AVANTHI DEGREE AND PG COLLEGE

Basics of Marketing material

BBA 1ST YEAR (SEM 1)

VALLI . G

UNIT1

INTRODUCTION OF MARKETING

Q. define marketing management and explain the nature and scope of marketing management?

Marketing management as the analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. Thus, marketing management involves managing demand, which in turn involves managing customer relationships.

According to American Marketing Association (new definition), "Marketing is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders."

According to Kotler (2000) - "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

Nature of Marketing

1. Marketing is an Economic Function

Marketing embraces all the business activities involved in getting goods and services, from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

2. Marketing is a Legal Process by which Ownership Transfers

In the process of marketing the ownership of goods transfers from the seller to the purchaser or from producer to the end-user.

3. Marketing is a System of Interacting Business Activities

Marketing is that process through which a business enterprise, institution, or organization interacts with the customers and stakeholders with the objective to earn a profit, satisfy customers, and manage relationships. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

4. Marketing is a Managerial Function

According to the managerial or systems approach - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to this approach, the emphasis is on how the individual organization processes marketing and develops the strategic dimensions of marketing activities.

5. Marketing is a Social Process

Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-

Knowing and understanding the consumer's changing needs and wants;

Efficiently and effectively managing the supply and demand of products and services; and efficient provision of distribution and payment processing systems.

Marketing is a philosophy based on consumer orientation and satisfaction

Marketing had dual objectives - profit-making and consumer satisfaction

Q. scope of marketing

1. Goods: Physical goods constitute the major part of a country's production and marketing effort. Companies market billions of food products, and millions of cars, refrigerators, television and machines.

2. Services: As economies advance, a large proportion of their activities is focused on the production of services. Services include the work of airlines, hotels, car rental firms, beauticians, software programmers, management consultants, and so on. Many market offerings consist of a mix of goods and services. For example, a restaurant offers both goods and services.

3. Events: Marketers promote events. Events can be trade shows, company anniversaries, entertainment award shows, local festivals, health camps, and so on. For example, global sporting events such as the Olympics or Common Wealth Games are promoted aggressively to both companies and fans.

4. Experiences: A firm can market personalised or customised experiences such as Ramoji Film City Star Experience, Climbing up the Mount Everest, and a weekend with stalwarts of cricket. Personalisation can be a huge boon for retailers and consumers.

5. Persons: Due to a rise in testimonial advertising, celebrity marketing has become a business. All popular personalities such as film stars, TV artists, and sportspersons have agents and personal managers. They also tie up with PR agencies for better marketing of oneself

6. Places: Cities, states, regions, and countries compete to attract tourists. Today, states and countries are also marketing places to factories, companies, new residents, real estate agents, banks and business associations. Place marketers are largely real estate agents and builders. They are using mega events and exhibitions to marketplaces. The tourism ministry is also aggressively promoting tourist spots locally and globally.

7) Ideas: Certain ideas are also marketed such as 'no smoking', protection of railways property, pulse polio, etc. Target people are persuaded through advertisements, street plays and other techniques to follow such ideas.

8) Organizations: Many organizations including social, political, religious, educational, etc. market themselves to build up their reputation and to make people aware about their activities. This type of marketing is initiated by organizations to build up a favourable image in the minds of their target public. For example- colleges and universities are marketing their institutions for attracting twinning programmes and other foreign universities. Similarly H. P. markets cooking gas as a "friendly gas". The punch line for Philips is "let us make things better".

9) Properties: Real estate agents work as middlemen in between property owners and buyers. Similarly, in a stock exchange shares and stocks are traded by stock brokers, individuals and financial institutions.

10) Information: Just like any other commodity, information can also be produced and marketed. For example- the Computers Today magazine gives the latest information about computers. Similarly, companies give information about their products and services to attract customers. The 'No marks' cream claims that its continuous use will remove all face marks. Similarly, fair and lovely cream claim that the continuous use of their products will improve complexion.

MARKETING CONCEPTS

1. Production Concept:

Production Concept is a concept where goods are produced without taking into consideration the choices or tastes of the customers. It is one of the earliest marketing concepts where goods were just produced on the belief that they will be sold because consumers need them.

Managers focusing on this concept concentrate on achieving high production efficiency, low costs, and mass distribution. They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where

consumers are more interested in obtaining the product than in its features. Ford, considered as one of the early champions of this concept once remarked that Americans can get any car from Ford until it is black. This is one of the most famous quotes in marketing stressing the importance of Production concept. In a production-orientated business, the needs of customers are secondary compared with the need to increase output. It is natural that the companies cannot deliver quality products and suffer from problems arising out of impersonal behavior with the customers.
For example :
Coke is widely available throughout the world
A company manufactures sugar because it knows that in the end consumers will surely buy sugar.
But with the continuous industrialization more and more players entered into the market, the space available to sell the product squeezed because too many people were selling the same product. That is why it became too obvious that the mass production of goods which is the heart and soul of production concept can no longer work because of too many me too products.
Therefore, the focus slightly shifted from Production concept to Customization concept where each and every product is manufactured and delivered according the tastes and choices of the customer. Dell is considered to be the pioneer of this field.

the advantage of this concept is workers can carry out the repetitive tasks with great speed and dexterity. Steps can be noted and automated. However the downside is that boredom sets in as the job is monotonous and recurring. Members of staff and consumers alike may not feel a sense of pride as identical commodities are being produced.

2 Product Concept:

The product concept proposes that consumers will prefer products that have better quality, performance and features as opposed to a normal product. A company should therefore focus on its product development and invest in continuous product improvements. The concept is truly applicable in some niches such as electronics and mobile handsets.
Two companies which stand apart from the crowd when we talk about the product concept are Apple and Google. Both of these companies have strived hard on their products and deliver us feature rich, innovative and diverse application products and people just love these brands. Managers focusing on this concept concentrate on making superior products and improving them over time. They assume that buyers admire well-made products and can appraise quality and performance. However, these managers are sometimes so proud of their product that they do not realize what the market needs.

One of the advantages of product concepts is that marketers do not need to carry out extensive research into their target audience. Products that a marketer believe will ‘sell themselves ‘ and do not need a lot of well-planned and specifically driven marketing campaigns that can save a company a lot of money.

One problem which has been associated with the product concept is that it might also lead to marketing myopia. For Example, Kodak assumed that consumers wanted photographic film rather than a way to capture and share memories and at first overlooked the challenge of

digital cameras. Thus companies need to take innovations and features seriously and provide only those which the customer needs. The customer needs should be given priority.

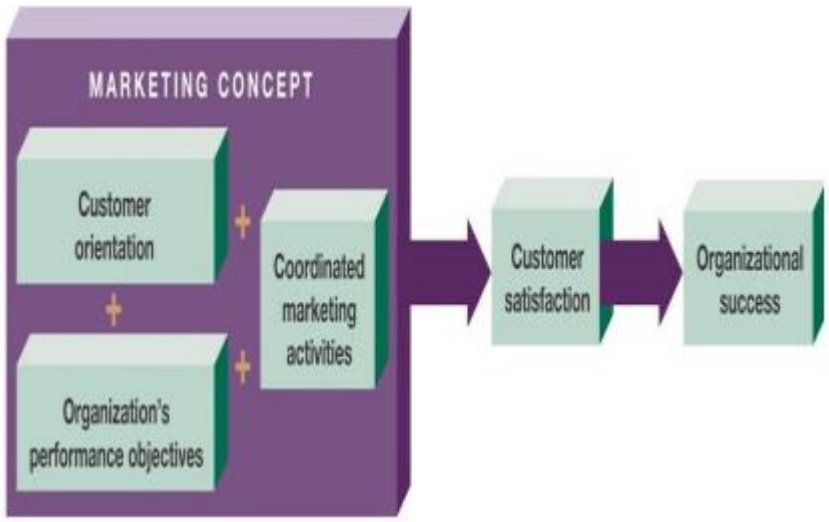
3. Selling Concept:

The Selling Concept proposes that customers, be individual or organizations will not buy enough of the organization‘s products unless they are persuaded to do so through selling effort. So organizations should undertake selling and promotion of their products for marketing success. The consumers typically are inert and they need to be forced for buying by converting their inert need in to a buying motive through persuasion and selling action. The consumers typically show buying inertia or resistance and must be coaxed into buying.

The aim is to sell what they make rather than make what the markets wants. Such marketing carries high risks. It focuses on creating sales transactions rather than on building long term, profitable relationships with customers. This approach is applicable in the cases of unsought goods like life insurance, vacuum cleaner, firefighting equipment’s including fire extinguishers. These industries are seen having a strong network of sales force.
his concept is applicable for the firms having over capacity in which their goal is to sell what they produce than what the customer really wants. The selling philosophy assumes that a well-trained and motivated sales force can sell any product. However, soon companies began to realize that it is easier to sell a product that the customer wants, than to sell a product the customer does not want. When many companies began to realize this fact, the selling era gave way to the marketing era of the marketing concept and philosophy.

4. Marketing Concept:

It holds that the key to achieving its organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its selected target customers.



The marketing concept is the most followed ideology by top companies. This is because, with the rise of economy, consumers have become more knowledgeable and choosy as a result of which the organization cannot concentrate on what it sells but rather it has to concentrate on what the customer wants to buy. The market concept thus relies on three key aspects:

1) What is the target market – The first step is to determine exactly what the target market is. This can be done by market research and deciding which target market will give the best returns.

2) What are the needs wants and demands of the target market – A further step in marketing research is the consumer preferences study. This study will help the firm determine the needs wants and demands of the target market thereby helping the firm in deciding their strategies.

3) How best can we deliver a value proposition – In this step, the firm decided what strategy it needs to adopt. What kind of value should the firm create and deliver. How should it integrate its different departments? Ultimately, the firm decides how to apply the marketing concept within itself to deliver a better customer experience.

5. Societal Concept:

This concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors (this is the original Marketing Concept).
Additionally, it holds that this all must be done in a way that preserves or enhances the consumer's and the society's well-being. The organization believes in giving back to the society by producing better products targeted towards society welfare.

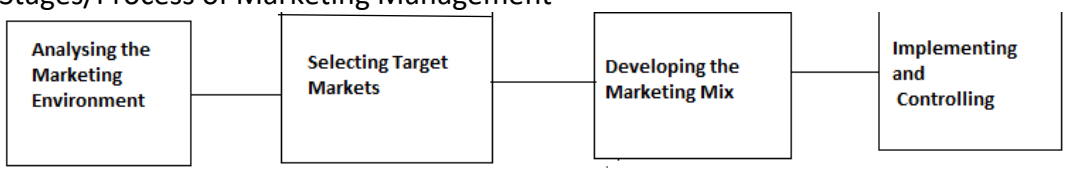
The marketers see it as affording an opportunity for companies to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales, and increase press coverage. They believe that customers will increasingly look for demonstrations of good corporate citizenship.

This concept is also referred as: —The human concept, —The intelligent consumption concept, —The ecological imperative concept, & —Cause- related marketing.

The societal marketing concept calls upon marketers to balance three considerations in setting their marketing policies, viz. • company profits • consumer satisfaction • public interest Societal Marketing concept focuses on: Less Toxic Products More Durable Products Products with Reusable or Recyclable Mate

Q. Explain the process of marketing management
Or
Explain the various stages in the Marketing management?
The marketing process consists of four steps: (i) analysing the marketing opportunities, (2) selecting target markets, (3) developing the marketing mix, and (4) implementing and controlling. Now let us study each of them briefly.

Stages/Process of Marketing Management



1. Analysing the Marketing Environment: As discussed earlier, marketing task starts with the identification of consumer needs. Therefore, the first step in the marketing process is the analysis of marketing opportunities to identify the consumer needs. Marketer has to identify the new needs or the existing needs not satisfied by any product offer or the needs which can be satisfied through better product offerings. For this purpose, the marketers have to analyse the opportunities by scanning the marketing environment. Marketing analysis talks about finding out the current position of the company in the form of current market share, market power, the relevant strengths and weaknesses of the company in relation to competitors and market opportunity and threats it is likely to face in the marketing environment. The marketer uses various techniques like SWOT analysis, scenario building, cross impact analysis and other environmental scanning techniques.

2. Selecting Target Markets: At the second stage, the marketer has to decide about the target, the company's business mission, the category of customer markets it wants to serve, the type of strategy to arrive at the set goals. For this reason, one of the first tasks in marketing planning is to divide the heterogeneous market into relatively homogeneous segments. Once a particular customer group is identified and analysed, the marketing manager can direct company resources and activities to profitably satisfy the selected segment. Thus, at this stage marketer divides the market into various segments, called market segmentation. Each segment consists of consumers who respond in a similar way to a given set of marketing efforts. Then the marketer evaluates each segment and selects one or more segments in which lie can generate the greatest customer value and sustain it over a long period. This is called market targeting. After identifying the target market, you must decide market positioning, that is the place product occupies relative to the competitors product in consumers' mind.

If the product is perceived to be exactly like competitor's product, consumers would have no reason to buy it.

3. Developing the Marketing Mix: The third step in the marketing process is deciding the marketing mix. It is easier to divide the marketing activities into four basic elements which are together referred to as the marketing mix. These four basic elements are: 1) product, 2) price, 3) promotion and 4) physical distribution. Marketing mix may be defined as the set of controllable marketing variables/activities that the firm blends to produce the response it wants in the target markets.

I. **Product:** The word product stands for the goods or services offered by the organisation. Once the needs are identified, it is necessary to plan the product and after that keep on analysing whether the product still satisfies the needs which were originally planned for, and if not, to determine the necessary changes. Decisions such as branding packaging, after sale service etc., are to be decided.

II. **Price**: Price is the money that the consumer has to pay. Price must be considered as worth the value of the product to become an effective marketing tool. The product has to be reasonably priced. The manufacturer has to take into account cost factors, profit margin, the possibility of sales at different price levels and the concept of the right price.

III. **Promotion**: Promotion is the aspect of selling and advertising or communicating the benefits of the product or service to the target customers or the market segment in order to persuade them to purchase such products or services. It includes selling through advertising as well as the sales force. Besides, a certain amount of promotion is also done through special seasonal discounts, competitions, special price reductions, etc.

IV. **Physical Distribution:** refers to the aspect of the channels of distribution through which the product has to move before it reaches the consumer. It also includes the logistic aspects of distribution such as warehousing, transportation, etc., needed for geographical distribution of products. It is also concerned with the selection of distribution channels. The organisation must decide whether it should sell through wholesalers and then to retailers, or whether directly to the consumers.

4. Implementing and Controlling: At the fourth stage marketing plan is to be implemented. Without a proper implementation program, marketing planning exercise is just a paper work. The marketing implementation revolves around executing the strategy and resources for achieving the marketing goals or targets. The marketing managers execute the strategy by converting it to operational plans which are achievable within a specified period of time frame. The fourth stage also includes marketing control, which is a process of benchmarking the expended effort and resources with the set goals. The marketer has to get the feedback from the market whether the consumers received the desired level of satisfaction from the product offering or not. Based on this feedback marketing managers further plan to enhance the consumer satisfaction or overcome the deficiencies in the product offerings, if any. The achievements are evaluated with the objectives set at the planning stage to find out the deficiencies if any and to take modified action in the future so that the efficiency of the resource expended increases and gets translated in to profit.

Core Marketing concepts:

Needs, Wants, and Demands

Needs and wants: needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment. These needs become wants when directed to specific objects that might satisfy the need. A U.S. consumer needs food but may want a Chicago-style "deep-dish" pizza and a craft beer. A person in Afghanistan needs food but may want rice, lamb, and carrots. Our wants are shaped by our society.

Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few can buy one. Companies must measure not only how many people want their product, but also how many are willing and able to buy it.

Basically there are 5 types of needs. They are-

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

Target Markets, Positioning, and Segmentation

Marketers identify distinct segments of buyers by identifying demographic, psychographic, and behavioural differences between them. They then decide which segment(s) present the greatest opportunities. For each of these target markets, the firm develops a market offering that it positions in target buyers' minds as delivering some key benefit(s). Volvo develops its cars for the buyer to whom safety is a major concern, positioning them as the safest a customer can buy. Porsche targets buyers who seek pleasure and excitement in driving and want to make a statement about their wheels.

Offerings and Brands:

Companies address customer needs by putting forth a value proposition, a set of benefits that satisfy those needs. The intangible value proposition is made physical by an offering, which

can be a combination of products, services, information, and experiences. A brand is an offering from a known source. A brand name such as Apple carries many different kinds of associations in people's minds that make up its image: creative, innovative, easy-to-use, fun, cool, iPod, iPhone, and iPad to name just a few. All companies strive to build a brand image with as many strong, favorable, and unique brand associations as possible

Marketing Channels:

To reach a target market, the marketer uses three kinds of marketing channels. Communication channels deliver and receive messages from target buyers and include newspapers, magazines, radio, television, mail, telephone, smart phone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, firms communicate through the look of their retail stores and Web sites and other media, adding dialogue channels such as e-mail, blogs, text messages, and URLs to familiar monologue channels such as ads.

Distribution channels help display, sell, or deliver the physical product or service(s) to the buyer or user. These channels may be direct via the Internet, mail, or mobile phone or telephone or indirect with distributors, wholesalers, retailers, and agents as intermediaries.

To carry out transactions with potential buyers, the marketer also uses service channels that include warehouses, transportation companies, banks, and insurance companies. Marketers clearly face a design challenge in choosing the best mix of communication, distribution, and service channels for their offerings.

Paid, Owned, and Earned Media:

The rise of digital media gives marketers a host of new ways to interact with consumers and customers. We can group communication options into three categories.18 Paid media include TV, magazine and display ads, paid search, and sponsorships, all of which allow marketers to show their ad or brand for a fee. Owned media are communication channels marketers actually own, like a company or brand brochure, Web site, blog, Facebook page, or Twitter account. Earned media are streams in which consumers, the press, or other outsiders voluntarily communicate something about the brand via word of mouth, buzz, or viral marketing methods. The emergence of earned media has allowed some companies, such as Chipotle, to reduce paid media expenditures

Impressions and Engagement :

Impressions, which occur when consumers view a communication, are a useful metric for tracking the scope or breadth of a communication's reach that can also be compared across all communication types. The downside is that impressions don't provide any insight into the results of viewing the communication.

Engagement is the extent of a customer's attention and active involvement with a communication. It reflects a much more active response than a mere impression and is more likely to create value for the firm. Some online measures of engagements are Facebook "likes," Twitter tweets, comments on a blog or Web site, and sharing of video or other content. Engagement can extend to personal experiences that augment or transform a firm's products and services.

Value and Satisfaction

The buyer chooses the offerings he or she perceives to deliver the most value, the sum of the tangible and intangible benefits and costs. Value, a central marketing concept, is primarily a combination of quality, service, and price (qsp), called the customer value triad. Value perceptions increase with quality and service but decrease with price.

Satisfaction reflects a person's judgment of a product's perceived performance in relationship to expectations. If performance falls short of expectations, the customer is

disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.

Supply Chain

Supply chain is a channel stretching from raw materials to components to finished products carried to final buyers.

Competition

Competition includes all the actual and potential rival offerings and substitutes a buyer might consider. An automobile manufacturer can buy steel from U.S. Steel in the United States, from a foreign firm in Japan or Korea, or from a mini-mill such as Nucor at a cost savings, or it can buy aluminium parts from Alcoa to reduce the car's weight or engineered plastics from Saudi Basic Industries Corporation (SABIC) instead of steel. Clearly, U.S. Steel is more likely to be hurt by substitute products than by other integrated steel companies and would be defining its competition too narrowly if it didn't recognize this.

Marketing Environment

The marketing environment consists of the task environment and the broad environment.

The task environment includes the actors engaged in producing, distributing, and promoting the offering. These are the company, suppliers, distributors, dealers, and target customers. In the supplier group are material suppliers and service suppliers, such as marketing research agencies, advertising agencies, banking and insurance companies, transportation companies, and telecommunications companies. Distributors and dealers include agents, brokers, manufacturer representatives, and others who facilitate finding and **selling to customers**

The broad environment consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environment. Marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed. New opportunities are constantly emerging that await the right marketing savvy and ingenuity.

Q. What are the differences between marketing and selling?

Marketing

Marketing is a broad concept. In simple words, it means the process through which the goods and services move from the producer to the ultimate user of the products. Philip Kotler, the father of Marketing says Marketing is a social process by which a need is created, offered and exchanged via products (goods, services or an idea)

Marketing is the systematic planning and implementation so that the buyers and sellers come together and a market is created.

Selling

Selling is a narrower concept. Selling means providing the customer with the good he/she needs in exchange of a price. It is usually between two parties. Selling is more like an agreement wherein the buyer receives the product in exchange for money.

Si. No.	Marketing	Selling
1.	Marketing starts with the buyer and focuses constantly on the buyer's needs.	Selling start with the seller and is preoccupied all the time with the sellers needs
2.	Seeks to convert customer needs into products.	Seeks to convert products into cash

3.	Marketing emphasises identification of a market opportunity, seeks to convert customer needs into product that fulfils the needs of the customers.	Selling emphasises saleable surpluses within the corporation and seeks to convert products into cash. The stress is on getting rid of the stocks; it adopts aggressive selling techniques to get the customers who are ready to products with cash.
4.	Management is profit oriented.	Management is sales volume oriented.
5.	Under Marketing all activities and products take their direction from the consumer and his needs.	Selling starts with the corporation's existing activities and products.
6.	Views business as consumer satisfying process.	Views business as a goods producing process.
7.	Consumer determines price, in turn price determines cost.	Cost determines price.
8.	Marketing views the customer as the very purpose of the business. it sees the business from the point of view of the customer.	Selling views the customer as the link of the business.
9.	Marketing is a wider concept and includes activities like marketing research, product planning and development, pricing, promotion, distribution, selling etc...	Selling is a part of marketing.
10.	What should be offered as a product is determined by the buyer; the seller makes a total product offering that would match would match and satisfy the identified needs of the target customers.	The seller determines what "Product" is to be offered.
11.	The "Product" is the consequence of the marketing effort. The marketing effort leads to those products that the consumer actually wants to buy in their own interest.	The "Product" precedes the marketing efforts.
12.	Transportation, storage are seen as a vital services to be provided to the customers.	Transportation, storage and other distribution functions are perceived as extension of production function.
13.	In firms practicing "marketing" as a central function as the entire company is organised around the marketing function.	The firms practicing "Selling "Production is the central function and sales are secondary function.

