Principles of Marketing

EMKT201

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Content

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Unit 01: Marketing Management Today

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Objectives

After studying this unit, you will be able to:

- Understandthe basics of marketing management.
- Understand the scope of marketing.
- Understand the stages of marketing orientation.
- Analyze marketing orientations and its adaptability in organizations.
- Understand the difference between selling and marketing approaches.
- Articulate marketing as a process.
- Understand the concept of marketing mix and learn how it is adopted by companies.

Introduction

Marketing process includes ways in which value can be created for the customers to fulfill their requirements. It is an endless series of actions and reactions between the customers and the companiesto create, deliver, communicate, and exchange offerings that are valuable to customers, partners, clients, and society at large, marketers use a variety of institutions and procedures.

Marketing describes the actions a business does to advertise the purchase or sale of a good or service. Advertising, selling, and delivering products to customers or other firms are all included in marketing activities.

As a result of marketing, awareness is generated in the market. As more people become aware of your products, sales will rise. In terms of creating revenue, marketing helps a lot of commercial enterprises. It happens when different business sectors adopt different marketing strategies to boost company revenues. is to serve the needs of customers while adding value.

By educating and molding the public, marketing advances civilization. The goal of marketing is to satisfy consumer wants. Marketing benefits both the marketer and the consumer by letting them know about new goods and services that are on the market.

1.1 Definition of Marketing

"The science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit".

- Philip Kotler

"*the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*"

- American Marketing Association

"*The management process responsible for identifying, anticipating and satisfying customer requirements profitably*"

- The Chartered Institute of Marketing

1.2 Marketing Management

Marketing management is the organizational discipline which focuses on the practical application of marketing orientation, techniques and methods inside enterprises and organizations and on the management of a firm's marketing resources and activities.

Marketers can use the study of marketing management to develop an understanding of the target market needs and expectations, problems of consumers, formulating of marketing mix strategies, developing advertising strategies, understanding target customerbehavior towards different advertising appeals and message, selecting the type of media etc.

1.3 Things that can be marketed

A broad notion, marketing begins at the time of conception, continues through promotion, and ends with the delivery of goods and services to customers and enterprises. The following is a list of the dynamic products that can be marketed:

Goods

Manufactured Goods are the maincomponentof marketing activities in all the countries across the world. Companies and individuals market goods like consumer durables, personal computer, electronic products, machineriesetc.

Services

Not only physical goods but services can also be marketed. Even the services of many organisations can be marketed to the consumers namely teaching, banking, insurance, finance, hospitality, tourism, professional consultations etc.

Experiences

The exceptional and different experiences pertaining to a place or a park or an event can be marketed under this concept. For e.g. Fun Parks, Theme Park, Activity based experiences etc.

Events

The event marketing aims at promoting and marketing of special events, shows, exhibitions, fairs, performances, sports events like World Cup, IPL, Olympics, etc.

Persons

The marketing of goods and services through celebrity endorsement is a successful way for creating a brand relationship with the consumers. The endorsement for the brand of a company can be carried down by Film Stars, Sports Stars, Musicians and eminent personalities.

Example: Sanjeev Kapoor (born 10 April 1964) is a famous Indian celebrity chef, entrepreneur and television personality. Kapoor hosted the popular TV show Khana Khazana.

Places

Tourism, new people, and land are all enticed to a location through place marketing by emphasizing unique aspects of that location such as landmarks, religious landmarks, infrastructural amenities, recreational opportunities, and so on.

Example: Incredible India is the name of a global marketing initiative launched by the Indian government in 2002 to promote travel to India. The campaign promoted India as a desirable travel destination by highlighting many facets of Indian history and culture, such as yoga and spirituality.

Figure 1: Incredible India Campaign

Properties

Properties include both real property as well as financial property that involve transfer of ownership on sale or purchase of the same. For e.g. Constructed house, Apartment, Land, Plot, Buildings, Shares, Mutual funds etc.

Organisations

An organization can advertise itself and develop a brand to develop an image for it through sponsoring events, adopting community projects, making gifts to nonprofits, engaging in CSR initiatives, etc.

Example: The United Nations International Children's Emergency Fund was created by the United Nations General Assembly on 11 December 1946, to provide emergency food and healthcare to children in countries that had been devastated by World War II.

Information

Information is the most essential product that can be marketed today. The data collected by an organization can be used as a product for this purpose. For e.g., Information collected by universities, researchers, libraries, research agencies, educational institutions, book publishers, internet, etc.

Ideas

An idea can be marketed.Innovative and attractive ideas are the desirable products for the marketers to sell. Social media marketing thrives on new ideas in a consistent manner.

Example: Cancer ribbons are straightforward loops of ribbon that people wear to express their support for those who have the disease or to raise awareness of it.

1.4 The Great Indian Market

The Indian market is evolving.

Opportunity for all brands

The Indian market offers an Opportunity for; Global, National, Regional and even Local brands, Premium and Economy brands also are growing together.

Urbanization

40% of total population by 2030 will be urban, technology dominance has and will be there. Internet connection is on a constant increase. Almost one third of Indians have internet connections and many more have access to internet. Number of Smartphone users is almost about 180 million, Digital TV owners will increase to 364 million in 2016.

Technology Dominated Society

Mobileand internet technology is important to consumerism because it allows buyers to obtain products without the need to visit a physical store. Consumers are encouraged to buy things from across the globe with moderate and comprehensible waiting times and prices

Innovations in Marketing

Many innovations are taking place in marketing these days:

- Products are available in simple as well as virtual forms (newspapers).
- Scale of operations has become bigger. (Retail sector has chains)
- New customer experiences being provided by marketers. (Retail interactive mirrors).
- All media being used simultaneously for promotion.
- Growing urbanization.
- Social changes, emergence of nuclear families.

1.5 Issues and Challenges in Marketing in India

Highly volatile Market

Demand patterns are changing very fast.

Diversity and Convergence

The Indian market has diverse demographics.

Catering to the Affluent

Marketers have to position their product in a manner that shows them offering functional as well as emotional benefits.

Poor Markets Also Need Marketing

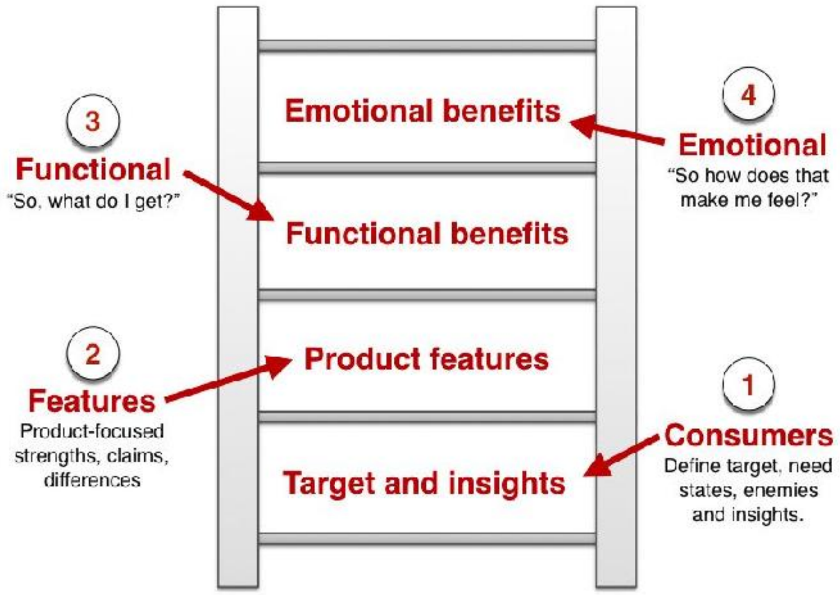
The poor segment also looks for marketing of products and services.

Need for continuous Innovation

The customer looks for new products and services on a continuous basis. If not provided, they switch to the competitor's product.

Example: Amazon Alexa, also known simply as Alexa, is a virtual assistant technology largely based on a Polish speech synthesiser named Ivona, bought by Amazon in 2013. It was first used in the Amazon Echo smart speaker and the Echo Dot, Echo Studio and Amazon Tap speakers developed by Amazon Lab126.

Figure 2: Benefits provided by the marketer.



1.6 Marketing as a Concept

Three dimensions exist in marketing:

Customer orientation

This focuseson understanding of the needs, perception, preferences of the customers.

Competition orientation

This focuseson understanding of the strategies of the competitors and planning accordingly.

Ability to respond to environmental changes

This focuses on developing futuristic and dynamic marketing systems like E-CRM and feedbacks.

1.7 Marketing Orientation

According to successful marketing organizations in India and throughout the world, a six-dimensional approach to marketing is necessary. Priorities and procedures inside the organization are dictated by these methods, but more significantly, how and what marketing teams are empowered to do with the core offering of the organization is as well.

How can it be employed in Organizations?

There are different modes of employing these orientations in organizations.

Customer Orientation

Scrutinizingcustomer needs wants and preferences.

Integrated Approach in Marketing

Combine all elements of the marketing mix, not merely advertising and selling

Futuristic Approach

From a three to five-year angle and hence look at increasing their returns from advertising campaigns.

Highly Developed Marketing Systems

Test marketing, Customer Relationship Management, E-CRM are few systems that are a part of highly developed marketing systems.

Promoting a Marketing Culture

The customer is given key importance, new innovative ideas promoted in managers.

Speed

Interactive technologies, including toll free phones and call centers, companies now realize that their competitive advantage is determined by their speed of response.

Types of Marketing Orientations

Sales orientation

Customers are encouraged to acquire items and services created by a company's sales orientation, which is a marketing strategy. When it comes to making money, many firms are more concerned with making money than focusing on the requirements of the consumers.

Sales orientation focuses mostly on creating the greatest goods and services and then aggressively selling them to the customers. This is a strategy used by businesses to encourage people to purchase their goods and services.

Companies that adopt this orientation generate their profits by satisfying customers to buy their products and do not bother much about the needs of the customers.

Example:Insurance Providers. As insurance policies are developed based not on consumer demands but rather on offering the best coverage compared to rivals, it is a good example of a firm that is sales-oriented.

It works well in markets that are simple with less complexity.It works well where the competition is usually very low and customers do not have much choice. It works mostly where customer needs are aggregated and are not very complex.

Example:Most often, aggressive sales techniques and promotions are used by car salespeople to increase sales. Because they have to convince clients that they need their car instead of one from a competitor, the automobile industry is founded on a sales orientated approach.

Market orientation

A market-oriented approach to product design is concentrated on the needs of the client. Consumers' urgent requirements, key worries, and personal preferences within a given product category are the focus of this kind of market research.

Before beginning any manufacturing or sales efforts, a business with a focus on the market and its target audience takes a close look at the market and what it has to offer. A truly customer-first strategy is achieved as a consequence of developing the product or service offering with the client in mind.

Before beginning any manufacturing or sales activities, a market-oriented organisation examines the market and its target audience in an effort to understand what potential customers want from businesses.

As a result, a truly customer-first approach is taken while developing the product or service offering.

Example:The Coca-Cola Company's mission statement, "Consumer demand drives all we do," reflects a focus on the market.

We will provide customers with a large variety of the non-alcoholic ready-to-drink beverages they wish to consume all day.

Case Study: Amazon

Amazon is an example of a market-oriented company. As it has grown and developed, it has consistently added processes and features that clearly address concerns and desires expressed by consumers.

For example, many consumers, especially city dwellers, worry about getting packages delivered when they're not at home. The company responded with Amazon Locker, a network of self-service pickup boxes.

Delivery charges, no matter how reasonable, are a chief irritant to consumers, and a reason to buy locally instead of ordering online. Amazon Prime charges an annual fee for the free delivery of most of its products.

https://www.investopedia.com/terms/m/market-orientation.asp

Relationship Marketing Orientation

Relationship Marketing is a strategy of Customer Relationship Management (CRM) that emphasizes customer retention, satisfaction, and lifetime customer value. Its purpose is to market to current customers versus new customer acquisition through sales and advertising.

Examples of Relationship marketing

- Creating loyalty rewards programs.
- Asking for and listening to customer requests and feedback.
- Sending birthday and holiday greetings.
- Sending corporate gifts to your customers.
- Implement omnichannel marketing.
- Creating personalized communications.

Customer loyalty card as depicted in the figure below is one way to maintain customer relationships.

Figure 3: Loyalty card: Shoppers Stop

Paying Attention to the Internal Customer

The internal customer needs to be focused upon. The following initiatives can be undertaken to ensure this:

- Create service standards.
- Employee training.
- Manage and control employee performance.
- Swap job responsibilities.
- Process improvement training and monitoring.

Inverting Organizational Pyramid for Customer Retention

An inverted pyramidis a conceptual organizational structure that endeavors to "invert" or otherwise "reverse" the classical pyramid of hierarchical organizations. It offers opportunities for customer retention as well as employee retention.

Figure 4: Pyramid for Customer Retention

The Three Cs of Internal Customer Care

Internal customer care also can be done by using three strategies.

Figure 5: Three Cs of Internal Customer Care

Care and concern

The primary objective of any organization should be to maintain employee welfare. Care and concern is evident with the facilities provided to internal customers as well as the provisions and overall the work culture prevailing within an organization.

Example:There's a Strong Sense of Teamwork. Japanese companies tend to work on projects as a team. People tend to trust their teammates and decide on things together in meetings.

Communication

Communication between internal customers (mostly top, middle and lower management) is critical. Any changes occurring within the system, good or bad should be communicated. Not only changes, but even time to time communication of latest happenings in the organization as a whole should be communicated to internal customers.

Co–operation and Collaboration

It is imperative to co-operate, co-ordinate and collaborate with internal customers to keep them happy and active. Internal customers have their own demands and they should be cooperated. Coordination and collaboration between internal customers such as sales and service department is also necessary.

Market driven organizations

Market-driven strategy is described as one that is motivated by consumer needs and market developments rather than by the firm's production capacity or present offerings.

A business's long-term planning to give its customers the most benefits or value is known as a "market-driven strategy." The main target of the market driven strategy is to provide maximum value to the customers.

Example:Companies that follow this strategy:

APPLE

IBM

GENERAL MOTORS

FEDEX

BMW

MICROSOFT

Marketing as a Process

Marketing has the following characteristics:

- Marketing is an exchange process.
- In this process both the buyer and the seller must obtain some value.
- It should result in a long-term satisfying relationship between both buyer and seller

1.8 Needs, Wants and Demand

Needs

Needs are the fundamental necessities that every human being needs to survive, such as food, water, clothing, and shelter. A human may need food, drink, clothing, shelter, and other things.

Wants

Wants fluctuate frequently and are not constant. People and places change with time, and desires change along with them. While an American would choose a burger or sandwich, an Indian requires a paratha.

Demands

When a customer is ready and able to purchase a necessity or a want, their "wants" become "demands." For a car or phone, a person might prefer a Mercedes or an iPhone.

1.9 Markets andMeta-Market

Market

A market is a place where buyers and sellers can meet to facilitate the exchange or transaction of goods and services. A market is a place where buyers and sellers can meet to facilitate the exchange or transaction of goods and services.

Markets can be physical like a retail outlet, or can be virtual like an e-retailer whose operations are entirely electronic. It can be opened from anywhere around the world.

Meta-market

This is a collection of companies that, from the standpoint of the consumer, offer items that are similar but do not have any institutional ties. Everything related to a particular market can be found here. For instance, Meta market is a website that sells cars but also sells car components, accessories, colors, and reviews of mechanics.

1.10 Marketing as a Managerial Function

- Marketing involves understanding consumer needs, wants and desires.
- It requires scanning of the environment and identifying of market opportunities. Internal as well as external scanning has to be done.
- It involves development of a competitive marketing strategy. This strategy helps an organization to sustain itself in the market.
- It requires development and implementation of control strategies.

1.11 Integrated Marketing

The concept of integrated marketing functions refers to the total marketing system with all its subsystems in which all the activities related to the efficient performance of marketing function are combined in a co-ordinate manner and it ultimately overall success of a business.

The figure below depict how marketing function is linked with other functions in an organization.

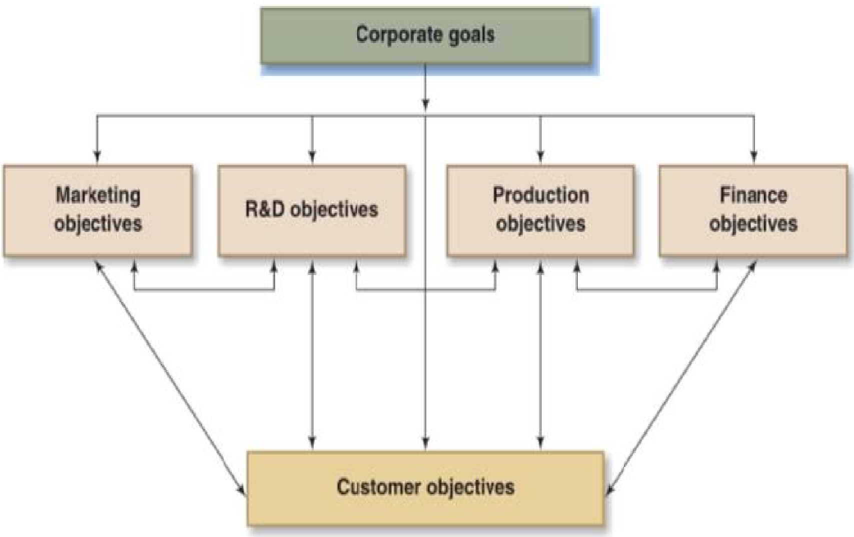


Figure 6: Linking marketingwith other functions in an organization

1.12 Purpose of Marketing

There are different purposes of marketing.

Market Expansion

Market segmentation for existing products is identified and developed as part of a growth plan. A development plan focuses on non-buying clients in the segments that are already targeted. Additionally, it aims to reach fresh markets of clients.

Getting new clients

The process of recruiting new clients for a firm or turning existing prospects into new clients is known as customer acquisition. The importance of client acquisition varies depending on the particular business environment in which an organization operates.

The crucial components of customer acquisition are as follows:

Segmentation and Customization

Market segmentation is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers based on some type of shared characteristics. Customization is taking care of individual needs, preferences and choices.

Customer value

This is best defined as how much a product or service is worth to a customer. Companies can enhance their value to improve the customer experience and increase satisfaction. This can also enhance the customer acquisition process.

Data mining

Data mining is a process used by companies to turn raw data into meaningful information. By using software's and seeking patterns in clusters of data, businesses can grasp more about their customers and develop effective marketing strategies, increase sales and decrease costs.

Customer Retention

Customer retention refers to a company's ability to turn their existing customers into repeated buyers and stop them from switching to a competitor.

It is a clear indication of whether your product services delight your existing customers. Some retention strategies can be:

- Develop customer trust and long-term relationships.
- Manage a robust customer loyalty program.
- Mine and use your customer data.
- Engage customers using marketing automation.
- Measure customer lifetime value.
- Customise your promotional offers and communications.

Customer Loyalty

Customer loyalty may be explained as an ongoing relationship between the customer and the company wherein the customer is willing to repeatedly purchase from a company. Loyalty is the outcome of a customer's positive experience with a company and is based on trust.

Case Study: Starbucks Loyalty Program

To align with their brand identity and logo, Starbucks created a tiered loyalty program structure that consists of two levels: Green and Gold. To award their customers, they enabled them to earn “Stars” with each purchase. Through earning stars, customers then earn free products or free top-ups along with additional personalized rewards.

Starbucks continuously revamps its loyalty program to match their customers’ needs. In 2016, Starbucks implemented a value-based loyalty scheme that awards customers two stars for every dollar spent. And, the customers who collect 125 stars were able to redeem a free drink and food.

Customers can directly download the Starbucks Rewards appto their phones and use it as a digital card in store. Members can access the menu and place orders before they even get to the cafe. To encourage customers to return to the store more often, the app also sends push notifications advertising promotions.

https://loyaltylion.com/blog/scale-success-story-starbucks-rewards-program

Developing Competitive Strategies

This involves facing the competition in the marketplace. It requires an in-depth analysis of the strengths and weakness of the direct as well as indirect competitors.It required defining of how a firm intends to create and maintain a competitive advantage with respect to competitors.

1.13 Marketing Mix

The phrase Marketing Mix is a "collection of marketing instruments that the firm utilizes to pursue its marketing objectives in the target market". The marketing mix is a grouping of components that aids in advertising and providing customers with a company's goods and services

Elements of Marketing Mix

The following are the elements of a marketing mix:

Product

These are the products or services that a company to the customers, including their physical attributes, what they do, how they differ from your competitors, and what benefits they provide.

Price

This element concerns how a company prices a product or service. A well-balanced price allows the company to remain competitive while still creating a good level of profit.

Place

This is where a company sells its products or services and how it gets those products or services to its customers. It's also known as "distribution."The 'place' lets consumers know where they can find and receive the company's goods and services.

Promotion

These are the methods that are employed to communicate the features and benefits of a company's products and services to the target customer's.This includes different methods of communicating with markets; advertising, personal selling activities, sales promotion activities and other direct forms of publicity, and indirect forms of communication like public relations.

The different elements of a promotion mix may be:

- Advertisement
- Sales Promotion
- Publicity
- Personal Selling
- Public Relations

People

The staffs of the company, the client, and other clients present in the service environment is all human actors who contribute to the delivery of services and therefore affect the buyer's impressions.

Process

The actual processes, mechanisms, and activity flow used for service delivery, as well as the operating systems.

Physical Evidence

The setting in which the service is provided, the location where the business and the client interact, and any material elements that make it easier to perform or communicate the service. The visible representations of the services, such as brochures, letterhead, business cards, report formats, signage, and equipment, are all included in the physical evidence of service.

1.14 Stages of Marketing Practices

Entrepreneurial Marketing

Entrepreneurial marketing is a marketing strategy that involves conducting market research, determining consumer requirements and desires, building brand recognition, developing a compelling message to sell the product, and nurturing client connections.

Expeditionary Marketing

The term "expeditionary marketing" refers to tactics used to introduce well-known brands and their goods into untapped areas and regions. Such expeditionary marketing techniques, as the name suggests, involve a significant amount of risk and discovery as they aid in a company's expansion into new markets.

Intrapreneur Marketing

The practice of an employee acting like an entrepreneur while still employed by a corporation is known as intrapreneurship. Intrapreneurs are driven, proactive, and goal-oriented individuals. They frequently start new businesses and engage in creative endeavors, such as the creation of novel goods and services.

Summary

- Marketing is an activity, set of institutions, and processes for creating, delivering, communicating, and exchanging offerings that have value for customers, partners, clients, and society at large.
- The Indian market offers an opportunity for; Global, National, Regional and even Local brands, Premium and Economy brands also are growing together.
- Marketing orientation involves a six-dimensional approach.These approaches dictate the priorities and processes existent within the organisation, and perhaps more importantly, the manner in which the organisation takes its core offering to market and how it empowers its marketing teams.
- Sales orientation is a selling approach that is used by companies to persuade customers to buy products and services that are produced by them.
- A market orientated organisation looks at the market and its target audience before undertaking any production or sales activities.
- Relationship Marketing is a strategy of Customer Relationship Management (CRM) that emphasizes customer retention, satisfaction, and lifetime customer value.

Keywords

Marketing:The science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit.

Needs: Needs is the basic human requirements like shelter, clothes, food, water, etc. which are essential for human beings to survive.

Wants: These are not permanent and it regularly changes. As time passes, people and location change, wants change accordingly.

Demand: 'Wants' turn to 'Demands' when a customer is willing and having the ability to buy also.

Marketing mix: This has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

Self Assessment

1. ________ can be marketed.
A. Goods
B. Services
C. Experiences
D. All of the above.

2. This orientation focuses on understanding of the strategies of the competitors and planning accordingly.
A. Customer
B. Competition
C. Market
D. Supplier

3. A group of businesses that offer products that are related from a consumer's perspective but which have no institutional connectionsis called as:
A. Market
B. Digital Market
C. Meta Market
D. None of the above.

4. ________ is a growth strategy that identifies and develops new market segments for current products.
A. Market development
B. Product development
C. Customer development
D. Market penetration

5. _________ is the process of acquiring new customers for business or converting the existing prospects into new customers.
A. Customer acquisition
B. Customer planning
C. Customer development
D. Customer handling

6. A customer retention strategy could be to:
A. Develop customer trust and long-term relationships
B. Manage a robust customer loyalty program
C. Mine and use your customer data
D. None of the above

7. The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

A. Place
B. Physical Evidence
C. Marketing Environment
D. None of the above

8. The _________ has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target market.
9. _________marketing is a marketing process that includes undertaking business planning, identifying the needs and wants of consumers.
10. ________ marketing refers to strategies that are aimed at pushing established companies and their products into new markets and territories.
11. One-to-one marketing (also known as relationship marketing or customer-relationship management) means being marketers willing to change their behaviour toward an individual customer based on what the customer wants.

A. True
B. False

12. Marketing orientation is a selling approach that is used by companies to persuade customers to buy products and services that are produced by them.

A. True
B. False

13. The Indian market offers an Opportunity for only National, Regional and Local brands.

A. True
B. False

14. Customer retention refers to a company's ability to turn their existing customers into repeated buyers and stop them from switching to a competitor.

A. True
B. False

15. Data mining is a process used by companies to turn raw data into meaningful information.

A. True
B. False

Answers for Self Assessment

1.	D	2.	B	3.	C	4.	A	5.	A
6.	D	7.	B	8.	Marketing Mix	9.	Entrepreneurial	10.	Expeditionary

11. A 12. B 13. B 14. A 15. A

Review Questions

1. What is marketing? What all can be marketed? Give relevant examples?
2. What are the different types of marketing orientations? How are they employed in organisations?
3. What is relationship marketing? Give some examples?
4. Is marketing linked with other functions? What is the purpose of marketing? Elaborate.
5. What are the different elements of marketing mix? Explain with examples.
6. What are the different stages of marketing practices?

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Unit 02: The Marketing Environment

CONTENTS

Objectives

After studying this unit, you will be able to,

- understand marketing environment and how it influences the decisions of a marketer.
- describe the elements of micro environment.
- understand marketing environment and how it influences the decisions of a marketer.
- describe the elements of the macro environment.
- understand the meaning of customer.
- describe customer value and value maximization strategies.
- understand the relationship between customer value and loyalty.
- understand the customer lifecycle and stages therein.
- describe the factors effecting customer acquisition.
- understand how customer can be retained.
- describe the financial dimensions of customer acquisition and retention.

Introduction

The internal factors of employees, clients, shareholders, retailers, and distributors are included in the marketing environment. It also covers external (political, legal, social, technological, and economic) aspects that affect the company's environment and its marketing strategies.

All internal and external elements that directly or indirectly affect an organization's choices that directly impact its marketing efforts are referred to as the marketing environment.

The marketing environment is the result of the interaction of internal (customers, shareholders, retailers, employees, and distributors) and external (demographic, cultural, social, legal, and political environment, economy, natural environment, and technical forces) components.

As opposed to external elements, which are out of an organization's control, internal factors are those that it can influence.Internal factors are the ones that are in the control of an organization; whereas, external factors are the ones that do not fall within its control.

2.1 Definition of Marketing Environment

"External factors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target customers".

Philip Kotler

2.2 Types of marketing environment

The marketing environment is made up of two types of environment. Micro and Macro environment.

Micro Environment

The company, suppliers, marketing channel companies, client marketplaces, competitors, and publics are the forces closest to the company that have an impact on its capacity to service its customers.

Microenvironments are those that are in close proximity to businesses and have an immediate impact on their daily operations.

2.3 Components of Micro Environment

The following are the components of a micro environment:

Company

Marketing managers needs to work closely with finance, operations, human resources, research and development, finances to develop better strategies and plans. With marketing team taking the lead, other departments like manufacturing, finance, human resources, legal and takes the responsibility for understanding the customer needs as well as creating customer value.

Suppliers

Suppliers are those who provide raw materials, components, cutting tools, equipment, and other inputs to businesses. Any organization's capacity to conduct business effectively depends on the calibre and dependability of its vendors.

Natural catastrophes or other incidents that result in a scarcity or delay in supplies could harm sales in the short term and result in unhappy customers in the long run.

Marketing Intermediaries

These include the people or businesses that assist the business with marketing, sales, and distribution of its goods to the final consumers and are a crucial part of the business' entire value delivery network.

Examples includes middlemen (agents or merchants) who help the company find customers, physical distribution firms such as warehouses or transportation firms that help the company in stocking and moving goods from their origin to the destination.

Marketing intermediaries decisions

The following figure illustrates the decisions taken by marketing intermediaries.

Figure 1: Marketing intermediaries' decisions

Competitors

Competitors are rivals who engage in market and resource competition with the organisation. Marketers must strive to acquire a competitive advantage over rivals by strategically placing their products in the market, rather than just adapting to the wants and demands of their target audience.

Example: Differentiation leadership can be seen in BMW that offers cars which are different from other car brands. BMW cars are more technologically advanced, have better features and have got personalized.

Public

The term "public" refers to a group of people who are either currently or potentially interested in the company's product or who have the potential to affect the organization's capacity to accomplish its goal.

In a company's marketing environment, there are seven different categories of publics that have been recognised, including the general public, financial publics, media publics, government publics, citizen-action publics, internal publics, and local publics.

Customers

Customers are the most significant players in the company's microenvironment. The goal of the entire value delivery network is to connect with and engage the target audience. Companies may try to target one of the following five customer markets. Consumer markets, commercial markets, government markets, reseller markets, and foreign markets are among them.

The environment that directly affects your business is known as the micro-environment. It has a direct bearing on all of your business processes and is connected to the environment in which a company operates. It affects a company's performance.

2.4 Macro Environment

An organisation functions in a bigger context than just its immediate business environment. It consists of forces that present the firm with opportunities while also posing challenges to it. The term "macro environment" describes the outside, uncontrollable forces that affect how an organisation makes decisions.

A macro environment is made up of external variables that the business cannot control but that it is undoubtedly impacted by. All corporate groups are impacted by this environment in terms of how they function, perform, decide, and develop plans. It is highly dynamic, therefore a company must constantly monitor its developments.

Elements of Macro Environment

The following are the elements of a macro environment:

Demographic environment

The study of the human population in relation to its size, density, geography, gender, race, age, occupation, and other relevant demographics is known as demography. Because it consists of individuals and their behaviours, the demographic environment is of particular importance to marketers.

People are the driving force for progress of any markets.The large and diverse demographics offer both opportunities as well as challenges for businesses.

Example: The typical McDonald's customer is a married white woman between the ages of 41 and 56, according to data provided by analytics firm Numerator.

Economic environment

The consumer's purchasing power and spending habits can both be impacted by the economic environment's elements. The GDP, import duty rate, unemployment, inflation, spending habits, and disposable personal income are only a few of the crucial economic factors that must be taken into account.

Factors effecting the economic environment

- Demand.
- Market size.
- Suppliers.
- Supplies.
- Income.
- Inflation rate.
- Increasing Interest Rates.
- Unemployment level.

Technological environment

The macro environment is significantly impacted by technology. Before spending money on any marketing initiatives, a firm must conduct a comprehensive analysis of the technological adaptation.

A corporation needs to be fully aware of the level of technology adoption and user interface development in the area. This information can be utilised to organise their communications and initiatives.

Example: The emergence of smartphones with high-resolution cameras reduces interest in conventional camera products.

Natural environment

It refers to the physical environment or natural resources that are needed by marketers as inputs or that are impacted by marketing activity. As environmental concerns have intensified in recent years, the ecological conditions have become a significant aspect to take into account.

Natural resources are found in the environment and are used by the company as raw materials to make products. The natural physical environment in which human life is conducted is included.

Natural resource management problems have prompted businesses and industry to address environmental concerns. The green movement has pushed for ecologically responsible business practises.

Natural resources including air, water, and other ones have been steadily running out as a result of industrial expansion and the need for regulations to conserve them. industrial injury

How Government Regulations may Impact a business?

- Restrictions on the fuels you burn.
- Tight regulations on what you can discharge into the local waterways or land-based holding ponds.
- Special taxes or levies that go to environmental oversight and protection.

Political environment

Business operations are impacted by the political and governmental actions that make up the business environment. Corruption, conflict in politics, and war are a few examples.

The political environment's changes have a significant impact on marketing choices. Laws, governmental institutions, and pressure groups that can influence or impose restrictions on different people or organisations are all involved in this.

Factors in political environment

Stability

If a country is not stable and government keeps changing frequently, the country can never be economically stable as well. The GDP, stock exchange index all would go down leading to a vicious circle.

Taxation

The taxation regime is very imperative. If a government is balanced in terms of tax and budget, the companies are motivated to produce more and grow.

Foreign Policies

A good balancing of the foreign investments and growth in a particular country also needs monitoring. If there is no foreign investment, it will dampen the economic growth and if there is too much foreign investment inflow then it can lead to loss of the national companies.

Cultural environment

This includes taking into account societal norms, preferences, beliefs, and behaviour. For the purpose of making marketing decisions, a business must comprehend the cultural values and customs that are common in society. Many cultural errors can occur when businesses fail to comprehend other cultures.

Factors in cultural environment

- Material culture.
- Cultural preferences.
- Languages.
- Education.
- Religion.
- Ethics and values.
- Social organization.

The micro and macro environmental elements have a significant impact on a company's success. An in-depth knowledge of these elements is essential for a marketer. If these elements are taken into account, marketing initiatives for any company will be more successful, and a brand's reputation will grow over time.

2.5 Customer

In sales, commerce, and economics, a customer (sometimes known as a client, buyer, or purchaser) is the recipient of a good, service, product or an idea obtained from a seller, vendor, or supplier via a financial transaction or exchange for money or some other valuable consideration.

Kendall

Customers are the individuals and groups who buy products or services from a business. A marketer must first comprehend the requirements of the customer in order to provide a good or service that fulfils those needs.

How businesses treat their customers may define them and offer them a competitive edge. Businesses should carefully track their contacts with customers to identify ways to improve their goods and services and better understand how to satisfy their demands.

Consumer Vs Customer

Customer is the one who is buying the goods. They need to purchase a product or service in order to use it.Consumer is the one who is the end user of the goods or services. They are not able to resell any product or service.

Customer Value and Value Maximization Strategies

Customers look for these values in a product/service:

Personal – The customer's lifestyle and demography are personal elements that affect whether or not they purchase a product.

Esteem - Nowadays, customers acquire brands in order to flaunt their purchase to their social circle and make a "statement."

Utility: For teenagers, a mobile device may be a means of connecting on social media. Older folks might only see it as a way to socialise.

Social - The customer purchases the product because of his or her social demands.

Price - Customers are drawn to value stores by moderate costs and high-quality goods, whereas customers are drawn to luxury stores by the superiority associated with high-priced goods.

Quality - When a customer makes a decision, quality plays a key role in their decision. People also connect the ideals of cost and quality.

2.6 Customer value

Value in a purchase

Customer value is often understood as the value of a single customer to a firm’s profit and market share. Figure 2 illustrates customer perceived value.

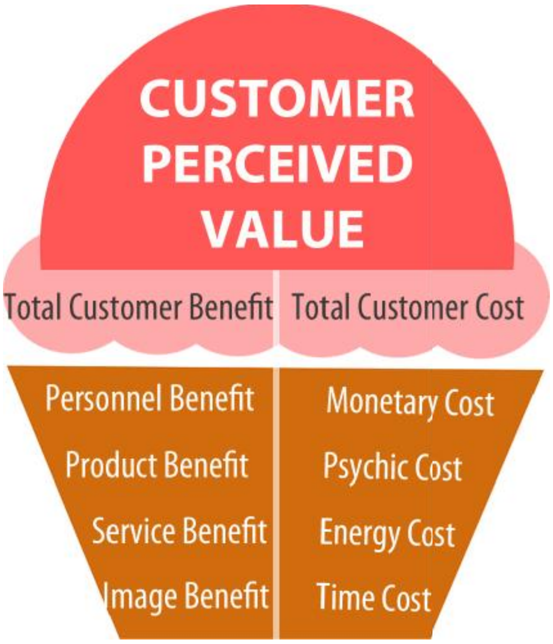

Figure 2: Customer Perceived Value

Firm's Perspective of Customer Value

Customer value is often understood as the value of a single customer to a firm's profit and market share.

$$\text{Acquisition Cost} = \frac{\text{Cost (direct and indirect) of selling to a customer}}{\text{Response rate}}$$

$$r = \text{retention rate } [r^{(a-1)} \text{ is the survival rate for year } a]$$

$$i = \text{the interest rate}$$
$$AC = \text{acquisition cost.}$$

Value in purchase

Customers' expectations of value in their purchases may include factors like: • Buying convenience.

- In terms of shopping.
- Conversations with salespeople.
- Payment choices.
- Convenient and safe delivery.

The marketer must ensure that customers are comfortable with their complete buying experience.

Value in consumption

Value in consumption may include parameters like:

- Good experience in receiving a service.
- Performance meeting expectations.
- Maximising the customer's total experience.

Experience after purchase

Customers' expectations of value in their purchases may include factors like: • Buying convenience.

- In terms of shopping.
- Conversations with salespeople.
- Payment choices.
- Convenient and safe delivery.

The marketer must ensure that customers are comfortable with their complete buying experience.

Strategies to increase customer value

Outside of your product or service, value may exist. To give customers more value, marketers should focus on the following. Enhance the purchasing experience, concentrate on brand perception, gather customer feedback, create a distinctive product, employ tactics to boost consumer value, deliver a positive experience, put quality before pricing, recognise your competitive advantages, and modify your marketing plan.

Maximize value by focusing on three key areas: high-quality products, reasonable prices, and superior service.

Customer value through relationship marketing

Relationship marketing is a strategy that places a strong emphasis on client pleasure, retention, and lifetime value. To retain customers loyal to the business and ultimately boost profitability, marketing is said to start, develop, explain the value of a product to clients, and maintain the relationship.

Figure 3 illustrates the parties essential to facilitate good relationships with customers.

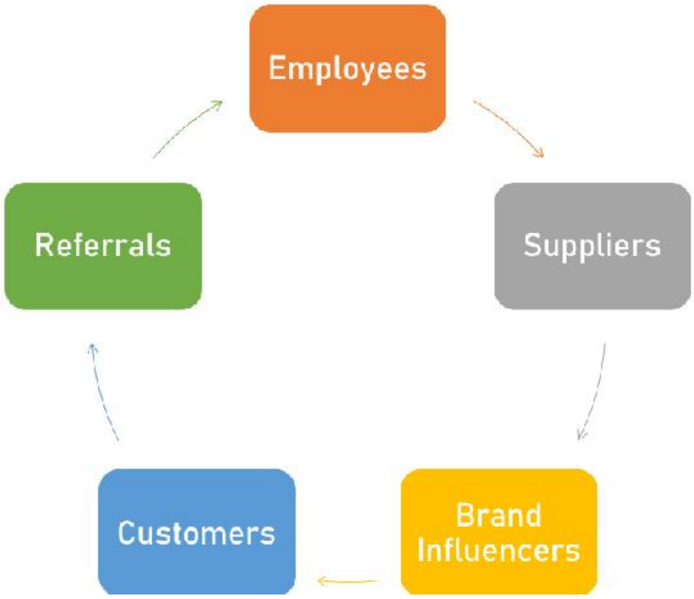

Figure 3:Parties essential to facilitate good relationships with customers

Customer value and loyalty

A customer is only ever loyal for a certain period of time. A company's chances of keeping a customer are higher if it adds more value. Price, features, and rewards play a big role in determining customer loyalty. The more value or advantages a customer receives, the more probable it is that they will continue to do business with that company.

If it is fostered, customer loyalty boosts revenue, enhances sales performance, and fosters expansion. A properly thought out and implemented loyalty programme can assist in both retaining current clients and luring new ones.

The degree of a customer's happiness with a product or service is known as customer value. A business can retain its current consumers and bring in new ones if enough value is produced. Customer loyalty and satisfaction are the cornerstones of

2.7 Customer

A customer is an individual or business that purchases another company's goods or services. Customers are important because they lead to revenues and without them, businesses cannot sustain.To understand how to better meet the needs of its customers, some businesses closely monitor their customer relationships to identify ways to improve service and products.

Different types of customers

Prospect

These are the potential customers in the target market. They have not yet bought the firm's product/brand.They are targeted by the marketers for acquisition.

Marketing Tasks that can be undertaken to convince prospects can be to create an awareness amongst the target market and to induce purchase amongst the target audience.

First time buyer

When a prospect decides to buy, the customer moves into the trial phase. The customer starts evaluating the business, the product, and the entire purchasing and consuming process.

Creating an experience for the consumer to repeat their purchase is one marketing task that may be taken on to persuade prospects. It is possible to reassure the consumer that his purchasing decision was wise and to strengthen the customer's faith in the superiority of the product.

Case Study: Sachets by Cavin Kare

A free trial of a product or service can be used as an effective strategy by a company to win a potential customer. A company may get a chance to show them what value their product or service can provide.It can be used to attract a First-time buyer.

With bigger FMCG players entering around 1988, Chik adopted an innovative scheme where a customer could return 5 sachets of any shampoo to a retailer and get a Chik Sachet free. The scheme was later altered where they started giving a free shampoo in exchange of sachets of only Chik Shampoo.

The revolution had a high significance in Indian history as it enabled poor rural consumers to buy expensive brands of daily consumables like soaps, shampoos, etc. in small pouches at affordable prices. It has now become a prominent part of retail packaging.

https://bloncampus.thehindubusinessline.com/columns/brand-basics/long-lasting-gloss-of-the-chik-story/article24895953.ece

Repeat buyer

These are the customers who are satisfied with their first experience and find value in the purchase but may still at any point shift to the competitors product.

Marketing Tasks that can be undertaken to convince prospects can be tomake consistent efforts to strengthen the product value and meet customer concerns immediately.

Core buyer

These are the most crucial for every business because they determine its overall profitability. They support a brand or product and choose to purchase it. They typically encourage other customers to convert and propagate favourable word of mouth.

Marketing Prospects can be persuaded by tasks like offering incentives or enrolling in loyalty programmes. They may be asked to preview sales and required to receive first-hand information about the introduction of a new good or service. Additionally, relationship marketing initiatives must be launched.

Defector

Customer Defection is the loss of users or consumers (churn/attrition) or the decrease in purchases by them.

Causes of defection

A few reasons why customers can leave a company include poor customer service and competitors who offer comparable goods and services at lower prices. lack of a personal touch due to the company's complete automation of all processes.

connection marketing is lacking. The performance of the product or service did not live up to expectations, and rival businesses may have offered better services.

2.8 Customer Lifecycle Stages

The stages a consumer goes through to develop into a devoted customer are defined by the customer life cycle. It includes all of the interactions a customer will have with your business, from the first moment they learn about you to a continuing partnership.

Marketers can create plans to maintain and develop a customer's relationship with the firm by knowing the stages that make up the customer life cycle.

To move customers through the stages of the life cycle to the point at which they become devoted supporters of your firm, a corporation must actively engage in this process. There are five stages in the customer life cycle. Customers may even repeat some steps as they veer back and forth.

Awareness

The awareness phase is the first stage of the customer life cycle. At this point, a customer first learns about a company's goods or services. There are numerous ways for a customer to learn about a company's offerings. A few methods include social media, Google search engines, advertisements, referrals, and word of mouth.

There are numerous strategies to increase awareness. Bring customers into your sales funnel by increasing awareness. Create a system for gathering information that will allow you to gauge the level of awareness you are raising. It is necessary to use all available avenues to communicate with clients.

How to increase awareness

- Create a compelling brand personality.
- Influencer marketing is recommended.
- Make use of content marketing
- Develop programmes for referrals.
- Produce more video material.
- Pay attention to offline campaigns.

Consideration

In the consideration stage, the consumer has knowledge of your company and is now collecting information to weigh the pros and cons of your offerings. The consumer is contemplating factors effecting his purchase. How well your solutions fit his/her needs?

How to help make this phase a success

- Create a marketing campaign to influence consumers in the decision-making stage to make a purchase.
- Implement a CRM programme that works well to improve customer interactions with a business.
- Display client endorsements on the website.
- Check that the layout of your website is conducive to a seamless and interesting experience.

Purchase

The customer has evaluated your offerings and decided to buy from you.Just because a customer reaches this stage does not mean the purchase is guaranteed.In some cases, customers drop off before the purchase is complete.

How to help make this phase a success

• Gather information on the different types of clients who make purchases so you can identify more of them to target in the early stages.

• Include engaging tools like chat boxes.

• Use e-commerce software that contacts customers who leave goods in their virtual shopping carts automatically to remind them to finish their purchases.

Retention

This phase is all about deepening the relationship with the customer after the purchase so that they are more likely to buy from you again. Keep the customer engaged in your business by providing regular updates, such as offering promotional discounts for additional purchases or sharing information about the latest happenings with your business.

Follow up Emails, reminders, promotions, mobile messages, loyalty initiatives are ways to retain the customers.

How to help make this phase a success

- Hand-hold your customers as quickly as possible so they are able to make use of their purchase.
- Proactively reach out to customers via email or phone call to check in with them and answer questions about their purchase.
- personalize your communication with customers at the retention stage.

