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M.Com.
PART -I
BUSINESS MANAGEMENT
GROUP - PAPER -II

MARKETING STRATEGIES AND PLANS

(Revised Syllabus w.e.f Academic Year 2014-15)

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MARKETING STRATEGIES AND PLANS
(w.e.f ACADEMIC YEAR 2014 – 15 in IDOL)

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Learning Outcomes:

1) Understand the meaning and importance of strategic marketing and planning.
2) Appreciate the need for understanding the marketing environment and analyze how the environmental factors impact the marketing practices and performance of organizations.
3) Understanding the need and importance of creating value for customers.
4) Gain insights into the impact of competition, how companies deal with competition and brand related concepts.

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1) Understand the strategies adopted for managing products through the life cycle and the basics of new product development and adoption.

2) Gain insights into how companies price their products. Understand types and role of marketing intermediaries and the basics of logistics.

3) Understand the process of marketing communications and management of Integrated Marketing Communication.

4) Understand the recent trends in marketing and appreciate the need for and types of marketing control.

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b. Steps involved in creating a market and customer focused company.

c. Organising the marketing department.

d. Types of marketing control.

Recommended Books:

1. Philip Kotler, Kevin lane Keller, Abraham Koshy and Mithileshwar Jha (2009). Marketing Management - A South Asian Perspective: Thirteenth Edition. New Delhi : Pearson Education.
2. V. S. Ramaswami and S Namakumari (2009). Marketing Management - Global Perspective Indian Context : Fourth Edition. New Delhi : Macmillan India.
3. Rajan Saxena (2010). Marketing Management : Fourth Edition. New Delhi : Tata McGraw - Hill.
4. Blakeman Robyn (2010). Integrated marketing Communication Creative Strategy From Idea to Implementation. New Delhi : pinnacle.
5. William Station, Etzel Michael J, Walker Bruce & Stanton William (2004). Marketing : thirteenth Edition. New Delhi : Tata McGraw-Hill.
6. Philip Kotler (2002). Framework for Marketing Management. New Delhi : Person Eduction.
7. Michael Porter (1985) Competitive Advantage : Creating & Sustaining Superior Performance. New York : Free Press.
8. Free R. David. Strategic Management : Concept & Cases New Delhi : Prentice Hall.
9. Azhar Kazmi (2008). Strategic management & Business Policy : Third Edition. New Delhi : Tata McGraw - Hill.
10. Francis Cherunilam (2010). Business Policy and Strategic management : Third Edition. Mumbai : Himalaya Publishing House.

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1

INTRODUCTION TO STRTEGIC MARKETING

Unit Structure

1.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of marketing strategy
- To study the role of marketing strategy in business functioning
- To discuss the essentials of a successful marketing strategy
- To understand the different strategy levels

1.1 INTRODUCTION

At the heart of any business strategy is a marketing strategy. A marketing strategy is something that every single business; no matter how big or small, needs to have in place. Businesses exist to deliver products that satisfy customers. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services. A marketing strategy is composed of several interrelated components called the marketing mix. The Marketing mix consists of answers to a series of product and customer related questions.

1.2 MEANING AND DEFINITION OF MARKETING STRATEGY

A marketing strategy is a written plan that includes marketing topics like product development, promotion, distribution and pricing approach. It identifies company's marketing goals and explains how company can achieve those goals. Marketing strategies help in identifying strengths and weaknesses of the company and that of its competitors. Marketing strategy helps to identify the areas on which the company has to focus its marketing tactics.

A strategy is a long-term plan to achieve certain objectives. A marketing strategy is therefore a marketing plan designed to achieve marketing objectives. For example, marketing objective may relate to becoming the market leader by delighting customers. The strategic plan therefore is the detailed planning involving marketing research, and then developing a marketing mix to delight customers. Every organization's needs to have clear marketing objectives, and the major route to achieving organizational goals will depend on strategy. Developing a strategy involves establishing clear aims and objectives around which the framework for a policy is created. Having established its strategy, an organization can then work out its day-to-day tools and tactics to meet the objectives. Marketing can thus be seen as the process of developing and implementing a strategy to plan and coordinate ways of identifying, anticipating and satisfying consumer demands, in such a way as to make profits. It is this strategic planning process that lies at the heart of marketing.

A marketing strategy is a process or model to allow a company or organization to focus limited resources on the best opportunities to increase sales and thereby achieve a sustainable competitive advantage. Marketing strategy includes all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributes to the goals of the company and its marketing objectives.

Definitions:

1. "Strategy is a plan of action or policy designed to achieve a major or overall aim." - Oxford Dictionary
2. "Marketing Strategy is a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage." - David Aaker,

The term strategy can be defined in simple words as follows:

"Strategy is a broad long-term plan designed to achieve overall objectives of the firm."

1.3 SIGNIFICANCE OF MARKETING STRATEGY

The effective marketing strategy plays a very important role in the business working of the firm. Some of its important benefits are discussed as follows:

1. **Strategic Planning:**

The most important aspect of marketing strategy is that it involves strategic planning. Strategic planning is a concept that encompasses marketing, promotion, sales, and financial goals and is essentially about developing goals for your business. Having a strategic plan for the business means having a plan in place to deal with both expected and unexpected situations. For example if company knows that its mortgage will increase by 5 percent next year, then a strategic plan will outline how company will increase sales or decrease expenses to meet this additional outflow.

2. **Establishes Effective Distribution:**

With the effective marketing strategy company can establish an effective distribution network to reach its customers. Once the strategy is finalized it is very easy to locate target customers and also the market areas where it can sell product effectively. For example younger customers will be more likely to shop using a smart phone or on a website. Older customers might prefer to shop at retail outlets. If the market research shows that the company's product need to be in retail stores but if the company doesn't have a sales force, then it can use a wholesaler or distributor.

3. **Streamlines Product Development:**

A marketing strategy helps the company to create products and services with the best chances for making a profit. This is because marketing strategy starts with market place research, taking into Consideration Company's optimal target customer, what your competition is doing and what trends might be on the horizon. Using this information, company can determine the benefit customers and clients want what they're willing to pay and how company can differentiate its product or service from the competition.

4. **Developing Financial Goals:**

Marketing strategies are also important for guiding the business into the development of financial goals. Financial goals are two-fold: They are related to sales targets and also to expenses budget. Sales targets are initially set as part of the marketing plan but might change over time according to changing market conditions, increases in product price, or increases or decreases in consumer demand. Monitoring expenses is also part of financial goal development. If business tends to spend more than it brings in, it will have a serious problem maintaining long-term business viability. However, if the business is able to closely monitor its outflows, only spending what it absolutely needs to, then it will be better equipped to increase the profit margins.

5. **Preparation of marketing Plan:**

Marketing strategies are often first brainstormed and written as part of an organization's marketing plan. Most marketing plans include the current or expected strategies for your products, the price points of those products, how to distribute the products, and also the advertising and marketing tools. A marketing plan is also important for developing a promotional strategy as it helps the business to identify its target markets and to set measurable goals. It is vital to the success of the organization that implements a marketing plan that aims for growth and positive change in the bottom line.

6. **Understanding the customers:**

Marketing strategies can also assist the business in understanding and connecting with clients and customers. If the marketing plan is loosely structured, company will not have much success at targeting products to the "right" demographics. Effective marketing strategy enables a business firm to identify market segments that it will serve and what product offers it will make. A well defined marketing strategy clearly describes whom to serve and whom to exclude.

7. **Assists with Marketing Communications:**

Market research will help to create brand, or image it wants to establish about business. It facilitates the company to communicate to its target customer. Marketing strategy facilities the company to determine if a particular magazine, radio station or website fits company’s selling plans.

8. **Facilitates optimum use of resources:**

There can be optimum utilization of resources in order to achieve the desired objectives. If there are no proper strategies, then the organization may not be able to make arrangement of proper resources. There may be arrangement of fewer resources, in which case, the organization may not be able to undertake its activities and there may be also arrangement of more resources that what is actually required and as such it may lead to wastage of resources.

9. **Selection of the Right Communication Tactics:**

A clear understanding of the target audience and an idea of the desired goal will help to drive the selection of appropriate media choices. For instance, if the target audience is elderly, the Internet is not likely to represent a good communication tactic. Conversely, if the target audience is college-age students, local newspapers are not likely to be a good choice. The company's goals also provide insight into communication tactics. A goal of increasing marketing share by 25 percent might require an extensive multi-media campaign; a goal of adding 10 new customers might require only a news release and an ad in the local paper. Marketers rarely benefit by over-reaching their goals and being unable to meet demand.

10. **Enhances corporate image:**

Well defined strategies can generate corporate image of the firm. This is because strategies when implemented properly bring good returns to the organization. The organization is in a position to undertake its social responsibility towards customers, employees, suppliers and others and as such the organization can earn goodwill in the market.

1.4 CONDITIONS FOR A SUCCESSFUL MARKETING STRATEGY

The essentials of an effective marketing strategy refer to the guidelines for designing a marketing strategy. The following are the essentials of a good marketing strategy:

1. **Knowing the target audience:**

   For a truly effective marketing strategy, company must study and evaluate its business and its target audience, then create a plan of action and follow through with it. The first part of business is to evaluate the actual business the company is having. This means looking at business from a customer's or end user's point of view and finding what they truly get out of company. And many business owners are surprised to find that it's not what they actually thought.

2. **Proper market segmentation:**

   To have effective marketing strategy proper market segmentation is required. Market segmentation facilitates demographic segmentation of the customers. For example a plumbing business might focus on homeowners, whereas the companies that supply video games might focus on teenagers. It can't be said enough how important it is to know who your target audience is, and how you can best appeal to them.

3. **Unique selling proposition:**

   The next part of creating a great marketing strategy is finding out what company offers that no other company does. To set the company apart, it should advertise the thing that makes the company special – the magic that no other company has. This unique selling proposition may include offering products at the lowest prices, providing the best customer service etc. This must not only be included in marketing strategy, but it must be a part of every aspect of marketing done by the company.

4. **Situation Analysis:**

   Marketing strategy should conduct market analysis i.e. SWOT analysis (strengths, weaknesses, opportunities, and threats), and a competitive analysis. The market analysis will include a market forecast, segmentation, customer information, and market needs analysis. This analysis will make the strategy effective.

5. **Objective oriented:**

   The strategy should be objective oriented. It should be developed by considering the organizational objectives. Strategies, which are not consistent with the objectives of the organizations, do not serve any purpose. The strategies which are consistent with the organizational objectives will be able to achieve desired objectives.

6. **Identification of competitive advantage:**

   One important part of any strategy is a specification of how the organization will compete in each business and product-market within its domain. How can it position itself to develop and sustain a differential advantage over current and potential competitors? To answer such questions, managers must examine the market opportunities in each business and product-market and the company's distinctive competencies or strengths relative to its competitors.

7. **Simplicity:**

The marketing strategy should be simple and clear to understand. It should be well defined. Clarity in terms is important while framing marketing strategy. While designing the marketing strategy ambiguity should be avoided. It should be understood by all in the organization.

8. **Flexibility:**

Business has to survive in the competitive and uncertain business environment. These environmental factors are not constant. To adjust with these changes, marketing strategy should be flexible. It should allow the changes in the short run. They should not be rigid. It should allow modifications whenever the situation demands.

9. **Resource deployments:**

Every organization has limited financial and human resources. Formulating a strategy also involves deciding how those resources are to be obtained and allocated, across businesses, product-markets, functional departments, and activities within each business or product-market.

10. **Comprehensive:**

The marketing strategy should be comprehensive in nature. It should cover all those areas which are relevant to the firm. A good strategy always considers the factors which are affecting the business functioning directly or indirectly.

11. **Consistency:**

The marketing strategy should be consistent with the strategies of the other departments of the organization. All the functional strategies should be complimentary to each other, ultimately all the functional strategies of the organization should be consistent with the overall organizational strategy.

12. **Periodical review:**

    Strategies should be periodically reviewed. Such a review allows the firm to make necessary changes in the strategy depending upon the needs of the firm. Periodic review also benefits to incorporate the fluctuations taking place in the business environmental factors.

1.5 CONDITIONS FOR A SUCCESSFUL MARKETING STRATEGY

The strategy can be broadly classified into three levels:

1. Corporate Strategy - Defining what business the company is in Setting the overall structure, systems and processes
2. Business Strategy - Deciding how to compete Identifying competitive advantage Selecting key success factors
3. Functional Strategy - Coordination of company departments to business strategy

1. **Corporate Strategy:**

Corporate level strategy occupies the highest level of strategic decision-making and components dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs for optimal performance. Top management of the organization makes such decisions. The nature of strategic decisions tends to be value-oriented, conceptual and less concrete than decisions at the business or functional level. Single-business companies have the advantage of focus and rapid response but are vulnerable to problems in their industry. Their corporate strategy must demonstrate the advantages of remaining active in only one industry while evaluating business opportunities in areas with complementary activities. With a goal of optimizing company operations, profitability and growth, the corporate strategy must compare the return of a continuing investment in the single business with the acquisition or starting up of complementary businesses. At the corporate level, managers must coordinate the activities of multiple business units. Attempts to develop and maintain distinctive competencies at the corporate level focus on generating superior human, financial, and technological resources; designing effective organization structures and processes; and seeking synergy among the firm's various businesses. Synergy can provide a major competitive advantage for firms where related businesses share R&D investments, product or production technologies, distribution channels, a common sales force and/or promotional themes.

Corporate strategy describes company's overall direction in terms of its general attitude toward growth and the management of its various businesses. The corporate strategy typically fits within the three main categories - stability strategy, growth strategy and retrenchment strategy.

a) Stability strategy:

The basic approach of stability strategy is to maintain present course and be steady as it goes. In an effective stability strategy, companies will concentrate their resources where the company presently has or can rapidly develop a meaningful competitive advantage in the narrowest possible product-market scope consistent with the firm's resources and market requirement's.

b) Growth strategy:

Growth strategy is the means through which an organization plans to achieve its objective to grow in turnover and volume. There are four broad growth strategies which include; product development, diversification, market development and market penetration. It is a style that seeks stock with future investment rates of return being great than the stocks.

A business growth strategy starts with market insights. The source of insights lies within and across the market ecosystem. While research firms and strategic marketing consultants can bring these insights to bear on an ad-hoc basis, companies committed to growth will serve themselves well by developing systems and processes to ensure a continuous flow of market insights into their business. This is a key strategy for developing the demand side of the business.

Business growth strategies are unique in every business. However there are broad categories of strategies for business growth:

- New Product/Service Strategy Development
- Market Expansion Strategy
- Product Diversification Strategy
- Market Opportunity Analysis
- Competitive Market Analysis
- Market Segmentation Strategy

c) Retrenchment strategy:

A strategy used by corporations to reduce the diversity or the overall size of the operations of the company. This strategy is often used in order to cut expenses with the goal of becoming a more financial stable business. Typically the strategy involves withdrawing from certain markets or the discontinuation of selling certain products or service in order to make a beneficial turnaround.

Retrenchment is a corporate level strategy that aims to reduce the size or diversity of an organization. Retrenchment is also reduction in expenditure to become financially stable. Retrenchment strategy is a strategy used by corporate in order to reduce the diversity or to cut the overall size of the operations of the company. This strategy is often used to cut down expenses with the goal of becoming more financially stable business. Typically the strategy involves withdrawing from certain markets or the discontinuation of selling certain products or services in order to make a beneficial turn around.

2. **Business Strategy:**

The business strategy of a single-business company is similar to that of a business unit of a diversified company except that the business strategy must support corporate strategic initiatives aimed at the single business. The business strategy sets goals for performance, evaluates the actions of competitors and specifies actions the company must take to maintain and improve its competitive advantages. Typical strategies are to become a low-price leader, to achieve differentiation in quality or other desirable features or to focus on promotion. How a business unit competes within its industry is the critical focus of business-level strategy. A major issue in a business strategy is that of sustainable competitive advantage. What distinctive competencies can give the business unit a competitive advantage? And which of those competencies best match the needs and wants of the customers in the business's target segments? Another important issue a business-level strategy must address is appropriate scope: how many and which market segments to compete in, and the overall breadth of product offerings and marketing programs to appeal to these segments. Finally, synergy should be sought across product-markets and across the functional departments of the organization.

Business-level strategy is applicable in those organizations, which have different businesses and each business is treated as strategic business unit (SBU). The fundamental concept in SBU is to identify the discrete independent product/market segments served by an organization. Since each product/market segment has a distinct environment, a SBU is created for each such segment.

For example, Reliance Industries Limited operates in textile fabrics, yarns, fibers, and a variety of petrochemical products. For each product group, the nature of market in terms of customers, competition, and marketing channel differs. Therefore, it requires different strategies for its different product groups. Thus, where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) given the environment it faces. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and coordination between them for making optimal contribution to the achievement of corporate-level objectives. Such strategies operate within the overall strategies of the organization. The corporate strategy sets the long-term objectives of the firm and the broad constraints and policies within which a SBU operates. The corporate level will help the SBU define its scope of operations and also limit or enhance the SBUs operations by the resources the corporate level assigns to it. There is a difference between corporate-level and business-level strategies.

3. <u>Functional Strategy:</u>

Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations. Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination between them for optimal contribution to the achievement of the SBU and corporate level objectives. Below the functional-level strategy, there may be operations level strategies as each function may be dividend into several sub functions. For example, marketing strategy, a functional strategy, can be subdivided into promotion, sales, distribution, pricing strategies with each sub function strategy contributing to functional strategy.

Marketing Functional Strategy:

In companies that are marketing oriented, the marketing strategy on a functional level influences the other functions and their strategies. A typical marketing strategy is to determine customer needs in an area where the company has a natural competitive advantage. Such advantages might be in location, facilities, reputation or staffing. Once the marketing strategy has identified the kind of product customers want, it passes the information to operations to design and produce such a product at the required cost. The advertising department must develop a promotional strategy, sales must sell the product and customer service must support it. The marketing strategy forms the basis for the strategies of these other departments. The primary focus of marketing strategy is to effectively allocate and coordinate marketing resources and activities to accomplish the firm's objectives within a specific product-market. Therefore, the critical issue concerning the scope of a marketing strategy is specifying the target market for a particular product or product line. Next, firms seek competitive advantage and synergy through a well-integrated programme of marketing mix elements (the 4 Ps of product, price, place, promotion) tailored to the needs and wants of potential customers in that target market.

Other Functional Strategies:

The non-marketing functional strategies must support the marketing strategy that, in turn, is a component of the overall business strategy. In a single-business company, those strategies are tightly focused on one industry, but they must also deliver data that allows the corporate strategy to examine possible diversification. Single-business companies are usually either highly ranked in their single business or dominant in their niche. The strategies at the functional level try to maintain such a position but also look for external danger signs. If events outside the company's control lead to a deterioration of its position, strategic components from a functional level must signal to the corporate level that an implementation of alternative strategies is required.

1.6 SUMMARY

From the above discussion it is clear that the marketing strategy is the most important tool while framing the overall business strategy of the organization. While designing the marketing strategy the firm has to consider many factors like potential customers, market segmentation, unique selling proposition, situations prevailing etc. Effective marketing strategy benefits the company in not only knowing its customers but also delivering maximum customer satisfaction. Thus an effective marketing strategy finally results into building corporate image of the company. The functional strategy should be designed on the basis of business level strategy, whereas the business level strategy should be derived from the corporate level strategy.

1.7 SUGGESTED QUESTIONS

1. What is marketing strategy? Discuss the role and importance of marketing strategy in business.
2. State and explain the essential conditions for having a successful marketing strategy.
3. What are the three strategy levels? Discuss them in detail.
4. Explain the following concepts:
   - i. Marketing Strategy
   - ii. Corporate Strategy
   - iii. Business Strategy
   - iv. Functional Strategy
5. Write a note on three strategy levels.

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2

MARKETING PLAN

Unit Structure

2.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of marketing plan
- To study the contents of marketing plan
- To discuss the process of developing marketing strategy and plan

2.1 INTRODUCTION

Arguably, the most important function of any business is marketing. To many people marketing just means selling, but it is far more than that. Making a product or providing a service is relatively straightforward. The hard part is ensuring that your potential customers are aware that you exist. It is essential, therefore, to prepare a detailed marketing plan - a plan of action.

Marketing is inherently simple; it's about targeting customers, finding out what they want and giving it to them at a price they want to pay. But it's not so easy. There are limitless ways to tackle marketing objectives and there's no formula for success.

The most important part of a business plan is the Marketing Plan. To keep one’s business on course this plan must be geared toward the business’s mission—its product and service lines, its markets, its financial situation and marketing/sales tactics.

2.2 MEANING AND DEFINITION OF MARKETING PLAN

A marketing plan outlines the specific actions which are intended to carry out to interest potential customers and clients and persuade them to buy the product and services offered. A marketing plan is a business document written for the purpose of describing the current market position of a business and its marketing strategy for the period covered by the marketing plan. Marketing plans usually have a life of from one to five years. The purpose of creating a marketing plan is to clearly show what steps will be undertaken to achieve the business' marketing objectives. The marketing plan includes information such as the product or service offered pricing, target market, competitors, marketing budget and promotional mix.

A marketing plan is a written assessment of the current marketplace and how a business intends to spend its marketing and advertising dollars in the future. It identifies customers and establishes how to sell a product or service to those customers. It identifies clear and actionable strategies for a marketing department. The plan is often used in conjunction with development or business plans in order to help a company achieve its growth potential.

Definitions:

"A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firms plan to reach its marketing objective." – Marian Wood.

"Marketing plans are developed for individual products, lines, brands, channels, or customer groups. The marketing plan is one of the most important outputs of the marketing process." - Philip Kotler.

2.3 FEATURES OF MARKETING PLAN

The important characteristics of marketing plan are discussed as follows:

1. **Continuous process:**

Marketing planning is not one time activity. It is a continuous process. It starts with identifying marketing opportunities and then designing a suitable marketing strategy. Once the strategy is developed again the process continues with identifying marketing opportunity. As marketing conditions are always fluctuating, firm needs to monitor these changes continuously.

2. Customer oriented:

All the marketing plans focus mainly on customer needs and their requirements. The marketing plans need to be customer oriented aiming at providing maximizing customer satisfaction. Marketing plans will be successful only if they are designed customer oriented.

3. Written document:

Marketing plans are in form of written document. It should clearly specify the marketing objectives. Written form of marketing plan can be used as reference in future while carrying out marketing functions.

4. Two levels:

Marketing plans operate at two levels. i.e. long term and short term. Long term level is known as strategic level and short term level is tactical level. The strategic marketing plans include the target market and value proposition. Tactic marketing plans include product features, promotion, pricing, sales, channels and services.

5. Marketing opportunities:

Marketing planning involves analysis of marketing environment. SWOT analysis identifies the market opportunities which can be grabbed by the firm. It also analyzes possible treats which the firm may have to face.

6. Time period:

Marketing plans can be long term and short term. The marketing plans having duration up to one year are termed as short term plans whereas the duration of long term plans is one year to five years.

7. Market conditions:

Marketing plans are drawn by taking into consideration the existing marketing conditions. As the conditions are changing, according to that the marketing plan will also change. As far as possible the marketers try to accommodate the changes in marketing conditions into their marketing plan.

8. Team work:

The success of marketing plan depends on support from all the team members. Team work is essential for any marketing plan to be effective. Every member of the organization has to contribute to the planning and implementation of marketing plan.

2.4 CONTENTS OF MARKETING PLAN

Every marketing plan has to fit the needs and situation prevailing in the market. There are standard components which have to be included while designing the marketing plan. A marketing plan should always have following components:

1. Situation Analysis:

Situation analysis mainly contains a market analysis i.e. SWOT analysis of the market. It analyses strengths and weaknesses of the firm as well as opportunities and threats possible in the market. It also includes competitive analysis. The market analysis will include a market forecast, segmentation, customer information, and market needs analysis. Situation analysis also includes collecting and analyzing the information regarding market situation, customer profile and descriptions of changes affecting the customers, competitors, and business climate.

2. Marketing Strategy:

Strategy should include at least a mission statement, objectives, and focused strategy including market segment focus and product positioning. Marketing strategy should specify clearly the way of carrying on marketing functions of the firm.

3. Sales Forecast:

This would include enough detail to track sales month by month and follow up on plan-vs.-actual analysis. Normally a plan will also include specific sales by product, by region or market segment, by channels, by manager responsibilities, and other elements. The forecast alone is a bare minimum.

4. Target audience:

In order to reach the marketing goal it is critical to constantly keep in mind the people to whom who we are trying to sell. Effective marketing plan divides the public into identifiable marketing segments to which it can approach with appropriately designed appeals. Despite this, however, it should also be kept in mind that enterprise-wide information integration is critical to keeping a clearly identifiable business identity.

5. Unique selling proposition (USP):

The USP is an old concept, but no less applicable than it has been for years. In order to sell the product in the vast ocean of like products, it is necessary to determine how that product is different, and how it stands above the rest. It is only after the company determines this difference and brought it to the market's attention then only it will be successful in selling efforts. Unfortunately, this is often not enough. Instead, the firm might have to identify different USPs that appeal to different market segments.

6. Marketing Budget:

An important aspect of any marketing plan is budget. This section will help to determine your exact financial needs for thorough marketing and advertising of products. Marketing strategy is likely to be implemented in several phases. Hence, the budgetary requirements for each phase of marketing activities should be specified clearly. Firm should also offer a classification of advertising costs depending on which advertising media. This ought to include enough detail to track expenses month by month and follow up on plan-vs.-actual analysis. Normally a plan will also include specific sales tactics, programs, management responsibilities, promotion, and other elements. The expense budget is a bare minimum.

7. Marketing goals and objectives:

Marketing plan should state clearly the marketing goal and objectives of the firm. No plans can be developed without setting objectives. Every business markets its products or services with certain goals and objectives in mind. While the ultimate objective of any marketing plan is to sell more products, there could also be other goals for marketing. For example, firm may want its target audience to view its products or services in a certain light as opposed to another. Firm may want its prospective customers to perceive its products as a necessity rather than a luxury item. Hence, marketing efforts will be aimed at such goals, which is why it is vital that marketing plan lists all these goals and objectives clearly. In addition to listing the marketing goals, it is also required to mention how firm is planning to achieve these goals through the marketing and promotional activities. Marketing objectives should be specific, measurable, achievable, and realistic and time bound.

8. Marketing methodology:

Marketing pan need to determine how firm is going to accomplish the marketing goal and objectives. What tools will be used to reach these goals? Marketing methodology clearly defines the pathway to carry on the marketing activities.

9. Market Segmentation:

The market audience is made up of a diverse group of people. Segmenting that audience and delivering brand messages, communications, and content is critical to engaging them. The content of marketing plan must be customized to each segment of audience. Otherwise it will be difficult to connect with people. Market segmentation will help the firm to spread messages, to raise brand awareness, and to boost business. Marketing plan should be clear about who are the target audience for business is. If the firm is planning to sell its products in different market segments, then a complete analysis of all the market segments should be available, as also customers' profiles from each of these segments. What are the factors that define firm's target market? Why will firm's products appeal to its audience? These are two vital questions that should be answered by the market analysis.

10. Product details:

A good marketing plan needs to have as detailed a product description as possible. Not only the types of products the firm is selling as well as their features and benefits, but also need to list the disadvantages and ways to counter these negatives. The brand name of products, as well as any safety instructions that need to be followed when using the products should also be specified. Other necessary information that needs to be mentioned in this section of marketing plan includes packaging information, warranties and guarantees that will be provided with the products, information relating to repair of damaged products, and also customer support information.

11. Pricing details:

No marketing plan is complete without adequate information regarding the pricing of products and services. The pricing strategy of the products should be mentioned, as well as the logic behind the pricing. The firm needs to be clear why the pricing is competitive and how it will help to attract the customers. This section can also include information regarding discounts and rebates that firm may offer with your products and services. If the company plans to have annual sales or offer discounts based on seasonal events, then it needs to detail all this in marketing plan.

12. Integration:

Content of marketing plan must be fully integrated into larger business marketing efforts. There is perhaps no better way to surround consumers with branded experiences than through an integrated marketing plan that includes both online and offline content marketing as a driver of conversations, sharing, and powerful word-of-mouth and brand loyalty.

2.5 DEVELOPING MARKETING STARTEGIES AND PLAN

Effective marketing starts with a considered, well-informed marketing strategy. A good marketing strategy helps to define vision, mission and business goals, and outlines the steps need to take to achieve these goals. Marketing strategy affects the way the business is, so it should be planned and developed in consultation with entire team. It is a wide-reaching and comprehensive strategic planning tool that:

- describes the business and its products and services
- explains the position and role of products and services in the market
- profiles customers and competition
- identifies the marketing tactics which will be used
- allows building a marketing plan and measuring its effectiveness.

A marketing strategy sets the overall direction and goals for the overall marketing function, and is therefore different from a marketing plan, which outlines the specific actions which will be taken to implement the marketing strategy. The marketing strategy could be developed for the next few years, while the marketing plan usually describes tactics to be achieved in the current year. The marketing planning process involves both the development of objectives and specifications for how they will be accomplished.

Following are the steps involved in developing marketing planning:

1. **<u>Analysis of internal marketing environment</u>:**

Marketing planning starts with analyzing marketing environment prevailing for the company. At this stage the company needs to identify business's strengths and weaknesses. The SW (strengths and weaknesses) analysis adopts methods such as marketing audit, market share analysis, cost- volume- profit analysis, consumer satisfaction index, brand equity index etc. USP of a product can be the example of strength, whereas lack of innovation can be the example of weakness.

2. **Analysis of external marketing environment**:

The external market environment consists of political, social, economic, technological, legal environmental factors. These factors help in analyzing opportunities and threats from the market area. Opportunities and threats are factors outside the organization which are beyond the direct control of an organization. Festive season can be an example of opportunity to make maximum sales, whereas increasing FDI in a nation can be the example of threat to domestic players of that nation. This OT (opportunities and threats) analysis may include political stability, changing consumption pattern, lifestyle, liberalization, legal provisions and amendments, technical upgradation etc. This adopts methods like demand forecasting, FDI inflow, inflation rate, exchange rate, economic policies, budget, research studies etc.

3. **Marketing Assumptions:**

A good marketing plan is based on deep customer understanding and knowledge, but it is not possible to know everything about the customer, so lot of different things are assumed about customer. For example:-

- Target Buyer Assumptions - assumptions about who the target buyers are.
- Messaging/Offering Assumptions - assumptions about what customers think are the most important features of product to be offered.

4. **Identifying business goals:**

To develop the marketing strategy, first business goals have to be identified. So that it will be easy to define a set of marketing goals to support them. Business goals might include:

- increasing awareness of firm's products and services
- selling more products from a certain supplier
- reaching a new customer segment.

5. **Defining marketing goals and objectives:**

After the business objectives are identified, firm has to define a set of specific marketing goals based on the business goals. These goals will guide the firm and its team and will help to benchmark success. Examples of marketing goals include increased market penetration (selling more existing products to existing customers) or market development (selling existing products to new target markets). These marketing goals could be long-term and might take a few years to successfully achieve. However, they should be clear and measurable and have time frames for achievement.

Firm has to make sure that overall strategies are also practical and measurable. A good marketing strategy will not be changed every year, but revised when the strategies have been achieved or your marketing goals have been met. Also, you it may be required to amend the strategy if the external market changes due to a new competitor or new technology, or if the products substantially change.

6. **<u>Forecast the Expected Results:</u>**

Marketing managers have to forecast the expected results. They have to project the future numbers, characteristics, and trends in the target market. Without proper forecasting, the marketing plan could have unrealistic goals or fall short on what is promised to deliver.

- Forecasting Customer Response - Marketing managers have to forecast the response that the average customers will have to marketing efforts. Without some idea how the marketing will be received, managers can't accurately plan the promotions.
- Forecasting Marketing cost - To make the marketing plan stronger, accurate forecast of marketing cost is required to be done.
- Forecasting the Market - To accurately forecast the market, marketing managers have to gain an intimate understanding of customers, their buying behavior, and tendencies.
- Forecasting the Competition - Forecast of competition like - what they market, how they market, what incentives they use in their marketing can help to counter what they are doing.

7. **<u>Research your market:</u>**

Research is an essential part of designing the marketing strategy. Firm has to collect the information about the market, such as its size, growth, social trends and demographics (population statistics such as age, gender and family type). It is important to keep an eye on the market so that the firm is aware of any changes over time, so the strategy remains relevant and targeted.

8. Profile your potential customers:

The firm has to use its market research to develop a profile of the customers which they are targeting and should identify their needs. The profile will reveal their buying patterns, including how they buy, where they buy and what they buy. Again, regularly review trends so the firm doesn't miss out on new opportunities or become irrelevant with the marketing message. While locating new customers, the firm has to make sure that the marketing strategy will also allow maintaining relationships with the existing customers.

9. Profile your competitors:

Similarly, as part of the marketing strategy firm should also develop a profile of its competitors by identifying their products, supply chains, pricing and marketing tactics. This will be helpful in identifying firm's competitive advantage - what sets the business apart from its competitors. The firm may also want to identify the strengths and weaknesses of its internal processes which will help to improve its own performance compared with competitors.

10. Develop strategies to support your marketing goals:

The firm should list out its target markets and should devise a set of strategies to attract and retain them. An example goal could be to increase young people's awareness of company's products. Then corresponding strategies could be to increase online social media presence by posting regular updates about the product on Twitter and Facebook, advertising in local magazines targeted to young people; and offering discounts for students.

11. Using the '5 Ps of marketing':

The firm has to identify its tactical marketing mix by using the 5 Ps of marketing. If it can choose the right combination of marketing across product, price, promotion, place and people, then its marketing strategy is more likely to be a success.

12. Arrangement of resources:

Operating an effective marketing plan requires arrangement of resources in people, money, and technology. This section of the plan details out the resources needed and through that the marketing budget.

13. Implementation and Evaluation:

At this stage the marketing team is ready to actually start putting their plans into action. This may involve spending money on advertising, launching new products, interacting with potential new customers, opening new retail outlets etc.

14. <u>Review the performance:</u>

The last section of the plan outlines controls that will be used to monitor progress.

Review the results for each period, may be each month or quarter, and determine if the plan is able to meet its objectives. If necessary some modifications can be done to make it more effective.

2.6 SUMMARY

From the above discussion it is clear that the marketing plan is the most important tool while framing the overall marketing strategy of the organization. While designing the marketing strategy the firm has to see that it contains all the essential elements so that it can be implemented successfully. Developing marketing strategy or plan is a lengthy process for the firm. But it has to be done very carefully as effectively designed strategy can bring the desired results to the organization. While developing the marketing strategy SWOT analysis is must. Without knowing strengths, weaknesses, opportunities and threats it is really difficult to build an effective marketing strategy.

2.7 SUGGESTED QUESTIONS

1. What is marketing plan? Discuss the important features of marketing plan.
2. State and explain the contents of marketing plan.
3. State and explain the steps involved in marketing planning.
4. Explain the following concepts:
    i. Marketing plan
    ii. Effective marketing plan

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3

MARKETING ENVIRONMENT ANLYSIS AND MIS

Unit Structure

3.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of marketing environment
- To discuss the internal and external environment analysis
- To understand the concept of Management Information System (MIS)

3.1 INTRODUCTION

A variety of environmental forces influence a company's marketing system. Some of them are controllable while some others are uncontrollable. It is the responsibility of the marketing manager to change the company's policies along with the changing environment. The market environment is a marketing term. It refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers. Staying ahead of the consumer is an important part of a marketer's job. It is important to understand the marketing environment in order to comprehend the consumers concerns, motivations and to adjust the product according to the consumers needs. Marketers use the process of marketing environmental scans, which continually acquires information on events occurring outside the organization to identify trends, opportunities and threats to a business.

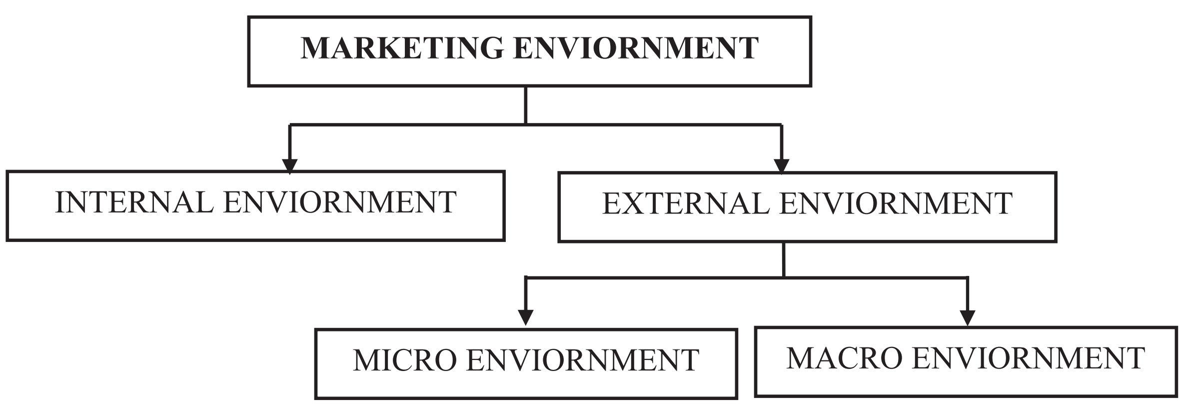
3.2 MEANING AND DEFINITION OF MARKETING ENVIORNMENT

Market environment includes the factors and forces that affect a firm's ability to build and maintain successful relationships with customers. Marketing environment is the cumulative form of the factors that encapsulate within themselves the ability of a firm to connect with the consumers and also the potency of the product as a growth driver to the firm.

According to **Philip Kotler**, "A company's marketing environment consists of the internal factors & forces, which affect the company's ability to develop & maintain successful transactions & relationships with the company's target customers".

In simple words the term marketing environment can be defined as "The various external forces that can directly or indirectly affect the many activities of an organization. This is an integral part of environmental scanning. These activities include acquisition of human resources, raw materials, financial resources, and development of goods and services. The marketing environment includes forces such as: political, legal, regulatory, economic, social, technological, and competitive."

Two levels of the environment are Micro (internal) environment - small forces within the company that affect its ability to serve its customers and macro (national) environment - larger societal forces that affect the micro environment.



3.3 INTERNAL ENVIORNMENT ANALYSIS

Internal environment is a term that describes the elements within an organization which define employee behavior. These elements influence the activities and choices of the employees in an organization. They include the culture, leadership styles and organization structure. An organization's internal environment is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behavior. Although some elements affect the organization as a whole, others affect only the manager. A manager's philosophical or leadership style directly impacts employees. Traditional managers give explicit instructions to employees, while progressive managers empower employees to make many of their own decisions. Changes in philosophy and leadership style are under the control of the manager.

Following are the important elements of internal environment which have to be analyzed properly:

1. Mission Statement:

An organization's mission statement describes what the organization stands for and why it exists. It explains the overall purpose of the organization and includes the attributes that distinguish it from other organizations of its type. A mission statement should be more than words on a piece of paper; it should reveal a company's philosophy, as well as its purpose. This declaration should be a living, breathing document that provides information and inspiration for the members of the organization. A mission statement should answer the questions, “What are our values?” and “What do we stand for?” This statement provides focus for an organization by rallying its members to work together to achieve its common goals. Effective mission statements lead to effective efforts. In today's quality‑conscious and highly competitive environments, an effective mission statement's purpose is centered on serving the needs of customers.

