SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

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SCHOOL OF MANAGEMENT STUDIES

UNIT – I – MARKETING MANAGEMENT – SBA1304

Unit I

Marketing – Definitions – Conceptual frame work – Marketing environment: Internal and External – Marketing interface with other functional areas – Production, Finance, Human Relations Management, Information System. Marketing in global environment – Prospects and Challenges.

Introduction

The activities of a company associated with buying and selling a product or service. It includes advertising, selling and delivering products to people. People who work in marketing departments of companies try to get the attention of target audiences by using slogans, packaging design, celebrity endorsements and general media exposure. The four 'Ps' of marketing are product,place,price and promotion.

MEANING

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

DEFINITION

Marketing, more than any other business activities deals with customers. Although there are a number of detailed definitions of marketing perhaps the simplest definition of marketing is managing profitable customer relationship.

We can distinguish between a social and a managerial definition for marketing. According to a social definition, **marketing** is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others. As a managerial definition, marketing has often been described as "the art of selling products." But Peter Drucker, a leading management theorist, says that "the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.

Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably - **The Chartered Institute of Marketing (CIM).**

The American Marketing Association (offers this managerial definition):

Marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

Marketing Management:

Marketing Management is the process of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value and satisfaction.

Difference between Selling and Marketing

The old sense of making a sale is telling and selling, but in new sense it is satisfying customer needs. Selling occurs only after a product is produced. By contrast, marketing starts long before a company has a product. Marketing is the homework that managers undertake to assess needs, measure their extent and intensity, and determine whether a profitable opportunity exists. Marketing continues throughout the product's life, trying to find new customers and keep current customers by improving product appeal and performance, learning from product sales results, and managing repeat performance. Thus **selling and advertising are only part of a larger marketing mix**-a set of marketing tools that work together to affect the marketplace.

Scope of marketing

Now a day, marketing offers are not confined into products and services. The scope of marketing is now becoming larger. Marketing people are involved in marketing several types of entities:

Goods: Physical goods constitute the bulk of most countries' production and marketing effort. Most of the country produces and markets various types of physical goods, from eggs to steel to hair dryers. In developing nations, goods— particularly food, commodities, clothing, and housing—are the mainstay of the economy.

Services: As economies advance, a growing proportion of their activities are focused on the production of services. The U.S. economy today consists of a 70–30 services-to-goods mix. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

Experiences: By orchestrate several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience

Event: Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.

Persons*:* Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high profile lawyers and financiers, and other professionals draw help from celebrity marketers.

Place: Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents. Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

Properties*:* Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).

Organizations: Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." The Body Shop and Ben & Jerry's also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.

Information: The production, packaging, and distribution of information is one of society's major industries. Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

Ideas: Every market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

Evolution of Marketing Concepts

The various concepts of marketing adopted over the years are as follows:

1.The Exchange Concept:

According to this traditional concept of marketing the central idea of marketing is the exchange of a product between the seller and the buyer. This concept holds the view that customer will accept whatever design quality etc. of products offered to them to fulfill their needs.

2. The Production Concept:

According to this concept firms concentrate on finding more efficient ways to produce and distribute products. This concept hold the view that customer will prefer those products that are widely available and are of low price.

3.The Product Concept:

Under this concept there is a shift from marketing of low cost products to marketing of high costs products. This concept holds the view that consumer will prefer those product that offers best quality and performance.

4. The Selling Concept;

The concept emphasises on selling efforts such as advertising, salemanship etc. This concept holds the view that consumer will buy products only when they are induced to buy through aggressive selling and promotion effort on the part of the seller.

5. The Marketing Concept:

Under this concept the target customer becomes the focus of all marketing decision. This concept holds the view that the key to organisational success consist identifying and satisfying customers requirement more effectively than competitors. The marketing concept is also referred to as customer oriented concept.

6.The Societal Concept: (April 2011)

a) This concept emerged in 1980's and 1990's. This concept hold the view that the tasks of an organisation is to determine the needs, wants and interest of target markets and deliver the desired satisfaction more efficiently and effectively than competitors.

b) It further emphasizes on to enhance and preserve the consumer and the society well being. The societal concept thus calls upon markets to build social and ethical values into their market practices.

c) The societal marketing stresses the need for an organisation to balance three factors while taking marketing decisions. They are as follows :

i) Consumer Satisfaction ii) Company's Profit iii) Society's Well-Being

7.Relationship Marketing Concept:

This concept emerged in 1990's. According to this concept relationship marketing in broader sense involves creating. maintaining and enhancing profitable and long term relationship with valued customers, distributors, dealers and suppliers. This concept holds the view that customers, distributors, dealers and suppliers will favour those companies that are concerned with building and maintaining long term relationship.

FUNCTIONS OF MARKETING

It refers to those specialize activities that you as a marketer must perform in order to achieve your set marketing objectives.

The functions of marketing are;

- Researching
- Buying
- Product development and management
- Production
- Promotion
- Standardization and grading
- Pricing
- Distribution
- Risk bearing
- Financing
- After sales-service

(1)Research function: the research function of marketing is that function of marketing that enables you to generate adequate information regarding your particular market of target. You must carry out adequate research to identify the size, behavior, culture, believe, genders etc. of your target market segment, their needs and want, and then develop effective product that can meet and satisfy these market needs and want.

(2)Buying function: the function of buying is performed in order to acquire quality materials for production. When you design a good product concept, you should also ensure you're buying the essential materials for the product. This function is carried out by the purchase and supply department, but your specifications of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.

(3)Product development and management: product development is an essential function of marketing since it was the duties of the marketing department to identify what the market need or want and then design effective product based on the identified need and want of the market. Product development passes through some basic stages carried out by the marketers to develop a targeted market specified product. And you can also manage your product by evaluating it performance and changing them to fit the current market trend.

(4)Production function: production is the function performs by the production department. Though, this is interrelated to the department of marketing, because your product must possess the essential characteristics that can meet the target market needs and want as identified during your market research, such characteristics as in your product Test, Form, Packaging etc.

(5)Promotion function: promotion is one of the core functions of marketing since your finish product must not remain in the place of production, hence, you as a marketer must design effective communication strategies to informing the availability of your product to your target market.

You must be able to design effective strategies to communicate your product availability and features to your target market, such strategies as in; advertisement, personal selling, public relation etc.

(6)Standardization and grading: the function of standardization is to establish specified characteristics that your product must conform to, such standard as in having a specify test, ingredient etc. That makes your product brand so unique. Grading comes in when you sort and classify your product into deferent sizes or quantities for different market segment while maintaining your product standard.

(7)Pricing function: you perform the function of pricing on your product offerings by designing effective pricing systems base on your product stage and performance in the product life cycle. Price is the actual value consumers perceive on your product, so you as a marketer should ensure that your value of your product is not too high or too low to that of your costumers.

(8)Distribution function: the function of distribution is to ensure that your product is easily and effectively moved from the point of production to the target market, the kind of transportation system to employ e.g. Road, rail, water or air, and ensures that the product can be easily accessed by customers. You as a Marketer should also design the kind of middlemen to engage in the channel of distribution, their incentives and motivations etc.

(9)Risk bearing function: the process of moving a finished product from the point of production to the point of consumptions is characterized with lots of risks, such risks as in product damaging, pilferage and defaults etc. So you must provide effective packaging system to protect your product, good warehouse for the storage of your product until they are needed, effective transportation system to speedily deliver your product on time.

(10)Financing function: financing deals with the part of marketing to providing incomes for your business. It refers to how you can raise capital to start operation and remain in business. It refers to your modes of payment for the goods and services transferred to your costumers.

(11) After sales-service: In a more complex and technical product, you as a marketer should make provision in order to assist your customers after they have purchased your product. In terms of machines or heavy equipment product that requires installation or maintenance, most marketing organization renders such services like installing the machine or maintaining it for stipulated periods on time for free or by a little service charge.

Importance of Marketing

1) **Customer Satisfaction** : Marketing is customer oriented. The essence of marketing is to understand the need and wants of consumers. It starts with consumers and ends only after satisfying their needs.

2) **Helps to face competition** : Effective marketing helps to face competition in Market through pro-active decision making.

3) **Corporate Image** : Effective marketing helps the firms to develop and enhance its corporate

4) **Brand loyalty** : Effective marketing helps to develop brand loyalty of customers. Loyal customers does repeat purchases and gives recommendations to friends, relatives etc.

5) **Brand Equity** : Effective marketing develops brand equity as customers are willing to pay premium price for effectively marketed brands.

6) **Generates Employment** : Marketing generates job opportunities directly or indirectly in distribution, advertising, promotion etc.

7) **Improves Standard of living** : Marketing helps consumers to enjoy new and better varieties of products and services at reasonable prices. It is marketing which has converted "yesterdays luxuries into todays necessaries".

8) **Price Control** : Marketing brings a proper balance between demand and supply and provides price stability.

9) **Economic grow in** : Marketing brings industrial and economic growth. It facilitates full

utilization of available natural resources.

10) **Creates Social awareness** : Marketing helps non-profit organisation that creates social - awareness on public issues.

11) **Expansion of other sectors** : Marketing helps in expansion of supporting sectors like banking, communication, transport etc.

12) **Market Expansion** : Effective marketing helps business firms to expand its business from local to national and international level.

MARKETING CONCEPTS

The concept of marketing has evolved over time. Whilst in today's business world "the customer

is king". In the past this was not the case, some businesses put factors other than the customer first. This article examines factors that businesses may orientate their marketing around, so that you can recognize when your marketing strategy is orientated around something other than the customer.

Production Orientation

The focus for the business is to reduce costs through mass production. A business orientated around production believes that the "economies of scale" generated by mass production will reduce costs and maximise profits. A production orientated business needs to avoid production efficiency processes which affect product design and quality. Compromising product design and quality for the sake of production is likely to reduce the product's appeal to customers.

Product Orientation

A product orientated company believes that its product's high quality and functional features make it a superior product. Such a company believes that if they have a superior product customers will automatically like it as well. The problem with this approach is that superiority alone does not sell products; superior products will not sell unless they satisfy consumer wants and needs.

Sales Orientation

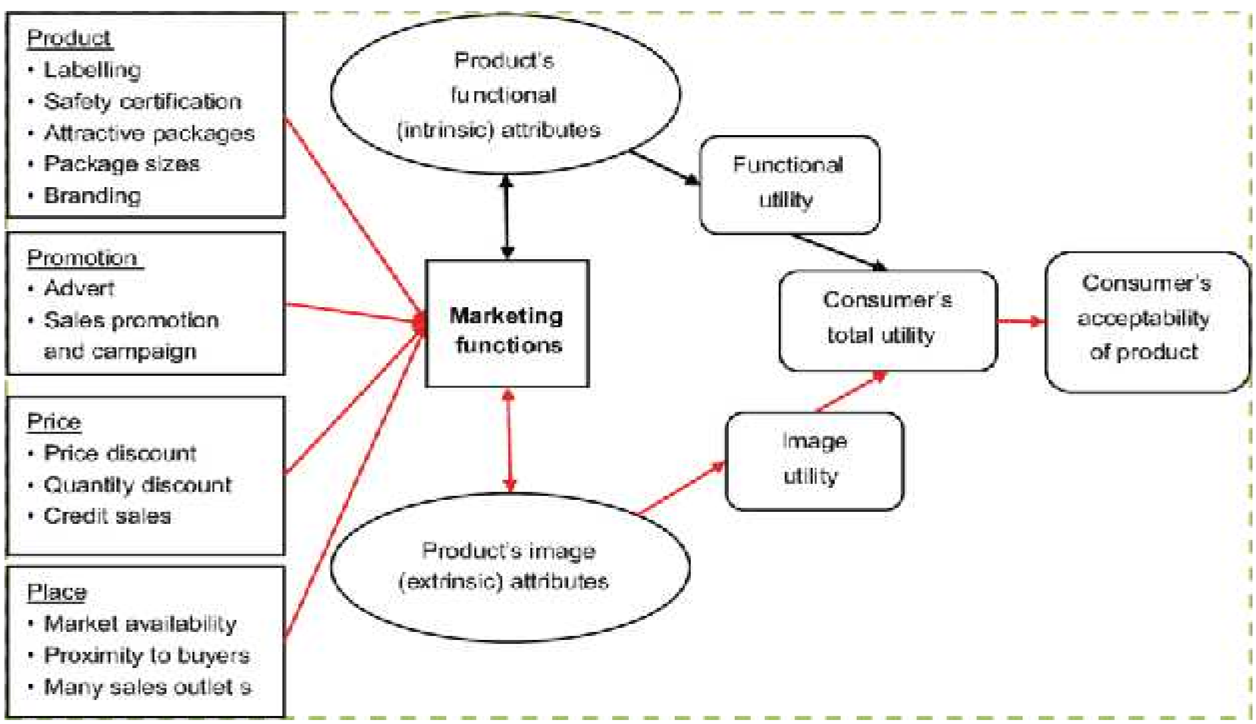
A sales orientated company's focus is simple; make the product, and then sell it to the target market. This type of orientation involves the organisation making what they think the customer needs or likes without relevant research. However as we know sales usually aren't this simple.

An effective marketing strategy requires market and marketing research, prior to product development and finally an effective promotion strategy.

Market Orientation

A market orientated company puts the customer at the "heart" of the business; all activities in the organisation are based around the customer. The customer is truly king!. A market orientated organisation endeavours to understand customer needs and wants, then implements marketing strategy based on their market research; from product development through to product sales. Once sales have begun further research will be conducted to find out what consumers think about the product and whether product improvements are required. As markets continuously change, market research and product development is an ongoing process for a market orientation company.

Conceptual Framework of Marketing



The Reason for Marketing

- **Awareness of Product & service**
- **Profit**
- **Business Development & Growth**
- **Face the Competition**

- **Accept the Global change**
- **Branding**
- **Goodwill or reputation**
- **Better Economy**
- **Uniqueness and Comparability**
- **Maintain the standard**
- **Customer satisfaction**

MARKETING FUNCTIONS

- **Selling**
- **Buying**
- **Transportation**
- **Storage**
- **Standardization and Grading**
- **Financing**
- **Risk Taking**
- **Market Information**
- **Channelizing**

Classification Of Market

Market can be classified on different basis. There are different types of markets on the basis of geographical area, time, business volume, nature of products, consumption, competition, seller's situation, nature of transaction etc. as follows:

1. Classification Of Market On The Basis Of Geographical Area

Market can be classified in local, regional, national and international level on the basis of geographical area:

i. Local Market

The market limited to a certain place of a country is called local market. This type of market locates in certain place of city or any area and supplies needs and wants of the local people. Perishable consumer products such as milk, vegetables, fruits, etc are sold and bought in local markets.

ii. Regional Market

The market which is not limited to a certain place but expanded in regional level is called regional market. Mostly, food grains such as wheat, paddy, maize, millet, sugar, oil etc are bought and sold in such regional market.

iii. National Market

If buying and selling of some products is done in the whole nation, this is called national market. The products such as clothes, steel, cement, iron, tea, coffee, soap, cigarette, etc are bought and sold nationwide.

iv. International Or Global Market

Market cannot be limited to any geographical border of any country. If the goods produced in a country are sold in different countries, this is called international market. today, not any country of the world is self-dependent. All the countries are exporting the goods produced in other countries. The market of some goods such as gold, silver, tea, clothes, machines and machinery, medicines etc. has spread the world over.

2. Classification Of Market On The Basis Of time

On the basis of time, market can be divided in very short-term, short-term, long term and very long-term market.

i. Very Short-term Market

The market where shortly perishable goods are sold is called very short-term market. The market of milk, fish, meat, fruits and other perishable goods is called very short-term market. The price of short goods is determined according to the pressure of demand. When the demand for such goods is high, price rises and when demand declines, the price falls down. If the supply is low and the demand is high, the price rises higher. In such market supply cannot be increased.

ii. Short-term Market

In the short term market, supply of products can be increased using the maximum capacity of installed machines of the firm. The goods cannot be produced according to the demand for adjustment of supply by expanding or changing the existing machines and equipment. In short-term market, price of the goods is determined on the basis of interaction between demand and supply. But, as the supply cannot meet the demand, demand affects price determination in short-term market.

iii. Long-term Market

In long-term market, adequate time can be found for supply of products according to demand. New machines and equipment can be installed for additional production to meet demand. As supply can be decreased or increased according to demand situation, price is determined by interaction between demand and supply in long-term market. Market of durable products is ling- term market.

iv. Very Long-term Market Or Secular Market

In secular market, produces can get adequate time to use new technology in production process and bring new changes in products. They become able to produce and supply goods according to changed needs, interest, fashion etc. of customers. Market research becomes helpful in doing so.

3. Classification Of Market On The Basis Of Volume Of Business

On the basis of volume of business, type and size, market can be classified in wholesale market and retail market.

i. Wholesale Market

If a large quantity of products are purchased from producers and sold to different retailers, this is called wholesale market. In wholesale market, the products are not sold directly to ultimate consumers. But, if consumers want to buy in large quantity, they can buy from wholesaler.

ii Retail Market

The market that sells small quantity of products directly to ultimate consumers is called retail market.

4. Classification Of Market On The Basis Of Nature Of Product

On the basis of nature of product, market can be classified in two types as follows:i. Commodity Market

The market where consumer and industrial commodities like clothes, rice, machines, equipment, tea, soap, fruits, vegetables etc. are bought or sold is called commodity market. In some market only certain special commodities are bought and sold and in some other different consumer commodities are bought and sold.

ii. Financial Market

The market and financial instruments is called financial market. In such market, money, shares, debentures, treasury bills, commercial papers, security exchanges, loan giving or taking etc are dealt. Dealing of short term fund is called money market and dealing of long-term fund is called capital market.

5. Classification Of Market On The Basis Of Consumption

On the basis of consumption of products, market can be divided as follows:

i. Consumer Market

The market of products, which the people buy for consumption is called consumer market. The customers buy consumer goods, luxury goods etc. for daily consumption or meeting their daily needs from such market.

ii. Industrial Market

Generally, raw materials, machines and equipment, machine parts are dealt in industrial market. Domestic consumer goods are produced using them.

6. Classification Of Market On The Basis Of Competition

On the basis of competition, market can be classified into monopoly market, perfect market and imperfect market.

i. Monopoly Market

If there is full control of producer over market, then such market is called monopoly market. In such market, the producer determines price of his products in his own will. In such market, only one producer or seller controls market. In practice, the producer or seller can supply products or achieve monopoly on price only in small or limited area, but in wide area it becomes impossible. ii. Perfect Market

The market where the number of buyers and sellers is large, homogeneous of products are

bought and sold, same price of similar type products is determined from free interaction between demand and supply is called perfect market. Perfect competition takes between consumers and producers or buyers and sellers, but in practice perfect market can be rarely found.**iii. Imperfect Market**

The market where there is no perfect competition between buyers and seller is called imperfect market. In this type of market, customers are affected by product discrimination. Post-sale services, packaging, price, nearness of market, credit facility, discount etc make product discrimination. Customers can buy same types of products from different sellers according to their desires and comfort. In practice, mostly products are bought and sold in imperfect market.

***7.* Classification Of Market On The Basis Of Seller's Position**

On the basis of seller's position, market can be divided into primary market, secondary market and terminal market.

i. Primary Market

In primary market, primary goods are bought and sold. Producers sell primary goods such as agricultural products, food grains, livestock, raw materials etc. to wholesalers or commission agents in such market.

ii. Secondary Market

Primary goods are bought from producers and sold to retailers in secondary market. Generally, wholesalers buy secondary products and sell them to retailers.

iii. Terminal Market

In this type of market, retailers sell products to final consumers.

***8.* Classification Of Market On The Basis Of Nature Of Transaction**

On the basis of nature of transaction, market can be classified into spot market and future market.

i. Spot Market

The market where delivery or handling over of the good is made immediately after sales is called spot market. In such market, price of product is paid immediately at the spot and ownership of the product is transferred to buyer at the same time.

ii. Future Market

In this type of market contract is signed for sale of products in future, but no delivery of product is made. In this market, buyer and seller sign a contract for buying and selling products at certain rate of price or on condition to determine the price in future.

***9.* Classification Of Market On The Basis Of Control**

On the basis of control, law, rules and regulations, market can be classified into regulated market and Non-regulated market.

i. Regulated Market

If trade association, municipality or government controls buying, selling, price of products etc. it is called regulated market. Such market must follow the established rules, regulations and legal process and provisions. Otherwise, the businessmen are fined or punished.

ii. Non-regulated Market If a market is freely functioning and is not under control of any government body or any organization, it is called non-regulated market. In such market, price is determined through interaction between demand and supply of products and buying and selling takes place. This market has not to follow any rules, regulations and legal provisions.

Marketing Management tasks

- Developing Marketing Strategies and Plans
- Capturing Marketing Insights
- Connecting with Customers

- Building Strong Brands
- Shaping the Market Offerings
- Delivering Value
- Communicating Value
- Creating Successful Long-Term Growth

THE MARKETING ENVIRONMENT

Micro environment (Internal)

The company

- Suppliers
- Marketing intermediaries
- Customer markets
- Competitors &
- The public.

Macro environment (External)

- Demographic environment
- Economic environment
- Natural environment
- Technological environment
- Political environment

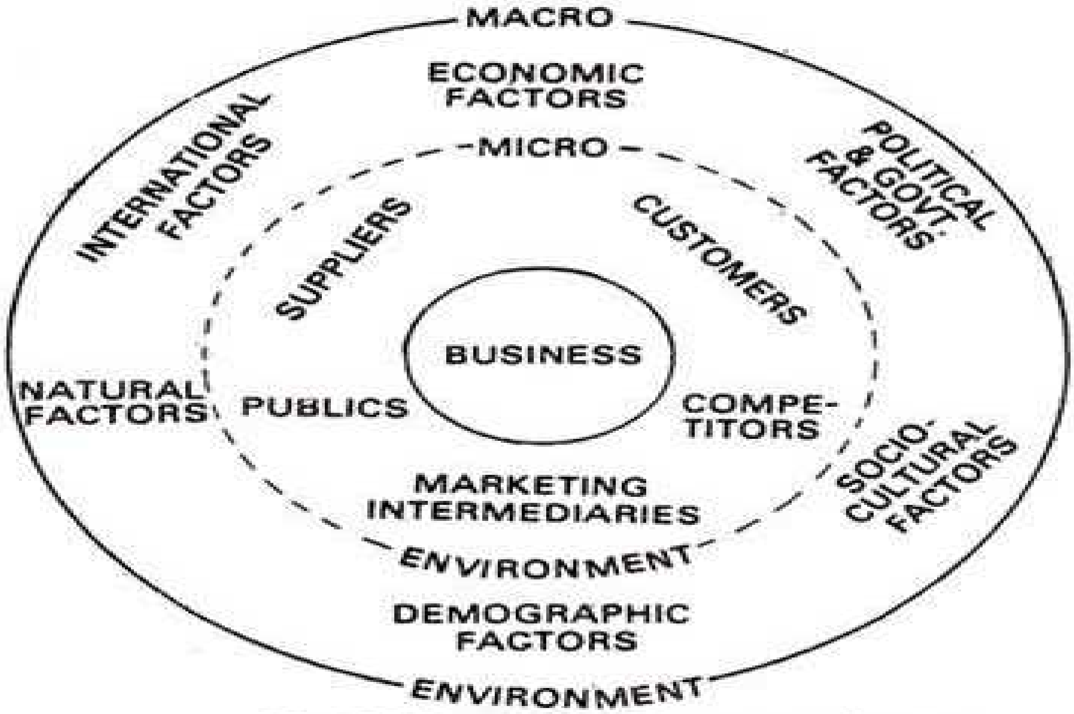


Fig. 37.2 Constituents of business environment

A) Micro Environment: The micro environment consists of the forces close to the company that affects its ability to serve its customers. The Micro Environment consists of some forces. That are,

1. Company: Company is the important element of micro Environment. Company drives their function successfully by many departments. Such as purchase department, finance, research, operation, accounting, management and other department.

2. Supplies: Supplies are important link in the companies. Overall customers value delivery system. They provide the resource needed by the company to produce its goods and services.

