

**B.B.A II Year**  
**MARKETING MANAGEMENT**

## Market - Meaning

'Market', the term originates from Latin word 'mercatus' meaning "trade, marketplace," which is derived from 'mercari' meaning "to trade". 'Mercari' is derived from merc- meaning "merchandise".

In simple terms, Market refers to a particular place where goods are purchased and sold. In management and economics "Market is any region in which buyers and sellers are brought into contact with one another and facilitate price fixation".

A market is an actual / nominal place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter. The market for a particular item is made up of existing and potential customers who need it and have the ability and willingness to pay for it.

### Definitions:

The term market refers not to place, but to a commodity or commodities and buyers and sellers who are in direct competition with one another. - Chapman

A market is an aggregate demand of the potential buyers for a product/service. American Marketing Association.

### Features of Market:

In the economic sense, Market is a system by which buyers and sellers come in contact with each other, bargain for the price of a product, settle the price and transact their business- buy or sell a product. Physical contact between the buyers and sellers is not necessary.

### Classification of Markets

Traditional Classifications are made on the basis of:

- Geographical Area - Local, Regional, National, and International Markets
- Position of Sellers - Primary, Secondary, Terminal
- Time. Very Short Period, Short Period, Long Period Markets
- Volume of Business Transactions - Wholesalers, Retailers
- Nature of Transactions - Spot Market, Future Market

- Goods Transacted. Commodity Market, Capital / Stock Markets
- Regulation - Regulated, Non-Regulated Markets
- Competition - Perfect, Imperfect, Monopoly, Oligopoly Markets.
- Demand and Supply - Buyers. market, Sellers. market

Modern Classifications are:

- Consumer markets - B2C, C2C markets
- Business Markets - B2B Markets
- Global Markets
- Government Markets - B2G markets
- Non Profit Markets

## MARKETING - AN INTRODUCTION

Marketing is everywhere. Formally or informally, people and organisations engage in a vast number of activities that we could call marketing. Good marketing has become an increasingly vital ingredient for business success. And marketing profoundly affects our day to-day lives. It is embedded in everything we do- from the clothes we wear, to the websites we click on, to the ads we see.

### Marketing - Meaning

Marketing is about identifying and meeting human and social needs profitably. Marketing is the creation of utilities as goods and services get value addition by the time they reach the consumers.

### Definition of Marketing by American Marketing Association

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (Approved October 2007)

### A Social Definition of Marketing

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

### Scope of Marketing / 10 Entities that can be marketed:

1. Goods - Electronic appliances, automobiles, cosmetics, accessories etc.
2. Services - Banking, airlines, hotels, beauticians etc. Many market offerings consist of a variable mix of goods and services. Example: A customer at a restaurant consumes both a product and a service.
3. Events - Time based events such as trade shows, artistic performances, concerts etc.

4. Experiences - Orchestrating several goods and services, experiences maybe created, staged and marketed. Example: Trip to an amusement park (Walt Disney's Entertainment Experience), dining at a 5-star restaurant.
5. Persons - Celebrity marketing and branding of sportspersons, film stars, businessmen.
6. Places - Cities, states, regions, and nations compete to position themselves as attractive tourist destinations, places of investments and of residence Eg. Kerala – God's Own Country, Incredible India!
7. Properties - Tangible properties like real estate or intangible properties like financial stocks and bonds.
8. Organizations - Corporate identity campaigns by organizations, both private and public.
9. Information - Education, Healthcare, Information technology.
10. Ideas - promotion of ideas, awareness campaigns towards social concerns, consumer rights etc. Ex: Blood and organ donation, wildlife and environmental conservation

Marketing of the above mentioned entities may be done either individually or in combination with one another. Example: A 5-star hotel maybe marketed purely as an experience or as the venue for a time based event like a Continental / Oriental / Italian food festival.

#### Importance of 'Marketing'

1. Marketing helps the organisation to achieve its strategic objectives.
2. Marketing helps the organisation to create customers by identifying their needs and distribute products to meet their satisfaction.
3. Helps the enterprise to adapt to the changing conditions and circumstances.
4. Provides guidance to the organization on the innovations to be adopted.
5. Ensures the economic growth of the enterprise which results in growth and development of the country.
6. Helps the community to satisfy their economic and social needs and thus raise their standard of living.
7. Helps in an efficient and productive utilization of resources, both human and material, eliminating wastages. Maximum efficiency at Minimum cost.

#### Benefits of Marketing:

To the society:

- ☐ It is instrumental in improving the standard of living.
- ☐ Stabilizes the economic conditions.
- ☐ Provides and increases gainful employment opportunities.
- ☐ Acts as a link between producers and consumers.

To the individual firms:

- It is the means of achieving more profits.
- It acts as a decision-pad for marketers.
- Is a source of new ideas.

To consumers:

- Maximizes choice and quality of products available
- Is the source of information and awareness
- Understands and explores the latent needs of consumers

Goals/Objectives of Marketing:

- Creation of utility
  - Place utility: Movement of goods from the centres of production to the centres of consumption creates place utility.
  - Time utility: By making goods and services available to the customers at the time of their need, marketing creates time utility
  - Possession utility: By facilitating the transfer of ownership from producers to consumers, marketing creates possession utility
- Cost reduction
- Price stability
- Maximize consumption
- Maximize consumer satisfaction
- Maximize choice for
- Maximize life quality

Approaches to the study of Marketing

□ Commodity Approach

Marketing in the journey of a particular product is studied under this approach. A specific commodity is selected and then it's marketing environment and methods are studied in the course of its movement from producer to consumer. It is thus the study of the flow of a commodity from the original producer up to the final customer. This study helps to locate:

- Centre of production
- People engaged in buying & selling of the product
- Mode of transportation
- Problems related to selling, advertising, financing and storage

Eg. Marketing of agricultural products such as wheat, cotton etc.

#### □ Functional Approach

Attention is focused on the specialized functions or services performed by the marketers and the problems faced by them while performing those functions. The various functions studied include buying, assembling, storage, standardizing, risk bearing, financing, and market information and selling.

#### □ Institutional Approach

It is centered around the marketing institutions or agencies that perform marketing functions. Such agencies include wholesalers, retailers, mercantile agents and facilitating agencies such as transportation houses, banks, insurance companies etc.

#### □ Managerial / Decision Making Approach

This approach combines some features of the commodity, institutional and functional approaches and seeks to analyze marketing from the decision making perspective. The various areas of marketing decisions are in regards to marketing organization, product, distribution, pricing and promotion.

#### □ Conceptual Approach

Marketing is studied through theoretical analysis of marketing functions, institutions and policies. Research and innovation are emphasized upon in this approach.

#### □ Scientific Approach

It is an inter-disciplinary approach, as it uses the physical, social and the quantitative disciplines for developing marketing insights and concepts. The approach is useful to solving marketing problems and provides a base for scientific approach to the study and practice of marketing.

#### □ Eclectic Approach

This approach presents marketing in its context of economic, cultural and social significance. It helps to examine the role to be played by the Government in regulating the marketing system, the social responsibilities of the people and institutions involved in marketing etc.

#### □ Systems Approach

Under this approach, marketing is considered as a subsystem of economic, legal and competitive system. The marketing system operates in an environment that comprises of both controllable and uncontrollable factors that are dynamic and need to be constantly monitored. The approach allows for logical and orderly analyses of marketing activities and provides a framework for control. It is an integrated approach that includes:

1. Objectives: Is profitability through customer satisfaction
2. Inputs: Information from internal and external sources

3. Processor: Information is processed
4. Output: Actions are taken w.r.t. the marketing activity
5. Feedback: forms the basis for future change

### Company Orientations towards Marketplace/ Concepts of Marketing:

**The Production Concept:** Holds that consumers will prefer products that are widely available and inexpensive. It is wherein products are produced in bulk, with high production efficiency, low costs and are mass distributed. Production Oriented Organisations work towards achieving production efficiency (low cost) and wide distribution coverage (widely available).

**The Product Concept:** Holds that consumers favor products that offer the best quality, performance or innovative features. Focus is on the creation and delivery of better and more superior products on a continual basis. The customer needs and requirements, preferences are not prioritized as is also the case with the aspects of pricing, distribution and selling of the products.

This orientation may lead to Marketing Myopia i.e. shortsightedness of focusing excessively on product rather than on consumer needs.

**The Selling Concept:** Holds that, if left alone, individual customers and organizational customers will not buy enough of the company's products and so have to be aggressively marketed to. Selling Concept is still preferred in cases of the marketing of unsought goods and also when firms have overcapacity.

**Marketing Concept:** Is a sense and respond philosophy that emerged in the 1950's and is customer centered rather than product centered 'make and sell' philosophy or the 'sell whatever is made' philosophy. It focuses on the needs of the customers. Companies can either practice a reactive market orientation that is to understand and cater to the expressed needs of the customers or a proactive market orientation - that is to understand and cater to the latent needs of the customers. Organizations seeking to be successful in the long term focus on total market orientation, striking a fine balance between the reactive and proactive orientations.

**The Holistic Marketing Concept:** Is based on the philosophy of .everything matters. in marketing, thus needing a broad and integrated perspective. The four broad components that characterize holistic marketing are relationship marketing, integrated marketing, internal marketing and performance marketing.

Social Responsibility Marketing / Societal Marketing - Assuming the responsibility of enhancing or preserving the society's long term wellbeing, by ensuring that the organization is adhering to the legal, ethical, environmental and social norms. Concerns about Public welfare, better living environment, better quality of life etc. make organisations adopt socially responsible marketing policies. For eg. An automobile is not only fuel efficient but less polluting.

It requires the organisation to balance three considerations:

- I. Company profits
- II. Consumer Needs
- III. Public Interest/ Social Welfare

**Distinction between Marketing and Selling**

Sl.	Basis of Difference	Marketing	Selling
1	Scope	More comprehensive and wide	Narrower, limited to sale of goods already produced
2	Perspective	Long term	Short term
3	Occurrence	Begins before production of goods and services	Begins after goods and services are produced
4	Philosophy	Is both philosophical and strategic	Is a tactical and routine activity
5	Focuses on	Buyers needs	Sellers needs
6	Approach	Integrated	Fragmented
7	Profits through	Customer satisfaction	Sales volume

**Functions of Marketing**

Clark and Clark have classified the marketing functions into the following three divisions:

- I. Functions of Exchange
- II. Functions of Physical Supply
- III. Facilitating Functions



## I. Functions of Exchange

### □ Buying function

This function involves the study of the markets by the marketers, identifying the demand for their products (planning), so that the suppliers may be identified (contractual function) and required quality and quantity of raw materials and semi-finished goods may be acquired for further processing (negotiation and contractual function).

### □ Assembling function

It involves the collecting of semi-finished / finished products from various sources and them together to central location, either for further processing or resale. This may be done by the producers or the intermediaries.

### □ Selling function

This includes the function of product planning, function of demand creation for products, the contractual and negotiatory function of agreeing upon the terms and conditions by both, the buyers and the sellers and the final agreement of sale, including the transfer of ownership and title of goods.

## II. Functions of Physical Distribution

### □ Transportation

Transportation enables the flow of goods from places of production to places of consumption. It helps in creating, place and time utility, also adding value to the product. It facilitates large scale production and selling. It involves the selection of modes of transport depending on costs, speeds and risk involved

### □ Storage and Warehousing

Storage refers to the holding and preserving of goods between the time of production and time of sale. This may also happen at stopovers during transportation. It enables and ensures the availability of products when demanded by the consumers, even during off seasons. Storage protects the goods from deterioration and to carry forward surplus stocks for future consumption, also regulating the flow of goods to different markets.

### □ Inventory management

Inventory management involves the management of inventories from the point of raw materials being purchased to the point of the finished goods being transported to warehouses. This enables continuity of supply of materials to the production process and subsequently on time fulfillment of customer demand.

#### □ Material handling

The materials and the semi converted products, held in inventories are to be handled efficiently when moved to the next area of requirement so as minimize breakage, spoilage, pilferage etc.

### III. Functions of facilities

#### □ Financing

The availability of finance in the form of capital or debt is essential for the smooth running of a business firm. This function enables the movement of funds to enable the required purchases, processing and selling functions to happen seamlessly.

#### □ Risk bearing & Insurance

The risks of natural disaster, thefts, changes in the conditions of demand and supply are all to be considered by marketers as being a part of business. Some of these risks are wholly or partially insured against, whereas the rest are borne by the marketers.

#### □ Standardization

Establishing a standard for goods produced, sorting of goods into different grades and ensuring quality is maintained by regular control measures are all involved in the function of standardization.

#### □ Market information

It involves the gathering of information about the dynamic target markets, changing customer needs, competition analysis, the interpretation and communication of the same to the marketers / relevant decision makers.

#### □ Advertising, sales promotion

They are the tools adopted by marketers to make the target customers aware of a product, induce trial and persuade for regular consumption. Advertising is impersonal and long term whereas sales promotion is a short term and more direct approach to promote immediate sales.

#### □ After sales service.

Involves the service provided to customers after the sale is effected. It has a direct impact on customer satisfaction and can be the deciding factor when a customer seeks to repurchase or upgrade to a more advanced version of the product.

