Marketing Management

Notes

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Marketing Management - Meaning Scope, Define Market, Marketing, core concepts, Marketing Orientations

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(MBA Semester 1, Batch of 2011-13)

Marketing management

Meaning:

Marketing management focuses on satisfying customer requirements by identifying needs and wants, and developing products and services to meet them**.**

Definition: Marketing management "is a science and art of choosing target market and getting, growing and keeping customers by creating, delivering and communicating customer superior value".

What is marketed?

It specifies "tangibility spectrum":-

.Goods   Services associated with good.   Goods associated with services   Services

i. **Goods**: Goods constitute the bulk production and marketing efforts. Companies market cars, trucks, television sets, machine tools, watches, cosmetics etc.
   Service can also be associated with goods.
ii. **Services**: Services include the work of airlines, hotels, maintenance and repair people, bakers, lawyers, doctor's management consultants. Many market offerings consist of a variable mix of goods and services. At fast food restaurant, for example, the customer consumes both a product and a service.
iii. **Events**: Marketers promote time based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted.
iv. **Experiences**: An amusement park or a water park represents experiential marketing: customers by taking "rides" in the amusement park or the water park enjoy the thrill provided by these experiences.
v. **Persons**: Celebrity marketing is a major business. Artists, musicians, CEOs, high profile people all get help from celebrity marketers. Celebrities such as Amitabh Bachchan, Sachin Tendulkar, Shah Rukh Khan, Aishwarya Rai are big brand themselves.
vi. **Places**: Cities, states, regions, and whole nations compete actively to attract tourists. In software industry Bangalore is positioned as the "silicon valley" of India. In tourism industry, Karnataka is marketed as "One state many words". The Government of India is marketing India as a tourist destination through the "Incredible India "advertisement campaign.
vii. **Organizations**: Organizations actively work to build a strong, favorable, and unique image in the minds of their target publics. Universities, museums, performing arts organizations, and nonprofits all use marketing to boost their public image and to compete for audiences and funds.
   Eg: Philips "Sense and Simplicity" campaign.
viii. **Property:** Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and exchanges require marketing. Investment Companies and banks market securities to both institutional and individual investors.

ix. **Information**: Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students and communities.
Eg: Travel guides, Periodicals, newspapers etc.

x. **Idea:** Every market includes a basic idea. Products and services are platforms for delivering some idea or benefit.
Eg: ideas creting awareness about AIDS, discouraging smoking and so on.

Marketers and prospects:
A marketer is someone seeking one or more prospects who might engage in an exchange of values.
A prospect is someone whom the marketer identifies as potentially willing and able to engage in an exchange of value.
When one partly is more actively seeking and exchange than the other party, we call the first partly a marketer and second partly a prospect.

Market: The concept of exchange and relationship lead to the concept of market. A market is a set of all actual and potential buyers of product or services.
In other words, market is a situation where sellers and actual and perspective buyers exist.
Eg: Window shopping, e-bay etc.

Following are the different types of market:

1. **Consumer Markets:** When an individual buys product for personal consumption or for gifting to another individual for his personal consumption is called as Consumer market. Eg: Cosmetics, shoes etc.
2. **Business Markets:** When buyer buys the product for a resell or to manufacture a product for a sale. It is called as Business market. Eg: Furniture, PC etc.
3. **Global Market:** When companies market the product across the countries, across the continent by altering the product as per the requirement of that specific market is known as Global market. The decision is made in the face of different requirements for buying, negotiating, owing; different culture, language and legal and political systems and currencies that might fluctuate in value.
4. **Non-profit and Governmental Markets:** Companies sell their goods to non-profit organizations such as churches, universities, charitable institutions and government organization need to price carefully, because these buyers will have limited purchasing power. Government purchasing calls for bids and buyers often favors for lowest bid in the absence of extenuating factors.
5. **B-B Market** – Business to Business Market
6. **B-C Market** – Business to Consumer Market
7. **C-C Market** – Consumer to Consumer Market

Marketing
Meaning:
Meeting needs profitably of consumers and organization is called as marketing. The concept of exchange and relationship lead to the concept of market. A market is a set of all actual and potential buyers of product or services.

Define Marketing.

According to AMA, "Marketing is a function and set of processes for creating, communicating and delivering a value to customer and managing customer relationship in the way that benefits organization as well as consumer".

Marketing depends on various concepts so that Phillip kotler states that marketing rests on core concepts. Following are the important core concepts of marketing are:

Core Concepts of Marketing

1. **Need: -** A human need is a state of felt deprivation of some basic satisfaction. e.g. people require food, clothing, shelter, safety, belonging & esteems.

   Types of Needs:

   a. **Stated needs** - the customer wants an inexpensive car.
   b. **Real needs** - wants a car with operating cost, not its initial price is low.
   c. **Unstated needs** - the customer expects good service from the dealer.
   d. **Delight needs -** would like the dealer to include an onboard navigation system.
   e. **Secret needs** - the customer wants friends to see him as savvy consumer.

