

# MARKETING MANAGEMENT- I

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## THE TOYOTA STORY

*“Observe and learn”*

- Toyota was designing its Tundra Truck, but considerable inputs came not from designers **but from FARMERS.**
- A team of Toyota spent days of visiting different regions of US- horse farms, factories, construction sites, and more – to meet truck owners.
- They did not ask anything, but watched and observed them carefully at work.
- Through this the team, learned the *ideal placement of gear shifter, the door knob and the radio knobs(buttons) needed to be extra-large because pickup owners often used gloves all day.*
- Clearly no amount of discussions or brainstorming sessions could have revealed these minute but very important preferences.
- Hence, deeply observe and learn.

## THE WALMART STORY

*“RE-INVENT and become flexible and adaptable”*

### Walmart Mexico

- In Mexico, Walmart started its stores and setup huge parking lots
- Little did it realise that what was considered as a facility had a no meaning for Mexicans as most came to outlets in buses

### Walmart China

- It entered China in 1997 and in spite of doing business in the country for more than 14 years company made its made in profit only in 2008
- It definitely had failed to understand the Chinese Market it tried to bulldoze in American styles into Chinese Market- a move failed as expected.
- Selling Golf balls in a low income country like Mexico was as wrong as selling meat neatly pack in Styrofoam and cellophane to Chinese customers- a country where consumers prefer live fish in grocery stores and insist on killing them in front of their eyes. Packaged meat was looked upon as stale food and did not sell despite delivering good quality at appropriate pricing.
- Walmart learned the trends of the Chinese market and adapted to the changes.
- Today it keeps live fish, turtles in its stores.
- Hence you need to RE-INVENT and become flexible and adaptable

## THE MARGO STORY

*"Initial success does not guarantee long-term success.  
You need to reinvent yourself according to your target market."*

- Margo one of the oldest soaps in India, refused to do that.
- Back in good old days when people's tastes were not so refined and were much simpler, a good soap with medicinal properties of neem was enough to convince them to buy it.
- However with time the *consumers wanted better packaging, better fragrance, better shapes.*
- *Margo refused to do that and lost out on the younger generation* who refused to pick up an old ugly looking soap. It was a classic case of waking up to reality a bit too late.

Lifebuoy soap as old as Margo changed quickly and adopted itself to changes. It survived!

Margo even with its NEEM content (something which Indians depend on today too) had to taste bitter failure.

### **Ever wondered why Japanese businessmen use the help of human translators, even when they might understand perfectly what you are saying?**

It's a masterful negotiation technique – it gives them time to frame their reaction and then respond cautiously. If you are too quick to speak or respond, you may make mistake sometimes. Well not the Japanese.

### **It not enough, to be first.**

If you thought **Hotmail** was the first company to offer free e-mail, **Amazon** was the first to sell books online, **Nokia** was the first to sell cellphone, **eBay** was the first auction site, or **Starbucks** was the first to start coffee shop.

You are wrong

**Juno** was the first to offer free e-mail, **Books.com** was the first online book store (launched in 1996), **Motorolla** was the first to sell mobile phone, **Peets** was the first to launch a coffee shop.

The brands mentioned above were the first movers in the category, yet the world doesn't remember them. It not enough, to be first.

## THE MOTOROLA STORY

*“Listen aggressively and change accordingly”*

- Motorola had a huge success in the 1990s, when it grew from \$5billion to \$27billion company in just a decade.
- It was around this time that a New Zealand mountaineer Rob Hall died on the mount Everest. But as his life ebbed away, he talked to his wife. His parting words were *“Sleep well my sweetheart. Please don’t worry much”*. It captivated the world’s attention – all thanks to a satellite phone link.
- Motorola took this as inspiration and developed a bold and a very expensive venture named ‘Iridium’. It planned to launch 66 satellites to ensure people were connected to each other always, irrespective of which part of the world they were in.
- By the time Iridium was ready to be launched, the world was already used to the traditional cellular service and no one wanted a satellite phone whose handset was the size of a brick and that only worked outdoors.
- However the company benefitted people who were stuck in remote places. However the company forgot to calculate that not many people needed to call home from the South Pole or Mount Everest.
- It ignored the market needs and wants. It failed to listen aggressively and change accordingly. As a result Iridium that was launched in 1998- had to file for bankruptcy in 1999.

## THE EMPTY SOAP BOX STORY

One of the most memorable case studies on Japanese management was the case of the empty soap box, which happened in one of Japan’s biggest cosmetics companies. The company received a complaint that a consumer had bought a soap box that was empty.

Immediately the authorities isolated the problem to the assembly line, which transported all the packaged boxes of soap to the delivery department. For some reason, one soap box went through the assembly line empty.

Management asked its engineers to solve the problem. Post-haste, the engineers worked hard to devise an X-ray machine with high resolution monitors manned by two people to watch all the soap boxes that passed through the line to make sure they were not empty. No doubt, they worked hard and they worked fast but they spent whoopee amount to do so.

But when a workman was posed with the same problem, did not get into complications of X-rays, etc but instead came out with another solution.

He bought a strong industrial electric fan and pointed it at the assembly line. He switched the fan on, and as each soap box passed the fan, it simply blew the empty boxes out of the line.

**Moral of the story:** *Always look for simple solutions. Devise the simplest possible solution that solves the problem. So, learn to focus on solutions not on problems. "If you look at what you do not have in life, you don't have anything; if you look at what you have in life, you have everything"*

Asst. Professor, Ankita Agarwal

## BEAUTIFUL QUOTES

- Customers always give a feedback, either by buying your product or of your Competitors. Observe carefully, Listen to the market, watch your competitors aggressively.
- Quality or distinctiveness are essential. But they are to be related to the needs of the market.
- Today nations fight not in battlefields, but in marketplaces.
- History is proof that its not the largest , strongest or fastest that survive, but the ones who are ready to adapt.
- If you live in the river, you should make friends with the crocodile
- Leaders of yesterday have become laggards today. If they update themselves they will be leaders again or they will disappear altogether.
- Nothing is permanent - in life, relationships and business! This eternal truth is brilliantly demonstrated by the rise, fall, and rise of brands in the marketplace.
- Listen to succeed in business. Not many people are doing it, as everybody is so eager to talk.
- Many a times we miss important clues, as we are busy acting (formulating strategies, changing plans etc). Stop and Shut up! It will help you think better.
- Ethical consumerism is on the rise and boycott is his most powerful weapon. He is no more looking for just a good bargain but is also concerned about how the product has been made.
- Many advertisers get so involved in the creative part of the business that they forget to ask this one vital question? *"Will this make customer reach out my product instead of competitors?"* Classic example of AXE and FOGG
- Business once used to be about the ability about finding and honing your competitive advantage. Today its about the ability to find your "Next" advantage and reinvent.
- Kim and Mauborgne of Blue Ocean Strategy – by just beating the competition, you remain in the red waters, but when you create a new game, competition becomes irrelevant and you move to blue waters. This is called the Blue Ocean Strategy. Example- Tata Nano
- The market is changing so fast that by the time you have finished your research and develop and launch a product, the market probably has changed
- Never make frequent discounts on your product. Extreme discounting erodes the value of the brand in the long run. Discounting can often make selling easy, but it doesn't last long. Example –Koutons and Levis

- Untrained sales people will go and quickly come to price discounts, which actually may sow the seeds of doubt in the minds of the customer. The more you are ready to discount, the more discount the customer is probably going to ask for. If the customer is made to believe in the product, the price will never be an issue.
- Your product needs to be available in the stores or else the customer will pick up someone else 's product and leave
- Initial success does not guarantee long-term success. You need to reinvent yourself according to your target market.
- Don't try to match the budget with the big players Try to match the wits.
- Don't be egoistic. Acknowledge the competition and learn from them and beat them in their own game.
- Avis and Hertz car rental. Avis said in an ad " We are No.2, that's why we try harder"
- Not just the consumers are changing, even the ways of marketing are changing, the ways of doing business is also changing, you need to be totally obsessed with your customers, to keep up with the times
- According to a popular advertising theory mentioned by the author-
  - ✓ A minimum of 9 repetitions is required before the consumer actually considers your advertisement seriously and wonders if it amounts to anything.
  - ✓ By the 13th time he thinks what you're advertising is a good thing.
  - ✓ By the 14th time he sees the same ad and remembers that he wanted such a thing for a long time.
  - ✓ By the 19th time he counts is money carefully and
  - ✓ By the 20th time he sees the advertisement he goes and buys the article

*"Yes a minimum of 20 repetitions is required before the first purchase"*

- You CANNOT BUY the power of positive Word of Mouth....You have to EARN IT.
- Know How is not enough, Act now and Create Wow

## SYLLABUS

### IMPC1004 MARKETING MANAGEMENT - I (3-0-0)

#### Course Objective:

1. To sensitize the students to the dynamic nature of Marketing Management.
2. To expose students to a systematic frame work of marketing & implementations and to highlight need for different marketing approaches for services, goods, and for household consumers, organizational buyers.
3. To introduce the concept of Marketing Mix as a framework for Marketing Decision making.
4. The course is intended for defining and clarifying the concepts of marketing.

**Module-I** Definition & Functions of Marketing: Scope of Marketing, Core concepts of Marketing such as Need, Want, Demand, What can be marketed Four Utilities of Marketing, Customer Perceived Value, Customer Satisfaction, Customer Delight, Customer Loyalty and types Simple Marketing System, Modern Marketing System,

Evolution of Marketing concepts: Production, Product (with Marketing Myopia), Selling, Marketing and holistic Understanding Markets: Potential market, Available market, Qualified available market, Target market, Penetrated market Types of Market : B2B, B2C, B2G, Global, Not for Profit, Government, Marketplace, Marketsace, Metamarket, Marketing v/s Market, Selling versus Marketing, Marketing Myopia. 80: 20 Principle, Bottom of the pyramid concept, Market Share, Market Size

**Module-II** Concept of Marketing Environment: Need for analyzing the Marketing Environment. Macro and Micro environmental analysis or PESTEL analysis

STP concept -Segmentation: Definition, Need for segmentation, Benefits of segmentation to marketers, Criteria for effective segmentation, Bases for market segmentation of consumer goods - Demographic, Geographic, Psychographic, Behavioural

Target Market: Concept of target market and criteria for selection of target market Positioning: Concept of differentiation & positioning, Introduction to the concepts of Value Proposition, Point of Parity, Point of Difference or USP, Positioning errors. Marketing Mix tools: 4Ps, 4As, 5Ps, 7Ps. Only concepts Packaging & Labeling: Meaning & role of Packaging & Labeling.

**Module-III** Understanding Consumer Behaviour: Meaning & importance of Consumer behaviour, Difference between Customer and Consumer, Difference between Consumer buying behaviour and Organizational buying, Buyer roles, Factors affecting buying behaviour, Stages or Steps in consumer buying decision process, Buyer Black Box

Contemporary Topics (Concepts only) : Viral Marketing, Guerrilla Marketing, Ambush Marketing, Upselling and Cross selling, Societal and social Marketing, Relationship Marketing, Green Marketing , Digital Marketing, Network or Multi-level marketing, FOMO marketing, Customer Life Time Value

**Course Outcomes:**

CO-1: Identify the key analytical frameworks and tools used in marketing.

CO-2: Utilize the information of a firm's external and internal marketing environment to identify and prioritize appropriate marketing strategies.

CO-3: Design Segmentation, Targeting and Positioning strategies. CO-4: Analyse different Buying Roles and interpret Consumer Buying Behaviour.

**Text Books:**

1. Marketing Management- A South Asian Perspective, 13th Edition— Authors – Kotler, Keller, Koshy, Jha
2. Rajan Saxena, Marketing Management, TMH

**Reference:** The above module has been prepared by referring to NPTEL Marketing Management-I Course by Prof. Jayanta Chatterjee and Prof. Shashi Shekhar Mishra | IIT Kanpur

## INTRODUCTION TO MARKETING

### MARKETING

**“It is the process of getting consumers interested in your company’s product or service.”**

This happens through market research, analysis, and a solid understanding of your ideal consumer’s wants and needs. Marketing pertains to all aspects of a business, including product development, distribution methods, sales, and advertising.

### SELLING

***“Selling is the process of monetizing the marketing efforts”***

- Selling is the prime focus of each and every marketing activity.
- If an activity does not result in a sale eventually then it’s a waste of time, money and efforts.

**Marketing** is creating, communicating, delivering value to the target market at a Profit.

- Philip Kotler

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

- Social definition

The **right product**, in the **right place**, at the **right time**, and at the **right price**

- Adcock et al

### Goals of Marketing

**Marketing** is an integral part of every organization, therefore it must contribute towards the goals of the organization.

1. Profitability	<ul style="list-style-type: none"><li>• Sales revenue maximization</li><li>• Cost minimization</li></ul>
2. Growth	<ul style="list-style-type: none"><li>• Sales growth maximization</li><li>• Product development</li><li>• Market penetration</li><li>• Market development</li><li>• Diversification</li></ul>
3. Market Standing	<ul style="list-style-type: none"><li>• Innovation</li><li>• Market Leadership</li><li>• Consumer Satisfaction</li></ul>
4. Image	<ul style="list-style-type: none"><li>• Brand image</li><li>• Company image</li></ul>

**Societal Marketing (*socially responsible marketing*)** - is a marketing concept that holds that a company should make marketing decisions by considering consumers' wants, the company's requirements, and society's long-term interests. Example – Body Shop, Fab India

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

- **The American Marketing Association**

**Marketing** is the human activity directed at satisfying human needs and wants through an exchange process

- **Philip Kotler**

**Marketing management is the**

- **art and science**
- **of choosing target markets**
- **and getting, keeping, and growing customers**
- **through creating, delivering, and communicating superior customer value**

### Key features:

- Need satisfying process.
- Marketing is every where
- Essential ingredient for business success.
- It's an ongoing and dynamic process
- Need satisfaction is the core concept of Modern marketing.
- Good marketing is no accident
- Marketing is both an art and science
- Managerial Process involving analysis, planning and control
- Carefully formulated programs and not just random actions.
- Voluntary exchange of values; no use of force or coercion.
- Selection of Target Markets rather than an attempt to win every market and be all things to all people.
- Purpose of marketing is to achieve Organizational Objective.

Does Marketing **identify** needs or **create** needs?

### Importance of Marketing:

- Affects each person's Life and life style.
- Aims at satisfying customer needs.
- It creates time, place, and possession utility.
- It raises Standard of living of the members of the society
- Helps in developing economic resources of the country.
- Generates employment opportunities

## Why marketing is important in 21<sup>st</sup> century ?

- Firms need to prosper financially and expand business
- More essentially to survive in a more complex and dynamic economic environment
- Marketing will address this challenge
- Finance, operation, accounting, and other business functions become irrelevant without sufficient marketing efforts
- Company's product or service or financial success depends on the marketing ability and skill of the firm.

## Marketing contribution towards Society

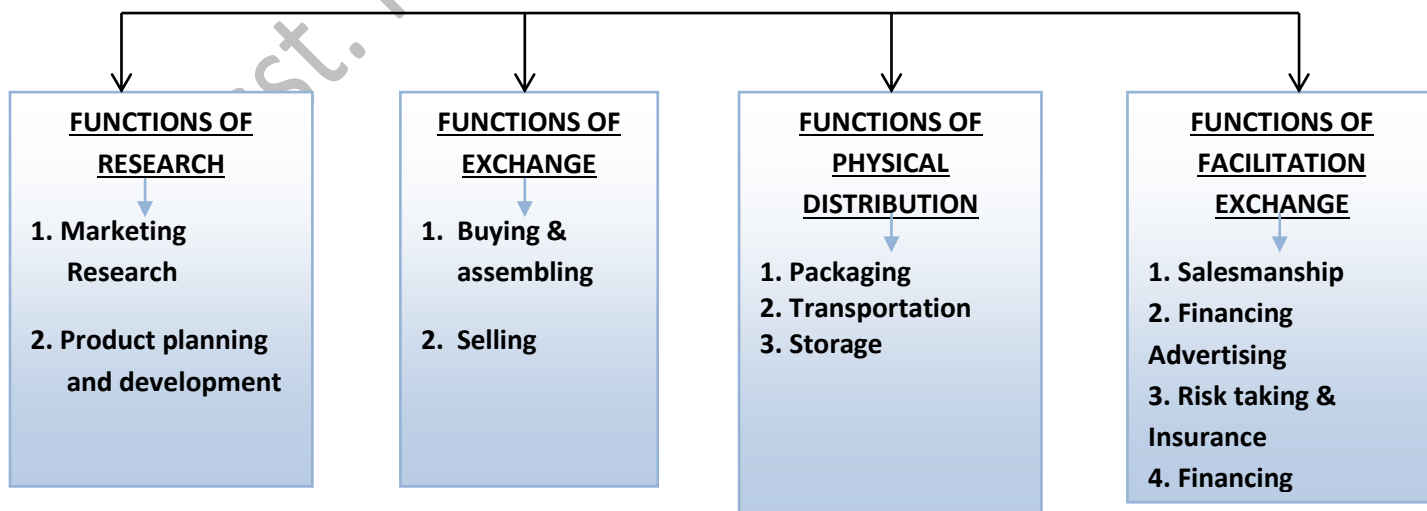
- Marketing has gifted many products to the society
- Enriched people's lives
- It inspires people to use existing products and also innovate to improve their own position in the market
- It creates jobs
- It identifies need and provides solutions
- Convey messages that change societal behavior in a positive way(e.g., anti-smoking advertising)
- Example - washing machines, refrigerators, portable music, mobiles

## Issues and challenges in marketing in India

- High volatility in Indian market
- Technology change
- Customer behavior varies
- Retail evolution (FDI)
- E commerce
- Use of IT in data processing, GPS, RFID
- Social media
- Crowd sourcing
- Globalization
- Deregulation (airline)
- Intense competition (profit shrinkage)
- Urban – rural gap (if matured retain market share, if growing market, gain market share)
- Brand survival – Maggi, Coca Cola, Cadbury

## FUNCTIONS AND SCOPE OF MARKETING

Marketing function	Description
<b>A. Functions of <u>Research</u></b>  1. Marketing Research 2. Product, Planning and Development	<ul style="list-style-type: none"> <li>Collecting information about consumers, competitors and channel members for use in marketing decision making</li> </ul>
<b>B. Functions of <u>Exchange</u></b>  1. Buying & assembling 2. Selling	<ul style="list-style-type: none"> <li>Ensuring that product offerings are available in sufficient quantities to meet customer demands</li> <li>Using advertising, personal selling and sales promotion to match goods and services to customer needs</li> </ul>
<b>C. Functions of <u>Physical distribution</u></b>  1. Standardizing and grading 2. Packaging 2. Transporting 3. Storing	<ul style="list-style-type: none"> <li>Ensuring that product offerings meet established quality and quantity control standards of size, weight and so on</li> <li>Packaging of products</li> <li>Moving products from their points of production to locations convenient for purchasers</li> <li>Warehousing products until needed for sale</li> </ul>
<b>D. Functions of <u>Facilitation</u></b>  1. Salesmanship 2. Financing 3. Risk taking & Insurance 4. Advertising	<ul style="list-style-type: none"> <li>Converting goods to money</li> <li>Providing credit for channel members or consumers</li> <li>Dealing with uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in the future</li> <li>Making consumers aware of the products and services</li> </ul>



## WHAT CAN BE MARKETING?

- 1) **GOODS**- Physical goods, example - cars, food items, refrigerators, televisions, machines
- 2) **SERVICES** - Airlines, hotels, restaurants, railway, movie theatre, car rental firms, barbers, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, and management consultants.
- 3) **EVENTS**-Trade Shows, musical concerts, sports events, artistic performances, and company anniversaries. Example – Olympics, World Cup, IPL, Hero Super League, Annual General Meetings.
- 4) **EXPERIENCES** – Amusement parks, Adlabs Imagica, Theme restaurants, Scary house
- 5) **PERSONS** - Artists, musicians, CEOs, doctors, high-profile lawyers and financiers, actors
- 6) **PLACES** - Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters. **Example** –Tourism, Incredible India, Malaysia Truly ASIA
- 7) **PROPERTIES** - Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). **Example** – Godrej Properties, Z One Estates.
- 8) **ORGANIZATIONS** - Organizations work to build a strong, favorable, and unique image in the minds of their target publics. **Example** – Naik Foundation, CARE India, UNICEF
- 9) **INFORMATION** The production, packaging, and distribution of information are major industries. **Example** - Newspaper, Magazines, News App Inshorts
- 10) **IDEAS** - Save Water, Donate blood, Go green, Save Tiger

## THE FOUR UTILITIES OF MARKETING:

*If a product does not have Utility, you would not purchase it.*

**Utility is the use or satisfaction a person gets from a product.** The marketing process must also add 'utility' to the products consumers want.

If you purchase a chain saw you think that you will receive a certain amount of utility from it.

- You will be able to use the saw to cut firewood prune trees, and take care of a variety of jobs around your home. There are four types of utility:

Type	Description	Example
<b>Form</b>	<u>Conversion</u> of raw materials and components <u>into finished goods</u> and services that the customer wants or needs	<ul style="list-style-type: none"> <li>Wheat is processed into bread and potatoes are processed into French fries. If you ordered French fries with your lunch and the waiter brought you a raw potato, you probably wouldn't be too happy.</li> <li>Amul processes raw milk into value-added products like butter, cheese, and ice cream, making them more useful and desirable to consumers.</li> </ul>
<b>Time</b>	<u>Availability</u> of goods and services <u>when</u> consumers want them	<ul style="list-style-type: none"> <li>Dial-for a-pizza; delivery guaranteed in 30 min.</li> <li>Farmers store wheat in <b>Food Corporation of India (FCI) warehouses</b>, ensuring availability even during off-seasons.</li> </ul>
<b>Place</b>	<u>Availability</u> of goods and services <u>where</u> consumers want them	<b>Reliance Fresh and Big Bazaar</b> transport fresh vegetables and groceries from rural farms to urban markets.
<b>Ownership (possession)</b>	Ability to transfer title to goods or services from marketer to buyer. <u>Establishes legal ownership</u> of a product.	Bill, Online receipt, Stock certificates are proof of ownership <b>Maruti Suzuki Finance</b> helps customers buy cars on loan, making vehicle ownership more accessible.

## Core or Fundamental Concepts of Marketing:

### Needs, Wants, and Demands

**Needs** are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment.

**Wants** - are specific objects that might satisfy the need.

- **Example** - A U.S. consumer needs food but may want a cheese burger and an iced tea. A person in India needs food but may want rice, dal, lamb, and carrots. Wants are shaped by our society.

**Demands** - means willingness to buy and ability to pay. Many people want a Mercedes; only a few are able to buy one. Companies must measure not only how many people want their product, but also how many are willing and able to buy it.

Some customers have needs of which they are not fully conscious or that they cannot articulate. What does it mean when the customer asks for a “powerful” lawn mower or a “peaceful” hotel? The marketer must probe further.

We can distinguish five types of needs:

1. **Stated needs:** These are the needs that customers directly express when purchasing a product or service. For example- A customer at Croma asks for a budget smartphone under ₹15,000. The stated need is a low-cost smartphone.
2. **Real needs:** This refers to the deeper requirement that fulfills the customer’s purpose. For example - The same customer who asked for a budget smartphone might actually need a phone with a good battery life and reliable performance for work or online classes. If a salesperson understands this, they might suggest a phone with a 5000mAh battery instead of just focusing on price.
3. **Unstated needs:** These are needs that a customer assumes will be met but may not directly mention. For example, A customer buying a Royal Enfield bike expects not just the bike but also good after-sales service and a strong resale value, even if they don’t ask for it.
4. **Delight needs:** These are extra features or services that go beyond expectations and create customer delight. For example, When buying an iPhone from Apple India, the company offers free personalized engraving or extended free iCloud storage for a few months, making the customer feel special.
5. **Secret needs:** These are desires that customers may be hesitant to acknowledge or may not even consciously realize. For example, Someone buying a BMW in India might say they need a luxury car for comfort and performance, but the secret need might be social status and prestige.

More examples:

- **Stated needs** (The customer wants an inexpensive car.)
- **Real needs** (The customer wants a car whose operating cost, not initial price, is low.)
- **Unstated needs** (The customer expects good service from the dealer.)
- **Delight needs** (The customer would like the dealer to include an onboard GPS navigation system.)
- **Secret needs** (The customer wants friends to see him or her as a savvy consumer.)

### Eight demand states are possible

1. **Negative demand**—Consumers develop negative attitude beliefs about the product or dislike it, the demand will be negative. (*Mutual Funds, Life Insurance, Family Planning, Vaccinations*).

**Note :** It requires **conversion marketing**, which involves educating the consumers about product needs and benefits

- Kinetic Honda when, introduced was viewed negatively by male consumers as a delicate, feminine vehicle. To change the attitudes, the company took part in scooter rallies and advertised the results that proved its sturdiness, load carrying capacity and hardworking abilities.
- In rural areas, Colgate organizes dental education programs to change brushing habits and create demand for tooth paste and tooth brush.
- “*Mutual Funds Sahi Hai*” ad campaign by AMFI, tries to change the negative attitude, beliefs and myths about investment in Mutual Funds

2. **Nonexistent or No demand**—There will be no demand for a product if people cannot afford or are unaware of or uninterested in the product. (*Pager, Typewriter, Segway*)

**Example –** Bikes, digital TV, Fax, ACs have no demand in rural areas. They cannot afford such products. The company has to launch low priced versions of the product to stimulate demand. Awareness and conviction can be created through communication programs.