## RECENT TRENDS IN MARKETING

### E-BUSINESS/ E- COMMERCE

Electronic commerce, commonly known as e-commerce, commonly is defined as the buying and selling of products or services over electronic systems such as the Internet and other computer networks

It can be broken into four main categories: B2B, B2C, C2B, and C2C.

#### Models of E- business

##### B2C (Business-to-Consumer)

Business selling goods and services to the general public typically through catalogues utilizing shopping cart software. applies to any business or organization that sells its products or services to consumers over the Internet for own use. In other words, it provides a direct sale between the supplier and the individual consumer. It refers to exchanges between business and consumers. Activities tracked are consumer search, frequently asked questions and service and support. Examples: Flipkart.com; Myntra.com; Bigbasket.com; Icidirect.com; Yatra.com

##### B2B (Business-to-Business)

Companies doing business with each other: such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable. involves online transactions between businesses. It refers to the full spectrum of e-commerce that can occur between two organizations. This may include:

- Purchasing and procurement,
- Supplier management,
- Inventory management,
- Payment management & service and support.

Examples of B2B companies in India: Alibaba.com; ExportersIndia.com, Ask4plastic.com

##### C2B (Consumer-to-Business)

A consumer posts his project with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project

##### C2C (Consumer-to-Consumer)

C2C exchanges involve transactions between / among consumers. There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell thanks to online payment systems like PayPal where people can send and receive money online with ease. These exchanges need a third-party involvement, to facilitate and provide the

infrastructure, place and governance for the transactions/exchanges. E.g. of this is the online market place, eBay.com. Here consumers can bid for and sell items of any description, for any price. Consumer:

- Places the details of the product for auction/sale
- Market maker provides catalog, search engine, and transaction clearing capabilities

Examples: OLX, Quikr

Consumer-to-Business: C2B is a business model where the consumers create products/ services/ web-content and the companies pay for them.

□ For example, when a consumer writes reviews, or when a consumers gives a useful idea for new product development, then this individual is creating value to the firm, if the firm adopts the input, it may pay the consumer.

□ We can see this example in blogs or internet forums. For eg. An author in his blog may offer a link back to an online business facilitating the purchase of some product (like a book on Amazon.com), and the author might receive affiliate revenue from a successful sale

**Advantages / Benefits of e-business:**

To sellers

- Increase sales opportunity
- Less transaction cost
- Reach narrow market segments that may be widely distribute geographically
- Access to global market
- Speedy and accurate information

To customers

- i. Wider choice of products
- ii. Customized and personalized information
- iii. Services a t24X7
- iv. No geographical boundaries for shopping
- v. Price lesser than that of shop

To Society:

1. More individuals can work from home, flexible work schedules
2. Third world countries gain access
3. Any Information made available anywhere
4. Product & service access to remote areas
5. Facilitates delivery of public services
6. Less travel, less traffic, less physical space and less pollution

## Disadvantages / Limitations of e-business:

### To sellers

- Less reach among customers
- Problems in system security
- Difference in macro environment

### To customers

- Concern over security in transaction - Phishing, Spam, Spying, fraud and cyber crimes
- Lack of trust when dealing with companies
- Customer should be familiar with computer and usage of internet
- Cannot touch and feel or try the product

### To Society:

1. Less Human Interaction
2. Excessive reliance on Technology
3. Need to acquire new skill sets creating social divisions
4. Health concerns due to increased usage of electronic devices
5. Lack of regulatory framework to counter the ills

## Business / Mobile Marketing / SMS Marketing

A highly personalized, interactive and high impact form of marketing that helps enhance and differentiate one's brand and products. It is an innovative approach that provides increased returns at low costs to the organisation, by capitalizing on the popularity and ease of access of the mobile phone in today's markets. This mode of marketing can help generate leads, acquire customers, retain customers, drive loyalty and reinforce branding efforts.

## Green Marketing

According to the American Marketing Association, green marketing is the marketing of products that are presumed to be environmentally safe. Other similar terms used are Environmental Marketing and Ecological Marketing. Thus "Green Marketing" refers to holistic marketing concept wherein the production, marketing consumption and disposal of products and services happen in a manner that is less detrimental to the environment with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc., both marketers and consumers are becoming increasingly sensitive to the need for switch in to green products and services.

## Relationship marketing

A strategy that aims at developing and maintain long term relations with customers, suppliers and distributors in order to earn and retain the business of the enterprise.

It is a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions, .it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional This includes tools for managing relationships with customers that goes beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts,), PR, social media and application development.

## Telemarketing

Telemarketing is defined as the use of telephone as an interactive medium for promotion, sales and customer service. It utilizes sophisticated telecommunication and information systems combined with personal selling and servicing skills for following purposes:

- To help companies keep in close contact with present and potential customers
- To increase sales
- To enhance business productivity

## Relationship Marketing

Relationship Marketing is a business process in which client relationships, customer loyalty and brand value are built through marketing strategies and activities. It allows businesses to develop long-term relationships with established and new customers while helping streamline corporate performance. It incorporates commercial and client-specific strategies via employee training, marketing planning, relationship building and advertising.

It provides a way to directly evaluate customer value and provides cross-selling opportunities, where, based on customer approval, a business may pitch proven marketing or brand strategies to more than one client.

## Retail Marketing:

Retailing is the last of the middlemen in the distribution / supply chain. It is responsible in satisfying the needs and wants of the individual consumers by selling in small quantities and having a wide assortment of products as maybe the demand and preferences of the market.

Retailers typically make a variety of strategic level decisions including the type of store, the market to be served, the optimal product assortment, customer service, supporting services and the store's overall market positioning. Once the strategic retail plan is in place, retailers devise the retail mix which includes product, price, place, promotion, personnel and presentation.

In the recent past, an increasing number of retailers are seeking to reach broader markets by selling through multiple channels, including both bricks and mortar and online retailing. Digital technologies and a move towards creating cashless transactions are also changing the way that consumers pay for goods and services. Retailing support services may also include the provision of credit, delivery services and a range of supporting services.

#### Functions of Retailers:

Retailers play a significant role as a conduit between manufacturers, wholesalers, suppliers and consumers. In this context, they perform various functions like sorting, breaking bulk, holding stock, as a channel of communication, storage, advertising and certain additional services.

##### Sorting & Breaking Bulk

Manufacturers usually make one or a variety of products and would like to sell their entire inventory to a few buyers to reduce costs. Final consumers, in contrast, prefer a large variety of goods and services to choose from and usually buy them in small quantities. Retailers are able to balance the demands of both sides, by collection an assortment of goods from different sources, buying them in sufficiently large quantities and selling them to consumers in small units. Westside provides clothing and accessories, while a chain like Nilgiris specializes in food and bakery items.

To reduce transportation costs, manufacturers and wholesalers typically ship large quantities of the product, which are then tailored by the retailers into smaller quantities to meet individual consumption needs.

##### Holding Stock

Retailers also offer the service of holding stock for the manufacturers. Retailers maintain an inventory that allows for instant availability of the product to the consumers. It helps to keep prices stable and enables the manufacturer to regulate production. Consumers can keep a small stock of products at home as they know that this can be replenished by the retailer and can save on inventory carrying costs.

##### Channel of Communication

Retailers also act as the channel of communication and information between the wholesalers or suppliers and the consumers. From advertisements, salespeople and display, shoppers learn about the characteristics and features of a product or services offered. Manufacturers, in their turn, learn of sales forecasts, delivery delays, and customer complaints. The manufacturer can then modify defective or unsatisfactory merchandise and services.

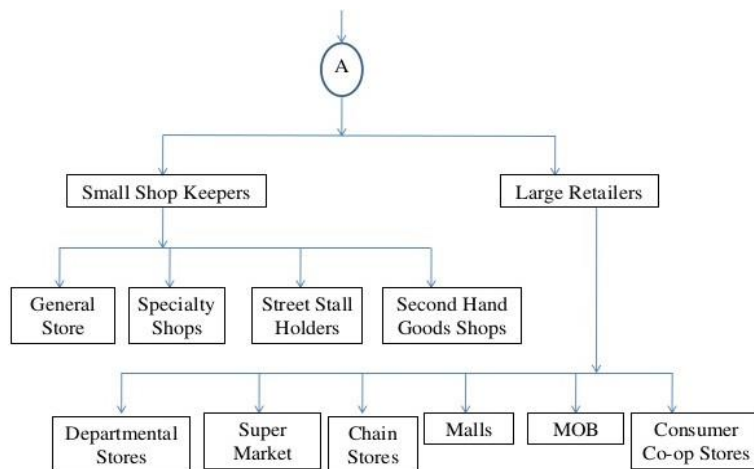
□ Transport and Advertising Functions

Small manufacturers can use retailers to provide assistance with transport, storage, advertising and pre-payment of merchandise. This also works the other way round in case the number of retailers is small. The number of functions performed by a particular retailer has a direct relation to the percentage and volume of sales needed to cover both their costs and profits.

□ Additional Services

Retailers ease the change in ownership of merchandise by providing services that make it convenient to buy and use products. Providing product guarantees, after-sales service and dealing with consumer complaints are some of the services that add value to the actual product at the retailers' end. Retailers also offer credit and hire-purchase facilities to the customers to enable them to buy a product now and pay for it later. Retailers fill orders, promptly process, deliver and install products. Salespeople are also employed by retailers to answer queries and provide additional information about the displayed products. The display itself allows the consumer to see and test products before actual purchase. Retail essentially completes transactions with customers.

Classification:



Concept Marketing:



Concept marketing is an act of converting a new concept into a successful, commercially accepted product. It involves

- Understanding the latent/hidden needs of customers
- Designing a product to satiate those needs identified
- Creating awareness about new product and developing brands
- Creating attitude that are favorable to the brand

Companies have to overcome the risks of usage, value, risk and social resistances from their customers in the initial stages of introduction of new concepts.

Virtual Marketing:

Is the conducting of marketing activities through electronic means without any face to face contact between buyers and sellers. Information, Communication, Transaction & Distribution Model is used as the basis to discuss this mode of marketing.

This model takes its name from the segmentation of the virtual 'marketspace' into four distinct areas:

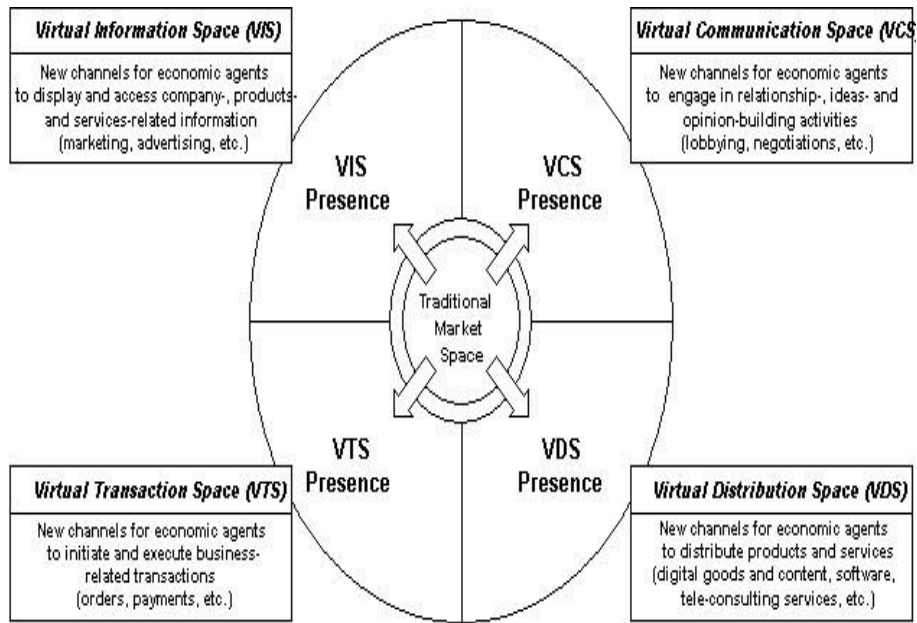
- the Information Space
- the Communication Space
- the Distribution Space
- the Transaction Space

A firm's activities in some or all of these virtual marketplaces should be aimed at increasing overall profitability, which can be achieved either by increasing revenues:

- increasing the customer base (by reaching new customer segments or geographies)
- increasing the amount purchased by customers (through increased selection and new offerings)
- increasing the purchase frequency (by making re-purchase convenient or rewarding, or suggesting more usage occasions)

or decreasing costs:

- reducing new service/product development costs
- more effective/efficient promotional spending
- more effective/efficient inventory replenishment
- business reengineering
- greater capital efficiency/effectiveness.



### Advantages of Virtual Marketing:

- Extremely low risk
- Reduction in costs through automation and use of electronic media
- Increased ability to measure and collect data
- Increased personalization
- Increased interactivity, quick service
- Increased exposure of products and services leads to transparency and accuracy of information
- Boundless universal accessibility, access to global markets



## MARKETING ENVIRONMENT

Marketing environment consists of all the internal and external influences which affect marketing decision making and have an impact on its performance.

