



**DR. BABASAHEB AMBEDKAR  
OPEN UNIVERSITY**

# DBA

**DIPLOMA IN BUSSINESS ADMINISTRATION**



**DBAR-201**

**Marketing Management**

# Marketing Management



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## **ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING**

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual- skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this. Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure student's performance (continuous assessment).



## **PREFACE**

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



# Marketing Management

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# **Marketing Management**

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## **BLOCK-1 UNDERSTANDING MARKETING, ITS STRATEGIES, ITS PLANS, ITS RESEARCH**

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### **UNIT 1**

OVERVIEW OF MARKETING

### **UNIT 2**

MARKETING AND CUSTOMER VALUE; STRATEGIC PLANNING

### **UNIT 3**

MARKET RESEARCH

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## **BLOCK 1 : Understanding Marketing, Its Strategies, Its Plans, Its Research**

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### **Block Introduction**

Block Introduction In this block you will get a broad look on the concept of marketing. There are traditional and modern definitions of the marketing given with the understanding what is Marketing Management.

The concept is also cleared on the basic human requirements of needs, wants and demands and the market environment in which the product and services are to be marketed.

The block will also give an insight of the emerging trends in marketing, especially advertising as the technological changes are fast adopted by the young generation.

Reaching out to customers have evolved over time. The approach has changed from selling of what is produced, to, producing only what the customers' needs, and lately caring about the environment while producing and marketing the products and services

### **Block Objectives**

**After learning this block you will be able to understand :**

- Define, Scope and Understand the Concept of Marketing
- The Evolving New Trends of Marketing
- Strategic Planning, Marketing Planning and Marketing Plan
- Porter Five Force Model
- What is Market Research ?, its importance and its process, Application and Ethics

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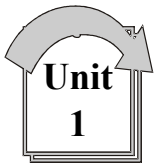
### **Block Structure**

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Unit 1 : Overview of Marketing

Unit 2 : Marketing and Customer Value; Strategic Planning

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## OVERVIEW OF MARKETING

### : UNIT STRUCTURE :

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Introduction to Marketing**
- 1.3 Definition of Marketing**
- 1.4 Scope of Marketing**
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- 1.13 Case Study**
- 1.14 Further Readings**

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#### **1.0 Learning Objectives :**

**After learning this unit, you will able to understand basic of Marketing :**

- Definition of Marketing and utility value it creates for the customer.
- Understand the Scope of Marketing
- How Marketing concepts have evolved ?
- Recent trend and future of Marketing

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#### **1.1 Introduction :**

This unit concentrate on making you familiar with the basic concept of marketing. We have tried to acquaint you with the different definition of the marketing given by various authors which talks about traditional and new definition. Authors had talked about the various fundamental concepts and philosophy of marketing and what are the recent trends in Marketing. The main purpose of the author is to make you familiarize with the fundamental of the marketing and to develop interest in further studies.

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### 1.2 Introduction to Marketing :

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The term Marketing is mainly a concept of customer orientation. Mahatma Gandhi has also preached this concept, that the customer is a king. What this implies is that product/service are brought by the customer not merely because of their qualities, packaging or brand name, but because they satisfy a specific need of a customer. Marketing is critically important for any organisation, because understanding and responding to the customer needs is a prerequisite for any organization success. Suppose all concerned components of a product are perfect – design, raw material, manufacturing, quality etc., but the organisation does not do proper marketing of that product, then this product will not survive in the market for long. The success of the organisation depends upon the marketing. Marketing management today is the most important function in a commercial and business enterprise. Marketing department in an organisation promotes business and drive sales of its product or services. Providing value and satisfaction to the customer are the very heart of modern marketing thinking and practice. Marketing is not one-time activity but it is an on-going strategy that helps businesses flourishes.

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### 1.3 Definition of Marketing :

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**Let's study various definition of marketing given by various authors**

In the words of *Cundiff and Still* "Marketing is the term used to describe collectively those business functions most directly concerned with the demand stimulating and demand-fulfilling activities of the business enterprise"

According to *Ben M.En* "Marketing management is the process of increasing the effectiveness/efficiency by which marketing activities are performed by individuals or organizations."

According to *Hansen* "Marketing is the process of discovering and translating consumer needs and wants into product and service specifications, creating demand for these products and services and then in turn expanding this demand."

- According to **Philip Kotler** : Marketing is defined as "a social and managerial process by which individual and groups obtain what they need and want through creating and exchanging products and value with other".
- **American Marketing Association** defines Marketing as "the performance of business activities that direct the flow of goods and services from producers to customer or user."

The **traditional** definition has undergone various changes and new definitions emerged :

- **Philip Kotler** brought social function of Marketing in society "Marketing is a societal process by which individuals and groups

obtain what they need and want through creating, offering and freely exchanging products and services of value with others."

- **American Marketing Association** redefined it as : "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in way that benefit the organisation and its stakeholder".

**Check Your Progress – 1 :**

1. Who brought social function of Marketing in Society ? \_\_\_\_\_  
(a) Philip Kotler  
(b) Peter Druker  
(c) American Marketing Association  
(d) None of the above
2. \_\_\_\_\_ redefined it as : "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in way that benefit the organisation and its stakeholder".  
(a) Philip Kotler  
(b) Peter Druker  
(c) American Marketing Association  
(d) None of the above

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**1.4 Scope of Marketing :**

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**What is Marketing and Marketing Management ?**

**Let's us first define Marketing :- Marketing** in simple term means that "meeting the needs of the customer by earning profit".

The scope of marketing can be understood in terms of **functions** that an entrepreneur has to perform. These include the following :

**a. Functions of exchange :** which include buying and assembling and selling ?

**b. Functions of physical supply :** include transportation, storage and warehousing

**c. Functions of facilitation :** Product Planning and Development, Marketing Research, Standardisation, Grading, Packaging, Branding, Sales Promotion, Financing.

**Marketing Management**, includes managing the need or the demand which in turn involves Managing Customer Relationship.

Marketing Management thus helps the organisation to achieve its goals by seeking to affect the level, timing and nature of demand. Simply put, marketing management is demand management.

## Marketing Management

Therefore, Marketing Management is defined as "art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value".

A word of caution here is that 'marketing' should not be equated as 'selling.'

### Check Your Progress – 2 :

1. The scope of marketing can be understood in terms of functions that an entrepreneur has to perform.
  - (a) Functions of exchange
  - (b) Functions of facilitation
  - (c) Functions of physical supply
  - (d) All of them

### What is Marketed ?

Few entities marketed are explained by E.g. :

**Goods :** Tangible items that can be perceived by touch is known as goods. Physical goods constitute the bulk of most countries' production and marketing effort. In developing nations, goods particularly food, commodities, clothing, and housing—are the mainstay of the economy. E.g. Refrigerators, Television Sets, Food Products, Machines etc.

**Services :** As economies advance, a growing proportion of their activities are focused on the production of services. Products that have intangible properties such as Working of Airlines, Hotels, Car Rental Firms, Barbers, Beauticians Etc. and Professionals such as, Accountants, Bankers, Lawyers, Engineers, Doctors, and Software Programmers etc. are termed as services

**Experience :** Marketers create experiences by offering a mix of both goods and services. A product is promoted not only by communicating features but also by giving unique and interesting experiences to customers. For example water park, and theme parks provide experience marketing. Another different real life experience is been enjoyed by customers at modern retail outlets. Now retailing is not an activity involved in just selling goods to the customers, it has now become an experience. Shopping in a mall where the delightful experience comprises of not only shopping but also, spending time with family and friends, eating out, watching movie and enjoying the day.

**People :** Marketing can help people to market themselves. Due to a rise in testimonial advertising, celebrity marketing has become a business. Cricketers, film stars, authors, painters, musicians and sportsperson market themselves. Some of the well-known personalities are Amitabh Bachchan, Sachin Tendulkar, Salman Khan etc. These people are not only successful in marketing themselves but also they lent their names to products like perfumes (Shilpa Shetty), retail stores by the name of true blue (Sachin Tendulkar), and clothes and accessories by Salman Khan with the name of 'Being Human'.

**Places :** Cities, state and nation can be marketed to the consumers. Place marketers include real estate developers, commercial banks, businesses etc. The tourism ministry is also aggressively promoting tourist spots locally and globally. One cannot forget the incredible India campaign by Indian government to market India as tourist spot. In India, Bangalore is known as the silicon valley of India. Kerala is known as God's own country. Madhya Pradesh is known as "Heart of incredible India". A campaign by Amitabh Bachchan for "Khushoo Gujaratki" (<https://www.youtube.com/watch?v=45Djyuzk9ff>)

**Organizations :** Organizations actively work to build image in the minds of their customers. The PR department plays an active role to create a unique and favourable image in the eyes of customers. Marketers of the services need to build the corporate image, as exchange of services does not result in the ownership of anything. The organization's goodwill promotes trust and reliability. The organization's image also helps the companies in the smooth introduction of new products. 'Tata group' comprising of multiple brands, stands for trust and quality globally. Philips advertises with the tag line, "Let's Make Things Better" promise its customers, products that are technologically advance and hassle free. So its marketing campaign is based on sense and simplicity platform.

**Property :** Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities). Properties, whether tangible like real estate or intangibles like stocks can be marketed to the customers. Properties are bought and sold and this exchange process seeks the role of marketing. Real estate developers (DLF, Unitech, and Supertech) develop property and seek buyers for the same. Same is the case with any investment company that wishes to sell its securities to individuals as well as institutions.

**Events :** Marketers promote different events from time to time to their customers. These events can be for individuals or organizations. Commonwealth games, Cricket World Cup Series, Musical Concert, Awards, and Fashion shows, etc are events

**Information :** Information is basically produced and marketed and distributed by universities, schools, colleges, newspapers, magazines, books etc to the customers at a price. The customers here might be parents, students and communities.

**Ideas :** Every marketer offers some idea. Some offer it for money others do it for society in general. Marketers make profit from society and they shall also give back to the society. Social marketing comprises of creating awareness on ideas like Family Planning, AIDS awareness, discouraging-smoking, child labour, domestic violence, wearing of helmet while driving, blood and eye donation etc.



*"A Market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want".*

In marketing, market does not mean the shopping zones or places where goods are sold and bought. Here, the seller and marketer are treated as the industry and buyer as the market. Examples are the general consumer market, business market, global market and specific markets like teenagers market, children's market etc. It means that market is the set of actual and potential buyer, with purchasing power. For example, the market for cell phones consists of the present and potential user of the device. Buyers or customers share a particular need or want that can be satisfied through exchange relationships. The size of the market will depend upon the number of people who exhibit the needs, have the buying power, and are willing to exchange their resources for what they want.

**Marketer :** A marketer is someone who seeks the response – attention, a purchase, a vote, a donation – from a prospect. Marketers work to understand the needs and wants of specific market and to select the market that they can serve best. In turn they develop products and services that create value and satisfaction for customers in these markets. The result is profitable long-term customer relationships.

**Check Your Progress – 3 :**

1. What is marketed ?
  - a. Goods
  - b. Service
  - c. Both
  - d. None of the above
2. A Market is a place where sellers and buyers gather and exchange \_\_\_\_\_ and \_\_\_\_\_.
  - a. Goods and Services
  - b. Only Services
  - c. Only Events
  - d. None of the above
3. A \_\_\_\_\_ is someone who seeks the response – attention, a purchase, a vote, a donation – from a prospect
  - a. Marketer
  - b. Seller
  - c. Buyer
  - d. Kirana Stores

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**1.5 Fundamental Marketing Concepts : :**

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**Needs, Wants, Demand**

**Need :** A human need is a state of felt deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, esteem and few other things for survival. It includes needs that are physiological, safety, social, esteem, and self-actualization. These needs are not created by their society or by marketers; they exist in the very texture of human biology and the human condition.

We need to understand what type of need the prospect customer has ? Is it explicit, mentioned clearly or is it implicit, not expressed or unspoken.

There are **five types** of needs.

Types of Need	Definition	Examples
Stated Need	What the customer asks for ?	The customer wants and Inexpensive car
Real Need	What the stated needs actually means ?	The customer wants a car whose operating cost, not initial price, is low
Unstated Need	What the customer also expects but does not ask for ?	The customer expects good service from the dealer
Delight Need Secret Need	Needs that are not essential but would delight if met	The customer would like the dealer to include an on-board GPS(navigation) system
	Needs that the customer does not express often intangible in nature.	The customer wants to be seen by friends as a savvy consumer.

**Wants :** Wants are desires for specific satisfiers of these deeper needs. A Gujarati needs food and want "Khichdi, Khaman & Khakhara", need clothing's and wants saree, salwar suit (for ladies) and kurtapiyama, shirt and pants (for gents) for office wear, chaniyacholi (for girls) and kediyu (for boys) for social occasions like garba, and needs leisure by travelling. In another society, those needs are satisfied differently : Malays, in Malaysia and Singapore satisfy their hunger with local food, their clothing needs on special occasions with the bajukurong or kebaya, and their leisure needs are satisfied through shopping and movie watching. Human wants are continually shaped and reshaped by social forces and institutions such as religious groups, schools, families and business corporations.

**Demands :** Demands are wants for specific products that are backed by an ability and willingness to buy them. Individual wants become demand when supported by a purchasing power. There are many people who want a Macbook, but only a few are able and willing to buy one. Companies must therefore measure not only how many people want their product but, more important, how many would actually be willing and able to buy it.

There are **eight types** of Demands

<b><i>Negative Demand</i></b>	Consumers dislike the product and may even pay to avoid it
<b><i>Nonexistent Demand</i></b>	Consumers may be unaware of or uninterested in the product
<b><i>Latent Demand</i></b>	Consumers may share a strong need that cannot be satisfied by an existing product.

<i>Declining Demand</i>	Consumers begin to buy the product less frequently or not at all.
<i>Irregular Demand</i>	Consumers purchase vary on a seasonal, monthly, weekly, daily or even hourly basis
<i>Full Demand</i>	Consumers are adequately buying all products put into the marketplace
<i>Overfull Demand</i>	More consumers would like to buy the product than can be satisfied
<i>Unwholesome Demand</i>	Consumers may be attracted to products that have undesirable social consequences

**Segmentation, Target Market, Positioning (STP)**

Every individual has different choices for different things, so every customer cannot be served by the same marketing mix. But again it is not economically viable to have a tailored marketing mix for each customer. Segmentation can be understood as the process of clubbing together similar customers in a group. The groups are smaller and more homogeneous, so that they can be served by a marketing mix especially designed for the group or segment. Segmentation can be viewed as the vehicle for entering a market. Market segments the buyer by demographic, geographic, psychographic and behavioural difference between them.

1. **Demographic segmentation** means an audience bifurcation on the basis of age, race, gender, family size, income or education.
2. **Geographic segmentation** means dividing by location, city, state, region or country.
3. **Psychographic segmentation** is done on the basis of customer personality traits, attitudes, interests, values, and other lifestyle factors.
4. **Behavioural segmentation** is done on the basis of customer's purchase behaviour, customer loyalty, occasions based and benefits needed (quality, performance, customer service, special features)

A firm carries out quite a few other tasks in addition to segmentation while choosing the **target market**. Segmentation is just the prelude, the means, or the tools; choosing the **target market** is the ultimate purpose and result. Then through developing market offerings, it strives to take **position** in the mind of the target customer, by delivering key benefits to him.

**Offering and Brand :**

Companies provide 'Offerings', a set of benefits to satisfy the needs of customers. It can be in the form of product, services, experience etc.

'Brand' is the offering from the known source. E.g. : Apple Products, Le-Meridian Hotel etc.

**Marketing Channels :** There are three types of marketing channels. They are Communication, Distribution and Services Channels

- **Communication Channels :** Deliver marketing messages to potential customers. E.g.s : television, radio, magazines, newspapers, hoardings, webpages, direct mailers and email.
- **Distribution Channels :** Distribution channels are the delivery method for products. It helps display, sell or deliver the products or services to the user. These channels may be direct via the Internet, mail or mobile phone or telephone and the indirect channels via distributors, retailer, wholesaler or intermediaries.
- **Service Channels :** Service Channels up companies in carrying out business transactions.E.g.s. Warehouses, Transportation Companies, Bank and Insurance Companies.

**Paid Media** is one in which marketer have to pay fee and get their offerings marketed. The Platform includes TV, magazine and advertisement, paid search and sponsorship.

**Owned Media** is media which is owned by the company like website of the company, Blog, face book page or a corporate brochure.

**Earned Media** is types of media in which your offerings are communicated by customer, media by word of mouth, buzz or viral marketing.

**Impression and Engagement :** Impression refers to the number of times an advertisement, Face book post, tweet, or any other digital content is served up to the audience.

**Engagement :** Refers to active involvement of the customer with the communication of the company. Online measures of engagement are comments, likes, shares, clicks, re-tweets or any other measurable interaction with your digital content. If the content is good, then more audiences are likely to engage.

**Value and Satisfaction :** Value means consumer look on for the good deal from the company offerings. Satisfaction on the other hand, means that customer after purchase of the product, uses that product, and if the performance of that product matches the expectation than customer is satisfied. Otherwise, the customer is disappointed. If the performance exceeds the expectation than the customer is delighted.

**Supply Chain :** According to the Philip Kotler, Supply Chain is a channel stretching from raw materials to components to finished product carried to final buyers.

**Competition :** means the rivalry between companies selling similar products and services with the goal of achieving revenue, profit, and growth in market share.

**Market Environment :** There are internal and external factors that surround the business and influence its marketing operations. Internal factors include employees, customers, shareholders, retailer, distributors and the external factors includes political, legal, social, technological and economical conditions.

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

### Check Your Progress – 4 :

1. \_\_\_\_\_ segmentation includes age, race, gender, family size, income or education.  
a. Behavioural b. Geographic c. Demographic d. Psychographic
2. \_\_\_\_\_ segmentation includes location, city, state, region or country.  
a. Behavioural b. Geographic c. Demographic d. Psychographic
3. \_\_\_\_\_ segmentation includes customer personality traits, attitudes, interests, values, and other lifestyle factors  
a. Behavioural b. Geographic c. Demographic d. Psychographic

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### 1.6 Philosophy of Marketing :

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There are **five concepts** under with organisation conduct their marketing activities :

1. **Exchange Concept :** This concept holds the central idea in marketing is exchange–exchange of product between the seller and the buyer. Some firms operate with the idea that marketing is simply a matter of giving a product to someone in exchange of money. Marketing is broader than exchange. Marketing includes concern for customer, generation of value satisfaction, creative selling and integrated action for serving the customer. Exchange covers the physical aspects and the price mechanism involved in marketing. Exchange concepts is the least evolved view on marketing.
2. **Production Concept :** This is the oldest concepts guiding sellers. In this concept, firm believes that business can be managed by maximizing production, so that unit cost of the product will be low. Firm works on the MANTRA *"Maximising output, with lower unit cost and selling the product to the customer with a low price"*. Here production dominates and the marketing is given less importance. It is assumed that the low price of the product will attract the customer. In practice, however, it does not happen because customer are motivated by various other factors other than price.
3. **Product Concept :** In this concept consumer will prefer the product that *offers quality, performance, new product, ideally designed and engineered products and innovative features*. Managers in these product oriented organizations achieve success by focusing their

energy on making superior products, emphasis on quality assurance, and product attributes. They spend most of their time and money on research and development and bring out many products. They produce the quality products but fail to determine consumer needs and satisfaction. Hence this cannot achieve great marketing success.

4. **The Selling Concept :** In this concept firms believe that main marketing concern is to aggressively push the product and persuade the customer to buy the offered product. However, the consumer will only buy the product if the organisation undertakes a large-scale selling, heavy advertising, extensive sales promotion and substantial price discounts as the tools of sales concepts. The concept is unlikely to succeed as it assumes that selling is synonymous with marketing.
5. **Marketing Concept :** There are firms that believe that the customer is central to their business. This concept holds that achieving the organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than the competitors do.

	<b>Starting point</b>	<b>Focus</b>	<b>Means</b>	<b>Ends</b>
Selling Concept	Factory	Products	Selling and Promoting	Profits through sales volume
Marketing Concept	Target market	Customer needs	Coordinated marketing	Profits through customer satisfaction.

*(Adopted from Marketing Management : An Assam Perspective : 8th Edition)*

**Check Your Progress – 5 :**

1. \_\_\_\_\_ holds that achieving the organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.
  - a. Selling Concepts
  - b. Product Concepts
  - c. Marketing Concepts
  - d. Production Concepts

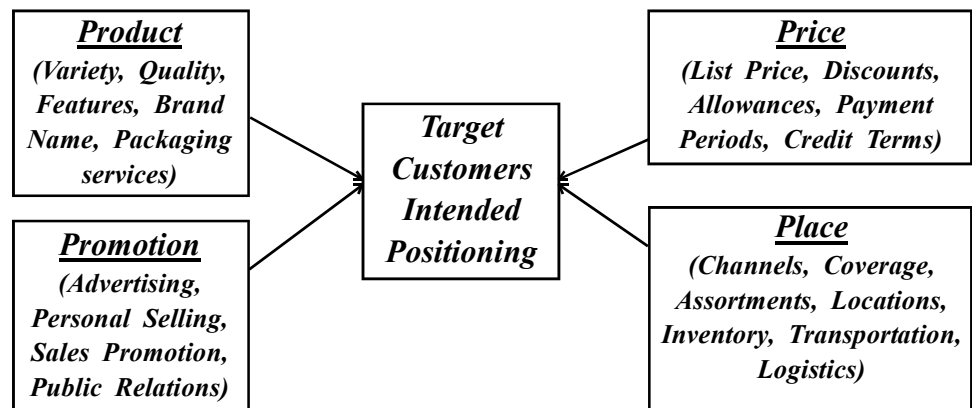
**Marketing Mix :**

**James Culliton :** a noted marketing expert, who coined the expression, "marketing mix."

According to Philip Kotler Marketing Mix is the set of controllable, tactical, marketing tools that the firm blends to produce the response it wants in the target market. The 4Ps classified by McCarthy make up a typical marketing mix – Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

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Below is a given complete picture of the different tools under marketing mix variables.



(Source : Philip Kotler, Principles of Marketing, Pearson/PHI)

**Product** : Means goods and the services which are offered by the company to the target market, to satisfy needs and wants.

**Price** : Means the money which customer has to pay to buy a product or service.

**Promotion** : Refers to activities of personal selling, advertisement, and communicating product benefits and attributes to target consumers to persuade them to purchase.

**Place** : Stands for Physical distribution activities through which the product moves from the factory to the customer. Channels include distribution, logistics, warehousing, transport, etc.

**In order to achieve the corporate objectives, the marketing programmes have to blend the four Ps into the ideal integrated action plan.**

The above mentioned 4Ps relate to the seller perspective of the market. There are four Cs from the consumers view–point also.

### **Fours Cs**

- Customer solution
- Customer Cost
- Convenience
- Communication

To be effective, marketing people have to consider the four Cs first and then build the four Ps based on the requirements.

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## **1.7 Emerging Trends in Marketing :**

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### **I. CAUSE RELATED MARKETING :**

Formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause

Many believe companies should prioritize support of issues that affect the quality of life on a local, national and global level.

Employees want to get involved in their company's cause-related efforts mainly through matching grants.

**E.g.** – When someone buys a pair of TOMS shoes in the US, the company donates a pair of shoes to a child in a poor country like Haiti.

**Benefits of Cause Marketing :**

- increasing exposure and awareness of company for-profit or non-profit organisations
- enlargement in brand loyalty
- boost up in employee morale and loyalty
- growth in sales
- company reviews as well as positive press coverage
- respected and accepted business practice
- materials a corporate PR officer
- develops goodwill
- increasing reputation
- differentiating from the competition
- increases in donations through greater exposure
- greater public awareness of the cause, its supporters, and the activities undertaken to advance the cause.

**Concerns :**

- long-term sustainability of the cause may be threatened if funding sources dry up and the company pulls out of the partnership
- there is an ethical and moral issue about a shift from the intrinsic motivation of a company towards social responsibility to using social causes as an instrument to increase profitability and market share
- may risk alienating certain consumers that may be hostile to certain social causes

**II. EXPERIENTIAL MARKETING :**

Experiential marketing is a strategy that engages consumers using branded experiences. The idea is to create a memorable impact on the consumer.

It is also called as "live marketing" or "event marketing experience."

These experiences could include an event, a part of an event, or a pop-up activation not tied to any event.

It is marketing strategy that engages the consumer and creates real-life experience that will be remembered. This type of marketing focuses on getting the consumer to experience the brand. The experience that will inspire them to share with their friends both online and off.



## Marketing Management

**E.g.** – In the opening of France's IKEA store, the Swedish furniture company installed a vertical rock-climbing wall covered with IKEA furniture

### **Importance :**

The goal of experiential marketing is to create lasting impressions on consumers that they want to share with others and that, ultimately, lead to brand loyalty.

The organisation is not advertising a product. It is just letting consumers see and feel what their lives would be like with it.

### **Direct Reach :**

This is when your campaign aims to interact directly with audience.

**E.g.** – Using augmented reality applications to show customers what their chosen piece of furniture would look like when placed in their living room.

### **Indirect Reach :**

This is when your target audience is primed to find out about your campaign through other media platforms as opposed to directly interacting with it.

These are bold campaigns that rely on word of mouth, creating a viral marketing campaign around an event that everyone would talk about for ages to come

**E.g.** – Red Bull sponsored Austrian skydiver to freefall from an altitude of 39 kilometers and then parachuted back to Earth. This ambitious project was named Red Bull Stratos. It was something the world had never seen before. Red Bull branded attempt was live streamed in 50 countries, across 80 TV stations, racked up a 8 million simultaneous viewers on YouTube, and watched live by a total of 52 million viewers.

## **III. GREEN MARKETING :**

Negative impact of human activities over environment is a matter of great concern today.

There are many alternate names given to Green Marketing : *Sustainable marketing, Environmental marketing, Green advertising, Eco-marketing, and Organic marketing.*

**Definition :** "Marketing products and services based on environmental factors or awareness. Companies involved in green marketing make decisions relating to the entire process of the company's products, such as methods of processing, packaging and distribution".

Green marketing is essentially a way to brand your marketing message in order to capture more of the market by appealing to people's desire to choose products and services that are better for the environment.

There are many environmental issues that have impacted by the production of goods and services.

Green marketing can appeal to a wide variety of these issues : an item that can save water, reduce greenhouse gas emissions, cut toxic pollution, clean indoor air, and/or be easily recyclable.

We can express green products which are : Originally grown, Recyclable, reusable and biodegradable, with natural ingredients, recycled with non-toxic chemical, under approved chemical usage, with eco-friendly packaging i.e. reusable, refillable containers

Also, the products that do not harm or pollute the environment.

#### IV. GUERRILLA MARKETING (GM) :

Guerrilla Marketing is an advertising strategy that focuses on low-cost unconventional marketing tactics that yield maximum results.

The term GM was inspired by guerrilla warfare is a strategy used by armed warriors against larger armies, tactics includes ambushes, sabotage, raids and elements of surprise.

Guerrilla marketing uses the same sort of tactics in the marketing industry.

This alternative advertising style relies heavily on unconventional marketing strategy, high energy and imagination.

GM is about taking the consumer by surprise, make an indelible impression and create copious amounts of social buzz. It is said to make a far more valuable impression with consumers in comparison to more traditional forms of advertising and marketing.

This is because most GM campaigns aim to strike the consumer at more personal and are memorable.

GM originally was a concept aimed towards small businesses with a small budget, but this didn't stop big businesses from adopting the same ideology.

Larger companies have been using unconventional marketing to complement their advertising campaigns.

It can be used for promotion on the streets, shopping centres, parks, beaches or other public places getting the attention of the public.

##### **Advantages :**

**Cheap to execute.** Whether using a simple stencil or a giant sticker, GM tends to be much cheaper than classic advertising.

**Allows for creative thinking.** With GM, imagination is more important than budget.

**Grows with word-of-mouth.** It relies heavily on word-of-mouth marketing, considered by many one of the most powerful weapons in a marketer's arsenal. There's nothing better than getting people to talk about your campaign on their own accord.

### **Disadvantages :**

Mysterious messages can be misunderstood. While there is a sense of mystery, it can often go wrong for the lack of clarity.

Authority intervention. Some forms of guerrilla marketing, such as non-permission from authorities.

Unpredicted obstacles. Many guerrilla marketing tactics are susceptible to bad weather that could easily threaten to undermine an entire campaign.

### **V. RURAL MARKETING :**

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas.

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent (more than 800 million) of India's population lives in villages. 'Go rural' is the marketer's new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets since long.

Thus, looking at the opportunities, which rural markets offer, the future is very promising.

Indian villages had the concept of village markets popularly known as the village haats. The haats are basically a weekly gathering of the local buyers and sellers. The barter system was quite prevalent, which still continues in a number of places even today.

### **Definitions :**

Identifying the needs of customers and potential customers, providing products/services that satisfy their needs, and developing efficient processes or systems to deliver product/service to the market when, where, and how consumers want it.

### **Features of Rural Marketing :**

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential, that can be identified as :

- 1. Large and scattered population :** With 70 per cent of India's population living in rural areas (6 lakh villages) it holds a big promise for the marketers.
- 2. Higher purchasing capacity :** Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have grown as there is overall growth of the economy. It has resulted into substantial increase in purchasing power of rural communities.

3. **Market growth :** The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.
4. **Development of infrastructure :** There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.
5. **Low standard of living :** The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness, because of low literacy, low per capita income, and low savings.
6. **Traditional outlook :** The rural consumer values old customs and traditions. The changes are accepted slowly with changes in demand pattern.
7. **Marketing mix :** The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

## VI. VIRAL MARKETING :

### Definition :

Viral marketing refers to a technique in marketing a product or a service where users help in spreading the advertiser's message to other websites or the users create a scenario leading to multi-fold growth.

Viral in literal sense means anything which spreads fast (across users). This term is symbolically used in context with the web or mobile domain.

It is a marketing strategy which inspires users to spread or share the message to other users which can lead to multi-fold growth.

**E.g.** – Gmail, when launched as a free web-based email service, was by invitation only at first which helped create curiosity among the users. The users who got a Gmail account could then send an invite to other users to create an account, and the chain continued.

There are various elements for effective marketing strategy which can make it viral.

**Firstly**, product or services should be 'free' for all, and should have easy accessibility.

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**Next** important element is the transferability part, which simple means that the message can be easily transferred or shared via email, WhatsApp, networking websites, etc. The message should be simple to understand and at the same time it should be short.

**Another element** is that the message should be interesting and intelligently placed. Users should be able to identify with the message.

Viral Marketing is that which is able to generate interest and the potential sale of a brand or product through messages that spread like a virus, that is from person to person.

The idea is that for the users themselves that decide to share the content.

Due to their speed and ease to share, social networks are the natural habitat of this kind of marketing.

**E.g.** – in recent times is the creation of emotional, surprising, funny or unique videos on YouTube, are shared on Facebook, Twitter and other channels.

However, virality can be a double-edged sword.

In this type of campaign, a large part of the control falls into the hands of the users, and there is a risk that the message can be misinterpreted.

On the other hand, a successful viral campaign can work miracles for a brand.

Viral marketing campaign is very simple to carry out : create a video or another type of content which is attractive to your target, put it on the internet and promote it. From there on, all you can do is wait for users to start sharing like crazy.

*Low cost.* What characterizes viral campaigns is that the users do a significant part of the work for the brand, which drastically cuts down the costs of dispersion.

Potential of great reach. A viral video on the Internet has the ability to reach a huge international audience without having to invest a huge sum of money or make any extra effort.

It is not invasive. As the user is making the decision to participate and share content, so it lessens the possibility of the brand coming across as invasive.

It helps build up your brand. If we really hit the bull's-eye in terms of creativity, it is creating content so incredible that users themselves decide to share it and, hence create a personal connection with the brand.

## VII. INTERNET MARKETING :

Internet marketing refers to marketing that occurs only online. In other words, marketing efforts that businesses do solely over the Internet.

Internet marketing involves several methods to drive traffic to the advertiser's website. It also includes marketing efforts to drive traffic to websites where consumers can purchase the advertiser's products. *Digital marketing is similar, but also includes some non-Internet electronic marketing.*

Marketing over the Internet is a rapidly growing business as people use Internet daily and more often. It is also expanding rapidly because more people are purchasing goods and services online.

Although the aims of traditional marketing and online marketing are the same, marketers' actions are quite different. Before the advent of the Internet, marketing moved at a much slower pace than it does today.

### Internet marketing – SEO :

SEO, is Search Engine Optimization. It is the process of getting more internet traffic. Specifically, getting more traffic because a website is good rather than paying for it. With a successful SEO strategy, a website's ranking with search engines improves in Google, Yahoo, and Microsoft Bing. They have primary search results, where web-pages and other content are ranked according to what they consider most relevant to users. Other content includes videos or local listings.

SEO comes under the field of internet marketing. It involves improving a website rather than selling more products.



### Internet marketing – online advertising :

Online advertising has been around for more than two decades. It forms part of Internet marketing and refers to using websites and other online venues as an advertising medium. In other words, online advertising means advertisements on the Internet.

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Advertisers place promotional messages on the screens of smartphones, tablets, laptops, desktops, and televisions. We refer to televisions with internet access as 'Smart TVs.'

We also use the terms *web advertising*, *digital advertising*, *online marketing*, and *Internet advertising* with the same meaning as online advertising.

"A major advantage of online advertising is the quick promotion of product information without geographical boundary limits."

"A major challenge is the evolving field of *interactive advertising*, which poses new challenges for online advertisers."

The adverts may also appear in mobile apps, i.e., apps people have in their smartphones.

The Internet has changed the way we work, learn, interact with others, shop, and have fun. It has also changed the way marketing people work.

**Advertising channels – 'places' or locations where advertisements appear are :**

**Text ads :**

A text ad consists of some written text with a hyperlink. If clicked on the hyperlink or link, it will go to specific website – called web–page the advertiser's *landing page*.

Text ads generally appear *within* the texts of blog posts. For E.g. – Online news articles may have text ads.

A text ad may also appear on its own, i.e., as a stand–alone piece of text.

**Display ads :**

Display ads appear next to online content. They may, for example, appear next to a news article. Display ads are common in web–pages, apps, and emails.

**Banner ads :**

Banner ads appear prominently on web–pages. In the early days of Internet marketing, they were extremely popular than today as advertisers overused banner ads.

In other words, banner ads lost much of their effectiveness because advertisers overused them.

**Native ads :**

Native ads are subtle pieces of writing that look like part of the online text. They may look like, for example, part of a news article. However, they are paid ads that the advertiser places.

On most blogs, the native ad has an indication that it is an ad. Next to the text, for example , one can see the phrase *Sponsor's Message*.

**Affiliate links :**

Affiliate links are specific *Uniform Resource Locators* (URLs) that have the affiliate's username or ID. An advertiser typically uses affiliate links to record traffic from promotional campaigns.

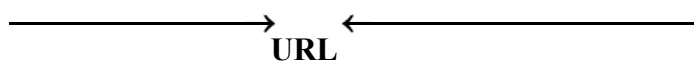
In affiliate marketing, advertisers recruit affiliates to sell their products or services online. They also recruit affiliates to send leads to them. 'Leads' means potential buyers.

There is a difference between URL and Domain Name. A domain name is part of a URL.

**E.g. :**

{---Domain Name---}

<http://www.xxyyzz.com/domain-names/online/index.xhtml>



**In-app ads :**

These advertisements appear in software apps. They may appear in the form of display ads, text ads, or native ads. Advertisers may also use a combination.

Over the past five years, this type of Internet marketing approach has become increasingly more popular.

**Video ads :**

Before watching a video footage online, we may have to sit through a ten-twenty second ad.

Online video ads are more advantageous than TV ads for advertisers because they can monitor their effectiveness more easily.

When somebody has watched a TV ad, the advertiser is unaware about it. On the other hand, with online video ads the advertiser knows when the viewer has clicked on it.

If the person has clicked on the ad, the advertiser knows whether they bought anything. The advertiser also knows how long the viewer remained on the landing page.

Having more data about consumer behaviour is one of the main differences between Internet marketing and traditional marketing. With Internet marketing, you have much more data.

**Email ads :**

An email ad may appear either as a display ad, native ad, or text ad.

For the promoter of the product, having a direct line of communication with specific individuals is great. That is why, in the world of Internet marketing, email advertising is the most effective form of advertising there is.



Social media marketing is a powerful way for businesses of all sizes to reach prospects and customers. If the customers are already interacting with brands through social media, and if there is no interaction directly with audience through social platforms like Facebook, Twitter, Instagram, and Pinterest, then the business is surely missing out something useful.

Great marketing on social media can bring remarkable success to the business, creating devoted brand advocates and even driving leads and sales.



### **What Is Social Media Marketing ?**

Social Media Marketing, is a form of internet marketing that involves creating and sharing content on social media networks in order to achieve marketing and branding goals.

Social media marketing includes activities like posting text and image updates, videos, and other content that drives audience engagement, as well as paid social media advertising.

### **Some questions to ask when defining social media marketing goals :**

- What is that is hoped to be achieve through social media marketing ?
- Who is the target audience ?
- Where would the target audience go and how would they use social media ?
- What message do is to be send to the audience with social media marketing ?

For E.g., an e-commerce or travel business, being highly visual, can get a lot of value from a strong presence on Instagram or Pinterest. A business-to-business or marketing company might find more leverage in Twitter or LinkedIn.

### **Social Media Marketing can help meet Marketing Goals :**

- Increasing website traffic
- Building conversions
- Raising brand awareness
- Creating a brand identity and positive brand association
- Improving communication and interaction with key audiences

The bigger and more engaged your audience is on social media networks, the easier it will be to achieve marketing goals.

### **How to choose the Best Social Media Platforms for Marketing**

Social media should be used for marketing according to each platform's unique user base and environment.

#### **Using Facebook for Social Media Marketing**



Facebook's casual, friendly environment requires an active social media marketing strategy – starting with creating a Facebook Business Fan Page. Special attention is to be given to layout, as the visual component is a key aspect of the Facebook experience.

#### **Using Pinterest for Social Media Marketing**



Pinterest is one of the fastest growing social media marketing trends. Pinterest's image-centred platform is ideal for retail, but anyone can benefit from using Pinterest for social media purposes or sales-driving ads.

Pinterest allows businesses to showcase their product offerings while also developing brand personality with eye-catching, unique pinboards. When developing Pinterest strategy, it is to be remember that the social network's primary audience is female.

#### **Using Twitter for Social Media Marketing**



Twitter lets broadcast the updates across the web.

Mix up of official tweets about specials, discounts, and news with fun, can do wonders with brand-building. One has to be sure to retweet when a customer has something nice to say.

#### **Using LinkedIn for Social Media Marketing**



LinkedIn is one of the more professional social media marketing sites. LinkedIn Groups is a great place for entering into a professional dialog with people in similar industries and provides a place to

share content with like-minded individuals. It's also great for posting jobs and general employee networking.

### Using YouTube for Social Media Marketing



YouTube is the number one place for creating and sharing video content, and it can also be an incredibly powerful social media marketing tool.

Many businesses create video content with the aim of having their video "go viral."

### IX. BLOG MARKETING :

A weblog, also called a blog, is a journal that is maintained by a blogger and contains information that is instantly published to their blog website.

Blogging is a very popular activity. The number of online users creating and maintaining blogs continues to increase dramatically. The number Internet users who read these blogs has also shot up, with some blogs boasting thousands, even millions of daily dedicated readers.

Blog marketing is any process that publicises or advertises a website, business, brand or service via the medium of blogs. This includes, but is not limited to marketing via ads placed on blogs, recommendations and reviews by the blogger, promotion via entries on third party blogs and information across multiple blogs.

#### **Blog Advertising :**

Ads on blogs can be in the form of banners, text links, streaming video, audio clips, flash animation and even plain text. Most blog-based advertising involves payment in some way or the other to the blog owner. Owners of popular blogs will typically capitalise on their readership numbers via a combination of ad formats and Google AdSense ads.

A recommendation from a trusted blogger can result in considerably higher sales. Trusted figures in industry, popular product reviewers and critics often maintain blogs where they provide information about their experiences with some products and services.

Readers tend to trust these reviewers and critics more as they are often unbiased. Businesses, however, do pay popular bloggers to review or mention their products.

#### **Advantages of Blog Marketing :**

**New content :** to draw people, and offer a way for consumers and businesses to interact.

**Inexpensive to Start and Run** : only the cost of a domain name and web hosting.

**Easy to Use** : many a times it is just copy, paste, type, drag and drop, and upload.

**Builds Website Traffic** : Offering tips, updates, and other new content

**Improves Search Engine Ranking** : Google, in particular, likes to find and rank new content. For that reason, many entrepreneurs use blogging specifically for SEO.

Allows to gain trust and credibility..

### **Disadvantages of Blog Marketing**

**Can Be Time-Consuming** : creating new content and updating.

**Needs a Constant Stream of Ideas** : thinking of new content ideas.

**It Can Take Time to See Results** : it will not necessarily get traffic immediately.

**It Needs to Be Marketed Too** : for it to work, people need to know about it, which means one has to find target market and lure them to the blog.

## **X. SOCIAL MEDIA INFLUENCERS : MEGA, MACRO, MICRO OR NANO :**

Social media influencer marketplace can be split into four categories : Mega-influencers, Macro-influencers, Micro-influencers and Nano-influencers.

### **Mega-Influencer :**

Mega-influencers are the highest-ranking category of social media influencer, they typically have more than a million followers. They often have a very diverse audience with different topics of interest. Their relationships with the individual members of their followership tend to be more distant. They are not necessarily subject matter experts but they definitely provide a lot of reach in one hit.

In having a substantially large following, mega-influencers provide brands with a notably greater reach, but at a very high cost.

Mega influencers do not have real converting influencer power.

### **Macro-Influencer :**

Macro-influencers are a level down from mega-influencers. Macro-influencer followers' count is between 100,000 and one million followers.

Macro-influencers usually gained fame through the internet itself – through blogging, or by producing funny or inspiring content. If there is specific type of customer, but still want to reach the masses, then a macro-influencer might be more useful than a mega-influencer.

### Micro-Influencer :

A micro-influencer is someone who has between 1,000 to 100,000 followers. Micro-influencers focus on a specific niche or area and are generally regarded as an industry expert or topic specialist.

Micro-influencers often cost far less than macro-influencers. At the same time, micro-influencers that have high levels of engagement, especially on Instagram, charge a hefty fee.

### Nano-Influencer :

Nano-influencers are a relatively new breed of influencer. They tend to have a smaller number of followers in comparison to micro-influencers, less than 1,000 followers.

A nano-influencer is someone who has influence within their community, local neighbourhood.

### Check Your Progress – 6 :

1. 4Ps of the Marketing Mix does not includes
  - a. Product
  - b. Place
  - c. Packaging
  - d. Promotion
2. \_\_\_\_\_ is a strategy that engages consumers using branded experiences.
  - a. Social marketing
  - b. Internet marketing
  - c. Experiential marketing
  - d. Blog marketing
3. \_\_\_\_\_ is an advertising strategy that focuses on low-cost unconventional marketing tactics that yield maximum results.
  - a. Guerrilla Marketing
  - b. Viral Marketing
  - c. Rural Marketing
  - d. Social Marketing
4. \_\_\_\_\_ refers to a technique in marketing a product or a service where users help in spreading the advertiser's message to other websites or the users create a scenario leading to multi-fold growth.
  - a. Social Marketing
  - b. Viral Marketing
  - c. Rural Marketing
  - d. Green Marketing

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### 1.8 Let Us Sum Up :

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By studying above unit, we came to know that marketing plays an important role in success of any organisation. It depends how well you identify the needs and satisfies that needs of the customer. Marketers use various tactic in order to influence the customer.

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### 1.9 Answer to Check Your Progress :

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#### Check Your Progress – 1 :

1. a
2. c

#### Check Your Progress – 2 :

1. d

**Check Your Progress – 3 :**

1. c                      2. a                      3. b

**Check Your Progress – 4 :**

1. c                      2. b                      3. d

**Check Your Progress – 5 :**

1. c

**Check Your Progress – 6 :**

1. c                      2. c                      3. a                      4. b

**1.10 Glossary :**

**Marketing Management :** is defined as "art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value".

**A Market :** "A Market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want".

**1.11 Assignment :**

1. Differentiate between selling concept and marketing concept. Give Examples.
2. Explain the core marketing concepts.
3. 'The Marketing Mix is one of the major concepts in modern marketing'. Justify the statement.

**1.12 Activities :**

Select any four companies. Describe the marketing mixes used by each of the organisation. For information, you might check general business publications, websites, advertising etc. Specifically, what is each company's approach to product, price, place, and promotion ?

**1.13 Case Study :**

**Case Study – 1**

Bhavesh, Sanjay and Umang, friends for a long time, were doing different businesses. They regularly met and discussed their business ideas and exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques, social concerns etc.

Bhavesh drew the attention of Sanjay and Umang towards the exploitation of consumers. He told that most of the sellers were exploiting the consumers in different ways and were not paying attention towards the social, ethical and ecological aspects of marketing, as he was doing.

Sanjay told that he was under pressure to satisfy the consumers, but stated that the consumers would not buy or not buy enough unless they were adequately convinced for the same.

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Umang stressed that he could not achieve his objectives without understanding the needs of the customers. It was his duty to keep consumer satisfaction in mind because business is run by the resources available to him by the society. He further stated that he himself was taking into consideration the needs of the customers.

Identify the concepts / philosophies that guided Bhavesh, Sanjay and Umang in their efforts of their business.

**Hint : Concepts – Societal, Marketing, Selling**

### Case Study – 2 :

Skin Care Products, ventured into business of skin care product for both men and women. The company uses a natural and ethical beauty brand for offering organic beauty products for men and women.

The company uses natural materials for its products and is set to be considered the top beauty brand in the country. The company not only satisfies its customers but also believes in the overall protection of the planet.

Identify the marketing management philosophy of 'Beauty Product Ltd'.

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### 1.14 Further Reading :

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## MARKETING AND CUSTOMER VALUE, STRATEGIC PLANNING

### UNIT STRUCTURE :

- 2.0 Learning Objectives
- 2.1 Introduction
- 2.2 Marketing and Customer Value
- 2.3 Value Delivery Process
- 2.4 Strategic Planning
- 2.5 Marketing Planning
- 2.6 Marketing Plan
- 2.7 Formulating Marketing Strategies
- 2.8 Types of Marketing Strategies
- 2.9 Let Us Sum Up
- 2.10 Answer to Check Your Progress
- 2.11 Glossary
- 2.12 Assignment
- 2.13 Activity
- 2.14 Case Study
- 2.15 Further Readings

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#### 2.0 Learning Objectives :

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After learning this unit, you will able to understand :

- What are Values and its Delivery Process
- Porter Five Force Model
- Understand how strategic planning is done at various level
- To understand Marketing Plan : blueprint governing all of a firm's marketing activities.

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#### 2.1 Introduction :

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It is said, "Politics without principles is a sin and Knowledge without wisdom is useless". All businesses organisation have certain set of values on which they lay their foundation.

While earlier the aim of seller used to be to just sell what he had produced. The buyer had to purchase what the seller was offering without choice. As competition intensified, more and more sellers entered into the market, changing the older concept.

A more 'customer-oriented marketing strategy' was adopted where products were produced as per the requirements of customers. Companies



now see themselves as a 'value delivery processes,' that is, to develop strategies for promoting products in order to meet the needs of the target market.

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## **2.2 Marketing and Customer Value :**

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Customer Value is the sum total of benefit that customers will accrue from a service or product in relation to its cost. The **Customer Value Proposition (CVP)** would be the total amount of benefits offered by the seller in return of payment for the goods or services. It is a defined statement that is *formulated to convince customers that this particular product will add more value than competitor's product.*

*Conceiving and delivering* excellent customer value is most essential for all kinds of business organizations in today's competitive business environment. Delivering value requires a deep insight into the art of value creation, by choosing the best value for its customers and delivering that value in an effective and efficient manner.

### **Find out more :**

Creating good value proposition for its customers is also vital for an organisation to differentiate its product from the competitor's products and achieve sustainable competitiveness. A good understanding of customer needs and requirements are important aspects here.

### **Example of CVP :**

BMW's value proposition is "the ultimate driving machine," making luxury cars. When direct competition came in this segment, BMW felt the need for differentiating its product. They added a customer value proposition 'No cost maintenance,' for the first four years / 100000 kms.

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## **2.3 Value Delivery Process :**

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Previously, marketing was taking place during the selling process. – As different individuals have specific wants, perceptions, preference and buying criteria, a smart company must design and deliver offerings for well-defined target markets. This inspired a new view that marketing should take place at the beginning of planning. Companies instead of emphasizing on making and selling, should now see themselves as a value delivery process.

**Value Creation and Delivery sequence should be divided into three phases**

- **First Phase :** Before any product comes into the market, marketer must segment, target the market and develop the offerings value positioning.
- **Second Phase :** Marketer must identify the specific features of product, price and distribution.
- **Third Phase :** In the third phase marketer must communicate the value of the product through various means.

The value delivery process begins before the product exists, continues through development and after launch. Each phase has cost implications.

**Core Competencies :** "C. K. Prahalad and Gary Hamel" were the first to establish this business concept in 1990. According to them, it is a *unique set of skills and resources* that a company is able to utilize more effectively and efficiently than its market competitors. In a nutshell, core competencies are what make a company stand out from the crowd.

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## **2.4 Strategic Planning :**

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### **Strategic Planning :**

Strategic Planning is a systematic process of predicting the long term goals of an organisation and identifying the best approach for achieving it.

Preparing effective marketing strategies requires understanding of the strategic planning process – corporate policies, objectives, and business plans.

A strategic plan defines the organisation's strategy. The existing situation and possible opportunities need to be analysed to determine the right direction for the organisation. This has to be done along with the firm's competencies, its competitive advantage, its weaknesses, and the business that they want to be in.

The uncertainty and risk in business environments makes it necessary for firms to focus on competitive strategic plans. The well-studied guide-map on directions that it should take, is definitely preferred than treading on an ambiguous path. This enables the firm to respond to entirely unexpected developments in their internal and external environments.

Strategic plan, where the most significant decisions are taken, helps keep firms well ahead of competition and to realise its mission in the long run as well as the firm's well-being and growth.

