MBA I YEAR I SEMESTER
SUBJECT: MARKETING MANAGEMENT

Unit – I: Marketing Management:

Introduction to Marketing, Market, Marketing Management.

DefinitionofMarketingManagement

According to **Philip Kotler**, "**Marketing Management** is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of personal and of mutual gain. It relies heavily on the adoption and coordination of product, price, promotion and place for achieving responses.".

Marketing management is a business process, to manage marketing activities in profit seeking and non profit organizations at different levels of management. Marketing management decisions are based on strong knowledge of marketing functions and clear understanding and application of supervisory and managerial techniques.

NatureofMarketingManagement

1. **It Combines the Fields of Marketing and Management**
   As the name implies, marketing management combines the fields of marketing and management. Marketing consists of discovering consumer needs and wants, creating the goods and services that meet those needs and wants; and pricing, promoting, and delivering those goods and services. Doing so requires attention to six major areas - markets, products, prices, places, promotion, and people.
   Management is getting things done through other people. Managers engage in five key activities - planning, organising, staffing, directing, and controlling. Marketing management implies the integration of these concepts.

2. **Marketing Management is a Business Process**
   Marketing management is a business process, to manage marketing activities in profit seeking and non profit organizations at different levels of management, i.e. supervisory, middle-management, and executive levels. Marketing management decisions are based on strong knowledge of marketing functions and clear understanding and application of supervisory and managerial techniques. Marketing managers and product managers are there to execute the processes of marketing management. We, as customers, see the results of such process in the form of products, prices, advertisements, promotions, etc.

3. **Marketing Management is Both Science and Art**
   "Marketing management is art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value." (Kotler, 2006). Marketing management is a science because it follows general principles that guides the marketing managers in decision making. The Art of Marketing management consists in tackling every situation in an creative and effective manner. Marketing Management is thus a science as well as an art.

4. **Importance of Marketing Management:**

Marketing management has gained importance to meet increasing competition and the need for improved methods of distribution to reduce cost and to increase profits. Marketing management today is the most important function in a commercial and business enterprise.

The following are the other factors showing importance of the marketing management:

(i) Introduction of new products in the market.
(ii) Increasing the production of existing products.
(iii) Reducing cost of sales and distribution.
(iv) Export market.
(v) Development in the means of communication and modes of transportation within and outside the country.
(vi) Rise in per capita income and demand for more goods by the consumers

Scope of marketing

1. Setting Marketing Goals:

The prime task of marketing manager is to set marketing goals and objectives. Clearly and precisely defined objective can help marketing manager to direct marketing efforts effectively. The goals and objective (whether strategic and operating, or short-term and long-term) must be suitably communicated with the employees concern. As far as possible, objectives should be expressed in the quantifiable terms.

2. Selecting Target Market:

Segmenting the total market and selecting the target market is a fundamental task of marketing management. Modern marketing practice is based on the target market, and not on the total market. Marketing manager cannot satisfy the needs and wants of entire market. He must concentrate his efforts only on well-defined specific groups of customers, known as the target market. All the marketing functions are directed to cater needs and wants of the target market only. Based on company's overall capacity, the target market should be selected.

3. Formulating Suitable Marketing Organization:

To implement marketing plan, a suitable organization structure is essential. On the basis of analysis of type of products, type of market, geographical concentration of market, and many other relevant factors, appropriate organization must be designed. Various alternative structures are available, such as product organization, geographic organization, functional organization, matrix organization, etc. Based upon requirements, the appropriate structure should be prepared and modified as per needs.

4. Maintaining Healthy Relations with other Departments:

Marketing department needs cooperation from other departments of organization, including financial department, personnel department, and production department, to satisfy customers effectively. Their support is considered to be important to satisfy consumers. Thus, for integrated efforts, marketing manager should try to establish good relations with them. Likewise, within marketing department, he must establish coordination among various personnel.

5. Establishing and Maintaining Profitable Relations with Outside Parties:

Alike internal support, the external relations are also extremely necessary. Marketer, in order to carry out marketing activities effectively, must establish and maintain healthy relations with various parties, such as suppliers, service providers, government agencies, dealers, consultants, and so forth. Without their support, marketing manager cannot carry out functions successfully. Due to important role of external relations, contemporary marketing practices can be said as relationship marketing.

6. Marketing Research Activities:

Marketing research is one of the important functions of modern marketing. Marketing research involves systematic collection, analysis, and interpretation of data on any problem related to marketing. It provides the manager with valuable information on which marketing decisions can be taken. Marketing research is essential to know adequately about consumers and market situation. It is a basic function to satisfy consumers. Marketing efforts are based on the marketing research information.

7. Sales Management:

Sales management is one of the important functions of marketing management. Sales management concerns with planning, implementation, and controlling selling efforts. It performs all the activities directly related to execution of sales.

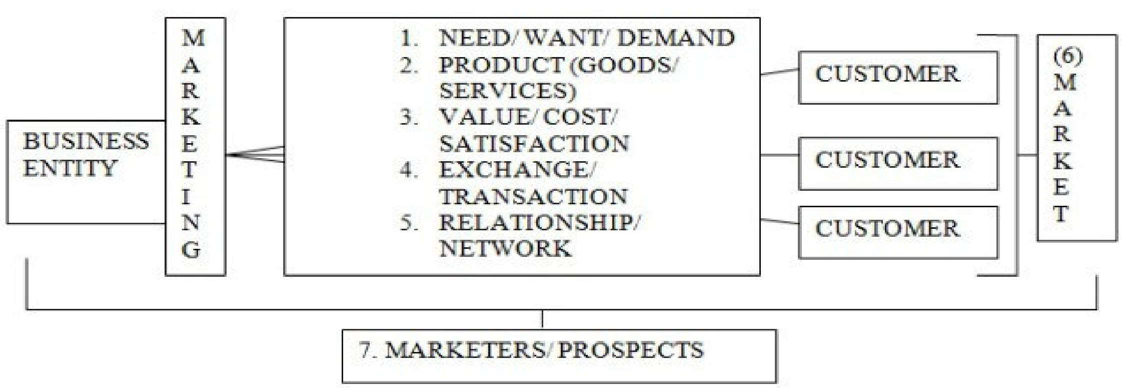
Sales department carry out selling functions. Sales department formulates sales policies, ensures adequate quantity of products, maintains sales records, formulates structures for sales department, manages sales force (salesmen), and controls selling efforts.

8. Exercising Effective Control on Marketing Activities:

Control is essential to ensure that activities are performed as per plan. Control involves establishing standards, measuring actual performance, comparing actual performance with standards, and taking corrective actions, if needed. Control keeps the entire marketing department alert, active, and regular. Marketing manager should set up an effective controlling system to monitor marketing efforts.

Marketing Management is a social and managerial process by which individuals or firms obtain what they need or want through creating, offering, exchanging products of value with each other.

CORE CONCEPTS OF MARKETING:



Tasks, Philosophies

Under the marketing management philosophy, we shall study the following five concepts:

(1) Production Concept

(2) Product Concept
(3) Selling Concept
(4) Marketing Concept
(5) Societal Marketing Concept

1. Production Concept

Those companies who believe in this philosophy think that if the goods/services are cheap and they can be made available at many places, there cannot be any problem regarding sale. Keeping in mind the same philosophy these companies put in all their marketing efforts in reducing the cost of production and strengthening their distribution system. In order to reduce the cost of production and to bring it down to the minimum level, these companies indulge in large scale production.

This helps them in effecting the economics of the large scale production. Consequently, the cost of production per unit is reduced.

The utility of this philosophy is apparent only when demand exceeds supply. Its greatest drawback is that it is not always necessary that the customer every time purchases the cheap and easily available goods or services.

2. Product Concept

Those companies who believe in this philosophy are of the opinion that if the quality of goods or services is of good standard, the customers can be easily attracted. The basis of this thinking is that the customers get attracted towards the products of good quality. On the basis of this philosophy or idea these companies direct their marketing efforts to increasing the quality of their product.

It is a firm belief of the followers of the product concept that the customers get attracted to the products of good quality. This is not the absolute truth because it is not the only basis of buying goods.

The customers do take care of the price of the products, its availability, etc. A good quality product and high price can upset the budget of a customer. Therefore, it can be said that only the quality of the product is not the only way to the success of marketing.

3. Selling Concept

Those companies who believe in this concept think that leaving alone the customers will not help. Instead there is a need to attract the customers towards them. They think that goods are not bought but they have to be sold.

The basis of this thinking is that the customers can be attracted. Keeping in view this concept these companies concentrate their marketing efforts towards educating and attracting the customers. In such a case their main thinking is 'selling what you have'.

This concept offers the idea that by repeated efforts one can sell-anything to the customers. This may be right for some time, but you cannot do it for a long-time. If you succeed in enticing the customer once, he cannot be won over every time.

On the contrary, he will work for damaging your reputation. Therefore, it can be asserted that this philosophy offers only a short-term advantage and is not for long-term gains.

4. Marketing Concept

Those companies who believe in this concept are of the opinion that success can be achieved only through consumer satisfaction. The basis of this thinking is that only those goods/service should be made available which the consumers want or desire and not the things which you can do.

In other words, they do not sell what they can make but they make what they can sell. Keeping in mind this idea, these companies direct their marketing efforts to achieve consumer satisfaction.
In short, it can be said that it is a modern concept and by adopting it profit can be earned on a long-term basis. The drawback of this concept is that no attention is paid to social welfare.

5. Societal Marketing Concept

This concept stresses not only the customer satisfaction but also gives importance to Consumer Welfare/Societal Welfare. This concept is almost a step further than the marketing concept. Under this concept, it is believed that mere satisfaction of the consumers would not help and the welfare of the whole society has to be kept in mind.
For example, if a company produces a vehicle which consumes less petrol but spreads pollution, it will result in only consumer satisfaction and not the social welfare.
Primarily two elements are included under social welfare-high-level of human life and pollution free atmosphere. Therefore, the companies believing in this concept direct all their marketing efforts towards the achievement of consumer satisfaction and social welfare.
In short, it can be said that this is the latest concept of marketing. The companies adopting this concept can achieve long-term profit.

Marketing Mix

Introduction to Marketing Mix

Marketing is the process of identifying, anticipating, and satisfying customers' requirements with the purpose to make profits. In this process marketing managers and marketing representatives have to take various marketing decisions to make the operations profitable. They have to decide what combination of marketing policies and procedures be adopted to bring about desired behaviour of trade and consumers at minimum cost. They have to decide how can advertising, personal selling, pricing, packaging, channels, warehousing, and the other elements of marketing be manipulated and mixed to make marketing operations profitable. More specifically, they have to decide a marketing mix - a decision making method in relation with the product, price, promotion, and distribution.
The term Marketing Mix was introduced by **Neil H. Borden** in his article - "**The Concept of Marketing Mix**". He learned about it in a research bulletin on the management of marketing costs, written by his associate, **Prof. James Culliton**. in 1948. In this study of manufacturers' marketing costs he described the business executive as a "decider," an "artist" - a "**mixer of ingredients**," who sometimes follows a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried.

Definition of Marketing Mix

According to **Philip Kotler** - *"**Marketing Mix** is the combination of four elements, called the 4P's (product, Price, Promotion, and Place), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy"*
According to **Principles of Marketing, 14e, Kotler and Armstrong, 2012** - *"**The Marketing Mix** is the set of tactical marketing tools - Product, Price, Promotion, and Place - that the firm blends to produce the response it wants in the target market."*

Meaning of Marketing Mix

The Marketing Mix is a marketing tool used by marketing professionals. It is often crucial when determining product or brand's offering, and it is also called as 4P's (Product, Price, Promotion, and Place) of marketing. However, in case of services of different nature the 4

P's have been expanded to 7P's or 8P's.

In recent times, giving more importance to customer a new concept have been introduced, i.e. **Concept of 4C's**. The Concept of 4C's is more customer-driven replacement of 4P's. According to Lauterborn's the 4C's are - Consumer, Cost, Communication, and Convenience. According to Shimizu's the 4C's are -Commodity, Cost, Communication, and Channel.

4P's - Producer-oriented Model of Marketing Mix

- **Product** - Products are offerings that a marketer offers to the target audience to satisfy their needs and wants. Product can be tangible good or intangible service. Tangible products are goods like - cellphone, television, or motor car, whereas intangible products are services like - financial service in a bank, health treatment by a doctor, legal advice of a lawyer.
- **Price** - Price is the amount that is charged by marketer of his offerings or the amount that is paid by consumer for the use or consumption of the product. Price is crucial in determining the organization's profit and survival. Adjustments in price affects the demand and sales of the product. Marketers are required to be aware of the customer perceived value of the product to set the right price.
    - **Promotion** - Promotion represents the different methods of communication that are used by marketer to inform target audience about the product. promotion includes - advertising, personal selling, public relation, and sales promotion.
    - **Place** - Place or distribution refers to making the product available for customers at convenient and accessible places.

In case of services, the producer-oriented model of marketing mix is consists of 7P's. Including the above 4P's there are additional 3P's - **Physical Evidence**, **People**, and **Process**. Physical evidence refers to elements like uniform of employees, signboards, and etc. People refers to the employees of the organization comes in contact with the customers in the process of marketing. Process refers to the systems and processes followed within organization.

4C's - Consumer-oriented model of marketing Mix

- **Consumer** - In this model the Product is replaced by Consumer. Marketers focuses more on consumer satisfaction. The product is designed and produced keeping in consideration the requirements of consumer.
- **Cost** - Price is replaced by Cost. Here the cost refers to the total cost of owning a product. It includes cost to use the product, cost to change the product, and cost of not choosing the competitor's product.
- **Communication** - Promotion is replaced by Communication. Communication includes advertising, public relation, personal selling, and any method that can be used for proper,timely, and accurate communication between marketer and consumer.
- **Convenience** - Place is replaced by Convenience. it focuses on ease of buying, convenience in reaching to the store/product, and convenience in getting product information.

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Marketing Program

A marketing program is made up of the various elements of the marketing mix and the relationships among them. The concept of the marketing mix emphasizes the fit of the various pieces and the quality and size of their interactions. There are three degrees of interaction – consistency, integration and leverage. Consistency is the lack of a poor fit between two or more elements of the marketing mix. For example, to sell a high quality product through a low quality retailer would seem inconsistent. While consistency is the lack of a poor fit, integration is the presence of a positive, harmonious interaction among the elements of the mix. For example, heavy advertising can sometimes be harmoniouswith a high price, because the added margin from the high price pays for the advertising and the high advertising creates the brand differentiation that justifies the high price. Leverage is the situation in which each individual element of the mix is used to the best advantage in support of the total mix. Once the elements of the marketing mix have met the internal tests of consistency, integration and leverage, the next step is to check that the proposed program fits the needs of the target customers, the core competencies of the company and the likely responses of key competitors. The concept of program/customer fit encompasses development of a marketing program that fits the needs of the target-market segments. For that, the market must first be carefully and explicitly delineated. If the target has not been defined, it cannot be reached! The program must not only fit the market, but also fit the company. A marketing program must match the core competencies of the company that is implementing it. For example, an organization with extensive mass advertising experience and expertise is more likely to be able to carry out a program that leans heavily on advertising than an organization less strong in that particular area. An effective marketing program must not only fit the company's own core competencies, it must also take account of competitors' programs. Competitive/program fit can be defined as the characteristic of a marketing program that, while building on a company's strengths and shielding its weaknesses, protects it from competitors by capitalizing on their weaknesses, in the process creating a unique market personality and position. Like most concepts, the marketing mix is an abstraction and real marketing programs do not always fit perfectly the product, price, place and promotion paradigm. In fact, several parts of the mix fall at the interface of two elements. For example, brand, which is often views as an aspect of product, is clearly also part of marketing communications and can serve to help coordinate product policy and communication.

Marketing Strategy

Marketing strategy is the comprehensive plan formulated particularly for achieving the marketing objectives of the organization. It provides a blueprint for attaining these marketing objectives. It is the building block of a marketing plan. It is designed after detailed marketing research. A marketing strategy helps an organization to concentrate it's scarce resouces on the best possible opportunities so as to increase the sales.
A marketing strategy is designed by:

1. **Choosing the target market:** By target market we mean to whom the organization wants to sell its products. Not all the market segments are fruitful to an organization. There are certain market segments which guarantee quick profits, there are certain segments which may be having great potential but there may be high barriers to entry. A careful choice has to be made by the organization. An indepth marketing research

has to be done of the traits of the buyers and the particular needs of the buyers in the target market.

2. **Gathering the marketing mix:** By marketing mix we mean how the organization proposes to sell its products. The organization has to gather the four P’s of marketing in appropriate combination. Gathering the marketing mix is a crucial part of marketing task. Various decisions have to be made such as -
   - What is the most appropriate mix of the four P’s in a given situation
   - What distribution channels are available and which one should be used
   - What developmental strategy should be used in the target market
   - How should the price structure be designed

Importance of Marketing Strategy

- Marketing strategy provides an organization an edge over it’s competitors.
- Strategy helps in developing goods and services with best profit making potential.
- Marketing strategy helps in discovering the areas affected by organizational growth and thereby helps in creating an organizational plan to cater to the customer needs.
- It helps in fixing the right price for organization’s goods and services based on information collected by market research.
- Strategy ensures effective departmental co-ordination.
- It helps an organization to make optimum utilization of its resources so as to provide a sales message to it’s target market.
- A marketing strategy helps to fix the advertising budget in advance, and it also develops a method which determines the scope of the plan, i.e., it determines the revenue generated by the advertising plan.

In short, a marketing strategy clearly explains how an organization reaches it’s predetermined objectives.

Managing marketing effort

Marketing efforts are the resources a company dedicates to promoting its products and services. Through marketing activities, a company can create demand and interest in its items and gain greater visibility with potential customers.

Types of Marketing Efforts

There are many effective ways to implement marketing plans. Some common and successful marketing efforts include:

- **Social media**: With the popularity of sites like Facebook, Twitter, Instagram, and Pinterest, social media is an immediate and inexpensive way to connect with your audience. Let's imagine you are selling accessories for luxury cars. By targeting consumers who purchase and drive luxury cars, you can build a following of target buyers that are your ideal audience. Once you have a connection to these shoppers, you can educate them about your products and encourage them to make a purchase.
- **Television and radio ads**: Running ads can help you show your products quickly and easily to a large audience. You can also target your ads to run on stations that appeal to your audience. For instance, if you sell clothes and makeup to 18-25-year-old females, you can place your ad on television stations that have young women as their target market. This helps you reach the women who are most likely to purchase your products.
- **Google and online ads**: By placing ads online, you can reach people who use their computer or phones to find information. For instance, you can place a Google ad for your luxury car accessories and define the potential buyers you want to reach. When those people look for something on Google, your ad may pop up and build interest for your car accessories.

Global marketing

Global marketing involves planning, producing, placing, and promoting a business' products or services in the worldwide market.

There is significantly more to global marketing than simply selling goods and services internationally. It is the process of conceptualizing and subsequently conveying a final product or service globally. The company aims to reach the international marketing community.

Global marketing is a specialized skill. If marketing professionals do their job properly, they can catapult their company to the next level.

Several different strategies are possible. Which one to implement depends on the company's target area. For example, the menu of a fast food restaurant will depend on whether it is in Europe, Asia, Africa, etc.

For companies that produce and sell products and services that have universal demand, global marketing is crucial. Food, smartphones, and cars, for example, have universal demand. In other words, people all over the world want and buy them.

Global marketing is part of marketing. Marketing refers to analyzing the market, finding out what consumers want, and determining whether you can make it at the right price. You then produce it and sell it.

Global marketing – not just large companies

In the past, global marketing was mainly the domain of multinational corporations. Since the emergence of the Internet and e-commerce, even small firms can reach customers across the world.

For example, if you are a small company that makes software, apps, etc., today the world is your oyster.

If your company is in Canada, for example, you can sell to people in the USA, Latin America, Europe, Asia, etc.

As long as you have an online store and credit/debit card payment facilities, you can reach customers globally.

To reach customers abroad, you will need to let them know that you exist. If possible, you should also get others to sell your product on your behalf. You will also need to convince people that your product or service is worth buying. That is where global marketing comes in

Marketing Environment - Company's Micro and Macro Environment

Marketing Environment

The term Marketing Environment refers to the forces and factors that affects the organization ability to built and maintain good relationship with its customers. Marketing environment surrounds the organization and it impacts upon the organization. Marketers have to interact with internal and external people at micro and macro level and builds internal and external relationships. The key elements of marketing environment are as follows :-

1. Internal Environment,
2. Micro Environment, and
3. Macro Environment.

Internal Environment

Internal factors like men, machine, money, material, etc., on which marketing decision depends consists internal marketing environment. The internal environment refers to the forces that are within the organization and affects its ability to serve its customers.

It includes marketing managers, sales representatives, marketing budget, marketing plans, procedures, inventory, logistics, and anything within organization which affects marketing decisions, and its relationship with its customers.

Micro Environment

Individuals and organizations that are close to the marketing organization and directly impacts its ability to serve its customers, makes Marketing Micro Environment. The micro environment refers to the forces that are close to the marketing organization and directly impact the customer experience. It includes the organization itself, its suppliers, marketing intermediaries, customers, markets or segments, competitors, and publics. Happenings in micro environment is relatively controllable for the marketing organization.

Macro Environment

Macro environment refers to all forces that are part of the larger society and affects the micro environment. It includes demography, economy, politics, culture, technology, and natural forces. Macro environment is less controllable.

Marketing Strategy - Your marketing strategy is an explanation of the goals you need to achieve with your marketing efforts. Your marketing strategy is shaped by your business goals. Your business goals and your marketing strategy should go hand-in-hand.**Marketing Plan** - Your marketing plan is how you are going to achieve those marketing goals. It's the application of your strategy a roadmap that will guide you from one point to another.

The issue is that most people try to set out to achieve the "how" without first knowing the "what." This can end up wasting resources for a company, both time and money.

Marketing Strategy ---> Marketing Plan ---> Implementation = Success

- Your **marketing strategy** consists of:
  The "what" has to be done.
  Inform consumers about the product or service being offered.
  Inform consumers of differentiation factors.
- Your **marketing plan** consists of:
  The "how" to do it.
  Construct marketing campaigns and promotions that will achieve the "what" in your strategy.
- Your **implementation** consists of:
  Taking action to achieve items identified in marketing strategy and marketing plan.