- To increase affordability, the incomes of potential customers needs to be raised. It is possible through **DEVELOPMENTAL MARKETING - Develop the areas socially and economically and capture the demand.**

3. **Latent demand**—When there is demand for a particular product, but the product does not yet exist (i.e., no supply). Sometimes demand for a particular product lies in hidden condition and when stimulated through marketing efforts, it comes out with high demand.

- **Example-** Now Flying Car is in Latent demand. Sony Walkman and Cell phone were initially in latent condition and now are in full demand. Consumers want to have painless surgery, overnight fairness cream, overnight weight loss.

4. **Declining demand**—Consumers begin to buy the product less frequently or not at all. (CFL bulbs, bar phones)
5. **Irregular demand**—Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis. (*Fire Crackers, Ice Creams, ACs, Textiles, readymade garments, toys and durables*)

**Note:** Festivals increase the sales opportunity. Festival or Seasonal discounts are offered to produce regular demand. These efforts are called -

**Synchro -marketing.** It aims at matching supply and demand according to variations over time

6. **Full demand**—Consumers are adequately buying all products put into the marketplace. (Ideal Situation where supply = demand)
7. **Overfull demand**—Demand is greater than supply. (Energy, Honda Activa which still has a waiting list)
8. **Unwholesome demand**—Consumers may be attracted to products that have undesirable social consequences. (*Drugs, Cigarettes*). **Note : It requires De-Marketing and Social Marketing**

## De-marketing

Efforts aimed at reducing or discouraging (not destroying) the demand for a product which

- Due to excess demand and, firm cannot supply in large-enough quantities, or
- Does not want to supply in a certain region where the high costs of distribution or promotion allow only a too little profit margin.
- It tries to unsell the product
- **Common demarketing strategies include higher prices, scaled-down advertising, and product redesign.**

**Example—**

- ✓ Tobacco, Cigarettes, Liquor, Petrol, Nonrenewable resources.
- ✓ Bajaj launched Kawasaki Motor cycle in late 80's to de-market the demand of scooters.

## “MARKETING IS INCOMPLETE WITHOUT THE TERM MARKET”

### MARKETS

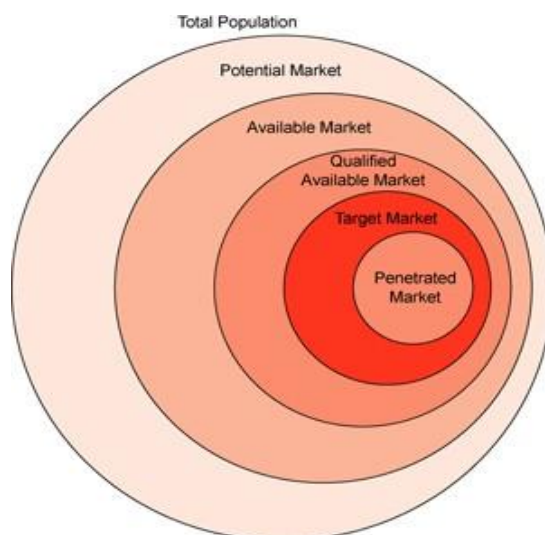
Traditionally “market” was a physical place where buyers and sellers gathered to buy and sell goods.

Economists describe a market as

- *a collection of buyers and sellers*
- *who transact*
- *over a particular product or product class (such as the housing market or the grain market)*

Market is a collection of current and potential buyers.

### FIVE LEVELS OF MARKET:



- ❖ **Total population**
- ❖ **Potential market**-those in the total population who have interest in acquiring the product.
- ❖ **Available market**-those in the potential market who have enough money to buy the product.
- ❖ **Qualified available market**-those in the available market who legally is permitted to buy the product
- ❖ **Target market**-the segment of the qualified available market that the firm has decided to serve.
- ❖ **Penetrated market**-those in the target market who have purchased the product.
  - The size of the market is not necessarily fixed.
  - For example, the size of the *available market* for a product can be increased by decreasing the product's price,
  - and the size of the *qualified available market* can be increased through changes in legislation that result in fewer restrictions on who can buy the product.

## MARKETPLACES, MARKETSPACES, AND METAMARKETS

**Marketplace-** is a location physically present to shop. Like shops, stores, stalls, city square.

**Market space** - also called the virtual marketplace is digital, as when you shop on the Internet. In a market space, information and physical goods are exchanged and transactions take place online.

**Metamarket-** is a cluster of *complementary products and services closely related* in the minds of consumers, but spread across a diverse set of industries. **Example – Make My Trip.com, Yatra.com, Magic Bricks**

- **Example** - The automobile metamarket consists of automobile manufacturers, new and used car dealers, financing companies, insurance companies, mechanics, spare parts dealers, service shops, auto magazines, classified auto ads in newspapers, and auto sites on the Internet making it a metamarket.

***It can also be an online market focused around an event or an industry, rather than a single product.***

- A Meta market will bring all buyers and sellers in one place for one purpose only.
- Meta market is thus, a place, where everything connected with a certain market can be found.

**Another Example – If a person wants to go on a holiday to Singapore.** He would need to book train or bus ticket to Delhi, then a flight ticket to Singapore, then a hotel to stay there and again tickets for transportation to India. He would also like to decide the package from various options. Like a 4 night 3 day tour, or a 8 night 7 day tour.

Hence, he would directly go to a place where he could find everything at one place

**MakeMyTrip .com, Yatra.com, Golbibo.com**

### KEY CUSTOMER MARKETS

1. **Consumer Markets (B2C)**
2. **Business Markets (B2B)**
3. **Global Markets**
4. **Nonprofit and Governmental Markets (B2G)**
5. **Government to Business (G2B)**

a) **Consumer Markets (B2C)** -Companies selling goods and services to the consumer on a mass basis such as juices, cosmetics, athletic shoes, and air travel and backing it with engaging communications and reliable service. **Example – FMCG Companies**

b) **Business Markets (B2B)** - Business market consists of profit making organizations. They can be industries, business and retailers. They buy products for business use, reselling or making other products. The

product is backed by company's reputation, sales force and competitive price. **Example** – *Intel sells processors to computer and mobile companies.*

c) **Global Markets** A global market is not limited to specific geographic locations but rather involves the exchange of good, services, and labor anywhere in the world. Companies in the global marketplace must decide

- which countries to enter;
- how to enter (as an exporter, licensor, joint venture partner, contract manufacturer, or solo manufacturer);
- how to adapt product and service features to each country;
- how to price products in different countries; and
- how to design communications for different cultures.

**Example-**

- *Indian Spices are famous and sold globally.*
- *A business may be located in India. It may purchase components for one of its products from U.S, Japan, South Korea, Germany, and Mexico.*

d) **Nonprofit and Governmental Markets (B2G)**- Companies selling to nonprofit organizations with limited purchasing power such as churches, universities, charitable organizations, and government agencies need to price carefully. Usually sold by way of Tender. **Example** – *Philips LED street lights sold to Government.* **Note: A company may be serving in all markets also.** **Example** – *Pharmaceutical companies.*

e) **Government to Business (G2B)** – Today Government is inviting companies to invest in their state, so that if companies invest in their state, the state would earn revenue and would be able to provide employment to its people.

**Example** – *Odisha Govt. invited Businesses to invest in Odisha in the Odisha Conclave. Telangana State advertised itself in Newspapers as India's Youngest Govt. and full of new opportunities for businesses. Gujrat attracts businesses by highlighting itself as the "No. 1 state in India for ease of doing business"*

### Difference between Market and Marketing

A **market** is any space within which trade takes place between buyers and sellers for a well-defined product. This space can be a produce market, a shop, internationally between countries or over the internet.

**Marketing** is all those activities that facilitate trade. These include activities that identify consumers' needs such as market research and those activities that satisfy consumers' needs e.g., *packaging and distribution*. Marketing activities therefore support the marketing of goods and services.

### How does an organization create a customer?

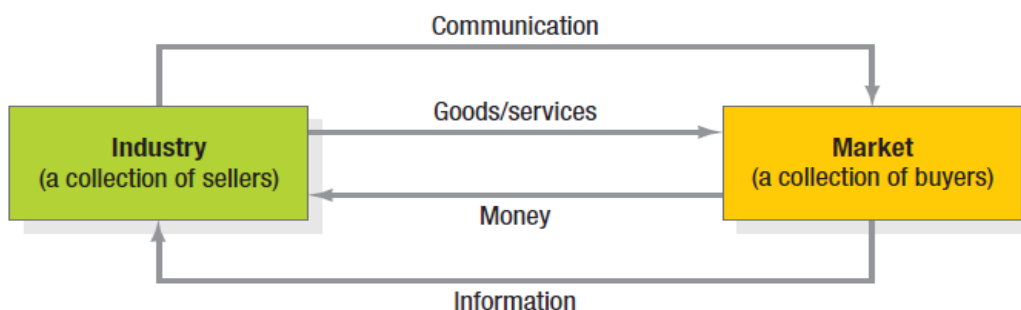
Essentially, 'creating' a customer means identifying needs in the marketplace, finding out which needs the organization can profitably serve and developing an offering to convert potential buyers into customers.

Marketing managers are responsible for most of the activities necessary to create the customers the organization wants,

These activities include:

- Identifying customer needs through proper market research
- Designing goods and services that meet those needs
- Communication information about those goods and services to prospective buyers
- Making the goods and services available at times and places that meet customers' needs
- Pricing goods and services to reflect costs, competition and customers' ability to buy
- Providing for the necessary service and follow-up to ensure customer satisfaction after the purchase

## A Simple Marketing System



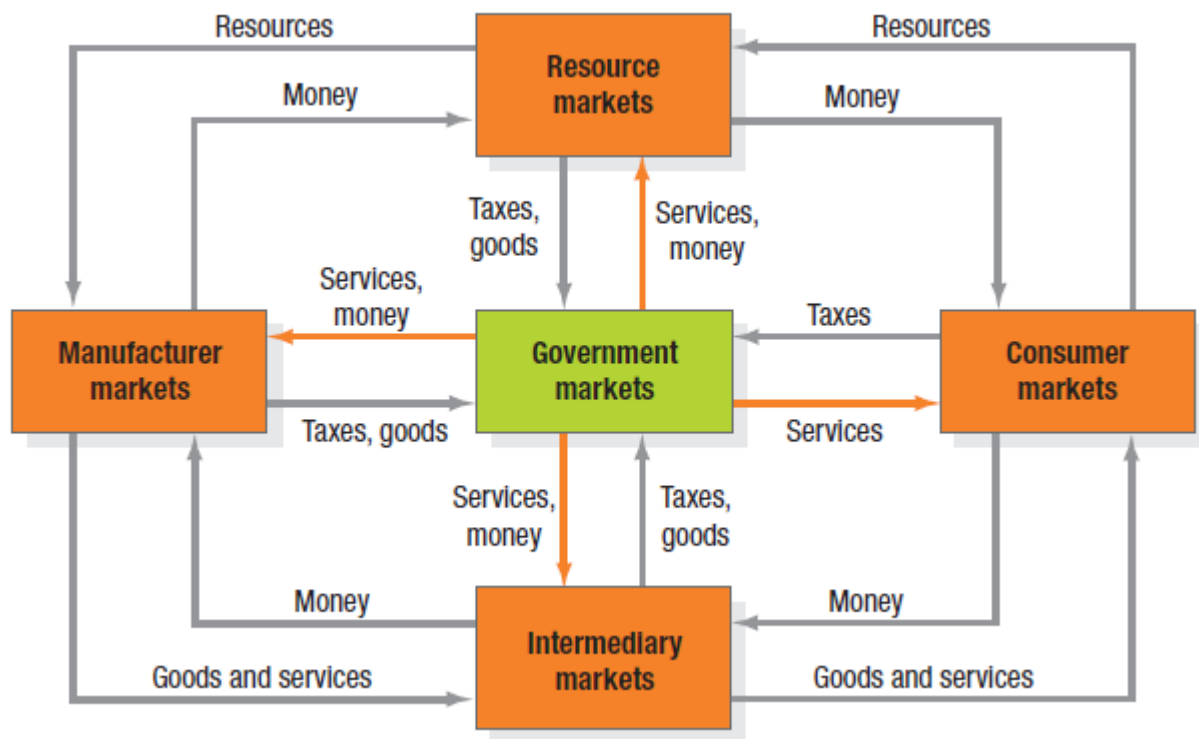
**Shows the relationship between the industry and the market.**

Sellers and buyers are connected by four flows

The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

- Industry first gathers information from the market in terms of Market research, understanding what consumers want and then prepare goods and services accordingly.
- Then communicates about the goods and services to the market communications such as ads and direct mail.
- The market then buys the goods and services by paying money.
- The Industry again collects information from the market in the form of feedback about the goods and services, customer attitude and sales data.

## A Modern Marketing System



- Manufacturers buy resources from the resource markets (raw material markets, labor markets, money markets)
- Turn them into goods and services, and sell finished products to intermediaries,
- Intermediaries then sell them to consumers.
- Consumers sell their labor and receive money with which they buy goods and services.

- The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets and uses these goods and services to provide public services.
- The market can be a local, national or an international market.

## EVOLUTION OF MARKETING COMPANY'S ORIENTATION TOWARDS MARKETING

a) **Production concept (focus on volume):** The emphasis is on production of goods and services and distributing them at a lower price.

- This is based on Say's law, "Supply creates its own demand"
- The concept was that *consumers prefer products that are widely available and in-expensive.*
- *The focus of the business is not the needs of the customer, but of reducing costs by mass production.* By reaching economies of scale the business will maximize profits by reducing costs.

**Example** -Ford Motor Company manufactured one type of car "Model T" in black colour irrespective of the perspectives of the consumer.

b) **Product concept (focus on quality)-** company's main focus on Product Quality only. Put maximum effort on product quality and fixing them at the right price so that consumer differentiates the company's products and purchase it. **But this may lead to marketing myopia** if the producer focuses only on product and not on consumer needs.

- **Example**—Apple, Gillette Company focuses on producing the best possible disposable razors at an economic rate. Thereby, they distinguish their products with high quality razor blade, ease of use and right pricing strategy.

### MARKETING MYOPIA

*Myopia means short sightedness. Marketing myopia means marketing short sightedness.*

- When a company **does not consider the needs of customer** and *focuses on the needs of the company* while developing products it may happen that people may not find the product suitable for them. Hence the company will not survive in the long term.

#### Examples –

- Nokia became myopic by not having Android in their Smartphones. (For 14 years, Nokia dominated cell phone sales as the world's industry leader before being surpassed by Samsung in 2012, marking the end of an era. Once the pride of Finland, the company has found itself outsold by Samsung even on its home soil. How could such a high-flying brand come crashing to earth? In a nutshell, it failed to innovate and stay relevant. Nokia did not respond to the wildly successful iPhone and the shifting consumer demand that accompanied it).
- Motorola Iridium project
- Colgate, HUL became myopic by underestimating Patanjali and not launching Ayurvedic and Herbal toothpastes earlier.

**Note :** *Products fail when they are designed without real understanding of needs*

### Promise Toothpaste

Promise introduced Just –For – Kids, tooti- frooti flavoured toothpaste in the market as there was no toothpaste for kids. There are soaps and cosmetics for kids but there was no toothpaste. Marketers thought that it would be a great success. But it failed.

The experts opined that-

1. *The segment is very small, and kids toothpaste is just 2% of total toothpaste market*
2. *Toothpaste as of today is a family product and a separate toothpaste for children has not found acceptance yet.*
3. *Above all, the tooti-frooti flavor is likely to encourage children to eat the toothpaste.*

**Note :** Quality or distinctiveness are essential. But they are to be related to the needs of the market.

c) **The Selling Concept (focus on selling):** The philosophy focuses on the principal of motivation. companies try to convince customers to buy them through advertising and personal selling without caring what the customer needs are. Selling concept says “we sell what we make”. It is basically a push concept of marketing. This concept is *mostly used for unsought goods* or in the situation of stock piling.

- **Example**—Eureka Forbes, Amway, Insurance, Pepsi & Coca Cola - These companies have been offering same products for a long period of time. Their strategy is to promote heavily and be in the eyes of the customers to sell as much as possible. This strategy is sales oriented rather than customer oriented.

d) **The Marketing Concept (understanding customer):** A market orientation is the company's approach towards **identifying and meeting the customer's needs and wants** and then tailoring the product accordingly.

- Puts the customer first and at the heart of the business.
- Customer-centered, sense-and-respond philosophy.
- The customer is the king. Goal is customer satisfaction in short term and long term.

Here, key questions are:

- ❖ What do customers want?
- ❖ How can we keep our customers satisfied

Three requirements of marketing concept are:

1. **Market Focus** – Who are our Customers? - Segmentation and Target marketing
2. **Customer Focus** – What are their needs? - Consumer Research based practises
3. **Coordinated marketing** – What must we **do to win their preference?** – Integrated Marketing with other functions

HUL is the most successful big FMCG marketer in India.

<b>Production Concept</b>	Consumers prefer products that are widely available and inexpensive
<b>Product Concept</b>	Consumers favor products that offer the most quality, performance, or innovative features
<b>Selling Concept</b>	Consumers will buy products only if the company aggressively promotes/sells these products
<b>Marketing Concept</b>	Focuses on needs/ wants of target markets & delivering value better than competitors

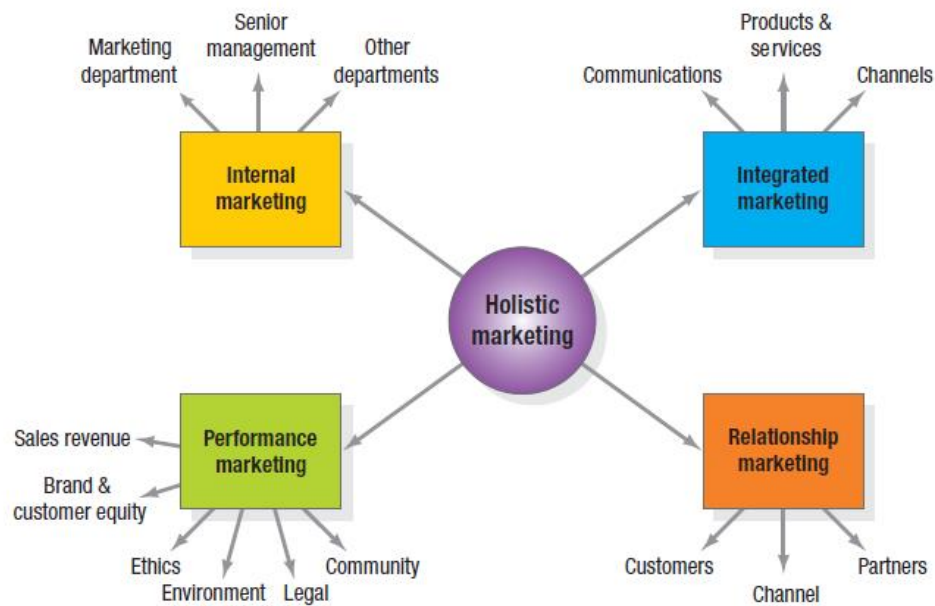
e) **Social Marketing Concept:** Under this concept, the marketer looks at the overall marketing *without affecting the Society's interest*. Utmost care is taken for saving the environment, non-engagement of child labour etc. **Example** – Save Tiger, Save Trees, Go Green, Fab India Organic products, Companies dealing with environmental friendly products.

f) **Holistic Marketing :** looks at business from an **overall point of view or “as a whole”** and **combines Relationship marketing, Internal marketing, Integrated marketing, Social marketing, and Performance marketing** with an integrated approach in designing and implementing marketing programs.

- Holistic marketing recognizes that **“everything matters”** in marketing—and that a broad, **integrated approach** is often necessary.

The four components that characterize holistic marketing are *relationship marketing, internal marketing, integrated marketing, and socially responsive marketing*

- Internal marketing** – Marketing between all the departments in an organization. It is the task of hiring, training, and motivating able employees who want to serve customers well.
- Relationship marketing** – Building mutually satisfying long-term relationship with the customers, employees, business partners (channels, suppliers, distributors, dealers, agencies), financial partners in order to earn and retain their business.
- Performance marketing** – optimizing the financial and nonfinancial returns to business and society from marketing activities and programs.
- Integrated marketing** – means combining all the marketing activities together and communicating a consistent message through all the mediums.



## Internal Marketing

Internal marketing is aimed at catering to the specific needs of the business's own employees. Internal marketing ensures that employees are satisfied with the work they perform each day as well as the philosophy and direction of the organization as a whole. Greater satisfaction among employees leads to increased customer satisfaction over time, making internal marketing a key aspect of the holistic approach.

In addition to working toward employee satisfaction through internal marketing, businesses use this component of holistic marketing to achieve coordination among internal departments. The objective is to reduce departmental conflicts among the various business arms within a single organization which leads to greater synergy in marketing activities presented to the consuming public.

It involves promoting the firm and its policies to employees as if they are the (internal) customers of the firm.

## Relationship Marketing

The objective of relationship marketing is to build strong, long-lasting relationships with various stakeholders and other important parties connected to the business. Building relationship with *Customers, employees, financing entities, suppliers, vendors, regulatory agencies and competitive firms* are all necessary partners for a business to have and sustain, and each has a significant impact on the success or failure of the company. Relationship marketing focuses on establishing relationships with a stakeholder, and it also requires retention and growth of each relationship over time.

## Integrated Marketing

It means **combining all the marketing activities together** and **communicating a consistent message** through all the mediums.

Within the integrated marketing component of a holistic strategy, businesses work toward making marketing decisions focused on creating value for stakeholders through a clear, concise marketing message. All activities within integrated marketing including advertising, public relations, direct marketing, online communications and social media marketing work in sync with one another to ensure the customers and business partners have the same experience with and perception of the company.

## Performance Marketing

It refers to understanding the financial and non-financial returns to the business and society from marketing activities and programs (market share, customer loss rate, customer satisfaction, product quality, etc.). Marketers are also considering the legal, ethical, social and environmental effects of marketing activities and programs.

### Example of Holistic marketing concept

According to holistic marketing concept, even if a business is made of various departments, the departments have to come together to project a positive & united business image in the minds of the customer. Holistic marketing concept involves interconnected marketing activities to ensure that the customer is likely to purchase their product rather than competition.

*HUL, P&G work on the same principle.*

*For example when they sensed a huge untapped opportunity in Male Grooming Space, they came up with many products like Vaseline for Men, Axe etc.*

An organization will have different departments like sales and marketing, accounting and finance, R&D and product development and finally HR and operations. Thus, if you want to implement a holistic marketing concept in your organization, you need to ensure that R&D and product development take the feedback from marketing and sales to launch the product which is most likely to attract customers.

On the other hand they need to work closely with accounting and finance to find out the exact budget for the project. Sales and marketing need to communicate to the HR the right kind of people that they need, and finally, admin and operations need to devise a plan to retain these people.

Thus, in the above manner, you get the right product at a right price with the right profits. Along with this

you get the right people who will market your product in the right manner.

If you do all these things, you are sure to get the right customer to your doorstep. This is the complete essence of holistic marketing concept. By doing the right things together as an organization, your product and brand stands a far better chance in being successful than compared to these elements working individually without any holistic vision.

## DIFFERENCE BETWEEN MARKETING AND SELLING

- Marketing satisfies the need of the customer ; Selling satisfies the need of the seller;

Point of difference	Selling	Marketing
<i>Starting point</i>	Factory	Marketplace
<i>Focus</i>	Existing products	Customer needs
<i>Means</i>	Selling and promoting	Integrated marketing
<i>End</i>	Profits through volume	Profits through satisfaction

MARKETING	SELLING
1. Seeks to convert needs into solutions(products)	Seeks to quickly convert products into cash
2. Views business as a customer satisfying process	Views business as goods producing process
3. Goal is to build customer satisfaction and loyalty	Goal is to achieve sales target, or market share
4. Pull strategy	Push strategy
5. Long term	Short term
6. Consumer driven	Producer driven
7. Profit driven	Volume driven
8. Focuses on buyer	Focuses on seller
9. Marketing consists of all important mix like Product, Price, Place, Promotion, Selling, Distribution etc.	Selling is a part of marketing

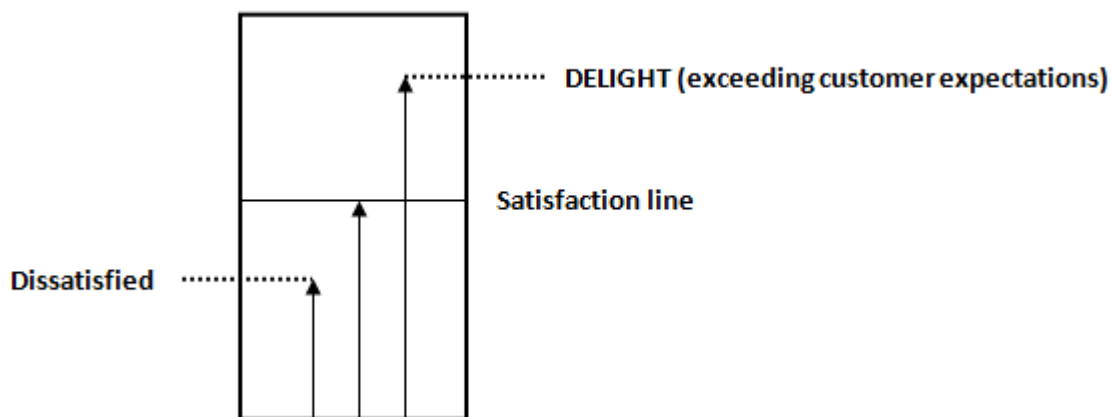
10. Mind share in consumer's mind is important	Market share or sales volume is important
11. More focus on new products and product modification	Less focus on new products and product modification

***"Selling is the process of monetizing your marketing efforts"***

- Selling is the prime focus of each and every marketing activity.
- If an activity does not result in a sale eventually then it's a waste of time ,money and efforts.

