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Study Note

Of

MARKETING MANAGEMENT

Prepared by

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Syllabus
MARKETING MANAGEMENT
(2nd Semester MBA), 2012-14.

Module - I (As per BPUT):

Concepts of Marketing and market, Marketing Mix, Product, Price, Promotion, Place, Product: Product concept, Product classification, New Product Development, Product lifecycle, Product mix decision, Branding, Packaging, Labeling decisions, Service as a product, Price: objective of pricing, Pricing policies, Pricing methods. Price: Objective of pricing, Pricing policies, Pricing methods Promotion: Advertising, Sales promotion, Personal selling, Public relation, Publicity and propaganda. Place: Marketing channels, vertical and horizontal integration, Channel conflict Management, Di stribution system and Logistic Management.

Module – I (Re-arranged contents):

Concept of Marketing, Role of Marketing, scope of marketing and Marketing in 21st century, Marketing as process, Concept and System, Holistic Marketing Concept, Marketing Mix, Value Proposition, Customer Value, Porter's Value chain, Value delivery process, Marketing environment , Marketing Planning and Control (Case study – at least 2-3 cases especially on 4Ps,marketing environment and product planning presentation)

Module - II (As per BPUT):

Marketing environment, Marketing planning and control, Segmenting (Demographic and Psychographic), targe ting, Positioning (STP), Marketing research and forecasting, Marketing Information System.

Module – II (Re-arranged contents):

Competition analysis, marketing Research and Forecasting, marketing information system, consumer decision making process, factors influencing consumer behavior, segmentation targeting – positioning, special topics in marketing; Green marketing, Relationship marketing, societal marketing, guerrilla marketing, online marketing, mega marketing, database marketing.(Case study on consumer behavior and STP).

Module - III (As per BPUT) :

Role of consumers, Consumer Decision making process, Factors influencing consumer decision making, Special topics in Marketing: Green marketing, Relationship Marketing, societal Marketin g, Guerrilla Marketing, Online Marketing, Mega marketing, Database marketing.

Module – III (Re-arranged contents):

Designing and implementing marketing mix strategies:

Product; Product mix, product classification, new product development, product life cycle, product mix decision, branding, packaging, labeling decision.

Price	:	Objective of pricing, pricing policies, pricing methods
Promotion	:	Advertisement, sales promotion, personal selling, public relation, publicity & Propaganda.
Place	:	Marketing channels, channel design, vertical and horizontal integration, channel conflict management, distribution system and logistics Management.

Marketing Management
(Semester – II, MBA)
SESSION PLAN

1. Marketing in 21st century, the changing marketing scenario and impact of marketing on day to day life and also on business and economy. (Net searching and presentation)
2. Presentation.
3. Marketing is a process (Need, want, demand, product, exchange process) and defining marketing.
4. Marketing is a concept (production concept, product concept, selling concept, marketing concept, societal concept and holistic marketing concept.
5. Activity on marketing concept, Marketing is a function, Marketing department.
6. Marketing mix, integrated marketing.
7. Case study (LG and Asian Paint).
8. Delivering customer value, customer life time value, core competency.
9. Competitive advantage, porter's value chain.
10 Marketing environment: Internal marketing environment
11. External marketing environment, five forces on competition.
12. Industry analysis presentation.
13. Marketing Planning and control, corporate level planning, Assessing growth opportunities.
14. Corporate level planning, portfolio analysis, PIMS.
15. Business Unit Strategy Planning.
16. Product Planning – Marketing Plan
17. Business plan presentation

End of 1st module

18. Marketing Research Process.
19. Marketing Information System, Demand forecasting
20. Consumer decision making process.
21. Type of consumer, consumer behavior.
22. Factors influencing consumer behavior.
23. Factors influencing consumer behavior.
24. Case study presentation.
25. Marketing Segmentation.
26. Marketing targeting.
27. Product positioning.
28. Green Marketing, societal marketing, relationship marketing, mega marketing.
29. Online marketing, database marketing, guerilla marketing.
30. Presentation on special topics

End of 2nd module

31. Marketing mix – Product mix, Price mix, Promotion mix & Place mix Product & its elements.
32. Product Classification, Product Performance in the market.
33. New Product Development.
34. New Product Development.
35. Product Life cycle.
36. Product life cycle
37. Case study presentation ITC
37. Product mix decision, packaging, labeling, branding.
38. Pricing – objective of pricing, pricing strategies.
39. Pricing methods.
40. Case study on Prefetti.
41. Promotion –Integrated marketing communication, Advertisement.
42. Advertisement – message, media, AIDA model.
43. Sales promotion, personal selling, public relation, publication.
44. Ad designing exercise/ sales promotion design.
45. Place – Levels in distribution, marketing channel partners.
46. Channel design, horizontal &vertical integration.
47. Channel management & conflict resolution, logistics mgt.
48. Case study.

Module -1, Chapter-1
Concepts of Marketing.

It is the fundamental idea of marketing that organizations survive and prosper through meeting the needs and wants of customers. This important perspective is commonly known as the marketing concept. The marketing concept is about matching a company's capabilities with customer wants. This matching process takes place in what is called the marketing environment. Business does not undertake marketing activities alone. They face threats from competitors and challenges in the political, economic, social and technological environment. All these factors have to be taken into account as a business tries to match its capabilities with the needs and wants of its target customers. An organization that adopts the marketing concept accepts the needs of potential customers as the basis for its operations. Success is dependent on satisfying customer needs.

Definition of Marketing: Marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and services of value with others (Philip Kotler).

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationship in ways that it benefits the organization and its stake holders (AMA).

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.

What is a Market?

In marketing, the term *market* refers to the group of consumers or organizations that is interested in the product, has the resources to purchase the product, and is permitted by law and other regulations to acquire the product. The market definition begins with the total population and progressively narrows as shown in the following diagram. Market is a collection of current and potential buyers.

- ***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. Defining the market is the first step in analyzing it. Since the market is likely to be composed of consumers whose needs differ, market segmentation is useful in order to better understand those needs and to select the groups within the market that the firm will serve.

Market place: A marketplace is a location where goods and services are exchanged. The traditional market square is a city square where traders set up stalls and buyers browse the merchandise. This kind of market is very old, and countless. Such markets are still in operation around the whole world.

Market space**:-**An information and communication based electronic exchange environment and is a relatively new concept in marketing. Since physical boundaries no longer interfere with buy/sell decisions, the world has grown into several industries specific marketplaces which are integration of marketplaces through sophisticated computer and telecommunication technologies. In a market space, information and/or physical goods are exchanged and transactions take place through computers and networks. It is digital in nature.

Meta Market**:** The Meta market describes a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries. While purchasing a Car, complementary services are availing finance, insurance service, registration service and buying accessories. All these service providers form a cluster of market which is called a Meta market.

Key customer markets: Consumer Market, Business market, Global market, Non-profit and Governmental market.

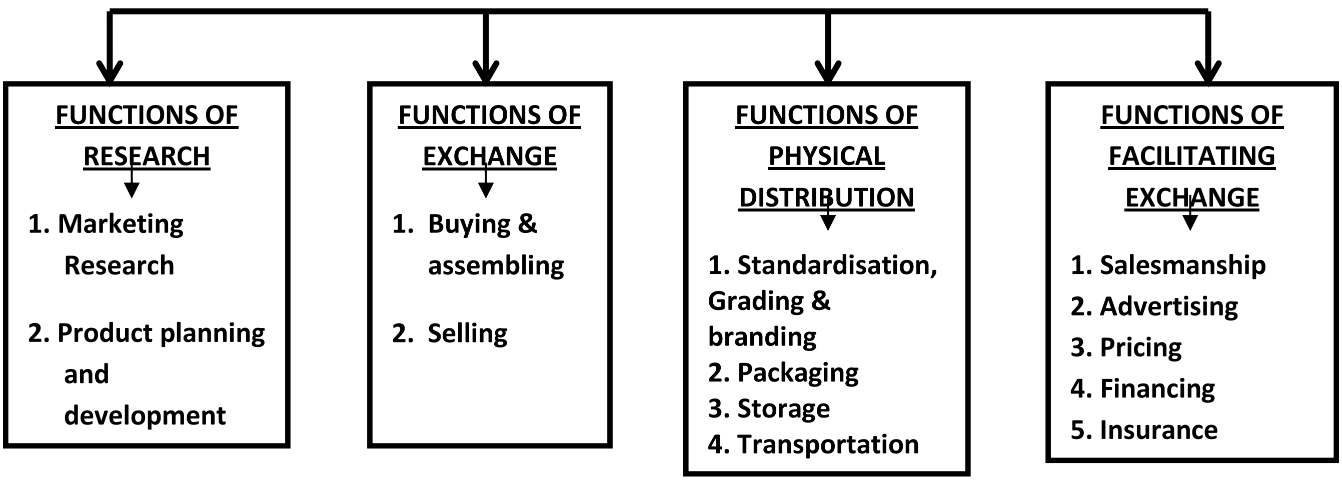
What can be marketed?

- Goods, Services, Place, Organization, Personality, Properties, Ideas, Events, Experience, Information.

Functions and Scope of Marketing:

Marketing creates time, place, design and possession utility to the product. Marketing scope can be better understood through the functions performed by marketing people:

Scope of Marketing



THE FOUR UTILITIES OF MARKETING:

The marketing process must also add 'utility" to the products consumers want. Utility is the use or satisfaction a person gets from a product. If you purchase a chain saw you anticipate 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:

(i) ***Form Utility***: A product must be processed into a form that the customer wants or needs. For example, wheat is processed into bread, trees are processed into timber 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.

(ii) ***Place Utility***: Place utility involves transporting products to the location where consumers can buy them. Thanks to our modern transportation systems you don't have to; you simply drive to the local grocery store and oranges are there ready to add to your shopping cart – place utility. Trucking is one form of transportation that helps add place utility to products.

(iii) ***Possession Utility***: Possession utility establishes legal ownership of a product. When you purchase something you normally receive a receipt this provides legal ownership and the right to use the product. Some products, computer software, for example also provide a user license. A license of this kind gives you the right to use the product within certain guidelines.
Stock certificates are proof of ownership. Stocks prove that you own part of accompany. This is an example of Possession Utility.

(iv) ***Time Utility***: This could be described as being in the right place at the right time when a customer is ready to purchase a product. Creating or keeping customers means having products available for them when they want them, and often this requires some type of storage facility. Wheat is an example of a commodity that must be stored after it is harvested. It is stored in silos until processors are ready to convert it into food products such as bread or cereals.

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

Core/fundamental Concepts of Marketing:

Needs, wants and demand:

Need is the basic requirement, it is the state of deprivation, e.g. hunger, thirst, food, air etc. We distinguish five types of need called stated need, real need, unstated need, delight need and secret need.

***Need verses want*:** Need is basic in nature and is felt when a person is deprived of something. It is the basic requirement of life. For example-Food, clothing, education, health care etc. Want is the specific product or service through which the need can be satisfied. Example (for thirst): water, tea, coffee, cold drink etc. A marketer has to understand various needs of customer and provide solutions to these while designing the marketing offer. Hence a product is a 'need satisfying element' or 'customer solution'.

***Demand*:** Demand is a state of willingness to buy supported with paying capacity or affordability. Various stages or degree of demand can be negative demand, no demand, latent demand, irregular demand, falling demand, full demand, overfull demand and unwholesome demand.

Latent demand: Sometimes demand for a particular product lies in hidden condition and when stimulated through marketing efforts, it comes out with high demand. Example- Sony Walkman and Cell phone were initially in latent condition and now are in full demand.

De-marketing: When the demand for a product is more than the production levels, company tries to divert the excess demand to other product or tries to destroy the demand temporarily by discouraging customer to buy that product, it is called de-marketing. Bajaj launched Kawasaki Motor cycle in late 80's to de-market the demand of scooters.

The different concept of marketing (Company's orientation towards Marketing):

***Production concept*:** The *production concept* prevailed from the time of the industrial revolution until the early 1920's. The production concept was the idea that a firm should focus on those products that it could produce most efficiently and that the creation of a supply of low-cost products would in and of itself creates the demand for the products. *The concept or idea was that consumers prefer products that are widely available and in-expensive*. This is possible only when producers produce more and avail the benefit of scale of production.

The production concept worked fairly well because the goods that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

***The product concept*:** The Production concept seeks to win markets and profits via high volume or production and low unit cost, whereas the product concept achieve the same result via product excellence, improved products, new innovative and engineered products. It places emphasis on quality assurance. *It says that consumers would definitely prefer and accept those products which are superior in quality* and *easily available to them*. This concept is now-a-days adopted by many companies. But this may lead to marketing myopia if the producer focuses only on product and not on consumer needs.

Marketing Myopia: When a company does not consider the need of customer and focuses on product developing it may happen that people may not accept the product in the end as their need is something else... This happens due to shortsightedness of marketer which is called Marketing Myopia.

***The Selling Concept*:** By the early 1930's however, mass production had become commonplace, competition had increased, and there was little unfulfilled demand. Around this time, firms began to practice the sales concept (or selling concept), under which companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling. It focuses on aggressively promote and push its products. This concept is mostly used for unsought goods or in the situation of stock piling.

The sales concept paid little attention to whether the product actually was needed. The goal simply was to beat the competition to the sale with little regard to customer satisfaction. Marketing was a function that was performed after the product was developed and produced, and many people came to associate marketing with hard selling. Even today, many people use the word "marketing" when they really mean sales. Selling concept says "we sell what we make**".**

***The Marketing Concept*:** After World War II, the variety of products increased and hard selling no longer could be relied upon to generate sales. With increased discretionary income, customers could afford to be selective and *buy only those products that precisely meet their changing needs.* Here, key questions are:

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

In response to these discerning customers, firms began to adopt the *marketing concept,* which involves:

- Focusing on customer needs before developing the product
- Aligning all functions of the company to focus on those needs
- Realizing a profit by successfully satisfying customer needs over the long-term.

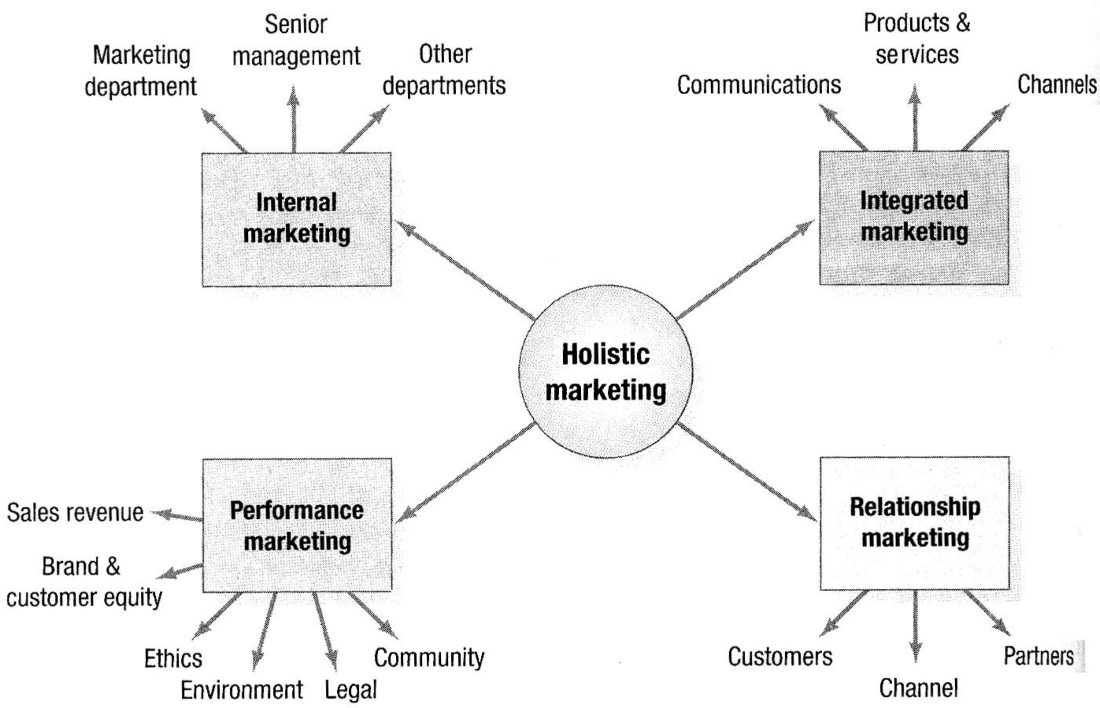
The difference between Selling and Marketing:

Marketing is much wider and dynamic than selling. Selling revolves round the needs and interests of the seller, but marketing revolves around the needs and interests of the buyer.

Selling	Marketing
1. Starts with seller and focus on needs of seller	1. Starting with buyer and focuses on customer's needs.
2. Seller is the center of business universe	2. Buyer is the center of business universe.
3. Seeks to quickly convert products into cash	3. Seeks to convert needs into solutions(products)
4. Views business as goods producing process	4. Views business as a customer satisfying process.
5. Overemphasis on exchange	5. Emphasis on value satisfaction.
6. It's a piece meal approach to achieve short term goals.	6. Represents the integrated approach to achieve long term goals.

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 labourer etc.

***The holistic marketing Concept*:** This modern concept is based on the Development of design and implementation of marketing programs, processes and activities that recognizes their breath and interdependencies. HM recognizes that 'everything matters' with marketing- it follows integrated perspective. Four components of Holistic marketing are:



The Role of Marketing: As we've seen the key objective of an organization's marketing efforts is to develop satisfying relationships with customers that benefit both the customer and the organization. These efforts lead marketing to serve an important role within most organizations and within society.

At the organizational level, marketing is a vital business function that is necessary in nearly all industries whether the organization operates as a for-profit or as a not-for-profit. For the for-profit organization, marketing is responsible for most tasks that bring revenue and, hopefully, profits to an organization. For the not-for-profit organization, marketing is responsible for attracting customers needed to support the not-for profit's mission, such as raising donations or supporting a cause. For both types of organizations, it is unlikely they can survive without a strong marketing effort.

Marketing is also the organizational business area that interacts most frequently with the public and consequently, what the public knows about an organization is determined by their interactions with marketers. For example, customers may believe a company is dynamic and creative based on its advertising message.

At a broader level marketing offers significant benefits to society. These benefits include:

- ❖ Developing products that satisfy needs, including products that enhance society's quality of life.
- ❖ Creating a competitive environment that helps lower product prices.
- ❖ Developing product distribution systems what offer access to products to a large number of customers and many geographic regions.
- ❖ Building demand for products that require organizations to expand their labor force.
- ❖ Offering techniques that have the ability to convey messages that change societal behavior in a positive way(e.g., anti-smoking advertising)

Major Tasks of Modern Marketing Manager:

- ❖ Setting up marketing objective
- ❖ Developing Marketing strategies and plans.
- ❖ Capturing marketing insights
- ❖ Connecting with customers
- ❖ Building strong brands.
- ❖ Shopping the Market offering
- ❖ Delivering value
- ❖ Communicating value
- ❖ Creating long term growth

Major changes in today's business and marketing scenarios:

- ❖ Changing technologies
- ❖ Globalization
- ❖ Deregulation
- ❖ Privatization
- ❖ Customer empowerment
- ❖ Customization
- ❖ Industry convergence
- ❖ Retail Transformation
- ❖ Disintermediation

Marketing Mix: The term **"**marketing mix**"** was coined in 1953 by Neil Borden in his American Marketing Association presidential address. A prominent marketer, E. Jerome McCarthy, proposed a ***Four P*** classification in 1960, which has seen wide use, popularly known as 4ps of Marketing. Marketing Mix refers to list of elements or ingredients that are essential for designing the marketing program.Elements of the marketing mix are often referred to as the *"Four P's":*

1. ***Product*****:** It is a tangible object or an intangible service that is mass 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. Promotion has five distinct elements: advertising, public relations, personal selling and sales promotion and direct marketing.