A **developed market** is a country with a highly industrialized economy, typically with a large service sector. A developed country will tend to have a high GDP per capita income, and built out infrastructure (transportation, communications) compared to a developing country. Another name for a developed market is “advanced” market or advanced economy.
Examples: United States, Japan, Germany, Australia, Canada, France
A **developing market** is the opposite of a developed market. Surprisingly, China is a developing market because, while it has the second highest GDP in the world, its also has the largest population. The average citizen in China does not have close to the same level of economic prosperity as one would find in the United States.

Interface with other functional areas

The marketing function within any organization does not exist in isolation. Therefore it's important to see how marketing connects with and permeates other functions within the organization. In this next section let's consider how marketing interacts with research and development, production/operations/logistics, human resources, IT and customer service. Obviously all functions within your organization should point towards the customer i.e. they are customer oriented from the warehouseman that packs the order to the customer service team member who answers any queries you might have. So let's look at these other functions and their relationship with marketing.

Research and development

Research and development is the engine within an organization which generates new ideas, innovations and creative new products and services. For example cell phone/mobile phone manufacturers are in an industry that is ever changing and developing, and in order to survive manufacturers need to continually research and develop new software and hardware to compete in a very busy marketplace. Think about cell phones that were around three or four years ago which are now completely obsolete. The research and development process delivers new products and is continually innovating.

Innovative products and services usually result from a conscious and purposeful search for innovation opportunities which are found only within a few situations.

Peter Drucker (1999)

Research and development should be driven by the marketing concept. The needs of consumers or potential consumers should be central to any new research and development in order to deliver products that satisfy customer needs (or service of course). The practical research and development is undertaken in central research facilities belonging to companies, universities and sometimes to countries. Marketers would liaise with researchers and engineers in order to make sure that customer needs are represented. Manufacturing processes themselves could also be researched and developed based upon some aspects of the marketing mix. For example logistics (place/distribution/channel) could be researched in order to deliver products more efficiently and effectively to customers.

Production/operations/logistics

As with research and development, the operations, production and logistics functions within business need to work in cooperation with the marketing department.

Operations include many other activities such as warehousing, packaging and distribution. To an extent, operations also includes production and manufacturing, as well as logistics. Production is where goods and services are generated and made. For example an aircraft is manufactured in a factory which is in effect how it is produced i.e. production. Logistics is concerned with getting the product from production or warehousing, to retail or the consumer in the most effective and efficient way. Today logistics would include warehousing, trains, planes and lorries as well as technology used for real-time tracking.

Obviously marketers need to sell products and services that are currently in stock or can be made within a reasonable time limit. An unworkable scenario for a business is where marketers are attempting to increase sales of a product whereby the product cannot be supplied. Perhaps there is a warehouse full of other products that our marketing campaign is ignoring.

Human resources

Human Resource Management (HRM) is the function within your organization which overlooks recruitment and selection, training, and the professional development of employees. Other related functional responsibilities include well-being, employee motivation, health and safety, performance management, and of course the function holds knowledge regarding the legal aspects of human resources.

So when you become a marketing manager you would use the HR department to help you recruit a marketing assistant for example. They would help you with scoping out the job, a person profile, a job description, and advertising the job. HR would help you to score and assess application forms, and will organise the interviews. They may offer to assist at interview and will support you as you make your job offer. You may also use HR to organise an induction for your new employee. Of course there is the other side of the coin, where HR sometimes has to get tough with underperforming employees. These are the operational roles of HR.

Your human resources Department also have a strategic role. Moving away from traditional personnel management, human resources sees people as a valuable asset to your organization. Say they will assist with a global approach to managing people and help to develop a workplace culture and environment which focuses on mission and values.

They also have an important communications role, and this is one aspect of their function which is most closely related to marketing. For example the HR department may run a staff development programme which needs a newsletter or a presence on your intranet. This is part of your internal marketing effort.

IT (websites, intranets and extranets)

If you're reading this lesson right now you are already familiar with IT or Information Technology. To define it you need to consider elements such as computer software, information systems, computer hardware (such as the screen you are looking at), and programming languages. For our part is marketers we are concerned with how technology is used to treat information i.e. how we get information, how we process it, how we store the information, and then how we disseminate it again by voice, image or graphics. Obviously this is a huge field but for our part we need to recognise the importance of websites, intranets and extranets to the marketer. So here's a quick intro.

A website is an electronic object which is placed onto the Internet. Often websites are used by businesses for a number of reasons such as to provide information to customers. So customers can interact with the product, customers can buy a product, more importantly customers begin to build a long-term relationship with the marketing company. Information Technology underpins and supports the basis of Customer Relationship Management (CRM), a term which is investigated in later lessons.

An intranet is an internal website. An intranet is an IT supported process which supplies up-to-date information to employees of the business and other key stakeholders. For example European train operators use an intranet to give up-to-date information about trains to people on the ground supporting customers.

An extranet is an internal website which is extended outside the organization, but it is not a public website. An extranet takes one stage further and provides information directly to customers/distributors/clients. Customers are able to check availability of stock and could check purchase prices for a particular product. For example a car supermarket could check availability of cars from a wholesaler.

Customer service provision

Customer service provision is very much integrated into marketing. As with earlier lessons on what is marketing?, the exchange process, customer satisfaction and the marketing concept, customer service takes the needs of the customer as the central driver. So our customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied.

Think about a time when you had a really good customer service experience. Why were you so impressed or delighted with the customer service? You might have experienced poor customer service. Why was it the case?

Today customer service provision can be located in a central office (in your home country or overseas) or actually in the field where the product is consumed. For example you may call a software manufacturer for some advice and assistance. You may have a billing enquiry. You might even wish to cancel a contract or make changes to it. The customer service provision might be automated, it could be done solely online, or you might speak to a real person especially if you have a complex or technical need. Customer service is supported by IT to make the process of customer support more efficient and effective, and to capture and process data on particular activities. So the marketer needs to make sure that he or she is working with the customer service provision since it is a vital customer interface. The customer service provision may also provide speedy and timely information about new or developing customer needs. For example if you have a promotion which has just been launched you can use the customer service functions to help you check for early signs of success.

Finance department

The marketing department will need to work closely with the finance department to ensure that:

There is an adequate budget to meet the needs for research, promotion and distribution. The finance department has a whole organisation brief to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets. Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance department may be more focused on cash flow, covering costs and paying back investment as quickly as possible.

Unit – II: Market Segmentation:

Levels and Bases for Segmentation, Segmenting Consumer Markets, Business Markets, International Markets, Requirement for effective segmentation-Market Targeting - Evaluating

Market Segments, Selecting Market Segments – Differentiation, Product Positioning, Positioning Strategies. Competitive strategies & Competitor Analysis.

Levels and Bases for Segmentation

Definition

Divide a potential market into distinct groups of buyers with relatively similar product needs, characteristics and behavior.

Wendell R. Smith was probably the first one who introduced the concept of market segmentation, published in his article "Product Differentiation and Market Segmentation as Alternative Marketing Strategies." According to the Smith article, he had observed "many examples of segmentation" in the marketplace and considered it a natural force. Nowadays market segmentation is shifting towards mass customization that can help marketers to increase the rate of conversion. Mass customization means reaching customers at a personal level and provide the products and services and develop customized marketing mix strategies according to segment needs and wants.

Different Levels of Market Segmentation

Marketers subdivide markets into segments, so they can do focus on marketing plans. Each Level of market segmentation determines the strategy a company will follow to promote, distribute and position its product in the market and respectively target audience or its customers. Before developing a marketing plan, one must know the what are the levels of market segmentation.

Mass Marketing

In Segemetation, Mass marketing refers to the strategy of targeting the entire potential customer market by means of a single marketing message. The marketing strategy used in this segmentation does not target the specific requirements or needs of customers. Mass marketing strategy, instead of focusing on a subset of customers, focuses on the entire market segment that can be a probable customer of a product.

An example of mass marketing strategy is of Baygon cockroach spray or Mortein mosquito repellent coils that target all its potential customers through a single marketing message.

Segment Marketing

Segment marketing refers to a strategy where the company divides its target audience into different segments based on their unique needs and requirements. This way the company targets different messages to different segments, appealing them towards the unique features the product offers. This strategy creates product differentiation for customers with similar needs and preferences, based on their gender, age, income and location.

The example of segment marketing within clothing industry may be men, women, casual, fashionable and business clothing segments.

Niche Marketing

This strategy of marketing focuses on a narrower customer segmentation. Customers may want or desire a product that is not met completely by the products offered in a market. When companies move forward and develop highly specialized products to offer these customers their specific needs, they offer distinct products in a market that caters to specific customer segments only.

Mountain bikes are an example of a niche marketing segment. where the market segmentation will be individuals interested in mountain biking only. Since not every bike manufacturing company caters to mountain bikers, it is a niche segment. Companies that produce mountain bikes target the niche segment of mountain bikers and cater to their specific needs, preferences and requirements.

Micro Marketing

Micro marketing follows an even narrower segmentation marketing strategy, catering to the attribute of a much-defined subset of potential customers such as catering to individuals of a specific geographical location or a very specific lifestyle.

An example of niche marketing is luxury cars that are very high priced and offer exceptional features such as high speed, customized look, etc. Since these cars are very expensive and limited in number, the niche market for these vehicles target rich, car lovers that are interested in the unique features and has the financial capability to buy them.

Types of Market Segmentation

Market segmentation process is imperative for marketers as it allows them to efficiently design and convey messages to target market. It allows marketing budgets to be utilized effectively through reaching to potential customers that will ultimately transform into leads, instead of being wasted on impressions that will never convert. 4 Types of market segmentation strategies include

Geographic Segmentation

Geographic segmentation refers to divide markets based on geography. Considering where your potential customer is located, some companies market their goods with the specific requirement to specific areas. For example, LG Electronics, the leading electrical appliances company markets for its heaters in cold geographical areas whereas the same company markets for Air Conditioners in hot geographical areas.

Demographic Segmentation

This is one of the widest market segmentation, marketers divide customer population based on different variables in this segmentation. For example, segmentation based on age, gender, income, religion, nationality, race, occupation, family size, etc is taken up by companies to target potential customers. An example of demographic segmentation is of cereal giant Kelloggs that offers different cereal brands for kids and adults, healthy eaters and weight watchers, etc.

Psychographic Segmentation

This type of market segmentation targets the lifestyle, activities, interests and opinions of potential customers. Psychographic segmentation considers the psychological aspect of how the potential customer responds to a product. For example, Mountain Dew uses a marketing strategy that promotes its product through associating masculinity and a daring personality with the drinkers of the brand, targeting young individuals who crave for such a personality and associate themselves with it. Branded clothing lines such as Zara involve in psychographic segmentation, offering clothing range for individuals that follow a trendy and chic lifestyle.

Behavioral Segmentation

Behavioral segmentation refers to customer segmentation based on how they use, behave or make decisions related to a product. Here I am giving you an example of behavioral market segmentation is of soap bars. Young girls will prefer using Dove as it is a beauty soap bar, whereas sports enthusiast will prefer using the Zest soap bar. While girls will prefer drinks such as Minute Maid or Rani, owing to their general behavior of preferring healthy and natural drinks, boys will prefer energy drinks such as Lucozade or Sting, owed to their decision of likeness towards energy drinks.

Examples of Market Segmentation

Market segmentation is the most common activity of every business organization. Marketers and Business owners cannot focus on mass marketing with one marketing strategy. Here are a few examples of market segmentation for better understanding this point.

Fast food restaurant should target teenagers and younger couples if target older people it will be a mistake and will affect their revenue generation.

If marketing Lingerie and beauty products like “Victoria Secret” focus on young, successful and working-class women.

Sports brand, for example, Nike and Lululemon segment the market and target health conscious, athletes, gym lovers and sportsmen and sportswomen.

Market segmentation is the best strategy to increase the conversion rate and cut down on the product cost. It helps marketers to always target niche market and attain your objectives.

Segmenting Consumer Markets

Demographic Segmentation

The most common way to identify a consumer market is by demographic segmentation, which refers to the criteria most businesses use to understand how groups of their target market are different from one another. According to NetMBA, the criteria for demographic segmentation includes:

Gender
Age
Family status
Sexual orientation
Occupation
Income
Education
Religion
Ethnicity
Nationality

It's essential to segment your target market by demographics because these criteria affect their individual needs. For example, a man in his early 30s has different preferences than a woman in her late 60s. If your business sells shoes, you cannot appeal to both demographic segments in the same way. The young man may be interested in athletic name-brand shoes, while the older woman may want comfortable sandals with arch support. The marketing you use to reach both demographic segments needs to take their requirements into account.

In some cases, people from different demographics may have the same needs, which is why it's critical to understand your consumer on a granular level. For example, the customers of a bakery may differ in religion, nationality, education and occupation, but they may all desire the same baked goods and react the same way to the marketing.

Geographic Segmentation
Another way to segment the consumer market is geographically. Sometimes, this is seen as a subcategory of demographic segmentation. Many businesses and marketers treat this category as major because customers' geographic criteria can significantly affect their needs as consumers. Geographic segmentation elements include:

Region or area, such as country, state, province, county, town or city
Size, such as population or population density
Climate, such as weather patterns
Consumers from different geographic areas have varying needs. An online retailer who sells swimwear to customers across the United States and Canada may need to vary the marketing to those consumers who live in colder climates. Many parts of Canada and the northern United States have a beach season that only lasts for a few months. As a result, the retailer needs to focus promotional efforts during this time in those areas, while in the southern United States, they can run year-round promotions.

Similarly, a corner store that operates in a rural area with a sparse population uses different marketing and sales tactics than a corner store on a busy metropolitan street with a high population density. In these market segments examples, businesses need to understand how geographic segmentation criteria affect the needs of their consumers.

Psychographic Segmentation
While demographic and geographic segmentation look at many tangible criteria, psychographic segmentation is about how consumers live their lives. Some of these qualities are intangible and difficult to research. Conduct customer surveys to learn more about their psychographic attributes, which include:

Values, such as what they believe to be important to them, including family, community, money or success
Attitudes and opinions, such as how they feel about a political party or toward a key social issue
Interests, such as what kinds of movies they watch or what their hobbies are
Activities, such as whether they play a sport or instrument or enjoy a cooking a particular kind of cuisine
A consumer's psychographic qualities affect which products and services they buy. For example, consumers who strongly value environmental sustainability may look for products that are manufactured using recycled materials. They may choose to buy only from businesses with a formal program for reducing their carbon footprint. Some consumers only support companies that are in line with their political or social beliefs.

For other consumers, their interests and activities determine the types of products and services they buy. For example, an avid basketball player may want to buy basketball shoes and jerseys, while a musician may be interested in specific instruments. By understanding a segment's values, attitudes, interests and activities, businesses can market the right products to them in the right way.

Behavioral Segmentation

While demographic, geographic and psychographic traits include specific qualities about your customers and their needs, behavioral segmentation is about how your customers feel about your products. According to NetMBA, this is a good starting point for market segmentation because it is directly related to your business.

Behavioral segmentation includes:

Benefits your consumers are looking for from the product
Whether they have previously bought the product
How often they need the product or how often they use the product
How ready they are to buy the product right now
Whether they feel loyal toward your brand
When they buy the product, such as on holidays or for specific milestones
The way you market to a loyal customer is different from how you market to someone who knows nothing about your business. Use behavioral segmentation to understand what your consumers need and what they think of your business. If you approach loyal customers with basic information about your products, they may feel insulted you think they don’t know it already. Similarly, if you don't begin by talking about the benefits of your product to a new prospect, they will not know what makes your solution better than a competitor's.

Creating Effective Consumer Market Segments

There are endless ways to segment your consumer markets, so how do you know which segments to use? Segmenting your target market ineffectively may mean your marketing message does not resonate with your audience. Qualtrics suggests doing a market segment analysis to see if you have the right criteria. Consider these five elements when segmenting your market:

Is your segment measurable: You need to be able to determine how much your consumer market segment will spend on your products and when they will buy. If this is something you cannot estimate, it won't be easy to develop sales and marketing plans.
Is your segment accessible: Segments of the consumer market you're targeting should be easy for your business to reach. For example, if you have a potential market segment that does not use technology but all of your company's marketing is currently done online, this may not be the best segment for you to target.
Is your segment substantial: Your market segment needs to be a sufficient size to be worth it for your business to cater to them. If it is too small, you won't see the kind of return you need.
Does your segment have unique needs: If your market segment has the same requirements as another market segment, you don't need to separate them. They need to be diverse enough to require tailored marketing.
Is your segment durable: If your consumer market segment is volatile and changes frequently, you may not be able to keep up with their needs.
Using Market Segmentation for Best Results
When you've developed segments of the consumer market you want to target, you must put your plans into action. Single Grain recommends creating buyer personas and ensuring your marketing and sales teams are familiar with them. Develop personalized messaging for each

persona that takes into account their pain points and challenges and includes their needs. Where possible, use personalization to show your consumers you understand them and can help with their problems.

Business Market Segmentation

Many firms will have business target markets in addition to consumer target markets. For example, consider a bank or an airline. As well as targeting individual consumers, a key part of their marketing efforts (and their profitability) will be obtained from business markets. There are some organizations that only pursue business markets (such as consulting firms), but generally most firms will at least consider targeting both individual consumers and businesses.

The approach to business market segmentation is conceptually similar to the approach for consumer markets. As we know, while business markets have less potential customers (as opposed to consumer markets), B2B firms still need to be selective when determining their strategic approach to the market. This is because it is common for a B2B firm to have substantial investment costs and will often need to implement labor-intensive promotional strategies.

Why do firms need to segment business markets?

This is a good question, particularly as business markets have a much smaller number of potential customers, as opposed to some very large consumer numbers. However, firms that market to other businesses will typically have a smaller number of customers. These customers are, as a result, more important to them on an individual basis, so careful customer selection becomes more critical.

In addition, the effectiveness of promotional methods often differs in B2B markets. For instance, the expensive and time-consuming process of personal selling is commonly used in business markets. Some complex or expensive products may have a sales lead-time of several years, which means a team of sales people may easily invest 100s of hours in gaining a sale. Therefore, getting the target market right at the start of the process is also important.

Segmenting international markets

International Market Segmentation.

International market segmentation refers to the process of dividing its total international market into one or more parts (segments or sub-markets) each of which tends to be homogeneous in all significant aspects. In other words, international market segmentation is the process of identifying groups or set of potential customers at international level who exhibit similar buying behaviour. Through international market segmentation, similarities and differences among potential buyers in foreign markets can be identified and grouped.

Objectives of Marketing Segmentation.

The purpose of segmentation is to determine differences among buyers which may be consequential in choosing away them or marketing to them. Following are the objectives of market segmentation:

To spot and to compare market opportunities by examining the needs of each segment and how far these needs are being tried to be satisfied.

To use his knowledge of the marketing response differences of various customers, he may decide how much marketing funds may be allocated to different segments.

To make suitable adjustments of his product's and marketing appeals. Instead of one marketing programme aimed at to draw in all potential buyers the sellers can create separate marketing programme and as to meet the needs of different buyers.

Importance of Market Segmentation.

Market segmentation plays an important role in marketing management. Market segmentation offers following advantages to producers and sellers:

Market segmentation minimizes aggregation of risk.
Market segmentation helps know company strengths and opportunities.
Market segmentation provides opportunities to expand market.
Market segmentation creates innovations.
Market segmentation creates gains to consumer.

Requirement for effective segmentation

The Requirements for Effective Market Segmentation

Categories:

The requirements for effective market segmentation are as follows:

a) Measurable: The size, needs, purchasing power, and characteristics of the customers in the segment should be measurable. Quantification should be possible.

b) Divisible: The segments should be differentiable. There must be clear-cut basis for dividing customers into meaningful homogeneous groups. They should respond differently to different marketing mixes. There should be differences in buyer's needs, characteristics and behaviour for dividing in groups.

c) Accessible: The segment should be reachable and serviceable. It should be accessible through existing marketing institutions, such as distribution channels, advertising media and sales force. There should be middlemen to distribute the products.

d) Substantial: The segment should be substantial. It should be large enough in terms of customers and profit potential. IT should justify the costs of developing a separate marketing mix.

e) Actionable: It should be actionable for marketing purposes. Organizations should be able to design and implement the marketing mix to serve the chosen segment.

Market Targeting, Evaluating Market Segments, Selecting Market Segments – Differentiation

Market targeting is a process of selecting the target market from the entire market. Target market consists of group/groups of buyers to whom the company wants to satisfy or for whom product is manufactured, price is set, promotion efforts are made, and distribution network is prepared.

Introduction:

A company cannot concentrate on all the segments of the market. The company can satisfy only limited segments. The segments the company wants to serve are called the target market, and the process of selecting the target market is referred as market targeting. Market segmentation results into dividing total market into various segments or parts.

Such segments may be on the basis of consumer characteristics or product characteristics or both. Once the market is divided into various segments, the company has to evaluate various segments and decide how many and which ones to target. It is simply an act or process of selecting a target market.

Definitions:

Market is segmented using certain bases, like income, place, education, age, and life cycle, and so on. Out of them, a few segments are selected to serve them. Thus, evaluating and selecting some market segments can be said as market targeting. The quoted definitions are not available

However, we can define the term as:

1. We can define the term as: Market targeting is a process of selecting the target market from the entire market. Target market consists of group/groups of buyers to whom the company wants to satisfy or for whom product is manufactured, price is set, promotion efforts are made, and distribution network is prepared.
2. It involves basically two actions – evaluation of segments and selection of the appropriate market segments. In this relation, market targeting can be defined as: Market targeting is an act of evaluating and selecting market segments.
3. Finally, we define market targeting as: Market targeting consists of dividing the total market into segments, evaluating these segments, and selecting the appropriate segments as the target market.

Procedure of Market Targeting:

Market targeting procedure consists of two steps:

1. Evaluating Market Segments:

Evaluation of market segments calls for measuring suitability of segments. The segments are evaluated with certain relevant criteria to determine their feasibility.

To determine overall attractiveness/suitability of the segment, two factors are used:

i. Attractiveness of Segment:

In order to determine attractiveness of the segment, the company must think on characteristics/conditions which reflect its attractiveness, such as size, profitability, measurability, accessibility, actionable, potential for growth, scale of economy, differentiability, etc. These characteristics help decide whether the segment is attractive.

ii. Objectives and Resources of Company:

The firm must consider whether the segment suit the marketing objectives. Similarly, the firm must consider its resource capacity. The material, technological, and human resources are taken into account. The segment must be within resource capacity of the firm.