Advocacy

The last stage is when a customer likes your company and becomes an advocate for your brand. They recommend your business to others through online reviews and spread a positive word of mouth.

How to help make this phase a success

- Create a loyalty program that rewards customers for shopping at your business.
- Create a referral program that rewards customers for bringing in new business.

Figure 4: Amazon's referral program

Example: Sanjeev Kapoor (born 10 April 1964) is a famous Indian celebrity chef, entrepreneur and television personality. Kapoor hosted the popular TV show Khana Khazana.

2.9 Customer Acquisition

Customer acquisition is the process of acquiring new customers for business or converting existing prospect into new customers.This process is specifically concerned with issues like acquiring customers at less cost, acquiring as many customers as possible.

Purpose of Customer Acquisition

• Learn more about the different types of customers who make purchases so you can pinpoint more of them early on.

• Use interactive tools, such as chat boxes.

• Use e-commerce software that automatically contacts customers to remind them to complete their purchases when they leave items in their virtual shopping carts.

Considerations in Customer Acquisition Process

- Understand how the customers feel and think and then select the right product segment that is to be presented to them.
- Understand how the customers are influenced by the surrounding environment like the culture, technological changes, social media etc.
- Analysing customer behaviour and tendency while buying specific range of product.
- Study the customer's purchase considerations.
- Understand the areas in which the customer can be enlightened about the product.
- Implement the best strategies for effectively convincing new customers and improving marketing campaigns.

Example: Amazon's response to the Great Indian Amazon Sale. "We are amazed at the response to the Great Indian Sale"

"In addition to new customer acquisition in smaller towns, this sale also resulted in important brand partners witnessing large sales spikes, led by fashion, consumer electronics."

The Customer Acquisition Funnel

A corporation can track and monitor how well the process of acquiring and keeping consumers is being carried out by the company using the customer acquisition funnel as a framework. It also aids in comprehending how changes to the procedure can be performed to continually enhance the outcome.

The business can convert its prospects into actual clients via the acquisition funnel. Some businesses address the funnel's blockage or leakage locations. However, after addressing these, they notice considerable increases in growth and income.

The figure below illustrates the Customer Acquisition Funnel

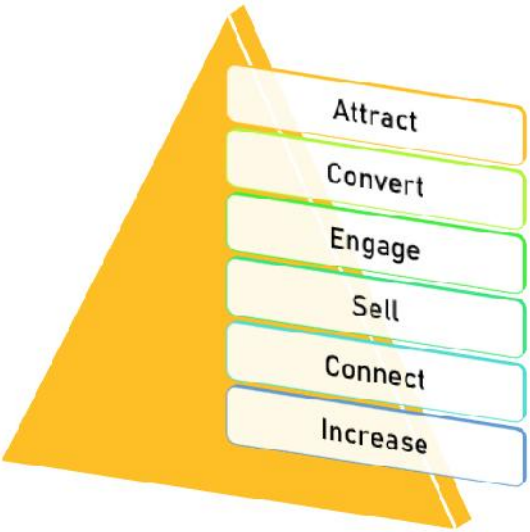

Figure 5: The Customer Acquisition Funnel

Stages of Customer Acquisition Funnel

Awareness -How knowledgeable potential consumers are about your brand, services or products.

Conversion - measure of how successful your sales effort is in moving contacts down the funnel to paying customers.

Engagement - means by which a company creates a relationship with its customer base to foster brand loyalty and awareness.

Identifying Blockage Points

The funnel may contain a variety of obstruction locations. Lack of leads entering the top of the funnel, an abundance of website visitors who do not convert into registered users, a large number of users signing up for our free product who do not convert into paid users, a lack of account growth following the first sale, and difficulty setting up meetings with key decision makers could be a few of these.

2.10 Customer Retention

Customer retention is the ability of a business to keep its current clients as repeat customers and keep them from moving to a rival's product. It shows whether the quality of your service and product is satisfactory to your current customers. The majority of subscription-based businesses and service providers rely on it to survive.

It is simpler and less expensive to retain clients than to gain them. Selling to an existing client is at least 40% more likely than converting a new consumer who has never made a purchase from the business.

How to Calculate Your Customer Retention Rate

To calculate customer retention rate over a given period—one year is typical—you will need three data pieces:

1. The number of customers you had at the beginning of the measurement period.
2. The number of new customers who signed up for your product during the period.
3. The number of customers you had at the end of the period.

How to Calculate Your Customer Retention Rate

Customer Retention Rate

$$((CE - CN) / CS) \times 100$$

CE: number of customers at the end of the period

CN: number of new customers during the period

CS: number of customers when the measured period began

Let's take an example:

- You had 521 existing customers as of January 1.
- You captured 66 new customers between January 1 and December 31.
- As of December 31, you had 490 customers.

Plugging these numbers into the formula above, you derive the following number:

- 490 – 66 / 521 = 81.3%
- Your customer retention rate is 81%, which most industries agree is a good rate.

Customer Retention Strategies

In order to keep the consumer, various tactics can be used. Businesses can focus on creating a strong customer loyalty programme, cultivate long-lasting connections with customers, and make use of consumer data.

Other important methods include employing marketing automation to re-engage clients, determining customer lifetime value, and tailoring offers and messaging.

Summary

- The marketing environment refers to all internal and external factors that directly or indirectly influence an organization's decisions that directly affect its marketing activities.
- The marketing environment is made up of two types of environment. Micro and Macro environment.
- Customer value is often understood as the value of a single customer to a firm's profit and market share.
- Relationship marketing is strategy that emphasizes customer retention, satisfaction, and lifetime customer value.
- A customer is an individual or business that purchases another company's goods or services. Customers are important because they lead to revenues and without them, businesses cannot sustain.
- The customer acquisition funnel serves as a framework that helps a company in tracking and monitoring how well the process of attracting and retaining customers is being followed by the company.
- Customer acquisition is about getting as many loyal and valuable consumers as possible and is one of the most imperative processes for a business.

Keywords

Marketing Intermediaries:These include those individuals or firms who help the company in promotion, sales and distribution of its goods to the final buyers and are an important component for company's overall value delivery network.

Micro environment: This consists of the forces close to the company that affect its ability to serve its customers - the company, suppliers, marketing channel firms, customer markets, competitors and publics.

Macro environment: This refers to the external and uncontrollable factors that influence the decision making of an organization.

Customers:These are the individuals and businesses that purchase goods and services from a company.A marketer needs to understand the customer needs and design a product or service that is in alignment with those needs.

Customer acquisition: This is the process of acquiring new customers for business or converting existing prospect into new customers.

SelfAssessment

1. This is an internal factor that surround the business and influence its marketing operations:

A. Political
B. Legal
C. Social
D. Customers

2.The _______ environment consists of the forces close to the company that affect its ability to serve its customers.

A. Political

B. Micro

C. Social

D. Macro

3.The __________ environment consists of factors that can have an effect on the consumer's purchasing power as well as the spending patterns.

A. Political

B. Economic

C. Social

D. Cultural

4. This is a factor in cultural environment.

A. Languages.

B. Education.

C. Religion.

D. All of the above

5.Delight in consuming the product/service is a 'value in ______'.

A. Purchase

B. After purchase

C. Consumption

D. None of the above

6.. _________ is a strategy that emphasizes customer retention, satisfaction, and lifetime customer value.

7._________ are the potential customers in the target market.

8. ________ is the loss of users or consumers (churn/attrition) or the decrease in purchases by them.

9.________ is the process of acquiring new customers for business or converting existing prospect into new customers.

10.___________ refers to a company's ability to turn existing customers into repeat buyers and preventing them from switching to a competitor's product.

11. The customer acquisition funnel serves as a framework that helps a company in tracking and monitoring how well the process of attracting and retaining customers is being followed by the company.

A. True

B. False

12.Not enough leads coming in the top of the funnel can be a blockage point.

A. True

B. False

13.Prospects are the most important to any company as they account for its overall profitability.They are loyal and prefer to buy a product/brand.

A. True

B. False

14. Economic environment refers to the natural resources or physical environment that are required as inputs by marketers or which is affected by the marketing activities

A. True

B. False

15.The micro-environment is basically the environment that has a direct impact on your business.

A. True

B. False

Answers for SelfAssessment

1.	D	2.	B	3.	B	4.	D	5.	C
6.	Relationship Marketing	7.	Prospects	8.	Customer Defection	9.	Customer Acquisition	10.	Customer Retention
11.	A	12.	A	13.	B	14.	B	15.	A

Review Questions

1. What is marketing environment? What are the different components of a marketing environment?
2. Define the micro environment? Give a detail of the different components of a micro environment?
3. Define macro environment? Outline its components?
4. What is customer value? How can it be created?
5. What is customer acquisition? Explain the customer acquisition funnel in detail?
6. What is customer retention? How is it calculated? What are some ways to retain the customer?

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Unit 03: Market Planning and Research

CONTENTS

Objectives

After studying this unit, you will be able to,

- understand marketing planning and its relevance.
- describe the structure of a marketing plan.
- understand the process of marketing planning.
- comprehend the approaches to marketing planning.
- understand the meaning and significance of market research.
- describe the market research process.
- understand marketing information system.

Introduction

Analyzing data regarding marketing prospects, forecasting, choosing target markets, deciding on marketing objectives, establishing and implementing marketing strategies, formulating action plans, and allocating resources are all part of the process known as marketing planning.

The process of determining actions that will support corporate objectives and establishing a deadline for their completion is known as marketing planning. It stands for the "why" and helps the marketing team stay focused on the most effective strategies. A marketer can think of the output of the planning exercise as defining the "when and what" of the work the marketing team will do to acquire, grow, and keep the customers.

3.1 Definition of Marketing Planning

"Market planning is the process of organizing and defining the marketing aims of a company and gathering strategies and tactics to achieve them".

Corporate Finance Institute

"Marketing planning is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objectives."

American Marketing Association

3.2 Relevance and Benefits of Marketing Planning

In any intentional endeavour, planning comes first. Business organisations typically do a lot of planning. Business organisations must control their surroundings and outperform their rivals. Planning is always strategic in a business firm, for this reason.

Marketing managers play a significant role in the planning process. Marketing managers' roles and responsibilities are laid out in marketing planning in order to help the company reach its objectives. The most effective and cost-effective strategy to allocate marketing resources is stressed.

It provides diverse marketing operations with intelligent direction. Marketing planning helps an organisation to attain its marketing goals. Every company must look ahead and determine its marketing plan.

The point of contact between an organisation and its market is marketing planning. Effective marketing operations are aided by marketing planning. It assists in organising the many actions taken to accomplish goals. It compels management to think strategically about the future.

Planning your marketing campaigns can help you assess performance, build on your advantages, and reduce your disadvantages. It assists in recognising dangers and, in the end, creates new opportunities. It lessens the negative effects of circumstances outside of management's control. It makes it possible to better plan resources and spot market opportunities.

A plan provides a frame work for a continuing review of work planned earlier.A marketing plan promotes a comprehensive view of the business firm and acts as a process of communication and co-ordination between marketing department and other departments.

3.3 Marketing Planning Systems

Marketing planning systems can be divided into strategic and marketing planning.

Strategic planning

This is made up of a series of choices and actions that result in powerful strategies that aid the company in achieving its goals. The marketing strategy outlines the method you'll employ to accomplish your objectives.

Marketing strategy

This method involves predicting upcoming events and creating plans to accomplish organisational goals. The marketing strategy outlines the particulars of how you will carry out your goal. It functions as a sort of trip map to help you reach the pre-set marketing objectives.

3.4 Marketing Plan Components

The company's value proposition should be part of any effective marketing strategy.

- Details about its intended audience or clientele.
- Market positioning that is competitive.
- Promotional tactics.
- Distribution methods
- Financial preparation.

It must include everything:

A marketing plan should include:

- Your organization's existing status, priorities, and direction • Its position in regard to outside environmental elements
- A critical evaluation of the advantages, disadvantages, opportunities, and risks facing your organisation
- Clearly stated goals and a method for measuring achievement
- The methods used to accomplish those goals

By function, product or service, and market segment, there are appropriate and timely actions and duties, as well as the necessary funds and resources and anticipated sales. There is also regular monitoring of progress and results against benchmarks.

3.5 Structure of a Marketing Plan

The structure of a marketing plan can include the following sections:

Marketing Plan Objectives

Setting of clear, concise, achievable and attainable objectives need to be done.Metrics, such as target market share, the target number of customers acquired, retained, penetration rate, usage rate, sales volumes targeted, etc. should be used.

Market Analysis/Consumer Analysis

This defines the target customers by their demographic profile, such as gender, race, age, and psychographic profile, such as their interests. This will assist in the correct marketing mix for the target market segments.

A market analysis undertakes a quantitative and qualitative assessment of a market. It looks into the size of the market both in volume as well as its value. An insight into the different customer segments and buying patterns, the competition, as well as the economic environment is undertaken in a market analysis.

Target Market

This defines the target customers by their demographic profile, such as gender, race, age, and psychographic profile, such as their interests. This will assist in the correct marketing mix for the target market segments.

SWOT Analysis

An organization's internal strengths and weaknesses as well as external opportunities and dangers will be examined in a SWOT analysis. the following are included in a SWOT analysis:

- An organization's competitive advantages that are difficult to imitate are its strengths.
- Weaknesses are issues with an organization's operations that prevent it from growing.
- Opportunities are the potential for future business growth. They might involve entering new markets, implementing cutting-edge marketing techniques, or embracing contemporary trends.
- Threats are outside forces that could harm the company, such as a rival, alterations in the law or political climate, or natural calamities.

Marketing Strategy

Actual marketing strategies that should be used are covered in the marketing strategy section. The 7Ps of marketing are the strategy's focal point. A marketing strategy is a company's overarching plan for connecting with potential customers and converting them into buyers of their goods or services.

A marketing strategy also includes the value proposition of the organisation, critical brand messages, pertinent information on target customer demographics, and other important components.

Marketing Budget

The projected or budgeted costs for the marketing activities listed in the marketing plan are shown in the budget for marketing. Revenues and expenses from the marketing plan are combined into the marketing budget. It strikes a balance between marketing-related costs and what the company can reasonably afford.

A marketing budget is an estimated sum of money that will be needed to advertise current or upcoming goods or services in conjunction with other direct or indirect marketing expenses that are already scheduled for the following fiscal year.

A budget enables a business owner to schedule spending, accomplish objectives, and foresee any necessary adjustments to operations. A budget can be used to track performance and helps a business understand its running expenditures.

Performance Analysis

Performance analysis aims to look at the variances of metrics or components documented in the marketing plan. These may include:

Revenue variance analysis

Revenue Variance Analysis is used to measure differences between actual sales and expected sales, based on sales volume metrics, sales mix metrics, and contribution margin calculations.

Market share analysis

The market share analysis is another tool used as part of the marketing annual plan control and closely related to the sales analysis tool. Market share indicates how your company is doing in terms of unit or revenue sales compared to your competition

Expense analysis

This comprises of those costs incurred to present an organization's goods and services to prospective customers.

Administration of a Marketing Plan

Periodically, the marketing strategy should be updated and modified to reflect environmental changes. To ensure that the objectives of the marketing plan are being met, there should be ongoing evaluation. Plans, predictions, strategies, and targets may need to be reviewed as a result of changes in the environment. Consequently, a formal quarterly review needs to be done.

3.6 Marketing Planning Process

The following are the steps of the marketing planning process.

Scanning the marketing environment.

A company examines the characteristics that are favourable and unfavourable in the marketing environment to identify:

- To find unmet consumer demand and locate marketing possibilities.
- Customer responses to its merchandise.
- The reasons why customers choose to support a specific brand.

Figure 1 presents the different parameters that can be scanned in understanding environment

Figure 1: Scanning the marketing environment

Internal scanning

Internal scanning is the process of assessing the firm's strength and weaknesses and identifying its core competencies and competitive advantages. It has to be selective and decided on the basis of the opportunities it has to tap and the Business Units it has to pursue.

Setting the marketing objectives

The Business Units unit must establish its marketing goals after evaluating the prospects present in the:

- The surroundings of the business.
- Threats that could materialise in the future.
- Competitive forces
- The resources to which the business has access.
- Strengths of the business

The word "To" must be the first word in every objective. The acronym "SMART" makes it simple to remember the qualities of a good target. "Specific, Measurable, Achievable, Realistic and Time-Bound" is what it stands for.

Formulating the marketing strategy

Marketing strategy is a set of objectives, policies and rules that guide over a period of time the marketing efforts of a company. It is a whole plan designed specifically for attaining the marketing objectives of the firm. It provides the design for achieving these objectives.

Developing the functional plans

The development of the marketing strategy into specific strategies and programmes is the following step. The firm's marketing goals and marketing strategy will be in line with the specific functional strategies. If executed in an imprecise manner, even the most effective marketing approach could fail in the market. Following the identification of segments, strategies and plans must be created.

Case Study: Marketing strategy of Coke

Coca-Cola is the leading global company of soft drinks. It sells its products in more than 200 countries around the globe. It generates 80% of its profit from outside the United

States. They have colossal brand recognition across the world. From the survey, it is found that around 94% of people across the globe are aware of the red and white logo of Coca-Cola.

Coca-Cola uniquely designs its marketing strategy, which gives a boost and gives broad global recognition. Like many other companies, Coca-Cola bases its marketing strategy on 4Ps: product, promotion, price, and place. Coca-Cola follows the marketing mix strategy. But there are other reasons too behind the success of Coca-Cola.

Coca- Cola also targets according to gender, male, and female differently. However, there is a difference in taste and preference. For example, Coca-Cola light is popular among females, especially among young girls, coke zero, and thumbs up are popular among males due to its strong taste.

They use different targeting strategies like in designing the coke zero packaging. They use red and black looks, which gives more masculine looks as compared to coke light. And there is also a difference in commercials and advertising campaigns. These marketing strategies are applied the attract people and increase the sales of the product, which provides with high profit to the company.

https://www.brainito.com/blog/marketing-strategy-of-coca-cola

3.7 Approaches to Marketing Planning

Once the firm has made the product market choice, it is now ready for the marketing planning exercise.Different approaches can be adopted at this stage.

Profit Impact of Marketing Strategies (PIMS)

According to the PIMS technique, strengths and weaknesses should be determined based on a company's ROI analysis. Given its market environment, competitive position, production structure, budget allocation, and historical pattern of strategic actions, the firm should analyse the cash flow/investment that is typical for a business unit.

On the basis of the influence of individual profit, cash flow on predictions, or Return on Investment, strategic strengths and weaknesses are highlighted. The company will be able to pinpoint crucial success elements in the sector with the aid of this investigation.

Portfolio Methods

Another approach to marketing planning is the portfolio approach. There are two major portfolio models that are used in marketing planning. These are:

- Boston Consulting Group Approach (BCG model)
- General Electric Approach (GE model)
- Strategic Business Units

A Strategic Business Unit is a profit center which focuses on product offering and market segment.

Characteristics of Strategic Business Units

- These are business units or a collection of related business units that allow for independent planning.
- Face a unique group of rivals.
- Appoint a manager who is responsible for the division's performance, profitability, and strategic planning.

3.8 Boston Consulting Group Approach (BCG Model)

The Boston Consulting Group's founder, Bruce Henderson, developed the BCG Matrix (Growth-Share Matrix) in the late 1960s as a tool to assist his clients with effective resource distribution among various Business Units. The organisation will have the best chance of beating its rivals if it has a thorough understanding of these elements since the intelligence gathered can be used to create portfolio management strategies.

A corporation with numerous business units or products can use the BCG Matrix to identify the strengths of each and determine the best course of action for each. Using the following criteria, it assists managers in ranking Business Units and Products as low or high performers:

Relative market share: The portion of the whole market that the company under analysis controls.

Market growth rate, or the market's attractiveness to a business unit.

The matrix's four quadrants are as follows:

Stars

High-growth and high-market-share business units and products frequently require significant outside funding to maintain their rapid growth as they may not be generating any positive cash flow. Eventually, their growth will moderate, and they will transform into cash cows.

Cash Cows

These are well-established, successful business units that don't need a lot of investment to maintain their market share. They also produce a lot of cash that can be used for the company's other business units (the stars and question marks). Cash Cows are business units/products that are characterised by low growth and high market share.

Question Marks

These are Business Units/Products with low market share in markets with rapid growth rates. • They need a lot of financial resources to raise their share because they cannot produce enough revenue on their own.

Selecting which Question Marks to phase out and which to allow to develop into Stars is a vital decision has to be done.

Dogs

These are business units or products that have low market share, limited growth, and frequently poor profitability. The business unit strategy for a dog is typically to divest.

The BCG Model Follows the Following Major Steps:

- Identify major organizational business and identify their Relative Market Share and Market Growth Rate.
- Plot the Business Units on the BCG Matrix.
- Classify the Business Units as Question Marks, Stars, Cash Cows and Dogs.
- Develop strategies for each Business Unit based on their position and movement trends within the matrix.

3.9 GE Matrix

Early in the 1970s, General Electric and McKinsey collaborated to create the GE/McKinsey Matrix, which was derived from the BCG Matrix. General Electric was unhappy with the returns on its investments at the time since it had about 150 distinct business units.

The nine-cell (3 by 3) GE/McKinsey matrix is primarily used to conduct business portfolio analysis on a corporation's strategic business units (SBUs). Decision-makers have a methodical and efficient framework for formulating strategies for future product development thanks to the nine-box matrix.

The two criteria used to rate companies, which also act as the matrix's axes, are:

Industry Attractiveness

Consider the company's potential for long-term growth, the size and profitability of the industry, entrance and exit restrictions, etc. while assessing it along this dimension. Consider the influence of suppliers and buyers as well as any additional environmental elements that might affect an industry's appeal.

Competitive Strength

Some factors that can help a business assess its competitive advantage in an industry are:

1. The market share it holds

2. Possibility of market share growth

3. Brand recognition; 4. Business profit margins; 5. Client loyalty and satisfaction

6. Originality of its goods or services

There are nine potential strategic postures for a corporation based on the three degrees of industry attractiveness and competitive strength (High, Medium, and Low).

The strategic actions to choose from are as follows:

Grow/Invest Strategy

The best position for a business to be in is the Invest/Grow section. A business can reach this scenario if it is operating in a moderate to highly attractive industry while having a moderate to highly competitive position within that industry. In such a situation, there is a massive growth potential.

Hold/Protect Strategy

The company is either in an exceptionally high competitive position in a less desirable industry, or it is in a low to moderate competitive position in an attractive industry. The forecast for the firm is a key factor in deciding whether to invest or not. It can anticipate strengthening its competitive position or moving to a more desirable sector.

Harvest/Divest strategy

Divest the business units by selling it to an interested buyer for a reasonable price or choose a harvest strategy, the business cashes out whatever is left.

3.10 Marketing Research

> "Marketing research is a key element within the total field of marketing information. It links the consumer, customer and public to the marketer through information which is used to identify and define marketing opportunities and problems; to generate, refine and evaluate marketing actions; and to improve understanding of marketing as a process and of the ways in which specific marketing activities can be made more effective".

European Society for Opinion and Marketing Research

3.11 Marketing Research Process

Effective research work requires a variety of different actions. The steps that make up the research process are neither exclusive of one another nor are they distinct from one another.

Information is gathered, organised, and analysed during research to better understand a subject or problem. It entails methodical and imaginative work done to broaden the body of knowledge. The steps in a marketing research process are as follows.

Define the Research Problem

Problem refers to a query or matter that needs to be investigated. The two steps that make up problem definition are problem identification/selection and problem formulation.

The following sources can be used to help define the research problem:

- Customer grievances.

- Interaction with business personnel.
- A departure from the company strategy.
- The accomplishments of the company's rivals.
- Reading pertinent published works.
- Reports and company records.

Review Theories and Concepts

Literature review is the compiling of documentation of the published and unpublished work from secondary sources of data in the areas of specific interest to the researcher. It is an extensive survey of all available past studies relevant to the field of investigation.

Identifying the Hypothesis

Hypothesis is a supposition or proposed explanation made on the basis of limited evidence as a starting point for further investigation.It is a specific, testable prediction about what you expect to happen in a study.A good hypothesis possesses the following certain attributes.

Developing Research Design

It is the conceptual framework for the research that will be done. The basic goal of study design is to make it possible to gather pertinent data with the least amount of work, money, and time. The creation of such a design enables research to be as effective as possible, resulting in the greatest amount of knowledge. The following are the key factors for research design:

Sampling

Sampling is the process whereby a researcher chooses the sample. It is a technique of selecting individual members or a subset of the population to make statistical inferences from them and estimate characteristics of the whole population.

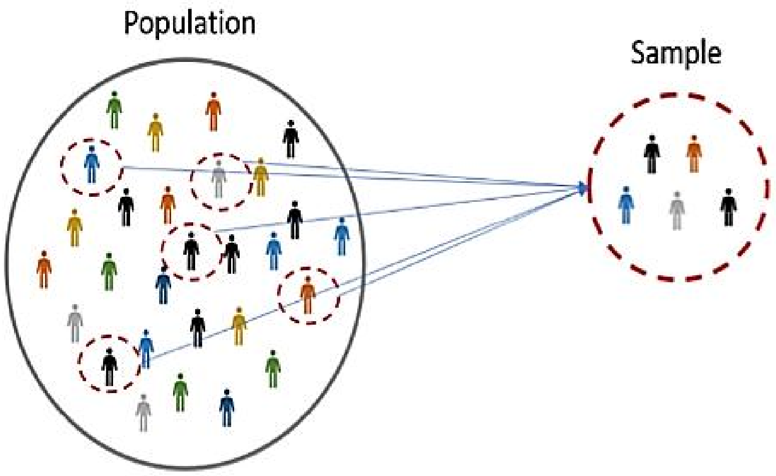

Figure 2: Sampling

Steps of sampling

Identify the population of interest. A population is the group of people that you want to make assumptions about.

Specify a sampling frame.

A sampling frame is the group of people from which you will draw your sample.

Specify a sampling method.

There are basically two ways to choose a sample from a sampling frame: randomly or non-randomly. There are benefits to both.

Types of sampling

Probability sampling involves random selection, allowing you to make strong statistical inferences about the whole group. Non-probability sampling involves non-random selection based on convenience or other criteria, allowing you to easily collect data.

Collection of data

Collection of data is done.

Data collection methods include primary and secondary.

First-hand information gathered by the researcher is referred to as primary data. It could take the following forms:

- Interviews.
- Surveys/questionnaires (personal, mail, telephonic)
- Experimentation.

Published data is referred to as secondary data. It can take the following forms:

- Books.
- Journals.
- Websites.
- Official sources.
- Media for advertising.
- Trade, Professional magazines.

Analysis of Data

The analysis of data requires a number of closely related operations such as establishment of categories, the application of these categories to raw data through coding, tabulation and then drawing statistical inferences.

Interpretation of data

At this stage a researcher will give his approval or disapproval to the hypothesis framed. If there is no hypothesis, the researcher will explain the findings of analysis on basis of some theory.

Report writing

Making a report is the last step in the research process. Preliminary pages are one of a report's primary components.

- Introduction.
- A report on the findings.
- The main report
- Conclusion.
- Bibliography.

3.12 Marketing Information System

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

Networks, databases, cellphones, and personal computers are a few examples of information systems. In order to successfully manage operations, organise their workforce, and execute marketing efforts, businesses employ these information systems to communicate with their suppliers and clientele.

Relevanceof Marketing Information System

The marketers receive crucial information from the marketing information system, which helps them make effective judgments. Every marketing effort uses a variety of sources and coordinates with the circumstances present both inside and outside the firm.

A few methods for obtaining pertinent market information include internal records, marketing intelligence, and marketing research. This knowledge helps marketers make informed decisions.

Components of MIS

The following are the components of MIS system.

Internal Records

The Company can collect information through its internal records. Some examples are:

Sales Databases

These should be maintained on a regular basis.This will comprise of information that can be collected by the firms once they receive the order for the goods and services from the customers, dealers or the sales representatives.

Customer Databases

wherein the complete information about the customer's name, address, phone number, the frequency of purchase, financial position, is saved.

Product Database

wherein the complete information about a product's price, features, variants, are stored.

The companies store their data in the data warehouse from where the data can be retrieved anytime the need arises.

Marketing Intelligence System

Data on market developments is provided by the marketing intelligence system. all information pertaining to the marketing environment outside of the organisation.

It includes details on the shifting market trends, price techniques used by competitors, shifts in consumer tastes and preferences, new products introduced to the market, and competitor advertising tactics.

Efficient Marketing Information System Requirements

- Providing the proper training and motivating the sales force to keep a check on the market trends.
- Motivating the channel partners; Dealer, distributors, retailers to provide the relevant and necessary information about customers.
- Getting complete information about the competitors. Purchasing the competitor's product, attending the trade shows, reading the competitor's published articles in magazines and financial reports.
- Getting marketing environment from the research companies.
- Use of the government data to improve its marketing Information system. The data can be related to the population trends, demographic characteristics, agricultural production, etc. that help an organization to plan its marketing strategies accordingly.
- Proper product or service feedbacks, analysing reviews and ratings.

Marketing Research

The systematic gathering, organising, analysis, and interpretation of data for the purpose of identifying solutions to marketing issues is known as marketing research. By using a variety of statistical tools, many businesses perform marketing research to comprehend consumer tastes and preferences, rival strategies, and the breadth of new product launches.

The business may gather primary data or secondary data. A marketing research makes a significant contribution to the marketing information system since it offers true information that has been thoroughly examined by the researchers.

Marketing Decision Support System

It contains a number of software tools that marketers may use to evaluate data and make better marketing decisions. The marketing managers can utilise computers to apply statistical methods to data that has been acquired and then make decisions based on the results.

A marketing decision support system helps with marketing-related decisions. The system is meant to assist organisations in exploring various situations by modifying data that has previously been gathered from previous events.

This can be applied to help the planning technique for product marketing employed by software vendors. It can assist in determining the appropriate pricing ranges, marketing tactics, and campaigns for the company's goods. This aids in deciding the marketing mix for the company.

Summary

- Marketing planning is the interface between the enterprise and its marketMarketing planning helps in conducting effective marketing operations.
- A market analysis undertakes a quantitative and qualitative assessment of a market. It looks into the size of the market both in volume as well as its value.
- A SWOT analysis will look at the organization’s internal strengths and weaknesses and external opportunities and threats.
- The marketing plan should be revised and adapted to changes in the environment periodically.
- An easy way to remember the characteristics of a good objective, is the acronym, "SMART." It stands for "Specific, Measurable, Achievable, Realistic and Time-Bound."
- The PIMS approach suggests the identification of strengths and weaknesses on the basis of a firm’s ROI analysis.
- The BCG Matrix (Growth-Share Matrix): This was created in the late 1960s by the founder of the Boston Consulting Group, Bruce Henderson, as a tool to help his clients with efficient allocation of resources among different Business Units.
- The GE/McKinsey Matrix was developed jointly by McKinsey and General Electric in the early 1970s as a derivation of the BCG Matrix.

Keywords

Strategic planning:This consists of a stream of decisions and actions that lead to effective strategies that help the firm to achieve its objectives. The marketing strategy describes the approach you are going to use the reach your goals.

Marketing planning:This is the process of anticipating future events and developing strategies to achieve the organisational objectives. The marketing plan lays out the specifics of how you will execute your strategy.

Strategic Business Unit:This is a profit center which focuses on product offering and market segment.

Stars: Business Units/products characterized by high-growth and high-market share.

Cash Cows: Business Units/products characterized by low-growth, high-market share.

Question Marks: Business Units/products characterized by low-market share in high-growth markets.

Dogs: Business Units/products with low-growth, low-market share.

Self Assessment

1. A solid marketing plan should consist of:

A. Company's value proposition

B. Information regarding its target market or customers

C. Competitive positioning in the market

D. All of the above

2.______ are external factors that can affect the business negatively, such as a competitor, political/legal changes or natural disasters.

A. Company's value proposition

B. Threats

C. Strengths

D. Opportunities

3. These Business Units/products characterized by high-growth and high-market share.

A. Stars

B. Cash Cows

C. Question Marks

D. Dogs

4.Business Units with low-growth, low-market share and poor profitability are known as:

A. Stars

B. Cash Cows

C. Question Marks

D. Dogs

5. Some factors that can help a business assess its competitive advantage in an industry are:

A. Market share it commands

B. Market share growth potential

C. Brand awareness

D. All of the above

6. _________analysis is used to measure differences between actual sales and expected sales, based on sales volume metrics, sales mix metrics, and contribution margin calculations.

7.__________ is the process of assessing the firm's strength and weaknesses and identifying its core competencies and competitive advantages.

8.________ is a set of objectives, policies and rules that guide over a period of time the marketing efforts of a company

9.The _______ approach suggests the identification of strengths and weaknesses on the basis of a firm's ROI analysis.

10.A _______ is a profit center which focuses on product offering and market segment.

11. The BCG Matrix (Growth-Share Matrix) was created in the late 1960s by the founder of the Boston Consulting Group, Bruce Henderson.

A. True

B. False

12.Relative market shareis theattractiveness of the market in which a Business Unit operates.

A. True

B. False

13.Secondary Data is the already published data.

A. True

B. False

14. Marketing research distributes essential information to the marketers who in turn make efficient decisions.

A. True

B. False

15.The GE/McKinsey Matrix is a nine-cell (3 by 3) matrix.

A. True

B. False

Answers for SelfAssessment

1.	D	2.	B	3.	A	4.	D	5.	D
6.	Revenue Variance	7.	Internal Scanning	8.	Marketing Strategy	9.	PIMS	10.	Strategic Business Unit
11.	A	12.	B	13.	A	14.	B	15.	A

Review Questions

1. Explain marketing planning and its relevance?
2. describe the structure of a marketing plan?
3. Elaborate the process of marketing planning with examples?
4. What is marketing research? Elaborate its process?
5. Write a detailed note on marketing information system?

Further Readings

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Unit 04: Buying Behaviour

CONTENTS

Objectives

After studying this unit, you will be able to,

- understand what is consumer behaviour,
- understand how consumer behaviour can be used to develop marketing strategies,
- understand the different types of consumers,
- describe organisational consumer and roles of a buying centre,
- understand the decision-making process of an organisational customer.

Introduction

Consumer buyer behaviour is considered to be an inextricable part of marketing and Kotler and Keller (2011) state that consumer buying behaviour is the study of the ways of buying and disposing of goods, services, ideas or experiences by the individuals, groups and organizations in order to satisfy their needs and wants.

Buyer behaviour has been outlined as "a process, which through inputs and their use though process and actions leads to satisfaction of needs and wants" (Enis, 1974, p.228). Consumer buying behaviour has abundant elements as a part of it which are understood to have some level of consequence on the product acquiring evaluations of the customers.

The marketers need to explore exclusive aspects of consumer behaviour so as to understand the reasons why consumers make procurements, specific factors shaping the patterns of consumer purchases, analysis of shifting factors and how they impact the society as a whole.

4.1 Definition of Consumer Behaviour

"The buying behaviour of final consumers, both individuals and households, who buy goods and services for personal consumption"

Kumar, 2010, p.218

"The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of, if products and services that they expect will satisfy their needs."

Leon G Schiffman and Leslie Lazar Kanuk, 'Consumer Behaviour', Prentice-Hall of India, 4th ed. 1991

"Consumer behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption."

James F Engel, Roger D Blackwell and Paul W Miniard, "Consumer Behaviour" (Dryden Press, 1990)

Consumer buying behaviour as a process of choosing, purchasing, using and disposing of products or services by the individuals and groups in order to satisfy their needs and wants.

Solomon et al. (1995)

"The assumption that people have series of needs which lead to drive state".

Faison and Edmund (1977)

4.2 Importance of Consumer Behaviour

Study of consumer buying behaviour is most imperative for marketers as they can gauge the expectation of the consumers. It helps to apprehend what makes a consumer to buy a product. It is essential to assess the kind of products that are preferred by the consumers so that they can be launched in the market. Marketers can understand the likes and dislikes of consumers and design base their marketing efforts based on the findings.

Knowledge of consumer behavior can help managers understand why people behave as they do, and that this understanding can help managers predict behavior.Consumer buying behaviour studies guide marketers about the various situations such as what do consumers buy, why do they buy, when do they buy, how often do consumers buy, for what reason do they buy, and much more.

Understanding consumer behaviour is required for a company to attain success for its current products as well as its new products. Every consumer has a distinctive thought process and attitude towards procuring a particular product. If a company is not able to understand the reaction of a consumer towards a product, there are massive chances of product failure.

Due to dynamic and changing fashion trends, technological developments, trends, fads, lifestyle patterns, disposable income, and similar other factors, consumer behaviour keeps changing. A marketer has to comprehend the changes in these factors so that the marketing efforts of the companies can also be aligned accordingly.

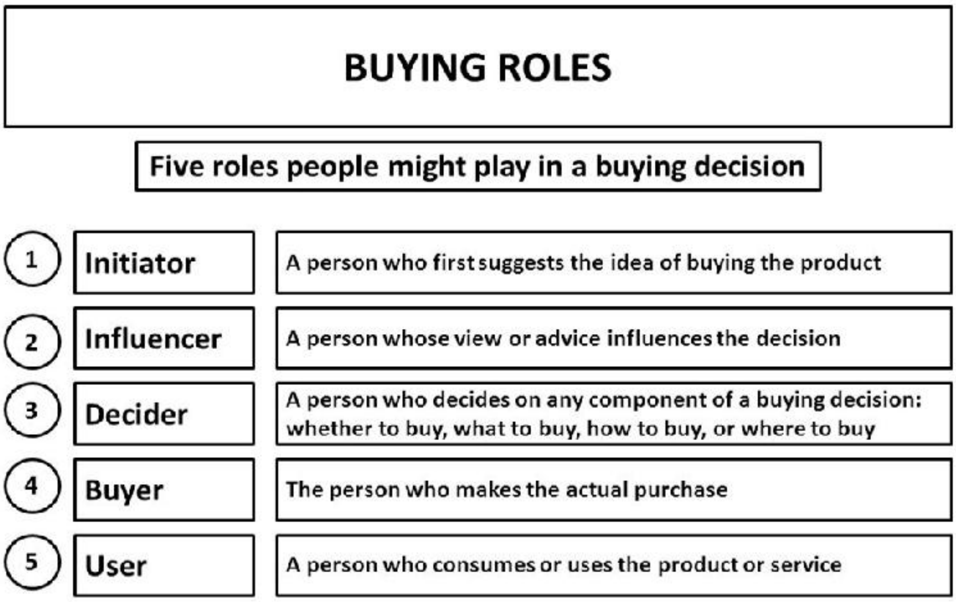
Example:A consumer researchers explores consumer behaviour with an aim is to know why women buy moisturizers (to reduce skin problems), the most preferred brand (Lakme, L'Oréal), how often do they apply it (twice a day, thrice a day), where do the women prefer to buy it (small stores, supermarkets, online) and how many times do they buy it (weekly, monthly, six monthly).

Consumer behaviour plays an essential role in marketing management. It provides information to the marketer on the basis of which the marketers can design their marketing mix strategies and modify it in future as per the given situation. For the marketer it is important to know how consumers will react to marketing programme in order to serve them effectively.

Marketers can use the study of consumer behaviour to develop an understanding of the target market needs and expectations, problems of consumers, formulating of marketing mix strategies, developing advertisingstrategies, understanding human behaviour towards different advertising appeals and message, selecting the type of media.

4.3 Buyer and User

The person who buys a particular product may not necessarily be the user, or the sole user of this product. It is also possible that the person who purchases the product may not be the decision-maker. For example, the parents are the decision maker when they buy a shampoo for their two-year-old child.



Buying roles refer to the activities that one or more person(s) might perform in a buying decision. Six buying roles can be distinguished:

Initiator: the person who first suggests an idea of buying the particular product or service

Influencer: a person whose viewpoints influence other members of the buying centre in making the final decision

Decider: the person who finally determines any part of or the entire buying decision-whether to buy, what to buy, how to buy, or where to buy;

Buyer: the person who handles the actual paper work of the purchase

User: the person(s) who consumes or uses the product or service

Example:A school student needs to buy colour crayons to use in his art class.

Initiator: The boy

Influencer: His teacher or his classmates

Decider: Parents (either of them or both)

Buyer: Parents or a sibling.

User: The boy himself.

Task: Find out if amicrowave manufacturing company should target the user or the buyer of a microwave?

4.4 Consumer and Customer

A consumer is a person who buys and uses goods. A consumer is one that procures goods or services for consumption and not for resale or commercial purposes. The consumer is an individual who pays a certain amount of money for consuming goods and services.

Consumer vs customer are interchangeably used in the common context. In simple words, a consumer is someone who consumes a product. Similarly, a customer is the one who buys or purchases a product.

A customer is a person who procures goods and services from a seller and pays for it to satisfy their needs. Most of the timesa customer who buys a product is also the consumer, but sometimes this may not be the case.

Example: When parents purchase clothing for their children, the parentsare the customer, and the child is the consumer.

Figure 1 depicts the things that can be bought by a customer.

Figure 1: What can be bought

4.5 The 5 Stages of the Consumer Decision Making Process

Need recognition (awareness): The first stage of the buying process, because every sale begins when a customer becomes aware that they have a need for a product or service.

Search for information (research): During this stage, customers strive to find out their options before making a purchase. Both internal (within company) and external sources (outside company) can be used to collect this information.

Evaluation of alternatives (consideration): This is the stage when a customer is comparing options to make the best choice possible.

Purchasing decision (conversion): During this stage, buying behaviour turns into actual action.This is the time for the consumer to make a purchase.

Post-purchase evaluation (re-purchase): After making a purchase, consumers consider whether it was worth it, whether they will recommend and spread a positive word of mouth about the product.

4.6 Market Strategy and Applications of Consumer Behaviour

There are many reasons why marketers need to study consumer behaviour.

Developing sound marketing strategies

Consumer research is essential to frame diligent marketing strategies. Consumer Behavior provides the marketers with the knowledge and skills necessary to perform consumer analyses that can be used for understanding markets and developing effective marketing strategies.Sound theories developed after extensive research on consumer behaviour help in framing of good marketing plans.

Furthermore, deep understanding of consumer behaviour assists in avoiding product failures.Companies around the world spend billions every year to understand consumer behaviour.

Case Study: Lego

One of the most outstanding examples of a company being transformed by market research is children's beloved toy brand Lego.The brand was able to completely transform its revenue potential by altering their product line to break into a vital, and growing, new market.

Prior to releasing a line of products that targeted the young female audience, Lego conducted a lengthy trial of market research that of four years of studying the play habits of 3,500 girls and their mothers. Researchers were asked to collect data regarding that would answer critical questions about what would make Legos more interesting and appealing for young girls.

Upon the conclusion of the market research, Lego's product line called "Friends" was born. The colors of the brick included in this line were more vibrant and diverse as compared to other sets. Lego ensured that the packaging was more appealing to young girls, and the figures were also altered to cater to the new audience. They increased the size of the figures so they could now hold accessories such as hairbrushes and purses.

Since launching Lego Friends in 2012, the Danish toymaker became a hit with girls and continues to increase its market share in construction toys. Lego told the Wall Street Journal the share of girls among Lego players (which we know was about nine percent) has increased sharply since.

https://fuelcycle.com/blog/market-research-done-right-how-market-research-gave-lego-a-facelift/

Developing regulation of marketing practices

Knowledge of consumer behaviour is required to frame regulation policies. Many regulatory bodies like Food and Drug administration (FDA) do research in consumer behaviour before finalizing regulations.They try to unearth the facts that motivate the customer or discourage them to use unsafe and unhealthy products. Figure 2 depicts the health warning must be located on the top edge of the package.

Figure 2: Government Regulation on the pack

Example:A pictorial depiction of the ill effects of tobacco use on health is mandated by the rules. The health warning must be located on the top edge of the package.

Undertaking social marketing initiatives

Social Marketing aims at designing strategies that aim to redefine or create positive consumer thoughts towards a product, an idea or a concept.Consumer behaviour needs to be explored to understand consumer attitudes towards different issue like environment friendliness of the product, recyclability of products.

Issues in social marketing

There can be many issues in social marketing like environmentally friendly products,plastic disposability, ecologically friendly products, social issues like smoking, drug use and vaccination and health care programs.

Educating the customer

Insights on consumer behaviour can assist in educating customer on many issues. The consumer can be educated how to develop an effective purchase behaviour, develop an understanding of the environment and how to be a sound citizen.

Companies may educate the consumers through different channels like; websites, advertisements, sales presentations, innovative packaging designs and retail store displays and other communications.

4.7 Types of Consumer

These are the different types of customers.

Personal Consumer

The consumer who buys goods and services for his own personal use, for household use, for the use of a family member, or for a friend.

Organisational Consumer

A business, government agency, or other institution (profit or nonprofit) that buys the goods, services, and/or equipment necessary for the organization to function.

Case Study: Walmart

Walmart's success can be attributed to three principles: scale, volume, and minimized operating costs.

