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PRINCIPLES OF MARKETING

PRINCIPLES OF MARKETING



- I. Introduction to Marketing
- II. Marketing environment, Research, and consumer Behavior
- III. Marketing Mix
- IV. Segmentation, Targeting and Positioning & Trends in Marketing.

UNIT I - INTRODUCTION TO MARKETING

- ❑ **Introduction to Marketing**
 - ❑ Definitions
 - ❑ Features
 - ❑ Advantages and Scope of Marketing
 - ❑ The 4P's and 4C's of Marketing
 - ❑ Marketing V/s Selling
 - ❑ Marketing is an activity and function

- ❑ **Concepts of Marketing**
 - ❑ Needs, Wants and Demands
 - ❑ Transactions, Transfers and Exchanges

- ❑ **Orientations of a Firm**
 - ❑ Production Concept
 - ❑ Product Concept
 - ❑ Selling and Marketing Concept
 - ❑ Social Relationship
 - ❑ Holistic Marketing



INTRODUCTION TO MARKETING - DEFINITIONS

❑ Two broad concept of marketing

❑ Product – Oriented marketing – Traditional Concept

- ❑ Importance given to product.
- ❑ Is based on assumption that
 - ❑ The marketing process begins after the goods are produced
 - ❑ Ends with their sale

❑ Consumer – Oriented marketing – Modern Concept

- ❑ High importance is given to consumers.
- ❑ Recent times it has gained wider importance
- ❑ In the present day business
 - ❑ Marketing begins much before the production of goods
- ❑ The demands of consumers are studied much before the actual production takes place

❑ Marketing consists of

- ❑ Determining the present and potential demand of the product
- ❑ Supplying the products which will satisfy those demands
- ❑ Creating the desired consumer behavior to achieve business objectives



DEFINITION



- ❑ **Marketing** is communicating the value of a product, service or brand to customers, for the purpose of promoting or selling that product, service, or brand.
- ❑ Marketing **techniques** include choosing target markets through market analysis and market segmentation, as well as understanding consumer behavior and advertising a product's value to the customer.
- ❑ From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response.
- ❑ Marketing satisfies these needs and wants through exchange processes and building long-term relationships.
- ❑ **Marketing Functions:** Marketing have different functions such as Sales, Advertising & Brand Management, Research, Trade Marketing & Digital Marketing (Social Media Marketing is component / function of Digital Marketing).
- ❑ Marketing blends art and applied science (such as behavioural sciences) and makes use of information technology.
- ❑ Marketing is applied in enterprise and organizations through marketing management.

DEFINITION



❑ **American Marketing Association**

“Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large”

❑ **Philip Kotler**

“ Satisfying needs and wants through an exchange process”

❑ **P. Tailor**

“ Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer”

FEATURES OF MARKETING



❑ **Relates to Goods and Services**

- ❑ Concerns with the exchange of goods and services with the medium of money
- ❑ Essence of marketing is a transaction – an exchange – intended to satisfy human needs or wants
- ❑ Transactions are between Sellers and Buyers of goods
- ❑ Constitutes the basic and the most lively element
- ❑ Possible when there is regular and large scale supply of goods and services

❑ **Regular and continuous economic activity**

- ❑ It is a continuous process / activity
- ❑ In which goods and services are manufactured and distributed to consumers
- ❑ Assembling, grading, packaging, transportation, warehousing, etc are economic activities which are supplementary
- ❑ Useful for smooth and orderly conduct of marketing operations / activities
- ❑ It is more than selling activity.

FEATURES OF MARKETING



- ❑ **Is the science of meeting needs of a customer**
 - ❑ By providing valuable products to customers
 - ❑ By utilizing the expertise of the organization
 - ❑ To achieve organizational goal
- ❑ **Marketing links producers and consumers for mutual benefits**
 - ❑ Facilitates transfer of ownership of goods and services
 - ❑ Facilitates physical distribution
- ❑ **Creates Utility**
 - ❑ Marketing creates utilities (time, place and possession)
 - ❑ Through which human wants are satisfied
- ❑ **Wider Socio Economic Significance**
 - ❑ Facilitates large scale production
 - ❑ Creates massive employment
 - ❑ Promotes social Welfare

FEATURES OF MARKETING



❑ Core aspect of Business

- ❑ linked with other functional areas of business like Production, Finance and Personnel
- ❑ Marketing is a managerial function
 - ❑ It involves analysis, planning, and control of marketing activities

❑ Evolutionary concept

- ❑ Concept of marketing has undergone significant changes
- ❑ Marketing is for the satisfaction of human wants
- ❑ For raising social welfare

❑ Wide in Scope

- ❑ The concept of Marketing is Comprehensive
- ❑ It is connected with other functional areas of production e.g. Finance, production and personnel
- ❑ Effective only if it is closely linked with other functional areas
- ❑ Coordination of marketing with other managerial functions is essential

FEATURES OF MARKETING



❑ **Precedes and follows production**

- ❑ Production and marketing are closely related

❑ **Goods are produced for marketing**

- ❑ Marketing follows production

- ❑ Marketing suggests what consumer wants

- ❑ Marketing precedes production

❑ **Modern marketing production follows marketing**

- ❑ Production is adjusted as per the needs and expectations of consumers

- ❑ Production is undertaken and the product is launched

- ❑ Receives consumer support

ADVANTAGES / BENEFITS OF MARKETING

❑ Generates Employment

- ❑ Helps in generating employment opportunities directly / Indirectly in
 - ❑ Production
 - ❑ Distribution
 - ❑ Advertising
 - ❑ Personal selling
 - ❑ transportation
 - ❑ Warehousing and
 - ❑ Other marketing areas



ADVANTAGES / BENEFITS OF MARKETING

❑ Customer Satisfaction

- ❑ It involves production and distribution of goods and services
- ❑ Marketing starts with identifying customer needs and wants
- ❑ Supply only goods which are required by customers
- ❑ Marketing starts with the customers and ends with the customers
- ❑ By knowing their needs and satisfying their needs

❑ Widens Market

- ❑ Markets get widened from Regional to national
- ❑ From National to international level



ADVANTAGES / BENEFITS OF MARKETING

❑ Improves Standard of Living

- ❑ Provides better varieties of
 - ❑ Useful and quality goods to consumers
 - ❑ At reasonable price
 - ❑ Helps increase Standard of Living

❑ Introduce new product

- ❑ Marketing functions helps to introduce new products
- ❑ To stay ahead in competition, every organisation has to develop new product

❑ Face Competition

- ❑ There is severe competition
- ❑ Can be faced effectively through marketing research
- ❑ By adopting effective marketing strategies



ADVANTAGES / BENEFITS OF MARKETING

❑ Goodwill / Reputation

- ❑ Effective marketing helps increase companies goodwill / reputation
- ❑ Good image can be developed by providing quality products
- ❑ At reasonable price

❑ Creates Utility

- ❑ Marketing provides
 - ❑ **Form Utility** – Through Production
 - ❑ **Time Utility** – Through warehousing
 - ❑ **Place Utility** – Through Transport
 - ❑ **Possession Utility** – Through transferring the goods seller to buyer



SCOPE OF MARKETING / WHAT IS MARKETED?

- ❑ **Marketing people are involved with 10 types of things**
 - ❑ Goods
 - ❑ Services
 - ❑ Events
 - ❑ Experiences
 - ❑ Persons
 - ❑ Places
 - ❑ Properties
 - ❑ Organization
 - ❑ Information
 - ❑ Idea



SCOPE OF MARKETING / WHAT IS MARKETED?

❑ Goods

- ❑ Physical goods constitute major part of a country's production and marketing
- ❑ Companies market billions of food products
- ❑ Millions of cars, refrigerators, television, and machines

❑ Services

- ❑ Large proportion of country economies constitutes on production of services
- ❑ Services include the work of airlines, hotel, car rental firms, beauticians etc.
- ❑ Many markets offerings consist of goods and services e.g. Restaurant



SCOPE OF MARKETING / WHAT IS MARKETED?

❑ Experiences

- ❑ Marketers create experiences by offering a mix of both goods and services
- ❑ Product is promoted not only by communicating features but also by giving unique and interesting experiences to customer
- ❑ E.g. Residential township with landscape gardens and gaming zones; Maruti SX4 with Bluetooth technology

❑ Organization

- ❑ Actively work to build image in the minds of their target public
- ❑ PR department plays an important role in marketing organisation image
- ❑ Organisation's goodwill promotes trust and reliability
- ❑ Organisation image also helps the companies in the smooth introduction of new products.



SCOPE OF MARKETING / WHAT IS MARKETED?



❑ Places

- ❑ Cities, States, regions and countries compete to attract tourists
- ❑ States and countries are marketing places for factories, companies, new residents, real estate agents, banks and business associations
- ❑ Tourism ministry is aggressively promoting tourist spots locally and globally
- ❑ Builders are using mega events and exhibitions to market places.

❑ Events

- ❑ Marketers promotes events e.g. Trade shows, Company anniversaries; entertainment award shows.
- ❑ Global Sporting events e.g. Olympics, Common Wealth Games, are promoted aggressively

SCOPE OF MARKETING / WHAT IS MARKETED?

□ Persons

- Increase in testimonial advertising, celebrity marketing has become a business
- Popular personalities such as film stars; TV artists; and sports persons have agents and personal managers
- They tie up with PR agencies for better marketing of oneself

□ Information

- Information can be produced and marketed as a product
- Educational institutions, encyclopedias, non fiction books; specialized magazines; and newspapers
- Production, packaging and distribution of information is a major industry
- Media revolution and increased literacy levels have widened the scope of information marketing



SCOPE OF MARKETING / WHAT IS MARKETED?

❑ Properties

- ❑ Can be categorized as
 - ❑ Real properties
 - ❑ Ownership of real estates
 - ❑ Financial properties
 - ❑ Relates to stocks and bonds
- ❑ Properties are bought and sold through marketing
- ❑ Marketing enhances the need of ownership and creates possession of utility
- ❑ People are seeking better ways of saving money
- ❑ Financial and real property marketing need to build trust and confidence at higher levels

❑ Idea

- ❑ Every market offering includes a basic idea
- ❑ Product and services are used to platforms for delivering some idea
- ❑ Social Marketers widely promote ideas



TODAY SESSION - 18.06.2015

□ Introduction to Marketing

□ The 4P's and 4C's of Marketing



The 4 C's of Marketing

Customer
Who are we selling to?

Cost
How much will it cost to serve our customers?

Convenience
Is it easy for our customer to buy?

Conversation
How will we communicate with our customers?

□ Marketing V/s Selling



□ Marketing is an activity and function



TODAY SESSION

- + Concepts of Marketing
- + Orientations of a Firm



THE 4P'S OF MARKETING

- ❑ The definition that many marketers learn as they start out in the industry
 - ❑ Putting the right **PRODUCT**
 - ❑ In the right **PLACE**
 - ❑ At the right **PRICE**
 - ❑ **AT** the right **TIME**
- ❑ Marketers use numerous tools to get desired responses from their target markets
- ❑ These tools constitute a **Marketing Mix**
- ❑ James Culliton, a noted marketing expert, coined the term “**Marketing Mix**” **and** the marketing manager is a mixer of ingredients
- ❑ McCarthy classified these tools into 4 broad groups that he called the 4 P's of marketing: **PRODUCT, PLACE; PRICE; TIME**



THE 4P'S OF MARKETING

- ❑ **PRODUCT:** means the goods and services combination the company offers to the target market
- ❑ **PRICE:** Is the amount of money customers have to pay to obtain the product
- ❑ **PLACE:** Includes company activities that make the product available to target consumers
- ❑ **PROMOTION:** means activities that communicates the merits of the product and persuade target customers to buy it



VARIABLES OF 4 P'S

PRODUCT

- Product variety
- Quality
- Design
- Features
- Brand names
- Packaging
- Sizes
- Services
- Returns
- Warranties

PRICES

- List price
- Discounts
- Allowances
- Payment Period
- Credit Terms

MARKETING MIX

PROMOTION

- Sales Promotion
- Sales Force
- Advertising
- Public Relation
- Direct Marketing

PLACE

- Channels
- Coverage
- Assortments
- Locations
- Inventory
- Transport

CORRESPONDENCE OF 4 P'S WITH 4 C'S

FOUR P'S



PRODUCT

PRICE

PLACE

PROMOTION

FOUR C'S



CUSTOMER
SOLUTION

CUSTOMER COST

CONVENIENCE

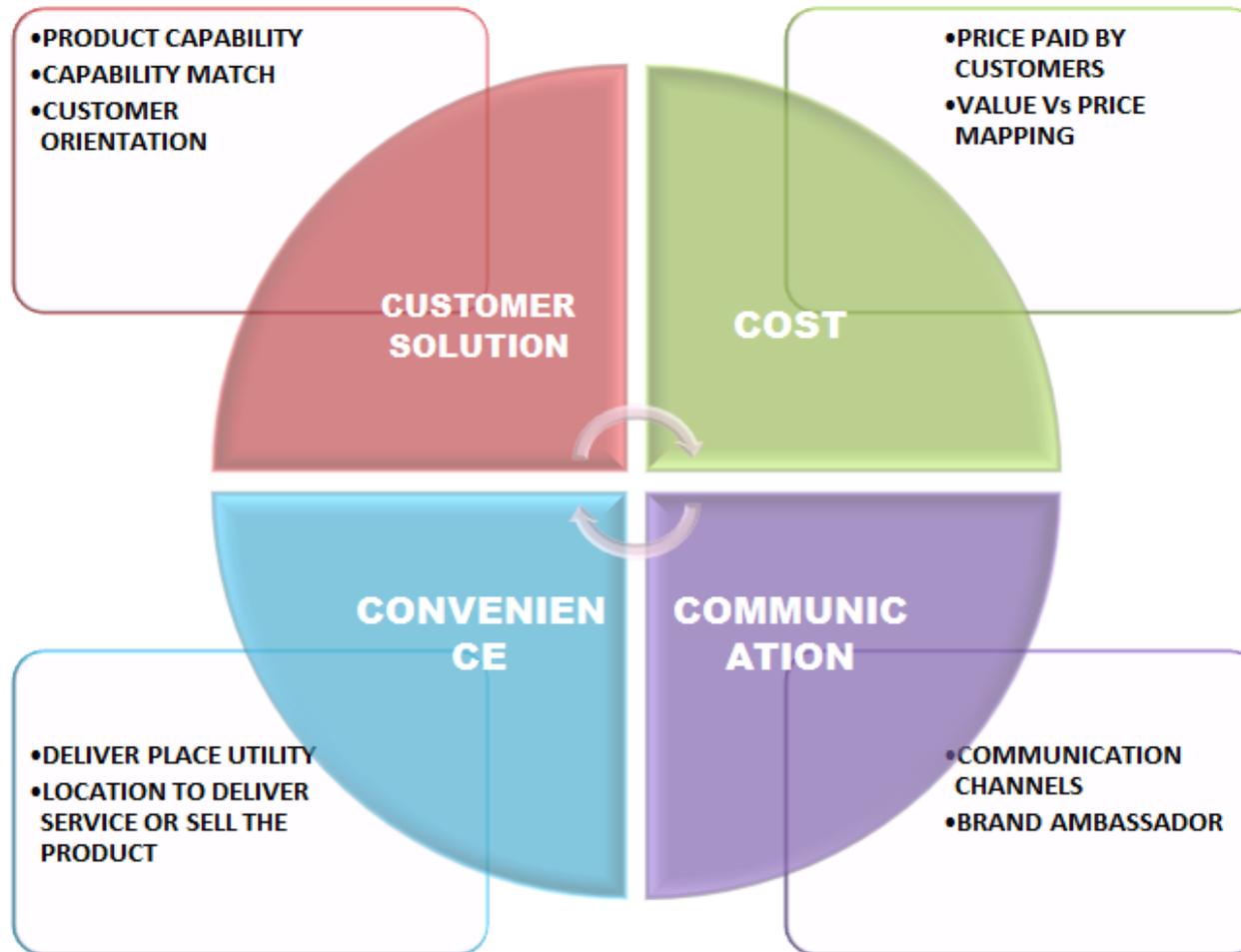
COMMUNICATION

4C'S OF MARKETING

- ❑ Robert Lauterborn (1984) suggested that the sellers 4P's correspond to 4 C's of Customer
- ❑ Marketers see themselves as selling products, Customers see themselves as buying value or solutions to their problems
- ❑ Customer is interested in more than just the price
- ❑ Customer is interested in the
 - ❑ Total Cost of Obtaining
 - ❑ Using and disposing the product
- ❑ Customer want the product and service to be available conveniently
- ❑ Customer wants 2 way communication
- ❑ Marketers will think through the 4C's first and than build the 4P's



VARIABLES OF 4C'S OF MARKETING



THE 4 PS AND 4 CS OF THE MARKETING MIX

Product & Consumer



- ❑ You can't develop products and then try to sell them to a mass market.
- ❑ You have to study consumer wants and needs and then attract consumers one by one with something each one wants.
- ❑ Author of the movie Field of Dreams, J.P. Cancilla may have exclusive rights to the phrase "build it and they will come".
- ❑ In most cases, you have to find out what people want and then "build" it for them, their way.
- ❑ It's vitally important to know not just what the product will do for the customer, but what the customer believes the product will do for them.

THE 4 PS AND 4 CS OF THE MARKETING MIX

Price & Cost

- ❑ Many marketers believe, that PRICE is the main motivator driving a purchase.
- ❑ You have to realize that price - measured in dollars - is one part of the cost to satisfy.
- ❑ An inappropriate price may cost your firm a great deal of money. This can happen both through lost sales (due to a too-high price) or through money 'left on the table' (due to a too-low price).
- ❑ Much more important in this respect is the 'second C,' or the 'total cost to satisfaction.'

- ❑ If you sell hamburgers, for example,
 - ❑ you have to consider the cost of driving to your restaurant,
 - ❑ the cost of conscience of eating meat, etc.

- ❑ One of the most difficult places to be in the business world is
 - ❑ the retailer selling at the lowest price.
 - ❑ If you rely strictly on price to compete you are vulnerable to competition - in the long term.

- ❑ **Always try to look at things through the eyes of the consumer. When looking at price, consider the consumer's level of satisfaction.**



THE 4 PS AND 4 CS OF THE MARKETING MIX

Place & Convenience

- ❑ With the rise of internet and hybrid models of purchasing, place is no longer relevant.
- ❑ Convenience takes into account the ease to buy a product, find a product, find information about a product, and several other considerations.
- ❑ You must think of convenience to buy instead of place.
- ❑ You have to know how each subset of the market prefers to buy - on the Internet, from a catalogue, on the phone, using credit cards, etc.
- ❑ Lands End clothing, Amazon Books and Dell Computers are just a few businesses who do very well over the Internet.

THE 4 PS AND 4 CS OF THE MARKETING MIX

Promotion & Communication

- ❑ You have to consider the communication instead of promotion.
 - ❑ Promotion is manipulative - it's from the seller.
 - ❑ Communication requires a give and take between the buyer and seller
 - ❑ Be creative and you can make any advertising "interactive".
 - ❑ Use phone numbers, your web site address, etc. to help here.
 - ❑ And listen to your customers when they are "with" you.

- ❑ Developing a brand takes into account these considerations.
 - ❑ Developing a brand is developing a promise.
 - ❑ When you take into consideration the "4 C's" noted above you begin the process of developing a brand!
 - ❑ Custom Fit Online follows the "4 C's" approach when developing strategy for our clients. These principals can also be applied online.



MARKETING V/S SELLING

- ❑ **Marketing** and **sales** are both aimed at increasing revenue.
- ❑ They are closely intertwined that people often don't realize the difference between the two.
- ❑ In small organizations, the same people typically perform both sales and marketing tasks.
- ❑ Nevertheless, marketing is different from sales and as the organization grows, the roles and responsibilities become more specialized.



COMPARISON CHART OF MARKETING AND SALES

SELLING	MARKETING
1 Emphasis is on the product	1 Emphasis on consumer needs wants
2 Company Manufactures the product first	2 Company first determines customers needs and wants and then decides out how to deliver a product to satisfy these wants
3 Management is sales volume oriented	3 Management is profit oriented
4 Planning is short-run-oriented in terms of today's products and markets	4 Planning is long-run-oriented in today's products and terms of new products, tomorrow's markets and future growth
5 Stresses needs of seller	5 Stresses needs and wants of buyers
6 Views business as a good producing process	6 Views business as consumer producing process satisfying process

COMPARISON CHART OF MARKETING AND SALES

SELLING	MARKETING
7 Emphasis on staying with existing technology and reducing costs	7 Emphasis on innovation on every existing technology and reducing every sphere, on providing better costs value to the customer by adopting a superior technology
8 Different departments work as in a highly separate water tight compartments	8 All departments of the business integrated manner, the sole purpose being generation of consumer satisfaction
9 Cost determines Price	9. Consumer determine price, price determines cost
10 Selling views customer as a last link in business	10. Marketing views the customer last link in business as the very purpose of the business

MARKETING AS AN ACTIVITY AND FUNCTION

- ❑ The American Marketing Association Board of Directors describes marketing
 - ❑ as an activity
 - ❑ set of institutions and processes for
 - ❑ creating
 - ❑ Communicating
 - ❑ delivering and
 - ❑ exchanging offerings
 - ❑ that have value for customers, clients, partners and society at large.

MARKETING AS AN ACTIVITY

- ❑ Marketing consists of performance of business activity
- ❑ It direct the flow of goods and services from the producer to the consumer
- ❑ It aims to understand the needs of the customers and provide the required product and services
- ❑ Marketing is a continuous activity
- ❑ Marketing includes activities such as
 - ❑ Product Planning
 - ❑ Pricing
 - ❑ Market Research
 - ❑ Packaging
 - ❑ Advertising
 - ❑ Sales promotion
 - ❑ Distribution
 - ❑ Personal Selling
- ❑ Marketing starts with consumers and ends with consumers



MARKETING AS A FUNCTION

- ❑ Marketing is an operational management function
- ❑ It involves planning, organizing, directing, coordinating; and controlling of activities
- ❑ Marketing is a specialized functional area of management
- ❑ Marketing and production activities are interlocked
- ❑ Marketing functions constitute a part and parcel of total marketing process
- ❑ Only those goods should be produced which can be marketed and only those goods and services can be marketed that can be produced.
- ❑ Marketing is a managerial function which is concerned with specific products with specific markets



MARKETING AS A FUNCTION

- ❑ Marketing department is involved in decision making concerning
 - ❑ Selection
 - ❑ Manufacture and
 - ❑ Marketing of products
- ❑ Having many characteristics as are desired by people who constitute the market
- ❑ At the same time seeking to achieve the profitability goals of the organisation
- ❑ Marketing process starts with production and ends with consumer



CONCEPTS OF MARKETING

❑ NEEDS

- ❑ Human needs are the basic requirement of marketing
- ❑ Human needs are states of felt deprivation (Scarcity; deficiency; denial)
- ❑ Every human has different needs e.g. Physical, Individual and social needs
- ❑ Physical needs - food, clothing, shelter, safety and security
- ❑ Social needs – Affection and belongingness
- ❑ Individual needs - Pursuit for knowledge and self expression
- ❑ Human needs are not created by marketing personnel
- ❑ Human needs are increasing and changing as per socio economic needs
- ❑ Man is a social animal and he has strong needs for recreation, education and entertainment
- ❑ Marketing is useful for satisfaction of economic needs
- ❑ Basic concept underlying marketing is that of human needs



CONCEPTS OF MARKETING

❑ WANTS

- ❑ Human wants are unlimited
- ❑ The specific satisfiers that an individual looks for defines the want
- ❑ Needs become wants when they are directed to specific objects that might satisfy the needs
- ❑ Wants are also determined by the socio economic cultural factors
- ❑ Wants are not mandatory part of life
- ❑ Lifestyle also determines our wants
- ❑ e.g.1. You need to take a bath. You can bathe with normal soap or can bathe with the best soap. You don't need a good smelling soap but you will definitely use because it is your want
- ❑ 2. An American wants food to satisfy his hunger and opts for hamburger, french fries and a soft drink whereas an Indian wants chapattis, curry, and curd for meeting his food needs.
- ❑ Wants become demand when backed by buying / purchasing power

❑ DEMAND

- ❑ When human wants are backed by /supported by purchasing power and willingness to pay, they become demand
- ❑ Wants are wishes of human, buying power will convert these wants to demand
- ❑ A step ahead of wants is demand
- ❑ Basic difference between wants and demand is **desire**
- ❑ E.g. You want to buy BMW but can you buy a BMW?



CONCEPTS OF MARKETING

- ❑ **NEEDS, WANTS AND DEMANDS** are very important component of marketing
- ❑ They help the marketers to decide the products which he needs to offer in the market
- ❑ Marketer and managers always focus on the **WANTS** and **DEMANDS**.
- ❑ They conduct in dept market research using number of different tools such as surveys, interviews, observations and others
- ❑ The wall mart CEO visit stores to have a check on consumer, talk to them, and observes them to understand their needs and wants



CONCEPTS OF MARKETING

❑ EXCHANGES

- ❑ Exchange process is the origin of marketing. The process creates utility
- ❑ For an exchange to occur 5 conditions must be satisfied
 - ❑ There are at least 2 parties
 - ❑ Each party has something that might be of value to the other party
 - ❑ Each party is capable of communication and delivery
 - ❑ Each party is free to accept or reject the exchange offer
 - ❑ Each party believes it is appropriate or desirable to deal with the other party

❑ TRANSACTIONS

- ❑ Two parties are engaged in exchange if they are negotiating / trying to arrive at mutually agreeable terms
- ❑ When an agreement is reached , a transaction has taken place
 1. E.g. Buying / selling a stock or a house
 2. Selling your freelance service
 3. Buying a cup of coffee



A transaction is a trade of values between two or more parties, involving at least two things of value, agreed upon conditions, a time of agreement and a place of agreement

CONCEPTS OF MARKETING

❑ TRANSFERS

- ❑ In transfer Party A gives something to party B but does not receive anything tangible in return
- ❑ Gifts, subsidies, and charitable contributions are all transfers



ORIENTATION OF FIRM



- ❑ The concept of marketing has also changed from one point of time to another.
- ❑ Marketing as an evolutionary concept has undergone changes over the period.
- ❑ The changes in marketing concepts over the period are broadly classified into five phases:
 - ❑ 1. Production Concept
 - ❑ 2. Product Concept
 - ❑ 3. Selling Concept
 - ❑ 4. Marketing Concept
 - ❑ 5. Societal Concept
 - ❑ 6. Holistic Concept



1. PRODUCTION CONCEPT

- ❑ This is probably the oldest concept of marketing.
- ❑ Businessmen or producers believe that customers want products at lower prices.
- ❑ They do not concern for product attributes, i.e. product qualities.
- ❑ The attention of the producer gets focused on production.
- ❑ This concept may be adopted in specific situations.
 1. When the demand for the product is higher than its availability.
 2. When the mass production through the economies of scale is to bring down the higher cost of production.
- ❑ In nutshell, producer dictates the market under the production concept.

2. PRODUCT CONCEPT



- ❑ The ‘product concept’ is different from the ‘production concept’
- ❑ Production concept seeks to win markets via large-scale production and low unit costs
- ❑ The product concept seeks to achieve the result via product attributes.
- ❑ The product concept holds that consumers appreciate quality products even by paying higher price.
- ❑ The marketers or producers believe that
 - ❑ All products cannot be sold in the market
 - ❑ Only qualitative products can be sold in the market
 - ❑ Meet and satisfy the consumers’ requirements.

3. SELLING CONCEPT



- ❑ As more and more markets become buyers' concept, the sales concept assumes increasing relevance.

- ❑ It is realized that production is not as a big problem as sales is. It is sales only that converts goods and services into money and revenue and loss / or profit.

- ❑ Some producers believe that
 - ❑ If customers/consumers are left to themselves,
 - ❑ They will not buy enough goods and services of the organization
 - ❑ Unless the organization does not undertake aggressive sales and promotional efforts.

- ❑ Organization has to go for aggressive sales promotion
 - ❑ Through advertising
 - ❑ Personal-selling
 - ❑ Large-scale sales promotion
 - ❑ Heavy price discount
 - ❑ Strong publicity and public relations.