2. Selecting Market Segments:

When the evaluation of segments is over, the company has to decide in which market segments to enter. That is, the company decides on which and how many segments to enter. This task is related with selecting the target market. Target market consists of various groups of buyers to whom company wants to sell the product; each tends to be similar in needs or characteristics. Philip Kotler describes five alternative patterns to select the target market. Selection of a suitable option depends on situations prevailing inside and outside the company.

Alternative Strategies (Methods) for Market Targeting:

Basically five alternative patterns/strategies are available.

Company may opt for any one of the following strategies for market targeting based on the situations:

1. Single Segment Concentration:

It is the simplest case. The company selects only a single segment as target market and offers a single product. Here, product is one; segment is one. For example, a company may select only higher income segment to serve from various segments based on income, such as poor, middleclass, elite class, etc. All the product items produced by the company are meant for only a single segment.

Single segment offers some merits like:

(1) Company can gain strong knowledge of segment's needs and can achieve a strong market position in the segment.

(2) Company can specialize its production, distribution, and promotion.

(3) Company, by capturing leadership in the segment, can earn higher return on its investment.

It suffers from following demerits like:

(1) Competitor may invade the segment and can shake company's position.

(2) Company has to pay high costs for change in fashion, habit, and attitude. Company may not survive as risk cannot be diversified.

Mostly, company prefers to operate in more segments. Serving more segments minimizes the degree of risk.

2. Selective Specialization:

In this option, the company selects a number of segments. A company selects several segments and sells different products to each of the segments. Here, company selects many segments to serve them with many products. All such segments are attractive and appropriate with firm's objectives and resources.

There may be little or no synergy among the segments. Every segment is capable to promise the profits. This multi-segment coverage strategy has the advantage of diversifying the firm's risk. Firm can earn money from other segments if one or two segments seem unattractive. For example, a company may concentrate on all the income groups to serve.

3. Product Specialization:

In this alternative, a company makes a specific product, which can be sold to several segments. Here, product is one, but segments are many. Company offers different models and varieties to meet needs of different segments. The major benefit is that the company can build a strong reputation in the specific product area. But, the risk is that product may be replaced by an entirely new technology. Many ready-made garment companies prefer this strategy.

4. Market Specialization:

This strategy consists of serving many needs of a particular segment. Here, products are many but the segment is one. The firm can gain a strong reputation by specializing in serving the specific segment. Company provides all new products that the group can feasibly use. But, reduced size of market, reduced purchase capacity of the segment, or the entry of competitors with superior products range may affect the company's position.

5. Full Market Coverage:

In this strategy, a company attempts to serve all the customer groups with all the products they need. Here, all the needs of all the segments are served. Only very large firm with overall capacity can undertake a full market coverage strategy.

Methods of Full Market Coverage:

Philip Kotler identifies two broad ways for full market coverage strategy as under:

Undifferentiated Marketing:

Company sells the same products to all the customer groups. It does not consider difference among buyers. Product and marketing programme remain common for all the segments. The firm relies on mass production, mass distribution, and mass advertising. So, it can considerably reduce production, distribution, and promotional costs. Similarly, reduced costs result into low price and the price-sensitive consumers can be attracted. This method is followed by pharmaceutical companies.

However, many experts and practicing managers have expressed strong doubts about the strategy. It is erroneous to believe that all the segments have similar needs. It is a rare case. Such strategy may invite competition to serve larger groups of buyers, and smaller groups are neglected. People, in different segments, differ significantly in terms of needs, preference, and advertising appeal.

Differentiated Marketing:

Here, company operates in several segments and designs different marketing programmes for each of the segments. Various groups of customers are targeted by several types of products and marketing strategies. It is based on the notion that each group needs different products. This strategy is used by the most of automobile companies. This strategy creates more total sales, but costs of doing business also on increase.

ADVERTISEMENTS:

Following costs are likely to be higher in differentiated marketing strategy:

i. Marketing research cost
ii. Administrative costs
iii. Manufacturing costs
iv. Inventory costs
v. Promotional costs
vi. Product modification costs

Here, costs and sales both increase. So, profitability is doubtful. However, it is less risky. Loss in one segment can be offset against profitable segments. Most of companies prefer this option. Thus, market targeting is an essential aspect of marketing programme. A manager needs a lot of experience, knowledge, and expertise to take decision on target market. The alternative to be used depends upon a large number of internal and external variables. Careful and objective analysis of these variables can assist in selecting target market.

Product Positioning, Positioning Strategies.

Positioning strategy can be conceived and developed in a variety of ways. It can be derived from the object attributes, competition, application, the types of consumers involved, or the characteristics of the product class. All these attributes represent a different approach in developing positioning strategy, even though all of them have the common objective of projecting a favorable image in the minds of the consumers or audience. There are seven approaches to positioning strategy:

1) Using Product characteristics or Buyer Benefits as a positioning

This strategy basically focuses upon the characteristics of the product or customer benefits. For example if I say Imported items it basically tell or illustrate a variety of product characteristics such as durability, economy or reliability etc. Lets take an example of motorbikes some are emphasizing on fuel economy, some on power, looks and others stress on their durability. Hero Cycles Ltd. positions first, emphasizing durability and style for its cycle.

At time even you would have noticed that a product is positioned along two or more product characteristics at the same time. You would have seen this in the case of toothpaste market, most toothpaste insists on ‘freshness’ and ‘cavity fighter’ as the product characteristics. It is always tempting to try to position along several product characteristics, as it is frustrating to have some good characteristics that are not communicated.

2) Pricing as a positioning

Quality Approach or Positioning by Price-Quality – Lets take an example and understand this approach just suppose you have to go and buy a pair of jeans, as soon as you enter in the shop you will find different price rage jeans in the showroom say price ranging from 350 rupees to 2000 rupees. As soon as look at the jeans of 350 Rupees you say that it is not good in quality.

Why? Basically because of perception, as most of us perceive that if a product is expensive will be a quality product where as product that is cheap is lower in quality. If we look at this Price – quality approach it is important and is largely used in product positioning strategy. In many product categories, there are brands that deliberately attempt to offer more in terms of service, features or performance. They charge more, partly to cover higher costs and partly to let the consumers believe that the product is, certainly of higher quality.

3) Positioning based on Use or Application
Lets understand this with the help of an example like Nescafe Coffee for many years positioned it self as a winter product and advertised mainly in winter but the introduction of cold coffee has developed a positioning strategy for the summer months also.

Basically this type of positioning-by-use represents a second or third position for the brand, such type of positioning is done deliberately to expand the brand's market. If you are introducing new uses of the product that will automatically expand the brand's market.

4) Positioning strategy based on Product Process
Another positioning approach is to associate the product with its users or a class of users. Makes of casual clothing like jeans have introduced 'designer labels' to develop a fashion image. In this case the expectation is that the model or personality will influence the product's image by reflecting the characteristics and image of the model or personality communicated as a product user.

Lets not forget that Johnson and Johnson repositioned its shampoo from one used for babies to one used by people who wash their hair frequently and therefore need a mild people who wash their hair frequently and therefore need a mild shampoo. This repositioning resulted in a market share.

5) Positioning based on Product Class
In some product class we have to make sure critical positioning decisions For example, freeze dried coffee needed to positions itself with respect to regular and instant coffee and similarly in case of dried milk makers came out with instant breakfast positioned as a breakfast substitute and virtually identical product positioned as a dietary meal substitute.

6) Positioning based on Cultural Symbols
In today's world many advertisers are using deeply entrenched cultural symbols to differentiate their brands from that of competitors. The essential task is to identify something that is very meaningful to people that other competitors are not using and associate this brand with that symbol.

Also Read Direct Response Marketing - Definition, Techniques, Benefits
Air India uses maharaja as its logo, by this they are trying to show that we welcome guest and give them royal treatment with lot of respect and it also highlights Indian tradition. Using and popularizing trademarks generally follow this type of positioning.

7) Positioning based on Competitor

In this type of positioning strategy, an implicit or explicit frame of reference is one or more competitors. In some cases, reference competitor(s) can be the dominant aspect of the positioning strategy of the firm, the firm either uses the same of similar positioning strategy as used by the competitors or the advertiser uses a new strategy taking the competitors' positioning strategy as the base.

Competitive strategies & Competitor Analysis

What is a Competitive Strategy?

Competitive strategy is a long-term action plan of a company which is directed to gain competitive advantage over its rivals after evaluating their strengths, weaknesses, opportunities and threats in the industry and compare it with your own. Michael Porter, a professor at Harvard presented competitive strategy concept. According to him there are four types of competitive strategies that are implemented by businesses globally. It is necessary for businesses to understand the core principles of this concept that will help them to make a well-informed business decisions in the course of action.

Definition of Competitive Strategy

As mentioned above, competitive strategy is a long-term action plan of firms so as to gain a competitive advantage over its rivals in the industry. This strategy is focused to achieve above average position and generate a superior Return on Investment (ROI). This strategy is very important when firms having a competitive marketplace and several similar products available for consumers.

Four Types of Competitive Strategy

Michael Porter divided competitive strategy in four different types of strategies.

Cost Leadership Strategy

Cost leadership strategy is difficult to implement for small scale businesses as it involves making long term commitment for offering products and services at lower prices in the market. For this purpose firms need to produce products at low cost otherwise it will not make profit.

Since the cost leadership means to become low cost producer or provider in the industry, Any large-scale business which can provide and manufacture products at low cost by attaining economies of scale. There are many cost leadership factors such efficient operation, large distribution channels, technological advancement and bargaining power. Here Walmart is a good example.

Differentiation Leadership Strategy

Identifying attribute of a product which are unique from competitors in the industry is the driving factor in the differentiation leadership strategy. When a product is able to differentiate itself from other similar products or services in the market through superior brand quality and value added features it will be able to charge premium prices to cover the high cost.

There are few business examples who successfully differentiated their brands e.g. Apple, Clif Bar and Company, Ben & Jerry's and T Mobiles.

Cost Focus Strategy

This strategy is quite a resemblance to the cost leadership strategy; however, a major difference is that the cost focus strategy businesses target a particular segment within the market and that segment is offered the lowest price of the product or service. This type of strategy is very useful to satisfy your consumer and increase brand awareness.

For example, beverage companies manufacturing mineral water can target market segment like Dubai, where people need and use only mineral water for drinking, can be sold at a lower than competitors.

Differentiation Focus Strategy

Similar to the cost focus strategy, differentiation focus strategy targets a particular segment within the market; however, instead of offering lower prices to consumer; firms differentiate itself from its competitors. Differentiation strategy offers unique features and attributes to appeal its target segment. For example, Breezes Resorts, is a company having several resorts and caters only couple having no children and offer peaceful environment without any children disruption.

Examples of competitive Strategies

Case Study of Aldi

The rise of Aldi in the food retail industry is very impressive and this position is mainly associated with its competitive strategy which is its use of 'Lean Production' which makes the organization more efficient. Through lean production, Aldi aims to reduce the number of resources that are used in the provision of goods and services to consumers. Additionally, the concept also involves eliminating waste and utilizing lesser material, space, labour and time. The overall result is a reduced cost of production.

Another competitive strategy which stands for Aldi and against its competitors is that its investment in staff members. Every member undergoes a comprehensive training program which makes them multi-skilled and they are able to undertake different roles in the workplace. In this way, Aldi has to hire lesser staff to run its stores.

Case Study of Apple

Apple Inc. is the manufacturer and marketer of computers and consumer electronic products including tablets, smartphones, and music players. The company has attained a distinct position in the industry through its competitive strategy which is innovation and premium pricing policy. Apple has a consistent practice of developing new products and its ability to make product complement with each other and strengthens customer loyalty and helps in creating a barrier for competitors in the market.

The company also sets premium prices for its products. The aim of the company is to offer a high-quality product with unique features and uses higher prices to reinforce the perception of added value along with maintaining profitability.

Competitor analysis

Competitor analysis is an evaluation of the strengths and weaknesses of current and potential competitors. An industry analysis provides information on possible competition sources (comprising all the presumed strategic actions and reactions and effects on the profitability of all competing organizations in the industry). Competitor analysis allows an organization to focus on its direct competition which becomes useful when faced with a few potential competitors.Main objectives of Lucintel's competitor analysis can be summarized as follows:To study the market trend and pattern;Chalk out strategy to increase market share;Understanding a competitor's current strategy and its strengths and weaknesses;To develop strategy for organizational growth when the organization is planning for diversification and expansion plan;An understanding of competitor strategies may help in anticipating upcoming threats and opportunitiesCompetitiveBenchmarkingCompetitive Benchmarking is a process where a firm's standard operating system and performance metrics is weighed against industry bests or best practices from other organizations. This can encompass the entire range of business, i.e., finance, products and services, organization, technology, research and development, personnel policies, etc. By employing this procedure, the management can flag the best firms in their industry and compare the results and processes of those studied (the "targets") with one's own results and processes.Lucintel's competitive benchmarking assists the business organizations to compare their systems and products with other organizations. This comparison can be made on specific product features or can be on broad customer service categories such as product delivery, product warranty, etc.Lucintel's benchmarking encompasses the pertinent queries such as why the benchmark organization is better? What best practices are they using? How can we incorporate or adopt these practices into our organization? By identifying these performance differences we can determine the key improvement areas to better performance and emerge as the best.CompetitiveAdvantageLucintel's competitive advantage enables organizations in recognizing the competitors in their market and drawing strategies to compete against them. The successful growth of a business depends on a strong competitive edge that gradually builds a loyal customer base which can be expanded over time. Lucintel's competitive advantage strategy focuses on nurturing and retaining loyal customers.The following points are important in performing a competitive assessment:What will make the customer buy from this operation instead of the competition?Comparison between the products/services to the competitors' products/services (features, service, quality, price, distribution, and brand).List the companies involved in the production of these products/services.Describe the market concentration (such as large number of small players or small number of large players).Detail the market's prevailing competitive intensity (fierce competition or live and let-live).Describe the competitors' facile market entry (can the easy entry of competitors drive down prices in the market?)Describe the clients' competitive strategies against competitors and their products (low cost, niche market, product differentiation, etc).

Unit – III: Marketing Programme& Life cycle:

Decisions Involved in Product, Branding, Packaging, Product Line and Product Mix Decisions.

What is a product?

Product A**nything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need**

– Physical objects
– Services
– Events
– Persons

– Places
– Organizations
– Ideas
– Mixes of these
Service A form of a product – **any activity or benefit that one party can offer to another that**
is essentially intangible and does not result in the ownership of anything
Spectrum **Pure tangible good** (toothpaste)
Tangible good with accompanying services (car + repair services)
Hybrid offer – equal parts of good and service (restaurants)
Service with accompanying minor good (flight + snacks)
Pure service (doctor's exam)
Trend towards
commodization
Today products and services are becoming more commoditized
Experiences **Experiences...**
– are **memorable**
– take place in the **minds** of individual consumers
Companies need to think not about goods and services, but what the goods and services **do for the customer**, hence orientation towards experiences
– E.g. from delivered birthday cake to service which arranges for a memorable birthday party experience
Levels of product **Core product** – What is the buyer really buying?
– Problem solving benefits that consumers seek (e.g. lipstick => not just color, but "hope")
– Benefits and customer experience
Actual product – The product or service that fulfills the core product benefits
– Quality level
– Features
– Design
– Brand name
– Packaging
Augmented product – Additional benefits not part of the actual product/service
– Warranty, repair services, toll-free help number, ...
– [How to distinguish from actual product? E.g. in case of camera, all physically connected to the camera is the actual product; warranties and repair are services]

Product classifications
Consumer products Often classified based on how they are purchased by consumers
Convenience products
– Bought frequently, immediately, minimum of comparison and buying effort
– Usually low priced, and avaiable from many locations
– E.g. soap, candy, newspapers, ...
Shopping products
– Less frequently purchased, customers compare carefully on suitability, quality, price, style, and are ready to spend time and effort in the buying effort
– E.g. furniture, clothing, used cars, major appliances, hotel/motel services
Specialty products
– Products/services with unique characteristics or brand identification, a significant

group of buyers is willing to make a special purchase effort
– E.g. specific car brands (Lamborghini), expensive photographic equipment,
designer clothes, medical or legal specialists
Unsought products
– Products that the consumer (a) does not know about or (b) knows about but does
not normally think of buying
– Most innovations are unsought goods until consumers become aware of them
through e.g. advertising
– By very nature, require a lot of advertising, personal selling, and other efforts
– E.g. life insurance, blood donations

Industrial products = Products and services purchased for further processing or for use in conducting a
business
Materials and parts
– **Raw materials**
– Farm products (wheat, cotton, ...)
– Natural products (fish, lumber, ...)
– **Manufactured materials and parts**
– Component materials (iron, yarn, cement, wires)
– Component parts (small motors, tires, castings)
– Price and service are major marketing factors; branding and advertising less so
Capital items
– Aid in buyer's production or operations
– **Installations**
– Buildings (factories, offices)
– Fixed equipment (generators, drill presses, large computer systems, ...)
– **Accessory equipment**
– Portable factory equipment and tools (hand tools, lift trucks)
– Office equipment (fax machines, desks)
– = Shorter life than installations, aid in the production process
Supplies and services
– **Supplies**
– Operating supplies (lubricants, coal, paper, pencils)
– Repair and maintenance items (paint, nails, brooms)
– = Convenience products of the industrial field, minimal buying effort
– **Services**
– Maintenance and repair (window cleaning, computer repair)
– Business advisory services (legal, management consulting, advertisting)
– = Usually supplied under a contract
Organizations, persons,
places, ideas
Organization marketing
– Activities undertaken to create, maintain, or change the attitudes and behavior of
target consumers toward an organization
Corporate image advertising
– E.g. Lucent => “We make things that make communications work”
Person marketing
– Activities to create, maintain, or change attitudes or behavior toward particular
people

– E.g. president (candidate), entertainers, sport figures, ...
Place marketing
– Activities to create, maintain, or change attitudes or behavior toward particular places
– E.g. “I Love New York!”, “YES M!CH!GAN”
Ideas
– Social ideas – public health campaigns
– Social marketing – creation and implementation of programs seeking to increase the acceptability of a social idea, cause, or practice within target groups

Individual product decisions
Model **Product attributes => Branding =>Packacing =>Labeling => Support services**
[Note: inconsistent with actual product – quality, features, design, brand, packaging]
Product attributes **Quality – one of marketer's major positioning tools**
– **Level**
– = Performance quality, ability of the product to perform its functions
– **Consistency**
– = Conformance quality, freedom from defects and consistency in delivering a targeted level of performance
– Developments
– TQM => magic cure all, later “return on quality” concept
– Motorola => quality = customer satisfied => customer-defined quality, total customer satisfaction
Features
– A stripped down model is the starting point (no extras)
– Extras added to create higher level models => differentiation
– How to determine which features should be added?
– Buyer surveys: (a) how do you like the product? (b) which specific features you like most, (c) which features could we add?
– Company can assess each feature's **value** to the customer versus its **cost** to the company
– A high **value-to-cost ratio** means feature should be added
Style and design
– Style = appearance, no effect on (objective) performance
– Design = goes deeper, to the core of the product
Branding **Brand**
– = A name, term, sign, symbols, or design, or a combination of these, that identifies the maker or seller of a product or service
– Benefits include
– Helps consumers identify products, tells buyer something about quality
– Gives the seller advantages, legal protection for unique product features, helps the seller to segment markets
Brand equity
– = The value of a brand, based on the extent to whcih it has high brand loyalty, name awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks, and channel relationships
– Measuring is difficult, estimates: Coca-Cola $84 billion, Microsoft $57 billion, IBM $44 billion
– Brings credibility, aids in launching new products or services, even in new markets or target segments

– Some see brand equity as **the** company asset
– The fundamental asset underlying brand equity is **customer equity** – the set of loyal customers – extending **loyal customer lifetime value**

Brand name selection
Desirable qualities – a brand name should
(1) Suggest something about product benefits or qualities ("Sunkist")
(2) Be easy to pronounce, recognize, and remember – short names help, but longer ones can also be effective
(3) Be distinctive
(4) Translate easily into foreign languages
(5) Be capable of registration and legal protection
Brand sponsor
– **Manufacturer's brand (national brand)**
– Manufacturer sells using its own brand, e.g. Kellogs, IBM
– **Private brand (store brand, distributor brand)**
– A brand created and owned by a reseller of a product/service
– **Licensed brand**
– Licensee pays to the licensor for the right to use a brand name in its product or service
– E.g. licensing Marvel characters for movies or games
– **Co-branding**
– The practice of using the established brand names of two different companies on the same product
– Advantages – combined brands create broader consumer appeal, allows a company to expand its existing brand into a category which it may have difficulty entering alone
– Limitations – complex legal contracts and licenses, requires careful coordination of advertising, sales promotions, and other marketing efforts, must trust partner to take good care of its brand
– E.g. Pillsbury Oreo Bars
Battle of the brands (manufacturer vs. private brand)
– E.g. 40% of US grocery market in private brands
– Slotting fees – Payments demanded by retailers before they will accept new products and "find slots" for them on the shelves

Brand strategy
– **Line extension (existing brand, existing product category)**
– Using a successful brand name to introduce additional items in a given product category under the same brand name – such as new flavors, forms, colors, added ingredients, package sizes
– Low-cost, low-risk way to introduce new products
– Risk of overextended brand
– Works best when it takes sales away from competing brands, not when it "cannibalizes" company's other items
– **Brand extension (existing brand, new product category)**
– Using a successful brand name to launch a new product or modified product in a new category
– Gives a new product instant recognition and faster acceptance, saves high advertising costs usually required to launch a new brand

– May confuse the existing brand
– **Multibrands (new brand, existing product category)**
– Offering new brands in the same category
– A way to establish different features or appeal to different buying motives
– **Flanker or fighter brands** – protect company's major brand by "mopping up" competition on either side of major brand
– Major drawback – small market share per brand, profitability, compared to a single brand
– **New brands (new brand, new product category)**
– May be appropriate if none of the existing brands is appropriate for a new product entering a new market
– Drawback – resource intensive, may cause company to spread its resources too thin
– **Megabrand strategies** – focus marketing dollars only in brands that can achieve number-one or number-two market share in their categories
Packaging **= The activities of designing and producing the container or wrapper for a product**
– Labeling, printed information on or with the package is part of packaging
– Numerous factors have made packaging an important marketing tool
– Attracting attention on store shelves, e.g. supermarkets => customer sees 300 items per minute!
– E.g. Coca-Cola's "contour bottle"
Process for developing a package
– Packaging concept – what the packaging should be and do for the product
– Specific elements of the package – size, shape, materials, color, text, brand mark
– Must consider product safety and society's interests (waste)