2. **Wants:-**

   Wants are the forms taken by human needs has they are shape by culture & individual personality people have almost unlimited wants but unlimited resources. People want to choose product that provide the most value & satisfaction for their money.

   Example: - a human being needs food but wants the burger, French rice, & soft drink.

3. **Demand:-**

   Given with they wants & resources. People demand product with benefits that adapt to the most value of a satisfaction.

   Types of Demand:

   a. **Negative Demand**: Consumers dislike the product and may even pay a price to avoid it. e.g: Drug (medicine).
   b. **Nonexistent Demand:** Consumers may be unaware or uninterested in the product. e.g: Insurance policy.
   c. **Latent Demand:** Consumers may share a strong need that cannot be satisfied by an existing product. e.g: Cigarettes.
   d. **Declining Demand:** Consumer begin to buy the product less frequently or not at all.
   e. **Irregular Demand**: Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis. e.g: Bouquet.
   f. **Full Demand:** Consumers are adequately buying all products put into the marketplace.
   g. **Overfull Demand:** More consumers would like to buy the product that can be satisfied. e.g: Demarketing.
   h. **Unwholesome Demand:** Consumers may be attracted to products that have undesirable social consequences. e.g: Alcohol.

4. **Value**: Value is a central marketing concept. It reflects the sum of perceived tangible and intangible benefits and costs to customers. It is the relation between cost and benefit. It is the relation between what we give and what we get. Value increases with quality and services and decreases with price.

   - Benefit can be functional benefit and emotional benefit.
   - Cost can be time cost, energy cost and psychological cost.

$$\text{Value: } \frac{\text{Benefit}}{\text{Cost}}$$

5. **Satisfaction:** Satisfaction reflects a person's judgments of a product's perceived performance in relationship to expectations. If performance falls short of expectations, person is dissatisfied and disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.
6. **Segmenting:** Dividing the market by grouping the customers with similar tastes and preferences into one group is called segmentation.
   Different **levels of segmentation** are:
   1. Segment Marketing
   2. Niche Marketing
   3. Local Marketing
   4. Individual Marketing

   Bases for Segmentation:
   1. Geographic Segmentation
   2. Demographics Segmentation
   3. Psychographic Segmentation
   4. Behavioral Segmentation
7. **Targeting:** It can be defined as a concentrating resources and efforts on particular market segment and segments.
   Eg: Mercedes for high end people.
8. **Positioning**: It deals with creating a distinct image in the minds of the customer.
   Eg: Maggi- in 2minutes.
   Volvo for safety.

Marketing Orientations

There are five main alternatives to adopting a marketing orientation. These are:

a. Selling orientation.
b. Production orientation.
c. Product orientation.
d. Marketing orientation.
e. Societal Marketing

These are described briefly below:

Selling orientation

The selling concept holds that consumers and businesses, if left alone, won't buy enough of the organizations products. The organization must therefore, undertake an aggressive selling and promotion effort. e.g. Insurance Company they make policy and make it available to customers.

Production orientation

A production concept is one of the oldest concepts in business. It helds that consumers will prefer products that are widely available and inexpensive. A production -orientated business is said to be mainly concerned with making as many units as possible (mass production and distribution). By concentrating on producing maximum volumes, such a business aims to maximize profitability by exploiting economies of scale. It occurs in a situation when product exceeds supply and when the product cost is too high. .

Product orientation

This is different from a production orientation. The product concept proposes that consumers favor products that offer the most quality, performance, or innovative features. In these organizations focus on making superior products and improving them over time. The business that is "obsessed" with its own products, perhaps even arrogant about how good they are. Their products may start out as fully up-to-date and technical leaders. e.g. Apple products like i-phone, i-pod. They focuss on product development and come with great quality products.

Marketing orientation

The marketing orientation emerged with the concept of "sense-and-respond" philosophy. The job is not to find right customers for your product but to find right product for your customers. The marketing orientation holds that key to achieving organizational goals is being more effective than competitors in creating, delivering and communicating superior customer value to chosen target markets.

Holistic marketing

Holistic marketing recognizes that "everything matters" in marketing. The concept is based on the development, design and implementation of marketing programmes, processes and activities that recognizes their breadth and interdependencies

a. **Relationship marketing**

   It aims to build mutually satisfying long term relationship with key constituents in order to earn and retain their business.

   Four key constituents of relationship marketing

   - Customers
   - Employees
   - Marketing partners(channels,suppliers,distributers,dealers,agencies)
   - Members of the financial community(shareholders,investors,analyst)

b. **Integrated marketing**

   Marketers task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value of consumers.

c. **Internal Marketing**

   Internal marketing is the task of hiring, training, and motivating able employees who want to serve customers well.