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 also defines the market segmentation, mainly demographic segmentation. It addresses particular class of people for whom the product or service is made available.
- ***Process***: Procedure, mechanism and flow of activities by which services are used. Also the 'Procedure" how the product will reach the end user.
- ***Physical Evidence***: The marketing strategy should include effectively communicating their satisfaction to potential customers.

Four C's model of Marketing Mix: Robert F. Lauterborn proposed a four Cs (2) classification in 1993. The Four Cs mode is more consumer-oriented and attempts to better fit the movement from mass marketing to niche marketing. The product part of the Four Ps model is replaced by Consumer or Consumer Models, shifting the focus to satisfying the consumer needs.

Four Ps	Four Cs	Four As
Product	Customer Solution	Acceptability
Price	Customer cost	Affordability
Place	Convenience	Availability
Promotion	Communication	Awareness

Customer's perceived value: This is the value of a product or service which is perceived by a customer. Customer compared the value or benefits with the cost he incurs and finally perceives the value.

Customer's perceived value= Value/benefit – Cost

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.

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. Hence, 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.

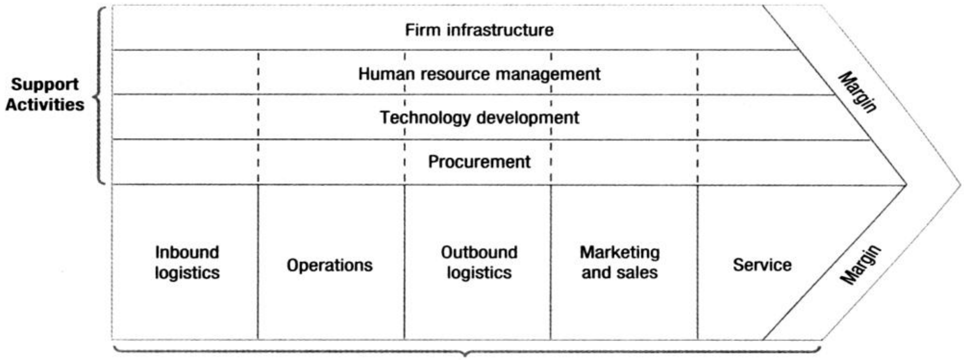
Competitive advantages: This means advantages over other competitors. A company tries to acquire specific advantage or uniqueness over other competitors to attract its customer and to position it's product on the basis of it. Quality, service, technology, reliability or trust can be competitive advantage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

Michel Porter's value chain:

Michel Porter said that each and every company performs various activities for creating and providing value to customers. These activities called value chain has 5 primary activities and four support activities. The company has to add value to each of these activities in order to enhance the total value. This is called Porter's Generic value chain.



Module-1, Chapter-2
Marketing Planning Process

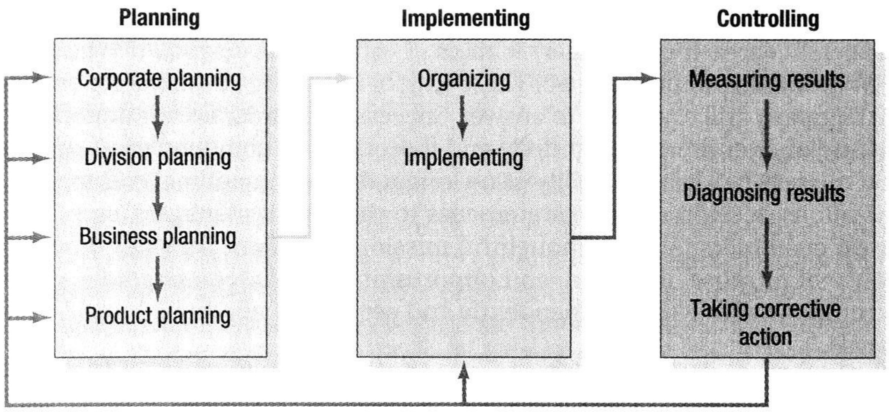
Management comprises of following basic activities:

1. Planning
2. Organizing
3. Implementing
4. Controlling

Marketing management is combination of all above processes. Marketing Planning Process is the beginning of all marketing activities and an integral part of Marketing. Marketing planning is made at all levels of Management i.e. strategic, tactical and operational level

Marketing Planning is usually done at following levels:

1. Corporate and Davison level (strategic) planning
2. Business Unit (tactical) planning
3. Product level (operational) planning



A. Corporate and Divisional Planning:

Planners at this level, usually focus on following areas.

- Define the corporate Mission
- Establish Strategic Business Units(SBUs)
- Assigning resources to each SBUs
- Assessing future growth opportunities

(1) Defining Corporate Mission

Each organization has its own vision and mission. Vision is just an unachievable dream and reflects company's ideological view. Mission provides the company a long term direction and speaks about the company's business and the customers. Before defining the mission, a company should ask itself following questions:

- What is our business?
- Who is our Customer?
- What is the value to the customer?
- What will be our business be?
- What should be our business be?

A mission statement should be prepared in consultation with in-house members. A good mission statement has:

- Limited number of goals
- Stress major policies and values
- Define competitive scopes.
- It takes a long term view
- It should be short, memorable and meaningful

(2) Establishing SBUs:

An SBU can be explained as:

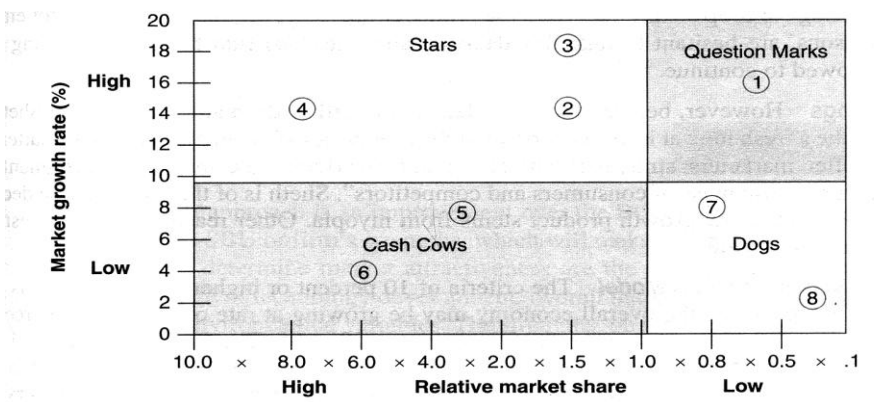
- A single or collective business that can be planned separately.
- It has its own set of competitors
- It has a Manager responsible for its activities.

(3)Assigning resources to each SBUs:

Top Management has a bigger role in allocating resources to those SBUs. Allocating resources need decision making criteria. In order to take such investment decision, an organization takes the help of various models like:

- BCG Model
- GE Model
- PIMS Model

BCG Model



The BCG Growth Share Matrix

Boston Consulting Group (BCG) had developed this model which helps top Management in various SBUs which are in different performance status.

***Question Mark*:** Every businessman enters into the market when the market is in high growth or lucrative. As a newcomer to the market, his business or sale or market share is low. Hence, lot of questions arises about the business feasibility, profitability, scale of production, quantum of investment, degree of risk etc. Hence, the authority has to take a cautions step in investing.

Star: When a SBU operates in high growth market with high market share it is called a star. As a shining star, the business flourishes. When a question mark SBU succeeds, it becomes a star. In order to cope with high business demand, the company has to invest for production expansion and also for market development and expansion. Hence, these units need investment since these units perform well and the top management should invest in such units.

Cash Cow: Every business has ups and downs. Because of recession or for any other reason, the market growth may come down to a lower level. If a SBU reaches at that level, but still hold the high market share it yields enough cash. Since these units do not need any investment, cash generated may be utilized for other SBUs. Such strategic business units operating with high market share and in low growth market are called Cash Cows.

***Dogs*:** If a low growth market is highly competitive and market share of an SBU is reduced to low, it enters into dog state. It loses financial viability and the top management is always reluctant to invest in these units.

Hence BCG matrix is a model which is used as a decision making tool for management for investment decision looking at the performance of various units

GE model approach:

This is another model for guiding resource allocation plan. This was developed by General Electrical Co. This model is an improved model over BCG where market growth and market share is taken. These two factors are not enough to evaluate the success or failure of any SBUs. Therefore, this approach adopted two broader factors called Market attractiveness and Business Strength. This is a nine quadrant model as shown below:

← Business Strength

Market attractiveness ↑	High	Medium	Low
High	**1**	**2**	**3**
Medium	**4**	**5**	**6**
Low	**7**	**8**	**9**

SBUs falling in quadrant 1, 2& 4 are performing better and the market is also attractive. Therefore the company can invest further for their expansion. On the other hand SBUs falling at quadrants 6, 8& 9 are not performing well because their business strength as well as market attractiveness are low. Their potential is low. Therefore, further investment should not be done. SBUs falling in quadrants 7, 5& 3 are of medium category nature so far as business strength and Market attractiveness is concerned. Top management should selectively invest in those SBUs.

(4). Assessing future growth opportunities:

Plans are made at strategic level for future growth opportunities for various SBUs of the company. Various growth opportunities are mentioned below:

a) Intensive growth
b) Integrative growth
c) Diversification growth.

(a) ***Intensive growth opportunity*:**

A company can stretch its business growth through penetration, market development and product development. This is explained with the help of Ansoff's product- market expansion grid, given below:

	Existing Products	**New Products**
Existing Market	Market Penetration	Product Development
New Market	Market Development	

A company can improve its business through penetration when it operates in existing market with existing products. In this method it competes with available competitors and tries to penetrate into market by improving promotional activities and offering more in fewer prices.

Similarly, a company can expand its business through expansion of its existing market. It can expand geographically and also through segment wise. Another method of expanding business under intensive growth is to offer maximum number of products to existing market. This method is called product development method.

b) Integrative growth:

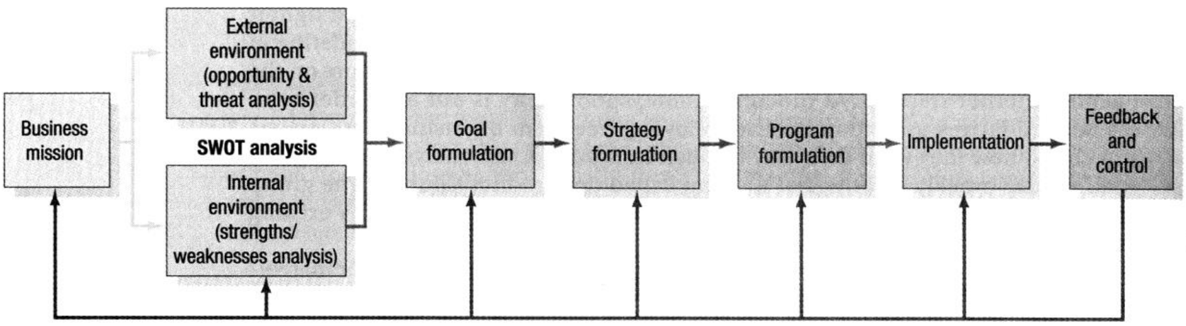
Business and Profit can be increased through business integration. It may be horizontal expansion through acquisition of business of its competitors. It may be backward integration by acquiring few of its sellers. It may be forward integration if a manufacturing firm goes for selling its product through retail. If not satisfied, the firm may think to go for diversification.

c) Diversification growth:

When a company diverse its business with a new product in a new market it is called diversification. ITC has entered into hotel industry or agricultural industry as a part of their diversification strategy.

B. Business unit strategic planning

Steps involved in business unit strategic planning are given below.



C. Operational or Marketing planning

Students will be asked to prepare business plan on any hypothetical product or concept and present it in groups.

Module-1 Chapter-3

MARKETING ENVIRONMENT

Marketers need to observe and analyse the environment where they operate. Environmental factors plays key role in market place changes. This environment can be the nearest like own department to the farthest like global changes. We can classify the environment to Macro-environment (External factors: Demographic, economic, Socio-cultural, natural, political and technical) and Micro-environment (internal factors: building relationships with customers, other company and external partners). To do this effectively, they must understand the major environment forces that surround all of these relationships. External environment provide opportunities and challenges associated with the business. Every company should go for environmental scanning to know the opportunity and threat associated in the environment and the strength and weakness they are having. On the basis of this SWOT analysis they can proceed ahead with designing marketing strategies. *Marketing Environment is made up of a micro-environment and macro-environment.*

Macro environment

Demographic environment: Worldwide population growth, Population age mix, literacy level of population, geographical shift of population and shift from mass market to micro markets. Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation etc. Demographic environment is of major interest to marketers, because it involves people. It has the major implications for business. Average life expectancy, child mortality rate, Youth population, education level and occupation shape the demographic environment of a country. India is relatively a young country having major population in youth category. Hence there is a huge market for youth products and companies can tap this opportunity.

Economic environment: National economic status, economic growth rate, income distribution and Purchasing power. It consists of factors that affect consumer purchasing power and spending patterns. 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.

Industrial Economy: 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 ad 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 grow*th in many sectors.*

Socio-cultural environment: Language, culture, belief, value, attitude and aspirations, consumption behavior and attitudes. This is made up of Institutions and other forces that affect a society's basic values perceptions, preferences and behavior. 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 influences the consumption habits of people. LG has redesigned its Televisions producing high volume for south Indian people. Many companies use vegetable fat in soaps as south Indian people will not accept a soap made up of animal fat.

Natural environment: (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 programme. Many companies have adopted biodegradable packing materials, organic cosmetics and CNG run engines instead of diesel and so on.

Technological: Accelerating pace of change, unlimited opportunities for innovation, increased regulations for technological change. Technological environment changes rapidly. Today's common products were not available 100 years ago, like Abraham Lincoln did not know about automobiles, Radios or Electric light. Similarly M.K. Gandhi or John F. Kennedy did not know about personal computer, DVD players or the Internet. Rapid change in technology brings innovative and competitive product to the market. 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. As products become more complex, public needs to know that these are safe. Few Government regulatory bodies are there, like BIS (for quality control), which marketers should be aware when applying new technology.

Political-legal environment: Political environment consists of Laws, Government agencies and individuals in a given society. Well-conceived regulation can encourage competition and ensure fair markets for goods and services. Thus Government develops public policy to guide sets of laws and regulations that limit business for the good of society as a whole. Good legislation affects business around the world, like EU which has been active in establishing a new framework of laws covering competitive behavior, product standards, commercial transactions etc.

Similarly while promoting any product also different countries have different legislations. Hence a company must be aware of rules and regulations of the land and design their marketing mix accordingly. All the banks in India were nationalized in one order of the Government of India in 1977.Business legislation enacted for a number of reasons; a) to protect companies from unfair competition from each other, b) to protect consumers from unfair business practices and c) to protect the interest of the society against unusual and unfair business behavior.

For more details please read Chapter 3 (page 71-84) "Marketing Management" book 13th edition by Kotler P, Keller K L,Koshi A, and Jha M.

MICRO-ENVIRONMENT:

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 various publics, 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.

COMPETTITORS: 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: A company has also various publics. A public is any group that has an actual or potential interest to achieve organization's objectives.

 Financial publics: which influences the company's ability to obtain funds?

 Media publics: carry news, features and editorial opinion. They include newspaper, magazines, television and radios.

 Government publics: who interrelates to product's safety, truth in advertising etc.

 General publics: who concerned about the products. It relates to the public image of the company.

 Internal publics: which include workers, managers, volunteers, Board of Directors etc**.**

Test-1

Test your marketing orientation

Please read the following statements and tick 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.

Evaluate your answers and find out correctness.

Name: Marks secured:

Case study-1

ASIAN PAINTS

The success of Asian Paints is attributed to their never-ending innovation in a matured product category like paints. This quality earned Asian Paint as the fifth rank among durable companies in A & M's survey of the Most Admired Marketing Companies in 1994.

Till the 50's, walls were painted only with emulsions. However, emulsions were expensive; roughly Rs.130 per litre. Consequently, few could afford it. The rest used either chuna (or lime wash, Rs.2 per kg.) or a crude kind of powder distemper (Rs.15 per kg.)

Asian Paints, therefore, created paste distemper Tractor, a product unique to India, which settled itself in the intermediate vacant segment and opened up the market. Today, distemper accounts for 15 percent in value and 25 percent in volume of the decorative paints market. Tractor sells three times more than its closest competitor.

The company launched Utsav two years ago, which has the potential to become the largest paint brand in India. Here, the company is trying to upgrade the user of Chuna. (Utsav is a synthetic distemper priced at Rs.28 a kg. It is two to three times as expensive as whitewash, if the user takes surface coverage into account). The company ran an advertising campaign for the brand in which a visitor says: "Pucca hai, haathpe nahi chhutta, powder distemper nahi, synthetic distemper hai ("The colour is fast, it doesn't come off on the hand. It is synthetic distemper, not powder distemper"). It conveyed the benefits of the product directly to the customer.

Another campaign showed a housewife screaming at her husband for failing to honour his friendly Asian Paints boy mascot, to decorate his house, which, of course, he does. Until the 80's wood finishing was done only with French polish, a commodity used in enormous quantities (30000 tons a year). It is difficult to apply, loses gloss quickly and isn't resistant to stains.

After Touch Wood, came the premium quality Apcolite Natural Wood Finish (NWF) and the economical Apcolite Clear Synthetic Varnish. Now, the company has developed four different finishes – rosewood, red brown, oak yellow and walnut – to match the type of wood used. It then pigmented Apcolite NWF and branded it Silk wood.

Another major innovation has had to do with the size of packaging. Traditionally, the smallest tin size was one litre. Asian Paints figured that here was a need that was yet to be fulfilled. If Asian Paints has been able to figure out consumer needs so well, it is because it has spent a corporate lifetime studying the Indian consumer-not just what he needs but also how he goes about deciding on what precisely he wants.

A curious aspect of the business is that the Indian consumer seeks many opinions. The dealer, the painter, the architect or the interior designer, the neighbor or a relative-all can influence choice. To make a successful sale, therefore a marketer must consider the role of each.

Each of these influencers has a different view of the business. The dealer proposes a paint company that gives him the best value for money returns on his investment. The painter needs a product easy to use; it should flow well, dry fast, hide the existing surface and leave fewer brush marks. Also, from his viewpoint, it should be available easily and have the best consistency of shades (tins the same shade might not match if they are from different batches). The architect looks for finish, durability and the paint's protective ability. As for the consumer, though finish and durability matters, it is the colour that counts first.

A consumer can always be persuaded to pay more for better quality. But if he doesn't get the shade he wants, he will move on. While the competition was offering 30-40 shades, in 1989, Asian Paints surprised all by announcing 151 shades in its popular Apcolite emulsion range. The commercial that supported the announcement highlighted the fact that Apcolite was the one that gave the customer the freedom to really choose a colour. It focused on the range Apcolite offered and had an excite housewife squealing *"merawala cream"* ("my shade of cream").

It was aimed at making the customer feel important-rather than marginalized-in the decision-making process.

Test-2

MARKETING ENVIRONMENT

Read the following statements carefully and answer under which environment these statements can be discussed. Give your answer in the succeeding box.

- 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 Hon'ble Supreme Court of India.
- Govt. of India is in the process to control and regulate social networking sites.
- In 1975, 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.