2. Company policies:

Company policies are guidelines that govern how certain organizational situations are addressed. Company policies are an indication of an organization's personality and should coincide with its mission statement.

3. Organization structure:

The formal structure of an organization is the hierarchical arrangement of tasks and people. This structure determines how information flows within the organization, which departments are responsible for which activities, and where the decision - making power rests. Some organizations use a chart to simplify the breakdown of its formal structure. This organizational chart is a pictorial display of the official lines of authority and communication within an organization.

4. Organization culture:

The organizational culture is an organization's personality. Just as each person has a distinct personality, so does each organization. The culture of an organization distinguishes it from others and shapes the actions of its members. Four main components make up an organization's culture are:

- Values: Values are the basic beliefs that define employees' successes in an organization.

- Heroes: A hero is an exemplary person who reflects the image, attitudes, or values of the organization and serves as a role model to other employees.

- Rites and rituals: Rites and rituals, the third component, are routines or ceremonies that the company uses to recognize high - performing employees. Awards banquets, company gatherings, and quarterly meetings can acknowledge distinguished employees for outstanding service.

- Social Network: Is the informal means of communication within an organization. This network, sometimes referred to as the company grapevine, carries the stories of both heroes and those who have failed. It is through this network that employees really learn about the organization's culture and values.

5. **Organizational Climate:**

The overall tone of the workplace and the morale of its workers are elements of daily climate. Worker attitudes dictate the positive or negative "atmosphere" of the workplace. The daily relationships and interactions of employees are indicative of an organization's climate. The company's internal workplace culture, and how that may have shifted over time from its original mission and goals, will likely be assessed. Sometimes a company will use an outside firm to conduct the analysis. Such a move may occur, when the company wants an outside, objective view of the internal inner workings of the company.

6. **Resources:**

Resources are the people, information, facilities, infrastructure, machinery, equipment, supplies, and finances at an organization's disposal. People are the paramount resource of all organizations. Information, facilities, machinery equipment, materials, supplies, and finances are supporting, nonhuman resources that complement workers in their quests to accomplish the organization's mission statement. The availability of resources and the way that managers value the human and nonhuman resources impact the organization's environment.

- Tangible Resources – Assets that can be seen and quantified
- Intangible Resources – Family commitment, networks, organizational culture, reputation, intellectual property rights, trademarks, copyrights

7. **Management Philosophy:**

Philosophy of management is the manager's set of personal beliefs and values about people and work and as such, is something that the manager can control. The managerial philosophies have a subsequent effect on employee behavior, leading to the self-fulfilling prophecy. As a result, organizational philosophies and managerial philosophies need to be in harmony.

8. **Leadership style:**

The number of coworkers involved within a problem - solving or decision - making process reflects the manager's leadership style. Empowerment means delegating to subordinates decision - making authority, freedom, knowledge, autonomy, and skills. Fortunately, most organizations and managers are making the move toward the active participation and teamwork that empowerment entails. When guided properly, an empowered workforce may lead to heightened productivity and quality, reduced costs, more innovation, improved customer service, and greater commitment from the employees of the organization.

External factors are beyond the control of a firm; its success depends to a large extent on its adaptability to the environment. The external marketing environment consists of:

a) Macro environment, and

b) Micro environment

a) **Micro environment:** The environmental factors that are in its proximity. The factors influence the company's non-capacity to produce and serve the market. The factors are:

1. <u>Suppliers:</u>

The suppliers to a firm can also alter its competitive position and marketing capabilities. These are raw material suppliers, energy suppliers, suppliers of labor and capital.

2. <u>Market Intermediaries</u>:

Every producer has to have a number of intermediaries for promoting, selling and distributing the goods and service to ultimate consumers. These intermediaries may be individual or business firms. These intermediaries are middleman (wholesalers, retailers, agent's etc.), distributing agency market service agencies and financial institutions.

3. <u>Customers</u>:

The customers may be classified as :

4. <u>Competitors:</u>

Competitors are those who sell the goods and services of the same and similar description, in the same market. Apart from competition on price, there are like product differentiation. Therefore, it is necessary to build an efficient system of marketing. This will bring confidence and better results.

5. <u>Public:</u>

It is duty of the company to satisfy the people at large along with its competitors and the consumers. It is necessary for future growth. The actions of the company do influence the other groups forming the general public for the company. A public is defined as 'any group that has an actual or potential interest in or impact on a company's ability to achieve its objective.' Public relations are certainly a broad marketing operation which must be fully taken care of.

b) The macro environment: It refers to all forces that are part of the larger society and affect the microenvironment. Macro environment factors act external to the company and are quite uncontrollable. These factors do not affect the marketing ability of the concern directly but indirectly the influence marketing decisions of the company. It includes concepts such as demography, economy, natural forces, technology, politics, and culture. The factors are:

1. **Demographic Forces:**

Here, the marketer monitor the population because people forms markets. Marketers are keenly interested in the size and growth rate of population in different cities, regions, and nations; age distribution and ethnic mix; educational levels; households patterns; and regional characteristics and movements. Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This is a very important factor to study for marketers and helps to divide the population into market segments and target markets. An example of demography is classifying groups of people according to the year they were born. Each classification has different characteristics and causes they find important. This can be beneficial to a marketer as they can decide who their product would benefit most and tailor their marketing plan to attract that segment. Demography covers many aspects that are important to marketers including family dynamics, geographic shifts, work force changes, and levels of diversity in any given area.

2. **Economic Factors:**

Another aspect of the macro environment is the economic environment. This refers to the purchasing power of potential customers and the ways in which people spend their money. The economic environment consists of macro-level factors related to means of production and distributions that have an impact on the business of an organization within this area are two different economies, subsistence and industrialized. Subsistence economies are based more in agriculture and consume their own industrial output. Industrial economies have markets that are diverse and carry many different types of goods. Each is important to the marketer because each has a highly different spending pattern as well as different distribution of wealth

3. **Physical Forces or Natural Environment:**

Components of physical forces are earth's natural renewal and non-renewal resources. Natural renewal forces are forest, food products from agriculture or sea etc. Non- renewal natural resources are finite such as oil, coal, minerals, etc. Both of these components quite often change the level and type of resources available to a marketer for his production. Natural environment includes the natural resources that a company uses as inputs that affect their marketing activities. The concern in this area is the increased pollution, shortages of raw materials and increased governmental intervention. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollution can go as far as negatively affecting a company's reputation if they are known for damaging the environment. The last concern, government intervention can make it increasingly harder for a company to fulfill their goals as requirements get more stringent

4. **Technological Factors:**

The technological environment consists of factors related to knowledge applied, and the materials and machines used in the production of goods and services that have an impact on the business of an organization. The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. As these markets develop it can create new markets and new uses for products. It also requires a company to stay ahead of others and update their own technology as it becomes outdated. They must stay informed of trends so they can be part of the next big thing, rather than becoming outdated and suffering the consequences financially.

5. **Political and Legal Forces:**

Developments in political and legal field greatly affect the marketing decisions. sound marketing decision cannot be taken without taking into account, the government agencies, political party in power and in opposition their ideologies, pressure groups, and laws of the land. These variables create tremendous pressures on marketing management. Laws affect production capacity, capability, product design, pricing and promotion. Government in almost all the country intervenes in marketing process irrespective of their political ideologies. The political environment includes all laws, government agencies, and groups that influence or limit other organizations and individuals within a society. It is important for marketers to be aware of these restrictions as they can be complex. Some products are regulated by both state and federal laws. There are even restrictions for some products as to who the target market may be, for example, cigarettes should not be marketed to younger children. There are also many restrictions on subliminal messages and monopolies. As laws and regulations change often, this is a very important aspect for a marketer to monitor.

6. **Social and Cultural Forces**:

This concept has crept into marketing literature as an alternative to the marketing concept. The social forces attempt to make the marketing socially responsible. It means that the business firms should take a lead in eliminating socially harmful products and produce only what is beneficial to the society. These are numbers of pressure groups in the society who impose restrictions on the marketing process. The aspect of the macro environment is the cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. As a marketer, it is important to know the difference between the two and to focus your marketing campaign to reflect the values of a target audience.

3.4 THE CONCEPT OF MANAGEMENT INFORMATION SYSTEM (MIS)

MIS is a system to support the decision making function in the organization. In any organization, small or big, a major portion of the time goes in data collection, processing, documenting it to the people. Hence, a major portion of the overheads goes into this kind of unproductive work in the organization. Every individual in an organization is continuously looking for some information which is needed to perform his/her task. Hence, the information is people-oriented and it varies with the nature of the people in the organization. The difficulty in handling this multiple requirement of the people is due to a couple of reasons. The information is a processed product to fulfill an imprecise need of the people. It takes time to search the data and may require a difficult processing path.

It has a time value and unless processed on time and communicated, it has no meaning.

MIS provides information that organizations require to manage themselves efficiently and effectively. Management information systems are typically computer systems used for managing. The five primary components are:

- Hardware
- Software
- Data (information for decision making)
- Procedures (design, development and documentation)
- People (individuals, groups, or organizations).

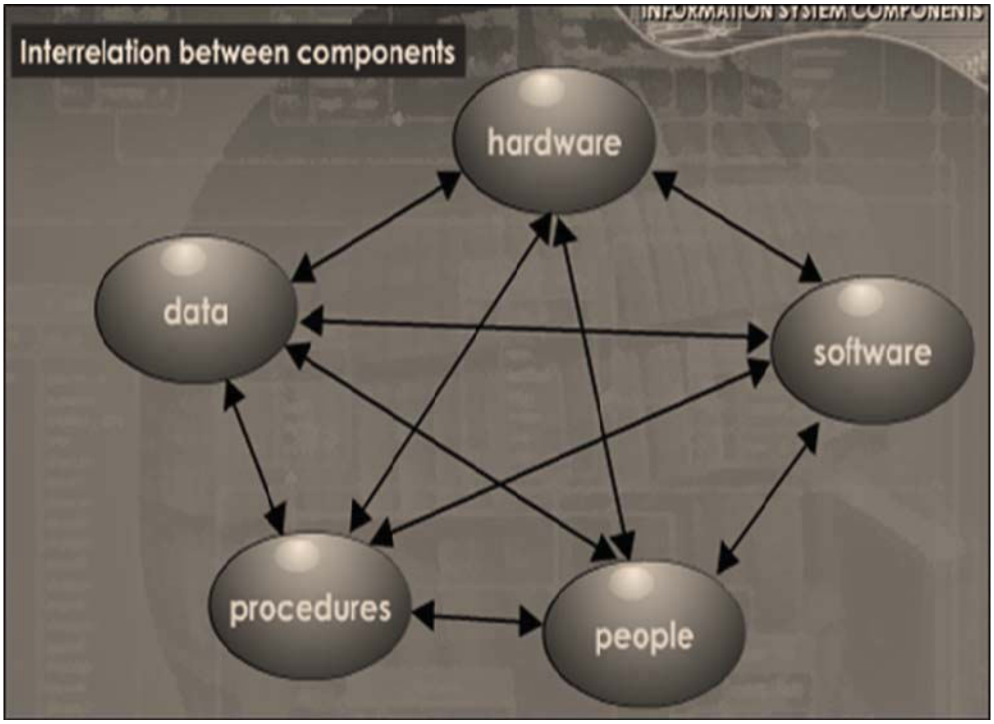
Management information systems are distinct from other information systems because they are used to analyze and facilitate strategic and operational activities. The MIS is defined as a system which provides information support for decision making in the organization. The MIS is defined as an integrated system of man and machine for providing the information to support the operations, the management and the decision making function in the organization. It is a system based on the database of the organization evolved for the purpose of providing information to the people in the organization. It is a computer based Information System.

MIS is a general term for the computer systems in an enterprise that provide information about its business operations. It's also used to refer to the people who manage these systems. Typically, in a large corporation, "MIS" or the "MIS department" refers to a central or centrally-coordinated system of computer expertise and management.

In a management information system, modern, computerized systems continuously gather relevant data, both from inside and outside an organization. This data is then processed, integrated, and stored in a centralized database (or data warehouse) where it is constantly updated and made available to all who have the authority to access it, in a form that suits their purpose.

MIS is a broadly used and applied term for a three-resource system required for effective organization management. The resources are people, information and technology, from inside and outside an organization, with top priority given to “people.” The “System” is a collection of information management methods involving computer automation (software and hardware) or otherwise supporting and improving the quality and efficiency of business operations and human decision making.

3.5 THE COMPONENTS OF MANAGEMENT INFORMATION SYSTEM (MIS)



1. **Computer hardware:**

Today even the smallest firms, as well as many households throughout the world, own or lease computers. These are usually microcomputers, also called personal computers. Individuals may own multiple computers in the form of Smartphone and other portable devices. Large organizations typically employ distributed computer systems, from powerful parallel-processing servers located in data centers to widely dispersed personal computers and mobile devices, integrated into the organizational information systems. Together with the peripheral equipment, such as magnetic or solid-state storage disks, input-output devices, and telecommunications gear, these constitute the hardware of information systems. The cost of hardware has steadily and rapidly decreased, while processing speed and storage capacity have increased vastly. However, hardware's use of electric power and its environmental impact are concerns being addressed by designers.

2. **Computer software:**

Computer software falls into two broad classes: system software and application software. The principal system software is the operating system. It manages the hardware, data and program files, and other system resources and provides means for the user to control the computer, generally via a graphical user interface (GUI). Application software is programs designed to handle specific tasks for users. Examples include general-purpose application suites with their spreadsheet and word-processing programs, as well as “vertical” applications that serve a specific industry segment—for instance, an application that schedules, routes, and tracks package deliveries for an overnight carrier. Larger firms use licensed applications, customizing them to meet their specific needs, and develop other applications in-house or on an outsourced basis. Companies may also use applications delivered as software-as-a-service (SaaS) over the Web. Proprietary software, available from and supported by its vendors, is being challenged by open-source software available on the Web for free use and modification under a license that protects its future availability.

3. **Procedures:**

Telecommunications are used to connect, or network, computer systems and transmit information. Connections are established via wired or wireless media. Wired technologies include coaxial cable and fiber optics. Wireless technologies, predominantly based on the transmission of microwaves and radio waves, support mobile computing. Pervasive information systems have arisen with the computing devices embedded in many different physical objects. For example, sensors such as radio frequency identification devices (RFIDs) can be attached to products moving through the supply chain to enable the tracking of their location and the monitoring of their condition. Wireless sensor networks that are integrated into the Internet can produce massive amounts of data that can be used in seeking higher productivity or in monitoring the environment.

Various computer network configurations are possible, depending on the needs of an organization. Local area networks (LANs) join computers at a particular site, such as an office building or an academic campus. Metropolitan area networks (MANs) cover a limited densely populated area. Wide area networks (WANs) connect widely distributed data centers, frequently run by different organizations. The Internet is a network of networks, connecting billions of computers located on every continent. Through networking, users gain access to information resources, such as large databases, and to other individuals, such as coworkers, clients, or people who share their professional or private interests. Internet-type services can be provided within an organization and for its exclusive use by various intranets that are accessible through a browser; for example, an intranet may be deployed as an access portal to a shared corporate document base. To connect with business partners over the Internet in a private and secure manner, extranets are established as so-called virtual private networks (VPNs) by encrypting the messages. The purpose of the technology component is to simplify the complexity behind the scenes and empower the business users to answer the question they are asking their content.

4. **People:**

Qualified people are a vital component of any information system. Technical personnel include development and operations managers, business analysts, systems analysts and designers, database administrators, computer programmers, computer security specialists, and computer operators. In addition, all workers in an organization must be trained to utilize the capabilities of information systems. Billions of people around the world are learning about information systems as they use the Web. Having the right people is key to the success of an information management initiative. Identifying driven individuals is the first step in ensuring that the initiative can evolve through its infancy stage to maturity.

5. **Databases and data warehouses:**

Many information systems are primarily delivery vehicles for data stored in databases. A database is a collection of interrelated data (records) organized so that individual records or groups of records can be retrieved to satisfy various criteria. Typical examples of databases include employee records and product catalogs. Databases support the operations and management functions of an enterprise. Data warehouses contain the archival data, collected over time, that can be mined for information in order to develop and market new products, serve the existing customers better, or reach out to potential new customers. Anyone who has ever purchased something with a credit card—in person, by mail order, or over the Web—is included within such data collections.

1. Define a data governance strategy to include how the information will be managed and who will be responsible.
2. Identify Data Stewards and clearly state their role and responsibility. Define common business terms through a Data Dictionary
3. Commence a data audit and data quality initiatives
4. Establish a structured Communication Strategy to raise the profile of the information management initiative
5. Define additional standards and processes regarding the content component
6. These processes enable quality transformation of data into valuable information that the business can use.

3.6 SUMMARY

From the above discussion it can be understood that analysis of internal and external marketing environment is essential to achieve organizational objectives. While dealing with the marketing environment it is important for a company to become proactive. By doing so, they can create the kind of environment that they will prosper in and can become more efficient by marketing in areas with the greatest customer potential. It is important to place equal emphasis on both the macro and micro environment and to react accordingly to changes within them. So to conclude it can be said that before framing any marketing strategy company needs to consider its all micro and macro environmental factors. No marketing organization can function effectively without the support of appropriate information system. The information system should cover every aspect of marketing – the consumer, the market, the competition and the environment. The marketing excellence of a firm has a direct relationship with the MIS operated by it. Marketing excellence is the net result of correct marketing decisions and correct decisions are possible only when updated and reliable information is supplied promptly by the information system created within the organization.

3.7 SUGGESTED QUESTIONS

1. What is marketing environment? Discuss the various components of marketing environment.
2. What is internal environment analysis? Discuss it in detail.
3. What is micro environment analysis? Discuss it in detail.
4. What is macro environment analysis? Discuss it in detail.
5. What is MIS? State and explain the components of MIS.
6. Explain the following concepts:
    i. Demographic environment
    ii. Natural environment
    iii. Technological environment
    iv. Social environment
    v. Economic environment
    vi. The concept of MIS

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4

INDUSTRY ATTRACTVENESS AND MARKETING RESEARCH

Unit Structure

4.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of industry attractiveness
- To understand the Porter’s five forces model
- To discuss the concept of marketing research

4.1 INTRODUCTION

Industrial attractiveness is the magnitude and ease of making profit, in comparison with the risks involved, that an industrial sector offers. It is based on the number of competitors, their relative strength, width of margins, and rate of growth in demand for its goods or services.

A detailed industry analysis is a massive task, taking many months to complete. There are a wide range of groups that provide an information source:

- ➢ Industry observers
- ➢ Employees
- ➢ Service providers
- ➢ Customers
- ➢ Suppliers

From this information, firm begin to look at industry attractiveness.

4.2 THE CONCEPT OF INDUSTRY ATTRACTVENESS

A number of standard attractiveness criteria can be used to determine general industry attractiveness. The criteria are as follows:

1. Growth:

Growth potential is not just about individual products or services. It about understands the factors that drive demand for range of products or services. Understanding these factors will allow the firm to determine the growth potential of your business. Firm needs to understand the typical consumers and any factors that influence a growth or reduction of consumers. Some typical factors could be the following:

- Demographic trends: Demographic trends refer to changes in age profiles, sex, geographic movements, etc. For example, if people above fifty-five mainly use your services, then your growth potential is probably high, given that the percentage of people above fifty-five continues to increase every year. You are part of a growing industry.

- Social trends: Social trends refer to changes in the mix of work and leisure or changes in the typical activities people perform in their lives. For example, if your business is primarily concerned with selling prepared meals, then your growth potential is probably high, given the increasing trend towards buying these products. You again are part of a growing industry.

- Technology trends: Technology trends in this context refer to the introduction of new mass technology that allows people to conduct activities that were otherwise technically impossible or too expensive. For example, if your business is directly related to the number of personal computers, or the number of Internet connections, then your growth potential is probably high, given the increasing mass availability of this technology. You again are part of a growing industry.

2. Size:

Industry size is an important criterion. Once an industry reaches substantial size, it allows a diversity of competition. It encourages supermarket style, base product companies, technical innovators, geographic-based companies and single product companies all to participate in the market. This provides wider customer choice and different strategy options for companies.

The actual size in revenue an industry needs to reach to have the right critical mass to promote diversity of competition will depend on the capital intensity of the industry. The lower the capital required entering an industry, the lower the revenue base required for an individual company. A good example of appropriate industry size is a comparison of the fast-food industry to a capital intensive manufacturing industry. A prospective owner looking at a fast-food business, with a relatively low capital input, would need to only consider the demand and revenue base from their local suburb. A prospective owner of a capital intensive manufacturing business would need to consider national and perhaps international requirements for their products to ensure they can develop a high enough revenue base.

3. Profitability/Returns:

Fundamentally attractive industries are those where the average return on funds employed is greater than the average cost of funds. The bigger the difference, the more attractive an industry is. In these industries, wealth is being created. Of course, risk and return are related, and the higher the return, the greater the risk. Over the last decade, we would discover that a lot of service industries would have attractive returns significantly above their cost of funds. If we examined recent figures for some new high technology or Internet-based businesses, we might find unattractive returns. For these industries, we would need to make a judgment about their future attractiveness over the next decade as their market grows significantly.

4. Competitive Structure:

Understanding industry competitive structure is a fundamental part of strategic analysis. There are key structural features of industries that determine the strength of competitive forces and hence industry profitability. There are three fundamental areas that influence the competitive structure of the industry. They relate to the level of aggression displayed by the existing competitors, the potential for new competitors and the influence up and down the supply chain.

5. Supply Chain Influence:

Customers have an impact on industry profitability by pushing for lower prices and higher quality or more service. Customers have influence if, there are a small number of them relative to the sellers, it is easy to change suppliers, they can backward integrate etc. Suppliers have an impact on industry profitability by pushing for higher prices or lower quality of goods and services. Suppliers have influence if, there are a small number of them relative to the customers, there are no substitute products, the industry is not an important customer base, their product is vital to your business, it is hard to change suppliers, they can forward integrate, etc.

6. **Market Diversity:**

The more diverse the range of market segments covered by industry's products, the more attractive that industry is. An industry is open to significant risk if its fate rests with a single market segment. The attractiveness of market diversity comes from the fact that different segments will have different growth rates and different demand cycles. This can smooth out the demand for products and allow a more efficient use of resources.

7. **Cyclic ability:**

Cyclic ability, to some extent, is related to market diversity. The more extreme the cyclical nature of demand for an industry's products, the less attractive the industry is. The cyclical nature of demand can make it very difficult to organize resources.

8. **Community Risk:**

The severity of laws and demands on industry with respect to occupational health and safety and environmental compliance will only become harsher over the next few years. Industries are obviously more attractive if they have little risk in this area. Manufacturing industries are particularly at risk from occupational health and safety and environmental factors. Excellent systems and expertise of staff can overcome these risks, and in some industries, a particular company with skills in this area can have a competitive advantage. For a new entrant, the need for these systems and skills can be a significant barrier to entry.

4.3 PORTER'S FIVE FORCES MODEL

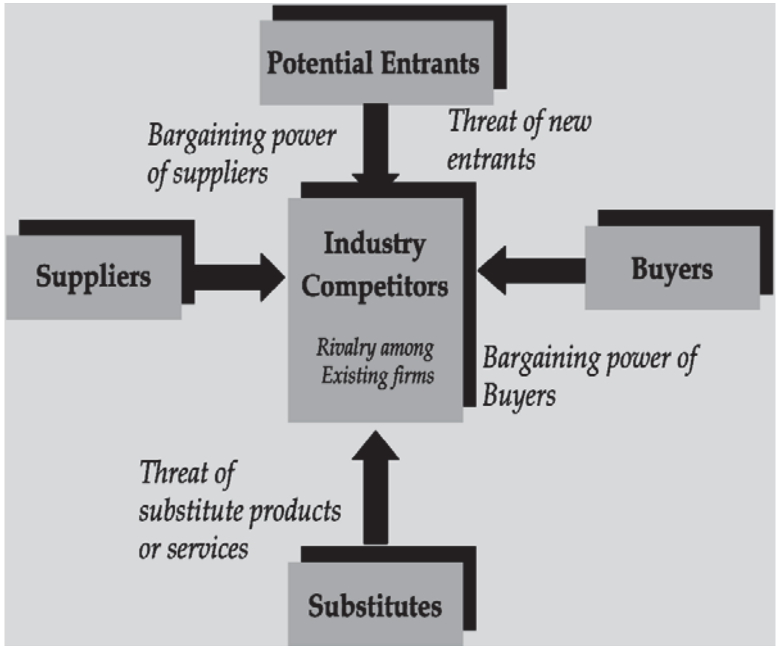
Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors." for assessing and evaluating the competitive strength and position of a business organization.

Porter five forces analysis is a framework for industry analysis and business strategy development. It draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. An "unattractive" industry is one in which the combination of these five forces acts to drive down overall profitability. A very unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven to normal profit.

This theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter’s five forces help to identify where power lies in a business situation. This is useful both in understanding the strength of an organization’s current competitive position, and the strength of a position that an organization may look to move into.

Strategic analysts often use Porter’s five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.

Three of Porter's five forces refer to competition from external sources. The remainder is internal threats. Porter referred to these forces as the micro environment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to re-assess the marketplace given the overall change in industry information. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business model or network to achieve a profit above the industry average. A clear example of this is the airline industry. As an industry, profitability is low and yet individual companies, by applying unique business models, have been able to make a return in excess of the industry average.



Porter's five forces include - three forces from 'horizontal' competition: the threat of substitute products or services, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. The five forces are discussed as follows:

1. **Threat of new entrants:**

Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry. Unless the entry of new firms can be blocked by incumbents, the abnormal profit rate will trend towards zero (perfect competition). Potential factors are:

- The existence of barriers to entry (patents, rights, etc.). The most attractive segment is one in which entry barriers are high and exit barriers are low. Few new firms can enter and non-performing firms can exit easily.
- Government policy
- Capital requirements
- Absolute cost
- Cost disadvantages independent of size
- Economies of scale
- Economies of product differences
- Product differentiation
- Brand equity
- Switching costs or sunk costs
- Expected retaliation

- Access to distribution
- Customer loyalty to established brands
- Industry profitability (the more profitable the industry the more attractive it will be to new competitors)

2. **Threat of substitute products or services:**

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. Potential factors are:

- Buyer propensity to substitute
- Relative price performance of substitute
- Buyer switching costs
- Perceived level of product differentiation
- Number of substitute products available in the market
- Ease of substitution. Information-based products are more prone to substitution, as online product can easily replace material product.
- Substandard product
- Quality depreciation

3. **Bargaining power of customers:**

The bargaining power of customers is also described as the market of outputs i.e. the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes. Firms can take measures to reduce buyer power, such as implementing a loyalty program. Potential factors are:

- Buyer concentration to firm concentration ratio
- Degree of dependency upon existing channels of distribution
- Bargaining leverage, particularly in industries with high fixed costs
- Buyer switching costs relative to firm switching costs
- Buyer information availability
- Force down prices
- Availability of existing substitute products
- Buyer price sensitivity
- Differential advantage (uniqueness) of industry products

4. **Bargaining power of suppliers:**

The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm when there are few substitutes. Suppliers may refuse to work with the firm or charge excessively high prices for unique resources. The Potential factors are:

- Supplier switching costs relative to firm switching costs
- Degree of differentiation of inputs
- Impact of inputs on cost or differentiation
- Presence of substitute inputs
- Strength of distribution channel
- Supplier concentration to firm concentration ratio
- Employee solidarity (e.g. labor unions)
- Supplier competition: the ability to forward vertically integrate and cut out the buyer.

5. **Intensity of competitive rivalry:**

For most industries, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry. The Potential factors are:

- Sustainable competitive advantage through innovation
- Competition between online and offline companies
- Level of advertising expense
- Powerful competitive strategy
- Firm concentration ratio
- Degree of transparency

Benefits of Porter's Five Forces Model:

➢ The Porter's Five Forces tool is a simple but powerful tool for understanding where power lies in a business situation.

➢ Five forces analysis helps organizations to understand the factors affecting profitability in a specific industry, and can help to inform decisions relating to: whether to enter a specific industry; whether to increase capacity in a specific industry; and developing competitive strategies.

➢ It helps to understand both the strength of current competitive position of the firm and the strength of a position firm is considering moving into.

➢ With a clear understanding of where power lies, firm can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important part of firm's planning.

➢ Conventionally, the tool is used to identify whether new products, services or businesses have the potential to be profitable. However it can be very illuminating when used to understand the balance of power in other situations.

4.4 THE CONCEPT OF MARKETING RESEARCH

Market research is the collection and analysis of information about consumers, competitors and the effectiveness of marketing programs. Marketing research is the function that links the consumer, customer, and public to the marketer through information--information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

Marketing research is "the process or set of processes that links the consumers, customers, and end users to the marketer through information which is used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications." It is the systematic gathering, recording, and analysis of qualitative and quantitative data about issues relating to marketing products and services. The goal of marketing research is to identify and assess how changing elements of the marketing mix impacts customer behavior.

Definitions of marketing research:

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

"Marketing Research is the systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and services."

2. According to Philip Kotler**,**

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

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

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

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

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

Market research involves two types of data:

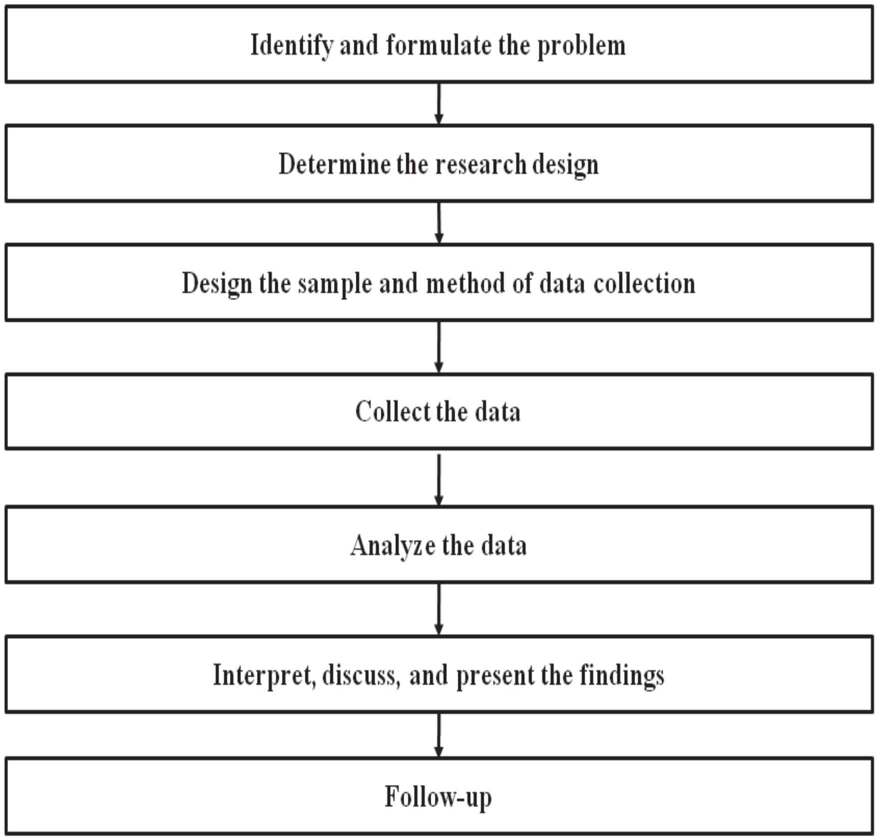
- Primary information: This is research firm compiles itself or hires someone to gather.

- Secondary information: This type of research is already compiled and organized. Examples of secondary information include reports and studies by government agencies, trade associations or other businesses within your industry. Most of the research gathered is most likely be secondary.

Benefits of marketing strategy:

1. Market research guides the organization to communicate with current and potential customers.
2. Market research helps to identify opportunities in the marketplace.
3. Market research helps to minimize risks.
4. Market research measures the reputation of the organization in the market
5. Market research uncovers and identifies potential problems.
6. Market research helps the organization to plan ahead
7. Market research can help the organization to establish trends.
8. Market research helps to establish your market positioning

4.5 THE PROCESS OF MARKETING RESEARCH



Following are the steps involved in the process of market research:

1. **Defining the Problem:**

The starting phase is always identifying the reason or problem for which research is to be conducted. . In many ways, research starts with a problem that management is facing. This problem needs to be understood, the cause diagnosed, and solutions developed. This includes collecting of relevant initial information and how this information will affect decision making process. It also includes defining problems after discussing with decision makers of the organization. Once the problem is defined precisely and the need of research is discussed, the further process could be conducted in an efficient manner.

2. **Determining the objective:**

Once the initial stage of defining the problem and the need of research is done, it is important to determine who will do the research and what will be the approaches to resolve these problems. This involves creating a problem solving framework and analytical models after discussing with organization experts. In this sample case studies are created according to the defined framework by enforcing the relevant information and secondary data.

3. **Picking out the appropriate methodology:**

A specific methodology is entailed by the research professional after identifying the specific needs and exploring the case studies. It may include a combination of specific approaches like telephone survey, web or email survey, one-to-one interviews, secondary research etc. This methodology acts as a blueprint of research process and following basic steps:

- Methods for collecting and preparing quantitative information
- Determining the need of this information
- Scaling and measuring procedures
- Designing sample Questionnaire
- Formulating case studies and sampling process
- Planning information analysis

There are two primary methodologies that can be used to answer any research question: experimental research and non-experimental research. Experimental research gives you the advantage of controlling extraneous variables and manipulating one or more variables that influences the process being implemented. Non-experimental research allows observation but not intervention.

4. **Data Collection Process:**

This process includes field work and desk work for collecting all relevant data and information. Field work includes interviewing the personals by interacting them face to face by visiting them in home or offices or arranging group meetings at any preferred place. Desk work includes contacting personals over telephone or via series of emails and web meetings. This could take comparatively more time as compared to the field work. Involving experienced and trained executive for this helps in reducing data collection errors.

5. **Data analysis:**

After the data collecting stage the collected data is edited, corrected if required and validated. This process is the most important process in the research as the results are generated on the basis of data preparation. So it is required for an organization to verify the authenticity of the collected data and edit or correct it if needed. The final data is then segmented according to the business standards and inserted into the CRM database in a more tabulated form so that search or combination could be made easily.

The entire process is properly documented with respect to organizational standards so that it can be referred in future for decision making process or to change or modify any specific process or module. This document contains overall architecture of the project depicting all the processes with the help of tables, graphs and figures to provoke impact and clarity.

6. **Market research report:**

In this stage, the researcher prepares the final research report. This report will include all of your information, including an accurate description of your research process, the results, conclusions, and recommended courses of action. The report should provide all the information the decision maker needs to understand the project. It should also be written in language that is easy to understand. It's important to find a balance between completeness and conciseness. The report must be submitted to the marketing executives for recommendations and implementation.

7. **Follow up:**

Finally, the last step in a marketing research process is to do a follow up. In this stage, the marketing executive makes changes in the product, price, marketing policies, etc. as per the recommendations of the report. Here, the researcher should find out, whether his recommendations are implemented properly or not. He should also figure-out, whether the marketing problem is solved or not.

4.6 SUMMARY

From the above discussion it can be understood that Porter's Five Forces Model can be a good support to SWOT analysis. It can be also useful in framing effective marketing strategies. To make marketing strategies more effective, it is really important to pay attention to market research function of the organization. Market research helps the firm to identify the various factors affecting the working of the organization internally as well as externally. If the organization follows the process of marketing research systematically then definitely company will be able to come out with an efficient marketing strategy.

4.7 SUGGESTED QUESTIONS

1. What is industrial attractiveness? Discuss it in detail with reference to Porter's Five Forces Model.
2. What is marketing research? State and explain the stages involved in the process of marketing research.
3. Write a note on:
    i. Industrial attractiveness
    ii. Porter's Five Forces Model
    iii. Marketing research

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5

CONNECTING WITH CUSTOMERS

Unit Structure

5.0 OBJECTIVES

After studying the unit the students will be able to:

- Understand the meaning and features of customers value.
- Discuss the areas in which the customer value should be created.
- Explain the components of Customers Value.
- Know the meaning of Customer Loyalty, its importance and loyalty levels.
- Discuss the various activities undertaken by the business for building loyalty.
- Understand the meaning of Customer Lifetime Value.

5.1 INTRODUCTION

Customer value is the bundle of benefits that customers expect from a given product or services. Customers buy products they perceive to offer the highest customer delivered value. They are value maximizers . Value reflects the perceived tangible and intangible benefits and costs to the customer. It can be seen as a combination of Quality, Service and Price. Kotler calls it as the customer value triad (QSP). Value increases with quality and services and decreases with price. Value is a central marketing concept. Marketing can be seen as the identification, creation, communication, delivery and monitoring of customer value.

5.2 MEANING AND FEATURES OF CUSTOMER VALUE

5.2.1 MEANING

Value is fundamental to the marketing process. It is what the customer thinks is value and not the company. Hence customer analysis is vital for a company in finding out what is the value to the customer. Customer often judge perceived value rather than judge value and cost accurately and objectively.

"Customer perceived value is the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers." - Philip Kotler

Customer perceived value refers to the bundle of benefits that are tangible as well as intangible which the customer considers/imagines in a product/offer.

5.2.2 FEATURES OF CUSTOMER VALUE

1. **Customer perceived:**
   Value is what the customer thinks is value and not the company. Many a times company face downslide in its market share due to wrong assumption on the part of the company. For example P& G's Pringles (potato chip) did not create any customer value though the company assumed that the customer would be delighted with better product attributes- better shelf life and no breakage. The customer perceived these attributes to be of less significant value. They were reluctant to pay a price premium of 10 percent. As a result Pringles venture failed when they introduced the product for the first time in the market.

2. **Customer analysis:**
   Creating customer Value needs in-depth customer analysis. It is useful in marketing to find out what is of value to the customer. Customer survey identifies customers' perceptions of the product performance. It is essential to undertake customer's survey that indicates customers' perception towards performance rather than just relying on the need to improve the business/product performance.

It is essential to find out what attributes customers considers as significant value. Identify the importance of these attributes to the customers and the extent to which the product deliver on these attributes. These should be subsequently included in the market offer to enhance value.

3. **Identifying right attributes:**

It is essential to find out what attributes customers considers as significant value. Identify the importance of these attributes to the customers and the extent to which the product deliver on these attributes. These should be subsequently included in the market offer to enhance value.

4. **Tangible or/and intangible:**

Value reflects the perceived tangible and intangible benefits. Tangible benefits may be in the form of improved product quality, better price etc. intangible benefits may take the form of better services.

5. **Central marketing concept:**

Value is essential in marketing process as the marketing programs arc developed considering the perceived customer value. Value facilitates in developing marketing program. The success of the marketing program (marketing mix) depends on the whether the product creates customer value.

6. **Developing pricing strategies:**

While pricing, the product, companies need to know the customer value perception and according fix the price. Price of the product should not be based only on the cost of the product but considering customers value is essential.

7. **Customer satisfaction:**

Customer satisfaction index acts as an important tool to find out the customers perception of value delivered to him. After using the product the customer would be able to judge whether the product actually delivered has created the value as perceived by him. In short it is simply comparing the performance of the product with the expectation.