Performance Marketing

Holistic marketing incorporates performance marketing and understanding the returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

- Financial Accountability
- Social Responsibility Marketing
- Social Initiatives
- Corporate social marketing
- Cause marketing
- Corporate philanthropy
- Corporate community involvement
- Socially responsible business practices

Consumer value & satisfaction,

Marketing Organization- scope and types

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(MBA Semester 1, Batch of 2011-13)

Consumer Value and Satisfactions:

Value:
Value is a central marketing concept. It is the ratio of benefits got for the cost of it. The offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings based on which he perceives to deliver the most value. Thus, Value reflects the some of the perceived tangible and intangible benefits and costs to consumers.
It is primarily a combination of quality, service and price ("qsp"), called the "customer value triad." Value increases with quality and service and decreases with price. Other factors also play an important role.
VALUE = BENEFIT / COST
Where, benefit includes Functional benefit, Emotional benefit and Economic benefit .Benefit is the perceived monetary value of the bundle of economic functional and psychological benefits customers expect from a given market offering because of the products, services, personnel and image involved.
And cost includes total of the monetary cost plus psychic costs like time, energy and other botherations incurred by the buyer. Cost consists of tangible and intangible components.
Satisfaction:
Satisfaction reflects a person's judgments of a product are perceived performance (or outcome) in relationship to expectations. If the performance falls short of expectations, the customer is dissatisfied and disappointed. If it matches expectations, the customer is satisfied. And if it exceeds them, the customer is delighted.
To deliver value and satisfaction to the consumers a firm has undergo the following types of risk:

1) Functional Risk
2) Financial Risk
3) Physical Risk
4) Social Risk
5) Psychological Risk

Marketing Organization:
The role of marketing in the organization is changing. Traditionally, marketers have played the roles of middlemen, charged with understanding customer needs and transmitting the voice of the customer to various functional areas in the organization. But in a networked enterprise, every functional area can interact directly with customers. Marketing no longer has sole ownership of customer interactions; rather, marketing needs to integrate all the customer-facing processes so customers see a single face and hear a single voice when they interact with the firm.
Types of Marketing Organizations:
Modern marketing can be organized in a number of different ways. They are as follows:

1) Functional Organization
2) Geographic Organization
3) Product or Brand –Management Organization
4) Matrix- Management Organization
5) Market Organization

These organizations are briefly explained below
Functional Organization:

The most common form of marketing organization consists of functional specialists reporting to a marketing vice president, who coordinates their activities. This includes customer service manager, marketing planning manager, sales manager, marketing research manager, new product manager, etc. The main advantage of this organization is its administrative simplicity. This type of organization often leads to inadequate planning for specific products and markets.

Geographic Organization:

A company selling in the national market often organizes it's a sales force on geographic lines. The national sales manager supervises regional sales manager, who supervise zonal or branch managers supported by sales officers, sales supervisors and sales persons.

Improved information and marketing research technologies have spurred regionalization. Data from retail-store scanners allow instant tracking of product sale, helping company's pinpoint local problems and opportunities.

Product or Brand –Management Organization:

Companies producing a variety of products and brands often establish a product-brand management organization. The product management organization does not replace the functional organization, but serves as another layer of management. In this organization a product manager supervises product category managers, who in turn supervise product and brand managers.

Matrix- Management Organization:

Companies that produce many products for many markets may adopt a matrix organization. A matrix organization seems desirable in a multi product, multi market company. The problem is that it is costly and often creates conflicts.

Market Organization:

Many companies sell to different markets. When customers fall in to different user groups with distinct buying preferences and practices, a market management organization is desirable. Market managers supervise several market- development mangers, market specialists or industry specialist and draw on functional services as needed.

Meaning and significance of marketing planning

Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A Detailed marketing plan is needed for each business, product or brand the development of longer-term plans which have generally stronger impact than the short-term programs.

Significance:-

- It helps to ensure that marketing activity is properly focused & integrated.
- It enables everyone in the organization to know exactly what will happen and when.
- It enables the business to take advantage of market opportunities.
- Identify the right marketing mix.
- It puts the business in a position to react to unexpected events.
- Marketing planning of an organization is planning for that organization's revenue-earning activities.
- It consists of a plan identifying what basic goals and objectives will be pursued and how they will be achieved within a specific time frame.
- Marketing planning helps in maintaining a viable fit between the organization's goals, objectives, targets, skills and resources with its changing market opportunity.

Meaning and significance of Marketing planning, corporate & divisional strategic planning, SBU planning, the market process and product planning

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Corporate & division strategic planning

Strategic planning:

The process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities is called Strategic planning. Strategic planning involves developing a strategy to meet competition and ensure long-term survival and growth.