3. Marketing Intermediaries: Marketing intermediaries are firms that help the company to promote, sell and distribute its goods to final buyers. There are four types of Marketing Intermediaries, i. Reseller ,ii. Physical Distribution iii. Marketing Service Agencies, iv. Financial Agencies

4. Customer: Customer is the very important element of the Micro Environment. The company needs to study five types of customers market closely. They are: i. Customer Market ii. Business market iii. Reseller Market iv. Government Market v. International Market

5. Competitors: The Marketing concept states that to be successful, a company must provide greater customer value and Satisfaction than its competitors do. Any single company cannot provide best service. So, they must have competitors.

6. Publics: Publics is any groups that have an actual or potential interest in or impact on an organizational ability to achieve its objective. We can identify seven types of publics, i. Financial publics ii. Media publics iii. Government publics iv. Citizen-action publics v. Local publics vi. General publics vii. Internal publics
However, this forces impact on organization directly. So, this forces used appropriately.

B) Macro Environment: Company and all of the other actors operate in surrounded by the Macro Environment. There are many factors which in affected by the Macro Environment. They are given bellow,
1. Demographic Environment: Demography is the study of human Population, in terms of age, size, Density, location, gender, race, Occupation and other statistics. The demographic environment is of major interest to marketers because it involves people and people make up markets.

2. Economic Environment: Economic environment consist of factors that affect purchasing power and spending patterns. It is one of the most important factors. The economic environment affects some issue. Such as, i. Changes in Income ii. Changing consumer spending patterns

3. Natural Environment: Natural environment involves the natural resources that are needed as inputs by marketers are affected by marketing activities. Marketers should be aware of several trends in the natural environment. That are,
i. Shortage of natural Resources ii. Increasing population iii. Increasing govt. intervention in natural resource management

4. Technological Environment: Technological environment is forces that create new technology, product, and market opportunities. This environment is blessing for our market. For this environment, we get TV, automobile, credit card etc. Moreover, this environment also damages our life. Nuclear weapon, assault rifles are the rust of this environment.

5. Political environment: Political environment is consists of laws, govt. agencies, and pressure groups that influence and limit various organization and individuals in a given society. It is very important environment for markets. Markets considered two ways in political Environment.

i. Legislation Regulating Business ii. Emphasis on ethics and social responsibility action

6. Cultural Environment: Cultural environment is an institution and other forces that affect society basic value, perception and behaviors. The following Characteristics can afford making marketing decision. Such as i. Persistence of cultural value

ii. Shifts in secondary cultural value

Marketing Interfaces with other functional areas

The marketing function within any organization does not exist in isolation. Therefore it's important to see how marketing connects with and permeates other functions within the organization. In this next section let's consider how marketing interacts with research and development, production/operations/logistics, human resources, IT and customer service. Obviously all functions within your organization should point towards the customer i.e. they are customer oriented from the warehouseman that packs the order to the customer service team member who answers any queries you might have. So let's look at these other functions and their relationship with marketing.

Research and development

Research and development is the engine within an organization which generates new ideas, innovations and creative new products and services. For example cell phone/mobile phone manufacturers are in an industry that is ever changing and developing, and in order to survive manufacturers need to continually research and develop new software and hardware to compete in a very busy marketplace. Think about cell phones that were around three or four years ago which are now completely obsolete. The research and development process delivers new products and is continually innovating.

Production/operations/logistics

As with research and development, the operations, production and logistics functions within business need to work in cooperation with the marketing department.

Operations include many other activities such as warehousing, packaging and distribution. To an extent, operations also includes production and manufacturing, as well as logistics. Production is where goods and services are generated and made. For example an aircraft is manufactured in a factory which is in effect how it is produced i.e. production. Logistics is concerned with getting the product from production or warehousing, to retail or the consumer in the most effective and efficient way. Today logistics would include warehousing, trains, planes and lorries as well as technology used for real-time tracking.

Human resources

Human Resource Management (HRM) is the function within your organization which overlooks recruitment and selection, training, and the professional development of employees. Other related functional responsibilities include well-being, employee motivation, health and safety, performance management, and of course the function holds knowledge regarding the legal aspects of human resources.

So when you become a marketing manager you would use the HR department to help you recruit a marketing assistant for example. They would help you with scoping out the job, a person profile, a job description, and advertising the job. HR would help you to score and assess application forms, and will organise the interviews. They may offer to assist at interview and will support you as you make your job offer. You may also use HR to organise an induction for your new employee. Of course there is the other side of the coin, where HR sometimes has to get tough with underperforming employees. These are the operational roles of HR.

IT (websites, intranets and extranets)

If you're reading this lesson right now you are already familiar with IT or Information Technology. To define it you need to consider elements such as computer software, information systems, computer hardware (such as the screen you are looking at), and programming languages. For our part is marketers we are concerned with how technology is used to treat information i.e. how we get information, how we process it, how we store the information, and then how we disseminate it again by voice, image or graphics. Obviously this is a huge field but for our part we need to recognise the importance of websites, intranets and extranets to the marketer. So here's a quick intro.

A website is an electronic object which is placed onto the Internet. Often websites are used by businesses for a number of reasons such as to provide information to customers. So customers can interact with the product, customers can buy a product, more importantly customers begin to build a long-term relationship with the marketing company. Information Technology underpins and supports the basis of Customer Relationship Management (CRM), a term which is investigated in later lessons.

Customer service provision

Customer service provision is very much integrated into marketing. As with earlier lessons on what is marketing?, the exchange process, customer satisfaction and the marketing concept, customer service takes the needs of the customer as the central driver. So our customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied

Finance department

The marketing department will need to work closely with the finance department to ensure that:

There is an adequate budget to meet the needs for research, promotion and distribution. The finance department has a whole organisation brief to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets. Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance department may be more focused on cash flow, covering costs and paying back investment as quickly as possible.

Marketing in Global Environment

Whole marketing revolved around building and sustaining profitable relationships with customers. For the purpose of making profitable marketing relationship it is very essential for marketers and marketing students to understand Global Marketing Environment which actually surrounds all these marketing relationships.

The global marketing environment is changing very rapidly on the face of globe and competition among different companies increasing with every successive day. So, all successful companies know the vital importance of constantly watching changing global business environment. New changes are actually opportunities for marketers but marketers should be updated with them only then they can direct and utilize them according to company's marketing strategy in company benefit. This is the era of survival of the fittest if a company will not adopt the modern changes of global marketing environment that company will soon loose sales and move towards decline.

Marketing In Global Environment – Prospects And Challenges

1 Global marketing as —marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives.

Here are three reasons for the shift from domestic to global marketing.

WORLD WIDE COMPETITION

One of the product categories in which global competition has been easy to track in U.S.is automotive sales. The increasing intensity of competition in global markets is a challenge facing companies at all stages of involvement in international markets.

As markets open up, and become more integrated, the pace of change accelerates, technology shrinks distances between markets and reduces the scale advantages of large firms, new sources of competition emerge, and competitive pressures mount at all levels of the organization.

Also, the threat of competition from companies in countries such as India, China, Malaysia, and Brazil is on the rise, as their own domestic markets are opening up to foreign competition, stimulating greater awareness of international market opportunities and of the need to be internationally competitive. Companies which previously focused on protected domestic markets are entering into markets in other countries, creating new sources of competition, often targeted to price-sensitive market segments.

Not only is competition intensifying for all firms regardless of their degree of global market involvement, but the basis for competition is changing. Competition continues to be market-based and ultimately relies on delivering superior value to consumers. However, success in global markets depends on knowledge accumulation and deployment.

EVOLUTION TO GLOBAL MARKETING

Global marketing is not a revolutionary shift, it is an evolutionary process. While the following does not apply to all companies, it does apply to most companies that begin as domestic-only companies.

Domestic marketing

A marketing restricted to the political boundaries of a country, is called "Domestic Marketing". A company marketing only within its national boundaries only has to consider domestic competition.

Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without thought of how the product or service could be used in other markets. All marketing decisions are made at headquarters.

The biggest obstacle these marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of a potential competitor who is a market leader on three continents until they simultaneously open 20 stores in the Northeastern U.S. These marketers can be considered ethnocentric as they are most concerned with how they are perceived in their home country. exporting goods to other countries.

International marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company‗s competitiveness in the foreign market, then offices could be built in the foreign countries.
Sometimes companies buy firms in the foreign countries to take advantage of relationships, storefronts, factories, and personnel already in place.

These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets. Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

ELEMENTS OF THE GLOBAL MARKETING MIX

The ―Four P‗s‖ of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide.

Product

A global company is one that can create a single product and only have to tweak elements for different markets. For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the contour bottle design and the dynamic ribbon in some way, shape, or form. However, the bottle or can also includes the country‗s native language and is the same size as other beverage bottles or cans in that same country.

Price

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product‗s position in relation to the competition influences the ultimate profit margin.

Whether this product is considered the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

Placement

How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option. Placement decisions must also consider the product‗s position in the market place. For example, a high-end product would not want to be distributed via a ―dollar store‖ in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique.

Promotion

After product research, development and creation, promotion (specifically advertising) is generally the largest line item in a global company‗s marketing budget. At this stage of a company‗s development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge.

Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized. Market research measures such as Flow of Attention, Flow of Emotion and branding moments provide insights into what is working in an ad in any country because the measures are based on visual, not verbal, elements of the ad.

Advantages

1. The advantages of global market we can introduce our product by using advertizing
2. Economies of scale in production and distribution
3. Lower marketing costs
4. Power and scope
5. Consistency in brand image
6. Ability to leverage good ideas quickly and efficiently
7. Uniformity of marketing practices
8. Helps to establish relationships outside of the "political arena"
9. Helps to encourage ancillary industries to be set up to cater for the needs of the global player
10. Benefits of eMarketing over traditional marketing

Reach

The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, eMarketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

Scope

Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. eMarketing includes, among other things, information management, public relations, customer service and sales. With the range of new technologies becoming available all the time, this scope can only grow.

Interactivity

Whereas traditional marketing is largely about getting a brand‗s message out there, eMarketing facilitates conversations between companies and consumers. With a two way communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

Immediacy

Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you‗re reading your favorite magazine. You see a double-page advert for some new product or service, maybe BMW‗s latest luxury sedan or Apple‗s latest iPod offering. With this kind of traditional media, it‗s not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition.

With eMarketing, it‗s easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen regardless of normal office hours. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the consumer‗s buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

Demographics and targeting

Generally speaking, the demographics of the Internet are a marketer_s dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes. Buying power is not all though. The nature of the Internet is such that its users will tend to organize themselves into far more focused groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect environment for niche marketing to targeted groups.

Adaptivity and closed loop marketing

Closed Loop Marketing requires the constant measurement and analysis of the results of marketing initiatives. By continuously tracking the response and effectiveness of a campaign, the marketer can be far more dynamic in adapting to consumers_ wants and needs. With eMarketing, responses can be analyzed in real-time and campaigns can be tweaked continuously. Combined with the immediacy of the Internet as a medium, this means that there_s minimal advertising spend wasted on less than effective campaigns.

Maximum marketing efficiency from eMarketing creates new opportunities to seize strategic competitive advantages. The combination of all these factors results in an improved ROI and ultimately, more customers, happier customers and an improved bottom line.

Disadvantages

- Differences in consumer needs, wants, and usage patterns for products Differences in consumer response to marketing mix elements
- Differences in brand and product development and the competitive environment
- Differences in the legal environment, some of which may conflict with those of the home market
- Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
- Differences in administrative procedures Differences in product placement.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – II – MARKETING MANAGEMENT – SBA1304

UNIT II

Marketing strategy formulations – Key Drivers of Marketing Strategies – Strategies for Industrial Marketing – Consumer Marketing –– Services marketing – Competitor analysis – Analysis of consumer and industrial markets – Strategic Marketing Mix components. Promotion: Promotion – Advertising – Meaning – Process – Budgets and advertising agencies Ad Copy; activities – Personal selling – Direct Marketing – Online Marketing.

Introduction

A marketing strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of the products or services the business provides**. It is a** plan of action designed to promote and sell a product or service.

Key Drivers of Marketing Strategies

1. Defining your product or service: How is your product or service packaged? What is it that your customers are really buying? You may be selling web-based software tools but your clients are buying increased productivity, improved efficiency and cost savings. And if you offer several products or services which ones are the most viable to promote?

2. Identifying your target market: Everyone or anybody might be potential clients for your product. However, you probably don't have the time or money to market to Everyone or Anybody. Who is your ideal customer**?** Who does it make sense for you to spend your time and money promoting your service to? You might define your ideal customer in terms of income, age, geographic area, number of employees, revenues, industry, etc. For example a massage therapist might decide her target market is women with household incomes of $75,000 or more who live in the Uptown area.

3. Knowing your competition: Even if there are no direct competitors for your service, there is always competition of some kind. Something besides your product is competing for the potential client's money. What is it and why should the potential customer spend his or her money with you instead? What is your competitive advantage or unique selling proposition?

4. Finding a niche: Is there a market segment that is not currently being served or is not being served well? A niche strategy allows you to focus your marketing efforts and dominate your market, even if you are a small player.

5. Developing awareness: It is difficult for a potential client to buy your product or service if they don't even know or remember it exists. Generally a potential customer will have to be exposed to your product 5 to 15 times before they are likely to think of your product when the need arises. Needs often arise unexpectedly. You must stay in front of your clients consistently if they are going to remember your product when that need arises.

6. Building credibility: Not only must clients be aware of your product or service, they also must have a positive disposition toward it. Potential customers must trust that you will deliver what you say you will. Often, especially with large or risky purchases, you need to give them the opportunity to "sample", "touch", or "taste" the product in some way. For example, a trainer might gain credibility and allow potential customers to "sample" their product by offering free, hour long presentations on topics related to their area of specialty.

7. Being Consistent: Be consistent in every way and in everything you do. This includes the look of your collateral materials, the message you deliver, the level of customer service, and the quality of the product. Being consistent is more important than having the "best" product. This in part is the reason for the success of chains. Whether you're going to Little Rock, Arkansas or New York City, if you reserve a room at a Courtyard Marriott you know exactly what you're going to get.

8. Maintaining Focus: Focus allows for more effective utilization of the scarce resources of time and money. Your promotional budget will bring you greater return if you use it to promote a single product to a narrowly defined target market and if you promote that same product to that same target market over a continuous period of time.

Before you ever consider developing a brochure, running an ad, implementing a direct mail campaign, joining an organization for networking or even conducting a sales call, begin by mapping a path to success through the development of a consistent, focused marketing strategy.

INDUSTRIAL MARKETING

Industrial marketing is the marketing of goods and services by one business to another. Industrial goods are those an industry of uses to produce an end product from one or more raw materials. The term, industrial marketing has largely been replaced by the term B2B marketing.

Definition of industrial marketing: Industrial marketing happens when one business tries to sell industrial products or services to another. ... It's a form of B2B marketing, but because of the nature of what's being sold, an industrial marketing campaign requires a high level of product knowledge.

Role and functions of B2B Marketing

B2B marketers are also increasingly accountable for revenue results. I like revenue accountability because it forces prioritization on growing the business. But the 'other' responsibilities still weigh heavily. Here are just some of the responsibilities B2B CMO's have with their teams:

- Sales Pipeline and Demand Generation - strategy and tactics
- Messaging and positioning for company and products
- Analyst Relations

- Media Relations
- Digital transformation
- Digital property strategy and management
- Channel partner marketing
- Alliance marketing
- Content marketing strategy and development
- Market intelligence
- Competitive intelligence
- Corporate identity
- Brand management for company and products
- Marketing tech stack and customer data management
- Company culture (marketing drives this way more than HR ever will)
- Talent recruitment, retention, and training
- Social media strategy and management
- Trade show and field marketing events
- Product marketing (some orgs roll up into Marketing. Some have PM as a separate group)
- Marketing analytics
- Marketing performance management
- Sales alignment
- Sales enablement
- Advertising
- Customer marketing including success, retention & growth
- Customer experience
- Budget planning and management
- Agency and vendor management

Players in Industrial or B2B Marketing

Producers

Producers are companies that purchase goods and services that they transform into other products. They include both manufacturers and service providers. Procter & Gamble, General Motors, McDonald's, Dell, and Delta Airlines are examples. So are the restaurants around your campus, your dentist, your doctor, and the local tattoo parlor. All these businesses have to buy certain products to produce the goods and services they create.

Resellers

Resellers are companies that sell goods and services produced by other firms without materially changing them. They include wholesalers, brokers, and retailers. Walmart and Target are two big retailers you are familiar with. Large wholesalers, brokers, and retailers have a great deal of market power. If you can get them to buy your products, your sales can exponentially increase.

Governments

Can you guess the biggest purchaser of goods and services in the world? It is the U.S. government. It purchases everything you can imagine, from paper and fax machines to tanks and weapons, buildings, toilets for NASA (the National Aeronautics and Space Administration), highway construction services, and medical and security services. State and local governments buy enormous amounts of products, too. They contract with companies that provide citizens with all kinds of services from transportation to garbage collection. (So do foreign governments, provinces, and localities, of course.) Business-to-government (B2G) markets, or when companies sell to local, state, and federal governments, represent a major selling opportunity, even for smaller sellers. In fact, many government entities specify that their agencies must award a certain amount of business to small businesses, minority- and women-owned businesses, and businesses owned by disabled veterans

Institutions

Institutional markets include nonprofit organizations such as the American Red Cross, churches, hospitals, charitable organizations, private colleges, civic clubs, and so on. Like government and for-profit organizations, they buy a huge quantity of products and services. Holding costs down is especially important to them. The lower their costs are, the more people they can provide their services to.

Advantages and Disadvantages of B2B Business Models s we saw earlier, in B2B marketing, the company sells its products to other companies or suppliers directly and not to customers. This business model offers a series of advantages over B2C marketing, but also brings some difficulties.

► Advantages of B2B Marketing

- The first and most important advantage of this type of marketing is that the company has to deal with other companies and not with a large number of customers. As these companies need to buy these products, it is much easier to convince them to do business.

- Also, the total value of sales will generally be higher, resulting in higher transactions, with potentially greater profits.
- Another advantage of B2B marketing is that once companies become your client, they will remain working with you for a long time, if your services are good, and you are offering adequate customer support. In short, brand loyalty, in the case of companies, is higher compared to final consumers.

► Disadvantages of B2B Marketing

The biggest disadvantage of this type of marketing is that the target market is limited, as the number of companies is much smaller than the number of consumers, which will greatly reduce the target market.

Another disadvantage is that in many cases the company has to offer a discount for recurring orders since the buyers have much greater negotiation power, when compared to end customers who only buy one or two products and therefore don't have bargaining power.

Examples of B2B Marketing Strategies

Xerox uses humor to drive brand change. That strategy plays an essential role in the campaign, which includes television, print ads and even an update of the website.

●In one of the ads, we can see a monk who is in charge of the translation of a document for different languages that should be sent "as soon as possible" to all the monasteries of the world. To solve the problem, He would need to use Xerox technology that facilitates the processes of document distribution.

The Xerox campaign was very successful, getting a lot of coverage and positive results from publications as Digiday, Forbes, and MediaPost. Over 1.7 million people watched their official video on Youtube in four months.

CONSUMER MARKETING

Consumer marketing is defined as creating and selling products, goods and services to individual buyers, as opposed to trying to appeal to businesses. Commercials trying to sell toys or books or movies to the average individual are examples of **consumer marketing**.

Features of B2C Marketing

B2C marketing can be characterized by a list of features that makes it stand out. Look below.

- **A short sales cycle.** Unlike B2B marketing, in which the sales cycle is much longer, B2C clients don't spend hours on research, hesitating, and comparing every single feature. B2C customers usually buy products that were advised by their friends so the entire process is less intimidating for clients and sellers.

- **Domination of an emotional element over the rational one.** B2C customers look for instant solutions to their problems based on their desires. They rarely think strategically over the purchase. They are just looking for a fast solution that will satisfy their needs here and now. So if a brand manages to provide them with this solution, they will definitely return to for the same emotional experience.

- **Working with the end-user.** B2C companies usually deal directly with the consumers of their products. This makes it easier to convince a person, find the right words, and use special techniques. While in B2B, a salesperson needs to negotiate with multiple influencers who make decisions on behalf of the entire company.

- **The high importance of social media.** Working with the end consumers is impossible today without investing in social media marketing. While choosing a product, people desperately look for customer feedback. They investigate each channel they know to make the right decision. They not only look for reviews but prefer Facebook and Instagram to talk to the brand via chatbots. You will hardly find a person who will give a call or visit the company's office. So, brands create chatbots to provide clients with 24/7 support, collect reviews, share updates, and run retargeting campaigns to bring in new customers and maintain relationships with them.

B2C Marketing vs. B2B Marketing

B2C Marketing	**B2B Marketing**
Sells to the final customer directly.	Targets a company or business.
Customers are impulsive and want to see all the information about the product at once. They will rarely do more research to understand the product.	Customers are likely to do more research before purchasing and compare the product with competing options.
Targets the emotional drive associated with purchasing a product.	Focuses on the features and value of a product.
Works around benefits and desires.	Is more about the characteristics and logic.
The goal of customers is a personal improvement.	The aim of target customers is to power their business.
Makes small-scale sales for personal use. These are low-volume sales spread across many consumers.	Sales are large-scale. The customers are limited, but the purchasing volume is large.
Consumers make purchases instantly after seeing the product ad or within a very short time. They look for immediate results.	Customers typically go through a much longer buying process. They want to fulfill long-term goals.

Differences between B2B and B2C marketing

As we have mentioned, B2B marketing is no more complex than "traditional" B2C marketing, but there are some differences that we should take into account when designing a sales strategy. Let's summarize these differences now:

► Size of B2B vs. B2C

In B2B, we usually find small vertical markets, often niche markets made up of thousands of sales possibilities.

On the other hand, B2C markets are generally larger, with access to tens of billions of options.

► Purchase process

In B2B, sales are usually more complex. Often, this process can take several months, demanding a lot of attention.

Meanwhile, B2C sales are less complex, depending on the product or service that is being sold. In many cases, they don't take more than a few minutes (impulse purchase) or may take a few days, for more expensive products. However, there are usually not many people involved in the purchasing process, which means that the trading period is much shorter.

► Sales process

B2B sales require a lot more work (vendors need to understand the customer needs, to build a relationship based on trust), which means that the process can last for several months.

However, B2C sales are faster because usually, the company will sell directly to the consumer or a retailer. To create a sales strategy, it will be necessary to convince the consumer that he will need to buy this product.

► Cost of sales

When we are talking about B2B the total value of sales is usually higher, cost can range from thousands of euros to tens of millions of euros.

However, for B2C sales the cost of products can vary greatly. Many companies earn only a few cents per sale, for example in products for the home. On the other hand, companies that work with luxury goods or large investments, such as real estate agents or cars will earn lots of money for every closed sale.

► Purchase decision

In B2B, the decision to buy is usually driven by need and budgets, therefore the decision tends to be based on price and the advantages of each product.

And in B2C, buying decisions tend to be made based on expectations. In many cases, customers will buy moved by impulses, without stopping to reflect on the real need for getting the product.

► Brand value

In B2B businesses, brand identity in the markets is created through personal relationships and long-term sales.

However, in B2C businesses, brand identity in the markets is created through advertising, and now through social media.

► Long-term customer value

In B2B, the long-term value of customers is much greater because of the higher product cost and the probability of repeated sales or complementary sales to the same client.

However, in the B2C world, the long-term value of a customer is lower due to the lower cost of the products and the fact that many companies are competing for the same customers.

B2C Marketing Channels

Email marketing

Email marketing is a popular and effective way for consumer brands looking to increase their sales to reach the target audience. It primarily involves sending out email blasts or personalized promotional emails to new leads or loyal customers. Email marketing, however, is only useful if it is relevant to the recipients.

Mobile marketing

It is estimated that over half of all internet shoppers buy things from their mobile devices. Therefore, successful B2C companies should work on reaching mobile users through interactive and mobile-optimized promotions. Mobile marketing aims to reach mobile users through websites, apps, SMS, MMS, and social media.

Web push marketing

Push notifications are a way to deliver messages about sales, discounts, or offers to customers in real-time when they visit a website. Push notifications usually pop up on users' computers or mobile screens and help elicit an immediate response from the viewer.

Social media marketing (SMM)

SMM is the use of social media networks like Facebook, Instagram, and Twitter to promote goods or services directly to customers. It entails creating and sharing marketing content on social media platforms. Usually, B2C businesses use social media as a channel to market their brands' potential target customers, loyal clients, and the general public.