For the success of marketing activities it is important to analyze the marketing environment and study the factors to ensure right decisions are taken at the right time.

Significance of understanding Market Environment:

- a) Identification of SWOT
- b) Helps explore and exploit business opportunities
- c) Aids the organisation to respond to new demands and trends
- d) Helps the organisation to stay competitive and grow
- e) Ensures effective utilization of resources
- f) Helps build brand reputation
- g) Aids an organisation in being proactive and build effective strategies

Process of environmental analysis

1. Scanning- process of identifying the signal of changes around the company
2. Monitoring-involves tracking the changes, assembling more data and study the pattern of change
3. Forecasting- developing possible changes or actions required in marketing activities
4. Assessment- evaluating the changes before and after action

The components of Marketing Environment may be classified into two categories

Micro environment factors: Internal Factors, Controllable

They are organisation policies, company resources, marketing mix, suppliers, intermediaries

Macro Environment factors: External Factors, Uncontrollable

Demographic, global, & political, economic, socio –cultural, technological, legal, ecological / natural (PESTLE factors)

Macro Environment

1. Demographic Environment: Demography is the study of population and demographic environment is the understanding of the composition, growth and distribution of human population, the household patterns, level of income and other such characteristics. Structure and composition of population will affect marketing activities.

Key demographic factors are:

- Age Group
- Gender Mix
- Education / Literacy levels
- Household Patterns
- Religion and ethnicity
- Birth and death rate,
- Population density,
- Rural and urban population

2. **Economic Environment:** Economic Environment refers to the sum of all economic factors, policies and resources, trade cycles, distribution of wealth within an economy. Marketers need to understand not only the population but also the purchasing power of people and willingness to spend. Savings and investment pattern will affect the purchasing power which, in turn, will affect the economy of the country.

It includes factors like

- Economic Policies – Monetary and Fiscal Policies, Foreign Trade Policy
- Income levels
- Savings and Investment
- Inflation Rate
- Credit Availability
- Interest Rate
- Stage of Business Cycle: Prosperity, recession, boom, depression, recovery

3. **Socio Cultural Environment:** Socio cultural environment refers to the set of beliefs, customs, traditions, practices and norms that exist within a society. Society, being that force, in which people live in, shape their beliefs, cultural values and social norms, it plays a major role in influencing their preferences, likes, dislikes and purchase behaviour.

The aspects of social and cultural factors that impact marketers are

- **Social and Cultural Values / Lifestyle :** That influences fashion, youth behaviour, the presence of double income households, nuclear families/ joint family, time Pressure etc.
- **Social Problems:** Child labour, awareness of environment pollution, working and living conditions of people
- **Social Trends:** Consumerism, ethical consciousness and social responsibility of business are the growing trends that the organisation need to pay heed to.

4. Political and Legal Environment: Includes all laws, regulations, policies brought about by a Government, its agencies and the existence of lobbying groups that influence or restrict individuals or organisations. Marketing systems are affected by government policies, laws and regulations in varying degrees.

The most prominent factors are:

- Monetary and Fiscal Policies: Taxes and Duties
- Social legislation: Anti pollution laws, Drugs Control act,
- Legislation specific to Marketing: MRTP act, Consumer protection Act, Sale of Goods Act, Essential Commodities Act etc.

5. Technological environment: Radical development in science and technology has completely transformed life and living conditions. Technology can affect markets and marketing activities in three ways:

- a) Emergence of entirely new industries. Ex. Computers, Lasers, Robotics
- b) Radically alter or destroy existing industries. Ex: Television, Post Office
- c) Stimulate market and industries not related directly to their production technology.  
Ex: E-commerce, Information & Communication Sys.

6. Market environment: Marketing strategies recognize the force of competition in a free market economy and these plans are based on the anticipated moves of the opponent. Marketing strategies are planned, formulated and altered in response to the competition. Competition influences the choice of target markets, segmentation strategy and marketing mix formulation.

7. Natural environment: Rising awareness about preservation and survival of our ecological system has resulted in increasing focus on societal marketing. Marketers need to pay due attention to the quality of our life and environment.

8. International / Global environment: Increasing globalisation and integration with world economy, marketing needs to consider factors such as foreign trade and investment policy, Exchange rate fluctuations, Taxes and duties etc.

Micro Environment

1. **Organisation:** An organisation has many departments. Marketing has to streamline its activities with that of other departments so as to achieve the targets. Organisation's structure, values, policies and decision influence marketing activities
2. **Corporate Resources:** comprise of men, money, material, machine and management. These resources influence marketing planning and policy. At the same time, these are controllable and can be adjusted according to marketing plan.
3. **Marketing Mix:** Comprise of four Ps – Product, place, price and promotion. They are influenced by corporate policy on consumer satisfaction, cost effectiveness and prevailing competitive environment. Right mix of marketing gives right product
4. **Suppliers:** Depending upon the bargaining power of the organisation w.r.t. the suppliers, the marketing activities are affected.
5. **Market Intermediaries:** refer to the distribution channel members. The size of production and supply determine the channel choice. The organisation can decide whether to reach the consumers directly or through wholesalers and retailers.
6. **Employees:** Employees loyalty, productivity, attitude towards organisation can be controlled by following sound and employee oriented policies.





## MARKETING MIX

Marketing Mix is the combination of product offerings used to reach the target markets for the organisation. It is optimum combinations of all marketing ingredients that help company realize its goals and objectives.

It is a mix of internal controllable marketing variables – Product, Price, Place and Promotion, which best meet the needs of targeted customers. These four elements of Marketing Mix are closely interrelated, decision in one area affects action in others.

Marketing mix is dynamic in nature. It Changes according to changing marketing conditions such as: customer demand, competition & other environmental factors.

### The Elements of Marketing Mix

#### 1. Product Mix:

Product is the thing possessing utility. It is the sum total of physical and psychological satisfaction it provides to the buyer. The product mix is the composite of products offered for sale by the firm and includes product range, brand , package etc.

#### 2. Price Mix:

Price is the value of a product expressed in terms of money. It is the valuation placed upon the product by the offerer and takes into account consumer expectations w.r.t. discounts, allowances, terms of credit.

#### 3. Place Mix:

Also known as distribution mix. Place mix stands for the smooth flow of goods from the producers to the consumers. It includes channel of distribution and physical supply (distribution).

#### 4. Promotion Mix:

Promotion is the persuasive communication about the product by the offered to the prospect. It comprise two forms of communication-

**Personal Communication: Personal / Direct Selling**

**Impersonal Communication: Advertising, Sales promotion, Public relations**

## The Elements of Marketing Mix

Product Mix	Price Mix	Place Mix	Promotion Mix
<ul style="list-style-type: none"> <li>• Product Line and Product Range</li> <li>• Product Design</li> <li>• Quality</li> <li>• Branding</li> <li>• Packaging and Labeling</li> <li>• After Sales Service</li> <li>• Warranties and Guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing Policies &amp; Strategies</li> <li>• Payment/ Credit Terms</li> <li>• Discounts</li> <li>• Allowances</li> <li>• Resale Price Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Channels of Distribution                             <ol style="list-style-type: none"> <li>1. Channel members: <i>WS, retailers, agents</i></li> <li>2. Distribution Coverage</li> </ol> </li> <li>• Physical Distribution                             <ol style="list-style-type: none"> <li>1. Transportation</li> <li>2. Warehousing</li> <li>3. Inventory</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Personal Selling</li> <li>• Sales Promotion                             <ul style="list-style-type: none"> <li>• Dealers Aids</li> <li>• Consumer Aids</li> </ul> </li> <li>• Public Relation/ Publicity</li> </ul>

### PRODUCT

Product is the sum total of physical, economic, social and psychological benefits offered to a market to satisfy a want or need.

Product may take any forms as listed below: The components of a Product which may be the selling points for that product are:

- Physical Attributes
- Psychological Benefits
- Brand
- Brand Image
- Guarantee/ Warranty
- Service
- Special Features

### Product Classifications:

Based on tangibility - Tangible and Intangible

Based on Durability - Durable and Non Durable

Based on Usage - Consumer and Industrial

### Classification of Consumer Goods:

1. Convenience Goods: Frequently purchased by consumers with minimum efforts. They have low unit value and are consumed rapidly. Eg: Bread, Milk, Snacks etc.

2. Shopping Goods: Purchased after careful comparison is made regarding quality, price, style, suitability etc. They have high unit value and are purchased less frequently. Ex. Clothing, Furniture, Appliances etc.

3. Specialty Goods: Has certain special features, unique characteristics and brand identification. The special features are – full product knowledge, brand bias, limited demand, high unit price etc. Special efforts are made on their purchase. They are costly luxury goods symbolic of lifestyle and status. Ex. watches, Cameras, Cars..

4. Unsought Goods: Are those that the consumer does not know about or does not normally think of buying. Such goods are sold through direct selling efforts. Ex. Life Insurance, Encyclopaedia, New products like pest control etc.

### Types of Consumer Goods – A Differentiation

Marketing Consideration	Convenience Goods	Shopping Goods	Specialty Goods	Unsought Goods
Purchase frequency and effort	Frequent purchases, less effort	Less frequent purchases, moderate effort	Special purchase effort, strong brand preferences	Little product awareness, aware but negative interest
Price	Low	Moderate, higher priced than convenience goods	Highly priced	Varies
Distribution	Widespread, convenient locations	Selected distribution, fewer outlets	Exclusive distribution	Varies
Promotion	Mass promotion by producers	Advertising and personal selling by both, producer and retailer	Carefully targeted promotion by both, producer and retailer	Aggressive advertising & personal selling by both, producer and retailer
Example	FMCG – Chocolates, toiletries,	Home appliances, furniture	Luxury goods -	Insurance,

#### Classification of Industrial Goods:

- a. Materials and Parts: Directly enter the finished product. They are required to be processed fully / partially to create a product.

Raw materials: unprocessed, become part of other manufactured products

Manufactured parts and materials: processed products that become part of other products

- b. Capital Items - Long lasting goods that facilitate developing &/or managing the finished product. They are classified into two categories:

Installations: Expensive capital items such as plants, buildings and other custom-made standard major equipments. These are immovable once installed.

Equipments: Usually inexpensive capital items such as tools and equipments, instruments/appliances such as lift-trucks, trolleys, drills, generators, computers etc. Mostly these are movable.

- c. Supplies and Services - Used in day to day business operations, they do not form part of finished product. They are short-lasting in nature. include computers, desks, tools

Operating supplies: low value, used by most firms, convenience products for businesses

Services include maintenance/ repair or consultancy -legal, advertising etc.

### Levels of a Product



#### 1. Core Product

This is the basic product and the focus is on the purpose for which the product is intended. The fundamental need or want that consumers satisfy by consuming the product or service.

For example, in a hotel industry- Rest and sleep

#### 2. Generic /Basic Product

This represents all the qualities of the product, a version of the product containing only those attributes or characteristics absolutely necessary for it to function. Eg- room with basic facilities

### 3. Expected Product

This is about all aspects the consumers expect to get when they purchase a product. The set of attributes or characteristics that buyers normally expect and agree to, when they purchase a product. Eg-room service, neatness of room

### 4. Augmented Product

This refers to all additional factors which sets the product apart from that of the competition. And this particularly involves brand identity and image. Inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors. Eg- Complimentary breakfast / dinner, free access to pool, gymnasium etc.

### 5. Potential Product

This is about augmentations and transformations that the product may undergo in the future. all the augmentations and transformations a product might undergo in the future. Eg: free pick up / drop from and to airport, Free Wi-Fi facility in room

### Product positioning

It is the process of identifying needs of market segments, product strength, weakness and extent to which competing products are perceived to meet customer need. It is manner in which product is offered to a particular segment or aiming at meeting a particular consumer need.

### Product Plan or Strategy

A product strategy is a company plan for marketing its products. The product plan involves a number of issues such as:

- Product Line
- Product Mix
- Organising for Product planning and New Product development
- Branding
- Packaging
- Labelling etc.

Product Line : is a group of products that are closely related either because they satisfy similar needs of different market segments. Ex. Cosmetics range for girls, women, men or different needs of one market segment. Ex. Soaps and Moisturizers for body care; Shampoos and Hair Oil for hair care and body care products or are priced similarly or are marketed by the same channels.

Product Mix: is the entire range of products of a company. The product mix has four main characteristics

1. Width : Number of product lines in the company
2. Length: Number of product items in each product line
3. Depth: Number of Variants offered of each product item in the line.
4. Consistency: A description of how closely related the various product lines are in terms of end use, production requirements, distribution channels or some other way.

Product Planning and Development

The underlying objective of product planning and development is growth for company i.e. increase Sales and Profits. There are 4 ways to grow:

1. Market Penetration :

Expansion of sales of existing products in existing markets, through aggressive marketing mix. Expansion may happen by increase in usage of existing buyers or attracting new buyers from the same Target Group. Ex. Increasing the sales of Diapers by advertising more and reducing the prices.

2. Market Development:

Sales of existing products in new markets/ segments. Ex. Maruti Omni is marketed as a passenger car for families, is marketed to hospitals as Ambulance; to schools as a school van.