Strategic planning is mainly of three types:

Strategic Planning:

Major activities in strategic planning process include developing the company's goals and plans. Typically strategic planning focuses on long-term issues and emphasizes the survival, growth, and overall effectiveness of the organization.

Tactical Planning:

Tactical planning is concerned with translating the general goals and plans developed by strategic managers into objectives that are more specific and activities. These decisions, or tactics, involve both a shorter time horizon and the coordination of resources.

Operational Planning:

Operational planning is used to supervise the operations of the organization. It is directly involved with non-management employees, implementing the specific plans developed with tactical managers. This role is critical in the organization, because operational managers are the link between management and non-management personnel.

Characteristics of a Strategic Planning:

Strategic planning consists of developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilize all facets of the organization), and functional plans (plans to carry out daily operations from the different functional disciplines). Characteristics are as follows:-

- It encourages management to think ahead systematically.
- It forces managers to clarify objectives and policies.
- It leads to better coordination of company efforts.
- It provides clearer performance standards for control.
- It is useful for a fast-changing environment since sound planning helps the company anticipates and respond quickly to environmental changes and sudden developments.

Strategic planning Process:

- Defining the Company's Business and Mission
- Defining the business
- Assigning resources to SBU's
- Assessing growth opportunities.

Step 1: Defining the Company's Business and Mission:

A mission statement is a statement of the organization's purposes—what it wants to accomplish in the larger environment.

To define its mission, the company should address the classic questions?

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

- What should our business be?

An organization develops a mission statement to share with managers, employees, & customers. A clear thoughtful mission statement provides employees with a shared sense of purpose, direction, & opportunity. Good mission statements focus on a limited number of goals, stress the company's major policies & values, & define the company's major competitive spheres.

Step 2: Defining the business:

A business can be defined in terms of three dimensions:

- Customer groups,
- Customer needs, &
- Technology.

"A target market definition" tends to focus on selling a product to a current market. e.g.: Pepsi could define its target market as everyone who drinks cola beverages; its competitors would therefore be cola companies.

"A strategic market definition" focuses also on the potential market. If Pepsi considered everyone who might drink something to quench his/her thirst, its competition would also include non-cola soft drinks, bottled water fruit juices, tea & coffee. To better compete, Pepsi might decide to sell additional beverages with promising growth rates.

Step 3: Assigning resources to SBU's:

The third step in the strategic planning process is assigning resources to SBU's. The business portfolio is a collection of businesses and products that make up the company. The best business portfolio is the one that best fits the company's strengths and weaknesses to opportunities in the environment. The purpose of identifying the company's strategic business units is to develop separate strategies & assign appropriate funding.

Step4 :Assessing growth opportunities:

Assessing growth opportunities includes planning new business, downsizing, or terminating older businesses. A company's options for higher sales & profits include:

- Intensive growth,
- Integrative growth, &
- Diversification growth.

Intensive growth: one useful framework for identifying intensive growth opportunities is a "Product – market expansion grid".

- **Market penetration strategy**: - The Company first considers whether it could gain market share with its current products in current markets by encouraging current customers to buy more, attracting competitor's customers, or convincing nonuser's to start buying its products.
- **Market development strategy**:- It considers whether it can find or develop new markets for its current products.
- **Product development strategy**:- It considers whether it can develop new products for its current markets.
- **Diversification strategy**: - It will also review opportunities t develop new products for new markets.

Integrative growth:

- Acquiring a supplier: - often growth can be achieved through **backward integration.**
- Acquiring a distributor:- growth can be achieved through **forward integration.**

- Acquiring a competitor:- growth can be achieved through **horizontal integration**.

Diversification growth: There are three types of diversification:

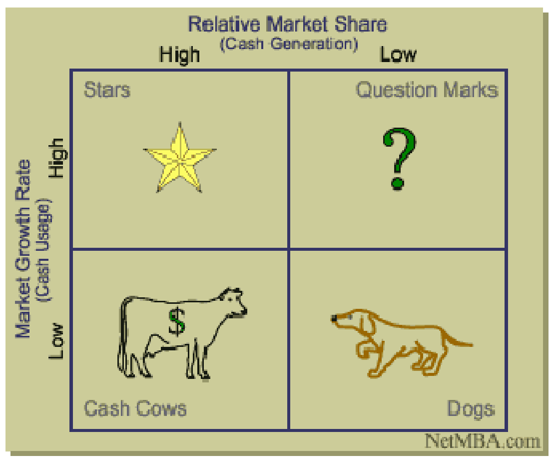
Concentric diversification strategy:- The company could seek new products that have technological or marketing synergies with existing product lines, though the new products themselves may appeal to a different group of customers.

Horizontal diversification strategy:- The company might search for new products that appeal to its current customers but are technologically unrelated to the current product line.

