MARKETING MANAGEMENT II

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REFERENCES

1. Book –Marketing Management- A South Asian Perspective– Authors – Kotler, Keller, Koshy, Jha

This note has been prepared by Professor <u>Ankita Agarwal</u> and Professor <u>Varun Agarwal</u> with reference to the above mentioned book and with explanation of many concepts in simpler words with lots of practical examples of their own. It takes a lot of effort to prepare a note. Do not circulate the Soft Copy without consent.

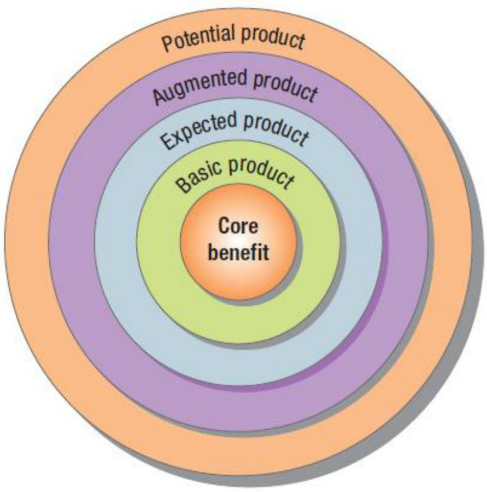
PRODUCT DECISIONS

What is a Product?

A product is *anything* that can be *offered to a market to satisfy a want or need*, including

- Physical Goods
- Services
- Experiences (Amusement parks)
- Events (Musical, Sports events)
- Persons (Dr. Reddy's, Dr. Batra)
- Places (Dubai)
- Properties (Real Estate)
- Organizations (NGO, NPO)
- Information (Newspaper, Magazines)
- Ideas (Save water, Go green)

Five Product Levels/ Customer-value hierarchy



***Each level adds more customer value*, and the five constitute a customer-value hierarchy.**

1. The fundamental level is the **CORE BENEFIT**: the service or *benefit the customer is really buying.*
2. At the second level, the marketer must turn the core benefit into a **BASIC PRODUCT**.
3. At the third level, the marketer prepares an **EXPECTED PRODUCT**, a set of attributes and conditions *buyers normally expect* when they purchase this product.
4. At the fourth level, the marketer prepares an **AUGMENTED PRODUCT** that *exceeds customer expectations, leads to customer delight*. In most countries, brand positioning and competition take place at this level.
5. At the fifth level stands the **POTENTIAL PRODUCT (FUTURE PRODUCT)** , which encompasses *all the possible augmentations and transformations the product or offering might undergo in the future.*

EXAMPLE - Five Product Levels / Customer-value hierarchy of **HOTELS**

1. Core Benefit – Rest
2. Basic Product – Bed, pillow, washroom, towel, water, electricity
3. Expected Product – Hygiene, TV, air conditioner
4. Augmented Product - Free Wi-Fi, complimentary breakfast,
5. Potential Product – Theme rooms, City tourism tour for guests

Note - The decision making process always happens at the augmented level.

POP and POD

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

Example – Savlon and Dettol are antiseptic liquids.

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

Example – *Savlon's POD is that it did not have a burning sensation when applied. Dettol's POD is that it has a distinctive smell, it turns cloudy in water. Another Example – Fogg is a liquid deo and <u>not</u> a Gas deo,*

Mass Marketing (Undifferentiated Marketing)

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

- An attempt to *appeal to an entire market* with *one basic marketing strategy* utilizing *mass distribution* and *mass media*. Also called undifferentiated marketing.
- Example - Coca Cola, Pepsi, Cadbury ,FMCG, Telecom

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Mass customization
Mass customization is the *ability* of a company to *meet each customer's requirements* and ***prepare on a mass basis individually designed*** products, services, programs and communications.

Examples- Maruti Suzuki Swift LX, Swift VX, Swift ZX

Note - Mass Marketing and Mass Customization is NOT same

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Customerization is the customization of products or services through **personal interaction** between a company and the customer. (one to one marketing)

• Example - Asian Paints where one has the option of mixing the colors on a computer kiosk in Asian Paint Shops and then that customized paint.

• TVS Scooty, where the outer frame, which is colored is separate from the rest of the machine and according to demand the plastic frame of desired color is put on 'Just in time'.

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PRODUCT MIX / PRODUCT ASSORTMENT

a) **Product mix** - is the ***total variety*** of products a firm sells.

Example- Sony product mix includes mobile phones, netbooks, tablets, televisions, fridges, microwaves, printers and memory cards.

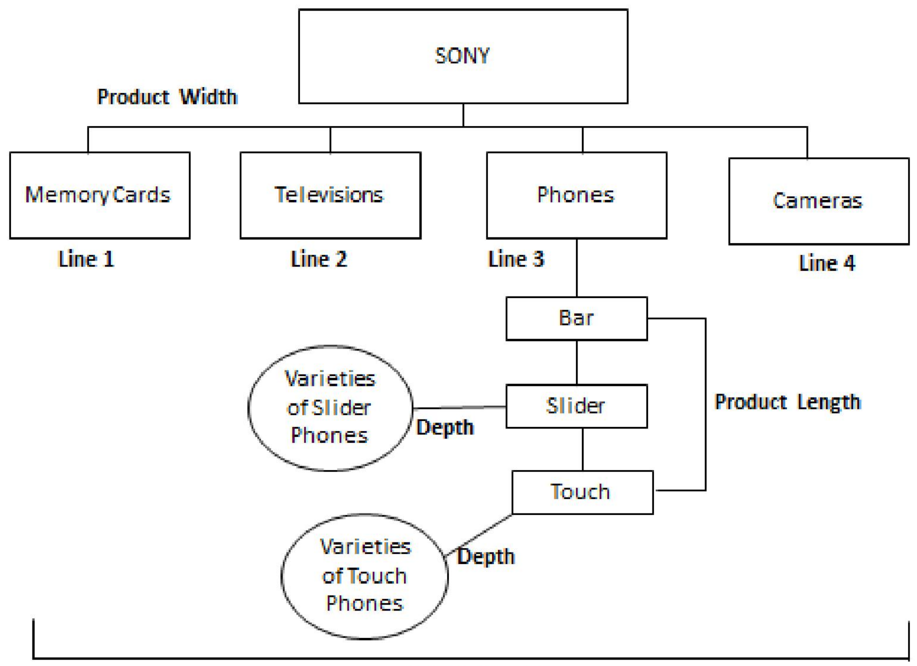
b) **Product Line -** A *group* of *related products* is known as product lines.

c) **Product Width (breadth)** - is the *total number of product lines* in the product mix.

d) **Product Length - shows** the number of *different products* in a *product line*.

e) **Product Depth –** how *many variants* are offered of each product in a line

f) **Consistency -** It refers to *how closely the Product lines* are so far as Production Process, distribution channel and marketing decision are concerned.



Major Types of Product Mix Strategies

1) **Line Stretching**
2) **Line filling**
3) **Line modernization**
4) **Line featuring**
5) **Line pruning**
6) **Brand extension**

1. Line Stretching - Line stretching occurs when a company lengthens its product line beyond its current range.

Types of line stretching –

a) ***Down-Market Stretch***
b) ***Up-Market Stretch***
c) ***Two-Way Stretch***

a) ***Down-Market Stretch*** - A company positioned in the middle market may want to *introduce a lower-priced line* is called Down Market Stretch. Example – Mercedes introduced small cars for India, where as it mostly produces Sedan Cars
b) ***Up-Market Stretch*** - Companies may wish to *enter the high end of the market* for more growth, higher margins, or simply to position themselves as full-line manufacturers is called Up- Market Stretch. Example - Hero Moto group.
c) ***Two-Way Stretch*** - Companies serving the middle market might decide to stretch their line in *both directions*. Example Tata Motors

2. Line filling occurs when a company lengthens its product line by *adding more items within the present range.* Example- Maruti Suzuki had launched Alto in the year 2000 which was a product between two other models of Maruti- Maruti 800 and Maruti Zen. Basically, it was an effort on part of the company to fill the gap that existed in the market segment by introducing this new model ALTO.

3. Line modernization – *modifying items in the product line* to suit modern styling and tastes. Example Intel, Innova New model.

4. Line featuring - A strategy in which *certain items* in a product line are *given special promotional attention*, either to boost interest (at the lower end of the line) or image (at the upper end), see product line.

5. Line pruning – *Reducing the depth of a product line* by deleting less profitable offerings in a particular product category, see product line. Example HUL stopped production of unprofitable products, Toyota stopped Qualis.

6. Brand extension - is a marketing strategy in which new products are introduced in relation to a successful brand. It has two general kinds.

(a) Line extension- is the **use of an established product** brand name for a ***<u>new item in the same product category</u>***

- Same brand name is used to introduce a new variant in the same product category such as ***<u>new flavors, forms, colors, added ingredients, package sizes.</u>***
- **Example**- Splendor, Splendor NXG, Splendor Plus, Lifebuoy, Lifebuoy plus, Lifebuoy green, Lifebuoy Gold.

(b) Category extension – **using the parent brand** to ***<u>enter a new product category</u>***. Example – Honda two wheeler, Honda cars, Honda snowmobiles, Honda lawn mowers.

Are brand extensions good or bad? Justify your argument

PRODUCT CLASSIFICATIONS

Product classification is done under two categories

1. **DURABILITY AND TANGIBILITY**
2. **USE**

1. DURABILITY AND TANGIBILITY

a. ***Nondurable goods*** - are tangible goods normally consumed in one or a few uses.

Example - soft drinks and shampoo.

Because these goods are purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small mark-up, and advertise heavily to induce trial and build preference.

b. ***Durable goods*** - are tangible goods that normally survive many uses.

Example - refrigerators, machine tools, and clothing.

Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees.

c. ***Services*** - are intangible, inseparable, variable, and perishable products that normally require more quality control, supplier credibility, and adaptability.

Example - haircuts, legal advice, and appliance repairs.

2.USE

I. Consumer goods ***II. Industrial goods***

I. Consumer-Goods Classification

a. Convenience Goods
b. Shopping Goods
c. Specialty Goods
d. Unsought Goods

a. Convenience Goods **-**Widely distributed and inexpensive goods that consumers purchase *frequently, immediately, and with minimal effort*. **Example** – soap, newspapers, petrol, gas, magazine, medicines

They are of 3 types- *Staples, Impulse and Emergency*

(i) Staples- Convenience goods that consumers purchase on a regular basis.**Example** – toothpaste, biscuits, soap.

(ii) Impulse goods- Goods that are purchased without any planning or effort. Purchased on the go.

Examples – chips, cold drinks, chocolates

(iii) Emergency goods **-** Goods that are purchased when there is an urgent need. **Examples** – sweaters, umbrella

b. Shopping Goods -Consumer goods that are usually purchased only after the customer has compared *price, quality, style and suitability* in more than one store

- Generally high price in contrast to convenience goods.
- Purchase is generally pre planned.
- Make comparisons.

Example – furniture, clothing, appliances,

They are of two types -

(i) **Homogeneous shopping goods -** Similar in quality, much different in price.

(ii) **Heterogeneous shopping goods -** Differ in product features and services, that may be more important than price.

c. Specialty Goods -Specialty goods are products with ***unique*** characteristics or ***branding***.

- Consumers do not compare them with other products as the goods have unique features
- Instead they will spend time searching for the retailer selling the product they want
- Consumers are often prepared to travel to purchase their product and pay a premium
- Dealers don't need convenient locations, ready to travel extra mile
- **Example** - *designer clothes, luxury cars, antiques*

Specialty services- Professional services provided by a person known for the effectiveness and quality of their work can also come under this category. **Example** - *lawyer or accountant.*

d. Unsought Goods - Goods about which the consumer does not normally know or think of buying.**Example** – *Fire alarm, encyclopedia, insurance*

- Unsought goods require advertising and personal-selling support.

II. Industrial Goods Classification

(i) Materials and parts
(ii) Capital items
(iii) Supplies/business services

(i) Materials and parts - are goods that enter the manufacturer's product completely.

They fall into two classes: *a. raw materials* *b. manufactured materials and parts*

a. Raw materials fall into *two* major groups:

- *Farm products* (wheat, cotton, livestock, fruits, and vegetables)
- *Natural products* (fish, lumber, crude petroleum, iron ore).

Farm products are supplied by many producers, who turn them over to marketing intermediaries, who provide assembly, grading, storage, transportation, and selling services.

Their perishable and seasonal nature gives rise to special marketing practices, whereas their commodity character results in relatively little advertising and promotional activity.

b. Manufactured materials and parts

They fall into two categories:

Component materials *(iron, yarn, cement, wires)*

- Component materials are usually fabricated further—pig iron is made into steel, and yarn is woven into cloth.
- The standardized nature of component materials usually makes price and supplier reliability key purchase factors.

Component parts *(small motors, tires, castings)*

- Component parts enter the finished product with no further change in form, as when small motors are put into vacuum cleaners, and tires are put on automobiles.
- Most manufactured materials and parts are sold directly to industrial users.

(ii) Capital items -are long-lasting goods that facilitate developing or managing the finished product.

They include two groups:

- ***Installations -*** consist of buildings (factories, offices) and heavy equipment (generators, drill presses, mainframe computers, elevators). Installations are major purchases. They are usually bought directly from the producer, whose sales force includes technical personnel, and a long negotiation precedes the typical sale.

- ***Equipment -*** includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (personal computers, desks).

(iii) Supplies and business services - are short-term goods and services that facilitate developing or managing the finished product.Supplies are of *two kinds*: *maintenance and repair items*(paint, nails, and brooms) and *operating supplies* (lubricants, coal, writing paper, pencils).

WHAT IS A NEW PRODUCT?

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

- *Modifying features*
- *Modifying marketing mix*
- *Change in tangible / augmented elements of a product*
- *Adding completely new product to the existing line*
- *Improvements and revisions of existing products*
- *Repositioning*
- *Cost reductions*

What is New Product Development?

Product Development is a process of improving the existing product or to introduce a new product in the market. It is also referred as New Product Development.

Methods of New Product Development

New product can be developed through -

a. 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 Unilever Limited.

ii) 100 cc two wheeler automobile by TVS Suzuki and subsequently by Hero Honda.

b. Technological Intervention

Many new products came into light because of technological innovations. It is seen that there is always a resistance for adoption to any technological changes initially. But early entrants reap maximum benefits and subsequent followers face difficulties in establishing their products. 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, LCD, LED.

c. 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 these as new products.

d. Repositioning

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

Example - Kellogg's cornflakes, Horlicks

e. Cost reductions

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

Factors Influencing New Product Development

a. Product line extension - For effective utilization of production capacity of the firm, a few more products can be manufactured at any given time. Example – Hero Splendor, CBZ

b. Changing Customer Preference - In the present scenario, the life style of people particularly in urban area is changed significantly. Depending on change in life style, the taste and preferences of consumer is also changing. This causes a pressure for improvement of existing product. Most of the products such as garments, footwear, leatherwear, durable goods and credit card are the result of consumer lifestyle and preferences.

c. Technological changes- Due to technological changes new products are bound to be developed. Since technological life cycle is shorter than product life cycle, a firm has to keep track of technological changes. A product becomes obsolete if it is not at par with change in technology. Video Cassette Recorder and black and white Television are now obsolete in the market. Liquid Crystal Display (LCD) and Light Emitting Diodes (LED) televisions and bulbs are now the say in the market. Advance version of software makes the previous one old.

d. Diversification -Sometimes companies enter into new line of business in order to find more profitable business and to reduce dependency on existing products or industry. New line of business reduces risk factor related to one particular product or industry. ***Example***- *ITC diversified its business into hotel and agriculture sector. As a result of diversification number of products and product lines fill up the market.*

e. Product re-launch - Sometimes existing products are re-launched with minor developments. These are targeted to a completely new market or new market segment. This is called repositioning. *Examples- Lifebuoy, Horlicks.*

New Product Development Process

- There is a systematic way of new product development and the process. These stages are hierarchical and the product development moves to next stage once the previous stage is satisfied.
- **First three stages** are called **Critical stages** where ***least cost is involved*, but *concept is evolved***.
- Most products are failed due to lack of good concept. Therefore these stages are called critical and utmost care is to be taken for avoiding faulty and not-promising concepts.

Few important questions in this respect would be:

- What is the market potential of the product if it is introduced within a year?
- What will be its growth rate?
- What will be the rate of return on investment?
- Whether the new product will be better or at par with competitor's product?

Steps in New Product Development Process

1. **Idea generation**
2. **Idea screening**
3. **Concept development and testing**
4. **Marketing strategy analysis**
5. **Business feasibility analysis**
6. **Product prototype development**
7. **Market testing**
8. **Commercialization**
9. **Diffusion and adoption**

1. Idea generation

Ideation is the creative process of generating, developing, and communicating new ideas, where an idea is understood as a basic element of thought that can be visual, concrete, or abstract.

Sources of Idea generation

External	Internal
Consumers	Employee/sales personnel
Retailers / Distributors	Market research, R and D,
Specialists	Line Department
Competitors, Media, Trade Journal	Top management

Example –

- Ratan Tata saw the family of four riding on a scooter, and thought of developing an economical car.

- 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.

Idea generating techniques

a. 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 persons and the discussion should be for one hour. The exercise continues without too much rigidity to one idea. The rules of the game are given below:

- Criticism to any idea is ruled out.
- More number of ideas is promoted.
- Combining and improving ideas are encouraged.
- Initial wider ideas are refined gradually.

b. 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, serration etc.

c. 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.

d. Mind mapping - Start with a thought, such as a car, write it on a piece of paper, then think of the next thought that comes up (say Mercedes), link it to car, then think of the next association (Germany), and do this with all associations that come up with each new word. Perhaps a whole new idea will materialize.

2. Idea screening (scrutinizing or filtering the best ideas)

It is not possible and acceptable to implement each and every idea. Ideas are to be scrutinized or filtered in order to minimize the market failure. Ideas are scrutinized keeping in view of reducing negative aspects of existing product. All the receipted ideas should be put in a screening process to select appropriate ideas having potential business and development prospects. The preliminary ideas are screened on the basis of different key factors such as compatibility with management objective, company's technology and manufacturing capability, marketing resources, distribution channel, design capability etc.

Go-error & Drop-error

During screening process there can be two different type of committing errors in selecting good ideas.

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- ***Drop-error* - drop a good idea**
- ***Go-error* - go ahead with a bad idea**

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 properly evaluating it, it may commit a go- error. These types of errors will cause harm to the company in the long run.

3. Concept development and testing **(A concept is a more elaborated version of an idea)**

Consumers do not purchase ideas, they purchase concepts. Concept is an elaborated version of product idea from consumer view point. 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 be aimed at children, middle aged or senior citizens. Primary benefit could be nutrition, taste or refreshment. Occasions could be breakfast, dinner or lunch. Combining these answers we will get different combinations of product concept.

Different concepts for above example could be:

- **Concept 1**: A sweet flavoured 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 breakfast.
- **Concept 3**: An instant nutritious drink as a breakfast replacement for adults.

Many more concepts like this can be developed. Each concept will lead to different marketing implications like product design, pricing and target market. A concept clearly defines a product category which decides the competition strategy.

For example; concept-2 as above is competing with tea or coffee and concept-3 is the replacement of breakfast cereal, egg or cake. We can also explain the positioning of each concept in relation to its competitor in same product category through the positioning map.

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. Consumers can be asked questions like;

- Are the benefits you are providing is clear and extra over the existing one in the market?
- Will it solve the present need or problem of consumers?
- Are there similar products of competitors?

- Will the price be affordable?
- When do you intend to use this?
- Do you recommend any amendment to the product or price?
- Do you intend to buy this?
- What will be your frequency and quantum of purchase?

4. Marketing strategy analysis

- 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.

5. Business feasibility analysis (Cost)

This process involves analysis of *cost, estimated sales, cost of production, cost recovery period, break-even point profitability, sales analysis, demand analysis, technological cycle and product life cycle* for this product is to be studied in detail.

- *First time sales and repeat sales*
- *Sales in the introductory, second, third, fourth and fifth year*
- *Product life cycle analysis*
- *Cost and profit estimation*
- *Projected profit and loss account for the first five years*
- *Pay back period and risk analysis.*
- *Business analysis helps managers to rank the screened ideas.*

6. Product prototype development

In this stage a physical shape is given to the product. The prototype should be safe, easy to handle, of the fulfill technical and economic criteria of manufacturing feasibility. The cost should be within the budgeted allocation. The prototype undergoes several rigorous tests and controls to make the product workable under difficult situations. Process engineering and quality control, test (under laboratory as well as field condition and under critical condition) are done to make the product qualitative and functional. In addition to these functional tests, the product should undergo consumer test.

Example- Tata Nano design in initial stages, Pharmaceutical companies conducts clinical trials with consumer patients before they give the product to sales representatives to promote the sale.

7. 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. It is also called test marketing. It gives an idea about the reaction of the consumers. ***Test marketing is a process of limited introduction of product and its marketing program to determine its sale, consumer reaction and effectiveness of marketing mix.*** The risk of uncertainty of direct launching is reduced through test marketing. However many companies directly launch their product without test marketing. Test marketing involves cost as well as time. The duration of test marketing should be shorter; otherwise competitor will sense about new product and make a counter offence. At the same time Test marketing should give reasonable time for trial as well as repeat purchase.

Before market testing some questions are asked and decisions are taken accordingly.