### **Stages of Strategic planning process :**

- I. Defining the business
- II. Defining the mission statement
- III. Setting up Strategic Business Units (SBUs)
- IV. Environmental scanning
- V. Strategy formulation

#### **I. Defining the Business :**

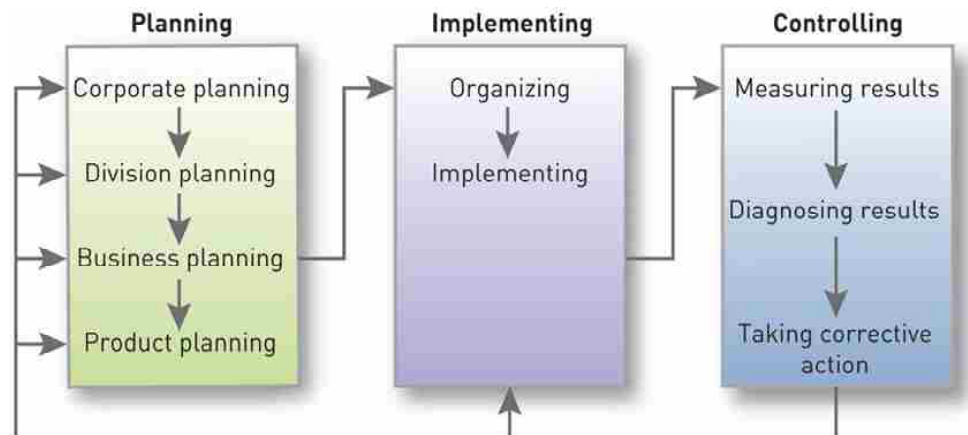
Defining the firm's business is the focal point of strategic planning. It is a crucial factor that enables the firms in selecting appropriate opportunities for leading the firm in the right direction.

Management experts Peter Drucker and Theodore Levitt stressed on the basic questions which every firm needs to find answers to. That has to be done on a continuous basis.

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What business are we in ? Whom do we intend to serve ? Do we accurately define our business ? Do we know our customers ? What brings us to this particular business ? What would be the nature of this business in future ? What business would we like to be in future ? What are our basic strengths and competencies to pursue the current business or enter into a desired business ?

### The Strategic Planning, Implementing and Controlling Process



*Once the business is defined, the next step would be to define the organisation missions.*

## II. Defining the Mission Statement :

A mission statement defines the purpose of the company's existence.

The mission statement should be able to guide the actions of the organization, set its overall objectives, provide a route map, and guide decision-making. The mission provides a framework, on the basis of which the company's strategies are formulated.

Every organisation develops its unique mission statement which it communicates to its stakeholders, so that they can understand the purpose of firm's existence. A common mission statement provides a sense of integration within the organisation and emphasises focus on realising the organisational goal.

Mission statements are again guided by the vision of the organisation. Vision is what the organisation wishes to achieve over a period of time, say in two decades.

### Examples of Mission statements :

"*McDonald's* vision is to be the world's best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile."

"*Amazon's* vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online."

*Apple* is dedicated to making innovative, high-quality products.

Ideally Mission statements should focus on fewer goals and should

define firms major areas needing focus. Mission statements usually remain unchanged over a period of time and would generally be changed only when it loses its credibility or significance.

Corporate objectives of the firm are guided by its mission statements.

*Once the mission statement has been defined, the organisation can then plan to set up its Strategic Business Units (SBUs).*

### **III. Setting up of Strategic Business Units (SBUs) :**

SBUs are essentially for multi-product organisations. SBU can be defined as an independent organizational unit, small enough to be flexible and large enough to have a control over most of its activities and decisions.

A SBU can also be called a profit centre or responsibility centre that concentrates on a particular product offering for a particular market segment. They typically have an independent marketing plan, competition analysis, and marketing campaign, though they may be a part of a larger business organisation.

Generally SBU's would display the following characteristics :

1. It could be a set of businesses which can operate separately from the rest of the organisation.
2. It has its own competition.
3. It has separate manager who is responsible for the overall functioning, decision making, strategic planning, performance and profit management of the firm.

*Once the strategic business units are set, the organisation would go in for the environmental scanning to find out the opportunities and threats that existing, as well to uncover the strengths and weaknesses that lie within the organisation.*

### **IV. Environmental Scanning :**

No firm can function in isolation; it operates in an environment known as the business environment, consisting of various factors that influence the business policies and decisions.

The business environment can be divided into : Internal environment and External environment.

**Internal environment** are internal to the firm and would consist of the factors such as internal policies of the firm, the management, its employees etc.

**An external environment** would be external to the firm and would consist of factors such as the competitors of the firm, market, consumers, technology, government policies etc. The external environment can be further divided into micro and macro environments.

The overall environment has a significant impact on the strategies of an organisation, many times the changes in the environment determines

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or leads to changes in its strategic plans. The external and internal environment when scanned thoroughly reveals available opportunities, hidden threats, its own weaknesses and competitiveness/ strengths.

*Once the environmental scan is carried out, the firm is in a position to formulate its strategies.*

### V. Strategy Formulation :

Organisations have a hierarchy of interrelated strategies, with different strategies formulated for different levels of the organisation.

1. **Corporate Strategy**
2. **Business Unit Strategy**
3. **Functional Strategy**

1. **Corporate Strategy** : Is concerned with meeting the stakeholder expectations and delivering value to the stakeholders, mainly influenced by investors in the organisation and acts as a guideline for strategic planning throughout the organisation. Corporate strategy is often incorporated in a "mission statement".
2. **Business Strategy** : Is more concerned with the functioning and competitiveness of a business for a particular market. It would usually be concerned with strategic decisions regarding the choice of products, delivering customer value, gaining competence, finding and exploring or generating new opportunities.
3. **Functional strategy** is concerned with how each functional area is organised to deliver the corporate and business–unit level strategic direction. Under functional strategy we would concentrate on marketing strategy.

### Check Your Progress – 1 :

1. Strategic planning does not include.
  - a. Statement of Problem
  - b. Defining the business
  - c. Environmental Scanning
  - d. Strategic formulation
2. The first stage of strategic planning process is \_\_\_\_\_.
  - a. Defin the mission statement
  - b. Define the business
  - d. Environmental Scanning
  - d. Strategy Formulation

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### 2.5 Marketing Planning :

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The marketing planning *process steps* :

1. Goal setting.
2. Scanning the market environment and analysing of market opportunities.
3. Internal scanning.
4. Developing Marketing Objectives.

**1. Goal setting :**

As mentioned earlier, marketing strategy is derived from the business strategy as well as the corporate strategy. Marketing objectives would be set according to the goals that have been set at the higher hierarchies.

**For example :** If the corporate objective of the firm is to maximise the market share then the marketing objective would also focus on achieving the same objectives.

**2. Scanning the Market environment for finding opportunities and threats :**

The major reason market scan is done is to find the opportunities and threats that exists in the environment.

The scanning done in strategic planning and marketing planning are almost similar. The major difference being that the marketing scanning involves scanning the environment of a specific business unit with a specific business purpose, whereas environmental scanning under strategic planning would entail the overall environment of the organisation.

The business unit would analyse the environment and gather marketing information. It would also assess opportunities existing in the environment, study consumer behaviour and product in question.

A vital aspect in environmental scanning is to understand the competition and all factors on competition. Other than the competition itself, there are other important factors too that shape the competition.

Porter in his article (1979) has suggested five major forces that shape and decide the nature and intensity of competition.

- Existing competition
- Threat of new entrants
- Threat of substitute products
- Bargaining power of customers
- Bargaining power of suppliers

The intensity of competition depends on the size of the entrants, bigger the new entrants, the more intense would be the competition.

A threat of substitute products with an improvement in its performance or price differentiation can change the industry's competitive scenario.

Collusion of customer groups can gain considerable bargaining power as to exert pressure on the organisation regarding quality, price and output of the products.

The same would hold true for suppliers where the sources of supply are limited and product supplied are specialised in nature.

**3. Internal Scanning :**

Internal scanning is done to analyse the firm's competencies and weaknesses. The firm needs to find where its competitive advantages

lies, whether it's the product design, service or distribution. This evaluation is required in order to ascertain how equipped a firm is to face the market competition.

**4. Developing Marketing Objective :**

The next step is formulation of marketing objective. The broad outline of marketing objectives would be derived from the corporate objectives of the related business. Corporate strategy would have already defined the direction for each business.

Once the marketing planning is done, the next step would be developing the contents of a marketing plan.

**Check Your Progress – 2 :**

1. \_\_\_\_\_ is done to analyze the firm's competencies and weakness
  - a. Internal Scanning
  - b. External Scanning
  - c. Both a and b
  - d. None of them

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**2.6 Marketing Plan :**

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A Marketing Plan is a brief summary of objectives and recommendations. It may be part of an overall business plan. While a marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of no or little use.

**Contents of a marketing plan are :**

**Executive Summary :** It is a brief summary of major objectives and recommendations, giving the management an overall view of the major purpose of the plan. (Table of content would follow the executive summary).

**Situational Analysis :** It portrays the significant data on sales, costs, profits, markets, competitors etc. This data is further used for doing the SWOT analysis (Strength, Weaknesses, Opportunities and Threats).

**SWOT Analysis :** The management needs to evaluate the opportunities in SWOT analysis and any factors affecting achievement of objectives.

**Objectives :** This stage outlines the financial and marketing objectives like sales volume, market share, profitability etc.

**Marketing Strategy :** Here the target segments are defined for whom the market offering is focused on. The products positioning is planned with the help of input received from related functional areas such as purchase, finance, sales departments.

**Action Program :** (The operational marketing plan itself, for the period under review) the marketing program is specified which would be used to achieve the set objectives.

**Financial Forecast :** It would generally be the overall budgeting – on the revenue side the sales forecast and average price would be

depicted, on the expense side it would show the estimated expenses. The difference between revenue and expenses would be the estimated profit.

**Controls :** This final stage of the marketing plan would outline controls for monitoring the implementation of the plan. There would be a periodic review of the results and corrective measures would be recommended as required.

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## **2.7 Formulating Marketing Strategy : :**

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The marketing strategy would be a proper outline of the game plan of the organisation.

Main elements involved in formulating the marketing strategy are :

1. Selecting the Target Market
2. Formulating the Marketing Mix

The essence of marketing strategy of a firm is felt from its target market and marketing mix. The target market would be to whom the firm intends to cater and the marketing mix would determine how the products will be offered to the target market.

1. **Selecting Target Market** Target market is the market that one would want to cater to. Selecting the target market is a significant part of developing a marketing strategy.
2. **Marketing Mix** can be defined as the effective combination of the Ps of marketing to formulate a unique selling proposition for the product. Every firm would have a different combination of the marketing mix as per its individual requirements.

Marketing Mix is also known as the 4 Ps of Marketing – Product mix (eg, frozen foods along with a variety of fresh fruits), Place mix (eg, chain of whole-sellers, retailers, along with events), Price mix (eg, extra filled packs, say 20% extra, along with special promotional price for trials) and Promotion mix (eg, above-the-line, say TV, along with below-the-line promotions, say direct mail or events).

Additional 3 Ps of marketing applicable to services – Physical evidence, People and Process

Every business due the difference in its nature and situation uses different marketing strategy styles, which ever best suits them. There are four broad strategy types which are used by firms as follows :

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## **2.8 Types of Marketing Strategies :**

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**Market Leader Strategy :** Market leader strategy is also known as offensive or confrontation strategy. Generally employed by firms who are currently not the leaders in the market but aspires to be the market leader. The firm tries to expand his market share by using all the marketing mix elements, the target of attack would be the market leader. The firm tries to expand its market and increase its consumer base by offering competitive prices, superior service, improving quality of products,



## Marketing Management

enhancing features of its existing products, finding new uses of existing products or by entering newer market segments.

**Market Challenger – Marketing Strategy :** This strategy would focus on gap analysis. The gap analysis can be done by comparing the performance of competitors existing products in the market with the actual expectation of the consumers regarding the product. The firm can then strive to bridge the gap by providing products as per customers' expectation leading higher customer satisfaction levels. In this strategy, competitors' weaknesses are taken as opportunities for the firm.

**Niche Market – Marketing Strategy :** Niche markets are small differentiated markets where no other firms have thought of entering into. Generally these markets are too small to attract large number of competitions. Niche may serve some specific customer or some specific area. Eg., companies focused on adventure sports, trekking; or travel companies concentrating on a specific segment of pilgrims.

**Market Follower – Marketing Strategy :** The market follower depends on its competitors to identify markets. As a follower, the firm needs to be keen on its competitor's weaknesses and try improving on them. This marketing strategy saves the firm on cost arising from having to carry out research because it only has to work on its competitors weaknesses to better its products.

### Types of Marketing Strategies



### **Check Your Progress – 3 :**

1. Concept "It is a unique set of skills and resources that a company is able to utilize more effectively and efficiently than its market competitors" is established by\_\_\_\_\_.
  - a. Philip Kotler
  - b. Michael Porter
  - c. C. K. Prahlad and Gary Hamel
  - d. American Marketing Association

2. Content of Marketing Plan does not include :
- |                      |                     |
|----------------------|---------------------|
| a. SWOT              | b. Mission & Vision |
| c. Executive summary | d. Objectives       |

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### **2.9 Let Us Sum Up : :**

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Customer needs the value for its time and money which he spends while purchasing the product or services. Ultimate goal of any organisation is to retain the customer rather than acquiring the customer. Organisation at various levels shall frame the strategies in order to achieve the goal of an organisation.

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### **2.10 Answer to Check Your Progress :**

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#### **Check Your Progress – 1 :**

1. a.                      2. b.

#### **Check Your Progress – 2 :**

1. a

#### **Check Your Progress – 3 :**

1. c                      2. b

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### **2.11 Glossary :**

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**Marketing plan** is overall document that outlines a company's solid marketing strategy.

**Strategic marketing planning** involves setting goals and objectives, analysing internal and business factors, product planning, implementation, and tracking your progress.

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### **2.12 Assignment :**

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1. How does marketing affect consumer values ?
2. What does Marketing Plan include ?

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### **2.13 Activities :**

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Select any Organisation and develop a Marketing plan.

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### **2.14 Case Study :**

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#### **Starbucks :**

The Starbucks journey began with a single store in Seattle in the year 1971 to become one of the most recognized brands globally. Starbucks mission is, per its web site, "to inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time."

The logic behind value chain is a series of activities or processes is simple; the more value a company creates, the more profitable it is. When more value is created, the same is passed on to the customers and thus further helps in consolidating a competitive edge.

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Business's inbound logistics, operations, marketing and sales, outbound logistics, and service are considered as primary activities in value-chain as they are involved in value creation in a direct manner.

Support activities in value creation, on the other hand, include infrastructure, human resources management, and procurement.

### **PRIMARY ACTIVITIES :**

#### **Inbound Logistics :**

The inbound logistics for Starbucks refers to selecting the finest quality of coffee beans by the company appointed coffee buyers from coffee producers in Latin America, Africa and Asia . In the case of Starbucks, the green or unroasted beans are procured directly from the farms by the Starbucks buyers.

#### ***Can the company outsource procurement ?***

**Hint :** Assurance of high quality standards of selection of coffee beans – compromised ?

#### **Operations :**

Starbucks operates in 65 countries with direct stores – more than 21,000 stores internationally.

According to its annual report, the company generates 80% of the total revenue from its company operated stores while the licensed stores accounted for balance 10% of the revenue.

*Should the company be looking towards opening of more licensed stores ?*

#### **Outbound Logistics :**

There is very little or no presence of intermediaries in product selling. Majority of the products are sold in their own or licensed stores only.

*Should the company launch a new range of coffee to be sold through leading retailers ?*

#### **Marketing and Sales :**

Starbucks invests in superior quality products and high level of customer services than aggressive marketing.

*Should the company indulge in need-based marketing activities during new products launches in the form of sampling around the stores ?*

#### **Service :**

The retail objective of Starbucks is, as it says in its annual report, "to be the leading retailer and brand of coffee in each of our target markets by selling the finest quality coffee and related products, and by providing each customer a unique Starbucks Experience."

*What steps you think Starbucks can take to enhance building customer loyalty ?*

**Marketing and Customer Value, Strategic Planning**

Source : Investopedia

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### **2.15 Further Reading :**

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**UNIT STRUCTURE :**

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 What is Marketing Research ?**
- 3.3 Objective of Marketing Research**
- 3.4 Scope of Marketing Research**
- 3.5 Steps Involved Marketing Research**
- 3.6 Application of Marketing Research**
- 3.7 Limitation of Marketing Research**
- 3.8 Ethics in Marketing Research**
- 3.9 Let Us Sum Up**
- 3.10 Answer to Check Your Progress**
- 3.11 Glossary**
- 3.12 Assignment**
- 3.13 Activity**
- 3.14 Case Study**
- 3.15 Further Readings**

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**3.0 Learning Objectives :**

**After learning this unit, you will able to understand :**

- What is Marketing Research, Objective and Scope
- Steps involved in Market Research Process
- Application of the Marketing Research
- Limitation of Marketing Research
- Ethics in Marketing Research

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**3.1 Introduction :**

We know that the needs and wants of the consumers becoming complex and competition is also getting hard/rigid, the role of marketing research is also becoming significant and growing very fast. Marketing Research activities are now expanding their activities for insurance, bank, airlines, credit and debit cards, etc. apart from usual consumer products and service industries. There is no area of marketing that does not benefit from marketing research. We know that marketing is an expansive affair. Failed marketing efforts can cause severe loss and damage to a firm. Marketing research reduce this risk. Before understanding Marketing

Research in detail let's differentiate Market Research and Marketing Research. In simple terms Market Research studies a target market. It collects data about that market place and the consumers within it. It deals with only one P of Marketing–**Place**. Place in this context means a **specific market or segment**. Whereas marketing research is much broader concept. It deals with **all four Ps of Marketing**–including Place.

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### **3.2 What is Marketing Research ?**

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**Let's us understand Marketing Research with few definitions.**

MR is the systematic, objective and exhaustive search for and study of the facts relating to any problem in the field of marketing

– *Richard Crisp*

MR is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services

– *American Marketing Association.*

MR 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 – *Green and Tull*

MR is the systematic study and evaluation of all factors bearing on any business operation, which involves the transfer of goods from a producer to a consumer – *A. G. Delens.*

**Above definitions bring out three key ideas regarding marketing research.**

- (1) MR is concerned with studying numerous problems in marketing.
- (2) Purpose of MR is to help decision–making in the marketing field.
- (3) Systematic gathering and analysis of information is its route in achieving its purpose.

With increasing complexity of business operations, marketing research too has been growing in complexity and has emerged as highly specialised functions. Today, carrying out marketing research, whether relating to the customer, product, or market, necessitates specialized skills and involves sophisticated techniques.

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### **3.3 Objective of Market Research :**

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- Marketing Research is used in the information of all marketing plans, programmes, procedures, policies and strategies.
- It helps in obtaining customer opinion about existing products and develops new products. It gives information in relation to product, brand, and packaging, also in relation to consumers and their needs and wants.
- It helps the marketing department to focus on consumers' needs and wants and their perceptions and evaluation of existing product and level of customer satisfaction.

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- It helps in understanding consumers buying motives, motivation and attitude towards products and services, corporate image and services, corporate image and brands.

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### 3.4 Scope of Market Research :

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Marketing Research includes all the activities that enable organisation to obtain market information. Market researcher needs to make decision about its environment, marketing mix and present or potential customer. Marketing research plays an important role in planning, implementation and evaluation of marketing management process.

Marketing Manager makes use of **four main sources** of decision making.

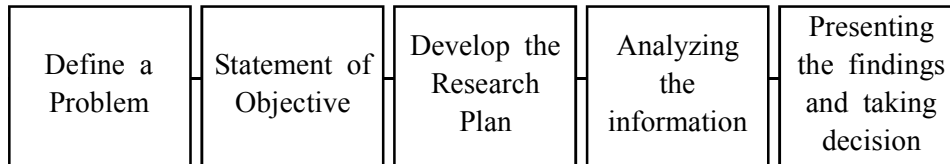
1. **Syndicate Service** : Marketing research firm produce and sell these scheduled reports. The report contains valuable information. E.g. Survey of Indian Industry, Chambers of Commerce and Industry.
2. **Marketing Information System (MKIS)** : This is an internal activity where standardized reports are generated on regular basis or it is generated on demand also. E.g. Sales Reports, inventory amounts, production schedules and also purchased information. We can track the sales performance and the changing taste of consumer also through MKIS.
3. **Decision Support System** : DSS is the interactive system in the company. It permits the decision maker to interact directly with data through a PC to answer specific questions. The difference between MKIS and DSS is that while former only provides information on the basis of which decision is taken, the latter provides answers or decisions appropriate to a situation.
4. **Market Research Projects** : It is done to find out specific problems to in the market. It is done by the employee of the company or outsourced to external agencies.

#### Check Your Progress – 1 :

1. Marketing research is concerned with
  - a. numerous problems
  - b. decision making
  - c. systematic gathering and analysis
  - d. all of them
2. Main source of decision making are.
  - a. Syndicate Service
  - b. Decision Support Service
  - c. Market Research Projects
  - d. All of the them

### 3.5 Steps involves in Marketing Research :

In order to do marketing research, the researcher goes through several steps, depending upon the problem, time, costs and benefits some of the steps are compressed. There are **five steps** in the market research process.



- I. **Defining the problem :** The first and the key step to marketing research process is to define a problem for which research is to be conducted. Problems which need to solve will require collecting of relevant initial information and from where this information will be available and how this information will affect decision making process. Once the problem is defined precisely and the need of research is discussed, the further process could be conducted in an efficient manner.
- II. **Statement of Objective :** One the problem is defined, the next logical step what the researcher wants to achieve. This statement is objective. The objective should be specific, attainable and measurable. The purpose of these objectives is to act as a guide to the researcher and help him in maintaining a focus all through the research.
- III. **Developing the Research Plan :**

**Research Design :** It is the blue print of the research project. It indicate the method of research is deciding the research design. There are three types of research design.

  1. Exploratory
  2. Descriptive
  3. Causative
  1. **Exploratory :** Exploratory research is mainly used to explore the insights of the general research problem. It is conducted when the researcher does not know **how** and **why** a certain phenomenon occurs. The goal of this research is to know the unknown, this research is unstructured. Exploratory research methods are Secondary data analysis, Expert Survey, Focus group interviews, Depth interview, Case analysis, Projective techniques. Example : How does the customer evaluate the quality of a bank, hotel or an airline, where there are no tangible. Several researchers have conducted focus group discussion to identify these quality parameter. (Zeithamal, Parsuraman and Berry identified variables which they clubbed under five groups)
  2. **Descriptive :** This research is conducted to describe the business or market characteristic. Descriptive research mainly answers who,



what, when, where and how kind of questions. Descriptive research methods are cross sectional research and longitudinal study. Examples : a consumer durable company had conducted a descriptive research to understand the consumption pattern for its product. Descriptive research has revealed that 50% of the customers are government employees, 40% are businessmen, and the remaining 10% are scattered in different segments of society. The research has also revealed that 60% of the customers are men and 40% are women.

3. **Causal Research** : Causative Research is done to establish a cause and effect relationship, for example, the influence of income and lifestyle on purchase decision. Here the researcher may like to see the effect of rising income and changing life style on consumption of select products. He/She may test the hypothesis that as income increases or life-style changes, more elite and state-of-the art products are likely to be bought.

**Sources of Data** : Once the research design has been decided, the next stage is that of selecting the sources of data. There are two sources of data or information – Secondary and Primary.

- **Primary Data** : Primary data are the firsthand information, which is collected by the researcher. It requires technical expertise. Survey, Experiment and interview are the examples of it.
- **Secondary Data** : Secondary data are collected by some other researcher. Secondary data can be of two types. Internal and external.
  - o **Internal Secondary Data** : We know that organization always possess a great deal of internal secondary data with them. E.g. Sales statistics constitute the most important component of secondary data in marketing and the researcher uses it extensively. All the output of MIS researcher gets constitute internal secondary data.
  - o **External Secondary Data** : Newspapers, magazines, technical journal, trade publications, directories, government publications, committee reports, reference books, balance sheets of companies and syndicated and published research report by various MR agencies are sources of the external secondary data.

**Data Collection** : The researcher is now reader to take a plunge. But still he or she needs to be clear about the :

- (a) Procedure of data collection
  - (b) Tools for data collection
- (a) **Procedure of Data Collection** : Data can be collected from any or combination of the following techniques.
    - **Observational Research** : Observational research is the type of approach in which researcher collect the data by observing consumer. Sometime CCTV, or Photography is also done to observe and collect

detail information. Example : What customer is buying and doing in the store, behave in shopping area, dresses up etc.

- **Ethnographic Research** : In this type of research, researcher observes and interacts with the respondent (participants) in the real life environment. Researcher often lives among the group or society in order to learn about them.
- **Focus Group Research** : In Focus group research sample of 6 to 10 people are selected for demographic, psychographic, or other consideration and are asked to discuss various topic. A professional moderator asks questions and probes based on the Marketing Manager's agenda. Focus Group Discussion sessions are recorded and Marketing Manager will observe from the behind two-way mirror.
- **Survey Research** : Survey research is defined as "The collection of information from a sample of individuals through their responses to questions" (Check & Schutt, 2012, p. 160). Questions are asked either in person, by phone or online.
- **Behavioral Research** : Behavioral Research Analysis how people make choices. When consumer actually purchase product or services, their preference is reflected which is often more than the statement they offer to the market research.

(b) **Tools for Data Collection** : The tools which can be used for data collection are as follows :

**Questionnaire** : A questionnaire is a research instrument that consists of a set of questions that are presented to the respondent for collecting information. There are two basically types of questionnaire **structured** and **unstructured questionnaire**. A mixture of these both is the **quasi-structured questionnaire** that is used mostly in social science research.

**Structured questionnaires** include pre-coded questions with well-defined skipping patterns to follow the sequence of questions. Most of the quantitative data collection operations use structured questionnaires. Fewer discrepancies, easy to administer consistency in answers and easy for the data management are advantages of such structured questionnaires. Structured questionnaire collects quantitative data.

**Close-Ended Questions** : A close ended question is one where the respondent has to select a response from one among the multiple choices offered to him or her.

**Types of questions** in close ended are Dichotomous, Multiple Choice, Likert Scale, Semantic differential, Importance Scale, Rating Scale, Intention to buy scale.

**Unstructured questionnaires** include **open-ended** (are ones that require more than one word answers) and vague opinion-type



3. A \_\_\_\_\_ question is one where the respondent has to select a response from one among the multiple choices offered to him or her.  
a. close ended    b. Open ended    c. Both                      d. None of them
4. \_\_\_\_\_ Questionnaire that is used mostly in social science research.  
a. Structured                                      b. Unstructured  
c. quasi-structured                              d. none of them

**Sampling :** Sampling is nothing but selection of the accurate representation of a unit, group or sample from a population of interest. The process of selection or the drawing of the accurate representation of a unit, group or sample from a population of interest is called as sampling. Sampling can be done through various sampling techniques in accordance with the nature of the sample as well as the subject matter of the study. It is the Sampling procedure, which will decide the accurate representation of the sample selected for the study as well as the relevance of generalization made from the research

**Population :** Population is also referred as universe. Broadly, Population can be explain as a comprehensive group of individuals, institutions, objects and so forth which have a common characteristics that are the interest of a researcher. The common characteristics of the groups distinguish them from other individual, institutions, objects and so forth. Example : Researcher proposed to conduct a study on awareness and use of ICT among the secondary school teachers in Ahmedabad, the entire secondary school teaching community in Ahmedabad constitutes as the population of the study. Population can be finite and infinite. Population which can be easily counted is known as finite and the unknown and limited number of population is known as infinite. Example : Medical Student of Ahmedabad District is finite population and the adolescents, youths in Ahmedabad can be treated as examples for infinite population, though they can be counted but in complex procedure.

**Sample :** It is a part of the population or universe. In marketing research projects, practically it is not possible for a researcher to approach all the individuals\elements in a population for the purpose of data collection. Instead they select and approach a representative group of individuals/elements who falls under the particular population to collect needed information regarding the group. Based on the results, the researcher generalizes the characteristics of the representative group as the characteristics of population. This small group or representative group from a population is called as sample. So sample can be defined as the small portion of a population selected for a particular study. The sample should clearly represent the characteristics of intended group. According to Young "*A statistical sample is a miniature picture of cross selection of the entire group or aggregate from which the sample is taken*". The process of conducting a survey to collect data from a sample is

called sample survey. The value which is identified or measured from the characteristics of the sample can be termed as statistic.

**Developing sample design has the following components**

- **Choosing the Sampling Unit :** Whom should we survey ? (who all among the elements of the population are to be surveyed)
- **Choosing Sample Size :** How many people should we survey ?
- **Choosing Sampling Procedure :** How to ensure that those who are to be questioned get included in the sample)
- **Choosing the Sampling Media :** how to reach the respondents in the sample—through mail interview, personal interview, or telephone interview

**Sampling Methods :** Broadly two methods, fall under two broad categories *Probability/Random sampling and Non-Probability/Non Random Sampling :*

**Probability/Random sampling :** In Probability/Random sampling, samples are selected at random. Random means selecting the units "free of bias" Random sampling follows a precisely specified system, where there is no scope for any biased selection of the sample unit. Randomness ensures that the selection of the units takes place by sheer chance. It means that every member of the population has equal chance or probability of being selected. **Example :** in a population of 1000 members, every member will have a 1/1000 chance of being selected to be a part of a sample. Probability sampling eliminates bias in the population and gives all members a fair chance to be included in the sample.

**Non-Probability/Non Random Sampling :** Non random sampling techniques are the techniques in which the researchers select the samples from the population without randomization. Here the samples might have selected at the discretion of the researcher. In this sampling there is no means of judging the probability of the element or group of elements, of population being included in the sample.

**Let's study different methods of probability sampling :**

- Simple random sampling
- Systematic random sampling
- Stratified sampling
- Cluster sampling

**Simple Random Sampling :** All items of the population have equal chances of being selected in the sample. Lottery is one of the methods of selecting a simpler random sample. Example, in an organization of 500 employees, if the HR team decides on conducting team building activities, it is highly likely that they would prefer picking chits out of a bowl. In this case, each of the 500 employees has an equal opportunity of being selected.

**Systematic sampling :** Systematic sampling involves selecting every  $n$ th unit from the population after the beginning unit is selected at random. The interval  $n$  is fixed by dividing the population by sample size. Example, if the population of 500 members and a sample of 50 members is required, interval will be fixed as  $500/50 = 10$ . Thus, every tenth unit from the previously ordered population will be taken to get the systematic sample of 50 elements. Normally, the start is fixed by selecting a random number – in the above case, between 1 and 10, if happens to be 5, every tenth number from it, i.e 15, 25, 35 and so on would be selected to get the systematic random sample required. Systematic sampling can increase the sample's representativeness when the population elements can be ordered in some pattern, with regard to the characteristic being investigated.

**Stratified sampling :** In stratified random sampling, elements are in the population are divided into homogeneous group called strata. Then, researchers use the simple random sampling method to select a sample from each of the strata. Each group is called stratum. In stratified random sampling, stratum should be relatively homogenous and the strata should contrast with each other. This process of dividing heterogeneous populations into relatively homogeneous groups is called stratification

**Cluster sampling :** Cluster sampling is a method where the researchers divide the entire population into sections or clusters that represent a population. Clusters are identified and included in a sample based on demographic parameters like age, sex, location, etc. This makes it very simple for a survey creator to derive effective inference from the feedback. Example, if the United States government wishes to evaluate the number of immigrants living in the Mainland US, they can divide it into clusters based on states such as California, Texas, Florida, Massachusetts, Colorado, Hawaii, etc. This way of conducting a survey will be more effective as the results will be organized into states and provide insightful immigration data.

**Non-Probability/Non Random Sampling :** Non-probability methods of sampling are of the following types :

- Convenience sampling
- Quota sampling
- Judgement sampling
- Panel sampling

**Convenience Sampling :** Here sample is selected on the convenience of the researcher. Quite often accessibility decides the selection of the sample For example an investigator who is doing research on the topic of awareness of ICT of students of class X and he may take students of same class as sample for his study, because he has been the teacher of the same class and happens to be friendly with the class. This is what is called as convenience sampling. Such samples are easily available and

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economical but it makes systematic errors and may leads to false generalizations. Convenience sampling is also called as haphazard as well as accidental sampling.

**Quota Sampling :** It is also an example of non probability sampling. Under quota sampling the interviewers are simply given quotas to be filled from the different strata, with some restrictions on how they are to be filled. In other words, the actual selection of the items for the samples is left to the interviewer's discretion. This type of sampling is very convenient and is relatively inexpensive. For example, consider the situation where an interviewer has to survey people about a cosmetic brand. His population is people in a certain city between 35 and 45 years old. The interviewer might decide they want two survey subgroups – one male, and the other female – each with 100 people. (These subgroups are mutually exclusive since people cannot be male and female at the same time.) After choosing these subgroups, the interviewer has the liberty to rely on his convenience or judgment factors to find people for each subset. For example, the interviewer could stand on the street and interview people who look helpful until he has interviewed 100 men and 100 women. Or he can interview people at his workplace who fit the subgroup criteria.

**Judgement Sampling :** Judgmental sampling, also called purposive sampling or authoritative sampling. In this sampling researcher relies on his or her own judgment when choosing members of population to participate in the study. Researchers often believe that they can obtain a representative sample by using a sound judgment, which will result in saving time and money". **Example :** TV reporters stopping certain individuals on the street in order to ask their opinions about certain political changes constitutes the most popular example of this sampling method. However, it is important to specify that the TV reporter has to apply certain judgment when deciding who to stop on the street to ask questions; otherwise it would be the case of random sampling technique.

**Panel Sampling :** In this method, members are selected to a panel and they become an almost permanent sample for drawing specific information on selected subjects. There can be many kinds of panels such as consumer panels, expert panels, etc. Panel members are approached either personally or through mail for eliciting information. Panel members are recruited consciously; they are not selected at random. In this sense, they cannot accurately represent a whole market. Where the purpose does not call for randomness of respondents, the use of panels will be in order. Panels are widely used to measure shifts in buying patterns, brand loyalties etc.

**Contact Methods :** Market Researcher must decide how to contact the subjects via mail, telephone, in person or online.

**Check Your Progress – 3 :**

1. \_\_\_\_\_ is nothing but selection of the accurate representation of a unit, group or sample from a population of interest
  - a. Sampling
  - b. Sample unit
  - c. Sampling frame
  - d. None of them
2. Which is not the probability sampling method ?
  - a. Simple random sampling
  - b. Systematic random sampling
  - c. Stratified sampling
  - d. Convenience sampling
4. Which is not the Non-probability method of sampling ?
  - a. Quota sampling
  - b. Judgement sampling
  - c. Panel sampling
  - d. Cluster sampling

**III. Collecting the information :** Collecting information is very expensive and an error prone. As subject may be living far, away from home, or inaccessible, they must be contacted again or changed. Sometime respondent do not cooperate or give dishonest answers.

**IV. Analysing the information :** In this step, findings are extracted by tabulating data and developing summary measure. Some statistical techniques and decision models are also applied.

**V. Presenting the findings :** Here data and information are translated into insights and recommendation for Marketing and Chief Executives of the Company.

Without doing research organisation will not succeed. In order to know the customer formal research is conducted by the marketer.

**Check Your Progress – 4 :**

1. In \_\_\_\_\_ type of research, researcher observes and interacts with the respondent (Participants) in the reallife environment
  - a. Observational Research
  - b. Ethnographic Research
  - c. Focus group Research
  - d. Survey Research
2. \_\_\_\_\_ is not a qualitative technique.
  - a. Word Association
  - b. Visualization
  - c. Projective Techniques
  - d. Questionnaire



**3.6 Application of the Marketing Research :**

Marketing research finds application in a variety of business situations. Some examples are given below

<b>Types of Research</b>	<b>Areas of Application</b>
Consumer Research	Consumer Behaviour Buying influences Consumer Profiles Consumer database Brand Switching Motivation Satisfaction Studies
Market/Demand Research	Market potential.size Market profile Market share Market segments Market Surveys Sales forecasting Demand Survey
Product/Brand research	Product usage study Product line, design Testing new products Brand tracking Brand Preference
Competition research	Competition analysis Competitive Structure Competitors product, prices, promotion, channel policies and selling methods.
Distribution research	Efficacy of various types of marketing intermediaries Dealers reaction to the company and its products Efficacy of different modes of transportation warehousing efficiency study Distribution cost analysis

Price research	Evaluation of pricing strategy Assessing pricing pattern of the industry/competitors Measuring price elasticity of demand
Advertising and promotion research	Media research Appraisal of ad campaigns Motivation research Efficacy of sales promotional measures
Sales Methods Research	Testing new sales programmes Analyzing sales problems Sales territory analysis Effectiveness of sales force Sales compensation study Target fixation Testing sales forecasting and budgeting methods

(Source : Marketing Management by V. S. Ramaswamy and Namakumari, Macmillan 2002)

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### **3.7 Limitation of Marketing Research :**

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Marketing research has some limitations, which must be kept in mind by marketing people and researchers. The limitations are given below :

1. Marketing research provides only the indicators. It does not by itself provide the final solution to the problems. It also qualifies its final findings with assumptions.
2. There are chances of errors creeping in the findings of marketing research. Errors can creep in at various stages of the research in the sampling procedure, in the choice of research methodology and in the research design itself. Errors can also occur at the computation and analysis stage.
3. Very often it is found that the marketing research process is very expensive unaffordable to many small companies.
4. Marketing research has a limitation in terms of the time factor as well. The nature of marketing in a competitive world calls for quick decision and solution. If Marketing research involves undue delays and time lags, then the solutions obtained become irrelevant in the changed scenario.

5. Research findings are made with reference to a given marketing effort, known performance of competitors, known policies of government, etc. If any one or more these factors change, the result of the research may become invalid.
6. Marketing research often has the tendency to overrate the usefulness of its own findings. As in statistics all numerical data have their limitations. Also, there are many qualitative and subjective factors which cannot be quantified.
7. Sometimes the person interviewed may not furnish the correct information or may refuse to cooperate.

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### **3.8 Ethics in Marketing Research :**

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The way marketing research is conducted and the reasons for conducting research could raise many ethical issues.

**Privacy :** Data collection could become an invasion of privacy. People are observed using hidden cameras, purchase behaviour studied using scanner data and credit card use data, and Internet activity is tracked using 'cookies'. There is always strong temptation for managers to misuse access to private information. Similarly, customer databases provide businesses and could be sold for a profit.

**Intrusion :** Collection of information could be annoying and inconvenient for respondents. Often, interviews, both personal and over telephone, become intrusive.

**Deception :** Occasionally, researchers use deception to collect data. Acting as potential customer falsely, some persons collect data from businesses. Other researcher pretends to be shoppers and ask fellow shoppers their opinions of products or brands.

**False Representation :** Practices called "sugging", i.e., selling under the guise of research and "frugging", i.e., fund-raising under the guise of research are very common, which tarnish the image of legitimate researchers.

In order to avoid such unethical practices and safeguard the public, marketing research ethics (code of conduct) have been drawn up by the American Marketing Association which covers the following areas;

- o Privacy of data to be ensured.
- o Prohibiting selling or fund-raising under the guise of conducting research.
- o Maintaining research integrity by avoiding misrepresentation and omission by pertinent data.
- o Treating outside clients and suppliers fairly.

The area of ethics in marketing research is very important and concerns the rights of number of parties. Marketing researchers should be conscious of and respect the right of research subjects as well as the general public.

**Check Your Progress – 5 :**

1. In which area consumer research can be applied
  - a. Consumer Behaviour
  - b. Buying Influences
  - c. Motivation
  - d. All of them
2. In which area product/brand research is applied.
  - a. Product usage study
  - b. Productline, design
  - c. Brand Tracking
  - d. All of them
3. Which are the limitation of Marketing Research ?
  - a. Provides Indicators Only
  - b. Expensive
  - c. Limited Time
  - d. All of them

**3.9 Let Us Sum Up :**

In this unit we have studied about The Marketing Research in detail. Marketing Research will help to Sport Out Business Opportunities whils lowering the Business risks. It will also help to set better goals for an Organisation / Business.

**3.10 Answer to Check Your Progress :****Check Your Progress – 1 :**

1. d                      2. d

**Check Your Progress – 2 :**

1. d                      2. d                      3. a                      4. c

**Check Your Progress – 3 :**

1. a                      2. d                      3. d

**Check Your Progress – 4 :**

1. b                      2. d

**Check Your Progress – 5 :**

1. d                      2. d                      3. d

**3.11 Glossary :**

**Marketing Research** can be defined as systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

**Syndicate Service :** Marketing research firm produce and sell these scheduled reports.

**Primary Data :** Primary data are the first–hand information, which is collected by the researcher. Survey, Experiment and interview are the examples of such data.

**Secondary Data :** Secondary data are collected by some other researcher. Secondary Data includes Scholarly articles, Annual reports, Thesis, Dissertation etc.

**Ethnographic Research :** In this type of research, researcher observes and interacts with the respondent (Participants) in the real life environment.

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**3.12 Assignment :**

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1. Explain Marketing Research and its process(steps) ?
  2. What is the Scope of Marketing Research ?
  3. Describe Ethics in Marketing Research ?
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**3.13 Activities :**

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Select any title, develop objectives for it and frame questionnaire (Open-Ended and Closed Ended)

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**3.14 Case Study :**

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**McDonald's :**

McDonald's is one of the largest fast food chains in the world. In order to continue this trend, McDonald's uses ongoing marketing research.

In their marketing research, they have narrowed their focus onto four different questions :

1. Which products are most popular ?
2. What prices are acceptable to consumers ?
3. What mass media do the consumers read and view ?
4. Which restaurants are most visited ?

Through research, McDonald's is able to determine whether their target customers are growing or not ?

According to you...

1. McDonalds' collection of data is mainly through – Primary data or Secondary data ?
  2. Which kind of research approach is used by McDonalds ?
- 

**3.15 Further Reading :**

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**BLOCK SUMMARY**

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There are several new concepts that been introduced in this Block :

- Basic Marketing concepts, Fundamentals, Marketing Mix (in brief) and Emerging Trends in Marketing
- Marketing and Customer Value, Strategic Planning – its stages, Marketing Planning and Marketing Plan, Formulation of Marketing Strategies and their types.
- The importance of Marketing Research has been dealt with, along with the methods, process and applications of research.

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**BLOCK ASSIGNMENT**

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**Short Answer Questions :**

1. Define Marketing as mentioned by American Marketing Association.
2. What the five types of Needs ?
3. What does 'Scanning the market' mean ?
4. What is Executive Summary ?
5. What is the difference between Social Media marketing and Internet marketing ?
6. What are the research Instruments available do conduct research ?

**Long Answer Questions :**

1. Give a list of entities, with examples, that can be marketed.
2. Write one paragraph on each of the emerging trends in Marketing ? Give examples on each.
3. Write brief notes on Mega Influencer, Macro Influencer, Micro Influencer and Nano Influencer.
4. What are the stages of Strategic Planning ?
5. What are the Contents of a Marketing Plan ?
6. What are the types of Marketing Strategies ?
7. Explain various application of Marketing Research.

❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3
No. of Hrs.			

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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**Dr. Babasaheb  
Ambedkar  
OpenUniversity**

**BBAR-201/ DBAR-201**

# **Marketing Management**

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## **BLOCK-2 CRM, GATHERING INFORMATION AND FORECASTING DEMAND, CONSUMER AND BUSINESS MARKET**

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### **UNIT 1**

CRM

### **UNIT 2**

MARKETING INFORMATION SYSTEM

### **UNIT 3**

CONSUMER BEHAVIOUR

### **UNIT 4**

OVERVIEW OF VARIOUS TYPES OF MARKETING

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## **BLOCK 2 : CRM, Gathering Information and Forecasting Demand, Consumer and Business Market**

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### **Block Introduction**

In this Block you will learn about the most intriguing part of marketing – Consumer behaviour. The marketers have to manage the consumers' mind to get the best desired response. It is called as Customer Relationship Management (CRM). The needs of the customers are sometimes stated and many a times implicit. The more the marketers understand the hidden motives of the prospective customers, the more will be the benefit to the organisation in real terms.

The data gathered from the market through various sources are arranged in a manner that is easy to comprehend and act upon – this is Marketing Information System (MIS).

The MIS not only feeds the critical information about the changes in the market place but also give an insight of future trend that may creep in in near predictable future.

The Business to Business clients have their own set of rules to make purchase decisions. It is done in more impartial method than as in consumer behaviour. To bolster the revenue of your company a different kind of Customer Relationship need to be developed to get fruitful results.

### **Block Objectives**

**After learning this block you will be able to understand :**

- Understanding Customer Relationship Management
- Understanding Marketing Information System, Marketing Intelligence System,
- Understanding Consumer Buying Behaviour
- Understanding Business Markets, Institutional and Government Market,

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### **Block Structure**

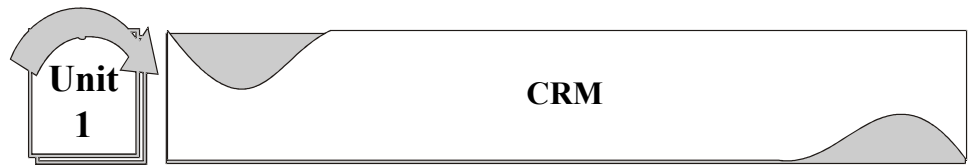
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Unit 1 : CRM

Unit 2 : Marketing Information System

Unit 3 : Consumer Behaviour

Unit 4 : Overview of Various Types of Marketing



**: UNIT STRUCTURE :**

**1.0 Learning Objectives**

**1.1 Introduction**

**1.2 Customer Relationship**

**1.3 Different Types of Customer**

**1.4 Orientation of Customer**

**1.5 Customer Relationship Management & its Importance**

**1.6 Features of CRM**

**1.7 Misunderstanding of the CRM**

**1.8 The Benefits of CRM Solutions**

**1.9 Challenges of CRM Implements**

**1.10 The Future of CRM in India**

**(a) Important Role of CRM in Banking Sector**

**(b) Issues & Challenges of CRM in Banking Stream**

**(c) Benefits of CRM in Banking Sector**

**(d) Future Perks of CRM in Banking Industry**

**1.11 Let Us Sum Up**

**1.12 Answer to Check Your Progress**

**1.13 Glossary**

**1.14 Assignment**

**1.15 Activity**

**1.16 Case Study**

**1.17 Further Readings**

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**1.0 Learning Objectives :**

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**After this unit you will able to understand :**

- To learn the important aspects of Customer Relationship Management
- To learn the relationship between Customer Relationship Management and Marketing
- To understand why Customer Relationship Management is an integral part of Marketing.
- Major aspects of Customer Relationship Management

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## 1.1 Introduction :

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Every organisation emphasizes on building a longterm relationship with customers to nurture its stability in today's market. Customers want to receive exactly what they demand and in a quick time. CRM is the strategy to build strong relations with customers and at the same time reducing cost and enhancing productivity and profitability in business. A system is vast and significant, but it be can implemented for small business, as well as large enterprises also as the main goal is to assist the customers efficiently. Usually an organisation consists of various departments which predominantly have access to customer's information either directly or indirectly. A CRM system loads this information centrally, examines it and then makes it addressable within all the departments.

CRM is a platform for all business units to interact with their clients. It is very difficult to manage relationship with the customer. It majorly depends on how the systematically and flexibly a CRM system is implemented or integrated. But once it's accomplished it serves the best way in dealing with customers. In turn customers feels gratitude of self-satisfaction and loyalty which results in better bonding with supplier and hence increasing the business. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. CRM strategies have given a new outlook to all the suppliers and customers to keep the business going under an estimable relationship by fulfilling mutual needs of buying and selling.

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## 1.2 Customer Relationship :

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We talk about the relationship between supplier and buyer is not a personal relationship or one-time relationship. E. g. : A customer buys a product from the outlet is not called a relationship. Relationship is when two parties are involved in an interaction and transaction happen many a times. This relationship only exists when the two parties diverge from a state of autonomy to mutual or interdependent. If the customer returns to a café and orders the same tea again because he likes the environment and taste or the method of making tea, it more looks like a relationship.

We can say that there is change is relationship with the customers from time to time as environment is very dynamic. Below mentioned are the few stages from where the relationship with customers can evolve-

- **Exploration** – In this stage a customer tries to investigate the supplier's competency and they cross verify the product or brand usefulness for them. If the test results fail to satisfy customer's demands, the relationship canend.
- **Awareness** – Awareness is the process when the customer understands the motivational values of supplier or the products he sells.

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- **Expansion** – Here supplier wins customer's faith and customer falls under the interdependence of the supplier. Supplier's business gets expanded and does business with the particular customer.
- **Commitment** – Commitment is a powerful stage when suppliers learn to adapt business rules and goal to excel.
- **Dissolution** – Dissolution is a stage when customer requirement suddenly changes and he looks for better perspectives. This sudden change is the end of relationship.

**There are various reasons due to which relationship comes to an end.**

1. Customer is not satisfied with the product or the service of the supplier
2. Customer may diverge to other better brands and products
3. Suppliers can also prefer to break relationships due to customer failing to increase sales volume
4. Suppliers are entangled with fraud cases

**Trust and commitment are the two attributes which can develop a strong relationship between supplier and customer.** Relationship is always mutual or reciprocal so it is important for both supplier and customers to stick to common guidelines to attain sustained relationship with each other. There is lot of involvement of cost, efforts and time in developing relationships between the two parties but the outcome is unpredictable.

### **Check Your Progress – 1 :**

1. From the below mentioned option which is not a stage from where the relationship with customer evolve.  
a. Exploration   b. Adaptation   c. Awareness   d. Expansion

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### **1.3 Different Types of Customers :**

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Customer is the king. Customer use products and services and then judges its quality. Customers are the responsible for the profit of the organisation. Hence, it's important for an organisation to retain customers or make new customers and flourish business.

#### **Customers can be of following Types :**

1. **Loyal Customers** – They are less in numbers, promote sales and profit, are completely satisfied with the product and service of the organisation, frequently visit the organisation. They want individual attention and demand politeness and respect from the supplier. Hence it is crucial to interact and keep in touch with them on a regular basis and invest time and effort with them.
2. **Discount Customers** – They are frequent visitors but they visit only when the discounts are provided on regular products and brands. If more discounts are provided, they purchase more. Focus on these

types of customers is important as they also promote distinguished part of profit into business.

3. **Impulsive Customers** – This type of customer do not have any specific item in their product list but they urge to buy what they find good and productive at that point of time. Handling these customers is a challenge as they are not particularly looking for a product and want the supplier to display all the useful products, in front of them to choose from. If impulsive customers are treated accordingly then there is high probability that they could be a responsible for high percentage of sales.
4. **Need Based Customers** – Means that customer purchase that product or service which they are in need of and only tend to buy items to which they are habitual. These are frequent customers but do not become a part of buying most of the times so it is difficult to satisfy them. These customers should be handled positively by showing them ways and reasons to switch to other similar products and brands and initiating them to buy. These customers could possibly be lost if not tackled efficiently with positive interaction.
5. **Wandering Customers** – These are the least profitable customers as sometimes they themselves are not sure what to buy. These customers are normally new in industry and most of the times visit suppliers only for confirming their needs on products. They investigate features of most prominent products in the market but do not buy any of those or show least interest in buying. To grab such customers, they should be properly informed about the various positive features of the products so that they develop a sense of interest.