SHORT ANSWER QUESTIONS

Q. What are the Objectives of marketing management?

1. Creation of Demand:

The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

2. Customer Satisfaction:

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer- oriented. It begins and ends with the customer.

3. Market Share:

Every business aims at increasing its market share, i.e., the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

4. Generation of Profits:

The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. Creation of Goodwill and Public Image:

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc..

Q. What are the elements of marketing mix?

According to Philip Kotler, marketing mix is "set of marketing tools that the firm uses to pursue its marketing objectives in the target market".

Elements of Marketing Mix

The elements of marketing mix are often called the four P's of marketing.

1. **Product**
   Goods manufactured by organizations for the end-users are called products. Products can be of two types - Tangible Product and Intangible Product (Services). An individual can see, touch and feel tangible products as compared to intangible products. A product in a market place is something which a seller sells to the buyers in exchange of money.
2. **Price**
   The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa. Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.
3. **Place**
   Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets. In a

physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.

4. **Promotion**
   Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.
5. **People** - The individuals involved in the sale and purchase of products or services come under people.
6. **Process** - Process includes the various mechanisms and procedures which help the product to finally reach its target market
7. **Physical Evidence** - With the help of physical evidence, a marketer tries to communicate the USP's and benefits of a product to the end users

MARKETING ENVIRONMENT

Q. What are the different types of marketing environment?

Meaning of Marketing Environment:

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities.

The Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors include government, technological, economical, social, and competitive forces;

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

Types of Marketing Environment:

Internal marketing environment

An internal marketing environment consists of factors that fall within your control and impact your marketing operations, including your organization's strengths, weaknesses, uniqueness, and competencies.

Think of essential marketing elements such as your people and teams, the quality of your product or service, capital assets and budgets, and company policy. Internal marketing environment factors are controllable.

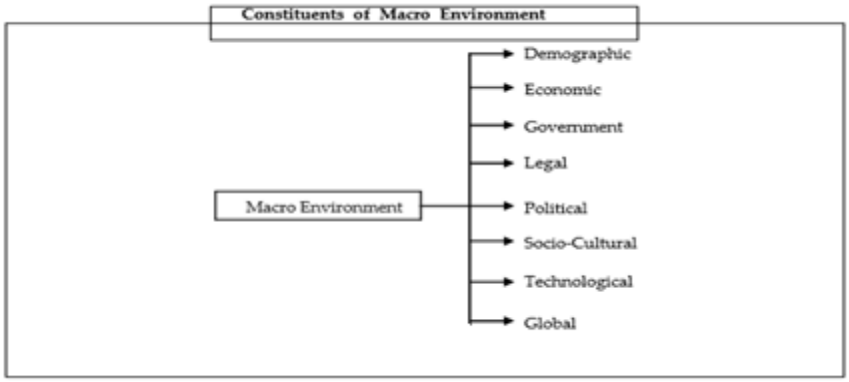
External marketing environment

The external marketing environment includes all factors that do not fall within your organization's control, including technological advancements, regulatory changes, social, economic, and competitive forces.

External environment can be divided into macro environment and micro environment.

Macro environment: Consists of demographics and economic conditions, socio-cultural factors, political and legal systems, technological developments, etc. These constitute the general environment, which affects the working of all the firms.

Micro environment: Consist of suppliers, consumers, marketing intermediaries, etc. These are specific to the said business or firm and affect its working on short term basis.



Demographic Environment:

Demographic environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location. It also includes the increasing role of women and technology. These elements are also called as demographic variables. Before marketing a product, a marketer collects the information to find the suitable market for the product. Demographic environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in demographic environment persuade an organization to modify marketing strategies to address the altering needs of customers.

Economic Environment: Economic environment affects the organization's costs structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability.

The factors economic environment is as follows:

a. Inflation: It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

b. Interest Rates: It determines the borrowing activities of the organization. For example, increase in interest rates for loan may lead organizations to cut their important activities.

c. Unemployment: It leads to a no income state, which affects the purchasing power of an individual.

d. Customer Income: It regulates the buying behavior of a customer. The change in the customer's income leads to changed spending patterns for the products, such as food and clothing.

e. Monetary and Fiscal Policy: It affects all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy; whereas, fiscal policy regulates the government spending in various areas by collecting the revenue from the citizens by taxing their income.

3. Socio-Cultural Environment: Socio-cultural environment comprises forces, such as society's basic values, attitudes, perception, and behaviour. These forces help in determining that what type of products customers prefer, what influences the purchase attitude or decision, which brand they prefer, and at what time they buy the products. The socio-cultural environment explains the characteristics of the society in which the organization exists. The analysis of socio-cultural environment helps an organization in identifying the threats and opportunities in an organization.'

For example, the lifestyles of people are changing day-by-day. Now, the women are perceived as an active earning member of the family. If all the members of a family are working then the family has less time to spend for shopping. This has led to the development of shopping

malls and super markets, where individuals could get everything under one roof to save their time.

4. **Technological Environment:** Technology contributes to the economic growth of a country. It has become an indispensable part of our lives. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment.

Technology acts as a rapidly changing force, which creates new opportunities for the marketers to acquire the market share. Marketers with the help of technology can create and deliver products matching the life style of customers. Thus, marketers should observe the changing trends in technology.

Following points explain the technological trends that affect the marketing environment:

a. Pace of Technological Change: It leads to product obsolescence at a rapid pace. If the pace of technological change is very rapid then organizations need to modify their products as and when required. On the other hand, if the technology is not changing at a rapid pace then there is no need for the organization to bring constant changes in the product.

b. Research and Development: It helps in increasing growth opportunities for an organization. Many organizations have developed a separate team for R&D to bring innovation in its products. Pharmaceutical organizations, such as Ranbaxy and Cipla, have started putting greater force in R&D and these efforts have led to great opportunities in global market.

c. Increased Regulation: It refers to government guidelines to ban unsafe products. Marketers should be aware of these regulations to prevent their violation. Every pharmaceutical organization takes the approval of the Drugs Controller of India, which lays down the standards for drugs manufacturing.

5. Legal Environment: Firms prefer to operate in a country where there is a sound legal system such as in US. Marketers must have a good working knowledge of the major laws protecting consumers, competitions and organisations. Laws like MRTP, Consumer Protection Act, Intellectual Property Right, FEMA, Labour Laws etc., can considerably affect business operations.

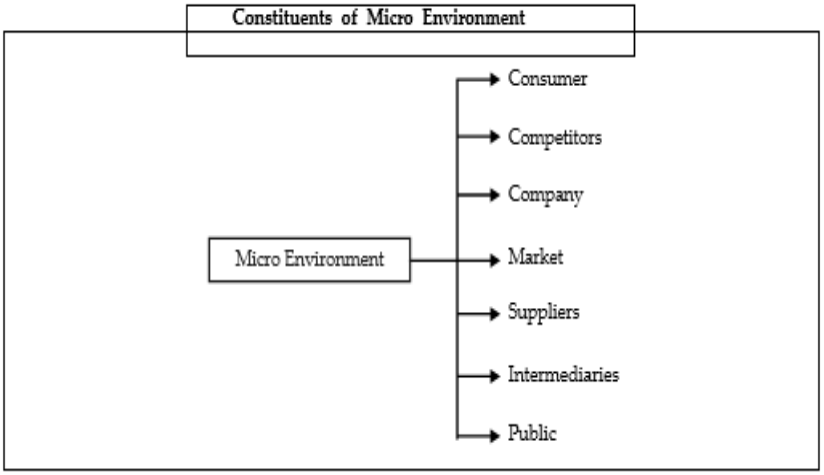
6. Political Environment:

Political pressure groups influence and limit organisations e.g., the case of Enron in Maharashtra and KFC in Karnataka. Special interest groups and political action committees put pressure on business organisations to pay more attention to consumer's rights, minority rights, and women's rights.

8. Global Environment: The global environment is also rapidly changing. The new concept of global village has changed how individuals and organisations relate to each other. The advent of worldwide terrorism has the power to turn a booming economy into a stagnant one within no time. The new migratory habits of the workforce as well as increased offshore operation are changing the dynamics of business operation, while in the background, the WTO initiatives have changed the way nations do business with each other, opening up markets and heralding the coming of a new global economic order.

Micro Environmental

This is also known as the task environment and affects business and marketing at the daily operating level. While the changes in the macro environment affect business in the long run, the effect of micro environmental changes are noticed almost immediately. Organisations have to closely analyse and monitor all the elements of microenvironment in order to adapt to rapid change and stay competitive.



a. Consumer: According to Peter Drucker, the aim of business is to create and retain the customer. Hence consumer occupies the central position in the marketing environment. The marketer has to closely monitor and analyse changes in consumer tastes and preferences and cater to (if not try and anticipate) their buying habits.

1. What constitutes the consumer value system?
2. What benefits is the consumer looking for?
3. Who are the consumers?
4. What are their buying patterns?

b. Competitors: Competition shapes business. A study of the competitive scenario is essential for the marketer, particularly threats from competition.

1. Who are the competitors?
2. What are their present strategies and business objectives?
3. Who are the most aggressive and powerful competitors?

c. Market: The market is to be studied in terms of its actual and potential size, its growth prospect and also its attractiveness. The marketer should study the trends and development and the key success factors of the market he is operating. Important issues are:

1. Cost structure of the market
2. The price sensitivity of the market
3. Technological structure of the market
4. The existing distribution system of the market
5. Is the market matured?

d. Suppliers: Suppliers form an important component of the microenvironment. With their own bargaining power they affect the cost structure of the industry. They constitute a major force, which shapes competition in the industry. Also organisations have to take a major decision on “outsourcing” or “in-house” production depending on this supplier environment.

e. Intermediaries: Intermediaries exert a considerable influence in the marketing environment. They can also be considered as the major determining force in the business. In many cases the consumers are not aware of the manufacturer and buy the product from the renowned intermediaries as for example Wal-Mart in US, Pantaloons in India.

f. Public: Public constitute a major force in the micro environment and marketers have to very carefully study their opinion, values, beliefs and attitudes in order to design a proper marketing strategy for goods carefully tailored to meet the needs of the target consumer segment. In a sort of reverse engineering, marketers also use the media to shape consumer tastes and preferences.

UNIT 2
MARKET SEGMENTATION – TARGETTING - POSITIONING
Essay Questions

Q. Explain the Process of Market Segmentation/ Or Stages In Market Segmentation?
Note: Write meaning and definition

1. **Identify the target market:** The first and foremost step is to identify the target market. The marketers must be very clear about who all should be included in a common segment. Make sure the individuals have something in common. A male and a female can't be included in one segment as they have different needs and expectations. Segmentation helps the organizations decide on the marketing strategies and promotional schemes.

For example: -

- Maruti Suzuki has adopted a focused approach and wisely created segments within a large market to promote their cars.
- Lower Income Group - Maruti 800, Alto
- Middle Income Group - Wagon R, Swift, Swift Dzire, Ritz
- High Income Group - Maruti Suzuki Kizashi, Suzuki Grand Vitara

2. **Identify expectations of Target Audience :** Once the target market is decided, it is essential to find out the needs of the target audience. The product must meet the expectations of the individuals. The marketer must interact with the target audience to know more about their interests and demands.

Kellogg's K special was launched specifically for the individuals who wanted to cut down on their calorie intake.

3. **Create Subgroups:** The organizations should ensure their target market is well defined. Create subgroups within groups for effective results.

- Cosmetics for females now come in various categories.
- Creams and Lotions for girls between 20-25 years would focus more on fairness.
- Creams and lotions for girls between 25 to 35 years promise to reduce the signs of ageing.

4. **Review the needs of the target audience:** It is essential for the marketer to review the needs and preferences of individuals belonging to each segment and sub-segment. The consumers of a particular segment must respond to similar fluctuations in the market and similar marketing strategies.

5. **Name your market Segment:** Give an appropriate name to each segment. It makes implementation of strategies easier.

A kids section can have various segments namely new born, infants, toddlers and so on.

6. **Marketing Strategies:** Devise relevant strategies to promote brands amongst each segment. Remember you can't afford to have same strategies for all the segments. Make sure there is a connect between the product and the target audience. Advertisements promoting female toiletries can't afford to have a male model, else the purpose gets nullified.

A model promoting a sunscreen lotion has to be shown roaming or working in sun for the desired impact.

7. **Review the behaviour:** Review the behaviour of the target audience frequently. It is not necessary individuals would have the same requirement (demand) all through the year.

Demands vary, perceptions change and interests differ. A detailed study of the target audience is essential.

8. **Size of the Target Market:** It is essential to know the target market size. Collect necessary data for the same. It helps in sales planning and forecasting.

Q. Explain the levels of Market Segmentation?

There are basically 4 levels of market segmentation. Companies can apply segmentation at one of four levels: segments, niches, local areas, and individuals.

1. **Segment Marketing**: A market segment consists of a large identifiable group within a market, with similar wants, purchasing power, geographical location, buying attitudes, or buying habits.

For example, an automaker may identify four broad segments in the car market: buyers who are primarily seeking (1) basic transportation, (2) high performance, (3) luxury, or (4) safety. Because the needs, preferences, and behaviour of segment members are similar but not identical

2. **Flexible Marketing**: A flexible market offering consists of the product and service elements that all segment members' value, plus options (for an additional charge) that some segment members' value. For example, Delta Airlines offers all economy passengers a seat, food, and soft drinks, but it charges extra for alcoholic beverages and earphones. Segment marketing allows a firm to create a more fine-tuned product or service offering and price it appropriately for the target audience. The choice of distribution channels and communications channels becomes much easier, and the firm may find it faces fewer competitors in certain segments.

3. **Niche Marketing**: A niche is a more narrowly defined group, typically a small market whose needs are not being well served. Marketers usually identify niches by dividing a segment into sub-segments. In an attractive niche, customers have a distinct set of needs; they will pay a premium to the firm that best satisfies their needs; the niche is not likely to attract other competitors; the nicher gains certain economies through specialization; and the niche has size, profit, and growth potential. Whereas segments are fairly large and normally attract several competitors, niches are fairly small and may attract only one or two rivals.

For example: - Ramada Franchises Enterprises, offers lodgings in several niches: Ramada Limited for economy travellers; Ramada Inn as a mid-price, full-service hotel; Ramada Plaza for the upper-mid-price niche; Ramada Hotels for good quality, three-star service; and Ramada Renaissance hotels, offering excellent, four-star service.

4. **Local Marketing:** Target marketing is leading to some marketing programs that are tailored to the needs and wants of local customer groups (trading areas, neighbourhoods, even individual stores). Citibank, for instance, adjusts its banking services in each branch depending on neighbourhood demographics.

5. **Individual Marketing:** The ultimate level of segmentation leads to "segments of one," "customized marketing," or "one-to-one marketing." For centuries, consumers were served as individuals: The tailor made the suit and the cobbler designed shoes for the individual. Today much of the business-to-business marketing is customized, in that a manufacturer will customize the offer, logistics, communications, and financial terms for each major account. Now technologies such as computers, databases, robotic production, intranets and extranets, e-mail, and fax communication are permitting companies to return to customized marketing, also called "mass customization." Mass customization is the ability to prepare individually designed products and communications on a mass basis to meet each customer's requirements.

Q. Define marketing and explain the features of Marketing?

Meaning of Market Segmentation

Market segmentation is the process of dividing a market of potential customers into groups or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as smilar interests, needs, or locations.

The main purpose of market segmentation is to set up separate programmes or strategies to all segments so that maximum satisfaction to consumers of different segments may be provided. It is used to increase sales for particular segment.

Definitions of Market Segmentation

According to Philip Kotler, "Market segmentation is the sub-dividing of a market into homogenous sub-sects of consumers where any sub-sects may conceivably be selected as a market target to be reached, With a distinct marketing mix."

Features / Characteristics of Market Segmentation:

1. **Measurable:** Consumers who belong to a particular target market and segment should be clearly identifiable. The characteristics to include or exclude in identification of a market Segment are also well defined and measurable. Target markets are quantifiable in terms of population, income and age bracket, among other factors.

2. **Accessible**: Market segments should be accessible in terms of geography and economy, to enable accessibility of goods and services, there should be use of appropriate marketing strategies. This is because the marketing strategy used for one group should differ from the strategy used for another, as their needs differ. For example, different age groups have different fashions, styles and consume different products. The way of communicating to this market segment should correspond to the relevant needs of consumers in this segment.
3. **Profitable:** A market segment should be large enough to be worth pursuing. The main aim of market segmentation is to be able to tailor marketing techniques toward specific segments. This enables a firm to enjoy economies of scale while at the same time fulfilling consumers' needs. The amount of disposable income the target market is willing to spend in purchasing the goods and services should be enough to enable the firm to earn profits. For example, if product's target market is young consumers, the price range should be attainable, considering that majority of the young people are dependent on their parents or guardians.
4. **Market Responsiveness:** Consumers in a given market segment should be responsive to the products meant for them. Unless consumers in market segments are willing to respond to the products developed, there is little reason to develop these products. The success of products introduced in the markets depends on whether they meet consumer or organization needs. Consumers' decisions on whether to purchase or not to purchase will be an indicator of the performance of the product in the market.

Various types of Market Segmentation

Geographic Segmentation

Geographic segmentation calls for dividing the market into different geographical units such as nations, states, regions, counties, cities, or neighbourhoods. The company can operate in

one or a few geographic areas or operate in all but pay attention to local variations. Some marketers even segment down to a specific zip code.

Geographical parameters

There are several geographical parameters you can use, these include:

- **Location:** Getting the obvious out of the way. Segmenting by location gives you a lot of options. It could be a city, a town, different countries, or even a continent. This can also be used to identify a new geographic location your business may wish to expand into.
- **Climate**: Climate segmentation involves selling products that are appropriate for the climate, weather, and season in a particular area. This means that the right products and services are chosen for the climate.
- **Culture**: When selecting a target market, the marketer needs to take into account cultural variations and sensitivities. For example, McDonald's, the company takes into consideration cultural differences. In India, McDonald's doesn't serve any beef or pork in any form, in any of their outlets. Instead of ground beef and pork patties, the McDonald's menu in India features Indian burgers that are 100% vegetarian.
- **Population:** This can either focus on density or population type. A brand may choose to focus on a densely populated city area, for example, a fitness chain wouldn't set up a gym in a rural area. You can also overlay demographic information here to find target audiences.
- Urban, suburban and rural: These three different environments all need different and specific marketing strategies as customer needs are different. Those in cities and suburbs tend to have more purchasing power than rural areas, so products can be more expensive.
- Language: Not everyone can, or wants to, read marketing in English, Spanish, or Mandarin. It's essential to use languages of targeted areas for labelling, online communication, and promotion.

- **Urban, suburban and rural**
- These different environments – across urban, suburban, and rural communities – require different marketing strategies.
- Customer needs are different: e.g., a car manufacturer may target their smaller, electric vehicles at city and suburb dwellers, while rural customers may enjoy larger, four-wheel-drive cars.

Demographic Segmentation

In demographic segmentation, the market is divided into groups on the basis of age and the other variables.

One reason this is the most popular consumer segmentation method is that consumer wants, preferences, and usage rates are often associated with demographic variables. Another reason is that demographic variables are easier to measure. Even when the target market is described in non-demographic terms (say, a personality type), the link back to demographic characteristics is needed in order to estimate the size of the target market and the media that should be used to reach it efficiently.

Here is how certain demographic variables have been used to segment consumer markets:

- **Age and life-cycle stage**. Consumer wants and abilities change with age. Therefore, age and life cycle stage are important variables to segment the market. For example, we see McDonald target the children to their outlets by offering innovative packages to celebrate their birthdays. Through their collection of toys they attract kids to the outlet.
- **Gender.** Gender segmentation has long been applied in clothing, hairstyling, cosmetics, and magazines. Occasionally other marketers notice an opportunity for gender segmentation. For example, both men and women use most deodorant brands. Procter &

Gamble, however, developed Secret as the brand specially formulated for a woman's chemistry, and then packaged and advertised the product to reinforce the female image, Gillette's association with shaving makes its deodorant male oriented

- **Income**. Income segmentation is a long-standing practice in such categories as automobiles, boats, clothing, cosmetics, and travel. However, income does not always predict the best customers for a given product. The most economical cars are not bought by the really poor, but rather by those who think of themselves as poor relative to their status aspirations; medium-price and expensive cars tend to be purchased by the over privileged segments of each social class
- **Generation**. Each generation is profoundly influenced by the times in which it grows up—the music, movies, politics, and events of that period. Some marketers target Generation Xers (those born between 1964 and 1984), while others target Baby Boomers (those born between 1946 and 1964).15 Meredith and Schewe have proposed a more focused concept they call cohort segmentation.16 Cohorts are groups of people who share experiences of major external events (such as World War II) that have deeply affected their attitudes and preferences. Because members of a cohort group feel a bond with each other for having shared these experiences, effective marketing appeals use the icons and images that are prominent in the targeted cohort group's experience.
- **Social class.** Social class strongly influences preference in cars, clothing, home furnishings, leisure activities, reading habits, and retailers, which is why many firms design products for specific social classes. However, the tastes of social classes can change over time. The 1980s were about greed and ostentation for the upper classes, but the 1990s were more about values and self-fulfilment. Affluent tastes now run toward more utilitarian rather than ostentatious products.

Psychographic Segmentation

In psychographic segmentation, buyers are divided into different groups on the basis of lifestyle or personality and values. People within the same demographic group can exhibit very different psychographic profiles.