Conglomerate diversification strategy:- The company might seek new businesses that have no relationship to the company's current technology, products or markets.

Different tools used for SBU's (Strategic Business Unit)

The Boston Consulting Growth-Share Matrix(BCG Matrix)



The BCG growth-share matrix displays the various business units on a graph of the market growth rate v/s market share relative to competitors

The business portfolio is the collection of businesses and products that make up the company. The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities.

Cash Cow - a business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units. **Strategy adopted by companies is Harvest**

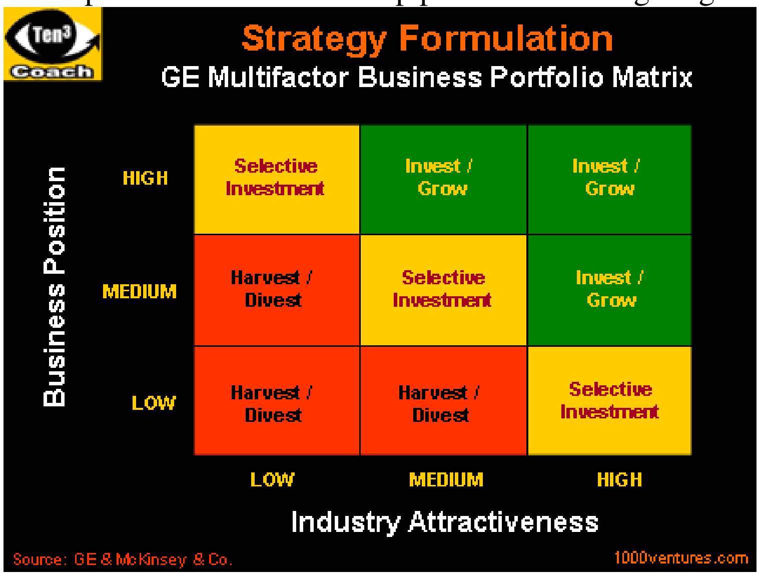
Star - a business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. **Strategy adopted by companies is Hold**

Question Mark - a business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown. **Strategy adopted by companies is Build**

Dog - a business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose, it should be liquidated if there is little prospect for it to gain market share. **Strategy adopted by companies is Divest.**

GE 9 CELL MATRIX

The GE/McKinsey Matrix was developed jointly by McKinsey and General Electric in the early 1970's as a derivation of the BCG Matrix. The GE/McKinsey Matrix is a nine-cell (3 by 3) matrix used to perform business portfolio analysis on the strategic business units (SBU) of a corporation. A well balanced portfolio is one of the top priorities of a large organization.



Industry Attractiveness

The horizontal axis of the GE / McKinsey matrix is industry attractiveness, which is determined by factors such as the following:

- Market growth rate
- Market size
- Demand variability
- Industry profitability
- Industry rivalry
- Global opportunities
- Macro environmental factors

Each factor is assigned a weighting that is appropriate for the industry. The industry attractiveness then is calculated

Business Unit Strength

The vertical axis of the GE / McKinsey matrix is the strength of the business unit. Some factors that can be used to determine business unit strength include:

- Market share
- Growth in market share
- Brand equity
- Distribution channel access
- Production capacity
- Profit margins relative to competitors.

The business unit strength index can be calculated by multiplying the estimated value of each factor by the factor's weighting, as done for industry attractiveness

Six steps are necessary to implement the GE/McKinsey analysis:

1. Determine which factors are relevant for the corporation in the industry where it operates
2. Assign a weight to each factor
3. Score each factor
4. Multiply the relative scores and weights
5. Sum all up and interpret the graph
6. Perform a review analysis

ADL MATRIX

Arthur D Little (ADL) Matrix was developed in the late 1970s by the highly respected Arthur D Little consulting company; it helps you think about strategy based on:

Competitive Position – How strong is your strategic position?

Industry Maturity – At what stage of its lifecycle is the industry?

The ADL Matrix addresses these unique needs by recommending general strategies for different combinations of competitive position and industry maturity.

ADL Matrix

		Industry life cycle stage			
		Embryonic	Growth	Mature	Aging
Competitive Position	Dominant	All out push for share. Hold position.	Hold position. Hold share.	Hold position. Grow with industry.	Hold position.
	Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold position. Grow with industry.	Hold position or harvest.
	Favorable	Selective or all out push for share. Selectively attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phased out withdrawal.
	Tenable	Selectively push for position.	Find niche and protect it.	Find niche and hang on, or phased out Withdrawal.	Phased out withdrawal, or Abandon.
	Weak	Up or out.	Turnaround or abandon.	Turnaround, orphaned out withdrawal.	Abandon.

Industry Maturity

There are four categories of industry maturity (also referred to as the industry life cycle):

Embryonic – The introduction stage, characterized by rapid market growth, very little competition, new technology, high investment and high prices.