3. Product Development:

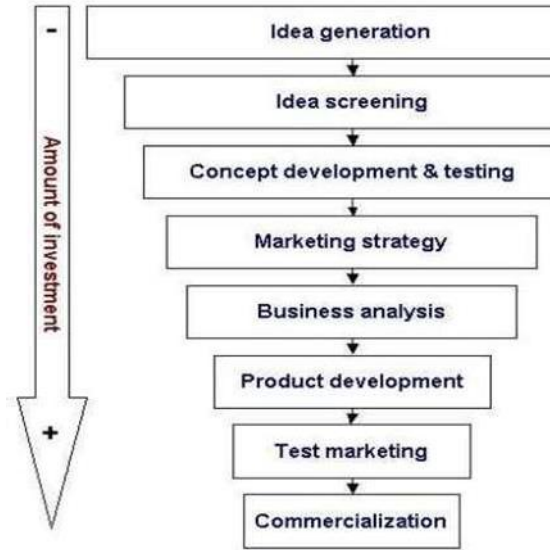
Introduction of new products in existing markets. This involves product addition or product improvements. Ex. Introduction of LNG/ CNG variants of Suzuki Swift car;

4. Diversification:

Introduction of completely new products in new market. Ex. ITC (a tobacco/ hospitality company) diversified into Snack foods (Bingo chips) and Personal Care (Fiam-di-Wills).

Steps in New Product Development

Deliberate Step-By-Step approach characterized by 8 steps



### Step 1: Idea Generation

Objective is to Create a large pool of ideas as potential product options :

New ideas for products

New attributes for current products

New Uses for current products

Ideas may be contributed by scientists, top management, R&D professionals, customers, sales force, dealers etc.

### Step 2: Idea Screening

Objective: Critically evaluate the ideas to isolate most attractive options.

Methodology: All ideas and innovations are evaluated by analyzing :

Project Attractiveness: Strategic and Financial Attractiveness

Capability to execute: Requisite skills and resources

### Step 3 : Concept Development & Testing

All ideas that survive screening process is studied in details.

Objective here isto:

1. Develop the Product-Idea into a Product Concept

- Express the idea in a meaningful consumer terms

- Defining the concept in terms of

Who/ For Whom? Target market

What? Product features

Why? Product benefits

Where, When and how? Usage

Testing for Target consumer reaction by asking them to offer their comments on product attributes and expected benefits.

#### Step 4 : Marketing Mix Development

Objective: Construct a marketing plan for the product with respect to product, size, packaging, price, positioning, distribution, advertising, sales promotion etc.

Feedback is obtained on various aspects of marketing mix and changes are made accordingly.

#### Step 5 : Business Analysis

Objective: Analyze the viability of product ideas from business viewpoint. It is a combination of cost benefit and profitability analysis. Estimation is done on :

- Overall demand forecast / Estimation of market size
- Operational Costs: Production cost, marketing cost
- Financial projections: Sales, Profitability and BEP.

#### Step 6 : Product Development

Objective: Analyze the viability of product ideas from business viewpoint. It is a combination of cost benefit and profitability analysis. Estimation is done on :

- Overall demand forecast / Estimation of market size
- Operational Costs: Production cost, marketing cost
- Financial projections: Sales, Profitability and BEP.

#### Step 7 : Test Marketing

Objective: Test the Product as real products in a small segment of target market under controlled test market conditions. Test Marketing is also known as Pre-Testing.

Definition: Pre-Testing involves a research technique in which the product under study is placed on sale in one or more of selected localities or areas, and its reception by consumer is observed, recorded and analysed.

Purpose/ Benefits of Test Marketing:

- Provide reliable sales forecast
- A product fault can be located and corrected
- Pretesting and selecting among alternative marketing plans
- Determine optimum price, selection of the most effective advertisement message, media and distribution channel

#### Step 8 : Commercialization and Launching

Objective: To launch the product and monitor early delivery/ market response

Product Launch needs to be well planned and product Quality has to be maintained.

Decisions are taken on following product launch aspects:

- When (Timing):
  - First entry, Parallel entry, Late entry
- Where (Geographic strategy):
  - Roll out the product in waves with different part of the markets receiving products on different schedules/ all-out launch
- To Whom (Target Market prospect):



- Opinion leaders, Heavy users, Early adopters
- How (Introductory market strategy)- Action Plan

### Reasons for product failure

#### a. Market Factors

Poor demand management

Change in customer tastes and preferences

Environmental factors - Unexpected competitive actions

#### b. Product Factors

Problems with the product design

Costs of product development are too high

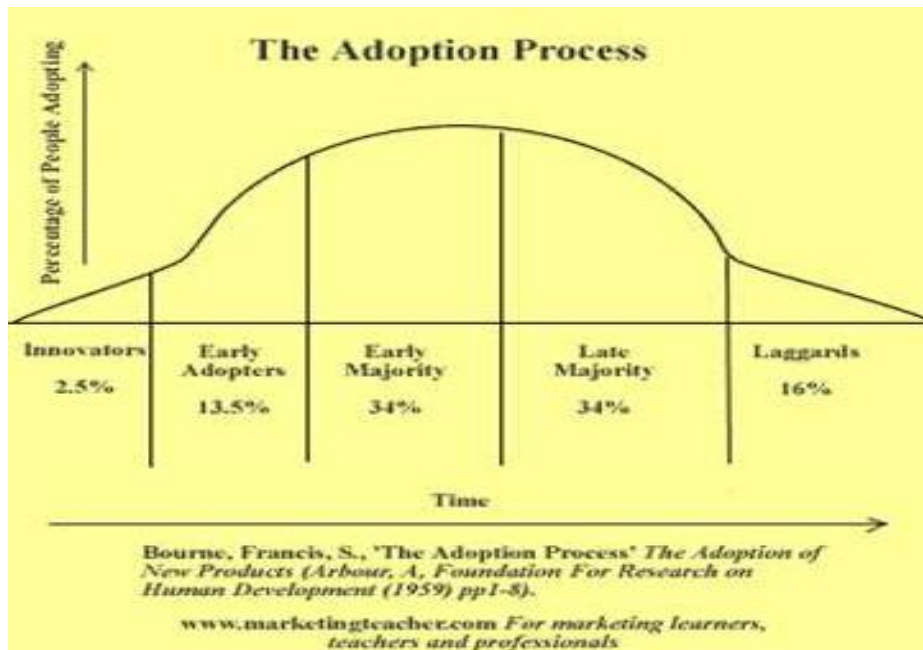
No uniqueness

#### c. Institutional Factors

Wrong segmentation and targeting

Product incorrectly positioned, priced or advertised

### New Product Adoption Process



## Product Life Cycle

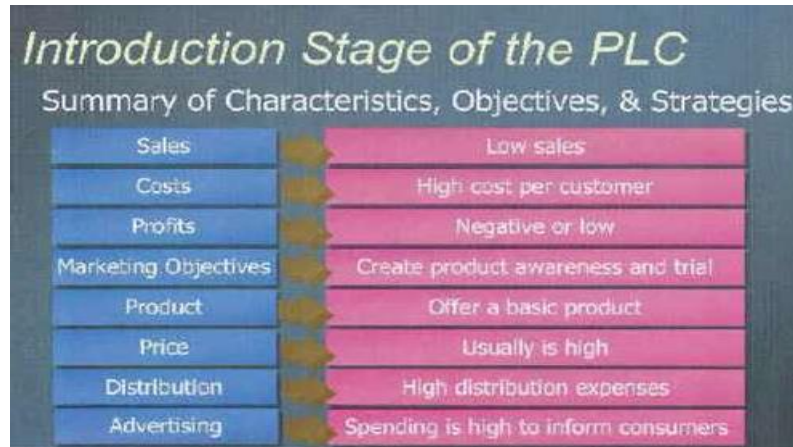
PLC is an attempt to recognize distinct stages in the sales history of the product. The concept of a product life cycle is to assert four things:

- (1) Products have a limited life;
- (2) Product sales pass through distinct stages with different challenges, opportunities and problems for the seller;
- (3) Profits rise and fall at different stages of the product life cycle; and
- (4) Products require different marketing, financial, manufacturing, purchasing and human resource strategies in each stage.

Product's Sales Volume and Revenue follow a typical pattern of five phase cycle:

1. **Introduction** : Product is introduced in the market.

Sales revenue begins to grow, rate of growth is slow. Profit is low or non-existent as Expenses are high on production, distribution and promotion. Products are bought on trial basis. Product development and Design are critical factors.



2. **Growth** : Rate of increase in sales turnover is high.

Sales Volume are high despite increase in competition. Profits increase at an accelerated rate. Manufacturing and distribution efficiency is achieved. Product is well accepted by consumers and traders. Effective Distribution and Advertising are key factors.

### Growth Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Rapidly rising sales
Costs	Average cost per customer
Profits	Rising profits
Marketing Objectives	Maximize market share
Product	Offer new product features and models
Price	Remain where they are or fall slightly
Distribution	Increase number of distribution outlets
Advertising	Educating consumers and meeting competition

### 3. Maturity: Sales increase at decreasing rate.

Profits reduce as intense competition put pressure on prices and increases marketing expenditure. Marketers need to stimulate demand and counter competition through advertising and sales promotions. Additional expenditure is involved in product modification/ improvement / broadening product line. Overall Marketing effectiveness is the key factor.

### Maturity Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Begin to slow
Costs	Low cost per customer
Profits	High profits, then lower profits
Marketing Objectives	Maximize profits while defending market share
Product	May modify product
Price	May decline
Distribution	Build more intensive distribution
Advertising	Stress brand differences and benefits

### 4. Saturation : Stable Sales

Sales are mainly replacement sales. Prices fall rapidly and Profit margins are low. Marketers fight for market share. Substantial improvements are critical for cost efficiency.

### 5. Decline : Falling Sales

Product is becoming obsolete and getting gradually displaced by new innovation/ trends. Prices fall rapidly as there is excess supply and marketers want to liquidate stock at the earliest and exit. Cost control is undertaken to generate profits through reduced distribution network and No promotional expenses

# Decline Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Declining sales
Costs	Low cost per customer
Profits	Declining profits
Marketing Objectives	Reduce expenditure and maintain, harvest, or drop the product
Product	Phase out weak items
Price	Cut price
Distribution	Selective: phase out unprofitable outlets
Advertising	Reduce to level needed to retain hard-core loyal customers

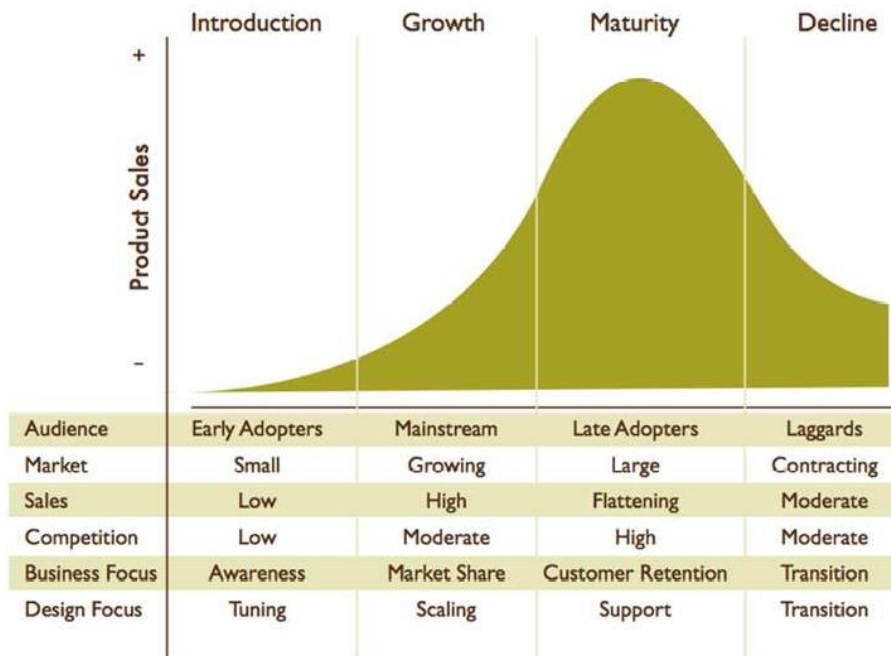
### Conclusion:

Time interval for each stage varies from product to product. Some may remain in the stage of maturity forever (salt). Marketers can alter the PLC through product improvements. Many products do not follow the life cycle given above.

Implications: PLC governs strategic marketing planning at all levels. It also helps in formulation of pricing, promotion and distribution policies.

## Product Life Cycle

### Life Cycle: Four Basic Stages



Re-drawn from the book "Universal Principles of Design" © 2003 Rockport Publishers

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## Brand:

A brand is a name, term, sign, symbol, design or a combination of the above to identify the goods or service of a seller and differentiate it from the rest of the competitors

Brand is “The sum of all characteristics, tangible and intangible, that make the offer unique”. A brand comprises of Tangible attributes and Intangible attributes

Tangible attributes are : Product, Packaging, Labelling, Attributes, Functional benefits

Intangible attributes are : Quality, Emotional benefits, Values, Culture, Image

Brands & organizations spend considerable sums telling customers what they stand for.