#### Check Your Progress – 2 :

1. \_\_\_\_\_ are less in numbers, promote sales and profit, they are completely satisfied with the product and service of the organisation.
  - a. Need-based Customers
  - b. Loyal Customers
  - c. Impulsive Customers
  - d. Discount Customers
2. \_\_\_\_\_ do not have any specific item into their product list but urge to buy what they find good and productive at that point of time.
  - a. Loyal buyers
  - b. Frequent buyers
  - c. Faithful buyers
  - d. Impulsive buyers

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#### 1.4 Orientation of Customer :

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Orientation of customer means how the customer's preferences are possessed or in what areas of business the customers are conscious. A customer can be cost oriented, value oriented or technology oriented as discussed below :

- **Cost Oriented Customers** : Customer focuses on low cost product and is ready to compromise on efficacy, performance and quality.

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If the problem arises in the product, they blame the supplier instead of blaming themselves as they have selected the cheap product.

- They try to get problems fix by the local vendor as the product is a low–cost one. These vendors work with marginal profit, so accountability is low. What they do is not quality work as they are not actual manufacturer of that particular product and may lack many aspects in repairing the machine. In case the machine fails again, these customers blame the original supplier and he then has reimburse. In some cases, these customers are ready to buy second hand products and expect it to perform as a new one. Hence the suppliers should focus on strategies which are not only performance or quality driven but also self–driven, otherwise they will find themselves in payment problems for which they have to put extra effort and cost of recovery of payment from these customers.
- **Value Oriented Customers :** These type of customer prefer efficient and high performing products rather than low–cost ones. They are aware that in a long run it would be a profitable deal. They believe in one time investment and repair free benefits in future. These customers tend to maintain a healthy relationship with suppliers as they are the satisfied customers.
- **Technology Oriented Customers :** These types of customers are interested in making use of best technology good quality and performance. They feel that using the latest technological products, they can sustain in the dynamic environment. Supplier who are developing new technological product can do business by capturing these types of customer. They also have a tendency for experimenting with new things and do interact with people of same nature. The suppliers are helped by them in creating new referrals and increase the business. These customers are also satisfied customers and end up by making worthy relationships with suppliers.

It is important for the supplier to study orientation of the customer. It will help them to identify specific customer needs and transact accordingly. They can develop strategies to grab customer by fulfilling their aspirations and turn them to satisfied customer.

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### 1.5 Customer Relationship Management & its Importance :

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**CRM** is the final goal of a new trend in marketing that focuses on understanding customers as individuals instead of as part of a group. Marketer makes there communication more customer specific.

**Importance of CRM :** CRM plays an important role in maintaining and creating relationships with customers. To develop good Customer relationship is a business nonetheless it also ideates strong personal bonding within people. CRM drives business to new levels of success. Once the bonding is established it is easy for any organisation to identify the actual needs of customer and help them to serve them in a better

way. It is a belief that more the sophisticated strategies involved in implementing the CRM, the more strong and fruitful is the business. Most organisations have dedicated world class tools for maintaining CRM systems in their workplace.

**Now, look at some broader perspectives given below from which we can easily determine why a CRM System is always important for an organisation.**

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customers' needs effectively to increase business.
2. CRM contains every bit of details of a customer, hence it is very easy to track a customer accordingly and can be used to determine which customer can be profitable and which may not be.
3. In CRM system, customers are grouped according to different aspects, the type of business they do or the physical location. They are allocated to different customer managers often called as Account Managers. This helps in focusing on each customer separately.
4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process starts with identifying a customer and maintaining all the corresponding details in the CRM system which is also called an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by rigourously following up and converting them into a winning deal. This is very easily and efficiently done by an integrated CRM system.
5. The strongest aspect of CRM is that it is cost-effective. The advantages of implemented CRM system are that there is less need of paper and manual work which means lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also not costly.
6. All the details in CRM system are kept centralized which is anytime on fingertips. This reduces the process time and increases productivity.
7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
8. If the customer is satisfied, they will be loyal and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

In today's commercial world, practice of dealing with existing customers and thriving in business by getting more customers into loop is predominant. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business



in an efficient manner. Hence every organisation should be recommended to have a full-fledged CRM system to cope up with all the business needs.

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**1.6 Features of CRM :**

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Customer Relationship Management is primarily entangled with following features :

1. **Customer's Needs** – It is very important for the organisation to identify the customer needs by knowing the customers (likes and dislike), interviewing them, thereby enabling organisation to satisfy their needs. Without identifying the needs, it is an arduous task to serve the customer effectively and maintain a long-term deal.
2. **Customers Response** – means Organisation reactions towards the queries and activities of the customer. It is very important for the organisation to deal with these queries in a competent way in order to minimize misunderstanding. Success of the organisation depends on the how tactfully they deal with these queries and provide the best solution. If the supplier solves customers' queries proficiently, he can able to succeed in developing professional and emotional relationship with him.
3. **Customer Satisfaction** – Customer satisfaction is defined as a measurement that determines how happy customers are with a company's products, services, and capabilities. In today's competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with the customer.
4. **Customer Loyalty** – This type of customer is loyal towards supplier and buy products on the regular basis. If the customers are satisfied with the service of the supplier, then they visit the organisation more frequently or he rebuys a particular product or brand many times by that supplier. To continue the customer loyalty the most important aspect an organisation should focus on is customer satisfaction. Hence, customer loyalty is an influencing aspect of CRM and is crucial for business success.
5. **Customer Retention** – Customer retention is a strategic process to retain the existing customers and not letting them to diverge or defect to other suppliers or organisation. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers, the more is the probability of net growth of the business.
6. **Customer Complaints** – Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a

complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to lodge a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are lodged due to some misunderstanding in analysing and interpreting the conditions of the deal with the supplier. Handling these complaints to ultimate satisfaction of the customer is important for any organisation. Hence it is essential to have predefined set of process in CRM to deal with the complaints and efficiently resolve it quickly.

7. **Customer Service** – It is the process of delivering information and services regarding all the products and brands. Customer satisfaction depends on the quality of the service delivery. If the quality and trend of service go beyond customer's expectation, the organisation is supposed to have a good business with customers.

### Check Your Progress – 3 :

1. \_\_\_\_\_ is a new trend in marketing that focuses on understanding customers as individuals instead of as part of a group.
  - a. CRM
  - b. Value Oriented Customer
  - c. Cost Oriented Customer
  - d. Technology Oriented Customer
2. \_\_\_\_\_ the process of delivering information and services regarding all the products and brands.
  - a. Customer Need
  - b. Customer Loyalty
  - c. Customer Service
  - d. Customer Satisfaction

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### 1.7 Misunderstanding of the CRM :

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Many companies have misconceptions about CRM in regard to assessing customer satisfaction in order to enhance business. There are several misunderstandings in CRM to be checked otherwise these may cost the organisation revenue and profits.

1. **Identifying CRM with a software system** – Three important aspects plays important role in the success of CRM business strategy – people, business process and technology. It is not possible to implement the CRM successfully without these three. So, CRM is not an IT issue only to be simply equated to software. It would be improper to have a successful business purely 'technology-centric' ignoring the importance of people and processes. Software is only an enabling or a facilitating device. The process is implemented and enabled by the software only when it is properly designed and developed by people. Only then it can deliver customer and company value. Therefore, the right implementation sequence has to be followed and it must include proper competencies and people's attitudes, the right business strategies and then the right IT implementation.

2. **CRM is a complicated system, difficult to understand** – The meaning of CRM is simple – to fetch customers, retain them and maximize profitability. Because of the fast-developing technology there is pressure on IT professionals to cope up with the new developments. So, the 'how' part of implementing CRM may be felt difficult. But the 'why' part of the CRM concept is also not difficult to understand. If we look back when there was no IT implementation, customer relationships were being managed then by keeping in mind a customer database. Presently, with advanced technology the quality of customer management has entirely changed. But the core of CRM and the target remain the same – to maximize business profits. Keeping this perspective in mind, proper techniques must be employed to access its utility.
3. **CRM is expensive and unaffordable by small enterprises** – It is a myth that IT maintenance cost is unaffordable by small and medium class entrepreneurs. Nowadays Application Service Providers with simple and limited functions provide CRM at affordable prices. Its operation is easy without involving expensive IT professionals. Therefore, to target good results emphasis should be on people and procedure strategies and in the end utilize software.
4. **Wrong assessment for the Return on Investment in CRM** – In CRM implementation, Return on Investment means the evaluation of returns with the costs incurred. CRM is sometimes regarded as giving a poor ROI. In fact, the probability of poor ROI is more if CRM is not deployed and the opportunity is lost. The main causes of poor ROI are ignoring people and procedure strategies, absence of quantified benchmarking to measure the results, lack of vision in strategic gain of opportunities etc. These are the points to ponder before implementing a CRM.
5. **Who is responsible for CRM implementation – The Marketing, Sales, Customer Service, or IT officials ?** – It is not advisable to lay the responsibility on all. The result will be that none of them will feel responsible. The ultimate responsible person should be the CEO as he formulates and manages the business strategies. In order to have a better success index, the CEO and his immediate deputy should be educated and trained for implementation of CRM.  
A better understanding of different dimensions of CRM therefore is a must to potentially enhance the benefits of CRM implementation.

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### 1.8 The Benefits of CRM Solutions :

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There are many benefits of CRM or Customer Relationship Management software. Let's discuss one by one in detail.

1. **Better Customer Service** : There are various functions of the CRM software, but the main function for which it is created is to improve business customer relationship. All the information of your customer

is stored at one place, which makes CRM software most power tool. The type of Information stored are like contact's full name, email address, telephone number, postal address, website and social media accounts. Also such critical business facts are stored as a contact's position in the company, his/her relations to other contacts in your database, the language they speak, and even their birthdays. This information is accessible to anyone in your company who needs it. All the information is available at the fingertips of your employee which makes his communication with a customer easy. CRM also helps to save all the activities, projects, sales, live chat messages, email exchanges, etc. CRM allows you to know your customer better.

2. **Better Customer Segmentation** : Every business wants to deal with the perfect audience. List of the contact may be enormous and large. It makes it difficult for the employee to decide whom to contact on the basis of criteria. For example, how do you know which customers want to see your email about your new in-store product ? CRM allows you to break down data by categories and criteria, making it easy to create focused lists. Used in sales and marketing, such segmented lists allow you to run specific customer marketing campaigns (and account-based marketing campaigns) and analyze your sales process and lead pool. When you know whom you're addressing, you can consciously tailor your offer, your tactics, and even your sales pitch!

"Automation actually allows the marketer to have a more meaningful understanding of the customer and have more valuable interaction when they do interact because of it, " Philips said.

CRM system helps you know better who is really interested in what you have to offer, who is still sitting on the fence, and who is cold as ice.

3. **Increased Sales** : In order to streamline your sales process CRM will provide your sales team with one place where they can track leads, prospects, and customers over any duration of time, automate key tasks and analyze all of your sales data, potentially increasing sales and productivity in one centralized place. A CRM helps you establish a step-by-step sales process that your employees can rely on every time and that you can easily tweak as issues arise. Sales managers can then use this data to identify patterns and see which sales processes are working for their team and which ones could be improved. This is how your sales team can use information stored in the CRM to scale your processes as your business grows.
4. **Improved Customer Retention** : CRM plays a very important role to keep your customer happy. CRM will help you to keep the promises by reminding you about appointments or when to send follow up emails. It also helps you to reach those customers who

have been neglected or not contacted for a long time. The CRM will provide sentiment analysis, automated ticketing, customer support automation and user behavior tracking to help you determine problems and quickly address them with your customers.

5. **Better and Speedier Communication :** Without wasting time of the customer and giving them a prompt reply is the sign of the professionalism. CRM helps to save your time and your customer time, as it offer customizable ready to use various types of templates like letters, documents, proposals, quotes, etc. A CRM automatically manages the process, sending your employees alerts when they should reach out to the prospect and tracking every interaction, from emails to phone calls.
6. **Better Anticipation of Needs :** CRM system helps salespeople to sell more and sell faster, because they have access to history (buying habits) of the entire customer journey which allows them to anticipate customer needs. If you know the buying habits like what they bought, what contracts they were offered, you can be more proactive and come up with new or better offers at the right time. Just with a few clicks and you would know whether a contact had any problems with your product, how their service requests were handled, and whether they were satisfied or not. And if they had past complains – it's your chance to redeem your reputation and offer a much better customer experience.

*There are many others benefits of CRM but the key benefits are as discussed above.*

### Check Your Progress – 4 :

1. Which is not the benefit of the CRM solutions ?
  - a. Better customer service
  - b. Better customer segment
  - c. Better customer target
  - d. Increased sales
2. Three important aspects play important role in the success of CRM business strategy is \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
  - a. people, business process and technology
  - b. people, customers and business.
  - c. Loyal customers, customer base, and technology
  - d. none of the above

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### 1.9 Challenges of CRM Implements :

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CRM necessitates a substantial financial investment, so companies must make the requisite investments and wait for the benefits to materialise rather than being impatient and expecting immediate solutions. In terms of CRM implementations, there is the slip between the cup and the lip. This refer to a lack of cooperation between businesses and vendors, which typically results in specifications not being met because vendors do not

fully comprehend the requirements and organisations pressurise vendors for quicker implementations and results.

Apart from these difficulties, users must be properly educated, which is an aspect that does not get the attention it deserves. This is because there are likely to be mismatches between user expectations and the reality of the implementation. Therefore the users must be well educated in using the CRM programme.

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### 1.10 The Future of CRM in India :

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CRM has become an important component of every enterprise, from small businesses to multinational corporations. Sales and marketing teams are using CRM to optimise consumer interactions, attract and retain customers, and gain new customer-centric insights that are enhancing their businesses.

**Let us study the CRM from the banking perspective :**

#### (a) Important Role of CRM in Banking Sector :

Despite the fact that many banks are struggling to make a profit, they hardly pay attention to improve their consumer strategy. Today, literally, those days are gone where people had a misunderstanding about banks being okay with not getting enough customers. The banks are now focused on attracting customers and growing market share. CRM Solution is almost likely to take off in the coming years. Technology and relationship marketing are two influential development in the current Indian banking scenario such that they are focal points for new practices and policies. CRM software, according to Philip Kotler's papers, is the method of carefully monitoring the comprehensive details for each and every individual customer and all customer touch points to optimise the loyalty of the customer.



New generations of private sector banks and several international banks have entered the market due to the rise in globalisation, bringing many useful and innovative products. Banks must distinguish themselves by delivering value-added services and maintaining long-term relationships with their customers. They must provide a positive customer experience by providing more customised products, increased value offerings,

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personalised services, and improved accessibility. Money-related rebuilding and authoritative adjustment are the management's catchphrases for dealing with the emergence of globalization-related difficulties. According to reports, Yes Bank has developed a collaborative CRM solution, called YCCRM, to further its 'customer first' policy; Punjab National Bank (PNB) has deployed CRM software services with modules of prospect management, lead management, and activity management; and ICICI Bank has identified functional areas that are integrated on core businesses.

### (b) Issues & Challenges of CRM in Banking Stream :

The following are the impediments to CRM implementation services :

1. **Technology Issues :** The majority of officers believe that technology is only used to record customer information and transactions. The use of technology to process and disseminate more sophisticated information is not yet complete. Multiple integration channels use the latest technologies in customer interface, service, and sales at the same time.
2. **People Issue :** It refers to a lack of understanding and ability to convert data into customer knowledge. There is a lack of motivation to fully utilise the CRM software solution's potential. Decision-making authority is limited or non-existent, and performance management parameters are inadequate. Enough decision-making power is required to provide customised, responsive, and proactive services in order to apply the CRM concept to customer centricity.
3. **Process Issue :** Because CRM is an organizational-wide strategy, the entire process must be aligned in an ineffective manner. In terms of shared values, vision, and mission, CRM implementation necessitates a shift in organisational culture. The success of CRM software is dependent on its adoption by all departments, with marketing playing a strategic role in bringing all efforts together to improve customer service.

### (c) Benefits of CRM in Banking Sector :

For the banking industry, CRM software is the most effective business management tool. Appropriate customer experience management is the primary determinant and capable of transforming the face of any service-based company. Great solutions can assist any industry in attracting new clients, closing deals, and delivering exemplary customer service. Following are the few key benefits of CRM software in the Banking industry.

**Improved Customer Retention :** For banks, attracting new customers is a challenge. Retaining current customers too is a challenge in this tough market. Customer retention can be achieved by improved customer satisfaction and loyalty.

**Boosted Sales :** With the advancement of CRM, sales have become a vital component of banks. With the sales modules, CRM software

implementation helps banks in sales management. It also assists in the acquisition of potential customers by aiding in the detection and conversion of leads into prospective customers.

**More Effective Marketing Efforts :** CRM services help marketing departments to be more creative and profitable. It produces a report that illustrates consumer experiences and data points, purchasing activity, communication platforms, and more. It also assists the marketing department in the identification of new marketing opportunities for interaction and retention.

**Increased Productivity :** Bankers now spend more time on improving their customer relationships rather than collecting and arranging data because they have all of their customers' data easily accessible. It improves efficiency while decreasing costs by reducing or removing repetitive activities.

**Personalized Relationships :** The ultimate aim of CRM software is to treat customers on a personal level. Keeping track of and following up on each individual customer's data, as well as looking at trends, is a challenging job. It also assists in the resolution of problems by allowing bankers to provide customised services to each client.

#### **(d) Future Perks of CRM in Banking Industry :**

As the banking industry strives to replicate the digital experience of customer-centric companies such as Uber, Apple, Facebook, Amazon, and others, the banks are usually unable to leverage the insights on customers, to their the advantage. Despite general consensus that the banking industry needs to develop its data usage in order to provide a better customer experience and lower the cost of technology to do so, advanced analytics remains a low priority, according to the Digital Banking Survey, State of Financial Marketing. While the banking industry players suggest that they need to provide real-time insights to customers, only about 20% of the players are currently capable of doing so, according to the reports. More worrying, a rough estimate of 40% of all but a small number of major financial institutions' stories puts them in the "Static Self Appraisal Category." Banks can be more effective in achieving their revenue, marketing, and customer targets to the custom CRM Program. Banks can enhance their lead conversion and customer retention efficiency on a regular basis. Customers can simply pick and choose where they will obtain advice, invest their money, take loans, and buy financial products because there are many choices available in the ever-changing market. Consumers have suggested that they want their banking experience to be seamless and almost invisible in their everyday lives, according to Accenture. In order to remain ahead of the competition in this segment, the CRM in financial service institutions must have brand authority in market, demonstrating that yours is the only choice. The market has changed drastically since the introduction of the drive-up teller, credit and debit cards, ATMs, and direct deposit, among other



developments. The elimination of frictions from the customer journey was the second most reported prediction by nearly 100 financial service industry leaders surveyed in recent annual reports by digital banking. For the first time ever, according to J. D. Power, the biggest banks have the highest customer satisfaction ratings, posing a challenge to small businesses.

Effective CRM software has a range of advanced features that allow banks to communicate with their customers and create long-term relationships, which makes them stand out from the competition. CRM is no longer a choice for banks; it is crucial to their survival. So, with optimum CRM implementation, it's time to be the bank your customers love.

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**1.10 Let Us Sum Up :**

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CRM helps business to gain an understanding into the behaviour of their customer like purchasing habits, opinions and preferences and then modify their business operations to ensure that customer are served in the best possible way. The better you understand your customer, the more responsive you can be to their needs.

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**1.11 Answer to Check Your Progress :**

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**Check Your Progress – 1 :**

1. b

**Check Your Progress – 2 :**

1. b                      2. d

**Check Your Progress – 3 :**

1. a                      2. c

**Check Your Progress – 4 :**

1. c                      2. a

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**1.11 Glossary :**

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- **Exploration** – In Exploration customer tries to investigate the supplier's competency and they cross verify the product or brand usefulness for them. If the test results fail to satisfy customer's demands, the relationship can drastically come to an end.
- **Awareness** – Awareness is the process when the customer understands the motivational values of supplier or the products he sells.
- **Expansion** – Here supplier wins customer's faith and customer falls under huge interdependence of the supplier. Suppliers business gets expanded and does business with the particular customer.
- **Commitment** – Commitment is a powerful stage when suppliers learn to adapting business rules and goal to excel.
- **Dissolution** – Dissolution is a stage when customer requirement suddenly changes and he looks for better perspectives. This sudden change is the end of relationship.

- **CRM** is the final goal of a new trend in marketing that focuses on understanding customers as individuals instead of as part of a group.

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### 1.12 Assignment :

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1. Explain Customer Relationship and different types of customer
  2. Explain CRM and its Importance
  3. What will be the future of the CRM ?
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### 1.13 Activities :

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Visit the call centre of any organisation to understand the nuances and note down the various functions performed.

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### 1.14 Case Study :

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#### **Customer Relationship Management (CRM) in Banking : A Case Study of ICICI Bank**

##### **Focus on ICICI Bank's Initiatives**

The use of Customer Relationship Management (CRM) in banking has gained importance with the aggressive strategies for customer acquisition and retention being employed by banks in today's competitive milieu. This has resulted in the adoption of various CRM initiatives by these banks to enable them achieve their objectives.

The steps that banks follow in implementing Customer Relationship Management (CRM) are :

- Identifying CRM initiatives with reference to the objectives to be attained (such as increased number of customers, enhanced per-customer profitability, etc.),
- Setting measurable targets for each initiative in terms of growth in profits, number of customers, etc. and
- Evaluating and choosing the appropriate Customer Relationship Management (CRM) package that will help the company achieve its CRM goals (a comparison of pay-offs against investments could be carried out during the evaluation exercise).

Customer Relationship Management (CRM) has been deployed in retail banking. The challenges in managing customer relations in retail banking are due to the multiple products being offered and the diverse channels being used for the distribution of the products. Customer expectation from banks can be summed up as :

*"Any time anywhere service, personalized offers, and lower payouts".*

Aggressive marketing and promotions on the part of the banks have resulted in most customers happily switching loyalties to enjoy better privileges, thereby making the task of retaining them more difficult for the banks.

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The use of Customer Relationship Management (CRM) in banking has been essentially done for the following purposes :

**Targeting Customers :** It is necessary for banks to identify potential customers for approaching them with suitable offers. The transactional data that is generated through customer interactions and also by taking into account the profile of the customer (such as the lifecycle stage, economic background, family commitments, etc.) needs to be collated into one database to facilitate its proper analysis. For example, a customer interacts with the banks for savings accounts, credit cards, home loans, car loans, demat accounts, etc. the data generated through all these services needs to be integrated to enable effective targeting. After the integration is done, a profitability analysis of the customer needs to be undertaken to acquire an understanding of the profit-worthiness of the customer before targeting him with new offers.

**Sales Reference Material :** A consolidated information database on all products, pricing, competitor information, sales presentations, proposal templates and marketing collateral should be accessible to all the people concerned. These prove to be very helpful in Sales Force Automation (SFA) wherein the salesperson gets instantaneous access to all relevant material as and when it is required (especially when he/she is in a meeting with a client. )

**Consistent Interface with Customers :** The communication to customers from various departments like sales, finance, customer support, etc. should be consistent and not contradictory. Therefore, all departments should be privy to a unified view of the customer to enable a consistent approach. Removal of inconsistencies is necessary to ensure that customers are not harassed and frustrated owing to poor internal co-ordination. This is bound to enhance customer satisfaction. The contact centres used to interface with customers should ensure consistency in customer interaction, irrespective of the medium used for the interaction such as telephone, Internet, e-mail, fax, etc.

Banks can use the data on customers to effectively segment the customers before targeting them. Proper analysis of all available data will enable banks to understand the needs of various customer segments and the issues that determine "value" for that segment. Accordingly, suitable campaigns can be designed to address the issues relevant for that segment and to ensure higher loyalty from these customers. When data analysis is done in the right manner, it helps in generating opportunities for cross-selling and up-selling.

### **ICICI Bank's CRM Initiatives :**

ICICI Bank has to manage more than 13 million customers. The bank has over 550 branches, a network of 2025 ATMs, multiple call centres, Internet banking and mobile banking. Its customers often use multiple channels, and they are increasingly turning to electronic banking

options. Business from the Internet. ATMs and other electronic channels now comprise more than 50 per cent of all transactions.

In the process of making its business grow to this level, ICICI Bank has distinguished itself from other banks through its relationship with customers.

The Teradata solution focuses on a Customer Relationship Management (CRM) platform. Information from various legacy and transaction systems is fed into a single enterprise called wide data warehouse. This allows the bank to generate a single view of its customers. The warehouse has the capability to integrate data from multiple sources comprising Oracle and flat files. The Behaviour Explorer enables profiling of customers and querying on various parameters. These enable the bank staff create suitable campaigns for targeting individual customers on the basis of their requirements.

The logistics in the system have also led to other benefits like interactive reports, unearthing cross-selling opportunities as well as finding out about the channel usage undertaken by a segment. The data access was facilitated through the use of Cognos Power Cubes.

#### **The Benefits of CRM :**

**Customers' Usage Pattern :** ICICI's CRM data warehouse integrates data from multiple sources and enables users to find out about the customer's various transactions pertaining to savings accounts, credit cards, fixed deposits, etc. The warehouse also gives indications regarding the customer's channel usage.

**New Product Development :** Analysis at ICICI guide product development and marketing campaigns through Behaviour Explorer, whereby customer profiling can be undertaken by using *ad hoc* queries. The products thus created take into account the customer's needs and desires, enabling the bank to satisfy customers through better personalization and customization of services.

**Central Data Management :** The initial implementation of CRM allowed ICICI to analyse its customer database, which includes information from eight separate operations systems including retail banking, bonds, fixed deposits, retail consumer loans, credit cards, custodial services, online share trading and ATM.

#### **Some Noteworthy CRM Initiatives of ICICI Bank**

**Mobile ATMs :** Customers of ICICI Bank can access their bank accounts through mobile ATMs. These ATMs are kept in vans and parked at locations that have a high traffic of bank customers such as the commercial areas in a city or upmarket residential areas ICICI Bank now provides standard ATM facilities through ATM vans. This facility has been tried at Mumbai, Chandigarh and various places in Kerala during specified timings.

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**Bulk Deposits :** The ICICI Bank's Bulk Deposit ATMs enable customers to deposit large amounts at one time. Unlike conventional ATMs, which are able to accept only 30 notes at a time, these ATMs allow the deposit of huge amounts. The Bulk Deposit ATM is available in Mumbai's Vashi sector branch office of ICICI. The bulk deposit facility can be availed of by select customers who need to deposit huge amounts of cash. ICICI Bank issues a special card called the 'Deposit Only Card' to facilitate this service. This card allows for deposit transactions only. The service is further facilitated by the provision of special bags at ATMs in which a customer can put his money. After the deposit slip is filled, the bag can be inserted in the ATM. The transaction slip is then generated by the ATM as an acknowledgement of the deposit. ICICI Bank also has cash pick-up service for business customers under the business banking segment.

**ATMs for the Visually Challenged :** ICICI Bank has launched ATMs with special voice-guided systems, which guide a visually challenged person to access ATMs without any help. The jack on the terminal enables headphones to be connected to it and voice commands enable the customer to transact business. Customers may choose a suitable language to get voice commands. After the language selection is done, the customer is guided to ensure that the ATM card is inserted in the right slot and thereafter, guidance is provided for entering the PIN by using the keypad. A raised button is provided on number 5 to enable users to identify the numbers easily through touch. The slot for cash collection has such raised 'pips' that enable easy identification through touch.

**Other Services Through ATMs :** Apart from the usual transactions involving the bank, some other services can also be availed of by ICICI Bank customers. These include :

- Prepaid mobile recharge
- Buying and renewing Internet packs
- Making donations for TirupatiTirumalaDevasthanams, Nathdwara temple and Shri Mata Vaishnodevi shrine.
- Mutual fund transactions, and
- Bill payments

**Mobile Phone as a Virtual Wallet :** The mobile phone has been transformed into a virtual wallet – a new innovation in mobile commerce. On September 19, 2005, Airtel, ICICI Bank and VISA announced the launch of mChq – a revolutionary new service – which is a credit card using the mobile phone. This is the first mobile-to-mobile payment option which enables Airtel customers and ICICI Bank Visa cardholders to pay for their purchases with their Airtel Mobile phones. The service has eliminated the need for carrying physical cash for making a purchase and also the problems associated with the point of sale (POS) terminal since the mobile phone services as a secure POS and a payment mechanism.

**Social Events :** ICICI Bank organized the largest domestic invitational amateur golf event for HN1 (high-net-worth individuals) customers. This nation-wide golf tournament had over one lakh high-net-worth clients of ICICI Bank's private banking division participating in the event.

**Mobile Banking Benefits :** Mobile banking enables the customer to avail of many facilities by just sending an SMS. These facilities, which are currently offered free of cost, are as follows :

- Locating ATM
- Locating branch
- Locating drop box
- Alert facilities like salary credit, account debit/credit, cheque bounce, etc., and
- Queries on banking, cards and demat account

**Questions :**

1. Explain the initiatives take by ICICI Bank to promote Customer Relationship Management (CRM).
2. Discuss the benefits of the initiatives taken by ICICI Bank to promote Customer Relationship Management (CRM).
3. What should be the core elements of CRM that ICICI bank in your opinion should follow, besides what they are already following to make themselves a distinct bank from their competitors
4. Outsourcing CRM is one activity that most organizations follow. Is it a viable option. Give your views keeping in mind the cost involved in implementing CRM and enhancing business also.

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**1.15 Further Reading :**

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**UNIT STRUCTURE :**

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Basics of MIS**
- 2.3 Marketing Environment**
- 2.4 Component of Marketing Environment**
- 2.5 Forecasting and Demand Management**
- 2.6 Concept for Demand Measurement**
- 2.7 Methods of Forecasting**
- 2.8 Let Us Sum Up**
- 2.9 Answer to Check Your Progress**
- 2.10 Glossary**
- 2.11 Assignment**
- 2.12 Activity**
- 2.13 Case Study**
- 2.14 Further Readings**

**2.0 Learning Objectives :**

**After this unit, you will understand :**

- To understand Marketing Information system and its components
- To study the Marketing Environment
- To study the various Forecasting methods and the measures of demand.

**2.1 Introduction :**

According to Philip Kotler "A marketing information system is a continuing and interacting system of people, equipment's, and procedures to gather, sort, analyse, evaluate, and distribute the pertinent, timely, and accurate information for use by marketing decision-makers to improve their marketing planning, implementation, and control. " An organisation is also affected by various environmental factors which surround the firm. These environmental aspects have influence over the decision making of an enterprise. Therefore, as definable by Edeling& Fischer (2016), the surrounding and influencing factors collectively make up a marketing environment.

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## 2.2 Basics of MIS :

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## Marketing Information System

The Marketing Information System refers to the systematic compilation, review, interpretation, storage and distribution of market information to marketers on a daily and continuous basis, both from internal and external sources.

The marketing information system distributes the related data to marketers who can make appropriate marketing decisions, such as pricing, packaging, production of new goods, delivery, media, promotion, etc.

Each marketing activity functions in unison with both within and outside the organization's prevailing circumstances, and therefore there are many sources (e. g. Internal, Marketing Intelligence, Marketing Research) from which the appropriate consumer information can be accessed. Ideally, however, a marketing information system should include the following components :



### Internal Records :

With its internal records of sales data, customer database, product database, financial data, operational data, etc., the Organization will collect information. A comprehensive explanation of the internal data sources is given below :

Information may be obtained from records such as invoices, copies, billing documents prepared by businesses upon receipt of the order for products and services from consumers, distributors or sales representative

The latest sales information that acts as an assistant to the Marketing Information System should be maintained on a regular basis. Present sales and inventory level reports help managers decide on their objectives, and marketer may use this data to design their potential sales strategy.

Companies maintain many databases, such as the **Consumer Database**, in which the full information on the name, address, phone number, purchasing frequency, financial status, etc. of the customer is kept.

**Product Database**—in which full information about the price, features, variations, of the product is stored.

**Salesperson database**, wherein the complete information about the salesperson, his name, address, phone number, sales target, etc. is save



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In the data warehouse, the companies store their data from where the data can be retrieved whenever the need arises. When the data is stored, it is mined by statistical experts by applying many computer software and techniques to turn it into usable meaningful information that offers facts and figures.

**Marketing Intelligence System :** The marketing intelligence system provides data on market events, i. e. marketing environment–related data that is external to the organisation. It includes information on changing market trends, the pricing strategy of the competitor, changes in the tastes and preferences of the customer, new products launched on the market, the competitor's promotion strategy, etc.

In order to have an effective marketing information system, companies should work aggressively by taking the following steps to enhance the marketing intelligence system :

- Providing the right training and encouraging the sales force to keep track of market trends, i. e. changing customer tastes and preferences, and providing suggestions for improvements, if any.
- Motivating the partners of the channel, i. e. dealers, distributors, distributors in the real market to provide the appropriate and required customer and competitor details.
- Companies can also strengthen their system of marketing intelligence by having more and more competitor knowledge. This can be achieved either by buying the product of the competitor, visiting trade shows, reading the written papers of the competitor in magazines, journals, financial reports.
- By including loyal customers in the customer advisory panel who can share their insights and provide advice to new potential customers, through this businesses can provide an effective marketing information system.
- In order to enhance the marketing information system, businesses should make use of government data. The data can relate to population patterns, demographic characteristics, agricultural production, etc., which allow a business to plan its marketing activities accordingly.
- Companies may also buy knowledge about the marketing landscape from research firms that carry out research on all industry participants.
- The Marketing Intelligence framework can be further strengthened by specifically asking customer about their product or service experience through feedback forms that can be filled out online.

**Marketing Research :** The Marketing Research is the systematic collection, organization, analysis and interpretation of the primary or the secondary data to find out the solutions to the marketing problems. By applying various statistical instruments, businesses perform marketing research, including shifts in the tastes and desires of the client, competitor tactics, the reach of new product launch, etc. The data, which can be

either primary data (first-hand data) or secondary data(second-hand data, available in books, magazines, research reports, journals, etc. ), must be obtained in order to perform market research.

**Marketing Decision Support System :** It requires many software programmes that can be used to evaluate the information gathered so far by marketers to make better marketing decisions. The marketing managers can save the huge data in a tabular form with the use of computers and can apply statistical programmes to evaluate the data and make decisions in line with the results.

Therefore, marketers need to check the marketing environment, i. e. both the internal (within the organisation) and the external (without the organisation), so that it is possible to plan marketing practises, processes, strategies accordingly.

**Check Your Progress – 1 :**

1. Marketing information system should include the following components :
  - a. Internal records
  - b. Marketing Research
  - c. Both
  - d. None of them

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**2.3 Marketing Environment :**

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

We are very well aware that marketing activities does not take place in isolation; in fact it takes place in dynamic, highly complex and changing environment. It is utmost important for the company to constantly scan the environment in order to know what's happening in the market, identify significant changes or trends in the marketing environment. Marketing Research and Marketing Intelligence System are used by the marketer to scan the environment to gather relevant information. Marketer shall adapt to environmental changes in order to prepare new marketing strategies to meet the challenges and opportunities. In other words, Marketing Environment is the combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers. The marketing environment of a business consists of an internal and an external environment.

- **The internal environment** is company-specific and includes owners, workers, machines, materials etc.
- **The external environment** is further divided into two components : micro & macro.

The **micro** or the task environment is also specific to the business but is external. It consists of factors engaged in producing, distributing, and promoting the offering.

The macro or the broad environment includes larger societal forces which affect society as a whole. It is made up of six components : demographic, economic, physical, technological, political–legal, and social–cultural environment

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### 2.4 Component of Marketing Environment :

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There are **two major parts** pertaining to the environment

- (a) The **mega/macro** environment and
- (b) The environment that is specific to the business firm is engaged in.

Simply we can say there are two kinds of environment i. e. Internal and External. Internal can be controlled by the business but the external environment cannot be controlled by the business.

Let's us discuss the **component** in detail.

#### (a) **Mega/Macro Environment :**

The sequence of the **PEST** is reversed to **TSEP**. **TSEP** better reflects the components in the contemporary context. Technology has today become the prime component of the macro–environment.

**Technological Environment :** The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organization and it is very dynamic. In the corporate sphere, production controls, logistics, communication, information processing all have been revolutionized by technology. Technology affects not only its final products but also its raw materials, processes operations and customer segments of the business. Rapid changes are taking place in the technology in several sectors. Best Examples are IT and Telecom. Technology has drastically changed our lives. Previously, when we wanted to shop, we used to go physically. Now the trend has changed. Working women, teenagers, and mind set of many consumers have changed, when they prefer to do online shopping. Marketer should keep an eye on the new trends available in the technology, the government enforcement in technology and the technology environment. Then select technologies that will be appropriate for the firm and the given product market situation.

**Socio–Cultural Environment :** Socio culture has two main parts

- a. Culture
- b. Social Class :

**Culture :** It is the combined result of factors like religion, language, education and upbringing. In any given society, some of the cultural values are deep–rooted; they do not change easily and are termed as core cultural values. There are other values, which are known as secondary values, which can be changed and manipulated relatively more easily.

**Social Class :** It is another important concept in socio-cultural environment. Social class is determined by income, occupation, location of residence, etc. of its members. Each class has its own standards with respect to lifestyle, behavior etc. These are known as class values or class norms. The values/norms have a strong bearing on the consumption pattern and buying behavior of the members of the class. Shift in class values do take place over time owing to several factors.

**Economic Environment :** Market requires people who have buying power. The economic environment consists of the various factors that affect buying and spending pattern of the consumer. Factors to be covered under economic environment are General Economic Conditions, Economic conditions of different segments of the population; their disposable income, purchasing power, etc. Rate of growth of the economy, rate of growth of each sector of the economy (agriculture, industry, consumer goods, capital goods, services, infrastructure, imports, exports, Income, price, and consumption expenditure(size and patterns), Credit availability and interest rates, saving rate/capital formation, inflation rate, behavior of capital markets, foreign exchange reserves, exchange rates, tax rates, price of important materials Energy outlook (cost, availability, etc), Labour representation (cost, skill availability, etc.). If there is change in economic policies like change in interest rate, business cycle, changes in income levels etc. are important factors affecting marketing.

**Political Environment :** Mostly marketing decisions are affected by the political environment, stability and the type of government. The political environment consists of laws, government agencies and pressure groups that influence or limit various organizations and individuals in a given society. Various laws are enacted in order to protect business, consumers, society from unfair trade practices.

**Natural Environment :** It serves as a raw material for the production of different products. For the production of its goods, every organization consumes natural resources. Organizations are aware of the problem of resource depletion and try their best to use these resources judiciously. Therefore, some companies have indulged in de-marketing their products. For example, Indian Oil Corporation (IOC) tries to reduce the demand for its products by promoting advertisements, such as Save Oil, Save India.

**Demographic Environment :** In terms of elements, such as age, gender, education, employment, income, and location, the demographic environment is the scientific study of the human population. It also includes women and technology's increasing role. Such components are also known as demographic variables. A marketer collects the data before marketing a product to find the appropriate market for the product.

The demographic environment is responsible for the variation in individual tastes and preferences and purchasing patterns. An organization is persuaded by changes in the demographic environment to modify marketing strategies to address customers' changing needs.

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**Legal Environment :** From time to time, legislative changes occur. The business environment is affected by many of these modifications. For example, if a regulatory body establishes a regulation for industries, that law would have an effect on industries and business. Therefore, companies should also analyze the legal developments in their respective settings.

Some **legal factors** you need to be aware of :

- Product regulations
- Employment regulations
- Competitive regulations
- Patent infringements
- Health and safety regulations

### Check Your Progress – 2 :

1. Internal environment is company-specific and includes
  - a. Owners
  - b. workers
  - c. machines
  - d. All of them
2. In TSEP abbreviation "s" stands for
  - a. Socio-culture
  - b. Society
  - c. Social
  - d. None of them

### (b) Environment Components specific to the business concerned :

The different elements related to mega-environments that need to be studied as part of environmental science have been explored in depth. Now, let us turn to the environmental factors that are unique to the business concerned.

**Market/Demand :** It is the first in this category. The aspects to be studied here include.

- Nature of the Demand
- Size of the Demand, present, potential
- Changes taking place in demand
- Invasion of substitute products
- Changes taking place in consumption pattern/buying habits.

In all its particulars, a business must first track demand in its sector. It must collect valuable clues on aspects such as demand existence, demand scale, consumption trends, purchase habits, substitute product invasion, etc. In fact, those specifics are the ones that show the industry's attractiveness. All business decisions such as entry into the sector, expansion, divestment etc. and marketing plan decisions require demand-related information. Fortunately, this is an area where data support is commonly accessible to an organisation via the routine demand assessment process(demand measurement) and sales forecasting.

### Consumer :

The effective business strategy requires the design of goods and marketing campaigns that integrate attributes, which provide value to

consumers according to their perceptions. Companies can perform their business/marketing planning effectively only by researching consumer-related factors. Consumer tastes and desires in many sectors continue to fluctuate. And consumer brand loyalty continues to evolve, too. Customers today may want a cheaper version of a given product, but tomorrow they may be more concerned with quality and may therefore go after certain particular brands. Examples include sectors such as cosmetics, personal care goods, garments, and entertainment products. Therefore, a perpetual customer research process is required to make marketing planning efficient. Changes in client preferences can sound the death knell of a company if left unmonitored. At the same time, they also end up as enticing business opportunities, if properly monitored. Only by keeping track of changing consumer requirements can one catch the environmental opportunities that are emerging.

Factors to be monitored are :

- Who are the consumers of the firm ? (number, location, etc.)
- According to the firm, what is the basic need its product serves ?
- According to the consumer, what need does it serves ?
- Is there a gap in these two perceptions ?
- What benefits do the consumers look for in the product ?
- Of the many benefits they look for, what are their preferences, priorities/ranking ?
- What is their assessment of the value of the company's offer ?
- Purchasing power of the consumers.
- Buying behaviour, buying motives, buying habits
- Personality traits/attributes
- Lifestyle and needs—present position and trends
- Brand loyalty
- Reasons/motives for customer patronage of specific brands.

**Industry and Competition** : Another big component under the head is business and competition. In order to build a marketing strategy, knowledge of business and competition is a fundamental prerequisite. Building a competitive advantage often relies on a proper understanding of the position of the industry and competition.

**Government Policies** : The way company works is substantially influenced by government policies. In addition to impacting the environment, government policies have a profound effect on the particular industry/business environment. This is especially true of economies that are regulated to a significant degree. Government policies are a significant factor even in market economies, although their restrictive effect is comparatively less. Government do play roles which have a bearing on the functioning of firms, For Example :

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- Government are often large purchasers of goods and services
- Government subsidies select firms and industries
- Governments ban fresh entry in select industries
- Governments ban off and on, certain technologies and products
- In some cases, governments happen to be producers, and therefore, function as competitors.

**Supplier related factors :** Another essential component of this environment is suppliers. In every market, suppliers constitute one of the five forces shaping competition. They have their own negotiating power; they control a company's cost of raw materials and other inputs, and thereby affect the company's profits. It is in this sense that the trade-off between integration vs. outsourcing of supplies assumes significance. The decision on this has both cost and quality consequences. In their products, procedures and business practises, manufacturers often continue to make regular improvements. Suppliers often unexpectedly become direct competitors to a business, becoming the end-product producers on their own. Companies obviously have to closely track the world of suppliers.

### Check Your Progress – 3 :

1. Government do play roles which have a bearing on the functioning of firms
  - a. Government are often large purchasers of goods and services
  - b. Government subsidies select firms and industries
  - c. Government can fresh entry in select industries
  - d. All of them

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## 2.5 Forecasting and Demand Management :

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**Meaning and Important :** Every company is curious to know the existing status of its product, prospects and during the specific time period who is there customer, whether there are chances to increase the sales and market share in the market.

**Sales forecast** can be defined as an estimate for sales in terms of monetary and volume, for a specific period, with a selected marketing plan, under an envisaged economic and marketing environment. Sales forecasting serves as the starting point for all business activities of a company. Based on sales forecasting following decisions are taken :

- Number of Salesmen required in achieving sales quotas or objective
- Allocation of sales quota to each salesman.
- Determinations of sales force compensation plan.
- Determination of sales territories based on market potential
- Advertising and sales promotion programmes
- Physical distribution and channel selection.

- Pricing decisions and strategy
- Production plan
- Inventory control and purchasing
- Estimating standard costs
- Budgeting and controlling expenses
- Planning Requirements

Marketing mix revolves around the sales forecasts made by the company for its product.

**Measure for Market Demand :**

Sales forecast can be based on market demand. According to Kotler, Kevin and Keller, 90 different type of demand estimates could be prepared by a company for its products. A company can measure demand for six different product levels, five different space levels and three different time levels. Each serves a specific purpose. A company might forecast short-run demand, plan production, borrow cash and also forecast regional demand.

Market is dynamic and forecasts depend on the type of market. The market could be broken down in many productive ways.

1. The **potential market** is the set of consumers who have interest in a market offer; but their interest is not enough to define the market unless they acquire sufficient income and access to the product.
2. The **available market** is the set of consumers who have interest, income, and access to a particular offer.
3. The **qualified available market** is the set of consumers who have interest, income, access and qualification for the market offer.
4. The **target market** is the part of qualified available market the company decides to pursue.
5. The **penetrated market** is the set of consumers who are buying the company's product

**Check Your Progress – 4 :**

1. \_\_\_\_\_ is the set of consumers who are buying the company's product
  - a. Target market
  - b. Available market
  - c. Penetrated market
  - d. Qualified market
2. \_\_\_\_\_ is the set of consumers who have interest, income, and access to a particular offer
  - a. Target market
  - b. Available market
  - c. Penetrated market
  - d. Qualified market



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## 2.6 Concept for Demand Measurement :

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**Market Demand :** In order to find the Total market demand, Marketer needs to evaluate the opportunities available in market. Market demand for the product is the volume that would be bought by a target group of customers in a target geographical area in a specific time period in a specified marketing environment under a specific marketing programme.

**Market Forecast :** Only small amount of marketing expenditure and efforts will actually occur. The market demand corresponding to this level is called the market forecast.

**Market Potential :** Market potential is the highest limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment.

**Company Demand :** Company demand is the company's estimated share of market demand at alternative levels of company marketing efforts in a given time period. This share will depend on how its products, services, prices, communications, etc. are perceived by consumers relative to the competitors.

**Company Sales Forecast :** This is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment. Related to the company sales forecasts, there are two additional concepts involved. First is a "sales quota, " which is the sales goals set for a product line, company division, or sales officer. Generally, sales quotas are set slightly higher than estimated sales to stretch the sales forces' effort. Second is a "sales budget", which is a conservative estimate of the expected volume of sales and is used for making current purchasing, production, and cash flow decisions. The Sales budget is based on the sales forecast and the need to avoid excessive risk. Sales budgets are generally set slightly lower than the sales forecast.

### **Company Sales Potential :**

This is the sales limit approached by company demand as the company's marketing efforts increases relative to that of competitors. The absolute limit of company demand is, of course, the market potential.

For estimating current demand, companies estimate total market potential, then analyse and determine the area market potential (territory-wise), industry sales and market shares.

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## 2.7 Concept for Demand Measurement :

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**Opinion of Executives :** This is one of the oldest methods where executive in charge of the business makes assumptions for future sales based on the personal knowledge based on market information, through customer contacts or by reading published data. Weakness of this method is that it lacks of scientific validity and subjectivity.

**Sales Force Composite Method :** Many organisations make their sales forecast on the basis of the estimate given by salesmen. Sales

manager prepares the consolidated sheet territory or region wise according to the estimate given by each sales person. As sales persons are in direct contact with the customers they can provide first-hand information.

**Customer's Expectations : (or survey of buyer's intentions) :**

Customers can be requested to communicate their buying intentions in a coming period. This is suitable for businesses selling products to a few key customers (like in industrial marketing). If the customers' expectations are accurate, sales forecasts will also be accurate.

**Statistical Sampling :** Sampling can be used to get total sales estimate. Based on sample survey done in representative sub-groups of territories, data can be extended or generalized to get total sales forecast.

**Time Series Analysis :** This is the mathematical projection of future sales. It involves projection of past sales trends into the future (trend extrapolation). To predict future sales, an analysis of four kinds of historical sales variations is done

- Seasonal Variations
- Business Cyclical variations (depression, boom, slump, etc.)
- Long term trends of sales
- Irregular or unexplained variations

By isolating variations in sales, an analyst can estimate with accuracy the sales forecast.

**Correlation Analysis :** When there is a close relationship between sales volume and a well-known economic indicator or index, a correlation study can be done. A high correlation means that the extrapolated index values will indicate future sales volume. E. g. : Sales of petrol are related to automobiles sales.

**The Delphi Method :** This is also a form of expert opinion method used especially for working out broad-based, futuristic estimates rather than sales forecast. In this method, a panel of experts in the field is interviewed with the help of questionnaire and their reactions and opinions recorded. An analysis of the result gives the final estimates.

Since no single sales forecasting method is perfect, companies and marketers generally use a combination of forecasting methods to ensure that they get reliable estimates.

**Check Your Progress – 5 :**

1. \_\_\_\_\_ is the mathematical projection of future sales
  - a. Customers' expectation
  - b. Co-relation analysis
  - c. Delphi Method
  - d. Time Series Analysis

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**2.8 Let Us Sum Up :**

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In this unit we have studied MIS and scanning of environment. We have got an understanding the MIS helps to identify emerging market segments, and the monitoring of the market environment for changes in

consumer behaviour, competitors' activities, new technologies, economic conditions and governmental policies.

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**2.9 Answer to Check Your Progress :**

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**Check Your Progress – 1 :**

1. c

**Check Your Progress – 2 :**

1. d
2. a

**Check Your Progress – 3 :**

1. d

**Check Your Progress – 4 :**

1. c
2. b

**Check Your Progress – 5 :**

1. d

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**2.10 Glossary :**

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**MIS** consist of people, equipment, and procedures to gather, sort, analyse, evaluate and distribute timely and accurate information to marketing decision makers.

**Micro Environment :** There are various stakeholders who are close to the company and plays role in developing relationship of the company with the customer. Stakeholders are Company, Suppliers, Marketing Intermediaries, Customer, Competitors, Public.

**Macro Environment :** consists of the uncontrollable like demographics, economic, natural, technological, political, legal, and cultural factors. Company operates in this micro environment which shape opportunities and threats to the company.

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**2.11 Assignment :**

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1. What is Marketing Information System ? Explain its role.
2. Explain two major type of Marketing Environment in detail.
3. What is Forecasting ? Explain step in forecasting.

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**2.12 Activities :**

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1. Explain why it is important for a business to study its competition
2. Name some factors that are part of the legal environment

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**2.13 Case Study :**

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Pizza Hut claims to have the largest fast-food customer data warehouses in the world, with 40 million U. S. households or between 40 to 50% of the US Market. The millions of customer records are gathered from point-of-sale transactions at its restaurants. Pizza Hut can extract data by favourite toppings, date of the last order, or by whether

you order a salad with your pepperoni pizza. Pizza Hut has not only been able to curtail expensive duplicates from its direct-mail campaigns, but can also target its marketing to find the best coupon offers for each household and predict the success of campaigns.