- ❑ **In sum and substance, the seller dictates the market or the seller is the king in the market.**

4. MARKETING CONCEPT



- ❑ Marketing concept is broader than selling concept
- ❑ It considers the needs and wants of consumers.
- ❑ Selling concept considers the present growth whereas the marketing concept focuses on future growth.
- ❑ Marketing concept is consumer oriented with the objective of earning profits in long-run.
- ❑ The focus of marketing concept lies on
 - ❑ Identifying the consumer wants and desires
 - ❑ Then producing products that will satisfy the identified wants and needs and
 - ❑ Provide maximum satisfaction to the consumers.
- ❑ The focus moves from production to product to selling and rests with the consumers.
- ❑ Under the marketing concept, the consumer is the boss or king who dictates the market

5. SOCIETAL CONCEPT



- ❑ The societal concept is an extension of the marketing concept
- ❑ It covers the society at large in addition to the consumers.
- ❑ Under this concept, marketing is not considered a business activity alone but an activity to take care of social needs.
- ❑ The societal concept of marketing holds that the business organization should take into account
 - ❑ The needs and wants of the consumers
 - ❑ That satisfy the consumers wants and needs and
 - ❑ Enhance the satisfaction of the consumers as well as the society as a whole.
- ❑ The need to strike a fine balance among the organizational profit, consumer satisfaction, and societal interests or well beings.

6. HOLISTIC CONCEPT



- ❑ It is a part of the series on concepts of marketing
- ❑ It considers the business as a whole and not as an entity with various different parts.
- ❑
- ❑ If a business is made of various departments
 - ❑ The departments have to come together
 - ❑ To project a positive & united business image
 - ❑ In the minds of the customer
- ❑ Holistic marketing concept involves
 - ❑ interconnected marketing activities
 - ❑ to ensure that the customer is likely to purchase their product rather than competition.



KEY HOLISTIC CONCEPTS

- ❑ **Internal Marketing** – Marketing between all the departments in an organization
- ❑ **Relationship marketing** – Building a better relationship with your customers, internal as well as end customers is beneficial for holistic marketing.
- ❑ **Performance marketing** – Driving the sales and revenue growth of an organization holistically by reducing costs and increasing sales.
- ❑ **Integrated Marketing** – Products, services and marketing should work hand in hand towards the growth of the organization.



**THANK
YOU
for
LISTENING
ANY QUESTIONS?**

**END OF
PART ONE**



MARKET
COMPANY STRATEGY
MEDIA
EXTERNAL
ECONOMY
SERVE
SUCCESSFUL
MARKETING
ENVIRONMENT
INTERMEDIARIES
MACRO
INTERNAL TYPE
ADVERTISING
RESEARCH
INDUSTRY
FACTORS
ORGANIZATION
RELATIONSHIPS
CUSTOMER
CONSUMER
ABILITY FINANCIAL
SUPPLIER
DEVELOPMENT
BUSINESS
RESELLER
MESO
NATIONAL
OPERATE

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UNIT II – MARKETING ENVIRONMENT, RESEARCH, AND CONSUMER BEHAVIOR

- ❑ Micro Environment Of Business
- ❑ Macro Environment of Business
- ❑ Marketing Research
- ❑ MIS
- ❑ Consumer Behaviour



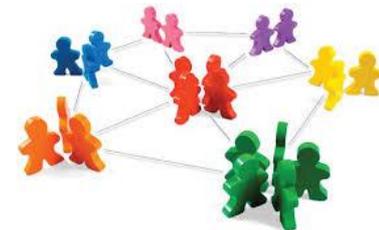
WHAT IS MARKETING ENVIRONMENT?

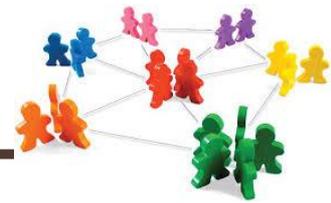
❑ What is environment?

- ❑ It refers to the situation / surrounding / atmosphere / circumstances within business activities that are required to be conducted

❑ What is Business Environment?

- ❑ It is socio – economic and political situation within which the business enterprises have to operate
- ❑ This environment has many components
 - ❑ Political
 - ❑ Economic
 - ❑ Social
 - ❑ Technological
 - ❑ Demographic and
 - ❑ International





WHAT IS MARKETING ENVIRONMENT

- ❑ Marketing activities are influenced by several factors
INTERNAL & EXTERNAL

- ❑ These factors / forces influencing marketing decision making are collectively called **MARKETING ENVIRONMENT**

- ❑ **Marketing environment must be treated as a part and parcel of total business environment**
 - ❑ Marketing business operate within the marketing environment
 - ❑ Have to search the environment for new marketing opportunities to expand marketing activities
 - ❑ Environment creates new opportunities / threats before marketing enterprises which must be faced with proper planning.

FEATURES / NATURE OF MARKETING



- ❑ **Marketing environment is the situation/ surrounding within which marketing firms have to operate**
 - ❑ It may be favorable / unfavorable
 - ❑ It may create new opportunities / threats to marketing enterprises
 - ❑ Marketing enterprises have to face the marketing environment boldly through appropriate marketing plans and policies

- ❑ **Marketing firms have practically no control on the marketing environment**
 - ❑ Marketing firms have no capacity to fight with the marketing environment
 - ❑ Marketing firms have to study the changing marketing environment and adjust their activities accordingly

- ❑ **Marketing environment is the net result of the various socio economic factors:-**
 - ❑ Factors influencing environment may be
 - ❑ **MACRO / EXTERNAL ENVIRONMENT** : Demographic; economic; technological; political and cultural
 - ❑ **MICRO / INTERNAL ENVIRONMENT** : Competitors; suppliers; marketing intermediaries and customers

- ❑ **Marketing environment and marketing management are closely related concepts**
 - ❑ Study of marketing environment is a must for efficient marketing management



FEATURES / NATURE OF MARKETING

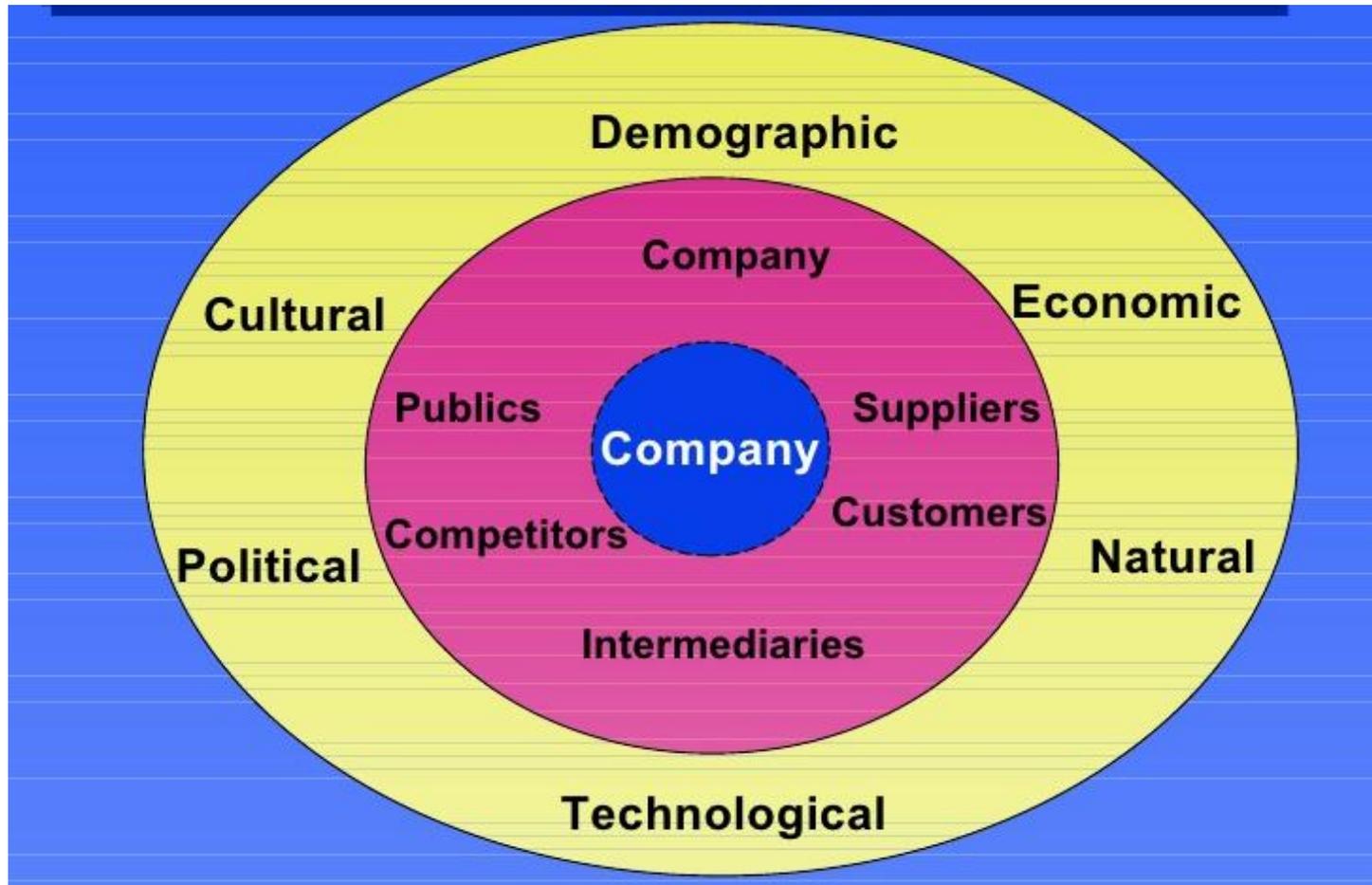
- ❑ **Marketing environment is always flexible**
 - ❑ It may remain stable for a short period
 - ❑ Major or minor changes will develop due to internal or external factors

- ❑ **Marketing environment is external in character**
 - ❑ Marketing environment influence the operations and marketing activities of business enterprises
 - ❑ Business environment has to study / analyze the environment and operate within its fold

- ❑ **Marketing firms have to keep constant watch on the changing marketing environment**
 - ❑ Business environment have to make suitable adjustment in their policies and activities as per the need of the situation

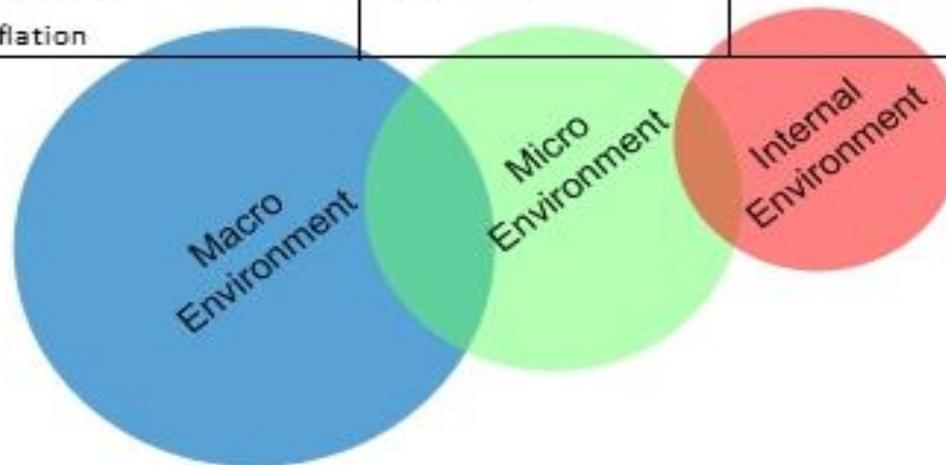
- ❑ **Marketing firms should be ready to face all sorts of environmental changes**
 - ❑ Favorable environment creates growth opportunities for marketing firm
 - ❑ Unfavorable environment creates environment threat
 - ❑ A challenge posed by an unfavorable trend may lead to lower sales / profit

COMPONENTS OF MARKETING ENVIRONMENT



COMPONENTS OF MARKETING ENVIRONMENT

Macro - Environment	Micro - Environment	Internal Environment
Media	Media	Materials
Health & Safety Legislation	Banks	Machinery
Population Change	Employees	Employees
Carbon Neutral	Customers	Capital Assets
Green Technology	Distributors	Company Policies
Smart Phones	Suppliers	Company Procedures
Recession	Trade Unions	
Inflation		



MARKETING CHANNELS / INTERMEDIARIES

- ❑ Market intermediaries are either individuals or business houses who come to the aid of the company
- ❑ In promoting, selling and distributing the goods to the ultimate consumers.
- ❑ They are Middlemen (wholesalers, retailers and agents), distributing agencies, market service agencies and financial institutions.
- ❑ Most of the companies find, it is too difficult to reach the consumers. In such a cases the agents and distribution firms help to reach the product to the consumer.



MARKET

- ❑ Firm should ensure that
 - ❑ they have correctly identified all the factors which make up their marketing environment and
 - ❑ plan how to manage them for the firm's benefit



STAKEHOLDERS

- ❑ Stakeholders are those members of the micro environment that have a direct influence on your business
 - ❑ Employees are stakeholders in your business.
 - ❑ The government or governments of countries in which you trade
 - ❑ Your local community or neighbors
 - ❑ for example think of the local community's influence when a car firm wants to build a new factory, or when an airport wants to build a new runway



WHAT IS MACRO ENVIRONMENT?

- ❑ The major external and uncontrollable factors that influence
 - ❑ an organization's decision making, and
 - ❑ affect its performance and strategies.
- ❑ The external elements that exist outside of a company's control that can significantly impact its performance and ability to compete in its marketplace.
- ❑ Examples of macro environment elements are
 - ❑ The Economy,
 - ❑ Government policy-making,
 - ❑ Technology,
 - ❑ Social conditions, and
 - ❑ Nature.
- ❑ For companies with a global foot-print, their exposure to macro environment elements is magnified.



FACTORS OF MACRO ENVIRONMENT

- ❑ Demographic forces
- ❑ Economic factors
- ❑ Natural/physical forces
- ❑ Technological factors
- ❑ Political and legal forces
- ❑ Social and cultural forces



DEMOGRAPHIC FORCES

- ❑ Demography is the study of human populations in terms of size, destiny, location, age, gender race, occupation and other statistics.
- ❑ In terms of marketing and business, this study of human population actually leads to an identification of the potential customers
- ❑ These parameters taken together is known as the demographic environment.
- ❑ A study of the demographic environment is one of the most used methods to identify and reach out to potential customers.
- ❑ A marketer is, however, required to keep in mind the dynamic attributes of such an environment and keep updating the data that is collected on a continuous basis.
- ❑ The demographic environment is of major interest to marketers because it involves people.



ECONOMIC FACTORS

- ❑ Marketers require buying power as well as people. The economic environment consists of
 - ❑ Factors that affect consumers' purchasing power and spending power/ patterns. Marketers
 - ❑ Must pay close attention to major trends and consumers' spending pattern
- ❑ The economy always has an impact on marketing--whether it is weak or strong.
- ❑ Interestingly, marketers may be affected positively or negatively by a strong or weak economy.
- ❑ Making lemons out of lemonade can benefit certain types of businesses in a weak economy--a strong economy can be negative for others.
- ❑ The bottom line: it pays to understand the market and the effect the economy will have on them.



ECONOMIC FACTORS EXAMPLE

- ❑ Changing Media Impacts Media Buys
- ❑ The newspaper industry has been reeling over the past few years
- ❑ As consumers have turned online for information.
- ❑ Fewer readers means lower demand from advertisers and decreased revenue for print outlets.
- ❑ The economic effects have resulted in job losses and even the dissolution of some daily papers.
- ❑ Members of the advertising industry need to keep a close eye on how the economy shifts the consumption of information--and the emerging role that technology is playing.



NATURAL / PHYSICAL FORCES



- ❑ The natural environment involves the natural resources that are needed as inputs by marketers or they are affected by marketing activities.
- ❑ Environmental concerns have grown steadily during the past three decades.
- ❑ Marketers should be aware of several trends in the natural environment.
- ❑ Any change, for good or for bad, increases economic opportunities for some, while decrease for others.
- ❑ The deterioration of the natural environment is no exception.
- ❑ For example,
 - ❑ Consumer concern about pollution
 - ❑ Creates pressure on companies to limit the environmental impact of their manufacturing processes.
 - ❑ This creates opportunities for companies that supply the equipment and products that help companies achieve this goal.
 - ❑ At the same time, suppliers of older equipment and products must adapt or face obsolescence.

TECHNOLOGICAL FACTORS



- ❑ The technological environment is perhaps the most dramatic forces now shopping own destiny.
- ❑ Technological environment involves forces that create new technologist creating new product and marketing opportunities.
- ❑ The technological environment is perhaps the most dynamic element of the macro-environment.
- ❑ It poses some of the greatest opportunities and dangers.
- ❑ On the one hand, new technology creates new markets and, with them, tremendous opportunities for companies that are positioned to take advantage of innovation.
- ❑ On the other hand, the failure to anticipate and adjust to technological change can mean a company's elimination from the marketplace.
- ❑ As technological change accelerates, its importance to companies will only increase.
- ❑ For example,
 - ❑ in a single generation, developments in computer technology have transformed the world's economies,
 - ❑ impacting nearly every aspect of our lives.
 - ❑ We tend to take for granted many of the opportunities created by new technology.
 - ❑ The course you are taking right now, however, would not have been possible only a few years ago.
 - ❑ How has technology made your life different than that of your parents? How will your children's lives differ from yours?

POLITICAL AND LEGAL FORCES

- ❑ Marketing decisions are strongly affected by developments in the political environment.
- ❑ The political/legal environment is composed of
 - ❑ The laws,
 - ❑ Government agencies, and
 - ❑ Pressure groups related to a company's industry or product line.
 - ❑ Moving in cycles, this element of the macro-environment moves from periods of deregulation through periods of increased scrutiny and punitive (corrective) legislation.
 - ❑ If a company doesn't like the political/legal environment, all it needs to do is wait, and it will change.



SOCIAL AND CULTURAL FORCES

- ❑ It refers to the attitudes, beliefs, values and lifestyle of individuals in a society
- ❑ Cultural influences every aspect of marketing
- ❑ In India social environment is changing. Due to women in employment, market and growing demand for products from women customers
- ❑ Social and cultural factors have their impact on the demand of goods and services
- ❑ Demand for new products increases while demand for existing products will decline

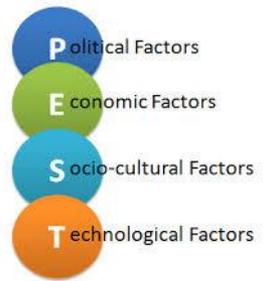


SOCIAL AND CULTURAL FORCES

- ❑ Social environment changes with the changes in the lifestyle of people
- ❑ Market demand changes due to changes in the lifestyle of people
- ❑ Due to consumerism consumers become more conscious of their rights
- ❑ They fight collectively if they are exploited through unfair trade practices
- ❑ Core cultural values are deep rooted and they do not change easily
- ❑ Secondary cultural values change easily but values implanted in children during their growing years are difficult to change



PEST ANALYSIS



POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL
<ul style="list-style-type: none">● ecological/environmental issues● current legislation home market● future legislation● international legislation● regulatory bodies and processes● government policies● government term and change● trading policies● funding, grants and initiatives● home market lobbying/pressure groups● international pressure groups● wars and conflicts	<ul style="list-style-type: none">● home economy situation● home economy trends● overseas economies and trends● general taxation issues● taxation specific to product/services● seasonality/weather issues● market and trade cycles● specific industry factors● market routes and distribution trends● customer/end-user drivers● interest and exchange rates● international trade/monetary issues	<ul style="list-style-type: none">● lifestyle trends● demographics● consumer attitudes and opinions● media views● law changes affecting social factors● brand, company, technology image● consumer buying patterns● fashion and role models● major events and influences● buying access and trends● ethnic/religious factors● advertising and publicity● ethical issues	<ul style="list-style-type: none">● technological● competing technology development● research funding● associated/dependent technologies● replacement technology/solutions● maturity of technology● manufacturing maturity and capacity● information and communications● consumer buying mechanisms/technology● technology legislation● innovation potential● technology access, licensing, patents● intellectual property issues● global communications

ELEMENT OF PEST ANALYSIS - POLITICAL

❑ **Political** factors are

- ❑ To what degree the GOVERNMENT intervenes in the economy.
- ❑ Specifically, political factors include areas such as tax policy, labor law, environmental law, trade restrictions, tariffs, and political stability.
- ❑ Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods or merit bad).
- ❑ Governments have great influence on the health, education, and infrastructure of a nation.
- ❑ Government regulations regarding employee hygiene, health and food regulations, food standards.
- ❑ Government policies regarding the restaurant industry and managing eateries. These may include licenses, inspections by health and food departments, etc.



ELEMENT OF PEST ANALYSIS- ECONOMIC

- ❑ Economic growth, interest rates, exchange rates and the inflation rate. economic stability, anticipated shifts in commodity and resource costs, unemployment policies, credit availability and unemployment policies.
- ❑ These factors have major impacts on how businesses operate and make decisions.
- ❑ For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. It is directly proportionate to the cost of capital
- ❑ Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.
- ❑ Rate of inflation determines the rate of remuneration for employees and directly affects the price of the restaurant's products.
- ❑ Again, the proportion between the inflation rate and wages/prices is direct.
- ❑ Economic trends act as an indicator of the sustainability and profitability of your business in the chosen region and help you in deciding your marketing strategy.



ELEMENT OF PEST ANALYSIS - SOCIAL

- **Social factors include**
 - The cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety.
 - Trends in social factors affect the demand for a company's products and how that company operates.
 - For example, an aging population may imply a smaller and less-willing workforce (thus increasing the cost of labor).
 - Furthermore, companies may change various management strategies to adapt to these social trends (such as recruiting older workers).
 - Eating habits of the people in your chosen business environment may, and certainly will, affect your marketing decisions.
 - Ratio of people preferring to eat out regularly.



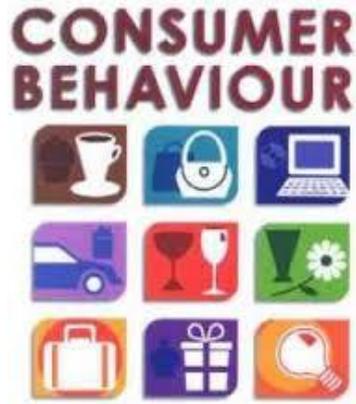
ELEMENT OF PEST ANALYSIS - TECHNOLOGICAL

❑ Technological factors

- ❑ Include technological aspects such as R&D activity, automation, technology incentives and the rate of technological change.
- ❑ They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions.
- ❑ Furthermore, technological shifts can affect costs, quality, and lead to innovation.
- ❑ A good technical infrastructure would lead to better production, procurement and distribution logistics, resulting in reduced wastage and lower costs.
- ❑ Effective technology may be a decisive factor for food technology innovation, better presentation, more effective business marketing, etc.



CONSUMER BEHAVIOUR



CONSUMER BEHAVIOUR



- ❑ Meaning of MIS
- ❑ Features / Characteristics of MIS
- ❑ Importance Of MIS
- ❑ Factors Affecting Consumer Behavior

CONSUMER BEHAVIOR – MEANING



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

- ❑ Marketers expect that
 - ❑ by understanding what causes the consumers to buy particular goods and services,
 - ❑ they will be able to determine—which products are needed in the marketplace,
 - ❑ which are obsolete, and how best to present the goods to the consumers.

- ❑ The study of consumer behaviour assumes
 - ❑ that the consumers are actors in the marketplace.
 - ❑ The perspective of role theory assumes that consumers play various roles in the marketplace
 - ❑ Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

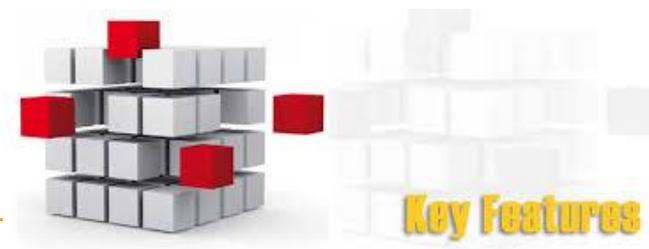
- ❑ The roles also vary in different consumption situations; for example,
 - ❑ a mother plays the role of an influencer in a child’s purchase process,
 - ❑ whereas she plays the role of a disposer for the products consumed by the family

CONSUMER BEHAVIOR – DEFINITION



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

FEATURES OF MIS

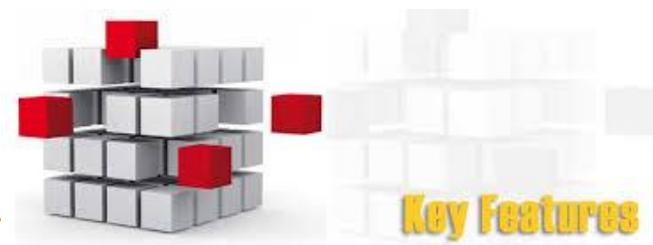


- ❑ Consumer behavior is a field of psychology that studies the way individuals spend money.

- ❑ Consumer behavior is an important consideration
 - ❑ in fields such as economics and marketing
 - ❑ understanding how consumers make their decisions
 - ❑ help predict how consumers will react to different situations.

- ❑ Exhibits several common characteristics.

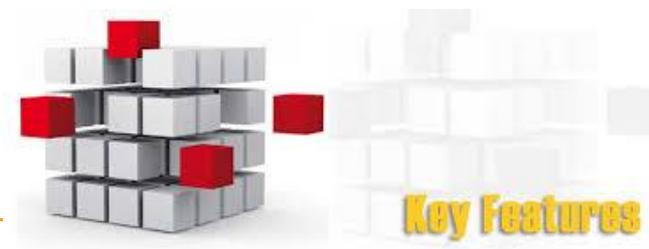
FEATURES OF MIS



Information Search

- ❑ The search for information is a common characteristic of consumer behaviour.
- ❑ Consumers cannot purchase goods and services if they are unaware that a good or service exists.
- ❑ When a consumer decides to buy a certain item,
 - ❑ his decision must be based on the information he has gathered
 - ❑ about what products or services are available to fulfill his needs.
- ❑ There might be a product available that would be better suited to the consumer's needs, but if he is unaware of the product, he will not buy it.
- ❑ Consumers gather information in many ways.
 - ❑ Advertisements and word-of-mouth are common ways consumers find information.
 - ❑ A consumer with Internet access can search for reviews of products and product alternatives, which may make him more informed and better able to make decisions.

FEATURES OF MIS



Brand Loyalty

- ❑ Brand loyalty is another characteristic of consumer behavior
- ❑ Brand loyalty is the tendency of a consumer to buy products or services from a certain company that she likes or equates with having high quality goods and services.
- ❑ For instance,
 - ❑ if her first car was a Honda as a teenager
 - ❑ and the car lasted 200,000 miles,
 - ❑ she might have a tendency to buy Hondas in the future
 - ❑ due to her previously positive experience.
- ❑ This brand loyalty may be so strong that she forgoes the information search all together when considering her next vehicle.
- ❑ An information search takes time and effort; brand loyalty is a way consumers avoid the time and effort involved in an information search.

FEATURES OF MIS



Price Elasticity of Demand

Price elasticity of demand is an economic concept. It is an important characteristic of consumer behaviour.

- ❑ The price elasticity of demand
 - ❑ is the change in consumption that an individual makes
 - ❑ due to a change in the price of a certain product.

- ❑ The consumption of products with high elasticity of demand will fall sharply with an increase in price.
 - ❑ For instance, if the price of a luxury car, such as BMW declines by 10 percent, consumers might start buying BMW cars
 - ❑ If consumer demand shifted in this way, BMW cars could be said to have high elasticity of demand, since consumers will shift their preferences greatly as price changes.

- ❑ Items with low elasticity of demand, or inelastic goods, are those that consumers tend to buy regardless of price.
 - ❑ Goods such as gasoline, milk and other essentials tend to be inelastic.
 - ❑ Petrol price might go up by 30 percent, but consumers may still buy it in the same quantity
 - ❑ many people rely on gas for commuting and other essential transportation.