- **Lifestyle**. People exhibit many more lifestyles than are suggested by the seven social classes, and the goods they consume express their lifestyles. For eg.Nestlé introduced a special brand of decaffeinated coffee for "late nighters," and it failed, presumably because people saw no need for such a specialized product.
- **Personality**. Marketers can endow their products with brand personalities that correspond to consumer personalities. Apple Computer's iMac computers, for example, have a friendly, stylish personality that appeals to buyers who do not want boring, ordinary personal computers.
- **Values.** Core values are the belief systems that underlie consumer attitudes and behaviours. Core values go much deeper than behaviour or attitude, and determine, at a basic level, people's choices and desires over the long term. Marketers who use this segmentation variable believe that by appealing to people's inner selves, it is possible to influence purchase behaviour. Although values often differ from culture to culture, Roper Reports has identified six values segments stretching across 35 countries: strives (who focus more on material and professional goals), devout
- **Attitudes.** Cultural background, family-of-origin, and other factors will influence a buyer's attitudes.
- **Social Status** A person's social status, often associated with their income, will influence if they buy basic items, luxury goods, or anything in between. Understanding

the social status of your customers will influence your pricing, messaging, distribution channels, and marketing mix.

Behavioral Segmentation

In behavioural segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Many marketers believe that behavioural variables—occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage, and attitude—are the best starting points for constructing market segments.

➤ **Occasions**. Buyers can be distinguished according to the occasions on which they develop a need, purchase a product, or use a product. . For example, a person usually travels on an occasion concerning business, vacation or family. Thus, we segment tourists as business tourists, holiday tourists or VFR (visiting friends and relatives) tourists.

➤ **Benefits**. Buyers can be classified according to the benefits they seek.
Major benefits that the consumers look for in the product,
Kinds of people who look for each benefit, and
Major brands that deliver each benefit.
According to Kotler many products are made up of three "core benefit segments":

- quality buyers,
- service buyers, and
- Economy buyers.

➤ **User status**. Markets can be segmented into nonusers, ex-users, potential users, first-time users, and regular users of a product. Potential users and regular users may require different kinds of marketing appeal.

➤ **Usage rate.** Markets can be segmented into light, medium, and heavy product users. Heavy users are often a small percentage of the market but account for a high percentage of total consumption. Marketers usually prefer to attract one heavy user rather than several light users, and they vary their promotional efforts accordingly. Repp's Big & Tall Stores, which operates 200 stores and a catalog business, has identified 12 segments by analyzing customer response rates, average sales, and so on. Some segments get up to eight mailings a year, while some get only one to three mailings. The chain tries to steer low-volume catalog shoppers into nearby stores, and it offers infrequent customers an incentive such as 15 percent off to buy during a particular period. Repp gets a 6 percent response to these segmented mailings, far more than the typical 0.5 response rate for non-segmented mailings.

➤ **Loyalty status.** Buyers can be divided into four groups according to brand loyalty status:
Hard-core loyals (who always buy one brand),
Split loyals (who are loyal to two or three brands),
Shifting loyals (who shift from one brand to another, and
Switchers (who show no loyalty to any brand).
Each market consists of different numbers of these four types of buyers; thus, a brand-loyal market has a high percentage of hard-core loyals. Companies that sell in such a market have a hard time gaining more market share, and new competitors have a hard time breaking in. One caution: What appears to be brand loyalty may actually reflect habit, indifference, a low price, a high switching cost, or the non-availability of other brands. For this reason, marketers must carefully interpret what is behind observed purchasing patterns.

➤ **Buyer-readiness stage**. A market consists of people in different stages of readiness to buy a product: Some are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy. The relative numbers make a big difference in designing the marketing program.

➤ **Attitude.** Five attitude groups can be found in a market: (1) enthusiastic, (2) positive, (3) indifferent, (4) negative, and (5) hostile.
for example, workers in a political campaign use the voter's attitude to determine how much time to spend with that voter. They may thank enthusiastic voters and remind them to vote, reinforce those who are positively disposed, try to win the votes of indifferent voters, and spend no time trying to change the attitudes of negative and hostile voters.

Multi-Attribute Segmentation (Geo clustering) Marketers are increasingly combining several variables in an effort to identify smaller, better defined target groups. Thus, a bank may not only identify a group of wealthy retired adults, but within that group may distinguish several segments depending on current income, assets, savings, and risk preferences.
One of the most promising developments in multi-attribute segmentation is geo-clustering, which yields richer descriptions of consumers and neighbourhoods than does traditional demographics.
Geo clustering can help a firm answer such questions as:

- Which clusters (neighbourhoods or zip codes) contain our most valuable customers?
- How deeply have we already penetrated these segments?
- Which markets provide the best opportunities for growth?

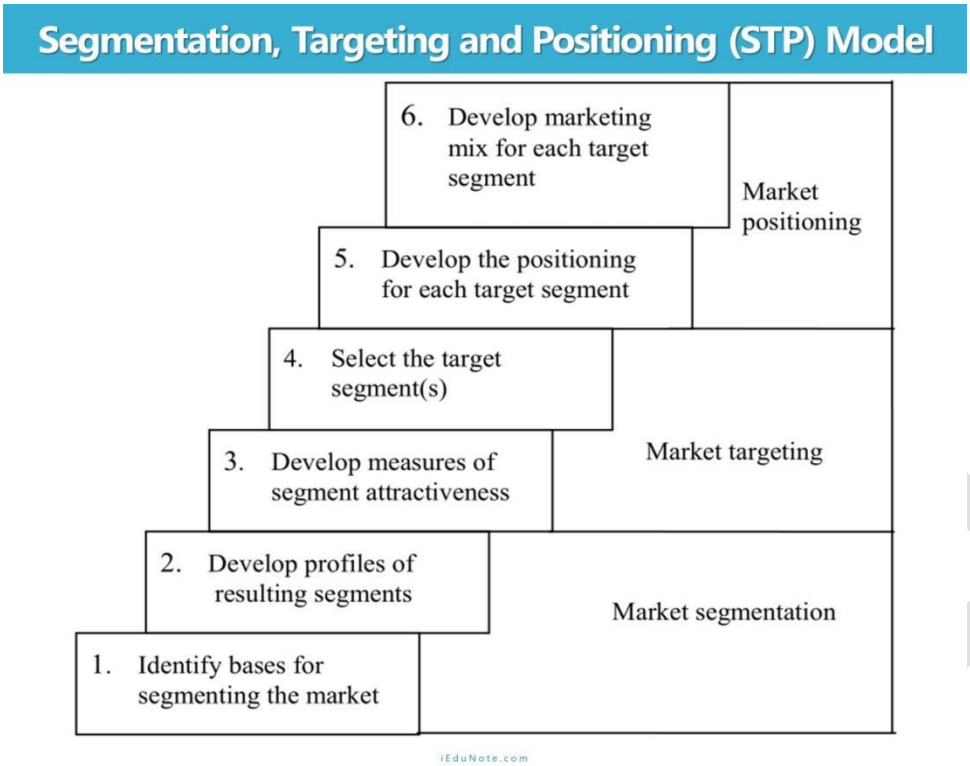
The groupings take into consideration 39 factors in five broad categories:

- Education and affluence,
- Family life cycle,
- Urbanization,
- Race and ethnicity, and
- Mobility, and specific geographic areas defined by Zip code, Zip 4, census tract, and block group.

Each cluster has a descriptive title, such as American Dreams and Rural Industria. Within each cluster, members tend to lead similar lives, drive similar cars, have similar jobs, and read similar magazines Geo clustering is an especially valuable segmentation tool .to captyre increasing dversity among people. Moreover, it can help even smaller firms identify micro segments that are economically feasible because of lower database costs, more sophisticated software, increased data integration, and wider use of the Internet.

Q. What Is a Target Market? Explain the Target marketing Process?
A target market is a group of people that have been identified as the most likely potential customers for a product because of their shared characteristics such as age, income, and lifestyle.
Identifying the target market is a key part of the decision-making process when a company designs, packages, and advertises its product.
Target marketing involves the identification of the most profitable market segments. Therefore, businesses may decide to focus on just one or a few of these segments. They may develop products or services to satisfy each selected segment.
Meaning of Target Marketing
Market targeting means the process of evaluating the attractiveness of each market segment and selecting one or more segments and selecting market segment to enter.
Target Marketing Process – 3 Steps of Segmentation, Targeting, and Positioning (STP) Model

Target Marketing process is also called STP Model. The target marketing process provides the foundation for selecting the target market – a chosen segment of the market that an organization wishes to serve. It consists of the 3-step process of (1) segmentation, (2) targeting, and (3) positioning.



Market Segmentation: The first step is market segmentation, which involves dividing a market into a distinct group of buyers with different needs, characteristics, or behaviour who might require separate products or marketing mixes.

Market Targeting: The second step is market targeting. Market targeting is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Marketing Positioning: The third step is market positioning. Marketing positioning involves arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers, which is accomplished through formulating competitive positioning for a product and a detailed marketing mix

Understanding customers' needs.

Suitable marketing mix.

Differentiation.

Understanding customers' needs

The target marketing process provides a basis for understanding customers' needs by grouping customers with similar characteristics together and for the selection of the target market. Segmentation allows marketers more precisely to define customer needs and expectations.

Marketers improve their understanding of how, why, and what influences customer buying. Being in touch with customers increases their responsiveness to changing needs and allowing better marketing programs.

Suitable marketing mix: This process allows marketers to understand customers' requirements of a target market and design a suitable marketing mix that meets their needs.

Hence providing effective and efficient matching of organizational resources to targeted segments and promising greater return on marketing investment.

Differentiation

Breaking a market into different segments allows marketers to decide which segment is more appropriate to differentiate their offerings from the competitors.

Market segments need to be protected from competitors. Otherwise, there is a threat that new entrants will establish a foothold and grow market share in a neglected, poorly served segment of a market

Q. Explain the steps/ stages to create an effective positioning strategy?

Step 1. Finding the current position: The current position in the market gives the marketer an essential insight into where to go next. The firm should understand its current position in order to analyse thecompetition further.

to state your current position in the market the firm should analyse the following questios:

- What does its brand stand for?
- Who are the target consumers?
- What is the mission and vision of the firm?
- What makes you stand out from the rest of the market?
- What customers' pain points that his brand can solve?
- Keep in mind that we all love connecting with brands that sound and feel authentic to us. Instead of setting up a complicated lingo that no one can understand, just talk human. Begin with researching who your existing and ideal audience is, and use their language.

Step 2. Analyse thecompetitors:

A marketer must be aware of the competitor's offerings.

- Let the individuals know how his product is better than the competitors?
- Never underestimate the competitors.
- Let the target audience know how the marketers product is better than others.
- The marketers must always strive hard to have an edge over their competitors.

There are many methods for determining your competition, including:

- **Conduct market research**. Do a quick search using relevant keywords and see which companies are listed. Or, asking sales team what sales tactics rivals come up during the sales process.
- **Use customer feedback**. Asking consumers which businesses or products make them consider before choosing yours.
- **Take advantage of social media channels**. Many free platforms allow users to ask questions about products and services. Search these communities and forums to explore competitors in your niche.

After identifying competitors, the next step is to do in-depth competitor research. The ultimate goal is to know how the competitors are positioning their brand. So, the research should include:

- Products or services that competitors offer
- Their strengths and weaknesses
- Marketing strategies they are using successfully
- Their position in the current market

Step 3. Developing unique position : Every product should have USPs; at least some features which are unique. The organizations must create USPs of their brands and effectively communicate the same to the target audience.
The marketers must themselves know what best their product can do.
Find out how the products can be useful to the end-users ?
Why do people use "Anti Dandruff Shampoo?"
Anti Dandruff Shampoos are meant to get rid of dandruff. This is how the product is positioned in the minds of the individuals.
Individuals purchase "Dabur Chyawanprash "to strengthen their body's internal defense mechanism and fight against germs, infections and stress. That's the image of Dabur Chyawanprash in the minds of consumers.
USP of a Nokia Handset - Better battery backup.
USP of Horlicks Foodles - Healthy snack
Communicate the USPs to the target audience through effective ways of advertising. Use banners, slogans, inserts and hoardings.
Step 4. Create a positioning statement: A positioning statement is necessary because this one-or-two-sentence statement declares the manufacturers' brand's uniqueness to your customers in relation to your main competitors.
Before creating a positioning statement, the manufacturer answers the following questions:

- Who is the target audience?
- What is the product or service category?
- What is the greatest benefit of his product or service?
- What is the proof of that benefit?

For example, let's look at Amazon's positioning statement: "Our vision is to be the earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."
Amazon sells a wide range of products for everyone, although incredibly broad, which is their greatest benefit. And what about the proof? It's all online.
Step 5. Creating tagline for the product: Once a strong positioning statement being crafted , the next step is to create a tagline, or better known as a slogan, for using externally for potential customer messaging. Instead of the positioning statement, it is a shorter and more condensed version of what you want your customers to know.
For instance, here are some well-known taglines for your reference:
L'Oréal: "Because you're worth it."
Nike: "Just do it."
By doing that, the marketer can easily use it in other marketing efforts to get his business point across, much more effectively than a longer and detailed positioning statement.
Step 6. **Test marketing positioning:** Once the positioning statement created the step the next step is to test market positioning. A marketer must be aware of the competitor's offerings.
Let the individuals know how your product is better than the competitors.
Never underestimate your competitors.
Let the target audience know how his product is better than others.
The marketers must always strive hard to have an edge over their competitors.
end time testing, experimenting, and gathering feedback from prospective consumers on whether or not your positioning achieves its goal. testings should include a blend of quantitative and qualitative research, from surveys and polls to focus groups and in-depth interviews. Based on these tests' findings.
Q. Explain the positional strategies?

Product positioning is the process of identifying the needs of different groups of customers and the extent to which competing products are perceived to meet customers' needs. In other words, relating a product to the market is termed as 'product positioning'.
Thus, product positioning refers to targeting the product at specific class of customers or for specific needs. It determines the image of the product in relation to the rival products. The strategies used for this purpose are product differentiation and segmentation.
These strategies are often employed by the firms who want to engage in non-price competition in markets characterised by imperfect or monopolistic competition. Both the strategies involve financial investment in promotional programmes.

Various positioning strategies are:

1. **Pricing:** Pricing is an essential factor that impacts the decisions of most customers. Companies with the lowest-priced products at a reasonable level of quality usually wins in many product areas.
For example, Gillette vs. Dollar Shave Club. Lower-priced alternatives to some high-quality brands like Gillette have changed the landscape of razors and refill blades. The Washington Post reported on Gillette's decreasing market share due to Dollar Shave Club's low prices. The cheapest refill razor cartridge of Dollar Shave Club was 20 cents, compared to $2 to $6 a cartridge for Gillette.
2. **Quality:** Quality can help rebuff most pricing wars. In some markets, such as luxury cosmetics or cars, quality can define who the competitors are.
For instance, Chipotle vs. Taco Bell. Ranked 14th in the top 50 fast-food restaurants in America by QSR Magazine, Chipotle has grabbed a significant market share over the years by focusing on quality instead of price.
3. **Differentiation:** Differentiation is what sets your product or service apart from the crowd. If your product or service is dramatically different, rivals may not pose as much of a threat. Differentiation is a type of positioning in marketing
For example, Toyota vs. Tesla. Tesla entered the electric vehicle market with a luxury sports model, rapidly sidestepping economy cars like the Toyota Prius. Tesla actually targeted the high-end market with the Model S.
4. **Convenience:** Convenience creates an easier life for customers. From location to usability, convenience could incorporate something like free returns and E-commerce.
For example, Simple vs. Bank of America. Some traditional banks have been slow to create mobile apps, but online-only banks like Simple have invested in this to appeal to younger and more technical-savvy customers. The company even charges no fees and has convenient built-in budgeting and savings tools.
5. **Customer service:** Customer service emphasizes creating helpful and friendly interactions. This can be especially critical in specific industries, such as restaurants and banking areas.
For example, Allstate vs. State Farm. Both insurance companies recognize the importance of customer service in this industry, where contact with customers is indispensable. They use customer service-based messages in their marketing to focus on this position.
6. **User group:** This type of positioning targets a particular group of users and explains why the company's offerings are directly applicable and relevant to this group.
For instance, Johnson's vs. Axe. While Johnson's baby shampoo positions itself as gentle for children, Axe body spray targets men.

Short Answer Questions

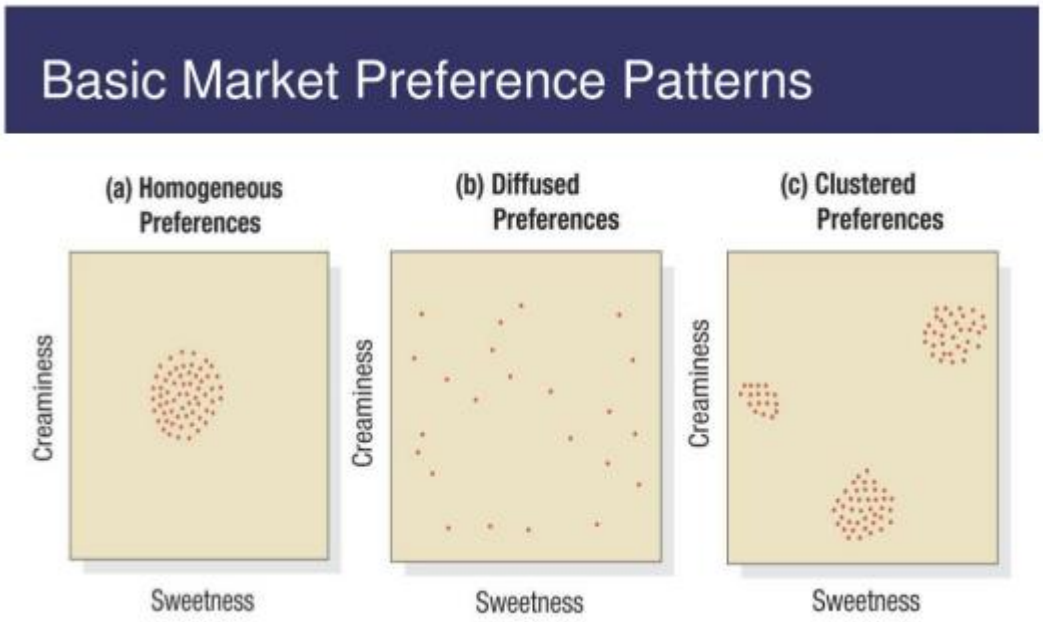
Q. Explain the patterns of market segmentation?

Market segments can be built up in many ways. One common method is to identify preference segments. Suppose ice cream buyers are asked how much they value sweetness and creaminess as two product attributes. Three different patterns can emerge:

➤ **Homogeneous preferences:** a market in which all of the consumers have roughly the same preference, so there are no natural segments. We predict that existing brands would be similar and cluster around the middle of the scale in both sweetness and creaminess.

➤ **Diffused preferences**: At the other extreme, consumer preferences may be scattered throughout the space, indicating great variance in consumer preferences. One brand might position in the centre to appeal to the most people; if several brands are in the market, they are likely to position throughout the space and show real differences to reflect consumer-preference differences.

➤ **Clustered preferences**: The market might reveal distinct preference clusters, called natural market segments. The first firm in this market might position in the centre to appeal to all groups, choose the largest market segment (concentrated marketing), or develop several brands for different segments. If the first firm has only one brand, competitors would enter and introduce brands in the other segments. Smart marketers examine such segmentation patterns carefully to better understand the various positions they might take in a market—and the competitive implications



Q. Explain the bases of Market segmentation?

Business markets can be segmented with some variables that are employed in consumer market segmentation, such as geography, benefits sought, and usage rate. Yet business marketers can also use several other variables.

1. **Programmed buyers**: Buyers who see the product as not very important to their operation. This is a very profitable segment: The buyers view the product as a routine purchase item, usually paying full price and receiving below-average service.
2. **Relationship buyers**: Buyers who regard the product as moderately important and are knowledgeable about competitive offerings. They get a small discount and a modest amount

of service and prefer the vendor as long as the price is not far out of line. This is the second most profitable segment.

3. **Transaction buyers**: Buyers who see the product as very important to their operations. They are price and service sensitive and receive some discounts, but they know the competition and will switch for a better price, even at the sacrifice of some service.

4. **Bargain hunters**: Buyers who see the product as very important and demand low prices and top service. They know the alternative suppliers, bargain hard, and are ready to switch if dissatisfied. The company needs these buyers for volume purposes, but they are not very profitable.

Q. What are the benefits of market segmentation?

1. Marketers are in a better position to locate and compare marketing opportunities. Market can be defined more precisely in terms of customer needs.
2. When customer needs are fully understood, marketers can effectively formulate and implement marketing programmes which will be tuned with the demands of the market.
3. Marketers can design their products and marketing communications as per the market segments and ensure more response.
4. Competitive strengths and weaknesses can be assessed effectively and marketers can avoid fierce competition and use resources more profitably by catering customer demand which is not being met by rivals.
5. Since customer is the focus of marketing effort segmentation leads to a more effective utilization of marketing resources. We can have precise marketing objectives. Marketing programme is tailored exactly in accordance with the needs of specific market segment, and product, price and promotion can have best coordination.

Q. Explain the Criteria for Segmentation?

1. Measurability: The attributes selected for segmentation must be measurable demographic and socio-economic characteristics are objective and measurable but personality, life-style and psychological factors governing buyer behaviour such as motivation, perception, and attitude are subjective and non-measurable attributes. In such situations, these non-measurable characteristics should be linked with tangible characteristics to achieve a meaningful segmentations. We can approximately identify members of the segment on the basis of some common characteristics or behaviour pattern. Obtaining data is not easy when the segment is defined in terms of benefit or behavioural characteristics.

2. Accessibility: The segment identified should be within to the reach marketers through suitable means of communication and distribution.

3. Market Responsiveness: The identified segment must respond favourably to the marketing effort. To know whether correct segmentation has been achieved or not, has paramount importance.

4. Effective Demand: The segment must have a family big size of demand to make any marketing effort viable.

Q. Explain the Benefits and Importance of Target Marketing

Benefits of the Target Marketing Process are;

Understanding customers' needs.