## Benefits of Branding

For customers a brand offers:

1. A means of distinguishing one brand from another
2. A desired level of quality. Consistently
3. Psychological rewards from ownership
4. The brand image helps create loyalty.

For the company branding offers:

1. A means of communicating features and benefits
2. An opportunity to create and sustain an image
3. Customer satisfaction and repeat purchase opportunity

## Essentials of a Good Brand

1. Suggest about product’s benefits – use, quality, nature, purpose etc. For Ex. Coca-Cola, KFC, Big Bazaar
2. Brand name should be short, simple, easy to pronounce, spell and remember.
3. Capable of being registered and protected legally.
4. Stable life and be unaffected by time.
5. Create pleasant associations

6. Should not be used as a general/ common name for that product category. Ex. Aspirin, Xerox
7. Should be unique, attractive and distinctive.

### Types of Brands

1. Individual Brand Name:

Each product has a special and unique brand name. Ex. Vim, Pond's manufacturer has to promote individually in market.

2. Family Brand Name:

Family name is limited to one line of products that are similar in terms of end-use. For Ex. Kissan Jam, Kissan Tomato Ketchup; it helps in creation of strong self display but if one member of family brand is rejected by the customers, it will affect entire brand

3. Umbrella Brand:

All products have the name of the company/ manufacturer. For Ex. Tata, Dabur. It helps to minimize cost of promotion

4. Combination brand :

Each product has an individual name but also has the umbrella brand to indicate the business house producing the product. Ex. Dabur Vatika Shampoo.

5. Private or Middlemen's Brand:

Manufacturer merely produces goods as per specifications and requirement of distributors and the Middleman/ Wholesaler/ Retailer gives his brand name .For Ex. Superstores like M.K.Retail -Essentials, Total Mall , Food World.

### Brand Loyalty

“The degree of consumer attachment to a brand.”

It is a situation in which consumers buy same brand of certain product repeatedly for long time even though substitutes are available

It is the extent to which the customer is committed to the brand, that he/ she will walk the extra mile to get it. Do not switchover to other brands or competitors' products

### Brand Equity

“Refers to the Value of a brand.”

Brand equity, a key asset for any business and consists of brand awareness, brand loyalty, and brand associations.

- It is based on consumers' positive attitude towards brand
- It helps the companies to increase profitability, reduce vulnerability to competition, charge premium prices and introduce new products.

### Brand Extension/ Brand Stretching

“Refers to the use of a successful brand name to launch a new or modified product in the same broad market”. Is a marketing strategy in which a firm uses the same brand name but in a different product category. Consumers who favorably evaluate the parent brand are more willing to try and adopt the brand extension than an unfamiliar brand in a product category.

Brand Extension allows the new product the benefit of the older product's established reputation. Parachute launched Parachute Jasmine Lite and Parachute Advanced hair oil in their hair care range.

### Packing, Packaging & Labelling

- Packing is merely a physical action and provides a handling convenience; maintain freshness and quality, prevent from danger of adulteration.
- Packaging may be defined as the group of activities in the planning of a product package. These activities are: Formulating a design of the package, Producing an appropriate and attractive container or wrapper for the product.
- Labelling is a simple tag attached to the product or an elaborately designed graphic that is part of the package.

### Role of Packing & Packaging

1. Protect the product from breakage/ spoilage
2. Provide convenience to the customer to carry /use
3. Add to the sales appeal : through package design, package aesthetics and package convenience
4. Help in brand identification & product differentiation
5. Act as silent salesman in projecting the right image
6. Facilitate Merchandising: Handling at the various points of distribution

Labelling is part of packaging. It provides written information about the nature of the product, distinctive features, its composition, its performance etc.

Generally, the marketers are required to follow certain statutory labelling requirements. Central Packaged Commodities (Regulation Order) 1975, makes it mandatory for the manufacturer to disclose the following information on the label:

- Name of manufacturer
- Date of manufacture & Date of expiry
- Net weight of the product, MRP

The purpose/ role of labelling are:

- Identifies the product/brand
- May provide grading or certification mark to the product
- Adherence to the statutory requirements
- Describe the product : name of manufacturer and marketer, date and place of manufacture, Composition/ Ingredients, Usage instructions
- Promote the product through attractive graphics

Psychological problems of the consumers w.r.t. Packaging and Labelling are:

1. Deceptive practices: False and misleading packaging/labelling
  - i. Exaggerating the contents of a package
  - ii. Not filling the package to the top
  - iii. Advertising rupees off when it is the normal price
  - iv. Describing the size in misleading terms
2. Duplicate products / Tampered products
3. Confusing pack sizes that make comparisons difficult
4. Convenient Package/ Usage
5. Package Options: Different size / type (Refill packs)
6. Environmental and ecological issues: Reusable, Recycled , Bio-degradable

## PRICING

It is the Method adopted by a firm to set its selling price. It usually depends on the firm's average costs, and on the customer's perceived value of the product in comparison to his or her perceived value of the competing products. Price is the only revenue generating element amongst the four Ps, the rest being cost centers.

Price is the exchange value of a product / service expressed in terms of money.



Price translates into quantitative terms (rupees), the perceived value of the product to the customer at a point of time.

Price = Bundle of expectations OR Total product offering which are :

Product benefits, brand name, package, after sales service, delivery, credit etc.

### Importance of Pricing

- Vital importance to both buyer and seller as it leads to exchange and transfer of ownership
- It regulates production, distribution and consumption of goods.
- Pricing decisions interconnect marketing decisions with the financial objectives of the enterprise
- Marketing variables are influenced by pricing decisions
  - o Sales Volume and Profit margins
  - o Rate of return on investment
  - o Trade margins
  - o Advertising and sales promotion
  - o Product Image
  - o New product development

### Objectives of Pricing

1. Maximize Profits
2. Survival: Only by covering Variable Costs and some Fixed Costs, company can stay in business
3. Competitive Situation: Growth in Sales, Meet or follow competition
4. Capturing the Market: Increase Market Share/ Market penetration
5. Market Skimming:  
Setting high prices to skim the market – get the cream- make it worthwhile for some segments to adopt the new product
6. Predetermined profit level: achieve a target return
7. Control Cash-flow: Return cash on fund invested within a given period

### Types of Pricing/Methods of Pricing:

#### Cost Oriented Pricing

1. Mark-up/ Cost plus Pricing

Marketer estimates the total cost of producing the product and add a mark-up / margin that the firm desires. The marketer expects a certain rate of return on sales. Mark-up price =  $a / (1-r)$ ;  $a$  = unit cost ( $fc+vc$ );  $r$  = return on sales

## 2. Full Cost/ Absorption Pricing

Works out the full cost involved in manufacturing, selling and administering the product. By adding the required margin towards profit to the total costs from the three operations, the selling price is determined.

## 3. Marginal/ Incremental Pricing

Here, the company determines price that recovers its marginal/ incremental cost and get a contribution towards its overheads.

## 4. Break Even Pricing/ No profit No loss pricing method

Break-even point is the volume of sales at which total revenue is equal to total cost. Total cost is divided into two parts: FC and VC. BEP(price) is determined as follows: Break-even price =  $(\text{Total Sales} \times \text{Fixed Costs}) / (\text{Total Sales} - \text{TVC})$

## 5. Rate of Return/ Target Pricing

A rate of return desired by the enterprise on the amount of capital invested by it is determined. This amount of profit is added to the total cost of production and the price per unit is determined.

## Customer Demand Oriented Pricing

### 1. Market Skimming/ Skim-the-cream : for a New and Unique product

High prices to connote status and build on image of quality and prestige

2. Penetration pricing : Low pricing strategy. Is adopted when product has greater elasticity of demand, mass production results in cost efficiency/ reduction, strong Competition is expected and high income strata of the population is not adequate, bulk is in middle income and low income segments.

### 3. One Price Policy :

All similar types of buyers are charged exactly the same price and no discrimination among the buyers of same commodity. It is a fair trade practice. No negotiation/ bargaining. Gains customer confidence.

### 4. Variable Price Policy

Similar quantities to similar buyers at different prices. Discounts and allowances are granted on unequal terms.

### Competition Oriented Pricing

1. Right Pricing/ Going Rate Pricing

Is the market based method of pricing in line with the prices of the dominant competitors

2. Market Plus (above the Market)/ Premium Pricing

Product is distinctive, unique and has prestige/ status

3. Market Minus (below the Market)/ Discount Pricing

Large chain stores, self-service stores and discount stores; No promotion expenses

4. Competitive Bidding/ Tender Pricing:

In govt. projects/ industrial projects, interested parties are asked to submit their quotations, as a part of tender. Depending on the strength of the tender, the lowest bidder, may then be allotted the contract.

### Other Pricing Methods

1. Geographic Pricing:

Deciding how to price its products in different locations, zones and countries. Companies may follow Uniform pricing, Zone pricing or FOB pricing (Cost of goods plus freight charges).

2. Price Discounts and Allowances:

Companies modify their basic price to reward customers by giving discounts and allowances for early payments, volume purchases, off season buying etc.

3. Promotional Pricing

Companies temporarily price their products below the list price and sometimes even below cost. Techniques are Loss leader pricing, Special Event, Cash rebates, Low Interest financing, Free/low cost Warranties & Services Contracts.

4. Discriminatory Pricing

Charging different price across segments due to heterogeneity in the market and not because of differences in cost. Companies modify basic price to incorporate differences in customers, locations, products, Image etc.

5. Product Mix Pricing:

Company sets prices that maximizes profits on the total product mix. It is difficult to set as different products have different demand and cost interrelationships and are subject to different degrees of competition.

6. Psychological Pricing:

Setting prices at odd points such as Rs.995 instead of Rs.1001, Rs.49, Rs.18.95 etc. Based on the belief that a buyer rounds off to the lower point rather than higher point, therefore psychologically feels that he is paying less.

## Factors Influencing Pricing Policy

### Internal Factors

1. Organisational factors  
Depends on how pricing decisions are taken...
2. Objectives of the company-  
Market share versus Skimming, Max sales rev, maintaining image
3. Cost of the product: is a critical info in profitable pricing decision.
4. Marketing Mix
5. Product Differentiation

### External Factors

1. Demand: Levels and Elasticity of demand
2. Competition
3. Distribution Channel: Length of channel / Margin
4. Government: Taxes, Price controls
5. Economic Conditions: Inflation lead to high costs; recession/boom
6. Types of Buyers: Different buyers have different motives and perceived values.
7. Ethical Consideration: Lifesaving drugs are sold at cost for public welfare

## PLACE /MARKETING CHANNELS

Definition: Channels of Distribution Is a 'Set of Interdependent organizations involved in the process of making a product/service available for Use or Consumption.

### Marketing intermediaries

Middlemen or distribution intermediaries, are an important part of the product distribution channel. Intermediaries are individuals or businesses that make it possible for the product to make it from the manufacturer to the end user, essentially facilitating the sales process. The four basic types of marketing intermediaries are agents, wholesalers, distributors and retailers.

### Agents

The agent as a marketing intermediary is an independent individual or company whose main function is to act as the primary selling arm of the producer and represent the producer to users. Agents take possession of products but do not actually own them. Agents usually make profits from commissions or fees paid for the services they provide to the producer and users.

## Distributors

Distributors are similar to wholesalers, but with one key difference. Wholesalers will carry a variety of competing products, for instance Pepsi and Coke products, whereas distributors only carry complementary product lines, either Pepsi or Coke products. Distributors usually maintain close relationships with their suppliers and customers. Distributors will take title to products and store them until they are sold.

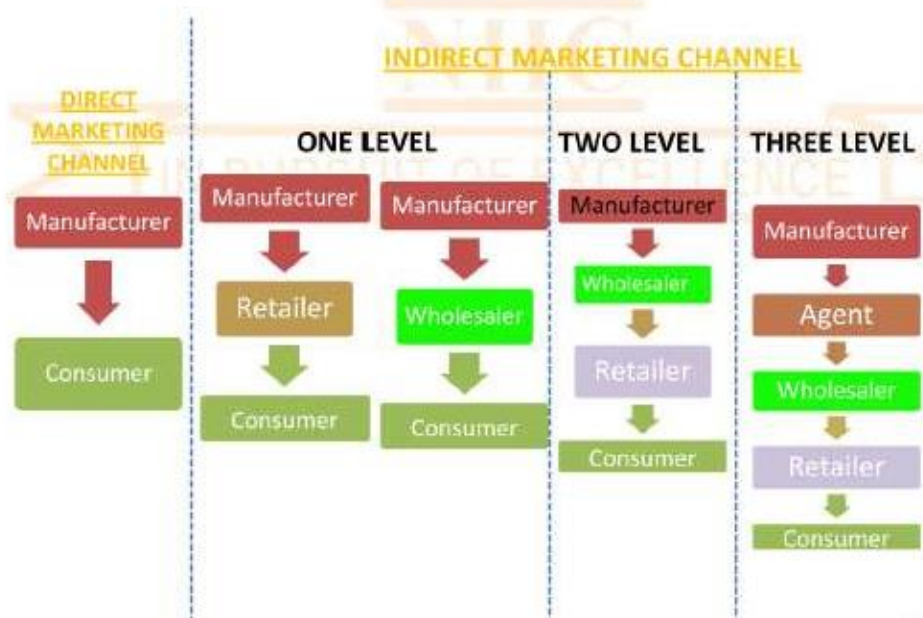
## Wholesalers

Wholesalers are independently owned firms that take title to the merchandise they handle. In other words, the wholesalers own the products they sell. Wholesalers purchase product in bulk and store it until they can resell it. Wholesalers generally sell the products they have purchased to other intermediaries, usually retailers, for a profit.