- ***Geographical area to be tested***- Extent of geographical area depends on type of product, target market, target customer profile, capacity of the company etc.
- ***Duration of test of product -*** 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
- ***Feedback information needed-*** 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.
- ***Decision making*** - 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	High	GO AHEAD	INCREASE SALES PROMOTION
	Low	RE-DESIGN OR DROP	DROP

If rate of trial and repurchase 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 who tried the product 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 low 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 number 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 create opportunity for revising or modifying product itself. Before commercial launching this is the only point from where all weaknesses are rectified.

How can a company take decision about full scale commercialization of its new product based on the result of market testing?

8. Commercialization

Final or commercial launch of product takes place. Based on favourable outcome of test marketing. 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 strategic questions for product launching like when, where, to whom and how are to be answered in this stage.

- ***Timing (when):*** 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 first entry so far as success rate and profitability is concerned, the product should be launched as soon as possible, before any competitor's 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 (when)***: Depending upon the production, 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 Maaza (now owned by Coca Cola) in May 1986 at Delhi because of hot climate and high consumption pattern of cold drink.
  The company may penetrate to all markets at a time or it may go in phases depending on its ability and resources.
- ***Target-market (To whom):*** 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.

Launching of a product or a brand should be noticeable and be a part of brand building. The pricing, pop promotion, advertisement, physical distribution, retailer promotion and product inducement strategies are to be made prior to launching. Celebrity event, grand opening ceremony or a memorable launching is necessary to create an image in consumer's mind such that the consumer will develop a positive behavior as a result of which he may be induced to buy.

9. 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 this principle consumer can be categorized as:

- ***Innovators***
- ***Early adopters***
- ***Early majority***
- ***Late majority***
- ***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 2.5 % of people constitute to this category.

Adopters- who take some more time to purchase and adopt the new product. They are almost like innovators. They constitute 13.5% of people in the market. They also take some more time to switch over to other products than innovators.

Early majority *and* ***Late majority*** - consists of 68% 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 16% only and they wait till the end of the product success. They are risk-averse and resistant to any change. They accept new product in late and similarly they do not leave the existing product easily. They come late and also leave late.

Marketing strategy for new product adoption should contain the study of consumer. Characteristics of each category as above are to be analyzed and accordingly marketing plan is to be developed. The demographic, psychographic and media habit of each category is to be studied and marketing effort is to be designed accordingly. The above adoption process for consumer goods is also applicable for industrial goods as well as rural marketing goods.

Factors for SUCCESS of new product

Some new products succeed, some fail. For the company, each new product is a star. It has to shine. Some of the factors for new product success are hereunder:

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. Sony music system fulfills the need of younger generation for listening music whenever and wherever they want. Xerox launched copying machine which could copy anything in seconds. Polaroid succeeded as it could take photograph and print it in 60seconds.

2) Product launching-As discussed earlier in this chapter launching of product is crucial for success of a product. Issues 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 or trial. Hindustan Unilever Limited and Proctor& Gamble Limited have built nationwide strong network of distribution for their FMCG product marketing where availability is the most important criterion for consumers.

4) Price-value equation-In consumer's perception - the new product should give more worth than the price they pay for it. They always rate a product in terms of value for money. Nirma succeeded in the market and took sizable share from Surf because of its value for money offer.

5) The product should have a marketing advantage - The brand image may be so strong that the product does not need a push. Example – Coca Cola, Pepsi

6) Supported with creative advertising- Maggie's two minute advantage (Fast to cook, Good to eat) provided a solution to Indian housewives to feed their hungry children coming from school.

Factors for FAILURE of new product

1) 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.

2) Marketing mix deficiency: Even if the product & good or unique, sometimes it does not find a place in the market because of inadequacies in marketing mix strategies. **For example** -Henko was failed because of lack of finding a space in distribution channel. FIAT failed because of service. In some cases good products failed as a lack of communication with target market because of unsuccessful advertisement.

3) Lack of brand support: Without the support of brand name or company's image, survival of a new product is a difficult task.

4) Poor timing of launch: Phillips delayed to bring improved version of VCRs and in the meantime Japanese put at least three generation VCRs. Phillips found it difficult to compete in market.

5) Error in positioning - A firm should avoid following four types of major positioning errors.

- ***Under-positioning***: This happens when consumers do not know about the brand.
- ***Over-positioning***: It occurs when consumers have a narrow view of a firm or its products. **Example** – Kellogg's K is positioned for women who want to become slim, it could also have been targeted for men too who want to become slim.
- ***Confused positioning***: This occurs when buyers have a confused image of the product. **Example** – Tata Nano
- ***Doubtful positioning***: This occurs when buyer doubt the claims made by the firm.

PRODUCT LIFE CYCLE

To say a product has a life cycle is to assert four things:

- Products have a limited life.
- Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
- Profits rise and fall at different stages of the product life cycle.
- Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

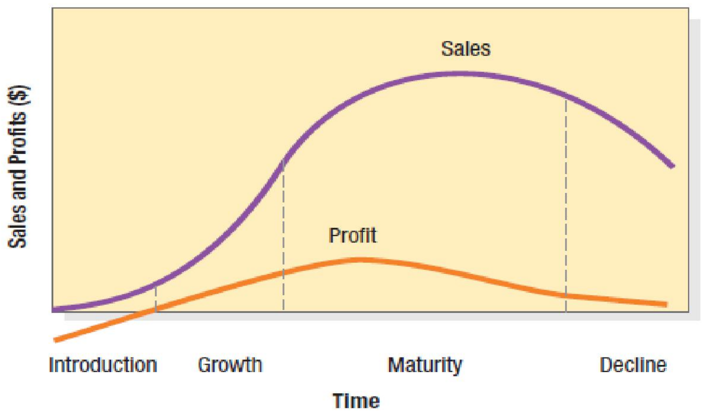
This PLC curve has four stages: **Introduction, Growth, Maturity,** and **Decline.**

1. In the **Introduction stage**, there is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent because of the heavy expenses of product introduction.

2. In the **Growth stage**, there is a period of rapid market acceptance and substantial profit improvement.

3. In the **Maturity stage**, there is a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition.

4. In **Decline**, sales show a downward drift and profits erode.



Where can PLC be used ?

We can use the PLC concept to analyze a

- Product category (Automobiles)
- Product form (Sedan cars)
- Product or a brand (Maruti Suzuki)

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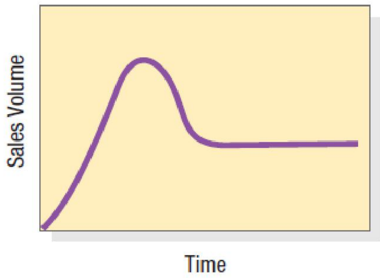
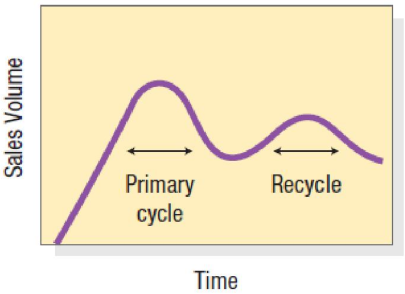
Not all products will exhibit a bell- shaped curve

Common alternate PLC Patterns:



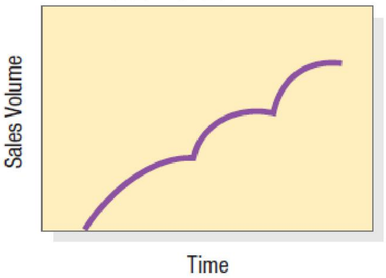
a) Growth-slump-maturity Pattern

- Examples - kitchen appliances
- Sales grow rapidly when the product is first introduced
- Then fall to a “petrified” level sustained by late adopters buying the product for the first time and early adopters replacing it.



b) Cycle-Recycle

- Example – sales of new drugs
- The pharmaceutical company aggressively promotes its new drug, producing the first cycle.
- Later, sales start declining, and another promotion push produces a second cycle (usually of smaller magnitude and duration).



c) Scalloped

- Sales pass through a succession of life cycles
- Based on the discovery of new-product characteristics, uses, or users.
- Example – Mobile phones, tyres

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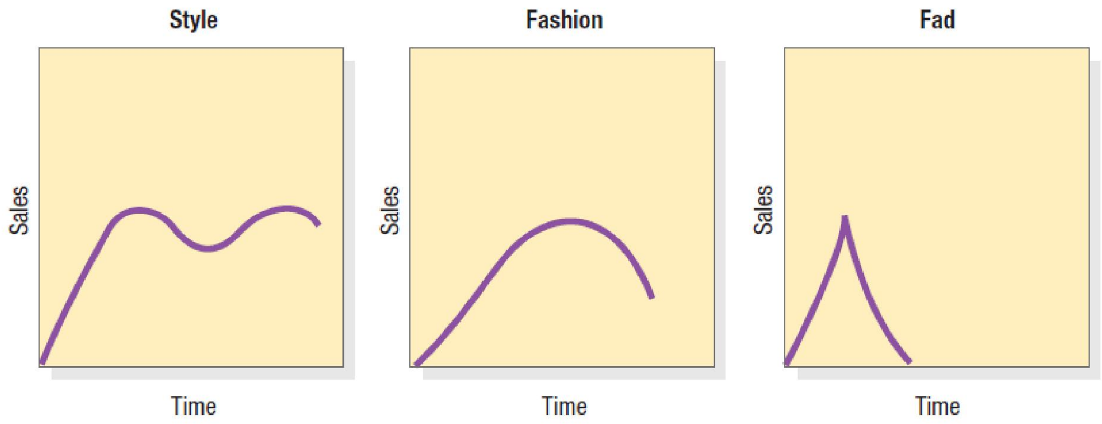
Special Categories of PLC'S



Style

- Basic and distinctive mode of expression of human behaviour
- Lasts for generation
- Example – Home(colonial, modern), Clothing (formal, casual sporty), Art, Saree, Shirting and Suiting

Fashion

- A fashion is a currently accepted or popular style in a given field.
- Fashions pass through *four stages: distinctiveness, emulation, mass fashion, and decline.*
- Example - Bell Bottom pants, Salwar suits of different styles

Fad

- Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast.
- Those searching for excitement
- Don't satisfy any strong need

PRODUCT LIFE CYCLE

1. INTRODUCTION STAGE

1. High costs due to initial marketing, advertising, distribution
2. Price of product generally high to recover development costs
3. Low sales volume
4. Little or no competition
5. Demand has to be created
6. There may be little to no competition
7. Customers must be prompted to try the product
8. Little or no profit is made owing to high costs and low sales volumes

Note ***: Company objective*** **– create product awareness and trial**

Example – Syska LED, Google Glass, 3 Dimensional Televisions

MARKETING STRATEGY (Introduction stage)

- Product- Offer a basic product
- Price - Charge cost plus
- Place- Build selective distribution
- Promotion- Build product awareness and trial among early adopters and dealers

PRICE	HIGH	LOW
HIGH	Rapid Skimming	Slow Skimming
LOW	Rapid Penetration	Slow Penetration

PROMOTION

a) 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.

Example -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.

b) 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. People those who are aware of the product are willing to pay higher price. Most of the industrial products like renewable energy equipment fall under this category. **Example** - Royal Enfield bike, Apple

c) Rapid Penetration Strategy:

Launch a product at ***low price*** and ***high promotion level***.

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. **Example** - FMCG companies, HUL, P and G, ITC.

d) Slow Penetration Strategy:

Launch a product at ***low price*** and ***low promotion level***. 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. 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.

Brand fact

When HUL launched *Lifebuoy* in the Indian market, it offered the basic Lifebuoy (Red) carbolic soap, a soap that kills germs.

2. 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 or variants of products, packaging and prices.

1. Sales volume increases rapidly
2. Average cost due to economies of scale
3. Rising profits
4. Competition begins to increase with a few new players in establishing market
5. Public awareness increases due to increases promotion
6. Price decreases due to increased competition

Example – LED TV, Blue Ray, Tablet PCs, Touch screen mobiles

Note : *Company objective*- Maximize market share

MARKETING STRATEGY in Growth Stage

- Product – Offer product extensions, service, warranty
- Price – To penetrate market
- Place – Build intensive distribution
- Promotion – Build awareness and interest in mass market

Brand fact

When Lifebuoy entered in the growth stage, HUL offered many product extensions like, Lifebuoy Neem, Lifebuoy Lemon Fresh, and Lifebuoy Active Fresh

3. MATURITY STAGE

1. Intense competition
2. Increases budget of service and R&D activities
3. Peak sales and market saturation is reached
4. High Profits
5. Intense competition, competitors begin to decline slowly
6. Low cost of production due to increase production volumes and experience curve effects
7. Increases budget of service and R&D activities

Note : Company objective – Maximize profit and defend market share

Example – Laptops, bar mobile phone, DVD, LCD Tv

If we see critically the PLC curve, we can see the maturity stages 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.

Market Saturation

A situation in which a product has become distributed within a market to the fullest possible extent, leaving demand for the product at a minimum. The actual level of saturation can depend on consumer purchasing power, competition, prices, and technology

Volume of sales = No. of consumers x usage rate per consumer

Using this formula, how can you suggest a company .

MARKETING STRATEGY (Maturity Stage)

I. Market Modification
II. Product Modification
III. Marketing Mix (4 P's) Modification

I. Market Modification

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

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

a) Sales <u>volume</u> can be increased by increasing no. of product users in following ways.

- **Convert non-users**: Airlines may reduce the freight cost to attract new customers. A toothpaste manufacturing company may try to induce customers who use tooth powder. Cavinkare Company introduced small sachet shampoo for converting rural non-users to users.
- **Enter new market segment**: Hindustan Unilever limited have positioned Lux as beauty soap for ladies using celebrities starting from Leela Chitnis to Kareena Kapoor. Recently it tried to enter into male segment and used Saharukh Khan as celebrity. Johnson& Johnson shifted from baby shampoo to adults.
- **Win competitor's customers**: Companies try to allure competitor's customer with several attractive offers. Pepsi &Coca-Cola fight head-on-head for snatching each other's customers. It becomes easier when the product is undifferentiated.

b) Similarly sales can be increased by increasing quantum or usage rate of use;

- **More usage per occasion**: Rinsing twice in one occasion by Head &Shoulder Shampoo for dandruff removal yielded good result for the Company.
- **More frequent use**: Colgate adopted this strategy saying its customer to brush their tooth before going to bed. Larger size packing is meant for inducing customer for more frequent use.
- **New and more varied uses**: *Kellogg's Chocos was used a s a breakfast cereal, but it was then also positioned as a snack for kids in their school tiffin box.* Baking soda is used for various uses. Jam can be used in bread as well as roti. Nylon is being used in making ropes, automobile tyre, and parachutes and for many purposes. Every additional use gives a momentum to sales and life of the product.

II. Product Modification

Quality improvement to improve product's functional performance is desired.

In order to restrict the switching of brand by customers, firms come with new product with 'bigger' , 'stronger', 'special' or 'plus' etc. 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. Lifebuoy modified its original products to Lifebuoy Plus. Pan Parag and Chik shampoo introduced sachet for rural market and small consumers.

III. 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**: Stress brand preferences and benefits. Message and copy change, more advertisement budget, timing, frequency etc.
- **Sales promotion**: Coupon, rebate, gift and 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 firms spend most of their effort for products which are in matured stage.

Brand fact

When Lifebuoy brand entered the maturity stage it rejuvenated the brand and introduced Lifebuoy Hand wash, and it dot enter the decline stage. Hence, most companies try to rejuvenate their brand in this stage.

4. 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.

- Sales decline
- Profit is low or negative
- Competitors decline
- The market growth is downward
- There are few competitors

Note : *Company objective* – reduce expenditure and milk the brand

Example – VCR, Box television

MARKETING STRATEGY (Decline Stage)

- Product - Identify weak products and drop it
- Price – Cut Price
- Place – Go selective, phase out unprofitable outlets and products
- Promotion - reduce to minimum level, only needed to retain hard core loyals
- Increase firm's investment in product development
- Harvest the firm's investment by quick recovery
- Divest the business

TABLE 11.2 Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing Objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Communications	Build product awareness and trial among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits and encourage brand switching	Reduce to minimal level needed to retain hard-core loyals

Sources: Chester R. Wasson, *Dynamic Competitive Strategy and Product Life Cycles* (Austin, TX: Austin Press, 1978); John A. Weber, "Planning Corporate Growth with Inverted Product Life Cycles," *Long Range Planning* (October 1976), pp. 12–29; Peter Doyle, "The Realities of the Product Life Cycle," *Quarterly Review of Marketing* (Summer 1976).

Product Vs. Brand

Definition of Product

The product is a good or service or the combination of the two that is made available by the companies in the market for sale to the end consumer. It can be in physical or non-physical form.

The producers manufacture a product. The raw materials which are procured from the manufacturers, then they are converted into finished goods, which are offered by them for selling purposes. The cost of production is the investment made by the company in producing a product, and it is sold at a price known as a selling price.

The product has its own life years. After the expiry of that period, the product becomes obsolete. In such a case every product needs to be reinvented or regenerated, to attract the target audience. Sometimes, products are relaunched by the companies with some new or exciting features that will be able to grab the attention of more and more customers.

Definition of Brand

A **brand** is a

- ***name, term, sign, symbol or design***,
- **or a combination of them,**
- **intended to identify the goods or services**
- **of one seller or group of sellers and**
- **to differentiate them from those of competitors.**

The market is flooded with millions of products, the name, symbol, sign, product, service, logo, person, or any other entity that makes you distinguish a product from a clutter of products, is a Brand. It is something; that helps the customers to identify the product as well as the company behind it. Look it another way, a product that has a name, which we can recall and relate to, is a brand.

A Brand can neither be seen nor touched; it can only be felt. *The brand is not built in a day; it takes years and years to gain the trust of customers.*

A brand is a combination of three things, i.e. *promise, wants and emotions*. It is a promise made by the company to its customers that what they get after they buy the company's products? It fulfils all the wants of the customers. It is an emotion to which the customers are attached to. The Brand creates an expectation in customers which the promises made by the company under the brand umbrella will be fulfilled by those products they use.

The brand is not just a name but an image in the minds of the customers. The image is associated with *reliability, credibility, and quality that gives a sense of satisfaction to the customers*. The legal identity of a brand is known as a trademark. **E.g. Gucci, Rolex, Nike, Reebok, Starbucks, Armani, RayBan, Apple,** etc

Key Differences Between Product and Brand

BASIS FOR COMPARISON	PRODUCT	BRAND
Meaning	A product is an item which is ready for sale in the market.	A brand is something which distinguishes a product from other products in the market.
What is it?	A product is What you *need*?	A brand is What you *want*?
Uniqueness	A product can be easily copied.	A brand has a distinguished identity, that *cannot* be copied.
Created by	Manufacturers	Customers
Can it be replaced?	Yes	No
What they do?	A product performs the functions.	A brand offers value.
Appearance	A product may be tangible or intangible in nature.	A brand is *intangible*.
Time Horizon	A product can be outdated after some time.	Brand remains forever.

Companies Make Products and Consumers Make Brands

A product is made by a company and can be purchased by a consumer in exchange for money while brands are built through consumer perceptions, expectations, and experiences with all products or services under a brand umbrella. For example, Toyota's product is cars. Its umbrella brand is Toyota and each product has its own more specific brand name to distinguish the various Toyota-manufactured product lines from one another. Without a product, there is no need for a brand.

Products Can Be Copied and Replaced but Brands Are Unique

A product can be copied by competitors at any time. When Amazon launched the Kindle e-reader device, it didn't take long for competitors to come out with their own branded versions of an e-reader product. However, the brand associated with each e-reader device offers unique value based on the perceptions, expectations, and emotions that consumers develop for those brands through previous experiences with them.

Similarly, a product can be replaced with a competitor's product if consumers believe the two products offer the same features and benefits. Products with low emotional involvement are typically easily replaced. For example, do you *really* care what brand of milk you buy or do you primarily just care that the milk you buy is fresh and includes the fat percentage that you want?

Products Can Become Obsolete but Brands Can Be Timeless

Remember VHS players? With the introduction of DVD players and more recently DVR devices and streaming video services, VHS players have become obsolete. The same thing happened to 8-track tapes, vinyl records, cassettes, and CDs. Today, most people buy their music in digital format and listen to it on their iPods. The Elvis Presley brand is timeless, but no one buys Elvis music on cassettes anymore.

Products Are Instantly Meaningful but Brands Become Meaningful over Time.

When you launch a new product, it's easy to make that product instantly meaningful and useful to consumers because it serves a specific function for them. However, a brand is meaningless until consumers have a chance to experience it, build trust with it, and believe in it.

That's why the 3 steps to brand building include consistency, persistence, and restraint. It takes time and effort to convince consumers to believe in your brand.

Consider Google as an example. When Google first hit the Internet scene it offered a simple product — a search engine. That product was instantly meaningful to consumers because it helped them find information online quickly. However, the Google brand didn't become meaningful to consumers until people had a chance to use the Google search engine product and see for themselves that it really was a better search engine. Through those experiences, consumers began to trust that the Google brand could deliver faster and better information online. Today, when Google launches a new product (like Google+, Google Pixel), people are quick to try those products because they trust the Google brand.

BRAND

Commodity - Any unbranded product is a commodity. Example – sugar, besan, tea, coffee.

What Is a Brand?

A **brand** is a

- *name, term, sign, symbol or design*,
- or a combination of them,
- intended to identify the goods or services
- of one seller or group of sellers and
- to differentiate them from those of competitors.

