now in any country, earlier these were mainly domestic brands in their home country, but if you observe the current scenario, these brands are available globally now, with the help of technology upgradation, digitization has helped many brands to reach their potential customers. Through internet and social media like Facebook, Instagram and twitter even customers can share their choices or preferences, with the help of marketing only companies now can observe these feedbacks and customize the products according to country's specification where company is about to operate or is operational.



- ◆ **Helps in Management of Supply Chain:** Any business does not work separately from their other stakeholders like suppliers, creditors, logistic companies which delivers the product etc. with the help of customer requirement analysis business order raw material from their supplier to process and make finished products which are ultimately sent to retailers through logistics to make goods available to needy customers, and timely delivery of goods means better serving to customers which leads to long term fruitful relationships. And happy customers mean better revenues and ultimately better profits, all the stakeholders also enjoy fruitful business.
- ◆ **Helps Customers in Ease of Life:** Today's customers are rationale customers, and they search for information which helps them take purchase decisions, marketing provides that information through various platforms, also, customers like to have better choices available for their needs, marketing helps them provide better choices as well. Even pricing is done in such a manner which is friendly to the pockets of customer so that it does not hinder purchase decision due to pricing, various assurances in the form of guarantee and warranty are also provided to customer to create reliability of a product and ultimately customers can withdraw some value due to these factors.
- ◆ **Helps in Economic Growth:** Marketing has the potential to uplift an economy and take it to the path of growth, marketing creates better revenues and even creates global presence of firm, ultimately leading to creation of big brands, these big brands create value for nation by providing employment, has major share in GDP formation, helps in growth of the firms and business leading to growth of economy.
- ◆ **Helps in Making Society Better:** companies now a days promotes their employees to be involved in societal activities, which impacts society at large, major big brands have recognized that the more they remain society friendly, better will be the brand image and brand value as it attracts more customer to a business if it is socially responsible, for example big eating joints have started using green marketing by using eco-friendly packaging, restaurants like McDonald's have gone this far that they started giving paper straw pipes instead of plastic ones to their customers, which clearly portrays



a message to the society that they are eco-friendly. Activities done by companies socially inspires people of society as well to grow in a socially responsible manner.

- ◆ **Raises Living Standard:** Imagine the world without marketing and think would you be able to know about brands specific to clothing or availability of platforms which provides you your consumables or supplies on a daily basis? Answer would be a big 'NO'. It is because of marketing that we as customers are provided with quicker delivery services, we rely on brands which are communicated to us through advertising, we feel informed because we are bombarded with lot of information, so when we need a product or service we clearly know from where to get it, how to get it and at what price maximum value will be delivered, all thanks to marketing.

IN-TEXT QUESTION

1. Which of the following is defined as a state of felt deprivation of some basic satisfaction?
 - (a) Need
 - (b) Want
 - (c) Demand
 - (d) Utility

1.4 Philosophies of Marketing

We depict marketing as completing tasks to accomplish wanted business results with target markets. What philosophy ought to direct these marketing strategies framed by marketers? What weight ought to be given to the interests of the business, customers, and society? Regularly these interests sometimes are to be addressed simultaneously. Perpetually, the businesses 'marketing philosophy impacts the manner in which it moves toward its customers. There are five philosophies which have evolved with the time under which organizations lead their marketing exercises: the production, the product, selling, marketing and societal marketing concepts. Companies can use these concepts individually or they can use more than one concept to make marketing strategy or sometimes all concepts can be used to make a strategy, pertaining to the situation, product, brand etc.



Source: <https://www.invitereferrals.com/blog/marketing-concepts/>

The Production Concept

The production concept holds that shoppers will incline toward items that are accessible and exceptionally reasonable, and that administration should pay attention further on increasing production and efficiency of distribution. This concept is one of the most reliable and oldest philosophy of reasoning that guides sellers.

It will prompt economies of scale and decrease in cost per unit. The philosophy holds that high production proficiency and wide distribution inclusion would sell the item offered to the market. This direction of the business is generally rehearsed in circumstances where demand surpasses supply or item cost is high that can be reduced by large scale manufacturing. The market circumstance in most of the developing nations is that while demand for product exists, they are not accessible in the market.

The Product Concept

The organizations following this philosophy trust that by making enhanced products and working on their quality after some time, they will actually be able to bring in more customers. The hidden supposition is that customer favours quality, execution, quick delivery, new elements, and so forth the purchaser will respect such products and brands which works regularly on their quality. Given the product concept, better products always create excitement amongst customers are consistently invited by the customer. However, product is just a single component of the aggregate marketing-mix. In this manner even if customer is offered better product even at high price, they won't consider it expensive as



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such products deliver greater value (since progress in quality maybe at an expense). Nonetheless, as we will see, pricing is one of the factors of segmentation. The division of segment on monetary grounds, would come in that approach to executing such better-quality products at high prices. For example, some marketers believe that if they can develop a better mosquito replant, all the customers would reach them in search for a solution. But they are mostly surprised by the fact that. Customers might be searching for a better solution to a mosquito problem, but not necessarily for a better smoky coil. The solution may be a body lotion which is harmless, an oil or spray, a service or something that works better than a coil. Also, an improvised fragrance-based coil will not sell unless the marketer uses the right product mix to create a better-quality product, designs, packages, and prices it attractively; places it in accessible distribution channels; and communicate it to people who need it and motivates them that it is a better product. According to (Theodore Levitt, 1960) giving much emphasis on product only and not being aware about customer needs and wants might land marketer in trouble, it is called marketing myopia, he also stated this as short sightedness of business.

The Selling Concept

Many businesses have a practice of putting all their efforts in selling as their management's perception is that the customers won't buy their product until and unless we reach and try to sell our product to customers, they even bring on plate everything and anything and do not consider if customer wants certain product or not, sometimes customers feel offended and even breach to their privacy when sellers barge into their homes, cars or even at private places. The problem with this strategy is that the seller is not concerned about the customer satisfaction but are worried about selling only, which in normal scenario makes a customer offended at times.

For example, credit card sellers, they just find out the contact details by buying data of people unethically and then cold call them to offer credit card, the selling executives are trained so well that they will try their level best to sell the card, but now customers also mark these calls as spam and report these calls as well. Another example if you consider is



of politician trying to sell themselves just before the election, they work so very hard for selling themselves, even their associated party boast a lot about them and even lie about them that their candidate is the most deserving person for the seat they are contesting the election, and later they are not even concerned if people who voted for them are satisfied or not. There is a lot of expenditure made on advertising through television, radio and newspapers in this concept. There are hidden facts about the product as well while making a sale which are not usually disclosed by the seller at the time of sale.

Most firms practice the selling idea when they have overcapacity. Their point is to sell what they make as opposed to make what the market needs. Along these lines showcasing in light of hard selling conveys high risk. It canters around momentary outcomes -making sales - as opposed to on building long, productive relationship with customers. It expects that customers who are persuaded to buying the item will like it. Or on the other hand, on the off chance that they could do without it, they might fail to remember their mistake and get it once more later. These are normally unfortunate presumptions to make about purchasers. Most examinations show that disappointed customers don't buy once more.

The Marketing Concept

The marketing concept holds that accomplishing business objectives relies upon deciding the needs and wants of target markets and conveying the ideal satisfaction more effectively and proficiently than competitors do. Shockingly, this concept is a somewhat very recent business philosophy. The selling concept and the marketing concept are often misunderstood as one thing only. An inside-out approach is followed for selling, it starts from factory and ends on profit making through sales volume by selling and promoting heavily, whereas, marketing concept follows outside-in approach, it usually starts with market analysis through knowing the needs and wants of customers and then designing and developing something of value to those customers, here marketers earn profit through customer satisfaction. Many established brands like Tata, Jio, P&G, Patanjali, Kalyan jewellers etc. have built the brand image following this very concept, they put their customer first always.



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Before we go ahead with societal marketing concept, please have a look at key differences between marketing and selling in Table 1.1 given on the next page.

The Societal Marketing Concept

Humanistic or societal marketing concept holds that the businesses' objective is to decide the requirements, needs and interests of target markets and to address wanted value satisfaction in such a way that sustains or improves the purchaser's and the general public's prosperity. Subsequently, each firm ought to deal with social and moral contemplations while fostering their marketing strategies. This would assist the business in developing a nice public image. It is one of the latest and trending marketing philosophy to strategies upon.



Source: <https://www.invitereferrals.com/blog/societal-marketing-concept/>

The societal marketing concept questions whether the core marketing concept is sufficient during a time of resource scarcity, environmental degradation age, slogging economies and ignored social services. It inquires as to whether the firm that detects, serves and fulfils individual needs is continuously giving what's required and best for customers and society over the long period of time. As per the societal marketing concept, the core marketing concept ignores potential dissents between short-run customer needs and long-run customer welfare. Businesses have realized that they have taken a lot from society in the form of natural hazard they are causing to environment, and they know if there is a positive image about them in society that they are concerned about society too, it will create a good image amongst people of society, also a business



gets competitive edge over its rivals when they work for society because society supports back the business in that scenario.

Notes

Table 1.1: Comparison of Selling and Marketing concept

Basis	Selling Concept	Marketing Concept
Definition	◆ The selling concept considers that in the event that organizations and customers are isolated, the customers won't buy an adequate number of products created by the business.	◆ The marketing concept is a strategy, which certifies that the firm's benefit lies in developing more proficient than the competitors, in manufacturing, delivering and giving remarkable value to the customer in target marketplace.
Related to...	◆ Positively impacting customers' mind regarding the product attributes and giving them the motivation to buy the product even if they do not have the need.	◆ Customizing the products and services according to the customers' needs, wants and specifications and leading the product towards customers' perception.
Starting point	◆ Starting point is factory where manufacturing takes place for the purpose of selling.	◆ Starting point is market from where customer feedback is withdrawn to customize product according to customer need.
Perspective	◆ Inside-out	◆ Outside-in
Longevity of planning	◆ Short-term	◆ Long-term
Objective	◆ Is revenue generation through selling volume	◆ Profit maximization through long term relationship building.
Cost involved	◆ Cost of production is ascertained, and profit margin is finalized	◆ Market feedback is ascertained and that's how product is developed, and profit is earned through making long-lasting relationship



Notes

Marketers do have found out and are working on new marketing concepts as well in 21st century to gain market share as well as public attention. In totality it is called holistic marketing concept. Explanation to the same is as follows:



Source: <https://www.marketing91.com/holistic-marketing-concept/>

Holistic Marketing Concept

Holistic marketing concept is a piece of the series on concepts of marketing and it tends to be characterized as a marketing methodology which thinks about the business in general and not as an element with different various parts.

As per holistic marketing concept, regardless of whether a business is made of different divisions, the offices need to meet up to project a positive and joined business picture in the perception of customers. Holistic marketing concept includes interconnected marketing exercises to guarantee that the customer is probably going to buy their product as opposed to competitor's product.

For example, A business will have various departments like marketing, sales, accounting and finance, R&D and product development lastly HR and operations. In this manner, if you need to carry out a holistic marketing concept in your business, you really want to guarantee that R&D and product development take the inputs from marketing and sales to bring the product to market which is probably going to draw in customers. Then again, they need to work intimately with accounting and finance to figure out the specific spending plan for the project. Sales and marketing need to impart to the HR the right sort of individuals that they need, lastly,



administrator and operations need to devise an arrangement to hold these individuals.

Major Elements which are Important for Holistic Marketing Approach

Internal Marketing: Marketing between every one of the divisions in an association.

Relationship Marketing: Building a superior relationship with your customers, internal as well as end customers is helpful for holistic marketing.

Performance Marketing: Driving the sales and income development of a business holistically by lessening costs and expanding sales.

Integrated Marketing: Products, services and marketing ought to work connected towards the development of business.

In this manner Holistic marketing is a concept which is pervasive to whole of business functions and assists the development of the enterprise with the right marketing of the product. With the increase in competition and the limitations put on customers with limited monetary assets, decisions will be rational and as an enterprise we need to execute holistic marketing, so choices are made by customers in support of ourselves.

IN-TEXT QUESTION

2. The concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of an organization's products. The organization must, therefore, undertake aggressive selling and promotion. Which concept is discussed above?
 - (a) Production concept
 - (b) Product concept
 - (c) Marketing concept
 - (d) Selling concept

1.5 Marketing Mix Explained

The marketing mix is characterized by the utilization of a marketing elements that joins various factors to become what it takes to be a marketing strategy, also to build a product's image and to help in selling the product



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or service. Product based businesses need to make good marketing strategies to sell their products and thinking of a marketing mix is one of them. Any business in the market will always want to become market leader if they have sufficient resources, major objective of any business is to earn profit by delivering value, businesses need to create a good mix of ingredients of marketing to develop a good marketing strategy to achieve their primary as well as secondary goals. According to (Kotler, P, Armstrong, G, Agnihotri, P. Y, and Haque, E., 2010) “Marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market”. (McCarthy, J. William, P. Jr., Joseph, C. E., 2006) explained the term marketing mix for the first time in terms of 4 Ps. The 4 Ps stands for Product, Place, price and Promotion. Marketers should know and it is their duty to use these 4 Ps like ingredients and make an effective marketing mix strategy. Customers withdraw value out of all the 4 Ps, as if product’s value is not up to the mark customer won’t buy it again, if price is marked too high or too low which may make a customer switch to some other brand, if product is not available easily and not accessible to customers then there is no point in having a good pricing or product mix, and promotion is the only medium which creates buzz in the market, it helps in increasing sale as well provides information to potential customers.



Source: <https://www.business2community.com/marketing/the-marketing-mix-is-it-still-relevant-today-02298017>



A brief introduction about marketing mix's 4 Ps as well as the additional 3 Ps and its multiple factors are explained below, detailed explanation you will study in forthcoming chapters.

Product in Marketing Mix

A product is a good, manufactured or resold to satisfy the need of an individual or a gathering. The product can be touched or felt sometimes for example, idea, service, experience, place etc. It is critical to do broad examination prior to developing and offering a product as it has various life cycle stages, from the growth stage to the development stage to the decline stage.

Marketers really must re-examine their products to stimulate more demand once it arrives at the decline stage. It ought to make an effect in the psyche of the customers, which is selective and not the same as the competitor's product. There is a well-known saying about marketers, "how might I offer a superior product to this target market than my rivals". This procedure likewise assists the organization with building brand value.

Product mix strategy also consider about the right product or service to be offered and marketed by a business, factors relevant to product mix like quality, quantity, packaging, choices, design, size, features etc. can be manipulated as per the customization and specification of customers or target market. Decisions relevant to packaging and labelling, branding and customer care services are matters of product regulation and are to be dealt by marketing administration.

Price in Marketing Mix

The money worth, time and energy given by a customer in search of a value-based product is all together price of that product. Marketers need to certainly find out perception about the product's value in target customer's mind and then move ahead for pricing the product carefully so that it balances with the perception of customer, while pricing marketer also need to consider about the life cycle stage of particular product, they also need to look into the competitive pricing done by other players in the market. There is an issue regarding cost of other marketing mix elements which is very important to consider, or marketer might run out of budget as well with low generation of revenue due to wrong pricing. There are variables



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like interest on credit, payment period, promotional discounts, basic pricing, transportation and logistics charges etc. are to be considered while pricing, which will ultimately lead the marketer to nearly price accurately.

Place in Marketing Mix

The place is where your product or service is sold, and how it is sold. It could be a physical location or online. If you have a physical location, then it needs to be well thought out to be as convenient as possible for customers. If your business is based online, then your website and sales process should be professional, well-structured and easy. You want to make the process as pleasant as possible, to increase your chance of a sale. There are so many alternatives online, you do not want frustrated customers going elsewhere. For example, in current scenario car selling companies have long waiting periods for the delivery of cars and in many cases after a customer books a car, wait for a while, say for a month or two and if their mind changes or their choice shift to some other brand, they might cancel the booking and go to some other brand.

The sales channels your company uses is another aspect of the place. Are you using salespeople, intermediaries or selling directly to the customer? Wholesale or retail? Are you selling through Facebook ads, telemarketing or catalogues? Your business should try different methods to work out what really works best for customers. An effective channel of distribution is required to reach to customers on time, in this distribution channel, there are number of parties involved those helps the product to get delivered on time from manufacturer to customer. A channel of distribution might be short or sometime might be long depending on the criteria of the market and there are numerous factors to decide about number of parties to be involved in channel of distribution by marketers. Also, marketers need to keep a focus on cost reduction as well because budgets for each department in an organization are limited, so while choosing logistic partners or warehousing partners marketers need to keep an eye over the cost of such procurements.

Promotion in Marketing Mix

Promotion is all the way that you communicate with your target audience/customers about your products/services. It is important to use different



forms of promotion and communication channels to find the best way to reach your customers and make sales.

Promotion includes advertising, content marketing, sponsorship, sales staff, product placement, direct mail, social media, and influencers. The way we promote our brands in 2020 has changed drastically in just ten to twenty years. What is working today will not necessarily work next week. Businesses need to update their marketing communication consistently and stay up to date with what is relevant and the most cost-effective way to reach and convert prospects into customers.

The major variables of promotion strategy are advertising to inform, personal selling, sales promotion for example discounts, direct marketing and customer relationship management etc. In the good old days, just huge companies could profit of the emotional impact of TV advertisements, boards, and magazines. However, with current opportunity arrives present day measures and digital marketing is assuming control over the stage. This doesn't mean, however, that advertisers ought to consequently forego the advantages of traditional advertising. Twenty-to-thirty-year old's might be assuming control over the commercial center, yet the purchasing force of the gen X-errs counts. Furthermore, the quickest method for arriving at the non-educated people is through the traditional method for publicizing. Thus, with regards to the promotional part of the business, marketers need to compare the advantages and disadvantages of their modes. Whether it's starting a viral marketing effort or facilitating a business show; these will all have an impact in the organization's publicity.

4 Ps gives you a marketer's view point not the customers', and whole of the marketing now a days revolve around customers only, value delivery to them etc. 4 Cs suggested by (Coster, H., 2007), which are Customer solution, Customer cost, Convenience, communication explains marketing decisions that hover around 4 Ps. While a marketer is selling a product a customer is seeking a solution to a need or a problem, customers not only consider the price of the product alone, they also see the cost of keeping the product for a time period which includes buying, selling and maintaining cost, 4 Cs are important to build 4 Ps of marketing strategy as it will give an idea about customer's perspective.

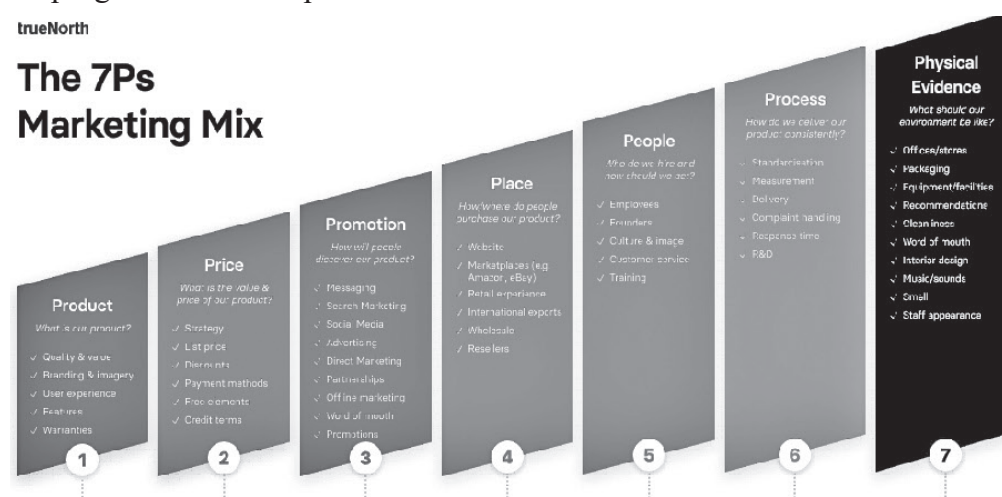


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The Other 3 Ps Explained

The 7Ps model is a marketing model that changes the 4Ps model. As Marketing mix 4P is turning into an old pattern, and these days, marketing business needs profound comprehension of the ascent in new innovation and concept. In this way, 3 all the newer Ps were included in the old 4Ps model to give a profound comprehension of the concept of the marketing mix. The 4Ps were designed at a time where businesses were more likely to sell products, rather than services and the role of customer service in helping brand development wasn't so well known.

trueNorth

The 7Ps Marketing Mix

Source: <https://www.ventureharbour.com/marketing-mix/>

People

The organization's representatives are significant in marketing since they are the ones who provides service to the customers. It means a lot to recruit and prepare the right individuals to serve better, whether they run a help desk, client support, publicists, software engineers... and so forth. It is vital to find individuals who really trust in your products or services that the specific business makes, as there is an enormous possibility giving their best performance. Adding to it, the association ought to acknowledge the legit criticism from the workers about the business and ought to enter their own considerations and interests which can scale and develop the business. Customers prefer those brands whose employees are well behaved and talk nicely and humbly. Training is an important part as in training only they will learn customer or people skills. And ultimately employees are the representative of your business.

**Process**

We should always make sure that the business process is well structured and verified regularly to avoid mistakes and minimize costs. To maximize the profit, it is important to tighten up the enhancement process. A complete guide or process should be available to customer before buying any product from a marketer, they should know how a product is made and then sold to customers, the delivery process and if there is any grievance then redressal process should also be known to customer, customers rely on any brand when they know about the quality and hygiene maintained to manufacture a product. Customer needs to know the complete schedule from manufacturer to them and vice versa in case of any problem with the product.

Physical Evidence

Physical evidence incorporates aspects that demonstrates your brand exists and that a purchase occurred.

Examples of confirmation that your brand exists can incorporate things like a physical store or office for your business, a site assuming that your business operates exclusively on the web, and printed business cards that you exchange while meeting individuals. Examples of confirmation of purchases can incorporate physical or digital receipts, invoices, or follow-up email that you wrote to customers as a retaining activity.

Your marketing mix should also take into consideration all the things your client sees, hears - once in a while even smells - in relation to your product or service. This, obviously, incorporates packaging and branding, however ought to also acquire the ways products are displayed in stores, where they are placed, and the setting wherein they sit, as well as digital placement, remembering for your site and social media.

In the above explained 7 Ps of marketing mix, the marketer has to choose wisely amongst the 7 Ps in ratio as per the market conditions prevailing and as per the brand you are, life cycle stage also will impact the way you formulate your marketing mix using these 7 Ps or sometimes 4 Ps. Marketing department's only task is to develop an effective marketing strategy which suits businesses' current needs, actually it is not just marketing task, it is the complete marketing, the planning, the framing of marketing mix plan and then effectively utilizing it.



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Marketers sometimes might find contradicting themselves against the profit motive in order to serve the customer better, some decisions might shun the profit margin, but still it is the duty of marketer and marketing both to satisfy customer in all the ways they can, marketers need to choose the right combination in the right ratio to suit to the situation their business is in, which will ultimately satisfy and delight customers as well as help to achieve greater market share with businesses' and marketing objectives.

IN-TEXT QUESTION

3. Which of these is not a part of 4 Cs?

- (a) Customer
- (b) Customer solution
- (c) Communication
- (d) Customer cost

1.6 Summary

Marketing is the process of creating, pricing, distribution, promoting goods, services, individuals, places or ideas. It facilitates exchange, that is exchanging a product in return for something of value. Marketing creates utilities like from utility, place utility, time utility and possession utility. Marketing has developed through four stages, namely the product era, the sales era, the marketing era and the societal marketing era. In most of the business the major purpose of marketing department is to generate revenue for the business by selling want satisfying goods and services to the customers.

Importance of Marketing

The product satisfy customer needs and wants and also remove hindrances between the marketers and customers by creating utilities for them by adding value to the product. By removing these hindrances, marketing ensures free and smooth exchange of goods and services from marketers to customers. Some of them are:

- ◆ Marketing helps in engaging consumer effectively
- ◆ Creates goodwill



- ◆ Helps in creation of customer relationship and its management
- ◆ Helps in increasing sales

MARKETING Philosophies There are various concepts and philosophies which acts as a guideline and holds good when the various decision is to be made in marketing. According to Phillip Kotler there are five concepts in marketing. The production concepts. The product Concept. The selling Concept. The marketing concepts. The societal Marketing Concept.

At last, but not the least we discussed about 4 Ps - Product, price, place and Promotion, with 4 Ps we discussed 4 Cs and after that we discussed the other 3 Ps - People, process and Physical evidence.

1.7 Answers to In-Text Questions

1. (a) Need
2. (d) Selling concept
3. (a) Customer

1.8 Self-Assessment Questions

1. "Marketing is customer-driven". Elucidate this statement and discuss the characteristics and scope for future of marketing?
2. How marketing has evolved during the last few years, please explain with the help of philosophies of marketing?
3. What are the core concepts of marketing?
4. Discuss at least five differences between selling and marketing?
5. What is holistic marketing? What are the elements of holistic marketing?
6. How marketers use marketing mix? When does extension of marketing mix helps marketers?

1.9 References and Suggested Readings

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Marketing Environment

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STRUCTURE

- 2.1 *Learning Objectives*
- 2.2 *Introduction*
- 2.3 *Components of Marketing Environment*
- 2.4 *Features of the Marketing Environment*
- 2.5 *Environmental Monitoring*
- 2.6 *Global Marketing*
- 2.7 *Identifying Market Segments and Selecting Target Markets*
- 2.8 *Consumer Buying Behavior*
- 2.9 *Organizational Buying Behavior*
- 2.10 *Summary*
- 2.11 *Answers to In-Text Questions*
- 2.12 *Self-Assessment Questions*
- 2.13 *References*
- 2.14 *Suggested Readings*

2.1 Learning Objectives

After completing this lesson, you will be able to:

- ◆ Explain the marketing environment.
- ◆ State the meaning of marketing environment.
- ◆ Gain knowledge about Environmental Monitoring
- ◆ Classify both microenvironment and macro environment.
- ◆ Understand new marketing scenario in Global Marketing.



- ◆ Explain the influences on organizational buying behaviour.
- ◆ Differentiate between organizational and consumer buying behaviour.

2.2 Introduction

The environment is considered as the internal and external surroundings, circumstances, or factors that influence any individual, business, or economy. Understanding the environment for any individual or business helps to plan, formulate and apply strategies and plans of action. The environment includes both micro & macro forces that influence the business or organization. So, understanding the environment is one of the important aspects, and it influences any business or organization in many ways.

The marketing environment is the sum of both internal factors (customers, shareholders, retailers, employees, and distributors) and external factors (demographic, cultural, social, legal, economic, natural, and technological environment) as well as forces outside marketing that affect top-level management's capacity to establish and uphold successful relationships with its target customers.

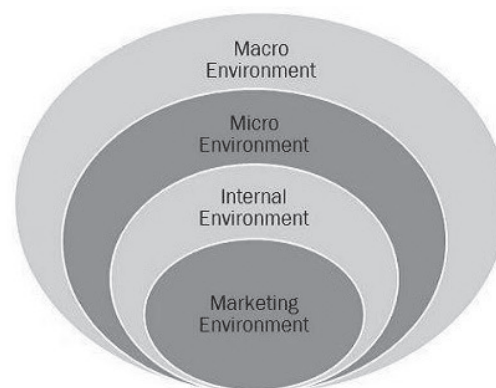


Figure 2.1

(Source: <https://businessjargons.com/marketing-environment.html>)

2.3 Components of Marketing Environment

The marketing environment is made up of the internal and external environments of the company. The corporation has some control over its own environment (internal environment), but little to no control over the external environment (external environment).



There are two components of the Marketing Environment:

2.3.1 Internal Environment

2.3.2 External Environment

(a) Micro Environment.

(b) Macro Environment.

2.3.1 Internal Environment

The internal environment of a firm includes all internal forces and components that have an impact on its marketing operations. These elements can be categorized using the following:

Men: All of the company's workers, both skilled and unskilled.

Machines: The tools a company uses to speed up or complete processes are referred to as machines.

Materials: The supplies or manufacturing parts that the business needs to complete the production procedures.

2.3.2 External Environment

The factors and influences in the organization's external environment are those over which the marketer has little or no control. The external environment can be divided into two categories: **Macro Environment** and **Microenvironment**.

A. Micro Environment

The value delivery system of the company is made up of the forces and elements that are close to it and that affect its ability to serve its consumers, such as the firm, market channel companies, client marketplaces, competitors, and the general public.

- ◆ **Corporate:** When establishing a marketing plan, the marketing division must take into account the needs of other company divisions.
- ◆ **Suppliers:** Companies that supply the raw materials needed by a company or its competitors to produce goods or deliver services are known as suppliers.



- ◆ **Marketing Intermediaries:** Organizations that help a company market, sell and distribute its goods to customers. These corporations include companies that do physical distribution, marketing service providers, and financial intermediaries.
- ◆ **Customers:** The target market for the business is consumers. An organization should be aware of the constantly changing needs of its customers and should keep on top of these needs by developing and implementing an effective information gathering system.
- ◆ **Competition:** The marketing theory states that in order to succeed, a business must outperform its competitors in terms of customer value and satisfaction.
- ◆ **Public:** The organization's microenvironment has a range of publics. The public is defined as any group that could really or hypothetically have an impact on how well a corporation can achieve its objectives.

B. Macro Environment

The larger social trends that affect the organization, in addition to its competitors and specific micro environmental elements. It is also known as the environment in general.

Since a marketing manager has no real control over these external, unpredictable effects, decisions are made with the macro environment in mind. He must therefore monitor the outside environment and make efforts to reduce the impact of these other events on his business.

The following macro environment variables are categorized:

- ◆ **Demographical**
- ◆ **Social and Cultural**
- ◆ **Legal**
- ◆ **Political**
- ◆ **Economic**
- ◆ **Technological**
- ◆ **Demographic Environment**
- ◆ **Demographic Environment:** It is the study of human populations in terms of size, density, location, age, gender, race, occupation, and



other statistics and characteristics. Marketers are always interested in population-related growth indices because the eventual market growth rate in the long run largely depends on the growth of the population.

- ◆ **Social and Cultural Environment:** The social and cultural environment factors may be the most challenging for the marketing organization to assess out of all the components of the macro environment because these consumer preferences, buying habits, and priorities alter as a result of social and cultural development, and marketers need to comprehend and spot these shifting patterns.
- ◆ **Legal Environment:** The legal climate has an impact on marketing choices as well. The legal system and how current laws are applied change frequently as a result of changes in the political climate. The legal setting determines how a company must behave in accordance with the law.
- ◆ **Political Environment:** Political Environment is one of the aspects of the marketing environment that is less predictable is the political climate. Political change can have an impact on a company's marketing; thus, organizations need to regularly examine the shifting political landscape.

The laws, institutions of government, etc. that have an impact on, constrain and restrict various groups and individuals within a given society make up the political environment.

- ◆ **Economic Environment:** The economic environment, which primarily refers to the level of demand in the economy and is the most obvious feature in the macro environment, has the greatest impact on marketing decisions. It comprises factors that influence consumer purchasing power and spending patterns.
- ◆ **Technological Environment:** The forces that produce new technologies, opening new markets and potential for products, are probably most spectacular in the technological environment.

Two processes influence technological change. It takes time for certain changes to develop. But certain technical developments are so significant and upsetting that they create a new pattern of consumption.



2.3.3 Macro and Microenvironment on Marketing

Component	Microenvironment	Macro Environment
Definition	The microenvironment of a corporation is essentially its immediate surroundings or internal environment.	The macro-environment is regarded as the company's external or general environment that has the potential to have an impact on how its entire operation is conducted.
Elements of factors	Customers, suppliers, media, or the general public, employees, shareholders, and competitors make up the microenvironment's primary components.	Demographic, economic, natural, social-cultural, technical, political, and legal elements are the key macro environmental influences.
Element's nature	The microenvironment's component has a simpler, more specialised nature. Usually factors that are industry specific.	There is a greater emphasis on regional, national, and international elements.
Influence on Organization	Direct and regular impact on marketing decisions and also remains independent.	Influence marketing choices directly and frequently while maintaining independence.
Activities of Marketers	Interaction of marketer with different functions within the organization.	Interaction between marketers and other departments inside the company.
Marketing Control	Controllable factors by the marketers.	Variables that the marketers can control.
Functioning	A factor may affect an organization's strengths and weaknesses.	Factors may function in the form of opportunities and threats to the external market.

2.4 Features of the Marketing Environment

There are several features that define the marketing environment of today. These features are as follows:



- ◆ **Specific and General Forces:** It refers to several elements affecting the marketing landscape. There are certain factors, such as those that directly affect the operations of an organization. Customers and investors are two examples of specialized forces. The forces that have an organization-wide impact are referred to as general forces. Technology, social, political, and legal issues are some examples of common forces.
- ◆ **Complexity:** It suggests that there are a variety of factors, circumstances, and implications in the marketing environment. The interaction between each of these components makes the marketing environment.
- ◆ **Vibrancy:** Liveliness indicates that the marketing environment is dynamic. The marketing environment is defined by a multitude of forces that are dynamic and change over time. While marketers may be able to influence some forces, they are unable to influence all. However, understanding the dynamic nature of the marketing environment can give marketers a chance to outperform competitors.
- ◆ **Uncertainty:** It suggests that market dynamics are inherently unpredictable. In order to strategize and update their plans, every marketer strives to anticipate market forces. Because changes are common, it might be difficult to predict some of them. To illustrate, shoppers' fashion preferences are constantly changing. The fashion industry is very insecure as a result. Depending on the trend, it can take a few days or years.
- ◆ **Relativity:** It explains the causes of the differences in demand between nations. Depending on the nation, location, or culture, the demand for a particular industry, organization, or product can change. For example, sarees are in high demand because they are the traditional women's clothing of India. However, the demand for saris can be nil in any other western nation.

2.5 Environmental Monitoring

The marketing landscape is dynamic and constantly changing. The dynamics that shape the marketing environment, whether changing gradually or rapidly, create uncertainty, challenges, and opportunities. To be ready to seize opportunities and mitigate adverse circumstances, marketers must



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constantly monitor the marketing environment. Marketing managers need to conduct environmental scans and analyses to efficiently track changes in the marketing environment.

The endeavor to monitor changes in external variables that may affect markets and demand for a company's goods and services. Economic, social, demographic, political, legal, cultural, and technological pressures are some of the external forces typically considered. The fundamental objective of environmental monitoring is to control and reduce the impact of an organization's actions on the environment, either to ensure compliance with laws and regulations or to limit risks of adverse impacts on the natural environment and to preserve human health.

2.6 Global Marketing

“The capacity of a company to market to nearly every nation on the earth is known as global marketing”.

A company's products or services are in high demand throughout a wide range of markets. The international corporation still has the capacity, reach, expertise, personnel, staff, skills, and knowledge to offer value to clients everywhere. The business understands the necessity of providing global standard solutions or products to local customers and localizes those products as required to maintain an ideal balance between cost, effectiveness, versatility, and localization in a regulated full spectrum in order to best satisfy the community, national, and global requirements to position itself against or with competitors, partners, alliances, substitutes, and defend against new global and local market entrants per country.

2.6.1 Elements (4 Ps) of the Global Marketing

Global marketing is associated with global competitiveness, exporting, joint ventures, foreign direct investments, government relations, global human capital management, resource allocation, distributed technology development and management, global business logic, as well as the standard marketing approaches, strategies, tactics, and processes.

The standard **“Four P's” of marketing: product, price, placement, and promotion** are all affected as a company moves through the five evolutionary phases to become a global company.



The Four P's of Global Marketing

- ◆ **Product:** A worldwide corporation can develop a single product and just need to make minor adjustments for several regions. Coca-Cola, as an illustration, employs two formulas—one with sugar and the other with corn syrup—for all markets. Every nation uses the dynamic ribbon and contour bottle design in some capacity in their product packaging. The bottle is the same size as other beverage bottles or cans in that nation, but it may also incorporate the native tongue of that nation.
- ◆ **Price:** Markets will always have different prices. The cost of product development (whether domestically manufactured or imported), the cost of ingredients, the cost of delivery (due to transportation, customs, etc.), and many other factors all have an impact on price. The final profit margin is also influenced by the product's position in comparison to the competitors. The price point of a product is influenced by whether it is viewed as the high-end, pricey option, the cheap, affordable option, or something in-between.
- ◆ **Place:** The target market's access to the competition affects each country's decision on the distribution of the product. Not all cultures employ vending machines, to use Coca-Cola as an example once more. Beverages are offered for sale by the pallet in warehouse stores in the US. This is not a choice in India. The position of the product in the market must be taken into account when making placement selections.
- ◆ **Promotion:** In a multinational company's marketing budget, promotion is typically the biggest line item after product research, development, and production. A company's goal at this point in its development is integrated marketing. The multinational corporation aims to cut expenses, minimize work and human duplication, accelerate implementation, and speak with a single voice. If a multinational corporation wants to communicate the same message to all of its customers, the problem is to do it in a way that is timely, interesting, and economical.

2.6.2 Advantages and Disadvantages of Global Marketing

- ◆ **Advantages:**
 - ◆ Global Marketers has reduced marketing expenses
 - ◆ Global Marketing companies are more strength and range in their products.



- ◆ Global market includes the ability to use advertising to introduce its product.
- ◆ Global Marketing companies have consistent marketing techniques and brands.
- ◆ Global Marketers have Economies of Scale in the manufacturing and distribution of its product.
- ◆ Global Marketing encourages the establishment of ancillary industries to meet the needs of the global player.
- ◆ **Disadvantages:**
 - ◆ Variations in consumer reaction to marketing mix components.
 - ◆ Product placement varies depending on administrative practices.
 - ◆ Global Marketing policies may contradict domestic market laws.
 - ◆ There may be variations in the administrative processes and product placement.
 - ◆ Differences in product usage patterns and consumer demands wants, and needs.
 - ◆ Differences in the competitive environment, brand and product development, and legal climate.

2.7 Identifying Market Segments and Selecting Target Markets

The size and diversity of the product market make it challenging for businesses to please every customer. Companies must define a specific consumer base within a market and endeavor to fulfil them. Market segment identification is this collection. Additionally, companies must comprehend the complexity of how this market behaves and functions.

Target marketing is a strategy that is gaining popularity in which businesses identify market segments with comparable needs and wants, choose one of the market segments, and then concentrate on developing products and marketing strategies.

The market segmentation task has to follow a scientific process.