IMPORTANCE OF CONSUMER BEHAVIOR



❑ Perceptions

- ❑ Helps marketers to understand consumer perception about a product or range of product
- ❑ Uncovering and correcting erroneous perception about a product may give a particular marketer an additional competitive advantage

❑ Attitudes

- ❑ Determines consumers beliefs about certain products
- ❑ Discovering consumers attitudes
 - ❑ Allows marketers to fine tune their campaigns
 - ❑ To resonate with a particular consumer niche and deepen marketing research

❑ Cultures

- ❑ Changing population demographics around the world affect the marketing campaigns are designed
- ❑ Understanding cultural nuances (distinctions) and subtleties (refinements) may allow marketers to help further define their particular target market

IMPORTANCE OF CONSUMER BEHAVIOR



❑ Lifestyles

- ❑ Consumer lifestyles also determines what products appeal to certain consumer markets
- ❑ Understanding consumer lifestyles is also a key component of consumer behaviour
- ❑ It helps marketers to make
 - ❑ the appropriate appeals in promoting lifestyle products
 - ❑ and further consumption of lifestyle products

❑ Experience

- ❑ Studying consumer behaviour, marketing professionals
 - ❑ tap consumer experiences with similar products
 - ❑ to promote consumption and gain competitive advantage over competitors

SOCIAL FACTORS



- ❑ Social factors play an essential role in influencing the buying decisions of consumers.

- ❑ Human beings are social animals.
 - ❑ We need people around to talk and discuss various issues to reach to better solutions and ideas.
 - ❑ We all live in a society and it is really important for individuals to adhere to the laws and regulations of society.

- ❑ Social Factors influencing consumer buying decision can be classified as under:
 - ❑ Reference Groups
 - ❑ Immediate Family Members
 - ❑ Relatives
 - ❑ Role in the Society
 - ❑ Status in the society

SOCIAL FACTORS



- ❑ **Reference Groups**
- ❑ Every individual has some people around who influence him/her in any way.
- ❑ Reference groups comprise of people that individuals compare themselves with.
- ❑ Every individual knows some people in the society who become their idols in due course of time.
- ❑ Co workers, family members, relatives, neighbors, friends, seniors at workplace often form reference groups.
- ❑ Reference groups are generally of two types:
 - ❑ **Primary Group** - consists of individuals one interacts with on a regular basis.
 - ❑ Primary groups include:
 - ❑ Friends
 - ❑ Family Members
 - ❑ Relatives
 - ❑ Co Workers
 - ❑ All the above influence the buying decisions of consumers due to following reasons:
 - ❑ They have used the product or brand earlier.
 - ❑ They know what the product is all about. They have complete knowledge about the features and specifications of the product.

SOCIAL FACTORS



- ❑ Tim wanted to purchase a laptop for himself.
 - ❑ He went to the nearby store and purchased a Dell Laptop.
 - ❑ All his friends were using the same model and
 - ❑ Were quite satisfied with the product.
 - ❑ **We tend to pick up products our friends recommend.**

- ❑ A married individual would show strong inclination towards buying products
 - ❑ Which would benefit not only him but also his family members as compared to a bachelor.
 - ❑ **Family plays an important role in influencing the buying decisions of individuals.**

- ❑ A consumer who has a wife and child at home would buy for them rather than spending on himself.

- ❑ An individual entering into marriage
 - ❑ would be more interested in buying a house, car, household items, furniture and so on.
 - ❑ When an individual gets married and starts a family, most of his buying decisions are taken by the entire family.

- ❑ Every individual goes through the following stages and shows a different buying need in each stage:
 - ❑ **Bachelorhood:** Purchases Alcohol, Beer, Bike, Mobile Handsets (Spends Lavishly)
 - ❑ **Newly Married:** Tend to purchase a new house, car, household furnishings. (Spends sensibly)
 - ❑ **Family with Children:** Purchases products to secure his as well as his family's future.
 - ❑ **Empty nest (Children getting married)/Retirement/Old Age:** Medicines, Health Products, and Necessary Items.

- ❑ A Ford Car in the neighborhood would prompt three more families to buy the same model.

SOCIAL FACTORS



❑ Secondary Groups

- ❑ Secondary groups share indirect relationship with the consumer.
- ❑ These groups are more formal and individuals do not interact with them on a regular basis,
- ❑ Example - Religious Associations, Political Parties, Clubs etc.

❑ Role in the Society

- ❑ **Each individual plays a dual role in the society depending on the group he belongs**
- ❑ An individual working as Chief Executive Officer with a reputed firm is also someone's husband and father at home.
- ❑ The buying tendency of individuals depends on the role he plays in the society.

❑ Social Status

- ❑ An individual from an upper middle class would spend on luxurious items
- ❑ whereas an individual from middle to lower income group would buy items required for his/her survival.

PERSONAL FACTORS



- ❑ Consumer Behaviour helps us understand the buying tendencies and spending patterns of consumers. Not all individuals would prefer to buy similar products.
- ❑ Consumer behaviour deals with as to why and why not an individual purchases particular products and services.
- ❑ Personal Factors play an important role in affecting consumer buying behaviour.

1. Occupation

- ❑ The occupation of an individual plays a significant role in influencing his/her buying decision.
- ❑ An individual's nature of job has a direct influence on the products and brands he picks for himself/herself.

PERSONAL FACTORS



- ❑ Tim was working with an organization as Chief Executive Officer while Jack, Tim's friend now a retired professor went to a nearby school as a part time faculty.
 - ❑ Tim always looked for premium brands which would go with his designation whereas
 - ❑ Jack preferred brands which were not very expensive.
 - ❑ Tim was really conscious about the clothes he wore, the perfume he used, the watch he wore whereas Jack never really bothered about all this.

- ❑ That is the importance of one's designation. As a CEO of an organization, it was really essential for Tim to wear something really elegant and unique for others to look up to him.

- ❑ A CEO or for that matter a senior professional can never afford to wear cheap labels and local brands to work.

- ❑ An individual's designation and his nature of work influence his buying decisions. You would never find a low level worker purchasing business suits, ties for himself. An individual working on the shop floor can't afford to wear premium brands everyday to work.

- ❑ College goers and students would prefer casuals as compared to professionals who would be more interested in buying formal shirts and trousers.

PERSONAL FACTORS



Age

- ❑ Age and human lifecycle also influence the buying behaviour of consumers.
- ❑ Teenagers would be more interested in buying bright and loud colours as compared
- ❑ to a middle aged or elderly individual who would prefer decent and subtle designs.
- ❑ A bachelor would prefer spending lavishly on items like beer, bikes, music, clothes, parties, clubs and so on.
- ❑ A young single would hardly be interested in buying a house, property, insurance policies, gold etc.
- ❑ An individual who has a family, on the other hand would be more interested in buying something which would benefit his family and make their future secure.

PERSONAL FACTORS



Economic Condition

- ❑ **The buying tendency of an individual is directly proportional to his income/earnings per month**
- ❑ How much an individual brings home decides how much he spends and on which products?
- ❑ Individuals with high income would buy expensive and premium products as compared
- ❑ to individuals from middle and lower income group who would spend mostly on necessary items.
- ❑ You would hardly find an individual from a low income group
 - ❑ spending money on designer clothes and watches.
 - ❑ He would be more interested in buying grocery items or products necessary for his survival.

PERSONAL FACTORS



Lifestyle

- ❑ Lifestyle, a term proposed by Austrian psychologist Alfred Adler in 1929, refers to the way an individual stays in the society.
- ❑ It is really important for some people to wear branded clothes whereas some individuals are really not brand conscious.
- ❑ An individual staying in a posh locality needs to maintain his status and image.
- ❑ An individual's lifestyle is something to do with his style, attitude, perception, his social relations and immediate surroundings.

Personality

- ❑ An individual's personality also affects his buying behaviour.
- ❑ Every individual has his/her own characteristic personality traits which reflect in his/her buying behaviour.
- ❑ A fitness freak would always look for fitness equipments whereas
- ❑ a music lover would happily spend on musical instruments, CDs, concerts, musical shows etc.

CULTURAL FACTORS



- ❑ Cultural factors being one of the most important factors.

- ❑ **What are Cultural Factors ?**
 - ❑ **Cultural factors comprise of set of values and ideologies of a particular community or group of individuals.**
 - ❑ It is the culture of an individual which decides the way he/she behaves.
 - ❑ In simpler words, culture is nothing but values of an individual.
 - ❑ What an individual learns from his parents and relatives as a child becomes his culture.

- ❑ **Example –**
 - ❑ In India, people still value joint family system and family ties.
 - ❑ Children in India are conditioned to stay with their parents till they get married as compared to foreign countries
 - ❑ Where children are more independent and leave their parents once they start earning a living for themselves.

- ❑ Cultural factors have a significant effect on an individual's buying decision.

- ❑ Every individual has different sets of habits, beliefs and principles which he/she develops from his family status and background.

- ❑ What they see from their childhood becomes their culture.

CULTURAL FACTORS



- ❑ Let us understand the influence of cultural factors on buying decision of individuals with the help of various examples.
 - ❑ Females staying in West Bengal or Assam would prefer buying sarees as compared to Westerns.
 - ❑ Similarly a male consumer would prefer a Dhoti Kurta during auspicious ceremonies in Eastern India as this is what their culture is.
 - ❑ Girls in South India wear skirts and blouses as compared to girls in north India who are more into Salwar Kameez.

- ❑ Our culture says that we need to wear traditional attire on marriages and this is what we have been following since years.

- ❑ People in North India prefer breads over rice which is a favorite with people in South India and East India.

CULTURAL FACTORS



Subcultures

- ❑ Each culture further comprises of various subcultures such as religion, age, geographical location, gender (male/female), status etc.

Religion (Christianity, Hindu, Muslim, Sikhism, Jainism etc)

- ❑ A Hindu bride wears red, maroon or a bright colour lehanga or saree
- ❑ Whereas a Christian bride wears a white gown on her wedding day.
- ❑ It is against Hindu culture to wear white on auspicious occasions.
- ❑ Muslims on the other hand prefer to wear green on important occasions.

Other examples

- ❑ A sixty year old individual would not like something which is too bright and colorful.
- ❑ He would prefer something which is more sophisticated and simple.
- ❑ On the other hand a teenager would prefer funky dresses and loud colours.
- ❑ In India widows are expected to wear whites. Widows wearing bright colours are treated with suspicion.

CULTURAL FACTORS



Status (Upper Class, Middle class and Lower Class)

- ❑ People from upper class generally have a tendency to spend on luxurious items such as expensive gadgets, cars, dresses etc.
- ❑ You would hardly find an individual from a lower class spending money on high-end products.
- ❑ A person who finds it difficult to make ends meet would rather prefer spending on items necessary for survival.
- ❑ Individuals from middle class segment generally are more interested in buying products which would make their future secure.

Gender (Male/Female)

- ❑ People generally make fun of males buying fairness creams as in our culture only females are expected to buy and use beauty products.
- ❑ Males are perceived to be strong and tough who look good just the way they are.



PSYCHOLOGICAL FACTORS

Let us understand the **effect of psychological factors on consumer behaviour:**

Motivation

- ❑ Nancy went to a nearby restaurant and ordered pizza for herself.

Why did Nancy buy pizza ?

- ❑ Answer - She was feeling hungry and wanted to eat something.

In the above example,

- ❑ Hunger was the motivating factor for Nancy to purchase pizza.

- ❑ There are several other factors which motivate individuals to purchase products and services.
- ❑ An individual who is thirsty would definitely not mind spending on soft drinks, packaged water, juice and so on.
- ❑ Recognition and self esteem also influence the buying decision of individuals.

- ❑ **Why do people wear branded clothes ?**
 - ❑ Individuals prefer to spend on premium brands and unique merchandise for others to look up to them.
 - ❑ Certain products become their status symbol and people know them by their choice of picking up products that are exclusive.
 - ❑ An individual who wears a Tag Heuer watch would never purchase a local watch as this would be against his image.

PSYCHOLOGICAL FACTORS



- ❑ Perception
- ❑ What is Perception ?
 - ❑ What an individual thinks about a particular product or service is his/her perception towards the same.
 - ❑ For someone a Dell Laptop might be the best laptop while for others it could be just one of the best brands available.
- ❑ Individuals with the same needs might not purchase similar products due to difference in perception.
- ❑ Catherine and Roselyn had a hectic day at work and thus wanted to have something while returning from work.
 - ❑ Catherine ordered a large chicken pizza with French fries and coke
 - ❑ while Roselyn preferred a baked vegetable sandwich.
 - ❑ Though both Catherine and Roselyn had the same motivation (hunger),
 - ❑ but the products they purchased were entirely different as Roselyn perceived pizza to be a calorie laden food.
 - ❑ Individuals think differently and their perceptions do not match.
- ❑ Individuals perceive similar situation differently due to difference in the way they interpret information.

PSYCHOLOGICAL FACTORS



There are three different processes which lead to difference in perception:

❑ Selective Attention

- ❑ Selective attention refers to the process where individuals pay attention to information that is of use to them or their immediate family members.
- ❑ An individual in a single day is exposed to numerous advertisements, billboards, hoardings
- ❑ But he is interested in only those which would benefit him in any way.
- ❑ He would not be interested in information which is not relevant at the moment.

❑ Selective Distortion

- ❑ Consumers tend to perceive information in a way which would be in line to their existing thoughts and beliefs.

❑ Selective Retention

- ❑ Consumers remember information which would be useful to them rest all they forget in due course of time.
- ❑ Michael wanted to purchase a watch for his wife and thus he remembered the RADO advertisement which he had seen several days ago.

PSYCHOLOGICAL FACTORS



Learning

- ❑ Learning comes only through experience.
- ❑ An individual comes to know about a product and service only after he/she uses the same.
- ❑ An individual who is satisfied with a particular product/service will show a strong inclination towards buying the same product again.

Beliefs and Attitude

- ❑ Beliefs and attitude play an essential role in influencing the buying decision of consumers.
- ❑ Individuals create a certain image of every product or service available in the market.
- ❑ Every brand has an image attached to it, also called its brand image.
- ❑ Consumers purchase products/services based on their opinions which they form towards a particular product or service.
- ❑ A product might be really good but if the consumer feels it is useless, he would never buy it.

TODAY'S SESSION

MIS
Management Information System



MARKETING INFORMATION SYSTEM (MIS)

- Meaning of MIS
- Features / Characteristics of MIS
- Importance of MIS

MEANING OF MARKETING INFORMATION SYSTEM (MIS)

Meaning

- ❑ **MIS, means**
 - ❑ To collect, analyze and supply marketing information to the marketing managers.
 - ❑ The marketing managers use this information to take marketing decisions.
 - ❑ MIS is a permanent and continuous process.

- ❑ **Marketing information includes**
 - ❑ All facts, estimates, opinions, guidelines, policies and other data.
 - ❑ This information is necessary for taking marketing decisions.
 - ❑ This information is collected from both internal and external sources.
 - ❑ It is collected from customers, competitors, company salesmen, government sources, specialized agencies, so on.

- ❑ **MIS collects the marketing information from different sources.**
 - ❑ This information (data) is analyzed.
 - ❑ Then, it is supplied to the marketing managers.
 - ❑ The marketing managers use this information for taking marketing decisions.
 - ❑ MIS also evaluates and stores the information.
 - ❑ MIS uses modern technology for collecting, analyzing, storing and supplying information.

FEATURES / CHARACTERISTICS OF MIS

Characteristics or Features of **Marketing Information System (MIS)**

1. MIS is permanent and continuous System.
2. Its basic objective is to provide right information.
3. It is a computer based system.
4. It is future-oriented.
5. It is used by all levels of management.
6. It collects information from internal and external sources.
7. It collects all types of marketing information.
8. It helps marketing managers in decision making.



FEATURES / CHARACTERISTICS OF MIS

❑ Continuous system

- ❑ MIS is a permanent and continuous system of collecting information. It collects information continuously.

❑ Basic objective

- ❑ The basic objective of MIS is to provide the right-information at the right-time to the right-people to help them take right decisions.

❑ Computer based system

- ❑ MIS is a computer-based system.
- ❑ It uses computers for storing, analyzing and supplying information.
- ❑ It also uses micro-films for storing information.
- ❑ Therefore, it is very quick and accurate.

❑ Future-oriented

- ❑ MIS is future-oriented.
- ❑ It provides information for solving future problems.
- ❑ It is not past-oriented.



FEATURES / CHARACTERISTICS OF MIS

- ❑ **Used by all levels :**
 - ❑ MIS is used by all three levels of management i.e. top, middle and lower.
 - ❑ It is used for making marketing plans, policies and strategies.
 - ❑ This is used to solve marketing problems and to take advantage of business opportunities.

- ❑ **Sources**
 - ❑ MIS collects information from both, internal and external sources.
 - ❑ For example, information is collected from company records, publications, etc.

- ❑ **Collects marketing information**
 - ❑ MIS collects all types of marketing information.
 - ❑ It collects information about the consumer competition, marketing environment, government policies, etc.
 - ❑ It supplies this information to the marketing managers.

- ❑ **Helps in decision making**
 - ❑ MIS supplies up-to-date and accurate information.
 - ❑ It helps marketing managers to take quick and right decisions.



ADVANTAGES OF MIS



❑ Organized Data collection

- ❑ Lots of data can be collected from the market.
- ❑ Organizing data is very important else the data is meaningless.
- ❑ Thus MIS helps you to organize your database thereby improving productivity.

❑ A broad perspective

- ❑ With a proper MIS in place, the complete organization can be tracked
- ❑ which can be used to analyze independent processes.
- ❑ This helps in establishing a broader perspective
- ❑ which helps us know which steps can be taken to facilitate improvement.

❑

❑ Storage of Important Data

- ❑ Several times in pharmaceuticals, when one drug is being produced they may need data of another drug which was produced years back.
- ❑ Similarly in Media, photographs are stored in archives.
- ❑ This storage of important data plays a crucial role in execution
- ❑ MIS is not important only for information but also for execution.

❑ Avoidance of Crisis

- ❑ The best way to analyze a stock (share market) is to see its past performance.
- ❑ Top websites like money control thrive on MIS.
- ❑ Similarly MIS helps you keep tracks of margins and profits.
- ❑ With information system established, you can know where your organization is moving and probably avert a crisis long before it has taken place.
- ❑ Ignoring hints received from MIS reports is foolhardy.

ADVANTAGES OF MIS



❑ Co-ordination

- ❑ Consumer durables and FMCG companies have huge number of processes which needs to be coordinated.
- ❑ These companies depend completely on MIS for the proper running of the organization.
- ❑ There are dedicated people for marketing information systems in such organizations.
- ❑ This is mainly because of the speed required to access information and implement it.

❑ Analysis and Planning

- ❑ MIS is critical for planning.
- ❑ You cannot do planning without information.
- ❑ For planning, the first thing which is needed is the organizations capabilities,
- ❑ then the business environment and finally competitor analysis.
- ❑ In a proper MIS, all these are present by default and are continuously updated.
- ❑ Thus MIS is very important for planning and analysis.

❑

❑ Control

- ❑ in normal times it provides control
- ❑ as you have information of the various processes going on and what is happening across the company.
- ❑ Thus it provides you with a sense of control.

Disadvantages

- ❑ Maintenance, complexity and setting up a MIS are one of the major hindrances to Marketing information systems.
- ❑ Furthermore, wrong information being fed in MIS can become cumbersome and appropriate filters need to be established.

MARKET RESEARCH



MARKET RESEARCH (MR)



- ❑ Meaning / Definitions
- ❑ Features of MR
- ❑ Importance of MR
- ❑ Types of MR

MARKET RESEARCH - DEFINITION

- ❑ Research has two words, viz., marketing and research.
- ❑ Marketing means buying and selling activities.
- ❑ Research means a systematic and complete study of a problem. It is done by experts. It uses scientific methods.
- ❑ Thus, we can say, “Marketing Research is a systematic method of collecting, recording and analyzing of data, which is used to solve marketing problems.”
- ❑ A company faces many marketing problems.
 - ❑ It faces problems about consumers, product, market competition, sales promotion, etc.
 - ❑ Marketing research helps to solve these problems.
- ❑ Marketing research is a systematic process.
 - ❑ It first collects data (information) about the marketing problem.
 - ❑ Secondly, it records this data.
 - ❑ Then it analysis (studies) this data and draws conclusions about it.
 - ❑ After that, it gives suggestions (advice) for solving the marketing-problem.



MARKET RESEARCH - DEFINITION

- ❑ Marketing research helps to solve the marketing problems quickly, correctly and systematically.
- ❑ Marketing research collects full information about consumers.
- ❑ It finds out the needs and expectations of the consumers.
- ❑ So the company produces the goods according to the needs and expectations of the consumers.
- ❑ Marketing research helps the company
 - ❑ to make its production and marketing policies.
 - ❑ to introduce new products in the market. It helps to identify new-markets.
- ❑ Marketing research also collects full information about the competitors.
 - ❑ The company uses this information to fight competition.
 - ❑ It also helps the marketing manager to take decisions.



MARKET RESEARCH - DEFINITION

- ❑ MR is a special branch and soul of 'Marketing Management'.
- ❑ It is of recent origin and widely used by manufacturers, exporters, distributors and service organizations.
- ❑ Marketing research is very systematic, scientific, objective and organized.
- ❑ It has a wide scope. It includes product research, consumer research, packaging research, pricing research, etc.
- ❑ Marketing research is a continuous process. It has a few limitations.
- ❑ However, a company cannot survive and succeed without it.



MARKET RESEARCH - DEFINITION

Definition of Marketing Research

There are many definitions of marketing research. Some important ones are:

According to **American Marketing Association (AMA)**,

“Marketing Research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.”

According to **Philip Kotler**,

Marketing research is a systematic problem analysis, model building and fact finding for the purpose of improved decision-making and control in the marketing of goods and services.”

According to **Paul Green and Donald Tull**,

“Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing.”

According to **David Luck, Donald Taylor and Hugh Wales**,

“Marketing Research is the application of scientific methods in the solution of marketing problems.”



FEATURES OF MARKETING RESEARCH

❑ Wide and comprehensive scope

- ❑ Marketing research has a very wide scope.
- ❑ It includes product research, packaging research, pricing research, market research, sales research, etc.
- ❑ It is used to solve marketing problems and to take marketing decisions.
- ❑ It is used to make marketing policies.
- ❑ It is also used to introduce new products in the market and to identify new markets.
- ❑ Marketing research is used to select channels of distribution, in advertising strategy, for sales promotion measures, etc.

❑ Systematic and scientific

- ❑ Marketing research is conducted in a step-by-step manner.
- ❑ It is conducted in an orderly fashion. Therefore, it is systematic.
- ❑ Marketing research uses scientific methods. Thus, it is also scientific.

❑ Science and art

- ❑ A Science collects knowledge (data) while an Art uses this knowledge for solving problems.
- ❑ Marketing research first collects data. It then uses this data for solving marketing problems.
- ❑ Therefore, it is both, a Science and an Art.



FEATURES OF MARKETING RESEARCH

❑ Collects and analyzes data

- ❑ Marketing research gathers data accurately and objectively.
- ❑ It first collects reliable data and then analyses it systematically and critically.

❑ Continuous and dynamic process

- ❑ The company faces marketing problems throughout the year.
- ❑ Marketing research is conducted continuously.
- ❑ It continuously collects up-to-date data for solving the marketing problems.
- ❑ Large companies have their own marketing research departments.
- ❑ They conduct Marketing research continuously throughout the year
- ❑ Marketing research is a continuous process.
- ❑ It is a dynamic process because it goes on changing.
- ❑ It does not remain static (the same).
- ❑ It uses new methods and techniques for collecting, recording and analyzing the data.

❑ Tool for decision-making

- ❑ The marketing manager has to take many decisions. For this, he requires a lot of data.
- ❑ Marketing research provides correct and up-to-date data to the marketing manager.
- ❑ This helps him to take quick and correct decisions.
- ❑ Therefore, Marketing research is an important tool for decision-making.



FEATURES OF MARKETING RESEARCH

❑ Benefits company and consumers -

- ❑ It increases the sales and profits of the company.
- ❑ It helps the company to fight competition and boost its goodwill in the market.
- ❑ It reduces the marketing risks.
- ❑ Marketing research brings success to the company.
- ❑ It also brings the company closer to the consumers.
- ❑ It gives convenience and satisfaction to the consumers.

❑ Similar to military intelligence

- ❑ Marketing research is a commercial intelligence-gathering activity.
- ❑ It works similar to military intelligence.
- ❑ Marketing intelligence first makes a systematic study and only then takes a business action
- ❑ Marketing research collects reliable data about the consumers, the competitors, the market, etc.
- ❑ This data is then organised and used for planning, decision-making and problem solving.
- ❑ This data is also further used for introducing new products and services in the market.

❑ Applied research -

- ❑ Applied research is used for solving problems.
- ❑ Marketing research is used for solving marketing problems.
- ❑ Marketing research is also an applied research.
- ❑ It has a practical value because it is used for solving present and future problems.



FEATURES OF MARKETING RESEARCH

❑ Connected with MIS

- ❑ Marketing research is a component of Marketing Information System (MIS).
- ❑ Marketing research and MIS are interrelated.
- ❑ Both are used to solve marketing problems and to take marketing decisions.

❑ Reduces gap between producers and consumers

- ❑ Marketing research informs producers about the needs and wants of the consumers.
- ❑ The producers produce goods according to the needs and demands of the consumers.
- ❑ This brings satisfaction to the consumers and in return producers make good profits.
- ❑ Marketing research reduces the gap between the producers and the consumers.

❑ Uses different methods

- ❑ Marketing research uses three methods for collecting data, viz.,
 - ❑ Survey Method,
 - ❑ Experiment Method and
 - ❑ Observation Method.
- ❑ All three methods are scientific.
- ❑ The researcher has to use a suitable method for collecting a reliable data.



FEATURES OF MARKETING RESEARCH

❑ Has few limitations

- ❑ It is not an exact science.
- ❑ It does not give accurate results.
- ❑ It provides suggestions and not solutions.
- ❑ It is also a costly and time-consuming process.

❑ Accurate data collection and critical analysis

- ❑ Marketing research gives much importance to accurate data collection and its critical analysis.
- ❑ The data must be first collected accurately. i.e. collected data or gathered information must be accurate, reliable and relevant.
- ❑ This information must be systematically and critically examined before making any decisions.