Growth – The market continues to strengthen, sales increase, few (if any) competitors exist, and company reaps rewards for bringing a new product to market.

Mature – The market is stable, there's a well-established customer base, market share is stable, there are lots of competitors, and energy is put toward differentiating from competitors.

Aging – Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive, and companies begin leaving or consolidating until the market's demise.

Competitive Position

The five categories for competitive position are as follows:

Dominant – This is rare and typically short-lived. There's little, if any, competition, usually a result of bringing a brand-new product to market or having built an extremely strong reputation in the market (think Microsoft). Often results from a near monopoly or protected leadership.

Strong – Market share is strong and stable, regardless of what your competitors are doing.

Favorable – Your business line enjoys competitive advantages in certain segments of the market. However, there are many rivals of equal strength, and you have to work to maintain your advantage.

Tenable – Your position in the overall market is small, and market share is based on a niche, a strong geographic location, or some other product differentiation. Strong competitors are overtaking your market share by building their products and defining clear competitive advantages.

Weak – There's continual loss of market share, and your business line, as it exists, is too small to maintain profitability.

MARKETING PROCESS

Step1 : Understand the marketplace and customer needs and wants:

As a first step, marketers need to understand customer needs and wants and the marketplace within which they operate. In order to understand the consumer, it is necessary to know his needs, wants demands. However, for a complete understanding of the marketing process, the term should be clearly understood. Need are basic human requirements like food, security, clothing, and survival. Wants are the needs directed to specific product/service. A demand refers to human wants that are backed by buying power.

Step2 : Design a customer-driven marketing strategy:

To design a winning marketing strategy, the marketing manager must answer two important questions? What customers will we serve (what's our target market)? and How can we serve these customers best(what's our value proposition)?

The company must first decide who it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (target marketing)

The company must also decide how it will serve targeted customers- how it will differentiate and position itself in the market place.

Step 3: Preparing an integrated marketing plan and program:

The marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The marketing program builds customer relationships by transforming the marketing strategy into action. It consists of the firm's marketing mix, the set of marketing tools the firm uses to implement its marketing strategy. The firm must blend all these marketing mix tools into a comprehensive integrated marketing program that communicates and delivers the intended value to chosen customers.

Step 4: Building customer relationships

It means the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction

Step 5: Capturing value from customers:

The final step involves capturing value in return in the form of current and future sales, market share, and profits. By creating superior customer value, the firm creates highly satisfies customers who stay loyal and buy more. This, in turn, means long run returns for the firm.

Step 6: Product planning/ product development

a. **Idea generation**:- New product development starts with idea generation- the systematic search for new product ideas.
b. **Idea Screening**:- This process involves shifting through the ideas generated above and selecting ones which are feasible and workable to develop.
c. **Concept Development and Testing:-** The organization may have come across what they believe to be a feasible idea, however, the idea needs to be taken to the target audience.
d. **Marketing Strategy and Development**:- Designing an initial marketing strategy for a new product based on the product concept. How will the product/service idea be launched within the market?
e. **Business Analysis**:-The company has a great idea, the marketing strategy seems feasible, but will the product be financially worth while in the long run?
f. **Product Development**:- Developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable market offering.g.
g. **Test Marketing**:- Test marketing means testing the product within a specific area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed.
h. **Commercialization**:- If the test marketing stage has been successful then the product will go for a launch. There are certain factors that need to be taken into consideration before a product is launched. These are timing, how the product will be launched, where the product will be launched, etc.

Scanning the marketing environment, identifying and responding to major macro environmental forces

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(MBA Semester 1, Batch of 2011-13)

PESTND Analysis – Macro Environmental Factors

Political Environment

The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. Factors such as:

- How stable is the political environment?
- Will government policy influence laws that regulate or tax your business?
- What is the government's position on marketing ethics?
- What is the government's policy on the economy?
- Does the government have a view on culture and religion?
- Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others?

Demographic Environment

The Demographic forces that marketer monitor is population, because people make up marketer. Marketers are keenly interested in the size and growth rate of population in cities, regions, and nations; age distribution and ethnic mix; educational levels; household patterns; and regional characteristics and movements.

Explosive population growth has major implications for business. A growing population does not mean growing market, unless these markets have sufficient purchasing power. Nonetheless, companies that carefully analyze their market can find major opportunities.

Economic Environment

The available purchasing power in an economy depends on current income, price, savings, debt, and credit availability. Marketer must pay careful attention to trends affecting purchasing power, because they cant have a strong impact on business, especially for companies whose products are geared to high- income and price-sensitive consumer.

Macroeconomic indicators of the country provide the overall health of the economy as well as the direction of economic growth. A marketer needs to understand the distribution of income to reach more meaningful conclusions about taking specific decisions.