Suitable marketing mix.

Differentiation.

Understanding customers' needs: The target marketing process provides a basis for understanding customers' needs by grouping customers with similar characteristics together

and for the selection of the target market. Segmentation allows marketers more precisely to define customer needs and expectations.
Marketers improve their understanding of how, why, and what influences customer buying. Being in touch with customers increases their responsiveness to changing needs and allowing better marketing programs.
Suitable marketing mix This process allows marketers to understand customers' requirements of a target market and design a suitable marketing mix that meets their needs. Hence providing effective and efficient matching of organizational resources to targeted segments and promising greater return on marketing investment.
Differentiation: Breaking a market into different segments allows marketers to decide which segment is more appropriate to differentiate their offerings from the competitors.
Market segments need to be protected from competitors. Otherwise, there is a threat that new entrants will establish a foothold and grow market share in a neglected, poorly served segment of a market

Q. Concentrated Marketing:

When company resources are limited and the competition is intense enough that the marketing manager has to stretch the market budget for market coverage, the companies follow a concentrated marketing strategy. The company decides to cover a large niche than fighting for a small share in a large market. It is an excellent strategy for small manufacturers those can stay closer to the segment and cater to the emerging needs of a close loop customers. This helps them to gather market share in small markets against strong and large competitors. Through concentrated marketing firms can achieve strong market positions in the segments or niches they serve because of the greater knowledge of the target customers and the special reputation they acquire. Medimix was a regional brand with a very strong South Indian presence that helped them to go for a national launch in a latter period. The firms can enjoy operating economies because of the specialization in production, distribution and promotion, which can give a higher return on the investments also. Concentrated marketing strategy has its own share of risk also. Looking at the profit potential large competitors may decide to enter in to this market, which may ultimately lead to a takeover bid by the large player in business.

Q. Differentiated Marketing:

In differentiated marketing strategy, marketers target several market segments and design separate offers for each segment. They target several segments or niches with a varied marketing offer to suit to each segment needs.

For example, Maruti as an automobile company has the distinction of having products for different segments. Whereas its Maruti8OO is targeted for the upcoming middleclass, the Baleno is targeted for the upper rich class people and Maruti Omni is targeted for large families. The main objective of offering varied marketing offer is to cater to different segments and get higher sales with a dominant position on each segment. Developing a stronger position within each segment creates more total sales than a mass marketing strategy across all segments. The risk involved in this kind of a marketing strategy is in the form of extra cost in marketing research, product development, different forecasting models, varied sales analysis, and promotion planning and channel management. Trying to reach different market segments with different production plan involves higher promotion budget.

Thus, the marketing manager has to decide the pay off between the higher cost and the higher sales due to such a strategy

Q. Undifferentiated Marketing:

Marketers may go against the idea of a segmented market and decide to sale the product in the whole market. Here the marketing manager ignores the idea of segment characteristics differences and develop a marketing program for the whole market. This approach keeps the overall marketing costs low and makes it easier to manage and track the market forces uniformly. Here the marketer tries to find out the commonality across the segments rather than focusing on the differences. The company designs a marketing offer and a marketing program that will appeal to the largest number of buyers with a mass distribution and mass advertising program. The problem of this strategy lies in finding a common product and marketing program catering to large number of customers with different characteristics and interests. Here the marketer finds it difficult to fight with focused players in business

Q. Explain the Benefits of positioning in marketing

1. There are a number of reasons why you should consider making positioning part of your marketing strategy. With the right positioning tactic, you can create better marketing messages, shape your services better, and structure pricing plans so that firm remain competitive.
2. **Improve sales:** One of the main goals of any business is to improve sales and revenue. By having a more relevant offering and communicating it more effectively, your company may be able to penetrate a new market, which can translate into new clients and additional sales.
3. **Define a clearer target market:** Positioning in marketing allows you to claim a specific feature or benefit and focus your products/ services accordingly so that you appear as an expert in the services. As a result, your value to prospects will increase significantly.
4. **Make more effective decisions:** Once you have the core message that ensures successful positioning strategies, you'll be in a position to make more effective decisions throughout the process. Clear positioning in marketing also drives effective communication, provides healthier and stronger relationships with customers.
5. **Connect to consumer needs:** Through positioning in marketing, companies have an opportunity to communicate the critical benefits that their product/ service offers. It not only helps to energize the product but also connects it to the specific customer that needs it.

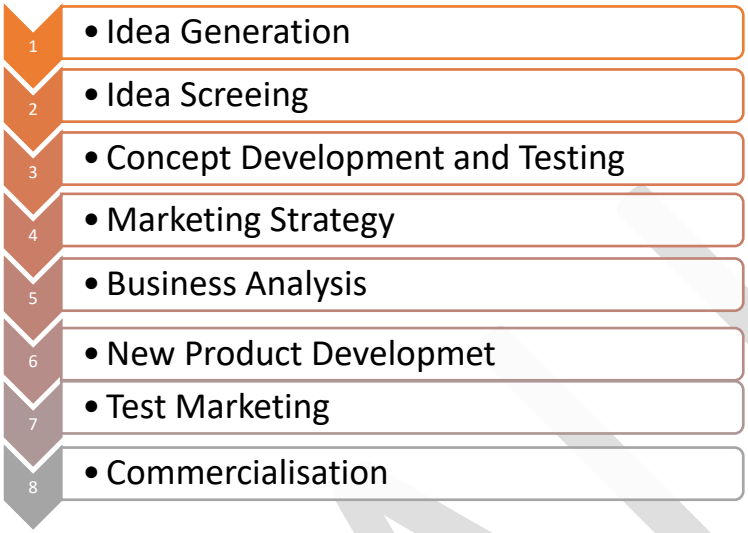
UNIT - III: NEW PRODUCT DEVELOPMENT

NEW PRODUCT DEVELOPMENT

Q. Explain the various stages in new product development?

Various Stages in New Product Development

New Product Development (NPD) is a systematic process through which a company transforms a new idea into a marketable product. It involves several important stages to reduce risk and ensure success in the market.



1. **idea generation**
   The first stage is idea generation. In this stage, a company collects new product ideas from various sources such as customers, employees, competitors, market research, and research and development activities. The aim is to generate as many innovative ideas as possible.
2. **idea screening**
   The second stage is idea screening. Here, the collected ideas are carefully examined to eliminate those that are not feasible or profitable. Factors such as cost, market demand, competition, and company objectives are considered. Only the most promising ideas are selected for further development.
3. **concept development and testing**
   The third stage is concept development and testing. The selected idea is developed into a detailed product concept that describes the features, benefits, and target market. This concept is then tested with potential customers to gather feedback and assess their acceptance.
4. **Marketing Strategy Development**
   The fourth stage is **Marketing Strategy Development**. In this stage, the company designs a marketing plan for the new product. It includes identifying the target market, deciding the product positioning, pricing strategy, distribution channels, and promotional activities. The company also prepares sales forecasts and marketing budgets.
5. **business analysis**

The fifth stage is Business Analysis. This stage involves evaluating the financial viability of the product. The company estimates expected sales, costs, profits, return on investment, and potential risks. Break-even analysis is also conducted to determine whether the product will be profitable

6. **product development**
   The sixth stage is **Product Development**. The concept is converted into a physical product or prototype. Technical development, quality testing, and design improvements are carried out to ensure the product performs effectively and meets required standards.
7. **testing marketing**
   The seventh stage is Test Marketing. The product is introduced in a limited market area to test customer response and the effectiveness of the marketing strategy. This helps identify necessary modifications before launching the product widely.
8. **commercialization**
   the final stage is Commercialization. In this stage, the product is launched in the full market with large-scale production, distribution, and promotional efforts. The company makes the product available to the target customers on a large scale.

In conclusion, the stages of New Product Development include idea generation, idea screening, concept development and testing, marketing strategy development, business analysis, product development, test marketing, and commercialization. Following these steps carefully increases the chances of launching a successful product.

Q. What is New product development (NPD) and what are the various categories of new product?

Definitions:
Term 'new product' has been defined as under:
1. A product that is offered for the first time to particular groups of buyers is a new product.
2. A new product is one, which differs significantly from the products available in the market in forms of qualities, features, or both.
3. A product that is perceived by the consumers as a new can be said as a new product. It must be new for consumers.
The New Product Development process is defined as "Creation of product with new or different characteristics that offer new or additional benefits to the customer. It may involve modification of an existing product or its presentation, or formulation of an entirely new product that satisfies a new defined customers wanted or market niches."

New product development (NPD) is the process of bringing a new product to the marketplace. 'New products' can be:

The Six Categories of New Products
A new product is one, which is perceived as a new by consumers. If we consider this definition, we may find various types of new products. Allen and Hamilton have identified six categories of new products.
New-to-the-world Products (really new Products): The alternative expression for new-to-the-world products (really new products) already indicates that this is what most people would define as a new product. These products are inventions that create a whole new market. It is really innovative, is entered for the first time in the world. The product was not

previously available in the World. For example, pills to cure the incurable diseases like aids, diabetes etc., or completely pollution free vehicle may be a new product. Examples: Polaroid camera, the iPod and iPad, the laser printer and so on.

New-to-the-firm Products (new Product Lines): Products that take a firm into a category new to it. The products are not new to the world, but are new to the firm. The new product line raises the issue of the imitation product: a "me-too". In an established market, when a new product line is introduced, it is a new product. For example, introduction of car in the market by Bajaj Auto Limited can be a new product. Examples: P&G's first shampoo or coffee, Hallmark gift items, AT&T's Universal credit card and so on.

Additions to existing Product Lines: These are simple line extensions, designed to flesh out the product line as offered to the firm's current markets. When some models or styles are added in the existing product line, it can be a new product. Example, CBZ and PASSION models introduced by Hero Honda in its two-wheeler product line were new products. P&G's Tide Liquid detergent, Bud Light, Special K line extensions (drinks, snack bars, and cereals).

Improvements and Revisions to existing Products: Current products made better. In this case, new features, qualities, or services are added in the existing product. Example is, Pentium IV computer is the improvement over Pentium III. P&G's Ivory Soap and Tide power laundry detergent have been revised numerous times throughout their history.

Repositioning: As we already discussed before, you may have an argument about whether repositions are actually new products. Yet, they can be considered as new products, as the firm undertakes a new products process. Repositioning are products that are retargeted for a new use or application. Repositioning consists of introducing the existing product in a new segment or a territory.

Examples: Arm & Hammer baking soda repositioned as a drain or refrigerator deodorant; aspirin repositioned as a safeguard against heart attacks

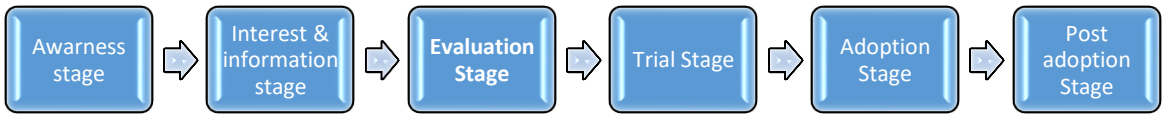
Cost Reductions: Finally, cost reductions complete the six categories of new products. Cost reductions refer to new products that simply replace existing products in the line, providing the customer similar performance but at a lower cost. May be more of a "new product" in terms of design or production than marketing. Selling a high-priced product at a lower price or at a concessional rate becomes a new product. For those who could not afford the product in the past, now they can use the same product as a new.

Consumer Adoption Process

Q**. Explain the various stages in the consumer adoption process?**

Consumer adoption Process is a process that consumer use to evaluate new products. Through this process, consumers will decide whether to reject or adopt the new product offering. A new product that does not meet consumer's demand can be rejected at any stage of the process.

Philip Kotler considers five steps in consumer adoption process, such as awareness, interest, evaluation, trial, and adoption. On the other hand, William Stanton considers six steps, such as awareness stage, interest and information stage, evaluation stage, trial stage, adoption stage, and post-adoption stage.



1. Awareness Stage/ Introduction stage: This is the stage when consumers first learn about the new product but don't have complete information. He is exposed to innovation but knows

very little regarding the innovation. He has only limited information about it. He is aware of either by discussion with friends, relatives, salesmen, or dealers. He gets idea about a new product from various means of advertising like newspapers, magazines, Internet, television, outdoor media, etc. At this stage, he doesn't give much attention to the new product.

2. Interest and Information Stage: In this stage, the consumer becomes interested in innovation and tries to collect more information. He collects information from advertising media, salesmen, dealers, current users, or directly from company. He tries to know about qualities, features, functions, risk, producers, brand, colour, shape, price, incentives, availability, services, and other relevant aspects. Simply, he collects as much information as he can

3. Evaluation Stage: Now, accumulated information is used to evaluate the innovation. The consumer considers all the significant aspects to judge the worth of innovation. He compares different aspects of innovation like qualities, features, performance, price, after-sales services, etc., with the existing products to arrive at the decision whether the innovation should be tried out.

4. Trial Stage: Consumer is ready to try or test the new product. He practically examines it. He tries out the innovation in a small scale to get self-experience. He can buy the product, or can use free samples. This is an important stage as it determines whether to buy it.

5. Adoption Stage: If trial produces satisfactory results, finally the consumer decides to adopt/buy the innovation. He decides on quantity, type, model, dealer, payment, and other issues. He purchases the product and consumes individually or jointly with other members

6. Post Adoption Behaviour Stage: This is the last stage of consumer adoption. If a consumer satisfies with a new product and related services, he continues buying it frequently, and vice-versa. He becomes a regular user of innovation and also talks favourable to others. This is a crucial step for a marketer.

In every stage of consumer adoption, a marketer is required to facilitate consumers. He must take all possible actions to make them try, buy, and repeat buy the innovation. Be clear that every type of consumer (innovators, early adopters, early majority, late majority, or laggards) follows all the stages of adoption process, but takes different amount of time to adopt the innovation

Q. Define new product and what is the need for developing a new product?

1. Company growth: Growth and expansion of a company is heavily built on new products. It has been increasing the importance in recent years and will reach even greater importance in the future as competition continues to intensify and flooding of new products is likely to shorten the life span of the existing products.

2. Higher profit margins: A primary economic conclusion, derived from the analysis of life-cycles of good many products, is that sooner or later every product is pre-empted by another or else degenerates into profitless price competition. This inevitable fact makes clear the necessity of careful new product planning to maintain profit margins. Another key point is that business success tends to be governed not only by what you do but what others do. This means that, as a business strategy, a company must plan to run ahead of, price competition by differentiating its products and introducing new products that can command better margins.

3. Business planning: Company's plans are keyed to and made up of product plans. The projection of sales, costs, capital, facilities and personnel needs can only reflect broad targets, not specific programmes without a product plan. The plans for the growth in sales and profits of a company are at the cost of management interest and involvement. Thus, planning, hence, control starts with individual product plans.

4. Utilisation of excess capacity*: Invariably, each and every company starts with a spare capacity in terms of certain minimum amount of costs which are irreducible. In case, the rated capacity is not used, the cost of production will be normally higher than what is expected. To have fuller use of capacity, the existing sales may be limiting factor. Hence, new product, in whatever form, is to be produced with the double advantage.*

5. Recycling of waste product: *In mass-production lines, waste, scrap, rejects are in larger quantities though may be representing a nominal percentage of input. Recycling of these will go a long way in reducing the burden of costs. It may result in product innovation. Thus, Henry Ford had a problem of disposing of the disposed polyethylene lunch packets in his factories. His creative mind started a new line of production out of waste bags thrown by his employees.*

Q. Explain the need for developing a new product?

OR

Q. Explain the Reasons for developing a new product:

1. Changes in Market: Today's market is much dynamic as compared to the past. Due to increased education, borderless marketing, severe competition, and availability of a number of substitutes have posed tremendous challenges for today's marketers. Market fashion, preference, and habits are constantly changing and marketer finds no option except to respect such market changes, by positive response in terms of innovation. Thus, consumer behaviour is one of the dominant reasons for innovation.

2. Changes in Technology: Due to continuous technological development, new production methods are invented. Old technology and production methods are replaced by newer ones. A company spends a large amount of money for technological research. To match the technological changes, new products are developed.

3. Competitive Advantage / Increasing Competition: Increasing competition is one of significant reasons leading to go for innovation. Every company struggles to attract and maintain consumers by offering superior products. To offer more competitive advantages and to satisfy consumer more effectively and efficiently, the product innovation necessary. Staying ahead of the competition is necessary for existing companies.

4. Diversification of Risk: In many cases, a company develops new products just to diversify risk. Existing products may not be capable to match with market needs and wants. By offering more varieties, a company can minimize the degree of obsolescence. Thus, the need for continuous innovation arises because older products are thrown out of market.

5. Reputation and Goodwill: To create image and reputation as an innovative and dynamic firm, the innovation is adopted. Company wishes to convince the market that it tries seriously to meet consumer's expectations. Obviously, a company developing new products periodically has more reputation, and can attract consumers easily.

6. Utilization of Excess Capacity: Excess capacity may be in form of production capacity or human skills. To utilize maximum plant and material capacity, a company may go for developing a new product. Sometimes, excess managerial or human capacity may also tempt the company to opt for innovation.

7. Seasonal Fluctuations: Sometimes, new products are developed just to minimize seasonal fluctuations in demand. By producing new product, a company can meet seasonal requirements of market. Market is satisfied due to matching products in each of the seasons, and company can get attractive business.

8. Growth and Development: Innovation is an effective way to win more market share or sales. Marketer can exploit emerging opportunities by innovative products. When it is not possible to accelerate growth rate by the existing products, a company prefers to develop new products to expand its market, maximize sales, and earn more profits.

Q. Explain the reasons for failure of a new product?

Even after thorough screening at each and every stage, all the new products introduced in the market may not succeed. Many of them fail and are withdrawn from the market. For example: Parle's hamburger 'Big Bite' was a failure in some markets while successful in other markets. Thus, every product introduced in the market may not succeed.

The reasons for product failure are attributed to six factors by Cundiff and Still. They are: -

1) Product Problems: The products fail in the market due to certain problems with the product itself as neglect of market needs or ignorance of market preferences, defects in product function, poor technical design or external appearance, pool packaging or inappropriate sizes, undependable performance or too high a variation in quality, etc.

2) Distribution and Channel Problems: Products fail due to certain problems in distribution such as inappropriate channels or outlets, lack of co-operation from middlemen, poor system of physical distribution, etc.

3) Promotional Problems: Promotional problems that contribute to the product failure are: inadequate or ineffective promotion, advertising directed towards wrong market segments, use of wrong appeals, failure to co-ordinate adequately with distribution system, improper training to sales force, etc.

4) Pricing Problems: Pricing problems such as bad forecast of price that buyers would pay, price not on par with product quality, poor cost estimates caused 'asking price' to be too high, inadequate margins for the middlemen, etc., also responsible for sometimes for product failure.

5) Timing Problem: Timing of product introduction is very important. If product is introduced too soon or too late, it may fail.

6) Competitive Problems: Competitors' aggressive strategies with respect to product, distribution, promotion and price may cause serious setback to the product in the market. The company had to react defensively rather than pursuing aggressive strategies.

Therefore, the success of a new product depends on the skills and strategies not only in product innovation but in formulating and implementing marketing strategy. Throughout the product innovation process, management should carefully watch the target market. An appropriate organisation is required to guide and co-ordinate the product innovation process at each and every stage. Besides introducing the product at appropriate time, components of marketing strategy (product, distribution and marketing channels, promotion, and price) must be combined in appropriate proportions at each stage of the product life cycle.

Short Answer Questions

Q. Basic Conditions/Features of a New Product:

A product can be said as a new one if it satisfies following conditions:

1. It must be perceived as a new one by buyers.
2. It must differ significantly from the products offered by the competitors.
3. Consumer must accept it.
4. It must be distributable safely and normally.
5. It must have effective packing, branding, and labelling.
6. It must provide satisfactory performance.

7. It must be produced within permissible limit of costs.

Q. What is a product? What are the attributes of a product?

A product is the item offered for sale. A product can be a service or an item. It can be tangible or intangible.

According to Kotler: "Product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas".

Attributes of a product:

1. A product needs to be relevant: the users must have an immediate use for it. A product needs to be functionally able to do what it is supposed to, and do it with a good quality.
2. A product needs to be communicated: Users and potential users must know why they need to use it, what benefits they can derive from it, and what it does difference it does to their lives. Advertising and 'brand building' best do this.
3. A product needs a name: a name that people remember and relate to. A product with a name becomes a brand. It helps it stand out from the clutter of products and names.
4. A product should be adaptable: with trends, time and change in segments, the product should lend itself to adaptation to make it more relevant and maintain its revenue stream.

Q. Importance of Consumer Adoption Process

It is very important to build a strong marketing strategy and invest in the necessary tools to move your consumer through the five stages of the Consumer Adoption Process. Successfully managing the consumer adoption process ensures loyal customers for the product, long-term profit marketing for the business, and Brand Equity for the entire company. Marketing a product successfully is as important as Manufacturing a product of quality

Q. What are the factors affecting Consumer Adoption Process

Some important factors influencing the consumer adoption process are as below:

The readiness of the Consumer/Customer to try new products and switch to the new brands

New product or Innovation

Personal Choices and influences about the Purchase Decisions

Varying Rates of Product Adoption

The readiness of the organization to launch new products

The consumer adoption Process varies from customer to customer based upon the behavioural factors. Some Consumers prefer change and some are very resistant towards changing things and have a difficulty in accepting and adopting new things. The rate of adopting a product depends upon competitive advantage, complexity, compatibility and communicability.

Personal Influences is the effect of other people on consumer attitude and purchase decision. Personal Influences can greatly impact the adoption process of the consumer and it can really affect the acceptance and rejection of the purchase decision of a customer.

