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School of Management Studies

UNIT I- MARKETING FOR MANAGERS - SBAA5201

UNIT – I INTRODUCTION

Marketing – Nature and Scope of Marketing, Philosophies of Marketing Management – Marketing Concepts – Customer Value – Holistic Marketing – Marketing Environment – Environmental Monitoring , Understanding the impact of Macro and Micro environment on Marketing – Elements of Marketing Mix – Services Marketing.

Introduction

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages everyday. Marketing is something that affects you even though you may not necessarily be conscious of it.

Definition of Marketing

According to American Marketing Association (2004) - "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."

AMA (1960) - "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

According to Eldridge (1970) - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

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

Nature of Marketing

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

- Marketing is a Legal Process by which Ownership Transfers : In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.
- Marketing is a System of Interacting Business Activities : Marketing is that process through which a business enterprise, institution, or organisation interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.
- Marketing is a Managerial Function : According to managerial or systems approach - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."
- According to this approach the emphasis is on how the individual organisation processes marketing and develops the strategic dimensions of marketing activities.
- Marketing is a Social Process : Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-
    - Knowing and understanding the consumer's changing needs and wants;
    - Efficiently and effectively managing the supply and demand of products and services; and efficient provision of distribution and payment processing systems.
- Marketing is a philosophy based on consumer orientation and satisfaction
- Marketing had dual objectives - profit making and consumer satisfaction

Scope of Marketing

- Study of Consumer Wants and Needs: Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.
- Study of Consumer Behavior: Marketers performs study of consumer behaviour. Analysis of buyer behavior helps marketer in market segmentation and targeting.
- Production Planning and Development: Product planning and development starts with the generation of product idea and ends with the product development and commercialization.

Product planning includes everything from branding and packaging to product line expansion and contraction.

- Pricing Policies: Marketer has to determine pricing policies for their products. Pricing policies differs from product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.
- Distribution: Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.
- Promotion: Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.
- Consumer Satisfaction: The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.
- Marketing Control: Marketing audit is done to control the marketing activities.

Marketing Management Philosophies

There are five marketing concepts. A company should choose the right one according to their and their customers' needs.

- Production Concept
- Product Concept
- Selling Concept
- Marketing Concept
- Social Marketing Concept

Production Concept:

This concept works on an assumption that consumers prefer a product which is inexpensive and widely available. This viewpoint was encapsulated in Says Law which states 'Supply creates its own demand'. Hence companies focus on producing more of the product and making sure that it is available to the customer everywhere easily. Increase in the production of the product makes the companies get the advantage of economies of scale. This decreased production cost makes the product inexpensive and more attractive to the customer.

A low price may attract new customers, but the focus is just on production and not on product quality. This may result in a decrease in sales if the product is not up to the standards.

This philosophy only works when the demand is more than the supply. Moreover, a customer not always prefers an inexpensive product over others. There are many other factors which influence his purchase decision.

Examples of Production Concept of Marketing Management Philosophies

- Companies whose product market is spread all over the world may use this approach.
- Companies having an advantage of monopoly.
- Any other company whose product's demand is more than its supply

Product Concept

This concept works on the assumption that customers prefer products of 'greater quality' and 'price and availability' doesn't influence their purchase decision. Hence the company devotes most of its time in developing a product of greater quality which usually turns out to be expensive.

Since the main focus of the marketers is the product quality, they often lose or fail to appeal to customers whose demands are driven by other factors like price, availability, usability, etc.

Examples of Product Concept of Marketing Management Philosophies

- Companies in the technology industry.
- Companies having an advantage of monopoly.

Selling Concept

Production and product concept both focus on production but selling concept focuses on making an actual sale of the product. Selling Concept focuses on making every possible sale of the product, regardless of the quality of the product or the need of the customer. The main focus is to make money. This philosophy doesn't include building relations with customers. Hence repeated sales are very less. Companies following this concept may even try to deceive the customers to make them buy their product.

Companies which follow this philosophy have a short-sighted approach as they 'try to sell what they make rather than what market wants'.

Examples of Selling Concept of Marketing Management Philosophies

- Companies with short-sighted profit goals. This often leads to marketing myopia.
- Fraudulent companies.

Marketing Concept

Selling Concept cannot let a company last long in the market. It’s a consumers market after all. To succeed in the 21st century, one has to produce a product to fulfil the needs of their customers. Hence, emerged the marketing concept. This concept works on an assumption that consumers buy products which fulfil their needs. Businesses following the marketing concept conduct researches to know about customers’ needs and wants and come out with products to fulfil the same better than the competitors. By doing so, the business establishes a relationship with the customer and generate profits in the long run.

However, this isn’t the only philosophy that should be followed by all the businesses. Many businesses still follow other concepts and make profits. It totally depends on the demand and supply and the needs of the parties involved.

Examples of Marketing Concept of Marketing Management Philosophies

- Companies in perfect competition.
- Companies who want to stay in the market for a long time.

Societal Marketing Concept

Adding to the marketing concept, this philosophy focuses on society’s well-being as well. The business focuses on how to fulfil the needs of the customer without affecting the environment, natural resources and focusing on society’s well-being. This philosophy believes that the business is a part of the society and hence should take part in social services like the elimination of poverty, illiteracy, and controlling explosive population growth etc.

Many of the big companies have included corporate social responsibility as a part of their marketing activities.

Holistic Marketing Concept

Holistic marketing is a new addition to the business marketing management philosophies which considers business and all its parts as one single entity and gives a shared purpose to every activity and person related to that business. A business, like a human body, has different parts, but it’s only able to function properly when all those parts work together towards the same objective. Holistic marketing concept enforces this interrelatedness and believes that a broad and integrated perspective is essential to attain the best results.

MARKETING ENVIRONMENT

Meaning:

Marketing activities of a business firm are influenced by several factors outside a business firm. The factors or forces influencing marketing decisions making are collectively called marketing environment.

Definition:

It refers to external factors and forces that affect a company's ability to develop and maintain successful transactions and relationships with its target customers.

Micro Environment	Macro Environment
1. Consumer	1.Demographic
2. Market/Demand	2.Economic
3. Competition	3.Natural/Physical
4. Intermediaries	4.Technological
5. Suppliers	5.Political/Legal
6. Government	6.Socio Cultural

Macro Environment:

1. Demographic Environment: It is a major element to be studied in Environment analysis, several factors relating to population such as Size, Growth rate, Age Distribution, Religious Composition and literacy levels need to be studied. Aspects such as composition of workforce,

Household patterns, regional characteristics, Population shifts,etc.,need to be studied.

2. Socio-Cultural Environment: Culture, traditions, beliefs, values and lifestyles of the people in a given society constitute the socio cultural environment. These elements decide to a large extent, what the people will consume and how they will buy.

Culture: Culture is the combined result of factors like religion,language,education and upbringing. Some cultural values are deep-rooted they do not change easily and are termed Core Cultural Values. Some value and practices are more amendable to change and can be molded and manipulated more easily constitute secondary cultural values. Cultural shifts carry with them marketing opportunities as well as threats, therefore close monitoring of the cultural environment becomes important.

Social class: Any society is composed of different social classes. A social class is determined by income,occupation,location of residence,etc,.Each class has its own standardswith respect to lifestyle,behaviour,etc, they are known as class values.These values have a strong bearing on the consumption pattern and buying behaviour.Shift in class values do take place over time owing to several factors.

3. Economic Environment: Factors to be covered under economic environment:

- General Ecnomic conditions
- Ecnomic conditions of different segments of the population;their disposable income,Purchasing power,etc.,
- Rate of growth of each sector of the economy: Agriculture, Consumer goods,Services,Imports,Exports,Industry.
- Income,prices and consumption expenditure.
- Credit availability and interest rate
- Inflation rate
- Behaviour of capital markets
- Exchange rates
- Tax rates
- Prices of important materials

4. Political /Legal Environment: Infact economic environment is often a by-product of the political environment, since economical and industrial policies followed by a nation greatly depend on its political environment.

Political environment has several aspects.

- Form of government adopted by the country
- Political stability

Stability of government is an essential requisite of economic growth. Elements like social and religious organizations; media are also a part of the political environment.

Businesses have to operate within the framework of the prevailing legal environment. They have to understand the implications of all the legal provisions relating to their business.

5. Natural Environment: Aspects like extent of endowment of natural resources in the country,ecology,climate,etc,these constitute the natural environment.

Natural resources: Business firms depend on natural resources. Raw material is one major part of these resources and firms are concerned with their availability.

Ecology: Issues like environment pollution, protection of wild life and ocean wealth-ecology on which firms are concerned. Business firms will have to know the nature and dimensions of environmental regulations and to which extent these factors will affect their business prospectus.

Climate: Firms with products whose demand depends on climate and firms depending on climate-dependent raw materials will be particularly concerned with this factor. They have to study the climate in depth and decide their production locations and marketing territories appropriately.

6. Technology Environment: Today, technology is a major force which industry and business have to reckon with. For a business firm technology affects not only its final products but also its raw materials, processes and operations as well its customer segments. At present rapid changes are taking place in the realm of technology-eg: IT & Telecom Industry

- The firm has to analyse carefully the overall technology environment
- It has to assess the relative merits and cost effectiveness of alternative technologies.
- It also has to analyse technological changes taking place in its industry at the international level.
- Firms have to scan the technology environment and select technologies that will be appropriate for the firm and the given product- market situation.

Micro Environment:

1. Consumer: In many industries consumer tastes and preferences keep fluctuating and the customer brand loyalty too keeps changing. Industries like cosmetics, personal care products, garments and entertainment products are a few examples. so, a perpetual process of customer analysis is needed to make marketing planning effective.

2**. Market Demand:** The aspects to be studied here include:

- Nature of the Demand
- Size of the demand
- Changes taking place in demand
- Invasion of substitute products
- Changes taking place in consumption pattern/buying habits

3. Competition: Knowledge about industry and competition is a fundamental requirement for developing marketing strategy.

4. Government: Government has no.of roles to play as stake holders in commercial organizations.

- Commercial organizations provide govt. with taxation revenue, so a healthy business sector is in the interest of govt.
- Govt. is increasingly expecting business organizations to take over many responsibilities from the public sector. eg- payment of sickness and maternity benefits to employees.
- It is through business organizations that govts. achieve many of their economic and social objectives. eg- economic development and skills training.

5. Intermediaries: Companies must not ignore the wholesalers, retailers and agents who may be crucial interfaces between themselves and their final consumers.

Intermediaries may need reassurance about the company's capabilities as a supplier that is capable of working with them to supply goods and services in a reliable and ethical manner.

6. Suppliers: Suppliers provide an organization with goods and services that are transformed by the organizations in to value added products for customers.

In Business 2 Business (b2b) marketing, one company's supplier is likely to be another company's customer, and it is important to understand how suppliers, manufactures and intermediaries work together to create value.

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- Kotler - Marketing Management – A South Asian Perspective, Pearson, 16th Edition, 2018
- Etzel, M.J.Bruce,J.W.Stanton – Marketing, Tata McGraw Hill, 14th Edition, 2018
- Francis Cherunilam, Industrial Marketing, Himalaya Publishing House, 2014
- Thomas T.Nagle and Reed K.Holden, The strategy and tactics of pricing, Printice Hall, 2001

Questions:

S.NO	PART – A (6 MARKS)	CO	Level
1.	Define Marketing. State its significance to companies.	CO1	L1
2.	Describe the evolution of Marketing	CO 1	L2
3.	Bring out the difference between selling and marketing.	CO2	L3
4.	Interpret the significance of holistic marketing approach in marketing	CO 2	L2
5.	Summarize the significance of internal marketing as a platform to promote a company's product.	CO3	L2
6.	Explain the 4 P's of marketing with a appropriate example.	CO1	L1
7.	Discuss the consumer-oriented model of marketing mix.	CO2	L1
8.	Sketch the need for 7 p's marketing for a service good.	CO1	L3
9.	Articulate the basic characteristics of service marketing	CO1	L3
10.	"Nothing happens in our country until somebody sells something" Critically comment on the statement.	CO1	L4
S.NO	**PART-B**	**CO**	**Level**
1	Critically comment on the nature of marketing.	CO1	L5
2	Differentiate between selling and marketing.	CO1	L5
3	Enumerate on the philosophies of marketing.	CO2	L4
4	Explain the functions of marketing.	CO1	L1
5	Articulate the importance and need of Human Resource Management.	CO1	L3
6	Evaluate the Marketing management process.	CO2	L3
7	Enumerate the factors influencing micro environment in marketing.	CO2	L3
8	Analyze the factors influencing macro environment in marketing.	CO2	L4
9	Selling service is different from goods. Illustrate with an example	CO3	L4
10	Marketing is the back bone of business organization. Defend the statement with example.	CO3	L4

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UNIT II- MARKETING FOR MANAGERS - SBAA5201

UNIT 2 IDENTIFYING AND SELECTING MARKETS

Market Segmentation, Targeting and Positioning - Marketing Research and Market Information - Consumer Buying Behavior, Understanding B2B Customers - Strategic Marketing Planning Process - Competitor analysis, Marketing Warfare Strategies, Porter's Strategies Framework.

MARKET SEGMENTATION

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

Importance of Market Segmentation

- Market segmentation makes it easier for marketers to personalize their marketing campaigns.
- Marketers can be more efficient with their time, money, and other resources than if they were targeting consumers on an individual level based on their segmented groups .
- Grouping similar consumers together allows marketers to target specific audiences in a cost effective manner.
- Market segmentation also reduces the risk of an unsuccessful or ineffective marketing campaign.
- When marketers divide a market based on key characteristics and personalize their strategies based on that information, there is a much higher chance of success than if they were to create a generic campaign and try to implement it across all segments.
- Marketers can also us segmentation to prioritize their target audiences.
- If segmentation shows that some consumers would be more likely to buy a product than others, marketers can better allocate their attention and resources.

Steps in market segmentation

Roger Best proposed the seven-step approach to advocate the **needs-based segmentation approach**

- Needs-Based Segmentation: Group customers into segments based on similar needs and benefits sought by customer in solving a particular consumption problem.
- Segment Identification: For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (actionable).
- Segment Attractiveness: Using predetermined segment attractiveness criteria (such market growth,

competitive intensity, and market access), determine the overall attractiveness of each segment.

- Segment Profitability: Determine segment profitability
- Segment positioning: For each segment; create a "value proposition" and product-price positioning strategy based on that segment's unique customer needs and characteristics.
- Segment "Acid Test" : Create "segment storyboards" to test the attractiveness of each segment's positioning strategy.
- Marketing-mix strategy : Expand segment positioning strategy to include all aspects of the marketing mix: product, price, promotion and place.

Benefits of Market Segmentation

There are a number of reasons organizations undertake segmentation

1. **Products are designed to be responsive to the needs of the marketplace**. – segmenting markets facilitates a better understanding of customer's needs, wants and other characteristics. The sharper focus that segmentation offers, allows those personal, situational and behavioral factors that characterize customers in a particular segment can be considered. By being closely in touch with segments, marketers can respond quickly to even the slight changes in what target customers want. i.e by monitoring the trends towards healthier eating and lifestyles, Mc Donald's was able to respond by respond by introducing a wider range of salads and healthy eating options – including grilled chicken, fruit and yoghurt on to its menus.
2. **Increase profits** – different consumer segments react in contrasting ways to prices, some are far less price sensitive than others. Segmentation allows an organization to gain from the best price it can in every segment, effectively raising the average price and increasing profitability.
3. **Effective Resource Allocation** - organizations are more capable of making products that customers want and can afford.
4. **There is product differentiation** – Various products are made to meet the needs of each customer segment.

Requirements of Good Market Segments

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- **Identifiable** -The marketer should be able to identify which consumers are members of a particular market segment. The consumers in the segment should respond in the same way to a particular marketing mix.
- There must be some common characteristics that the consumers have.

- **Measurable** - The characteristics that are common to the groups of consumers should be measured in terms of size, purchasing power and other characteristics.
- **Substantial** -The segment should be large enough to generate sales volume that ensures profitability; otherwise it will not be economical to design a unique marketing mix for it.

The market segment should be worth the effort taken by the marketer.

- **Accessible**: the segments must be reachable through communication and distribution channels.
- **Durable:** the segments should be relatively stable to minimize the cost of frequent changes.
- **Responsive -** Market segments must be defined in their willingness to purchase a product in response to variations in the marketing mix.
- **Compatible with corporate image** -The market must be compatible with the firm's objectives and corporate image.

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.

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 a segment 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), or develop several brands for different segments. If the first firm has only one brand, competitors would enter and introduce brands in the other segments

Bases for Segmenting Consumer Markets

1. **Geographic Segmentation**:

Geographic segmentation calls for dividing the market into different geographical units. People belonging to different regions may have different reasons to use the same product as well. This type of market segmentation is important for marketers as people belonging to different regions may have different requirements. Hence Geographic segmentation helps marketer draft personalized marketing campaigns for ever. Geographic segmentation divides the market on the basis of geography. Geographic segmentation is when a business divides its market on the basis of geography. There are several ways that a market can be geographically segmented. A company can divide its market by geographical areas, such as by city, county, state, region, (like the West Coast), country, or international region, (like Asia), divide the market into rural, suburban, and urban market segments. Market can also be segmented geographically by climate or total population in each area. Example, water might be scarce in some regions which inflates the demand for bottled water but, at the same time, it might be in abundance in other regions where the demand for the same is very less.

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 growsup—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 profile**s.**

- **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
- **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.

Factors to considered to evaluating different market segments

1. **Segment overall attractiveness:**

In this step we analyze all the opportunities available in the market which could be tapped by providing appropriate product and the cultivation of profit.

- Size of the segment (no. of customers, no. of units)
- Growth rate of the segment
- Competition in the segment
- Brand loyalty of existing customers in the segment
- Attainable market share given promotional budget and competitors expenditures
- Required market share to break even
- Sales potential of the firm in the segment

2. Expected profit margins in the segment Company's objectives and resources

Once the opportunity is identified in the market we need to match the available resources with the firm which is required to exploit the opportunity in desired manner. Hence the firm's objectives, resources and capabilities are to considered as

- The firm's capacity to offer superior value to the customers in the customers.
- The impact of serving the segment on the firm's image

- Access to distribution channels required to serve the segment
- The firm's resources vs capital investment required to serve the segment.

TARGET MARKET

Target Market:

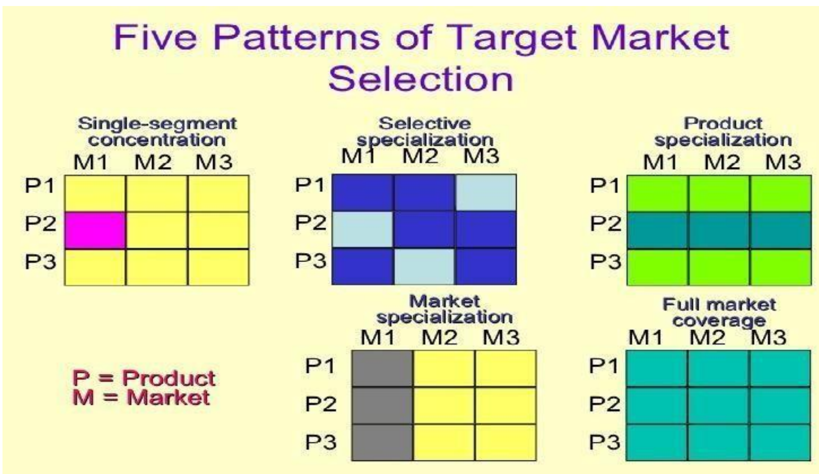
It refers to that particular market in terms of customer group which is selected or identified by marketers to tap it. All marketing plans & strategies are made according to this target market to generate revenue which will help firm to increase market share & profitability

Targeting is the process of identifying the most attractive segments from the segmentation stage, usually the ones most profitable for the business. Target marketing tailors a marketing mix for one or more segments identified by market segmentation.

Targeting process

Once the firm has decided its market segments then it has to decide how many segments to be selected for targeting purpose. Market targeting is a process of capturing the target market to cultivate profits and Targeting Process consist following steps:

Evaluation the market segments ----selecting the target market additional consideration



Patterns of Target Market Selection:

1. **Single Segment Concentration:**
   Here company is having single product and focus is on single market. It is applicable for those sellers which has small market and limited demand in the market.
2. **Selective Specialization:** Here companies are dealing in multiple product and multiple market but they select some specific market for specific product. **e.g: Apple**
   - For Business class Laptop
   - For Music lovers ipod

- For phone users iPhones

3. **Product Specialization :** Here the firm specializes in marketing a certain product that it sells to several market.

e.g : Nokia

- Cheaper Price class Nokia 1100
- Business class Nokia E-Series
- Music lovers class Nokia X-Series

4. **Market Specialization:** Here firm concentrate on serving many needs of a particular customer group or markets with focused strategy. **eg: Johnson & Jonhson for baby products**
   - Powder
   - Soap
   - Shampoo
   - Baby lotion
   - Baby oil
5. **Full Marketing 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). Here firm serve all customer groups with multiple products focused towards capturing all markets with variety of products in product portfolio.
   - e.g
     - Coca Cola
     - Kinley
     - Fanta

Full market coverage approach can be applied in 3 ways of Targeting

1) Undifferentiated /Standardization:-In Undifferentiated strategy same product is offered to all market segments with common standardized features without keeping any difference even in the presence of difference among customers. Here marketers launch the product with same pricing, distribution & promotion strategies applicable to all segments.

e.g.- coke & Pepsi

2) Differentiation: It is just opposite of above explained. In this strategy firms differentiates its products for all segments according the needs& wants of that segments. Due to presence of difference of taste & preference, buying power etcamong consumers marketers alter its product features & other related strategy in all segments to fulfill the different needs of consumers.

e.g:- Airlines

- First Class
- Business Class
- Economy Class

3) Concentrated/Focused:- It is combination of both. Here the core product and its strategies remains the same but differentiation is made to take into account specific customers groups requirements. Here basic product is same but minordifferences are created to offer variety in same product line.

e.g:- Maruti: Zen Lxi,, ,Zen Vxi, ,Zen

POSITIONING

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

The process of creating an image of a product in the minds of the consumers is called as positioning. Positioning helps to create first impression of brands in the minds of target audience. In simpler words positioning helps in creating a perception of a product or service amongst the consumers.

Example

- The brand "Bisleri" stands for purity.
- The brand "Ceat Tyre" stands for better grip.

Steps to product Positioning

Marketers with the positioning process try to create a unique identity of a product amongst the customers.

1. **Know your target audience well**

It is essential for the marketers to first identify the target audience and then understand their needs and preferences. Every individual has varied interests, needs and preferences. No two individuals can think on the same lines.

Know what your customers expect out of you.

The products must fulfill the demands of the individuals.

2. **Identify the product features**

The marketers themselves must be well aware of the features and benefits of the products. It is rightly said you can't sell something unless and until you yourself are convinced of it.

A marketer selling Nokia phones should himself also use a Nokia handset for the customers to believe him.

3. **Unique selling Propositions**

Every product should have USPs; at least some features which are unique. The organizations must create USPs of their brands and effectively communicate the same to the target audience.

The marketers must themselves know what best their product can do. Find out how the products can be useful to the end-users ?

Why do people use "Anti Dandruff Shampoo?"

Anti Dandruff Shampoos are meant to get rid of dandruff. This is how the product is positioned in the minds of the individuals.

Individuals purchase "Dabur Chyawanprash "to strengthen their body's internal defense me chanism and fight against germs, infections and stress. That's the image of Dabur Chyawanprash in the minds of consumers.

USP of a Nokia Handset - Better battery backup. USP of Horlicks Foodles - Healthy snack

Communicate the USPs to the target audience through effective ways of advertising. Use banners, slogans, inserts and hoardings .Let individuals know what your brand offers for them to decide what is best for them.