## Satisfaction, Delight, Loyalty

- **Customer Satisfaction** – meeting customer expectations
- **Customer Delight** – exceeding customer expectations
- **Customer Loyalty** - sense of belongingness and purchase consistently



**Q. When a customer will be satisfied?**

A. A customer will be satisfied when the actual benefit he gets will equal to his expectation.

**Q. What his customer delight?**

A. When a customer gets more than his expectation, he gets delighted.

## Types of Loyalty

Philip Kotler defines four customer-types that exhibit similar patterns of behavior:

- a) **Hardcore Loyals** - *who buy the brand all the time*
- b) **Split Loyals** - *loyal to two or three brands*
- c) **Shifting Loyals** - *moving from one brand to another*
- d) **Switchers** - *with no loyalty (possibly "deal-prone," constantly looking for bargains, or "vanity prone," looking for something different).*

**True brand loyalty exists when-**

- a) the customer is committed to the brand, and
- b) the customers have a high relative attitude toward the brand, which is then exhibited through repeat purchase behavior.

**For example** - *if John has brand loyalty to Company A, he will purchase Company A's products even if Company B's products are cheaper and/or of a higher quality.*

### Michel Porter's GENERIC VALUE CHAIN:

**A value chain is a set or chain of activities that an organization carries out to create value for its customers. Each activity adds value hence forming a value chain.**

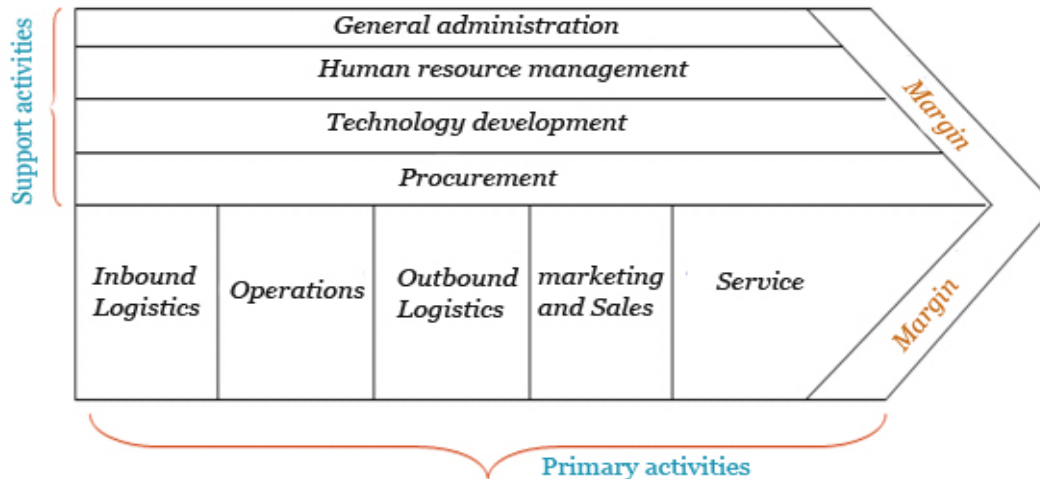
- A company takes up a sequence of various activities to perform the task of business and value is added in each activity.

**Why is it called Generic?**

- Porter proposed a general-purpose value chain that companies can use to examine all of their activities, and see how they're connected.

These activities called value chain has **5 Primary activities** and **4 Support activities**.

## The Value Chain



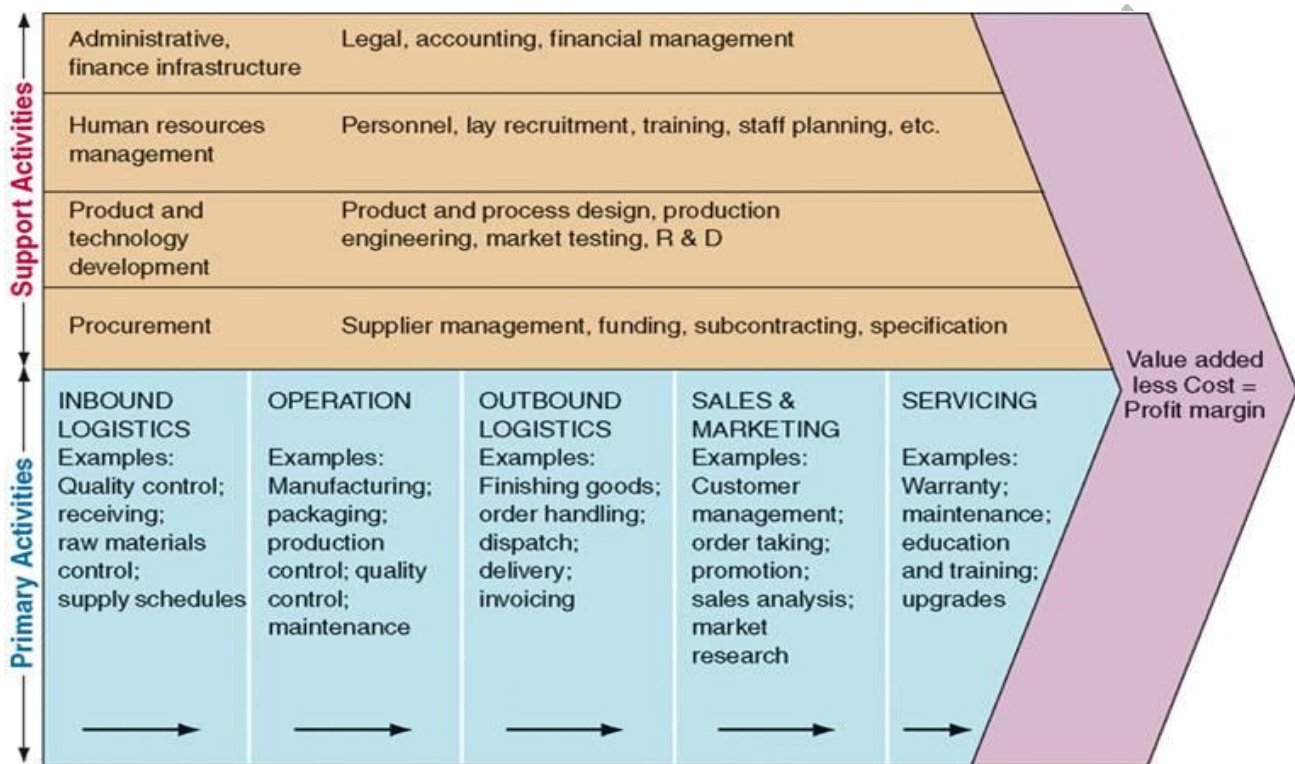
❖ **Primary activities** relate directly to the physical creation, sale, maintenance and support of a product or service. They consist of the following:

1. **Inbound logistics** – These are all the processes related to receiving, storing, and distributing inputs internally. Your supplier relationships are a key factor in creating value here.
2. **Operations** – These are the transformation activities that change inputs into outputs that are sold to customers. Here, your operational systems create value.
3. **Outbound logistics** – These activities deliver your product or service to your customer. These are things like collection, storage, and distribution systems, and they may be internal or external to your organization.
4. **Marketing and sales** – These are the processes you use to persuade clients to purchase from you instead of your competitors. The benefits you offer, and how well you communicate them, are sources of value here.
5. **Service** – These are the activities related to maintaining the value of your product or service to your customers, once it's been purchased.

❖ **Support activities** or Secondary activities support the primary functions above. In our diagram, the dotted lines show that each support, or secondary, activity can play a role in each primary activity.

1. **Procurement (purchasing)** – This is what the organization does to get the resources it needs to operate. This includes finding vendors and negotiating best prices.
2. **Human resource management** – This is how well a company recruits, hires, trains, motivates, rewards, and retains its workers. People are a significant source of value, so businesses can create a clear advantage with good HR practices.

3. **Technological development** – These activities relate to managing and processing information, as well as protecting a company's knowledge base. Minimizing information technology costs, staying current with technological advances, and maintaining technical excellence are sources of value creation.
4. **Infrastructure** – These are a company's support systems, and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.



## BUILDING CUSTOMER SATISFACTION THROUGH VALUE

### CUSTOMER'S PERCEIVED VALUE:

*Perceived value is the consumer's overall assessment of the utility of a service based on perceptions of what is received and what is given.*

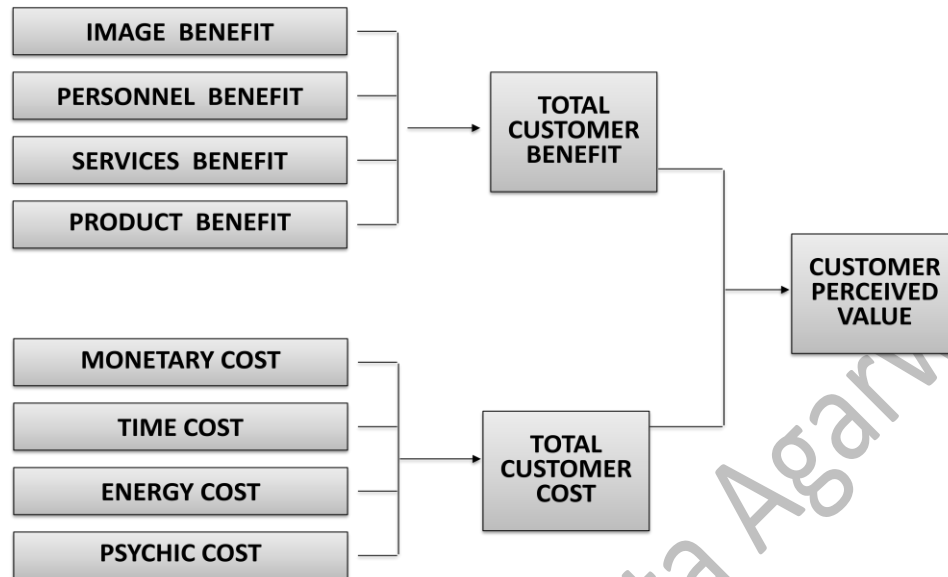
Although what is received varies across consumers (some may want volume, others high quality, still others convenience), as does what is given (some are concerned only with money expended, others with time and effort), value represents a trade-off of the give and get components.

**Note :** Customers will make a purchase decision on the basis of the perceived value and not actual value

$$\text{Customer's Perceived Value} = \text{Value or Benefit} - \text{Cost}$$

Customer compared the value or benefits with the cost he incurs and finally perceives the value.

Value consists of product value, service value, personal value and image value. Similarly, cost comprises of monetary cost, energy cost, time cost and psyche cost.



**COMPETITIVE ADVANTAGES:** This means advantages over other competitors. A company tries to acquire specific advantage or uniqueness over other competitors to attract its customer and to position its product on the basis of it. Quality, service, technology, reliability or trust can be competitive advantage for a product/company.

**CORE COMPETENCY:** Core competency is the unique strength of a company which is used by it for creating and delivering value in its core activities. It has three aspects:

1. It is a source of competitive advantage.
2. It has wide application in varieties of markets.
3. It cannot be imitated easily by competitors

## MARKETING MIX

### (McCarthy's 4 P's)

**Marketing Mix** refers to list of **elements or tools** essential for designing the marketing program.

Elements of the marketing mix are often referred to as the **"Four P's"**:

- **Product**
- **Price**
- **Place**
- **Promotion**

Elements of the marketing mix are often referred to as the “**Four P’s**”:

1. **Product:** A product is *anything tangible or intangible* that can be offered to a market to satisfy a want or need that is produced on a large scale with a specific volume of units. It includes: product variety, quality, design features, brand name, packaging, shape, sizes, services, warranties.
2. **Price:** The price is the amount a customer pays for the product. It includes: list price, discount, allowances, payment periods and credit terms.
3. **Place:** Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It includes: channels, coverage, assortments, locations, inventory and transport.
4. **Promotion:** represents all of the communications that a marketer may use in the marketplace. It includes eight elements Advertising, Sales promotion, Events and experiences, Public relations and publicity, Direct marketing, Interactive marketing, Word-of-mouth marketing, Personal selling



### DELICIOUS CAKE

- Think of a Cake
- All cakes need 4 things – **flour, egg, sugar, milk**
- However, you can play with the flavour of your cake by changing the ingredients slightly
  - **Example:** Sweeter cake – add more sugar
- The same thing is true with the marketing mix
- It depends on how you want to market your product

#### Example:

- **Want to be seen as a luxury item** – make the **price** high, have limited selection
- **Affordable to all** – increase the distribution channel (**Place**)
- **Facing competitors**- increase **promotion** or introduce new **products**.

**A) PRODUCT:** A product is **anything tangible or intangible that can be offered to a market to satisfy a want or need**

It includes: product variety, quality, design, features, brand name, packaging, shape, sizes, services, warranties.

Refers to the benefits of buying a product

- What need does the service/product fulfill
- **Quality**
  - What will the quality of your service/product be?
  - Some people really want quality (Ferrari) vs. others that don't really matter (McD's)
- **Features**
  - How will your product/service differ from the competition
  - What will you do differently?
- **Design**
  - How is it going to look?
  - Consumers often will purchase because "it looks cool"
- **Packaging – if you are selling a product what image will the packaging communicate?**
  - If a service – how will the appearance of your operation communicate an image about your business
- **Range of Products – what complimentary products may you offer**
  - **If service:** Will you offer other products with your service
  - **Example:** Big Bazaar's DJ & C – you can buy T-Shirts, Shirts, Pants, Jeans, and Hats
  - **Example:** Think of the range of products that Apple has- iPhone, iPad, iPod, Laptop, TV's, Speakers

**B) PRICE:** The price is the **amount a customer pays for the product**. It includes: list price, discount, allowances, payment periods and credit terms.

- Marketing is responsible for establishing the price of their service/product
- Must consider the costs of all the **inputs** (materials, labour, etc)
- **Mark-up Price** – How much profit do you want to make on every product/customer
- **Example:** Selling Cakes

Material cost for a cake is Rs 100 and Labour cost is Rs 25

- You must charge at least Rs 125 to **break-even (no profit, no loss)**
- You want a margin (profit) of 25 per cake
- **Hence, PRICE of Cake is Rs 150**

**Different Pricing Strategies**

- **Competition** – basing your prices on those of the competition
- **Penetration** – making your price low while new just to get some business
- **Bundle** – putting the product/service with another item and bundling the prices
- **Psychological** – making the price say something about the quality of your product

**The price of your product or service tells the customer a lot about your product**

- Just imagine a situation where you have been to a shop to buy a perfume.
- Price of Perfume A = Rs 1500
- Price of Perfume B = Rs 750

Hence, as the price of Perfume A is much more you assume or perceive that the quality of Perfume A would be much better, which may not be in reality.

**C) PLACE:** Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It includes: channels, coverage, assortments, locations, inventory and transport.

Simply refers to how & where you are going to sell the product to the consumer

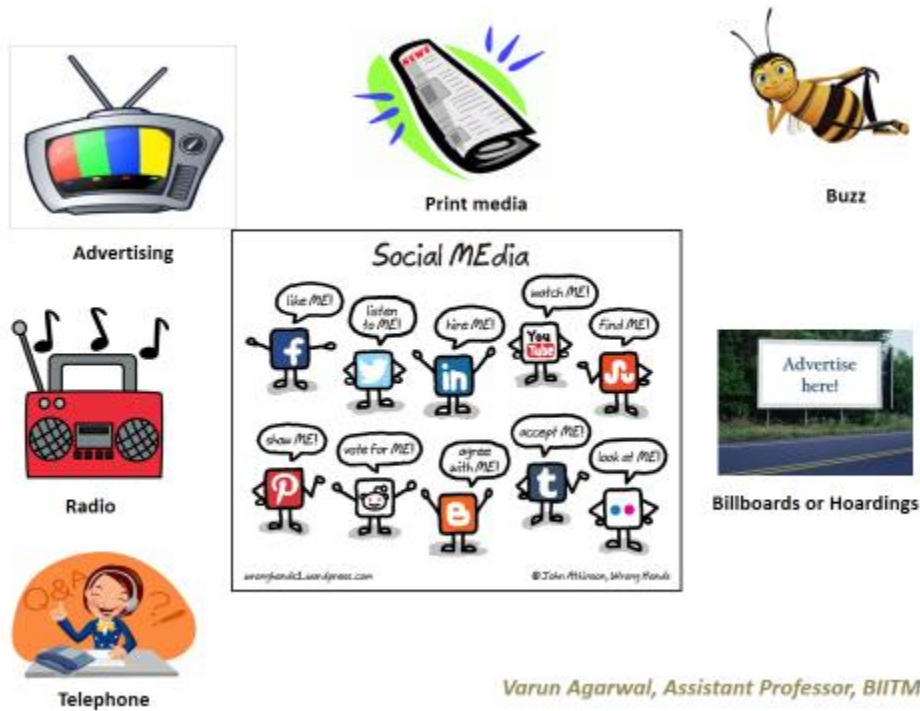
- **Direct Distribution** – selling your product directly to the consumer
  - Brick & Mortar vs. Virtual Store
- **Indirect Distribution** – sold through a 3<sup>rd</sup> party
  - What retailers are the best for reaching your Target Market?
  - Example: Selling protein powder – where do I sell?
- **For a service** : where are you going to locate in order to best reach your target market
- **You want to be in an area that**
  - your target market frequents
  - Says something about your business
  - Notice how car dealerships are always on the outskirts of town or close to a highway?

**Example – Pepsi and Coca Cola are available at malls, many small retail shops, beetle shops, grocery shops, restaurants, movie halls, dhabas and many other places**

**D) PROMOTION:** represents all of the communications that a marketer may use in the marketplace.

- A successful product or service means nothing unless the benefit of that product/service can be communicated to the Target Market
- There are many ways to get the “word out”
- How many can we think of...

- It includes eight elements Advertising, Sales promotion, Events and experiences, Public relations and publicity, Direct marketing, Interactive marketing, Word-of-mouth marketing, Personal selling



### Extended Marketing Mix (3 Ps)-For Service Marketing

- People:** All people involved with consumption of a service are important. For example workers, management consumers etc. *It involves human actors who are involved in service delivery (service personnel who represent the company's values to customers).* For example: staff recruitment and training, uniforms, handling complaints, service failure, etc.

6. **Process:** Procedure, mechanism and flow of activities by which services are used. Also the ‘Procedure’ how the product will reach the end user. **Examples:** preparation of operations manuals, blueprinting i.e. flowcharting service processes, standardization vs. customization decisions, etc.
7. **Physical evidence** is the environment in which the service is delivered and where the firm and the customer interact and any tangible commodities that facilitate performance or communication of the service. It refers to artifacts that remind customers of a service performance. **Examples:** Facilities (furniture, equipment); signage and symbols; interior design; ambience (noise, air, temperature); design of stationery, brochures, etc.; artifacts (souvenirs)

4 P's	5 P's	7 P's	9 P's
McCarthy (Marketing Mix)	Nickels and Jolson	Boom and Bitner (Services Marketing Mix)	Bryan K. Law
<ul style="list-style-type: none"> <li>Product</li> <li>Price</li> <li>Place</li> <li>Promotion</li> </ul>	<ul style="list-style-type: none"> <li>Product</li> <li>Price</li> <li>Place</li> <li>Promotion</li> <li><b>Packaging</b></li> </ul>	<ul style="list-style-type: none"> <li>Product</li> <li>Price</li> <li>Place</li> <li>Promotion</li> <li><b>People</b></li> <li><b>Process</b></li> <li><b>Physical evidence</b></li> </ul>	<ul style="list-style-type: none"> <li>Product</li> <li>Price</li> <li>Place</li> <li>Promotion</li> <li>People</li> <li>Process</li> <li>Physical evidence</li> <li><b>Packaging</b></li> <li><b>Payment</b></li> </ul>

### Prepare Marketing Mix for

1. Coca Cola
2. Xiaomi
3. Dell laptops
4. Horlicks
5. Centre Fresh
6. Cigarettes
7. Kirloskar DG Sets

## How to Develop a Customer-Oriented Strategy?

### Market segmentation

- How is the market segmented?
- How profitable is each segment?
- What are the characteristics of consumers in each segment?
- Are customers satisfied with existing offerings?
- Selecting the target market

### Positioning

- How are competitive offerings positioned?
- How should our offerings be positioned?
- Should our offerings be repositioned?

### Developing Products or Services

- What ideas do consumers have for new products?
- What attributes can be added to or changed in an existing offering?
- What should our offering be called?
- What should our package and logo look like?
- What about guarantees?

### Making Promotion (Marketing Communications) Decisions

- What are our advertising objectives?
- What should our advertising look like?
- Where should advertising be placed?
- When should we advertise?
- Has our advertising been effective?
- What about sales promotion objectives and tactics?
- When should sales promotions happen?
- Have our sales promotions been effective?
- How many salespeople are needed to serve customers?
- How can salespeople best serve customers?

### Making Pricing Decisions

- What price should be charged?
- How sensitive are consumers to price and price changes?
- When should certain
- Price tactics be used?

### Making Distribution Decisions

- Where are target consumers likely to shop?
- How should stores be designed?

## 4 C's model

- Robert F. Lauterborn

- The 4 C's model of marketing is more consumer oriented.
- It generally plans on the basis of Customers and not products.
- Mainly used for Niche Marketing.

However, just like the traditional marketing mix, it can also be used for mass markets. The four variables in the 4 C's model are

1. **Consumer**
2. **Cost**
3. **Communication**
4. **Convenience**

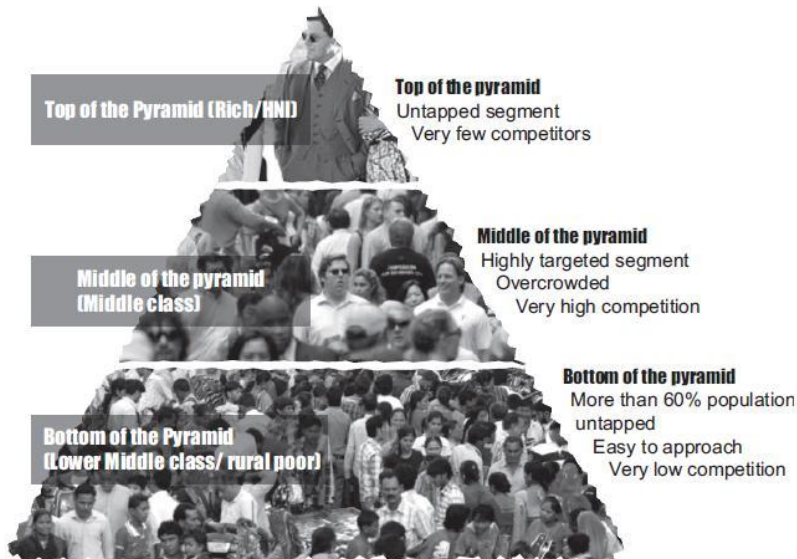
1. **Consumer** – The principle of four C's of marketing states that the customer should be your prime focus. Thus the companies which follow this model believe in making products which satisfy their customers. Offer customizable products because they have a general set of target customers, this principle is only applicable for smaller market segments and not for mass markets.
2. **Cost** - Affordability, satisfaction and value are considered while deciding the price of the product or service. Hence they have to plan the cost of the product on the basis of their customer.
  - **Example** - If you are targeting a premium segment, then the costing of the product needs to be premium to have proper psychological positioning. On the other hand, if your product is for the middle or low classes, then it needs to have a lower costing. Thus over here, costing of the product depends on the customer
3. **Communication** – represents all of the communications that a marketer may use in the marketplace. It includes eight elements Advertising, Sales promotion, Events and experiences, Public relations and publicity, Direct marketing, Interactive marketing, Word-of-mouth marketing, Personal selling.
4. **Convenience** – making the products or services available at places that would be convenient for the customers to buy. Convenience is equivalent of distribution or placement of the traditional marketing mix.

4 P's (Mc Carthy)	4 C's (Robert F. Lauterborn)	4 A's (Jagdish Sheth)
<b>Producer oriented</b>	<b>Consumer Oriented</b>	<b>Customer-Value Perspective</b>
Product Price Place Promotion	Customer Solution Customer cost Convenience Communication	Acceptability Affordability Availability Awareness

## BOTTOM OF THE PYRAMID CONCEPT

This concept was proposed by C.K.Prahalad and Stuart L. Hart.

*It is an economic term which says that fortune or wealth lies at the bottom of the wealth pyramid.*



Name some PRODUCTS that are targeted to the Bottom of Pyramid?

- ✓ The bottom of the pyramid/wealth pyramid/income pyramid is the **largest but poorest socio-economic group which lies at the bottom.**
- ✓ In global term, this constitutes the **300 crore people who live on less than Rs.200 a day.**
- ✓ It suggests that new business opportunities lie in designing and distributing goods and services to the poor communities.
- ✓ **Example:** Tata Swach water purifier was launched for people at the BOP at Rs.450, whereas other purifiers were available from a minimum of Rs.3000 to Rs.20,000. Cavin Care, HUL, P&G introduced small Rs 1 sachets for rural consumers.