1. The first task is to classify customers based on the goods and services they desire.



2. To define a market segment, the second stage is to assess the client by summarising their demographic, lifestyle, and usage patterns.
3. The third duty is to do market research to assess growth potential, competition, and other elements.
4. Assessing the profitability of a market segment is the fourth task.
5. Positioning work for pricing and marketing initiatives is the fifth task.
6. To investigate various positioning and marketing tactics to fully examine the market.

2.7.1 Factors Affecting Market Segmentation and Target Market

Market segmentation and target market are affected by a number of variables.

- ◆ **Location Factors:** One such aspect is geography, which divides a nation into regions based on city, urban, rural, and climate.
- ◆ **Population Factor:** Age, family size, gender, household income, life stage, occupation, education, religion, race, generation, and social class are used to segment the market demographically.
- ◆ **Lifestyle and Personality.** Markets can be divided at the individual level according to attitudes, beliefs, and perceptions of products, as well as product awareness and consumption patterns.
- ◆ **Operational Segmentation:** It is based on the type of technology, consumer preferences, and customer needs.

2.8 Consumer Buying Behavior

Consumer buying behavior is the popular term, it is the actions and behaviors of the consumers when he/she engage when making purchases and consuming goods. It is the term for the ultimate consumer's purchasing habits.

Marketers must examine consumer behavior:

- ◆ To develop the marketing concept (marketing mix).
- ◆ To anticipate consumer reactions to marketing tactics.



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- ◆ To influenced by how customers respond to its marketing approach.
- ◆ To examine the what, where, when, and how consumers make purchases.

2.8.1 Type of Consumer Buying Behavior

Consumer behavior largely depends on what type of goods the consumer would like to buy. As a result, of the bigger risk, customers are more inclined to go and do research on luxury items.

However, when buying a cheap item, consumers behave very differently but it's often a more hands-off purchase. Businesses should carry out consumer research to discover the purchasing habits of their customer.

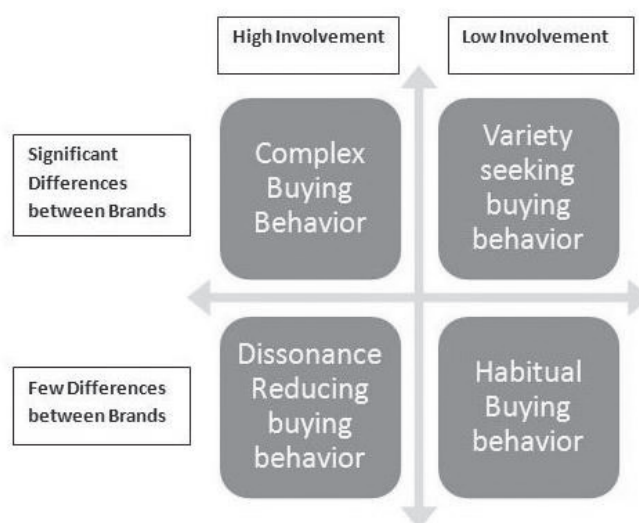


Figure 2.2: Type of consumer buying behavior.

(Source: https://www.clootrack.com/knowledge_base/types-of-consumer-behavior)

Type of consumer buying behavior.

- ◆ Complex Buying Behavior
- ◆ Dissonance Reducing Buying Behavior
- ◆ Variety Seeking Buying Behavior
- ◆ Habitual Buying Behavior



- (a) **Complex Buying Behavior:** Complex buying alludes to a purchase situation in which the consumer is extensively involved in decision-making process and needs to weigh a number of different factors before taking a good selection. These factors include price, investment return, longevity, usefulness, reviews, and referrals. Customers must display complex buying behavior while making a highly involved purchase of a good for which there are numerous alternatives, alternatives with different features, and high differences in the market. It is difficult since there is a great deal of risk. Additionally, the stark distinctions across brands necessitate a high level of customer interaction. Giving customer knowledge is the key to assisting them in this type of purchasing.

Consider purchasing a home or a car; these are examples of complex purchasing behaviors.

For instance, purchasing a home can include a considerable financial risk for the buyer. As a result, they will do the extensive market study before making a decision.

To have an impact on consumers' purchasing behavior, marketers must assist in educating them throughout the discovery phase.

- (b) **Dissonance-Reducing Buying Behavior:** Dissonance is defined as “a disagreement of people’s beliefs, acts, or characters” in the dictionary. When a consumer makes a purchase, they are heavily involved in the decision-making process and are unable to distinguish between the various options and brands on the market that can meet their needs.

In a similar vein, worry after purchases can be understood as dissonance-reducing buying. When there are little variations between brands and the purchase involves significant levels of involvement, this typically occurs. This sets it apart from complicated purchasing scenarios where there are several variations in the available options.

The buyer is confused of the similarities between the various brands on the market that seem to be available for the same demand in this purchase situation. Even if the marketer chooses to differentiate



on the basis of positioning, brand perception, consumer trust, or pricing, it is crucial to do so. Even after a purchase, the dissonance may persist, which is bad for the brand's reputation and its ability to elicit feedback or repeat business

- (c) **Variety Seeking Buying Behavior:** Even when consumers say they are happy with their current brand, they nevertheless switch. Variety seeking is the motivation, and it is most prevalent when there are lots of options that are similar, when brand loyalty is significant, and when purchases are made frequently. It can happen purely out of boredom with one's current brand of choice, or it can be sparked by outside cues like retail running out of stock or discounts that promote switching. Take chocolates as an example. The consumer selects a brand of chocolates without giving it much thought and reviews it as they eat it based on their beliefs about chocolate. The customer may choose a different brand the next time in an attempt to satisfy a different taste.

In this scenario, brand switching is undertaken for variety's benefit instead of out of disappointment.

- (d) **Habitual Buying Behavior:** The term "habitual buying" refers to a customer's tendency to make several repeat purchases of a well-known brand without exerting much thought or effort. The product is viewed as a commodity and offers little differentiation from its competitors. Customers who engage in habitual purchasing behavior choose items they frequently purchase and don't give much thought to.

Consumer's buying behaviors may also be explained by the fact that customers stick with the goods they use the most and also don't search for alternatives. And it doesn't imply that the customer has fewer options and must make a decision regardless. Because the product doesn't differ much from others, the buyer consistently chooses it without thinking about it. Habit purchasing is the term for repeated purchases. Additionally, the things they buy are inexpensive and safe to acquire.



2.8.2 Consumer Buying Process



Figure 2.3

(Source: <https://www.professionalacademy.com/blogs/marketing-theories-explaining-the-consumer-decision-making-process/>)

In the standard consumer buying process, the buyer goes through five separate stages:

(i) Stage of Recognition of Need: (Emphasizes the necessity for a goods and services): Understanding the need for a service or product is the first stage in the decision-making process for consumers. Whether motivated internally or externally, need recognition yields the same outcome: a want. Consumers must first identify their wants before they can learn how to satisfy them, which brings us to step two.

But how can you inspire customers at this point? Focus your sales and marketing efforts on outward stimuli instead of internal stimulus, which originates from within and includes basic urges like hunger or a change in lifestyle.

(ii) Stage of Information Search (Collecting information about the product): Following the arousal of a need, the consumer's behavior directs them to gather information about various stimuli, or in this example, items and services, from a variety of sources (individual, community, professional, interpersonal) for later processing and decision-making.

Consumers once more rely on internal and external influences, as well as previous contacts with a product or brand, both favorable and unfavorable, while evaluating **their options**. They may explore



possibilities in person or check online sources like Google or customer reviews during the information stage.

- (iii) **Stage of Evaluation of Alternative** (Compares choices to equivalent alternatives): A consumer moves on to the next step of evaluating alternatives once their interest in a product or products has been stimulated.

Cognitive Evaluation: When a customer makes a decision based on facts.

Affective Evaluation: Using affective factors to evaluate the options is known as affective assessment

- (iv) **Stage of Purchase Decision** (Makes final purchase decision): The consumer ultimately decides to make a purchase. Purchase decisions can fall into one of three categories: don't buy, buy later, or buy now. Consumers who choose not to purchase reach the stage of problem recognition. Purchases may be delayed because of diminished motivation or changes in one's personal and financial circumstances. The consumer will buy if favorable sentiments are developed toward the selected option.
- (v) **Stage of Post Purchase Evaluation** (Observes the purchase they had made): After committing to a product, a consumer's behavior is referred to as post-purchase behavior. Customer satisfaction, customer joy, and customer dissatisfaction are the three outcomes of post-purchase behavior. Buyer discomfort brought on by post-purchase conflict is known as cognitive dissonance.

2.8.3 Factors Affecting Consumer Behavior

- (a) **Advertising & Marketing Initiatives:** Purchase decisions are significantly influenced by marketing initiatives. They can even encourage customers to switch brands or choose more expensive alternatives if done well, consistently, and with the right marketing message.
- (b) **Economic Situation:** Economic situations play a significant role, especially when it comes to pricey goods (like houses or cars). Regardless of their financial obligations, customers are known to



become more self-assured and prepared to indulge in purchases in a healthy economic environment.

- (c) **Individual Choice and Preferences:** Personal characteristics, like as preferences, values, morals, and priorities, can also have an impact on how consumers behave. Personal views are extremely potent in sectors like fashion or food.
- (d) **Group Influence:** Additionally, peer pressure affects customer behavior. Our decisions may be significantly influenced by what our friends, neighbors, immediate family members, classmates, and acquaintances believe or do.
- (e) **Purchasing Power:** Not to mention, our ability to buy things has a big impact on how we behave. You will think about your budget before making a purchase decision unless you are a billionaire.

2.9 Organizational Buying Behavior

According to Pette D. Bennett: “Organizational buying behavior is a process by which a buying group evaluates the needs for products and services and identifies, evaluates, and selects among alternative brands and suppliers.”

According to W. M. Pride and O. C. Ferrel, *The term “organisational buying behavior” refers to how producers, institutions, and government agencies buy things.*

Organization buying is the process through which formal organisations determine the demand for acquired goods and services, as well as the identification, assessment, and selection of alternative suppliers and brands. It is a series of intricate occurrences that are dependent on the firm’s level of purchasing expertise.

Organizational behavior describes the purchasing habits of businesses that purchase goods for internal use, resale, or to create additional goods. Businesses, industries, retailers, governmental bodies, and non-governmental groups are examples of organizations.

Organizational buying behavior is also called business or industrial behavior or B2B buying behavior.



Some Examples of Organizational Buying:

- ◆ Flour by the bakery.
- ◆ Chip by computer manufacturers.
- ◆ Large grocery chains routinely purchase goods directly from producers and resell them to final customers.

2.9.1 Nature of Organizational Buying

Every Organization is Unique: Organizational structures, cultures, beliefs, and resources vary among various organizations, as do their goals and resources. They consequently possess a different set of requirements and desires, as well as different purchasing behavior.

There is a Long-Time Lag between Efforts and Results: Individual purchases require less time than commercial purchases to complete from the point of decision to the point of sale. This is a result of the additional formalities and procedures required during the organizational purchase decision. For instance, requesting quotes, assessing bids, creating bulk orders, etc.

It is a Rational as well as Emotional Activity: The involvement of humans in the purchasing process causes the emotional component of purchasing to arise. The amount and quality of a product may be chosen by an industrial buyer based on established organizational rules, but the dealer may be chosen based on the buyer's political or personal connection or prior interactions with the dealer.

It is a Formal Activity: When purchasing from an organization, there is a formal contract between the parties. Making a purchase choice is a formal activity that calls for the buyer to adhere to policies and guidelines established by the business regarding the type, quality, quantity, conditions of payment, delivery date, etc.

It is a Multi-Person Activity: In a company, purchasing choices are typically made by a group of qualified employees, sometimes known as a buying center, where each person has a certain duty to play.



2.9.2 Features of Organizational Buying Behavior

The primary characteristics of organizational buying behavior are few buyers, close relationships between buyers and suppliers, rational buyers, direct channels, the adaption of specific purchase policies created by business organizations, etc.

1. **Few Buyers:** Organizational buyers are limited in number because they are the organization themselves. However, they make massive purchases. Buyers from organizations are dispersed throughout the country.
2. **Close Relationship:** Suppliers and buyers within organizations interact frequently. It might last for a while. Future purchases will benefit from such a relationship. In general, buyers and suppliers in organizations maintain close relationships.
3. **Rational Buyers:** When buying for an organization, the buyer rationalizes. The buying process involves trained and experienced buyers. Thus, making a purchase becomes logical.
4. **Direct Channel:** Organizational purchasers purchase items from producers directly because they purchase in large quantities. Thus, the marketing route is now direct. But some businesses use middlemen or agencies to purchase their items.
5. **Purchase Policy:** Both organizations and individuals now use different purchasing strategies. An organization creates a certain purchasing policy and purchases products in accordance with the policy. The main purchasing strategies used by businesses include purchasing by quotation, buying through tender, buying through contract, etc.

2.9.3 Factors Affecting Organizational Buyers Decision

Factors affecting institutional buying decision are as follows:

- ◆ Environmental factors
- ◆ Organizational factors
- ◆ Interpersonal factors
- ◆ Personal factors
- ◆ Environmental factors



- ◆ **Environmental Factors:** Environmental factors have a direct or indirect impact on the institutional elements that influence purchasing decisions. This covers obligations in the areas of economics, technology, politics, and the law, among others.
- ◆ **Economic Factors:** Demand intensity, the state of the economy, competitiveness, technological advancements, the trade cycle, etc. are all included. The demand for organizational products, which is linked to the demand for consumer goods, is impacted by changes in a market's overall economic conditions. Consequently, the demand for organizational products is likely to be impacted by any change in the economic situation of a nation that affects consumer demand.
- ◆ **Technological Factors:** Institutional purchasing and inventory management, the production process, distribution management, and other areas have changed as a result of technological factors including the development of e-commerce, the development of information, and the development of the internet.
- ◆ **Political and Legal Factors:** Political and legal variables may have an impact on institutions. Every corporation must function in accordance with national laws and regulations, therefore before purchasing goods and services, businesses should research the political system, political climate, political ideologies, and government policies.
- ◆ **Social Responsibilities:** Social responsibility influences organisational purchasing decisions as well. Institutions must take into account issues like environmental protection and addressing community needs. The business must take social welfare into account while purchasing goods and services.
- ◆ **Organizational Factors:** Organizational purchasing behavior is also influenced by organizational characteristics. The organizational buying is significantly influenced by the buying aim, policies, procedure, and organization.
- ◆ **Buying Objective:** Different organizations have various purchasing goals. Some businesses priorities cheap prices above great quality and other businesses priorities high prices over high quality.



- ◆ **Buying Policies:** Some organizations have centralized purchasing policies, while others have decentralized purchasing policies. The selection of suppliers will be limited by the organization's purchasing practices that promote the fairness principle.
- ◆ **Buying Process:** Each organisation has a different organisational market purchasing method. Every major acquisition in the government market is subject to sealed bids and tenders. The majority of commercial purchasing is guided by previous interactions with suppliers.
- ◆ **Buying Organizations:** The organisational buying can vary greatly as a result of centralized and decentralized buying methods. The purchasing process will become complicated if sizable purchase committees are engaged.
- ◆ **Interpersonal Factors:** Various persons take part in organisational purchasing. They have an impact on the purchasing process because so many people are involved. Authority, interest, and prestige are examples of interpersonal factors.
- ◆ **Authority:** There are various levels of authority among the organization's staff. The manner in which the organization's staff exercises their authority affects the purchase process and determines whether it is simple, quick, or difficult.
- ◆ **Interest:** The interests of the individuals participating in the organisational purchasing process vary. While the finance manager may be interested in cheaper prices, the production manager may be more concerned with the quality and consistency of the supply of production input.
- ◆ **Status:** The interests of the individuals participating in the organisational purchasing process vary. While the finance manager may be interested in cheaper prices, the production manager may be more concerned with the quality and consistency of the supply of production input.
- ◆ **Personal Factors:** Individual characteristics including age, education, employment status, risk-taking, and personality can have an impact on the purchasing behavior of organizations.



- ◆ **Age:** Age has a direct impact on an organization's purchasing decisions. Younger buyers appreciate establishing relationships with new suppliers, whereas older buyers value keeping those relationships with long-standing suppliers.
- ◆ **Education:** The informed consumer may assess the available options and maintain the buying process. However, an inexperienced buyer is unable to carefully choose the source. As a result, organisational buying is also influenced by buyer education.
- ◆ **Job Position:** How much a person is likely to have an impact on the choice of suppliers depends on where they are in the organisational hierarchy. Both high-level and low-level buyers may be involved in the transaction.
- ◆ **Risk-taking:** Each person approaches risk differently. In this situation, low-risk consumers favours working with reputable suppliers whereas high-risk consumers are continuously looking for new sources of supply.
- ◆ **Personality:** The degree of impact in purchasing decisions is determined by the buyer's personality. It is expected of those with difficult personalities to adapt their brand over time. Some of the consumers also show a lot of brand loyalty.

2.9.4 Process or Stages of Organizational Buying Behavior

Stage 1 - Problem Recognition: The first step, problem recognition, begins with the identification or recognition of a need that can be satisfied by the purchase of an item or service. During this phase of the business purchasing process, a team member identifies a problem that could be solved by purchasing goods or services.

Stage 2 - General Need Description: The processing organisation defines the general characteristics and quantity of the important items required in this stage of the organisational procurement process after determining a demand. After determining the necessity, buyers should explain it. Once the needs are agreed upon, the buying team develops a detailed specification that describes the quantity, performance, and technical specifications for a product.



Stage 3 - Supplier Search: The buyer is currently attempting to locate the ideal supplier (also called the vendor). To choose providers who meet their needs and have a solid reputation for high quality, dependable partnerships, and reasonable prices, the buyer does a conventional search. The phase of the purchasing process for businesses during which the buyer attempts to identify the best suppliers or providers.

Stage 4 - Proposal Solution: The buyer asks suitable suppliers to submit proposals at this stage of the business procurement process. The fifth stage of the organisational purchasing process is the proposal solution. The buyer now contacts the top providers to get a proposal. Some people respond by sending the organisation records or agents. The buyer requires a comprehensive proposal for expensive and sophisticated goods, and the business organisation mandates presenting the product itself for technical goods.

Stage 5 - Supplier Selection: The buyer evaluates the proposals at this point and makes a decision. This selection process includes analysing the vendors under consideration as a crucial component. The selection procedure entails a careful examination of the presented proposals as well as taking into account vendor capabilities, reputation, client references, warranties, and other factors. A standard set of criteria may be used by various decision makers to evaluate proposals. The buyer evaluates the proposal at this step of the business procurement process before choosing a provider or suppliers.

Stage 6 - Order-Routine Specification: At this point in the company purchasing process, the buyer writes a final order to one or more chosen suppliers, outlining technical requirements, quantity needed, anticipated delivery date, return policies, and warranties. The client makes the decisive purchase after choosing the best suppliers. All of the items, such as the qualities of the goods, the specification, the guarantee, the quantity, the time for supply, the mode of payment, the after-sale service, etc., should be clearly specified in this order.

Stage 7 - Performance Review: The buyer evaluates his satisfaction with suppliers in this final step of the organisational buying process before deciding whether to keep working with them or find a new one. The buyer assesses suppliers' performance at this point. Making a decision about whether to change, maintain, or end the relationship with the supplier



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is aided by this kind of analysis. The partnership may continue if the supplier's performance is adequate; if it is only moderately subpar, the relationship may still be maintained with a partial rectification. However, it is flawed if the performance is offensive.

IN-TEXT QUESTIONS

1. Which of the following doesn't fall within the umbrella of the external marketing environment?
 - (a) Economical
 - (b) Political
 - (c) Personal
 - (d) Legal
2. The gathering and analysis of data regarding the forces, occasions, and connections that could have an impact on the organisation is known as:
 - (a) Environmental Analysis
 - (b) Environmental Scanning
 - (c) Environmental Monitoring
 - (d) Environmental Searching
3. The environmental factors that affect how people's values, lifestyles, and family structures change are known as _____ factors.
 - (a) Economic
 - (b) Political
 - (c) Demographic
 - (d) Socio-cultural
4. The purchase process begins when a customer recognises a _____.
 - (a) Economic Condition
 - (b) Money Availability
 - (c) Need or Problem
 - (d) Product or Services



5. What are the ideal flow of the consumer purchase process?

- (a) Information Search - Recognition of Need - Evaluation of Alternative - Purchase Decision - Post Purchase Evaluation
- (b) Recognition of Need - Information Search - Evaluation of Alternative - Purchase Decision - Post Purchase Evaluation
- (c) Information Search - Recognition of Need - Purchase Decision - Evaluation of Alternative-Post Purchase Evaluation
- (d) Information Search - Purchase Decision - Recognition of Need - Evaluation of Alternative - Post Purchase Evaluation.

2.10 Summary

In any business or marketing activity all internal and external elements that directly or indirectly affect any business organization. While external influences are out of an organization's control, internal elements are under its control. The external elements include government, technological, economic, social, and competitive forces; however, an organization's strengths, shortcomings, and abilities form the component of internal factors.

So, the combination of all components that directly or indirectly, internally or externally affect any business organization is called a Marketing Environment.

Whereas, by keeping an eye on the marketing environment, marketers attempt to foresee potential future developments. Marketers are continuing to adjust their strategies and plans in response to these changes.

In this chapter, we also discussed about consumer buying behavior and organizational buying behaviors, where consumer buying behaviors are influenced by many factors like Individual Choice and Preferences, economic conditions, group influence, Advertising & Marketing Initiatives, and purchasing power, etc.

Although there may be some similarities to household buying when more than one individual is involved in the decision-making process. Organisational buying differs from consumer buying since the context in which the decisions are made is considerably different. The buying process at an organization might be more formal and drawn out depending on the sort of purchase being made.



The decision-making process typically incorporates more rational than emotional considerations, but because decision-makers are human, not all decisions are as reasonable as they may seem. Due to the interdependence of buyers and sellers, long-term relationships that are both advantageous and strategically significant might form.

2.11 Answers to In-Text Questions

1. (c) Personal
2. (b) Environmental Scanning
3. (d) Socio-cultural
4. (c) Need or Problem
5. (b) Recognition of Need - Information Search - Evaluation of Alternative - Purchase Decision - Post Purchase Evaluation

2.12 Self-Assessment Questions

1. What do you mean by marketing environment?
2. Explain the various components of marketing environment that any businessman analyse.
3. How do environmental factors affect marketing policies and strategies?
4. What is marketing mix? Explain the 4 Ps of Global Marketing.
5. Discuss the importance of Marketing Environmental Analysis.
6. Differentiate between Micro and Macro environment of Marketing
7. What do you understand by Dissonance Reducing Buying Behavior?

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2.14 Suggested Readings

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Segmentation, Targeting & Positioning

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STRUCTURE

- 3.1 *Learning Objectives*
- 3.2 *Introduction*
- 3.3 *Components of S.T.P. Marketing Model*
- 3.4 *Segmentation*
- 3.5 *Targeting*
- 3.6 *Positioning*
- 3.7 *Marketing Research*
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- 3.9 *Marketing Information*
- 3.10 *Summary*
- 3.11 *Answers to In-Text Questions*
- 3.12 *Self-Assessment Questions*
- 3.13 *References and Suggested Readings*

3.1 Learning Objectives

After reading this chapter, student will be able to:

- ◆ Why is the market segmentation needed?
- ◆ Describe the market segmentation in detail.
- ◆ Bases of market segmentation done by company.
- ◆ Explain the major reasons of market segmentation.
- ◆ Understand requirement of the market segmentation?



- ◆ Understand the Marketing Research Process.
- ◆ Know about the market information.

3.2 Introduction

The Segmentation, Targeting, and Positioning (STP) marketing model is a well-known strategic marketing method today. It is one of the marketing models that is used in practice the most frequently, and marketing leaders credit it for effective, streamlined communications.

With an emphasis on commercial effectiveness, STP marketing identifies a company's most lucrative market segments before creating a marketing mix and product positioning strategy for each one.

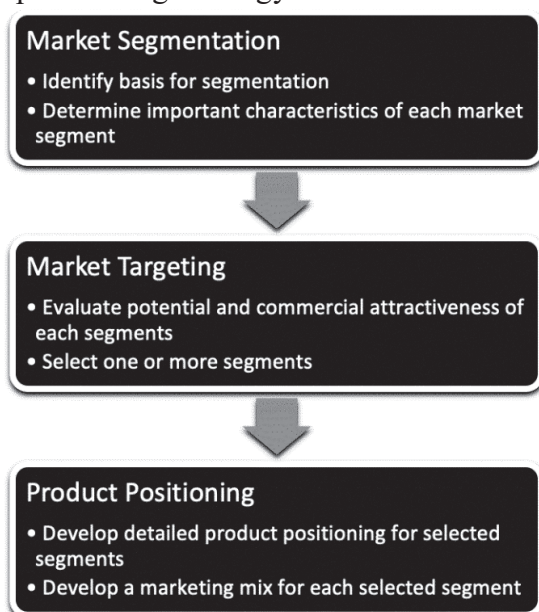


Figure 3.1: STP Marketing Model (Segmentation, Targeting, Positioning)

(Source: <https://www.smartinsights.com/wp-content/uploads/2021/01/STP-marketing-funnel.png>)

3.3 Components of S.T.P. Marketing Model

When designing marketing communications plans, the STP model is helpful since it enables marketers to prioritise propositions before developing and delivering individualised and pertinent messages to engage with various



audiences. Market segmentation, market targeting, and product positioning make up the three steps of the funnel.

- ◆ **Segmentation:** The process of employing one or more attributes to divide the heterogeneous market into homogenous segments.
- ◆ **Targeting:** Selecting the number of market categories to target.
- ◆ **Positioning:** Giving customers a memorable impression of a product or brand.

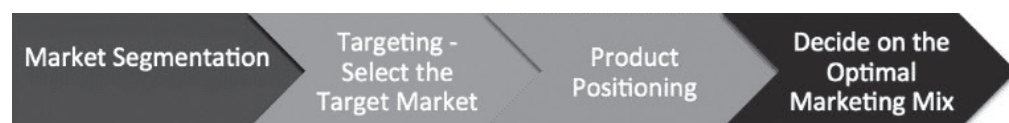


Figure 3.2: Components of S.T.P. Marketing Model

<https://www.smartinsights.com/wp-content/uploads/2021/01/STP-model.png>

3.4 Segmentation

Segmentation is the process of assembling people into groups based on how closely they resemble one or more product categories. To segment a market, one must first identify the various consumer types and their varying needs. The selection of the segments to be kept in a target is the marketer's next step after market segmentation is complete.

3.4.1 Meaning of Segmentation

Market segmentation is the practice of breaking a market into discrete subgroups of consumers with various demands, features, or behaviors who may require separate products or marketing mixes. **“Market segmentation” is the process of breaking down large, diverse markets into smaller, more homogeneous groups of customers that the company can serve.** According to the definitions given above, market segmentation is a marketing approach that divides consumers into a number of homogeneous groups based on factors like income, age, sex, education, profession, religion, and location. In order to satisfy the clients, the primary goal of marketing segmentation is to create unique marketing strategies for each category.



3.4.2 Need for Segmentation

Market segmentation was required to persuade target customers to purchase the goods. In the past, before market segmentation, businesses used to sell their products independently. It was accomplished by mass marketing, in which the product was promoted uniformly to all consumers. Henry Ford was the first to see the necessity for market segmentation when he offered the public the Ford Motor Company Model T in any colour they chose, as opposed to the model T's previous availability in only one colour, black.

In the same manner when the Coca-Cola Company used to sell its product only in one standard size of bottle, then they used to sell its product through mass marketing only. Similar to how the Coca-Cola Company only ever sold its product through mass marketing when it was packaged in a single standard size bottle. Nokia has a large selection of phones for both men and women. When compared to male, durable handsets, the female counterpart would be slimmer and more colourful. In general, men do not favour fashionable phones. The businesses cannot offer identical things to everyone. Whereas female deodorants and perfumes have a sweet scent, whilst male fragrances have a powerful scent. So, a marketer cannot employ the same tactics with every buyer.

Let's go over the following instances:

- ◆ Market segmentation enables marketers to create promotional plans and marketing tactics that are fit for the tastes of members of a certain market segment.
- ◆ Market segmentation enables advertisers to comprehend the requirements of their target market and develop targeted marketing strategies appropriately.
- ◆ Additionally, market segmentation helps clients make informed decisions about what to buy and what not to buy.
- ◆ Market segmentation enables businesses to deliver the ideal product to the ideal clientele at the ideal moment.



Notes

- ◆ Organizations can better know and understand their clients with the use of segmentation. Businesses may now reach a larger audience and market their goods more successfully.

3.4.3 Characteristics of Market Segmentation

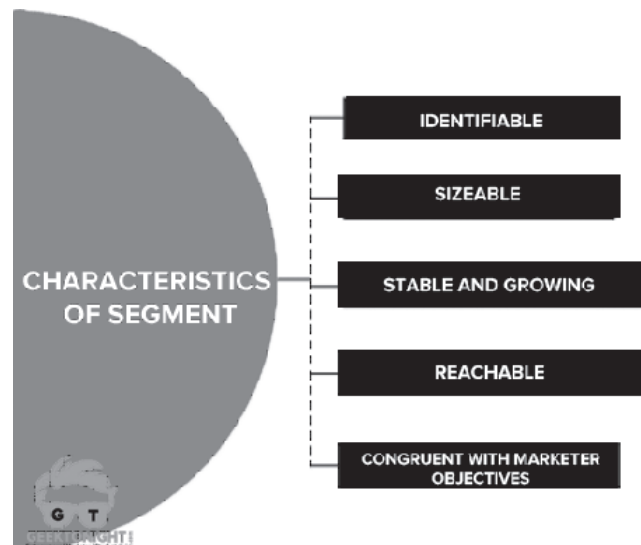


Figure 3.3: Characteristics of Market Segmentation

Source: <https://www.geektonight.com/segmentation-targeting-positioning/>

- ◆ **Identifiable:** Marketers divide the market into discrete segments based on shared demands using demographic, lifestyle, and other characteristics. Segmentation bases are the name given to these components.
- ◆ **Sizeable:** A profitable market should have a sufficient number of customers. A piece can still be identified even if it is small.
- ◆ **Stable and Growing:** Marketers look for sectors that are both consistent and growing.
- ◆ **Reachable:** A segment is not a target segment if it cannot be reached, regardless of how recognizable, substantial, stable, or growing it may be. Reachable describes a marketer's ability to communicate with customers in an effective and economical manner.



- ◆ **Congruent with Marketer Objective and Resources:** Even if a sector meets the aforementioned criteria, marketers might not be willing to target it.

3.4.4 Bases for Segmentation

The marketer must choose the format for market segmentation, in which different market bases or market variables are taken into accounts, or even a combination of both.

Market segmentation is done using a variety of bases.

- ◆ Professor Cundiff and Still provided a very straightforward assessment of the product market i.e., Consumer Market & Industrial Market.

Whereas Philip Kotler has categorized the market into different categories based on:

Geographical basis, Demographic base, psychological foundation, Marketing basis, Profit basis, Quantitative basis, Loyalty basis, etc.

As well as the market for industrial products can be segmented on the basis of:

Business type, Customary purchasing practices, User population and Geographical market segmentation

The following constitute the main pillars of market segmentation:

Geographic Segmentation: Market division into various geographical units, such as countries, regions, states, and cities.

Demographic Segmentation: Using factors like age, gender, family size, family life cycle, income, occupation, education, race, generation, and nationality, the market is segmented into groups.

Income: Since it is a privacy issue to disclose one's income, marketers typically segment the market based on social class.

Sex: The division of the gender market into male and female is another obvious basis for market segmentation because it makes it very simple to segment the market for personal products.

Age: Age-based market segmentation aids in accurate market segmentation. This is typically done in the apparel industry, when clothing is separated based on age.



Social Class: In India, social class is recognized as the most important segmentation factor. Upper middle class, middle class, lower middle class, skilled workers, and working class make up the majority of the population.

Family Size: Family size is a segmentation-based variable that aids marketers in understanding the volume and scale of purchases that customers will make.

Family Life Cycle: A family goes through several stages, including the bachelor stage, newlywed stage, full nest stage, where a married couple has children under their care at home, and the empty nest stage.

Occupation: White collar and blue-collar groups are the two fundamental divisions of occupation groups.

Psychographic Segmentation: This method divides the market into various categories based on socioeconomic status, way of life, and personality traits.

3.4.5 Advantages & Limitations of Segmenting Markets

Advantages

- ◆ Increases sales volume
- ◆ Improved growth rate
- ◆ Greater return and profit
- ◆ Build a new clientele base
- ◆ Give sellers a competitive edge.
- ◆ Helps with finding and targeting
- ◆ Market share and market expansion
- ◆ Provide the necessary marketing advice for the goods.
- ◆ Helping marketers choose the best marketing channels and building sales strategies

Limitations

- ◆ Costs rise when a corporation enters many market niches.
- ◆ Spending on marketing when the business utilized several initiatives.



3.5 Targeting

After segmentation, you have to do target marketing. We can say that target marketing is niche-specific marketing. The niche is not based on products but customers. You have to identify your potential customers who will purchase your product based on their needs. There are around billions of people on earth. You can't sell your product to all people because they are not interested in purchasing from you. That's where target marketing works. So Targeting the Second step of STP Marketing.

Targeting, also known as multisegmented marketing is a marketing strategy that involves identifying specific personas or markets for specific content. Companies use target marketing to learn more about their consumers and thus create advertisements for specified groups to maximize response.

This strategy is much more effective than mass marketing, as it targets the consumers most likely to interact with the brand or product, based on a buyer persona. There are many key targets, these are the most common.

3.5.1 Meaning & Definition of Targeting

Meaning: Targeting is considered as Second Step of STP Model. Target marketing must come after segmentation. Target marketing can be referred to as niche marketing. The focus of the specialty is on consumers rather than items. You must determine which potential clients, depending on their requirements, will buy your product. On earth, there are a few billion individuals. Because they are not interested in buying from you, you cannot market your goods to everyone. That is how target marketing functions.

Definition: A marketing approach that divides a market into segments before focusing your marketing efforts on one or a small number of important segments made up of people whose wants and preferences most closely match your product or service offerings.

3.5.2 Approaches of Targeting

The firm must decide which strategy for target marketing it will use. Basically, there are four differing approaches for it.



- I. Undifferentiated
- II. Differentiated
- III. Concentrated
- IV. Customized Target Marketing



Figure 3.4: Approaches of Targeting

<https://www.geektonight.com/segmentation-targeting-positioning/>

- I. Undifferentiated:** An undifferentiated approach treats the market as a single mass market with a single marketing plan, with no distinction made between the various market groups.
- II. Differentiated:** A differentiated targeting strategy acknowledges that there are various market segments to target, each of which the marketing organization finds appealing. As a result, marketing strategies are created for each market group in order to capitalize on them.
- III. Concentrated:** Market segments are acknowledged in a concentrated or niche-marketing strategy, which still implements a concentrated strategy by concentrating on a small number of market segments. These are frequently used by businesses that either have few means to fund their marketing strategies or are using a very restricted marketing approach.
- IV. Customized Target Marketing:** The final strategy is a targeted marketing plan that is specifically created for each customer rather than a market segment. This strategy is more common in consumer markets with high-value, highly tailored items or B2B industries



(such as marketing research or advertising services). E.g. Purchase of a custom-made car.

3.5.3 Advantages & Limitations of Target Marketing

Advantages

- ◆ The target market is promoted for business.
- ◆ Understanding current customers is useful.
- ◆ It raises brand recognition among the various target demographics.
- ◆ Customizing products to satisfy the needs of specific consumer groups.
- ◆ The sale of goods in locations best suited for attracting the targeted markets.
- ◆ Pricing will be determined based on what a target market is willing to spend on a given good or service.

Limitations

- ◆ The incorrect target. When you just concentrate on a target market, you must ensure that it is appropriate for your good or service.
- ◆ Comparatively small Market Share.
- ◆ Ethical considerations.

Having a shared market with rivals.

3.6 Positioning

Positioning is the process of establishing a unique mental position or picture of a good or service in the eyes of the consumer in comparison to other brands on the market. When compared to other brands or items that are currently on the market, positioning aids in helping consumers form a distinctive impression of the brand and the product.

Product positioning refers to how customers view the product in comparison to rival products based on a variety of criteria. Therefore, in order to gain a competitive advantage throughout the life of a product or offer, every organisation must be able to distinguish between bids and evaluate their position effectively (Kotler et al., 2003).



3.6.1 Meaning & Definition of Positioning

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A successful positioning strategy distinguishes a product and encourages customers to see the clear advantages of utilising it. A strong location provides the item a USP (Unique selling proposition). A strong positioning distinguishes a brand or product from the competition in a crowded market. A good position is one that gives the brand or product flexibility in additions, modifications, distribution, and promotion.

Definition: Every marketer view brand positioning as one of the most crucial elements of brand creation overall. Depending on how a brand was positioned in the market, various people may have varying perceptions of the brand. Positioning describes how your product (item or service) compares to competing goods and services on the market as well as in the minds of customers.

Positioning is the process of choosing a suitable market niche for a brand, product, or service and establishing it there.

Examples of marketing positioning:

- ◆ Starbucks offers itself as a reliable supplier of high-end coffee and beverages.
- ◆ Tesla and Audi pitch themselves as luxury status symbols.
- ◆ McDonald's positions itself as a location to acquire quick and inexpensive meals.
- ◆ Both Microsoft and Apple present themselves as cutting-edge IT companies with user-friendly products.

3.6.2 Variables of Positioning in Market

(i) **Pricing:** Most buyers base their selections in part on pricing. In many product categories, companies with the lowest prices and acceptable levels of quality typically prevail.



(ii) **Quality:** Most price wars can be stopped by quality. Quality can determine who the rivals are in some industries, such as those for high-end cosmetics or automobiles.

(iii) **Differentiation:** What distinguishes your products or service from the competition is differentiation. Competitors may not be as dangerous if your product or service is very different from theirs.

Take the Toyota vs. Tesla comparison. Tesla quickly overcame entry-level vehicles like the Toyota Prius by entering the electric vehicle industry with a high-end sports variant. With the Model S, Tesla genuinely went for the high-end market.

(iv) **Convenience:** Customers' lives are made simpler through convenience. Convenience might include anything from accessibility to location, including easy returns and online shopping.

(v) **Customer Service:** Customer service places a strong emphasis on developing positive, cordial relationships. This can be especially important in some sectors of the economy, including the restaurant and banking sectors.

(vi) **User Group:** This kind of positioning focuses on a certain user demographic and explains why the company's products are pertinent and directly related to this demographic.