The NCAER has classified Indian consumers into five categories

- **Destitute:** Annual household's income of Rs. 16000; not active participants in market exchange for a wide range of goods.
- **Aspirants:** Annual household's income of Rs. 16000 – 22000; new entrants into the consumption systems to increase in their real income.
- **Climbers:** Annual households income between Rs. 22000- 45000; have desire and willingness to buy, but have limited cash at hand
- **Consuming:** Annual households income of Rs. 45000-215000; households that form the majority of consumers; have money and are willing to spend.
- **Rich:** Those who have money and own a wide range of products.

For several product categories, the demand is likely to increase as results of growth in income and the number of households with greater purchasing power. This gives additional opportunities for companies to introduce new market offers that address the needs of "new" consumers who have just entered the market due to their income increase. The marketing strategy for companies needs to be focused on utilization these opportunities that are spin-off of the economic growth.

Social- cultural environment

Society shapes the beliefs, values, and norms that largely define consumer tastes and preferences. People absorb, almost unconsciously, a world view that defines their relationships to themselves, to others, to organizations, to society, to nature, and to the universe.

Some characteristics of social- cultural environment are:

1. **Persistence of cultural values**: People's core beliefs and values have a high degree of persistence. Core beliefs and values are passed on from parents to children and are reinforced by schools, churches, business, and government. Secondary beliefs and values are more open to change.
2. **Shifts in secondary cultural values:** Since secondary cultural values and beliefs are open to change, marketers want to spot them and be able to capitalize on the change potential. Society's major cultural views are expressed in:
   a. People's views of themselves: People vary in their emphasis on serving themselves versus serving others. In the 1980s, personal ambition and materialism increased dramatically, with significant implications for marketing. The leisure industry was a chief beneficiary.
   b. People's views of others**:** Observers have noted a shift from a "me-society" to a "we-society." Consumers are spending more on products and services that will improve their lives rather than their image.
   c. People's views of organizations**:** People are willing to work for large organizations but expect them to become increasingly socially responsible. Many companies are linking themselves to worthwhile causes. Honesty in appeals is a must.
   d. People's views of society: This orientation influences consumption patterns. "Buy American" versus buying abroad is an issue that will continue into the next decade.
   e. People's view of nature: There is a growing trend toward people's feeling of mastery over nature through technology and the belief that nature is bountiful. However, nature is finite. Love of nature and sports associated with nature are expected to be significant trends in the next several years.
   f. People's views of the universe: Studies of the origin of man, religion, and thought-provoking ad campaigns are on the rise. Currently, Americans are on a spiritual journey. This will probably take the form of "spiritual individualism."

Natural Environment

Deterioration of the natural environment is a major global problem. Environmentalists in India have been actively campaigning against pollution – causing industries. Deterioration and shortage of drinking water in the vicinity of the plant is an example of the increasing environmental consciousness.

Some trend analysts labeled the specific areas of concern were:

- **Shortages of raw materials:** Staples such as air, water, and wood products have been seriously damaged and non-renewable such as oil, coal, and various minerals have been seriously depleted during industrial expansion.
- **Increased pollution:** It is a worldwide problem. Industrial damage to the environment is very serious. Far-sighted companies are becoming "environmentally friendly" and are producing environmentally safe and recyclable or biodegradable goods. The public

response to these companies is encouraging. However, lack of adequate funding, especially in third world countries, is a major barrier.

- **Government intervention:** in natural resource management has caused environmental concerns to be more practical and necessary in business and industry. Leadership, not punishment, seems to be the best policy for long-term results. Instead of opposing regulation, marketers should help develop solutions to the material and energy problems facing the world.
- **Environmentally sustainable strategies:** The so-called green movement has encouraged or even demanded that firms produce strategies that are not only environmentally friendly but are also environmentally proactive. Firms are beginning to recognize the link between a healthy economy and a healthy environment.

Technological Environment

One of the most dramatic force shaping people's lives is technology. Through the years, technology has released such wonders as penicillin, open-heart surgery, and the birth control pill. It has also released such mixed blessings as cell phones and video games.

Marketer should monitor the following four trends in technology:

- **Accelerating pace of change:** many of today's common products were not available 40 years ago. Electronic researchers are building smarter chips to make our cars, homes, and office connected and more responsive to change conditions.
- **Ultimate opportunities for innovation:** some of the most existing work today is taking place in biotechnology, computers, microelectronics, telecommunications, robotics, and designer materials.
- **Varying R&D budgets:** increasing opportunities emerging ad a result of globalization are forcing many companies in South Asia to increase their research and development efforts.
- **Increased regulation of technological change:** government has expanded its agencies' power to investing and ban potentially unsafe products. Marketers should be aware of the regulations concerning product safety, individual privacy, and other areas that affect technological changes.