## Retailers

A retailer takes title to, or purchases, products from other market intermediaries. Retailers can be independently owned and operated, like small provision stores, or they can be part of a large chain, like Big Bazaar. The retailer will sell the products it has purchased directly to the end user for a profit.

### Types of Marketing Channels – Structure



1. Manufacturer-Consumer (Direct Sale)
  - Sale through advertising and direct methods - Mail Order/Online
  - Sale through travelling Sales-force – Business goods

- Sale through retail shops of manufacturer- Ex. Bata Shoe Company
2. Manufacturer - Retailer –Consumer  
Buyers are large retailers - Department Store. Is also followed in Automobiles, Appliances, Clothing
1. Manufacturer – Wholesaler - Retailer – Consumer  
Option Used in Groceries, Drug Stores
  2. Manufacturer-Agent-Wholesaler-Retailer–Consumer  
Ex. Textile Mills
  3. Manufacturer-Wholesalers-Consumer  
Large and Institutional buyers (Hospitals, Educational Institutions)

### Factors Affecting Channel Choice

Channel decisions influence other marketing decisions – Price and Promotion. Is a Key External Resource

Influencing Factors in Channel Choice are:

1. Product factors
  - Perishable / Fragile Product – Shorter Channel
  - Durable Goods – Longer & Diversified channel
  - Custom Made Product- Direct distribution to consumer or industrial user
  - Technical product – Direct/ Shortest channel as it requires specialized selling
  - High Unit Value Product – Direct channels are preferable
2. Market factors
  - Consumer Market-Retailer is essential; Business Market – Retailer not needed
  - Market Size - Large : Longer, diversified channel
  - Small: Shorter/ Direct channel
  - Concentrated Market : Direct
  - Scattered Market : Longer, diversified

Need to do comprehensive Customer and Channel Analysis to select appropriate channel for the target market segments.

3. Middlemen related factors
  - Channel generating largest sales volume at lower unit cost is given top priority
  - Those Middlemen are selected who give
    - o Required Marketing Services
    - o Extend maximum co-operation , particularly in promotion
    - o Accept marketing policies and programmes of the manufacturer and implement them

#### 4. Company factors

- Size of the Company
- Product Mix of the company
- Financial resources with the company – if the company is financially weak, it need to rely on middlemen to get financial and warehousing relief
- Age of the company - New Company needs to rely on middlemen due to lack of experience and ability
- Quantity and Quality of marketing services provided by the company influence the channel choice

#### 5. Marketing Environment

Business environment –

- Recession: Shorter and cheaper channel
- Prosperity : Expanded distribution network

Technological Inventions

- Cold storage facilities have expanded the role of intermediaries in case of perishable goods

#### 6. Competitors

- Similar channel as adopted by competitors
- Avoid customary channels and adopt different channel strategy - By-pass retail channel and adopt direct selling or network marketing (Amway)

#### Push Vs. Pull Strategy

Push Strategy - Usage of the firm's sales force, trade promotion money, or other means to induce intermediaries to carry, promote and sell the products to end users.

Pull Strategy – Usage of advertising, promotion and other forms of communication to persuade consumers to demand the product from the intermediaries, thus inducing the intermediaries to order it.

#### Types of Distribution Approaches:

Exclusive distribution means severely limiting the number of intermediaries.

Selective distribution involves the use of more than a few but less than all of the intermediaries who are willing to carry a particular product.

Intensive distribution consists of the manufacturer placing the goods or services in as many outlets as possible.

## Physical Distribution

Physical distribution is the process of delivering the product to the user/consumer promptly, safely and in time. It involves management (planning, action and control) of the physical flows of Raw materials and Finished Products from the point of origin to the point of use. It covers all the activities in the flow of goods between producer and consumer.

### Components of Physical Distribution

1. Distribution Planning and Accounting
2. In Bound Transport
3. Receiving
4. Inventory Management
5. In-plant Warehousing
6. Order Processing
7. Packaging
8. Dispatch of goods
9. Outbound Transport
10. Field Warehousing
11. Customer Service
12. Communication

## PROMOTION

Promotion is persuasive communication. Persuasion stands for the various activities the company undertake to inform, persuade and convince the target consumers that its products satisfy their needs.

### Objectives of promotion

- To inform the customers about the product
- To persuade them to buy the product
- To remind them about the product

### Nature of promotion

- Informative process- they are designed to inform target market
- Persuasive process- purpose is to persuade people to buy
- Motivation process-it aims to motivate distributors to promote the product
- Brand switching- aims in attracting customers and push them to their product



□ It is an investment- though it is an expense in short term in long term it is an investment

## Types of promotion

Marketer needs to formulate an effective Promotional mix to capture the market to fullest advantage. The different elements of Promotion Mix are:

1. Advertising
2. Sales Promotion
3. Public Relation
4. Publicity
5. Direct Marketing
6. Others: Event Marketing, POP Displays, Trade Shows & Exhibitions, Internet Marketing, WOM

1. Advertising-Non-Personal paid communication using Mass media. Impersonal Salesmanship for promoting products, services or ideas by an identified sponsor
2. Sales Promotion- Non-Personal Short term promotion tools to stimulate consumer purchasing and dealer effectiveness
3. Public Relation-Non-Personal Placing commercially significant news in media that is not paid for by the sponsor
4. Direct Marketing: Organizations communicate directly with customers on one-on-one basis to generate a. response and/ or a transaction
5. Others:
  - Event Marketing: Companies link the brand to special events. They can arrange special events themselves or participate in events by other parties.
  - Trade Shows & Exhibitions: Companies in a specific industry get together to showcase their products called exhibits, in specially designed booths. They are attended by industry members, suppliers, buyers, media, and by general public during specific hours. Ex. Auto Expo; Plastex.
  - POP Displays: Manufacturer provides dealer with the attractive POP displays such as Stands, Billboards, Wall signs, counter displays etc. that act as the silent salesman.
  - Online Marketing: There has been dramatic growth of communication through interactive media – Internet and Mobile. Companies have developed websites to inform,

interact, promote, sell as well as entertain their customers. The new media allows users to: receive and alter information and images, respond to questions, make comparisons/ evaluations and purchases.

- WOM: Word-of-mouth communication is informal communication among friends/ personal contacts regarding a product/ service or company. Customers having good experiences generate positive WOM and vice versa. Companies need to create Positive WOM and take remedial actions to correct negative WOM.

## Promotion / Communication Process

The steps involved in developing an effective promotion program are as follows:

1. Identify the Target Audience:
  - Potential Buyer/ Current Users; Decision Maker/ Influencer/User; Profile of Target Group
2. Determine the Communication Objective:
  - Various Objectives of Integrated Marketing Communication are:
  - Create Awareness
  - Build Brand Equity and Loyalty
  - Influence/ Change Consumer Perception
  - Provide Information etc..

3. Design the Message:

Need to develop an effective message through AIDAS Model

### A-I-D-A-S Model

A–Attention: It is seen by/ captures the attention of the desired prospects

I–Interest: It is read by them with interest and It is properly understood by them as the advertiser wants.

D-Desire: It is believed by them and wins their confidence and trust, resulting in the desire to purchase the product

A- Action: The prospect acts by reaching to the point of sale.

S- Satisfaction - Reinforce the decision of the purchase, ensure satisfaction

4. Selecting the message source:
  - Refers to the actor in the advertisement, company, brand name, salesperson, etc.
5. Choosing the media: Between the two broad communication channels:
  - Personal Communication: face-2-face, telephone, post, email
  - Non-Personal Communication: Radio, TV, Newspaper, Billboards etc.
6. Collecting Feedback:

Effectiveness of message on the Target Group is measured:

- Whether they remember the message,
- What they remember, Likes/ Dislikes
- Intention to buy etc.

## Importance of Promotion

1. Communicates information to prospective consumers about availability, features and usage
2. It stimulates purchase and creates a positive image to influence long term buyer behavior
3. It aims at attracting customers using competitor's brands to its product/ switch brands
4. It encourages and motivates distribution channel members to buy and store more, through additional commission and allowances
5. It encourages the sales-force by offering incentives to salesman
6. It boosts sales in the short and long term

## Advertising

It is a paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.

Advertisement is the presentation to a group an oral and/or visual message regarding a product/ service.

### Features of advertising

It is non personal form of communication paid by a sponsor and is a process of influencing customers'

## Types of Advertising Media

### 1) PRINT MEDIA:

- Newspapers- wide reach, each household has at least one newspaper but life span is only one day and literate can only read.
- Magazines- helps to target a specific group, life span is at least one week but reach is less compared to newspaper, Illiteracy is limiting factor
- Trade Journals-services sectors uses this method, helps to target specific group but reach is very less.

### 2) BROADCAST AND ELECTRONIC MEDIA

- Radio Advertisements:

#### Advantages:

- Has targeting capabilities
- Inexpensive compared to other traditional broadcast media
- Builds frequency quickly (commercials are replayed throughout the day/evening)

- Branded promotions offer advertisers appealing community involvement opportunities
- No seasonal listener erosion
- Suitable for illiterates and literates alike

Disadvantages:

- No visual component
- Advertisers must buy multiple stations and formats to accumulate audience reach
- Peak listening is during morning and evening drive times with relatively low audiences the rest of the day (driving to and from work)

☐ Television Advertising: Audio Visual technique ; wide appeal

Advantages

- Combine all 4 elements of communication: Illustration, Music, Spoken and Written words.
- Wide geographic coverage & broad audience reach (appeals to most demographics)
- Perceived accountability with well accepted audience
- Relative ease of buying and post-buy maintenance
- Proven Success record for promoting mass consumer products

Disadvantages:

- Audience share is generally declining due to fragmented audiences
- Increasing use of DVR's diminishing the impact of commercials (people can record their shows and skip the commercials)
- Typically high costs and rising production costs (most expensive)
- Increasing ad clutter as commercial pods lengthen (people don't want to watch commercials because they are taking more time away from their shows)

☐ Websites/internet & blogs

- Need to be computer literate, but otherwise lots of potential for participation through blogging, list-serves, e- networking, specific websites. Caters to the Literate public and specific list serves and networks can be set-up for particular audiences/clients, such as the media directly. Global info can be obtained, not only local or regional and the youth becoming computer savvy is an added advantage.

☐ Mobile phones and text

- Tremendous potential for two-way communication and one- on-one communication among public directly. Also provides timely information for specific publics, teenagers in particular. It has a growing reach, especially in rural areas. Low cost for text messages makes it highly popular. Text messages must be short and are best if linked or tied to other communication efforts

☐ Film Advertising: overcome illiteracy and language barriers; AV technique for maximum impact but only seen by people who come to watch the film

### 3) NON BROADCAST MEDIA

- Cinema theatres / multiplexes – cater to a captive audience and ensure the impact is higher because the focus of the public is undivided and the communication is better received.
- Cable TV – Local TV channels and cable TV provide smaller companies the advantage of being able to advertise to local and regional audiences at more reasonable prices as compared to advertising on national level TV channels.

### 4) OUTDOOR ADVERTISING:

#### □ Murals

Can be highly educational and participatory, high visibility if done in a high traffic zone for intended audiences, general public, especially attractive for young people and children. Murals make good use of space that is otherwise wasted. However, requires permission and partnership with local owners of the property

#### □ Posters

No potential for feedback, unless widely tested or if produced together with communities through participatory processes to the general and specific publics, can deliver simple messages and slogans. Not necessarily expensive and can often be produced in-house. Requires visual and written literacy. Generally better for simple messages and slogans

#### □ Billboards

Not participatory at all, suitable for General public and specific audiences. Best means for advertising one main message or slogan. Fairly permanent depending on duration posted. Highly visible but very expensive. However, people forget to notice after a while

### 5) TRANSIT ADVERTISING: On buses, Subways, Railways, Outside displays on the front, sides, back of buses or other public transport and at transportation terminals.

#### Advantages

- Exposure to one ad can be long if the ad is inside a transit vehicle.
- Frequency, the number of times a viewer is exposed to an advertisement, may be high if the viewer uses the same method of transportation repeatedly.
- Seen by large and diverse audiences.
- The ad message can be timely because often the person riding mass transit is on the way to shop, eat or visit an entertainment outlet.
- Ads can be geographically targeted
- Ads can be lifestyle targeted in some instances.

- This method of advertising tends to be quite inexpensive in both absolute and relative terms.