UNIT—IV: PRODUCT & PRICING DECISIONS

PRODUCT

Q. Explain the essential attributes of a product?

A product may be defined in a narrow as well as broad sense. In a **narrow sense**, it is a set of tangible physical and chemical attributes in an identifiable and readily recognizable form. In a **broader sense** a product may be in the form of an object, idea, service, person, place, activity, goods, or an organisation. It can even be a combination of some of these factors

According to Philip Kotler- Product is anything that can be offered to market for attention, acquisition, use or consumption; it includes physical objects, service, personalities, place, organisation and ideas."

William Stanton defined the term 'product' as a set if tangible attributes including packaging, colour, price, manufacturer's and retailer's services which buyer may accept as offering satisfaction of want or needs.

Essential Attributes of a Product

Tangible or Intangible: It may be capable of being touched, seen and felt. For example, products like a comb, refrigerator and motor cycle are tangible. At the same time, a product need not necessarily be tangible. It can be intangible but capable of providing a service. For instance, repairing, hair-dressing,, insurance, ' etc. are intangible but provide satisfaction to the customers.

Associated Attributes: A product consists or various product features and accompanying services. Thus, a product is comprised of attributes including colour, package, brand name, accessories, installation, instructions to use, manufacturer's prestige, retailer's prestige, after sale service, etc. These attributes differentiate the products from each other.

Exchange Value: A product must be capable of being exchanged between a buyer and z1 seller at a mutually acceptance cost.

Satisfaction: It should be capable of providing, satisfaction to the buyer; both real and psychological. As far as the seller is concerned, it should provide the much needed business benefit'

Q. What are the various Levels of a Product

A product has of 3 distinct levels. They are:

At the First level is the core product is i.e. ., the core benefit which the consumers seek to buy.

The second level of the product can be described as the actual product. This includes the packaging, brand name, features of the product, the design, the shape, quality etc.

The third level is the augmented product. In addition to the actual product, the provider may give additional customer services such as after sales service, warranty, delivery, installation etc.

Q. Explain the characteristics of Product?

A product may be defined in a narrow as well as broad sense. In a **narrow sense**, it is a set of tangible physical and chemical attributes in an identifiable and readily recognizable form. In a **broader sense** a product may be in the form of an object, idea, service, person, place, activity, goods, or an organisation. It can even be a combination of some of these factors

According to Philip Kotler- Product is anything that can be offered to market for attention, acquisition, use or consumption; it includes physical objects, service, personalities, place, organisation and ideas."

William Stanton defined the term 'product' as a set if tangible attributes including packaging, colour, price, manufacturer's and retailer's services which buyer may accept as offering satisfaction of want or needs.

A. Explicit Characteristics

Explicit product characteristics are those which are perceived almost uniformly by all observers i.e. both buyers and seller.

Physical Configuration: A product is a bundle of some physical material. It is made up of wood, plastic, glass, stone, metal etc. Every product has its own size, shape, colour, density, odour, texture, taste and a host of other such physical attributes. On the basis of its physical characteristics, it has an apparent function or a set of function to perform. For example a toothbrush is used to clean teeth. However an old one may be used to clean combs, jewellery, nooks and cranny's etc.

Associated Services: Products are sold with the common understanding that the seller will render associated services in case of each product. These are before and after sale services. Before sale services are its demonstration, credit facilities available and the 'after' sale services are its delivery, installation, making available spare parts, repair services and warrantees, both, express and implied.

Package and Brand name: It is useful to consider package as the part of product, because, it is sometimes difficult to separate a product into 'contents' and 'package'. For instance, aerosol shaving creams, deodorants, cleansers, and so on .

Further, brand or brand name is the intrinsic to product. A brand stands for a product. For example - 'Colgate' for paste; 'Ceat' for tyres; 'Savlon' for after-shave lotion and so on.

Product mix: These points out the relationship to other products sold by the firm or made and sold by the firm. That is, a given product is the part of a set of products offered for sale by a particular seller bears and how both the seller and the buyer consider it.

A seller considers the width, depth and consistency of products offered. 'Width' refers to how many different product-lines; 'depth' stands for the average number of items within each product-line and the 'consistency' means the similarity among the product lines. Similarly, consumer does not think of a single product in isolation as he knows that the producer makes other products too.

Product-life-cycle: At any point time, a product can be located in some stage of its existence. Through time, the industry sales of a given product follow a characteristic pattern of increasing at first slowly, then at increasing rate, then at decreasing rate and finally absolute sales begin to decline.

The time required for each of these stages varies widely among the products. The product life-cycle made up of introduction growth maturity and decline has its own implications for the producers and the consumers.

B. Implicit Characteristics

1. Product symbolism: Product is the cluster of symbols. Among other things, a product is a symbol by virtue of its form size colour and functions. It is and it has significance which varies according to how much it is associated with individual needs and social interaction.

A product is the sum total of meanings it communicates when others look at it or use it. It may be status symbol of economy or performance or achievement and so on.

2. Communication media: Because a product is the cluster of symbols, it is a bundle of communication also. Of course, what this information is, determined by the consumer's personal interpretation of the symbols, and mediated by his culture groups and group influences and personality.

Every product says something about it, itself. Product is a story teller of what it is? Why for it is used? At what rate? Made by whom? Where it is available? And so on. A piece of information is there with a product given or hidden.

3.Product Perception: Products are perceived or viewed in different ways by different consumers. Perception is a physio-psychological process. Perception begins with a cue of the environment that is received by a consumer. This cue sends a message to the brain. The brain compares this message with other stored messages in the brain, and perception occurs. For example when a cup of tea is placed in front of a consumer, the consumer smells the tea. The smell is the cue from the environment, which is received by the consumer.

The brain records this smell and compares it with other stored smells and the consumer comes to the conclusion that the smell is of "Tata Tea" or "Lipton" or "Brook Bond" etc. In the same way instead of the smell, the cue from the environment can come from the taste, colour, texture etc.

The perception of the consumer will help the producer to develop the relevant product. "Relevant Product' is the product that is perceived by the consumer as the seller intended him to perceive it, because it is relevant to the realized or aspired behavioural pattern of those people who comprise the market of the product.

4. The Product Evaluation: Truly speaking it is almost impossible to separate the perception of the product from its evaluation, both conceptually and operationally. Though theoretically separable, they occur simultaneously. Along with perception, evaluation implies the setting up of a set of criteria to determine expected satisfaction.

It is comparing the 'efforts' involved and 'rewards' received by the consumer. Thus efforts may be the necessary search for the product, the price as it affects the consumer's pocket; the evaluation may be of rewards – functional, psychological that he gets in return. Here evaluation differs from individual to individual and from time to time in case of the same individual.

Thus every product has both implicit and explicit characteristics, and both these together make up the product.

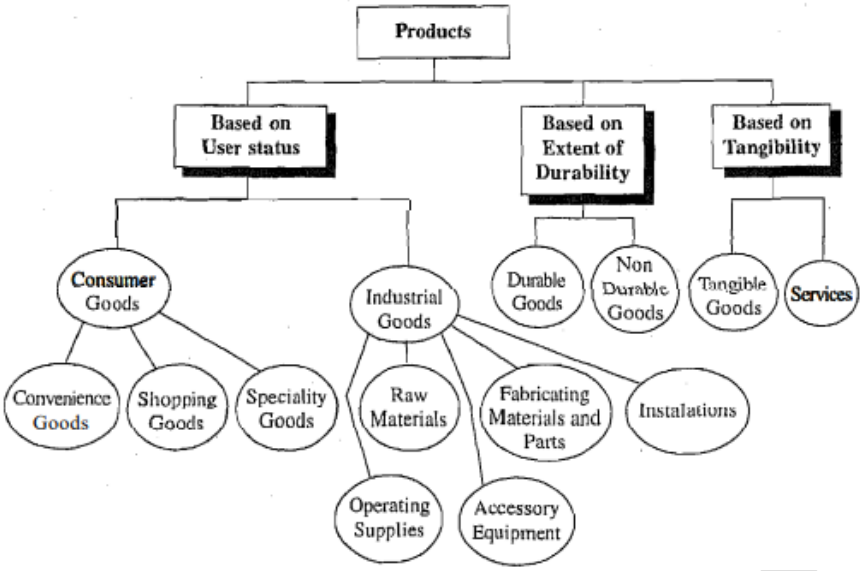
CLASSIFICATION OF PRODUCTS

Q. What are the different kinds of products? Or
Explain the classification of products?

1) On the basis of the user status, products may be classified as consumer goods and industrial goods.

2) On the basis of the extent of durability, products may be classified as durable goods and non-durable goods.

3) On the basis of tangibility, products may be classified as tangible goods and non-tangible goods. These non-tangible goods are referred to as services.



Based on user Based on user status goods are classified in to Consumer Goods and Industrial Goods.

There are four types of products and each is classified based on consumer habits, price, and product characteristics: convenience goods, shopping goods, specialty products, and unsought goods

1) Consumer goods

2) Industrial goods

Consumer products are products and services bought by final consumers for personal consumption. Marketers usually classify these products and services further based on how consumers go about buying them. Consumer products include convenience products, shopping products, specialty products, and unsought products. These products differ in the ways consumers buy them and, therefore, in how they are marketed.

Convenience products are consumer products and services that customers usually buy frequently, immediately, and with minimal comparison and buying effort. Examples include laundry detergent, candy, magazines, and fast food.

Convenience products are usually low priced, and marketers place them in many locations to make them readily available when customers need or want them. Customers compare carefully on suitability, quality, price, and style.

shopping products and services: When buying shopping products and services, consumers spend much time and effort in gathering information and making comparisons. Examples include furniture, clothing, used cars, major appliances, and hotel and airline services. Shopping products marketers usually distribute their products through fewer outlets but provide deeper sales support to help customers' in their comparison efforts.

Specialty products are consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. Examples include specific brands of cars, high-priced photographic equipment, designer clothes, and the services of medical or legal specialists. A Lamborghini automobile, for example, is a specialty product because buyers are usually willing to travel great distances to buy one. Buyers normally do not compare specialty products. They invest only the time needed to reach dealers carrying the wanted products.

Unsought products are consumer products that the consumer either does not know about or knows about but does not normally consider buying. Most major new innovations are unsought until the consumer becomes aware of them through advertising. Classic examples

of known but unsought products and services are life insurance, pre-planned funeral services, and blood donations to the Red Cross. By their very nature, unsought products require a lot of advertising, personal selling, and other marketing efforts.

Industrial Products:

Industrial products are those purchased for further processing or for use in conducting a business. Thus, the distinction between a consumer product and an industrial product is based on the purpose for which the product is purchased. If a consumer buys a lawn mower for use around home, the lawn mower is a consumer product. If the same consumer buys the same lawn mower for use in a landscaping business, the lawn mower is an industrial product.

Raw materials consist of farm products (wheat, cotton, livestock, fruits, vegetables) and natural products (fish, lumber, crude petroleum, iron ore). Manufactured materials and parts consist of component materials (iron, yarn, cement, wires) and component parts (small motors, tires, castings). Most manufactured materials and parts are sold directly to industrial users. Price and service are the major marketing factors; branding and advertising tend to be less important.

.Capital items are industrial products that aid in the buyer's production or operations, including installations and accessory equipment. Installations consist of major purchases such as buildings (factories, offices) and fixed equipment (generators, drill presses, large computer systems, and elevators).

Accessory equipment includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (computers, fax machines, desks). They have a shorter life than installations and simply aid in the production process.

The final group of industrial products is supplies and services.

Supplies include operating supplies (lubricants, coal, paper, pencils) and repair and maintenance items (paint, nails, brooms). Supplies are the convenience products of the industrial field because they are usually purchased with a minimum of effort or comparison.

Business services include maintenance and repair services (window cleaning, computer repair) and business advisory services (legal, management consulting, and advertising). Such services are usually supplied under contract.

Based on durability goods are classified intoDurable and Non-durable goods

Durable Goods: Tangible products with a long life and lasting many years active service to owner are termed durable goods. Television, fan, refrigerator, pressure cooker, etc., may be cited as examples of durable goods. A durable product would require a lot of personal selling, and pre-sales and post-sales service. Such products provide a higher margin to seller but require an assured after sales guarantee. Therefore in case of refrigerators, the number of years of guarantee (particularly for tlie compressor) is an important consideration when a consumer makes his final selection.

Non-durable goods: Products which are consumed in one go or last a, few uses and get depleted on consumption are termed as non-durable goods. Soap, tooth paste, cigarette, soft drinks, etc., are some examples of non-durable goods. The advantage of these goods is that they are purchased very often and, therefore, if the consumer is satisfied will buy it repeatedly. These are the products that have to be advertised heavily, with a view to inducing people to try them out, and thus, build up brand preference and brand loyalty.

Based on Tangibility

Based on tangibility goods are divided into tangible and intangible goods or services.

Tangible goods: A tangible product is a physical object that can be perceived by touch such as a building, vehicle, or gadget. Most goods are tangible products.

Intangible goods or Services:. Services are those separately identifiable, essentially intangible activities which provide want satisfaction, and which are not necessarily tied to the sale of a product or another service.

For Example- The business and commercial sectors which include airlines, banks, hotels, and insurance companies, and the professionals such as chartered accountants, management consulting firms, medical practitioners, etc. also need marketing. We will study services in details in sections

PRODUCT MIX

What are the dimensions of product mix and Explain its importance?

Product mix, also known as product assortment or product portfolio, refers to the complete set of products and/or services offered by a firm. A product mix consists of product lines, which are associated items that consumers tend to use together or think of as similar products or services.

Dimensions of a Product Mix

1 Width: Width, also known as breadth, refers to the number of product lines offered by a company. For example, Kellogg's product lines consist of: (1) Ready-to-eat cereal, (2) Pastries and breakfast snacks, (3) Crackers and cookies, and (4) Frozen/Organic/Natural goods.

2 Length: Length refers to the total number of products in a firm's product mix. For example, consider a car company with two car product lines (3-series and 5-series). Within each product line series are three types of cars. In this example, the product length of the company would be six.

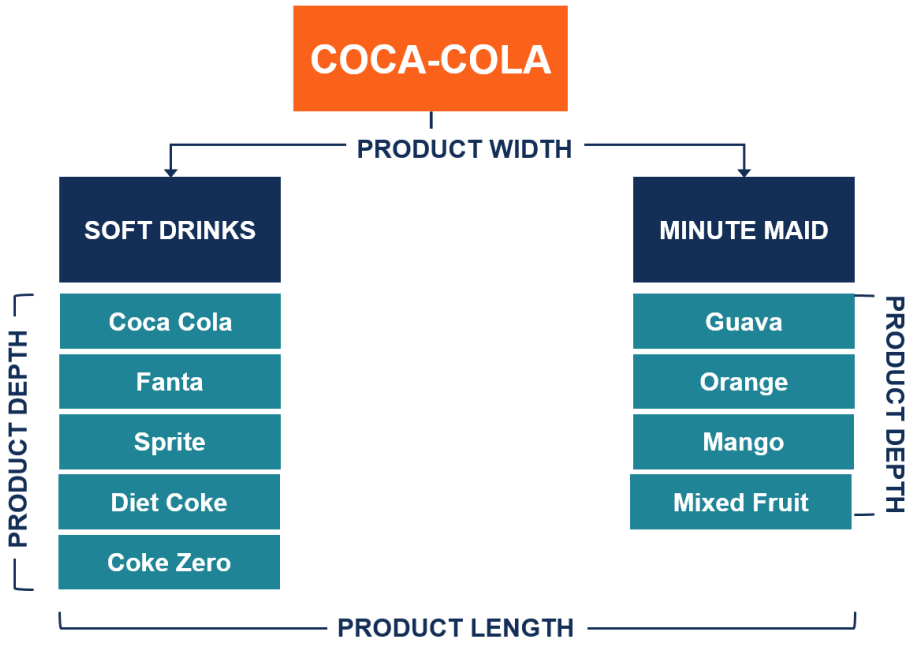
3 Depth: Depth refers to the number of variations within a product line. For example, continuing with the car company example above, a 3-series product line may offer several variations such as coupe, sedan, truck, and convertible. In such a case, the depth of the 3-series product line would be four.

4 Consistency: Consistency refers to how closely related product lines are to each other. It is in reference to their use, production, and distribution channels. The consistency of a product mix is advantageous for firms attempting to position themselves as a niche producer or distributor. In addition, consistency aids with ensuring a firm's brand image is synonymous with the product or service itself.

Example of a Product Mix

Let us take a look at a simple product mix example of Coca-Cola. For simplicity, assume that Coca-Cola oversees two product lines – soft drinks and juice (Minute Maid). Products classified as soft drinks are Coca-Cola, Fanta, Sprite, Diet Coke, Coke Zero, and products classified as Minute Maid juice are Guava, Orange, Mango, and Mixed Fruit.

The product (mix) consistency of Coca-Cola would be high, as all products within the product line fall under beverage. In addition, production and distribution channels remain similar for each product. The product mix of Coca-Cola in the simplified example would be illustrated as follows:



Importance of a Product Mix

The product mix of a firm is crucial to understand as it exerts a profound impact on a firm's brand image. Maintaining high product width and depth diversifies a firm's product risk and reduces dependence on one product or product line. With that being said, unnecessary or non-value-adding product width diversification can hurt a brand's image. For example, if Apple were to expand its product line to include refrigerators, it would likely have a negative impact on its brand image with consumers.

In regard to a firm expanding its product mix:

Expanding the width can provide a company with the ability to satisfy the needs or demands of different consumers and diversify risk.

Expanding the depth can provide the ability to readdress and better fulfil current consumers.

Summary

Successfully expanding a product mix can help a business adjust to changing consumer demand/preferences while reducing product risk and reliance on a single product or product line. This, in turn, generates substantial profits for the firm. On the other hand, poor product mix expansion can result in a detrimental impact on a company's brand image and profitability.

Product Life cycle

Q. What are the features of product life cycle?

After launching the new product, management wants the product to enjoy .along and healthy life. Although it does not expect the product to sell for ever, the company wants to earn a decent profit to cover all the effort and risk that went into launching it. Management is aware that each product will have a life cycle, although the exact shape and length is not known in advance.

Philip Kotler – "The product life cycle portrays distinct stages in the sales history of product. Corresponding to these stages, there are distinct opportunities and problems with respect to marketing strategy and project potential. By identifying the stage that a product is in or may be headed towards, companies can formulate better marketing plans."

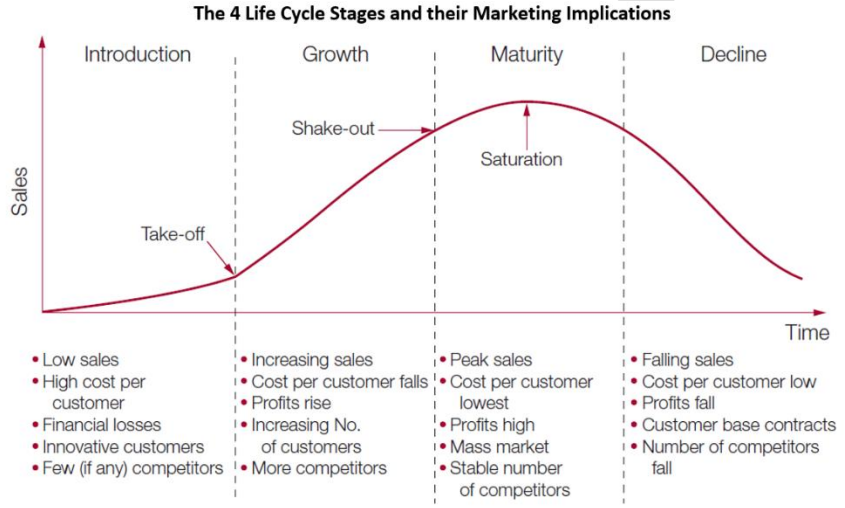
FEATURES OF PRODUCT LIFE CYCLE

Where new product development ends a product life cycle begins
Most of the product follow —"Bell Shape" (or as some authors say —"S Shape") Product Life Cycle.
Product has a life history, cycle with five stages viz.; Product development, Introduction, Growth, Maturity, Saturation, Decline.
Sales volume and profits / losses have a definite relation over different phases
Marketing strategies should be framed right to the tune of stages.
The period of different stages vary to each product.
Unless functional approach is adopted, product may meet unexpected end without completing the whole life cycle.
All products need not necessarily cross all stages, in all the market segments.

Q. Explain the various stages in the product life cycle of a product?

Philip Kotler – "The product life cycle portrays distinct stages in the sales history of product. Corresponding to these stages, there are distinct opportunities and problems with respect to marketing strategy and project potential. By identifying the stage that a product is in or may be headed towards, companies can formulate better marketing plans."

Stages of Product Life Cycle



1. Introduction Stage

This is the first stage when the product is launched in the market. At this stage, sales are low because customers are not fully aware of the product. The company spends heavily on advertising and promotion to create awareness and encourage trial. Distribution channels are limited, and profits are usually low or negative due to high production and promotional expenses. Competition is minimal.

Key Features:

- Low sales
- High promotional cost
- Little or no profit
- Limited competition

2. Growth Stage

In this stage, the product gains acceptance in the market, and sales increase rapidly. Profits start rising due to higher sales volume and economies of scale. New competitors enter the market as the product becomes successful. The company may improve product quality, add new features, and expand distribution channels to capture a larger market share.

Key Features:

- Rapid increase in sales
- Rising profits
- Increasing competition
- Product improvements

3. Maturity Stage

This stage is characterized by a slowdown in sales growth as the product reaches maximum market penetration. Sales remain high but stable. Competition becomes intense, leading to price cuts and increased promotional efforts. Profit margins may decrease. Companies focus on product differentiation, market segmentation, and promotional strategies to maintain their market position.

Key Features:

- High but stable sales
- Intense competition
- Price competition
- Reduced profit margins

4. Decline Stage

In the final stage, sales and profits start declining due to changing customer preferences, technological advancements, or the introduction of better substitute products. The company may reduce promotional efforts, cut costs, modify the product, or withdraw it from the market.

Key Features:

- Decreasing sales
- Falling profits
- Reduced competition
- Product withdrawal

Conclusion

The Product Life Cycle consists of four stages: Introduction, Growth, Maturity, and Decline. Each stage requires different marketing strategies to manage sales and profits effectively. Understanding the Product Life Cycle helps businesses make better decisions regarding pricing, promotion, product modification, and market expansion.