4. **Know your competitors**

- A marketer must be aware of the competitor's offerings. Let the individuals know how your product is better than the competitors?
- Never underestimate your competitors.
- Let the target audience know how your product is better than others.
- The marketers must always strive hard to have an edge over their competitors.

5. **Ways to promote brands**

- Choose the right theme for the advertisement.
- Use catchy taglines.
- The advertisement must not confuse people.
- The marketer must highlight the benefits of the products.

6. **Maintain the position of the brand**

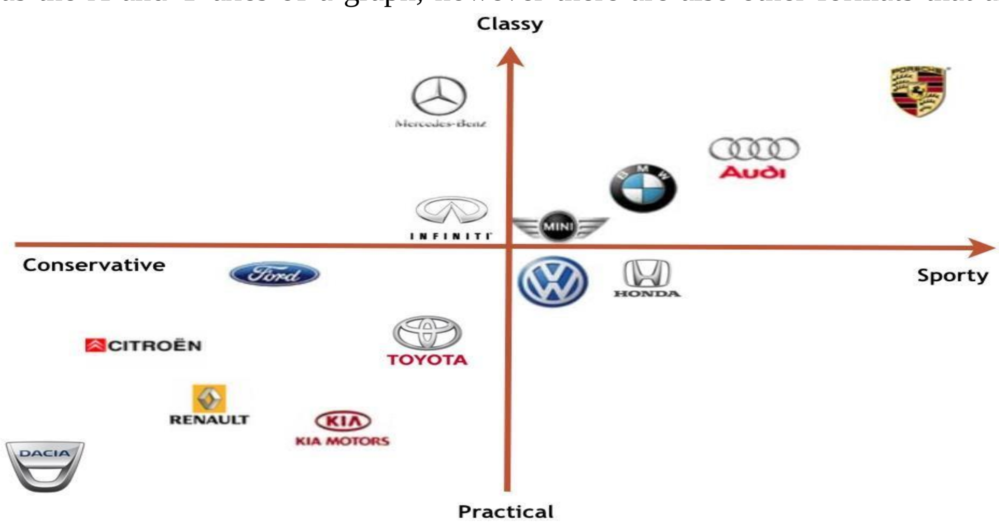
- For an effective positioning it is essential for the marketers to continue to live up to the expectations of the end - users.
- Never compromise on quality.
- Don't drastically reduce the price of your products.
- A Mercedes car would not be the same if its price is reduced below a certain level.
- A Rado watch would lose its charm if its price is equal to a Sonata or a Maxima Watch.

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 . The process is called perceptual mapping of brands.

PERCEPTUAL MAPPING

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 . The process is called perceptual mapping of brands.

- The word 'perceptual' comes from the word 'perception', which basically refers to the consumers' understanding of the competing products and their associated attributes. (Note: In some textbooks, perceptual maps are referred to as positioning maps, but for our purposes they essentially have the same meaning.)
- The most common presentation format for a perceptual map is to use two determinant attributes as the X and Y axes of a graph, however there are also other formats that are sometimes used.



Use of perceptual map

Market researchers use perceptual mapping to compare products (and potential products) based on the perceptions of customers. The purpose of a perceptual map is to identify the images that consumers have of and the reactions they have to brands, products, services and other market offerings. This information can help a business identify potential new products during the product development process. A perceptual map is of the visual technique designed to show how the average target market consumer understands the positioning of the competing products in the marketplace. In other words, it is a tool that attempts to map the consumer's perceptions and understandings in a diagram

MARKETING RESEARCH

Marketing research is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

According to **Philip Kotler**, "Marketing research is a systematic problem analysis, model building and fact finding for the purpose of improved decision-making and control in the marketing of goods and services." According to **American Marketing Association** (AMA), "Marketing Research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services."

ccording to **David Luck**, **Donald Taylor** and **Hugh Wales**, "Marketing Research is the application of scientific methods in the solution of marketing problems."

MARKETING RESEARCH PROCESS

- Define research problem
- Preparing the research design
- Determining sample design
- Collecting the data
- Analysis of data
- Interpretation
- Preparation of the report
- Making the decision

Define research problem

Formulating a problem is the first step in the research process. In many ways, research starts with a problem that management is facing. This problem needs to be understood, the cause diagnosed, and solutions developed. The problem may be about decrease in sales, increase in competition, expansion of market, etc. A management problem must first be translated into a research problem. **Preparing the research design**

A **research design** is a systematic plan to study a scientific problem. The design of a study defines the study type (descriptive, correlation, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. It helps in collection of relevant evidence with minimal expenditure of effort, time and money.

Determining sample design

Sample design is a definite plan determined before any data are actually collected for obtaining a sample from a given population. The plan to select 12 stores out of 200 drug store, in a certain way, constitutes a sample design. The samples can be either probability samples or non probability samples.

Collecting the data

Data collection is one of the most important stage in conducting a research. The data can be collected by two sources- primary and secondary. Primary data can be collected either through experiment or through survey. If the researcher conducts an experiment, he observes some quantitative measurement, or data with which he examines the truth lies in his hypotheses. But in case of survey data can be collected by observation, interview, mailing questionnaire and schedule. Secondary data are collected through published and non published information.

Analysis of data

Analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, and supporting decision making. It categories data through coding, editing, tabulation and then drawing statistical inferences.

Interpretation

If a hypothesis is tested and upheld several times, it may be possible for the researcher to arrive at generalization, i.e., to build a theory. If the researcher has no hypothesis to start with, he might seek to explain his findings on the basis of some theory.

Preparation of the report

Finally, the researcher has to prepare the report of what has been done by him. Writing of report must be done with great care keeping in view the following:

- Preliminary pages
- Main text- introduction, analysis Finding and Suggestion Conclusion
- The end report- appendices and bibliography.

Make the Decision

The research report only provide additional information and insight to managers. Depending on the finding or report management can take decision.

MANAGEMENT INFORMATION SYSTEM-

"Management Information System (MIS) is a study of people, technology, organizations, and the relationships among them in a broader sense".

MIS is a software system that focuses on the management of information technology to provide efficiency and effectiveness or strategy decision making. The term is often used in the academic study of businesses and has connections with other areas, such as information systems, information technology, informatics, e-commerce, and computer science

MIS is also explain as a set of efficient procedures and techniques that help organization to collect, evaluate, sort and generate reports for making effective marketing decisions. It helps to provide an organized flow of information and support marketing activities of an organization.

Objectives of MIS :

1. Data Capturing : MIS capture data from various internal and external sources of organization. Data capturing may be manual or through computer terminals.
2. Processing of Data : The captured data is processed to convert into required information. Processing of data is done by such activities as calculating, sorting, classifying, and summarizing.
3. Storage of Information : MIS stores the processed or unprocessed data for future use. If any information is not immediately required, it is saved as an organization record, for later use.
4. Retrieval of Information : MIS retrieves information from its stores as and when required by various users.
5. Dissemination of Information : Information, which is a finished product of MIS, is disseminated to the users in the organization. It is periodic or online through computer term

Characteristics of MIS :

- Systems Approach : The information system follows a systems approach. Systems approach means taking a comprehensive view or a complete look at the interlocking sub-systems that operate within an organization.
- Management Oriented : Management oriented characteristic of MIS implies that the management actively directs the system development efforts. For planning of MIS, top-down approach should be followed. Top down approach suggests that the system development starts from the determination of management's needs and overall business objective. To ensure that the implementation of system's polices meet the specification of the system, continued review and participation of the manager is necessary.
- Need Based : MIS design should be as per the information needs of managers at different levels.
- Exception Based : MIS should be developed on the exception based also, which means that in an abnormal situation, there should be immediate reporting about the exceptional situation to the decision –makers at the required level.
- Future Oriented : MIS should not merely provide past of historical information; rather it should provide information, on the basis of future projections on the actions to be initiated.
- Integrated : Integration is significant because of its ability to produce more meaningful information. Integration means taking a comprehensive view or looking at the complete picture of the interlocking subsystems that operate within the company.
- Common Data Flow : Common data flow includes avoiding duplication, combining similar functions and simplifying operations wherever possible. The development of common data flow is an economically sound and logical concept, but it must be viewed from a practical angle.
- Long Term Planning : MIS is developed over relatively long periods. A heavy element of

planning should be involved.

- Sub System Concept : The MIS should be viewed as a single entity, but it must be broken down into digestible sub-systems which are more meaningful.
- Central database : In the MIS there should be common data base for whole system Types of Information
- Recurrent: Information required by an organization on day-to-day basis. Customer expectations, changing needs and market share of the product
- Monitoring: Market-related information collected by scanning information sources on a regular basis such as Magazines, articles, government reports, annual reports
- Requested: Such information generates in response to explicit request by marketing department. For example Competition strategies and market share.

Functions of the management information system:

- The system ensures that an appropriate data is collected from the various sources, processed, and sent further to all the needy destinations.
- The system is expected to fulfill the information needs of an individual, a group of individuals, the management functionaries: the managers and the top management.
- The MIS satisfies the diverse needs through a variety of systems such as Query Systems, Analysis Systems, Modeling Systems and Decision Support Systems the MIS helps in Strategic Planning, Management Control, Operational Control and Transaction Processing.
- The MIS helps the clerical personnel in the transaction processing and answers their queries on the data pertaining to the transaction, the status of a particular record and references on a variety of documents.
- The MIS helps the junior management personnel by providing the operational data for planning, scheduling and control, and helps them further in decision making at the operations level to correct an out of control situation.
- The MIS helps management in goal setting, strategic planning and evolving the business plans and their implementation.
- The MIS plays the role of information generation, communication, problem identification and helps in the process of decision making.
- The MIS plays a vital role in management, administration and operations of an organization.the middle management in short them planning, target setting and controlling the business functions..

BUYER BEHAVIOUR

Consumer/ buyer 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.

Factors that influence buying Behavior

A buyer’s purchase decisions are influenced by four major factors

1. **Cultural Factors**

a. Sub Culture

b. Social Class

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

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.

Social Factor: Consumer behavior is also influenced by social factors such as Reference groups, Family, Social roles and Social status.

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 use. 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.

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.

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.

Personal Factors:

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.

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.

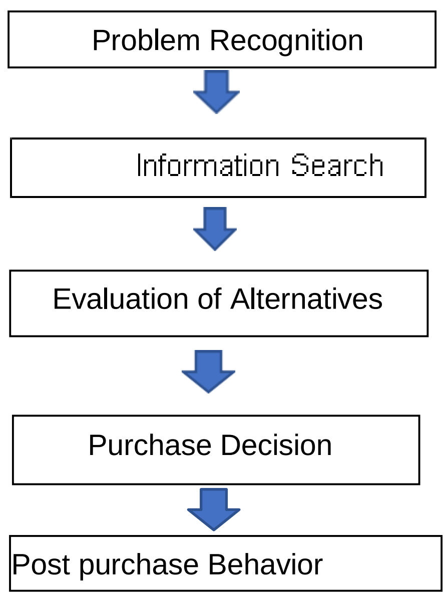
Income: Income, savings, credit and assets are the elements of a person's purchasing power. However this must be backed by the willingness to buy.ith increase in per capita income and improved standard of living, a willingness on the part of the consumer to purchase products is noticed. Marketer has to do proper market analysis and research then promote their products and services so as to motivate people to purchase the same.

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.

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.

- 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.
- Perception: It is the process of selecting, organizing and interpreting to events happening in environment.
- Learning: Learning describes changes in an individual's behavior arising from experience.
- Attitudes: Attitudes is a person's enduring favorable or unfavorable cognitive evaluation, emotional feelings and action tendencies towards some object or idea.

1. THE BUYING DECISION PROCESS: The five stage model



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.

2. **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 healthyhair).

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.

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

Purchase Decision:

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

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. Satisfied customers will continue to purchase the product and will spread good image about it. Dissatisfied customer will not purchase the product and will spread a bad image about the product.

Business-to-business

Business-to-business (B2B) simply means business-to-business, which is a business model that focuses on selling products and services to other companies. It can also be called as a supportive company which manufactures products and services to support other companies .

Business-to-business – "B2B" – refers to commerce between two businesses rather than to commerce between a business and an individual consumer. Transactions at the wholesale level are usually business- to-business while those at the retail level are most often business-to-consumer (B2C).

Market Followers Distinctive characteristics of B2B Buying

1. B2b buying is not a single person process but a multi-person process, for almost more than 90% of the b2b buying. Bigger purchase requires decisions from diverse departments, top levels and from different management levels.
2. While making a purchase the organizations always follow a careful formal process that leads to the real purchasing
3. B2B buying decisions cannot be taken at once. When it comes to critical purchase, the buying decisions can take time as long as a year.

Moving on, even though a B2B purchase decision is way more complex than regular ones, there are a bunch of factors that can influence the former. Studying these factors will not only give you an in-depth understanding of general consumer behavior but will help you draft appropriate sales strategies can help you drive more closures and sales.

FACTORS THAT INFLUENCE B2B PURCHASE DECISION ARE AS FOLLOWS:-

1. **External factors –**

- **Economic condition:** A major impact on the buying decisions and the strategies are caused by the fluctuations in the money markets and the rate of interests. Both interest rate and business buying have an opposite relation, a decrease in interest rates leads to higher purchase rate.
- **Political environment**: A change in the government policy makes an impact on the economy, which further leads to affecting the business buying decision of the products. Later, it also changes the B2B purchase decision.
- **Competition:** In the industry, the main motto of any business is to always stay ahead of their competitors therefore when a business's competition moves ahead and is changing their product or if they are enjoying in the market because of their suppliers, the businesses tend to change their trends and this also leads to a change in the business buying decision.
- **Social environment**: Societies and cultures are evolving day by day and the businesses have to keep up with those changes by following updated procedures to meet these changes.

2. **Internal Factors-**

- **Business objectives**: The goals and objectives act as a major element as to what the business will purchase. If an organization wants to acquire a market by selling cheaper goods they will need to find a supplier with low costs. Though if a business wants to sell better quality products then they might have to look for a very good supplier. The buying behavior depends on the goals and objectives of the businesses.
- **Technological factors**: While buying a new product the decision makers always consider the existing technology. Few purchases are done to change the current technology. They also make sure that the new products are compatible with the technology or not. Therefore somehow the technologyacts as a factor influencing the business buying decisions.
- **Manpower Skills**: These skills are as important as the decisions makers and the products since they are the ones, who are going to use the new purchases made and are going to make the most of

it. Particularly the equipment and machineries. In this way it influences the business buying decisions.

3. **Individual and Interpersonal Factor**

- **Individual Factors**: It includes as social status, age or cultural background of the decision makers, also influence the buying decisions.
- **Interpersonal Conflict**: This leads to a change in the results taken by the decision makers. Thus the relationship and the attitude among the decision makers play a very important role in the business buying.

Conditional Factors

- **Present Financial Condition**:If a B2B organization is running low on cash, it might decide to make a purchase from its current supplier who offers credit for long. Also if an organization does not have enough of money for a particular purchase, it might then just go for a cheaper and easily available product that is inside their budget.
- **Availability**: There are times when some buying decisions cannot hang around; the organizational buyers may go to new suppliers who are willing to supply products, if the present suppliers fail to supply the exact product needed.

Understanding b2b Business

1. **The dollar value of business-to-business transactions is significantly higher than business-to- consumer B2B customers** are more likely to purchase higher priced goods and services and purchase more of them than consumers are. A bicycle manufacturer, for example, will purchase a truckload of bicycle tires or a coffee manufacturer will buy a massive, industrial bean grinder. Compare that with what's purchased by a biking enthusiast or the individual coffee aficionado.
2. **Selling to a business is different from selling to an individual consumer** :Selling sometimes requires participating in a bidding pr ocess by responding to a purchaser's request for proposals. On the business-to- consumer side, this compares to asking various auto dealers to provide their best offer on a specific make and model. The decision-making process on a purchase can take days, weeks, or months, depending on how the purchasing company works and the size and nature of the order. Purchasing decisions are often made by committees, so each member needs to be educated and "sold." The dollar value of goods or services sold is much higher than on the consumer or retail level, so the buyer needs to take steps to minimize risk. That sometimes involves requesting a product prototype or customization.
3. **Business-to-Business Doesn't Exclude Business-to-Consumer :** A company selling to businesses can also sell directly to consumers. A bead manufacturer selling its beads in bulk to costume jewelry manufacturers might also package them in smaller quantities sold to crafters at craft stores. A telephone manufacturer can sell in bulk to companies or one at a time to consumers shopping online or at an office supply store. A firm that provides health and wellness consulting to corporations can also advise individuals one-on-one or in group presentations.
4. **It's About the Customer, Not the Transaction Size:** While business-to-business transactions often involve high prices and volume, they can also happen on a much smaller scale when a

small business sells products or services to another small business. The hallmark of business-to-business commerce then, is the participants – two businesses rather than a business and a consumer.

STRATEGIC MANAGEMENT PROCESS

It is a philosophical approach to business. Upper management must think strategically first, then apply that thought to a process. The strategic management process is best implemented when everyone within the business understands the strategy.

The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring.

1. **Clarify Your Vision**

   The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff, give each person a task with which he can succeed. Keep in mind during this process your **goals to be detailed, realistic and match the values of your vision**. Typically, the final step in this stage is to write a mission statement that succinctly communicates your goals to both your shareholders and your staff.

2. **Gather and Analyze Information**

   Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on **understanding the needs of the business** as a sustainable entity, its strategic direction and identifying initiatives that will help your business grow. Examine any external or internal issues that can affect your goals and objectives. Make sure to identify both the strengths and weaknesses of your organization as well as any threats and opportunities that may arise along the path

3. **Formulate a Strategy**

   The first step in forming a strategy is to review the information gleaned from completing the analysis. Determine what resources the business currently has that can help reach the defined goals and objectives. Identify any areas of which the business must seek external resources. The issues facing the company should be prioritized by their importance to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to **develop alternative approaches** that target each step of the plan.

4. **Implement Your Strategy**

   Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be **made clear of their responsibilities and duties**, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

5. **Evaluate and Control**

Strategy evaluation and control actions include **performance measurements**, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured.

These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan.Monitoring internal and external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data gained in this stage should be retained to help with any future strategies

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 Nichers.

MARKETING STRATEGIES FOR MARKET LEADERS:

Figure 2: Broad Marketing Strategies for Competitors

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.

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

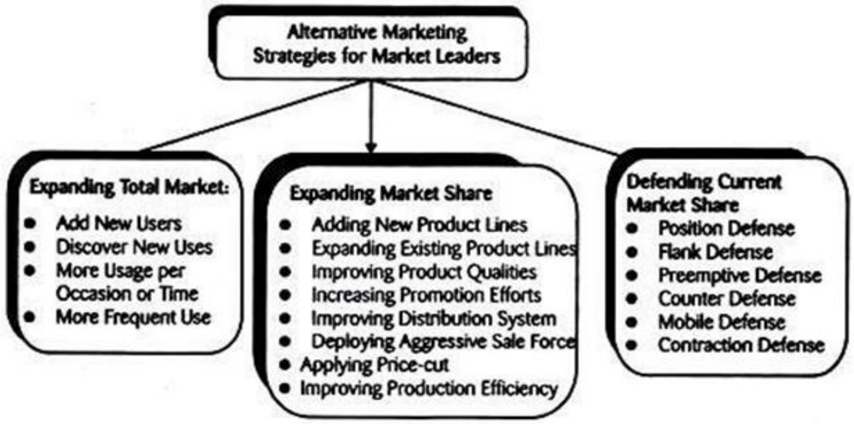


Figure 3: Alternative Strategies for Market Leaders

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:

1. **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).

2. **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.

3. **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.

4. **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.

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:

1. **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.

2. **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.

3. **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 isvery common to discourage competitors' maneuver (movement).

4. **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 shareMobile 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.

   ii. *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.

2. **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.

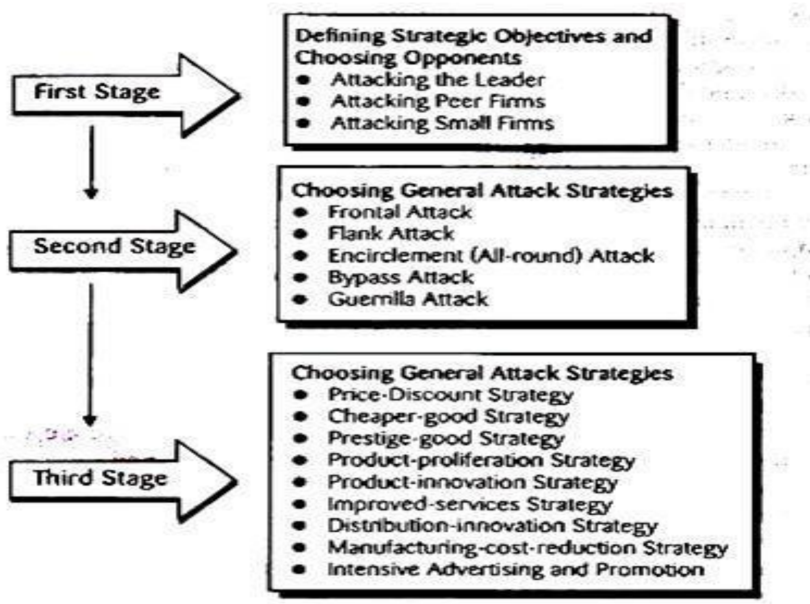


Figure 4: Three-stage Marketing Strategies for Market Challengers

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.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 dividing 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 niche manship.

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:

2. **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.

3. **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.

4. **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.

5. **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.

6. **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.

7. **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.

8. **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.

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

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.

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.

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.

Satisfied customers will continue to purchase the product and will spread good image about it. Dissatisfied customer will not purchase the product and will spread a bad image about the product.

PORTER'S GENERIC STRATEGIES

Generic Strategies

These three approaches are examples of "generic strategies," because they can be applied to products or services in all industries, and to organizations of all sizes. They were first set out by Michael Porter in 1985 in his book, "Competitive Advantage: Creating and Sustaining Superior Performance."

Porter called the generic strategies "Cost Leadership" (no frills), "Differentiation" (creating uniquely desirable products and services) and "Focus" (offering a specialized service in a niche market).

He then subdivided the Focus strategy into two parts: "Cost Focus" and "Differentiation Focus." These are shown in figure 1 below.

The Cost Leadership Strategy

Porter's generic strategies are ways of gaining competitive advantage – in other words, developing the "edge" that gets you the sale and takes it away from your competitors. There are two main ways of achieving this within a Cost Leadership strategy:

Increasing profits by reducing costs, while charging industry-average prices.

Increasing market share by charging lower prices, while still making a reasonable profit on each sale because you've reduced costs

The Cost Leadership strategy is exactly that – it involves being the leader in terms of cost in your industry or market. Simply being amongst the lowest-cost producers is not good enough,

as you leave yourself wide open to attack by other low-cost producers who may undercut your prices and therefore block your attempts to increase market share.

ou, therefore, need to be confident that you can achieve and maintain the number one position before choosing the Cost Leadership route. Companies that are successful in achieving Cost

Leadership usually have:

Access to the capital needed to invest in technology that will bring costs down.

Very efficient logistics.

A low-cost base (labor, materials, facilities), and a way of sustainably cutting costs below those of other competitors.

The greatest risk in pursuing a Cost Leadership strategy is that these sources of cost reduction are not unique to you, and that other competitors copy your cost reduction strategies. This is why it's important to continuously find ways of reducing every cost. One successful way of doing this is by adopting the Japanese Kaizen philosophy of "continuous improvement." **The Differentiation Strategy**

Differentiation involves making your products or services different from and more attractive than those of your competitors. How you do this depends on the exact nature of your industry and of the products and services themselves, but will typically involve features, functionality, durability, support, and also brand image that your customers value.

- To make a success of a Differentiation strategy, organizations need:

- Good research, development and innovation.
- The ability to deliver high-quality products or services.
- Effective sales and marketing, so that the market understands the benefits offered by the differentiated offerings.