- Companies targeting the BOP should play on volume and should be very strong in their distribution network.
- Four billion poor people constitute a staggering market opportunity, but without buying power (income) and transaction capacity (credit, infrastructure, distribution systems, and other institutional frameworks), the poor are locked into poverty.
- BOP approaches contend that MNCs in particular have the incentive (growth opportunities), the financial resources, and the capabilities (low-cost mass production, marketing expertise, international experience) to produce and distribute appropriate affordable products at high volumes and razor-thin profit margins.
- Research suggests that successful BOP endeavors are characterized by communities that benefit by obtaining basic services or growing more affluent, which precipitates a cycle in which their purchasing power expands while allowing the businesses that underlie the basic services to keep growing.

## The 4Ps and 4 As of Rural Marketing

Most of the companies treat rural market as a dumping ground for the lower end products designed for an urban audience. But, this scenario is slowly changing and importance is given to the need of the rural consumer. Hence it is important to understand the 4Ps along with 4 As of rural marketing with respect to a rural consumer.

### 4Ps

#### 1. Product

A product is the heart of rural marketing. It is a need satisfying entity to a rural consumer. NCAER has classified consumer goods into 3 categories. These categories cover most of the products from Rs. 100 to Rs. 20000 and above.

**Category I** – These products are of immediate use to the family

<ul style="list-style-type: none"> <li>• Pressure Cookers, Mono Cassette Recorders</li> <li>• Pressure Pans</li> <li>• Wrist watches (mechanical)</li> </ul>	<ul style="list-style-type: none"> <li>• Wrist watches (quartz)</li> <li>• Radio/Transistors</li> <li>• Electric irons</li> <li>• Ceiling Fans</li> </ul>
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**Category II**- These products reduce the strain of the households and also act as a source of entertainment.

<ul style="list-style-type: none"> <li>• 2-in-1 (mono)</li> <li>• 2-in-1 (stereo)</li> <li>• B and W TV</li> <li>• Instant Geyser</li> </ul>	<ul style="list-style-type: none"> <li>• Sewing Machines</li> <li>• Storage Geysers</li> <li>• Vacuum Cleaners</li> <li>• Table Fans</li> <li>• Bicycles</li> </ul>
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**Category III**- These are combination of means to supplement income.

<ul style="list-style-type: none"> <li>• VCRs/ VCPs</li> <li>• Scooters</li> <li>• Mopeds</li> <li>• Motor Cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Refrigerators</li> <li>• Washing Machines</li> <li>• Mixer/grinders</li> </ul>
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The hierarchy depends on the needs of the rural consumers.

**Rural branding aims at creating and disseminating the brand name so that it is easily understood and recognized by the rural consumers.**

The following have to be kept in mind while the marketer makes a decision on the product.

1. The product for the rural markets has to be simple, easy to use and provide after sales service or maintenance.
2. The product has to be packed for low price and convenient usage.
3. The pack has to be easily understood by the rural consumer. The information on the pack is preferred in local language communicating the functional benefit of the product not technical advantages.

## 2. Pricing

A rural customer is price sensitive and shops for value mainly because of his lower income levels than his urban counterparts. Hence the marketer has to find ways of making the product affordable to the rural consumer.

**For example** - banks offer loans for tractors, pump sets, television sets and so on to make the product affordable to a rural consumer.

**Smaller unit packs are preferred in the case of FMCG products to offer at lower prices.**

## 3. Placement or Distribution

Distribution of products is one of the biggest challenges of rural marketing.

A three tier rural warehousing setup exists:

- CWC/SWCs (Central/ State Warehousing Corporation)
- Co-operatives
- Rural Godowns

CWC and SWCs reach up to the district levels. The co-operatives are at the mandi level. The Rural Godowns are at the village level wherein they are owned by panchayat heads. All these tiers provide warehousing facilities only to their own members. Hence it is a big problem for a company to store its goods in rural areas.

**There are some problems of rural distribution:**

- Transportation has not been fully developed.
- Lack of proper channels of communication like telephone, postal services, and so on pose a lot of problem to marketer to service the retailer as it is difficult to the retailers to place order for goods.
- This problem is on the way to have a solution by the advent of mobile phones which are now available at cheaper rates due to tough competition among the players.
- Storage of goods in rural areas is also a problem for the marketers.
- Multiple tiers push up the costs and channel management is a major problem for marketers due to lot of middlemen in the process.
- Availability of suitable dealers.

- Poor viability of rural outlets.
- Rural outlets need banking support for remittances to principals, get fast replenishment of stocks, receive supplies through bank and facilitate credit. This gets handicapped due to inadequate bank facilities.

### Retailers in rural markets

There are different kinds of retailers.

- **Shops within the village.**
- **Shops located on the main road and not exactly within the village**
- **Kasba market or the tahsil market.**

Margins are very important to a rural retailer. The pushing by the retailers depends on margins and the pushing by the wholesalers depends on retailers.

The gap is very wide because the local manufacturers do not undertake investments either in terms of advertising or anything. Hence they are very fast imitators.

For rural retailers, it's the question of simple economics – Am I getting more money if I invest on these brands? More the margin better choice to stock and sell.

The rural retailer stocks few brands in each category. This may have important implications for a company and its managers because whoever reaches the market first gets the share of the market.

## 4. Promotion

Communication to rural consumer is through organized media. More number of rural consumer (70%) listen to radio and many go to cinema.

Rural communication can be through Conventional media or through a nonconventional media.

- **Conventional media:** *Print, Cinema, Television and Print.*
- **Non-conventional media:** *Theatre, Posters, Haats, street plays, Melas and through influential person in the area.*

**NOTE :** The conventional media have excellent reach, less expensive and create a better impact. But at the same time, it is not customized to each village and also offers unnecessary coverage at times.

### Problems in rural communication:

- **Language**
- **Low literacy rates**
- **Cultural & traditional differences**
- **Rural reach**
- **Attitudes and behavior**

An effective promotion should plan for a proper mix of media which must take care of all the problems of communication to rural consumers.

The Indian rural market today accounts for only about Rs 8 billion (53 per cent - FMCG sector, 59 per cent durables sale, 100 per cent agricultural products) of the total pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly there seems to be a long way ahead.

- Hindustan Lever is the first company that comes to mind while thinking of rural marketing due to its initiative of project 'Shakti'.
- Amul is another case in point of aggressive rural marketing.
- Other corporate that are slowly making headway in this area are Coca Cola India, Colgate, Eveready Batteries, LG Electronics, Philips, BSNL, Life Insurance Corporation, Cavin Kare, Britannia and Hero Honda to name a few.

The greatest challenge for advertisers and marketers is to find the right mix that will have a pan-Indian rural appeal. Coca Cola, with their Aamir Khan Ad campaign succeeded in providing just that.

Corporates are still apprehensive to "Go Rural." Since, the rural consumers are scattered and it is difficult to predict the demand in the rural market.

A few agencies are trying to create awareness about the rural market and its importance are Anugrah Madison, Sampark marketing and Advertising Solutions Pvt Ltd, MART, Rural Relations, O&M Outreach, Linterland and RC&M, to name a few. Also, the first four agencies mentioned above have come together to form The Rural Network. The paramount objective of the Network is to get clients who are looking for a national strategy in rural marketing and help them in executing it across different regions.

## The 4As of Rural Marketing

**For rural market 4Ps alone are not sufficient.** The 4As also has to be considered and keep in mind while formulating the plan to enter the rural market because these are also critically important.

### 1. Availability

The first challenge in rural marketing is to ensure availability of the product or service. India's

7, 00,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. They are highly dispersed.

Given the poor infrastructure, it is a greater challenge to regularly reach products to the far-flung villages. Marketer should plan accordingly and strive to reach these markets on a regular basis. Marketers must trade off the distribution cost with incremental market penetration.

- India's largest MNC, Hindustan Lever has built a strong distribution system which helps its brands reach the interiors of the rural market.

- Coca-Cola, which considers rural India as a future growth driver, has evolved a hub and spoke distribution model to reach the villages. To ensure full loads, the company depot supplies, twice a week, large distributors which act as hubs. These distributors appoint and supply, once a week, smaller distributors in adjoining areas.
- LG Electronics has set up 45 area offices and 59 rural/remote area offices to cater to these potential markets.

## 2. Affordability

The second major challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. A part of it has been mentioned in product (first P).

A solution to this has been introduction of unit packs by some companies. Most of the shampoos are available in smaller packs.

- Fair and lovely was launched in a smaller pack.
- Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50- gm packs.
- Hindustan Lever has launched a variant of its largest selling soap brand, Lifebuoy.
- Coca-Cola has addressed the affordability issue by introducing the smaller bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets.

Some product also can be made affordable by making available the loan facility by having alliance with banks.

## 3. Acceptability

The next challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market.

- LG Electronics have developed a customized TV for the rural market named Sampoorna. It was a runaway hit selling 100,000 sets in the very first year.
- Coca-Cola provided low-cost ice boxes in the rural areas due to the lack of electricity and refrigerators. It also provided a tin box for new outlets and thermocol box for seasonal outlets.
- HDFC Standard LIFE topped private insurers by selling policies in rural sector. The company tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group insurance covers.

## 4. Awareness

Building awareness is another challenge in rural marketing. A large part of rural India is inaccessible to conventional advertising media. The media penetration in rural areas is only about 57%. It has been seen that, two out of five Indians are unreached by any media - TV, Press, Radio and Cinema put together. Haats, mandis and melas are opportunities. Family is the key unit of identity for both the urban and rural consumer. However, the rural consumer expressions differ from his urban counterpart. For a rural consumer, outing is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan.

Consumption of branded products is treated as a special treat or indulgence. Haats, mandis and melas are the place of opportunities to promote awareness about the product.

- Hindustan Lever has its own company-organized media. These are promotional events organized by stockiest.
- Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language.
- Coca-Cola uses a combination of TV, cinema and radio to reach the rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media.
- LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising.
- Philips India uses wall writing and radio advertising to drive its growth in rural areas.

Asst. Professor, Ankita Agarwal

## What is UPSELLING and CROSS SELLING?

**Up selling** - is a sales technique whereby a seller tries to sell more expensive items, or upgraded versions to make a more profitable sale.

- **Example** – When a customer buys a car the salesperson tries to sell premium models.
- When you go to a Hotel, you ask for a Standard room but the receptionist tries to sell you Deluxe rooms.

**Cross selling** - is a sales technique of selling an additional complementary products or service to customer.

- **Example** - When a customer buys a mobile phone, the seller also induces the customer to buy screen guard, tempered glass, mobile cover.
- When you go to buy a shirt in pantaloons, the salesperson tries to sell you pants or accessories.

## What is MARKET SHARE?

Market share is the percentage of total sales volume in a market captured by a brand, product or company.

Market share = Sales of the company / Total sales of the market

**Example – Total Automobile Sales in a year is 100000**

- Maruti Suzuki sold - 30000 vehicles
- Hyundai sold - 20000 vehicles
- Ford sold - 10000 vehicles
- Others - 40000
- Hence Total Sales = 100000

So, Maruti Suzuki's Market Share is =  $30000 / 100000 * 100 = 30\%$

## What is 80:20 principle or PARETO principle?

A typical business earns approximately 80 percent of its profits OR revenue from the top 20 percent of its customer base.

- 80% of profits come from 20% of customers
- 80% of product sales from 20% of products
- 80% of sales from 20% of advertising
- 80% of customer complaints from 20% of customers
- 80% of sales from 20% of the sales team

This knowledge enables companies to focus on maintaining relationships with these top customers. Loyalty and frequency programs are intended to offer the best value and experiences to customers who provide the best results. **Example – 80% of the revenue of HUL comes from 20% of its products**

## PACKAGING, LABELLING

**Packaging-** includes all the activities of designing and producing the container for a product.

Packages might have up to three layers.

- *Primary package-* a cardboard box
- *Secondary package-* in a corrugated box
- *Shipping package -* containing six dozen bottles in cardboard boxes

### Need for Packaging

**Self-service** - An increasing number of products are sold on a self-serve basis. In an average supermarket, which may stock 15,000 items, the typical shopper passes some 300 products per minute

### Functions of Packaging (what is the need or advantages of packaging)

- Protects the product from breakage in transit.
- Protects from sunlight, temperature, moisture and contamination.
- Protection from physio chemical and biological hazards.
- Make the package handy and safe through modern packaging material.
- Color & design appeals the customer and gives publicity
- Enhances the shelf life of the product.
- Prevents adulteration.

### Packaging materials

- **Metal:** Aluminum, steel, tin plate
- **Plastic:** HDPE, PVC
- **Paper:** Card board, paper board, corrugated sheet
- **Wood:** Wood, cellulose
- **Glass:** Tinned, clean
- **Laminated:** Aluminum foils and plastic films
- **Polyester:** PET
- **Gunny & cloth:** Agricultural products

### Contemporary Packaging Issues

- **Environmental Packaging** – reusable, recyclable, less wasteful, and safer for the environment
- **Cause Packaging** – to promote non-product issues such as social and political causes

## For what to use

- *Why use Paper and cardboard?*
  - Inexpensive, lightweight, fairly strong, and easy to print on, recyclable, biodegradable
- *Why use cellophane (transparent paper) and plastic wrap?*
  - See through package (meat)
- *Why use Glass to hold liquids?*
  - Doesn't leak or change its smell or taste
- *Why use plastic?*
  - Can be shaped into jars and bottles
  - Can be processed into sheets (used for toys, clothes, food products)
  - Won't break easily
- *Why use aluminum?*
  - Unbreakable, disposable, recyclable
  -

## Packaging design criteria

- Appearance
- Protection
- Function (ease of opening, convenience, display, dispensing, re-use and quantity level)
- Cost
- Disposability (re-cycling, non-packaging application, biodegradability)

Developing an effective package requires a number of decisions. From the perspective of both the firm and consumers, packaging must achieve a number of objectives:

1. **Identify the brand,**
2. **Convey descriptive and persuasive information,**
3. **Facilitate product transportation and protection,**
4. **Assist at-home storage,**
5. **Aid product consumption.**

To achieve the marketing objectives for the brand and satisfy the desires of consumers, the aesthetic and functional components of packaging must be chosen correctly.

Aesthetic considerations relate to a package's size and shape, material, color, text and graphics.

**Colour** must be carefully chosen:

- Blue is cool and serene,
- Red is active and lively,
- Yellow is medicinal and weak,

- Pastel colors are feminine and dark colors are masculine.

The meaning and interpretation of color, however, is influenced to a significant extent by culture.

**In India, the color green is associated with "freshness," and saffron with divinity. From a functional point of view, the structural design of packaging is critical. Poor packaging design causes high wastage and loss while transporting and storing fruits and vegetables in many countries.**

Innovative packaging solutions, through better structural designs and usage of appropriate materials, are needed to reduce damages and wastages, and to ensure the longevity of fruits and vegetables.

Packaging changes can have immediate impact on sales. Dhara vegetable cooking oil packed in "aseptic" package gives the brand a distinctive image of being tamper-proof and hence free from any adulteration. The visibility of the packaging in a supermarket shelf, compared to other cooking-oil brands packed in plastic containers, works as a brand advertisement.

Using more environmentally friendly alternatives and packaging materials such as jute is the present trend.

## Labeling

The label may be a simple tag attached to the product or an elaborately designed graphic that is part of the package. The label might carry only the brand name or a great deal of information. Even if the seller prefers a simple label, the law may require additional information. Labels perform several functions.

## Functions

- The act of attaching a tag with information
- Inform about manufacturing date, name & address of manufacturer, expire date etc.
- Informs price, weight, size and composition of the product.
- Provides statutory warning about use of the product.
- Helps in popularizing the product.
- It may be grade labeling or brand labeling.
- Recent method of bar code is gaining popularity.

There are some **legal stipulations** that need to be complied with in India for packaged products. It is mandatory to print the maximum retail price (MRP) on all packaged products.

It is also mandatory to carry a **red colored** round dot on all packaged products that contain **non vegetarian** ingredients, and a **green colored** round dot on packages that contain **pure vegetarian** ingredients

# MARKETING ENVIRONMENT (ENVIRONMENTAL ANALYSIS) OR PESTEL ANALYSIS

**Marketing environment** is the combination of internal (Micro) and external (Macro) factors which affect the company's ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an **internal and external environment**.

Marketers need to observe and analyze the environment where they operate. We can classify the environment in –

<b>MACRO ENVIRONMENT (External)</b> <i>These affect sales and profits</i>	<b>MICRO ENVIRONMENT (Internal)</b> <i>The players who affect its ability to produce and sell</i>
<ul style="list-style-type: none"> <li>• Demographic</li> <li>• Political</li> <li>• Economic</li> <li>• Social</li> <li>• Technological</li> <li>• Environmental</li> <li>• Legal</li> </ul>	<ul style="list-style-type: none"> <li>• Company</li> <li>• Suppliers</li> <li>• Marketing Intermediaries</li> <li>• Customers</li> <li>• Competitors</li> </ul>

**Note:** Marketing Environment is made up of a micro-environment and macro-environment.

## Need for analyzing the marketing environment

- Helps to monitor and adapt the environment.
- Understanding and responding to customers and design plans accordingly.
- Helps to identify all the external and internal elements which can affect the organization's performance.
- Helps to evaluate the level of threat or opportunity of external and internal factors.
- These evaluations are later translated into the decision-making process.
- The analysis helps align strategies with the firm's environment.
- Improve the performance of the company.
- Businesses are greatly influenced by their environment. All the situational factors which determine day to day circumstances impact firms. So, businesses must constantly analyze the trade environment and the market.

## MACRO ENVIRONMENT (Explain the Macro economic factors in marketing?)

The **macro marketing environment** takes into account all the factors that can influence an organization, but are outside of their control.

### 1. Demographic: (Demography means study of Population)

Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation etc. Average life expectancy, child mortality rate, Youth population, education level and occupation shape the demographic environment of a country. Hence the company can tap the untapped market by knowing these.

### 2. Economic:

A market boom, recession, inflation, unemployment levels, comparative foreign exchange rates, and the state of the global economy can all change the way an organization plans for the future and operates in the present. Below are the various types of economic environments existing in marketing organization.

- **Subsistence economy:** These nations consume most of their own agricultural and industrial output. It is a non-monetary economy wherein basic needs are fulfilled by the acquisition and use of natural resources on the personal, family or local level. Activities like fishing, hunting, gathering, food cultivation and handmade homes are the primary drivers behind survival.
- **Industrial Economy:** It concerns those activities combining factors of production (facilities, supplies, knowledge, work) to produce material goods intended for the market. These economies constitute rich markets for many different types of goods. Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets. India is a growing economy particularly after liberalization was initiated. Its GDP is rising every year at a stable rate of 7 to 8 %. Middle class people have a rising earning because of *growth in many sectors*.

### 3. Socio - cultural

Language, culture, belief, value, attitude and aspirations, consumption behavior and attitudes . People in a given society hold many beliefs and values. Core beliefs and values are passed on from parents to children. India, being a vast country has cultural diversity and regional differences which influence the consumption habits of people. **Example** - McDonalds removed beef products from McDonald India's menu and introduced Indian flavours.

### 4. Technological

New technologies create new markets and opportunities. Today, research is one of the key factors of technology. Many companies are adding marketing people to R & D teams to try to obtain a stronger marketing orientation. A new type of machinery, computer chip, or product created through research and

development can help a company stay modernized and ahead of the market curve. Few Government regulatory bodies are there, like BIS (for quality control), which marketers should be aware when applying new technology. Technological macro environment factors can influence how an organization does business.

## 5. Environmental or Natural

Green concern, Pollution, retaining renewable resources .The natural environment involves the natural resources that are needed as inputs by marketers. Continuous depletion of natural resources is a great concern now a day. People are conscious and raising campaign against all these issues like depletion of mining resources, reduction in drinking water in industrial belts, air pollution etc. Therefore companies should show high concern to all these issues and redesign their marketing program. Many companies have adopted biodegradable packing materials, organic cosmetics and CNG run engines instead of diesel and so on.

## 6. Political – Legal

Political environment consists of Government agencies, tax policies, government-issued safety regulations, government contracts laws, and individuals in a given society. Good regulation can encourage competition and ensure fair markets for goods and services. Thus Government develops public policies and trade policies for the good of society as a whole. Good legislation affects business around the world

A company must be aware of rules and regulations of the land and design their marketing mix accordingly. There are certain medicines which are allowed in certain countries and prohibited in some. There are different laws related to employment. Legal factors can limit or change how a business operates. Businesses have to be aware of the local legislation and regional and national laws.

**Example** - Mandatory recycling laws have boosted the recycling industry and launched dozens of new companies making new products from recycled materials.

## MICRO-ENVIRONMENT:

The **micro environment** refers to small forces within the company that affect its ability to serve its customers.

*The foremost job of a marketing manager is to build relationship with customers by creating customer value and satisfaction.*

- *Hence it requires building relationship with other company departments, suppliers, marketing intermediaries, customers, competitors and public, which combine to make up the company's value delivery network*
- **THE COMPANY:** While designing marketing plans, marketing department takes company's other departments into account, such as top management, finance, human resource, R & D, Purchase, operations and accounting. Followings are the few aspects of various departments with whom marketing manager must co-ordinates to make decisions.
  - ✓ **Top management:** Sets the company's mission, objectives, broad strategies and policies.
  - ✓ **Finance:** Concerned with financial results and provides funds to carry out the marketing plan.
  - ✓ **R & D:** Focuses on designing safe and attractive products.
  - ✓ **Purchase:** Concern about getting supplies and materials.
  - ✓ **Operations:** Responsible for producing and distributing the desired quality and quantity of products.
  - ✓ **Accounting:** To measure revenues and cost associated with the business.
- **SUPPLIERS:** Suppliers form an important link in the company's overall customer value delivery system. They provide the resources needed by the company to produce its goods and services. Marketers today treat their suppliers as partners in creating and delivering customer value, like WAL-MART has various suppliers across 70 countries of the globe.
- **MARKETING INTERMEDIARIES:** Marketing intermediaries help the company to promote, sell and distribute its goods to final buyers with the help of warehouse and transportation firms. A company must determine the best way to store and ship goods by balancing various factors such as cost, delivery, speed and safety. Various marketing service agencies like marketing research firms, advertising agencies, marketing consulting firms, also help the company to target and promote its product to the right market. Various financial intermediaries include banks and financial institutions during the time of financial emergency.
- **CUSTOMERS:** The Company needs to study its customer base and understand their need, characteristics, media habits, shopping behavior etc. There are five types of customer markets (B2C, B2B, Global markets, B2G and G2B)
- **COMPETITORS:** To be successful in market a company must provide greater customer value and satisfaction than its competitors do. Companies need to investigate about competitor's product value, price and promotion activities and distribution channel and so on. A company should always try to give a

product to its customers which are better than its competitors. Single competitive marketing strategy has no meaning for any company. Each firm should consider its own size, strength and industry position compared with those of its competitors.

- **PUBLICS:** In simple terms, **Public** is any group of people that may have any real or potential interest in or an impact on your business's ability to achieve its objectives. A company has also various public.
  - **Financial public:** which influences the company's ability to obtain funds affecting the level of credit a company has.
  - **Media public:** carry news, features and editorial opinion. They include newspaper, magazines, television and radios.
  - **Government public:** can affect the company by passing legislation and laws that put restrictions on the company's actions.
  - **General public:** who concerned about the products. It relates to the public image of the company.
  - **Internal public:** which include workers, managers, volunteers, Board of Directors etc.

### Test-1

#### Test your marketing orientation

Please read the following statements and write the ones which represent your views.

1. Consumers favor products that offer the best quality, performance and features.
2. To sell, you need right tact, not necessarily a bright product.
3. Package should be good enough to offer protection for the product.
4. Innovation is the key for success at market place. It pervades all functions and locates new opportunities.
5. We emphasize in our ads, features of products, quality and how products are made.
6. The job of a salesman is to exceed the target on his own, without the support of promotional efforts.
7. We serve customers by delivering goods at his door.
8. Quality items need to be purchased and stored for production requirements, whatever the cost may be.
9. Profit is residual; what is left after all the costs are covered.
10. "Cash today and Credit tomorrow" is our policy.
11. We innovate the ways of convincing customers.
12. Company sells what it makes.
13. Profit is a necessary but not sufficient objective. Public image and customer satisfaction are complementary goals.
14. Good package is that which protects the product at a low cost and keeps the price low.
15. High technology is desirable as it helps make perfect products.
16. Our ads are appealing and informing the need of satisfying benefits of the products and services.
17. We sell whatever is produced. We prefer larger inventories to produce large quantities at low cost.
18. We train sales force how to distinguish quality and arouse quality consciousness among our customers.

19. Company should concentrate on finding ways to increase production.
20. We make products that match the needs of our customers and give them satisfaction.
21. Profit by maximizing sales is our main goal. "Fast buck by hook or crook" is our philosophy.
22. Ask us quality, not credit.
23. Our sales forces are knowledgeable and helpful to customer. Also they coordinate the firm's activities like production, inventory and promotion.
24. A good salesman should be tactful and aggressive. He somehow strikes the deal.
25. Our ads are more emotional. They drive consumers to make immediate purchases.
26. We take pride in making the best products in the country.
27. Credit is a promotion tool for developing long term buyer-seller relationship.
28. Optimal inventories facilitate continuous mass production.
29. Our search and struggle is aimed at discovering new and fine products.
30. Packaging should reflect the quality of product it is protecting.
31. Our marketing research focuses on effectiveness of marketing effort in relation to consumer attitude and behavior.
32. Customer if left alone will not ordinarily buy enough of our company's product.
33. Profits alone are the measure of success. Large volume assures profit.
34. Technology is important to bring down costs and raise productivity.
35. Customers who are coaxed into buying the product will like it and if they don't, they won't bad mouth it to friends or complain to consumer forums.
36. Consumers prefer products that are widely available and low in price.
37. Our ads are best in the market. "Quality is the way of life" is our theme.
38. We design packaging for customer convenience and appeal.
39. We maintain inventories keeping in mind the varied customer requirements and costs.
40. We give credit for short-term to promote sales.