Module-2, Chapter-4

UNDERSTANDING CONSUMER BUYING BEHAVIOUR

DIFFERENT ROLES PLAYED BY CONSUMERS

Many consumer purchases are done by individuals, but purchases are also made by groups such as a household. Each person has a role in the decision making process. Following are the types of consumers in market.

1) *INITIATOR*: The person who starts the process of considering a purchase is the initiator since he feels the need for the product. He may also initiate the search for information about the purchase decision on his own or by involving others.

NAME OF THE CONSUMER	PRODUCT INITIATED
Young Boy / Girl	Motor cycle / Mobile phone (For commuting)
Housewife	Refrigerator (For preservation)
Busy Executive	Dress for comfort and style

2. *INFLUENCER*: The influencers attempt to persuade others in the decision making process to influence the outcome of the decision making process. Influencers gather information and attempt to impose their choices to influence the decision.

NAME OF THE CUSTOMER	INFLUENCERS
Young Boy / Girl	Friends, Family members, Dealers
Housewife	Husband, Children, Friends, Dealers
Busy Executive	Colleagues in the organisation, contemporaries in the other organization, friends in the other firms.

Influencers vary in the extent to which they can change or persuade players in the decision making process.

3. *DECIDER*: The decider is the person who makes the ultimate choice regarding which product to buy and gives approval for purchase.

NAME OF THE CONSUMERS	DECIDERS
Young Boy / Girl	Himself / Herself /Parents
Housewife	Herself/Husband, Husband + wife
Busy Executive	Himself

4. *BUYER*: The buyer conducts the transaction, he visits stores, make payments and effects delivery.

NAME OF THE CONSUMERS	BUYERS
Young Boy / Girl	Family members
Housewife	Husband
Busy Executive	Himself

5. *USER*: He/she is actual user of the product. The product can be used by the individual or may be used by a group.

NAME OF THE CONSUMERS	USERS
Young Boy / Girl	Himself /Herself
Housewife	Herself / Family
Busy Executive	Himself

FACTORS INFLUENCING CONSUMER BEHAVIOUR:

Consumer purchases are influenced strongly by the following factors:

- Cultural
- Social
- Personal
- Psychological

A. CULTURAL FACTORS:

Cultural factors have deep influence on consumer behavior. The marketer needs to understand the role played by the consumer’s following aspects:

- Culture
- Sub-culture
- Social class

1. *CULTURE*: Culture is the most basic cause of a person’s wants and behavior. Growing up in a society, a child learns basic values, perceptions, wants and behaviors from the family and other important institution like school, college, organization etc. Marketers are also study how culture shifts. For example: - A greater concern about health and fitness created a huge industry for health and fitness services and a variety or diet.
2. *SUB-CULTURE*: Each culture contains smaller sub-culture or groups of people with shared value systems based on common life experiences and situations. Sub-culture includes nationalities, religions and geographic regions. Some important sub-culture groups in India are, Hindus, Muslim, Christians, Parsis, Punjabis, Rajasthanis, Gujuraties etc.
3. *SOCIAL CLASS*:
   Every society has some form of social class structure. Social class are society’s relatively permanent place where members share similar values, interests and behaviour.

   Social class is determined by various factors like:-

   - Occupation
   - Income
   - Education
   - Wealth
   - Other variables

B. SOCIAL FACTORS

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

- Consumer groups
- Family
- Social Roles
- Status

1. *GROUPS:* One of the most important groups in the society for a consumer is his/her reference groups, which is responsible for forming the attitude /behavior. Reference group express persons to new behaviour and lifestyles, influence the person's attitude and self-concept and create pressure to conform that may affect the person's product and brand choices.
2. *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.
3. *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 careers 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:

- Buyer's age and life cycle stage.
- Occupation
- Economic analysis
- Life style
- Personality and self-concept

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. SONY recently change its marketing approves in order to target products and services to consumers based on their life stages.

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).

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.

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.

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

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:

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

Personality can be useful in analyzing consumer behaviour for certain products/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
- Beliers
- Attitudes

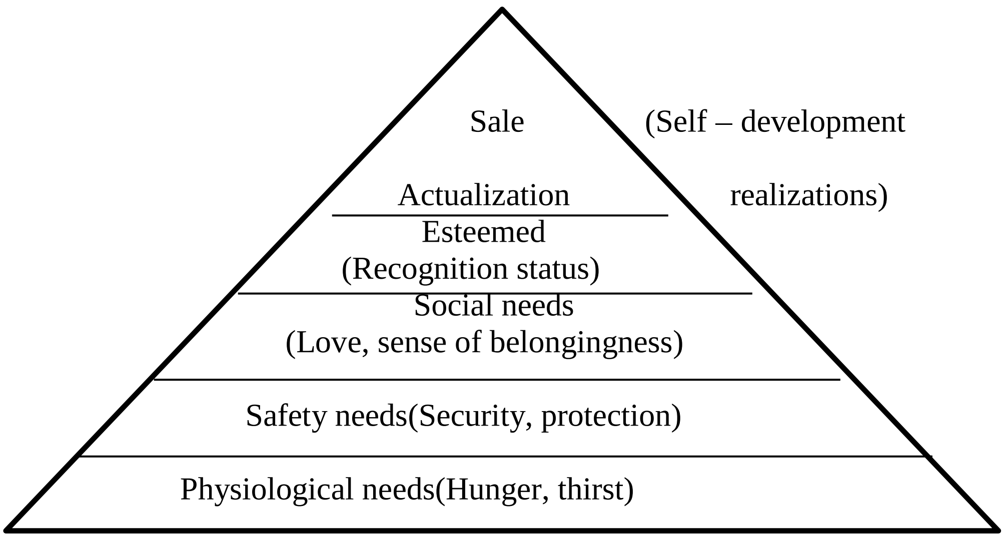
MOTIVATION: Motivation is two way part system. Some are biological, such as one motivate for good foods if he is hungry similarly for thirst or dis-comfort. Others are psychological, arising from the need for recognition, Esteem or belonging. Psychologists have developed theories of human motivation.

- FREUD'S THEORY
- MASLOW'S THEORY

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:

and



(MASLOW’S HIERARCHY OF NEEDS)

PERCEPTION: Hire consumers learning process and flow of information passes through five senses:

- Sight
- Hearing
- Smell
- Touch
- Taste

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

People can make different perceptions of the same thought 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 it exposed to some 200 ads every day. Hence it is impossible for a person to pay attention to all these stimuli.

SELECTIVE ATTENTION: Here consumers screen out most of the information to vision. They are exposed to only a few selective information they pay attention.

SELECTIVE DISTORTION: Here, people interpret the information. For example, if a consumer dis-trusts a company, then he might perceive even honest ads from the company is questionable. Selective distortion means that marketers must try to understand the mind-sets of consumers and how these will affect interpretations of advertising and sales information.

SELECTION RETENTION: People also will forget much that they learn. They tend to retain information that supports their attitudes and beliefs. Selection retention is that activity where consumers are likely to remember good points made about a brand they favor and to forget good brands made about competing brands.

LEARNING: When people act, they learn. Learning describes changes in an individual's behavior arising from experience. Learning occurs due to the following factors:

- ❖ Drives
- ❖ Stimuli
- ❖ Cues
- ❖ Responses
- ❖ Reinforcement

A drive is a strong internal stimulus that calls for the action. A drive becomes a motive, when it is directed towards a particular stimulus object. Cues are minor stimuli that determine when, how and where the person responds. All the cues that might influence a consumer response on his/her interest in buying the product. If the experience is rewarding, the consumer will probably use the product more and more, and his/her response will be reinforced. Learning theory somehow help the marketers to build up demand for a product.

BELIEVS AND ATTITUDES:

Through learning people acquire believe and attitudes; these in turns influence their buying behavior. A belief is a describe thought that in person has about something. Beliefs may be based on real knowledge, opinion or faith and may or may not carry an emotional charge. Marketers are interested in these beliefs that people formulate as per specific products or services, because their beliefs made-up product and brand images that affect buying behavior.

People have attitudes regarding the below factors:

- ❖ Religion
- ❖ Politics
- ❖ Clothes
- ❖ Music
- ❖ Food

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 dis-liking things or moving away or towards it.

CONSUMER BUYING DECISION MAKING PROCES

Buying decision process consists of five stages:

- ❖ Need recognition
- ❖ Information search
- ❖ Evaluation of alternatives
- ❖ Purchase decision
- ❖ Post purchase behavior

***Need recognition**:* The buying process starts with need recognition i.e., the buyer recognizes a problem or need. Hence, the marketers should conduct a market research to find out what kinds of needs or problem areas and how the consumers will get the required products/services from the company.

***Information search**:* As interested consumer may or may not search for more information. If the consumer's drive is strong and satisfying product is near at hand, the consumer is likely to buy it without following all above stages. For purchase of our routine requirements we go for straight rebuy from available sources without wasting much time in searching information and deciding. If not, the consumer is likely to buy it then. If not, the consumer may store the need in memory or undertake an information search related to the need. Consumers can obtain information from any of the several sources given below:

- Personal Sources:-
  - ✓ Buyers
  - ✓ Family
  - ✓ Neighbors
- Commercial Source
  - ✓ Advertising
  - ✓ Sales people
  - ✓ Dealers
  - ✓ Displays
- Public Source
  - ✓ Mass Media
  - ✓ Consumer-rating organizations

The relative influence of these information sources varies with the product and the buyer. Generally, the consumer receives the most information about a product from commercial sources, those controlled by marketers. The most effective sources however, tend to be personal. As more information is obtained, the consumer awareness to knowledge of the available brands and features increase.

EVALUATION OF ALTERNATIVES: The marketers need to know about alternative evaluation – that is, how the consumers process information to arrive at final brand choice. Generally consumers don't use a single and simple evaluation process in all buying situations. Instead, several evaluation processes are at work. In some cases, consumers use careful calculations and logical thinking. At other times, the same consumers do little or no evaluating; instead they buy on impulse and rely on intuition. Sometimes consumers make buying decisions on their own; sometimes they turn to friends or sales person advice to purchase a product.

PURCHASE DECISION: In the evaluation stage, the consumer ranks brands and forms purchase intentions. Generally the consumer's purchase decision will be to buy the most preferred brand. But two effects can come between the purchase intention and the purchase decision. The first factor is the attitudes of other. If the factor is unexpected situation, then the consumer may form a purchase intention based on factors such as: expected income, expected price and expected product benefits. Sometime, un-expected events may change the purchase intentions.

POST PURCHASE BEHAVIOUR: The marketer's job does not end when the product is bought by the consumer. After purchase of the product, the consumer will be satisfied or dis-satisfied and will engage in post purchase behavior of interest to the marketers.

Customer's satisfaction or dis-satisfaction based on the following equations:

Consumer's expectation (E)

Product's Performance (P)

If:	$P > E$	=>	Customer is highly satisfied (delighted)
	$P = E$	=>	Customer is satisfied
	$P < E$	=>	Customer is dis-satisfied

The larger the gap between expectations and performance, the greater is the consumer's dis-satisfaction. Hence, the seller should promise only what their brands can deliver so that buyers are satisfied.

Module-2, Chapter-5

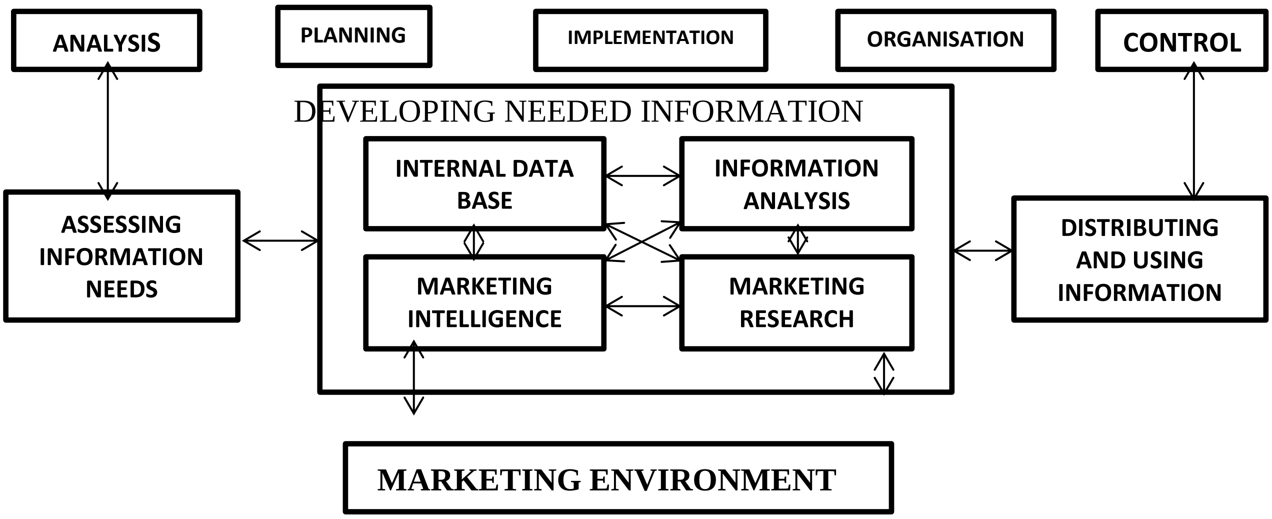
MARKETING INFORMATION SYSTEM (MIS)

MIS consists of the following components:

- People
- Equipment
- Procedures

The entire components are then gathered, sorted, analysed and evaluated by the decision makers, marketing managers and other information users.

(MARKETING INFORMATION SYSTEM)

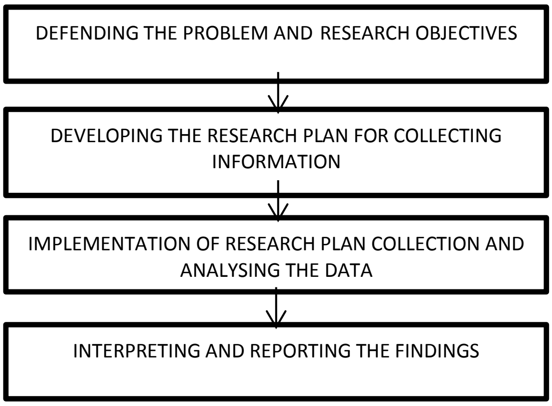


The above model shows that, the MIS begins and ends with information users marketing managers, internal and external partners and others-who need marketing information. First, it interacts with these information users to assess information needs. Then it develops needed information from internal company databases, marketing intelligence activities and marketing research. Then it helps users to analyses information to put it in the right form for marking marketing decisions and managing customer relationships. Finally the MIS distributes the marketing information and helps managers use it in their decision making.

CONDUCTING MARKETING RESEARCH AND DEMAND FORECASTING:
Marketing research is the systematic design collection, analysis and reporting of data relevant to a specific marketing situation facing an organization. Companies use marketing research in a wide variety of situation.

- For example: Marketing research can help marketers understand customer satisfaction and purchase behavior.
- It can help them to assess market potential and market share.
- Measure the effectiveness of pricing, product, distribution and promotion activities.

MARKETING RESEARCH PROCES HAS FOUR STEPS:



1. **DESIGNING THE PROBLEM AND RESEARCH OBJECTIVE:**

Marketing Managers and researchers must work closely together to define the problem and agree on research objective. Once the problem has been defined carefully, the manager and researcher must set the research objectives.

A marketing research project might have one of the three types of objectives:

- *Exploratory research:* In this research process preliminary information are gathered to define the problem and suggest hypothesis.
- *Descriptive research:* Descriptive research is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product.
- *Casual Research:* This research is to test hypothesis about cause and effect relationships.

2. **DEVELOPING THE RESEARCH PLAN**:

Once the research problems and objectives have been defined, researchers must determine the exact information needed, develop a plan for gathering it efficiently and present this plan to management. The research plan contains the following steps:

- Sources of existing data
- Spells out the specific research plan.
- Contact methods
- Instruments that researchers will use to gather new data.

Research objectives must be translated into specific information needs.The research plan should be presented in a written proposal. A written proposal is especially important when the research project is large and complex or when an outside firm carries it out. The proposal should cover the management problems addressed and the research objectives. The information to be obtained, and this way, the results will help management decision making. The proposal also should include research costs.

To meet the manager's information needs, the research plan can call for gathering secondary data, primary data or both. Secondary data consist of information that already exists somewhere, having been collected for another purpose. Primary data of information collected for the collect purpose at hand.

3. **GATHERING SECONDARY DATA**: Researchers usually start by gathering secondary data for the above purpose. Company can take the help from the following sources:-
   - Commercial organization
   - Trade bulletin
   - Internet
   - Govt sources

Companies can buy secondary data reports from outside suppliers. Secondary data can usually be obtained more quickly and at a lower cost than primary data.

4. **PRIMARY DATA COLLECTION**:

Secondary data provide a good starting point for research and often help to define research problems and objectives. However, the company must also collect primary data, while collecting primary data, researchers must keep the below criteria in their mind about the data:-

- Relevant
- Accurate
- Current
- Un-biased

Designing a plan for primary data collection calls for a number of decisions:

- Research approaches
- Contact methods
- Sampling plan
- Research instruments

Research approaches*:* Research approaches for gathering primary data include:-

- Observation
- Surveys
- Experiments

Observational research: It involves gathering primary data by observing relevant people, actions and situations.

Survey research: It is the most widely used method for primary data collection. A company that wants to know about people's knowledge, attitudes, preferences or buying behavior can often find out by asking them directly.

The major advantage of survey research is its flexibility. It can be used to obtain different kind of information in different situation. However, survey research also presents some problems. Sometimes people are unable to answer survey questions because they cannot remember or have never thought about what they do and why. People will be un-willing to respond to unknown information's or about things they consider personal. Sometime respondents may answer survey questions even when they do not know the answer in order to appear smarter or more informed.

EXPERIMENTAL RESEARCH:

It is best suited for gathering casual information. Experiment involves selecting matches groups or subjects, giving them different treatments and checking for differences in group responses.

CONTACT METHODS:

Information can be collected through the below process.

- By mail
- By telephone
- Personal interview
- Online

Mail questionnaires can be used to collect large amount of information at a low cost per respondent. Respondents may give more honest to more personal questions on mail questionnaires than to an unknown interviewer in person or over the phone.

However, mail questionnaires are not very flexible. All respondents answer the same questions in a fixed order. Mail surveys usually take longer to complete, and the response rate, the number of people returning the complete questionnaires-is often very low. Also, the researchers often have little control over the mail questionnaires sample.

Telephone interviewing is one of the best methods for gathering, information quickly and it provides greater flexibility than mail questionnaires. Interviewers can explain difficult questions and depending on the answers, they receive, skip few questions also. Response rates tend to higher than with the mail questionnaires.

However, with telephone questioning, the cost per respondent is higher than that of mail questionnaires. Also people may not want to discuss personal questions with an interviewer. Sometime mechanical problems in telephone also cause a block in the regular flow of discussion.

Personal interviewing takes place in two forms:

- Individual
- Group interviewing

Individual interviewing involves talking to the people in the following places:

- At home
- At office
- At street
- At shopping Centre

Such interviewing is flexible, trained interviewer can guide interviews, explain difficult questions and explore issues as the situation requires.

Group interviewing consists of inviting six to ten people to talk with a trained moderator to talk about a product / service / an organization. Here the moderator encourages free and easy discussion, hoping that group interactions will bring out actual essential and thoughts.

Online marketing research is categorically refers to collecting data through internet and it is relatively low in cost.

Also using the internet to conduct marketing research does have some draw backs.