Large organizations pursuing a differentiation strategy need to stay agile with their new product development processes. Otherwise, they risk attack on several fronts by competitors pursuing Focus Differentiation strategies in different market segments.

The Focus Strategy

Companies that use Focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors.

As with broad market strategies, it is still essential to decide whether you will pursue Cost Leadership or Differentiation once you have selected a Focus strategy as your main approach: Focus is not normally enough on its own.

But whether you use Cost Focus or Differentiation Focus, the key to making a success of a generic Focus strategy is to ensure that you are adding something extra as a result of serving only that market niche. It's simply not enough to focus on only one market segment because your organization is too small to serve a broader market (if you do, you risk competing against better-resourced broad market companies' offerings).

The "something extra" that you add can contribute to reducing costs (perhaps through your knowledge of specialist suppliers) or to increasing differentiation (though your deep understanding of customers' needs).

Example :Choosing Your Route to Success

Which do you prefer when you fly: a cheap, no-frills airline, or a more expensive operator with fantastic service levels and maximum comfort? And would you ever consider a small company with just a few routes?

The choice is up to you, of course. But the point we're making here is that when you come to book a flight, there are some very different options available. Why is this so? The answer is that each of these airlines has chosen a different way of achieving competitive advantage in a crowded marketplace. The no-frills operators have opted to cut costs to a minimum and pass their savings on to customers in lower prices. This helps them grab market share and ensure their planes are as full as possible, further driving down cost. The luxury airlines, on the other hand, focus their efforts on making their service as wonderful as possible, and the higher prices they can command as a result make up for their higher costs.

Meanwhile, smaller airlines try to make the most of their detailed knowledge of just a few routes to provide better or cheaper services than their larger, international rivals.

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Questions:

S.NO	PART – A (6 MARKS)	CO	Level
1.	Define market segmentation. Comment on the need for segmentation in marketing.	CO1	L1
2.	Critically examine the need for USP to position products in the market.	CO1	L4
3.	Appraise the perceptual mapping process in marketing with a suitable product.	CO2	L2
4.	Comment on the need for MIS in marketing dept in an organization.	CO2	L3
5.	Illustrate the need to understand buyer behaviour in a market with examples.	CO 3	L4
6.	Illustrate the buyer's decision-making process.	CO3	L2
7.	Sketch the factors influencing B2B purchase.	CO1	L3
8.	Comment on the strategic management process in marketing.	CO2	L3
9.	Appraise the Porters generic strategies in marketing.	CO 3	L5
10.	Critically analyze on the special pricing techniques used by companies.	CO3	L5
S.NO	**PART-B (10 MARKS)**	**CO**	**Level**
1	Describe in detail the basis of market segmentation. State is importance.	CO1	L1
2	Illustrate the targeting process with suitable examples.	CO1	L5
3	Elucidate the proceedure to position a product in the market.	CO2	L1
4	Evaluate the market research process with examples.	CO1	L3
5	Criticize the role of MIS in marketing	CO3	L5
6	Explain the factors influencing buyer behaviour.	CO2	L5
7	Write detailed notes on Nicher's strategies.	CO2	L5
8	Market leader's strategies	CO2	L4
9	Sketch the Market challengers' strategies in marketing.	CO2	L1
10.	Discuss the marketing strategies implemented by market followers in a market.	CO2	L1

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UNIT – III-MARKETING FOR MANAGERS - SBAA5201

UNIT 3 PRODUCTAND PRICE MANAGEMENT

Introduction to Product - Product Policy, Product line Decisions, Product Life Cycle and Marketing Strategies, Organizing for New Products - Introduction to Brand Management and Crafting of Brand Elements - Introduction to Pricing and Revenue Optimization (PRO),Special Pricing Techniques, Value Based Pricing, Yield Management,B2B Pricing.

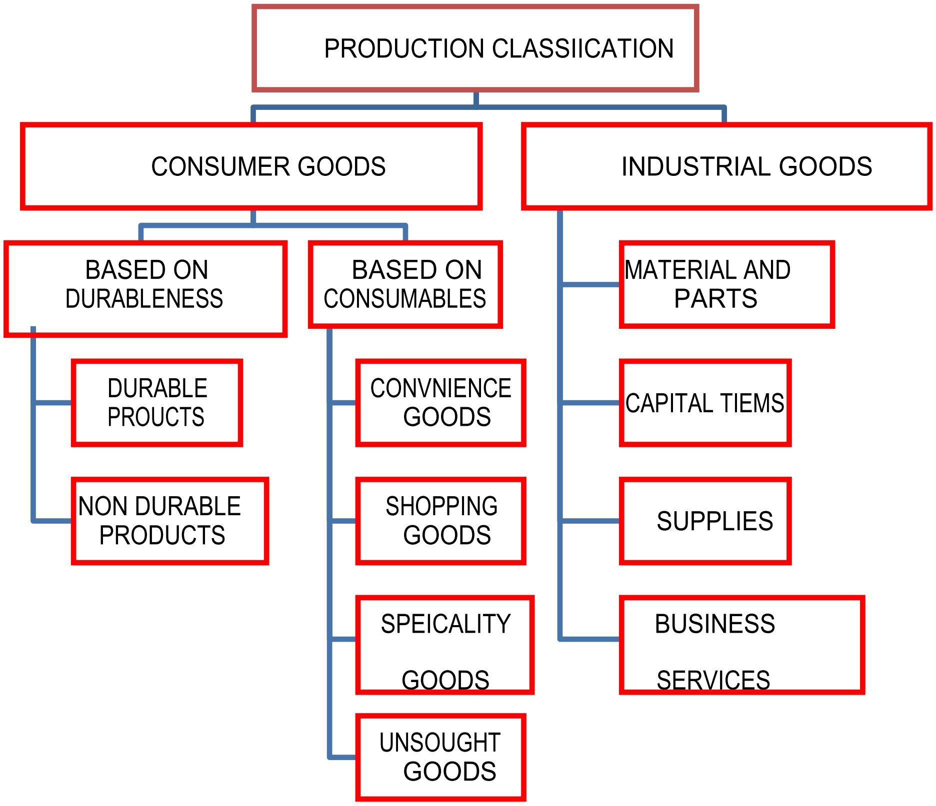
INTRODUCTION TO PRODUCT

Definition:

Product can be defined as anything that can be offered to a market for attention acquisition, use or consumption that might satisfy a want or need." Philip Kotler
In marketing, a **product** is anything that can be offered to a market that might satisfy a want or need in retailing, products are called merchandise. In manufacturing, products are bought as raw materials and sold as finished goods.

CLASSIFICATION OF A PRODUCT

Products can be widely classified as consumer products and industrial products



Consumer Products:

Consumer products are purchased by the ultimate or final consumer for personal consumption and satisfying their needs and desires.Eg: Shampoo, Biscuits, watches, Two-wheelers. Consumer goods are classified as Durable products and Non-Durable products

- **Durable products:** Durable products are those tangible products that last longer or they do not get exhausted even after repeated use. Durables have an extended product life and are not typically worn out or consumed quickly when you use them. Eg: Chair, Car, Refrigerator, Utensils.
- **Non-Durable products**: Nondurable products can be defined either as goods that are immediately consumed in one use or ones that have a lifespan of less than 3 years. Products have Small margin available in all location s and need heavy advertising. Examples: Soaps, Detergents, Toothpaste, stationary products.

2. Consumables:

- **Convenience goods** are those products which are bought with the minimum of efforts, at short notice and from convenient location. These products can be purchased at convenience location, consumer has full knowledge of products. These products face keen competition among producers and are perishable in nature and customers buys these products often and without much thought or planning. **Examples** are all those articles sold by grocers – a wide range from cigarettes to medicines like soaps, cosmetics, bakery products, papers and so on.

- **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.
- **Shopping Goods :** Products where the customer gives special effort on the buying the goods. 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.,
- **Unsought goods :**The products classified as unsought goods are those that consumers don't put much thought into and generally don't have compelling impulse to buy. . Consumers essentially buy unsought goods when they have to, almost as an inconvenience rather than the newest, latest, greatest product they can't wait to purchase. **Examples** include batteries or life insurance.

3. Industrial Products

Industrial products are products bought by individuals and organizations for further processing or for use in conducting a business". Number of Buyers are limited .Sugar Cane is purchased by few producers of sugar, but sugar which is consumer product, purchased by many consumers direct selling or one level channel

- **Materials and parts:** Raw materials are the basic materials that actually become part of the product and that enter the manufacturer's product completely. They are provided form mines, forests, oceans, farms and recycled solid wastes.

It has two types:-

- Raw materials- Includes farm products like cotton , sugar cane , oil seed and natural products like minerals (Iron ore , Crude petroleum)
- Manufactured materials and parts – Includes Component materials: grass, iron, plastic. Component Parts : Tyre Bulb , Steering , Battery

Capital Items:

Capital items consist goods that are used in the production of finished goods like office accessories and operating materials. It has two types:

- Accessory equipment

- Installations

Supplies:

Supplies facilitate productions, but they do not become part of he finished product. Examples - Paper, pencils, oils, cleaning agents and paints.

Industrial Services:

Industrial services include maintenance and repair services such as machinery repair and business advisory services such as legal, management, consulting, advertising, marketing research services. These services can be acquire internally as well as externally

PRODUCT HIERARCHY:

Each product is related to certain other products. The product hierarchy stretches from basic needs to particular items that satisfy those needs. There are 7 levels of the product hierarchy:

- **Need family:** :The core need that underlines the existence of a product family. Let us consider computation as one of needs.
- **Product family :**All the product classes that can satisfy a core need with reasonable effectiveness. For example, all of the products like computer, calculator or abacus can do computation.
- **Product class:** A group of products within the product family recognised as having a certain functional coherence. For instance, personal computer (PC) is one product class.
- **Product line :**A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels or fall within given price range. For instance, portable wire-less PC is one product line.
- **Product type:** A group of items within a product line that share one of several possible forms of the product. For instance, palm top is one product type.
- **Brand:** The name associated with one or more items in the product line that is used to identity the source or character of the items. For example, Palm Pilot is one brand of palmtop.

- Item/stock-keeping unit/product variant: A distinct unit within a brand or product line distinguishable by size, price, appearance or some other attributes. For instance, LCD, CD- ROM drive and joystick are various items under palm top product type

Product Mix:

An organisations product line is a group of closely related products that are considered a unit because of marketing, technical or end-use considerations. In order to analyse each product line, product- line managers need to know two factors. These are.

- Sales and profits
- Market profile

A product mix or assortment is the set of all products and items that a particular seller offers for sale. A company's product-mix has some attributes such as.

  - Width: This refers to how many different product lines the company carries.
  - Depth: This refers to how many variants, shades, models, pack sizes etc. are offered of each product in the line
  - Length: This refers to the total number of items in the mix.
  - Consistency: This refers to how closely the various product lines are related in end use, production requirements, distribution channels or some other way.

PRODUCT LINE DECISIONS

A company can lengthen its product line in 2 ways viz. a) line stretching and b) line filling.

Line Stretching:

This occurs when a company lengthens its product line beyond its current range. This is a frequent measure taken by companies to enter new price slots and to cater to new market segments. The product may be stretched by the addition of new models, sizes, variants etc. The company can stretch in 3 ways:

1. Down-market stretch:

A company positioned in the upper market may want to introduce a lower price line. They offer the product in the same product line for the lower end markets. A company can take this strategy for 3 reasons:

1. Strong growth opportunities in the down-market
2. Tie-up lower-end competitors who might try to move up-market
3. Stagnating or declining middle market

The company has 3 choices in naming its down-market products.

1. Same name Eg: Sony
2. Sub-brand name: Eg: Maruti 800
3. Different name: Eg: Panasonic and JVG from Matshushita

ii. Up-market stretch:

Companies may wish to enter the high end of the market for more growth, higher margins or simply to position themselves as full-line manufacturers. So they offer the products in the same product line and cover the upper end market. For example, most of the car companies in India have cars in premium segments like GM (Chevrolet Forester), Ford (Endeavour), Hyundai (Terracan), Mitusubishi (Pajero), Maruti (Grand Vitara XL-7), Honda (CR-V) and Mercedes Benz (M-Class)

iii. Two-way stretch:

Companies serving the middle market may decide to stretch their line in both directions. Tata Motors had Multi-purpose Utility Vehicles (MU V) like Sumo and Safari targeted for middle segment of the market. It had launched Indica for lower segment of the market as well as Indigo Marina and Indigo Estate for up-market consumers.

a) Line filling:

As the name applies, filling means adding a product to fill a gap in the existing line. The company wants to portray itself as full line company and that customers do not go to competitors for offers or models in particular price slots. There are several motives of line filling as follows:

1. Reaching for incremental profits
2. Trying to satisfy dealers who complain about lost sales because of missing items in the line
3. Trying to utilise the excess capacity
4. Trying to be the leading full-line company
5. Trying to plug holes in the product-line to keep out the competitors

Line Modernization:

Product lines need to be modernized continuously. Companies plan improvements to encourage customer migration to higher-valued, higher-priced items. For instance, Intel upgraded its Celeron microprocessor chips to Pentium 1, 2, 3 and now 4.

Line Featuring:

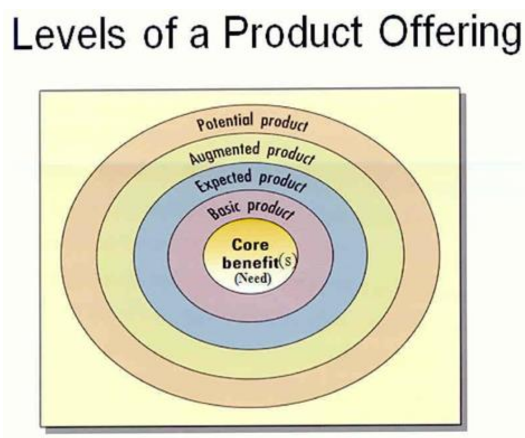
The product-line manager selects one or few items in the line to feature. Sometimes, a company finds one end of its line selling well and the other end selling poorly. Then the company may try to boost demand for the short sellers especially if they are produced in a factory that is idled by lack of demand.

Line Pruning:

At times a company finds that over the years it has introduced many variants of a product in the product line. In due course of time the company may find out that efforts behind all these variants is leading to non-optimal utilisation of resources i.e. these products are not profitable. So when the products are not satisfactorily performing, the product managers need to drop them form the product line. This may lead to increase in profitability.

LEVELS / LAYERS OF A PRODUCT

Customers choose a product based on their perceived value of it. Satisfaction is the degree to which the actual use of a product matches the perceived value at the time of the purchase. A customer is satisfied only if the actual value is the same or exceeds the perceived value.A product is like an onion with several layers and each of the layers contributes to the total product image. The five layers of a product are:



- **Core Product** : This is the basic product and the focus is on the purpose for which the product is intended. For example, a warm coat will protect from the cold and the rain.
- **Generic Product**: This represents all the qualities of the product. For a warm coat this is about fit, material, rain repellent ability, high-quality fasteners, etc.
- **Expected Product:** This is about all aspects the consumer expects to get when they purchase a product. That coat should be really warm and protect from the weather and the wind and be comfortable when riding a bicycle.
- **Augmented Product:** This refers to all additional factors which sets the product apart from that of the competition. And this particularly involves brand identity and image. EXAMPLE- The warm coat is in style, its colour trendy and made by a well-known fashion brand . But factors like service, warranty and good value for money play a major role in this.
- **Potential Product**: This is about augmentations and transformations that the product may undergo in the future. Example- A warm coat that is made of a fabric that is as thin as paper and therefore light as a feather that allows rain to automatically slide down.

Examples of layers of a product

Layers of a product	Explanation	Tangible product (Washing Machine)	Service (Restaurant)
Core Benefit	The fundamental service or benefit provided	Comfort Convenience	Change of mood
Basic Product	What the consumer recognizes it as.	Washing Machine	Restaurant
Expected Product	Attributes expected by the customers	Features, Style, Quality	Tasty food Cleanliness, convenience
Augmented Product	Broader conception of the product/exceeds customer expectation	Guarantee, service & maintenance, free home delivery	TV, Light music, Package offer, place for family
Potential Product	New ways to satisfy customers & differentiate from competitors.	Free demo at home, call back of performance of product.	Performance of artist, Booking tours, Railways & Airways

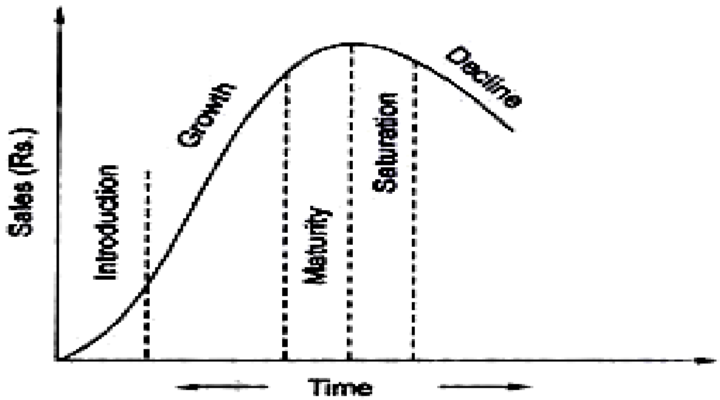
PRODUCT LIFE CYCLE:

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 most important stages through which product life cycle passes are as follows:

- **Introduction**
- **Growth Stage**
- **Maturity Stage**
- **Saturation Stage**

- **Decline Stage.**



Product life Cycle (PLC) Curve

Introduction: The product is developed keeping in view a particular need of a set of consumers, and introduced in the market by initiating its commercial production. At this stage product is new in the market, consequently its demand is low and requires vigorous sales efforts. The promotional costs are, therefore, high at this stage and the production costs are also not fully recovered due to low volume of sales.

Growth Stage: There is a rapid expansion in sales as the cumulative impact of the promotional expenditure helps in the market acceptance of the product as well as the reputation of the product gains around. But this rapid expansion can be sustained only by the maintenance of product quality.

Maturity Stage: When the product enters the maturity stage the rate of growth of its sales declines, though the volume of sales keeps on increasing. This is so because most of the persons needing the product-had; already adopted it during the growth stage and now when the product enters its maturity stage, it faces a small and declining number of potential buyers. Consequently, the firm has to spend relatively increasing amount of sales promotion.

Saturation Stage: At this stage, the sales volume of the product ceases to grow. The only additional demand for the product happens to be its replacement demand.

Decline Stage: Ultimately the product enters a stage of decline where its sale volume starts shifting down. The competitors have by then entered the market with substitutes and imitations and the product distinctiveness starts diminishing. Consequently, the sale of the product also starts declining.

PRODUCT LIFE CYCLE STRATEGIES

The **product life cycle** contains four distinct stages: introduction, growth, maturity and decline. Each stage is associated with changes in the product's marketing position. You can use various marketing strategies in each stage to try to prolong the life cycle of your products.

1. **Product introduction strategies**

Marketing strategies used in **introduction stages** include:

- rapid skimming - launching the product at a high price and high promotional level
- slow skimming - launching the product at a high price and low promotional level
- rapid penetration - launching the product at a low price with significant promotion
- slow penetration - launching the product at a low price and minimal promotion

During the introduction stage, company should aim to:

- establish a clear brand identity
- connect with the right partners to promote your product
- set up consumer tests, or provide samples or trials to key target markets
- price the product or service as high as you believe you can sell it, and to reflect the quality level you are providing

2. Product growth strategies

Marketing strategies used in the **growth stage** mainly aim to increase profits. Some of the common strategies to try are:

- Improving product quality
- Adding new product features or support services to grow your market share
- Enter new markets segments
- Keep pricing as high as is reasonable to keep demand and profits high
- Increase distribution channels to cope with growing demand
- Shifting marketing messages from product awareness to product preference

Skimming product prices if your profits are too low.

Growth stage is when you should see rapidly rising sales, profits and your market share. Your strategies should seek to maximise these opportunities.

3. Product maturity strategies

When your sales peak, your product will enter the **maturity stage**. This often means that your market will be saturated and you may find that you need to change your marketing tactics to prolong the life cycle of your product. Common strategies that can help during this stage fall under one of two categories:

- market modification - this includes entering new market segments, redefining target markets, winning over competitor’s customers, converting non-users
- product modification - for example, adjusting or improving your product’s features,

quality, pricing and differentiating it from other products in the marking

4. Product decline strategies

During the end stages of your product, you will see **declining sales and profits**. This can be caused by changes in consumer preferences, technological advances and alternatives on the market. At this stage, you will have to decide what strategies to take. If you want to save money, you can:

- Reduce promotional expenditure on the products
- Reduce the number of distribution outlets that sell them
- Implement price cuts to get the customers to buy the product
- Find another use for the product
- Maintain the product and wait for competitors to withdraw from the market first
- Harvest the product or service before discontinuing it. Another option is for your business to discontinue the product from your offering. You may choose to:
    - sell the brand to another business
    - significantly reduce the price to get rid of all the inventory
    - Many businesses find that the best strategy is to modify their product in the maturity stage to avoid entering the decline stage.

NEW PRODUCT DEVELOPMENT:

A new product is product that is new to the company introducing it even though it may have been made in some form by others. Eg: Fiama De Vils shampoo and soap from ITC.Any product that consumer treats as an addition to the available choices could be considered as new product. Eg: Medimix sandal soap.

Steps in new product development:

1. Idea Generation
2. Idea Screening
3. Concept Development and Testing
4. Marketing Strategy Development
5. Business Analysis
6. Product Development

7. Test Marketing

8. Commercialization

1. Idea generation – The New Product Development Process

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. . The purpose of idea generation is to create a large number of ideas. There are two sources of new ideas as below

Internal idea sources: The company can finds new ideas internally by means of the R&D efforts taken by the company and contributions from employees.

External idea sources: The company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.

2. Idea screening – The New Product Development Process

Idea screening means filtering the ideas to pick out good ones. All ideas generated are screened to spot good ones and drop poor ones as soon as possible. The purpose of idea screening is to reduce that number to cut product development costs in the company. By screening at selecting the best idea for futher research will support the company to go ahead only with those product ideas that will turn into profitable products.

3. Concept development and Testing –. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. New product concepts, need to be tested with groups of target consumers. The concepts can be presented to consumers either symbolically or physically in the form of word or picture descriptions .After exposing the concept to the group of target consumers, they will be asked to answer questions in order to find out the consumer appeal and customer value of each concept

4. Marketing strategy development –Once a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market. The marketing strategy statement consists of three aspects .The first one is the description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years. The second step is to outline of the product's planned price, distribution and marketing budget for the first year and the third step is to plan long-term sales, profit goals and a marketing mix strategy to promote the product.

5. Business analysis – Once decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage. In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys to assess the risk involved in launching a new product. The firm should also estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyze the new product's financial attractiveness.

6. Product development – The New Product Development Process

The product concept passes the business test and that it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. In this stage, R&D and engineering costs cause a huge jump in investment. The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype, can take days, weeks, months or even years, depending on the product and prototype methods. Products often undergo tests to make sure they perform safely and effectively. This can be done by the firm itself or outsourced. Marketers also can involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.

7. Test marketing

The last stage before commercialization in the new product development process is test marketing. In this stage the product and its proposed marketing programme are tested in realistic market settings. Test marketing allows the company to test the product and its entire marketing programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made. Test marketing gives management the information needed to make the final decision: launch or do not launch the new product.

8. Commercialization

The final stage in the new product development process is commercialization. Commercialization means introducing a new product into the market. At this point, the highest costs are incurred. The company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

BRAND MANAGEMENT

Meaning of a Brand

A Brand is a name, term, sign, symbol or design or a combination of them, which is intended to identify the goals or services of one seller or another seller and differentiate them from other manufacturers.