Take the Johnson's vs. Axe comparison. Axe body spray targets men, but Johnson's baby shampoo pitches itself as being kind for kids.

3.6.3 Types of Positioning

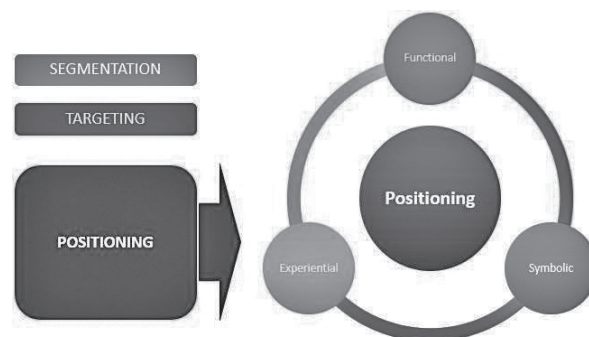


Figure 3.5: Types of Positioning

Source: <https://www.mbaskool.com/business-concepts/marketing-and-strategy-terms/2762-positioning.html>

**Positioning is broadly classified into three types:**

1. **Functional:** This is utilized when a company's name or products offer clients benefits and answers to difficulties. It emphasizes the role, advantage, or value that it serves the client.
2. **Symbolic:** This is beneficial for developing a brand image that contributes to the development of brand equity, a sense of social affiliation, and ego-identification. It occurs when a customer feels a connection to the product on a personal, social, or ego level.
3. **Experiential:** In the customer's head, this generates sensory and cognitive simulation. It forms the foundation of the experiences that a client can identify with. Companies employ a positioning process, which is a step-by-step approach, to position the good or service in the consumer's mind in the appropriate way. A corporation will redesign a brand's logo, tagline, etc. if it decides to alter how consumers perceive it. Repositioning the brand is the process involved in changing how people perceive it.

3.6.4 Types of Positioning Strategies

The following are some examples of positioning strategies used by businesses:

1. **Umbrella positioning**
2. **Premier positioning**
3. **Positioning against competition**
4. **Un-owned positioning**
5. **Repositioning**

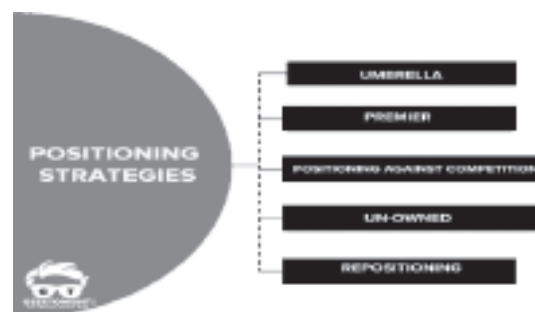


Figure 3.6: Types of Positioning Strategies

Source: <https://www.geektonight.com/segmentation-targeting-positioning/>



- ◆ **Umbrella Positioning:** An umbrella positioning is a claim that highlights the many benefits of a company's products. Umbrella positioning does not draw attention to the benefits of using a particular product. It outlines the benefits of using every product from a specific brand. As an illustration, LG promotes all of its products under the positioning and tagline "Life's Goods."
- ◆ **Premier Positioning:** It is one of the strategies that is exclusively directed at a certain business, product line, or group of services. For instance, TATA simultaneously sells its air conditioners under the TATA brand and the exclusive brand VOLTAS.
- ◆ **Positioning Against Competition:** Companies use this technique to recognize their competitors. For instance, AAJ TAK asserts that they are the top Hindi news channel in India.
- ◆ **Un-owned Positioning:** Positioning is not a physical thing that anyone may own; rather, it is the perception that customers have of you. Competitors in the market, for instance, look for positioning holes and try to fill them if they are beneficial.
- ◆ **Repositioning:** Repositioning is the process through which a company strategically modifies the distinctive image and identity that its product or brand occupy in consumers' minds.

3.6.5 Factors of Positioning Strategy

For any brand, product, or service to leave an imprint on the consumer's mind, positioning is essential.

A marketer's primary considerations when developing a strategy for a brand or product are:

- ◆ **Features of the Products:** Positioning might be based on a product's appearance, feel, appearance, etc. To emphasize the value and develop positioning around it, one might leverage the key characteristics of the products.
- ◆ **Utility and Advantages:** It considers the benefits a product offers and the needs that are met. It should clearly demonstrate the benefit in terms of money or quantity. Saving 50% on electricity costs, for instance, can be clearly advantageous to a consumer.



- ◆ **Use Categories:** This outlines the possible applications for the good. You can use each and every scenario and use case to develop an effective posture.
- ◆ **Situation:** The period, occasion, or situation in which the product may be used. Association with a New Year's can lead to strong positioning in the minds of customer.
- ◆ **Competitive Comparison:** Comparing your offering to one of your competitors allows for positioning. Many businesses do this in order to take their current competitive standing and improve it utilizing points of parity or points of differentiation. To get a competitive edge, the product is differentiated based on two factors during positioning:
 - ◆ **Points of Parity (POPs):** Positioning is done using largely comparable factors to those of a competition.
 - ◆ **Points of Difference (PODs):** The product offers in this instance clearly differ from those of the competitors. The laptop, iPod, netbook, and Kindle product placement graph above illustrates the advantages in terms of several parameters. Perceptual mapping and brand mapping are other terms used to describe this approach to understanding positioning.

3.6.6 Benefits of Positioning Strategies

- ◆ **Build a Powerful Competitive Position:** Customers' perceptions of your product or service in relation to the competition are influenced by your positioning. Your capacity to stay one step ahead of the competition is tremendously aided by being able to assert your position in the competitive environment.
- ◆ **Improve Sales:** One of a business's main goals is to boost sales and revenue. By having a more relevant offering and presenting it more persuasively, your company may be able to penetrate a new market. Greater clients and more revenues can follow from this.
- ◆ **Define a Clearer Target Market:** By emphasising a specific quality or benefit of your goods or services, you can create the idea that you are an authority in the field by using positioning in marketing.



Prospects will consider you to be considerably more valuable as a result.

- ◆ **Make More Effective Decisions:** Once you understand the fundamental thesis behind effective positioning strategies, you'll be in a better position to make decisions along the route. Additionally, clear positioning in marketing drives effective communication and better, stronger consumer ties.
- ◆ **Connect to Consumer Needs:** Through positioning in marketing, businesses have the option to outline the key benefits that their product or service offers. It connects the product to the specific client who needs it while also giving it energy.

3.7 Marketing Research

Research is a methodical attempt to both accept and reject or modify previously held beliefs. Young (1988) contrasts this with the idea that social science research is “the systematic procedure of discovering new facts or validating old facts, their sequence in the relationship, causal explanation, and the natural rule that controls them.”

Marketing research, also referred to as consumer research, is a component of business research. A rigorous, objective investigation of issues pertaining to the advertising of goods and services is known as marketing research.

It can be used in any facet of marketing. Research is the only tool accessible to an organisation for keeping up with its external operational environment.

Since marketing research is a well-organized, methodical process, planning is necessary at every stage. It makes use of science. Given that it makes an effort to deliver correct, reliable information, it is an objective procedure.

3.7.1 Definition of Marketing Research

Marketing research helps marketers to understand the possible need, want and desire of the consumers and it also helps to forecast the probable future demands of the particular products or brand. Marketing research



considered as one of the important aspects to get feedback and opinion of the customer as well as their interest in the particular goods and services. Some definitions of marketing research include the use of the scientific approach to address issues with marketing. In simple terms “*Marketing Research is a systematic process of determining and collecting information related to target market and future prospects about the sales.*”

3.7.2 Aims and Objectives of Marketing Research

- ◆ To specify a business concept.
- ◆ To gain access to market circumstances.
- ◆ To predict the state of the economy.
- ◆ To understanding the distribution pattern
- ◆ To understand the results of marketing initiatives.
- ◆ To learn about a product’s target market’s preferences.
- ◆ To assess the competitiveness of different company policies.
- ◆ To choose the distribution strategy that will best serve the product.
- ◆ To pick the best course of action from a list of commercial decisions.
- ◆ To research the specifications for the features of goods and services.

3.7.3 Application of Marketing Research

Advertising testing research, branding research, customer satisfaction research, price research, product positioning research, and new product assessment research are the key uses of marketing research. Here is a succinct explanation of each of these ideas:

- 1. Research on Testing Advertisements:** This study assesses the advertising concepts, themes, and concept potency.
- 2. Branding Research:** The main objective of this research is to provide clients with branding research material that will assist them better understand their brand position and then strengthen that position in the market. In other words, branding research is driven by corporate branding decisions.



- 3. Customer Satisfaction Research:** This type of marketing research aids a business in determining its degree of customer satisfaction as well as the elements that will enable them to do so.
- 4. Pricing Research:** This type of research has numerous purposes, including market validation, product evaluation, and the design of new items. A product research design is driven by the goal, the client's overall positioning, and market tactics.
- 5. New Product Development Research:** For this type of marketing research, the challenge is to find the appropriate creative or product market research methodology for the various stages of new product development. The methodologies and instruments used for product development market research may change depending on the type of product, the significance of incremental and risk factors, and the price associated with launching a new product.
- 6. Sales Analysis:** Marketing research is used to examine the sales trend and, as necessary, develop effective tactics. It serves to:
 - ◆ Examine the market's possibilities.
 - ◆ Prediction of a product's demand.
 - ◆ An estimate of market share.
 - ◆ Study a product's seasonal variation.
 - ◆ Research on market segmentation.
 - ◆ An estimated market size.
 - ◆ Need study to see how the product fits into the market.

3.7.4 Methods of Marketing Research

According to its methodology, marketing research employs four different study designs, namely:

- (a) Qualitative Marketing Research:** Typically, this is done for experimental purposes. The qualitative data gathered focuses on consumers' perceptions and sentiments toward a good or service. Because there were typically few respondents, the results cannot be applied to the entire population. In general, no statistical techniques are used. Ex: Projective approaches, in-depth interviews, and focus groups.



- (b) **Quantitative Marketing Research:** This is typically done to reach conclusions on a certain issue. It use procedures for random sampling to test a specific hypothesis and extrapolate population data from the sample. Statistics are used to conduct the analysis, which involves a sizable number of respondents. Example: Questionnaires and surveys.
- (c) **Observational Techniques:** The researcher gathers data by observing social processes in their natural environment. Cross-sectional (all observations taken at once) or longitudinal observations are both possible for the observations (observations occur over several time-periods) Examples include computer cookie tracing and product use analysis.
- (d) **Experimental Techniques:** In this scenario, the researcher constructs a quasi-artificial environment to attempt to control erroneous components, then manipulates at least one of the variables to obtain a study answer. Ex: Purchase laboratories and test marketing

3.8 Steps in Marketing Research Process

To ensure that the proper data is acquired, the many elements of the marketing research process must be carefully considered. Good researchers take these procedures to make sure the data they gather to address the issue and resolve. Research might be done internally or via a third party organisation:

I. Determine the Problem and Approach

The research issue and challenges must be defined as the initial step in marketing. A research problem is a particular topic, challenge, paradox, or knowledge gap that you intend to solve in your study. You might search for theoretical or practical issues that aim to further knowledge or bring about change.

II. Research Design

The framework of the research methodologies and procedures a researcher selects to carry out a study is known as the research design. The layout enables researchers to focus on developing research techniques appropriate for the topic and set up their investigations for success.



A research design is only a structural framework for the many research methodologies and approaches that a researcher uses. In marketing research, mainly 3 types of research design are used by the market researchers i.e.

- ◆ Descriptive Research
- ◆ Exploratory Research
- ◆ Causal analysis

The classification is determined based on the objective of the investigation. In some cases, the research will fall into one of these categories, while in other cases, separate components of the same study endeavour will fall into several categories.

III. Data Collection

Data collection and choosing the data sources is the one of the important aspects in marketing research. The researcher must choose between using primary and secondary data. Both approaches are occasionally used in combination.

One should look for secondary data that may have already been obtained for other purposes but that can be used in the current study before investing the time and money in gathering primary data. Secondary data can come from sources both inside and outside of the company, including published data and commercially available data, as well as internal sources like sales invoices and warranty cards. The official census is a great source of secondary information.

IV. Data Analysis and Result Interpretation

It is the process of studying the structured information to find underlying truths. To uncover new information, the data are examined from as numerous viewpoints to explore the new fact about the issue and problems.

The process of analyzing data and presenting appropriate implications by applying a variety of analytical techniques is known as data interpretation. Researchers can categorize, manipulate, and summarize data with the aid of interpretation in order to find answers to important issues.

V. Report and Present Findings

The report must be written objectively, coherently, clearly when presenting the concepts, and with the appropriate use of charts and diagrams.



Notes

The study may occasionally identify one or more topics that need for deeper research.

The contents should be divided into smaller chunks and structured under heading and sub-headings. The purpose is to present a logical and graded arrangement of subject matter. The language should be simple and easy to understand. It should not be bookish and full of jargon. The language used should be appropriate to the level of the learner.

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Recommendations and conclusions

Annexes that include duplicates of the surveys, etc.

3.9 Marketing Information

The systematic process of gathering, analysis, interpretation, storage, and presentation of market information to the marketers on a regular, ongoing basis from both internal and external sources is referred to as the marketing information system.

There are numerous sources (including internal, marketing intelligence and marketing research via which the pertinent knowledge about the market can be collected because every marketing operation works in harmony with the conditions existing both inside and outside the firm.

Definition of Marketing Information System

“The marketing information system provides marketers with pertinent information so they may effectively decide on matters such as pricing, packaging, new product development, distribution, media, promotion, etc.”



3.9.1 Components of Marketing Information System



Source: <https://businessjargons.com/marketing-information-system.html>

1. **Internal Records:** The report must be written objectively, rationally, clearly, and with the appropriate use of charts and diagrams when presenting the concepts. The Marketing Information System should be helped by regularly maintaining the most recent sales data.

The information can be obtained from the documents the company has generated, such as invoices, transmission copies, and billing documents, once it receives an order for goods and services from a client, a dealer, or a sales representative. Marketers can utilize this information to develop their future sales plan.

The Companies maintain several databases such as:

Database for customers that contains all pertinent information on a customer, such as name, address, phone number, frequency of purchases, financial situation, etc.

Product Database: This is where all the details on a product's features, pricing, and variants are kept.

2. **Salesperson Database:** It stores all of the salesperson's personal data, including name, address, phone number, and sales target. The data can be obtained whenever necessary from the data warehouse where the corporations store their data. After the data is stored, statistical professionals mine it using a variety of computer programs and



methodologies to transform it into information that provides facts and figures.

- 3. Marketing Intelligence System:** The marketing intelligence system offers information on market developments, or information about the marketing environment outside of the company. It contains information on shifting market trends, price strategies used by competitors, shifts in consumer tastes and preferences, new items introduced to the market, rival advertising strategies, etc.

The following actions should be taken by the businesses in order to improve the marketing intelligence system in order to have an effective marketing information system:

- ◆ Giving the sales staff the appropriate training and encouraging them to monitor market developments, such as changes in client tastes and preferences, and to provide ideas for improvements.
- ◆ By learning more about their rivals, businesses can also enhance their marketing intelligence system.
- ◆ By including the devoted customers in the customer advisory panel, who can share their experiences and offer guidance to the new potential customers, the businesses can have an effective marketing information system.
- ◆ The businesses might use the public data to enhance their marketing information system. Data on population trends, demographics, agricultural production, and other topics can be used by a company to design its marketing strategies.
- ◆ By using online feedback forms, the Marketing Intelligence system can be further enhanced by directly asking clients about their experiences with the good or service.

- 3. Marketing Research:** The systematic gathering, organizing, analysis, and interpretation of primary or secondary data for the purpose of identifying solutions to marketing issues is known as marketing research. Many businesses do marketing research to apply various statistical methods to the marketing environment, which includes changes in client tastes and preferences, competition strategies, the scope of new product launches, etc. Data must be gathered in order to perform market research. Marketing research makes a significant



contribution to the marketing information system since it offers true information that has been thoroughly examined by the researchers.

4. **Marketing Decision Support System:** It has a number of software tools that marketers can utilize to examine the data already gathered and make smarter marketing decisions. The marketing managers can use computers to save the massive amounts of data in tabular form, evaluate the data using statistical tools, and then make decisions based on the results.

3.9.2 Benefits of Marketing Information System (MIS)

- (i) **Prediction of Consumer Demand:** Predicting consumer demand helps businesses grow their markets by laying the groundwork for mass production and distribution of goods and services. Using an organizational marketing strategy makes it easier to gather the most recent data about customer preferences.
- (ii) **Identification of Marketing Complexity:** The outcome of the modern marketing concept process is complexity and a deeper marketing strategy. The usage of pertinent market knowledge and a well-structured information system are required due to the rapid expansion of global market expansions and marketing operations. Understanding the multifaceted market's makeup and demand is consequently essential.
- (iii) **Facilitates up-to-date Economic Information or Condition:** The cost and market circumstances are determined by the dynamics of supply and demand, which are constantly changing. In a large and complex economy, demand, supply, and price fluctuations are quite intense. People who work in marketing need up-to-date, sophisticated information on shifting economic conditions relating to supply, demand, and costs. They rely on market research and market-related intelligence services for this. The prediction or forecasting of the future is based on economic variables such as the population, income, GDP, price, etc.
- (iv) **Competitor Analysis:** Organizations operate in a highly competitive environment where several rivals develop tactics to outdo one another. It is necessary to use the services of the marketing information



system and marketing intelligence to anticipate competitive activity and outperform it. Marketing professionals must have access to the most recent market data regarding the type and scope of the competition in order to survive.

- (v) **Up-to-date Information on Technology:** Growth in the market results in technological advancements. The most recent knowledge on technological issues or advances is needed by marketing professionals. New products, technology, processes, etc. should be supported by facts. Such is provided by the marketing information system.
- (vi) **Proper Flow of Information for better Customer Service:** There may be a communication chasm between customers and marketers throughout the market expansion phase. Due to this mismatch, marketing initiatives and plans may be exaggerated. Dissatisfaction in consumers is a result of different marketers who are not regularly involved in marketing activities. An increase in consumer complaints demonstrates how poorly items meet consumers' requirements and desires.

CASE STUDY

Segmentation

Vijay was starving while studying late at night. He didn't want to go outside to buy food when he was away from home, so he asked someone to prepare something for him to eat. The time was 3 a.m. Finally, he ventured outside and purchased a snack from a roadside seller. He learned of a business possibility as a result of this encounter. He considered entering the food industry after completing his education with the idea of nighttime deliveries. As a student, he frequently felt the desire for a midnight snack and discovered that many other kids shared his issue. Finally, he launched "Night Cravings," a company that would bring food all night.

Questions

1. Which segment should Rahul consider first?
2. Can he divide the market according to income?

**IN-TEXT QUESTIONS**

1. Marketers should pay particular attention to:
 - (a) Segmentation
 - (b) Targeting
 - (c) Positioning
 - (d) All of the above
2. Which segments of the population are represented by age, gender, income, race, and family life cycle?
 - (a) Geographic
 - (b) Demographic
 - (c) Psychographic
 - (d) Psychology
3. A business is engaging in _____ when it determines the segments of the market that it can service most effectively and profitably.
 - (a) Concentrated marketing
 - (b) Mass marketing
 - (c) Market targeting
 - (d) Segmenting
4. Your business has made the decision to adapt its goods and services to the needs of the regional market. Segmentation would be a wise strategy to utilise in this situation.
 - (a) Geographic
 - (b) Benefit
 - (c) End-use
 - (d) Customer
5. Which method of segmentation is most likely being used by Positive Image, Inc. when it targets the clothes, cosmetics, and toiletry markets?
 - (a) Age and life cycle
 - (b) Gender



3.10 Summary

In this chapter we have studied about the Segmentation, Targeting, and Positioning (STP) marketing model which is a well-known strategic marketing method today. It is one of the marketing models that is used in practice the most frequently, and marketing leaders.

In brief we can say that Segmentation is the process of employing one or more attributes to divide the heterogeneous market into homogenous segments whereas Targeting is related to selecting the number of market categories to target as well as positioning is concerned with giving customers a memorable impression of a product or brand. We also studied about the marketing research that is a well-organized, methodical process, which gives reliable information to the marketers predict their market circumstances, understanding sales and demand pattern. Finally we discussed about the marketing information which is a systematic gathering, analysis, interpretation, storage, and presentation of market information to the marketers on a regular, ongoing basis from both internal and external sources.

3.11 Answers to In-Text Questions

1. (b) Targeting
2. (b) Demographic
3. (d) Segmenting
4. (a) Geographic
5. (b) Gender

3.12 Self-Assessment Questions

1. What are components of the S.T.P Marketing Model?
2. What are the bases to segment any market?
3. Briefly explain the Approaches of Targeting.
4. Points out the Variables of Positioning in Market.
5. What are the types of positioning strategies?
6. What do you understand by Marketing Research?
7. Define Marketing Information System.



3.13 References and Suggested Readings

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Strategic Marketing Planning Process

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STRUCTURE

- 4.1 *Learning Objectives*
- 4.2 *Introduction*
- 4.3 *Strategic Marketing Planning*
- 4.4 *Strategic Marketing Planning Process & Competitor Analysis*
- 4.5 *Marketing Warfare Strategies*
- 4.6 *Main Body Section 3*
- 4.7 *Summary*
- 4.8 *Answers to In-Text Questions*
- 4.9 *Self-Assessment Questions*
- 4.10 *References and Suggested Readings*

4.1 Learning Objectives

A written document that outlines your company's future course is a strategic plan. It outlines the objectives of your business and justifies their significance. By knowing the environment, you may increase performance by using the strategic planning process.

The student should be able to:

- ◆ Describe the process of strategic marketing planning and its significance after finishing this session.



- ◆ The capacity to create and apply marketing strategies by analyzing competitors.
- ◆ To design precise plans for achieving marketing objectives.
- ◆ The ability to employ marketing warfare techniques through analysis of the external environment.

4.2 Introduction

To adapt to the continually changing markets and strengthen their competitive advantage, businesses adopt strategic marketing planning. A company's strategic marketing planning outlines how it will change to seize opportunities in a continually shifting environment. The design and duration of the marketing strategy vary from company to company, but it is typical to have a yearly plan in place for the strategic and planning tasks. Making the proper decisions in your marketing planning will help you get the outcomes you want, whether you're redesigning your website or trying to create a completely integrated campaign. What justifies the significance of strategic marketing planning? There are a variety of reasons why businesses should think about strategic marketing planning, from managing initiatives to creating campaigns and gauging success.

Every company needs to set goals to maintain a healthy work atmosphere and increase levels of sales and profits. An organization that has a strategy in place and a plan in place achieves its goals and objectives before its competitors in the market, giving it a competitive edge. Studying the market environment, learning about the competitors' next movements, developing novel product concepts, and maintaining customer satisfaction through a variety of ways and measurements are all part of strategic planning.

A solid marketing strategy is outlined in a plan that takes into account your practice's needs as well as those of the local community. However, the effectiveness of the strategy depends on your dedication to putting it into action, allocating enough resources to the project, involving your personnel, and maintaining open lines of communication with them. The marketing strategy shouldn't only be prepared, examined, and stored on a shelf. Your practice marketing strategy should be an ever-evolving road map that directs your efforts and tracks your progress. When commitment is present, marketing is effective. You are in charge!



4.3 Strategic Marketing Planning

4.3.1 Strategic Marketing Planning: Meaning and Objectives

Strategic marketing planning is developing a marketing plan that specifies your goals, the programs you'll use to reach them, who will be in charge of tracking the metrics, and when you'll be doing them. Companies can succeed in a highly competitive market by providing superior value to their target customers and knowing how to adapt to a constantly changing environment. Therefore, businesses need to be farsighted and visionary and must build long-term strategies in order to adapt to changing conditions in their industry. The process of strategic planning includes creating a plan to face competition and guarantee long-term survival and growth. The marketing function contributes information and other inputs to aid in the creation of the organization's strategic plan, playing a significant part in the process.

The two main goals of strategic planning are as follows:

- (i) To successfully lead the business through all environmental changes.
- (ii) To establish a competitive advantage that will allow the business to outperform its rivals and gain market domination.

4.3.2 Strategic Marketing Planning: Characteristics

Strategic marketing planning is a comprehensive framework for all upcoming organizational operations. Therefore, strategic planning is crucial for any organization and must be done prudently.

Characteristics:

- 1. Top Management Involvement:** Strategic planning or strategy creation directly contributes to the development of the company's future. Making strategic decisions largely entails creating long-term goals and formulating organizational policies. The top-level management of an organization must thus make these decisions since they call for a great deal of wisdom and insight from the decision-makers.
- 2. Requires Significant Resource Allocation:** Strategic choices necessitate the firm's commitment over a lengthy period and on key challenges affecting the broader organization. As a result, massive resources in



the form of workers, materials, money, machinery, and time must be deployed.

3. **Long-Term Survival and Performance of the Firm:** Strategic planning, with a long-term commitment in terms of organizational objectives, is commonly regarded to have a significant influence on the firm's success. A strong strategy formulation may propel a firm to new heights, but a poor strategy formation might destroy it.
4. **Future-Oriented:** Strategic planning is done in preparation for future implementation. It is now molding the future. Strategies are proactive plans of action created for future implementation. Strategic planning tries to reduce the entire uncertainty of the future by developing goals, objectives, and methods for achieving them.
5. **Irreversible:** Strategic planning is typically regarded to be irreversible owing to its complexity, large financial participation, and long-term commitment. Such judgments, if they must be overturned or amended, come at a high cost. That is why strategic planning is irreversible.
6. **Sensitive to the Environment:** To be effective, strategic planning must maintain a balance between an organization's internal strengths and weaknesses and external possibilities and risks posed by the environment. The primary need for strategic planning is that it be responsive to environmental influences and capable of responding to changes.

4.3.3 Need for Strategic Marketing Plan

A solid strategic marketing strategy is an excellent instrument for assessing the company's position and doing a situation analysis. Thus, the necessity and significance of a strategic marketing plan are:

1. **Competitive Advantage in the Market:** An organization with a plan in place and a strategy in mind achieves its goals and objectives ahead of its rivals, giving it a competitive edge. Studying the market environment, learning about the rivals' future movements, developing novel product concepts, and maintaining customer satisfaction through a variety of ways and measurements are all part of strategic planning.



- 2. Maintains Employee Motivation:** As previously noted, adopting a strategic planning approach gives the company a sense of direction and ensures that all employees are aware of how to achieve the given short- and long-term objectives. And they become extremely driven and work their hardest to complete the duties in the most effective way when they are given the tasks and responsibilities that correspond to their knowledge and professional qualifications, along with the appropriate wards.
- 3. Innovation:** As was mentioned in the previous point, by recognizing the importance of strategic planning and implementing it, the company develops goods and services that score well in terms of uniqueness and innovation. The company prepares and strategizes its next line of offerings, which are unique and exclusive in the market and are guaranteed to increase sales, profit margins, and brand value, in the same way as with strategic planning and feedback from the internal team, external parties, and experts.
- 4. The Organization becomes More Proactive as a Result:** Understanding the value of strategic planning enables a company to be more proactively as opposed to reactively responding to impending concerns and challenges in achieving its goals and objectives. The organization becomes more proactive as it anticipates and foresees the challenges arriving when it adheres to the foundations of strategic planning. Problems and issues are bound to develop when attaining all the short term and long-term objectives. Therefore, the management and the team's key players take corrective action ahead of schedule to resolve problems before they threaten the company's brand value and bottom line.
- 5. Increased Sales and Profits:** The Company is quickly achieving its goal of higher sales and profits when it adheres to the Importance of Strategic Planning in all areas of its business operations. Since it is a universal truth that all strategic planning and actions are taken by the company to not only increase the value of its brand in the market but also to boost sales and profits to keep the cash registers ringing and stay relevant in the market despite fierce competition, carving a niche for itself.

**IN-TEXT QUESTIONS**

1. Strategic marketing planning helps to successfully lead the business through all environmental changes. (True/False)
2. Competitive advantage does not allow the business to outperform its rivals and gain market domination. (True/False)
3. To be effective, strategic planning must maintain a balance between an organization's internal _____ and _____ and external _____ and _____ posed by the environment.

4.4 Strategic Marketing Planning Process & Competitor Analysis

4.4.1 Key Elements of Strategic Marketing Planning Process

Setting your marketing goals, conducting a marketing audit, conducting market research, analysing the research, identifying your target audience, deciding on a budget, developing specific marketing strategies, scheduling the strategies' implementation, and developing an evaluation process are the nine main steps needed to develop a well-crafted, strategic marketing plan.



Figure 4.1: Elements of Strategic Marketing Planning Process

1. **Setting Your Marketing Goals:** Once you've made the decision to advertise your practice, you need to establish attainable objectives



for the following 18 to 24 months. You may schedule activities around neighborhood events that support your marketing objectives within this time frame. We advise against scheduling particular activities more than two years in advance due to the fast changes taking place in the healthcare industry.

2. **Conducting a Marketing Audit:** A marketing audit is an assessment of all marketing activity in your practice over the last three years. Be as comprehensive as possible, reviewing every announcement, advertisement, phonebook ad, open house, booklet, and seminar to determine its success.
3. **Conduct Market Research:** Market research is used to provide a realistic image of your profession, the community in which you practice, and your present standing in that community. With this study, you may create reasonably accurate estimates about future community growth, identify competitive variables, and investigate unorthodox prospects.

Market research is frequently the most time-consuming element in this process. It is, nevertheless, one of the most crucial phases. This study allows you to determine what your practice does well and where you need to improve, what the needs of your community are, who your practice should target, and how you should go about it.

4. **Analyzing the Research:** The raw data you acquire must then be analyzed and summarized into relevant conclusions that will serve as the foundation for choosing which marketing techniques make the most sense and will yield the best outcomes for your practice. The study will help you define your target audience by identifying the demands and requirements of your present and future patients. This is also a wonderful moment to reflect on the objectives you've set for yourself. You may need to revise some of your objectives based on the results of your investigation.

A strategic marketing plan necessitates the definition of your practice in terms of what it accomplishes for consumers. The research study will show the strategic benefits of your practice. After extensively examining your own and your rivals' practices, you may ask yourself three critical questions: What are the distinctions and similarities between your practice and those of your competitors?



What distinguishes your practice from the competition? Is your technology more appealing than that of your competitors? Do you provide a greater range of services than your competitors? Is there a service that you offer that no one else in the business does? Your competitive advantage might be in your practice style, the breadth of services you provide, the simplicity of scheduling an appointment, or the way you communicate.

Market Research Guide: Conduct market research on your business, your competitors, and your neighborhood to obtain the information you need to establish a comprehensive marketing plan for your clinic. Your profession cannot rely on intuition, judgement, or experience; it requires real evidence. Although gathering this information will take some time, there are a lot of tools accessible to help you.

Your Expertise: Much of the information you want regarding your own practice may be obtained through talks with employees and consumers, as well as through a study of your past consumers. You may also learn about your company and if it is serving the requirements of your present customers by having them complete a business survey. Here are some of the questions you should have concerned your business:

- ◆ What is your organization's background and history? Is it a recent addition to the present community?
- ◆ What are the strengths and shortcomings of your organization?
- ◆ Who are your present customers in terms of age, gender, ethnic origin, education etc?
- ◆ What services does your business offer? Who requires these services? Are these requirements changing?

Your Competitor: You must learn about your competition and what they are offering to their customer base. Check with your executives and intermediaries to see how many other substitutes and new entrants have move in the segment in the last five years. After you've discovered who your competitors are, you must evaluate them. This information may be more difficult to obtain, but you may try to acquire as much as you can by simply asking



other stakeholders and analyzing rivals' strengths. To evaluate your competitors, ask the following questions:

- ◆ Who are your rivals' target markets and target audiences?
- ◆ What makes specific consumers or groups of people like or dislike your competitors?
- ◆ How does your rivals rank in the community?
- ◆ What marketing strategies have your rivals employed?

Your Neighborhood: In addition to learning about your profession and your rivals' practices, you should study everything you can about the people in your neighborhood. Answers to the following questions can be obtained by contacting your local Chamber of Commerce, your state vital statistics bureau, or by consulting the (www.census.gov). Every state, county, city, ZIP code, neighborhood, and so on may access census data:

- ◆ What is the population density in your service area? Is the population anticipated to increase or decrease?
- ◆ What are the demographic features of your local population?

5. Identifying Your Target Audience: You should be able to determine your organization's "target audience" with the help of your market research analysis, which is the exact group of people to whom you'd like to aim your marketing efforts. Your target audience might include people of a given age, education, lifestyle, culture, gender, and so on. Remember that your target audience should include not just the customers you wish to attract, but also other stakeholders that may influence and expose that sector of the population.

6. Determine a Budget: Before you can select which exact marketing methods to use to reach your goals, you must first review your financial data and create a marketing budget. Marketing budgets differ depending on the sort of market a business is in, the age of the business, and if the organization has previously advertised. There is no set amount that a business should spend. However, in our experience, practitioners in open marketplaces spend 3–5% of their yearly gross income on marketing. If your practice is new, in a highly competitive market, or has never been promoted before, or if you plan to launch an



ambitious new program or service, expect to spend 10% or more of your revenue on marketing.

7. **Develop Marketing Strategies.** With your budget in place, you can start defining marketing tactics that will meet your objectives, reach your target demographic, and grow your client base. Remember to concentrate your efforts on the aspects of your organization that may be leveraged to generate a unique value in the minds of your clients and referral sources. Each strategy should be linked to a specific objective and comprised of several steps. One technique connected to the objective of attracting customers, for example, is to make the workplace and employees more customer pleasant. The following activities may be necessary for such strategy.

Improve the reception area's décor; Provide name tags for employees; require staff to identify themselves to each new customer; provide staff with training sessions on customer satisfaction; create a method for consumers to self-schedule appointments on the business website.

8. **Developing an Implementation Schedule:** An implementation schedule is a timetable that outlines which marketing activities will be carried out when and by whom. The calendar should also contain the cost of each marketing action and how it fits within the 24-month budget predictions. Consider how the activities will influence present practice operations and if there are enough resources (such as employees, time, and money) to complete the essential tasks while designing the timetable. It may be required in some circumstances to reduce the list or postpone some activities. In other circumstances, it may be better to proceed with your plan's full implementation.

If you want to fully implement the strategy but lack the necessary personnel resources, you can think about hiring a consultant to manage the marketing efforts or hiring a part-time employee to take care of the bulk of the marketing duties. You may use the implementation timetable as a foundation for tracking the development of your marketing strategy.

9. **Create an Evaluation Process:** The efficacy of a marketing plan determines its worth, which calls for thoughtful and timely



Notes

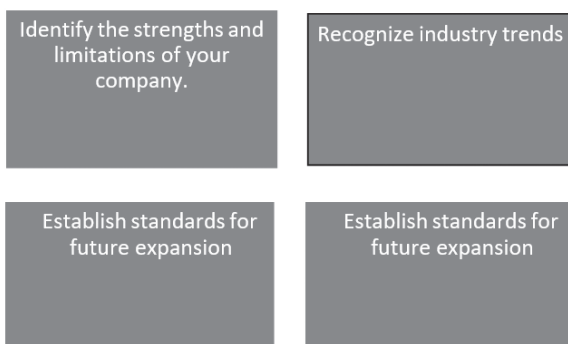
implementation as well as monitoring and outcomes evaluation. It's crucial to compare your performance to the benchmarks you established while setting your goals. By comparing your progress to the implementation timetable, review your strategy on a regular basis (we suggest quarterly). You may assess your success in a number of ways, including customer satisfaction survey results, reference sources, improved revenue, more new clients, and a decline in complaints.

If at any point you discover that your development falls short of what you had hoped, you must figure out why? Maybe no new customers have responded to the advertisement for the new service you are promoting. If the advertising campaign has been implemented as instructed without yielding any results, stop and attempt another course of action. Perhaps you might consider holding a series of seminars, running a campaign that is especially aimed at the demographic you want to attract, or creating a new section on your website only for customers that highlights the advantages of the new service. In other words, the marketing plan's activities, and even its strategies and objectives, are not set in stone. You can always make changes by consistently keeping track of and analyzing each activity.

4.4.2 Competitor Analysis

A competitor analysis, also known as a competitive analysis, is the process of identifying and analyzing rivals in your industry's various marketing techniques. You may use this information to assess your company's strengths and shortcomings in relation to each competition. You may do a high-level competition study or delve into a specific component of your competitors' company. This article will focus on how to do a generic competitive analysis, but you should personalize this method to your company's requirements and goals.

Small company entrepreneurs sometimes find themselves juggling many jobs at once. But even with a hectic schedule, it's worthwhile to undertake a competition study. By supporting you, it can boost your business by:



Identify the strengths and limitations of your company.

You may learn about the benefits and drawbacks of your own brand by examining how your rivals are seen. Knowing your company's advantages might help you position your business in the market or create the mental image of your product or service that you want people in your target market to have. It's crucial to explain to potential clients why your service or product is the greatest option out of all those offered.

Knowing your company's vulnerabilities is just as crucial to advancing your enterprise. You may find places where you might wish to put time and money to use by understanding where you fall short of your consumers' expectations.

You could discover, for instance, that clients favor the customer service provided by your rivals. Investigate your rivals to learn what they're doing well and what you might adapt for your own firm.

- ◆ **Recognize Industry Trends:** Knowing how the industry is changing as a whole may also be determined by studying the competitors. However, you shouldn't follow your rivals' lead in accomplishing anything. It's seldom, if ever, successful to copy the competitors without carefully analyzing your own position in the market. Don't immediately copy what your rivals are giving if you notice them doing something that you aren't. Instead, consider your consumers' wants and ways to add value for them.
- ◆ **Recognize Your Market:** You can discover businesses while identifying your rivals that you were unaware of or that you had not previously considered to be in your industry. To outperform your competition, start by identifying who they are.



Notes

You might be able to find areas where your market is underserved by conducting an in-depth analysis of what your rivals have to offer. You can take the initiative and increase your own products to meet any unmet consumer demands if you discover discrepancies between what your rivals are giving and what customers desire.

Establish standards for future expansion - you should consider businesses that are both bigger and smaller than your own while doing a competition study. Studying existing companies in your field may help you create a vision of success and a benchmark for measuring your future expansion. On the other hand, the firms that could challenge your market share in the future might be identified by investigating new competitors in your sector.