## Test-2

### MARKETING ENVIRONMENT

Read the following statements carefully and answer under which environment these statements can be discussed.

- Supreme Court bans the sale of BS-III vehicles from 1<sup>st</sup> April 2017
- Levi's marketing of Jeans and Leisurewear, introduced 'street wear' range of youth wear under the brand Sykes.
- Close up toothpaste of HLL depict typical situations of a college student's life to promote their brand.
- Mountain dew ad shows extreme sports such as skydiving, skateboarding and snowboarding, specifically targeted at the adventurous, outgoing and fun loving youth.
- Change in life style and resultant demand for products can be observed by the decline in demand for scooters in urban India.
- More number of working women in India sets a trend for marketers to produce ready to eat products, quality food materials and children products.
- The cultural diversity and regional differences suggests the need for specific products and services that the marketer is interested in.
- Product preferences and brand preferences have regional bias.
- People of Plachimada village of Kerala raised campaign against Coca Cola alleging drinking water scarcity in the vicinity of the plant.
- CNG run buses are mandatory in Delhi.
- People at proposed POSCO site of Jagatsinghpur district are protesting against setting up of the plant.
- Transistors hurt the vacuum-tube industry, xerography hurt carbon paper business, autos hurt the railroads and television hurt the newspaper.
- Who knows in future 'smart' mobile phones may eventually kill the personal computers.
- It is mandatory that all packaged food products should carry the "green dot" to denote pure vegetarian product and "red dot" to indicate non-vegetarian products.
- Licenses for 2G spectrum for 108 companies were cancelled recently by Honorable Supreme Court of India.
- Govt. of India is in the process to control and regulate social networking sites.
- All banks in India were nationalized.
- Archie's, Promotes special occasion such as friendship day, valentine day etc. by advertising in channel V and MTV and offers specially designed greeting cards and gift articles targeted at youth market.
- Scientists also work on fantasy products such as small flying cars, 3-D television and space colonies.
- Euro II norms for emission levels have been implemented in India since 2006.
- In 1977, both Coca cola and IBM were thrown out of India.

# MARKET SEGMENTATION

- If all consumers were alike and we all had same needs, wants, desires, education, income, experience

There would have been a *single standardized product* and a *uniform marketing strategy*.

- One type of soap, one refrigerator, one car, washing machine.

Hence there would have been **Mass Marketing** that is offering the same product and marketing mix to all consumers. **Example** - Coca Cola, Pepsi, Cadbury, FMCG, Telecom

## Need for Segmentation

Each consumer has

- *Different and specific needs, wants and desires*
  - *All have a different way of thinking*
  - *Demand for varieties has also increased*
- ✓ What you like may not be liked by the other. Not all individuals have similar needs.
  - ✓ A male and a female would have varied interests and liking towards different products.
  - ✓ A kid would not require something which an adult needs. A school kid would have a different requirement than an office goer.
  - ✓ Hence there comes the need for market segmentation.

## Market segmentation

*Market segmentation is the process of*

- *dividing the total heterogeneous market into*
- *relatively distinct homogeneous sub-groups of consumers*
- *with common needs or characteristics*
- *and selecting one or more segments to target with distinct marketing program.*

OR

*Market segmentation is the process of dividing a market into a subset of consumers with common needs and characteristics.*

Market consists of buyers and buyers differ in one or more ways. They may differ in the following way:

- Wants
- Resources
- Locations
- Buying attitudes
- Buying practices
- Shopping habit
- Media habits

## Benefits of Market Segmentation:

- Helps to identify and determine needs
- Helps to gain more knowledge about different segments
- Better allocation of marketing budget
- The marketer can modify his product or service and marketing appeals to suit the target segment.
- Segmentation facilitates setting up of realistic selling targets and priorities.
- Management can identify new profitable segments which deserve special attention.
- It is possible to deal with competition more effectively by using resources more effectively.
- Appropriate service packages can be developed for each market segment.

**TARGET MARKET** - a specific group of consumers at which a product or service is **aimed**.

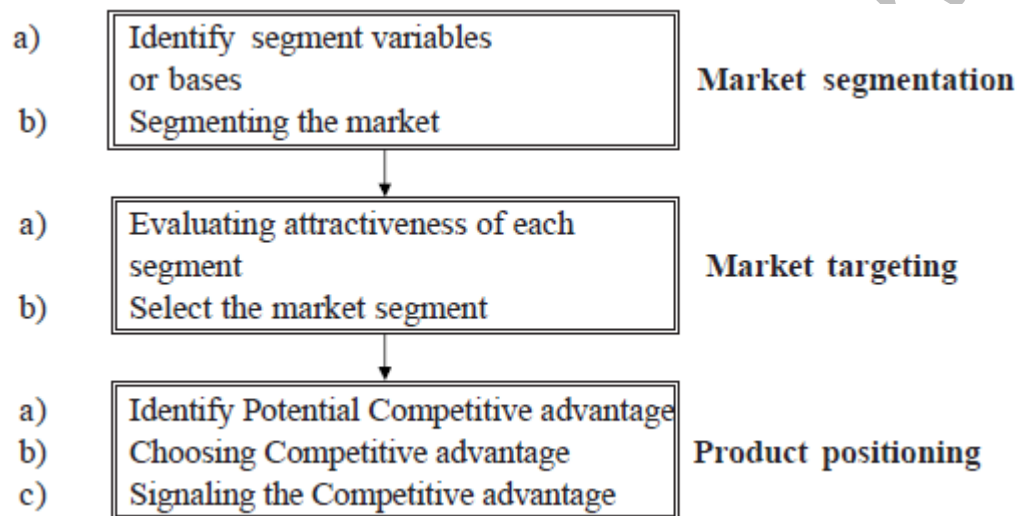
## CRITERIA FOR EFFECTIVE SEGMENTATION

A market segment should be:

1. **Identifiable**
  2. **Sizeable**
  3. **Stable**
  4. **Accessible**
  5. **Congruent with the company's objectives and resources**
- First of all, the target must be **identifiable**. This means that the marketer *must be able to see or find the characteristic* they have chosen for segmentation. To divide the market into separate segments on the basis of common need or characteristics that are relevant to the product or service, a marketer must be able to **identify** the relevant characteristic.
  - Some segmentation variables such as demographics are easy to identify, while others such as benefits sought, more difficult.
  - The segment must also be **sizeable**. The market segment should be large enough in terms of sales and profitability to warrant the firm's possible attention.
  - A **stable** segment means that the consumers are not "fickle" and likely to change very quickly. Marketers prefer to target customer segments that are relatively stable in terms of demographic and psychological factors and needs that are likely to grow larger over time.
  - A group of consumers must be **accessible** to be targeted. **The market segment should be reachable, particularly in terms of distribution and communication.**
  - Finally, the target must be **congruent** with the company's objectives and resources.

## The S-T-P Process

1. **Segmenting** - is a process of dividing the whole market into distinct groups of buyers who generally requires separate product or marketing mixes.
2. **Targeting** - is the process of evaluating each segment's attractiveness and selecting one or two best segments.
3. **Positioning** - act of designing the company's offering and image to occupy a distinct place in the mind of the target market.



### MARKET SEGMENTATION

#### A. Identifying segmentation bases

#### Bases for segmentation

1. **Geographic** segmentation
2. **Demographic** segmentation
3. **Psychographic** segmentation
4. **Behavioral** segmentation

## 1. Geographic segmentation

Geographic segmentation divides the market into different geographical units such as

- **Nations**
- **Regions**(East, West, South, North, Central)
- **States**
- **Countries**
- **Cities**(Metropolitan, Town)
- **Areas of certain climatic condition**(Rainy, Hot, Humid, Cold)
- **Urban Or Rural**(Density)

**Example** – air-conditioner, desert coolers, blanket, dress material and food products. Urban consumers behave differently than rural. Air coolers have no or little demand in hot and humid areas. Woolen dresses have less demand in South India. McDonalds may decide which nations to enter, a sweater making company may think of cold areas, South Indian restaurant chains will do segmentation on the basis of states, Spice up cold drink is expanding through cities, FMCG companies are now entering rural markets.

## 2. Demographic Segmentation

**Demographics** are the core of almost all segmentation because they are easy and logical. In addition, they are a cost-effective way to reach segments and demographic shifts are easier to identify than other types of shifts.

<b>Age</b>	Age group under 6, 6-12, 12-20, 20-30, 30-45, 45-55, above 55 years
<b>Gender</b>	Male, Female
<b>Marital Status</b>	Married, Unmarried
<b>Income</b>	Annual income below 1 lakh, 1 lakh-2 lakh, 2 lakh-3 lakh, Above 3 lakh, Above 15 lakhs
<b>Education</b>	School Certificate, Graduation, Professional degree holder, Master degree
<b>Occupation</b>	Manager, Engineer, Doctor, Farmer, Retired, Students
<b>Family size</b>	1-2, 3-4, 5+
<b>Family Life-cycle</b>	Young, young unmarried, young married with children, older married having children outside, solitary survivor.
<b>Social Class</b>	Top-Uppers, Bottom-Uppers, Top-Middles, Bottom-Middles, Top-Lowers, Bottom-Lowers
<b>Religion</b>	Hindu, Muslim, Christian, Others
<b>Nationality</b>	Indian, American, British, French, German, Italian, Chinese, Japanese
<b>Race</b>	White, Black, Asian

### Age

People of the same age group generally behave in similar manner with this assumption the market is segmented. Various companies produce goods or articles for customers having specific age group.

Infant market	:	Cereal food, baby dress, soap (Johnson & Johnson)
Child market (1-12yrs)	:	Dress material, toys, biscuit, chocolate, color (Camlin)
Teens market (13-19 yrs)	:	Bicycle, dress cold drink, pizza
Youth market (19-34 yrs)	:	Cell phone, bike, music system, jeans
Middle aged market (35 - 50 yrs)	:	Durables, household goods, insurance product, Jewelry, automobile
Seniors market (50yrs above)	:	Newspaper, books, health product and services

About 40% people are within 15-45 yrs. of age and their consumption basket is very wide and selective. Also their taste, choice and preference are different from other age group. Similarly about 20% of the population comprises of children and they are powerful influencer in purchasing many products. In the context of food products, chocolate, fruit juice, etc. they are the deciders. Even in purchase of durable products, they influence their parents. They get lot of information from television and influence heavily. Therefore lots of advertisements are aimed towards them.

### Some more examples:

- The Walt Disney Company's Disney, Jetix and Hungama channels are targeted at children.
- Channels such as Aastha and Sanskar focus on a spiritually inclined older audience.
- Channels such as Discovery and National Geographic target people who are interested in education and entertainment.
- Titan watches re-entered the children's watch market with the introduction of the brand Zoop.
- Colgate offers three main lines of products to target kids, adults and older consumers.
- Pampers divides its market into prenatal, new baby (0-5 moths), baby (6-12 months) and pre-schooler (24 months+).

### Gender

Taste and preference of women are different from men in many cases. Some products are women exclusive and they are the deciders (cosmetics, jewelry, household products). Since male market is different from female, gender is used to segment the market.

**Examples:** *Motorcycles are considered to be for men, but many other two-wheeler brands such as Bajaj Wave, Kinetic Flyte, Honda Activa and TVS Scooty are targeted at women. Similarly, Emami's Fair and Lovely is for women whereas Fair and Handsome is for men.*

### **Family size**

Size and structure of a family becomes a criterion for segmentation. In earlier days, family size was larger than present. Because of splitting up of families to various places for jobs family size has reduced. Even in same town parents and grown-up sons and daughters are staying separately as nuclear or satellite family and meet occasionally at the time of festival or ceremony. The marketer can use the size and structure of family to segment the market because consumption pattern of a bigger size family is more than a small size family.

**Example** – A family of two members will buy a 500gm Horlicks and a family size of 5 will buy a 1 kg of Horlicks

**Do various life stages of people provide opportunity to the marketer to cope with their concern and provide their product or services accordingly? Justify with example.**

### **Family Life-cycle**

Family life-cycle is based on the premise that many families pass through similar phases in their lives and share major life events such as moving, marriage, birth of a child, and retirement. **At each phase, the family unit needs different products and services.**

- **Example** – a toddler will need infant food, a child will need dolls and toys, a middle age customer will need insurance and investment plans and finally an old age person might need retirement plans. This demographic segment cannot be said as an “Age” segment because these customers are in specific phase of their “Life”. Procter & Gamble and Colgate-Palmolive include their products in “newlywed kits” distributed when couples apply for marriage license. [life stage]

### **Education:**

Educational level of a person influences his preference and level of awareness and accordingly his purchase behavior. Companies, therefore segment the market on the basis of education.

### **Occupation:**

Similarly the consumption behaviour, life style and the purchase preference of a person is influenced by the occupation of a person. Therefore companies segment the market on the basis of occupation. Sometimes companies produce and offer products specifically meant for various professions. **Example** – Stethoscopes are meant for catering to doctors.

## Social Class

**Income, education, and occupation tend to tie together and lead to segmentation based on social class.**

Moreover, each social class has their own preference when purchasing, cars, boats, clothes, education, homes, furniture, reading materials and the list goes on and on. Below discusses six types of social classes.

<b>TOP-UPPERS</b>	<p>This group represents the "social" elite.</p> <p>Their wealth is generally passed down through the generations and their family background is, in many cases, well known. In general, they buy jewelry, homes, vacations, status symbols, "superior" education for their children, and the like.</p>
<b>BOTTOM-UPPERS</b>	<p>This class usually begins life in the middle class and earns their wealth in professions or businesses.</p> <p>The products which they normally purchase are expensive homes, automobiles, education for their children, jewelry, swimming pools, and other merchandise that represents status.</p>
<b>TOP-MIDDLES</b>	<p>This class is not considered highly wealthy nor possesses an extraordinary high family status.</p> <p>They do, however, live extremely "comfortable" and enjoy fine homes, clothes, furniture, wines, appliances, etc. This class focuses much of their attention on careers as corporate managers, successful business owners, and other professional positions.</p>
<b>BOTTOM-MIDDLES</b>	<p>Bottom-Middles are usually "white collar"(office workers and small business owners) "gray collar" (mailmen, etc.), and certain "blue collar" workers (electricians, plumbers, foremen).</p> <p>This class is said to conform to norms and standards set by society and rarely deviates from what is expected. Their conventional homes are of great importance to them and they feel the need to keep them neat and tidy. They buy standard household goods, furniture and clothing that is traditional and tidy.</p>
<b>TOP-LOWERS</b>	<p>This class represents all other "blue collar" workers including skilled and semi-skilled factory workers.</p> <p>They generally seek respect, protect their possessions, and search for "security". The top-lower male usually drinks beer, likes watching sports, and enjoys the outdoors. The top-lower female usually holds part or full time positions to provide extra income for the family.</p>
<b>BOTTOM-LOWERS</b>	<p>This class usually consists of poorly educated, unskilled workers.</p> <p>They are frequently unemployed and require some sort of public assistance. Their purchases are generally more spontaneous and brought on credit. Their housing is, for the most part, below standard.</p>

**Examples:**

Rolex, Omega and Tag Heuer cater to the higher end of the wristwatch market.

Detergents, shampoos, hair oil and a host of packaged products are available in small sachets for one time consumption in low unit prices.

### 3. Psychographic Segmentation

It is the segmentation based on

- a) **Personality traits**
- b) **Lifestyle (Activities, Interest, Opinions) - AIO**
- c) **Values**

- **Psychographics** is the science of using psychology and demographics to better understand consumers.
- People within the same demographic group can exhibit very different psychographic profiles. The company that practices lifestyle segmentation relates a brand to a particular lifestyle.

**a) Personality traits:**

In some product categories like cars and garments, customers prefer brands which reflect their personalities. There is a strong relationship between personality of the brand and personality of customers.

- **Example** - would be what comes to mind about a “Harley Davidson biker” more commonly known as Hogs. They would be people unshaven, tall, manly who like to live a rough lifestyle. That’s the personality built for Harley Davidson over time. Thus brands target their customers even based on their personality.

Overall, these factors are intangible in nature and need in depth market research to determine which lifestyle or social class to target. There are companies which are dedicated to the art of psychographic segmentation.

FACTORS	TRAITS	BRAND
Excitement	Imaginative, spirited, daring, aggressive	Ferrari, Pepsi, Mountain dew, Thums up
Sincerity	Honesty, Cheerfulness, down to earth quality	Peter England, Kodak, Raymond, Tata,
Sophisticated	Charming, Feminine	Revlon, Axe, Hero Pleasure

Competency	Reliability, intelligence, success	Intel, Citi Card, Apple
Ruggedness	Athletic, Macho, Western, Tough	Nike, Old spice, MRF

*Big Five factors identified by J.L. Aaker*

### **b) Lifestyle (Activities, Interest, Opinions) AIO**

There are various segments which have become popular in retail but one of the most popular segments is the lifestyle segment. Everyone has different clothing habits based on their lifestyle. The customer might be school going, college going, office going, party going or other.

A **lifestyle** is a person's pattern of living in the world as expressed in activities, interests and opinions.

Lifestyles are shaped partly by whether consumers are money constrained or time constrained.

Companies aiming to serve the money constrained will create lower cost products and services. For example, Walmart has become the largest retailer in the world. Its "everyday low prices" has been hugely successful.

Consumers who experience time constraints are prone to multitasking, doing two or more things at the same time. For example, multitasking BB skin creams offer an all-in-one approach to skin care- incorporating moisturizer, anti-aging ingredients, sunscreen and maybe even whitening.

**Other examples** – Lux Lyra leggings, Jewelry brands, Cloth brands, Instant noodle manufacturers like Maggi, Top Ramen, Yipee targeted at time conscious customers based on their lifestyle.

**Note:** Similarly, the lifestyle of a rural area customer might be different from urban areas.

### **c) Values**

Religion can also have a significant influence on the *values, attitudes and lifestyles* of customers. Hence, the companies have to shape the product and make brand choices accordingly.

#### **Example**

- A significant number of people in India are strictly vegetarians. Even among those who eat non vegetarian food strictly avoid "Beef". Mc Donald's India removed its beef products from its menu and introduced Vegetarian burger and Paneer burgers with others according to consumer preference for vegetarian food and values.

- “Halal” meat is prescribed for consumption among Muslims and the meat imported to Pakistan and Bangladesh has to be certified by approved Islamic organizations. Hence many restaurants in Asia serve both “Halal” and “Jhatka” dishes for both Muslims and Non – Muslims.

#### 4. Behavioral Segmentation

- Behavioral Segmentation divides the market into groups based on behavior and variables such as **occasion, benefit sought, user status, usage rate, loyalty status, readiness stage, and attitude.**
- The way the population responds to, use or know of a product.

<b>Purchase occasion</b> (we can distinguish buyers according to occasions when they develop a need, purchase a product or use a product)	Regular occasion, special occasion.	Cadbury, Cadbury Celebrations, greeting cards
<b>Benefits sought</b> (not everyone who buys a product has the same needs or wants the same benefits from it)	Quality, service, economy.	Fortune Rice Bran Oil, Colgate sensitive, Bournvita, FMCG products, Toothpastes (for sensitivity, freshness, benefits of some herbs), Liril (for freshness and Dettol for total protection)
<b>User status</b>	Nonuser, ex-user, potential user, first-time user, regular user.	Syska LED, Blood donor (may be first time donor or regular donor)
<b>Usage Rate</b>	Light user, medium user, heavy user.	Vim bar, Pepsi and Coca Cola introduced 200ml Chhota Coke to attract light users, Telecom Data Plans available according to usage rate
<b>Loyalty status</b>	None, medium, strong, absolute.	Pantaloons Green card, Reliance One card, airlines, hotels, restaurants, hospitality sector
<b>Readiness stage</b>	Unaware, aware, informed, interested, desirous, intending to buy.	Financial products, Lifecell International (stem cell bank)
<b>Attitude toward product</b>	Enthusiastic, positive, indifferent, negative, hostile.	McDonalds kids meal, Adlabs Imagica

Following are the various degree of loyalty:

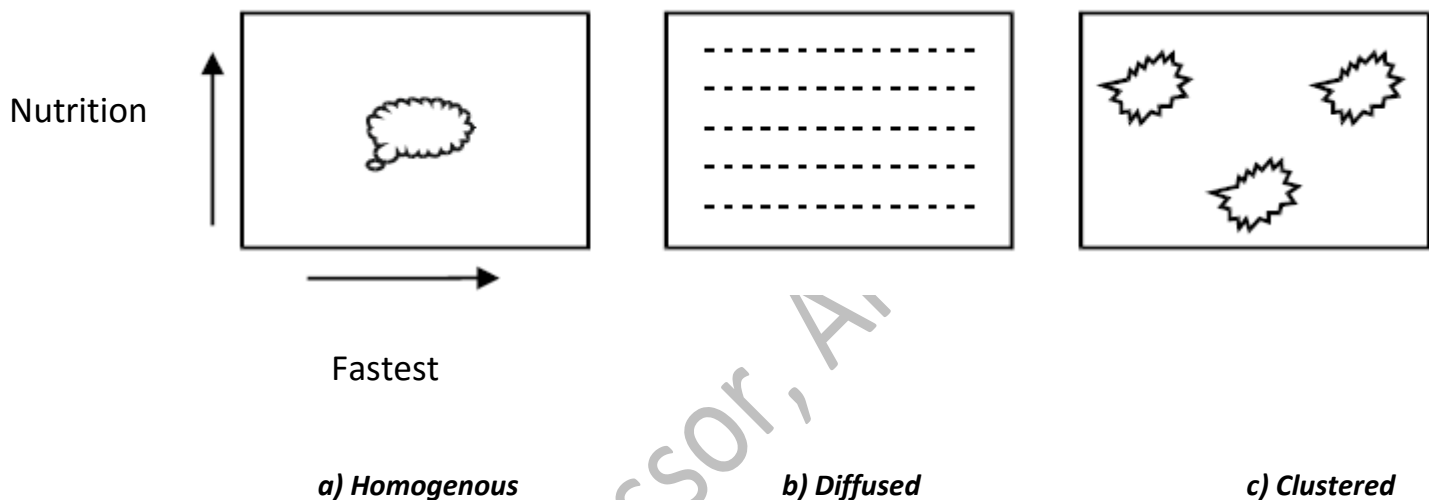
- **Hard core loyal:** They buy one brand all the time.
- **Split loyal:** They are loyal to two or three brands.

- **Shifting loyal:** After using a brand for some time they shift choices to other brands.
- **Brand Switchers:** These buyers show no loyalty to any brand. They either want something different each time they buy

## B) Segmenting the market:

if we ask customers to give their preference for two product attributes, say fastness and nutrition level for a breakfast cereal, then there will be varied choices.

Generally, we will find **three different types of patterns**, if we profile these segments.



**a) Homogenous:** Almost all consumers prefer the same level of preference for both attributes. We find a clue here that company's new product would be general and be placed in the center of the preference.

**b) Diffused:** Consumers may differ widely from each other. This is the other extreme end of homogenous preference. It means that each individual consumer has a different need level and seek individual attainment. They need customized product. Marketer may place it's product in the center or at the corner to draw few nearby customers.

**c) Clustered:** You may get distinct preference clusters. Company should evaluate each cluster and find out the best feasible cluster for the company. Company may also see the positioning of competitor products before deciding which cluster you will target.

## TARGET MARKET

A specific group of consumers at which a product or service is aimed.



Smuckers food of Canada used the brand name “Golden Temple” to attract NRIs. The target market was very clear. Since in Canada most of the NRIs are Punjabis Smuckers kept the name “Golden Temple Atta” to attract the target market

FILL IT. SHUT IT. FORGET IT.



Hero Honda targeted the mileage conscious customer by the Fill it Shut it Forget it campaign



“AUDI is growing faster than BMW, Lexus and Mercedes”

- Now whether AUDI was actually growing faster or not, did not bother the consumer much.
- The target market was clear – luxury segment that was buying cars like BMW and Mercedes.
- How ever it changed the people’s perception about the car.
- Audi jumped the rungs and established itself as the premium brand



Indian customers are price conscious and Mileage conscious customers which Hero Honda perfectly targeted. To compete with Hero Honda, **Bajaj** launched the campaign – “Discover India with the Power of 1 litre”.

The campaign highlighted the **Discover Bike's** super mileage power in an extremely interesting manner. The ads showed travellers on Bajaj bike discovered amazing places like Mattur (near Mangalore), Magentic Hill (near Ladakh).

The ads truly helped us discover India and helped Bajaj discover new markets.

The challenger ads helped Discover surpass its monthly target of 30000 bikes, as sales reached 75000.



Tata Docomo perfectly targeted the price conscious consumers by launching 1 paisa per second. Where other operators were charging X paisa per min

## Market Targeting

**Target Market-** a specific group of consumers to whom the product or service is aimed.

- a) Evaluating attractiveness of each segment
- b) Select the market segment

Each segment need to be evaluated in the context of opportunities and growth associated with it. Then a company may choose appropriate segment for future marketing. A target market can be selected on the basis of evaluating market segment, viewing segment structural attractiveness and company's competence and ability.