Identification of brand

- **Brand name**: Can be a word not related to the meaning of product, Company name, function of product (Liv 52, Quickfix, Sunflame), alphabet and numerals (RX 100),Sometimes synonymous to product class.
- **Brand mark**: A symbol, design, lettering or distinctive coloring (Key hole, man with steel muscles, horse head)
- **Trade mark**: A legal right to *protect* a brand name.
- **Copy right**: Legal right of a company to *publish*, sell or reproduce matters like literacy, music or art.

ADVANTAGES	DISADVANTAGES
• Brand provides faith and assurance about product quality and performance. • Brand provides faith and assurance about product quality and performance. • Easy identification facilitates purchase. • Psychological satisfaction • Due to competition, branded product provides value addition and features.	• Price tends to rise for branded products. • Customers confuse when many brands claim as they are the best. • As customer acceptance is good, branded product may raise price or reduce quality. • Importance of brand

Importance of brands

- ✓ A brand provides a set of solutions through the product attributes, features and utility.
- ✓ Cumulative faith, belief and satisfaction of product creates a strong brand.
- ✓ The value created by brand is remembered by customer.
- ✓ People perceive a brand in a unique manner.
- ✓ Brand can influence the customer behaviour.

Choosing Brand elements

There are six criteria for choosing brand elements

1. **Memorable –** Should be short, clear and easy to remember. *Lux, LG, Rin*
2. **Meaningful –** should be credible. It should suggest the corresponding category and a product ingredient or the type of person who might use the brand. *Fair and lovely, Close – up toothpaste*, *Maruti 800*
3. **Likable** – Should be appealing.
4. **Transferable** - Can the brand element introduce new products in the same or different categories. *Cadbury, Dhara (Indian name but not recognized globally)*
5. **Adaptable** - How adaptable and updatable is the brand element at different geographic locations? *Nano*, *Mitsubishi (not adaptable at some places)*
6. **Protectable**- How legally protectable is the brand element? How competitively protectable?

Note- The first three are "brand building." The latter are "defensive" and help leverage and preserve brand equity against challenges.

Branding is endowing products and services with the power of the brand.

Co-branding—also called dual branding or brand bundling—two or more well-known brands are combined into a joint product or marketed together in some fashion. Example – Maruti Suzuki

Ingredient-branding is creating a brand

- for an ingredient or component of a product,
- to project the high quality or performance of the ingredient.

Example – Laptop with Intel processor, Volvo bus with MRF tyres

Brand association is something which is linked to the memory of the brand.

- *It can be the logo, jingle, slogan, colour, smell, taste, packaging, product attributes, product class, use or application, customer benefits, price, life style, competitors, celebrity.*

Brand recall - It is the consumers ability to recall the brand from the memory when given the product category.

Brand awareness - is the extent to which a brand is recognized by potential customers, and is correctly associated with a particular product. Consumer is not fully aware of the brand, but know a little about it.

Brand knowledge - All the thoughts, feelings, images, experiences, and beliefs associated with the brand.

Customer has full information about the brand, regarding

- *What is the brand?*
- *Which category is it in?*
- *Price and much more?*

Note - If you are asked about Maruti Suzuki, you know what are the products and approximate price of each product, and variants of each product. Hence you have brand knowledge.

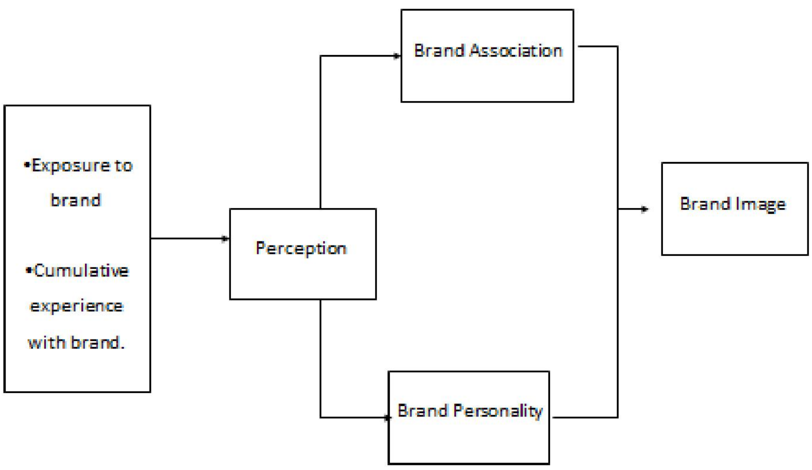
Brand Personality - Human traits or characteristics associated with a specific brand name.Brand Personality has, functional and emotional component as well.

- *TVS scooty is feminine while TVS bike is masculine.*
- *Surf excel is premium and Nirma is economical.*
- *Raymond symbolizes complete personality.*
- *McDonalds a Family restaurant.*

Brand image- is the outcome of the perception about a brand over a period of use.

- It is the positive or negative side of the perceived value of the brand.
- It has two components-brand association and brand personalities.

Brand image concept



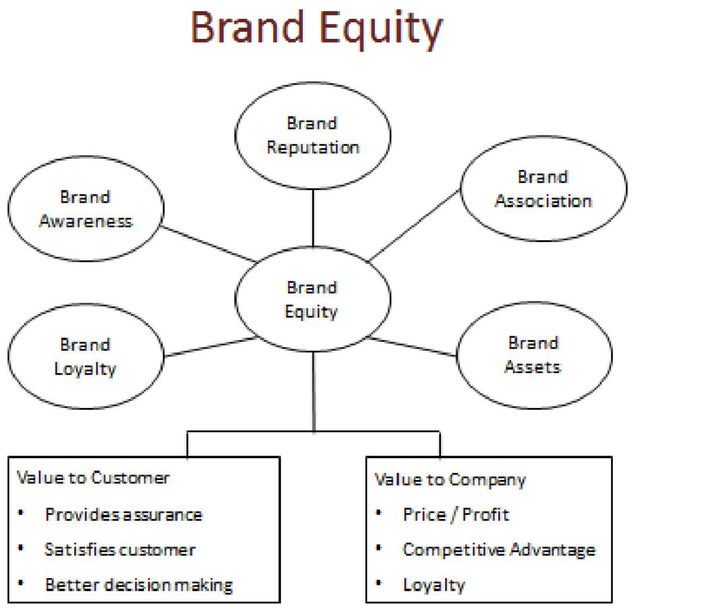
- Brand image is based upon our exposure to the brand or brand experience which leads to the formation of brand perception.
- Perception has two dimensions: Brand personality and Brand association.
- Our perception influences our purchase behaviour.
- Brand image is a matter of perception and can be changed from time to time.

Brand equity is the *added value* endowed on products and services, which may be reflected in the way consumers, think, feel, and act with respect to the brand.

It is a **qualitative measure of the brand's positive recognition or goodwill** in the minds of the consumers. It is the tangible and intangible worth of a brand.

It is kind of power that the brand has over its competitors or the generic brands and is developed over time.

- You are ready to travel that extra mile.
- You are ready to pay a premium



Brand equity, Aaker

Note - Perceived image or value is more important than actual value.

Brand naming decisions or strategies

1. Individual branding or separate brand names
2. Family or Umbrella branding
3. Corporate name branding

1. Individual branding -

- Separate brand names for each of the products.
- Advantage is that if a product fails there is no harm to the reputation of the company.
- Used to launch different quality lines within same product class.
- each product offering has distinct purpose and strategy
- Example – HUL, P and G

2. Family (Umbrella branding or category branding)

- Different products of the company are marketed under one brand name.
- Family or umbrella branding does not mean that entire range of the products of the company is sold in one brand name .**Example**- Cadbury, Axe (by Unilever) has a range of similar products that use the same family brand (Axe deodorants, Axe shampoos, Axe shower gels, Axe hair stylers,

3. Corporate name branding

- Some companies use their brand name and logo together for all of its Products for better identity and image. **Example**- Godrej, LG, Hitachi

Big Five factors identified by J.L. Aaker

Factors	**Traits**	**Brand**
Excitement	Imaginative, spirited, daring, aggressive	Ferrari, Pepsi, Mountain due, Thums up
Sincerity	Honesty, Cheerfulness, down to earth quality	Kodak, Raymond, Tata
Sophisticated	Charming, Feminine	Revlon, Axe, Hero Pleasure
Competency	Reliability, intelligence, success	Intel, Citi Card, Apple
Ruggedness	Athletic, Macho, Western,Tough	Nike, Old spice, MRF

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

Brand positioning is an act of communicating company's offer so that it occupies a distinct and valued place in customer's mind.

- Positioning is thus an outcome of customer's perception about the brand in relation to other competitors.
- The marketer's task is to provide certain uniqueness in their offer which we will perceive as best and keep it in our mental space
- Whenever we will think for this product category, we will recall this brand first. This is the simplest mechanism of brand positioning.

3 C's of Positioning

- Customer
- Competitor
- Company or product

Brand Differentiation strategies

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

Brand rejuvenation or revitalization

- Giving new life to brand to overcome customer's boredom.
- Revive the brand by improving or adding value.
- Applicable in declining and stiff competition.
- Through new association (Wheel Vs Nirma, Axis Bank, ABV news channel).
- HUL is the master in this concept

Rebranding and Sub-brands

When Federal Express changed its trading name to the more modem FedEx" it also changed its logo to feature the new name in a distinctive logo.

- When the company decided to **rebrand** a ground delivery service it had purchased, it chose the name ***FedEx Ground*** and developed an alternative color treatment of the standard logo (purple and green rather than purple and orange)
- Consistent applications of this design were developed for use in settings ranging from business cards to boxes, from employee caps to aircraft exteriors.

Note :Its goal was to transfer the positive image of reliable, on-time service associated with its air services to Its less expensive, small-package ground service. The well-known air service was then rebranded as FedEx Express.

Other **sub-brands** in what the firm refers to as 'the FedEx family of companies' include

- ***FedEx Home Delivery*** (delivers to US residential addresses)
- ***FedEx Freight*** (regional less-than- truckload transportation for heavyweight freight),
- ***FedEx Custom Critical*** (non-stop, door-to-door delivery time critical shipments),
- ***FedEx Trade Networks*** (customs brokerage, international freight Forwarding and trade facilitation)
- ***FedEx Supply Chain Services*** (comprehensive suite of solutions that synchronize the movement of goods)
- ***FedEx Kinko's*** (office and printing services, technology services, shipping supplies and packing services located in both city and sub-urban retail stores).

Name Some Sub-brands?

PRICE

Price is not just a number on a tag. It comes in many forms and performs many functions. Rent, tuition, fares, fees, rates, tolls, retainers, wages, and commissions are all the price you pay for some good or service.

Common Pricing Mistakes

- Determine costs and take traditional industry margins
- Failure to revise price to capitalize on market changes
- Setting price independently of the rest of the marketing mix
- Failure to vary price by product item, market segment, distribution channels, and purchase occasion

Consumer Psychology and Pricing

Purchase decisions are based on how consumers perceive prices and what they consider the current actual price to be—*not* on the marketer's stated price.

1. **Reference prices**
2. **Price-quality inferences**
3. **Price endings and Price cues**

1. Reference prices

Consumers compare an observed price to an internal reference price they remember or an external frame of reference such as a posted "regular retail price."

Possible Consumer Reference Prices

- *Fair price*
- *Typical price*
- *Last price paid*
- *Upper-bound price*
- *Lower-bound price*
- *Competitor prices*
- *Expected future price*
- *Usual discounted price*

2. Price-quality inferences

Consumers use price as an indicator of quality. Image pricing is especially effective with ego-sensitive products such as perfumes, expensive cars, and designer clothing.

Price - Quality Strategies

Quality \ Price	High	Med	Low
High	Premium Value	High Value	Super Value
Med	Overcharging	Medium Value	Good-Value
Low	Rip-Off	False Economy	Economy

3. Price endings and Price cues

- Many sellers believe prices should end in an odd number. Customers see an item priced at Rs. 299 as being in the Rs. 200 rather than the Rs. 300 range; they tend to process prices "left-to-right" rather than by rounding.
- Another explanation for the popularity of "9" endings is that they suggest a discount or bargain. Prices that end with 0 and 5 are also popular and are thought to be easier for consumers to process and retrieve from memory.

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STEPS in Setting Price

1. **Select the price objective**
2. **Determine demand**
3. **Estimate costs**
4. **Analyze competitor price mix**
5. **Select pricing method**
6. **Select final price**

Step 1: Selecting the Pricing Objective

a) Survival
b) Maximum current profit
c) Penetration Pricing (Maximum market share)
d) Price Skimming (Maximum market skimming)
e) Product-quality leadership

(a) SURVIVAL

- Short-run objective to deal with overcapacity, intense competition, or changing consumer wants.
- As long as prices cover *fixed cost and variable costs*, the company stays in business
- Survival is a short run objective, in the long run, the firm must learn how to ad value or face extinction

(b) MAXIMIZE CURRENT PROFITS

- Set a price that will maximize current profits
- Firms estimate demand and costs associated with alternative prices and choose the price that produces maximum current profits cash flow, and rate of return on investment.
- This strategy assumes that the firm knows its demand and cost functions.
- Emphasis current performance. But firms may sacrifice long-run performance by ignoring the effects of other marketing variables, competitors' reactions, and legal restraints on price.

(c) MARKET-PENETRATIONPRICING (Maximum market share) Example - HUL

- Objective is to maximize market share
- Higher sales volume will lead to lower unit costs and higher long-run profit.
- Set the lowest price, assuming the market is price sensitive

Conditions when to use *market penetration strategy* are –

- ✓ Market highly price sensitive and low price stimulates market growth
- ✓ Production and distribution costs fall with production experience

- ✓ Low price discourages and actual and potential competition

(d) PRICE SKIMMING (Maximum market skimming)

- Prices start high and slowly drip over time.
- Usually when a new technology is unveiled or companies that have high brand
- This strategy can be fatal if competitors price low.

Conditions under which *Price skimming* makes sense – Example – Sony, Apple

- ✓ Sufficient buyers and high current demand
- ✓ High initial price does not attract more competition
- ✓ High price communicates the image of a superior product

(e) PRODUCT - QUALITY LEADERSHIP

- A company might aim to be the product quality leader in the market
- Consumers perceive it to be of high quality, taste, and status
- Price high just enough not to be out of consumers reach – affordable luxuries.
- Example- Mercedes, BMW.

Step 2: Determining Demand

I. Price sensitivity
II. Estimate demand curves
III. Price elasticity of demand

(I) Price sensitivity

Customers are less **price sensitive** to low-cost items or items they buy infrequently. They are also less price sensitive when

- There are few or no substitutes or competitors;
- They do not readily notice the higher price;
- They are slow to change their buying habits;
- They think the higher prices are justified; and
- Price is only a small part of the total cost of obtaining, operating, and servicing the product over its lifetime.

(II) Estimating demand curves

Firms estimate demand curves using:

- ***Surveys -*** can explore how many units consumers would buy at different proposed prices. Although consumers might understate their purchase intentions at higher prices to discourage the company from pricing high, they also tend to actually exaggerate their willingness to pay for new products or services.

- ***Price experiments -*** can be conducted by varying the prices of different products in a store or charge different prices for the same product in similar territories to see how the change affects sales and observe the results.
- ***Statistical analysis -*** of past prices, quantities sold, and other factors can reveal their relation-ships. The data can be over time or cross-sectional (from different locations at the same time). Building the appropriate model and fitting the data with the proper statistical techniques calls for considerable skill, but sophisticated price optimization software and advances in database management have improved marketers' abilities to optimize pricing.

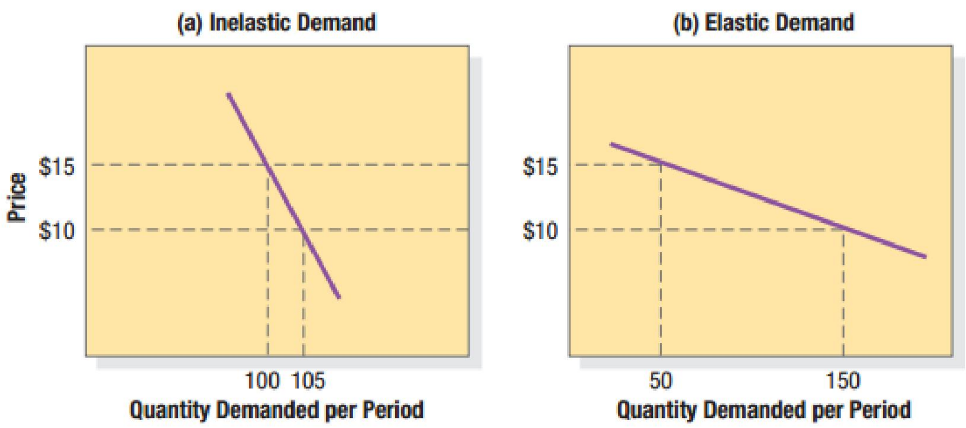
(III) Price elasticity of demand

Marketers need to know how responsive, or elastic, demand is to a change in price.

- If demand is elastic, sellers will consider lowering the price
- Higher the elasticity, greater the volume growth

In demand curve (a) - a price increase from $10 to $15 leads to a relatively small decline in demand from 105 to 100. In demand curve (b) - the same price increase leads to a substantial drop in demand from 150 to 50.

If demand hardly changes with a small change in price, we say the demand is inelastic. If demand changes considerably, demand is elastic. The higher the elasticity, the greater the volume growth resulting from a 1 percent price reduction. If demand is elastic, sellers will consider lowering the price. A lower price will produce more total revenue. This makes sense as long as the costs of producing and selling more units do not in-crease disproportionately.



Step 3: Estimating Costs

a) Types of costs (fixed, variable, total, average)
b) Accumulated production
c) Target costing

a) Types of costs

- ***Fixed Costs (Overhead)*****-**Costs that don't vary with sales or production levels or sales revenue. Example **-** Rent, salary, wages, electricity
- ***Variable Costs* -** Costs that do vary directly with the level of production. Example **-** Raw materials, packaging.
- ***Total Costs* -** Fixed Cost + Variable Cost
- ***Average cost*** - is the cost per unit at that level of production; TC / Q. Is the cost per unit at that level of production; it equals total costs divided by production. Management wants to charge a price that will at least cover the total production costs at a given level of production. To price intelligently, management needs to know how its costs vary with different levels of production.

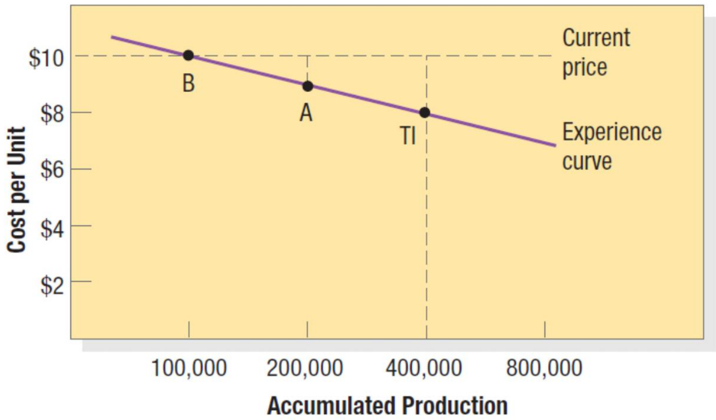
b) Accumulated production

Suppose TI runs a plant that produces 3,000 hand calculators per day. As TI gains experience producing hand calculators, its methods improve. Workers learn shortcuts, materials flow more smoothly, and procurement costs fall. The result, as Figure shows, is that average cost falls with accumulated production experience. Thus the average cost of producing the first 100,000 hand calculators is $10 per calculator. When the company has produced the first 200,000 calculators, the average cost has fallen to $9. After its accumulated production experience doubles again to 400,000, the average cost is $8. This decline in the average cost with accumulated production experience is called the experience curve or learning curve.

Now suppose three firms compete in this industry, TI, A, and B. TI is the lowest-cost producer at $8, having produced 400,000 units in the past. If all three firms sell the calculator for $10, TI makes $2 profit per unit, A makes $1 per unit, and B breaks even. The smart move for TI would be to lower its price to $9. This will drive B out of the market, and even A may consider leaving. TI will pick up the business that would have gone to B (and possibly A). Furthermore, price-sensitive customers will enter the market at the lower price. As production increases beyond 400,000 units, TI's costs will drop still further and faster and will more than restore its profits, even at a price of$9. TI has used this aggressive pricing strategy repeatedly to gain market share and drive others out of the industry.

Experience-curve pricing nevertheless carries major risks. Aggressive pricing might give the product a cheap image. It also assumes competitors are weak followers. The strategy leads the company to build more plants to meet demand, but a competitor may choose to innovate with a lower-cost technology. The market leader is now stuck with the old technology.

Most experience-curve pricing has focused on manufacturing costs, but all costs can be improved on, including marketing costs.



d) Target costing

- This price less desired profit margin leaves the target cost the marketer must achieve.
- Market research establishes a new product's desired functions and the price at which it will sell, given its appeal and competitors' prices.

Example - Making Tata Nano in One Lakh.

When Jyothy Laboratories Ltd. took over Henkel AG brands in India, it took several steps to reduce cost. Manufacturing cost was reduced by moving the production in-house from several contract manufactures. Supply-chain-related costs were reduced by almost 50 percent and marketing costs were reduced from the current 35 percent of sales to the industry average of 18 percent to 20 percent, by moving to "cash and carry, better negotiations and through distribution synergy.