#### Disadvantages

- Advertisement design is usually limited to the size of frames or holders
- People on mass transit are often not in a receptive mood or they may be so used to ads appearing in certain spaces that they don't even observe them.
- Transit advertisements are hard to target as the advertisements reaches a lot of people, but many are not even potential customers.
- It may not suit the product image.
- The surroundings may detract from message.

- 6) **DIRECT MAIL:** Advertising by mail including sales letters, pamphlets, catalogues etc. Most personal and selective media. Direct mail is a marketing technique in which the seller sends marketing messages directly to the buyer.

#### Advantages of Direct Mail Advertising

- Advertising message is targeted to those most likely to buy your product or service.
- Marketing message can be personalized, thus helping increase positive response.
- Message can be as long as is necessary to fully tell your story.
- Effectiveness of response to the campaign can be easily measured.
- Control over the presentation of advertising message.
- Ad campaign is hidden from competitors until it's too late for them to react
- Active involvement – the act of opening the mail and reading it — can be elicited from the target market

#### Disadvantages of Direct Mail

- Some people do not like receiving offers in their mail, and throw them immediately without even opening the mail.
- Resources need to be allocated in the maintenance of lists, as the success of this kind of promotional campaign depends on the quality of your mailing list.
- Long lead times are required for creative printing and mailing
- Can be expensive, depending on target market, quality of your list and size of the campaign.

#### 7) PUBLIC PRESENTATIONS & COMMUNITY MEETINGS, SERVICE CLUBS

- Lots of potential for interaction and participation
- Different audiences can be targeted directly
- Encourages group formation
- Helps to publicize general info
- Generates local ownership
- Builds partnerships
- Only good for one- off moments in a process

- Need to be held when people are available (nights, weekends)
- Don't always attract desired audience

### Essentials of Good Advertisement:

An advertisement is effective if it follows the following steps of A-I-D-A formula

AIDA is an acronym used in marketing and advertising that describes a common list of events that may occur when a consumer engages with an advertisement.

A - attention (Awareness): attract the attention of the customer.

I - interest: raise customer interest by focusing on and demonstrating advantages and benefits (instead of focusing on features, as in traditional advertising).

D -desire: convince customers that they want and desire the product or service and that it will satisfy their needs.

A - action: lead customers towards taking action and/or purchasing.

DAGMAR : DAGMAR approach was first proposed by Russell Colley which tells real goal of advertising was to communicate, not to sell specifically.

DAGMAR is an acronym: Defining Advertising Goals for Measured Advertising Results. The approach involves setting specific, measurable objectives for a campaign to determine if specific objectives were met.

### Benefits/ Arguments in favour of Advertising

1. Stimulates demand, production, employment and income, leading to rising purchasing power and better living standards.
2. Facilitates mass production and mass distribution
3. Promote acceptance of new innovations
4. Informative advertising give consumers relevant and adequate information about all products and exercise their right to choose in an intelligent manner.
5. Builds up brand preference and brand loyalty and therefore greater emphasis is on brand quality
6. Educative Value as it teaches new ways of life.
7. Increase in sales volume
8. Facilitates large scale of production
9. Protection from competitors
10. Minimization of seasonal variation in business
11. Stabilization of price
12. Securing dealers

13. Less expensive than salesmanship
14. Provide information and visualization of product
15. It creates employment opportunities for society

#### Drawbacks/ Arguments against Advertising

1. Increases the prices of goods
2. Wasteful expenditure
3. Enables creation of monopoly by preventing entry of small firms
4. Some advertising is fraudulent, misleading or deceptive. Makes one buy products, they do not want and at prices they cannot pay.
5. It is less flexible than other methods.
6. It is one sided form of communication
7. Company cannot ensure that advertisement has reached their target audience
8. It used to mislead the customers by giving false information
9. It creates monopolistic tendencies especially for branded products

#### Sales Promotion

Those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display, shows, exhibitions, demos and other non-recurrent efforts not in the ordinary routine.

#### Objective of Sales Promotion

- Introduce New Product
- Attract New Customers
- Provide New Incentives to the Users
- Reduce Seasonal Fluctuation
- Counter-attack the competitors
- Simplify the task of selling
- Induce Middlemen

#### Sales Promotion Tools: Consumers

1. Samples: Free samples to induce trial of new product (FMCG). It is expensive but powerful tool  
Ex. Knorr soupy noodles free with Knorr tomato soup.
2. Coupons: it is a certificate that entitles the consumer to a specific savings on the purchase of a specific product. It is issued through Inside the package/ by mail/ door-to-door. Accepted as cash by the retailer. But sometimes retailers are reluctant to accept the coupons due to fear of reimbursement from the company



3. Bonus Offers/ premium: they are actual products or services offered as an incentive to buy other product. Another product free or at less price. Ex. Bucket free with Surf 5Kg pack
4. Price-Off : Reduction in price per pack or multiple packs at a discount. Ex. 3 Dove Bars packed together at reduced price
5. Money Refund offers—in this manufactures will refund the price of the product if customer is not satisfied. Online shopping
6. Contests/ Sweepstakes/ Games: Consumer fills in the form which may have some word game, puzzle, quotation writing and sends it to the company. The best entry or the lottery method, winner is declared.
7. Demonstration— generally done for new product, demonstrations of the product are staged at exhibitions and fairs
8. Early Order Discount: Place orders before a particular cut-off date.

#### Sales Promotion Tools: Middlemen

1. Buying Allowance : Allowance is given to the middlemen after the purchase of goods more than a fixed point.
2. Buy-Back Allowance: Paid to the middlemen at the first purchase of the goods and utilised at the time of second purchase and the allowance of second purchase is utilised at the time of third purchase.
3. Merchandise Allowance : Allowance is paid for advertising and display expenditure incurred by the Wholesaler/ Retailer.
4. Price Deals: Apart from the regular discount, special discounts are allowed to the dealers for a specified quantity of purchase.
5. Co-operative Advertising: Dealers get reimbursed by the manufacturer for advertising the manufacturer's product.
6. Dealer Sales Contests: Prize is awarded to the outstanding dealers for window display, sales etc.
7. Dealer's Gift: After achieving a target by the dealer, manufacturer gives the dealer a gift in the form of package holiday for the family or other gift items.
8. Point of Purchase Materials: Manufacturer provides dealer with the attractive POP displays such as Stands, Billboards, Wall signs, counter displays etc. that act as the silent salesman.

#### Benefits of sales promotion

- It enhances volume of sales which increase production and reduces cost
- It stimulate positive attitude towards the product
- It supplements the effort of personal selling and advertisement
- It gives quick result

### Limitation of sales promotion

- It has short life
- They can be used as only supplementary methods
- People will have a negative feeling that sales promotional activities are intended to sell an inadequate product
- Sometimes discounts and offers provided by the company might be adjusted with the MRP

### PUBLIC RELATIONS

Public Relations (PR) is another tool of promotional mix designed to improve, maintain or project a company or product image. PR is a two way communication between the organisation and the target group (publics) to establish understanding based on truth, knowledge and complete information.

The Publics of PR include: Customers, Shareholders, Employees, Trade, Media etc. PR involves number of activities like Press Relations, Publicity, Corporate Communication, Lobbying, liaising with influential groups etc.

It is not paid for by the organisation. It is the process of building goodwill about the company and securing favourable public image. Publicity comes from news-reporters, columnists and journalists.

Major Tools of marketing PR are:

1. Company Publications: Magazines, Annual reports, Newsletters etc.
2. News and Press Releases
3. Events: organized by company such as sports tournaments, music, cultural programme, contests
4. Social Service Activity
5. Messages involving PR communicated through advertising.

Direct Marketing is an interactive system of marketing used by firms to communicate directly with customers on one-on-one basis to generate a response and/ or a transaction at any location.

The three elements of DM:

1. Interactive System
2. Measurability of response
3. Transaction at any location

Channels for Direct Marketing are:

1. Personal Selling/ Direct Selling/ Face-to-face Selling
2. Telemarketing

3. Tele-Shopping/ Home Shopping
4. Database Marketing
5. Direct Mail Marketing
6. Mail Order/ Catalogue Marketing

### Telemarketing

Telemarketing is defined as the use of telephone as an interactive medium for promotion, sales and customer service. It utilizes sophisticated telecommunication and information systems combined with personal selling and servicing skills for following purposes:

- To help companies keep in close contact with present and potential customers
- To increase sales
- To enhance business productivity

### PERSONAL SELLING /SALESMANSHIP

Is face to Face interaction with one or more prospective customers for the purpose of making sales. It is the use of a salesperson to communicate the marketing message of a company to the customer.

Personal selling is planned selling. For effective selling the salesperson follow a Sales process comprising 8 steps.

#### Process of Personal Selling:

##### Step 1: Pre-Sale Preparations

Background knowledge -his company, competition, products, customers

##### Step 2: Prospecting

Prospects are potential customers the salesmen seek. Prospecting is locating of Prospects – Prospects may be located through Present customers, other salesmen, phone directories/ database, cold calls.

##### Step 3: Pre-Approach

Once prospect is located and qualified, next step is Pre-approach. Pre-approach means finding the details of prospects in terms of His needs, preferences, habits, nature, behaviour. After this, the sales person has to tailor product to the specific requirements of prospect and Match Sales presentation to the needs of the prospect

##### Step 4: Approach has two Parts to it:

1. Obtaining an Interview – Telephone, Face-to-Face
2. First Contact: The sales person should be able to attract prospect's attention and avoid being dismissed

#### Step 5: Sales Presentation

Sales presentation needs to be closely related to the buying process of customers which involves: Needs, Info search, Evaluation, Purchase Decision

It should be according to the AIDAS theory:

Attention, Interest, Create Desire, Action, Satisfaction

Other aspects are: It should meet the parameters of Good Presentation. It is in the language the prospect understands. The presentation should be Complete, Clear, Establish superiority over competition and Win Confidence through honesty, testimonials, guarantee.

#### Step 6: Objections Handling

Prospects will try to resist a sale by raising arguments for not buying the product. Salesman must welcome objections, interpret correctly, satisfactorily answer and remove tactfully without arguing.

#### Step 7: Closing the Sale

Close is the 'Act of getting the prospect's assent to buy'. Close of Sale is the climax of the entire sales process. Initiative to Close the Sale must come from Salesman. Salesman should know the right moment when prospect is willing to buy and should apply the close. This moment is known as 'Psychological Moment' or 'Reaction Moment'.

A successful salesman is one who closes the sale by placing the product in the hands of satisfied customer.

#### Step 8: Follow-Up / Post-Sale Contacts

As the last step, the sales person needs to write the order, arrange for dispatch & delivery of the product and facilitate grant of credit. He should reassure the buyer on the wisdom of his decision and minimise dissatisfaction if any. He should make a post-sale contact with the customer to maintain his goodwill, smoothen any post-purchase problems and get feedback.

Advantages of personal selling:

- Is interactive and allows for more persuasion.

- More suitable when the products in question are technical in nature or have a high cost per unit.
- Helps foster better relationships with the customers.

Disadvantages of personal selling:

- × Widely misunderstood
- × Is labour intensive and involves high pressure
- × Has a limited reach and caters to a limited audience



## MARKET SEGMENTATION & CONSUMER BEHAVIOUR

### Market Segmentation

Definition: Market Segmentation is the process of dividing a market into distinct groups of customers on the basis of some criteria like demographics, needs, behaviour etc. such that those within a group are relatively homogeneous with respect to their response to marketing inputs

### Benefits of Segmentation

1. Market can be defined more precisely in terms of customer needs
2. Can formulate and implement marketing programmes according to demands in market
3. Identify strengths and weaknesses, accordingly serve the markets
4. More effective utilization of resources
5. Helps explore and exploit business opportunities, in line with market requirements

### Essentials of effective market segmentation

- Measurability-Segment should be measurable and possible to quantify
- Definable-Segment should show the degree of homogeneity
- Viable-Method should be cost effective and profitable for the marketer
- Reachable-It should include physical distribution and communication aspects to reach the customers
- Intensity in competition-The more intense the inter-firm rivalry, the more unattractive a segment will be for a marketer.

### Bases for Segmentation:

1. People Oriented Approach
2. Product Oriented Approach

People Oriented Approach is based on Customer Personal Characteristics such as:

Demographic Characteristics – Based on the observable aspects of the population and is a dynamic, complex variable. It includes segmentation on basis of:

- Age- people of different age groups require and prefer different types of products
- Ex: Watches, Footwear and so on
- Gender- Ex: Cosmetics, accessories
- Family Size – Ex: FMCG products that have single units and family packs for big families
- Family Life Cycle – Ex: A married couple with no children will have a different consumption pattern when compared to a family with kids.

Socio-Economic Characteristics: Are predominantly as given below

- Income levels- based on income of people
- Occupation – the type of jobs held by the population, be it salaried (private/ public sector) or selfemployed
- Education – Literacy levels, Vocational or Professional courses
- Social class- upper class, middle class and lower class
- Religion, Race, Nationality –it will explain the diversities and irregularities in the market

Geographic location and mobility: Where people live is one of the best clues to what they want to buy, their likes and preferences. The characteristics include:

- Region of the country
- Urban, Semi-Urban, Rural
- Size of town/city
- Climate and weather conditions

Psycho-graphic

a. Values and Lifestyle (VALS): Classifies individuals on basis of AIO

- Activities: Work, Hobbies, Shopping style
- Interests: In Food, Fashion, Recreation
- Opinions: About themselves/Others, Social Issues

b. Personality: On basis of the prominent personality traits observed in the population mix. Ex: Analytical, Expressiveness, Friendliness, Dominance etc.