### a) Evaluating attractiveness of each segment

**Michael Porter** has identified **five forces** that determine the intrinsic long-run attractiveness of a market or market segment: industry competitors, potential entrants, substitutes, buyers, and suppliers. The threats these forces pose are as follows:

#### 1. *Threat of intense segment rivalry—*

- A segment is unattractive if it already contains numerous, strong, or aggressive competitors.
- It's even more unattractive if it's stable or declining,
- These conditions will lead to frequent price wars, advertising battles, and new-product introductions and will make it expensive to compete.
- Example - The cellular phone market has seen fierce competition due to segment rivalry.

#### 2. *Threat of new entrants—*

- The most attractive segment is one in which entry barriers are high and exit barriers are low.
- Few new firms can enter the industry, and poorly performing firms can easily exit.
- When both entry and exit barriers are high, profit potential is high, but firms face more risk because poorer-performing firms stay in and fight it out. (Example: Telecom, energy)
- When both entry and exit barriers are low, firms easily enter and leave the industry and returns are stable but low (Example: retail, e-commerce)
- The worst case is when entry barriers are low and exit barriers are high: Here firms enter during good times but find it hard to leave during bad times.
- The result is chronic overcapacity and depressed earnings for all.
- **Example** - The airline industry has low entry barriers but high exit barriers, leaving all carriers struggling during economic downturns.

**3. Threat of substitute products—**

- A segment is unattractive when there are actual or potential substitutes for the product.
- Substitutes place a limit on prices and on profits.
- If technology advances or competition increases in these substitute industries, prices and profits are likely to fall.
- Examples: Threat of substitutes is high in case of beverage industry and low in case of prescription medicines.

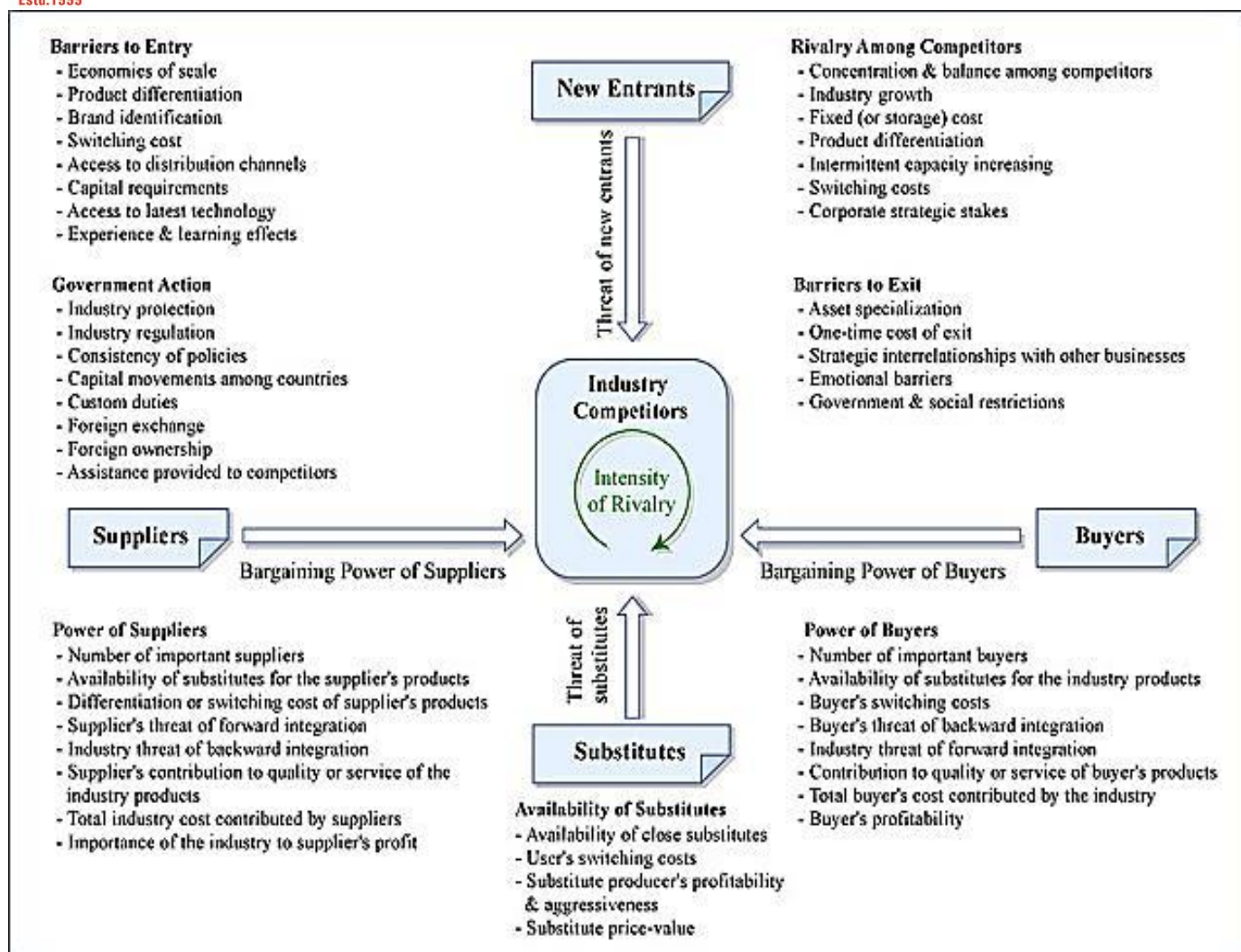
**4. Threat of buyers' growing bargaining power—**

- A segment is unattractive if buyers possess strong or growing bargaining power.
- The rise of retail giants such as Walmart has led some analysts to conclude that the potential profitability of packaged-goods companies will become curtailed.
- Buyers' bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of their costs, when the product is undifferentiated, when buyers' switching costs are low, when buyers are price-sensitive because of low profits, or when they can integrate upstream.
- To protect themselves, sellers might select buyers who have the least power to negotiate or switch suppliers.
- A better defense is developing superior offers that strong buyers cannot refuse.

**5. Threat of suppliers' growing bargaining power—**

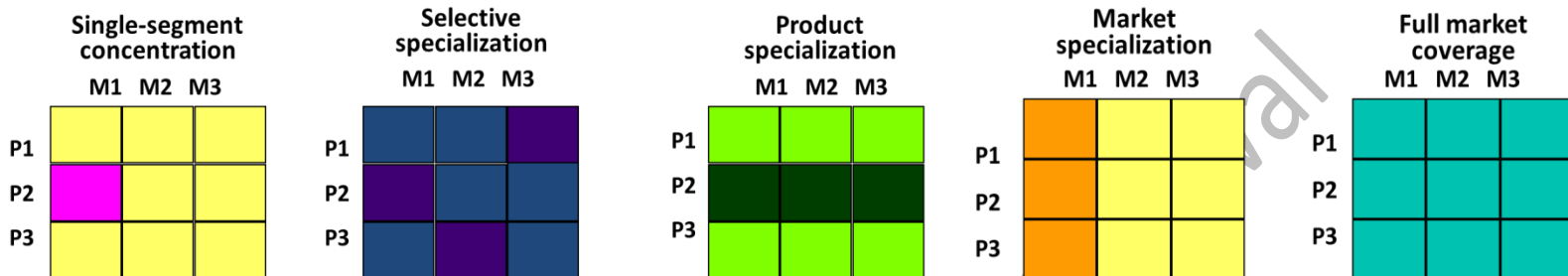
- A segment is unattractive if the company's suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be powerful when they are concentrated or organized, when they can integrate downstream, when there are few substitutes, when the supplied product is an important input, and when the costs of switching suppliers are high.
- The best defenses are to build win-win relationships with suppliers or use multiple supply sources.

After evaluating segment attractiveness, a company should look for its own resources, ability and competencies. The company should match its ability with the target and finally chooses the segment.



## B) Selecting Market Segments

After evaluating the overall long term attractiveness of the segment, a company may need to consider its own objective and resources in relation to that segment. Some attractive segments may sometimes be dropped because they do not match company's long term objective. Each segment has certain requirements and each company has requisite skills and resources. If both fit well, then the company gets a superior advantage.



P = Product  
M = Market

- Single Segment Concentration (Concentrated marketing):** With single-segment concentration, the firm **markets to only one particular segment**. Through concentrated marketing, the firm gains deep knowledge of the segment's needs and achieves a strong market presence. It also enjoys operating economies by specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment.
  - Example – Ghari Detergent by (RSPL) Rohit Surfactants Pvt Ltd.
- Selective Specialization (Multiple Segment Specialization):** Here the company **may go for more than one segment** which it feels attractive. In this method the firm avoids the risk of failure in single segment. The company selects each segment evaluating its attractiveness and matching with company's objective.
  - Example – Maruti Suzuki, Hyundai, Honda have different car for different segments
- Product Specialization:** Here the company focuses on producing certain products and sells to varieties of customers. The firm builds up a strong reputation in the specific product area. Companies having strong hold in technical innovation and product building prefer this strategy as product plays bigger role in attracting various type of buyers.
  - Example - A microscope manufacturer, for instance, sells to university, government, and commercial laboratories, making different instruments for each and building a strong reputation in the specific product area. The downside risk is that the product may be supplanted by an entirely new technology.

iv. **Market Specialization:** Here a firm offers **various type of product to a specified customer group**. A firm may opt to supply all type of scientific equipment to a research Laboratory instead of specific equipment. The company, here, tries to satisfy more or all needs of the market by providing all products needed by them.

- *Example— Johnson and Johnson specializes in the baby care market.*

v. **Full market coverage:** Here, large companies try to serve entire range of segments through their investment, distribution, production and mass marketing capacity.

**Example - Coca Cola and HUL, P and G.**

**Under Full market coverage, the company may adopt following approaches.**

- *Mass Marketing*
- *Differentiated Marketing*
- *Niche Marketing*

These approaches are described as follows:

#### ➤ **Mass Marketing (Undifferentiated Marketing)**

Mass Marketing is offering the *same product and marketing mix* to all consumers.

- Ignoring any differences among consumers,
- It is offering the *whole market with one offer*.
- It is appropriate when all the consumers have roughly the *same preferences* and the market shows *no natural segments*.
- There has to be *mass distribution* and *mass communication*.
- These companies adopt this strategy and take the benefit of scale of operation and efficiency in marketing.

#### **Benefits:**

- ✓ Creates largest potential market, which leads to *lower cost*, which in turn can lead to *lower prices* or *higher margins*.
- ✓ The narrow product line keeps down the costs of *research and development, production, inventory, transportation, advertising and product management*.

**Examples:** Coca Cola, Pepsi, Cadbury, FMCG, Telecom, Henry Ford epitomized this strategy when he offered the Model-T Ford in one color.

#### ➤ **Differentiated Marketing (Multi-Segment marketing)**

*Differentiated Marketing* also called as *multi-segment marketing* is wherein a company attempts

- to appeal to two or more clearly defined market segments
- with a specific product and

- unique marketing strategy tailored to each separate segment.

#### Examples –

- ✓ Maruti-Suzuki, Hyundai. They have different models for different consumers.
- ✓ IBM offers many hardware and software variations to different segments.
- ✓ Cosmetics firm Estee Lauder markets brands that appeal to women and men of different tastes: The flagship brand, the original Estee Lauder, appeals to older consumers; Clinique caters to middle-aged women, M.A.C. to youthful hipsters; Aveda to aromatherapy enthusiasts and Origins to ecoconscious consumers who want cosmetics made from natural ingredients.
- ✓ Hallmark has introduced lines targeting specific market segments. Fresh Ink targets 18-39 year old women. The Simple Motherhood line targets moms. Specific greeting cards also benefit charities such as UNICEF and (PRODUCT) RED. Musical greeting cards incorporate sound clips from popular movies, TV shows and songs. Magic Prints line is targeted at children. Online, Hallmark offers e-cards as well as personalized printed greeting cards that it mails for consumers. For business needs, Hallmark Business Expressions offers personalized corporate holiday cards and greeting cards for all occasions and events.

#### ➤ Niche Marketing

**A niche is a more narrowly defined customer group seeking a distinctive mix of benefits within a segment.**

- It is identified by dividing a segment into *sub segments*.
- Niche marketers understand their customer's needs so well that customers *willingly pay a premium*.

What does an attractive niche look like?

- Customers have a distinct set of needs.
- Willing to pay a premium.
- Best satisfies them.
- Fairly small but has size, profit and growth potential.
- Unlikely to attract competitors

**Example** – Itch guard, Sugar free, Ezee by Godrej, Johnson and Johnson, Manyavar

#### HOW CAN YOU A CREATE NICHE MARKET?

#### ➤ Local or Micro-Marketing (Also known as Grassroots Marketing):

Marketing program tailored to the local need of customer group comes under local marketing. When the need of small homogeneous customer group is very specific and exclusive, company chooses different marketing strategy for them.

#### Examples

- Jabra song from movie Fan launched in local languages
- OTV, Colors Oriya channel.

- Bharat Matrimony.com (Oriya, Telugu, Tamil)
- Spider Man and Other movies in Local Languages
- Cartoon Network, Discovery, National Geographic air channels with different languages
- Nike engaged target consumers through grassroots marketing efforts such as sponsorship of local school teams, expert conducted clinics, and provision of shoes, clothing and equipment to young athletes.
- Banks offer different mixes of banking services in branches depending on neighborhood demographics. Starbucks also uses local marketing initiatives.
- Special bank branches for NRI transactions in Kerala and children magazine.
- Many popular books published in different languages.
- In Liberty show room at Connaught Palace of Delhi, the design, colour and model of shoes are completely different and are hardly available in any other Liberty show room.
- Wagh Bakri tea has a share of almost 50% of branded tea in Gujarat Market and 7% of Indian Market. It has adopted a strategy of lower price and localized marketing

### ➤ Individual Marketing (Customized Marketing, Or One-To-One Marketing)

When the need is highly personalized, companies may opt for customized design and delivery of the product. Here to retain the loyalty of the customer, the firm may build a socio-personal relationship. As such products do have a longer post purchase relationship.

**Example – Asian Paints, Nerolac and Berger Paints** are selling paint and distemper of any colour combination as demanded by individual customers. Scooty Pep offered hundred plus colors. **Maruti Suzuki Breeza** offers cars according to the colour that consumers want, **Arvind Mills** showrooms offer Ready To Stitch customized jeans. **Coke's** Freestyle vending machine allows users to choose from more than 100 Coke brands or custom flavors or to create their own.

### What is a Super Segment?

**Supersegment is a set or combination of different market divisions in an industry with similar traits.**

In other words, the varied divisions have their unique audience; but share certain similarities among them.

**For example** - the cell phone industry has several market segments, such as smartphone, feature phone, basic phone, etc. The common attribute among the segments is their phone's 'calling' and 'texting' feature, available in the most expensive and also the cheapest cell phones. A company can opt to operate in any of these segments, such as Apple that only makes smartphones.

**Example** - Ford can capitalize on its gains in the so-called Super Segment, a Ford term that encompasses its subcompact, compact and mid-sized vehicles: the Fusion, Focus, Escape, C-Max and Fiesta.

## MARKET SEGMENTATION FOR INDUSTRIAL GOODS

### Demographic

1. **Industry:** Which industries should we serve?
2. **Company size:** What size companies should we serve?
3. **Location:** What geographical areas should we serve?

### Operating Variables

4. **Technology:** What customer technologies should we focus on?
5. **User or nonuser status:** Should we serve heavy users, medium users, light users, or nonusers?
6. **Customer capabilities:** Should we serve customers needing many or few services?

### Purchasing Approaches

7. **Purchasing-function organization:** Should we serve companies with a highly centralized or decentralized purchasing organization?
8. **Power structure:** Should we serve companies that are engineering dominated, financially dominated, and so on?
9. **Nature of existing relationship:** Should we serve companies with which we have strong relationships or simply go after the most desirable companies?
10. **General purchasing policies:** Should we serve companies that prefer leasing? Service contract? Systems purchases? Sealed bidding?
11. **Purchasing criteria:** Should we serve companies that are seeking quality? Service? Price?

### Situational Factors

12. **Urgency:** Should we serve companies that need quick and sudden delivery or service?
13. **Specific application:** Should we focus on a certain application of our product rather than all applications?
14. **Size or order:** Should we focus on large or small orders?

### Personal Characteristics

15. **Buyer-seller similarity:** Should we serve companies whose people and values are similar to ours?
16. **Attitude toward risk:** Should we serve risk-taking or risk-avoiding customers?
17. **Loyalty:** Should we serve companies that show high loyalty to their suppliers?

## POP and POD

**Points-Of-Parity** - Associations that are not necessarily unique or are common to the brand but may be shared with other brands

*Example – Savlon and Dettol are antiseptic liquids.*

**Points-Of-Difference (USP, Unique Selling Proposition)**- Attributes or benefits that are unique, consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand.

*Example – Savlon's POD is that it did not have a burning sensation when applied. Dettol's POD is that it has a distinctive smell, it turns cloudy in water.*

## DIFFERENTIATION (What are the bases for differentiation?)

Differentiation is the process of adding meaningful and valued differences to distinguish the company's offering from the competition.

### MEANS OF DIFFERENTIATION

- Employee differentiation:** companies can have better trained employees to provide superior customer service. **Example-** Singapore Airlines is well regarded in large part because of its flight attendants.
- Channel differentiation:** design distribution channels' coverage, expertise, and performance to make buying the product easier and more enjoyable and rewarding. **Example** - Eureka Forbes direct to home, Amway, Tupperware
- Image differentiation:** craft powerful, compelling images that appeal to consumers' social and psychological needs. **Example-** Raymond, Mercedes, Premium products, Perfumes.
- Services differentiation:** design a better and faster delivery system that provides more effective and efficient solutions to consumers. **Example**—Southwest Airlines,

**Note :** Companies can try to offer more than one differentiation

## POSITIONING

Positioning is the position of the product or brand in the minds of the customers or target market.

OR

Positioning is the act of designing the company's offering and image to occupy a distinct place in the mind of the target market.

- The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm.

*Positioning strategies revolve around four questions.*

### 1. Who am I?

It refers to the **corporate credentials like the origin, family tree and the 'stable'** from which it comes from. For instance, think of the mental associations when a buyer buys a Japanese car and it is a Honda!

### 2. What am I?

It refers to the **functional capabilities**. The perceived brand differentiation is formed using the brand's capabilities and benefits. For instance, the Japanese cars are known for their fuel-efficiency, reasonable-price and utility-value.

### 3. For whom am I?

It refers to the **target segment** for the brand. It identifies the that market segment for which his brand seems to be just right and has competitive advantage. **For instance, the Japanese car makers have traditionally focused on the quality conscious, value-seeking and rather-serious car buyer.**

### 4. Why me?

It highlights the **differential advantage of the brand** when compared to the competing brands. It gives reasons as to why the customer should select this brand in preference to any other brand. For instance, Japanese car makers have tried to score a competitive advantage on the lines of quality and technology

**Example** - Lifebuoy is hygiene soap, while Liril is for freshness. Lux is a beauty shop. Dettol is antiseptic. Maggi is good to eat and fast to cook. Mc Donalds a family restaurant.

## Positioning is a relative concept

Note that position represents the whole or overall perception of the brand in the consumers mind and that is always a relative concept.

**Positioning is about looking into the prospective consumers mind.**

### 7-UP - The UN-COLA Idea

The USA market was dominated by Pepsi and Coke in the Cola market. 7-UP had a steady volume as a mixer with hard drinks, but was nothing as compared to the potential of soft drinks in the USA market. To compete in that massive market, 7-UP had to carve out a niche in the consumer's mind, then dominated by the colas – Coke and Pepsi.

Using Colas as a frame of reference , 7-UP advertised itself as the UN-COLA soft drink. Hence, it attracted attention and positioned itself as

- A soft drink
- Different from colas and
- Intriguing (Whats an UN-COLA?)

**Hence, You won't find an UN-COLA Idea inside a 7 Up can you will find it inside the Cola drinkers head.**

Up was created by *Charles Leiper Grigg*, who launched his St. Louis–based company *The Howdy Corporation* in 1920. Grigg came up with the formula for a lemon-lime soft drink in 1929. The product, originally named "Bib-Label Lithiated Lemon-Lime Soda". Its name was later shortened to "7 Up Lithiated Lemon Soda" before being further shortened to just "7 Up"

Westinghouse bought 7 Up in 1969 and sold it in 1978 to Philip Morris, who then in 1986 sold it to a group led by the investment firm Hicks & Haas. Pepsico Inc. acquired the Seven-Up Company's international soft drink business from the Philip Morris Companies for \$246 million.

***"A consumer drinks through three servers first he drinks through his eyes then he feels the smell and then through tongue"***

## Can Same Product have Multiple Positions?



Same product can have multiple positions from time to time.

Example of MILKMAID –

- **Creamer and Richer** - first it was used as a *Creamer and Richer* experience to make milk
- **Tastiest Milk made** - then it was positioned as a Substitute For Milk which made milk tastier because there was shortage of supply of milk
- **Desert Topping** - then it was all used as a topping over fruits and desserts and
- **Milkmaid as an Ingredient** - then it was used as an ingredient to make desserts

Perceptions and then positions can be changed even if the product is the same - this is known as **Repositioning** of a brand, as in case of Milkmaid condensed milk or 7up repositioning may also be accompanied by physical changes in the brand.

Every FMCG companies dream is to be in the shopping list of the customers, and when can you be in the shopping list of the customers- when you're there in the mind when they want to recall, when the want to shop they should be able to recall your brand

**Be unique among the similar you should know who your competitors are what are the similarities and how you will be unique among the similar what should you speak which should be unique**

## STEPS in Positioning

1. Identifying potential competitive advantages upon which to build a position.
2. Choosing the right competitive advantages.
3. Selecting an overall positioning strategy.

**Competitive advantage** is a company's ability to perform in one or more ways that competitors cannot or will not match.

- For a brand to be effectively positioned, however, customers must see any competitive advantage as a *customer advantage*.
- **For example**, if a company claims its product works faster than its competitors, it won't be a customer advantage if customers don't value speed. If a company claims that it gives the best service in the industry, then it will be a competitive advantage because today the customer's value service.

Companies try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through advertising.

## Types of Positioning Strategies

### Positioning by:

- Corporate Identity (Tata, Aditya Birla Group, Godrej, Hitachi, Toshiba)
- Brand endorsement (Use of celebrity)
- Product attributes or benefits (Colgate Total positions itself as offering "12 hour antibacterial protection")
- Use, occasion and time (Cadbury – for festivals & gifting; Red Bull for sports & gaming)
- Price quality (Rolex – positioned as a premium watch brand)
- Product category (Johnson and Johnson – babies category; Mc Donalds – fast food category)
- Product user (Sugar free for diabetes patients; Nike for athletes and fitness enthusiasts)
- Competitor (Pepsi vs. Coca-Cola – Pepsi often challenges Coke with comparative ads.)

**Errors in positioning** - A firm should avoid following four types of major positioning errors.

- a) **Under-positioning**: This happens when consumers do not know about the brand (vague positioning).  
**Example – Indira IVF**. Buyers consider the brand as just another "me too" brand in a crowded product category.
- b) **Over-positioning**: It occurs when consumers have a narrow view of a firm or its products. **Example – Kellogg's K** is positioned for women who want to become slim, it could also have been targeted for men too who want to become slim.

- c) **Confused positioning:** This occurs when buyers have a confused image of the product. **Example –** Tata Nano
- d) **Doubtful positioning:** This occurs when buyer doubt the claims made by the firm. **Example:** Fair and Handsome, The commercials about hair re-growth on Telebrands channels.

## ASSIGNMENT

### Positioning

1. A detergent company wants to enter into rural area. Design a positioning strategy
2. For Maggi re-launch design a repositioning strategy.
3. For MTR Ready to eat Pakhala design a Positioning strategy.
4. A lipstick manufacturing company wants to enter into rural market of Odisha. There are many competitors who provide similar product to people. Design a positioning strategy for this new company.
5. For a Health Juice beverage company. Design a positioning strategy
6. How would you position the following
  - a) Pen
  - b) Notebook
  - c) Mobile
  - d) Laptop
  - e) Branded Fruits
  - f) Water Bottle
  - g) Fan

### Niche Marketing

1. How would you create a Niche Market for the following
  - a) Pen
  - b) Mobiles
  - c) Clothes
  - d) Laptop
  - e) Bags

## VALUE PROPOSITION

It is the set of benefits or values a company promises to deliver to consumers to satisfy their needs.

It is a promise by a company to a customer or market segment.

In a nutshell, value proposition is a clear statement that

- explains how your product solves customers' problems or improves their situation (relevancy),
- delivers specific benefits (quantified value),
- tells the ideal customer why they should buy from you and not from the competition (unique differentiation).

**Value Proposition** consists of the whole cluster of benefits the company promises to deliver; it is more than the core positioning of the offering. For example, Volvo's core positioning has been "safety", but the buyer is promised more than just a safe car; other benefits include good performance, design, and safety for the environment. *The value proposition is thus a promise about the experience customers can expect from the company's market offering and their relationship with the supplier.*

Hence, there are five winning value propositions upon which companies position their products in the following ways:

- ❖ **More and more:** This positioning involves providing the most excellent products/service and charging a higher price to cover other costs.
- ❖ **More for the same:** In this positioning strategy, companies can introduce a new brand with a comparable quality than its competitor at a lower price.
- ❖ **The same for less:** It is a powerful positioning tool, where company can position its ideal product with a lesser cost than its competitors.
- ❖ **Less for much less:** According to the customers need, want and affordability, marketers sometime position their product in much less price than their competitors, where product quality is in stake.
- ❖ **More for less:** Few companies position their products, where product benefits are more than its cost.