4.4.2.1 When Should You Analyze Your Competitors?

When launching a new firm, it is usually a good idea to do a comprehensive competition study. A competition analysis is useful for businesses other than startups. It is a tool that may be applied at every step of the company life cycle and ought to be. You may uncover new market trends and keep a competitive edge over other businesses in your field by periodically evaluating and updating your competition study, or by starting one from fresh.

4.4.2.2 Competitor Analysis Techniques

It might be challenging to decide what to emphasize while performing a competitive analysis. Here are six steps to get you started: Think on the purpose of your competitor analysis before you start. Include any additional research fields that support these objectives.

- 1. Identify Your Rivals:** Consider where your clients would go if they didn't buy from your firm while compiling a list of possible rivals. Searching for your product or its category on Google or another search engine and browsing the results is a simple method to get started. You may also conduct a poll or conduct an interview with current clients to learn more about the alternatives they looked at before choosing your goods or services.

So that you can devote adequate time and effort to investigating each rival, limit your list to 10 or less. To acquire a thorough



understanding of the market, when you finish your list, try to include a variety of businesses. Additionally, take into account companies that compete in each of the three categories

Direct Rivals: Direct rivals cater to comparable target markets by offering comparable goods or services. When you consider your competitors, these are probably the businesses that immediately spring to mind. McDonald's, for instance, probably sees Wendy's and Burger King as direct rivals in the fast-food burger industry or Coke vs Pepsi in beverage industry.

Indirect Rivals: Although they target a similar demographic to yours, indirect rivals provide a different good or service in the same market. For instance, McDonald's faces off against pizza delivery services like Domino's and Papa John's.

Replacement Rivals: Although they compete with you outside of your product category, replacement rivals meet comparable consumer needs. Any option individuals choose when they're hungry, including goods like frozen dinners, might be a replacement rival for McDonald's. Replacement competitors are the most difficult of the three categories of rivals to recognize. You should pay close attention to both direct and indirect rivals while doing a competitor analysis. Even so, it's vital to quickly assess any prospective substitute rivals that can jeopardize your company's future.

2. **Make a Matrix of Competitors:** Take some time to arrange yourself before you get into your competitor analysis. You may organise your research using a table or spreadsheet called a competitor matrix, sometimes referred to as a rival grid. It will be simpler to compare your results to those of rivals and see wider patterns as a result.

Start by giving each rival you've identified a row or column to itself. List the data points or categories of information you want to know about each rival on the opposite axis. If you're unsure of what to search for at this stage, don't worry. As your study progresses, you may always add new categories.

3. **Assemble Background Data:** Start researching your rivals' companies after you have a list of them. Start by looking for the most fundamental details, then work your way up from there. Start by checking out



any news items that have been written about the firm as well as its websites and social media profiles. Here are some fundamental details that you might wish to look for. History of the company. This covers details like its inception date, financial sources, and any mergers or acquisitions it has taken part in. The “About” section of their website or previous news releases from the business are frequently good places to look for this information. You may gain a deeper knowledge of your rivals’ company by researching how they came to be where they are.

4. **Size of Business:** How many individuals are employed by your rivals? For this type of information, Glassdoor and LinkedIn are also good sources. Additionally, you should research the number of clients and income that your rivals have. For larger organisations, this information will probably be readily available online. You may have to settle for approximations for smaller, privately held businesses. You may better contextualise the remaining data you get if you are aware of the size of your competition.
5. **Concentrate on the 4 Ps:** It’s important to investigate how each competitor approaches that market segment now that you have determined who their target market is. A thorough examination of their marketing tactics will be necessary.

The four Ps—product, pricing, promotion, and place—that make up the marketing mix are the prerequisites for bringing a product to market. For each competitor you’ve chosen, ask yourself the following questions as part of your investigation.

Product

- ◆ What do they market?
- ◆ What characteristics does their good or service have?
- ◆ What features of the product or service appeal to customers the most?
- ◆ What are the product’s or service’s flaws?

Price

- ◆ What sort of pricing structure do they employ? Is it a yearly subscription or a one-time purchase?



- ◆ What are their prices for their goods or services? Do they provide discounts or sales?
- ◆ How does the price of a product or to its actual or perceived quality?

Promotion

- ◆ How do they disseminate information about their good or service? What mediums do they utilise for advertising, such as social media, email marketing, print ads, etc.?
- ◆ What features of their goods or services do they highlight? What makes them stand out from the competition?
- ◆ What is their business's history? How do they describe their company's brand?

Place

- ◆ Where are their products sold? Do they do their business online or offline?
- ◆ Do they collaborate with merchants or third-party marketplaces, or do they sell to customers directly?

These inquiries are supposed to provide a place to start. Feel free to elaborate and modify them to fit your industry and the objectives of your study.

There is probably a ton of information available. Make an effort to summarize your results into brief bullet points that you can later readily refer to. If you can find it, make sure to incorporate quantitative data where it is suitable.

6. **Analyse** strengths and weaknesses—yours and your competitors: Think about each of your chosen rivals' advantages and disadvantages based on the data you've gathered. Consider the reasons why customers pick a certain brand's goods or services over competing ones. In your spreadsheet, note your conclusions.

Finally, think about the strengths and shortcomings of your own business. How does your company stack up against the rivals you've studied? You can better serve your target clients by being aware of what makes your company stand out from the competition and where it falls short of expectations.

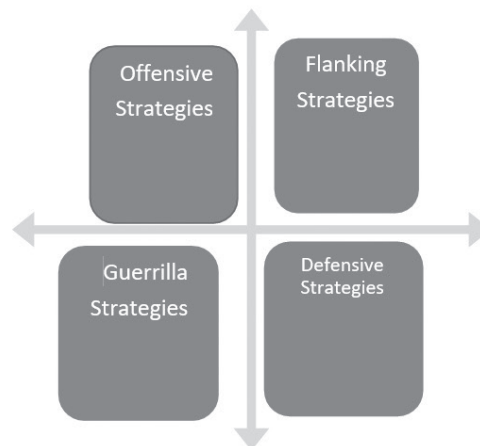


4.5 Marketing Warfare Strategies

Marketing warfare strategies are a type of business and marketing strategy that attempts to make comparisons between business and warfare before applying military strategy to business situations. Competing firms are compared to sides in a military conflict, and market share is compared to territory that is in contention.

For instance, in a game of football between two teams, each team will attempt to advance the ball toward the goal line, and most likely, their rival team will stop them. Teams must create counter-competition plans that enable them to outmaneuver and outflank opponents if they want to win the game. The same principles are used everywhere to win, whether it be in sports, business, or warfare.

Depending on the conditions in the environment and the strategic move of rivals, commercial enterprises might employ one of four different marketing warfare techniques.



Offensive Marketing Warfare Strategies: To gain a competitive edge, offensive marketing warfare tactics are deployed; often, market leaders, runners-up, or failing rivals are targeted. By using offensive marketing, you may directly confront the competition with your greatest deals and promos. It's also how many businesses compete with one another for customers' attention by offering bargains, promotions, product upgrades, and the like. For instance, if company A is selling ice cream this week for Rs. 10 per piece, company B can run a counter campaign advertising



ice cream on sale for Rs. 9.50. Although the transaction wasn't anticipated or planned, an aggressive marketing campaign made it happen. You may not make as much money from a particular transaction if you go on the offensive, but you will gain ground through more sales and customers in the long run. The primary objective of offensive strategies is to improve sales, increase market share by increasing customer base and destabilize the current market leader.

Defensive Marketing Warfare Strategies: Defensive tactics are managerial instruments that may be employed to repel a prospective competitor's attack. Consider it a battleground. To keep your consumers satisfied and your profitability constant, you must defend your market share. Defensive tactics are managerial methods that may be used to repel a prospective competitor's attack. The purpose of these techniques is to keep your position as the market leader while battling against competitors that want to steal your market share. As a result, it is characterized as a marketing technique that assists businesses in retaining important clients who may be stolen away by competitors. The goals of this approach are to maintain current market share while increasing profitability, to maintain current levels of competitive advantage and top position in local and existing markets.

Flanking Marketing Warfare Strategies: A Flanking Attack tactic focuses on a competitor's weak spots. You assault them to remove them and acquire market share. The term derives from a military tactic in which an adversary is assaulted from the side, assuming that the majority of might is concentrated in the front. It is an attack on the area where the opponent gives little importance for example Close-Up brought first gel toothpaste in the market by changing product form, similarly Sony brought portable electronics or Volkswagen with smaller size cars.

Guerrilla Marketing Warfare I Strategies: Guerrilla marketing is the employment of creative or unusual ways to increase sales or generate interest in a brand or business. These tactics are frequently low-cost or free, and they entail the broad usage of more human connections or viral social media messaging. Business organizations employ tactics such as assault, conceal, and retreat until the competition exits the market. For example, a local store tailoring a strategy to attract local customers versus a national product, or a locally customized business magazine by a local vendor that a national publisher such as the Times of India or the Hindustan Times cannot accomplish.

**CASE STUDY**

Ries and Trout utilise the burger war to show a flanking manoeuvre in the fast food business. McDonald's was the market leader, and Burger King attempted aggressive strategies. The moves that failed were those that expanded the product line and imitated McDonald's. The successful campaigns distinguished Burger King from McDonald's. Have it your way, for example, targeted a flaw in McDonald's consistent product line procedure, which had the unintended consequence of being rigid. The campaign highlighting the fact that Burger King's burgers were flame-broiled whereas McDonald's were fried was even more popular. Wendy's effectively countered McDonald's by focusing on adults rather than children, giving adult-sized portions, and creating the hugely popular Where is the beef? Campaign. Finally, White Castle was the low-end Guerrilla, limiting their geographic spread, without adding a bewildering array of other goods, and maintaining a high level of sales at each establishment. White Castle followed the guerrilla philosophy of never acting like the leaders and was able to coexist peacefully as a consequence.

ACTIVITY**Identify the Type of Warfare Strategy**

1. The businessmen competed with Facebook by concentrating on the photo sharing aspect of their service. While the Facebook team spread themselves thin over a wide range of features and functions, Instagram narrowed its attention to just photographs and effectively established itself as a household name in the social media space. Of course, Facebook eventually bought them.
2. The traditional "exit man" signs that are so prevalent in places all around the world are customized with stickers for Axe Body Spray. The additional stickers tell a tale about the recognizable departure guy; to think we had believed he was fleeing from a fire!



3. The two market leaders in the soft drink beverage sector are Coca-Cola and Pepsi. They both possess resources and money. They've used frontal assaults frequently in the past. Pepsi began selling diet Pepsi after Coca-Cola introduced its diet coke.
4. A price competition in which a business commits to equal or outbid its rivals, increasing the features in order to stay ahead of a rival, offering warranties that testify to having superior products or better service.

4.6 Main Body Section 3

IN-TEXT QUESTIONS

4. _____ strategy is used to attack competitors on the area where the opponent is weak to penetrate and gain market share.
5. The _____ type of warfare strategy has the goal to maintain current levels of competitive advantage and top position in local and existing market.
6. The strategic marketing planning process consist of detailed steps and no of steps are _____.

4.7 Summary

Strategic marketing planning is a comprehensive framework for all upcoming organizational operations. Key Elements of Strategic Marketing Planning Process are: Setting your marketing goals, conducting a marketing audit, conducting market research, analyzing the research, identifying your target audience, deciding on a budget, developing specific marketing strategies, scheduling the strategies' implementation, and developing an evaluation process are the nine main steps needed to develop a well-crafted, strategic marketing plan.

A competitor analysis, also known as a competitive analysis, is the process of identifying and analyzing rivals in your industry's various marketing techniques.



Notes

- ◆ Identify the strengths and limitations of your company
- ◆ Recognize industry trends
- ◆ Establish standards for future expansion
- ◆ Establish standards for future expansion

Marketing warfare strategies are a type of business and marketing strategy that attempts to make comparisons between business and warfare before applying military strategy to business situations. The types are:

- ◆ Offensive marketing warfare strategies
- ◆ Defensive marketing warfare strategies
- ◆ Flanking marketing warfare strategies
- ◆ Guerrilla marketing warfare strategies

4.8 Answers to In-Text Questions

1. True
2. False
3. Strength and Weakness, Opportunities and Threats.
4. Guerrilla
5. Offensive
6. Defensive

4.9 Self-Assessment Questions

1. Explain the type of marketing warfare strategies the company can use with suitable examples.?
2. Discuss strategic marketing planning process in detail with relevant examples?
3. What are the measures you will take to analyse competitors?



4.10 References and Suggested Readings

- ◆ Bloodgood, J. M. and Bauerschmidt, A. (2002). Competitive analysis: Do managers accurately compare their firms to competitors? *Journal of Managerial Issues*, 14(4): 418-434.
- ◆ Fleisher, C. and Bensoussan, B. (2003). *Strategic and competitive analysis: Methods and techniques for analyzing business competition*. Prentice Hall.
- ◆ Kotler, P. (1991), *Marketing Management: Analysis, Planning, Implementation and Control*, 7th ed., Prentice-Hall, Englewood Cliffs, NJ.
- ◆ Kotler, P. and Armstrong, G. (2004) *Principles of Marketing*. 10th Edition, Pearson- Prentice Hall, New Jersey. - References - Scientific Research Publishing. (n.d.).



Product Mix

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STRUCTURE

- 5.1 *Learning Objectives*
- 5.2 *Introduction*
- 5.3 *Product Meaning*
- 5.4 *Product Mix Meaning*
- 5.5 *Product Development*
- 5.6 *Product Lifecycle*
- 5.7 *Summary*
- 5.8 *Self-Assessment Questions*
- 5.9 *References*
- 5.10 *Suggested Reading*

5.1 Learning Objectives

After studying this unit, you should be able to:

- ◆ Analyze how products are classified
- ◆ Explain the product line and product mix strategies
- ◆ Describe the product lifecycle
- ◆ Discuss the stages involved in the new product development



5.2 Introduction

To begin with, let us understand the term product. We may define the product as a collection of physical, psychological, service, and symbolic, attributes that collectively yield satisfaction, or benefit, to a buyer or user. The marketing identified a product as anything presented to a market to satisfy a want or need. This chapter helps you to get familiarized with the significant concepts concerning product management.

Product management is an organizational lifecycle function within a company involving the planning or marketing of a product or products at every stage of product lifecycle. We shall be discussing the levels and classifications of products, and the strategies of product line and product mix. We will also analyze the important steps to be considered in the new product development process.

5.3 Product Meaning

In a general usage, a product is any object which has an identifiable physical existence. The marketing identified a product as anything presented to a market to satisfy a want or need. We may define product as a collection of physical, psychological, service, and symbolic attributes that collectively yield satisfaction, or benefit, to a buyer or user.

5.3.1 Definition

According to Philip Kotler, “A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objectives, services, persons, places, organizations and ideas.”

5.3.2 Five Product Levels

1. **Core Product:** This is the basic product, and the focus is on the purpose for which the product is intended. This layer explains the ‘why’ of buying the product. For example, a warm coat will protect you from the cold and the rain. The more important benefits the product provides, the more that customers need the product. This



will benefit the product positioning within a market and effect the possible competition.

2. **Basic Product:** This represents all the qualities of the product. The consumer looks at the basic utilities, like physical features and tangible elements of the product. For a raincoat this is about fit, material, rain repellent ability, high-quality fasteners, etc.
3. **Expected Product:** This is about all aspects the consumer expects to get when they purchase a product. The expected layer is a set of attributes and conditions that buyers normally expect out of the product. The basic product is the 'given thing' in the product.
4. **Augmented Product:** The Augmented Product refers to all additional factors which sets the product apart from that of the competition. And this particularly involves brand identity and image. Is that product in style, its color trendy and made by a well-known fashion brand? But also factors like service, warranty and good value for money play a major role in this. The goal is to deliver something that is beyond an expected product. It's the translation of the desire that is converted into reality.
5. **Potential Product:** This is about augmentations and transformations that the product may undergo in the future. Here the marketer is always on constant search for new methods and processes to differentiate the offer on the basis of product features and services that will satisfy the customer and create the desired differentiation.

5.3.3 Classification of Goods or Product

Table 5.1: Classification of Products

Classification of Products		
I. Durability and Tangibility	II. Consumer Goods	III. Industrial Goods
(a) Non-durable goods	(a) Convenience goods	(a) Equipment and Physical Facilities
(b) Durable Goods	(b) Shopping goods	(b) Materials entering into the Product
(c) Services	(c) Specialty goods	(c) Manufacturing or Service Supplies
	(d) Unsought goods	(d) Management Materials



I. Durability and Tangibility

Products can be classified based on durability and tangibility. Based on durability, they can be grouped as non-durable and durable products.

- (a) **Non-Durable Goods:** These are goods which get depleted on consumption. For example, a bottle of soft drink is consumed at once on one occasion within a matter of minutes. Soap obviously takes a little longer. However, in both these cases, the goods are consumed very fast.
- (b) **Durable Goods:** These are goods which are 'durable' or which last for some time. Examples of such goods would be electric irons, refrigerators, television sets, etc. This type of product requires more selling effort from the salesman. The question of after sales service and repairs is also of importance as 'selling points' or 'benefits' which the customer would like to have.
- (c) **Services:** Services are specially mentioned here (although they do not constitute products) because it is generally thought that marketing is related to products alone. Products are classified as physical products or tangible whereas services are intangible, inseparable, variable and perishable in nature.

II. Consumer Goods

Consumer goods are those goods which are designed for final consumption by individuals and households. Television, radio, cigarettes etc., are the examples of consumer goods.

Types of Consumer Goods

- (a) **Convenience Goods:** Goods which consumer buys frequently, immediately and with minimum shopping effort are classified as convenience goods. Examples: Cigarettes, newspapers, magazines etc.
- (b) **Shopping Goods:** Goods which consumer selects and buy only after making comparisons on such bases as suitability, quality, price and style are called as shopping goods. Examples: furniture, readymade garments etc.
- (c) **Specialty Goods:** Goods for which significant numbers of buyers are habitually willing to make a special purchasing effort are known



as specialty goods. They should possess unique features or have a high degree of brand identification or both.

- (d) **Unsought Goods:** These are goods that the consumer does not know about or does not normally think of buying. These goods need advertising and more personal selling efforts for making a sale. These include life insurance products, coffins, and fire alarms.

II Industrial Goods

Goods which are for use in the commercial production or other goods or for use in connection with carrying on of some business or institutional activity are known as industrial goods.

Types of Industrial Goods

1. **Equipment and Physical Facilities:** Major capital assets such as plant, machinery, building etc., come under this category.
2. **Materials entering the Product:** This category of industrial goods includes raw materials, semi- manufactured goods and fabrication parts.
3. **Manufacturing or Service Supplies:** These are products that are essential to the business operations of the industrial users but do not become part of the finished goods. Example: Fuel, oil etc.
4. **Management Materials:** This category covers both office equipment's and office supplies. Example: Stationery, typewriters, calculators.

5.4 Product Mix Meaning

The term product mix refers to the collection of products dealt with by a business firm. The product mix is one of the elements in the product policy.

5.4.1 Definition

According to Philip Kotler, "Product mix (also called as product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers."

According to William J. Stanton, "The product mix is the full list of all products offered for sale by a company."

**CASE STUDY****The Impact of Distance Education on Higher Education: A Case Study of the United States**

In 2013, Gail D. Caruth and his team of Texas University have studied the impact of distance education on higher education. Distance education has been credited for bringing education to students who would not otherwise have educational opportunities. This study used a qualitative case study approach to examine the research to determine the impact of distance education on higher education in the United States. They found that the impact of distance education is significant to higher education because informed knowledge of the impact will provide insight into the effects of overall education in the United States. The researchers asked the following two exploratory questions: What happened during the evolution of distance education in the United States? What themes emerged over time? Their findings suggested that the impact of distance education on higher education in the United States has been change. They also anticipated that, in the future changes will continue to occur. Researchers concluded that the higher education has to be prepared to teach about change and teach students how to handle change.

5.4.2 Dimensions of Product Mix

The relationship between the items and lines that form a given product mix may be described in terms of three dimensions, namely, width, depth and consistency.

- 1. Length of the Product Mix:** The length of the product mix refers to the total number of items in its product mix.
- 2. Width of the Product Mix:** The width of the product mix refers to the number of different product lines the company carries.
- 3. Depth of the Product Mix:** Depth refers to how many varieties are offered in each product line. In other words, the depth is measured



by assortment of sizes, colours, models, prices and quantity offered within each product line.

- 4. Consistency of the Product Mix:** The consistency of product mix is a measure of how closely related its various product lines are to one another. The relationship may be due to the use, production requirements, distribution channels, consumer behavior and other characteristics.

5.5 Product Development

5.5.1 Definition of Product Development

To serve the needs of its end-users, product development is generally characterized as “making, innovating, or developing totally a new product, or presenting an existing product with expanded utility, improved features, more appealing design, better quality, and reliability.”

5.5.2 Meaning of Product Development

Product refers to a good, service, concept, or object made by a process and made available to fulfill a need or a want. Development is the process or act of expanding, advancing, or developing.

There are two parallel paths involved in the new product development process. The first involves the idea generation, product design and detail engineering whereas the other involves market research and marketing analysis. Basically, Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management where it is used to maintain or grow their market share. It is important the new product which is based on current market trends should be launched so that it can give greater benefit to the customers.

At the same time, it can also help them to understand what the needs of their customers are helps to increase the sales of their business in terms of maximizing the profits.



5.5.3 New Product Planning

New product planning has been defined by the American Marketing Association as “*the act of making out and supervising the search, screening, development and commercialization of new products; the modification of existing lines; and the discontinuance of marginal or unprofitable items*”. Simply stated, product planning decides the nature and other related aspects of the articles produced and sold. Product development is a more limited term but includes the technical activities of product research, engineering, and design. Product planning and development is the result of the coordinated efforts of large number of specialists – engineers, scientists, marketers, etc. Product planning is usually described as ‘Merchandising’ and it covers both, the existing and potential products. This activity, therefore, must deal with the proper balance between the old and the new products. New product planning is a very long and complex process, and it deals with changes in:

The kinds of goods or services offered by a marketer for various segments. The number or kinds of products, or different lines, that the company offers in various segments. The width of product line offered.

The quality levels or levels acceptable to various classes of consumers in various target markets. The degree of distinctiveness. Increased societal and governmental constraints. The growing shortage of new product ideas in certain areas. Shorter time spans between the emergence of the idea and the physical launch of the product. The costliness of the new product development process.

The following decisions are important in new product planning:

- ◆ Improving the existing product lines and services,
- ◆ Weeding out unprofitable items in the product line (simplification),
- ◆ Expansion of the current product line (diversification),
- ◆ New product development for the present customers, and
- ◆ New product development for new customers (diversified products).



5.5.4 Role of New Product Development

Whatever may be the size and nature of operations of a firm, product planning and development is necessary for its survival and growth in the long-run. Every product has a life cycle and it becomes obsolete after the completion of its life-cycle. Therefore, it is essential to develop new products and alter or improve the existing ones to meet the often-changing requirements of customers. The role of new product development can be stated in terms of:

1. Ensuring that the product mix, matches changing environmental conditions and that product obsolescence is avoided.
2. Enabling the marketer to compete in new and developing segments of the market.
3. Reducing the marketer's dependence upon particular elements of the product range or vulnerable market segments.
4. Filling excess capacity.
5. Achieving greater long-term growth and profit.

Introducing new product is rather difficult as it involves long-range planning. Customers' need should be identified, competing and substitute products should be evaluated and, above all, the strength of the company should be examined before deciding to produce a new product. Product failure defeats the very objectives of a firm. In a survey conducted by Booze, Allen and Hamilton, it was revealed that firms with well-organized product planning programs have only 40-50 percent product failures. When this percentage is compared with the overall industry product failures (80 percent), one could easily be convinced of the need for product planning.

5.5.5 New Product Development Process

As you must have realized by now, it is very important to have a strategy for developing new products. Many products fail and to keep expanding company sales, we must have new products. Some products of Hindustan



Lever have failed, but still they remain leading manufacturers because they have continuously added to their lines and added product lines to their product mix. Their “Hima” peas introduced in the 60s flopped, because, in the words of the Chairman of Hindustan Lever, ‘India is not yet ready for convenience foods, neatly done up in packages’. The product ‘concept’ requires testing before one goes into product designing and it is very necessary to have an adequate strategy for developing new products and introducing them.

New product development involves marking out and supervising the search, screening, development, and commercialization. It therefore embraces decisions regarding the type of product idea to be taken in hand, its development and reaching the ultimate consumer to satisfy his demand. Such a philosophy of marketing would ensure the introduction of logical, well designed, and individually justified products.

This will enable the company to face the competition from a position of strength.

New product development, therefore, starts with the conception of a product idea, its due screening for its commercial and technical viability, probing its market potential and consumer acceptance, matching it with company facilities and constraints, developing the product with due thought and care, and its ultimate offering to the largest market segment. This sequence can well be described as a customer-oriented approach to new product planning.

From the above discussion you will appreciate that introduction of a new product is a highly sophisticated and difficult task and involves a long-term planning effort. It has a high-cost component. Even after a product is finally developed, its marketing costs are exceedingly high and yet there is no certainty that it will succeed. It is for this reason that a company should move from stage to stage in a careful and systematic manner. The approach is composed of seven steps as demonstrated in Figure 5.1: New Product Development Process.



Notes



Figure 5.1: New Product Development Process



1. **Idea Generation:** The new product approach starts with the generation of a product idea. It means matching a perceived need with the recognition of a technical opportunity. The said need may be new or old one. The first stage of new product's evolution begins with an idea for the product. Hence, this stage is called as Idea Generation. Ideas may originate from the following sources:
 - ◆ Sales personnel
 - ◆ Marketing personnel
 - ◆ Research and Development Department
 - ◆ Top management executives
 - ◆ Production department
 - ◆ Customer Service Decisions
 - ◆ Employee suggestion system
 - ◆ Customers
 - ◆ Competitive products
 - ◆ Foreign products
2. **Idea Screening:** The second step in the process of product development is Idea Screening. At this stage, the ideas collected are scrutinized to eliminate those inconsistent with the product policies and objectives of the firm. Most promising idea is kept for the next stage.
3. **Concept Development and Testing:** The concept formulation happens in the laboratory. During this stage, the 'idea on the paper' is turned into a 'product-on-hand'. In other words, the idea is converted into a product concept that can be produced and demonstrated. Concept testing calls for testing product concepts with an appropriate group of target consumers, then getting those consumers reactions.
4. **Marketing Strategy:** This stage requires a close co-ordination between Engineering and Marketing Divisions. Along with the process of product development, the marketing division of the company develops a tentative marketing strategy. A blue print is designed about the price structure, promotion and distribution strategy for the proposed product. The marketing team identifies the need of sales force needs, advertising program and sales promotion tools



for the new products. After developing tentative marketing strategy, the prototype is released for testing.

- 5. Business Analysis:** After management develops the product concept and marketing strategy; it can evaluate the proposals business attractiveness. Management needs to estimate whether sales will be high enough to yield satisfactory profit. At this step business analysis for the new product is done. Business analysis includes - estimation of sales, frequency of purchases, nature of business, production and distribution related costs and expenses, and estimation of profit.
- 6. Product Development:** During this stage, the idea-on-the-paper is turned into a 'product-on-hand'. The idea is converted into a product that can be produced and demonstrated. The product passes the business test it moves to R&D and engineering to be developed into physical product. The R&D department will develop one or more physical versions of the product concept. This stage is also termed as technical development. Its goal is to find a prototype that consumers see as embodying the key attributes described in the product statement and can be produced within the budgeted manufacturing costs.
- 7. Testing the Product:** In this stage of product testing, the new product manager can check the feasibility and accuracy of product performance. Thus, commercial experiments are necessary to verify earlier business judgments. The objective of this stage is to assess whether the product meets the technical and commercial specifications developed at various levels of concept development for ascertaining product acceptability.
- 8. Commercialization and Final Launch:** In this stage, the product is submitted to the market and thus commences its lifecycle. Commercialization is also the phase where marketing is most active in connection with the new product. This stage is considered to be a critical one for any new product and should therefore be handled carefully. The following activities are usually undertaken during this stage:
 - (a) Completing final plans for production and marketing
 - (b) Initiating coordinated production and selling programs
 - (c) Checking the outcomes at regular intervals



CASE STUDY

Amazon is an example of a customer-oriented approach to product development strategy. Their product strategy is focused entirely around customer needs. Amazon likes to work backwards from the target market. They write the press release for the product first, and hone it until its language is simple enough for anyone to understand. The press release has no technical jargon about technologies or UIs. They then work backward from the press release to the product. This is a product development strategy that focuses on Amazon's internal process, in engaging with customers to create a specific product that meets an identified need.

5.6 Product Lifecycle

Products have a life cycle just like anything else. Professor Raymond Vernon of Harvard University first proposed and shaped the Product Life Cycle (PLC) idea in 1966. PLC designates the time frame from the beginning of a product's development (R&D) until the time it is taken off the market. The four phases of a typical PLC are introduction, growth, maturity, and decline.

5.6.1 Product Lifecycle Stages

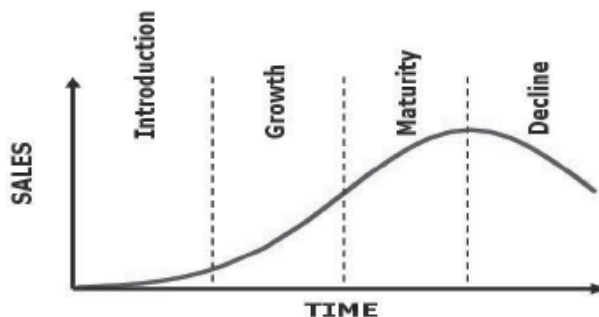


Figure 5.2: Product Life Cycle

(Source: MBAknol.com)

- 1. Introduction Stage:** The “commercialization” stage of new product development is from where the idea of a product lifecycle comes into existence. Product adoption and awareness among potential buyers is still quite low at this point. Due of the poor sales, promotional expenses are significant. The company must spend money on



advertising, sales promotion, and other types of marketing to survive in the market.

At this point, a low-level distribution strategy is the main barrier to quick market penetration. Many retailers tend to wait until they hear favorable things about the brand before supporting the new product. This method of introducing new products frequently brings physical distribution and logistics issues to the core.

2. **Growth Stage:** Due to the combined effects of initial promotion, distribution, and word-of-mouth influence, the product starts to make quick sales. Profits at this stage significantly increased. At this point, customer satisfaction must be guaranteed to achieve and sustain ongoing growth. Then demand starts quickly increasing. Only innovators at this point go in transition from the trial stage to the adoption stage whenever a repeat purchase occurs. If the creators are pleased with the products, word-of-mouth and referral marketing are used to encourage additional consumers.
3. **Maturity Stage:** Sales growth at this stage continues but at a diminishing rate, because of the declining number of potential customers who remain unaware of the product or who have taken no action. The last of the unsuccessful competing brands will tend to withdraw from the market. Due to this, sales are likely to continue to rise.
4. **Decline Stage:** Sales begin to decline at the final stage for a variety of reasons. Sales fall because of shifting consumer preferences, market competition, technological advancements, and other environmental factors. Sales at this point drastically decline as the buyer starts to prefer other products. If a product category is experiencing a decline, the marketer may choose to trim the product portfolio, drop the declining brands, or plan to reintroduce brands with certain product modifications.

Very few products follow such a prescriptive cycle. The length of each stage varies enormously. For example, Fashion products tend to have a short life cycle i.e. the time between the launch of a product and the point at which the product is mature is very quick.



5.6.2 Marketing Decisions

The decisions of marketers can change the stage, for example from maturity to decline by price-cutting.

1. **Competition:** At the introductory stage, competition is given no importance. At the growth stage, it is given a little importance while at the maturity stage; there are many rivals in the market. Slowly, however, the number of competitors or rivals gets reduced with the declining stage.
2. **Overall Strategic Focus:** At the first stage, emphasis is laid on market establishment. At the growth stage, market penetration and persuasion of mass market are emphasized. Creation of brand loyalty and brand preferences is focused at the maturity stage. At the decline stage, the strategy aims at overall preparation for renewal.
3. **Profit:** At the introductory stage, profits are negligible but at the growth stage, they reach the peak levels as a result of growing demand. At the maturity stage, they decline due to the increasing competition. At the last stage, the declining volume pushes costs up and eliminates profits.
4. **Distribution Strategies:** At the introductory stage, distribution is selective. However, at the growth and maturity stages, it is intensive. At the decline stage, it becomes selective and hence low-end strategies are used.
5. **Advertising Strategies:** At the introduction stage, advertising strategies aim at the needs of early adopters; at the growth stage, an attempt is made to make the mass market aware of brand benefits. At maturity stage, advertising is used as a vehicle for differentiating among otherwise similar brands. At the last stage, however, it emphasizes on low price of the product and minimum advertising expenditure.

5.7 Summary

A product is the offer that the consumer ultimately owns in the exchange process. Each product offers some level of core, tangible, and augmented



Notes

benefit to consumers. A product has different layers or levels like an opinion and each layer contributes to the make of the product. The identified levels are: core layer, basic product layer, expected product layer, augmented product layer and potential product layer. Products can be classified on the basis of three essential characteristics – durability, tangibility and user type. Product mix is an assortment of all related and unrelated products that the company offers in the marketplace. Product mix has got four important elements like width, depth, length and consistency. Product line decisions are related to the length and depth of each product line and the decisions that the marketer should take for each product's segment. Many companies follow different types of new product development system which are concept generation and market structure identification, advertising development, product formulation and testing, commercialization and final launch. Products follow certain kinds of lifecycle patterns. The stages of product lifecycle are introduction stage, growth stage, maturity stage and decline stage.

5.8 Self-Assessment Questions

1. Explain the concept of learning. Discuss personal factors that influence learning, with suitable examples.
2. Discuss some effective methods of learning that you would like your students to practice in class and at home. Illustrate your answer with relevant examples.

5.9 References

As per APA style (APA Manual 6th Edition to be referred)

- ◆ <https://www.tcgen.com/product-development/product-development-strategy/#gettools>
- ◆ <https://www.mbaknol.com/wp-content/uploads/2020/07/Product-life-cycle-strategy-mbaknol.jpeg>



5.10 Suggested Reading

As per APA style (APA Manual 6th Edition to be referred)

- ◆ Marek, M. W., Chew, C. S., & Wu, W. C. V. (2021). Teacher experiences in converting classes to distance learning in the COVID-19 pandemic. *International Journal of Distance Education Technologies (IJDET)*, 19(1), 89-109.



Brands, Packaging and Labelling

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STRUCTURE

- 6.1 *Learning Objectives*
- 6.2 *Introduction*
- 6.3 *Branding*
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6.1 Learning Objectives

After reading this lesson, you will be able to:

- ◆ Explain the terms branding, packaging and labelling.
- ◆ Describe significance of branding.
- ◆ Outline brand strategy decisions.
- ◆ Construct a good brand name.
- ◆ Describe functions and types of packaging.
- ◆ Relate criticism of packaging.
- ◆ Identify types and functions of labelling.



6.2 Introduction

In the previous lesson you have studied new product development, product life cycle and product mix strategies. In addition to product development and design, it is very important to understand how a product is presented to prospective customers. Branding, packaging and labelling are the three major components which are associated with presentation of a product.

In this lesson we will discuss in detail about branding, packaging and labelling. It is very important to understand significance of branding and how brand strategy decisions are made by the companies. We will discuss functions and types of packaging along with its requirement and criticism. You will also study labelling, its legal requirement, its functions and types of labels.

This lesson has many real-life examples so that it will be easy for you to understand these topics and you will be able to relate this to your real-life experiences. This will aid in understanding the three marketing terms namely: branding, packaging, and labelling from a whole new perspective.

6.3 Branding

6.3.1 *Meaning and Importance*

Brand is an asset for any firm and needs to be managed carefully. A product that is unbranded is termed as commodity, and at the time of purchasing a commodity a person takes into consideration its physical characteristics and benefits. In contrast, a brand is a lens through which a product is viewed with additional feature that make it different from its counterpart. Brand is a strategic tool which empowers the firm to bargain with suppliers, creditors and customers. When you go to the market and purchase Reebok or Nike footwear, you are assured that the shoe which you are buying has specific standards. This underlines the fact that a brand name differentiated the product of one company from another which satisfies the same needs and wants of the customer. Brands have been used by the producers to identify and differentiate one's own products



Notes

from those of the others. Brands are considered units of meaning in the language of the consumer market culture Pennington (2000).

Marketers can leverage brand name when consumers have to make choice while purchasing a product. Brand is about making emotional connections. It is a powerful yet intangible asset. People trust brands, develop strong loyalties, buy them and believe in their supremacy.” Brand recall refers to the ability of a consumer to retrieve the brand from the memory (Keller 1993). The success of brands depends on the degree of their significance to consumers and how they use them. They provide consumers with a level of quality and a name that can be trusted. Since brands provide additional value, they are priced higher.

Brand: A brand can be a sign symbol, term, name or design or a combination of them. When firms develop good reputation and gain confidence of customers about quality, then brands help them enjoy greater control over customer and develop brand loyalty. Brand is viewed as the promise, the reputation and the expectations that dwell into customer’s mind about the product and/or the company. Branding is the process of identifying a particular product among various products available in the market. Branding is not only done to identify a product or seller, but also to make a product superior to the competitor’s product.

In the rapidly changing business environment of today due to globalization and cut throat competition a company’s brand can be a feature that distinguishes its product from that of its competitor. When a new product is introduced in the market, the manufacturer decides whether it should be known on the behalf of generic name or brand name. Generic name refers to collective name for a whole class of product. For example: Soaps, jeans, tea leaves etc. Whereas brand name refers to the specific name by which the product is to be known in the market.

Brand Name: Brand name or a trade name is the name given by a producer or manufacturer to his specific product or service. Mostly it is the name of founder members of the company.

The purpose of giving a brand name is identification and differentiating a company’s product or service from other related brands, for example: Apple, Nike, BMW, Dunkin Donuts etc.



Generic Name	Brand Name
Soap	Lux, Santoor, Dove, Dettol
Jeans	Adidas, Calvin Klein, Levies
Tea leaves	Red label, Taj Mahal, Tata

ACTIVITY

Think of some more products and prepare the list of popular brand names by which they are available to you in the market.

6.3.2 Benefits of Brand Building

A strong brand name is an asset for any company. It helps the consumers and firms in many ways.