- Restricted usage of computers
- Actual identity of respondent

- Not possible to know the actual eye-contact, body language and direct personal interactions.
- Low level knowledge of technology

SAMPLING PLAN: A sample is a segment of the population selected to represent the population as a whole designing the sample requires three decisions:

- First, who is to be surveyed?(sampling unit)
- Second, how many people should be surveyed?(sample size)
- Third, how should the people in the sample be chosen?(sampling procedure)

RESEARKCH INSTRUMENT: In collecting primary data, marketing researchers have choses of two main research instruments.

- Questionnaire
- Mechanical devices

Questionnaire is by far the most common instruments, whether administered in person by phone or by online.

Questionnaires are very flexible there are many types of questionnaires:

1. Close end questions include all the possible answers and subjects make chosen among them. It may be multiple types in nature or scaling in nature.
2. Open-end questions allow respondents to answer in their own words.

Close end questions and its answers are easier to interpret and accurate whereas open end answers give a brief picture of many people with many thoughts. Researchers are also much careful about the working and ordering of the questions. They should use simple, direct and unbiased. Questions should be arranged in a logical order. The first question should create interest if possible. Difficult or personal questions should be asked last so that respondents don't become defensive. A carelessly prepared questionnaire usually contains many errors.

5. **IMPLEMENTING THE RESEARCH PLAN**:

Here the researchers put the marketing research plan into action. This involves collection, processing and analyzing the information. The data collection phase of the marketing research process is generally the most expensive and the most subject to error. Researchers should watch closely to make sure that the plan is implemented correctly.

6. **INTERPRETING AND REPORTING THE FINDINGS**:

The market researcher must now interpret the findings, draw conclusions and report them to management.

However, interpretation should not be left only to the researchers. They are often experts in research design and statistics, but the marketing manager knows more about the problem and the decision that must be made. Similarly, managers may be biased. They might tend to accept research results that show what they expected and to reject those that they did not expect or hope for.

Module-2, Chapter-6
Segmenting, Targeting and Positioning.

A. Marketing Segmentation:

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

Through market segmentation companies divide large heterogeneous markets into small and fairly homogenous segments that can be reached more efficiently and effectively with products and services that match their unique needs. Mass marketing concept is shrinking as people now go for variety of choices. Coca-Cola was practicing mass marketing with only one product. Since the mass market is no more homogenous and divided into number of micro markets, companies are no freer to provide one product suitable for all. Various forms of micro markets are;

- Segment marketing: A market segment consists of a group of customers who share a similar set of needs and wants. There are various segments in car market such as, low cost basic transportation purpose, mid segment luxurious driving experience and high cost luxurious and esteemed thrills and performance.
- Niche marketing: A niche is a more narrowly defined customer segment seeking a distinctive need or benefit and charges a high price. Ezee, the liquid detergent of Godrej, is a fabric washing product for woolen products.
- Local marketing: Marketing programme tailored to the local need of customer group come under local marketing. Special bank branches for NRI transaction in Kerala and Chandamama children magazine in more than 30 languages are examples of local marketing.
- Individual marketing: Separate marketing strategies for individual customer is called individual marketing or customerization. Paint companies are selling paint of any colour combination as per the choice of individual customer.

Segmenting Consumer Market:

There is no single way to segment a market. There are few variables that might be used in segmenting consumer markets. These are as follows:

1. Geographic segmentation

2. Psychographic segmentation
3. Demographic segmentation
4. Behavioral segmentation

i) ***Geographical Segmentation****:* Geographical segmentation calls for dividing the market into different geographical units such as:

- Nations
- Regions
- States
- Countries
- Cities
- Rural-urban

A company may decide to operate in one or few geographical areas or to operate in all areas but pay attention to geographical differences in needs and wants. Many companies today are localizing their products, advertising, promotion and sales efforts to fit the needs of individual regions, cities and even neighborhood.

ii) ***Psychographic Segmentation****:* It divides buyers into different groups based on the following characteristics:

- Social class
- Life style
- Personality

People in the same demographic group can have different psychographics makeups

iii) ***Demographic Segmentation***: It divides market into customer groups based on the following variables:

- Age
- Gender
- Family size
- Family life cycle
- Income
- Occupation
- Education
- Religion
- Race
- Generation
- Nationality

Demographic factors are the most popular bases for segmenting customer groups. One reason is that consumer needs wants and usage rate often vary closely with demographic variables. Following are few demographic characteristics that must be analyzed by the marketers to assess the size of the target market.

Age and Life cycle stage: Consumers need and want change with age. Few companies use age and life cycle segmentation, offering different products for different age and life cycle group. Ex: Johnson & Johnson for baby segment for its products.

Gender: Gender segmentation popularly used in the below category of the product:

- Clothing
- Cosmetics
- Toiletries
- Magazine

Income: Income segmentation has long been used by the marketers of products and services like:

- Automobiles
- Clothing
- Cosmetics
- Travel

(iv) **Behavioral segmentation**: It divides buyers into groups based on the following behavioral aspects:

- Knowledge
- Attitude
- Response

Besides these the below variables are also taken into consideration:

Occasions: Buyers can be grouped according to occasions when they get idea to buy. This can help the company to build up product usage. For example:- days like father's day / Mother's day / Valentine day increase the sale of chocolates, flowers, cards and other gifts.

Benefits: A powerful form of segmentation is to group buyers according to the different benefits they will seek from the product. It requires finding the major benefits people look for in the product class and the major brands that deliver each benefits.

Market can be segmented into groups of the following natures:

- Non-users
- Ex-users
- Potential users
- First time users
- Regular users

Usage rate: Market can be segmented into the following based on usage rate:

- Light user
- Medium user

- Heavy user

Heavy users are often a small percentage of market but account for a high percentage of total consumption. Hence marketers are usually prefer to attract heavy users to their products/services rather than any other form of users.

Loyalty of consumer: A market can be segmented by consumer loyalty. Consumers can be loyal to brands like:

- MUL
- Surf(HLL)
- SBI
- IIM

Following are the various degree of loyalty:-

Hard core loyal: They buy one brand all the time.

Split loyals: 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. TARGET MARKETING:

Every company should evaluate and select target segments in the following ways:

1) *Evaluating market segments:* In evaluating different market segments, a company must look at the three following factors:

   a) Segment size and growth.
   b) Segment structural attractiveness
   c) Company objectives and resources

- First the company must first collect and analyze data on current segment sales, growth rates and expected profitability for various segments.
- The company also needs to examine major structural factors that affect long-run segment attractiveness. For example: a segment is less attractive if it already contains many strong and aggressive competitors. The existence of many substitute products may limit prices and the profits that can be earned in a segment. The relative power of buyers also affects segment attractiveness. Buyers with strong bargaining power relating to sellers will try to force prices down and demand more services and set competitors against one another.
- Even if a segment has the right size and growth and is structurally attractive, the company must consider its own objectives and

resources. The company should enter only segments in which it can offer superior value and gain advantages over competitors.

2) *Selecting target market segments:*
   There are some criteria for effective segmentation which are to be kept in the mind of companies. They are:
   - *Measurability*
   - *Sustainability*
   - *Accessibility*
   - *Actionable*

   After evaluating different segments, the company must now decide which and how many segments it will try. A target market consists of a set of buyers who share common needs that the company decides to serve.

   Because buyers have unique needs and wants, a seller should potentially view each buyer as a separate target market. Then the seller might design a separate marketing program for each buyer. Companies can target following markets in the below ways:

   a) Very broadly(undifferentiated marketing)
   b) Very narrow(micro marketing
   c) Somewhere in between(differentiated or concentrated marketing)

   A) Undifferentiated marketing: It is other-wise known as mass marketing strategy. This focuses on what is common in the needs of consumers rather than on what are different company designs a product and a marketing program that will appeal to the largest numbers of buyers.
   B) Micro Marketing: It is the practice of tailoring products and marketing programs to meet the needs or various market segments and niches. Here the taste of individual consumer is taken into consideration. Micromarketing includes the following:
      - ❖ Local marketing
      - ❖ Individual marketing

      (i) *Local Marketing:* This marketing involves tailoring brands and promotions to the needs and wants of local customer groups.
      (ii) Individual marketing: This marketing involves tailoring products and marketing programs to the needs and preferences of individual customers. It is also known as one-to-one marketing.

C. POSITIONING STRATEGY:

A product position is the way the product is defined by consumers on important attributes, the place the product occupies in consumer's minds relative to competing products. Positioning involves implanting the brand's unique benefits and differentiation in consumer's mind.

Generally consumers are overloaded with information about products and services. They cannot re-evaluate products every time they make a buying decision. To simplify the buying process, consumers organize products, services and companies into categories and position them in their mind. A product's position is the complex set of perceptions, impressions and feelings that consumers have for the product compared with competing products.

POSITIONING MAPS: While planning for positional strategies, marketers should prepare perceptual positioning maps, which show consumer perceptions of their brands versus competing products on important marketing decisions.

CHOOSING A POSITIONING STRATEGY:

Some firms find it easy to choose their positioning strategy. A company well known for quality in certain segments will go for this position in a new segment if there are enough buyers seeking quality.

Positioning tasks consist of three steps:

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

i) Identify possible competitive advantages:

To build profitable relationships with target customers, marketers must understand customer needs better than competitors do and deliver more value to the extent that a company can position itself as providing superior value, it gains competitive advantage.

Few companies gain services differentiation through speedy, convenient or careful delivery.

Firms that practice channel differentiation gain competitive advantage through the way they design their channel's coverage, expertise, and performance.

Companies can gain a strong competitive advantage through people differentiation – hiring and training better people than their competitors do. Disney people are known to be very friendly and co-operative. Singapore airlines enjoy an international reputation largely because of grace of its flight attendants.

ii) *Choosing the right competitive advantages.*

Company should find out the exact potential of competitive advantages through which it can build up its positioning strategy. Many marketers think that companies should aggressively promote only one benefit to the target market. Other marketers think that companies should position themselves on more than one differentiator.

Company must carefully select the ways which it will distinguish itself from competitors.

Important: The difference delivers a high valued benefit to target buyers.

Distinctive: Company can offer it in a distinctive way.

Superiors: The difference is superior to ways that customer might obtained the same benefits.

Communicable: The difference is communicable and visible to buyers.

Afford: Buyers can afford to pay for the difference.

Profitably: The Company can introduce the difference profitably.

iii) *Selecting an overall positioning strategy:* Consumers typically choose products and services that give them the greatest value. Hence, marketers want to position their brands on the key benefits that they offer relative to competing brands. Hence, there are five winning value propositions upon which companies position their products in the following ways:

iv)

- More and more
- More for the same
- The same for less
- Less for much less
- More for less

More and more: This positioning involves providing the most excellent products/service and charging a higher price to cover the 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 positione its ideal product with a less cost than its competitors.

Less for much less: According to the people need, want and affordability marketers sometime positioned 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.

CRAFTING BRAND POSITIONING: BRAND EQUITY

Brands are more than just names and symbols. Brands represent consumer's perceptions and feelings about a product and its performance, brands exist in the minds of the consumers. Hence, the real value of a strong brand is its power to capture consumer preference and loyalty.

Brands vary in the amount of power and value they have in the market place. A powerful brand has high brand equity. Brand equity is the positive differential effect that the brand has on consumer response to the product or service. A measure of a brand's equity is the extra amount to which consumers are willing to pay more for the brand.

A brand with strong brand equity is a very valuable asset. High brand equity provides company with many competitive advantages. A powerful brand enjoys a high level consumer brand awareness and loyalty because brand name carries high credibility. The company can more easily go for brand extensions. For example: Coca-Cola introduces its brand extensions as diet coke and vanilla coke.

Powerful brand offers the company some defense against top price completion. A powerful brand Alco creates strong and profitable customer relationships.

Brand positioning should consider the following aspects:

- ❖ Target consumers
- ❖ Essence of the brand (nature and quality of the brand)
- ❖ Promise of the brand
- ❖ Personality of the brand
- ❖ Positioning of the brand.

Brand essence: It is the nature and quality of a brand. Ex: Nike (Genuine athletic performance), **Hallmark (**Caring shared), **Disney (**Fun family entertainment).

Brand Promise: A brand most promise differential benefit that are relevant and compelling to the consumer.

Brand promise must:-

- ❖ Address important consumer needs
- ❖ Supports the organization's strengths

- Give organization a competitive advantage through differentiation.
- Inspire and mobilize the consumers.
- Drive the organizational decision, system, action and process.

Brand Personality: Brand personality describes the core value of a product.

- Fun (Coca-Cola)
- Kind (CRY)
- Safe (Volvo)
- Sincere (ICICI)
- Sophisticated (BMW)
- Cheerful (UB)
- Reliable (SBI)
- Old-fashioned (HM)
- Sexy (Motorola)

Brand Perception: The way the brand is perceived within a given set in the consumer's mind. Ideally it is the function of the brand's promise and how the brand compares with other choices with regard to the following attributes:

- Quality
- Innovation
- Value
- Prestige
- Trust
- Safety
- Reliability
- Performance
- Concerns for customers
- Social responsibility
- Technological superiority

Reading material

CONSUMER BEHAVIOR CHANGES WITH TIME

The Power of youth market in India.

- Mobile phones today have become status symbol for students. Recognizing this huge potential Airtel introduced low cost rechargeable coupons to prepaid customers.
- Levi's introduced 'street wear' range for youth under 'Sykes' brand.
- Titan introduced a range of sunglasses under the brand Fastrack. It also introduced a new collection of watches under the brand Fastrack studying the life style and attitude of 15 to 25 year old youth.
- Sony Ericsson launched a mobile phone that provides a 3-D gaming engine and easy download of video clips.
- Bajaj scooters redesigned scooters and launched new model under the brand name Spirit, Bravo and Legend for youths of both genders.
- MTV and Channel V are specifically targeted at youth. Also Planet M, a music store targets at youth
- Archie's offers specially designed greeting cards and gift articles targeted at the youth market and advertise it in MTV and Channel V.
- HUL focuses on youth market for its Rexona deodorant and Close-up tooth paste highlighting situation of a college girl in its advertisement.
- Bacardi's tagline 'be what you want to be' reflects the youth culture.
- Foreign brands of motor cycles try to lure Indian youth with their speed style and performance.

Module-3, Chapter-7
Marketing Mix design

Product

A product can be defined as a want satisfying material or service which is offered to market for attention, acquisition, use or consumption. A product has three levels of features called core product, tangible product and augmented product. core product is the real or actual material or service which satisfy the core or fundamental need. Tangible product is just additional coverage offered along with the core material.

Tangible aspects of a product could be packaging, quality, brand name, feature, style etc. Additional services and benefits provided along with core and tangible aspects makes the product an augmented product. These services and benefits can be after sales service, warranty, delivery, credit, customer training etc.

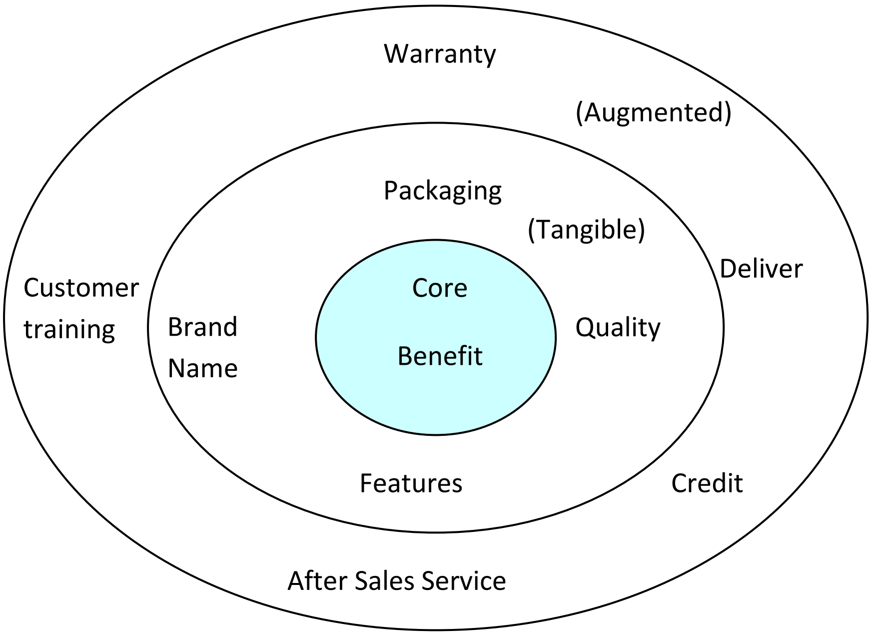


Fig. 3.1: Core, tangible and augmented product

PRODUCT CLASSIFICATION

Broadly the products are either consumer products or industrial products. Consumer products are daily requirement of consumers which they consume or enjoy for satisfaction of their needs. Industrial product is used for production of end product . Services are intangible kind of products which also satisfy the need of consumer.

Consumer Products: Depending on the tangibility and durability of the product, the classification can be durable, non-durable and services.

- *Durable products* are tangible and last for longer period. Consumers derive the benefit out of it for a longer period. Examples are TV, washing machine, refrigerator etc.
- *Non-durable products* are also tangible but last for shorter period. Consumers need these frequently and regularly.
- *Services* are intangible in nature as they have no shape or feature, but they have need satisfying power.

Depending on the nature of buying habit of the people, consumer products can be classified as convenience goods, shopping goods and specialty goods.

- ***Convenience goods***: These are usual product which consumers purchase regularly and frequently. These are mass-marketed products which are bought with less effort and deliberation. Example of such products are food material, cigarette, milk, soap, biscuits etc. Convenience goods are further subdivided into staple, impulse and emergency categories.

  Staple goods are daily purchase items as per purchase made every day. Ex; Food ingredients, biscuits etc. ***Impulse goods*** are those which is purchased on sight. Its purchase depends on special discount, gifts or occasional goods. Ex. Chocolate, pickle, jam, sweets etc. ***Emergency goods*** are those for which the customer can go for a special visit to the shop if the stock is exhausted or at low level.

- ***Specialty goods:*** Some consumable products which consumers buy selectively from exclusive outlets or authorized dealers. Ex: Medicine, Photography, alcohol, paint etc.
- ***Shopping goods:*** Consumers while purchasing compares the product on the basis of quality, price, style and suitability. Ex: Clothing, furniture's, appliances.

SERVICES A service is an intangible part of any performance or act. It does not have any ownership. It may or may not tie with any physical product. Marketing organization offer products and services and this offer may be of following categories:

- ***A pure service:*** There is no involvement of tangible goods. Ex: Legal service, counseling, medical service.
- ***Major Service:*** Here the service is core aspect and there is little involvement of physical product. Ex: Air travel service. The major service here is traveling with comfort. But along with these Airline service providers provides tea, coffee, chocolates etc.
- ***Tangible good accompanied with services:*** Many industrial products and durable products are strongly associated with service. Service facility and quality is one of the parameter in consumer's purchase behaviour ex: TV, washing machine, pump set, tractors, automobile.

Industrial goods classification

Many organizations or manufacturing firms purchase variety of goods for manufacturing products and day to day management and maintenance. All these industrial goods need different marketing strategies. These goods are classified as materials, capital items and supplies/services.

Materials can be raw material or manufactured materials. Raw materials are used to produce different products. Raw materials can be farm products (cotton, milk, oil seeds, fruits, vegetables etc) or Natural Products (petroleum, water, iron ore etc). similarly manufactured item or finished goods can be iron, yarn, steel, cement, fruit juice, dress materials etc.