Example –

**Maruti Suzuki:** **Functional** – Economic, operational easiness, speed, comfort, low maintenance  
**Emotional** – Trust worthy

**Nirma:** **Functional**– Value for money, good performance  
**Emotional** – Family bonding, cleanliness and choice of everybody.

**Maggi:**

**Functional**– Fast to cook

**Emotional**– Tasty noodles prepared instantly

**Note:**

- **COMPETITIVE ADVANTAGE** (Own Organization focused)
- **DIFFERENTIATORS** (Competition focused)
- **VALUE PROPOSITION** (Customer focused)

## CONSUMER BEHAVIOUR

The behavior that consumers display in

- **Searching for**
- **Purchasing**
- **Using**
- **Evaluating and**
- **Disposing**

of product and services that they expect will satisfy their needs is consumer behaviour.

- *Schiffman and Kaunk*

### Customer and Consumer

- A customer is one who **buys** the product. May and may not be the user of the product.
- A consumer is one who is the **end user** or the ultimate user of the product.

Consumers can be of two types :

1. **Personal consumers** - buys the goods and services for his personal use. Example - sugar, tea, burger, furniture.
2. **Organizational consumers** - are profit and not- for- profit organizations, government, schools, hospitals.

### Importance of Consumer Behavior

- To understand Buying Behaviour of consumers
- To create and retain customers
- Understand the factors influencing Consumer's buying Behaviour
- To understand the consumer's decision to dispose a product or services
- To increase the knowledge of sales person influence consumer to buy product

- To help marketers to sale of product and create focused marketing strategies
- To design the best possible product or service that fully satisfies consumer's needs and demands.
- To decide where the service or product would be made available for easy access of consumers.
- To decide the price at which the consumers would be ready to buy that product or service.
- To find out the best method of promotion that will prove to be effective to attract customers to buy a product.
- To understand why, when, how, what and other factors that influence buying decision of the consumers.

CONSUMER BUYING BEHAVIOR	ORGANIZATIONAL BUYING BEHAVIOR
• Product driven	• Volume driven
• <i>Emotional</i> and <i>rational</i> decisions based decision on status, desire, or price	• <i>Rational</i> decision based on need and budgets
• Buying decision is <i>simple</i>	• Buying decision is <i>not simple</i>
• <i>Short</i> and <i>long term</i> relationship	• <i>Long term</i> relationship
• Buying process is <i>short</i>	• Buying process is <i>lengthy</i>
• <i>Shorter</i> purchasing cycle	• <i>Longer</i> purchasing cycle
• <i>Large</i> number of buyers	• <i>Smaller</i> number of buyers
• Usually <i>sell directly</i> to the consumer or involves intermediaries	• Requires <i>consultative selling</i> by manufacturer sales force and distribution sales force
• Lifetime Customer Value is <i>Low</i>	• Lifetime Customer Value is <i>High</i>
• <i>Merchandising</i> and <i>point of purchase</i> activities required	• <i>Personal interaction</i> is required

### Level of involvement

A consumer's level of involvement is how interested he or she is in buying and consuming a product.

**High-involvement products** are usually **expensive** and the **consumers think much before buying it**. They pose a high risk to the buyer. The customer repents if he or she makes a mistake by purchasing them.

**Examples – Laptop, car, TV**

**Low-involvement products** are usually **inexpensive** and the consumers **do not think much** before buying it. They pose a low risk to the buyer. The customer does not repent if he or she makes a mistake by purchasing them.

Examples- Shampoo, pickles, soft drinks, soap

## 1. Do consumers behave in the same manner while purchasing a candle and a laptop?

### BUYING ROLES

The marketer needs to understand these roles so as to be able to frame suitable strategies to target them.

- i. **Initiator:** The person who identifies a need and first suggests the idea of buying a particular product or service.
- ii. **Influencer:** The person(s) who influences the buyer in making his final choice of the product.
- iii. **Decider:** The person who decides on the final choice: what is to be bought, when, from where and how
- iv. **Buyer:** The person who enters into the final transaction and exchange process or is involved in the physical activity of making a purchase.
- v. **User:** The person(s) who actually consumes the product or service offering.

**Example 1: A small girl needs to buy color crayons to use in class.**

- |      |                    |                                    |
|------|--------------------|------------------------------------|
| i)   | <b>Initiator:</b>  | The girl                           |
| ii)  | <b>Influencer:</b> | Her teacher or her classmates      |
| iii) | <b>Decider:</b>    | Either of the parents              |
| iv)  | <b>Buyer:</b>      | Either of the parents or a sibling |
| v)   | <b>User:</b>       | The girl herself                   |

**Example 2: The mother of the house is a housewife; she loves watching TV when her husband and children go for work. She has been complaining that the present TV set at home is not working properly. She also says that the model is now an old one and that that the family should own a new model.**

- |      |                    |  |
|------|--------------------|--|
| i)   | <b>Initiator:</b>  | The lady   |
| ii)  | <b>Influencer:</b> | Her neighbors and friends                        |
| iii) | <b>Decider:</b>    | Joint: Her husband, she herself and the children |
| iv)  | <b>Buyer:</b>      | Husband or son or daughter or she herself        |

v) **User:** The family

**Example 3:** A boy enters college and needs a laptop for doing assignments.

- i) **Initiator:** The boy himself
- ii) **Influencer:** His friends and classmates
- iii) **Decider:** The boy himself
- iv) **Buyer:** The boy himself
- v) **User:** The boy himself

**Note:** Hence ads related to kids products like chocolates, noodle, pen, pencil, are mostly telecasted in Kids Channels like Cartoon Network, Pogo.

### FACTORS AFFECTING CONSUMER BUYING BEHAVIOUR

<b>A. CULTURAL FACTORS:</b>  <ul style="list-style-type: none"> <li>a) Culture</li> <li>b) Sub-culture</li> <li>c) Social class</li> </ul>	<b>B. PERSONAL FACTORS:</b>  <ul style="list-style-type: none"> <li>a) Age and life cycle stage.</li> <li>b) Occupation</li> <li>c) Economic analysis</li> <li>d) Life style</li> <li>e) Personality and self-concept</li> </ul>
<b>C. SOCIAL FACTORS</b>  <ul style="list-style-type: none"> <li>a) Reference groups</li> <li>b) Family</li> <li>c) Roles and Status</li> </ul>	<b>D. PSYCHOLOGICAL FACTORS:</b>  <ul style="list-style-type: none"> <li>a) Motivation</li> <li>b) Learning</li> <li>c) Beliefs and Attitudes</li> </ul>

**Consumer purchases are influenced strongly by the following factors:**

- A. CULTURAL
- B. SOCIAL
- C. PERSONAL
- D. PSYCHOLOGICAL

#### A. CULTURAL FACTORS:

**The marketer needs to understand the role played by the consumer's following aspects:**

- (a) Culture
- (b) Sub-culture

**(c) Social class**

- a) **Culture** - Culture refers to a set of values, ideas and attitudes, transmitted or passed down to the next generation- Determines what people should wear, eat. Example: It is common to find Malaysians to be eating in the open air restaurants in the middle of the night.
- b) **Subculture** - Include nationalities, geographic regions, racial groups. Some important sub-culture groups in India are, Hindus, Muslim, Christians, Parsis, Punjabis, South Indians.
- c) **Social class**- Measured and related to **occupation, income, education and wealth** and share common interests and behaviors. - In India for example they are generally categorized into **upper , middle and lower class**

**B. SOCIAL FACTORS**

A consumer's behavior also influenced by the following social factors:

**(a) Reference groups**

**(b) Family**

**(c) Roles and Status**

- a) **Reference groups**: Groups in society with which a person interacts and asks for suggestions. They act as a point of reference for consumers in making their decisions. Reference group has direct or indirect influence on the attitude and behaviour of the person. Example of products : automobile, TV, clothing
  - **Opinion Leader**- A well-known individual or organization that has the ability to influence public opinion on the subject matter for which the opinion leader is known. Opinion leaders can be specialists, politicians, business leaders, community leaders, journalists, educators, celebrities and sports stars.
- b) **Family**: Family members can strongly influence buyer behavior. The family is the most important consumer buying organization in society. Marketers are interested in the roles and influence of the husband, wife and children on the purchase on the different products/services. Children may also have a strong influence on family buying decisions.
- c) **Role And Status**: A person belongs to many groups like family, clubs, and organizations. The person's position in each group can be defined in terms of both role and status. A role consists of the activities people are expected to perform according to the persons around them. Each role carries a status reflecting the general esteem given to it by society. People usually choose products appropriate to their role and status.

**C. PERSONAL FACTORS**: A buyer's decision also is influenced by personal characteristics like:

- a) Age and life cycle stage.
- b) Occupation
- c) Economic analysis
- d) Life style
- e) Personality and self-concept

a) **Age and life cycle stage:** People change the goods/services they buy over their life time. Tastes in food, clothes, furniture and recreation are often age-related. Buying also shaped by the stage of the family life cycle-the stages through which families might pass as they mature over time. Marketers often define their target markets in terms of life cycle stage and develop appropriate products and marketing plans for each stage.

**Examples:**

- SONY recently changed its marketing approach in order to target products and services to consumers based on their life stages. It created a new unit called the consumer segment marketing division, which has identified 7 life-stage segments. They include, among others, Gen Y (under 25), Young Professionals (double income, no kids, 25-34), Families (35-54) and Zoomers (55 and over). A recent Sony ad aimed at Zoomers, people who have just retired or are close to doing so, shows a man living his dream by going into outer space. The ad deals not only with going into retirement, but with the psychological life-stage changes that go with it. "The goal is to get closer to consumers" says a Sony segment marketing executive.
- Titan usually launches its wedding collections across major stores during the wedding season to cash in on the trend of purchasing watches as gifts.

- b) **Occupation:** A person's occupation affects the goods and services bought. Marketers try to identify the occupational groups that have an above interest in their products and services. A company can even specialize in making products needed by a given occupational group (medical equipment for Doctors).
- c) **Economic Situation:** A person's economic situation will affect product choices. Marketers of price sensitive goods watch trends in personal income, savings and interest rates. Some marketers target consumers who have lot of money and resources and giving premium products to them.
- d) **Life-style:** Life style is one's pattern of living. Somehow it involves following dimensions:
- **ACTIVITIES:** Work, hobbies, shopping, sports, social events.
  - **INTERESTS:** Food, fashion, recreation, family.
  - **OPINIONS:** About themselves, social issue, business, products.

**Note : AIO is Activities, Interests, Opinions**

Life style captures something more than the person's social class or personality.

- e) **Personality and Self-Concepts:** Each person's distinct personality influences his/her buying behavior. Personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment. Personality is usually described in terms of the following few traits:

- Self-confidence
- Dominance
- Sociability
- Adaptability
- Defensiveness
- Aggressiveness
- Emotional
- Independent

Personality can be useful in analyzing consumer behaviour for certain products or brand choice. For example: Coffee marketers have discovered that heavy Coffee drinkers tend to be high on sociability. Hence to attract customers "coffee café day" create environment in which people can relax and take social interaction.

**D. PSYCHOLOGICAL FACTORS:** A person buying choice further influenced by four major psychological factors:-

- Motivation**
- Learning**
- Beliefs and Attitudes**

a) **Motivation:**

- Motives are the driving forces that cause a person to take action to satisfy specific needs.
- Some are biological, such as one motivate for good foods if he is hungry similarly for thirst or discomfort.
- Others are psychological, arising from the need for recognition, Esteem or belonging.
- By studying motivation, marketers can analyze the major forces influencing consumers to buy or not buy products.

Psychologists have developed theories of human motivation.

- **Freud's Theory:** Person's buying decisions are affected by sub-conscious motives thus even the buyer may not fully understand.
- **Maslow's Theory:** This theory explains way people are driven by particular needs at particular time. This theory states that human needs are arranged in a hierarchy in the below order:

**Maslow's Theory Examples:**

- ✓ Ads showing a tempting pizza or an athlete gulping down Dabur Active fruit juice after a workout are examples of appeals to satisfy the **physiological needs** of hunger and thirst.

- ✓ Marketers sometimes appeal to consumers' fears and anxieties about **safety** to sell their products. **For example**, customers are generally worried about recovery of insured amount from the insurance companies. *Bharti AXA Life Insurance designed a campaign to allay this fear and promise the customers of paying the sum insured within 48 hours of claiming.*
- ✓ Marketing managers probably appeal to the **social needs** more than any other. Ads for clothes, cosmetics and vacation packages suggest that buying the product can bring love. Teens consider Apple's iPod to be not only their favorite branded product but also something that defines their generation. Other such brands include Axe, Facebook, Google, Café Coffee Day, Fastrack, MTV and YouTube.
- ✓ Montblanc pens, Mercedes-Benz automobiles and Louis Vuitton stores, all appeal to **esteem needs**.
- ✓ The highest need is **self-actualization**. American Express ads convey the message that acquiring its card is one of the highest attainments in life. Microsoft appealed to consumers' needs for self-actualization when it chose "I'm a PC and Windows 7 was my idea" as the slogan for Windows 7.

**b) Learning:**

- When people act, they learn. Learning describes changes in an individual's behavior arising from experience.
- For example, suppose you see an advertisement for a new and improved cold medicine. If you go to the store that day and buy that remedy, we infer that you have learned something about the cold medicine.
- A **drive** is a strong internal stimulus impelling action.
- **Cues** are minor stimuli that determine when, where and how a person responds.

**c) Beliefs and Attitudes:**

Through learning people acquire beliefs and attitudes; these in turn influence their buying behavior.

A **belief** is an organized pattern of knowledge that an individual holds true about his or her world.

A consumer may believe that Sony's Cyber-shot camera takes the best HD video, is easiest to use and is the most reasonably priced.

These beliefs may be based on knowledge, faith or hearsay.

Consumers tend to develop a set of beliefs about a product's attributes and then, through these beliefs, form a brand image- a set of beliefs about a particular brand.

In turn, the brand image shapes consumers' attitudes towards the product.

**Attitudes** describe a person's relatively consistent evaluations, feelings and a tendency towards an object or idea. Attitudes put people into a frame of mind of liking or disliking things or moving away or towards it.

People have attitudes regarding the below factors:

- Religion
- Politics

- Clothes
- Music
- Food

**For example,** consider the differing attitudes of consumers around the world toward the practice of purchasing on credit. Americans have always been enthusiastic about it whereas Germans are reluctant to buy on credit. Italy has a sophisticated credit and banking system well suited to handling credit cards, but Italians prefer to carry cash. The Japanese have long looked down on credit purchases but acquire cards to use while travelling abroad.

Negative attitudes towards a product can be changed in the following ways:

- Changing beliefs about attributes
- Changing the importance of beliefs
- Adding new beliefs

**Perception:** is the process by which people select, organize and imperfect information to form a meaningful picture of the world.

**Note** -People emerge with different perceptions of the same object because of **three perceptual processes:**

- Selective attention**
- Selective distortion**
- Selective retention**

People are exposed to a great amount of thought (stimuli) every day.

For example: A consumer is exposed to some 200 ads every day. Hence it is impossible for a person to pay attention to all these stimuli.

- Selective attention** - It's estimated that the average person may be exposed to over 1,500 ads or brand communications a day. Because we cannot possibly attend to all these, we screen most stimuli out—a process called selective attention.
- Selective Distortion** -is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.
- Selective Retention** - Most of us don't remember much of the information to which we're exposed, but we do retain information that supports our attitudes and beliefs. Because of selective retention, we're likely to remember good points about a product we like and forget good points about competing products.

<p><b>A. CULTURAL FACTORS:</b></p> <ul style="list-style-type: none"> <li>a) <i>Culture</i></li> <li>b) <i>Sub-culture</i></li> <li>c) <i>Social class</i></li> </ul>	<p><b>C. PERSONAL FACTORS:</b></p> <ul style="list-style-type: none"> <li>a) <i>Age and life cycle stage.</i></li> <li>b) <i>Occupation</i></li> <li>c) <i>Economic analysis</i></li> <li>d) <i>Life style</i></li> <li>e) <i>Personality and self-concept</i></li> </ul>
<p><b>B. SOCIAL FACTORS</b></p> <ul style="list-style-type: none"> <li>a) <i>Reference groups</i></li> <li>b) <i>Family</i></li> <li>c) <i>Roles and Status</i></li> </ul>	<p><b>D. PSYCHOLOGICAL FACTORS:</b></p> <ul style="list-style-type: none"> <li>a) <i>Motivation</i></li> <li>b) <i>Learning</i></li> <li>c) <i>Beliefs and Attitudes</i></li> </ul>

## LEARNING

### Two types of learning: Experiential and Conceptual

- **Experiential learning** occurs when an experience changes your behaviour. **For example**, if the cold medicine does not relieve your symptoms, you may not buy that brand again.
- **Conceptual learning** does not occur through direct experience. Suppose one of your friends went to a restaurant and told you that their customer service is not good. The next time you would like to go out for dining, you will avoid going to that restaurant because your friend gave you a bad review. You have learned that you would not enjoy the overall experience there without even trying it.

### Reinforcement and Repetition boost learning.

- Reinforcement can be positive or negative.
- If you see a vendor selling flavoured yoghurt (stimulus), buy it (response) and find the yoghurt to be quite refreshing (reward), your behaviour has been **positively reinforced**.
- On the other hand, if you buy a new flavour of ice cream and it does not taste good (**negative reinforcement**), you will not buy that ice cream again (response).
- Learning theory is helpful in reminding marketers that concrete and timely actions are what reinforce desired consumer behaviour.
- **Repetition** is a key strategy in promotional campaigns because it can lead to increased learning. Most marketers use repetitious advertising so that consumers will learn what their unique advantage is over competition.

- **Stimulus Generalization** is a form of learning that occurs when one response is extended to a second stimulus similar to the first.
- Marketers often use a successful, well-known brand name for a family of products because it gives consumers familiarity with and knowledge about each product in the family.
- Such brand name families spur the introduction of new products and facilitate the sale of existing items.
- Dettol relies on consumers' familiarity with its antiseptic to sell soaps, liquid hand washes and shaving creams; Sony's film division relies on name recognition from its home technology, such as the PlayStation. Maggi soups and Maggi Pasta rely on familiarity with Maggi Noodles and Dove shampoo relies on familiarity with Dove soap.
- Another form of stimulus generalization occurs when retailers or wholesalers design their packages to resemble well-known manufacturers' brands. Such imitation often confuses consumers, who buy the imitation thinking that it's the original.
- The opposite of stimulus generalization is **Stimulus Discrimination**.
- It means learning to differentiate among similar products.
- Consumers may perceive one product as more rewarding or stimulating.
- For example, some consumers prefer Coca-Cola and others prefer Pepsi. Many insist that they can taste a difference between the two brands.

## CONSUMER DECISION MAKING PROCESS

There are **five stages** in the consumer decision making process.

1. **Need recognition**
2. **Pre-purchase information search**
3. **Evaluation of alternatives**
4. **Purchase decision**
5. **Post-purchase outcome and reactions**

### 1. **Need recognition**

The need or deficiency is first identified. A need is recognized in any of the following situations:

- When a current product is not performing well.
- When the current product is nearing depletion.
- When another brand seems superior to the one currently owned

For example,

- A person is thirsty and feels like having a cola drink. The stimulus is internal. On the other hand, while walking across the street, he sees a hoarding which shows a person having a frosted, chilled cola, and he too desires to have the same, the need is said to have been stimulated by an external stimuli.

- A product stops functioning and the customer needs a replacement; eg. A refrigerator.
- The product is functioning properly; but the consumer wants to buy an upgraded model.

## 2. Pre-purchase information search

After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision.

He gathers information about the:

- (i) *product category and the variations*
- (ii) *various alternatives*
- (iii) *various brands.*

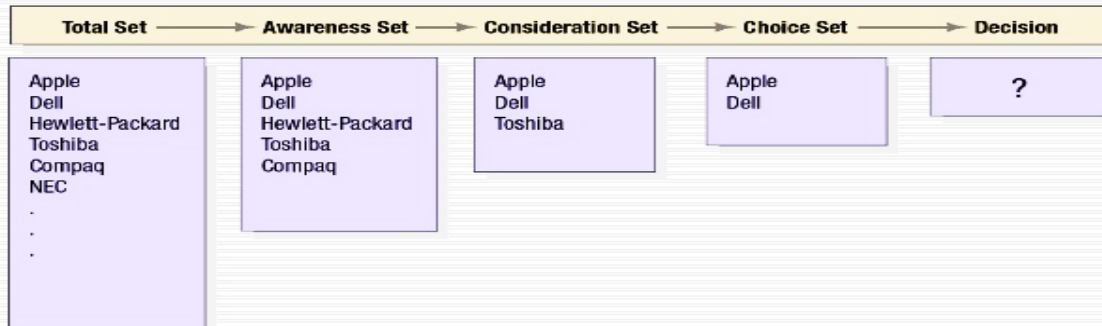
The amount of information a consumer will gather depends on the following:

- i) *The consumer:* demographics (age, gender, education), psychographics (learning, attitudes, involvement, personality type)
- ii) *Product category:* differentiation and alternative brands available, risk, price, social visibility and acceptance of the product.
- iii) *Situation:* time available at hand, first time purchase, quantity of information required, availability of information.

### **Information sources:**

- ✓ **Personal:** Family, friends, neighbours, acquaintances
- ✓ **Commercial:** Advertising, websites, salespersons, dealers, packaging, displays
- ✓ **Public:** Mass media, consumer-rating organizations
- ✓ **Experiential:** Handling, examining, using the product

## Successive Sets Involved in Consumer Decision Making



- ✓ **Total set:** The total no. of brands available in the market.
- ✓ **Awareness set:** The number of brands that the consumer knows about
- ✓ **Consideration set/ Evoked set:** Brands that meet the initial buying criteria
- ✓ **Choice set:** The preferred set of brands
- ✓ **Decision:** Final selection

### 3. Evaluation of alternatives

Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain criteria.

### 4. Purchase decision

After the consumer has evaluated the various alternatives, he selects a particular brand. The consumer may further have to make decisions on:

- Where to buy from? (place: brick and mortar or online);
- Whom to buy from? (which store: depends on reputation of seller, past experience, etc.)
- When to buy? (time: emergency or routine; during season, off season, sale, rebate etc.)

Consumer purchases may be first time purchases or repeat purchases. Repeat purchases: If the consumer is satisfied, he would buy the brand again. Repeat purchases lead to brand loyalty.

## 5. Post-purchase outcome and reactions

After the purchase, the consumer

Uses the product and re evaluates his purchase according to the performance and expectations.

This phase is significant as it

- (i) Acts as an experience and gets stored in the memory;
- (ii) Affects future purchase decisions;
- (iii) Acts as a feedback.

There could be three situations that can arise: -

- **Performance meets expectations:** This leads to a neutral feeling; Customer may think of more suitable alternatives next time.
- **Performance exceeds expectations:** The customer is satisfied and this leads to a positive feeling. He would tend to repeat purchase and it would lead to brand loyalty. He would also spread positive word of mouth.
- **Performance falls short of expectations:** Here, the customer is dissatisfied and this leads to a negative feeling. The customer would search for other alternatives, express grievances, spread negative word of mouth and may even resort to legal action.

### Post-purchase actions:

- ✓ A satisfied customer is more likely to purchase the product again and will also tend to say good things about the brand to others.
- ✓ Dissatisfied customers may abandon or return the product.
- ✓ They may take action by complaining to the company, going to a lawyer, or complaining to other groups (such as business, private or govt. agencies).
- ✓ Private actions include deciding to stop buying the product (exit option) or warning friends (voice option).

## Buyers Black Box

Environmental Influences		The Buyer's Black Box		Buyer's response
Marketing Factors	Environmental Factors	Buyer Characteristics	The Decision Process	
Product	Economic	Attitudes	Problem recognition	Product choice
Price	Technological	Motivation	Information search	Brand choice
Place	Political	Perceptions	Alternative evaluation	Dealer choice
Promotion	Cultural	Personality	Purchase decision	Purchase timing
	Demographic	Lifestyle	Post-purchase behaviour	Purchase amount
	Natural	Knowledge		

## Buyers Black Box

It is not possible to open the human mind to look inside, we can only do something to the mind. The art of understanding human psyche in terms of stimulus and response.

The black box model of consumer behavior **identifies the stimuli responsible for buyer behavior.**

- The buyer black box is the consumer's head.
- The buying behaviour of a final consumer is influenced by various factors.
- These factors or characteristics determine what is going on in the so-called BLACK BOX of the consumer.
- There, the whys of buying behavior take form.
- The buying behaviour is based on stimuli coming from the environment such as the 4 Ps (Marketing Mix) and other environmental factors (DPESTEL).
- The stimuli then goes through the buyer black box, where a decision is formed.

**The black box consists of 2 parts.** This reaction on stimuli is based on –

### 1) Buyer's characteristics

### 2) Buyer's decision process.

- The outcome of the thinking that takes place in the black box are the buyer's responses. These refer to buying attitudes and preferences.
- Also, the purchase behaviour is an outcome. What does the consumer buy, where, when, and in what quantities?
- Finally, the relationship behaviour towards brands and companies is a result of the things going on in the buyer black box.

- Thus, the black box is the central element of the consumer buying behaviour.

### Example

**Discount offers** – During discount seasons, Malls, and stores are filled with customers thinking they will get high price products in cheap and this thinking of the customers let them spend more as they actually want. But discounts vary from brand to brand. No-one knows how they decide the amount of discounts to be given. They all are busy in buying. This is black box approach of companies to sell more of their items because of consumers' thinking and behavior.