Benefits of Brand Building to Consumers

- 1. Guarantee of Product Quality:** When products are sold under a brand name, the manufacturer try hard to produce good quality product to enhance its brand image.
- 2. Easy Recognition:** Branding aids in simplifying shopping experience for the consumers as the marketed product enables the buyers to pinpoint instantly and efficiently what they want. It significantly reduces wastes of time and money on unknown products.
- 3. Emotional Attachment:** The objective of branding is to build a brand that adds value to the features and functions of the product. This value comes from a brand personality and image to which the consumers feel emotionally attached.
- 4. Easy Decision Making:** With experience and search of information the buyers can make decisions swiftly and easily for deciding about the purchase of the brand.
- 5. Uniform Price:** The price of the branded products is almost similar throughout the marketplace, hence there is no exploitation of consumer on price point.
- 6. Fine Packaging:** The branded goods come with fine and safe packaging with all the details of usage of that product as labelling.



7. **Reduces the Risk of Wrong Product Choice:** Customers may identify different types of risk involved in buying and utilizing product, such as functional risk - when the product underperforms and does not meet the expectations, physical risk - when the product possesses threat to the bodily well-being of the users or others, financial risk - when the product is not worth the amount spent, social risk when the product results in social embarrassment, time risk - when the failure of the product results in an opportunity cost of finding another product that meets the needs.

Benefits of Brand Building to the Firms

1. **Legal Protection:** A brand name offers legal protection for the branded products. It does so through trademarks patents and copyrights. Trademarks protect the brand name registered; patents protect the manufacturing process of the firm. Similarly, copyrights of unique designs protect packaging.
2. **Acts as an Entry Barrier to Other Brands:** A strong brand that meets customer needs efficiently creates a barrier to the entry of other brands into the market. Branding helps customers to take decision whether to switch to another brand or not.
3. **Brands Build Financial Value:** Brands can be measured in financial terms and can be found in the asset side of the balance sheet. Strong and successful brands can be bought and sold by the organization. Example: WhatsApp acquisition by Facebook.
4. **Branding Amplify Recognition:** A logo is one of the significant components for the company's brand name. Professional logo design is simple to remember and catchy enough to give the desired recognition to the company.
5. **Customer Loyalty:** When customer has a positive experience with a brand, he/she is more likely to repurchase it, than the product or service competitor is offering. There are favourable chances that customer will buy related items of the same brand or recommend that brand to other people in family and friends.
6. **Dominance at Marketplace for the Product:** When the product of same company under a brand name is sold continuously in the market, there develops a dominant position for such a product or



service. The customer has not to think much before making a choice to buy the product of that brand.

- 7. Easy Availability of Agents or Middleman for Distributing the Branded Products:** For distribution and selling of branded goods the wholesaler, retailer or agents gets agreed easily. When a brand becomes quite popular, the manufacturer can even distribute the product directly to consumers. It is obvious that the less the middleman is, the lesser is the price of the product at which it can be made available to the customer.

Brand Awareness

Brand awareness is defined as the extent to which consumers are familiar with the qualities and image of a particular brand of goods or services. Brand recognition is the extent to which a consumer correctly identifies a particular product by viewing its logo, packaging, tagline or advertising campaign. Brand recall performance is the ability of the consumers to retrieve the brand from memory when given the product category, the needs fulfilled by the category, or a purchase or usage situation as a cue.

Brand Equity

Brand equity refers to the value of a brand in the eyes of the customer. It is the ability of a brand to capture the consumer's attention while making purchase decisions. A strong brand name works as a trustworthy signal for the quality of the product and generates price premiums as a return to branding investments. The firms are able to charge price premiums that derive from brand equity and product differentiation. A consumer's knowledge about a brand also depends on how the manufacturers and advertisers are marketing the brand. Brand equity is created by educating the customer and formulating investment plans, thereby admitting an increase in market share and profit margins. These strategic investments will be realized over time to deliver a return on the initial investment.

6.3.3 Brand Strategy Decisions

Branding includes a set of intricate branding decisions - Development, Positioning, Name selection, Sponsorship - all are important factors in any brands' strategy. The company's strong branding decisions help it



create its unique image in the minds of consumers and stand out of the competition.

For Example: No matter the occasion - from romantic dates to festival celebrations - Cadbury has created a special place in the heart and palate of its consumers and with the slogan of “*Kuchh Meetha Ho Jaaye*”, and has become an integral part of every celebration.

A. Brand Positioning

Brand positioning explains how a brand differs from its rivals in the market and can be positioned at three levels i.e. on the basis of product attributes, benefits, beliefs and values. It is the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's mind. Good brand positioning helps guide marketing strategy by clarifying what a brand is all about, how it is unique and how it is like competitive brands, and why consumers should purchase and use it.

Imagine a Scenario: you just got into the college of your dreams, or you just got a big promotion at work or the person of your dreams finally agrees to marry you. The list goes on, but the feeling remains the same. These are the “feel-good” moments of your life, moments of pure bliss that call for a celebration. And nothing is better than the taste of sweet chocolate to match the sweetness of life in that moment. This is when comes to mind, the purple wrapped chocolate of Cadbury. With the words ‘Kuch Shubh Kaam Karne Se Pehle Meetha Kha Lena Chahiye’, Cadbury has been the first responder to every happy occasion.

From celebrating the taste of life through ‘Asli Swad Zindagi Ka’ to the auspicious beginning of new things through ‘Shubh Aarambh’ & ‘Kuchh Meetha Ho Jaaye’, - the brands taglines clearly sum up the attributes that it stands for. In its decade's long journey, Cadbury has stood the test of time, rising to glory with an indomitable spirit of celebration, cheer and happiness.

Recently, the brand moved from its slogan of “Free the joy” in Favour of “Taste like this feels” to focus marketing on the founding ideologies of the brand & its creator, philanthropist John Cadbury, by presentation moments of “kindness and generosity”.



B. Brand Name Selection

Choosing a brand name is very crucial as a good name adds to a product's success. Finding the best name requires a careful review of a product and its benefits, and the target market to which it caters to. Ideally the name of a brand should possess the following qualities in order to be favorable in the eyes of customers.

Criteria for Brand Name Selection

- ◆ Be distinctive
- ◆ Easy to pronounce
- ◆ It should be easily memorable
- ◆ Adaptable to addition to product line
- ◆ Capable of being registered and legally protected.
- ◆ Should be meaningful or suggest something about product benefit or its use.

Strategies for Brand Name Selection

1. **Individual Name:** Different brand name for different products. **Example:** Head and shoulders and Pantene, here both are shampoos of P&G.
2. **Separate Family Name:** Different brand name for different product line. **Example:** Hindalco for alumina, Ultra tech for cement, Idea for telecom of Aditya Birla Group.
3. **Blanket Family Name/Company Brand Name:** Single brand name is used for all types of products. **Example:** TATA – TATA Consultancy Services, TATA Salt, Tata Motors.

C. Brand Sponsorship

There are many options available with respect to brand sponsorship. The product may be launched as manufacturer's brand or national brand, or it can be sale out to reseller who give that product a private label and it will become private label brand or store brand. Some producers market licensed brands or go for co-branding where two companies join hands and co-brand a product.



National Brand

P. Kotler et al. (2018) defines a national brand (also called manufacturer's brand) as "a brand created and owned by the producer of a product or service." National brands were the market leaders till the last century, but they are receiving a serious threat and competition from private label brands. This is owned and coordinated by a producer and sold through a specific chain of stores. Earlier manufacturer brand approach was followed where a manufacturer or producer produced his goods, marketed it under his brand name and made it available at retail stores for selling.

Example: Nike, Coca-Cola, Raymond etc.

Private Label Brand

Private Label brands are the brands owned, coordinated and sold exclusively by a retailer or supplier who gets its goods (Baltas 1997) produced by a contracted manufacturer under license under its own label (Berthon et al., 1999). Kumar and Steenkamp (2007) have defined the store brand to be any brand that is owned by the retailer or distributor and is sold only in its own outlets.

Private labels are also termed as retailer brands i.e. the brands which are owned and sold by the retailer, moreover, distributed by the retailer. Retailer brands are also commonly called "store brands" or "own labels". Private Label brands are the brands offered by retailers in their store within their own branded label. According to Beneke (2009), private labels are usually manufactured by a third party under license. This third party is called the contract manufacturer. **Example:** Big Bazaar, Shoppers Stop, Lifestyle.

Licensing: This type of brand sponsorship is a contractual arrangement between two or more firms where the licensor firm contacts with licensee firm to use its brand name, symbols, logo in exchange for a licensing fee. This type of sponsorship is common for apparels, entertainment products, toys, school supplies and accessories. Licensing is a highly profitable business and provides benefit to the licensor. **Gucci, Tommy Hilfiger, Armani** receive huge royalties for their products from licensee. **Spider man, Harry Potter, Dora, Winnie the Pooh** are the licensed character names which sellers of children products attach with lunch boxes, water bottles, toys etc.

Co-branding: In this marketing strategy, two or more brands are used together to promote a new product. Co-branding offers many advantages



as both the brand names dominate in their respective categories. Both the brands when combine, creates broader consumer appeal and greater brand equity. This strategy allows company to enter into new and profitable market segments which were earlier remained untapped. While co-branding each partner must coordinate carefully in their advertising, promotion and other marketing efforts. **Example:** BMW and Louis Vuitton. In their co-branding partnership BMW created a sports car named BMW i8 and Louis Vuitton made a design of complete 4 piece set of suitcases and bags that fit to perfection into this sports car rear parcel shelf.

D. Brand Development

It is the strategic method for creating and distinguishing a company's image, goods, and services from those of its rivals. It is an ongoing process that builds and strengthens a brand so that it can remain relevant, serve a purpose, and grow in the market.

The brand development matrix is as below:

1. Line Extension - Existing Brand Name, Existing Product Category:

When a company extends an existing brand name to new form, flavor, size, colour or ingredient to existing product category it is called Line extension. **For Example:** 5 Star - Launched in India in 1969 as a "caramel and nougat mix covered with smooth milk chocolate" in a golden wrapper decorated with stars, the product has seen many line extensions throughout its life cycle. **Price Options** - Rs. 5 (11.1 gm), Rs. 10 (19.5 gm), Rs. 20 (40 gm) **Flavours** - Normal, Fruit & Nut, Crunchy and Chomp, 5 Star 3D, 5 Star 3D OREO

2. Brand Extension - Existing Brand Name, New Product Category:

It involves extending an existing brand name to a new or modified product category. This gives the new product instant recognition and faster acceptance and can save substantial advertising costs for establishing a new brand. **For example:** Dairy Milk Ice Cream - With another marketing masterstroke, Cadbury successfully rode into the Ice-Cream category with the help of pre-built reputation of its chocolate brand Dairy Milk. Dairy Milk, being a household name in chocolates helped successfully launch the ice-cream segment of the brand and ensured acceptance in the market without putting in much marketing effort or costs.



Dairy Milk Candies “Marvellous Creations” - Yet another example of successful brand extension of Dairy Milk is into the candies segment through “Marvellous Creations” Candies.

- 3. Multi Brands-New Brand Name, Existing Product Category:** This includes marketing of various different brands in a given product category to cater different segments as per specific needs. Cadbury offer multiple chocolate brands within the chocolate segment. The brand sells numerous types of chocolates with unique tastes, textures and features to cater to different segment of customers in the market.

For Example:

- ◆ **Dairy Milk** for Milk chocolate lovers.
- ◆ **5 Star** for those who prefer sweet nougat flavor.
- ◆ **Perk** for those who like crispy wafer chocolates.
- ◆ **Silk** for Teenagers & Millennials with changing tastes.
- ◆ **Bournville** for those who prefer dark chocolate.
- ◆ **Temptations** for premium quality customers.

- 4. New Brands - New Brand Name, New Product Category:** A company creates a new brand name for entering a new product category if the power of existing brand names has diminished or if current brand name is not suitable for the new product category.

For Example:

Tang: It is surprising to hear that Tang, a drink-mix, is manufactured by a company of chocolates. Chocolates and fruity drink-mixes have nothing in common, yet they are offered by (Mondelēz International A.K.A. Kraft Foods), parent company of Cadbury. The firm used a new brand name Tang to enter a completely new product category, since no existing brand name was suitable for this diversification. Today, Tang is sold in more than 30 countries around the world and is the leading brand in Cadbury’s powdered beverage portfolio.

Halls: A chocolate manufacturing brand also sells cough-drops. Halls is the leading sugar confectionery brand in the whole world and accounts for more than 50% of cough-drop sales worldwide. The same product is used as a cold relief product in the northern hemisphere and in drier countries; it is even used as a refreshing candy.

**IN-TEXT QUESTIONS**

1. A company when uses successful brand name to launch a new or modified product in a new product category, the strategy is called as _____.
2. _____ assures repeat purchase of same company product and help to overcome competition from other firms.
3. Nowadays retailers and wholesalers are creating their own private brand called _____.
4. Two established brand names of different companies when join hands to promote a new product, it is termed as _____.
5. _____ refers to the value of a brand in the eyes of the customer.
6. Brand name is termed as good when it is easy to pronounce. (True/False)
7. Nyka is a clothing brand name. (True/False)
8. Branding enhances the financial value of the firm. (True/False)

6.4 Packaging

Packaging entails the functions that ensure the safety and integrity and facilitate the transportation process. Packaging is a subset of marketing where a brand designs and develops the wrapper or container to aid its transport, handling, delivery, and communicate the brand and product information by making it look attractive. However, the function of packaging has evolved with the times. It no longer serves the simple utilitarian function of protection but rather it serves as a blank canvas for the company's marketing team.

6.4.1 Functions of Packaging

1. The global markets run with myriads of similar products, and packaging, when looked at as a component of the *Marketing Mix*, presents companies with the opportunity to distinguish them from the



competition while still performing its primary function of providing protection and a means of effective storage.

2. Effective packaging also helps facilitate the use of the product itself. Some products such as toothpastes are inseparable from their packaging i.e., toothpaste tube.
3. With rising concerns for health, people are more gravitated towards products that are packaged with utmost care as it is seen as a sign of purity (free from adulteration) and higher standards of production.
4. Many a times, as it can be observed in self service outlets the products are responsible for their own personal selling. Packaging of a product act as silent salesman and helps in grabbing customer attention along with describing the attributes of product and making an overall favourable impression.
5. Good packaging reduces wastage and help in preserving food items for longer duration and thus large proportion of food doesn't get spoiled.
6. Packaging enhances company and its brand image and provides instant recognition. It acts as a billboard because of its vibrant bright colours.

6.4.2 Types of Packaging

There are three types of packaging: primary, secondary and tertiary

1. Primary packaging is the wrapper or the material that first envelops the product to hold it. Here the package is in direct contact with the contents. For example: a chocolate bar wrapper, soft drink can, a packet of chips etc.
2. Secondary packaging is wrapped outside the primary packaging which is used to hold primary packages together. It is designed for retail use instead of final consumers. Secondary product protects the individual units during packaging. **For Example:** cardboard boxes/ trays, plastic trays, plastic rings holding six pack cans together.
3. Tertiary packaging is used for shipping and bulk handling, warehousing and storage. The most common is the wooden pallets and large shipping containers. These pallets can be easily moved by forklift trucks or small forklifts within the warehouse or large stores.



6.4.3 Requisites of Good Packaging

1. It must advertise the brand name and the manufacturer.
2. It must be strong enough to withstand the strain of handling and transportation.
3. It should be requiring minimum shelf space.
4. Package material must be able to keep hygiene for the inner product specially when it is something eatable to enhance shelf life.
5. It must be able to differentiate the product from its competitors.
6. The packaging should not be easily breakable or spoiled and should be designed keeping in mind the cost effectiveness.
7. Tertiary packaging should not be too heavy to handle, and it should be less expensive on freight.
8. The package should be convenient to display on shelf.
9. The cartons should be able to dispose of easily.
10. It must be able to create psychological and social good image.

6.4.4 Criticism of Packaging

1. After consuming the product, people through away the packaging at public place which litter the streets and add to solid wastes. Firstly, we should not through the packaging anywhere as per our convenience and secondly, this problem can be tackled by using biodegradable material in packaging.
2. Manufacturing of containers requires scarce raw materials which depletes the natural resources. This problem can be addressed by using recycled material for packaging the products.
3. Packaging also increases the price of the product which is borne by consumer, but simultaneously good packaging reduces the transport and handling cost.
4. Some forms of plastic package are harmful for our health. Due to government regulations on use of plastic, large number of firms are switching to safe packaging materials.
5. Sometimes packaging deceives consumers, size of the package is such that it conveys that it carries large content but actually it is not true.



Sometimes due to attractive colour of packaging we feel that product is of good quality but in reality, it is not always true. Government has imposed many restrictions on firms to deal with such situations.

CASE STUDY

The Problematic Purple

The colour Pantone 2685C might seem like any other colour out of the infinite spectrum of colours, but it has its own history and relation with Cadbury. Pantone 2685C is the iconic shade of purple that Cadbury has been using for decades for packaging its products. Since 1905, the renowned company has wrapped their well-adored chocolates in this purple colour and has also fought valiantly to preserve the rights to use the same. In 1995, Cadbury submitted an application to obtain legal ownership of the Pantone 2685C colour mark. However, only chocolates in bar or tablet form were covered by Cadbury's original application of 1995. In 2004, Cadbury submitted a new application in order to broaden the scope of its colour mark protection beyond just chocolates to include cakes and drinking chocolates. The application was opposed by Nestle, another well-known confectionery juggernaut, on the grounds that the colour mark (for Purple) is not unique and is too general for a variety of products. After years of legal battles, in 2019 Cadbury lost an appeal that would have safeguarded a trademark it had acquired in 1995, making it more difficult to stop competitors from using a similar colour. However, in July 2022, Cadbury was again allowed to register the iconic purple colour trade mark after a UK High Court ruling, allowing brands to register a colour.

Key Take Away from the Case

Cadbury's decades-long legal struggle emphasises just how crucial it is to ensure the protection of a brand's identity, and how trademarks and brand names must be accurately specified, especially for distinctive marks like sound, colour etc. A layperson can readily associate some colours with a particular thing, like red with danger, green with nature, blue with water or the sky and hence these may not be distinguishable. However, in this instance of Cadbury, the referred-to shade of purple has nothing to do with chocolates and just goes on to show that in business, competitors will stop at nothing just to make things even a little harder for you.

**IN-TEXT QUESTIONS**

9. Packaging must be designed in such a way that it is convenient to handle the product for middlemen and final consumers. (True/False)
10. Packaging always increases the cost of the product. (True/False)
11. Packaging is used for shipping and bulk handling. (True/False)
12. Packaging should be requiring _____ shelf space. (Fill in the blanks)

6.5 Labelling**6.5.1 Meaning**

We have understood packaging in the previous section. Nowadays, there is a need to give constant attention to government regulations while managing the function of packaging. Government has laid down various regulations relating to use of packaging materials while transportation of hazardous cargo and for consumer protection. The most prevalent regulation is related to the information producer or manufacturer of good is compelled to provide on packaging is labelling, most importantly on eatables, pharmaceuticals, cosmetic products etc.

Labelling means printed or graphic matter on the package of container or on the container. A good label is the one which fulfils all legal requirements as well as act as an important sales instrument. Label is regarded as a source of information for the buyer, who reads the label and makes a purchase decision on the basis of correct and relevant information. A label therefore provides the following information:

1. Net weight, when packed
2. Manufacture's name
3. Manufacturing date
4. Expiry date
5. Maximum retail price
6. Directions for use



7. Directions for storage
8. Ingredients used
9. Cautions against misuse, if any
10. Brand name

6.5.2 Functions of Labelling

Labelling provides necessary information about the quality and features of a product. Consumers can compare similar products on the basis of price, quality, quantity and other important information provided on the label and can buy them without any hesitation or doubt. Labelling has become an important element which helps to boost sales and distribution process of a company's product. The functions of labelling of a product are stated as follows:

1. Label helps to identify the product and hence popularize the brand name.
2. Labelling grades, the product and classify them on the basis of quality. You might have seen on olive oil container of 1kg, 2kg or 5 kg. They are classified as pure, virgin and extra virgin.
3. Different descriptive are provided by labels like price, manufacturer details, expiry date etc.
4. Labels promote the product through attractive figures, graphics or marks, thus play the role of advertiser and helps in promotion of the product.
5. Labelling protects consumers from deception as composition of ingredients, weight, utility of a product is clearly mentioned. In case of any grievance customer can also get legal remedies.

6.5.3 Types of Labels

There are primarily four types of labels:

1. **Brand Label:** When a label only denotes the brand name of a product along with its logo or trademark like LG, amazon, Dettol, Close Up and many more.



2. **Grade Label:** A tag on the product, sticker, letter or number that identifies the grade or quality of a product. Grade labels are given as A, B, C, D or 1,2,3,4 to packed food items.
3. **Descriptive Label:** The label which gives instructions and information about a product like price, weight, manufacturer name and address, manufacturing date, expiry date etc.
4. **Informative Label:** The label which give a lot of information about the usage of the product, its performance levels and the care required while handling the product like microwave ovens, washing machines, air conditioners use descriptive labelling.

IN-TEXT QUESTIONS

13. _____ is useful in providing detailed information about the product.
14. Label which only denotes the brand name of a product is called _____.
15. Labelling protects consumers from deception. (True/False)
16. Package of Lassi having description of quantity, ingredients, weight, nutritional value, price is an example of _____ label.

6.6 Summary

In this lesson we have discussed the process by which a product or service is turned into a brand, a name which is easily memorable and suggest something about product benefit or its use. Branding includes a set of intricate branding decisions: development, positioning, name selection and sponsorship. These four factors are important in any brand building strategy. The company's strong branding decisions help to create its unique image in the minds of consumers and stand out of the competition. Further, we learnt that packaging is regarded as a subset of marketing. It no longer serves the simple utilitarian function of protection but rather it serves as a blank canvas for the company's marketing team. The criticism through which packaging goes through is also viewed along with how this problem can be tackled. We have also learned various regulations that govern packaging and labelling industry along with their functions and types.



Notes

6.7 Answers to In-Text Questions

1. Brand extension
2. Brand loyalty
3. Store brand
4. Co-branding
5. Brand Equity
6. True
7. False
8. True
9. True
10. False
11. True
12. Minimum
13. Labelling
14. Brand label
15. True
16. Descriptive

6.8 Self-Assessment Questions

1. Companies mostly stick to one logo, but Google Doodles are changed as per the occasion. Do you consider it a powerful branding tool?
2. What is branding? Explain the benefits of branding a product.
3. Discuss the brand development strategies marketers use to develop brands. Provide an example of each strategy.
4. List the names of store brands found in following stores
 - (a) Pantaloons
 - (b) Metro
 - (c) Shoppers Stop
 - (d) Croma



“Packaging is a silent salesman”.

5. What is your opinion about this statement? Give the advantages of packaging.
6. What are the various functions performed by packaging?
7. Distinguish between packaging and labelling.
8. How many types of labels are used by marketers and what information must be contained on labels.

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Developing Pricing Strategies: Setting Price, Factors Influencing Price Determination

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STRUCTURE

- 7.1 *Learning Objectives*
- 7.2 *Introduction*
- 7.3 *How Companies Price*
- 7.4 *Setting the Price*
- 7.5 *Factor Involved in Pricing Decision*
- 7.6 *Types of Pricing Strategies*
- 7.7 *Summary*
- 7.8 *Answers to In-Text Questions*
- 7.9 *Self-Assessment Questions*
- 7.10 *References*
- 7.11 *Suggested Readings*

7.1 Learning Objectives

The lesson's goals will help in your comprehension of the following.

- ◆ How a consumers assess prices?
- ◆ How should businesses decide how much to charge for goods or services?
- ◆ How do corporations modify terraces to take advantage of emerging possibilities and changing conditions?
- ◆ When and how should a business begin changing prices?



7.2 Introduction

Price is one of the components of 4P's. If we talk about price, it is not simply a number that is represented on a tag rather it comprises many functions. For instance, if we talk about college fees, bus fares, metro fares, tuition fees, salaries, commissions etc. All the above-mentioned points are said to be an exchange of two things i.e., to purchase a product or to avail any service you need to pay for its price. Another example, If are purchasing a new car, the ex- showroom price and the on-road price would be adjusted by various benefits that the company would like to provide to consumers such as Welcome Kit, Insurance, Other Benefits, Additional Insurance, Benefits for taking Loans for purchase of your vehicle. In return they would give you some sought of benefits or goodies to engage and delight consumers.

If we talk about price throughout the period from traditional to modern marketing, price is said to be negotiation and deal between the buyer and the seller. In the changing times nowadays no uniform or same price can be given to all the consumers due to change in lifestyle and mindset of consumers. Price is considered one of the key aspects for consumers decision making. Price is equally important if we talk about production, and exchange, for consumption or even for distribution. Earlier consumers preferred brick and mortar models. They were not so much concerned about comparing products before purchasing but now with the use of the internet and newer technologies consumers can compare the same products over different platforms before its actual purchase.

7.2.1 Pricing in a Digital Era

First century, consumers have all the access to credit nowadays. Consumers and all other purchasing agents who have all the information which help them to create some sought of pressure to retailers so as to lower down their prices. In the same manner retails goes further down the channel to manufacturers to lower their prices so as to compete in this market. This leads to heavy discounts and other promotions at the marketplace. Nowadays Internet provide a great access to consumers and the sellers to interact. It can provide various benefits to buyers and sellers.

**Benefits to Buyers**

- ◆ Instant price comparisons from thousands of vendors
- ◆ Check prices at the point of purchase
- ◆ Get Free Products

Benefits to Sellers

- ◆ Understand the consumer behavior and provide tailored made offers to them
- ◆ Discounted Price to special consumers
- ◆ Free Goodies on purchase of certain specified amount

7.3 How Companies Price

Prices are set differently among different companies depending upon its size. In small companies prices are set by its heads, In large companies we have various specifications and divisions such as product managers, line managers, marketing managers who perform activities to set price for products. It includes all personnel from various departments from manufacturing to finance to marketing to all other personnel for price setting for a product. Companies must keep in mind consumer psychology for setting prices or adapting new prices or changing prices for products.

7.3.1 Consumer Psychology and Pricing

Traditionally it was assumed that consumers are said to be price takers and not price givers. Now with use of technology consumers are proactive in information search (Online, offline, word of mouth, advertising, brochures, pamphlets, seeking recommendations from friends, family, etc) prior to purchase of any product or availing services. If we talk about purchase decision of consumers it is based on the prices which are perceived by consumers and not the stated market price. The following example talks about the psychology of consumers for a same product i.e., black T-shirt.

**EXAMPLE**

A Black T-Shirt for women looks ordinary. In fact, it's not that different from the black T-Shirt sold by Gap and by Swedish discount clothing chain H&M. Yet, the Armani T-Shirt costs \$275 whereas the Gap item costs \$14.90 and the H&M one \$7.90. Customers who purchase the Armani T-shirt are paying for a T-shirt made of 70 percent nylon, 25 percent polyester, and 5 percent elastane, whereas the Gap and H&M shirts are made mainly of cotton. True, the Armani T is a bit more stylishly cut than the other two and sports a "Made in Italy" label, but how does it command a \$275 price tag? A luxury brand, Armani is primarily known for suits, handbags, and evening gowns that sell for thousands of dollars. In that context, it can sell its T-shirt for more. But because there aren't many takers for \$275. T-shirts, Armani doesn't make many, thus further enhancing the appeal for status seekers who like the idea of having a "limited edition" T-shirt. "Value is not only quality, function, utility, channel of distribution," says Arnold Aronson, managing director of retail strategies for Kurt Salmon Associates and former CEO of Saks Fifth Avenue; it's also a customer's perception of a brand's luxury connotations.



Figure 7.1: The perceived Value of a product as simple as a black T-shirt depends in part on where it is sold



7.3.2 Reference Pricing

In today's scenario consumers are more knowledgeable related to prices as they can have various sources through which they can check and compare the prices. For Example: If we want to purchase camera from Croma (A Tata Product) they would provide the best deal and simultaneously they would also compare their price with other players such as Vijay Sales, Reliance Digital, Other big stores that are available in the market. They certainly reference their prices with competitors' prices that are prevailing in the market.

There are various types of reference prices that are available in the market nowadays which are as follows:



7.3.3 Price-Quality Inferences

For many consumers price plays an important indicator of quality. For consumers the price they are paying for the product is representing its quality. Consumers prefer expensive products such as designers' clothes, designer bags, perfumes, luxury cars, expensive sunglasses etc. For instance, Rs 5000 bottle of perfume if we talk about only have worth Rs 400 of scent, but for gifting purpose the giver would be ready to pay Rs 5000 to express their regard to the person whom they are gifting.



Also, if we talk about perception about cars there is a very important relationship of price and quality in it. The cars which are costly are considered superior and elite class cars. For examples we always consider BMW, Audi, Ferrari etc. elite and premium cars in the segment and are generally priced higher than their actual price. If the information about the product is available the role price is significantly reduced compared to when information is not available the price act as a benchmark for quality for the product.

Brands often look forward to adopt exclusivity for their product and also lays emphasis to its uniqueness so as they are able to justify why they are charging exclusive price for the product. Companies look forward if the consumer is willing to go forward for exclusive and unique products they certainly charge higher price for the same because few consumers are able to afford the product.

7.3.4 Psychological Pricing

Sellers in price ending plays with the psychology of the consumers by displaying the price which ends in odd number. If a consumer is willing to see a price of product is Rs 399, they would consider the price close to Rs 300 rather than Rs 400 range. The consumers also tend to process information related to price from 'left-to-right' instead of rounding it off to nearest number. For example, in India Bata is considered as a great example who had played with price ending by displaying all their products ending with '9' such as Rs199, Rs299, Rs499, Rs999 and so on. So the influence of 9 is more in the mind of the consumers rather than '0' or '5'.





7.4 Setting the Price

Firm usually set prices for the product when it is developing a new product in the market. For the new product they need to take into consideration all the factors such as geographical areas, distribution channels, marketing strategies for the product. The company also emphasize and segregate the position of the product depending upon its prices and the quality of the product.

EXAMPLE

Majorly markets have 3-5 price points. Marriott Hotels had different brands or variations of brands for different price points:

Highest Price for Marriott Vacation Club

High Price for Marriott Marquis

High – Medium Price for Marriott

Medium – High Price for Renaissance

Medium Price for Courtyard

Medium – Low Price for TownePlace Suites

Low Price for Fairfield Inn

Firms devise their branding strategies to help convey the price-quality tiers of their products or services to consumers.

The firm must take into consideration various factors that are important before we set the price for the product. There are six steps that are considered important for setting the price which are as follows:

Step 1: Selecting the Pricing Objective

Step 2: Determining Demand

Step 3: Estimating Costs

Step 4: Analyzing Competitor's Costs, Prices and Offers

Step 5: Selecting a Pricing Method

Step 6: Selecting the Final Price



7.4.1 Selecting the Pricing Objective

The initial stage for the business is to decide where the product will be offered first. Setting the pricing for the goods is simple if the company's goals are precise and obvious.



7.4.2 Determining Demand

Companies marketing objective is been impacted with different products as every product have their own demand and its own price. There is an inverse relationship between price of the product and demand of the product which is shown below in the diagram.

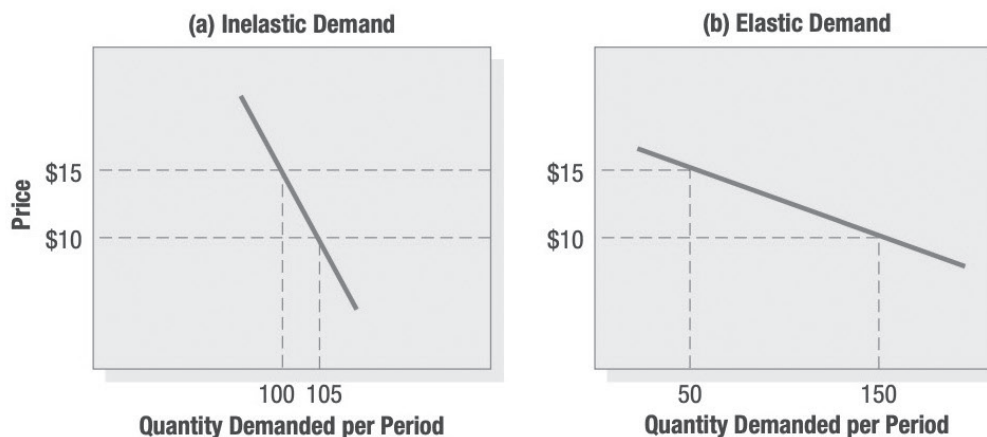


Figure 7.2: Inelastic and Elastic Demand



Notes

To estimate demand curve many companies use different methods such as:

- ◆ **Surveys:** To understand the purchase intention of the consumers that at what price they are willing to purchase the product.
- ◆ **Price Experiments:** To understand the purchase response the company does price experiments depending upon territories and stores.
- ◆ **Statistical Analysis:** To understand the consumers on the basis of past purchases, quantities sold and other factors.

7.4.3 Estimating Costs

Cost is considered to be an important aspect for setting the floor for the price whereas demand sets the ceiling of the price. It is very important for the company to cover its all the cost that includes producing cost, cost related to distribution, cost related to selling the product and any other type of cost incurred to produce a product. Company includes a price of product where they are able to cover the above-mentioned cost and after that they can earn the profit on the same product. Various types of cost that company takes into consideration are as follows:

Fixed Cost	Variable Cost	Semi Variable Cost
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7.4.4 Analyzing Competitors' Costs, Prices, and Offers

When a company is determining its cost or market demand for the product, they should always consider the competitors' aspect of Price, cost and its reaction in the market. If we are providing some exclusive feature which isn't offered by competitor that can add value addition to your product and thus you can charge a little high price for the product. Whereas if competitors' products are exclusive and have a feature which is not available in your product in that case you shall set your product price less than competitor's price.

Despite the strong competition among Coca-Cola and Pepsi but the prices of the product are same and they can certainly work on their cost but the



price of the product remains same among competitors brands as well. It is better for company to have harmony with competitors otherwise if a strong competitor who have any problem and have strong brand proposition can harm your brand image.

It is important to anticipate competitors' reaction, it can be done if there is a price change by the competitors or any fresh challenge given by competitor. Competitors can have different interpretations and reasons for lowering the price so that they can steal the majority of market. For example, when Reliance Jio was introduced, it was introduced free of cost for using internet and calling and it had forced other players in the market such as Airtel, Idea, Vodafone to lower down their prices in order to compete with the new player in the market. Jio had taken up huge share of market from the existing players.

Green Works

Green Works Although the natural cleaner market was pioneered by Seventh Generation and method cleaning products, Clorox Green Works now commands 42 percent market share. The Green Works product line consists of 10 natural cleaners using biodegradable ingredients, packaged in recyclable materials, and not tested on animals. The first major new Clorox brand in more than 20 years, it doubled the size of the natural cleaning category with its strategy of "delivering a line of affordable products that are good for consumers, good for retailers, and good for the environment." The company charges only a 10 percent to 20 percent premium over conventional cleaners, versus the premium of 40 percent or more charged by other natural cleaners. Launch marketing efforts included the use of viral marketing and social media, prominent TV coverage in shows like *Ellen* and *Oprah*, collaborations with retail customers such as Safeway and Walmart in product development and in-store promotion, and an endorsement from and cause marketing program with the Sierra Club (resulting in a donation of \$645,000 to the organization in 2009).⁴⁸

7.4.5 Selecting a Pricing Method

Till now the company can understand the demand schedule of the consumers, the cost associated with the product, the pricing strategy of competitors. Now company is ready to finalize and select their price for the product. Company must take into consideration three aspect while setting the price i.e., Ceiling Price, Floor Price and Competitors Price. It is Shown in the diagram below:

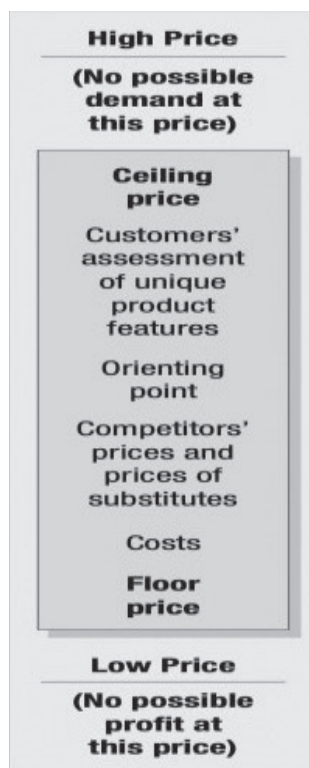


Figure 7.3: The 3 C's Model for Price Setting

Companies select a pricing method on the basis of various aspects that are as follows:

- ◆ **Markup Pricing:** It includes all the cost which is associated with the product and adding certain profit part in it.

<i>Variable cost per unit</i>	\$10
<i>Fixed costs</i>	\$300,000
<i>Expected unit sales</i>	50,000

Suppose a toaster manufacturer has the following costs and sales expectations:
The manufacturer's unit cost is given by:

$$\text{Unit cost} = \text{variable cost} + \frac{\text{fixed cost}}{\text{unit sales}} = \$10 + \frac{\$300,00}{50,000} = \$16$$

Now assume the manufacturer wants to earn a 20 percent markup on sales. The manufacturer's markup price is given by:

$$\text{Markup price} = \frac{\text{unit cost}}{(1 - \text{desired return on sales})} = \frac{\$16}{1 - 0.2} = \$20$$

The manufacturer will charge dealers \$20 per toaster and make a profit of \$4 per unit. If dealers want to earn 50 percent on their selling price, they will mark up the toaster 100 percent to \$40.



- ◆ **Target Return Pricing:** In this company determine the price of the product based on the rate of return they are expecting on the investment.

Suppose the toaster manufacturer has invested \$1 million in the business and wants to set a price to earn a 20 percent ROI, specifically \$200,000. The target-return price is given by the following formula:

$$\begin{aligned}\text{Target-return price} &= \text{unit cost} + \frac{\text{desired return} \times \text{invested capital}}{\text{unit sales}} \\ &= \$16 + \frac{.20 \times \$1,000,000}{50,000} = \$20\end{aligned}$$

- ◆ **Perceived Value Pricing:** Companies set the price of the product based on the value that the product has in the mind of the consumers which is built on the basis of past buying pattern, past product performance, the customer support service, after sale service and trustworthiness of the product. It is a bundle of value that the consumer hold in its mind by actual purchase of product in the past or the image they develop watching an advertisement. Example: A Croma Product
- ◆ **Value Pricing:** In this Company at first go prefer to win the loyalty of the consumers by changing floor price or lower prices for high quality products and continue to maintain the same over the time frame so that they tend to engage consumers and have faith in company products and brand image. Many companies now a days prefer everyday low pricing where consumer research in designing its new products and markets aggressively to spread the word. The company spent over \$1.2 billion on research and development after the Fusion' they tend to provide lower prices for the selected products on selected days. Example: Big Billion Day Sale, Monday Blues Sale, Weekend Dhamaka Offers etc.