Walmart is nothing short of a wonder when it comes to their triumph in the retail world. Even with pressure to keep up with giants like Amazon, they sustain their "everyday low prices" with more than 11,500 retail units globally and their e-commerce sales. The company engages millions on a global scale and more than a million in the United States alone. When you contemplate that the company grosses millions and is an essential part of the U.S. economy by itself, it's certainly a company worth learning from.

By using a business model aimed at keeping margins lower than the competition and relying on sales volume to make up the difference, and keeping operating costs as low as possible, the company has risen to the top since it first began in 1950 with Sam Walton.

Walmart is able to continue to offer their low prices for a number of reasons, though the ones that really matter are a stellar supply chain management system, leveraging bargaining power with suppliers, and minimization of overhead and operational costs.

https://planergy.com/blog/walmart-procurement-strategy.

Products Bought by an Organizational Buyer

The organisational consumer purchases several products. These can be categorized into three major groups:

- Capital goods like Plant and Machinery.

- Spare Parts and Components.
- Consumables like Raw Material, Packaging Material.

Buying Centre

Organisational purchase decisions are joint decisions. All individuals, who participate in decision making are referred to as the decision-making unit (DMU). The marketer should identify all the DMUs in the client organisation and understand the expectations and parameters on which vendor recommendation will be done by them.

Roles in the buying centre

Actual User

Actual user is a person, who actually uses the vendor's product. These people are typically 'shopfloor' individuals. They could be workmen in a factory, technicians in a lab and software developers in a software firm.

Influencer

Influencer is a person or persons who may or may not be part of a customer organisation, but whose opinion is listened to by the customer. Within the organisation, the actual user may play the influencer's role. Consultants may also play this role.

Decider

Decider is the person who actually takes the decision to buy. The decider takes both technical and economic factors in decision making.

Buyer

Buyer is the person who actually buys on behalf of the organisation.

Gatekeeper

This role is played by an individual who facilitates the flow of information in the organisation. This role could be played by a receptionist, a secretary or even by a finance person. The gatekeeper is an important source of information.

Organisational Decision-Making Process

The organisational decision making process needs to have the following process.

Need Recognition

This is the stage where the customer feels a need for a product. However, exact specifications of the product are generally not defined at this stage.

Product Specification

The customer lays down specifications for the product. The service requirements are also provided.

Laying down Qualifications for Potential Vendors

Organisational buyers lay down the technical and commercial qualifications for potential vendors.

Inviting Proposals from Qualified Vendors

This is the stage when proposals, often sealed, are invited from qualified vendors.

Evaluating the Proposals

The proposals are evaluated for their technical content and capability to meet the customer's requirements.

Selecting the Vendor

Once the technical evaluation is complete and vendors shortlisted for final selection, the proposal is commercially evaluated.

Determination of Order Size and Placement of Order

In this stage, the buyer determines the size of the order lot.

Review and Feedback

The buyer reviews the performance of the vendor and obtains a feedback from all the departments using the suppliers' products.

4.8 Buying Situations

There are different types of buying situations that a organisation buyer may encounter.

Straight Rebuy

This is a buying situation, where the customer generally repeats his choice.

Modified Rebuy

This occurs when customer requirements change, either in terms of quantity or product type specification.

New Task

This buying situation is characterised by the first time purchase of a product.

Factors influencing buyer decisions

Environment factors, organisational factors, interpersonal and individual factors influence the buyer's decision.

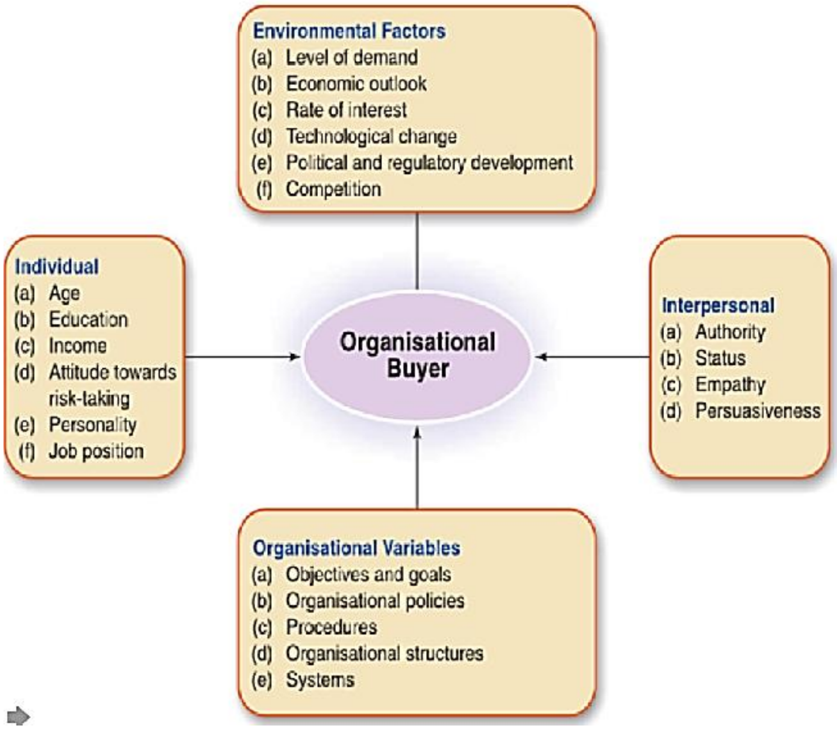


Figure 3: Variables influencing buyer's decision

4.9 Value Maximization in Organisational Buying

Organisational buyers are value seekers. Factors such as competition, technology, and complexity in the customer's environment bring a constant change in their behaviour.They seek certain values and these values can be arranged in a hierarchy.

Hierarchy of Customer Values

Figure 3 depicts thehierarchy of customer values

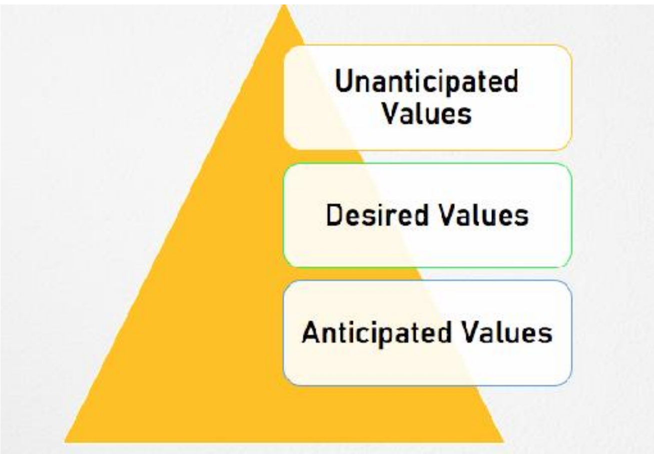


Figure 4: Hierarchy of customer values

Unanticipated Values

These are values about which even the customers are not consciously aware. Companies know too well that they need to understand these values.

Desired Values

These reflects the customer's desire for the supplier to augment his offer.

Anticipated Values

The customer's anticipated and desired set of values are influenced by his environment and knowledge.

Summary

- Consumer behaviour refers to the identifiable behaviour of consumers during searching, purchasing and post consumption of products or services.
- The study of consumer behaviour facilitates the marketers to understand and predict consumer behaviour in the marketplace. It is related to not only with what consumers buy but also with why, when, where, how and how often they buy it.
- A customer is a person who procures goods and services from a seller and pays for it to satisfy their needs. Most of the times a customer who buys a product is also the consumer, but sometimes this may not be the case.
- There are two important group of consumers: personal consumer and organizational consumers.
- Consumer behaviour has become an vital part of strategic market planning. Marketers have to fulfil the needs of their target markets in ways that improve society as a whole.

Keywords

Consumer behavior: Consumer buying behavior refers to the study of customers and how they behave while deciding to buy a product that fulfills their needs.

Consumer: A person who engages in the purchasing process.

Customer:A person who buys goods or services

Marketing Concept: The marketing concept is the strategy that firms implement to satisfy customers' needs, increase sales, maximize profit, and beat the competition.

Customer Value: Value is the ratio between the customer's perceived benefits and the resources used to obtain those benefits.

Self Assessment

1. A marketplace consists of:

A. People with money with them
B. People with money and the willingness to spend it
C. People with money to spend and the willingness and ability to spend it
D. All of the above.

2. Why a marketing executive needs to study consumer behaviour?

A. To better understand his consumers
B. For better planning and implementing marketing strategies
C. For gaining a better understanding of the factors that affect consumer behaviour
D. For all of the above.

3. Which of the following question is being answered by the consumer

behaviour field?

A. What are the products people buy?
B. Why they buy them?
C. How they buy them?
D. All of the above.

4. Who gave the following definition of consumer behaviour? "The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of, if products and services that they expect will satisfy their needs."

A. Leon G Schiffman and Leslie Lazar Kanuk
B. Berkman and Gilson
C. Zaltman and Wallendorf
D. Wasson.

5. Purchase means:

A. Creating new users
B. Discovering new uses
C. The physical exchange of money for goods and services
D. All of the above.

6. The marketer desires that the post-purchase behaviour should have the following:

A. Making sure that customer needs are satisfied through the product's use
B. Making sure that customer recommend others to buy the product
C. Botha&b
D. None of the above.

7. Information can be gathered through this source:

A. Internal

B. External

C. Both a & b

D. None of the above

8. _________ refers to the identifiable behaviour of consumers during searching, purchasing and post consumption of products or services.

9. There are two important group of consumers: _______ consumer and ___________consumers.

10. _________ is the ratio between the customer's perceived benefits and the resources used to obtain those benefits.

11.Consumer behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of the products and services that they expect will satisfy their needs.

A. True

B. False

12. The product concept assumes that consumers will buy the product that offers them the highest quality, the best performance and the most features.

A. True

B. False

13. Personal consumers buy goods and services for commercial reasons and are not the end-user of those goods and services.

A. True

B. False

14.Organisational consumers include both commercial for-profit and non-profit organisations.

A. True

B. False

15. It is possible for a person to be the buyer and consumer of a product.

A. True

B. False

Answers for Self Assessment

l.	C	2.	D	3.	D	4.	A	5.	C
6.	C	7.	C	8.	Consumer Behaviour	9.	Personal Organisational	10.	Value
11.	A	12.	A	13.	B	14.	A	15.	A

Review Questions

1. How is the field of consumer behaviour defined? What is the importance of understanding consumer behaviour to the marketer?
2. Understand how consumer behaviour can be used to develop marketing strategies ?
3. Explain the different types of consumers ? Describe organisational consumer and roles of a buying centre?
4. Understand the decision-making process of an organisational customer.
5. Take the example of any product and outline the decision making process that you undergo?

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Unit 05: Segmentation and Targeting

CONTENTS

Objectives

After studying this unit, you will be able to:

- understand the concept of market segmentation,
- describe the bases for segmenting consumers,
- analyseshow segmentation is carried out by marketers.
- understand the criteria for targeting selected segments effectively,
- analyseshow targeting is carried out by companies.
- understand the concept of positioning,
- describe how positioning is adopted by companies.

Introduction

When the marketer wants to reach out to the customers with an advertising campaign or a product, targeting the right market with the right message is important. If the aim is taken too broadly, the message might surely reach a few people who might end up becoming customers, but will also reach out to a lot of people who are not interested in the products or services. The message has to be optimized for the audience.

Market segmentation can help you to target just the people most likely to become satisfied customers of your company. To segment the market, the marketer splitsthe entire market into groups that have similar characteristics. You can base a segment on one or more qualities. Splitting up an audience in this way allows marketer to go for precise targeted marketing and develop a personalized content.

5.1 Definition of Market Segmentation

"Market segmentation is the process of dividing up mass markets into groups with similar needs and wants".

Pride et al.

"Segmenting can be referred to as a process of segregating the market on the basis of different variables".

Alter, Tom

"Market Segmentation is the sub-dividing of a market into homogeneous subsets of customers, where any subset may conceivably be selected on a market target to be reached with a distinct marketing mix."

Philip Kotler

Why segmentation is necessary

Consumer needs differ. Every consumer has a separate set of need. Differentiation helps products in competing with competitor's products.Segmentation helps in identifying the right mode of communication with the target audience.

Rationale for segmentation

The following is the rationale for segmenting the market.

- Identify segments of industry demand.
- Target specific segments of demand.
- Develop specific 'marketing mixes' for each targeted market segment.

5.2 Stages of Market Segmentation

There are certain stages of segmenting the market. They have been explained below:

Survey

This stage involves gaining an insight into consumer motivation, attitudes, and behavior.

Analysis Stage

After collecting of the data, it is analyzed using factor analysis and Cluster analysis.

Profiling Stage

In this stage, each cluster is profiled in terms of demographics, psychographics, media habits, attitudes, behavior and consumption habits.

5.3 Bases of Segmentation

The bases of market segmentation can be broadly divided into three major groups:

Demographic Segmentation

It is an accessible form of market segmentation, as it requires fewer information to implement than psychographic or behavioral segmentation. There are plenty of ways to segment markets using demographics.

The most commonly used demographic segmentation factors are:

Age

Age is the most basic variable in segmentation. Consumer preferences constantly change with age. All marketing campaigns target age-specific audiences. Age variable can be viewed regarding specific age ranges or life cycle stages: toddlers, children, adolescents, adults, middle-age, and seniors.

Example:many famous fashion designers have different collections to target other age groups. They aim certain clothing lines at specific age ranges, such as a chic fashion line at younger prospects and a more formal and elegant line at older individuals.

Age segmentation is also generation-based: baby boomers, gen X, millennials, etc. Since members within each of these individual groups were born around the same time and grew up with similar experiences, they usually similar characteristics and thought processes. Targeting baby boomers and gen X with the same offer and marketing strategy is likely to produce undesirable results because they prefer and purchase differently.

Age and Life Stage based segmentation may be done as follows:

- Infant market (up to 2 years)
- Child market (3 to 8 years)
- Tweenagers market (9 to 12 years)
- Teenagers market (13 to 16 years)
- Adolescent market (17 to 19 years)
- Youth market (22 to 35 years)
- Middle age market (40 to 50 years)
- Seniors market (50 years and above)

Gender

Men and women generally have unique likes, dislikes, needs, and thought processes. For instance, very few men apply makeup. Also, women may prefer to do most of the household grocery shopping.

Ethnicity and Religion

These groups have a plethora of individual cultures that come with different interests, preferences, attitudes, and beliefs. This could definitely affect both their response to marketing and their buying preferences.

Example: Coca-Cola advertises globally, but localizes their campaigns for each country, too. The messages are entirely different, based on local customs, religions, nationality, etc.

Income

A marketer may try to find data to support how people spend money on both the higher and lower end of the spectrum. Many companies use this data to sell different tiers of the same product, based on income level.

Example: Airlines have three classes: economy, business class, and first-class.

Family structure

Family makeup can be an essential criterion in segmenting because when the dynamic of a family change, its needs and desires often do too. This strongly affects their buying habits of the people.

For instance, single individuals do notkeep themselves on a priority, while newly married couples are mostly prioritizing each other and their homes. Couples with many children have different needs. Ones with a single child Large family might be more interested in low-cost household products, as compared to a couple with the same income, but without any children.

Example: Coca Cola does the following demographic segmentation:

Age - Coca Cola targets youngster from 15 to 25 years old.

Gender - Both Men and Women on the target list of the company.

Income - The income level segments include different packing, for example, returnable glass bottles, plastic bottles and tins with different pricing strategies.

Case Study: Why Apple watch is heavily marketed to women?

Female consumer acceptance of the Apple Watch is extremely important for the smartwatch industry who, until now, has mostly male buyers. Smartwatch companies have, for the most part, failed to convince women that smartwatches are useful, trendy, and aspirational.

If anyone can remove the "geek element" from a connected wearable communications device, it is Apple, and they know it needs to be done right off-the-bat if the Apple Watch is going to be perceived as an object of desire for women.

Apple includes images of each version of the Apple Watch (aluminum, steel, and gold) in the Vogue ad, showing that they feel each model is a suitable match for today's fashionable woman. Images of the Apple Watch are smaller on the page, which helps consumers looking at the ads visually understand what the watch will look like on their wrists. The ad also makes it clear that the Apple Watch will have different types of straps and styles.

This is because it is safe to assume a large percentage of the demographic seeing the ads in Vogue may be familiar with the Apple Watch but not aware of all the different Apple Watch versions.

Source:https://www.ablogtowatch.com/apple-watch-marketing-targets-women/

Geographic Segmentation

Segmentation done on the basis of geography, location and region is geographic segmentation.

Example: In Japan, they factor in seasonal tastes, for example, the Teri Tama Burger in springtime. In India they offer the Mc Aloo Tikki Burger.

Example: An ice cream company segmenting a country by how hot different regions are and targeting those specific areas that are hottest and therefore more likely to buy ice cream.

Figure 1 depicts segmentation done by Amazon.

Figure 1: Segmentation by Amazon

Psychographic Segmentation

Psychographic segmentation is the research methodology used for studying consumers and dividing them into groups using psychological characteristics including personality, lifestyle, social status, activities, interests, opinions, and attitudes.

Consumer perceptions, ideas, and opinions are taken into account while creating psychographic segments, a sort of market segmentation. It's a crucial step in bridging the gap between your product and the psychological dispositions of your target audience.

Example: Starbucks adopts psychographic segmentation, and this largely defines their relatability as a brand. For example, they have the, "Non-coffee drinkers who still want to socialize" (catered too by selling Frappuccino's and sandwiches in-stores)

VALS Framework

This type of market segmentation can be traced to the VALS framework developed by Arnold Mitchell in 1980. The VALS model understudies the values, attitudes, and lifestyles of consumers, and leverages this data for market research. It is commonly referred to as the background of psychographic segmentation.

VALS segments US adults into eight distinct types—or mindsets—using a specific set of psychological traits and key demographics that drive consumer behavior. The US Framework, a graphic representation of VALS, illustrates the eight types and two critical concepts for understanding consumers.

- Primary motivation
- Resources.

The combination of motivations and resources determines how a person will express himself or herself in the marketplace as a consumer.

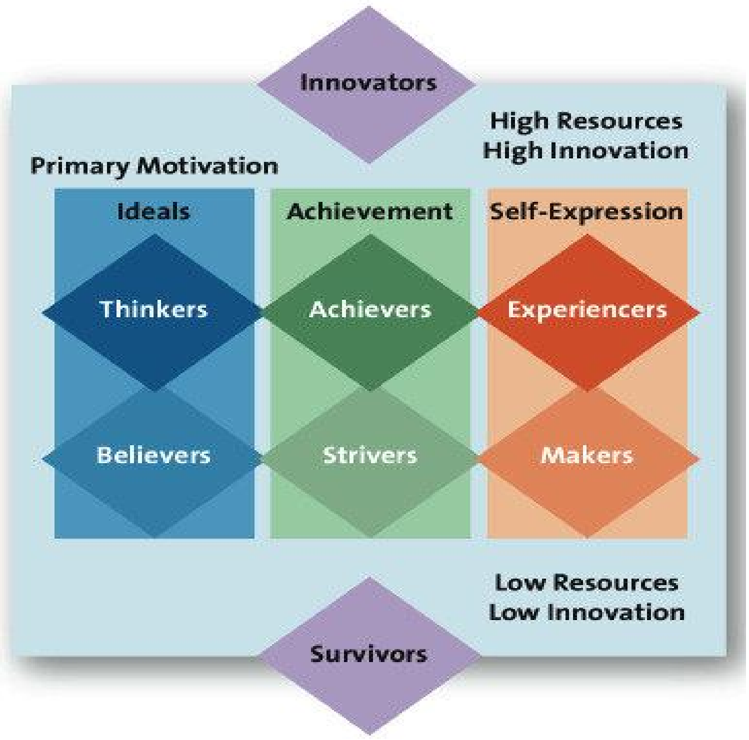

Figure 2: VALS Framework

VALS Framework and Segment

Innovators

These consumers are on the leading point of change, have the highest incomes, and are ones with high self-esteem and abundant resources. They are located above the rectangle. Image is necessary them and so is independence, and character. Their consumer choices are directed toward the "better things in life."

Thinkers

These consumers are the high-resource group and are motivated by ideals. They are efficient, responsible, well-learned professionals. Their leisure activities center mostly on their homes, but they are well informed about what goes on in the surrounding environments and are open to new ideas and social change. They have high incomes but are rational decision makers.

Believers

These consumers are the low-resource group and are motivated by ideals. They are mostly conservative and favour American products and established brands. They have modest incomes.

Achievers

These consumers are the high-resource group and are motivated by achievement. They are successful work-oriented people who get their satisfaction from their families. They are conservative and respect authority. They favour established products and services that show off their success to their peers.

Strivers

These consumers are the low-resource group of those who are highly motivated by achievements. They have core values very similar to achievers but have fewer economic, social, and psychological resources.

Experiencers

These consumers are the high-resource group and are motivated by self-expression. They are avid consumers, spending heavily on clothing, fast-foods, music, and other vibrant activities with focus on new products and services.

Makers

These consumers are the low-resource group and are highly motivated by self-expression. They are practical people and value self-sufficiency. They are usually focused on family, work, and physical recreation-and have little interest in the outside world. As consumers, they like functional products.

Survivors

These consumers have the low incomes. They have less andare located below the rectangle. Within their limited means, they tend to be brand-loyal consumers.

Marketing classes use this tool to determine the placement of a given product to a certain niche in an industry.

Behavioural Segmentation

Behavioral segmentation is the process of sorting and grouping customers based on the behaviors they exhibit. These behaviors include the types of products and content they consume, and the cadence of their interactions with an app, website, or business.

The following parameters may be considered:

Usage Rate

Usage rate segmentation divides consumers according to how much they use a product. They are divided into groups of non-users and light, medium, and heavy product users, and companies often seek to target one heavy user rather than several light users.

Usage Situation

Usage rate segmentation divides consumers according to how they use a product. The situation in which a product is used is seen.

Example: Hotels and segmentation

- Transient - who are traveling individually.
- Corporate - apply to corporate clients.
- Group –groups of guests.
- Wholesale –booking agents and tour operators who buy bulk tickets at discounted

rates.

- Others –hotel staff, complimentary rates.

Benefit Segmentation

Benefit segmentation is a method of market segmentation that involves segmenting the market based on the perceived advantages that consumers believe they would get from your product. This can involve categorizing consumers based on perceived benefits such as quality, value, features, service, etc.

Example: An Athletic Footwear Company People, which runs an athletic footwear company can use this concept to segment their market into:

- Trail runners.
- Professional runners.
- Recreational runners.

Perceived Brand Loyalty

Loyalty-based segmentation measures the level of loyalty a customer has with your brand, either through a rewards program, number of purchases, or general engagement with your marketing efforts.

5.4 Targeting

STP stands for "segmentation, targeting, and positioning". In simpler terms, it's the process of combining three separate marketing approaches into one model. Creating market segmentation, targeting the selected segments, and adjusting product or service position accordingly.

The term "targeting" refers to the process of determining which market groups to focus on and how to best reach them. Each segment's business potential must be researched and the one that best fits our objectives must be chosen.

5.5 Definition of Targeting

Targeting is the process of identifying the most attractive segments from the segmentation stage, usually the ones most profitable for the business.

Bowen, John (1998)

5.6 Strategies After Segmentation

After segmentation a company now has to choose its marketing strategies. There are three strategies to choose from:

Standardisation

The firm offers the same product to different market segments. Same flavor, advertising, and packaging across segments is adopted.

Differentiation

The firm alters its products as per different segment needs and expectations.

Example: In airlines there is an Economy class and there is a Business Class.

Focus

This is a combination of standardisation and differentiation.

Example: Automobile companies focus their strategy on both the economy and premium segments.

5.7 Steps in Targeting

The following are the steps that have to be followed in targeting a base of customers.

- Identify Your Customer Base.
- Know Your Competition.
- Review Products and Services.
- Identify the Demographics of Potential Customers.
- Target Potential Demographics.
- Analyze the Psychographics.
- Make a Decision.

5.8 Criteria for Effective Targeting

Define a Target Market

A target market is a specific group of people that you want to reach through your marketing campaign. These people are more likely to visit your online shop and make a purchase that any other random group of people. They have certain characteristics in common, such as their demographics or psychological and behavioral patterns.

Understand Your Niche Market

A marketer has to define the following:

- What need does your product or service satisfy?
- Does your product or service solve any problems in your target customer's life?
- What are the benefits of purchasing your product or service?
- How does it improve your potential customer's life?

Look at Your Existing Customers

Study the target market's: Age, income, gender, location, behavior, lifestyle and values.

Explore the Analytics

To frame a digital marketing strategy, it's important to know precisely what kind of content to share and where to share it. A study into the content that draws the customers to a store and which content converts to a sale has to be identified.

Explore competition

A marketer needs to explore the market profile of the competitors. Who is their target customer?Do they have a specific target market or multiple target markets? How do they promote their products? What mode of communication do they adopt?

Understand the benefits that will be offered.

This involves understanding exactly what motivates potential customers to purchase the products.Marketers need to talk about this in terms of product features versus product benefits.

Example: Younger customers within the age bracket of 10-25 and a secondary market composed of people aged 25-40.

Example: Apple's target market in India is people aged 18-30 years old as they are seen to have a higher disposable income, economic growth opportunities, and are well travelled.

Example: Tesla is targeting individuals who are upper-middle class baby boomers with incomes of over $100,000 and 77% of their buyers fall into this particular segment.

5.9 Positioning

Your product's position in the marketplace and in the consumer's mind is defined by positioning, which identifies where your product sits in respect to other comparable goods and services.

If you want your product or service to stand out from the crowd and be noticed, you need to do something called positioning.

Using a positioning strategy, which is also known as a market positioning plan or a brand positioning strategy, a company may stand out from the crowd. Effectively conveying your brand's competitive edge is what positioning strategies are all about.

5.10 Definition of Positioning

Positioning is the final process, and is the more business-orientated stage, where the business must assess its competitive advantage and position itself in the consumer's minds to be the more attractive option in these categories.

Bowen, John

Importance of Positioning

Product positioning is a very important tool for an effective marketing strategic planning. Positioning helps in creating a unique image of the brand and the product as compared to the products which are already existing in the market.

Product positioning creates an image of the company's products in the mind of consumers. Positioning highlights the most important benefits that differentiate the product from similar products in the market.

Steps in Positioning

Companies identify why customers should purchase their product rather than those of the competitors. Identification of unique selling proposition is done. A unique selling proposition (USP) refers to the unique benefit exhibited by a company, service, product or brand that enables it to stand out from competitors.

Example: An Adventure Travel Company markets itself as the "best eco-vacation service for young married couples". Coca-Cola products "inspire happiness" and make a positive difference in customers' lives.

Types of Positioning

There are different types of positioning that can be undertaken by marketers.

Functional

This is used when the brand or products provide solutions to problems and provide benefits to customers. It focuses on the function, benefit or utility that it gives to the customer.

Symbolic

This is useful for creating a brand image which helps create brand equity, a sense of social belongingness and ego-identification. It is when a customer has an affection, social connection, ego identification etc. with the product.

Experiential

This creates sensory and cognitive simulation in the minds of the customer. It is one of the basis of the experiences which a customer can relate to.

Factors considered by a marketer for creating a positioning strategy

Product Features

Positioning can be done on how the product looks, feels, appears etc. The main features of the products can be used to highlight the value and create the positioning around it.

Utility and Benefits

It takes into account the value which a product gives and which needs are solved. It should show the clear benefit.

E.g., 50% savings in fuel expenses can be a clear benefit to a customer.

Use Categories

This defines how the product can be used.

Occasion

The time, event or the occasion when the product can be used. Association with an event like New Year can lead to strong positioning in the minds of customer.

Competitive Comparison

Positioning can be done when compared to a competitive offering. This is done by a lot of companies to use existing competitive positioning and make it better using points of parity or points of differentiation to create a better positioning.

Basis of differentiation from competitors can be on the basis of these:

Points of Parity (POPs)

The placement is based on a comparison to a competitor's features. As the name suggests, these are the criteria that must be present for any brand to be deemed a legitimate rival inside its own market.

You may battle with your opponent and strive to remain in the race at the major points of parity. To do this, you need to figure out what are the main reasons why customers prefer the competition brand over the other brands.

Example:If Samsung wants to compete with an iPhone they will have to include a 12-megapixel camera that is not patented by apple currently.

Points of Difference (PODs)

Compared to the competition, there is a distinct distinction in product offers. This is a unique feature that offers you an advantage over the competition that no other product provides.

This distinguishing attribute can't be duplicated by any other firm, which gives the brand a competitive edge.

Example: Taking the example about the iPhone 11 Pro, this brand has an exclusive feature of wide-angle cameras which is a point of difference for iPhone over the other mobiles, also, this feature cannot be replicated by any other company and forms the unique selling point for Apple’s brand of iPhone 11 pro.

Positioning by few companies:

Nike - Just Do It (Aspirational)

Coca Cola - Open Happiness(Emotional)

Rolls Royce - Trusted to Deliver (Price Based)

Head &Shoulders - Dandruff free hair(Problem Solution)

Colgate - Prevents cavity and fresh breath(Benefits)

5.11 Re-Positioning

"Sometimes, marketers feel the need to change the present position of the brand to make it more meaningful to the target segment. This change in position, and finding a new position for the brand, is called brand repositioning."

Vashisht, 2005

"Repositioning is changing consumers' perceptions of a brand in relation to competing brands."

Lamb, Hair, & McDaniel, 2009

Re-Positioning of a Brand

Companies use a positioning process, which is step-wise method to place the product or service in the right way in the consumer's mind.

If a company decides to change the way people perceive a brand, then they revamp the logo, slogan etc. of that brand. This process is known as repositioning of the brand, which helps create a different image of the brand.

Need of Repositioning

Few reasons why repositioning may be needed could be the declining stage of the product life-cycle, declining sales or profit margin due to being positioned to close to a major competitor or the introduction of a superior product by the company.

Enteringnew marketspaces or capturing new segments could also demand repositioning. The declaration of a product as a dog (loss making) in the BCG matrix could also be one reason.

Example:Domino's began to gain a terrible internet reputation for serving "crap pizza," resulting in poor sales results. In an attempt to overcome their bad image, they modified their recipe and launched a new marketing campaign centered on their "new and better" pizza. With this method, they were able to successfully modify consumers' perceptions of their brand.

Case Study: Starbucks "Coffee Value and Values"

When more than 900 Starbucks locations shuttered as customers sought out more cost-effective options, the company needed to devise an effective brand repositioning plan in order to reclaim its position as an industry giant.

They launched their most intensive marketing effort in business history to restate the quality of their goods and convince consumers that their items were worth the extra expense. The campaign was named "Coffee Value and Values ".

Starbucks launched this long-term, multi-channel brand campaign highlighting their exceptional coffee, the unique experience, and the values that have build their brand from the beginning.

Source:https://stories.starbucks.com/press/2009/starbucks-to-launch-coffee-value-values-campaign/

Summary

- To segment the market, the marketer splits the entire market into groups that have similar characteristics.
- The VALS model understudies the values, attitudes, and lifestyles of consumers, and leverages this data for market research. It is commonly referred to as the background of psychographic segmentation.

- Targeting refers to choosing the right segments to target and plan its marketing activities. The goal of targeting is to research each segment's business opportunities and choose the one that aligns with our goals.
- Positioning defines where your product (item or service) stands in relation to others offering similar products and services in the marketplace as well as the mind of the consumer.

Keywords

Demographic segmentation: It is an accessible form of market segmentation, as it requires fewer information to implement than psychographic or behavioral segmentation. There are plenty of ways to segment markets using demographics.

Geographic Segmentation: Segmentation done on the basis of geography, location and region is geographic segmentation.

Psychographic segmentation: Psychographic segmentation is the research methodology used for studying consumers and dividing them into groups using psychological characteristics including personality, lifestyle, social status, activities, interests, opinions, and attitudes.

Behavioral Segmentation: Behavioral segmentation is the process of sorting and grouping customers based on the behaviors they exhibit.

Innovators: These consumers are on the leading point of change, have the highest incomes, and are ones with high self-esteem and abundant resources.

Thinkers: These consumers are the high-resource group and are motivated by ideals. They are efficient, responsible, well-learned professionals.

Believers: These consumers are the low-resource group and are motivated by ideals. They are mostly conservative and favour American products and established brands.

Self Assessment

1. This positioning is used when the brand or products provide solutions to problems and provide benefits to customers.

A. Symbolic
B. Functional
C. Experiential
D. None of the above

2. If a company decides to change the way people perceive a brand, this process is known as ___________ of the brand.

A. Positioning
B. Re-positioning
C. Branding
D. Targeting

3. ________ defines where your product stands in relation to others offering similar products and services in the marketplace as well as the mind of the consumer.

A. Positioning
B. Segmenting
C. Branding
D. Targeting

4. Airlines offer the Economy class as well as the Business Class. This is an example of:
A. Standardisation
B. Segmentation
C. Differentiation
D. Targeting

5. These are the primary points in which you can compete with your competitor.
A. POD
B. PPO
C. PSO
D. POP

6. ________ project a clear difference in the product offerings as compared to the competitor.
7. __________ positioning is useful for creating a brand image which helps create brand equity, a sense of social belongingness and ego-identification.
8. _________ positioning creates sensory and cognitive simulation in the minds of the customer. It is one of the basis of the experiences which a customer can relate to.
9. ________ are the low-resource group and are highly motivated by self-expression.
10. VALS segments US adults into _____ distinct types

11. Behavioral segmentation is the process of sorting and grouping customers based on the behaviors they exhibit.
A. True
B. False

12. Demographicsegmentation is a type of market segmentation that pays attention to consumers' perceptions, thoughts, and beliefs.
A. True
B. False

13. Segmentation done on the basis of geography, location and region is geographic segmentation.
A. True
B. False

14. Family makeup cannot be an essential criterion in segmenting because when the dynamic of a family change, its needs and desires do not.
A. True
B. False

15. Positioning can be done on how the product looks, feels, appears etc.
A. True
B. False

Answers for SelfAssessment

1.	B	2.	B	3.	A	4.	C	5.	A
6.	POD	7.	Symbolic	8.	Experiential	9.	Makers	10.	8
11.	A	12.	B	13.	A	14.	B	15.	A

Review Questions

1. Explain the concept of market segmentation? What is the rationale for segmentation?
2. Analyzehow segmentation is carried out by marketer?
3. Describe the bases for segmenting consumers, give examples.
4. Explain the VALS Framework in detail?
5. What is targeting? What is the criteria for targeting selected segments effectively?
6. What is positioning? Give few examples? What are the different approaches to position a product?

Further Readings

- Kotler, P.T. & Keller, K.L. 2012 Marketing Management 14th ed. Pearson Education: New York
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- https://cultbranding.com/ceo/create-strong-brand-positioning-strategy/
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- https://blog.marketveep.com/examples-of-brand-repositioning-renewed-company-growth

Unit 06: Product Management

CONTENTS

Objectives

After studying this unit, you will be able to:

- comprehendmeaning of consumer behavior,
- understand the concept of a product mix,
- understand the core concepts of a product,
- describe the concept of product line,
- understand the product mix decisions,
- understand how product differentiation is done by companies,
- understand the concept of Product Life Cycle,
- describe marketing strategies adopted at all stages,
- understand the process of new product development.

Introduction

Product is the thing that is for sale. A service or a product may both be considered products. Whether it's in the shape of an actual object or a computer simulation, it may exist. In order to produce a product, it must be purchased at a price. Prices might vary depending on the market, quality, marketing, and target market.

When a product reaches the end of its useful life cycle, it must be replaced or re-invented. When a brand is relaunched, expanded, or relaunched in FMCG jargon it may be done so while leaving the product almost same.

A product gives a solution to customers' problems and provides a combination of tangible and intangible benefits. It further involves factors like after sales service, delivery and installation, assistance in purchase of the product, dealer network, and service.

In retailing, products are often referred to as merchandise. In manufacturing, products are bought as raw materials and then sold as finished goods. A service is also regarded as a type of product

6.1 Definition of Product

A product is an object, or system, or service made available for consumer use as of the consumer demand; it is anything that can be offered to a market to satisfy the desire or need of a customer.

Kotler, Armstrong

"A product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, place, organizations and ideas."

Philip Kotler

"A bundle of attributes (features, functions, benefits, and uses) capable of exchange or use; usually a mix of tangible and intangible forms. Thus a product may be an idea, a physical entity (a good), or a service, or any combination of the three. It exists for the purpose of exchange in the satisfaction of individual and organizational objectives."

The American Marketing Association (AMA)

6.2 Levels of a Product

A product's structure has many levels, with each level denoting a distinct value to the client. Core benefit, generic product, anticipated, enhanced and possible product are the five product tiers that Kotler divides the customer's value hierarchy into as seen in Figure 1.

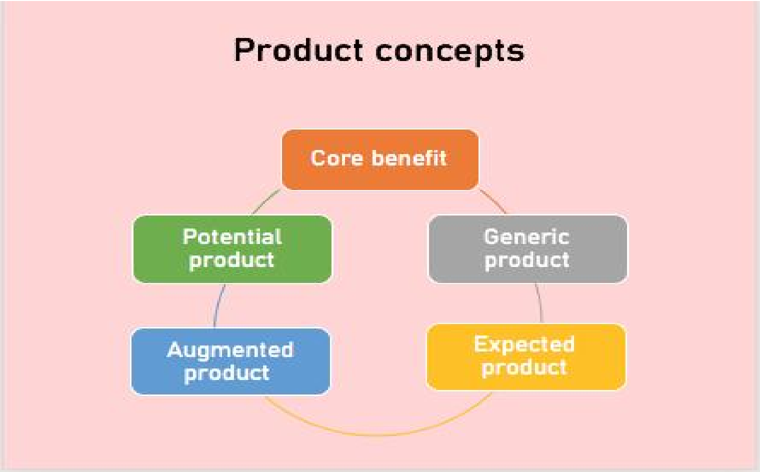

Figure 1: Product Core Concepts

The **core benefit** is the basic need that a product meets. In the case of washing powder, this would be washing your clothes, or in the case of a bank, safeguarding your money.

The focus is on the purpose for which the product is intended. For example, a warm jacket will protect you from the cold. A key element is the uniqueness of the core product.

The **generic product** is the process through which this need is met. This represents all the qualities of the product:

Example: For a warm jacket this is about its: Look, Fit, Fabric, Accessories.

The expected product refers to the set of attributes or characteristics consumers expect when they buy products of this type. This may refer to a particular type of packaging, a brand, a set of installations, customer care staff, etc.

Example: For a warm jacket this is about:

- That jacket should have a nice cut
- It should be cozy and protect from the weather.

The augmented (enhanced) product is anything that goes above and beyond the customer's expectations in terms of features and benefits. Intangible as well as physical features may be used to distinguish goods or services by enhancing the value to consumers, which is what differentiates them from their competitors. Financial and post-sale support, warranties or training are some of the components that might be included in an enhanced product.

Task: Can you define all the Core Concepts in a Mobile Phone?

6.3 Product Line

A product line is a group of related products all marketed under a single brand name that is sold by the same company. Companies offer multiple product lines under various brand names and position them separately.

Example: Coca-Cola has around 3,500 product category brands. These brands, even though different from each other, are controlled and operated by a single parent brand – Coca-Cola.

Figure 2: Product line of Nestle

How Product Lines Work

Product lines are developed as a marketing strategy to make the most of the customers of the brand.Different product lines are added under the same name of the brand to borrow the goodwill of the parent brand. New flavors, forms, colors, ingredients may be added.

Product Line Decisions

There could be different types of decisions that can be taken in a product line.

Line Filling Decisions

It involves adding a new product in the existing product line to face competition and increase the shelf life and customer base.

Line Pruning Decisions

It involves removing an unprofitable product from the existing product line to avoid losses and increase average profits.

Product Mix

A product mix is the total number of product lines and individual products or services offered by a company.It is also known as product assortment or product portfolio.

A company's product mix includes all of its many product lines and goods, as well as any related services. Product portfolio and product assortment are other terms for the same thing. A company's product mix varies from one to another. Some companies have many product lines, each with a large number of goods. Figure 3 depicts the product line of a Coca Cola company.

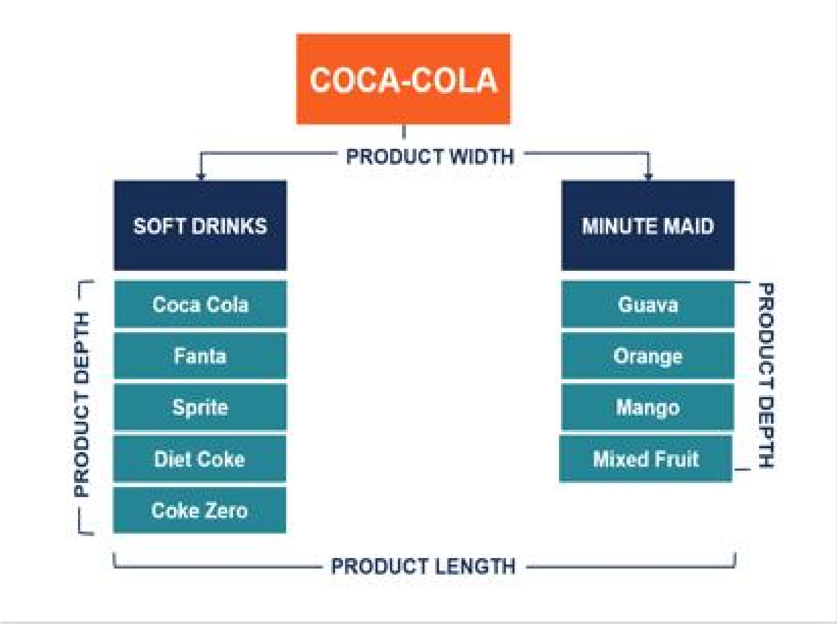

Figure 3: Product Line of Coca Cola

Dimensions of Product Mix

The following are the dimensions of a product mix.

Width also known as breadth, refers to the number of product lines offered by a company.

Example: Kellogg's product lines consist of:

1. Ready-to-eat cereal,
2. Pastries and breakfast snacks,
3. Crackers and cookies
4. Frozen/Organic

Length refers to the total number of products in a firm's product mix.

Example: consider a car company with two car product lines (3-series and 5-series).

- Within each product line series are three types of cars.
- In this example, the product length of the company would be six.

Depth refers to the number of variations within a product line.

Example:Continuing with the car company example above, a 3-series product line may offer several variations such as coupe, sedan, truck, and convertible. In such a case, the depth of the 3-series product line would be four.

Consistencyrefers to how closely related product lines are to each other. It is in reference to their use, production, and distribution channels. Consistency helps a firm in ensuring a firm's brand image is synonymous with the product or service itself.

6.4 Product Mix

Product mix refers to the total number of product lines a company offers to its customers. For example, a company may sell multiple lines of products. The product lines may be fairly similar, such as dish washing liquid and soap, that are both used for cleaning.

Product Differentiation

Companies may want to differentiate products or acquire new ones to enter new markets. They may also add to their existing product lines similar products that are of higher or lower quality to offer different choices and price points. This is called stretching the product line.

Product line stretching

This may be of different types:

Upward

A company may stretch up market for higher margins or more growth. They may want to carry a different brand name when they expand upwards.

Example: Toyota a low end car producer introduced a new and higher brand Lexus.

Downward

Downward stretching occurs when a company is already offering medium and premium level products in the market.

Example: Parker had a targeted market of premium level products. The brand has now entered the medium level product market, therefore, it's downward product line stretch.

Two-way

A two-way stretching occurs when a brand targets both lower and premium level markets at the same time. The goal of two-way product line stretching is to cover and target the majority of the market.

Example:HUL offers many premium products under premium brand names like soap (Pears) and ice cream (Magnum). The brand also offers lower-level products.

How to Improve Product Mix?

The product mix needs to be improved and adjusted over time, because customers' tastes change and competitors also come up with new products.There are different ways of improving the product mix.

Product Modification

Product modification refers to altering the product characteristics. Products can be modified in three manners: quality, function and appearance. Modification is done keeping in mind the customer needs. Functional modifications focus on improving the product's features.

Altering the Width of Product Mix

The width of a product mix refers to the number of different product lines a company carries. More product lines can be added by the company.For example, company that offers Shampoos and Conditioners can add Hair Oils as well.

Altering the Depth of Product Mix

Product mix depth is the number of variants of a specific product that the company offers. More depth can be added.For example, if a company offers three types of shampoos in two sizes, the company has a product mix depth of six. It can alter its mix depth by adding more types of variants of shampoos.

6.5 Evaluating Product Mix Decisions

There are some models that assist the companies in decision making.

BCG Matrix

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 by 2 matrix) developed by BCG, USA. It is the most used portfolio analysis tool. It is a two-dimensional analysis on management of Strategic Business Units (SBUs). It provides a graphic representation for an organization on the basis of their:Both measures have to be calculated for each SBU.