Product Oriented Approach: Focuses on bases of Customer Response Behaviour towards product. This is also known as behavioural segmentation.



In this approach the customers are divided based on the way they respond to, use or know of a product:

- o Use Pattern: On basis of the product usage frequency customers may be categorised as light, medium and heavy users.
- o Product Usage Occasions: Segmentation is done on basis of the occasions of use. Whether customers are using a product on regular, everyday occasions or special / festive occasions etc.
- o Loyalty: Segmentation is based on the loyalty of customers to the product / brand or store. The customers may be classified as Hard core loyalists, Soft core loyalists, fence-sitters, experimenters and rejecters.
- o Benefits Pattern: This form of segmentation focuses on the core benefits and desires of customers, to satisfy which they may buy products. It is inclusive of such factors as economy, performance, durability, product appearance and status

Consumer behaviour:

Consumer / Buyer behaviour is defined as — “All psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume and tell others about products and services.” It is the decision making process involved in acquiring evaluating, using and disposing of goods and services by a consumer.

Elements of Buyer behaviour:

1. Buyer Behaviour involve both individual and group influences
2. Social environment plays an important role
3. Is reflected from awareness through post purchase evaluation indicating satisfaction or dissatisfaction
4. Includes purchase, consumption and communication
5. Includes both consumer and business buyer behaviour

Factors influence buyer behaviour

PERSONAL INFLUENCES:

a) Demographics

Age and the life cycle: Lifecycle is an orderly series of stages in which consumer attitude and behavioural tendencies evolve and occur because of developing maturity, experience, income and status. Marketers often define their target markets in terms of life-cycle stage and develop appropriate products and marketing plans for each stage.

Economic Situation: A person's economic situation will affect product choice. Marketers of income-sensitive goods watch trends in personal income, savings, and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and re-price their products closely.

Occupation and Income: The profession or the occupation of a person has an impact on the products they consume. The status of a person is projected through various symbols like the dress, accessories and possessions, etc. For example : Blue-collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits. Marketers try to identify the occupational groups that have an above-average interest in their products and services.

#### b) Personality

Each person's distinct personality influences his or her buying behaviour. Personality can be useful in analyzing consumer behaviour for certain product or brand choices. For example : Coffee marketers have discovered that heavy coffee drinkers tend to be high on sociability. Thus, to attract customers, Starbucks and other coffeehouses create environments in which people can relax and socialize over a cup of steaming coffee.

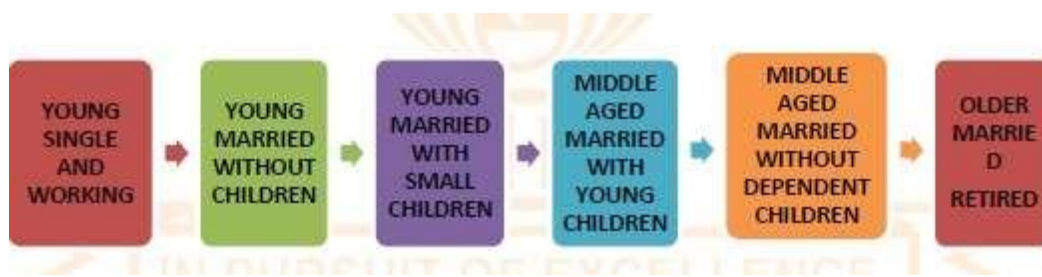
Personality is influenced by self-concept and roles played by an individual. Self Concept has 3 parts:

1. The idealized Self – What would you like to be?
2. Looking Glass Self- How you think others see you?
3. Self - Your own concept of what you are like?

Roles : Loving Father/ Mother, Caring Wife, Friendly Colleague etc.

#### c): Lifestyle

Lifestyle is a typical way of living in a dynamic society. The method of measuring a consumer's lifestyle is called psychographics. It is a person's mode of living as identified by his or her activities, interest and opinions. Activities: Work, Hobbies, Shopping style  
Interests: In Food, Fashion, Recreation  
Opinions: About themselves/Others, Social Issues  
Our life styles are reflected in our personalities and self-concepts. When Psychographic information is combined with demographic information, it gives a well-rounded picture of a person



External or inter-personal influences on buyer behaviour include the following:

## CULTURAL FACTORS

Culture, subculture and social class are particularly important influences on consumer buying behaviour.

**Culture:** Culture is the most fundamental determinant of a person's wants and behaviour. A child during its growth is exposed to these broad cultural values: achievement and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, humanitarianism and youthfulness.

### Subculture

Each culture consists of smaller subcultures that provide more specific identification for their members. Subcultures include nationalities, religions, racial groups and geographic regions. Many subcultures make up important market segments, leading marketers to tailor products and marketing programmes to their needs.

### Social Class

Social classes are relatively homogeneous and enduring divisions in a society. They are hierarchically ordered and their members share similar values, interests, and behaviour. Social classes reflect income as well as occupation, education, and other indicators. Those within each social class tend to behave more alike than do persons from different social classes. Also, within the culture, persons are perceived as occupying inferior or superior positions according to social class.

## SOCIAL FACTORS:

1. Family 2. Reference group 3. Roles & statuses

a) **Family:** Most consumers belong to a family group. The family can exert considerable influence in shaping the pattern of consumption and indicating the decision making roles.

personal values, attitudes and buying habits have been shaped by family members. The members of the family play different roles such as influencer, decider, purchaser and user in the buying process.

### Family Decision Making

The family life cycle describes the distinct phases that a family progresses through from formation to retirement, each phase bringing with it identifiable purchasing behaviours.

#### b) Reference group:

The concept of reference group is borrowed from sociology and psychology. Reference groups are social, economic, or professional groups to which the buyer belongs. A buyer is influenced by/ gets advice from these small groups and uses to evaluate his or her opinions and beliefs.

Word of Mouth Communication is the process by which messages are passed from member to member. These influences are reflected in brand preferences and decision making process.

Reference Groups may be of three types:

I. Associate reference groups: Groups an individual belongs to—the individual adopts certain behaviour patterns of these groups.

II. Dissociative reference groups: Groups people do not want to associate with Relatives, Friends, Local Club are reference groups which may be Associate / Disassociate RGs.

III. Aspirational reference groups: Groups an individual aspires to join/associate with. Opinion leaders are individuals who exert direct or indirect social influence over others. They are Aspirational RGs

#### c) Social Class

Sociology points out the relationship between social class and consumption patterns. Consumers' buying behaviour is determined by the social class to which they belong or to which they aspire, rather than by their income alone. Three distinct social classes are Upper, Middle and Lower classes.

Upper class consumers want products and brands that are clear symbols of their social status

Middle class consumers shop carefully and read advertisements and compare prices before they buy.

Lower class consumers do not care to read much.

## PSYCHOLOGICAL FACTORS:

### a) Needs and Motivation

Need motivates an individual to act. Motivation is all those pressures and influences that trigger, channelize and sustain consumer behaviour. Motivation tries to explain the WHY of Buyer Behaviour. Maslow's hierarchy of Needs helps to understand the role played by motivation in influencing consumer behaviour. Maslow has arranged human needs in a hierarchy, from the most pressing to the least pressing. They are Physiological needs, Safety, Social, Esteem and Self- actualization needs.

### b) Learning

Learning is defined as the process by which individuals acquire the purchase and consumption knowledge, gain from past experience and that result in future behaviour. Marketers have applied the learning process to effectively advertise their products, teach the consumers about their products and help them develop Brand Loyalty.

### c) Perception

A motivated person is ready to act. How the motivated person acts is influenced by his or perception of the situation. Perception is the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world.

### d) Attitude

Attitudes are an overall evaluation that lead people to respond in a consistently favourable or unfavourable way to a given object. Attitudes are formed through interaction with others, family and peer groups. It is the attitude of a consumer which leads to purchase or rejection. For a marketer, the consumers' attitude towards a product/ brand is very important. They are interested in knowing how attitudes are formed and if the attitude is not favourable, how it can be changed. Perception is an intellectual process shaping the belief system, Attitude is your disposition (+/-), leading to a behaviour or action.

## SITUATIONAL FACTORS

Are temporary conditions that affect how buyer's behave at the time and place of purchase in terms of:

Whether they actually buy your product or buy additional products or buy nothing at all from you.

They include things like:

- Physical factors
- Social factors

- Time factors
- Reason for the buyer's purchase, and
- The buyer's mood

Marketers have undoubtedly been affected by these factors sometime. Because businesses very much want to try to control these factors, let's now look at them in more detail.

- a) Store's atmosphere: The physical characteristics and surrounding influence of a retail store that is used to create an image in order to attract customers.

There are some ways a store may be turning off customers:

#### I. Loud Music

Loud music affects the consumer by distracting them. Loud music/voice in the enterprise may result in customers wanting to walk away at the earliest possible timeframe.

#### II. Burned-out or Poor Lighting

Good lighting services results in effective/better visibility and consequently increased sale of goods & services and it's one of the reasons for better performance of the enterprise, whereas poor lighting services may result in customer turn off.

#### Ways to attract customers

- a. Location: The most important thing to making a successful business and to keep customers coming back is the visibility of location, easy accessibility to the store, ample parking facilities and aesthetically pleasant exteriors and interiors.

- a. Prices: The more important aspects of the business world. It need to make sure you are still fairly competitive with other business of the same kind and thus price based competition leading to discounts and freebies.

#### b) Time pressure

- Time pressure refers to time allotted for a particular job, which has to be finished within the given time. In case if he/she fails to finish it, then there will be a pressure on he/she called as Timepressure.

- Shoppers also experience time pressure.

If the queues are moving, then the shopper is more likely to stay and get the billing done...But if they cannot see an organized checkout, some people just turn around and leave as soon as they see a busy checkout.

- c) Purchase occasion Purchase Occasion refers to purchase of products by consumers on the occasions i.e., festivals, anniversaries and other occasions, where the consumer/purchaser buys the products on occasion.

## Consumers' / Buyer's Decision Making Process:



### 1. Need Recognition

The buying process starts when the buyer recognizes a problem or need. The need can be triggered by internal, external factors, marketing stimuli. Ex. Person's normal needs-hunger/ thirst –rises to threshold level and becomes a drive. Marketing helps consumers recognize an imbalance between present status and preferred state.

### 2. Information Search

An aroused consumer will be inclined to search for more information. There are two types of search:

1. Internal search- memory.
2. External search- if the consumer needs more information they will engage in external search.

These sources are:

Personal sources - Friends and relatives (word of mouth);

Commercial Sources - Marketer dominated sources;

Public sources – Expert reviews, customer reviews

Experiential Sources – Demonstration of product, sampling

The information search helps buyer find possible alternatives- i.e.- the Evoked Set. Ex. Hungry- want to go out and eat. Evoked set is Chinese food , Indian food, Italian food etc.

### 3. Evaluation of Alternatives

Consumer evaluation process: The consumer sees each product as a bundle of attributes for delivering the benefits sought to satisfy these needs. A product is viewed as a bundle of attributes. Attributes of interests to buyer may be:

Cameras : picture clarity, size, price, ease of use

Hotels: Location, cleanliness, ambience, price

Information about the characteristics of the products are provided by the marketer. Competitor brand information helps compare and evaluate the brands. In order to reduce the number of alternatives, a cut - off criteria may be applied on the basis of important attributes. The important attributes are ranked and brands rated on the attributes. Brand that is rated highest on the most important attributes is more likely to be selected. In evaluation stage the consumer form preferences among the brands. In this phase-consumer chooses buying alternative.

Factors that influence buying at this stage are:

Situational Factors: Store, Method of purchase, Incentives offered, out of stock, budget etc.

Social Factors: Attitude of reference group members

Perceived Risk: High priced products imply higher risk. Low priced products may have performance risk. Foreign brands because of after sales service aspect may have high risk.

4. Purchase or No Purchase Decision: Consumer decides on the brand to purchase and makes the payment. The consumer may also decide not to purchase any product at all.

5. Post Purchase Experience and Behaviour Consumer analyze the Brand, during Purchase and Usage (Post-Purchase). The analysis is done basis Expectation vis-à-vis Level of Satisfaction. The outcomes are: Satisfaction or Dissatisfaction.

Satisfaction will create brand preference

Dissatisfaction will lead to negative feelings and create anxiety and doubts

This phenomenon is called Cognitive Dissonance

Cognitive Dissonance: is the inner tension that a consumer experiences after recognizing an inconsistency between behaviour (purchase decision) and values or opinions (buyer's beliefs).

Did I make a good decision?

Did I buy the right product?

Did I get a good value?



Marketing can minimize Cognitive Dissonance through:

- Effective Communication
- Follow-up
- Guarantees & Warranties