SEO

Search Engine Optimization is a natural or organic marketing process for increasing the visibility of a site or webpage on a search engine's non-paid results. Good SEO practices and tools help businesses drive more traffic to their websites and consequently increase sales.

Paid Search Advertising

This form of marketing is a type of pay-per-click advertising where brands pay for their digital advertisements to appear on the results page of a search engine like Google or Yahoo. The placement and frequency of these ads depend on one's quality score and bid.

Service Marketing

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

Philip Kotler in 1984 – "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything".

American Marketing Association (1960) – "activities, benefits or satisfactions which are offered for sale provided in connection with the sale of goods".

Features of Services

1. Intangibility
2. Inseparability
3. Heterogeneity (or variability)
4. Perishability
5. Simultaneity
6. Changing demand
7. Pricing of services
8. Direct channel
9. No ownership\

Challenges in Marketing Services

1.A service cannot be demonstrated.

2. Sale, production and consumption of services takes place simultaneously.

3. A service cannot be stored. It cannot be produced in anticipation of demand.

4. Services cannot be protected through patents.

5. Services cannot be separated from the service provider.

6. Services are not standardized and are inconsistent.

7. Service providers appointing franchisees may face problems of quality of services

8. The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization

Examples of Services Industry

1. Food Services

2. Hotels and Motels

3. Personal Care Services

4. Car Service Firms

5. Entertainment Services

6. Transport Services

7. Communication Services

8. Insurance Services

9. Financial Services

10. IT Services

11. Tourism Services

12. Social services

Classifications of Services

1. On the Basis of End User i. Consumer services, ii. Business to business services

2. On the Basis of Tangibility i. Tangible services, ii. Intangible services

3. On the Basis of Specialization i. Professional services, ii. Nonprofessional services

4. On the Basis of Profit Orientation i. Commercial services, ii. Social services

5. On the Basis of Labor Intensiveness i. People based services, ii. Equipment based services

6. On the Basis of Contact i. High contact services, ii. Low contact services

Competitor Analysis

Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context to identify opportunities and threats.

A ***competitive analysis*** is the process of identifying your competitors and evaluating their strategies to determine their strengths and weaknesses relative to your own business, product, and service. The goal of the competitive analysis is to gather the intelligence necessary to find a line of attack and develop your go-to-market strategy.

Need of Competitor Analysis

- Understand Market Conditions
- Identify Strengths and Weaknesses
- Design / Adjust Go-to-Market (GTM) Strategy
- Face the new challenges
- Identify the strength
- Maximize the capacity of resources
- Better working condition
- Market database

Promotion

Promotions refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.

Promotion Mix

The promotion mix is the specific blend of advertising, sales promotion, public relations, personal selling, and direct-marketing tools that the company uses to persuasively communicate customer value and build customer relationships.

Major Promotion Tools

- Advertising
- Sales promotion
- Public relations
- Personal selling
- Direct marketing

Advertising

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. E.g., TV commercials, Billboards etc.,

Sales promotion

Sales promotion is the short-term incentives to encourage the purchase or sale of a product or service

Public relations

Public relations involves building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events

Personal selling

Personal selling is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.

Objective of promotion

Promotion of new products or services. It is possible to introduce new products and services to the market against existing ones — a chance to find a place in the niche.

Development of brand image. Brand image is when people associate a brand with a particular product. For instance, when you think about toothpaste, Blend-a-med and Colgate come to your mind, when you think about tires, it's Pirelli and Bridgestone when you think about soccer — it's Manchester United and

Real Madrid. This promotion objective tends to create or restore the brand image and makes products more recognizable amongst others in the market.

Informing customers. Marketing promotion is vital for telling people about changes in products or brand’s policies. It also helps to describe the features and details of the products.

Showing superiority over competitors. Everybody uses promotion marketing these days, so to be competitive, each brand needs to apply a long-term promotional strategy.

Turning potential buyers into real customers. If promotion marketing styles like personal selling, advertising, and others are used appropriately, they stimulate demand for the product.

Types of Promotional Marketing

- **Personal selling.** This one-to-one communication with potential customers is the most expensive type of promotion, but also the most effective when done correctly.
- **Advertising.** Ads play a crucial role in making brands recognizable. Good advertising with an accurate, targeted message will reach both existing and potential customers.
- **Direct marketing.** Performed through social media, email, and SMS marketing, unlike advertising, direct marketing intends to build relationships with people who have had your brand or product on their radars before.
- **Sales promotions.** Promos stimulate purchasing and sales by giving discounts, cashback, free shipping, gifts, and more.
- **Public relations.** This promotion style is a chance to build a positive and attractive brand image. With PR promotions, marketers analyze the way people respond to their brand, find out the positive and negative associations with their company, and work on the reconstructing of the brand's image.

Process in promotion

- ❑ Understand the needs of your target audience
- ❑ Decide which marketing channels to use
- ❑ Determine the objectives
- ❑ Develop a proper promotion mix
- ❑ Come up with your promotional message
- ❑ Set your budget
- ❑ Monitor the results

ADVERTISING

Meaning of Advertising - Advertising is an activity of attracting public attention to a product, service, or business as by paid announcements in the print, broadcast, or electronic media.

Definition of Advertising - *"Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media."*- Philip Kotler

"Advertising consists of all activities involved in presenting to a group a non -personal, oral or visual, openly sponsored identified message regarding a product, service, or idea. The message,

called an advertisement, is disseminated through one or more media and is paid for by the

identified sponsor"-**William Stanton.**

CHARACTERISTICS OF ADVERTISING

Above stated definitions reveal following features:1. Tool for Market Promotion: Advertising is a powerful, expensive, and popular element of promotion mix.

2. Non-personal: Advertising is a type of non-personal or mass communication with the target audience. A large number of people are addressed at time. It is called as non-personal salesmanship.

3. Paid Form: Advertising is not free of costs. Advertiser, called as sponsor, has to spend money for preparing message, buying media, and monitoring advertising efforts. It is the costliest option of market promotion. Company has to prepare its advertising budget to appropriate advertising costs.

4. Wide Applicability:

Advertising is a popular and widely used means for communicating with the target market

5. Varied Objectives:

Advertising is aimed at achieving various objectives such as increase sales, create and improve brand image, face competition, build relations with publics, or to educate people.

6. Forms of Advertising:

Advertising message can be expressed in written, oral, audible, or visual forms. Mostly, message is expressed in a joint form, such as oral-visual, audio-visual, etc.

7. Use of Media:

Advertiser can use any of the several advertising media to convey the message. Widely used media are print media (newspapers, magazines, pamphlets, booklets, letters, etc.), outdoor media (hoardings, sign boards, wall-printing, vehicle, banners, etc.), audio-visual media (radio, television, film, Internet, etc.), or any other to address the target audience.

8. Advertising as an Art:

Message creation and presentation require a good deal of knowledge, creativity, skills, and experience. So, advertising can be said as an art. It is an artful activity.

9. One-way Communication:

Advertising involves the one-way communication. Message moves from company to customers, from sponsor to audience. Message from consumers to marketer is not possible. Marketer cannot know how far the advertisement has influenced the audience.

Types of Advertising

TYPES OF ADVERTISING

1. Indoor Advertising:
   a. Press advertising
      i. News paper
      ii. Magazine
   b. Radio advertising.
   c. Television advertising.
   d. Film advertising.
2. Out door advertising:
   a. Posters.
   b. Advertising board / Hoarding
   c. Vehicular

d. Painted display

e. Traveling display

f. Electric display.

g. Sky advertising

h. Sandwich – man.

i. Handbills (leaflets)

3. Direct Advertising:

    a. Sales letters.

    b. Circular letters.

    c. Booklets & Catalogues.

    d. Folders.

    e. Package inserts.

4. Promotional Advertising:

    a. Window display

    b. Interior display.

    c. Show-rooms.

    d. Exhibitions.

ADVERTISING AGENCY

An Advertising agency is a service organization which provides specialized services in the field of advertising. It is a specialized service organization which plans, design and executes advertising campaigns for its clients in return for the payment of a fee by the client, or commission by the advertising media or both.

Some advertising agencies perform a number of other marketing services including market research and consulting on various marketing problems. Advertising agency is composed of creative people and experts of various phases of marketing, who conceive, develop, prepare and place advertisement in advertising media on behalf of their clients.

The task of an advertising agency:

In order to achieve complete advertising services for its clients, the advertising agency has to look after the following task:1. Copy writing.

2. Art – pictures, photographs.
3. Media planning and buying of space.
4. Radio and Television – Producing commercial spots.
5. Market research.
6. Production – Film or tape.
7. Public relations.
8. Merchandising.
9. Sales promotion device.
10. Forwarding the advertising materials to the media owners and the clients in time.

Objectives Of Advertising

Primary

- **To Inform**
- **To Persuade or Induce**
- **To Remind**

Secondary

- Brand Building
- Increasing Sales
- Creating Demand
- Engagement
- Expanding Customer Base
- Changing Customers' attitudes, etc.

Importance Of Advertising

To The Customers

- **Convenience**
- **Awareness**
- **Better Quality**

To The Business

- Good will
- Brand Image
- **Product Differentiation**
- **Value For Money**
- **Easy to Introduce**

To Society

- **Provides employment**
- **Promote standard of living**
- **Educate people**
- **Hope for press and media**

Factors for effective Advertising

1. Simplicity - The most important tip in creating an effective ad is to keep it simple. Too many advertisers want to cram as much information in an ad as space allows, not leaving any white space and creating so much content that readers don't take the time to read all the fine print.

2. Imagery - Photos and graphics can be bold and playful to attract attention, as long as they are consistent with your company's image. A strong image and a few impactful words make a great ad. Think of Nike's "Just do it" campaign.

3. Clarity - One thing to avoid in your ad copy is complex jargon. Industry acronyms are fine to use if they're widely accepted, but if your specific industry has unique terminology, avoid it and replace it with a common term. Clarity and simple terminology are key.

4. Colour - The colours you select should be the same as your corporate colours (or your logo if you don't have a colour palette selected), so that there is consistency with all of your marketing materials.

5. Fonts - The fonts used should be the same as those used in other collateral. A good rule of thumb is to use no more than 2 fonts - one for a headline and one for the body text, however, it's a good practice to just use one font family, and vary it with bold, italics or size.

6. Logos - Although most advertisers think their logo is the most important thing in an ad, it's not. The logo should be discreetly placed, so that it is visible but not overpowering.

7. Contact Information - Make it easy for readers to contact you by providing your email and telephone number. If possible, direct readers to a specific web page that relates to the industry you're marketing to. This also gives you an opportunity to measure the opens on that page.

8. Professionalism - Finally, use the services of a professional graphic designer. Just because you have a nephew that knows how to use a design program does not mean that he has the skills required to design a professional ad that will generate business for you. Leave it to the pros, and you'll reap the rewards in new business.

Benefits or Importance of Advertisement

Benefits to Manufacturers

- **It increases sales volume by creating attraction towards the product.**
- **It helps easy introduction of new products into the markets by the same manufacturer.**
- **It helps to create an image and reputation not only of the products but also of the producer or advertiser. In this way, it creates goodwill for the manufacturer.**
- **Retail price, maintenance is also possible by advertising where price appeal is the promotional strategy.**
- **It helps to establish a direct contact between manufacturers and consumers.**
- **It leads to smoothen the demand of the product. It saves the product from seasonal fluctuations by discovering new and new usage of the product.**
- **It creates a highly responsive market and thereby quickens the turnover that results in lower inventory.**
- **Selling cost per unit is reduced because of increased sale volume. Consequently, product overheads are also reduced due to mass production and sale.**
- **Advertising gives the employees a feeling of pride in their jobs and to be in the service of such a concern of repute. It, thus inspires the executives and worker to improve their efficiency.**
- **Advertising is necessary to meet the competition in the market and to survive.**

Benefits to Wholesalers and Retailers

- **Easy sale of the products is possible since consumers are aware of the product and its quality.**
- **It increases the rate of the turn-over of the stock because demand is already created by advertisement.**
- **It supplements the selling activities.**
- **The reputation created is shared by the wholesalers and retailers alike because they need not spend anything for the advertising of already a well advertised product.**
- **It ensures more economical selling because selling overheads are reduced.**
- **It enables them to have product information.**

Benefits to Consumers

- **Advertising stresses quality and very often prices. This forms an indirect guarantee to the consumers of the quality and price. Further large scale production assumed by advertising enables the seller to seller product at a lower cost.**

- **Advertising helps in eliminating the middlemen by establishing direct contacts between producers and consumers. It results in cheaper goods.**

- **It helps them to know where and when the products are available. This reduces their shopping time.**

- **It provides an opportunity to the customers to compare the merits and demerits of various substitute products.**

- **This is perhaps the only medium through which consumers could know the varied and new uses of the product.**

- **Modern advertisements are highly informative.**

Benefits to Salesmen

Salesmanship is incomplete without advertising. Advertising serves as the forerunner of a salesman in the distribution of goods. Sales is benefited the advertisement in following ways:

- **Introducing the product becomes quite easy and convenient because manufacturer has already advertised the goods informing the consumers about the product and its quality.**

- **Advertising prepares necessary ground for a salesman to begin his work effectively.**

Hence sales efforts are reduced.

- **The contact established with the customer by a salesman is made permanent through effective advertising because a customer is assumed of the quality and price of the product.**

- **The salesman can weigh the effectiveness of advertising when he makes direct contact with the consumers.**

Benefits to Community or Society

- **Advertising, in general, is educative in nature. In the words of the late President Roosevelt of the U.S.A., "Advertising brings to the greatest number of people actual knowledge concerning useful things: it is essentially a form of education and the progress of civilization depends on education."**

- **Advertising leads to a large-scale production creating more employment opportunities to the public in various jobs directly or indirectly.**

- **It initiates a process of creating more wants and their satisfaction higher standard of living. For example, advertising has made more popular and universal the uses of such inventions as the automobiles, radios, and various household appliances.**

- **Newspapers would not have become so popular and so cheap if there had been no advertisements. The cheap production of newspapers is possible only through the publication of advertisements in them. It sustains the press.**

- **It assures employment opportunities for the professional men and artist.**

- **Advertising does provide a glimpse of a country's way of life. It is, in fact, a running commentary on the way of living and the behavior of the people and is also an indicator of some of the future in this regard.**

Budgeting in advertisement

According to CIMA Official Terminology, budget is "a plan quantified in monetary terms prepared and approved before a defined time usually showing planned income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objective.".

The analysis of the above definition shows the following elements in the budget:

- ❑ **It is a plan expressed in financial-terms for attaining some objective.**
- ❑ **It is prepared and approved before a defined time.**
- ❑ **It shows the planned income to be generated.**
- ❑ **It shows probable expenditure to be incurred.**
- ❑ **It indicates the capital to be employed during the period.**

DECIDING ON THE ADVERTISING BUDGET

Advertising is treated as a current expense, part of it is really an investment in the building brand equity and customer loyality.

Management should consider these five factors when setting the advertising budget

1. ***Product life cycle stage:*** New products typically receive large budgets to build awareness and to gain consumer trial. Established brands usually are supported with lower budgets as a ratio to sales.

2. ***Market share and consumer base:*** High-market-share brands usually require less advertising expenditure as a percentage of sales to maintain their share. To build share by increasing market size requires larger advertising expenditures. On a cost-per-impression basis, it is less expensive to reach consumers of a widely used brand than to reach consumers of low-share brands.

3. ***Competition and clutter:*** In a market with a large number of competitors and high advertising spending, a brand must advertise more heavily to be heard. Even simple clutter from advertisements that are not directly competitive to the brand creates a need for heavier advertising.

4. ***Advertising frequency:*** The number of repetitions needed to put across the brand's message to consumers has an important impact on the advertising budget.

5. ***Product substitutability:*** Brands in a commodity class (cigarettes, beer, soft drinks) require heavy advertising to establish a differential image. Advertising is also important when a brand offers unique benefits or features.

Methods of budgeting

1. Incremental budgeting

Incremental budgeting takes **last year's actual figures** and adds or subtracts a percentage to obtain the current year's budget. It is the most common method of budgeting because it is simple and easy to understand.

2. Activity-based budgeting

Activity-based budgeting is a top-down budgeting approach that determines the **amount of inputs required to support the targets or outputs** set by the company.

3. Value proposition budgeting

In value proposition budgeting, the budgeter considers the following questions:

- Why is this amount included in the budget?
- Does the item create value for customers, staff, or other stakeholders?
- Does the value of the item outweigh its cost? If not, then is there another reason why the cost is justified?

Value proposition budgeting is really a mindset about making sure that **everything that is included in the budget delivers value for the business**

4. Zero-based budgeting

As one of the most commonly used budgeting methods, zero-based budgeting starts **with the assumption that all department budgets are zero** and must be rebuilt from starting.

Classification or types of Budgets

Based on Time;

- Long-term Budget, and
- Short-term Budget.

Based on Condition;

- Basic Budget, and
- Current Budget.

Based on Functions;

- Master Budget, and
- Functional Budgets

Based on Flexibility

- Production Budget;
- Material Budget;
- Labor Budget;
- Sales Budget;
- Production Overhead Budget;
- Administration Overhead Budget;
- Selling & Distribution Overhead Budget;
- Plant Utilization Budget;
- Cash Budget
- Research & Development Budget and more

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Advertisement agency & It's Role

"*The work of a tailor is to collect the raw material, find matching threads, cut the cloth in desired shape, finally stitch the cloth and deliver it to the customer*."

Advertising Agency is just like a tailor. It creates the ads, plans how, when and where it should be delivered and hands it over to the client. Advertising agencies are mostly not dependent on any organizations.

These agencies take all the efforts for selling the product of the clients. They have a group of people expert in their particular fields, thus helping the companies or organizations to reach their target customer in an easy and simple way.

The first Advertising Agency was William Taylor in 1786 followed by James "Jem" White in 1800 in London and Reynell & Son in 1812

- Creating an advertise on the basis of information gathered about product
- Doing research on the company and the product and reactions of the customers.
- Planning for type of media to be used, when and where to be used, and for how much time to be used.
- Taking the feedbacks from the clients as well as the customers and then deciding the further line of action

Reason for Advertisement agency

- The agencies are expert in this field. They have a team of different people for different functions like copywriters, art directors, planners, etc.
- The agencies make optimum use of these people, their experience and their knowledge.
- They work with an objective and are very professionals.
- Hiring them leads in saving the costs up to some extent.

Types of Advertisement agency

Full service Agencies

- Large size agencies.
- Deals with all stages of advertisement.
- Different expert people for different departments.
- Starts work from gathering data and analyzing and ends on payment of bills to the media people.

Interactive Agencies

- Modernized modes of communication are used.
- Uses online advertisements, sending personal messages on mobile phones, etc.
- The ads produced are very interactive, having very new concepts, and very innovative.

Creative Boutiques

- Very creative and innovative ads.
- No other function is performed other than creating actual ads.
- Small sized agencies with their own copywriters, directors, and creative people.

Media Buying Agencies

- Buys place for advertise and sells it to the advertisers.
- Sells time in which advertisement will be placed.
- Schedules slots at different television channels and radio stations.
- Finally supervises or checks whether the ad has been telecasted at opted time and place or not.

In-House Agencies

- As good as the full service agencies.
- Big organization prefers these type of agencies which are in built and work only for them.
- These agencies work as per the requirements of the organizations.

<u>Some of the Famous Ad – Agencies in India:</u>

1. Hindustan Thompson Associate, Bombay.
2. Lintas India, Bombay.
3. Mudra Communications, Ahmedabad.
4. Oglivy & Marther, Bombay.
5. Ulka Advertising.
6. R.K.Swamy Advertising associates.
7. Leo Burnett Advertising, Bombay.
8. Rediffussion Advertising, Bombay.
9. Saatchi & Saatchi.
10. McCann Erickson.
11. Grey Worldwide.
12. Rubecon.

Personal Selling

According to American Marketing Association, "Personal selling is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sale; it is the ability to persuade the people to buy goods and services at a profit to the seller and benefit to the buyer".

Features of personal selling

i.It is a face to face communication between buyer and seller.

ii. It is a two way communication.

iii. It is an oral communication.

iv. It persuades the customers instead of pressurizing him.

v. It provides immediate feedback.

vi. It develops a deep personal relationship apart from the selling relationship with the buyers and customers.

Objectives and Process of Personal Selling

- Attracting the Prospective Customers
- Educating the Prospective Customers
- Creating Desire to Buy
- Concluding Sales
- Getting Repeat Orders
- Follow up
- Relationship with customers

Merits of Personal Selling:

The strength of personal selling is measured in terms of the merits to its credit as a distinct form of promotion. These are:

1. Flexibility and adaptability:

Personal selling by its very nature is capable of providing more flexibility, being adaptable. A salesman can adjust' himself to the varying needs, moods, motives, impulses, attitudes and other behavioural variables of the prospects with a view to communicate effectively and effect the sales for the unit.

2. Minimum waste:

The efforts put in by the salesman are highly focused on a single customer or a small group of customers. The message is likely to reach them without distortion and diffusion.

3. Acts as a feed-back:

The salesman is, in effect, a researcher. Being in direct contact with the consumers, he has the advantage of collecting and transmitting the relevant market information affecting his company.

Such timely, authentic and verifiable data is the basis of vital decisions, strategies, and tactical adjustments. Thus, he feels the pulse of the market that is ever changing.

4. Creates lasting impression:

The personal selling process is so direct and penetrating that lasting business relation can be developed between the selling house and the clientele. In case of advertising, it acts like a flash of a thunder-bolt from the blue. The light though very powerful, lasts only for a few seconds. The light of salesmanship is like an electric current that lasts longer.

5. Pulls through logical sequence:

The personal selling follows a logical selling process which matches to the reasoning of one and all. A salesman pulls through the customer in the step-by-step selling process starting with attention and ending with satisfaction with interest, desire, conviction and action juxtaposed between. Further, he detects loss of consumer attention and interest and brings the consumer back to the track by repetitions and reinforcements.

B. Limitations:

1. It is expensive:

Personal selling as a method of promotion is quite expensive. Getting salesman is one thing and retaining him for long is another. Further, there are no definite correlations between his stay and cost of retaining and the contributions of his, in return, to the firm, for such costs.

2. Difficulty of getting right kind of salesmen:

Though, theoretically certain guidelines are prescribed for getting right kind of salesmen from the potential candidates, it is really very difficult to get suitable salesmen from company’s point of view. The potential salesmen so selected, trained and placed, do not guarantee loyal service to the company.

3. Stake in consumer loyalty:

Personal selling is such a process-direct and close between the customer and salesman that the consumer loyalty depends on the presence of such a salesman. The firm's fortunes are tied to the loyalty of consumers which, in turn, depends on the very presence of salesman. The moment the salesman moves out, the clientele drops down to the detriment of the firm.

4. More administrative problems:

Personal selling involves more of administrative problems than impersonal selling. Since, the firm is to deal with manpower a driving force behind sales the company has to meet the challenges in the areas of manpower-planning, organizing, directing, coordinating, motivating and controlling. The solutions to these problems, even if found out, are not everlasting because, human content in management is unique.

Direct Marketing

Direct marketing is a form of communicating an offer, where organizations communicate directly to a pre-selected customer and supply a method for a direct response. Among practitioners, it is also known as direct response marketing. By contrast, advertising is of a mass-message nature.

Advantages of Direct Marketing

- Find new customers.
- Target most likely customers.
- Communicate with existing customers for repeat business .
- Direct marketing has quick production and turnaround.
- Advertise specific products, services, special offers and events.
- It can personalize for a better response.
- It's cost effective.
- Direct marketing campaigns are easy to execute

Online Marketing

Online marketing is a set of tools and methodologies used for promoting products and services through the internet. Online marketing includes a wider range of marketing elements than traditional business marketing due to the extra channels and marketing mechanisms available on the internet.

Online marketing can deliver benefits such as:

- Growth in potential
- Reduced expenses
- Elegant communications
- Better control
- Improved customer service
- Competitive advantage

Online marketing is also known as internet marketing, web marketing, or digital marketing. It includes several branches such as social media marketing (SMM), search engine optimization (SEO), pay-per-click advertising (PPC), and search engine marketing (SEM)

Importance of Online marketing

- Convenience and Quick Service
- Low Cost for Operations
- Measure and Track Results
- Demographic Targeting
- Global Marketing
- Ability to Multitask
- 24/7 Marketing
- Automated, Tech-Savvy Marketing
- Data Collection for Personalization
- Diversified Marketing and Advertising
- Easy Advertising Campaigns
- Instant Transaction Service
- Better Sales Relationships
- Time-Effective Marketing

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SCHOOL OF MANAGEMENT STUDIES

UNIT – III – MARKETING MANAGEMENT – SBA1304

Unit III

Product planning and development – Product life cycle – New product Development and Management – Market Segmentation – Targeting and Positioning – Channel Management – – Pricing Objectives, Policies and methods.