Elaborate of how Pizza Hut used the database, data warehousing (compilations from various sources) and data mining (meaningful data), and made it as a useful MIS.

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#### **2.14 Further Reading :**

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**: UNIT STRUCTURE :**

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 What is Consumer Behaviour ?**
- 3.3 Factors Influencing Consumer Behaviour**
- 3.4 Five Stage Model of Buying Process**
- 3.5 Let Us Sum Up**
- 3.6 Answer to Check Your Progress**
- 3.7 Glossary**
- 3.8 Assignment**
- 3.9 Activity**
- 3.10 Case Study**
- 3.11 Further Readings**

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**3.0 Learning Objectives :**

**After this unit, you will able to understand :**

- To understand the consumer buying behaviour and influencing factors

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**3.1 Introduction :**

We know that the aim of marketing is satisfied the needs and wants of the customer. But understanding and knowing is not that easy. As customer have deep motivation in their mind and may change it at the last moment. Nevertheless, marketer study the customer want, needs, perception, preference and shopping behaviour. Once they study they will get a clue for developing the required product.

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**3.2 What is Consumer Behavior ?**

Consumer Behaviour is also known as buyer behavior. It is defined as how customer search for, purchase, use, evaluate and disposed of purchased products and services. Consumer behavior focuses on how they make the purchase decisions to spend their available resources (Time, Money, Efforts). That includes Questions like what they buy, why they buy, when they buy, where they buy, howoftentheyuse it, how they evaluate it after the purchase and the impact of such evaluation on future purchases and how they dispose of it.

## Check Your Progress – 1 :

1. \_\_\_\_\_ is also known as buyer behavior
  - a. Customer's expectation
  - b. Customer behaviour
  - c. Customer's purchase
  - d. None of the above

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### 3.3 Factors Influencing Consumer Behaviour :

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Influencing factors are as below :

#### Cultural Factors :

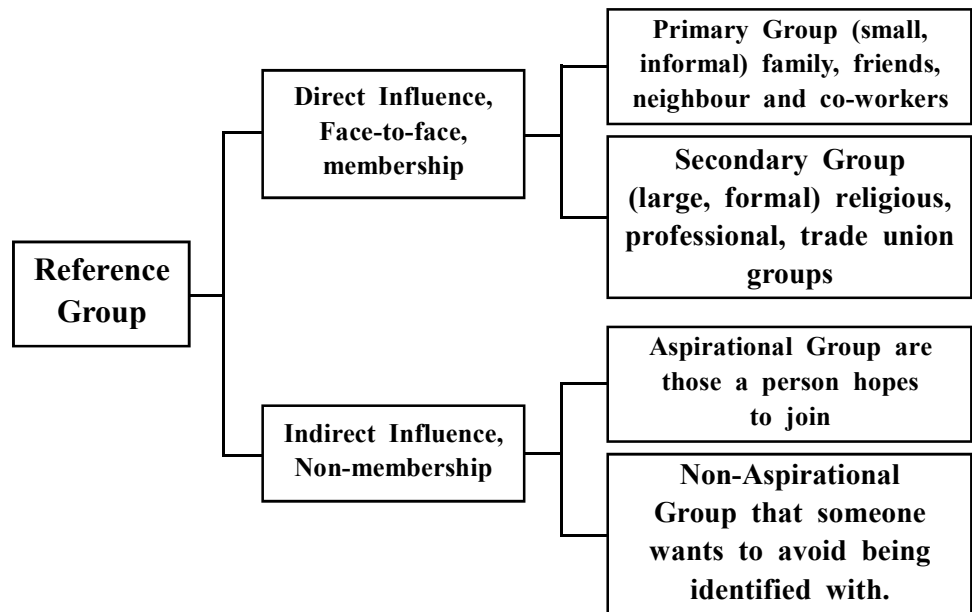
- **Culture** : Culture is an important characteristic of a society that distinguishes it from other societal groups. Culture influences the behavior of the can be seen in that transmits from one generation to another. Culture diversity operates in dress, food habits, marriage practices and almost all matters of the individual's life. It manifests through various symbols and ritual which are unique to the society. Example : The Turban is a symbol of Sikh culture, a kumkum/ bindi the symbol of Hindu women. The do's and don'ts listed by culture impact the individual's lifestyle and consequently his buying behavior. The intensity of the impact will vary from society to society or group to group.

Understanding of the culture is helpful to the marketer in–sizing up segments of buyers on the basis of cultural attributes. It helps culture specific marketing effort, which usually produces better results.

- **Subculture** : The Culture includes smaller groups of sub–culture which is formed on the basis of demographic characteristics, geographic regions, national and ethnic background, political beliefs and regional belief. Subculture is the homogeneous group of people who shares the elements of the overall culture as well as cultural elements unique to their own group.
- **Social Class** : Social Class of people, who are equal in status. These people socialize among themselves both formally and informally and who shares behavioral norms. Social class is determined by occupation, income, education etc.

#### Social Factors :

- **Reference Group** : A person's reference group are all the group that have a direct (face to face) or indirect influence on their attitude or behavior. "Reference Group is a group that serves as a reference point for an individual in the formation of his/her beliefs, attitudes and behaviour. "Reference groups are basically small in size and differ from one individual to another. Family members, relative, friends, colleagues and other close acquaintance are usually termed as reference group. Marketers frequently advertise their products in a group setting – the family eating breakfast cereals, the neighbor admiring the paint of the house.



**Primary Groups :** Primary groups are basically ones whose members are closely knit. Family and relatives fall in this group. These people from primary groups may have a direct and strong impact in your lives and your buying decisions since they are very significant to you. Primary groups make you comfortable and give you a feeling that they are with you when you are confused about a purchase. These people give you very honest and clear advices as they are so close to you, due to which you could be more confident about the purchase.

**Secondary Groups :** Secondary reference groups are usually formal and they speak less frequently. They may be membership in clubs where the meeting may happen only once a while. In secondary reference groups the power to influence people is quite less as compared to primary reference groups as people in these groups are not that comfortable in sharing their thoughts or views on the purchase.

**Aspirational Groups :** Aspirational group is the one to which a person may want to become part of. They currently are not part of that group but wish to become and get with that group. For doing the same, they try to dress, talk, act and even think the way the members of that group do.

For example, people who like **Madhuri Dixit** wish to become like her and meet her and so start purchasing and using all those products that she endorses.

**Non-Aspirational Groups :** The people in these groups are totally opposite to the people in the aspirational group. Here people deny of becoming or getting connected to a particular group. They just hate being related to that group.

For example, if people don't like a particular community, they would never like being connected to them. So they would try all the possible ways to avoid the way in which they dress, think or act.

Thus marketers need to understand the likes and dislikes of the consumers and also the groups to which they belong. Marketers should recognize the extent to which a reference group influences the consumer and he should also understand out of all the groups which group influences him the most.

**Opinion Leader** : is the person who offers informal advice or information about a specific product or produce category, such as – which brands is best or how a particular product may be used.

- **Cliques** : Are small groups, whose members interact frequently. They are similar and their closeness facilitates effective communication but also insulates the clique from new ideas. The challenge is to create more openness so cliques exchange information with others in society. This openness is helped along by people who function as liaisons and connect two or more cliques without belonging to either and by bridges, people who belong to one clique and are linked to a person in another.
- **Family** : Family members are the most influencing factor in consumer buying behavior. In a family parents and siblings are considered most influential. E.g. : A family that strongly values good health will have a grocery list distinctly different from that of a family that views every dinner as a gourmet event. Moreover, the family is responsible for the socialization process, the passing down of cultural values and norms to children. Children learn by observing their parents' consumption patterns, and so they will tend to shop in a similar pattern.

Following are the roles in the family decision making process ?

- **Influencers** : Influencers are the ones who give ideas or information about the product or service to the consumer.
- **Gate Keepers** : Gatekeepers are the family members who usually panel the information. They can be our parents or siblings too who can in any form provide us the information about the product.
- **Decision Makers** : Family or our parents who usually have the power to take decisions on our behalf are the decision makers. After completing the research they may decide to purchase the particular or dispose it.
- **Buyers** : Buyer is the one who actually makes the purchase of the product.
- **End Users** : The person who finally uses the product or consumes the service is the ultimate consumer also called as End user as per the context.



Check Your Progress – 2 :

1. \_\_\_\_\_ is the person who offers informal advice or information about a specific product or produce category.
  - a. Reference person
  - b. Social person
  - c. Opinion Leader
  - d. None of the above
2. \_\_\_\_\_ is an important characteristic of a society that distinguishes it from other societal groups
  - a. Family
  - b. Culture
  - c. Clique
  - d. None of the above

**Personal Factors :**

- **Gender :** There is physiological difference between men and women and because of which they have different needs. For Example : Health and beauty product. Men and Women plays a distinct cultural, economic and social role in the society and this have effect on their decision-making process also.
- **Age and life cycle :** At all stage in life people buy or prefer goods and service. Depending on the age of a consumer, it is a general indication on what product he or she may be interested in purchasing. Consumer tastes in food, clothing, car, furniture and recreation are often age related.
  - 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.
- **Occupation :** According to occupation the preference changes. Occupation affects the person choice in selection of product and services. Blue-collar workers tend to buy more rugged work clothes; whereas white-collar executives buy more business suits. A company can even specialize in making products needed by a given occupational group.
  - Ramesh was working with an organization as Chief Executive Officer while Jayesh, Ramesh's friend now a retired professor went to a nearby school as a part time faculty. Ramesh always looked for premium brands which would go with his designation whereas Jayesh preferred brands which were not very expensive. Ramesh was really conscious about the clothes he wore, the perfume he used, the watch he wore whereas Jayesh 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 Ramesh 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 to work.
- College goers and students would prefer casuals as compared to professionals who would be more interested in buying formal shirts and trousers.
- **Personality** : Personality defined in terms of traits like self-confidence, dominance, autonomy, deference, sociability, defensiveness and adaptability. Brands also have personality and consumers are likely to choose brand which matches their personality consistent with actual self-concept.
- **Lifestyle** : Life means a person's pattern of living. Though people come from same culture, sub-culture, social class or occupation but their pattern of living may be different. Lifestyle can be expressed in terms of person's activities, interest and opinions. For example when a consumer leads a healthy lifestyle, then the products he buys will relate to healthy nearishments.

**Psychological Factors** : An individual's buying decisions are further influenced by psychological factors : Perception, motivation, learning, belief and attitude.

**Perception** : A stimulus is any unit of input affecting one or more of the five senses : sight, smell, taste, touch, and hearing. The process by which we select, organize and interpret these stimuli into a meaningful and coherent picture is called perception. In essence, perception is how we see the world around us and how we recognize that we need some help in making a purchasing decision.

For **E.g.**, when a retail clothing store has displayed clothes in crowded racks using low quality plastic hangers, customers get a perception that it is a low-quality brand. But when the same clothes are presented well with back-lit mannequins, neatly arranged, good quality attractive hangers, etc. the customers build a different perception about the brand.

**Motivation** : When you buy a product, you usually want to fulfil your some kind of need. These needed becomes motive when aroused sufficiently. **E.g.** : Suppose you are hungry and you stop to have Vadapav. In this case, you are motivated by hunger to stop at Vadapav shop. Motives are the driving force that causes a person to take action to satisfy specific needs. Maslow's hierarchy of needs, which has arranged needs

in ascending order of importance physiological, safety, social, esteem, self-actualization needs.

**Physiological needs** : Are basic needs like hunger, thirst, shelter. Advertisements showing pizza and juice after marathon are examples of appeals to satisfy hunger and thirst.

**Safety needs** : includes security and freedom from pain and discomfort. **E.g.** : Aware of the aging population health fears, there medical centre advertises that they offer consumers a full body scan for early detection of chronic diseases.

**Social needs** : includes sense of belonging, love. Advertisements for clothes, cosmetics and vacation package suggest that buying the product can bring affection.

**Esteem needs** : include self-respect and sense of accomplishment, prestige, fame and recognition. Esteem needs are the basis for the human desire we all have to be accepted and valued by others. Mont Blanc pens, Mercedes-Benz automobiles stores all appeal to esteem needs.

**Self-Actualization** : Self-actualization needs are the highest levels in Maslow's hierarchy, and refer to the realization of a person's potential, self-fulfilment, seeking personal growth and peak experiences. Even so advertisement may focus on this type of need. **E.g.** : Microsoft appealed to consumers' needs for self-actualization when it chose "**Your Potential our passion**" as the windows XP slogan.

**Learning** : Consumer behaviour is the results from learning, which is the process that creates changes in behaviour through experience and practice. It is not possible to observe learning directly, but we can infer when it has occurred by a person's action. **E.g.**, suppose you see an advertisement of a new improved headache medicine, you go to the store that day and buy that medicine. We infer that you have learned something about the medicine. There are two types of learning :

**Experiential Learning** : Experiential learning is a type of learning when experience changes your behaviour

**Conceptual Learning** : It is a second type of learning, which is not acquired by direct experience. Imagine that you are standing near chocolate vending machine and have notice diet chocolate with no sugar content. As someone has told you that diet chocolate leaves a bad after-taste, you choose a different chocolate. You have learned that you would not like new sugar free chocolate without ever trying it.

**Emotions** : Companies develop advertisements that are emotional which invoke different kind of feelings. Consumer response is not always cognitive or rational. Cadbury's advertisements are very emotional and touches ones' heart. An emotion-filled brand story has been shown to trigger's people desire to pass along things they hear about brands, through either word of mouth or online sharing.

**Belief** : is an organized pattern of knowledge that an individual holds as true about his or her world. A consumer may believe that Apple i–phone is durable, touch screen is smooth, and is reasonably price according to its features. This belief is based on the knowledge and faith the consumer has for the product. Consumer tends to develop belief about the product attributes and then, through these beliefs, form a brand image– a set of beliefs about a particular brand. In turn, the brand images shape consumers attitudes towards the product.

**An Attitude** : is a learned tendency to respond consistently towards a given object, such as a brand. Attitudes rest on the individual value system, which represents personal standards of good and bad, right and wrong, therefore, attitude tend to be more enduring and complex than beliefs. **E.g.** : Attitude towards using credit card for purchase across world.

### Check Your Progress – 3 :

1. Physiological needs are \_\_\_\_\_ from the below  
a. hunger      b. Shelter      c. thirst      d. All of them
2. \_\_\_\_\_ type of learning is not acquired by direct experience.  
a. Conceptual      b. Emotion      c. Belief      d. All of them

### 3.4 Five Stage Model of Buying Process :

The below mention five stage which consumer goes through while making purchase.



**Need Recognition** : Consumer will not able to purchase the product unless they know what are their needs or want. If they know that they require a particular product then only consumer will buy that product. Need arises when there is a problem. **E.g.** : If you break your laptop which you were using it daily, a need arises to purchase new laptop.

**Want** arises because you are influenced by some external factors. **E.g.** : If you find your friend using an Apple Laptop, and you might have seen its reviews on Internet, you feel you want to upgrade to an Apple laptop, though you may already have a Dell laptop.

**In this case marketer should identify the needs of the consumers and offer the products based on the Desire.**

**Information Search** : After need recognition consumer are aware of their need or want. They know that what product they will buy which

will solve their problem. Therefore, he wants to know more about the product and does information search.

When consumers want to buy a laptop, they look for its features, price, discounts, warranty, after sales service, insurance, and other important features. Here, a marketer must offer a lot of information about the product in the form of informative videos, demos, blog, how-to-do videos, and celebrity interviews.

**Evaluation of Alternatives :** In first and second stage, consumers have done lots of research about the product need and have collected information about the product. Information gathered from various sources is used in evaluating alternatives. There are many products available in the market which can solve the consumer problems. Hence, it is the consumers who have to make a choice after evaluating the various available alternatives.

**Purchase Decision/Purchase :** In this stage consumer is deciding whether to buy the product or not. Yes, even at this stage consumer can drop the purchase and walk away.

Philip Kotler (2009) says, the final purchase decision may be 'interrupted' by two factors. Customer may get a negative feedback from friends or other customers who have bought it earlier. E.g., a customer shortlists a laptop, but his friend gives a negative feedback. This will make him to change his decision. Secondly, the decision to buy a laptop itself might change. E.g., sudden change in business plans, financial crunch, unexpected higher prices, etc. might lead the consumer to drop the idea of buying a laptop.

The Consumer chooses the product that he wants to buy, but many times, he may not actually buy it for various reasons. At this stage, a marketer should find out the various reasons due to which the consumer is hesitating to buy. The reasons could be price, value, and change in the needs of the consumer.

Marketer needs to step up the game. Marketer may start reminding the customers the reason behind their decision to buy the product. Furthermore, give as much information regarding your brand, reiterating that you are the best provider of the product that can fulfill his needs.

Re-targeting by simple email reminders can enforce the purchase decision.

**Post-Purchase evaluation :** After the purchase, a consumer always compares products with their expectations. There can be two outcomes; consumer may be either satisfied or dissatisfied. If the product satisfies the need of the consumer then, they are happy. Otherwise, the consumer will be dissatisfied, and they feel that they have taken incorrect decision. So, he may want to return of the product or exchange it. Even though customer is satisfied, there is no guarantee that the customer might come again to purchase another product.

A marketer has to make sure that the consumer is satisfied with the product so that his experience will lead to repeat purchase by customers. Brands need to be careful to create positive post-purchase experience.

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### 3.5 Let us Sum Up :

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Consumer behaviour encompasses all the actions involved in selecting, purchasing, using and disposing of goods and services. Whenever you watch a commercial on television, buy a new pair of shoes, read a book or recycle soft drink cans, you are engaging in consumer behaviour. Consumer buying behaviour refers specifically to the actions consumers take when deciding what to buy and when to buy at the time of actual purchase. You have studied social, psychological, personal, economic factors influencing the buying behaviour of consumers. Now, it is possible for you to understand them easily with the help of Maslow's Need of Hierarchy Model. You should be mentally ready to give the right and logical advice to the customer who seeks your help in decision-making. You have observed that the purchaser passes through five distinct stages while taking a decision for purchasing a particular commodity. They are : need arousal, information search, evaluation behaviour, purchase decision, post purchase feelings. It was indeed a great learning experience for you to know your potential customer better than ever for your career growth.

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### 3.6 Answer to Check Your Progress :

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#### Check Your Progress – 1 :

1. b

#### Check Your Progress – 2 :

1. c                      2. b

#### Check Your Progress – 3 :

1. d                      2. a

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### 3.7 Glossary :

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- **Culture** : Elements of every culture are the value, myths, language, custom, rituals and law that shape the behavior of the people that transmit from one generation to another.
- **Subculture** : The Culture includes smaller groups of sub-culture which is formed on the basis of demographic characteristics, geographic regions, national and ethnic background, political beliefs and regional belief.
- **Social Class** : Social Class of people, who are equal in status. These people socialize among themselves both formally and informally and who shares behavioral norms. Social class is determined by occupation, income, education etc.
- **Perception** : A stimuli is any unit of input affecting one or more of the five senses : sight, smell, taste, touch, and hearing.

- **Personality** defined in terms of traits like self–confidence, dominance, autonomy, deference, sociability, defensiveness and adaptability.

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**3.8 Assignment :**

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1. What do you understand by buyer behavior ?
  2. What is importance of buying behavior in marketing Planning ?
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**3.9 Activities :**

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Describe the impact of digital revolution on marketing and on consumer behavior.

Study different factors affecting consumer Behaviour for specific products of your choice

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**3.10 Case Study :**

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Cereal manufacturing industry in US produced cereals of various shapes, flavors and colors and the advertisements directed at children. The leading manufacturers are Kellogg's, General Mills, General Foods, Quaker Oats, and Champion.

When Kellogg's share was depleting, they introduced new cereals for adults, as mostly others were targeting children. So, Kellogg's developed a cereal which would be tasty, nutritious, free of sugar and made of grain, and called it "Nutrigrain". These were available in four flavours – Nutrigrain Corn, Wheat, Barley and Rye.

These were introduced together, and no test marketing was done to avoid competition. These Products were advertised heavily and targeted at adults. There were discount coupons that were freely distributed, giving 30 percent on the MRP as well as coupons were also inserted in the Nutrigrain boxes' for repeat purchases. A lot of information and advantages of consuming Nutrigrain was printed on the packages for the consumers. Proper display in the shelves of stores was also taken care of.

Though there was an initial growth in sales, mainly due to promotional efforts, after some time, the sales declined because there were very few repeat purchases. This started the extensive thinking as to where they had gone wrong. Consequently, they withdraw two of their brands–Barley and Rye. These were replaced by raisin and wheat varieties.

It was later found that the adults had very little breakfast time, which prevented them from having cereals. Also, they also found out that though adults were demanding for sugarless scereals, but they loved to satisfy their palates with sugar coated cereals.

**Questions :**

1. Should Kellogg's have done test marketing and gradual product introduction ?
2. How can you comment on the habits of the consumers and their preferences ?

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**3.10 Further Reading :**

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## OVERVIEW OF VARIOUS TYPES MARKET

### : UNIT STRUCTURE :

- 4.0 Learning Objectives
- 4.1 Introduction
- 4.2 Business Market
- 4.3 Buying Situations
- 4.4 Business Buying Behaviour
- 4.5 Institutional and Government Market
- 4.6 Managing B2B Customer Relationship
- 4.7 Let Us Sum Up
- 4.8 Answer to Check Your Progress
- 4.9 Glossary
- 4.10 Assignment
- 4.11 Activity
- 4.12 Case Study
- 4.13 Further Readings

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#### 4.0 Learning Objectives :

- Buying Situations in Business Markets.
- Characteristics of Business Markets.
- Managing Customer Relationship in B2B

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#### 4.1 Introduction :

Any company doing business organisations not only sells but also buys material for manufacturing and business services. Government and Institutional buyers have a large part in B2B business.

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#### 4.2 Business Market :

Organisations are buyers as well as sellers.

The Business Markets includes organisations that buy products on large scale either for production of another *product or for their own use*.

##### **Buying for producing for consumers**

Organisations buy products and add value to the same for selling to Consumers. These organisations are end users, buying products and services for their operations from suppliers. For E.g., an ice cream producer needs to buy materials to produce (milk, sugar, preservatives), to package (wood, paper) the ice cream bar for consumers.

### **Buying for own use**

Organisations also buy products and services for their own consumption instead of adding value to them for selling. For E.g., air conditioners, stationary, insurance for the company and employees, etc.

These also include wholesalers and retailers that acquire good for reselling them at profit.

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### **4.3 Buying Situations :**

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There are three major types of buying situations.

#### **1. New Task :**

The purchase is done for the first time with no purchasing experience, and extensive search is done to evaluate options. Expertise of decision-making in participants will be very crucial as there is great risk involved.

For E.g., for the first time, an organisation buying chemicals to manufacture paints.

#### **2. Modified Rebuy :**

Due to change in preferences or entry of a substitute product in the market, organisations are forced to modify an existing product to suit the target market. The modifications can be change in product characteristics, price, quality, suppliers, etc.

This process is less risky and less time consuming as compared to "New Task" buying situation as the information is gathered on alternatives.

E.g. A school may purchase a bigger school bus to add to the existing fleet of mini-buses. The supplier of the bigger bus is the same who had earlier supplied mini-buses to the school.

#### **3. Straight Rebuy :**

In this buying the organisations rebuy products and services from the same suppliers. Suppliers usually visit the organisations to take the orders in advance to maintain their market share. The people involved in the buying process have relatively good experience of buying and need no additional information on products and services. There is no risk involved because of past experience of purchasing the same products and services.

E.g. A paint manufacturer who buys chemicals repeatedly from the same suppliers to meet the production demand will be a straight re-buy. In this cases the specifications of the required chemicals, price, delivery period etc., must remain the same.

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### **4.4 Business Buying Behaviour :**

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Business buying behaviour refers to the actions of employees of an organisation to buy products and services for the organisation which includes the decision-making process of selection of suppliers and bearing post purchase consequences.

### Steps in Buying Behaviour

There are common steps involved in Business buying though each organisation has its own way of making decision for buying products.

The process may also differ for all the three buying situations :

1. New Task,
2. Modified Rebuy and
3. Straight Rebuy.

### Steps in Business Buying Process :

#### 1. Need / Problem Recognition :

In business buying the need or problem arises for a product required by operation of the business. It is essential that businesses make decisions to buy products that will enhance their operations in some way. Before making a purchase decision, businesses must identify a true need of their company. For example, purchasing new software may improve inventory management, or adding a printer might increase productivity.

Often, employees present their needs while at other times, employers have to recognize a need after reviewing work flow and business goals.

Business buyers buy products either to take advantage of new opportunities in the market or to find a solution for any issues related to operations.

Situations may be – new machinery required, old machinery break down, new inventory for production, instrument with better technology.

Understanding the buying needs helps business marketers to plan suitable marketing programs. For E.g., in machinery breakdown, the suppliers can provide free repairs, offer buy back options against new machinery, etc.

In situations like Straight Rebuy, organisations usually have a contract for a certain period of time to supply the already purchase products at specified quantity, rate and within a time frame. For E.g., cement required regularly by a construction company.

The need recognition is complicated in *New Task and Modified Rebuy situations*.

#### 2. Need / Problem Description :

When there are many individuals involved in the decision process, a clear draft outlining the problem, quality and quantity of products written down for the discussions and approval by the concerned authorities.

For E.g., the school that is in need of bigger school buses requires inputs from drivers and the administration staff. The need description for this case may include – AC / Non-AC, training for drivers, number of buses required.

In this scenario, a driver highlighted the need wherein a child with special needs should be able to board the school bus. This resulted in

a specification written which could have been overlooked and would have resulted in grievance issues at a later stage.

### **3. Information Search :**

Use the product specifications to search for viable options. The vendors and suppliers have to be found who offer the product that meets the specifications. It will be worthwhile to consider vendors who have supplied in the past, or those who have sales or offer discounts to businesses like yours

For Straight and Modified Rebuy the purchasing department already has information on the existing suppliers. In New Task situations, technical staff will have to give inputs. If the search is informal, the purchasing team may seek contact information from advertisements in trade journals, internet search, visit trade shows, or scan any proposals sent by suppliers in the recent past.

For formal search, site visits of suppliers, analysis of product characteristics, sample test of the product, etc. maybe essential.

Suppliers maybe rejected, if they have bad image in the industry, high price, erratic delivery schedule, or quantity and quality discrepancy etc.

### **4. Supplier Evaluation and Selection :**

Narrow your search and identify the best options for your business. Work with the purchasing team to identify the pros and cons of each option. Consider costs, features, maintenance, delivery times, payment options, customer service and vendor reputation.

Additional information on suppliers is needed to further verify, evaluate and select the suppliers. The organisation asks the shortlisted suppliers to send proposals or formally meet or make presentations.

The final negotiations could be based on price and quality before final selection. Many organisations select more than one supplier to overcome any hurdles like a strike, etc. This gives advantage for negotiations on price, etc.

As organisations are in the business for making profits, most of the negotiations are around the price of the product. Once a contract is mutually agreed upon, the final order is made listing the product specifications, delivery terms, payment terms, after sale services, etc.

### **5. Make The Purchase :**

Determine how your company plans to pay for the purchase and identify the purchasing team member to finalise the purchase. Contact the vendor who provides the product you want to buy and make your purchase.

### **6. Post Purchase Evaluation :**

Once the products are used in the production department, organisations assess if the supplier has fulfilled all the terms of the

agreement. This process is formal as compared to consumer post purchase evaluations.

A questionnaire may be sent to the production team for getting a clear picture on the product bought. The feedback on the purchase will determine if changes need to be made to the specifications if the product or software must be updated in the future.

The suppliers also follow this activity to ensure the buyers are satisfied so as to continue the business.

A dissatisfied buyer may make demands for corrections or may even switch to other supplier.

### **The Purchase Department :**

The Purchase Department has individuals and groups who participate in the purchasing decision making process, who share some common goals and the risks arising from the decisions.

**Seven roles** performed in the purchase decision process.

1. **Initiators** : those who request for purchase. They are the actual users of the product or item. On some occasions, it may be top management, maintenance or engineering department.
2. **Users** : those who will use the product or service. They are R & D, engineering – those who play a vital role in buying process.
3. **Deciders** : people who decide on product requirements or on suppliers. In most cases, the purchase executive may be the decider. For high value and technically complex products, senior executives are the deciders.
4. **Approvers** : people who authorizes the proposed actions of deciders or buyers. They could be personnel from top management or finance department or the user.
5. **Buyers** : people who have formal authority to select the supplier and arrange the purchase terms. Buyers may help shape product specifications, but they play their major role in selecting vendors and negotiating. In more complex purchases, the buyer might include high level managers participating in the negotiations.
6. **Gate keepers** : people who have the power to prevent sellers from reaching users or deciders. They may be purchasing agents, receptionists etc. They are closest to the action, purchasing executive or the person involved in the buying centre. It generally happens that information is usually routed through them.

To target the efforts properly, vendors have to sort out : who are the major decision participants in the organisation ? What decisions do they influence ? What their level of influence ? What evaluation criteria do they use ?

**Characteristics of Business Markets :**

**Fewer buyers :** the business marketer normally deals with far fewer buyers than the consumer marketer does. For E.g. : MRF Tyres largely depend on orders from Maruti Ltd and Honda.

**Large buyers :** do most of the purchasing in such industries as aircraft engines and defense equipment.

**Supplier–Customer relationship :** because of the smaller customer base and the importance and power of the larger customers, suppliers are frequently expected to customize their offerings to individual business needs. Sometimes the buyers require the sellers to even change their practices and performance.

**Geographically concentrated buyers :** Large group of business buyers in India are concentrated in major cities : Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Pune and Ahmedabad. The geographical concentration of producers helps vendors to focus and reduce selling costs.

**Derived demand :** the demand for business goods is ultimately derived from the demand for consumer goods. For this reason, the business marketer must closely monitor the buying patterns of ultimate consumers.

**Inelastic demand :** the total demand for many business goods and services is inelastic that is, not much affected by price changes. Shoe manufacturers do not buy more leather if price of leather fall or vice versa.

Demand is especially inelastic also because producers cannot make fast changes in production methods.

**Fluctuating demand :** the demand for business goods and services tends to be more volatile than the demand for consumer goods and services. A small percentage increase in consumer demand can lead to a much larger percentage increase in the demand for plant and equipment necessary to produce the additional output.

**Professional Purchasing :** business goods are purchased by trained purchasing agents, who have to follow the organisation's purchasing policies, limitations, and requirements.

**Several buying influence :** Purchasing committees consisting of technical experts and even senior management are common in the purchase of major goods. Vendor marketers have to send well–trained sales – representatives and often sales teams to deal with the well senior executives.

**Multiple sales calls :** because more people are involved in the selling process it takes multiple sales calls to get business orders. On an average, it takes more than four calls to close an average industrial sale. In the case of capital equipment sales for large projects, it may take multiple attempts to fund a project, and the sales cycle–between quoting for a job and final delivery of the product – is often measured in a number of months.

**Direct purchasing** : business buyers often buy directly from manufacturers rather than through intermediaries, especially items that are technically complex or expensive.

**Reciprocity** : business buyers often select suppliers who also buy from them. An E.g. a paper manufacturer will buy chemicals from a chemical company that buys a considerable amount of its paper.

**Leasing** : many industrial buyers lease instead of buy heavy equipment like machinery and trucks. The lessee gains a number of advantages : conserving capital, getting the latest product, and receiving better service. The lessor often ends up with a larger net income and the chance to sell customers who could not afford outright purchase.

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### 4.5 Institutional and Government Markets :

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The business-to-business market has a focus on products, goods and services that are typically sold to other businesses rather than direct to consumers. Examples include office furniture, corporate accounting services and conference and exhibit supplies. Many business-to-business markets have some overlap with consumer markets, for example, a cleaning company may provide both residential and commercial services.

#### **Institutional Markets :**

The institutional market consists of schools, colleges, hospitals, nursing homes, prisons and other such institutions that must provide goods and services to people. Many of these organisations are characterized by low budgets and captive clientele.

For E.g., hospitals have to provide hygienic food for their patients. The buying objective being not profit, but part of the total service package. The objective is also not cost reduction because poor food will harm the patients and hurt the hospital's reputation. The hospital purchasing agent has to search for institutional food vendors whose quality meets a certain minimum standard. Many food vendors setup a separate division to sell to institutional buyers because of these buyers' special needs and characteristics.

Thus, organisations will produce, package, and price their products differently to meet the different requirements of hospitals, colleges, and prisons.

#### **Government Markets :**

In most countries, government organisations are a major buyer of goods and services. Government organisations typically require suppliers to submit bids, and award the contract generally to the lowest bidder.

Governments will also buy on a negotiated contract basis, primarily in the case of complex projects involving major R & D costs and risks and in cases where there is little competition.

Government organisations tend to favour domestic supplies over foreign suppliers. A major complaint of multinationals operating in Europe

was that each country was favouring its nationals in spite of superior offers that were available from foreign firms. .

As their spending decisions are subject to public review, government organisations require considerable paperwork from suppliers, who often complain about excessive paperwork, bureaucracy, regulations, decision-making delays, and frequent shifts in procurement personnel.

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#### **4.6 Managing Business–To–Business Customer Relationship :**

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A seller in B2B market has to maintain relationships with its buyer.

He has to formally use distributors and sales people, through informal networks consisting of personal contacts and good relationships between supplier's and the customers' employees.

Many suppliers and buyers have long term relationship that has many advantageous, like reduced risk, for both buyer and seller.

Improved communication and joint problem solving and designing of components can take place in B2B relationship.

New product development can also benefit from such relationships. Sellers gain through closer knowledge of buyer requirements and by gaining the trust of the buyer, an effective barrier to entry for competing firms may be established.

Buyers treat their trusted suppliers as strategic partners, sharing information and drawing on their expertise when developing cost efficient, high quality new products.

Relationship managers maintain a open line of communication with the buyers as they have to co-ordinate between departments of their own companies and departments of buyer companies to ensure customer satisfaction.

An in-depth understanding of buyer's decision-making unit is developed by sales people. The sales team should be able to develop a relationship with a large number of individual decision makers.

#### **Building Relationships :**

A seller has to take a decision on the type of relationships it will pursue with its buyers, and the amount of time, effort and resources it will spend in building and maintaining such relationships.

Some buyers prefer casual relations as they prefer to buy on price and do not perceive major benefits accruing from closer relationships. They may see good relationships with suppliers as a hindrance in extracting more concessions from them.

#### **Methods of improvement by suppliers to customers at zero or nominal cost :**

- 1. Technical support :** The seller helps to improve the operations and better use of the machine by the buyer. It is a form of technical co-operation between the two, followed by after sales service, and



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providing training to customer's employees, thereby enhancing the customer's know-how and productivity.

2. **Expertise** : A supplier can provide expertise to the buyer including designing components and equipment for the buyer, thereby improving its competitiveness.
3. **Resource support** : A supplier can support resource base of its customers by extending credit facilities, giving low interest loans, co-operative promotion of the buyer's products, and accepting reciprocal buying practices where the supplier agrees to buy products from customers.
4. **Service levels** : A supplier can improve the level of service by providing more reliable delivery, setting up computerized reorder system, offering fast, accurate quotes and reduce defect levels. Hence, change of suppliers will be costly for the buyer.
5. **Risk reduction** : A supplier offers free demonstration, products for trial at zero or low cost to customer, product and delivery guarantee, preventive maintenance contracts, swift complaint handling and proactive follow up.

These services provide a customer the reassurance that the supplier is willing to extend itself to serve him.

### **Benefits of positive customer relations :**

- **Customer retention** : When your customers know they will have a positive experience with the business, and it's very difficult for a competitor to woo them away.
- **Customer loyalty** : Having positive relationships with the customers inspires a type of loyalty that overcomes many common reasons why customers defect, including cost and convenience.
- **Customer acquisition** : The satisfied customers recommending to others to buy and write positive blogs.
- **Customer satisfaction** : Most customers stop patronizing a business rather than complaining, positive customer relations make it easier to get customer feedback.

### **Check Your Progress :**

1. The \_\_\_\_\_ market consists of schools, hospitals, and nursing homes
  - a. Institutional
  - b. Business
  - c. Consumer
  - d. Government
2. The Business Markets are characterized as \_\_\_\_\_
  - a. Geographically concentrated
  - b. Geographically dispersed
  - c. close to market
  - d. continuous demand
3. Managing B2B customer relationship has \_\_\_\_\_
  - a. Low communication
  - b. Short term relationship
  - c. hardly developed
  - d. Long term relationship

4. \_\_\_\_\_ are products bought by individuals and organisations for further processing or for use in
- a. Personal products
  - b. Consumer products
  - c. Specialty products
  - d. Industrial products
5. Long term business relationship in B2B helps in \_\_\_\_\_
- a. Cost efficiency
  - b. New products
  - c. Gain Trust
  - d. All the above

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#### **4.7 Let Us Sum Up :**

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B2B have fewer buyers and sellers compared to B2C. In business market there is a closer relationship with the customers and are more physically closer to each other.

There is large portion of B2B business in institutional market (schools, hospitals etc) and government organisations. The business with these two entities entails need for social attention for following laid down procedures.

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#### **4.8 Answer to Check Your Progress :**

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1. a            2. a            3. d            4. d            5. d

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#### **4.9 Glossary :**

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**B2B** – Business to Business

**Modified** – transform from its original form during evolution

**Initiator** – a person or thing that initiates someone or something

**Derived** – base a concept on an extension or modification of (another concept).

**Reciprocity** – the practice of exchanging things with others for mutual benefit,

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#### **4.10 Assignment :**

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Explain the different buying situations in B2B market.

What steps are undertaken in the buying process ?

How do purchases happen in Government and Institutions ?

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#### **4.11 Activity :**

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Visit an industrial unit and assess their buying resource pattern over last two years.

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#### **4.12 Case Study :**

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Krishna was working as a purchase manager in a company, where raw materials and other products were purchased solely at his discretion.

Later Krishna changed his job to a bigger company as head of the purchase department. As the procedures of the purchases made by this

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new company were different from those of the earlier company, it took him quite some time to get familiar with the new system.

It so happened that once, he had to place an urgent order worth approx. Rs 4 lakhs as the material was critical to the manufacturing shop floor.

He placed the order knowing the ordering situation was urgent without following the laid-down procedures. There was no problem in supply, but he was criticized as he had taken the decision alone.

Krishna was very disturbed about the situation and wanted to explain his position to the manager.

### Questions :

1. Where did Krishna go wrong ?
2. How can you help him to reply to the manager ?

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### 4.13 Further Reading :

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Principles of Marketing, 1999, Second European edition, Philip Kotler Gary Armstrong, John Saunders, Veronica Wong, Prentice Hall Europe

Marketing Management, 15th edition (2014), Philip Kotler and Kevin Keller, Pearson Education.

<https://courses.lumenlearning.com/boundless-marketing/chapter/business-markets/>

<https://www.abcofmarketing.com/explain-detail-industrial-business-buying-process/>

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## **BLOCK SUMMARY**

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## **Overview of Various Types Market**

In this Block you have learned about the importance of implementing the cost-effective CRM in your organisation. As a strategy through CRM, planning can be done for building relations with customers as well as save cost and time.

MIS scans the environment for the managers and gives smart analysis on new segments cropping up and the changes in consumers behaviour.

One of the most important study in marketing is the in-depth knowledge of the consumers' mind, especially his buying pattern, decision making process and buying behaviour.

There is a large market potential in B2B business which focusses on government and institution buying, which cannot be ignored.

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## **BLOCK ASSIGNMENT**

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### **Short Answer Questions :**

1. What are the different types of customers for B2C ?
2. What are the misconceptions about CRM's implementation ?
3. Give the benefits of CRM.
4. What are the environments in which a Company works ?
5. Briefly describe the stages of buying process.
6. What do you understand by B2B market ?

### **Long Answer Questions :**

1. What is CRM ? Describe its features.
2. How can a Marketing Manager get the advantage of MIS in his / her Company ?
3. What are the methods of forecasting the potential of market ?
4. What factors influence buying behaviour in B2C ?
5. What steps are essential for the buying process in B2B ?
6. How does a seller maintain and build business relationship in B2B ?

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❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
No. of Hrs.				

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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**BBAR-201/ DBAR-201**

# **Marketing Management**

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## **BLOCK-3 STP, GROWTH STRATEGIES, NEW PRODUCT OFFERINGS, GLOBAL MARKET AND HOLISTIC MARKETING**

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### **UNIT 1**

STP, PLC, DEALING WITH COMPUTATION AND COMPETITIVE STRATEGIES

### **UNIT 2**

NEW PRODUCT DEVELOPMENT

### **UNIT 3**

GLOBAL MARKET AND MANAGING HOLISTIC MARKETING MANAGEMENT

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## **BLOCK 3 : STP, Growth Strategies, New Product Offerings, Global Market and Holistic Marketing**

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### **Block Introduction**

Marketers need a group to cater to. The grouping has to be made on some basis for easy comprehension and understanding by all concerned in the organisation. The base of grouping or differentiating customer can be broadly done to address them with the right marketing mix. It is called segmenting and targeting. Once that is done, the marketers have to position their product smartly to get the best response. That is positioning.

Innovations have to be done constantly with time and newer technology. This is done by new products development by the organisation. If there is no R & D the product will decline from the growth stage into a loss-making product.

The world is yours to conquer if there is the ability, keenness, resources and risk-taking abilities. Companies fight for the market share not only in the domestic market from local competitors but also from global players in the international arena. The risk-taking ability will also depend on the skills possessed and acquired by the entrepreneurs and the path chosen by him / her to go global.

### **Block Objectives**

**After learning this block you will be able to understand :**

- Segmentation, Targeting and Positioning
- Product Life Cycle
- New Product Development
- Modes of Entry into foreign markets.
- Concept and Components of Holistic marketing

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### **Block Structure**

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Unit 1 : STP, PLC, Dealing with Computation and Competitive Strategies

Unit 2 : New Product Development and Marketing

Unit 3 : Global Market and Managing Holistic Marketing Management



## STP, PLC, DEALING WITH COMPUTATION AND COMPETITIVE STRATEGIES

### **: UNIT STRUCTURE :**

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Basis of Market Segment**
- 1.3 Types of Market segmentation**
- 1.4 Steps in Market Segmentation**
- 1.5 Target Market**
- 1.6 Positioning**
- 1.7 Brand Mantra**
- 1.8 Designing a Brand Mantra**
- 1.9 Steps to Product Positioning**
- 1.10 Competition and Driving Growth**
- 1.11 Competitive Strategies for Market Leaders**
- 1.12 Other Competitive Strategies**
- 1.13 Product Life Cycle**
- 1.14 Extending The Product Life Cycle**
- 1.15 Shapes of Product Life Cycle**
- 1.16 Stages of Product Life Cycle**
- 1.17 Product Strategy for Life Cycle Stages**
- 1.18 Let Us Sum Up**
- 1.19 Answer to Check Your Progress**
- 1.20 Glossary**
- 1.21 Assignment**
- 1.22 Activity**
- 1.23 Case Study**
- 1.24 Further Readings**

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#### **1.0 Learning Objectives :**

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**At the end of this unit, you will able to understand.**

- Concept of STP
- Various competitive strategies
- Stages of Product life cycle.



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### 1.1 Introduction :

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Segmentation, Targeting and Positioning (STP) is an approach that you can use to identify your most valuable market segments, and then sell to them successfully with carefully targeted products and marketing. We will also study growth and various competitive strategies. Further, we will learn what does Product Life Cycle (PLC) mean. Every product has its life. Industrial goods may have a longer life than consumer goods. When a product is commercialised, the product enters into the market and competes with the rivals, for making sales and earning profits. The product life-cycle may be short for some products and long for others. The PLC may differ from product to product. Every product passes through certain stages, collectively known as product life-cycle stages.

**Market Segmentation :** Market segmentation means how the organisation divides customer into the smaller group which is relatively similar and identifiable. **The main purpose of the marketing segmentation is to meet the needs of the one or more specific segments.**

- **Identifiable :** differentiating attributes of segments must be measurable so that they can be identified.
- **Accessible :** the segments must be reachable through communication and distribution channels.
- **Substantial :** the segments should be sufficiently large to justify resources required to target them.
- **Unique needs :** justify separate offering, segments must respond differently to different marketing mixes.
- **Durable :** the segments should be relatively stable to minimize the cost of frequent changes.

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### 1.2 Basis of Market Segment :

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- **Gender :** The world market is basically divided into two parts i.e. Male and Female on the basis of gender. As preference of both male and female are different, so marketer needs different strategies for both. E.gs. : Cosmetic, Apparel, Jewellery Industries.
- **Age Group :** The choice and preference change according to age. For E.g. : Teenagers likes fashionable cloth, whereas the adult like simple and sober clothes.
- **Income :** There exist various income groups of people in the society. Their choice and preference varies on the basis of the income they earn. The ones that fall under high income, prefer to purchase a branded product and live a very lavish life. Whereas, the ones who earn mid income may not be able to afford the branded things. Marketers has to keep both type of customers in mind while defining their strategies.

- **Marital Status** : Bachelor has different preference and married couple have different choice. For E.g. : Travel Packages for both status will be different.
- **Occupation** : According to the occupation, the preference also differs. People in Blue Collar job and White Collar job have different choices for the clothes. Office goers and school children have different choices.

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### **1.3 Types of Market Segmentation :**

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- **Geographic** : Division of the market is on the basis of region or area. People residing in two different region have different choice. Marketers have to design strategy keeping two different areas in mind. For E.g. : McDonald's in India do not sell beef products as it is against the religious beliefs of the majority of the countrymen, whereas in US it freely sells and promotes beef products.
- **Psychographic** : The basis of segmentation is done on the basis of social class, lifestyle, or personality. Eg., Women making heavy use of Credit Card are said to be leading an active lifestyle.
- **Behaviour** : The segmentation is done on the basis of how loyal customer is towards brand. Eg., Airline travellers can be segregated by offering them cards – blue, silver, gold etc.

#### **Check Your Progress – 1 :**

1. What are the bases of Market Segment ?
  - a. Occupation
  - b. Marital Status
  - c. Gender
  - d. All of them
2. What are the types of Market Segment ?
  - a. Geographical
  - b. Psychographically
  - c. Behaviourally
  - d. All of them

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### **1.4 Steps in Market Segmentation :**

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**Select a Market/Identify the target market** : In this step, Market and should be identified. It may be the market in which the firm already competes, a new but related market or a totally new one. The marketers must be very clear to whom they should include in a segment, making sure the individuals have something in common.

**Identify the expectations of Target Audience** : In this step it is essential to find out the needs of the target audience. The marketers interact with the target audience in order to identify the needs, demand and interest.

**Create Subgroups** : Once the target market is identified create a subgroup within the group. For E.g., In India girls between 20–25 years focus more on fairness creams and lotions, whereas girls between 25 to 35 years are keen to reduce the signs of ageing. Marketers will have to have cosmetics for both the categories.

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**Review the needs of the target audience :** It is essential for the marketer to review the needs and preferences of individuals in each segment and sub-segment. The consumers of a particular segment must respond to similar fluctuations in the market and similar marketing strategies.

**Name your market Segment :** In this step, marketer should give proper name to each segment, which helps to implement strategy easily.

**Marketing Strategies :** Relevant strategies should be devised in order to promote brands amongst each segment. Same Strategies cannot be used for all the segments. Marketer should make sure that there is a connect between the product and the audience.

**Review the Behavior :** Marketer should keep on reviewing the behavior of the target audience as the needs keep on changing and individual would not have same requirement throughout the year.

**Size of the Target Market :** It is essential to know the target market size. Collect necessary data for the same. It helps in saler planning and forecasting.

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### 1.5 Target Market :

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Target market is set of buyers who have share common needs or characteristics that the company decides to serve. After the firm has identified its market segment opportunities, it must decide how many and which buyers to target. A firm can adopt any one strategy from the following :

- 1. Undifferentiated Marketing :** In this strategy, whole market is considered ignoring the market segment. Here the firm will design a product and programme that will appeal to the whole market. The focus is on the common needs of the whole market. Most modern marketers have doubts about this strategy.
- 2. Differentiated Marketing :** In this strategy, firm decides to target several markets and design separate offers for each. For E.g. : Maruti Car Caters to every "purse, purpose and personality". Most of teh firms firm adopt differentiated marketing.
- 3. Concentrated Marketing :** A concentrated marketing strategy goes after the large share of one or a few submarkets. This strategy is very appealing when the firm have limited resources. In single segment, it can concentrate on understanding the needs, motives, and satisfactions of that segments members and on developing and maintaining a highly specialized marketing mix. **E.g.**, the manufacturer of Rolex watches chose to concentrate on the luxury segment of the watch market.

**Check Your Progress – 2 :**

1. Firm use which strategy to target market.
  - a. Undifferentiated Marketing
  - b. Concentrated Marketing
  - c. Differentiated Marketing
  - d. All of them

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**1.6 Positioning :**

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Positioning can be defined as the place occupied in consumers mind regarding the firm's product(s) or brand(s), distinguishing on the basis of products attributes.

Positioning can also be defined as the act of designing a company's offering and image to occupy a distinctive place in the mind of the target market. The goal is to place the brand in the minds of consumers to maximize the potential benefits to the firm.

**For example :** A handbag maker may position its brand as a luxury status symbol.

- A car maker may position itself as fuel efficient and innovative design.
- A hotel may position itself as the provider of economy room with free breakfast.

A well-positioned brand should be distinctive in its meaning and execution. A good positioning should also keep future positioning in mind. Marketer should define and communicate similarities and differences between their brand and its competitors.

For creating **Effective Positioning Strategies** following steps are to be followed.

1. Identifying Competitors
2. Analysing Competitors
3. Identifying Potential Points of Difference and Points of Parity
4. Brand Mantra

1. **Identify Competitors :** In this step identify who all are your competitors. A Product or set of product that brand competes and function as close substitutes.

**For example :**

Pepsi-Co and Coca-Cola, Starbuck and Café Coffee Day

2. **Analysing Competitors :** In this step companies needs to gather information about each competitor and their strengths and weaknesses.
3. **Identifying Potential Point of Differentiation, Point of Parity (POP) and Point of Association :**
  - a. **Points of differentiation :** are the attributes that make your brand unique. It is your brand's value proposition, its competitive advantage. The points of differentiation are the reasons why consumers should

choose your brand over competition. These attributes must be consistently reflected in the brand slogan, and advertising. The attributes or benefits that consumers strongly associate with a brand, and evaluate that they could not find the same attributes in a competitive brand are the points of differentiation.