5.3 CREATING CUSTOMER VALUE

Customer value can be perceived either from customer's perspective or from firm perspective. The conventional model of value creation process is highly firm oriented where emphasis is laid on innovation to gain competitive advantage. The contemporary model places importance to customer in the whole value creation process to gain competitive edge.

The new dynamics of value creation goes beyond the conventional method. Creating customer value has to be necessarily perceived from customer's point of view. Developing customer's value centers on creating a value system wherein all business partners-the suppliers, customers, dealers, and allies work jointly to create value.

Creating customer value involves the following areas :

1. Product and Service quality :

Creating customer value requires company to produce products that satisfies customer needs. Conformance to quality involves delivering the products as promised. It Includes emphasizing on marketing quality along with production quality which will help in creating customer value. In short it is the product quality as well as service quality which should be given importance. Each marketing activity such as marketing research, sales training, advertising and so on must be performed to high quality standards. This will create a positive image in the customer's mind.

2. Customer satisfaction :

Customer satisfaction is prerequisite in creating customer value. It is the person's feelings of pleasure resulting from comparing products perceived performance in relations to the expectations. The success of any business largely depends on the satisfaction of its customers. A satisfied customer is an asset to the firm and an unpaid sales ambassador of a company. Understanding the needs of customers is essential for customer satisfaction and retaining them.

3. Quality and value relative to competition:

Developing a set of product specifications and standards for services that meet customer needs better than competitors helps in creating customer value. The customer pays for the perceived quality rather than the quality the company wants customer to believe in. Marketing perceived quality will help the firm in creating customer value thereby ensure repeat purchases, stronger customer loyalty and improved market share. In order to face competition and form a formidable defense against competitors and create customer value, the firm need to understand customer perception of competitors, build up customer's value chain or supply chain, personalize experiences and so on.

4. Customer value management:

Managing customer value is equally important as creating them. The customer should be willing to pay for the purchase and consumption of services. The perceived value in offer should be perceived as superior and relevant by the customer. The firm should constantly try and create and deliver value to the customer through frequent interactions with its customers i.e. customer relationship management.

5. Other areas:

- Innovations
- Convenience in product acquisitions
- Convenience in product usage
- Value for money propositions
- Brand image

5.4 COMPONENTS OF CUSTOMER VALUE

Components of customer value can be classified as tangible (quantifiable values) and intangible (non quantifiable and psychological values).

A. Tangible Values

Tangible values include :

1. Functional Values refer to the core aspect of the product and the ability of the product to satisfy a given need of the customer. Marketers often use factors such as reliability, usefulness, durability, performance, resale value, maintenance to enhance their functional values.

2. Aesthetic /Sensory Values refers to artistic, visual aspect of the product which the appeals to the customer.

3. Convenience values refer to easy availability, usability, application of the product. The success of Microsoft was due to the windows software which was considered to be quite customer friendly as perceived by the users.

4. Economic values are values perceived to benefit the customer based on the price advantage.

5. Service Values refer to perceived value relating to the promptness and quality of service. Maintaining good customer relationship enhances the service value of customers.

B. Intangible Values

Intangible Values Include :

1. Social Values refer to value in a product that reflect socially desirable and acceptable product. Environmentally friendly products normally reflect social value.
2. Status Values refer to product ability to meet the customers' sense of esteem, prestige. Most of the products catering to luxury segment emphasize on the status value of the product to enhance customer value.
3. Sentiment Values refer to a product's capacity to stimulate some feelings, emotions, nostalgia while using the products.
4. Belief Values refer to the values which the product reflects in tune with the customer belief and sentiments. Anchor toothpaste with its 'vegetarian' proposition enhance belief in the minds of the customers.

Both the tangible value and intangible perception are equally important in the process of creating customers perceived value.

5.5 CUSTOMER LOYALTY

5.5.1 MEANING

In the present competitive market it is the customer who is the king of the market and in order to retain him the total supplier's value package has to match customer's requirements better than anything offered by competitors.

Winning the new customer is costly, but keeping the existing customer is profitable. More companies have realized this fact, leading to establishment of loyalty programmes. Loyalty programmes may take form of bonus points, gifts, etc. Some ways to enhance loyalty include:

1. offer guarantee for the products
2. realistic promises
3. attend to customer complaints and responding promptly
4. constantly innovate products
5. Build rapport with customers. The key to retain customers is relationship marketing.

Maximizing customer satisfaction will lead to customer retention. Many companies are therefore aiming at total customer satisfaction (TCS).

5.5.2 DEFINITION

Customer loyalty is defined as the degree to which customers are predisposed to stay with one company and resist competitive offers.

5.5.3 IMPORTANCE

The cost of attracting customers is estimated to be five times the cost of keeping a current customer happy.

1. **Profit:**

   Profit is the main motive for doing business. Customers do not mind paying more for the product that matches their needs. A loyal customer is likely to repeat purchases, recommend to others and reduces price sensitivity about the product or services. Studies have shown that a 5 percent increase in customer loyalty can produce profit increase of 25 to 85 percent across a range of industries. It is essential to know and perform well in areas that matters most to the customers.

2. **Higher prices:**

   Satisfied and loyal customers often are prepared to pay more price for a service or product they trust rather than making small savings by taking the risk of non-performance or deterioration of the product.

3. **Reduction in advertising expenditure:**

   Satisfied and loyal customers are the cheapest and the most effective form of advertising. A loyal customer is an asset to the firm and an unpaid sales ambassador of a company.

4. **Reduces customer complaints:**

   Loyal customer are normally satisfied customers hence the complaints are also fewer. Lower the customer complaints results in customer satisfaction, which in turn enhances customer loyalty.

5. **Less vulnerable to competitors moves:**

   Customers who are satisfied and loyal are less likely to pay attention to any competitors move. They are convinced about their existing products and services which meet their long term requirements.

6. **Enhances firm's reputation:**

   Loyal customers facilitate in enhancing the brand image and thus the firms' reputation. The classic case of customer's loyalty is Harley Davidson wherein the customers themselves are the advocates of the products. Dissatisfied Customers not only take the business away but probably tell several others about their experiences which may tarnish the image of the firm.

7. **Increase in market share:**

   Loyal customers assist the company in increasing the market share not only by advocating strongly about the product to others but also increase their own share of wallet. Hence firms should spend more time in retaining customers and build up customer loyalty and increase their share of purchase.

8. **Helps in introducing new products:**

   Introducing new product for a company with a reasonable base of loyal customers is of a less hassle as it is easily acceptable by the customers and also it is cost effective.

9. **Longer product life cycle:**

   One of the most important advantages of having loyal customers is the longevity of the product in the market. It is seen that products having loyal customers usually have longer period of product life.

10. **Reduces unnecessary wasteful expenditure:**

    Firms spend more time and money in acquiring rather than retaining the customer. A satisfied and loyal customer is an asset to the firm and an unpaid sales ambassador of a company. Unnecessary wasteful expenditure can be curtailed by the firms having loyal customer base. This further will increase the profits of the firm.

5.5.4 LOYALTY LEVELS

There are different degrees of customer loyalty as given below:

1. Suspect :

Suspect include all buyers in the market place. They may or may not be aware of the company's product offering.

2. Prospects:

They are the potential buyers who are aware of the product offerings and have some inclination towards buying the product of the company.

3. Customers:

Customers include the buyer of the company's product. Although having purchased the product, they have no feelings of likeness towards the product or the company.

4. Clients:

The business starts earning profit from this level when the customers are converted to clients. Clients are repeated customers who have positive feelings, likeness and affinity of attachment towards product and the company although their support is more passive.

5. Advocates:

Advocates are clients who actively support the product and the organization. They recommend the product to others. Having advocates for their product or services is a valuable asset for any organization.

6. Partners:

The highest form of loyalty level is the partnership between the customer and the organization. Customers consider the organization and their products as their own and are mutually benefitted. This is the highest form of the commitment displayed by the customers. Partners are truly committed customers.

5.5.5 MARKETING ACTIVITIES OF BUILDING LOYALTY

There are several ways to build customer loyalty. Some of the important ways to delight customers and make them brand loyal are as follows:

1. **Customer Database:**

   Organizations can maintain a good database of customers in respect of their past purchases, preferences, demographics, and other important aspects. This would not only help to make differentiated offerings to a particular group of customers, but it would also delight individual customers. For instance, a hotel can maintain a data of its loyal customers, and before they order for food and other room service, the hotel staff can ask the customer (based on database) - would you prefer to order your favourite? This would not only excite the customer, but would also delight him.

2. **Suggestion Schemes:**

   Marketers can design suggestion schemes to improve the product and the service. For instance, one store that introduced a 'mistake pointer' scheme, which rewarded the customers for pointing out mistakes relating to the product or service, not only helped to improve the service, but also customer loyalty. Customers were delighted to see that the mistakes, which they pointed out, were immediately rectified.

3. **Greeting Customers by Name:**

   Some successful sellers, especially, the retailers make it a point to address the customer by name. For instance, Quinn chain of supermarkets in Dublin maintains cash registers with two display units. One shows the customer the amount of the purchase, and the number of loyalty points (for regular buyers). The other, not visible to the customer, indicates to the checkout clerk, the customer's name. This makes it possible for the clerk to smile and address the customer by name. On some days, the customers are invited to wear nametags. It seems customers' love it - and it also gives a chance for the store personnel to greet them by name the next time.

4. **Special Gifts on Special Occasions:**

   There are some sellers who would provide special gifts on special occasions such as birthday cake/greeting, to their regular customers. For instance, the Quinn chain of supermarkets (mentioned earlier) maintains a database of birthdays of regular customers. If the computer reveals that it is the birthday of a regular customer, when he/she checks out, a signal flashes on the display screen. The word goes out to put the customer's name on a birthday cake and present it to the customer at the door when he/she leaves.

5. **Premium Offers:**

   Some marketers may occasionally provide premium offers in order to woo them from the competitors. Premium offers involve extra quantities of the same product at no extra cost. This is possible, especially in the case of fast moving consumer goods like toiletries, food items, and so on. However, premium offers may not delight the customers, when most of the competitors adopt this strategy at the same time.

6. **One-to-One Marketing:**

   Some firms adopt one-to-one marketing. Such firms treat their customers as partners, especially in the case of B2B markets. Firms solicit the help of customers to design new products or to improve their service. If the customer gets involved with the firm, he is more likely to remain with the firm.

7. **Loyalty Programmes:**

   Firms may use variety of loyalty programmes to retain customers. For instance, airlines may offer special discount for frequent fliers. Firms may also provide gifts and other benefits to loyal customers. But it is to be noted that all loyal customers need not be profitable and all profitable customers need not be loyal. Therefore, the firm must be selective.

   In order to enhance marketing efficiency, a firm has to find out which of its customers are worth retaining and which are not; which customers to be given extra care and attention. In other words, the firm has to determine the value of its customers and accordingly focus on MVCs.

8. **After-Sale-Service:**

   Nowadays, effective after-sale-service helps to gain competitive advantage, and to maintain excellent relationship with the customers. At present, most of the products are standardized in terms of technology. Therefore, a major difference that a company can make is to provide effective after-sale-service, especially in the case of durables, office equipment, and machinery.

   A company needs to undertake the following activities to provide excellent after-sale-service:

   - Selection of the right candidates to provide after-sale-service.

- Training to the after-sale-service staff to improve their competencies.
- Motivation to the after-sale-service by providing timely and adequate incentives.

9. **Priority Customer Programmes:**

   Some firms introduce priority customer programmes. The priority customers are the MVCs. They are given priority in after-sale-service, delivery, resolving complaints, etc. Priority customer programmes are followed by several organizations, especially in the banking industry.

   For instance, AXIS Bank maintains a list of priority customers and provides them with additional facilities and occasionally provides such customers special offers such as free tickets to concerts, movies and so on. Some banks like Catholic Syrian Bank provide personalized service to priority customers.

10. **Satisfaction Surveys:**

    A firm may conduct post-purchase satisfaction surveys. Such surveys help to find out the level of customer satisfaction. II required, necessary measures are taken to improve customer satisfaction level, which in turn helps to develop long-term relationship with loyal customers.

5.6 CUSTOMER LIFETIME VALUE

The maxim under which the success of business is based on is that 'if business takes care of the customer, the customer will take care of the business'.

Customer lifetime value is the net present value of the stream of future profits expected over the customers lifetime purchase.

The lifetime value of a customer is a function of the customers' average spends with the business multiplied by the length of time the business will retain the customer. The lifetime value of the customer is based on an average weekly spend and lifetime. Suppose the average monthly spend of the customer is Rs. 1000 and lifetime is 10 years than the lifetime value is Rs.300000 for one customer. In case the customer is dissatisfied then the loss is not Rs.1000 but Rs.300000. Hence customers' satisfaction is most important resources for any business. It is essential to understand the ways to improve customer satisfaction and build up customer loyalty. A small incremental improvement in customer loyalty has a profound impact on the turnover with comparatively lesser cost. There is a positive relationship among customer satisfaction, customer retention and profitability. A satisfied customer is more committed and loyal. Most of the firms are heavily investing in improving performance in areas such as quality, customer service that contribute to customer satisfaction. The concept of lifetime customer values helps to retain customers and improve profitability.

5.7 SUMMERY

From the above discussion we understand that Customers' Value is fundamental to the marketing process. It the bundle of benefits expected by the customers after paying the cost for any product. Components of customer value can be classified as tangible i.e. quantifiable values and intangible i. e. non quantifiable and psychological values.

Being the king in the competitive market fulfilling all the requirements of the customers become more essential. In the competition winning the new customer is costly, but keeping the existing customer is profitable. Here the loyalty of the customers towards the product works effectively. Loyalty means the degree to which customers are predisposed to stay with one company.

5.8 QUESTIONS

1. Explain the concept and features of Customer Value.
2. Explain the various areas of enhancing (creating) customer value.
3. Explain the concept and the components of Customer Perceived Value.
4. Write a note on customer life time value.
5. Explain the concept of customer loyalty and discuss the various levels of customer loyalty.
6. Explain the importance of building customer loyalty.
7. What are the marketing activities to be undertaken for building loyalty.

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6

CUSTOMER SATISFACTION

Unit Structure

6.0 OBJECTIVES

After studying the unit the students will be able to:

- Know the meaning of customer satisfaction and reasons of customers' dissatisfaction.
- Understand the steps in the customer value analyses.
- Explain the ways to increase the customer value.
- Discuss the process by which the customers should be attracted and retained with.
- Explain the meaning, benefits and challenges to Customer Relationship Management.

6.1 INTRODUCTION

The customer is the sole purpose and creator of contemporary business. The success of any business largely depends on the satisfaction of its customers. A totally satisfied customer contributes more revenue than dissatisfied customers. A satisfied customer is an asset to the firm and an unpaid sales ambassador of a company.

If the performance falls short of expectations then the customer is dissatisfied. If the performance matched the expectations then the customer is satisfied. If the performance exceeds the expectations then the customer is delighted.

6.2 MEANING AND DEFINITIONS OF CUSTOMER SATISFACTION

Customer satisfaction is a measure of how an organization's total product performs in relation to a set of customer requirements. It is a measure of how customers perceive organizations performance. - Hill and Alexander

Customer satisfaction is the person's feelings of pleasure or disappointed resulting from comparing products perceived performance in relations to the expectations. **- Philip Kotler**

Expectations of the customer depends on:

- Past buying (performance of the product and services)
- Experience
- Friends' advice and influence
- Marketers and competitors information and promises
- Customer loyalty

In words of **Peter Drucker** -To satisfy the customer should be the mission and purpose of every business. Highly satisfied consumer offers several benefits to the company. They are as follows:

1) Less price sensitive
2) Positive attitude towards products purchase
3) Talk favourably to others about the company and its products
4) Increase in image
5) Increase in profitability
6) Creates Consumer loyalty or Brand loyalty

Understanding the needs of customers is essential for acquiring and retaining them. It depends upon the effectiveness of acquiring customer information. This information needs to be converted into product features. Customer loyalty created by developing trust and effectively managing communication and relationships with the customers (CRM). It is a process of turning customer information into positive customer relationships.

6.3 CAUSES OF CUSTOMER DISSATISFACTION

Studies show that the average business loses between 10 and 30 percent of its customers each year this has negative impact on the sales and pro lit of the firm due to customer dissatisfaction. Customer's dissatisfaction occurs when there is a gap between expectation and experience/service provided by the firm.

1. The promotional gap is difference between services promised and service provided.
2. The understanding gap is inadequate understanding of customers' needs and priorities by the managers of the organization. Managers are most unlikely to make a right decision without accurate customer satisfaction measurement.
3. The procedural gap is customers' expectations are not translated into appropriate operating procedures/systems. For example if the customer has to wait for long may leave them dissatisfied.
4. The behavioural gap is the service provided is different from the specified/promised service. The behaviour of the staff is important in assuring customer satisfaction.
5. The perception gap is the level of service perceived by the customer differs from the service actually provided. It is essential to know that what customer perceives is a reality as their purchasing decisions are based on this. There is a difference between what business thought it is providing and what customers believe they have received.

6.4 MEASURING CUSTOMER SATISFACTION

Customer satisfaction is both a goal as well as a marketing goal to achieve the goals. Measuring customer satisfaction is important in order to handle it effectively. It is rightly said that if one cannot measure it, one cannot manage it. Measuring customer satisfaction helps in providing reliable data and monitors improvement in performance and facilitates effective decision making.

1. **Customer survey:**

   Customer surveys are an effective indicator of monitoring customer satisfaction. Self completion questionnaire at the point of sales or consumption based on a representative sample is used to track customer satisfaction.

2. **Internal benchmarking:**

   Internal benchmarking can be used to help interpret survey results accurately. Survey results mainly reflect the perception of the customers and internal benchmarking helps to find the reliable information on actual performance of the company. It helps to determine whether the poor ratings are due to real problems or misperceptions. It is essential to benchmark the matters most important to customers.

3. **Mystery shopping:**

   Mystery shopping is used particularly in retail business to monitor customer satisfaction. Mystery shopping involves a researcher posing as an ordinary customer and buying goods and services. The basic objective is to monitor the behaviour /friendliness of the staff which has an impact on customer satisfaction and also report on the shopping experience in buying company's and competitors products.

4. **Complaints:**

   Complaints are a useful barometer to monitor customer satisfaction. They reflect customer opinion. It acts as a indicator that customer satisfaction is falling. It is essential to encourage customer to communication-positive or negative back to the company about their performance.

6.5 STEPS IN CUSTOMER VALUE ANALYSTS

The maxim under which the success of business is based on is that 'if business takes care of the customer, the customer will take care of the business'.

Customer value analysis is the information of the company's strengths and weaknesses relative to various competitors.

I. Identifying customer value :

The first step in customer value analysis is to identify the tangible and intangibles value that influence customers. Functional Values, Aesthetic /Sensory Values, Convenience values, Economic values, Service Values, Social Values, Status Values, Sentiment Values and Belief Values represent tangible and intangible values. The tangible and intangible values differ for each products.

2. **Assessing attributes and benefits :**

   After listing the tangible and intangible values, the major attributes and importance of each of these values are estimated for the product by assigning importance-weightage and rated accordingly. Further, these values are assessed and analyzed systematically to estimate how much each element is worth to the customer.

3. **Comparison of performance :**

   A comparison is drawn between the company and competitor's product performances characteristics on the attributes of the customer values.

4. **Examine ratings of specific segments :**

   The specific ratings of the value components enable the company to understand how much more or less the customers would pay for certain features/attributes in case they are added or removed from the product offering.

5. **Monitor customer values over time :**

   Reviewing and monitoring customer value consistently over a period of time is essential to understand what value the customer derives in using the company's product offering over a period of time vis-a vis the competitors products.

6.6 WAYS OF INCREASING VALUE OF THE CUSTOMER BASE

1. **Increasing Longevity of Relationship:**

   The more the customer involvement with the company and its product, the more likely that the customer will stick to the company. By engaging and connecting with the customers the company is likely to increase the longevity of relating and thereby increasing value of the customer base.

2. **Enhance Share of Wallet:**

   One of the ways to increase customer base is by increasing sales through more product offerings and encouraging customer to spend more through cross selling (selling different products)and up selling(high value products). A firm can increase the customer base by selling the product repeatedly, selling different products and selling augmented products. For this understanding customer profile and buying behavior is essential.

3. **Maximise Customer Lifetime Value :**

   Customer lifetime value is the net present value of the stream of profits expected over the customers lifetime purchase. By improving service, Customer satisfaction will enhance leading to customer retention thereby maximizing profit through customer lifetime value.

4. **Enhancing Customer Satisfaction :**

   Companies need to understand and have an in-depth knowledge of customer expectations and take effort to customize the product so as to match them with the product performance for enhancing satisfaction.

5. **Customer Service :**

   Interacting with the customers by offering customized product offerings and communicating them in a personalized way will enhance the customer service and scope to increase the customer base.

6. **Focusing on High Profit Customers :**

   Understand and implementing Pareto's (80-20) principle that 20% of customers account for 80% of the sales. These 20% customer are the High profit customers who are the most valuable asset to the company. They can be treated in a special way compared to other customers of the company. For example frequent fliers who are the regular and high profit customers get special treatment from the airline company.

7. **Terminate Low Profit Customers :**

   Unprofitable customers can be either terminated or encouraged to buy more or pay more for the service rendered so as to maintain minimum customer revenue level.

8. **Reducing Rate of Defection :**

   Efforts should be taken to persuade the customers with product offering that fulfils their needs satisfactorily. The front line employees of the company need to be trained to improve service skill and knowledge by understanding the customer and solving their queries.

9. **Building Loyalty :**

   Attracting first time customers-converting them into clients-encouraging customers to repeat purchase and finally make them advocates of the company products help the company to certainly enhance the customer base.

6.7 PROCESS OF ATTRACTING AND RETAINING CUSTOMER

Every marketing firm aims at attracting and retaining customers. Research studies indicate that:

- Maintaining customers is better than acquiring them.
- Acquiring customers is five times more expensive than retaining them.
- A 5% reduction in customer defection rate can increase profits by over 25%.
- On an average, companies lose 10% of its customers each year.
- In case of some firms, 20% of customers contributes upto 80% of the total sales turnover.

It is, therefore, imperative to retain customers, thereby, improving customer loyalty and generating higher profitability. The process of attracting and retaining customers is briefly described as follows:

1. **Defining Relevant Market:**

   The marketer must define the relevant market to focus on. One cannot sell anything to anyone. There must be a proper focus of the market. Some marketers may have the knowledge, experience and skills to deal with a particular type of business. Therefore, there is a need to define the relevant market in which the marketer wants to focus. The relevant market may include market for FMCG products, automobile market, electronics market, soft drinks market, etc.

2. **Identifying the Market Segments:**

   The marketer needs to identify the market segment. Market segmentation is the starting point of all marketing decisions. Market segmentation is a process of identifying different groups of buyers with different desires or requirements. The marketer may study the different bases of segmentation such as geographic segmentation, demographic segmentation, psychographic segmentation, sociographic segmentation and behavioural segmentation.

3. **Selecting the Best Market Segment(s):**

   After analyzing the bases of segmentation, the marketer must select the best segment(s). At times, the marketer may select a niche market segment. The market segment(s) is/are selected on the basis of certain factors such as competition in the market, demand for the product, customers' preferences, etc.

4. **Designing Marketing-mix:**

   The marketer must design the marketing-mix depending on the market segment. For instance, if a marketer selects urban market segment belonging to middle-upper and upper income class, the marketing-mix must be so designed to suit the target markets. The product needs to have distinct features, the price may be higher, promotion must be appropriate, and the distribution must be in the urban areas.

5. **Management of Customer Touch Points:**

   The marketer must manager the customer touch points. Customer touch points refer to any interaction between the marketer and the customer right from soliciting orders to after-sale-service. At every interaction, the customer must be treated with care and courtesy. Effective management of customer touch points would lead to higher sales and consequently higher profits. For instance, if a customer complains of defect in the product, the marketer may replace the product at the earliest or the defect in the product needs to be corrected to the satisfaction of the customer.

6. **Satisfaction Surveys:**

   The marketer needs to conduct satisfaction surveys especially in the case of durables, equipments and machinery. Satisfaction surveys would indicate the level of customer satisfaction. If the level of customer satisfaction falls below a certain level, the marketer needs to redesign the marketing-mix to the requirements of the customers. Satisfaction surveys would also help the marketer to launch new products in the markets.

7. **Designing Loyalty Programmes:**

   The marketer may design loyalty programmes to build customer equity. A firm may provide special gifts/discounts to retain loyal customers. For instance, a restaurant may provide for complimentary snacks or a complimentary drink or a special discount. At times, a firm may introduce priority customer initiatives. The priority customers tire the most valued customers (MVCs). The priority customers need to be given priority in delivery of products, after-sale-service or any other facility as required by the customers.

8. **Monitoring of Customer Loyalty:**

   The marketer must monitor customer loyalty. This can be done by checking the frequency of purchases/orders, the quantity of purchases, the recommendations by loyal customers to others, etc. Monitoring of customer loyalty may indicate the customer defection rate. If the customer defection rate crosses beyond a certain limit, the marketer needs to take appropriate measures to reduce the defection rate, and enhance customer retention rate.

6.8 CUSTOMER RELATIONSHIP MANAGEMENT

6.8.1 MEANING

Philip Kotler and Gary Armstrong in their book 'Principles of Management" define "CRM is concerned with managing detailed information about individual customers and all customer "touch points" to maximise customer loyalty.

The touch points include every contact between the customer and the company, which includes customer purchases, payment interactions, service calls, satisfaction surveys, etc. CRM integrates everything that a firm's marketing, sales and services teams know about individual customers. The aim of CRM is to build customer equity.

6.8.2 BENEFITS OF CRM:

1. **Better Service to Customers:**

   With CRM, the company can provide better service to its regular and valuable customers. It is said that 20% of customers account for 80% of the sales. Therefore, it is worth targeting the important customers and then to provide them sophisticated service as compared to other customers.

   For instance, AXIS Bank maintains a list of priority customers and provides them with additional facilities and occasionally provides such customers special offers such as free tickets to concerts, movies and so on. Certain banks like Catholic Syrian Bank provide personalized service to the priority customers.

2. **Customize Market Offering:**

   Companies can customize a product or service depending upon the data available with the firm. The firm can facilitate customer-company interaction through the company contact center and Web site. Such interaction helps to develop customized products.

3. **Customer Retention :**

   CRM emphasizes on training and development of employees to become more customer oriented. Due to CRM training and development, employees show care and concern towards the valuable customers. Therefore, the customer defection rate may be very less.

4. **Increases Long-term Relationships:**

   Some firms treat their customers as partners, especially in the case of B2B markets. Firms solicit the help of customers to design new products or to improve their service. If the customer gets involved with the firm, he is more likely to remain with the firm.

5. **Increases Customer Equity:**

   The main aim of CRM is to produce high customer equity. Customer equity is the sum of lifetime values of all customers Firms focus the marketing efforts more on the most valuable customers (MVCs). More focus on MVCs enables a firm to increase customer equity.

6. **Competitive Advantage:**

   Firms that adopt CRM get competitive advantage in the market. They can face the competition with much ease. Competitive advantage helps to generate higher returns on investment.

7. **Corporate Image:**

   The image of the firm also gets enhanced. Loyal customers become evangelists. The evangelists spread a good word about the company and its products. This enables a firm to get additional customers to its fold.

8. **Higher Return on Investment:**

   Due to CRM, the company is in a position to generate higher return on investment. This is because of repeat purchases on the part of loyal customers. Also the company makes money through cross selling (selling many products rather than single product) and up-selling (selling higher value products). The higher return on investment increases shareholders' value.

6.8.3 CHALLENGES OF CRM

1. **Cost factor:**

   One of the major challenges of CRM is the cost factor. This includes -

   - The initial investment of installing computer hardware, software programs, training personnel, promotional expenses and so on for building CRM program.
   - Implementing CRM program.
   - Cost of maintaining customer data base.
   - Updating CRM.

2. **Support from the top management:**

   The success of CRM program depends on the support of the top management. Proactive management helps the company in not only installing but also sustaining the CRM program successfully during difficult times. Lack of support from the management may lead to failure of CRM program.

3. **Quantify results :**

   One of the challenges of CRM is measuring its success. There is no one common formula to measure the success of CRM. Using a proper metrics to measure the customer satisfaction precisely is required as CRM is a long term result oriented technique.

4. **Resources :**

   The success of CRM depends on the availability of adequate and proper resources namely,

   - financial resources,
   - trained and motivated personnel,
   - adequate infrastructure, equipment and updated technology.

5. **Using Appropriate CRM Technique :**

   There are various techniques of implementing CRM, however using appropriate CRM techniques is essential depending upon the company objectives, nature of business, nature of competitors', extent of competition, availability of resources and so on.

6. **Training:**

   Implementation of CRM requires trained staff to improve their competencies for

   - updating the data warehouse
   - improve communication and connecting with the customers
   - using proper techniques for data warehousing, data mining
   - providing relevant data for taking decision relating to marketing strategy
   - provide after sale service
   - resolving complaints
   - undertaking customer satisfaction survey and measuring satisfaction

7. **Use of technology :**

   It is essential to adapt appropriate and updated technology in CRM depending on the business needs. The implementation of CRM systems varies from one organization to another, each one must be treated as a separate application, identifying different needs and requiring different solutions. Moreover, CRM is essentially technology based hence upgrading technology regularly is imperative for its success. Low quality data or missing data may lead to failure of CRM.

8. **Develop appropriate marketing strategies :**

   One of the challenges of CRM is to identify and understand business problem and then implement appropriate CRM technique and not the other way round. Customizing CRM solutions as per needs of the business is required to develop appropriate marketing strategies so as to identify' and retain its most valuable customer.

9. **Higher stakes :**

   In case of failure of CRM the reputation of the company may be at stake. The company's reputation and future are greatly dependent on the success of the CRM implementation. Failure in the introduction of the CRM system, especially in service sector, can result in real disaster for the organization.

10. **Focus on internal customer (employees) :**

    The success of a CRM project depends first and foremost on the people who implement it and on the manner in which they use the system. Although the CRM system is customer based, the challenge is to focus on motivating and increasing the efficiency of the internal customer which in a long run will help to reduce the turnover among the employees and in turn will strengthen relationship with the external customer

11. **Sustaining CRM program :**

    The success of CRM program can be quantified only in a long run. The challenge is not only building and implementing CRM but also sustaining it in a long run. The infrequent use of CRM is the result of a lack of awareness of its existence or of a lack of faith in its quality which can be detrimental for the company.

6.9 SUMMERY

After the above discussion it is confirm that the customer is the sole purpose and creator of contemporary business. Retaining the customer for a long time is the challenge for any business concern. It has seen that each and every business concern is struggling for the satisfaction of its customers. For effective decision making measuring the level of customers' satisfaction is essential by using the methods like: Customers survey, Internal Benchmarking, Mystery shopping and complaints Consumers' satisfaction is a measurement of customer attitude about products, services ans brands.

For retaining the customers with the company proper process has to follow having the steps like: Defining relevant market, Identification of Market segments, Selection of the best market segment, Designing the Marketing mix, Managing the customers touch point, , making the satisfaction survey, Designing the Loyalty programme and Monitoring customers' loyalty.

Customer Relationship Management includes collecting overall information related to its customers it means touching the customers through all the aspects. The touch points include every contact between the customer and the company, which includes customer purchases, payment interactions, service calls, satisfaction surveys, etc. CRM integrates everything that a firm's marketing, sales and services teams know about individual customers.

6.10 QUESTIONS

1. Define customer relationship management. Explain the benefits of CRM .
2. Discuss the challenges in customer relationship management.
3. Define customer satisfaction. Explain how customer satisfaction is measure?
4. What are the causes of customer dissatisfaction?
5. Explain the steps in customer value analysis.
6. Discuss the ways of increasing value of the customer base.
7. Briefly explain the process of attracting and retaining customers

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7

DEALING WITH COMPETITION

Unit Structure

7.0 OBJECTIVES

After studying the unit the students will be able to:

- Under stand how to deal with the competitors
- Analyse Competitors
- Under stand the Competitive Strategies

7.1 INTRODUCTION

The company has to identify and monitor the activities of its nearest competitors, as well as competitors of substitute products. Continuous information must be collected about competitors' strategies with respect to product development, pricing, promotion, and distribution. Such information will enable the company to know the strengths and weaknesses of its competitors, which in turn will help the company to design its marketing-mix to gain competitive advantage in the market. While analyzing the competitors the company follows the following steps:

1. Identify its competitors.
2. Analysing competitors
3. Designing Competitive Strategy

7.2 IDENTIFYING COMPETITORS

For dealing with competitors firstly the company has to identify its competitors. It appears simple for a company to identify its competitors. For instance, HLL may identify P&G as its major competitor. PepsiCo may identify Coca Cola as its main competitor, and so on. But in reality, the range of a firm's actual and potential competitors is wider. For instance, a soft-drink firm may face competition not only from other soft-drink marketers, but also from substitute products such as fruit juices, local drinks such limbu paani and lassi. A firm may be affected by emerging competitors and also by technological developments, which may make the firm's product obsolete.

To identify competitors, a firm has to analyse competition from the viewpoint of industry and that of marketing:

A. INDUSTRY CONCEPT OF COMPETITION

An industry is a group of firms that offer a product or a class of products which are identical or close substitutes for one another. Industries can be classified on the basis of:

- Number of sellers and degree of differentiation.
- Entry and Exit Barriers
- Cost Structure
- Degree of Vertical Integration
- Degree of Globalization

a) **Number of Sellers and Degree of Differentiation**: The industry can be described in terms of number of sellers, and whether or not the product is differentiated. These two characteristics may result in five types of Industry structures:

1. PURE COMPETITION

Pure competition is a part of perfect competition. Pure competition is a market structure which fulfils certain conditions of perfect competition such as:

- Large number of sellers and buyers, so individually neither buyer nor seller can influence the price, demand or supply.
- Product is homogeneous in nature or identical in all respects.
- There is free entry and exit for sellers and buyers.

- There exists a single uniform price in the market determined by demand and supply forces.

2. PERFECT COMPETITIONS

Perfect competition is an idealistic concept and not a real one. It may be applicable to certain farm products and that too for a certain period, and may be in a selective part of the market. Apart from the four conditions listed above under pure competition, perfect competition structure has to fulfill certain other conditions:

- Perfect knowledge on the part of the buyers and sellers with respect to price, product features, market conditions, etc.
- Perfect mobility of factors of production, i.e., they are completely free to move from one industry to another or from one market area to another.
- There is absence of Government interference in respect of production, and distribution of products.
- There is uniform transport cost, i.e., all sellers are equally near or far away from the markets.

3. OLIGOPOLY AND DUOPOLY

Under oligopoly, few sellers control the market. In case of duopoly, two sellers control the market. The main features are:

- Normally, a small number of large firms produce products which range from highly differentiated to (such as autos and electronic items with unique designs or features) highly standardized (such as cement, and iron and steel).
- Normally, entry barriers are high due to high initial investment in plant and machinery, and technology. The exit barriers may also be high due to high market stakes.
- The firms that produce highly standardized product may find it difficult to charge above the current market price. The only way out to gain competitive advantage is to lower the costs of production, and distribution, and to improve the service factor.
- The firms that produce differentiated products such as Sony (electronics) Mercedes or Rolls Royce (automobiles) can command leadership in the market and charge premium price for the differentiated features.

4. MONOPOLISTIC COMPETITION

It is a market structure in which there is large number of firms that produce and sell similar but differentiated products to a large number of buyers. The monopolistic competition exists between the sellers of differentiated products. Examples of monopolistic competition include FMCG products like soaps, toothpaste, tea, etc., and even consumer durables like TV sets, refrigerators. The products are similar in nature in terms of functions, and performance, but are differentiated in terms of shape, size, colour, design, etc. Competitors focus on market segments where they can meet customer's needs in a superior way, and charge a premium price.

5. PURE MONOPOLY

It is a market structure where there is only one seller who commands complete control over the supply of a particular product. For example, in several developing, public utilities such as railway transport, water Supply, electricity supply do come under pure monopoly. The main features are:

- There is a single seller, but there may be many buyers.
- There is absence of close substitutes.
- There are high barriers for entry in the market by other firms.
- There is no distinction between the firm and the industry.
- There is absence of competition.

An unregulated monopolist may exploit the customers by charging high price and by providing poor service. However, if partial substitutes are available and if there is some danger of competition, then the monopolist may try to improve the services or facilities. In a regulated (by Government) monopolist has to charge lower price and provide better facilities in public interest.

b) Entry and Exit Barriers:

Industries differ in terms of entry and exit barriers. In certain industries, it is easy to enter such as readymade garments industry, but in others it is difficult to enter such as in the case of heavy equipments industry. The major entry barriers include:

- Heavy capital investments such as in the case of airlines.
- Patents and licensing requirements such as in drugs and pharmaceuticals.

- Reputation requirements such as in the case of automobiles.
- Economies of large scale production such as in the case of cement or iron and steel, etc.

Firms may also face exit barriers such as:

- Legal or moral obligations to customers, creditors, and employees.
- Lack of alternative opportunities.
  Government restrictions.
- High vertical integration, etc.

Due to exit barriers, firms stay in the industry as long as they cover their variable costs, and partly or wholly the fixed costs. However, their continued presence affects profits of everyone in the industry.

c) Cost Structure:

Each industry has a certain cost burden to operate its activities. For instance, airlines industry have to bear heavy initial investment in procurement of airplanes, steel industries have to bear heavy production costs, and FMCG companies have to bear heavy distribution expenses. Firms try to reduce their, largest costs. Those firms that can achieve economies of scale at the lowest cost of production and distribution would gain competitive advantage in the market. Therefore, firms must find out ways and means to cut down costs.

d) Degree of Vertical Integration:

Vertical integration either forward (to move upstream) or downward (to move down stream) is advantageous to firms. Vertical integration offers the following benefits:

- Lowers costs
- Spreading of risks.
- Control over operations (forward or backward).
- Higher returns.

However, integration has certain disadvantages:

- Higher costs in certain parts of the value chain.
- Higher capital investment.
- Higher employee costs.

Therefore, firms are debating on the level of integration. Many firms also resort to outsourcing, especially those activities that can be done effectively and efficiently by specialist firms.

e) Degree of Globalization:

Some firms such as airlines, electronic goods, gems and jewellery, textiles, etc., enjoy higher degree of globalization. They can easily enter in the global markets. Global operations bring in certain advantages:

- Reputation in the home market as well as in global markets.
- Optimum utilization of resources.
- Spreading of risks.
- Economies of large scale, etc.

B - MARKET CONCEPT OF COMPETITION

Competitors can be identified by using the market concept of competition. Under this approach, competitors are companies that can satisfy the same needs of the customers. For example, customers' need to satisfy their thirst can be fulfilled by soft-drinks, fruit juices, local drinks like limbu paani, lassi, packaged water, etc. Marketers must try to overcome the 'marketing myopia' and stop looking at competition in a traditional manner.

The term 'marketing myopia' was coined by Prof. Theodore Levitt. According to Levitt, marketing myopia refers to narrow perception of marketing, where excessive attention is given to production or to the product or to the selling aspects, ignoring the customer in the process.

A firm must analyze not only the direct competition but also indirect competition:

- Direct competition comes from similar products or close substitutes. For instance, for a soft-drinks firm, the direct competition comes from other soft-drinks manufacturers or close substitutes such as fruit juices, milk based drinks, local drinks and packaged water.