A mixture of tangible and intangible attributes symbolized in a trademark, which, if properly managed, creates influence and generates value"
Definition:

The American Marketing Association defines 'brand' as "a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers…A brand may identify one item, a family of items, or all items of that seller

Essentials on an effective Brand Name

- Easy to pronounce
- Easy to recognize and remember
- Short, distinctive, and unique
- Has a positive connotation
- Reinforces the product image
- Legally protectable

Difference between a brand mark and trade mark

Brand Mark : The brand mark is a design element that provides visual or auditory recognition for Aspect or element .such as color, design, picture, symbol, typeface of a brand that cannot be expressed in words. .

Trade Mark :It is a brand or a part of brand which is given legal protection because it is capable of exclusive appropriation. Trademark is defined as "any word, name, symbol or device including, but not limited to, a distinctive package or container of any kind, or any combination of these, used by a person to identify and distinguish the goods of that person, including a unique product, from those manufactured or sold by others, and to indicate the source of the goods, even if that source is unknown.".

Types of brand names:

Acronym- A brand name is made of initials such as PVR, an acronym for Priya Village Road show, IDBI, ICICI, HDFC, IBM etc.
Descriptive- A brand name may also describe a product benefit or function like Big Bazaar, Infosys, Shoppers Stop, Airbus, Sleepwell, Videocon etc.

- Founders' names- Sometimes brand names are also based on their founders' name like L&T, Disney, Ford, HP etc.
- Family names: In India, family surnames are quite popular with big names in business like Tata, Birla, Godrej etc.
- Religious names- In India, sometimes a company may use a brand name based on the religious persona like Maruti (represents God Hanuman), Balaji Telefilms, Shree

Ashtavinayak Cine Vision etc. On the global scale, many companies also use Greek gods and goddesses name in their brand name like Apollo, Nike etc.

- Neologisms- These brand names are completely made-up words like Wii, Kodak, and Exxon etc.
- Foreign word- Sometimes a foreign word is also used in a brand name like Volvo or Samsung
- Geography- Some brands are named in accordance with their regions and area like Champagne, Cisco, Fuji Film etc., in some cases, brand names have become so popular that it denotes the product category itself. This is called brandnomer. Bisleri, Xerox, Band-aid, Godrej (Almirah) are few examples of brandnomer.

The Importance of Brands

To sellers

- Brand build good will and image
- Brand help to create an identity to the customer
- Seller's brand name and trademark provide legal protection of unique product features
- Branding gives the seller the opportunity to attract a loyal and profitable set of ustomers
- Branding helps the seller segment markets.
- Strong brands help build corporate image, making it easier to launch new brands and gain acceptance by distributors and consumers.

To Buyers

- Help buyers identify the product that they like/dislike.
- Identify marketer
- Helps reduce the time needed for purchase
- Helps buyers evaluate quality of products especially if unable to judge a product characteristics.
- Helps reduce buyers perceived risk of purchase
- Buyer may derive a psychological reward from owning the brand

EG: IE Rolex or Mercedes.

Types of Brands

- Manufacturer brand: The products is given the name of the manufacturer. Sony products

- Private brand: A brand name owned by a wholesaler or a retailer.
- Individual Brand Name: Using Different brand name for different products in the same company P&G products
- Family brand/ Umbrella brands : Marketing several different products under the same brand name . HLL products, Apple products: iphone, i pod etc.,
- Combination : Use all of a combination of the brand name type to promote products Eg: Tata Indica

A brand can convey multiple levels of meaning, including the following:

- **Attributes:** specific product features. The Mercedes-Benz brand, for example, suggests expensive, well-built, well-engineered, durable vehicles.
- **Benefits:** attributes translate into functional and emotional benefits. Mercedes automobiles suggest prestige, luxury, wealth, reliability, self-esteem.
- **Values:** company values and operational principles. The Mercedes brand evokes company values around excellence, high performance, power.
- **Culture:** cultural elements of the company and brand. Mercedes represents German precision, discipline, efficiency, quality.
- **Personality:** strong brands often project a distinctive personality. The Mercedes brand personality combines luxury and efficiency, precision and prestige.
- **User:** brands may suggest the types of consumers who buy and use the product. Mercedes drivers might be perceived and classified differently than, for example, the drivers of Cadillacs, Corvettes, or BMWs

Elements of branding

- **Brand identity :**Brand identity is the way people recognize the brand. Brand identity includes logos, typography, colors, packaging, and messaging, and it complements and reinforces the existing reputation of a brand. Brand identity attracts new customers to a brand while making existing customers feel at home. It's both outward- and inward-facing. Example :The Swoosh logo of Nike is very simple, but is immediately recognizable worldwide along with its punchline, "Just Do It".
- **Brand image:** Brand image is the idea of the brand that people develop in their minds. It also dictates what they expect from the brand. For instance, Rolls Royce has the image of a luxury car maker. So, it cannot be making a budget car even if there is a market. Its existing premium customers won't take it kindly as it dilutes the said image. It's hard and sometimes impossible to change brand image, so it's best to know what you're aiming at, before you invest hard earned dollars.
- **Brand positioning:** Positioning is the way a product is placed in the market. It basically defines what segments of the market it is targeting. For example: Fair and Handsome is a

fairness cream which is targets only men. The product is positioned in the minds of the customer that it is the only cream which whitens the skin of men. The product is positioned in the minds of customer with regular advertisements and packaging od the product..

- **Brand personality:** Brand personality is just like the personality of human beings. It is certain emotional or personal qualities that we associate with a particular brand. For example we can associate youthfulness with Pepsi , love and care with Johnson and Johnson baby care products. Every element of the brand identity including the colour of the logo and the typography on the brand name adds to the personality.
- **Brand equity:** Brand equity is the value of a brand. It may include tangible financial value such as market share and revenue as well as intangible aspects such as strategic benefits of the brand. For example Apple is a major technology brand and people perceive it is a premium, cutting edge manufacturer of quality products. So, it is not only the sales but the sheer image that takes the equity to a different level altogether.
- **Brand experience:** Brand experience is a combination of everything that a customer goes through while purchasing and using that brand. For example : how does one feel while ordering food and eating in a restaurant like KFC ? How does the staff behave and how fast do they deliver and of course how did the food taste? Also, since it has many outlets all over the world, all of them are expected to maintain uniform standards of experience
- **Brand Differentiation:** Differentiation, as the word suggests is how a brand stands out in the crowd. For instance Dell Computers lets people choose their components and assemble their own system, thus making it different from others who just sell readymade machines at the shop with no scope for customization.

- **Brand communication:** Brand communication is the message it delivers through various sources like adverts, brochures, punch lines and hoardings. If the brand has to grow, it must be able to clearly communicate its core benefits to the customers.
- **Brand gap:** Brand gap is the difference between what a brand promises to deliver in its communications and what it actually does. For its own sake, the gap should not be very high. A successful brand must be able to deliver what it promises. No amount of advertising or content marketing efforts can save a bad product.
- **Brand extension:** Brand extension is basically the idea of going beyond ones origins and exploring newer fields. For example Google started as a search engine. But now it provides many other services including emails and mobile operating systems. This is how it has extended the brand but it must be done in a manner so that the existing operations complement the newer initiatives. Google gained market intelligence through its search operations and this is what enabled it to develop other services. Films sell merchandise like clothes or toys pre/post release, which are also extensions as they go beyond the main product (the film)

Brand Building

(Professor David Jobber identifies seven main factors in building successful brands)

- **Quality:** Quality is a vital ingredient of a good brand. Remember the "core benefits" – the things consumers expect. These must be delivered well and consistently. Research confirms that, statistically, higher quality brands achieve a higher market share and higher profitability than that of their inferior competitors.
- **Positioning:** Positioning is about the position a brand occupies in a market in the minds of consumers. Strong brands have a clear, often unique position in the target market. Successful positioning can be achieved through several means, including brand name, image, service standards, product guarantees, packaging and the way in which it is delivered.
- **Repositioning:** Repositioning occurs when a brand tries to change its market position to reflect a change in consumer's tastes. This is often required when a brand has become tired, perhaps because its original market has matured or has gone into decline.
- **Communications:** Communications also play a key role in building a successful brand. Brand positioning is essentially about customer perceptions – with the objective to build a clearly defined position in the minds of the target audience. Communication supports in building brand awareness, then to develop the brand personality and reinforce the perception.
- **First-mover advantage:** In terms of brand development, by "first-mover" they mean that it is possible for the first successful brand in a market to create a clear positioning in the minds of target customers before the competition enters the market. There is plenty of evidence to support this.
- **Long-term perspective:** The need to invest in the brand over the long- term is utmost essential. Building customer awareness, communicating the brand's message and creating customer loyalty takes time. This means that management must "invest" in a brand, perhaps at the expense of short-term profitability.
- **Internal Marketing:** Internal Marketing ensure that the brand is marketed "internally" as well as externally. The people involved in business inclusive of all the employees should understand the brand values and positioning. It is very important in service businesses where a critical part of the brand value is the type and quality of service that a customer receives. All the favorite brands invest heavily in staff training to create value about the brand in the minds of their internal customer i.e. the employees.

Crafting of brand elements

- **Memorable:** Any image or logo that is unforgettable will easily remain in the minds of the consumers. It should be such that it can be promptly recalled by the consumers. This helps in building brand awareness and brand equity.
- **Meaningful:** The brand element should have a meaning and be able to communicate

general or specific information about the product. For example a healthcare brand of herbal products shows green leaves as a symbol. This suggests something about the product ingredient; that it is herbal. Thus it makes it easy to remember along with the nature and purpose of the brand. Pleasant: It is very important that the brand elements are liked by the consumers. They can be interesting and entertaining as well. Brand elements can have images, colors, styles and themes that are pleasing to the consumers. For example, for a brand of baby care products, it is pleasing to have a gentle appearance with mild colors.

- **Flexible:** It is essential that the brand elements should be chosen in such a way that they are flexible even with a brand extension. This is also true in case of geographic and cultural differences, where the brand elements should be flexible enough to be accepted everywhere. For example, if the name of the brand is in a particular native language, it will have to be translated in other languages when considering global availability. If the name is less specific, it can be easily transferred across other categories for extensions as well as easily considered for global marketing. The brand elements should also be adaptable to the changing trends and consumer values with time or place.
- **Protected:** The most important aspect is that the brand element like name, logo, character, etc must be legally protected. They should be registered with the concerned governing bodies. Additionally, while choosing brand elements, healthcare providers must also check if the brand is competitively protectable. The name, colors, packaging etc if easily copied, the brand can lose it uniqueness.

Branding Strategies : There are various branding strategies on which marketing organisations rely to meet sales and marketing objectives. Some of these strategies are as following :-

- **Brand Extension** - According to this strategy, an existing brand name is used to promote a new or an improved product in an organisation's product line. Marketing organisations uses this strategy to minimise the cost of launching a new product and the risk of failure of new product. There is risk of brand diluting if a product line is over extended.
- **Brand Licensing** - According to this strategy, some organisations allow other organisations to use their brand name, trade name, or trade character. Such authorisation is a legal licensing agreement for which the licensing organisation receives royalty in return for the authorisation. Organisations follow this strategy to increase revenue sources, enhance organisation image, and sell more of their core products.
- **Mixed Branding** - This strategy is used by some manufacturers and retailers to sell products. A manufacturer of a national brand can make a product for sale under another company's brand. Like this a business can maintain brand loyalty through its national brand and increase its product mix through private brands. It can increase its profits by selling

private brands without affecting the reputation and sales of its national brand.

- **Co-Branding** - According to this strategy one or more brands are combined in the manufacture of a product or in the delivery of a service to capitalise on other companies' products and services to reach new customers and increase sales for both companies' brands.

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:

- To achieve target rate of return on investment.
- To achieve price stability.
- To meet or prevent competition.
- To maintain or improve market share.
- To maximize profit.
- To survive in the market.
- To built public image of the firms.

Determinants/ Factors of pricing policy:

Internal factors:

- Objectives of the firm.
- Image of the firm through pricing
- Role of top management
- Price elasticity of demand of the product.
- The stage of the product in the life cycle.
- Marketing mix.
- Product differentiation.
- Cost of the product.

External factors:

- Demand.
- Competitors' pricing policies
- Buyers behavior in respect of the product
- Bargaining power of the major supplier or customer.
- Legal aspects of the country.
- Economic condition.
- Government regulations on price

Methods of Pricing

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

1. Cost based pricing method:

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

- Price at a rate of return: In this, price are set at such level that its corporate profit objectives are likely to be met.
- Break even analysis Pricing: this is no profit no loss pricing. Profits are equalto expenses allocated for the product.

2. Demand Based Pricing:

- On going rate Pricing: In this, price is fixed looking at competitors pricing whichis prevailing in the market.
- 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.
- Customary pricing: Pricing is determined by the perceived expectation ofthe customers.

3 Transportation Based Pricing:

- Basic point Pricing: In this price is fixed from one basic point to the pointof destination.
- Zonal Pricing: Pricing differs from one zone or location to the other.
- Export Pricing: Pricing is fixed depending on the export agreement and cost ofthe freight.
- FOB origin: Freight on Board Freight on Board is an international legal term that requires a seller to deliver goods on board a shipping vessel to the buyer. Under FOB origin, the buyer/receiver of goods will pay for all the above costs associated with transporting the

goods.

- FOB destination: FOB destination is a contraction of the term "Free on Board Destination." The term means that the buyer takes delivery of goods being shipped to it by a supplier once the goods arrive at the buyer's receiving dock.

4. 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:

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

5. Discriminating Pricing:

Price discrimination is a selling strategy that charges customers different prices for the same product or service based on the services provided what the seller thinks they can get the customer to agree to.

- 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.
- Location based**:** Depend on location of the customer while consuming the product or service. Eg., place in a concert determine price of it.
- 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.
- Trade Based: Prices can differ depending on the trade. Eg., Electricity charges are different for domestic and trade user.

6. Special pricing techniques

- **Value-based pricing** :Value-based pricing in its literal sense implies basing pricing on the product benefits perceived by the customer instead of on the exact cost of developing the product. For example, a painting may be priced as much more than the price of canvas and paints: the price in fact depends a lot on who the painter is.
- **Yield management pricing: Yield** management is a variable pricing strategy, based on understanding, anticipating and influencing consumer behavior in order to maximize revenue or profits from a fixed, time-limited resource (such as airline seats or hotel room reservations or advertising inventor
- **B2B Pricing :**B2B pricing is the process of setting prices on goods or services with the intent of marketing and selling them to other businesses, and not directly to consumers.

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- Thomas T.Nagle and Reed K.Holden, The strategy and tactics of pricing, Printice Hall, 2001

S.NO	PART – A (6 MARKS)	CO	Level
1.	Define a product. State its importance.	CO1	L1
2.	Differentiate between consumable products and durable products.	CO1	L2
3.	Illustrate the product hierarchy levels with examples.	CO2	L2
4.	Evaluate on the elements of a product mix.	CO2	L4
5.	Classify the different layers of a product.	CO 3	L3
6.	Write short notes on PLC.	CO3	L2
7.	Discriminate between a trademark and brand mark.	CO1	L5
8.	Analyze the need branding to the various stake holders in a company.	CO2	L4
9.	Discuss on the various type of brands	CO1	L4
10.	Evaluate the factors influencing pricing strategies in a company.	CO1	L3
S.NO	**PART-B (10 MARKS)**	**CO**	**Level**
1.	Demonstrate the classification of products.	CO1	L5
2.	Comment on product line decisions.	CO1	L5
3.	Discuss on the strategies implemented on a product based on the product life cycle.	CO2	L4
4.	Enumerate on the process of new product development.	CO1	L4
5.	Illustrate the strategies implemented on a product based on its PLC.	CO1	L3
6.	Discuss the elements of branding and state art of crafting brand elements.	CO2	L5
7.	Explain the factors influencing brand building.	CO2	L1
8.	Discuss in detail on the various methods of pricing.	CO2	L1
9.	Comment on the factors influencing pricing strategies in a company.	CO3	L4
10.	“Pricing decisions made for a commodity influences its brand image” justify the statement.	CO3	L5

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School of Management Studies

UNIT – IV- MARKETING FOR MANAGERS - SBAA5201

UNIT 4 MARKETING CHANNELS

Marketing Channels, Designing Distribution Channels, Managing Conflicts and Controls in Channels Retailing types of retailers, retail formats, store layout and design - Wholesaling and Logistics, E - Marketing Channels

DISTRIBUTION

Definition:

According to American marketing association, “a channel of distribution or marketing channel is a 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 a 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 organizationat a particular level
6. To have an efficient & effective distribution system, to make your products & services available

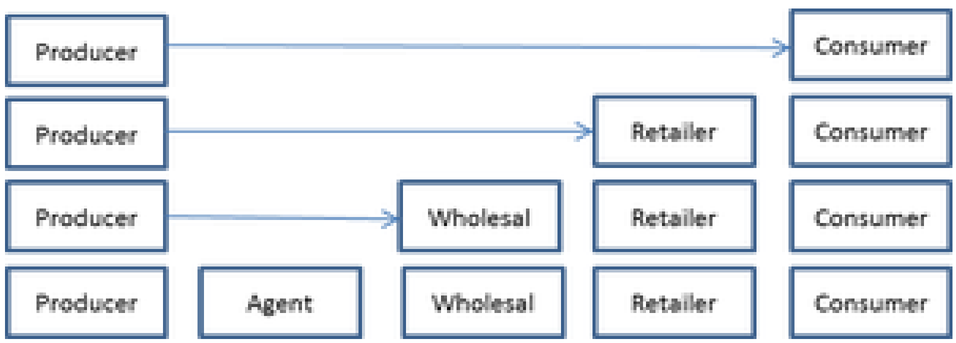
Role of channel

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.



Types of channel of distribution

Their description is as follows:

1. **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

2. **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:

- **One Level Channel**: In this method one 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).
- **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.

- **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.

Designing a distribution channel

Factors influencing to design a Distribution Channels

- Product
- Market
- Middlemen
- Company
- Marketing Environment
- Competitors
- Customer Characteristics
- Channel Compensation.

1. **Product :** Variety of products are sent in the channels as perishable products, durable products, technical products etc., Perishable goods need speedy movement and shorter route of distribution. Durable and standardized goods need longer and diversified channels. Customized products may need direct distribution to consumer or industry .Technical product requiring specialized selling and serving talent i.e. a direct channel. Products of high unit value are sold directly by travelling sales force and not through middlemen Hence based on the type of the product the distribution channel should be designed

2. **Market:** The product has to be served to different types of market. Consumer market, retailer is essential whereas in business market we can eliminate retailing. For large market size, we have many channels, whereas, for small market size direct selling may be profitable. .For highly concentrated market, direct selling is preferred whereas for widely scattered and diffused markets, we have many channels of distribution Size and average frequency of customer’s orders also influence the channel decision. In the sale of food products, we need both wholesaler and retailer. Customer and dealer analysis will provide information on the number, type, location, buying habits of consumers and

dealers in this case can also influence the choice of channels. For example, desire for credit, demand for personal service, amount and time and efforts a customer is willing to spend-are all important factors in channels choice.

3. **Middlemen:** Middlemen who can provide wanted marketing services will be given first preference. The middlemen who can offer maximum co-operation in promotional services are also preferred. The channel generating the largest sales volume at lower unit cost is given top priority.

4. **Company:** The company's size determines the size of the market, the size of its larger accounts and its ability to set middlemen's co-operation. A large company may have shorter channel. The company's product-mix influences the pattern of channels. The broader the product- line, the shorter will be the channel. If the product-mix has greater specialization, the company can favor selective or exclusive dealership .A company with substantial financial resources may not rely on middlemen and can afford to reduce the levels of distribution. A financially weak company has to depend on middlemen .New companies rely heavily on middlemen due to lack of experience. A company desiring to exercise greater control over channel will prefer a shorter channel as it will facilitate better co-ordination, communication and control. Heavy advertising and sale promotion can motivate middlemen in the promotional campaign. In such cases, a longer chain of distribution is profitable Thus, quantity and quality of marketing services provided by the company can influence the channel choice directly.

5. **Marketing Environment:**

   During recession or depression, shorter and cheaper channel is preferred. During prosperity, we have a wider choice of channel alternatives. The distribution of perishable goods even in distant markets becomes a reality due to cold storage facilities in transport and warehousing. Hence, this leads to expanded role of intermediaries in the distribution of perishable goods.

6. **Competitors:**

   Marketers closely watch the channels used by rivals. Many a time, similar channels may be desirables to bring about distribution of a company's products. Sometimes, marketers deliberately avoid channels used by competitors. For example, company may by-pass retail store channel (used by rivals) and adopt door-to-door sales (where there is no competition).

7. **Customer Characteristics**

   This refers to geographical distribution, frequency of purchase, average quantity of purchase and numbers of prospective customers.

8. **Channel Compensation:**

   This involves cost-benefit analysis. Major elements of distribution cost apart from channel compensation are transportation, warehousing, storage insurance, material handling distribution personnel's compensation and interest on inventory carried at different selling points. Distribution Cost Analysis is a fast growing and perhaps the most rewarding area in marketing cost analysis and control.

Channel conflict

Channel conflict can be explained as any dispute, difference or discord arising between two or more channel partners, where one partner's activities or operations affect the business, sales, profitability, market share or similar goal accomplishment of the other channel partner.

Channel conflict exists when a brand is available through multiple distribution channels that are in direct competition for the same market and customer, with an identical product offering**.**

Types of Channel Conflict

The channel conflict can be classified majorly into the following four categories depending upon its flow and the parties involved:

1. **Vertical Level Conflict: In** the vertical level conflict, the channel partner belonging to a higher level enters into a dispute with the channel member of a lower level or vice-versa. For instance, channel conflict between dealers and retailers or wholesalers and retailers.
2. **Horizontal Level Conflict** :The conflict among the channel partners belonging to the same level, i.e., issues between two or more stockists or retailers of different territories, on the grounds of pricing or manufacturer's biases, is termed as horizontal level conflict.
3. **Inter-type Channel Conflict:** These type of conflicts commonly arise in scrambled merchandising, where the large retailers go out of their way to enter a product line different from their usual product range, to challenge the small and concentrated retailers.

Causes of Channel Conflict

1. **Role Ambiguity**: The uncertain act of an intermediary in a multi-channel arrangement may lead to disturbance in the channel of distribution and cause conflict among the intermediaries.

2. **Incompatible Goals**: When the manufacturer and the intermediaries do not share the same objectives, both work in different directions to meet their ends, this results in channel conflict.

3. **Marketing or Strategic Mis-Alignment**: Sometimes, two-channel partners promote the manufacturer’s product in a different manner, which created two different images of the same product in the consumers’ mindset, which creates conflicting brand perception.

4. **Difference in Market Perception**: The manufacturer’s understanding of the potential market and penetration into a specific region or territory, may vary from the perception of the intermediaries, which can create conflict and reduce the intermediary’s interest in capturing that particular market.

5. **Change Resistant**: When the channel leader plans to modify the distribution channel, the intermediaries may or may not accept this change. Thus, it may result in a condition of discord or non-cooperation.

6. **Improper Geographic or Demographic Distribution**: If the sales territory has a narrow consumer base, and the channel leader allows many selling partners, they tend to lose interest soon because of low profit and limited sales.

Consequences of Channel Conflict

1. **Price Wars**: Due to channel conflict, the partners compete with each other on the grounds of price, and therefore, the consumer may defer the purchase searching for the best deal.
2. **Customer Dissatisfaction**: If there exists a channel conflict, then the distributors or retailers may show much interest in the company’s products and resist to assist the consumers, which results into their resentment towards the brand.
3. **Sales Deterioration**: Conflicts can adversely affect the sales of the products due to the decline in distributors’ interest and an increasing number of consumers shifting to competitors’ products.
4. **Distributors Exit**: For the manufacturers, it is essential to retain the distributors or partners to

increase product sales. When there is a channel conflict, the chances of various distributors leaving the channel increases.