- b. **Points of Parity (POP) :** Points of parity are the "must-haves" of any brand to be considered a legitimate competitor in its category. Points of parity are the reasons consumers add your brand to the list of alternatives for consideration. The attributes or benefits are not necessarily unique to the brand but may in fact be shared with other brands.
- c. **The Point of Association :** The Point of Association comes in three basic forms Category, Correlation, and Competitive Point of Parity.
  - **Category POP :** Category means attributes and benefits that consumers view as essential to a legitimate and credible offering within a certain product or service category. Eg., Consumer might not consider a travel agency truly "a travel agency" unless it is able to give the entire package of air and hotel reservations, as well as advice about leisure packages, and ticket payment options.
  - **Correlation POP :** are potentially negative associations that arise from the existence of positive associations for the brand. If your brand is good in one feature, such as being inexpensive, consumers cannot see it as also good at other thing, like being of "the highest quality". Warranty coverage beyond the typical 3 years, at no extra cost is another example of correlation POP.
  - **Competitive POP :** are associations designed to overcome perceived weaknesses of the brand in light of competitor point of difference. Eg., Alloy wheels provided for better fuel average in car vs. the better average giving engines offered by competitors.

**Case 1 :** A split air conditioner for residence purpose, Brand 1 is a world leader. Brand 2 is a new entrant. Brand 2 should ensure that it positions itself firstly to the category POP to be considered by consumers for purchase.

Usage of Cooper coiled condensers used to be a Point of Difference for ACs and the top manufactures used to boast it as a POD. It is now become mandatory for the category. Your brand will be out of Consideration list from the customer if you do not have copper coil in your condenser. So, as a brand you should be aware of what is the minimum POP's required in a category to make yourself relevant in the category. When entering a category or segment make sure that the product is positioned on the category POP's first.

**Case 2 :** Competitive POPs are designed to negate a competitor's Point of Difference. Many brands have, for example, the problem that their offer is perceived as inferior in quality in comparison to the

competition. In the 90s, Hyundai built cars of low quality. When the quality problem was resolved around ten years later, the customers continued to forgo the brand, as the image of poor quality. It took Hyundai years, but eventually with different communication programs using a variety of channels, the company succeeded to communicate the new level of quality and could catch up in this point with the competition. The quality was at least perceived as good enough to draw attention to PODs, such as price, design, gas mileage and warranty.

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### **1.7 Brand Mantra :**

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A **brand mantra** is three to four words that encapsulate the entire positioning platform (the competitive frame of reference, the Points of Difference, the Points of Parity) and everything else about your **brand** into one thought. The purpose of the brand mantra is to ensure that all stakeholders understand what the brand most fundamentally represent, so all can adjust their actions accordingly.

Dr. Kevin Keller has shared his favorite brand mantras which are as :

#### **Nike : Authentic Athletic Performance**

One of the best brand mantras of all time was developed by Nike's marketing guru Scott Bedbury in the late 1980s (he later become Starbucks' marketing guru). Bedbury coined the phrase "brand mantra". It did everything you would want a brand to do—kept the Nike brand on track, differentiated the brand from its main competitor at that time (Reebok), and genuinely inspired Nike employees.

#### **Disney : Fun Family Entertainment**

Adding the word "Magical" would have probably made it even better, but this brand mantra—also created in the late 1980s—was crucial in ensuring the powerful Disney marketing machine didn't overextend the brand. Establishing an office of brand management at that same time with a mission to "inform and enforce" the brand mantra gave it real teeth.

#### **Ritz-Carlton : Ladies & Gentlemen Serving Ladies & Gentlemen**

The Ritz-Carlton brand mantra has a clear internal and external message, especially important consideration for services brands. It is simple but universally applicable in all that Ritz-Carlton does and highly aspirational.

#### **BMW : Ultimate Driving Machine**

BMW's brand mantra is noteworthy in two ways. One, it reveals the power of a straddle branding strategy by combining two seemingly incompatible sets of attributes or benefits. When launched in North America, there were cars that offered either luxury or performance, but not both. Two, it is also good example of how a brand mantra can be used as a slogan if its descriptive nature is compelling enough.

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### 1.8 Designing a Brand Mantra :

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There are three criteria for designing a brand mantra

1. **Communicate** : A good brand mantra should clarify what is unique about the brand, defined categories of business for brand, and set the brand boundaries.
2. **Simplify** : Brand Mantra should be crisp, short and vivid
3. **Inspire** : Brand Mantra should be meaningful and relevant to as many employees as possible.

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### 1.9 Steps to Product Positioning :

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Following are the steps which marketers have to follow in order to create a unique identity of the product or services in the mind of customers.

1. **Identify your target audience** : In this step marketer need to identify the target audience to understand their needs and preference. What is the customer expectation from you ?
2. **Identify the product features** : Marketer must be aware of the product and service benefit and features then only they can sell the product and service efficiently. If one is convinced with the product than he will have more confidence to sell. If a marketer is using Apple iphone then he can sell it with more confidence as he is fully aware about the product.
3. **Unique Selling Propositions** : The organisations must create USPs of their brands and effectively communicate the same to the target audience.

**Let see few examples :**

**Anti-Dandruff Shampoo** : People purchase this particular type shampoo to get rid of dandruff. This is how the product is positioned in the minds of the individuals.

**Dabur Chyawanprash** : "to strengthen their body's internal defense mechanism and fight against germs, infections and stress." That's the image of Dabur Chyawanprash in the minds of consumers.

It is very important for the marketer to communicate the USP to the audience by advertising, slogans, hoardings etc.

4. **Know your competitors** : Marketer must know who are their competitors, and what they are offering ? How different is your product than the competitor's ? Marketer must also try to distinguish their product from their competitors, without underestimating them, and observing them regularly.
5. **Ways to promote brands** : There are several ways through which brands can be promoted. Marketer must select right theme, catchy taglines, and highlight the benefits of the products.

6. **Maintain the position of the brand** : Marketer must fulfil the expectation of the consumer. It must never compromise on quality or drastically fluctuate the price of products.

**Check Your Progress – 3 :**

1. A \_\_\_\_\_ is three to four words that encapsulate the entire positioning platform into one thought.
  - a. Brand Mantra
  - b. Brand
  - c. All of them
  - d. Brand Slogan
2. Which criteria are used for designing the Brand Mantra ?
  - a. Communicate
  - b. Simplify
  - c. Inspire
  - d. All of them

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**1.10 Competition and Driving Growth :**

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Growth is an important function of marketing which drive growth in sales and revenue for a company.

**Phil and Milton Kotler** stress the following strategies

- Grow by building your market share
- Grow by developing committed customers and stakeholders
- Grow by building a powerful brand
- Grow by innovating new products, services, and experiences
- Grow by international expansion
- Grow by acquisitions, mergers, and alliances
- Grow by building an outstanding reputation for social responsibility
- Grow by partnering with government and NGOs

**Growing the Core** : Means focusing on their most successful existing products and markets. It can be less risky alternative than expansion into new product categories. Marketing Guru **David Taylor** advocates three main strategies.

- Make the core of the brand as distinctive as possible
- Drive distribution through both existing and new channels
- Offer the core product in new formats or versions.

Almost every firm is seeking success by focusing on their core business. Growth Strategies are not necessarily "either/or" propositions. A focus on core business does not mean foregoing new market opportunities.

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**1.11 Competitive Strategy for Market Leaders :**

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**Expanding Total Market Demand** : When the total market expands, the dominant firm usually gains the most. In general, the market leader should look for new customers or more usage from existing customers.



## Marketing Management

**New Customers :** A company can search for new user among three groups : those who might use it but do not (market penetration strategy), those who have never used it (new market segment strategy) or those who live elsewhere (geographical–expansion strategy). In targeting new customers, the firm should not lose sight of existing ones.

**More Usage :** Marketer can try to increase the amount, level, or frequency of consumption. They can sometimes boost the amount through packaging or product redesign. Larger package sizes increase the amount of product consumers use at one time. Consumers use more of impulse products such as soft drinks and snacks when the product is more available.

**Another Opportunities to use the brand :** Marketer Programme can communicate the appropriateness and advantage of using the brand. Provide consumers with better information about when they first used the product or need to replace it or gauge of the current level of product performance.

**New ways to use the brand :** This approach to increasing frequency of consumption is to identify completely new and different applications.

**Protecting Market Share :** While trying to expand total market size, the dominant firm must actively defend its current business. Most constructive response is continuous innovation. The front runner should lead the industry in developing new products and customer services, distribution effectiveness and cost cutting. Comprehensive solutions increase competitive strength and value to customers so they feel appreciative or even privileged to be a customer as opposed to feeling trapped or taken advantage of.

### **Proactive Marketing :**

To satisfy customer needs, a distinction can be drawn between : Responsive Marketing, Anticipative Marketing and Creative Marketing.

**Responsive Marketing :** A responsive marketer finds a stated need and fills it.

**Anticipative Marketing :** A anticipative marketer looks ahead to needs customers may have in near future.

**Creative Marketing :** A creative marketer discovers solutions customers did not ask for but to which they enthusiastically respond. Creative marketers are the proactive market driving firms, not just market driven ones.

These Proactive Companies create new offers to serve 'unmet' or even 'unknown–to–consumer' needs.

**Defensive Marketing :** The aim of defensive strategy is to reduce the probability of attack, divert attacks to less–threatened areas, and lessen their intensity. A leader would like to do anything it legally and ethically can to reduce competitors' ability to launch a new product, secure distribution, and customer awareness, trial and repeat. A dominant firm

can make use of the six defense strategies. Decision about which strategy to adopt will depend in part on the company's resources and goals and its expectations about how competitors will react.

**Position Defense :** means occupying the most desirable position in consumers mind, making the brand almost impregnable.

**Flank Defense :** The market leader should erect outposts to protect a weak front or support a possible counter attack.

**Pre-emptive Defense :** A more aggressive manoeuvre is to attack first, perhaps with guerrilla action across the market—hitting one competitor here, another there—and keeping everyone off balance. Another is to achieve broad market envelopment that signals competitors not to attack.

**Counteroffensive defense :** Is the exercise of economic or political clout. The leader may try to crush a competitor by subsidizing lower prices for a vulnerable product with revenue from its more profitable product, or it may prematurely announce a product upgrade to prevent customers from buying the competitors product.

**Mobile defense :** In mobile defense, the leader stretches its domain over new territories through market broadening and market diversification. Market broadening shifts the company's focus from the current product to the underlying generic need. Market diversification shifts the company's focus into unrelated industries.

**Contraction defense :** Sometimes large companies can no longer defend all their territory. In planned contraction they give up weaker markets and reassign resources to stronger ones.

**Increasing Market Share :** Increased share does not automatically produce higher profits, however—especially for a labour-intensive company that may not experience many economies of scale. Much depends on the company strategy. Because the cost of buying higher market share through acquisition may far exceed its revenue value, a company should consider four factors first.

- The possibility of provoking antitrust action
- Economic cost
- The danger of pursuing the wrong marketing activities
- The effect of increased market share on actual and perceived quality

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### **1.12 Other Competitive Strategies :**

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Firm can attack the leader and other competitors in an aggressive bid for further market share as market challengers, or they can choose to not "rock the boat" as market followers

**Market Challenger Strategies :** Many market challengers have gained ground or even overtaken the leader. Challenger set high aspirations, while market leaders can fall prey to running business as usual. Challenger can also tap into public perceptions that they are the underdog. Let's examine the competitive attack strategies available to them.

**Defining the strategic objective and opponents :** A market challenger must first define its strategic objective, which is usually to increase market share. It then must decide whom to attack.

- It can attack the market leader
- It can attack firms its own size that are not doing the job and are underfinanced.
- It can attack small local and regional firms
- It can attack the status quo

### **Choosing a General Attack Strategy :**

**Frontal Attack :** The attacker matches its opponent's product, advertising, price and distribution. The principle of force says that the side with the greater resources will win. A modified frontal attack, such as cutting price, can work if the market leader doesn't retaliate and if the competitor convinces the market its product is equal to the leaders.

**Flank Attack :** A flanking strategy is another name for identifying shifts that cause gaps to develop in the market, then rushing to fill the gaps. Flanking is particularly attractive to a challenger with fewer resources and can be more likely to succeed than frontal attacks. Another Flanking strategy is to uncover the market needs.

**Encirclement Attack :** Encirclement attempts to capture a wide slice of territory by launching a grand offensive on several fronts. It makes sense when the challenger commands superior resources.

**Bypass Attack :** By passing the enemy altogether to attack easier markets instead offers three lines of approach : diversifying into unrelated products, diversifying into new geographical markets and leapfrogging into new technologies. In technological leapfrogging, the challenger patiently researches and develops the next technology, shifting the battleground to its own territory where it has an advantage.

**Guerrilla Attack :** Consist of small, intermittent attack, conventional and unconventional, including selective price cut, intense promotional blitzes, and occasional legal action, to harass the opponent and eventually secure permanent footholds. A guerrilla campaign can be expensive, though less so than a frontal, encirclement or flank attack, but it typically must be backed by a stronger attack to beat the opponent.

**Choosing a Specific Attack Strategy :** Any aspect of the marketing program can serve as the basis for attack – such as – lower-priced or discounted products, new or improved products and services, wider variety of offerings, and innovative distribution strategies. A Challenger's success depends on combining several, more specific strategies to improve its position over time. Once successful, a challenger brand must retain a challenger's mentality even if it becomes a market leader, highlighting the way it does things differently.

**Market Follower Strategies :** According to the Theodore Levitt, strategy of product imitation might be as profitable as a strategy of product innovation. In "**innovative imitation**", the innovator bears the expense of developing the new product, getting it into distribution and informing and educating the market. The reward for all this work and risk is normally market leadership. However, another firm can come along and copy or improve on the new product. Although it may not overtake the leader, the follower can achieve high profits because it did not bear any of the innovation expense. Many companies prefer to follow rather than challenge the market leader. Market follower should hold current customers and win a fair share of new ones. Each follower tries to bring distinctive advantages to its target market—location, services, financing—while defensively keeping its manufacturing cost low and its product quality and service high. It must enter into new markets as they open up.

Followers must define a growth path, but one that doesn't invite competitive retaliation. We distinguish into three broad categories.

1. **Cloner :** Cloner emulates the leader's products, name, and packaging with slight variations. Eg., timesjobs. com is an imitator of naukri. com, but then timesjobs. com has its own unique product characteristics as well.
2. **Imitator :** Copies something from the leader but differentiates on packaging, advertising, pricing, or location. The leader doesn't mind as long as the imitator doesn't attack aggressively. Eg., Tata Sky brought digital TV revolution to India but was soon imitated by Airtel and Reliance.
3. **Adapter :** The adapter takes the leader's products and adapts or improves them. The adapter may choose to sell to different markets, but often it grows into a future challenger. Eg., Cars like Maruti 800, Alto, Zen, Brio, are adapters and they adapt the best qualities from each other by changing the style of the automobile.
4. **Counterfeiter :** The best example of counterfeiting is selling the originals via piracy. The best example is DVD's and CD's of music and movies.

#### **Market –Nichers' Strategies :**

An alternative to being a follower in a large market is to be a leader in a small or niche market. Smaller firms normally avoid competing with larger firms by targeting small markets of little or no interest to the larger firms. Firms with low shares of total market can become highly profitable through smart niching. They know their target customers so well they can meet their needs better than other firms by offering high value. They can also charge premium price, achieve lower manufacturing costs, and shape a strong corporate culture and vision. The nicher achieves high margin, whereas the mass marketer achieves high volume. Nichers have three tasks : Creating niches, expanding niches, and protecting

niches. The risk is that the niche might dry up or attacked. The company is then stuck with highly specialized resources that may not have high-value alternative uses. Because the niche can weaken, the firm must continually create new ones.

**Check Your Progress – 4 :**

1. Phil and Milton Kotler stress the following strategies
  - a. Grow by building your market share
  - b. Grow by building a powerful brand
  - c. Grow by international expansion
  - d. All of them.
2. David Taylor advocates following main strategies.
  - a. Make the core of the brand as distinctive as possible
  - b. Drive distribution through both existing and new channels
  - c. Offer the core product in new formats or versions.
  - d. All of them
3. A responsive marketer \_\_\_\_\_
  - a. Finds a stated need and fills it.
  - b. Looks ahead to needs customers may have in near future.
  - c. Discovers solutions customers did not ask for but to which they enthusiastically respond.
  - d. All of them
4. The attacker matches its opponent's product, advertising, price and distribution.

a. Frontal Attack	b. Encirclement Attack
c. Bypass Attack	d. Guerrilla Attack

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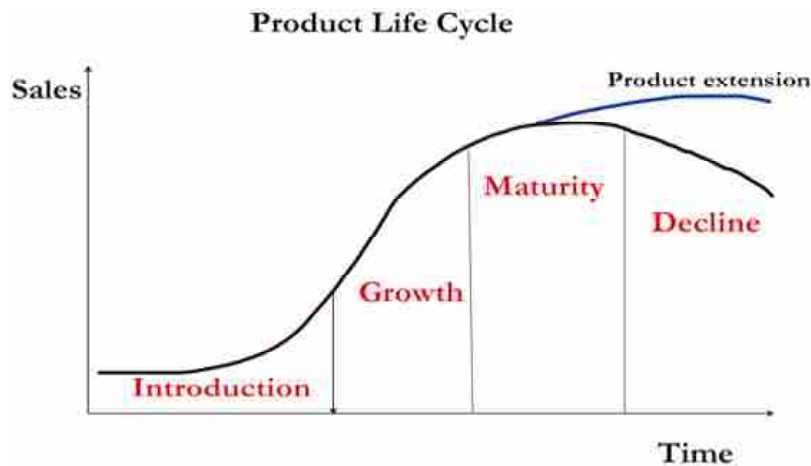
**1.13 Product Life Cycle :**

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**Introduction :**

The idea of product life cycle is borrowed from biology and an analogy is drawn with the life of an organism. As a living being progresses through the stages of birth, growth, maturity, decline and death, so also a product passes through similar stages during its market entry and exit.

Product life cycle theory is one of the first analytical attempts to determine marketing strategies at different product market situations. The product life cycle concept describes the stages in the sales (market response) history of a product. The basic features of this theory have propositions that a product has a limited life and a product's sales generally follow an 'S' curve until sales eventually start declining



*Product Life Cycle*

Source : [www.economicshelp.org](http://www.economicshelp.org)

The concept of product life cycle creates distinct stages in product performance in market place as introduction, growth, maturity, saturation and decline phase. An introduction phase is known as lag phase, the growth phase as exponential phase, growth and maturity as stationary phase and decline as a down turn phase. These are the different stages in a typical product lifecycle.

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#### 1.14 Extending the Product life Cycle :

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For successful products, a business wants to do all it can to extend the growth and maturity phases of the life cycle, and delay the decline phase.

What can businesses do to extend the product life cycle ?

To do that, it may decide to implement extension strategies– which are intended to extend the life of the product before it goes into decline.

Extension strategies are :

1. **Advertising** – Try to gain a new audience or remind the current audience.
2. **Price Reduction** – More attractive to customers
3. **Adding value** – add new features to the current product, E.g. improving the specifications on a smartphone.
4. **Explore new markets** – Selling the product into new geographical areas or creating a version targeted at different segments.
5. **New packaging** – brightening up old packaging or subtle changes

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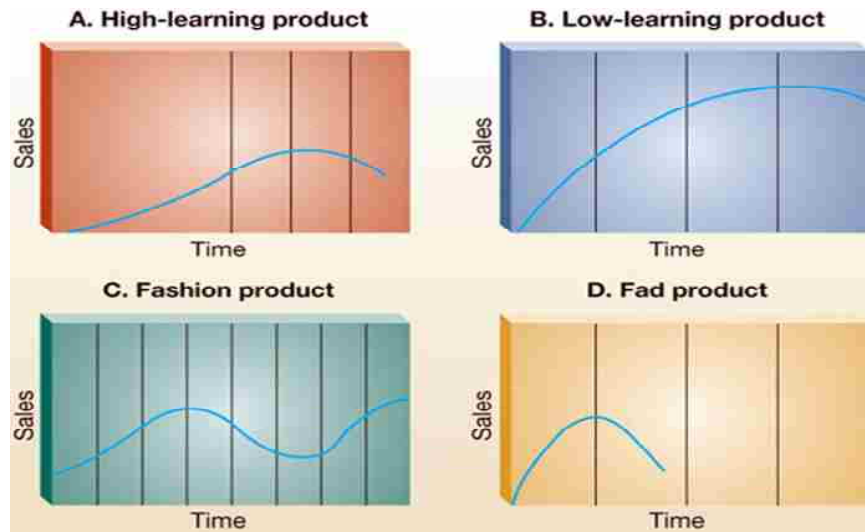
#### 1.15 Shapes of Product Life Cycle :

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Products go through different life cycle patterns. There are several shapes that can be observed in practice. The shapes commonly reported are classical bell-shaped curve, growth–slump–maturity pattern, cycle–recycle pattern, scalloped pattern; style, fashion and fad.

Growth–slump maturity pattern, exhibits an initial growth for the product, followed by a decline in sales and subsequent stability for fairly

long time. Growth–slump–maturity pattern displays a multi– modal shape due to the different promotional mechanisms adopted by the marketers at different points of time.



*Shapes in PLC*

*Source : chriswilliamsoncv.t.blogspot*

There are actually **four different life cycle curves** for the four different types of products : high–learning, low–learning, fashion, and fad products. Each curve tends to have it's own marketing strategy.

**High–learning** – product is one that requires significant customer education and the introduction stage is extended. You could say that the GPS was a high–learning product. This is because when the GPS first came out, most people were used to either relying on maps or the directions of others. When the GPS first came out, many people were not sure how to exactly use it. Now, most people always have GPS with them because they come standard in almost every smartphone and new car.

**Low–learning** – products are different because their sales begin very quickly due to the simplicity of the product. This allows consumers to understand the product almost right away. Often competitors can easily copy the low–learning products. This forces companies to broaden their distribution channels quickly.

**Fashion Product** – These products change with the style of the times and the life cycles frequently appear in apparel. They usually go from the introduction stage right to the decline and then eventually reappear. This does not mean that each fashion product has the same life cycle.

**FAD Products** – These fad products experience rapid sales during the introduction phase and then they decline at almost the same speed. These products tend to be novelties with a short life cycle.

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**1.16 Stages of Product Life Cycle :**

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Products follow certain kinds of life cycle patterns. Whether the pattern is like that of an S–shaped curve or modifications as we have

shown in previous pages, we need to understand the relevance of the product life cycle concept in the context of making strategic decisions and making marketing forecasts.

While some products fail immediately on birth or a little later, others may live long enough. BPL television launched Picture-in-Picture (PIP) television, which was eliminated at the introduction stage itself. Pagers had a grand launch in the market but got eliminated as the next better product of communication in the form of mobile phones entered the market. The innovation of a new product and its degeneration into a common product is termed as the life cycle of a product. This often helps competitors to benchmark against the available technology and develops better products compared to the current one so as to take away the market share from the market leader. There are four distinct stages in the life cycle of a product as shown below :

### **Introduction Stage :**

Research or engineering skill leads to new product development. The product is put on the market at the stage of commercialization. The concept of product life cycle starts from the 'commercialization' stage of new product development. At this stage, product awareness and acceptance among prospective customers are minimal. As the sales are low, there are high promotional costs.

This is due to the fact that the company has to spend money for advertising, sales promotion and other forms of promotion. The major obstacle to rapid market penetration at this stage is poor distribution strategy. Many retailers will not support a new product launch and will wait till they hear well about the brand.

**E.g. :** Holographic projection technology allows consumers to turn any flat surface into a touchscreen interface. With a huge investment in research and development, and high prices that will only appeal to early adopters, this is another good example of the first stage of the cycle.

### **Growth Stage**

This stage begins when demand grows rapidly. In the case of repeat buying situation, the innovators move from trial purchase to adoption stage. If the innovators are satisfied with the products, they influence other buyers through word-of-mouth and referral communication. Deeper penetration in market by intensive distribution strategy and increase in store visibility and usage tend to bring new buyers in the market. The competitors also start their advertising and sales promotion making the total category demand to increase in the market. Growth stage also contributes in increasing profit. .

**E.g. :** With advanced technology delivering the very best viewing experience, Blue Ray equipment is currently enjoying the steady increase in sales that's typical of the Growth Stage.



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Organic food is another product which is gaining momentum in the market and is in the growth stage and it has not gained deeper penetration in the market place yet.

### **Maturity Stage :**

Sales growth continues, but at a diminishing rate, because of the declining number of potential customers who remain unaware of the product or who have taken no action.

**E.g. :** Introduced a while back, manufacturers of DVDs, and the equipment had established a strong market share. However, they still had to deal with the challenges from other technologies. That are characteristic of the Maturity Stage.

### **Decline Stage :**

Eventually, sales start declining due to multiple reasons. Changes in customer preferences, competition in the market, technology and other environmental forces lead to the decline of sales. Sales begin to diminish as the customers begin to get bored with the product.

**E.g.** dial telephones and petrol jeeps led to eventual dropping of the product by the firms. The product decline happens due to entry of new competitors with advanced technology; and reduction in consumer interest. The marketer is left with an option of price reduction, putting pressure on the profit margins and leading to deletion of products.

**E.g. :** Typewriters, and even electronic word processors, have very limited functionality. With consumers demanding a lot more from the electronic equipment they buy, typewriter is passing through the final stage of the product life cycle.

### **Check Your Progress – 5 :**

1. Which one is not the part of the extension strategy before it goes to decline ?
  - a. Price Reduction
  - b. Price Increase
  - c. New Packaging
  - d. Explore new markets
2. How many stages are there in Product Life cycle
  - a. 5
  - b. 4
  - c. 6
  - d. 3
3. Which of the following is not a characteristic of "Market Introduction Stage" in PLC ?
  - a. Demands has to be created
  - b. Costs are low
  - c. Makes no money at this stage
  - d. Slow sales volume to start
4. Product Life Cycle begins with..... ?
  - a. Decline stage
  - b. Growth stage
  - c. Introduction Stage
  - d. Mature stage

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### **1.17 Product Strategy For Life Cycle Stages :**

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#### **Characteristics and Marketing Strategies at Introduction Stage**

The product life cycle begins with the introduction stage when the product is launched. At this stage :

- Sales are low. This stage involves high distribution and promotion expenses; profits are found to be negative or low. Since it is too early for improvements, basic versions of the product are sold.
- The second possible alternative strategy is low price and promotion. This will help in cornering a bigger market share and faster market penetration. This strategy is possible when the size of the market is big and buyers are sensitive to price.
- The marketer passes the economy of scale of operation to customer and follows a low cost per unit production process.
- At this stage, since the product is new, all focus is on building distribution network and product awareness.

Characteristics and Marketing Strategies at Growth Stage

#### **Characteristics and Marketing Strategies of Growth Stage :**

- This stage is most rewarding for the marketer, if the new product is considered to be satisfactory by the market. The characteristics of this stage include a very sensitive market response where sales climb rapidly.
- The growth stage has two distinct sub-stages – early and late growth. In the early growth stage, the sales increase at an increased rate and in the late growth stage it increases at a decreasing rate.
- At the growth stage, the marketer follows different kinds strategies compared to the earlier stage of product life cycle.
- Increased emphasis on promotions will play a very important role in educating the market as well as in meeting the challenges of the competition.

#### **Characteristics and Marketing Strategies at Maturity Stage**

At the end of a responsive growth stage, begins a stage of maturity.

- In this stage despite higher spending on the marketing program there is no substantial growth in sales volume and the market is flooded with many competing products.
- In this stage, though the sales growth slows down, the stage itself continues for a long period. Therefore, it poses a strong challenge to Marketing Managers.
- The market experiences commoditization and competition brings down the prices, putting pressure on the profitability and liquidity of the firm. In the late maturity stage, the profits drop sharply.

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- Due to intense competition and falling profits, not many companies can survive this stage. Thus, a number of proactive steps are needed to stay profitable.
- A market modification strategy, the companies have goals to increase the consumption; hence the companies look for new users, new market
- The other alternative strategy is to bring product modifications like improvement in quality, features and style.

### **Characteristics and Marketing Strategies at Decline Stage**

- There is a saying that "nothing lasts forever" or "all good things must come to an end". This is also applicable to successful products and services in the market.
- The sale of any product eventually dips. The plunge continues for some years. This indicates the stage of decline.
- This is the stage when the product is left with very few customers and these customers are called laggards. This is a stage when many of the existing customers switch to newer and better brands in the market
- The firm reaches this stage due to lack of strategies. A company may have a number of products introduced simultaneously where the extent of decline may not be the same for all the products.
- The company can decide to follow a strategy to maintain its position in the market in territories where it is doing well.
- Alternatively, the company can decide to harvest the market. This strategy is aimed at reducing the overall costs including production, maintenance, advertising and sales force management costs and hoping that the product sales will be profitable for some time more.
- Eventually the firm will decide to drop the product from its portfolio. This is the end of the line for a particular product. However, it may be sold to another company if there is a buyer.

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### **1.18 Let Us Sum Up :**

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A product is the offer that the consumer ultimately owns in the exchange process. Each product offers some level of core, tangible and augmented benefit to consumers. The functional utility of the product is an explanation of the reason 'why' of buying. Products have different layers like core, basic, expected, augmented and potential levels.

The position of a product manager has come to stay as a strategic one in marketing. He takes key decisions related to the product offer in the market. Product Mix is an assortment of all related and unrelated product that the company offers in the market place. Product mix has got four important elements like width, depth, length and consistency

Product life cycle can be viewed from different levels of products, like core product, product category, brand and soon. In marketing literature, several prescriptions have been proposed for using product life cycle for formulating marketing strategy.

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### **1.19 Answer to Check Your Progress :**

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**Check Your Progress – 1 :**

1. d            2. d

**Check Your Progress – 2 :**

1. d

**Check Your Progress – 3 :**

1. a            2. d

**Check Your Progress – 4 :**

1. d            2. d            3. a            4. a

**Check Your Progress – 5 :**

1. b            2. b            3. b            4. c
- 

### **1.20 Glossary :**

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- 1. Market Positioning :** Positioning refers to the user's perceptions of the place a product or brand occupies in a market segment or how the company's offering is differentiated from the competitions.
  - 2. Market Segmentation :** The process of subdividing a market into distinct subsets of users that behaves in the same way or have similar needs.
  - 3. Product Life Cycle :** The market response to a new product idea after the product is commercialized and till it eventually goes out of the market.
- 

### **1.21 Assignment :**

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1. What do you understand by the Segmentation, Targeting and Positioning (STP) strategies ?
  2. Explain various competitive Strategies.
  3. Explain the Product life cycle in detail.
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### **1.22 Activities :**

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A mobile manufacturer realizes that she is operating in the market for machines which allows each one to communicate very easily.

- a. How should this market be segmented ?
- b. Identify the key segmentation variables that are relevant to this market

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**1.23 Case Study :**

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**Product Life Cycle**

**Stage 1 : Introduction Stage – examples**

Biotech  
Cyber Media  
Green Products (Eco Friendly)  
Organic Foods services

**Stage 2 : Growth Stage – examples**

Automobile  
Information Technology  
Pharmaceutical  
Primary Education

**Stage 3 : Maturity Stage – examples**

Manufacturing  
Textile  
Steel  
Oil and gas business

**Stage 4 : Decline Stage – examples**

Print Media  
Cotton textiles  
Paper and pulp Industry  
Metallurgical Industry

There are some examples given above of the various stages of Product Life Cycle.

1. Add two examples in each stage.
2. In each stage, give the conditions, such as demand, revenue, profit, expenditure etc.

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**1.24 Further Studies :**

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**STP, PLC, Dealing with  
Computation and  
Competitive Strategies**

**: UNIT STRUCTURE :**

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Definition and Classification of NPD**
- 2.3 Significance of New Product Development**
- 2.4 New Product Development Process**
- 2.5 Consumer Adoption Process**
- 2.6 Let Us Sum Up**
- 2.7 Answer to Check Your Progress**
- 2.8 Glossary**
- 2.9 Assignment**
- 2.10 Activity**
- 2.11 Case Study**
- 2.12 Further Readings**

**2.0 Learning Objectives :**

- To grasp the intricacies of developing a new product.
- Understand the way consumer will adopt the new product

**2.1 Introduction :**

New-product development has significant role in the growth of the company. It is a process through which new product is introduced in the market. Every business has to go through this process as due to advances in technology, increase in competition, consumer preference, or to capitalise on a new opportunity. An innovative product can become the flag bearer of the organisation.

**2.2 Definition and Classification of NPD :**

**New Product Development (NPD)**

**Definitions and Meaning of NPD :**

"By new product we mean original products, product improvements, product modification and new brands that the firm develops through its own research and development efforts".

A new product will be considered anything which is perceived by the consumer or with which the firm has no previous experience.

From a firm's point of view, a product is new when existing products are improvised, capacity or life is enlarged or more satisfying ingredients are added to the existing products. A firm in order to deliver a new product faces the problems as that of releasing totally new product to the market.

It could also be that a product is new to the firm but not new to customers or the product may be new to customers but not new to the company.

**Classification of the New Products :** by *BAH (Booz, Allen & Hamilton)*

**1. Continuous Innovations :**

Continuous innovation is adding / removing features in the products to suit changing consumer needs.

Here, the following types are involved :

**(a) Cost Reductions :**

These new products are developed by reducing the production cost by applying new technology. **E.g.** changing over to plastic moulded parts in automobiles has considerably reduced the cost of manufacturing and raw materials. This has also helped reduce the weight of the automobiles, increasing fuel efficiency.

**(b) Repositioning (also called Re-Launching, Re-Staging or Re-Marketing) :**

This happens whenever a product is re-positioned to include different segments of consumers, or is re-launched for a different use, or is being re-marketed after its temporary withdrawal. **E.g.** Tata's Ace (Chhota-Haathi) was launched as mini truck and with its success, it was re-positioned and launched as a new product, Ace – Magic, a passenger version.

**(c) New and Improved Products (Next Generation Products) :**

Whenever a company launches a product with improvements in its features and benefits, it is also called a new product. **E.g.** Tata Indica was launched as a new product with improvements as Indica Vista.

**(d) Additions to Existing Product Lines :**

Additions to existing product lines are derivatives or variations of existing products. **E.g.** Coke – Diet Coke, Horlicks – Elaichi Horlicks, Chocolate Horlicks, Junior Horlicks etc.

If these variations are launched with another brand name, they are called flankers. **E.g.** Pepsi – Mountain Dew, Coke – Sprite, Rin – Sunlight, Wheel etc.

**(e) New Product Lines (New to the Company) :**

When products new the company are launched but brand exists in the market through other products it is called new product lines. **E.g.** Cadbury's launching cookies (existing line – chocolates and Bournvita),



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Horlicks launching biscuits and oats (existing line – health foods), HUL launching water purifiers (existing lines – cosmetics, personal products, soaps/detergents)

When new product lines are launched under the same brand name it is called brand extension.

### 2. Dynamically Continuous Innovations :

#### (a) Major Additions to Existing Product Lines :

When the company makes major additions to an existing product line that is affecting the total behaviour of the customer towards the company, it is major additions to existing product line. E.g. Banks going in for ATM machines, online and mobile banks etc.

#### (b) New to the World Product Lines :

When a company comes up with a completely revolutionized version of an existing product that is new to the world or comes up with a totally new concept, it is a new to the world product. E.g. Electric car.

### 3. Discontinuous Innovations :

Discontinuous Innovations are products perceived by customers to be radically new, causing buyers to significantly alter their behavioural patterns, and also usually entailing extensive technological breakthroughs.

OTT (Over–The–Top) are purchased differently than DVDs were bought or rented. Electric cars requiring battery recharge.

**Product Failure :** There are number of reasons that change consumer preferences on the products. Lifestyle, age, and preferences seldom remain constant. Shorter product life cycles, increasing costs, government policies, threat from rival organisations, technological changes – all affect the success of a new product in the market.

#### Factors that pose Major Risk :

1. Long time duration between research on new product and its introduction in the market. By the time it reaches the market, consumer preferences get changed to more advanced product which is already in the market.
2. Research data from the market has defects or is inadequate.
3. Product defects also result in negative perception of the product. For E.g., new software in car results in withdrawal from the market.
4. Different features of a new product appeal to different markets. The same product cannot be launched in a different market unless the preferences of the consumers are the same. For E.g., McDonald's modify their offerings on the basis the local culture.
5. The new product is incorrectly positioned in the market.
6. Products also fail if the management fails to create a proper balance among the 4Ps of marketing. For E.g., keeping the price too high or too low.

7. Insufficient distribution channels to support the promotion activities.
8. New technology that reduces the total cost of production. If organisations don't tap this opportunity, the competition will.
9. Lack of coordination between different departments within the organisation hampers the flow of ideas and proper feedback received from the market.
10. Products also fail if the new product does not offer a USP as compared to other brands.
11. Customers should be aware about the benefits of the new product, ie. Failure if not supported by effective communication strategy.

**Check Your Progress – 1 :**

1. New Product, we mean
  - a. Original Product
  - b. Product modification
  - b. product improvement
  - d. All of them

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**2.3 Significance of New Product Development :**

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Whatever may be nature of operation of a concern, product planning and development is necessary for its survival and growth in the long run. Every product has a life cycle and become obsolete after the completion of its life cycle. Therefore, it is essential to develop new products and alter or improve the existing ones to meet the requirements of customers. One of the most common products – planning problems relates to the addition of new products to the existing product line. Addition of new products involves generation of new product ideas, appraisal of various possibilities, economic analysis, product development, product testing, test marketing and developing markets. Another important problem of product planning is modification or elimination of existing products. The need for continuous of the product is great because society's needs are always changing and improved products must be introduced to fulfill them. All products have certain deficiencies, as they are the result of great many compromises. The perfect product has yet to be made. Research makes possible the reduction of these deficiencies and brings about improved products.

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**2.5 New Product Development Process :**

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Developing a new product is a key to organisations' survival in the ever-changing marketing environment. Some organisations set a price limit while others focus on adding value, and making the existing product better than before. They do this with price factor coming at later stage. Depending on the organisations size and past experience, the new product development process may vary. We will look at the commonly accepted process –

**1. New Product Strategy :**

The corporate strategy and objectives give guidelines for new product development by assessing organisational expertise and external opportunities.

SWOT analysis gives inputs for emerging markets and emphasis is given to the threats and opportunities.

The same are aligned with the strengths and weaknesses of the organisation. This gives direction as well as boundaries to the top management for new product development.

**2. Idea Generation :**

Sources for idea generation include employees, customers, competitors, distributors, entrepreneurs and suppliers. R & D team members too can be source of ideas. The organisation should encourage ideas by rewarding employees.

Customer surveys are important when developing a new product. By direct observation or conducting a brainstorming session with potential customers, organisations get an insight into the buying behaviour, needs, and wants of the target market.

Besides this, inputs from the suppliers, sales representatives, distributors, and retailers who serve the competitor also contribute largely to idea generation.

Entrepreneurs, University students and Inventors are also source of ideas of new inventions outside organisation.

The organisation should have a designated Manager or Idea Committee to compile ideas from different sources.

**3. Idea Screening :**

The process relies mostly on the experience of the members in the top management and their judgement. Not all the ideas are good ones, and this process is to ensure mistakes are avoided at the early stage.

Key factors to be considered are new product's value to the customer, expertise available within the organisation, stipulated time for manufacturing the product, scope for promotion activities, financial feasibility (cost and profit margin), sustainability in the market and customer service if needed (after sales service).

The basis the new product strategy or SWOT analysis is done and the best idea is selected.

Most of the organisations are more successful with products for which they have the expertise.

**4. Concept Development and Testing :**

Some organisations conduct concept testing by discussing the concept of the new product with few potential buyers through discussion in focus groups or individual interviews and their reaction is recorded. For E.g.,

virtual reality programs use computers and system by which customers can experience driving an automobile or wear an attire via simulation.

The inputs from consumers help organisations assess the customer appeal, customer expectations, target customers etc.

#### **5. Business Analysis :**

It refers to the detailed study of economic feasibility of the new product ideas. The management prepares the sales, costs and profit projections to assess if the new product should be introduced. It gives a clear picture on whether to continue with the development and evaluation process or drop the idea.

The costs include promotion activities, R & D, distribution, production, and associated services like consulting, accounting, legal, etc. The organisation then arrives at the attractiveness of the new product in relation to the target market.

#### **6. Product Development :**

The product in the form of concept – word description, drawing – takes the form of a prototype. Few physical versions of the product are made.

This stage provides information on the costs of manufacturing, distribution, and packaging. If the estimates are not feasible to the organisation technically, or more modifications need to be done that are undesirable, the product idea may be dropped.

If the firm wishes to go ahead with the production, supporting strategies are also developed at the same time like packaging, labelling, brand names, etc.

#### **7. Market Testing :**

This stage thoroughly evaluates the market acceptance through market research before complete product introduction in the market.

The product is introduced in a small section of the market, which represents the whole market to test products acceptability. The test results from market testing help organisations to estimate the projections.

The most serious problem of conducting market testing is a competitor discovering the same and monitoring the results.

If the product has not been patented, the competitor may launch identical product much earlier.

#### **8. Commercialization :**

The new product after successfully passing the test marketing stage is launched in the entire market with all the related decisions like distribution, packaging, after sales service, etc. Contracts with suppliers are signed, channels of distribution are selected, and manufacturing facility and supporting services are set into operation on full scale.

Timing of product introduction is critical to firms. If the organisation learns that a competitor is on the verge of developing a similar product, the organisation has to make a decision like Early entry (enables a firm to have a strong distribution network and gain a reputation), Parallel entry , or Late entry (firm saves the cost of educating the consumer about the market – promotion activities).

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### 2.5 Consumer Adoption Process :

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- Customers learn about new products, try them, buy or reject them. Adoption is the decision of an *individual* to use the product; while, *diffusion / distribution / circulation is the collective* spread of individual adoption decisions throughout a market.
- Thus, adoption process is concerned with the individual whereas the diffusion process is concerned with the aggregate behaviour.
- The fundamental reason for studying the diffusion and adoption processes is to increase the level of understanding of how ? When ? And why ? New products are accepted or rejected.

#### Five Stages to the Consumer Adoption Process

- **product awareness**
- **product interest**
- **product evaluation**
- **product trial**
- **product adoption.**

#### Stage 1 – Product Awareness

- This first stage is about creating awareness that your product is in the market. It is important that your company develops a successful avenue for your consumers to become aware of your product.
- If consumers do not know your product exists, than it might as well not exist! Create marketing material. These can be one–sheets, video teasers, images, and landing pages. Make these marketing materials easily accessible.
- In the era of social media, many tools are available in the market that provide companies with the techniques and methods to increase product awareness through social channels – enabling them to reach a large number of customers at a low cost!

**Example : Movie Teasers.** Movie teasers are designed to inform the audience without providing them in–depth information about the movie.

#### Stage 2 – Product Interest

- In this stage consumers are ready to learn more about your company's product and / or service.

- Organization must guide the consumer through the interest stage by providing easily accessible information on your product.
- Among the methods used in the today's business landscape include a website describing the product, blog posts, tutorial or instructional videos, white papers, and other sources of info that the potential consumer can discover and review.

**Example – Apple** utilizes its product launch to provide information and insight into its latest product. With well–designed and organized speech, scripted presentation, and balanced use of technical and non–technical vocabulary, Apple delivers information eloquently and successfully to broad range of customers.

### **Stage 3 – Product Evaluation**

- Prior to purchasing, consumers examine, compare and evaluate the product. Such behavior increases in intensity and need once the item in question is more expensive, sophisticated and complex, or critical.
- Consumers go online and utilize social media channels to ask other individuals about your product or service. In addition, they find online reviews and recommendations.
- It is advisable in creating information that outlines the difference between your product and competitive products, on features and services.
- Another great system to utilize is the webinar. This platform allows you to communicate with potential customer in depth information about your product and provides time for Q&A.

**Example – PCMag** is a world–renowned website for comparing gadgets and computers. They are notable for their reliable reporting, comprehensive evaluation editorials, and categorization of different gadgets based on their qualities.

### **Stage 4 – Product Trial**

- This is the stage where the consumer "kicks the tires".
- Nothing helps a consumer make a decision about your product more than actually trying your product out! There are many ways this is accomplished.
- A free trial or a proof of concept campaign. In this stage it is very important to set the customer expectations correctly and deliver on said expectations

**Example – Lux shampoo.** HLL often gives free samples with the morning newspapers in a small sachets.

### **Stage 5 – Product Adoption**

- When the consumer enters the product adoption phase, he/she is ready to purchase your companies product. This is the critical stage that businesses need to get their consumers to.

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- When the customer is here, you need to make the payment process simple, intuitive, and pain free. In addition, you need to ensure that the consumer can easily obtain the product. If you make it to and through this last phase successfully, then you can take money to the bank.

Whether you have a new business or an existing business, a product built for the enterprise or a product built for a consumer; the consumer adoption process is the same.

Some customers buy products more quickly than others and vice versa. An individual can be categorised into different groups depending on how quickly they adopt a new product.

### **Adopter groups are :**

1. **Innovators** – they are willing to try new ideas. They help to get the product exposure.
2. **Early adopters** – these people adopt new ideas early but cautiously. They serve as the opinion leaders.
3. **Early majority** – these adopt a new product earlier than an average consumer.
4. **Late majority** – these people buy the product only after majority of the market has bought the product. They do not want to take risk.
5. **Laggards** – these are the people who mostly resist change and adopt a product only once it is not considered an innovation. They are tradition bound and buy the product as a tradition.

### **Check Your Progress – 2 :**

1. The prospect seeks information about the product and wishes to explore the benefits of the product.
  - a. Awareness
  - b. Interest
  - b. Evaluation
  - c. Trial

### **Advantages of Market Testing**

- Data provided is from actual customer spending
- Reduces the risk of a full-scale launch – if the product fails a test then significant costs may be saved
- Provides a way to tweak the marketing mix before full launch
- Can create a promotional "buzz" which supports the main launch
- Easy and less risky to do variations to the marketing mix elements.
- Helps define target group and buyer behavior
- Realistic market response obtained
- Limited investment needed
- Forecast of Sales, Costs and profits of the total market is possible.

**Disadvantages of Test Marketing**

- Danger of the competition learning about the product and coming up with a response before the full launch
- Test market may not be representative of the full target market, leading to inappropriate decisions
- Delays in full launch may limit the revenue opportunity in markets subject to rapid change
- Costly and time-consuming to administer

**Check Your Progress – 3 :**

1. \_\_\_\_ is the reason for failure in "New Product Development Strategy"  
a. Poor product design                      b. Market size overestimated  
c. Price too high                              d. All of the above
2. Encourage all stakeholders to send ideas and formally recognize the program is characteristic of which stage in the NPD  
a. Idea generation                              b. Idea screening  
c. Testing    d. Evaluation
3. Systematic search for new-product ideas is characteristic of which stage in NPD process ?  
a. Business analysis                              b. concept development and testing  
c. Idea generation                              d. idea screening

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**2.6 Let Us Sum Up :**

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For a new product to germinate in an organisation an effective process for managing the development needs to be established.

The NPD process goes through various stages of process before its acceptance. The consumer-acceptance too will depend on factors that may not be controlled by the marketer.

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**2.7 Answer to Check Your Progress :**

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**Check Your Progress – 1 :**

1. d

**Check Your Progress – 2 :**

1. b

**Check Your Progress – 3 :**

1. d                      2. a                      3. c

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**2.8 Glossary :**

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**NPD** – New Product Development

**Innovation** – a new method, idea or a product

**Screening** – the evaluation of something as part of a methodical survey, to assess suitability for a particular role or purpose.



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**2.9 Assignment :**

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What are the different processes of developing a new product ?  
Under what circumstances do products fail ?

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**2.10 Activity :**

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Pick out a product that you think has not done well or failed soon after launch. Find the reasons for its failure.

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**2.11 Case Study :**

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A Ski gear company traditionally designed ski and shoes for men and smaller version for women.

However, the research data showed a big number(39 percent of skis and 43 percent of alpine boots) were purchased by women.

The company for these gears looked hard at the data and decided to shift its manufacturing focus to meet the demand

What steps the company should do for the new product development ?

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**2.12 Further Reading :**

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## GLOBAL MARKET AND MANAGING HOLISTIC MARKETING MANAGEMENT

### **: UNIT STRUCTURE :**

#### **3.0 Learning Objective**

#### **3.1 Introduction**

#### **3.2 Introduction to Global Market**

#### **3.3 Modes of Entry to Foreign Markets and Risks Involved**

#### **3.4 Product and Communication**

#### **3.5 Counterfeit Goods**

#### **3.6 Country of Origin Effect**

#### **3.7 Managing Holistic Marketing**

#### **3.8 Components of Holistic Marketing**

#### **3.9 Importance of Holistic The Marketing**

#### **3.10 Holistic Marketing Framework**

#### **3.11 Let Us Sum Up**

#### **3.12 Answer to Check Your Progress**

#### **3.13 Glossary**

#### **3.14 Assignment**

#### **3.15 Activity**

#### **3.16 Case Study**

#### **3.17 Further Readings**

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#### **3.0 Learning Objectives :**

- Entry into international business
- Communicating messages and Designing products for international markets
- Understanding the implication of Holistic Marketing

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#### **3.1 Introduction :**

Holistic marketing has evolved with collaboration between all the activities undertaken by an organisation with clear objectives.

Organisations deciding to explore markets internationally need to clear the steps in that direction. The international growth objectives and policies need to be established

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#### **3.2 Introduction to Global Market :**

The firms do not generally move out of domestic market especially if the local market is booming. The managers remain comfortable in opportunities and challenges in the domestic market. They feel safe.

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Moving out of the domestic boundaries, the business managers will have to learn different languages, deal with strangers, face the chaos in exchange rates of various currencies, newer political and legal arena, and adapt to products that are acceptable to the needs of people from different nationality.

In today's business environment, the firms do not ignore international markets as :

1. Each nation is dependent on the other for goods and services.
2. There is more awareness about the goods available across the world due to extensive travel by people and media coverage.
3. Many companies now look at the entire world as a global market place with abundance of opportunities.
4. The local market is drying up.
5. The large international companies and ease of trade have brought competition in their own backyard.
6. The time and distance have shrunk due to inexpensive communication (internet), and easy availability of transportation.
7. The liberalized economies have enabled flow of financial funds.
8. The Products developed elsewhere are accepted everywhere.

Doing business internationally globally still involves risks, which cannot be ignored.

### What are the risks ?

1. **Political** : The firms face the risks of doing business in countries that may not have stable governments and who do not believe in smooth transfer of power if so mandated.
2. **Regulatory** : All countries have different types of regulations for doing business. Such regulations may not be favourable if there are irregular changes or uncertainties. Google, Uber and Airbnb are current examples of entrepreneurial efforts that are struggling with government regulations in new markets.
3. **Cultural** : There are bound to be differences in cultural, especially concerning customer preferences, tastes, values and beliefs. The local culture affects not only the decisions an entrepreneur must make, but also how a market views the company. The best strategy is to engage people in the local market to manage your business there.
4. **Managerial** : The management practices are culture-bound, so the managers may not be suitable in culturally different working environment, especially in human resource aspects.
5. **Currency** : The exchange rate of one currency with another may be volatile and may not be in favour of one party. The potential for large currency swings may change the way you need to manage transactions, specify contract terms, and project futures.