## CUSTOMER LIFETIME VALUE (CLTV):

**CUSTOMER'S LIFE TIME VALUE:** *The organization needs to know how much a customer will purchase company's product during his life time. The value provided by the customer during his life time to the organization is called customer's life time value.*

- This is the value defined from organization perspective. The main objective of an organization is to acquire customers as well as to retain customers and then invest a lot for these.

**Customer Lifetime Value or CLTV** is the present value of the future cash flows or the value of business attributed to the customer during his or her entire relationship with the company.

✓ The basic formula for calculating CLTV is the following:

$$\text{CLTV} = (\text{Average Order Value}) \times (\text{Number of Repeat Sales}) \times (\text{Average Retention Time})$$

### For example

Let's say you run a Health Club where

- customers pay Rs 1000 per month and
- the average time that a person remains a customer in your club is 3 years.

Then the lifetime value of each customer is (according to the formula above):

$$\text{Rs } 1,000 \text{ per month} \times 12 \text{ months} \times 3 \text{ years} = \text{Rs } 36,000.$$

This means each customer is worth a lifetime value of Rs 36,000.

**Note :** Once we calculate CLTV we know how much the company can spend on paid advertising such as Facebook ads, YouTube ads, Google Adwords etc. in order to acquire a new customer.

- ✓ CLTV is the value a customer contributes to your business over the entire lifetime at your company. It is a very important metric and is used while making important decisions about sales, marketing, product development, and customer support.
- ✓ Customer Lifetime Value measures the profit your business makes from any given customer.
- ✓ By applying Customer Lifetime Value marketing managers can easily arrive at the rupee value associated with the long-term relationship with any customer.
- ✓ It is difficult to predict how long each relationship will last, but marketing managers can make a good estimate and state CLTV as a periodic value.

It is useful metric used by marketing managers especially at a time of acquiring a customer. Ideally, lifetime value should be greater than the cost of acquiring a customer. Some also call it a break-even point.

Or

- $(\text{Average Monthly Revenue per Customer} * \text{Gross Margin per Customer}) \div \text{Monthly Churn Rate}$
- For example: Rs 100 average monthly spend \* 25% margin  $\div$  5% monthly churn = Rs 500 LTV

## Integrated marketing communications (IMC)

Integrated marketing communications is about combining or integrating all the communication tools and sending a clear and consistent message through all the mediums.

- It helps to get better results from campaigns and reduces marketing costs.
- By integrating tools such as advertising, direct mail, social media, telemarketing and sales promotion, you provide clarity, consistency and maximum communications impact
- The different channels reinforce the message and will often strengthen the outcome by increasing the chances that a consumer will take action.

## Real Example

A few years ago there was a billboard in the area - a man proposing to a woman. Truthfully, it wasn't a real proposal, it was a jewelry store creating buzz which it did, and in my opinion, the campaign failed. It failed because people would see the billboard and then go online searching for news on this "billboard proposal."

Do you know what they found? A bloggers personal website talking about the proposal – actually commenting on how he hope the young lady being proposed to saw it because we consumers have developed slight billboard blindness. A few weeks later they posted another billboard - same location. The billboard read "This guy proposed on a billboard, regular men go to."

## What should have been done?

If the agency had created an integrated campaign, they could have taken this campaign much further - getting more bang for their buck and attracting, even more, exposure and visibility. The concept needed to add more to the user's experience in my opinion.

Perhaps an integrated campaign would have looked like this:

- Billboard with faux Proposal
- Blog or website optimized for search for this proposal, so when people searched they found a website sharing the faux story.
- The blog or website could have told the story of how they fell in love and perhaps even some include some online video.
- The website is used to create that user experience and drive the message home. Perhaps at the end of the story - an online commercial for that jewelry store appears discussing why regular men go to. You engage the user, create some emotion and it sticks in their mind even longer.

Do you see how integrating marketing message and using both online and offline tactics for a campaign can increase visibility, yet increase cost in a minimal way? Let's say that the billboard costs Rs 30,000 per month - they could have gained online traffic for a minimal cost, told a story and captured your market by increasing the user's experience and visibility.

## VIRAL MARKETING

**Viral marketing** is creating *entertaining or informative* messages that are *designed to be passed along in an exponential fashion*, often electronically or by email or by use of social networking apps.

It may be in the form of video, images, audio or messages.

- ✓ Like viral fever spreads rapidly .*Viral Marketing is marketing that spreads exponentially* whenever a new person is added or informed.
- ✓ Viral marketing, also known as electronic word of mouth (eWOM) or word of mouse marketing.

- ✓ It assumes that as each new user or person starts using or talking about the service or product, the advertising will go to everyone with whomever that user interacts.

### Advantages

- Low cost of reaching the client
- The virus spread is free of charge
- To create an effective virus, professional tools are not obligatory (for example, some advertising messages were created using amateur camera)
- It is possible to attain high level of trust, value, position and brand knowledge
- Viral marketing is more effective than traditional form of advertising message
- There is a chance to reach the consumers *immune* to traditional advertising messages

### Disadvantages

- The virus spread is uncontrolled
- The virus created by us can be modified (mutation), what can lead to deformation of intentional message
- There is a probability to create a negative brand image (viral marketing is defined as a double-edged sword)
- The virus existence in the Internet is of unlimited duration.
- It is impossible to measure the virus existence in the Internet.
- Internet takes control over the brand image and *play* with that image
- The lack of legislative regulations concerning viral Marketing

## GUERRILLA MARKETING

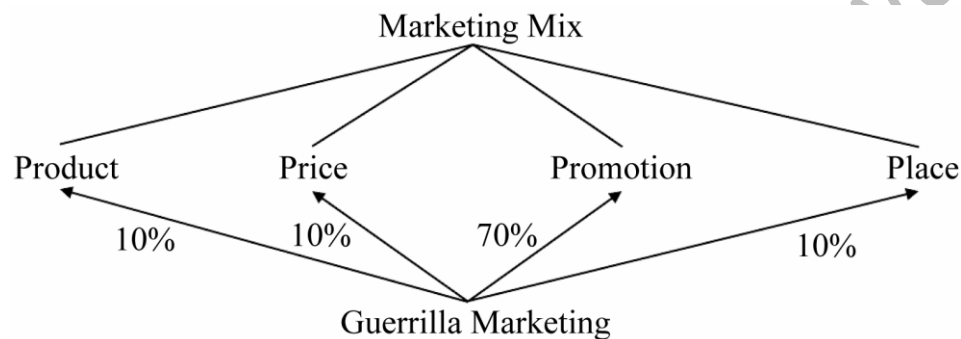
It is **unconventional or untraditional** means of advertising with the **use of graffiti, sticker bombing, flyer posting, etc** used in a (generally) **localized fashion to draw attention to an idea, product, or service.**

- ✓ The **objective** is to ***create a unique, engaging, and thought-provoking*** concept to generate buzz.
- ✓ Today, guerrilla marketing may also include promotion through a network of individuals, groups, or organizations working to popularize a product or idea by use of such strategies as *flash mobs, viral marketing campaigns, or internet marketing.*

- **Example:** The video of the “Hug Me” vending machine in Singapore that dispensed cans of Coke when people put their arms around it and hugged it. Within a week, the video generated 112 million impressions. Coca Cola reinforces its message of happiness with this promotion.

### Characteristics of guerilla marketing

<ul style="list-style-type: none"> <li>• Unconventional</li> <li>• Surprising</li> <li>• Original/creative</li> <li>• Cheeky/provocative</li> <li>• Cost-efficient/effective</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible</li> <li>• Unusual, funny, witty</li> <li>• Spectacular</li> <li>• Contagious</li> </ul>
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### AMBUSH MARKETING

**Marketing practice by which a rival company attempts to associate its products with an event that already has official sponsors.**

Ambush marketing can be defined as a tactic whereby a company attempts to ambush or undermine the sponsorship activities of a rival that owns the legal rights to sponsor an event; often involves creating the sense that they, and not the actual sponsor, are associated with the owners of the event or activity

The objectives of ambush marketing are twofold:

- To get maximum returns on the marketing buck and
- To undermine the branding efforts of the rivals by stealing the attention, increasing the clutter and confusing the viewers.

Example –

- ✓ Ambush marketing was first witnessed in 1984 Olympics and the 1996 Cricket World Cup which highlighted the concept in India. During the 1996 World Cup, although Coca Cola was the official sponsor of the tournament, Pepsi ambushed the campaign by coming up with the tagline “nothing official about it”.
- ✓ Audi and BMW billboard.

- ✓ Nike “Risk Everything” campaign against Adidas for FIFA 2014

## RELATIONSHIP MARKETING

Marketing activities that are aimed at developing, managing, and building long-term relationships with larger customers.

It **emphasizes customer retention and satisfaction**, rather than a dominant focus on sales transactions

In relationship marketing, *customer profile, buying patterns, and history of contacts are maintained in a sales database*, and an account executive is assigned to one or more major customers to fulfill their needs and maintain the relationship.

**Example – Bank Relationship Managers, B2B transactions Big Bazar Loyalty Cards , Reliance Trends cards, Pantaloons cards**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Customer stays loyal</li> <li>• Improves customer experience</li> <li>• Get customer feedback</li> <li>• Customer generates free good word of mouth</li> <li>• Creating unique and exclusive relationships</li> <li>• Gain competitive advantage from competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Customer privacy may be compromised</li> <li>• Focuses on retention and not acquisition</li> <li>• Leads to discrimination of other customers</li> </ul>

### Transaction Marketing

- Focus on making sale
- Product features are focussed
- Short-term focus
- Little emphasis on customer service
- Customer commitment is low
- Moderate customer contact
- Quality is primarily a concern of production
- Customer satisfaction

### Relationship Marketing

- Focus on making a customer loyal
- Product benefits are focussed
- Long-term focus
- High customer service emphasis
- Customer commitment is high
- High customer contact
- Quality is the concern of all
- Customer retention

## SOCIAL MARKETING

**Social Marketing:** - It is a marketing approach that is used by the organizations to commercially spread a social message so that it can benefit by educating the individuals and the society on the whole about a social cause to improve their well being.

Social marketing is about the social gain, target market's gain, and the flow of benefits where profit may not actual exist, or if it does, then it's just an incidental secondary benefit for the campaign.

It is "customer orientated" mostly done by Non-profit or Government organizations, but these days many private organizations have also started doing.

- **Primary aim** - social good and changing behaviors
- **Secondary aim** - favorable brand building
- **Third aim is** - financial

Campaigns like "Anti-Tobacco", "Wear Helmet", "Save Girl child" that is for the well being of people come under social marketing

<b>Cognitive campaigns</b> (Save water, Save Electricity) <ul style="list-style-type: none"> <li>• Explain the nutritional value of different foods.</li> <li>• Explain the importance of conservation</li> </ul>	<b>Behavioral campaigns</b> (Anti-Tobacco) <ul style="list-style-type: none"> <li>• Demotivate cigarette smoking.</li> <li>• Demotivate hard-drug usage.</li> <li>• Demotivate excessive consumption of alcohol</li> </ul>
<b>Action campaigns</b> (Wear Helmet) <ul style="list-style-type: none"> <li>• Attract people for mass immunization.</li> <li>• Motivate people to vote "yes" on a certain issue.</li> <li>• Motivate people to donate blood.</li> <li>• Motivate women to take a pap test.</li> </ul>	<b>Value campaigns</b> (Save Girl child) <ul style="list-style-type: none"> <li>• Alter ideas about abortion.</li> <li>• Change attitudes of bigoted people.</li> </ul>

INITIATIVE BY	CAMPAIGN
Government of India	Pulse Polio (Do boond zindage ki)
Government of India	Sarva Siksha Abhiyan (School Chale Hum ad)
Lifebuoy (HUL)	Swasthya Chetna
Government of India	Jago Grahak Jago
Government of India	Quit Smoking
HUL	Project sunlight

## SOCIETAL MARKETING

**Societal Marketing** is when a company markets a product not only with consumer and company needs in mind, but also the long-term well being of society as a whole.

It is about partnering with an NGO to raise money for the cause and the corporate partner.

Societal marketing is the business driven, profit orientated way of changing the world as a means of developing revenue based product.

- **Primary aim** - **organizational profit**
- **Secondary aim** - **social benefit**

It gives opportunity for companies to

- ✓ Increase brand goodwill
- ✓ Raise brand awareness
- ✓ Increase customer loyalty
- ✓ Build sales
- ✓ Increased press coverage

Some companies practice a form of the societal marketing concept called **cause- related marketing**.

Example – **Consumer Health campaigns, Education campaigns, Eco-Friendly Marketing**

- Archie's cards where they contributed Re. 1 from every card purchased towards the UNICEF programs
- P and G Siksha campaign, Idea Save Paper Use mobile campaign.
- American Express first used the phrase "cause-related marketing" in 1983 to describe its campaign to raise money for the Statue of Liberty's restoration. American Express donated one cent to the restoration every time someone used its charge card. As a result, the number of new cardholders grew by 45 percent, and card usage increased by 28 percent.

## GREEN MARKETING

(Sustainable Marketing ,Environmental Marketing Or Ecological Marketing)

**Green marketing** is the marketing of products that are presumed to be environmentally preferable to others.

**Need for Green marketing**

- Global warming
- Depletion of vital natural resource
- Industrial air pollution
- Deserts consuming agricultural lands
- Industrial water pollution
- Disappearance of rain forest and animals

- Hazardous waste
- Land fills

### BENEFITS of Green marketing

For Organization	For Environment
<ul style="list-style-type: none"> <li>➤ Market share</li> <li>➤ Customer satisfaction</li> <li>➤ Competitive advantage</li> <li>➤ Profitability</li> <li>➤ Positive Company image</li> </ul>	<ul style="list-style-type: none"> <li>➤ Reduced air &amp; water pollution</li> <li>➤ Conservation of usual resources &amp; animals</li> <li>➤ More energy reservoirs</li> <li>➤ Reduced raw material usage</li> <li>➤ Other improvements</li> </ul>

*Companies involved in green marketing make decisions relating to the entire process of the company's products, such as methods of processing, packaging and distribution.*

- Using recyclable cloth shopping bag
- Charging consumers for plastic bags
- Using Paper carry bags
- Electronics with star ratings
- Using Biodegradable plastic

### Green Marketing Mix strategies

(Example – Fab India clothes, oil, cream, soap, CCD paper bags)

**Product:** offer environmental friendly products which do not harm the environment and is biodegradable.

**Price:** Prices for such products may be a little higher than conventional alternatives. Consumers are willing to pay extra for green products. Charging extra for non biodegradable carry bags.

**Place:** main focus is on ecological packaging. managing logistics to cut down on transportation emissions, thereby in effect aiming at reducing the carbon footprint.

**Promotion:** Company spending on environmental protection should be advertised. Advertisements and Sales promotions should be done through environmental-friendly papers and boards, which are free of harmful chemicals. **Example** - Toyota producing hydrogen car and promoting itself as the first eco-friendly car company.

## DIGITAL MARKETING

**Digital marketing** is making use of electronic devices such as computers, smartphones, cellphones, tablets, TV and game consoles to engage with consumers.

### Digital Marketing can be through

- **Non-internet channels-** like TV, Radio, SMS, digital billboards, Mobile Apps that don't require internet

- **Internet channels-** like Social Media, E-mails ads, Banner ads, Mobile Apps

**It allows marketers them to target and track** - many aspects including their Return on Investment (ROI) more accurately compared to other traditional marketing channels.

A digital marketing campaign includes

- **Search Engine Marketing** – Either through content strategy and SEO or through Paid Search Advertising (Ad words) or PPC
- **Social media promotions** – paid advertising on Facebook, promotion on Twitter, Pinterest and Google+.
- **Mobile market promotions** – Development of native apps and submission to the Google Play and Apple Store
- **Email marketing** – Promotion of products or services through email marketing campaigns

## NETWORK MARKETING (also known as Multilevel Marketing)

According to Kotler:

**“Multilevel marketing (also called network marketing),** describes systems in which companies contract with individuals to sell a set of products door to door or office to office. It is called multilevel because a contractor can also invite others to work and earn money on their performance." The sales representative thus has incentives to enlarge the sales force and to earn added commissions on the sales of his or her recruits.

Multilevel marketing (MLM) is, strictly speaking, not marketing at all but a form of direct sales with special features, of which recruiting is fundamental.

A person, recruited by the company to sell a product, earns commissions; if that person recruits others, this second layer is called the person's "downline." The person earns a cut on the sales of people in the downline, called an "override." But those in the second level may *also* recruit others and create their *own* "downlines." The first person in the chain gets an "override" from every level, however many there may be, although always less the farther removed the source is.

Often recruits *are* required to purchase an initial "starting inventory" of the product. In many cases the MLM company will not repurchase this inventory or will do so at a very reduced price.

## INTERNET MARKETING or ONLINE MARKETING

**Internet marketing** refers to marketing using channels that *require a real time live internet connection*. Internet marketing sub-set of digital marketing

- Focuses on getting information to potential customers about products and services a merchant is offering, *using only the internet*.

**For example** - marketing via social ads on Facebook is considered as internet marketing technique, as you cannot access Facebook offline.

A online marketing campaign includes

- **Search Engine Marketing** – Either through content strategy and SEO or through Paid Search Advertising (Ad words) or PPC
- **Social media promotions** – paid advertising on Facebook, promotion on Twitter, Pinterest and Google+.
- **Mobile market promotions** – Development of apps and submission to the Google Play and Apple Store
- **Email marketing** – Promotion of products or services through email marketing campaigns

## B2B (Business to Business)

### CHARACTERISTICS OF THE B2B MARKET

- **Sales and purchase Volume**- In B2b marketing the sales are in huge quantity compared with B2c marketing. Many buyers are large organizations, such as Boeing, which buys jet engines
- **Sizes and number of buyers**- Business market has smaller number of buyers than consumer market.
- **Location of buyers**- Business market more concentrated at a particular location than consumer market.
- **Buyer seller relationship**- In B2B marketing the buyer and seller have close relationship sometimes they develop products jointly.
- **Nature of Channel**- The channel of B2B marketing is direct to avoid cost and delay.
- **Buying influence**- The buying decision by industries is complex and many people or committees take part in decision making.
- **Use of Reciprocity**- In B2B marketing, sometimes a supplier may buy finished product from its customer.

## B2C (Business to Consumer)

## CHARACTERISTICS OF THE B2C MARKET

- Product driven
- Maximize the value of the transaction
- Large target market
- Single step buying process, shorter sales cycle
- Brand identity created through repetition and imagery
- Merchandising and point of purchase activities
- Emotional buying decision based on status, desire, or price

B2B	B2C
<ul style="list-style-type: none"> <li>• <b>Business-to-business</b></li> <li>• Requires <i>consultative selling</i> by manufacturer sales force and distribution sales force.</li> <li>• Small vertical markets, often niche in size</li> <li>• Maybe as large as 100,000 prospects</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Business - to - Consumer</b></li> <li>• Usually <i>sell directly</i> to the consumer or involves intermediaries</li> <li>• Large broad markets,</li> <li>• Millions of sales prospects</li> </ul>
<b>Purchasing Process</b>	
Purchasing process takes months	Short purchasing periods few minutes, few days
<b>Cost of a Sale</b>	
High	Low
<b>Purchase Decision</b>	
Rational decision based on need and budgets	Emotional and rational decisions based on want more than need or a budget
<b>Promotion</b>	
Personal and consultative selling.	Advertising and Social Media.
<b>Lifetime Customer Value</b>	
High	Low
<b>Examples</b>	
Boeing, Airbus, Chemicals, Saint Gobain glass, AIS Glass, Corning Gorilla Glass, TATA B2B Tyres sold to motor companies, NALCO	HUL, P and G, FMCG, Restaurants, Medicines

## Not-for-Profit marketing

Marketing is to build awareness of an issue and to gain financial support from the public for its cause for the organization. It is also called non-business marketing.

Not-for-profit marketing can involve the marketing of :

- People (politicians and entertainers)

- Places (museums and operas),
- Ideas (right to life, safe driving, Care for family )
- Organizations (UNICEF)

It involves a transaction between a donor and an institution that is based on intangibles, like faith and trust. By contributing to organizations, donors hope to sustain their personal values and advance their future hopes.

### Types of Nonprofit Organizations

- **Informal-** An informal nonprofit organizes for an event or project and disbands on completion. Informal nonprofits are volunteer operated, having no paid staff.
- **Formal nonprofit organizations-** usually, but not always, have one or more paid staff. They are usually chartered or registered with the government in their country.

### Functions of Not for Profit Organizations marketing

<b>Attracting funding</b>	Submitting grant proposals to government agencies and foundations, conducting annual campaigns and capital campaigns, organizing planned giving, seeking corporate donations, holding special events, etc.
<b>Attracting volunteers</b>	Understanding where to reach potential volunteers, what message will appeal to them, how to deliver appeal, etc.
<b>Building relationships</b>	Developing and maintaining relationships with board members, corporations, volunteers, clients, donors, funding agencies, government, media, public, etc.
<b>Communicating</b>	Advertising, publicizing, conducting public relations, reaching clients, maintaining government relations, carrying out advocacy and education

## INTERACTIVE MARKETING

The newest channels for direct marketing are electronic. The Internet provides marketers and consumers with opportunities for much greater *interaction* and *individualization*. Companies in the past would send standard media—magazines, newsletters, ads—to everyone. Today these companies can send individualized content and consumers themselves can further individualize the content. Today, companies can interact and have a dialogue with much larger groups than ever in the past.

### The Benefits of Interactive Marketing

- It is highly accountable and its effects can be easily traced.
- The Web offers the advantage of "contextual placements." Marketers can buy ads from sites that are related to their offerings, as well as place advertising based on contextual keywords from online

search outfits like Google. In that way, the Web can reach people when they have actually started the buying process.

- The Web is especially effective at reaching people during the day. Young, high-income, high-education customers' total online media consumption exceeds that of TV.

## FOMO MARKETING

FOMO marketing (Fear of Missing Out marketing) is a strategy that leverages the psychological fear of missing out on something valuable, exclusive, or time-sensitive to drive consumer action. It creates urgency and encourages immediate engagement by making people feel like they might miss out on a great deal, opportunity, or experience if they don't act fast.

### Common FOMO Marketing Tactics:

- **Limited-Time Offers** – “Only 2 hours left to get 50% off!”
- **Low Stock Alerts** – “Hurry! Only 3 items left in stock.”
- **Exclusive Deals** – “VIP members get early access to our biggest sale.”
- **Social Proof** – “10,000+ people have already signed up!”
- **Live Activity Notifications** – “Rita from Mumbai just booked this hotel.”
- **Countdown Timers** – “This deal expires in 24 hours!”
- **Limited Availability** – “Only 100 spots available for this event.”

### Why FOMO Marketing Works:

- **Triggers Urgency** – People don't want to miss out on a good deal.
- **Creates Exclusivity** – Makes offers feel more special.
- **Boosts Conversions** – Encourages faster decision-making.
- **Leverages Social Proof** – Seeing others take action influences behaviour.

### Examples:

- **Amazon Great Indian Festival and Flipkart Big Billion Days:** “Only for Prime Members: Early access to the biggest festive sale!”
- **Zomato & Swiggy Live Order Updates:** “5,000+ people ordered biryani in your area today!”
- **Diwali Special Offers (Electronics & Gold):** “Diwali Dhamaka! Get an extra 10% off—Offer ends tonight!”
- **Exclusive Pre-Launch Access:** “Be the first to own the OnePlus 12—Join our waitlist today!”
- **Stock Market Trading (Zerodha, Groww, Upstox):** “Invest in this IPO—Last chance before it closes today!”

## POSTMODERN MARKETING

*Postmodern marketing is inherently focused on customized experiences where broad market generalizations are no-longer applied. Postmodern marketing is the way advertising initiatives are handled in the current post-World War II era.*

- Includes all the new trends in marketing.
- Focuses on how the consumer prefers to be messaged to.
- With a postmodern marketing approach a one-to-one communication is created between real humans, controlling real mouses, real computers, real keyboards and real mobile telephones.

Postmodern marketing is made up of **three distinct categories**

1. The idea of change, new, and complex,
2. Sub-discipline of consumer research, and
3. Marketing practices and research methodologies

Modern Marketing Approach	Postmodern Marketing Approach
Single World or Flat Ecosystem	Multi-Purpose World or Dimensional Ecosystem
Fixed	Nimble
Traditional	New Media
One-to-Many	One-to-One
Static	Interactive or Immersive
Brand Endorsed/Created Marketing	Consumer Endorsed/Created Marketing
Broad Generalization	Individual Customization

### References

1. Marketing Management by Kotler, Keller, Koshy Jha
2. Product and Brand Management by Dr. P.K Tripathy

## DETERMINING A COMPETITIVE STRATEGY

**It involves answering three questions:**

**(1) Should we compete?**

The answer to this question depends on the firm's resources, objectives and expectations for the market's profit potential. A firm may decide not to pursue or continue operating a potentially successful venture that does not mesh with its resources, objectives or profit expectations.

**(2) If so, in what markets should we compete?**

The answer requires marketers to acknowledge their limited resources (sales personnel, advertising budgets, product development capabilities and so on).

They must accept responsibility for allocating these resources to the areas of greatest opportunity.

**(3) How should we compete?**

This requires marketers to make product, pricing, distribution and promotional decisions that give their firm a competitive advantage in the marketplace.

Firms can compete on a wide variety of claims, including product quality, price and customer service. For example, a retailer may gain competitive advantage by providing superior customer service, while another retailer competes by providing low prices.

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