Labeling Range from simple tags to complex graphics that are part of the package (note that labeling is a part of packaging)
Several functions
– **Identifies** the product or brand
– **Describes** several things – who made it, where and when it was made, contents, how to use (safely)
– **Promote** the product through attractive graphics
Legal concerns (US)
– Federal Trade Commissions Act of 1914 => false, misleading, or deceptive labels or packages constitute unfair competition
– Fair Packaging and Labeling Act of 1966 => mandatory labeling requirements, encouraged voluntary labeling standards, allowed feredal agencies to set packaging regulations in specific industries
– Nutritional Labeling and Educational Act of 1990 => detailed nutritional information on food products; FDA regulations on the terms "low-fat", "light", "high fiber"
Recent developments
– Unit pricing (price per unit of standard measure)
– Open dating (expected shelf life of the product)
– Nutritional labeling (nutritional values of the product)
Support services = Services that augment the actual product
– Must be based on an assessment of **customer value** and **cost to produce**
– Recent development – Internet-based support

Product decisions and
social responsibility
New products may be prevented by government
– Adding products through acquisition => may be prevented by government if threats to lessen competition
Dropping products
– Copmany may have legal obligations, written or implied, to their suppliers, dealers, and customers who have a stake in the discontinued product
Patent and other IPRs
– Affect product decisions
Product liability suits
– Almost 110000 per year in US
Legislation
– US Magnuson-Moss Warranty Act 1975 => defines what a “full warranty” is, if requirements not met, must use “limited warranty”

Product line decisions
Product line Group of products close related because they...
(1) function in a similar manner
(2) are sold to the same customer groups
(3) are marketed through the same type of outlets
(4) fall within given price ranges

Product line decisions **Product line length = number of items in the product line**
Systematically increasing product line length
– **Stretching**
– Lengthening of product line beyond its current range (e.g. price)
– Stretch ownwards – defend higher end products or profit from more market activity in lower price segment
– Stretch upwards – add prestige to current products, profit from faster growth rate or margins of higher end segment, position as a **full line manufacturer**
– Stretching in both directions – E.g. Marriott => Marriot Marquis, Springhill Suites / Fairfield Inn
– **Filling**
– Adding more products within the current range (e.g. price)
– Reasons – extra profits, satisfying dealers, using excess capacity, being leading full line manufacturer, plugging holes to keep out competitors
– Risk of overdoing – results in cannibalization and customer confusion
Pattern of uncontrolled product line growth and heavy pruning
– Product lines tend to lengthen over time – more complete line to satisfy customers, or manager wants more sales and profits
– Top management calls a halt and prunes product lines
– Product lines start to lengthen again

Product mix decisions
Product mix dimensions **Width**
– Number of different product lines in the mix
Length
– Total number of items carried in each product line

Depth
– Number of versions offered of each product in a product line – e.g. sizes and formulations
Consistency
– How closely related the individual product lines are in end use, production requirements, distribution channels, or in some other way
Increasing business (1) Add new product lines
(2) Lengthen existing product lines
(3) Add more versions of each product
(4) Pursue more product line consistency

New Product development, Product Life Cycle
New product development strategy
New products The development of original products, product improvements, product modfications,
and new brans through the firm's own R&D efforts
Typical reasons for failure – Market size overestimated
– Poor product design
– Incorrect positioning
– Price too high
– Costs of product development higher than expected
– Competitors fight back harder than expected
Success factors **Developing a unique superior product**
– High quality, new features, highest value in use
Well-defined product concept prior to development
– Careful definition and assessment of the target market, product requirements, and product benefits
=> Ad hoc process should be replaced by **systematic new-product development process**
New product development
process
Idea generation
– Source – own R&D, competitors
– Idea management system, including some of the following
– Respected idea manager, multi-disciplinary idea mgmt committee
– Toll-free number for new ideas
– Encourage all stakeholders (customers, dealers, employees, ...) to sent ideas to the idea manager
– Formal recognition programs to reward best new ideas
Idea screening
– Drop poor ideas, spot good ones, as early as possible
– Various systems for rating and screening ideas – no more detail in book
Concept development and testing
– Product concept = a detailed version of the new-product idea, stated in meaningful consumer terms (!= product idea, product image)
– Concept development
– Alternative concepts, described in customer-oriented manner
– Concept testing
– Concept presented to groups of target consumers, symbolically or physically, e.g. word or picture description or physical mockup (“prototype”)

– After exposure to concept, consumers are asked questions related to the concept, such as (a) do you understand the concept? (b) do you believe the performance claims? (c) would you be ready to buy the product? (d) etc.

Marketing strategy
– **Marketing strategy statement**
– Description of the target market, planned product positioning, sales, market share, profit goals for the first few years
– Outline the planned price, distribution, and marketing budget for the first year
– Planned long-run sales, profit goals, and marketing mix strategy
Business analysis
– A review of sales, costs, and profit projections for a new product, to find out whether they satisfy company objectives
– Sales estimation might be based on sales history of similar products, surveys of market opinion, etc
– [Note that according to the book, there is overlapping effort here – as some analysis of sales potential needs to be done for the marketing strategy phase anyway]
Product development
– R&D or engineering develops the product concept into an actual, physical product
– Calls for a large jump in investment
– R&D needs to do prototyping and testing of various alternative implementation ways, needs performance and safety tests, and possibly tests with consumer groups
– Must have the required objective performance characteristics, but also **psychological characteristics** must be proper, e.g. sound of doors in a car; management must learn what factors make consumers believe the product is well built and pass that information to R&D
Test marketing
– Product and marketing program are introduced into more realistic market settings
– Typically using e.g. a geographically limited test market, a certain city or country, etc.
– Most appropriate when risk is high and delay of full introduction not a problem
– Allows testing and fine tuning of product and marketing program before costly full introduction
– Disadvantages – more time for competitors to copy product
– Advantages – better cost control, better product for consumers
– Test market types
– **Standard test markets**
– A small number of representative test cities, full marketing campaign in these cities, store audits, consumer and distributor surveys
– Costs can high, may take a long time, competitors may monitor or interfere
– **Controlled test markets**
– Stores that have agreed to carry new products for a fee
– E.g. can monitor TV viewing and inserted advertisements, and corresponding buying behavior in stores in controlled test market
– Cost less and take less time
– **Simulated test markets**
– Simulated shopping environment, ads + shelves, customers have a certain amount of money to spend – reasons for purchase or nonpurchase

– Cheap, quick (8 weeks), keep out of competitor's view; small sample size

Commercialization
– Introducing the new product into the market – product launch
– High costs – manufacturing facility or outsourcing
– Must decide on...
– **Timing** – when to launch, factors may include cannibalization, economic cycle, ...
– **Where to launch** – single region/country, international, etc... Few companies can launch internationally directly
– Typically a planned **market rollout** is used instead, production is ramped up as the rollout proceeds
Speeding up the process **Sequential product development**
– A new-product development approach in which one company department works to complete its stage of the process before passing the new product along to the next department and stage (“waterfall model”)
– Helps control complex and risky projects, but may be dangerously slow
Simultaneous (team-based) product development
– An approach to developing new products in which various company departments work closely together, overlapping the steps in the product-development process to save time and increase effectiveness
– **Cross-functional team** that stays with the product from start to finish
– Typically **empowered** to do things in a flexible manner to meet stated goals
– Team members act as product / project “advocates” within the functional units
– Can be riskier and more costly than the slower, more orderly sequential approach, often increases organizational tension and confusion, company must also manage risk of producing faster but worse quality
– Despite drawbacks, typically advantageous to improve time-to-market

Product life-cycle strategies
Product life cycle (PLC) The course that a product sales and profits take over its lifetime
– **Product development** = company finds and develops a new-product idea
– Sales are zero, company investment costs mount
– **Introduction** = slow sales growth
– Profits non-existent, heavy expenses of introduction
– **Growth** = rapid market acceptance
– Increasing profits
– **Maturity** = slowfown in sales growth
– Profits level off or decline, increased marketing outlays to defend against competitors
– **Decline**
– Sales fall off, profits drop
Notes
– Not all products follow this PLC, some die quickly, others stay in mature stage for a long, long time
– **PLC applies to**
– **Product class** (gasoline-powered cars)
– Product class maturity stage is typically long
– **Product form** (minivans)

– Product form tend to have a standard PLC shape
– **Brand** (Ford Taurus)
– Specific brand's PLC may be more erratic because of changing competitive attacks and responses
– **Styles**
– = A basic and distinctive mode of expression
– Once invented, lives a long time, periodical renewed interest
– **Fashion**
– = Currently accepted or popular style in a given field
– Grow slowly, remain popular for a while, decline slowly
– **Fads**
– = Fashions that enter quickly, are adopted with great zeal, peak early, decline very fast
– E.g. Rubik cubes and lava lamps
– The PLC curve for styles, fashions, and fads are non-standard
Introduction stage Starts when the new product is first launched
– Takes time, sales growth is apt to be slow
– Promotino spending is relatively high
– Company and its few competitors produce a few basic versions of the product
A company must choose a launch strategy consistent with product positioning
– Applies especially to **market pioneers**
– Patience – short term launch strategy to "make a killing" may not be optimal
Growth stage Product's sales start climbing quickly
– Opportunities for profit => new competitors enter market
– New product features introduced, market starts to grow
– Prices remain as they were or fall very slightly
– Promotion spending maintained or slightly increased
– Profits increase, as promotion costs are spread over larger volume
– Product quality and features should be improved, new segments entered, and new distribution channels built
Maturity stage Product's sales will slow down
– Results in many producers with many products to sell => overcapacity and greater competition
– Prices are marked down, advertising and sales promotion increased, R&D budgets increased to find better versions of the product => drop in profits
– Weaker competitors start dropping out, industry consolidates to a few wellestablished competitors
– Some strategy alternatives for proactive marketing response
– **Modifying the market**
– Increase consumption of the current product – new users, new segments
– May reposition the brand to appeal to a larger or faster-growing segment
– **Modifying the product**
– Change quality, features, style, to attract new users or to inspire more usage
– E.g. Sony with its Walkman and Discman product lines
– **Modifying the marketing mix**
– Cut prices to attrace new users and competitor's customers
– Launch better advertising campaign or use aggressive sales promotion – trade-deals, cents-off, premiums, contests
– More into larger market channels – mass merchandisers, if channels are

growing
– Offer new or improved services to buyers
Decline stage Sales decline to low level or plunge to zero
– Many reasons – technological advances, shifts in consumer tastes, increased competition
– Profits decline, more firms withdraw from the market
– Remaining companies may prune their offerings, drop smaller market segments and marginal trade channels, cut promotion budget and cut prices further
– A weak product may be very costly to the firm – hidden costs, such as management time, price and inventory adjustments, advertising and sales force attention, failing product reputation may affect overall company image, etc...
– First management task is to identify products in decline stage, then choose
– Maintain
– Stay in the market, hope that competitors leave the market
– May try to reposition or reformulate the brand in hopes of moving it back into the growth stage of the PLC (e.g. Frito-Lay doubled size of chips, made them triangular)
– Harvest
– Reduce various costs (plant and equipment, maintenance, R&D, advertising, sales force)
– Hope that sales hold up – intent is to "squeeze" final profits out of the product
– Drop
– Sell the product to another firm, or simply liquidate its salvage value
– If intent is to sell, harvesting may not be an option ("runs down" the product)

Pricing, Strategies

Definition of **price** The amount of money chared for a product or service, or the sums of the values that
consumers exchange for the benefits of having or using the product or service
Note that values exchanged need not be money – e.g. waiting time or clipping a coupon is a part of price
History Historically price is the major factor affecting buyer choice
– This is now changing in wealthy nations, **nonprice factors** becoming more important
Fixed price policies
– Same price for all buyers
– Relatively moden idea, arose with development of large scale retailing at the end of the 19th century
Dynamic price policies
– Charging different prices depending on individual customers and situations
– Internet may bring a swing back towards dynamic pricing
Only price brings revenue! Price is the only part of the marketing mix that brings revenue
– Also one of the most flexible elements – price can be changed quickly compared to e.g. product features
Common mistakes – Too cost oriented, instead of customer-value oriented
– Prices not revised often enough to reflect market changes
– Pricing does not take rest of the marketing mix into account
– Prices not varied enough for different products, market segments, and purchase

Occasions
Factors to consider when setting prices
Overview 1) Internal factors
2) External factors
Price is squeezed from two directions
– **Price floor** – product costs
– **Price ceiling -** consumer perceptions of product value
Internal factors **Marketing objectives**
– The better target market selection and product positioning done, the easier this step is
– Common objectives include: survival, current product maximization, market share leadership, product quality leadership
– May also want to set low prices to prevent competition from entering the market, to reduce prices to create excitement for a produtc or to draw more customers into a retail store
Marketing mix strategy
– Price is a part of the 4Ps – price decisions must be coordinated with product design, distribution, and promotion to forma a consistent and effective marketing program
– Primary positioning can often be built on price, and then other marketing mix decisions can be based on the price
– **Target costing** = pricing that starts with an ideal selling price, then targets costs that will ensure that the price is met
– Other companies de-emphasize price, and use other marketing mix tools to create **nonprice positions**
– E.g. differentiate the marketing offer to make it worth the higher price
Costs
– Costs set the floor to pricing – a company cannot consistently sell below costs
– Fixes, variable, total costs
– Cost at different levels of production
– SRAC (short-run average costs), LRAC (long-run average costs)
– SRACs are smaller U-shaped curves, LRAC consists of optimal SRACs for each quantity
– Cost as a function of learning – **experience curve / learning curve**
– = Drop in the average per-unit production cost that comes with accumulated production experience
– Often assumed that if production amount doubles, constant drop in average price
Organizational considerations
– In small companies, top management often sets prices
– In large companies, pricing is typically handled by divisional or product line manager
– In industrial markets, salespeople may have ranges for negotiation; top management may still accept final prices
– If pricing is a key factor in the industry (e.g. aerospace, railroads, oil companies), companies often have **pricing departments** to set best prices
– However, there may be influences from all around – sales and production managers, finance managers, accountants

External factors **Nature of the market and demand**

– Market and demand set the upper limit on price [market demand on the other hand is the perceived utility of the consumer]
– **Pricing in different types of markets**
– **Pure competition**
– Many buyers and sellers, no single seller or buyer can significantly affect market price
– => Price taker, no reason to spend too much time on marketing strategy
– E.g. uniform commodities such as iron, copper, financial securities
– **Monopolistic competition**
– Many buyers and sellers, trading over a **range** or prices, caused by differentiation
– Either the physical product can be varied in quality, features, style; or the accompanying services can be varied => buyers see a difference in sellers' products and are willing to pay different prices for them
– E.g. foods
– **Oligopolistic competition**
– A few sellers who are highly sensitive to each other's pricing and marketing strategies; product can be uniform (steel, aluminum) or nonuniform (cars, computers)
– Difficult for new sellers to enter the market
– Seller interactions are game-theoretically complex
– **Pure monopoly**
– One seller, who may select price **or** quantity to sell
– Pricing depends on monopoly type
– Government monopoly => various options, e.g. price below cost for social reasons, price to cover costs, price high to slow down consumption
– Private regulated monopoly => allowed to sell at rates with "fair return"
– Private non-regulated monopoly => free to price how they want, but maximum price not always charged to (a) avoid attracting competition, (b) penetrate market faster, (c) fear of regulation
– **Consumer perceptions of price and value**
– Effective, buyer-oriented pricing involves understanding how much value consumers place on the benefits they receive from the product, and setting a price that fits this value
– Demand curve and its properties, particularly elasticity, price elasticity of demand
Competition
– Consumer can select competitor's product [or a substitute], which affects maximum price
– High-price, high-margin strategy attracts competition, low-price, low-margin strategy may keep them out
– Need to benchmark costs against competitors, so that an informed decision can be made – e.g. intensive price competition when you're not the lowest cost producer may be damaging
Other environmental factors (economy, resellers, government)
– Economic conditions
– In addition to consumers, company must think how **resellers react** to prices – the company should set prices that give resellers **fair profit**, encourage their support, and help them sell the product effectively

– Government may affect pricing (price control, taxes, ...)
– Social concerns – short term goals may have to be tempered by broader societal Considerations

General pricing approaches
Overview Major considerations in setting a price
– Product costs – price floor (no profits below this price)
– Competitors' prices, and other internal and external factors
– Consumer perceptions of value – price ceiling (no demand above this price)
Cost-based pricing **Cost-plus pricing** – add a standard mark-up to product costs
– Must take variable and fixed costs into account; sales volume needs to be known to determine per-unit fixed costs
– Cost-based pricing does not generally make sense – any pricing method that ignores demand and competitor prices is not likely to lead to the best price
– Still popular for many reasons
– Sellers are more certain about costs than demand
– When all firms use this method, prices tend to be similar and price competition is minimized
– Many feel that cost-plus pricing is fairer to both buyers and sellers
Break-even analysis and target profit pricing
– Determine the price at which it will break even or make the target profit it is seeking
– Used by e.g. General Motors, whose target is 15-20 % profit on investment
– Also used by public utilities
– Break-even chart – this is just basic linear analysis where costs divided into fixed and variable
Value-based pricing Setting prices based on buyers' perceptions of value rather than on the seller's costs
– Price is considered as part of the marketing mix **before** the marketing program is set
– Target price is set based on customer perceptions of the product's value – targeted price drive product design and cost decisions
– Company needs to find out what value buyers assign to different competitive offers
– Measuring **perceived value** for a competitive offer is very difficult
– Ask consumers about maximum prices for basic product and extras
– Conduct experiments to test perceived value
– Overpricing – if price > perceived value, sales will suffer
– Underpricing – if price < perceived value, sell very well, revenue lost
– **Value pricing** strategies
– Offering just the right combination of quality and good service at a **fair price**
– Less expensive versions of established, brand-name products
– In many B2B situations challenge is to maintain **pricing power**
– = The power to maintain or even raise prices without losing market share
– Retain or build the value of the company's marketing offer – may be in the actual product, or in value-added services in addition to the actual product (especially important in commodity products)
– **Everyday Low Pricing (EDLP)** – retail strategy where you charge a constant, everyday low price with few or no temporary discounts
– **High-low Pricing** – charge higher prices on everyday basis, but run frequent promotions to temporarility lower prices on selected items below the EDLP level
– EDLP King is Wal-Mart (basically defined the concept), others also moving in

this direction
Competition-based pricing Setting prices based on the prices that competitors charge for similar products
– **Going rate pricing** – set price based on competitor's prices without attention to own costs
– In oligopolistic industries heavy-weights usually set prices and small companies follow lead – some companies may have a constant price difference to leader price (e.g. 2 cents off standard gas price)
– Going rate pricing used especially when demand elasticity is unknown, and company wants to rely on "collective wisdom" of the industry
– **Sealed bid pricing** – used when companies bid for jobs, bid is set based on estimations of the competitors' bids (with attention to its costs, of course)

Pricing Products: Pricing Strategies

New-product pricing strategies
Pricing structure Instead of a single price, a company sets a set of prices, one for each product in its
product line
Varies depending on product life cycle
Market-skimming pricing Set high prices initially to "skim" revenues layer by layer (e.g. Intel)
Makes sense if...
1) Product quality and image must support the higher price, and enough demand exists at higher price
2) Costs of producing a smaller volume cannot cancel the advantage of charging more
3) Competitors should not be able to enter the market easily and undercut the high price
Market-penetration pricing Low initial price to penetrate market quickly – high sales volume results in falling costs,
allowing the company to cut prices even further (e.g. Dell initially)
Makes sense if...
1) Market must be highly price sensitive, so that low price produces more market growth
2) Production and distribution costs must fall as sales volume increases
3) Low price must help keep out the competitionk and the penetration pricer must maintain its low-price position (otherwise the price advantage may only be temporary)

Product mix pricing strategies
Overview When a product is part of a product line, the company should maximize the profits from the entire product line, not just one product => direct effect on pricing strategy
Difficult, because product prices and demand are interrelated, and each item in the product line faces different competition
Product line pricing Setting price steps between various products in a product line, based on cost
differences between the products, consumer evaluations of different features, and competitors' prices
Often well-established **price points** (e.g. men's clothing => $185, $325, $495)

E.g. Kodak films
Optional-product pricing Pricing of optional or accessory products along with a main product
– Sticky problem – when is an accessory really a part of the product?
– E.g. extremely stripped cars are uncomfortable
Captive-product pricing Pricing for products that must be used along with a main product, such as blades for a
razor and film for a camera
– Often main product priced low, high margins on supplies
– [Risk of knock-offs – e.g. third party Nokia cell batteries]
In services, called **two-part pricing – fixed fee** + **variable usage rate**

By-product pricing Pricing for by-products in order to make the main product's price more competitive
– Manufacturer should accept basically any price that covers cost of storing and
delivering by-products
– E.g. "Zoo Doo" dung
Product bundle pricing Combining several product and offering the bundle at a reduced price
– E.g. season tickets, hotel room with entertainment services, computer+software
– [More value for money, but more sales should not affect overall demand too much,
i.e. so that total revenue also increases]