- Indirect competition comes from not so close substitutes. For instance, in the case of soft-drinks, the indirect competition can come from ice-creams, tea, and coffee, and in some countries even from beer.

The analysis of market competition enables a firm to identify opportunities that may be grabbed and the challenges or threats to overcome.

7.3 ANALYSING COMPETITORS

Once a firm identifies its main competitors, it must find out their strategies, objectives, strengths and weaknesses. While analyzing the competitors company has to study the following points in detail:

1. Strategies of the competitors:

A firm must identify the key strategies in the areas of product, pricing, service, distribution, promotion, etc. Such analysis may help the firm to identify the strategic group. A strategic group is a group of firms that follow more or less the same strategy. For instance, a strategic group may offer narrow product line, provide good service, and charge high price. At the other extreme, there may be a group that provides a broad product line, provide low service, and charge low price. After identifying the strategic groups, a firm may decide to enter a particular group to compete. And the firms in that group becomes its key competitors.

2. Objectives of the competitors:

Once a company identifies its primary competitors and their strategies, it must find out their business objectives. The objectives may be:

- To maximize profits.
- To increase market share.
- To increase sales in terms of volume and revenue, etc.

The objectives differ from firm to firm, depending upon:

- Size and history of the firm.
- Promoters' or owners' philosophy.
- Financial position of the firm, etc.

Some firms may focus on profit maximization, especially in the short-run, whereas, other firms may focus on market share maximization.

3. STRENGTHS AND WEAKNESSES of the competitors:

A firm also needs to get information on the strengths and weaknesses of the main competitors in the market. For instance, some firms may produce high quality products backed by effective after-sale-service. At the other extreme, some firms may produce low quality product and may not focus on after-sale-service. In between these two extremes, there may be firms that produce high quality products, but lack in service.

The analysis of such information would enable a firm to attack certain competitors. For instance, the firm can attack those firms that produce poor quality products and/or provide poor after-sale-service. But it may be difficult to compete with those firms that provide high quality products backed by excellent after-sale-service.

A survey may be conducted to understand customer value analysis. In the survey customers may be asked to rate the competitors on the basis of product quality, price, and service. In general, a firm should consider three main variables when analyzing competition:

- Share of market - The competitors' share, whether increasing or declining.
- Share of mind - The competitors' that are on the top of mind of the customers.
- Share of heart - The competitors' from whom the customers would prefer to buy.

It would be possible for a firm to compete with:

Those competitors whose market share may be high, but declining due to poor quality service, or some other reason.

Those competitors whose share of mind and share of heart is at low level may be because of poor quality products and poor service or due to other factors.

7.4 DESIGNING COMPETITIVE STRATEGIES

Firms can be classified on the basis of the roles they play in the target market, or the market share they enjoy.

The firms can be classified as:

- **Market leader** - that enjoys the highest market share amongst the competitors.
- **Market challenger** - the competitor who-normally enjoys the second position in the market share and poses a challenge to the market leader and other competitors to gain further market share.
- **Market follower** - the competitor who is normally behind market leader and the challenger.
- **Market nichers** - the competitors that serve small market segments, which are often overlooked by larger firms.

Each market leader has to adopt competitive strategies to stay in the market. The competitive strategies are as follows:

A - COMPETITIVE STRATEGIES FOR MARKET LEADERS

Almost all industries do have one firm that is a market leader. The market leader enjoys the largest market share in the relevant product category. Normally, the market leader leads the other firms in respect of price changes, product modifications and introductions, distribution coverage, and promotional activities. Some of the market leaders in India include Colgate for toothpaste, Maruti Udyog for cars, Nokia for cell phones, Cadburys for milk chocolates, and so on.

To remain number one in the market, the market leader must act on three fronts:

- Expanding the total market.
- Defend its current market share.
- Increase its current market share.

1. Expanding the Total Market:

Normally, the market leader is a major gainer, when the total market expands. For expanding the market, the market leader should look for new users, uses and usage of its products.

(a) New Users: Every product has the potential of attracting new users who may not be aware of the product, or may be resisting the product due to its high price or lack of certain features. A company may resort to the following strategies to look for new users:

- Market Penetration Strategy - focusing on those potential users who might use it, but currently are not the users. For instance, cell phones to low income groups.
- New Market Segment Strategy - focusing on those potential users who have never used it. For instance, face cream for males or bikes for females.
- Geographical Expansion Strategy - focusing on those potential users who live elsewhere. For instance, distance learning courses.

(b) New Uses: Markets can be expanded by identifying and promoting new uses of the product. For instance, chewing gum manufacturers may promote the chewing gum as 'good for gums' or 'teeth whitener' or 'mouth freshener' and so on.

(c) More Usage: Companies can expand the market by encouraging more usage of the product. Usage can be increased by increasing the quantity of consumption, or increasing the frequency of consumption. For instance, Tea Board, Coffee Board, Wine Manufacturers, and others encourage more usage by highlighting certain health benefits in their promotional campaigns. Other than promotional tactics, firms can use some other tactics such as increasing the size of the packs.

2. Defending the Market Share:

A market leader should continuously monitor the activities of the competitors so as to defend its market share. It should also make an analysis of customer requirements vis-a-vis its market offering in terms of product quality, price, etc.

In satisfying customers' requirements, a distinction must be made between responsive marketing, anticipative marketing and creative marketing:

- A responsive marketer finds a stated need and fills it.
- An anticipative marketer anticipates customers' future needs.
- A creative marketer innovates products, which the customers did not ask, but respond positively to such offers. For instance, Sony has introduced several new products including walkman, VCR, Video camera, CD player, DVD player, and so on.

Therefore, market leaders must adopt anticipative marketing and creative marketing in order to defend their market share. They may adopt defensive strategies in the areas of product design, pricing, promotion and distribution. According to Philip Kotler, a market leader can use the six defense strategies, as follows:

(a) Position Defence: It involves building superior brand power, and making the brand almost non-attackable. For instance, Nescafe has defended its market position by using this strategy against several attacking brands.

(b) Flank Defense: The marketer leader should erect outposts to protect a weak front or to serve as a base for counterattack. For instance, if a leader is attacked by low priced brands, it may also introduce new brands with a low price to fight the attackers. The market may even increase the price of the original brand (enjoying strong brand equity) in order to maintain the image and to generate more funds for promotional activities. The introduction of low priced brands can then attack the new entrants in the market, firms like Seagram (whisky) have used this strategy to defend its market share.

(c) Pre-emptive Defense: This is a more aggressive move to attack before a competitor starts its move to attack. The market leader may introduce a series of products that can send signals to dissuade competitors from attacking. The firm may resort heavy promotions, which the potential attackers may not be able to match.

(d) Counter-offensive Defense: A market leader may launch counterattack when attacked. An effective move would be to invade the attacker's main territory so that it will have to pull back its resources to defend its territory.

(e) Mobile Defense: Under this strategy, the market leader may expand into new territories, which can serve as future centres for defense and offense. The market leader may go market broadening and market diversification. Under market broadening, a firm may shift focus from the current product to other related products. Under market diversification, it may shift its focus in unrelated industries.

3. Increasing its Current Market Share:

Market leaders may make every possible effort to increase the market share. However, gaining market share does not necessarily result in higher profits, especially for those firms, which may not get benefits of economies of scale. Because the cost of increasing market share may far exceed its net revenue, a company should consider the following factors:

- The possibility of provoking antitrust action by Government authorities.
- The possible effect of increased market share on actual and perceived quality. This is because; increase in the number of customers may put a strain on firm's resources, affecting product value and service. Consumers may also infer that 'bigger is not better' and assume that market growth leads to deterioration in quality.
- The danger of adopting wrong marketing-mix strategy. For instance, a firm may resort to high price cuts to increase its market share, which may prove detrimental to its interest.
- The possibility of increase in economic costs. The cost of legal work, public relations and lobbying with political parties or Government authorities rises with increase in market share.

B-COMPETITIVE STRATEGIES FOR MARKET CHALLENGERS:

The market challengers attack the leader and other competitors in a bid to increase their market share. Korean companies like LG Samsung and Hyundai have used this strategy to compete in Indian and other world markets.

Market challengers may resort to the following strategies:

1. Defining the Strategic Objective and Opponents:

A market challenger should define its strategic objective, i.e., to increase its market share, ft must also decide whom to attack:

- Attack the market leader strategy, which is a high risk but can lead to high pay-off, especially if the leader is not serving well in the market. The market challenger may introduce product innovations to attack the market leader.
- Attack similar size firms' strategy, especially those that do not perform their marketing job properly, and also those which face resource crunch.

- Attack small local and regional firms' strategy, whereby the challenger can take over those firms to increase the market share.

2. Choosing a General Attack Strategy:

A market leader may also adopt a general attack strategy, which includes:

- Frontal Attack, whereby, the attacker matches its competitors' marketing-mix. It may even become more aggressive by price cuts, aggressive advertising, and promotional offers.
- Flank Attack, whereby, the competitors' weak areas are targeted. A flank attack can be directed along two strategic dimensions - geographic and segmental. Under geographic dimension, the challenger may cater effectively those areas, which the leader may not give much importance, and in the case of segmental, the challenger may try to focus on those market segments, which are neglected the market leader. This strategy may be more effective, especially for those whose resources are limited as compared to the competitors.
- Encirclement Attack, whereby, the challenger with superior resources makes aggressive moves to capture a large share of the competitors. It involves launching a grand offensive attack on several fronts, product's quality, price, promotion, and distribution.
- Bypass Strategy, whereby, the challenger attacks easier markets to increase market share. This strategy involves:
    - Diversifying into unrelated products.
    - Diversifying into new geographical markets.
    - Developing new technologies to replace the existing products.
- Guerrilla Warfare, whereby, the challenger may undertake small and intermittent attacks on the competitors to gain market share. The attacks would include price cuts, and aggressive promotion. Normally, guerilla warfare is practiced by smaller firms against a large one. It is normally believed that a continual stream of minor attacks can have a

cumulative impact on the competition than a few major attacks. Ultimately, the minor attacks must be backed by a stronger attack, if the challenger hopes to beat the opponent.

3. **Choosing a Specific Attack Strategy**:

The challenger must go beyond the five broad strategies under general attack, and adopt specific attack strategies:

- Price discount.
- Improved services.
- Product innovation.
- Product proliferation - by launching a large product variety.
- Offering high quality at low prices through emphasis on cost reduction and improvement in quality.
- Offering medium to lower quality products at much lower prices.
- Increase in promotional expenditure.

C - MARKET FOLLOWER STRATEGIES:

Several firms prefer to follow rather than challenge the competitor. The market followers may imitate the moves of the leader relating to marketing-mix. They present similar offers to the buyers, which the leader does. This is especially true in the case of those industries like FMCG, chemicals, etc., where:

- Product differentiation is low
- Customers are price sensitive.
- Service factor makes the difference.

The market followers must:

- Hold on to current customers and attract new customers.
- Lower the cost of production and distribution.
- Offer distinct advantages to the customers in terms of service, location convenience.
- Focus on certain market segments which are overlooked by market leaders and market challengers.

There are four broad market strategies available to market followers:

- Counterfeiter Strategy, where the market follower duplicates the leader's product including package and sells through unethical dealers by offering them higher margins.
- Cloner Strategy, where the market follower imitates the leader's products with slight variation.
- Imitator Strategy, where the follower imitates the leader in certain aspects, but maintains differentiation in terms of pricing, promotion, and distribution.
- Adapter Strategy, where the follower improves on the leader's products, and packaging. Such a follower, if successful turns into a market challenger.

D- MARKET NICHER STRATEGY

A niche market is a small market segment. Certain marketers identify niches by defining a customer group, whose needs are not well served by existing marketers. Initially, smaller firms enter in niche markets, because the niche segment may be so small that the larger firms may not have the flexibility or desire to enter. There are also large and renowned firms that undertake niche marketing such as Rolls Royce, Rolex Watches, and so on.

Although the size of the market may be small, but adopting a niche strategy can be profitable because:

- There is little or no competition.
- The niche marketer ends up knowing the target customers so well that he meets their needs better than other firms that are casually selling to such niche segments. As a result, the niche marketer achieves high margins, because of value addition, and strong brand loyalty.

NICHE MARKETING STRATEGIES

Firms seeking to enter a market should aim at niche initially rather than whole market. A market nicher is a small firm that chooses to operate in some specialised part of the market. They can follow either:

- Single Niching Strategy - where efforts are concentrated in a single niche market

- Multiple Niching Strategy - where efforts are directed in two or more niche markets. The multiple niching is preferable to single niching in order to reduce risk.

7.5 SUMMERY

From the above explain it is fix that for dealing with the competitors the company has to identify and monitor the activities of its nearest competitors, as well as competitors of substitute products. To deal with competition companies need to design an intelligence system. Companies need to identify parameters which will help in analyzing the competition. For successfully facing the competitors the company has to follow proper procedure including the stages like: Identifying the competitors, Analyzing the competitors and then Designing proper competitive strategy. Dealing with competition is not an easy task and it requires dedicated resources of manpower, system and budget. By identifying, analyzing and strategizing against your competition, you can improve your business model to appeal to more clients and customers.

7.6 QUESTIONS

1. What are the strategies followed by the market follower firms?
2. As a challenger how can companies design their competitive strategies?
3. Explain the process of identifying competitors from industry view point.
4. Explain the process of identifying competitors by using market concept.
5. What are the areas to be considered for analyzing the competitors?
6. As a market leader, explain how a company designs the competitive strategies?
7. How does market nicher design their marketing strategy?

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8

BRANDS AND BRANDING

Unit Structure

8.0 OBJECTIVES

After studying the unit the students will be able to:

- Define the concepts Brand and Branding.
- Explain the role of Brand in the Marketing Process.
- Understand the concepts Brand loyalty. Brand Equity and Brand Preferences.
- Discuss about the Bases of Brand Equity.

8.1 INTRODUCTION

Branding is more important today due to ever-increasing advertising clutter, media fragmentation, the commoditization of products, and the seemingly limitless choices in the market. A brand is the intersection of customers' expectation and their experience. A strong brand influences the buying decision. It can command a premium price and maximize the number of units that can be sold at that premium. It helps the customers to trust and create a set of expectations about the products without even knowing the specifics of product features. A strategy ofa company to make the strong brand means the company wants to build customer loyalty, not just sell product. Branding creates trust and an emotional attachment to a particular product or company. Branding helps customers to make purchasing decisions easier. A solid branding strategy communicates a strong, consistent message about the value of the company. Brand loyalty occurs when a customer chooses to repeatedly purchase a product produced by the same company instead of a substitute product produced by a competitor. Brand loyalty usually relates to a product, not a company. Brand loyalty reduces the cost of production because it increases the sales volume; companies with brand-loyal customers don't have to spend as much money on marketing the product

8.2 MEANING AND DEFINITION

8.2.1 MEANING

Brand is a name; term, symbol, and/or special design that are intended to identify the goods or services of one seller or group of sellers. A brand differentiates one seller's products from those of competitors.

The **American Marketing Association** defines brand as “A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers.”

The **Webster Dictionary** says, “A class of goods identified by name as the product of a single firm or manufacturer.”

Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name for a product, designing a brand mark and establishing and popularizing it.

8.2.2 ROLE OF BRANDS

1. **Advantage of Brand Equity:**

   The company adopting brand may like to take advantage of brand equity enjoyed by the parent brand. The newly introduced product. with extended brand name may enjoy premium value enjoyed by the parent brand. Therefore, the company may charge premium price for the newly introduced brand with the extended brand name.

2. **Customer Acceptance:**

   Reputed brands develop trust and confidence in the minds of the customers. When a new product is introduced with the extended brand name, it may be easily accepted by the customers. This is because; the customers are comfortable with the parent brand name, and they perceive the same value in the newly introduced brand.

3. **Dealers' Cooperation:**

   The retailers or dealers may agree to stock and promote the newly introduced brand with the extended brand name. This is because; the customers may easily demand the new brand without much effort on the part of the dealers or retailers.

4. **Increased Revenue for the Firm:**

   Brand can generate increased revenue to the firm. The company may have to spend less on marketing and distribution costs, thereby, increasing the net revenue to the company. For instance, Amul has increased revenue of the company by introducing a host of brand extensions in the area of ghee, ice creams, packaged milk, and so on.

5. **Develops Customer Loyalty:**

   Brand may also result in maintaining brand loyalty to the parent brand. Due to brand, customers may prefer the different products under the same brand name. Otherwise, they may switch over to the competitor that has introduced various products in the same product category or in different product category.

6. **Competitive Advantage:**

   Brand generates competitive advantage to the firm. A company with good brand image of a particular brand can extend the same to other products. This generates customer trust and loyalty, and as such the company may be able to face competition in the market.

7. **Corporate Image:**

   Brand helps to generate corporate image. Due to brand, a company may achieve higher performance in terms of market share, profits, customer loyalty, etc. Therefore, the image of the firm improves in the minds of various stakeholders such as customers, dealers, shareholders, etc.

8. Creates Demand:

Proper positioning helps to generate demand for the product in the market. Effective positioning can induce the buyers to buy the products. For instance, the positioning of Lux soap "Beauty Soap of Film Stars" has brought success to the brand, as people buy the brand with of hope of becoming beautiful person.

9. Facilitates Consumers' Choice:

Product positioning enables the customers to make a proper choice of the product depending upon the image created in the mind of customers, e.g. Nike.

10. Creates Value:

Positioning creates value to the customer. Through effective positioning, the marketer can highlight special benefits of the product, which can add or create value to the customer. For instance, "Fast to Cook, Good to Eat" (the two minute positioning) of Maggi Noodles has created value to the customers.

11. Helps to Command Premium:

Product differentiation through effective positioning helps a firm to compete on non-price platform. A firm can charge a premium price in the market through its unique positioning. This is because; effective positioning helps to command goodwill in the market, which in turn enables the firm to charge premium price.

12. Creates Status :

Brand positioning creates status to the users. For example, Mercedes is positioned as a luxury car. Therefore, Mercedes car owners enjoy status in the society.

13. Creates Brand Image :

The brand positioning helps to create a distinct image in the minds of target customers. For example, Colgate has created a good image for a toothpaste brand by positioning the product as 'protection to gums and prevents tooth decay'.

8.3 BRAND LOYALTY

8.3.1 MEANING

Blackwell encyclopedic dictionary of marketing defines brand loyalty as purchasing the same brand more than once, again assuming that this is the preferred brand, although this may not necessarily is the case. Brand loyalty occurs when a customer chooses to repeatedly purchase a product produced by the same company instead of a substitute product produced by a competitor. Brand loyalty usually relates to a product, not a company.

Brand loyalty is defined as a set of conditions which include that it is biased, expressed over time, based on behavioral response, is a function of psychological process, involves searching and selecting one or more brands out of a set of brands and involves decision making unit. Brand loyalty is biased i.e. nonrandom behavioral response i.e. purchase expressed over time by some decision - making unit.

There are several ways in which brand loyalty is classified. One is the behavioral approach and the other attitudinal approach. George Brown, a behavioral researcher has classified buyers into four groups according to brand loyalty status: hard-core loyals, split loyals, shifting loyals arid switchers.

- Hard-core loyals are consumers who buy only one brand all the time.
- Split loyals are consumers who are loyal to two or three brands.
- Shifting loyals are consumers who shift from one brand to another.
- Switchers are consumers who show no loyalty to any brand.

8.3.2 Advantages of brand loyalty

"If the loyalty were to a product rather than the brand, equity would not exist. "

1. **Reduced Marketing costs :** A set of consumers with brand loyalty reduces the marketing costs of doing business. It is simply less costly to retain consumers than to get new ones. The cost of acquiring and serving consumers goes down. Most of the marketers mistake by attracting new consumers while

neglecting existing ones. Existing consumers usually are easy to hold if they are satisfied. The challenge for any marketer is to reduce the outflow of consumers and to create a substantial barrier to competitors. In addition, it also increases in revenue.

2. **Trade leverage** : Brand loyalty provides trade advantage. Strong loyalty towards the brands will ensure preferred shelf space because consumer will have such brands on their shopping list. Sometimes, brand loyalty may dominate store choice decisions. Trade leverage is particularly important when introducing new sizes, new varieties or brand extensions.

3. **New acquisitions** : A consumer base with segments that are satisfied and others that like the brand can provide assurance to a prospective consumer, especially when the purchase is somewhat risky. The old phrase that 'you won't be fired for buying IBM' is based on this logic. A large satisfied consumer base provides an image of the brand as an accepted, successful product which will be around and will be able to afford service backup and product improvements. Market share revenues also go up.

4. **Time to respond to competitive threats** : Brand loyalty gives a lag time for the firm to respond to the competitive threats. Loyal consumers will not switch immediately to new products, thus enable the firm to incorporate necessary changes to improve.

8.4 BRAND PREFERENCE

One of the indicators of the strength of a brand in the hearts and minds of customers, brand preference represents which brands are preferred under assumptions of equality in price and availability.

Measure of brand loyalty in which a consumer will choose a particular brand in presence of competing brands, but will accept substitutes if that brand is not available.

Consumers appear to have high willingness to pay for particular brands, even when the alternatives are objectively similar.

8.5 BRAND EQUITY - MEANING AND IMPORTANCE

8.5.1 MEANING AND DEFINITION

Brand equity is the value that customers perceive in a brand. This value can comprise both tangible, functional attributes (e.g. twice the cleaning power or half the fat) and intangible, emotional attributes (e.g. The brand for people with style and good taste).

Brand equity is today a powerful strategic marketing tool. . Brands with the greatest equity are the most profitable because their customers are generally more loyal and willing to pay higher prices for the product, and have a closer relationship with the brand.

Firms need to learn how to create, augment and manage it. For, the benefit of strong brand equity is directly seen on the firm's bottom line in the form of high sales turnover, price premiums and return on investment.

DEFINING BRAND EQUITY

"Brand equity" refers to the value of a brand. Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.

According to David Aaker, brand equity as they can be usefully grouped into five categories: -

1. Brand loyalty
2. Name awareness
3. Perceived quality
4. Brand associations in addition to perceived quality
5. Other proprietary brand assets-patents, trademarks, channel relationships, etc.

The five categories of assets that underline brand equity are shown as being the basis of brand equity.

1. **Brand Loyalty:**
   In marketing, Brand loyalty is the strongest measure of a brand's value, it can be demonstrated by repeated buying of a product or service, of a good word of mouth and advocation of a product or service. Even with the availability of other alternatives. One of the important dimensions of brand equity is brand loyalty. The brand loyalty of the customer base is often

the core of a brand's equity. If customers are indifferent to the brand and, in fact, buy with respect to features, price, and convenience with little concern to the brand name, there is likely to be little equity. If, on the other hand, they continue to purchase the brand even in the face of competitors with superior features, price, and convenience, substantial value exists in the brand and perhaps in its symbol and slogans. Brand loyalty is qualitatively different from the other major dimensions of brand equity.

2. **Brand (Name) Awareness:**

   In the long run, a brand is nothing more than a name. - Al Ries. Another factor contributing to brand equity is brand awareness. It is the ability of a potential buyer to recognize or recall that a brand is a part of a product category. The customer must be able to identify a firm's product in the retail stores or able to recall its brand whenever he thinks of a product class. It is the strength of a brand's presence in the consumer mind.

3. **Perceived Quality:**

   Perceived quality is the consumer perception of the overall quality of a product or service. Perceived quality is not the actual quality or product based quality or manufacturing quality. It differs from consumers to consumer depending upon its intended purpose, relative to alternatives. It differs from satisfaction and attitude. It is intangible and reflects overall feeling about the brand. Perceived quality is built on the dimensions of reliability and performance.

4. **Brand association:**

   Associations are anything linked in memory to a brand. It may in form of product attributes, celebrity, spokesperson, or a particular symbol or name. It is essential to position the brand in such a way so that a separate identity for the brand is created. Brand image is a set of associations or perceptions that consumers have for a brand. It also implies attitudes towards a brand, either positive or negative, which are build over time. It is not enough, just to have an association with the brand but level of strength of association with the brand will determine its equity.

5. **Other proprietary brand assets:**

   Other proprietary brand assets represent brand assets as patents, trademarks and channel relationships. Brand assets will be most valuable if they inhibit or prevent competitors from pruning a customer base and loyalty. A trademark protects the brands from counterfeiting act of the competitors who would confuse the consumers. A patent if it is strong and relevant to consumer choice will prevent competition. A distribution channel can be controlled by a brand based on brand performance. All these assets must be tied to the brand rather than the firm to contribute to brand equity.

All the four dimensions of brand equity namely, brand loyalty, perceived quality, association and awareness have casual interrelationships. Perceived quality, for example, will in part be based upon associations and even awareness. Hence, the success of branding depends on the durability of the brands in the minds of the consumer.

8.5.2 ADVANTAGES OF BRAND EQUITY

Brand equity can provide value to customers as well to the firm.

1. **Brand equity provides value to customers by :**

   - Helping them to interpret, process, and store huge quantities of information about products and brands.
   - Affecting their confidence in the purchase decision, due to either past-use experience or familiarity with the brand.
   - Enhances customer satisfaction with the use experience.

2. **Brand equity provides value to firm by enhancing:**

   - Efficiency and effectiveness of its marketing programs - It can enhance programs to attract new customers and to hold on with existing ones.
   - Brand loyalty - The perceived quality, well - known name of the brand, brand associations and other proprietory brand assets can make customers more brand loyal.
   - Price and Profit Margins - Well known brands can command premium price and as such higher margins.
   - Brand Extensions - It can help to introduce new products under existing brand names.
   - Trade Leverage - A strong brand can gain support from dealers or stores.
   - Competitive Advantage - A strong brand equity presents a real barrier to competitors.

8.6 BRAND ELEMENTS

8.6.1 Meaning

Brand elements also referred as brand identities consists of logos, symbols, characters, jingles, celebrities, packages, signage associated with the brand. Brand elements facilitates building brand image, brand association, brand loyalty and thereby building brand equity.

Selecting a brand name and brand logo is the preliminary task for any brand/marketing manager as they are considered as the basic elements of a brand.

8.6.2 BRAND ELEMENTS

Following are the main Brand Elemens:

A. Brand Name

Brand name refers to naming the brand by adopting either individual brand name or company brand name, special names, typical numbers and so on.

Selecting a brand name is the primary task of brand management. William Shakespeare may be wrong - 'What's in a name. You can call rose by any other name. Brand names make a lot of difference. For instance brand names like Mercedes, Nike, Cartier, etc., command lot of respect and goodwill. The brand name must be relevant to the product, easy to pronounce, appealing to the target customers, and so on.

There are different approaches in selecting brand name:

1. **Individual Brand Names:**

   A multi-brand company may adopt individual brand name for different products. For instance, HUL have different individual brand names for its soaps such as Lux, Liril, Lifebuoy, etc. Several firms like P&G, Nestle, Cadbury, Suzuki, GM and others have adopted this strategy.

   Companies may use different brand names for different quality products within the same product class. For instance, HUL uses the brand name of Wheel for lower quality washing powder, and Surf Tor higher quality brand.

The main advantage of individual brand name strategy is that the company does not attach its reputation to a single brand name. If a particular brand fails in the market, the reputation of the firm may not get affected.

2. **Blanket Corporate Name:**

   This approach is followed when a company uses the corporate brand name for its diverse product categories. For instance, the Tata Group uses this brand name strategy for several of its products such as Tata Tea, Tata Coffee, Tata Salt, Tata Steel, and so on.

   The main advantage of this strategy is that it develops customers trust in the brands of reputed firms like that of Tata Group, Sony, Philips, etc.

3. **Corporate-cum-Individual Brand Names:**

   Certain companies may combine the corporate name and the individual brand name to create a distinct brand identity. For instance, Cadburys adopts this strategy for its brands such as Cadburys Dairy Milk, Cadburys Five Star, Cadburys Perk, Cadburys Bournvita, and so on.

   The main advantage of this strategy is that the brands get the advantage of corporate brand equity. The company may also spend less on product introduction and promotion.

4. **Family Brand Names:**

   When a company adopts the same brand name for different brands in a particular product line is called as family brand name. For instance, Amul brand name is used by Gujarat Cooperative Milk Marketing Federation (GCMMF) for several products such as Amul Butter, Amul Ice-cream, Amul Chocolates, Amul Ghee, Amul Milk, etc. Also, Nestle provides the same brand name to ready to eat/serve food items - MaggiNoodles, Maggi Ketchup, and so on.

   The main advantage of this strategy its that it is less expensive to introduce related products in a particular product line. The company may also adopt a common advertising campaign for its family brand names.

5. **Different Brand Names in International Markets:**

   MNCs may sell the same brand under different brand name in the international markets. For instance, Skoda sells its car brand as Skoda Octavia in European markets, and in India, it sells the same car under the name of Skoda Laura.

6. **Names of Founders:**

The company may also introduce the products with the names of founders or inventors. Examples are Dunlop, Colgate, Ford, Larsen & Toubro, etc.

7. **Typical Numbers:**

At times, companies may follow certain numbers such as 501 (cake soap), Britannia's 50 - 50 (Biscuits), Parle G 20 - 20 (Biscuits) and so on.

8. **Combination of Names and Numbers:**

There can be a combination of names and numbers. This includes 7 Up, 7 O'clock blades, and so on.

9. **Names with Relevance to the Product:**

Some firms make a deliberate attempt to devise brand names that have relevance to the product category. For instance, Nike- sports wear brand, named after the Greek Goddess of Victory. Other brand names that have relevance to the product category include Tips and Toes (nail polish).

10. **Names Communicating Attributes:**

Some firms name the brands that communicate attributes of the product. Examples include:

- Revital (health supplement capsules from Ranbaxy)
- Fair & Lovely face cream (creates hope fair and beautiful complexion).
- Touchwood paint for wooden furniture.

B. Brand Logo

Brand Logo represents a visual identification of a brand. Pictures, mascots, plain alphabets, graphic designs are used as logos. The 'swoosh' of Nike brand, the curved alphabet 'M' of McDonald, the alphabet 'IP that identifies the Unilever company, the AMUL girl with the polka dress of Amul brand, 'Gattu' (the mascot) of Asian paints all the examples above represents brand logo. Brand logo facilitates memorability, relevance of the brand, uniqueness, brand association, differentiation and builds brand equity.

8.6.3 Criteria for Choosing Brand Elements

A good brand should possess as many of the following characteristics as possible.

1. **Simplicity:**
   The brand name must be simple and easy to pronounce. Simple does not mean ordinary names, but good enough to suit the product. For example : Nirma or Lux.

2. **Memorability:**
   A good brand should have the power to remain in the minds of the people. To remain in the minds of the people, the brand should have a sweet name, and more appealing to the people. The owner of the brand may resort to good amount of advertising to facilitate brand recall.

3. **Appealing:**
   The brand name must be appealing. For example, certain brand names are highly appealing to audience. It may have some connotation with the place such as Gwaliar Suitings. It may have some connection with the product, such as Tips and Toes.

4. **Capable of Describing Features:**
   The brand may be capable of describing its features, quality, etc. For example, Action Shoes, Thumps Up, Fair & Lovely, All Clear, Duracell, etc.

5. **Suitability:**
   The brand name, mark, design, or a visual must be suitable to the product. For example, Thumps Up sign and the brand name can go well for the soft-drink. The brand name of Go Cool can go well for Ice Creams.

6. **Clarity:**
   The brand identity must be very clear. It should not be confusing with other brands. The brand names, the colours, the designs, the trade marks, etc., must be clear in the minds of the consumers to avoid any confusion.

7. **Permanent Usage:**
   Brand should offer permanent usage. The name, the colours, the designs, etc., should be such that it does not require a change over the years. Therefore, proper names and marks must be used to describe the brands.

8. **Profitability:**

   The brand should be such that it can be easily registered under the Trade and Merchandise Act, 1958. If the brand is refused to be registered, then such brand may be copied easily by others.

9. **Distinctive:**

   The brand must be class apart from those of competitors. The logo, the name, the design, etc., must be unique. It should make people to say "Oh this is wonderful". Brands like Maybac, Omega Watch, Mountblanc Pens, Rolls Royce, Rolex, Watches, Raymonds, are class apart.

10. **Universal Usage:**

    The brand should facilitate universal usage. It should not be objected by other countries. The international buyers should not find any difficulty in recognising and remembering the brand. Some of the universal brands are Colgate, Coca Cola, Pepsi, etc.

11. **Easy pronounceable:**

    The brand should be easy to pronounce, spell and remember for e.g. Onida, Dettol, Thumps-up, Amul, Tata, LG, Samsung, etc.

12. **Adaptable:**

    The brand should be adaptable to new products that may be added to the product line. Thus when a fast food restaurants needs to add breakfasts to their menus, McDonald's name fit better than did Pizza Hut or Domino's Pizza.

8.7 SUMMERY

Brand means A name, term, design, symbol, or any other feature that identifies the product. Technically it is correct but beyond this a brand is a feeling or an attribute for which the customers and users can easily relate to the particular product. It’s the satisfaction and unique experience of customers that they find in the particular company or in its product distinctively and not with other manufacturers. A company's brands and the public's awareness of them is often used as a factor in evaluating a company. A brand impresses your firm's identity upon potential customers, not necessarily to capture an immediate sale but rather to build a lasting impression of you and your products. A Brand is an impression you create on your customers. In the conflict of self and personality, as per social psychology, self is the idea or the understanding about your-'self', whereas personality is your brand and how people see or perceive or know you.

Branding is nothing but presenting the Brand in the market. To put it in simple words, branding is the representation of the company's personality i.e. the brand. Branding is used to create emotional attachment to products and companies. Branding efforts create a feeling of involvement, a sense of higher quality, and an aura of intangible qualities that surround the brand name, mark, or symbol. Successful branding efforts build strategic awareness where people not only recognize your brand, but they also understand the distinctive qualities that make it better than the competition. When consumers become committed to your brand and make repeat purchases over time. Brand loyalty is a result of consumer behavior and is affected by a person's preferences. Loyal customers will consistently purchase products from their preferred brands, regardless of convenience or price. Brand loyalty occurs when a consumer consistently purchases the same product because the customers believe that the particular product is the superior product among the choices available.

8.8. QUESTIONS

1. Define brand elements. Discuss the criteria for choosing brand elements.
2. Define brand elements. What are the various approaches adopted in brand name selection?
3. What are the various components / categories of brand equity ?
4. Explain the concept of brand name and brand logo. What are the criteria for choosing brand elements ?
5. Define a brand. Discuss the role of a brand.
6. Define Brand Equity. Explain the importance of brand equity.
7. Explain the concept of brand loyalty and brand preference.
8. Define brand loyalty ? Discuss the advantages of brand loyalty.

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9

PRODUCT STARTEGIES AND CONSUMER ADOPTION PROCESS

Unit Structure

9.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of product
- To understand the concept of product life cycle
- To discuss the various marketing strategies at the various stages of product life cycle
- To understand the concept of consumer adoption process

9.1 INTRODUCTION

Designing a Marketing strategy is a complex process. It consists of desining functional strategies such as: product strategy, pricing strategy, distribution strategy and sales promotion strategy. In this unit we are going to discuss various diamonstion of product planning, product development and product management through life cycle.

9.2 THE CONCEPT OF PRODUCT

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retailing, products are called merchandise. In manufacturing, products are bought as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market. In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project. In insurance, the policies are considered products offered for sale by the insurance company that created the contract. A product is a set of tangible and intangible attributes that leads to customer satisfaction.

Definitions of product:

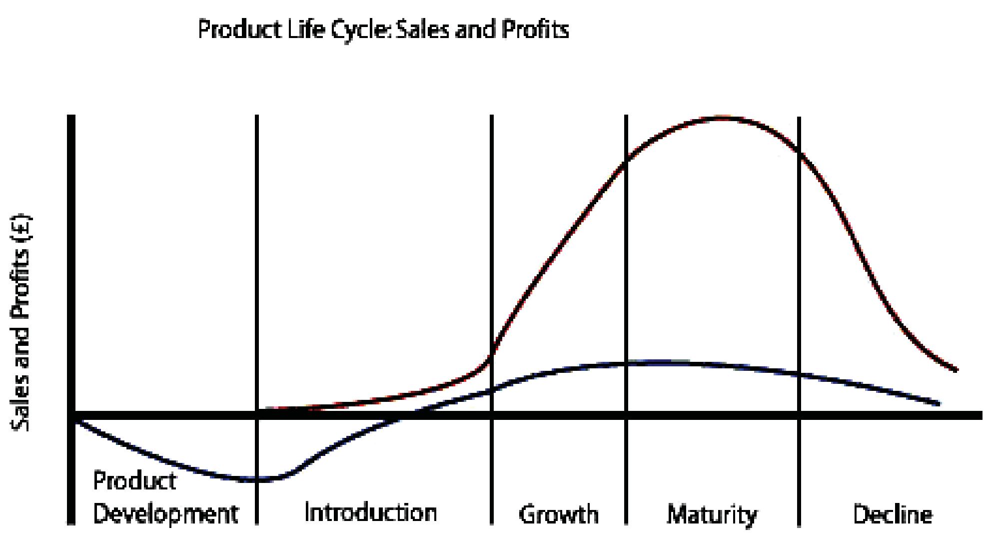
According to Philip Kotler, “A product is anything that can be offered to a market for attention, acquisition, user or consumption that might satisfy a want or a need.”

According to Skinner, ‘A product is any good, service or idea that satisfies need or wants and can be offered in an exchange.”

9.3 PRODUCT LIFE CYCLE

9.3.1 STAGES IN THE PRODUCT LIFE CYCLE

The product life cycle is an important concept in marketing. It is a business analysis that attempts to identify a set of common stages in the life of commercial products. In other words the 'Product Life cycle' PLC is used to map the lifespan of the product such as the stages through which a product goes during its lifespan.



The stages of a product's life cycle can be classified as follows:

1. **Development:**

This is the first stage in product life cycle. At this stage the product is yet to be introduced in the market. The product is under development process. This stage is characterized by:

- Investment in research and development
- No sales
- No profits

2. **Introduction:**

The establishment stage is characterized by low growth rate of sales as the product is newly launched in the market. This is the stage in which the product is initially promoted. Public awareness is very important to the success of a product. If people don't know about the product they won't go out and buy it. Monopoly can be created, depending upon the efficiency and need of the product to the customers. Firms usually incur losses rather than profit turning this stage. If the product is in the new product class, the users may not be aware of its true potential. In order to achieve that place in the market, extra information about the product should be transferred to consumers through various media. The stage has the following characteristics:

- Low competition
- Firm mostly incurs losses and not profit
- Promotion goes highs
- Highest Product prices
- High marketing cost

3. **Growth:**

Once the market has accepted the product, sales begin to rise. This is most crucial stage and helps the brand to establish in the market. The Growth stage is where the product starts to grow. In this stage a very large amount of money is spent on advertising. Firm wants to concentrate on telling the consumer how much better the product is than the competitors' products. Growth comes with the acceptance of the innovation in the market and profit starts to flow. If the monopoly exists, companies can experiment with new ideas and innovation in order to maintain the sales growth. The growth stage exhibits a rapid increase in both sales and profits, and this is the time to try and increase the product's market share. All the time it will varies to product to product.