Introduction

Product Planning is the continuing process of identifying and asserting market demands and requirements that characterize a product's feature set. Product planning serves as the basis for decisions about promotion, price and distribution. It is the process of developing a product idea and sticking on it until the product is completely developed and later introduced to the market.

According to Karl H. Tietji, product planning signifies 3 important considerations:

· Expansion and introduction of new products.

· Refinement of existing lines and marketing strategy according to the changing consumer taste, needs & preferences.

· Discontinuance and elimination of marginal or unprofitable products.

Objectives Of Product Planning

- To fulfill the customer needs
- To spotlight firms strengths and weaknesses
- To fortify better resource utilization
- To guarantee firm's survival
- To increase firm's sales and Capacity

Components of Product Planning

- Product Innovation
- Product Diversification
  - a)Depth of product line
  - b) On the other side, Width of product line
- Product Standardisation
- Product elimination
- Product Customization

- Collaborative customization
- Adaptive Customization
- Transparent Customization
- Cosmetic Customization

NEW PRODUCT DEVELOPMENT

- Idea Generation
- Screening of Ideas
- Business Analysis
- Product development
- Test Marketing
- Commercialization

PRODUCT LIFE CYCLE:

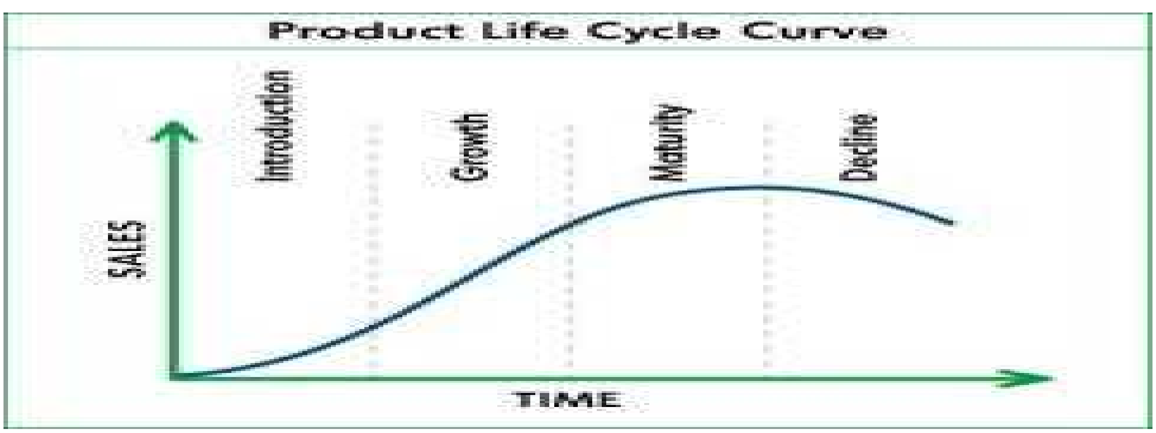
The product life cycle is a conceptual representation. It is a product aging process. It is simply a graphic portrayal of the sales history of a product from the time of its introduction to withdrawal.

Stages of Product life cycle:

The product aging process has four stages namely

- Introduction
- Growth stage
- Maturity stage

Decline stage



1. **Introduction:** It has only proved demand and not the effective demand. It is characterized by:

a. Low and slow sales:

o Delay in expansion.

o Delay in availability.

o Consumer resistance.

b. Highest promotional expense.

o To create demand.

o To inform

o Inducing trial.

c. Highest product prices.

o Initially the price will be high

o Lower output and sales – absorbing fixed cost

o Higher margin to support higher promotional expenses.

o Very few competitors.

2. Growth: Product accepted sales rises – price remain higher to recover the cost – high sales + high price = profit rises sharply – leads to competition – product improvement.

a. Sales rises faster:

o Killing consumer resistance.

oDistribution and retail outlets built well.

o Production facilities streamlined.

b. Higher promotional expenses:

o Advertisement moves on brand identification.

o Special offer, concession, allowances to dealers is given.

c. Product improvement:

o Originator paved the pattern of market – Competitor becomes stronger by emerging with modified products – may also reduce price – urge the originator to further improve the product.

3. Maturity: Market becomes saturated – demand satisfied – Distribution channel full – Production cost reduced. Efforts made to extend the maturity stage – much longer than the growth stage.

a. Sales increase at decrease rate: Market saturation – demand is mostly for repeat sales – Competition intensives – Prices tend to fall – Selling effort is aggressive – firms employ extensive strategies to retain market share.

o Development of new market

o Development of new uses.

o Development of more frequent use.

o Development of wide range of products.

o Development of style change. – pen, car, watch, etc.,

b. Normal promotional expenses: Promotional spend is very normal – Weaker competitors leave the market to longer and stronger manufactures.

c. Uniform and lower prices:

4. Decline: Actual sales begin to fall.

- New product competition.

-Change in consumer taste & preferences.

- Price fall.

- Market for the product - suppressed by technological change.

a. Rapid fall in sales – eg: Calculators.

b. Further fall in price – Liquidate the stock (maximum benefit at least profit margin)

c. No promotional expenses.

MARKET SEGMENTATION

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

Market Segmentation

It is the process of dividing the major group into several minor part based on it nature for easy access and target the customer to deliver the goods based on their need and demand

Levels of Market Segmentation:

1. **Mass Marketing:** In Mass Marketing the seller engages in the mass production, mass distribution and mass promotion of one product for all buyers.

E.g.: only one size coke- 6.5 ounce bottle

2. **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 asegment into sub segments or by defining a group with a distinctive set of traits who may seek a special combination of benefits.

E.g.: Johnson & Johnson; Diabetes

3. **Local Marketing:** Target marketing is increasingly taking on the character of regional and local marketing, with marketing programs tailored to the needs and wants of local customer groups.

4. **Individual Marketing:** It is otherwise known as "Customized Marketing" or "one-to-one Marketing". It is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirement.

E.g.: Japan's National Bicycle Industrial Company makes bikes filled to the preferences

and anatomies of individual buyer.

5. **Self Marketing:** It is a form of individual marketing in which the individual customers takes more responsibility for determining which products and brands to buy.

Eg.,Toll free numbers; Internet will increase individual buyers ability to practice self marketing.

Patterns of Market Segmentation

1. Homogeneous preferences: a market in which all of the consumers have roughly the same preference, so there are no natural segments.

2.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 center 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.

3. Clustered preferences: The market might reveal distinct preference clusters, called natural market segments. The first firm in this market might position in the center to appeal to all groups, choose the largest market segment (concentrated marketing), odevelop several brands for different segments. If the first firm has only one brand, competitors would enter and introduce brands in the other segments

Bases for Segmenting Consumer Markets

GEOGRAPHIC SEGMENTATION

Geographic segmentation calls for dividing the market into different geographical units such as nations, states, regions, counties, cities, or neighborhoods.

DEMOGRAPHIC SEGMENTATION

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

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. Age and life cycle can be tricky variables. For example, Ford originally designed its Mustang automobile to appeal to young people who wanted an inexpensive sport car. But when Ford found that the car was being purchased by all age groups, it recognized that the target market was not the chronologically young, but the psychologically young.

➢**Gender:** Gender segmentation has long been applied in clothing, hairstyling, cosmetics, and

magazines. Occasionally other marketers notice an opportunity for gender segmentation Ex: Fair & lovely and Fair n Handsome

- **Income:** Income segmentation is segmenting the market depending on the income of the people. eg., Cars for different income groups in the same brand like alto, swift, swift desire, SX4 in maruti.

➢ **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).

➢**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.

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.

Ex: Meat seems an unlikely product for lifestyle segmentation, but one Kroger supermarket in Nashville found that segmenting self-service meat products by lifestyle, not by type of meat, had a big payoff. This store grouped meats by lifestyle, creating such sections as “Meals in Minutes” and “Kids Love This Stuff” (hot dogs, hamburger patties, and the like). By focusing on lifestyle needs, not protein categories, Kroger’s encouraged habitual beef and pork buyers to consider lamb and veal as well—boosting sales and profits.

But lifestyle segmentation does not always work **Ex:** 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. **Ex:** Apple Computer’s iMac computers, for example, have a friendly, stylish personality that appeals to buyers who do not want boring, ordinary personal computers.19➢ **Values:** Core values are the belief systems that underlie consumer attitudes and behaviors. Core values go much deeper than behavior 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 behavior.

BEHAVIORAL SEGMENTATION

In behavioral 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 behavioral 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, air travel is triggered by occasions related to business, vacation, or family, so an airline can specialize in one of these occasions.

➢ **Benefits:** Buyers can be classified according to the benefits they seek. One study of travelers

uncovered three benefit segments: those who travel to be with family, those who travel for

adventure or education, and those who enjoy the “gambling” and “fun” aspects of travel.

➢ **User status:** Markets can be segmented into nonusers, ex-users, potential users, firsttime users, and regular users of a product. The company’s market position also influences its focus. Market leaders (such as America Online) focus on attracting potential users, whereas smaller firms (such as Earthlink, a fast-growing Internet service provider) try to lure users away from the leader.

➤ **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.

▪ **Loyalty status.** Buyers can be divided into four groups according to brand loyalty status: (1) hard-core loyals (who always buy one brand), (2) split loyals (who are loyal to two or three brands), (3) shifting loyals (who shift from one brand to another, and (4) 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.➤ **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. So, **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.

Bases for Segmenting Business Markets

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. Bonoma and Shapiro proposed segmenting the business market with the variables shown in Table 3.6. The demographic variables are the most important, followed by the operating variables— down to the personal characteristics of the buyer. Demographic Variables

1. Industry:Which industries should we serve?

2. Company size:What size companies should we serve?

3. Location:What geographical areas should we serve? Operating Variables

4. Technology:What customer technologies should we focus on?

5. User or nonuser status: Should we serve heavy users, medium users, light users, or nonusers?

6. Customer capabilities: Should we serve customers needing many or fewer services? Purchasing Approaches

7. Purchasing-function organization: Should we serve companies with highly centralized or decentralized purchasing organizations?

8. Power structure: Should we serve companies that are engineering dominated, financially dominated, and so on?9. Nature of existing relationships: Should we serve companies with which we have strong relationships or simply go after the most desirable companies?

10. General purchase policies: Should we serve companies that prefer leasing? Service contracts? Systems purchases? Sealed bidding?

11. Purchasing criteria: Should we serve companies that are seeking quality? Service? Price?

Situational Factors

12. Urgency: Should we serve companies that need quick and sudden delivery or service?

13. Specific application: Should we focus on certain applications of our product rather than all applications?

14. Size of order: Should we focus on large or small orders? Personal Characteristics

15. Buyer–seller similarity: Should we serve companies whose people and values are similar to ours?

16. Attitudes toward risk: Should we serve risk-taking or risk-avoiding customers?

17. Loyalty: Should we serve companies that show high loyalty to their suppliers?

Market segments must be:

➤ **Measurable:** The size, purchasing power, and characteristics of the segments can be measured.

➤ **Substantial:** The segments are large and profitable enough to serve. A segment should be the

largest possible homogeneous group worth going after with a tailored marketing program.

➤ **Accessible:** The segments can be effectively reached and served.

➤ **Differentiable:** The segments are conceptually distinguishable and respond differently to different marketing mixes. If two segments respond identically to a particular offer, they do not constitute separate segments.

➤ **Actionable:** Effective programs can be formulated for attracting and serving the segments.

MARKET TARGETING

Market Targeting

After dividing the market into different segments next step is to choose one or more segment to enter in the market. For this purpose marketer analyze the segment weather it is beneficial for long run or not, this evaluation and selecting of segment is called targeting. Simple definition of segmenting is “process of evaluating each market segment’s attractiveness and selecting on or more segments to enter”. We can also say that targeting is actually cutting up the market pie into different parts. Segmentation means that, instead of sending your message to a crowded hall, a company should pitch their product to a group of attentive listeners in a quiet room.

Selecting and Entering Market Segments

Single-Segment Concentration

Many companies concentrate on a single segment: Volkswagen, for example, concentrates on the small-car market, while Porsche concentrates on the sports car market.

Selective Specialization

Here the firm selects a number of segments, each objectively attractive and appropriate. There may be little or no synergy among the segments, but each segment promises to be a moneymaker. This multi-segment coverage strategy has the advantage of diversifying the firm’s risk. **Ex** a radio broadcaster that wants to appeal to both younger and older listeners using selective specialization. Emmis Communications owns New York’s WRKSRM, which describes itself as “smooth R&B [rhythm and blues] and classic soul” and appeals to older listeners, as well as WQHT-FM, which plays hip-hop (urban street music) for under-25 listeners

Market Specialization

With market specialization, the firm concentrates on serving many needs of a particular customer group. **An example** would be a firm that sells an assortment of products only to university laboratories, including microscopes, oscilloscopes, and chemical flasks. The firm gains a strong reputation in serving this customer group and becomes a channel for further products that the customer group could use. However, the downside risk is that the customer group may have its budgets cut.

Full Market Coverage

Here a firm attempts to serve all customer groups with all of the products they might need. Only very large firms can undertake a full market coverage strategy. **Examples** include IBM (computer market), General Motors (vehicle market), and Coca-Cola (drink market).

MARKET POSITIONING

Market Positioning

Once the market is divided into smaller and more manageable categories, in the next step companies carve out a position within each market segment. Positioning defines as "the process by which marketers try to create or build an image (identity) of their products or services in the mind of their targeted segment". This mean determining the perception of company's product or service in the target segment or this is the way to understand that why a customer should prefer your product or service instead of competitors. There are two type of market positioning.

Re-positioning involves changing the identity of a company's product or service relative to competitors. This is called changing own product image.

De-positioning involves attempting to change the identity of competitor's products or services. This is called changing competitors product image.

An effort to influence consumer perception of a brand or product relative to the perception of competing brands or products. Its objective is to occupy a clear, unique, and advantageous position in the consumer's mind.

According to Philip Kotler," Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market."

Positioning involves:

- Identifying the unique features of the product (USP).
- Selecting the difference that has greater competitive advantage.
- Communicating such advantage to the target audience.

The ways to position a product are:

- Use Situations Eg: Rasna
- Emphasizing Tangible Benefits Eg: Promise toothpaste
- Linking to Uses Eg: Dettol
- Head-on Competitive Positioning Eg: Onida
- Life style Positioning Eg: Microwave oven

Positioning begins with the task of constructing a visual map of the customer's mind. A mind map is depicted as a flat space divided into four quadrants by two axes, each of which represents the continuum of a particular brand attribute such as

Expensive/ economical; traditional/modern; Superior Quality/ Inferior Quality

COMPETITIVE MARKETING STRATEGIES

Philip kotler, the eminent writer, has discussed the military-type marketing strategies for competitors. He adopted many terms from military science to suggest suitable strategic actions against the enemy. His work is based on many research projects and studies carried out in the United States of America.

Major Types of Competitors:

On the basis of market position, market shares, brand image, resources capacities, and domination power (degree of control over others), there are broadly four types of competitors, such as**:**

1. Market Leaders
2. Market Challengers
3. Market Followers
4. Market Nichers.

Marketing Strategies for Market Leaders:

Market leader has the largest market share in the relevant product in the industry. It has a dominant position in the market. Obviously, it leads other firms in new product development, price change, distribution coverage, promotional activities, and novel experiments.

The leader may or may not be respected by other firms, but other firm has to acknowledge its dominance.

A few market leaders have monopoly in the market. They have to remain alert all the time leadership to maintain their leader-position. Other firms are constantly challenging leadership position.

Figure 2: Broad Marketing Strategies for Competitors

Strategies:

It is hard task to remain the number one in market.

The firm desiring to maintain market- leader position has to adopt one or more of following three major strategies:

1. Expanding Total Market

2. Defending Current Market Share

3. Expanding Market Share

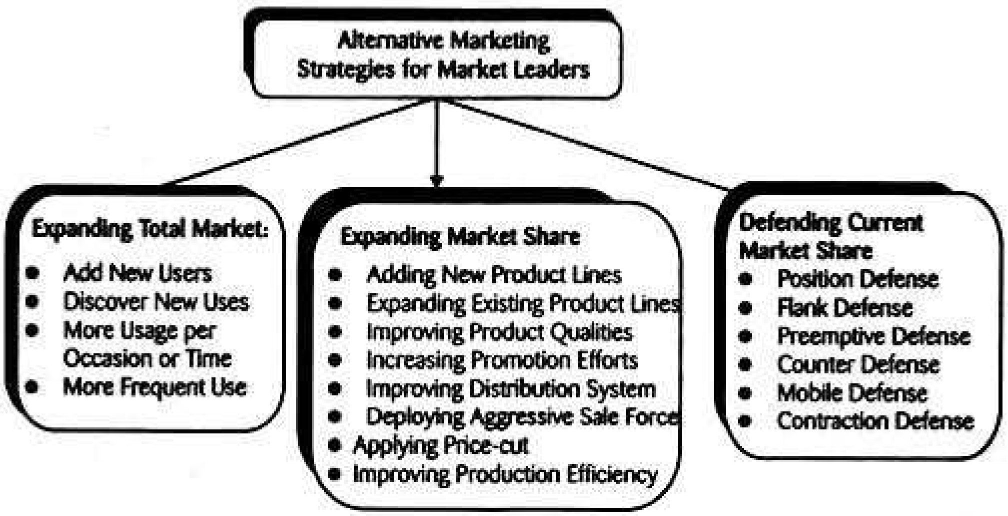


Figure 3: Alternative Strategies for Market Leaders

1. Expanding Total Market:

The leader normally gains more when the total market expands. Naturally, when total market or the industry expands, major player will gain more.

Total market can be expanded in four different ways:

i. ***Add New Users:***

The leader firm must try to add new users. Every product class has potential to attract new buyers who are either not aware of the product or are resistant due to high price and lack of desired features.

New users can be added in several ways:

a. Convincing non-users to use the product (market penetration strategy).

b. Adding more users in user-class (new market strategy)

c. Winning competitors customers (aggressive strategy).

d. Selling product in other markets (geographical-expansion strategy).

ii. *Discover New Uses:*

Another option to expand the total market consists of discovering and promoting new uses of the existing products. The strategy can be applied to industrial products as well as consumer products. A wise firm can get idea regarding new uses of product from customers tactfully.

iii. *More Usage per Occasion/Time:*The third strategy to expand the market consists of convincing the present users to use more of the product per use occasion. It is more applicable to edible-class products. Similarly, it can be extended to durable products, too.

iv. *More Frequent Uses:*

Sometimes, a company tries to convince users to use the product more frequently to increase consumption. If a particular product is used once in a day, it can be used twice or thrice in a day.

2. Defending (Maintaining) Current Market Share:

This strategy is based on the theme: 'Customer-retention is more profitable than customer-creation.' At any cost, the current market share must not be endangered. While expanding total market, a market leader must continuously defend its current market share against rivals' attacks.

There are six defense strategies:

i. ***Position Defense:***

The most basic defense strategy is to build an impregnable (indestructible, unconquerable, or unbeatable) fortification (protecting fort) around one's territory to keep the opponents away. It involves continuous innovation, diversification, price-cuts, improving distribution, and strengthening promotional efforts.

ii. ***Flank Defense:***

Here, the purpose is to protect weak sides or fronts. Flank defense consists of erecting/setting outposts to protect weak fronts that are vulnerable to be attacked. It attempts serve as invasion base for counterattack, if needed.

iii. ***Preemptive or Preventive Defense:***

The basic idea of preemptive defense is to launch the attack before the enemy starts attacking. It is like: To attack the enemy earlier to avoid enemy's attack. Playing the psychological games is very common to discourage competitors' maneuver (movement).

iv. ***Counteroffensive Defense:***

Counteroffensive indicates responding enemy's attack with a counterattack. The leader cannot remain passive when competitor's attacks in forms of price-cut, product modification, promotion blitz (bombardment), or any time of invasion on its sales territories. Leader firm has to undertake frontal, i.e., head-on attack in case of rapid erosion of market share.

v. ***Mobile Defense:***

Mobile defense – also called shifting defense – is much more than simply protecting the territories. The leader stretches or expands its domain (area) over new territories that can serve as the future centers for offense as well as defense.

There are two approaches to mobile defense:

a. Market Broadening:

It involves shifting firm's focus from the current product to forthcoming new technology and concentrating more on research and development activities.

b. Market Diversification:

Market diversification calls upon moving quickly into unrelated industries to strengthen its position.

vi. *Contraction Defense:*

Sometimes, even large companies can no longer defend all territories. The best strategy in this situation is a planned contraction, i.e., strategic withdrawal. Planned contraction doesn't mean market abandonment (fleeing from the market), but rather giving up weaker territories and concentrating on stronger territories.

3. Expanding Market Share:

Instead of expanding total market and defending current market shares, sometimes, the market leader prefers to improve profitability by increasing market share.

There are several ways to expand market share:

i. Adding New Product Lines:

In order to expand market share, the market leader can add new and diversified product lines to make the product mix comprehensive and attractive. However, there must be adequate demand for new product lines.

ii. Expanding Existing Product Lines:

It is a product line extension strategy. It calls upon expanding current product lines by adding new models, varieties or items with attractive features (colours, sizes, shapes, weights, get-ups, etc.) and superior qualities (durability, taste, usefulness, safety, convenience, status, etc.) This strategy can attract more customers. Research and development department must be active to grab emerging market opportunities.

iii. Improving Product Qualities:

Market share can be increased by improving qualities of current products so that customers expecting better qualities can be attracted.

iv. Increasing Promotion Efforts:

Heavy advertising, aggressive sales force, effective sales promotion, and attractive publicity efforts can help expanding market share faster relative to competitors.

v. Improving Distribution System:

Market share can be expanded via better distribution system. Both direct and indirect channels and overall physical distribution system must be modified so that customers can avail the products with the least difficulties. Similarly, effective distribution system can bring down overall selling costs which can further improve profitability.

vi. Deploying Aggressive Sale Force:

Effective personal selling efforts also have positive impact on sales volume, market share, and profitability as well.

vii. Applying Price-cut:

To attract price-sensitive customers, leader can practice price-cut strategy. This strategy is profitable only when the per cent of sales-rise is more than per cent of price-cut.

viii. Improving Production Efficiency:

A leader must improve production efficiency to reduce overall costs. Due to improved production efficiency, a firm can sell better-quality products even at low price.

Marketing Strategies for Market Challengers:

Market challengers are known as runner-up firms. They occupy second, third and lower ranks in an industry.

Market challengers are capable to attack the leader and other competitors. Sometimes, capable challengers can overtake the leader, too.

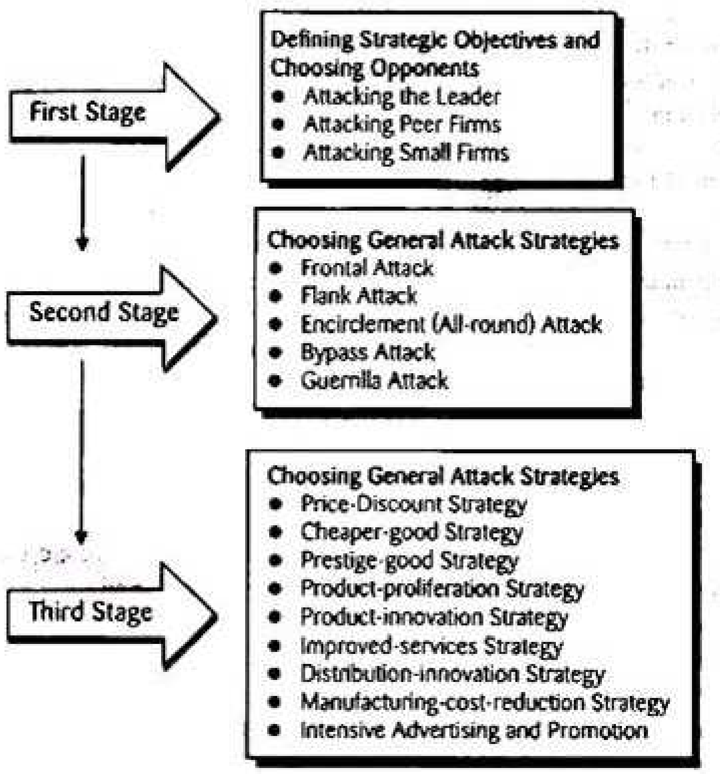


Figure 4: Three-stage Marketing Strategies for Market Challengers

Strategies:

The challenger can exercise following strategies:

1. Defining Strategic Objectives and Opponents:

First of all, a market challenger firm must define its strategic objectives. Normally, most of market challengers' strategic objective is to increase market share. Then, the challenger has to decide on the opponents to attack. Like market leaders, the challengers cannot fight against all opponents. Therefore, a challenger firm has to select the specific opponent to attack.