6. **Credit** : The risk is serious if the buyer in another country goes bankrupt and the seller faces risk of loss due to non-payment.
7. **Transport** : The goods despatched through sea, air and long road distances are exposed to many types of additional risks.
8. **Market** : The competition in international business is from the local as well as from other global companies. The intense competition may also face change in market conditions. It is common mistake is overestimating a particular market's potential, based on your domestic context. Foreign markets typically have less information available and more variability in sales estimates, which is a setup for failure.
9. **Foreign Country's Rules** : Firms often face rules imposed by the foreign government concerning working practices, ownership, local nationals, local purchase, amount of profits that sent from the country.
10. **Factor in basic infrastructure quality and services.** The cost of doing business in any market is heavily dependent on local transportation, energy, technology, and financial services. These components can totally change your customer value proposition, or the business model that you have honed. Re-validate your business model in every market.
11. **Assume large and frequent economic swings.** The inability to accurately predict or prepare for sudden changes in the local economic environment creates risks for the markets you know, but can wreak havoc for global initiatives.

Therefore, the companies eyeing to do business internationally must weigh their options impartially before committing to go-ahead.

When the firms finally make up their mind to do business internationally, there are three questions that need to be thought through :

- A. **Which markets to enter ? (Marketing objectives)**
- B. **How many markets to be entered ? (Approaches)**
- C. **How to enter the designated market ? (Mode)**

**A. Which markets to enter ? (Marketing objectives)**

The firm has must systematically work out the market size, expected growth, cost of doing business, competitive advantage and risks.

Inwardly, it must clear its international objectives and policies. Then, it must answer :

1. How much foreign sales it is targeting ?  
Will it be equal or more than domestic business ?
2. Which types of country it wants to enter ?

It will depend on the product attractiveness, geographical, demographical and economic factors including political climate.

3. It must forecast the potential of each such market and the ROI.

**B. How many markets to be entered ? (Approaches)**

1. The seller may prefer certain country or group of countries.
2. Mostly, the firm operate in fewer countries with deeper penetration in each.

There are two approaches in the entry methods :

- a. **Waterfall approach** : is gradual entry in to countries in sequence. The firm starts with developed countries and slowly move to the developing countries. E.g. Benetton, The Body Shop, BMW etc.
- b. **Sprinkler approach** : is when a firm enters many countries at one go. This approach holds especially true for techno-firms like Apple, Microsoft etc.

**C. How to enter the designated markets ? (Modes of entry)**

Once a firm decides to enter into international business, it has to work out the appropriate mode of entry. The various modes range from indirect export to direct investment.

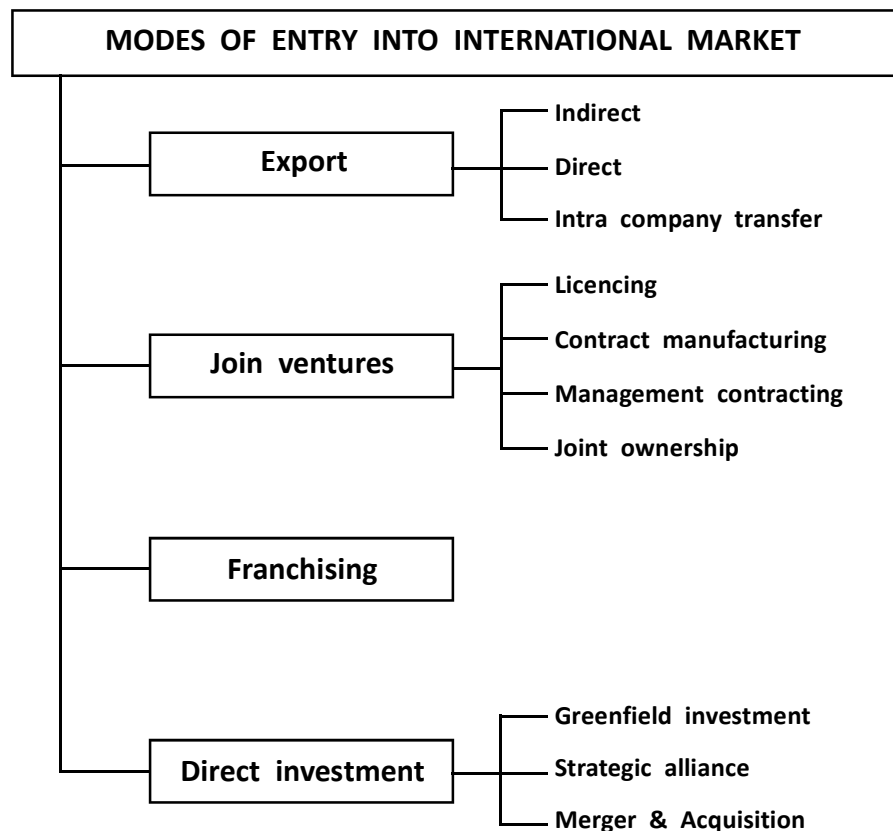
Each mode of entry has to be evaluated in terms of money allocated, return on investment, product lines, risk and control.

As in any business, here too, the more the investment, the greater is the risk but with better control and more profit. On the other hand, less the money allocated, the risk is minimal but so is the control and profit.

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**3.3 Modes of Entry to Foreign Markets and Risks Involved :**

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### **Indirect Export**

The easiest way to enter an overseas market is through export. A firm may change the products(s) home country to suit the foreign markets.

In this mode, there is low-risk, but least market-control. The firm does not engage in international marketing as there are no sales personnel of the exporting firm.

### **Direct Export**

Sellers then move to direct exports. The firm does its own distribution of goods or set up an overseas branch that handles sales, distribution and promotion. It can do distribution through a firm of the host (another) country on commission basis or fee charged. Direct exporting is selling the products to a country directly.

### **Intra-Company Transfers**

Intra-Company transfer is selling of product by a company to its affiliated company in host (another) country. It is treated as exports in home (own) country and imports in host country.

This generally happens in large multi-national companies that have manufacturing units in several places around the world.

### **Joint Ventures (JVs)**

Another method of entering a foreign market is through joint ventures. A firm joins hands with a foreign company to produce or market the products or services. There direct investment in the association formed between the two entities. The reasons for joint venture may be required for : finances, political obligation, managerial resources, or government regulations.

- *Through joint ventures, foreign investors have access to distribution channels, financial resources, and contacts of the Indian partners.*
- *Corporate joint ventures are regulated by the Companies Act, 2013 and the Limited Liability Partnership Act, 2008.*

**There are four types of Joint Venture : Licensing, Contract Manufacturing, Management Contracting and Joint Ownership.**

#### **Licensing :**

The firm issues a license to another firm in foreign country to manufacture or use of trademark for an agreed payment or royalty.

The licensee firm stands to advantage in getting product expertise of famous brands, while the licensor reduces its risk in entry in foreign market.

#### **Contract Manufacturing**

Another possibility is contract manufacturing. A firm hires a manufacturer in foreign country to produce its product or give service.

The advantages are that it gets faster start, with less risk. The weakness is that the licensor reduces its control on actual manufacturing.

**Management Contracting**

A firm enters into management contract with another firm in foreign country for sharing the management expertise for a fee. The licensee in the foreign country does capital investment.

Management contracting is a low-risk method with income to the domestic firm from the very launch.

**Joint Ownership**

Joint-ownership Ventures is when a firm agrees with investors to generate a local business with joint ownership and control.

The venture could be formed by a firm buying an interest in a local firm, or when the two firms get together to get into a new business venture.

The reasons for Joint ownership Venture are : economic needs, political compulsion or conveyances, foreign government condition.

The drawbacks are that the associates may disagree over various aspects of the business. For long term partnership, both parties must have clarity on goals and the distribution of profits.

**Franchising**

A firm has the choice of entering overseas market through franchising, which is another form of Licensing.

The franchiser offers a complete brand concept that it has elsewhere in the world. It imparts training, standards of services to maintain quality and operating system. Also, it gives the authority to the franchisee to use logo, trademark, brand name and symbols.

The franchisee does the investment in the business and pays an agreed amount to the franchisor.

The franchiser demands to maintain the same standard across the world, allowing the product or service to adapt to the local taste.

**Direct Investment**

The firm has to study the existing economic, political and market conditions before committing itself into capital investment.

E.g. Apple investments of R&D work in China.

Direct Investment can be done through :

- A. Greenfield investment**
- B. Strategic Alliance**
- C. Merger and Acquisition**

**A. Greenfield investment**

The investing firm makes full and direct investment in a production unit in a foreign market, thereby fully owning the company. The firm can do the construction of the new plant. This type of investment and

commitment generally happens from a company in developed country into developing country. E.g. Mercedes Benz putting a plant near Pune

It is called wholly owned subsidiary or the Greenfield investment.

### **B. Strategic Alliance**

Strategic Alliances happen when there is a co-operative approach. Strategic Alliances are a strategy to explore a new market when one company is unable to penetrate the market objectives alone. E.g. ICICI Bank with Vodafone for m-pesa

Many firms are entering into Strategic Alliances to achieve good results in short time.

### **C. Merger and Acquisition (M&A)**

Mergers and Acquisitions have gained popularity due to Globalisation and Financial Reforms happening worldwide.

The purpose of M&A is to get some strategic benefits in the markets of a particular country. With M&A, multinational companies can enjoy achieve economies of scale by speedy growth. E.g. Vodafone with Idea (mobile service providers)

M&A inspire Foreign Direct Investment (FDI).

The laws regarding M&A need to be updated regularly by the investing firm.

#### **Advantages of Direct Investment**

1. The firm can have healthy relation with the government and local customers that enables it to align the product and service to the local needs.
2. It can procure material from local sources at a cost that may be more cost effective.
3. It can take the benefit of government tax, subsidies and other incentives.
4. It can provide employment to the local public.
5. It has total control on all the aspects of manufacturing and service operations keeping its international norms intact.

#### **Disadvantages of Direct Investment**

1. The risk of capital investment is totally borne by the investor.
2. The volatility of currencies may bring unanticipated loss.
3. The political situation may change and there may be public unrest.
4. The shutting down of the entire business may be quite costly.

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### **3.4 Product & Communication :**

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#### **Product & Communication – adapt or extend ?**

Ford and Toyota selling their India that are designed for a low-cost cars, now wants to sell this versions globally. Nestle's high-nutrient



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and low-cost variant of Maggi noodles, a product developed for India and Pakistan, is on its way to Australia and New Zealand

Companies can have five different strategies to venture in foreign markets. The focuses on changes are based mainly on product and communication strategy to be used internationally.

The adaptation and / or extension on the two focal aspects are based on the needs and wants of its foreign customers. Another alternative is to adopt an invention strategy, where products are newly designed.

**1. Product and Communications Extension :** A firm may opt for marketing a standardized product using a uniform communications strategy. Small firms or firms that are new in international business generally go for this approach.

This option is less costly for the firm, as the products do not have to be customized products and the packaging and advertising campaigns remain the same as in host country.

This strategy is product-driven rather than market-driven. However, there are likelihoods that's the customers may not want to shift from the products in host country.

**2. Product Extension – Communications Adaptation :** Here, a firm keeps the same product as in-home country but changes to customized advertising campaigns for the host country. The reason is that the benefits sought differ for the same product in various parts of the world due to differences in the cultural environment.

**3. Product Adaptation – Communications Extension :** The firms might adapt their product as per the requirements of host country but use same communications strategy. The local confrontation is not there as the product is localized.

In case there is acquisition of a local company, the firm adds the brands to the overall product portfolio. The buying behaviours among consumers using their familiar product suits communications strategy.

**4. Product and Communications Adaptation :** In this strategy, to suit the cultural and physical environments, the firm goes for dual adaptation – of the company's product as well as its communication.

**5. Product Invention :** Here, a firm goes for innovative products which have a worldwide appeal which offers large market opportunities.

There are global plans, resources, direction and support given by the highest authorities in the company to go in for this approach.

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### **3.5 Counterfeit Goods :**

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#### **What are counterfeits ?**

Counterfeits goods trick consumers by placing familiar brand names or logos on fake goods that are not produced by the brand owner. These goods are manufactured and sold illegally.

Innocent customers seeking particular brands with certain product features and quality are not actually getting the product they wanted in the first place.

There are many counterfeit products that can actually harm consumers. For E.g. – medicine, personal hygiene products may contain toxic materials endangering lives. Phone chargers and batteries can start fires or explode, and car parts can fail driving.

Such dubious businessmen have fake goods with familiar brand names and logos and certification marks. They even copy packaging design of the original goods.

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### **3.6 Country of Origin Effect :**

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The consumers associating brands with countries and making buying decisions is called as Country of Origin Effect.

As the consumers form brand and country association and brand recall is made accordingly, it becomes hard to change the perceptions afterwards.

In other words, the products and brands from certain countries are purchased or discarded depending upon our perceptions of the value associated with these countries. For E.g., Switzerland's watches (Swatch). USA's fast-foods (McDonalds & Donimos).

Marketers have to take be cautious about the country's name when used in communication.

#### **Current business trends :**

- 1. Robots taking our jobs :** Probably the biggest change that is affecting our businesses is how machines are taking over tasks ranging from window cleaning to inventory management. Anyone with a transaction based job or business will be having a forced career change before the end of the decade.
- 2. The Internet of machines :** Those robots and computers are talking to each other which speeds up business decisions and will strip layers of management from organisations.
- 3. Flatter organisations :** A consequence of those faster decisions is the need for less management. Organisations need to be flatter in order to process information faster unless they want to risk nimble competitors seizing business opportunities.
- 4. 3D printing :** One of the most exciting, and business changing, technologies is 3D printing which allows you to print a coffee cup

at your desk, help robots construct new buildings and a give a little boy a set of fingers.

5. **Nano–technology** : The 3D printing is happening alongside biological engineering. By the end of the decade, we'll be able to print our own skin. By 2030, we'll be printing replacement body parts like heart valves.
6. **Mobile apps redefining service industries** : The mobile phone app is currently booming but the real effects of these mobile services will be felt on industries as diverse as the taxi industry to the mining and agricultural sectors.
7. **The fight for control of the mobile payments system** : An upshot of the app economy is the question of who processes, and makes money, from online payments. The battle between banks, credit card companies, telcos and software companies is going to be a major business story of the decade.
8. **Reinventing entertainment** : Apps and connected machines are going to change consumer behaviour and nowhere is this more notable in the entertainment industries which are being revolutionised by tools like Google Glasses and social media.
9. **The fall and rise of social media** : Like many innovations social media was greatly hyped and now we're seeing the backlash of it being oversold. Over the rest of the decade organisations are going to figure out how to use social media services effectively and profitably without hype.
10. **Newspapers cease to exist** : One of the effects of social media, mobile phone apps and the pervasive internet is the coming to the end of newspapers.

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### 3.7 Managing Holistic Marketing :

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According to Philip Kotler, *"A holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that 'everything matters' with marketing and that a broad, integrated perspective is necessary to attain the best solution."*

#### **What is Holistic Marketing ?**

The holistic approach to marketing is based on the ground that the whole is greater than the sum of its parts.

For example, a vehicle's different parts (engine, wheels, the exhaust system etc) should function properly for the smooth running of the vehicle.

Holistic marketing has a similar approach in running of a business organisation.

Earlier, various departments, such as Marketing, Finance, Administration, HR, etc., worked independently. Under the holistic marketing approach, all the departments within the organisation work together towards the common goal of the organisation.

Therefore, the tactic is to have positive brand image, make product attractive enough for purchase, and have integrated marketing communications for the success of a business.

Requirements for Holistic Marketing approach to give customer great experience :

- **A common goal** : All features of the business should work towards one common goal.
- **Aligned activities** : All business activities, processes, communication and services should be united towards that common goal.
- **Integrated activities** : All activities and processes should be combined in such a way that they provide a consistent, uniform and continuous customer experience.

### **Internal Marketing**

When all employees in various departments accept the concepts and goals of marketing and realize their prime purpose is to satisfy customers does the company become truly effective.

The Marketing Departments are be organized to work effectively with other departments, to bring in creative marketing philosophy across the organisation.

### **Organizing the Marketing Department**

Marketing departments can be organized as :

- A. Functional Organisation
- B. Geographic Organisation
- C. Product Organisation
- D. Market Centred Organisation and
- E. Matrix Organisation.

#### **A. Functional Organisation**

There are three methods in which the sales force may be organized for direct selling :

The product or service can be sold directly to customers or to distributors, wholesalers, retailers or to other middlemen (for indirect selling).

#### **B. Geographical Organisation**

When there is a single product is to be sold in scattered markets, the sales personnel's area is divided on a geographical basis.

**C. Product Organisation :**

If there are different **products** to be sold, the sales force is organized for each product or the product's group. The bifurcation can be done on the basis of the technical process of the product.

**D. Market-Centered Organisation**

Changing the focus from products to customers, firms group together customers' needs and divide the sales people.

**E. Matrix Organisation**

Firms cater differently, when

- There are different products for different markets (E.g. Product range of ITC – cigarettes, soap, cookies, flour, note books etc)
- There are same products for different markets (E.g. Cannon – photocopiers to retail market and government organisations)
- There is the same customer with different needs (E.g. Johnson & Johnson selling different numerous items to children category)

In such cases there may be need to have separate manager for each product. Or, a unique buyer may require the full attention of one sales person.

Therefore, the solution lies in a matrix organisation, where responsibilities may be given on the basis of : **functions and products; functions and markets; functions, products and markets.**

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**3.8 Components of Holistic Marketing :**

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*Courtesy Philip Kotler and Kevin Keller.* There are **five** different components that merge to represent the firm's brand image.

**1. Relationship Marketing**

This component of holistic marketing is focused on building strong relationships with all stakeholders (including the customers, employees,

shareholders, suppliers, channel partners, regulatory bodies, and financial institutions) who can directly or indirectly influence the success of the business.

The aim of relationship marketing is to focus on marketing activities that create an emotional bond between the business and stakeholders. The emotional tie brings loyalty that are likely to convert to purchase of the firm's products and projects a positive brand image even when they are outside the office.

## **2. Integrated Marketing**

All marketing communication – sales promotions, advertisements, digital marketing, print advertising, direct marketing, public relations, etc. – are integrated to give customers same experience with similar messages.

Using an integrated communication strategy means choosing communication options that reinforce and complement each other.

## **3. Internal Marketing**

In this approach the organisation's employees are to be treated as internal customers – fully aware about the products and services of the organisation. Employees of all departments need to be involved in the marketing process.

The organisation has to ensure the satisfaction of its employees, through proper training and motivation, and coach them for the organisation's business values.

The internal marketing safeguards against any personal or departmental conflicts.

## **4. Socially Responsible Marketing**



Holistic Marketing requires the responsibility of the organisation to be extended socially – that is all its activities should be guided by laws, business ethics, society, and environment.

Also, the organisation can indulge in socially responsible marketing through Corporate Social Responsibility (CSR) and philanthropic activities, helping the community as well as improving the organisation's brand.

## 5. Performance Marketing

This marketing is focused on the returns of marketing activities to the business.

Marketers can show a return on investment on the funds spent on marketing and subsequently its effect of these marketing activities.

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### 3.9 Importance of Holistic The Marketing :

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The holistic marketing approach has a number of benefits. These include :

#### 1. Brand Building

A company's brand as well as other intangible assets is a large percentage of the company's market value. As time passes it grows.

Also, consumers' approach to shopping constantly changes.

Today, customers pay more attention to the brand than the product. This shows that there is need to put greater focus on brand building.

*The holistic marketing approach helps build a stronger brand by projecting a positive and unified image among all the company's stakeholders and across all the touch points through which customers interact with the brand.*

#### 2. Consistency

Consistence is vital for any brand that wants to remain relevant in the long term.

Today, people are conscious on their money spent. Before making any purchase decision, consumers take a lot of care to ensure that they are getting their money's worth.

Without directly engaging the company, consumers research the company and the product both online and offline.

During this research phase, it is crucial to ensure that the customer experience is *consistent across all the channels* the customer might opt to learn from. Any fault here, the customers might be lost without the organisation even knowing about it.

Holistic marketing also ensures that all touch points through which customers interact with your business are integrated such that they provide a seamless experience to the customer regardless of where the customer is interacting with your business.

This consistency helps build customers' confidence and trust in the brand.

#### 3. Efficiency

One of the foremost aims of holistic marketing approach is to ensure that all the aspects of the business are working together in harmony towards a common goal.

When there is such alignment, it becomes a lot easier to ensure that resources are deployed where they will be most *effective*.

Having all the aspects working in harmony also reduces the likelihood of duplication of effort, making business processes more efficient and helping the organisation to save money and time.

Finally, when all aspects and departments are working in cohesively, it becomes easier to spot opportunities and take advantage of them, and identify potential risks and address them.

#### **4. Effectiveness**

The holistic marketing approach focuses on the bigger picture rather than on the smaller details.

This bird's eye view creates a powerful synergy that effectively enhances your brand positioning and brand messaging in the eyes of your customers.

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### **3.10 Holistic Marketing Framework :**

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The holistic marketing framework is a process that helps organisations use the holistic marketing approach and the interactions between the organisation's various stakeholders and collaborators to create, renew and maintain customer value.

The holistic marketing framework is comprised of three value-based activities :

#### **1. Value Exploration**

This is the process through which organisations *identifies new opportunities for value creation*. Here, the organisation needs to have an understanding of how the following three spaces interact together :

- (a) The consumer's cognitive space – refers to your customers' existing and latent needs, as well as other customer dimensions such as the need for freedom, stability, participation and change.
- (b) The organisation's competence space – refers to the organisation's capabilities.
- (c) The collaborators resource space – refers to the ability of the organisation to partner with other organisation's to either serve the organisation's value creation or to exploit market opportunities.

By evaluating how the relationships between these three spaces and how they interact with each other, business can easily identify new opportunities for value creation.

#### **2. Value Creation**

After identifying value creation opportunities during the value exploration stage, the organisation needs to develop *value creation skills* to take advantage of the opportunity.

In order to do this, marketers need to determine any *new benefits the customers want* from the customer's point of view, and then use the



## Marketing Management

organisation's core competencies and strategic partnerships with collaborators to deliver these benefits.

The key thing during this step is to get into the customers minds and understand how they think.

This can be done by observing who the customers interact with, who they admire, and the people that hold the greatest influence over the customers.

### 3. Value Delivery

Finally, the organisation needs to *actually deliver value* to the customers.

In most cases, this requires the organisation to make huge investments in both infrastructure and capabilities.

The organisation will also need to become competent in managing customer relationships, internal resources, and business partnerships.

This makes it easier for the business to properly respond to customer opportunities. Therefore, the organisation need to be able to able to manage the resources and processes involved in delivering value to the customers.

Finally, the organisation needs to be able to manage any business partnerships it will enter into in the delivery of value to customers.

### Summary

With the changing face of the business environment and increased competition, the holistic marketing concept has emerged as one of the greatest ways for businesses to remain competitive.

Under the holistic marketing approach, marketing is not viewed as an isolated element of business.

Instead, holistic marketers understand that marketing is most effective when all aspects and elements of the business work together towards a common goal of selling products and delivering an exceptional customer experience.

### Check Your Progress :

1. Under which mode of entry, does a manufacturer give the right to use intellectual property such as patent and trademark to a manufacturer in a foreign country for a fee
  - a. Contract manufacturing
  - b. Licensing
  - c. Joint venture
  - d. None of these
2. When two or more firms come together to create a new business entity that is legally separate and distinct from its parents it is known as
  - a. Contract manufacturing
  - b. Franchising
  - c. Joint ventures
  - d. Licensing

3. Which one of the following modes of entry permits greatest degree of control over overseas operations ?
  - a. Licensing/franchising
  - b. Wholly owned subsidiary
  - c. Contract manufacturing
  - d. Joint venture
4. Holistic marketing does not include :
  - a. Internal Marketing
  - b. Integrated Marketing
  - c. Performance Marketing
  - d. Financial Marketing
5. Holistic marketing benefits in :
  - a. Consistency
  - b. Brand Building
  - c. Efficiency
  - d. All the above

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### **3.8 Let us Sum up :**

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Organisations require cohesiveness between R&D, procurement, production, marketing, and finance. The activities carried out by all departments need to be monitored.

The products and services developed in one country may or may not find acceptance in other country. The products need to be carefully aligned to the market need abroad then product extension or product adaptation can happen successfully.

The products have to be seen in light of 'grey market' existence and 'country-of-origin' perceptions that can affect consumers and businesses.

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### **3.9 Answer to Check Your Progress :**

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#### **Check Your Progress :**

1. b            2. c            3. b            4. d            5. d

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### **3.10 Glossary :**

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**Regulation** – a law, rule, or other order prescribed by authority,

**Designated** – given a specified status or name to.

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### **3.11 Assignment :**

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1. Investment can be done through Greenfield, Strategic and Merger and Acquisition. Explain all three types of investments.
2. In international markets, explain the effects of low risk and low investment against high risk and high investment.

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### **3.12 Activity :**

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Name a few counterfeit products available in the market ? How are they harmful to the consumers as well as to the agents ?

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### 3.13 Case Study :

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#### Globalisation at a glance

##### Dabur has

Presence in more than 50 countries, manufacturing plants in 5 locations outside India Offices in Russia, UK and USA

Independent team based in Dubai & Delhi to handle international operations Chyawanprash, Vatika and Hajmola well-known brands in international markets

Product-specific strategy followed in international markets – Ayurvedic supplements and private label in developed markets, personal care in Middle East, toothpaste and soap in Africa, healthcare and personal care in Bangladesh

##### Future plans

Dabur has formulated structured strategies to enter into the international market and has identified focus countries where it is evaluating the need for having a manufacturing facility or marketing presence.

According to Mr. Sunil Duggal, CEO, Dabur India, "We have identified 7 focus markets and 8 potential markets where we will invest managerial and monetary resources and set up local manufacturing facilities if the situation demands. A state-of-the-art production facility is being planned in Dubai in addition to a product development cell that will develop products to cater to local consumer needs".

As a part of this strategy the company is also looking at a large market for herbal-based therapeutic products amongst the mainstream population in developed markets, dealing primarily with lifestyle ailments. The focus of this initiative would be to cater to this market in UK through OTC products.

Entry strategies are being developed to enter the US supplements market.

According to you...

1. Which mode of entry is to be adopted for developed markets ?
2. Do you think capital investment is advisable ?

Source : [www.dabur.com](http://www.dabur.com)

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### 3.14 Further Reading :

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International Business, Text and Cases, P. SubbaRao, 3rd revised and enlarged edition

International Marketing, Dr Roger J Best

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## **BLOCK SUMMARY**

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There is hardly any situation where the company gets monopolistic market. Competition is everywhere. A company takes up positions to counter the strategies of the competition. There are various strategies adopted to counter the competition.

You have also learned in this Block, how the product or service is similar to the life cycle stages of human being. At each stage a company adopts several approaches to extend its life time in that period.

The key to survive and grow in the market place lies in continuous innovation of the product and service offered. Therefore, the organisation sets an acceptable process right from germination of an idea to ultimately commercialise the product or service.

In the international arena there are risks involved which are created due to several influences. The company willing to venture abroad for business primarily decides on its own objectives, then the approach to the international affairs and finally takes up the mode to enter the international market.

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## **BLOCK ASSIGNMENT**

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### **Short Answer Questions :**

1. What is the type of market segmentation that can be done ?
2. What are the steps to be taken for product positioning ?
3. What are the new types of product or services that can be launched by a company ?
4. What are the factors that lead to product failure ?
5. Are there risks in doing international business ? Enumerate them.
6. What are the approaches in the entry method to international business ?
7. What is the meaning of 'Holistic Marketing Framework' ?

### **Long Answer Questions :**

1. What is the various basis of segmenting of market ?
2. What is the competitive strategy for Market leaders ?
3. Explain the commonly acceptable New Product Development Process.
4. Describe the modes of entry to international business.
5. Elaborate the direct investment methods – Greenfield, Strategic Alliance, Mergers and Acquisition.

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❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3
No. of Hrs.			

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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Ambedkar  
OpenUniversity**

**BBAR-201/ DBAR-201**

# **Marketing Management**

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## **BLOCK-4 PRODUCTS, BRANDING, PRICING STRATEGIES, MANAGING SERVICE, MARKETING CHANNELS AND IMC**

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### **UNIT 1**

SETTING PRODUCT AND BRANDING STRATEGIES & BUILDING  
BRAND EQUITY

### **UNIT 2**

SERVICES MARKETING

### **UNIT 3**

DESIGNING MARKETING CHANNELS, MANAGING RETAILING,  
WHOLESALE AND MARKET LOGISTICS

### **UNIT 4**

INTEGRATED MARKETING COMMUNICATIONS

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## **BLOCK 4 : Products, Branding, Pricing Strategies, Managing Service, Marketing Channels and IMC**

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### **Block Introduction**

In this block you will get an insight into the concept which has withstood the test of time – 'Marketing Mix. ' The concept clarifies how a Marketer tweaks the Ps of marketing to achieve the Company's objectives.

Service Marketing has occupied the lion's share in India's GDP. Therefore, it is essential to learn the nuances of this rapidly growing industry.

The distribution channel is one of the most important of component of the marketing system as it not only provides the logistical link to ultimately reach the consumer but also adds value to the system.

The communication message that reaches the customer through various vehicles lures him / her to build an image in the minds of the consumers about the product or service or the company – thus vital cog in the wheel of Marketing Management.

### **Block Objectives**

**After learning this block you will be able to understand :**

- Product lines, levels, extension and mixes.
- Concept of service industry
- Marketing Mix – the Ps of marketing and their use.
- Marketing Channel – Selection and Designing
- Managing Wholesalers and Retailers.
- Advertising program
- Integrated Marketing Communication

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### **Block Structure**

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Unit 1 : Setting Product and Branding Strategies & Building Brand Equity

Unit 2 : Services Marketing

Unit 3 : Designing Marketing Channels, Managing Retailing, Wholesaling and Market Logistics

Unit 4 : Integrated Marketing Communications



## SETTING PRODUCT AND BRANDING STRATEGIES & BUILDING BRAND EQUITY

### **: UNIT STRUCTURE :**

- 1.0 Learning Objective**
- 1.1 Introduction**
- 1.2 Product Levels**
- 1.3 Classification of Products**
- 1.4 Product Differentiation**
- 1.5 Product Mix**
- 1.6 Co-Branding**
- 1.7 Packaging, Labeling, Warranties and Guarantees**
- 1.8 Brand Equity**
- 1.9 Branding Strategy**
- 1.10 Let Us Sum Up**
- 1.11 Answer to Check Your Progress**
- 1.12 Glossary**
- 1.13 Assignment**
- 1.14 Activity**
- 1.15 Case Study**
- 1.16 Further Readings**

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#### **1.0 Learning Objectives :**

- To learn the product lines, levels, extension and mixes.
- Differentiating the product from others
- Branding the product, the core element

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#### **1.1 Introduction :**

Of all the Ps of Marketing Mix, the core and the vital component is the Product.

The manufacturer of the product has not only to maintain the product quality and grow but also extend the product line to get market leadership in the category. The product can be tangible or intangible provided by the service provider.

The product has to be differentiated from the clutter in the market by branding. The customer will respond more positively to a well-known brand adding more revenue and more customers along the way.



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## 1.2 Product Level :

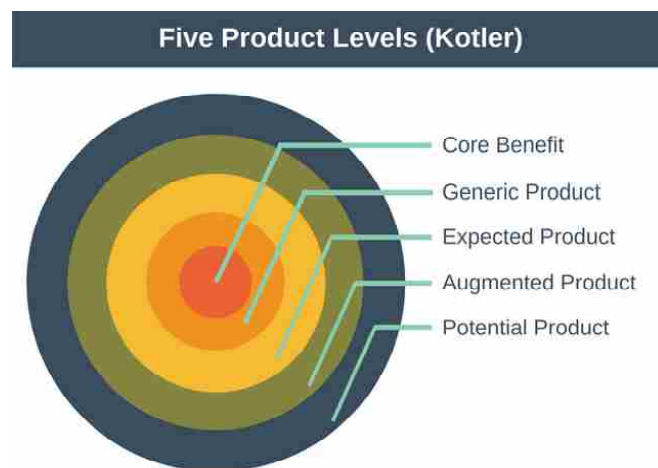
---

Marketers must plan about the product on different levels, starting with "What is the buyer really buying" ? At the first level when on buying a product, it is only problem-solving core benefits that consumers seek.

The product planner must build levels around the core product. Philip Kotler attributed five levels to products raising the product benefits to match the satisfaction of the consumers.

The products may have as many as five characteristics : a quality level, features, styling, a brand name and packaging.

### Levels of Product



#### 1. Core benefit :

The fundamental need or want that satisfies the consumers when on buying a product or service. For E.g., the need to process digital images.

#### 2. Generic product :

A version of the product containing only some attributes or characteristics that are necessary for its functioning.

For E.g., the need to process digital images could be a generic, low-end, personal computer using free image processing.

#### 3. Expected product :

The set of attributes or characteristics that buyers normally expect on purchasing a product.

For E.g., the computer processor delivers fast image with high-resolution and accurate colour screen.

#### 4. Augmented product :

The inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors.

For E.g., the computer is loaded with high-end image processing software at no extra cost or incremental cost.

## **5. Potential product :**

In the next step, all the augmentations and transformations are studied that can be provided in the product in future. The customer needs to be surprised and delighted in future for retaining loyalty.

For E.g., the customer receives image processing software upgrades with new features.

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### **1.3 Classification of Products :**

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Goods or products are divided into two categories – **consumer and industrial products**

#### **A. Consumer Products :**

Products that are purchased by consumers or users to satisfy their personal needs are called consumer products. E. gs. are – cold drinks, eatables, clothes, toothpaste etc.

Consumer products can be distinguished on the basis of shopping efforts, and durability of product.

**Products are further classified into categories :**

- a. Convenience Products
- b. Shopping Products
- c. Specialty Goods
- d. Unsought Goods

#### **a. Convenience Products :**

These are goods purchased frequently, and with least time and efforts. Convenience in making a purchase is the main criterion. For E.g., availability of product and nearness of shop etc.

These goods are regular and continuously in demand. They are essential for a consumer who buys in small units. Branded and standardized products are sold easily with hardly any enquiry about quality and price due to customer's habitual purchases. There is severe competition due to which many advertisements are given. There are sales promotions schemes, discount offers, gift offers, etc.

**Types of Convenience Goods :**

- (1) **Staples :** For purchasing staple goods, consumers do not spend least time possible. These items are bought frequently for immediate consumption. E.g., milk, bread, grocery items.
- (2) **Impulse Goods :** These goods are picked by shopper on sudden desire, without planning. E.g., gift items, etc. Window displays are essential to draw the attention of consumers.
- (3) **Emergency Goods :** Some products are purchased on some urgent need. E.g. umbrella due to sudden rains, pain reliever for headache etc. Customers do not waste time on the price or quality of such products.

**b. Shopping Products :**

Shopping goods are due diligence. The customers studies in detail about the product's quality, price, suitability, competitive products, substitutes of product and the brands available in different stores.

The goods are durable with high unit price. There is a gap between decision to buy and actual buy requiring indulgence of sales person. Service and warranty work are often important considerations as well. E.g. – Readymade Garments, shoes etc.

**c. Specialty Goods :**

When consumers extensively search and research for a product, it is a Specialty Good. These are products have high brand loyalty. E.g. – high–end audio system. These goods have high unit value and purchased infrequently.

**d. Unsought Goods :**

These are products are purchased only when there are problems. E.g. emergency automobile tools, specialized medical treatment. Consumers generally are generally unaware of these products or their importance till they realize it.

**B. Industrial Goods or Products**

Industrial products are primarily goods used as inputs in producing other goods. E.g. – raw material, machines tools etc.

The derived demand arises due demand of end products. E.g. demand for leather is derived from demand for shoes. The demand is raised by technicians and advised by experts like engineers, production managers etc. The selling may happen through direct selling by manufacturers and many a times customized as per buyers' specifications. The limited buyers are generally concentrated in specified geographical area.

**Major Categories of industrial goods are :**

- (i) Raw–materials E.g., natural rubber, cotton, agricultural products, mines etc.
- (ii) Component parts and materials E.g., tyres and batteries for cars etc.
- (iii) Accessory items E.g., machine tools etc.
- (iv) Installations E.g., overhead cranes etc.
- (v) Supplies E.g., fuel, coal, cleaning materials, lubricating oil, electric power etc.
- (vi) Business Services E.g., consultants, advertising agency etc.
- (vii) Semi–finished–goods, supplied by another industrial unit for further processing.
- (viii) Production Facilities & Equipment E.g., Buildings, Equipment, Furniture etc.
- (ix) Materials used in administration E.g., Stationery etc.

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## **1.4 Product Differentiation :**

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The customers are offered many choices of products and services from various manufacturers in the market. It is therefore necessary to distinguish from the competition to remain in business and grow.

The differentiation can be through pricing or product.

### **What is Product Differentiation ?**

Product differentiation is a marketing process of differentiating a product or service from others in the market, to make it more appealing to the target audience.

Marketers would involve defining unique position for the product or service in the market by explaining the unique benefits – its **unique selling proposition (USP)**.

It's important to differentiate the product from competition not only for better market share but also for survival.

### **Importance of Product Differentiation :**

- Translates the product attributes into benefits.
- Answers the customers for – '**What's in for me ?**'
- Gives the customers reasons to purchase and repurchase the brand.
- Increases the recall value of the product.
- Increases brand loyalty and builds **brand equity**.
- Attribute-based differentiation is important to defend higher price from competition.

### **Types of Product Differentiation**

1. **Horizontal differentiation :** Distinctions in products that cannot be evaluated in terms of quality. E.g. : Mineral water brands.
2. **Vertical differentiation :** Distinctions in products that can be evaluated in terms of quality. E.g. Duracell batteries over others, believing it last longer.
3. **Simple (or mixed) differentiation :** Differentiation based on numerous characteristics. E.g. iPhone over an Android considering status symbol. Order on line on Amazon rather than visit store for convenience.

### **Basis of Product Differentiation :**

- **Price :** It is the most common determinant to attract target group to a brand. It separates the premium product from others products. E.g. High-priced 'Forever 21' products.
- **Features :** Features like size, shape, ingredients, origin, etc. differentiate products in the same price spectrum. They also help the brand to back their high pricing.

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- **Performance & Quality** : A good quality product always stands apart from others. E.g. Duracell AAA batteries that lasts longer.
- **Reliability** : Some products are famous to be more reliable than others.
- **Looks** : Appearance play an important role especially in case of garments and other luxury products.
- **Channels of Distribution** : Channels of distribution are also crucial. E.g. Tupperware has a selective distribution strategy.
- **Complexity** : The level of complexity of usage of a product is important factor in differentiating products, especially in the technology industry.
- **Location** : Manufacturer's location – country of origin of the product and retailers' location play an important role in differentiating a product from its competitors.
- **Marketing efforts** : Marketing efforts gives good brand image. Other marketing efforts like sales promotion act as an add-on to differentiation strategy.
- **After-sale services** : Good after sale services make the customers assurance in the brand.

### **Basis of Service differentiation :**

- (1) Ordering ease : how easily the customer is able to place an order with the company for E.g. ICICI's Home loan.
- (2) Delivery how well the product or service is delivered to the customer for E.g. Pizza for Pizza Hut.
- (3) Installation : the work done to make a product operational in its planned location or E.g. Installing Compaq's computers, LG's air conditioners.
- (4) Customer training : getting the employees of the customer trained in the use of vendor's equipment for example training hospital staff before installing GE's X-ray equipment.
- (5) Repair : quality of repair service available to buyers of the company's product for example LG's home appliances, Samsung's electronic items etc.

### **Product differentiation advantages :**

- **Creates Value** : Product differentiation gives a reason to the customers to choose the brand over others.
- **Defends high price** : It gives reasons the product is high priced.
- **Non-price competition** : It allows to compete in areas other than price.
- **Brand loyalty** : A successful brand loyalty is created.
- **No close substitutes** : A perception is created that there is no substitute available.

**Product differentiation disadvantages :**

- **Added pressure on the manufacturers :** The manufacturer has to decide which attribute could possibly turn out to be the USP for that product.
- **Can increase prices :** The production and marketing costs can be transferred to the end-users.
- **Increased Revenue Not Guaranteed :** There is no guarantee that the USP will generate more revenue.

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**1.5 Product Mix :**

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The set of all products of a company needs to be related to each other to take advantage of the total offerings to the market, and branding of the company itself.

**Product Hierarchy :**

We need to understand the product hierarchy which stretches from satisfying the basic need of the customer to higher levels.

**Need-Family :**

It is a core need that underlies the existence of a product family. These products satisfy a core need of an individual. E.g. Hunger.

**Product-Family :**

All the product classes that can satisfy a core need with reasonable effectiveness are included here. It comprises of varieties of product within this group, which compete with one another to satisfy the same need. E.g. snacks, thali system of eating out.

**Product Class :**

It is a group of products within the product family of products recognized as having a certain functional coherence, similar characteristics. E.g. Fast Foods.

**Product Line :**

It is a group of products within a product class which are closely related to each other since they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within the given price ranges. A product line may consist of different brands, or a single-family brand, or individual brand that has been line extended. E.g. Food outlets.

**Product Type :**

It is a group of items within a product line that encompasses one of several possible forms of the product. E.g. Burger, Pizzas.

**Item (Product Variant) :**

It is a distinct unit within a brand or product line which is distinguishable by size, shape, price, appearance, or some other attribute. E.g. Burger King's Jumbo Chicken burger.

**The Product Mix**

The product mix is a combination of products manufactured or sold by the same organisation. Mostly, firms offer an assortment of products to the markets instead of focusing on a single product to strengthen their presence in the market and increase profitability.

Smaller or medium firms usually offer products that are related to each other while bigger ones go for large scale diversified product range.

For E.g. – Ayur Herbals, a comparatively smaller enterprise basically deals with cosmetics and beauty products while giants like **ITC group** have their presence in fields in Cigarettes, Food, Lifestyle, Personal Care, Stationary, Safety Matches and Agarbatties. Multiple products also spread the risk as well as enables a firm to expand its customer base with various offerings.



**(i) Product Line :**

Product line is a group of products that are closely related because they satisfy a class of need, or used together, are sold to the same customer group, are marketed through the same types of outlets, or fall within given price ranges. As the organisation can have a number of different **types of products**, it will have similar number of product lines. Thus, in **Nestle**, there are milk based products like Milkmaid, Food product line like **Maggi**, Chocolate product line like **Kitkat** and other such product lines. Thus, Nestle's product mix will be a combination of the all the product lines within the company.

**(ii) Product Item :**

It is a unit within the product line that is separate from others on basis of colour, size, price or other attributes. E.g., Vivel soap of ITC is a product unit distinguishable from other items in the product range.

## Product Item – ITC – Vivel Soap

## Setting Product and Branding Strategies & Building Brand Equity



### Structure of Product Mix

The product mix has width, length, depth, and consistency.

#### 1. Width :

Width of the product mix means the number of different product lines found within the company. Thus, breadth is measured by the number of product lines carried. E.g., ITC Group has a number of subsidiaries producing wide range of products.

#### Width of ITC Group (partially shown below)



#### 2. Depth :

Depth of the product mix refers to the average number of items offered by the company within each product line. It is measured by assortment of sizes, colours, models, prices and quality offered within each product line. E.g., ITC offers a number of variants of Engage Deo.

#### Depth of Engage Deo of ITC



#### 3. Consistency :

The consistency of product mix points out how closely related the various product lines are in terms of consumer behaviour, production requirements, distribution channels or in some other way. E.g., General



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Electric have an overall consistency in that most products involve electricity in one way or the other.

According to Philip Kotler, all three dimensions of product mix have a market rationale.

'By increasing the width' of the product mix the company hopes to capitalise on its good reputation and skills in present markets.

'By increasing the depth' of its product mix, the company hopes to entice the patronage of buyers of widely differing tastes and needs.

'By increasing the consistency' of its product mix, the company hopes to acquire an unparalleled reputation in a particular area of endeavour.

### **PRICING THE PRODUCT MIX :**

The strategy for setting a product's price often has to be changed when the product is part of a product mix. The company looks for a set of prices that will maximize profits on the total product mix, instead of on the individual product.

The various products in the mix have related demand and costs, but face different degrees of competition, pricing is difficult. Therefore, we have to examine the five major product mix pricing strategies (or situations).

#### **Product Mix Pricing Strategy**

1. In **product line pricing**, the firm must determine the price steps between various products in a product line based on cost differences between the products, competitors' prices, and, most importantly, customer perceptions of the value of different features. E.g., for car brand Audi, pricing has to be seen in relation between the other models' price.
2. **Optional product pricing** is the pricing of optional or accessory products along with a main product. E.g. GPS purchase with new Audi car.
3. **Captive product pricing** is when companies make a product that has to be used along with the main product. E.g., Razor blade cartridges and printer cartridges. Producers of the main products – razors and printers often price them low and set the supplies price high. Sometimes, consumers are trapped into buying expensive captive products could resent the brand later.
4. **By-product pricing** refers to setting a price for by-products to make the main product's price more competitive. Often, these by-products would not have much value and getting rid of them is costly. E.g. By-product of petroleum and other chemicals.
5. **Product bundle pricing** is combining several products and offer the bundle at a reduced price. E.g., Fast food outlet offers a bundle consisting of a burger, fries and a soft drink at a reduced price. However, the combined price must be low enough to get consumers to buy the bundle instead of a single product.

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## **1.6 Co–Branding :**

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Co–branding is the utilization of two or more brands so as to create a new product. This can be of the same company or from two distinct companies. There should be complete harmony between the brands.

Co–branding is done to create larger customer base which combines the existing customer base of the brand pairs.

**Co–branding can be defined** as a partnership between the marketing activities of at least two or more different brands which are also independent providers of products and services. This type of marketing strategy can involve various types of marketing activities like advertisements or sponsorships. This association should be beneficial for all the brands involved when they are aligned rather than when those products are promoted individually.

### **(A) Ingredient Co–branding :**

Ingredient co–branding makes use of a popular brand to serve as an important element in the production process of the other popular brand. The underlying constituent brand is a subordinate to that of the primary brand.

**E.g.,** Dell computers utilize a co–branding strategy with Intel processors.

This arrangement, the company can produce products of better quality and gain more access to distribution channels, implement superior promotional activities and earn more profits.

### **(B) Composite co–branding :**

This type of brand strategy utilizes two renowned brand names in such a way that they collectively provide a distinctive product or service which could have been very difficult to produce individually.

**E.g., Nike and Apple.** Nike found that their customers (runners) like to listen to music when they exercise or want to track their progress. This led the company to form a partnership with Apple. **Apple** manufactured a chip that is fitted in the shoes for recording the progress of the user when it is activated on their iPhone or iPod. This microchip display user statistics like time, distance and speed along with the number of calories burned.

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## **1.7 Packaging, Warranties, Labelling, and Guarantees :**

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Many marketers call packaging as the fifth P, along with price, product, place, and promotion. However, packaging and labeling can be considered as elements of product strategy. Warranties and guarantees can also be an important part of the product strategy.

## PACKAGING

Packaging includes all the activities of designing and producing the container for a product. Packages might have up to three layers : a primary package inside a secondary package, with another packaged units sent in a shipping package.

Packaging is important because it is the buyer's first encounter with the product. A good package draws the consumer in and encourages product choice.

The objectives of Packaging must achieve a number of objectives :

- (1) identity of the brand,
- (2) convey descriptive and persuasive information,
- (3) facilitate product transportation and protection,
- (4) assist at-home storage, and
- (5) aid at-home consumption.

Functionally, structural design is crucial. Aesthetic considerations relate to a package's size and shape, material, color, text, and graphics. The packaging elements must blend with each other and with pricing, advertising, and other parts of the marketing program.

Packaging updates and redesigns can keep the brand contemporary, relevant, or practical, but not confusing. Companies must also consider environmental and safety concerns about excess and wasteful packaging.

**Factors that contribute to the growing use of packaging as a marketing tool :**

**Self-service.** Numerous products are sold from self-serve supermarkets. As the purchases are made effective package must perform the task of sales, describing the features of the product, attract attention, and create favorable confidence in the consumers.

**Consumer Affluence :** Consumers are willing to pay a slightly higher price for the convenience, appearance, dependability, and prestige of better packages

### **WARRANTY :**

#### **Need for Product Warranty**

Many products come with elaborate mechanism which is complicated making it difficult for an average consumer to grasp it totally.

The Sale of Goods Act has given legal protection in the form of implied conditions and warranties. A warranty is an obligation of the producer and seller to stand behind the product and assure the buyer that he will derive certain services and satisfactions from the product. The product warranty must be clear, unambiguous and meaningful.

It has become an important selling point and a means of product differentiation in a competitive market. Warranties are also considered

as promotional devices. Full disclosure of warranty information will ensure the consumer's "right to know."

### **LABELLING**

Packaging, Branding and Labelling go together and constitute an integral part of product. The purpose of labelling, like the purpose of branding, is to give the consumer information about the product he is buying and what it will and will not do for him.

A label is also a part of a package or it may be attached directly to the product. Label is anything – may be a piece of paper, printed statement, imprinted metal, leather – which is either a part of a package or attached to it indicating contents, price names of product and produces and such useful information beneficial to the consumer.

They give helpful information on the Brand name, name and address of producer, weight, measure, count, ingredients by percentages where possible, directions for the proper use of the product, cautionary measures concerning the product and its use, special care of the product, if necessary, date of packing and date of expiry, retail price, and unit price for comparison.

### **GUARANTEE**

Guarantee is a step ahead of warranty wherein the company is so confident of their product, that they offer repair or replacement of the product. In short, if there is any problem in the product, the company will first try to repair the product and then if not repaired, it will offer free replacement.

Companies like Cross pens or Mont Blanc have lifetime guarantee of their products. They offer free replacement to the end customer if a problem is not resolved. These companies have to factor in profit for the replacements.

The difference between Warranty and Guarantee stands as differences in legal propositions. While a customer can claim repair of the product for free, he cannot claim the replacement of the product because the company is not legally obligated for a guarantee / replacement.

However, most companies know that it is cheaper to replace a product rather than getting into legal hassles and avoiding word of mouth negative publicity.

Thus, many companies do provide free replacements if the customer is very unhappy with the product or if there is an escalation. At all times, warranties and guarantees have been established to raise the trust level of customers and to provide them with assurance.

At the same time, if the customer is misusing the product and not following the terms set by the company, the warranty and guarantee can be termed void.

Overall, above were the key differences between warranty and guarantee.

It is important to read the documentation accompanying the warranty or guarantee to understand what is covered under warranty and what is covered in guarantee.

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### 1.8 Brand Equity :

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American Marketing Association has defined brand equity as –

"The value of a brand. From a consumer perspective, brand equity is based on consumer attitudes about positive brand attributes and favourable consequences of brand use. "

Philip Kotler has defined brand equity as –

"The positive differential effect that knowing the brand name has on customer response to the product or service. "

David Aaker defined brand equity as –

"A set of assets and liabilities linked to a brand, its name and symbol, that adds to or subtracts from the value provided by a product or service to a firm and/or to that firm's customers. "

Brand equity is the value of the brand that it offers to the customer considering that a well-known brand name will generate more revenue to the manufacturer as compared. A customer will have preference of a particular brand over another product from a different brand basis its brand equity.