5. **Poor Public Relations:** The unsatisfied distributors may negatively publicize the brand and its products as a result of manufacturer's unhealthy public relations with them.
6. **Existing distributors will stop pushing or drop your brand.** Brand owners have to assess the impact each channel has on the overall business and the probability that distributors switch brands, before making a decision.
7. **Difficulty in maintaining price consistency across channels, resulting in price wars.** Since your products will be available through multiple channels consumers might delay the purchase indefinitely in search for the deal.
8. **Declining sales.** The new channel should have the potential to offset any lost sales within the existing channel, which inevitably occur when customers are given new purchasing alternatives. Expanded distribution should only be pursued if it generates incremental sales. Otherwise the risk of sales canalization is real.
9. **Bad PR.** Having your own distributors bad-mouthing your brand is even worse than dropping it. Bad PR affects the brand image as a whole, regardless of the distribution channel.
10. **Unhappy customers.** Distributors might retaliate by refusing to offer support for your brand, even to customers who purchased your product through them.

Channel Conflict Management

It is a universal fact that the conflicts cannot be eliminated, though these can be handled smartly to reduce its negative impact on business.

Managing channel conflicts:

1. **Mediation, Arbitration and Diplomacy** :To resolve a dispute, the manufacturer can adopt the strategy of intervention where a third person intervenes to create harmony. The other option is arbitration, where an arbitrator listens to the argument of the parties involved in a conflict and declares a decision. Or, the parties can resort to diplomacy where the representatives of both the parties conversate and find a solution.
2. **Co-optation:** The manufacturer should hire an expert who has already gained experience in managing the channel conflicts in other organizations, as a member of the grievance redressal

committee or board of directors, for addressing such conflicts.

3. **Dealer Councils and Trade Associations:** To handle the horizontal or vertical conflicts, the manufacturer forms a dealer council where the dealers can unanimously put up their problems and grievances in front of the channel leader. To bring in unity among the channel partners or intermediaries, they can be added as members in trade association which safeguards their interest.

4. **Superior Goals:** Establishing a supreme goal of the organization and aligning it with the individual goals or objectives of the channel partners, may reduce the channel conflicts.

5. **Regular Communication:** The channel leader should take regular feedback from the channel partners through formal and informal meetings to know about market trends and dynamics. Also, the channel partner's issues and conflicts can be addressed through frequent interactions.

6. **Legal Procedure:** When the conflict is critical and uncontrollable by the channel leader, the aggrieved party can seek legal action, by filing a lawsuit against the accused party.

7. **Fair Pricing:** Most of the channel conflicts are a result of the price war, and therefore, these can be resolved by ensuring that products are equally priced in all the territories and a fair margin is provided to the channel partners.

8. **Channel Conflict: Example :** The world-renowned brand 'Samsung Electronics', faced a multi-channel level conflict in its Indian market in the year 2014. The company was selling its products (especially mobiles) through multiple channels, i.e., via offline mode and online mode. The offline channel partners raised the issue that the e- retailers are providing high discounts to attract more and more customers, which had ultimately affected the offline sale of the product. Due to this, many retailers and distributors in the offline market, distance themselves from the brand and its products. To address this issue and retain its offline distributors and retailers, Samsung provided the right to sell forty-eight models of its brand exclusively through the offline distribution channel, thus, re-energizing the brick and mortar channel partners.

Methods to avoid Channel Conflict

- **Have a realistic assessment of risks and opportunities associated with your decision.** Will the new channel cannibalize existing sales, or augment them? How real are the risks of loosing business with existing distributors? Will current distributors even be around in 5 years? Are existing distributors the cause for the decline in sales?
- **Be upfront with your existing distribution.** Once the decision has been made, do not keep it a secret and hope the existing distributors will not notice. Present your vision and goals clearly and explain how a stronger brand will benefit all parties.
- **Be ready to accept criticism.** As I mentioned earlier, distributors will probably complain, regardless if the channel conflict is real or only perceived. Have a script in place to tackle common objections, and ease their concerns.
- **Price your products fairly across all channels.** Give every party involved the chance to compete while being profitable.
- **Do not favor one channel over another.** Present your customers with all the options to purchase your product, and let them make the final decision.
- **Assign geographical exclusivity for your brand.** Having well defined territorial boundaries for brand representation will certainly eliminate channel conflict among brick and mortar distribution. This strategy is less effective in the case of eCommerce.
- **Implement a lead attribution system that will allow the entity who obtained the lead to get the sale.** If feasible, this strategy will go a long way to eliminate confusion and conflict.
- **Explore private labeling.** While certainly more costly and difficult to implement, creating a private label brand for a particular channel is a safe way to grow sales without the negative effects of channel conflict. Private labels are growing in popularity among distributors and retailers so your strategy is likely to be welcome with open arms

RETAILING

Retailing includes all the activities involved in selling goods or services directly to final consumers for personal non business use.

Definition: According to American marketing association, “retailing consists of the activities involved i selling directly to the ultimate consumer for personal, non-business use. It embraces the direct to consumer sales activities of the producer whether through his own store or by house to house canvassing or by mail order business.

Functions:

1. Provide personal services
2. Provide two way information
3. Facilitate standardization & grading
4. Undertake physical movement & storage
5. Assemble goods from various sources
6. Stock goods for ready supply
7. Extend credit facility
8. Crate DD by window display
9. Assume risk

Services of retailer:

1. Assemble goods
2. Create place utility
3. Keep varieties of goods
4. Provide storage facility
5. Create demand
6. Render service to the customers
7. Provide information
8. Connecting link
9. Extend credit facilities
10. market function
11. meet day to day DD

Types of retailers

1. **Specialty stores:** Specialty stores are retail businesses that focus on specific product categories, such as office supplies, men's or women's clothing, or carpet. It isn't the product they sell that determines if a company is a specialty store, but rather the breadth of their product offering.
2. **Department stores**: A department store is a retail establishment offering a wide range of consumer goods in different product categories known as "departments".
3. Super market: A self-service retail market selling especially foods and household merchandise. Something resembling a supermarket especially in the variety or volume of its goods or services.
4. **Convenience store:** A convenience store refers to a small-sized retail store which provides limited

number of grocery products as well as other consumable products which most people are likely to want.

5. **Discount store:** A discount store is a retail store which sells products at prices lower than the typical market value.
6. **Off price retailer:** Off-price retailers are retailers who provide high quality goods at cheap prices. They usually sell second-hand goods, off-the-season items etc. Description: These retailers offer inconsistent assortment of brand name and fashion-oriented soft goods at low prices.
7. **Super store**: A big-box store (also supercenter, superstore, or megastore) is a physically large retail establishment, usually part of a chain. The term sometimes also refers, by extension, to the company that operates the store.
8. **Combination stores**: Retailing outlet combining a supermarket and a general store.
9. **Hyper market:** A retail store that combines a department store and a grocery supermarket. Often a very large establishment, hypermarkets offer a large variety of products such as appliances, clothing and groceries.
10. **Catalog showroom:** These are retailers whose showrooms are adjacent to the warehouse. These retailers usually specialize in hard goods such as house ware, jewellery, and consumer electronics.
11. **Corporate chain store:** Group of retail outlets owned by one firm and spread nationwide or worldwide, such as Body Shop, K-Mart, Wal-Mart. Chain stores usually have (1) similar architecture, (2) store design and layout, and (3) choice of products.
12. **Voluntary chain:** A voluntary association of independent retailers in a given line of business (as groceries or drugs) for collective action in buying, advertising, and other phases of management.

Retail Store Layout

A retail store layout (whether physical or digital) is the strategic use of space to influence the customer experience.

- Retailers, consultants, store planners, interior designers, and architects all use a variety of retail floor plans and concepts to influence customer flow and behavior.
- Retail giants along with small, independent retailers can improve customer experience, and in return, long-term profitability with efficient store layouts.
- In Store design and visual merchandising and creating store space encourages buying and offers valuable insight into maximizing the retail space to the retailer

Factors influencing store layout

The Type of Customers – It refers to the age group, race and gender and also the nationality of the customer the retail store will generally patronage.

The Type of Merchandise Sold– It refers to the type of merchandise will the store be selling (Dry goods/ Wet goods/ Schools Supplies / Office Supplies/ Electronics/Services)

The Space/ Area Limitation of the Store –The area or space allotted for the store as the same will affect the arrangement of goods, pieces of furniture, equipment, etc.

The Furniture and Equipment of the Store – It relates to the type of furniture and equipment installed in the store. These things should be limited only to the essentials. Those that are not important in the efficient management of the should not be included. It will only obstruct smooth flow of movement of both the customer and the seller.

Manpower – This refers to the person who will be managing the store. A bigger store would require more people to attend to the customer's needs.

Objectives of the Store Design

- To guide the customer around the store and entice increase purchase
- To create balance between sales and shopping space.
- To create effective merchandising Presentation.
- Use multi-level to Provide sense and variety

The interior retail store layout has two important components:

- Design of the Retail Store
- The flow of Customers
- Geographic location of the retail store (real estate)
- Size of the building and length of the walkways accessible from the entrance and exit
- Use of furniture and exterior space for people to gather and interact
- Style of architecture of the retail building
- Color of paint and choice of exterior building materials
- Design of the physical entrance and exterior window displays.

Factors Affecting Store Layout:

- Total space Available.
- Types of Product/Merchandise offered by the store.
- Number of department in store.
- Volume and variety ratio in the product line carried.
- Mode of Operation.
- Movement required in the store locating, picking, storing the product.
- Target customers and the average no. of customers visiting the store.
- Degree of changes in operation.
- Stock/inventory level.

Steps to design a retail outlet:

1. **Understand your customer** It is essential to understand your customer flow and the general patterns of navigation in your specific retail environment before you can optimize customer experience and plan a strategic store layout.
2. **Identify the space to design the retail store :**The first step to maximize profitable retail space is to plan for a single floor store design which will optimize the customer experience. Research indicates that customers prefer to navigate the floor of a retail store they initially entered. Walking up and down stairs or using elevators and escalators to navigate a store hurts customer flow.
3. **Identify Customer Flow:** Customer flow patterns vary depending on the type of retailer, the size of the store, and the target customer. Ebster encourages retailers to use their observations to discover the problems and opportunities unique to their environment. The next step in maximizing your space for profitability is identifying your customer flow. The most effective method for understanding your existing customer flow and identifying areas of opportunity is video recording and heat mapping analysis. This service is available via solution providers such as Prism (you can also do a quick online search for heat mapping consultant services in your area). However, setting aside different times of the day to make in-store observations in person and recording your notes is a step in the right direction for identifying customer flow patterns.
4. **Avoid the Transition Zone**

   After you identify how your customers navigate your entire retail space, turn your attention back to the entrance. The transition zone area, coined the “decompression zone” by Underhill, refers to the space just beyond the entrance to a retail store. The average customer needs this space to transition so they can familiarize with the new environment. Underhill is adamant that nothing of value to the retailer, not high-margin merchandise, prominent signage, or brand information goes inside this zone. Customers need time, however brief, to adjust to new lighting, smells, the music, and the visual stimulation in the store.

5. Design for Clockwork Navigation

The next step moves beyond the transition zone and shifts the focus on how to leverage a customer's tendency to navigate the retail environment. The area just outside of the transition zone is where most retailers make a first impression. Customers consistently turn right after entering the store and continue to navigate the store in a counterclockwise direction. Ebster points out that this customer behavior repeats itself time and again in consumer research. Although researchers and design professionals have different explanations for the reaction, in general, many recommend displaying high-margin merchandise and valuable information just to the right of the entrance (outside of the transition zone). Underhill popularized the "invariant right" and proved the effectiveness of the technique with thousands of hours of video.

6. Remove Narrow Aisles

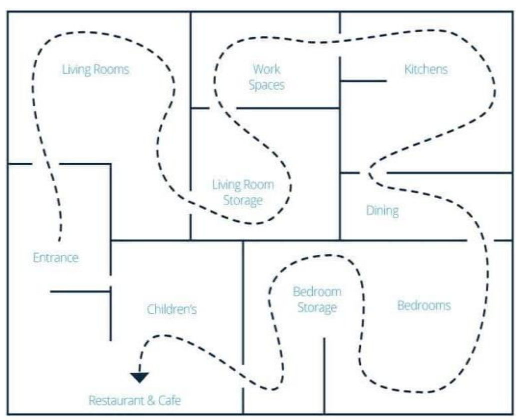
Finally, follow your customer flow through the transition zone and around the retail space in a counterclockwise pattern. Search for tight spaces or bottlenecks along aisles or around fixtures and displays. Repeated analysis of Underhill's video research demonstrates that customers in the US — women in particular — value their personal space when shopping. If a customer is touched, bumped, or otherwise interrupted when interacting with merchandise, they are likely to move on from the items or exit the store altogether. Ebster uses customer behavior research from one study of a supermarket to further advocate for broader aisle design. Video analysis showed fewer customers entering narrow aisles in the store compared to the more expansive, accessible walkways. These aisles send positive signals to shoppers and positively impact customer flow and merchandise interaction. Avoid narrow aisles and corridors when planning your store layout and strive to protect customers from what Underhill coined as the "butt-brush effect."

Types of layout

1. Forced-Path Layout

This layout is famously popularized by IKEA. In a nutshell, this layout forces the customer through a predetermined path through the retail area or showroom. This maximizes the exposure of each and every piece of merchandise to the customer which research shows creates the most efficient customer path or flow and it increases sales. This entices customers to make impulse purchases by delaying gratification through forcing them through the showroom.

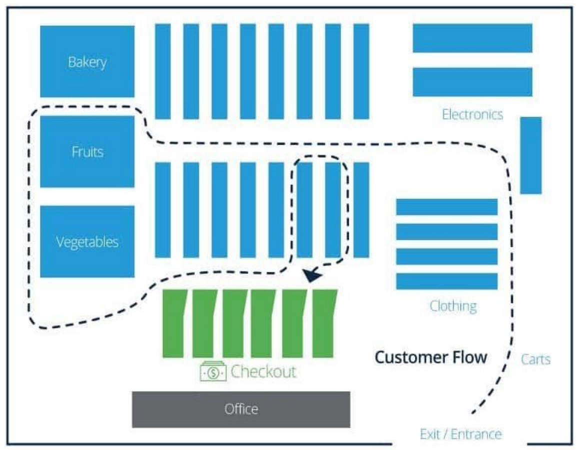
The downside is that this type of layout is extremely rigid. Customers who come looking for a specific item or type of item are forced to follow the labyrinth until they reach their destination. Then they are forced to continue through until reaching the exit. That could irritate your customers and might mean trading a repeat customer in favour of increasing impulse purchases.



Forced – path layout

2. Grid Layout

The grid layout is probably one of the most common layouts encountered by most people. These are generally favoured by grocery stores, convenience stores, and hardware stores which feature multiple aisles (passage). One of the key benefits of using this type of layout is that it is so ubiquitous that customers will instantly familiar with navigating it. They can also move quickly and efficiently through the space by reading signs which are usually located in the aisles themselves. The grid layout also allows to display quite a lot of products and allows them to find specific items. This type of layout is common and is most uninspiring. It forgoes creating an experience for customers and they may be confused by the groupings of items. The aisles themselves also create a bottleneck which might make it difficult for customers to squeeze by each other.

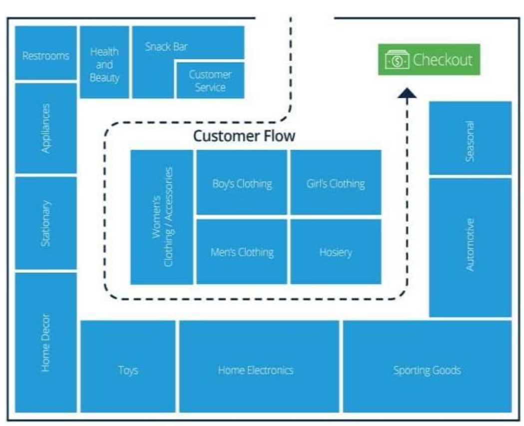


Grid Layout

3. Racetrack Layout

Race track layout is also known as the “loop layout,” the racetrack shares a lot in common with the forced-path layout. Featuring only a single path that loops around the retail space, it encourages customers to circle around the store and visit different areas or departments within the retail space. In this configuration, there are a few departments in the center with a path around it and more departments along the walls.

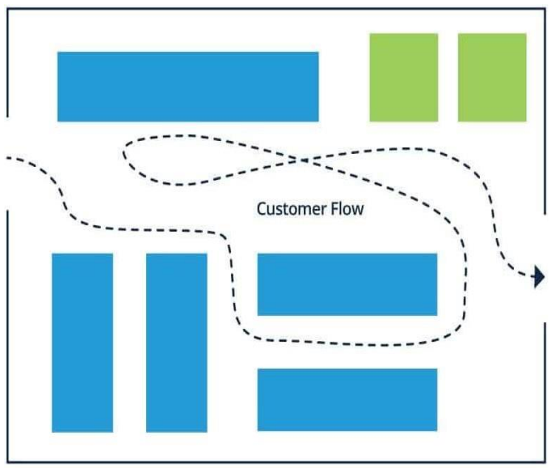
Like the forced-path, the racetrack creates a more rigid layout for customers to follow which can be frustrating if they’re looking for a specific item. This makes the racetrack unsuitable for stores which require high traffic and quick turnover or customers who need time to consider purchases. Pop-up shops and



boutique stores tend to work best with the racetrack layout.

4. Straight Retail Floor Plan:

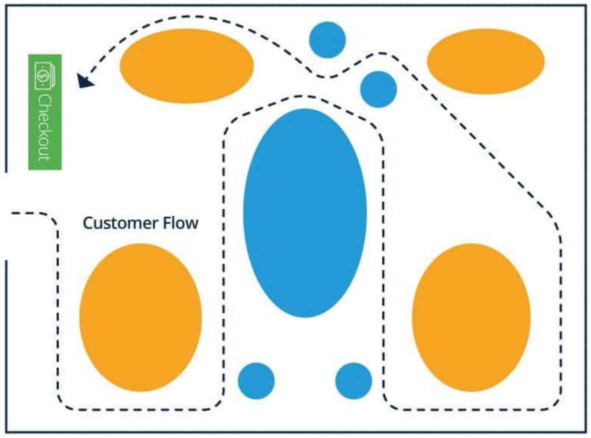
A straight retail floor plan is probably the most recognizable type of layout. Celebrated for its economy of floor space, the straight plan uses store walls, corner spaces, **custom retail displays**, and other shelving fixtures to maximize every possible selling point on the floor. Straight layouts are also chosen for their ability to work with many different types of floor displays – so you don't have to select your fixtures according to your floor plan.These floor plans are ideal for newer, local businesses who may not yet have the financial means to purchase larger stores or create elaborate floor plans. Still, as the layout is so intuitive and convenient, more popular stores and companies (like Apple!) often make use of it as well.



Straight Retail Store Layout

5. Angular Retail Floor Plan:

Though perhaps the name may seem a bit counter-intuitive, angular layouts actually use curved and winding displays and fixtures that require customers to leap "from lily pad to lily pad" to find products. This often lends a higher-end feel, and is popular in many internationally-recognized clothing stores. Since the "lily pads" mean that not as many products can be displayed at once (again, making customers think they're getting the last one of something) much of your excess stock will have to be kept in a back room or underneath the angular displays. There is a psychology to this layout. Not seeing rows and rows of stock subliminally encourages customers to "buy now" – it's ideal for retailers with higher-priced items.

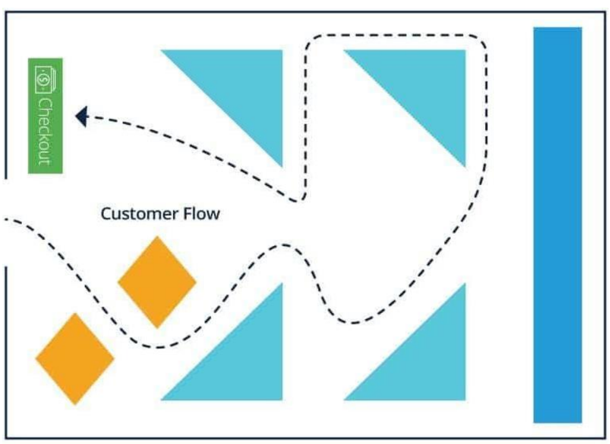


Angular Retail Floor Plan

Geometric Retail Floor Plan:

If you're geared towards a millennial demographic, or if you've just set yourself up as a hip and trendy brand, consider using the geometric layout. This style layout uses a variety of displays of all shapes and sizes – think squares, ovals, and rectangles.

Benefits: You can have customers follow a particular pattern while walking in your store, or more easily direct them toward a certain product. You can use this layout to your benefit as you can either target high-end price points, or direct customers to sale merchandise you need to move quickly.

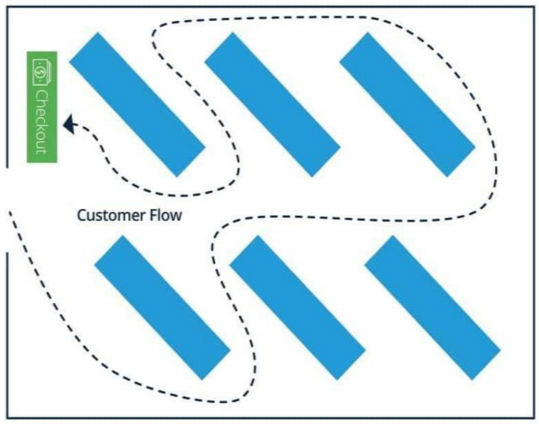


Geometric Retail Floor Plan

Diagonal Retail Floor Plan:

Here's a name that is exactly what it sounds like – a diagonal layout means that shelves and displays are placed in several diagonal rows. Diagonal layouts may be a wise lay out choice to use depending on the location of your store and the cost of your merchandise. Keep in mind, though, if shoppers can come in and take whatever they like without assistance, it may be wise to have someone up front acting as extra security.

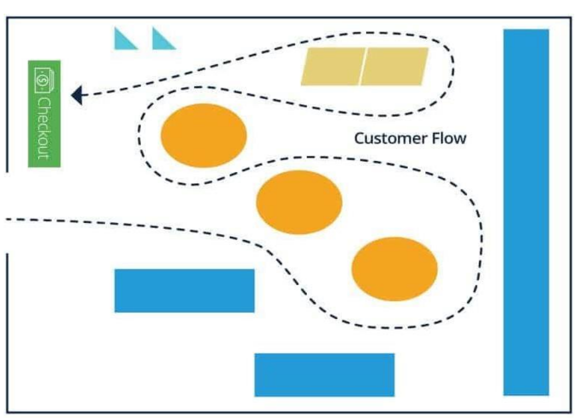
Benefits: This layout allows you to keep a close eye on your products, which may be useful if you sell high- end, valuable merchandise.



Diagonal Retail Floor Plan

Free flow layout:

A free flow layout rejects typical design patterns and styles commonly used to influence customer behavior. In a free flow layout, the intent is not to lead the customer using predictable design patterns, displays, or signage. There are no specific design rules followed for this retail store design, and customers have more liberty to interact with merchandise and navigate on their own. For this reason, the free flow layout is sophisticated in its simplicity.Customers feel less rushed in this creative environment. Retail stores look less sterile in the free flow design, and merchandise may seem more intriguing. The only limitation for retailers using this layout is the overall space available, but that doesn't mean that the research on customer navigation behavior and tendencies shouldn't be accounted for as well. The main disadvantage to this experimental design layout is the risk of confusing customers past the point of their preferred behavior and disrupting customer flow.