EXAMPLE

Gillette

In 2006, Gillette launched the “best shave on the planet” with the six-bladed Fusion – five blades in the front for regular shaving and one in the back for trimming – in both power and non-power versions. Gillette conducts exhaustive consumer research in designing its new products and markets aggressively to spread the word. The



company spent over \$1.2 billion on research and development after the Fusion's predecessor, the Mach 3 was introduced. About 9,000 men tested potential new products and preferred the new Fusion over the Mach 3 by a two-to-one margin. To back the introduction, Procter & Gamble spent \$200 million in the United States and over \$1 billion worldwide. The payoff? Gillette enjoys enormous market leadership in the razor and blade categories, with 70 percent of the global market, and sizable price premiums. Refills for the Fusion Power cost \$14 for a four pack, compared to \$5.29 for a five-pack of Sensor Excel. All this adds up to significant, sustained profitability for corporate owner P&G.

- ◆ **Going-Rate Pricing:** In this company set prices on the basis of how competitors perform. In this it is basically we will follow the leaders whatever prices is been set by them will follow that.
- ◆ **Auction-Type Pricing:** In this the consumer generally bid the price for the product if it matches with the sellers price the product is sold. It usually applicable in electronic products.

7.4.6 Selecting a Final Price

While selecting the final price the company must take in consideration all the factors and additional factors such as impact of other activities which are related to marketing, other company policy of pricing, various impact of prices on other parties.

IN-TEXT QUESTIONS

1. How many steps are involved in setting a price _____.
2. While setting the price, marketers _____.
 - (a) Select the pricing objective
 - (b) Estimate demand
 - (c) Analysis of competitive cost price & offers
 - (d) All of the above
3. Estimating cost comes prior to Estimate Demand. (True/False)



7.5 Factor Involved in Pricing Decision

Pricing decision factors can be grouped into two categories namely (i) Internal Factors and (ii) External Factors.

Internal Factors	
Marketing Objectives	Market positioning and a number of other pricing goals influence price strategy. Surviving, Increasing current profits, Market share leadership, low cost leadership, and product quality leadership
Marketing Mix Strategies	Pricing to be coordinated well with elements of marketing mix. Target costing on the basis of price support product positioning strategies.
Costs	Various sorts of costs, including total costs, fixed costs, semi-variable costs, and variable costs. Different costs at various production levels would affect price fixing.
Organizational Considerations	Who determines the cost? CEO or top management for a small company. Divisional or product line managers for large companies. In industrial settings, where pricing departments might be established, price bargaining is frequent.
External Factors	
Nature of Market and Demand	- Market types include pure competition, oligopolistic competition, monopolistic competition, and pure monopoly. - Recognizing how customers view value and price. - Demand curve for prices and quantities.
Competitors' Costs, prices and offers	- Always examine the costs, prices, and potential reactions of your competitors. - The type of competitions has an impact on pricing strategy. - Low-price, low-margin business practises discourage rivalry. - High-price, high-margin business models draw rivalry. - Compare marketing expenses to those of the competition.



Other Environmental Factors	◆ Economic factors influence production costs, customer perceptions of price and value, and production costs. ◆ Government restrictions or limitations on pricing alternatives must be taken into account; ◆ Social considerations might be considered.
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7.6 Types of Pricing Strategies

There are various types of pricing strategies which the companies adopt while introducing their new product in the market or changing pricing strategy of the existing product in the market. The various types of pricing strategies are as follows:

1. Penetration Pricing
2. Economy Pricing
3. Premium Pricing
4. Price Skimming or Skimming the Milk Strategy
5. Psychological Pricing
6. Bundle Pricing
7. Geographical Pricing
8. Promotional Pricing
9. Value Pricing
10. Captive Pricing
11. Dynamic Pricing
12. Competitive Pricing
13. Cost-plus Pricing
14. Freemium Pricing

DEVELOPING PRICING STRATEGIES



Notes

Pricing Strategy	Meaning	Suitability	Pros	Cons	Example
Penetration pricing	Aims to attract buyers by offering lower prices on goods and services than competitors	Small businesses with the main goal of building brand loyalty and reputation	♦ Allows a product to be quickly adopted and accepted by customers ♦ Generates a high sales quantity ♦ Creates a large inventory turn-over rate since demand will be higher ♦ Encourages positive word of mouth	♦ Can create pricing expectations for customers meaning they might always expect a low price and be dissatisfied if the price rises ♦ May reduce customer loyalty since most will be bargain hunters ♦ Can trigger price wars ♦ May hurt brand image as customers could perceive discounted products as cheap or bad quality	McDonald's selling low budget burgers in India targeting youth
Economy pricing	Aims to attract the most price-conscious consumers.	Businesses that want to keep their overhead costs low and that sell commodity goods	♦ Easy to implement ♦ Keeps customer acquisition costs low ♦ Attracts price-sensitive customers ♦ Best strategy to use during an economic downturn or recession	♦ Can be challenging to cut production costs ♦ Small businesses may not have enough brand awareness to forgo custom branding ♦ Works only if there's a steady stream of customers ♦ Potential to negatively impact brand perception	Indigo airline uses economy pricing to fill any empty seats and lower the cost per unit
Premium pricing	Businesses set costs higher because they have a unique product or brand that no one can compete with.	Businesses that have a considerable competitive advantage and know that they can charge a higher price without being undercut by a product of similar quality	♦ Makes your brand appear more desirable ♦ Higher profit margins ♦ Provides a competitive advantage	♦ Higher cost of production and marketing ♦ Smaller target audience ♦ Reduced sales volume	Tech giants like Apple can sell their products at a premium price compared to their competitors because of their name

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Notes

MARKETING MANAGEMENT

Pricing Strategy	Meaning	Suitability	Pros	Cons	Example
Price skimming	This involves setting rates high during the initial phase of a product, then gradually lowering prices as competitor goods appear on the market	Businesses that have products that are in high demand, like tech companies	◆ Allows businesses to maximize profits through early adopters ◆ Helps small businesses recoup development costs ◆ Creates an illusion of exclusivity and quality	◆ Excess inventory may occur if this strategy fails ◆ The quality of the new service or product must justify the higher cost to be effective ◆ Won't work if your competitors are creating similar products	An 8K TV would benefit from a higher marked price when only 4K TVs and HDTVs currently exist on the market
Psychological pricing	Techniques that marketers use to encourage customers to respond based on emotional impulses, rather than logical ones	Businesses aiming toward short-term goals and quick wins	◆ May offer a high return on investment ◆ Allows for cost transparency ◆ Simplifies the decision-making process for customers	◆ Could cause customers to feel as though they're being manipulated ◆ Doesn't set you apart from competitors since it's a popular strategy ◆ Requires consistent demand for your product	Use of "buy one get one free" language versus "50% off two items." This strategy relies on the customer favouring one wording over another even though they're the exact same deal.
Bundle pricing	Selling multiple products for a lower rate than selling each item individually	Businesses that want to create large margins while offering a lower price than competitors	◆ Increases the value perception in the eyes of your customers ◆ An effective way to reduce inventory ◆ Lowers marketing and selling costs	◆ May affect products that may be selling better than the other if they're bundled (product cannibalization) ◆ Some customers may not want all products offered in the bundle, resulting in an unwanted or unused product ◆ May cause a negative perception of the brand due to customers assuming the product is of lower quality since it's bundled	Combos at McDonald's are cheaper than individual items on the menu.

DEVELOPING PRICING STRATEGIES



Notes

Pricing Strategy	Meaning	Suitability	Pros	Cons	Example
Geographical pricing	Setting a price point based on the location where a product or service is sold. Factors for the changes in prices include: ♦ Taxes ♦ Tariffs ♦ Shipping costs ♦ Location-specific rent ♦ Supply and demand	Businesses that have markets in many different locations	♦ Allows you to gain local appeal ♦ Can boost perceived value in certain locations	♦ Local regulations need to be considered, such as pricing laws ♦ Accounting and bookkeeping can become more complicated since there are different regions to be accounted for	A gym may charge a higher price for members hip in Delhi a than they would at the same location in Kanpur.
Promotional pricing	Offering discounts on a particular product.	Businesses that want to generate quick demand for their products or services	Increases sales volume in the short term ♦ Increased inventory turnover ♦ Promotions can build customer loyalty	More calculations are required to ensure the sales volume compensates for the discounted prices ♦ Lowered perception by customers due to “cheaper” prices ♦ Customers may be reluctant to purchase again if you don’t keep offering promotions	Mega Diwali Sale, New Year’s Sale in India.
Value pricing	Setting your prices based on your customer’s perceived value of what you’re added accessories that go along with the core product you’re offering. This occurs when external factors, like a sharp increase in competition or a recession, encourage the small business to further provide additional value to its customers to maintain sales.	Businesses that specialize in SaaS or subscriptions	♦ Potential for high profit margins ♦ Increased perceived value in your brand and services ♦ Increased released ♦ Customer loyalty	♦ Requires additional market research to determine what is of value to your audience ♦ Markets that work well with this strategy tend to be very niche since they’re high-end ♦ Goods will cost more to produce	An example of value pricing can be seen in the fashion industry. A company may produce a product line of high-end dresses that they sell for Rs.1,000. They then make umbrellas that they sell for Rs.100.

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Notes

Pricing Strategy	Meaning	Suitability	Pros	Cons	Example
Captive pricing	The method behind captive pricing is to generate profits from added accessories that go along with the core product you're selling.	Businesses that have a product that customers will continually renew or update	- Increases flow of traffic to the core product - Boosts sales each time the up-graded accessory is released - Customer loyalty increases	- Customers may begin to feel unsatisfied with having to update their products repeatedly - High-priced accessories can lead to a loss of sales - You'll need to continuously offer new and improved products each time to maintain revenue and customer interest	Club Mahindra selling holiday packages.
Dynamic pricing	It's a flexible pricing strategy that takes many factors into account—particularly changes in supply and demand.	Businesses looking to maximize their profit margins and boost declining sales	- Allows for pricing to reflect the market demand for the product or service - Provides more insight into customer demand and purchase patterns - Enables you to maximize your profits by matching your price to the demand.	- Customers may be scared off by prices that are always fluctuating - Higher risk of price wars - Increases competition within the industry	Flight prices can change depending on when you book, you've experienced dynamic pricing first-hand.
Competitive pricing	When prices either match or beat those of similar products that are sold by competitors.	Businesses that are just starting out	- Simple implementation - Can be combined with other strategies such as cost-plus pricing to make efforts more rewarding	- Not good to use long-term since competitors will catch on and modify their strategy - Not a strategy to use if you want to stand out since your competitors are likely using the same methods	Flipkart will compare the prices of products sold on their platform and utilize that information to offer the lowest price in the market.
Cost-plus pricing	Marking up (adding a fixed percentage) the cost of services and goods to arrive at your selling price.	Businesses with a cost advantage or an interest in using price transparency as a differentiator	- May lead to positive differentiation and customer trust - Reduced risk of price wars - Can provide predictable profits	- Discourages efficiency and cost containment - Potential for customer to perceive the product negatively	Grocery stores and supermarkets work on a cost-plus basis to determine the prices of items such as eggs and milk.

DEVELOPING PRICING STRATEGIES



Notes

Pricing Strategy	Meaning	Suitability	Pros	Cons	Example
			Simple to implement	- Not guaranteed to cover all costs since much of the calculation is an estimation. - Can be difficult to change prices when needed	
Freemium pricing	A service or product is given to a customer free of charge unless they want to access premium features or services within that product.	Businesses that intend to offer both free and paid versions of their product and those that offer free trials	- Potential to unlock viral growth - Creates a no-risk environment that attracts customers who want to try something for free - Opportunity to monetize on advertising	- A higher percentage of free users may never convert - Cash reserves can be depleted quickly due to a large number of non-paying users	YouTube, Spotify

7.7 Summary

1. Despite the growing importance of non-price considerations, pricing is still seen as a key component of marketing. Only one price factor in the marketing mix element results in product revenue; the other three factors result in costs. The pricing decision is the most difficult in the changing environment.
2. Setting the price policy is a six-step process. The first stage is choosing the pricing goal. Following that, it proceeds to calculate the demand curve and the likely quantities it will sell at each potential price. Then it continues by calculating how its expenses change with output levels, levels of experience gained in production, and with differentiated marketing offerings. The costs, pricing, and offers of competitors should then be compared. We choose a pricing strategy moving forward based on all the aforementioned phases, and that method chooses the final price.
3. In most cases, businesses establish a pricing structure rather than a single price to account for changes in geographic demand and costs, market-segment requirements, purchase timing, order amounts, and other considerations. There are several price- adaptation tactics

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available: Geographic pricing is one factor, followed by price reductions and allowances, promotions, and discriminatory pricing.

4. Businesses frequently need to adjust their prices. A price reduction may result from an increase in production capacity, a loss of market share, a desire to control prices in order to dominate the market, or a downturn in the economy. Overdemand or cost inflation could both contribute to price increases. When raising pricing, businesses must carefully control customer perceptions.
5. Businesses must anticipate price adjustments from rivals and set up backup plans. There are several possible answers in terms of maintaining or modifying price or quality.
6. The company facing a competitor's pricing change must make an effort to comprehend the competitor's motivations and the anticipated timeframe for the change. The production of homogenous or non-homogeneous products by a company has a significant impact on strategy. A market leader under pressure from lower-priced rivals may try to better distinguish itself, launch its own low-cost rival, or alter itself more thoroughly

CASE STUDY

Southwest Airlines

Southwest Airlines entered the airline industry in 1971 with little money but lots of personality. Marketing itself as the LUV airline, the company featured a bright red heart as its first logo and relied on outrageous antics to generate word of mouth and new business. Flight attendants in red-orange hot pants served Love Bites (peanuts) and Love Potions (drinks).

As Southwest grew, its advertising showcased its focus on low fares, frequent flights, on-time arrivals, top safety record, and how bags fly free. Throughout all its communication efforts, Southwest uses humor to poke fun at itself and convey its warm, friendly personality. One TV spot showed a small bag of peanuts with the words, "This is what our meals look like at Southwest Airlines. It's also what our fares look like." Its ongoing "Wanna Get Away?" campaign uses embarrassing situations to hit a funny bone with consumers. And its tagline: "Ding! You are now free to move around the country" is a



self-parody of its in-flight announcements. This light-hearted attitude carries over to the entertaining on-board announcements, crews that burst into song in the terminal, and several personalized aircrafts, including three painted as flying killer whales, “Lone Star One” painted like the Texas flag, and “Slam Dunk One,” symbolizing the airline’s partnership with the NBA.

Southwest’s business model is based on streamlining its operations, which results in low fares and satisfied consumers. The airline takes several steps to save money and passes the savings to customers through low fares. It flies over 3,100 short, “point-to-point” trips in a day—shuttling more passengers per plane than any other airline. Each aircraft makes an average of 6.25 flights a day, or almost 12 hours each day. Southwest can accomplish such a feat because it avoids the traditional hub-and-spoke system and has extremely fast turnaround service. In its early years, it turned planes around in less than 10 minutes. Today, its turnaround averages 20 to 30 minutes—still the best in the industry and half the industry average. Southwest’s unique boarding process helps. Instead of assigned seating, passengers are assigned to one of three groups (A, B, C) and a number when they check in. The number refers to where they stand in line at the gate. Group A boards first, and once on board, passengers may sit anywhere they like. Southwest grows by entering new markets other air- lines overprice and underserve. The company believes it can bring fares down by one-third to one-half whenever it enters a new market, and it expands every market it serves by making flying affordable to people who could not afford it before. Southwest currently serves 68 cities in 35 states, usually secondary cities with smaller airports that have lower gate fees and less congestion—another factor that leads to faster turnaround and lower fares.

Southwest currently serves 68 cities in 35 states, usually secondary cities with smaller airports that have lower gate fees and less congestion—another factor that leads to faster turnaround and lower fares.

Another unique cost savings strategy is Southwest’s decision to operate Boeing 737s for all its flights. This simplifies the training process for pilots, flight attendants, and mechanics, and management can substitute aircraft, reschedule flight crews, or transfer mechanics quickly.



Notes

MARKETING MANAGEMENT

Jet fuel is an airline's biggest expense. According to the industry's trade group, Air Transport Association, jet fuel now accounts for 40 percent of an airplane ticket versus 15 percent just eight years ago. Southwest's biggest cost savings technique and competitive advantage has long been its program to hedge fuel prices by purchasing options years in advance. Many of its long-term contracts allow the airline to purchase fuel at \$51 per barrel, a significant savings especially during the oil shocks of the 2000s that drove oil past \$100 per barrel. Analysts estimate that Southwest has saved more than \$2 billion with fuel hedging. Because lighter planes use less fuel, Southwest makes its planes lighter by, for instance, power-washing their jet engines to remove dirt each night. It carries less water for bathrooms and has replaced its seats with lighter models. Southwest consumes approximately 1.5 billion gallons of jet fuel each year so every minor change adds up. The airline estimates that these changes saved \$1.6 million in fuel costs over just three months.

Southwest has pioneered services and programs such as same-day freight service, senior discounts, Fun Fares, and Ticketless Travel. It was the first airline with a Web site, the first to deliver live updates on ticket deals, and the first to post a blog. Despite its reputation for low fares and no-frills service, Southwest wins the hearts of customers. It consistently ranks at the top of lists customer service for airlines and receives the lowest ratio of complaints per passenger. Southwest has been ranked by Fortune magazine as the United States' most admired airline since 1997, the fifth-most admired corporation in 2007, and one of the top five best places to work. Its financial results also shine: the company has been profitable for 37 straight years. It has been the only airline to report profits every quarter since September 11, 2001, and one of the few with no layoffs amid a travel slump created by the slow economy and the threat of terrorism.

Although the hot pants are long gone, the LUVing spirit remains at the heart of Southwest. The company's stock symbol on the NYSE is LUV, and red hearts can be found across the company. These symbols embody the Southwest spirit of employees "caring about themselves, each other, and Southwest's customers." "Our fares can be matched; our airplanes and routes can be copied. But we pride ourselves on our customer service," said Sherry Phelps, director of



corporate employment. That's why Southwest looks for and hires people who generate enthusiasm. In fact, having a sense of humor is a selection criterion it uses for hiring. As one employee explained, "We can train you to do any job, but we can't give you the right spirit." And the feeling is reciprocated. When Southwest needed to close reservation centres in three cities in 2004, it didn't fire a single employee but rather paid for relocation and commuting expenses.

Questions

1. Southwest has mastered the low-price model and has the financial results to prove it. Why don't the other airlines copy Southwest's model?
2. What risks does Southwest face? Can it continue to thrive as a low-cost airline when tough economic times hit?

Sources: Barney Gimbel, "Southwest's New Flight Plan," *Fortune*, May 16, 2005, pp. 93–98; Melanie Trottman, "Destination: Philadelphia," *Wall Street Journal*, May 4, 2004; Andy Serwer, "Southwest Airlines: The Hottest Thing in the Sky," *Fortune*, March 8.

7.8 Answers to In-Text Questions

1. Six
2. (d) All of the above
3. False

7.9 Self-Assessment Questions

1. How do companies understand the psychology of consumer before pricing its product in the market. Explain with examples.
2. What are various factors affecting pricing decisions?
3. Explain the steps of setting up pricing

7.10 References

- ♦ Kotler, Philip, Keller, Kevin Lane. (2016). *Marketing management* 15th ed. (15th). Harlow Jobber, D., 2010. *Principles and practice of marketing*. 6th ed. Maidenhead: McGraw-Hill.



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- ◆ Kotler, P., Armstrong, G., Agnihotri, P. Y., Haq, ul Ehsan: Principles of Marketing: A South Asian Perspective, Pearson.

7.11 Suggested Readings

- ◆ Kotler, Philip, Keller, Kevin Lane. (2016). Marketing management 15th ed. (15th). Harlow
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Channels of Distribution

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STRUCTURE

- 8.1 *Learning Objectives*
- 8.2 *Introduction*
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- 8.4 *Retailing*
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8.1 Learning Objectives

After studying this unit, you should be able to:

- ◆ Understand the channel of distribution.
- ◆ Develop a distribution channel.
- ◆ Identify the types and causes of channel conflict.
- ◆ Manage a channel conflict.
- ◆ Explain the retailing, wholesaling and logistics.



8.2 Introduction

The process of moving products from the producer to the final consumer is known as distribution in marketing. Distribution takes place through channels, which are agents that enable and promote consumer purchasing and whose quantity and nature are decided by the producers. In order to assemble items, staff, advertising messages, and downstream selling partners that, when combined, enhance competitive advantage, producers must first choose and then manage a channel or array of channels. Producers may alter their distribution methods in reaction to modifications in the market, technological advancements, or other circumstances, but unwise or poorly executed channel changes usually lead to the loss of reseller support, disappointing sales, and decreased earnings.

How to go to market, or how to create a distribution system, is a crucial strategic marketing choice for many businesses, with each strategy offering a different set of advantages and disadvantages. A multistage distribution process in which a manufacturer sells to a reseller (a wholesaler, who may subsequently sell to retailers), who then sells to consumers, is frequently the only viable choice. In the business-to-business market, the producer frequently sells to the final user through wholesale distribution or, in some cases, through a distributor to a dealer or supply house who then provides the final user with the product. Simple economic models of company behavior sometimes neglect the existence of this multistage process, but economists and marketers are increasingly examining the degree to which producer/reseller connections and incentives impact how goods and services reach customers and at what price.

A producer must weigh three key factors before deciding on a distribution strategy: control, effectiveness, and efficiency. Where efficiency is the capacity to provide products and services to customers and merchants at the lowest possible cost and effectiveness is the maximum market coverage and control is the ability to fix the timing and focus of distribution efforts.

One of a marketing manager's biggest challenges is designing and implementing distribution channels. All facets of the company's operations, from segmentation and targeting high-priority clients to defining revenue streams and profitability, could be significantly impacted by how the company chooses to enter the market. Channel decisions may require more time to implement than other marketing-mix considerations.



A group of interconnected businesses that work together to make a good or service accessible for end-user consumption is referred to as a channel of distribution. Important is the interdependent component. To meet the needs of the end-user customer, channel members must understand that they cannot act alone and must collaborate. If one member views another as a dependent, an opportunistic and harmful self-interest is likely to emerge, and power and conflict may govern the relationship. Conflict tends to be contained if participants perceive themselves as interdependent, even though it is inevitable in all channel connections.

8.2.1 Designing Distribution Channel

The successful introduction of new products is essential for many Organizations to keep their market dominance. Sadly, empirical facts show that between one-third and fifty percent of all new goods fall short of a company's financial and marketing objectives. These failures have been attributed to a number of reasons, including an inadequate focus on the commercialization process, a lack of management backing, and subpar marketing planning and execution. In this part, we systematically evaluate, plan, and execute the distribution channel design.

The main query is to the channel structure; specifically, which intermediary, or intermediary group, is most suitable to promote the new product? A related but equally crucial issue is how the intermediary network should be run once it is operational.

Designing a distribution channel refers to the choices made when creating new marketing channels or altering those that already exist (Rolnicki, 2018).

The distribution channel design decision can be broken down into six steps namely:

1. Identifying the need for channel design decision
2. Setting and organizing distribution objectives
3. Specifying the distribution responsibilities
4. Developing alternate channel structures
5. Evaluating important variables
6. Choosing the best channel structure



1. Identifying the Need for Channel Design Decision

The first and one of the most important tasks for any organisation is to recognize the need for a channel design. For the following reasons, an organisation would opt for a new channel design:

- (i) When a new line of products is created, usually when the existing channels are insufficient for the new line.
- (ii) When a new target market for the existing product is chosen. This frequently occurs when a company that typically serves B2B clients decides to enter the consumer sector.
- (iii) When there is a shift in the components of the marketing mix when a company lowers the price on a particular item, the channel chosen will be depending on the price points, and they might look for discounters.
- (iv) When dealing with significant environmental changes, especially those in the economic, technological, or legal domains.
- (v) Lastly, when the company expands its geographic marketing areas.

2. Setting and Organizing Distribution Objectives

The channel manager's next responsibility is to figure out how to construct the channel structure, either from scratch or by changing the existing one, after the need for a design has been identified. The channel manager needs to carefully assess the company's distribution goals. The channel manager must do three responsibilities for the distribution objectives to be successful and well-coordinated.

- (i) Learn about the firm's other pertinent goals and strategies as well as the ones in the other parts of the marketing mix. In most circumstances, the same individual or group that sets the distribution objectives will also set them for the other components of the marketing mix.
- (ii) Define the goals and make them clear. A good objective is one that is plain, clear, and plays a bigger part in attaining the company's overarching goals. The following are some illustrations of effective distribution goals. With its "Apple experience," campaign Apple Computers set a distribution goal to reach more customers. As a result, Apple revived and re-established its connections with major retail chains, which it had neglected in recent years.



Similar to this, Coca-Cola wants to increase its market share in schools and colleges. As a result, it has contacted numerous educational institutions in order to have them offer only Coca-Cola products on their campuses.

- (iii) Verify that the distribution goals are in line with the company's marketing, overall goals, and other strategies. This entails confirming that the distribution goals do not clash with those of the other marketing mix components or even with the business's overall goals. Examining the interrelationships and hierarchy of the firm's goals is crucial for cross-checking. Figure 8.1 gives a clear picture of the same.



Figure 8.1: Distribution Goals

(Adapted from (Dent, 2011))

Specify the Distribution Responsibilities

Once the goals have been established, certain tasks must be carried out in order to achieve the distribution goals. Therefore, in order to achieve the goals, the management must describe the kind of tasks that must be completed. To fulfill the defined distribution objectives, the duties must be clearly stated.

For instance, a producer of a consumer good, such as high-end cricket bats targeted at serious amateur cricket players, would have to specify distribution tasks such as gathering information on target markets shopping patterns, promoting product availability to the target, maintaining inventory and timely availability, compiling information about the product features, providing hands-on experience using the product, processing and filling customers' orders, transporting the product, and setting up credit.



Notes

When we talk about seeing clients, these duties are in fact distribution tasks, even though they may appear to be production- oriented rather than distribution tasks.

Develop Alternate Channel Structures

The channel manager should research other methods of assigning these jobs after having specified them. To effectively contact the consumer, the channel manager typically selects multiple channels. Britannia offered its biscuits for sale at pharmacies, department stores, convenience stores, and whole-sale food distributors. Whatever the channel layout, there should be options for allocating resources based on (a) the number of levels in the channel, (b) the intensity at different levels, and (c) the kinds of intermediaries.

There is a range of levels available, from two to five. The channel manager may choose between meeting clients directly and employing two middlemen as appropriate approaches. The quantity of intermediates at each level is referred to as intensity.

Generally speaking, there are three types of intensities:

- (i) Intensive
- (ii) Selective
- (iii) Exclusive.

Using the maximum number of outlets at each level of the channel is what is meant by intensive saturation. Selective refers to the utilization of only a subset of the available intermediaries at a certain level. Exclusive describes an extremely selective distribution pattern.

A company like Rolex may use a high level of selectivity, whereas a company like Parle Products may use an intense distribution channel strategy. The third component, or categories of intermediates, must be handled carefully. Businesses shouldn't disregard the new kinds of intermediaries that have developed recently.

ACTIVITY

(A) Would you use exclusive, selecting or intensive distribution for the following products?

1. Kia India Private Limited (Automobile Company)
2. ITC Kitchens of India



3. Evaluate Important Variables Affecting Channel Structure

Each channel structure needs to be assessed based on a variety of factors after the various designs have been described. There are five fundamental categories, including

- (i) **Market Variables:** Marketing management is founded on the marketing concept idea, which emphasises the requirements and wants of customers; managers must follow the market's indications. Market geography, market size, market density, and market behavior are the subcategories that have the biggest impact on the market structure.
- (ii) **Product Variables:** Product variables include things like volume and weight, perishability, unit value, level of standardization, technical vs. non-technical, and newness. These are some of the most crucial product factors. Products that are large and heavy have high handling and shipping expenses compared to their value. Manufacturers of these goods must remember to ship in bulk to the fewest locations possible.
- (iii) **Company Variables:** Size, financial capability, managerial competence, goals, and tactics are significant factors that influence effective channel design. The ability to exert significant power in the channel increases with the size of the firm. The company has some freedom in choosing the channel structures because of its size.

When it comes to financial capabilities, the same is true. The amount of capital a company has accessible will reduce its reliance on intermediaries.

For an example companies like General Electric and AEC business engages in industrial marketing prefers to have its own sales force, storage, and order processing capabilities. Larger companies with strong financial foundations are better able to endure the high expense of these facilities. When a company lacks good managerial abilities, a thorough channel structure ranging from wholesalers to brokers is required to carry out the distribution activity. As the company gets expertise, the number of intermediaries can be changed or decreased.

The use of intermediaries may be constrained by the goals and plans an organisation has. These tactics may place a focus on aggressive



promotion and even change the duties involved in distribution. This is one of the main factors considered while appraising something.

- (iv) **Intermediary Variables:** The crucial intermediary variables are services provided, price, and availability. One of the important factors is availability because it affects the channel shape.

If we look at the example of Dell Computers, it created a direct mail order channel in the absence of a proper channel structure, which also offered a solid technical backup. Another factor a channel manager takes into account is the price. The manager may think about decreasing the use of intermediaries if the cost of utilising a particular intermediary is too high relative to the services it provides. Another crucial element is the services provided by the intermediaries; a reputable intermediary will provide effective services at a reasonable price.

- (v) **Environmental Variables:** The various facets of channel development and management may be impacted by uncontrollable or large-scale environmental phenomena. In this context, “environment” refers to the setting in which a company, its consumers, and its distribution channels operate. Environmental variables like socio-cultural, technological, and legal have a big impact on the channel structure. The other factors can be changed or improved upon by the organisation, but the environmental forces are those that the organisation must contend with.

4. Choose the Best Channel Structure

The management should select the best channel structure available in order to achieve the necessary degree of effectiveness at the lowest cost. Although there isn't a single right way to choose an ideal channel structure, it all comes down to the firm's orientation. The channel structure would be appropriate if the company's objective were profit maximization. However, the majority of channel decisions are still made using administrative discretion and the information at hand.

The channel structure should always be kept short as this will always be superior. Food items and flowers are regarded as being extremely perishable. Highly perishable products should have a channel structure that



allows for quick distribution from producers to consumers. One crucial factor to keep in mind is that the longer the channels, the lower the unit value of the product, the less room there is for distribution costs.

The degree of personalization is greater if the product flows directly from the maker or producer to the user, but as the product becomes more standardized, it passes through more channels. While many consumer markets are primarily standardized, B2B machinery has a high degree of customization as it moves from the maker to the industrial user.

Because of their technical know-how and support, industrial items are typically distributed through direct channels, but many technical consumer products do use shorter channel structures. A shorter channel is suggested to raise awareness when the product is new and in the introduction stage in order to take advantage of the aggressive promotion.

IN-TEXT QUESTIONS

1. What do you understand by the channel of distribution.
2. State whether the following statements are True or False.
3. Buying and Selling are the only activities that are carried on by a distribution channel.
4. Risk bearing is one of the functions of a distribution channel.
5. Transportation is the primary function of a distribution channel.

CASE STUDY

Lids Off Jar Opener: Major ADL Distribution Channel, Vast Cross-Media Marketing Campaign

In the past, opening vacuum-sealed food jars has proven to be a difficult process for people of all ages and abilities. In today's supermarkets, a wide range of prepared meals and condiments are packaged in jars, including pickles, mayonnaise, and sauces of many kinds. It was determined that there was a chance to create an automated jar opener device that would fill this clear market need and greatly improve the quality of life for those with functional limits or disabilities.



Notes

MARKETING MANAGEMENT

Black & Decker, a significant consumer appliance maker, was approached and persuaded to enter this undeveloped market. Throughout the whole product development process, direct consumer engagement was used, and the end product, dubbed Lids Off, was produced with an initial manufacturing production run of 500k units. As a preliminary “testing of the waters” on consumer buy intent and price point, distribution would first be accomplished through an Internet product launch. Consumer testing had revealed a consumer price point of \$39.39, but for the introduction of its Internet product, a starting retail price of \$49.99 was chosen. Additional distribution channels would be through big-box stores (Wal-Mart, Target, and others) that already offer modest home kitchen equipment after a successful internet launch.

At a press and marketing gathering called Christmas in June in New York City, The Lids off Jar Opener made its official debut. With adverts in numerous newspapers and family-friendly periodicals, a comprehensive publicity campaign was launched.

Online sales were modest. After about a month, it was decided to boost the product’s advertising budget while lowering the retail price to \$39.99. The item was delivered to big-box stores, who featured it in weekly sales ads that were published across the country in newspapers and on the Internet. Sales of the new jar opener soared thanks to an expanded advertising campaign and the product’s accessibility through common distribution channels. Sales were so strong that the company’s initial product run was sold out in November and that it was forced to pull its December holiday advertising for the appliance because it was out of stock. Sales of Lids off Jar Openers continued to grow quickly after inventories were restocked the following February, with more than 1 million units sold in the first year.

One important finding from consumer focus groups was that the intended user of the appliance would not necessarily be the one who bought it. Although older folks were prepared to spend money on buying the equipment, they clearly wanted and required it. They were more than happy to accept it as a present, though.

(Source: www.resna.org)



8.3 Managing Conflicts and Control in Channels

Channel conflict is defined as any argument, disagreement, or strife between two or more channel partners if one partner's actions or operations have an impact on the other's operations, sales, profitability, market share, or achievement of comparable objectives.

Channel conflicts are one of the drawbacks of marketing your company over several web channels. The likelihood of channel friction grows when we use a variety of sales channels to promote your business. Other resellers may quickly identify the goods we sell online, where we store them, and how much we charge, which causes conflict, unlike offline retail. Particularly when various shops are offering the same products to the same markets at various costs.

On the other side, thanks to the increasing expansion of ecommerce sales, online channels, and features like simple-to-use and reasonably priced Sales for ecommerce tools and platforms, selling directly to consumers (D2C) has never been simpler for manufacturers.

To balance one's ecommerce stores with other online distribution channels like wholesalers and merchants is difficult for a manufacturer. The first rule is to treat each other as partners rather than rivals with the aim of creating and maintaining satisfied consumers (Gorchels, 2004).

8.3.1 Types of Conflicts

We define 3 types of channel conflicts:

- (i) **Horizontal Conflicts:** In horizontal conflicts, the conflicts arise here between two or more related parties who work for the producer or wholesaler. Assume a wholesaler provides items to four distinct retailers in the four cities Delhi, Mumbai, Bangalore, and Hyderabad. A channel dispute can only arise when one merchant decides to sell products in another city if there is a significant agreement among all parties to stay inside their cities. Conflicts will undoubtedly arise as a result of this, and if they cannot be resolved, it's possible that everyone engaged in providing that product—from the manufacturer to the retailers—may be impacted. Additionally, if these merchants are the only ones selling the products in specific cities, consumers may suffer.



- (ii) **Vertical Conflicts:** Unlike horizontal conflict, vertical conflicts occur between two members on a consecutive level, like a wholesaler and a retailer. Assume that a retailer gets products from a wholesaler for ₹ 40 each, and happens to sell them at ₹ 100 each to consumers. If consumers happen to get to know the actual cost of such a product, they might make a complaint to the manufacturer who in turn might phone the wholesaler. Thus, the wholesaler will have to question the retailer on such actions, especially if it is affecting the demand for such a good in the market. It may also result in a direct rivalry between manufacturers and retailers resulting from manufacturers selling directly to consumers (D2C) rather than through retailers.
- (iii) **Multichannel Conflicts:** This often refers to disputes that have an impact on various supply circle participants in any order. Assume for the moment that a company owns both traditional and online marketing channels. Currently, he charges ₹45 for traditional channel distribution of his goods and ₹30 for internet marketplace distribution. Now, just by taking a quick look at this, one might infer that it will cause problems for the reseller of such things. Let's however imagine that the wholesaler purchases these goods from the producer for ₹45 to sell them to the retailer for ₹48. The retailer chooses to purchase this product directly from the manufacturer through the online marketplace at a price of ₹30 per unit because he just requires a sufficient number of these products to meet market demand. Now, if he chooses to sell these goods to customers for ₹35 each, he will be able to increase sales as compared to when he purchases from the wholesaler and decrease sales as compared to when he competes with the manufacturer. This demonstrates that all three of the involved channels are immediately impacted. In this situation, the store will suffer greater losses because customers can use the internet market to purchase goods for ₹5 less, but he would save ₹18 compared to purchasing from the wholesaler. In either case, the wholesaler won't be selling since there isn't a retailer to buy at that price, and the retailer won't be selling as much either because there is another channel with lower pricing. The producer will now have to decide whether to fix the pricing problems or abandon the conventional sales strategy. To select option two would not be a wiser idea.

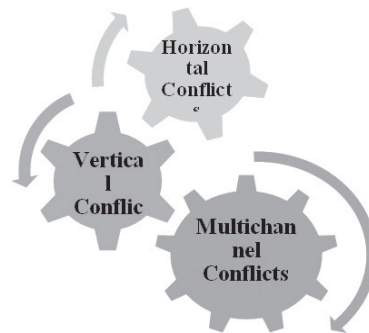


Figure 8.3: Types of Conflicts

8.3.2 Effects of Price Battling

- (i) **Chain Reaction - Brand and Product Lose Value:** Consider the scenario where you wish to run a pricing promotion on a retailer's website just for its customers. Within a few hours, the pricing bots on the marketplaces will recognize this promotion and automatically match it (or possibly beat it). The likelihood is that additional retailers will follow suit within the following 24 hours. This kind of domino effect can cut your product price, reduce its worth, reduce your profit margin, and seriously harm your brand's reputation.



Figure 8.4: Effects of Price Battling



Sales Stagnation: Buyers can postpone purchases when prices are unstable since they are aware of this. Customers who purchase a product only to discover that the price has lowered later on feel tricked, which increases product returns and damages a brand's reputation

- (ii) **Price Battling Can Weaken the Distribution Channel:** When retailers and wholesalers stop marketing or even selling your products.