Step 4: Analyzing Competitor's Costs

- **Competitors' costs -** Within the range of possible prices determined by market demand and company costs, the firm must take competitors' costs, prices, and possible price reactions into account.

- **Competitors' prices -** If the firm's offer contains features not offered by the nearest competitor, it should evaluate their worth to the customer and add that value to the competitor's price.
  If the competitor's offer contains some features not offered by the firm, the firm should subtract their value from its own price.

- **Possible price reactions -**Competitors are most likely to react when the number of firms is few, the product is homogeneous, and buyers are highly informed. Competitor reactions can be critical when they have a strong value proposition.

5. Select pricing method

We will examine six price-setting methods:

1. **MARKUP PRICING**
2. **TARGET-RETURN PRICING**
3. **PERCEIVED-VALUE PRICING**
4. **VALUE PRICING**
5. **GOING-RATE PRICING,**
6. **AUCTION-TYPE PRICING.**

1. MARKUP PRICING - The most elementary pricing method is to add a standard markup to the product's cost.

Mark-up (also popularly called **margin**) is the difference between the cost of a product or service and its selling price. It can be established as a percentage of the cost or as a percentage of the retail price.**(Markup = Selling Price – Cost)**

Question

Calculate mark-up price of a product using following information

Various Cost per unit	=	Rs. 10
Fixed cost	=	Rs. 3 lakh
Expected unit sales	=	50000 units
Mark up on product cost	=	25%

Total Cost = Fixed cost + Total Variable cost

Total Variable cost = Variable cost per unit X Total expected unit sales
= **10 X 50000 = Rs 5,00,000**

Hence, Total Cost = 3,00,000 + 5,00,000 = Rs 8,00,000

So, Cost of one procuct is = 800000 ÷ 50000 = Rs 16

Markup = 25% on product cost
= 25% of 16
= Rs 4

Mark up Price = cost + markup
= 16 + 4
= 20

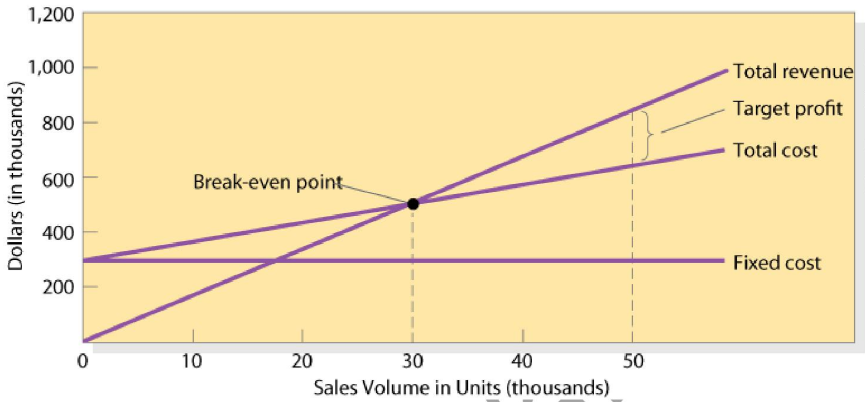
2. TARGET-RETURN PRICING -In target-return pricing, the firm determines the price that yields its target rate of return on investment. Public utilities, which need to make a fair return on investment, often use this method.

Suppose the toaster manufacturer has invested Rs1 million in the business and wants to set aprice to earn a 20 percent ROI, specifically Rs200,000.

The target-return price is given by the following formula:

$$\text{Target-return price} = \text{unit cost} + \frac{\text{desired return} \times \text{invested capital}}{\text{unit sales}}$$

$$= \$16 + \frac{.20 \times \$1{,}000{,}000}{50{,}000} = \$20$$



The manufacturer will realize this 20 percent ROI provided its costs and estimated sales turn outto be accurate. But what if sales don't reach 50,000 units? The manufacturer can prepare a break-evenchart to learn what would happen at other sales levels (see Figure). Fixed costs are Rs300,000regardless of sales volume. Variable costs, not shown in the figure, rise with volume. Total costs equalthe sum of fixed and variable costs. The total revenue curve starts at zero and rises with each unit sold.The total revenue and total cost curves cross at 30,000 units. This is the break-even volume.

We can verify it by the following formula:

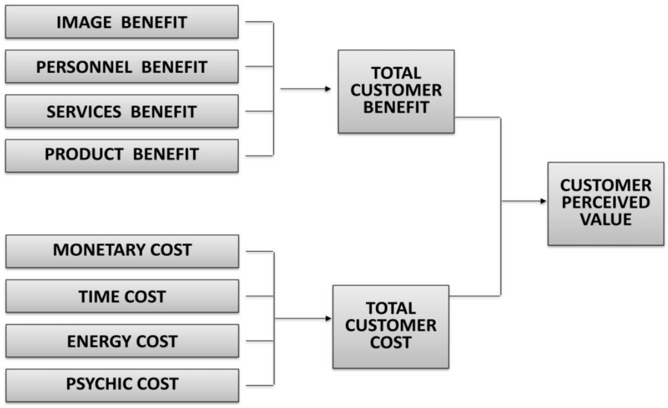
$$\text{Break-even volume} = \frac{\text{fixed cost}}{(\text{price} - \text{variable cost})} = \frac{\$300{,}000}{\$20 - \$10} = 30{,}000$$

The manufacturer, is hoping the market will buy 50,000 units at Rs. 20, in which case it earns Rs. 200,000 on its Rs. 1 million investment, but much depends on price elasticity and competitors' prices.

The manufacturer should also search for ways to lower its fixed or variable costs, because lower costs will decrease its required break-even volume.

3. CUSTOMER'S PERCEIVED-VALUE

- Performance
- Warranty
- Customer support
- Reputation



An increasing number of companies now base their price on the customer's perceived value. Perceived value is made up of a host of inputs, such as the buyer's image of the product performance, the channel deliverables, the warranty quality, customer support, and softer attributes such as the supplier's reputation, trustworthiness, and esteem. Companies must deliver the value promised by their value proposition, and the customer must perceive this value. Firms use the other marketing program elements, such as advertising, sales force, and the Internet, to communicate and enhance perceived value in buyers' minds.

- Rs 90,000 is the tractor's price if it is only equivalent to the competitor's tractor
- Rs 7,000 is the price premium for Caterpillar's superior durability
- Rs 6,000 is the price premium for Caterpillar's superior reliability
- Rs 5,000 is the price premium for Caterpillar's superior service
- Rs 2,000 is the price premium for Caterpillar's longer warranty on parts
- Rs 110,000 is the normal price to cover Caterpillar's superior value
- – Rs 10,000 discount
- Rs 100,000 final price

The Caterpillar dealer is able to show that although the customer is asked to pay a $10,000 premium, he is actually getting Rs20,000 extra value. The customer chooses the Caterpillar tractor be-cause he is convinced its lifetime operating costs will be lower.

The key to perceived-value pricing is to deliver more unique value than the competitor and to demonstrate this to prospective buyers. Thus a company needs to fully understand the customer's decision-making process.

4. VALUE PRICING

In recent years, several companies have adopted value pricing: They win loyal customers by ***charging a fairly low price for a high-quality offering***. It is a matter of reengineering the company's operations to become a low-cost producer without sacrificing quality, to attract a large number of value-conscious customers.

It is of two types –

EDLP (Every Day Low Pricing)- It happens at retail level. Here the retailer charges a constant low price with little or no price promotions and special sales. Constant prices eliminate week-to-week price uncertainty.

High-Low pricing- the retailer charges higher prices on an everyday basis but runs frequent promotions with prices temporarily lower than the EDLP level.

These two strategies have been shown to affect consumer price judgments—deep discounts(EDLP) can lead customers to perceive lower prices over time than frequent, shallow discounts(high-low), even if the actual averages are the same.

As supermarkets face heightened competition from their counterparts and alternative channels, many find the key is a combination of high-low and everyday low pricing strategies, with increased advertising and promotions. **Example – Big Bazaar**

5. GOING-RATE PRICING - In going-rate pricing, the firm bases its price largely on competitors' prices. The firm might charge the same, more or less than major competitor.

- In oligopolistic industries that sell a commodity such as steel, paper, or fertilizer, all firms normally charge the same price.
- Smaller firms "follow the leader," changing their prices when the market leader's prices change rather than when their own demand or costs change.
- Some may charge a small premium or discount, but they preserve the difference.

Going-rate pricing is quite popular. Where costs are difficult to measure or competitive response is uncertain, firms feel the going price is a good solution because it is thought to reflect the industry's collective wisdom.

6. AUCTION-TYPE PRICING - These are the three major types of auctions and their separate pricing procedures.

English auctions (ascending bids)- have one seller and many buyers. On sites such as eBay and Amazon.com, the seller puts up an item and bidders raise the offer price until the top price is reached. The highest bidder gets the item.

Example - English auctions are used today for selling antiques, cattle, real estate, and used equipment and vehicles.

Dutch auctions (descending bids)- feature one seller and many buyers, or one buyer and many sellers. In the first kind, an auctioneer announces a high price for a product and then slowly decreases the price until a bidder accepts. In the other, the buyer announces something he or she wants to buy, and potential sellers compete to offer the lowest price.

Example -

Sealed-bid auctions- let would-be suppliers submit only one bid; they cannot know the other bids. Government departments and large public and private enterprises use this method to procure supplies.

Example – Tender

6. Select Final Price

- **Impact of other marketing activities-** The final price must take into account the brand's quality and advertising relative to the competition.
- **Company pricing policies -** The price must be consistent with company pricing policies.Yet companies are not averse to establishing pricing penalties under certain circumstances.
- **Impact of price on other parties** - How will distributors and dealers feel about the price. Their margins have to be kept in mind.

DIFFERENTIATED PRICING

Price discrimination, the seller charges different amounts to different classes of buyers, as in the following cases:

1. **Customer-segment pricing.** Different customer groups pay different prices for the same product or service. For example, Indian Railways charges a lower fare to senior citizens.

2. **Product-form pricing.** Different versions of the product are priced differently, but not proportionately to their costs. Evian prices a 48-ounce bottle of its mineral water at $2.00 and 1.7 ounces of the same water in a moisturizer spray at $6.00.

3. **Time pricing.** Prices are varied by season, day, or hour. Commercial airlines charge higher fares during the festival season in India. Many restaurants observe "happy hours" during the week days of the day.

4. **Image pricing.** Some companies price the same product at two different levels based on image differences. A perfume manufacturer can put the perfume in one bottle, give it a name and image, and

price it at Rs 100 for 30 ml. The same perfume in another bottle with a different name and image and price can sell for Rs 1500 for 30 ml.

5. **Channel pricing.** Coca-Cola carries a different price depending on whether the consumer purchases it in a fine restaurant, a fast-food restaurant, or a vending machine.

6. **Location pricing.** The same product is priced differently at different locations even though the cost of offering it at each location is the same. Example - Inox has different prices at different cities for same services.

PRICE DISCOUNTS AND ALLOWANCES

Promotional allowances reward dealers for participating in advertising and sales support programs.

1. **Discount -** is a price reduction to buyers who pay bills promptly. A typical example is "2/10, net 30," which means that payment is due within 30 days and that the buyer can deduct 2 percent by paying the bill within 10 days.
2. **Quantity discount -** is a price reduction to those who buy large volumes.
3. **Functional Or Trade Discount -** is offered by a manufacturer to trade channel members if they will perform certain functions, such as selling, storing, and record keeping. Manufacturers must offer the same functional discounts within each channel.
4. **Seasonal discount -** is a price reduction to those who buy merchandise or services out of season.
5. **Allowance -** is an extra payment designed to gain reseller participation in special programs.

NOTE:

- Trade-in allowances are granted for turning in an old item when buying a new one.
- Promotional allowances reward dealers for participating in advertising and sales support programs.

PROMOTIONAL PRICING TACTICS

Companies can use several pricing techniques to stimulate early purchase.

1) **Loss-leader pricing -** a aggressive pricing strategy where a ***product is sold at a price below its market cost*** to stimulate other sales of more profitable goods or services

2) **Special event pricing -**means that sellers will establish special prices in certain seasons to draw in more customers.

3) **Special customer pricing -**means sellers will offer special prices exclusively to certain customers.

4) **Cash rebates** mean that auto companies and other consumer-goods companies offer cash rebates to encourage purchase of the manufacturers' products within a specified time period.

5) **Low-interest** financing means that instead of cutting its price, the company can offer customers low interest financing.

6) Sellers, especially mortgage banks and auto companies, stretch loans over **longer periods** and thus lower the monthly payments.

7) Companies can promote sales by adding a free or **low-cost warranty** or service contract.

8) Using **psychological discounting** is a strategy that sets an artificially high price and then offers the product at substantial savings; for example, "Was Rs. 359, now Rs. 299."

GEOGRAPHICAL PRICING (Cash , Countertrade, Barter)

In geographical pricing, the company decides how to price its products to different customers in different locations and countries.

- Should the company charge higher prices to distant customers to cover the higher shipping costs, or a lower price to win additional business?
- How should it account for exchange rates and the strength of different currencies?
- Another question is how to get paid.

This issue is critical when buyers lack sufficient hard currency to pay for their purchases. Many buyers want to offer other items in payment, a practice known as countertrade.

a) Barter means the buyer and seller directly exchange goods, with no money and no third party involved.

b) Compensation deal- involves the seller receives some percentage of the payment in cash and the rest in products. Example - A British aircraft manufacturer sold planes to Brazil for 70 percent cash and the rest in coffee.

c) Buyback arrangement- means that the seller sells a plant, equipment, or technology to another country and agrees to accept as partial payment products manufactured with the supplied equipment. Example -U.S. Chemical plant built for Indian Company and accepted partial payment in cash and other in chemicals manufactured at the plant.

d) Offset- means the seller receives full payment in cash but agrees to spend a substantial amount of the money in that country within a stated time period. Example - PepsiCo sells syrup to Russia for rubles and agrees to buy Russian vodka at a certain rate for sale in the United States.

DISTRIBUTION DECISIONS

What is Distribution?

Distribution is the process of moving a product from its manufacturing source to the customers with the help of intermediaries.

What is Marketing Channel or Distribution Channel?

It is the set of interdependent organizations involved in the process of making a product or service available for use or consumption. It is the way products and services get to the end-user, the consumer.

Selecting and Managing Marketing Channels(What are the different marketing or distribution channels?)

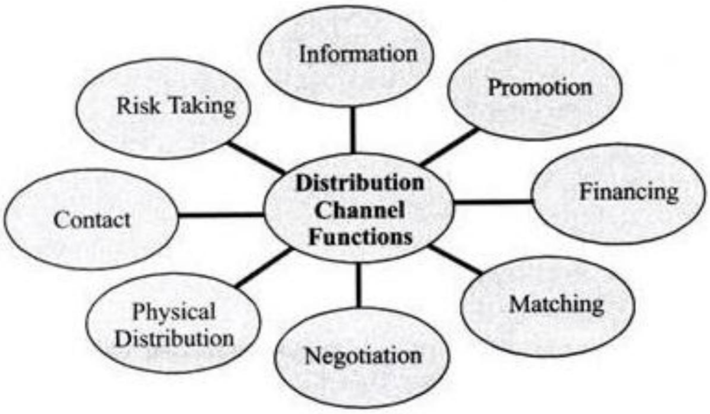
Most producers do not sell their goods to final users or consumers. Between them are host of marketing intermediaries. They are –

Wholesalers and Retailers *(Merchant)*	✓ Who buy ✓ Take title of the stock ✓ Resell merchandise
Brokers, Manufacturers' Representatives, Sales Agents*(Agent)*	o Search for customers o Negotiate on the producer's behalf o **Do not** take title to the goods usually o Specialize in selling function o Work on commission basis
Others - transportation companies, independent warehouses, owner, bank, ad agencies *(Facilitators)*	• Do not negotiate purchase or sale, • Do not take title to the goods • Work on a fee for service basis

What is the **Importance of channels?**

- Marketing channels also represent a substantial opportunity cost.
- One of their chief roles is to convert potential buyers into profitable customers.
- Marketing channels must not just *serve* markets, they must also *make* markets.
- The channels chosen affect all other marketing decisions.
- The company's pricing depends on whether it uses online channel or intermediaries.
- Its sales force and advertising decisions depend on how much training and motivation dealers need.
- Long-term commitments with other firms as well as a set of policies and procedures.

Functions of Distribution Channels



Distribution Channel Functions

Information	It involves collecting and sharing market research and intelligence - important for marketing planning and decisions.
Contact	It involves finding and communicating with prospective buyers
Financing	Financing basically involves acquisition and allocation of funds to cover the costs of the distribution channel in a cost effective manner.
Matching	Matching is to adjust the offer to suit a buyer's needs, including grading, assembling and packaging
Negotiation	Negotiation is to reach at an agreement on quality, price and other terms of the offer.
Physical Distribution	Physical distribution basically is to transport and store the goods in the warehouses.
Promotion	It is to develop and spread communications about offerings.
Risk Taking	It is to assume some inherent commercial risks by operating the channel (e.g. holding stock for precautionary or speculative motives)

CHANNEL OPTIONS

1. FRANCHISING

- **Granting the right to engage in offering, selling, or distributing goods or services under a developed marketing format which is designed by the franchisor**
- The franchisor permits the franchisee to use its trademark, name, and advertising
- Higher survival rates

For Example – Pizza Hut, McDonalds, Baskin Robins, APTECH,

Franchising Advantages and Challenges

Benefits

- Obtaining an established business format on which to base a business
- Receiving national or regional brand marketing
- Minimizing the risks of starting a business

Challenges

- Disappointing profits and revenues
- Encroachment and franchise saturation
- High failure rates and unfair terminations
- Lack of perceived control
- High fees and rigid contracts
- Unrealistic expectations

2. Direct marketing- is the use of mail, telephone, fax, e-mail,KIOSKS, or Internet to communicate directly with or solicit response or dialogue from specific customers and prospects.

3. Wholesalers and Retailers

WHOLESALERS	RETAILERS
(1) They are connecting links between the manufacturers and the retailers.	(1) They are connecting links between the wholesalers and the customers
(2) They purchase goods in large quantities from the manufacturers.	(2) They purchase goods in small quantities from the wholesalers.
(3) They deal in limited number of products.	(3) They deal in variety of products for meeting the varied needs of consumers.
(4) They need more capital to start their business.	(4) They can start business with limited capital.
(5) The display of goods and decoration of premises is not necessary for them.	(5) They lay more emphasis on window display and proper decoration of business premises in order to attract the customers.
(6) Their business operations extend to different cities and places.	(6) They usually localise at a particular place, area or city.

(7) They do not directly deal with the customers.	(7) They have a direct link with the customers.
(8) They do not extend free home delivery and after sales services.	(8) They provide free home delivery and after sales services to the consumers.
(9) They provide more credit facilities to retailers.	(9) They provide lesser credit facilities to the consumers and usually sell goods on cash basis
(10) They may not possess expert knowledge regarding selling techniques.	(10) They must possess expert knowledge in the art of selling.
(11) They enjoy the economies of bulk buying, freights and price etc.	(11) They do not avail such economies.
(12) They are not usually classified in different types.	(12) They can be divided into categories viz., small scale and large scale retailers
(13) Their services can be dispensed with or can be eliminated from the chain of distribution.	(13) They are integral component of the distribution chain and cannot be eliminated.

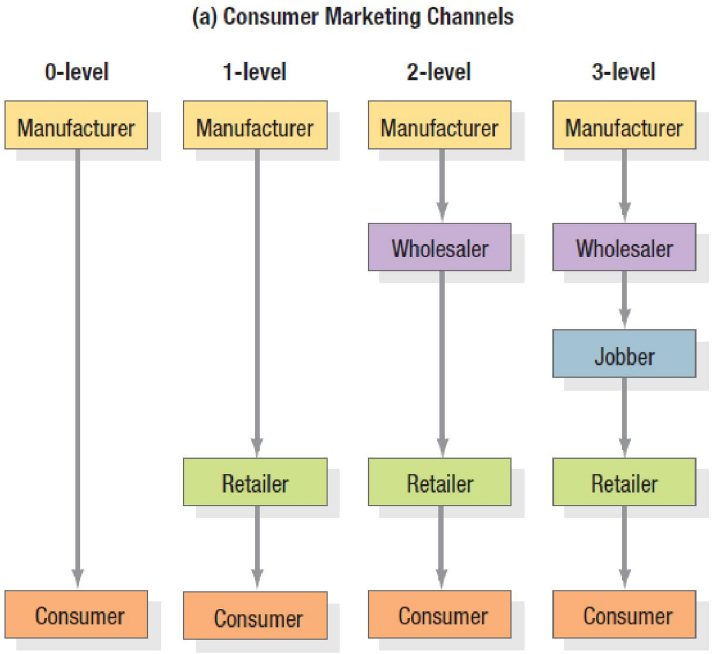
5.E-commerce uses a Web site to transact or facilitate the sale of products and services online.