4. **Maturity:**

The third stage in the Product Life Cycle is the maturity stage. Market becomes saturated because the household demand is satisfied and distribution channels are full. By now the product is widely accepted and growth slows down. Before long, however, a successful product in this phase will come under pressure from competitors. The producer will have to start spending again in order to defend the product's market position If the product completes the Introduction and Growth stages then it will spend a great deal of time in the Maturity stage. During this stage sales grow at a very fast rate and then gradually begin to stabilize. The key to surviving this stage is differentiating the product from the similar products offered by the competitors. Due to the fact that sales are beginning to stabilize firm must make the product stand out among the rest. Aggressive competition in the market results in profits decreasing at the end of the growth stage thus beginning the maturity stage. In addition to this, the maturity stage of the development process is the most vital. During this stage sales grow at a very fast rate and then gradually begin to stabilize. The key to surviving this stage is differentiating the product from the similar products offered by the competitors. Due to the fact that sales are beginning to stabilize the firm must make the product stand out among the rest.

5. **Decline:**

Sooner or later actual sales begin to fall under the impact of new product competition and changing consumer tastes and preferences. A company will no longer be able to fend off the competition or a change in consumer tastes or lifestyle will render the product redundant. This is the stage in which sales of the product begin to fall. Either everyone that wants to has bought the product or new, more innovative products have been created that replace firm’s product. Many companies decide to withdrawal their products from the market due to the downturn. The only way to increase sales during this period is to cut the costs by reducing the spending. At this point the company has to decide how to bring the product's life to an end.

9.3.2 LIMITATION TO PLC:

- Very few products follow the above discussed same product life cycle. Many products don't even make it through all five stages. Some stages even bypass stages. For example, one product may go straight from the Introduction stage to the Maturity stage. This is the problem with the PLC.
- There is no set way for a product to go. Therefore, every product requires a great deal of research and close supervision throughout its life. Without proper research and supervision the product will probably never get out of the first stage.
- Product Life Cycle in no way predicts the length of each phase, and nor can it be used to forecast sales with any accuracy.
- If a marketer decides that a product is approaching its Decline phase, and so stops actively marketing it, the product's sales will almost inevitably decline. This might not have happened had it been managed as if it was still in its Maturity phase.
- It is possible that by improving a product aggressively on an ongoing basis, growth can continue for a long time.
- Successful marketers need to draw on a wide range of data and analysis to help them decide which phase a product is in, and whether that phase can be extended. And while this model is useful and thought-provoking, they need to base their decisions on a good understanding of the facts.
- Product life cycle is criticized that it has no empirical support and it is not fruitful in special cases. Different products have different properties so their life cycle also varies.

9.4 DESIGNING AND MANAGING PRODUCT STRATEGIES DURING PRODUCT LIFE CYCLE

New product progresses through a sequence of stages from introduction to growth, maturity, and decline. This sequence is known as the product life cycle and is associated with changes in the marketing situation, thus impacting the marketing strategy and the marketing mix. The product revenue and profits can be plotted as a function of the life-cycle stages. The duration of each phase will depend upon the product, its newness, its functions and marketing strategy of the fir. With appropriate marketing strategies, the firm can influence and manipulate various stages in the life cycle to its advantage. Following are various marketing strategies used at the various stages:

1. Introduction:

In the introduction stage, the firm seeks to build product awareness and develop a market for the product. Marketing strategies will be as follows:

1. Product branding and quality level is established and intellectual property protection such as patents and trademarks are obtained.
2. Pricing may be low penetration pricing to build market share rapidly, or high skim pricing to recover development cost.
3. Distribution is selective until consumers show acceptance of the product. The main aim at this stage is that they expect to locate it throughout all feasible channels of distribution.
4. Promotion is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

2. Growth:

In the growth stage, the firm seeks to build brand preference and increase market share. In this stage, company's sales and profits starts increasing and competition also begin to increase. The product becomes well recognized at this stage and some of the buyers repeat the purchase patterns. During this stage, firms focus on brand preference and gaining market share. It is market acceptance stage. But due to competition, company invest more in advertisement to convince customers so profits may decline near the end of growth stage.

1. Product quality is maintained and additional features and support services may be added.
2. Pricing is maintained as the firm enjoys increasing demand with little competition. The same pricing structure can be followed.
3. Distribution channels are added as demand increases and customers accept the product.
4. Promotion is aimed at broader audience. The promotional activities that the firm sets out to undertake are generally aimed at increasing the market share by targeting wider audiences of potential customers.

3. Maturity:

At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit. At maturity stage, brand awareness is strong so sale continues to grow but at a declining rate as compared to past. At this stage, there are more competitors with the same products. So, companies defend the market share and extending product life cycle, rather than making the profits, by offering sales promotions to encourage retailer to give more shelf space to the product than that of competitors. At this stage usually loyal customers make purchases.

1. Product features may be enhanced to differentiate the product from that of competitors.
2. Pricing may be lower because of the new competition.
3. Distribution becomes more intensive and incentives may be offered to encourage preference over competing products.
4. Promotion emphasizes product differentiation to create awareness.

4. Decline stage:

As sales decline, the firm has several options. Decline in sales, change in trends and unfavorable economic conditions explain decline stage. At this stage market becomes saturated so sales declines. It may also be due technical obsolescence or customer taste has been changed.

1. Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
2. Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche segment.
3. Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

At declining stage, marketing mix decisions depends on company’s strategy. For example, if company wants to harvest, the product will remain same and price will be reduced. In case of liquidation, supply will be reduced dramatically.

9.5 THE CONCEPT OF CONSUMER ADOPTION PROCESS

9.5.1 MEANING AND STAGES IN THE CONSUMER ADOPTION PROCESS:

Adoption is an individual's decision to become a regular user of a product. This sequence of events begins with consumer awareness of a new product leading to trial usage and culminating in full and regular use of the new product. Over time the adoption process resembles a bell curve formed by innovators, early adopters, and the majority of consumers, late adopters, and laggards. It is a five-stage mental process all prospective customers go through from learning of a new product to becoming loyal customers or rejecting it.

An **innovation** is any good, service, or idea that is perceived by someone as new. The idea may have a long history, but it is an innovation to the person who sees it as new. Innovations take time to spread through the social system. Rogers defines the **innovation diffusion process** as "the spread of a new idea from its source of invention or creation to its ultimate users or adopters."

Adoption Process is defined as "the mental process through which an individual passes from first hearing about an innovation to final adoption." In this definition, final adoption means that the consumer decides to make full and regular use of the product. New products, especially technology needs a special something to make it stand out to the general public. The five main product characteristics can be especially crucial to a user adopting a new product.

The consumer-adoption process focuses on the mental process through which an individual passes from first hearing about an innovation to final adoption. Adopters of new products have been observed to move through five stages:

1. **<u>Awareness:</u>**

The consumer becomes aware of the innovation but lacks information about it. When the potential consumers are apprised of the product but do not have a detailed knowledge about it. The first stage, Awareness, is most important and is also where marketers put a lot of effort and money. If consumers are not aware that the product or service exists, how can the company expect the consumers to buy it? Advertising the product to consumers is hard work to make sure the correct image is developed and the product is desired. Examples of advertising may include media or print ads.

2. **Interest:**

The second stage is Interest. This stage is when the consumer becomes aware of the product and searches out information. A popular method of searching out information is the internet. A company's website tells a potential customer what it looks like, its specifications, its price, ways to purchase and much more. Technology has played a big role in today's website advertising, guaranteeing interactive information and data collection. The consumer is stimulated to seek information about the innovation. When the product catches the consumer's attention and she herself tries to discover more and more about it.

3. **Evaluation:**

The consumer considers whether to try the innovation. In this stage, the consumer has enough knowledge about the product and she considers its relative benefits and evaluates it in terms of various factors as cost, aesthetics, competitors' offering, etc.

4. **Trial:**

The consumer tries the innovation to improve his or her estimate of its value. This is the stage when the consumer experiences the product and judges whether the claims are correct or not. Trials can be generated by sampling or by the consumer herself buying the product. Many new brands aim to reach this stage as soon as possible.

5. **Adoption:**

The consumer decides to make full and regular use of the innovation. This is the stage when the consumer has made up her mind whether to remain with the product or switch back to her earlier product. The customer moves from a cognitive state (being aware and informed) to an emotional state (liking and preference) and finally to the behavioral or cognitive state (deciding and purchasing).

9.5.2 Individual differences in the adoption of innovations:

1. Innovators. Innovators help get the product exposure but are not often perceived by the majority of potential buyers as typical consumers.

2. Early Adopters. This group serves as opinion leaders to the rest of the market.
3. Early Majority. Some 34% of the market that is the "typical cons umer" but likely to adopt innovations a little sooner.
4. Late Majority. This group is skeptical and adopts innovations onl y after most of the market has accepted the product.
5. Laggards. This group is suspicious of change and adopts only a fter the product is no longer considered an innovation

9.6 SUMMARY

From the above discussion it can be understood that Product Life Cycle is an important concept in marketing function. While designing and framing the marketing mix strategies the various stages of product life cycle have to be considered. It is also important to understand the five stages of consumer adoption process. If these stages are studied properly, it will be easy for the organizations to come out with proper marketing mix strategies specially promotion strategies.

9.7 SUGGESTED QUESTIONS

1. What is product? Discuss the concept of product life cycle in detail.
2. State and explain the various marketing strategies during product life cycle.
3. Discuss the consumer adoption process.
4. Write a note on:
    i. Product life cycle
    ii. Managing marketing strategies during product life cycle
    iii. Consumer adoption process

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10

NEW PRODUCT DEVELOPMENT

Unit Structure

10.0 OBJECTIVES

After studying the unit the students will be able:

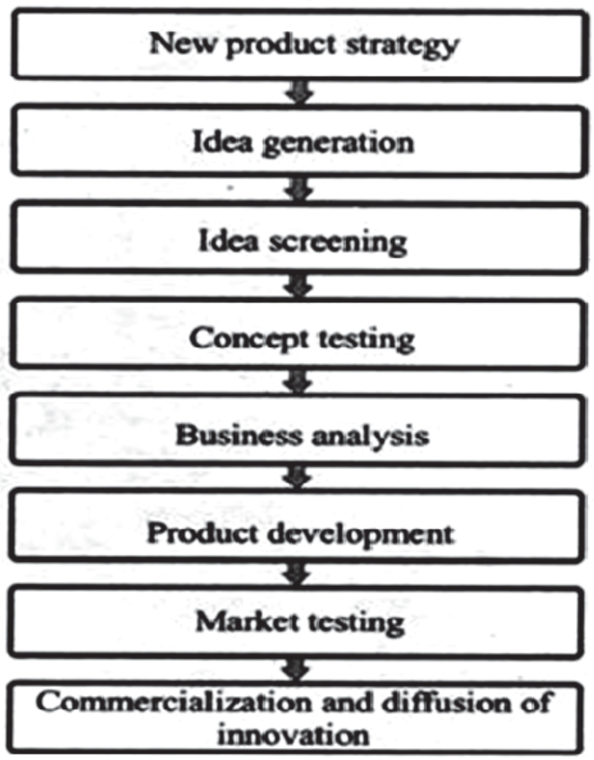
- To understand the process of new product development
- To understand the factors to be considered while developing a new product
- To discuss the challenges faced by the companies while developing a new product

10.1 INTRODUCTION

The key element of the marketing programme is the product. Before taking decisions about pricing, promotion and distribution; a firm has to determine what product it will present in the market. While introducing new product the company has to study the market positions and trends in the market. In other words study of marketing ultimately treads to the study of the product. In fact planning and development of the marketing mix normally begins with a clear idea of firm's product of service. A product that provides benefits may not always be a tangible article. The Services provided by banks, air lines, travel agencies, educational institutes also are the products. While bringing a new product in the market the company has to study the various aspects of the market.

10.2 THE PROCESS OF NEW PRODUCT DEVELOPMENT

In business, new product development (NPD) is the complete process of bringing a new product to market. A product is a set of benefits offered for exchange and can be tangible (that is, something physical you can touch) or intangible (like a service, experience, or belief). There are two parallel paths involved in the NPD process: one involves the idea generation, product design and detail engineering; the other involves market research and marketing analysis.



New Product Development Process

1. **Idea Generation**:

The first step is to generate an idea for the product. Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weaknesses, and Opportunities & Threats). Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features. . Utilizing basic internal and external SWOT analyses, as well as current marketing trends, one can distance themselves from the competition by generating ideologies which take affordability, ROI, and widespread distribution costs into account. Lots of ideas are generated about the new product. Out of these ideas many are implemented. The ideas are generated in many forms. Many reasons are responsible for generation of an idea. New ideas can be generated from:

- Conducting marketing research to find out the consumers' needs and wants.
- Inviting suggestions from consumers.
- Inviting suggestions from employees.
- Brainstorming suggestions for new-product ideas.
- Searching in different markets viz., national and international markets for new-product ideas.
- Getting feedback from agents or dealers about services offered by competitors.
- Studying the new products of the competitors
- Creating an online survey for your customers or social media fans to take.

2. **Idea Screening:**

Make a list of product ideas and share it with the appropriate decision-makers in the company, such as the management team. Discuss the pros and cons of each idea and narrow the list to just a handful of the best ideas, based on their potential to generate revenue, as well as the time and resources you have to actually create the products. The object is to eliminate unsound concepts prior to devoting resources to them. The screeners should ask several questions:

- Will the customer in the target market benefit from the product?
- What is the size and growth forecasts of the market segment / target market?
- What is the current or expected competitive pressure for the product idea?
- What are the industry sales and market trends the product idea is based on?
- Is it technically feasible to manufacture the product?
- Will the product be profitable when manufactured and delivered to the customer at the target price?

3. **<u>Concept Development and Testing:</u>**

- Develop the marketing and engineering details
- Investigate intellectual property issues and search patent databases
- Who is the target market and who is the decision maker in the purchasing process?
- What product features must the product incorporate?
- What benefits will the product provide?
- How will consumers react to the product?
- How will the product be produced most cost effectively?
- Prove feasibility through virtual computer aided rendering and rapid prototyping
- What will it cost to produce it?
- Testing the Concept by asking a number of prospective customers what they think of the idea – usually

4. **<u>Business Analysis:</u>**

Business analysis is a very important step in new-product development. Here, a detailed business analysis is done. The company finds out whether the new product is commercially profitable or not. Under business analysis, the company finds out:

a. Whether the new product is commercially profitable or not?
b. What will be the cost of the new product?
c. Is there any demand for the new product?
d. Whether this demand is regular or seasonal?
e. Are there any competitors of the new product?
f. How the total sales of the new product be?
g. What will be the expenses on advertising, sales promotion, etc.?
h. How much profit the new product will earn?

So, the company studies the new product from the business point of view. If the new product is profitable, it will be accepted else it will be rejected.

At this stage company should:

- Analyze the product idea from a business perspective. Determine how much, if any, competition exists for similar products.
- Determine the demand for the product, and estimate all costs affiliated with the product, such as development costs and operational costs, to help determine the profit margin.
- Estimate likely selling price based upon competition and customer feedback

- Estimate sales volume based upon size of market
- Estimate profitability and break-even point

5. <u>Market Testing:</u>

Test marketing means to introduce the new product on a very small scale in a very small market. If the new product is successful in this market, then it is introduced on a large scale. However, if the product fails in the test market, then the company finds out the reasons for its failure. It makes necessary changes in the new product and introduces it again in a small market. If the new product fails again the company will reject it. Test marketing reduces the risk of large-scale marketing. It is a safety device. It is very time-consuming. It must be done especially for costly products. At this stage the company should:

- Test the product (and its packaging) in typical usage situations
- Conduct focus group customer interviews or introduce at trade show
- Make adjustments where necessary
- Produce an initial run of the product and sell it in a test market area to determine customer acceptance
- Seek feedback from customers, employees and partners on which idea is most appealing. Ask customers for feedback via email or phone calls.
- Send an email to partners and employees and ask which of the products seems most useful or valuable. Whittle the list to just one or two product ideas.

6. <u>Technical Implementation:</u>

- New program initiation
- Finalize Quality management system
- Resource estimation
- Requirement publication
- Publish technical communications such as data sheets
- Engineering operations planning
- Department scheduling
- Supplier collaboration
- Logistics plan
- Resource plan publication
- Program review and monitoring
- Contingencies - what-if planning

7. **Commercialization**:

- Launch the product
- Produce and place advertisements and other promotions
- Fill the distribution pipeline with product
- Critical path analysis is most useful at this stage

8. **New Product Pricing:**

- Impact of new product on the entire product portfolio
- Value Analysis (internal & external)
- Competition and alternative competitive technologies
- Differing value segments (price, value and need)
- Product Costs (fixed & variable)
- Forecast of unit volumes, revenue, and profit

10.3 FACTORS CONTRIBUTING NEW PRODUCT DEVELOPMENT

Several factors contribute to new product development. While most are related to external environmental variables, the most important internal factor in new product development is the surplus capacity that a firm may have at any given time. Although firms should not pick up product to fill their surplus capacities, the fact is that too many do. However, there are several environmental factors contributing development of new products. They are been discussed as follows:

1. **Organizations' mission and vision:**

It is imperative to analyze the mission and vision of these organizations as it reflects their target setting or customer segmentation. For example, the mission statement of Sonata focuses on targeting only poor women. The organizational mission and vision are also visible in the product offerings of these organizations.

2. **Competitive Edge:**

The age of the organization and timing of entry impact the process of new product development in an organization. It is also important to note that entering in less matured market (with little or less competition) gives an opportunity for new product development.

3. Customer's preferences:

The driving force in new product- development is the changing customer life-style, leading towards a change in the customer's preferences and expectations. The changing role of women, growth in the nuclear and stand alone family's increase in education and income levels, and a manifold increase in the electronic media also contributes towards changing customer's expectations and preferences. Most of today's new products , be they garments, footwear, leather wears, perfumes, designer wears, appliances and other durables and even credit cards, are the result of this change in consumer life style and preferences.

4. Technological Changes:

Another factor is the technological changes in the industry and the market. For example ,if Mrs. Indira Gandhi's government had not decided to expand the television network to cover 70% of the Indian population, launched its own Satellite INSAT 1B and started color telecast in 1982, it is extremely doubtful if many of today product would have seen the light of the day in the Indian market. As an example, Maggi noodles wouldn't have been so successful.

Application of chips technology to the watch- making industry gave us a quartz watch- something which Titan watches have successfully used to shake up the Indian market. To take advantage of the technological changes and remain competitive, the firm has to have a closer relationship with technological institutes, universities and other R&D labs.

5. Government Policy:

The government policy also can encourage or foster new product development process. For example, a government policy encouraging competition and entrepreneurship can motivate firms to launch new products. A case in point is, after the government of India allowed board bending in its industrial licensing policy and Maruti became a rage with Indian consumers, Hindustan Motors and Premier Automobiles started analyzing means to improve their own market position. They launched two new products, each of which was targeted at the higher end of the market Similarly, Government policy insisting on chemical firms for an environmental audit, has led to a growth in the demand for pollution control equipment. Thus, environment external and internal- contributes towards the development process of new products.

6. **The Competition:**

There is competition lingering out in the world. Firm has to conduct plenty of research on the product which the market competition is offering. Firm has to evaluate how they are marketing the product by reading the company website, brochures, print, online ads and other marketing materials. Firm has to consider how your product is the same or different from the product being offered by the competition. Seeing what marketing efforts may be working and not working for the competition can guide the firm in how to effectively marketing its own product. If the firm is introducing a new product to the market (such as an invention), then it has to put itself in the shoes of potential buyers and consider what benefits the product offers them or what need it fills.

7. **Identifying the right Customer:**

Firm should focus its marketing efforts on the customer that is most likely to buy its product. Firm has to consider the reasons why a customer would need or want its product and leverage this in its marketing messages. It is much easier to target the right customer who has a need and desire for the product than to try to create a market for a product. For example, if a competitor sells to a particular group of people (moms, for example), determine how your product serves a better purpose for the group and then use this information to market to moms. The firm may want to conduct some market research to learn about target market. Focus groups and surveys are two ways by which firm can learn more about the needs and wants of the target audience.

8. **A Unique Selling Proposition:**

A unique selling proposition (USP) is what makes customers want to buy from you rather than the competition. Determine how your product serves a need better, faster or easier than the competition. Use your USP to craft marketing messages, create a brand for your product and differentiate your product from products that are the same or similar to yours. When the firm is researching its competition, it should carefully examine the product features. It should pay close attention to how the competition is marketing its products. When the firm compares the competitors' products to its own, it can list the differences that exist. The firm should identify a benefit that the product offers that the competition is lacking.

9. **Testing the product:**

Your perception of the product and the perception of potential customers may be very different. Testing the perception of your product by conducting focus groups or gathering feedback from testers can give direction to your marketing efforts. A focus group may reveal that the colors you are using for the product packaging are not attractive to potential customers, so you can alter the packaging to be more appealing before launch. Testers of the product could find that the product doesn't work for a particular use but works great for another use. Use this information to concentrate your marketing efforts on what the product works best for or modify the product to correct the problem before launching it.

10. Public Relations and Media Involvement:

When it's time to the launch the product, public relations and media coverage can play a vital role. Media coverage in magazines and newspapers or on news shows that reach your target audience helps to create a buzz. Publicity is a third-party endorsement for your product that many consumers may find more valuable than advertisements and marketing materials that the consumer knows your business creates.

11. The Product Life Cycle:

Products go through a life cycle. The cycle includes development, introduction, growth, maturity and decline stages. Understanding and monitoring where your product is in the life cycle directly affects the marketing efforts that take place during the stage. For example, marketing during the introductory stage is oriented to reach the target audience of the product and create a demand for the product, while in the growth stage marketing involves creating brand preference.

10.4 CHALLENGES IN NEW PRODUCT DEVELOPMENT

Product-development planning remains crucial to organizations' survival. Some key challenges, and hence success factors are as follows:

1. Social Challenges:

Products are developed to meet a specific need or want. Different countries are at different stages of economic development, and the need or want we have might not have developed in enough other countries to create a viable target market. Other countries have different cultures and different food preferences, grooming habits, living quarters, recreational opportunities, lifestyles and clothes. English speakers might be few. Brand names may not translate appropriately. Countries may have no interest in a particular good or service that is selling well in in some other country.

2. **Development Speed:**

'Faster and faster' is the mantra of product development. One way to hasten development speed is through digital design, analysis, and collaboration tools to get products to market faster. Using collaboration software, file-sharing software and more, engineers can transform ideas into digitized virtual designs for testing and viewing a new product in three dimensions, within months rather than years.

3. **Platform Flexibility:**

Every product guru will acknowledge that a key success factor of a product in the market is its platform flexibility. This results from using modular product architecture to provide more product variety to customers. Computer aided design and engineering tools permit easy reuse of already completed design files. All these files make product design much more efficient, cost effective, and accelerated than ever before.

4. **Complexity Management:**

A product stands apart from an application in its complexity. It involves engineering complex systems through analysis of interaction networks. Research has resulted in network modeling methods to examine a network of interacting elements that form part of complex systems being developed. The challenge of engineering complex systems with many components, sometimes called systems engineering, remains a key success factor.

5. **Outsourcing and Off shoring:**

Finally, the biggest challenge that remains is optimizing in-house skills, supplier skills and capacity, international operations, and new markets. Sometimes outsourcing saves considerable cost and sometimes a little cost, but more importantly, it actually helps in taking advantage of global product development networks, largely to access new markets in different locations and leverage global talent pools. Let us have a closer look at the outsourcing opportunities.

Modern communication tools and the Internet have reduced the need for product development partners to be geographically close. Indeed product development is increasingly being divided between locations, with different parts getting created in multiple centers around the globe and brought back together for integration and testing. The ability to succeed at global project management is the key challenge in this model.

As the challenges grow in the face of global inflation, strengthening currencies, slowing economies, dried up venture funds so will be the opportunities, to springboard ahead of competition by globalizing. Two immediate channels that help bring in the advantages of globalization are building captive centers across the globe and outsourcing. Both have their pros and cons, but given the scale of expansion and flexibility, outsourcing is well acknowledged as the greatest opportunity for the entire product-engineering ecosystem.

6. **Global competition:**

Global competition is often a major factor impacting the challenges of new product development. A company may invest heavily in a new product, but be unaware that an overseas competitor is set to release a similar product imminently. As a result, shepherding a new product from concept to market is often done under intense time pressure, as product developers attempt to bring the product to market ahead of their competition.

7. **Time:**

The companies today are facing time as one of the critical challenges in new product development. Introducing a new product at the right time reduces the ambiguity about the failure of the product. Giving the market a product at time when there is a need for such product is required to be paid attention.

8. **Market potential:**

A company needs to know its current and future competitors. In today's economic climate only two products will be successful in the market. Unless your product is far superior to your competition, you will not be able to enter market successfully or retain your leadership in the market.

9. **Technological changes:**

Rapid advancement in technology may be considered by many to be among the top challenges of new product development. A technological arms race may put the product developers in a position of uncertainty. Product developers may not know what the next development might be. If a firm chooses a pathway to creating functionality using a form of a technology that may be soon obsolete, the company's investors could lose a sizable investment.

10. **Price:**

Setting a right price of the product before introducing it in the market is also a challenge for the organization. Having a right price is very important for the product to survive in the market. Setting a product at the right price at the right time is a challenge.

11. Resistance to change:

Most customers are intrinsically conservative and resist innovation. Apart from the new early adopters, whose enthusiasm for new products knows no bounds, the broad mass of customers sees innovation as risky and finds new unproven products less attractive than tried and tested alternatives. Consequently any innovative product, particularly if it has a high technological component will meet resistance and will sell slowly until it is perceived as safe by the potential customers.

12. Promotion:

Promoting a new product in the new market or in the current market is a job of every marketer and the upmost requirement for the longevity of the product in the market. Firms who hardly promote their product are rarely recognized by the market and thus remain a mystery product for the customers. Promotion techniques adopted by the firms from print media to social websites is all a one step of the staircase approach of new product development. Thus promotion is must for the new product hit.

10.5 SUMMARY

From the above discussion it can be understood that new product development is very important aspect for any organization. To have a successful product, company needs to consider all the essential factors which are affecting its development. While developing a new product organizations also face many challenges like social challenges, technological challenges, competition etc.

10.6 SUGGESTED QUESTIONS

1. What is new product development? Discuss the stages involved in new product development.
2. State and explain the various factors contributing new product development.
3. Discuss the challenges faced by the organizations while developing a new product.

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11

PRICING

Unit Structure

11.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of pricing
- To discuss the various pricing strategies
- To discuss the process of setting a price
- To discuss the concept of price cuts and price increases and its reasons and impact.

11.1 INTRODUCTION

Organizations producing goods and services need to set the price for their product. Setting the price for an organization's product is one of the most important decisions a manager faces. Pricing is the most crucial aspect of marketing management. Pricing is a profit planning exercise as it the source of revenue for a businessman whereas it is an expense item for the consumer. The businessman wants to get the highest possible price for the product he sells whereas consumer wishes to pay the least possible price for his purchase. Therefore setting the price is one of the most crucial and difficult decisions a firm's manager has to make. Cost is one of the major considerations in price determination of the product. It is one of the three major factors which influence pricing decision. The two other factors are customers and competitors.

Pricing is a 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. Different pricing methods place varying degree of emphasis on selection, estimation, and evaluation of costs, comparative analysis, and market situation.

11.2 THE CONCEPT OF PRICING

Price is the amount of money charged for a product or service. In other words it is the value, in money terms that a consumer exchanges for the benefits or satisfaction of having, or using, a product or service. In the marketing context, price is said to be one of the constituents of the 'marketing mix', which also includes quality, design, advertising, marketing and distribution as well as price. However, one critical difference between price and other ingredients of the marketing mix is that price produces revenue while the other elements produce costs, so that the setting of an appropriate price is critical for a company's success.

Pricing is the process of determining what a company will receive in exchange for its product. Pricing factors are manufacturing cost, market place, competition, market condition, brand, and quality of product. Pricing is also a key variable in micro economic price allocation theory. Pricing is a fundamental aspect of financial modeling and is one of the four Ps of the marketing mix. (The other three aspects are product, promotion, and place.) Price is the only revenue generating element amongst the four Ps, the rest being cost centers. However, the other Ps of marketing will contribute to decreasing price elasticity and so enable price increases to drive greater revenue and profits.

11.3 PRICING STRATEGIES

Organizations can follow different pricing strategies to price the product. The important pricing strategies are discussed as follows:

1. COST BASED PRICING:

Price is determined by adding a profit element on top of the cost of making the product. The main base for fixing a price is cost of the product. This involves setting a price by adding a fixed amount or percentage to the cost of making or buying the product. In some ways this is quite an old-fashioned and somewhat discredited pricing strategy, although it is still widely used. After all, customers are not too bothered what it cost to make the product – they are interested in what value the product provides them.

a. <u>Cost plus pricing:</u>

Cost-plus (or “mark-up”) pricing is widely used in retailing, where the retailer wants to know with some certainty what the gross profit margin of each sale will be. This appears in two forms, full cost pricing which takes into consideration both variable and fixed costs and adds a percentage as markup. The other is direct cost pricing which is variable costs plus a percentage as markup. The latter is only used in periods of high competition as this method usually leads to a loss in the long run. An advantage of this approach is that the business will know that its costs are being covered. The main disadvantage is that cost-plus pricing may lead to products that are priced un-competitively.

b. <u>Marginal-cost pricing:</u>

In this method, the practice of setting the price of a product is equal to the extra cost of producing an extra unit of output. By this policy, a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labor. Businesses often set prices close to marginal cost during periods of poor sales.

c. <u>Economy Pricing:</u>

This is a no frills low price. The costs of marketing and promoting a product are kept to a minimum. Supermarkets often have economy brands for soups, spaghetti, etc. Budget airlines are famous for keeping their overheads as low as possible and then giving the consumer a relatively lower price to fill an aircraft. The first few seats are sold at a very cheap price (almost a promotional price) and the middle majority is economy seats, with the highest price being paid for the last few seats on a flight (which would be a premium pricing strategy). During times of recession economy pricing sees more sales. However it is not the same as a value pricing approach which we come to shortly.

d. <u>Product Life Cycle Pricing:</u>

All products have a life span, called product life cycle. A product gradually progresses through different stages in the cycle: introduction, growth, maturity and decline stages. During the growth stage, when sales are booming, a small company usually will keep prices higher. For example, if the company's product is unique or of higher quality than competitive products, customers will likely pay the higher price. A company that prices its products high in the growth stage also may have a new technology that is in high demand.

2. CUSTOMER-BASED PRICING:

Where prices are determined by what a firm believes customers will be prepared to pay. Following are some of the customer based pricing strategies which are commonly used.

a. <u>Penetration pricing:</u>

The aim of penetration pricing is usually to increase market share of a product, providing the opportunity to increase price once this objective has been achieved. Penetration pricing is the pricing technique of setting a relatively low initial entry price, usually lower than the intended established price, to attract new customers. The strategy aims to encourage customers to switch to the new product because of the lower price. Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume. In the short term, penetration pricing is likely to result in lower profits than would be the case if price were set higher. However, there are some significant benefits to long-term profitability of having a higher market share, so the pricing strategy can often be justified. Penetration pricing is often used to support the launch of a new product, and works best when a product enters a market with relatively little product differentiation and where demand is price elastic – so a lower price than rival products is a competitive weapon.

b. <u>Price skimming:</u>

Skimming involves setting a high price before other competitors come into the market. This is often used for the launch of a new product which faces little or no competition – usually due to some technological features. Such products are often bought by "early adopters" who are prepared to pay a higher price to have the latest or best product in the market. There are some other problems and challenges with this approach. Price skimming as a strategy cannot last for long, as competitors soon launch rival products which put pressure on the price. Distribution (place) can also be a challenge for an innovative new product. It may be necessary to give retailers higher margins to convince them to stock the product, reducing the improved margins that can be delivered by price skimming. A final problem is that by price skimming, a firm may slow down the volume growth of demand for the product. This can give competitors more time to develop alternative products ready for the time when market demand (measured in volume) is strongest. Skimming is usually employed to reimburse the cost of investment of the original research into the product, commonly used in electronic markets when a new range, are firstly dispatched into the market at a high price. This strategy is employed only for a limited duration to recover most of the investment made to build the product. To gain further market share, a seller must use other pricing tactics such as economy or penetration. This method can have some setbacks as it could leave the product at a high price against the competition.

c. Price discrimination (Differential Pricing):

Price discrimination is the practice of setting a different price for the same product in different segments to the market. For example, this can be for different classes, such as ages, or for different opening times. An important issue in pricing is whether to use a single price or multiple prices for the same product. Using a single price has several benefits, including that it is simple, easily understood by employees and customers, and it reduces the chance of an adversarial relationship developing between marketer and customer. A single price also creates some challenges: if a single price is too high, some customers may not be able to afford the product; if it is too low, the firm loses revenue from customers who would have paid more had the price been higher. Differential pricing means charging different prices to different buyers for the same quality and quantity of product. The market must consist of multiple segments with different price sensitivities, and the pricing method should be used in a way that avoids confusing or antagonizing customers

d. Temporary Discount Pricing:

Small companies also may use temporary discounts to increase sales. Temporary discount pricing strategies include coupons, cents-off sales, seasonal price reductions and even volume purchases. For example, a small clothing manufacturer may offer seasonal price reductions after the holidays to reduce product inventory. A volume discount may include a buy-two-get-one-free promotion.

3. COMPETITOR-BASED PRICING:

In this method of pricing competitor prices is the main influence on the price. If there is strong competition in a market, customers are faced with a wide choice of who to buy from. They may buy from the cheapest provider or perhaps from the one which offers the best customer service. But customers will certainly be mindful of what is a reasonable or normal price in the market. Most firms in a competitive market do not have sufficient power to be able to set prices above their competitors. They tend to use "going-rate" pricing – i.e. setting a price that is in line with the prices charged by direct competitors. In effect such businesses are "price-takers" – they must accept the going market price as determined by the forces of demand and supply. An advantage of using competitive pricing is that selling prices should be line with rivals, so price should not be a competitive disadvantage. The main problem is that the business needs some other way to attract customers. It has to use non-price methods to compete – e.g. providing distinct customer service or better availability.

4. OTHER STRATEGIES:

a. Target pricing:

It is a pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

b. Time-based pricing:

A flexible pricing mechanism made possible by advances in information technology, and employed mostly by Internet based companies. By responding to market fluctuations or large amounts of data gathered from customers - ranging from where they live to what they buy to how much they have spent on past purchases - dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customer's willingness to pay. The airline industry is often cited as a dynamic pricing success story. In fact, it employs the technique so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.

c. Value-based pricing:

Pricing a product based on the value the product has for the customer and not on its costs of production or any other factor. This pricing strategy is frequently used where the value to the customer is many times the cost of producing the item or service. For instance, the cost of producing a software CD is about the same independent of the software on it, but the prices vary with the perceived value the customers are expected to have. The perceived value will depend on the alternatives open to the customer. In business these alternatives are using competitor's software, using a manual work around, or not doing an activity. In order to employ value-based pricing you have to know your customer's business, his business costs, and his perceived alternatives. It is also known as Perceived-value pricing.

d. Product-Line Pricing:

Product-line pricing is establishing and adjusting prices of multiple products within a product line. A marketer's goal here is to maximize profits for an entire product line rather than to focus on the profitability of an individual product.

1. Captive Pricing

Captive pricing involves pricing the basic product in a product line low, but pricing related items that are required to operate or enhance it at a higher level.

2. Premium Pricing

Premium pricing is often used when a product line contains several versions of the same product of different quality. It entails giving higher quality or more versatile products the highest prices.

3. Bait Pricing

a) Bait pricing occurs when a marketer prices an item in the product line low with the intention of selling a higher-priced item in the line.

b) The lower-priced item will attract customers into the store and the marketer hopes that once in the store, the customer will purchase the higher-priced item.

4. Price Lining

a) With price lining, the organization sets a limited number of prices for selected groups or lines of merchandise.

b) The basic assumption in price lining is demand is inelastic for various groups or sets of products. When prices are attractive, customers will continue to purchase without responding to slight changes in price.

7.4 THE PROCESS OF SETTING A PRICE

As an entrepreneur, setting a pricing strategy and policy for the product for the first time to develop it can be a big task. Price is not just a tag on the product or service, it communicates to your customers your business's intended value positioning and also determines your profitability.

Price is not just a number on your product or service, it produces revenue and can determine if you reap in huge profits or suffer losses. Effective designing and implementation of a pricing strategy is thus important for the profitability.

Following are the steps involved in pricing process:

1. <u>Deciding pricing objective:</u>

Firm has to select the pricing objective to decide where it wants to position the market offering. The five major objectives that can pursue are survival, maximum current profit, maximum market share, maximum market skimming or product –quality leadership. Having a clearer objective makes it easier to set a price. Pricing objectives are goals that describe what an organization wants to achieve through pricing efforts. Developing pricing objectives is an important task because pricing objectives form the basis for decisions about other stages of pricing. Pricing objectives must be consistent with organizational and marketing objectives. Pricing objectives influence decisions in many functional areas, including finance, accounting, and production. A marketer can use both short- and long-term pricing objectives and can employ one or more multiple pricing objectives.

2. <u>Determining the demand for the product or target market:</u>

Firm has to determine the demand. The price the firm sets will affect the demand level and impact the business objectives differently. In normal situations, price and demand are inversely related, in that the higher the price the lower the demand and vice versa. The importance of price depends on the type of product, the type of target market, and the purchase situation. Value combines a product's price and quality attributes, which are used by customers to differentiate competing brands. Understanding the importance of a product to customers, as well as their expectations of quality and value, helps a marketer correctly assess the target market's evaluation of price.

3. Estimating the cost:

Firm has to estimate the costs. While doing this, firm wants to charge a price that covers the cost of production, distribution and selling of the product plus a decent return for the efforts and risks.

4. Analysis of competitor:

Firm has to analyze competitor costs, prices, offers and possible reactions. Firm should consider its nearest competitor's price, product features and evaluate them to check their worth to the customers. It can then decide to charge more, same as competitor or less. Marketers are generally in a better position to establish prices when they know the competition's prices; discovering competitors' prices may be a regular function of marketing research. Competitors' prices are often closely guarded secrets and may be difficult to uncover. Marketers in an industry in which price competition prevails need competitive price information to ensure their organization's prices are the same, or lower than, their competitors' prices. An organization may set its prices slightly above the competition to give its products an exclusive image, or it may use price as a competitive tool and price its products below those of competitors.

5. Selecting a pricing method:

At this stage the firm has to select a pricing method. When selecting, consider the cost of the product or service, competitor prices and the customer's assessment of the unique features. The pricing method decided should include one or more of these considerations. The three major dimensions on which prices can be based are cost, demand, and competition. An organization usually considers multiple dimensions. The selection of the bases to be used is affected by the type of product, the market structure of the industry, the brand's market share position relative to competing brands, and customer characteristics.

6. Fixing the price:

Finally, firm has to fix the price. Here, it must consider the following: 1) Impact of other marketing activities like brand quality and advertising in relation to competition.2) Companies pricing policy, 3) Impact of the price on other parties like the distributors and dealers.

11.5 PRICE CUTS AND PRICE INCREASES

In some cases, the company may find it desirable to initiate either a price cut or a price increase. In both cases, it must anticipate possible buyer and competitor reactions.