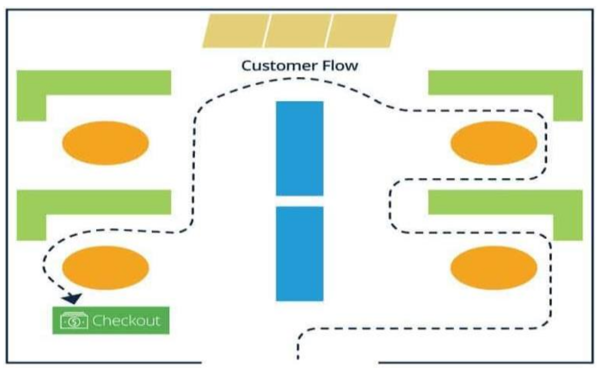


Boutique Store Layout:

A boutique layout (also called shop-in-the-shop or alcove layout) is the most widely used type of free flow layout. Merchandise is separated by category, and customers are encouraged to interact more intimately with like items in semi-separate areas created by walls, merchandise displays, and fixtures. Typically used by boutique clothing retailers, wine merchants, and gourmet markets, this layout stimulates customer curiosity in different brands or themes of merchandise within the overall category.

- The downsides of the boutique layout include the following factors:
- Reducing the total display space for merchandise with inefficient space management
- Encouraging too much exploration of separate areas within the store
- Confusing customers past the point of purchasing behavior.

Ultimately, the exploration can distract from customer interaction with the merchandise.



Boutique Store Layout

WHOLESALING

Meaning: the word wholesaler means to market goods in relatively large quantities. The term wholesaler applies only to merchant middlemen engaged in wholesale activities i.e., they take title to the goods they handle.

Definition: American Marketing association, "wholesalers buy and sell merchandise to retailers & other merchants & to industrial institutions & commercial users but not to sell in significant amouns to ultimate consumer.

Types of Wholesaling:

Three broad categories of wholesaling are discussed below:

1. **Manufacturer Wholesaling:**

In this case a firm has its own sales offices and wholesale activities are done at these offices. Sales office may be conveniently located in a market place. This type of arrangement is preferred when the manufacturer desires more control on marketing and/or customers who may be few in number and each is a key account.

2. **Merchant Wholesaling:**

Merchant wholesalers buy, take title and take possession of products for further resale. Merchant wholesalers may perform full range distribution tasks. They provide credit, store and deliver products, after merchandising and promotion assistance, have a personal sales force, offer research and training support and provide all necessary information to customers and provide installation and after-sales services. This class is very commonly prevalent in durable consumer goods, pharmaceuticals and grocery items etc. Merchant wholesalers demand higher compensation for performing large number of functions.

3. **Agents and Brokers:**

They perform various wholesale tasks, but do not take title of products, unlike merchant wholesalers. Agents and brokers enable a manufacturer to expand sales volume because of their special expertise and experience in the field.

Such agents and brokers may work for many firms and carry non competitive and complementary products in exclusive territories. Agents have little say on marketing and pricing. This class is prevalent in steel, cement, automobile and white goods. Voltas Ltd. works as wholesale agent for many white goods manufacturers.

(f) Present Trends in Wholesaling:

Due to phenomenal expansion of marketing activities and entry of many foreign exporters, the wholesaling has changed dramatically in India. The vast popularity of Internet and mobile phones have enhanced the importance of wholesalers in India.

Services: The wholesaler renders a number of services to trade, industries and commerce. The services rendered by the wholesaler may be classified as:

- Service to Manufacturer.

- Service to Retailer.
- Service to Consumer.
- General Services.

To Producers

1. The wholesaler provides valuable information to the producers regarding the needs and the requirement of the consumer.

1. As the wholesaler takes the responsibility of collecting order from retailers, he relieves the producers from this task and thereby encourage producers to concentrate on production.
2. The wholesaler provides finance to the producers at the time of need.The wholesaler helps the producers in determining the quality and quantity of goods to be produced as he is in direct contact with the retailers.
3. The producers are helped to maintain steady prices for the product because wholesaler buys when prices are low and sell when prices are high.

To Retailers

1. The retailers are relieved of maintaining huge stock of goods because the wholesaler fills up the stock regularly. The wholesaler buys in large quantities and sell them at convenient lots to the retailers.
2. The wholesaler provides finance and credit facilities to the retailer and thereby relieves the financial difficulties of the retailer.
3. The wholesaler saves retailers from many types of risks. The retailer is not required to carry huge stock as he can get them from the wholesaler at regular interval. By extending credit has saved the retailers a lot.
4. The wholesaler provides valuable advices to the retailer on all matters relating to new product and market condition and thereby relieves him from collection of market data.
5. The wholesaler gives trade discounts on bulk purchase and as such it enables the retailers to earn handful amount of profit.

To Consumer

1. He enables the consumer to purchase required quantities of goods at the desired time

because he supplies goods regularly to the retailers.

2. He provides goods at a cheaper rate because he facilitates in large scale production.
3. The wholesaler is in a better position to stabilize prices of the products by adjusting demand and supply. The consumers are benefited a lot on account of stabilization of prices.
4. There is no shortage of goods as the wholesaler goes on large purchasing.
5. The wholesalers are wealth of information and as such these information are shared by the consumers.

General Service

1. There are certain goods which are to be assembled or graded before they pass to the retailer or the consumer. For these goods the presence of wholesaler is a must.
2. Wholesaler helps in standardization and grading of the products.
3. For marketing food-grains the services of the wholesalers cannot be dispensed with because they help in packing and re-packing of goods.

E Marketing channels

E-Marketing (Electronic Marketing) are also known as Internet Marketing, Web Marketing, Digital Marketing, or Online Marketing. E-marketing is the process of marketing a product or service using the Internet. Emarkerting not only includes marketing on the Internet, but also includes marketing done via e-mail and wireless media. It uses a range of technologies to help connect businesses to their customers.

Advantages of E-marketing

1. Much better return on investment from than that of traditional marketing as it helps increasing **sales revenue**.
2. E-marketing means reduced marketing campaign cost as the marketing is done through the internet
3. Fast result of the campaign as it helps to target the right **customers**.
4. Easy monitoring through the web tracking capabilities help make emarketing highly efficient
5. Using e-marketing, viral content can be made, which helps in **viral marketing**.

Types of e- marketing

1. Social media marketing
2. Influencer marketing
3. Email Marketing
4. Social video marketing
5. SEO Marketing
6. Content marketing
7. Blogging
8. Webinars

1. Social media marketing

Social media marketing is the use of social media platforms to connect with your audience to build your brand, increase sales, and drive website traffic. This involves publishing great content on your social media profiles, listening to and engaging your followers, analyzing your results, and running social media advertisements. The major social media platforms (at the moment) are Facebook, Instagram, Twitter, LinkedIn, Pinterest, YouTube, and Snapchat.etc., social media marketing can be split into two camps: organic (free) or paid.

- Organic Social Media Marketing focuses on building a community and deepening relationships with consumers in an effort to induce interest and customer loyalty.
- Paid Social Media supports to create a dedicated Facebook ad tailored to your marketing objectives. Most paid social media marketing is also referred to as “pay-per-click

2. Influencer marketing

Influencer marketing is a type of marketing that focuses on using key leaders to drive your brand’s message to the larger market. Rather than marketing directly to a large group of consumers, you instead inspire / hire

/ pay influencers to get out the word for you. Influencer marketing often goes hand-in-hand with two other forms of marketing: social-media marketing and content marketing. Most influencer campaigns have some sort of social-media component, whereby influencers are expected to spread the word through their personal social channels. Many influencer campaigns also carry a content element in which either you create content for the influencers, or they create the content themselves. Though social-media and content marketing often fit inside influencer campaigns, they are not synonymous with influencer marketing.

Email marketing

Email marketing is the act of sending a commercial message, typically to a group of people, using email. In its broadest sense, every email sent to a potential or current customer could be considered email marketing. It involves using email to send advertisements, request business, or solicit sales or donations.

Webinar marketing

Webinar marketing is using an online seminar to connect with a wider audience and promote your business. The term “webinar” comes from the words “web seminar”. Most marketing webinars are lead generation tools that provide free, valuable information in the hope that participants will see the need to upgrade to paid products or services offered by that company. Webinars help to demonstrate products and services,expand on content published in a blog post and showcase their expertise

Advantage of E-Marketing

- Internet provides 24 hours and 7 days “24/7” service to its users.
- It can build and make customers relationships worldwide,
- It supports customer shop and order product at any time and from any where in the globe.
- The cost of spreading message on internet is less expensive.
- Many social media sites like Facebook, Linkedin and Google plus allow you freely advertise and promote your business.
- Marketers can easy and instantly update registered customers or subscribers through email.
- Visitors or potential customers of the website can get up to the minute information on each visit
- Online payment facilities are also given to customers.

Disadvantages of E-Marketing

- If marketers want a strong online advertising campaign they have to spend money.
- The cost of web site design, software, hardware, maintenance of business site, online distribution costs are very heavy
- Almost over 60% of households prefer shop online as company needs to reach maximum people.
- Some companies’ people prefer the live interaction when they buy any product, small business in one location, may not be able to support customers.

- Companies face challenges in finding skills and thus timing of updates is also critical to update information on your site
- Company web site should be secure as there are many incorrect stereotypes about the security of the internet.

Social video marketing

Social video marketing is a component of an integrated marketing communications plan designed to increase audience engagement through social activity around a given video. Video marketing builds trust and credibility, Increases social shares. It boosts conversion rates.

Search Engine Optimization (SEO)

SEO (search engine optimization) is the process of making changes to your website design and content in order to help it appear in the search engines. By optimizing your website for the search engines, you can increase your visibility in the organic, or un-paid, search engine results. SEO – is the process of optimizing websites and digital content to improve search engine rankings, which in turn, maximizes the number of visitors to a particular webpage. Search engines use something called "crawler bots" to crawl the internet and build an index of the content available online. If customer searches a keyword, the search engine will try to provide the most useful and relevant result

Content Marketing

Content marketing is the process of consistently creating, distributing, and promoting relevant online materials in a way that's strategically designed to attract, engage, and convert your target market into customers. It is a type of marketing that involves the creation and sharing of online material (such as videos, blogs, and social media posts) that does not explicitly promote a brand but is intended to stimulate interest in its products or services.

Blog marketing

Blog marketing is the process of reaching your home business' target market through the use of a blog. Initially, business owners had a blog separate from their websites, but today, you can easily integrate the two to make it easier for you to manage, as well as easier for

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- Thomas T.Nagle and Reed K.Holden, The strategy and tactics of pricing, Printice Hall, 2001

QUESTIONS:

S.NO	**PART – A (6 MARKS)**	**CO**	**Level**
1.	State the objectives of distribution.	CO1	L1
2.	Evaluate the types of channel conflict faced by companies.	CO1	L5
3.	Illustrate the major causes on channel conflict in distribution of a product.	CO2	L2
4.	Explain the key functions of retailing.	CO2	L3
5.	Comment on the factors influencing store layout.	CO3	L2
6.	Demonstrate the steps involved in designing a retail layout.	CO3	L3
7.	Comment on a boutique store layout. State its advantages.	CO1	L4
8.	Critically comment on the services given by whole sales to its stake holders.	CO2	L4
9.	Explain the advantages of E-Marketing channels.	CO1	L4
10	Differentiate between content marketing and blog marketing.	CO1	L4
S.NO	**PART-B (10 MARKS)**	**CO**	**Level**
1	Demonstrate on the relevance of various types of distribution channels	CO1	L5
2	Evaluate on the factors influencing distribution channels	CO1	L5
3	Comment on the consequences of channels conflict arising between organizations	CO2	L4
4	Critically comment on the methods to manage channel conflicts.	CO1	L4
5	Evaluate on the various types of channel conflict and state the methods to avoid channel conflicts among companies.	CO1	L5
6	Critically explain the advantages of a forced path layout and grid layout in a retail store design.	CO2	L5
7	Summarize the benefits of Race track layout and straight retail floor plan layouts.	CO2	L5
8	Angular retail layout and diagonal retail floor plan and free flow layout in retail stores.	CO2	L4
9	Comment on the role of wholesalers in the distribution process.	CO3	L4
10	Discriminate between the advantages of e-marketing channel used market product and services.	CO3	L4

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School of Management Studies

UNIT V- MARKETING FOR MANAGERS - SBAA5201

UNIT 5 MARKETING COMMUNICATION

Role of Promotion in Marketing, Integrated Marketing Communication - Promotional Mix, Advertising Objectives - DAGMAR, Media Planning - Internet Marketing - Sales Promotion - Types, Economic theories of promotion; Public Relations - Personal Selling, Managing Sales Force.

PROMOTION

Promotion includes all activities that involve communicating with the customer about the product and its benefits and features.

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. Through the promotional mix, a company aims to fulfill two basic objectives. One is to make the customer ***aware*** that the product and brand exist. The other is to ***persuade*** them to actually pick this product over all others and continue to buy it.

Elements of the Promotional Mix

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

- **Personal selling**: Personal selling is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships
- **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
- **Direct marketing:** Direct marketing involves making direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships – by using direct mail, telephone, direct-response television, e-mail, and the Internet to communicate directly with specific consumers.
- **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

Role of promotion mix

- **Building Awareness:** Products or brands may need to create an identity within the market. The major role on promotion mix is to create awareness about the product or service available with the company. For the most part, this applies to a new company, a new brand or a new product. But often it may also be needed in times of rebranding or building up a failing product. The aim then is to select those promotional activities that help inform the customer about the company and the product**.**
- **Creating Interest:** Once the seller has created awareness about his product the next step is influence the customer and create interest in them and induce them to buy the product or service. If the customer is already aware of the product or has been made aware through some activities, it becomes necessary to move them along to actual purchasing behavior. The aim here is to identify a need that the product fulfills and make sure that the customer recognizes this need as something that is unfulfilled for them and to move them along to actual purchasing behavior.
- **Providing Information: C**ompany may just need to provide necessary information regarding the product, its benefits, features or usage to the consumer. This may be the case if a new product is introduced into the market. Some companies may need to explain new technical features of a product.
- **Stimulate Demand**: A company may seek to enhance its sales through promotion. If sales have been lower than usual, then the aim may be to get them back up to target level

by re-engaging old customers and encouraging new ones to try a product out. In other instances, the aim may be to increase sales further at certain times of the year such as near a major holiday. Free demonstrations or special deals may be used to reach these ends.

- **Differentiate product:** In situations where there are many competitors in the market, a company may seek to use promotional activities to differentiate its product in the market and make it stand out from the crowd. The focus here remains on those features, functionalities or benefits that may not be offered by a competitor or may not be offered so well.
- **Reinforce the Brand: One** basic aim of a promotional activity may be to further strengthen the brand and its place in the market. This helps turn a first-time purchase into a life time purchaser. This can also help create advocates for the product.

Factors influencing promotion mix decisions

Whenever a company sets out to design its promotional mix, it needs to consider the following points:

- **Stage in the Product Lifecycle –** During the beginning of the lifecycle, there may need to be more aggressive and informational advertising, while a slowdown in promotions may be seen during the later stages.

- **Nature of the Product –** If a product is not new in its usage or function, there may be less need for information and more focus on brand equity creation as well as on emotional aspects of the product.

- **The Allocated and Available Budge –** A certain total budget is set for promotional activities and this then need to be designed and executed within these constraints.

- **Cultural Sensitivity** – If a product is to be launched in a new international market or translated across markets, it becomes imperative to take into consideration local affiliations and sensitivities. These include both cultural and religious considerations. Often, these issues may even present themselves within one country.
- **Target Market Composition –** The people who make up the target market need to be considered before committing to a promotional mix. If a market is not tech savvy, then

more traditional means may need to be employed. Conversely, an internet generation used to instant gratification may need to be provided more focused and targeted messages.

- **Competitor Actions –** The methods a competitor uses need to be taken into account as well. There may not be a need to spend money on a radical advertising method if a customer is using rudimentary methods for example.

Types of Promotional Strategies/theories of promotion

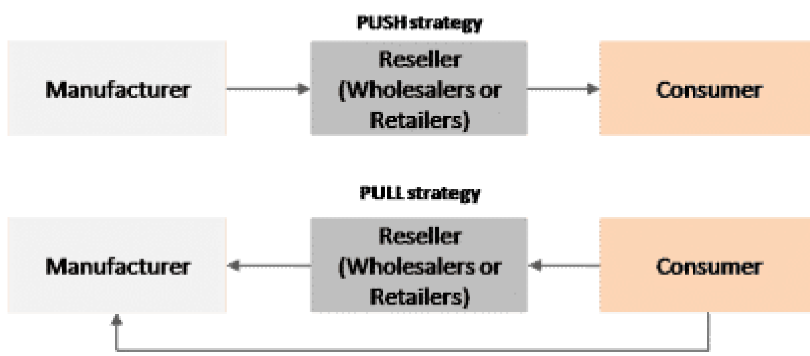
A company may use different strategies to promote its products. These can be broadly categorized as

- **Push strategy**
- **Pull strategy**

Both strategies differ in how the customer is approached.

- **Push Strategies**

As the name indicates, this is when the product is taken to the customer by the company.



This is mostly used when the product is an impulse purchase or if the company has an established relationship with the customer base. Companies may sell directly from their showrooms or at tradeshows etc. Essentially, there is less need to create an advertising buzz and more to make the product readily available at retail outlets and showrooms. Push marketing may focus primarily on short term sales.

- **Pull Strategies**

In the opposite approach, there is an attempt to pull customers towards the brand or product. Through mass media campaigns to sales promotions and personal references, a company attempts to create brand loyalty and attractiveness. Pull strategies may attempt to focus primarily on long term brand loyalty then high sales in the short term. A lot of media hype and mass campaigns are required to create sufficient interest and encourage customers to seek out the product on their own.

Most companies will use a mix of these two strategies at different points in time.

Managing promotion through the product life cycle

Introduction stage

- At this stage, major promotional campaigns and activities will be designed and executed.
- A comprehensive promotional mix will be designed with full input from the rest of the marketing mix. The aim here is to provide detailed information about the product, its features and benefits.
- Special offers and sales promotions may also be used to pull in customers while in some markets push strategies may be used simultaneously employed.

Growth Stage

- Once the product is established and accepted, there will be a shift in strategy from information to more emotional aspects.
- The aim is to increase brand awareness, create strong brand equity and foster long term customer loyalty.

Maturity Stage

- In this stage the market for the product may have matured and there may be stiff competition and similar products available.
- Promotional activities will now turn more persuasive and there may be an attempt to create product differentiation by highlighting specific benefits and features that fulfill needs and are unique.

Decline Stage

- At this point, promotional activities may wind down to the occasional reminder that the product exists in an attempt to forestall the product's eventual decline.

Integrated Marketing Communication

Integrated Marketing Communications (IMC) is a concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear and consistent message.

IMC is an integration of all marketing tools, approaches and resources within a company which maximizes impact on the consumer mind resulting in maximum profit at minimum cost.

Role of Integrated Marketing Communication (IMC)

- It uses several innovative ways to ensure that the customer gets the right message at the right place and right time.
- It aims to ensure the consistency of the message and the complementary use of media.

Tools of Integrated Marketing Communication (IMC)

The eight major Integrated Marketing Communication tools are as follows: -

1. **Advertising**

   Advertising refers to any paid form of non-personal promotion of products or services by an identified sponsor. The various media used are print (newspapers and magazines), broadcast (radio and television), network (satellite, wireless and telephone), electronic (web page, audio and videotape) and display (billboards, signs and posters). The primary advantage of advertising is that it reaches geographically dispersed consumers. Consumers generally tend to believe that a heavily advertised brand must offer some ‘good value’ but at the same time, advertising proves to be an expensive form of promotion.

2. **Sales promotion**

   It is a variety of short-term incentives to encourage trial or purchase of a product or service. It may include *consumer promotions* – focused towards the consumer – such as a distribution of free samples, coupons, offers on purchase of higher quantity, discounts and premiums or *trade promotions* – focused on retailers – such as display and merchandising allowances, volume discounts, pay for performance incentives and incentives to salespeople.
   Sales promotion helps to draw the attention of the consumers and offers an invitation to engage in transaction by giving various types of incentives.

3. **Personal Selling**

   Face-To-Face interaction with one or more buyers for the purpose of making presentations, answering questions and taking orders. This proves to be the most effective tool in the later stages of the buying process. The advantage is that the message can be customized to the needs of the buyer and is focused on building a long-term relationship with the buyer.

4. **Public Relations**

A variety of programs directed toward improving the relationship between the organisation and the public. Advertising is a one-way communication whereas public relations is a two-way communication which can monitor feedback and adjust its message for providing maximum benefit. A common tool used here is publicity which capitalizes on the news value of the product or service so that the information can be disseminated to the news media. Articles in the media prove to be more objective than advertisements and enjoy high credibility. Also, it has the ability to reach the hard-to-find consumers who avoid targeted communications.

5. **Direct Marketing**

Direct Marketing involves the use of mail, telephone, fax, e-mail, or internet to communicate directly with or solicit response or dialogue from specific customers or prospects. Shoppers have started relying on credit cards and online purchasing more than ever which makes it essential for marketers to approach the consumers directly thus helping them in the purchase process. Companies have a database of contact details of consumers through which they send catalogues and other marketing material making it easier for the consumer to purchase online. The relevance of direct marketing has increased in recent years.

6. **Events and Experiences**

These are company sponsored activities and programs designed to create brand-related interactions with customers. Sponsorships improve the visibility of the company. Companies provide customers with an experience of using the product which ends up leading to a higher brand recall than competitors. These events prove to be engaging with the audience.

7. **Social Media Marketing**

The concept of social media marketing basically refers to the process of promoting business or websites through social media channels. Companies manage to get massive attention on such channels and can interact with consumers as and when they are browsing the internet.

New and modern ways of communications are developing on these social media platforms and are proving to be the future of promotions. They have the ability to be highly interactive and up to date with the customers

8. **Mobile Marketing**

   Mobile marketing involves communicating with the consumer via a mobile device, either to send a simple marketing message, to introduce them to a new participation-based campaign or to allow them to visit a mobile website. It is Cheaper than traditional means for both the consumer and the marketer, mobile marketing really is a streamlined version of online marketing the use of which is increasing as time progresses. Examples are advertisements that we see on mobile applications.

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

- **Tool for Market Promotion:** Advertising is a powerful, expensive, and popular element of promotion mix.
- **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.
- **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.

- **Wide** Applicability: Advertising is a popular and widely used means for communicating with the target market Varied Objectives: Advertising is aimed at achieving various objectives such as increase sales, create and improv brand image, face competition, build relations with publics, or to educate people.
- **Forms of Advertising**: Advertising message can be expressed in written, oral, audible, or visua l forms. Mostly, message is expressed in a joint form, such as oral-visual, audio-visual, etc.
- **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.
- **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.
- **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.

ADVERTISING PURPOSES / OBJECTIVES / FUNCTIONS

- **Preparing Ground for New Products:** New product needs introduction because potential customers have never used such product earlier and the advertisements prepare a ground for that new product.
- **Creation of Demand:** main objective of the advertisement is to create a favorable climate for maintaining of improving sales. Customers are to be reminded about the product and the brand. It may induce new customers to buy the product by informing them its qualities since it is possible that some of the customers may change their brands.
- **Facing the Competition:** Another important objective of the advertisement is to face to

competition. Under competitive conditions, advertisement helps to build up brand image and brand loyalty and when customers have developed brand loyalty, becomes difficult for the middlemen to change it.

- **Creating or Enhancing Goodwill:** Large scale advertising is often undertaken with the objective of creating or enhancing the goodwill of the advertising company. This, in turn, increases the market receptiveness of the company's product and helps the salesmen to win customers easily.
- **Informing the Changes to the Customers:** Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc., they must be informed to the public by the producer through advertisement.
- **Neutralizing Competitor's Advertising:** Advertising is unavoidable to complete with or neutralize competitor's advertising. When competitors are adopting intensive advertising as their promotional strategy, it is reasonable to follow similar practices to neutralize their effects. In such cases, it is essential for the manufacturer to create a different image of his product.
- **Barring New Entrants: F**rom the advertiser's point of view, a strongly built image through long advertising helps to keep new entrants away. The advertisement builds up a certain monopoly are for the product in which new entrants find it difficult to enter.
- **Creates a link between the parties involved in business**: **A**dvertising aims at benefiting the producer, educating the consumer and supplementing the salesmen. Above all it is a link between the producer and the consumer

Benefits or Importance of Advertisement

The following parties involved in business get the benefits of advertising

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.