By saving the cost of retail floor space, staff, and inventory, online retailers can profitably sell low-volume products to niche markets. Online retailers compete in three key aspects of a transaction: *(1) customer interaction with the Web site, (2) delivery, and (3) ability to address problems when they occur*

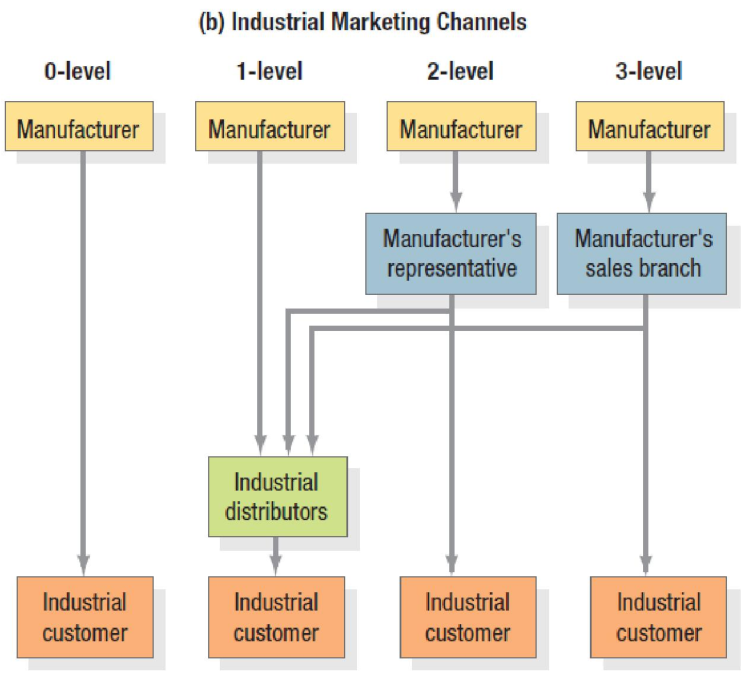
There are two types - i) **pure-click** companies ii) **brick-and-click** companies

- **Pure-Click Companies**
  There are several kinds of pure-click companies: search engines, Internet service providers (ISPs),commerce sites, transaction sites, content sites, and enabler sites. Commerce sites sell all types of products and services, notably books, music, toys, insurance, stocks, clothes, financial services, and so on. Example – Jabobg.com, Snapdeal.com
- **Brick-and-Click Companies**- existing companies that have added an online site for information or e-commerce. Example – Big Bazaar, Pantaloons, Lee

Marketing Channels for Consumer Goods and Services



Marketing Channels forIndustrial Goods and Services



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Functions and **Flows of Marketing Channel**

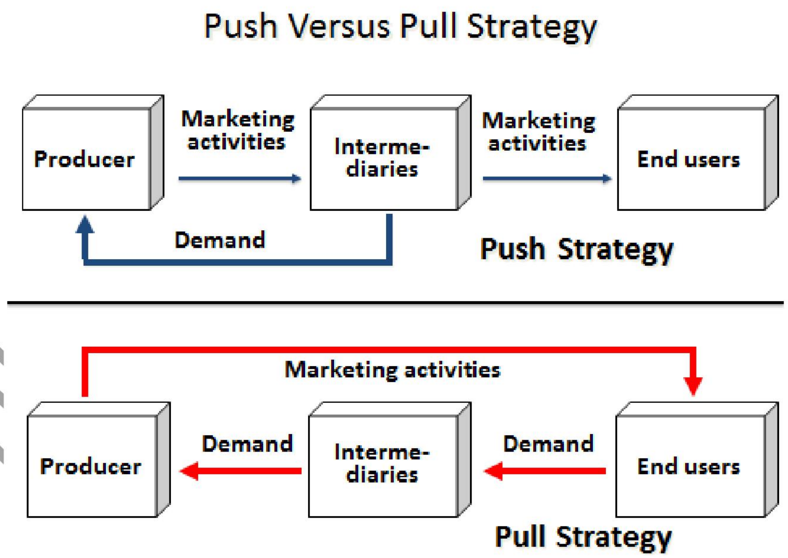
- Information – about customers, competitors and other forces
- Promotion – communication to attract others
- Negotiation – with the product regarding price and others
- Ordering – requisition of stock as per demand
- Financing – to carry inventory of channel
- Risk taking – in connection with carrying out channel work
- Physical possession – storage and movement to consumers
- Payments – collection and payment to producers
- Title – transfer of ownership stock

✓ **Forward Flow** - ***Company to Customer***
- Some of these functions (storage and movement, title, and communications) constitute a forward flow of activity from the *company to the customer*;

✓ **Backward Flow** - ***Customers to Company***
- Other functions (ordering and payment) constitute a backward flow from *customers to the company*.

✓ **Both Directions**
- Still others (information, negotiation, finance, and risk taking) occur in *both directions*.

A manufacturer selling a physical product and services might require three channels: *a sales channel, a delivery channel, and a service channel.*



Push Strategy- uses the manufacturer's sales force, trade promotion money, or other means to induce intermediaries to carry, promote, and sell the product to end users. Example – Unsought goods, Aqua guard

- A push strategy is particularly appropriate when there is low brand loyalty in a category, brand choice is made in the store, the product is an impulse item, and product benefits are well understood.

Pull Strategy- the manufacturer uses advertising, promotion, and other forms of communication to persuade consumers to demand the product from intermediaries, thus inducing the intermediaries to order it. Example - Automobile

- Pull strategy is particularly appropriate when there is high brand loyalty and high involvement in the category, when consumers are able to perceive differences between brands, and when they choose the brand before they go to the store.

Top marketing companies such as Coca-Cola, Intel, and Nike skillfully employ both push and pull strategies. A push strategy is more effective when accompanied by a well-designed and well-executed pull strategy that activates consumer demand.

Channel levels(What are the 4 different channel levels)

- **Zero-level channel** (***Direct marketing channel***) - manufacturer selling directly to the final customer.

Examples - door-to-door sales, home parties, mail order, telemarketing, TV selling, Internet selling, and manufacturer-owned stores

- **One-level channel** - contains one selling intermediary. Such as a retailer. Hence it is *Manufacturer to Retailer.*
- **Two-level channel** - contains two intermediaries. *Manufacturer to Wholesaler to Retailer*.
- **Three-level channel** - contains three intermediaries. Manufacturer to Distributor to Wholesaler to Retailers to Consumer.

Zero-level channel *(Direct marketing channel)*	Manufacturer	**Consumer**	
One-level channel	Manufacturer	**Retailer**	Consumer
Two-level channel	Manufacturer	**Wholesaler → Retailer**	Consumer
Three-level channel	Manufacturer	**Wholesaler → Jobbers → Retailer**	Consumer

CHANNEL DESIGN

1. **Analyze customer needs**
2. **Establish channel objectives and constraints**
3. **Identify major channel alternatives**
4. **Evaluate major channel alternatives**

1. Analyze customer needs

Consumers may choose the channels they prefer based on price, product assortment, and convenience, as well as their own shop-ping goals (economic, social, or experiential).

Channels produce five service outputs:

- **Lot size -** is the number of units the channel permits a typical customer to purchase on one occasion.
- **Waiting and delivery time -** is the average time customers wait for receipt of goods.
- **Market decentralization -** reduce transportation and search cost by customer
- **Product variety -** greater the breadth, service output is more.
- **Spatial(area) convenience**—The degree to which the marketing channel makes it easy for customers to purchase the product.
- **Service backup -** is the add-on services (credit, delivery, installation, repairs) provided by the channel. The greater the service backup, the greater the work provided by the channel.

Providing greater service outputs also means increasing channel costs and raising prices.

2. Establish channel objectives and constraints

Each producer develops its channel objective in context of constraints arising from products intermediaries, competitor, company policy, environment.

a) Product characteristics

- Perishable products needs more direct marketing
- Bulky products such as building materials need less handling and less distance
- Nonstandard products such as custom-built machinery are sold directly by sales representatives
- Products requiring installation or maintenance services (heating and cooling)systems, are dealt by the company or by franchised dealers directly
- High-unit-value products (generators and turbines) are often sold through a company sales force rather than intermediaries.

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b) Company characteristics

- Overall long run goals of the company
- Company's size and ability
- Company's product mix influences the channel pattern
- Wider the product mix, greater is the ability to reach customers
- Deeper the product line, go for selective dealers
- For more consistence product mix, greater homogeneity of its marketing channel
- Speed in delivery, number of final stage outlets and choice of transportation is also considered

c) Middlemen characteristics

- Strength and weakness of channel member is assessed
- Marketing intermediaries vary in promotion, negotiation, storage, credit and contract.

d) Competitive characteristics

- Channel design is influenced by competitive channel
- Some companies desired their product to be placed near the competitor's product
- Some may want to avoid the channel used by the competitor

e) Environmental characteristics

- Depression in economy
- Legal regulation and restriction

3. Identify major channel alternatives(What kind of channel alternatives will you select for a company)

I. *Types of intermediaries*
II. *Number of intermediaries*
III. *Terms and responsibilities*

I. Types of intermediaries

Consider the channel alternatives identified by a consumer electronics company that produces satellite radios. It could sell its players

- Directly to automobile ***manufacturers*** to be installed as original equipment, auto dealers, rental car companies,
- Or satellite radio specialist ***dealers*** through a direct sales force or through distributors.
- It could also sell its players through ***company stores, online retailers***, mail-order catalogs, or mass merchandisers.

Example – HUL Operation Shakti for rural distribution involving SHG's. ITC e- Choupal.

II. Number of intermediaries(What kind of distribution will you select for a company)

a. **Exclusive distribution -** means severely limiting the number of intermediaries. It's appropriate when the producer wants to maintain control over the service level and outputs offered by the resellers, and it often includes exclusive dealing arrangements.
b. **Selective distribution –** involves more than a few but less than all the intermediaries who are willing to carry a particular product. Example – Disney products. It can gain adequate market cover-age with more control and less cost than intensive distribution.
c. **Intensive distribution** - places the goods or services in as many outlets as possible. Example – convenience goods, FMCG, snack foods, soft drinks, newspapers, candies, and gum.

Manufacturers are constantly tempted to move from exclusive or selective distribution to more intensive distribution to increase coverage and sales.

Comparison of Intensive, Exclusive, and Selective Retail Coverage Strategies

Distribution	Retail coverage	Products most appropriate for	Major strength	Major weakness
Intensive	Maximum	Low – involvement consumer convenience goods	Maximizes product availability	Lack of retailer support
Exclusive	Single	High – involvement specialty or shopping goods	Matches retailer clientele with target market ; facilitates close cooperation with retailer	Risk of relying on single retailer
Selective	Limited	Infrequently purchased shopping goods	Provides adequate coverage but not at the expense of manufacturer – retailer cooperation	Difficult to implement inter store competition, especially where discounts may occur

III. Terms and responsibilities

The main elements in the "trade-relations mix" are –

- ***Price policy -*** calls for the producer to establish a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient.

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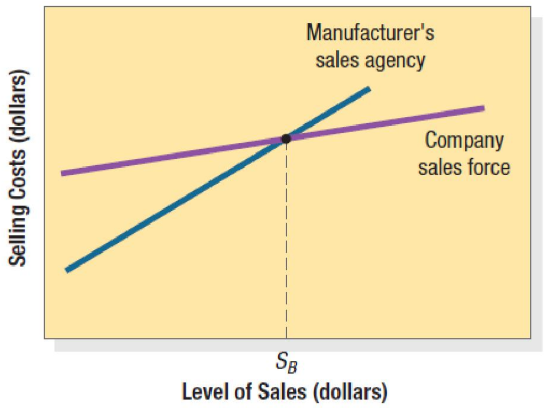
- ***Conditions of sale* -** refers to payment terms and producer guarantees, cash discounts to distributors for early payment, guarantee against defective merchandise or price declines, creating an incentive to buy larger quantities.
- ***Distributors' territorial rights* -** define the distributors' territories and the terms under which the producer will enfranchise other distributors.
- ***Mutual services and responsibilities* -** must be carefully spelled out, especially in franchised and exclusive-agency channels.

Example - McDonald's provides franchisees with a building, promotional support, a record-keeping system, training, and general administrative and technical assistance. In turn, franchisees are expected to satisfy company standards for the physical facilities, cooperate with new promotional programs, furnish requested information, and buy supplies from specified vendors.

4. Evaluate major channel alternatives

Each alternative is evaluated on the basis of *economic, control* and *adaptive criteria*

Economic criteria - Each channel produces different level of sales and cost, which is to be assessed properly whether sales person or intermediaries will produce more sale.



- **Below SB level – Sales Agency is preferred**
- **Above SB level – Company Sales Force**

The next step is to estimate the costs of selling different volumes through each channel. The cost schedules are shown in Figure. Engaging a sales agency is less expensive than establishing a new company sales office, but costs rise faster through an agency because sales agents get larger commissions. The final step is comparing sales and costs. As Figure shows, there is one sales level (SB) at which selling costs is the same for the two channels. The sales agency is thus the better channel for any sales volume below SB, and the

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company sales branch is better at any volume above SB. Given this information, it is not surprising that sales agents tend to be used by smaller firms, or by large firms in smaller territories where the volume is low.

Control criteria and Adaptive criteria

- A sales agency is an independent business firm interested in maximizing profits
- Agents sales force may not possess the technical skill or handle its promotion effectively
- A channel involving a long commitment should be greatly superior on economic or control grounds to be considered

Channel-Management Decisions

1. **Selecting channel members**
2. **Training and Motivating channel members**
3. **Evaluating channel members**
4. **Modifying channel members**

1. Selecting channel members

To customers, the channels are the company. Consider the negative impression customers wouldget of McDonald's, Shell Oil, or Mercedes-Benz if one or more of their outlets or dealers consistently appeared dirty, inefficient, or unpleasant.

To facilitate channel member selection, producers should determine what characteristics distinguish the better intermediaries—

- Number of years in business, other lines carried growth and profit record, financial strength, cooperativeness, and service reputation.
- If the intermediaries are sales agents, producers should evaluate the number and character of other lines carried and the size and quality of the sales force.
- If the intermediaries are department stores that want exclusive distribution, their locations, future growth potential, and type of clientele will matter.

2. Training and motivating channel members

Company should implement training, market research, and other capability-building programs can motivate and improve intermediaries' performance. The company must constantly communicate that intermediaries are crucial partners in a joint effort to satisfy end users of the product.

Example - Microsoft requires its third-party service engineers to complete a set of courses and take certification exams. Those who pass are formally recognized as Microsoft Certified Professionals and can use this designation to promote their own business. Other firms use customer surveys rather than exams.

Channel power is the ability to alter channel members' behavior so they take actions they would not have taken otherwise. Manufacturers can draw on the following types of power to elicit cooperation:

- ***Coercive power***- means that the manufacturer threatens to withdraw a resource or terminate a relationship if intermediaries fail to cooperate.
- ***Reward power***- includes when the manufacturer offers intermediaries an extra benefit for performing specific acts or functions.

- ***Legitimate power***- includes the manufacturer requesting a behavior that is warranted under the contract.
- ***Expert power***- means the manufacturer has special knowledge the intermediaries value. Once the intermediaries acquire this expertise, however, expert power weakens.
- ***Referent power***- means the manufacturer is so highly respected that intermediaries are proud to be associated with it.

They often use positive motivators, such as higher margins, special deals, premiums, cooperative advertising al-allowances, display allowances, and sales contests. At times they will apply negative sanctions, such as threatening to reduce margins, slow down delivery, or terminate the relationship. The weakness of this approach is that the producer is using crude, stimulus-response thinking.

3. Evaluating Channel Members

Producers must **periodically evaluate intermediaries' performance** against such standards as sales-quota attainment, average inventory levels, customer delivery time, treatment of damaged and lost goods, and cooperation in promotional and training programs.

A producer will occasionally discover it is overpaying particular intermediaries for what they are actually doing. One manufacturer compensating a distributor for holding inventories found the inventories were actually held in a public warehouse at its own expense. Underperformers need to be counseled, retrained, motivated, or terminated.

4. Modifying Channel Design and Arrangements

No channel strategy remains effective over the whole product life cycle. In competitive markets with low entry barriers, the optimal **channel structure will inevitably change over time**. The change could mean adding or dropping individual market channels or channel members or developing a totally new way to sell goods. **Example HUL Project Shakti for rural penetration, Dell online.**

CHANNEL INTEGRATION AND SYSTEMS

A conventional marketing channel consists of–

- Independent producer, wholesaler, retailer
- Each is a separate business unit
- Objective is profit maximization
- No control over other members

A vertical marketing system (VMS) - producer, wholesaler, and retailer act as a unified system.

- *One channel member, the channel captain*, owns the others or franchises them or has so much power that they all cooperate.
- The channel captain can be the producer, wholesaler, retailer
- Example – Coca Cola (Soft drinks), Gillette

There are three types-

✓ **A Corporate VMS -** combines successive stages of production and distribution under single ownership. Example – Titan, Bata, Vimal, BPCL

✓ **An Administered VMS -** coordinates successive stages of production and distribution. Here some members are dominant in size and power.

- Example – HUL, P and G, Maruti Suzuki, IBM, Sony, Gillette command high levels of cooperation from their resellers in connection with displays, shelf space, promotions, and price policies

✓ **A Contractual VMS** – cooperate each other and enter in to a contract. **Franchise, Wholesaler, Retailer.**

- Example-NIIT, APTECH, McDonalds, Coca Cola and Pepsi licenses bottlers(wholesalers) to buy its syrup concentrate and then carbonate, bottle, and then sell it to retailers in local markets

Horizontal Marketing Systems

Two or more *unrelated* companies put together resources or programs to exploit an emerging marketing opportunity. **Example** – HUL entering into a strategic tie up with PepsiCo India for bottling and distribution of some beverages. Each company lacks the capital, know-how, production, or marketing resources to venture alone, or it is afraid of the risk.

Hybrid or Multi- channel or Marketing Systems

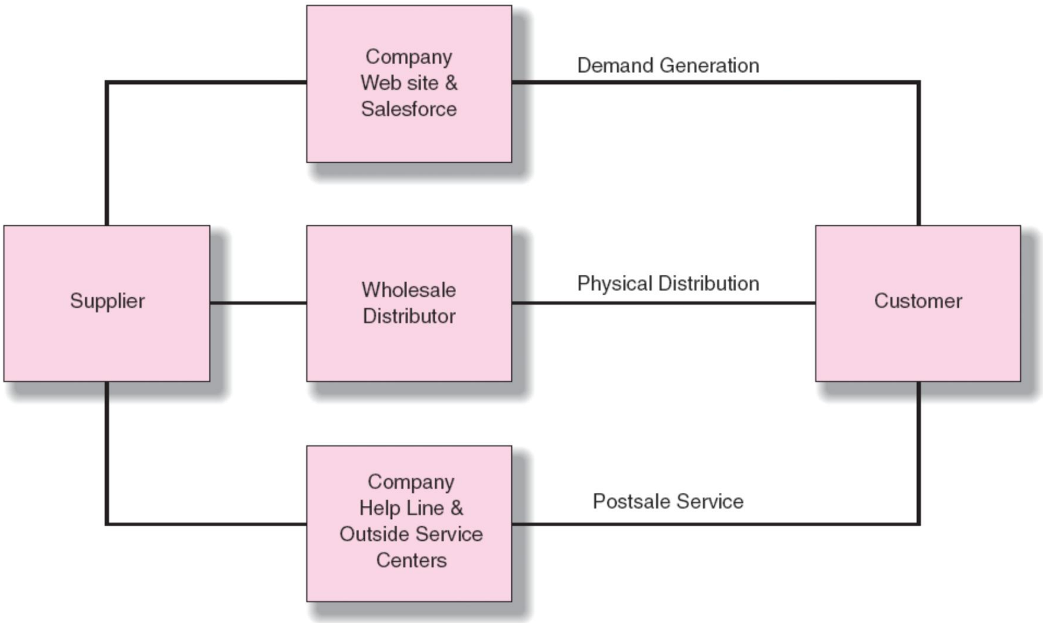
It occurs when a single firm ***uses two or more marketing channels*** to reach customer segments. In multichannel marketing, each channel targets a different segment of buyers, or different need states for one buyer.

- **Example - Disney** sells its DVDs through five main channels: movie rental stores such as Blockbuster, Disney Stores, retail stores such as Best Buy, online retailers such as Disney's own online stores and Amazon.com and the Disney catalog and other catalog sellers.

- **Example - HP** has used its sales force to sell to large accounts, outbound telemarketing to sell to medium-sized accounts, direct mail with an inbound number to sell to small accounts, retailers to sell to still smaller accounts, and the Internet to sell specialty items.

✓ *Advantages*
  - increased market coverage
  - lower channel cost
  - customized selling

✓ *Disadvantage* - New channels typically introduce conflict and problems with control and cooperation. Two or more may end up competing for the same customers.



CHANNEL CONFLICT

Channel conflict - is generated when one channel member's actions prevent another channel from achieving its goal.

- **Channel coordination** - occurs when channel members are brought together to advance the goals of the channel, as opposed to their own potentially incompatible goals.

TYPES		EXAMPLE
Vertical channel conflict	occurs between *different levels* within the same channel	HUL conflict with distributors for commissions, Petrol pumps agitation for increase in commission from petroleum companies, Bottlers disagreement for various terms and conditions
Horizontal channel conflict	occurs between *channel members* at the *same level* within the same channel	Conflict of domain of operation, pricing. Some Pizza Inn franchisees complained about others modifying ingredients, providing poor service, and hurting the overall brand image
Multichannel conflict	occurs when the manufacturer has established two or more channels that sell to the same market.	When Goodyear began selling its popular tire brands through Sears, Walmart, and Discount Tyre, it angered its independent dealers and eventually placated them by offering exclusive tire models not sold in other retail outlets.