A market challenger can attack any of the following opponents:

i. Attacking the market leader.

ii. Attacking the firms of its own size that are not doing the job well and are underfinanced.

iii. Attacking the small local and regional firms that are not doing the job well and are underfinanced.

2. Choosing General Attack Strategies:

Once strategic objectives are defined and opponents are selected, the challenger can apply following attacking options:

i. Frontal Attack:

A frontal or "head-on" attack is an aggressive attack strategy. A challenger attacks the opponent's strengths rather than its weaknesses. This option is preferred by the firm with greater resources, otherwise it is proved as a suicide mission.

ii. Flank Attack:

The challenger concentrates on opponent's less-secured, rear-side or weak spots to attack. It is a side-attack rather than a front attack strategy. This option is particularly attractive to an aggressor with fewer resources than opponents. There are two strategic dimensions of a flank attack – geographical and segmental.

In geographical attack, the challenger spots (locates) areas where the opponent is underperforming. And, in segmental attack, a challenger spots the markets, which are not served by the leaders.

iii. Encirclement (All-round) Attack:

Encirclement attack is a form of all-rounded and comprehensive attack. It involves launching a grand offensive attack on several fronts, so that the opponent must protect its fronts, sides, and rears simultaneously.

iv. Bypass Attack:

It is the most indirect attacking option to harm others. It indicates bypassing (i.e., ignoring or avoiding) the enemy and attacking easier markets to broaden one's resource base. This is the easiest way to face the leader.

There are three approaches:

a. Diversifying into Unrelated Products:

It involves producing and introducing unrelated product to avoid direct confrontation.

b. Diversifying into New Geographical Markets:

It involves launching the products in such areas where competitors are absent.

c. Leapfrogging into New Technologies to Replace Existing Products:

It involves researching and developing patiently new technologies and launching an attack with superior products.

v. Guerrilla Attack:

This type of warfare contains making small and intermittent (sudden and irregular) attacks on enemy's different territories. A firm may undertake a few major attacks or continuous minor attacks for longer time. It is more preparation for war than war itself.

Ultimately, the guerrilla attack must be backed by a stronger attack to beat the opponent. It is also expensive and requires a good deal of resources.

3. Choosing Specific Attack Strategies or Attacking Tools:

The five main attack strategies – frontal attack, flank attack, encirclement attack, bypass attack, and guerrilla attack – are very broad.

These strategies consist of many specific attack strategies, some of them have been described as under:

i. Price-Discount Strategy:

It consists of offering a comparable product at a lower price. Success of price-discount strategy works successfully if (1) the challenger can convince that products and services are comparable to that of leaders, (2) buyers must be price- sensitive and feel comfortable to buy, and (3) market leader must not cut its price in spite of challenger's attack.

ii. Cheaper-good Strategy:

It consists of offering average or low quality products at much lower price. The strategy works successfully only when there are sufficient number buyers who are interested in the low-priced and low-quality products.

iii. Prestige-good Strategy:

It consists of launching the high quality products and selling them at premium price. This strategy succeeds if specific group of buyers are ready to pay high price for superior quality-prestigious products.

iv. Product-proliferation Strategy:

It consists of attacking leader by launching a large number of product varieties to give buyers more choice.

v. Product-innovation Strategy:

It consists of adopting product innovation to attack leaders' position.

vi. Improved-services Strategy:

It consists of offering the customers new and better services with same products. Such strategy is widely practiced in consumer durables.

vii. Distribution-innovation Strategy:

It consists of attacking leaders by discovering new ways or channels of distribution. A challenger can apply door-to-door selling, online selling, direct selling, opening stores at convenient places, etc., instead of tradition way of distribution.

viii. Manufacturing-cost-reduction Strategy:

It consists of reducing manufacturing costs by more efficient purchasing, lower labour costs, modern production equipment, and improved technology. The market challenger can apply lower cost to aggressive pricing.

ix. Intensive Advertising and Promotion:

It consists attacking the leader by increasing advertising and promotional expenditures. The success of the strategy depends on how far challenger can exhibit superiority over the leader.

Marketing Strategies for Market Followers:

The firms prefer to follow leader rather than to challenge are called the followers. They do not face the leader directly. Some followers are capable to challenge but they prefer to follow.

They have following strategic options:

1. Counterfeiter or Fraudster:

It is a simple way to follow the leader. The follower who wants to be counterfeiter duplicates the leader's product as well as package and sells it in the market through disrepute distributors. Products are marketed secretly to avoid legal complications.

2. Cloner or Emulator:

The doner clones (emulates) the leader's products, distribution, advertising and other aspects. Here, product and packaging may be identical that of leader, but brand name is slightly different, such as "Colgete" or "Colege" instead of "Colgate" and "Coka -Cola" instead of "Coca-cola." This strategy is widely practiced in computer business also. The cloned products are openly sold in the market due to different brand names.

3. Imitator:

Some followers prefer to imitate/copy some aspects from the leader, but maintain differentiation in terms of packaging, advertising, sales promotion, distribution, pricing, services, and so forth. Customers can easily distinguish imitated product from original one. The leader doesn't care for imitator until imitator attack the leader aggressively. Quite obviously, such products are sold at low price

4. Adaptor:

Some followers prefer to adapt the leader's products and improve them. They make necessary changes/improvements in the original products and develop little different products. The adapter may choose to sell the products in different markets (country or area) to avoid direct confrontation with the leader.

Marketing Strategies for Market Nichers (Tiny Firms):

A niche is a more narrowly defined small market (limited number of buyers) whose needs are not being well-served by existing sellers. It is a small segment that has distinctive needs and is, mostly, ready to pay high price. Marketers can identify niches by dividing a segment into sub-segments or by diviSding a group with a distinctive set of traits.

They may seek a special combination of benefits. Niches (small groups of buyers) are fairly small and normally attract a few competing firms (nichers). A nicher is the small firm serving only small specific groups of customers called as the niches. The firm's marketing efforts to serve the niches successfully is called nichemanship.

Strategies:

Specialization is the basic idea to serve niches. Nichers can apply specialization on various aspects.

They can practice one or more of following marketing strategies:

1. End-user Specialist:

It is very popular and widely used option to serve niches. The firm prefers to operate one-type of end-use customers, for example, a legal advisory firm can handle only criminal cases, or a fashion designer can work only for a few film stars.

2. Vertical Level Specialist:

The firm can specialize at vertical level of production or distribution, for example, producing only raw-materials for specific companies, only warehousing services, or it may concentrate only on retailing. It can serve only a part of the total process.

3. Customer Size Specialist:

The firm can sell products only to small, medium, or large size customers. For example, a firm can supply one or two components only to large companies.

4. Specific Customer Specialist:A firm supplies its products only to distinct group of buyers. For example, designing special two- wheeler for handicapped people or serving special foods to people who are suffering from certain diseases like diabetes.

5. Geographic Specialist:

The firm serves customers of only specific region or area of the world, for example, specific need of the people living in the hilly area.

6. Product or Product Line Specialist:

The firm produces or sells only one product or product line, for example, it sells only socks, ties, or tie pins. A small finance company deals with only car loans or personal loans.

7. Event Specialist:

The firm concentrates its efforts only on particular events or occasions like marriage, grand inauguration, birthday, anniversary, or some festivals. It offers goods or services for celebrating the events of target buyers.

Classification of Products:

Products or goods are classified in to several types. They are:

1.Consumer & Industrial Products: Consumer products are those which are meant for the consumption or final use of consumers or house-holds.

Eg: Shampoo, Biscuits, watches, Two-wheelers.

Industrial goods are those which are used by business buyers as inputs for further commercial processing. Eg: raw materials, spare-parts, equipments or machinery.

2.Durable & Non-Durable products: Durable products are those tangible products that last longer or they do not get exhausted even after repeated use.

Eg: Chair, Car, Refrigerator, Utensils.

Non-Durable products are those which get exhausted with a single or few uses. Eg: Food items, Soft drinks, Soap, Toothpaste.

Convenience, Shopping and Specialty products:

Convenience goods are those products which are bought with the minimum of efforts, at short notice and from convenient location

These products have features such as – purchase at convenience location - full knowledge of products- keen competition among producers and are perishable – in nature.

Examples are all those articles sold by grocers – a wide range from cigarettes to medicines like soaps, cosmetics, bakery products, papers and so on.

Shopping goods are those where consumers devote considerable time in making selection of those before they buy. The consumers want to compare a quality, price & style in several shops before they buy.

The basic features of this product are – they are durable, higher unit price, comparison in selection, pre-planned purchase, and existence of exclusive stores.

Examples: Office & house-hold furniture, automobiles, audio & audio-visual sets, refrigerators, jewelleries etc.,

Specialty goods are those which enjoy certain special features and special efforts are made in their purchase. These products have unique characteristics and brand identification calling for special efforts.

The special features are – full knowledge of products, bias on a particular brand, limited demand, and high unit price.

Examples: Wrist-watches, cameras, cars and so on.

CHANNELISING IN MARKETING MANAGEMENT

Marketing Channel a set of interdependent organizations that eases the transfer of ownership as products move from producer to business user or consumer

DISTRIBUTION

Definition:

According to American marketing association, “a channel of distribution or marketing channel is v structure of intra company organization units & intra company agents and dealers, wholesalers and retailers through which a commodity product or service is marked.

EW Cundiff& R. S. Still define channel of distribution as v path traced in the direct or indirect transfer of the title to a product as it moves from a producer to ultimate consumers or industrial users.

Objectives of Channel of distribution:

1. To ensure availability of products at the point of sale.
2. To build channel members’ loyalty
3. To stimulate channel members to put greater selling efforts.
4. To develop managers’ efficiency in channel organization
5. To identify your organization at a particular level
6. To have an efficient & effective distribution system, to make your products & services available

Role of channel:

1. Search out of buyer and seller
2. Matching goods to the requirement of market
3. Offering products in packages
4. Persuading & influencing the prospective buyer to favor a certain product & its maker
5. Implementing pricing strategies in such a manner that would be acceptable to the buyer & ensure effective distribution
6. Looking after all physical distribution functions
7. Participating actively in the creation & establishment of market for a new product
8. Offering pre &after sales services to customer
9. Transferring new technology
10. Providing feedback information

Different types of channel of distribution are as follows:

Manufacturers and consumers are two major components of the market. Intermediaries perform the duty of eliminating the distance between the two. There is no standardized level which proves that the distance between the two is eliminated.

Based on necessity the help of one or more intermediaries could be taken and even this is possible that there happens to be no intermediary. Their description is as follows:

(A) Direct Channel or Zero Level Channels:

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels:

When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:

1. One Level Channel:

In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods).

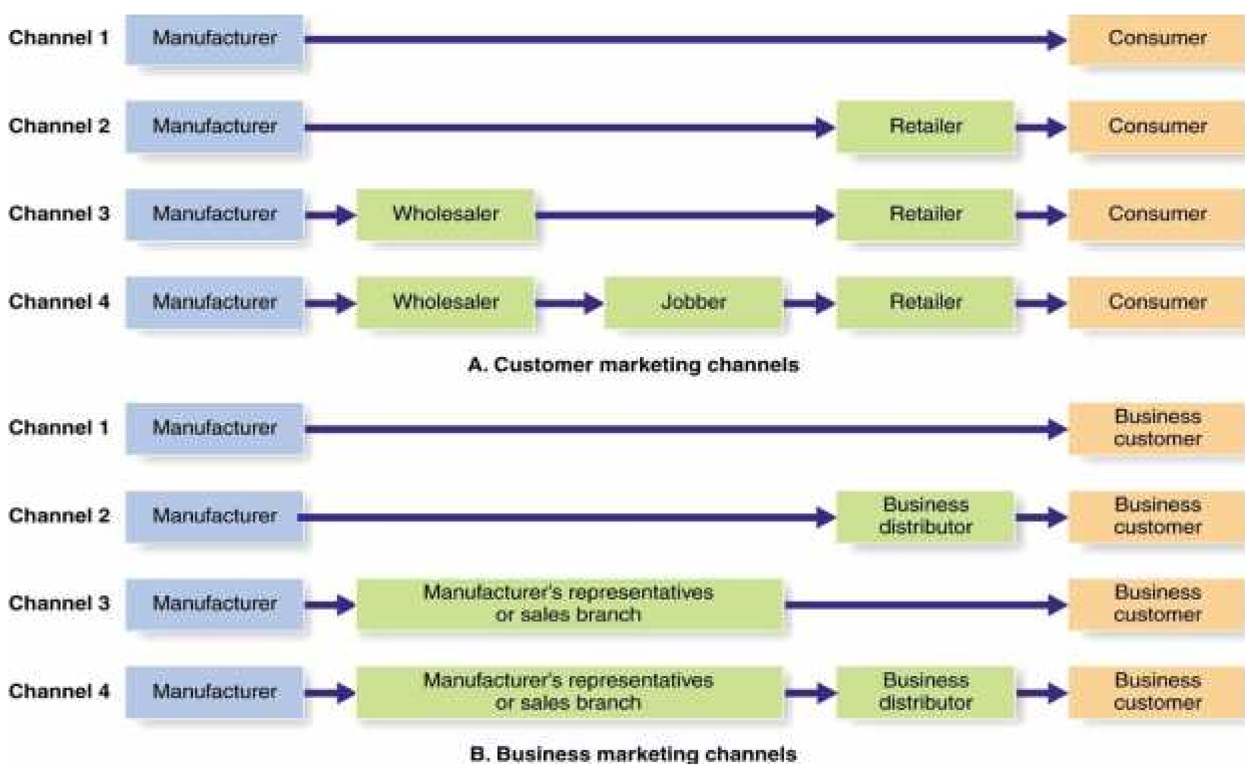
2. Two Level Channel:

In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.

3. Three Level Channel:

Under this one more level is added to Two Level Channel in the form of agent. An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them.

Consumer and Business Channels



Advantages/Disadvantages of Distribution Channel:

Advantages:

Cost Saving

The members of distribution channel are specialized in what they do and perform at much lower costs than companies trying to run the entire distribution channel all by itself.

- **Time Saving**

Along with costs, time of delivery is also reduced due to efficiency and experience of the channel members. For example if a grocery store were to receive direct delivery of goods from every manufacturer the result would have been a chaos. Everyday hundreds of trucks would line up outside the store to deliver products. The store may not have enough space for storing all their products and this would add to the chaos. If a grocery wholesaler is included in the distribution chain then the problem is almost solved. This wholesaler will have a warehouse where he can store bulk shipments. The grocery store now receives deliveries from the wholesaler in amounts required and at a suitable time and often in a single truck. In this way cost as well as time is saved.

- **Customer Convenience**

Including members in the distribution chain provides customer with a lot of convenience in their shopping. If every manufacturer owned its own grocery store then customers would have to visit multiple grocery stores to complete their shopping list. This would be extremely time-consuming as well as taxing for the customer. Thus channel distribution provides accumulating and assorting services, which means they purchase from many suppliers the various goods that a customer may demand. Secondly, channel distribution is time saving as the customers can find all that they need in one retail store and the retailer

- **Customers can buy in small quantities**

Retailers buy in bulk quantities from the manufacturer or wholesaler. This is more cost effective than buying in small quantities. However they resell in smaller quantities to their customers. This phenomenon of breaking bulk quantities and selling them in smaller quantities is known as bulk breaking. The customers therefore have the benefit of buying in smaller quantities and they also get a share of the profit the retailer makes when he buys in bulk from the supplier.

- **Resellers help in boosting sales**

Resellers often use persuasive techniques to persuade customers into buying a product thereby increasing sales for that product. They often make use of various promotional offers and special product displays to entice customers into buying certain products.

- **Customers receive financial support**

Resellers offer financial programs to their customers which makes payment easier for the customer. Customers can buy on credit, buy using a payment plan etc.

- **Resellers provide valuable information**

Manufacturers who include resellers for selling their products rely on them to provide information which will help in improving the product or in increasing its sale. High-level channel members often provide sales data. On all other occasions the manufacturer can always rely on the reseller to provide him with customer feedback.

Disadvantages of including intermediaries in the distribution channel

- **Revenue loss**

The manufacturer sells his product to the intermediaries at costs lower than the price at which these middlemen sell to the final customers. Therefore the manufacturer goes for a loss in revenue. The intermediaries would never offer their services to the manufacturer unless they made a profit out of selling his products. They are either made a direct payment by the manufacturer, for instance shipping costs or as in the case of retailers by selling the product at costs higher than the price at which the product was bought from the manufacturer (also known as markup). The manufacturer could have sold at this final price and made a greater profit if he had been managing the distribution all by himself.

- **Loss of Communication Control**

Along with loss over the revenue the manufacturer also loses control over what message is being conveyed to the final customers. The reseller may engage in personal selling in order to increase the product sale and communicate about the product to his customers. He might exaggerate about the benefits of the product this may lead to miscommunication problems with end users. The marketer may provide training to the salespersons of retail outlets but on the whole he has no control on the final message conveyed.

- Loss of Product Importance

The importance given to a manufacturers product by the members of the distribution channel is not under the manufacturers control. In various cases like transportation delays the product loses its importance in the channel and the sales suffer**.**

PRICING POLICIES

Price is the exchange value of goods and services in terms of money.

According to Kotler, “ Price is the sum of the values that consumers exchange for the benefits of having or using the product or service”.

Objectives of pricing:

Pricing objectives vary from firm to firm. Generally the firms have multiple pricing objectives, They are:

1. To achieve target rate of return on investment.
2. To achieve price stability.
3. To meet or prevent competition.
4. To maintain or improve market share.
5. To maximize profit.
6. To survive in the market.
7. To built public image of the firms.

Determinants/ Factors of pricing policy:

1. Internal factors:

a. Objectives of the firm.

b. Image of the firm through pricing

c. Role of top management.

d. Price elasticity of demand of the product.

e. The stage of the product in the life cycle.

f. Marketing mix.

g. Product differentiation.

h. Cost of the product.

2. External factors:

a. Demand.

b. Competitors' pricing policies

c. Buyers behavior in respect of the product

d. Bargaining power of the major supplier or customer.

e. Legal aspects of the country.

f. Economic condition.

g. Government regulations on price

Pricing methods:

There are three broad classes or methods that can be used for pricing the products. They are:

1. Cost based pricing method:

a. Cost plus pricing: In this method price includes cost of production and profit margin.

b. Price at a rate of return: In this, price are set at such level that its corporate profit objectives are likely to be met.

c. Break even analysis Pricing: this is no profit no loss pricing. Profits are equal to expenses allocated for the product.

2.Demand Based Pricing:

a. On going rate Pricing: In this, price is fixed looking at competitors pricing which is prevailing in the market.

b. **Psychological pricing:** In this, pricing is fixed in such a way that although it is not low price but people thinks it is low price. For example, Rs.999 Bata pricing.

c. **Customary pricing:** Pricing is determined by the perceived expectation of the customers.

3. Transportation Based Pricing:

a. Basic point Pricing: In this price is fixed from one basic point to the point of destination.

b. Zonal Pricing: Pricing differs from one zone or location to the other.

c. Export Pricing: Pricing is fixed depending on the export agreement and cost of the freight. Eg., FOB origin or FOB destination.

Competition based pricing methods: Many firm set prices largely in relation to the prices of their competitors. There are two commonly used competition based pricing namely:

a. Market skimming: It is an approach in which producer fix high price for new high end product so that profits can be maximized.

b. Market Penetration: It is an approach in which producer fix low price for new low end product so that more market can be captured.

Discriminating Pricing:

a.Time Based: When price is charged keeping time factor in mind . Eg., Air travel during late night is less priced than the general day time.

b.Location based: Depend on location of the customer while consuming the product or service. Eg., place in a concert determine price of it.

c.Customer based: when the product or service is differently to the different customers. Eg., in train children senior citizens are charged lesser than the normal passenger.

d.Trade Based: Prices can differ depending on the trade. Eg., Electricity charges are different for domestic and trade user.

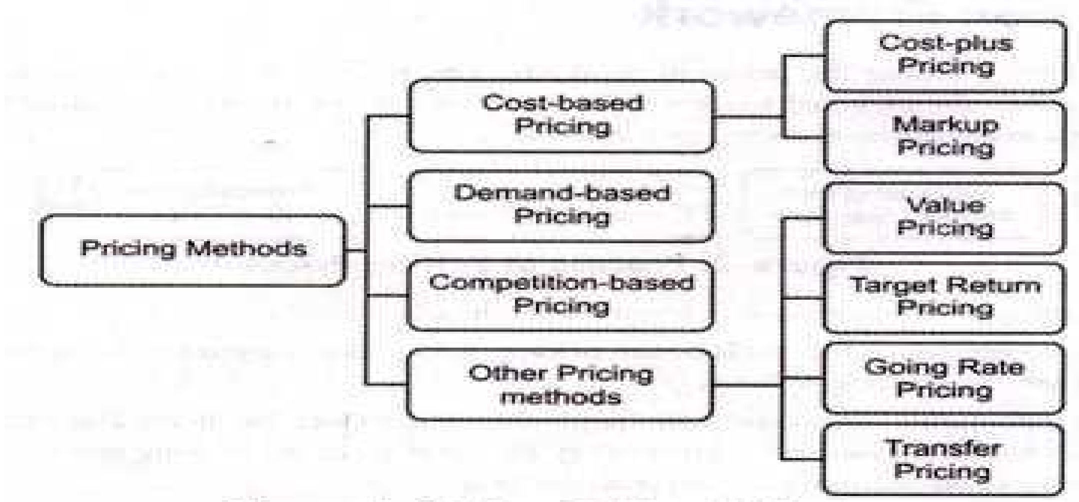


Figure-4: Various Pricing Methods

Price skimming

Price skimming is a product pricing strategy by which a firm charges the highest initial price that customers will pay and then lowers it over time. As the demand of the first customers is satisfied and competition enters the market, the firm lowers the price to attract another, more price-sensitive segment of the population. The skimming strategy gets its name from "skimming" successive layers of cream, or customer segments, as prices are lowered over time.

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.

The goal of a price penetration strategy is to entice customers to try a new product and build market share with the hope of keeping the new customers once prices rise back to normal levels. Penetration pricing examples include an online news website offering one month free for a subscription-based service or a bank offering a free checking account for six months.

The main objectives of pricing:

1. To achieve target rate of return on investment;

2. To stabilize prices;

3. To maintain or improve share of the market;

4. To meet or prevent competition;

5. To maximize profits; and

6. To improve public image

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SCHOOL OF MANAGEMENT STUDIES

UNIT – IV – MARKETING MANAGEMENT – SBA1304

Unit IV

Understanding industrial and individual buyer behavior – Influencing factors – Buyer Behaviour Models – Online buyer behaviour – Building and measuring customer satisfaction– Customer relationships management – Customer acquisition, Retaining, Defection.

Introduction

CONSUMER BEHAVIOUR

Introduction: The aim of marketing is to meet and satisfy target customers' needs and wants better than competitors. Consumer Behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. Studying consumers provide clues for improving or introducing new products or services, setting prices, devising channels, crafting messages, and developing other marketing activities.

Need For studying the consumer behavior

1. Modern Philosophy:

It concerns with modern marketing philosophy – identify consumers' needs and satisfy them more effectively than competitors. It makes marketing consumer-oriented. It is the key to succeed.

2. Achievement of Goals:

The key to a company's survival, profitability, and growth in a highly competitive marketing environment is its ability to identify and satisfy unfulfilled consumer needs better and sooner than the competitors. Thus, consumer behaviour helps in achieving marketing goals.