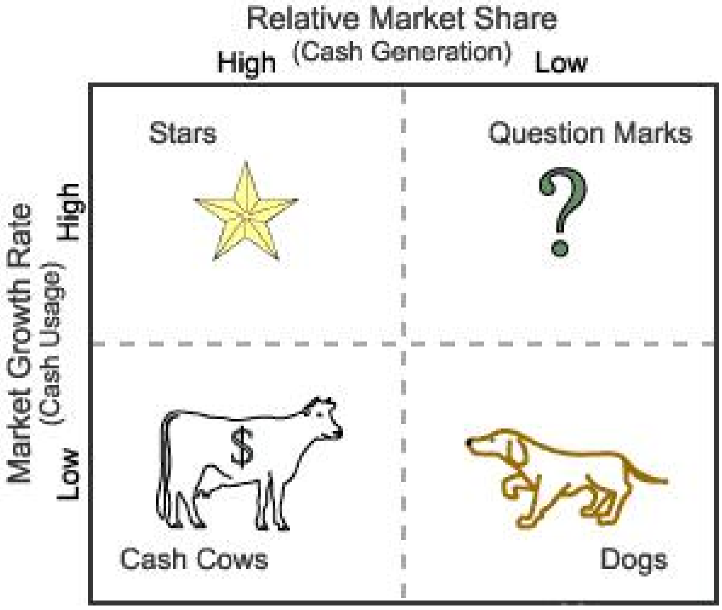

Figure 4: BCG Matrix

BCG matrix has four cells, with the horizontal axis representing relative market share and the vertical axis denoting market growth rate. The mid-point of relative market share is set at 1.0. SBUs may fall in either of these four categories:

Stars

Stars represent business units having large market share in a fast growing industry. They may generate cash but because of fast growing market, stars require huge investments to survive. These business units are highly competitive in the industry. If successful, a star will become a cash cow when the industry grows.

Cash Cows

Cash Cows represents business units having a large market share in a slow growing industry.Cash cows require little investment and generate cash that can be utilized for investment in other business units. These SBU’s are the key source of cash, and are the main business.

Question Marks

Question marks represent business units having low relative market share and located in a high growth industry. They require huge amount of cash to maintain or gain market share. Viability of the venture has to be seen. If it is viable, expansion strategy can be adopted or else retrenchment strategy can be adopted.

Dogs

Dogs represent businesses having weak market shares in low-growth markets. They neither generate cash nor require huge amount of cash. These business firms have weak market share and should be liquidated.

6.6 GE Model

The GE matrix was developed by Mc Kinsey and Company consultancy group in the 1970s. The nine cell grid measures competitive strength of a business unit strength against industry attractiveness and this is the key difference.

Multi-business firms often handle portfolios with upwards of 50, 60, or 100 distinct goods and services. The goods or business units vary in what they accomplish, how well they function, or what their future prospects are.

This complicates the company's decision-making process, making it difficult to choose which items to invest in. Even before the BCG matrix and its enhanced version, the GE-McKinsey matrix, it was difficult. [page needed] They found a solution by analyzing the different company divisions and determining which should be invested in and which should be harvested or sold off.

Figure 5: GE Matrix

Industry Attractiveness

Industry attractiveness indicates how hard or easy it will be for a company to compete in the market and earn profits. The more profitable the industry is the more attractive it becomes. Analysts should look at how an industry will evolve in the long run rather than in the immediate future, since the investments required for the product typically need a long-term commitment.

Competitive Strength of a Business Unit

The X axis of the matrix depicts how well a certain business unit competes with its competitors. That is to say, managers aim to establish whether or not a company's business unit has a sustainable competitive advantage. How long will the company's advantage last if it has a sustainable competitive edge?

The following elements influence a company's ability to compete:

- Share of the market
- Compared to competitors, an increase in market share.
- Brand power (use brand value for this)
- The company's profitability
- Retaining and gaining new clients

Strategies that can be adopted

Invest/Grow box

Companies should invest into the business units that fall into these boxes as they promise the highest returns in the future. These business units will require a lot of cash because they'll be operating in growing industries and will have to maintain or grow their market share.

Selectivity/Earnings box

These business units are often considered last as there's a lot of uncertainty with them. The general rule should be to invest in business units which operate in huge markets and there are not many major players in the market, so the investments would help to easily win larger market share.

Harvest/Divest box

The business units that are operating in unattractive industries, don't have sustainable competitive advantages or are incapable of achieving it and are performing relatively poorly fall into harvest/divest boxes.

6.7 Product Life Cycle

The product life cycle is the course of the life of a product. It starts when the product is in development and ends after the product has been removed from the market.

Products have a limited life and thus every product has a life cycle. Products pass through distinct stages, each posing as a different set of challenges, threats and opportunities. They require different strategies in every stage.

For every product that comes to market, there is a life cycle that takes it from being fresh and helpful to being phased out of the marketplace. To reach this point, goods must go through a series of phases from conception and introduction all the way to maturity and then decline till they are retired.

Figure 6 depicts the product life cycle.

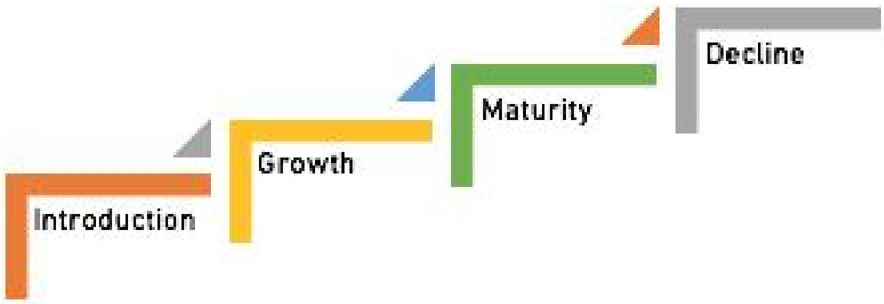

Figure 6: Product Life Cycle

Introduction

The introduction stage of the PLC starts after a product has been produced. At this point, the product is available for purchase for the first time. Product launches are generally high-risk events, but they don't always determine whether or not a product is a success in the long run.

When a product is first introduced, marketing and promotion are at their peak, and the corporation frequently spends a lot of time and money getting it into the hands of customers.

It is at this stage that the firm is first able to obtain a feel of how customers react to the product, if they enjoy it, and how successful it may be. However, it is also frequently a heavy-spending era for the corporation with no certainty that the product will pay for itself via sales.

Costs are generally very high during this stage, and there is typically little competition. In order to capitalize on the product's rising popularity, the introduction stage's primary objectives are to increase demand and get it into the hands of customers.

Growth

During the growth stage, customers start taking to the product and purchasing it. The product idea is proved as it gets more popular, and sales climb. Other firms become aware of the product and its area in the market as it continues to garner more attention and bring in more income.

If competition for the product is exceptionally intense, the corporation may nonetheless actively spend in advertising and promotion of the product to beat its rivals. As a consequence of the product increasing, the market itself tends to increase.

Products are often tweaked during the growth stage to improve their functions and features. As the market increases, increased competition typically pulls prices down to make the individual items competitive. However, sales frequently expand in volume and continue to produce money.

Maturity

When a product reaches maturity, its sales tend to slow, signaling a largely saturated market. At this point, sales may start to drop. Pricing at this stage tends to grow competitive, thus profit margins diminish as prices begin to decline owing to the weight of outside factors like increasing competition and decreasing demand.

Marketing at this time is geared at fighting off competition, and corporations typically produce new or redesigned goods to address various market niches. Because the industry is so crowded, less successful rivals are generally forced out of competition as a company becomes older and gains experience. This is known as the, shake-out point.

In this stage, saturation is achieved and sales volume is maxed out. Market share may be maintained or increased by constantly modifying and improving a company's product to meet the needs of new target audiences or to stay abreast of technological advances.

Depending on the product, the maturation period might be brief or lengthy. Product sales plummet and customer behavior changes as a result of the decreased demand during the decline stage. The company's product loses more and more market share, and competition tends to cause sales to decline.

When a company is in decline, marketing efforts are curtailed or geared toward existing consumers who are more willing to pay less.Eventually, the product gets retired out of the market completely unless it is able to remodel itself to stay relevant or in-demand.

For example, things like typewriters, are practically or totally retired from the market.

6.8 Marketing Strategies in all Stages

Introduction Stage

There are a set of four strategies that can be adopted in this stage. (Figure 8)

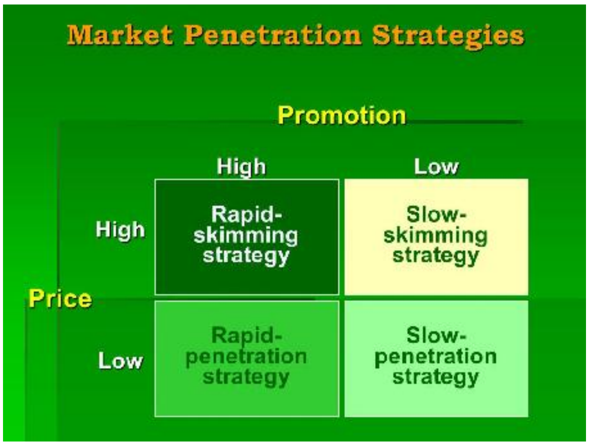

Figure 7: Marketing strategies at Introduction Stage

Rapid Skimming Strategy

This strategy consists of introducing a new product at high price and high promotional expenses. The purpose of high price is to recover profit per unit as much as possible. High promotion increase the rate of market penetration. The strategy is preferred to skim the cream (high profits) from market.

Situations Where is it Feasible

- Major percentage of target market is not aware of the product.
- Customers are ready to pay for the price demanded by the company.
- There lies a possibility of competition and the firm wants to develop a preference towards the brand.

Slow Skimming Strategy

This strategy involves launching a product at a high price and low promotion. The purpose of high price is to recover as much as gross profit as possible. A low level of promotion keeps marketing expenses low. This combination enables to skim the maximum profit from the market.

Situations Where is it Feasible

- The Market is limited in size.
- Awareness level of product is high.
- Consumers are willing to pay a high price.
- There is less competition.

Rapid Penetration

The strategy consists of launching the product at a low price and high promotion. The purpose is the faster market penetration to get larger market share. Marketer tries to expand market by increasing the number of buyers.

Situations Where is it Feasible

- Market is large.
- Most buyers are price-sensitive and have a preference for low-priced products.
- There is strong potential for competition.
- Market is not much aware of the product. They need to be informed and convinced.

Slow Penetration

The strategy consists of introducing a product with low price and low-level promotion. Low price will encourage product acceptance. Low promotion can help in earning of more profits, even at a low price.

Situations Where is it Feasible

- Market is large.
- Market is aware of product.
- Possibility of competition is low.
- Buyers are price-sensitive

Growth Stage

In the Growth stage the companies usually have four options as depicted in Figure 8.

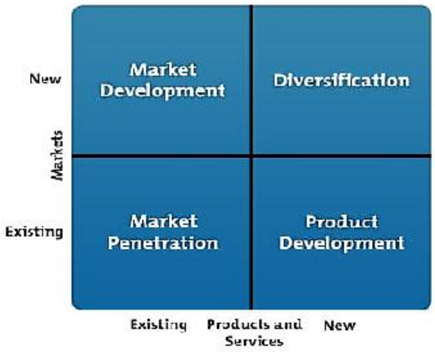

Figure 8: Strategies in the Growth Stage

Market Penetration – The concept of increasing sales of existing products into an existing market.

Market Development – Focuses on selling existing products into new markets.

Product Development – Focuses on introducing new products to an existing market. Companies may improve safety, efficiency, reliability, durability, speed, taste, and other qualities of product.

Diversification – The concept of entering a new market with altogether new products.

Marketing Strategies- Maturity Stage

Companies may resort to the following strategies:

- Convert non-users into users.
- Enter new market segments.
- Win competitors' consumers.
- Sales volume can also be increased by increasing the usage rate per user.

Marketing Strategies- Maturity Stage

Companies may resort to the following strategies:

- Continue with the Original Products.
- Continue Products with Improvements.
- Sell the production and sales to other companies
- Stop production gradually to divert resources to other products
- Drop product immediately.

6.9 New Product Development

NPD is the driving force of firms and important for their organic development. Companies must invest in new goods to thrive or stay afloat in today's market due to the ever-increasing demands of consumers, fierce global competition, and rapidly evolving consumer habits and technology.

Facts- from Mc Kinsey Global Institute

- Only 4 in 7 product ideas enter the product development stage.
- Only 3 products get launched from 14 product ideas.
- Only 1 in 7 product ideas will yield a successful product.
- Launched products have a failure rate of 25% to 45%

Process of New Product Development

There are eight major steps in the new product development process.

Idea Generation

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

Internal- R&D, Employees, Customer feedback.

External- Distributors, Suppliers, Competitors.

Idea Screening

The next phase in the new product development process is concept screening. Idea screening is nothing other than sifting the ideas to select out excellent ones. In other words, all ideas created are vetted to detect excellent ones and remove weak ones as quickly as feasible.While the aim of idea creation was to develop a huge number of ideas, the purpose of the next phases is to limit that number of ideas.

Conceptualization and Validation

To proceed ahead in the new product development process, enticing ideas must be turned into a product concept. A product concept is a more in-depth description of the new product idea in language that the target market can understand. You should differentiate the following sub-stages:

A product concept is nothing more than a speculative notion for a future product. It is a more in-depth explanation of the concept in words that the average customer can understand.

Concept Development

Assume that a vehicle company has created an all-electric model of their product (BEV). The idea has passed the idea screening stage and must now be turned into a concept. The marketer's duty is to build this new product into a variety of other product ideas.

The organization may then determine which concepts are the most appealing to its target audience and make an informed decision.

Marketing Strategy Development

The next phase in the new product development process is the marketing plan development. When a promising idea has been established and tested, it is time to construct an initial marketing plan for the new product based on the product concept for presenting this new product to the market.

There are three sections to the marketing strategy statement, and each one must be properly crafted:

- A description of the target market, the proposed value offer, and the sales, market share and profit targets for the first few years.
- An overview of the first year's projected pricing, distribution, and marketing expenditures for the product in question.
- The intended long-term sales, profit targets and the marketing mix approach.

Analysis of the market

Once the organization has settled upon a product idea and marketing plan, management may analyses the commercial attractiveness of the proposed new product. The new product's sales, expenses, and profit estimates are examined to see whether they meet the company's goals in the fifth phase of the development process. It is then possible to continue forward with product development.

Product Development

The real process of creating a new product continues unabated. The only thing that exists at this phase for many new product ideas is a written description, a sketch, or perhaps a rudimentary prototype.

It is important to produce a physical product if the concept passes the business test, since only then can it be transformed into a marketable offering. However, R&D and engineering expenditures are causing a significant increase in investment at this level.

The R&D department will create and test one or more physical copies of the product idea. However, depending on the product and the prototyping processes, it might take days, weeks, months, or even years to develop a good prototype.

Test marketing

The last stage before commercialization is test marketing. In this stage of the new product development process, the product and its proposed marketing program are tested in realistic market settings.

Commercialization

Test marketing has provided management the knowledge required to make the final decision: Launch or do not launch the new product. Commercialization is the last step in the new product development process.

Commercialization is nothing other than releasing a new product into the market. At this step, the largest expenditures are incurred: the corporation may need to construct or hire a production facility. During the first year, a significant amount of money may be spent on advertising, sales promotion, and other forms of marketing.

Summary

- A product is anything that can be offered to a market for attention, acquisition, use or consumption.
- A product's structure has many levels, with each level denoting a distinct value to the client.
- A product mix is the total number of product lines and individual products or services offered by a company. It is also known as product assortment or product portfolio.
- Companies may want to differentiate products or acquire new ones to enter new markets.
- Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 by 2 matrix) developed by BCG, USA. It is the most used portfolio analysis tool.
- The product life cycle is the course of the life of a product. It starts when the product is in development and ends after the product has been removed from the market.

Keywords

Product:A product is an object, or system, or service made available for consumer use as of the consumer demand; it is anything that can be offered to a market to satisfy the desire or need of a customer.

Augmented Product:is anything that goes above and beyond the customer's expectations in terms of features and benefits.

Product Line:This is a group of related products all marketed under a single brand name that is sold by the same company.

Product Mix:This is the total number of product lines and individual products or services offered by a company.

Downward stretching:This occurs when a company is already offering medium and premium level products in the market.

Upward Stretching:A company may stretch up market for higher margins or more growth. They may want to carry a different brand name when they expand upwards.

Two-way Stretching:This occurs when a brand targets both lower and premium level markets at the same time.

SelfAssessment

1. Product _______ refers to altering the product characteristics.

A. Designing

B. Modification

C. Mix

D. Line

2. ________ refers to how closely related product lines are to each other. It is in reference to their use, production, and distribution channels.

A. Width
B. Consistency
C. Mix
D. Length

3. The _______ product is anything that goes above and beyond the customer's expectations in terms of features and benefits.

A. Core
B. Expected
C. Actual
D. Augmented

4. The Boston Consulting Group (BCG) Matrix is a ____ celled matrix.

A. Four
B. Three
C. Two
D. Five

5. During the ____ stage in a PLC, customers start taking to the product and purchasing it. The product idea is proved as it gets more popular, and sales climb.

A. Introduction
B. Maturity
C. Growth
D. Decline

6. When a product reaches _______, its sales tend to slow, signaling a largely saturated market. At this point, sales may start to drop.
7. _____ strategy consists of introducing a new product at high price and high promotional expenses.
8. _________ strategy focuses on selling existing products into new markets.
9. _______strategy consists of introducing a product with low price and low-level promotion. Low price will encourage product acceptance.
10. _______ indicates how hard or easy it will be for a company to compete in the market and earn profits.
11. During the growth stage, customers start taking to the product and purchasing it. The product idea is proved as it gets more popular, and sales climb.

A. True
B. False

12. The new product development process starts with idea screening.

A. True
B. False

13. The last stage before commercialization is test marketing. In this stage of the new product development process, the product and its proposed marketing program are tested in realistic market settings.
A. True
B. False

14. Dogsrepresent business units having low relative market share and located in a high growth industry.
A. True
B. False

15. Stars represent business units having large market share in a fast growing industry. They may generate cash but because of fast growing market
A. True
B. False

Answers for SelfAssessment

1.	B	2.	B	3.	D	4.	A	5.	C
6.	Maturity	7.	Rapid Skimming	8.	Market Development	9.	Slow Penetration	10.	Industry Attractiveness
11.	A	12.	B	13.	A	14.	B	15.	A

Review Questions

1. What is a product? What are the different levels of a product?
2. Explain the concept of a product mix with help of relevant examples?
3. Explain in detail the concept of Product Life Cycle (PLC)?
4. Describe marketing strategies adopted at all stages of the PLC?
5. What is the BCG Matrix? Give an elaborate detail.
6. Outlinethe process of new product development.

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Unit 07: Brand Management

CONTENTS

Objectives

After studying this unit, you will be able to:

- understand the concept of a brand,
- describe the elements of a brand,
- describe the meaning of brand equity,
- comprehend the brand management process.

Introduction

People may associate the notion of a "brand" with any number of things, including companies, products, and even individuals. Since you can't see or touch a brand, it's impossible to build a relationship with it. As a result, they play a role in forming public opinion about businesses, their goods, and even specific persons.

Use of distinguishing marks is a standard practice for brands in the marketplace. Companies and individuals benefit greatly from their contributions, which gives them an advantage over their counterparts in the same sector. As a result, securing trademarks is a common strategy for businesses looking to safeguard their brand names.

Brands are intangible marketing or commercial concepts that help consumers identify a firm, product, or person. When it comes to marketing, people frequently conflate brands with things like as logos, slogans, and other recognized identifiers.

The value of a company's brand is often cited as one of its most significant and most crucial assets. By registering trademarks, businesses may safeguard their reputations.

7.1 Definition of Brand

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

American Marketing Association (AMA)

"A brand is a name, term, design, symbol or any other feature that distinguishes one seller's good or service from those of other sellers".

Foundations of Marketing. Fahy & Jobber. 2015

Brands

A brand is a combination of three things, i.e. promise, wants, and emotions. It is a promise made by the company to its customers that helps in building expectations. It is an emotion to which the customers are attached to.

Brands are intangible assets that help consumers recognize a particular firm and its goods, as discussed above. This is particularly true when businesses are looking to differentiate themselves from competitors selling comparable items, such as generic versions.

Ibuprofen's popular brand name, Advil, is a way for the drug's manufacturer to set itself apart from the generic versions sold at drugstores. Brand equity refers to this.

Personal, product, and service brands are all examples of brands.

7.2 Brand vs Products

A Brand and Product are two distinct phrases that are often used in marketing. As opposed to building a brand from the ground up, consumers are the ones who really use the products. It is also possible to copy the former, but the latter is one-of-a-kind and cannot be replicated

A product has a shelf life, but a brand lives on in perpetuity. Key differences have been described in the forthcoming paragraphs.

The firm's product is an item or service that the company produces and sells to the general public. It is a company's logo, emblem, or moniker that is used to distinguish their goods from those of their competitors in the marketplace.

The brand is more than just a commodity; it's a part of who you are. To illustrate, imagine that you must wear clothing and footwear, but that you would like to wear 'Versace' clothing and 'Adidas' footwear.

It's simple to imitate a product, but it's far more difficult, if not impossible, to copy a brand.

Products are made by businesses. In contrast, Brand is something that we, as consumers, construct, and it takes years and years to develop a devoted following for a brand.

Because things become outdated over time, other products might be used in their stead. Brands, on the other hand, last a lifetime.

Despite the fact that a product serves its intended purpose, a brand adds value to the consumer.

It doesn't matter whether the item is physical or abstract in nature; the end result is the same either way. A brand, on the other hand, is an ethereal object that can only be felt.

7.3 Brand Elements

A brand is depicted by the various tangible elements that create and formulate a visual, and auditory identity known as the Brand Elements.

The brand logo, tagline, colour, promotional materials, letterheads, signage, and advertisements all are tangible representations of the brand that make up its sensory identity and thus create an image in the mind of the customer.

Brand Name

Brand name refers to the phrases or words that are used to identify the company, product, service, and other core values of the brand.

Figure 1: Brand Name

Logo

A logo is a visual trademark that identifies the brand with its design elements.

Tag Line

Tag lines such as "Just do it." for Nike help to quickly establish the brand position firmly in the minds of the customers.

Shape

Physical shape can also be used as a brand identity element.

Figure 2: Shape of Beetle

Graphics

Graphics are the visual elements that serve to quickly identify a brand without any need for words.

Figure 3: Louis Vuitton Graphics

Color

Color may be an important element that may define a brand.

Example:Sephora cashiers wear one black glove with which they handle products before giving them to customers making it the brand's crucial Brand Element.

Jingle

Sound or a unique set of notes or tones can also assist in forming a brand's identity.

Smell

The smell of a brand also adds to the overall elements of the brand identity.

Figure 4: Forest Essentials and Fragrance

Taste

Taste is another one of the elements that is used for product differentiation.

7.4 Importance of Brands to Consumers

Branding isn't merely the foundation for gaining prospects, but also so much more for marketers. Branding should be designed to help your business stand out, delivering the message clearly and addressing the needs of potential customers.

As a brand, marketer's objective is to establish brand as a reputable influencer among the target audience. This will encourage people to buy the brand.

Additionally, a marketer may prove that the brand intends to maintain its commitments to the clients by incorporating their demands into your brand's identity. A brand may be competing on a local, national, or worldwide scale, however, a good branding strategy shows that the brand is capable of competing on a global scale and appeals to a wide range of customers.

By successfully building these messages into your branding, the target audience gets a reason to choose the brand over the competition.

Some benefits of a brand may be as follows:

- Identification of the source of the product.
- Accountability of product manufacturer.
- Risk reduction.
- Promise from product maker.
- Symbolic device, projection of their self-image.
- Indicates quality.
- Assists in building an image.
- Legally protecting.
- Signal of quality.
- Build unique associations.
- Helps in product differentiation.
- Provides value to a brand.

7.5 Brand Equity

When a commodity becomes a brand, it is said to have equity. A brand can command a premium in the market. Brand equity (value) arises because of its brand name.

Definition

Brand equity represents the value of a brand. It is the simple difference between the value of a branded product, and the value of that product without that brand name attached to it.

Rosenbaum-Elliott

7.6 Components of Brand Equity: David Aaker's Model

Professor David Aaker of the University of California created the Aaker Brand Equity concept. Brand equity, according to his concept, is comprised of a variety of factors, including consumer awareness, brand loyalty, and brand associations, all of which contribute to the overall perceived worth of a product or service.

Aaker's approach to brand management starts with creating a unique arrangement of brand affiliations that expresses what the brand stands for and provides people with a desired brand image. The components are depicted in Figure 2:

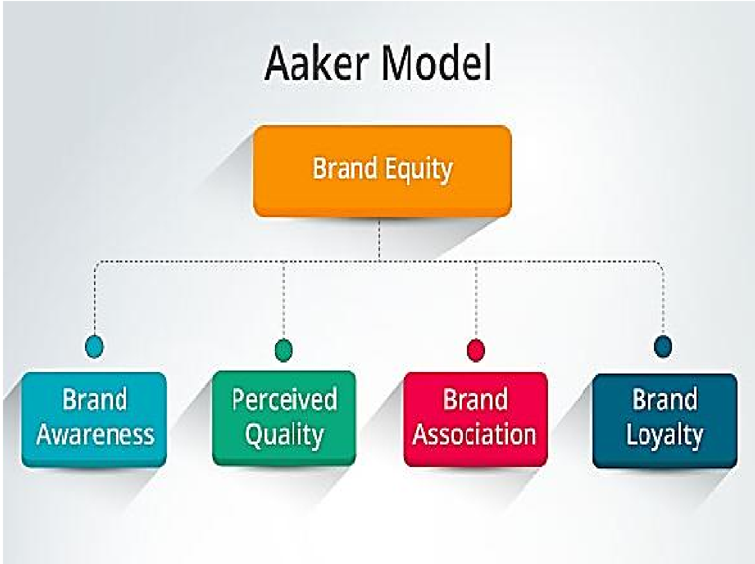

Figure 5: Components of the Model

Brand Awareness

Brand awareness is the extent to which a brand is known or recognizable to a consumer. A brand with high brand equity will come to the mind of a customer as he searches for a product in a particular category. This is called brand salience; the brand occupies a prominent position in consumers' minds.

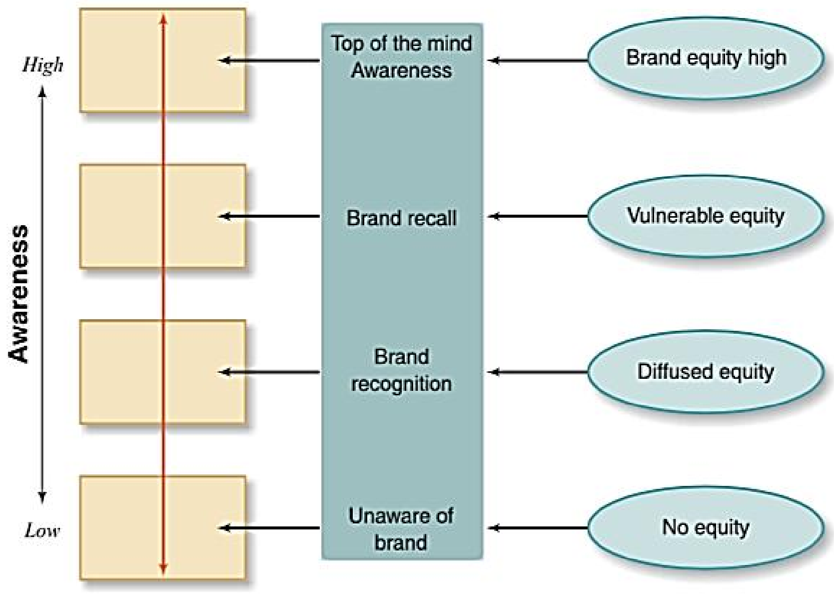

Figure 6: Brand Awareness

As depicted in the figure above, Brand Awareness is the extent to which a brand is known or recognizable to a consumer. A brand with high brand equity will come to the mind of a customer as he searches for a product in a particular category. This is called brand salience; the brand occupies a prominent position in consumers' minds.

Raising Brand Awareness

Brand awareness can be increased by adopting the following strategies:

- Maximize social media presence.
- Develop a voice for the brand.
- Start a podcast.
- Take part in brand collaborations.
- Promotional offers.
- Storytelling

Perceived Quality

This element usually revolves around a brand's reputation for high-quality products and customer experience. A product with good quality is favored more with consumers often willing to pay premiums for high-quality products as compared to other brands.

Brand Association

Brand association involves all that is related to the brand, which evokes positive or negative sentiments. This could involve the functional, social, or emotional benefits offered by a product.

Case Study: Himalayan Mineral Water

Himalayan, India's first natural mineral water brand, draws its unique benefits from its source located at the foothills of the Shivalik ranges of the Himalayas. Geological studies have established that this water, mostly glacial melt, begins its journey in the upper reaches of the Himalayas and then filters down for about 20 years through layers of Himalayan rocks.

It collects a unique natural mineral composition and has a mildly alkaline pH very similar to that of the human body. Sheltered away from any form of contamination, the water settles in a double layered aquifer which means the impervious layers allow very little of the surface water to flow into it. Consequently, the water we draw out and bottle as Himalayan Natural Mineral Water is nature's creation at its absolute best.

Source:https://www.himalayanmineralwater.in/our-story

A brand could also go for celebrity association.

Figure 7: Lux and Celebrity Association

Brand Loyalty

Brand loyalty depicts that a consumer who believes in the value of a brand will make frequent and repeated purchases. High brand loyalty ensures that the consumer will repeatedly buy a brand instead of switching between brands.

7.7 Keller's Brand Equity Model

The Customer-Based Brand Equity (CBBE) Model, developed by Keller, is a pyramid. The model's originator, Kevin Way Keller, is a promoting instructor at Dartmouth's Fold Institute of Business.

Having a powerful brand requires creating the optimal brand encounter or experience, according to Keller's basic model. Every interaction with your brand should make a pleasant impression on yourcurrent and prospective clients. In order to build brand equity, it is necessary to demonstrate that your brand is capable of delivering value to your customers.

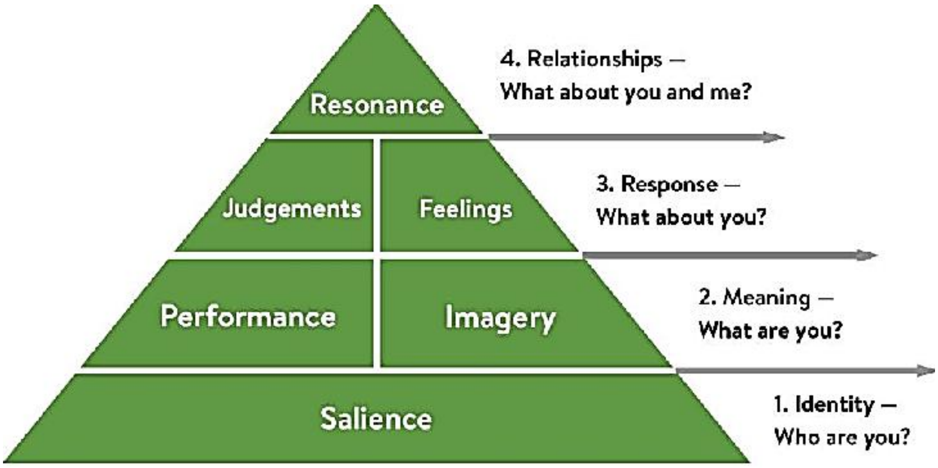

Figure 8: Brand Equity Model

The four steps of the pyramid represent four basic questions that the customers shall ask about the brand. These steps also contain six building blocks that must be in place for the company to reach the top of the pyramid, and develop a successful brand.

Brand Identity

"Who are you?" is the most important question to address here. Customers' perceptions of your brand are referred to as salience or awareness. Which of your competitors' brands do they associate with, and is that association even accurate?

Building strong brand equity requires formulating the brand in a manner that causes it to be prominent in the minds of consumers. A strong brand identity has to be created.

Performance and Imagery.

How a company communicates what its brand stands for will significantly impact brand equity. It is essential to deliver on both performance (how well your product meets the needs of customers) and imagery (meeting the psychological needs of your customers through developing your brand's personality and overall image).

Customer satisfaction may be measured by how well your product performs. Whether or whether the product performs as advertised is an important question. Is it able to live up to its reputation?

To provide clarity, Keller's model breaks down performance into 5 specific key performance indicator categories.

- primary characteristics and features
- product reliability, durability, and serviceability
- service effectiveness, efficiency, and empathy
- style and design
- price

Imagery refers to the brand's look. How does the brand appear to customers/potential customers and how will they talk about it?

Response/Judgements

This concerns how consumers respond to your brand based on their emotions and perceptions. Brand response is predominantly based upon the brand's perceived quality and credibility.

Humans are constantly making assumptions based on what they observe. If someone drives past in a nice sports car, you'd assume they make good money. If you see someone decked out in Nike apparel you might assume, they are an athlete or an avid sports fan.

It is imperative that these responses are guided. What should people associate with your brand? How is must be perceived by the customer and how does it make them feel?

Resonance

Brand resonance is how a customer identifies themselves with the brand. This is the strong, lasting relationship the brand hopes to build with each and every customer a marketer gains. The outlook is that the brand resonates with customers so much that not only do they keep coming back, but they become the brand's advocates.

Brand equity can be built by strengthening the connection, or resonance that is established between the brand and the customer and is validated by factors such as repeated purchases or active engagement with the brand on social media

Loyalty programs, customer engagement via the internet and social media platforms, building emotional connections are great tactics that can be implemented to assist in building resonance.

Most valuable brands worldwide in 2022 (in billion U.S. dollars)

Characteristic	Brand value in billion U.S. dollars
Apple	355.08
Amazon	350.27
Google	263.43
Microsoft	184.25

Figure 9: Most Valuable Brands in 2022

7.8 Brand Management

Effective brand management enables the price of products to go up and builds loyal customers through positive brand associations and images or a strong awareness of the brand. It involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity.

Objectives of Brand Management

When it comes to a company's image, brand management is more than just advertising. To improve a company's public image, the marketer must build trust with the target audience. The management of a brand includes both physical and intangible factors.

Products, prices, packaging, and design are all examples of physical aspects. consumer experience, customer interaction, etc. are all examples of intangible aspects.

The following are the objectives of Brand Management

- To produce, promote and distribute goods that are attractive to consumers.
- To provide the greatest utility value to clients in comparison to rivals.
- To control consumers' brand choice behavior.
- Building and maintaining consumer trust in your brand.
- Optimum utilization of resources.
- Enhance the image of the brand.
- The goal here is to increase market share.
- To limit the number of new entries into a market.
- Customer views of the product are formed by this.

7.9 Brand Management Process

The Brand Management process has a series of steps that are elaborated below:

Identify and Establish Brand Positioning and Values

This involves identifying and understand the position of brand that should be established, developing a company's image to counter the competition and building a positioning strategy so that the brand is well defined in the target customers' minds.

The Figure below depicts how a positioning statement may be designed.

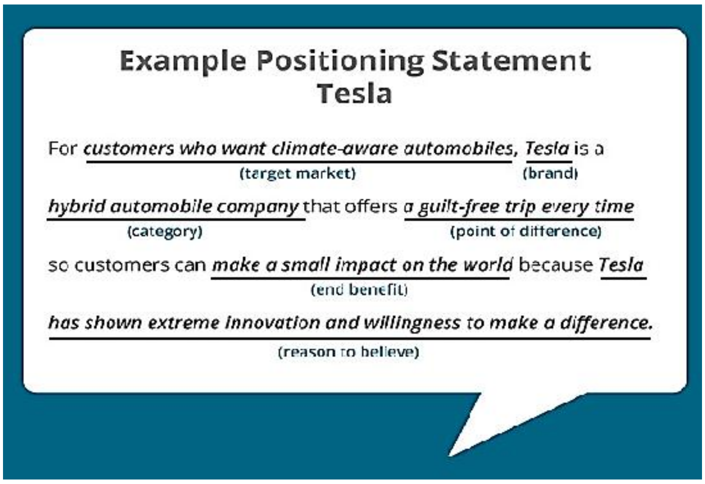

Figure 10: Tesla's positioning statement

Figure 11: Coca-Cola Positioning Statement

Brand Value Chain

"The brand value chain provides companies with a snapshot of the brand's marketing program investments and initiatives, and offers a structured means to understand where and how value is created, and more importantly, identify and target specific areas which needs improvement".

Keller 2013

A brand value chain dictates the process, from start to finish, of how a brand creates value. Using a brand value chain model guides a company through essential steps needed to improve its brand value. These models often vary.

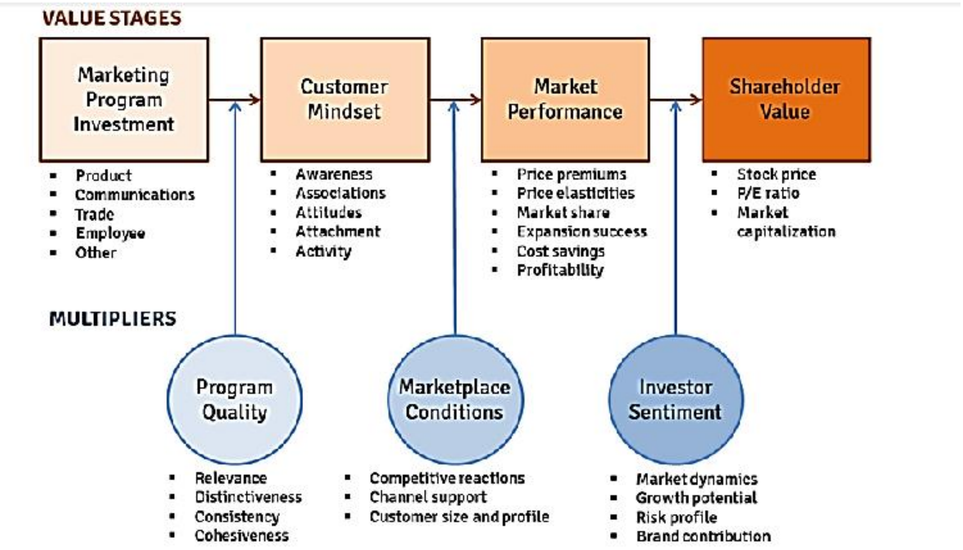

Figure 12: Brand Value Chain

The process begins in the first step (value stage) and ultimately leads to the fourth stage (where the value is then measured). Each step is affected by how effectively a task is completed, as well as some other external factors. This effect is called the 'multiplier'. The multipliers will be the influences upon the value stage.

Value Stages

Marketing investment program

This concerns the impact on the way in which an interested client thinks. Customer feedback is key to this input.

Customer Mindset

These are the thoughts, feelings, and memories that a customer has in his mind about a given brand. Whether they identify the logo and other brand elements?

Brand Performance

Brand performs, has a name. Name of brand is well known. Can command a premium price.

Shareholder

Market performance affects shareholder value. Brand value depends on decisions taken by management.

Multiplier

- Quality of Marketing Program promoting the brand.
- Advantage of brand over the competition.
- Investor Sentiment.

Plan and implement brand marketing programs

After planning the brand position to be established, the brand manager has to formulate plans and strategies.

Steps in Planning

Firstly, it involves choosing elements of a brand like a name, symbol, logo, tagline, and packaging.Secondly, it integrates the brand into marketing activities and supportive marketing programs. Thirdly, it involves developing associations with culture, distribution, and geographical location.

Measure and Interpret Brand Performance

Measurement of brand profitability is done by developing and implementing the brand equity measurement system. Brand audits that examine the current position of the brand concerning competitors in the market may be done.

Brand tracking which directly collects information about a brand from customers may be done.A regular check of the brand's health is vital for evaluating and measuring performance; with this information, brands can make informed decisions that underpin their goals going forward.

Brand health tracking includes:

- Measuring the strength of the brand.
- Tracking the performance of brand over time.
- Tracking through the use of different metrics relating to brand health, such as brand awareness, brand associations, and brand positioning.

Growing and Sustaining Brand Equity

Managing brand equity by taking marketing decisions that will benefit brand equity, in the long run, is done.Brand architecture that defines the guidelines regarding brand strategy is defined.

Brand Architecture

Brand architecture is a technique that is used by brand strategists to organize and structure multiple sub-divisions of a master brand.These sub-divisions can come in the form of new products, services, sections, or entire companies.

Example: Google follows the branded house brand architecture strategy for its offerings and prefixes G or Google before its extensions:

- Gmail
- Google Drive
- Google Maps
- Google +

7.10 Internet and Brand Management

Choosing a domain name is an essential step toward brand management.Domain strategy is closely related to a firm's branding and positioning strategy. A domain should enable traffic generation and provide clarity to the customer.

The firm has to decide what the level of brand hierarchy web domains should reflect. A well-designed e-mail campaign targeted at opinion leaders in the target market should be developed.A well -designed e-mail campaign needs to be developed for the target market.

7.11 Brand Archetypes

Brand archetype is a psychological concept developed by Swiss Psychologist, Carle Junk. It is routed in the universally recognised symbol that becomes identified with the specific brand.This, when carried communicates the persona of a brand.

Figure 13: Brand Archetype of Nike

Example:Nike represents the wing of goddess associated with victory. The name 'Nike' is the name of a Goddess.

Summary

- A brand is a combination of three things, i.e. promise, wants, and emotions.
- Brand name refers to the word or phrasesthat are used to identify the company, product, service, and other core values of the brand.
- A logo is a visual trademark that identifies the brand with its design elements.
- As a brand, marketer's objective is to establish brand as a reputable influencer among the target audience.
- Aaker's approach to brand management starts with creating a unique arrangement of brand affiliations that expresses what the brand stands for and provides people with a desired brand image.
- In order to build brand equity, it is necessary to demonstrate that your brand is capable of delivering value to your customers.
- Effective brand management enables the price of products to go up and builds loyal customers through positive brand associations

Keywords

Brand elements:Various tangible elements that create and formulate a visual, and auditory identity of a brand.

Brand awareness: This is the extent to which a brand is known or recognizable to a consumer.

Brand association:This involves all that is related to the brand, which evokes positive or negative sentiments.

Brand resonance: This is how a customer identifies themselves with the brand.

Brand architecture: This is a technique that is used by brand strategists to organize and structure multiple sub-divisions of a master brand.

SelfAssessment

1. This involves all that is related to the brand, which evokes positive or negative sentiments.
A. Brand Identity
B. Brand Resonance
C. Brand Value
D. Brand Association

2. This is the extent to which a brand is known or recognizable to a consumer.
A. Brand Identity
B. Brand Resonance
C. Brand Awareness
D. Brand Association

3. Brand health tracking includes:
A. Measuring the strength of the brand.
B. Tracking the performance of brand over time.

C. Tracking through the use of different metrics relating to brand health, such as brand awareness, brand associations, and brand positioning.

D. All of the above

4. This is not a*Brand Element.*

A. Brand Name

B. Logo

C. Quality

D. Graphics

5. This concerns the impact on the way in which an interested client thinks. Customer feedback is key to this input.

A. Marketing Investment Program

B. Customer Mindset

C. Brand Performance

D. Value

6. A _________ chain dictates the process, from start to finish, of how a brand creates value. Using a brand value chain model guides a company through essential steps needed to improve its brand value.
7. Customers' perceptions of your brand are referred to as ________.
8. A _______ has a shelf life, but a brand lives on in perpetuity.
9. _________ is vital for evaluating and measuring performance of a brand.
10. Choosing a _______ is an essential step toward brand management.

11. The brand logo, tagline, colour, promotional materials, letterheads, signage, and advertisements all are tangible representations of the brand that make up its sensory identity and thus create an image in the mind of the customer.

A. True

B. False

12. Brand loyalty does not depict that a consumer who believes in the value of a brand will make frequent and repeated purchases.

A. True

B. False

13. ‘Perceived Quality’ usually revolves around a brand’s reputation for high-quality products and customer experience.

A. True

B. False

14. Loyalty programs, customer engagement via the internet and social media platforms, building emotional connections are great tactics that can be implemented to assist in building resonance.

A. True

B. False

15. By registering trademarks, businesses may not be able to safeguard their reputations.

A. True

B. False

Answers for Self Assessment

1.	D	2.	C	3.	D	4.	C	5.	A
6.	Brand Value	7.	Salience	8.	Product	9.	Brand Tracking	10.	Domain Name
11.	A	12.	B	13.	A	14.	A	15.	B

Review Questions:

1. What is a brand? Describe the elements of a brand?
2. Describe the meaning of brand equity?
3. Outline the brand management process in a detail? Give relevant examples.
4. Elaborate the Brand Value Chain in detail.
5. Describe the Keller's Brand Equity Model and its components in detail.
6. Find out at least 5 brands which have been very successful. Research the reason of their success?
7. Track the success of Apple as a brand? How has Apple positioned itself successfully in its target market's mind?

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Unit 08: Pricing Decisions

CONTENTS

Objectives

After studying this unit, you will be able to:

- understand the meaning and significance of price in marketing decisions,
- describe the factors influencing a pricing decision,
- understand the different pricing methods and strategies adopted by companies.