Causes of Channel Conflict

- **Goal incompatibility**- The manufacturer may want to achieve rapid market penetration through a low-price policy. Dealers, in contrast, may prefer to work with high margins and pursue short-run profitability.
- **Unclear roles and rights -** HP may sell personal computers to large accounts through its own sales force, but its licensed dealers may also be trying to sell to large accounts. Territory boundaries and credit for sales often produce conflict.
- **Differences in perception -** The manufacturer may be optimistic about the short-term economic outlook and want dealers to carry higher inventory. Dealers may be pessimistic. In the beverage category, it is not uncommon for disputes to arise between manufacturers and their distributors about the optimal advertising strategy.
- **Intermediaries' dependence on manufacturer -** The fortunes of exclusive dealers, such as auto dealers, are profoundly affected by the manufacturer's product and pricing decisions. This situation creates a high potential for conflict.

Managing Channel Conflict (How do you manage relationships in a channel)

1. **Co-optation** - is an effort by one organization to win the support of the leaders of another by including them in advisory councils, boards of directors, and the like. When conflict is chronic or acute, the parties may resort to diplomacy, mediation, or arbitration.
2. **Diplomacy** - takes place when each side sends a person or group to meet with its counterpart to resolve the conflict.
3. **Mediation** - relies on a neutral third party skilled in conciliating the two parties' interests.
4. **Arbitration** - two parties agree to present their arguments to one or more arbitrators and accept their decision. If nothing else proves effective, a channel partner may choose to file a lawsuit.
5. **Dual Compensation** - pays existing channels for sales made through new channels.
6. **Strategic Justification** - In some cases, a convincing strategic justification that they serve distinctive segments and do not compete as much as they might think can reduce potential for conflict among channel members. Developing special versions of products for different channel members

Supply chain management starts before physical distribution and means strategically procuring the right inputs (raw materials, components, and capital equipment); converting them efficiently into finished products; and dispatching them to the final destinations.

Market logistics planning has four steps:

1. Deciding on the company's value proposition to its customers.
2. Selecting the best channel design and network strategy for reaching the customers.
3. Developing operational excellence in sales forecasting, warehouse management, transportation management, and materials management.
4. Implementing the solution with the best information systems, equipment, policies, and procedures.

Integrated Logistics System (ILS) includes materials management, material flow systems, and physical distribution, aided by information technology.

Market logistics encompass several activities.

- The first is **sales forecasting**, on the basis of which the company schedules distribution, production, and inventory levels.
- **Production plans** indicate the materials the purchasing department must order.

- These materials arrive through **inbound transportation**, enter the receiving area, and are stored in raw-material inventory.
- Raw materials are converted into finished goods. Finished-goods inventory is the link between customer orders and manufacturing activity.
- Customers' orders draw down the finished-goods inventory level, and manufacturing activity builds it up.
- Finished goods flow off the assembly line and pass through **packaging, in-plant warehousing, shipping-room processing, outbound transportation, field warehousing, and customer delivery and servicing.**

Market Logistics Decisions

The firm must make four major decisions about its market logistics:

1. **Order Processing** (How should we handle orders)
2. **Warehousing** (Where should we locate our stock)
3. **Inventory** (How much stock should we hold)
4. **Transportation** (How should we ship goods)

1. Order Processing- Most companies today are trying to shorten the order-to-payment cycle—that is, the elapsed time between an order's receipt, delivery, and payment. This cycle has many steps, including order transmission by the salesperson, order entry and customer credit check, inventory and production scheduling, order and invoice shipment, and receipt of payment. The longer this cycle takes, the lower the customer's satisfaction and the lower the company's profits.

2. Warehousing- Every company must store finished goods until they are sold, because production and consumption cycles rarely match. Consumer-packaged-goods companies have been reducing their number of stocking locations from 10 to 15 to about 5 to 7, and pharmaceutical and medical distributors have cut theirs from 90 to about 45.

On the one hand, more stocking locations mean goods can be delivered to customers more quickly, but warehousing and inventory costs are higher. To reduce these costs, the company might centralize its inventory in one place and use fast transportation to fill orders.

- ***Storage ware-houses*** store goods for moderate to long periods of time. *Distribution warehouses* receive goods from various company plants and suppliers and move them out as soon as possible.
- ***Automated Warehouses*** employ advanced materials-handling systems under the control of a central computer and are increasingly becoming the norm.

3. Inventory- Salespeople would like their companies to carry enough stock to fill all customer orders immediately. However, this is not cost-effective. Inventory cost increases at an accelerating rate as the customer-service level approaches 100 percent.

Order-processing costs must be compared with inventory-carrying costs. The larger the average stock carried, the higher the inventory-carrying costs. These carrying costs include storage charges, cost of capital, taxes and insurance, and depreciation and obsolescence

5. Transportation -choices affect product pricing, on-time delivery performance, and the condition of the goods when they arrive, all of which affect customer satisfaction. In shipping goods to its warehouses, dealers, and customers, the company can choose rail, air, truck, waterway, or pipeline. Shippers consider such criteria as speed, frequency, dependability, capability, availability, traceability, and cost. For speed, air, rail, and truck are the prime contenders. If the goal is low cost, then the choice is water or pipeline.

Shippers are increasingly combining two or more transportation modes, thanks to containerization.

Each coordinated mode offers specific advantages. For example, piggyback is cheaper than trucking alone yet provides flexibility and convenience.

- **Containerization**- consists of putting the goods in boxes or trailers that are easy to transfer between two transportation modes
- **Piggyback** - describes the use of rail and trucks
- **Fishyback** - water and trucks
- **Trainship** - water and rail
- **Airtruck** - air and trucks

. PROMOTION

1. What are MARKETING COMMUNICATIONS?

Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the products and brands they sell.

2. What is **MARKETING COMMUNICATION MIX or PROMOTION MIX**? **OR What are the Major Modes of Communication?**

The marketing communications mix consists of eight major modes of communication.

1. **Advertising**
2. **Sales promotion**
3. **Events and experiences**
4. **Public relations and publicity**
5. **Direct marketing**
6. **Interactive marketing**
7. **Word-of-mouth marketing**
8. **Personal selling**

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

2. Sales promotion - is any variety of short-term incentives to encourage trial or purchase of a product or service.

3. Events and experiences - are company-sponsored activities and programs designed to create daily or special brand-related interactions with consumers.

4. Public relations and publicity - are a variety of programs directed internally to employees of the company or externally to consumers, other firms, the government, and media

5. Direct marketing- is the use of mail, telephone, fax, e-mail, or Internet to communicate directly with or solicit response or dialogue from specific customers and prospects.

6. Interactive marketing- is online activities and programs designed to engage customers or prospects.

7. Word-of-mouth marketing - refers to people-to-people oral, written, or electronic communications.

8. Personal selling - is face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.

3. What are the Common Communication Platforms?

TABLE 17.1 Common Communication Platforms

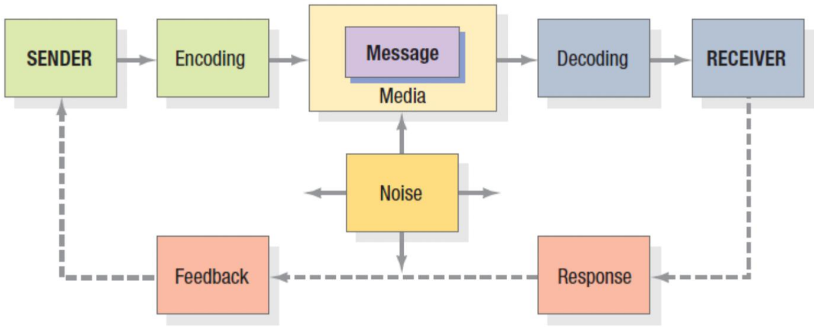
Advertising	Sales Promotion	Events and Experiences	Public Relations and Publicity	Direct and Interactive Marketing	Word-of-Mouth Marketing	Personal Selling
Print and broadcast ads	Contests, games, sweepstakes, lotteries	Sports	Press kits	Catalogs	Person-to-person	Sales presentations
Packaging–outer	Premiums and gifts	Entertainment	Speeches	Mailings	Chat rooms	Sales meetings
Packaging inserts	Sampling	Festivals	Seminars	Telemarketing	Blogs	Incentive programs
Cinema	Fairs and trade shows	Arts	Annual reports	Electronic shopping		Samples
Brochures and booklets	Exhibits	Causes	Charitable donations	TV shopping		Fairs and trade shows
Posters and leaflets	Demonstrations	Factory tours	Publications	Fax		
Directories	Coupons	Company museums	Community relations	E-mail		
Reprints of ads	Rebates	Street activities	Lobbying	Voice mail		
Billboards	Low-interest financing		Identity media	Company blogs		
Display signs	Trade-in allowances		Company magazine	Web sites		
Point-of-purchase displays	Continuity programs					
DVDs	Tie-ins					

4. How should be **An Ideal Ad Campaign?**

1. The right consumer is exposed to the right message at the right place and at the right time.
2. The ad causes the consumer to pay attention but does not distract from the intended message.
3. The ad properly reflects the consumer's level of understanding of and behaviors with the product and the brand.
4. The ad correctly positions the brand in terms of desirable and deliverable points-of-difference and points-of-parity.
5. The ad motivates consumers to consider purchase of the brand, and
6. The ad creates strong brand associations with all these stored communications effects so they can have an impact when consumers are considering making a purchase.

5. What are the **Elements in the Communications Process?**

There are Nine elements in the communication process.



- **Sender** – Source of a message
- **Encoding**—the source deciding what to say and translating it into words or symbols that convey meaning to the receiver
- **Message channel**—the carrier of the message
- **Decoding**—the receiver translating the words or symbols back into the message
- **Receiver**—the potential customer
- **Noise**—any distraction that reduces the effectiveness of the communication process

Sender and Receiver	Major Parties
Message and Media	Major Tools
Encoding, Decoding, Response, and Feedback	Major Communication Functions
Noise	Random and competing messages that may interfere with the intended communication.

Senders must know what audiences they want to reach and what responses they want to get. They must encode their messages so the target audience can decode them. They must transmit the message through media that reach the target audience and develop feedback channels to monitor the responses. The more the sender's field of experience overlaps that of the receiver, the more effective the message is likely to be.

Note -People emerge with different perceptions of the same object because of three perceptual processes: ***Selective Attention, Selective Distortion, and Selective Retention.***

I. Selective attention - It's estimated that the average person may be exposed to over 1,500 ads or brand communications a day. Because we cannot possibly attend to all these, we screen most stimuli out—a process called selective attention.

- ***People are more likely to notice stimuli that relate to a current need*** - A person who is motivated to buy a computer will notice computer ads and be less likely to notice DVD ads.

- ***People are more likely to notice stimuli they anticipate -*** You are more likely to notice computers than radios in a computer store because you don't expect the store to carry radios.
- ***People are more likely to notice stimuli whose deviations are large in relationship to the normal size of the stimuli*** - You are more likely to notice an ad offering Rs 2000 off the list price of a computer than one offering Rs 500 off.

II. Selective Distortion -is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.

III. Selective Retention - Most of us don't remember much of the information to which we're exposed, but we do retain information that supports our attitudes and beliefs. Because of selective retention, we're likely to remember good points about a product we like and forget good points about competing products.

THE FIVE M's

- **Mission**: What are our advertising objectives?
- **Money**: How much can we spend and how do we allocate our spending across media types?
- **Message**: What message should we send?
- **Media**: What media should we use?
- **Measurement**: How should we evaluate the results?

Steps in Developing Effective Communications

1. **Identify target audience**
2. **Determine objectives**
3. **Design communications**
4. **Select channels**
5. **Establish budget**
6. **Decide on media mix**
7. **Measure results**
8. **Manage IMC**

1. Identify the Target Audience

A marketing Communicator must start with a clear target audience in mind. The audience may be potential buyers of the company's products, current users, deciders, or influencers. The audience may be individuals, groups, particular publics or the general public. The target audience will critically influence the communicators decision on what is to be said. How it is to be said, when it is to be said, where is to be said and who is to say it.

We can profile the target audience in terms of any of the market segments. We can also conduct **Image Analysis** by profiling the target audience in terms of brand knowledge.

Image is the set of beliefs, ideas and impressions a person holds regarding and object.

First step to measure target audience's knowledge is using **familiarity scale –**

Never Heard Of   Only Heard Of   Know A Little Bit   Know A Fair Amount   Know Very Well

If respondents circle only the first two categories, then challenge is to build greater brand awareness.

Respondents who are familiar with the product can be asked how they feel about it using **favouribility scale –**

Very Unfavorable   Somewhat Favorable   Indifferent   Somewhat Favorable   Very Favorable

If most respondents circle the first two categories then, organization must overcome a negative image problem.

2. Determine Communications Objectives (MISSION)

For example let's consider a situation when a company is launching a new ointment that helps women to heal cracked heels.

a) **Awareness (Attention)** - If most of the target audience is unaware of the object, the communicator's task is to build get attention and build awareness. The company at the time of launch might set the objective of making 70 percent of the defined target audience make aware about the product and brand name. This objective will be relevant if there were no specific brands that were positioned as a specialist for heeling cracked heels.

b) **Knowledge (Interest)** - The target audience might have brand awareness but not know much more. Company may want its target audience to know that the new brand offers the benefit of soothing cracked heels and preventing the recurrence. It needs to learn how many people in the target audience have little, some, or much knowledge about the benefits offered by the brand. If knowledge is insufficient, company may decide to select brand knowledge as its communications objective.

c) **Liking (Desire)** – If the target members know the brand, how do they feel about it? If the audience feels unfavorably, the communicator needs to find out the reasons. In the case of real problems, company will need to solve the issues and then communicate its renewed quality. If the problem based on perceptions created due to problems with the message execution, then it needs to be addressed with a fresh or revamped communication strategy.

d) **Preference -** The target audience might like the product but not prefer it to others. The communicator must then try to build consumer preference by comparing quality, value, performance, and other features to those of likely competitors.

e) **Conviction** - A target audience might prefer a particular product but not develop a conviction about buying it. The communicator's job is to build conviction among interested women that the new brand is the best solution for heeling cracked heels.

f) **Purchase (Action) -** Finally, some members of the target audience might have conviction but not quite get around to making the purchase. The communicator must lead these consumers to take the final step, perhaps by offering the product at a low price, offering a premium, or letting them try it out, sales promotion.

Advertising objective (or goal)-is a specific communications task and achievement level to be accomplished with a specific audience in a specific period of time.

a) **Informative advertising** - aims to create brand awareness and knowledge of new products or new features of existing products
b) **Persuasive advertising** - aims to create liking, preference, conviction, and purchase of a product or service.
c) **Reminder advertising** - aims to stimulate repeat purchase of products and services. Expensive, four-color Coca-Cola ads in magazines are intended to remind people to purchase Coca-Cola.
d) **Reinforcement advertising** - aims to convince current purchasers that they made the right choice. Automobile ads often depict satisfied customers enjoying special features of their new car.

Note : A I D A – ATTENTION, INTEREST, DESIRE, ACTION.

3. Designing the Communications (MESSAGE)

a) Message strategy (What to say)
b) Creative strategy (How to say it)
c) Message source (Who should say it)
d) Global adaption

a) **Message strategy**—management searches for appeals, themes, or ideas that will tie in to the brand positioning and help establish points-of-parity or points-of-difference. Some of these may be related directly to product or service performance (the quality, economy, or value of the brand), whereas others may relate to more extrinsic considerations (the brand as being contemporary, popular, or traditional). Buyers expected one of four types of reward from a product: *rational, sensory, social, or ego* satisfaction. Buyers might visualize these rewards from results-of-use experience, product-in-use experience, or incidental-to-use experience. For example, the appeal "gets clothes cleaner" is a rational-reward promise following results-of-use experience. The phrase "real beer taste in a great light beer" is a sensory-reward promise connected with product-in-use experience.

b) **Creative strategy**— communication effectiveness depends on how a message is being expressed as well as the content of the message. Creative strategies have two types.

(i) Informational appeal
(ii) Transformational appeal

(i) ***Informational appeal*** - elaborates on product or service attributes or benefits. It is rational and logical. Examples in advertising are – problem solution ads (Saridon stops headache quickly), product demonstration ads (LG washing machine), product comparison ads (Policy Bazaar.com).

(ii) ***Transformational appeal***—elaborates on a non-product-related benefit or image. Aims at emotional appeal to motivate purchase. Communicators use negative appeals such as fear, guilt, and shame to get people to do things (brush their teeth, have an annual health checkup) or stop doing things (smoking, abusing alcohol, overeating). Communicators also use positive emotional appeals such as humor, love, pride, and joy to attract attention and raise involvement with an ad. Example – Raymond, Colgate cavity protection, Adlabs Imagica.

c) **Message source**—Many communications do not use a source beyond the company itself. Others use known or unknown people. Messages delivered by popular or attractive sources like celebrity and spokes people get high attention and recall.

The three most often identified sources of credibility are – ***Expertise, Trustworthiness, Likability***

- ***Expertise*** - is the specialized knowledge the communicator possesses to back the claim.

- ***Trustworthiness -*** describes how objective and honest the source is perceived to be. Friends are trusted more than strangers or salespeople, and people who are not paid to endorse a product are viewed as more trustworthy than people who are paid.

- ***Likability*** - describes the source's attractiveness. Qualities such as candor, humor, and naturalness make a source more likable.

Note -Highly credible source would be a person who scores high on these three dimensions.

Example – Cadbury used Amitabh Bachchan for worms issue, Coca Cola used Aamir Khan for pesticide issue, Hrithik Roshan is used for launching Oppo Smart Phones, Sports men for Sports goods.

d) Global adaption - decide whether product is accepted worldwide or restricted in some parts of the country. Comparative ads are allowed in some countries and restricted in some. In India it is illegal. In some countries ads segmented towards children below age group of 14 is restricted (Norway, Sweden). If it is globally accepted then companies attempt to build global brand image by using same advertisements in the whole world.

4. Select Communication Channels

Communications channels may be

(i) Personal
(ii) Non- Personal
(iii) Integrated

(i) Personal channels—let two or more persons communicate face-to-face, person-to-audience, over the telephone, or through e-mail. They derive their effectiveness from individualized presentation and feedback. Under personal channel there can be three types of channels. It can be online or in store.

- ***Advocate channels*** - consist of company salespeople contacting buyers in the target market.
- ***Expert channels*** - consist of independent experts making statements to target buyers.
- ***Social channels*** - consist of neighbors, friends, family members, and associates talking to target buyers.

Personal influence carries especially great weight (1) when products are expensive, risky, or purchased infrequently, and (2) when products suggest something about the user's status or taste.

People often ask others to recommend a doctor, plumber, hotel, lawyer, accountant, architect, insurance agent, interior decorator, or financial consultant. If we have confidence in the recommendation, we normally act on the referral. Service providers clearly have a strong interest in building referral sources.

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(ii) **Non-personal channels**—communications directed to more than one person and include media, sales promotions, events and experiences, and public relations

(iii) **Integration of channels**—Although personal communication is often more effective than mass communication, mass media might be the major means of stimulating personal communication. Mass communications affect personal attitudes and behavior through a two-step process. Ideas often flow from radio, television, and print to opinion leaders, and from these to less media-involved population groups.

5. Establish budget (MONEY)

Deciding how much to spend on promotion is important.

Affordable	**% of Sales**
Competitive Parity	**Objective and Task**

(i) Affordable method - Some companies set the communication budget at what they think the company can afford. The affordable method completely ignores the role of promotion as an investment and the immediate impact of promotion on sales volume. It leads to an uncertain annual budget, which makes long-range planning difficult.

(ii) Percentage-of-Sales Method - Some companies set communication expenditures at a specified percentage of current or anticipated sales or of the sales price. Automobile companies typically budget a fixed percentage based on the planned car price.

Advantages

- First, communication expenditures will vary with what the company can afford. This satisfies financial managers, who believe expenses should be closely related to the movement of corporate sales over the business cycle.
- Second, it encourages management to think of the relationship among communication cost, selling price, and profit per unit.
- Third, it encourages stability when competing firms spend approximately the same percentage of their sales on communications.

Disadvantages

- It leads to a budget set by the availability of funds rather than by market opportunities.
- It discourages experimentation or aggressive spending.
- Dependence on year-to-year sales fluctuations interferes with long-range planning.
- It does not encourage building the communication budget by determining what each product and territory deserves.

(iii) Competitive-parity method - Some companies set their communication budget to achieve share-of-voice parity with competitors. There are two supporting arguments: that competitors' expenditures represent the collective wisdom of the industry, and that maintaining competitive parity prevents communication wars. Neither argument is valid. There are no grounds for believing competitors know better. Company reputations, resources, opportunities, and objectives differ so much that communication budgets are hardly a guide. And there is no evidence that budgets based on competitive parity discourage communication wars.