IMPORTANCE OF MARKET RESEARCH



IMPORTANCE OF MARKET RESEARCH

- Identifying Problem And Opportunities In The Market
- Formulating Marketing Strategies
- Determining Consumer Needs And Wants
- For Effective Communication Mix
- Improving Selling Activities
- For Sales Forecasting
- To Revitalize Brands
- To Facilitate Smooth Introduction of New Products
- Determine Export Potentials
- Managerial Decision Making

IMPORTANCE OF MARKET RESEARCH



1. Identifying problem and opportunities in the market

- ❑ Helps in identifying new market opportunities for existing and new products
- ❑ It provides information on
 - ❑ Market share,
 - ❑ Nature of competition,
 - ❑ Customer satisfaction levels
 - ❑ Sales performance and
 - ❑ Channel of distribution
 - ❑ It helps the firm in solving problems

2. Formulating Market Strategies

- ❑ Markets have become global
- ❑ Manufacturers find it difficult to contact customers and control distribution channels
- ❑ MR helps in framing and implementing the market strategies

IMPORTANCE OF MARKET RESEARCH



3. Determining consumer needs and wants

- ❑ Marketing has become customer centric
- ❑ Large scale production needs intermediaries for mass distribution
- ❑ Due to prevalence of multi channels of distribution there is an information gap.
- ❑ MR helps in collecting information on consumers from structured distribution research
- ❑ Helps in making marketing customer oriented

4. For effective communication mix

- ❑ MR uses promotional research to study
 - ❑ media mix,
 - ❑ advertising effectiveness and
 - ❑ integrated communication tools
- ❑ Research help in promoting effectively a company's product in the market

IMPORTANCE OF MARKET RESEARCH



5. Improving selling activities

- ❑ MR is used to analyze and evaluate performances of a company within the market
- ❑ Studies effectiveness of sales force
- ❑ Helps in identifying sales territories and areas of shortcoming in sales
- ❑ Examines alternative methods for distribution of goods

6. For sales forecasting

- ❑ MR helps in sales forecasting by using
 - ❑ Market share method
 - ❑ Sales force estimate method
 - ❑ Jury method
- ❑ Help in fixing sales quotas and marketing plans

IMPORTANCE OF MARKET RESEARCH



7. To Revitalize Brands

- ❑ MR is used to study and find out the existing brand position
- ❑ It explores the possibilities of brand extension or prospects of changing existing brand names
- ❑ MR helps in developing techniques to popularize and retain brand loyalty

8. To Facilitate smooth introduction of new products

- ❑ MR helps in testing the new products in one or two markets on a small scale
- ❑ helps to find out consumer response to new product and develop a suitable marketing mix
- ❑ Reveals problems of the customers regarding new products
- ❑ It controls the risk involved in introducing a new product

IMPORTANCE OF MARKET RESEARCH



9. Determine export potentials

- ❑ Helps in conducting marketing survey for export
- ❑ It collects information on marketing environment prevailing in a country
- ❑ By collecting data on consumers of different countries, it indicates export potentials

10. Managerial Decision Making

- ❑ MR plays a vital role in decision making processes
- ❑ By supplying relevant up-to date and accurate data to decision makers
- ❑ Manager needs up to date information to
 - ❑ Access customer needs and wants
 - ❑ Market situation
 - ❑ Technological change and
 - ❑ Extent of competition

LIMITATIONS OF MARKET RESEARCH



- ❑ **Marketing Research (MR) is not an exact science**
 - ❑ It uses the techniques of science.
 - ❑ The results and conclusions drawn upon by using MR are not very accurate.

- ❑ **The results of MR are very vague**
 - ❑ MR is carried out on consumers, suppliers, intermediaries, etc. who are humans.
 - ❑ Humans have a tendency to behave artificially when they know that they are being observed.
 - ❑ The consumers and respondents upon whom the research is carried behave artificially when they are aware that their attitudes, beliefs, views, etc are being observed.

- ❑ **MR is not a complete solution to any marketing issue**
 - ❑ There are many dominant variables between research conclusions and market response.

LIMITATIONS OF MARKET RESEARCH



- ❑ **MR is not free from bias.**
 - ❑ The research conclusions cannot be verified.
 - ❑ The reproduction of the same project on the same class of respondents give different research results.

- ❑ **Inappropriate training to researchers**
 - ❑ Can lead to misapprehension of questions to be asked for data collection.

- ❑ **Many business executives and researchers have ambiguity**
 - ❑ about the research problem and it's objectives.
 - ❑ They have limited experience of the notion of the decision-making process.
 - ❑ This leads to carelessness in research and researchers are not able to do anything real.

- ❑ **There is less interaction**
 - ❑ Between the MR department and the main research executives.
 - ❑ The research department is in segregation.
 - ❑ This all makes research ineffective.

LIMITATIONS OF MARKET RESEARCH



- ❑ **MR faces time constraint.**
 - ❑ The firms are required to maintain a balance
 - ❑ Between the requirement for having a broader perspective of customer needs and
 - ❑ The need for quick decision making so as to have competitive advantage.

- ❑ **Huge cost is involved in MR**
 - ❑ as collection and processing of data can be costly.
 - ❑ Many firms do not have the proficiency to carry wide surveys for collecting primary data and
 - ❑ might not also able to hire specialized market experts and research agencies to collect primary data.
 - ❑ Thus, in that case, they go for obtaining secondary data that is cheaper to obtain.

- ❑ **MR is conducted in open marketplace**
 - ❑ where numerous variables act on research settings.

TYPES OF MARKETING RESEARCH



1. Exploratory Research
2. Descriptive Research
3. Causal Research

EXPLANATORY RESEARCH



- ❑ **Exploratory research is used in cases**
 - ❑ where the marketer has little or no understanding about the research problem due to lack of proper information.
 - ❑ For example,
 - ❑ a marketer has heard about social media marketing techniques
 - ❑ which are employed by their competitors with great success
 - ❑ but he is not familiar with using these for his products/services.

- ❑ He needs to use exploratory market research to gain/discover insights about this situation.

- ❑ **Exploratory research is used when the goal of the marketer is**
 - ❑ To precisely formulate problems,
 - ❑ Clear concepts,
 - ❑ Gain insights,
 - ❑ Eliminate impractical ideas and
 - ❑ Form hypotheses then

EXPLANATORY RESEARCH



❑ Exploratory research follows

- ❑ an unstructured format and
- ❑ makes use of qualitative techniques, secondary research and experts opinions.
- ❑ For example,
 - ❑ the marketer from the previous case can
 - ❑ use books,
 - ❑ syndicated research,
 - ❑ case studies,
 - ❑ focus groups,
 - ❑ expert interviews and
 - ❑ survey techniques to conduct exploratory research.

EXPLANATORY RESEARCH



- ❑ The results of exploratory research can't be used for marketing decisions in most cases

- ❑ Then why to do exploratory research is used in the first place?

- ❑ the goal of exploratory research is to equip marketers with enough information
 - ❑ to facilitate marketers plan a format research design correctly.
 - ❑ For example by conducting exploratory research the marketer can find out
 - ❑ that the competition is using popular social media channels like
 - ❑ Facebook,
 - ❑ Twitter,
 - ❑ LinkedIn and
 - ❑ YouTube
 - ❑ to reach target consumers effectively and successfully engaging customers with the brand directly.
 - ❑ with this information he can plan a formal research design to test his hypothesis.

DESCRIPTIVE RESEARCH



- ❑ Descriptive research is used to find accurate answers of questions like:
 - ❑ Who are users of my products / services?
 - ❑ How they are using my products / services?
 - ❑ What proportion of population uses my products / services?
 - ❑ What is the future demand for my products / services?
 - ❑ Who are all my competitors?

- ❑ Thus descriptive research is used to explain,
 - ❑ monitor and test hypotheses created by marketers
 - ❑ to help them find accurate answers.
 - ❑ descriptive research is
 - ❑ rigid,
 - ❑ well structure and
 - ❑ well planned and
 - ❑ uses quantitative techniques like questionnaires, structured interviews, data analysis etc.

DESCRIPTIVE RESEARCH



□ For example,

- the marketer from previous case and use descriptive research to find out if he also starts using social media marketing techniques for promoting his products and services then:
 - How many of his current customers will be attracted to them?
 - How many new customers can be engaged using social media?
 - How much time, effort and money will be involved in this activity?
 - What will be the predicted return on investment (RoI)?
 - Will he be able to attract competitor's customers?



CAUSAL RESEARCH

- ❑ Causal research is used by marketers
 - ❑ to find cause and effect relationship of variables
 - ❑ It is also sometimes referred as “If.. Then...” method.
 - ❑ the marketer tries to understand the effects of manipulating independent variable on other dependent variable.

- ❑ Causal research uses field and laboratory experimentation techniques to achieve its goals.

- ❑ This research is used by marketers mainly to predict and test hypotheses.

- ❑ Let’s take some test cases where causal research can be used:
 - ❑ What will happen to sale of my product if I change the packaging of the product?
 - ❑ What will happen to sale of my product if I change the design of the product?
 - ❑ What will happen to sale of my product if I change the advertising?

TYPES OF RESEARCH



- ❑ The type of information you want to gather about
 - ❑ your customers,
 - ❑ market or
 - ❑ competitors
 - ❑ will influence the research methods you choose.

- ❑ There are different ways to gather information
 - ❑ Primary Sources or
 - ❑ Secondary Sources

- ❑ Different types of information to gather
 - ❑ Quantitative and
 - ❑ Qualitative.

- ❑ You may use any combination of these research approaches to get the results you need.

- ❑ Primary and secondary research relate to the way you gather information.

PRIMARY RESEARCH



- ❑ Primary research
 - ❑ gathers original information directly
 - ❑ for your purpose,
 - ❑ rather than being gathered from published sources.
- ❑ Primary research includes:
 - ❑ surveys
 - ❑ direct observations
 - ❑ interviews and focus groups that are developed and conducted by you or your researcher.
- ❑ Primary research gives
 - ❑ you control over the type of questions you ask and
 - ❑ information you gather.
- ❑ Primary research results can be
 - ❑ extremely valuable;
 - ❑ they can also be much more time-consuming and
 - ❑ costly to gather than secondary research.
- ❑ You may choose to use primary research methods once you have conducted secondary research to determine what information already exists.



SECONDARY RESEARCH

- ❑ Secondary research (or desk research) gathers existing information through available sources.

- ❑ Secondary research examples include:
 - ❑ information on the internet
 - ❑ existing market research results
 - ❑ existing data from your own stock lists and customer database
 - ❑ information from agencies such as industry bodies, government agencies, libraries and local councils.

- ❑ Secondary research allows
 - ❑ you to make the most of existing information about your market.
 - ❑ It can be a challenge to find the information you really need.

- ❑ You may use secondary research
 - ❑ to get an initial understanding of your market.
 - ❑ It is faster to analyse than primary data because,
 - ❑ in many cases, someone else may have already started analysing it.

- ❑ Be careful how you interpret Secondary research,
 - ❑ it may have been collected for a different purpose or from a market segment that isn't relevant to your business.
 - ❑ Also make sure that any secondary information isn't out-of-date,
 - ❑ as the market can change quickly and this will affect your results.

- ❑ As well as understanding your market,
 - ❑ you can also use secondary research to examine factors inside your business, such as sales figures and financial records.

QUANTITATIVE RESEARCH



- ❑ Quantitative research gathers **numerical data**.

- ❑ Quantitative research includes:
 - ❑ surveys on customer return frequency
 - ❑ sales figures
 - ❑ industry product sales numbers
 - ❑ online or phone questionnaires
 - ❑ financial trends.

- ❑ You can use this approach to identify
 - ❑ the size of your market and
 - ❑ how much it might be worth to your business, and
 - ❑ to find areas for sales growth.

- ❑ Quantitative research can also help you understand
 - ❑ the demographics of customers, such as their age and gender.

- ❑ Quantitative research often produces
 - ❑ a lot of statistics.
 - ❑ These are useful as an overview of your market, make sure you don't rely solely on statistics in your research.
 - ❑ Consider all of the information you have.

- ❑ For example,
 - ❑ the 'average' price your target market suggested it would pay for a product could be distorted
 - ❑ if a few participants selected a very high amount (i.e. not reflecting the high number who would not pay that much).

QUALITATIVE RESEARCH



- ❑ Qualitative research gathers views and attitudes.

- ❑ Qualitative research includes:
 - ❑ Focus groups with customers and potential customers to understand their feelings and attitudes towards your products and services
 - ❑ Formal and informal conversations with customers about their satisfaction with your business
 - ❑ Visits and reviews of competitors to understand their products and customer service practices.

- ❑ It is used to get a better understanding
 - ❑ Of your customers' interests, needs and habits, and
 - ❑ Identify opportunities for growing sales and improving customer service.

- ❑ Analysing qualitative data requires
 - ❑ A different approach and
 - ❑ Can take longer to interpret than quantitative data
 - ❑ Because of the nature of the information.

PRODUCT RESEARCH



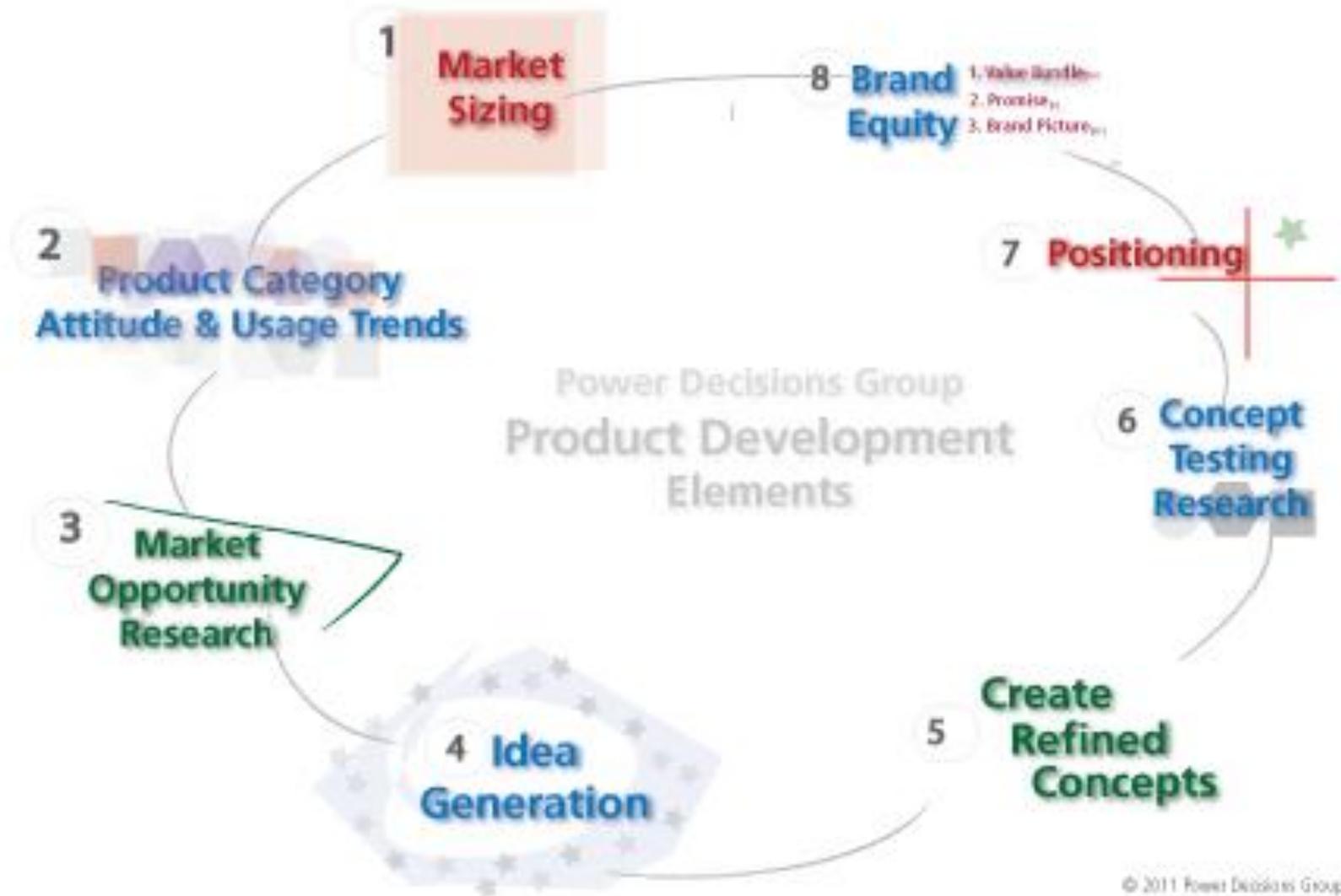
- ❑ Product development marketing research serves several goals:
 - ❑ new product design and market validation research, or
 - ❑ assessing existing products.

- ❑ The goal -- and your overall positioning and market strategy -- drive our product research design.

- ❑ These steps show when product research may be needed to increase the probability of optimum decisions and successful market impact

- ❑ Effective product market research -- for new products and existing products
 - ❑ is well integrated with R&D and technical product design functions.
 - ❑ For consumer or business B2B product market research
 - ❑ We take a global approach
 - ❑ Incorporating appropriate market research at each design stage:
 - ❑ The goal is to align astute technical product R&D,
 - ❑ Product innovation and design with market demand.
 - ❑ We include in our services the following new product development and research services :

PRODUCT RESEARCH



PRODUCT RESEARCH



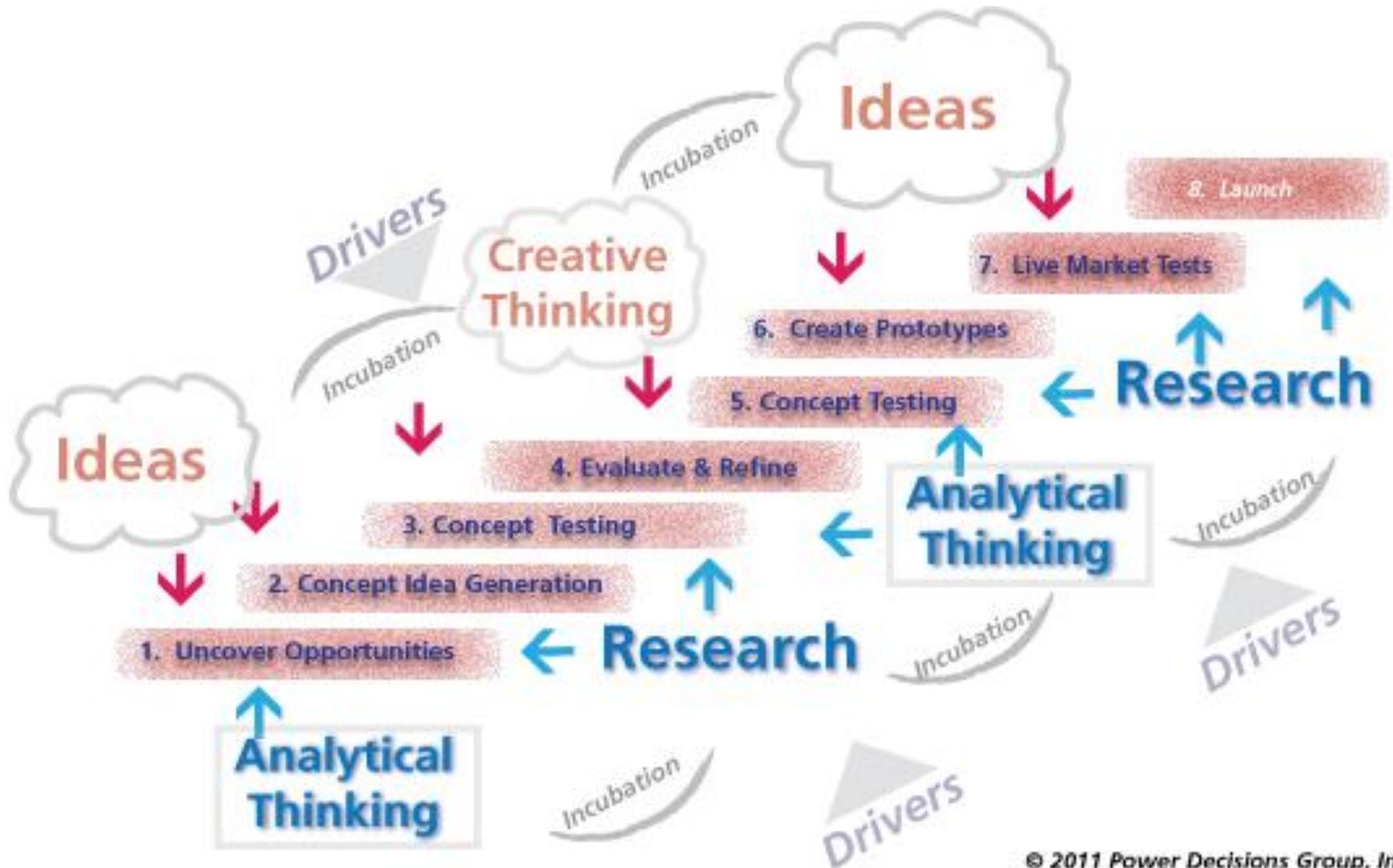
- ❑ New Product Development Stages

- ❑ For new product development market research,
 - ❑ the question becomes one of matching the stage of new product development
 - ❑ with the right creative or product market research method.
 - ❑ Marketing Intelligence Platform to guide the use of the three forms of Intelligence –
 - ❑ Ideas,
 - ❑ Data, &
 - ❑ Drivers – to the product development process.
 - ❑ We provide consulting and specific new product research market research capabilities at each new product development stage.

- ❑ Product development market research methods and tools used
 - ❑ may vary according to the product type,
 - ❑ the extent of incremental change from other products,
 - ❑ the investment and risk factors, and
 - ❑ the costs of seeding the new product in the marketplace.

- ❑ Product development
 - ❑ is a sequential decision process.
 - ❑ It's a series of decisions,
 - ❑ It is key, to concentrate attention on the precise new product decision at hand, and think through the market research and creative tools needed for that stage.

PRODUCT RESEARCH



SALES RESEARCH



Using market research to increase sales

- ❑ Understanding your market is your first step to developing a good sales plan.
- ❑ To understand your market you will need to carry out market research.

- ❑ Market research
 - ❑ An effective sales plan relies heavily on market research.
 - ❑ Summarise your business's target market segments. Describe:
 - ❑ your target market segments
 - ❑ the types of people in that market
 - ❑ the numbers in each market segment
 - ❑ segment classifications according to previous sales volume or potential sales volume.

- ❑ Based on your market research, explain:
 - ❑ why there is a demand for what you're selling
 - ❑ your current market position - including any strengths, weaknesses, opportunities or threats
 - ❑ your competitors' strengths, weakness, opportunities and threats.

- ❑ Your sales plan might also include market research about emerging or forecasted trends in your chosen market.

SALES RESEARCH



- ❑ Using your marketing plan
- ❑ Marketing is positioning your business's reputation in a way that ideally matches your chosen market's needs and wants.
- ❑ Your marketing plan will help you:
 - ❑ define and build your chosen business reputation
 - ❑ increase your customers' awareness of your ability to meet their needs
 - ❑ communicate with your customers in the way that increases your customers' opinion of and reliance on your business.
- ❑ Your marketing plan will influence your approach to sales from strategy to point of sale.
- ❑ Market assumptions
- ❑ Make a list of assumptions to describe the facts or beliefs that influence your sales plan, such as the:
 - ❑ number of customers you expect to retain
 - ❑ capabilities of your competitors
 - ❑ amount of competition you have
 - ❑ resources required to continue your operations
 - ❑ costs of materials and labour.
- ❑ Your periodical sales plan reviews will allow you to consider
 - ❑ whether your assumptions remain relevant over time.
 - ❑ If you find your assumptions have changed, it might also be time to make changes to your sales plan.

CONSUMER RESEARCH (CR)



- ❑ Goal of CR is to serve as the voice of the consumer.

- ❑ MR focuses on understanding the consumer as a person
 - ❑ by focusing on exploring his or her attitudes,
 - ❑ needs,
 - ❑ motivations, and
 - ❑ behavior as it relates to a product or service.

- ❑ CR helps to provide a company with
 - ❑ relevant,
 - ❑ reliable,
 - ❑ valid, and
 - ❑ current information of their target buyer.

- ❑ The primary goal of consumer market research is to
 - ❑ identify,
 - ❑ understand, and
 - ❑ analyze customers and their needs.

CONSUMER RESEARCH



- ❑ CR provides answers to the following questions
 - ❑ Who are the buyers of the product?
 - ❑ What, Where, Why and When do they buy?
 - ❑ How do they buy?
 - ❑ How often do they buy?
 - ❑ How often do they use it?

- ❑ Areas of CR Research
 - ❑ Geographic allocation of consumers
 - ❑ Needs, wants, likes and dislikes, preferences, of consumers
 - ❑ Buying motives
 - ❑ Product / Brand performances
 - ❑ Factors influencing consumer purchase decision
 - ❑ Response of consumers to new products
 - ❑ Frequency of purchase
 - ❑ Terms of Sale (Cash / Credit purchases)
 - ❑ Sensitivity to changes of product prices
 - ❑ Features and benefits of the products and impact on consumers
 - ❑ Distribution channel preferences



PROMOTION RESEARCH

- ❑ Promotion has most significant of the four Ps of marketing.

- ❑ A marketer may
 - ❑ Create a great product,
 - ❑ Price it reasonably enough and
 - ❑ Place it in outlets all over the country,
 - ❑ But unless he has created an awareness about all that he has done
 - ❑ The consumer would not even ask for it.

- ❑ Promotion refers to
 - ❑ All the non-advertising activities carried out to build awareness or
 - ❑ A favorable image about a product or a service.
 - ❑ Promotions include exhibitions, trade fairs, contests and road shows.
 - ❑ Promotion research helps an organisation
 - ❑ foresee the outcome of all such activities it wishes to undertake.

ADVERTISING RESEARCH



- ❑ A huge amount of money of any organization's marketing expenditure is spent on advertising.
- ❑ A good advertisement can do wonders to an organization's topline;
- ❑ A bad one can tarnish its image for several years to come.
- ❑ The advent of globalisation has actually left only a nominal significance for national boundaries.
- ❑ The incorporation of practices and beliefs typical to foreign cultures has taken place at a rather fast pace.
- ❑ Our preference for cholle-bhature and idli-dosas has been subtly replaced by that for burgers and pizzas, thanks to the McDonaldisation of India.
- ❑ All this has posed a great challenge for advertisers, and this is precisely where advertising research comes in handy.

PRODUCT RESEARCH V/S CONSUMER RESEARCH



PARTICULARS	PRODUCT RESEARCH	CONSUMER RESEARCH
1. Meaning	PR is basically concerned with the analysis of company's products in order to assess the degree of consumer acceptance of the products	CR is basically concerned with what, where, when and how queries about the consumers
2. Objective	To design products as per the expectations of consumers raising the rate of product acceptance through suitable innovation / modification	To provide demographic & psychographic information about consumers for reasonably accurate decision – making on production & marketing activities of the firm
3. Methods used	It is conducted through laboratory tests or through product image tests or through test marketing	CR is possible through consumer surveys, consumer panels and market visits.

PRODUCT RESEARCH V/S CONSUMER RESEARCH



PARTICULARS	PRODUCT RESEARCH	CONSUMER RESEARCH
4. Coverage	PR is mainly concerned with product innovation, development, and modification	CR is concerned with consumer behavior their likes and dislikes needs expectations and so on
5. Scope	It includes various aspects like attributes of products, selling, points of the product, product design, packaging and branding	It includes the study of location of consumers habits of consumers, buying motives, consumer behavior, consumer attitudes and types of consumer

Part 2

THE END

PART 3





UNIT III – MARKETING MIX

MARKETING MIX

- DEFINITION
- IMPORTANCE
- CHARACTERISTICS / FEATURES / NATURE
- 7 P'S OF MARKETING MIX
- FACTORS AFFECTING MARKETING MIX

PRODUCT

- PRODUCT MIX
- PRODUCT LINE LIFECYCLE
- PRODUCT PLANNING
- NEW PRODUCT DEVELOPMENT
- FAILURE OF NEW PRODUCT
- LEVELS OF PRODUCT

BRANDING

- PACKING AND PACKAGING ROLE
- IMPORTANCE

PRICING

- OBJECTIVES
- FACTORS INFLUENCING PRICING
- POLICY AND PRICING STRATEGY

PHYSICAL DISTRIBUTION

- MEANING
- FACTOR AFFECTING CHANNEL SELECTION
- TYPES OF MARKETING CHANNELS

PROMOTION

- MEANING AND SIGNIFICANCE OF PROMOTION
- PROMOTION TOOLS

MARKETING MIX - DEFINITIONS



- ❑ 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.

- ❑ Nowadays, the marketing mix increasingly includes several other Ps like
 - ❑ Packaging
 - ❑ Positioning,
 - ❑ People and
 - ❑ Even Politics as vital mix elements.

MARKETING MIX - DEFINITIONS



- ✘ Referring to E. Jerome McCarthy's 4 P classification for developing an effective marketing strategy, encompasses:
 - + product,
 - + price,
 - + placement (distribution) and
 - + promotion.

- ✘ When it's a consumer-centric marketing mix, it has been extended to include three more Ps:
 - + people,
 - + process and
 - + physical evidence, and

- ✘ three Cs:
 - + cost,
 - + consumer and
 - + competitor.

- ✘ Depending on the industry and the target of the marketing plan, marketing managers will take various approaches to each of the four Ps

WHAT IS THE IMPORTANCE OF THE MARKETING MIX?

- ❑ All the elements of the marketing mix influence each other.
- ❑ Marketing Mix make up the business plan for a company and handled right, can give it great success.
- ❑ But handled wrong and the business could take years to recover.
- ❑ The marketing mix needs
 - ❑ a lot of understanding,
 - ❑ market research and
 - ❑ consultation with several people,
- ❑ From users to trade to manufacturing and several others.