Introduction

Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk-taking ability. Prices are generally expressed in units of some form of currency.

Pricing is the method of determining the value a producer will get in the exchange of goods and services. Pricing method is used to set the price of producer's offerings relevant to both the producer and the customer.

Establishing a value for a good or service is the act of pricing, as the word is used in economics and finance. To put it another way, pricing happens when a company determines the price a customer must pay for a good or service.

Pricing is the decision-making process that results in a value being assigned to a good or service. A company can establish prices in a variety of ways, but they are all pricing strategies in some way. The customer will pay the price decided upon throughout the pricing procedure for that good or service.

8.1 Role of Pricing in Marketing Decisions

Price serves as a resource allocation mechanism in the economy and reflects the levels of risk and competitiveness. The process of price reduction and price increase can be used to allocate and reallocate resources in an economy, particularly in a free-market economy and to a lesser extent in a controlled economy.

Price policy is a tool for achieving the objectives of a planned economy, where resources can be distributed in accordance with predetermined priorities.

The main force behind the economic wheels of production, consumption, distribution, and exchange is price. Price, which represents a loss of purchasing power, has an impact on societal living standards. It controls business profitability and, as a result, allots resources for the best possible output and distribution. This makes it effective.

No other element of the product mix compares to pricing in terms of its ability to influence behavior in the marketplace. Of the four "Ps" in the mixture, it is the greatest and strongest. With the help of this effective tool, marketing managers can control product demand. Demand for the products changes depending on price. Reduce the price to increase demand, then raise the price to decrease demand.

In emerging nations where the marginal value of money is higher than that of industrialized nations, price has a specific function to play. It is simple to apply a de-marketing plan to satisfy the growing demand for goods and services.

Price assists in changing the customer’s value perception.

8.2 Pricing Objectives

Prices are crucial to businesses because they allow them to recover their production costs, cover their costs, and generate the profit incentive they need to stay in business. These objectives may be viewed as follows:

Survival

It is clear that the majority of businesses want to run over a long period of time. Therefore, one main goal that the majority of executives pursue is survival. A commercial business derives its revenue from the price the buyer pays. For an extended length of time, if income is below cost, the business cannot continue.

Profit

Survival and profitability are strongly related. All commercial enterprises need to generate long-term profits. Long-term success allows many organizations to satisfy their most essential stakeholders, the stockholders. Stock prices will drop if profits are lower than anticipated or nonexistent, which could be bad for the business.

Sales

A company enterprise must make sales in order to make a long-term profit. All businesses, big and small, care about keeping a healthy market share so that their volume of sales will allow them to stay in business and grow. Once more, one of the tools that is important in gaining and maintaining market share is price strategy. Prices must be established to draw a sizable portion of the targeted market group.

Image

Price policies have a significant impact on how respected and esteemed a company is in its neighborhood.

Pricing also helps a company in establishing a position in the market. Companies differentiate their products on the basis of price differences.

8.3 Price Sensitivity

Price sensitivity is the degree to which demand changes when the cost of a product or service changes. Price sensitive consumers will not pay for a high-priced product if a lower-priced option is available.

The price band for any product or service represents the minimum and the maximum price, the customer is willing to pay. A price lower or higher than the band is unacceptable to the buyer.

The price elasticity of demand, implies that certain buyers won't pay more if a lower-priced choice is available, is a typical method for measuring price sensitivity. Price sensitivity's weight fluctuates in relation to other selection factors; if quality is valued more highly than price, buyers may be less sensitive to price.

Factors effecting price sensitivity

Discussed below are the different factors effecting price sensitivity.

Price and Quality

The buyers are less price-sensitive if the product offered is of superior quality or defines their status quo, such as exclusive or luxury products.

Unique Value

Product differentiation and its unique features, shades the consumer’s price sensitivity towards it. With the unique value products or services, the organization can win over its competitors.

End Benefit

If the product’s utility to the buyer is high, and it fulfils the purchase objective efficiently; then the consumer is less bothered about the product’s price.

Fairness

Price discrimination can lead to a perception of unfair practice among consumers. In such a situation, a slight increase in product price may cause a negative impact, increasing-price sensitivity.

Expenditure

If the product demands a huge expenditure or involves a high cost, the buyer tends to become price sensitive while decision-making.

Inventory

If the buyers need to maintain stock of the goods, they become more price-conscious

Sense of Urgency

If there is an immediate need for the product or service, the consumer usually overlooks the price factor. For instance, in the case of emergency medical service, price sensitivity is quite low.

Shared Cost

When the price for a product or service is to be paid by someone else, on behalf of the consumer, he/she may not be price sensitive towards it. Here, the organizations may benefit through price discrimination.

Ease of Comparison

The consumer is more price-sensitive if he/she can easily compare the various options available in the market.

Perceived Substitutes

If the consumers get an equivalent substitute for a particular product or service at a lower price, they become highly price-sensitive towards it.

Switching Cost

When the cost of switching from one company to another is considerably high, the consumer prefers to be less price-conscious and sticks to a single product or service.

Techniques to Measure Price Sensitivity

There are different techniques of measuring price sensitivity.

Direct Probing

In direct probing technique, the prospective consumer is enquired about the lowest and the highest price, he/she is willing to pay for a specific product or service.It is the simplest, but a very straightforward way of determining consumer's price sensitivity.

Sequential Preferences

In this process, the respondents are asked to select their preferred brand when the price of each one is the same. Then by keeping the price of one brand as stable, the value of the other brand is altered, to find out the consumer's response to this price change.

Price Laddering

Here, the respondent is asked to rank purchase intention or willingness to buy a product at a given price, on a scale of 1 to 10.If a particular product's price point ranks lower than 8, the organization has to set a lower price point.

8.4 Ethics in Pricing

Pricing decisions are often scrutinized by different groups. Consumers form opinions on the basis of the price of the products. Modern businesspeople are aware that market dynamics can also result in income and wealth disparity.

When this happens, businesses may be seen as predatory and not working for society as a whole. The necessity to create guidelines for moral conduct gave rise to the area of business ethics. Business ethics includes a significant subgroup called ethical pricing techniques.

Unethical Practices in Pricing

Examining the limits that should be placed on a company's pursuit of market share and profits need to be defined.

There are some pricing practices that a firm needs to avoid as they are unethical.

Price Fixing

Price fixing involves an agreement between a group of companies on the same side of a market to buy or sell a good or service at a fixed price. The consumers would lose out, because they would not find alternatives in the market at different prices.

Price Discrimination

At times a group of consumers are discriminated and made to pay more than the rest. This may be socially accepted in some cases, yet rejected in others. For example, very few people would complain that senior citizens should pay less in few places.

Dumping

Faced with large unsold inventory of products, a firm may decide to offer them at the rock bottom price thereby creating an imbalance in the market.On another occasion, this strategy may be used to enter the market and disturb the equilibrium of the industry.

Monopoly gouging

Producers in these instances can charge a huge amount of money.This situation can take place during a shortage, such as the price of food or fresh water after a natural disaster, or when a certain product is the only one of its kind available. Pharmaceutical companies may also do this sometimes.

Bid Rigging

Bid rigging is an example of favoritism where it is portrayed that all bidders are equal but one is favored. This involves promising a commercial contract to one group, even though it is portrayed that multiple parties had the opportunity to submit a bid.

In markets with increasing volume and price pressure, the right pricing approach is essential to remain competitive. It brings you the value you deserve for your products and services offered and secures the profits you need to invest in change and growth.

8.5 Factors Influencing Pricing Decisions

There are different factors that may influence pricing decisions of companies. For appropriate pricing decisions, the marketer has to explore factors like cost involved, competitors and the legal and social considerations. The factors have been mentioned below:

Customer Demand

A marketer for manufactured products needs to assess price elasticity of demand.

Price elasticity of demand =Percent change in quantity demanded/Percentage change in price

Price elasticity of demand is a measurement of the change in consumption of a product as compared to a change in its price.

- A good is elastic if a price change causes a significant change in demand or supply.
- A good is inelastic if a price change does not cause demand or supply to change very much.

Factors Considered in Determining Price Elasticity

The following are the factors that are considered in determining price elasticity of demand.

Availability of substitutes and/or competitor products

If there are substitutes or competitors, that are perceived by the customer to be same or comparable, then the price elasticity of demand will be high.

Example:Burgers have a relatively high elasticity of demand because there are many substitutes for consumers to choose from, such as pizza and other foods.

Customer resistance to change

If customers are resistant to new product ideas and generally do not go shopping for prices, then the price elasticity of demand for such products is going to be low.

Price-quality perception

The quality of a product is associated with its price. The customers perceive premium quality in the product, if it is priced at a higher level. If the target customer group has this perception of the product, then its price elasticity of demand is going to be low.

Buyers do not perceive or notice higher prices

If buyers are willing to buy the product ignoring its prices, then the price elasticity of demand for such a product is going to be low.

Cost

It is important for marketers to estimate the costs of manufacturing and marketing of the product. How different firms, within the same industry, operate at different levels of efficiency has to be observed. The cost structures of other firms in the industry are seen and assessed.

It can be observed in Figure 1 that as time passes costs fall as the companies learn how to manufacture a product more efficiently. More the quantity produced, lower is the cost. Here, the economies of large scale production began.

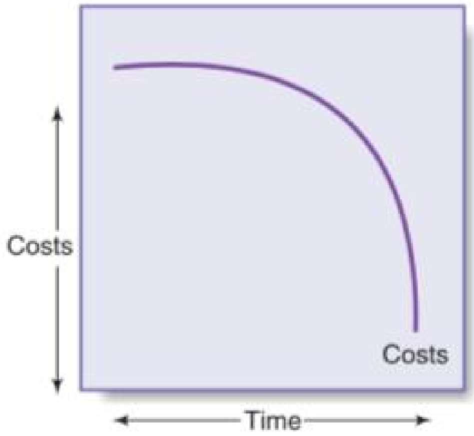

Figure 1: Cost Curve

Costs taken into Account

- Fixed costs - Rents, salaries.
- Variable costs - Raw material and wages.
- Semi- fixed costs – Royalty payment for the use of a brand name.
- Partly fixed partly variable – Advertising campaign + media.

Example: Many companies, such as Southwest Airlines, Wal-Mart, and Union Carbide, work to become the "low-cost producers" in their industries.

Corporate Objectives

The objective of a company could be to skim the cream from the market, to penetrate the market, to establish leadership or to just balance profitability across product lines.

Example: Toyota decided to price its Lexus to compete with European luxury performance cars in the higher income segment. This required charging a high price.

Example: Netflix is a powerful example of using market penetration pricing to edge out a major competitor.

Example: Amazon has built an empire. Amazon is the most dominant force in ecommerce and has established leadership with its pricing.

Competitor Reactions

A company can set a price and the competitors follow the leader.Assessment of the competitor's reaction has to be done.Competitors may follow/ignore the leader.

Example: Amazon follows competitive pricing. Amazon the retail giant, gathers competitive price intelligence and utilizes it to offer the cheapest price in the market.

Government Regulations

The company has to consider factors like:

Import duty

Import duty is a tax collected on imports and some exports by a country's customs authorities. A good's value will usually dictate the import duty. Depending on the context, import duty may also be known as a customs duty, tariff, import tax or import tariff.

An import duty raises the price of imported goods. This increase in the price of imports is likely to reduce imports and increase the demand for domestic goods.Import duties may also enable the domestic industries to have higher production costs.

Taxation

The tax raises the price which the customers pay for the good.It lowers the price that the producers are effectively selling the good for unless they pass on the whole tax cost.

In practically every nation on the planet, governments impose taxes as mandatory levies on people or things. Taxation is primarily used to generate money for government spending, though it can also be used for other things.

Subsidies

A subsidy is a direct or indirect government payment to people or businesses, typically in the form of cash or a targeted tax break. According to economic theory, subsidies can be used to reduce externalities and market imperfections to boost economic efficiency.

When government offers subsidies, an industry is able to allow its producers to produce more goods and services. This increases the overall supply of that good or service, that leads to an increase in quantity demanded of that good or service and thus, lowers the overall price of the good or service.

Tariffs

Tariffs increase the prices of imported goods.The domestic consumers are left paying higher prices for these goods.

Tariffs are the term for customs fees imposed on imported goods. Tariffs increase government revenue while giving locally produced items a price edge over imported versions of similar goods.

Government Regulations

Price regulation is most commonly used by government for monopolies.The government has created regulators. Some regulators established by the government are as follows:

Case Study: **Telecom Regulatory Authority of India (TRAI)**

TRAI’s aim is to ensure that the interests of consumers are protected. It also aims to nurture an environment for growth of telecommunications, broadcasting and cable services in way and at a pace that shall help the country to develop its communication systems.

The goal of TRAI is to foster the conditions necessary for the country's telecommunications sector to develop in a way and at a rate that will allow India to take the lead in the developing global information society.

Creating a fair and transparent policy environment that supports equal opportunity and encourages fair competition is one of TRAI's key goals.

In order to achieve the aforementioned goal, TRAI periodically issued a significant number of regulations, orders, and directives to address issues that came before it and give the Indian telecom market the necessary guidance as it transitioned from a government-owned monopoly to a multi-operator, multi-service open competitive market. The directives, orders, and rules made available cover a variety of topics.

Source :https://www.trai.gov.in/about-us/history

8.6 Barriers in the Industry

Barriers to entry are factors that prevent or make it difficult for new firms to enter a market. Their existence makes the market less contestable and less competitive.High barriers always encourage inefficiency, high costs, and high prices.

All these factors are taken into account before a company decides its pricing strategies. From costs to competition all factors are imperative and guide a company in setting the right price.

8.7 Pricing Methods

There are different types of pricing methods.

Cost Oriented Pricing

There are two pricing methods under this group. One is based on the full cost, the other on variable cost:

Mark Up Pricing

Markup pricing is a method of setting prices whereby the cost of a good or service is calculated along with a markup that amounts to a percentage. In order to determine a product's selling price, a method of adding a percentage to the cost is used.

As a point of reference, a markup is the cost difference between a good or service and its selling price. A profit for the business is essentially the price that is added to the total cost of a good or service. To better illustrate this concept, consider the following equation:

Cost of good or service + markup = selling price

Example:If the cost of manufacturing a product is $30 and the item sells for $50, the markup is $20. That would be expressed as a markup percentage of 66.7%.

Marginal Cost or Contribution Pricing

This method works well in a market already dominated by giant firms or characterized by intense competition.

In economics, the technique of fixing a product's price to cover the additional expense of generating an additional unit of output is known as marginal cost pricing. This policy limits the producer's ability to charge for each unit of a product sold to the addition to total cost attributable to materials and direct labor.

When sales are sluggish, businesses frequently set prices that are near to their marginal costs. The company prices its product similar to the competitor's product price. If the market leader reduces the price of its product, the other companies also need to decrease their product price.

Going Rate Pricing

This pricing strategy is usually used to price similar products, like commodities or generic items, which have a little variation in their functions and look.

Companies feel secure as they feel fair that they are getting the customers because of the same rates prevailing in the industry.

Sealed Bid Pricing

The highest bidder wins and pays the highest bid.It facilitates fair and transparent procurement for the suppliers.

Customer Oriented or Perceived Value Pricing

Customer-driven pricing is a pricing strategy in which a company sets prices according to its customers' perceived value of its products and services.Perceived value pricing is the value that customers are willing to pay for a particular product or service based on their perception about the product.

The Perceived Value of a Product is Based on Two Values

Acquisition Value

Acquisition value is the buyers' perceptions of the relative worth of a product or service to them.Customer judges the benefits that a product may offer.This is based on the buyers' experience, or experience of his or her reference groups and the publicity or news items appearing about the product.

To maintain a high level of customer perceived value, a product must be capable of providing an effective functional and emotional benefit for the customer. If a customer believes that a product is valuable, they may be more willing to pay a premium for its usage.

Transaction Value

The transaction value is determined by comparing the buyer's reference price to the actual price that he or she pays.

Methods to Measure Perceived Value

The following are the different methods of measuring perceived value.

Direct Price Rating Method

People are asked to estimate the price of each brand or model of the product, which is demonstrated to them.

Direct Perceived Value Rating

People are asked to allot a point scale, say from 0 to 50 points, to all brands that are competing. The brand having the highest points shall have the highest perceived value.

Diagnostic Method

People are asked to evaluate competing brands on different attributes, as per their priority. By multiplying the importance of weights against each company's ratings, the brand having the highest perceived value is determined.

Economic Value to the Customer

This is calculated by comparing a product's total cost against the benefits of the product that the customer is currently using.

8.8 Pricing Strategies

There are different types of pricing strategies that may be adopted by companies.

Skimming Strategy

Price skimming is a product pricing strategy by which a firm charges the highest initial price that customers will pay and then lowers it over time.Price skimming helps build a high-quality image and perception of the product.

Figure 2: Apple's i phone

Example:New, sophisticated alpine green iPhone 13 Pro and green iPhone 13 join the line-up, featuring the lightning fast A15 Bionic, advanced camera systems, great battery life, impressive durability, and 5G at a premium price.

Penetration Strategy

Penetration pricing is a marketing strategy used by businesses to attract customers to a new product or service by offering a lower price during its initial offering. The lower price helps a new product or service penetrate the market and attract customers away from competitors.

Example: Costco implements penetration pricing for the organic products they sell, to increase demand for these products.

Differential Pricing Strategy

The differential pricing strategy means certain customers pay less for the same product than others pay.Service firms like consulting, accounting and banks, and medical professionals are frequent users of this strategy.

Example:A business executive buys a seat on a full fare basis, while an individual or family going on a holiday pay a discounted fare on an Airline.

Geographic Pricing Strategy

Geographical pricing is a pricing strategy where a company changes the price at which it sells a given product on a regional basis.Different prices are charged in different areas.The markets with different prices should have different transportation costs.

Example: The price of McDonald's is higher in northern Europe because of the higher purchasing power in these countries.

Product Line Pricing Strategies

Product line pricing is a product pricing strategy, used by a company that has more than one product in a product line. It is a process that businesses adopt to separate products in the same category into various price categories, in order to create different quality levels in the customers' minds.

Example: Hotels offer budget rooms as a base product, with all the stock features included. If you want a huge bathroom, a concierge, or a room with a view, then you'll likely to have to pay extra per feature.

8.9 Other Strategies

Price Bundling

Bundle pricing is a pricing strategy where companies package separate products together and offer them at a single price.Companies will sell two products together at a lower price than the sum of the individual price of each product. Example; Mc Donald's combo meal.

Premium Pricing

This strategy is also used in many businesses like retail stores, where the goods may be offered at a higher price in a upmarket store and at a low price in a relatively low image store that is not upscale and meets the needs of the general masses.

Image Pricing

Prestige pricing is also known as premium pricing or image pricing.This is when a company sells a product at a high price in order to give consumers the impression that it possesses a high value. Consumers consider the product as prestigious.

Complementary Pricing

Complementary Product pricing is a method in which one of the products is priced to maximize the sales volume and which in turn stimulates the demand of other product.Both the products are complementary products i.e., use of one product is complemented by the other. Example; Tennis Racket and Ball.

Captive Pricing Strategy

The company sells a core product at a low price, and the essential accessories are sold at a higher price to support the profit margins.Captive pricing is often used by companies that have perishable product attachments, like ink for printers. Example; Printer and Cartridges.

Loss Leader Strategy

A loss leader strategy involves selling a product or service at a price that is not profitable but is sold to attract new customers.Loss leading is a common practice when a business first enters a market.

Two Part Pricing

This is a form of pricing in which consumers are charged both an entry fee (fixed price) and a usage fee (per-unit price).Credit cards which charge an annual fee plus a per-transaction fee is a good example of a two-part tariff.

Summary

- Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk-taking ability.
- Pricing is the method of determining the value a producer will get in the exchange of goods and services.
- Price sensitivity is the degree to which demand changes when the cost of a product or service changes. Price sensitive consumers will not pay for a high-priced product if a lower-priced option is available.
- Pricing decisions are often scrutinized by different groups. Consumers form opinions on the basis of the price of the products.
- There are different factors that may influence pricing decisions of companies. For appropriate pricing decisions, the marketer has to explore factors like cost involved, competitors and the legal and social considerations.

Keywords

Pricing: This is the method of determining the value a producer will get in the exchange of goods and services.

Dumping: Faced with large unsold inventory of products, a firm may decide to offer them at the rock bottom price thereby creating an imbalance in the market.

Bid Rigging: Bid rigging is an example of favoritism where it is portrayed that all bidders are equal but one is favored.

Import duty:This is a tax collected on imports and some exports by a country's customs authorities. A good's value will usually dictate the import duty.

Tariffs:This increases the prices of imported goods. The domestic consumers are left paying higher prices for these goods.

SelfAssessment

1. A ________ is a direct or indirect government payment to people or businesses, typically in the form of cash or a targeted tax break.

A. Tax

B. Subsidy

C. Cost

D. Tariff

2. _________ increase the prices of imported goods.

A. Tax

B. Subsidy

C. Cost

D. Tariff

3. Price ______is a product pricing strategy by which a firm charges the highest initial price that customers will pay and then lowers it over time.

A. Penetration
B. Costing
C. Skimming
D. Leadership

4. _________ pricing is a marketing strategy used by businesses to attract customers to a new product or service by offering a lower price during its initial offering.

A. Penetration
B. Costing
C. Skimming
D. Leadership

5. _________ pricing is a pricing strategy where a company changes the price at which it sells a given product on a regional basis.

A. Penetration
B. Geographic
C. Skimming
D. Bundle

6. _________is a pricing strategy where companies package separate products together and offer them at a single price.
7. ________ pricing is when a company sells a product at a high price in order to give consumers the impression that it possesses a high value.
8. ________ pricing is a method in which one of the products is priced to maximize the sales volume and which in turn stimulates the demand of other product.
9. The ________ of a product is associated with its price
10. ________of demand is a measurement of the change in consumption of a product as compared to a change in its price.

11. A loss leader strategy involves selling a product or service at a price that is not profitable but is sold to attract new customers.

A. True
B. False

12. Image pricing is a form of pricing in which consumers are charged both an entry fee (fixed price) and a usage fee (per-unit price).

A. True
B. False

13. Barriers to entry are factors that prevent or make it difficult for new firms to enter a market. Their existence makes the market less contestable and less competitive.

A. True

B. False

14. The tax decreases the price which the customers pay for the good.
A. True
B. False

15. A subsidy is a direct or indirect government payment to people or businesses, typically in the form of cash or a targeted tax break.
A. True
B. False

Answers for Self Assessment

1.	B	2.	D	3.	C	4.	A	5.	B
6.	Bundle Pricing	7.	Prestige	8.	Complementary	9.	Quality	10.	Price Elasticity
11.	A	12.	B	13.	A	14.	B	15.	A

Review Questions

1. What is price sensitivity? What are the factors effecting price sensitivity?
2. Explainthe meaning and significance of price in marketing decisions.
3. Outlinethe factors influencing a pricing decision?
4. What are the different pricing methods adopted by companies?
5. What is price skimming and price penetration? Take the example of one company/product/brand in the market which follows these strategies.

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Unit 09:Distribution Management

CONTENTS

Objectives

After studying this unit, you will be able to:

- Understand the concept of marketing logistics,
- Assess elements of logistic management,
- Understand the role of physical distribution,
- Understand the concept of marketing channels,
- Describe roles and responsibilities of marketing channels,
- Understand different distribution alternatives,
- Describe the management of channel partners,
- Understand the concept of retailing,
- Understand the concept of wholesaling.

Introduction

The process of managing the flow of products from supplier to manufacturer to wholesaler or retailer to final customer is known as distribution management. The administration of raw good vendors, packaging, warehousing, inventory, supply chain, logistics, and occasionally even blockchain are just a few of the activities and procedures that are involved.

The precise planning and procedures required for the efficient supply and delivery of commodities are referred to as logistics. Supply management, bulk and shipping packaging, temperature control, security, fleet management, delivery routing, shipment tracking, and warehousing are a few of the tasks and procedures included in logistics. Logistics might perhaps be best understood as physical distribution.

In logistics, order fulfilment through all distribution channels is the main goal of the distribution management system. A product or service flows through a chain of agents and organizations called a distribution channel as it travels from its point of origin to a consumer.

E-commerce sites, wholesalers, retailers, and third-party or independent distributors are a few examples of distribution channels. Among the tasks and procedures that make up distribution are order fulfilment, consumer or commercial packaging, and

9.1 Logistics Management

Planning, managing, and implementing processes to move and store items are all parts of logistics management, which is the governance of supply chain management functions.

Transportation management, fleet management, warehousing, material handling, order fulfilment, logistics network design, inventory control, supply/demand planning, and administration of third-party logistics service providers are a few examples of logistics management tasks.

Marketing logistics is the process of distribution of goods and services from the manufacturers to the final consumers that ensures the availability of the right product at the right price, time, and place".

Functions of Logistics Management

Logistics relates more to the overall planning, whereas distribution is more related to the physical movement of goods from the producer to the user, whereas Physical Distribution is a broader concept that includes movement; both inbound and outbound movement whereas business logistics involves both physical supply and physical distribution.

Principal Purposes of Logistics Management include; Order processing, material handling, inventory control, warehouse management, transportation, packaging, and labelling, as well as information and control.

Third Party Logistics

Third-party logistics, or 3PL, is also known as fulfillment warehouse or fulfillment center. Companies that provide 3PL services offer many services. A third-party logistics company acts as an eCommerce fulfillment company.

It provides all the services you need to outsource your logistics operations. Some are equipped for cold storage. These warehouses can store and ship food products that need to be refrigerated or frozen. Other 3PL companies are prepared to store and ship hazardous materials.

They include the following main services

- Warehousing
- Inventory management
- Shipping and receiving
- Full Truckload and Less than Truckload freight shipping
- Picking and packing
- Kitting and customization
- Reverse logistics (returns)

9.2 Physical Distribution

"Physical distribution involves planning, implementing and controlling the physical flow of materials and final goods from the point of origin of use to meet consumer needs at a profit."

Philip Kotler

Physical distribution refers to the movement of finished goods from a company's distribution and fulfillment network to the end user. It is defined as the process of physical movement of goods from the producer to the consumer.

It is an important marketing function that describes marketing activities which involve the flow of raw materials from the suppliers to the manufacturers for production. It also involves the movement of finished goods from production to the final user.

Components of Physical Distribution

The following are the different components of Physical Distribution.

Order Processing

Order processing is the beginning point of any distribution activity. The functions involved in order processing are receiving order, handling the received order, granting of credit for the item ordered, generating invoice, dispatching of order and collecting the bills.

Companies should make an effort to reduce the order cycle time which is the time between placing an order by the customer and delivery of the goods at the customer's place.

Storage

Storage deals with the keeping of goods in proper condition till the time it is delivered to the customer. Goods that may face shortage and cannot be generally made available throughout the year need to be stored.

Warehousing

Warehouses perform an important function. They act as centers of storage and by providing the functionality it helps businesses meet the demands of customers. A firm can have its own network of warehouses or share space with others in third party operated warehouses.

Inventory Control

Inventory control means managing goods that are stored in the warehouses.Companies need to maintain adequate levels of inventory in order to ensure uninterrupted fulfillment of orders.The level of inventory needs to be optimal.

It should be optimal; neither too less nor too more, as less inventory results in out-of-stock goods, lost business and unhappy customers, while a high level of inventory requires huge investment.

Material Handling

Material handling refers to handling of material in a manner that leads to minimizing the wastage of goods during transport, reduces unwanted movement of goods, facilitates a quick order processing and ensures an efficient movement of goods.

Transportation

Transportation is a very essential component of physical distribution which plays a crucial role in movement of the stored goods from warehouse to the customers. The process of transporting includes loading and unloading of goods and their movement from one place to another.

The modes of transportation that are adopted by the businesses are road, railways, airways, water transport and pipelines. The choice of the mode of transportation depends on the type of goods being transported, their availability, reliability and the level of safety offered by the mode.

Factors Considered in Transportation

Cost of Service

It is important to always keep in mind that transportation costs contribute toward the price of the items. Rail transportation is, in comparison, a less expensive means of transportation for moving large and heavy loads over long distances. Small traffic over short distances is best handled and most cost-effectively transported by motor vehicles. Motor transport reduces the cost of handling and packing.

Transport Speed

Air travel is the fastest means of transportation, but it is also the most expensive. Over short distances, automobile transportation is faster than railroads. The fastest means of transportation for great distances, aside from air travel, is the railroad because it travels at a faster rate. Since water transport is so slow, it is inappropriate when speed is a key consideration.

Adaptability

Railways, water and air transport are inflexible modes of transport. They operate services on fixed routes and at pre-planned time schedules. The goods have to be carried to the stations, ports and airports and then taken from there. Motor transport provides the most flexible service because it is not tied to fixed routes or time schedules. It can operate at any time and can reach the business premises for loading and unloading.

Regularity of Service

Railway service is more certain, uniform and regular as compared to any other mode of transport. It is not much affected by weather conditions. On the other hand, motor transport, ocean transport and air transport are affected by bad weather such as heavy rains, snow, fog, storms etc.

Safety

The choice of an appropriate mode of transportation is also influenced by the safety and security of the products in route. Due to the generally lower losses in automobile transportation, it may be preferable over railway transportation. Sea shipping is viewed as a last resort from a safety perspective because it exposes the items to the dangers of the sea.

Commodity Nature:

Rail transportation is best suited for moving large, bulky, and inexpensive products. When considering cost and distance, perishable commodities that need speedy delivery can be transported by air or by road.

9.3 Marketing Channels

A marketing channel is a system that facilitates the distribution of the product from the producer to the consumers by passing it through multiple levels. This is also said a channel of distribution. This is an imperative tool for the management and is essential for developing a product and developing a strategic marketing strategy.

A distribution channel consists of a chain of businesses or intermediaries through which the final buyer purchases a good or service. These channels can be short or long, and depend on the number of intermediaries required to deliver a product or service.

Roles performed by channels

The following roles are performed by marketing channels.

- Information - Provide information about the market to the manufacturer.
- Price Stability - Help in maintain price stability in the market.
- Promotion - Assist in promoting the product.
- Financing – They may provide the necessary working capital, in the form of advance payments for goods and services.
- Title – They take the title to the goods, services, and trade. This helps in sharing of the risks between the manufacturer and the middleman.
- Brand Building – Share brand building activities.
- Physical Flow
- Title/Payment Flow
- Information Flow
- Promotion Flow

9.4 Type and Nature of Middlemen

A middleman acts as an intermediary in a supply or transaction chain, promoting communication between the parties concerned. Middlemen are experts in carrying out critical tasks related to the purchase and sale of goods as they go from producers to final consumers. They can be classified as follows:

Merchant Middlemen

These are the intermediaries who take title to the goods and services and resell them. We know them as dealers, wholesalers, and retailers. These middlemen get margins and bonuses as compensation. They share the risk with manufacturers, when they take title and physical possession of the goods.

Agents

These are intermediaries who do not take title to the goods and services. They do not share risk with the manufacturers, but help in identifying potential customers and even in negotiations. The typical example is that of C&F agents, brokers, and jobbers.

Facilitators

These are businesses that facilitate the flow of goods and services from the producer to the customer without taking a title to them or negotiating for them on behalf of the producer. Transport companies, banks, and independent warehouses are examples of these institutions.

Case Study: How HUL enabled small retailers to take the digital leap

Hindustan Unilever Limited (HUL) debuted its online ordering system, Shikhar, on December 8, 2020. The country's 3,00,000 stores immediately turned to it as a source of goods, increasing from just under a million the year before.

Instead of having to wait for a salesman from HUL to come and accept orders at the mom-and-pop shops that sold HUL items, customers could place orders using the Shikhar app. By collaborating with the State Bank of India (SBI), HUL made it possible for retailers that downloaded the app to use an overdraft facility in difficult circumstances.

Increasing the number of merchants using its platform is a problem, as is making ensuring that this digital inclusion of important channel partners is used to increase the company's competitiveness.

https://bloncampus.thehindubusinessline.com/case-studies/how-hul-enabled-small-retailers-to-take-the-digital-leap/article34812609.ece

9.5 Factors Influencing Distribution Decisions

The following factors effect distribution decisions of a company.

Size of the Market

The larger the market size, the more economical it is to indirectly serve the market and hence the longer the channel. Smaller the market, smaller the channel.

Environmental Characteristics

Government policy, regulations, provisions, technological and infrastructure developments affect distribution decisions in the firm.

Order Lot Size

If the average order lot size is small, it is feasible to have a longer channel than when the order is in bulk.

Service Requirements

If the product and the market require a high level of service, a one level channel is better.

Product Variety

The more the manufacturer wants variety to be made available in the market, wide product range with complementary products to be available, the demand lies for a wider channel of distribution.

Market Characteristics

If the customer demands a higher service company has to make sure that the channel members are capable enough. For Example: Electronics.

Company Characteristics

The channel design is influenced by the company's vision, objectives, financial resources, manufacturing capacity, marketing mix.

Middleman Characteristics

The intent towards service, promotion and handling negotiations, storage, and credit.

Intensity of Competition

The nature and intensity of competition in the industry will determine the distribution pattern adopted by a firm.

Perceived Risk

The more the risk involved (Jewellery) the shorter the channel.

Product Characteristics

Nature of the product also determines the channel.

Example:product is perishable in nature (eggs, milk), direct distribution or a shorter channel is advisable

Product is standardized/non standardized(direct distribution needed in case of non-standardization.

product volume- Heavier products need direct channels.

9.6 Responsibilities of Intermediaries

The product is promoted by marketing intermediaries through marketing channels, which strengthens consumer interactions and ultimately raises brand loyalty and recognition. The success or failure of a product can be influenced by the formulation of a marketing strategy, promotion, and packaging.

Intermediaries' purpose and responsibilities in market linkages

- Find new market and production opportunities.
- Make sure the project is viable.
- Specify the business and the smallholders.
- Partner introductions, advice, and training.
- Assist in contract and price negotiations.
- When required, use mediation between the company and the customers.
- Follow developments in business.

9.7 Identifying Major Distribution Alternatives

There are different types of distribution alternatives available within a company.Each channel alternative needs to be evaluated against economic, control and adaptive criteria.

Major Distribution Alternatives

The following are the different alternatives that are available:

Intensive Distribution

This alternative involves all the possible outlets that can be used to distribute the product. This is useful in products like soft drinks where distribution is a key success factor. For example; soft drink firms distribute their brands through multiple outlets to ensure their easy availability to the customer.

Selective Distribution

Selective distribution involves a producer using a limited number of outlets in a geographical area to sell products.The firm selects some outlets to distribute its products.

Exclusive Distribution

Exclusive distribution is an extreme form of selective distribution in which only one wholesaler, retailer or distributor is used in a specific geographical area.By granting exclusive distribution rights, the manufacturer hopes to have control over the price, promotion, credit and service policies.

The different types of channel systems have been discussed as under.

Vertical Marketing System

A vertical marketing system is the type of cooperation between the members of a distribution channel. It includes a producer, a wholesaler, and a retailer collaborating in order to deliver necessary products to their customers and achieve better efficiency and economies of scale.

Types of Vertical Marketing System

The following are the types of a Vertical Marketing System:

Corporate - This type involves a single company that has ownership over all stages of the supply chain. For example: Amway

Contractual - In this system, every member of the distribution channel performs as an independent entity. They integrate their pursuits to achieve higher efficiency and obtain value for all companies involved in the process. For example: Dominos, and McDonald's

Administered - The activities of companies involved in the production and distribution channel are affected by the size and power of one of them, although there's no contract. Simply put, a large company that has the most influence dominates the activities of others. For example: Procter & Gamble. This consumer goods corporation seeks high co-ordination from its channels.

Horizontal Marketing System

This is a form of distribution channel wherein two or more companies at the same level unrelated to each other come together to gain the economies of scale.The collaboration can be between:

Two or more Manufacturers - With an objective of making optimum utilization of scarce resources.

Two or more Wholesalers - With the objective of covering a larger area of the distribution of goods and services.

Two or more Retailers - With the objective of providing bulk quantities in a particular area.

Example:Nike and Apple have entered into a partnership, with the intent to have a Nike+ footwear in which the iPod can be connected with these shoes that will play music along with the display of information about time, distance covered, calories burned and heart pace on the screen.

Multi-channel Marketing System

Multichannel marketing refers to the practice by which companies interact with customers via multiple channels, both direct and indirect, to sell them goods and services.

Example: A major tire manufacturer may begin selling its tires through mass merchandisers, much to the dismay of its independent tire dealers.

9.8 Channel Management

Conflicts may arise between channels and they have to be duly resolved. There are four types of conflict that may exist:

Vertical Level Conflict

In the vertical level conflict, the channel partner belonging to a higher level enters into a dispute with the channel member of a lower level or vice-versa.For instance, channel conflict between dealers and retailers or wholesalers and retailers.

Horizontal Level Conflict

The conflict among the channel partners belonging to the same level, i.e., issues between two or more stockists of different territories, on the grounds of pricing or manufacturer's biases, is termed as horizontal level conflict.

Inter-type Channel Conflict

These type of conflicts commonly arise in scrambled merchandising, where the large retailers go out of their way to enter a product line different from their usual product range, to challenge the small and concentrated retailers.

Multi-channel Level Conflict

When the manufacturer uses multiple channels for selling the products, multi-channel level conflict may exist where the channel partners involved in a particular distribution channel may face problems with each other.

Case Study: Apple Channel Conflict

Back in 2007, Apple, with the popularity of its iPhone, iPod and computers, was experiencing tremendous growth. The number of retail outlets were increasing at a rate of 33% yearly.

The problem was that it was driving customers toward the Apple stores and away from the establishments that sold Apple products. This caused channel conflict.

Some of those store owners were unhappy. "It's adversarial," said the owner of a store that offered Apple products. "Apple would like to sell everything themselves.

They keep opening more and more retail locations. They want to drive business to their own stores. They offer deals there that they don't extend to (the channel.) Every time they open another store, they are potentially putting a solution provider out of business."

https://www.logicbay.com/blog/companies-who-faced-channel-conflict-and-won-one-who-didn-t

Causes of Channel Conflict

- Management of Conflict
- Mediation
- Co-potation
- Dealer Councils and Trade Associations
- Set supreme goals, align other goals with this goal
- Regular Communication
- Legal Procedure
- Fair Terms

9.9 Motivating Channels

Around 20% of channel partners have a positive bearing on company profits. As a marketer, one has to prepare a particular strategy to motivate channel partners to work together to develop and deliver your product well to consumers. The following initiatives can be undertaken:

This strategy can be started by creating an incentive program. Programs that are appropriately implemented and designed to meet distributor needs can produce salespeople.

Make adaptable programmes. Offer a range of incentives that are based on your research on channel partners and are specifically suited to their needs.

Appreciate a positive outlook. Consider and value the time and effort your channel partners invest in distributing your items.

Give instruction for specific skill increases. Think about offering brand awareness training, getting certified, or going to trade shows and seminars where you may get the most recent distribution and supply chain information.

You should reward your channel partners in a variety of ways, always taking their performance into account. This variation can encourage healthy competition by rewarding effort while also encouraging channel partners to compete for the best performance and the best rewards.

Get to know your channel partners better and develop enduring bonds with them. Find out what they frequently complain about and see if other channel partners experience it more frequently. If so, you can create a comprehensive solution to the issue.

Distributors typically have issues with packing and storage duration. Design your items to be portable and to have a long shelf life to prevent early deterioration in distributor warehouses.

9.10 Retailing

A conclusive set of activities or steps used to sell a product or a service to consumers for their personal or family use. Retailing is a distribution process that includes all the actions necessary to sell goods directly to the customer (the person who will use the product). It includes the sale of products and services from a point of sale to the final consumer who will use the product.

The definition of retailing goes as under:

"Retailing includes all activities directly related to sales of goods or services to the ultimate consumer for personal and a non-business use"

W.J. Stanton

Growth in Retailing

There are many reasons that have accounted for a growth in the retail sector.

Retailing Formats

Store Retailing

To draw a large number of customers, department stores are the ideal type of store retailing. The other store retailing categories include drug stores, superstores, discount stores, extreme value stores, catalogue showrooms, and specialty shops. Different store sellers use various pricing and competition strategies.

Non-store Retailing

As the name implies, non-store retailing is the practice of selling goods outside of traditional brick-and-mortar stores or shops. It is categorized as follows:

Direct channels

These are used by the business in direct marketing to reach and provide items to customers. It covers telemarketing, online shopping, catalogue marketing, direct mail marketing, etc.

Direct selling

This is also known as multilevel marketing and network marketing, entails door-to-door sales or in-home sales events. Here, throughout this procedure, a salesperson from the company visits the host's home, where friends have been invited, to present the items and accept orders.

Automatic vending

Vending machines are typically found in workplaces such as offices, factories, petrol stations, major retail establishments, restaurants, etc. They offer a variety of products, including impulsive purchases like coffee, sweets, newspapers, soft drinks, etc.

Purchasing service

The retail business caters to a large group of customers, such as company employees who are permitted to purchase items from particular merchants in return for membership discounts.

Retail and Technology

Retailers are using technology for carrying out their business operations, conducting research, enhancing consumer shopping experiences, creating good service encounters and developing social media strategies. These are the latest technologies that are being adopted.

- Gesture Recognition

- Touch Screen
- Window Glass Display
- Touch Kiosks
- Body scanners

Figure 1: Virtual Mirrors

Marketing Decisions Taken by Retailers

Marketing decisions may revolve around the pre-purchase services, post-purchase services and ancillary services. Other decisions that may need evaluation may be where to locate, analysis of the market in terms of industry, product, and competitors, understanding the demographics of the target market, evaluation of the market potential, assessing the customer demand, knowledge of product, density of population.

9.11 Wholesaling

Wholesaling is the act of buying large quantities of items from a manufacturer and reselling them to merchants, who subsequently sell them to consumers.Wholesaling includes all the activities in selling goods or services to those who buy for resale or business use.

It is a regular occurrence in industries such as banking and finance, telecommunications, and energy, in addition to physical product distribution.In some cases, producers and service providers can be wholesalers.

Types of wholesalers

The following types of wholesalers are there:

Merchant Wholesalers

The wholesaler buys vast quantities of products from the producer, takes ownership of them, stockpiles them, and sells them to anyone other than the consumer. They work independently and are mainly of two types:

Full-Service Wholesalers

They provide a wide range of services, from inventorying to delivering products to retailers. They also assist with credit and management issues and provide complete customer support to retailers. The most prevalent types of them are wholesale and industrial merchants:

Limited-Service Wholesalers

These wholesalers store products in a small place, operate on a smaller scale, and provide fewer services to manufacturers, suppliers, and end-users.

Merchandise Agents or Brokers

Merchandise agents are wholesalers who purchase products from various producers to resell them. They do not, however, take possession of the goods. Instead, they assist with their storage and display. These brokers act as a negotiation link between the manufacturer and the retailer.

Mini Offices and Branches

The manufacturer sets up a new branch or opens a mini-office to take part in the wholesale process. These branches or offices directly take purchase orders and sell items to retailers. They focus on inventory management, advertising, and sales, with a specific geographic region in the mind.

Specialized

These wholesalers specialize in a specific product or commodity and are well-versed in its benefits and drawbacks.

Wholesaling vs Retailing

Wholesaling and retailing, both are essential for a supply chain to function. A wholesaler focuses on maintaining partnerships with retailers and manufacturers and serves as a conduit between them.Retailers do not contact company officials directly in cases of product shortages, supply concerns, price rises, discount offers, or complaints. Instead, they go to the wholesaler.

Summary

- Supply management, bulk and shipping packaging, temperature control, security, fleet management, delivery routing, shipment tracking, and warehousing are a few of the tasks and procedures included in logistics.
- Planning, managing, and implementing processes to move and store items are all parts of logistics management, which is the governance of supply chain management functions.
- Principal Purposes of Logistics Management include; Order processing, material handling, inventory control, warehouse management, transportation, packaging, and labelling, as well as information and control.
- A distribution channel consists of a chain of businesses or intermediaries through which the final buyer purchases a good or service.
- A middleman acts as an intermediary in a supply or transaction chain, promoting communication between the parties concerned.
- There are different types of distribution alternatives available within a company.
- Each channel alternative needs to be evaluated against economic, control and adaptive criteria.
- Retailers are using technology for carrying out their business operations, conducting research, enhancing consumer shopping experiences, creating good service encounters and developing social media strategies. These are the latest technologies that are being adopted.
- Wholesaling and retailing, both are essential for a supply chain to function. A wholesaler focuses on maintaining partnerships with retailers and manufacturers and serves as a conduit between them.

Keywords

Consumer Behavior:Consumer buying behavior refers to the study of customers and how they behave while deciding to buy a product that fulfills their needs.

Third-Party logistics:This is also known as fulfillment warehouse or fulfillment center. Companies that provide 3PL services offer many services.

Physical Distribution:This refers to the movement of finished goods from a company's distribution and fulfillment network to the end user. It is defined as the process of physical movement of goods from the producer to the consumer.

MarketingChannel:This is a system that facilitates the distribution of the product from the producer to the consumers by passing it through multiple levels.