PLC MARKETING STRATEGIES

Explain the Product life cycle marketing strategies?

(1) INTRODUCTION STAGE: The first stage of a product life cycle is the introduction or pioneering stage. Under this stage, competition is almost or non-existent, prices are relatively high, markets are limited and the product innovation is not known much. The growth in sales volume is at a lower rate because of lack of knowledge on the part of the customers and difficulties in making the product available to the customers. During this stage, high expenditure has to be incurred on advertising and other promotional techniques. Prices are usually high during the introduction stage because of small scale of production, technological problems and heavy promotional expenditure.

To introduce the product successfully, the following strategies may be adopted:

(i) Advertisement and publicity of the product —'Money back' guarantee may be offered to stimulate the people try the product,

(ii) Attractive gifts to customers.

(iii) 'Price off' as an introductory offer, i.e., introducing the product at a discount to attract the people. ,

(iv) Attractive discount to dealers.

(v) Higher price of product to earn greater profit during the initial stages i.e., skimming the cream pricing policy. If there is competition in the market, the firm may fix lower price to penetrate the market.

(2) GROWTH STAGE: As the product grows in popularity, in moves into the second phase of its life cycle, i.e., the growth stage. During this stage, the demand expands, price fall, competition increases, and distribution is greatly widened. The management focuses its attention on improving the market share by deeper penetration into the existing markets and entry into new markets. Sometimes, major improvements also take place in the product during this stage. The promotional expenses remain high although they tend to fall as a ratio to sales volume. The falling ratio of promotional expenditure to sales leads to increase in profitability during this stage.

The following strategies are followed by the business firms during the growth stage:

(i) Advertisement and publicity of the product.

(ii) Incentive schemes may be offered to stimulate more people to try the product.

(iii) New versions of the product are introduced to cater to the requirements of different types of customers.

(iv) Channels of distribution are strengthened so that the product is easily available wherever required.

(v) Brand image of the product is created through promotional activities.

(vi) The price of product is competitive.

(vii) There is greater emphasis on customer service.

(3) MATURITY STAGE: The product enters into maturity stage as competition intensifies further and market gets saturated. Profits come down because of stiff competition, and marketing expenditures rise. The prices are decreased because of competition and innovations in technology. This stage may last for a long period as in the case of many products with long-run demand characteristics. But sooner or later, demand of the product starts declining as new products are introduced in the market. Product differentiation, identification of new segments and product improvement are emphasized during this stage.

In order to lengthen the period of maturity stage, the following strategies may be adopted:

(i) Product may be differentiated from the competitive products and brand image may be strengthened further.

(ii) The warranty period may be extended. For instance, some manufactures of TVs have introduced the concept of life time warranty.
(iii) Reusable packaging may be introduced.
(iv) New markets may be developed.
(v) New uses of the product may be developed.

(4) DECLINE STAGE: This stage is characterized by either the product's gradual displacement by some new products or change in consumer buying behavior. The sales fall down sharply and the expenditure on promotion has to be cut down drastically. The decline may be rapid with the product soon passing out of market or slow if new uses of the product are found.
To avoid sharp decline in sales, the following strategies may be used:
(i) New features may be added to the product and its packaging may be made more attractive.
(ii) Economy packs or models may be introduced to revive the market.
(iii) Promotion of the product may be done on a selective basis to reduce the distribution costs.

(5) ABANDONMENT STAGE: Many firms abandon the obsolete product in order to put their resources to better use. Innovative products are introduced in the market to take place of the abandoned products. As far as possible, attempts should be made to postpone the decline stage. But if the decline is rapid, the product model may be abandoned and the new model with unique features may be introduced. If it is not possible or there are heavy losses, the manufacturer may seek merger with a strong firm.

Q. Diffrences between various stages of PLC
Product Life Cycle Stages, Characteristics and Standard Responses

Characteristics	Introduction	Growth	Maturity	Decline
Market Growth Rate	Moderate	High	Insignificant	Negative
Technical Change in Product Design	High	Moderate	Limited	Limited
Market Segments	Few	Few to Many	Few to many	few
Competitors	Few	Many	Limited	Few
Profitability	Negative	High	Hugh for Market- share leaders	Low
Company's Standard Responses	Stimulate primary demand	Gain Market Share		No change
Product	Improve quality	Continue quality improvements	Concentrate on features	No change
Product Line	Narrow	Broad	Hold line length	Reduce line length
Price	Skimming or Penetration	Reduce	Hold or reduce	Reduce
Promotion	High	High	High or reduce	Reduce
Distribution	Selective	Intensive	Intensive	Selective

PRODUCT LINE DECISION

Q. Explain various types of product line decisions?

A product line refers to the grouping of similar products under a single brand. Most brands offer an array of related products or services under one brand name. Companies consider product diversification as one of the most robust and efficient ways to retain the existing customer base and grow revenues. Product Lines are often a part of market strategy. Companies keep adding on more products to attract buyers. Especially they want to attract the customers who are more familiar to the brand A company can have more than one product line.

According to Philip Kotler, a product line can be defined as "a group of products that are closely related because they function in a similar manner, and sold to the same customer groups, are marketed through these same types of outlets, fall within given price range."

PRODUCT LINE DECISIONS

Product line manager's takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.

Line Stretching Decision - Line stretching means lengthening a product line beyond its current range. An organisation can stretch its product line downward, upward, or both way.

Downward Stretching means adding low-end items in the product line, for example in Indian car market, watching the success of Maruti-Suzuki in small car segment, Toyota and Honda also entered the segment.

Upward Stretching means adding high-end items in the product line, for example Maruti-Suzuki initially entered small car segment, but later entered higher end segment.

Two-way Stretching means stretching the line in both directions if an organisation is in the middle range of the market.

Line filling: This process refers to adding new products to an existing product range to utilise excess production capacity, increase customer base, improve profits, or capture a larger market share. For example, smartphone manufacturers usually offer a wide variety of smartphones in each category as part of their product line filling activities.

Line pruning: It refers to the decision to remove unprofitable products from an existing product line. Usually, companies prune product lines based on the market reception of a particular product. Companies usually discontinue products that do not meet expected sales volumes.

Product mix: A product line contains unique but related products under a specific category. A product mix refers to all the products a company offers to its customers.

Line depth: It refers to the number of products offered under a product line. It is of two types, which are low depth and high depth. Maintaining low-depth limits the choices available for customers, while too high depths risk diluting the brand value.

Closely Related Products:. In any product line, the products are closely related. For example, Pepsi has a Beverages product category which includes Pepsi, Dew, Aquafina, Brisk, and many more. These products are related and target a specific group of people and preferences.

Same Customer Groups. Every product category target the same customer group. For instance, 7 UP, Pepsi, Marinda, Mountain Dew target young people, while Gatorade is a PepsiCo brand that targets athletes. Similarly, Quaker Oat is another Pepsi brand that focuses on health-conscious people.

Q**. What are the factors affecting product line decisions?**

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Category Size : Category size is an important piece of data about any market. It is clearly an important determinant of the likelihood that a product will generate revenues to support a given investment. In general, larger markets are better than smaller ones. Besides having more market potential, large categories usually offer more opportunities for segmentation than small ones. Large markets, however, tend to draw competitors with considerable resources, thus making them unattractive for small firms.

Market Growth: Market growth is a key market factor advocated by various planning models. Not only is current growth important, but growth projections over the horizon of the plan are also critical. Fast-growing categories are almost universally desired due to their abilities to support high margins and sustain profits in future years. However, like large categories, fast-growing ones also attract competitors.

Product Life Cycle: Category size and category growth are often portrayed simultaneously in the form of the product life cycle. Usually presumed to be S shaped, this curve breaks down product sales into four segments: introduction, growth, maturity, and decline. The introduction

Sales Cyclicity: Many categories experience substantial inter year variation in demand. Highly capital-intensive business such as automobiles, steel and machine tools, are often tied to general business conditions and therefore suff er through peaks and valleys of sales.

Seasonality: Seasonality - intra year cycles in sales - is generally not viewed positively. Seasonal business tends to generate price wars because there may be few other opportunities to make substantial sales. However, most products are seasonal to some extent. Some, are very seasonal.

Profits: While profits vary across products or brands in a category, large inter industry differences also exist. These differences in profitability across industries are actually based on a variety of underlying factors. Differences can be due to factors of production (e.g., labour versus capital intensity, raw materials), manufacturing technology, and competitive rivalry. Product categories that are chronically low in profitability are less attractive than those that offer higher returns.

UNIT 4 PRICING DECISIONS

Q. What are the Objectives of Pricing?

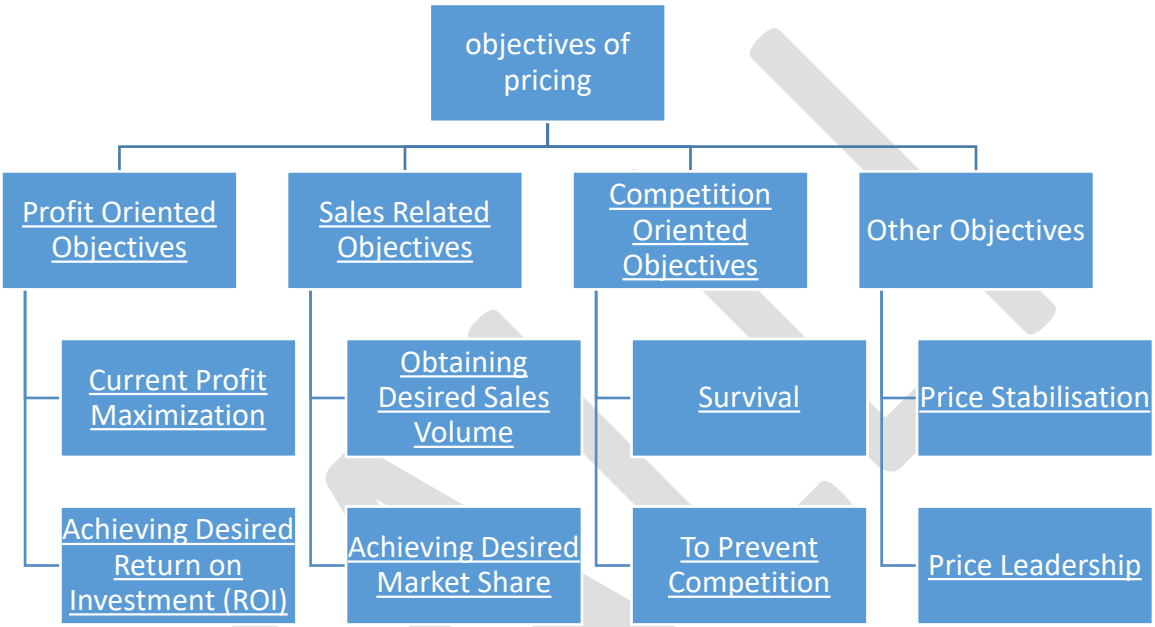
Price The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.

DEFINITIONS

"Price is amount of money charged for a product or service. It is the sum of all the values that consumers give up in order to gain the benefits of having or using a product or service"

"Price is the value placed on what is exchanged. Something of value is exchanged for satisfaction and utility, includes tangible (functional) and intangible (prestige) factors."

As a concept "Price is that which is given up in an exchange to acquire a product and service"



1. **Profit-Oriented Objectives**

a. Current Profit Maximization

Some companies aim to earn the highest possible profit in the short term. They estimate demand and cost at different price levels and choose the price that gives maximum profit. This strategy is suitable when the product is unique, customers are not sensitive to price, or the firm enjoys monopoly power. However, charging very high prices may attract competitors, damage brand image, or invite government control in the long run.

b. Achieving Target Return on Investment (ROI)

Under this objective, the company decides in advance the percentage of return it wants on its investment. The product is priced in such a way that the desired return is achieved. This is useful when the firm wants to recover investment within a specific period or prepare for future uncertainties. However, it may not work well in highly competitive markets.

2. **Sales-Oriented Objectives**

a. Achieving Target Sales Volume

Some firms focus on reaching a particular level of sales rather than maximizing profit. They fix prices that help them achieve the desired sales volume. This strategy may support long-term growth and market stability, even if short-term profits are lower. However, heavy discounts and promotional expenses may reduce profitability.

b. Gaining or Maintaining Market Share

Certain companies aim to capture a large share of the market, considering it a sign of strength and customer loyalty. Pricing decisions are made to increase, maintain, or dominate market share. While this strategy can strengthen market position, it may also attract competitors or government regulations.

3. **Competition-Oriented Objectives**

a. Survival

When facing intense competition, low demand, or unfavorable business conditions, a company may adopt survival as its main objective. Prices are kept very low to remain in the market. Profit becomes secondary, and the main goal is to continue operations until conditions improve.

b. Preventing Competition

Sometimes firms set low prices to discourage new competitors from entering the market. After establishing a strong position and reducing competition, the company may gradually increase prices.

4. **Other Pricing Objectives**

a. Price Stabilization

Some firms prefer to avoid price wars by following industry leaders in pricing. This is common in markets for standardized products where differentiation is limited.

b. Price Leadership

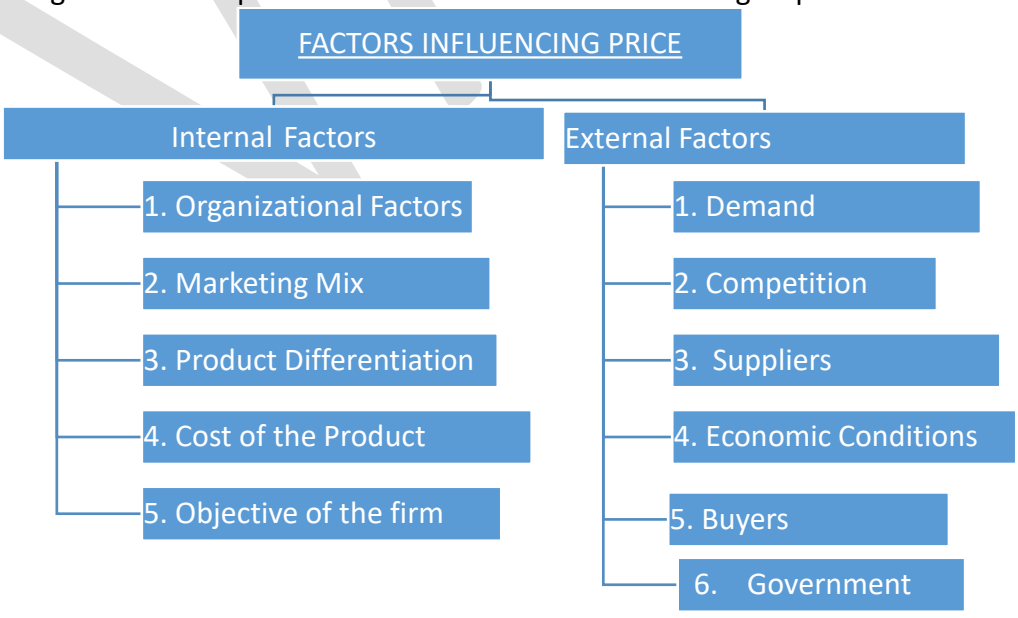
Companies producing high-quality or innovative products may set premium prices to create a prestigious brand image. Even if the customer base is small, high prices ensure good profit margins.

5. **Additional Objectives**

Other goals may include building a socially responsible image through reasonable pricing, offering multiple product variants at different prices, or promoting premium products using lower-priced versions.

Q. What are the factors influencing price determination?

Influencing factors for a price decision can be divided into two groups:



(A) Internal Factors:

1. Organizational Factors: Pricing decisions occur on two levels in the organisation. Over-all price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies. Usually, some combination of production and marketing specialists are involved in choosing the price.

2. Marketing Mix: Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three—Production, Promotion and Distribution. In some industries, a firm may use price reduction as a marketing technique. Other firms may raise prices as a deliberate strategy to build a high-prestige product line. In either case, the effort will not succeed unless the price change is combined with a total marketing strategy that supports it. A firm that raises its prices may add a more impressive looking package and may begin a new advertising campaign.

3. Product Differentiation: The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product, such as quality, size, colour, attractive package, alternative uses etc. Generally, customers pay more prices for the product which is of the new style, fashion, better package etc.

4. Cost of the Product: Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise product would be flapped in the market.

5. Objectives of the Firm: A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value-oriented objectives, such as maximizing sales revenue, maximizing market share, maximizing customer volume, minimizing customer volume, maintaining an image, maintaining stable price etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

(B) External Factors:

1. Demand: The market demand for a product or service obviously has a big impact on pricing. Since demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay, their preference etc. are taken into account while fixing the price. A firm can determine the expected price in a few test-markets by trying different prices in different markets and comparing the results with a controlled market in which price is not altered. If the demand of the product is inelastic, high prices may be fixed. On the other hand, if demand is elastic, the firm should not fix high prices, rather it should fix lower prices than that of the competitors.

2. Competition: Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination. A firm can fix the price equal to or lower than that of the competitors, provided the quality of product, in no case, be lower than that of the competitors.

3. Suppliers: Suppliers of raw materials and other goods can have a significant effect on the price of a product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers, in turn, pass it on to consumers. Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to make profits by charging more for their supplies. In other words, the price of a

finished product is intimately linked up with the price of the raw materials. Scarcity or abundance of the raw materials also determines pricing.

4. Economic Conditions: The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution. To meet the changes in demand, price etc.

(a) Prices can be boosted to protect profits against rising cost,

(b) Price protection systems can be developed to link the price on delivery to current costs,

(c) Emphasis can be shifted from sales volume to profit margin and cost reduction etc.

5. Buyers: The various consumers and businesses that buy a company's products or services may have an influence in the pricing decision. Their nature and behaviour for the purchase of a particular product, brand or service etc. affect pricing when their number is large.

6. Government: Price discretion is also affected by the price-control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in prices of certain products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector. The marketers obviously can exercise substantial control over the internal factors, while they have little, if any, control over the external ones.

Q. What are the various methods of pricing ?

The two methods of pricing are as follows: A. Cost-oriented Method B. Market-oriented Methods. There are several methods of pricing products in the market. While selecting the method of fixing prices, a marketer must consider the factors affecting pricing. The pricing methods can be broadly divided into two groups—cost-oriented method and market-oriented method.

A. COST-ORIENTED METHOD: Because cost provides the base for a possible price range, some firms may consider cost-oriented methods to fix the price. Cost-oriented methods or pricing are as follows:

1. COST PLUS PRICING: Cost plus pricing involves adding a certain percentage to cost in order to fix the price. For instance, if the cost of a product is Rs. 200 per unit and the marketer expects 10 per cent profit on costs, then the selling price will be Rs. 220. The difference between the selling price and the cost is the profit. This method is simpler as marketers can easily determine the costs and add a certain percentage to arrive at the selling price.

2. MARK-UP PRICING: Mark-up pricing is a variation of cost pricing. In this case, mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price. Firms that use cost-oriented methods use mark-up pricing. Since only the cost and the desired percentage markup on the selling price are known, the following formula is used to determine the selling price: Average unit cost/Selling price

3. BREAK-EVEN PRICING: In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss.. The following formula is used to calculate the break-even point:

Contribution = Selling price – Variable cost per unit

5. EARLY CASH RECOVERY PRICING: Some firms may fix a price to realize early recovery of investment involved, when market forecasts suggest that the life of the market is likely to be short, such as in the case of fashion-related products or technology-sensitive products. Such pricing can also be used when a firm anticipates that a large firm may enter the market in the

near future with its lower prices, forcing existing firms to exit. In such situations, firms may fix a price level, which would maximize short-term revenues and reduce the firm's medium-term risk.

B. MARKET-ORIENTED METHODS:

1. PERCEIVED VALUE PRICING: A good number of firms fix the price of their goods and services on the basis of customers' perceived value. They consider customers' perceived value as the primary factor for fixing prices, and the firm's costs as the secondary. The customers' perception can be influenced by several factors, such as advertising, sales on techniques, effective sales force and after-sale-service staff. If customers perceive a higher value, then the price fixed will be high and vice versa. Market research is needed to establish the customers' perceived value as a guide to effective pricing.

2. GOING-RATE PRICING: In this case, the benchmark for setting prices is the price set by major competitors. If a major competitor changes its price, then the smaller firms may also change their price, irrespective of their costs or demand. The going-rate pricing can be further divided into three sub-methods:

a. Competitors 'parity method: A firm may set the same price as that of the major competitor.

b. Premium pricing: A firm may charge a little higher if its products have some additional special features as compared to major competitors.

c. Discount pricing: A firm may charge a little lower price if its products lack certain features as compared to major competitors. The going-rate method is very popular because it tends to reduce the likelihood of price wars emerging in the market. It also reflects the industry's coactive wisdom relating to the price that would generate a fair return.

3. SEALED-BID PRICING: This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed bids for jobs in response to an advertisement. In this case, the buyer expects the lowest possible price and the seller is expected to provide the best possible quotation or tender. If a firm wants to win a contract, then it has to submit a lower price bid. For this purpose, the firm has to anticipate the pricing policy of the competitors and decide the price offer.

4. DIFFERENTIATED PRICING: Firms may charge different prices for the same product or service. The following are some the types of differentiated pricing:

a. Customer segment pricing: Here different customer groups are charged different prices for the same product or service depending on the size of the order, payment terms, and so on.

b. Time pricing: Here different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low-demand tunings or season.

c. Area pricing: Here different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market to attract customers.

d. Product form pricing: Here different versions of the product are priced differently but not proportionately to their respective costs. For instance, soft drinks of 200,300, 500 ml, etc., are priced according to this strategy.

Short Answer

Q. Importance of the pricing

Or

The Role of Pricing in Marketing

Price The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.

Price is the amount of money expected and given in exchange for a good or service.

Pricing can also be defined as the value customers sacrifice to benefit from receiving and using a good or service. Price is, therefore, the element of the marketing mix that leads to revenues, unlike the other elements which incur costs. Pricing is also important as a strategic tool as it creates customer value.