Capital items are items which are being used for manufacturing products. Capital items are usually high value items required for production. Capital items may be installation items (Building, plant and machinery, generator, elevators etc) or accessory equipment (typewriters, furniture, hand tools, office equipment etc).

Supplies and services are those items which do not enter into the process of production. Supplies can be operating supplies (lubricants, typing paper, and pencils) or maintenance and repair items (paint, nails etc). Similarly business service includes repairs as well as maintenance services like security service, courier service, legal service, repair service.

PRODUCT POLICY:

Product policy is a corporate strategy which is linked with corporate mission, market requirements and technological development. Type of product, quality of product, product planning etc are based on corporate decision. Similarly product acceptability is dependent of market conditions. Product design and manufacturing is dependent on technological development. The product should be dynamic to meet the customer's change of choice and preference. The company should watch the market, dynamics,

Product policy involves decisions relating to corporate and operational activities for present products as well as for future products. In a nut shell product policy involves managing and modifying existing product and development of future products.

Product policy is one the fundamental principle of any marketing activity as product is the most important part of marketing mix. In product policy, following activities are included.

A)**Product Planning and Development**—Product planning is done as per product policy and corporate objective. To implement the plan product strategies can be formulated. Planning is necessary to cope with changing situation of the market. Every product has a limited life. As old product lose their importance or appeal, it becomes important to develop or modify it. Product modification should be in accordance with changing taste and preference of customer.

b)**<u>Product Mix and line Decision :</u>**

Most of the companies go on adding new varieties of products over time to expand their market share and marketing activities by fulfilling the need of different layer of customer groups. They do so for expanding their market through enlarged customer base, earning Profit through market acceptance, for improving credibility in the market environment etc. Hence many companies do have number of Products which altogether is called Product mix. Product mix is therefore a set of all Product items a company provides. The whole Product mix is then classified into different Product lines. A Product line is a set of similar items. For example P & G Company's Product mix is having four different Product lines such as detergent, bar soap, personal hygiene Product and disposable diapers. Under each Product line there are number of Products.

A Company's Product mix has its width, length, depth and consistency.

- Width – This refers to how many different Product lines the company offers.
- Length – This is the total number of Products in a Product mix.
- Depth – This refers to total number of items in each line. If the same Product item comes in two different sizes the depth becomes two.
- Consistency – It refers to how closely the Product lines are so far as Production Process, distribution channel, marketing decision, marketing etc are concerned. Most Companies Product lines go to the customer through same distribution channel to ease marketing activities even if the function of these products is different.

The width, depth and consistency enables a company to offer it's Portfolio of Products to different customer group thereby expanding the customer base as well as business environment of the company. Too much of consistency is not desirable among Product line as this will reduce the offering to the customer and too less a consistency will Provide larger Product diversity. Hence a consistent mix of reasonable diversity will be easier for marketer to manage providing core benefits of the Product to wider range of customer groups.

Product Line Decisions :

As defined earlier Product line consists of similar type of Products offered by a seller targeted to same customer group and marketed through same distribution channel. For example a university may be having three separate Academic Deans for separate educational programmes. A consumer Appliance company may similarly be having different Product line such as Refrigerator, Washing Machine, Gas Stove etc. each line having multi-products under it. While taking decisions on Product line, companies Plan certain concepts or models which satisfies the customer group's need as well as of management decision makers.

Following methods are adopted for line decision.

- A Company can analyse the sales and Profit of each item in a Product line and find out the strength and weakness associated with it so that appropriate marketing decision can be taken. A Company can classify Products basing on its sales volume, Profit margin, Promotion expenses etc. These may be products with high sales with less margin, and high promotion or less sales with low promotion and high margin and so on. Whether a Product will be continued, modified, improved or dropped, it depends on the result of above analysis.

- Product line length analysis is another way to decide the size of Product line. For achieving high market share and high market growth, longer product line is required. Companies generally create separate product line to give more thrust to its Product items to be accepted by a wide variety of customer groups. But for achieving more profitability companies select specific chosen items and hence generally the line is shorter.

  Line Stretching :

  Product line of a Company can be lengthened in two ways such as stretching and filling. A Company can stretch its Product line in downward, upward or in both ways.

- ***Downward Stretching***

  When a company positioned at high end market feels saturation or stagnation in sales and desires to offer low value Products to attract lower slice of market segments, it is called a downward stretch. Sometime it carries risk of shifting it's own demand of existing customers as faced by Kodak while introduced low cost fun time film. But many companies have successfully introduced low cost models (Scooty by TVS, lower HP tractor by many companies). Ariel detergent was positioned by P & G at upper level after which it introduced low cost Ariel bar.

- ***Upward Stretching :***

  Sometimes companies try to attract high end user providing high quality costly product. The inner objectives are to increase profitability and to offer full range of products. Lifebuoy continued to provide low cost bath soap to customers for a long time and later offered high cost hygiene hand wash positioned for high end users. It positioned it as a hygiene product and there is no dissonance in the mind of customer.

- ***Both Way Stretching :***

  Companies operating in middle market may decide to stretch product in both directions. The company's main objective is to expand its business to all customer segments by utilizing full production capacity.

Line Filling :

Sometimes it seems that there is a void in providing products to customers. Companies try to fill up this gap for missing products with an inherent objective of maximizing profit, satisfying retailers, keeping competitors away by utilizing excess capacity etc. Each such product addition should be on the basis of market need not on internal need. Each such product should have just noticeable difference to convince separate customer group so that distinct product positioning can be made. For example Cinthol has some other varieties like Cinthol Fresh and Cinthol international having noticeable difference. This differentiation will be taken into consideration by the company while positioning the Product.

Line modernization can be made for Product which undergoes rapid change due to technology. Microsoft introduces more advanced versions of their Product. Similarly Product lines can prune the products which are deadwood and which depresses the overall Profit of the Company.

d) Product Strategy :

Product strategy on different decision making levels is based on corporate perspective. Besides product strength and characteristics, the marketer should consider the market condition or environment. Forecasting of demand, competitive analysis, firm's own strength and limitations, market conditions are the determinants of product strategy. This is rather Product market integration. Product market scope matrix developed by Ansoff states four distinct types of product strategies. Companies can adopt any of the strategy for each of its product depending on marketing environment and product offering. These alternatives are explained below.

	Existing Product	New Product
Existing Market	Market	Product
New Market	Penetration	Development

Figure: 3.3—Product-Market Matrix

Market Penetration Strategy :

Here the objective of the company is to increase the market share of its current products in current market. It wants to utilize full production capacity and marketing strength to build up a strong customer base and to increase the consumption quantity. The Company may achieve more business volume using larger package size or promoting more frequent use or promoting consumption in more ways. Customers using competitor's brand can be prompted for switchover.

Market Development Strategy :

This strategy aims at expanding the market for existing product. While positioning a Product, the company might have targeted specific customer group. In order to attract all customers in target group, company has to take different strategy. If a LCD marketing company position it's Product for Academic Institutes, the company should try to capture business from left over institutes who have not purchased yet. Secondly, the company should look for new category of customers is new market for the product. The Company may reposition the Product for hotels, hospitals, etc to expand the market. This strategy of market development includes several marketing activities.

Product Development Strategy :

When a company is comfortable and has a command in existing market, it may think to add some new product to encash profit because of spreading cost of expenditure on marketing. The company may go for similar type of product or modify the existing product to get competitive edge and to attract more customers. (For details refer New Product Development Chapter). Company sale as well as profitability magnifies by adding more products to its basket. Product mix and line extension strategies are taken for fulfilling this objective.

Diversification Strategy :

When a company thinks to introduce completely new product in a new market, this is called diversification strategy. Company thinks to tap the opportunities available in other sectors or to reduce the risk burden in existing sector or to shift to new sector because of technological changes, it takes such diversification strategy.

E) **Product Packaging:--**

Packaging is often called as fifth 'P' of marketing. It is concerned with proper design and packing of a product packaging has significant value considering the severe competition in the market and increased level of awareness of consumer. Following functions are carried out through packaging.

i. It protects the product during its transit from breakage and protects the material inside it from sunlight, temperature, moisture and contamination.
ii. Through scientific innovation good quality packaging materials are invented which made the packaging handy and safe. (Aluminum foil, plastic jar, cardboard).
iii. It's colour, design etc appeals the customer and creates favourble impression—it also provide lot of basic information about the product. It gives lot of publicity to the product.
iv. Sometimes it improves the life period of the product. Due to innovative active packaging, self-life is enhanced and a customer or retailer can identify the damage from the packaging.
v. It also prevents adulteration by unscrupulous trades or middlemen in the way.

e) Product labeling—

Label constitutes a part of the product which provides verbal information about the product. The act of attaching a tag with information is known as leveling.

- It provides information to consumers about manufacturing date, manufacturers name and address, expiry date etc.
- It informs price, weight, size and composition of the product
- It provides statutory warning about use of the product.

- It is helpful to popularize the produces.

It can be grade labeling (A, B, C, D) or Brand labeling. Barcode is nowadays common for most of the branded product.

f) **Product branding-** Branding gives power to a product to accelerate the sale. Consumers need assurance and guarantee for a product which they feel, they get from branding. Branding can be a name, a symbol, a logo or something which identifies the product and differentiate it from other products. It also gives legal protection to a product. In product marketing branding occupies a unique role.

i. Product differentiation- Since a branded product enjoys a distinct identity, it differentiate itself from other products in terms of quality, price, image, utility etc.

ii. A seller creates a brand image by offering satisfactory packages over years. Brand image is a cumulative output of the company. This actually stimulates customers to buy branded products.

iii. Branding creates a separate preference for the product. Consumers are purchasing for the product. Consumers are purchasing Colgate toothpaste and Britannia Biscuit since years. It also makes people loyal to a product.

iv. It promotes sales with its image and popularity. More and more people become aware of the brand through word-of-mouth.

What is a New Product?

A new product is one which is perceived as 'New' by the consumers. It may be

- Repositioning of existing products
- Repositioning after marketing mix
- Change in tangible / augmented elements of a product.
- Adding totally new product to the existing line

As per research studies it is seen that in about 70% of cases, new product involves modification of current products. Only in 30% cases, complete new product is created.

Methods of New Product Development

New product can be developed through:

- *Product modification.*

This is a kind of improvement or modification of existing product in order to bring some new features and value addition to it. This is effective to counter competitors, who follows and develop their products continuously. Secondly product improvement has to coincide with the dynamic changes in taste and preference of the consumer. Some of the examples of new product development through product modification are

i) Launching of bigger size cake of Lux, called New Lux by Hindustan Leaver Limited.
ii) 100 cc two wheeler vehicles by TVS Suzuki and subsequently by Hero Honda.
iii) Launching of music system to existing product line by Videocon Ltd.
iv) Introduction of radial tyre.

- *Technological Intervention*

Many new products came into light because of technological innovations. Installation of INSAT 1B opened flood gate of opportunity for television set manufacturers to reap the cream for some decades. It is seen that there is always a resistance for adoption to any technological changes initially. But early entrants reap maximum benefits of leadership and subsequent followers face difficulties in establishing it. To take the advantages of technological changes, and to gain competitive advantage in the market, the firm has to keep close relationship with technological institutes, universities and other R&D laboratories. Some of the new product evolved through the process of technological intervention are television, VCR, Video camera, Portable music system, Quartz watches, Cell phone, Computers etc.

- *Marketing innovation.*

Many companies improve the existing products according to the changed taste and preference of the consumer. Here consumers do not require changing their consumption pattern or habit to accommodate these new products. Some marketing innovations such as branding, packaging, change in substance of the product, colour of the product etc are applied such that consumers perceive this as new product.

- *Repositioning.*

Here the core product is not changed. The product is being repositioned to a new market or market segment.

- *Cost reductions.*

New products that provide similar performance at lower cost fall under this category.

For effective utilization of production capacity of the firm, a few more products can be manufactured at any given time. Godrej soaps launched a number of toilet soaps, mainly to fill it's existing surplus capacity.

New Product Development Process

New product development process varies from firm to firm depending on type of product. But more or less they pass through following processes.

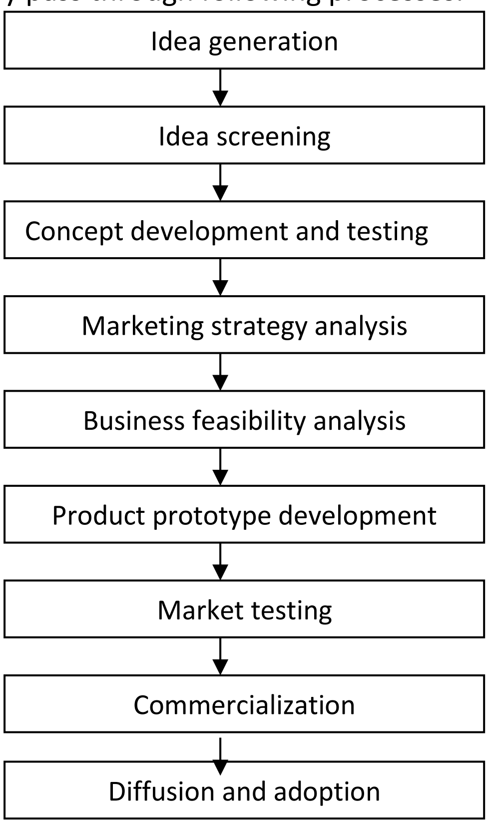


Fig 6.1- New Product Development Process

Idea Generation

New product development is always a prerogative of top management. Therefore the orientation of top management towards new product development is to be decided first. Whether the objective of new product will be to achieve higher market share or to achieve a high cash flow or to attract a specific market segment is to be decided from the beginning. Time frame is to be fixed which is very important. Idea generations are the starting point of logical process of new product development. It is a continuous process which is necessary to tap different sources of creativity. The most important criteria of new product idea are development in the market like changes in geographic demographic and psychographic characteristics of the market. Because of rapid urbanization life style of people are changed. Their taste and preferences are also changed. Media has also played as a catalyst by increasing their exposure towards newly offered product in other segments of market.

Source of Idea generation:

Consumer product marketing companies can identify changing needs, taste and preferences of consumers through consumer survey, feedback, suggestion, projective technique, focus group discussion etc. When a firm listens the complaints and

Expectations, new creative idea come to their mind. Many companies hunt for ideas from consumers through their complaints and expectations. WIMCO developed their product (matchbox) basing on consumer's expectations. Dealers and distributors of the company present consumers problems and expectations as they have firsthand information with them. Companies find competitors move to new product development as a new idea for them. They monitor the competitors move for new product and collect detail information through their dealers or distributors. If the product is accepted and if the market is untapped or the potential is very high, then they also copy and imitate the same, or else they can make minor changes or modifications and send the product to market Japanese are expert in copying and developing competitors product. After successful launching of washing machine by Videocon, many competitors like TVS, BPL etc. came immediately to market with similar products in collaboration with their international partners. Ideas can be generated from internal as well as external sources.

Design houses, consultants, Advt. agencies scientists and engineers very often come with new ideas on product development or a complete new product innovation. Research institutes, R&D laboratories, IITs, IIMs etc are doing research work round the year to find new innovations. Many scientists or consultants publish their new discoveries in industrial journals. Recently Bhava Atomic Research Centre has invented a process of extracting juice from bananas. Companies should make use of such innovations.

Company's own sales representatives who work in first line have direct contact with consumers, retailers, distributors etc. They collect lot of information about positive and negative aspect of company's product. They get information about complaints and expectations of consumers. They also remain vigilant about competitor's product and strategy. Hence they are having all information about the market. They are a potential source of giving ideas for product development sometimes companies encourage their employees or employee groups to provide new ideas.

Companies own R&D design and marketing research department work on long term basis and research continuously to develop product as well as other aspects relating to core product. Market research department conducts consumer survey and finds many ideas.

Company's production, engineering and manufacturing department sometimes come up with new ideas in developing product in the line of cost reduction, value addition, standardization etc. Top management can be a major source of new product ideas. Some companies take personal responsibility to find new ideas. But in such case their ideas should be thoroughly researched and should not be passed blindly.

External	Internal
Consumers	Employee/sales personnel.
Retailers / Distributors	R&D, Research, Mktg. Research Deptt.
Specialists	Line Deptt.
Competitors	Top management
Media, Trade Journal.	

Table 6.1: Sources of New Product Ideas

Idea generating techniques

Brainstorming: Companies use this method when they need more number of ideas. Through this process group creativity is stimulated. Ideally the group should consist of 6 to 10 people and the discussion should be for one hours. The exercise continues without too much rigidity to one idea. The rules of the game are given below:

- Criticism is ruled out.
- More number of ideas is promoted.
- Combining and improving ideas are encouraged.
- Initially wider ideas are refined gradually.

***Attribute listing*:** Here the major attributes of a product is listed and then technique is used to modify or improve each attributes. Attributes of a small sickle can be a wooden handle, sharp metal, bending structure etc.

Need /Problem identification: Here the need or the problem of consumers is identified through market survey process. Various problems are rated as per their seriousness, incidence and cost of remedy. Then the company decides which type of development they want to have. Consumer also can present the above problems or needs in order of the preference.

Ibuka, an employee of Sony came one day to his product manager with a heavy stereo record player with a pair of headphones saying "I carry my music with me, but it's too heavy. Then his product manager thought to make a lightweight stereo somehow and started working. He made it by replacing heavy stereo amplifier and speaker with light weight one. With quality sound and affordable price for young people, now it has changed the music listening habit of millions of people.

Morphological Analysis: Through this method the structural dimensions of a need and relationships between them are examined. This is an exercise to combine number of ideas to get a product having multiple attributes.

Other methods like forced relationships, synectics, projective technique etc can be applied for generating number of ideas. Attribute listing and need / problem identification are common methods used by firms. Morphological analysis is also used for developing product ideas and to get products with multiple attribute combinations.

b. IDEA SCREENING.

It is not possible and acceptable to implement each and every idea. Ideas are to be scrutinized in order to minimize the market failure. Ideas are scrutinized keeping in view of reducing negative aspects of existing product.

Go Error & Drop Error

In order to avoid product failure, a good product idea is the prime requirement. During screening process there are two different type of committing errors in selecting good ideas. Either they drop a good idea or go ahead with a bad idea. The first type is called Drop error and the second, go error. If the company is too rigid and conservative it may commit first type of error or Drop error. If the company goes ahead with idea without proper evaluating it, it may commit a go error. These types of errors will get a lot to the company in the long run.

c. CONCEPT DEVELOPMENT & TESTING

Consumers do not purchase ideas, they purchase concepts. Concept is an elaborated version of product idea. Any product idea can be turned to several concepts. For example, take the case of an idea of formulating a nutritious power to be added with milk. Many questions arise. Who will use this product? What primary benefits this product will give? What are the primary occasions for its use? The product can aimed at children, young or middle aged or senior citizens. Primary benefit could be nutrition, taste or refreshment. Occasions could be breakfast, dinner or launch. Combining these answers we will get different combinations of product concept. Different concepts for this example could be:

Concept 1: A sweet flavored and nutritious drink for children to be consumed in the evening after play.

Concept 2: A healthy drink with less sugar for senior citizens to be consumed in the morning.

Concept 3: An instant nutritious drink as a breakfast replacement for adults.

After concept development, the concept is to be positioned with appropriate market segment. Each concept is to be studied with respect to potential consumer segment and competitive products. The strength of new concept is to be studied in respect to product of competitors. The pricing, packaging etc is to be decided according to positioning of the product.