3. Useful for Dealers and Salesmen:

The study of consumer behaviour is not useful for the company alone. Knowledge of consumer behaviour is equally useful for middlemen and salesmen to perform their tasks effectively in meeting consumers needs and wants successfully. Consumer behaviour, thus, improves performance of the entire distribution system.

4. More Relevant Marketing Programme:

Marketing programme, consisting of product, price, promotion, and distribution decisions, can be prepared more objectively. The programme can be more relevant if it is based on the study of consumer behaviour. Meaningful marketing programme is instrumental in realizing marketing goals.

5. Adjusting Marketing Programme over Time:

Consumer behavior studies the consumer response pattern on a continuous basis. So, a marketer can easily come to know the changes taking place in the market. Based on the current market **trend,** the marketer can make necessary changes in marketing programme to adjust with the market.

6. Predicting Market Trend:

Consumer behaviour can also aid in projecting the future market trends. Marketer finds enough time to prepare for exploiting the emerging opportunities, and/or facing challenges and threats.

7. Consumer Differentiation:

Market exhibits considerable differentiations. Each segment needs and wants different products. For every segment, a separate marketing programme is needed. Knowledge of consumer differentiation is a key to fit marking offers with different groups of buyers. Consumer behaviour study supplies the details about consumer differentiations.

8. Creation and Retention of Consumers:

Marketers who base their offerings on a recognition of consumer needs find a ready market for their products. Company finds it easy to sell its products. In the same way, the company, due to continuous study of consumer behaviour and attempts to meet changing expectations of the buyers, can retain its consumers for a long period.

9. Competition:

Consumer behaviour study assists in facing competition, too. Based on consumers’ expectations, more competitive advantages can be offered. It is useful in improving competitive strengths of the company.

10. Developing New Products:

New product is developed in respect of needs and wants of the target market. In order to develop the best-fit product, a marketer must know adequately about the market. Thus, the study of consumer behaviour is the base for developing a new product successfully.

11. Effective Use of Productive Resources:

The study of consumer behaviour assists the manager to make the organisational efforts consumer-oriented. It ensures an exact use of resources for achieving maximum efficiency. Each unit of resources can contribute maximum to objectives.It is to be mentioned that the study of consumer behaviour is not only important for the current sales, but also helps in capturing the future market. Consumer behaviour assumes: Take care of consumer needs, the consumers, in return, will take care of your needs. Most of problems can be reasonably solved by the study of consumer behaviour. Modern marketing practice is almost impossible without the study of consumer behaviour.

Factors that influence Consumer Behavior:

A buyer's purchase decisions are influenced by four major factors:

1. Cultural Factors

2. Social Factors

a. Reference Group b. Family

c. Social role/ Social status

3. Personal Factors

a. Age

b. Occupation

c. Income d. Lifestyle

4. Psychological Factors

a. Motivation

b. Perception c. Learning

d. Attitudes

1. Cultural Factors

Cultural factors have the deepest influence on consumer Behavior. It is the most basic fundamental determinant of a person's wants and behavior. From the time of birth a child grows up in a society learning a certain set of values, perceptions, preferences, behavior and customs, through a process of socialization involving the family and other key institutions.

Marketers are always trying to see if there is a cultural shift and develop products accordingly. Some of the cultural shifts are: Both men & women working – leisure time increase- purchase of time saving appliances like washing machine, vacuum cleaners etc.,

Sub-culture: Each culture will contain smaller groups of sub culture that provide more specific identification and socialization for its members. Subcultures include nationalities, religions, racial groups, and geographic regions. When subculture grows large and affluent enough, companies often design specialized marketing programs to serve them.

2. Social FactorConsumer behavior is also influenced by social factors such as Reference groups, Family, Social roles and Social status.

A. Reference Groups: A person's reference groups are those groups that have a direct or indirect influence on a person's attitude or behavior. Groups having direct influence on a person could comprise of people with whom the person interacts on a continuous basis such as family, friends, neighbors, colleagues. Sometimes a person may also be directly influenced by some social organizations such as religious organizations, professional associations and trade unions. And sometimes consumers are also influenced by groups to which they do not belong or a group whose values or behavior an individual rejects.

Each group has an "Opinion Leader". An Opinion leader is the person in informal, product related communications who offers advice or information about a specific product or category, such as which of several brands is best or how a particular product may be used.

Marketers try to reach opinion leaders by identifying demographic and psychographic characteristics associated with opinion leadership, identifying the media read by opinion leaders, and directing messages at opinion leaders.

B. Family: Members of the buyer's family can exercise a strong influence on the buyer behavior. Marketers are interested in the roles and relative influence of the husband, wife, children and parents on the purchase of a large variety of products and services. The marketer should know which member normally has the greater influences on the purchase of a particular product or service.

The following observation made:

Category	:	In the purchase of products
Men dominate	:	Automobiles, TV, Computer, Policies
Women	:	Washing machines, Kitchen & Home appliances
Equal Partnership	:	Housing, outside entertainment

So it is the responsibility of the marketer to develop a marketing communication which may be directed directly at the particular influencing personality at the various stages of the buying process.

C. Social Role/ Social Status: A person participates in many groups – family, clubs, and organizations. The person's position in each group can be defined in terms of role and status.

A role consists of the activities a person is expected to perform. Each role carries a status. People choose products that reflect and communicate their role and actual or desired status in society. Company president often drives Mercedes, wear expensive suits and drink expensive wines. Marketers must be aware of the status symbol potential of products and brands.

3. Personal Factors

A. Age & Stages of life-cycle: People's choice of goods and services changes over their lifetime. This change can be observed right from childhood to maturity especially in taste and preferences related to clothes. The stages of lifecycle can be said to be a psychological feeling of a certain transformation taking place as they go through life and experiencing sudden changes, in the consumption pattern.

B. Occupation: A person's occupation has a direct effect on his choice of goods and services. Marketers will have to identify which occupational group will be interested in their products and work out marketing strategies to communicate about their products and service to the relevant occupational group and induce a positive buying motive in the particular consumer.

C. Income: Income, savings, credit and assets are the elements of a person's purchasing power. However this must be backed by the willingness to buy. With increase in per capita income and improved standard of living, a willingness on the part of the consumer to purchase products is noticed.

Marketer has to do proper market analysis and research then promote their products and services so as to motivate people to purchase the same.

D. Lifestyle: A person's lifestyle refers to the person's pattern of living expressed through activities, interests and opinions. A marketing manager will have to work out a marketing strategy which will indicate a relationship between a product and lifestyle of the product user.

4.Psychological Factors:

The starting point for understanding consumer behavior is the stimulus-response model. Marketing and environmental stimuli enter the consumer's consciousness. A set of psychological processes combine with certain consumer characteristics to result in decision processes and purchase decisions.

A. Motivation: It is said to be the inner drive that is sufficiently pressing and directs the person to seek satisfaction of the need. – Maslow's need hierarchy theory.

B. Perception: It is the process of selecting, organizing and interpreting to events happening in environment.

C. Learning: Learning describes changes in an individual's behavior arising from experience.

D. Attitudes: Attitudes is a person's enduring favorable or unfavorable cognitive evaluation, emotional feelings and action tendencies towards some object or idea.

The marketer's task is to understand what happens in the consumer's consciousness between the arrival of the outside marketing stimuli and the ultimate purchase decisions.

The Buying Decision Process

A buying decision process describes the process a customer goes through when buying a product. It can be seen as a particular form of a cost–benefit analysis. The buying decision model has gone through lots of interpretation by scholars. Although the models vary, there is a common theme of five stages in the decision process.

The Five- stage model:

- Problem Recognition
- Information Search
- Evaluation of Alternatives
- Purchase Decision
- Post purchase Behavior

Marketing scholars have developed a "stage model" of the buying decision process. A consumer passes through five stages. But a consumer does not always pass through all five stages in buying a product. They may skip or reverse some stages.

These basic psychological processes play an important role in understanding how consumers actually make their buying decisions. Marketers must understand every facet of consumer behavior.

1.Problem Recognition

The buying process starts when the buyer recognizes a problem or need. The buyer senses a difference between his/her actual (current) state and desired (expected) state. This can be understood by an internal stimuli or external stimuli.

Example: Dandruff in hair is the recognition of problem.

The buyer wants a clean, healthy air (expected) compared to unhealthy dandruff problem hair (actual).

This the person may understand due to internal stimuli (constant itching) or due to external stimuli (someone may tell, or by seeing some one's healthy hair).

2.Information Search

An aroused consumer will be inclined to search for more information. The person may enter an active information search – looking for reading material, phoning friends, going online, and visiting stores to learn more about the product. Marketer's interests are the major information sources to which a consumer will turn and the relative influence each will have on the subsequent purchase decisions. The information sources fall into four groups:

- Personal – Family, friends, neighbors, acquaintances
- Commercial – Advertising, websites, sales persons, dealers, packaging, displays.
- Public – Mass media, Consumer rating organizations
- Experiential – Handling, Examining, using the product.

3.Evaluation of Alternatives

The consumer develops a set of brand beliefs, about where each brand stands against certain factors. These factors influence brand image and brand choice and it varies with his or her experiences are filtered by others attitudes and unexpected situational factors.

Example: The person's family may be herbal product oriented, thereby influencing the use of homemade remedies, however the situation may suggest (advice) shampoo.

4.Purchase Decision

Thus, when the two factors intervening in the purchase decision are removed, then the preference for a brand is taken. Its quality, reliability are verified and then the product is decided upon and purchased.

5.Post Purchase Behavior: The buyer's satisfaction or dissatisfaction with a purchase lays in the relationship between the consumers expectations and the products perceived performance. If the product falls short of expectations, the consumer is disappointed; if it meets the expectation the customer is satisfied. If it exceeds the expectation the customer is delighted.

BUYING MOTIVES

A buying motive is the reason why the customer purchase the goods. Motive is the driving force behind to purchase the goods. So, motive refers to thought, urge, feeling, emotion and drive which make the buyer to react in the form of a decision. Motivation explains the behaviour of the buyer why they are going to buy the goods. They buy the goods due to several motives such as economic, social, psychological etc. for example in winter seasons we are motivate to purchase the woolen clothes to protect from the cold. Likewise, we are motivated to purchase the fans in summer season to get the relief from the hot. Knowledge of buying motive of customers is important for the producers and suppliers.

The needs and desires of customers and their buying behaviour should be properly discussed. This will help them to take proper step for drawing the attention and sale the goods. So, buying motive is concerned with the reasons that impulse the buyer to take the decision for the action. It motives or induces the customers that may be affected due to several reasons such as pride, fashion, fear, safety, love and affection, comfort and convenience and economy. After analyzing and evaluating it, the producers as well as suppliers can effort to develop the product and advertisement creativity.

Different authors have classified buying motives in different ways.

According to *Malvin S.Hatrick,* there are two classifications.

a. Primary buying motives: Primary buying motives are related to the basic needs of human being such as hunger, thirst, sleep, sex etc. Due to these needs people get motivated to purchase the goods.

b. Secondary buying motives: Secondary buying motives are those, which are influenced by the society where he is born and lives. It is created after fulfilling the basic needs. These motives are curiosity, comfort, security, love and affection. It can be further classified under three main headings.

1. Emotional Buying Motives: Buying motives based on feelings or passions are known as emotional buying motives. These motives are not based on judgement, but they purchase on the basis of motion. There are some motives/elements which are as follows.

a. Love and affection: It is an important buying motive which includes the buyers to purchase the goods. Due to love and affection to the children, we buy toys, dress biscuits etc. A husband may buy saris and cosmetics for his wife due to the love and affection.

b. Curiosity: Curiosity is the desire for new experience which motivates the people to buy the specific goods. Thus, to get the new experience, customers purchase the goods.

c. Fashion: It is an important motive that can change the mind of the customers. Generally, customers try to copy particularly the movie stars, sportsmen and athletes etc. So, all the producers advertise their products with the help of these popular personalities.

d. Pride and prestige: Due to the pride and prestige in the society, customers purchase expensive and luxuries goods in- order to maintain their status. They purchase toyota car, Karizma motorcycle, fifty-nine inch colour television etc. to get the high position in the society.

e. Fear: People are generally afraid of losing their health, wealth and life. Thus, it motivates to purchase the goods such as insurance policy, hiring lockers in bank and membership of health club etc. These goods or services help them to avoid their fear.

2. Rational Buying Motives: Rational buying motives are those which are based on sound judgement. They purchase the goods through proper testing, comparing and observing the goods on the basis of price, quality, durability etc. This motive is important to the customers because it helps them to save the unnecessary cost. It includes the following motives.

a. Economy: Under this motives, the customer prefer that products which are more economy or cheap in price. To get more profit and discount, customers purchase such goods. This element attract and encourages the customers to buy such goods in large quantities.

b. Utility: Customers want to purchase that goods which have more or higher utility. Utility satisfies the wants of the customers.

c. Comfort and convenience: Every people has the desire to live in comfort and convenient way as a result they get motivated to purchase such goods which provide comfort and convenience. Customers purchase T.V., DVD, motorcycle, washing machines, heater, cooler, sofa set etc. for their pleasure and comfort. d. Durability: It is another element of rational buying motive. Due to the durability of the products, customers are motivated to purchase the goods for example toyota car, pulsar motorcycle, sony TV etc are purchased due to their durability to use. e. Security: It is important to the people. People are not feeling secure from the floods, earthquakes, theft, docoits etc. in the society. So, the customers purchase the key lockers, open the bank A/c and keep the watchman etc to be secured.

3. Patronage Buying Motive:

When the customers purchase the goods or services on the basis of particular place, special discount, present price, decoration, behaviour and behaviour and other facilities are known as patronage buying motives. Following points are discussed under this motive.

a. Service motive: Service is an important motive which inspires the customers to purchase the goods. Customers purchase the goods to get the services, such as credit facility, home delivery facility, free installation, free repair and maintenance services.

b. Quality: Due to the quality of the goods, customers are motivated to purchase certain goods or services. If products assure the quality, the customers are even ready to pay the higher price of such goods.

c. Location: Location also affects to purchase the goods. Customers prefer to buy those goods which are easily available near their home or locality.

d. Store loyalty: Store loyalty is another important element which plays significant role in buying motive. We purchase different goods due to the loyalty of the store such as attractive appearances, trust in weight, quality, price etc.

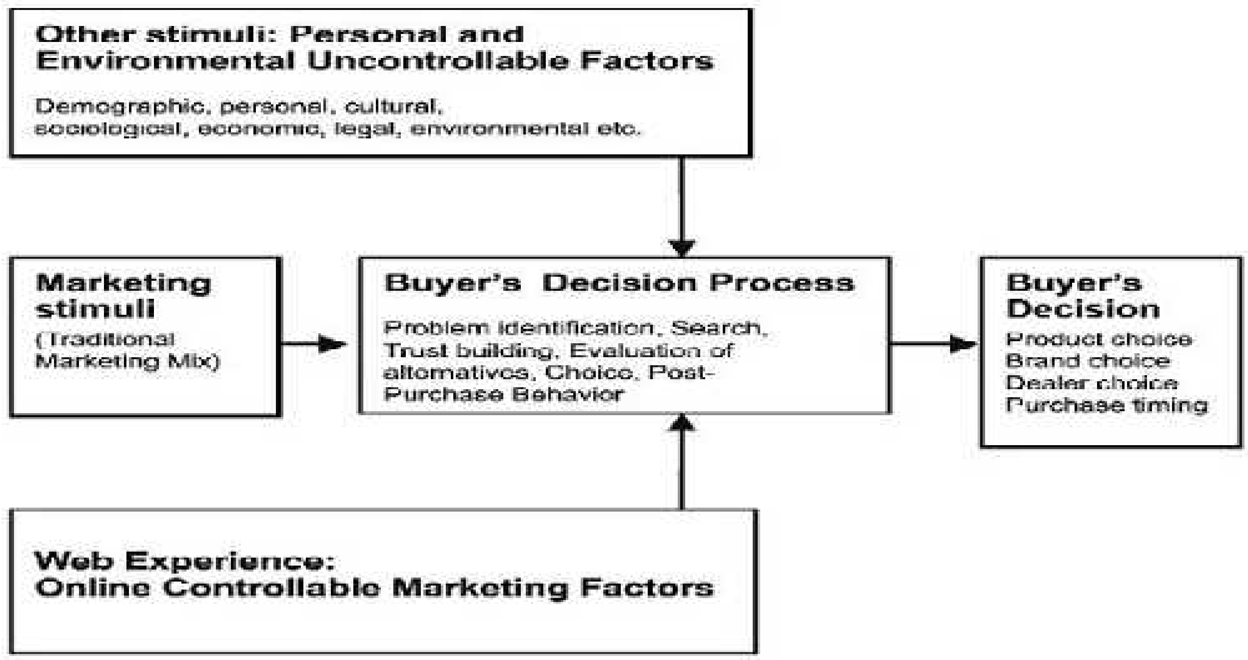
e. Friendliness behaviour: Friendliness behaviour of salesman also affects the customers to purchase the goods from the same suppliers which is also discussed under the patronage buying motives.

ONLINE BUYER BEHAVIOUR

With the evolution of online communication through internet, customers now see online advertisements of various brands. It is fast catching up with the buying behavior of consumers and is a major source of publicity for niche segments and also for established brands. This is the new way of digital revolution and businesses worldwide have realized their worth.

Examples − Online catalogues, Websites, or Search engines. When customers have sufficient information, they will need to compare with the choices of products or services.

Buying Behaviour Model



Factors of Online Customer Behavior

The External Factors are the ones beyond the control of the customers. They can divide into five sectors namely demographic, socio-economic, technology and public policy; culture; sub- culture; reference groups; and marketing.

Internal Factors are the personal traits or behaviors which include attitudes, learning, perception, motivation, self image.

The Functional Motives is related to the consumer needs and include things like time, convenience of shopping online, price, the environment of shopping place, selection of products etc.

The Non-Functional Motives related to the culture or social values like the brand of the store or product.

Customer satisfaction

Customer satisfaction is defined as a measurement that determines how happy customers are with a company's products, services, and capabilities. Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or changes its products and services.

Factors in Online buying behavior

The methods for measuring customer satisfaction

1. Use Customer Surveys

To get accurate feedback and actionable items for customer satisfaction, survey your customers soon after the utilization of the service. There are different ways by which an organization can conduct customer surveys:

- In-app surveys
- Online surveys
- In-store surveys
- Feedback forms
- Offline surveys over the phone or SMS.

By integrating a contact center technology with a feedback tool, organizations can record surveys that ask customers to rate their services. Remember that your customers are very busy, and most of them hesitate to fill in surveys as it takes their precious time. To counter this, your surveys should be crisp and specific.

2. **Measure Customer Satisfaction Score**

The Customer satisfaction score measures the short-term happiness of your customers. The scale typically ranges from *highly unsatisfied* to *highly satisfied*:

- Highly unsatisfied
- Unsatisfied
- Neutral
- Satisfied
- Highly satisfied

The above scale asks the customers to rate the service received from 1–5, where 1 represents customers who are highly unsatisfied and 5 represents customers who are highly satisfied. Some businesses increase the scale to 7 or even 10 to record more accurate results from their customers. Once the score is collected from the desired number of customers, the average number received is the CSAT score you can relate to. A higher CSAT score means higher customer satisfaction. But it has a limitation, as it only measures the recent transaction with the business. To measure the wider relationship let's drill down further.

3. **Measure Net Promoter Score**

Imagine a situation where your customers are satisfied with your offerings but are not ready to recommend your business to friends. Such a situation arises when they are not sure of your longevity to keep them happy. To measure results and track customer loyalty, Net Promoter Score (NPS) was introduced. NPS measures the probability of a customer referring your business to someone. Thus it does not measure the short-term happiness as the customer is bound to think about the service provided to them over a time period and refer to a friend only in case of consistency. Thus, a simple question under NPS would look like:

Will you recommend us to your friends?

- 0–6 (Not a chance) - detractors
- 7–8 (Maybe)
- 9–10 (Very Likely) - promoters

To calculate NPS, just subtract the percentage of detractors from the percentage of promoters. A high percentage means that your customers have developed a sense of loyalty towards your brand and are ready to take you places, but a low percentage would mean that your customers believe you lack consistency to keep them happy.

4. **Track Customer Effort Score**

The **Customer Effort Score** (CES) tells a different side of the story, where a customer is questioned about the amount of effort they have to invest in order to interact with the company and get their issues resolved. CES has two versions where certain businesses ask ”the personal effort put in by the customers” and others asking ”if the organization has made it easy for the customers to interact with the business.” While the first question can again take the rating level ranging from 1 (very low effort) to 5 (very high effort), obviously 1 being the preferred rating. The second question just asks the customers if they agree or disagree with the statement. This makes it easy for the businesses to understand how well their customer service department is performing and where they stand in the race of customer satisfaction.

5. **Check Your Social Media Pages**

Customers in recent years have found a new avenue to complain about services or products. Rather than complaining through customer service departments, they mention their issues on social media and discuss with the influencers so that the world is aware of the pros and cons of using a particular offering. With the potential of social media to reach millions of people within seconds, businesses should regularly monitor their brand over social media. Facebook and Twitter are the two most relevant platforms that a business should track. But for certain service related organizations, it is equally important to track forums and websites such as Quora, Yelp, Reddit, etc. There are so many tools available in the market that can help you track how your brand is performing on social media. The simplest result would look like:

- Positive Sentiments - 40%
- Negative Sentiments - 15%
- Neutral Sentiments - 45%

Such results explain where you are going wrong in terms of customer satisfaction. The higher the positive/negative sentiment ratios, the higher are the chances of incredible customer satisfaction

The Importance of Customer satisfaction

Customer satisfaction plays an important role within your business. Not only is it the leading indicator to measure customer loyalty, identify unhappy customers, reduce churn and increase revenue; it is also a key point of differentiation that helps you to attract new customers in competitive business environments.

1. It’s a leading indicator of consumer repurchase intentions and loyalty
2. It’s a point of differentiation
3. It reduces customer churn
4. It increases customer lifetime value
5. It reduces negative word of mouth

6. It’s cheaper to retain customers than acquire new ones

1. it’s a leading indicator of consumer repurchase intentions and loyalty

Customer satisfaction is the best indicator of how likely a customer will make a purchase in the future. Asking customers to rate their satisfaction on a scale of 1-10 is a good way to see if they will become repeat customers or even advocates.

Any customers that give you a rating of 7 and above, can be considered satisfied, and you can safely expect them to come back and make repeat purchases. Customers who give you a rating of 9 or 10 are your potential customer advocates who you can leverage to become evangelists for your company.

Scores of 6 and below are warning signs that a customer is unhappy and at risk of leaving. These customers need to be put on a customer watch list and followed up so you can determine why their satisfaction is low.

2. it’s a point of differentiation

In a competitive marketplace where businesses compete for customers; customer satisfaction is seen as a key differentiator. Businesses who succeed in these cut-throat environments are the ones that make customer satisfaction a key element of their business strategy.

If you had a recommendation for one business would that sway your opinion? Probably. So how does that recommendation originally start? More than likely it’s on the back of a good customer experience. Companies who offer amazing customer experiences create environments where satisfaction is high and customer advocates are plenty.

This is an example of where customer satisfaction goes full circle. Not only can customer satisfaction help you keep a finger on the pulse of your existing customers, it can also act as a point of differentiation for new customers.

3. It reduces customer churn

An Accenture global customer satisfaction report (2008) found that price is not the main reason for customer churn; it is actually due to the overall poor quality of customer service.

Customer satisfaction is the metric you can use to reduce customer churn. By measuring and tracking customer satisfaction you can put new processes in place to increase the overall quality of your customer service.

I recommend you put an emphasis on exceeding customer expectations and ‘wowing’ customers at every opportunity. Do that for six months, than measure customer satisfaction again. See whether your new initiatives have had a positive or negative impact on satisfaction.

4. It increases customer lifetime value

A study by InfoQuest found that a ‘totally satisfied customer’ contributes 2.6 times more revenue than a ‘somewhat satisfied customer’. Furthermore, a ‘totally satisfied customer’ contributes 14 times more revenue than a ‘somewhat dissatisfied customer’.

Satisfaction plays a significant role in how much revenue a customer generates for your business.

Successful businesses understand the importance of customer lifetime value (CLV). If you increase CLV, you increase the returns on your marketing dollar.