CHARACTERISTICS/FEATURES/NATURE OF MM

1. Marketing mix is the crux of marketing process:

- ❑ Marketing mix involves many crucial decisions relating to each element of the mix.
- ❑ The impact of the mix will be the best when proper weightage is assigned to each element and they are integrated
- ❑ the combined effect leads to the best results.

2. Marketing mix has to be reviewed constantly in order to meet the changing requirements:

- ❑ The marketing manager has to constantly review the mix and conditions of the market
- ❑ Make necessary changes in the marketing mix
- ❑ According to changes in the conditions and complexity of the market.

3. Helps to achieve organizational goals:

- ❑ An application of an appropriate marketing mix helps to achieve organizational goals
 - ❑ such as profits and market share.

CHARACTERISTICS/FEATURES/NATURE OF MM

4. Changes in external environment necessitate alterations in the mix:

- ❑ Changes keep on taking place in the external environment.
- ❑ For many industries, the customer is the most fluctuating variable of environment.
- ❑ Customers' tastes and preferences change very fast.
- ❑ Brand loyalty and purchasing power also change over a period.
- ❑ The marketing manager has to carry out market analysis constantly to make necessary changes in the marketing mix.

5. Changes taking place within the firm also necessitate changes in marketing mix:

- ❑ Changes within the firm may take place
 - ❑ due to technological changes,
 - ❑ changes in the product line or
 - ❑ changes in the size and scale of operation.
 - ❑ Such changes call for similar changes in the marketing mix.

CHARACTERISTICS/FEATURES/NATURE OF MM

6. Applicable to business and non-business organization:

- ❑ Marketing mix is applicable not only to business organizations but also to non-business organizations,
 - ❑ such as clubs and educational institutions.
 - ❑ For instance, an educational institution is expected to provide
 - ❑ the right courses (product),
 - ❑ charge the right fees (price),
 - ❑ promote the institution and the courses,
 - ❑ and provide the courses at the right place.

7. Concentrates on customers:

- ❑ A thorough understanding of the customer is common to all the four elements.
- ❑ The focus point of marketing mix is the customer, and
- ❑ the marketing mix is expected to provide maximum customer satisfaction.

THE 7P'S OF MARKETING MIX

- ❑ **PRODUCT:** means the goods and services combination the company offers to the target market
- ❑ **PRICE:** Is the amount of money customers have to pay to obtain the product
- ❑ **PLACE:** Includes company activities that make the product available to target consumers
- ❑ **PROMOTION:** means activities that communicates the merits of the product and persuade target customers to buy it



NEW ELEMENTS OF 7P'S



5. People

- + This is a vital element of the service marketing mix.
- + When a service is being delivered, the person delivering it is not unique from the service itself.
- + When dining at a restaurant, if a rude waiter is encountered, the entire experience will be labeled as bad service.
- + This is why many businesses invest in defining the right kind of person to fill their service role
- + then making efforts to find or train people to fit this definition.

6. Process

- + Since service provision needs to strike a balance between customization and standardization,
- + the processes involved in the activity require special mention and attention.
- + A process needs to be clearly defined for the service provider.
- + This basic process should ensure the same level of service delivery to every customer, at any time of day, on any day.
- + Within this process, there should be defined areas where a customer preference can be accommodated to provide a unique experience.

7. Physical Evidence

- + The location of the service delivery also takes on significance.
- + The level of comfort and attractiveness of a service location may make a lot of difference to the user experience.
- + A calm and soothing environment with thoughtful comfort measures may provide a sense of security to a new customer which will make them return.

FACTORS AFFECTING MARKETING MIX



Large number of factors influencing or affecting marketing mix

❑ Factors relating to Market (Market Factors)

- ❑ Market factors are uncontrollable
- ❑ It relates to external environment
- ❑ Companies do not have control on market factors
- ❑ They affect the marketing activities of the company

❑ Factors relating to Marketing

- ❑ Marketing factors are controllable
- ❑ These relates to internal environment
- ❑ Companies have complete control on the marketing factors

MARKET FACTORS



❑ Consumer Behavior

- ❑ MM must be designed only after studying the consumer behavior
- ❑ The marketer has to study the needs, wants, tastes, habits,, preferences etc. of consumers
- ❑ It is also necessary to understand how consumers take the purchase decision

❑ Competition

- ❑ It heavily influences the demand of goods and services of an organisation
- ❑ Before deciding on the marketing mix, marketing manager should study the competitive conditions in the market
- ❑ Before preparing the marketing mix, marketing manager should
 - ❑ consider the characteristics of competitors products and
 - ❑ their marketing strategies

MARKET FACTORS



❑ Pattern of distribution system

- ❑ Marketing manager should consider the various forms of distribution system
- ❑ Nature and behavior of distributors before deciding upon the marketing mix of his company

❑ Government controls

- ❑ The government makes different marketing laws regarding
 - ❑ Product
 - ❑ Quality
 - ❑ Price
 - ❑ Advertising
 - ❑ Packaging
- ❑ Marketing mix should be as per these laws

MARKETING FACTORS



❑ Product Planning

- ❑ The product should have the quality of satisfying the customer's needs &
- ❑ It should plan and devise its products accordingly
- ❑ Product Planning is
 - ❑ the act of making out and supervising the search
 - ❑ Screening development and commercialization of new products
 - ❑ Modifications of existing lines and
 - ❑ The discontinuation of marginal or unprofitable items
- ❑ The product quality can be improved to suit the customers needs

❑ Brand Policy

- ❑ Branding is very important
- ❑ It creates brand loyalty
- ❑ Protects the brand from imitation
- ❑ Marketing manager may select single brand for al the products or
- ❑ Different brand for different products

MARKETING FACTORS



❑ Packaging Policy

- ❑ Marketers are adopting innovative and attractive packaging due to increase in competition
- ❑ Packaging affects the demand for a product
- ❑ Packaging serves **three** main purposes
 - ❑ Protection of goods
 - ❑ Enhancement of the product value
 - ❑ Advertising the product
- ❑ It improves the total profit of the company
 - ❑ by increasing total demand
 - ❑ Due to improved public image

❑ Personal Selling

- ❑ Marketing manager decides whether to promote the sale through personal selling
- ❑ It involves decision regarding recruitment, training and organisation of salesman, to sell the products of the company

MARKETING FACTORS



❑ **Distribution channels**

- ❑ Marketing manager decides about the appropriate distribution channels for his product
- ❑ He has to consider factors while making selection of distribution channel
- ❑ He may opt for one type of distribution channel for all product or different channels for different product

❑ **Advertisement Policy**

- ❑ Advertisement is used to
 - ❑ Increase demand of the product
 - ❑ To maintain the demand of the existing product
 - ❑ To give product information
- ❑ The marketing manager has to decide regarding
 - ❑ The advertisement **Copy**
 - ❑ **Time** of advertisement
 - ❑ The advertisement **Message**
 - ❑ The advertisement **Media**
 - ❑ The advertisement **Budget**
 - ❑ Evaluating the **Effectiveness** of advertisement

MARKETING FACTORS



❑ Sales Promotion

- ❑ The marketing manager has
 - ❑ To take help of different sales promotion programs for increasing the product demand

❑ Physical distribution

- ❑ The marketing manager has to decide policy of physical distribution of goods including
 - ❑ Transportation
 - ❑ Warehousing
 - ❑ Finance management
- ❑ To ensure that the product may be made available at right time and place
- ❑ With minimum distribution cost to the right consumers

❑ Product Life Cycle (PLC)

- ❑ The marketing manager adopts different marketing strategies in different stages of PLC
- ❑ The marketing mix of the product depends upon the stage which the product is in

MARKETING FACTORS



❑ **Market segmentation**

- ❑ Marketing mix depends upon the market segment the marketer has selected

❑ **Market Research**

- ❑ MR provides valuable information regarding consumer preferences, competitors policies etc.
- ❑ The necessary information for taking marketing decisions is collected only through MR
- ❑ Marketing manager can use such information in preparing the marketing mix



END OF TODAY'S SESSION

TODAY'S SESSION 07.07.2015

PRODUCT

- PRODUCT MIX
- PRODUCT LINE LIFECYCLE
- PRODUCT PLANNING
- NEW PRODUCT DEVELOPMENT
- FAILURE OF NEW PRODUCT
- LEVELS OF PRODUCT

PRODUCT MIX - DEFINITION



- ❑ The term ‘product mix’ implies
 - ❑ All the products offered by a firm for sale.
 - ❑ It may consist of one line products or several allied product lines.

- ❑ Product line refers to an
 - ❑ Assortment or class of similar or related products and services.
 - ❑ They may be similar in technology, customers needs, channel used, market served or in some other respect.
 - ❑ An individual product in a line is known as a product item.
 - ❑ There are several product items in a product line.

- ❑ Product mix has three important aspects—width, depth and consistency.
 - ❑ Width of the product mix is measured by the number and variety of product lines offered by a firm.
 - ❑ It shows the degree of diversification of a firm’s activities.
 - ❑ The depth of product mix is determined by the number of items in a product line.

PRODUCT MIX - DEFINITION



- ❑ By offering several brands of a product,
 - ❑ a firm can cater to widely varying needs and tastes of customers and
 - ❑ thereby beat its competitors.
 - ❑ For instance, the range of bathing soaps
 - ❑ (Lifebouy, Lux, Rexona, Liril, etc.) offered by Hindustan Lever Ltd. shows the depth of its product line
 - ❑ while the width of its product mix consists of Dalda Vanaspati, Close-up Toothpaste, Talcum powder, etc. in addition to the soaps.

- ❑ The consistency of product mix refers
 - ❑ to the degree of similarity between product lines in terms of their
 - ❑ end-use,
 - ❑ production requirements,
 - ❑ price ranges,
 - ❑ distribution channels,
 - ❑ advertising media, etc.

- ❑ These dimensions of the product mix
 - ❑ serve as guides to decisions regarding the additions and deletions of product items and line.
 - ❑ By increasing the consistency of product mix, a firm can reduce its costs of operations and acquire unparalleled reputation in the market.

PRODUCT LINE



- ❑ A product line is
 - ❑ a group of products that are closely related to each other
 - ❑ by function, customer group, market, or price range.

- ❑ Let's take a look at a simple example.
 - ❑ We'll use the idea of a national coffee chain.
 - ❑ The various types of coffee served at the coffee chain are one of its product lines.
 - ❑ For example, the product lines may consist of espresso, cappuccinos, lattes, mochas, café au lait, regular auto-drip coffee, and various signature coffee drinks that were created by the company.
 - ❑ The coffee shop may also have a product line of pastries and muffins that are served in the morning and sandwiches and soups that are served in the afternoon and evenings.

PRODUCT LINE



- ❑ For Example:-
- ❑ A range of toilet soaps is a product line.
- ❑ Godrej has a product line of toilet soaps comprising
 - ❑ Cinthol,
 - ❑ Vigil,
 - ❑ Fresca,
 - ❑ Ganga etc.

- ❑ Bajaj Electrical has product line of manufacturer of
 - ❑ Electrical fans,
 - ❑ Electric lamps,
 - ❑ Cables,
 - ❑ Electric irons,
 - ❑ Heaters,
 - ❑ Transformers etc.

FACTORS DETERMINING PRODUCT LINE DECISIONS

Product line decisions are taken after considering the following factors

- ❑ Consumer preferences
- ❑ Strategies and tactics of competitors
- ❑ Firms cost structure
- ❑ Changes in market demand
- ❑ Buying habits
- ❑ Marketing influences
- ❑ Company objectives
- ❑ Product specialization
- ❑ Line modernization
- ❑ Elimination of obsolete products



LIFE CYCLE OF A PRODUCT





LIFE CYCLE OF A PRODUCT

□ Introduction

- The service is new as it is just launched
- Usage rate will be low
- Production cost is high
- Sales being smaller the revenue is low
- Until the growth stage the service provider mostly operate from one location

□ Growth

- Rapid increase in the sales at this stage
- Sales increases at an increasing rate
- Customer see the benefits in using the services
- Promotion is focused to attract new users and retain repeat customers
- Firm may improve service quality and add some more new features to attract customers



LIFE CYCLE OF A PRODUCT

❑ Maturity

- ❑ Product / Service enters the stage of maturity
- ❑ Rate of growth slows down
- ❑ Sales are increasing but at a decreasing rate
- ❑ Sales touch their peak
- ❑ Saturates at that level for a longer period of time
- ❑ There is intense competition at this stage
- ❑ In order to keep its market stage may modify and improve service quality

❑ Decline

- ❑ The usage of the service rate diminishes
- ❑ Due to the technological development and changing consumer tastes
- ❑ The service provider uses different strategies at this stage

PRODUCT PLANNING



What is Product Planning?

- ❑ In order to maximize his sales revenue and profits,
 - ❑ a business firm must continuously adjust and adapt its products and services to the changing requirements of customers.
 - ❑ From time-to- time, it may have to design and develop new products.

- ❑ Product planning is
 - ❑ the process of searching ideas for new products,
 - ❑ screening them systematically,
 - ❑ converting them into tangible products and
 - ❑ introducing the new product in the market.
 - ❑ It also involves the formation of product policies and strategies.

- ❑ Product planning includes
 - ❑ improvements in existing products
 - ❑ as well as deletion of unprofitable or marginal products.
 - ❑ It also encompasses product design and engineering which is also called product development.
 - ❑ Product planning comprises all activities starting with the conception of product idea and ending up with full scale introduction of the product in the market.

PRODUCT PLANNING



- ❑ It is a complex process requiring
 - ❑ effective coordination between different departments of the firm.
 - ❑ It is intimately related with technical operations of the organisation,
 - ❑ particularly with engineering, research and development departments.

- ❑ Any product has two broad objectives—
 - ❑ immediate objectives and
 - ❑ Immediate objectives include satisfaction of immediate needs of consumers, increasing sales, utilizing idle plant capacity, etc.
 - ❑ ultimate objectives.
 - ❑ Permanent or ultimate objectives consist of reduction in production costs, creation of brand loyalty, monopolizing the market, etc.



PRODUCT PLANNING

Significance and Objects:

- ❑ Product planning and development is a vital function due to several reasons.
 - ❑ First, every product has a limited life span and needs improvement or replacement after some time.
 - ❑ Secondly, needs, fashions and preferences of consumers undergo changes requiring adjustments in products.
 - ❑ Thirdly, new technology creates opportunities for the design and development of better products.
 - ❑ Product planning and development facilitate the profitability and growth of business.
 - ❑ Development of new products enables a business to face competitive pressures and to diversity risks.
 - ❑ Product is the most important constituent of marketing mix.

PRODUCT PLANNING



- ❑ **Product development is a continuous and dynamic function.**
 - ❑ Continuous adjustments and improvements in the product are necessary to minimize costs of production and to maximize sales.
 - ❑ High rate of product obsolescence requires product innovation frequently.
 - ❑ At the same time, cost and time scales have increased. In some products, the gestation period is very long, sometimes longer than the life of the product.

- ❑ **Finding and meeting the needs of customers is the key element in a successful marketing strategy.**
 - ❑ New product development has become all the more important in the modern world
 - ❑ Characterized by technological change and market dynamics.

PRODUCT PLANNING



- ❑ **New product development brings opportunities but also involves heavy commitment of finance, technology and even emotional attachment.**
 - ❑ New product decisions are necessary as well as costly.
 - ❑ Many new products fail causing ruin to business firms.

- ❑ **The role of R&D expert has become very important.**
 - ❑ He needs to be in touch with sales persons and actual end users.
 - ❑ Successful technological innovation involves great resources as well as great risks.
 - ❑ Product innovators face spectacular successes as well as disastrous failures.

- ❑ **Most of the new product ideas do not become actual products.**
 - ❑ Many new products achieve limited acceptance in the market.
 - ❑ This is so because firms very often are reluctant to move away from tried and tested products.

PRODUCT PLANNING



- ❑ **Thus, product planning is required for the following reasons:**
 - (i) To replace obsolete products;
 - (ii) To maintain and increase the growth rate/sales revenue of the firm;
 - (iii) To utilize spare capacity;
 - (iv) To employ surplus funds or borrowing capacity; and
 - (v) To diversify risks and face competition.

ELEMENTS OF PRODUCT PLANNING

❑ **Research before production**

- ❑ Before taking a decision to produce a new item,
 - ❑ the marketer should research to determine
 - ❑ what should be produced and for whom
- ❑ Determine the nature of all products that can meet the customer's requirement

❑ **Production method**

- ❑ Marketer should decide the method of production
- ❑ To produce a product that exactly meets the customer requirement's

❑ **Modification of existing lines**

- ❑ Marketer should diagnose the existing production lines
- ❑ To determine whether they need to be improved or
- ❑ A new line needs to be established
- ❑ In case it is possible to modify the existing line than to what extent

ELEMENTS OF PRODUCT PLANNING

- ❑ Product impairment
 - ❑ Product planning involves decision regarding
 - ❑ The improvement of the existing product
 - ❑ In terms of quality, packing, competitors strategy etc.

- ❑ Price Determination
 - ❑ It involves determination of price of the product
 - ❑ After taking into account the
 - ❑ price fixed by the competitors for similar products
 - ❑ Cost of production and
 - ❑ The forces of demand and supply prevalent in the market

- ❑ Commercialization of the Product
 - ❑ The marketer has to decide whether the product can earn a good profit and satisfy the consumers
 - ❑ It also involves introduction of the product in the market in an attractive manner

ELEMENTS OF PRODUCT PLANNING

❑ **Elimination of unprofitable product**

- ❑ It involves the decision regarding the elimination of the unprofitable product lines
- ❑ Marketers can divert the resources of the firm for some other profitable product

❑ **Coordination**

- ❑ Product planning also involves coordination between the various products of the firm
- ❑ The marketer can think of ways to improve the competitive position of the firm.

OBJECTIVES OF PRODUCT PLANNING

- ❑ To design product on
 - ❑ the basis of research input provided by marketing research
 - ❑ to satisfy the needs and preferences of consumers

- ❑ To evaluate the performance of the existing products
 - ❑ to find out their weaknesses and
 - ❑ to modify or to eliminate them if they are unprofitable

- ❑ To maintain well designed product lines

- ❑ To use the firm's resources in sound and profitable product lines

- ❑ To strengthen the firms marketing capacity and competing position

NEW PRODUCT DEVELOPMENT



NEW PRODUCT DEVELOPMENT

#1. Idea Generation

- ❑ The development of a product will start with the concept.
- ❑ Ideas can, and will come, from many different directions.
- ❑ The best place to start is with a SWOT analysis, (Strengths, Weaknesses, Opportunities and Threats), which incorporates current market trends.
- ❑ This can be used to analyze your company's position and find a direction that is in line with your business strategy.
- ❑ In addition to this business centered activity, are methods that focus on the customer's needs and wants.
- ❑ This could be:
 - ❑ Under-taking market research
 - ❑ Listening to suggestions from your target audience – including feedback on your current products' strengths and weaknesses.
 - ❑ Encouraging suggestions from employees and partners
 - ❑ Looking at your competitor's successes and failures

NEW PRODUCT DEVELOPMENT

#2. Idea Screening

- ❑ It ensures that unsuitable ideas, for whatever reason, are rejected
- ❑ Ideas need to be considered objectively, ideally by a group or committee.
- ❑ Specific screening criteria need to be set for this stage, looking at ROI, affordability and market potential.
- ❑ These questions need to be considered carefully, to avoid product failure after considerable investment down the line.

#3. Concept Development & Testing

- ❑ You need to ask the people that matter – your customers.
- ❑ Using a small group of your true customer base – those that convert – the idea need to be tested to see their reaction.
- ❑ The idea should now be a concept, with enough in-depth information that the consumer can visualize it.
 - ❑ Do they understand the concept?
 - ❑ Do they want or need it?
- ❑ This stage gives you a chance to develop the concept further, considering their feedback, but also to start thinking about what your marketing message will be.

NEW PRODUCT DEVELOPMENT

#4. Business Analysis

- ❑ A business case needs to be put together to assess whether the new product/service will be profitable.
- ❑ This should include
 - ❑ a detailed marketing strategy,
 - ❑ highlighting the target market,
 - ❑ product positioning and
 - ❑ the marketing mix that will be used.
- ❑ This analysis needs to include:
 - ❑ whether there is a demand for the product,
 - ❑ a full appraisal of the costs,
 - ❑ competition and identification of a break-even point.

#5. Product Development

- ❑ If the new product is approved, it will be passed to the technical and marketing development stage.
- ❑ This is when a prototype or a limited production model will be created.
- ❑ This means you can investigate exact design & specifications and any manufacturing methods,
- ❑ But also gives something tangible for consumer testing, for feedback on specifics like look, feel and packaging for example.

NEW PRODUCT DEVELOPMENT

#6. Test Marketing

- ❑ Test marketing (or market testing) is different to concept or consumer testing,
- ❑ in that it introduces the prototype product following the proposed marketing plan as whole rather than individual elements.
- ❑ This process is required to validate the whole concept and is used for further refinement of all elements, from product to marketing message.

#7. Commercialisation

- ❑ When the concept has been developed and tested,
- ❑ final decisions need to be made to move the product to its launch into the market.
- ❑ Pricing and marketing plans need to be finalised and
- ❑ the sales teams and distribution briefed, so that the product and company is ready for the final stage.

#8. Launch

- ❑ A detailed launch plan is needed for this stage
- ❑ to run smoothly and to have maximum impact.
- ❑ It should include decisions surrounding when and where to launch to target your primary consumer group.
- ❑ Finally in order to learn from any mistakes made, a review of the market performance is needed to assess the success of the project.
- ❑ New product development can be made much simpler and focused, with a higher likelihood of success, by following these steps to guide you.

TODAY'S SESSION 07.07.2015

BRANDING

- MEANING
- CHARACTERISTICS
- FUNCTIONS
- BENEFITS / IMPORTANCE
- REASONS FOR BRANDING
- ESSENTIALS OF BRANDING
- TYPES OF BRANDING
- UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

DEFINITION OF BRANDING

- ❑ **Brands** have
 - ❑ a wide range of uses for businesses,
 - ❑ products and individuals in today's dynamic marketing landscape
 - ❑ where publishing and message distribution are no longer limited to media entities.
- ❑ Through the use of social media platforms,
 - ❑ every consumer is a publisher and has his own brand to promote.
- ❑ Each brand is competing for time and attention—today's scarce resources—to break through the message clutter in order to build relationships with their target audience(s).
- ❑ By itself, a brand isn't a marketing strategy.

DEFINITION OF BRANDING

- ❑ The **American Marketing Association** defines a **brand** as
 - ❑ “A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.”
- ❑ **Brand** is a known identity of a company in terms of what products and services they offer but also the essence of what the company stands for in terms of service and other emotional, non tangible consumer concerns. To brand something is when a company or person makes descriptive and evocative communications, subtle and overt statements that describe what the company stands for. For example, is the brand the most economical, does it stand for superior service, is it an environmental responsible provider of x,y,z service or product. Each communication is deliberate in evoking emotion in the receiver to leave him/her with an essence of what the company or person stands for. **Donna Antonucci**
- ❑ **Branding** is the art of aligning what you want people to think about your company with what people actually do think about your company. And vice-versa. **Jay Baer** –

IMPORTANCE OF BRANDING

1. Branding Improves Recognition

- ❑ One of major components of your brand is your logo.
- ❑ Think of how we instantly recognize the logo of Maruti, TATA, Arrow Shirts, Benetton
- ❑ The “face” of a company, logo design is critical because that simple graphic will be on every piece of correspondence and advertising.
- ❑ A professional logo design is simple enough to be memorable, but powerful enough to give the desired impression of your company.

2. Branding Creates Trust

- ❑ A professional appearance builds credibility and trust.
- ❑ People are more likely to purchase from a business that appears polished and legitimate.
- ❑ Emotional reactions are hardwired into our brains, and those reactions are very real influencers.

3. Branding Supports Advertising

- ❑ Advertising is another component of your brand.
- ❑ Both the medium chosen and demographic targeted for advertisements builds a brand.
- ❑ Too narrow an advertising focus, and a company risks being “pigeon holed” and losing their ability to expand into new markets.
- ❑ Too broad a focus, and the company fails to create a definable impression of the company in the minds of would be customers.

IMPORTANCE OF BRANDING

4. Branding Builds Financial Value

- ✘ Companies who publicly trade on a stock exchange are valued at many times the actual hard assets of the company.
- ✘ Much of this value is due to the branding of the company.
- ✘ A strong brand usually guarantees future business.
- ✘ Whether a company is in the position to borrow funds for expansion or rolling out to an IPO, being perceived as more valuable will make the process advantageous for the owner of the company.
- ✘ The greater a company's devotion to build its brand value, the better the financial return from its efforts.

5. Branding Inspires Employees

- ✘ Many employees need more than just work— they need something to work toward.
- ✘ When employees understand your mission and reason for being, they are more likely to feel that same pride and work in the same direction to achieve the goals you have set.
- ✘ Having a strong brand is like turning the company logo into a flag the rest of the company can rally around.

6. Branding Generates New Customers

- ✘ Branding enables your company to get referral business.
- ✘ Would it be possible for you to tell a friend about the new shoes you love if you couldn't remember the brand?
- ✘ A large reason 'brand' is the word used for this concept is that the goal is an indelible impression.
- ✘ As the most profitable advertising source, word of mouth referrals are only possible in a situation where your company has delivered a memorable experience with your customer.

The most profitable companies, small and large, have a single thing in common. They have established themselves as a leader in their particular industry by building a strong brand.

REASONS FOR BRANDING

BRANDS CONNECT TO CUSTOMERS:

- ✘ Good brands connect with customers emotionally.
- ✘ When they purchase your products, they know they have made a good decision.
- ✘ You want customers to feel good emotionally when they engage with your company and products.

BRANDS GENERATE REFERRALS:

- ✘ People love to share things they like.
- ✘ Yes, people love to talk and share products through word of mouth,
- ✘ they will also share your brand without even knowing it through
 - + wearing your product,
 - + eating your product,
 - + driving your product, etc.

BRANDS FORM FOCUS:

- ✘ Many companies easily wander away from plans and goals when new tasks arise.
- ✘ Having a strong brand helps you to stay focused and work towards missions and visions that need to be met as an organization,

REASONS FOR BRANDING

BRANDS MOTIVATE EMPLOYEES:

- ✘ Establishing a clear brand strategy provides clarity to employees that is needed in order to be successful.
- ✘ Brands set guidelines for how they should act, what is expected of them and how they can meet the organizations goals.

BRANDS ARE A PROMISE:

- ✘ Customers want to purchase products from companies that will take care of them.
- ✘ Creating a brand allows your company to state their promise to the customer.
- ✘ Who are we and what do we have to offer?

BRANDS CREATE AN EXPERIENCE:

- ✘ Customers want an experience when they purchase items.
- ✘ When they come to your company is your logo visually appealing,
- ✘ Are your employees friendly and helpful and are your products satisfactory? Their experiences with your brand will leave a mark.

BRANDS PROVIDE VALUE:

- ✘ Strong brands give companies value beyond just their physical assets.
- ✘ Nike has value within their equipment, offices, factories, warehouse and products,
- ✘ They have created even more value through their brand and famous “just do it” slogan.

REASONS FOR BRANDING

BRANDS SET YOU APART

- ❑ In today's market, companies are never safe from competition
- ❑ It's critical that your brand stands apart from the rest of the crowd.
- ❑ What do you have that sets you apart from your competitor?

BRANDS CREATE CONSISTENCY

- ❑ Concise and clear brands help customers to be at ease
- ❑ They know what to expect every time they use their product or come in to your store.

BRANDS CREATE RECOGNITION

- ❑ People like to be familiar with the companies they give their money to.
- ❑ Branding your company not only allows people to recognize you but
- ❑ Also gives people a sense of ease when they are purchasing your products.

CONCLUSIONS

- ❑ Strong brands are built on strong, creative ideas.
- ❑ These ideas need to be something that the entire company can hold on to and can deliver upon.
- ❑ The brand needs to be able to deliver the promise to your customers, while also ingraining the visual aspects of your company in their minds.
- ❑ It takes a lot of time and creativity to build a company brand, but it's worth the value it brings in the long run.