Then this concept is to be tested selecting a target group of consumers. Consumers are asked to reply to different questions from which their reactions and acceptance will be understood. After the testing process, the most promising concept will be passed for next stage of development.

d. MARKETING STRATEGY ANALYSIS:

Strategy analysis for introducing the product is to be formulated at this stage. Of course this is not final as it will undergo several refinement processes. First of all, the strategy should describe size, structure and behaviour of the target market. Demand estimation, sales forecasting, competitor strategy are to be made. Secondly the product positioning statement is to be laid down from this. The price, distribution strategy and marketing budget for short term period is to be defined. Thirdly, long term objective on sales, profits and marketing mix decision is to be defined. Here the expected sales market share and profit goals are defined for first few years.

e. BUSINESS FEASIBILITY ANALYSIS:

In this process the selected ideas undergo more rigorous process of analysis before allowing the idea to enter next stage which involves cost. Here the management analyses estimated sales, cost of production and profitability. If the management objective on this score is fulfilled, then the product concept will pass to next phase i.e. product development. And prior to this sales analysis, demand analysis, technological cycle and product life cycle for this product is to be studied in detail. Then first time sale, replacement sale and repeat sales volume is to be estimated. After this the cost of production is calculated basing on capital cost, recurring cost and capacity of production. The profitability at different levels of capacity utilisation is to be calculated. The project feasibility is also found out to know cost recovery period, breakeven point etc. If the proposition is found lucrative, then the concept is accepted for onward product development and manufacturing.

f. PRODUCT PROTOTYPE DEVELOPMENT:

Basing on needs of consumer different attributes is fixed while giving a physical shape to the product. The prototype should ensure safe and easy handling of the product. The prototype should fulfill the criteria of technical and economical manufacturing feasibility. The cost should be within the budgeted allocation.

g. MARKET TESTING

In order to make a final and real life assessment of the product, it is tested before full-fledged launching of the product. Before market testing lot of questions are asked and decisions are taken accordingly.

- Geographical area to be tested.
- Duration of test of product.
- Feedback information needed.
- Decision making.

Extent of geographical area depends on type of product, target market, target customer profile, capacity of the company etc. Duration of testing varies from some months to some years. Duration of testing should be adequate to assess repeat purchase. Duration should not be long enough to allow competitors to enter into the market. Information required is to be clearly defined. Information may be regarding quality, cost, brand loyalty, brand switchover, consumer attitude, consumer satisfaction, consumer adoption, repeat purchase etc. After getting consumer feedback decision is taken whether to go for commercial launching or not. The decision model is illustrated below.

Trial rate

High	Low		Repurchase rate
GO AHEAD	*INCREASE SALES PROMOTION*	High	
RE-DESIGN OR DROP	*DROP*	Low	

Fig. 6.3: Decision model for test marketing.

If trial and repurchase rates both are low, the product should be dropped from launching. If trial rate is high and repurchase rate is low, it is ascertained that the consumers are not satisfied and therefore repurchase is less. In this case the product should either be dropped or redesigned for further testing. If the trial rate is less but repurchase rate is high, then it is ascertained that the consumers are satisfied with the product. But the product could not reach to sufficient no. of consumers for which more advertisement and sales promotion is required. Lastly, if both trial rate and repurchase rate are high, then there is green light for the product for commercial launching.

Besides providing useful outcome, test marketing results creates opportunity for revising or modifying product itself. Before commercial launching this is the only point from where all weaknesses are rectified.

h. Commercialization

Basing on favorable outcome of test marketing, commercial launching takes place. A lot of major tasks like production scheduling, plant establishment, marketing strategy formulation, pricing etc. are performed in this stage. Preparations for all required activities are completed in this stage before final launching of the product. Some strategically questions for product launching like when, where, to whom and how are to be answered in this stage.

Timing: Market entry timing for a product is very much crucial as it depends on corporate as well as marketing strategy. If there is advantage for the product in 1^{st} entry so far as success rate and profitability is concerned, the product should be launched as soon as possible, before any competitor product. Here the firm will get advantage of enjoying market share and profit and will face less competition.

Similarly the firm might decide to launch its product at the same time along with the competitor so that competitor's aggression can be neutralized and the promotional cost will be shared. The firm can also differ the launching and allow the competitor to launch first so that the cost of educating the market will be borne by the competitor. The firm may go for such late entry with introduction of more refined product than the competitor.

Location: Depending upon production capacity, distribution and promotion capacity, the firm can launch its product regionally or nationally. Basing on market potential study, the company may decide whether to penetrate the market or to take different marketing strategy. Parle launch its Mazza in May 1986 at Delhi because of hot climate and high consumption pattern of cold drink by Delhites.

Target-market: During launching the firm should position it's product to the target market appropriate to the company's product. They may be potential buyers or heavy users or may be opinion leaders. Company's marketing strategy is to be based on this target market. The company or firm should activate all its marketing strategy during launching.

PRODUCT DIFFUSION AND ADOPTION PROCESS:

New product ideas and development always take some time to diffuse and get adopted by the consumers. Basing on variation in customer characteristics and market conditions the rate of adoption varies. The trial rate and adoption of new product takes some time by the people as all people do not purchase at same time at same rate with same level of willingness. Basing on these principle consumers can be grouped as:

1. Innovators
2. Early adopters
3. Early majority
4. Late majority
5. Laggards.

Innovators are high risk taking people who are encouraged by new product and adopt quickly. They act as opinion leaders and they recommend about new product to their friends and other known persons. They are also quick brand switchers. Anytime a new product with better features comes, they leave the earlier and accept the new. They are not brand loyal. In any product-market scenario only <u>2.5 %</u> of people constitute to this category. On the basis of time, the next category is called as early adopters who take some more time to purchase and adopt the new product. They are almost like innovators. They constitute <u>13.5%</u> of people in the market. They also take some more time to switch over to other products than innovators. Early majority and late majority category consists of <u>68%</u> people who carefully watch the success of the product. If the product is good and successful in the market they purchase and adopt it. They are relatively late comers and late-goers. Laggard category adopters are <u>16%</u> only and they wait till the end of the product success. They are risk-averse and resistant to any change.

Factors for Success of New Product:

1) Uniqueness of the new product with added value, features or utility makes product differentiation. This acts as an attraction for the consumers. It also gives competitive edge over other competitors.
2) Product launching-As discussed earlier in this chapter launching of product is crucial for success of a product. Question like when to launch, where to launch, how to launch and to whom the product will be meant for are very important.
3) Distribution network-A strong distribution network works as a catalyst for successful product purchase/trial.
4) Price-value equation-In consumer’s perception, the new product should give more worth than the price they pay for it.

Factors behind failure of new product:

Inadequate product differentiation: Because of several reasons like bad product quality, packaging, brand name, lack of utility etc the product might not have any edge over existing product with competitors' product. Hence because of lack of attractiveness or uniqueness of the product, consumers do not accept it.

Even if the product in good or unique, sometimes it does not find a place because of inadequacies in marketing mix strategies. For example Henko was failed because of lack of finding a space in distribution channel. Similarly Puma Shoe was failed because of high pricing. In some cases good products failed as a lack of communication with target market because of unsuccessful advertisement.

Sometimes products fail because of error in positioning. A firm should avoid following four types of major positioning errors.

a) Under—positioning: This happens when consumers does not know about the brand.

b) Over—positioning: It occurs when consumers have a narrow view of a firm or its products.

c) Confused—positioning: This occurs when buyers have a confused image of the product.

d) Doubtful-positioning: This occurs when buyer doubt the claims made by the firm.

Positioning helps in placing the product at the top of the consumers mind hence any failure or mismatch in positioning the product it may fail in the market.

Product life cycle

Product Life Cycle (PLC) is somewhat synonymous with biological life cycle stages like birth, adolescence, maturity and eventually demise. Product passes through different stages of its life. Why this happens? Product demand changes due to change in human need, taste and preference. Human factor changes due to change in fashion, style and fads. A style can last for a generation or even a short period says 10 years. These changes when associated with new technology, new process or innovative utilities cause a change in human need, taste or preference. This ultimately changes product demand and subsequent changes in the market.

Each product goes through different phase which are called introduction, growth, maturity and decline. The PLC reflects sales and profits of a product over a period of time. In this time-series graph sales are plotted against time and generally a S-shaped curve appears. However the shape of the curve depends on the type of product and the duration of demand for that product over a particular time period. For example, steel, cement etc are inelastic in demand with other manufacturers and brands like Ambassador and premier did not decline unless and until there was competition. Therefore the shape of the curve may be different for different type of product.

A short-lived fad or novelty product will have an inverted V-shaped curve. A sustainable brand leader product will have extended read-outs of ups and downs. However the shape, size and gradient of the curve depends in duration of demand, sales, profit, competitors, movement, market trends, company's market success etc. Therefore, major brands analyze their status in PLC from time to time and take remedial strategic measures to survive or sustain in the market. Or else they may land on the disastrous situation in their business. As there would be no need for their product, there will be no demand for their product in the market. In other words their product would be dead for the people. Hence we may discuss in detail about different stages of product life cycle and potential application of product life cycle (PLC) concept in determining marketing strategies in each stage of PLC.

Product life cycle has four distinct stages i.e. introduction, growth, maturity and decline. In each stage the profit, sale, market share, marketing strategy, etc varies.

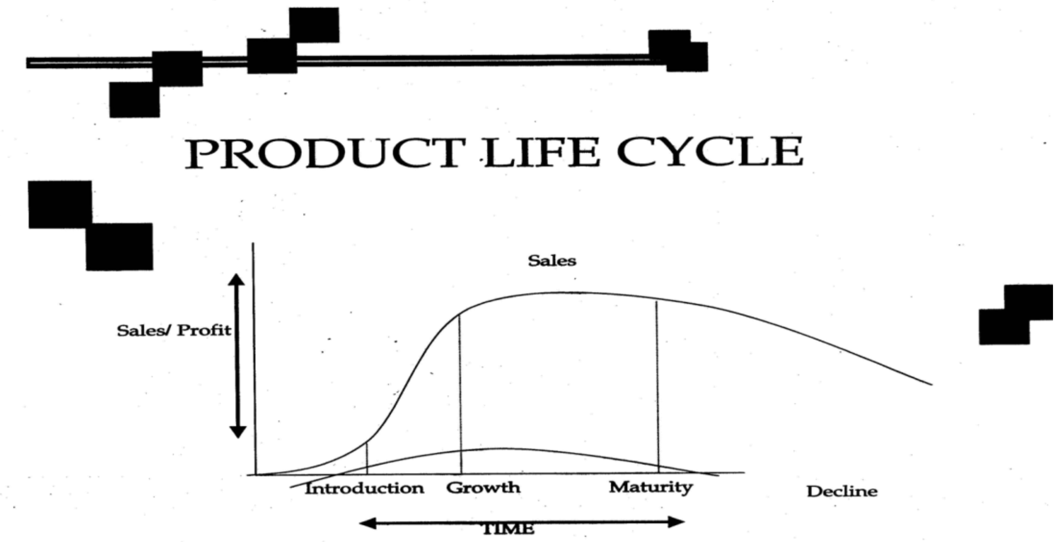


FIGURE-7.1 Product Life Cycle Curve

INTRODUCTION

During this stage the product is newly entered in the market and the acceptance level is low. Due to low sales volume, price remains high. There may be production inefficiency and high cost of production because of low scale of production. The learning time or gestation period is longer as the acceptance rate at the beginning is slow. High media cost market development, high cost for product development and longer credit term demands high profit rate there by increasing the sales price. Suppliers, media and others will not extend credit and there will be more investment in developing the product as well as marketing environment. Awareness and imparting education about the attribute, product utility and product features etc are the tasks for the company. On the other hand, the market scenario is interesting. Although there is no competition, the sales volume is less. The sliver line is the high potentiality or future demand of the product. During introduction due to lack of awareness or due to newness of the product, there are few buyers who goes for trial purchase for a small quantity. Therefore the sales volume in this stage is very low which is seen from the shape of the curve in PLC (Figure 2…). Because of these two factors such as: less sales volume sale and heavy initial investment, this stage results in a meager profit or negative profit.

In order to increase sales, demand for new product is to be stimulated and time of activation is to be reduced as far as possible. The firm has to offer limited versions of the product and more tangible benefits. High promotional activities are to be rendered for converting non-users to users. Similarly, since the initial investment is high and the sale is at a lower level, the firm fixes a higher price for the product. Since level of competition is low, people can afford if they are convinced about the product. Hence the strategy in this stage lies in promotion—price level. The firm can take any one of the four introductory strategies as given below (Figure: 03) depending on their capacity and corporate strategy.

PROMOTION

		High	Low
PRICE	High	Rapid Skimming	Slow Slimming
	Low	Rapid Penetration	Slow Penetration

Figure: 7.2. Strategies in Introduction stage.

Rapid Skimming This is a strategy for launching a new product at a high price and at high promotion level.

- This is applicable when market or the customers are unaware of the product or if anybody is aware, he is ready to pay more prices to buy it. The new utility or applicability of a product is an attraction.
- This is also applicable when the future market is large and competition is imminent. Consumer electronics goods like TV, VCRs fall under this category where pioneer firms skim the price short term and takes the cream off before competitor's entry. Initially they fix up a high price and latter reduces to maintain market share.
- This is also applicable when the company desires for short term profit booking under *Guerilla warfare strategy*. A guerilla reaches a market like comet, enjoys cream for

short-term and exits before alternate product or competitor reaches. Products having high vitality in technological aspects come under this category.

Slow skimming: This is a strategy of launching a new product at high price and at low promotion level. This is applicable when the market is limited in size and the competition is not imminent. This happens when the technology is highly sophisticated and competitor's entry is restricted due to high cost of technology. Since the market size is compact and limited hardly one or two companies are in the fray. Because of limited number of sellers and also high technology product, people those who are aware of the product are willing to pay higher price. Under this strategy the firm has sufficient time to cash in the initial investment silently without any competition. Most of the industrial products like renewable energy equipments etc fall under this category. Before liberalization some consumer products were adopting this strategy in protected markets.

Rapid Penetration Strategy: This strategy is useful when the future market is vast and there is fierce competition. The firm's corporate objective is to remain in the market for long term. The assumption here is that the people are unaware of the product and most buyers are price sensitive. Therefore the strategy for the firm is to launch a product at low price and high promotion level. High promotion is required to expand the reach and increase the customer base whereas low price is kept for sales realization. Many FMCG companies use this strategy. Ex: Nirma and T-series adopt this strategy.

Slow Penetration Strategy: This strategy is appropriate when the market is large, with less competition and people are aware of the product. The firm's objective is to enjoy sales and profit on long term basis. The market is also price sensitive. The strategy here is to launch a product at low price and low promotion level. Many products remain in the market with this strategy for a long time in the absence of potential competitors, but they cannot charge a high price, because of the price sensitiveness of the market and also for threat of use of alternate product.

***GROWTH STAGE*:**

A product enters this phase after its success in introduction phase. Most products (more than 95%) fails during introduction phase and those who survive, they enter this phase with new offers to customers like different types of products, packaging and prices. Early adopters make repeat purchase and additional customers comes in thereby expanding the customer base. Distribution channel expands to meet the demand. The price remains same or slightly low after entry of new competitor. Promotional expenses remain at same level and continue to educate the customer. Promotional expenditure per unit sale decreases and profit increases during accelerated growth phase. Company increases its production level to meet the demand and the unit cost of production reduces. Unit cost of production as well as unit cost of promotion decreases and thereby, profit rises. Profit rises to the peak during accelerated growth period and falls after that during decelerated growth period. Hence firms have to watch from an accelerating to decelerating rate of growth in order to make new strategies. However during growth stage, the objective of the firm will be to meet the demand of the people by providing various types of product and to earn profit as much as possible and to sustain the market growth on a long term perspectives. The strategies during this stage are given hereunder.

- Product quality features and styles are improved.
- Distribution and service network are expanded.
- New models and flanker products are added to protect the main product as well as to meet customer's varied demand.
- Competitive price is maintained and at times lowers the price to attract next layer of price-sensitive customers.
- Newer packaging, multiuse products are introduced.
- To enter into new market segment to expand market.
- Advertising concept changes from product awareness to product conviction.

Due to high market share and high profit, the firm becomes able to spend for expansion of business.

MATURITY STAGE

After certain period in growth stage, the increase in sales ceases and profit lowers which is called a maturity stage. Most of the products are in maturing stage of life cycle and major marketing operations are done during his stage. After the product is established in the market the firm faces intense competition as a result of which it reduces price of product and increases budget of service and R&D activities. As the firm enjoys economics of scale, it continues the same and invests resources to maintain its position in the market.

If we see critically the PLC curve, we can see the maturity stage are in three phases: growth maturity, stable maturity and decaying maturity. In first stage i.e. growth maturity, sales growth rate starts declining and the distribution channel is filled in with stock. In stable maturity stage sales curve flatten as most of the customers have tried the product and future sale is governed by only population growth or replacement demand. Similarly in decaying maturity stage, absolute volume of sale starts declining as customers start switching over to other products. Because of decreased sale, the company faces severe problem in competition as well as overcapacity. The price level here is depressed, advt. cost increases and R&D cost towards product development increases. Thus the firm faces loss or the profit becomes negative. Weaker competitors withdraw themselves from the market. Bigger firm drops weaker products and make service augmentation to attract customers. There is economy of scale in production and distribution, but there is pressure on increasing the promotion level and decreasing the price level. Thinking positively there is huge potential in demand in maturity period. Different marketing strategies need to be taken during this period is explained below.

Market Modification:

In order to expand the market and enlarge the demand base, the firm can go for modifying the existing market. As we know,

Sales volume= No. of product users × usage rate per user.

Sales can be increase by increasing no. of product users in following ways.

- Convert non-users (As freight service)
- Enter new market segment (Johnson & Johnson shifted from baby shampoo to adults)
- Win competitor's customers (Pepsi & Coca-Cola)

Similarly sales can be increased by increasing

- More frequent use (Rinsing by shampoo twice a day by Head & Shoulder)
- More usage per occasion (larger glass)
- New and more varied uses (Baking soda for different uses, Jam in bread as well as Roti).

Product Modification

In this stage quality improvement to improve product's functional performance is desired. In order to restrict the switching of brand, firms come with new product with 'bigger' , 'stronger', '+' etc with better quality such that people will accept it as a new and better product and even can pay more for it. It also improves firm's image in the market as an innovator. Besides quality change, firms can go for style improvement as is seen in car market. The style competition among different brands brings out different models from time to time.

Marketing Mix Modification:

Product sales can be kept upward by stimulating demand through modification of different components of marketing mix.

- Price—Low price, price cut, price special, quantity discount, early purchase discount, freight cost absorption etc.
- Advertisement—Message and copy change, more advt. budget, timing, frequency etc.
- Sales promotion—Coupon, rebate, gift, other measures.
- Service—Speeding delivery, service camp, credit period extension, more credit etc.
- Personal selling—Sales force structure & size, sales force specialization, sales territory, sales planning, sales force incentives etc.

In a mature market, there is always a growth opportunity and it is to be explored. Most of the firm spends most of their effort for products which are in matured stage.

DECLINE STAGE

This is a period of downward drift in sales because of change of customer needs to other brands or better products. Those people who resist to the change or who has love for antique may continue to use the product. The market growth is downward and there are few competitors. Profit is lowered or negative in this phase.

Depending on rate of declining, the firm takes decision about gradual withdrawal from market. Some firms withdraw entirely from the market where as some reduce the number of products dropping weak products. Products whose performance is not well or which cannot be developed may be dropped. If these can be developed then firm can invest for its modification as per need of the market. Some firms harvest the benefits in short term and get a quick recovery before withdrawing from the market. If all options are closed, divesting is in the ultimate decision. Hence marketing strategies in declining stage are as follows:

- Identify weak products and drop it.
- Increase firm's investment in product development
- Harvest the firm's investment by quick recovery.
- Divest the business.