A strong brand equity or positive brand equity in the market will have :

- brand awareness (customer's ability to identify),
- brand recognition (consumers correctly identify brand based on visual indicators),
- brand preference (choose a company's product when others, equally priced are available), and
- brand loyalty (consumers continuously purchase one brand's products over another).

This will have an upper edge in the market relative to other brands which will result in high revenues and high market share.

A positive brand equity helps an organisation in many ways like financial benefits, easy prediction of revenue, ease on entering new markets, introduce new products, etc. The customers loyal to a brand mostly overlook the shortcomings in the long term for a product from that brand

Similarly, a brand with high and strong equity saves costs as there is less need to promote the product. Mostly communication on product availability and its features in the target market does the job of making a product successful with strong brand equity.

Brand equity is an intangible asset of great value to the company which is generally an approximate value.

**Brand Equity can be viewed from different perspectives :**

- **Organisations level** – the premium that an organisation can demand from the customer basis its brand value.
- **Product level** – the flexibility with which a product line or product mix can be extended basis the brand value. It is easier for an organisation to introduce new products under the same brand.
- **Consumer level** – the attributes, awareness of brand image in the minds of customers. Brands with high awareness, loyalty, and strong and favourable associations are considered as high equity brands.

**Factors considered for selecting and combining brand elements ?**

- (1) Brand awareness improves when brand names are selected basis of :
  - Brand name should be easy to pronounce, spell, and remember.
  - Brand name should be strongly unique, interesting, and fun.
  - Brand name should suggest something about the product benefits
  - Brand name should be transferable to a variety of products or product lines.
  - It could be used across geographical locations.
- (2) Logos and Symbols – Logos help recognition by means of symbols. Logos indicate origin and ownership of a product. They can be corporate names or trademarks written in distinctive forms, pictures, mascots, designs, plain alphabets or even splash of colours.
- (3) Characters – Companies sometimes use characters as brand symbols. They help in brand awareness as they are unique and attractive.
- (4) Slogans – Slogans are short phrases that communicate information about the brand.
- (5) Packaging – Good packaging which aims at avoiding damage of the product can act as a good advertisement place.

All the above brand elements contribute to brand identity which helps in creating favourable impression for customers during shopping.

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## **1.9 Branding Strategy :**

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Branding involves cost as well as risk of losing reputation if it fails to click in the target market. Marketers need to assess various options and make strategy when branding a product.

**Key Decisions for Brand Strategy :**

**Brand–sponsor decisions :**

Whether to launch the product as –

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- (a) **Manufacturer brand** – It involves building brand identity by applying the company's / manufacturer's brand to products.
- (b) **Distributor's brand or Private brand** – It involves a channel member using its brand name or image on the product.
- (c) **Licensed brand** – it involves manufacturers paying royalties to obtain licenses for using successful brand names.

### **Brand name decisions :**

There are different brand name strategies –

- (a) **Individual brand names** – It involves giving separate brand names for each product. It is used to better position products in individual target markets when the product mix is fairly large. The main advantage is that even if the product fails it doesn't have a negative effect on company's image.
- (b) **Family brand name** – It involves establishing brand for individual product lines. This strategy is used by manufacturers when the brand equity is high for their products. As there is no need to research on brand name, promotion efforts and costs related to it are minimised.
- (c) **Separate family name** – A separate family name is chosen for each product family. When the organisation is into different businesses it is better to use different brand names.
- (d) **Corporate name along with individual product names** – it involves combining the company's trade name with their different products.

### **Brand strategy decisions**

A company considers the below choices when it comes to brand strategy –

- (a) **Line Extension** – It involves introducing additional items in the same product category under the same brand name such as new flavours, added ingredients, package sizes.
- (b) **Brand extension** – It involves a company deciding to use an existing brand to launch a new product in a new category.
- (c) **Multi brands** – It involves introduction of additional brands in the same product category. For E.g., HUL soaps, P&G detergents. Here a failure of one brand does not affect the company's image. The firm through this strategy targets different buying motives of customers.
- (d) **New brands** – when an organisation manufactures a product in a new category it is sometimes difficult to use its existing brand name. For E.g., it is unlikely for Apple to introduce bathing soaps with its brand name if it considers to get into manufacturing of soaps.
- (e) **Co-brands** – also known as dual branding, this concept is gaining momentum in modern times. For E.g., mobile buyers may insist on buying mobile phones with snapdragon processors. So many mobile manufacturers do advertise their offerings being built with

snapdragon processor. The organisation believes that the brand sponsor will strengthen its image in the target market.

### **Brand Repositioning Decisions**

Under influence of competition and changing consumer preferences, an organisation faces a challenge to reposition its brand. A competitor may launch a product similar to the organisations brand. This will eat into the organisations market share. The company considers following two factors when repositioning its brand :

- (a) Cost involved in repositioning the brand in the market segment.
- (b) Sales and profits that the brand will earn basis the number of buyers, competitors and price range of other brands in that segment.

### **Cases in Points on "Brand Feelings" :**

Brand Feelings : are consumers' emotional responses and reactions with respect to the brand. These feeling could be milk or intense and can be positive or negative. A firm depending on the kind of associations it would like its brand to have can choose any of the following brand feelings

- a. **Warm** : This appeal makes consumers feel calm and peaceful, reflecting warmth, sentiments and affection. ICICI's, 'Hum hai na' and Complian, which showed a small boy gaining strength to the extent of even carrying his mother on his bicycle are some such examples in this category.
- b. **Fun** : 'Happy days are here again', was a line of Thumbs Up. This ensures that the consumer becomes light hearted, cheerful and amused.
- c. **Excitement** : The campaign of Bajaj for its 'wind' bike, which has a focus on the special experience associated with the bike's performance, is an example of this feeling being used by a brand
- d. **Security** : This feeling gives rise to reassurance and safety from the viewpoint of consumers.
- e. **Social Approval** : Consumers are conscious of what others feel about them. Anti-wrinkle creams, two-wheelers are some of the categories that make use of this appeal
- f. **Self-Respect** : A feeling of pride, accomplishment and fulfilment are associated with this appeal.

### **Check Your Progress :**

1. The goods that are purchased on a regular basis are :
  - a. Convenience goods
  - b. Staples
  - c. Impulse goods
  - d. None of the above
2. The first level in the customer value hierarchy is \_\_\_\_\_
  - a. Core benefit
  - b. Basic product
  - c. Expected product
  - d. Augmented product



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3. When it is about fourth level of customer value hierarchy, marketers need to design \_\_\_\_\_ that exceed customers' expectations.
  - a. Expected product
  - b. Augmented product
  - c. Basic product
  - d. None of the above
4. An organisation with several product lines and mixes is called \_\_\_\_\_.
  - a. Product mix
  - b. Brand mix
  - c. Consumer mix
  - d. Packaging mix
5. At the fifth level, marketer gets a \_\_\_\_\_ that has all the transformations and augmentations the offering or product might undergo in the future.
  - a. Expected product
  - b. Augmented product
  - c. Basic product
  - d. Potential product
6. What is more important in brand equity ?
  - a. Quality
  - b. Quantity
  - c. Customer perception
  - d. None of the above
7. \_\_\_\_\_ includes all that is linked up in memory about the brand. It could be specific to attributes, features, benefits or looks of the brand.
  - a. Brand attitude
  - b. Brand Associations
  - c. Brand relationship
  - d. Brand image

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### 1.10 Let Us Sum Up :

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You can design and change the product matrix to suit your Company's capabilities as well as the market. The products line can be extended or withdrawn.

One brand can be clubbed with another for marketing strength to suit the strategy at the market place.

Good packaging, labelling and warranty serve as effective tools in marketing, especially at the time of closing of a sale.

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### 1.11 Answer to Check Your Progress :

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#### Check Your Progress :

- |      |      |      |      |
|------|------|------|------|
| 1. b | 2. a | 3. b | 4. a |
| 5. d | 6. a | 7. b |      |

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### 1.12 Glossary :

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**Generic** – something that is common to the whole class

**Augmented** – add in size or number or strength.

**Differentiation** – distinguishing between two or more things

**Ingredient** – things combined to make a whole

**Composite** – made up of several parts or elements.

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### **1.13 Assignment :**

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1. Discuss various pricing strategies.
2. What are the Branding strategies adopted by a large company in India ?

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### **1.14 Activities :**

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1. Study the products of two MNC companies in India. Draw a chart of their product line, width and depth. What do you think both the companies need to do for their product extension to fill gaps, if any ?
2. Pick up four products of your choice to show how two separate co-brandings are possible.

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### **1.15 Case Study :**

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Crackers Ltd., a fire-cracker manufacturing company launched some new products on eve of Diwali which attracted many buyers. To meet the increased demand, the company employed many people from nearby villages.

The product was in great demand, and sold in great numbers. However, the appropriate safety warnings for use were not mentioned on the packets that led to many accidents.

Identify the important product-related decision that was not taken into consideration by the company.

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### **1.16 Further Reading :**

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**: UNIT STRUCTURE :**

**2.0 Learning Objectives**

**2.1 Introduction**

**2.2 Services Marketing – Meaning, Definition, Concepts**

**2.3 Characteristics of Services**

**2.4 Importance of Marketing of Services**

**2.5 Categories of Offerings**

**2.6 Classification of Services**

**2.7 Differentiation in Service**

**2.8 Maintaining and Improving Service Quality**

**2.9 Marketing Mix – 7 Ps**

**2.10 Let Us Sum Up**

**2.11 Answer to Check Your Progress**

**2.12 Glossary**

**2.13 Assignment**

**2.14 Activity**

**2.15 Case Study**

**2.16 Further Readings**

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**2.0 Learning Objectives :**

- Grasp the concept of service industry
- Understand the differentiation in services
- Know why Marketing Mix extended for Services to 7Ps from 4Ps.

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**2.1 Introduction :**

Service industry has grown over the past three decades. It is now holds 55% of the GDP in India. Services are basically intangibles that does not give essentially intangible and does not pass proprietorship, like in case of products.

It may be stand alone or may be associated to a physical product. Servicing can be improved by matching it with what the customers are expecting, and even exceeded quickly with self-service technologies

**Services – Meaning**

Marketing, on the whole, can be divided into goods marketing and services marketing. Although according to Philip Kotler, besides goods and services, a marketer also markets eight other entities like Events, Experiences, Persons, Places, Properties, Organisations, Information and Ideas; yet it is generally clubbed together and is widely known as goods and services.

In marketing, services marketing essentially deals with the products, which are intangible in nature. Services are created through a direct interaction between the service provider and the customers.

Goods are physical, tangible articles, while Services are nonphysical and intangible in nature and can also satisfy a need like goods. Financial services, Telecom, Courier, Hotel, Airline, Multiplex, Train, Doctors, Lawyers, Healthcare and Management Consultancy are all examples of services.

**Services – Definition**

'A service is any activity or benefit that one party can offer to another, which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.'  
– Kotler, Armstrong, Saunders and Wong

In view of the difficulty of quality assessment of the services it is always risky for the customer to purchase the same.

The services are largely delivered as per the customer's prescription unlike products which are often standardized. The interior consultants, tailors, restaurants etc. render customized services.

However, there are some services that have standardized deliveries like ATM services of banks.

**Service – Concepts**

Services are the major component and somehow influenced by the service motives of any business. The service is much needful to develop and make safeguards of customers interest. Moreover, services are complementary and decisional part of marketing.

According to Philip Kotler :

"A service is any activity or benefits that are being an offer to another that is essentially intangible and does not result in the ownership of anything. "

**The concepts of Services are :**

- It is a core area or an activity or a task of business,
- It is a major component in the size of business,
- It may be collateral activity with supplementary service to support the core area of business,

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- A service is an act or performance offered by one party to another
- It is an ideology or concept or an approach based on customers' orientation,
- It is an economic activity that creates values and provides benefits for customers,
- The service process may be tied to a physical product and the performance is temporary,
- Services are based on the concepts of rational behavior and the norms of ethical values,
- It is prominent task to serve at the input as well as output stages in any value creation process,
- It is provided by a person who processes a particular skill, quality, competencies and learning aspects,
- Services having the continuous process within their performance,
- Services may be characterized as intangibility, inseparability, perishability, heterogeneity in nature and does not normally result in ownership of any resource,
- Service is based on different environmental factors.

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### 2.3 Characteristics of Services :

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Services require to be studied separately due to its distinctive characteristics.

#### **Intangibility :**

Services cannot generally be seen, tasted, felt, smelt, heard before being bought. The potential customer's is unable to perceive the service before the service delivery. E.g., Computerised representation of hairstyle to prospective client.

Sometimes the customer may have difficulty in knowing what is on offer before and even after in receipt of the service. E.g., Maintenance service of a vehicle.

Service cannot be stored. When more in demand, it is likely to be sold at higher price. E.g., Hotel room rent in peak season. Services cannot be readily displayed or easily communicated to customers, so quality may be difficult for consumers to assess.

Advertising and other promotional campaigns are challenging task for services.

The actual cost is difficult to be determined and so price quality relationship is complex.

**Levitt** suggested that there are no so such things as service industries, only industries where the service components are relatively greater than those in other industries.

**Shostack** argued that there are few industries or activities that are purely goods based or a purely service based, and presents a variety from tangible dominant goods to intangible dominant services.

**Kotler** identifies **four distinct categories** of offerings, ranging from purely tangible goods, to tangible goods with accompanying services, to a major service with some accompanying goods, to pure services.

### **Inseparability :**

Goods and Service have difference in the sequence of production and consumption. While the goods are first produced, stored and finally sold and consumed, Services are first sold then produced and consumed simultaneously.

For some services, the customer must be present. E.g., counselling, rail travel, etc.

For some others, services are produced and delivered in the absence of customers. E.g., plumbing, etc.

Proper selection and training of customer contact personnel are necessary to ensure the delivery of quality of services.

Service encounters involves an appreciation of a complex set of behaviours on the part of all involved in them. Like – waiting time, personal interaction, expectations and perceptions – of service adequacy and quality.

### **Variability :**

A variability in performance of a service creeps in, depending on who provides it and how it is provided. E.g., An employee may be courteous and helpful, while others may be inefficient and rude. This unsuitable personality trait in an employee is difficult at to assess at the time of recruitment.

For services variability may also occur during the process of production. For marketers, brand building in services possesses bigger challenge than tangible goods as it is often difficult to obtain standardisation of output in services.

### **Perishability :**

Services cannot be stored for later use. E.g., unoccupied hotel rooms, unpurchased airline seats cannot be reclaimed later. If demand exceeds supply it cannot be met, even if capacity exceeds demands, the revenue is lost.

An airline has to fly at the scheduled time even its few seats are empty. This characteristics of the perishability results in greater attention on scheduling services. Pricing and promotion are two of the tools usually adopted to tackle this situation.

### Heterogeneity :

Though ensuring to bring a standardisation, it is actually difficult to ensure the same level of output in terms of quality. From customers viewpoint also it is difficult to judge quality without using it.

Capacity levels should be available to meet demand before service levels falls. Equal attention has to be given in times of low levels of usage to manage the spare service, for E.g., different programmes can be adopted to compensate for uneven demand in theatre halls.

Heterogeneity clearly has wide-ranging implications for the operational side of service provision :

- i. **Service Personnel** – highly dependent upon the activities and actions of those members of staff in the "front-line."
- ii. **Service Standards** – must be established and made clear, to assist quality control and more effective management of service encounters.

### Lack of Ownership :

Lack of ownership is the basic difference between a service industry and a product industry is that a customer gets an access for a service after paying for it but not owns it. E.g., hotel rooms, hospitals beds, etc. Service industry should offer easier payment terms in order to facilitate better growth.

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## 2.4 Importance of Marketing of Services :

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1. **A Key Differentiator** : Marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.

For E.g. – In case of two competing fast-food chains, serving similar product, more than the product it is the service quality that distinguishes the two brands from each other.

2. **Importance of Relationships** : The need to listen to the needs of the customer and fulfil them through the appropriate service offering and build a long-lasting relationship which would lead to repeat sales and positive word of mouth.
3. **Customer Retention** : Since services are usually generated and consumed simultaneously, they actually involve the customer. Thus, they offer greater scope for customization according to customer requirements thus offering increased satisfaction and higher customer retention.
4. **Relationships are Key** : In service marketing, because there is no tangible product, relationships are key. Service marketers must listen to and understand the needs of customers and prospective customers to build loyalty and trust. Ultimately, effective relationships in service marketing will lead to repeat sales and positive word of mouth.

5. **Multiple Touchpoints** : Service marketing involves many interactions with multiple people and experiences that are less tangible than when buying an actual product. These touchpoints work together to establish a perception in the consumer's mind.
6. **Services Proliferate** : Consumers have many service options – competitive service providers to choose from, and because the product is intangible, the challenge for the service marketer is to somehow make their services stand.
7. **Feedback Improves Service** : As the customer is engaged in the process and contributes to a positive outcome. For this reason, it is important to seek consumer feedback and to use that feedback to improve service marketing effectiveness.
8. **Technology Impacts** : Technology has a major impact on the service economy – streamlining service activities and provide do-it-yourself options for consumers. Internet-based services, for example, allow consumers to participate actively in the service marketing process, often never involving contact with another human being – ATMs, Internet Banking.

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## 2.5 Categories of Offerings :

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Any offering in the market can be for physical goods, or services, or a combination of both.

**Philip Kotler has listed five categories of offerings :**

- (1) **Pure Tangible Good** – This offering is a pure physical product like toothpaste, packaged food, soaps, sugar, etc. There is no service associated except the courteous response and help from the sales people.
- (2) **Tangible Good with accompanying services** – The tangible offering is made available along with few services for a better customer experience. Most of the technologically advanced products have quality services associated with their sale. Like – free installation, free servicing for a certain period. Mobile manufacturers emphasise the number of service centres.
- (3) **Hybrid** – The offering is an equal combination of the tangible good and the intangible service. For E.g., a premium restaurant with quality food and service, and a fast-food centre offering with free delivery within promised time.
- (4) **Major Service with accompanying minor Goods and Services** – In this category a major service is provided along with some additional service and/ or goods. For example, travel by airline or a first-class train travel accompanies food, drinks, books, magazine, internet, etc. The passenger pays for the transportation and these additional / complementary food items and services from the staff enhance the travel experience of the passenger.



- (5) **Pure Service** – The offering is purely a service provided without any accompanying tangible product or additional service. For E.g., Courier Service, Financial Consultant etc.

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## **2.6 Classification of Services :**

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There are different ways of classification of services. Services are bought differently by different buyers in different ways. The presence of a buyer is sometimes needed and sometimes not. Similarly, the service can be provided by the seller or by a machine.

### **(1) People based and Machine based :**

People based service refers to the presence of a human being with skills in providing the service. For E.g., a doctor needs to be present with the patient. Similarly, a carpenter, barber, with their clients.

Machine based service is provided by ATM machines or robots doing car wash or vending machines for soft drinks. The presence of the seller is not required.

### **(2) Consumer services and Industrial or Business services :**

The users of Consumer services are individual buyers and households in consumer market. E.g., Hotels, Life insurance, Repairs, Education, Personal security, etc.

In Business, services are provided to firms involved in production of products for end users. E.g., Advertising, Consultancy, Market Research, Transportation, Training etc.

Many services like Financial, Transportation, Consultancy, Engineering, Hotel, Food, etc. are sold and provided to both consumer as well as business markets.

### **(3) Buyer's presence and Buyer's absence :**

There are services that can be provided only in the presence of the buyer like a Haircut, Hospital, Education etc.

Certain services don't require the presence of the buyer of that particular service. For E.g., car repairs, gardening, courier, market research, promotion services, etc.

### **(4) Services for Non-Profit and Services for Profit :**

There are services from individuals as well as organisations that are inclined towards social cause and not for profit alone. Like NGOs in Education offering services free of charge. Services which are offered firms in 'Services-for-profit' category. E.g., Entertainment, Tourism, Housekeeping, etc.

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## **2.7 Differentiation in Service :**

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A customer can travel by any airline basis the lowest airline fare. There could be a competitive edge when airlines would differentiate their offering – quicker check in, smooth seating sequence etc. An organisation

can differentiate its offering, its delivery, and brand image and communication. This way the organisations avoid price wars.

### **Offering**

The effort should be to have uniqueness in the service offering – doing things differently. HDFC Bank offers its customers a dedicated personal Relationship Manager (RM) for its long-tie customers. RM ensures that the customer does not have to go to the bank, to get many services.

### **Effective Delivery**

Factors like personal touch, immediate delivery or delivery as promised, attitude of the people and quality of service all go a long way in making a business successful. E.g. – Domino's commitment on delivering the product in 30 minutes.

### **Brand Image and communication**

An organisation can create its band logos and symbols that confer an image of high quality and professionalism. E.g., McDonald's, FedEx, Blue Star are international and well recognised brands.

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## **2.8 Maintaining and Improving Service Quality :**

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There are two ways in maintaining and improving service quality :

**Internal setup** – The organisation should set systems in place internally to constantly monitor and improve on the service.

- (i) **Setting high standards** – The organisation should build a culture for constant improvement in its quality of service as well as its delivery. E.g. – customer emails to be answered within hours of being received.
- (ii) **Conducting surveys** – The data through surveys and questionnaires helps analyse the needs and wants of the target audience or launch a new offering.
- (iii) **Gap analysis** – The management may have certain perception about a service quality which may be not matching to customer expectation, delivery, etc. Identifying various gaps in service delivery and improving on them.
- (iv) **Motivating and training employees** – a satisfied employee working for an organisation helps make business grow. A well trained and loyal employee gets loyal customers.

**External inputs** – The organisation may receive customer complaints through employees or from other sources. The communication channel from customer to managerial staff can help resolve issues fast.

The customer level of satisfaction can be measured with the help by recording telephone calls for better understanding the customer's needs and expectations.

## Marketing Management

Similarly, emails with customers can be audited by the quality team to ensure high quality of service and regular training of the employees.

**Marketing Mix** is about putting the right product in the place, at the right time, and at the right price.

Marketing mix is predominately associated with :

### *Traditional – 4 Ps of Marketing*



Extended further to 3Ps of Service Marketing.



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## 2.9 Marketing Mix – 7 Ps :

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The 7 Ps of marketing give the framework needed to attract the people ready to buy the product.

### 1. Product (or Service)

Customer cares foremost about : what the product or service can do for them. Therefore, the manufacturer has to prioritize making the product the best he can.

In a marketing mix, product considerations involve every aspect of what is being sold :

- Design
- Quality
- Features
- Options
- Packaging
- Market positioning

**Five components** to successful product-led marketing :

1. Let the product or service sell itself – let them try what is being offered.

2. Know the customer's needs – use that knowledge to help communicate the product's value.
3. Always be helping – creating informative content that meets the target customers' needs.
4. Share authentic stories – encourage happy customers to share their experiences.
5. Grow a product mindset – focus on product development and quality.

## 2. Price

**Factors go into a pricing strategy. Brands may :**

- Price a product *higher* than competitors creating impression of a higher-quality offering.
- Price a product *similar* to competitors, then draw attention to features or benefits other brands lack.
- Price a product *lower* than competitors to break into a crowded market or attract value-conscious consumers.
- Plan to raise the price *after* the brand is established or lower it to highlight the value of an updated model.
- Set the base price *higher* to make bundling or promotions more appealing.

**Some questions to ask :**

1. Will it have higher-end offer at an additional cost ?
2. Should the cost be covered right away, or can it be set at a lower price and consider it as an investment in growth ?
3. How low can it go without people questioning the quality ?
4. How high can it go before customers think it is overpriced ?
5. Is it being perceived as a value brand or a premium brand ?

## 3. Promotion

Promotion is the part of the marketing mix that the public notices most. It includes television and print advertising, content marketing, coupons or discounts, social media strategies, email marketing, pay-per-click ads, digital strategies etc.

All these promotional channels tie the whole marketing mix together into a strategy that creates a unified experience for the customer.

For E.g. : A customer sees an in-store promotion and uses their phone to check prices and read reviews. They view the brand's website, which focuses on a unique feature of the product. The brand that has solicited reviews addressing that features, appear on high-ranking review sites.

The customer buys the product and the seller sends a 'thank-you-email' using marketing automation.

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Ways that the channels together :

- Make sure all the channels are known and available.
- Grip the move toward personalized marketing.
- Segment the promotional efforts based on the customers' behavior.
- Test responses to different promotions and adjust the marketing spend accordingly.

### 4. Place

Where is the product being sold ?

**Some considerations** when it comes to place :

- Where will people be looking for the product ?
- Will they need to hold it in their hands ?
- Will there be more sales by marketing directly to customers from the e-commerce website, or will buyers be looking on third-party marketplaces ?
- Does the product require conversation directly with the customers as they purchase ?

### 5. People

People refers to anyone who comes in contact with the customer, even indirectly. It is therefore, essential to recruit the best talent at all levels, including customer service.

**To ensure the people are making the right impact on the customers :**

- Develop the marketers' skills so marketing mix strategy can be effective.
- Think about company culture and brand personality.
- Hire professionals to design and develop the products or services.
- Focus on customer relationship management, which creates genuine connections and inspires loyalty on a personal level.

### 6. Physical Evidence

Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible. For example, a hair salon would provide their client with a completed hairdo and an insurance company would give their customers some form of printed material receiving a "physical product" by this definition.

### 7. Process

Prioritize processes that overlap with the customer experience. The more specific and seamless the processes are, the more smoothly the staff can carry them out.

**Some processes to consider :**

- How are the scheduling and delivery logistics ?
- Will the third-party retailers run out of product at critical times ?
- Is there enough staff to cover busy times ?
- Do items ship reliably from the website ?

On getting a complaint about any process, how soon can it be fixed ? Though in place since the 1980's the 7 Ps are still widely taught due to their fundamental logic being sound in the marketing environment and marketers' abilities to adapt the Marketing Mix to include changes in communications such as social media.

**Are there any more Ps ?**

In some spheres of thinking, there are several other Ps added in the Marketing Mix :

- Packaging – designing, innovation opportunity
- Productivity – better quality, cleaning service
- Portfolio – wide range, tap different markets
- Payment – choice of payment methods
- Profit
- (and even) Politics

**Contribution by some Major Service Industries**

Traditionally, India had six major industries. These were Iron and Steel, Textiles, Jute, Sugar, Cement, and Paper. To this was added Petrochemical, Automobile, Information Technology (IT), and Banking & Insurance. These industries are important for India's economy.

**Information Technology (IT) Industry**

One of the latest entrants to the list, the IT industry has spread fast. Many US and EU firms working with contract agencies in India for IT software and services, outsourcing has acquired an international dimension.

This is a win-win situation since the US firms save around 58% of its costs by outsourcing work to India and the local economy benefits from global exposure.

**Banking and Insurance Industry****Banking**

Over the years, as technology advanced, the banking industry absorbed the changes with open arms. From Electronic Funds Transfer to online banking, it was a new era for the industry. Currently, in India, there are different types of banks :

- Savings Banks

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- Commercial Banks. These are of the following types :
  - o Scheduled Banks
  - o Public Sector Banks
  - o Private Sector Banks
  - o Foreign Banks
  - o Non-Scheduled Commercial Banks
- Industrial or Development Banks
- Land Mortgage or Land Development Banks
- Indigenous Banks
- Central or Federal or National Bank (Reserve Bank of India)
- Cooperative Banks
- Foreign Exchange Banks
- Consumer Banks

### Check Your Progress :

1. The promotion "P" of marketing is also known as \_\_\_\_\_
  - a. Cost
  - b. Distribution
  - c. Marketing Communication
  - d. Product Differentiation
2. Further 3Ps are included in the marketing mix for Service industry :
  - a. Physical evidence, process, and price.
  - b. Process, people and promotion.
  - c. Physical evidence, people and production
  - d. Physical evidence, process, and people.
3. Promotion in Ps included :
  - a. Sales promotion.
  - b. TV advertisements
  - c. Print advertisements
  - d. All the above
4. People in Ps refer to are :
  - a. Distributors
  - b. Employees
  - c. Shareholders
  - d. All the above
5. Lately there is debate to add more Ps. These are :
  - a. Portfolio
  - b. Politics
  - c. Profit
  - d. All the above

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### 2.10 Let Us Sum Up :

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Each characteristic of Services, like intangible, inseparable has potential for marketing strategies. Each one can be a source of improving the productivity of service providers.

The service mix includes both pre-sale services and post-sale services.

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**2.11 Answer to Check Your Progress :**


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**Check Your Progress :**

1. c            2. d            3. d            4. d            5. d
- 

**2.12 Glossary :**


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**Perishability** – liable to spoil or decay

**Heterogeneity** – diverse in character or content.

**Proliferate** – increase rapidly in number; multiply

**Hybrid** – a thing made by combining two different elements.

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**2.13 Assignment :**


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1. What is the significance of marketing of Services ?
  2. What can be done to improve the service quality ?
- 

**2.14 Activity :**


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Pick out a Company which has made good use of 'people' and 'process' to gain market share in Service industry in India.

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**2.15 Case Study :**


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A popular cereal company initially targeted older individuals for their popular cereals, for their diet control. However, after intense research, they discovered that even young people need to have a healthy diet. So, this led to the development of a cereal product catered to young people.

In accordance with all the elements of the marketing mix strategy, the company made tremendous efforts to reach their newly identified target customers.

State the right marketing mix for the target market.

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**2.16 Further Reading :**


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Marketing Management, 14th edition (2013), Philip Kotler, Kevin Keller, Abraham Koshy and MithileshwarJha, Pearson.

Fundamentals of Marketing, 2007, Marilyn A. Stone and John Desmond, Routledge Taylor & Francis Group

<https://www.britannica.com/topic/marketing/Services-marketing>

<https://courses.lumenlearning.com/boundless-marketing/chapter/marketing-mixes-for-services/>





**DESIGNING MARKETING  
CHANNELS, MANAGING RETAILING, WHOLESALING  
AND MARKET LOGISTICS**

**: UNIT STRUCTURE :**

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 Channel Marketing**
- 3.3 Kinds of Intermediaries**
- 3.4 Different Types of Channels**
- 3.5 Channel Strategies**
- 3.6 Steps Involved in Designing A Marketing Channel**
- 3.7 Managing Retailing, Wholesaling and Market Logistics**
- 3.8 Market Logistics : Objectives and Decisions**
- 3.9 Let Us Sum Up**
- 3.10 Answer to Check Your Progress**
- 3.11 Glossary**
- 3.12 Assignment**
- 3.13 Activity**
- 3.14 Case Study**
- 3.15 Further Readings**

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**3.0 Learning Objectives :**

- Selection of a Marketing Channel
- Designing effective Marketing Channel
- Managing Wholesalers and Retailers.

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**3.1 Introduction :**

Goods produced at the manufacturers premise travel through intermediaries to reach the users. There are various types and layers of doing variety of functions.

It is critical decision to finalize Marketing channel as it will have deep impact on many other marketing decisions.

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**3.2 WHAT IS CHANNEL MARKETING ?**

Channel marketing focuses on the distribution of products from the manufacturer to the consumer. It is part of the distribution ("place") component in the four P's of the "marketing mix" – product, pricing, promotion, and place.

Most manufacturers do not sell directly to end user. There are a set of intermediaries performing a variety of functions called as *Marketing Channel*, also called *Trade Channel* or *Distribution Channel*.

Channel marketing is usually applied to products, it can also be used to market ideas and services.

Marketing channels help organisations expand their reach and their revenue. However, each marketing channel offers a different combination of coverage and performance, and so they are used in combination.

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### **3.3 Kinds of Intermediaries :**

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Intermediaries, also known as middlemen and re-sellers. These can be organisations as well as individual business men.

There are **two types** of middlemen, one those who take title to the products (merchant middlemen), and others who just facilitate the sale and purchase of product without taking title of them (agent middlemen).

#### **I. Merchant Middlemen**

##### **1. Wholesalers –**

These are the organisations that buy and resell products to other resellers like retailers, other merchants or to industrial buyers, and not in significant amount to end users. They take title to the products, buy in large quantities and break down the bulk as required by retailers, etc.

##### **Three categories of wholesalers**

- (a) **Full function wholesaler** – after buying sell them to other resellers like retailers, traders, etc. below the marketing or distribution channel.
- (b) **Converter wholesaler** – process them before selling them to the following channel members. (textile bleaching before selling).
- (c) **Industrial wholesalers** – they sell the products to manufacturers instead of retailers.
- (d) **Drop shipper wholesaler** – They take orders and coordinates with the manufacturer to deliver the goods directly to the retailer or other merchants in the channel (like coal).

##### **2. Retailers**

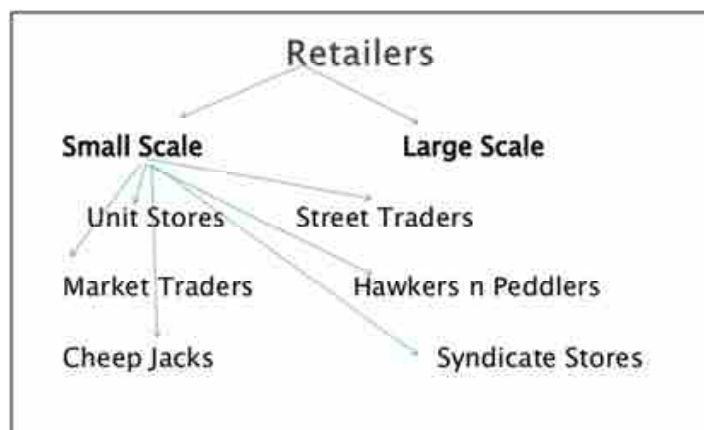
Retailers sell products / goods to final consumers. Retailers buy the products from different sources like manufacturers, wholesalers, traders, etc. They are considered the final link with the consumer in the marketing/distribution channel.

Retailers can be broadly classified as *small-scale retailers* and *large-scale retailers*.

Comparison Chart		
BASIS FOR COMPARISON	WHOLESALER	DISTRIBUTOR
Meaning	A wholesaler implies a trader, who purchase goods in large quantities and sell them in relatively smaller units.	A distributor is someone who is engaged in supplying goods and services to various businesses and customers
Contract	Do not enter into contract with manufacturers.	Enter into contract with manufacturers.
Channel of distribution	Present in both two level and three level channel.	Present in three level channel only.
Serving area	Limited	Large
Customers	Retailers	Wholesalers, retailers and direct consumers.
Promotion	Do not involve in promotional activities.	Promotes product to increase sales.

**Small scale retailers :**

- (a) **Unit stores** – are general stores or single line stores (clothes, gift shops, grocery stores)
- (b) **Street traders** – sell products on streets, footpaths. (mobile accessories, gloves)
- (c) **Market traders** – have a fixed location and arrangement made for selling like a selling van, setting a kiosk, outlet, etc. on a fixed location (farmers market).
- (d) **Hawkers and Peddlers** – sell goods door to door on their cart, bicycle, etc. They carry items as per the demand of different products (woollen clothes in winter).
- (e) **Cheap jacks** – have a specific place in a locality but do change locations (unbranded items like clothes, plastic items, kitchen utensils).



**Large scale retailers**

- (a) **Departmental stores** – has wide variety of products being sold under one roof. They sell a particular specialised product or an entire product line.
- (b) **Discount store** – sells standard items at lower prices. The business is done on higher sales and lower profit margins (Wal-Mart).
- (c) **Chain stores** – these are stores near residential areas selling the same kind of products in different localities. These can be in the entire region, state or nation. (Nike stores, Raymond, Big Bazaar). These centrally owned and managed. They mostly deal in same products across all chains like, fast food chains, Nike products, etc. The items for sale are bought centrally and sent across to all the chains. Since it operates under the same brand, the prices and quality are standardised. For E.g., a McDonald's outlet will have same kind of price range, and feel and appearance of the store in different locations.
- (d) **Mail order houses** – shares information about the product via different means like advertising, press, post, catalogue, tele-calling, etc. The buyer doesn't visit the seller but orders the product and receives it via post, courier, etc. The product is not inspected by the customer.
- (e) **Super market** – sells a variety of consumer goods with self-service (food items and articles of daily needs like, cold cream, bakery, vegetables).
- (f) **Super stores** – oversize department stores and also known as hypermarkets. They carry a wide range of general merchandise. A customer can get services like haircuts, restaurants.
- (g) **Convenience stores** – These are small stores that deal in limited-line of high selling goods at a higher price. They are like mini-supermarkets.
- (h) **Consumer cooperative** – It is an association of consumers who buy products in large bulk for members as well as non-members. The consumers or locality residents themselves manage all the activities from designating a manager to setting the policies of the store.



**II. Agent middlemen**

They facilitate the sale and purchase of product without taking title of them. They negotiate the sales between sellers and buyers, and generally receive commission for their service.

Classification of Agent Middlemen :

- (a) **Commission agent** – do not assume any risk of the products and receives a fixed rate of commission for his service. They are expert in dealing with the commodities they deal in and have knowledge about the market trends and the producers. They take orders and arrange the transport, delivery and payment transactions. He may or may not take possession of goods.
- (b) **Brokers** – they are agents who do bargains and arrangements between parties and receives a compensation known as brokerage. They bring the buyers and sellers on one platform for discussion.
- (c) **Forwarding and Clearing Agents** – fulfil the responsibility of collecting and delivering of products on behalf of others. They are mostly dominant in export and import business.

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**3.4 Different Types of Channels :**

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**Conventional marketing channel**

Members work independently with each other and no member has control over other member. It comprises on autonomous / independent manufacturer, wholesaler and retailer. Each member is concerned about increasing the profits of its business and not the profit of the entire channel.

*Manufacturer* performs the function of product development, branding, pricing, promoting and selling. Wholesaler performs its function of buying, stocking, promoting, displaying, selling, delivering, finance, etc.

The decision making resides in each firm and there is lack of proper planning to achieve the objectives of the entire channel.

**Vertical marketing channel**

Manufacturer, wholesaler and retailer working as one system. They formally agree to cooperate with each other, through contractual agreement. They work in cohesion, and generally without conflicts.

Once the channel operates as a one system and managed by one member, there is much clarity and coordination among channel members to achieve the channel objectives.

**Multiple marketing channel**

Manufacturer utilises two or more marketing channels in the target market. This channel can be planned and implemented for more market coverage by targeting additional segments.

For E.g., with ecommerce a segment of consumers that like home delivery, a manufacturer can open a company store in the target market.

Customers would prefer a company store rather than an intermediary because of reasons like brand image, etc. and the firm saves on the margins that it shares with the channel members.

If the firm is a market leader, it will cut out the additional channel which also brings competition among the intermediaries.

This provides proper education, and service for complex products to the customer and a reliable feedback to the organisation.

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### **3.5 Channel Strategies :**

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Organisations, depending on their marketing strategy, decide on the number of channel members.

There are three channel strategies that organisations choose from.

#### **1. Exclusive distribution**

In exclusive distribution, a firm selects only one or few intermediaries for product distribution. This leads to a strong relationship and support between the manufacturer and the intermediary, becoming highly dependent on each other.

Manufacturer requires the knowledge and distribution expertise of the intermediary. The intermediary promotes the product as they get higher sales.

If the manufacturer contracts with another intermediary, the relationship between intermediary and the manufacturer hits a low. Intermediaries may block the sale of products at its outlet.

TV series sign exclusive contracts with networks for exclusive premier on certain TV channels.

#### **2. Intensive distribution**

Here, a firm sells product through as many outlets as possible. The products which can be easily accessed by customers without much effort.

For E.g., newspapers, milk, soaps, etc. These products do not require much additional services from intermediaries apart from handling and assigning shelf space.

The consumers can get these products when and where they are needed. These are mostly for FMCG products. This strategy provides great brand exposure and consumer convenience is given high priority.

#### **3. Selective distribution**

In selective distribution, the manufacturer opts to distribute products at select outlets and in select regions. The product distribution is the main difference between Selective distribution and Intensive distribution.

Selective distribution gives more market coverage than Exclusive distribution and better control on the marketing channel than Intensive distribution.

## **Marketing Management**

The intermediary may be required to add value in some way like outlet ambience, customer education before and after the sale of the product, etc. This channel is especially appealing to expensive products.

For E.g., Cannon cameras can be found in many outlets but some models are sold at select outlets appealing to different customers in the target markets.

### **Factors that affect the Selection of A Marketing Channel**

A detailed study needs to be done for selecting a marketing / distribution channel as it affects the marketing strategy, and the intermediaries in the channel.

Therefore, it is essential that a right channel is chosen.

### **Factors that influence the choice of the channel –**

#### **1. Product**

The first factor to be considered is the product category. A FMCG product will require different distribution than an automobile. Similarly, the channel of distribution for making a specialised industrial product will be shorter as compared to a consumer product like Shampoo.

Some consumer goods need immediate availability, like perishable bakery items for the risk of shorter life. Similarly, a fragile product will need careful handling by the intermediaries requiring shorter channel. A technical product will need selling from knowledgeable sellers providing demos, etc.

Complexity of product and level of sales service also decide the selection of the intermediary.

#### **2. Customer**

There is a difference in buying behaviour of consumers and a business buyer. They have to be sold through different channels.

A consumer may want to personally inspect vegetables and fruits bought for home consumption. A business buyer (hotel owner) will expect a dealer, company supplier, agent, or a reseller to contact him for regular supply for a certain period.

Similarly, the buying style for consumer and a business buyer will vary like buying on credit, demo by sales team, etc.

#### **3. Type of market**

A large market will require increase in channel members. If the number of buyers is large, it is better to have local presence to understand the pulse of the market. If the market is small, direct selling can be utilised.

Number of buyers in the market and their frequency of buying the product affect the choice of channel member.

#### **4. Organisations objectives and resources**

To ensure complete control on the quality, price and after sales service, the organisation with huge resources may sell directly to consumers through its own exclusive outlets.

An organisation with less financial resources are dependent on the intermediaries to sell their products. They rely on the experience and expertise of the channel members.

#### **5. Marketing environment**

*Economic environment* affects the choice of marketing channels. For example, a fall in the dollar or euros value will result in increase of product imported from other countries. Similarly, at the time of high inflation, cheaper intermediaries are chosen. The organisations try to shorten the channel to reduce costs.

*Technological advancements* have given consumers options to buy products through internet. The organisations can control product prices as well as track the number of potential buyers who visited their sites for the product.

#### **6. Availability of intermediary**

The availability of the preferred intermediary influences the selection of the channel member. In their absence, the organisation may opt for an intermediary that is available or invest to open their own stores.

#### **7. Channel partner capabilities**

For a new gadget like mobile phone, a manufacturer can sell it through internet, but a consumer may want to physically inspect it, then the producer will need to make it available at stores with the salesman will be able to educate and influence the sale of the product.

Sometimes, the customer is more inclined to buy from a store to ensure easy return and after sales service.

#### **8. Cost**

There is cost in distributing products in the market through intermediaries as they are given a share of the profit for their services. Organisations strive to make the channel network as efficient and effective as possible to reduce the costs. The organisations select a channel network that generates high sales with minimum costs.

#### **9. Competitors control and choice of intermediaries**

Sometimes the market leaders control the intermediaries, and threaten to withdraw their products for selling competitors' products. To avoid conflicts, a firm can sell products directly to consumers if the competitor sells through retailers. If the rival firms sell through the same retailer, intermediaries are often influenced by whoever gives them higher profit margin.

Selecting the best channel is critical for the success of the product in the target market. The above factors play a critical role in selection



of intermediaries. Organisations need to balance the factors carefully to design an effective and efficient marketing channel.

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### **3.6 Steps Involved In Designing A Marketing Channel :**

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A marketing channel not designed effectively will even an excellent product.

#### **Steps for Designing a Marketing Channel**

##### **1. Analysis :**

A channel design starts with analysing the market requirements.

- Basis the customer, product category, and marketing environment, the organisation has to choose matching channel strategy – Exclusive distribution, Intensive distribution and Selective distribution.
- Availability and capability of the intermediary from wholesaler, retailer, sales personal, agents and brokers, etc. preferred by producer for selling to target market. If not, the organisation will have to opt the second choice of intermediaries.
- Open own stores for direct selling, etc.
- Functions necessary should be clearly defined that the firm can perform by itself like storage, transportation, after sales service, etc.

##### **2. Evaluation**

- Evaluation process involves study of costs involved, time constraints relevant to channel development, availability of channel members, political and legal constraints, functions and control of the channel members.
- This critical process requires expert planning. For E.g., in *intensive distribution* at retail outlets, the costs may go up but there is also a great possibility of high sales turnover. In contrast, in the presence of a broker, the organisation will need to invest in promotion activities to create awareness. *Personal selling* gives the organisation control on its selling efforts.
- Channel implementation takes a long time to generate the desired results. The firm has to decide on a channel that can be developed in the shortest period.

##### **3. Control**

- In Vertical Marketing System, the member which has authority over all the member can be the manufacturer, wholesaler or the retailer. If any independent members try to force influence, there will be conflicts.
- The *manufacturer-controlled* channel gives the manufacturer control over the prices, customer service, market coverage, etc.
- Sometimes the market leaders control the intermediaries, and threaten to withdraw their products for selling competitors' products.

- If both the rival firms sell through the same retailer, intermediaries often influence sale of a product that gives them higher profit margin.

#### **4. Legal and Political**

- Legal and political constrains need careful consideration for channel development. Every state has local laws that can interfere with the channel functions. Similarly, the firm has to outline the terms and conditions on various aspects of rights that can be given to the intermediaries.

#### **5. Channel Selection**

- An organisation can select one or more channel alternatives. Two factors that affect the final selection are – the reach of the intermediaries to the customers in the target market and *economic viability* in the channel.

##### **Intermediaries considerations for relationship with a producer :**

- Profit margin
- Effect on or reaction from other channel members.
- Manufacturer's brand image and relationship with other members in the market
- Costs involved in functions like storage, promotion, etc.

It requires careful consideration of various factors before final channel selection as the intermediary is the face of the manufacturer. Customers create an image about the manufacturer through the service they receive from the intermediaries.

An organisation has to constantly revise its channel strategies and make changes as per the change in needs and wants of customers.

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### **3.7 Managing Retailing, Wholesaling and Market logistics :**

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*The Retailers classifications are given above under "Kinds of Intermediaries" i.e. Small Scale Retailers – Unit stores, Street traders, Market traders, Hawkers and Peddlers, Cheap jacks and Large-Scale Retailers – Departmental stores, Discount store, Chain stores, Mail order houses, Super market, Super stores, Convenience stores, and Consumer cooperative.*

#### **Managing Major functions of retailers**

##### **1. Buying and Assembling**

A retailer deals with different kind of products from different manufacturers and brands. They buy these products from the most economical source, different wholesalers and store them in their shops or stores to be bought by the consumers for profit.

**2. Warehousing and storing**

Retailers assemble products from different suppliers and store them to be supplied to the consumers on time. They keep enough supply stored with them so as to meet the demand in the market.

**3. Selling for final consumption**

Retailers sell products to final consumers for use and consumption. They are the final link in the distribution channel.

**4. Promotion of brands**

The manufacturers and wholesalers encourage retailers to display their products on shelves and selling counters to increase sales. Retailers help a brand in getting exposure in the market. Manufacturers try to give higher profit margins to retailers for meeting certain sale targets. Retailers try their best to make sales through salespersons, display on shelves, window displays etc. to maximize sale of products that gives them higher profits.

**5. Credit facilities**

Many a times, retailers sell products on credit to buyers. They try influencing buyers by accepting payments on installments, etc. and bear the risk of bad debts.

**6. Risk bearing**

Like wholesalers, retailers also bear the risk of handling the purchased products. They carefully handle products in their stores till the product is made available to the consumers. For E.g., Perishable commodities like milk and bread need to be sold before the expiry date and fragile products like glass and television sets needs careful handling.

Customer preferences also change so the already purchased products with retailers may have a reduced demand in the market. If these products are not sold the retailer has to bear the risk.

**7. Grading and packaging**

Many a times the products which are not graded or packaged by wholesalers are packaged by the retailers for convenient selling. The products are packed in small containers of packages with proper information for the convenience of the customers.

**8. Source of market information**

Since the retailers are in constant touch with the consumers, they are the best source of information for doing market analysis by the manufacturers and wholesalers. They have ready some data available regarding the product's sale, feedback and preferences of consumers.

**9. Customer education**

Manufacturers ensure that the retailers are well educated about their products. Sometimes they even have their representatives sent to retailers for answering queries. Retailers play a big role in passing on the information

to the customers about the functions, benefits, utility, and characteristics of a product.

#### **10. Cater to the needs of all kinds of customers**

Retailers cater to the needs of all kinds of customers' basis their financial as well as social status. Retailer's advice consumers about products that suits their needs. For E.g., a clothes merchant will advice a rich person to go for a particular branded jeans, while a customer with less paying capacity will be advised for a much cheaper option.

##### **Managing Major Functions of Wholesalers.**

*The Wholesalers classifications are given above under "Kinds of Intermediaries" i.e. Full function wholesaler, Converter wholesaler, Industrial wholesalers, Drop shipper wholesaler.*

#### **1. Buying and assembling**

The wholesalers buy products from various manufacturers and assemble them for supply to retailers. They store these products in their warehouses, and ensure supply of product as per demand in particular region.

#### **2. Warehousing**

The quality of the products is kept intact in the warehouse. The products are shipped to retailers on time, basis the demand ensuring the time lag between manufacturing and consumption is efficient and effective. The products reach the consumers as intended by the manufacturer without wear and tear.

#### **3. Breaking the bulk**

The job of breaking the bulk is done by wholesalers as the consumers buy products for household purposes in small quantities. This helps retailers in storing products in small quantities.

#### **4. Dispersing of products to retailers scattered in the target market**

The wholesalers help in dispersing the products all over the market to the retailers. The wholesaler becomes a source of all buying for the retailers. The retailers do not have to contact the manufacturer.

#### **5. Source of market information**

The information about demand, competitors, customer preferences as well as substitute products is available with wholesalers from the retailers. They also disperse information from the manufacturers to retailers. For E.g., launch of a new product by a manufacturer, market position of a manufacturer, etc.

#### **6. Financing**

The wholesalers do business on credit with retailers as well as manufacturers. The retailers receive the goods on credit which helps new retailers in the market who cannot buy products in cash. Similarly, wholesalers give advance money to the manufacturers. This function helps

in easy flow of products even when the money is not immediately exchanged.

### **7. Grading and Packaging**

The wholesalers not only break the bulk, but also package the goods in small quantities and grade the quality on the packaging.

### **8. Transportation**

The wholesalers buy products from wholesalers and ship them to their warehouses and go-downs. From there, the products are supplied to the retailers, etc. They may employ their own vehicles for transportation. As the wholesaler is in touch with the retailers, the supply is also done effectively (on time) and efficiently (lowest cost possible).