Merchant Middlemen:These are the intermediaries who take title to the goods and services and resell them. We know them as dealers, wholesalers, and retailers.

Agents: These are intermediaries who do not take title to the goods and services.

Facilitators: These are businesses that facilitate the flow of goods and services from the producer to the customer without taking a title to them or negotiating for them on behalf of the producer.

SelfAssessment

1. The modes of transportation that are adopted by the businesses are road, railways, airways, water transport and pipelines:

A. Road

B. Railways

C. Air

D. All of the above.

2. These are the intermediaries who take title to the goods and services and resell them.We know them as dealers, wholesalers, and retailers.

A. Agents

B. Facilitators

C. Merchant Middlemen

D. None of the above.

3. This is a form of distribution channel wherein two or more companies at the same level unrelated to each other come together to gain the economies of scale.

A. Vertical

B. Horizontal

C. Combined

D. Multichannel

4. Around _____ % of channel partners have a positive bearing on company profits.

A. 10

B. 20

C. 30

D. 60

5. _______ is the act of buying large quantities of items from a manufacturer and reselling them to merchants, who subsequently sell them to consumers.

A. Retailing

B. Wholesaling

C. Manufacturing

D. None of the above

6. _________is the process of distribution of goods and services from the manufacturers to the final consumers

7. _________is the beginning point of any distribution activity.

8. _________involves a producer using a limited number of outlets in a geographical area to sell products.
9. A _________is the type of cooperation between the members of a distribution channel.
10. ________ are typically found in workplaces such as offices, factories, petrol stations, major retail establishments, restaurants, etc.

11. Inventory control means managing goods that are stored in the warehouses.

A. True
B. False

12. Store retailing is the practice of selling goods outside of traditional brick-and-mortar stores or shops.

A. True
B. False

13. Retailing is a distribution process that includes all the actions necessary to sell goods directly to the customer

A. True
B. False

14. The conflict among the channel partners belonging to the same level is horizontal conflict.

A. True
B. False

15. Government policy, regulations, provisions, technological and infrastructure developments affect distribution decisions in the firm do not affect its distribution decisions.

A. True
B. False

Answers for Self Assessment

1.	D	2.	C	3.	B	4.	B	5.	B
6.	Marketing Logistics	7.	Order Processing	8.	Selective Distribution	9.	Vertical Marketing System	10.	Vending machines
11.	A	12.	B	13.	A	14.	A	15.	B

Review Questions

1. Explain the concept of marketing logistics and outline the elements of logistic management?
2. What are marketing channels? Describe their roles and responsibilities of marketing channels,
3. Explain how channel partners can be managed?

4. What is retailing? What are the different formats in retail?
5. What is wholesaling? What are the different types of wholesalers?
6. Identify how Walmart takes different decisions on its merchandise, location and channel management?

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Unit 10: Integrated Marketing Communication

CONTENTS

Objectives

After studying this unit, you will be able to:

- Describe the importance of sales promotion,
- Explain the objectives of sales promotion,
- Describe the role of advertising in brand building,
- Understand how advertisement is used as a tool of communication by the marketers,
- Demonstrate the tools for measuring advertising effectiveness,
- Understand the significance of maintaining public relations,
- Describe the tools of public relations,
- Understand evolution and definition of sales management,
- Describe the importance of sales management,
- Understand the selling theories,
- Understand the concept of personal selling,
- Comprehend the prerequisites of successful personal selling,
- Understand the concept of direct marketing,
- Analyse how digital marketing strategies are being used by companies.

Introduction

The practice of professional communication has become extremely complex, in part because to technology, social media, and the necessity to engage with audiences throughout the world, but also because different audiences have varied definitions of what "communication" implies.

The tasks and responsibilities of modern communicators are frequently unclear due to the substantial crossover among the numerous components of communication. As a result, it can be difficult for audiences, clients, and communicators to grasp the many communication roles and how they work.

10.1 Sales Promotion

In a sales promotion, a company will utilize brief-term campaigns to generate interest in and demand for a product, service, or other offers. Sales promotions are mostly used to spur an increase in short-term purchases or to persuade consumers to make purchases in order to meet a benchmark or objective.

A sales promotion is a marketing strategy where a business will use short-term campaigns to instigate interest and create demand for a product, service or other offers. These are used to motivate buying behavior or trigger an uptick in purchases in the short term.

Although an increase in sales is a sales promotion's primary goal, developing a planned sales promotion approach with your marketing team has many other advantages. Sales promotions are mostly used to spur an increase in short-term purchases or to persuade consumers to make purchases in order to meet a benchmark or objective.

Definition of Sales Promotion

"Those marketing activities, other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealing effectiveness, such as displays, shows and exhibitions, demonstration and various non- recurrent efforts not in the ordinary routine are known as sales promotion."

American marketing Association

Importance of Sales Promotion

Sales promotion may provide importance to all both the customers as well as the marketers. It acts as a powerful tool of competition.

Benefits to Customers

For the customers the benefits may be the following:

- Facilitates product knowledge (demonstrations and training).
- Availability of product at reduced prices.
- Develops a confidence to take a better decision towards the purchases of products.

Benefits to Company

- Rise of brand loyalty and excitement
- Increased revenue and sales
- Insightful knowledge about consumer behaviour and price sensitivity.
- Using sales promotions strategically can serve a range of business objectives and keep your current audience interested in your offers.
- Sales of seasonal products.
- Provides various facilities and assistance to the middlemen, such as assistance to marketing research, providing with display materials.

Types of Sales Promotion

There are different types of sales promotion incentives that are undertaken by companies.Depending upon the objective of the company, the mode of sales promotion may differ.

Three basic categories of sales promotion exist:

Trade sales promotions

These are often referred to as dealer sales promotions, are aimed at distributors and dealers in order to enhance their volume of purchases and level of interest. The overall concept and consequently the techniques used to carry out campaigns to promote trade sales are identical to those directed at customers.

Common instances include the following:

- Wholesalers receive trade discounts when they purchase a particular quantity of items.
- Distributed promotional materials for dealers and sub-dealers to display in their stores. Fridges, banners, boards, and retail signs are a few examples.
- Gifts given to traders or sales representatives to motivate them to increase trade volume.
- Displays in shows and fairs.

Customer Sales Promotions

These are intended to encourage consumers to make more impulsive purchases. These campaigns have the same fundamental ideas. You can be as inventive as you like when creating and implementing sales promotion programmes, though.

1. Coupons: These are a fantastic method to keep your present clients interested in your business. Offers for coupons can be found online, by email, by mail, or in printed form. They often give a predetermined discount up until the expiration date.

2. Discounts: These are available in a wide variety of forms and shapes. For instance, lifestyle discounts tailored to particular professions (teachers, lawyers, students, nurses, etc).

3. Bundles: A collection of various goods that are offered together for a set price that is less than the total cost of each good separately.

4. Flash sales: These are brief periods of time when a product is discounted.

5. Contests: They are widespread on social media sites today, particularly Instagram. By encouraging your present clients to spread the word about your business in order to win the competition or prize, you can attract new clients.

6. Samples: These are distributed to encourage customers to consider purchasing a product they had not intended to. Additionally, it's a successful approach to launch new goods onto the market. It might be challenging to convince customers to pay for a product they haven't used or even heard of.

7. Point-of-purchase: These displays are designed to catch customers' attention in a store so they will buy something. For instance, a company can set up a custom stand at a grocery store to advertise a certain product.

8.Cashback, refunds, and rebates: They boost customer loyalty. They receive all or a portion of their original investment back as credit for use on future purchases.

Promotion as per Product Life Cycle Stage

Promotion may differ as per the Product life cycle stage.

Introduction Stage

Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product. It is wise to use heavy promotion to induce trials and promote brand franchise.

Growth Stage

Increased promotion to build brand preference. Not much promotion is needed. However, products that struggled at launch may still be promoted in early growth stages to provide a spark to sales.

Maturity Stage

Higher promotions are required since the brand is under attack from competitors or product quality or advertising effectiveness is tapering off. Emphasis to be made on differentiation and building of brand loyalty. Also focusing on Incentives to get competitors' customers to switch.

Decline Stage

Heavy promotions: They should be used only to retain a set of loyal customers. Prior to withdrawal of the product, it could be used as a onetime stock clearance from the trade. Expenditures are lower and aimed at reinforcing the brand image for continued products.

Sales promotions possibly instill a price orientation in customers, they can also serve to counter your ongoing investment in brand development or management. Over time, companies invest in advertising to build and maintain a brand image.

For new products, services or experiences, companies offer free product samples. These are among the best promotional activities to get a prospect interested. Advertising has a central role to play in developing a brand image. It informs consumers of the functional capabilities of the brand while simultaneously inspiring the brand with symbolic values and meanings relevant to the consumer. Repetition of the company's message creates a familiarity with the brand.

10.2 Advertising

Advertising is a marketing communication that employs an openly sponsored, non-personal message to promote or sell a product, service or an idea.

William J. Stanton

Advertising Agencies

All large number of advertisers depends on advertising agencies to develop the campaign, smaller advertisers, have to depend on their own internal resources or take the services of agencies. It is necessary to understand the decision-making process in these organizations, as the controlling influence of government and competition, for this will affect the quality of the advertising campaign.

These agencies can be Local/Global and they usually perform the roles of advertisement copy development and marketing research. Media executives, Creative executives are a part of the agencies.

They usually charge a fee involving a 15% commission from the media in which advertisements are placed. Non-commissionable services like brochure development and printing, agencies usually mark up the supplier's invoice cost.

Media

Media refers to:

- Daily newspapers, magazines, technical journals (called print media).
- Hoardings, billboards, neon signs (called outdoor media).
- Cinema, television, video, cable TV, and radio (called electronic media).

Institutional Framework for Advertising

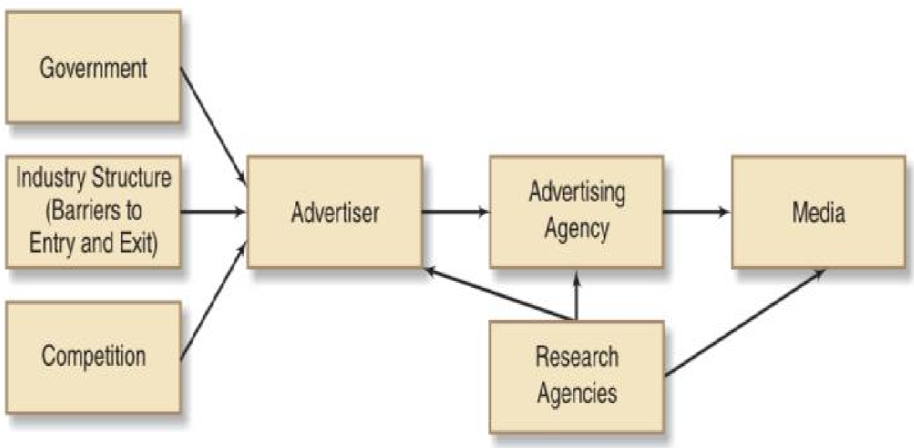


Figure 1:Institutional Framework for Advertising

Advertising Objectives

Trial

This goal is typically pursued by businesses that are just getting started. The trial's goal is to persuade clients to purchase the newly released product from the market. Here, the advertisers employ eye-catching and alluring advertisements to entice clients to check out the products and make purchases for trials.

Continuity

This goal focuses on retaining current clients and encouraging them to continue using the product. In order to maintain attracting new customers and retaining the ones they already have, the advertising around here frequently introduce new products and advertisements.

Brand Switching

This goal primarily pertains to businesses that wish to draw in clients from rival businesses.

AIDA Model

The AIDA Model, which stands for Attention, Interest, Desire, and Action, is a model for the advertising effect that outlines the steps a person takes while making a purchase of a good or service. The AIDA model is frequently employed in public relations efforts, sales techniques, and digital marketing initiatives.

DAGMAR Model

The DAGMAR model defines the four steps of an effective advertising campaign as causing awareness, comprehension, conviction, and action.The model stresses defining the segment of the market that the campaign seeks to reach. DAGMAR also requires an evaluation of the campaign's success against a pre-set benchmark.

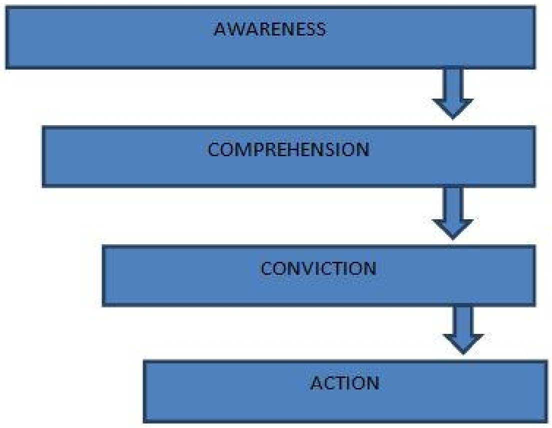


Figure 2: DAGMAR Model

Cause awareness, comprehension, conviction, and action are the four components of a good advertising campaign according to the DAGMAR model. The campaign's target market segment must be clearly identified, according to the model. DAGMAR calls for a comparison of the campaign's performance to a predetermined standard.

Awareness

Awareness on its own is not sufficient to stimulate a purchase. Information and understanding about the product and the organization are essential. This can be achieved by providing information about the brand features.

Comprehension

Information and understanding about the product and the organization are essential. This can be achieved by providing information about the brand features.

Conviction

Conviction is the next step where the customer evaluates different products and plans to buy the product. The customers are convinced regarding a certain product. At this step, the job of the advertising activity is to mould the audience's beliefs and persuade them to buy it.

Action

This is the final step which involves the final purchase of the product. The objective is to motivate the customer to buy the product.

Advertising Budget

An advertising budget is an amount set aside by a company planned for the promotion of its goods and services. Promotional activities include conducting a market survey, getting creatives designed and printed, running ad campaigns etc.

Approaches to Decide Budget

Percentage of Sales

Under this method, the advertising budget is set as a percentage of either the past sales or expected future sales. Small businesses usually use this method.

Competitive Parity

This method advocates that a company sets an advertising budget similar to the one that is set up by its competitors to yield similar results.

Objective and Task

This method is based on the advertising objectives. Once the objectives are decided, the cost is estimated to complete those objectives, and accordingly, a marketing budget is set.

Market Share

In this method, the advertising budget is based on the market share of a company. For a higher market share, less marketing budget is set.

All available Funds

All available profits are allocated towards advertising activities.This method can be used by start-up businesses that need advertisements to attract customers.

Unit Sales

Under this method, the cost of advertisement per article is calculated and it is set based on the total number of articles.

Affordable

As the name suggested, the company sets its budget based on how much it can afford to spend.

Copy Testing

Prior to launching a campaign, it is necessary to test the advertising copy with the target audience. The purpose of testing the copy, is to know how the potential buyers or target audience will react.Testing a copy, before and after the campaign, helps in ensuring effectiveness of advertising.We can gauge how audiences will react to a campaign.Recognition and recall tests are conducted.The copy is tested on level of persuasiveness.

Recognition Tests

This suggest involves the buyer being able to recognize an advertisement as belonging to a brand or a firm and/or as one that he or she has seen earlier.

Recall Tests

This refers to the proportion of the target audience that can recall an advertisement and its contents. There are two types of recalls; unaided and aided.

Methods for testing print copies are

Direct rating method which asks consumers to rate alternative advertisements on attractiveness, believability, and exclusivity. Laboratory tests using equipment to measure the consumer's psychological reactions to an advertisement.

Media Selection

In this the following things are decided; Media Class: Type of medium, which is most appropriative to the product and copy (TV, radio, newspapers). Media Vehicles: Provide the immediate environment for the advertisement (A news program, Times of India). Media Option: Refers to the size (full or half page), length (30 or 60 seconds), color or location (like front page, bottom right, or prime time 9.00 p.m.) of the advertisement in the media vehicle.

Scheduling and Timing

Different options have to be taken into account:

Flighting: That is, periods of total inactivity.

Continuous:That is, even distribution of advertising during a time period.

Pulsing: That is, a continuous base augmented by intermittent bursts of heavy advertising.

Measurement of Advertising Effectiveness

Campaign effectiveness should be tested on the basis of the following:Creating brand awareness, knowledge level of the brand and preference for the brand.

10.3 Public Relations

In order to preserve a positive reputation and create mutually beneficial connections with the public communities, organizations, and individuals an organization serves, public relations (PR) are the process. Public relations do not buy attention or publicity, in contrast to advertising, which aims to shape consumers' perceptions in favor of the brand through paid communications.

Instead, PR aims to establish a positive reputation by highlighting the company's and its clients' newsworthy and attention-grabbing activities. PR is frequently referred to as "free advertising" because of this.

In actuality, PR is not a cost-free method of advertising. Paying wages to those in charge of overseeing and carrying out PR strategy is necessary. It also includes costs related to sponsorships, events, and other PR-related initiatives.

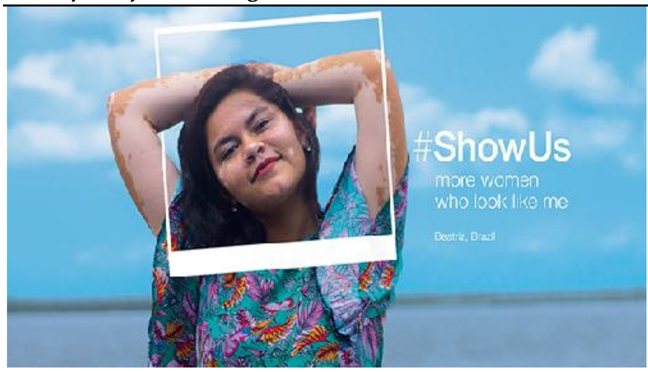
Purpose of Public Relations

Public relations work to promote businesses, goods, services, and brands in a similar way to advertising. However, PR initiatives also play a significant role in locating and cultivating connections with powerful people and organizations that have a say in how the public perceives an organization's sector or line of business.

Public relations campaigns aim to accomplish the following:

- Create and keep a positive reputation
- Inform target audiences about the advantages of a certain good, service, brand, or company.
- Keep in touch with influencers, those who have a significant impact on the thoughts of your target markets.
- raise the organization's profile to foster goodwill with consumers, the media, and other target audiences.
- Boost interest in a certain good, service, concept, or company.
- Stop negative or critical media coverage.

Project #ShowUs by Dove



Case Study: Project #ShowUs by Dove | Shattering Beauty Stereotypes

Project #ShowUs by Dove redefining how women are represented and setting a new standard for the authentic and diverse representation of women across the world.Dove is partnering with women & non-binary individuals everywhere to create Project #ShowUs, a collection of 10,000+ images that offer a more inclusive vision of beauty for all media & advertisers to use.

In partnership with the largest international stock photo distributor, Getty Images, and Girlgaze – a collective of female-identifying and non-binary photographers – Dove is building the world's largest stock photo library of its kind. The move builds on its commitment to share a more inclusive vision of beauty.

A year in the making, the collection – currently 5,000 images strong and continually growing – is created exclusively by women, female-identifying and non-binary individuals and is available now for the media and advertising industries to view, license and use.

"What's so important about this particular campaign is that we've been able to highlight and photograph women and girls all over the world who don't generally get seen," says Amanda de Cadenet, founder and CEO, Girlgaze.

https://campaignsoftheworld.com/digital/project-show-us-by-dove/

10.4 Sales Management

Sales function was focused on only selling before industrial revolution. Marketing function splits into sales and other functions like marketing research, advertising, physical distribution, and customer service.

It is the process of planning, directing, and controlling of personal selling, including recruiting, selecting, equipping, assigning, supervising, paying, and motivating the personal sales force. Initially, the term "sales management" referred only to the management of the sales personnel. Later, the term's meaning expanded to include more than only the control of personal selling.

In particular, sales management helps a company accomplish its marketing goals. Sales managers actually establish their personal selling goals and create personal selling policies and techniques.

This is the only function/department in a company that generates revenue/income.The financial results of a firm largely depend on the performance of the sales management. Many salespersons are among the best paid people in business. It is one of the fastest and surest routes to the top management through many positions.

The proper management of sales involves four main branches, all of which are interconnected:

Top Level Policy Planning, which sets a framework of policy within which a firm's or institution's sales targets may be attained, depending on the unique circumstances of each company.

Line and Staff Operational Planning, which establishes procedures in advance and allows for the control of work quality and quantity.

Organization, the establishment of a system of roles and regular relationships—charting the organization, distributing authority, identifying accountability, and defining the nature of collaboration.

Administration, which involves management directing and assessing activity, such as sales training, motivation, coordination, and execution.

Functions of a Sales Manager

- Senior level sales manager is a member of the strategic management team.
- Coordinates internally and externally.
- First level sales manager is a team leader, working with and managing sales people.
- Top managers have to play a part in the strategic planning.
- Coordinate internally within the company and externally with the stakeholders.
- First level sales manager has to co-ordinate with the team members and motivate the sales people.
- Managing multiple sales/marketing channels.
- Using technologies to build excellent buyer-seller relationships.
- Developing and maintaining customer relationship management systems.

Skills of a Successful Sales Manager

People skills - abilities to motivate, lead, communicate, coordinate, mentor.

Managing skills – abilities of planning, organizing, controlling and decision making.

Technical skills – abilities of training, selling, negotiating, problem-solving, and use of computers.

Selling Theories

The following are the theories of sales.

Stimulus Response Theory

The stimulus-response theory states that if the salesperson uses the right stimulus of appropriate strength, the prospect will respond the way the salesperson wants him to.This theory presumes a passive role of the prospect in the entire selling process. It is assumed that the prospect will follow the salesperson.Some of the stimuli that the salesperson has control over are the following:

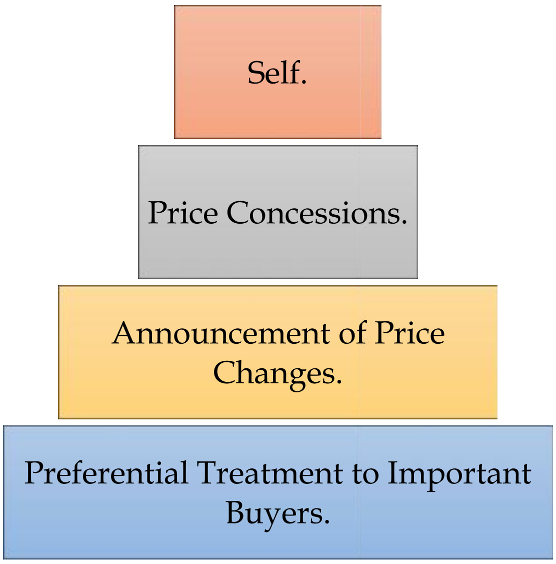


Figure 3: Stimulus Response Theory

Product Oriented Selling

This theory is based on the assumption that the buyer is not aware of new technological developments.The buyer is not aware of his or her needs. The salesperson has to make the prospect aware of these developments.

As new developments have to be explained, companies have to emphasise on presentation and explanation skills. If the salesperson is not able to relate the product or new product concepts to the buyer's situation, the salesperson has to face a price objection.

Need Satisfaction Theory

The need satisfaction theory is based on an interactive approach.This theory, is based on a win-win assumption. The theory states that the salesperson should make a thorough attempt to understand the need of the prospect before presenting a product.

This theory also says the salesperson should pro-actively listen to the buyer's objections.Unless the salespeople know their prospects' needs, they can never sell to or create or retain a satisfied customer.

Stages of the theory

Need Development – Probe, create a need.

Need Identification – Identify what is needed.

Need Satisfaction Stage – Present benefits of product to the prospect.

10.5 Personal Selling

Personal selling is oral communication with potential buyers of a product with the intention of making a sale. It is a face-to-face selling technique by which a salesperson uses his or her interpersonal skills to persuade a customer in buying a particular product.

Definition of Personal Selling

"Personal selling is the oral presentation in a conversation with one or more prospective purchases for the purpose of making sales, it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer."

American Marketing Association

Personal Selling Process

The following are the steps of a personal selling process.

Prospecting

Prospecting involves searching for and qualifying potential buyers or clients. At this stage, you determine whether your prospective customer has a particular need or want that your business can fulfill. This stage of the selling process often involves research to identify your ideal customers.

Pre-approach

Before making the first contact with your prospect, it is important to have all your information ready, such as product descriptions, prices, payment options, competitor rates and dates for specific sales. Knowing the prospects better can help build a better connection with them.

Approach

This involves approaching the customer.

Example: For instance, if you sell haircare products or services, you might ask:

Do you currently have a daily haircare routine?

Is there anything about your daily hair regimen that you're unhappy with?

Presentation

The presentation or demonstration needs to depict how the product or service can best fulfill the customer needs.The presentation might involve a tour, product demonstration, video presentation or other visual or hands-on experience.

Handling objections

Listening to the prospect's concerns and asking additional questions to better identify and understand their objections. A reframing of the sales pitch may be done in order to address the concerns of the prospect.

Closing

Closing the sale might involve the following:drafting a proposal, negotiating terms or pricing, signing contracts, completing a monetary transaction, overcoming additional concerns or objections. or billing for monthly memberships.

Follow-up

The follow-up, which takes place after the sale, is one of the most imperative steps in the selling process.The follow up has to be done rightly as it acts as a base for good relationship building.

10.6 Direct Marketing

Direct marketing is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman. Direct selling is a blanket term that encompasses a variety of business forms premised on person-to-person selling in locations other than a retail establishment, such as social media platforms or the home of the salesperson or prospective customer.

Direct marketing is a popularly used method of informing people about products and services. It is a method of contacting existing and potential customers personally, rather than having an indirect medium between the company and the consumers.

Market fragmentation, rise in computer technology, increased competition in all product market, changed customer lifestyles, globalization of markets, internet revolution has led to the rise of direct marketing. It is a two-way communication between the marketer and his/her target market and the response of the consumer can be measured.

Definition of Direct Marketing

"Direct marketing as using advertising to contact consumers who, in turn, purchase products without visiting a retail store."

William J. Stanton, et.al.

Features of Direct Marketing

No middlemen

In direct marketing system, selling and buying takes place, keeping direct contact between marketers and customers through different media. No middlemen are found and the customers can get goods at the cheapest price.

Customer oriented

In direct marketing, relationship between sellers and customers becomes strong. The sellers give emphasis on the wants, desires of each customer. It is one-to-one marketing.

Forms

The channels which help to conduct direct marketing are of different forms. They are direct mail, catalogue marketing, telemarketing, television marketing, Internet marketing, etc.

Direct channel

Marketing channel becomes direct in the case of direct marketing. No middlemen can be found. The producers themselves deliver products to the customers directly.

The Direct Marketing Model

It starts with the network marketing that is a business model that depends on person-to-person sales by independent representatives, often working from home. Multi-level marketing sales are undertaken and driven through a network of salespersons, through presentations or one-on-one settings in homes or businesses.

Example:Amazon does the work for you – matching your ads to shopping queries and products. For advertisers with more targeting experience, manual targeting gives you greater control over when and where your ads appear.

10.7 Digital Marketing

Digital marketing, also called online marketing, refers to all marketing efforts that occur on the internet leveraged by companies on channels such as search engines, social media, email, websites and multimedia to connect with current and prospective customers.

Importance of Digital Marketing

When audiences started using search engines and social media as their primary sources of information and connection, digital marketing really got started. Since then, the reach and significance of digital marketing have grown significantly.

As their target audiences migrate to search engines and social media, businesses are turning to digital platforms for their branding requirements. Businesses receive more trackable outcomes, leads, and eventually sales thanks to digital marketing.

Digital marketers have received more funding as a result of the growth in business, which has raised the number of positions in the field. As a result, the reach of digital marketing is expanding and changing constantly.

Digital Marketing modes

The following are the models of digital marketing.

Search engine optimization (SEO)

Companies create quality content that answers searchers' questions. They clean up their website's code and increase the page speed.They streamline their site's design and navigation to improve user experience (UX).They earn backlinks from reputable sites.

Pay-Per-Click (PPC) Advertising

With this a company can target people based on demographics, location, and even the type of devices they use. These targeting options make PPC a valuable component of successful digital marketing.

Web Design

To keep people interested and engaged on the company's site, companies build a website that showcases their brand image. Streamlining of their navigation is also done to improve the user experience and make it easier for leads to contact the company.

Content Marketing

Quality content is a key component of content marketing. It allows companies to target keywords related to your business and address searchers' questions.

Example:Coke's "Share A Coke" campaign gave everyone the opportunity to personalize their favorite drink. They took the most popular names around 150 in Australia and added them to the side of the bottles. people went crazy for it. Everyone was talking about Coke.

Social Media Marketing

This allows companies to run paid advertisements to target and reach the ideal customers. Social media effectiveness can also be generated and the followers can be made feel seen and valued.

Email Marketing

Email marketing involves sending custom information about products or services to potential customers.Companies can personalize emails based on subscribers' needs and interests and deliver the content that resonates with them.

Companies monitor key metrics associated with their campaigns. Keeping an eye on key performance indicators (KPIs), like conversion rates and cost per lead, help companies in improving their campaigns.

Summary

- A sales promotion is a marketing strategy where a business will use short-term campaigns to instigate interest and create demand for a product, service or other offers. PR aims to establish a positive reputation by highlighting the company's and its clients' newsworthy and attention-grabbing activities.
- Sales management helps a company accomplish its marketing goals. Sales managers actually establish their personal selling goals and create personal selling policies and techniques.
- The DAGMAR model defines the four steps of an effective advertising campaign as causing awareness, comprehension, conviction, and action.
- Personal selling is oral communication with potential buyers of a product with the intention of making a sale.
- Digital marketing, also called online marketing, refers to all marketing efforts that occur on the internet leveraged by companies on channels such as search engines, social media, email, websites and multimedia to connect with current and prospective customers.
- Email marketing involves sending custom information about products or services to potential customers.

Keywords

Sales Promotion: This is a marketing strategy where a business will use short-term campaigns to instigate interest and create demand for a product, service or other offers.

Advertising:This is a marketing communication that employs an openly sponsored, non-personal message to promote or sell a product, service or an idea.

Sales Management:It is the process of planning, directing, and controlling of personal selling, including recruiting, selecting, equipping, assigning, supervising, paying, and motivating the personal sales force.

Personal selling:This is oral communication with potential buyers of a product with the intention of making a sale. It is a face-to-face selling technique by which a salesperson uses his or her interpersonal skills to persuade a customer in buying a particular product.

Direct marketing; This is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman

SelfAssessment

1. ___________ refers to the use of communication with the twin objectives of informing potentialcustomers about product and persuading them to buy it.

A. Promotion
B. Promotion Mix
C. Advertising
D. Marketing Mix

2. __________ is referred to the short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.

A. Sales Promotion
B. Advertising Promotion
C. Sales Mix
D. Market Mix

3. Integrated marketing communications produces better communications ________ and greater ________ impact.
A. consistency; sales
B. sales; consistency
C. marketing; competitive
D. variety; production

4. While designing the communication, how to say it part is termed as
A. Creative strategy
B. Message source
C. Message strategy
D. None of the above

5. The ________ model defines the four steps of an effective advertising campaign as causing awareness, comprehension, conviction, and action.
A. ADV
B. DAGMAR
C. ACCA
D. AIDA

6. _________ involves searching for and qualifying potential buyers or clients.
7. _________ allows companies to target keywords related to your business and address searchers' questions.
8. ________ is oral communication with potential buyers of a product with the intention of making a sale.
9. An _________ is an amount set aside by a company planned for the promotion of its goods and services.
10. Companies monitor __________ associated with their campaigns.

11. Direct marketing is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman.
A. True
B. False

12. Public relations do not work to promote businesses, goods, services.
A. True
B. False

13. Prospecting involves approaching the customer.
A. True
B. False

14. The Product Oriented theory states that if the salesperson uses the right stimulus of appropriate strength, the prospect will respond the way the salesperson wants him to.
A. True
B. False

15. To keep people interested and engaged on the company's site, companies build a website that showcases their brand image.
   A. True
   B. False

Answers for Self Assessment

1.	A	2.	A	3.	A	4.	C	5.	B
6.	Prospecting	7.	Content Marketing	8.	Personal Selling	9.	Advertising Budget	10.	Key Metrics
11.	A	12.	B	13.	B	14.	B	15.	A

Review Questions

1. Discuss the role integrated marketing communications plays in relationship marketing. Give an example of a company, which is following the strategy of integrated marketing communication.
2. Discuss the role of direct marketing, sales promotion, and Internet in the integrated marketing communications program of a company.
3. Why is it imperative for marketers to understand various integrated marketing communications tools, not just the area in which they specialize?
4. Define the various tools for integrated marketing communications in brief giving their strengths and limitations.
5. Define The following: (i) Personal selling (ii) direct integrated.
6. Outline the various stages involved in the integrated marketing communication process.

Further Readings

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Unit 11: Customer Relationship Management

CONTENTS

Objectives

After studying this unit, you will be able to:

- understand the innovations adopted by companies to enter the markets and to retain the customers.
- describe value added marketing strategy.
- understand how companies develop marketing strategy models.
- understand how customer relationship management goals are defined by companies.
- analyse how customer relationship management is measured,
- describe the concept of customer loyalty.

Introduction

A valuable and novel product, service, business model, or approach is considered innovative. Innovations don't always involve significant advances in technology or novel business strategies; they can be as straightforward as improvements to customer service at a company or the addition of features to an existing product.

11.1 Definition of Innovation

Innovation is the practical implementation of ideas that result in the introduction of new goods or services or improvement in offering goods or services

Schumpeter, Joseph

"*a new or changed entity realizing or redistributing value*"

It is imperative for the companies to understand the innovations that are needed to enter the markets and to retain the customers. They need to describe value added marketing strategies while adopting innovation.

The process of business innovation is designed to add value for the company. This value can be produced by opening up new revenue streams or increasing revenue through already-existing channels, by developing efficiencies that save time, money, or both, or by boosting output or performance.

In other words, innovation should increase profitability. The outcomes of an organization's innovation process should also provide a competitive edge, enabling it to expand and meet or, even better, surpass its strategic objectives.

11.2 Development of Marketing Strategy Models

Companies going for adoption of innovation need answers to the following questions:

1. Which are the factors that can be eliminated and which industry takes it for granted?
2. Which are the factors that can be reduced below the industry standards?
3. Which factors can be raised well above the industry standards?
4. Which factors should be created that the industry has never offered?

Innovation and market share

Innovation is essential for every company to prosper. New client generations make up today's markets. Today's marketplaces are dominated by a new generation of consumers who were born in the internet and mobile era.

The people of this new generation, those born 1980 and 2000, are considerably different from those in earlier generations. Millennials are skilled with technology by nature. They solve the puzzle of how a brand-new programme or specific gadget functions, and they enjoy the challenge.

Millennials act as change agents and bring technology-driven attitudes to work, using specific communication channels to change employee attitudes towards adoption of the new tools. Different approach to brand acquisition, consumption and loyalty.They believe in co-creation of a product/service and are responsive to feedback, reviews, ratings.

The so-called "millennial generation" adopts new ideals and a wholly different strategy for acquiring, consuming, and maintaining brand loyalty. When compared to prior generations, they view brands differently.

The millennial generation is far more outspoken and spends more time online than in the actual world. According to study, millennials involve in online conversing, sending emails, or using Facebook to interact with their loved ones.

They play a crucial role in innovations and the co-creation of a product because they are also influencing the evolution of an idea. This transformation, together with technology, has changed how marketing is done. Let's examine a few of these modifications to the marketing procedure.

Marketing is evolving. Let’s discuss new strategies that are being adopted by marketers.

Personalization

The process of personalizing an experience or message based on knowledge a business has acquired about a customer. Companies can customize experiences or interactions based on information they discover about their prospects and customers, just like you might make a present for a close friend.

Innovations

Innovation can refer to something new, such as an invention, or the practice of developing and introducing new things. An innovation is often a new product, but it can also be a new way of doing something or even a new way of thinking.

Targeting and Retargeting

In marketing, targeting is segmenting your target market and creating marketing campaigns that will reach the groups that are most likely to respond to your efforts. The success you have in reaching potential clients can be significantly improved with target marketing.

Retargeting is the tactic of advertising to lapsed users who already have installed an app well after the conversion takes place. Also known as remarketing, this technique is popular because a user's previous intent often makes them more likely to convert than new users.

This method, also known as remarketing, is widely used because returning visitors are frequently more likely to convert than new ones because of their past intent.

11.3 Strategic Orientation in Marketing

In light of the aforementioned market shifts, marketers must develop a strategic vision for their products and brands. The following can be analyzed to achieve this:

- Understanding Markets
- Analysis of latest trends.
- Estimating demand patterns.
- Gauging competition.
- Predicting future products/services.
- Finding market niches

Niche Market

A niche market is a segment of a larger market that can be defined by its own unique needs, preferences, or identity that makes it different from the market at large.

Entrepreneurs should identify a market segment in their sector where there are unmet demands. A niche strategy entails choosing your target market, identifying an unmet or underserved need, investigating your clientele, developing a business plan, and promoting your company to that target market.

The criteria for creating a niche market could be the price, service, convenience, technology or fashion.

Example: Handmade things, pet food or pet owners, stylish t-shirts, eco-friendly products, cosmetic products, toys, or other trending products are a few examples of niche markets. You can discover parts and segments of a market that haven't been exploited by constricting your view of it.

Product and Service Planning

A business plan describes its product or service, the need in the market, and how it will compete with other companies that offer identical or related goods and services. Product differentiation also needs to be done in order to stand out from the competitors.

The goal of product differentiation is to create a competitive advantage or to make your product superior to alternatives on the market. In other words, you don't just want to stand out from the competition, you want to stand above it.

Analysis of the following situation have to be done in order to offer the best product and services.

- What is the customer's perception and expectations?
- How a brand image is to be built?
- What about the competitor strategies?
- What is the product usage situation and frequency?
- What is the strategic orientation?

Distribution

A company's performance in India hinges on its capacity to make the product accessible at the appropriate time, place, and quantity. Distribution patterns are evolving today. In distant markets, new solutions like mobile distribution are accessible.

11.4 Marketing Strategy

The following are important elements of an effective marketing strategy.

Segmentation

To segment a market is to break it into identifiable, actionable, profitable, and segmented pieces that have room for expansion. In other words, due to constraints on time, money, and effort, a corporation would not be able to target the entire market.

It must have a 'definable' segment—a large group of individuals who can be located and targeted with reasonable effort, expense, and time—in order to be effective.

Targeting

A marketing tactic called targeting, commonly referred to as multi-segment marketing, includes determining particular personas or markets for particular content. Businesses utilize target marketing to better understand their customers, and as a result, develop adverts for targeted audiences to increase reaction.

Positioning

Positioning describes how your product (product or service) compares to competing goods and services on the market as well as in the minds of customers. A strong positioning lets a product stand out from the competition and encourages customers to see the clear advantages of using it.

Mass Customization

Mass customization is a marketing technique that combines the flexibility and personalization of custom-made products with the low unit costs that are associated with mass production.

Value Addition

Value-added refers to the extra characteristics or monetary value that a business adds to its goods and services before putting them on the market. Businesses can increase revenue and profitability by attracting more customers by adding value to their products and services.

Companies need to focus on two key elements:

- Knowledge and relationships
- Competencies and customers

11.5 Product Market Fit

The product market fit can be strengthened by examining the product's usage in existing as well as new markets and by focusing on the current as well as the potential customers.

Product Market Fit Matrix

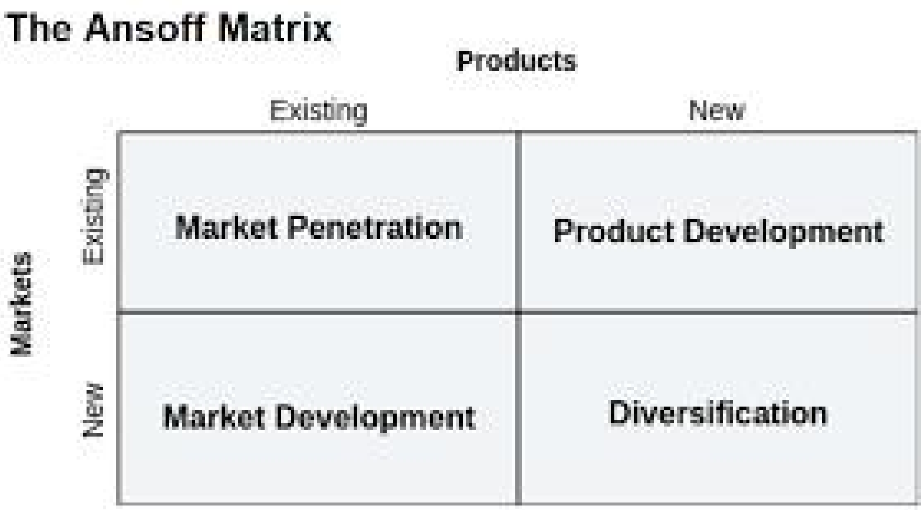

Figure 1: Product Market Fit

A product-market fit uncertainty matrix is one of the many crucial ways experts study this idea. Businesses use this tool to determine whether their product will fill a certain need in the market. When attempting to measure this idea, several factors are crucial.

Management teams and the analyst community use the Ansoff Matrix, also known as the Product/Market Expansion Grid, as a two-by-two structure to help plan and assess expansion projects. The tool specifically aids stakeholders in conceptualizing the degree of risk connected to various growth strategies.

H. Igor Ansoff, an applied mathematician and business executive, created the matrix, which was then published in the Harvard Business Review in 1957. To assist more thorough analyses of the factors influencing corporate growth, the Ansoff Matrix is frequently used in conjunction with other business and industry analysis tools, including as the PESTEL, SWOT, and Porter's 5 Forces frameworks.

Market Penetration

Management tries to sell more of its current products into markets they are familiar with and where they already have contacts when they use a market penetration strategy. Typical methods of execution include:

- Stepping up marketing initiatives or simplifying the distribution chain
- Lowering costs to draw in new clients within the market sector
- Acquiring a rival in the same industry

Market Development

This focuses on introducing current items to new markets. Because it does not necessitate a sizable investment in R&D or product development, a market development approach is the second least hazardous. Instead, it enables a management team to capitalise on current items and introduce them to a new market. Methods include:

- Serving a different customer base or target market
- launching a new domestic venture (regional expansion)
- launching an overseas market entry (international expansion)

Product Development

The goal of "product development" is to provide new products to an existing market. It may follow the following options:

- R&D spending to create a whole new product (s).
- obtaining the rights to manufacture and market a product made by another company (s).
- branding a white-label product that is actually made by a third party to create a fresh offering.

Diversification

The idea of entering a new market with entirely new products is known as "diversification". In terms of risk, diversification strategies are typically the riskiest because they require both product and market development. Even though it is the riskiest method, it has the potential to produce enormous returns, such as opening up entirely new revenue prospects.

11.6 Experience Marketing

Experience marketing, also referred to as "experiential marketing," is a strategy that uses in-person events to promote products.The goal of experience marketing is to create a really good consumer experience, increasing your customer value optimization.

Case Study:Annual Apple Keynote Events

Apple's annual product release event is designed to be a shareable experience for their attendees.

Every attendee has access to the latest iPhone, iPad, and MacBook and gets to hold and use them as if they were in an Apple store. This creates an experience, the experience of being able to handle the newest Apple products before anyone else.

Apple's product launch events have become the stuff of legend, commanding the attention of a global audience and defining an entire industry. Here at The Storytellers, we believe it is no exaggeration to say that these events are an essential part of Apple's success. As experienced producers of story-driven events ourselves, we know that there are certain key critical success factors to how succeed.

It is so telling that the most innovative, inventive, technologically sophisticated company that the world has ever seen continues to use the live event as the central moment in each year in which to share key messages and reinforce the journey it's on.

https://thestorytellers.com/6-lessons-apple-events/

11.7 Competition Oriented Marketing Strategies

As depicted in Figure 2, every company needs to plan competition-oriented marketing strategies.

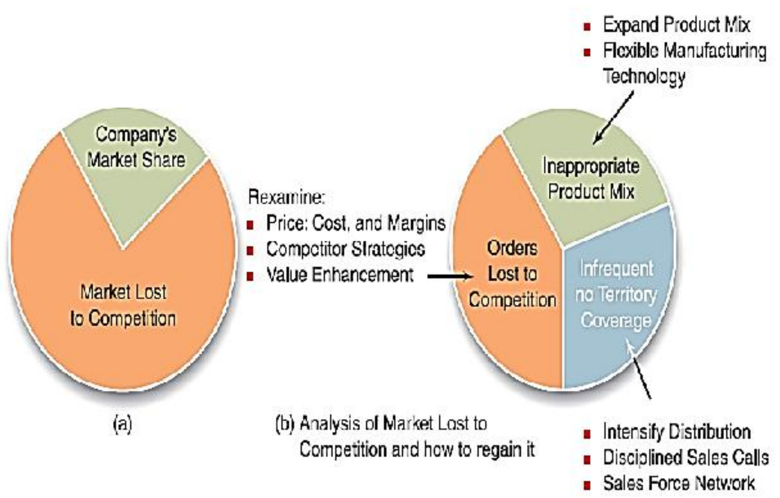

Figure 2: Competition Oriented Marketing

11.8 Porter's Value Chain

An effective tool for strategic management is Porter's Value Chain. It functions by segmenting an organization's operations into strategically significant parts so you can have a more complete view of the cost drivers and sources of differentiation and then make the necessary adjustments.