11.5.1 INITIATING PRICE CUTS:

Several situations may lead a firm to consider cutting its price. One such circumstance is excess capacity. In this case, the firm needs more business and cannot get it through increased sales effort, product improvement, or other measures. It may drop its "follow-the-leader pricing"—charging about the same price as its leading competitor—and aggressively cut prices to boost sales. But as the airline, construction equipment, fast-food, and other industries have learned in recent years, cutting prices in an industry loaded with excess capacity may lead to price wars as competitors try to hold on to market share.

Another situation leading to price changes is falling market share in the face of strong price competition. Several American industries—automobiles, consumer electronics, cameras, watches, and steel, for example—lost market share to Japanese competitors whose high-quality products carried lower prices than did their American counterparts. In response, American companies resorted to more-aggressive pricing action.

11.5.2 INITIATING PRICE INCREASES:

A successful price increase can greatly increase profits. For example, if the company's profit margin is 3 percent of sales, a 1 percent price increase will increase profits by 33 percent if sales volume is unaffected. A major factor in price increases is cost inflation. Rising costs squeeze profit margins and lead companies to pass cost increases along to customers. Another factor leading to price increases is over demand: When a company cannot supply all its customers' needs, it can raise its prices, ration products to customers, or both.

Companies can increase their prices in a number of ways to keep up with rising costs. Prices can be raised almost invisibly by dropping discounts and adding higher-priced units to the line. Or prices can be pushed up openly. In passing price increases on to customers, the company must avoid being perceived as a price gouger. Companies also need to think of who will bear the brunt of increased prices. Customer memories are long, and they will eventually turn away from companies or even whole industries that they perceive as charging excessive prices.

There are some techniques for avoiding this problem. One is to maintain a sense of fairness surrounding any price increase. Price increases should be supported with a company communication program telling customers why prices are being increased. When possible, customers should be given advance notice so they can do forward buying or shop around. Making low-visibility price moves first is also a good technique: Eliminating discounts, increasing minimum order sizes, and curtailing production of low-margin products are some examples. Contracts or bids for long-term projects should contain escalator clauses based on such factors as increases in recognized national price indexes. The company sales force should help business customers find ways to economize.

Wherever possible, the company should consider ways to meet higher costs or demand without raising prices. For example, it can consider more cost-effective ways to produce or distribute its products. It can shrink the product instead of raising the price, as candy bar manufacturers often do. It can substitute less expensive ingredients or remove certain product features, packaging, or services. Or it can "unbundle" its products and services, removing and separately pricing elements that were formerly part of the offer. IBM, for example, now offers training and consulting as separately priced services.

11.5.3 COMPETITOR REACTIONS TO PRICE CHANGES:

Price changes by a company rarely go unanswered by competitors. Reactions may be strong and aggressive (for instance reducing prices further when price cuts have been initiated by a company) if the competitor is the market leader, or an aggressive challenger. Competitors may follow the lead in reducing prices, thus nullifying the advantage of the initiator, or may choose not to follow the price increase, thus putting the initiator at a disadvantage.

1. A price rise that no competitor follows may turn customers away to competitors' offerings. A price cut that is met by the competition will not result in increase in sales of the initiator but may reduce industry profitability.

   A company that initiates price changes will achieve its purpose if its price hike is matched by competitors but its price reduction is not matched by competitors.

2. A company's reaction to another company's price moves is dependent on its strategic objectives. A company is likely to follow price increase of its competitor if its strategic objective is to hold or harvest. It will be able to realize higher revenues without customers viewing it as a company which instigates price rise. A company will not follow price increase of its competitor if its strategic objective is to build. It will hope that some of the competitor's customers will switch over to its product due to its price being low. Conversely, a company will follow price cuts of a competitor if its strategic objective is to build or hold, because its customers will otherwise switch over to the competitor's lower-priced product. And a company will ignore price cut of a competitor if its strategic objective is to harvest, because it aims to gamer higher profits from whatever customers are left with it, and is not really interested in attracting new customers. Therefore, if a company wants to know as to how their competitors would react to their price moves, they have to know the strategic objectives of their competitors. A company can have a fair idea of competitors' strategic objectives by keeping a close look at how they are pricing and promoting their product. It should also talk to their suppliers, distributors and retailers, and even hire their employees to learn more about their strategic objectives.

3. If a company raises price due to rise in inflation, competitors will follow suit because they too are being affected by rise in inflation, and also because customers expect prices to go up when there is rise in inflation. But, if a company raises price because its strategic objective is to harvest, competitors' reaction would depend on their own strategic objectives, and hence they would not always follow suit.

4. If a company has excess capacity, it will follow the price cut of a competitor because otherwise its customers will switch, which it cannot afford in view of its already having excess capacity.

11.6 SUMMARY

From the above discussion it can be understood that the pricing decision is a very important marketing decision for any organization. Price is not only the monetary value of the product but it also communicates firm's image to the market. So it has to be finalized carefully after taking into account all the possible factors affecting it. The organization can follow various strategies to fix the price of the product. Which strategy to be followed depends upon the pricing objectives of the organization. In some situations company can cut or increase the price fixed due to various reasons.

These price cuts and price increases affect competitors and customers.

11.7 QUESTIONS

1. What is a price of a product? Discuss the various strategies of pricing.
2. State and explain the various stages involved in product pricing.
3. Discuss the concept of price cuts and price increases with reference to its reasons and possible impact on the market.

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12

MARKETING INTERMEDIARIES

Unit Structure

12.0 OBJECTIVES

After studying the unit the students will be able:

- To understand the concept of retailing and types of retailers.
- To explain the meaning of wholesaler and functions of wholesaler.
- To discuss the concept of logistics

12.1 INTRODUCTION

A rational decision regarding marketing intermediaries can be taken only after all the relevant factors are taken into consideration. The procedure for the purpose will depend upon the nature of the product. The main criteria for the choice of distribution channels are:

a. Maximum geographical coverage of the market;
b. Maximum promotion efforts; and
c. Minimum cost.

The procedure for selecting the intermediary for the established products will be different from that followed for new product. The retailer and the wholesaler are the middlemen in the process of marketing. They provide a link between the manufacturer and the consumer.

12.2 THE CONCEPT OF RETAILING

Retailing is an act of selling merchandise directly to the consumer. Retailing began several thousand years ago with peddlers hawking their wares at the earliest marketplaces. It is extremely competitive, and the failure rate of retail establishments is relatively high. Price is the most important arena of competition, but other factors include convenience of location, selection and display of merchandise, attractiveness of the establishment, and reputation. The diversity of retailing is evident in the many forms it now takes, including vending machines, door-to-door and telephone sales, direct mail marketing, the Internet, discount houses, specialty stores, departmental stores, supermarkets, and consumer cooperatives.

Retail is the sale of goods and services from individuals or businesses to the end-user. Retailers are part of an integrated system called the supply chain. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations like stores or markets, door-to-door or by delivery. Retailing includes subordinated services, such as delivery. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as for the public. Shops may be on residential streets, streets with few or no houses or in a shopping mall. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing. Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. The retail transaction is at the end of the supply chain. Manufacturers sell large quantities of products to retailers, and retailers attempt to sell those same quantities of products to consumers.

12.3 TYPES OF RETAILERS

Types of retailers are discussed as follows:

1. **Department Store:**

This type of retailer is often the most complex offering a wide range of products and can appear as a collection of smaller retail stores managed by one company. The department store retailers offer products at various pricing levels. This type of retailer adds high levels of customer service by adding convenience enabling a large variety of products to be purchased from one retailer. These are very large stores offering a huge assortment of "soft" and "hard goods; often bear a resemblance to a collection of specialty stores. A retailer of such store carries variety of categories and has broad assortment at average price. They offer considerable customer service

2. **Supermarkets**:

Generally this type of retailer concentrates in supplying a range of food and beverage products. However many have now diversified and supply products from the home, fashion and electrical products markets too. Supermarkets have significant buying power and therefore often retail goods at low prices.

3. **Warehouse retailers :**

This type of retailer is usually situated in retail or Business Park and where premises rents are lower. This enables this type of retailer to stock, display and retail a large variety of good at very competitive prices.

4. **Specialty Retailers**:

Specializing in specific industries or products, this type of retailer is able to offer the customer expert knowledge and a high level of service. They also add value by offering accessories and additional related products at the same outlet. a typical specialty store gives attention to a particular category and provides high level of service to the customers. A pet store that specializes in selling dog food would be regarded as a specialty store. However, branded stores also come under this format. For example if a customer visits a Reebok or Gap store then they find just Reebok and Gap products in the respective stores.

5. **E-tailer**:

This type of retailer enables customers to shop on-line via the internet and buy products which are then delivered. This type of retailer is highly convenient and is able to supply a wider geographic customer base. E-tailers often have lower rent and overheads so offer very competitive pricing.

6. **Convenience Retailer:**

Usually located in residential areas this type of retailer offers a limited range of products at premium prices due to the added value of convenience. They are essentially found in residential areas. They provide limited amount of merchandise at more than average prices with a speedy checkout. This store is ideal for emergency and immediate purchases as it often works with extended hours, stocking everyday;

7. **Discount Retailer**:

This type of retailer offers a variety of discounted products. They offer low prices on less fashionable branded products from a range of suppliers by reselling end of line and returned goods at discounted prices. These retailers tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices. Normally, retailers sell less fashion-oriented brands.

8. **Boutiques or Concept stores:**

These stores are similar to specialty stores. Concept stores are very small in size, and only ever stock one brand. They are run by the brand that controls them.

9. **Hypermarkets:**

It provides variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats.

10. **Malls:**

It has a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof.

11. **Vending Machines:**

This is an automated piece of equipment wherein customers can drop the money in the machine and acquire the products.

12. **Street Stalls:**

These are shops with very limited space as they are usually constructed on any available space on a busy street; They are usually of a permanent nature. They are owned by independent retailers or are small partnership firms.

13. **Stalls in Markets or Bazaars:**

These are small shops in specially constructed markets such as the Crawford Market of Bombay or the New Market of Calcutta. The space is limited. The great advantage of such a stall is that likely buyers are always passing by. Such stalls may be permanent or as in the case of weekly markets in villages, temporary. These are generally owned by the sole trader or by partnership firm.

14. **Second-hand Dealers:**

These usually sell books, clothes, furniture, motor-cars, etc. and do very good business as they cater to the needs of the majority of people who cannot afford to buy new goods. These are owned by sole- traders or -partnership firms.

15. **Hawkers and Peddlers:**

They carry a very limited stock which they get from wholesalers or local retailers and move about from locality to locality. They are usually found on busy street corners. The goods they sell are generally of inferior quality and temptingly priced. As they are rarely found again in the same spot there is no question of any guarantee given or complaint made. The price is seldom fixed. Fruit, toys, pens, handkerchiefs, hair-pins, combs, etc. are the type of articles applied to a person who has a handcart or animal for transporting and displaying his goods, while a peddler is one who carries the goods himself. The peddler is usually on his own but hawkers sometimes work in partnership.

16. **Co-operative Retail Stores:**

Just as the chain as the chain stores and the department stores were set up to eliminate the profit of the middleman, so consumers have also set up their own stores in order to keep the middleman's profit to themselves. A co-operative society is formed in which members invest their capital with the main purpose of supplying goods and services to its members at a low price through its store. The members also get an interest on their capital. The store is managed by representatives of the members. Consumers' co-operatives are not suitable for consumers of very low income levels as they would not be able to provide the necessary capital, and consumers with high income levels are not interested in the economies which are possible by means of such stores. Thus these co-operatives are particularly suitable for consumers of the lower middle- class. Today there has been an increase in the opening of cooperative stores all over India such as the Sahakari Bhandar in offers them generally to the consumers at lower prices than those prevailing in other shops. In this sense they are rendering a good service.

17. Mail-Order Business:

These are organizations which conduct their business through the mail and thus extend the scale of their operations by reaching out into a wider territory. The main problem of mail order business in India consists of the various languages prevailing in different parts of the country which makes it difficult for the mail order business to extend outside a small local area. They may thus have to concentrate on the major cities by conducting their business in English as operating in different languages in different areas might be expensive.

12.4 THE CONCEPT OF WHOLESALING

Wholesaling, jobbing, or distributing is the sale of goods or merchandise to retailers; to industrial, commercial, institutional, or other professional business users; or to other wholesalers and related subordinated services. In general, it is the sale of goods to anyone other than a standard consumer. In the United Kingdom, the Cash and Carry is a term used to describe a wholesale warehouse, particularly those that are open to the general public on payment of a subscription.

According to the United Nations Statistics Division, "wholesale" is the resale (sale without transformation) of new and used goods to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers, or involves acting as an agent or broker in buying merchandise for, or selling merchandise to, such persons or companies. Wholesalers frequently physically assemble sort and grade goods in large lots, break bulk, repack and redistribute in smaller lots. While wholesalers of most products usually operate from independent premises, wholesale marketing for foodstuffs can take place at specific wholesale markets where all traders are congregated. Traditionally, wholesalers were closer to the markets they supplied than the source from which they got the products.

12.5 FUNCTIONS OF WHOLESALERS

Wholesalers are business who handles goods in the intermediate position between the producer and the consumer, but traditionally they have always dealt in large quantities, e.g. whole cheeses or whole carcasses. They have left the cutting up of whole 'units into smaller quantities to the retailers. Since the transport and warehousing of goods is a very involved and lengthy process, it is not unusual for several wholesalers to be involved in the movement of the goods, handing them on from one to another. The term middlemen have been applied to these traders, since they stand between the producer and the retailer. A wholesaler is necessary because he performs several marketing functions which are given below:

1. Assembling:

A wholesaler buys goods in bulk from different manufacturers and keeps them at one place. He collects goods from several places much in advance of demand. He may also import goods from foreign countries. The assembling function performed by wholesalers consists in the collection of agricultural produce in small quantities from numerous widely - scattered small-scale producers for the purpose of handling them more economically. In case of manufactured products, assembling function involves bringing together stocks of goods from different manufacturers producing the same line of products.

2. Warehousing or storage:

This function is closely related to the assembling function is the function of storing or holding stocks. It has been seen that there is a time gap between the production and the consumption. Neither the production nor the consumption of goods takes place in an uninterrupted flow. Therefore, to avoid periodic shortages, goods must be held in reserve. There is usually a large time gap between production and consumption of goods. Goods must, therefore, be stored for a considerable time. A wholesaler stores goods in his warehouse and makes them available to retailers as and when demanded. He stabilizes prices of the goods by adjusting the supply with the demand. He creates time utility.

3. **Dispersion:**

A wholesaler distributes the assembled goods among a large number of retailers scattered at different places. He sells goods in small quantities according to the choice of retailers. This is known as 'breaking of bulk'.

4. **Transportation:**

A wholesaler arranges for the transport of goods from producers to his warehouse and from the warehouse to retailers. He carries goods in bulk thereby saving costs of transport. Many wholesalers maintain their own trucks and tempos to carry goods far and wide quickly. Thus, a wholesaler adds place utility to the goods. Wholesalers purchase in bulk from manufacturers and transport these goods to their own warehouses. Also, they make arrangements for the transportation of goods from their warehouses to the retailers' shops.

5. **Financing:**

A wholesaler often provides advance money with orders to manufacturers. He purchases goods in bulk on cash basis from them. In addition, he often sells goods on credit basis to retailers. In this way, he provides finance to both producers and retailers. Retailer, who is in need of financial assistance, is granted by the wholesaler a fairly generous term of credit. Manufacturer too generally wishes to avoid getting his capital locked-up in finished goods, book debts etc. Wholesaler takes delivery of goods and asks for a relatively short period of credit from the manufacturers. Further, a great deal of financial burden of holding stocks is carried by the wholesaler, who stores finished goods of manufacturers in his own warehouse. Thus, manufacturer is relived of the financial burden of carrying stock.

6. **Risk -bearing:**

A wholesaler assumes the risk of damage to goods in transit and in storage. He also bears the risks arising from changes in demand and bad debts. He serves as the shock absorber in the distribution of goods. Risk is involved whenever goods are owned. The wholesaler assumes the risk of loss likely to arise from the fall in the price of goods. The risks of damage, deterioration in quality, spoilage, pilferage, theft or loss by fire of goods kept in the warehouse are also borne by the wholesaler.

7. **Grading and Packing:**

Many wholesalers classify the assembled goods into different grades, pack them into small lots and put their own trademarks or brand names. In this way, they perform the functions of grading, packing and branding. Wholesalers sort out products of different grades according to the quality, size, shape, moisture contents etc. They also break open the packed cases, break them into smaller lots and repack them for delivery to retailers.

8. **Pricing:**

A wholesaler anticipates demand and market conditions. He helps to determine the resale price of goods.

9. **Providing Market Information:**

Wholesalers provide information to the retailers about the goods, which are available in the market. Also, they collect information from the retailers about the changes in the tastes, fashions, buying habits of the consumers, etc., and then pass them on to the manufacturers.

10. **Dispersing and Selling:**

The goods assembled by the wholesalers are kept by them in stock only to be distributed among the retailers who are often scattered over a large area. Whenever retailers find their stocks depleted they buy goods in smaller quantities from these wholesalers to replenish their stocks. Thus, wholesalers help in the dispersion process of marketing.

12.6 THE CONCEPT OF LOGISTICS

Logistics is the management of the flow of resources between the point of origin and the point of consumption in order to meet some requirements, for example, of customers or corporations. The resources managed in logistics can include physical items, such as food, materials, equipment, liquids, and staff, as well as abstract items, such as time, information, particles, and energy. The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, warehousing, and often security. The complexity of logistics can be modeled, analyzed, visualized, and optimized by dedicated simulation software. The minimization of the use of resources is a common motivation in logistics for import and export.

Logistics is the science of planning and carrying out the movement and maintenance of forces. In its most comprehensive sense, those aspects of military operations that deal with: a)design and development, acquisition, storage, movement, distribution, maintenance, evacuation, and disposition of materiel; b) movement, evacuation, and hospitalization of personnel; c) acquisition or construction, maintenance, operation, and disposition of facilities; and d) acquisition or furnishing of services

The overall management of the way resources are obtained, stored and moved to the locations where they are required. Logistics management entails identifying potential suppliers and distributors; evaluating how accessible and effective they are and establishing relationships and signing contracts with the companies who offer the best combination of price and service. A company might also choose to handle its own logistics if it is cost-effective to do so.

12.7 MARKET LOGISTICS DECISIONS

Marketing logistics involve planning, delivering, and controlling the flow of physical goods, marketing materials and information from the producer to a market as necessary to meet customer demands while still making a satisfactory profit. Maintaining an organization's competitive edge means understanding and implementing an effective marketing logistics strategy regarding product, price, place and promotion. These four functions of marketing logistics help the organization to reach the target customers and deliver the products or services sold by the organization to these customers. Following are the important decisions to be taken in logistics:

1. Order Processing

Most companies want to shorten the order-to-payment cycle - the elapsed time between an order's receipt, delivery, and payment. The longer this cycle takes, the lower the customer's satisfaction and the lower the company's profits. An order processing system captures order data from customer service employees or from customers directly, stores the data in a central database and sends order information to the accounting and shipping departments, if applicable. Order processing systems provide tracking data on orders and inventory for every step of the way. Customer satisfaction is a key to long-term success in business, and fulfilling customer orders reliably and accurately is key to customer satisfaction. Order processing systems help ensure that all of your customers' orders are filled on time, since automated systems can reduce errors in order processing. This can enhance the customer experience and maximize your company's profitability.

2. Warehousing:

Every company must store finished goods until they are sold, because production and consumption cycles rarely match. More stocking locations mean goods can be delivered to customers more quickly, but warehousing and inventory costs are higher. To reduce these costs, the company might centralize inventory and use fast transportation to fill orders. Historically warehouses were a dominant part of the urban landscape used from the start of the Industrial Revolution through the 19th century and into the twentieth century: the building remained when their original usage had changed.

3. Inventory:

Salespeople would like their companies to carry enough stock to fill all customer orders immediately. However, this is not cost-effective. Inventory cost increases at an accelerating rate as the customer-service level approaches 100 percent. Management needs to know how much sales and profits would increases as a result of carrying larger inventories and promising faster order fulfillment times, and then make a decision. Inventory management is the process of efficiently overseeing the constant flow of units into and out of an existing inventory. This process usually involves controlling the transfer in of units in order to prevent the inventory from becoming too high, or dwindling to levels that could put the operation of the company into jeopardy. Competent inventory management also seeks to control the costs associated with the inventory, both from the perspective of the total value of the goods included and the tax burden generated by the cumulative value of the inventory.

4. Transportation:

Transportation choices affect product pricing, on-time delivery performance, and the condition of the goods when they arrive, all of which affect customer satisfaction. Shippers are increasingly combining two or more transportation modes, thanks to containerization, putting goods in boxes or trailers that are easy to transfer between two transportation modes. Piggyback describes the use of rail and trucks; fishy back, water and trucks; train ship, water and rail; air and trucks. Each coordinated mode offers specific advantages. Shippers can choose private, contract, or common carriers. If the shipper owns its own truck or air fleet, it becomes a private carrier. A contract carrier is an independent organization selling transportation services to others on a contract basis. A common carrier provides services between predetermined points on a scheduled basis and is available to all shippers at standard rates.

12.8 SUMMARY

From the above discussion it is clear that retailing includes all the activities in selling goods or services directly to final consumers for personal, non business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. Any organization selling to final consumers - whether it is a manufacturer, wholesaler, or retailer - is in retailing. Wholesaling includes all the activities in selling goods or services to those who buy for resale or business use. It excludes manufacturers and farmers (because they are engaged primarily in production) and retailers. Wholesalers (also called distributors) differ from retailers in several ways. First, wholesalers pay less attention to promotion, atmosphere, and location because they deal with business customers rather than final consumers. Second, wholesale transactions are usually larger than retail transactions, and wholesalers cover a larger trade area than retailers. Third, wholesalers and retailers comply with different legal regulations and taxes. Logistics is gaining importance day by day as it facilitates smooth flow of marketing activities.

12.9 QUESTIONS

1. What is a retailer? State and explain the various types of retailers.
2. What is a wholesaler? State and explain the various functions of wholesaler.
3. What is a logistics? Discuss the important decisions involved in logistics.
4. Write notes on the following:
   a. Retailer
   b. Wholesale function of marketing
   c. Logistic function of marketing

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13

INTEGRATED MARKET COMMUNICATIONS.

Unit Structure

13.0 OBJECTIVES

After studying the unit the students will be able to:

- Define the concept IMC.
- Explain the components of IMC, advantages and disadvantages of IMC.
- Explain the concept Business communication.
- Discuss about the models of Communication.

13.1 INTRODUCTION

Integrated Market Communication is a marketing concept of the 1990's which was thought to be essential for survival in the 21st century. The advent of integration encourages marketers to survey and appreciate all the components of marketing. The dimension of using a combination of media approaches would widen the scope of exposure and increase awareness at higher speed was estimated at the onset.

13.2 DEFINITION

13.2.1 MEANING OF IMC

Integrated market communication is a management concept that is designed to make all aspects of marketing communication such as advertising, sales promotion, public relation and direct marketing work together as a unified force, rather than in isolation. It ensures all forms of marketing communications are well woven and linked together.

" Integrated marketing communications recognizes the value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines advertising, public relations, personal selling, and sales promotion and combines them to provide clarity, consistency, and maximum communication impact." - **As defined by the American Association of Advertising Agencies**.

13.2.2 Advantages of IMC

- Excellent reach.
- Useful for national (domestic) and international (worldwide) launches.
- Cost effective.
- Wide coverage.
- Educates consumer.
- Helps in building brand value.
- Successful and tested mode of communication.

13.2.3 Disadvantages of IMC

- Customized messages can't be shown for all markets.
- In some instances unnecessary coverage is bound to happen. (deviation from message)
- Range of modes and medium is limited.
- Potential for cognitive gain retention is possible, but restricted and slow.
- Limitation in medium. Too many features and benefits cannot be conveyed.
- Without economic upliftment and rise in per capita income, media benefits fail to reach and at times makes the consumers bitter due to lack of buying power.

13.3 COPONENTS OR TOOLS OF IMC

13.3.1 IMC Mix

Integrated Market Communication is the coordination and integration of all marketing communication tools and sources within the organization seamlessly ensuring maximum impact at minimum cost. The strategy affects the marketing channels (intermediaries) and B2B (Business-to-Business) and B2C (Business-to-Consumers) markets.

Marketing Mix:

- Product
- Pricing
- Distrbution
- Promotion

Promotion Mix

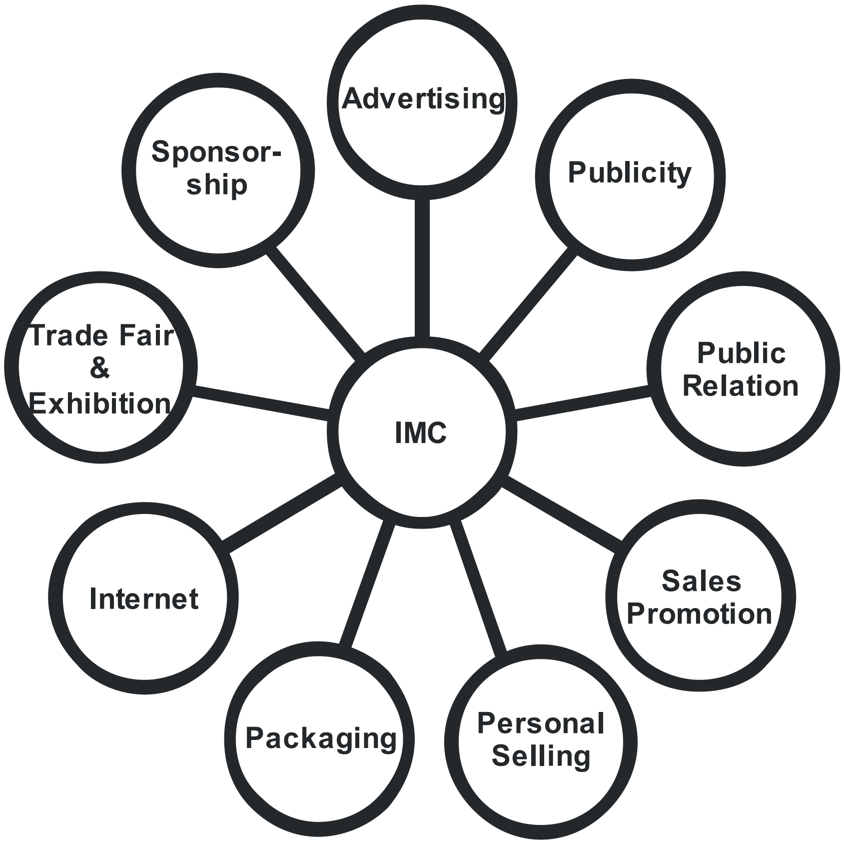
- Advertising
- Sales Promotion (including consumer and trade promotions)
- Personal Selling

IMC Promotion Mix

- Direct Marketing
- Public Relations
- Internet Marketing
- Corporate/Sponsorship Marketing
- Database/Online Marketing

13.3.2 MAIN COMPONENTS OF IMC

Following figures explains the main components of IMC



1. Advertising :

Advertisement is a non-personal presentation of an idea or a product (where as personal selling or salesmanship help in personal promotional.) Advertisement supplements personal selling to a great extent. Advertising has, acquired great importance in the modern India characterized by tough competition in the market and fast changes in technology, and fashion and taste customers. Using online, print and moving media to convey the product features and benefits. (Media vehicles can be television, radio, print, magazines and others)

It creates an active role in integrated marketing communication mix as it creates.

- Good image
- Top of the mind awareness
- Counterclaim the competitors
- Reinforce positive attitude

2. Publicity :

Publicity is the non-personal presentation. It originates from the desk of the editor. It aims at only informing the public about the events, person, firm etc. There is no control on the publicity by the advertiser as it comes from the media owner. Publicity can be favorable or unfavorable. Large firms have separate publicity or public relation department for publicity and cordial public relation. The secret of the publicity is to get placement in the desired media. Thus the use of publicity provides various advantages to the seller they are:

- It is available free of cost
- It provides more information than advertising as it comes from the editor's desk
- Consumer believe publicity more than advertising

3. Public relation :

A Public relations is defined as a management function which identifies, establishes, and maintains mutually beneficial relationships between an organization and the public's. Public relations is the means of influencing public opinion towards an organization and its products or services. PR is a direct form of communicating investors, prospective clients, corporate houses, customers and analysts. Public relations consider multiple audiences (consumers, employees, suppliers, vendors, etc.) and uses two-way communication to monitor feedback and adjust both its message and the organization's actions for maximum benefit. It is used to generate goodwill for the organization. Public relation help the company and its public by relating each other for mutual benefits. The main objective of public relation is :

- To remove misunderstanding, doubts, confusion, and wrong impression in the minds of different social groups
- To maintain good corporate image.
- To have the public support to the future of the company.
- To fulfil social responsibility.

4. Sales promotion :

Sales promotions are direct inducements that offer extra incentives to enhance or accelerate the product's movement from producer to consumer. Sales promotion constitutes devices like contests, coupons, free samples, premium, and point of purchase material. Sales promotion is action oriented. It motivates customers to buy the goods under incentive plans. Sales promotion not only covers consumers but also dealers and wholesalers. It acts as a connecting link between advertising and salesmanship. Thus in a competitive marketing sales promotion act as a effective tool to an advertiser to solve several short term hurdles in marketing. Sales promotion describes promotional methods using special short-term techniques to persuade members of a target market to respond or undertake certain activity. As a reward, marketers offer something of value to those responding generally in the form of lower cost of ownership for a purchased product (e.g., lower purchase price, money back) or the inclusion of additional value-added material (e.g., something more for the same price).

5. Personal Selling :

Personal selling includes all person-to-person contact with customers with the purpose of introducing the product to the customer, convincing him or her of the product's value, and closing the sale. The role of personal selling varies from organization to organization, depending on the nature and size of the company, the industry, and the products or services it is marketing. Many marketing executives realize that both sales and non-sales employees act as salespeople for their organization in one way or another. Personal selling is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building relationships with another party (e.g., consumers) that results in both parties obtaining value. In most cases the "value" for the salesperson is through the sales and for the consumers through product usage. The earlier method used for this purpose was transactional in nature, today we use relationship marketing.

Personal selling is the most effective way to make a sale because of the interpersonal communication between the salesperson and the prospect. Messages can be tailored to particular situations, immediate feedback can be processed, and message strategies can be changed to accommodate the feedback.

6. Packaging :

A properly designed package can induce the prospects to buy the product. A well designed package can communicate the type and quality of the product. Packaging plays an important role in converting the minds of the consumers as it provides

- Providing information of the product.
- Protection of goods while transportation and handling
- Preservation of quality of the products.
- Promotion of the product.

7. Internet :

Just as direct marketing has become a prominent player in the promotional mix, so too has the Internet. Virtually unheard of in the 1980s, the 1990s saw this new medium explode onto the scene, being adopted by families, businesses and other organizations more quickly than any other medium in history. Web sites provide a new way of transmitting information, entertainment, and advertising, and have generated a new dimension in marketing: electronic commerce. E-commerce is the term used to describe the act of selling goods and services over the Internet. In other words, the Internet has become more that a communication channel; it is a marketing channel itself with companies such as Amazon.com, CDNow, eBay, and others selling goods via the Internet to individuals around the globe.

The interactivity of the Internet is perhaps its greatest asset. By communicating with customers, prospects, and others one-on-one, firms can build databases that help them meet specific needs of individuals, thus building a loyal customer base.

8. Sponsorships :

Many advertisers heavily rely on sponsorship in order to create positive feelings toward a company. Sponsorships increase awareness of a company or product, build loyalty with a specific target audience, help differentiate a product from its competitors, provide merchandising opportunities, demonstrate commitment to a community or ethnic group, or impact the bottom line.

Like advertising, sponsorships are initiated to build long-term associations. Organizations sometimes compare sponsorships with advertising by using gross impressions or cost-per-thousand measurements. However, the value of sponsorships can be very difficult to measure. Companies considering sponsorships should consider the short-term public relations value of sponsorships and the long-term goals of the organization. Sports sponsorships make up about two-thirds of all sponsorships.

9. Trade shows and Exhibition :

It is one of the oldest forms of promoting the sales of products. Trade shows and exhibition provide opportunities for face-to-face contact with prospects, enable new companies to create a viable customer base in a short period of time, and allow small and midsize companies that may not be visited on a regular basis by salespeople to become familiar with suppliers and vendors. Because many trade shows generate media attention, they have also become popular venues for introducing new products and providing a stage for executives to gain visibility. In India, India trade promotion organization (ITPO) has been set up by the government to organized trade fairs and exhibitions.

13.4 IMPORTANCE OF IMC

1) Awareness: IMC tools play an important role in creating awareness of the products with respect to brand name and brand availability. It brings to the notice of the potential customer the new varieties of goods available in the market.

2) Information: Product information is needed when the product is recently launched in the market. Potential customer must know about the product, features. IMC provides this information through various techniques so that the buyer can take correct decision while buying the goods.

3) To increase sales. A proper communication mix tends to increase the sales of the organization. This is possible as increased sales brings economies of large scale production which enables the seller to reduce cost and increase profit.

4) To inform the intermediaries. IMC act as a communication channel between the sellers and the intermediaries like dealer and agents. These intermediaries are regularly informed through sales literature, pamphlets, brochures, price list etc.

5) Expansion of the market: IMC help the seller to expand the business from local level to regional level and to national level . This expansion provides his goodwill, recognition through out the country.

6) More specialized media. It used to be said that mass media was enough to cover any advertiser's needs. But with ever-increasing ad clutter, shorter attention spans and greater resistance to advertising, customers now tend to be a lot more selective: they shut out the stuff they feel they don't need, and go with the stuff that they want. Therefore with IMC sellers can retain the attention of customer by diverting their attention through various Communication Mix.

13.5 STEPS INVOLVED IN FRAMING INTEGRATED MARKETING COMMUNICATION :

It is likely that integrated marketing communication will be expected to make a number of contributions toward meeting the marketing objectives. Thus the main steps in designing IMC are :

1) Identification of target audience : Defining the target audience is one of the first steps in designing the IMC. While thinking about the target audience one must look well beyond traditional demographic considerations. It is also important to 'think ahead 'and ask the following question.

- What are the relevant target buyer groups?
- What are the target group's demographic, lifestyle ,and psychographic profile?
- How is the trade involved?

2) Determining the communication objectives : The next step is setting the communication objectives. There may be different communication objectives like increase in sales, brand image and good will, expansion of business. Thus the seller has to evaluate all this objectives and select the one which he intends to achieve.

3) Determining the message : An effective message should get attention, hold interest, arouse desire, & obtain action (AIDA model). In practice, few messages take the consumer all the way from awareness to purchase, but the AIDA framework suggests the desirable qualities of a good message. In putting the message together, the marketing communicator must decide what to say & how to say it. , who should say it. Thus the communicator should focuss more on message content, message format and message structure.

4) Selecting the communication channel : There are two broad types of communication channels - Personal and Non personal.

a. Personal Communication Channels : In personal Communication channels, two or more people communicate directly with each other. They might communicate face-to-face, over the telephone, through the mail or even through an internet chat. Personal Communication channels are effective because they are allowed for personal addressing the feedback.

b. Non Personal Communication Channels : Non personal communication channels include media at most yearend events. Media consists of:

1. Print media -newspapers, magazines, direct mail etc.
2. Broadcast media-radio, television etc.
3. Electronic media-audiotapes, videotapes, CD-ROM, web page etc.
4. Display media-billboards, signs, posters, banners, hoardings etc.

Most of the non personal messages come through paid media.

5) Determining the budget: This is one of the most important decisions of IMC process. The effective IMC depends upon the budget set for communication Mix. The marketer prepares the budget taking into nature of the customers, objectives, nature of competitions and also availability of funds.

6) Promotion Mix decision. After determining budget it is essential to determine the promotional mix. Promotional mix is the combination of various tools like advertising, public relation, personnel selling and so on. Because of different marketing environment there has to be variation in communication mix. One medium which is effective in one market may not be equally effective in another market.

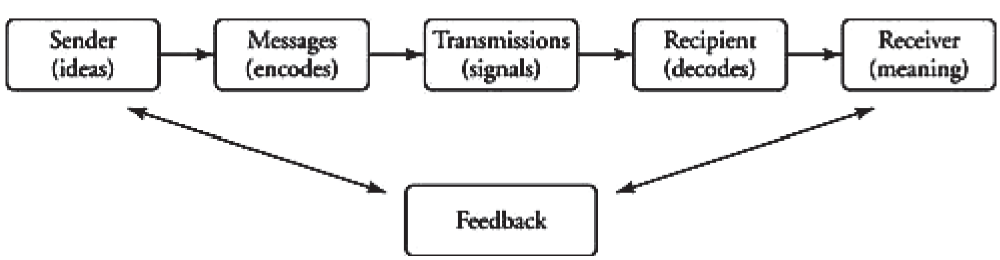
7) Implementation of promotion mix: The marketer then makes an arrangement to implement the communication mix. The seller has to select the right media in order to put across the promotion message.

8) Follow up. Here the advertiser has to review the performance in terms of sales and purchase. If the performance is as per communication objectives there is nothing to worry. On the other hand if the performance falls below the communication objectives then certain corrective step have to be taken.

13.6 BUSINESS COMMUNICATION

Organizations are totally reliant on communication, which is defined as the exchange of ideas, messages, or information by speech, signals, or writing. Without communication, organizations would cease to function.

The Communication Process:



Methods or types of Communication:

Non-verbal communication – Body language, facial expressions and gestures. Every verbal message always has a nonverbal component which listeners interpret intuitively.

Oral communication – It is communicating verbally and is the most complete form of communication.

Written communication skills – It is enclosing the message in written format. It can be circulated to a wider audience and gives readers a chance to interpret and assimilate the contents with time. One can use the P.O.W.E.R. Plan for preparing each message: plan, organize, write, edit, and revise.

Interpersonal Communication - Interpersonal communication is real-time, face-to-face conversation that allows immediate feedback. Interpersonal communication plays a large role in manager's daily activities, especially in organizations that work in teams.

The formal flow of information in an organization may move via upward, downward, or horizontal channels. Most downward communications address plans, performance feedback, delegation, and training. Most upward communications concern performance, complaints, or requests for help. Horizontal communications focus on coordination of tasks or resources. Informal channels, known as the grapevine, carry casual, social, and personal messages through the organization. The grapevine is spontaneous, quick, exaggerated and hard to curtail if not controlled early.

13.7 MODELS OF COMMUNICATION

Communication touches everything that takes place in an organization and is intermingled with all other functions. Hence, attention must be given to improve communication through various models.