### **9. Risk bearing**

Products are exposed to many risks like destruction – natural as well as unnatural disasters. They can get spoiled during transportation, climate change or may even get spoiled if not sold before the expiry date. The wholesaler also bears a risk of not sold because of less demand, reduced prices of competitor or substitute products. As the manufacturer has already sold the product to the wholesaler, this risk is borne by the wholesaler. To avoid such risks wholesalers carefully buy products in right quantities.

### **10. Advertising**

The wholesalers also do advertising of new products via pamphlets, hoardings, mouth publicity, etc. This helps manufacturers in market growth.

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## **3.8 Market Logistics : Objectives and Decisions :**

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Some of the major Market Logistics objectives of a company are as follows :

- (a) Logistics Decisions**
- (b) Market Logistics and Cost**
- (c) Market Logistics Decisions.**

Market Logistics objectives can be described as "getting the right goods to the right places at the right time for the least cost. " This means a market logistics system has to simultaneously provide maximum customer service at the minimum distribution cost.

Maximum customer service implies large inventories, premium transportation and multiple warehouses, all of these raise market-logistics costs. A company cannot achieve market-logistics efficiency by asking its logistics manager to minimize the logistics costs.

For E.g., rail shipment to a distant warehouse is preferred due to lower costs. At the same time, the railways are slower, rail shipment ties up working capital longer, delays customer payment, and might cause customers to buy from competitors with faster service.

**(a) Logistics Decisions :**

Market logistics activities involve strong trade-offs, decisions must be made on a total system basis.

Suppliers desire to meet emergency needs, and re-supply defective pieces to customers quickly at their costs, besides the normal on-time delivery,

A company must then research the relative importance of these service outputs. For E.g., for a photo copier machine, the least service-repair time is very important.

**(b) Market Logistics and Cost :**

Let us consider, a machine manufacturer has established the following service standards :

- To deliver at least 95 percent of the dealer's orders within 7 days of order receipt.
- To fill the 'dealer's orders' with 99 percent accuracy.
- To answer 'dealer inquiries' on orders with 99 percent accuracy.
- To answer 'damage to goods in transit' does not exceed one percent.

Given above market-logistics objectives, the company must design a system that will minimise the cost of achieving these objectives.

**(c) Market Logistics Decisions :**

Four major decisions must be made with regard to market logistics :

- How should orders be handled ? Order Processing
- Where should stocks be located ? Warehousing
- How much stock should be held ? Inventory
- How should goods be shipped ? Transportation

**Check Your Progress :**

1. Delivery channels means
  - a. Maternity wards
  - b. Handing over the products to the buyers
  - c. Place where products are made available to the buyers
  - d. All of these
2. Amway, and Tupperware use which of the following forms of channel distribution ?
  - a. direct marketing channel      b. indirect marketing channel
  - c. forward channel                  d. fashion channel
3. Makers of televisions, cameras, furniture etc. normally use which of the following distribution channel forms ?
  - a. direct marketing channel      b. indirect marketing channel
  - c. horizontal channel              d. synthetic channel

4. A \_\_\_\_\_ is a set of interdependent organisations involved in the process of making a product or service available for use of consumption by the consumer or business user.
  - a. retailer
  - b. wholesaler
  - c. distribution channel
  - d. middleman
5. Which is the first step in Designing a Marketing Channel
  - a. Analysis
  - b. Legal and political constrains
  - c. Evaluation
  - d. Control

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**3.9 Let Us Sum Up :**

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The operation of channels in the logistic process of reaching the ultimate user has functions such as possessing and passing of goods, negotiation, optimum ordering, title transfer etc.

A long-term partnership benefits all parties concerned.

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**3.10 Answer to Check Your Progress :**

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**Check Your Progress :**

1. c            2. a            3. b            4. c            5. a

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**3.11 Glossary :**

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**FMCG** – Fast Moving Consumer Goods

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**3.12 Assignment :**

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1. What are the major Market Logistics objectives of a company ?
2. Explain the roles of Merchant Middlemen and Agent.

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**3.13 Activity :**

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How would design a Marketing Channel for a company manufacture Furniture in a metro city to reach eventual users in 20 cities spread across India ?

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**3.14 Case Study :**

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**Case Study – 1**

A company dealing in medical equipment for testing sugar level in human beings. The company imported 25000 units of equipment that could do sugar level test without taking blood samples. The CEO called for a meeting with the marketing head of different zones to decide the marketing strategy.

In the meeting, Mihir, the North Zone Marketing Head, suggested that as the equipment were sophisticated, it needed to be personally explained to the concerned staff at the hospital. Later, additional trained people may also be recruited for the same.

Karan, another Zonal Head, added that since the import amount was heavy, the company was short of funds it could not hire additional staff as suggested by Mihir.

Raju, Zonal Head, South Zone suggested that since the size of the order is not large, a detailed study of the factors determining the choice of channels of distribution is required before making the right choice.

Identify the factors influencing the choice of "channels of distribution" which were discussed in the meeting.

### **Case Study – 2**

It is a common phenomenon that when you visit a different town far from your own city, people ask you to bring them the local made famous food item from your home. Eg. khakra or pickles.

Two females decided to make this craving of food items as their business. They launched a Facebook page, and asked people what they wanted. They soon got a long list of items. They tied-up with two dozen vendors from 50 towns. They serviced people from Jaipur who wanted spices from Kerala; people from Panipat who wanted halwa from Jammu and people from Delhi who ordered fresh tea leaves from Darjeeling.

Through their business, they wished to bridge the gap between sellers and buyers. The business grew by leaps and bounds.

Explain any two important activities that the entrepreneurs got involved in for making the goods available to customers at the right place, in the right quantity and at the right time.

**Hint :** Physical distribution, transportation, warehousing.

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### **3.15 Further Reading :**

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Marketing Management, 14th edition (2013), Philip Kotler, Kevin Keller, Abraham Koshy and MithileshwarJha, Pearson.

Marketing Management, Indian Context – Global Perspective, 6th edition, 2018, V S Ramaswamy, S Namakumari, SAGE publications India Pvt Ltd





**: UNIT STRUCTURE :**

- 4.0 Learning Objectives**
- 4.1 Introduction**
- 4.2 Advertising – Definition, Nature, Advantages and Disadvantages**
- 4.3 Types of Advertising**
- 4.4 Managing the Developing Advertising Program.**
- 4.5 Steps in Developing a Creative Advertising Strategy**
- 4.6 Managing of Sales Promotions**
- 4.7 Managing of Sales Force**
- 4.8 Managing of Public Relations (PR)**
- 4.9 Managing Direct Selling**
- 4.10 Managing Event**
- 4.11 Integrated Marketing Communications (MC)**
- 4.12 Let Us Sum Up**
- 4.13 Answer to Check Your Progress**
- 4.14 Glossary**
- 4.15 Assignment**
- 4.16 Activity**
- 4.17 Case Study**
- 4.18 Further Readings**

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**3.0 Learning Objectives :**

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- Various advertisement channels and vehicles
- Developing and handling Advertising Programs
- Managing Public Relations.
- Significance of IMC

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**4.1 Introduction :**

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It is crucial for Companies to communicate worthwhile message to the public; and even more significantly 'what to say', 'how and when to say it', 'to whom', and 'how often. '

There are several modes of communication to be studied and develop effective communications.

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## 4.2 Advertising – Definition, Nature, Advertisement and Disadvantages :

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Advertising is an audio or visual form of non–personal and paid marketing communication about an organisation or product directed towards target audience through mass medium.

The communication is through non–personal, paid media. The audience clearly know the source of the message – which organisation or company the message is from.

### Advertisements includes :

- (1) An audio or visual form – the communication with the audience is through audio or visual form.  
It may be a message –
  - in a newspaper, flyer, magazine, hoarding, packaging logo, or a sign.
  - a commercial on a television, radio, internet video ad, etc.
- (2) Non–personal – the communication is not person–to–person. It is addressed to masses. This aspect leaves out the personal selling form of promotion.
- (3) Paid communication – advertising has to be paid for.
- (4) Organisation or its products – the audience can trace the message back to the sponsor. The sponsor pays for the advertisement.
- (5) It is a marketing communication tool directed towards masses to convince them to (generally) buy the products and services of the sponsor.
- (6) As it is directed towards the masses, it helps an organisation to produce a similar product for a large audience by generating demand.
- (7) It is economical as a single message is delivered to large audience.
- (8) It is also efficient as it targets a large audience within the same time frame.
- (9) It gives identity to the organisation via brand logos and company's name.

### Advantages of Advertising

- It can reach large number of audiences at low cost.
- It helps in the pull strategy – creates demand, and buyers regularly.
- It enhances and creates awareness about the organisations brand, name, etc.
- It helps seller in highlighting product features and educating buyers.
- It helps organisations sales people by creating awareness.
- Gives organisations options to utilise visual as well as audio tools.
- It helps consumers in making right decisions.

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- It saves consumers time that is usually wasted comparing similar products in stores.

### **Disadvantages of Advertising**

- The cost for advertising can go high in case of advertising on TV during prime time, premium magazines.
- A single message is communicated for all buyers. Some contents are inappropriate for children.
- Difficult to analyse the feedback from the audience and the process of feedback is slow.
- It is less effective than personal selling in persuading consumers.
- Advertising in newspapers, etc. can be easily overlooked by buyers because of advertisement clutter (too many).
- Regularly changing channels on television, lack of attention on the advertising media also result in the advertising effort lost.
- From consumer's perspective, advertising creates needs and wants. It creates a desire for products that are not actually a necessity in life.
- Creates monopoly as not all organisation can afford advertising. Consumers are unaware about similar products available at lower price.
- Many a times misleading claims from manufacturers are done to push sales.
- Hoarding, neon lights, electronic displays at busy roads often distract drivers.

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### **4.3 Types of Advertising Media or Tools :**

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In advertising the channels of communication are newspapers, magazines, television, radio, etc. It is a medium or a vehicle utilized by advertisers to convey their message to a mass audience.

#### **Important channels of Advertising (advantages and disadvantages).**

- (1) **Newspapers** – there are loads of people habitual to reading the newspaper in the morning to keep them updated about the happenings around the world. Newspapers remain as the most reliable message carrier as it is a mode that educates and entertains.

#### **Advantages –**

- (i) **Wide reach** – Newspapers are read by almost literates across the country.
- (ii) **Ease of preparing and releasing the message** – It is quite easy to release coloured advertisement and various promotion programs.
- (iii) **Local coverage** – It is easy to communicate within the geographically segmented market. An organisation can choose a particular newspaper depending on its circulation.

- (iv) Less expensive – Newspaper advertising is cheaper as compared to TV or magazine advertising.
- (v) Easy reference for audience– Long and lengthy content can be elaborated.

**Limitations –**

- (i) Overlooked by buyers – As newspapers contain many advertisements from different organisations, there are high chances that the advertisements can go unnoticed.
- (ii) Short life – The newspaper advertisement in today's newspaper will not be of any use tomorrow as readers read only the latest edition for news updates.
- (iii) Poor quality – As compared to magazine, the paper quality is poor and the reproduction of advertisement is poor.
- (iv) Advertising position – Newspapers charge different rates for the different position on the paper. Usually front–page advertising is very expensive as against inside pages.
- (v) Not suitable for illiterate people.

- (2) **Magazines** – Magazines are both regional as well as national. They are published weekly, fort–nightly, monthly, quarterly, bi–annually, or annually. There are magazines for general reading and on special subjects like trade, finance, economics, etc.

**Advantages –**

- (i) High quality visual display – They are mostly in coloured form and in good quality paper which gives the advertised product nice depiction and appeal.
- (ii) Longer life – They are usually read at leisure and there are less chances of advertisements (going unnoticed as compared to newspaper advertisements. Magazines have longer life than newspapers.
- (iii) Specific advertisements for specific audience –As magazines service specific demographic variables as well as specific class of people, marketers can reach a particular segment basis its business strategy.
- (iv) Reliability – Magazines are considered more reliable and credible based on its respective field.

**Limitations –**

- (i) Lesser flexibility –The advertisement copy needs to be sent to the publishers well in advance within specific timelines.
- (ii) Lesser frequency – Unlike newspapers, advertisements in magazines can be done weekly, fort–nightly, and so on. For E.g., a sales advertisement for few days cannot be done in a magazine. The advertisement can be done in magazine with higher frequency for "reminder advertising".

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- (iii) Some waste circulation – Advertisement can be done in a national magazine may not appeal to all the regions in which the magazine is circulated.
- (iv) High cost – It is more costly as compared to newspapers, etc.
- (3) **Television** – Television has fast grown as a medium of advertising that provides audio visual experience leaving a lasting impression on the mind of the viewer.

### **Advantages –**

- (i) Audio visual medium – Because of combination of sound as well as display it is very effective in attracting attention. Computer animations have made this medium even more appealing. The customers view the product and its demonstration.
- (ii) High reach – The television has reach rural and urban areas – it has high reach in the target market.
- (iii) High appeal – It represents the product in life like presentation combined with sound, motion and sight. It is more believable medium as compared to print and radio advertising.

### **Limitations –**

- (i) High cost – it is costly to make a message to be telecast and to buy spot time from various TV channels.
- (ii) Multiple channels – Many times people switch channels. There is high possibility of the advertisement being missed during channel swapping.
- (iii) High clutter – Too many commercials during breaks between television programs reduces the effectiveness of the advertisement.
- (iv) Time consuming process – Producing a message for television commercial as well as reaching the producers in advance to book for the commercial is time consuming.
- (v) Less audience selectivity – A marketer cannot appeal to specific target segment as television is viewed by all class of people irrespective of age group.
- (4) **Radio** – Radio advertising is very popular now a days. Most of the population in rural areas rely on Radio for entertainment and news. The introduction of radio stations which play the latest songs with entertainment programs and news broadcast are popular among youth also. The advertising can be done in regional languages. Most of the people in cities listen to radio while driving cars or travelling by bus, etc. This gives a marketer a great opportunity to advertise products to masses.

### **Advantages –**

- (i) Low cost – It is more economical as compared to television, etc.

- (ii) Mass coverage – It reaches every kind of listener. Unlike television it is a mobile medium and can be listened to while travelling. Marketers take this opportunity in popularising a product.
- (iii) Selectivity according to demography – A marketer can communicate in the area he/ she desires to reach. The stations, programs, time, etc. can be selected by the marketer.
- (iv) Easy to make and alter the message – Unlike television or road side hoardings which require time to prepare and alter, radio message can be easily edited.

**Limitations –**

- (i) No visual presentation – It is not possible to illustrate or demonstrate a product.
  - (ii) Less attention by listener – There is high possibility of message being unheard by the listener as radio is usually listened to while performing another activity.
  - (iii) Unstructured rates – As there is high possibility of message being unheard, the advertiser has to increase the frequency of the message for effective reach. For different timings the rates are different with limited time availability.
- (5) Film advertising –** It is similar to television advertising that combines audio visual and motion facilities for greater impact. The advertisement films are made and sent to different cinema houses to be shown before the movie show or during intermission. Because of life size display the message has greater impact on the audience.

**Advantages –**

- (i) Captive audience – There is higher degree of impact of the message as there is less distraction and audience come prepared to watch shows.
- (ii) Selectivity – A marketer has the flexibility of communicating with certain audience basis the show and the region. Certain shows appeal to certain selective audience.
- (iii) Less clutter – There is less advertisement clutter in cinema halls and booking time for advertisement in cinema halls is also less expensive.

**Limitations –**

- (i) High film making costs – The cost of making a film for cinema advertising is costly as it requires proper filming. Only large organisations go for cinema advertising.
- (ii) Time consuming process – Making a cinema advertisement is a time-consuming process, and it is not easy to make changes to the message.
- (iii) Limited coverage – The message coverage is limited to the audience visiting cinema halls.

- (6) **Outdoor advertising** – Outdoor advertising is referred to as literally "out-of-door" or OOH "out-of-home". This type of advertising is aimed at catching the attention of the passer-by on road. It includes – posters, electric/ neon signs, sky writing, sandwich men, transit displays, and painted displays.

Posters and placards are pasted on road sides, railway stations, or bus stands. These are usually made of thick paper sheets, wooden or metal plate. The message is usually in big letters and attention seeking that can be read from a distance.

Electric/ Neon signs are permanent on a place and utilise attractive light effects. These are placed in places where large number of people gathers in the evening or night.

Sky lighting is utilised to advertise the message across the sky by way of balloons, search lights, small aircrafts, or giant kites. The airplane pilots utilise smoke or illuminations for communicating the message.

Sandwich men move from street to street carrying posters or messages dressed in colourful and bright costumes. Men or women who do this job are sandwiched between posters, etc. and shout slogans to attract attention towards the posters.

Transit displays are referred to all kinds of displays used in buses, trains, taxis, and any kind of transportation vehicle.

**Advantages –**

- (i) Geographic selectivity – Changes can be done as required to target a particular segment.
- (ii) Longer life – the outdoor advertising stay unless removed by the advertiser.
- (iii) Flexibility – high flexibility to highlight the local address and names of sellers, middlemen, etc. A marketer can have different message for different locality or region.
- (iv) Low cost – the cost is low as compared to television, cinema or magazine advertising.

**Limitations –**

- (i) Limited exposure – There is limited audience who get exposure to the outdoor message.
- (ii) Non-selective demographically – people of all age groups, social, economic, etc. background get exposed to the same message.

- (7) **Direct mail** – It refers to all forms of printed advertising delivered directly to potential buyers by post. These can take different forms like post cards, envelop enclosures, booklets and catalogues, sales letters, gift-novelties, package inserts, store publications.

Envelop enclosure can be a circular. These papers posted to buyers.

These are sent with the purpose of generating reader's interest in the product.

Booklets and catalogues contain detailed information about the products and their prices. Gift novelties like pens, wallets, calendars, etc. are imprinted with the sales messages.

**Advantages –**

- (i) Audience selectivity – The marketer can clearly define and target its prospective buyers.
- (ii) High flexibility – The message can be easily altered and changed as required as the designing and delivering of the message is in the hands of the marketer.
- (iii) Option of personal touch – Some messages can be directly addressed to the receiver like sales letters, etc.
- (iv) Effective – The marketer can make the message and delivery as effective as possible as there is no competition or clutter.

**Limitations –**

- (i) High cost – The cost of sending individual messages is higher as compared to a message communicated via newspapers, etc.
  - (ii) Post being considered junk – Nowadays people in metros receive lot of post from different organisations. People tend to consider most of it as trash and show less interest.
- (8) Display advertising** – In this advertising, the sellers display the products in shop windows, counter displays, shelf displays, floor displays, etc. It is aimed at generating interest and impulse buying especially when most of the stores have "self-service" options.

For this to be an effective tool, the advertisers need to ensure that the products are displayed artistically in the shop window, on the shelves, counters, cupboards, racks, stands, etc.

Products should be regularly rearranged to generate interest and give a feel of freshness to the buyers.

- (9) Trade shows, Exhibitions and Fairs** – These are organised on large scale wherein various manufacturers and traders sell their products to the buyers who attend the trade show or exhibition. The manufacturers buy or rent a space for demonstration of products. The sellers give out free brochures or sample of products to the visitors. It benefits the buyers to a great extent as they get the opportunity of inspecting the product from among a variety available. In international exhibitions, traders from different parts of the world assemble at one place.

- (10) Internet advertising** – Internet advertising has gained lot of momentum in recent times as most of the regions in the world have access to internet. Advertisers look for the most accessed



## Marketing Management

websites to advertise their products. The internet sites take fees for giving space on their web page. The cost of preparing an internet advertisement is also less as compared to TV.

As online shopping gains ground, online advertisement takes the interested buyers directly to the shopping webpage. The advertisers have to ensure that the content of advertisement is attractive and appealing to the site visitor.

Internet advertising is growing at a fast pace, slowly replacing TV viewing through cable operators or dish TVs.

The internet advertising is not restricted geographically or has time constraints. Customers also have greater control of closing the advertisement or accessing it.

Online advertising is of different types like – Display advertising, sponsorship, Affiliate marketing, search engine marketing, keyword advertising, Search engine optimisation (SEO), and "pop ups".

In Display advertising or Banner advertising on internet, an advertiser charges some amount to display an advertisement banner for a certain period. It is aimed to tempt visitors to visit the advertiser site.

Advertisers have to study the websites on which they can place their advertisement banners to ensure majority of the people visiting these sites are prospective buyers.

In Sponsorship, the marketers sponsor a section of a website and integrate their advertising message there. This gives more exposure to the visitors as compared to display advertising on internet.

In Affiliate marketing, the marketers place their advertisements with different websites and the fees is paid basis the traffic received by the advertisement.

Search Engine Marketing refers to the advertisements a visitor comes across when checking the search engine results.

Through Keyword advertising, the advertiser pays a search engine or a website to have his/ her link to the site when a visitor types the search words for accessing a site. If someone is typing "times", the options that the person may get will be of some advertiser's site on the top of search.

Search engine optimisations (SEO) is done to allow search engines to rank the advertisement a high result in search engine results. The websites visibility is increased in the search results.

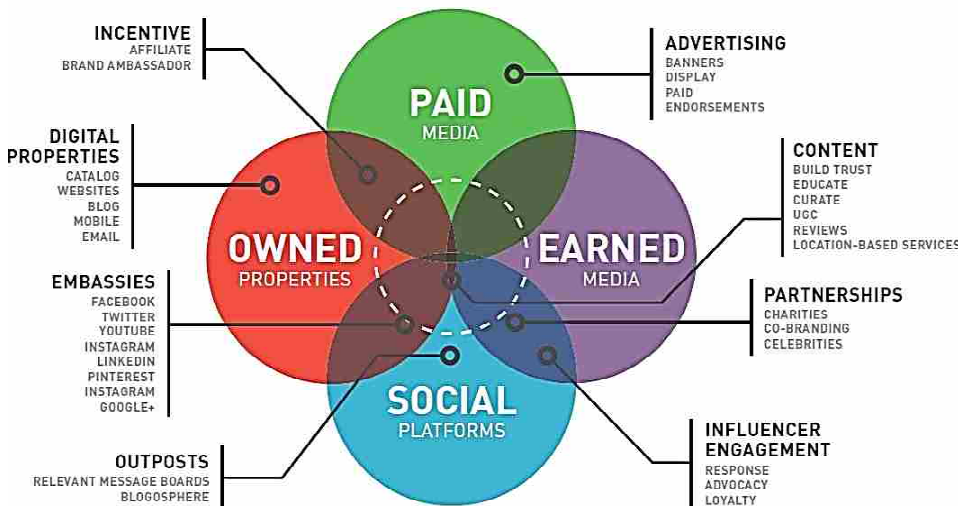
In "pop-up" advertising, an advertisement opens in a new window. So, when the visitor closes the site, the advertisement is seen. These are mostly not opted for as these are irritating and most of the web browsers have "pop-up blockers" preinstalled.

**Advantages of internet advertising**

High flexibility of giving personal touch, can be made as interactive as possible, less costly as compared to television advertising, magazine advertising, etc.

**Limitations of internet advertising**

Not everyone accesses internet. There are internet challenges in developing countries, frustrating for some visitors. Culturally and linguistically different regions will need to have advertising message accordingly created.



**4.4 Managing The Developing Advertising Program :**

Organisation allocate and spend crores of rupees for advertising. It is important that the marketers effectively use the advertising resources to make the marketing effort successful.

There are five major steps that organisations can take in developing an advertising program.

- (1) Mission/ Objective
- (2) Budget
- (3) Message
- (4) Media plan
- (5) Evaluation

**(1) Advertising mission/ objective**

The advertising objective refers to the specific goals an organisation wants to achieve in a specified time with specified audience.

The marketing strategy which specifies the target market, marketing positioning and marketing mix elements, gives direction to the advertising objectives.

The planning which is done for the steps in making decisions for promotion activities form the basis of each promotion tool.

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Advertising objectives could be : to inform, developing awareness, influencing buyers to try the product, and generating positive attitudes and emotions towards the products, and not solely to meet sales objectives.

Therefore, we have :

Informative advertising – creating awareness about new products or new features of existing products.

Persuasive advertising – creating preference for the company's product.

Reminder advertising – asking customers to regularly use the products.

Reinforcements advertising – convincing existing users that they have made a right choice.

### (2) Determining the advertising budget

The management has to decide on the right amount to be allocated so that less amount should not result in ineffective advertising and excess amount should not raise the expenditure.

Some company's rely on a predetermined percent of sales for advertising.

Factors can be considered when deciding on the advertising budget–

- (a) Stage of product in product life cycle – New products require intense advertising, whereas products in maturity stage have less advertising expenses.
- (b) Market share and consumer base – Brands with high market share usually require less budget, whereas a brand which wants to increase its market share, will need to invest heavily in advertising.
- (c) Competition and clutter – A brand trying to be a leader in cluttered in the target market, will need to invest heavily.
- (d) Advertising frequency – Marketers need to be aware of the frequency of the advertisements by competition in the target market.
- (e) Product substitutability – Highlighting product features to differentiate it from substitute products in the market will need advertising regularly.

### (3) Advertising message

The most creative part in advertising is working on what to say to the target audience and how to say it so that the buyers will listen, understand and remember the message when making buying decisions.

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## 4.5 Steps in Developing a Creative Advertising Strategy :

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- (a) Message generation – There are many theories proposed by advertisers for creating an effective message – one is link the brand to a single benefit.
- (b) Message evaluation and selection – The advertiser should consider the whether the advertising is highlighting something interesting,

the exclusiveness of the product, or the message should be believable.

- (c) Message execution –Creative advertising can be presented in Style – lifestyle, musical, fantasy, technical expertise, mood or image, scientific evidence, testimonial evidence. Tone – positive, humorous, informative, self-deprecating. Words – attention getting and memorable.

Moreover, other aspects of advertising that the marketers should study are – the format (ad size, colour and illustration), and how the slogans make the advertisement more effective and catchy.

#### **(4) Deciding on the Media**

The next step after finalising the message is to select the most effective (high impact) and efficient (less costly, within the budget) media for communicating the message to the masses.

It is a challenge to decide on the media vehicle as each one of them have advantages as well as disadvantages – construct an optimum media mixie. a combination of TV, Radio, outdoor, newspapers, etc. The marketers consider the reach, frequency and impact of each media tool.

Factors considered are –

- (i) Target audience media habits – Internet advertising on websites and mobiles if best vehicle to reach the teenagers.
- (ii) Product characteristics – For demonstration of the product features TV would have both visual and motion elements.
- (iii) Message characteristics – if a product is to be launched then advertising on TV as well as magazines may be required. But a discount sale will need immediate communication in the target market, therefore outdoor advertising, newspapers, radio, etc. are preferred.
- (iv) Cost – creating an advertisement to be telecast on TV is costlier than an advertisement created for newspapers, radio, etc.

The marketer should consider the limitations and advantages of various media types to create effective media mix and media schedule.

Similarly, the Geographical Allocation of the media is considered to target specified regions and territories.

#### **(5) Media Evaluation**

An organisation should have effective planning and control on the advertising program to measure its effectiveness.

Most commonly used methods for measuring the effectiveness are

- (a) Communication–effect research – There are three methods under this.
  - (i) In Consumer feedback method for its effectiveness.

- (ii) The effectiveness of the ad is calculated basis the recall of the contents of the ads when a customer is shown various ads.
- (iii) Laboratory tests use equipment to check the consumer's physiological reactions like heartbeat, pupil dilation, heartbeat, etc. when exposed to the ad.
- (2) Sales effect research – Organisations measure the effect of advertising expenditure on the sales, which is difficult because of price changes, changes in competition, changes in economic conditions, etc. Majorly two approaches are followed to measure the sales effectiveness.
  - (i) Historical Sales is analysed between the changes in sales and the advertising expenditure in that period.
  - (ii) Experimental studies – To understand the relation between advertisement and its influence on the sales, experimental studies can be used. One such method is test market approach. The effect on sales is measured in few cities where consumers are exposed to advertisements and also in cities where no advertisement is run.

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#### **4.6 Managing of Sales Promotions :**

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Sales Promotion includes those sales activities that supplement both Personal Selling and Advertising and co-ordinates them and helps to make them effective, such as, displays, shows and expositions, demonstrations and other non-recurrent selling efforts not in the ordinary routine.

Most of the organisations adopt sales promotions as it is less costly as compared to the increasing Television advertising and personal selling costs. Sales promotion is widely used for creating brand awareness and liking among consumers.

Consumers are lured by the incentives of buying through various sales promotion activities like discounts, rebates, contests, coupons, product samples, price promotion signs, coupons, exhibitions, setting kiosks in malls, displays, free samples, gifts, etc.

The customer who buys a product sees an extra value in the purchase like a discount, etc.

##### **Risks Involved :**

Giving discounts, free samples, deals, etc. sometimes gives an impression that the brand is not of high quality and not being bought by majority of buyers. Sales promotions most of the time fail to attract long-term brand loyal customers. It mostly appeals to buyers who look for deals and value at a lower price. Hence it becomes important to support sales promotion activities with strong advertising messages.

Sales promotion employs tools for Customer Promotion, middlemen, and Company's sales force (*discussed below*).

If the target audience is large, the company can use different activities at the same time. For E.g., a newly launched hair strengthening shampoo may give out free sachets of the product along with discounts

on the standard package. A consumer who is not brand loyal but is seeking a low-price good quality product is likely to try a product under this activity.

**Objective of sales promotion for consumers –**

Sales Promotion attracts new customers to try the product,

- Reward existing customers
- To increase repurchase of the product by occasional buyers.
- It attracts customers who are not brand loyal and often look for additional value.
- It generates a short term demand for the product in the target market.
- Luring buyers away from competitors
- Switch brands

**Objective of sales promotion for middlemen**

The manufactures are dependent on the middlemen (retailers and wholesalers) for the sale of their products. The manufacturers help the middlemen in many ways like dealer contests, training of the dealers, supply display material, designing the middlemen's stores, etc. to gain their co-operation in the company's marketing effort.

- Encourage off-season buying
- Encourage stocking of company's products
- Discourage competitor's stocking and display of products
- Gain entry into new retail stores

**Objective of sales promotion for sales force**

Sales promotion that is aimed at the sales force is to motivate and encourage the sales force to increase the selling effort in the target market. For E.g., offering a paid-vacation to a sales personal who has achieved certain sales target.

- Encourage extra effort
- Encourage support for a new product or service
- Stimulating off season sales.

**What are the different Sales Promotion tools ?**

Sales Promotion tools are different and specific for three groups :

- I. Consumers (Consumer promotion tools)
- II. Dealers or middlemen (Trade promotion tools), and
- III. Sales force.

**I. Sales promotion tools for consumers (Consumer promotion tools)**

The marketers need to choose the right sales promotion tool to reach its audience. Below are the major promotion tools directed towards consumers –

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- (1) **Free samples** – The manufacturer offers free samples to consumers in various ways doing door-to-door visits, at retail stores, malls, attached to another product, etc.
- (2) **Exchanges** – Customer are asked to submit the old product (of same brand or sometimes any brand) and a new product is offered at a new price.
- (3) **Sales promotion letters** – Sent to buyer's homes and offices giving information on promotion activity or information on the products.
- (4) **Coupons** – These are certificates by which a buyer can buy a product at a reduced price. These are mailed, accompanied with other products, with newspapers or magazines, or sent by direct mail.
- (5) **Cash refund offers or rebates** – Manufacturer gives a certain percentage of refund as part of the deal for buying a product.
- (6) **Point-of Purchase displays** – The customers are exposed to company's product at the POP to ensure its awareness to maximum people visiting the store.
- (7) **Demonstrations** – Demonstrations are done at retail stores and malls or even at residences, with permissions. For E.g., sales people at malls and retail stores demonstrate perfumes, cosmetic products, small electronic items, etc.
- (8) **Gifts or Premium** – Products are offered free or at a low cost for buying a particular product. For E.g., buy one get one free, book a flat with no EMI for first year, etc.
- (9) **Frequency program** – The consumers are rewarded for making the purchase of the product regularly. The aim is to ensure the customer doesn't switches brand.
- (10) **Free trials** – Potential buyers are invited to try the new product for free. For E.g., new cola, flavoured packaged water, etc.
- (11) **Contests, games, sweepstakes (prizes)** – These are opportunities for the buyers to win cash, trip, or a product when making a certain purchase. Contest asks consumers to submit entries that may win the deal communicated from a panel of judges.
- (12) **Product warranties and guarantees** – The manufacturers make a promise to the buyer that the product will be repaired free of cost, replaced, or money refunded if it doesn't performs as promised for a certain period.
- (13) **Promotion along with other brands** – Two or more manufacturers advertise each other's products.



## II. Sales promotion tools for middlemen/dealers (Trade promotion tools)

Below are the major trade promotion tools–

- (1) **Attractive terms of sale** – buy back offers, credit facility, price discount or allowance like free or extra units of the product.
- (2) **Dealer contests** – Dealers with maximum sales or window display are rewarded.
- (3) **Services to dealers** – Manufacturers help in designing and arrangement of the goods in the store. Training and sale techniques coaching given to the dealers' staff free of charge.

## III. Business and Sales force promotion tools

- (1) Manufacturer organise sales contests wherein the winners are rewarded by way of money, incentives, trips, gifts, etc.
- (2) Trade shows – Trade shows are organised to meet new customers, introduce new products, educating customers about the new as well as existing products. These help the manufacturers come in direct contact with the buyers.

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### 4.7 Managing of Sales Force :

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Sales Force management is the planning, analysis, implementation of the plan and evaluation of the sales force functions in the target market.

The major steps involve

- (1) Designing sales force objective and strategy
- (2) Sales force size
- (3) Recruitment and selection
- (4) Training and motivation
- (5) Compensating
- (6) Supervising
- (7) Evaluation and control of sales people



**(1) Designing sales force structure and strategy**

The objectives give foundation to the individual objectives of the salesmen. The objectives layout details on what the organisations focus will be.

It can be focusing on new customers, new product, existing customers or existing products. Not only should the management focus on sales targets, but also market performance, customer relations and service, supporting the marketing functions.

The objectives give platform for measuring the performance of the sales function and the salespeople. Today the sales people are not just responsible for generating sales but are the "account managers" who are a single point of contact for an existing customer with the organisation.

**(2) Sales force size –**

The size of the sales force is determined based on the market attractiveness, competition, budget allotted to sales function and other environmental factors. Basis these influences, the management can make changes to the salespeople deployed.

**(3) Recruitment and selection –**

For a successful sales function it is imperative to have good salespeople. A perfect sales person can increase the customer base and profits for the organisation.

The recruitment is done through company's website, print ads, recruitment agencies, etc. The selection process mostly focuses on the enthusiasm and self-confidence of the applicant. The person should have a pleasing personality and should be always ready to get into a conversation. The customers trust a person who is knowledgeable, helpful and appears trustworthy.

**(4) Training, Supervision and motivation –**

It is important that the salespeople are given adequate training not only on the product but also on how the organisation functions. Once a salesperson associates him/ her with the organisation, they need to identify with the organisation.

The training should be effective to ensure the salesman is knowledgeable about the company's product and the competition in the market. They need to be well versed in making sales pitch, handling customer's queries and their key perform

The management has to direct and motivate the sales force to give it right direction.

Mostly financial rewards are considered the best rewards to keep the sales people motivated. These could be also be recognition or a promotion.

**(5) Compensating –**

To ensure right sales people get selected there should be an appropriate compensation plan. Compensation involves elements like – fixed salary, variable components like commission, rewards, bonus, etc., expenses incurred in the field, and fringe benefits like health benefits, company vehicle, club membership, etc.

It should justify the efforts and results given by the salesman and his/ her team.

**(6) Evaluation and control of sales people –**

The management has to evaluate and control the entire sales function as well as individual salespeople. If the results are not been met, an analysis needs to be done to ensure the correct strategy is being followed.

For individual salesperson's evaluation, the organisation should maintain a database on the performance of individual salesperson as well as the team against standard determined by the management.

Else the organisation stands a risk of losing a quality salesperson to a competitor with better compensation criteria. The communication should always be open between the management and the sales people for proper exchange of feedback and solutions.

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**4.8 Managing of Public Relations (PR) Marketing :**

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The management has to work on the Public Relations Marketing through proper planning to get effective results. The management must have clear idea on the objective it wants to achieve, finalise the public relations message and tools, implementing the plan and evaluation.

**(1) Marketing objectives –**

The announcement through PR campaign of a launch of a new product creates lot of awareness in the market place. Even before advertisements or other promotion tools are utilized, PR can create lot of excitement about a product, etc. in the market place.

It can be an editorial in a leading newspaper that will boost the dealers, shareholders, sales force, business partners, and public at large.

For E.g., Reliance Jio created lot of news through its PR campaign of cheapest call and internet service provider resulted in major players in the Indian market to change their plans and strategies.

This way the organisation creates news stories in the market even without advertising, sales promotion, direct marketing, or personal selling. The organisation saves its costs without much investment in these promotion tools.

The advertising for Apple products is mostly done by its intermediaries like ecommerce sites, network carriers, etc. It relies on its product and pricing strategies and publicity gained through trade shows and media relations.

## Marketing Management (2) Selecting the message and tools

The organisation has to first select the message and then the tools available at its disposal. Below are the commonly used PR tools –

1. *Press Releases* – Writing article for the editorial page in a newspaper or a magazine – guest editorial, letters to the editor, etc.
2. *Organisations publications* – Annual reports, brochures, articles, newsletters, magazines, etc. Public relations team personally create these messages for a positive impact.
3. *Organising events* – organising news conference, seminars, trade shows, competitions, etc. that will reach the masses.
4. *Sponsorship* – Sponsoring sports, cultural programs, music competitions, educational workshop, or other events that are followed by majority of the audience.
5. *Product placements* – Placing a company's product on Television shows, movies, special events, video games, or book is product placement.
6. *Speeches* – Executives from the organisation often address media or give talks at various shows like trade shows, discussion forums, etc. This builds the company's image and value.
7. *Cause-related marketing/Public-Service activities* – contributing to marathon events, blood donation events, raising awareness for about breast cancer, AIDS, etc.
8. *Social media marketing and blogging*

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### 4.9 Managing Direct Selling :

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Independent sales people use direct selling to sell their products and services directly to customers in meeting places such as homes, offices and cafes, instead of in retail outlets. Direct selling allows you to avoid expensive overheads, reduce advertising costs and run your businesses flexibly.

Customers also benefit from the convenience and personal attention they receive from direct salespeople. However, there are disadvantages to direct selling.

Direct salespeople can find it hard to reach new customers and can spend a lot of time on customer interactions to make sales.

#### Types of direct selling

Direct selling methods include :

- person-to-person sales – through individual appointments with customers to make presentations, demonstrate new products
- door-to-door sales – approaching homes and businesses by appointment or unannounced to leave catalogues and offer products or product demonstrations

- in-home presentations – arranging at-home gatherings to present products
- online shopping – using websites and email lists to build customer networks and offer online ordering facilities
- venue sales – setting up booths or kiosks at events to generate new leads and promote sales
- network marketing – recruiting other sellers into a network to 'duplicate' your product sales role, earning a percentage of their sales revenue and expanding your product reach.

**How to manage direct selling ?**

1. Focus on growing relationships first, not sales. Encouraging your customers to give you their time and attention is your first goal. Create a rapport and identify the prospects needs, then match products to those needs.
2. Know your products and have confidence in their ability to meet your customers' needs. Salespeople who are passionate about their products sell more.
3. A detailed customer database helps build and track customers and is an invaluable source of information that can be used for communication and distribute marketing material such as e-newsletters and event or product updates.
4. Organise your sales environment. Arrive early and carefully plan product display, presentation space and seating position. Choose a layout that will help your customers maintain eye contact with you rather than each other. Consider ways to remove distractions in the room.
5. Build networks to grow your business. Build strong, mutually beneficial relationships with your direct marketing colleagues to share your selling tips.
6. Polished sales skills – conversation, listening skills and well-developed approach to communication to build lasting customer relationships and grow a rewarding business.

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**4.10 Managing Event :**

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**What Is Event Management ?**

Event management includes a variety of functions for executing large-scale events, which might include conferences, conventions, concerts, trade shows, festivals, and ceremonies.

It involves handling the overall logistics of the event, working with staff, and conducting project management of the event as a whole.

Additional duties might include managing the budget and the teams of people responsible for each function, as well as overseeing the execution of the event. Event managers also supervise the services of all outside vendors and professionals, including event planners.

**Managing the responsibilities by an Event Manager :**

- Selecting and reserving venues
- Coordinating outside vendors
- Engaging speakers or entertainment
- Arranging for transportation and parking
- Obtaining necessary permits and appropriate insurance
- Compliance with health and safety standards
- Developing emergency contingency plans
- Crisis and situation management at the event
- Designing a security plan
- Monitoring the event

**Role of Event Management Services**

Event management firms are frequently hired to plan and execute large-scale company meetings and special events. Also, weddings, concerts, sporting events, reunions, and large parties are events for an event management company.

Government entities, non-profits, associations, and corporations all utilize event management companies to coordinate important events and meetings.

**Skills to Succeed**

Excellent organisational skills are prerequisite to succeed. The ability to multitask and juggle many moving parts is essential and, efficient time-management skills.

Being able to prioritize and stay on task is what leads to a successful event. Event management requires seeing the vision for the event through to execution, which calls for persistence, creativity, and flexibility.

Because project management is a key element and involves managing not only functions but teams of people, interpersonal skills are also important. Interaction with individuals at all levels of an organisation is part of the job, so being comfortable, personable and a strong communicator will go a long way in developing those relationships.

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**4.7 Integrated Marketing Communications (IMC) :**

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To understand integrated marketing communication, let us first understand *what does brand communication mean ?*

Brand communication goes a long way in promoting products and services among target consumers. The process involves identifying target consumers and promoting the brand among them through :

- Advertising
- Sales Promotion
- Public Relation

- Direct Marketing
- Personal Selling
- Hoardings, Banners
- Social media, and
- PR activities

### **Managing Integrated Marketing Communication**

In integrated marketing communication, all aspects of marketing communication work together to promote brands more effectively among end–users and also for better results.

Brands are promoted through advertising, sales promotions, banners, hoardings, public relations, social networking sites etc. simultaneously to increase brand awareness among potential end–users.

**The first step** towards managing integrated marketing communication is to identify the target audience – understanding their needs and expectations.

**The second step** is to know what is intended to be communicated. No brand promotion tools would help, unless it is really sure of what is that is to be shared with your potential and existing customers.

**The third step** is to identify the various channels of communication carefully.

**The fifth step** is to allocate right resources for brand promotion. Decide how much can you spend on various marketing and promotional activities between various tools available.

**The next step** is to measure the results of integrated marketing communication. Find out whether the combination of all marketing tools has actually helped reach a wider audience and promote your brands more effectively.

In other words, IMC means integrating all the promotional tools mix in the most effective way.

### **IMC goes beyond the basic communications tools.**

Levels of integration such as Horizontal, Vertical, Internal, External and Data integration are strengthened in Integrated Communications.

**Horizontal Integration** occurs across the marketing mix and across business functions for E.g., production, finance, distribution and communications should work together and be conscious that their decisions and actions send messages to customers.

**Vertical Integration** means marketing and communications objectives must support of the corporate objectives and corporate missions.

**Internal Integration** requires internal marketing – keeping all staff informed and motivated about any new developments from new advertisements, to new corporate identities, new service standards, new strategic partners and so on.

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**External Integration**, requires external partners such as advertising and PR agencies to work closely together to deliver a single seamless solution – a cohesive message – an integrated message.

### Benefits of IMC

Though IMC requires a lot of effort it delivers many benefits.

1. Helps customers to move through the various stages of the buying process.
2. Creates competitive advantage by protecting customers to switch brands.
3. Organisation consolidates its image, develops a relationship with customers.
4. Relationship with customers and build loyalty
5. Increases profits through increased effectiveness.
6. Unified message has more impact than disjointed and numerous messages.
7. Sales is boosted by stretching messages across several communications tools for more avenues for customers to become aware, aroused, and ultimately, to make a purchase.
8. Helps buyers by giving timely reminders, updated information and special offers
9. Consistent messages make them more credible

Finally, IMC saves money as it eliminates duplication of graphics and photography as they can be shared and used in advertising, exhibitions and sales literature.

If there is a single advertising agency – it saves time in giving briefs, meetings and discussions. At the same time, it reduces stress of Marketing personnel dealing with advertising agencies.

### Check Your Progress :

1. In Integrated marketing communication, all aspects of marketing communication \_\_\_\_\_ to promote brands more effectively among end-users.
  - a. are separated
  - b. work together
  - c. are disintegrated
  - d. are collapsed
2. Advertisement through radio was very popular till the middle of last century because of \_\_\_\_\_.
  - a. effectiveness
  - b. More popular than newspaper
  - c. Mass reach
  - d. None of these
3. TV Ad production cost is generally \_\_\_\_\_.
  - a. High
  - b. Low
  - c. Medium
  - d. None of this

4. \_\_\_\_\_ is helpful in promotion of services through networking sites like Facebook, Twitter etc.  
a. Social media    b. Email    c. Radio    d. Television
5. Several short-term incentives given to promote trial buying is \_\_\_\_\_  
a. Sales promotion    b. Direct marketing  
c. Events and experiences    d. Advertising
6. Programs, articles, lobbying that are planned to protect or promote a company's image or its products is known as \_\_\_\_\_  
a. Sales promotion    b. Direct marketing  
c. Events and experiences    d. Public Relations
7. People-to-people oral, electronic or written form of communications that associate with experiences of buying or using services or products is \_\_\_\_\_  
a. Interactive marketing    b. Direct marketing  
c. Personal selling    d. Word-of-mouth marketing
8. Digital Marketing is similar to \_\_\_\_\_  
a. Online marketing    b. Cold calling  
c. Web designing    d. Outdoor marketing

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#### **4.12 Let Us Sum Up :**

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We have learned the message strategy – what to say, the creative strategy – how to say it and the message source – who should say it.

Role of IMC is vital as it recognises value of a plan, evaluates all communications, and combines them to provide unified integration of messages.

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#### **4.13 Answer to Check Your Progress :**

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##### **Check Your Progress :**

- |      |      |      |      |
|------|------|------|------|
| 1. b | 2. c | 3. a | 4. a |
| 5. a | 6. d | 7. d | 8. a |

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#### **4.14 Glossary :**

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**Stimulating** – encouraging or enthusiasm

**EMI** – Equated Monthly Installment

**Compensating** – (typically money) in recognition of suffering or loss incurred

**Integrated** – various parts or aspects linked, coordinated

**PR** – Public Relations



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**4.15 Assignment :**

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1. If there is small business, example a 'beauty parlour' in your neighbourhood, , what communications tools would you recommend to the proprietor that can be used ?
  2. What is the role of PR in communication ?
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**4.16 Activity :**

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Pick up any two Companies in India and show how they have used IMC effectively over the past few years.

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**4.14 Case Study :**

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**Case Study – 1**

An insect was found in a tetra-packed fruit juice manufactured by a reputed company. The aggrieved customer showed it to the shopkeeper from whom the pack was purchased who directed her to call up the customer care centre.

After several failed attempts, the customer went to a consumer forum and sought their advice. The forum decided to impose restrictions on the sales by the firm's products of the particular batch and urged the customers to refrain from buying the products of the company.

The Company lost its image in the market. The CEO gave the responsibility of bringing back the lost image of the company to the Manager.

Identify the concept of marketing management which will help the Manager to get the firm out of the above crisis.

**Case Study – 2**

Dhruv and his son, were shopping in a Mall. Dhruv wanted to give a birthday present – a trouser and a shirt to his son. He was happy when on payment of Rs 5000 for the purchase, he got a discount voucher of 20% for the next purchase he would do at the shop, as well as a meal voucher of Rs. 500 in a nearby eating joint.

Identify the which type of advertisement was used by the shop in this case.

**Case Public Relation : Earth Hour 2010. Brand : WWF India**

Back in 2010, WWF India launched the campaign against Climate Change to switch off all non-essential lights at 8. 30 pm, on 27th March for an hour. **That year, 128 cities across India joined in with over 7 million people pledging to switch off.**

With Abhishek Bachchan and then Chief Minister of Delhi, Smt. Sheila Dikshit as the leader in the movement, the places that went dark for the hour were : India Gate, Chhatrapati Shivaji Terminus, ITC Grand Maratha, Shivaji Park, Taj Lands' End, and Bandra Worli Sea Link in Mumbai, Victoria Memorial in Kolkata and Husain Sagar in Hyderabad.

The campaign left an indelible mark in the mind of millions of people. Earth Hour is observed in India (and over the world) every year, diligently. Every child, man, and woman knows about it. By the time 2017 reeled in, 30 million people in the country were participating. So much so, that #EarthHour began to trend on social media. And it is the reason why we give the campaign one of our top positions.

**Fantastic PR campaigns translate into results that amplify with passing years.**

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#### **4.18 Further Reading :**

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Marketing Management, 15th edition (2014), Philip Kotler and Kevin Keller, Pearson Education.

Fundamentals of Marketing, 2007, Marilyn A. Stone and John Desmond, Routledge Taylor & Francis Group

Marketing Management, Indian Context – Global Perspective, 6th edition, 2018, V S Ramaswamy, S Namakumari, SAGE publications India Pvt Ltd

Principles of Marketing, 1999, Second European edition, Philip Kotler Gary Armstrong, John Saunders, Veronica Wong, Prentice Hall Europe

A Glossary of Marketing Terms, American Marketing Association, Chicago, IL : American Marketing Association, 1960

Marketing Myopia, Levitt, Theodore, Harvard Business Review (July Aug 1960).

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**BLOCK SUMMARY**

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In this block you have learned how a Marketer uses the knowledge about his organisation, product, market and competition with effect using the tools of product mix and marketing mix – the Ps. The traditional 4 Ps used in a firm producing goods, are extended to 3 more Ps in Service industry.

The distribution channel is crucial as the last leg in reaching to the customers through channel strategies, Logistics Decisions and Market Logistics.

The most visible aspect of a firm is advertisement. The choice of communication message reaching the prospective audience is of immense importance. It creates the first image about the offers of the product / service in question and lays an impression in the consumers' mind. The cost control of the advertisement spent has to be closely monitored and its effectiveness measured.

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**BLOCK ASSIGNMENT**

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**Short Answer Questions :**

1. What are product lines ?
2. What the levels of product ?
3. Briefly explain the width, depth and length of product line.
4. What is the difference between 'guarantee' and 'warrantee' ?
5. What are the characteristics of 'Services' ?
6. What are the channels of marketing ?
7. What is the difference between 'advertising' and 'sales promotion' ?

**Long Answer Questions :**

1. What is product and service differentiations ? What are their advantages and disadvantages ?
2. What is product mix ? Explain how product mix is used for pricing strategy ?
3. Explain what are the choices available for brand strategies and brand repositioning ?
4. What can be done to maintain and improve 'Services Quality' ?
5. What are the managing functions of retailers and wholesalers ?
6. Give details of the types of advertising tools available to marketers ? State the advantages, disadvantages and limitations of all vehicles.
7. How do you manage 'Integrated Marketing Communication' in a Company ?

❖ **Enrolment No. :**

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
No. of Hrs.				

2. Please give your reactions to the following items based on your reading of the block :

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any other Comments

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