Communicating Quality: Price is an important aspect in establishing the consumer's perceived value of a product (or brand). Many customers associate price with overall product quality, and a more costly product is often seen as better.

Profit Generation: Price, in conjunction with a suitable unit margin, is critical to providing the firm's total profitability. Price considerations are critical and must be set in combination with predicted sales volume in order to achieve a favorable unit margin/ sales turnover situation. If the price is set too high, sales will fall, resulting in less money. Prices that are too low may not have enough margin to produce substantial earnings.

Value Communication: Consumers become regular customers when they believe they're getting excellent value from a possible transaction. Consumers will assess the possible advantages against the different expenses associated with purchasing the goods. Because pricing is the most important expense that buyers evaluate, putting a price at a given level influences the impression of value. For example, if a store sells small pizzas for 5$, many customers will see value and purchase one. However, if the business priced the same little

PRICING STRATEGIES

Q. What are the various types of pricing strategies are there?

DEFINITION:

Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk-taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors.

Pricing Strategies:

1. **Price Skimming**: Setting rates high during the initial phase is known as price skimming. This is intended to assist companies in increasing sales of new products and services. After the items or services are offered, the firm gradually lowers the prices. As new rival products enter the market, this is finally done. This sort of pricing is great for companies looking to expand into new sectors.

For example the earliest prices for mobile phones, VCRs, and other electronic items where a few players ruled attracted lower cost Asian players.

2. **Market Penetration Pricing**: Penetration pricing is a marketing strategy used by businesses to attract customers to a new product or service by offering a lower price during its initial offering. The lower price helps a new product or service penetrate

the market and attract customers away from competitors. Market penetration pricing relies on the strategy of using low prices initially to make a wide number of customers aware of a new product.

Penetration tactics are designed to entice customers by lowering the cost of goods and services. Many new businesses employ this strategy to divert attention away from their competitors.

However, penetration pricing results in an early loss of revenue for the company. Increased awareness, on the other hand, can lead to increased earnings over time. It may also assist small companies in standing out from the crowd. Companies frequently end up increasing their pricing after sufficiently entering a market. This is done in order to better represent their current market position.

3. **Premium pricing**: Businesses use Premium Pricing to set costs higher than their competitors. In the early stages of a product's life cycle, premium pricing is generally the most successful. It's also great for tiny enterprises that sell one-of-a-kind items.
4. **Economy Pricing**: The goal of economy pricing is to appeal to the most price-conscious customers i.e the middle class and the lower economic class of society. A wide spectrum of firms employ this technique.

Generic food distributors, cheap shops, and other businesses fall under this category. As a result of this technique, firms can and reduce marketing and manufacturing expenses.

Walmart and Costco, for example, are great instances of economic pricing schemes. Adopting an economical pricing strategy, similar to premium pricing, is determined by your overhead expenses and the total worth of your goods.

Example: Friendly wash detergents; Nirma; local tea producers

5. **Bundle pricing**: Bundle pricing refers to offering a set of goods or services at a cheaper price than customers would pay if they bought each item separately. Companies that provide complementary items benefit from this pricing approach the most.

Bundle pricing is an excellent technique to swiftly trade a large amount of product. Profits on low-value goods exceed losses on high-value items included in a bundle in an efficient bundle pricing plan.

6. **Psychological Pricing:** Psychological pricing does exactly what it says on the tin: it uses human psychology to improve and increase sales. When a marketer wants the customer to react emotionally rather than rationally, this strategy is utilized. It analyses the psychology of pricing rather than merely the economics of product pricing. As a result, a marketer may utilize psychological pricing in a variety of ways
7. **Competitive pricing:** Consumers want the best deal, which isn't necessarily the same as the lowest price. Competitively pricing the products and services in the market might place the company in a better position to gain a customer's business.

Competitive pricing is incredibly useful when the company provides something that competitors don't, such as outstanding customer service, a liberal return policy, or unique loyalty incentives. If the company is primarily targeting price-sensitive clients, a competitive pricing approach could be a better option.

8. **Discount and Allowance Pricing:** In order to reward customers for their acts, brands frequently modify the fundamental pricing of their goods. These behaviors might include bulk purchases, early bill payments, off-season purchases or stays, and so on.

There are many different types of promotional pricing, such as BOGOF (Buy One Get One Free), money off coupons, and discounts. Promotional pricing is frequently a source of contention. Many nations have rules that dictate how long a commodity must be sold at

its initial higher price before being reduced. Promotional price extravaganzas are what sales are all about

9. **Geographical Pricing:** When items or services are priced differently based on their geographical location or market, this is known as geographic pricing. This technique may be utilized if a consumer from another nation makes a purchase or if there are differences in elements such as the economy or salaries

As a result, geographic pricing reflects the transportation expenses associated with moving items from point of origin to point of sale. So, if the customer's location is closer to the site of origination, a lower fee may be paid. Customers that live in a remote location are charged a higher premium.

10. **Value Pricing**: When external forces such as recession or increasing competition compel firms to give value products and services in order to retain revenue, such as in fast-food restaurants, this strategy is utilized. The term "value price" refers to a price that provides excellent value for money, i.e. a price that makes the consumer feel as though they are receiving a lot of goods for their money. It's comparable to economy pricing in many respects.

It is important not to make the error of believing that there is more value in the product or service. In most cases, lowering the price does not enhance the value. Contribution Pricing: Contribution = Selling Price – Variable (direct costs).

11. **Absorption Cost Pricing**: Full Cost Pricing – attempting to set price to cover both fixed and variable costs. Absorption Cost Pricing – Price set to 'absorb' some of the fixed costs of production
12. **Destroyer Pricing**: Deliberate price cutting or offer of 'free gifts/products' to force rivals (normally smaller and weaker) out of business or prevent new entrants
13. **Going Rate Pricing**: In case of price leader, rivals have difficulty in competing on price – too high and they lose market share, too low and the price leader would match price and force smaller rival out of market • May follow pricing leads of rivals especially where those rivals have a clear dominance of market share • Where competition is limited, 'going rate' pricing may be applicable – banks, petrol, supermarkets, electrical goods – find very similar prices in all outlets.
14. **Cost Plus Pricing**: Cost-plus pricing is a pricing strategy that is used to maximize the rates of return of companies. Cost-plus pricing is also known as mark-up pricing where cost + mark-up = selling price. In practice, most firms use either value based pricing or cost-plus pricing.
15. **Price Discrimination Pricing:** Charging a different price for the same good/service in different markets • Requires each market to be impenetrable • Requires different price elasticity of demand in each market • Prices for rail travel differ for the same journey at different times of the day.

UNIT - V: PROMOTION MIX:CONCEPT & MEANING OF PROMOTION-MIX

Promotion-mix refers to an optimum combination of different promotional tools and techniques; with a view to maximizing sales and profits. The need for promotion-mix arises because all promotional tools and techniques are not equally effective and appealing.

IMPORTANTANCE OF PROMOTION MIX

Improves the effectiveness of promotion campaigns. Promotion is a crucial part of any business, so companies develop a promotion mix, putting all efforts to make promotions at the right place, at the right time, and in front of the right audience. It helps to get the most out of their marketing resources by optimizing budget and saving time.
Helps to segment the audience. To develop a compelling promotion mix, a company needs to identify its target audience. Potential subscribers may include various groups of people who have something in common, for example, age, gender, preferences, etc., and they all need an individual approach. Promotion mix is the key method to deliver a relevant promotion message via the most comfortable channel to each segment.
Improves communication with the clients. Companies develop promotion mix trying to speak their consumers' language. If prepared right, it helps to build trustful relationships between the brand and its customers. It is a crucial factor in lead nurturing and customer retention. For example, automated email campaigns help to achieve these goals by responding to people's actions instantly.
Informs well. Some promotions, on Instagram for example, aim to show the product from the best angle, and others, like SMS, emphasize the advantages of the local services. Using the promotion mix companies define the best ways to educate people about the products and services they trade.
Helps to stand out from the crowd. People are bombarded with all sorts of advertising at every turn. With the promotion mix, it is possible to stand out from the crowd without creating chaos in your customers' heads. Successful companies make quality prevail over quantity, promoting at the right place and at the right time.

ELEMENTS / COMPONENTS OF A PROMOTION MIX
The main elements or Components of promotion-mix are:
(i) Advertising (ii) Salesmanship (or personal selling) (iii) Sales promotion techniques
Some authorities speak of a four element of promotion-mix i.e. publicity

ADVERTISING. It is a non-personal promotion of products and services. Marketers use advertising as a vital tool for increasing brand awareness. Advertisers show the promotions to masses of people using email, WebPages, banner ads, television, radio, etc.
DIRECT SELLING. It is a one-to-one communication between a sales representative and a potential customer. Direct selling influences people to decide to buy certain products or services. It is one of the most effective ways of promoting because the sales rep tailors the promotion precisely to those people who will most likely buy it. On the other hand, it is the most expensive form of sales because companies pay for one person's time.
SALES PROMOTION. It is a set of short-term activities which are designed to encourage immediate purchase. Sales promotion is a campaign which uses time-sensitive offers — sales, discounts, coupons, etc., to engage existing consumers and bring in the larger audience. Many

companies make this a core component of their marketing efforts, though sometimes it's the most annoying way of communication for people.

PUBLIC RELATIONS. This type of promotional method determines the way people treat the brand. Companies using PR try to build a firm and attractive brand image by planting interesting news story about their activities in the media. Public relations are not fully controlled by the company, though, as some reviews and WebPages may negatively highlight the brand. If the company adequately solves such issues, people will reward it with positive word-of-mouth consideration.

PUBLICITY: It is the activity of increasing the awareness about a person, product or service and to grab the attention of the crowd. It is a way to project your company or a brand in front of the potential customer. Publicity generally gives the authority of an independent voice. It may turn helpful in increasing the sales from the potential customers. Publicity is not restricted to products or services only but can be attributed to politics, entertainment, arts, artists, documentaries etc. Publicity is difficult to be controlled. The cost associated with publicity is usually less as compared to the other marketing activities like promotion and advertising which cost sums of money for the people. Public relations are the field which organizes the process of publicity in a controlled way.

FACTOR INFLUENCING PROMOTION-MIX

Some important factors which have an influence on the formulation of promotion-mix are described below:

(i) Type of Product: In case of industrial goods and consumer durables, where demonstration of the product is required to explain their manner of handling, instructions for safety etc.; personal selling must be emphasized more than advertising and sales promotion. Standardized popular goods require more of advertising than personal selling to maintain and extend their demand. In fact, products of different nature and varieties require different promotional devices; and there are no standard rules in this regard governing the choice among elements of promotion-mix.

(ii) Age of the Product: For new and innovative products, personal selling is better; as salespersons can easily educate and convince prospects about the nature and utility of such products. Alongside, aggressive advertising is also necessary to prepare a base for demand creation. For older products, whose popularity may be declining due to intense competition; sales promotion techniques might be better able to push demand by creating an interest in products, on the part of general public's.

(iii) Number of Consumers and Their Spread: If the number of consumers is small and they are concentrated in particular geographical regions; personal selling might be more effective and cheaper. If, however, consumers are large in number and are widely spread; advertising might produce better results in terms of creating awareness about the product. An added aspect here may be the type of consumers – ladies, gents, children, elderly persons etc. For developing popularity of the product e.g. among ladies or children, sales promotion techniques might better meet the expectations of the manufacturer in producing quick sales.

(iv) Promotion Budget: Different elements of promotion-mix have different financial implications. The size of the promotion budget i.e. funds available for promotional purposes might have a decisive say, in the formulation of the promotion-mix.

(v) Stage of the Product Life Cycle: Stage of the life cycle which a product is passing through, has an important influence on promotion-mix. During introduction stage e.g. there might be a need for emphasis on all aspects of promotion-mix to create maximum awareness about the product. At the saturation stage, aggressive advertising might better meet promotional requirements. In the declining stage, there may be a need cut down expenditure and efforts

on all elements of promotion-mix and so on. However, there is no standard formula for formulation of promotion-mix, in view of the product life cycle stage; as different products have different implications of promotional efforts at different stages of their life cycles.

(vi) Strategies Used by Competitors: An ideal promotion-mix of a company must be formulated against the background of the promotional strategies of competitors. In fact, it is desirable that the promotion-mix of a manufacturer must be in tune with the promotion-mix of leading competitors, in order to better face the challenges posed by them.

(vii) Appeal to Prospects*: Different promotional techniques have different influences on prospects, depending on whether they are:*

1. Urban or rural
2. Educated or uneducated (or less educated)
3. Service-class people or business class people
4. Rich, poor or average, in financial terms, and so on.

Just to give one example in this context, we may say that busy people of business class never like the sight of salespersons and would always like to avoid meetings with them; as their attention, all the time, may lie in business matters. To influence such persons, advertising is a better promotional technique, which does not involve their busy time.

Factor influencing promotion-mix – at a glance

(*i*) Type of product
(*ii*) Age of the product
(*iii*) Number of consumers and their spread
(*iv*) Promotion budget
(*v*) Stage of the product life cycle
(*vi*) Strategies used by competitors
(*vii*) Appeal to prospects

PROMOTIONAL TOOLS

The 4 Ps of marketing are product, price, place and promotion. All four of these elements combine to make a successful marketing strategy. Promotion looks to communicate the company's message across to the consumer. The four main tools of promotion are advertising, sales promotion, public relation and direct marketing.

Advertising: Advertising is defined as any form of paid communication or promotion for product, service and idea. Advertisement is not only used by companies but in many cases by museum, government and charitable organizations. However, the treatment meted out to advertisement defers from an organization to an organization. Advertising development involves a decision across five Ms Mission, Money, Message, Media and Measurement.

A. Mission: It looks at setting objectives for advertising. The objectives could be to inform, persuade, remind or reinforce. Objective has to follow the marketing strategy set by the company.

B. Money or budget decision for advertising should look at stage of product life cycle, market share and consumer base, competition, advertising frequency and product substitutability.

C. Message's development further is divided into four steps, message generation, message evaluation and selection, message execution, and social responsibility review. Once the message is decided the next step is finalizing the media for delivering the message.

D. Media The choice of depends on reach of media, frequency of transmission and potential impact on customer. Based on this choice of media types are made from newspaper, television, direct mail, radio, magazine and the internet. After which timing of broadcast of the message is essential as to grab attention of the target audience.

2. Sales Promotion: Promotion is an incentive tool used to drive up short term sales. Promotion can be launched directed at consumer or trade. The focus of advertising to create reason for purchase the focus of promotion is to create an incentive to buy. Consumer incentives could be samples, coupons, free trial and demonstration. Trade incentive could be price off, free goods and allowances. Sales force incentive could be convention, trade shows, competition among sales people. Sales promotion activity can have many objectives, for example, to grab attention of new customer, reward the existing customer, increase consumption of occasional users. Sales promotion is usually targeted at the fence sitters and brand switchers. Sales promotional activity for the product is selected looking at the overall marketing objective of the company. The final selection of the consumer promotional tools needs to consider target audience, budget, competitive response and each tool's purpose.Sales promotion activity should under-go pretest before implementation.

3. Public Relations: Companies cannot survive in isolation they need to have a constant interaction with customers, employees and different stakeholders. This servicing of relation is done by the public relation office. The major function of the public relation office is to handle press releases, support product publicity, create and maintain the corporate image, handle matters with lawmakers, guide management with respect to public issues. Companies are looking at ways to converge with functions of marketing and public relation in marketing public relation. The direct responsibility of marketing public relation (MPR) is to support corporate and product branding activities. MPR is an efficient tool in building awareness by generating stories in media. Once the story is in circulation MPR can establish credibility and create a sense of enigma among sales people as well as dealers to boost enthusiasm. MPR is much more cost effective tool than other promotional activities.

4. Direct Marketing: The communication establishes through a direct channel without using any intermediaries is referred to as direct marketing. Direct marketing can be used to deliver message or service. Direct marketing has shown tremendous growth in recent years. The internet has played major part in this growth story. Direct marketing saves time, makes an experience personal and pleasant. Direct marketing reduces cost for companies. Face to face selling, direct mail, catalog marketing, telemarketing, TV and kiosks are media for direct marketing. Advertisement, Promotional activity, Public relation and direct marketing play an essential role in helping companies reaches their marketing goals.

TYPES OF ADVERTISEMENT

Advertising is a way for businesses to communicate a message to promote or sell a product, service, or idea. It is sponsored communication that forms a key part of marketing. While advertising is very effective in reaching a wide audience, it also has some drawbacks. It is impersonal and one-way, so customers cannot provide direct feedback. Additionally, advertising can be very expensive, especially on platforms like television. Some forms, like

newspapers or radio, can fit smaller budgets, but large-scale campaigns often require substantial investment.

The modern concept of advertising is often credited to **Thomas J. Barratt**, who worked for Pears Soap in London and used slogans, images, and catchphrases to create effective campaigns. Since then, advertising has grown and diversified, with many types and methods available today.

1. Online/Digital Advertising: This involves promoting products via the internet. It is highly targeted, allowing ads to reach people of specific age, location, or interest. Platforms like Google and Facebook generate major revenue from online ads. It is cost-effective but requires technical skills, and sometimes users ignore ads.

2. SMS Advertising: This is advertising via mobile messages, usually under 160 characters. It was popular before mobile internet became widespread and remains effective because it is personalized and reaches customers quickly at low cost.

3. Television Advertising: TV ads reach large audiences, especially during popular events like sports or prime-time shows. Though expensive, TV remains effective due to its broad reach. Infomercials are a special form designed to provide detailed product information.

4. Movie Theatre Ads: These are shown before or during movies and are difficult for viewers to skip, ensuring full message delivery. They are among the costliest forms of advertising.

5. Product Placement: Products are subtly integrated into movies or TV shows without direct promotion. This covert advertising builds brand visibility without interrupting the audience experience.

6. Radio Advertising: Radio ads use sound and jingles to convey messages. Although some consider radio less effective today, it still reaches daily listeners and can communicate product features in detail.

7. Print Advertising: This includes magazines, brochures, and newspapers. While print ads are expensive and have a shorter lifespan, they are effective for targeted audiences. Magazines focus on specific categories, brochures promote products directly to potential customers, and newspapers are still used for mass reach.

8. Outdoor Advertising: Posters, hoardings, and banners placed in public areas capture large audiences. Recently, digital billboards have replaced traditional printed ads for greater flexibility.

9. Global Advertising: Ads that are uniform across multiple countries are classified as global advertising. Brands like Apple use this approach with standardized messaging worldwide.

10. Outdoor Blank Space Advertising: This uses empty public spaces, such as metro walls, buses, and flight seats, for advertising. These spaces have high visibility and long exposure time.

11. E-mail Advertising: Personalized emails sent to customers are effective because they directly reach the audience with customized messages. Companies spend significant effort ensuring these emails reach inboxes rather than spam.

In summary, advertising comes in many forms—online, mobile, TV, print, outdoor, and global—each with its own advantages and limitations. Companies choose the method based on target audience, budget, and campaign goals.

SALES PROMOTION

Sales Promotion is a marketing tool used by companies to boost sales and communicate with the market. Along with advertising, public relations, and personal selling, it forms the promotions mix of a company. Sales promotions are temporary incentives offered either to consumers or to resellers to encourage purchases.

They are broadly divided into

1. **consumer promotions**
2. **trade/dealer promotions**,
3. **sales force**.

Consumer Sales Promotion targets customers directly to encourage them to buy products. Methods include **sampling**, where free products are given to attract interest; **coupons**, which provide price reductions; **demonstrations** to educate customers on how to use complex products; **contests and sweepstakes** to engage customers; **money-back offers** to build trust and loyalty; and **premium offers**, where free or discounted items are given with purchases. Other strategies include **price-off offers**, **buy-back allowances**, and **free trials** to stimulate sales and introduce new products.

Dealer or Trade Promotion aims to motivate wholesalers, retailers, and distributors. This includes **buying allowances** (discounts for bulk purchases), **merchandise allowances** (extra products or display incentives), **price deals**, **push money** or gifts for sales staff, **cooperative advertising**, **dealer contests**, and **dealer gifts** such as useful items or tours. **Point-of-purchase displays** also help attract customer attention at retail locations.

Sales Force Promotion motivates the company's own sales team to perform better. This includes **bonuses** for exceeding sales targets, **sales contests**, and **meetings or conferences** to educate, inspire, and reward salespeople. These strategies ensure that the sales team remains active and focused on achieving targets.

Public Relations (PR) focuses on building and maintaining a positive image of an organization or individual. In today's competitive environment, it is essential for companies to communicate effectively with their target audiences, including customers, employees, investors, and other stakeholders. PR ensures that the organization conveys accurate information to its audience and receives feedback in return.

PR activities help strengthen the relationship between the organization and its public. For example, schools use PR to maintain good communication with students and parents, while retailers use it to ensure positive customer experiences. Effective PR encourages trust, positive word-of-mouth, and brand loyalty, while also helping the organization respond to feedback, reviews, or suggestions. In short, PR builds a strong reputation and ensures smooth two-way communication between the organization and its audience.

Public Relations (PR) Activities aim to improve and maintain a positive image of an organization. PR experts use different strategies such as addressing the media, speaking at press conferences and seminars, and using brochures, pamphlets, newsletters, or advertisements to position the brand correctly. They may also implement **Corporate Social Responsibility (CSR) activities**, organize events, and introduce loyalty programs like membership cards or premium clubs to retain customers.

PR experts sometimes turn negative situations into advantages for the company, a tactic called **spin**. On the other hand, **negative PR** focuses on harming competitors' reputations, often through detailed research and strategies. For PR to be effective, three steps are important: creating **awareness**, ensuring **acceptance** of the message, and prompting **action** or feedback from the audience.

Media Relations is a key PR tool to communicate with the public. PR professionals create stories and distribute them through TV, radio, newspapers, magazines, and online platforms. Tools include **press kits** (information about the organization), **audio/video releases**, **matte releases** (articles for small newspapers), **online press rooms**, **media tours**, **newsletters**, and organizing **events or speaking engagements**. Regular **employee communication** and involvement in **charity or CSR activities** also enhance an organization's image.