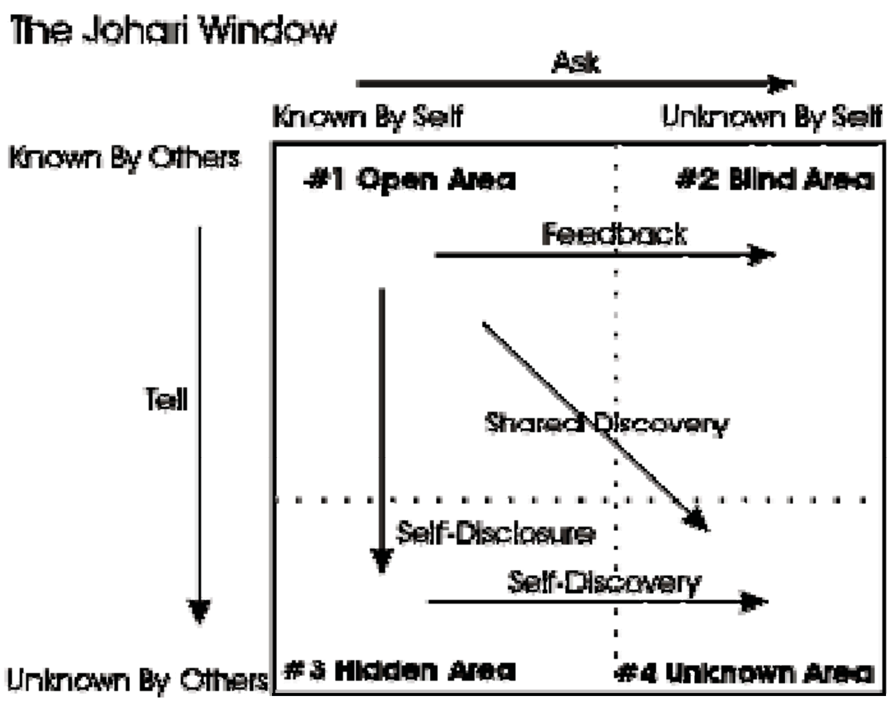
13.7.1 JOHARI WINDOW:

The Johari Window is a communication model that can be used to improve understanding between individuals within a team or in a group setting. Based on disclosure, self-disclosure and feedback, the Johari Window can also be used to improve a group's relationship with other groups

Developed by **Jo**seph Luft and **Har**ry **I**ngham (the word "Johari" comes from Joseph Luft and Harry Ingham), there are two key ideas behind the tool:

1. That individuals can build trust between themselves by disclosing information about themselves; and
2. That they can learn about themselves and come to terms with personal issues with the help of feedback from others.

The Johari Window model consists of a foursquare grid as hown in the diagram below:



Using the Johari Model, each person is represented by their own four-quadrant, or four-pane, window. Each of these contains and represents personal information – feelings, motivation – about the person, and shows whether the information is known or not known by themselves or other people.

The four quadrants are:

Quadrant 1: Open Area

What is known by the person about him/herself and is also known by others.

Quadrant 2: Blind Area

What is unknown by the person about him/herself but which others know. This can be simple information, or can involve deep issues (for example, feelings of inadequacy, incompetence, unworthiness, rejection) which are difficult for individuals to face directly, and yet can be seen by others.

Quadrant 3: Hidden or Avoided Area

What the person knows about him/herself that others do not know.

Quadrant 4: Unknown Area

What is unknown by the person about him/herself and is also unknown by others.

The process of enlarging the open quadrant vertically is called self-disclosure, a give and take process between the person and the people he/she interacts with.

As information is shared, the boundary with the hidden quadrant moves downwards. And as other people reciprocate, trust tends to build between them.

Self-disclosure is the process by which people expand the Open Area vertically. Feedback is the process by which people expand this area horizontally. By encouraging healthy self-disclosure and sensitive feedback, you can build a stronger and more effective team.

13.7.2 AIDA Model:

AIDA is a copywriting acronym that stands for:

- Attract or Attention
- Interest
- Desire
- Action.

Using it will help you ensure that any kind of writing, whose purpose is to get the reader to do something, is as effective as possible.

1. **Attention/Attract:**
   In the media-filled world, one needs to be quick and attractb people's attention. Use of powerful words, or a picture that will catch the reader's eye and make them stop and read what you have to say next. Make advertisements and communications attractive and catchy.

2. **Interest:**
   In this stage one needs to generate interest of the audience toward the product or service and want to explore the possibilities of owning the same.

3. **Desire:**
   The Interest and Desire parts of AIDA go hand-in-hand: As you're building the reader's interest, you also need to help them understand how what you're offering can help them in a real way. The main way of doing this is by appealing to their personal needs and wants.

(Conviction: As hardened consumers tend to be skeptical about marketing claims, they need to be suitably convinced.)

4. **Action:**

   Finally, be very clear about what action you want your consumers to take. Mostly AIDA leads to the action of “Purchase” by consumer.

13.7.3 DAGMAR Model.

DAGMAR advertising model was proposed by Russel H. Colley in 1961 taking the concept of AIDA ahaed. Term DAGMAR is an acronym of Defining Advertising Goals for Measured Advertising Results.

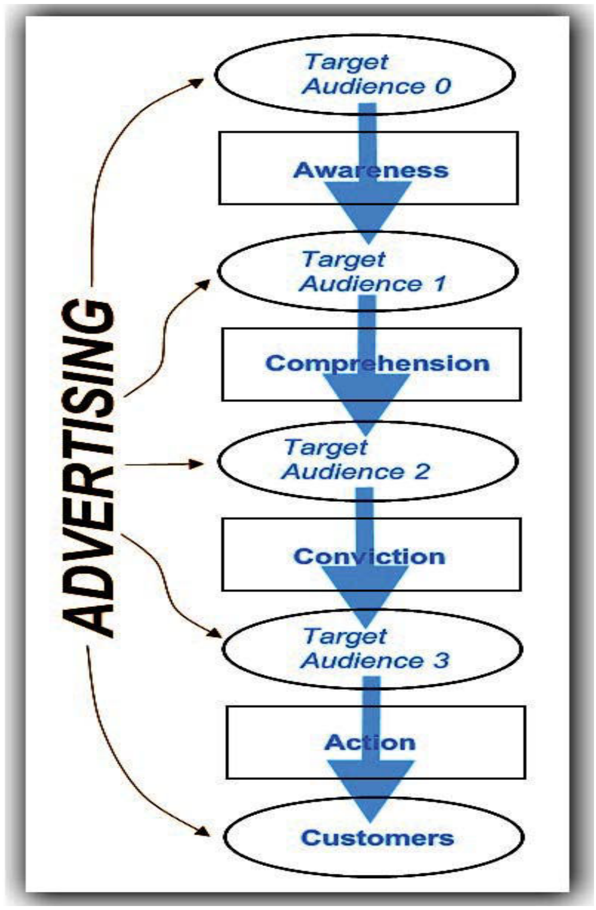
According to DAGMAR, before purchase prospect goes through 4 steps:

1. Awareness

2. Comprehension

3. Conviction

4. Action



It is important to understand that DAGMAR is aimed at setting advertising goals and not more general marketing goals. Elements of a good advertising goal include being a written, measurable task involving a starting point, a defined audience and a time limit.

To measure the effectiveness of advertising a business must know the current state before advertising starts and then the new state after the campaign has finished. This means surveying the target audience to measure current awareness, comprehension and conviction. This helps to establish realistic goals for the campaign. For example, to increase product awareness from 10% to 35%.

The DAGMAR process is as follows:

1. The first step in advertising is to raise ***awareness*** of the product. To ensure that an advertising campaign is effective, it is vital to identify the target audience for the campaign as not everyone may be interested in every product.

2. ***Comprehension*** **i**s the next step and the aim is that customers understand what the product will do for them. Advertising that helps a customer understand the benefits and features of the particular product offered will increase comprehension about the product.

3. Once a customer is aware of and understands a product, then building ***conviction*** and a positive attitude to the product is the next phase. According to David Mercer in the book *Marketing* this stage is about persuading the customer to adopt a positive attitude to the product. It is about much more than understanding the benefits. Why should a customer buy this particular product from this particular outlet?

4. ***Action*****.** The whole point of marketing and advertising for small business is to generate increased revenue. That means the customer must buy – or, take any action which is a step towards buying. For example, making a phone call, purchasing in a shop, sending off for more information.

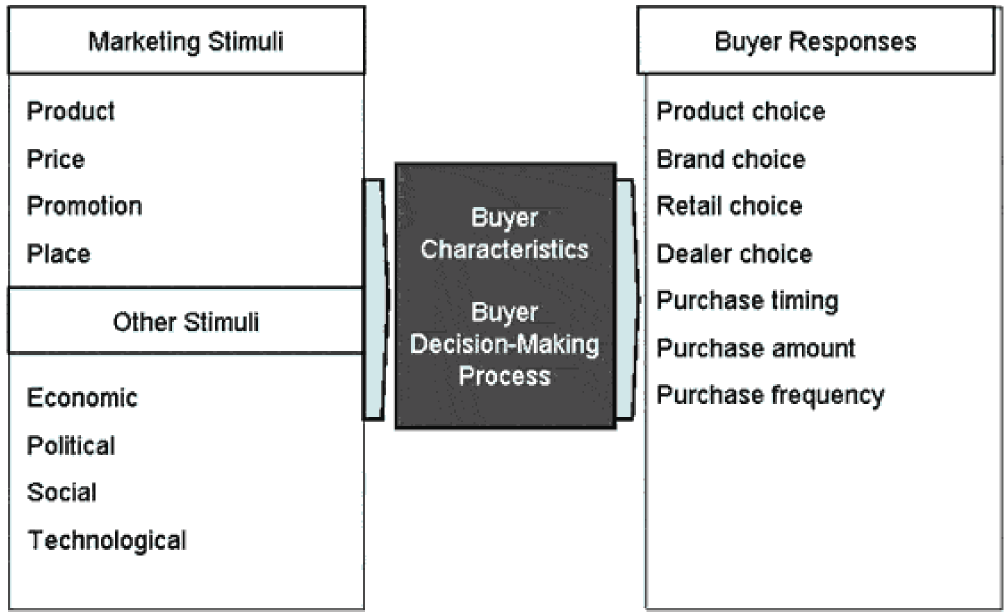
An understanding of marketing will help to define realistic action steps for advertising campaigns.

DAGMAR Step Three: Measure Advertising Effectiveness

In step one of the DAGMAR advertising model, goals were established for the campaign. The final step is measure the results and effectiveness of the campaign by evaluating whether the goals were met or not. This may require another survey to measure awareness comprehension and conviction levels.

Many subtle factors also contribute to decision making by consumers. The diagram below enlightens the point suitably. The internal and external factors (micro and macro environment factors) too play a role in convincing consumers.

Stimulus-Response Model of Buyer Behaviour



Advertising is a multi-billion dollar industry with one main goal: persuading people to buy products in an ethical way to spread awareness and information in a competitive market environment.

13.5 MEDIA SELECTION

Advertising media selection is the process of choosing the most cost-effective media for advertising, to achieve the required coverage and number of exposures in a target audience.

Types of Media:

- Press – National/Regional.
- Magazines – Trade/Technical/Entertainment/Fun
- Television – Satellite/National/Regional (Spot/Network)
- Radio – FM/Vividh Bharati
- Cinema – Regional/National/International
- Posters
- Internet – Web Media
- Mobile Advertising
- Free Media – Samples/Word of mouth (Promotions)

Advertising media scheduling:

Scheduling refers to the pattern of advertising timing, represented as plots on a yearly flowchart. These plots indicate the pattern of scheduled times advertising must appear to coincide with favorable selling periods. The classic scheduling models are *Continuity*, *Flighting* and *Pulsing*.

Continuity:

This model is primarily for non-seasonal products, yet sometimes for seasonal products. Advertising runs steadily with little variation over the campaign period.There may be short gaps at regular intervals and also long gaps—for instance, one ad every week for 52 weeks, and then a pause. This pattern of advertising is prevalent in service and packaged goods that require continuous reinforcement on the audience for top of mind recollection at point of purchase.

Advantages:

- Works as a reminder
- Covers the entire purchase cycle
- Cost efficiencies in the form of large media discounts
- Positioning advantages within media

Program or plan that identifies the media channels used in an advertising campaign, and specifies insertion or broadcast dates, positions, and duration of the messages.

Flighting: (or ‘bursting’)

In media scheduling for seasonal product categories, flighting involves intermittent and irregular periods of advertising, alternating with shorter periods of no advertising at all.

Advantages:

- Advertisers buy heavier weight than competitors for a relatively shorter period of time
- Little waste, since advertising concentrates on the best purchasing cycle period

- Series of commercials appear as a unified campaign on different media vehicles

Pulsing:

Pulsing combines flighting and continuous scheduling by using a low advertising level all year round and heavy advertising during peak selling periods. Product categories that are sold year round but experience a surge in sales at intermittent periods are good candidates for pulsing.

Advantages:

- Covers different market situations
- Advantages of both continuity and flighting possible.

Post media scheduling, media planning is required to executive the campaign optimally.

13.6 SUMMARY

The importance of IMC has been recognized and understood worldwide as a contributor to business directly and in enhancing consumer relations. With the advent of multi-media technologies and online presence, the world of communication is growing at lightening speed and one feels the need to be competitive and yet sustainable.

IMC is a combination of media tools which effectively addresses the need for wide exposure and publicity as today we do not restrict communication to buyers alone, but try to reach out to as many prospective consumers we can. IMC transfers the process of physical buying to educating the consumers and involving them in the process of selection. Instead of selling the product features it focuses on the ‘need’ in an understated and wide format.

13.7 QUESTIONS:

1. Answer in brief.
   a. Define IMC
   b. List down advantages and disadvantages of IMC.
   c. Write a note on IMC Mix.
2. What is business communication? Give illustration.

3. Write a note on any one of the following models of communication in detail:
    a. Johari Window
    b. AIDA Model
    c. DAGMAR
4. Elaborate on the importance and type of media selection.
5. Explain the need for media scheduling. Answer in detail with examples.
    a. Continuity
    b. Flighting
    c. Pulsing

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14

MARKETING COMMUNICATION AND PROMOTION TOOLS

Unit Structure :

14.0 OBJECTIVES

After studying this unit you will be able to:

- Outline the process of marketing communication
- Identify the various promotional methods
- Define advertising, personal selling, sales promotion and publicity
- Discuss the factors that influence a firm's choice of the promotion mix
- Understand how promotion budgets are set.

14.1 INTRODUCTION

Marketing communication refers to the method of communicating massages to the market with the motto of selling firms products. Marketing communication is also called as market promotion. A good marketing communication requires several elements which include, Personal Selling, Public Relation, Publicity, Trade fair and Exhibition, Advertising, Internet Promotion

(E-Marketing), Sales Promotion, Audio & Visual, Direct Marketing, Brands.

The marketing communication strategy may draw the attention of buyers (customers), how to attract people and how to raise interest, to generate image of the product in customers mind. It is recognized that there is some cross over between individual elements (e.g. donating computers to schools, by asking shoppers to collect vouchers, public relations or sales promotion?). The main aim of any marketing communication is to obtain and retain customers. However, there is a number of other important objective are –

- To Inform
- To persuade
- To Remind

A business must be clear about exactly what it is trying to achieve through its Marketing communication (promotion). The example of marketing communication include –

Television Advertising, Radio Advertising, Cinema, News Paper, Magazines, Outdoor Advertising, Branding, Slogans, Logos, Packaging, Sales Promotion, Publicity, Sponsorship, Direct marketing, Direct mail.

When promoting new serial or new movie, the marketing communication may include the use of –

- To promote any new product, new movie or new serials the **outdoor advertising** is the best option to advertise. e.g. Using large or huge outdoor movie posters.
- By the use of **television**, to shows trailer of up coming movie or programmes.
- By the use of **websites**, to displayed or to provide detail information related to particular movie, there director, producer, casting.
- By the use of **radio,** the advertisers can raise excitement and awareness among the people .about releasing dates of movie.
- By the use of **news paper**, it shows screening date, timing, place related to movie.

14.2 DEFINITIONS AND OBJECTIVES OF MARKETING COMMUNICATION

14.2.1 Definitions:

- The **UK chartered institute of marketing** defines the promotional mix (marketing communication) as "the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers."

- Marketing communication is basically marketing promotion process. **Brink and Kelly** define the marketing communication as "The coordination of all seller initiated effort to set up channel of information and persuasion of facilitate the sales of a product or services, or the expectance of idea."

- **William Stanton** defines the marketing communication as "promotion is the elements of an organization marketing mix that is used to inform and persuade the market regarding the organization products and services."

- **Alderson and Paul Green** defines marketing communication as "Promotion is any marketing effort whose function is to inform or persuade actual or potential consumer about the merits of the product or the service at the same (given) price."

14.2.2 Objectives of Marketing Communication:

Marketing communication plays an important role in the marketing of the goods and services. The overall objectives of marketing communication are to affect behaviours of the customers in favours of the product or service. In general, the main objectives of integrated marketing communication are:

1. **Educating the Customers**: Integrated Marketing communication may be undertaken to educate the customers. For instance, some of the advertising is undertaken to educate the audience regarding the use of the product, handling operations, etc.

2. **Counter competitors**: The marketer may counter the claims made by the major competitors. For instance, competitive advertising is undertaken to counter the claims made by competitors either directly or indirectly.

3. **Reminder**: If target customers already have a positives attitude towards a firm's product or service then a reminder objective may be necessary. The reminder objective is necessary, because the satisfied customers can be targets for competitor's appeals.

4. **Attitudes:** Marketing communication is required to build or to reinforce attitudes in the minds of target audience. The marketer expects the target audience to develop a favourable attitude towards his brand. Positive attitude towards the brand helps to increase its sales. Through promotional techniques like trade fare, and personal selling the marketer can correct negatives attitudes towards the product if any.

5. **Persuasion:** When business firms offer similar products, the firm must not only inform the customers about the product's availability, but also persuade them to buy it. Through persuasive messages, the marketer tries to provide reasons regarding the superiority of his product as compared to others available in the market.

6. **Information**: Marketers must inform the target audience about the product. Providing information is closely related to creating awareness of the product. Potential customers must know about a product, such as product features, uses etc. product information is very much required, especially when the product is introduced in the market, or when product notification is undertaken. Proper product information can help the consumers in their purchase decision.

14.3 TYPE OF MARKETING COMMUNICATION

The marketing communication is using for product promotion. These promotional activities classified in four ways, which are as follows-

- Mass Media Sources
- Non-mass Media Sources
- Pull Promotion
- Push Promotion

1. Mass Media Sources – The mass media sources are refers to the **Above-the-Line** Promotion. The mass media sources are use for marketing communication. It includes-

- Magazines
- Radio Advertising
- Television Advertising

- Outdoor Advertising
- Cinema
- News Paper Advertising

These mass media sources are normally used for promotion of the product as well as to establish or to create product image in customers mind.

2. Non-Mass media sources - The non-mass media sources are refers to the **Below-the-line** promotion. The non mass media sources are use for promoting the product and its firm. It includes-

- Logos
- Branding
- Packaging
- Slogans
- Sponsorship
- Publicity
- Sales Promotion
- Direct marketing
- Direct Mail
- Personal Selling (door to door selling)

These non mass media sources are create a sense of desire or need for the product.

3. Pull Promotion – The main motto of pull promotion is to attract customers towards their product buying. It includes-

- Advertising
- And Mass Media Promotional Sources.

4. Push Promotion – The push promotion method done by intermediaries, which known as wholesalers and retailers to push the product towards the buyers. It includes-

- Sales Promotion
- Discount on Product price
- Exchange Offers
- And Non Mass Media Promotional Activities.

14.4 SIGNIFICANCE AND IMPORTANCE OF MARKETING COMMUNICATION

Marketing Communication can encourage people to buy a product. The main aim of marketing communication is to increasing sales of the product. The marketing communication (promotion) can inform to the consumers about quality of the product, as well as features, policies, performance of the product. Main Significance of the marketing communication has been briefly stated as under:

1. Informative Promotion: - informative promotional element is designed to raise consumer awareness of the product. The informative promotion includes performance, qualities, and features of the product it means it indicates detail information related to product. Informative promotion is very useful for new products launched with informative advertising campaigns to make consumer aware of their presence and also make a choice as what to buy. Some of the example includes local news paper, local magazines etc.

2. Persuasive promotion: - it shows our product is better than others (competitors). The persuasive promotion tries to convince and attracts consumers to buy a product. Advertising is the best method of persuasive promotion.

3. Reminding Promotion:- it is also known as Reassuring advertising. Reminding Promotions main purpose is to remind about the product to existing customers.

4. Competitions:- marketing communication is very important to face competition. In today's competitive marketing environment the promotion of the product should be better than competitors. It also required suitable promotional efforts.

5. Support to Existing Product:- in marketing communication it is very important to support an existing product. With the help of advertising and innovative promotional strategies the company can support the product to increasing sales.

6. Improve Reputation or Image:- each and every element of marketing communication can improve or creating the reputation of the company, through advertising, public relation, publicity, personal selling, direct marketing, internet promotion. By the effective marketing promotion many companies have popular in the market. Some of the companies create its brand images in all the world market. Following are the some national and multinational companies which include Hindustan Liver, Colgate, Sony, Philips, Hero Honda, Godrej, Toyota, Roles royles etc.

7. Stimulate Demand:-company can stimulate the demand by using appropriate means of marketing communication which is known as advertising, sales promotion, personal selling, trade and fair exhibitions. Stimulate demand is primary objective of marketing communication.

8. Target Audience: - reach to the target audience is the main significance in marketing communication. Different features of products have to face different target audience. For example children cloths face one to twelve years old population.

Marketing communication is an important element of marketing mix. It involves communicating information between the seller and potential buyer or others in the channel to influence attitudes and buying behaviour. Marketing Communication as the element in an organization's marketing mix that is used to inform, persuade and remind the market regarding the organization and its products. There are various element or techniques of marketing communication that constitute the promotion mix. Promotion mix is also referred as marketing communication mix. Marketing communication can be defined as it is the combination of various elements of marketing communication or promotion which includes:

- Advertising
- Sales Promotion
- Public relations
- Publicity
- Personal selling
- Direct Marketing
- Trade Fairs

The choice of elements depends upon the promotion objectives.

14.5 SALES PROMOTION

14.5.1 Meaning and Definitions:

- **Robert C. and Scott A.** has define the term sales promotion as " Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of particular products / services by consumers or trade."

- **Philip Kotler has define the sales promotion** as " Those marketing activities other than personnel selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, demonstrations, expositions, and various other non-current selling efforts, not in ordinary routine."

It is the part of marketing communication. Sales promotion can help to introduce new product in market. Through the sales promotion product and their firm can attract customers, keep consumer satisfied, increase sales during off season, increase in advertisement, and also can face competition. It can offer to consumers to encourage them to buy goods and services. Some examples of popular sales promotions activities which include -

- Discount Coupon,
- Free Gifts,
- Bye-one-get –one-free
- Merchandising,
- Vouchers and Coupon,
- Seasonal Discount,
- Exchange Offer
- After sales Service
- Gifts on Special occasion
- Free Sample
- Guarantee and Warrantee
- Free Demonstration
- Credit Facilities

14.5.2 Advantageous of sales promotion:

- Increase sales and profitability.
- It is suitable for all type of product
- Immediate feedback from customers
- It handled multiple adjectives to maintain sales during off season, to promote new product.
- It can face tuff competition
- Sales promotion keep consumer satisfied.
- It is beneficial for new product launching.
- Sales promotion reduces degree of consumer dissatisfaction.
- Sales promotion can increase sales during off season.
- Sales promotion can help to attract new consumers. Mostly the consumer to switch competitor's brand.
- Sales promotion is flexible in nature.
- It can adjust sales promotion technique as per need or situation.
- Sales promotion is effective and impressive process.
- It creates brand popularity and customer awareness about product.

14.5.3 Disadvantages of sales promotion:

- Excessive use of sales promotion may affect sales and reputation of the company adversely.
- Sales promotion is expensive process
- Sales process is optional activity. Many companies may not adopt this strategy.
- In sales promotion accurate feedback is difficult to measure.
- People think sales promotion can use defective or inferior quality product.

14.5.3 Sales Promotion Strategies:

There are three types of sales promotion strategies:

1. Push strategy:

It involves convincing trade intermediary channel members to "push" the product through the distribution channels to the ultimate consumer via promotions and personal selling efforts. The company promotes the product through a reseller who in turn promotes it to yet another reseller or the final consumer. Trade-promotion objectives are to persuade retailers or wholesalers to carry a brand, give a brand shelf space, promote a brand in advertising, and/or push a brand to final consumers. Typical tactics employed in push strategy are: allowances, buy-back guarantees, free trials, contests, specialty advertising items, discounts, displays, and premiums.

2. Pull strategy:

It is a attempt to get consumers to "pull" the product from the manufacturer through the marketing channel. The company focuses its marketing communications efforts on consumers in the hope that it stimulates interest and demand for the product at the end-user level. This strategy is often employed if distributors are reluctant to carry a product because it gets as many consumers as possible to go to retail outlets and request the product, thus pulling it through the channel. Typical tactics employed in pull strategy are: samples, coupons, cash refunds and rebates, premiums, advertising specialties, loyalty programs/patronage rewards, contests, sweepstakes, games, and point-of-purchase (POP) displays.

3. Combination Strategy:

It is the combination of both the above policies. The Car dealers often provide a good example of a **combination** strategy. While advertising the car dealers' always speak about cash-back offers and dealer incentives.

14.6 PERSONAL SELLING

14.6.1 Meaning and Definitions:

Personal selling has refers to the direct selling. It includes face-to-face communication this can be done by 'Knocking on Doors', by setting up meetings, over the telephone, organizing conferences, workshops. Personal selling is more costly method of marketing communication. For conducting personal selling it charge high prices, it is also technically complex task, and it includes costly tools. It makes personal selling very costly and complex element in product promotion. One of the best options in personal selling is salesmanship for distributing the product.

Personal selling is more powerful element rather than advertising to convinces or persuade customers. But many companies can adopt both elements personal selling and advertising to sell products as well as to get maximum possible customers response.

- **American marketing association** has defined Personal selling (salesmanship) as "salesmanship is the process of including and assisting perspective buyers to buy a commodity or service or to act favourably upon an idea that has commercially significance to the seller."

- **Haughton** has defined salesmanship as "salesmanship is personal service rendered to the community in connection with marketing of goods."

- **National Salesman's Training Society of U.S.A** has defined as "Salesmanship is an ability to persuade people buy goods or services at a profit to seller and with a benefit to buyer."

14.6.2 The personal selling process consists of the following steps:

1) Prospecting

Prospecting refers to identifying and developing a list of potential clients. Sales people can seek the names of prospects from a variety of sources including trade shows, commercially-available databases or mail lists, company sales records and in-house databases, website registrations, public records, referrals, directories and a wide variety of other sources. Prospecting activities should be structured so that they identify only potential clients who fit the profile and are able, willing and authorized to buy the product or service. This activity is greatly enhanced today using websites with specially-coded pages optimized with key words so that prospects may easily find you when they search the web for certain key words related to your offering.

2) Pre-approach

Before engaging in the actual personal selling process, sales professionals first analyze all the information they have available to them about a prospect to understand as much about the prospect as possible. During the Pre-approach phase of the personal selling process, sales professionals try to understand the prospect's current needs, current use of brands and feelings about all available brands, as well as identify key decision makers, review account histories (if any), assess product needs, plan/create a sales presentation to address the identified and likely concerns of the prospect, and set call objectives. The sales professional also develops a preliminary overall strategy for the sales process during this phase, keeping in mind that the strategy may have to be refined as he or she learns more about the prospect.

3) Approach

The approach is the actual contact the sales professional has with the prospect. This is the point of the selling process where the sales professional meets and greets the prospect, provides an introduction, establishes rapport that sets the foundation of the relationship, and asks open-ended questions to learn more about the prospect and his or her needs.

4) Making the Presentation

During the presentation portion of the selling process, the sales professional tells that product "story" in a way that speaks directly to the identified needs and wants of the prospect. A highly customized presentation is the key component of this step. At this point in the process, prospects are often allowed to hold and/or inspect the product and the sales professional may also actually demonstrate the product. Audio visual presentations and/or slide presentations may be incorporated at this stage and this is usually when sales brochures or booklets are presented to the prospect.

5) Overcoming Objections

Professional sales people seek out prospects' objections in order to try to address and overcome them. When prospects offer objections, it often signals that they need and want to hear more in order to make a fully-informed decision. If objections are not uncovered and identified, then sales professionals cannot effectively manage them. Uncovering objections, asking clarifying questions, and overcoming objections is a critical part of training for professional sellers and is a skill area that must be continually developed because there will always be objections. Trust me when I tell you that as soon as a sales professional finds a way to successfully handle "all" his or her prospects' objections, some prospect will find a new, unanticipated objection-- if for no other reason than to test the mettle of the sales person.

6) Closing the Sale

Although technically "closing" a sale happens when products or services are delivered to the customer's satisfaction and payment is received. Closing does not always mean that the sales professional literally asks for the order, it could be asking the prospect how many they would like, what colour they would prefer, when they would like to take delivery, etc. Too many sales professions are either weak or too aggressive when it comes to closing. If you are closing a sale, be sure to ask for the order. If the prospect gives an answer other than "yes", it may be a good opportunity to identify new objections and continue selling.

7) Follow-up

Follow-up is an often overlooked but important part of the selling process. After an order is received, it is in the best interest of everyone involved for the sales person to follow-up with the prospect to make sure the product was received in the proper condition, at the right time, installed properly, proper training delivered, and that the entire process was acceptable to the customer. This is a critical step in creating customer satisfaction and building long-term relationships with customers.

14.6.3 NEED AND IMPORTANCE OF PERSONAL SELLING (SALESMANSHIP):

- **Personal communication**: Personal selling includes personal communication it means two way communications. it is not possible to provide personal communication by any other tool of the salesmanship.

- **Brief Information**:- it provide detail demonstration of the product. With the help of salesmanship, it gives detail demonstration of product to the customer which is not possible by advertising.

- **Increasing Sales**:- in personal selling the main purpose is to increase sales of the product by the effective salesmanship company can increase sales.

- **Personal attention**: - Personal selling focus on personal problems, doubts, and objections of the consumers. Therefore personal attention is done by salesmanship not by the tools like publicity and advertising. Because the publicity & advertising are the mass communication tools.

- **Quick Feedback**: - the personal selling provide Quick or immediate feedback from the customers. Salesman can collect feedback from customers whether they like the product or not.

- **Challenging Task**:-It is challenge to the salesman to influence buyer. Every good salesman has improved ability to influence people to buy a product.

- **Improve Image**: - the salesman can give detail and real information related to company. And also remove misunderstanding, quarries, doubts, objections of the customers. So the result is to improve image of the product and its company.

- Personal selling can increase customer's faith and **confidence** towards the product and its company.

- Personal selling is an expensive task as well as complex task to handle. It wills took more effort from the salesman to approach buyer to buy product.

- Personal selling can face some legal and ethical **issues** about the way of product selling.

- The aim of personal selling is a **mutual benefit** (profits) to seller to buyers.

- Personal selling is much **flexible** and dynamic in nature.

14.7 PUBLIC RELATION AND PUBLICITY

14.7.1 Meaning and Definitions:

The main aimed of public relation is to protecting and establishing the desire image of an organization. The public relation includes publicity. The public relation means, it is a process of promoting a business and its product by getting good media / press coverage, without directly paying for it to create effective image of the business. The purpose of public relation is to increase sales by establishing or improving the image of business and its product. The relationship between an organization and public relations, it includes such the shareholders, employees, competitors, suppliers, general public, media, government and customers. The public relation is, however, ongoing and long term strategy.

Yes it is difficult to see the difference between marketing communications and Public relation since there is a lot of crossover. This makes it a tricky concept to learn. Added to this is the fact that Public relation is often expensive, and not free, as some definitions would have you believe. Public relation agencies are not cheap. Below are some of the approaches that are often considered under the Public relation banner-

- Interview and Photo Calls
- Presentation, Speeches and Speech Writing
- Corporate Literature: - it includes financial reports, in-house magazines, brochures, catalogues, price lists and any other piece of corporate derived literature. This is all part of public relation.

- **Willem Stanton**: “Public relation activities typically are designed to build or maintain a favourable image for an organization and a favourable relationship with the organization’s various ‘public’. These publics may be customers, stockholders, employee, unions, environmentalist, the government, and people in local community, or some others groups in society’.

- **Philip kilter**: “A public is any group that has an actual or potential interest in or impact on a company’s ability to achieve its objects. Public relation (generally written as PR) involves a variety of programmes designed to promote and /or protect a company’s image or its individual product.”

14.7.2 FEATURES OF PUBLIC RELATIONS

- Public relation is a **continuous process**. If the companies product is already create its brand image and reputation in the market then company can maintain the existing image.

- Companies' public relation can build or **improve its corporate image**. Mass media has plying important role to promote product and its firm.

- Good maintained public relation can **removing misunderstanding** and or bad impression.

- Public relation activities can generate **positive attitude** of people toward the company and its product.

- Varies formal and informal groups are involve in public relation which include- employees, customers, suppliers and middlemen, mass media, government, service agencies, shareholders. Good relations with these groups are extent maximum possible cooperation and contribution for the success of the business and also assist during bad time.

- The public relation is useful for society. It has social significance. It has more social significance compare to means of marketing communication.

- Public relation increase credit of the company. Many companies can provide assistance in relief operations during earthquake, flood, draught to highlight its company name and social contribution in mass media.

14.7.3 METHODS OF PUBLIC RELATION

Businesses use a variety of methods to attract publicity. Following are the methods of public relation.

- **Press Conferences**:-The particular company may want to launch a new product, for their publication they are inviting journalists to companies' presentation, where they are given information related product. Sometimes company provides free products and services for conference members to try out.

- **News Paper**:- the favourable articles in news paper create an image of the business and its product. The people take more interest in reading news stories as well as news paper stories are attention getting and timely. Public relation officer need to maintain good relations with journalist and with editors of news papers for getting more favourable coverage to the company.

- **Events**: - The events may include exhibitions, seminars, workshop, conferences, sports sponsorships, competition and contest, medical camps, cultural sponsorships. For example: the Pepsi, Sony, DLF, Sahara, kingfisher has sponsored the world cup. There kinds of events are generating high degree of popularity against the public.

- **Donation:** - Collecting small contribution from varies ways.

- **Sponsorship:** - The sponsorship is popular in sports world. Which have some examples like DLF is the sponsor to the T 20 cricket world cup. McDonald are sponsor to hockey world cup etc.

- **Company visits**:- companies like Cadbury India LTD, Baler, Parley-G and Jaguar cars have allow members of public to visit there manufacturing and research plants as part of their public relation activities .

- **Speeches**:- speeches are mostly used for the public relation. The benefit of speeches is to create a good impression on various groups of people. Basically speeches are related to companies products its function , services , policies, which is presented by experts, general managers, directors etc of the companies.

- **Publications:** - the publications are also widely used for public relations. These publications basically for the shareholders, customers, employees, traders, publics to create effective image of the products in their mind. The publications includes articles, annual reports, broachers, magazines, audio-visual materials, pamphlets, posters etc. in this way company can provide information of its products related policies and services.

14.8 DIRECT MARKETING

14.8.1 Meaning:

In direct marketing there are no channel of intermediaries which known as retailers or wholesalers, distributors. In direct marketing, the marketing activities are done directly between the manufacturing and the customers. Direct marketing techniques include telemarketing, TV and radio advertising with free phone numbers or per-minute-charging, distributing direct mail to clients, door drops, and customer care lines, direct-response broadcast advertising (television & radio), online computer shopping, and cable television infomercials and home shopping networks. Also the internet marketing and mobile phone are perfect for direct marketing.

14.8.2 Benefits of Direct Marketing:

There are many benefits of direct marketing--both to buyers and sellers.

1. Advantages to the Customers:

- Customers enjoy the convenience of direct marketing as they do not have to battle traffic, find a parking space, or shop through stores.
- Often they can simply order from a catalogue using the telephone or while shopping online and never even have to leave their home as goods are shipped directly to their doors.
- Buying through direct marketing channels is also private and easy and does not have to involve a face-to-face interaction with a salesperson
- Direct marketing can also offer a wider selection of products while making comparison shopping easier with greater access to alternative or competing products.
- Direct marketing is immediate and good can be purchased immediately in the exact desired configuration.

In short, direct marketing can be fun, save time, offer a broader selection, allow comparison shopping, and allow the individual to direct-order customized products.

2. Advantages to the Seller:

- It is a great tool in customer relationship building as it provides direct communication with customers.
- Direct marketers can also gather a great deal of information about their customers that not only enables them to provide addition value through new products and services, but it also allows them to more precisely target who likely customers are.
- Direct marketing also can reduce costs (minimize overhead of retail space, utilities, etc.) while increasing the speed and efficiency of the operation.

In short, direct marketing allows sellers to customize offerings, create ongoing relationships directly with customers, preserve privacy, and constantly adjusted to improve response rates.

14.9 SUMMERY

Sales promotions are short-term incentives to encourage the purchase or sale of a product or service. Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales.

In short, PR is the management of a company's public image that helps the public understand the company and its products. Public relations are most effective when it is viewed as a strategic management function supporting the business goals of the organization.

Personal selling allows the marketer or seller to communicate directly with the prospect or customer and listen to his or her concerns, answer specific questions, provide additional information, inform, persuade, and possibly even recommend other products or services.

In direct marketing there are no channel of intermediaries which known as retailers or wholesalers, distributors. In direct marketing, the marketing activities are done directly between the manufacturing and the customers. Direct marketing techniques include telemarketing, TV and radio advertising with free phone numbers or per-minute-charging, distributing direct mail to clients, door drops, and customer care lines, direct-response broadcast advertising (television & radio), online computer shopping, and cable television infomercials and home shopping networks. Also the internet marketing and mobile phone are perfect for direct marketing.

14.10 QUESTIONS

1. Define Marketing Communication. Explain the Objectives of Marketing Communication.
2. Which are the strategies of Sales Promotion?

3. Define Public Relation. Which are the main features of Public Relation?
4. What do you mean by Personal Selling? Why it is needful in Marketing Communication?
5. Define Direct Marketing. Explain the benefits of Direct Marketing.
6. Write short notes:
   - Steps in Personal Selling
   - Methods of public Relation

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15

RECENT TRENDS IN MARKETING - I

Unit structure

15.0 OBJECTIVES

After studying the unit the students will be able to

- Understand the use of technology in marketing.
- Know the concept Socially responsible marketing
- Explain the New consumer capabilities and company capabilities

15.1 INTRODUCTION

The explosion of Big Data, social media and the use of the Internet means that technical expertise is becoming a pre-requisite for anyone offering market research or market intelligence. Companies want to understand their customers better and develop new ways of partnering with customers using a range of interaction tools such as deeper analytics, co-collaboration and market research online communities, or mobile or social technologies to collect information and get insight about customers. This can include direct analysis of transactions, click-paths, social networks, apps, traffic analysis or new ways of inviting help from customers, or providing feedback. Effective marketing is all about getting messages in front of potential consumers in appealing ways that have the potential to influence purchase decisions. Doing so in the 21st Century requires the use of various information technology tools.

15.2 USE OF TECHNOLOGY IN MARKETING

Examples of technological tools that can be used in marketing are as follows:

1. Internet:

Websites have become business necessities when it comes to marketing products. The medium allows for plenty of room to share product details, reviews, photos and videos that engage potential customers. Announcements often go out through online services and media stories, while blog posts and word of mouth can drive traffic to a website. Businesses not only can announce products, but also can sell them directly to customers all over the world. That reach stretches far beyond what a local newspaper ad can achieve.