Price adjustment strategies
Discount and allowance
pricing
Cash discount
– Price reduction to buyers who pay their bills promptly
– "2/10 net 30" means payment is due in 30 days, but if paid within 10 days, 2%
discount
– Customary in many industries – improves seller's chas situation, reduced bad
debts and credit-collection costs
Quantity discount
– Price reduction to buyers who buy large volumes
– By law, must be offered equally to all customers [in US]
– Discount must not exceed seller's cost savings associated with selling large
quantities
Functional discount
– Price reduction offered by the seller to trade channel members who perform certain
functions such as selling, storing, and record keeping
– Different discounts may be offered to different trade channels, but if two channels
have same services, same price must be offered [in US]
Seasonal discount
– Price reduction to buyers who purchase merchandise or services out of season
– Allows the seller to keep production steady during the entire year
– E.g. hotel out-of-season pricing
Allowances
– Promotional money paid by manufacturers to retailers in return for an agreement to
feature the manufacturer's products in some way
– **Trade-in allowances** – price reductions for turning in an old item when buying a
new one
– **Promotional allowances** – payments or price reduction to reward dealers who

participate in advertising and sales support programs

Segmented pricing Selling a product or service at two or more prices, where the difference in prices it no
based on differences in costs
– **Customer-segment pricing**
– Different price for same product/service, e.g. museums for adults and students
– **Product-form pricing**
– Different versions of the product priced differently, but not according to
differences in costs
– E.g. $12 more for iron "self cleaning" feature, which costs $2 to make
– **Location pricing**
– Different prices for different locations, even though cost of offering is the same
in all locations
– E.g. theaters vary prices of different seats
– **Time pricing**
– Price varies by season – month, day, or even hour
– E.g. telephone company offers cheaper off-peak charges
To be effective, certain conditions must be fulfilled
1) Market must be segmentable, and segments must show different degrees of
demand
2) Members of segments paying lower price should not be able to "turn around" and
sell to the segment paying the higher price
3) Competitors should not be able to undersell the firm in the higher-priced segment
4) Costs of segmenting and watching the market should not exceed the extra revenue
from the price difference
5) Segmented pricing must be legal
6) Segmented pricing should reflect real differences in customer's perceived value
Psychological pricing A pricing approach that considers the psychology of prices and not simply the
economics; the price is used to say something about the product
– When customers cannot judge quality because they lack information or skill, price
becomes an important quality signal
– E.g. Heublein's Smirnoff => raising prices raised sales!
– When quality can be judged by consumers, price affects quality perception less
Reference prices
– = Prices buyers carry in their minds and refer to when they look at a given product
– E.g. noting current prices, remembering past prices, or assessing the buying
situation
– Sellers can accept reference prices or try to affect them – e.g. display product next
to high priced products to suggest they are in the same category
Small price differences ($299 => $300) may have relatively large impacts
– Even individual numbers may have psychological meaning – 8 is round and even,
7 is angular and creates a jarring effect
Promotional pricing Temporarily pricing products below the list price, and sometimes even below cost, to
increase short run sales
– Supermarkets use **loss leaders** ("sisäänheittotuote")
– **Special event pricing** in certain seasons to draw more customers (e.g. linens in
January to attract Christmas-weary people back to stores)

– **Cash rebates** to customers who buy the product from dealers within a specified time – rebate sent directly to customer (no money off the dealer)
– **Low-interest financing**, **longer warranties**, **free maintenance** to reduce consumer perception of price
– Or **simple dicounts**off normal prices
Can have adverse effects
– If used too frequently and copied by competitors => "deal-prone" customers who wait until brands go on sale before buying
– Can erode a brand's value in the eyes of the customers [= affects positioning]
– **"Brand equivalent of heroin"**
– Jack Trout's Commandments of Discounting
– Thou shalt not offer discounts because everyone else does
– Thou shalt be creative with your discounting
– Thou shalt put time limits on the deal
– Thou shalt stop discounting as soon as you can
Geographical pricing Charge the same price for customers in different locations (based on transport costs)
or same price for all customers (and different profits at different locations)?
FOB-origin pricing
– FOB = "free on board" - ustomer pays the shipping from the factory to the customer's location
– Price = base price, customer pays shipping costs himself
Uniform-delivered pricing
– Price is the same for all customers - allows national advertising
– Price = base price + average freight cost
Zone pricing
– Falls between FOB-origin and uniform-delivered pricing
– All customers within a zone pay the same total price (includes freight); the more distant the zone, the higher the price (e.g. East, West, Midwest)
– Price = base price + (average) freight cost for zone in question
Basing-point pricing
– Select a **basing point**, charge for freight from the basing point to the customer's location – however, the product may be physically produced closer to the customer! ["virtual freight costs"]
– If all sellers use same basing point, price competition is eliminated
– Used in industries such as sugar, cement, steel, cars, but has become less popular today
– Some used multiple basing points, prices quoted based on closest basing point
Freight-absorption pricing
– Seller absorbs all or part of the actual freight charges in order to get the desired business
– Argument: more business => less costs, which covers the freight costs
International pricing Price depends on many factors – economic conditions, competitive situations, laws
and regulations, development of the wholesale and retail system, consumer perceptions and preferences
– E.g. Sony may use penetration pricing in mature markets, but skimming pricing in less developed markets where less price sensitive segments are targeted
Costs play an important role
– **Price escalation** may result from product modification costs, shipping, insurance,

tariffs and taxes, costs related to exchange rate fluctuations, higher channel and
distribution costs

Promotion Mix - Advertising, Sales Promotion, Public Relations, Personal Selling. Online Marketing, Direct Marketing.

Setting the total promotion
budget

Affordable method

– Setting the promotion budget at the level management thinks the company can afford

– Tends to place advertising last among spending priorities, even in situations in which advertising is critical to the firm's success

Percentage-of-sales method

– Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price

– Wrongly views sales as the **cause** of promotion, rather than the result

– May prevent increasing spending necessary (sometimes) to turn around falling sales

Competitive-parity method

– Setting the promotion budget to match competitors' outlays

– Idea is to trust on the "collective wisdom"

– This belief is groundless, furthermore, companies are different and may need different levels of spending

Objective-and-task method

– Developing the promotion budget by (1) defining specific objectives, (2) determining the tasks that must be performed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget

– Most logical method

– Also most difficult to use – hard to figure out e.g. what tasks will achieve specific Objectives

Setting the overall
promotion mix

The nature of each promotion tool affects its weight in the blend – **promotion mix**

Advertising

– Reaches masses of geographically dispersed buyers

– Low cost per exposure, easy to repeat many times

– Products often viewed as more legitimate

– One way communication

– Overall costly

Personal selling

– Most effective at certain stages, e.g. creating preferences, convictions, and actions

– Effective salesperson keeps the customers' interest at heart to build a long relationship

– A sales force requires longer term commitment than advertising

– Most expensive promotion tool

Sales promotion

– Coupons, contests, cents-off deals, premiums, etc

– Attract consumer attention, offer strong incentives to purchase
– Can be used to dramatize product offers and to boost sales
– Invite and reward quick response - “Buy it now!”
– Short lived, not as effective as advertising or personal selling in building long-term brand preference
Public relations
– Very believable – news stories, features, events seem more real than ads
– Receivers do not always perceive as advertisement but rather as objective news – reaches people dubious of marketers
– Marketers tend to underuse public relations
Direct marketing
– Telemarketing, direct mail, electronic marketing, online marketing, etc
– Nonpublic – normally addressed to a specific person
– Immediate and customized – messages prepared quickly, tailored to specific consumers
– Interactive – allows a dialogue between producer and consumer
Promotion mix strategies
– Push strategy
– A promotion strategy that calls for using the sales force and trade promotion to push the product through channels
– Pull strategy
– A promotion strategy that calls for spending a lot on advertising and consumer promotion to build up consumer demand, which pulls the product through the channels
– Who uses what?
– Small industrial => often just push
– Consumer goods => often pull more
– Large companies => usually mix the two
Integrating the promotion
mix
– Analyze trends (internal and external) that can affect your company's ability to do business
– Audit the pockets of communications spending throughout the organization
– Identify all contact points for the company and its brands
– Team up in communications planning
– Create compatible themes, tones, and quality across all communications media
– Create performance measures that are shared by all communications elements
– Appoint a director responsible for the company's persuasive communications
Efforts
Advertising
Overview Advertising
– = Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor
– Worldwide ad spending $414 billion, US spending $212 billion
Model Setting objectives
– Communication objectives
– Sales objectives
Budget decisions
– Affordable approach
– % of sales

– Competitive parity
– Objective and task
Message
– Message decisions
– Message strategy
– Message execution
– Media decisions
– Reach, frequency, impact
– Major media types
– Specific media vehicles
– Media timing
Campaign evaluation
– Communication impact
– Sales impact
Setting objectives Advertising objective
– = A specific communication **task** to be accomplished with a specific **target** audience during a specific period of **time**
Inform
– Build primary demand, e.g. CD producers created awareness
– Useful in early product lifecycle
Persuade
– To build selective demand – why **our** brand is best
– Comparative advertising
– Compare own brand directly or indirectly to one or more other brands
Remind
– Remind that product exists; important for mature products
Setting budget Depends on
– Product lifecycle stage (early => typically more)
– Market share (high share => typically more)
– Level of differentation (low differentation => more advertising)
Consumer-packaged goods => companies tend to overspend as insurance of underspending
Statistical models to determine optimal advertising budget
– E.g. Coca Cola and Kraft
– Idea is to correlate promotional spending and brand sales, then determine optimal amount of promotion
– Inexact science due to large number of factors
Developing strategy Two important parts
– Creating message
– Selecting media
The two parts increasingly affect each other – and should be planned jointly
– Traditionally "creatives" handled message, while "media department" selected media =>unoptimal results
Creating message
– Problems of clutter, ad avoidance => have to entertain, not just sell!
Message strategy
– = What general message is communicated
– Identify customer benefits (potential appeals)
– Develop **creative concept** or **"big idea"** - which brings message strategy to life in a distinctive and memorable way

– Select specific appeals, which should fulfill the following
– Be meaningful (point out benefits)
– Be believable (consumer can believe the message)
– Be distinctive (how the product is better than other brands)
Message execution
– Turn the big idea into an actual ad
– Select best **style, tone, words, format**
– Execution styles
– Slice of life, lifestyle, fantasy, mood/image, musical, personality symbol, technical expertise, scientific evidence, testimonial evidence / endorsement
– Tone
– Positive – something good about the brand
– Humor
– Words
– Memorable and attention getting – “well engineered” => change to “ultimate driving machine”
– Format
– Illustration
– Headline
– Copy
Selecting media
– Decide on reach, frequency, and impact
– Reach = % of people in target market exposed to the campaign in time period
– Frequency = how may times average person exposed to message
– Media impact = qualitative value of a message exposure
– E.g. scientific claim in Newsweek more believable than in National Enquirer
– Choosing among major media types
– Newspapers, television, direct mail, radio, magazines, outdoor, Internet
– Media habits of target consumers
– Nature of product (fashion =>color mags, cars => television)
– Cost
– Selecting specific media vehicles
– E.g. if TV selected as media, select ER or Frazier
– Compute cost per / 1000
– Must also consider costs of producing an ad (tv => costly)
– Media impact factors
– Audience quality (how closely matches target market)
– Audience attention (how much attention to ads, depends on e.g. magazine)
– Editorial quality (high credibility or trash)
– Timing
– Seasonal patterns or same pattern throughout the year
– Continuous or pulsing
– Pulsing may achieve same awareness with less ads, but may also sacrifice depth
Evaluating Measuring communication effects (copy testing)
– Can be done before or after ad is placed
– Show the ad, measure changes in attitude, recall, awareness, knowledge, preference
– Sales effect more difficult to measure
– May try to compare past sales and past advertisement expenditures

– May try experiments (e.g. vary ad spending in different areas, compare results)
Sales promotion
Overview = Short-term incentives to encourage the purchase or sale of a product or service
– Offers a reason to **buy now**
Targeting
– Final buyers (consumer promotions)
– Business customers (business promotions)
– Retailers and wholesalers (trade promotions)
– Members of sales force (sales force promotions)
Process
– Set objectives
– Select best tools to achieve objectives
Rapid growth of SP Factors contributing to growth
– Product manager pressure to increase sales (local optimization)
– More external competition, less differentation among brands
– Advertising efficiency has declined due to rising costs, media clutter, legal issues
– Consumers have become more deal oriented, same goes for e.g. retailers
=> Promotion clutter
– Consumers increasingly "tuning out" promotions, making them less effective
Objectives Goals vary greatly
– Increase short term sales or build long-term market share
– Getting retailers to carry new items and more inventory
– Getting retailers to advertise more and give more shelf space, buy ahead
– More sales force support, more signed accounts
Goal **should** be **consumer relationship building**
– Should help reinforce brand position (instead of "quick fix")
– E.g. customer clubs (build relationships)
Tools Consumer promotion tools
– Sample = A small amount of a product offered to consumers for trial
– Coupon = Certificate that gives buyers a saving when they purchase a specified product
– Cash refund offer (rebate) = Offer to refund part of the purchase price of a product to consumers who send a "proof of purchase" to the manufacturer
– Price pack (cents-off deal) = Reduced price that is marked by the producer directly on the label or package
– Premium = Good offered either free or at low cost as an incentive to buy a product
– Advertising specialty = Useful article imprinted with an advertiser's name, given as a gift to consumer (pens, calendars, ...)
– Patronage reward = Cash or other award for the regular use of a certain company's products or services
– Point-of-purchase (POP) promotion = Display and demonstration that takes place at the point of purchase or sale
– Contents, sweepstakes, games = Promotional events that give consumers the chance to win something (cash, trips, goods, etc) by luck or through extra effort
Trade promotion tools
– Discount = A straight reduction in price on purchases during a stated period of time
– Allowance = Promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's product in some way
– Display allowance
– Advertising alloweance

– Free goods, push money, specialty advertising items
NB: More sales promotion dollars directed to retailers and wholesalers (68%) than to consumers (32%) !
Business promotion tools (promoting to industrial customers)
– Many of the same tools as for individuals
– Conventions and trade shows
– Finding leads, meeting customers
– Introducing products etc
– Sales contests
– Contest for salespeople or dealers – to improve performance
– Trips, cash prizes, other gifts, performance points exchangeable for something
Developing SP program Decide
– Size of incentive (minimum size for anything to happen exists)
– Conditions for participation
– How to promote and distribute the promotion program itself (package, store, mail..)
– Length of the promotion
– Evaluation – most common method is to compare sales before, during, after
Public relations
Overview Public relations
– Building good relations with company's various publics
– Obtaining favorable publicity, building up a good corporate image, handling or heading off rumors, stores, and events
PR department functions
– Press relations or press agentry (placing news, ...)
– Product publicity
– Public affairs (national or local community relations)
– Lobbying (legislation / regulation)
– Investor relations
– Development (donors, non-profit organizations => volunteer support)
PR used to promote...
– Products, people, places, ideas, activities, organizations, even nations
Benefits and drawbacks Strong impact on awareness at much less cost than advertising
– More credibility than advertising
– But story must be "news"
Often limited or scattered used - "marketing stepchild"
– Marketing managers and PR people often off synch
"PR is the nail, advertising is the hammer"
– I.e. birth of a brand happens through PR, refined using advertising
– Some companies setting up **marketing public relations** units
– To support corporate and product promotion and image making
Tools – News
– Speeches
– Special events
– Written materials
– Audiovisual (films, ...)
– Corporate identity materials (logos, stationery, ...)
– Public service activities
– Web site
– Distributing information about product problems, rumors, etc

Role of personal selling
People Many names
– Salespeople, sales representatives
– Account executives, sales consultants
– Sales engineers, agents, district managers
– Marketing representatives, account development representatives
Old stereotypes of pushy salespeople
Salesperson definition = An individual acting for a company by performing one or more of the following
activities: prospecting, communicating, servicing, and information gathering
Two-way link between customers and company
Important role factors
– Represent the company to customers
– Communicate information about products, prices, terms, answering questions
– Represent customers to the company
– Act as “champions” of customer interests to improve products

Managing the sales force
Sales force management = The analysis, planning, implementation, and control of sales force activities
Major steps
1) Design sales force strategy and structure
2) Recruit and select
3) Train
4) Compensate
5) Supervise
6) Evaluate
Designing sales force
strategy and structure
Structure
– Territorial sales force
– = A sales force organization that assigns each salesperson to an exclusive
geographic territory in which that salesperson sells the company's full line
– Product sales force
– = A sales force organization under which salespeople specialize in selling only
a portion of the company's product or lines
– Customer sales force
– = A sales force organization under which salespeople specialize in selling only
to certain customers or industries
– Complex structure
– E.g. combine any of the above
– May be relevant if wide variety of products, types of customers, and broad
geographic area
Sales force size
– Workload approach
– = An approach to setting sales force size in which the company groups
accounts into different size classes and then determines how many
salespeople are needed to call on each class of accounts the desired number
of times
– Sales force size shrinking in recent years – advanced in selling technology, ..

Other issues
– Outside sales force
– = Outside salespeople who travel to call on customers. Also known as **field sales force**
– Inside sales force
– = Inside salespeople who conduct business from their offices via telephone or visits from prospective buyers
– Telemarketing
– = Using the telephone to sell directly to customers
– May be as effective but cheaper than personal call
– Team selling
– = Using teams of people from sales, marketing, engineering, finance, technical support, and even upper management to service large, complex accounts
Recruiting Typically 30% of salesforce bring in 60% of the sales
– High training costs
What makes a good salesperson?
– No magic list – successful salespersons may be either aggressive or soft-spoken, outgoing or bashful, ...
– One study suggests (a) independence, (b) self-motivation, (c) excellent listener
Where to get candidates?
– Names from current salespeople, employment agencies, ads, students, competitors' salespeople
Selecting
– Varying practices
– Tests only cover a subset of important characteristics
Training Average training period is 4 months
– Expensive but can yield dramatic returns (e.g. Nabisco's two-day program)
Compensating Must be close to “going rate”
Parts
– Fixed amount
– Variable amount
– Expenses
– Fringe benefits
Supervising Supervision => direct and motivate work
Directing salespeople
– Specify how much time to spend on each tasks (e.g. prospect for new accounts)
– Annual call plan
– Time-and-duty analysis
– Sales-force automation systems
Motivating salespeople
– May be a frustrating job – travel away from home, aggressive competitors, difficult customers
– Organizational climate
– Sales quotas = Standards set for salespeople, stating the amount they should sell and how sales should be divided among the company's products
– Positive incentives
– Sales meetings
– Sales contests
– Honors, merchandise, cash awards, trips, profit-sharing plans
Evaluating Call and expense reports

Qualitative evaluation
– Knowledge of products, competitors, ...
– Personality, motivation, compliance
– Criteria should be communicated to salespeople
Formal evaluation
– Clear standards, well balanced information, “you get what you measure”
– Rankings
– Contribution to net profits
– Current vs. past performance
– Sales vs. expenses
– Etc
Principles of personal selling
Process **Customer oriented approach**
– Identify customer needs and find solutions
Nominal steps
1) Prospecting and qualifying
2) Preapproach
3) Approach
4) Presentation and demonstration
5) Handling objections
6) Closing
7) Follow-up

Direct and online marketing: the new
marketing model

What is direct marketing?
Definition = Direct communications with carefully targeted individual consumers to obtain an
immediate response and cultivate lasting customer relationships
New direct marketing
model
Early marketers
– Catalog companies, direct mailers, telemarketers
New marketers
– Advances in database technologies
– New marketing media – especially Internet and other electronic channels
– Usually a supplementary channel
– However, some new companies rely exclusively on direct marketing (Dell) =
Complete model for doing business
– **The** marketing model of the new millennium?
– Some envision a future where all buying and selling occurs directly between
producer and consumer
Benefits and growth of direct marketing
Benefits to buyers – Convenient
– Easy
– Private
– Greater product access and selection
– Wealth of comparative information
– Interactive and immediate

Benefits to sellers – Tool for customer relationship building, better targeting and customization
– Can be timed to reach prospects at just the right moment
– Higher readership and response
– Internet / online benefits
– Reducing costs and increasing speed and efficiency
– Avoid expenses of rent, insurance, utilities (related to owning a store)
– Improve efficiency of channel and logistics functions (order processing,
inventory handling, delivery, trade promotion)
– Costs less than communicating on paper through the mail
– Greater flexibility – ongoing adjustments to offers and programs (e.g. “online
catalog”)
– Global medium
Growth of direct marketing US direct marketing sales growth ca. 8% annually
– Caused by advances in technology and new marketing realities
– **Market demassification** – ever-increasing number of niches with different
preferences
– Higher costs of driving, traffic congestion, parking, lack of time, shortage of retail
sales help, checkout lines, ...
Direct marketing has also grown in B2B commerce
Forms of direct marketing
Face-to-face selling Original and oldest form – sales call (previous chapter)
– Professional sales force
– Manufacturers' representatives
– Direct selling force – e.g. Tupperware
Telemarketing = Using the telephone to sell directly to customers
– Outbound = call to customer
– Inbound = e.g. toll-free numbers
Direct-mail marketing = Direct marketing through single mailings that include letters, ads, samples, foldouts,
and other “salespeople with wings” sent to prospects on mailing lists
– High target market selectivity
– Can be personalized
– Easy measurement of results
– Can send CDs, VCRs, etc.
– Possible media
– Physical mail
– Fax mail
– E-mail
– Voice mail
Catalog marketing = Direct marketing through print, video, or electronic catalogs that are mailed to select
customers, made available in stores, or presented online
– **Old** definition by Catalog Age
– “a printed, bound piece of at least eight pages, selling multiple products, and
offering a direct ordering mechanism”
– Online catalogs
– Passive, need to be marketed!
Direct-response television
marketing

= Direct marketing via telecision, including direct-response television advertising or informercials and home shopping channels
– Direct-response advertising
– Short spots with ordering information
– Infomercials – 30 minute advertisement programs, single product
– Home shopping channels
– Television programs or entire channels dedicated to selling goods and services
Potential in the future for integrated television and Internet marketing
Kiosk marketing Kiosk
– Information and ordering machines
– E.g. car information, CD listening
– Placed in stores, airports, etc
– Differs from vending machine because a kiosk does not dispense actual products
– Also used by B2B, e.g. kiosks at trade shows
Online marketing (Next subsection)

Online marketing and electronic commerce
Online marketing = Marketing conducted through interactive online computer systems, which link
consumers with sellers electronically
Basic types
1) Commercial online services
2) Internet
Commercial online
services
E.g. America Online, CompuServe, Prodigy
Now overtaken by public Internet
Internet Internet – from DoD project to WWW browsing
Rapid growth Electronic commerce (e-commerce)
– = The general term for a buying and selling process that is supported by electronic means
– Market**spaces** instead of market**places**
– Business buyers dominate (!), **more than 90% is business buying!**
The online consumer Internet population demographics differs from general population
– Younger
– Affluent, better educated
– More male
– But becoming more like the general population as time goes on
Also differences in
– Approaches to buying
– Place greater value on information
– Responses to marketing
– React negatively to messages aimed only at selling
– Consumers control more of the interaction than in traditional direct marketing
Word of web
Conducting online
marketing
Electronic presence on-line
– Corporate web-site
– = Web site that seeks to build customer goodwill and to supplement other sales

channels rather than to sell the company's products directly
– Marketing web site
– = Web site designed to engage consumers in an interaction that will move them closer to a purchase or other marketing outcome
– Catalog, shopping tips, promotional features...
– Marketing web sites are often promoted in print and broadcast ads
– Low interest products
– E.g. dental floss – how to get people to visit your site?
– => Create corporate web site with answers to customer questions and build goodwill; use it only to supplement other channels
Placing advertisements online
– Online ads
– = Ads that appear while subscribers are surfing online services or Web sites, including banners, pop-up windows, "tickers" and "roadblocks"
– Roadblock = full screen ads that users must "pass through" to get to other screens they want to view
– Content sponsorships
– **E.g. Oldsmobile sponsors AOL's Celebrity Circle**
Participating in forums, newsgroups, and web communities
– Forums – discussion groups located in commercial online services
– Newsgroups – Internet version of forums
– Bulletin board systems (BBSs) – specialized online services that center on a specific topic or group, e.g. health, computer games, vacations, ...
– **Web communities – cyberspace equivalent to Starbucks coffeehouse**
Using email and and webcasting
– Webcasting = The automatic downloading of customized information of interest to recipients' PCs, affording an attractive channel for delivering Internet advertising or other information content
Promise and challenges Challenges
– Limited consumer exposure and buying
– Online markets still limited, Web users often do "window shopping"
– Skewed demographics and psychographics
– Chaos and clutter
– Security issues
– Ethical concerns