The company may gradually reduce sales promotion cost, R&D cost, product development cost etc. similarly company may gradually drop weaker products and withdraw from weaker markets. The company may reduce number of establishments and number of sales personnel. Few companies, still have some hope on their product and through value addition to the original product, they reposition it in the market.

We have discussed about the behaviour of Product life cycle in each stage and about the reason why changes occur in product life cycle. This happens mainly because of:

- Change in Customer need & Preferences
- Introduction of better and more useful Product.

PLC is an important tool in Product management and is very useful in formulating Marketing Strategies. Since it is a subjective instrument, it should be interpreted carefully. Too much of dependency on PLC or too much of perception on PLC may mislead the management and it may result in negative way. Judicious interpretations of PLC may be taken for taking decision as it is decision making tool and not a descriptive tool.

It is difficult on the part of the marketer to know in which stage of PLC his product in or to know how long it will continue. Still then it is a product oriented concept which can give lot of opportunity to the marketer to give rebirth to the life of the product. Hence by analyzing PLC, one can decide whether to allow the product to die in its own way, plan out its death in advance and restore the product in PLC.

PRICING POLICY

Steps in designing price

1. **Selecting the Pricing objective:** Companies first should set their pricing objective which is at par with its mission and the ideology of top management**.**

- Survival- In decline stage a company wants to survive in the market and accordingly fixes a lower price.
- Maximum current profit- in a monopoly market a company tempts to earn maximum current profit and fix a high price to its products.
- Maximum marketing share- In a competitive market a company need more sales and market share in comparison to its competitors and fix up a competitive price to its products.
- Maximum current skimming- When a company brings unique product and it has no close competitor then it fixes a premium price which is called skimming.
- Product quality leadership(affordable luxury) – Companies provide good quality products to market and fix affordable price, customers get value for their money,

2. **Determining demand:** The Company should measure the available demand as well as potential demand of the product. It should also study the price sensitivity of the potential customers to know their future reaction**.**

- Price sensitivities,
- Demand measurement

3. **Estimating costs:** The Company should estimate its cost components and the total cost indicates the lower cost limit. (FC, VC, TC, AC)

4. **Analyzing competitors cost, price and offer**.

5. **Selecting a pricing method**

Various pricing policies are:

Mark-up Pricing:=

Variable cost per unit= Rs.10/-

Fixed cost = Rs.3,00,000/-

Expected unit sales= 50,000/-

Unit cost= $Rs.10+\frac{300000}{50000}=16/-$

To earn 20% mark-up= $\frac{16}{1-0.2}=20.00$

Target Return Pricing:

Here a company desires to earn 20% of its investment sum target ROI.

Invest= 1 million

Target ROI=20%

Target return price= $16 + \frac{1 million \times 20\%}{50000} = 20\%$

Perceived value pricing:

Customer perceived value.

Value pricing:

Here a company charges fairly low price for a high quality offering.

Example: Wal-Mart, Big Bazar, Bata, Peter England

- Low cost producer without compromising quality
- EDLP $\longrightarrow$ Constant low price.
- They don't waste time and money in promotion instead reduces the same price.

Going rate pricing:

- Board on competitor's pricing
- Oligopolistic Industries like: Steel, paper, fertilizer charges same price.
- Small firms adopt **"follow the leader".**

Auction type pricing:

Air commodities, minerals, metals are …….

PRICING STRATEGY:

Factors for deciding pricing strategies are;

- Corporate goal and objective
- Customer characteristics
- Intensity of interim rivalry
- Phase in PLC

Strategies adopted by various firms are;

- Skimming price strategy
- Penetration price strata
- Differential price strategy
- Geographical pricing strategy
- Product line pricing strategy:
  - ✓ Price bundling- Stereo, Buffet
  - ✓ Premium pricing-two different retail LX, VX model.
  - ✓ Image pricing-textile, cosmetics, perfume
  - ✓ Loss leader pricing

CHANNEL MANAGEMENT:

- **Selecting channel members:**
  - No. of years in business
  - Growth and profit record
  - Financial strength
  - Co-cooperativeness
  - Service reputation
- **Training channel members:**
  - Microsoft certified professionals service training
  - Sales training
  - Product training
- **Motivating channel members:**
  - Use of channel power
  - Coercive
  - Reward
  - Legitimate(under contract)
  - Expert
  - Referent power (IBM, Caterpillar has high referent power)
- **Evaluating channel members:**
  - Sales achievement
  - AV inventory level
  - Cost delivery time
  - Damaged and lost goods
  - Co-operation in promotion.
- **Modifying channel arrangement: I**t is necessary when:
  - It fails to deliver desired result
  - Market expands
  - New competition arises
  - Innovative distribution channel emerges

Channel conflict, co-operation and competition:

When any channel member's action prevents the channel from achieving the goal, conflict arises. Hence it is desired to have co-operation and co-ordination among channel members.

Types of conflict:

- Vertical channel conflict- When conflict arises between vertical members of the channel system. HCL vs. distributions,
  Petrol pumps vs. Oil Companies.

- Horizontal channel conflict occurs between dealers in same level for encroaching each other's areas and under -cutting of price.
- Multichannel conflict- established dealers may react to E-marketing and new lines.

Causes of Conflict:

1. Goal incompatibility (company's goal for penetration/market share while dealer for short term high margin).
2. Unclear roles and rights-Territory ambiguity and credit terms for sales (Direct marketing vs. dealers).
3. Different in perception-company may seek high sale with high inventory, but dealer may be pessimistic.
4. Dependence on manufacturer-for advt. and sales promotion.

Managing channel conflict:

- Adoption of super ordinate Goal.
- Exchange persons between two or more channel levels.
- Co-operation
- Diplomacy
- Motivation
- Arbitration

Retailing:

Types of retailers:

- Specialty store(Reebok)
- Deptt. Store (several dept.)
- Super market
- Convenience store
- Discount store
- Hyper market.

Four level of service:

- Self service
- Self-selection
- Limited service(credit, return)
- Full service

Non-store retailing:

- ATM, direct marketing, E-mailing.

Private level brand: Own brand name of reta

Wholesaling:

Functions:

- Selling and promoting
- Buying and assessment building
- Bulk breaking
- Warehousing
- Transportations

- Financing
- Risk bearing
- Information
- Service.

DISTRIBUTION → SUPPLY CHAIN MAANAGEMENT → LOGISTIC

Logistics involves in planning, implementing and controlling the Physical and low of materials and final goods from point of origin to point of use:

a. Order processing

b. Warehousing

c. Inventory

d. Transportation.

DEVELOPING EFFECTIVE COMMUNICATION MIX STRATEGY:

Step 1. Identify target audience:

- Segment demography
- Behavioral characteristic
- Usage and loyalty status of target market influence communication strategy.
- Image analysis of target market can be done on following scales to know their impression about the company or its products.
  Familiarity scale- Never heard of……..Know very well

  Favorability scale- Very unfavourable …….very favourable.

Familiarity

	H	L
H	A	B
L	C	D

Favourability

Step 2. Determine the communication objective:-

- Category need
- Brand awareness
- Brand attitude
- Brand purchase intention

- To educate or persuade or remind

Step 3. Design the communication:

- What to say?(message strategy)
- How to say?(creative strategy)
- Who should say it?(message source)

What to say?

- Point of party
- Point of difference
- Search for appeal, theme, ideas. A big idea can give tremendous boost. (More car per car, it is a caaaar, Express yourself.)
- Appeal-rational (gets clothes clean), emotional (real taste.)

How to say?

- Information –Problem solution ad or Product demo ad or testimonials from celebrity.
- Transformational
  Non product related benefit or image

  Liril-freshness
  Raymonds-Elegant dress
  Onida- Neighbor's envy.

Who should say?

- Celebrities/spokes people, Doctor, Engineer.
- Trustworthiness, reliability, believability

4. Select the communication channel:

- Personal communication channel: directly face to face, person to audience, telephone, e-mail word of mouth, opinion leader.
- Non-personal communication channel: Print, Broadcast (Radio-TV), Network (TRL, cable, satellite, wireless, electronic (video, web), display.
- Sales promotion
- Events and experience(sports, art entertainment, beauty contest)
- Public relation.
- Integration of communication channel.

5. Establish the total marketing communication budget.

- Affordable method
- Percentage of sales method.
- Task and objective method

6. Implementation and evaluation (co-coordinating media):

- Reach, Frequency
- Recall, recognition
- Persuasion change

- ✶ Behavior change
- ✶ Cost per thousand calculation.

While designing the communication message and media selection, a company should assess following factor like buyer's readiness stage, type of product and stage in PLC as given below.

BUYER'S READINESS STAGE:

Awareness building: - Advertisement, Publicity

Customer conviction: - Personal selling

Closing the sale: - Personal selling and sales promotion

TYPE OF PRODUCT:

1. Complex, expensive and risky products (industrial goods): Personal selling

2. Consumer Products. Sales promotion, advertisement and personal selling (monitor dealer only).

PLC STAGE:

Introduction: Advertisement, experience, publications followed with personal selling, sales proper, DM to induce trial.

Growth: Word-of-mouth

Maturity: Advertisement, events and experience, personal selling.

Decline: Sales promotion continues.

CASE STUDY - 2
Scissors

THE LAUNCH STAGE

The erstwhile Imperial Tobacco Company, today's ITC, launched Scissors in 1912, in launching scissors, ITC was introducing not just a new brand of cigarettes, but an altogether new product in the market. In fact, the company was launching a new smoking habit for Indian. The smoking habits till then generally consisted of 'hookah', 'chillum', 'cigar' and 'beedi'. Chewing tobacco was also popular and formed a part of the general pattern of tobacco consumption. ITC decided to open up the vast Indian market for a new experience in smoking, or for 'anew form of smoking pleasure. The company's argument was that a new and sophisticated from of smoking would appeal to Indians, who were for years used to tobacco consumption in various other forms

Scissors was promoted as a Generic Product, it being the only cigarette in the Market Initially; ITC employed a commodity marketing approach in fostering Scissors. A low price was considered a prime factor in the marketing effort; and promotion was the most important job ITC had to do in the launching stage. It had to somehow communicate to the prospective customers, who were used to non-smokers to try out cigarettes. In both cases, ITC had to start from the scratch. The promotion campaign in the introduction stage largely consisted of explaining the attributes of cigarettes and not the brand Scissors, or the company, ITC. The focus was on cigarettes, the clean, instant and modern form of smoking. The ads emphasized that the 'real thing' was the cigarette. The brand was positioned in the market as a new concept in smoking, as cigarette was still a novelty. The product itself was the unique selling proposition (UPS). ITC logically estimated that those who were ultimately tempted by the advertisements would naturally go in for scissors, because there was no other competing brand. A customer for a cigarette was necessarily a customer for Scissors.

The ITC salesman went about on caparisoned elephants and camels distributing samples and exhorting people to try cigarettes. Advertising media and communication techniques had not developed to any reasonable degree at that time. Innovation and improvisation were absolutely essential. More ever, nationwide promotion was an exorbitantly costly affair. Similar was the case with distribution. Promotion and distribution, accounted for the bulk of ITC's expenditure in the launching stage of scissors. As mentioned earlier, prices necessarily had to be kept low, because a low price was an essential condition in those days for the customer to try out the new product. At the same time, ITC had to spend heavily on promotion and distribution. The result was that in the launch stage, the profits were quite low.

THE GROWTH STAGE

During the 1920s, 1930s and the major part of the 1940s, Scissors was in the growth stage of its life cycle. During this stage, a cigarette as a new smoking form was getting accepted. The sales of Scissors started climbing up substantially. A large chunk of early innovators continued their cigarettes smoking habit and large number on conventional non-cigarette smokers were shifting to cigarettes. ITC kept a close watch on the price-demand patterns and increased the price to small doses. By and large, the low price strategy continued as a part of the penetration strategy. The demand for Scissors grew rapidly. The effort and

investments already made on promotion yielding good results. Even through the tempo of promotion was maintained, the ratio of promotion cost to sales declined, and ITC started earning handsome profits from Scissors.
During this stage, the first brand competing against Scissors appeared in the market. It was priced much lower than Scissors. As this brand took a position in the lower price slot, it had very little impact on the growth of Scissors which had by then reached a commanding position in the market. The distribution zones for Scissors widened; it entered new territories-urban and rural and the brand got additional exposure. Exhibit 26.1 will reveal Scissors smooth growth path during the 1920s, 1930s and the 1940s. Through competition did not leave any perceptible impact on Scissors during this stage. Competition certainly succeeded in fragmenting the cigarette market, based on price. So far, for ITC, the job was one of marketing a generic product, cigarettes. Once the product reached the growth stage, the first competing brand emerged, changing the situation for ITC and Scissors.

THE MATURITY STAGE

Scissors reached the maturity stage by the end of 1940s. The sale had reached a plateau and had a marginal increase. The main reason was the attack on Scissors by the competitor, Panama. Panama was launched by the National Tobacco Company in the early 1940s. The company positioned panama directly against Scissors. Panama had the support of a distinct marketing strategy. It was a new and a more modern offer. It provided a new flavor. Its modern soft-cup pack design was an added attraction. It was priced cheaper than Scissors. The new packing was also cheaper and reduced the unit cost of manufacture a distinct and an advantage over Scissors. Panama had the benefit of yet another advantage; its ad campaigns tried to exploit ITC, then the Imperial Tobacco of Britain.

Though Panama was a slow starter, with the aid of an aggressive marketing strategy, it started growing in the early 1950s, certainly at the expense of Scissors. Panama adopted a high volume-low margin pricing strategy. This directly hit Scissors, the market welcomed the lower priced new brand ITC was unable to reduce the prices of Scissors. The brand became the loser. Panama also obtained a national franchise by supplying government agencies and establishment like the armed forces at discounted prices. In addition, Scissors also lacked contemporariness and effectiveness, the campaign was traditional and was not capable of giving a distinct or unique image for the product. The marketing strategy of Panama was based on product differentiation, distinct brand image, innovative packaging, aggressive advertisement and trade push.

THE DECLINE OF SCISSORS

"Scissors' volume of sales became totally stagnant. In addition to decline in the market share, Scissors went down to 213 million sticks in 1942-50 from 234 million sticks in 1948-49. It went down further to 208 million in 1951-52 and to 193 million in 1952-53. However, it picked up to 240 million in 1953-54 and remained at that level for the next four years. In respect to market share, Scissors was on the decline all these years. In fact Scissors started falling down volume wise too. It fell down to 232 million in 1958-59; to 217 million in 1959-60 and to 215 million in 1960-61. The worst hit came in 1961-62, when sales tumbled down to 206 million sticks. If we take a close look at the market share of Scissors during the period, we get a vivid portrayal of the sleep decline of Scissors. In 1948-49, Scissors commanded a share of 16.6 percent of the market. Over the next 12 years, the market share of Scissors went down steeply exhibit 26.2 illustrates this decline. By 1961-62, Scissors had a dismal 6.5 percent market share. At this stage, the decline and fall of Scissors looked total and irreversible.

The first corrective measure was to revamp the three-decade-old ad campaign. The visuals and the messages were changed. The old campaign had featured two men in a social situation. With one telling the other, Thanks, me to never smoke anything but Scissors. And, Scissors was described as “the real thing’ (please refer exhibit 26.3). This message was in the traditional mood and failed to provide any distinctive lifestyle/image stimulus. In the revamped ad campaign, visuals depicted an old man and young man enjoying Scissors together. And the new message read:’ popular for several generation’. But, when the campaign was ideas, ITC found that the new ad message carried a negative stimulus. In the Indian social scene, the prevalent value system did not approve of youngsters smoking cigarettes in the company of elders. It was offensive to the prevalent ethics. ITC corrected it subsequently with a new message and a product claim that said,’ So good to taste, so satisfying.’ But something damage was already done.

***Conclusion of the study on the decline of Scissors*:**

- Pack was outdated/traditional
- Advertising had no distinctive position. It had poor recall and failed to interest consumers.
- Promotions were trade oriented.
- Promotions did not ensure smoker’s participation.
- Promotions were not “news-creating’. The conclusion of the study were that Scissors had a poor image rating.
- Was smoked by hand core smokers
- Was not attracting new smokers
- Had blue collar smokers with profile of older, less educated and less affluent smokers.
- Product suffered from quality complaints.

Along with the new ad campaign, ITC also implemented several sales promotional ideas like the gift coupons. But practically all these promotional ideas were essentially ‘bazaar-focused’ offers aimed at the trade and had very little’ image-building potential and very little effect on the consumers.

Trying for Price Parity with Competition

ITC also made an attempt to bring in price parity with the major competing brand. Panama ITC wanted to reduce the price of scissors, keeping the brand still financially viable. To meet the double objectives, ITC went in for strategies of product economy like cheaper tobacco and reduced length of the stick. To contain costs further, it also reduced the expenditure on promotion and advertising.

All these steps, which were supposed to retrieve Scissors financially and image-wise, proved counterproductive, accentuating the downfall of Scissors. These mid-course corrective measures were resorted to in the late 1950s and they expedited the process of decline, taking Scissors market share to its lowest 6.5 percent in 1961-62.

While Scissors was suffering the competition was making merry. The consumer perceived the competition as 'better value for money'. As already mentioned, the competitor had adopted a high volume, low margin strategy. Sales of the competitor soared. As such, they invested more on product advertising, sales promotion and distribution, all of which further accelerated the switch away from Scissors and had a cascading effect on its sales volume.

The Debate -"To Revive or to Exit'

There was sharp debate and analysis with in ITC and it was confronted with the two choices:

- Milch the brand and exit
- Go all out aggressive marketing strategies and inputs, and revive the brand ITC then took one of the most momentous decision in the history to revive Scissors.

THE REVIVAL OF SCISSORS

ITC embarked upon a bold strategy to improve the image of Scissors and to equip it with superior value for money it made substantial new investments in the brand, first, it commissioned a research study to find out the market standing and other features of Scissors during this stage of its life cycle.

The conclusions of the research study are shown in the box last page. ITC understood that their brand needed correction on all the above attributes and it decided aggressively to take up the challenge. ITC defined the job as one of re-establishing the lost image of the brand. It set the following objectives as the core of the revival campaign.

- To reassure existing consumers and strengthen their loyalty to the brand.
- To generate re-trial by ex-consumers of Scissors.
- To attract possible new business accruing at his segment.
- To concert smokes from competition.

A multifaceted Strategy

ITC found that no single programme could meet all these objectives. It knew that enriching the product was a major requirement; packaging also to be improved and the new quality product had to take a distinct image through innovative promotion and marketing communication.

Under its revival mission, ITC implemented a whole range of programmes as indicated below:

- Product quality was demonstratively improved

- Blend was improved
- The pack was modernized, incorporating a contemporary design. The pack was test-marketed before the final launch.
- The advertising campaign was revamped so as to:
  i) Beam at a younger, virile looking smoker.
  ii) Create a distinctive image of the brand as favorite of the young and active consumer who desired 'satisfaction'. However, associative elements of the original Scissors pack – viz, the 'Scissors' logo were retained for continuity, but considerably downplayed to introduce contemporariness.
- High quality, action-oriented, national promotions that would support the 'action theme' and ensure high consumer participation were launched. The objective was to generate excitement around the brand that would encourage trials and make people experience the new and improved product.