8.3.3 Ways to Control Channel Conflicts

- (i) **Offer Exclusive Products:** Offer a unique product that can only be found on the brand website. Build demand, generate discussion, and showcase your business. Giveaways of your products are another option. Add value by introducing a supplementary item, like the Apple gift card. Offer kits and bundles: Helping clients get more use out of your items will increase sales. By bundling things, you can offer a discount without it appearing to be one. As much as you can, try to vary your offering; you might even provide distinct SKUs for other shops. To safeguard profits, make it harder for retailers to match identical product pricing.
- (ii) **Set Appropriate Boundaries:** Change to a selective distribution model (for at least some products) to control unauthorized resellers and distributors who are not part of your brands' network. It is important to find unlicensed vendors on marketplaces using ecommerce monitoring software, such as Site Lucent, and try to determine where their supply comes from. Your reseller network might need to be thinned out. Any non-compliant or unauthorized seller can be contacted and asked to take corrective action, sometimes even converting them into authorized ones.
- (iii) **MSRP Policy & Monitoring:** To avoid any price competition between wholesalers, retailers, and manufacturers, keep product prices uniform throughout all sales channels. While MSRP refers to the price a manufacturer advises retailers to sell a product for, MAP pricing focuses on how a reseller markets a product. In the nations where they are legal, a brand or manufacturer will enter into a Minimum Advertised Price (MAP) Policy with authorized



merchants. Monitoring your online retailers' and marketplaces' prices regularly to check for MAP compliance is known as MAP monitoring. Pricing SKUs at or above a predetermined minimum price is agreed upon. The agreement is not enforceable in court. Retailers can continue to sell a product below the MAP price as long as they don't promote it.

IN-TEXT QUESTIONS

6. Explain the concept of channel conflict.
7. State whether the following statements are True or False.
8. Due to price battling brand and product lose its value. True
9. When a single company employs two or more marketing channels to connect with one or more consumer segments, this is known as multi-channel marketing. True

8.4 Retailing

The delivery of finished products starts with the producer and ends with the final consumer. There is a third party—the retailer—between the two of them. Retailing is characterized as a series of actions taken to sell a good or a service to customers for domestic or private consumption. It is in charge of coordinating individual consumer needs with producer supplies. The French verb “retailer”, which means “to cut a piece of” or “to break bulk,” is the source of the English word “retail.”

According to Cundiff and Still, “Retailing consists of those activities involved in selling directly to ultimate consumers.”

Thus, Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.

“A set of business activities carried on to accomplishing the exchange of goods and services for purposes of personal, family, or household use, whether performed in a store or by some form of non-selling.” – American Marketing Association

“Retailing includes all the activities involved in selling goods or services to the final consumer for personal, non-business use.” – Philip Kotler



Notes

According to Cardiff and Still, “Retailing consists of those activities involved in the selling directly to ultimate consumers.”

Our daily lives now include retailing so thoroughly that it is frequently taken for granted. The countries with robust retail sectors have seen the greatest economic and social improvement. Why has retailing grown to be such a common way of doing business? The answer is the benefits of a thriving retail industry i.e., easy access to a wide range of products, freedom of choice, and excellent levels of customer service.

A retailer is a person, agent, agency, business, or other entity that plays a key role in getting products, items, or services to the final customer. Retailers carry out particular tasks such as anticipating client needs, creating product assortments, gathering market data, and financing.

One prevalent misconception about retailing is that it exclusively involves the sale of goods in physical storefronts. The selling of services, such as those provided at a restaurant, beauty parlour, or by automobile rental companies, is also included. Selling does not always have to happen through a store.

Retailing includes selling through every channel that could be used to approach the consumer, including the mail, the Internet, and door-to-door sales. Manufacturers like Dell Computers become retailers when they sell directly to customers. Small family-run chains and stores with a regional focus are the dominant players in the global retail industry whereas Wal-Mart, Sears, McDonald’s, and Marks & Spencer are a few of the multibillion-dollar multinational corporations that slowly gained control of western markets. The larger shops have established huge supply or distribution networks, inventory management systems, financing agreements, and extensive marketing plans, allowing them to achieve economies of scale and offer better services at competitive pricing (Xu, 2009).

The introduction of numerous retail formats that have started operating in the majority of product categories is a significant recent development. Large departmental shops, for instance, provide a wide range of products and services. Discount retailers compete primarily on price and provide a wide range of goods. Big Bazaar and Reliance Mart are two examples. Other high-end shops use luxury labels like Dior and Louis Vuitton to target extremely niche markets. It will be interesting to observe how these advantages play out for each of these shops as they each have unique



advantages. For instance, bargain merchants typically outperform their competitors in difficult economic times, whereas the reverse is true when the economy is doing well (Konings, 2020).

8.4.1 Concept of Retailing

It is essentially the marketing idea of a company-wide, customer-centered approach to creating and carrying out a plan. It lays forth the rules that all merchants must abide by, regardless of their size, channel design, or mode of sale.

The retailing concept has four broad areas that are an essential part of the retailing strategy:

- (i) **Customer Orientation:** The retailer carefully considers the demands of the customer and makes an effort to meet those needs.
- (ii) **Goal Orientation:** The retailer sets tactics to accomplish its well-defined objectives.
- (iii) **Value Driven Approach:** The merchant provides the customer with goods that are reasonably priced and of high enough quality to appeal to the target market.
- (iv) **Coordinated Effort:** Every business operation is coordinated with the overall objective to maximise effectiveness and provide customers with value.

Although the retailing concept is straightforward to embrace, many retailers fail to adhere to it because they overlook one or more of the core mentioned elements. For the retailer to be successful, there needs to be a good balance between all the components of this concept. The retailing notion, while significant, is constrained by the fact that it does not take into account the firm's internal resources or the level of competition in the outside world. However, it is still a crucial strategic directive (Ampountolas et al., 2019).

8.4.2 Two Main Channels of Retailing: Multi-Channel Retailing and E-Commerce

i. Channel 1: Multi-Channel Retailing: Retail does not always have to begin with a physical location. The Indian unicorn startup Nykaa has been



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around for a very long time. To supplement their long-running catalogue channel, which was initially introduced in 2012, they did, however, open their first store in 2018.

Retail Channels and Multi-Channel Retailing

How a retailer sells its goods are known as retail channels. Although physical stores account for the majority of sales, other avenues including online shopping and catalogue sales are also significant. Depending on the services a retailer offers and prospective client behavior, a channel must decide which retail channel to use. Retail channels are currently becoming more confounded. Given that customers can now purchase “anytime, anywhere,” it is crucial for merchants to be available across multiple channels to retain customers.

Different Retail Channels:

- (a) **Brick-and-mortar Stores:** Many customers still choose to browse and shop in actual stores. When we talk about brick-and-mortar stores customers can chat with staff members and inquire about the goods or services in physical stores. Customers may try products like video games or laptops at Croma stores and have lunch in cafe while shopping in IKEA, and other experiences in brick-and-mortar stores. Brick-and-mortar stores also give customers immediate satisfaction when they make a purchase.
- (b) **Direct Response Channel:** In direct response channels, the retailer contacts and approaches potential customers directly. Conversion rates (from potential to member) are greater and it is more personalised. The Direct Response channel also includes Internet channels.

There are other retail distribution methods also which include selling directly to customers, souvenir shops, institutional distributors like restaurant chains, etc.

Multi-Channel Retailing

Customers expect to be able to shop “anytime, anyplace” in the modern world. Multi-channel retailing is a hybrid strategy that combines a variety of possibilities. Technology development has improved retail channels as well. Customers can choose between purchasing goods from an outlet on the one hand and using online websites as their marketplace for their



preferred goods on the other. The goal of multi-channel retailing is to use a variety of distribution channels rather than just one. Few of the many successful businesses that have benefited from the multi-channel retailing in the Indian market are Patanjali, Xiaomi and Nykaa.

Benefits of Multi-Channel Retailing

In today's cutthroat industry, multi-channel selling is not an option; it is a requirement. Customers who use many channels are the most affluent, picky, and time crunched. They are also your brand's most priceless assets. Because customers increasingly expect consistently outstanding buying experiences regardless of the channel, merchants are under increasing pressure to deliver superior customer experiences across all channels. The thought of developing a thorough and integrated multi-channel experience intimidates many businesses, and they wonder whether the work will be worthwhile.

The four benefits that make investment in multi-channel strategy valuable include:

- (a) Enhanced customer perception
- (b) Increased Revenue
- (c) Enhanced data collection
- (d) Enhanced output.

ii. Channel 2: E-Commerce:

Any business or commercial transaction involving the transmission of information over the Internet is referred to as "Electronic-commerce" or "e-commerce." It includes a variety of industries, from consumer-focused retail websites to auction or music websites to commercial exchanges where firms trade goods and services. Currently, it ranks among the most significant elements of the Internet.

Over the past ten years, e-commerce has grown quickly and is still growing. The retailing sector has jumped on board and started to offer online shopping and e-trading, including fashion retail and grocery retail. "Shopping carts" are used in online retailing which enables customers to make purchases, track them, and tie all aspects of e-commerce together



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into a single, seamless system. E-commerce has the potential to be a tremendously lucrative endeavour, but success takes time. It is crucial to conduct extensive research, ask questions, put in a lot of effort, and base business decisions on information obtained through studying e-commerce (Bloomberg 2020).

E-Commerce Strategies

Over time it has been observed that both B2B (Business to Business) and B2C (Business to Consumer) e-commerce are expanding daily. All businesses now understand how important it is to have an entire retail strategy that includes an e-commerce plan. Ecommerce is a very different business model from traditional retail in every way.

When launching an online store, a retailer should keep a few things in mind, some of them are as follows:

- (a) Understand market trends, opportunities, and risks. Planning for business growth and dealing with numerous external influences are both aspects of retail strategy.
- (b) The consumer must come first. When selling through physical, traditional establishments, customers get a tactile experience, making it simpler to develop a relationship with them. E-Commerce platforms need to come up with ways to connect with virtual customers one-on-one and establish relationships. Everything starts with a great, user-friendly website that delivers the information in the “proper way” to draw in customers.
- (c) To stand out from the competition and attract clients to your online store, you must provide something better than the other e-commerce companies.
- (d) Pricing: Compared to traditional physical storefronts, online retailers have significantly lower operating and sales costs, which may persuade customers to make larger purchases.

Logistical Emphasis: The management of shipping costs presents the biggest difficulty in operating an online store. To save costs, retailers must collaborate with numerous logistical providers.

**IN-TEXT QUESTIONS**

10. What are the four broad areas of retailing?
11. Explain the concept of E-commerce retailing.
12. What is multi-channel retailing?

8.5 Wholesaling

Buying products in bulk from the producer and reselling them to the retailer for a profit is known as wholesaling. A wholesaler is a person or company that acts as a link in the supply chain, linking the producer and the retailer. They have the option of selling a single item, a variety of items, or both. Wholesalers are common in industries including banking and finance, telecommunications, and energy in addition to physical goods distribution. They offer businesses in the commercial, industrial, and other professional sectors affordable business-to-business (B2B) services. Even if they charge merchants more, the price they charge is still considerably less than the standard retail price.

8.5.1 How Does Wholesaling Work?

Buying huge quantities of products from producers and reselling them to merchants who then sell them to consumers is known as wholesaling. The idea of economies of scale underpins the entire procedure. A wholesaler first invests in purchasing and warehousing a sizable quantity of goods. They then make money by offering those goods in modest amounts to shopkeepers in a town, city, or market. The idea gained popularity in the 19th century as a result of the development of mass production and marketing techniques.

There may be numerous wholesalers selling the same or different goods made by the same manufacturer. Similar to how one wholesaler might sell to lots of different stores. It is important to note that organizations like manufacturers and service providers occasionally function as wholesalers. Wholesaling has a substantial economic impact because it is an essential part of the distribution system. To efficiently transport their goods to retailers and eventually consumers, manufacturers work with wholesalers. In this way, the supply chain is made up of the manufacturer, wholesaler,



retailer, and customer, each of whom functions at their level and depends on the one above them (Neha Wadhawan., R K Arya., 2020).

8.5.2 Functions of Wholesaling

- (i) Wholesalers carry out a wide range of tasks in addition to selling products, including marketing, risk-taking, warehousing, shipping, financing, management, and advising.
- (ii) Due to operational or warehousing costs that vary depending on process efficiency, costs of goods and services, and inventory turnover, wholesalers have more control over pricing.
- (iii) Since they are not producers and primarily sell competing items, they typically do not offer after-sales service or product support.

8.5.3 Types of Wholesaling

The definition of wholesaling can be any of the following types, depending upon their field of business and functions:

- (i) **Merchant:** Large quantities of goods are purchased by these wholesalers from the producer, who then retains possession of them, stores them, and sells them to anyone other than the consumer. They primarily come in two varieties and work independently:

Wholesaler Merchants: They frequently work in the hardware, pharmaceutical, apparel, and seafood industries and sell to retailers.

Industrial Merchants: They frequently work in the consumer goods, engineering, industrial, and equipment industries and sell to makers.

- (ii) **Merchandise Agents or Brokers:** Wholesalers that buy goods from numerous producers to resale them are known as merchandise agents. However, they do not take possession of the products. Instead, they help with its display and storage. Contrarily, product brokers serve as a mediator in negotiations between the manufacturer and the merchant. They make money off of sales commissions, as is seen in the stock, real estate, and insurance industries.
- (iii) **Mini Offices and Branches:** To participate in the wholesale process, the manufacturer establishes a new branch or a small office. These



divisions or offices directly accept purchase orders from retailers and deliver goods to them. They concentrate on sales, marketing, and inventory management with a particular geographic area in mind.

- (iv) **Specialized:** These distributors focus on a certain good or commodity and are well-informed about its advantages and disadvantages.

8.5.4 Wholesaling vs Retailing

Retailing and wholesaling are both necessary for a supply chain to work properly. A wholesaler acts as a bridge between manufacturers and retailers by concentrating on preserving relationships with both groups. In situations involving product shortages, supply issues, price increases, discount offers, or complaints, retailers do not speak with corporate representatives directly. They visit the wholesaler instead. Contrarily, retailing simply describes a local store owner who buys numerous things from a wholesaler and then sells them to customers directly. Retailers are seen as the company's face by end users. Retailers benefit when wholesalers get a good deal or a discount when buying products from a company (Shaffer & Zettelmeyer, 2018). After that, retailers pass it on to final customers, guaranteeing everyone's profit and fairness.

Other striking differences between wholesalers and retailers include:

- (i) Since wholesalers don't have any additional expenses, they can sell products in greater quantities and at lower costs to shops, businesses, and other organisations. Retailers sell products to end customers in smaller quantities and at higher prices as a result of added expenditures.
- (ii) The role of wholesalers is to act as a middleman between manufacturers and retailers. Wholesalers and customers are connected by retailers.
- (iii) Wholesalers frequently require large sums of cash and have lower profit margins. Small firms with strong profit margins and little capital requirements are retailers.

**IN-TEXT QUESTIONS**

13. How does wholesaling works and what are its functions?
14. Explain different types of wholesaling.
15. Explain how wholesaling differ from retailing.

8.6 Logistics

Planning, implementing and controlling the effective movement of raw materials, work-in-progress items, finished goods, and related information from the point of origin to the site of consumption to ensure customer satisfaction is known as the concept of logistics (Rolnicki, 2018).

According to Phillip Kotler, “Market logistics involve planning, implementing and controlling the physical flow of material and final (finished) goods from the point of origin to the point of use to meet customer requirements, at a profit.”

Certain pertinent observations on the concept of logistics are:

- (a) Logistics’ actual work is primarily supportive. Operations in manufacturing and marketing require the help of logistics.
- (b) The idea of logistics is based on an overall system viewpoint of the numerous tasks involved in moving resources and goods from supply sources to consumers. As a result, it forces management to consider managing the entire system rather than simply a single component of it.

8.6.1 Classification of Logistical Activities

Logistics (or Logistical Activities) may be Broadly Classified into Two Categories:

- (i) **Inbound Logistics:** Inbound logistics is concerned with the efficient and cost-effective influx of supplies to the manufacturing facility, including materials and other inputs required for production. The management must continuously engage with suppliers for appropriate management of incoming logistics (vendors).
- (ii) **Outbound Logistics:** Outbound logistics, also known as physical distribution management or supply chain management, is concerned



with the movement of completed products and other relevant data from a business to a client. The management must continuously interface with transport providers and channels of distribution to manage outbound logistics effectively.

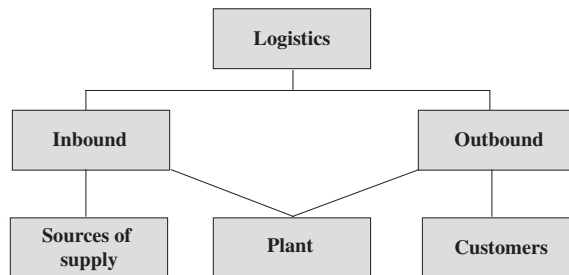


Figure 8.5: Scope of logistical activities

(Adapted from (Gorchels, 2004))

8.6.2 Key Activities Involved in Logistics Management

Following is a brief account of key activities involved in logistics management:

- (i) **Network Design:** One of the main responsibilities of logistics management is network design. The size and placement of the industrial facilities, warehouses, material handling equipment, etc. that are necessary for logistical efficiency must be determined using this network.
- (ii) **Order Processing:** Orders from customers are crucial in logistics management. Receiving, handling, filing, and recording orders are all included in order processing activities. Management must here make sure that orders are processed accurately, reliably, and quickly. To achieve quick order processing, management must also reduce the amount of time between the receipt of orders and the date of consignment dispatch. Order execution delays have the potential to seriously irritate customers, which is something that must be avoided at all costs.
- (iii) **Procurement:** It has to do with getting supplies from outside vendors. Inbound shipping, receipt and inspection, order placement, negotiation, supply sourcing, storage, and handling are all included in procurement. Its main goal is to promote manufacturing by offering prompt supplies of high-quality materials at the most affordable prices.



- (iv) **Material Handling:** In production, distribution, and transportation, material handling is implemented to enhance customer service, decrease inventory, speed up delivery, and cut total handling costs. Management must ensure that the raw materials, parts, semi- finished, and finished goods are handled properly. Additionally, the management needs to cut down on handling expenses and labour time.
- (v) **Inventory Management:** It entails tasks including moving raw materials, components, semi-finished products, and final commodities into and out of a facility's warehouses and transportation hubs. To reduce losses from the main goal of inventory management is to keep working capital out of inventories as little as possible, while still maintaining a steady flow of resources to meet production demands and timely deliveries of items to satisfy consumer wants.
- (vi) **Packaging and Labelling:** A crucial part of logistics management is packaging and labelling. Packaging refers to enclosing or encasing a product into suitable packs or containers allowing both the seller and, especially, the customer to easily and conveniently handle the product. Packaging facilitates the sale of a product. It serves as a quiet salesman. On the eve of Diwali, for instance, the sale of sweets, cookies, and other such things is boosted by their elegant and decorative packaging. Labelling implies putting identification markers on the package of the goods. A label contains information about - the date of packing and expiry, weight or size of goods, ingredients used in the manufacture of the product, instructions for sale handling of the product, the price payable by the buyer etc.
- (vii) **Warehousing:** Storage, often known as warehousing, is a logistical operation that saves time by keeping items on hand from the point of production until the point at which the final consumers require them.
- (viii) **Transportation:** Transportation is that logistical process which creates place utility. Transportation is needed for:
 - (a) The transfer of raw materials from suppliers to the production facility.
 - (b) Movement of ongoing projects throughout the plant.
 - (c) Transfer of finished items from the factory to the end users.



8.7 Summary

A distribution channel is a set of people and firms involved in the flow of title to a product as it moves from producer to ultimate consumer for the business user. A channel includes the producer, final customer and any middlemen that participate in the process. Distribution channels perform transactional functions, logistical functions and facilitating functions.

The distribution channel design decision can be broken down into six steps namely:

1. Identifying the need for channel design decision
2. Setting and organizing distribution objectives
3. Specify the distribution responsibilities
4. Develop alternate channel structures
5. Evaluate important variables
6. Choose the best channel structure

Conflicts across distribution channels are one of the disadvantages of marketing a firm through many web channels. When you market your company through a multitude of sales channels, the risk of channel friction increases. In contrast to traditional retail, other resellers may easily determine the products you sell online, where you store them, and how much you charge, which might lead to disputes especially when different stores are charging different prices for identical products to the same markets. Conflicts can be largely divided into three types: multichannel, vertical, and horizontal.

8.8 Self-Assessment Questions

1. Enumerate six steps performed in the distribution channel design.
2. A new lemon soda manufacturing co. which has successfully launched its lemon drink in Delhi is planning to launch this product to three other cities. What kind of distribution channel would you recommend to them?
3. What are the different types of conflict in channel of distribution?
4. What are the effects of price battling?
5. Explain the different ways to control channel conflict.



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Promotion

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STRUCTURE

- 9.1 *Learning Objectives*
- 9.2 *Introduction*
- 9.3 *Definition*
- 9.4 *Integrated Marketing*
- 9.5 *Summary*
- 9.6 *Answers to In-Text Questions*
- 9.7 *Self-Assessment Questions*
- 9.8 *References*
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9.1 Learning Objectives

- ◆ Define the role of promotion mix.
- ◆ Define the AIDA model to influence the consumers.
- ◆ Describe to communication process.
- ◆ Which type of factors are influence the promotion mix.

9.2 Introduction

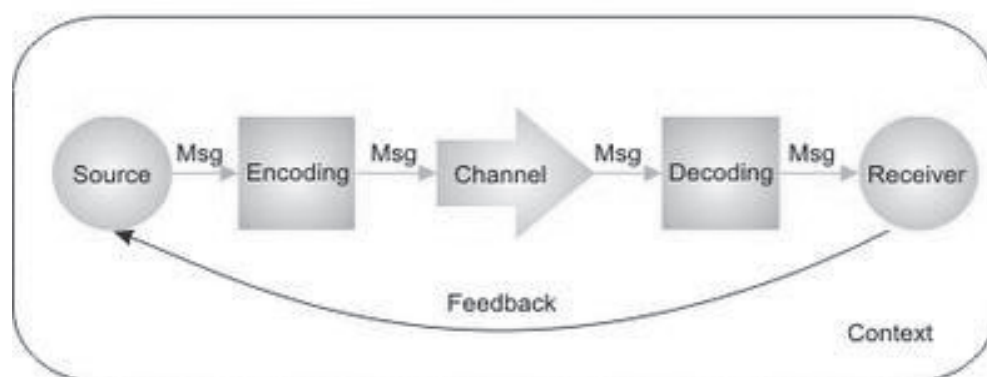
Promotion is the important part of marketing mix, they are provided the quality information for customers in the target market, i.e., its share the features of the products, quality, price and availability of the goods in market. Marketing professionals are sharing the valuable suggestion for manufactures to related goods & services. The companies are depending on the customers interest and needs or wants of the products. The professional are share the market research related to particular product & services in the market.



“Giving the information to the target customers about the products/service that’s called to promotion” promotional activities are create the demand in the market about the product/services.

Promotion is a key element in marketing strategy. Marketing calls for more than developing a good product, pricing it correctly, and making it easily available to the customer. Product, price and distribution alone cannot create sufficient sales and profits for the organization. But promotion is an important role play to share the information for the potential customers and create the interest to purchase the goods and services.

The Communications Process



Sources: google.com/communication_images.com

The communication process contains five elements – the communicator, the message, the medium, the audience and feedback and can be summarized as:

Who ... says what? In what way To whom ... with what effect?

We will discuss about, how the model helps a marketing communicator to arrange effective messages and media for an intended audience. To do this effectively, we shall discuss the four elements not in the order of the message flow (from communicator to audience) but in terms of planning flow (from target audience backward through channels to the communicator). The communicator must start with the audience because it is the audience who determines what is to be said, how it is to be said, when it is to be the said, where it is to be said and who is to say it.

Promotion is a persuasive communication that inform potential customers of the existence of the products and persuades them that these products



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have want - satisfying capabilities. The communication process is the foundation of promotion. Let us, therefore, look at the process of communication as it is used in marketing.

In marketing management, the communicator is the manager who desires to promote his product. The audience is the target market segment. Feedback is the flow of communication information from the consumer to the marketing manager.

9.3 Definition

Prof. Philip Kotler has defined promotion as, ***“Promotion includes all the activities the company undertakes the communication and promote its products to the target market.”***

Prof. William J. Stanton has defined it as, ***“Promotion in the element in an organization marketing mix that serves to inform, persuade and remind the market of the organization and or its products.”***

E. J. McCarthy has defined promotion as, ***“Promotion is any method of informing, persuading or reminding consumers, wholesalers, retailers, users or final consumers about the marketing mix of product, place and price which has been assembled by the marketing manager.”***

The above mentioned definitions make it clear that promotion is one of the important tools of marketing. It creates demand in target markets and gives information to the customers about the products & services. Promotion activities are the crucial part to share the information's make believe for the companies, enthusiasm or influence and remind the customers about manufacturing goods. These activities are positively impact on customer mind then now a day, every company and manufacturing firms are conduct these promotional activities in the market.

Marketing communications can be defined as “the means by which firms attempt to inform, persuade, and remind customers—directly or indirectly—about the products and brands they sell. In a sense, marketing communications represent the ‘voice’ of the company and its brands and are a means by which it can establish a dialogue and build relationships with consumers.



9.3.1 Role of Promotion Mix

1. **Helpful to Create the Image in the Customer Mind:** Promotion tools are very helpful to create the image in the consumer mind, because the companies are focused to create the awareness and share the information for the potential customers through any media channels or social media portals.
2. **Create the Demand in the Market:** Promotion is helpful to create the demand in the market, today senior mostly peoples are used the social media portals and e- shopping portals through purchase the products. Promotion is helpful to create the awareness in consumers mind and prompted the product through social sites. Promotion is helpful to boost the sale in market. Nike is promoting the shoes for many social sites and blog & other promotion tools are used by the company, that only focus to create the interest related to our product.
3. **Brand Awareness:** Promotion is main objective to create the brand awareness in consumers mind through the any media channels i.e., social media, Facebook, Instagram, e-commerce sites, blogs, amazon, flip kart etc. promotion are main point to attract the consumers, then appeal to purchase the articles.
4. **Create the Interest:** Promotion is advantageous, to create the interest in related to product/services in consumer's mind. This is very important thing, which type of promotion are choose by the company, how much people are engaged to in this website or social sites. For example, in today, senior mostly companies are used to promote the product in online or social media portals Facebook, Instagram, YouTube, social media pages etc.
5. **Brand Loyalty:** Mostly companies are provided the special service for the specific customers. Brand loyalty is **perception-based (image and experience)**. Brand-loyal customers believe that a certain brand represents both higher quality and better service than any competitor—and the price does not matter i.e., amazon provided the more discounts during the festival season. Diwali sale, seasonal sale but they are provided the special sales or coupons or other types of discounts only prime customers



9.3.2 Promotion Mix

Promotion is an important element of the marketing mix for every business enterprise. It is the inspiration outlets of the marketing mix. It is a process of communication involving information, persuasion and influence. It has included all types of personal or non-personal communication with customers as well as middlemen in distribution.



Source (Google images.com)

Advertising

“Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor through the various media.” (Richard F. Taflinger).

American marketing association defines advertising as, “any paid form of non-personal presentation of ideas, goods or services by an identified sponsor”. Advertising is a prime part of promotion mix. For example: advertisements on the television and radio, and magazines etc. Mainly small businesses must choose the advertising to promote the product through the newspaper’s ads, ratio, TV ads, railway stations, Trains etc. to achieve the target audience.

- 1. Public Presentation:** It should be advertising is a highly public mode of communication. Its public nature confers a kind of legitimacy to the product and suggests a standardized offering.
- 2. Pervasiveness:** Advertising is a pervasive medium that permits the seller to repeat his message many times. It also allows the buyer to



receive and compare the messages of various competitors. Large-scale advertising by a selling, approximately positive regarding the seller's size, reputation and success.

3. **Amplified Expressiveness:** Advertisement are giving opportunities for overstating the companies and its products beyond the artful use of print, sound and colour.
4. **Impersonality:** As a non-personal tool, advertisement in spite of being public, pervasive and expressive, cannot be as compelling as a personal salesman. The audience does not feel obliged to pay attention or respond. Advertising is only able to carry on monologue, not a dialogue, with the audience.

Advertising sacrifices the effectiveness which is generated by feedback in personal selling-no-tailor-adjusted in this sales pitch, no probing for objections, etc. on the other hand, advertising is more efficient, it can reach many potential customers at relatively low cost. To some extent therefore, personal selling and advertising are complementary, rather than alternative, promotional media.

Personal Selling

“Personal presentation by the firms sales force for the purpose of making sales and building customer relationships”. This is one of the oldest processes of promotional tools, in which the salesman is linked to directly for customers. It is a face-to-face communication between the company representative and customers, the company has main motive to manipulate the customers for purchase the goods and service i.e., retail stores, business to consumers etc.

Personal Confrontation: personal selling includes an alive, immediate and collaborative relationship between two or one persons. Each party can observe at close hand the characteristics and needs of the other and make immediate adjustments.

Cultivation: Personal selling permits all kinds of relationship to spring up, ranging from a matter of fact selling relationship to a deep personal friendship.

Response: Personal selling in contrast with advertising make the buyer real under some obligation for having listened to the sales talk or using up the salesman's time. He had a greater need to attend and respond, even if the response is a polite 'thank you'.



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Personal selling is an effective tool. The salesman can observe the potential customer's behavior and change his sales talk to more closely match the customer's wants and desires. He can point out the specific advantages of his product, probe objections and answer them, and ask directly for the sale. But this effectiveness is often purchased at high cost in efficiency. One-to-one relationships are relatively expensive.

Sales Promotion

“Sales promotion are short term incentives to increase sales of product or service for specific period. Generally, Companies are providing the exclusive discounts, sales promotion schemes during special occasions or festival seasons by customers i.e., discounts, coupons, payback offers, freebies etc. are the sales promotion schemes. During the sales promotion, the company has earned the more profits on short terms periods, by attracting the new and existing customers., Diwali sales, Season sales, Discounts, Coupons, Buy get 1free, promote the new product in the market, Promote the unsold inventory etc.

American marketing association defines sales promotion as those activities, other than personal selling, advertising & publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows and exhibitions, demonstrations, and various non-recurring selling efforts not in the ordinary routine.

- 1. Insistence Presence:** Many sales promotion tools have an attention getting, sometimes urgent, quality that can break through habits of buyer inertia towards a particular product.
- 2. Product Demeaning:** Some tools are suggested that the seller is anxious for their sale. If they are used too frequently or carelessly, they may lead buyers to wonder whether the product class or brand is desirable or reasonably priced.

The term sales promotion is a catchall for a wide variety of promotional activities. But this category cannot be overlooked i.e., product samples, coupons, premium etc. sales promotions often supplement advertising and personal selling to complete the promotion task by capitalizing on the consumer interest and product knowledge generated by these media i.e., free samples complement advertising in new product introductions. Therefore, sales promotion plays an integral part in the total promotional program of an organization.



Public Relations

“Building good relations with the company’s various publics obtaining favorable publicity, Building the good image in the company, handing, or heading off the unfavorable rumors, stories, and events”. (Business Queensland.com)

Public relations tools are extremely helpful to reach the target audience and having their attention using the media channels i.e., news, word of mouth, government announcements etc. Trustable sources, brand oriented communication message, two-way communication, Press release, Sponsorship, event, web pages etc.

Direct Marketing

Direct marketing is different from personal selling. Though even in direct marketing direct contact with the customer is important, normally it doesn’t involve a highly personalised sales pitch. Direct marketing refers to a tool of promotion strategy where marketer builds lasting relationship with the customer and receive immediate response from the customers directly. In direct marketing excludes indirect medium like wholesalers and retailer. The information received by a customer through news tends to influence customers better than the advertisement.

9.3.3 AIDA Model

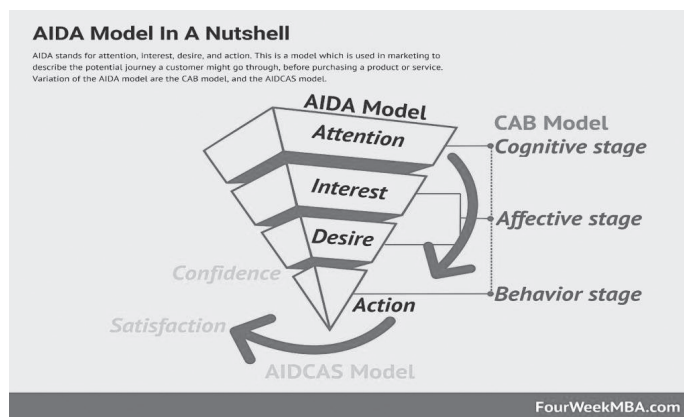


Figure 9.1

The marketer may be seeking a cognitive, effective, or behavioral response from the target audience.



Cognitive Response: The marketer may want to put something into the consumer's mind.

Affective Response: The marketer may want to change the consumer's attitude.

Behavioral Response: The marketer may want to get the consumer to undertake a specific action. Here there are four best known response hierarchy models. There are:

- A. The AIDA model shows the buyer as passing through awareness, interest, desire and action.
- B. The 'communication' model shows the buyers as passing through exposure, reception, cognitive response, attitude, intention, and behavior.
- C. The "hierarchy of effects" models show the buyers as passing through awareness, knowledge, liking, preference, conviction, and purchase.
- D. The "innovation-adoption" model shows the buyer as passing through awareness, interest, evaluation, trial and adoption. The six elements of hierarchy effects' model are as follow:
 - 1. **Awareness:** If most of the target audience is unaware of the object, the communicator's nob is to build awareness.
 - 2. **Knowledge:** The target audience might have company or product awareness but not know much more. Here objective is to build up product knowledge.
 - 3. **Liking:** If the target audience knows the object then the communicator should know the feelings of the audience (Whether favorable or unfavorable outlook).
 - 4. **Preference:** The target audience might like the product but not prefer it to others. In this case the communicator tries to build consumer preference. The communicator can check on the campaign's success by remeasuring the audience's preferences after the campaign.
 - 5. **Conviction:** A target audience might prefer a particular product but not develop a conviction about buying it. The communicator should try to convince the target audience.



6. Purchase: Some members of the target audience, might have conviction but quite get around to making the purchase. They may be waiting for additional information, plan to act later and so on. The communicator must lead these consumers to take the final step. Some of the purchase - producing devices are offering the product at a low price, offering a premium, offering an opportunity to try it on a limited basis, or indicating that it will soon be available.

7. Examples: A company that took a multi-pronged approach, and an unexpected creative campaign, to create a awareness about their new product:

Most of the differences among these models are semantic. They all see the buyer as having to pass through a cognitive stage, an affective stage and an action stage. Each stage is represented by one or two terms; two are used to express a difference between a weak and strong response in the stage i.e., knowledge is stronger than simple awareness in the cognitive stage, preference is stronger than liking in the affective stage and adoption is stronger than trial in the action stage.

All these models assume that each succeeding stage implies a higher probability that the person will purchase the product. In general, people may go backward as well as forward, and skip around. Although being in one stage is neither nor sufficient condition for moving to another, but the communicator will generally want to identify the stage his audience is in and tailor his message be desirable: if the audience is aware of the brand, then arguments for its superiority are required to be communicated and if the audience has already tried the brand, then supportive and reminder communications are called for.

IN-TEXT QUESTIONS

1. _____ are the key elements of promotion mix
 - (a) Advertising and sales promotion
 - (b) Publicity and public relations
 - (c) Direct marketing and personal selling
 - (d) All of the above



2. Which of the following marketing mix activity is most closely associated with newsletters, catalogues and invitations to organization-sponsored events?

- | | |
|------------------|---------------|
| (a) Pricing | (b) Promotion |
| (c) Distribution | (d) Product |

9.4 Integrated Marketing

Integrated marketing communication concepts, the company has participated and manages its many communications channels to deliver a clear and consistent message. It aims to ensure the consistency of the message and the complementary use of media.

Integrated marketing communication is a multi-disciplinary promotional area, these are included in old and new media practices. It is a part of holistic marketing approach, and they are helpful to make the marketing strategy within the context of larger aims of the organizations and business development s and maintain the needs. Using by the IMC theories and strategies, marketing specialists, public relations directors, brand managers, digital media associates, social media marketers, and other media professionals can create, execute and track multi-channel advertising and communication message that reach the target audience and influence the specificity audience i.e., websites display advertisements, blogs, search engine optimization, newspapers, magazine and more.

The company has used the marketing tools and approaches for specific reasons, reach the target audience through the social media, maximize impact of consumers mind and resulting in maximum profit at minimum cost. It uses several innovative ways to ensure that the customer gets the right message at the right place and right time.

9.4.1 Definition

According to Philip Kotler, the integrated marketing communications process **involves creating, communicating, and delivering value for consumers such that the ‘whole is more than the sum of parts’.**

Simple definitions to own words



“Integrated marketing is a **strategy for delivering a unified message across all the marketing channels your brand uses**. It provides consistency wherever customers choose to interact with a company. Without an integrated marketing strategy, you risk delivering mixed messages or communicating in a disconnected voice”

“Integrated Marketing is a strategic approach to integrating communications and interactive experiences targeting defined audiences and individuals which coordinates all aspects of marketing of a brand, including:

- ◆ **Paid media** (offline advertising, direct marketing, and online display and programmatic);
- ◆ **Earned media** (Organic search fuel led by content marketing, PR (Public Relations) and online influencer outreach)
- ◆ **Owned media** (including social media, on-site UX, customer service and direct messaging through email and mobile)

In order achieve consistent messaging customized where possible by channel which presents a unified and seamless experience to consumers across the customer lifecycle or path to purchase”.

Plan and optimize your Omni channel digital marketing strategy using The Race Framework to structure your digital media, digital experiences, and digital data.