2. Email Marketing:

Email marketing is one of the most affordable and potentially engaging ways to market a product. Businesses that have built up opt-in email lists have a large base of customers who already are interested in the products they offer. Email marketing is an ideal way to announce new offerings, distribute coupons or discounts and share information on products. Many email marketing campaigns have evolved into digital newsletters, in which product marketing integrates with compelling content. Marketing professionals rely heavily on one-on-one email communication in order to accomplish their work. Email communication is quite common with customers, prospects, coworkers, member of the media and others.

3. Mobile:

Mobile marketing involves reaching customers on their cell phones and other mobile devices through text messaging and applications. Businesses can use text messages to send special coupons or deals to people on a marketing list. While some businesses develop their own branded applications for smart phones, many piggyback on existing applications that offer space for advertisements or coupons geared for local users. For example, a business may maintain a profile on a social media Smartphone application that gives users a 20 percent discount if they try out a new product at the store.

4. In Store:

Technology is making its presence known in stores. The use of digital signage is a trend that allows businesses to capture the attention of customers and market specific products to them. This is particularly helpful for restaurants and other businesses that need to respond to changes in inventory or introduce new products on a regular basis. Advanced point of sale systems can give employees real-time information on what products are in stock or help them track a customer's preferences. Providing excellent customer service is a key to successful sales and marketing.

5. Social Media:

Social media is both a major opportunity and a great challenge for businesses when it comes to product marketing. It can be a quick and easy way to communicate information on new products to a large group, but businesses have to be careful to attract customers rather than talk down to them. Businesses should look at social media as technology that enables the age-old marketing technique of word of mouth. Create a compelling social media experience, interact with customers and encourage them to share your product information with others.

6. Blogging:

Many marketing professionals are involved in setting up and managing blogs for their companies.

7. Customer Relationship Management (CRM) Systems:

Companies often use sophisticated CRM software applications to keep track of all types of customer contact, including sales calls, presentations, purchases, complaints and more. Marketers need to be able to access information that is in the system as well as input additional data as it becomes available.

8. Websites:

Having web design, development maintenance skills can definitely be an advantage for individuals who want to work in marketing. The level of web skill necessary varies from one company to another. In some organizations, marketing professionals are expected to handle every aspect of creating a website, including design, programming, security, content development and more. In other organizations, marketing employees work closely with in-house programmers or an outside web development firm on the technical aspects of site management.

9. Graphic Design Software:

Marketers who are involved in designing advertisements and collateral materials, such as brochures and newsletters, for their companies are expected to be well versed in the use of graphic design software applications like InDesign, Photoshop and more.

10. Search Engine Marketing:

Search Engine Marketing includes both paid search ads, like Google AdWords, and search engine optimization (SEO) to try to get high organic search listings for your website content. Since most people, even B2B buyers of big ticket items, use search as part of their work, you need to be there when these people are searching for what you're selling. With search ads you can test and optimize on keywords, ad copy, offers, the website forms you take them to, and more, and track the people downstream if you integrate your Google AdWords data with your Google Analytics data and CRM so that you know not just which ads are clicked on the most but which ads lead to the most opportunities and revenue. These insights can be applied to all of your online and traditional marketing. SEO involves not just technical enhancements to the site but, most importantly, regularly creating high quality content, which is what Google really values and ranks highly.

11. Conversion Optimization:

Conversion optimization is the practice of getting people who come to your website (or wherever you are engaging with them) to do what you want them to do as much as possible, and usually that involves filling out a form so that at the very least you have their email address. Typically only about 3% of people coming from an online ad will fill out a website form; with conversion optimization that can be doubled to roughly 6%. With outstanding offers or marketing apps some companies have created conversion rates several times higher than that. If you're going to go to the effort and expense of getting people to your website, you need to get as many of them as possible to convert.

12. Marketing Automation:

Marketing automation brings it all together. It is a terrific technology that includes analytics, online forms, tracking what people do when they come to your website, personalizing website content, managing email campaigns, facilitating the alignment of sales and marketing through lead scoring and automated alerts to sales people, informing these activities with data from your CRM and third party sources, and more. There isn’t enough room to go into more detail here; just get it.

15.3 SOCIALLY RESPONSIBLE MARKETING

15.3.1 INTRODUCTION AND MEANING

Social responsibility in marketing is also known as societal marketing. It's a concept that was developed in the 1970s with the premise that companies could sell their ideas, behaviors and attitudes along with their products or services. There are many different ways for companies to demonstrate socially responsible marketing, including holding charitable events, instituting safer environmental practices, and helping during certain crises. Small companies are driven to higher levels of social responsibility in marketing for various reasons.

Being socially responsible means an organization shows concern for the people and environment in which it transacts business. It also means that these values are communicated and enforced by everyone in the organization. Socially responsible marketing is critical of excessive consumerism and environmental damages caused by corporations. It is based on the idea that market offerings must not be only profit-driven, but they must also reinforce social and ethical values for the benefit of citizens. The idea of socially responsible marketing is sometimes viewed as an extension of the concept of Corporate Social Responsibility (CSR). CSR is promoted as a business model to help companies self-regulate, recognizing that their activities impact an assortment of stakeholders, including the general public. Socially responsible marketing emerged as a response to questionable marketing practices that have adverse effects on society. The major economic criticisms that the conventional private marketing system receives from are as follows:

1) Mainstream marketing strategies generally lead to high prices. Due to the size of the chain of intermediaries in marketing, the distribution of commodities to consumers costs a lot. As a result, individuals pay higher premiums for the goods and services that they receive.

2) Contemporary marketing relies heavily on aggressive advertising and promotion. In order to offset the costs, companies charge higher prices through excessive markups.

3) Product differentiation is one of the most commonly used marketing tools. But this not only creates an artificial psychological

value attached to higher-priced brands but also raises environmental concerns about packaging. As such, socially responsible marketing rejects all deceptive marketing practices in pricing, promotion and packaging, even if they may seem technically legal.

15.3.2 IMPORTANCE OF SOCIALLY RESPONSIBLE MARKETING:

1. Financial benefits:

In terms of financial advantages, the government has established a number of tax-cuts and other benefits for companies in many industries as incentives to be more socially responsible. For instance, companies that reduce their carbon emissions and pollution levels are often offered tax exemptions and other assets for their cooperation in the country's movement towards environmental awareness and responsibility.

2. Compliance with rules and regulations:

Similarly, social responsibility in marketing helps to ensure that a company is, in fact, following the rules and this not only instills faith among the customer base, but also helps to keep the company out of any kind of trouble in terms of legal problems and also in terms of public relations.

3. Increase in customer loyalty:

Customers also appreciate social responsibility and as a result, companies can gain business and maintain it with more ease. For example, if a company can certify their product as "green," they gain a certain degree of competitive advantage over competition and many customers will be more willing to buy their product than one that has not been certified as "green," because they perceive the value of the product to be higher than others. Further, these types of things can instill a sense of faith and goodwill in customers and cause the consumers not only to feel better about buying the product in the first place, but also feel better about buying it again. Socially responsible marketing makes sense as a business strategy because it not only broadens and expands the customer base, but increases the likelihood of developing customer loyalty and getting them to buy their product again in the future.

4. Sharing Values:

Some small companies use socially responsible marketing to share their core values. They communicate these key values through television or radio commercials, for example, hoping to attract the attention of consumers with similar values. A company's major objective behind societal marketing is to create a commonality with certain consumers, based on values or beliefs. This may provide a powerful connection with like-minded consumers. Hence, the common belief system may, in turn, entice consumers to try the company's products and services.

5. Building Brand Awareness:

Small business owners may also use socially responsible marketing to build brand awareness. Consumers are more likely to recognize a company that stands for a particular cause or supports a certain political initiative. For example, a small construction company may start using recycled insulation in their newly-constructed homes. The key to using societal marketing effectively is to ensure that the initiative is credible and relevant. Small companies may also be driven to use this type of marketing to differentiate themselves from competitors.

6. Promoting Products:

Socially responsible marketing provides a unique way for companies to effectively promote their products. The best opportunities for promoting products may come during certain crises. For example, a small consumer products company may give away free products during the aftermath of an earthquake or tornado. Similarly, a small manufacturer of industrial cleaners may offer its products to small-town residents after waters recede from a flood. Companies that use societal marketing for promotional purposes usually benefit from the newspaper and television coverage of their efforts.

7. Greater Profits:

Business owners realize that socially responsible marketing can lead to greater profits. These profits may not come right away. Instead, small companies can expect some consumers to become more loyal to their brands as a result of societal marketing. These customers then purchase more products or services from the company. Companies ultimately have an obligation to their shareholders and employees to build profits. Socially responsible marketing can indirectly lead to greater profits if it is used correctly. The key is demonstrating genuine concern for the welfare of consumers.

15.4 NEW CONSUMER AND COMPANY CAPABILITIES

New Consumer Capabilities:

The digital revolution has placed a whole new set of capabilities in the hands of consumers and businesses. Following are the new upcoming consumer capabilities which firms will have to meet:

1. A substantial increase in buying power:

Buyers today are only a click away from comparing competitor prices and product attributes. They can get answers on the internet in a matter of seconds. They don't need to drive to stores, park, wait on line, and hold discussions with salespeople. Consumers can even name the price they want to pay for a hotel room, airline ticket, or mortgage, and see if there are any willing suppliers. Business buyers can run a reverse auction where sellers compete to capture the buyers business. Buyers can join with others to aggregate their purchases to achieve deeper volume discounts.

2. A greater variety of available goods and services:

Today a person can order almost anything over the Internet. Amazon.com advertises itself as the world's largest bookstore, with over 3 million books; no physical bookstore can match this. Furthermore, buyers can order these goods from anywhere in the world, which helps people living in countries with very limited local offerings to achieve great savings. It also means that buyers in countries with high prices can reduce their costs by ordering in countries with lower prices.

3. A great amount of information:

People can read almost any newspaper in any language from anywhere in the world. They can access online encyclopedias, dictionaries, medical information, movie ratings, consumer reports, and countless other information sources.

4. A greater ease in interacting and placing and receiving orders:

Today's buyers can place orders from home, office, or mobile phone 24 hours a day, 7 days a week, and the orders will be delivered to their home or office quickly.

5. **An ability to compare notes on products and services:**

Today’s customers can enter a chat room centered on some area of common interest and exchange information and opinions.

6. **Marketplaces, Market spaces and Meta markets:**

Today we can distinguish between a marketplace and market space. The marketplace is physical, as when you shop in a store; market space is digital, as when you shop on the Internet.

15.5 NEW COMPANY CAPABILITIES

A business capability is what a company needs to be able to do to execute its business strategy. Another way to think about capabilities is as a collection of people, process, and technology gathered for a specific purpose. Capability management uses the organization's customer value proposition to establish performance goals for capabilities based on value. It reduced inefficiencies in capabilities that contribute low customer impact, and focus efficiencies in areas with high financial leverage, while preserving or investing in capabilities for growth. Following measures can be undertaken by the companies to face the challenges raised by increasing consumer capabilities.

1. **Marketers can use the Internet as a powerful information and sales channel.** The Internet augments marketers’ geographical reach to inform customers and promote products worldwide. A Web site can list products and services, history, business philosophy, job opportunities, and other information of interest.

2. **Marketers can collect fuller and richer information about markets, customers, prospects, and competitors**. Marketers can conduct fresh marketing research by using the Internet to arrange focus groups, send out questionnaires, and gather primary data in several other ways. They can assemble information about individual customers’ purchases, preferences, demographics, and profitability.

3. **Marketers can tap into social media to amplify their brand message.** Marketers can feed information and updates to consumers via blogs and other postings, support online communities, and create their own stops on the Internet superhighway.

4. **Marketers can facilitate and speed external communication among customers**. Marketers can also create or benefit from

online and offline "buzz" through brand advocates and user communities.

5. **Marketers can send ads, coupons, samples, and information to customers who have requested them or given the company permission to send them**. Micro-target marketing and two-way communication are easier thanks to the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Extranets linking suppliers and distributors let firms send and receive information, place orders, and make payments more efficiently. The company can also interact with each customer individually to personalize messages, services, and the relationship.

6. **Marketers can reach consumers on the move with mobile marketing**. Using GPS technology, marketers can pinpoint consumers' exact location and send them messages at the mall with coupons good only that day, a reminder of an item on their wish list, and a relevant perk.

7. **Companies can make and sell individually differentiated goods.** Thanks to advances in factory customization, computer technology, and database marketing software, customers can buy the products with their names on them.

8. **Companies can improve purchasing, recruiting, training, and internal and external communications**. Firms can recruit new employees online, and many have Internet training products for their employees, dealers, and agents.

9. **Companies can facilitate and speed up internal communication among their employees by using the Internet as a private intranet**. Employees can query one another, seek advice, and download or upload needed information from and to the company's main computer.

10. **Companies can improve their cost efficiency by skillful use of the Internet.** Corporate buyers can achieve substantial savings by using the Internet to compare sellers' prices and purchase materials at auction, or by posting their own terms in reverse auctions. Companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality.

14.6 SUMMARY

To sum up it can be said that, today's marketing practices have got a huge impact from technological advancements. Growing technological advancements are really needed to be considered by the marketers while carrying on the marketing practices. At the same tine marketers need to be socially responsible while conducting the marketing practices. As business ethics are important, equally marketing ethics are also now playing a dominant role in the minds of the customers. Due to technological advancements and other factors, the consumes capabilities are changing day by day which need to be considered and studied by the marketers. Even the marketers need to identify their own capabilities which can be used to meet the challenges created by growing consumer capabilities. Thus one can not ignore the recent trends which are taking place in the field of marketing. In fact the marketers who will be able to identify and absorb these trends, will be able to sustain in the market.

14.7 QUESTIONS

1. Discuss the impact of technology recently used in marketing practices.
2. Write a note on socially responsible marketing.
3. Discuss the importance of socially responsible marketing practices.
4. Explain hoe the company can meet the growing consumer capabilities in today's world.
5. Discuss how the consumer capabilities and company capabilities are interrelated?

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16

RECENT TRENDS IN MARKETING - II

Unit Structure

16.0 OBJECTIVES

After studying the unit the students will be able to:

- Understand the meaning of Customer focused company.
- Explain the steps involved in the process of developing customer focused company.
- Discuss about the role of each person is in the marketing department of a company.
- Explain the general functions of Marketing department.
- Understand the types of marketing control.

16.1 INTRODUCTION

In today's age of personalization, "putting customers before the strategy" has taken on a whole new meaning. Brands everywhere are doubling down on the way they set up and market to customer life cycles, and many marketers are thinking backwards starting with the customer before creating new experiences and initiatives. The push for putting customers at the head of a marketing strategy is a good start, but what does it really mean for a brand to have a customer focus? How is setting up a customer-focused marketing strategy different from traditional customer-centric marketing?

16.2 CREATING MARKET AND CUSTOMER FOCUSED COMPNY

16.2.1 MEANING OF CUSTOMER-FOCUSED COMPANY

Customer-focused marketing means offering customers a consistently great and relevant experience across all touch points. This might seem like a marketing no-brainer, but crafting a true customer focus is no easy feat. From the first time a potential customer discovers your brand to every interaction they have with you; their experience should be beautiful, easy, and effective.

16.2.2 STEPS IN THE PROCESS OF DEVELOPING CUSTOMER FOCUSED COMPANY:

Following steps are involved in the process of developing customer focused company:

1. **Understanding the drives that value the customers:**

The firm has to conduct the customer survey and watch their actions and reactions. In short, the data has to be collected to understand what is important to the customers and what opportunities the firm has to help them.

2. **Understanding firm's value proposition**

The value customers receive is equal to the benefits of a product or service minus its costs. What value does firm's product or service create for them? What does it cost them–in terms of price plus any ancillary costs of ownership or usage (e.g., how much of their time do they have to devote to buying or using your product or service?). This value has to be analyzed by the firm systematically.

3. **Identifying the customers segments:**

The firm has to identify the customers segments where it has got higher value compared to its competitors. Different customers will have varying perceptions of value relative to firm's competitors, based on geographic proximity, for example, or a product attribute that one segment may find particularly attractive.

4. **Using customer feedback tools:**

One of the essential starting points for developing a customer focus is to get the information that you need to figure out what your customers are like, and what appeals to them. Similar to other kinds of market research, customer focus research helps business leaders to develop goals and objectives. Use pre-sale and post-sale feedback. Some marketing experts identify pre-sale feedback as a large part of customer focus. Getting information from your customers before the deal is made will help you adapt those deals and arrangements to be more attractive to the people who you are trying to reach.

Use surveys, questionnaires and similar customer focus tools. You don't want to overwhelm your customers with calls for feedback or input, but a reasonable follow-up process can also be helpful when you want to develop a customer-focused approach that works.

5. Create a win-win price:

Set a price that makes it clear that customers are receiving value but also maximizes your “take.” Satisfied customers that perceive a lot of value in your offering are usually willing to pay more, while unsatisfied customers will leave, even at a low price. Using “cost-plus” pricing (i.e., pricing at some fixed multiple of product costs) often results in giving away margin unnecessarily to some customers while losing incremental profits from others.

6. Focusing investments on the most valuable customers

Disproportionately allocate your sales force, marketing dollars, and R&D investments toward the customers and segments that you can best serve and will provide the greatest value in return. Also, allocate your growth capital toward new products and solutions that serve your best customers or can attract more customers that are similar to your best customers. Your customers are the lifeblood of your business. They are the source of current profits and the foundation of future growth. These steps will help you find more ways to grow your business by better serving your best customers.

7. Training the employees to offer customer focus:

Another big aspect of developing a customer focus for a business is to make sure staffers understand their roles in approaching the business with a customer focus. This includes elements of customer service, but at its core, customer focus is about keeping attention on the customers, anticipating their needs and valuing their input.

8. Providing customer incentives:

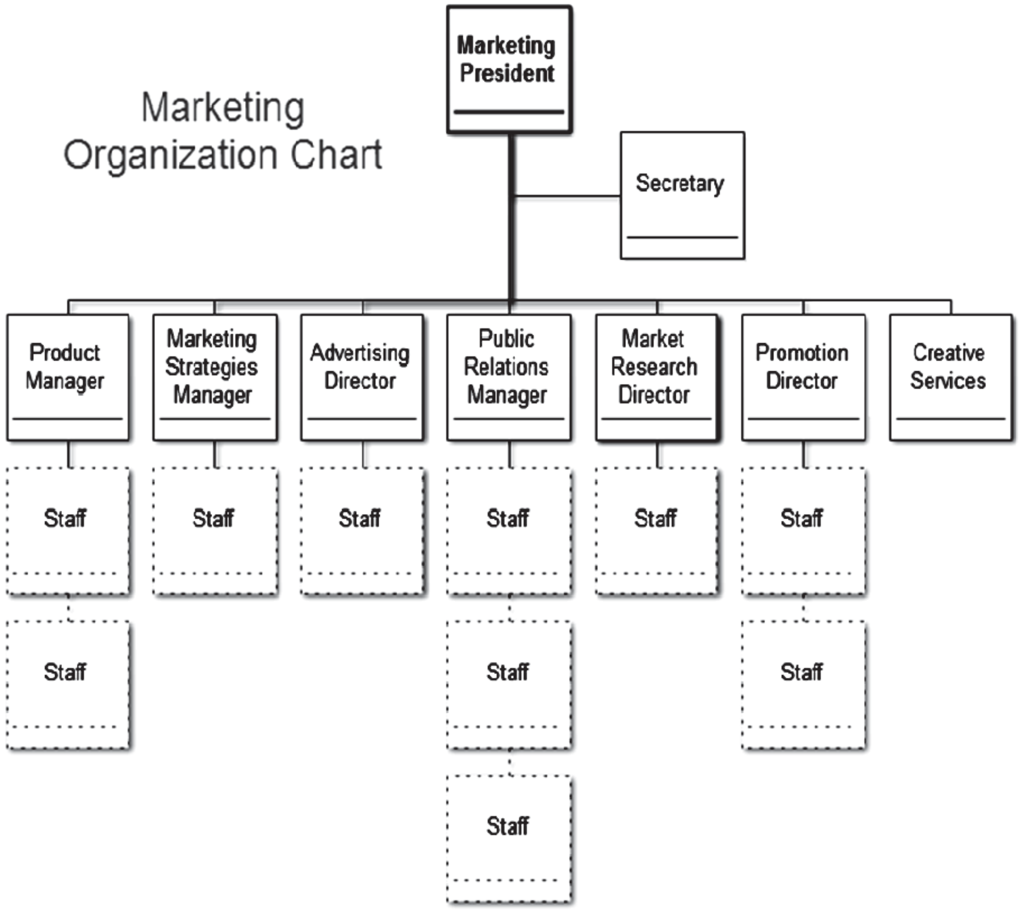
Incentives, whether they are in the form of temporary sale offers, rebates or targeted giveaway programs, are often a major part of customer focus. When business leadership members have identified what customers like, they can use these items to reach out to their base further.

9. Working on firm's business copy:

Another important aspect of customer focus pros is to make all the business communications and business copy adopt a customer focus tone and outlook. After all, for most businesses, customers are readers, they get their information about the company through a website, print brochures or literature, or some other written form. Although some may say that customer focus starts in the field, or in the boardroom, your copy department will often have something to do with this strategy as well.

16.3 ORGANISING THE MARKETING DEPARTMENT

Marketing organizational chart helps marketing employees and other employees of the company to understand what the role of each person is in the marketing department. The organizational structure of the marketing department of a company can vary according to the individual company. Small companies may consist of one or two marketing employees, and larger organizations may have dozens of marketing employees on staff. Overall, putting an organizational structure in place helps marketing employees and other employees of the company to understand what the role of each person is in the marketing department.



The role of each person is in the marketing department of a company is explained below:

1. Vice President

The person in charge of the entire marketing department is generally known as the vice president of marketing. The vice president is involved in planning and creating the marketing strategy for the company, its products or its services. The vice president is also the person that the other marketing employees ultimate report. The vice president of marketing is the liaison between the marketing department and upper management or the owners of the company.

2. Marketing Manager

Marketing manager and marketing director are often interchangeable in the world of marketing. A marketing manager typically has the responsibility of carrying out the marketing strategy for the company. This includes creating marketing messages, choosing mediums such as website advertising and print advertising, and carrying out other marketing campaigns and programs to reach the target audience of the company. The marketing manager reports to the vice president and generally manages the rest of the marketing employees. In product-based companies that have different product lines, a marketing manager may exist for each product line.

3. Market Researchers

Some companies also employ market researchers. Market researchers find out information about the target audience of the company as well as the company's competitors. Market researchers can employ tools, such as surveys and focus groups to help them uncover information and statistic or use publications, such as the U.S. Census to obtain information. The research, information and statistics found by the market researchers are used by the marketing manager to create the programs and messaging. Small- to medium-size companies tend to hire a third-party source for market research rather than have a full-time market research staff. Large organizations employ its own market researchers.

4. Public Relations

The employees that handle public relations in the organization handle the non-paid forms of advertising the company utilizes to promote the business. Public relations is a subset of marketing, but while a marketing manager focuses on managing the marketing budget by choosing the right forms of advertising, public relations is generally free. Public relations may produce and submit press releases to the local or national media in an effort to attract attention to the company. Public relations employees are also the media spokesperson for the business, so they conduct interviews with members of the media or prepare the executives of the company interviewed by the media.

5. Creative Services

Creative services tend to be graphic and webs designers that assist in portraying the company image and brand to the public. The creative service team may help the marketing manager create a brochure layout and design to portray the company messaging the marketing manager and vice president has chosen for the business.

16.4 COMMON FUNCIONS OF A MARKETING DEPARTMENT

Following are some of the common functions that make up the organizational structure of a typical corporate Marketing department:

1. **Advertising:**

The advertising group works closely with the programs and campaigns department, as well as the product management group, to develop and implement advertising campaigns across any number of mediums (radio, TV, print, web or any combination of those). The advertising campaigns should align with the data and insights provided by the marketing research group. In many cases, the advertising function is outsourced to an external advertising agency.

Common Job Titles: Ad Operations Manager, Media Planner, Marketing Coordinator, Marketing Manager

2. **Field Support (Sales Support):**

The sales support group works closely with the inside or outside sales teams to educate them on marketing strategies and product offerings, gather details on potential client needs (leads from marketing campaigns and programs), draft sales proposals, confirm meetings and perform any other administrative work (printing, faxing, scheduling, etc.) related to high-value selling activities.

Common Job Titles: Proposal Writer, Sales Support Administrator, Sales Assistant, Proposal Manager, Sales Associate

3. **Marketing Research:**

The marketing research group is responsible for linking the needs and problems of the consumer with the marketing strategy of the company. They use data collected from several resources (online, focus groups, surveys, etc.) to provide reports and insights to the marketing team. In most cases, the research group is also responsible for performing competitor research.

Common Job Titles: Marketing Analyst, Business Analyst, Research Strategist

4. **Product Development:**

The product development function is responsible for the end-to-end process of bringing a new product or service to market including idea generation, product design, intellectual property management, detail engineering, market research, testing and competitor analysis. They work closely with all departments of the organization to ensure that the product launches with minimal (or no) issues.

Common Job Titles: Product Manager, Director of Product Development, Product Designer

5. Product Management:

The product management group oversees the development of new products and drives marketing strategy, branding, goals, product adjustments and market positioning. The group is closely tied to several areas, including marketing, engineering (in some cases), research and sales. They are responsible for managing a product throughout its lifecycle, ensuring that the necessary adjustments are made to turn a profit or meet company goals.

Common Job Titles: Product Manager, Project Manager, Product Development Manager

6. Programs & Campaigns:

The programs and campaigns group develops the overall marketing strategy and launches marketing initiatives (short-term or long-term). These initiatives use an array of mediums (radio, TV, print, web or any combination of those) to communicate the company's service offering to customers and align with corporate goals and overall company strategy.

Common Job Titles: Marketing Coordinator, Marketing Manager, Marketing Assistant, Customer Acquisition Manager, Marketing Associate

7. Promotional Materials:

The promotional materials group produces any graphics, print documents, videos, or other collateral that may be needed for marketing programs and campaigns or advertisements. They are responsible for the design and composition of these materials, while being given direction from the programs and campaigns group or the advertising team.

Common Job Titles: Graphic Designer, Copywriter, Web Designer, Marketing Assistant, Editor

8. Public Relations (PR)

The public relations group manages contact between the company and any public outlet. They aim to control the public perception of the company and its product offerings. They will often speak at public events, coordinate with the local or national media and provide internal communications to employees regarding certain events or initiatives.

Common Job Titles: PR Manager, Director of PR, PR Coordinator, Public Information Officer, Public Education Specialist, Communications Specialist

9. Social Media Marketing:

The social media marketing group is responsible for the company's online presence. They use online channels, such as Facebook, Twitter, and others, to promote the company's products and services. They also monitor customer sentiment and brand mentions to see what the public has to say about their products and services.

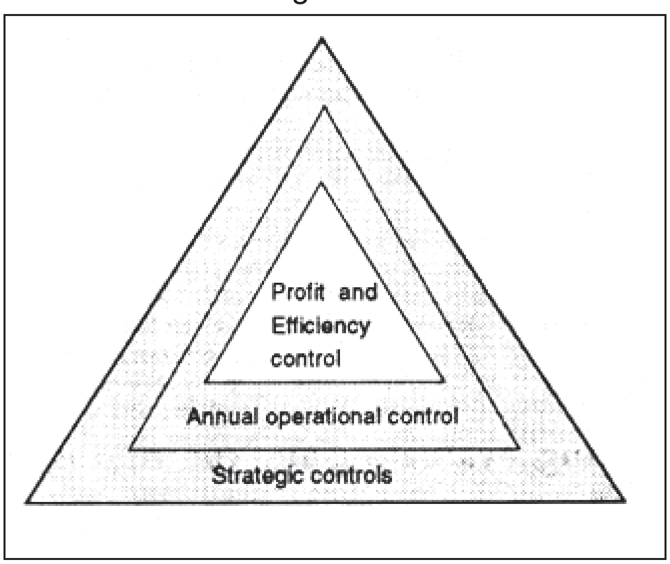
Common Job Titles: Online Marketing Specialist, Social Media Manager, Internet Marketing Coordinator

16.5 MARKETING CONTROL

Marketing control involves setting a desired standard, measuring deviations from the standard and taking the appropriate action. In many cases the standard is expressed in terms of budgets and any substantial deviation from budget is investigated. Both positive as well as negative deviations can be a cause for concern. If sales are far in excess of planned levels then this can over-stretch the enterprise's production, storage and distribution resources, for example. At the same time, the investigation of all deviations from budgeted levels would prove an unbearable load on managers. Instead, since not all deviations are significant, parameters are set for "allowable" deviations and only those exceeding these parameters are investigated. There are four types of marketing control: the annual plan control, profitability control, efficiency control and strategic control.

16.5.1 LEVELS OF MARKETING CONTROL

The different levels of marketing controls are:



1. Annual-plan control:

The basis of annual-plan control is managerial objectives—that is to say, specific goals, such as sales and profitability that are established on a monthly or quarterly basis. Organizations use five tools to monitor plan performance. The first is sales analysis, in which sales goals are compared with actual sales and discrepancies are explained or accounted for. A second tool is market-share analysis, which compares a company's sales with those of its competitors. Companies can express their market share in a number of ways, by comparing their own sales to total market sales, sales within the market segment, or sales of the segment's top competitors. Third, marketing expense-to-sales analysis gauges how much a company spends to achieve its sales goals. The ratio of marketing expenses to sales is expected to fluctuate, and companies usually establish an acceptable range for this ratio. In contrast, financial analysis estimates such expenses (along with others) from a corporate perspective. This includes a comparison of profits to sales (profit margin), sales to assets (asset turnover), profits to assets (return on assets), assets to worth (financial leverage), and, finally, profits to worth (return on net worth). Finally, companies measure customer satisfaction as a means of tracking goal achievement. Analyses of this kind are generally less quantitative than those described above and may include complaint and suggestion systems, customer satisfaction surveys, and careful analysis of reasons why customers switch to a competitor's product.

Annual plan control involves the use of annual marketing targets as performance standards. Projected values of sales volume, market share, and profits are some of the typical performance standards under this type of control. Two important techniques used for tracking results and comparing them with standards are variance analysis and marketing expenses-to-sales analysis.

2. Profitability control:

Profitability control and efficiency control allow a company to closely monitor its sales, profits, and expenditures. Profitability control demonstrates the relative profit-earning capacity of a company's different products and consumer groups. Companies are frequently surprised to find that a small percentage of their products and customers contribute to a large percentage of their profits. This knowledge helps a company allocate its resources and effort. Marketing profitability is the profitability achieved through the performance of marketing activities and is calculated based on the investment made in these activities. Some of the techniques used for profitability control are Strategic Profit Model, segment margin report, and activity based costing.

3. Efficiency control:

Efficiency control involves micro-level analysis of the various elements of the marketing mix, including sales force, advertising, sales promotion, and distribution. For example, to understand its sales-force efficiency, a company may keep track of how many sales calls a representative makes each day, how long each call lasts, and how much each call costs and generates in revenue. This type of analysis highlights areas in which companies can manage their marketing efforts in a more productive and cost-effective manner. Efficiency control is more of a quantitative control and deals with the efficiency with which the marketing activities are directed toward the achievement of the goals of the marketing function. Here, the controls mainly focus on the sales volume, the sales generated by each salesperson, number of accounts handled by each salesperson, etc. Effectiveness control, on the other hand, is qualitative in nature and aims at improving the effectiveness of the marketing activities. The marketing effectiveness of any organization is reflected through its market share, profitability, customer satisfaction, etc. It is not easy to audit, measure, or control. It depends on attributes like customer philosophy, marketing orientation, information about marketing, strategic orientation, and operational efficiency of the organization.

4. Strategic control:

Strategic control involves tracking a strategy as it's being implemented. It's also concerned with detecting problems or changes in the strategy and making necessary adjustments. As a manager, you tend to ask yourself questions, such as whether the company is moving in the right direction, or whether your assumptions about major trends and changes in the company's environment are correct. Such questions necessitate the establishment of strategic controls.

16.5.2 TYPES OF MARKETING CONTROL

Type of Control	Prime Responsibility	Purpose of Control	Approaches
Annual plan control	Top management Middle management	To examine whether the results are being achieved	Sales analysis Market-share analysis Sales-to-expense ratios Financial analysis Attitude tracking
Profitability control	Marketing controller	To examine where the company is making and losing money	Profitability by product territory Customer group trade Channel order size
Efficiency control	Line and staff management Marketing controller	To evaluate and improve the spending efficiency and impact of marketing expenditures	Efficiency of sales force Advertising sales promotion distribution
Strategic control	Top management Marketing auditor	To examine whether the company is pursuing its best opportunities with respect to markets, products, and channels	Marketing effectiveness rating instrument Marketing audit

16.6 SUMMARY

To sum up it can be said that, creating the customer focused company is a very important and urgent task for the companies. This will ensure the sustainability and success to the organization. At the same time, the firm has to pay attention to its structure of the marketing department. Having an efficient and established marketing department can assure success to the organization. Various marketing controls can be used to control the marketing activities of the firm. These controls set the standards at which company can assess its marketing performance.

16.7 QUESTIONS

1. What efforts have to be undertaken by the firms to make them customer focused companies?
2. "Effective marketing department structure is key to marketing success." Comment.
3. Discuss the various functions carried on in the marketing department of the company.
4. What are the marketing controls? Discuss in detail its various types.

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Question Paper Pattern for Business Management Group
M.Com Parts I (Revised) for IDOL-Annual Pattern

Duration: 3 Hours **Maximum Marks: 100**

Note: 1) Both Sections are Compulsory.
2). Answers to both Sections should be written in the same answer book.

Section I **Marks: 50**

Note:-1) Question **No. I is Compulsory**.
2) Attempt **any two** out of the remaining **four questions**.

Q. No.	Module (Covering Four Modules (I to IV) of Section I of the Syllabus)	Marks
1a or 1 b.	Q 1 a. From any one of the four modules OR Q 1 b. From any one of the four modules (Q 1 a and Q 1 b will not be from the same module)	**20**
Q 2.	One question from either Module I or II	15
Q 3.	One question from either Module III or IV	15
Q 4.	One question from either Module I or III	15
Q 5.	One question from either Module II or IV	15

*__In case of question numbers 2 to 5 there will not be any internal choice; only one question from any of the two modules specified for each question would be given in the question paper.__

Section II **Marks: 50**

Note:-1) Question **No. 6 is Compulsory**.
2) Attempt **any two** out of the remaining **four questions**.

Q. No.	Module (Covering Four Modules (V to X)of Section II of the Syllabus)	Marks
6a or 6b.	Q 6 a. From any one of the four modules OR Q 6 b. From any one of the four modules (Q 6 a and Q 6 b will not be from the same module)	**20**
Q 7.	One question from either Module V or VI	15
Q 8.	One question from either Module VII or VIII	15
Q 9.	One question from either Module V or VII	15
Q 10.	One question from either Module VI or VIII	15

*__In case of question numbers 7 to 10 there will not be any internal choice; only one question from any of the two modules specified for each question would be given in the question paper.__

Professor cum Director,
IDOL

M.Com. (Part- I)
-: Business Management Group :-
Marketing Strategy and Plan
(Paper-II) {April – 2016}

QP Code : 24445

[Revised Course]

(3 Hours) [Total Marks : 100

SECTION -I

N.B. :- (1) Question No. **1** is **Compulsory**.
(2) Attempt **any two** out of the remaining **four** questions.
(3) **Figures** to the **right** indicate **full** marks.

1 (a) Define marketing strategy. Discuss the significance of marketing strategy and explain the essentials of a good marketing strategy. **20**

OR

1 (b) What are the strategies adopted by: (i) Market Challengers (ii) Market Followers?

2. Define Marketing Information System. What are the components of modern MIS? **15**

3. Discuss the process of attracting and retaining customers. **15**

4. Explain the following in brief: (i) Customer Perceived Value (CPV) (ii) Customer Life Time Value (iii) Customer Relationship Management **15**

5. What are brand elements? Discuss the criteria for choosing brand elements. **15**

SECTION -II

N.B. :- (1) Question No.**6** is **Compulsory.**
(2) Attempt **any two** out of the remaining **four** questions.

6. (a) Discuss in detail the pricing strategies adopted by companies for new products. **20**

OR

6 (b) What are the steps involved in marketing control? Explain the types of marketing control.

7. Explain the consumer adoption process and adopter categories. **15**

8. Explain the following in brief: (i) Sales promotion (ii) Personal selling (iii) Direct Marketing **15**

9. Discuss the factors that contribute to new product development. **15**

Q 10. Define retailing. Explain the functions of retailers. **15**

[TURN OVER]

(सुधारित अभ्यासक्रम)

(3 तास)

(एकूण गुण : १००

सूचना : (१) प्रश्न क्र. **१ अनिवार्य** आहे.
(२) उरलेल्या प्रश्नांपैकी कोणतेही **दोन** प्रश्न सोडवा.
(३) उजवीकडील अंक गुण दर्शवितात.

विभाग –१

१. (अ) विपणन डावपेच या संकल्पनेची व्याख्या द्या. विपणन डावपेचांच्या महत्त्वाची चर्चा करा आणि चांगल्या विपणन डावपेचासाठी आवश्यक बाबी स्पष्ट करा. २०

किंवा

१. (ब) खालील घटकांकडून कोणते विपणन डावपेच वापरले जातात.
(i) बाजारपेठ योद्धे (Market Challengers)
(ii) बाजारपेठेचे अनुकरणकर्ते ?

२. विपणन माहिती प्रणाली ही संकल्पना स्पष्ट करा. आधुनिक विपणन माहिती प्रणालीचे घटक कोणते ? १५

३. ग्राहकांना आकर्षित करणे व टिकवून ठेवण्याच्या प्रक्रियेची चर्चा करा. १५

४. खालील संकल्पना थोडक्या स्पष्ट करा. १५
(i) ग्राहक ज्ञात मुल्य (Customer Percevied Value) (ii) ग्राहक आजीवन मुल्य
(iii) ग्राहक संबंध व्यवस्थापन

५. मुद्रीकरण घटक कोणते आहेत ? मुद्रीकरण घटक ठरविण्यासाठी असलेल्या निकषांची चर्चा करा. १५

विभाग –२

सूचना : (१) प्रश्न क्र. **६ अनिवार्य** आहे.
(२) उरलेल्या प्रश्नांपैकी कोणतेही **दोन** प्रश्न सोडवा.

६. (अ) नवीन उत्पादनासाठी कंपनीकडून वापरल्या जाणाऱ्या किंमत डावपेचांची चर्चा करा. २०

किंवा

(ब) विपणन नियंत्रणामध्ये समाविष्ट असणाऱ्या पायऱ्या कोणत्या ? विपणन नियंत्रणाचे प्रकार स्पष्ट करा.

७. ग्राहक स्वीकृती प्रक्रिया आणि स्वीकृतीचे प्रकार स्पष्ट करा. १५

८. खालील संकल्पना थोडक्यात स्पष्ट करा. १५
(i) विक्री वृद्धी (ii) व्यक्तिगत पातळीवर विक्री (iii) प्रत्यक्ष विपणन

९. नविन वस्तू विकासामध्ये समाविष्ट होणाऱ्या घटकांची चर्चा करा. १५

१०. किरकोळ व्यापाराची व्याख्या द्या. किरकोळ व्यापाऱ्याची कार्ये स्पष्ट करा. १५