For example, you might have a cost per acquisition of $500 dollars and a CLV of $750. That’s a 50% ROI from the marketing efforts. Now imagine if CLV was $1,000. That’s a 100% ROI!

Customer lifetime value is a beneficiary of high customer satisfaction and good customer retention. What are you doing to keep customers coming back and spending more?

5. It reduces negative word of mouth

McKinsey found that an unhappy customer tells between 9-15 people about their experience. In fact, 13% of unhappy customers tell over 20 people about their experience.

Customer satisfaction is tightly linked to revenue and repeat purchases. What often gets forgotten is how customer satisfaction negatively impacts your business. It’s one thing to lose a customer because they were unhappy. It’s another thing completely to lose 20 customers because of some bad word of mouth.

To eliminate bad word of mouth you need to measure customer satisfaction on an ongoing basis. Tracking changes in satisfaction will help you identify if customers are actually happy with your product or service.

6. it’s cheaper to retain customers than acquire new ones

This is probably the most publicized customer satisfaction statistic out there. It costs six to seven times more to acquire new customers than it does to retain existing customers.

If that stat does not strike accord with you then there’s not much else I can do to demonstrate why customer satisfaction is important.

Customers cost a lot of money to acquire. You and your marketing team spend thousands of dollars getting the attention of prospects, nurturing them into leads and closing them into sales.

Customer Relationship Management

CRM is about acquiring, developing and retaining satisfied loyal customer, achieving profitable growth, and creating economic value in a company's brand. CRM is not a new concept but an age-old practice, which is on the rise because of the benefit it offers, especially in the present market scenario.

CRM helps companies to understand, establish and nurture long-term relationships with clients, as well as help in retaining current customers. The most important step that an organization has to take in the direction of CRM is to create an inter-disciplinary team to review how the organization interacts with each customer and determine how to improve and extent the relationship.

Customer Relationship Management or popularly identified as CRM can be defined as an art and science of collecting information on present and prospective needs of product of customers so as to market them using all such kind of efforts and technology in collection of date and information relating to customers.

Objectives of CRM

(i) To simplify marketing and sales process.

(ii) To make call centre's more efficient.

(iii) To provide better customer service.

(iv) To discover new customers and increase customer revenue.

(v) To cross sell products more effectively.

(vi) To get better and healthy relationship.

(vii) To identify the feedback of service from customer.

(viii) To reduce the misunderstanding and communication gap.

Outcome & Result of CRM

(i) Increased Sales Revenue

(ii) Increased Winning and success Rates

(iii) Increased Margins of profit

(iv) Improved Customer Satisfaction Rating

(v) Decreased General Sales and Marketing Administrative Costs

Purpose of adopting CRM Process

(i) Develop better communication channels.

(ii) Collect customer related data.

(iii) Create detailed profiles of individual customers.

(iv) Increase customer satisfaction.

(v) Access to customer account history, order information and customer information at all touch points.

(vi) Identify new selling opportunities.

(vii) Increased market share and profit margin.

(viii) Increased revenues.

(ix) More effective reach and marketing.

(x) Improved customer service and support.

(xi) Improved response time to customer requests for information.

(xii) Enhanced customer loyalty.

(xiii) Improved ability to meet customer requirements.

(xiv) Improved quality communication and networking.

(xv) Reduced costs of buying and using product and services.

(xvi) Better stand against global competition

Functions of CRM

(i) Primary Functions of CRM

1. **Managing Leads –** It refers to generating and retaining potential customers.
2. **Qualifying and Converting Leads –** It refers to the assessment of generated leads to know potential and profitable customers.
3. **Managing Opportunities –** It refers to utilize every possible opportunity to get long-term benefit from customers.

4. **Keeping a Track on Activities –** It refers to capture information, such as customers' buying pattern, quantity purchased, and time spent by customers in the store.

5. **Managing Reporting and Forecasting –** It refers to process input data, such as average time spent by the customers in the store and their preferences for the product

(ii) Secondary Functions of CRM

a. Identify Customers – It refers to differentiate between profitable and non-profitable customers.

b. Differentiate the Needs of Customers – It refers to finding variation in the requirements of customers. The organization makes different groups of customers as per the needs of customers.

c. Customize Products and Services – It refers to the products and services produced as per the requirements of individual customers.

d. Build Stronger Relationship – It refers to establish a relationship between an organization and customers by facilitating a personalized way of communication.

Customer Acquisition

Customer Acquisition means gaining new customers or existing prospects to become new customers for your business. The targeted customers are one who are not aware about your products and services of r they have bought from your competitors.

Objectives of Customer Acquisition

The primary goal of customer acquisition is to gain new customers. This means that the process is focused on marketing, which is basically communicating with or attracting new customers through targeted messages.

Common components of an acquisition strategy typically include:

- Identifying potential customers
- Designing and implementing marketing strategies
- Following up on potential sales
- Measuring the success of strategies

Most companies use marketing via ads or commercials in order to trigger the interest of potential customers. Companies may also use direct marketing, which is when an employee of the company speaks directly to potential clients in hopes of gaining their business.

Customer Retention

Customer retention refers to the ability of a company or product to retain its customers over some specified period. High customer retention means customers of the product or business tend to return to, continue to buy or in some other way not defect to another product or business, or to non-use entirely.

Objectives of Customer Retention

Regardless of the marketing strategy that Auto World or any other company chooses to use, it is still costly and time consuming. More importantly, the company can't be sure that they will even gain a new customer through these processes.

While the focus of acquisition is on new customers, the focus of customer retention is on nurturing the relationship with current customers so that they will continue to use the products and services the company is offering. Here, Auto World will want to take steps to ensure that Ben comes back for every oil change and tire repair.

This means that customer retention strategies are focused on:

- Customer service
- Quality of products and services
- Creating a customer-friendly environment
- Loyalty programs

…and other processes that encourage customers to continue using Auto World, or any other company's products and services.

Importance of Customer retention

1. It’s cheaper in terms of customer cost

In keeping with the theme of numbers, businesses are always worried about the cost of their business and whether or not they’re making a profit. Most businesses believe that acquiring a new customer will bring in more revenue, which is true. However, the cost of acquiring a new customer is more than the cost of keeping a current customer around.

2. Massive information about customer market

Once you have a current customer, the relationship has started. The customer knows your business but more importantly, you know your customer. You know how they work and what they prefer. You can then market your business precisely to them.

3. It's a tool for long-term relationship

Getting new customers focuses on short-term sales and getting a lot of money fast. While this may work for a short period of time, it will not benefit your business in the long run. Retaining customers relies on developing a lasting relationship with your customers and making sure they will keep looking to your business for service.

4 Customer will become your salesperson

People talk. They love to tell their friends about their terrible experiences with companies, along with their great experiences. Loyal customers who trust your company will most definitely tell their friends, family, and colleagues about their great experiences with your business.

5. Maximize the Customer Loyalty and trust

Customer became the loyal people after entering into retention program which helps them to identify the feedback and market information. They are key partners in promoting our brand in the industry.

Customer Retention Strategies

1. Adding CRM.

A CRM system, or customer relationship management system, allows you to track, monitor and communicate with customers using an automated platform. You can customize messages to focus on items, issues, products or information of interest to specific customers, which helps build retention into your communications mix.

2. Prioritize around retention, rather than acquisition, strategies.

Shift the focus from outbound cold-calling, mass advertising, and general ads to communications with existing customers. Add tactics from the list below to your outbound marketing mix as part of your retention efforts, and let your team know that they should focus on completing these tasks first.

3. Budget for retention marketing.

Be sure you include enough budget to support retention efforts as much as you have supported acquisition in the past.

4. Measure customer value.

Track, measure and monitor customer value, especially customer lifetime value. Instead of measuring individual sales alone, use your database to measure sales by customer. Customer lifetime value assigns a score to customers based on recency, frequency, and monetary value of their purchases. The higher the lifetime value, the more you invest in retention efforts with that customer, since they are considered a ‘good’ customer for your company.

5. Focus on service.

The way to retain customers is through excellent customer service. Make customer service a priority for your team. Empower individuals to handle problems promptly, and follow up with customers after resolving service tickets to make sure there are no loose ends remaining. Customers often switch companies based on price, but stellar service earns your business long-term loyalty.

Now that you understand some of the basic strategies behind retention, let’s take a closer look at some popular retention tactics. These tactics support the strategies listed above and will help keep customers coming back to your business for more:

6. Send frequent communications.

Emails and postcards are inexpensive ways to maintain communications with customers. Remind customers of upcoming sales, or drop them a simple “thank you” note and coupon to encourage repeat business. Remember to only send emails to customers who have agreed to receive them (opted-in to your email list).

7. Interact on social media.

Social media isn’t about pushing messages out to your fans and followers. It’s about communication and engagement. Share, comment and thank people when they share your posts. Be a frequent, courteous social media presence and use a handful of social media platforms really well rather than trying to be everywhere at once. It’s better to focus on a few platforms and work them really well then it is to try to be on dozens of them with limited success.

8. Turn complaints into opportunities.

Remember that in a retention-driven business, service is paramount. Complaints are an opportunity to engage with your customers, not an annoyance. Use the opportunity to resolve the problem fully and to thank them with additional services.

9. Start a frequent shopper program.

Frequent shopper programs are familiar to many customers and can be started with simply punch cards or sticker cards. Make rewards easy to obtain and friendly to redeem.

10. Host an event.

Whether you have an online or an offline business, consider hosting an event. Online businesses can host podcasts, give-away events, “open office” Q & A hours, or special sales. Bricks and mortar business can have special parties, open house events, guest lectures, new product unveilings, and other events at their stores. Make some events exclusive for your current customers only and you've turned an event into a retention tactic.

Customer defection or attrition

Customer attrition is the loss of customers by a business. Most customers of a given business will not remain active customers indefinitely. Whether a one-time purchaser or a loyal customer over many years, every customer will eventually lose his or her relationship with the business

The strategy to manage customer defection

1. Offer customer service "surprises"

2. Set customer expectations

3. Build trust through relationships

4. Use automation to re-engage customers

5. Improve Key Performance Indicators around customer service

6. Leverage customer feedback surveys

7. Develop a frequent communication calendar

8. Stick on your promise

9. Measure customer lifetime value

10. Learn from customer complaints

11. Be Touch with customers by emails

12. Use live webinars to educate and inspire customers

13. Consistently add valuable content to your funnel

14. Create a community and customer advocacy program

15. Personalize your communications

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SCHOOL OF MANAGEMENT STUDIES

UNIT – V – MARKETING MANAGEMENT – SBA1304

Unit V

Marketing Information System – Research Process – Concepts and applications: Product – Advertising – Promotion – Consumer Behavior – Retail research – Customer driven organizations – Cause related marketing – Ethics in marketing –Online marketing trends.

Introduction

Marketing Information System(MIS)

Definition

A **marketing information system** (**MkIS**) is a management information system (MIS)

designed to support marketing decision making. Jobber (2007) defines it as a "system in which marketing data is formally gathered, stored, analysed and distributed to managers in accordance with their informational needs on a regular basis."

In addition, the online business dictionary defines Marketing Information System (MkIS) as "a system that analyzes and assesses marketing information, gathered continuously from sources inside and outside an organization or a store."

Furthermore, "an overall Marketing Information System can be defined as a set structure of procedures and methods for the regular, planned collection, analysis and presentation of information for use in making marketing decisions." (Kotler, at al, 2006)

Characteristics of marketing information system

1. MIS is an ongoing process. It operates continuously.

2. MIS acts as a data bank and facilitates prompt decision-making by manager.

3. MIS operates in a rational and systematic manner and provides required information.

4. MIS is future-oriented. It anticipates and prevents problems as well as it solves marketing problems. It is both a preventive as well as curative process in marketing.

5. The gathered data is processed with the help of operations research techniques. Modem mathematical and statistical tools are available for problem-solving in the field of marketing.

6. MIS is a computer-based method of data collection, processing, and storage.

7. Management gets a steady flow of information on a regular basis — the right information, for the right people, at the right time and cost.

8. Marketing Information System stands between the marketing environment and marketing decision-makers. Marketing data flows from the environment to the marketing information system.

Importance of Marketing Information System

The following are the benefits or advantages of MIS;

1. **Helps to recognize trends**: - MIS helps managers to recognize marketing trends. The changing trends may be in respect of prices, product design, packaging, promotion schemes, etc. managers can take effective decisions in respect of prices, product designs, etc., in response to changing trends in the environment.

2. **Facilitates Marketing Planning and Control**: -Effective market planning is required in terms of product planning, pricing, promotion and distribution. Such planning will be possible only f the company is possessing adequate and relevant information.

3. **Quick supply of information**: -A firm has to take quick decision for this purpose; it requires fast flow of information which is facilitated by a properly designed MIS. Due to timely supply of marketing information, the marketing managers can make quick and effective decisions.

4. **Quality of decision Making**: -in every aspect of marketing, there is need to make constant and correct decisions. A properly designed marketing information system promptly supplies reliable and relevant information. With the help of computers and other data processing equipments, the marketing managers can make the right decisions at the right time.

5. **Tapping of business Opportunities**: -There are number of business opportunities which have remained untapped for various reasons are due to unavailability of sufficient information. MIS makes it possible to tap business opportunities as it can supply required and reliable data.

6. **Provides Marketing Intelligence**: -Marketing intelligence refers to information of the events that are happening in the external environment, i.e., changes in customer tastes, expectations, competitors' strategies, government policies, international environment, etc. with the help of MIS specialists, it is possible to collect marketing intelligence which is vital to make effective marketing decisions.

7. **Help managers to Recognize Change**: -a business firm may be handling or marketing a wrong line of products. As such the company will not be able to make profits. And if it is does, profits may not be adequate. A firm which is well equipped with **MIS** will be able to realize the need to change the line of business.

8. **Integration of Information**: -firms, which are largely decentralized can gather information which is scattered at many centers or departments and integrate it for effective decision making. Such integration is possible if there is a centralized **MIS**.

Components of Marketing Information System MIS Marketing Information System (MIS) collects, analyses, and supplies a lot of relevant information to the marketing managers. It is a valuable tool for planning, implementing and controlling the marketing activities.

The role of MIS is to identify (find out) what sort of information is required by the marketing managers. It then collects and analyzes the information. It supplies this information to the marketing manager at the right time. MIS collects the information through its subsystems. These subsystems are called **components**.

The four main components of Marketing Information System (MIS) are:

1. Internal Records,
2.. Marketing Intelligence,
3. Marketing Research (MR), and
4. Marketing Decision Support System.

Components of Marketing Information System

1. **Internal Marketing Information:**

It is secured through accounting system. Data on sales, inventories, marketing costs, cash flows, accounts receivables and payables (credit sales and credit purchases), trading returns, financial returns, etc., constitute the information generated from within.

2. **External Marketing Information:**

It is in the form of marketing intelligence. It keeps marketers well informed about current marketing environment, changing consumer demand, changing competition, changing prices, etc. Census data, newspapers, trade journals, magazines, trade shows and exhibitions, books, company annual reports, salesmen's reports, suppliers, wholesalers, retailers and customers, special publications of trade associations, government reports, etc., provide valuable sources of market intelligence.

3. Marketing Research:

It is a systematic search for information. It involves data collection, analysis and interpretation. It exists primarily as a tool of managerial decision-making process: Marketing research is defined as the collection and analysis of data relevant to marketing decision-making and the communication of the results of this analysis to marketers. Of course, research cannot make decisions. It only helps experienced marketers in their task of decision-making.

Source of Marketing Information System

i. Undirected observation – Informal, unstructured collection of information from any source. It includes casual reading of magazines and newspapers, meetings with contacts, TV reports and many other chance events.

ii. Conditioned viewing – Formal searching but sometimes unstructured collection whereby a comprehensive search is made covering a specified range of publications. This is often done using an on-line database or a CD-ROM, but can be undertaken by setting up a specific department to scan every publication and to extract interesting articles to pass to the marketing manager.

iii. Informal searching – A structured way of capturing vital information such as a system of receiving sales force reports. The information might present itself in an informal way but the system to ensure it reaches the relevant managers must be structured.

iv. Formal searching – This is where formalised marketing research comes in. It is a specific study undertaken to fill in some of the gaps in the mosaic of information available. It involves the collation, analysis and presentation of appropriate, available and required data.

Scope of Marketing Information system

1. Strategy Implementation:

MIS helps in product launches, authorizes the co-ordination of marketing strategies, and is an integral part of Sales Force Automation (SFA), Customer Relationship Management (CRM), and customer service systems implementations. It permits decision makers to more effectively manage the sales force as well as customer relationships.

Some customer management software companies are extending their CRM applications to include Partner Relationship Management (PRM) capabilities. This has become increasingly important as many marketers are choosing to outsource important marketing functions and form strategic alliances to address new markets**.**

2. Strategy Development:

Information needed to develop marketing strategy is also provided by MIS. It supports strategy development for new products, product positioning, marketing communications (advertising, public relations, and sales promotion), pricing, personal selling, distribution, customer service and partnerships and alliances. MIS gives the foundation for the development of information system-dependent e-commerce strategies.

3. Market Monitoring:

MIS enables the identification of emerging market segments, and the monitoring of the market environment for changes in consumer behaviour, competitor activities, new technologies, economic conditions and governmental policies at the time of using market research and market intelligence.

4. Wider Applications:

Under modern marketing ideologies, MIS includes operational, sales and marketing process-oriented systems, which serve in daily marketing operational activities such as direct mailing (database marketing), telemarketing and operational sales management. The users are middle management and operative sales and marketing personnel.

5. Support Management and Decision Making:

Marketing information systems support management decision making. Management has five distinct functions and each of them needs support from MIS. These are planning, organising, co-ordinating, decision-making and controlling**.**

6. Functional Integration:

MIS the co-ordination of activities within the marketing department and between marketing and other organisational functions like engineering, production, manufacturing, product management, finance, logistics, and customer service.

MARKETING RESEARCH

Definition:

“Marketing research is the systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and services”

- American Marketing Association

Objectives of marketing research

(1) To study the needs, wants and expectations of consumers.

(2) To find out reactions of consumers to the products of the company.

(3) To evaluate company’s sales promotion measures for suitable adjustment and improvement.

(4) To study current marketing problems and opportunities for suitable follow-up actions.

(5) To suggest the introduction of new products, modifications of existing products and to discover new uses of existing products.

(6) To design and test appropriate packages of company’s products and make packaging as attractive as possible

Marketing Research Process

Marketing research process involves the following seven steps in proper sequence.

- Situation Analysis
- Preliminary Investigations
- Research Design
- Follow-up recommendations
- Sources of Data
- Data Analysis
- Report Preparation

1. Situation Analysis

Define and analyze the marketing problem to be solved. State the immediate as well as ultimate objectives. Try to secure information about the industry, the firm, its products, the market, competitors, advertising and the general environment about the firm. Personal interviews, company records, library material and trade papers are the sources for situation analysis.

2. Preliminary Investigation

It is an investigation to secure minimum acquaintance or feel for the problem. The researcher may meet the consumers, dealers, marketing executives, competitors to get back ground information which can throw some light on the most critical issue for study and investigation. Such an informal exploration may determine the need and justification of further formal investigation. The exploratory study or preliminary investigation may offer the solution to the problem.

3. Research Design

A Research design is a master plan or model for the conduct of formal investigat ion. Once the formal investigation is decided the researcher must formulate the formal plan of investigation. A research design is the specification of methods and procedures for acquiring the information needed for solving the problem.

4. Sources of Data

Once the research design id finalized the researcher will embark upon the task of collecting the data. A research study may require both primary and secondary data. Primary data must be assembled by the researcher for the first time .secondary data is already available. Primary data can be collected through a number of methods such as survey, experimental or observation method.

5. Information Analysis

Collected data must be edited, tabulated and analyzed. The research team makes interpretation of the data. Conclusions and interpretations lead to recommendation for action.

6. Report Preparation

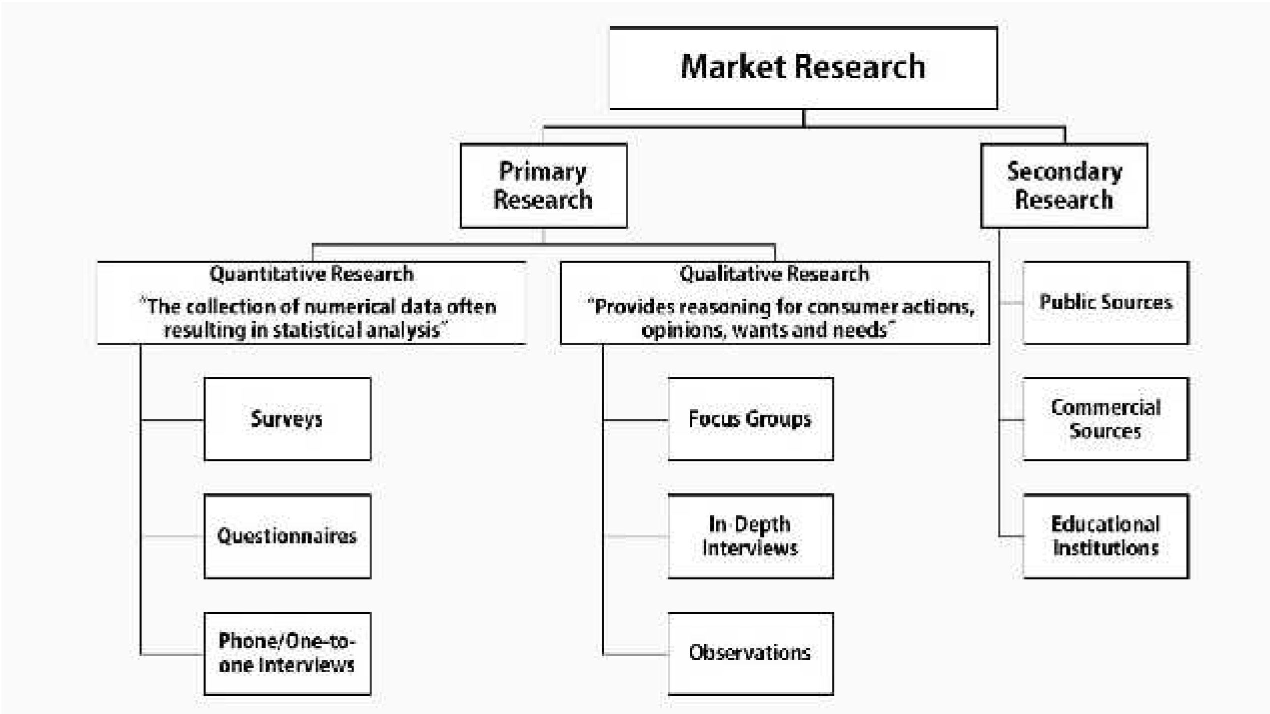
Conclusions and recommendations supported by necessary analysis are submitted in the form of a written report and it is submitted to marketing executives. A general form of the report has the following contents:

- Title page
- Table of contents
- A brief outline of the research and its findings
- Research problem
- Objectives of the research
- An outline of the research design
- Data analysis and the results
- Limitations
- The findings, conclusion and recommendations.
- Appendices, eg., questionnaire, detailed tables

The report must be presented in an easily understandable form. Visual aids like pie chart, bar diagram, graphs must be used. The recommendations must be precise, clear-cut and feasible.

7. Follow-up Recommendations

The report presented to the management must be followed up to ensure the implementation of recommendations. The research should actively associate with marketing executives in converting the recommendations of the report into new marketing strategies and programmes.



1. **Exploratory Market Research:** The researcher uses the exploratory research when he has a very little information about the research problem and needs to gain insights about it before finding the solutions to it. It requires the researcher to clear his concept, gain insights, formulate problems, eliminate impractical ideas and formulate a hypothesis to check the relevancy of the research design.This can be done by using the secondary data, i.e. information available both inside and outside the organization, conducting observational studies, consulting experts, and processing feedback from the marketplace and surveys.

2. **Descriptive Market Research:** The descriptive research is concerned with testing the hypothesis to find out the accurate answers of the research problem. Such as, who are the prospective buyers of the product?, How the products are consumed?, What fraction of the population uses the product?, What is the demand forecast? And who are the potential competitors?The objective of the descriptive market research is to measure the frequency with which the things occur and the extent to which the variables under study are correlated.