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.
- Ensures more economical selling because selling overheads are reduced.
- It enables them to have product information.

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.

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.

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.

DEVELOPING AND MANAGING AN ADVERTISING PROGRAM

1. Setting the advertising objectives
2. Deciding on the advertising budget
3. Choosing the advertising message
4. Developing media and measuring effectiveness
5. Evaluating advertising effectiveness

Setting the advertising objectives

The advertising objective should emerge from a thorough analysis of the current marketing situation. If the product class is mature, the company is the market leader, and brand usage is low, the proper objective should be to stimulate more usage. If the product class is new, the company is not the market leader, but the brand is superior to the leader, then the proper objective is to convince the market of the brand's superiority Advertising objectives can be classified according to whether their aim is to inform, persuade, or remind.

- Informative advertising figures heavily in the pioneering stage of a product category, where the objective is to build primary demand.
- Persuasive advertising becomes important in the competitive stage, where the objective is to build selective demand for a particular brand.
- Reminder advertising is important with mature products.
- Reinforcement advertising, aims to convince the purchasers that they have made the right choice.

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 loyalty. Management should consider these five factors when setting the advertising budget 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.

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

Choosing the advertising message

- Advertising campaigns vary in their creativity. In developing a creative strategy, advertisers follow four steps: message generation, message evaluation and selection, message execution, and social responsibility review.
- Message Generation: Good ad normally focuses on one or two core selling propositions. As part of refining the brand positioning, the advertiser should conduct market research to determine which appeal works best with its target audience and then prepare a creative message.
- Message Evaluation: The ad's impact depends not only on what it says, but often more important, on how it says it. Execution can be decisive. Any message can be presented in a number of execution styles: slice of life, lifestyle, fantasy, mood or image, musical, personality symbol, technical expertise, scientific evidence, and testimonial.
- Reach (R): The number of different persons or households that are exposed to a particular media schedule at least once during a specified time period.
- Frequency (F): The number of times within the specified time period that an average person or household is exposed to the message.

- Impact (I): The qualitative value of an exposure through a given medium (thus a food ad in Good Housekeeping would have a higher impact than the same ad in the Police Gazette).

Evaluating advertising effectiveness:

Good planning and control of advertising depend on measures of advertising effectiveness. Communication-effect research seeks to determine whether an ad is communicating effectively. Called copy testing, it can be done before an ad is placed (pretesting) and after it is placed (post testing). Advertisers also need to posttest the overall impact of a completed campaign. Sales-effect research is complex because sales are influenced by many factors beyond advertising, such as product features, price, and availability, as well as competitors' actions. The sales impact is easiest to measure in direct- marketing situations and hardest to measure in brand or corporate-image-building advertising.

ADVERTISING MEDIA

Medium is through which the advertising message is conveyed to the consumers. The proper selection of the medium by which the message is to be conveyed must achieve the pre-determined goals.

Types of Advertising Indoor Advertising:

- Press advertising: Newspaper, Magazine
- Radio advertising.
- Television advertising.
- Film advertising.

Outdoor advertising:

- Posters.
- Advertising board / Hoarding
- Vehicular
- Painted display
- Traveling display
- Electric display.

- Sky advertising
- Sandwich – man.
- Handbills (leaflets)

Direct Advertising:

- Sales letters.
- Circular letters.
- Booklets & Catalogues.
- Folders.
- Package inserts.

Promotional Advertising:

- Window display
- Interior display.
- Show-rooms.
- Exhibitions.

MEDIA PLANNING

Media planning is a science designed to generate maximum sales from all the advertising your company invests in

Media planning is the process by which marketers determine where, when, and how often they will run an advertisement in order to maximize engagements and ROI. The media plan might split advertising spend and resources between various online and offline channels such as broadcast, print, paid ads, video ads or native content.

Creating a Media Plan

The goal when creating a media plan is to reach target customers - those who are most likely to buy from you, at the exact moment that they have decided to buy. Using advertising, you can educate and inform those likely customers, to make them aware of your business and to persuade them to buy a particular product from you rather than another business.

To make that happen as efficiently and cost-effectively as possible, it is important to weigh the following when developing your media plan:

- **Reach**. One of the two most important factors to consider, reach is the number of people you want to get in front of during a particular timeframe, such as a week or a month.
- **Frequency**. The second most important factor is frequency, which is the number of times your target customers will see your ad. Obviously, the higher the number, the better, but cost is also a factor. For example, you may want to run an ad daily in your local newspaper, but the cost for such a purchase may exceed your annual budget.
- **Cost-per-thousand**. One way to measure the cost of advertising is to divide the total cost of advertising in a particular outlet by the media's thousands of customers, to get the cost-per-thousand value. For newspapers and magazines, you'd divide the cost by total subscribers. For blogs, you'd divide by subscribers.
- **Selectivity**. Depending on how targeted your product is, you may want a measure of how well the media outlet reaches your particular prospect. For example, advertising Rolls Royce's through the local newspaper will attract attention, but what percent of the newspaper's subscribers fall into the target market of prospects likely to buy? It might be too low a number to make sense.
- **Impact**. How many senses can the media outlet being considered reach? Magazines can appeal to sight,
- and perhaps smell (with those perfume inserts), while websites can appeal to sight and sound. The same is true with TV. You should consider what senses will make the biggest impact on a customer's purchase decision.

ADVERTISING COPY

An advertising copy, or ad copy, or just copy, is the text form of an advertising message aimed at catching the attention, and persuading the prospective buyer to make purchase, all within a short span of few seconds. A copy in essence describes the ad (irrespective of the medium of advertising) in words. A copy employs the use of words to promote a product, business, person, or an idea. Practically, an advertising copy includes one or more of the following parts:

Headlines:

Headlines are crucial for print advertisements. They include attractive description written in colorful bold letters at the top or anywhere in the advertisement. Attractive fonts are used to make the headline eye- catching. Headlines may contain slogans. For example, More Smile per Mile by TVS Victor, Japanese quality, at Chinese price, available in India by Orpat Home Appliances, Elora Times Ltd. Mostly, headlines are written in bold letters. Headlines suggest major benefits, offers, or time limit. For example, special offers open only for two days.

Slogans:

Slogans are made of words and sentences. They are expressed in a rhythmic manner. Slogans are used for every type of advertisement such as TV, radio, outdoor, and print media. Slogans are presented or written at the beginning, at the middle, or at the end of advertisement.

In audio-visual media, a slogan is presented with musical effect by using persons or cartoon characters. For example, Hero Honda, Des Ki Dhadkan; TVS Victor, More Smile Per Mile; Raymond, The Complete Man; Sansui, Better than the best; Onida Television, Change the World; Coca-Cola, Life Ho To Asi, and Thanda Matalab Coca-Cola; Tata Namak, Desh Ka Namak, etc., slogans have popularized some brands and companies. Sometimes, songs are used. For example, Nirma Chemicals, MDS masala, etc., used songs in their advertisement. Slogans are indicative of key themes the advertiser insists to appeal the audience.

Text:

The text is the central part of ad copy. It contains a description. It is prepared with reference to advertising objectives. For example, a company gives more description if company’s objective is to provide more information. Text should neither be too lengthy nor be too short. Text includes theme or appeal to the customers.

It describes major benefits of products. The claim must suggest an absolute or a comparative superiority of the products. Most text shows product benefits, special offers, time, availability, quality, etc. Text is prepared differently for different media. For example, space is important for print media; time is important for audio-visual media; size is important for outdoor media.

Illustration:

Illustrations are used to make the advertising claim clear and attractive. Here picture, character, cartoons, charts, etc., are used to illustrate an use of the product. In the illustration, claims are made through celebrities. In many cases, they are shown using the products. TV advertisement uses film stars, artists, or cricketers to illustrate the use of the product. For example, Film stars Sharukh Khan and Priti Jinta are shown driving Santro Car. Children are used for illustrating different brands of toothpastes, chocolates, bicycles, and biscuits. Similarly, Coca-Cola illustrates its product through film stars and cricketers.

Pictures:

Use of pictures is more or less similar to illustration. However, pictures are more relevant to print media. Pictures include products, brands, persons, etc., presented in systematic manner. Here, also, products and brands are associated with film stars, cricketers, and well-known cartoon characters.

Sponsor and logotype:

Ad copy also includes name of company, sponsor, brand or logotype to assist customers recognize the name of producers and/or marketers. Name of producer or logotype is kept either at the beginning or at the end of advertisement. Some advertisements include full name and address of company, including registered office, regional offices, its website, e-mail, phone, fax, etc. Use of sponsor or logotype popularizes name of a company along with products and brands. In audio-visual advertisements, the name of company is shown and/or spoken.

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.

Advertising agencies also 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:

- Copy writing.
- Art – pictures, photographs.
- Media planning and buying of space.
- Radio and Television – Producing commercial spots.
- Market research.
- Production – Film or tape.
- Public relations.
- Merchandising.
- Sales promotion device.

Forwarding the advertising materials to the media owners and the clients in time.

Remuneration of Agency:

The agency works for the advertiser either on commission basis or on fees basis. Under commission basis generally the agency receives 15% of the cost media. The commission is paid to the media owner by the advertiser. In other case the agency is paid by the owner at 15% of the cost, which is collected from the advertiser. In certain cases the ad agency collects the amount from the client deducts 15% and the balance is given to the media owner. Under fees a lump sum is charged by the agency.

Famous Ad – Agencies in India:

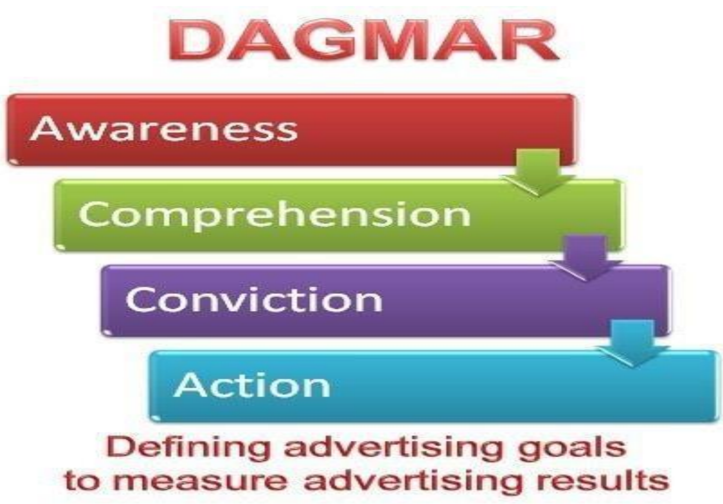
- Hindustan Thompson Associate, Bombay.
- Lintas India, Bombay.
- Mudra Communications, Ahmedabad.
- Oglivy & Marther, Bombay.
- Ulka Advertising.

- R.K.Swamy Advertising associates.
- Leo Burnett Advertising, Bombay.
- Rediffussion Advertising, Bombay.
- Saatchi & Saatchi.
- McCann Erickson.
- Grey Worldwide.
- Rubecon.

DAGMAR APPROACH

The DAGMAR approach of advertising was devised by Mr Russell Colley. DAGMAR is a concept used in advertising to set advertising objectives and goals. DAGMAR is an abbreviation for "Defining advertising goals to measure advertising results".

The DAGMAR approach is used by many promotional planners to set plans of advertising and marketing. This approach is also used to set advertising objectives and to measured the results against the plan. Russell coley's work has led to the improvement of the advertising world, because these communication tasks were not only sales driven, they achieved various goals of the organization only through Advertising.



The 2 core things on which the DAGMAR Model stood were

- Creation of a communication task to achieve goals

- Defining the objective of the communication tasks in a manner that the results can be measured

The communication tasks involved in the DAGMAR approach.

A marketing task is a combination of an advertising activity, a branding activity and possibly a customer service activity. The work of marketing is holistic and hence it has to look at the whole organization. The work of Advertising is more individualistic and hence the organization is not considered. To measure that a task assigned to advertising, is later on measured only in advertising terms, Russell colley designed the communication tasks. Creating a communication task, which involves communications between the company and the consumer, was solely the responsibility of the Advertising department.

The goal of the communication tasks in DAGMAR was as follows

- Awareness – Communication tasks involved making the consumer aware of the brand or the product.
- Comprehension – These tasks also helped the consumer in understanding the attributes and the features of the product and what the product will do for the consumer.
- Conviction – The communication task convinced the customer that this product was meant for them
- Action – Ultimately, after conviction, the customer was to be enticed to take action.

Defining objectives in the DAGMAR approach.

The second most important task of DAGMAR was defining the objectives of advertising or of the communication tasks which were to be created. Once you defined the objectives, then the measuring of advertising results was comparatively easier. With this move, Russell colley also gave more responsibilities to the advertising department. Not only were they responsible for the ads made, they were also responsible for how well they understood the objective of advertising, and how they incorporated these objectives in their communication tasks.

In this modern age, we know that advertising is used for introducing a product, building brand equity, for sales promotions or for plain old brand recall. However, all these are the objectives of advertising and form the 2nd part of DAGMAR.

The objectives of advertising in DAGMAR (which are used to create communication tasks) are as follows

- Concrete and measurable tasks – The tasks need to be a precise statement of what the advertiser wants to achieve through the communication. Does he want to strengthen the brand image, maximise the brand presence, penetrate new markets or increase overall sales?
- Define the target audience – Before the communication task commences, the target audience needs to be defined as precisely as possible. Are you targeting youngsters, adults, elderly? Any of the various forms of segmentation can be used to define the target audience. Degree of change sought – What level of perception, attitude or awareness of the customer do you want to change? If a customer is aware of the product, do you want his negative attitude to change to positive? Or if the market is completely unaware, do you want the whole market to be aware or only partially the target group itself? These degrees of change which are going to be the objective of the communication task need to be defined in advance.
- Time period – To achieve the objectives of the communication tasks, how much time are you ready to allot. If you think that in a month, the product can create awareness in the complete market, then you are very wrong. That's why major advertisers try to introduce the product for 3 months, and then communicate the features and benefits in the next 3 months so that the brand recall is high and the brand acceptance is high as well. A defined time period gives better measurability.

SALES PROMOTION

Definition:

Sales promotions are a diverse collection of incentive tools designed to stimulate faster and/or larger purchases of products or services by consumers or the trade (Kotler 1997)

Sales promotion includes tools for *consumer promotion* (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross- promotions, point- of-purchase displays, and demonstrations); *trade promotion* (prices off, advertising and display allowances, and free goods); and *business- and sales force promotion* (trade shows and conventions, contests for sales reps, and specialty advertising).

Objectives of sales promotion

- To increase buying response by ultimate consumer.
- To increase the selling efforts of dealers and sales personnel.
- Calling attention to new product improvement.
- Informing buyer new brand or new package.
- Improve market share.
- Increase usage rate of the present customers.
- Maintain brand loyality.
- Securing additional shelf- spare and added display.

Sales promotion is effective when:

- A new brand a introduced.
- We have to communicate a major improvement or attraction in product.
- Enlarging the result of advertising.
- Increasing the number of retail stores in order to sell out products.
- Engaging or embarking upon aggressive sales campaign.

Types of sales promotion

- Consumer-Promotion Tools
- Sales Force Promotion Tools
- Trade promotional tools

1. Consumer-Promotion Tools

- **Samples:** Offer of a free amount of a product or service.
- **Coupons:** Certificates offering a stated saving on the purchase of a specific product.
- **Cash Refund Offers (rebates):** Provide a price reduction after purchase: Consumer sends a specified "proof of purchase" to the manufacturer who "refunds" part of the purchase price by mail.
- **Price Packs (cents-off deals):** Promoted on the package or label, these offer savings off the product's regular price.

- **Premiums (gifts):** Merchandise offered at low or no cost as an incentive to buy a particular product.
- **Prizes (contests, sweepstakes, games):** *Prizes* offer consumers the chance to win cash, trips, or merchandise as a result of purchasing something. A *contest* calls for consumers to submit an entry to be examined by judges who will select the best entries. A *sweepstakes* asks consumers to submit their names for a drawing. A *game* presents consumers with something every time they buy— bingo numbers, missing letters—that might help them win a prize.
- **Patronage Awards:** Values in cash or points given to reward patronage of a certain seller.
- **Free Trials:** Inviting prospects to try the product free in the hope that they will buy the product.
- **Product Warranties:** Explicit or implicit promises by sellers that the product will perform as specified or that the seller will fix it or refund the customer's money during a specified period.
- **Tie-in Promotions:** Two or more brands or companies team up on coupons, refunds, and contests to increase pulling power.
- **Cross-Promotions:** Using one brand to advertise another noncompeting brand.
- **Point-of-Purchase (POP) Displays and Demonstrations:** Displays and demonstrations that take place at the point of purchase or sale.

2. Sales Force Promotion Tools

- **Trade Shows and Conventions:** Industry associations organize annual trade shows and conventions where firms selling products and services to this industry buy space and set up booths and displays to demonstrate their products. Participating vendors expect several benefits, including generating new sales leads, maintaining customer contacts, introducing new products, meeting new customers, selling more to present customers, and educating customers with publications, videos, and other audiovisual materials.
- **Sales Contests:** A *sales contest* aims at inducing the sales force or dealers to increase sales over a stated period, with prizes going to those who succeed. Incentives work best when they are tied to measurable and achievable sales objectives (such as finding new accounts or reviving old accounts) for which employees feel they have an equal chance.

- **Specialty Advertising:** Specialty advertising consists of useful, low-cost items (such as calendars) bearing the company's name and address, and sometimes an advertising message, that salespeople give to prospects and customers.

3. **Trade-Promotion Tools**

- **Price-Off (off-invoice or off-list):** A straight discount off the list price on each case purchased during a stated time period. The offer encourages dealers to buy a quantity or carry a new item that they might not ordinarily buy. The dealers can use the buying allowance for immediate profit, advertising, or price reductions.

- **Allowance:** An amount offered in return for the retailer's agreeing to feature the manufacturer's products in some way. An *advertising allowance* compensates retailers for advertising the manufacturer's product. A *display allowance* compensates them for carrying a special product display.

- **Free Goods:** Offers of extra cases of merchandise to intermediaries who buy a certain quantity or who feature a certain flavor or size. Manufacturers might offer push money or free specialty advertising items to retailers that carry the company's name.

Benefits of sales promotion techniques

- It stimulates in the consumers an attitude towards the product.
- It creates a better incentive in the consumers to make a purchase. It is a demand creator.
- It gives direct inducement to the consumers to take immediate action.
- It is flexible. It can be used at any stage of a new product introduction.
- Sales promotion leads to low unit-cost, due to large-scale production and large-scale selling.
- It is an effective supporter of sales. It helps the salesman and makes his effort more productive.
- The promotional tools are the most effective to be used in increasing the sales volume.

Limitations of Sales Promotion:

- Sales promotions are only supplementary devices to supplement selling efforts of other promotion tools.
- Sales promotion activities are having temporary and short life.
- The benefits are also short-lived for three or four months. Then the demand will fall down.
- They are non-recurring in their use.
- Brand image is affected by too many sales promotion activities. Consumers are of the opinion that due to the lack of popularity and overstocking of products of a company, these sales promotional activities are conducted.
- There is a feeling in the minds of the customers that sales promotional activity tools are used to sell inadequate or second grade products.
- Discounts or rebates are allowed by boosting the prices of the goods, with a view to sell at a gain, which is not real.
- Immediate increase in demand is stimulated by this. Hence it is a short-lived tool.
- It is expensive and leads to a rise in the price of products.

PUBLIC RELATIONS

Public relations (PR) involves a variety of programs designed to promote or protect company's Image or its individual products.

Public relations are a strategic communication process companies, individuals, and organizations use to build mutually beneficial relationships with the public.

Functions

- **Press relations:** Presenting news and information about the organization in the most positive light.
- **Product publicity**: Sponsoring efforts to publicize specific products.
- **Corporate communication**: Promoting understanding of the organization through internal and external communications.

- **Lobbying:** Dealing with legislators and government officials to promote or defeat legislation and regulation.
- **Counseling:** Advising management about public issues and company positions and image. This includes advising in the event of a product mishap.

Marketing Public Relations plays an important role in the following tasks:

- **Assisting in the launch of new products:** The amazing commercial success of toys such as Teenage Mutant Ninja Turtles, Mighty Morphin' Power Rangers, and Beanie Babies owes a great deal to clever publicity.
- **Assisting in repositioning a mature product:** New York City had extremely bad press in the 1970s until the "I Love New York" campaign began.
- **Building interest in a product category:** Companies and trade associations have used MPR to rebuild interest in declining commodities such as eggs, milk, beef, and potatoes and to expand consumption of such products as tea, pork, and orange juice.
- **Influencing specific target groups:** McDonald's sponsors special neighborhood events in Latino and African American communities to build goodwill.
- **Defending products that have encountered public problems:** Johnson & Johnson's masterly use of MPR was a major factor in saving Tylenol from extinction following two incidents in which poison-tainted Tylenol capsules were found.
- **Building the corporate image** in a way that reflects favorably on its products: Iacocca's speeches and his autobiography created a whole new winning image for the Chrysler Corporation.

Objectives of PR

- **Build marketplace excitement before media advertising breaks**: For example, the announcement of a new product offers a unique opportunity for obtaining publicity and for dramatizing the product.
- **Build a core consumer base:** Marketers are increasingly recognizing the value of maintaining consumer loyalty, because it costs far less to keep a consumer than to get a new one.
- **Build a one-to-one relationship with consumers**: Marketers can use telephone hot lines

and 800 numbers, plus the Internet, to build and maintain relationships with individual consumers.

- **Turn satisfied customers into advocates**: Customer databases and profiles can yield satisfied customers who can become role models and spokespeople for the product.
- **Influence the influential:** The influencer may be an authority figure like a teacher, doctor, or pharmacist, but it also can be someone who has a different kind of oneto- one relationship with the consumer, such as a hair stylist or personal trainer.

Major Tools in Marketing PR

- **Publications:** Companies rely extensively on published materials to reach and influence target markets, including annual reports, brochures, articles, printed and on-line newsletters and magazines, and audiovisual materials.

- **Events:** Companies can draw attention to new products or other company activities by arranging special events like news conferences, on-line chats, seminars, exhibits, contests and competitions, and sport and cultural sponsorships that will reach the target publics.
- **News:** One of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people. The next step—getting the media to accept press releases and attend press conferences—calls for marketing and interpersonal skills.
- **Speeches:** Speeches are another tool for creating product and company publicity and building the company's image.
- **Public-Service Activities:** Companies can build goodwill by contributing money and time to good causes.
- **Identity Media:** To attract attention and spark recognition, the firm's visual identity is carried by its logos, stationery, brochures, signs, business forms, business cards, Web site, buildings, uniforms, and dress codes.

PERSONAL SELLING

Personal selling is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships Face-to-face selling in which a seller attempts to persuade a buyer to make a purchase.

Salespeople perform one or more of the following tasks:

- **Prospecting**: Searching for prospects, or leads,
- **Targeting**: Deciding how to allocate their time among prospects and customers,
- **Communicating**: Communicating information about the company's products and services,
- **Selling**: Approaching, presenting, answering objections, and closing sales,
- **Servicing**: Providing various services to customers—consulting on problems, rendering technical assistance, arranging financing, expediting delivery
- **Information gathering**: Conducting market research and doing intelligence work, and
- **Allocating**: Deciding which customers will get scarce products during shortages.