(iv) Objective-and-Task Method

Suppose Coca Cola wants to introduce a new natural energy drink, called Sunburst, for the casual athlete. Its objectives might be as follows:

a) ***Establish the market share goal*** - The company estimates 50 million potential users and sets a target of attracting 8 percent of the market—that is, 4 million users.

b) ***Determine the percentage of the market that should be reached by advertising*** - The advertiser hopes to reach 80 percent (40 million prospects) with its advertising message.

c) ***Determine the percentage of aware prospects that should be persuaded to try the brand*** - The advertiser would be pleased if 25 percent of aware prospects (10 million) tried Sunburst. It estimates that 40 percent of all triers, or 4 million people, will become loyal users. This is the market goal.

d) ***Determine the number of advertising impressions per 1 percent trial rate -*** The advertiser estimates that 40 advertising impressions (exposures) for every 1 percent of the population will bring about a 25 percent trial rate.

e) ***Determine the number of gross rating points that would have to be purchased-*** A gross rating point is one exposure to 1 percent of the target population. Because the company wants to achieve 40 exposures to 80 percent of the population, it will want to buy 3,200 gross rating points.

f) ***Determine the necessary advertising budget on the basis of the average cost of buying a gross rating point -*** To expose 1 percent of the target population to one impression costs an average of Rs 10000. Therefore, 3,200 gross rating points will cost Rs 3200000(10000 × 3200) in the introductory year.

6. Decide on media mix (MEDIA)

Companies must allocate the marketing communications budget over the major modes of communication—*advertising, sales promotion, public relations and publicity, events and experiences, direct marketing, interactive marketing, word-of-mouth marketing, and the sales force.*

Advertising	Sales Promotion	Public Relations and Publicity	Events and Experiences	Direct Marketing	Personal Selling	Word-of-Mouth Marketing
Pervasiveness Creativity Impersonality	Communication Incentive Invitation	High credibility Ability to catch buyers off guard Dramatization	Relevant Involving Implicit	Customized Up-to-date Interactive	Personal Interaction Cultivation Response	Credible Personal Timely

Factors in Setting Communications Mix

a. **Type of product market**
b. **Buyer readiness stage**
c. **Product life cycle stage**

a. Type of product market

Communications-mix allocations may vary according to the type of Product Market

- ***Consumer marketers*** tend to spend comparatively more on sales promotion and advertising*;*
- ***Business marketers*** tend to spend comparatively more on personal selling.

In general, personal selling is used more with complex, expensive, and risky goods and in markets with fewer and larger sellers (hence, business markets).

- Advertising can provide an introduction to the company and its products.
- If the product has new features, advertising can explain them.
- Reminder advertising is more economical than sales calls.

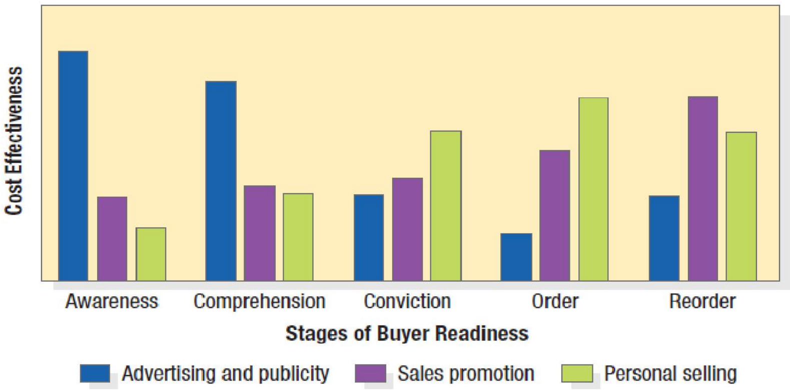
Advertising combined with personal selling can increase sales over personal selling alone. Corporate advertising can improve a company's reputation.

b. Buyer readiness stage

Communication tools vary in cost-effectiveness at different stages of buyer readiness. The diagram shows the relative cost-effectiveness of three communication tools.

- Advertising and publicity play the most important roles in the awareness-building stage.
- Customer comprehension is primarily affected by advertising and personal selling.

- Customer conviction is influenced mostly by personal selling.
- Closing the sale is influenced mostly by personal selling and sales promotion.
- Reordering is also affected mostly by personal selling and sales promotion, and somewhat by reminder advertising.



c. Product Life-Cycle Stage

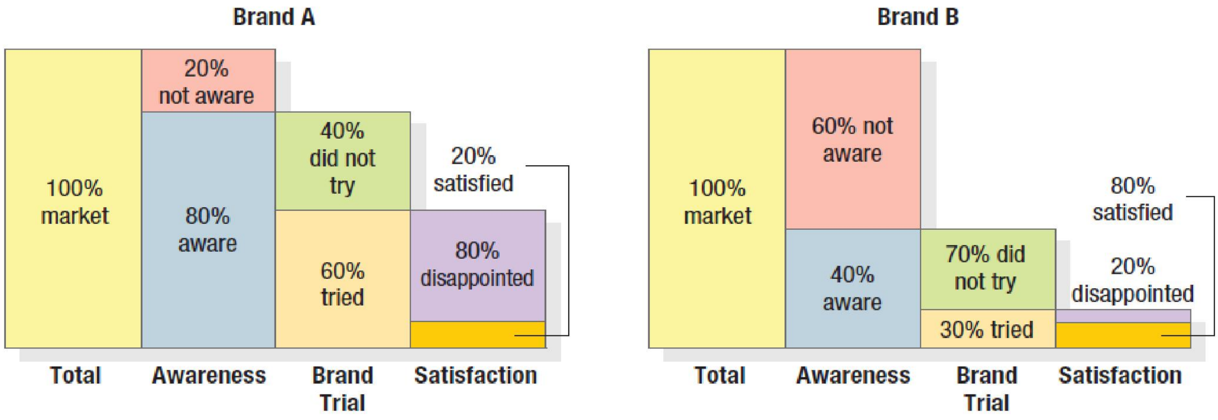
- In the ***Introduction Stage*** of the product life cycle, advertising, events and experiences, and publicity have the highest cost-effectiveness, followed by personal selling to gain distribution coverage and sales promotion and direct marketing to induce trial.
- In the ***Growth Stage***, demand has its own momentum through word of mouth and interactive marketing.
- In ***Maturity stage*** advertising, events and experiences, and personal selling all become more important.
- In the ***Decline Stage***, sales promotion continues strong, other communication tools are reduced, and salespeople give the product only minimal attention.

7. Measure results (MEASUREMENT)

After implementing the communications plan, the communications director must measure its impact.

- Members of the target audience are asked whether they recognize or recall the message.
- How many times they saw it, what points they recall, feelings,
- Previous and current attitudes toward the product and the company.
- Collect behavioral measures of audience response, such as how many people bought the product, liked it, and talked to others about it.

The Diagram provides an example of good feedback measurement. We find 80 percent of the consumers in the total market are aware of brand A, 60 percent have tried it, and only 20 percent who tried it are satisfied. This indicates that the communications program is effective in creating awareness, but the product fails to meet consumer expectations. In contrast, 40 percent of the consumers in the total market are aware of brand B and only 30 percent have tried it, but 80 percent of them are satisfied. In this case, the communications program needs to be strengthened to take advantage of the brand's potential power.



8. Managing IMC

Companies must integrate all the available tools as to reach a wider audience and effectively communicate about brand and products with a consistent message. To facilitate one-stop shopping, these agencies have acquired promotion agencies, public relations firms, package-design consultancies, Web site developers, and direct-mail houses. Integrated marketing communications can produce stronger message consistency and help build brand equity and create greater sales impact. It forces management to think about every way the customer comes in contact with the company, how the company communicates its positioning, the relative importance of each vehicle, and timing issues. IMC should improve the company's ability to reach the right customers with the right messages at the right time and in the right place. Example - IBM (Ogilvy), Colgate (Young & Rubicam),and GE (BBDO).

ADVERTISING

Advertising - is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Types -***Television, Print, Radio, Film, Place***

I. **Television Ads** Television is generally acknowledged as the most powerful advertising medium and reaches a broad spectrum of consumers. The wide reach of television translates to low cost per exposure. However, the large number of national, regional and local television channels in different languages makes media planning a complex task.

Advantages

- It can be an effective means of vividly demonstrating product attributes
- Persuasively explaining their corresponding consumer benefits.
- TV advertising can be a compelling means for dramatically portraying user and usage imagery, brand personality, and other brand intangibles.

Disadvantages

- The brief nature of the message and the potentially distracting creative elements often found in a TV ad, product-related messages and the brand itself can be overlooked.
- The large number of ads and non-programming material on television creates clutter that makes it easy for consumers to ignore or forget ads.
- High cost of production and placement.

Nevertheless, properly designed and executed TV ads can improve brand equity and affect sales and profits.

II. **Print Ads -** two main print media—magazines and newspapers

Advantage-- Because of their self-paced nature, magazines and newspapers can provide much detailed product information and can also effectively communicate user and usage imagery.

Disadvantage- At the same time, the static nature of the visual images in print media makes it difficult to provide dynamic presentations or demonstrations. Poor reproduction quality and short shelf life can diminish their impact.

- ✓ *Format* elements, such as ad size, color, and illustration, also affect a print ad's impact.
- ✓ A minor rearrangement of mechanical elements can improve attention-getting power.
- ✓ Larger ads gain more attention, though not necessarily by as much as their difference in cost.
- ✓ Four-color illustrations increase ad effectiveness and ad cost. New electronic eye movement studies show that consumers can be led through an ad by strategic placement of dominant elements.

Researchers studying print advertisements report that the *picture, headline,* and *copy* are important. The picture must be strong enough to draw attention. Then the headline must reinforce the picture and lead the person to read the copy. The copy itself must be engaging and the advertised brand's name must be sufficiently prominent.

III) Radio Ads - Audio ads. The number of FM stations is increasing in India.

Advantages

- Lower costs to produce
- Lower costs to place

Disadvantage

- Lack of visual images

Since the private FM stations are not permitted by the government to air news, all the programs aired by the channels are about music and entertainment. With the increasing number of radio stations, advertisers will have greater flexibility to choose specific channels to advertise on based on programming content and the target audience listening to the programs.

Some see the lack of visual images as a plus because they feel the clever use of music, sound, and other creative devices can tap into the listener's imagination to create powerfully relevant and popular images.

IV) Film Ads

India is the largest producer of films in the world. It is estimated that there are 25000 movie theaters in India. Advertisers can release their advertisements, to be screened along with the film, in theaters, either in the beginning of the movie or during the interval time.

Advantage

- Mood of the audience is conducive to pay attention to the advertisements.
- Advertisers can choose specific films and locations of theaters to release the ads
- It provides flexibility to the advertisers.
- Many local firms use this medium to advertise their products and services as this minimizes the spillage and wastage of advertisement money.

Disadvantage

- Cost of developing prints for release in different theaters is high.
- Difficulties in monitoring the screening of the advertisements in far-flung movie theaters.

V) PLACE ADVERTISING- Place advertising, ***also called out-of-home advertising***.

a) **Billboards (hoardings)** - have been transformed over the years and now use colorful, digitally produced graphics, backlighting, sounds, and movement, and unusual — even three-dimensional— images. Marketers can buy ad space on billboard-laden trucks that are driven continuously all day in selected areas.

b) **Public Spaces** Advertisers are placing traditional TV and print ads in unconventional places such as movies, airlines, and lounges, as well as classrooms, sports arenas, office and hotel elevators.

- Advertisers can buy space in stadiums and arenas and on garbage cans, bicycle racks, parking meters, airport luggage carousels, elevators, gasoline pumps, the bottom of golf cups and swimming pools, airline snack packages, and supermarket produce in the form of tiny labels on apples and bananas.

c) **Product Placement**-Product placement has expanded from movies to all types of TV shows. Sometimes placements are the result of a larger network advertising deal, but other times they are the work of small product placement shops that maintain close ties with prop masters, set designers, and production executives.

d) **Point Of Purchase (P- O - P) -** In-store advertising includes ads on shopping carts, cart straps, aisles, and shelves, as well as in-store demonstrations, live sampling, and instant coupon machines.



SALES PROMOTION

Sales promotion consists of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.

OBJECTIVES – *to boost short term sales*

For consumers-

- Encouraging purchase of larger-sized units, building trial among nonusers
- Attracting switchers away from competitors' brands
- Short-run sales impact as well as long-run brand equity effects

For retailers (trade)

- persuading retailers to carry new items and higher levels of inventory
- encouraging off-season buying
- encouraging stocking of related items
- offsetting competitive promotions
- building brand loyalty, and
- gaining entry into new retail outlets.

For Sales force

- Encouraging support of a new product or model
- Encouraging more prospecting
- Stimulating off-season sales

SELECTING Consumer Promotion Tools (It is for consumers)

CONSUMER PROMOTION TOOLS
1. **Samples:** Offer of a free amount of a product or service delivered door-to-door, sent in the mail, picked up in a store, attached to another product, or featured in an advertising offer.
2. **Coupons:** Certificates entitling the bearer to a stated saving on the purchase of a specific product: mailed, enclosed in other products or attached to them, or inserted in magazine and newspaper ads
3. **Cash Refund Offers (rebates):** Provide a price reduction after purchase rather than at the retail shop: Consumer sends a specified "proof of purchase" to the manufacturer who "refunds" part of the purchase price by mail**.**
4. **Premiums (gifts):** Merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. A with-pack premium accompanies the product inside or on the package. A free in-the-mail premium is mailed to consumers who send in a proof of purchase, such as a box top or UPC code. A self-liquidating premium is sold below its normal retail price to consumers who request it.
5. **Frequency Programs:** Programs providing rewards related to the consumer's frequency and intensity in purchasing the company's products or services.

6. **Prizes (contests, sweepstakes, and games):** Prizes are offers of the chance to win cash, trips, or merchandise as a result of purchasing something. A contest calls for consumers to submit an entry to be examined by a panel of judges who will select the best entries. A sweep stakes asks consumers to submit their names in a drawing. A game presents consumers with something every time they buy—bingo numbers, missing letters—which might help them win a prize.
7. **Patronage Awards:** Values in cash or in other forms that are proportional to patronage of a certain vendor or group of vendors.
8. **Free Trials:** Inviting prospective purchasers to try the product without cost in the hope that they will buy.
9. **Product Warranties:** Explicit or implicit promises by sellers that the product will perform as specified or that the seller will fix it or refund the customer's money during a specified period.
10. **Tie-in Promotions:** Two or more brands or companies team up on coupons, refunds, and contests to increase pulling power
11. **Cross-Promotions:** Using one brand to advertise another noncompeting brand.
12. **Point-of-Purchase (P-O-P) Displays and Demonstrations:** P-O-P displays and demonstrations take place at the point of purchase or sale.

SELECTING Trade Promotion Tools (It is for retailers)

TRADE PROMOTION TOOLS
Price-Off (off-invoice or off-list):A straight discount off the list price on each case purchased during a stated time period
Allowance: An amount offered in return for the retailer's agreeing to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the manufacturer's product. A display allowance compensates them for carrying a special product display.
Free Goods :Offers of extra cases of merchandise to intermediaries who buy a certain quantity or whofeature a certain flavor or size

SELECTING Sales Force Promotion Tools

SALES FORCE PROMOTION TOOLS
Trade Shows and Conventions: Participating vendors expect several benefits, including generating new sales leads, maintaining customer contacts, introducing new products, meeting new customers, selling more to present customers, and educating customers with publications, videos, and other audiovisual materials.
Sales Contests: A sales contest aims at inducing the sales force or dealers to increase their sales results over a stated period, with prizes (money, trips, gifts, or points) going to those who succeed.
Specialty Advertising: Specialty advertising consists of useful, low-cost items bearing the company's name and address, and sometimes an advertising message that salespeople give to prospects and customers. Common items are ballpoint pens, calendars, key chains, flashlights, tote bags, and memo pads.

Factors to be considered for setting up Sales Promotion Program

In deciding to use a particular incentive, marketers have several factors to consider.

1. They must determine the ***size*** of the incentive.
2. Establish ***conditions*** for participation. Incentives might be offered to everyone or to select groups.
3. ***Duration*** of the promotion. According to one researcher, the optimal frequency is about three weeks per quarter, and optimal duration is the length of the average purchase cycle.
4. ***Timing*** of promotion.
5. The marketer must determine the ***total sales promotion budget***. The cost of a particular promotion consists of the administrative cost (printing, mailing, and promoting the deal) and the incentive cost (cost of premium or cents-off, including redemption costs), multiplied by the expected number of units that will be sold on the deal. In the case of a coupon deal, the cost would take into account the fact that only a fraction of the consumers will redeem the coupons.

Major decisions

1. Establish objectives
2. Choosing messages and vehicles
3. Implementing plan and evaluating results

PUBLIC RELATIONS (PR)

A **public** is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives.

Public relations (PR) includes a variety of programs to promote or protect a company's image or individual products

Note: ***The main objective of public relations is to maintain good relations with the public and enhance goodwill of the company in the long run***

They perform the following five functions:

1. **Press relations**—Presenting news and information about the organization in the most positive light
2. **Product publicity**—Sponsoring efforts to publicize specific products
3. **Corporate communications**—Promoting understanding of the organization through internal and external communications
4. **Lobbying**—Dealing with legislators and government officials to promote or defeat legislation and regulation

5. **Counseling**—Advising management about public issues, and company positions and image during both good times and crises)

Marketing Public Relations (PUBLICITY)

Many companies are turning to **marketing public relations (MPR)**to support corporate or product promotion and image making. MPR, like financial PR and community PR, serves a special constituency, the marketing department.

The old name for MPR was publicity, the task of securing editorial space—as opposed to paid space—in print and broadcast media to promote or "hype" a product, service, idea, place, person, or organization.

MPR goes beyond simple publicity and plays an important role in the following tasks:

- Launching new products
- Repositioning a mature product
- Building interest in a product category
- Influencing specific target groups
- Defending products that have encountered public problems
- Building the corporate image in a way that reflects favorably on its products.

Major Tools in Marketing PR

Publications: Companies rely extensively on published materials to reach and influence their target markets. These include annual reports, brochures, articles, company newsletters and magazines, and audiovisual materials.

Events: Companies can draw attention to new products or other company activities by arranging and publicizing special events such as news conferences, seminars, outings, trade shows, exhibits, contests and competitions, and anniversaries that will reach the target publics.

Sponsorships: Companies can promote their brands and corporate name by sponsoring and publicizing sports and cultural events and highly regarded causes.

News: One of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people and to get the media to accept press releases and attend press conferences.

Speeches: Increasingly, company executives must field questions from the media or give talks at trade associations or sales meetings, and these appearances can build the company's image.

Public Service Activities: Companies can build goodwill by contributing money and time to good causes.

Identity Media: Companies need a visual identity that the public immediately recognizes. The visual identity is carried by company logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms, and dress codes.

Personal Selling

What is Personal Selling?

- It is one technique where the **seller tries to develop relationships** with customers and **makes use of communication and negotiation skills** to close the sale of a product or service

- Personal selling **requires oral presentation on the part of the salesman** in a bid to close a sale.

Objective

- *To convert potential customers or prospects to new customers.*
- *Converting leads into purchases*
- *Repeat purchases for existing clients*
- *Up sell and Cross Sell to existing clients*

Examples of People Who Do the Selling

• Salespeople • Sales Representatives • Relationship Managers • District Manager	• Account Executives • Sales Engineers • Agents • Account Development Representatives

Methods of Personal Selling

- Face-to-Face communication
- Telephone Communication
- Video or Web Conferencing

Note

- The goal is to target customers (individual, B2B) and develop a relationship that leads to a purchase, and hopefully, repeat purchases.
- Today through Personal Selling, salesmen create long-term relationships with the clients to get new leads from existing clients.
- Salesmen today try to build long term relationship to up sell and cross sell products to existing clients.

Principles of Personal Selling (6 Steps) or Steps in the Sales Cycle

1. **Prospecting and Qualifying**
2. **Pre approach**
3. **Presentation and Demonstration**
4. **Overcoming Objections**
5. **Closing**
6. **Follow-Up and Maintenance**

The personal selling follows a logical selling process which matches to the reasoning of one and all.

A salesman pulls through the customer in the step-by-step selling process starting with *attention and ending with satisfaction with interest, desire, conviction and action*

1. Prospecting and Qualifying –

Prospecting

- Identifies qualified potential customers through referrals from database, customers, suppliers, dealers, and the internet

Qualifying

- Identifying good customers and screening out poor ones by looking at their financial stability, volume of business, needs, location, and growth potential.

The leads are *then contacted them by mail, phone or visit* to assess their level of interest.

They are then categorized into

a) **Hot prospects –** *these are prospects who show a lot of interest and are willing or very close to buying the product or service. They can be converted to customers if probed further.*

b) **Warm prospects -** *these are prospects who show interest but take some time to make the decision. They are much more valuable than cold leads. They need constant follow up can be turned to hot prospect and converted to customers*

c) **Cold prospects –***They may and may not show interest. These prospects usually do not show the willingness towards your product*

2. Pre approach –
It is the process of *learning or gathering information as much as possible about the prospect*. It is *about understanding the purchasing process* of the prospect.

The salesperson needs to learn as much as possible about the prospect company

- **What** it needs, **who** takes part in the purchase decision and
- Its buyer's **characteristics** (personal characteristics and buying styles).
- **How** is the purchasing process conducted at the company?
- How is purchasing structured?

Another task is to choose the best contact approach—*a personal visit, a phone call, or a letter.*

3. **Presentation and Demonstration –** This is the stage where the Sales person **meets the buyer and the relationship starts**. The salesperson gives an **oral presentation** or **demonstrates** about the product or service using a ***(FABV)*** approach - ***Features, Advantages, Benefits, Value***.