Unit – IV: Channel Intermediaries: -

Role and Types; Wholesaling- Types of Wholesalers, Wholesaler marketing decisions;
Distribution Channels and Logistics
Management
The nature of distribution channels
Why are marketing
intermediaries used?
Why use intermediaries? Means giving up some control over how and to whom products are sold
– They are used because they have greater efficiency in making goods available to target markets
– Contacts, experience, specialization, scale of operation
– N-to-M direct selling, N-to-1 + 1-to-M through channel
– Producers make narrow assortments in large quantities, consumers want broad

assortments in small quantities – intermediaries break down the quantities, thus
matching supply and demand
Intermediaries not restricted to tangible products – also for service production
Distribution channel – moves goods and services from producers to consumers
(a.k.a. **marketing channel**)
Distribution channel
functions
Helping to complete transactions
– Information – gathering and distributing marketing research and intelligence
information about actors and forces in the marketing environment needed for
planning and aiding exchange
– Promotion – developing and spreading persuasive communications about an offer
– Contact – finding and communicating with prospective buyers
– Matching – shaping and fitting the offer to the buyer's needs, including activities
such as manufacturing, grading, assembling, and packaging
– Negotiation – reaching an agreement on price and other terms of the offer so that
ownership or possession can be transferred
Help fulfill completed transactions
– Physical distribution – transporting and storing goods
– Financing – acquiring and using funds to cover the costs of the channel work
– Risk taking – assuming the risks of carrying out the channel work
All functions **must** be performed – question is **who** performs them
– If producer does them, its costs and product price go up
– If intermediaries do, they need to add markup so that final price goes up
– => In dividing the work, each function should be assigned to the channel member
who is most efficient in carrying out the function – maximizes margins

Number of channel levels = Number of participants in the distribution channel, at least two (producer, consumer)
B2C marketing channels
– Direct marketing channel
– Producer – Consumer
– Indirect marketing channels
– Producer – [Wholesaler] – [Jobber] – [Retailer] – Consumer
B2B marketing channels
– Manufacturer – [Manuf.'s rep or sales branch] – [Industrial distributor] – Consumer
Channel connections All entities in the channel are connected by **flows**
– Flow of **ownership**
– Flow of **payments**
– Flow of **information**
– Flow of **promotion**

Wholesaling
Definitions Wholesaling
– = All activities involved in selling goods and services to those buying for resale or
business use
Wholesaler
– = A firm engaged primarily in wholesaling activity
Functions that
wholesalers perform well

– Selling and promoting
– Buying and assortment building
– Bulk-breaking
– Warehousing
– Transportation
– Financing
– Risk bearing
– Market information
– Management services and advice
Types of wholesalers **Merchant wholesaler**
– = Independently owned business that takes title to the merchandise it handles
– Full-service wholesalers – full set of services
– Limited-service wholesalers – fewer services
Broker
– = A wholesaler who does not take title to goods and whose function is to bring buyers and sellers together and assist in negotiation
– [i.e. does not physically store product, just "match making"]
Agent
– = A wholesaler who represents buyers or sellers on a relatively permanent basis, performs only a few functions, and does not take title to goods
– [More permanent than a broker]
Manufacturer's sales branches and offices
– = Wholesaling by sellers or buyers themselves rather than through independent
Wholesaler marketing decisions
Overview Wholesaler strategy
– Target market
– Service positioning
Wholesaler marketing mix
– Product and service assortment
– Prices
– Promotion
– Place (location)
Target market and
positioning
Like everyone else, cannot serve everyone – targeting can be done in many ways
– Size of customer (e.g. only large retailers)
– Type of customer (e.g. only specialty stores)
– Need for service (e.g. customers needing credit)
– Other factors
Several ways to compete
– Automatic reordering systems
– Management training and advising systems
– Sponsor a voluntary chain
– Discourage less profitable customers by requiring larger orders or adding service charges to smaller retailers
Marketing mix decisions Product
– A great pressure to carry a **full line** and to stock enough for **immediate delivery**
– But this practice can damage profits...
– Key is to carry only profitable products, and mix of services most valued by their target customers

Price
– Wholesalers usually markup by a standard percent – e.g. 20% markup, 17% costs, 3% profit
– Trying new pricing approaches – cut margins in some lines to attract customers, ask for price breaks from manufacturers to increase sales, ...
Promotion
– Can be critical to wholesaler success – but typically wholesalers are not promotion minded
– Many wholesalers are behind the times in personal selling
Place
– Important – low-rent, low-tax areas
– Invest little money in buildings, equipment, and systems
– => Materials handling and order-processing systems often outdated
– Recently investment into automated warehouses and online ordering systems
Trends in wholesaling
Fierce resistance to price increases
Winnowing out of suppliers based on cost and quality
Adaptation into changing needs of stakeholders
Geographic expansion Need to learn how to compete effectively over wider and more diverse areas
Distinction between larger retailers and large wholesalers continues to blur
Retailers now have wholesale clubs and hypermarkets...
Wholesalers are setting up their own retail operations...

Retailing- Types of retailers, retailer marketing decisions

Retailing
Definitions Retailing
– = All activities involved in selling goods or services directly to final consumers for their personal, non-business use
Retailer
– = Business whose sales come **primarily** from retailing
Store and non-store retailing
– Store retailing => physical store
– Non-store retailing => direct mail, catalogs, telephone, home and office parties, door-to-door, vending machines, online services
– Growing much faster than store retailing
Retailer classification **Amount of service**
– **Self-service**
– For customers who are willing to perform their own “locate-compare-select” processes
– **Limited service**
– Some information about products available
– **Full service**
– Salespeople assist in every phase of the process
– Specialty stores, first class department stores

– Operating costs passed on to customers
Product line breadth and depth
– **Specialty store**
– = A retail store that carries a narrow product line with a deep assortment within that line
– **Department store**
– = A retail organization that carries a wide variety of product lines (clothing, home furnishing, household goods, etc) – each line is operated as a separate department managed by specialist buyers and merchandisers
– **Supermarket**
– = Large, low-cost, low-margin, high-volume, self-service store that carries a wide variety of food, laundry, and household products
– Hit hard by "out of home" eating => supermarket delis etc
– **Convenience store**
– = A small store, located near a residential area, that is open long hours seven days a week and carries a limited line of high-turnover convenience goods
– **Superstores**
– = A store almost twice the size of a regular supermarket that carries a large assortment of routinely purchased food and nonfood items and offers services such as dry cleaning, post offices, photo finishing, check cashing, bill paying, lunch counters, car care, pet care
– **Supercenters**– combination of food and discount stores
– Cross-merchandising
– E.g. toasters are placed above fresh bread
– **Category killer**
– = Giant specialty store that carries a very deep assortment of a particular line and is staffed by knowledgeable employees
– **Hypermarkets**
– Huge superstores – successful in Europe, limited success in USA
– **Service retailers**
– Hotels, motels, banks, airlines, colleges, hospitals, movie theaters, ...
– Service retailers growing faster than product retailers [in the US]

Relative prices
– **Discount stores**
– = A retail institution that sells standard merchandise at lower prices by accepting lower margins and selling at higher volume
– Have a tendency to "trade up", which increases costs and prices
– **Off-price retailers**
– = Retailer that buys at less-than-regular wholesale prices and sells at less than retail
– Filled the gap (low prices) when major discount stores traded up
– **Independent off-price retailers**
– = Off-price retailer that is either owned and run by enrepreneurs or is a division of a larger retail corporation
– **Factory outlets**
– = Off-price retailing operation that is owned and operated by a manufacturer and that normally carries the manufacturer's surplus, discontinued, or irregular goods
– Factory outlet malls – manufacturer's outlets, hot growth area

– Value-retail centers – manufacturer's outlets + off-price retail stores and department store clearance outlets
– **Warehouse club** (wholesale clubs, membership warehouses)
– = Off-price retailer that sells a limited selection of brand name grocery items, appliances, clothing, and a hodgepodge of other goods at deep discounts to members who pay annual membership fees
– Customer self service – must carry away their new furniture, etc
Organization
– **Chain stores**
– = Two or more outlets that are owned and controlled in common, have central buying and merchandising, and sell similar lines of merchandise
– Corporate chains – common ownership
– Voluntary chains – wholesaler sponsored group of buyers
– Retailer cooperatives – jointly owned central wholesale operation
– **Franchise organizations**
– = A contractual association between a manufacturer, wholesaler, or service organization (a franchiser) and independent businesspeople (franchisees) who buy the right to own and operate one or more units in the franchise system
– Normally based on some unique product or service, trade name, goodwill, or a patent that the franchiser has developed
– **Merchandising conglomerates**
– Corporations that combine several different retailing forms under central ownership
– Diversified retailing, provides superior management systems and economies, benefiting all separate retail operations
– E.g. Dayton-Hudson => Target (upscale discount stores), Mervyn's (middlemarket apparel and soft goods), three department stores

Retailer marketing decisions
Overview Stores are looking more and more alike
– Service differentation among retailers has also eroded
Retailer strategy
– Target market
– Retail store positioning
Retailer marketing mix
– Product and service assortment
– Prices
– Promotion
– Place (location)
Target market and
positioning
– Some questions
– Upscale, midscale, downscale?
– Customers looking for variety, depth, convenience, or low prices?
– Too many fail to define their target markets and positions clearly
Product assortment and
services
– **Product assortment**
– Should match target shopper's expectations
– Offer merchandise that no-one else carries? (e.g. through exclusive distribution

rights)
– Blockbuster events – e.g. featuring products from China
– [Stockmann'sHullutPäivät]
– **Services mix**
– One of the key tools on non-price competition for differentation
– **Store atmosphere**
– Physical layout and overall “feel”
– Must have a planned atmosphere that suits the target market and moves customers to buy
– Stores into theaters
– Barnes & Noble turned book shopping into entertainment and socializing
– Mall of America near Minneapolis
Price – Must decide either
– High markups and lower volume
– Low markups and higher volume
Promotion Normal promotional tools
– Advertising, personal selling, sales promotion, public relations, direct marketing
Place A retailer's location is its **key ability to attract customers**
– Costs of building or leasing have a major impact on profits
– Small retailers usually have to settle for what they get – large retailers may employ specialists who select locations using advanced methods
– Central business districts until the 1950s
– Cluster of deparment stores, specialty stores, banks, etc
– Shopping center
– = A group of retail businesses managed, developed, owned, and managed as a unit
– Regional shopping center – 40-200 stores
– Community shopping center – 15-40 stores
– Neighborhood shopping center / strip mall – 5-15 stores
– Power center
– Huge **unenclosed** shopping centers
– Consist of a long strip of retail stores, including large, free-standing anchors (Wal-Mart, Home Depot, ...)
– Each store has its own entrance with parking directly in front
– The current trend is towards value-oriented outlet malls, power centers, and smaller malls located in medium-size and smaller cities in fast-growing areas [such as the US southwest]

Role of Information System in Distribution Channel Management; Assessing Performance of Marketing Channels

The nature of distribution channels
Why are marketing
intermediaries used?
Why use intermediaries? Means giving up some control over how and to whom products are sold
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Channel connections All entities in the channel are connected by **flows**
– Flow of **ownership**
– Flow of **payments**
– Flow of **information**
– Flow of **promotion**
Channel behavior and organization
Channel behavior Each channel member depends on the other members
– Each member plays a role and specialized in performing some functions
– Ideally all channel members should work together smoothly – success of the individual member depends on the success of the entire channel
– However, individual channel members typically “selfish”, concerned with their own short-run goals and their dealings with firms closest to them in the channel

– **Channel conflict**
– Disagreement among marketing channel members on goals and roles – who should do what and for what rewards
– **Horizontal conflict** – occurs among firms at the same level of the channel (e.g. among retailers)
– **Vertical conflict** – occurs between different levels of the same channel, even more common than horizontal conflict (e.g. between wholesaler and retailer)

Vertical marketing systems
Conventional distribution channels
– = A channel consisting of one or more independent producers, wholesalers, and retailers, each a separate business seeking to maximize its own profits even at the expense of the profits for the system as a whole
– Individual members performed their own functions
– Lacked strong leadership, damaging channel conflicts, poor performance
Vertical marketing systems (VMS)
– = A distribution channel structure in which producers, wholesalers, and retailers act as a unified system. One channel member owns the others, has contracts with them, or has so much power that they all co-operate
– **Corporate VMS**
– = A vertical marketing system that combines successive stages of production and distribution under **single ownership** – channel leadership is established through a common ownership
– **Contractual VMS**
– = A vertical marketing system in which independent firms at different levels of production and distribution join together through contracts to obtain more economies or sales impact than they could achieve alone
– **Wholesaler-sponsored voluntary chains**
– Wholesaler develops a program which standardizes independent retailer operations
– Retail cooperatives
– Retails organize a new, jointly owned business to carry on wholesaling and possibly production
– Members buy most of their goods through the cooperative, and plan their advertising jointly
– **Franchise organizations**
– Channel member called **franchiser** links several stages in the productiondistribution process
– **Manufacturer-sponsored retailer franchise system** (car dealers)
– **Manufacturer-sponsored wholesale franchise system** (Coca-Cola)
– **Service-firm-sponsored retailer franchise system** (McDonald's)
– **Administered VMS**
– = A vertical marketing system that coordinates successive stages of production and distribution, not through commown ownership or contractual ties but through the size and power of one of the parties
– Leadership assumed by one or few channel members
– E.g. General Electric, Procter & Gamble; Wal-Mart, Barnes & Noble
Horizontal marketing systems

= A channel arrangement in which two or more companies at one level join together to follow a new marketing opportunity
– Can combine capital, production capabilities, or marketing resources
– Might join forces with competitors or non-competitors
– Temporary or permanent basis
– May also create a separate company for the co-operation process
– E.g. Lamar and Safeway

Hybrid marketing systems = A multichannel distribution system in which a single firm sets up two or more
marketing channels to reach one or more customer segments
– More and more companies are adopting this approach
– More difficult to control – complexity, more possibility for channel conflict, "outside" and "inside" channels
Changing channel
organization
Disintermediation
– = The elimination of a layer of intermediaries from a marketing channel or the displacement of traditional resellers by radically new types of intermediaries
– E.g. Dell Computer, Amazon.com
– To compete, traditional intermediaries must find ways to add value in the supply chain – and producers must develop new channels opportunities

Channel design decisions
Overview Problem is usually not deciding what the best channel is – rather, to convince one or a
few good intermediaries to handle the product line
Analyzing consumer
service needs
Marketing channels as **customer value delivery systems**
– Starting point – what the targeted consumers want from the channel?
– Want to buy nearby? Buy in person or over the phone? Wide assortment or specialization? Many add-on services or "bare bones"?
– Consumer service needs must be balanced against feasibility and price preference
Setting channel objectives
and constraints
Channel objectives should be stated in terms of **desired service level** of **target consumers**
– In each target segment, the company wants to minimize the total channel cost of meeting the objectives
– Channel objectives also influenced by the nature of the company, its products, marketing intermediaries, competitors, and the environment
– E.g. company financial situation may dictate what functions of the marketing channel can be handled in-company
– E.g. companies selling perishable products may want to sell more directly to avoid avoid delays and too much handling

Identifying major
alternatives

Types of intermediaries
– For manufacturing firm – company sales force, manufacturers' agency, industrial distributors
– For other firms – wholesaler, retailer, jobber
– [Note: many more layers in e.g. Japan]
Number of intermediaries
– **Intensive distribution**
– = Stocking the product in as many outlets as possible
– Convenience products and materials
– **Exclusive distribution**
– = Giving a limited number of dealers the exclusive right to distribute the company's products in their territories
– **Selective distribution**
– = The user of more than one, but fewer than all, of the intermediaries who are willing to carry the company's products
– Conserve effort, work with “best partners”
Responsibilities of channel members
– Price policies
– Conditions of sales
– Territorial rights
– Specific services to be performed by each party
Evaluating the major
alternatives
Economic criteria
– Likely profitability of different channel alternatives
Control issues
– Other things being equal, the company prefers to keep as much control as possible
Adaptive criteria
– Company wants to keep the channel as flexible as possible
– Thus, long term commitments must be offset by superior economic or control criteria
Designing international
distribution channels
Global marketers must usually adapt their channel strategies to the existing structures within each country
– Japan => soap may move through three wholesalers + several retailers
– Developing countries – channels may be scattered and inefficient – e.g. China and India => companies can profitably access only a small portion of the potential

Channel management decisions
Selecting channel
members
Company should determine what characterizes a good channel member, and evaluate
– Years in business
– Other lines carried
– Growth and profit record
– Cooperativeness
– Reputation
If sales agents
– Evalute the number and character of other lines carried, and the size and quality of

the sales force
If retailer who wants exclusive rights or selective distribution
– Evalute store's customers, location, future growth potential
Motivating channel
members
The company must not only sell through intermediate but **to** the intermediaries
– Most companies see their intermediaries as first-line customers
– Carrots and stick – positive motivators such as high margins, premiums, allowances; negative motivators such as threatening to reduce margins, slow down delivery, or end relationship
– More advanced companies try to forge long term partnerships – meeting the needs of both manufacturer and distributors [win-win]
Evaluating channel
members
Regular checks of member performance against
– Sales quota
– Average inventory levels
– Customer delivery time
– Treatment of damaged and lost goods
– Cooperation in company promotion and training programs
– Services to the customer
Rewards, assistance, replacement, periodic requalification

Unit – V: Consumer Behaviour, Industrial Markets &Organisation:

Introduction of Consumer Behaviour, Model of Consumer Behavior, Characteristics of Consumer Behaviour - 7 Os structure, factors affecting Consumer Behaviour, Stages in the Adoption Process

CONSUMER MARKETS & CONSUMER BEHAVIOUR: Marketing tries to meet and satisfy customer needs/ wants. Consumer behaviour studies how individuals/ groups select/ buy/ use and dispose goods/ services/ ideas and experiences to satisfy needs/ desires. - Customers (Earlier on) could be understood through daily experience of selling to them. - Today, direct control with customers is limited. - Hence, marketing manager's may rely on

7 O's Framework for constant research to answer following questions. Who constitutes the market? - Occupants. What does the market buy? - Object. Why does the market buy? - Objectives. Who participates in buying? - Organizations. How does market buy? - Operations. When does market buy? - Occasion. Where does market buy? - Outlets. Example: - Milk Chocolates • Children of all age group. • Sweet & tasty, easy to digest, convenient hunger satisfier. • Gifts, celebrations, overcome sadness. • Packaging should be nice • Full payment • Birthdays, festivals, celebrations. • Shops, general stores, medicals etc...

Marketing Stimulus
Characteristic
Decision Making
Response

Understanding Buyer's Behaviour: Stimulus Response Model: Marketing Stimulus Buyers Characteristic + Act On To Give Buyer's Other Stimuli Buyer's Decision Process Decision Decision: Product Choice
BrandChoice.DealerChoice.PurchaseTiming.PurchaseAmount.MarketingStructure:Product.Price.Place.Promotion.OtherStructure:Economic.Technological.Political.Cultural.Buyer'sCharacter:Social.Cultural.Personal.Psychological.Buyer'sDecisionProcess:Problemrecognition.Informationsearch.Evaluation.Decision.Post-Purchasebehaviour.

Factors Influencing Buying Behaviour: - Cultural: Culture. Sub – culture. Social class. - Social: Reference groups. Families. Roles/ Status. - Personal: Age/ Life cycle stage. Occupation. Economic circumstances. Lifestyles. Personality/ self concept. - Psychological: Motivation. Perception. Learning. Beliefs/ Attitudes.

CULTURAL FACTORS: Culture: - Most fundamental determinant of a person's wants &behaviour. - Defined by- Value Systems. Perceptions. Preferences. Behaviour. - Manifest through our approach to Achievement/ Success. Activity. Freedom. Efficiency/ Practicality. Progress. Material comfort. Humanitarianism/ Spiritualism. - The various culture in the world are as follows: • Indian sub-continental culture. • Oriental culture. • Occidental culture (European). • Latin-American culture. • African culture. • Arabian culture. • Aboriginal culture.