ESSENTIALS OF GOOD BRAND

1) It should be distinctive:

- ❑ The market is filled with over-worked names and over-used symbols.
- ❑ A unique and distinctive symbol is not only easy to remember but also a distinguishing feature.
- ❑ “Northstar” shoes have a distinct name.

2) It should be suggestive:

- ✗ A well-chosen name or symbol should be suggestive of quality, or
- ✗ may be associated with superiority or a great personality.
- ✗ The name VIP Classic for travelers is suggestive of a superior quality for a distinct class of people.
- ✗ Promise is suggestive of an assurance of tooth health.

3) It should be appropriate:

- ✗ Many products are surrounded by a certain mystique in the minds of the consumers.
- ✗ Carefree is an appropriate brand name of a sanitary towel.

ESSENTIALS OF GOOD BRAND

4) It should be easy to remember:

- ❑ It should be easy to read, pronounce and spell. Tide, Surf, Gold Spot are examples of such brand names.

5) It should be adaptable to new products:

- ❑ Videocon is was good brand name for TVs and VCRs
- ❑ but when it is extended to refrigerators and washing machines, some of the sales appeal is lost.
- ❑ Hotline was a good name for gas stoves, but definitely not a suitable name for TVs.

6) It should be registerable under the Indian laws of Trade Marks and Copyrights.

TYPES OF BRAND

- ❑ **INDIVIDUAL BRANDING**, also called individual product branding, flanker brands or multibranding
- ❑ It is the marketing strategy of giving each product in a portfolio its own unique brand name.
- ❑ The advantage of individual branding is that each product has an image and identity that is unique.
- ❑ This facilitates the positioning of each product, by allowing a firm to position its brands differently.
- ❑ Examples of individual product branding include
 - ❑ Procter & Gamble, which markets multiple brands such as Pampers, and
 - ❑ Unilever, which markets individual brands such as Dove.
 - ❑ Mobile phone companies often use flanker brands to offer the same service plans to different markets.

TYPES OF BRAND

Family Brand Name:

- ✘ A common brand name is used for all the products of the company.
- ✘ The goodwill attached to the family brand name
 - + benefits all brands and
 - + the use of the name in advertisement of one brand helps the promotion of all the brands carrying the family name.
- ✘ The risk in this strategy is that
 - + if one of the brands receives unfavorable publicity or
 - + is unsuccessful, the reputation of the entire range of products containing the brand name can be tarnished.

FAMILY BRAND NAME



TYPES OF BRAND - UMBRELLA

- ✘ Umbrella brands are brand names utilized by a range of different but related products.
- ✘ Sometimes referred to as family branding,
 - + The idea behind this type of approach is
 - + To enhance the marketability of all the products that carry the same name,
 - + Thus building an increased rapport with consumers.
- ✘ Because of this,
 - + the manufacturer can introduce new products related to the existing product lines,
 - + immediately attract customers who routinely use other products sold under the brand.
- ✘ The best Indian example is Amul — butter , cheese, milk, ice cream, chocolates etc.

UMBRELLA BRAND EXAMPLES



TYPES OF BRAND - COMBINATION

- ❑ Tata Housing is using a combination device
- ❑ Each product has individual name
- ❑ It also has the umbrella brand to indicate the business house producing the product
- ❑ Side by side with the product image we have the image of the organisation also
- ❑ Many company use this device profitably
- ❑ E.g. TATA Indica or TATA Nano

TODAY'S SESSION 14.07.2015

BRANDING

- BRANDING AND MARKETING PROGRAM
- UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

PACKING AND PACKAGING ROLE

- DEFINITION
- IMPORTANCE
- ATTRIBUTES

PRICING

- OBJECTIVES
- FACTORS INFLUENCING PRICING
- POLICY AND PRICING STRATEGY

BRANDING AND MARKETING PROGRAMME

- ❑ **A product strategy**
 - ❑ ignoring the problem of product identification and
 - ❑ differentiation through branding
 - ❑ omits a most important element in the marketing mix

- ❑ **Branding is a powerful instrument**
 - ❑ of advertising and sales promotion
 - ❑ in order to secure consumer loyalty towards the brand.

UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

❑ Product Differentiation

- ❑ Enables manufacturers to establish his own price
- ❑ Eliminate price competition to some extent
- ❑ A branded product enjoys a separate individuality
- ❑ A product can be copied but a brand is unique

❑ Brand Image

- ❑ It is a mental picture of the product in the mind of the customer
- ❑ Consumers make their buying decisions on the basis of the image they form of the different brands offered to them
- ❑ When a consumer says the product is good he means that he has good image of the product
- ❑ A brand image is built up through the years by
 - ❑ the quality of product produced,
 - ❑ services offered, and
 - ❑ the company's reputation, policies and marketing efforts

UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

❑ Brand Personality

- ❑ Marketers try to personify the brand as if they are persons
- ❑ So that the target consumers may associate the product with such a personality
- ❑ Example: Brand personality of Lux soap is that of
 - ❑ an urban woman (Age 17- 24 years)
 - ❑ Upper Middle class with college education
 - ❑ Concern for beauty

❑ Creation of market

- ❑ Ever increasing competition leads
 - ❑ to branding of product by a manufacturer
 - ❑ to face competition and
 - ❑ create exclusive market for the product

UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

- ❑ Advertisement and Publicity
 - ❑ Branding helps advertising, display and sales promotion
 - ❑ Branding and packaging go hand in hand
 - ❑ Package itself can act as a medium of advertisement
 - ❑ Brand name makes word of mouth advertisement very effective

- ❑ Brand Loyalty
 - ❑ A satisfied customer continues to use the brand, even when competing products are available in the market
 - ❑ Satisfaction of customer leads to brand loyalty

- ❑ Brand Association
 - ❑ Customers value certain brands based in the associations linked or to it
 - ❑ E.g.
 - ❑ 1. Ganga soap with holy river Ganga
 - ❑ 2. Hero Honda with fuel efficiency

UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

❑ Brand Patronage

- ❑ Development of loyal customers, acting and talking advertisement and repeat buyers, is the greatest reason in favor of branding
- ❑ Such customers will always insist on buying their favorite brand

❑ Brand Preferences

- ❑ Branding gives separate identity and easy recognition to the product
- ❑ Creates special brand preference and brand loyalty.
- ❑ Branding is a powerful instrument of demand creation and demand retention
- ❑ Popular brands such as Lux, Liril, Vim, Colgate, Sunlight, have great pulling power in the market
- ❑ Brand preferences indicates that the customer regards the brand favorably but will accept a substitute in case the brand is not available in the shop

UNIQUE IMPORTANCE OF BRANDING AND MARKETING PROGRAM

❑ Brand Equity

- ❑ Brand equity is based on brand loyalty, brand awareness, quality of the brand and brand association
- ❑ Brand equity is the intrinsic value or worth of the brand in the terms of the kind of money a consumer is willing to pay for it in preference to its rivals
- ❑ For a company brands are a valuable assets.
 - ❑ Example : Brands like Colgate, Coke, Lifebuoy and Horlicks have high brand equity
- ❑ Benefits of brand equity are
 - ❑ Trade Support
 - ❑ Loyal customers
 - ❑ Premium price
- ❑ Three ways to get brand equity
 - ❑ Build it
 - ❑ Borrow it
 - ❑ Buy it

PACKING AND PACKAGING ROLE

❑ Packing:

- ❑ Refers to the protection of goods from breakage, spoilage, leakage or pilferage when transported and stored
- ❑ Packing is the process of covering, wrapping or crating goods into a package
- ❑ It is done for the purpose of delivering the articles to the consumer or for the transport purpose

❑ Packaging

- ❑ It is the subdivision of packing function of marketing.
- ❑ It involves more than simply placing products in containers or covering them with wrappers
- ❑ It is formulating a design of the package and producing an appropriate and attractive container or wrapper for a product
- ❑ It is often referred as a silent salesman
- ❑ Due to its ability to influence consumers at the point of purchase

PACKING AND PACKAGING ROLE

1. Packing and packaging are closely related concepts though being totally different
2. Packing refers to
 1. wrapping up of a single item into a casing
 2. it arrives in the market in a beautiful manner
 3. E.g. toothpaste and crèmes arriving in their packets
3. Packaging is mostly
 1. done by factory owner who have to send products in bulk.
 2. Packaging refers to placing inside individual products into a carton using wrapping materials to protect products from any damage.

DEFINITION OF PACKAGING

- ❑ **Packaging** is the technology of
 - ❑ enclosing or protecting products for distribution, storage, sale, and use.
 - ❑ Packaging also refers to the process of design, evaluation, and production of packages.
 - ❑ Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use.
 - ❑ Packaging contains, protects, preserves, transports, informs, and sells.
 - ❑ In many countries it is fully integrated into government, business, institutional, industrial, and personal use.

DEFINITION OF PACKAGING

- ❑ Packaging plays an important role as a
 - ❑ medium in the marketing mix,
 - ❑ in promotion campaigns,
 - ❑ as a pricing criterion,
 - ❑ in defining the character of new products,
 - ❑ as a setter of trends and
 - ❑ as an instrument to create brand identity and shelf impact in all product groups.

DEFINITION OF PACKAGING

❑ **William Stanton :**

- ❑ Packaging is the general group of activities
- ❑ Which concentrate in formulating the design of a package and
- ❑ Producing an appropriate container or wrapper for the product

❑ **Philip Kotler**

- ❑ Packaging is an activity which is concerned with protection, economy, convenience and promotional considerations

❑ **Indian Institute of Packaging**

- ❑ Packaging are the embracing functions of package, selection, manufacturer, filling and handling

ROLE AND IMPORTANCE OF PACKAGING

1. Packaging protects
 1. the product in transit,
 2. in storage and
 3. in use from breakage, leakage, spoilage, pilferage, evaporation and contamination
2. It makes good catchy, colorful, and informative and helps in product sale.
3. It retains the moisture of the goods and keeps them fresh for a long time
4. It helps in easy handling and store
5. It helps in preventing adulteration of goods

ROLE AND IMPORTANCE OF PACKAGING

6. Attracting packaging helps in catching the attention of the target audience
7. Packaging increases the utility of branding a product.
 - ❑ The brand name and work can be printed on the packages and
 - ❑ it may be used for advertising the product
8. Packaging is of immense importance in big departmental stores
 - ❑ Where there is widespread use of self service and
 - ❑ All the brands lie parallel on the same counter
9. It helps to display the contents
10. It gives individuality or identification to a product
11. It gives resale value for the consumer

ESSENTIALS OF GOOD PACKAGE

1. Convenient

- ❑ Good packaging should be convenient.
- ❑ Package should be made in a way that the product could be conveniently taken from one place to another and
- ❑ can be handled easily by middlemen or consumers.
- ❑ The size and shape of package also should be convenient for retailers to keep in shop or for consumers to keep at their home.
- ❑ The package design should be made re-use-able, if possible.

2. Attractive

- ❑ Package should be very attractive and fascinating.
- ❑ Attractive package draws customers' attention.
- ❑ It stimulates their interest towards the product and makes them realize the want of product.
- ❑ Color, picture, design, size etc. of package can be dramatically influence customers' mind.
- ❑ Some customers demand due to attractive packaging.

3. Economical

- ❑ The other feature of good packaging is to be economical.
- ❑ It should not be costly.
- ❑ If packaging is expensive, it increases the price of the product.
- ❑ It becomes difficult to sell the product.
- ❑ Packaging should not be costly nor should be clumsy.

ESSENTIALS OF GOOD PACKAGE

4. Protective

- ❑ The purpose of packaging is to protect products from different risks.
- ❑ Products should be packaged in a way that the quality, quantity, color etc. of product does not decline or damaged from sun, rain, insects, dust etc.
- ❑ While carrying from one place to another, transporting or storing in, and products may get damaged, putrefied, spoiled, or rotten.
- ❑ So, proper arrangement should be made to save the product from every risk.
- ❑ Only the packaging, which can protect products from all risk, is a good packaging.

5. Communicative

- ❑ Good packaging should also be communicative.
- ❑ it should give information to the customers about the brand utility and quality of the product, which can stimulate demand.
- ❑ Good packaging works as silent salesperson and an effective advertisement.

THE TOP TEN REQUESTS ABOUT PACKAGING

1. Eye-catching appearance

- ❑ A distinctive, unmistakable and eye-catching appearance is a signal at the POS to which all consumers and particularly the younger ones respond positively.
- ❑ Whatever stands out clearly in the monotonous competitive environment,
- ❑ whatever is surprising scores points with the consumer.
- ❑ Special effort makes a special impression - and is allowed to cost more too.

2. Design, shape and colour

- ❑ The purpose of well-considered design, creative printing and finishing is to entice the consumer to devote attention to the pack and its contents at the POS.
- ❑ Aesthetics and attractiveness are major distinctive features –
- ❑ and are in fact essential in some product segments:
 - ❑ beautiful packaging design is of central importance in the cosmetics and confectionery product groups.
 - ❑ Consumers like to buy agreeably designed and decorative products!

3. Functionality

- ❑ Functional aspects are the basis for all successful packaging and for thus greater product success too.
- ❑ Product and aroma protection, hygiene and tightness, environmental responsibility and practical handling (in both use and storage) are just as important here as ideas that improve comfort: closure mechanisms, portioning, see-through windows, for example.

THE TOP TEN REQUESTS ABOUT PACKAGING

4. Innovation

- ❑ Novelty has exceptionally strong appeal.
- ❑ An innovative pack can even make "new products" out of familiar ones.
- ❑ Unusual solutions, functional new developments and originality not only set design trends but also boost sales!

5. Material

- ❑ What is printed on board is read particularly willingly, while what is packaged in board sells particularly well.
- ❑ Sustainability, easy disposal and, above all, great design variety and potential are particular features of the material.
- ❑ Popular with consumers, particularly high appeal and many other advantages too.

6. Efficient communication

- ❑ The packaging is the credible medium at the point of sale and is consulted willingly and intensively
- ❑ This makes it an efficient means of communication and,
- ❑ in addition, that gets closer to the consumer than all others.
- ❑ If several of his senses are appealed to as well, he can be persuaded particularly successfully.

THE TOP TEN REQUESTS ABOUT PACKAGING

7. Multisensory appeal

- ❑ Anyone who approaches consumers via several of his senses attracts greater attention, intensifies perception and stimulates interest in buying.
- ❑ Packaging that can be felt, smelled and heard as well as looked at wins the customer's favour.
- ❑ So much so that he is willing to pay a higher price for this multisensory appeal.

8. Appropriateness for the product

- ❑ Packaging is considered to be an important indicator of quality.
- ❑ The quality of the product therefore has to be communicated by good packaging and not just by promises of quality made in the text on the packaging.
- ❑ A credible "overall work of art" is created as a result, in which the contents and the packaging are coherent and the consumer is convinced by their consistency.

THE TOP TEN REQUESTS ABOUT PACKAGING

9. Value

- ❑ Packaging is an excellent way to communicate sophistication, class and value.
- ❑ This makes it an ideal strategic option for expressing premium positioning –
- ❑ As well as being the instrument of choice when a product needs to be upgraded or a brand needs to be revitalised.
- ❑ Products in classy packaging are particularly popular presents too.

10. Additional benefits

- ❑ Successful packaging not only combines what is pleasant with what is functionally useful
- ❑ but also provides additional benefits.
- ❑ For example, as a gift or for presentation, with entertaining components or simply by making it possible to continue using the packaging for something else after the product has been consumed.

PRICING - DEFINITION

- ❑ Price is the value that is put to a product or service and
 - ❑ Is the result of
 - ❑ a complex set of calculations,
 - ❑ research and understanding and
 - ❑ risk taking ability.

- ❑ A pricing strategy takes into account segments,
 - ❑ ability to pay,
 - ❑ market conditions,
 - ❑ competitor actions,
 - ❑ trade margins and
 - ❑ input costs, amongst others.
 - ❑ It is targeted at the defined customers and against competitors.

IMPORTANCE OF PRICING

- ❑ It is of vital importance to both buyer and seller
- ❑ In money economy, without prices, there cannot be marketing
- ❑ Price denotes the value of a product or service expressed in money
- ❑ When a buyer and seller agree on price,
 - ❑ we can have exchange of goods and services
 - ❑ leading to transfer of ownership
- ❑ In a competitive market economy, price is determined by free play of demand and supply
- ❑ The price will move forward / backward with changing supply and demand conditions

PRICING OBJECTIVES

- ❑ Growth in Sales
 - ❑ A low price can achieve the objective of increase in sales volume
 - ❑ A low price is not always necessary
 - ❑ Competitive price if used wisely, can secure faster increase in sales than any other marketing weapon

- ❑ Market share
 - ❑ It carries the heaviest responsibility for improving or maintaining market share
 - ❑ A sensitive indicator of customer and trade acceptance

- ❑ Predetermined profit level
 - ❑ Return on Investment say 20 – 25 % is a common decision in marketing
 - ❑ Pricing for profit is the most logical of all pricing objective

PRICING OBJECTIVES

❑ Counter Competition

- ❑ Many firm follows a flexible pricing policy to counter competition
- ❑ Prices are to be varied depending upon market condition

❑ Control Cash Flow

- ❑ It's objective is to return cash as much as possible within a given period
- ❑ Investment in research and development, market development, promotion etc. should pay back within a specified period
- ❑ Capital expenditure on any project must be recovered within 5-10 years
- ❑ Payback or cash flow objectives fits in easily with other corporate objectives.

FACTORS AFFECTING PRICING PRODUCT - INTERNAL

1. Cost:

- ❑ While fixing the prices of a product,
 - ❑ the firm should consider the cost involved in producing the product.
 - ❑ This cost includes both the variable and fixed costs.
 - ❑ While fixing the prices, the firm must be able to recover both the variable and fixed costs.

2. The predetermined objectives:

- ❑ While fixing the prices of the product,
 - ❑ the marketer should consider the objectives of the firm.
 - ❑ For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and
 - ❑ if the objective is to capture a large market share, then it may charge a lower price.

3. Image of the firm:

- ❑ The price of the product may
 - ❑ also be determined on the basis of the image of the firm in the market.
 - ❑ For instance, HUL and Procter & Gamble can demand a higher price for their brands, as they enjoy goodwill in the market.

FACTORS AFFECTING PRICING PRODUCT - INTERNAL

4. Product life cycle:

- ❑ The stage at which the product is in its product life cycle also affects its price.
- ❑ For instance, during the introductory stage the firm may charge lower price to attract the customers,
- ❑ During the growth stage, a firm may increase the price.

5. Credit period offered:

- ❑ The pricing of the product is also affected
 - ❑ by the credit period offered by the company.
 - ❑ Longer the credit period, higher may be the price, and
 - ❑ shorter the credit period, lower may be the price of the product.

6. Promotional activity:

- ❑ The promotional activity undertaken by the firm also determines the price.
- ❑ If the firm incurs heavy advertising and sales promotion costs,
- ❑ Then the pricing of the product shall be kept high in order to recover the cost.

FACTORS AFFECTING PRICING PRODUCT - EXTERNAL

1. Competition:

- ❑ While fixing the price of the product,
 - ❑ the firm needs to study the degree of competition in the market.
 - ❑ If there is high competition, the prices may be kept low to effectively face the competition, and
 - ❑ if competition is low, the prices may be kept high.

2. Consumers:

- ❑ The marketer should consider
 - ❑ various consumer factors while fixing the prices.
 - ❑ The consumer factors that must be considered includes
 - ❑ the price sensitivity of the buyer,
 - ❑ purchasing power, and so on.

3. Government control:

- ❑ Government rules and regulation must be considered while fixing the prices.
- ❑ In certain products,
 - ❑ government may announce administered prices, and
 - ❑ therefore the marketer has to consider such regulation while fixing the prices.

FACTORS AFFECTING PRICING PRODUCT - EXTERNAL

4. Economic conditions:

- ❑ The marketer may also have to consider
 - ❑ the economic condition prevailing in the market
 - ❑ At the time of recession,
 - ❑ the consumer may have less money to spend
 - ❑ the marketer may reduce the prices
 - ❑ in order to influence the buying decision of the consumers.

5. Channel intermediaries:

- ❑ The marketer must consider
 - ❑ a number of channel intermediaries and their expectations.
 - ❑ The longer the chain of intermediaries, the higher would be the prices of the goods.

PRICING STRATEGIES

❑ Odd Pricing

- ❑ Price ends with odd number or just under the odd number
- ❑ A product priced at Rs 95 can have more sales than when it is priced at Rs100.

❑ Psychological Pricing

- ❑ When a firm fixes the price at a full number it is called psychological pricing
- ❑ Price setters feels that certain products are psychologically appealing

❑ Prestige Pricing

- ❑ It is fixed at a higher price
- ❑ Applied to luxury goods
- ❑ Seller is successful in creating a status symbol for this product

❑ Customary Pricing

- ❑ Prices are fixed to suit local conditions
- ❑ It is adopted by chain stores
- ❑ Soft drinks are generally priced under this method

PRICING STRATEGIES

❑ Administered Pricing

- ❑ The price is fixed on the basis of the policy decision of the sellers
- ❑ Remains unchallenged for a long period

❑ Monopoly Pricing

- ❑ Competition is absent and there are no substitutes
- ❑ The seller has a free hand in fixing prices
- ❑ Such pricing will earn maximum profit

❑ Skimming Pricing

- ❑ Skim the cream pricing involves setting a very high price for a new product initially and
- ❑ reducing the price gradually as the competitors enter the market

❑ Accepted Pricing

- ❑ Price that will be accepted by consumer is first ascertained
- ❑ The response of consumers to this price is analyzed before fixing the price

PRICING STRATEGIES

❑ **Negotiated Pricing**

- ❑ Adopted by industrial suppliers
- ❑ Manufacturers are in need of goods of highly specialized and individually designed nature, often negotiate and only then fix the price

❑ **Penetration Pricing**

- ❑ When a firm manufactures a product
 - ❑ that faces stiff competition from substitutes,
 - ❑ it fixes a very low price,
 - ❑ often below the cost price,
 - ❑ in order to penetrate the market

❑ **Sealed Bid Pricing**

- ❑ It is followed in the case of specific job works
- ❑ Big firms or governments get the work done through contractors
- ❑ The contractor works out the probable expenditure
- ❑ Gives their price offers in a sealed cover
- ❑ The lowest bidder gets the work

PRICING STRATEGIES

❑ Price Lining

- ❑ Followed by retailers
- ❑ Pricing decisions are made only initially
- ❑ Prices remains constant over a long period
- ❑ Any changes in the market conditions are met by adjustments in the quality of merchandise
- ❑ Decision is made
 - ❑ With reference to the prices
 - ❑ Paid for the merchandise
 - ❑ Rather than the prices at which it will be sold

❑ Dual Pricing / Discriminatory Pricing

- ❑ When the producer sells the same product at two or more different prices
- ❑ Dual pricing is possible only when different brands are marketed in the same market
- ❑ It is adopted in Railways.

PRICING STRATEGIES

❑ Mark-up Pricing

- ❑ Method adopted by wholesalers and retailers in establishing a sale price.
- ❑ Wholesalers/Retailers fix the selling price.
- ❑ they add a certain percentage to their cost price.
- ❑ For e.g. an item that costs Rs 20 may be sold for Rs 25. Here the mark up price is Rs 5 or 25%

❑ Premium Pricing Strategy

- ❑ Involves setting the price of a product higher than similar products.
- ❑ This strategy is sometimes also called skim pricing
- ❑ Because it is an attempt to “skim the cream” off the top of the market.
- ❑ It is used to maximize profit in areas
 - ❑ where customers are happy to pay more,
 - ❑ Where there are no substitutes for the product,
 - ❑ where there are barriers to entering the market or
 - ❑ when the seller cannot save on costs by producing at a high volume.

PRICING STRATEGIES

Geographic Pricing characteristics This pricing strategy focuses on two market segments divided by a transportation cost.

- ❑ To decide how to fix the price, companies have three choices:

Free On Board (FOB)

- ❑ It is when the company decides to price a **higher amount** in an adjacent market
- ❑ It requires an **additional shipping fee**.
- ❑ That's why it is cheaper for the market where the production system is settled.
- ❑ This happens when the competitive price is also higher in the adjacent market.
- ❑ As a result the price won't penalize the profits of the company, it is in adequacy to the market trend.

Uniform delivered price

- ❑ In this case, the firm settles the same price in both zones.
- ❑ It is possible to balance the shipping fees between the two markets
- ❑ the company is still able to achieve its objectives.
- ❑ The markets **share the transportation cost**.

PRICING STRATEGIES

What the traffic will Bear:

- ❑ There are two principle of pricing
 - ❑ Cost of Service principle
 - ❑ Value of service principle or What the traffic will bear
- ❑ Adopted by Railways, professionals like lawyers, doctors, consultants, Chartered Accountants etc.
- ❑ Charge fees on the basis of the ability to pay and the cost factor is secondary in their charges
- ❑ Such pricing gives justice to customers
- ❑ Electricity company also has different rates for domestic and industrial customer

PRICING STRATEGIES

Freight absorption cost

- ❑ This is the opposite of "FOB".
- ❑ The firm choose a higher price for the foreign market
- ❑ because the competitive price is settled lower than the company would choose to, if she added the transportation cost.
- ❑ That's why she has to put a higher price in the operating market in order to be cost-effective.
- ❑ It is also known as "**absorption**" of the cost.

TODAY'S SESSION 16.07.2015

PHYSICAL DISTRIBUTION

- ❑ Meaning and definition
- ❑ Factors affecting channel selection
- ❑ Types of marketing / distribution channels

PROMOTION

- ❑ Meaning and definition
- ❑ Promotion Tools

PHYSICAL DISTRIBUTION - MEANING

□ Physical distribution

- is the group of activities associated with the supply of finished product
- from the production line to the consumers.
- It considers many sales distribution channels,
 - such as wholesale and retail, and
 - includes critical decision areas like customer service, inventory, materials, packaging, order processing, and transportation and logistics.
 - these processes is referred as **distribution**, which is used to describe the marketing and movement of products.
- Accounts nearly half of the entire marketing budget of products
- The process typically garnishes attention from business managers and owners.
- These activities are the focus of process improvement and cost-saving initiatives in many companies.

IMPORTANCE OF PHYSICAL DISTRIBUTION

- ❑ The **importance of physical distribution** to a company can vary and is typically associated with the type of product and the necessity it has to customer satisfaction.
- ❑ Strategically staging products in locations to support order shipments and coming up with a rapid and consistent manner to move the product enables companies to be successful in dynamic markets.
- ❑ Physical distribution is managed with a **systems approach** and considers key interrelated functions to provide efficient movement of products.
- ❑ The functions are interrelated because any time a decision is made in one area it has an effect on the others.
- ❑ For example, a business that is providing custom handbags would consider shipping finished products via air freight versus rail or truck in order to expedite shipment time.
- ❑ The importance of this decision would offset the cost of inventory control, which could be much more costly.
- ❑ Managing physical distribution from a systems approach can provide benefit in controlling costs and meeting customer service demands.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

1. Product Considerations: The nature and type of the product have an important bearing on the choice of distribution channels. The main characteristics of the product in this respect are given below:

(a) Unit Value:

- ❑ Products of low unit value and common use are generally sold through middlemen.
- ❑ they cannot bear the cost of direct selling.
- ❑ Low-priced and high turnover articles like cosmetics, hosiery goods, stationery and small accessory equipment usually flow through a long channel.
- ❑ On the other hand, expensive consumer goods and industrial products are sold directly by the producers.

(b) Perish ability:

- ❑ Perishable products like vegetables, fruits, milk and eggs have relatively short channels as they cannot withstand repeated handling.
- ❑ Same is true about articles of seasonal nature.
- ❑ Goods which are subject to frequent changes in fashion and style are generally distributed through short channels as the producer has to maintain close and continuous touch with the market. Durable and non-fashion articles are sold through agents and merchants.