    - ***Features*** *- describe physical characteristics of a market offering, Example - chip processing speeds or memory capacity.*
    - ***Advantages*** *- describe why the features provide an advantage to the customer.*
    - ***Benefits*** *- describe the economic, technical, service, and social pluses delivered by the offering.*
    - ***Value*** *- describes the offering's worth (often in monetary terms).*

4. **Overcoming Objections -** Customers typically pose objections. To handle these objections, the salesperson maintains a positive approach, asks the buyer to clarify the objection, turns it into a reason for buying.

5. **Closing** - Closing signs from the buyer include physical actions, statements or comments, and questions. The salesperson might offer specific inducements to close, such as an additional service, an extra quantity, or a token gift.

6. **Follow-Up and Maintenance -** The salesperson should schedule a follow-up call after delivery *to ensure proper installation, instruction, and servicing and to detect any problems*, assure the buyer of the salesperson's interest, and *reduce any cognitive dissonance*.

ADVANTAGES:
- Instant Feedback
- Face-to-Face contact - *establishes a real relationship* between the buyer and seller
- A presentation or pitch *can be tailored to suit each client*
- *Questions can be answered on the spot* for customers and potential customers.
- By nature, *personal selling is a persuasive business* and shows a high success rate.

DISADVANTAGES:
- **It is expensive:** Personal selling as a method of promotion is quite expensive. Getting salesman is one thing and **retaining** him for long is another. **Training Costs** - Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills

- **Amount of Time** – takes time to close a deal.

- **High attrition** - A third disadvantage is that personal selling is not for everyone. Job turnover in sales is often much higher than other marketing positions

DIRECT MARKETING

What is Direct Marketing?

- **Direct marketing is a selling technique that involves making direct contact with the intended customer through phone calls, emails, offers through newspapers and magazines etc.**
- **It is done without the help of any middlemen or intermediaries**

Objective

- obtain an immediate response and
- cultivate lasting customer relationships

Methods of Direct Marketing

• Calling through Phone (Telemarketing) • Sending SMS • Emailing • Interactive TV • Kiosks	• Web sites • Mobile devices • Sending out invites through magazines and newspapers to attend a seminar or a conference, etc. • Send birthday cards, information materials, or small premiums to certain customers

Direct Marketing involves specific **'call-to-action' (CTA)**

A **CTA** includes anything that **persuades the consumer** with an exciting offer

- To go to a physical store, or offers incentive to go to a website and make a purchase or fill out a form.
- to call a toll-free number
- click a link
- bring in a coupon
- or sign up a friend for a discount

Note - It is the backbone of many businesses, it has no intermediaries, and it is also the fastest-growing form of marketing.

Forms of Direct Marketing

a) **Direct-Mail Marketing**
b) **Catalog Marketing**
c) **Telephone Marketing**
d) **Direct-response advertising**
e) **Kiosk Marketing**

a) Direct-Mail Marketing –

Involves an ***offer, announcement, reminder***, or other item to a person at a particular address or through **post, courier, email, phone or sms, fax mail, voice mail.** It can be ***paper based* or *electronic*.**

- Direct mail is a popular medium because it *permits target market* **selectivity, can be personalized, is flexible, and allows early testing and response measurement**.

Direct-mail marketing has passed through a number of stages:

- ***Carpet bombing, Database marketing, Interactive marketing, Real-time personalized marketing, Lifetime value marketing-*** Direct marketers develop a plan for lifetime marketing to each valuable customer, based on knowledge of life events and transitions.

b) Catalog Marketing

Catalogs contain *photos and description* of groups of products along with *prices and ordering information*. Customers can buy directly via ***online, mail, phone and order forms and return envelopes with prepaid postage.***

Catalog marketers use targeted mailing lists to increase sales and decrease the printing and mailing costs associated with waste circulation.

- Print Catalogs
- Online Catalogs
- Single Company Catalogs
- Multiple Company Catalogs

c) Telephone Marketing

Telemarketing is the ***use of the telephone and call centers*** *to attract prospects*, sell to existing customers, and provide service by taking orders and answering questions.

In fact, companies carry out four types of telemarketing:

- ***Tele sales.*** *Taking orders from catalogs or ads and also doing outbound calling*. They can cross-sell the company's other products, upgrade orders, introduce new products, open new accounts, and reactivate former accounts
- ***Tele coverage.*** Calling customers to *maintain and nurture key account relationships* and give more attention to neglected accounts.
- ***Tele prospecting.*** *Generating and qualifying new leads* for closure by another sales channel.
- ***Customer service and technical support.*** Answering *service and technical questions*.

Note :

Telemarketing helps companies *increase revenue, reduce selling costs, and improve customer satisfaction*.

Companies use **call centers for**

- **Inbound telemarketing** (receiving calls from customers)
- **Outbound telemarketing** (initiating calls to prospects and customers).

d) Direct-response advertising —

- **Infomercials -** Some companies prepare 15, 30 minutes *Infomercials* can be seen as a cross between a sales call and a television ad. **Example** - **Naaptol.com, Telebrands** India has been one of the pioneers in direct response television advertising.

- **At-home shopping channels —** some television channels are dedicated to selling goods and services. **Example** – *Home Shop 18, Star CJ Live*

- **Radio ads** present offers to listeners 24 hours a day. Individuals can order by dialing a toll-free number

- **Videotext and interactive TV —** the consumer's TV set is linked with a seller's catalog by cable or telephone lines. Consumers can place orders via a special keyboard device connected to the system. Much research is going on to combine TV, telephones, and computers into interactive TV. This modality is yet to take roots in India.

e) Kiosk Marketing

Kiosks are **stand-alone structures** used in marketing for ***self-service, demonstrations, display and selling of products and services providing information, placing orders.***

Kiosks are popularly found at retail shops, streets, malls, airports, trade shows, and other locations

- Pop – up stores in malls, Newspapers stands, bookstall refreshments, tickets, booth, stand, stall, counter, refreshments kiosk, telephone kiosk
- Have you seen a machine that is out side near the ticket counter of inox.. You type details and the ticket comes out......that is a kiosk.......
- Atm is a kiosk.
- Coca cola auto vending machines where you put money and machine dispenses coke is a kiosk.
- The small canopy standings of aquaguard, oppo, vivo phones in streets is a kiosk,
- The stands outside retail and kirana stores with kurkure chips display is a kiosk.
- Self check in machines at airports is a kiosk.

Kiosks are kept for the following reasons....

- *To reduce crowd* - Like inox kiosk, airport kiosk, ATMs are kept so that people don't crowd at the counter.

- To be present at those places where is not possible or feasible, to open stores, due to cost factors. So they keep auto vending machines. Auto vending kiosks are found in malls, highway petrol pumps, airports.
- Banks are now doing 24 hour Kiosk banking, by opening E- gallery, where all functions of bank are done with kiosk machines without and bank employees.
- Where as Oppo, Vivo, Samsung, Aquaguard, Kent , these do for marketing purposes. For visibility. As its very very cheap.
- Plus you can also do kiosk marketing in colonies, apartments, gallis, malls

ADVANTAGES:

- Many people can be reached
- Minimal Cost
- Ability to cast a wide net
- Very attractive option for marketers

DISADVANTAGES:

- Some people are non-responsive.
- People tend to ignore such marketing messages as they are bombarded with so many marketing messages by many organizations.

PERSONAL SELLING	DIRECT MARKETING
Personal selling is more for products and services *that are complex in nature and cannot sell off the shelves* on their own such as financial products. • For *Medium and High involvement products, Unsought goods, Industrial products.*	Direct marketing is a selling technique that *involves making direct contact* with the intended customer through *phone calls, emails, offers through newspapers and magazines etc.*
Focuses on ***building up a relationship*** with the customer	Focuses on impressing the customer with *benefits of the offer*
Personal selling is the oldest form of selling	It is being used widely and popularly by small and big companies to increase their sales, in this digital era.

Types of Catalogues

1. **Print Catalogs -** Paper based.

2. **Online Catalogs-** The products are grouped and displayed in a similar fashion to a print catalog, but *consumers can sort items by price, category, manufacturer or other criteria.*

   - To *save on the cost of printing and mailing* and to *allow retailers to update prices, products and promotions more quickly*, some business put their products in an online catalog.
   - These catalogs *allow shoppers to purchase immediately*, using a virtual shopping cart and an electronic payment method.

3. **Single Company Catalogs**
   - Some companies with many products produce their own catalogs. **Examples** include manufacturers of electronics, apparel, footwear, sporting goods, kitchen accessories, auto parts, home furnishings, lawn and garden items, health, beauty and food items.

4. **Multiple Company Catalogs**
   - Some catalogs feature products from a variety of manufacturers, giving companies with fewer products a chance to use catalog marketing. This allows mass retailers to include more items in their catalogs. In these types of catalogs, you might see several competing products on the same page. The producer of the catalog takes direct payment from the consumer, giving a portion of the sale to the manufacturer after the money is collected

How does Direct Response Marketing Work?

Direct marketers use all the major media to make offers to potential buyers. Newspapers and magazines carry abundant print ads offering books, articles of clothing, appliances, vacations, and other goods and services that individuals can order by dialing a toll-free number. Radio ads present offers to listeners 24 hours a day.

✓ **TELEVISION** - Television is used by direct marketers in several ways:

Direct-response advertising — Some companies prepare 15, 30 minutes ***Infomercials*** can be seen as a cross between a sales call and a **television ad**.

- In India, **Naaptol.com, Telebrands** India has been one of the pioneers in direct response television advertising. This company promotes the concept of home shopping by way of media and television advertisement of various products by showing the features, use, and advantages of various products.

- A toll-free number is flashed on the television screen when infomercials are screened. The consumers can call that number for a demonstration and delivery of the product. The company services the customers through franchisees that operate in different cities in India. Increasingly, companies are selling products that are complicated, technologically advanced, or require a great deal of explanation through infomercials. They share the product's story and benefits with millions of additional prospects at a cost--per-lead or cost-per-order that usually matches or beats direct mail or print ads.

At-home shopping channels — some television channels are dedicated to selling goods and services. Home Shopping Network (HSN), which broadcasts 24 hours a day in the U.S., offers bargain prices on such products as clothing, jewelry, lamps, collectible dolls, and power tools. Viewers call in orders on a toll-free number and receive delivery within 48 hours. Millions of adults watch home shopping programs, and close to half of them buy merchandise. Example - **Home Shop 18, Star CJ Live**

DIRECT MARKETING BENEFITS

CUSTOMER BENEFITS.

- Home shopping can be fun, convenient, and hassle-free.
- It saves time and introduces consumers to a larger selection of merchandise.
- The consumers can do comparative shopping by browsing through mail catalogs and online shopping services.
- They can order goods for themselves or others.
- Business customers also benefit by learning about available products and services without tying up time in meeting salespeople.

SELLERS BENEFIT

- Direct marketers can buy a mailing list containing the names and addresses of almost any group: doctors, engineers, architects, accountants, chief executives of foreign companies, joint-venture companies, human resource managers of major companies, and high net-worth individuals.
- They can customize and personalize messages.
- Direct marketers can build a continuous relationship with each customer.
- Direct marketing can be timed to reach prospects at the right moment and receive higher readership because it is sent to more interested prospects.
- Direct marketing permits the testing of alternative media and messages in search of the most cost-effective approach.
- It also makes the direct marketer's offer and strategy less visible to competitors.
- Direct marketers can measure responses to their campaigns to decide which have been the most profitable.

Note -Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, TV and other direct-response media, kiosk marketing, and e-marketing.

Integrated marketing communications (IMC)

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

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

Real Example

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

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

What should have been done?

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

Perhaps an integrated campaign would have looked like this:

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

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

VIRAL MARKETING

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

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

- ✓ Like viral fever spreads rapidly .*Viral Marketing is marketing that spreads exponentially* whenever a new person is added or informed.
- ✓ Viral marketing, also known as electronic word of mouth (eWOM) or word of mouse marketing.
- ✓ It assumes that as each new user or person starts using or talking about the service or product, the advertising will go to everyone with whomever that user interacts.

<u>Advantages</u>

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

<u>Dis-Advantages</u>

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

GUERRILLA MARKETING

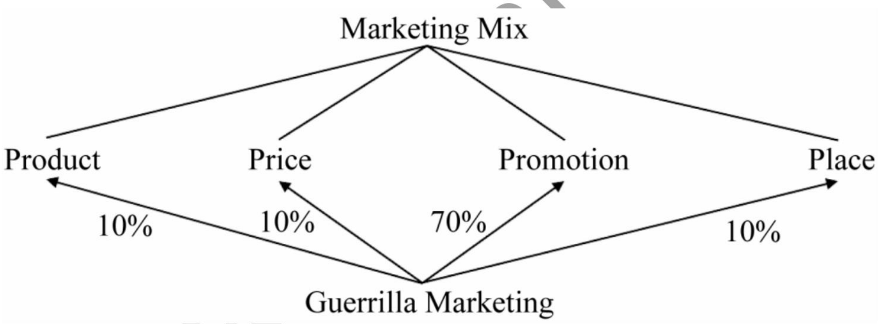
It is **unconventional or untraditional** means of advertising with the **use of graffiti, sticker bombing, flyer posting, etc used in a (generally) localized fashion to draw attention to an idea, product, or service**.

- ✓ The **objective** is to ***create a unique, engaging, and thought-provoking*** concept to generate buzz.

- ✓ Today, guerrilla marketing may also include promotion through a network of individuals, groups, or organizations working to popularize a product or idea by use of such strategies as *flash mobs, viral marketing campaigns, or internet marketing.*

Characteristics of guerilla marketing

• Unconventional • Surprising • Original/creative • Cheeky/provocative • Cost-efficient/effective	• Flexible • Unusual, funny, witty • Spectacular • Contagious



AMBUSH MARKETING

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

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

The objectives of ambush marketing are twofold:

- To get maximum returns on the marketing buck and

- To undermine the branding efforts of the rivals by stealing the attention, increasing the clutter and confusing the viewers.

Example –

- ✓ Ambush marketing was first witnessed in 1984 Olympics and the 1996 Cricket World Cup which highlighted the concept in India. During the 1996 World Cup, although Coca Cola was the official sponsor of the tournament, Pepsi ambushed the campaign by coming up with the tagline "nothing official about it".
- ✓ Audi and BMW billboard.
- ✓ Nike "Risk Everything" campaign against Adidas for FIFA 2014

RELATIONSHIP MARKETING

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

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

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

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

Advantages	Disadvantages
• Customer stays loyal • Improves customer experience • Get customer feedback • Customer generates free good word of mouth • Creating unique and exclusive relationships • Gain competitive advantage from competitors	• Customer privacy may be compromised • Focuses on retention and not acquisition • Leads to discrimination of other customers

Transaction Marketing	*Relationship Marketing*
• Focus on making sale	• Focus on making a customer loyal
• Product features are focussed	• Product benefits are focussed
• Short-term focus	• Long-term focus
• Little emphasis on customer service	• High customer service emphasis
• Customer commitment is low	• Customer commitment is high
• Moderate customer contact	• High customer contact
• Quality is primarily a concern of production	• Quality is the concern of all
• Customer satisfaction	• Customer retention

SOCIAL MARKETING

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

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

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

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

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

Cognitive campaigns*(Save water, Save Electricity)* • Explain the nutritional value of different foods. • Explain the importance of conservation	***Behavioral campaigns****(Anti-Tobacco)* • Demotivate cigarette smoking. • Demotivate hard-drug usage. • Demotivate excessive consumption of alcohol
Action campaigns*(Wear Helmet)* • Attract people for mass immunization. • Motivate people to vote "yes" on a certain issue. • Motivate people to donate blood. • Motivate women to take a pap test.	***Value campaigns****(Save Girl child)* • Alter ideas about abortion. • Change attitudes of bigoted people.

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

SOCIETAL MARKETING

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

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

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

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

It gives opportunity for companies to

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

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

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

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

GREEN MARKETING

(*Sustainable Marketing* ,*Environmental Marketing* Or *Ecological Marketing*)

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

Need for Green marketing

- Global warning
- Depletion of vital natural resource
- Industrial air pollution
- Deserts consuming agricultural lands
- Industrial water pollution
- Disappearance of rain forest and animals
- Hazardous waste
- Land fills

BENEFITS of Green marketing

For Organization	For Environment
➢ Market share ➢ Customer satisfaction ➢ Competitive advantage ➢ Profitability ➢ Positive Company image	➢ Reduced air & water pollution ➢ Conservation of usual resources & animals ➢ More energy reservoirs ➢ Reduced raw material usage ➢ Other improvements

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

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

Green Marketing Mix strategies

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

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

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

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

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

DIGITAL MARKETING

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

Digital Marketing can be through

- **Non-internet channels**- like TV, Radio, SMS, digital billboards, Mobile Apps that don't require internet
- **Internet channels**- like Social Media, E-mails ads, Banner ads, Mobile Apps

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

A digital marketing campaign includes

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

INTERNET MARKETING or ONLINE MARKETING

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

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

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

A online marketing campaign includes

- **Search Engine Marketing** – Either through content strategy and SEO or through Paid Search Advertising (Ad words) or PPC

- **Social media promotions** – paid advertising on Facebook, promotion on Twitter, Pinterest and Google+.
- **Mobile market promotions** – Development of apps and submission to the Google Play and Apple Store
- **Email marketing** – Promotion of products or services through email marketing campaigns

B2B (Business to Business)

CHARACTERISTICS OF THE B2B MARKET

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

B2C (Business to Consumer)

CHARACTERISTICS OF THE B2C MARKET

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

B2B	B2C
• **Business-to-business** • Requires *consultative selling* by manufacturer sales force and distribution sales force. • Small vertical markets, often niche in size • Maybe as large as 100,000 prospects	• **Business - to – Consumer** • Usually *sell directly* to the consumer or involves intermediaries • Large broad markets, • Millions of sales prospects
Purchasing Process	
Purchasing process takes months	Short purchasing periods few minutes, few days
Cost of a Sale	
High	Low
Purchase Decision	
Rational decision based on need and budgets	Emotional and rational decisions based on want more than need or a budget
Promotion	
Personal and consultative selling.	Advertising and Social Media.
Lifetime Customer Value	
High	Low
Examples	
Boeing, Airbus, Chemicals, Saint Gobain glass, AIS Glass, Corning Gorilla Glass, TATA B2B Tyres sold to motor companies, NALCO	HUL, P and G, FMCG, Restaurants, Medicines

Not-for-Profit marketing

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

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

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

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

Types of Nonprofit Organizations

- **Informal**- An informal nonprofit organizes for an event or project and disbands on completion. Informal nonprofits are volunteer operated, having no paid staff.

- **Formal nonprofit organizations**- usually, but not always, have one or more paid staff. They are usually chartered or registered with the government in their country.

Functions of Not for Profit Organizations marketing

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

INTERACTIVE MARKETING

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

The Benefits of Interactive Marketing

- It is highly accountable and its effects can be easily traced.
- The Web offers the advantage of "contextual placements." Marketers can buy ads from sites that are related to their offerings, as well as place advertising based on contextual keywords from online search outfits like Google. In that way, the Web can reach people when they have actually started the buying process.
- The Web is especially effective at reaching people during the day. Young, high-income, high-education customers' total online media consumption exceeds that of TV.

POSTMODERN MARKETING

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

- Includes all the new trends in marketing.
- Focuses on how the consumer prefers to be messaged to.

- With a postmodern marketing approach a one-to-one communication is created between real humans, controlling real mouses, real computers, real keyboards and real mobile telephones.

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

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

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

References

1. Marketing Management by Kotler, Keller, Koshy Jha

2. Product and Brand Management by Dr. P.K Tripathy

DETERMINING A COMPETITIVE STRATEGY

It involves answering three questions:

(1) Should we compete?

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

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

The answer requires marketers to acknowledge their limited resources (sales personnel, advertising budgets, product development capabilities and so on).
They must accept responsibility for allocating these resources to the areas of greatest opportunity.

(3) How should we compete?

This requires marketers to make product, pricing, distribution and promotional decisions that give their firm a competitive advantage in the marketplace.
Firms can compete on a wide variety of claims, including product quality, price and customer service. For example, a retailer may gain competitive advantage by providing superior customer service, while another retailer competes by providing low prices.

Write the names of the Brands owned by these companies. Visit their Indian website and look at the products section.

HUL (Hindustan Unilever Ltd)	P & G (Procter & Gamble)	Reckitt Benckiser	ITC	Marico

Who is the owner of the following brands?

Google	Scotch Brite	Ambassador car	Lafarge cement
Free Charge	Wills lifestyle	Ghadi detergent	Nokia
First Cry	Phone Pe	Fortune oil	Kinderjoy
Parachute oil	Safolla oil	John Players	Cadbury
Oppo	Vivo	One plus	Kinderjoy
Harpic	Dettol	Snapdragon processor	Kinley
Tide	Ariel	Voltas	Nebula (premium watches
Kwality walls	Nescafe	Bisleri	Bailey
Van Huesen	Louis Phillippe	Allen Solly	Royal Enfield
Monaco biscuit	Aquafina	Sweekar oil	Nutella
Dhara oil	Santoor	Central, Big Bazaar, Brand Factory, FBB, Buffalo clothing, DJ & C, KB's Fair Price, Nilgiris stores	Safal (matar, corn other frozen vegetables)

1. What is the meaning of G in Parle- G?
2. Who is K.V Kamath?
3. Who is Deepak Parekh?
4. Who is Kiran Mazumdar Shaw?
5. Who is Indira Nooyi?
6. Who is Shiv Nadar?
7. Who is Azim Premji?