Publicity is another method of promoting an organization but differs from advertising because it is **unpaid**. It involves news coverage, interviews, public speeches, seminars, or events that attract media attention. Publicity helps promote products, highlight company achievements, showcase social contributions, or improve the organization's reputation.

Publicity is considered important because it is **credible**, as people trust third-party reports more than paid ads. It provides timely information, covers a wide range of topics about the company, and helps salespeople indirectly by promoting products to customers. Publicity is cost-effective, builds the company's reputation, and can also be used by non-commercial organizations like universities, hospitals, and NGOs to publicize their work.

DIFFERENCE BETWEEN PUBLICITY AND ADVERTISING

Publicity and advertising both are popular techniques used for market promotion. The key difference between the terms has been discussed below;

No	Publicity	advertising
1	It is not a paid form of communication.	It is paid by the sponsor who wants to advertise the product.
2	Mostly, publicity can be carried via newspapers, magazines, radio or television.	A large number of media are used. Based on various factors like cost, type of message, reliability, etc., media are selected.
3	Company has no control over publicity in terms of message, time, frequency, and medium.	Company has a complete control over advertising. Company can design its advertising as per its needs
4	It is undertaken for a wide variety of purposes. They may include promotion of new product, pollution control efforts, highlighting special achievement of employees, publicizing new policies, or increasing the sales.	Sales expansion and promotion of a new product are immediate and direct objectives of advertising.
5	It may not be repeated. It takes place only once.	Its frequency or repetition depends on company's need. It can be repeated if company wants.
6	It has a high degree of credibility or reliability as it comes from mass media independently.	Advertising has less credibility. It is considered as company's efforts to increase sales.

7	It is in forms of news or reports presented differently than propaganda.	It is in forms of propaganda and it is presented more artificially and attractive manner as per producer's plan.
8	Publicity can be done at a much lower cost than advertising.	Advertising is the most expensive promotional tool.
9	It is not given by company or producer. It is given by the third party whose opinion carries more reliability.	It is always sponsored by company or its representatives.
10	Publicity message is more likely to be read and reacted by audience.	Most of the advertising messages are not given more attention.
11	It is useful for society. It has social significance.	It is exclusively useful for company and its dealers. To some extent, it may be useful to customers.

PERSONAL SELLING

Personal Selling involves selling through a person-to-person communications process. The emphasis placed on personal selling varies from firm to firm depending on a variety of factors, including the nature of the product or service being marketed, size of the organization, and type of the industry. Personal selling often plays a dominant role in industrial firms, while in other firms its role is minimized. Personal selling consists of human contact and direct communication rather than impersonal mass communication. Personal selling involves developing customers- relationship, discovering & communicating customer needs, matching the appropriate products with these needs.

Personal selling is the most significant promotional tool in terms of number of people employed. Personal selling is so important because the¬ sales person is the catalyst that making reaction in the Marketing activities. Eg: Business Firms, factories, Retailers, Banks, Hotels, Personal Computers, Laptops For Institutes, Audio Visual Equipments etc…

METHODS OF PERSONAL SELLING

Retail selling: Selling to ultimate consumer.

Field Selling: Business to business selling that take place in the prospective customer's place of business.

Telemarketing: Using the Telephone as the primary means of communicating with prospective customers & Telemarketers often used computers for order taking.

Inside Selling: Business to business selling in the Sales person's place of business.

PERSONAL SELLING PROCESS

The personal selling process varies from one company to the next, but typically follows six steps (Burnett & Moriarty 1998:419). These six steps are

The first step involves obtaining knowledge. Salespeople need to be equipped with detailed product information. They need to know the buyer's motives, characteristics and behaviour, and also require factual information on their company and competitors.

Secondly, prospecting is the process of locating potential clients and then obtaining permission to present a sales presentation (this is a continuous task).

Next is the pre-approach. Once a prospect has been qualified, the salesperson needs to learn more about him or her to determine the best selling approach and identify problem areas that may need to be addressed in the sales presentation. Additional personal and business information about prospects should be gathered.

Step 4 is the actual approach. This step is a lead-in to the sales presentation. Essentially, the approach is the strategy used to gain the prospect's attention so that the salesperson can make an effective sales presentation.

Step 5 entails the sales presentation. The purpose of this step is to explain in detail how the product meets customer requirements. The salesperson must inform prospects and customers of the characteristics and benefits of the product and must persuade them that the product will satisfy their needs.

The last step, step 6 involves the follow-up with postsale activities.

Attaining Knowledge
prospecting
pre approach
Actual Approach
PRESENTATION & DEMONSTRATION
FOLLOW UP

ADVANTAGES & DISADVANTAGES OF PERSONAL SELLING

Advantages:

1. Allowing for two-way interaction
2. Tailoring of the message
3. Lack of distraction
4. Involvement in the decision-process
5. Source of research information

Disadvantages:

1. Inconsistent messages
2. Sales force/management conflict
3. High cost
4. Poor reach
5. Potential ethical problems

DISTRIBUTION

Definition:

Distribution means to spread the product throughout the marketplace such that a large number of people can buy it.

DISTRIBUTION CHANNELS DEFINITIONS:

" A channel of distribution or marketing channel is the structure of intra company organisation units and extra company agents & dealers, wholesale and retail through which a commodity, product or service is marketed" ----American Marketing Association

"Distribution Channel is a set of interdependent organisation involved in the process of making a product or service available for use or consumption by consumer or business use". ----Phillip Kotler

Producers produce fewer products in large quantities and customers want more product in smaller quantities and broader assortments wanted by the customers and break them into smaller and broader assortments wanted by the customers. Distribution can make or break a company. A good distribution system quite simply means the company has greater chance of selling its products more than its competitors. The company that spreads its products wider and faster into the market place at lower costs than its competitors will make greater margins absorb raw material price rise better and last longer in tough market conditions.

Distribution is critical for any type of industry or service. The best price product, promotion and people come to nothing if the product is not available for sale at the points at which consumers can buy. In the FMCG industry in India, specially, companies distribute their low-value, high volume products to over 1 million retail outlets, or points of sale. The most successful FMCG companies have the biggest networks, made of factories, stock points, distributors or C&F (Carrying and forwarding agents), wholesalers, retailers and consumers. Nowadays, even direct marketing is considered a feasible distribution channel.

Distribution involves doing the following things:

1. A good transport system to take the goods into different geographical areas.
2. A good tracking system so that the right goods reach at the right time in the right quantity.
3. A good packaging, which takes the wear and tear of transport.
4. Tracking the places where the product can be placed such that there is a maximum opportunity to buy it.
5. It also involves a system to take back goods from the trade.

DESIGNING MARKETING CHANNELS

INTRODUCTION

It refers to those decisions involving the development of new marketing channels where none had existed before, or to the modification of existing channels. It is a key factor to gain a differential advantage Channel design decisions are critical because they determine a product's market presence and buyer's accessibility to the product. Channel decisions have additional strategic significance because they entail long-term commitments. It is usually easier to change prices or promotion than to change marketing channels.

`Marketing channels are set of mutually dependent organizations involved in the process of making product or service available for utilization. It is established in academic studies that Marketing channels are the means by which goods and services are made available for use by the customers. All goods go through channels of distribution, and marketing will depend on the way goods are distributed. The direction that the product takes on its way from production to the consumer is imperative because a marketer must choose which channel is best for his particular product. It can be said that channel is the link between manufactures and purchasers. Decisions about the marketing channel system are decisive for management.

The marketing channels chosen by marketers influence all other marketing decisions. The firm's sales force and advertising decisions depend on how much training and inspiration dealers need. Further, channel decisions involve comparatively long-term commitments to other firms. Holistic marketers guarantee that marketing decisions in all these different areas are made to jointly maximize value.

In current competitive climate, big companies are using hybrid channels in any one area. The firm must choose how much effort is needed to assign to push versus pull marketing. A push strategy uses the manufacturer's sales force and trade promotion to encourage intermediaries to carry, promote, and sell the product to customers. This is suitable where there is low brand loyalty in a category, brand choice is made in the store, the product is desired item, and product benefits are well understood. In a pull strategy, the manufacturer uses advertising and promotion to influence customers to ask intermediaries for the product, thus inducing the intermediaries to order it.

This is suitable when there is high brand loyalty and high involvement in the category, people perceive differences between brands, and people choose the brand before they shop. A marketing channel executes the work of moving products from producers to consumers, beat the time, place, and possession gaps that separate goods and services from those who need or want them.

PROCESS OF CHANNEL DESIGN
Defining the customer needs
Defining the channel objective
Channel alternatives
Evaluation of major alternatives
Ideal channel structure
DEFINING THE CUSTOMER NEEDS: In designing the market channel, the marketer must understand the service output levels its target customer want. It is essential to capture customer requirements while designing marketing channel. It includes Product information, Product customization, Product quality assurance, Lot size, Product variety, Spatial convenience / availability, Waiting and delivery time, after sales service, Logistics.
DEFINING CHANNEL OBJECTIVE: The channel objectives vary with product characteristics. Perishable products require more direct marketing. Bulky products, such as building materials require channels that minimize the shipping distance and amount of handling. Non- standard products, such as custom-built machinery and specialized business forms, are sold directly by company sales representatives. High- unit- value products such as generators and turbines are often sold through a company sales force rather than intermediaries.
CHANNEL ALTERNATIVE: A company looks at alternatives for its distribution channel after it has decided on the targeted customers and the customer service deliverables it desires from its channel partners to reach these customers. At the time of deciding the company will scan for Type of intermediaries, Distributors or re-distribution stockiest Carrying and forwarding agents, Logistics service providers,- manufacturer's agents, stockiest, guarantors, Financing agencies, Wholesalers and semi wholesalers, Retailers and service centres, Number of intermediaries, cost of the channel system, Terms and responsibility of channel, members.

EVALUATION OF MAJOR ALTERNATIVE: The major problem before the producer is to decide which of the alternatives would be best satisfy the long term objectives of the firm taking in view the factors which would affect the channel decision. For this purpose, each alternative must be rated against economic; control and adequate criteria.

IDEAL CHANNEL STRUCTURE: With the completion of forgoing steps, the number of alternatives would have narrowed down considerably. The firm must evaluate design and choose the best among them.
Criteria For Effective Channel Design:
The different types of criteria that should be considered are Effectiveness, Efficiency, Equity, Scalability & Flexibility.

CHANNEL FUNCTIONS
Marketing channels serve many functions, including creating utility and facilitating exchange efficiencies. Although some of these functions may be performed by a single channel member, most functions are accomplished through both independent and joint efforts of channel members. When managed effectively, the relationships among channel n embers can

also form supply chains that benefits all members of the channel, including the ultimate consumer.

1) INFORMATION PROVIDER: Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychographic, media habits and the entry of a new competitor or a new brand and changes in customer preferences are some of the information that all manufacturers want. Since these middlemen are present in the market place and close to the customer they can provide this information at no additional cost.

2) PRICE STABILITY: Maintaining price stability in the market is another function a middleman performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra-middlemen competition. The middleman also maintains price stability by keeping his overheads low.

3) PROMOTION: Promoting the product/s in his territory is another function that middlemen perform. Many of them design their own sales incentive programmes, aimed at building customers traffic at the other outlets.

4) FINANCING: Middlemen finance manufacturers' operation by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though the manufacturer may extend credit, because it has to be made even before the products are bought, consumed and paid for by the ultimate consumer.

5) TITLE: Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at very moment it arises.

6) HELP IN PRODUCTION FUNCTION: The producer can concentrate on the production function leaving the marketing problem to middlemen who specialize in the profession. Their services can best utilized for selling the product. The finance, required for organizing marketing can profitably be used in production where the rate of return would be greater.

7) MATCHING DEMAND AND SUPPLY: The chief function of intermediaries is to assemble the goods from many producers in such a manner that a customer can affect purchases with ease. The goal of marketing is the matching of segments of supply and demand. **The matching process is undertaken by performing the following functions:**

i) Contractual: Finding out buyers and sellers.
ii) Merchandising: Producing goods that will satisfy market requirements.
iii) Pricing: Process of attaching value to the product in monetary terms.
iv) Propaganda: Sales promotion activities.
v) Physical Distribution: Distribution activities.
vi) Termination: Settlement of contract, i.e., paying the value and receiving the goods.

8) PRICING: In pricing a product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and know what they can pay for the product. Pricing may be different for different markets or products depending upon the channel of distribution.

9) *STANDARDIZING TRANSACTIONS: Standardizing transactions is another function of marketing channels. Taking the example of the milk delivery system, the distribution is standardized throughout the marketing channel so that consumers do not need to negotiate with the sellers on any aspect, whether it is price, quantity, method of payment or location of*

the product. By standardizing transactions, marketing channels automate most of the stages in the flow of products from the manufacturer to the customers.
10) MATCHING BUYERS AND SELLERS: The most crucial activity of the marketing channel members is to match the needs of buyers and sellers. Normally, most sellers do not know where they can reach potential buyers and similarly, buyers do not know where they can reach potential sellers. From this perspective, the role of the marketing channel to match the buyers' and sellers' needs becomes very vital. For example, a painter of modern art may not know where he can reach his potential customers, but an art dealer would surely know.
TYPES OF INTERMEDIARIES.
MEANING OF INTERMEDIARIES:

Intermediaries are an individual or a company who behave as a middleman between parties for an investment deal, business deal, negotiation, insurance, etc. These are commonly known as a consultant or a broker and are specialized in one specific area having all the necessary information. They give all the required information about a product to the customers and also streamline a company's processes. In other words, intermediaries are third party agents or individuals between parties for a specific deal. It is common for a business to use one or more kinds of intermediary when it comes to getting a product or service to the end customer. Here are the main kinds of distribution intermediaries
1. RETAILERS: The retailers are the mediator between wholesaler and customers. They purchase different goods from the wholesaler and sell them to the ultimate customers in small quantities from one place. The most popular distribution channel for consumer goods, retailers operate **outlets that trade directly with household customers**. Retailers enable producers to reach a wider audience, particularly if broad coverage by the major retail chains can be obtained. The big downside to using a retailer is the loss of profit margin. A high street retailer will typically look to take at least 40-50% of the final consumer price.
Retailers can be broadly classifies as small scale retailers and large scale retailers.
A. SMALL SCALE RETAILERS –
a) Unit stores – these are general stores or single line stores like clothes, gift shops, grocery stores, utensils, book shops, bakery, etc.
b) Street traders – they sell products on streets, footpaths, etc. They usually sell items that can be easily carried and are quite unique like, mobile accessories, gloves, fancy accessories, etc. They can often be found at bus stands, railway stations, etc. on busy places at times when people go out for shopping, to work etc.
c) Market traders – these open for selling on specific days and move around wherever there is an event, or time specified market. They have a fixed location and arrangement made for selling like a selling van, setting a kiosk, outlet, etc. on a fixed location. For example, farmers market, magic event, crockery sales, etc.
d) Hawkers and Peddlers – these retailers sell goods door to door on their cart, bicycle, etc. They carry items that are in demand and as the demand changes because of various reasons like season change, they start selling different products. A hawker selling woollen clothes in winter may change to selling clothes suitable for warm climate in summer.
e) Cheap jacks – these retailers have a specific place in a locality but do change locations for business. They usually sell unbranded items like clothes, plastic vessels, kitchen utensils, shows, etc. They set up the business for a specific time before changing location.
B. LARGE SCALE RETAILERS

a) Departmental stores –a departmental store has wide variety of products being sold under one roof. From there one can find a raincoat to a pen. They sell a particular specialized product or an entire product line.
b) Discount store – here standard items are sold at lower prices. The business is done on higher sales and lower profit margins. For example, Wal-Mart, 49-99.
c) Chain stores – these are stores near residential areas selling the same kind of products in different localities. These can be in the entire region, state or nation. For example, Nike stores, Dell, Raymond, Big Bazaar, etc. The have their chains in almost all towns. These centrally owned and managed. They mostly deal in same products across all chains like, fast food chains, Nike products, etc. The items for sale are bought centrally and sent across to all the chains. Since it operates under the same brand, the prices and quality is standardized. For example, a McDonald's outlet will have same kind of price range, and feel and appearance of the store in different locations.
d) Mail order houses – through this the seller shares information about the product via different means like advertising, press, post, catalogue, telecalling, etc. The buyer doesn't visit the seller but orders the product and receives it via post, courier, etc. The business is done by mail or other means without inspecting the product by the consumer. TV advertising like infomercials are considered as extension of mail order houses. Here the sellers provide as much information as possible to the consumer through different media as customer will buy the product basis the advertising.
e) Super market – it is a large retail store which sells a variety of consumer goods with self-service. They sell food items and articles of daily needs like, cold cream, bakery, vegetables, meat, groceries, fruits, dairy, etc. They done deal in credits and consumers move around the store to choose products of their choice from a wide variety.
f) Super stores – These are oversize department stores and also known as hypermarkets. They carry a wide range of general merchandise and FMCG's. A customer can get services like haircuts, salons, restaurants, banking, etc. at these stores.
g) Convenience stores – These are small stores that deal in limited-line of high selling goods at a higher price. They are like mini-supermarkets. They are located at the corner and have fast food franchise or fast food items also.
h) Consumer cooperative – It is an association of consumers themselves who buy products in large bulk for members as well as non-members. The consumers or locality residents themselves manage all the activities from designating a manager to setting the policies of the store.
2. WHOLESALERS & **RESELLER**: They typically buy goods from the manufacturer in bulk and resell them to the retailer or other businesses. They are an independent businessman and take ownership of the products purchased from the manufacturers or producers. Some wholesalers also provide services such as order processing, storage, delivery, and participate in promotion as well. Wholesalers stock a range of products from several producers. The role of the wholesaler is to sell onto retailers. Wholesalers usually specialize in particular products – for example food products.
There are different kinds of wholesalers and they can be broadly put into 4 categories-

a) Full function wholesaler – they buy products/goods from manufacturers and sell them to other resellers like retailers, traders, etc. below the marketing or distribution channel. They buy in bulk from different manufacturers, break down the bulk, store, sell the smaller lots for cash or credit, and also helps with information (advice, education, etc.) to whom he sells. As they take title to the products, they are also responsible for the risk factor involved.

b) Converter wholesaler – as the name suggests, they buy the products in bulk, process them before selling them to the following channel members. For example, a wholesaler buys textile and bleaches it before selling it to other merchants.
c) Industrial wholesalers – they sell the products to manufacturers instead of retailers.
d) Drop shipper wholesaler – a drop shipper wholesaler doesn't handle the product. They take orders and coordinates with the manufacturer to deliver the goods directly to the retailer or other merchants in the channel. As they take the risk of the products, they need to handle the products in case the retailer, etc. cancels the order. They trade in bulk like coal, sand, lumber, etc.
3. DISTRIBUTORS AND DEALERS: The distributors are selected by the manufacturer to distribute their products to the wholesaler or resellers in different locations. The distributors are involved in many businesses and cover many geographical areas. Few services distributors offer to the wholesalers are delivery, maintain inventory, extend credit, etc. Distributors or dealers have a similar role to wholesalers – that of taking products from producers and selling them on. However, they often sell onto the end customer rather than a retailer. They also usually have a much narrower product range. Distributors and dealers are often involved in providing after-sales service.
4. BROKERS & AGENTS: Both the intermediaries sell products and services on a commission or percentage basis. They are legally appointed to impart information about a product to the customers on behalf of the manufacturer or producer, but never take ownership of the product sold. The key function of these intermediaries is to bring buyers and sellers together to make a deal. For example, an insurance or real estate agent gets a commission for their service or a sale, but do not take ownership. Agents sell the products and services of producers in return for a commission (a percentage of the sales revenues). You will often find agents working in the service sector. Good examples include travel agents, insurance agents and the organizers of party-based selling events (e.g. Tupperware and Pampered Chef).

They are classified as –
a) Commission agent – They do not assume any risk of the products and receives a fixed rate of commission for his service. They are expert in dealing with the commodities they deal in and have knowledge about the market trends and the producers. They take orders and arrange the transport, delivery and payment transactions. He may or may not take possession of goods.
b) Brokers – they are agents who do bargains and arrangements between parties and receive a compensation known as brokerage. They bring the buyers and sellers on one platform for discussion.
Other agent middlemen are Factors who sells goods for compensation. They can sell the product in their name at a price of their choice. They buy goods on credit or cash and can sell on credit. They can sell the products in the sellers name by issuing receipts. Forwarding and clearing agents fulfill the responsibility of collecting and delivering of products on behalf of others. They are mostly dominant in export and import business. Forwarding agents receive goods and deliver the same to the intended destination. Clearing agents take delivery of imported goods and help clearance at entry. Similarly there are Auctioneers and Selling agents employed by sellers.
A few authors describer that another type of intermediate is Franchises
5. Franchises: Franchises are independent businesses that operate a branded product (usually a service) in exchange for a licence fee and a share of sales. Franchises are commonly used by businesses (franchisors) that wish to expand a service-based product into a much wider geographical area.

Manufacturer to Customer: Manufacturer produces the goods and sells them to the customer directly with no mediator, such as a wholesaler, agent or retailer. Goods come from the manufacturer to the user without an intermediary.
Manufacturer to Retailer to Consumer: Purchases are made by the seller from the manufacturer and then the retailer sells the products to the consumer. This channel is used by manufacturers that specialize in producing shopping goods.
Manufacturer to Wholesaler to Customer: Consumers can buy directly from the wholesaler. The wholesaler breaks down bulk packages for resale to the consumer. The wholesaler reduces some of the cost to the consumer such as service cost or sales force cost, which makes the purchase price cheaper for the consumer.
Manufacturer to Agent to Wholesaler to Retailer to Customer: This type of distribution involves more than one intermediary involves an agent called in to be the middleman and help with the sale of the goods. An agent receives a commission from the producer. Agents are useful when products or services need to move rapidly into the market soon after the order is placed.