9.4.2 Communication Process

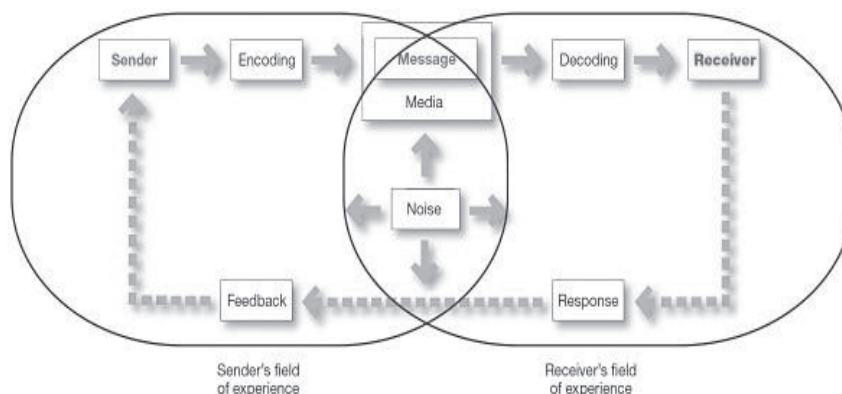


Figure: 9.2

Source: Integrated marketing communication process, Philip Kotler, *Principles of Marketing*



Notes

This is a two ways communication process, one person is sharing the information for other person, that is called Integrated marketing communication

1. **Sender:** A Sender is the person who initiates, generates, and sends the message. He is representing the sources of message. The communication process begins when the sender develops an idea or message that he wants to transmit. He arranges the ideas in a manner that can be understood by the receiver. A teacher delivering a lecture in the classroom is the sender of the message.

The sender is sending the information for other party, that is called to sender.

2. **Encoding:** Transferred the message in the code form i.e., words, symbols, pictures and signs and body gestures etc., Because no two people interpret information in the exact same way, the sender must be careful to choose words, symbols and gestures that are commonly understood to reduce the chances of misunderstanding. Therefore, a sender must be aware of the receiver's communication skills, attitudes, skills, experiences, and culture to ensure clear communication.

3. **Message:** Encoding has finished than next one is message mode; Senders gets the message that he intends to convey. The message is a written, sign, symbol, silent and body gestures or in different forms of message triggers the response of a receiver.

A message is the idea or information that the sender wants to convey. He may convey it verbally (by writing or speaking) or non-verbally (through gestures or body language). Whatever the form, the message should be clearly formed so that the objective is accomplished

4. **Communication Channels:** Which types of channels are used by the person, message can attempt to convey the information, alter perceptions, stimulate desires, produce conviction, direct attention, and provide reassurance. The choice of message depends on the state the audience is in, each type of message works on a separate set of principles.

5. **Decoding:** When the message reaches the receiver, the message must be decoded into its intended meaning. Therefore, the receiver must



translate the words, symbols, and gestures as the sender intended. Because no two people interpret information in the exact same way, incorrectly decoding a message can lead to misunderstanding. Successful decoding is more likely when the receiver creates a receptive environment and ignores distractions. Alert receivers strive to understand both verbal and nonverbal cues, avoid prejudging the message, and expect to learn from the communication.

6. **Receiver:** The receiver is the person or group for whom the communication effort is intended. The message must be crafted with the receiver's background in mind. An engineer in a microchip manufacturing company, for example - might have to avoid using technical terms in a communication with someone in the company's advertising department; for the same reason, the person in advertising might find engineers unreceptive to communications about demographics. If the message does not reach the receiver, communication has not taken place. The situation is not much improved if the message reaches the receiver, but the receiver does not understand it.

9.4.3 Factors Influencing Promotion Mix

Type of the Product

The types of products are helpful to companies, and which types of promotion tools are best for promoting the product in the market. Companies are divided in different types of products, first one is branded product and second is non-branded products, luxury products, necessary products, new product etc., all these types of products required to different types of promotion tools in promote in the market. I.e., advertising is suitable for branded and popular product. Personal selling is fit for non-branded product in the market. Advertising, personal selling, sales promotion and publicity – four types of promotion tools are required to launch the product in market by company.

Use of the Product

Product may be defined as an industrial product (Raw materials), consumable product (basic products), luxurious product (Gold, diamond) these types of products must be need for promotional tools. They are



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depending on the promotion tools i.e., advertising and sales promotion techniques are widely used for consumer goods while personal selling is used for industrial goods.

Purchase, Quantity and Frequency

Companies are considered, which types of goods are mostly preferred or purchase by the consumers, that's an important point, how much quantity are mostly preferred by the consumers. Then companies are decided to which kinds of goods are needed to promotion tools. Infrequency buying the goods by the consumers. Investigators are indicated that individual selling and sales promotion methods used by the companies to sell the goods in the market.

Fund Available in the Market Promotion

Financial conditional of the company is crucial impact on the promotion tools. Advertising through the Television ratio, digital marketing, social media, campaign this is very costly promotion tools. Companies have not financial conditional good that is not bear to these types of promotion tools. They are chosen to personal selling and any other cheaper tools to promote the product in the market.

Mostly companies are focus to which types of promotional tools are used to promote the product in market. Advertising or publicity (organized the events, trial etc.) this is too much costly promotion mix.

Types of the Market

Consumer characteristics are defined, which types of audience are livelihood in near the market area. These factors are also helpful to influence the promotion mix, Demographical factors, (education, age, lifestyle capacity, knowledge, personality of the consumers) Geographical factors (locations, areas) these types of factors are very helpful to make the strategy for successful business.

Stage of the Product Life: The promotion mix changes as the product moves along its life cycle. During the introduction stage of the product in the market, the principles and objective stage of the promotion is too helpful to create a demand by highlighting the product features, utility etc. Promotion mix are helpful to launch the product in the market, advertising



and publicity is way to convey the message for potential consumers. Each stages pose different threats and opportunities. Each stage is different strategies in separate marketing stages.

Identify the Target Audience: A marketing communicator must start with a clear target audience in mind. The audience may be potential buyers of the company's products, current users decides or influencers. The audience may be individuals, groups, particular publics, or the general public. The target audience will influence significantly the communicators decisions on what is to be said, how it is be said, who is to say it, where it is to be said and who I to say. The communicator should research the audience's needs attitudes, preferences, and other characteristics in order to establish the audience's current image of the object.

Images is the set of beliefs, ideas and impressions that a person holds of an object. The first step is to measure the target audience's familiarity with the object. Respondents who are familiar with the product should be asked how favorable they feel towards it. The marketer should then know the desired image in contrast to the current image, (in terms of resources & reality).

Selecting the Communication Channel: Once the target audiences are identified, the communicator can think about the specific channels for reaching them. Channels of the influence are two based types personal, non-personal.

- (i) Personal (expert channels, social channels)
- (ii) Non-personal (Mass and selective media, atmospheres, events)

Personal influence channels are means to direct inter-personal contact with the target individual or groups. These personal influence channels can be distinguished - advocate or representative or salesman of the company, they have personal contact, connection for the company. They are important role to influence the consumer to purchase the articles. Expert channels consist of independent persons, exercising an influence on the buyer by dint of their expertise. Social media channels consist of the buyer's associates, neighbors, friends or family who may exercise an influence on him.

Non-personal influence channels are media that carry influence without involving interpersonal contact. Three types of non-personal media can be described, mass and selective media is related to newspapers, magazines,



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television, radio and billboards that people might buy or perceive. Mass media are aimed at large, often undifferentiated audience, selective media are more specialized in reach and focus. Atmospheres are designed environments calculated to create positive feelings in persons regarding a company or product.

9.4.4 Social Media Platform

Social media marketing is strong way to convey the message for the target audience. People find, learn about, follow and shop from branding product or create the awareness, this is platform to convey the message for potential consumers., Facebook, Instagram, LinkedIn Social media is helpful to bring remarkable success to your business, creating devoted brand advocates and even driving leads and sales.

Social media benefits:

Over 70% of populations are used to social media through the smart-phones, and peoples have positive experience with a business on social media will recommend that business to their networks.

Facebook users click on 12 Facebook ads on average every month.

81% of the population is use Instagram to research products and services.

IN-TEXT QUESTIONS

3. Which of the following consumer promotion tools is the most effective, but most expensive, way to introduce a new product?
 - (a) Coupons
 - (b) Price Packs
 - (c) Contents
 - (d) Samples
4. Which tool of the promotional mix consist of short-term incentives to encourage the purchase or sale of a product or service?
 - (a) Advertising
 - (b) Public relations
 - (c) Direct marketing
 - (d) Sales Promotion



9.5 Summary

Promotional activities are important role play to influence the consumers buying behavior, these activities are helpful to convey the message for potential buyers. Promotion is a important part of marketing mix, they are helpful to share the quality information for the target customer in the market, i.e., its share the features of the products, quality, price and availability of the goods in market. Marketing experts providing the useful suggestion for the manufactures related to products for according to customers interest & needs and wants for exploring the markets. Promotion mix-advertising, social media marketing, publicity, public relationship, direct marketing.

The model of AIDA is defined that, they are helpful to create the awareness related to goods in the consumers mind, promotion is beneficial to create the interest in consumers mind, and build up the knowledge, liking, preference, conviction, and purchase. In today scenario, social media promotion is very effective to manipulate the consumers, because 70% peoples are used to social site, i.e., Facebook, Instagram, twitter, LinkedIn etc. Communication process is important role play to convey the message, because which types of tools are used by the company to convey the message for potential buyers.

9.6 Answers to In-Text Questions

1. (d) All of the above.
2. (b) Promotion
3. (d) Samples
4. (d) Sales Promotion

9.7 Self-Assessment Questions

1. What does the promotion mix, which factors are influenced to motivate to purchase power?
2. Which types of factors are more influences the promotion mix activities?



3. What is the integrated marketing?
4. What is the communication and explain the process of communications

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Trends in Marketing: Service Marketing, Social Media Marketing, Green Marketing, Customer Relationship Management, Rural Marketing, Other Emerging Trends

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STRUCTURE

- 10.1 *Learning Objectives*
- 10.2 *Introduction*
- 10.3 *Service Marketing*
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- 10.6 *Relationship Marketing*
- 10.7 *Rural Marketing*
- 10.8 *Summary*
- 10.9 *Self-Assessment Questions*
- 10.10 *References*



10.1 Learning Objectives

After studying this lesson, you should be able to:

- ◆ Understand the concept of services marketing and its importance.
- ◆ Understanding social media marketing.
- ◆ Understand the concept of green products, green marketing and marketing mix.
- ◆ Gain insight about the concept and growing importance of relationship marketing.
- ◆ Appreciate the concept of CRM.
- ◆ Understand the concept of rural marketing and its growing importance and challenges it poses to marketers.
- ◆ Develop understanding regarding the marketing mix for rural India.
- ◆ Appreciate some of the recent concepts in marketing.

10.2 Introduction

Marketing is a vital ingredient for business success. It affects our day-to-day life in a significant manner. The concept of marketing has broadened from being associated with pushing the products to consumers, to understanding the needs of consumers and building long term relationships with them. The marketer can reach customers 24×7 via mail, smart phones or even through social media accounts. So the marketer is no more limited to his shop. This chapter discusses some of the most important trends in the field of marketing. The growth of online marketing, increasing focus on rural markets, rising concern for green products and focus on building long term relationships with customers are a few of the visible changes in the life of a marketer.

10.3 Service Marketing

Services marketing is **“a form of marketing businesses that provide a service to their customers to increase brand awareness and sales”**. Service marketing is different from product marketing in the fact that it focuses on promoting and advertising intangible products. For example,



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Imagine an advertisement showing a stay at a Club Mahindra resort, the advertisement would focus on the various aspects of the stay like the lush green resort, room service, and on services like pool and spas. The ad would capture the happiness and excitement of a consumer staying at the resort, so that element of intangibility which cannot be touched like a product but can be felt would come under the purview of service marketing. Hence, Service marketing is a marketing concept which takes into view the business of non-physical intangible goods. It is done for company given benefits which cannot be seen, touched, felt etc. The benefits given to the customers are taken up mostly by people, process & cannot be kept by a customer. Sectors like hospitality, tourism, financial services.

ACTIVITY

In the category mentioned above, identify companies falling into product and service category.

10.3.1 Concept of Service

A service can be defined as “any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything.” Its production may or may not be tied to a physical product. From the organization’s view point, service is a process, but it is an experience for the customers. To move ahead and dwell deep into the concept of service marketing it is very important for us to understand the basic difference between a product and a service. The major differences between the two are tabulated below in the form of a table. It is very important for a marketer to have a clear understanding of the difference between the two so that he is able to easily and effectively market the product to the target audience.

Think of any 10 things that you see or buy in the market. Based on your understanding of product and service, classify them into the relevant category. Analyze the target segment that the marketer has tried to target.

10.3.2 Difference between a Product and Service

Product is tangible while service is intangible. Product is perishable while the services are non-perishable. There is a uniformity while we talk of products, services might vary from person to person and service to service.



10.3.3 Marketing Mix for Service Marketing

In the previous chapters we have talked about the marketing mix for a product which consists of 4Ps namely Product, Price, Place and Promotion. In a service marketing mix we have 3 more additional Ps namely People, Physical Evidence and Perishability. Let us now discuss all the Ps of service marketing in detail.

1. **Product:** In service marketing products can be viewed as some asset plus a process around it. When you book a hotel room for a night you use the hotel room for an evening (the asset). But you also undergo a series of processes such as checking-in, checking-out, and having your luggage brought up to the room etc.
2. **Price:** It is the amount of money a customer is willing to spend for a particular service. Pricing is slightly tricky as compared to product pricing because of a variety of reasons or factors. For example, the price of the room will depend upon the season, group bookings, peak season etc.
3. **Place:** Place in service marketing refers to ease of access that the customer has to the service. In the example that we have been discussing it refers to the channel through which hotel booking is done, like is it done through an online site or some travel agent or through the hotel itself.
4. **Promotion:** Promotion refers to the different ways you communicate, describe, and advertise your product. Since services are intangible it is difficult to promote services. Various methods used to promote services are celebrity appeals, testimonials, warranty etc.
5. **Physical Evidence:** It refers to the tangible elements which are involved with the delivery of services like companies' website, accounts, business cards, logos, equipment, brochures etc. in the above case the hotel building would come under the physical evidence.
6. **Process:** Process refers to the procedures and flow of activities that occur when the customer and the business interact with each other. The processes are well defined and written in a document called as the standard operating procedure. For example, when a customer



enters the hotel, a process is initiated, when he checks out a process is initiated etc.

- 7. People:** People in service marketing are the resources which are required to complete or service or through whom a customer will interact. For example, when a customer enters a hotel, he will interact with the front desk first followed by other people. It is very important to train the staff well.

CASE STUDY

Mr. Walter Sullivan (owner of the Sullivan Auto World) has purchased small Ford dealership in 1983, after the many years; the dealership built their good reputation as one of the best in city. In 1999, he decided to move locations of dealership to more populated area closer to major intersections. With sudden death of Mr. Walter at the age of 56 years, her younger daughter Ms. Carol Sullivan who is health care manager by profession taken over the charge of family business and which is not running well these days, profit margins continuously decrease over the years due to increase in fuel prices, interest rates, mainly poor performance of the service department. Ms. Carol wonders whether a turnaround is possible.

Questions:

1. How is marketing of cars different from marketing of services?
2. Compare and contrast the sales and service department of Auto World.
3. From a Customer's Perspective, What Useful Parallels Do You See Between Running a Car Sales and Service Dealership and Managing Health Care Services

10.4 Social Media Marketing

Social media marketing is about creating and promoting content about your product or service through various social media platforms. Social media marketing is all about interacting with your target audience and customers. There are a variety of platforms through which social media marketing can be done. All major platforms are represented in the table below.



10.4.1 Tools for Social Media Marketing

Table 10.1: Table showing comparison of the mostly widely used social media platforms.

Facebook	Twitter	LinkedIn	Instagram
1.9 billion active users	211 million active users	774 million active users	1 billion active users
Best for brand awareness and branding	Best for Public relations; customer service; community building	B2B relationships, business development, and social selling	High-quality images and videos; user-generated content; advertising
Audience is an even spread of Generation X and Millennials	Audience is Primarily Millennials	Audience is Baby boomers, Generation X, and Millennial	Primarily Millennials

10.4.2 Importance of Social Media Marketing

Social Media marketing is gaining importance in today's time because of the following reasons:

- ◆ It helps in building a stronger audience and customers for the business.
- ◆ It helps in the generation of more leads and conversions.
- ◆ It helps you to give a regular update on your competitors
- ◆ It is a cost-effective tool for marketing and promotions.

Examples of companies adopting successful social media campaigns

1. Mercedes Benz – Repeated and successful marketing campaigns

Mercedes Benz to keep the car selling, so they really worked hard on their social media campaigns. The best one goes back to 2013 when the company believed to have the best campaigns. Mercedes wanted to reach out to younger audience and hence they hired five top Instagram photographers to take the wheel of new Mercedes CLA and this campaign really



worked well. By the end of the campaign Mercedes received 87,000,000 organic Instagram impressions, 2,000,000 Instagram likes and 150 new marketing assets.

Oreo: Smart Content Planning and Timely Delivery

Oreo is another brand known for their creative social media marketing. They have a big design team to produce the content. They are consistent with their branding and manage to catch real time events. The twitter campaign done by them are the best. The campaign Power out was retweeted 15,000 times.

Q. You have been appointed as the social media manager for a new firm selling ethnic bags. Create a social media campaign for the same. What platforms will you use for the same.

10.5 Green Marketing

American Marketing Association defines green marketing as: “the marketing of products that are presumed to be environmentally safe.”

As per Businessdictionary.com green marketing “Promotional activities aimed at taking advantage of the changing consumer attitudes toward a brand. These changes are increasingly being influenced by a firm’s policies and practices that affect the quality of the environment and reflect the level of its concern for the community.”

Green marketing “involves development and promotion of products and services that are capable of satisfying customer’s wants and need for quality, performance, affordable pricing and convenience without having any detrimental effect on the environment”

The concept of green marketing has grown over a period of time. Initially it was known as the ecological green marketing. Green consumerism refers to “recycling, purchasing and using eco-friendly products that minimize the damage to the environment.” This involves decisions such as using energy star appliances consuming less power, using alternate sources of energy like solar, wind to generate electricity, not using plastic bags, car pooling, water harvesting, buying hybrid cars that emit less carbon dioxide, buying locally grown vegetables and fruits.



10.5.1 Green Products and Characteristics of Green Products

A green product is a “sustainable product designed to minimize its environmental impacts during its whole life-cycle and even after it’s of no use”. These products have two major goals of reducing waste and improving resource efficiency.

Characteristics of a green product are:

- ◆ Grown without toxic chemicals
- ◆ Can be recycled, reused and is biodegradable in nature
- ◆ Packaging is ecofriendly
- ◆ Less resources are used
- ◆ Are Eco efficient
- ◆ Has carbon and plastic footprint.
- ◆ In the usual scenario, brands producing green products use green marketing to communicate their value proposition to the market.

Advantages of Going Green to the Brands

Diversification of products and markets: Developing green products opens the doors to a new segment who are willing to buy green products at a higher price also.

Competitive Advantage: Going green helps to achieve a competitive advantage.

Positive Public Image: When a brand does something for the society and the environment, its brand image automatically enhances.

Brand Loyalty: Consumers have a higher brand loyalty for such brands since they attach an emotion or sentiment towards it.

Examples of Company Showing Green Marketing

British Petroleum (BP) displays gas station which its sunflower motif and boasts of putting money into solar power. Indian Tobacco Company has introduced environmental-friendly papers and boards, which are free of elemental chlorine. Toyota is trying to push gas/electric hybrid technology into much of its product line. It is also making the single largest R&D investment in the every-elusive hydrogen car and promoting itself as the first eco-friendly car company. International business machines Corporation (IBM)



Notes

has revealed a portfolio of green retail store technologies and services to help retailers improve energy efficiency in their IT operations. The center piece of this portfolio is the IBM SurePOS 700, a point-of-sale system that, according to IBM, reduces power consumption by 36% or more. We even see the names of retail outlets like “Reliance Fresh”, Fresh@Namdhari Fresh and Desi, which while selling fresh vegetables and fruits, transmit an innate communication of green marketing.

CASE STUDY***Coca-Cola: A Case Study in Sustainability***

The factory in Brampton, Ontario, one of its largest in North America, is modernizing its manufacturing and distribution to conserve energy, minimize carbon footprint, water usage, and material utilization. In this case study, we examine the objectives, implementation, and progress of the initiatives put in place by this \$20 billion food and beverage conglomerate.

Coca-Cola’s 600,000-square-foot facility in Brampton houses the plant, managerial staff, and warehouse. It has three plastic bottling lines, including a Dasani line; one bag-in-box line that makes syrup for national accounts; one pre-mix line for the restaurant industry; and one canning line. There are 650 plant operators, sales and equipment service agents, truck drivers, warehouse workers, management, and support staff. Coca-Cola in Brampton, located in the eco-business zone surrounding Toronto Pearson International Airport, has joined forces with the local business community to collaborate on green projects.

Businesses participate in initiatives led by Partners in Project Green to decrease energy and resource expenses, identify new business opportunities, and manage day-to-day operational difficulties in a green and cost-effective manner. Other firms participating in this program include Xerox, Unilever, FedEx, Hewlett-Packard, Walmart, Kraft, and Loyalty One. Social and environmental hazards are currently one of seven business risk categories that are formally integrated into Coca-Cola’s risk management process. This in turn directs the business processes, such as annual planning, three-year business planning, and internal audit planning. As a result, sustainability considerations are increasingly integrated into business decision-making, commercialization and capital management



processes, three-year company planning, and customer and supplier interactions. Here are some of their objectives, execution, and progress.

Energy Conservation and Climate Change

Our target is to lower the entire carbon footprint of our company operations by 15% by 2020, compared to the 2007 baseline.

The Brampton enterprise switched to an energy-efficient lighting system that consumes 50% less electricity while producing 50% more light. These new fixtures also use motion sensors, resulting in even larger savings. In its distribution networks, the company has placed 2000 EMS-55 energy management devices in vending machines. These gadgets trigger lights and adjust cooling based on usage, increasing energy efficiency by up to 35%.

Furthermore, the company erected 1,400 climate-friendly coolers at the 2010 Olympic Games, reducing greenhouse gas emissions by around 5,600 metric tons, which is comparable to removing 1,200 automobiles off the road for a year.

Finally, 37 heavy-duty hybrid delivery trucks and tractors were added to the Canadian fleet between 2008 and 2009. These vehicles lower fuel consumption and emissions by roughly one-third while also producing less noise and pollution when parked in traffic.

Water Usage

The goal is to build a water-sustainable company that will reduce water consumption while also having a water-neutral impact on local communities by properly returning the quantity of water used in the beverages to the environment.

Between 2005 and 2007, water use was reduced by 20%, with an efficiency ratio of 1.62 liters. Plant teams concentrated on: (1) lowering the water use ratio and (2) reusing the water used in operations (wastewater treatment).

To help meet its water usage objectives, the company created and implemented a water conservation toolkit to identify water-saving initiatives. It set up recycle and recover water loops using the plant's membrane water treatment technology. It also erected a new osmotic water recovery system, which will reclaim roughly 11 million liters



of water for manufacturing. In addition, water-based container rinses were replaced with ionized air rinses, and the lubrication system on all manufacturing lines was adapted to eliminate water use, saving roughly 28 million liters of water per year.

Sustainable Packaging and Recycling

The objectives are to: (1) reduce the consumption of 100,000 metric tons of packaging materials between 2007 and 2010, (2) recycle or recover more than 90% of waste materials at manufacturing facilities by 2010, and (3) raise recycled content in plastic (PET) bottles to an average of 10% by 2010.

For target (1), the weight of Dasani PET bottles was lowered by 30%, saving 493 metric tons of PET. Plastic twist-off closures were made 24% lighter, saving 235 metric tons of resin. In addition, Minute Maid products now use lighter fiberboard, which saves 124 metric tons of fiberboard each year. The company also introduced the Plant Bottle, a 100% recyclable packaging constructed from up to 30% plant-based waste products.

Goal (2) was met earlier than expected in 2009. The team also created a centralized recycling operation that collects broken, damaged, or expired product packaging from satellite sites, which is baled and sold to an industrial recycler.

Green advances were achieved through investments in recycling technology, renewable packaging materials, vending and cooling equipment controls and design, and hybrid trucks.

A unique packaging database was one of the techniques used to discover chances for future packaging material reductions and compare performance to the global Coca-Cola system. More information about sustainable packaging can be found [here](https://www.environmentalleader.com/2011/08/coca-cola-a-case-study-in-sustainability/).

The Coca-Cola operation in Brampton has demonstrated that thinking “outside the box” offers advantages. Respecting the finite nature of the earth’s water and resources allows the enterprise to apply new business strategies, contribute to community sustainability, and meet the expectations of its stakeholders.

Source: <https://www.environmentalleader.com/2011/08/coca-cola-a-case-study-in-sustainability/>



10.6 Relationship Marketing

“Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. It is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication.” The four components of relationship marketing are:

- ◆ Satisfaction
- ◆ Loyalty
- ◆ Profitability
- ◆ Customer retention

When the competition is high, and the customers are aware, the organizations cannot just rely on selling their products or services to them. The customers always look for the organizations which provide an added value or advantage to them along with the product or service.

10.6.1 Importance of Relationship Marketing

1. **Increase in Sales Volume:** Increased customer experience results in cross selling and upselling thereby increasing the sales.
2. **Creates Brand Image:** A satisfied customer will promote the product or service among circles thereby creating a better brand image.
3. **Customer Retention:** Acquiring a customer, providing value to him and retaining him can be done with the help of relationship marketing.
4. **Gain a Competitive Edge:** A loyal customer feels comfortable buying goods or services from one single store rather than shopping around at various places. This is an advantage for the organization over its competitors.

10.6.2 Customer Relationship Management

Customer Relationship Management (CRM) refers to “the principles, practices, and guidelines that an organization follows when interacting with its customers. From the organization’s point of view, this entire relationship encompasses direct interactions with customers, such as sales and service-re-



lated processes, forecasting, and the analysis of customer trends and behaviors. Ultimately, CRM serves to enhance the customer's overall experience"

Before understanding about what CRM Technology should be used, we should know and understand the difference between CRM technology and CRM strategy which is defined as below:

CRM Technology: It works as a central place where major customer information can be organized, used, securely shared and acquired.

CRM Strategy: These are the processes that organizations put in place to standardize and optimize the way CRM technology is used

10.6.3 How to Lay the Foundation of CRM Strategy for the Organisation

There are 4 steps which would help in identifying the system for CRM:

- ◆ **Identify Internal Challenges:** Identify hurdles and bottlenecks that your consumers might have to face.
- ◆ **Map the Customer Journey:** Document how your prospects find you, interact with your brand and consume your content.
- ◆ **Define Your Metrics:** Define metrics for your sales.
- ◆ **Business Milestones:** While finalizing any CRM look for any product launches that you might think of.

Examples of companies showing successful CRM strategy:

1. **Westfield:** Westfield's business is all about selling. The company, which owns and operates 100+ shopping centers worldwide, is expert in helping retailers build thriving businesses. Westfield's own business is also flourishing because of a custom lease management app built on App Cloud that lets the company do more to help its customers meet their goals. Westfield's specialty leasing group which sells retail carts, kiosks, temporary stores, sponsorships, and brand activations, as well as trade shows and other special events wanted to improve the way its sales reps find and showcase inventory to customers so they could close more deals, faster.
2. **Best Technology Services:** In an industry that competes primarily on costs, Best Technology Services competes based on its incredible reach. The IT services firm delivers more than 250,000 field



service jobs a year throughout Australia – even in the most remote locations. And while its competitors rely heavily on partners and subcontractors, Best Technology Services subcontracts less than 1% of its jobs. The firm has a 300-strong team that stretches from Sydney to Perth, covering all the regional areas in between. Today, these technicians are all connected on Salesforce Field Service. So, whether a customer requires a onetime installation or 700 branch upgrade, Best Technology Services can ensure consistent results.

Source: <https://www.salesforce.com/in/crm/examples/>

ACTIVITY

You own a tech-based company. Create a CRM strategy for the same.

10.7 Rural Marketing

“Rural marketing is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives”

The marketer in rural areas has to understand:

- (a) Market segmentation by knowing market potential which will help in the assessment of market demand.
- (b) Consumer behavior and the rural consumer’s priorities.
- (c) Which promotion techniques should be used
- (d) Who are the catalytic agents of change and what role can they perform vis-a-vis one’s products?

10.7.1 Marketing Mix for Rural India

Behavioral factors of rural consumers are very different and unpredictable in nature, it is challenging for marketers to design the marketing mix. The marketing mix for rural marketing is similar to the general marketing mix with slight changes to adjust for the heterogeneity of the demand.

Product: The firm should make products according to the needs and future demands of rural buyers. Features of products like size, shape, colour, weight, qualities, brand name, packaging, labeling, services must suit the demands of the customer.



Price: Rural customers are most sensitive to pricing and hence appropriate pricing should be done for rural products rice level, discounts and rebates, then credit and instalment faculties are important considerations while setting prices for rural specific products. It is seen that low priced products are preferred by rural consumers.

Promotion: The method of promotion needs to meet the expectations of the market. Vehicle campaigns, edutainment films, generating word of mouth publicity through opinion leaders, colorful wall posters, etc. — all these techniques have proved effective in reaching out to the rural masses.

Place: Marketer has to strengthen the distribution strategies. Distributing small and medium sized packets through poor roads, over long distances, into the remote areas of rural market and getting the stockiest to do it accordingly is the challenge being faced in rural marketing and hence efforts should be made to strengthen the same.

CASE STUDY

Turning Sugarcane Waste Into Electricity

Renewable energy is expected to become one of the main sources of power in the next ten years. In response to this, a company in the Philippines is actively addressing the challenge by converting waste into a valuable product. Biopower is in the process of building three biomass power plants on Negros, which is the fourth largest island in the Philippines. The objective is to generate a combined total of 72 megawatts of environmentally friendly baseload power. This power will be supplied to the local grid and also exported to nearby islands.

The crucial factor behind this environmentally friendly energy source is in the byproducts generated during the local sugarcane harvest. Collecting the garbage that used to be discarded on the ground after harvesting sugarcane is an essential aspect of Biopower's operations. They have chosen to rely on Case IH, a prominent brand in agricultural machinery, for this task.

According to Paul Coveney, Vice-President Biomass Operations and Materials Management for Biopower, the cane farmers leave the waste behind after the harvest. We then enter the field with our equipment and gather the waste, which is subsequently transported to the power station. There, it is burned in a controlled environment to generate electricity.



According to Paul, tractors and other related machinery must efficiently and promptly gather the rubbish and transport it to the power station. Case IH is successfully meeting all of these criteria. Paul acknowledged Case IH as a prominent technological solutions provider and recognized their advanced machinery lineup. This equipment helped Biopower maintain a steady fuel supply for their electricity needs. The company has acquired more than 100 Case IH machines, such as Farm lift telehandlers and Farmall, Maxum, and Puma tractors, from Filho land, the authorized distributor of Case IH machinery in the Philippines. “Due to the limited time frame of our operation, it was crucial for us to have dependable tractors that could function nonstop, 24 hours a day,” Paul explained.

The advanced technology integrated into these Case IH tractors has provided us with the desired dependability. Coupled with the assistance from Filho land, they efficiently fulfill our requirements within the limited timeframe available. The Biopower workers that operate the fleet of Case IH tractors are highly satisfied with the machines. Paul stated that the operators frequently made remarks about the tractors’ simplicity of use, power, and speed, as well as the technological elements that facilitated their work. The staff also highly commended the instruction provided by Filho on operating tractors and telehandlers.

Biopower has successfully implemented GPS-trackers and data loggers in their tractor fleet, enabling them to accurately determine the location of each machine and obtain comprehensive information about their activities and performance in real-time. This technology offers a live and detailed overview of the entire operation. The Case IH Farmall JX is a model commonly employed in the Biopower operation. This compact tractor is specifically developed with a focus on mobility, visibility, and handling. The Farmall JX is equipped with an enhanced 8000 Series, Tier 3 turbo-charged engine, which ensures optimal fuel efficiency and maximum power. Additionally, it features controls that are rationally positioned and instrumentation that is clear and concise, making duties in the field less strenuous during long working hours.

Paul expressed satisfaction with the performance of the Case IH tractors and telehandlers, stating that they met all of their expectations. He also mentioned that the 24-hour service and support, service updates, and training supplied by Filho land further reaffirmed their decision to use these machines.



Paul expressed that running a high-pressure, round-the-clock business like Biopower was made easier by the presence of dependable machinery, as well as readily available support and help.

When it came to running a high-pressure, round-the-clock operation like that of Biopower, Paul said it was reassuring to have the peace of mind of reliable machinery, and support and assistance when and where it was needed.

“My experience in the sugar industry in Australia means I have seen a lot of Case IH equipment, and know the reputation of their tractors and harvesters, so I had the confidence in the brand to introduce it here onto Negros,” Paul said.

“Case IH is well-known worldwide, and with a good partner like Filho land I would have no hesitation in recommending their products to anyone in the Philippines.

“The brand has a great support network, it’s a quality product and that’s important when you’re running any business.”

Source: <https://ruralmarketing.in/stories/turning-sugarcane-waste-into-electricity/>

Q On the basis of the case above, assess what factors have led the brand to be successful in the rural sector.

Marketing is an ever-evolving subject. Some of the recent concepts in marketing are as follows:

- 1. Experiential Marketing:** Experiential marketing, as the name suggests, is a trend that focuses on creating a brand-based user experience, and not just a product-based one. Experiences vary by brand and sector, but corporate events, webinars, competitions are some of the most common examples of experiential marketing”
- 2. Influencer Marketing:** “Similar to celebrity endorsements, it’s where brands use influencers for their marketing campaigns through social media platforms like TikTok and Instagram. It’s by no means a new trend but has gained significant traction in the past few years for its simplicity. Influencers (including micro-influencers) post content in which they interact with a brand, either by using one of its products or services or engaging with employees.”



3. Programmatic advertising: “Programmatic advertising is the automation of buying digital advertising space. Traditionally, marketing teams would need to create proposals, negotiate and sign contracts. But through programmatic advertising, brands can bid for ad space within milliseconds, freeing up marketers to spend more time on campaign optimization rather than administration. Many brands are now assigning up to 50% of their ad budgets to programmatic advertising, and the trend is expected to exceed \$100 billion in 2022”

10.8 Summary

Service marketing needs a different marketing approach to be followed for them from the approach used for products as they have certain distinctive characteristics. Marketing mix for services comprises of 7 P's. In addition to the traditional 4 P's-product, price, place and promotion, the additional 3 P's is - people, process and physical evidence. Green marketing refers to the marketing of products that are presumed to be environmentally safe. It aims at sustainable development. The 4 P's of marketing mix is modified for green marketing as the green products are produced, promoted and is disposable in a manner which does not harm the environment. The price is relatively high and aims to cut down on transportation emissions while transporting the goods. Relationship marketing aims to build mutually satisfying long-term relationships with the key constituents in order to earn and retain their business. It advocates the philosophy “know your customers”. Rural India is gaining importance as it offers huge potential market for various goods and services. Large population, rising disposable incomes, changing lifestyle of rural consumers and saturating urban markets are the factors making rural market attractive for the marketers.

In India the retail market is dominated by the unorganized sector.

10.9 Self-Assessment Questions

Objective Type Questions

State true or false:

Services are homogeneous in nature.



Notes

Service marketing and relationship marketing are synonymous. Retailing involves the sale of goods for non-commercial use.

Retailers can either have physical existence or online existence.

Fill in the blank with appropriate words.

1. Production, consumption and distribution of services is a process.
2. Marketing mix of services has 3 extra P's, namely people, process and
3. 4 A's of rural marketing are accessibility, awareness, and availability.

Short answers type questions:

1. What do you mean by green products?
2. Discuss differentiating features of a product and service.
3. Write a short note on customer relationship management.
4. Compare and contrast rural and urban consumers.
5. Cold drinks like Coca cola are available in rural as well as urban India. What aspects of advertisement will differ while promoting Coca cola in urban and rural India?

Long answer type questions:

1. Why is the concept of green marketing becoming popular? Discuss marketing mix of green products.
2. The marketing mix for services is the same as that for products. Comment and discuss service marketing mix.
3. In this customer-oriented era, relationship marketing helps the company to create and retain loyal and satisfied customers. Do you agree? Discuss.
4. What do you understand by rural marketing? Discuss different characteristics of rural markets and the challenges they pose to the companies.

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Glossary

Brand: A brand can be a sign symbol, term, name or design or a combination of them.

Brand Awareness: Brand awareness is defined as the extent to which consumers are familiar with the qualities and image of a particular brand of goods or services.

Brand Equity: Brand equity refers to the value of a brand in the eyes of the customer. It is the ability of a brand to capture the consumer's attention while making purchase decisions.

Brand Name: Brand name or a trade name is the name given by a producer or manufacturer to his specific product or service.

Brand Positioning: It is the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's mind.

Channel Conflict: Any disagreement or conflict that could arise between two or more channel partners when one partner's decisions or actions have an impact on the other's financial results, sales, or market share is referred to as a channel conflict.

Channel of Distribution: A distribution channel is a network of firms or middlemen that a commodity or service travels through before reaching the final consumer or buyer. Wholesalers, merchants, distributors, and even the internet are part of distribution channels.

Consumer: A consumer is a person or a group of people, such as a household, who are the final users of products or services.

Convenience Products: These products satisfy the needs but one isn't willing to spend time or effort to shop for them.

Customer: A customer is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration. He may or may not be the consumer.

Customer Loyalty: It refers to the likelihood of previous customers to continue to buy from a specific organization.

Direct Mail Marketing: It includes sending an offer, announcement, reminder or any other object to an individual consumer.

Durable Goods: These are the goods that survive many uses by consumers.

e-Tailing: The sale of goods and services through the internet.



Industrial Products: Products that are used in producing other products.

Labelling: The printed information that appear on the package or on the container of a product.

Logistics: The term “logistics” describes the total process of controlling the acquisition, storage, and delivery of resources to their intended location.

Marketing Mix: The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place.

Non-durable Goods: These are the goods, which are consumed in one instance or a few uses.

Packaging: The activities involved in designing and producing the wrapper or container for a product.

Price: It is an amount a consumer is willing to pay for the product.

Product: A product is anything which is offered to the market to satisfy consumer needs and wants.

Product Depth: It explains the number of products that a product line has in its overall product mix.

Product Line: A set of individual products that are closely related.

Product Width: It explains how many different product lines a company carries.

Retailing: Retailing is the practise of selling goods and specific services to customers. It typically involves a business established for that express purpose selling single units or small lots to numerous buyers.

Wholesaling: Purchasing items in bulk at a reduced cost from a manufacturer and selling them to a retailer at a higher price for them to repackage and then sell to customers in smaller quantities at an even higher price is known as wholesaling.

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