(c) Bulk and weight:

- ❑ Heavy and bulky products are distributed through shorter channels to minimize handling costs.
- ❑ Coal, bricks, stones, etc., are some examples.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

(d) Standardisation:

- ❑ Custom-made and non- Standardised products usually pass through short channels
- ❑ due to the need for direct contact between the producer and the consumers.
- ❑ Standardised and mass-made goods can be distributed through middlemen.

(e) Technical nature:

- ❑ Products requiring demonstration, installation and after sale services are often sold directly
- ❑ the producer appoints sales engineers to sell and service industrial equipment and other products of technical nature.

(f) Product line:

- ❑ A firm producing a wide range of products may find it economical to set up its own retail outlets.
- ❑ On the other hand, firms with one or two products find it profitable to distribute through wholesalers and retailers.

(g) Age of the product:

- ❑ A new product needs greater promotional effort and few middlemen may like to handle it.
- ❑ As the product gains acceptance in the market, more middlemen may be employed for its distribution.
- ❑ Channels used for competitive products may also influence the choice of distribution channels.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

2. Market considerations: The nature and type of customers is an important consideration in the choice of a channel of distribution. Following factors relating to the market are particularly significant.

(a) Consumer or industrial market:

- ❑ The purpose of buying has an important influence on channel.
- ❑ Goods purchased for industrial or commercial use are usually sold directly or through agents.
- ❑ This is because industrial users buy in a large quantity and
- ❑ the producer can easily establish a direct contact with them.
- ❑ To ultimate consumers, goods are sold normally through middlemen.

(b) Number and location of buyers:

- ❑ When the number of potential customers is small or the market is geographically located in a limited area,
- ❑ direct selling is easy and economical.
- ❑ In case of large number of customers and widely scattered markets, use of wholesalers and retailers becomes necessary.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

(c) Size and frequency of order:

- ❑ Direct selling is convenient and economical in case of large and infrequent orders.
- ❑ When articles are purchased very frequently and each purchase order is small, middlemen may have to be used.
- ❑ A manufacturer may use different channels for different types of buyers.
- ❑ He may sell directly to departmental and chain stores and may depend upon wholesalers to sell to small retail stores.

(d) Customer's buying habits:

- ❑ The amount of time and effort which customers are willing to spend in shopping is an important consideration.
- ❑ Customer expectations like
 - ❑ desire for one-stop shopping,
 - ❑ need for personal attention,
 - ❑ preference for self-service and
 - ❑ desire for credit also influence the choice of trade channel.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

3. Company considerations: The nature, size and objectives of the firm play an important role in channel decisions.

(a) Market standing:

- ❑ Well-established companies with good reputation in the market are in a better position to eliminate middlemen than new and less known firms.

(b) Financial resources:

- ❑ A large firm with sufficient funds can establish its own retail shops to sell directly to consumers.
- ❑ But a small or weak enterprise which cannot invest money in distribution
- ❑ Has to depend on middlemen for the marketing of its products.

(c) Management:

- ❑ The competence and experience of management exercises influence on channel decision.
- ❑ If the management of a firm has sufficient knowledge and experience of distribution it may prefer direct selling.
- ❑ Firms whose managements lack marketing know-how have to depend on middlemen.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

(d) Volume of production:

- ❑ A big firm with large, output may find it profitable to set up its own retail outlets throughout the country.
- ❑ But a manufacturer producing a small quantity can distribute his output more economically through middlemen.

(e) Desire for control of channel:

- ❑ Firms that want to have close control over the distribution of their products use a short channel.
- ❑ Such firms can have more aggressive promotion and a thorough understanding of customers' requirements.
- ❑ A firm not desirous of control over channel can freely employ middlemen.

(f) Services provided by manufacturers:

- ❑ A company that sells directly has itself to provide installation, credit, home delivery, after sale services and other facilities to customers.
- ❑ Firms which do not or cannot provide such services have to depend upon middlemen.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

4. Middlemen considerations: The cost and efficiency of distribution depend largely upon the nature and type of middlemen as reflected in the following factors:

(a) Availability:

- ❑ When desired type of middlemen is not available, a manufacturer may have to establish his own distribution network.
- ❑ Non-availability of middlemen may arise when they are handling competitive products as they do not like to handle more brands.

(b) Attitudes:

- ✘ Middlemen who do not like a firm's marketing policies may refuse to handle its products.
- ✘ For instance, some wholesalers and retailers demand sole selling rights or a guarantee against fall in prices.

(c) Services:

- ✘ Use of middlemen is profitable who provide financing, storage, promotion and after sale services.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

(d) Sales potential:

- ❑ A manufacturer generally prefers a dealer who offers the greatest potential volume of sales.

(e) Costs:

- ❑ Choice of a channel should be made after comparing the costs of distribution through alternative channels.

(f) Customs and competition:

- ❑ The channels traditionally used for a product are likely to influence the choice. For instance, locks are sold usually through hardware stores and their distribution through general stores may not be preferred. Channels used by competitors are also important.

(g) Legal constraints:

- ❑ Government regulations regarding certain products may influence channel decision. For instance, liquor and drugs can be distributed only through licensed shops.
- ❑ As stated above, a channel of distribution consists of some middlemen in addition to the manufacturer and the consumer. Middlemen or intermediaries are persons and institutions which serve as connecting links between the producer and ultimate consumers.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

Middlemen may be classified into two broad categories.

1. Agent Middlemen
2. Merchant middlemen

Agent Middlemen

- ❑ Agent middlemen or functional middlemen or merchantable agents do not take ownership and delivery of goods.
- ❑ They simply assist in buying and selling of goods.
- ❑ They help in the transfer of ownership and delivery of goods and charge commission for their services.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

Agent middlemen are of the following kinds.

1. Factor:

- ❑ A factor is an agent employed to sell goods consigned or delivered to him by his principal.
- ❑ He keeps the goods of others in his possession and exercises general lien on them for his charges.
- ❑ A factor enjoys wide powers.
- ❑ He can sell goods in his own name, receive payment and give valid receipts of discharge.
- ❑ He can pledge the goods and can sell goods on credit.
- ❑ He receives commission at fixed percentage on sales from his principal.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

2. Broker:

- ❑ A broker is an agent who makes bargains for others and receives brokerage for his services.
- ❑ He makes transactions on behalf of and in the name of his principal.
- ❑ He obtains neither the possession nor the ownership of goods.
- ❑ He brings buyers and sellers together and negotiates terms and conditions of sales.
- ❑ He receives brokerage at a fixed percentage of the volume of transaction.

3. Commission Agent:

- ❑ He is an agent employed to sell goods on behalf of and at the risk of his principal.
- ❑ He not only negotiates the transaction but also makes arrangement for transfer of ownership.
- ❑ He gets commission on sales at a fixed rate.

FACTORS INFLUENCING CHANNEL OF DISTRIBUTION

4. Del credere agent:

- ❑ He is an agent employed to sell goods on credit on behalf of his principal.
- ❑ But he undertakes to bear the risk of loss on account of bad debts.
- ❑ He is paid extra commission called Del credere commission for bearing this risk.

5. Auctioneer:

- ❑ He is an agent employed to sell goods on behalf of the principal and at a public auction.
- ❑ He makes publicity, displays goods to the intending buyers, invites bids and sells goods to the highest bidder.
- ❑ He is usually paid a commission on the sale proceeds.
- ❑ Sometimes a minimum price (Known as reserve price) is fixed and bids below this price are not accepted.

6. Common carrier:

- ❑ He is an agent employed to carry goods, on behalf of the owner, from one place to another.
- ❑ He provides public transport in the form of trucks, railways, airways or shipping.
- ❑ He is paid freight for his service.

7. Public warehouse:

- ❑ He is an agent employed to keep the goods of his principal in his godowns in return for storage charges.
- ❑ He is expected to deliver the goods as per the instruction of the principal.

DIFFERENCE BETWEEN FACTOR AND BROKER

	FACTOR	BROKER
Nature	Is a general mercantile agent	Is a special merchantable agent.
Dealings	<ol style="list-style-type: none">1. Deals in own name2. Can sue and enforce contracts in his name	<ol style="list-style-type: none">1. Deals in principal name2. Cannot sue and enforce contracts in his name
Possession	Is in possession of goods to be sold	Is not in possession of goods to be sold
Regularity	Carries the business of his principal regularly	Is employed for a particular transaction or special deal only.
Liability	Is personally liable for his contracts	is not liable for the contracts made on behalf of the principal
Authority	Has the authority to receive payments and to issue receipts for them	has no such authority to receive payments and issue receipts.
Remuneration	is called commission	is called Brokerage
Lien	enjoys a general lien on the goods in his possession for his unpaid charges	broker has no such lien on goods.
Discretion	Has discretion as to the terms of sale negotiated by him.	Has no such discretion.
Insurable interest	Has invaluable interest in the goods in which he deals.	Has no insurable interest in goods he deals in.

FUNCTIONS OF PHYSICAL DISTRIBUTION

The **key functions** within the physical distribution system are:

- ❑ Customer service
- ❑ Order processing
- ❑ Inventory control
- ❑ Transportation and logistics
- ❑ Packaging and materials

- ❑ The **customer service** function
 - ❑ is a strategically designed standard for consumer satisfaction
 - ❑ that the business intends to provide to its customers.
 - ❑ As an example, a customer satisfaction approach for the handbag business mentioned above may be that 75% of all custom handbags are delivered to the customer within 72 hours of ordering.
 - ❑ An additional approach might include that 95% of custom handbags be delivered to the customer within 96 hours of purchase.
 - ❑ Once these customer service standards are set, the physical distribution system is then designed to attain these goals.

FUNCTIONS OF PHYSICAL DISTRIBUTION

❑ Order processing

- ❑ is designed to take the customer orders and execute the specifics the customer has purchased.
- ❑ The business is concerned with this function because it directly relates to how the customer is serviced and attaining the customer service goals.
- ❑ If the order processing system is efficient, then the business can avoid other costs in other functions, such as transportation or inventory control.
- ❑ For example, if the handbag business has an error in the processing of a customer order,
 - ❑ the business has to turn to premium transportation modes,
 - ❑ such as next day air or overnight, to meet the customer service standard set out,
 - ❑ which will increase the transportation cost.

FUNCTIONS OF PHYSICAL DISTRIBUTION

❑ **Inventory control**

- ❑ is a major role player in the distribution system of a business.
- ❑ Costs include investment into current inventory, loss of demand for products, and depreciation.
- ❑ There are different types of inventory control systems that can be implemented,
- ❑ such as first in-first out (or FIFO) and flow through, which are methods for businesses to handle products.

❑ **First in-first out, or FIFO,**

- ❑ is a method in which the new products coming into the warehouse replace existing products of the same SKU
- ❑ so that merchandise is cycled and does not expire or become old as more recent production is available.
- ❑ **Flow through**, on the other hand, is product that does not get processed in the warehouse.
- ❑ It is offloaded from an inbound trailer, pushed across the warehouse and onto outbound trailers for departure without being stored in the warehouse.

BASIC ELEMENTS OF PHYSICAL DISTRIBUTION

1. Materials Handling:

- ❑ It involves moving products in and out of a stock.
- ❑ It consists of routine tasks that can be performed through mechanisation and standardisation.
- ❑ Efficiency is increased through use of electronic data processing to control conveyor systems, order picking and other traffic flows.
- ❑ The modern mechanised handling services and protective packaging have improved the level of customer service and at the same time lowered physical distribution costs.
- ❑ Material handling and packaging services have also speeded up the order processing and movement of consignments.

BASIC ELEMENTS OF PHYSICAL DISTRIBUTION

2. Inventory Planning And Control:

- ❑ Inventory refers to the stock of products a firm has on hand and ready for sale to customers.
- ❑ Inventories are kept to meet market demands promptly.
- ❑ Inventory is the link interconnecting the customer's orders and the company's production activity.
- ❑ Inventory management is the heart of the game of physical distribution.
- ❑ Marketing managers undertake an inventory planning to develop adequate assortments of products for the target market
- ❑ Also try to control the costs involved in obtaining and maintaining inventory.
- ❑ Marketing managers generally take three decisions while conducting inventory management
 - ❑ (i) how can the track be kept, on a day-to- day basis of location, amount and the condition of the inventory?
 - ❑ (ii) How can inventory information best be channeled to production managers or buyers for resale to help them schedule their activities?
 - ❑ (iii) What inventory information can other departments in the organisation use to help them perform their functions efficiently?

BASIC ELEMENTS OF PHYSICAL DISTRIBUTION

3. Order Processing:

- ❑ Order-processing and inventory control are related to each other.
- ❑ Order processing is considered as the key to customer service and satisfaction.
- ❑ It includes receiving, recording, filling, and assembling of products for dispatch.
- ❑ The amount of time required from the dates of receipt of an order up to the date of dispatch of goods must be reasonable and as short as possible.
- ❑ It comprises in undertaking the processes that are needed to make certain orders processed quickly, accurately, and efficiently.
- ❑ The marketing manager has to decide about these along with such issues as
 - ❑ what is the most efficient way to bill customers;
 - ❑ how can the paper work may be minimized?
 - ❑ And how can the physical function of assembling orders more efficiently?

BASIC ELEMENTS OF PHYSICAL DISTRIBUTION

4. Transportation:

- ❑ It is an essential element of physical distribution.
- ❑ It involves integrating the advantages of each transportation method
- ❑ By adopting containers and physical handling procedures to permit transfers among different types of carriers.
- ❑ For example,
 - ❑ to place containers in railway flat cars and then load the containers on motor vehicles is called “piggy back”
 - ❑ if the containers are off loaded to water carriers, it is called “flash back.”
 - ❑ Exchange of containers between air and truck carriers are referred to as “Air truck” or “birdy back”.
- ❑ The marketing manager has to decide to
 - ❑ (i) what mode or combination of modes of transportation (rail, truck, pipeline, water ways or air) should be used to transport products to warehouses and from there to customers?
 - ❑ (ii) Should the transportation cost be reduced and the desired levels of customer service still maintained.

BASIC ELEMENTS OF PHYSICAL DISTRIBUTION

5. Communications:

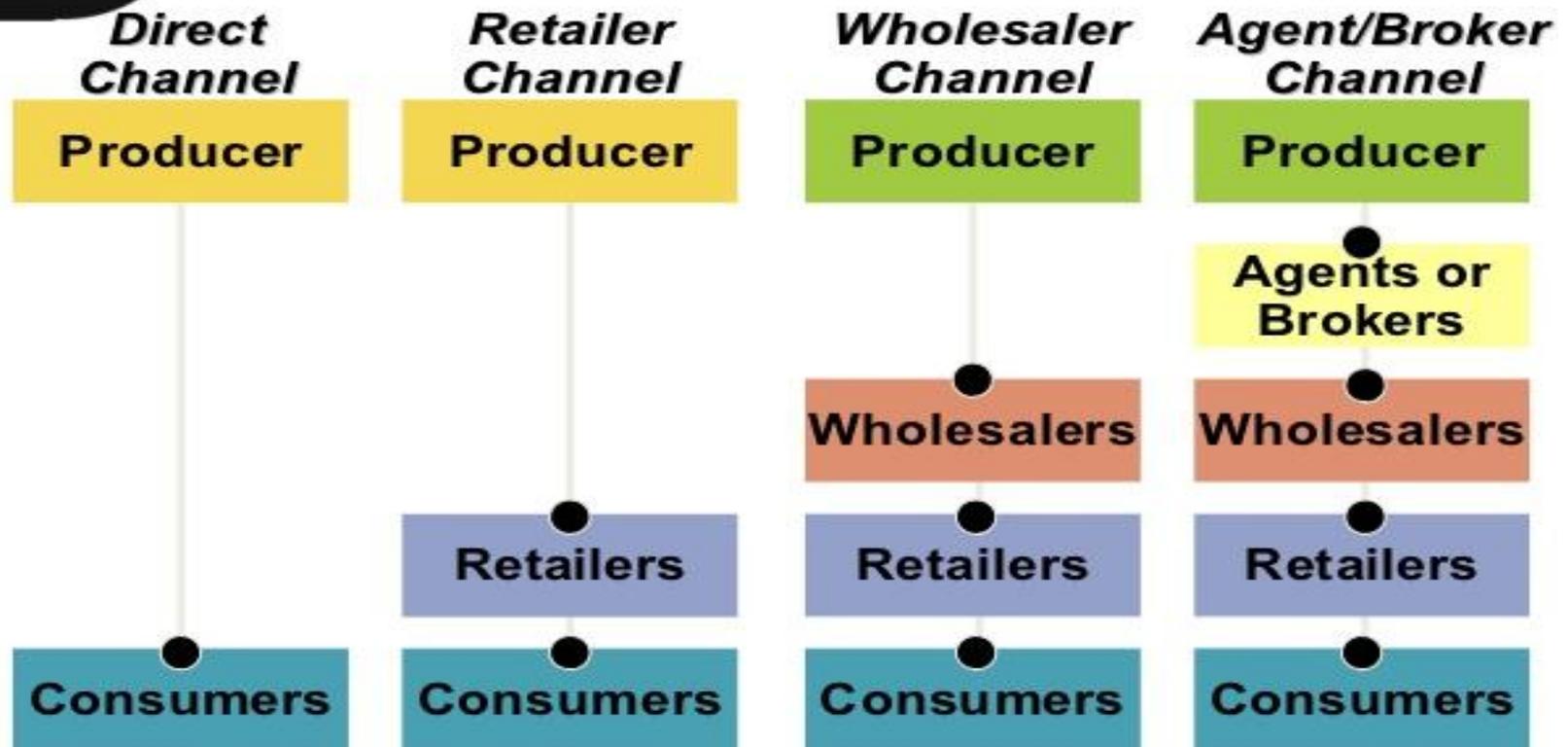
- ❑ It is a process of passing information and understanding from one person to another.
- ❑ This includes the information system which should link producers, intermediaries, and customers.
- ❑ Computers, memory systems, display equipment and other communication technology facilitate the flow of information among other members in the channel.
- ❑ A manager to be successful must develop an effective system of communication.
- ❑ So that he may issue instructions, receive the reactions of the subordinates, and guide and motivate them.

6. Organisational Structure:

- ❑ The person in charge of the physical distribution
 - ❑ should co-ordinate all Activities into an effective system
 - ❑ to provide the desired customer service in the most efficient manner.
- ❑ Examples of organizational consideration are:
 - ❑ (i) How can the five elements of physical distribution best be coordinated so that a team effort results? How can compartmentalization thinking be avoided?
 - ❑ (ii) If a central head is established to direct all physical distribution activities, to whom should he report—The Head of the Marketing or The Chief Executive Officer?

CHANNELS FOR CONSUMER GOODS

Channels for Consumer Products



CHANNELS FOR CONSUMER GOODS

(A) Direct Channel or Zero Level Channels:

- The manufacturer sells the goods directly to the consumer then this is known as Zero Level Channel.
- Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels: When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption,

1. One Level Channel:

- In this method an intermediary is used.
- Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers.
- This method is used for expensive watches and other like products.
- This method is also useful for selling FMCG (Fast Moving Consumer Goods). This channel is clarified in the following diagram:

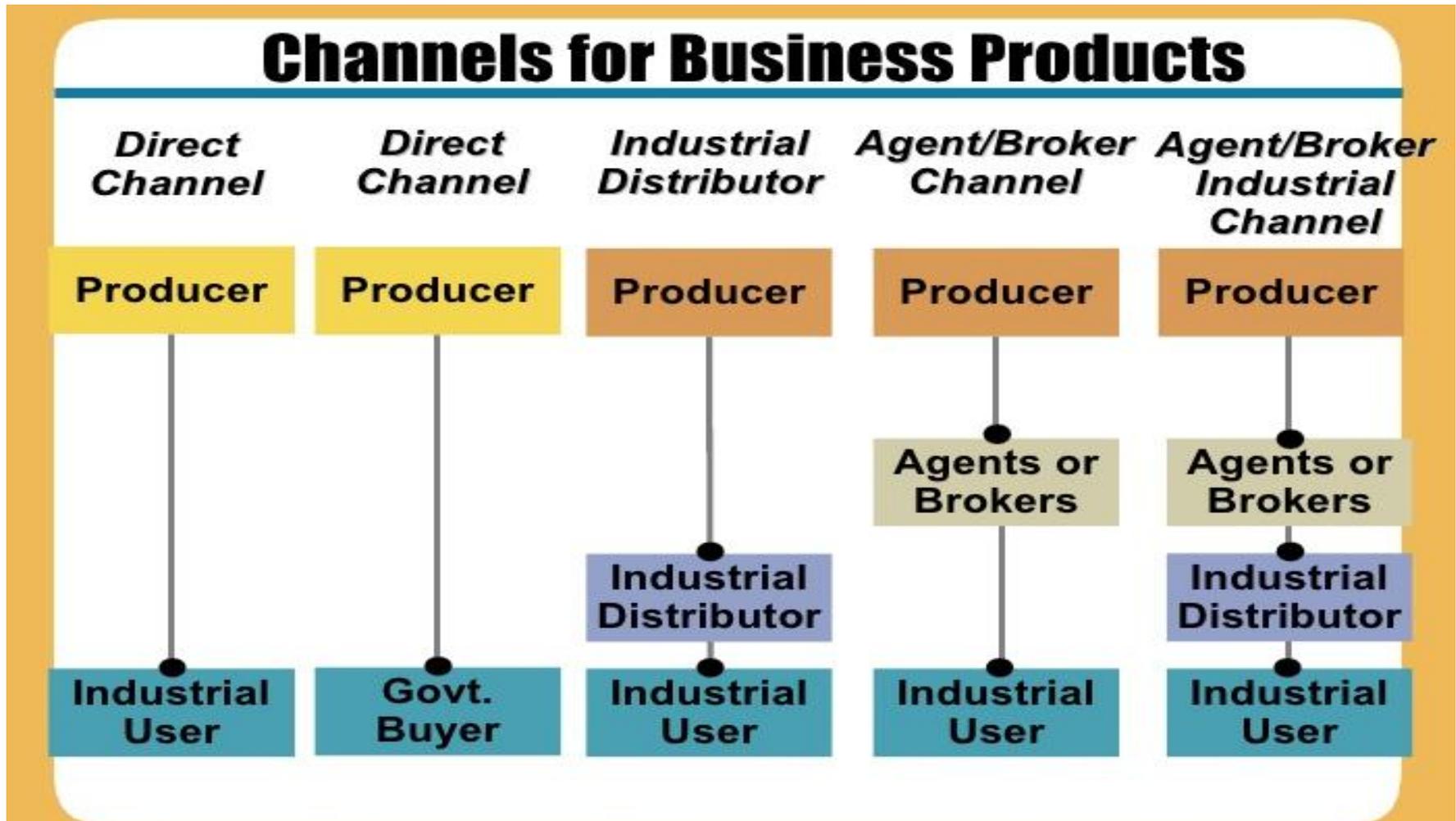
2. Two Level Channel:

- In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer.
- the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.
- Then the retailers make the products available to the consumers.
- This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc. This channel is more clarified in the following diagram:

3. Three Level Channel:

- Under this one more level is added to Two Level Channel in the form of agent.
- An agent facilitates to reduce the distance between the manufacturer and the wholesaler.
- Some big companies who cannot directly contact the wholesaler, they take the help of agents.
- Such companies appoint their agents in every region and sell the material to them.
- Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumers.

CHANNELS FOR INDUSTRIAL GOODS



CHANNELS FOR INDUSTRIAL GOODS

- ❑ Producer to industrial user.
 - ❑ This is a direct channel for industrial users,
 - ❑ Commonly employed by manufacturers of large installations, such as generators.

- ❑ Producer to industrial distributor to industrial user.
 - ❑ This channel of distribution is commonly used to market accessory equipment,
 - ❑ Such as typewriters or operating supplies which include typewriting papers, pens, and office materials.

- ❑ Producer to agent to industrial user.
 - ❑ This is preferably used when an industrial product is new in the market.
 - ❑ Agents are middlemen who have market contacts and can provide sufficient information on possible markets.

- ❑ Producer to agent to industrial distributor to industrial user.
 - ❑ This trade channel is feasible when agents cannot directly sell to industrial users.
 - ❑ These agents or brokers shall render services only on demand,
 - ❑ A regular, fixed income can be minimized instead;
 - ❑ Commissions may be given as they render services during season.

PROMOTION - DEFINITION



Definition:

Promotions refer to the entire set of activities, which communicate the product, brand or service to the user.

The idea is to make people aware, attract and induce to buy the product, in preference over others.

Description: There are several types of promotions.

- ✘ Above the line promotions include
 - + advertising,
 - + press releases,
 - + consumer promotions (schemes, discounts, contests),

- ✘ while below the line include
 - + trade discounts,
 - + freebies,
 - + incentive trips,
 - + awards and so on.

- ✘ Sales promotion is a part of the overall promotion effort.

IMPORTANCE OF PROMOTION



- ❑ A successful product or service
 - ❑ means nothing
 - ❑ unless the benefit of such a service
 - ❑ can be communicated clearly to the target market.

- ❑ Promotion is the method
 - ❑ you use to spread the word
 - ❑ about your product or service to customers, stakeholders and the broader public.

There are methods:

1. *Personal selling:*

- ❑ one of the most effective ways of customer relationship.
- ❑ Such selling works best when a good working relationship has been built up over a period of time.
- ❑ This can also be expensive and time consuming, but is best for high value or premium products.

2. *Sales promotions:*

- ❑ this includes freebies,
- ❑ contests,
- ❑ discounts,
- ❑ free services,
- ❑ passes, tickets and so on, as distinct from advertising, publicity and public relations.

3. *Public relations:*

- ❑ PR is the deliberate, planned and sustained effort
- ❑ to establish and maintain mutual understanding between the company and the public.

OBJECTIVES OF PROMOTION



Building Awareness

- ❑ A product or brand may need to create an identity within the market.
- ❑ This applies to a new company, a new brand or a new product.
- ❑ It may also be needed in times of rebranding or building up a failing product.
- ❑ The aim then is to select those promotional activities that help inform the customer about the company and the product.

Creating Interest

- ❑ If the customer is already aware of the product or has been made aware through some activities, it becomes necessary to move them along to actual purchasing behavior.
- ❑ The aim here is to identify a need that the product fulfills and make sure that the customer recognizes this need as something that is unfulfilled for them.

OBJECTIVES OF PROMOTION



Providing Information

- ❑ Sometimes, a company may just need to provide necessary information regarding the product, its benefits, features or usage to the consumer.
- ❑ This may be the case if a new product is introduced into the market.
- ❑ Unique features or benefits may need to be explained.
- ❑ In other cases, a new feature on an existing product may need to be highlighted.
- ❑ In some cases, such as in instances where environmental impact or health scares may be in play, information about a change in business practices and company policy may need to be communicated.

Stimulate Demand

- ❑ A company may seek to enhance its sales through promotion.
- ❑ If sales have been lower than usual, then the aim may be to get them back up to target level by re-engaging old customers and encouraging new ones to try a product out.
- ❑ In other instances, the aim may be to increase sales further at certain times of the year such as near a major holiday.
- ❑ Free demonstrations or special deals may be used to reach these ends.

OBJECTIVES OF PROMOTION



Differentiate product

- ❑ In situations where there are many competitors in the market, a company may seek to use promotional activities to differentiate its product in the market and make it stand out from the crowd.
- ❑ The focus here remains on those features, functionalities or benefits that may not be offered by a competitor or may not be offered so well.

Reinforce the Brand

- ❑ One basic aim of a promotional activity may be to further strengthen the brand and its place in the market.
- ❑ This helps turn a first time purchases into a life time purchaser. This can also help create advocates for the product from within the customer base.