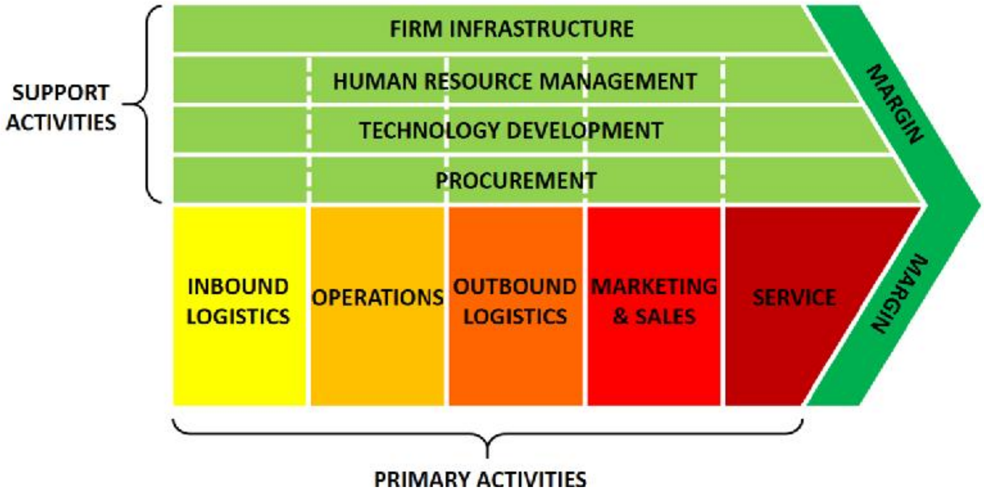

Figure 3: Porter's Value Chain

The value chain describes the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond. The value chain framework is made up of five primary activities: inbound operations, operations, outbound logistics, marketing and sales, service. (as depicted in Figure 3)

Four secondary activities are also a part: procurement and purchasing, human resource management, technological development and company infrastructure.Value chain tells us how we can differentiate our products by analyzing the chain of events which occur within our company.

The Porter's value chain concept says that there is a chain of events which occur in a company right from the procurement of raw materials to the delivery of goods as well as the post sales service.

This chain is made up of 9 steps and the process can be changed in any of the nine steps to add further value to the final product.

Cost Leadership

This strategy is one, in which a firm set out to be the low cost manufacturer or producer, within its industry.

Differentiation

Company may choose to differentiate from its competitors in terms of product/service/branding/distribution/pricing/after sales service.

11.9 Marketing Warfare

Marketing warfare strategies represent a type of strategy, used in commerce and marketing, that tries to draw parallels between business and warfare, and then applies the principles of military strategy to business situations, with competing firms considered as analogous to sides in a military conflict, and market share considered as analogous to territory in dispute.

Picon, Marco (2015). Sun Tzu and the Art of Economic War

Defensive Warfare

Strategies for defensive marketing warfare are employed to protect competitive advantages; they lower the likelihood of assault, diminish the impact of attack, and improve position. Marketing warfare tactics that operate in regions where the competition places minimal value. This includes monitoring:

- Customer satisfaction levels for the existing product mix.

- Effectiveness of the distribution plan.
- Blocking any strong competitor moves.
- Reserve moves in case of a crisis.
- Legal exposure
- Marketing warfare

Offensive Warfare

A sort of marketing warfare approach called offensive marketing warfare aims to take something away from a target rival, typically market share. An offensive plan could be created to acquire key clients, high margin market segments, or high loyalty market sectors in addition to market share. This includes monitoring:

This is adopted when firms are trying for the number one position in the market.

- Challenger has to identify the leader's weakness.
- Attack the leader on as narrow a front as possible.

11.10 Customer Relationship Management

Customer relationship management (CRM) is a process in which a business or other organization administers its interactions with customers, typically using data analysis to study large amounts of information.

Marco Bardicchia

CRM systems compile data from a range of different communication channels, including a company's website, telephone, email, live chat, marketing materials and more recently, social media.

Robert Shaw

Customer Relationship Management

Customer relationship management (CRM) is a technology for managing a company's relationships and interactions with existing as well as potential customers. The objective of CRM is to Improve business relationships in order to grow a business.

CRM systems compile customer data across different channels, or points of contact, between the customer and the company, which could include the company's website, telephone, live chat, direct mail, marketing materials and social networks.

Benefits of CRM

Customer information related to past purchases history assist representatives in providing better and faster customer service. It provides an assess to customer data can help businesses identify trends and insights about their customers.CRM software's assist in automation of services.

Other benefits may include:

- better client understanding, better segmentation, etc.
- improved customer retention
- better understanding of needs.
- improved and more rapid communication.
- better privacy protection for data.

Components of CRM

There are different components of CRM.

Marketing Automation

CRM tools with marketing automation capabilities can perform many functions. Right from automating repetitive tasks to sending automatic e-mails to leads, it may also be used to enhance marketing efforts at different points in the lifecycle for lead generation.

Sales Force Automation

Sales force automation tools tracks customer interactions and automate certain business functions of the sales cycle that are imperative to follow leads, obtain new customers and sustain customer loyalty.

Contact Center Automation

This might include prerecorded audio that assists in customer problem-solving and may also assist in providing information to customers. Tools can also be used to reduce the length of calls and to simplify customer service processes.

Location-Based Services

Location technology can also be used as a networking or contact management tool in order to find sales prospects which are located in a specific location.

Workflow Automation

CRM systems help businesses optimize processes by motivating employees to perform high-level targets, be more creative in their tasks and manage work load.

Lead Management

Sales leads can be tracked through CRM, enabling sales teams to input, track and analyze data for leads in one place.

Human Resource Management

CRM systems may help track information of employees, provide contact information, manage performance reviews and provide benefits within a company. This facilitates the Human Resource department to manage the employees effectively.

Analytics

Analytics and tracking in CRM help manage customer satisfaction levels. This can be done by analyzing user data and also help in creating targeted marketing campaigns.

Artificial Intelligence

Artificial Intelligence technologies, have been adopted by companies and assist in automate repetitive tasks, identifying customer-buying patterns to predict future customer behaviors and provide better customer service.

Project Management

CRM systems also include features that help in the management of client information. Assistance in keeping a track of client projects, outlining objectives, aligning strategies and defining processes is done.

Integration with Other Software

Many CRM systems can integrate with other software's, enterprise resource planning (ERP) systems thus making the functioning better and faster.

Stages of CRM

All procedures to acquire clients and keep up a relationship with them are included in customer relationship management (CRM). The maintenance of client data, information analysis, and the creation of reports to acquire insights are further procedures.

CRM includes all facets of a company's customer-facing operations, including sales, business development, sales, marketing, and customer care. CRM solutions are therefore essential for carrying out these activities and preserving information. They also assist in the facilitation of other processes, such as the integration of various corporate operations.

With the help of these tools, a company is able to manage marketing campaigns, develop sales plans, spot possibilities, reduce risks, and do much more.

This process consists of the following:

- Creation and management of data mining and warehousing.
- Development of an appropriate organizational structure.
- Investment in technology

- People development

11.11 Customer Loyalty

Customer loyalty is a measure of a customer's likeliness to repeat business with a company or brand. It is the result of customer satisfaction, positive customer experiences, and the overall value of the goods or services a customer receives from a business.

Why Is Customer Loyalty Important?

Customer loyalty boosts revenue, enhances sales performance, and enables long-term expansion. An effective loyalty programme can help you bring in new clients, keep hold of old ones, lower turnover, and increase profitability.

Repeat customers spend more than first-time customers. Loyal customers produce higher conversion rates. It boosts profits. Retaining an existing customer is cheaper than acquiring a new one

According to research by Bain & Company and Harvard Business School, growing client retention rates by 5% boosts profitability by 25% to 95%. According to research, returning consumers are 31 percent more likely to spend more money overall and are 50% more inclined to explore new products.

Stages of Developing Customer Loyalty

There are three stages in the development of customer loyalty by any organisation. Customer acquisition, retention and then care.

Thestages in the development of customer loyalty as depicted in Figure 4.

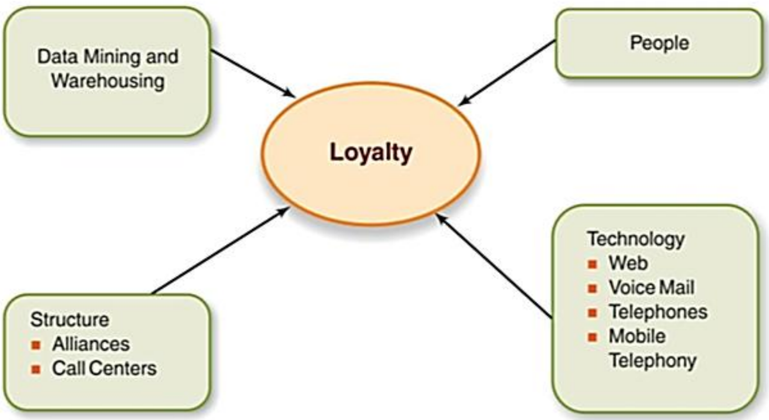

Figure 4: Stages of Loyalty

Data Mining and Warehousing

This provides an information on customers to everybody in the organization, which in turn should facilitate each person's functioning and also make the customer responsive.

Organizational Structure

Strategic alliances have to be developed with other companies or intermediaries.

Technology

Technology is used for data mining and for responding to the customer in real time.

People

They have the knowledge, and the right skills as well as a customer friendly attitude.

11.12 Measurement of CRM

There are different methods of measuring the success of a CRM program.

Balanced Score Card

The balanced score card is a performance measure provided by Robert Kaplan and David Norton. Unique score cards are based on key parameters (financial objectives, customer perception etc.) Evaluation of theorganization on the basis of such a score card is done.

The four key business metrics that are measured by the balanced scorecard are learning and growth, business operations, clients, and finances. BSCs give businesses the ability to combine data into a single report, provide information on service and quality in addition to financial performance, and aid in efficiency improvements.

Catalytic Measure

This includes, identifying needed change, creating a yard stick for performance, developing a measurement approach and communicating and implement the program.

Summary

- Innovation is essential for every company to prosper. New client generations make up today's markets.
- The millennial generation is far more outspoken and spends more time online than in the actual world.
- A business plan describes its product or service, the need in the market, and how it will compete with other companies that offer identical or related goods and services.
- The product market fit can be strengthened by examining the product's usage in existing as well as new markets and by focusing on the current as well as the potential customers.
- An effective tool for strategic management is Porter's Value Chain. It functions by segmenting an organization's operations into strategically significant parts so you can have a more complete view of the cost drivers and sources of differentiation and then make the necessary adjustments.
- Strategies for defensive marketing warfare are employed to protect competitive advantages; they lower the likelihood of assault, diminish the impact of attack, and improve position.
- A sort of marketing warfare approach called offensive marketing warfare aims to take something away from a target rival, typically market share.

Keywords

Niche market:This is a segment of a larger market that can be defined by its own unique needs, preferences, or identity that makes it different from the market at large.

Mass customization:This is a marketing technique that combines the flexibility and personalization of custom-made products with the low unit costs that are associated with mass production.

Positioning:This describes how your product (product or service) compares to competing goods and services on the market as well as in the minds of customers.

Market Development:This focuses on introducing current items to new markets.

Product Development:The goal of 'product development' is to provide new products to an existing market.

Experience marketing: This is also referred to as experiential marketing and uses in-person events to promote products.

Self Assessment

1. A sort of marketing warfare approach called _______marketing warfare aims to take something away from a target rival, typically market share. People with money with them
A. Offensive
B. Defensive
C. Collaborative
D. General

2. The idea of entering a new market with entirely new products is known as:
A. Market Development
B. Collaborative development
C. Diversification
D. Product Development

3. _________ describes how your product (product or service) compares to competing goods and services on the market as well as in the minds of customers.
A. Positioning
B. Segmenting
C. Diversifying
D. Targeting

4. The criteria for creating a niche market could be:
A. Price
B. Service
C. Convenience
D. All of the above

5. ________ technologies, have been adopted by companies and assist in automate repetitive tasks, identifying customer-buying patterns to predict future customer behaviors and provide better customer service.
A. Sales
B. Service
C. Artificial Intelligence
D. Project

6. The ______ concept says that there is a chain of events which occur in a company right from the procurement of raw materials to the delivery of goods as well as the post sales service.
7. _________is essential for every company to prosper.
8. __________refers to the extra characteristics or monetary value that a business adds to its goods and services before putting them on the market.
9. ___________ focusses on introducing current items to new markets.
10. In __________ strategy a firm set out to be the low cost manufacturer or producer, within its industry.

11. Due to constraints on time, money, and effort, a corporation would not be able to target the entire market.

A. True

B. False

12. Segmentation is a marketing technique that combines the flexibility and personalization of custom-made products with the low unit costs that are associated with mass production.

A. True

B. False

13. Customer relationship management (CRM) is a technology for managing a company's relationships and interactions with existing as well as potential customers. The objective of CRM is to Improve business relationships in order to grow a business.

A. True

B. False

14. Location-Based automation tools tracks customer interactions and automate certain business functions of the sales cycle that are imperative to follow leads, obtain new customers and sustain customer loyalty.

A. True

B. False

15. Customer loyalty is a measure of a customer's likeliness to repeat business with a company or brand.

A. True

B. False

Answers for SelfAssessment

1.	A	2.	C	3.	A	4.	D	5.	C
6.	Porter's Value Chain	7.	Innovation	8.	Value Added Market	9.	Market Development	10.	Cost Leadership
11.	A	12.	B	13.	A	14.	B	15.	A

Review Questions

1. What is innovation? Outline the innovations adopted by companies to enter the markets and to retain the customers?
2. What is customer relationship management? What are its objectives? What are its components?
3. Describe how companies develop marketing strategy models?
4. What is marketing warfare? Explain the types of warfare?
5. What is customer loyalty? How can it be enhanced?

Further Readings

- Kotler, P.T. & Keller, K.L. 2012 Marketing Management 14th ed. Pearson Education: New York
- Saxena, Rajan, Marketing Management, Edition 6, Mc Graw Hill, New Delhi,2020.
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Unit 12: Creating Sustainable Competitive Value and Growth

CONTENTS

Objectives

After studying this unit, you will be able to:

- understand contemporary developments and marketing organization,
- learn issues in marketing organization structure,
- define approaches for structuring an organization.
- understand the factors in marketing performance assessment,
- describe the tools to measure marketing performance.

Introduction

The contemporary developments in marketing discuss marketing organization and performance assessment. These have been discussed in detail in the forthcoming paragraphs.

12.1 Marketing Organization

A marketing manager has to achieve various predetermined objectives. These objectives may relate to profit maximization, customer satisfaction, image building and sales maximization etc. Achievement of these objectives requires proper internal arrangement or organization.

Marketing organization

Within a company, marketing operations, protocols, and strategies are distributed and managed via marketing organization structures. These structures lay out the procedures a company might utilize to succeed by defining and organizing employee job duties, including who they report to.

Outsourcing of Marketing Operations is done. In different marketing operations outsourcing is being done.Managing websites, databases, e-mails, supply chain is also an essential part. Economic Developments have a significant impact on marketing organizations.

Internal organization

"Internal organization is the structural framework of duties and responsibilities required of personal in performing various functions within the company. It is the blue-prints, a mechanism".

Wheeler

Franchisees

An alliance between a franchisor and a franchisee is known as a franchise. The original company is the franchisor. It offers to license the use of its name and concept. The franchisee purchases the right to use an established brand and business model to market and sell the franchisor's goods and services.

The franchiser firm has to make sure that the franchisee promotes the brand's core image and value. The performance has to be monitored and action has to be initiated for managing well. These are Networked Organizations.

Emphasizes is on:

- Integration of technology
- Involving customers in co-creation
- Joint innovations
- Globalization of market
- Utilizing information technology

Relationship Management

Relationship management, commonly known as customer relationship management (CRM), is the process used by businesses to oversee and enhance their relationships with their past, present, and potential future clients.

This should be the focus of any organizations. It may involve using data bases. Also through direct interactions with customers as well as CRM tools like Salesforce or Hubspot, you may manage customer relationships.

Relationship management includes a number of business-related activities, such as:

- Activities related to selling goods and services, such as assisting buyers in the buying process
- Service-related tasks including guiding clients through the use of items and responding to their

Inquiries.

- Huge volumes of client data from many channels are studied through data analysis.
- Future sales growth predictions
- Keep an eye on customers as they progress through the buying process.
- Create consumer segments based on their actions and spending patterns.

Case Study: Starbucks and its CRM Strategy

The Starbucks Corporation offers a wide range of flavored coffee and tea products. Recently, they successfully launched green tea in China under a different Chinese name. The "Ready Brew" instant coffee packages that Starbucks Corporation debuted in March 2009 were a huge hit. The key to their success was the taste challenge they used to promote their "Ready Brew" campaign.

Starbucks has done a terrific job over the years when launching various goods of promoting their products through innovative ideas and campaigns. One of Starbucks Corporation's most effective marketing campaigns for Gold Card holders was the CRM initiative.

The consumers' birthdates were thoroughly researched. The customer's birth dates were entered into a database, which was then utilized to grant them additional advantages on their birthdays.

How will you feel if a firm sends you a gift coupon on your birthday? Will you not want to post about it online and boast about it? Customers of Starbucks had that chance thanks to their marketing push. They began congratulating their clients by sending them gifts in the mail.

The 5 R's of Starbucks Relationship Marketing are: Recognize, Relevant Offer, Reveal, Redeem and Reward.

https://www.digitalvidya.com/blog/starbucks-used-7-ingredients-to-create-an-effective-crm-campaign/

Challenges in Marketing Organization

The major challenges of a marketing organization are as follows:

What will be the best approach to market a product?

- Online or Physical distribution or both?
- Will company be a market leader or follower?
- What structure should be adopted?
- Challenges in marketing organization

What key strengths should be promoted?

- Identification of the key competencies needs to be done.
- Modifying/updating competencies.
- Challenges in marketing organization

What controls must be initiated?

- Panoptic Control which is the indirect control through monitoring and technology.
- Bureaucratic Control which is done through implementation of rules and procedures.
- Bounded Emotionality that focusses on employee well-being and not efficiency increase.
- Controlling the Network Organization.

How customers can be involved more in co-creation and strategy planning?

- Collect feedback/review/suggestions from customers
- Create customer panels for improving products/service.
- Different types of organizational structuring

12.2 Different Types of OrganizationalStructuring

The following are the different types of structuring that can be done for an organization.

Functional structure of organization

A functional organization structure uses the principle of specialization based on function or role. The business activities are divided into smaller groups based on specialized functional areas viz. product development, marketing research, sales promotion and advertising, distribution and customer relations. Figure 1 depicts the structure.

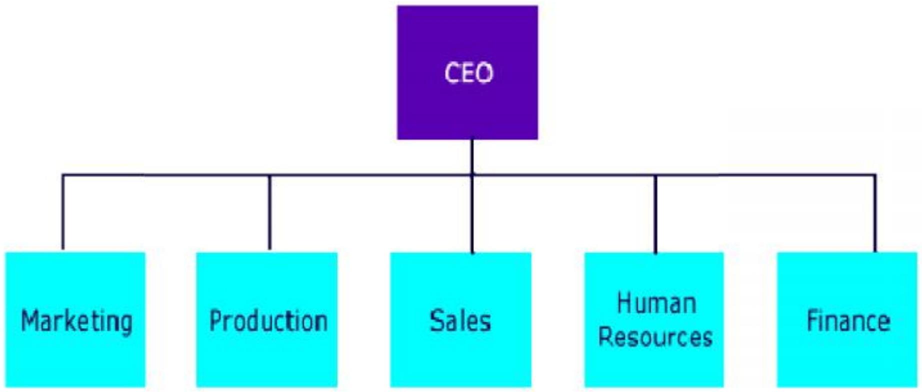

Figure 1: Functional Organisational Structure

Product-based Organization Structure

In this structure, the firm produces multiple products or services and organizes its marketing unit according to them. The product manager develops the strategy for marketing the particular product or service and takes and executes the decisions on matters like advertising and sales promotion in consultation with the advertising, sales promotion, marketing research and publications manager. Figure 2 depicts the structure.

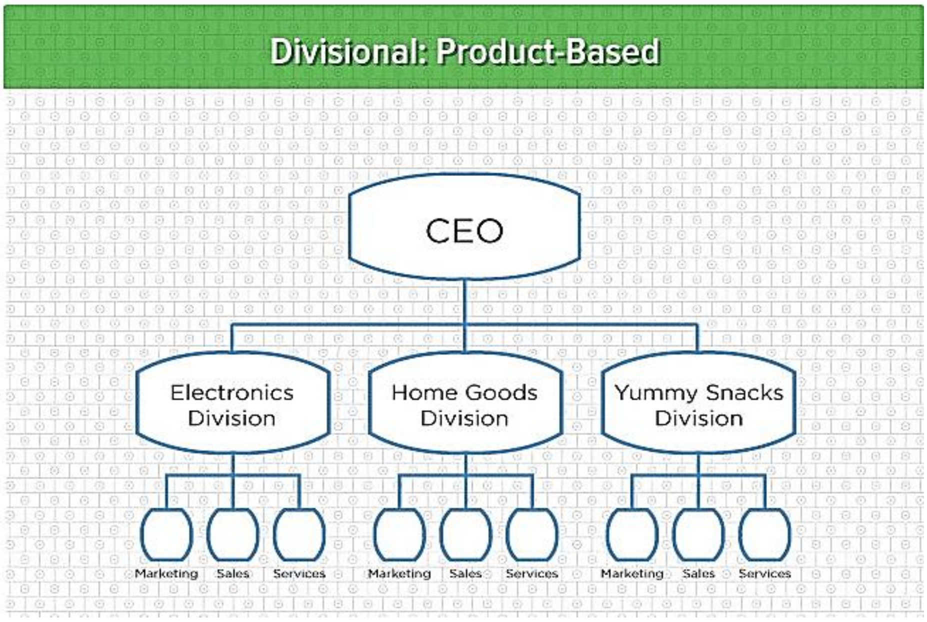

Figure 2: Product Based Organisation Structure

Customer-Oriented Organization Structure

This type of organization is done on the basis of types of customers like retailers, wholesalers and institutions. The marketing manager is responsible for marketing activities for that specific group of customers. Figure 3 depicts the structure.

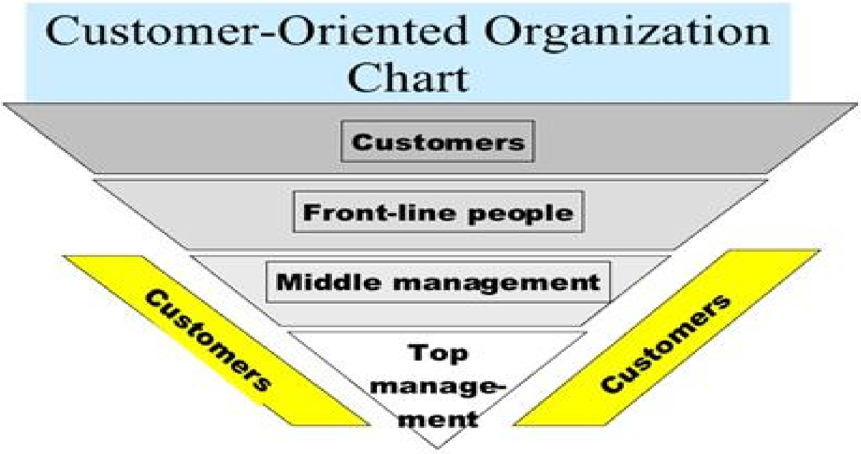

Figure 3: Customer Oriented Organization Structure

Market/Territory Oriented Organization Structure

The structure is based on the specific areas. They are assigned to different persons. An organization can easily identify the changing needs, habits and fashions of the customers and therefore can make necessary changes in its products within a short span of time. Figure 4 depicts the structure. Figure 4 depicts the structure.

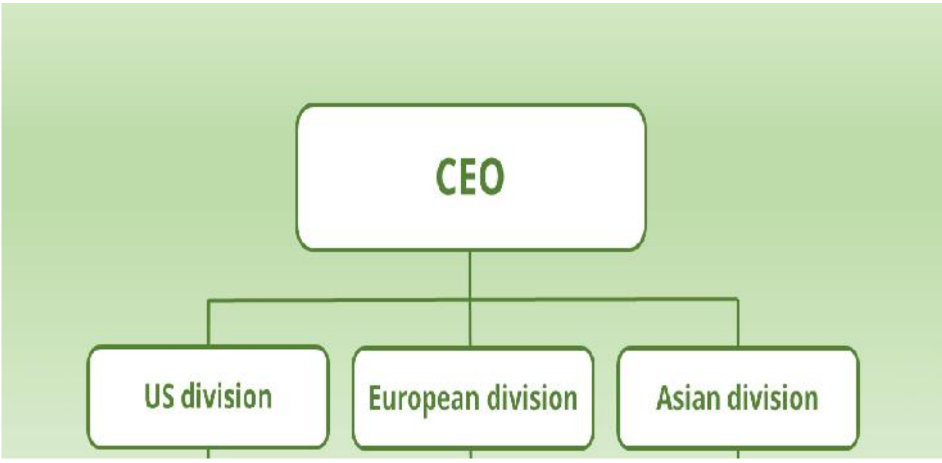

Figure 4: Oriented Organization Structure

Line and staff organization

In this organization specialized marketing activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives.The staff supervisors guide, and manage the line executives. Coordination is needed between the line and staff function. Figure 5 depicts the structure.

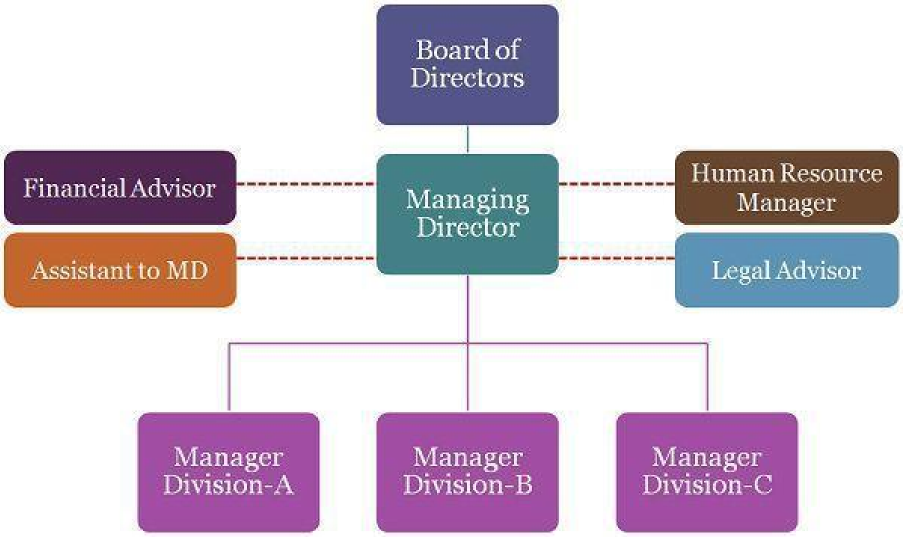

Figure 5: Oriented Organization Structure

12.3 Marketing Strategy

Marketing strategy provides an understanding of target markets and customers, which serves as a valuable foundation for future communication campaigns. Managers have to make strategies as well as execute them.

A company's overall plan for reaching out to potential customers and converting them into buyers of their goods or services is referred to as a marketing strategy. The value proposition of the business, critical brand messages, information on target customer demographics, and other important components are all included in a marketing plan.

A marketing strategy is a long-term plan for attaining a business' objectives through an understanding of client needs and the development of a distinct and long-lasting competitive advantage. It includes everything, from choosing which channels to utilize to contact your customers to figuring out who they are.

A company can specify how your business positions itself in the market, the kinds of items you manufacture, the strategic partners you choose, and the kinds of advertising and promotion you engage in with a marketing strategy.

Any firm must have a marketing strategy in place to be successful. Continue reading to discover how to develop a profitable marketing plan for your business.

12.4 Marketing Implementation Plan

A marketing implementation plan provides a roadmap for your marketing team. It also shows what marketing will look like in the future.Marketing implementation is the process of turning your marketing strategy into real-life actions: tasks and projects, people responsible for them, and deadlines.

Marketing strategy and implementation go hand in hand.Managers are companies' strategists and have good execution skills. Every strategy needs a well-planned execution.

You can prioritize your duties with the help of a solid marketing implementation strategy to avoid delaying important work. The actions of your team will be outlined in your marketing implementation strategy, which will help you execute your marketing plan as effectively as possible.

For a good execution of the strategy's companies have to focus on the following skills:

- Leadership: Commitment to excellence
- Developing a culture of execution: In policies, programs, systems of company.
- Meeting implementation issues effectively.

12.5 What is to Be Measured in Marketing

The following things need to be measured.

- Customer satisfaction level.
- Sales and Profits.
- Market share.
- Marketing effectiveness.
- Competitor analysis.
- Strategy for meeting environmental challenges.

Methods of measurement

There are different methods of measuringthat can be adopted by mangers.

Marketing analytics

Marketing analytics is the examination of data in order to take a meaningful decision. By applying technology and analytical processes to marketing-related data, businesses can understand what drives consumer actions, refine their marketing campaigns and optimize their return on investment.

Example: data analytics in digital marketing are done in these forms:

Make data-informed predictions.

Recognize your customers.

Improve your results, prevent repeated losses, keep an eye on performance.

Discover untapped potential.

Customer segmentation analysis.

Analyse recent and prior data.

Data Mining and Warehousing

Data warehousing is a method of organizing and compiling data into one database, whereas data mining is related to collecting important data from databases. Data mining attempts to depict meaningful patterns through a dependency on the data that is compiled in the data warehouse.

Example: Supermarkets, for example, use joint purchasing patterns to identify product associations and decide how to place them in the aisles and on the shelves. Data mining also detects which offers are most valued by customers or increase sales at the checkout queue.

Customer profiling

Consumer profiling is a technique to identify, segment and define the target audience. It also involves getting as close to your consumer as possible, so you can reach them the right way.

By identifying a distinct set of messaging and visuals for different consumer segments, customer profiling helps organizations better target and interact with their customers. As a result, the customer experience is improved, retention and loyalty are optimized, and the marketing plan is more effective.

Lifestyle and demographics are factors that include age, location, and gender. For example, a customer's lifestyle determines how your product will fit into the needs of school-going, college-going, and office-going customers' buying habits respectively.

Activities, interests, and opinions are a subset of lifestyle, focusing on your customers' activities, interests, and opinions. It's not a problem if customer A enjoys romance books while customer B prefers fantasy novels – both of them are readers, and that is how you profile them.

Values, attitudes, and social class pertain to how people were brought up. These affect how they spend their money and what they choose to spend their money on. Social class is especially important, as their income determines their buying power.

Budgeting

A marketing budget is the amount of money a business allocates for expenses related to the promotion of its goods or services. Marketing budgets are usually developed on a quarterly or annual basis.

Your marketing strategy's budget is an essential component. Resources must be set aside for various marketing tactics. Determine your objectives and the best methods for contacting your target market before creating a marketing budget. Small businesses can spend anywhere from several thousand dollars annually to thousands per month on marketing.

Metrics

Advertising Turnover Ratio = Brand Value/Advertising Expenditure

Marketing Efficiency Ratio = Brand Value/Marketing Expenditure

12.6 Techniques of Marketing Control System

Setting a desirable standard, monitoring deviations from the standard, and taking necessary action are all parts of marketing control. The standard is frequently described in terms of budgets, and any significant departure from the budget is looked into.

Techniques of Marketing Control

The ways and means or the techniques and devices that are employed to assess the marketing performance over a given period are classified into four broad categories by Professor Philip Kotler.

Annual Plan control.

One of the four types of marketing control systems is the annual plan control. To evaluate if all of the organization's marketing initiatives have been effective or not, annual plan control is crucial. It endeavors to achieve sales volume, earnings, and any other goals that were established at the start of the year.

The top management and middle level management in an organization are in charge of controlling the annual plan. They need to monitor the actions taken to put the plans into action.

Annual plan control is the monitoring of current marketing efforts and results to ensure that the annual sales and profit goals are achieved. One of the four types of marketing control systems is the annual plan control.

To assess if all of the organization's marketing initiatives have been effective or not, annual plan control is crucial. It strives to achieve sales volume, earnings, and any other goals that were established at the start of the year. The top management and middle level management in an organization are in charge of controlling the annual plan. They need to monitor the actions taken to put the plans into action.

Efficiency Control.

Efficiency control involves micro-level analysis of the various elements of the marketing mix, including sales force, advertising, sales promotion, and distribution.

Strategic Control.

Strategic control is the process used by organizations to control the formation and execution of strategic plans; it is a specialized form of management control, and differs from other forms of management control.

The execution of your strategic strategy can be managed through the use of strategic control. It is exceptional as a management process because it is designed to manage uncertainty and unknowns while it monitors the application of a strategy and its subsequent outcomes.

Reevaluating a strategy in response to a sudden, unanticipated incident may be a part of strategic control. For instance, a business must promptly reevaluate its strategy if its flagship product is quickly becoming obsolete. Putting a plan into action frequently entails a sequence of actions spread out across time.

Profitability control.

Profitability control is a mechanism of monitoring the sales made, profits earned and expenditure incurred by a company. Profitability is a shared responsibility across all corporate divisions. However, one department is in charge of more tasks than the others.

Although few companies give any team the responsibility for a product's success, we think product management is most accountable for releasing profitable products.

Four important elements can contribute to profitability. Costs are coming down, turnover is going up, production is going up, and efficiency is going up. You can also develop new goods or services or grow into new market segments.

12.7 Marketing Audit

A marketing audit is a full exploration and analysis of the entire marketing environment of a business, assessing everything from strategies and targets to specific marketing activities.

It depends upon three factors, i.e., market position, the organization's outside opportunities and threats related to its business environment and the way the organization is coping with its internal strengths and weaknesses.

The following are the four traits of a successful audit:

1. They ought to be done often rather than only when a company is experiencing a marketing crisis.

2. A functional audit, which focuses on just a small number of operations, might result in oversights and, eventually, fail to draw valuable findings. The audit should cover all of the company's marketing efforts.

3. In a systematic, step-by-step manner, an effective marketing audit evaluates the company's plans, objectives, internal marketing system(s), marketing initiatives, and marketing environment.

4. Although internal corporate marketing professionals should execute audits, independent consultants are thought to be more trustworthy and impartial.

Summary

- A marketing manager has to achieve various predetermined objectives. These objectives may relate to profit maximization, customer satisfaction, image building and sales maximization etc. Achievement of these objectives requires proper internal arrangement or organization.
- An alliance between a franchisor and a franchisee is known as a franchise.
- A functional organization structure uses the principle of specialization based on function or role. The business activities are divided into smaller groups based on specialized functional areas.
- A product-based organization structure is the one in which a firm produces multiple products or services and organizes its marketing unit according to them.
- A line and staff organization is the one in which the organization specialized marketing activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives.
- A marketing audit is a full exploration and analysis of the entire marketing environment of a business, assessing everything from strategies and targets to specific marketing activities.

Keywords

Internal organisation: Internal organization is the structural framework of duties and responsibilities required of personal in performing various functions within the company. It is the blue-prints, a mechanism.

Relationship Management: Relationship management, commonly known as customer relationship management (CRM), is the process used by businesses to oversee and enhance their relationships with their past, present, and potential future clients.

Marketing strategy: It provides an understanding of target markets and customers, which serves as a valuable foundation for future communication campaigns.

A marketing implementation plan: This provides a roadmap for a marketing team. It is the process of turning your marketing strategy into real-life actions: tasks and projects, people responsible for them, and deadlines.

Customer profiling:Consumer profiling is a technique to identify, segment and define the target audience. It also involves getting as close to your consumer as possible, so you can reach them the right way.

Self Assessment

1. A __________ structure uses the principle of specialization based on function or role. The business activities are divided into smaller groups based on specialized functional areas.

A. Functional
B. Product Based
C. Customer-Oriented
D. Line and Staff

2. This type of organization is structured on the basis of types of customers like retailers, wholesalers and institutions.

A. Functional Organization
B. Product Based
C. Customer-Oriented
D. Line and Staff

3. The structure is based on the specific areas. They are assigned to different persons. An organization can easily identify the changing needs, habits and fashions of the customers.

A. Market Based
B. Product Based
C. Customer-Oriented
D. Line and Staff

4. The following things need to be measured in marketing:

A. Customer satisfaction level.
B. Sales and Profits.
C. Market share
D. All of the above

5. How customers can be involved more in co-creation and strategy planning?

A. Collect feedback/review/suggestions from customers
B. Create customer panels for improving products/service.

C. Different types of organisational structuring

D. All of the above

6. _________ Is the process used by businesses to oversee and enhance their relationships with their past, present, and potential future clients.
7. ________ control is the indirect control through monitoring and technology.
8. ________ is a method of organizing and compiling data into one database, whereas data mining is related to collecting important data from databases.
9. _________ is a technique to identify, segment and define the target audience. It also involves getting as close to your consumer as possible, so you can reach them the right way.
10. A marketing _______ is the amount of money a business allocates for expenses related to the promotion of its goods or services.

11. The franchisee purchases the right to use an established brand and business model to market and sell the franchisor's goods and services.

A. True

B. False

12. Bureaucratic Control, which is done through implementation of rules and procedures.

A. True

B. False

13. Strategic plan control is the monitoring of current marketing efforts and results to ensure that the annual sales and profit goals are achieved.

A. True

B. False

14. A marketing control is a full exploration and analysis of the entire marketing environment of a business, assessing everything from strategies and targets to specific marketing activities.

A. True

B. False

15. Marketing analytics is the examination of data in order to take a meaningful decision.

A. True

B. False

Answers for Self Assessment

1.	A	2.	C	3.	A	4.	D	5.	D
6.	Relationship Management	7.	Panoptic	8.	Data Warehousing	9.	Customer Profiling	10.	Budget
11.	A	12.	A	13.	B	14.	B	15.	A

Review Questions:

1. Discuss in detail the contemporary developments in marketing organization?
2. What are the challenging issues in marketing organization structure?
3. List the different approaches for structuring an organization?
4. Outline the factors in marketing performance assessment?
5. Describe the tools to measure marketing performance?
6. Explore how customer profiling is done in the retail sector.
7. Data mining is used extensively in marketing. Explain.

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Unit 13: Broadening Horizons

CONTENTS

Objectives

After studying this unit, you will be able to:

- analyse the scope of service marketing,
- describe the characteristics of service marketing,
- describe services marketing mix,
- describe the growth and significance of rural markets in India,
- understand the demographics of the rural consumer.

Introduction

In contrast to products, which we can physically touch or handle, services are the non-physical, intangible components of our economy. The majority of the economies of the wealthy countries are based on services like banking, education, healthcare, and transportation. They also represent the bulk of the economies of the developing countries.

13.1 Definition of Services

"Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods."

American Marketing Association

Services Marketing

Businesses that offer their clients a service can utilize services marketing to raise their brand recognition and revenue. Services marketing, as opposed to product marketing, is concerned with promoting immaterial exchanges that benefit consumers.

Effective service marketing techniques are used by advertisers to win over clients' trust and demonstrate the value of their services. To assist them sell their services, businesses may build their service marketing tactics on the promotion of concepts, advantages, and promises.

Example: A business offering wellness coaching might emphasize the advantages of leading a healthier lifestyle, the possibility of assisting clients in reaching their fitness objectives, and the notion that incorporating an efficient wellness routine is simpler with the aid of a trained professional.

Classification of Services

Services can be classified as follows:

- On the basis of inputs.
- On the basis of actions required.

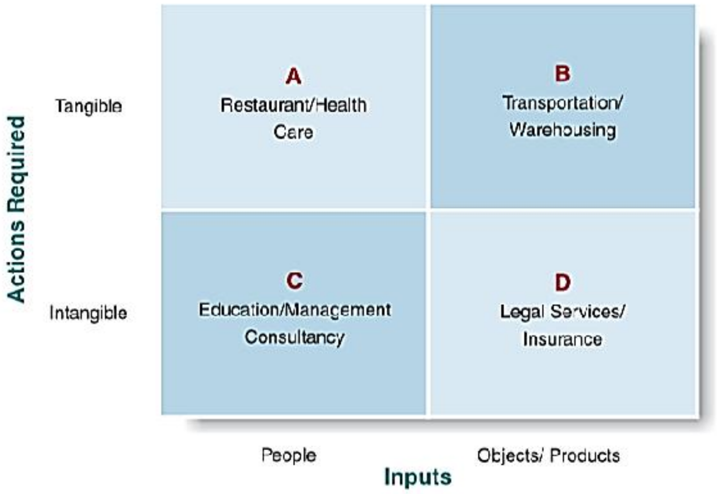

Figure 1: Classification of Services

Who Makes Use of Service Marketing?

Companies that offer services employ services marketing techniques to connect with prospective clients. The following are some well-known examples of service-based industries that employ this type of marketing:

- Communication Occupational health and safety.
- Financial.
- Travel, recreation, and entertainment.
- Transportation.
- Hospitality.
- Design, marketing, and sales consulting.
- Management Training Trade Sectors.
- Restaurants.

Characteristics of Services

The following are the characteristics of services

Intangibility

Services are intangible and do not have a physical existence. They cannot be touched, held, tasted or smelt. This poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

Heterogeneity/Variability

Every service offering is unique and cannot be exactly repeated even by the same service provider. Products can be mass produced and be homogenous the same is not true of services.

Perishability

Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.

Inseparability

Production and consumption are inseparable in case of services. Services are generated and consumed within the same time frame. E.g., a lecture is delivered to and consumed by the customer.

Types of Services

Core Services

A service that is the primary purpose of the transaction. E.g., The services of a doctor.

Supplementary Services

Services that are rendered as an along with the sale of a tangible product. Example: Home delivery options offered by restaurants. (give along with the main order, i.e., food.)

Difference between Goods and Services

The following Figure describes the difference between Goods and Services.

BASIS FOR COMPARISON	GOODS	SERVICES
Meaning	Goods are the material items that can be seen, touched or felt and are ready for sale to the customers.	Services are amenities, facilities, benefits or help provided by other people.
Nature	Tangible	Intangible
Transfer of ownership	Yes	No
Evaluation	Very simple and easy	Complicated
Return	Goods can be returned.	Services cannot be returned back once they are provided.
Separable	Yes, goods can be separated from the seller.	No, services cannot be separated from the service provider.
Variability	Identical	Diversified
Storage	Goods can be stored for use in future or multiple use.	Services cannot be stored.

Figure 2: Goods Vs Services

The 7P's of Services Marketing

There are 7 P's of Services Marketing.

Product

In case of services, the 'product' is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable.

Price

In case of services the labor and overhead costs have to be calculated.

Place

Since service delivery is simultaneous to production and cannot be stored or transported, the location of the service product assumes importance.

Promotion

Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer.

People

People are a defining factor in a service delivery process, since a service is inseparable from the person providing it.

Process

Most companies have a service blue print which provides the details of the service delivery process.

Physical evidence

Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience.

Zone of Tolerance

The zone of tolerance is the difference between customers' expectations regarding their desired service and the minimum level of acceptable service. The acceptable service can be considered as the lower level of what they expect to receive and the desired service is the higher level of their expectation.

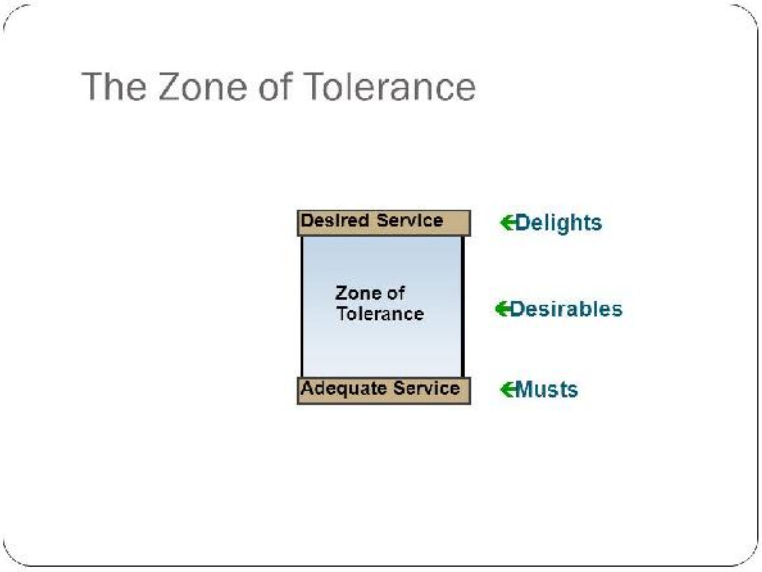

Figure 3: Zone of Tolerance

Example:A bank customer wishes to withdraw cash in 4 minutes (Desired time). He waited for 10 minutes last time.