Sub – Culture: - Each culture consists of smaller sub-culture that provide even more specific identification & socialization for its members. - Include- State of origin. Religion. - Sub-culture may make up important market segment. - Hence, marketer's may design products & marketing programs tailored to their needs. Social – Class: - Manifestation of social satisfaction. - Social classes are relatively homogenous & enduring division in a society, which are hierarchically ordered & whose members share similar values, interests &behaviour. - May not be a reflection of income alone. - Other indicators may be Occupation. Education. Area of residence. - Social class differ in an external characteristic such as. Dress. Speech pattern. Recreation preferences. - Social class identified by social scientists are: o Upper Uppers: Live on inherited wealth. Donate to charity. Good market for jewellery/ Antiques/ Home/ Vacations. Dress conservatively. Reference group for others. o Lower Uppers: Earn high income on professional ability. Usually comes from middle class. Active in social events. Seek status symbols. Display conspicuous consumption. o Upper Middle: May not possess high family status/ wealth. Primarily concerned with career. Believe in education. Like Ideas and High culture. Quality market for homes/ clothes/ furniture/ white goods. Enjoy entertaining friends. o Middle: Average salary people. Live on better side of town. Buy popular goods to live up with trends. Spend on worthwhile experiences for children. Seek better brand names.

o Working Class: Blue-collars workers. Guided by relatives for assistance in times of troubles. Maintain gender role division. Lead working class lifestyles. o Upper Lowers: Perform unskilled work. Poorly paid, strive for more money. Educationally deficient. Living standard just above poverty. o Lower Lowers: Poverty stricken. Usually out of work. Social class show following characteristics: - Persons within a social class tend to behave alike. - Persons are perceived as superior/ inferior in society based on social class. - Social class indicated by a cluster of variables rather than a single variable. - Individual can move from one social class to another, both, up or down. Social class show distinct product/ brand preferences in many areas. SOCIAL FACTORS: - Made up of Reference groups. Family. Roles/ Status. Reference Groups: - A person's reference group consist of all the groups that have a direct/ indirect influence on the person's attitude/ behaviour. - Reference groups are either Membership Group. Aspirational Group. Dissociate Group. o Membership Group: Are groups having direct influence on a person. Primary: Family/ Friends/ Neighbours/ Co-workers with whom that person interacts continuously/ informally. Secondary: Formal/ Less continuous interaction such as professional/ relational/ trade unions/ religious groups. o Aspirational Group: Groups in which a person would like to belong. o Dissociative group: Groups whose values one rejects

- Reference group influence consumer behaviour in three ways. o Expose individual to new behaviour& lifestyle. o Influences person's attitude & self-concept. o Create pressures for conformity that may affect the person's actual product/ brand choices. Opinion Leaders: Persons in informal product related communication who offers advice/ Information about product/ product category. o Marketers may try to reach out to opinion leaders. Identifying demographic/ psychology characteristic associated with opinion leader. Identifying media read by opinion leaders. Directing message at opinion leader. - Group influence is strong for products that are visible to others whom buyer respect. - Influence varies with Group cohesiveness. Person's esteem for group. Group's communication effectiveness. Family: - Most important customer-buying organization in society. - Also most important primary reference group. - Each buyer has two families. o Family of Orientation (parents/ siblings). It gives a person Orientation towards religion/ politics/ economics. Source of personal ambition/ self worth/ love. o Family of Procreation (spouse/ children). It influences a buyer based on position: Husband : may dominate decision related to insurance/ automobiles. Wife : may dominate decision related to furniture/ appliances. Equal : for decision related to vacation/ housing. - Above patterns may change due to societal changes. - Influence of children in buying behaviour is increasing. Roles & Statuses: - Person participates in many

groups throughout life. - Person's position in group is defined by role/ status. Role : Activities a person is expected to perform. Each role would influence person's buying behaviour. Status :Each role carries a status/ position. - People choose products that communicate their role/ status. Ex:- Dress. o Farmer : Kurta/ Payjama or dhoti/ kurta + slippers/ sandals. o Factory worker: Shirt/Pant + sandals/ shoes. o Marketing Manager: Tie + shirt/ pant + leather shoes.
PERSONAL FACTORS: - Age/Life cycle stage. - Occupation. - Economic circumstances. - Life style. - Personality/ Self concept. Age/ Life Cycle Stage: - Buyer's choice in many products related to age & family life cycle. - Family life cycle stages could be: o Bachelor: Young/ Single people not living at home. Few financial burdens. Fashion opinion leaders. Recreation oriented. Buy basic kitchen equipment/ furniture/ vacations. o Newly Married Couple: Young/ No children. Better off financially than they would be in near future. High purchasing rate of consumer durables- furniture/ auto/ refrigerator (may be highest purchasing rate). o Full Nest 1: Youngest child under six. Home purchase. Low liquid assets. Dissatisfied with financial positions & savings. Interested in new products. Influenced by advertisements. Buy: washing m/c, T.V., Baby food, toys. o Full Nest 2: Youngest child above six years. Better financial position. Lower influence of advertisements. Buy large size packs/ multiple units. Buy: Food, Cleaners, Educational Accessories. o Full Nest 3: Older Married Couple with Dependent Children. Better financial position. Children may start getting jobs. Difficult to influence with advertisement. But: Furniture, Magazines, Appliances. o Empty Nest 1: Older Married Couples with NO Children Living with Them. Family head still working. Peak home owners. Most satisfied with financial position and savings. Buy: Travel, recreation, self education, gifts. Not interested in new products. o Empty Nest 2: Older Married Couple No children at home Head of family retired. Drastic decrease in income. Keep home. Buy medical care.

o Solitary Survivor: Working. Income still good. May sell home. o Solitary Survivor: Retired. Drop in income. Buy medical care. Needs attention/ affection/ security. Marketers choose life cycle groups as target market. Occupation: - Person's occupation influences his/her consumption pattern. - Example: o Blue collar worker : work clothes + shoes. o Senior Manager : suits/ air travels/ club memberships. - Marketers try to identify occupational group that would have above average interest in their products. - At times, company may specialize its products for certain occupational groups. o Example: - miner cap, sports shoe for different sports. Economic Circumstances: - Affects choice of products. - Components of economic circumstances could be o Spendable income (level/ stability/ time pattern). o Savings & Assets (including liquid assets). o Debts/ Borrowing Power. o Attitude towards 'Spending Vs Savings'. - Marketers of income sensitive goods need to pay attention towards trends in Personal income. Savings. Interest rates. - In a recession, marketers may need to Redesign. Reposition. Reprice their products. Lifestyle: (Psychographic): - Persons from same subculture/ occupation/ may lead different lifestyles. - Lifestyle: Person's pattern of living in the world, expressed in the person's Activities/ Interests/ Opinion. - Lifestyle portrays the whole person's interacting with his/her environment. - Marketers search for relationship between their products & lifestyle groups (coefficient of correlation, $r > 0.7$). - Lifestyles classified through frameworks. AIO Framework. VALSI Framework.

AIO Framework: - Published by Joseph T. Plummer in Journal of Marketing, January 1974. - Concept & Application of lifestyle segmentation. - Responders presented with question to measure their Activities/ Interests/ Opinions (AIO).

ACTIVITIES INTERESTS OPINIONS DEMOGRAPHICS - Work . - Family. - Themselves. - Age. - Hobbies. - Home. - Social issues. - Education. - Social events. - Job. - Politics. - Occupation. - Vacations. - Community. - Business. - Income. - Entertainment. - Recreation. - Education. - Family size. - Clubs. - Fashion. - Economics. - Dwelling. - Community. - Food. - Products. - Geography. - Shopping. - Media. - Future. - City size. - Sports. - Achievers. - Culture. - Stage in life cycle

- Questions are in for of agreement/ disagreement: o I would like to become a singer. o I usually dress for fashion, not for comfort. o I enjoy seeing a movie in the theatre. - In one particular research, based on answers, a lifestyle group is identified. o Example: For Males Self made businessman. Successful professional. Devoted family man. Frustrated employee/ worker. Retiring homebody. - While developing advertisement campaign, marketers identify target lifestyle group & Ad agency develops advertisements appealing to AIO characteristic of group.

VALS-2 Framework: (Values to Lifestyles): - Developed by Arnold Mitchell, to explain dynamics of social change (during 60's)- Initial framework. - Postulates that individual's values, which develop to change over a life time, determines social change. - Concept used in marketing to increase understanding of product, acceptance for special consumer group. - In 1989, Stanford Research Institute (SRI) introduced VALS-2 to segment people into groups exhibiting distinction consumer behaviour. VALS = Values & Lifestyles. - Human beings are classified into eight categories. Each category has either greater/ fewer resources.

Greater Resource Categories: - Actualisers:(Status Oriented) • Successful/ Active "take charge" people. • Purchases reflect upscale/ niche products. - Full-Fillers:(Principle Oriented) • Mature/ Satisfied/ Comfortable/ Reflective. • Favour functionality/ durability/ value in product. - Achievers:(Status Oriented) • Successful/ Career/ Work oriented. • Favour established/ prestige products that demonstrate success to peers. - Experiencers:(Action Oriented) • Young/ enthusiasts/ impulsive/ rebellion. • Buy clothing/ fast food/ music/ videos.

Fewer Resources Categories: - Believers:(Principle Oriented) • Conservative (conventional/traditional). • Favour familiar/ established products/ brands. - Strivers:(Status Oriented) • Uncertain/ Insecure/ approval seeking/ resource constrained. • Buy stylish products that emulate purchases of wealthy people. - Makers:(Action Oriented) • Practical/ self sufficient/ traditional/ family oriented. • Buy practical/ functional products like tools/ utility products/ vehicles. - Strugglers:(Status Oriented) • Elderly/ resigned/ passive/ resources constrained. • Cautious consumer/ loyal to favourite brand

Personality / Self Concept: - Each person has a distinct personality that influences his/ her buying behaviour. - Personality implies a person's distinguishing psychological characteristic & enduring responses to his/her environment. - Described by traits such as: Self confidence. Dominance. Autonomy. Deference. Sociability. Defensiveness. Adaptability. - Personality may be variable in analyzing consumer behaviour provided personality types can be accurately classified & their direct co-relation to product/ brand choices indicated. - Related to personality is the person's self concept. - Self-concept is a person's image about him/her self (self image). - Marketers need to develop communication strategies so that: Advertisements/ Communication appeal to personality traits. Brand/ Products image relates target market's self image.

PSYCHOLOGICAL FACTOR'S: Buying preference influenced by four psychological factors: Motivation. Perception. Learning. Beliefs/ Attitudes. Motivation: - A person may have needs at any given time. - Need could be o Biogenic : Arise from physiological state of deprivation/ Tension such as hunger/ thirst physical discomfort. o Psychogenic : Arise from psychological state of tension. Ex:- need for Esteem/ recognition/ belonging. - Biogenic need may require immediate action. - Psychogenic needs may not require immediate action. - Need becomes motive when it reaches certain intensity level. o Motive: Need that is sufficiently pursuing to drive that person to act. - Human motivation has implication for consumer analysis & market strategy. - To understand "Motivation", use theorem of Segmund Freud. Abraham Maslow. Frederick Herzberg.

Buying Process: - To be successful, marketers need to go beyond various influencers on buyers & understand how consumers make their buying decisions. - Specifically, marketers need to understand o Who makes buying Decision/ Buying roles. o Types of buying decision. o Steps in buying process. Buying Roles: - For some products, it is easy to identify buyer. - Example:- Shaving equipment : Men. Lipsticks : Women. - However, in certain cases, people may play different roles in a buying decision. - Roles could be o Initiator: Persons who first suggests idea of buying Product/ Service. o Influencer: Person whose advice influences decision. o Decider: Person who decides whether/ what/ how/ where to buy. o Buyer: Person who makes actual purchase. o User: Person who consumes/ uses product/ services.

Types of Buying Decisions: - Decision to buy • Toothpaste. • Tennis racket. are different. • Personal computer. • Car. - Differences analysed across (Henry Aesael Model) Level of involvement of buyer. Differences between brands available. - Four types of buying behaviour. High Involvement Low Involvement Significant Difference Complex Variety Seeking Between Brands Buying Behaviour Buying Behaviour Few Differences Dissonance Habitual Between Brands Reducing Buying Behaviour Buying Behaviour
Complex Buying Behaviour: - Features: Consumers highly involved in buying. Significant difference among brands. - May occur when Product is expensive. Product bought infrequently. Purchase may be risky. Product is self expressive. Example:- cars, two-wheelers, color TV, washing machines etc… - Complex buying behaviour involves Developing belief about product (Learn). Developing attitude about product (Feel). Developing thoughtful purchase choice (Do). - Marketers in such cases should Assist buyer in learning about products attributes & thus relative importance. Focus buyer attention to high standing of company's Product/Brand on more important attributes. Differentiate brand's features or benefits through suitable communication strategy (may be print media). Motivate sales personnel to influence brand choice. Dissonance Reducing Buying Behaviour: - Features Consumers highly involved in purchase. Consumer sees little difference in brands. Example:- carpets, B/W TV, Personal computer. - After purchase, consumer may notice certain negative points about product purchased, or consumers may hear favourable reports about other products in same category. - This may lead to Dissonance. - Hence, marketer should Provide information to customer that justifies purchase. Supply Beliefs/Evaluations to make consumer feel good. Variety Seeking Buying Behaviour: - Features Low consumer involvement. Significant brand choices. - May lead to brand switching to larger extent o Example:- Biscuits, Candies. - Switch occurs due to Boredom. Desire for variety. - May not be due to dissatisfaction.

- Marketing leader should try to convert buying behaviour to habitual buying behaviour through Dominating shelf space through more varieties. Avoiding stock-outs by replenishing retailers quite frequently, may be alternate days or so. Sponsoring frequent reminder advertisement, like, Britaniakhao world cup jao – short and forceful message. - Others (challenger) may encourage variety seeking behaviour through Lower prices. Sales promotion or sales schemes. Advertisements that provide reasons for trying something new. Habitual Buying Behaviour: - Features Low involvement. Few differences between brands. Example:- salt, toothpaste, cigarettes. - May happen with Low cost. Frequent purchase product. - Consumer behaviour may not pass through Believe/Attitude/Behavioural sequence. - Instead, they are passive recipients of information (may be through TV/ Print). - Consumers may select brand due to familiarity. - Hence, buying process could be Belief through passive learning. Purchase. Evaluation. - Marketers may follow strategies such as o Induce trial through low prices / sales promotion. o Advertise on TV (High repetition / Short messages) Link product to some involving issues • Toothpaste – No cavities. Link product to involving personal issues. • Coffee – shake off sleepiness in the morning Trigger strong emotions with products • Chocolate. Add important product feature • Fortifying plain drink with vitamins. - These may help to increase involvement of consumers in buying.

Stages in the Buying Process: - Analysis of stages in buying process helps marketers to increased understanding of consumer's behaviour. - Marketers may try to understand the buying process through various methods. - Methods may be o Introspective Thinking within or by putting oneself in consumers place. o Retrospective Interview few recent purchasers and ask them to recall events leading to purchase. o Prospective Researching prospective buyer. o Prescriptive Ask consumers ideal way to buy products. - Based on above, five stage model for consumer buying process has been evolved. - Stages are Problem recognition. Information search. Evaluation of alternatives. Purchase decisions. Post purchase behaviour. - For low involvement buying, consumers may skip or reverse some stages. Problem/Need Recognition: - Buying process starts with buyer recognizing need/ problem. - Need/Problem = Difference between his/her actual state and desired state. - May be triggered by External stimuli. Internal stimuli. - Marketer needs to identify circumstances that trigger a particular need or most frequent stimuli that spark an interest in product category. - Based on this marketing strategy to trigger consumer interest may be developed. Information Search: - An aroused consumer may search for information search. - Information services could be o Personal : Family/ Friends/ Neighbours Acquaintance. o Commercial : Advertisements/ Sales staff/ Dealers/ Packaging/ Displays. o Public : Mass Media/ Consumers rating organizations. o Experimental : Handling/ Examining/ Using Product. - Based on above, consumers learn about competing brands and their features. o Total Set : All brands available to consumer. o Awareness Set : Brands consumers know about. o Consideration set: Brands consumer considers & meet consumers initial buying criteria.

Evaluation of Alternatives: Q: How does customer process competitive brand information to make final value Judgment? A: Customers evaluation done: o Not based on a single evaluation process o Based on simultaneous evaluation processes that are cognitively oriented, i.e., judgment made on conscious / rational basis. - Consumer evaluation process could be Understanding need to be satisfied. Benefits required from product/ offering. Seeing each product as a bundle of attributes with varying ability of delivering benefits sought by customer to satisfy need. Example:- • Camera : Picture quality/ Speed/ Size/ Price. • Tires : Safety/ Tread life/ Ride quality/ Price. - Customer may give different importance to different attributes. They would be more attentive to attributes that provide the benefits they seek. Customer segmentation may be done to cater to distinct customer groups (Alternative

Evaluation Process). - Based on above, customer decides where each Product/ Offering/ Brand stands on each attribute. - This leads to a set of brand belief. - Brand belief lead to brand image based on usage experience filtered by the effects of Selective Attention/ Selective Distortion/ Selective Retention. - Knowledge of customer preference process keeps a marketer to influence buyer decision. - Example:- Total Set : Hero Honda/ Bajaj Auto Ltd./ TVS/ Yamaha/ Kinetic/ LML/ Honda/ Enfield Motors. Awareness Set : Hero Honda/ Bajaj Auto Ltd./ TVS/ Yamaha/ Kinetic/ Enfield Motors. Consideration Set: Hero Honda (Splendor, CD-Dawn)/ Bajaj (Boxer)/ TVS (Victor, Star-City, Velocity, Challenger) Choice Set : CD-Dawn/ Boxer/ Star City.

- A marketer (based on assessment) could Modify product (Real Repositioning). Alter brand beliefs (Psychological Repositioning). Alter beliefs, about competitive brands (Competitive Depositioning). Alter important weights. Call attention to neglected attributes. Shift buyer's ideals (in terms of attributes evaluation). - Outcome of evaluation is to form references. - Among brands within choice set. - May lead to buying intent for most preferred brand. Purchase Decision: - Intent to buy a brand gets converted to a purchase decision but for intervening factors. o Attitudes of others Influence of others opinion/views depend on • Intensity of other people's attitudes. • Customer motivation to comply with other people's wishes. o Complications may arise if contradictory opinion are expressed by close associates. - Unanticipated situational factors. o May suddenly erupt to change purchase intent. Example: Fund shortage due to emergency. - Purchase decision may be postponed/avoided/modified based on perceived risk of purchase. - Risk varies with Product Price. Attributes Uncertainty. Customer self confidence. - Marketer should understand above factors and provide information & support to reduce perceived risk. - Purchase decision made up of sub decision such as Brand decision. Quantity decision. Timing decision. Vendor decision. Payment method decision. Post – Purchase Decision: - After purchasing product, consumer will experience some level of satisfaction/dissatisfaction. - Marketer's task does not end when product is bought, but continues into postpurchase period. - Marketer need to monitor Post purchase satisfaction. Post purchase actions. Post purchase use & disposal.

Post Purchase Satisfaction: - Post purchase satisfaction depends on the closeness of buyer's product expectations & product perceived performance. - Customers delight occurs when performance exceeds expectation. Post Purchase Action: - Actions depend on the post purchase satisfaction levels. - High post purchase satisfaction leads to good word of mouth. - Post purchase dissatisfaction lead to Indifference • Exit option (Stop Buying). • Voice option (Warn Others). Customer complaint • Need speedy/positive handling. - Marketers should invest in lower post purchase dissatisfaction. Post Purchase Use & Disposal: - Needs to be monitored o If customer stores product rather than using it – Word of mouth may be weak. o If customer resells it quickly – New product sales will decrease. o If customer finds new uses of the product – Marketer needs to advertise new uses.

IndustrialMarkets-Buyer Behavior

In consumer marketing, consumers make buying decisions based on certain mental stages such as need recognition, information search, evaluation, purchase decision, and post-purchase behavior. But, in industrial markets the **buying decision making process** includes observable sequential stages involving many people in the buying organisation. The understanding of these steps/phases of buying-decision making is helpful to an industrial marketer to develop an appropriate selling strategy.

The purchasing activities of industrial buyers consist of various steps/phases in **buying decision making process**. The importance of each step depends upon the type of buying situation. The industrial marketers should understand both (step in decision-making process and the type of buying situations) to market the product or service. In 1967, Robinson, Faris, and Wind developed a process "buy-phases" having eight steps in buying-decision process in industrial market. These phases or steps in industrial buying process are elaborated as follows:

1. Recognition of Need of Industrial Buyer

A smart marketer recognizes the need/problem of industrial buyer originated within the firm. If the material supplied by the existing supplier is not satisfactory in terms of quality, or the material is not available as per requirement, or the machine supplied by him breaks down too often, the buying organisation recognizes the problem. If an industrial marketer identifies a problem in the buying organisation and suggests how the problem could be solved, there will be a better possibility of it being selected as a supplier.

2. Determination of the Characteristics and Quantity of Needed Product

If the problem is recognized within or outside the buying organisation, then the buying firm will try to answer questions such as: What type of products or services to be considered? What quantity of the product needed? and so on. For technical products, the technical departments (R&D, industrial engineering, production, or quality control) will suggest general solutions of the needed product. For non-technical goods or services, either the user department or purchase department may suggest products or services, based on experience and also the quantity required to solve the problem. Nevertheless, if the required information is not available internally within the buying organization, the same can be obtained from the outside sources.

3. Development of Specification of Needed Product

Stage 2 and 3 are closely related. After the general solution to the problem is determined in the second phase, the buying organisation, in the third stage, develops a precise statement of the specifications or characteristics of the product or service needed. During this stage the purchase department takes the help of their technical personnel, or if required, outside sources such as suppliers or consultants. Industrial marketers have a great opportunity to get involved at this stage by helping the buyer organisation to develop product specifications and characteristics. It would give a definite advantage by ensuring that the needed product includes his or her company's product characteristics and specifications.

4. Search the Qualified Potential Suppliers

In this stage, the buying organisation searches for acceptable suppliers or vendors. Firstly, they have to obtain information about all available suppliers and secondly, they have to decide the qualifying suppliers. The search for potential suppliers is based on the various sources of information like trade journals, sales calls, work-of-mouth, catalogues, trade-shows, industrial directories. The qualifications of acceptable supplies may depend on the type of buying organization such as government undertaking, private sector commercial organisation, or institutions, and the buying situation, and the decision-making members. Furthermore, the factors like quality of product or service, reliability in delivery, and service are considered in qualifications of suppliers.

5. Obtaining and Analyzing Supplier Proposals

If the qualified suppliers are decided then the buying organisation obtains the proposals by sending enquiries to the qualified suppliers. A supplier's proposal can be in the form of a formal offer, quotation, or a formal bid, submitted by the supplier to the buying organisation. It must include the product specification, price, delivery period, payment terms, taxes and duties applicable, transportation cost (or freight), cost of transit insurance, and any other relevant cost or free service provided. For purchases of routine products or services, the stages 4 and 5 may occur simultaneously, as the buyer may contact the qualified suppliers to get the latest information on prices and delivery periods. For technically complex products and services, a lot of time is spent in analyzing proposals in terms of comparisons on products, services, deliveries, and the landed costs: includes the price after discount plus excise duty, sales tax, freight, and insurance.

6. Evaluation of Proposals and Selection of Suppliers

The industrial buyers evaluate the proposals of competing suppliers and selects one or more suppliers. Further negotiations may continue with selected suppliers on prices, payment terms, deliveries, and so on. The decision makers in the buying organization may evaluate each supplier on a set of agreed-upon attributes or factors. Each supplier is evaluated on each attribute by giving a weightage to each attribute proportionately or on rating scale basis. The supplier(s) who get the highest total score receives the business or the order from the buying organisation. If a buying firm faces a make-or-buy decision, the supplier's proposals are compared with the cost of producing the needed item within the buying organization. If it is decided to make the item within the buying organization, the buying process is stopped at this stage.

7. Routine Order Selection

In this stage the procedure of exchange of goods and services between a buyer and a seller is worked out. The activities include placement of orders (i.e. purchase orders) with the selected suppliers, the quantity to be purchased from each supplier, frequency of order placement by buyers and delivery schedules to be adhered to by the supplier, schedule, and the payment terms to be adhered to by the buyer. The user department would not be satisfied until the supplier delivers the required item as per delivery schedule, and with acceptable quality.