Qualities of a successful sales person:

- **Personality:** The term personality comprises several attributes like physical appearance, way of speaking, voice, posture, health, habits etc., if any of these attributes is lacking a salesman may not be able to do his job effectively. A pleasing and charming personality always creates good impression on the customers.
- **Mental Qualities:** An effective salesman must possess certain mental qualities like imagination, fore sightedness, presence of mind, strong memory power and initiative. A salesman who is intelligent enough to understand the nature of prospectus and perceive their requirements is most likely to be successful
- **Sociability:** A salesman should be social and have the ability to mix with people. He should be shy & reserved. He should be patient and listen to the customer. He should be polite and humble in taking to the customer
- **Vocational Skills:** A salesman should have sound general education and have the specialized knowledge of selling techniques. A good salesman should know the features, benefits and other particulars of the products he is to sell.
- **Communication ability:** Communication skill is the asset for the salesman. He should be able to speak freely, clearly, and in a well-pitched voice
- **Patience:** The salesman should not get provoked even under worst circumstances. He should have sufficient patient to listen to customers and clear their doubt
- **Determination:** The salesman should have the sense of determination to secure the customer. He should not lose confidence and give up the customer so easily.

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:

- **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 behavioral variables of the prospects with a view to communicate effectively and effect the sales for the unit.
- **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.
- **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**.**
- **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.
- **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.

Limitations:

- **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.\

- **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
- **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.

- **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.

SALES FORCE MANAGEMENT

Sales force management consists of analysis, planning, implementation and control of sales force activities.

Steps in Sales Force Management:

1. **Setting objectives:**

The first step involved in sales force management is to decide what a firm intends to achieve through personal selling. Personal selling may have any one or more objectives given below:

a. Serving the existing customers.
b. Developing new customers.
c. Improving company's image.

d. Increasing company’s market share and profit.
e. Enhancing customer satisfaction, etc.

2. Designing Strategy:

The next step of sales force management is to decide on one or more strategies to contact the prospective customers. Prospective customers are met in their respective places in the foreign countries. Prospective customers may be contacted personally or through mail or over telephone. Now the company should decide whether it should use company sales force or contractual sales force to contact the prospects.

3. Structure of Sales force:

After finalizing sales strategy, the next step to be taken by the company is to plan the structure of the sales force. Following options are available to a company for planning sales force structure:

a. **Territorial Structure:** In this structure each salesperson is assigned an exclusive geographical territory.
b. **Product Structure:** In this structure, each salesperson is assigned a product or product line.
c. **Customer Structure:** In this structure sales force is organized along customer lines.

4. Size of the Sales force:

Next step is the determination of the number of salespersons that the company needs over a specific period of time (say a year). The size of the sales force depends on the compensation methods used, salesman’s morale, sales forecasts, and the overall management of the sales force. It must be adjustedperiodically with the variation in the company’s marketing plans and changes in markets and forces in the marketing environment.

5. Recruitment and Selection of Salespersons:

The next step is to seek applicants who have required qualifications, and matching them to the duties of salesman. The salesman may be chosen from inside the organization or Outside, through advertisement, introductions, educational institutions, small customers, etc., or the sales forces. Of other firms in the trade. The sales manager should judge the ability of the persons concerned before actually selecting them as salesmen.

Since salesman directly comes into contact with customers as a representative and he reflects the character of the employer, therefore, utmost care need be taken in selecting a salesman. Unwise selection will bring slow turnover, inefficient blocks of capital in stocks, loss of goodwill, increased selling expenses, certain qualities are deemed necessary for successful selling.

6. Training of Salespersons:

Salespersons should be properly trained. It is not only the newly recruited salesmen who need training but the existing sales then also need it as the product, market and the competition are in a continued process of change. Sales training programs can be directed at the entire sales force or at a few individuals.

They can be conducted by sales managers, other salespeople, or technical specialists from within the organization. There are also individuals and organizations that sell special sales training program. Regardless of who manages the training programme, several issues should be addressed, including type, location and timing, and methods and materials of training. The emphasis in all these issues should be on developing the necessary skills among salespersons so that they can prove to be assets for the firm.

7. Compensating salespeople:

One of the goals in developing a personal selling programme is to attract, motivate, and retain a highly productive sales force. To accomplish that goal, the business must develop and implement a plan for compensating the sales force. The compensation plan should provide salespeople with an adequate degree of income and incentive.

8. Supervision:

Effective supervision of salespersons plays a crucial role in improving their performance. Salespersons operate in the field and are often located thousands of kilometers away from the company office. This makes their supervision more difficult, There should be proper communication channel between supervisor and salespersons. Effective supervision motivates salespersons. Salespersons should be motivated through monetary incentives, sales contests, honors, promotion, personal growth, etc.

9. Evaluation:

Management of sales force will not be complete without evaluation of their performance.

For sound evaluation, these should be a feedback mechanism. This requires regular sales reports of the salespeople, personal observation, customer surveys, communication from the customers, discussions with others in the company. Meeting sales targets is one of the several criteria for evaluation. The purpose of evaluation is to take corrective measures, if needed, to achieve the objectives.

Functions of Sales force

1. Lead Generation: The Sales Representatives generate the sales lead and then track the potential user by gathering the data and customer related info like phone numbers, tastes, and buying patterns.

2. Sales Forecasting: Predicting the company future sales based upon the previous sales for a particular period of time; is sales forecasting process. The Sales Forecasting is done for the next tax year or the fiscal year (or for a period of a time in the near future). This enables the company to take important business decisions regarding production, distribution, advertising budgets.

3. Order Management: The sales Force Manages and streamlines the product orders efficiently. A well- executed Order Management System or OMS results in Sales Boost, Improved Customer retention and Better Consumer Relations. Order Management System is quite a hefty term for a simple concept; delivering Goods and products without or minimum delay is order management.

4. Knowledge: The basic element for closing a deal or making a successful sale is having the complete knowledge of the product. To win the customer trust is of outmost important for the Sales representative. In order to convince the buyer to spend the money on the product the Sale team must have the complete know how of the Product and its benefits.Sales Force Management is also responsible selecting, recruiting, training, supervising, controlling and managing the sales teams or Sales personnel.

Recruitment and selection of sales force

Sales Force Management: Recruitment, Training, Supervision and Sales Performance Evaluation

Sales Force Management and Evaluation of Sales Performance

Salesman is the important corner-stone upon which sales organisation is built. Success or failure of the firm depends upon the type of salesman selected. Therefore, selection must be made carefully. It is the duty of the Sales Manager to select salesmen.

Recruitment

Recruitment involves searching for prospective candidates and encouraging them to apply for the job. Vacancies are finalized, advertised and applications are collected from interested candidates. **Selection** Selection is concerned with choosing most suitable candidates out of many available or interested. Available candidates are scrutinized, tests and interviews are conducted to find out most suitable candidates.

Selection of Salesperson – Stages involved in selection process

1. **Receiving applications from Salesperson**

   Applications are received from eligible candidates for the salesperson job. The candidates might have been asked to send their applications in a plain paper along with their bio-data. Some organizations make available what are called 'Application Blanks', which may be obtained on payment of the prescribed fee. The application blank made available by the employer contains fixed data pertaining to the name of the candidate, his qualification, address, etc., and the candidate has to just fill it up. It ensures uniformity. Application blanks facilitates quick processing of applications. The employer gets all the necessary information, he wants, from the candidates without bias.

2. **Scrutinizing Applications of Salespersons**

   The applications received from all the candidates for the salesperson job will then have to be processed. Incomplete applications will be set aside. Applications of those candidates who fail to fulfill the eligibility criteria will be not be accepted for the salesperson job.

3. **Written test for Salespersons**

   All the eligible candidates for the salesperson job may then be called for a written test. The test paper usually contains two parts, objective and descriptive questions. The objective questions may test the candidate's knowledge of English, mathematics and also his level of general knowledge. The descriptive part will test the candidate's ability to draft a letter and prepare a general essay. Interview of Salesperson

4. **Interview**

The candidates who have been successful in the written test during the salesperson selection process will then be called for an interview. Interview is a face-to-face oral examination of the candidate. The objective of interview is to test the candidate's ability to face a panel of experts and communicate his ideas. The interview will help the employer to know whether the candidate is a shy person or is bold enough to undertake any assignment. The candidates, who are going to be selected as salesperson, shall possess good communication ability.

5. **Checking references of Salespersons**

   Applicants for jobs of salesperson are usually asked to give the names of a couple of eminent persons in their applications. Such persons, who are called referees, may be contacted by the employer to know the conduct and character of the candidate.

6. **Medical examination for Salespersons**

   Successful candidates for the salesperson job shall be medically examined to find out whether they are physically fit. The candidate's height, weight, eyesight, etc., are checked. Physical fitness is important for any kind of job. It is even more important for a salesperson as he has to undertake lot of traveling.

7. **Appointment of Salespersons**

   Candidates found to be medically fit may be appointed on probation for the salesperson job. Probation is the initial training period during which the salesperson has to learn his work and also perform to the satisfaction of the employer. The period of probation may vary from six months to two years. Only those salespersons, who have lived up to the expectations of the employer, during the period of probation, will be retained. During probation, the salesperson usually gets a consolidated salary. He will be put on scale of pay only on confirmation of his service.

Challenges in the selection of a salesman:

- Selling jobs becoming more difficult to perform because of the greater complexity of the products and services, the multiplicity of channels of distribution, etc.
- Markets today are highly competitive.
- Selling as a career or profession has not been fully accepted and hence, there is only

limited number of salesmen who would qualify.

- There is a noted absence of institutions where salesmanship is taught.

Recruitment of salesmen involves the following processes:

1. **Deciding the Quantity of Sales force:**

   Before the selection is undertaken, the Sales Manager should assess the need for sales force in quantitative terms, e.g., how many sales men are required, based on expansion of business and attrition due to retirement and resignation.

2. **Determination of Characteristics and Qualities to Be Possessed by the Salesforce: Job Description/Analysis:**

   It is concerned with the determination of nature of duties and responsibilities involved in performing effectively a particular job. Job description is concerned with a job and not the individuals. It gives details of the job to be performed and the qualities and qualifications required. The man specification indicates the exact requirements needed for a particular job. On the basis of nature of duties, the requirements also may change.

The following qualities are required of a salesman:

- General Qualities- Good personality, sound health, intelligence, honesty and integrity of character, sociability, consistency, and power of observation.
- Particular Qualities- Educational qualifications, past experience, knowledge of the product, customers and market, languages known.
- Technical Knowledge- Knowledge about the chemical or mechanical aspects of the product to be sold, knowledge of legal implications involved in the sales activities, etc.

3. **Source of Recruitment of Salesforce:** After job analysis and man-specification, every possible source should be tapped to select the most efficient salesman.

The various sources are as follows:

a. Company's own staff (promotion)
b. Competing firms (not ethical — higher salary)
c. Employment exchanges
d. Educational institutions
e. Situation Wanted' columns of newspapers
f. 'Situation Vacant' advertisements
g. Casual applicants

h. Recommended candidates.
i. Placement agencies.

4. **Selection of Sales force:**

   From these sources, applications are received and screening of the applications is made. Applications which satisfy the job descriptions and man-specifications are only considered for selection. The selected applicants are called for psychological test. If they fare well in the above two, they will be referred from the referees mentioned by the applicants.

   If a good report is given by the references, the candidates will be called from medical examination. If the candidates are physically fit, they will be called for final interview and appointment order is issued. The appointment order should be clear, at least in the following aspects: designation, salary and allowances and mode of appointment, i.e., temporary or permanent.

5. **Training sales force**

   There is an old belief that "Salesmen are born and not made." Once in a while, we may come across a salesman who is capable of selling a refrigerator to an Eskimo, but this is rare. The salesman has to educate the customers about products, sell the same with benefit to the customer and profit for the company. Therefore, he should have excellent knowledge about products, competition, market dynamics, buying motives, and selling skills.

Training of sales force

Need for Training of Sales force:

- The need of training salesman arises from the fact that a newly appointed salesman does not have the knowledge about the product he has to sell. He may not have knowledge about customers and buying motives. He may not know how to sell the product or how to present them to the prospective buyers.
- Even old salesman need training to acquaint them with the new products of the firm or those of the competitors, to explain to them the improved sales technique or simply as a refresher course.

The extent of training will depend upon following:

1. How difficult and complicated is the selling job concern?
2. The level of education and previous training the salesman possesses.
3. Previous selling experience of the salesmen.
4. The type of buyer to be approached. In case of an expert buyer, more knowledge of the product to be sold is the absolute necessity.

Methods of Training:

A. Individual Methods:

- **Initial or Break-In Training:** The trainee is asked to work in different departments and study for himself. He may be guided but often left free. After a specific period, he would be asked to work in his field.
- **Special Assignments:** Slightly easier assignments are given and his capacity in handling problems is watched. Shortcomings, if any, are brought to his notice for future guidance e.g., senior and junior lawyers.
- **Field Coaching:** The newly recruited salesman is asked to work along with an experienced salesman in the field. This method creates self-confidence, enthusiasm in the newly recruited salesman.
- **Sales Manuals:** These are tailored books where a number of problems are stated together with suggested answers. This is prepared out of company's past experience and might contain valuable information. These are given to salesman for self-study.

B. Group Methods:

1. **Lecture Method:** This is the easiest and quickest method of imparting information to the trainees. Most of the training methods are based on this principle, simply because of its assured success. It is theoretically-oriented and the practical aspects are ignored. In spite of these defects, lecture method forms the cornerstone of various training methods.
2. **Audio-Visual Methods:** It is a 'telling and showing' method. This method is often used as a supplementary to the lecture method. The visual aids such as filmstrips, slides, charts, posters, etc., are capable of providing more exposition to the lectures and making it more interesting. Demonstration is possible under this method.
3. **Conference Method:** Sales conference and seminars are usual nowadays with most organizations. Such methods are useful in sharing the experiences of the experienced people. However, it is not a good method of training for the newly recruited salesmen.

4. **Discussion and Case Method:** For those who have basic knowledge on the subject this method is quite good. A particular problem is given to various groups and each group is asked to discuss it and put forward its suggestions. Later on, all these suggestions are analyzed by all the groups together. This enables to have a correct idea of the problem, and a better solution.
5. **Role-Playing:** Under this method, each participant is asked to play a role. A situation is suggested and each one will have to act just like what he is expected to do in real-life situation. This method is a lively one and uses co incidence in taking independent decisions. Later on, the role played by the participants is analyzed and the shortcomings are pointed out.

C. On-the-Job Methods:

This method stresses practice-oriented training.

1. **Field Training:** The new representative works in the field meeting various categories of customers.
2. **Job Rotation:** The salesman is trained in all departments and he would be asked to work in all sections of each department. This would give him a clear idea of inter-departmental relationship, which would give him an idea about the company. Further, he may also be asked to work in the factory to know how products are processed. All these would give him enough tools to overcome the resistance of the customers in the sales field.
3. **Off-the-Job Method:** Many associations generally issue journals, bulletins and other publications to enable their members to perform their duties more promptly and efficiently. The salesperson can become a member of such associations to upgrade his knowledge and skills.
4. **Follow-Up Training:** Training is not temporary but should be continuous. Even the trained salesmen require periodic training termed as 'refresher training' or 'follow-up training.' Periodic training is essential as frequent changes are always encountered in the marketing scene. Change in consumer preferences, changes in Government policy, change in product, etc. in order to make the salesman abreast of all these developments, constant training is essential.

Pre-requisites of a good training scheme for sales force:

1. **Basic Principle of Salesmanship:**

Salesmen, to be effective in their sales efforts, should know fully the buying motives of customers and the selling points of the products. They should be well-versed with the methods of approaching the customers. They should know the effective way of arousing the interest in the product and the art of creating desire for it.

They should be able to meet the objections raised by the customers. The training programmed should stress on the AIDA formula to explain and build the sales presentation.

A – Attention – How to get it? I – Interest – How to arouse it?

D – Desire – How to develop it?

A – Action – How to bring about decision to buy?

2. **Knowledge of the Firm:**

The salesman should be well informed about the company i.e., history of the company, its organizational set up, the name it has earned, achievement records, sales policies, distribution policies, customer's service provided by the company, selling outlets, (channels) and so on. Knowledge about the firm's goodwill and its selling policies goes a long way to inject a sense of pride in the salesmen and enable them to do their job as per the firm's policy.

3. **Knowledge of the Product:**

To be successful in increasing the sales volume of a product, salesmen should possess the requisite knowledge of the product. Good physical appearance alone will not help him to sell the product. Therefore, a salesman must have a detailed knowledge regarding- nature of the product, methods of production, materials used, method of packing, uses of the product, etc. This knowledge could be gained only out of properly organized training by the company.

4. **Knowledge about the Customers:**

A salesman must have a perfect knowledge of customers to whom the products are to be sold. Furthermore, consumers are human beings and their behaviour would be different from one another. Their buying motives would be different from one another. Each customer would be different as to the nature and type. Buying motives include considerations of health, comfort and convenience, such as sense of fear, fashion, recreation, affection, hobbies, and habits. All these necessitate the salesman to acquire the knowledge of 'customer psychology.' The training is required to study at least three factors- What motivates the buyer to buy? What is the nature and requirement of the customer? How to deal with different types of customers?

5. **Knowledge of Competitors:**

Apart from the knowledge regarding the firm represented by the salesman and its products, they must possess the knowledge relating to their products and policies of the competing firm.

6. **Matters Pertaining to the Day to Day Work:**

Salesman should also be given training to know the following:

1.To draft periodical reports to the firm

2.Receipt of and replying letters

3.Preparation of orders and bills

4.Maintenance of accounts

5.Arrangements of display and demonstration of products.

7. Knowledge of self-

In order to become an effective salesperson, one should seek knowledge in all relevant subjects and apply the same in day-to-day work. This can be achieved by developing regular reading habits, upgrade technical knowledge, managerial and selling skills. He has to improve skills in communication, public-speaking and presentations. Salesmanship is not a matter of personality alone, but a systematic utilization of one's personality. It is realized that no product could be sold unless 'the presentation' is made in an efficient and convincing manner.

Advantages of Training the Salesforce:

1. **Greater Sales Volume:** A scientifically designed training programme helps to increase the sales volume.
2. **Reduces Cost of Production:** Increased selling helps to reduce cost of production.
3. **Early Selling Maturity:** Training reduces the time to be spent by the salesman with each customer in convincing him about the product.
4. **Lowers Supervision Cost:** In the case of untrained salesmen, sales manager and the other supervisory staff have to pay more visits than those needed in the case of

trained salesmen to keep a check on their work.

5. **Lowers Turnover of Salesforce:** Proper training makes the salesman well-prepared for the field work. This results in reduced number of salesmen leaving their job. This lower rate of turnover gives the advantage of reduced costs of recruitment, selection and training of salesmen.
6. **Better Customer Relations:** A scientifically trained salesman knows how to deal with a particular sales situation. He does not oversell, e.g., he does not sell the wrong quality or type of goods. The salesman advises the customers in business also. Therefore, a cordial pleasant personal relationship with the customer is established. This makes frequent visits to book repeat orders possible.

Compensation of sales force

Need for a good compensation system in organization

1. **To Attract Best Salesmen:**

Gifted and talented salesmen can be attracted only when a firm is prepared to reward amply the services rendered. There is no harm in paying a little more than others, as it pays in terms of improved level of performance.

2. **To Keep Sales force Contended:**

There is a direct link between payment made to them and the satisfaction. Man performs his duties, looks after well and then he is happy and contended or satisfied. A satisfied employee puts heart and soul together to maximize the work performance.

3. **To Build Up Loyalty:**

The aim of sound sales organization is to build not only competent sales force but to have people who are prepared to serve for a long time. Loyal staff makes the organization rich. Good pay- masters have this advantage “pay well and keep the employee” is the watch-word. A loyal staff avoids problems of recruitment, selection, and training and, therefore, the dilemmas of labor turnover.

4. **To Guarantee Sound Employer-Employee Relation:**

Misunderstandings normally arise due to many matters and disparity in treatment. Sales force of one selling house compares the pay with that of others in the sales line. If there is disparity, the morale of salesmen is affected. Handsomely paid, well-treated salesmen have no scope for grudges or grumbling and as such relations would be sound, with the utmost harmonized effort.

Elements of a good remuneration plan:

A good remuneration plan should fulfill the following requirements. Fulfillment of these requirements will make it a sound plan, which will help in developing a loyal sales force. Loyalty will ensure long service with the firm. Thus, salesmen turnover will be reduced.

1. **Adequate salary:** Should provide adequate income to maintain a decent standard of living compared to that enjoyed by others in the same line
2. **Simplicity:** It should be easily understood by salesmen of average intelligence without any training in accountancy or statistics. Salesmen are suspicious of any plan that they do not understand completely and, as such, it weakens the confidence and lowers the morale.
3. **Flexibility:** The plan so designed must be capable of being adapted to various selling conditions. For instance, the firm introducing a new product, commission schemes will work out more profitable. On the contrary, in the case of a regular product, salary system can be relied upon. Thus, the variable makes it flexible to ensure satisfactory results.
4. **Incentive Oriented:** Monetary reward for extra effort is really a nice and wise stimulus to many of the salesmen who exceed the normal performance level. Such additional amount results in increased volume of sales. It may be in the form of bonus or commission. It is to give an impression that the salesmen are compensated for extra ordinary performance.
5. **Low Administration Cost:** The cost of administration of the plan, i.e., the need of help from accountants and clerks, etc. for computing salesmen's earnings should be as low as possible.
6. **Fairness:** It must be fair to both the firm and salesmen. Also, there should not be any room for discrimination against or favor for any individual salesman.
7. **It Is Prompt in Payment:** It is already said that the remuneration should be incentive-oriented. The incentives that are added must be given to the workers earlier, to have deep- rooted effects upon the minds of the workers. Many times, bonus earnings are declared but are held up to a quarter, semi- annual and year end. This delay in paying weakens the desire on the part of employees. By the time he receives the payment, he

might have lost his interest and enthusiasm. At times, delayed payments of such incentives will induce labor turnover. Therefore, as soon as entitled and earned, they must be paid.

8. **Promotion:** Provisions should be made for increase in salary when a person promotes and also reward employees for a long service.

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- Thomas T.Nagle and Reed K.Holden, The strategy and tactics of pricing, Printice Hall, 2001

QUESTIONS:

S.NO	PART – A (6 MARKS)	CO	Level
1.	Demonstrate the elements of a promotion mix with suitable example.	CO1	L2
2.	Illustrate the role of promotion mix in marketing.	CO 2	L5
3.	Discriminate between advertising and sales promotion.	CO 2	L4
4.	Evaluate the role of sales promotion in selling a FMCG product	CO 2	L3
5.	Differentiate between pull and push strategies.	CO 3	L4
6.	Comments on the benefits of advertising to the customers and companies.	CO 3	L4
7.	Elucidate on media planning proceedures.	CO1	L4
8.	Summarize the role of public relations in promoting product and services	CO2	L5
9.	Design the Qualities of a sales person to sell an insurance product.	CO3	L4
10.	Explain the pre requisites of a good training scheme.	CO1	L4
S.NO	**PART-B (10 MARKS)**	**CO**	**Level**
1.	Describe promotion mix. Comment on the factors influencing promotion mix decisions in a firm.	CO1	L2
2.	Illustrate the tools of integrated marketing communication IMC.	CO2	L4
3.	Summarize the functions of advertising.	CO2	L4
4.	Write detailed notes on indoor advertising and outdoor advertising	CO1	L3
5.	Write short notes on the Dagmar approach to marketing	CO2	L5
6.	Illustrate the benefits of advertisement to the various beneficiaries involved in the buying process.	CO2	L4
7.	Criticize the procedure in the recruitment of sales force.	CO2	L4
8.	Describe the methods of training for sales personnel.	CO3	L4
9.	Examine the prerequisites of good compensation system	CO3	L4
10.	Design and develop a advertising campaign to promote a coffee shop near a college.	CO1	L6