His zone of tolerance is 4-10 minutes.

Service below 4 minutes will delight him.

Service above 10 minutes will disappoint him.

Service Marketing Triangle

The service marketing triangle is a framework that defines relationships with companies, their customers, their vendors and their systems. It's a way to show companies how these several components can affect each other.

This triangle is a framework that defines relationships with companies, their customers, their vendors and their systems.This method of understanding these relationships is common in the service industry and can determine where companies might direct their marketing efforts.

Moment of Truth

A moment of truth is usually defined as an instance wherein the service receiver and the service provider come into contact with one another in a manner that gives the customer an opportunity to either form or change an opinion on the service and the firm.

Such an interaction could occur through the product of the firm, its service offering or a combination of both. These could be instances like greeting the customer, handling customer queries or complaints, promoting special offers. Closing the interaction effectively is also imperative.

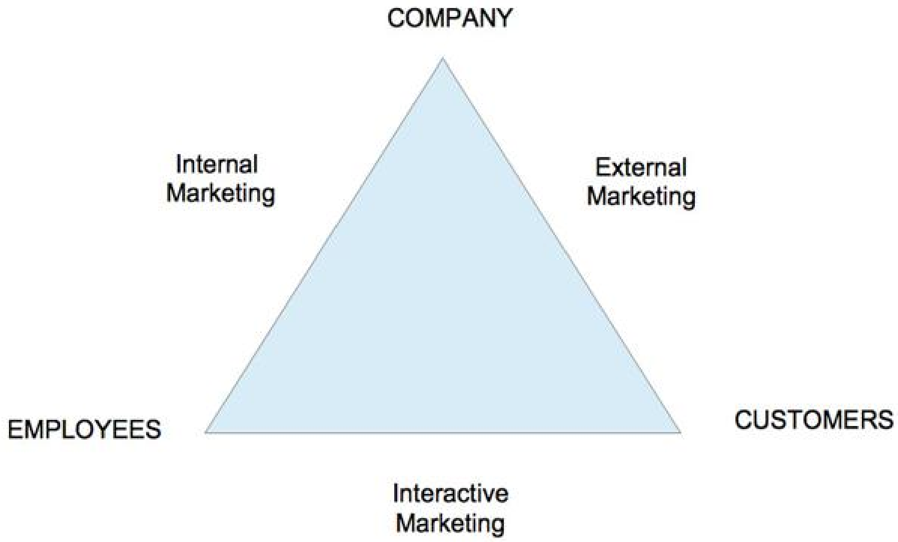

Figure 4: Services Marketing Triangle

Service Continuum

Service continuum is a range from the tangible to the intangible or goods-dominant to service-dominant offerings available in the marketplace. This is a range from the tangible to the intangible or goods-dominant to service-dominant offerings available in the marketplace.

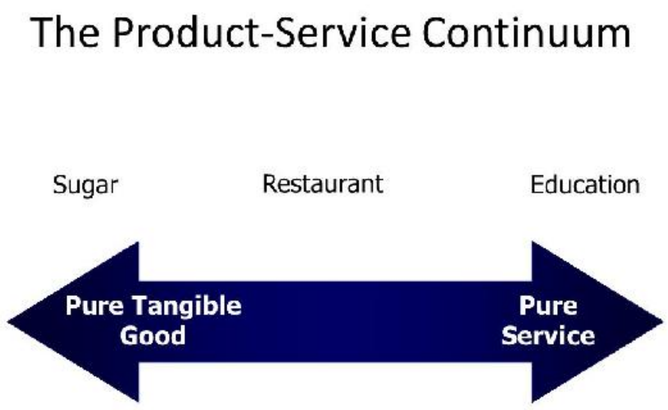

Figure 5: Service Continuum

Marketers may see how the relative goods/services mix of overall products using the goods and services continuum. The location of a product on the continuum, in turn, aids marketers in identifying opportunities. Products without any corresponding services are positioned at the end of the continuum designated as pure products.

Services that are completely unrelated to actual products fall under the category of pure services. Products that combine both products and services fall somewhere in the middle. Furnaces, for instance, fall within the purer category of goods since they need additional services like delivery and installation. Auto repair is one example of a product that involves the selling of both commodities and services. Additionally, goods that are essentially services yet rely on hardware, including

Customer Satisfaction, Dissatisfaction and Delight

Customer Dissatisfaction

This is a situation when the service delivery fails to match up to the customer's expectations. The customer does not perceive any value for money. It's a moment of misery for the customer.

Customer Satisfaction

Here, the service provider is able to match the customer's expectations and deliver a satisfactory experience.

Customer Delight

This is an ideal situation where the service provider is able to exceed the customer's expectations creating an enigma for the customer. Such customers bond with the brand, are regular and loyal and will not easily shift to other brands.

Service Quality Dimensions

SERVQUAL is a multi-dimensional research instrument designed to capture consumer expectations and perceptions of a service along five dimensions that are believed to represent service quality. The SERVQUAL questionnaire was first published in 1985 by a team of academic researchers, A. Parasuraman, Valarie Zeithaml and Leonard L. Berry

The SERVQUAL instrument developed by Parasuraman (1991) has proved popular, being used in many studies of service quality.TheInstrument measures the five dimensions of Service Quality. These five dimensions are: tangibility, reliability, responsiveness, assurance and empathy.

Tangibility

Services are tangible, customers derive their perception of service quality by comparing the tangible associated with these services provided. It is the appearance of the physical facilities, equipment, personnel and communication materials.

Reliability

It is the ability to perform the promised service dependably and accurately. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes.

Responsiveness

It is the willingness to help customers and provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer's requests, questions, complaints and problems.

Assurance

It means to inspire trust and confidence. Employees' ability to inspire trust and confidence is also a part.

Empathy

It means to provide caring individualized attention the firm provide its customers. Empathy builds the trust and confidence of the customers and escalates the loyalty of the customers.

13.2 Definition of Rural Marketing

"Rural Marketing is a two-way process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas (manufactured goods) and vice versa (agriculture products) as also within the rural areas."

T.P Gopalaswamy

Scope of Rural Marketing

Exploring rural markets is important since they have a lot of untapped potential. Over the past few decades, marketers have made an effort to comprehend and tap rural markets by using creative ways. Some of their attempts were successful, but many markets remain mysterious.

Rural marketing is a developing idea with untapped potential as a component of any economy; marketers have recently recognised the opportunity. For those planning to move to the country, advancements in infrastructure and reach portend a promising future. Rural consumers are increasingly interested in branded items, therefore the market for goods and services appears to have grown.

In terms of exposure, habits, and lifestyles, as well as last but not least, consumption patterns of products and services, the rural population has demonstrated a trend of gradually migrating to a state of urbanization.

Therefore, focusing mostly on rural customers has risks. It's risky to play the game of reducing features in order to cut pricing. Buyers in rural areas frequently adopt urban lifestyle habits. In India, approximately 70% of the country's population dwells in rural areas.

Rural marketing as a concept in India People's lives have always been influenced by the economy. All of India's districts and industrial townships are connected to rural markets, with the exception of a few major cities.

Since the majority of consumers in India live in rural areas, the rural market there contributes more to national earnings. Nearly half of the nation's income is produced by the rural sector of the Indian economy. Rural marketing in the Indian economy can be divided into two major groups.

Importance of Rural Marketing

Rural marketing contributes to overall balanced economic and social development and is expanding faster than urban markets. Business organizations, residents of rural and urban areas, as well as the entire country, benefit from rural marketing. Let's examine how the expansion and development of rural marketing impacts the general well-being and prosperity.

Lessened Demand on Urban Population

Rural marketing can support the infrastructure and prosperity of the rural areas. Due to the availability of all commodities and services in villages, even comparatively at inexpensive prices, people can also live comfortably there. Due to the expansion of marketing activities, people can now make a living in rural areas. It is possible to lessen urban population pressure.

Quick Economic Expansion

Rural areas offer more lucrative economic options than urban areas. The potential market for consumer goods and services is greater in rural areas. A major portion of the rural population depends on agriculture, which can make up close to 50% of the entire national income.

Agriculture contributes significantly to the export market as well. Rural marketing helps the agricultural industry, and an enhanced agricultural industry can help the entire nation's economy.

Creation of Jobs

Approximately 70% of all Indians currently live-in rural regions and depend on agriculture for their food. Both rural and urban residents may find more desirable employment prospects as a result of rural marketing. Increased commercial operations, professional activities, and services as a result of expanding rural marketing might result in numerous job opportunities.

An improved standard of living

Rural consumers can easily get the necessary standard goods and services at reasonable rates thanks to the rural marketing system. Rural marketing enhances rural infrastructure in a similar manner. Rural marketing might also increase their earnings. All of these factors can directly raise the standard of living.

Growth of agro-based industries

Agro-based processing industries are established as a result of rural marketing. Raw materials include things like fruits, vegetables, cereals, pulses, etc. These sectors can increase employment possibilities and the profit margins for farmers.

Best use of rural underutilized resources

In rural locations, there are countless business opportunities. Untapped and under utilised resources can be used to their full potential, accelerating economic growth generally.

Agricultural products are easily marketable

Rural marketing is developing, which enhances the whole marketing system. Farmers and regional producers have a variety of possibilities for marketing their goods. Agricultural products are typically purchased directly from villages by large domestic corporate houses and multinational corporations, as well as through intermediaries and small businesses.

Producers in rural areas can simply offer their goods for fair rates. Their increased ability to purchase goods can increase their purchasing power, which will help to drive up industrial demand.

Enhanced rural infrastructures

The improvement of rural infrastructures and rural marketing work hand in hand. Improved transportation is a result of expanding rural marketing.

Balanced industrial growth

It is possible to progressively close the gap between rural and urban growth. Rural development enhances rural life while easing metropolitan pressure.

Four A’s of Rural Marketing

These are the four as of Rural Marketing.

Affordability

In general, rural incomes are substantially lower than urban incomes. There, consumers frequently lack the means to purchase luxuries and instead prioritize necessities. Marketers must take into account rural consumers' ability to pay and their preference for low-cost goods. Always strive to create products that satisfy your customers' needs and stay inside their price range.

Availability

Reaching the client is the largest issue in the rural market. Consumers in rural areas typically have modest incomes and spend their money on daily essentials. However, there are times when products might not be easily accessible in rural markets, which could lead to such consumers switching to a substitute product. Businesses should strive to make their items available to customers earlier.

Acceptability

To help consumers in rural areas, products should be made in a way that is user-friendly. Create the product in a way that buyers will find value in it, even if they have to spend more money on it. Customers should feel at ease utilizing the goods and should take the plunge without hesitation.

Awareness

The client should be the focus of any marketing to raise their awareness. To reach customers, commercials on TV, radio, and billboards might be employed. For this reason, marketers must concentrate on the communication and entertainment channels that are prevalent in rural areas. By doing this, they will be able to connect with potential customers, build vital brand awareness, and entice sensible people to their products.

13.3 Retail Management

Retail management is a process that estimates all the elements involved in a retail sale to increase positive results. It is a set of actions and techniques employed to increase the retail environment and structure to make great customer satisfaction. It is the process of running and managing retail outlets' day-to-day activities surrounding the selling of goods and services to customers.

Retailing and Retailer

Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities. Retailing is the distribution process of a retailer obtaining goods or services and selling them to customers for use.

Types of Retailers

Retailers can be classified into the following categories:

Store based –These offer products in a physical retail outlet.

Non-Store Based- Non-Store retail organizations focus on establishing direct contact with the consumer.

Personal and Non-personal- Personal could be direct personal selling and Non-Personal could be TV, the Internet, mail, catalogue or phone).

Service Based - These retailers specialize in providing different kinds of services to the end consumer. The services can be classified as Banking Services, Rentals, Electricity, cooking gas, etc.

Sole Proprietorship- This constitutes the majority as many small business ventures. There is one person who owns the store.

Partnership - In Partnership form of business, the ownership is shared between two or more people for running the business.

Joint Venture-A Joint venture involves the creation of a third or a new entity due to collaboration between two or more than two parties, with an agreement to manage the business operations in a particular area by combining their resources and sharing their profits as per the well-defined terms and conditions of the contract.

Chain Stores- When 4 or more than four stores manage the same merchandise under the central ownership and usually receive their supplies from a central warehouse.

Strategic Decisions in Retail Marketing

How a retailer allocates and concentrates its resources to achieve its goals is the main consideration in retailing strategy decisions. A thorough examination of the two market contexts in which each company works is necessary for the development of a retail market strategy.

The mission and vision of a retail organization are described in the retailing strategy. It is a methodical strategy that offers retailers a broad framework for addressing rivals as well as technological and global advancements. Traditional merchants used to mainly respond to changes in the business environment, however this is no longer true due to growing company complexity.

This is because there is more rivalry across all retailing specialties, and consumer preferences, needs, wants, the technology environment, and other environmental factors are changing quickly. The following areas have to be considered:

Target Markets

Although retailers typically cater to the mass market, more and more are turning to market segmentation and marketing research as it becomes harder for them to please everyone. Retailers can use their resources and competencies to better position themselves and gain a competitive edge by carefully defining their target markets. Due in large part to their capacity to pinpoint precisely the kind of people they wish to serve, specialty retailers have experienced enormous development in recent years.

Merchandising

Identifying the products that customers want and making them available at the ideal time, place, and price are the goals of merchandise management. The three components of merchandise management are I planning, (ii) buying, and (iii) controlling. In order to satisfy target customers and maximise a retailer's return on investment, decisions about the breadth and depth of the product mix are made throughout the merchandise planning process.

Store Location

The success of a retail store depends on its location. The vicinity of a store where the majority of its patrons come from is referred to as the trading area. The type of goods sold will determine how large this area is.

As an illustration, some customers could be more inclined to go further to shop at a specialty store because of the exclusive and expensive goods available. A precise site must then be chosen after the trading region has been determined. The site is affected by traffic patterns, accessibility, rivals' locations, availability, and prices, as well as changes in the local population.

Task: Analyse the location of a Retail Store of your choice.

Store Image

A retailer's preferred way of portraying their business to customers is through their store image. Advertising has an impact on image.

Sales staff

In a retail setting can enhance both the reputation of the business and the loyalty of its customers. The lousy attitude of a salesperson is a common grievance in several selling fields. These sales clerks are increasingly receiving training in order to transition from order takers to successful sales representatives.

Store Design

A store's image and potential for profit are impacted by both the external and interior design. The exterior should complement the surrounding area, be aesthetically pleasing and inviting, and blend in. The effort made by the merchant to create the ideal ambiance is referred to as "atmospherics."

Promotion

Thisencompasses all interactions between salespeople and customers as well as communications between retailers and consumers. The goal is to enhance the store's reputation, increase consumer traffic, and sell particular goods. Both personal and non-personal promotion are included. Personal engagement between the buyer and the seller, often known as personal selling, is personal communication.

Wheel of Retailing

The theory of wheel of retailing explains the life cycle concept in retail industry. This theory explains the institutional changes that take place when innovators, including large business houses, enter the retail arena.

This theory observes that a retail business will go through 4 phases of transformation starting from being a small player based on discount to a big well-known store.

The term "wheel of retailing" refers to a theory that outlines the development of a retail business. It begins as a bargain retailer to draw in budget-conscious customers and subsequently evolves into a luxury brand shop or department store to appeal to affluent clients.

The phases that some retail businesses go through over their lifecycle are explained by the hypothesis known as the "wheel of retailing." It describes specifically how a modestly sized bargain store become a high-end business.

To draw in potential customers, the bulk of new merchant's launch with a low-cost, low-margin business strategy. However, as their sales start to increase, they progressively switch to a high-cost, high-revenue model by acquiring more elaborate property. This upward movement is graphically represented on a circular diagram or chart by the retailing wheel.

The phases listed below are represented by the four segments of the wheel of retailing diagram:

Phase 1: To draw customers and establish a clientele, a new business with a dubious reputation prices its goods and services competitively.

Phase 2: As the business expands, it upgrades its facilities and starts progressively raising pricing.

Phase 3: At this point, the business has established a solid name and starts to provide greater diversity while maintaining higher profit margins and even more expensive services.

Phase 4: A new competitor with the same traits as phase 1 joins the market (i.e. low-costs and low-margin). As a result, in order for the present company to survive, it must lower its pricing to prior levels.

Summary

- Services are intangible and do not have a physical existence. They cannot be touched, held, tasted or smelt.
- The zone of tolerance is the difference between customers' expectations regarding their desired service and the minimum level of acceptable service.
- Service continuum is a range from the tangible to the intangible or goods-dominant to service-dominant offerings available in the marketplace.
- A moment of truth is usually defined as an instance wherein the service receiver and the service provider come into contact with one another in a manner that gives the customer an opportunity to either form or change an opinion on the service and the firm.
- Rural marketing is a developing idea with untapped potential as a component of any economy; marketers have recently recognized the opportunity.

Keywords

Services Marketing: Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods.

Core Services: A service that is the primary purpose of the transaction.

Supplementary Services: Services that are rendered as an along with the sale of a tangible product.

Service Marketing Triangle:It is a framework that defines relationships with companies, their customers, their vendors and their systems. It's a way to show companies how these several components can affect each other.

Retail Management:It is the process of running and managing retail outlets' day-to-day activities surrounding the selling of goods and services to the customer.

SelfAssessment

1. Services that are rendered as an along with the sale of a tangible product are known as:

A. Core
B. Supplementary
C. Primary
D. None of the above

2. There are _ Ps in Services Marketing

A. 4
B. 2
C. 9
D. 7

3. When four or more than four stores manage the same merchandise under the central ownership and usually receive their supplies from a central warehouse, they are called as:

A. Chain Stores
B. Online Store
C. Joint Venture Stores
D. Non Stores

4. The ______ instrument developed by Parasuraman (1991) has proved popular, being used in many studies of service quality.

A. Continuum
B. Online
C. SERVQUAL
D. SERQVUAL

5. This is an ideal situation where the service provider is able to exceed the customer's expectations creating an enigma for the customer.
A. Satisfaction
B. Dissatisfaction
C. Delight
D. None of the above

6. _________ of a product is the largest issue in the rural market.
7. Services are ___________and do not have a physical existence. They cannot be touched, held, tasted or smelt.
8. A _________is defined as an instance wherein the service receiver and the service provider come into contact with one another.
9. ___________ is the distribution process of a retailer obtaining goods or services and selling them to customers for use.
10. The __________ is a framework that defines relationships with companies, their customers, their vendors and their systems

11. Service continuum is a range from the tangible to the intangible or goods-dominant to service-dominant offerings available in the marketplace.
A. True
B. False

12. Approximately 30% of all Indians currently live-in rural regions and depend on agriculture for their food.
A. True
B. False

13. Production and consumption are inseparable in case of services. Services are generated and consumed within the same time frame.
A. True
B. False

14. The three components of merchandise management are I planning, (ii) buying, and (iii) controlling.
A. True
B. False

15. The theory of wheel of retailing explains the life cycle concept in Manufacturing industry.
A. True
B. False

Answers for Self Assessment

1.	B	2.	D	3.	A	4.	C	5.	C
6.	Availability	7.	Intangible	8.	Moment of truth	9.	Retailing	10.	Services Marketing Triangle
11.	A	12.	B	13.	A	14.	A	15.	B

Review Questions

1. What is Services Marketing? Analyze its scope?
2. Differentiate Goods and Services?
3. What are the elements of a services marketing mix? Discuss with help of examples from the Airline Industry?
4. Describe the growth and significance of rural markets in India?
5. What are the four as of Rural Marketing?
6. Find out any one initiate taken by a FMCG company in the rural markets?
7. Discuss the strategic decisions involved in Retail Management?
8. Take any three top retailers in India and find out their mission/vision/target markets/merchandise mix/location and store layout.
9. Explain the theory of 'Wheel of Retailing'. List its significance.

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Unit 14: Contemporary Issues in Marketing

CONTENTS

Objectives

After studying this unit, you will be able to,

- understand why companies are adopting sustainable marketing,
- describe the principles of sustainable marketing,
- understand the concept of Corporate Social Responsibility,
- describe different initiatives taken by companies to come across as socially responsible,
- understand why ethical marketing needs to be adopted by companies,
- explain the rationale and implications of globalisation,
- evaluate growth and strategies of global firms from emerging economies.

Introduction

Theories that emphasise the value of customer orientation over conventional market orientation are referred to as contemporary marketing theories. They are tactics that, when put into practice, provide their clientele with better support and a product selection that fluctuates depending on what the target market wants.

14.1 Definition of Sustainable Marketing

"The concept of sustainable marketing holds that an organization should meet the needs of its present consumers without compromising the ability of future generations to fulfill their own needs."

Philip Kotler

Sustainable Marketing

Sustainable marketing is the promotion of socially responsible products, services, and practices. Eco-friendly brands naturally work on sustainable marketing campaigns, brands that are not rooted in sustainability can still apply its principles to their strategy. Its goal is to promote a mission, not a product or service.

The figure below shows the influence of sustainable marketing on products and brands.

Case Study: Lego and Sustainability

Businesses can utilise sustainable marketing to draw attention to a particular product, a pressing issue, or even their unique selling proposition. One business that has perfected sustainable marketing is LEGO. It is a company that devotes a portion of its website to its sustainability initiatives and has the following goal for its environmental efforts written in its tone of voice:

"By 2030, we hope to have made all LEGO® bricks in a sustainable manner. Why? Because sustainability benefits the environment! We want to use recycled materials or materials that we can grow again to produce bricks. This is challenging because we want sustainable LEGO bricks to be of the same high calibre as the ones you are accustomed to, but we know that great ideas can start small and add up to a greener world, one block at a time."

As parents who grew up with the toy sets pass them on to their children and grandchildren, LEGO is still well-known to its customers today. This indicates that a wide range of people all around the world could benefit from learning a good message about the value of sustainability thanks to LEGO.

https://www.smartinsights.com/online-brand-strategy/brand-positioning/sustainable-marketing-how-should-you-use-it/

Impact of Sustainable Marketing on Brands

In 2020, IBM conducted a study on consumer behavior and concluded that most consumers are willing to change their shopping patterns to be more environmentally conscious. This is probable why consumers have witnessed a big push for sustainable marketing from brands. The impact can be viewd in the figure below.

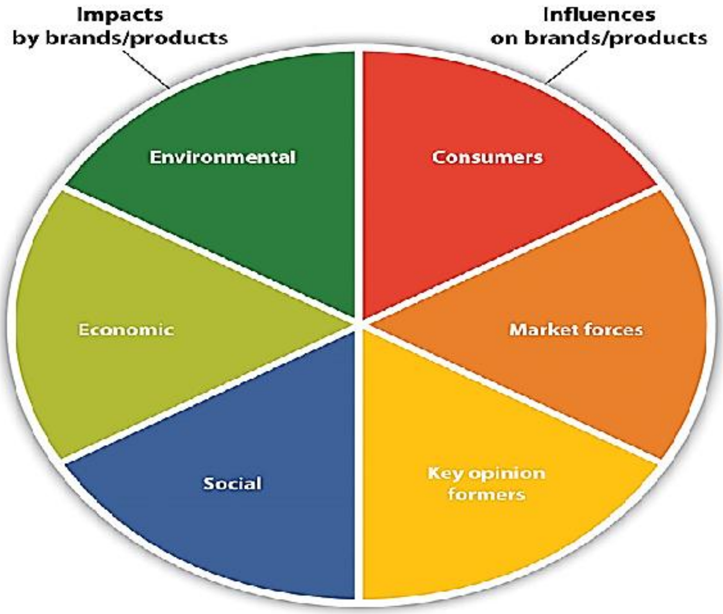

Figure 1: Impact/influence on Brand and Products

Green Marketing vs Sustainable Marketing

While both terms are often used interchangeably, there is a difference between green marketing and sustainability marketing.Green marketing focuses on strategies that promote environmental awareness and protection.

Sustainable marketing on the other hand, includes green marketing but it also includes practices that go beyond the environment, like social and economic issues.

"Sustainable" includes the idea of mutual benefit and prosperity of every single aspect involved in an activity. Where businesses are concerned, sustainability is sourcing the raw material socially as well as environmentally, using Eco-friendly processes for manufacturing and production, and employing educational, encouraging marketing strategies that instill similar behavior in the consumers too.

Case Study: Chiaroscuro : responsibly sourced and up cycled

Chiaroscuro was conceived as an effort to make high quality, functional, affordable, pure leather accessories in India.With the advent of fast fashion and high street retailers, "Made In India" has come to be associated with mass produced, low priced and base quality products.

The image of handcrafted one-of-a-kind creations made with generations of skill, knowledge and love feels like a distant memory. One of our foremost mottos while developing Chiaroscuro was to do our little bit to build this image back again.

Most of the furniture is pre-loved, donated by supportive patrons. All packaging and branding material is made from 100% biodegradable & recycled kraft paper. And each member of our team either cycles or walks to work.

Sustainability is a logical consequence of our philosophy. We are proud to say that none of our creations are mass produced. Each one is made lovingly by a single artisan, from the beginning to the very end. One piece at a time.

They believe in sourcing the material consciously, creating minimal waste while deriving maximum value from the gathered material, being socially responsible and sensitive about conducting business.Additionally, every bag that ships out of the facility carries a photograph of the artisan with the bag, giving the buyer an insight into the hard work that went into creating it.

https://chiaroscuro.in/pages/about

14.2 Sustainable Marketing Principles

Sustainable marketing focuses on profits with a sense of purpose. It creates an opportunity to shape consumer behaviour in a manner that works favourably for the environment, in addition to gaining profits.

Consumer-focused marketing

Companies should prioritize its customers and organize its activities around the needs of their customers.Companies must understand what their customers want and what their perspective is. This will lead to a good CRM system.

Customer value marketing

Customer value marketing is creating value in the company and its products to the customer. In place of just giving low prices and offers, the company should create value in its offerings.Be a name in the product category.

Customer value marketing

Apple was able to create value in their products, which attracted most of the customers.

Innovative marketing

Continuous improvement is the key to excellent and successful sustainable marketing. Company must innovate in a manner that the products are appealing, sustainable, and affordable to the customers. Innovation may be in product attributes, packaging as well as advertising campaigns. Coca-Cola has not changed its original flavor but changed its advertising strategies over decades.

Sense of mission marketing

The company should define the mission in broad social terms rather than using narrow product terms. This will also help to serve the employees in a better way.Profitability along with serving the community should be the objective.

Societal marketing

This principle of sustainable marketing focuses primarily on the company, customer, and social interest. Societal marketing has become important because it creates the company's presence amongst social classes and helps to establish the organization as a solution provider rather than a money maker.

Triple Bottom Line

A primary sustainability strategy reflects in the triple bottom line. Developed by entrepreneur 'John Elkington', this approach is about finding opportunities to build competitive advantage across three areas of an organization.

Lego Build the change campaign as depicted in the figure below. With the help of LEGObricks, other craft supplies, and their own imaginations, children can express their hopes and dreams for the future through Build the Change. And learning is accomplished through play throughout.

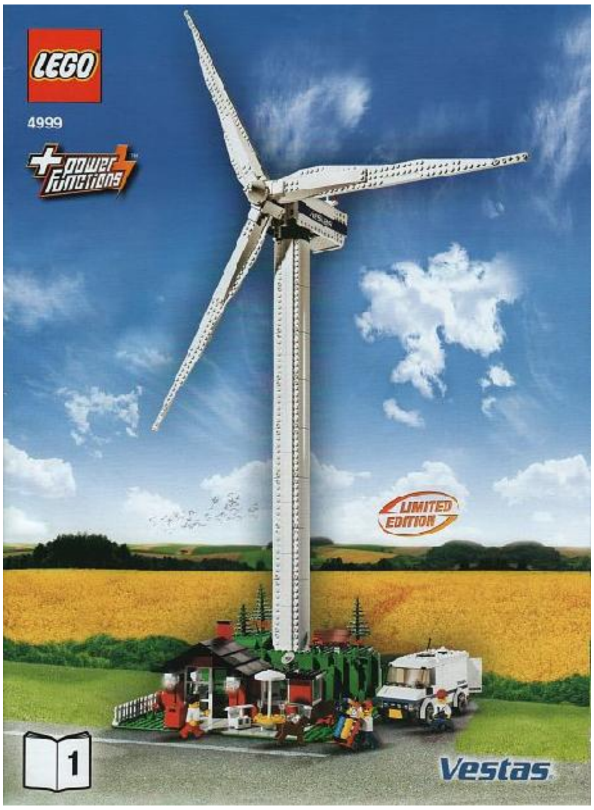

Figure 2: Lego Build the Change

Patagonia - Save the planet campaign speaks about charging a 1% Earth Tax for the Planet, provides support to environmental nonprofits working to defend our air, land and water around the globe.

Sustainable Marketing focusses on going beyond a commercial and product orientation to a broad societal view that helps build effective customer relationships.

14.3 Corporate Social Responsibility

Corporate social responsibility (CSR) is a concept in ethical management where businesses strive to incorporate social, economic, and environmental issues into their daily operations while also taking human rights into consideration. This is a business model by which companies make an effort to operate in ways that enhance the environment.

It takes many forms depending on the company and industry.Through a CSR programs business can benefit society while boosting their brand image.Companies merge marketing strategies with CSR.

Customer relationship management is the practice of managing the relationship between a business and its clients, both current and potential. To maintain positive relationships with the company's current and potential consumers, customer relationship management encompasses a number of strategies and techniques.

For increased customer retention, organisations must make sure that customers are happy with their goods and services. Keep in mind that one satisfied customer brings ten new customers, but one unhappy consumer leaves ten customers behind.

Customer relationship management, to put it simply, is the process of identifying and meeting the requirements and expectations of customers.

Need of CSR

- Customer relationship management (CRM) is necessary since it consistently results in happy customers and increased sales.

- Customer relationship management is very helpful in keeping current clients.
- Customer relationship management makes ensuring that customers are happy to go home.
- Customer relationship management strengthens the bond between a company and its clients. These interactions improve the relationship between sales personnel and clients.

How to Manage Customer Relationships

- Understanding the demands, interests, and budget of the consumers is crucial for the sales personnel. Don't make any suggestions that might drain their pockets dry.
- Never mislead your customers. Tell them simply the benefits of your product. Never fabricate lies or attempt to mislead people.
- To keep consumers waiting is sinful. Salespeople should arrive to meetings on time or early. Make sure you arrive at the location before the client arrives.
- A salesperson should consider their audience when making decisions. Don't focus solely on your own goals and rewards. Offer only the solutions that are best for the client. He would never return to you, and your business would lose a valuable client.
- Avoid overselling. Being aggressive in sales is ineffective. If a customer needs something, he will undoubtedly buy it. Never anger or inconvenience the customer. Limit your calls to him to two per day.
- A person takes time to grow to trust you and your offering. Allow him some time to reflect and decide.
- Never treat consumers badly. Treat the customers with consideration and patience. Never ever become agitated when dealing with consumers.
- Show up to sales meetings with a calm head. Give customers a warm welcome and make an effort to address their questions as quickly as possible.
- Continue to communicate with your customers even after the sale. Create customer loyalty programmes to encourage people to patronise your business again. Whenever they make a second purchase, give them extra points or presents.

Challenges of Corporate Social Responsibility

The following are the challenges that may be faced while doing corporate social responsibility.

- Lack of transparency.
- Defining of the general criteria of CSR.
- Neglection of the main business.
- Measuring the CSR outcome.

Example: In 2005, P&G launched its signature CSR program 'P&G Shiksha' with an aim to provide children from underprivileged backgrounds access to holistic education.

They focused their efforts in three main areas - improving education infrastructure, empowering marginalised girls through education and improving learning outcomes.

Example:ITC Limited has provided computers and Internet access in rural areas across several agricultural regions of the country, where the farmers can directly negotiate the sale of their produce with ITC Limited. Online access enables farmers to obtain information on mandi(market) prices, and good farming practices, and to place orders for agricultural inputs like seeds and fertilizers. This helps farmers improve the quality of their products, and helps in obtaining a better price.Each ITC Limited kiosk having Internet access is run by a Sanchalak — a trained farmer. The computer is housed in the Sanchalak's house and is linked to the Internet via phone lines or by a VSAT connection.

Each installation serves an average of 600 farmers in the surrounding ten villages within about a 5 km radius.

Other CSR Initiatives

- Reducing carbon footprint.
- Engaging in charity work.
- Selling fair products.
- Investing in environmentally conscious businesses.
- Getting involved in volunteer work.
- Improving labour policies.

Companies committed to Corporate Social Responsibility

Figure 3: Companies committed to Corporate Social Responsibility

Companies that adopt CSR programs have often grown their business to the point where they can build the society. The more successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry.

14.4 Marketing Ethics

The purpose of a firm goes beyond making a profit. Firms must be concerned with distinguishing between right and wrong actions that arise in a firm or business settings.

Ethics refers to beliefs and choices and focuses on standards, regulations, and codes of moral conduct that regulate individual behaviour. Ethical Behaviour of Firms Notes Ethics are moral principles and values that guide a person's or a group's behaviours and decisions.

Ethics in the context of marketing refers to the moral assessment of marketing strategies and choices as appropriate or inappropriate. An individual's personal and moral ideals, as well as the expectations of behaviour set by the society, different interest groups, rivals, and the management of the organisation, are used to judge if a marketing behaviour is ethical or unethical.

Ethical marketing refers to the process by which companies market their goods and services by focusing not only on profits but also focus on being socially responsible or on the environmental causes.Ethical marketing is a philosophy. It includes everything from ensuring advertisements are honest and trustworthy, to building strong relationships with consumers.

Ethics in marketing activities is a significant topic that requires increased knowledge and awareness in order to better its implementation. Any event, issue, or opportunity that can be identified and necessitates a person or organisation to choose between several behaviours that must be assessed as right or wrong, ethical or unethical, is referred to as an ethical issue.

Even when an action is morally acceptable from a legal standpoint, it becomes unethical when marketing managers or customers feel taken advantage of. Whatever the causes of unethical situations, once the problem has been located, marketing managers need to decide how to fix it.

Knowing the majority of the often-occurring ethical marketing-related challenges is necessary for this. The majority of problems with unethical behaviour, in general, involve items and promotions.

Unethical Practices

There have been instances of deceptive advertisements concerning programmes to control obesity and lose weight that misled consumers; some of these cases ended up in court. Many advertisements are criticized for injecting too much nastiness to draw viewers. It is unethical to use bribery or make false promises while selling to individuals.

Occasionally, media reports highlight instances of unethical behaviour on the part of companies who provide bribes to obtain sizable orders. Such actions undermine fairness and trust, which ultimately hurt the offending organisation and ruin its reputation.

The following can be further labelled as an unethical practice:

- Making false, exaggerated, or unverified claims
- Distortion of facts to mislead or confuse potential buyers
- Concealing dark sides or side effects of products or services
- Bad-mouthing rival products
- Stereotyping
- Demeaning references to races, age, sex, or religion of marketing messages

Consideration in Ethical Marketing

Marketing ethics involve choices that build trust in marketing connections at all levels and go beyond just the legal considerations. Various interest groups, rivals, the company's management, and a person's own personal and moral values are taken into consideration when determining whether a certain marketing behaviour is ethical or unethical.

The term "social responsibility of business" refers to a company's duty to make conscious efforts to maximise its positive contributions and minimise its negative effects on society at large and on different societal subgroups. In response to social pressure, the federal, state, and local governments pass legislation and establish a number of regulatory bodies to outlaw unethical and improper corporate practises.

Companies that are truly concerned about their social responsibility often voluntarily undertake to improve or at least maintain society's well-being. Many such laws are framed in almost all developed and developing economies that regulate product safety, packaging, labelling, pricing, personal selling, advertising, fair competitive practises, environmental issues, etc.

Importance of Ethical Marketing

- Earning customer loyalty.
- Long term gains.
- Improved credibility.
- Better sales, profitability.
- Building of brand value
- Attracting good workforce

Example: People Tree's 'Our Blue Planet' collection is one of the best examples of ethical marketing campaigns in which two companies banded for an ethical cause. People Tree teamed with BBC Earth to emphasize the significance of our oceans and marine conservation.

Figure 4:Dr Bronner's Activist Soap

Example: Dr. Bronner's marketing strategy is activist marketing, as they are concerned with ethical marketing campaigns associated with income equality, regenerative organic agriculture, drug policy reform, and animal advocacy.

14.5 Globalisation

The integration of a country's economy with the global economy is referred to as globalisation. It has a variety of facets. It is the end result of a variety of tactics aimed at changing the world in order to make it more interdependent and integrated.

It entails the development of networks and initiatives that break through social, economic, and geographic barriers. Globalization aims to create connections between events such that those happening far away can influence those happening in India.

In other words, globalisation is the process of interaction and union of individuals, organisations, and governments on a worldwide scale.

Benefits of Globalization for India

Employment growth

Special economic zones (SEZ) have the potential to create more new jobs than they previously could. The export processing zones (EPZ) hub in India is extremely beneficial for creating thousands of new jobs.

Availability of cheap labour in India:

This feature encourages major western corporations to hire workers from other countries, which leads to an increase in employment.

Compensation increase

As a result of globalisation, international corporations are now paid more than domestic enterprises since they offer more expertise and knowledge. A change in the management structure also resulted from this opportunity.

High Standard of living

As globalisation has progressed, the Indian economy and people's standard of living have improved. A person's purchasing habits, especially those of individuals connected to foreign businesses, can signal this transformation. As a result, business development and an improvement in living standards are occurring in many communities.

Impact of Globalisation

One of the main effects of the globalisation strategy is outsourcing. In outsourcing, a business procures recurring services from external sources, frequently from foreign countries, that were previously implemented internally or from within the country (like computer service, legal advice, security, each presented by individual departments of the corporation, and advertisement).

Due to the development of speedy means of communication, particularly information technology, outsourcing has grown as a type of economic activity recently.

Many services are being outsourced to India by businesses in developed nations, including voice-based business processes (also known as BPS, BPO, or call centers), accounting, record keeping, music recording, financial services, book transcribing, film editing, clinical counselling, and teaching.

Rationale for Globalisation

Globalisation has been impacting every country politically, economically, socially as well as technologically. The following have been the changes brought in by globalisation.

- Impact on markets and consumer lifestyles.
- Lowering of entry barriers across the world.
- Competition not restricted to one firm or type of firms.
- The focus of economic policies was to attract foreign direct investments and brands.
- Internationally standardised freight containers
- Lowering of entry barriers
- Softening of duties and taxes on imported goods.
- capital, technology and jobs migrating across the world.
- Setting up production facilities across different countries.
- Satellite communication.
- Emerging product technologies
- International travel and tourism.
- Global customer is more aware, literate, and price sensitive.

Globalisation Orientations

A firm needs to have an appropriate orientation for the world market. While looking for orientation it is important to understand the EPRG framework.

There are four orientations under this framework. Ethnocentric Orientation (E), Polycentric Orientation (P), Geocentric Orientation (G) and Regio centrism Orientation (R).

Ethnocentric Orientation (E)

A home country orientation or an unconscious bias or belief that the home country approach to business is superior. The practices and policies of headquarters and of the operating company in the home country become the default standard to which all subsidiaries need to comply.

When a company has an ethnocentric orientation, it means that it does not distinguish between its domestic and international markets and uses the same marketing strategies in both. The antithesis of ethnocentric orientation is polycentric orientation. Each overseas market differs from the others, and local techniques and personnel are best suited to deal with local conditions, according to the concept of polycentric orientation. The following points of distinction appear in light of the foregoing:

Polycentric Orientation

Businesses with a polycentric orientation adopt the belief that every country is unique and needs a different approach to match cultural and societal norms. Under this belief, a company uses a country-specific business and marketing strategy for successfully developing and building its presence in each country it expands to.

According to the polycentric approach, international subsidiaries of a nation hire team members from the host nation rather than from the location of the parent company. This can assist subsidiaries in operating within a specific community and understanding local needs.

Geocentric Orientation

Geocentric approach encourages global marketing.This does not equate superiority with nationality.Irrespective of the nationality, the company tries to seek the best men and the problems are solved globally within the legal and political limits. So follows an efficient use of human resources and building of a strong culture.

For instance, let's say a company has a worker in China with unique skills that are needed in the USA. If so, the company can swiftly transfer this person to the USA. Businesses may utilise the skills whenever and wherever they are needed thanks to the geocentric approach.

Regio-centric Orientation

In this approach a company finds economic, cultural or political similarities among regions in order to satisfy the similar needs of potential consumers.For example, countries like Pakistan, India and Bangladesh have similarities. It can be said that there exists a strong regional identity.

Regio-centric strategy makes the assumption that the entire region may be thought of as one market. Compared to the polycentric approach, this enables far better scale economies. General Motors is a fascinating illustration of a business with a Regio-centric orientation.

Key decisions- Parameters in Global Marketing

The following decisions have to be taken in global marketing.

Standardization

Standardized marketing mix involves developing and offering a standard product and marketing it across the national border with the same communication, pricing, and distribution strategy.

Differentiation

This involves understanding and providing as per the differences in customer preferences arising out of cultural, social, and religious barriers across nations.

Summary

- Sustainable marketing is the promotion of socially responsible products, services, and practices.
- Sustainable marketing on the other hand, includes green marketing but it also includes practices that go beyond the environment, like social and economic issues.
- Companies should prioritize its customers and organize its activities around the needs of their customers.
- Corporate social responsibility (CSR) is a concept in ethical management where businesses strive to incorporate social, economic, and environmental issues into their daily operations while also taking human rights into consideration.
- The purpose of a firm goes beyond making a profit. Firms must be concerned with distinguishing between right and wrong actions that arise in a firm or business settings.
- Ethics refers to beliefs and choices and focuses on standards, regulations, and codes of moral conduct that regulate individual behaviour.

- The term "social responsibility of business" refers to a company's duty to make conscious efforts to maximise its positive contributions and minimise its negative effects on society at large and on different societal subgroups.
- Globalisation is the process of interaction and union of individuals, organisations, and governments on a worldwide scale.

Keywords

Sustainable: This includes the idea of mutual benefit and prosperity of every single aspect involved in an activity.

Customer value marketing: This is creating value in the company and its products to the customer. In place of just giving low prices and offers.

Customer relationship management: CRM is the practice of managing the relationship between a business and its clients, both current and potential.

Ethical marketing: This refers to the process by which companies market their goods and services by focusing not only on profits but also focus on being socially responsible or on the environmental causes.

Self Assessment

1. ________ approach encourages global marketing.

A. Geocentric
B. Regio-centric
C. Global
D. Local

2.The following can be further labelled as an unethical practice in marketing.

A. Making false, exaggerated, or unverified claims
B. Distortion of facts to mislead or confuse potential buyers
C. Concealing dark sides or side effects of products or services
D. All of the above

3. This cannot be a CSR initiative:

A. Reducing carbon footprint.
B. Engaging in charity work.
C. Making profit at any cost
D. Selling fair products.

4._______ refers to beliefs and choices and focuses on standards, regulations, and codes of moral conduct that regulate individual behaviour.

A. CSR
B. Ethics
C. Selling
D. Relationship Marketing

5. This strategy involves understanding and providing as per the differences in customer preferences arising out of cultural, social, and religious barriers across nations.

A. Standardisation

B. Differentiation

C. Selling

D. Marketing

6.When a company has an _________ orientation, it means that it does not distinguish between its domestic and international markets and uses the same marketing strategies in both.

7.________ is the process of interaction and union of individuals, organisations, and governments on a worldwide scale.

8.Marketing ______ involve choices that build trust in marketing connections at all levels and go beyond just the legal considerations.

9.The purpose of a firm goes beyond making a ______.

10._________ strengthens the bond between a company and its clients.

11. Businesses with a polycentric orientation adopt the belief that every country is unique and needs a different approach to match cultural and societal norms.

A. True

B. False

12. Many services are being outsourced to India by businesses in developed nations, including voice-based business processes

A. True

B. False

13. Globalisation has not been impacting every country politically, economically, socially as well as technologically.

A. True

B. False

14. Mislead your customers. Tell them simply the benefits of your product. Never fabricate lies or attempt to mislead people.

A. True

B. False

15.Continuous improvement is the key to excellent and successful sustainable marketing.

A. True

B. False

Answers for Self Assessment

1.	A	2.	D	3.	C	4.	B	5.	B
6.	Ethnocentric	7.	Globalisation	8.	Ethics	9.	Profit	10.	CRM

11. A	12. A	13. B	14. B	15. A

Review Questions

1. Explain why companies are adopting sustainable marketing? How does it help the society as a whole? Take some example?
2. Find out an initiative by a company that involves a sustainable marketing campaign.
3. Elaborate the concept of Corporate Social Responsibility with the help of an example.
4. Describe different initiatives taken by companies to come across as socially responsible? Take examples from the FMCG sector?
5. Outline why ethical marketing needs to be adopted by companies,
6. Explain the rationale and implications of globalisation?
7. Evaluate growth and strategies of global firms from emerging economies?

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