Introduction of new pack:

ITC knew that changing the pack design was a highly sensitive issue. Wrongly handled, it would amount to 'discontinuity' of the brand and give opposite results. So, ITC discovered a reason for changing the pack design. a rationale was found in the diamond jubilee celebration of Scissors, around this news creating activity. Scissors came up with the new pack design.

***The action satisfaction theme in advertising*:**

The new ad campaign ran with a positive note; 'for men of Action-satisfaction', defining lifestyle position for smokers of the brand. The action was the image dimension; the wold satisfaction was intended to underscore the physical product promise. Extending the idea to promotion, 'Action' oriented promotional contests and rallies like national games, scooter rallies, etc. were organized.

The prime intention was to create a new and live activity around Scissors, in the midst of this action and liveliness; the product too came in a better blend, with better tobacco-a really improved Scissors, in a new and attractive pack design.

Scissors comes back to life

All these inputs not only lifted the image of Scissors but also reversed the declining volume trend. Scissors finally overtook the main competition and became a largest selling brand. From 6.5 percent in 1961-62, the share increased to 7.5 percent in 1962-63, 9.5 percent in 1967-68, 12 percent in 1968-69 and 12.8 percent in 1970-71,(see exhibit 26.2) the volume picked from the level of 206 million sticks in 1961-62 to 235 million in 1962-63, 237 million in 1964-65, 292 million in 1965-66, 342 million in 1966-67, 430 million in 1`967-68, 594 million in 1969-70 and 675 million sticks in 1970-71.(see graph in the end)

In short, Scissors was most stunningly brought back to a growth path. The volume had trebled from the 1948-49 level and the market share at 12.8 percent matched the 1950-51 position, which denoted a peak stage in the life cycle of Scissors.

Scissors regaining its original eminence from a totally crumbled position amounted to feet of adventure, because by then the cigarettes market had undergone substantial changes.

More manufacturers had come on the Scene; dozens of new brands in various categories had appeared; the filters had come in a big way and the plains were losing ground to filters; and the consumer had a variety of choices available to them. It is in this scenario of brisk competition, that Scissors came back with renewed vigor and zest, and gained great acceptance from the consumers, who had drifted away from it. Scissors now took a commanding share of the market and become once again the largest selling cigarette brand in the country.

THE SECOND DECLINE

Like a fairy tale, however, Scissors experienced a second decline over the next decade; peculiar phenomenon was happening in the cigarette market between 1971 and 1973.Both Scissors and its main competitor were losing their sales and market shares! Both had to repeatedly increase their prices and customers were turning away from both these brands, switching over to brands in the lower price categories.

In 1974, Scissors suffered an additional setback as a result of its 'unilateral' price hike, beyond the erstwhile price of l0ps per stick, while its main competitor stuck to l0ps per stick. The Scissors price to the stick buyer segment, which accounted for 70 percent of the total, took a quantum jump, to 25 ps for two sticks or 15ps per stick. The result was disastrous. 'Scissors' market share once again nosedived from 13 percent in 1970-71 to 3.9 percent in 1975-76.The volume fell to 191 million sticks in 1975-76 from 675 million in 1970-71. It was a hard lesson for ITC. After all, the price played a very critical role in this segment. With all manufacturers pursuing price-led strategies, the price focus became the paramount factors in brand choice, particularly in the non -premium segments. Scissors obviously had not yet attained an image and status to break away from the price barrier. The consumer did not perceive the brand as adequate value at the enhanced price, the brand had not been prepared for a price increase -a lesson ITC learnt the hard way.

THE SECOND REVIVAL

The brand had to be retrieved and revamped again. The first decision ITC took now was on the price front, in 1977, ITC took the difficult decision of reducing the price; it reverted back to the original price level of l0ps per stick. The sales and the market share were gradually regained. In 1980, despite a major strike, which hampered production, Scissors managed to capture the all- time high of 17 percent market share and a volume of 1.133 million sticks. But, this revival was at the cost of profits. While volume and market share continued to grow, the profitability of the brand continued to decline due to the inability of ITC to increase the price in the face of the competitors holding their prices. Also, galloping inflation and excise duty deeply duty hikes deeply eroded Scissors profits.

Preparing the Brand for a Price Increase

Though a price increase was justified from the consideration of costs and profits, it was not justified from the consumers' point of view. The consumers still did not perceived and accept the brand as adequate value at an enhanced price. The brand had not yet been prepared for a price increase. Moreover, the main competing brand was holding its price steady. ITC did not repeat its earlier mistake of a quick price increase. It adopted a strategy entirely different from the earlier strategy. While previously, product economies were resorted to when faced with dwindling profits, this time Scissors consciously prepared the market for a price increase through product improvement. ITC provided Scissors with fresh inputs in product, packaging, blend and quality. It made heavy investment on advertising and promotion to improve the salience and image of Scissors. While the 'Action-satisfaction' theme was retained, more contemporary and image- creating visuals were deployed.

Image Scissors was fostered to a peak

As a result of these, there was a big jump in the image of the brand. It developed a personality of its own. These inputs allowed Scissors to break away from the stranglehold of the competitors' price. The brand was now ready for a price increase. The price was increased in 1981; this time confidently, ITC, closely watching the pulse of the market, knew that this time, the customer would not mind paying a higher price for the improved Scissors. The consumer did perceive the improved Scissors. The consumer did perceive the improved product as good value for money. On this occasion, the volume decline was only marginal and after a temporary dip, volumes continued to grow and it started occupying the top slot in this regard. The revival this time had an added significance---it not only prolonged the healthy and profitable phase of Scissors' product life cycle, but also successfully took Scissors out of the competing brands, price stranglehold by helping it develop a personality of its own.

THE POST-REVIVAL STORY

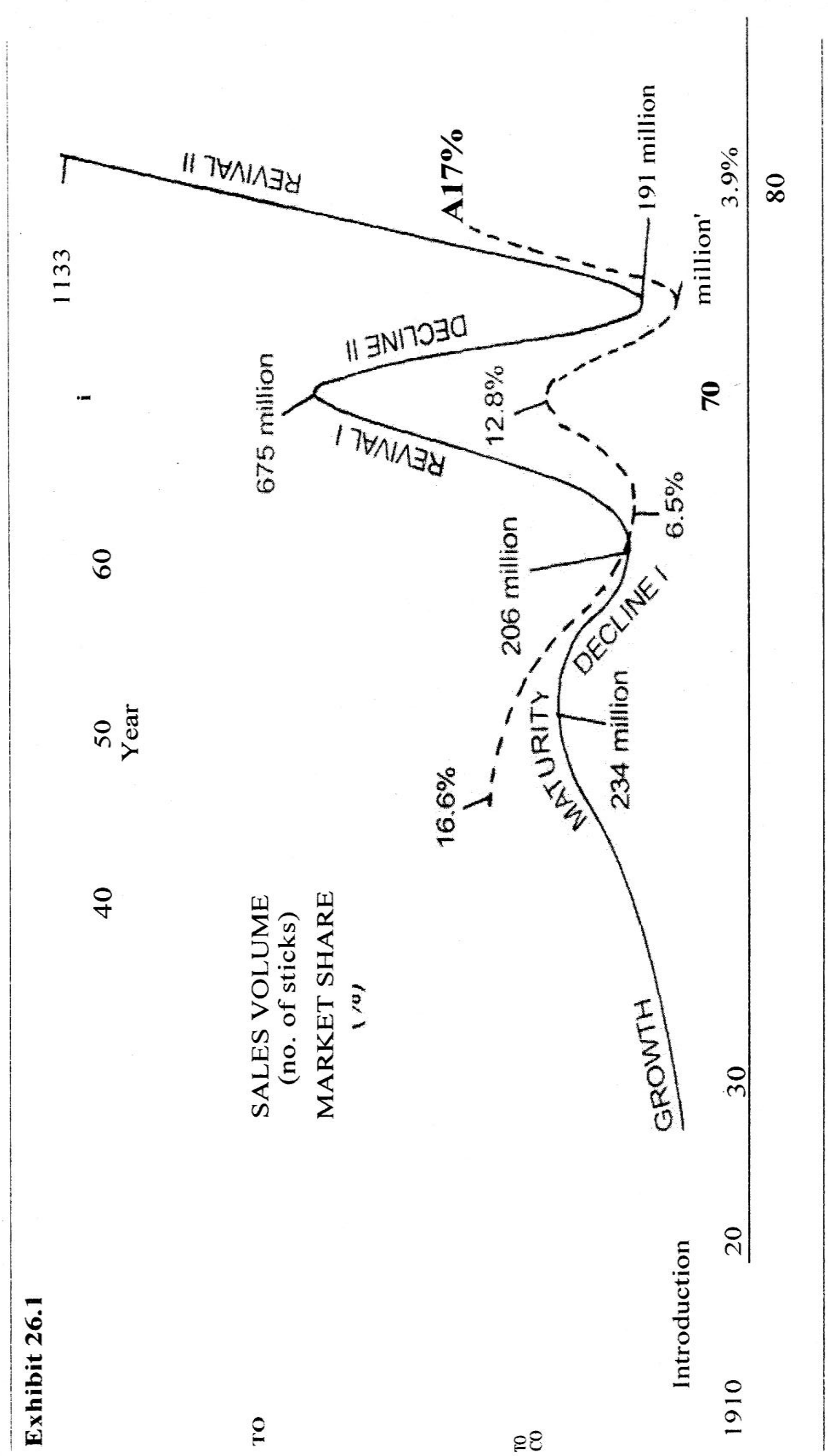
Scissors continues to hold its own against the onslaught of all the brands and sustain its top position in the cigarette market.

Recognizing the need for further upgrading of the brand image and its contemporariness in particular, ITC also placed a king-size version of Scissors in the market. Over the years, the goodwill of the prestigious brand was used to strengthen ITC's overall hold in the cigarettes industry. The massive volume base of Scissors made it a carrier brand on whose broad back many other brands of the company could comfortably piggy ride.

The continuous inputs in product and advertising have reflected in improved consumer ratings on following counts:

- Quality of manufacture
- Value for money
- Flavor
- Taste
- Satisfaction
- Modernity
- Youthfulness
- Pack

Exhibit 26.1



SALES VOLUME
(no. of sticks)
MARKET SHARE
Introduction
GROWTH
MATURITY
DECLINE I
REVIVAL I
DECLINE II
REVIVAL II
234 million
206 million
675 million
191 million
million'
1133
16.6%
6.5%
12.8%
A17%
3.9%
1910
20
30
40
50
Year
60
70
80

Case study- 3
Perfetti Van Melle

Confectionary Category Overview

Indian Confectionery category Stood at 5000 Cr. in 2011 and has seen stupendous growth in last couple of years. Today, it is growing at a rate of 16% YOY. The category is primarily divided into 6 sub-categories: HBC (Hard Boiled Candy)/ Toffee, Gums, Lollipop, Éclairs, Soft Mints, Hard Mints . Contribution of 50 paisa brands/ products is significant to total confectionery. Apart from Gums & Lollipops, in all remaining sub categories, majority of value is contributed by 50 paisa products/ brands.

	Contribution		Growth
	2011	2012	12/ 11
Category	100%	100%	12%
HBC/ Toffee	37%	37%	13%
Gums	22%	22%	8%
Lollipop	2%	2%	17%
Eclairs	20%	20%	9%
Soft Mints	6%	6%	18%
Hard Mints	4%	4%	11%
Others	10%	10%	17%

Introduction to Perfetti Van Melle

Perfetti Van Melle (PVM) is 3rd largest confectionery group in the world. PVM is also largest sugar confectionery manufacturer in the world. The net sales revenue is more than 2 Billion Euros. The sheer presence in 130 countries of the world makes PVM as one of the most admirable confectionary company of the world. In March 2001, Perfetti merged with Van Melle and in July 2006 the group acquired the Spanish company chupa Chups.

Perfetti Van Melle India

Perfetti Van Melle India started its operations in 1994 by offering its first brand Center Fresh, followed by Big Babol and Alpenliebe in 1995. The other brands like Chlormint, Mentos, Fruit-tella, Cofitos, Happydent and Marbles followed subsequently.

Perfetti Van Melle’s Numero Uno position in the Indian confectionery industry is result of a wide network of Carry & Forwarding agent (C&FA), sales force & innovative and unique distribution mechanism. With a wide variety of brands and product variants, PVM has 3 sets of distributors who cater to retailer on a rotational basis. For e.g.: Distributor ‘A’ caters to a retailer on Monday, Distributor ‘B’ caters to same retailer on Tuesday and Distributor ‘C’ caters to same retailer on Wednesday. This cycle is repeated during remaining days of the week.

In line with the category trend, for PVMI as well, significant value contribution to its sales is made by 50 paisa brands.

PVMI presence in 50 Paisa categories:

As mentioned above Alpenliebe was launched in India in 1995 at 50 paisa price point. Backed by sharp positioning, Clutter breaking Brand communication and innovative distribution mechanism, Alpenliebe soon became one of the largest brands in India. Over the years, PVMI has not only extended the variants under Alpenliebe at 50 paisa but also launched independent brands & variants.

ALPENLIEBE BRAND EXTENSIONS AT 50 PAISA

- Alpenliebe flavours: Alpenliebe Original, Cream strawberry, Cream Mango
- Creamfillz: Value added cream filled candy
- Orangfillz: Liquid filled candy
- Mangofillz: Liquid filled Candy

OTHER BRANDS LAUNCHED AT 50 PAISA

- Mentos
- Chlormint Candy

Competition

50 paisa segment also attracts many other large organized players as well as local players.

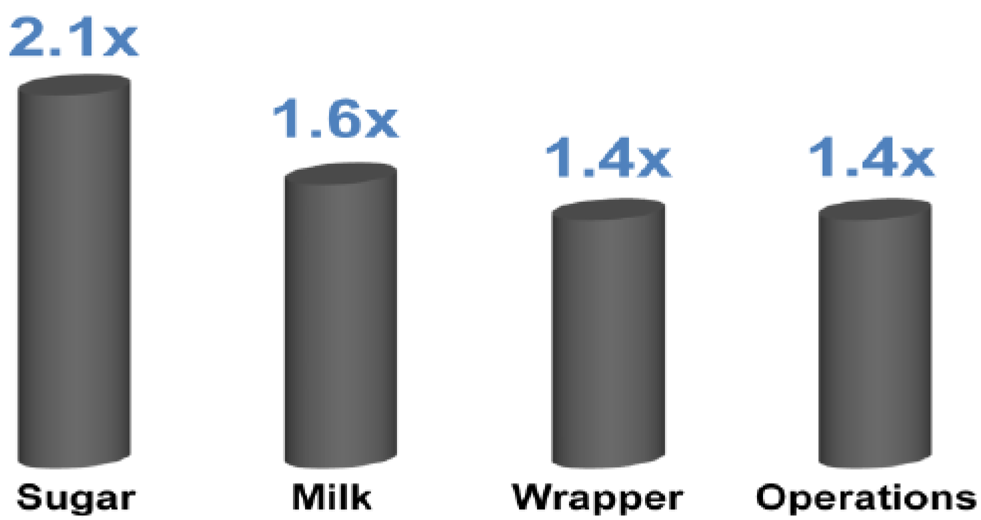
- FMCG giant ITC has been one of the most active players in this category with its 50 paisa brands like Candyman Natkhat Mango, Candyman Lacto, Candyman Toffichoo, Mint-o-Fresh, Mint-o-Gol.
- Parle: 50 paisa brands offered by Parle are Mango Bite, Mango Bite Kacha Mango, Lacto Bite
- Cadbury: Halls
- Wrigley: Solano
- Nestle: Red Eclairs

Background to Business Challenge:

For more than a decade, 50p. has become the most popular price point for confectionery. At the same time, new challenges have emerged in this category. Some of these factors are mentioned below:

1. **High Input Cost**:

a. In last one decade, the input cost has increased many folds. As a result, most brands profitability has taken a hit and it has become difficult for brands to sustain at this consumer price point.



2. **Sticky Price point**:

a. Since Re1 is lowest denomination of Indian currency, MRP cannot be increased from 50 paisa to 60 or 70 paisa

b. An increase to Re. 1 would mean 100% increase in price.

3. Strong presence of regional local players:

a. Regional local player purely plays on push mechanism and thrive on excess trade margin to wholesalers and Distributors.

b. The excess margin share to trade is the result of low overheads of these players as they don't invest in marketing and infrastructure build-up.

4. Value and Volume Tradeoff:

a. Since confectionery is extremely price sensitive market, the fear to lose market share on account of upgrading the price point to Rs1 is well anticipated & can be stated below with one of the example i.e. Godrej Maha Lacto moved to Re. 1 and increased weight from 2.7g to 3.4g. It was also coupled with promo offer of Buy 2 get 1 free. Initial data reflects that Re. 1 off-takes were at best 10% of the total 50p. off-takes in volume.

b. **Bi-Product & Multi-Product Pack Option**: Though attempt has been made to club the product and create a new price point but principally it fell flat. Ex: Clubbing four 50p. Candies and pack it together in a pack and selling at Rs.2.

c. **High Value Pack**: High value pack at Rs. 5 and 10 has shown slight increase in the volume and Value but has not been a winning strategy to encounter the 50p. price point.

5. Share of Wallet:

a. With limited money to shell-out and multiple options of candies, price plays very important role in deciding the product.

b. Other confectionary/ chocolate brands like Munch and Perk availability at Rs 2 creates another option for buyer to choose over and eventually creating pressure at 50p. product

6. Distribution Network:

a. With upgrade to Re. 1 price point, the sharp drop in volume can endanger the business viability of distributors. Primarily the business viability in confectionary is dependent on high volume business and quicker rotation of monies.

To summarize, constrained price point of 50p. has huge impact on bottom line for most of the confectionary brands and it requires a well thought out strategy to overcome this challange.

The Task

Keeping in mind the above challenges, pls. devise a marketing strategy and plan for PVM India on "How to overcome the constrained price point of 50p. and upgrade to Re. 1"

- The strategy/plan should include the right marketing mix.
- The strategy/plan can tap various consumer touch points.
- The suggestion should have a logical support and will be highly appreciated if backed by data.
- Relevant business/industry case study can be used as a reference.
- The marketing plan can be illustrated with one campaign plan.

Special Topics

Green marketing: Marketing of many products has affected our natural or ecological environment and people are highly sensitive to these issues. Therefore, companies should be more careful for nature and ecology and develop products and marketing programme to save ecology and environment. This concept is called green marketing.

1. Introduction of tetra pack packaging (which is bio-hydrate) instead of

   Plastic / polythene.

2 Use of CNG gas used automobile to reduce pollution level.

3. Himalayan Drug Co. has introduced many cosmetic products with natural and

   Ayurvedic ingredients.

Relationship Marketing:

It has the aim of building mutually satisfying long term relationships in order to retain their business for long period. The company develops a good relationship with customers, so that customers will be satisfied and will advocate for its brand. In contrast, transactional selling is one time selling without any future buyer-seller relationship.

Societal Marketing:

The societal marketing concept holds that the organisation's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfaction in a way that preserves and enhances the consumer's and society's wellbeing. Some call it ecological marketing also. This concept calls upon marketers to build social and ethical considerations into their marketing practices. There must be balance between company's profit, consumer want satisfaction and public interest. It is more a social responsibilities.

Guerrilla Marketing: Same as nitche marketing. Nichers are not mass leaders.

Online Marketing:

This marketing is web-based. Various companies have their website highlighting the product feature, price etc. the buyer can place order on-line and transfer money on Credit Card. Materials are delivered at the place of order.

Students are advised to read these topics more and make presentation in the class.

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