8. Performance Feedback and Post-Purchase Evaluation

In this final phase a formal or informal review regarding the performance of each supplier (or vendor) takes place. The user department gives a feedback on whether the purchased item solved the problem or not. If not, the members of the decision-making unit review their earlier decision and decide to give a chance to the previously rejected supplier. The industrial vendor should recognize that marketing effort is no over after the order is received. He or she must check the feedback and evaluation process in the customer (buyer) organisation. In particular, the industrial marketer must monitor the user satisfaction levels or complaints so that immediate corrective action can be taken before a major damage. In fact, a quick response to customers' complaints can result in good buyer-seller relationship.

The type of products, the phase of the buying-decision making process of customer firms, and the purchasing situations also influence the marketing strategy of industrial seller.

ConceptsofGreenMarketing

Meaning

Here, term 'green' is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups.

Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems. Growth in marketing activities resulted into rapid economic growth, mass production with the use of advanced technology, comfortable and luxurious life, style, severe competition, use of unhealthy marketing tactics and techniques to attract customers, exaggeration in advertising, liberalization and globalization, creation of multinational companies, retailing and distribution by giant MNCs, etc., created many problems.

Departmental stores, specialty stores, and shopping malls are flooded with useful as well as useless products. These all factors have threatened welfare of people and ecological balance as well. Particularly, giant factories have become the source of different pollutions. Production, consumption and disposal of many products affect environment adversely

Excessive pollution has provoked the Nature and the Nature starts behaving in unnatural ways (in form of global warming v/s global cooling, heavy rains v/s draught, and other natural calamities like frequent earthquakes and tsunami, cyclones, epidemics, and so forth). Economic growth via production and consumption threatens peaceful life of human being on the earth. Green marketing is an attempt to protect consumer welfare and environment (the nature) through production, consumption, and disposal of eco-friendly products.

Basically, green marketing concerns with three aspects:

1. Promotion of production and consummation of pure/quality products,

2. Fair and just dealing with customers and society, and

3. Protection of ecological environment.

Global ecological imbalance and global warming (also global cooling) have called upon environmentalists, scientists, social organisations, and alert common men to initiate the concrete efforts to stop further deterioration of ecological environment. The World Bank, the SAARC, the UNO, the WHO, and other globally influential organisations have started their efforts to promote and practice green marketing. The world environment summit at Copenhagen (2009) is the mega event that shows the seriousness of ecological imbalance.

To increase awareness, 5th June is declared as the World Environment Day. Green marketing emphases on protection of long-term welfare of consumers and society by production and use of pure, useful, and high quality products without any adverse effect on the environment. Mass media have started their campaign for protecting the earth from further deterioration. Worldwide efforts are made to conserve natural water resources.

Thus, green marketing is a marketing philosophy that promotes production and selling of pure (eco-friendly) products with protection of ecological balance. Green marketing involves multiple activities. Green Marketing encourages production of pure products by pure technology, conservation of energy, preservation of environment, minimum use of natural resources, and more use of natural foods instead of processed foods. Efforts of people, social organisations, firms, and governments in this regard can be said as green marketing efforts.

Green marketing raises the voice against production, consumption, and/or disposal of such products that anyway harm consumers, the society, and the environment. It is necessary that businessmen and users should refrain from harmful products.

Impacts or Importance of Green Marketing:
Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

We can witness following impacts of green marketing:
1. Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.

2. Reducing use of plastics and plastic-based products.

3. Increased consumption of herbal products instead of processed products.

4. Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.

5. Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.

6. Worldwide efforts to recycle wastes of consumer and industrial products.

7. Increased use of herbal medicines, natural therapy, and Yoga.

8. Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and seas from pollutions.

9. Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organisations of several countries have formulated provisions for protecting ecological balance.

10. More emphasis on social and environmental accountability of producers.

11. Imposing strict norms for pollution control. Consideration of pollution control efforts and eco-technology in awarding IS), ISO 9000, or ISO 14000 certificates and other awards.

12. Declaration of 5th June as the World Environment Day.

MarketingAudit&control

Marketing Audit

Definition: The **Marketing Audit** refers to the comprehensive, systematic, analysis, evaluation and the interpretation of the business marketing environment, both internal and external, its goals, objectives, strategies, principles to ascertain the areas of problem and opportunities and to recommend a plan of action to enhance the firm's marketing performance.

he marketing audit is generally conducted by a third person, not a member of an organization.

The firm conducting the Marketing Audit should keep the following points in mind:

- The Audit should be **Comprehensive, i.e.** it should cover all the areas of marketing where the problem persists and do not take a single marketing problem under the consideration.
- The Audit should be **Systematic, i.e.** an orderly analysis and evaluation of firm's micro & macro environment, marketing principles, objectives, strategies and other operations that directly or indirectly influences the firm's marketing performance.
- The audit should be **Independent;** the marketing audit can be conducted in six ways: self-audit, audit from across, audit from above, company auditing office, company task-force audit, and outsider audit.The best audit is the outsider audit; wherein the auditor is the external party to an organization who works independently and is not partial to anyone.
- The audit should be **Periodical;** generally, the companies conduct the marketing audit when some problem arises in the marketing operations. But it is recommended to have a regular marketing audit so that that problem can be rectified at its source.

Components of Marketing Audit

1. **Macro-Environment Audit**: It includes all the factors outside the firm that influences the marketing performance. These factors are Demographic, Economic, Environmental, Political, and Cultural.
2. **Task Environment Audit**: The factors closely associated with the firm such as Markets, Customers, Competitors, Distributors and Retailers, Facilitators and Marketing Firms, Public etc.that affects the efficiency of the marketing programs.
3. **Marketing Strategy Audit**: Checking the feasibility of Business Mission, Marketing Objectives and Goals and Marketing Strategies that have a direct impact on the firm's marketing performance.
4. **Marketing Organization Audit**: Evaluating the performance of staff at different levels of hierarchy.
5. **Marketing Systems Audit**: Maintaining and updating several marketing systems such as Marketing Information System, Marketing Planning System, Marketing Control System and New-Product Development System.
6. **Marketing Productivity Audit**: Evaluating the performance of the Marketing activities in terms of Profitability and Cost-Effectiveness.
7. **Marketing Function Audit:** Keeping a check on firm's core competencies such as Product, Price, Distribution, Marketing Communication and Sales Force.

Thus, the marketing audit helps to determine how well a firm's marketing department is carrying out the marketing activities. And how much it is adding to the overall performance of the organization

Business JargonsMarketingMarketing Audit

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Related Terms:

1. **Sales Audit**

2. HR Audit
3. Marketing Environment
4. Market Share Method
5. Guerrilla Marketing

On the basis of types of criteria – sales, profits, efficiency, and strategic considerations – used for measuring and comparing results, there are four types or tools of marketing control. In every type of control, the same procedure is applied, i.e., setting standards, measuring actual performance, comparing actual performance with standards, and taking corrective active actions, if required.

Philip Kotler considers four types of marketing control:

1. Annual Plan control

2. Profitability control

3. Efficiency Control

4. Strategic Control

Annual Plan Control:

In this method, annul plans are prepared for various activities. Each plan includes setting objectives (expected results or standards), allocating resources, defining time limit, and formulating rules, policies and procedures. Annual plan control relates to sales. Periodically (mostly annually) the actual results are measured and compared with standards to judge whether annual plans are being (or have been) achieved.

Depending on the degree of difference between the planned and the actual results, causes are detected and suitable corrective actions are undertaken. Thus, it contains checking ongoing performance against annual plan and taking corrective action. Figure 1 shows five measures of annual plan control.

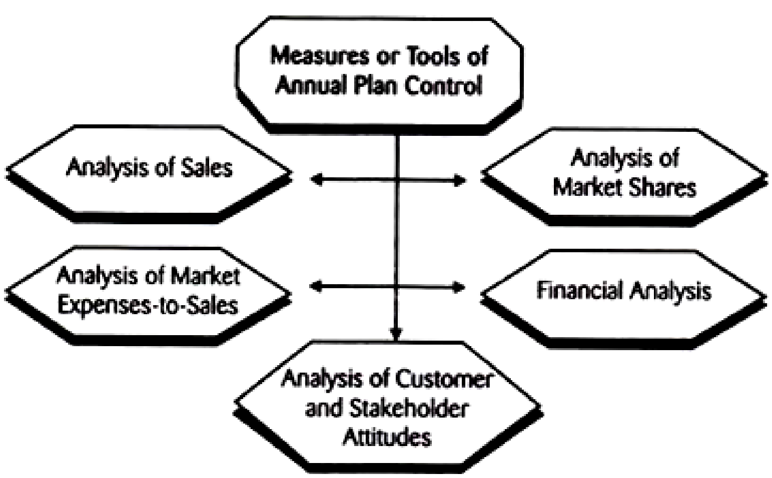

Figure 1: Five Measures of Annual Plan Control

Measures (Evaluation Tools) of Annual Plan Control:

Following five measures are used in annual plan control:

1. Analysis of Different Sales:

Analysis of different sales contains measuring and evaluating different sales (total sales, territory- wise sales, distribution channel-wise, product-wise sales, customer-wise sales, etc.) with annual sales goals. Targets are set for different types of sales and actual sales of different categories are compared to find out how far company can achieve its sales goals.

2. Analysis of Market Share:

Here, market share is used as base for measuring, comparing, and correcting results. Market share is a proportion of company's sales in the total sales of the industry. It helps to know how well the company is performing relative to its close competitors. Thus, the performance is assessed against expected market share and competitors' market share.

It involves considering three types of market shares:

i. Overall market share

ii. Served market share

iii. Relative market share

3. Analysis of Market Expenses-to-Sales:

This type of control checks marketing expenses. It ensures that the firm is not overspending to achieve its annual sales goals. Different marketing expenses are watched in relations to sales.

Normally, company considers five components to calculate expenses-to-sales ratios and compares them with standard ratios to find out how far expenses are under control, such as:

i. Sales force-to-sales ratio

ii. Advertising-to- sales ratio

iii. Sales promotion-to-sales ratio

iv. Marketing research-to-sales ratio

v. Sales administration-to-sales ratio

Marketing managers needs to monitor these expenses in relation to sales. If the expenses fall beyond permissible limits, it should be taken as a serious concern and needed steps are taken to keep them under control.

4. Financial Analysis:
Financial control consists of evaluating sales and sales-to-expense ratios in relation to overall financial framework. It means net profits, net sales, assets, and expenses are studied to find out rate return on total assets, and rate of return on net worth.

Financial analysis determines firm's capacity of earnings, profits, or income. Attempts are made to find out factors influencing firm's rate of return on net worth. Here, various ratios are calculated such as profit margin ratio (net profits + net sales), asset turnover ratio (net sales + total assets), and return on assets ratio (net profits + total assets), financial leverage (total assets + net worth) and return on net worth (net profits – net worth). Profit margin can be improved either by cutting expenses and/or increasing sales.

5. Analysis of Customer and Stakeholder Attitudes:
The measures of annual plan control discussed in former part are financial and quantitative in nature. Qualitative measures are more critical because they give early warning about what is going to happen on sales as well as profits.

Manager can initiate precautionary actions to minimize adverse impacts of forces on the future outcomes. Under this tool, customers' attitudes are tracked to project the way they will react to the company's offers. Alert company prefers to set up a system to monitor attitudes of customers, dealers, and other participants.

Base on their attitudes, preference and satisfaction, management can take early actions. This tool is preventive in nature as adverse impact on the future results can be prevented by advanced steps. Market- based preference scorecard analysis is used to measure (score) attitudes of customers and other participants. Such analysis reflects actual company's performance and provides early warnings.

Measuring Customers' Attitudes:
Here, a firm tries to measure attitudes of customers by using various methods like, complaints and suggestions, customer panels, customer survey, etc. It provides details about new customers created, existing customers lost, dissatisfied customers, relative product quality, relative service quality, target market awareness, target market preference, and other valuable information.

Measuring Stakeholders' Attitudes:
It consists of measuring or recording stakeholders' attitudes. It shows the pattern of stakeholders' preference, attitudes, and overall response toward company and its offers. Stakeholders include suppliers, dealers, employees, stockholders, service providers, etc. They have critical interest and impact on company's performance.

Without their cooperation and contribution, a company cannot realize its goals. When one or more of these stakeholders register dissatisfaction, management must take suitable actions. Methods used to track attitudes of customers can also be used for measuring attitudes of stakeholders.

Profitability Control:
In this method, the base of exercising control over marketing activities is the profitability. Certain profitability (and expenses) related standards are set and compared with actual profitability results to find out how far company is achieving profits. Profitability control calls for measuring profitability of various products, channels, territories, customer groups, order size, etc. It provides necessary information to management to determine whether products, channels, or territories should be expanded, reduced, or eliminated.

Process of Marketing-Profitability Analysis:
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Systematic and logical process is used for analysis of profitability.

It involves:
1. Identifying Functional Expenses:
It consists of determining expenses to be incurred for the marketing activities like salaries, rents, advertising, selling and distribution, packing and delivery, billing and collection, etc.

2. Assigning Function Expenses to Marketing Entities:
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Simply, expenses of particular head (for example, salary or advertising) are associated with different entities like products, channels, territories or customers groups.

3. Preparing Profits and Loss statement:
A profit and loss statement is prepared for each type of products, channels, territories, etc., to evaluate their relative performance. Based on relative performance in form of profitability, management can decide on products, channels or territories to be expanded, reduced or eliminated.

For example, a firm has five products, like A, B, C, D, and E. If profit and loss statement shows that:
(1) Product C is more profitable, and therefore, it must be expanded;

(2) Product B is poor, and, therefore, it must be reduced;

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(3) Product D is making loss, and therefore, it must be eliminated, and

(4) Product A and product E are satisfactory, and therefore they must be maintained. In the same way, it can be applied to different territories and segments.

Table 1 shows how to prepare profit and loss statement for different products.

4. Taking Action:
On the basis of the profit and loss statement, necessary actions can be directed.

Actions include one or more of followings:
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i. Expanding product(s)

ii. Reducing product(s)

iii. Eliminating product(s)

iv. Reducing any of the expenses

v. Increasing sales, etc.

Table 1: Profit and Loss Statement for Products (in ₹ 00,000):

Particulars	Products					
Total	A	B	C	D	E	
Sales	—	—	—	—	—	—
Cost of good sold	—	—	—	—	—	—
Gross Profit	—	—	—	—	—	—
Expenses:		—	—	—	—	—
Selling	—	—	—	—	—	—
Distribution	—	—	—	—	—	—
Advertising	—	—	—	—	—	—
Packing and delivery	—	—	—	—	—	—
Billing and collection	—	—	—	—	—	—
Total costs:	—	—	—	—	—	—
Net profit margin (%)	—	—	—	—	—	—

Efficiency Control:
This control, particularly, concerns with measuring spending efficiency. While profitability control reveals the relative (in relation to different entities like products, territories, channels, etc.) profits a company is earning, the efficiency control shows the

ways to improve efficiency of various marketing entities like sales force, advertising, distribution, sales promotion, and so forth.

Sometimes, a post of marketing controller is created to work out a detailed programme to measure and improve efficiency of expense-centered marketing activities. Here also, in order to evaluate efficiency level of different marketing activities, the efficiency standards (of ideal performance) are set and are compared with actual performance.

Efficiency control can improve efficiency of marketing department in two ways – one is, improving ability of various marketing activities to contribute more in reaching the goals, and the second is, reducing expenses or wastage.

Types of Efficiency Control:
Figure 2 shows major types of efficiency control. Main types of efficiency control involve controlling sales force efficiency, advertising efficiency, sales promotion efficiency, distribution efficiency, and marketing research efficiency.

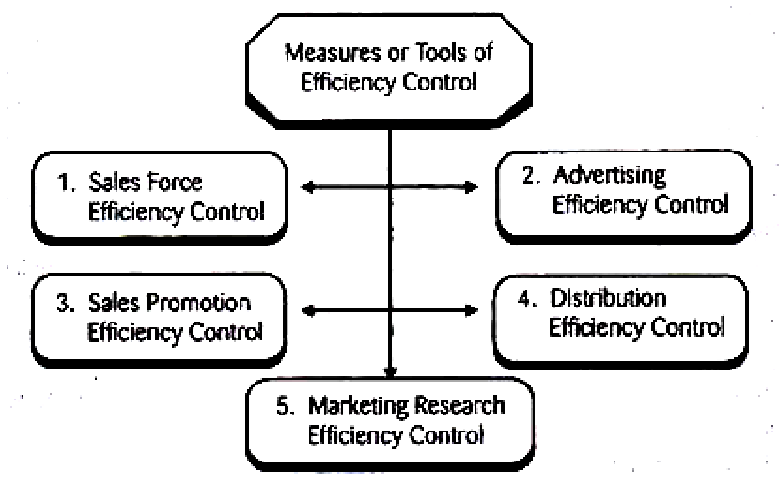

Figure 2: Major Types of Efficiency Control

1. Sales Force Efficiency Control:
To measure efficiency of sale force (salesmen), certain key indicators/criteria are developed. A manager has to make a lot of calculations and paperwork.

Common criteria used to measure and evaluate the sales force efficiency include:
i. Average number of sales calls per salesman in a day

ii. Average sales calls time spared per contact

iii. Average revenue generated per call

iv. Average costs incurred per call

v. Entertainment cost per calls

vi. Percentage of orders per specific number of calls, i.e., how many orders have been received from 100 calls made

vii. Number of new customers created during specific period

viii. Number of customers lost in a given period

ix. Contribution of salesmen in total sales, revenue, and profits

x. Sales force costs as percentage of total sales.

Questionnaire, discussion, inspection, observation, salesman's report, etc., methods are used for the purpose. However, most companies use salesman's report. A unique computer-based programme or software can also be developed for speedy and accurate measurement of sales forces efficiency on a regular basis. Simply, actual performance of sales force is compared with these criteria to find out deviation, and, accordingly, necessary actions are taken.

This measurement of sales force efficiency can provide satisfactory answers of following questions:
i. What is role/contribution of sales force in selling efforts?

ii. Who are the most efficient, less efficient and inefficient sales people?

iii. Which are reasons responsible for poor efficiency of sales force?

iv. What can/should be done to improve efficiency?

2. Advertising Efficiency Control:
Advertising is the most expensive among all the promotional tools. Major part of promotion budget is consumed by advertising alone. So, it is extremely necessary to find out efficiency level of advertising efforts. A company sets advertising goals (standards) and compared actual contribution of advertising to decide how far advertising has been capable to fulfill firm's expectations. Advertising efficiency control mainly involves measuring cost efficiency or contribution efficiency.

Practically, it is difficult to measure the exact contribution of advertising efforts/costs. Systematic tools can be developed to measure impact of advertising qualitatively – in forms of increasing awareness, changing attitudes, and creating brand loyalty – and quantitatively – in forms of impact on sales and profits. Survey of dealers and customers can be made to collect needed data.

Common criteria used for measuring advertising efficiently include:
i. Advertising cost per thousand target customers reached by a specific media vehicle, for example, television medium.

ii. Percentage of audience who read, noted, or saw message from print media.

iii. Customer opinion on advertising contents and effectiveness.

iv. Measurement of pre-post (before-after) advertising impact on attitudes of people toward the product.

v. Number of inquiries generated by advertising.

vi. Cost per inquiry.

vii. Media suitability.

viii. Impact of advertising on personal selling, sales promotion, public relations, publicity, and distribution.

ix. Need and performance of advertising agency, etc.

Manager can compared efficiency of advertising programme with internal as well as external standards to judge comparative efficiency. He must find out causes leading to inefficiency.

One or more of following actions are initiated:
i. To changes advertising objectives and policies.

ii. To change advertising message.

iii. To change advertising media.

iv. To change media scheduling and frequencies.

v. To change and/or train the staff.

vi. To change advertising agency.

vii. To change advertising budget, etc.

3. Sales Promotion Efficiency Control:
This control is exercised by sale manager. Sometimes, sales promotion manager is also appointed to deal with the issue. Sales promotion efficiency measures the impact of sales promotion efforts on sales, profits, competitiveness, and consumer satisfaction. Such efforts include offering a wide range of short-term incentives to stimulate buyer interest and consumer trial. Sales promotion is, no doubt, costly, but it seems essential. Here, manager tries to measure costs and impact of each of sales promotion tools. Normally, sales promotion tools are applied at three levels – customer level, dealer level, and sale force level.

Common criteria used for measuring sales promotion efficiency include:
i. Percentage of total sales promotion expenses to sales.

ii. Costs of display, sample, coupons, and other tools per unit selling price.

iii. Number of inquires generated due to display, demonstration, other such incentives.

iv. Joint and individual impact of various tools on dealer interest, consumer purchase, and competitiveness.

Analysis of costs and contribution of sales promotion tools helps in selecting the most cost- effective sales promotion tools to use. A firm can reduce unnecessary costs and/or can improve contribution of each of the tools of sales promotion. It helps design suitable sales promotion strategies in term of costs, level of sales promotion, timing, and types of techniques at each of the levels.

4. Distribution Efficiency Control:
In an average, distribution costs account for 20 to 30 per cent of selling price. By a suitable distribution network, company can improve its profitability on one end and consumer satisfaction on the other end. Therefore, it is necessary to review or assess the entire distribution system periodically. Distribution efficiency control measures how far company's distribution system is efficient to achieve marketing goals.

Common criteria used for the purpose include:
i. Percentage of total distribution costs per unit price.

ii. Percentage of physical distribution (warehousing, inventory, ordering, transportation, communication, insurance, etc.) costs per unit price.

iii. Percentage of channel members' (wholesalers, retailers, agents, etc.) costs per unit price.

iv. Costs and contribution of direct v/s indirect channels.

v. Potentials of using online marketing, network marketing, and by retailing chains.

vi. Assessing costs of marketing channels in relation to services they offer to the company as well consumers.

Distribution efficiency gives valuable information to select the most cost-effective distribution option and sub-options. Company can minimize distribution costs and/or improve profits and competitiveness. In the same way, it can increase consumer satisfaction, too.

5. Marketing Research Efficiency Control:
Marketing research is process of gathering, analyzing, and interpreting data relating to any marketing problem. Due to dynamic nature of marketing environment, a company needs data on various relevant variables time to time. Marketing research is an expensive option. It is imperative for a firm to know how far marketing research efforts and costs are instrumental in achieving marketing goals. It provides necessary details to improve research policies and practices.