Reminder

- ❑ Promotion reminds the consumers about the constant availability of the product and its potential to satisfy

PROMOTION TOOLS

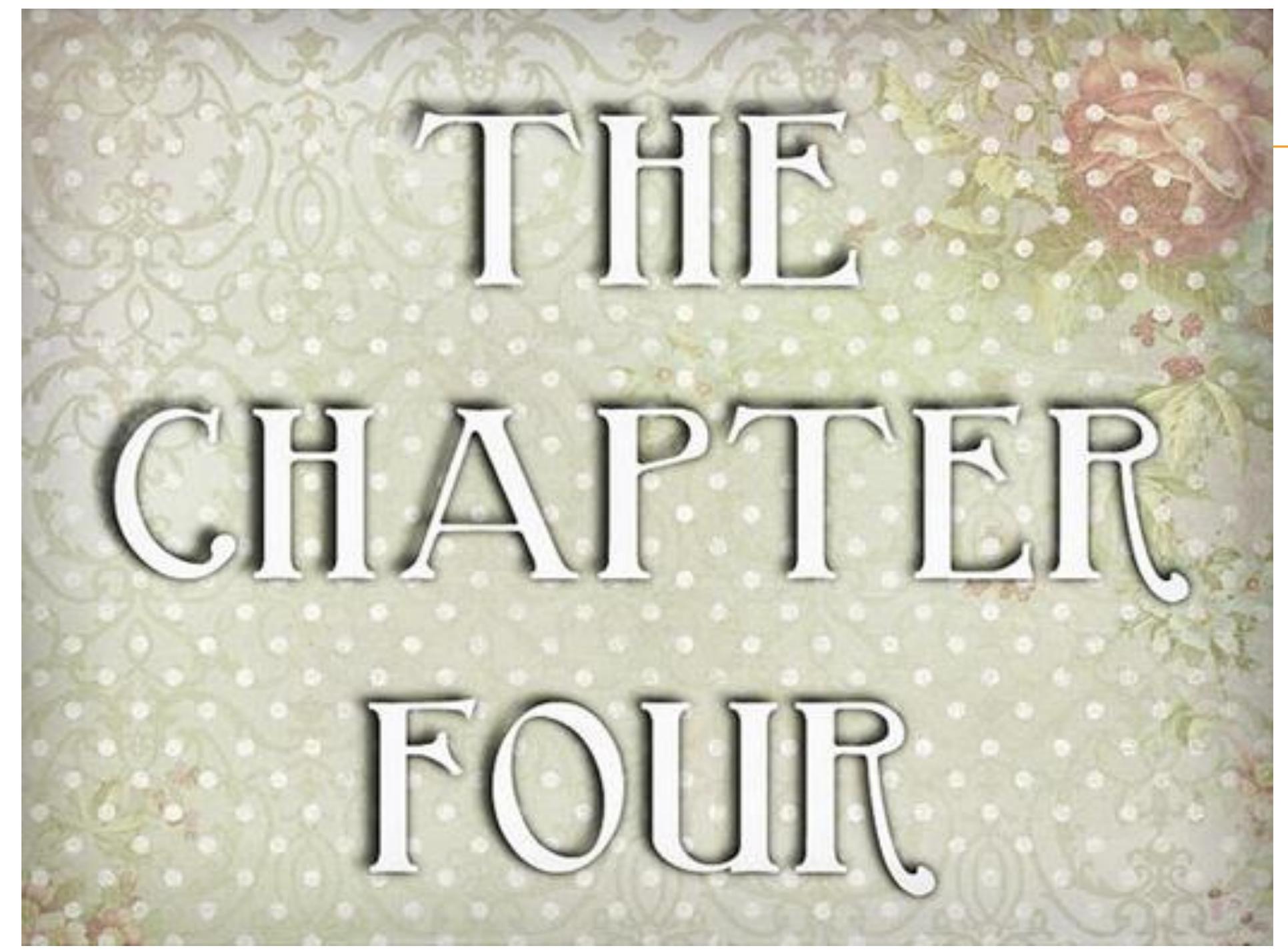


Types of Promotion	Explanation
Advertising	Any non personal paid form of communication using any form of mass media.
Public Relations	Involves developing positive relationships with the organisation media public. The art of good public relations is not only to obtain favorable publicity within the media, but it is also involves being able to handle successfully negative attention.
Sales Promotion	Commonly used to obtain an increase in sales short term. Could involve using money off coupons or special offers.
Personal Selling	Selling a product service one to one
Direct Mail	Is the sending of publicity material to a named person within an organisation Direct mail allows an organisation to use their resources more effectively by allowing them to send publicity material to a named person within their target segment. By personalising advertising, response rates increase thus increasing the chance of improving sales. Listed below are links to organisation who's business involves direct mail.
Internet Marketing	Promoting and selling your services online using various forms of online marketing techniques such as banner advertisements, videos or social media.
Sponsorship	Where you pay an organisation to use your brand or logo. This organisation usually has a high profile so that you know that your brand will be seen by a large audience. Most common use of sponsorship is with sporting events. The 2012 Olympics being held in London is being sponsored by a number of organisations such as Mcdonalds and Coca-Cola as the event will attract a world wide audience that will run into hundreds of millions.

PROMOTIONAL TOOLS



PROMOTIONAL ELEMENT	MASS VERSUS CUSTOMIZED	PAYMENT	STRENGTHS	WEAKNESSES
Advertising	Mass	Fees paid for space or time	<ul style="list-style-type: none"> • Efficient means for reaching large numbers of people 	<ul style="list-style-type: none"> • High absolute costs • Difficult to receive good feedback
Personal selling	Customized	Fees paid to salespeople as either salaries or commissions	<ul style="list-style-type: none"> • Immediate feedback • Very persuasive • Can select audience • Can give complex information 	<ul style="list-style-type: none"> • Extremely expensive per exposure • Messages may differ between salespeople
Public relations	Mass	No direct payment to media	<ul style="list-style-type: none"> • Often most credible source in the consumer's mind 	<ul style="list-style-type: none"> • Difficult to get media cooperation
Sales promotion	Mass	Wide range of fees paid, depending on promotion selected	<ul style="list-style-type: none"> • Effective at changing behavior in short run • Very flexible 	<ul style="list-style-type: none"> • Easily abused • Can lead to promotion wars • Easily duplicated
Direct marketing	Customized	Cost of communication through mail, telephone, or computer	<ul style="list-style-type: none"> • Messages can be prepared quickly • Facilitates relationship with customer 	<ul style="list-style-type: none"> • Declining customer response • Database management is expensive



THE
CHAPTER
FOUR

SEGMENTATION, TARGETING AND POSITIONING & TRENDS IN MARKETING

❑ **SEGMENTATION**

- ❑ Meaning
- ❑ Importance
- ❑ Basis

❑ **TARGETING**

- ❑ Meaning
- ❑ Types

❑ **POSITIONING**

- ❑ Meaning
- ❑ Strategies

❑ **NEW TRENDS IN MARKETING**

- ❑ **E marketing**
- ❑ **Internet Marketing**
- ❑ **And Marketing using social Network**

❑ **SOCIAL MARKETING / RELATIONSHIP MARKETING**

DEFINITION

❑ Market segmentation

- ❑ Is a marketing strategy which involves
 - ❑ Dividing a broad target **market** into subsets of
 - ❑ Consumers,
 - ❑ Businesses, or
 - ❑ Countries
 - ❑ Who have, or are perceived to have,
 - ❑ Common needs,
 - ❑ Interests, and
 - ❑ Priorities, and
- ❑ Then designing and implementing strategies to target them.

ADVANTAGES OF SEGMENTATION

1) Focus of the Company –

- ❑ Segmentation is an effective method to increase the focus of a firm on market segments.
- ❑ If you have better focus, obviously you will have better returns
- ❑ Numerous automobile companies have started focusing on small car segments.
- ❑ This is nothing else but a company changing its focus for better returns.
- ❑ Thus companies base their strategy completely on a new segment
- ❑ which increases its focus and profitability.

2) Increase in competitiveness –

- ❑ Company focus increases, your competitiveness in that market segment will increase.
- ❑ If companies are focusing on youngsters, your brand recall and equity with youngsters will be very high.
- ❑ Company market share might increase and the chances of a new competitor entering might be low.
- ❑ The brand loyalty will definitely increase.
- ❑ Thus market segmentation also increases competitiveness of a firm from a holistic view.

ADVANTAGES OF SEGMENTATION

3) Market expansion –

- ❑ Geographic segmentation is one type of segmentation where expansion is immediately possible.
- ❑ If you have your market strategy on the basis of geography, then once you are catering to a particular territory, you can immediately expand to a nearby territory.
- ❑ if you are targeting customers based on their demography (Ex – reebok targets fitness enthusiasts) then you can expand in similar products (Ex – reebok expanding with its fitness range of clothes and accessories).
- ❑ Segmentation plays a crucial role in expansion.
- ❑ You cannot expand in a territory when you have no idea of which segment of customers you will be meeting.

4) Customer retention –

- ❑ Customer retention can be encouraged through the life cycle of a customer.
- ❑ The best example of this is the Automobile and the Airlines segment.
- ❑ You will find major example of customer life cycle segmentation in the Hospitality segment whether they be hotels, airlines, or hospitals.
- ❑ In India, Titan is an example of products which are planned through the life cycle of a customer.
- ❑ From fast track to Sonata and the high range watches, Titan has them by price segment as well as life cycle segment.
- ❑ Thus a watch is available for any customer who enters a Titan showroom, whatever be his age.

ADVANTAGES OF SEGMENTATION

5) Have better communication –

- ❑ One of the factors of marketing mix which is absolutely dependent on STP is Promotions or communications.
- ❑ The communications of a company needs to be spot on for its TARGET market.
- ❑ Thus if you need a target market, you need segmentation.
- ❑ Communication cannot be possible without knowing your target market.
- ❑ Imagine if you had to make someone across a curtain understand what is politics.
- ❑ You would go on about ruling parties, states, countries and politicians.
- ❑ And when the curtain is taken aside, you find that the person across the curtain is a 5 year old kid. Is there any use talking to him about politics?
- ❑ This shows why communication needs segmentation.
- ❑ If you dont know your market segment, what is their demography, what is their psychology, where they are from, then how can you form a communication message.

6) Increases profitability –

- ❑ Segmentation increases competitiveness, brand recall, brand equity, customer retention, communications.
- ❑ Thus if it is affecting so many factors of your business, then definitely it affects the profitability of the firm.
- ❑ Do you ever see people negotiating in a Nike, Gucci or [BMW](#) showrooms?
- ❑ You wont. One of the USP's of these brand is their segmentation.
- ❑ They are in fact targeting segments which have no need of bargaining or negotiation.
- ❑ Thus their profitability is high

BASIS OF SEGMENTATION

MARKET SEGMENTATION APPROACHES



GEOGRAPHICAL

- continent
- country
- country region
- city
- density
- climate
- population
- subway station
- city area



DEMOGRAPHIC

- age
- gender
- family size
- occupation
- income
- education
- religion
- race
- nationality



PSYCHOGRAPHIC

- lifestyle
- social class
- AIOs (activity, interest, opinion)
- personal values
- attitudes



BEHAVIORAL

- occasions
- degree of loyalty
- benefits sought
- usage
- buyer readiness stage
- user status

GEOGRAPHIC SEGMENTATION

- ❑ A market segmented into sub-markets
 - ❑ on the basis of geographic location is known as Geographic Segmentation.
- ❑ Examples of such division are
 - ❑ nations, states,
 - ❑ regions,
 - ❑ provinces, districts,
 - ❑ counties,
 - ❑ cities or
 - ❑ even neighborhoods.
- ❑ An international firm may divide its market on the basis of
 - ❑ nations and then move further down to
 - ❑ the level of cities and neighborhoods.

GEOGRAPHIC SEGMENTATION

- ❑ A national company may start with
 - ❑ at the level of counties/regions and
 - ❑ move down to cities and other sub-levels.
- ❑ What is considered as a need in the US may be a luxury in Singapore.
- ❑ What is a luxury in India may be something redundant or useless in the UK.
- ❑ The customer
 - ❑ needs and wants,
 - ❑ the ways and means to satisfy them
- ❑ may be entirely different in one country from those who in another.

DEMOGRAPHIC SEGMENTATION

- ❑ A market split into sub-segments
 - ❑ on the basis of variables such as
 - ❑ age, gender, sex, family, income, education, religion, culture, occupation, profession, ethnicity etc is known as demographic segmentation.
 - ❑ To make it simpler, it is the division of market on the basis of demographics.

Age:

- ❑ This is one of the most effective ways of demographic segmentation.
- ❑ Modern firms use this as a very useful marketing tactic to create and retain their customers right from birth to death.
- ❑ At the age of 1 to 2, firm shall try to offer stuff like nappies for new born, baby cream, anti colic, baby clothes etc.
- ❑ With the passage of time, these may change to toys (a lot of sub-division)
- ❑ then bikes, balls, sport, jeans, school, then college, then University, car, insurance, employment, then retirement, pension and even death (funeral services!)

- ❑ McDonald's different ads and media campaigns target people of different ages such as children, teens, adults and senior citizen. Insurance companies announce special packages and offers for people over certain age. Theme Parks offer kids and infants deals.

DEMOGRAPHIC SEGMENTATION

❑ Ethnic Segments:

- ❑ The multi-cultural societies' potential customers
 - ❑ may all be located in the same geographic location
 - ❑ but their needs and wants and
 - ❑ ways to satisfy these needs and wants are different.
-
- ❑ Companies have successfully segmented their markets on ethnic basis all over the world in areas where the demand needs to be met that way.
-
- ❑ Indian restaurants and clothes shops around Europe and America are some of the best examples of Market Segmentation based on ethnic grounds.

DEMOGRAPHIC SEGMENTATION

GENDER

- ❑ Can be seen in areas like clothing, cosmetics, beauty products, hair styles, careers, cars, insurance and now even education.
- ❑ Perfume companies target men and women separately with their various model and brands.
- ❑ Girls like pink bags while boys may go for blues or blacks.
- ❑ There are several separate male and female schools.
- ❑ Car designers know that subtleties make difference, so Nissan's Micra and Mini Cooper have special attractions for ladies.

3. PSYCHOGRAPHIC SEGMENTATION

- ❑ Life style, social class and personality may be the basis for psychographic segmenting of markets.
- ❑ Examples of life styles segments would be people drinking decaf coffee or tea, weight watchers, seekers of less fatty food.
- ❑ Products based on life styles may be highly customized to appeal to a particular way of life.
- ❑ Younger people's life-style requirements may be a great deal different than of those who are above their age group.
- ❑ Examples of social class segments are holidays, hotels and air travel tickets targeting people of a particular class.
- ❑ The consumer in psychographic segmentation may have the same income level and gender but they may have different inclinations and a unique style of living.
- ❑ They may have different personalities determining their likes and dislikes for a particular class of products.

4. BEHAVIORAL SEGMENTATION

- ❑ Behavioral segmentation is based on the variables of the actual behavior of the consumer.
- ❑ For instance, some users may be classed as heavy users while others as light users.
- ❑ Some may be just first time user while other are occasional users only.
- ❑ To summaries the behavioral segment may consist of the following variables.
 - ❑ User status
 - ❑ Usage rate
 - ❑ Benefits sought
 - ❑ Occasions
 - ❑ Brand loyalty
 - ❑ Attitude towards product
 - ❑ Readiness to buy

OTHER VARIABLES

5. Other Variables

- ❑ Marketers have even further dug the subject and provided some other variables.
- ❑ Briefly these are:
 - Distribution segmentation
 - Media segmentation
 - Time segmentation

- ❑ **Industrial (Business) Market Segmentation**
- ❑ Industrial Market Segmentation is division of the Market on Business or industry basis.
- ❑ This kind of division occurs in Business to Business Marketing. B2B Segments may have the following variables.
- ❑ These may be used as additional variables along with B2C segmenting as discussed above.
 - Location
 - Company Size
 - Technology
 - Power structure
 - Urgency
 - Business Type
 - Customer Type
 - Product type

SEGMENTATION, TARGETING AND POSITIONING & TRENDS IN MARKETING

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DEFINITION OF TARGET MARKETING



- *A target market is a market segment*
 - *that has been deliberately selected*
 - *by an organization*
 - *in order to focus their marketing efforts and offerings.*

TARGETING



- ❑ All organizations today focus their marketing efforts on specific target markets.
- ❑ In previous business eras, it was more common for organizations in mass marketing.
- ❑ With the increased level of competition, particularly from firms with well-defined market offerings, it is very difficult to be successful with this generic approach to marketing.
- ❑ A target market allows the firm to focus its marketing efforts and develop a unique positioning and marketing mix that strongly matches the needs of that part of the market.
- ❑ This approach is a foundation of modern marketing and is the first part of the marketing concept
- ❑ Without a clear target market, an organization will have a limited understanding of the market, will probably have vague or weak offerings, and will generally have a weakened competitive position.
- ❑ Therefore, defining and pursuing clear target market/s is a critical part of business success.

TARGETING- MEANING



Age Target Marketing

- ❑ Targeting a product to a particular age group or generational group
- ❑ Is a way to concentrate your marketing efforts and
- ❑ Generate product interest within that particular group.
- ❑ Extensive research is necessary for age or generational marketing
- ❑ To determine the status and living situations of consumers in your potential target group.

Income-Sensitive Marketing

- ❑ Income-sensitive marketing seeks to target your small business's services or products to consumers of particular income and economic status.
- ❑ This strategy also shapes the prices you charge for your goods and services as well as the marketing campaign itself.
- ❑ For example,
 - ❑ products marketed to consumers with higher incomes will have higher prices while
 - ❑ those products marketed to consumers with lower incomes will have lower prices.
- ❑ This allows more consumers in your target market group to afford your products.

TARGET MARKETING



Gender-Specific Marketing

- ❑ Gender-specific marketing shapes an advertising campaign toward one gender or specific group within that gender.
- ❑ For example, target marketing toward pregnant women seeks to generate more interest in your small business's goods and services within that particular group.
- ❑ How your small business accomplishes this task depends on the outcome of your market research and gender needs within your local marketplace.
- ❑ This research may influence the types of images, colors and language you use in your marketing campaign to attract your target gender or gender group to your company's products or services.

Geographic Target Marketing

- ❑ Geographic areas across the country have different product needs.
- ❑ Targeting a marketing campaign to meet the signature geographic demands of consumers in your marketplace can boost your company's importance and necessity in the minds of consumers.
- ❑ This strategy also works with seasonal marketing campaigns to take advantage of shifting consumer moods as the weather turns hot or cold.
- ❑ For example, many beverage companies roll out pumpkin-flavored hot drinks during the fall to catch consumers turning attention toward Thanksgiving and colder weather.

TARGET MARKETING

Example of How to Select a Target Market

- A manufacturer of sports shoes who has identified four market segments,



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The firm currently targets the 'keeping fit' market segment. This means that they have three additional market segments to evaluate and consider. Using the assessment criteria outlined in the above section, these three potential markets will be explored,

TARGET MARKETING



SEGMENT ASSESSMENT FACTOR

ELITES SEGMENT

DAILY COMFORT SEGMENT

FASHION SEGMENT

Financial Issues

Segment size

Likely to be a relatively small segment

Would be the largest segment of the three under consideration

Probably a small to medium-sized segment

Rating: Poor

Rating: Good

Rating: Fair

Segment growth rate

Would be a fairly stable segment with limited growth prospects

Would be a mature market as well

Probably has reasonable growth prospects

Rating: Poor

Rating: Poor

Rating: Good

Profit margins

Higher profit margins are likely, as consumers would not be overly price sensitive

Moderate profit margins, as significant competition exist, with a reasonable number of budget offerings

Likely to have higher profit margins, as price is a minor attribute in the purchase decision

Rating: Good

Rating: Poor

Rating: Good

TARGET MARKETING



Structural Attractiveness

SEGMENT ASSESSMENT FACTOR	ELITES SEGMENT	DAILY COMFORT SEGMENT	FASHION SEGMENT
Competitors	Would have a number of specialist competitors, who would have a strong brand and loyal customers	This segment would be targeted by an array of competition including many indirect competitors	Fairly competitive segment as well, mainly from traditional fashion shoe providers
	Rating: Poor	Rating: Poor	Rating: Poor
Distribution channels	Would have a good degree of channel overlap with current target market, but would need to access some specialty retailers	Would be able to meet this shopping preferences of some of the target market, it would probably have to move into Department stores and discount stores to a large extent	May have some exposure to the target market, but would have to look at more fashion oriented stores
	Rating: Good	Rating: Fair	Rating: Poor

TARGET MARKETING



Strategic Direction

SEGMENT ASSESSMENT FACTOR	ELITES SEGMENT	DAILY COMFORT SEGMENT	FASHION SEGMENT
Strategy	Would assume that the brand reputation of competing in this target market would align to strategy	Probably a relatively easy market development approach for the firm	Is a move into an unrelated market segment and may not be part of their core strategy
	Rating: Good	Rating: Good	Rating: Poor
Goals	Would assume that they have growth goals and enhancing the credibility of their brand	Would assume growth goals, but they may be concerned about being seen as a generalist shoe	Access to the target market would help the company grow, but it is quite divergent from their current operations
	Rating: Good	Rating: Good	Rating: Fair

TARGET MARKETING



Marketing Expertise

SEGMENT ASSESSMENT FACTOR	ELITES SEGMENT	DAILY COMFORT SEGMENT	FASHION SEGMENT
Resources	Would require is new products to be designed and developed, so a reasonable level of cost	Could market to this segment with your existing product range and some existing retailers, so relatively low-cost	Would require new products, potentially new designers in the firm, and the establishment of new distribution channels so relatively high-cost
Capability	Rating: Fair May be concerned whether they have the technical ability to produce a range of elite sports shoes	Rating: Good Minor concern of the challenge of accessing department stores and discount channels	Rating: Poor The major skill set challenge here is their ability to produce fashionable designs on a regular basis
Role of brand	Rating: Poor Brand reputation is important and they will be competing against established specialists. They may have trouble in gaining credibility with some of the target market audience	Rating: Good Their existing brand would be easily leveraged into this more general market, but there is a concern that their existing brand equity may be eroded in their traditional target market	Rating: Poor Leveraging the brand into a fashion segment may dilute the value of their existing brand equity, or alternatively they would need to build a new brand for this segment
	Rating: Fair	Rating: Fair	Rating: Poor

TARGET MARKETING



Opportunity Cost

SEGMENT ASSESSMENT FACTOR	ELITES SEGMENT	DAILY COMFORT SEGMENT	FASHION SEGMENT
Growth options	As little is known about the other growth prospects, we would need make the assumption, across the three market segments, that a market development approach is the best choice at this stage for the firm		
	Rating: Good	Rating: Good	Rating: Good
OVERALL ASSESSMENT	Rating: Fair-Good	Rating: Good	Rating: Poor

TARGET MARKETING



- The overall assessment at the bottom of the table has been based upon a simple review of each assessment rating.
- In real life, organizations are likely to have weightings each of these assessment items, which means, that depending upon their current position, some assessment items might be considered more important others.
- In particular strategic and financial issues are often highly regarded by organizations.

TARGET MARKETING



We have a fairly objective assessment of each of three market segments.

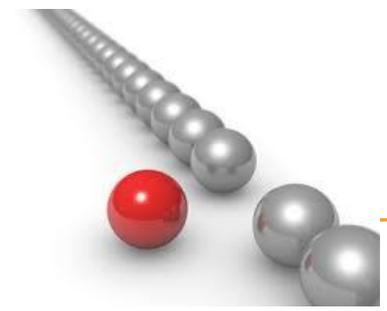
- In this case (based on the information presented), the firm would most likely select the ‘daily comfort’ segment to become their next target market.
- They may also select the ‘elite’ segment as another target market (perhaps now or in the future).
- And finally, it is likely that the organization would rule out competing in the fashion/sports shoe market at this time, (however, they may revisit that decision sometime in the future).

WHAT IS POSITIONING?



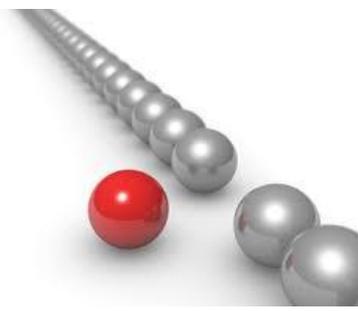
- ❑ Positioning (or product positioning) is how the product is designed to be perceived in the market place by the target market against its main competitors.
- ❑ It's basically how consumers understand the product offering and how it differs from similar competitive offerings.
- ❑ Positioning is built by the organization designing and promoting their product by highlighting various product features, benefits, and/or other competitive advantages.
- ❑ Firms like to create a clear and distinct product positioning.
- ❑ If they can achieve this positioning goal, then their product becomes the 'product of choice' for certain target markets or consumer needs.
- ❑ Positioning is the final main phase of the overall STP process (which stands for segmentation, targeting and positioning).
- ❑ Positioning is typically more important in cluttered and competitive markets, particularly for low-involvement purchase decisions

DEFINITION OF POSITIONING



- Positioning was ‘popularized’ by Trout and Ries in the 1980s.
- The two authors are still considered experts in the areas of positioning and branding.
- The following quote was sourced from *Ries’ Pieces* a related website, which specializes in branding issues.
- The website quotes the following positioning definition from Al Ries himself:
 - *“Positioning is not what you do to the product; it’s what you do to the mind of the prospect. It’s how you differentiate your brand in the mind. Positioning compensates for our over-communicated society by using an oversimplified message to cut through the clutter and get into the mind. Positioning focuses on the perceptions of the prospect not on the reality of the brand.”*
- This view of positioning is strongly related to image and communication and its impact on consumer perception.
- However, it is important to recognize that a clear market positioning is achieved through combined effort of the entire marketing mix, not just via promotional activities.
- This is because it is difficult (in the long-term) to convince consumers of the quality, unique features and benefits, and competitive advantages of a product, unless the communication claim has some substance to it.

DEFINITION OF POSITIONING



- ❑ Other than that clarification, please note the essence of the definition from Ries: that positioning is a battle for the mind of the consumer. Let's now look at another definition of positioning as a point of comparison.

“Positioning can be defined as how a product or a company’s offer appears in the mind of the target customer with respect to other brands in the market. Positioning is critical to brand building because it is responsible for projecting the brand identity and creating the perception and image of the brand in people’s mind.”

- ❑ Note the important similarities of these two positioning definitions: that positioning is in the mind of the target market and that the consumers’ understanding of the product is on a relative or differentiated basis (that is, some comparison to competitors.) Therefore, we can summarize the definition of positioning as being:

Positioning is the target market’s perception of the product’s key benefits and features, relative to the offerings of competitive products.

The important aspects of this definition are:

- ❑ Positioning is the perception (their knowledge and understanding) of consumers,
- ❑ The focus is on the perceptions of the target market,
- ❑ Only the key features/benefits can be effectively communicated, and
- ❑ Perception, relative to competing products, is very important.

STP PROCESS



POSITIONING AND THE STP PROCESS

- ❑ Positioning is the third and final major phase of the overall STP (segmentation, targeting and positioning) process.
- ❑ the firm would have a good understanding of the overall marketplace and have a sense of what positioning goals would work in this market.
- ❑ the organization would have considered the competitiveness of the various segments and thus would be aware of the competitive offers and their behavior.
- ❑ On the basis of this information, in conjunction with the firm's strategy and competitive strengths, various positioning options would probably have been considered already.



EXAMPLES



TAGLINE/SLOGAN	COMPANY	POSITIONING DISCUSSION
Melts in your mouth, not in your hands	M&Ms	This slogan clearly establishes the competitive advantage of this candy product. It highlights a single product attribute and communicates a single clear benefit to the consumer.
Always	Coca-Cola	This seemingly simple slogan, encapsulates the ongoing connection between Coca-Cola and its marketplace. It is a product that has wide consumer appeal, strong loyalty, and is often treated like a 'friend' to the consumer. Hence the word 'always' reinforces this close consumer/product relationship.
When it absolutely, positively, has to be there overnight	Federal Express	This slogan clearly highlights the efficiency and reliability of the courier and delivery service. Again it is an example of a clear statement that efficiently communicates a distinct positioning.
We try harder	Avis Rent-a-Car	This well-known slogan highlights that their competitive advantage is in the area of superior customer service and creates a clear positioning that the firm will do more to help their customers.
Eat fresh	Subway	In the competitive fast food market, this simple two word slogan stands out by clearly differentiating their offering on the healthiness and the freshness of their menu offering.
Choice of a new generation	Pepsi	This very effective positioning slogan makes a clear connection to younger people (or young-at-heart) that their product is the preferred cola product for today's modern, youthful and energetic consumers.