3. **Causal Market Research:** The causal market research is conducted to establish the cause-and-effect relationship between the variables, such as if the packaging of the product is changed then what will be its effect on the product durability? Thus, this research is carried out to explain the facts that why a certain change in one variable is observed due to the change in the other.

4. **Predictive Market Research:** As the name suggests, the predictive research is conducted to forecast or predict certain market variable for which the research is designed. Such as predicting the future sales, projection of growth, test market to predict the success of a new product, defining of firm's product line, etc.

The marketing research can be further classified on the basis of the type of data generated and the degree of mathematical accuracy required as:

- **Qualitative Market Research**
- **Quantitative Market Research**

Thus, there are several types of marketing research that an organization adopts on the basis of its pursued objectives and the form of data generated.

Recent Trends in Marketing

1.Rural marketing:

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption

2.E-commerce:

E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. Ecommerce is conducted using a variety of applications, such as email, fax, online catalogs and shopping carts, Electronic Data Interchange (EDI), File Transfer Protocol, and Web services

3.Internet Marketing:

Internet marketing or online marketing, refers to advertising and marketing efforts that use the Web and email to drive direct sales via electronic commerce, in addition to sales leads from Web sites or emails. Internet marketing and online advertising efforts are typically used in conjunction with traditional types of advertising such as radio, television, newspapers and magazines.

Specialized Areas of Internet Marketing

Internet marketing can also be broken down into more specialized areas such as Web marketing, email marketing and social media marketing:

1) **Web marketing** includes e-commerce Web sites, affiliate marketing Web sites, promotional or informative Web sites, online advertising on search engines, and organic search engine results via search engine optimization (SEO).

2) **Email marketing** involves both advertising and promotional marketing efforts via e-mail messages to current and prospective customers.

3) **Social media marketing** involves both advertising and marketing (including viral marketing) efforts via social networking sites like Facebook, Twitter, YouTube and Digg.

4. Relationship Marketing:

Relationship marketing is a facet of customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales. Relationship marketing stands in contrast to the moretraditional transactional marketing approach which focuses on increasing the number of individual sales.

5. Internal Marketing:

Internal Marketing is an ongoing process that occurs strictly within a company or organization whereby the functional process is to aligns, motivates and empowers employees at all management levels to consistently deliver a satisfying customer experience

6. Interactive marketing:

Interactive marketing is a one to one marketing process that reacts and changes based on the actions of individual customers and prospects. This ability to react to the actions of customers and prospects means that trigger based marketing is dramatically more effective than normal direct marketing.

Marketing Research Concepts and applications: Product – Advertising – Promotion – Consumer Behavior – Retail research.

1. Research Helps to Develop Marketing Plans:

To help its managers develop their marketing plans, the Gillette Company uses information gathered from five different types of regularly recurring research projects. The five projects were designed to provide the managers a complete picture of the razor and blade market, including detailed descriptions of consumers, competition, and distribution. The five projects, and the usefulness of the information they gather, are as follows.

These five projects provide Gillette marketing managers with information on market shares, brand loyalty and brand switching, consumer attitudes, brand and advertising awareness, product advantages versus competition, inventory levels, out-of-stock, retail prices and display, local advertising, and more.

As the data are gathered from recurring studies, the managers have a complete picture of current market and competitive conditions from the most recent set of studies, and they know the recent trends that exist in all of these data. All of these items of information provide the Gillette managers an excellent historical record on which to base the development of their new marketing plans.

2. Research Helps to Evaluate the Marketing Plan's Effectiveness:

Gross margin, marketing expenditures, and contribution to earnings are recorded for each market area and also totally. This information is also shown for each market (1) as a percentage of the total for all markets and (2) as the dollar amount of change this year compared with last year. Additionally, the total industry sales in dollars, the firm's market share, the percentage of retail distribution achieved for the product, and television media costs are shown for each market, both for this year and last.

With these data, management can observe changes in demand (as reflected in total industry sales); changes in sales, costs, and earnings, changes in competition (as reflected in market share and retail distribution percentages) and, changes in advertising costs (as reflected in television media costs). This information is available by market and for all markets. With such information management can reappraise a product's marketing expenditures plan as well as the effectiveness of the advertising-sales promotion mix used and then make changes.

For example- in Area A, advertising and promotion expenses of $100,000 produced $260,000 of contribution to earnings, while in Area E advertising and promotion expenses of $400,000 produced only $280,000 of contribution to earnings. This suggests that the company might increase its total contribution to earnings by shifting some advertising and promotion money from Area E to Area A.

Concluding Comments on **Marketing Research Usage:**

The materials show that marketing research is being used to measure the characteristics of markets, to obtain information needed for forecasting, to evaluate new-product ideas and improve existing products, to assist managers in making better advertising and promotion decisions, and for many other purposes. Marketing research is used throughout the four phases of the administrative process, from establishing strategies all the way through to evaluating the effectiveness of the marketing plan used to try to achieve the established strategy.

The role of marketing research appears to be headed for higher levels of sophistication and utilization as more and more companies begin to develop their own Marketing Information Systems (MISs).

Research Application on Market

a. Information for marketing planning.

b. Information for marketing operation.

c. Information for key decision in marketing.

d. Information for marketing control

ii. Classification Based on Subject Matter:

a. Product

b. Consumer

c. Pricing

d. Distribution channels

e. Promotion

f. Sales force

g. Competition

h. Sales methods.

i. Interned operations of the firm.

j. External environment of the firm

Advertising Research: A Special case of Marketing Research

The advertising research is an application of marketing research aimed at the measurement of advertising effectiveness and advertising efficiency. The primary aim of advertising is to sell an idea, a good or a service whereas the ultimate goal in advertising research is to measure advertising impact or influence on sales of that idea, good or service.

Importance of Marketing Research in Business

1. Easily Spot Business Opportunities

After you've done your market research, it'll be clear to you who you want to reach out to (your target customers), where you can reach them (your marketing channels), and what they're interested in. Once you've defined these, you'll be able to easily spot business opportunities. For example:

- **Form partnerships with other businesses. Learning about who your customers are, such as their demographics, can help you find other small businesses that serve them. You can approach these businesses for joint promotions that'll be mutually beneficial.**

- **Create profitable order upgrades. Knowing the other products and services that your customers tend to buy can help you come up with add-ons, product bundles, and upsells that increase the average value of each order.**
- **Find new locations to sell to. Knowing the geographical areas where most of your target customers live will allow you to create compelling targeted campaigns that suit the needs and culture of that area.**

2. Lower Business Risks

Around half of businesses with employees don’t survive past the fifth year, according to data from the Bureau of Labor Statistics. The way to make sure that your business survives for longer is to ensure that you've got a steady stream of sales and customers. To do that, you need market research.

Regular market research will be your way to check in with your current customers and potential customers to ensure that you’re still meeting their needs. Here’s how you can apply this:

- Test new designs and products before launching. Before you go all-in on a dramatic change for your business, you can test it on a smaller subset of your audience to see if the change would be welcome. For example, if you plan to do a redesign of a popular product, show the new design to your most frequent buyers. Test or ask them if they’re more likely to buy the new design versus, an alternative new design, or the old design.
- Find out why customers don’t come back. Ideally, your small business should have recurring customers. If they don’t come back, you can conduct a survey of previous customers or set up a focus group to find out why you’re not making any repeat sales.
- Get insights on problem areas. If your most popular product sees a big drop in sales for three consecutive months, you need to find out how to fix it before it ruins your profits completely. Survey your most frequent customers about the product and find out where the problem lies. It could be anything from a decline in the product quality or a glitch on your online store. You’ll never know unless you ask.
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3. Create Relevant Promotional Materials

If you've ever wondered what text or images to put on your fliers, website, or social media accounts, with thorough market research, you'll know exactly what to do. Since target customers have already expressed all their wants, needs, and frustrations with you, you'll know exactly what to address and how to address it when you start creating your marketing materials.

4. Know Where to Advertise

One of the problems that small business owners face is a limited budget. Because of this, your marketing budget should be optimized to give you the best returns possible. Your market research can help ensure that you're reaching your intended audience in the channels where they're most likely to see your message.

These are some of the budgetary tasks that your market research can help with:

- Buying ads on social media. If your market research shows that your target audience spends most of their time on Instagram and almost never use Twitter, you'll know to direct most of your social media ad budget to Instagram and forget about Twitter.

- Placing flyers and posters. Knowing the physical spaces where your customer spends their time will tell you where you can best place your advertising. For example, university students are likely to be on campus, so placing ads for that market means that you can try bulletin boards on campus or outside local establishments that their crowd tends to frequent.

5. Outsell Competitors

The business that knows their customers more tends to win more. If you can beat your competitors at finding out your customers' needs and you aim to fulfill those needs, you've got a better chance of standing out from the competition. Here are some ways you can use market research to outsell competitors:

- Target dissatisfied customers. Asking target customers about their frustrations with your competitors' products or reading their product reviews can help you improve your own products and market them to an audience ready to switch brands.

- Find an underserved customer segment. Your market research might reveal that there's a segment of the market that your competition has neglected. This will give you a new customer segment to reach out to.

- Identify unaddressed customer needs. During your market research, you might uncover some customer pain points or desires that you don't see addressed in your competitors' marketing materials. Try including them in your own marketing and see if the results show an increase in sales.

6. Set Better Goals for Your Business

When business owners set goals for their business, it's typically related to growth in sales or customers. But without market research, you won't be able to know if your goal is achievable and how to achieve it in the first place.

You might say that you want to double sales by the end of the next quarter. How would you know if this goal is feasible if you don't know whether the size of your target market is more than twice the size of your current customer base? Without knowing the current size of your potential market, you'll just be setting arbitrary goals.

7. Decision-Making Becomes Simple

The need for and importance of marketing research frequently comes up when making tough business decisions. Instead of having arbitrary criteria for the decisions you make as a business owner, you can always go back to your market research report. Based on that report, will this decision lead to more customers? Will you be able to reach more people who are likely to buy from you? Will it be clear to them that your business can meet their needs?

While not all decisions should be solved by market research, many of them can be, such as:

- where to spend your advertising or marketing budget

- whether there's a demand for a new product you want to make

- if you should open a storefront in a new location

- which products to discontinue and which ones to merely improve

- how to price all your offers

BASICS OE E-MARKETING

Meaning:

Internet marketing, also referred to as web marketing, online marketing, or e-marketing, is the marketing of products or services over the Internet. The Internet has brought media to global audience. The interactive nature of the Internet marketing in terms of providing instant responses and eliciting responses is the unique quality of the medium.

Internet marketing is sometimes considered to be broad in scope because it not only refers to marketing on the Internet but also includes marketing done via e-mail and wireless media. The management of digital customer data and electronic customer relationship management systems are also often grouped together under the Internet marketing.

Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising and sales.

Components of Internet Marketing:

Internet marketing evolves in a fast-phase manner. It is dynamic and requires every online business and marketers to keep updated with the changes in the system. There are two components of Internet marketing:

1. B-to-B (B2B):

It refers to business to business e-commerce, where business firms sell their products and services to other business firms using the Internet.

2. B-to-C (B2C):

It refers to business to consumers, where business firms sell their products and services to the consumers using the Internet.

Advantages of Internet Marketing:

1. Internet marketing is relatively inexpensive when compared with the ratio of cost against the reach of the target audience.

2. Companies can reach a wide audience for a small fraction of traditional advertising budgets.

3. The nature of the medium allows the consumers to research, and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to the consumers in a medium that can bring results quickly.

4. The strategy and the overall effectiveness of the marketing campaigns depend on the business goals and the cost-volume-profit analysis.

5. Internet marketing can offer a greater sense of accountability for the advertisers.

6. Internet marketing refers to the online marketing, which is related to e-mail and wireless marketing methods.

Disadvantages of Internet Marketing:

1. Internet marketing sometimes appear to be confusing and at times considered as a kind of virus.

2. The more you know, the more you realize the need to learn more.

3. Typical business models lasts for two years, but Internet businesses sometimes lose appeal after 6 months.

4. Intense competition.

5. Overwhelming knowledge to be learnt.

6. Too many skills to learn.

7. Takes a long time to learn many skills.

8. Too many scams on the Internet.

9. Many people think it is easy to make money on the Internet.

CONSUMERISM

Definitions

"Consumerism is a social movement seeking to augment the rights and powers of the buyers in relation to sellers". -Philip kotler

"It is an attempt to enhance the rights and powers by buyers in relation to sellers." - L.Massie

Reasons for consumerism

1.Rising prices

The value of a rupee in 1949 matching its full face value. But now it is worth less than 10 paise

The price theory holds that price is directly related to quality and quantity.

2.Adulteration

Adulteration involves cheap ingredients mixed with the product intended for sale. Such adulterated product is detrimental to health. A survey 25-35% of the food we eat today is adultered.

3.Duplication

Duplicates are made for all types of products like automobile components,medicines,pens watches and even currency notes. Consumers are not able to differentiate the original products from duplicates.

4. Artificial demand

When the price of a product is steadily increasing ,some traders buy in bulk and hoard them. They put up a sign "No stock "in front of their shops, though stocks are in abundance with them. As a result consumers pay higher prices because of the artificial scarcity created.

5.Sub-standard products

Substandard products are made using inferior raw materials or by cutting short the required production processes.

6.Misleading Advertisements

Misrepresentation of facts, false claims, cheating do occur in advertising.An advertiser may make a tall claim about the usefulness of his product,just to lure the consumers to buy them,whereas the product may not be useful.

ETHICS IN MARKETING

Ethics are a collection of principles of right conduct that shape the decisions people or organizations make. Practicing ethics in marketing means deliberately applying standards of fairness, or moral rights and wrongs, to marketing decision making, behavior, and practice in the organization.

In a market economy, a business may be expected to act in what it believes to be its own best interest. The purpose of marketing is to create a competitive advantage. An organization achieves an advantage when it does a better job than its competitors at satisfying the product and service requirements of its target markets. Those organizations that develop a competitive advantage are able to satisfy the needs of both customers and the organization.

As our economic system has become more successful at providing for needs and wants, there has been greater focus on organizations' adhering to ethical values rather than simply providing products. This focus has come about for two reasons. First, when an organization behaves ethically, customers develop more positive attitudes about the firm, its products, and its services. When marketing practices depart from standards that society considers acceptable, the market process becomes less efficient—sometimes it is even interrupted. Not employing ethical marketing practices may lead to dissatisfied customers, bad publicity, a lack of trust, lost business, or, sometimes, legal action. Thus, most organizations are very sensitive to the needs and opinions of their customers and look for ways to protect their long-term interests.

Importance of Marketing Ethics :

1) Customer Loyalty

The first and the most crucial factor in the list of Importance of Marketing Ethics is that it helps the company to win the trust and loyalty of its customers on the long-term basis as it is the basic human nature and tendency to go for the brand that is genuine in its nature, its products and services offered are authentic, and they sell the exact products and services that are shown during the marketing campaigns and artworks.

Hence, it is always imperative for the management and the marketing department to display the company attributes and the details of products and services offered that are true and bonafide in each and every aspect.

2) Long-term gains

Understanding the Importance of Marketing Ethics is not only the long-term goal and objective of the company but there are various long-term gains attached to following the same such as customer loyalty, high credibility in the market and in the minds of the customers, increased market share, enhanced brand value, higher sales, and elevated revenues amongst others with the company able to accomplish its both short term and long term objectives in a successful manner.

3) Leadership

When the company grasps and understands the intricacies of the Importance of Marketing Ethics and formulates it as one of its crucial objectives, it attains the status of a leader in the market with the competitive brand trying to benchmark its practices and strategies owing to the company laying and following the rare path of marketing ethics that results in the various benefits such as loyal base of customers, higher sales, and increased market share, working as a source of inspiration for one and all in the market

4) Satisfies basic human needs and wants

Following the Importance of Marketing Ethics makes the company fulfill and satisfy the basic human needs and wants of trust, faith, and integrity as these are the basic factors that the customers look forward from the brands whilst indulging in the purchase of the products and services offered by the firm. And when the company is able to satisfy the basic needs and wants of the customers, it will enjoy the long-term benefits such as customer loyalty, trust in the brand, faith in its offerings, and the word of mouth publicity that will earn various referrals to the company.

5) Displays rich culture

When the company follows the path marketing ethics, it only enjoys the various benefits from the external environment of the business but even the internal environment comprising of the staff and employees is well defined and systematically aligned as it displays and boasts of the rich and authentic culture. The internal staff is highly motivated and continuously strives to help the management attains the overall business objectives as it provides the required impetus to their professional career graph as well. Plus they take immense pride in working and their association with the company and express the same to their social circuit that showcases the rich and genuine culture of the firm in the market.

6) Attracts talent

It helps the company to attract the talented professionals who wish to get associated with the company as internal employees, vendors or consultants as getting attached and associated to the firm that understands and follows the Importance of Marketing Ethics will surely provide the boost to their professional trajectory as well. Plus it helps the company to attain its aims and objectives in a short period of time and in a successful manner.

7) Attains financial goals

In order to grow and the expand its business operations, the management of the company always needs investors and financial partners who provide the required funds and investments that will facilitate to launch the new line of products in the market, tap new market locations, and try out innovative marketing and promotion techniques. Hence, to attain the financial goals, it is vital for the company to understand and follow the Importance of Marketing Ethics as it gives the firm a tag of the brand that is genuine in its business operations and offerings.

8) Enhanced brand value

The overall market fraternity, competitors, and the customers look up to the company as the one that follows the marketing ethics in the most dedicated manner, sells what it displays in its advertisement campaigns, exceed the expectations of the customers, sell products and services that are high on the realms and objectives of quality, and sets a new benchmark in the market for the competition to match and follow. All these factors result in the enhanced brand value of the firm making it the most trustworthy and reliable brand in the market.

9) Builds credibility

When the company follows the intricacies and the nuances of the marketing ethics on a consistent and continuous basis in all it marketing and promotional campaigns, it slowly and gradually builds its distinctive niche in the market as a genuine and authentic brand that also results in the factor of credibility building for the company within the industry amongst its peers, contemporaries, investors, and other stakeholders plus in the minds of the customers as well

Unethical actives in Business

Deceptive Advertising:

Advertising should win the confidence of consumer to achieve its objectives. Many feel that advertising is deceptive and claims made in the advertisement are exaggerated and untrue. Misrepresentations, ambiguous statements and misleading interpretations are considered as deception

Harmful Effects:

The appeal to sex, nudity, violence, fear, adventure, has become the most adverse aspect of advertising. Some advertisements have created emotional disturbances and long-run anxiety conditions among younger generation. Advertising repeats several messages and becomes uninteresting and boring

Confuses People:

Advertising creates confusion in the mind of people. Consumers do not take rational decisions. They are biased by unethical and emotional advertising.

Forceful Selling:

Emotional appeals are used to induce prospective buyers to buy their products. Producers are interested in the sale of their products without caring for the impact of emotional advertisements on ethics and moral value of consumers. The consumers live in an imaginary and exciting atmosphere generated by these advertisements.

Media Misuse:

(a) Many advertisers buy advertising time or space to present their messages. They try to sell stores favouring the products and small newspaper accept such advertisements to improve their financial position.

(b) Many magazines contain advertisements offering cure for cancer and baldness! In the case of TV serials, the advertisements continue sometime for half of the time of the serial

UNFAIR OR DECEPTIVE MARKETING PRACTICES:

Marketing practices are deceptive if customers believe they will get more value from a product or service than they actually receive. Deception, which can take the form of a misrepresentation, omission, or misleading practice, can occur when working with any element of the marketing mix. Because consumers are exposed to great quantities of information about products and firms, they often become skeptical of marketing claims and selling messages and act to protect themselves from being deceived. Thus, when a product or service does not provide expected value, customers will often seek a different source

OFFENSIVE MATERIALS AND OBJECTIONABLE MARKETING PRACTICES

Marketers control what they say to customers as well as and how and where they say it. When events, television or radio programming, or publications sponsored by a marketer, in addition to products or promotional materials, are perceived as offensive, they often create strong negative reactions. For example, some people find advertising for all products promoting sexual potency to be offensive. Others may be offended when a promotion employs stereotypical images or uses sex as an appeal. This is particularly true when a product is being marketed in other countries, where words and images may carry different meanings than they do in the host country.

UN ETHICAL PRODUCT AND DISTRIBUTION PRACTICES:

Several product-related issues raise questions about ethics in marketing, most often concerning the quality of products and services provided. Among the most frequently voiced complaints are ones about products that are unsafe, that are of poor quality in construction or content, that do not contain what is promoted, or that go out of style or become obsolete before they actually need replacing. An organization that markets poor-quality or unsafe products is taking the chance that it will develop a reputation for poor products or service. In addition, it may be putting itself in jeopardy for product claims or legal action. Sometimes, however, frequent changes in product features or performance, such as those that often occur in the computer industry, make previous models of products obsolete. Such changes can be misinterpreted as planned obsolescence.

MATERIALISM :

Consumers develop an identity in the marketplace that is shaped both by who they are and by what they see themselves as becoming. There is evidence that the way consumers view themselves influences their purchasing behavior. This identity is often reflected in the brands or products they consume or the way in which they lead their lives.

SPECIAL ETHICAL ISSUES IN MARKETING TO CHILDREN:

Children are an important marketing target for certain products. Because their knowledge about products, the media, and selling strategies is usually not as well developed as that of adults, children are likely to be more vulnerable to psychological appeals and strong images. Thus, ethical questions sometimes arise when they are exposed to questionable marketing tactics and messages. For example, studies linking relationships between tobacco and alcohol marketing with youth consumption resulted in increased public pressure directly leading to the regulation of marketing for those products.

ETHICAL ISSUES IN MARKETING TO MINORITIES

The United States is a society of ever-increasing diversity. Markets are broken into segments in which people share some similar characteristics. Ethical issues arise when marketing tactics are designed specifically to exploit or manipulate a minority market segment. Offensive practices may take the form of negative or stereotypical representations of minorities, associating the consumption of harmful or questionable products with a particular minority segment, and demeaning portrayals of a race or group. Ethical questions may also arise when high-pressure selling is directed at a group, when higher prices are charged for products sold to minorities, or even when stores provide poorer service in neighborhoods with a high population of minority customers. Such practices will likely result in a bad public image and lost sales for the marketer.

ETHICAL ISSUES SURROUNDING THE PORTRAYAL OF WOMEN IN MARKETING EFFORTS

As society changes, so do the images of and roles assumed by people, regardless of race, sex, or occupation. Women have been portrayed in a variety of ways over the years. When marketers present those images as overly conventional, formulaic, or oversimplified, people may view them as stereotypical and offensive.

Consumer Complaints Council:

The Board of Governors shall appoint Consumer Complaints Council (CCC), the number of members of which shall not be more than twenty-one. The CCC shall examine and investigate the complaints received from the consumers and the general public, including the members of the Company, regarding any breach of the Code of Conduct and/or advertising ethics and recommend the action to be taken in that regards. Such complaints may include false, misleading, indecent, illegal, unsafe practices or Unfair to competition.

Power of the Consumer Complaints Council:

1. Each Council shall be entitled to receive complaints from the Board of Governors, the Consumers, the general public and members of the Company….

2. Each Council shall enquire, investigate and decide upon the complaints received by it within the frame work of the Code of Conduct adopted by the Company….

3. All the decisions of each Council shall be by simple majority, in writing and may specify the action to be taken in respect of the offending advertisement.

4. The role and functioning of the ASCI & its Consumer Complaints Council (CCC) in dealing with complaints received from consumers and industry, against Ads, which are considered as false, misleading, indecent, illegal, leading to unsafe practices, or unfair to competition, and consequently in contravention of the ASCI code for self- regulation in advertising.

5. ASCI is a voluntary self-regulatory council, registered as a not-for-profit Company under section 25 of the Indian Cos. Act. The sponsors of the ASCI, who are its principal members, are firms of considerable repute within Industry in India, and comprise Advertisers, Media, Ad. Agencies and other professional /ancillary services connected with advertising practice.

6. The ASCI is not a Government body, nor does it formulate rules for the public or for the relevant industries. The purpose and the mission of the ASCI is spelt out clearly in the literature provided.

7. If an advertisement is to be reviewed for its likely impact on the sensibilities of individual viewers of TV or readers of press publications, they require to convey to the Advertiser concerned, the substantial issues raised in the complaint, in the exact context of the specific advertisement as conveyed by the perception of the complainant, and to elicit the appropriate response by way of comments from the Advertiser.