Anaysing and understanding the buying behaviour in consumer and industrial market

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Fad, Trend and Megatrends

A fad is unpredictable, short-lived, and without social, economic, and political significance. A company can cash in on a fad such as Beanie Babies, Furbies, and Tickle Me Elmo dolls, but getting it right is more a matter of luck and good timing than anything else.

A trend is a direction or sequence of events that has some momentum and durability. Trends are more predictable than fads. A trend reveals the shape of the future and provides many opportunities.

For e.g.; The percentage of people who value physical fitness and well-being has risen steadily over the years, especially in the under-30 group, young women, upscale consumers, and people living in the west.

Megatrends have been described as large social, economic, political, and technological changes that are slow to form, and once in place, they influence us for sometime between 7 to 10 years, or longer. Young people in this region are playing an increasingly significant role in the consumption of products and services.

Factors influencing Consumer Behavior

1. **Cultural Factor:**

   Cultural factor divided into three sub factors

   a. Culture b. Sub Culture c. Social Class

   a. **Culture**:- The set of basic values perceptions, wants, and behaviors learned by a member of society from family and other important institutions. Culture is the most basic cause of a person's wants and behavior. Every group or society has a culture, and cultural influences on buying behavior may vary greatly from country to country.

   b. **Sub Culture**:- A group of people with shared value systems based on common life experiences and situations. Each culture contains smaller sub cultures a group of people with shared value system based on common life experiences and situations. Sub culture includes nationalities, religions, racial group and geographic regions. Many sub culture make up important market segments and marketers often design products.

   c. **Social Class**:- Almost every society has some form of social structure, social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behavior.

2. **Social Factors:**

   A consumer's behavior also is influenced by social factors, such as the

   a. Groups b. Family c. Roles and status

   a. **Groups**:- Two or more people who interact to accomplish individuals or mutual goals. A person's behaviors are influenced by many small groups. Groups that have a direct influence and to which a person belongs are called membership groups. Some are primary groups includes **family, friends, neighbors and coworkers**. Some are secondary groups, which are more formal and have less regular interaction. These include organizations like religious groups, professional association and trade unions.

   b. **Family**:- Family members can strongly influence buyer behavior. The family is the most important consumer buying organization society and it has been researched extensively. Marketers are interested in the roles, and influence of the husband, wife and children on the purchase of different products and services.

c. **Roles and Status**:- A person belongs to many groups, family, clubs, and organizations.The person's position in each group can be defined in terms of both role and status.

Personal Factors:-

a. Age and life cycle stage b. Occupation c. Economic situation d. Life Style
e. Personality and self concept.

a. **Age and Life cycle Stage**:- People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture, and recreation are often age related. Buying is also shaped by the stage of the family life cycle.
b. **Occupation**:- A person's occupation affects the goods and services bought. Blue collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits. A Co. can even specialize in making products needed by a given occupational group. Thus, computer software companies will design different products for brand managers, accountants, engineers, lawyers, and doctors.
c. **Economic situation:-** A person's economic situation will affect product choice
d. **Life Style**:- Life Style is a person's Pattern of living, understanding these forces involves measuring consumer's major AIO dimensions.i.e. activities (Work, hobbies, shopping, support etc) interest (Food, fashion, family recreation) and opinions (about themselves, Business, Products)
e. **Personality and Self concept**:- Each person's distinct personality influences his or her buying behavior. Personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment.

3. **Psychological Factors:-**
   It includes these Factors.
   a. Motivation b. Perception c. Learning d. Beliefs and attitudes

a. **Motivation:-** Motive (drive) a need that is sufficiently pressing to direct the person to seek satisfaction of the need
b. **Perception**:- The process by which people select, Organize, and interpret information to form a meaningful picture of the world.
c. **Learning**:- Changes in an individual's behavior arising from experience.
d. **Beliefs and attitudes**:- Belief is a descriptive thought that a person holds about something. Attitude, a Person's consistently favorable or unfavorable evaluations, feelings, and tendencies towards an object or idea

Perception and explains perception process

Perception is the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world. The key point is that it depends not only on the physical stimuli, but also on the stimuli's relationship to the surrounding field and on conditions within each of us. In marketing perception are more important than the reality, as it perception that will affect consumers actual behavior. People can emerge with different perceptions of the same object because of three perceptual processes.

1. **Selective attention**- attention is the allocation of processing capacity to some stimulus. Voluntary attention is something purposeful; involuntary attention is grabbed by someone

or something. Because we cannot possibly attend to all these, we screen most stimuli out- a process called selective attention.

2. **Selective distortion**-selective distortion is the tendency to interpret information in a way that fits preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations.
3. **Selective retention**- most of us don’t remember much of the information to which were exposed, but we do retain information that supports our attitudes and beliefs. Because of selective retention were likely to remember good points about the product we like and forget good points about competing product.

Dealing with competition - Analysing and designing the competitive strategies

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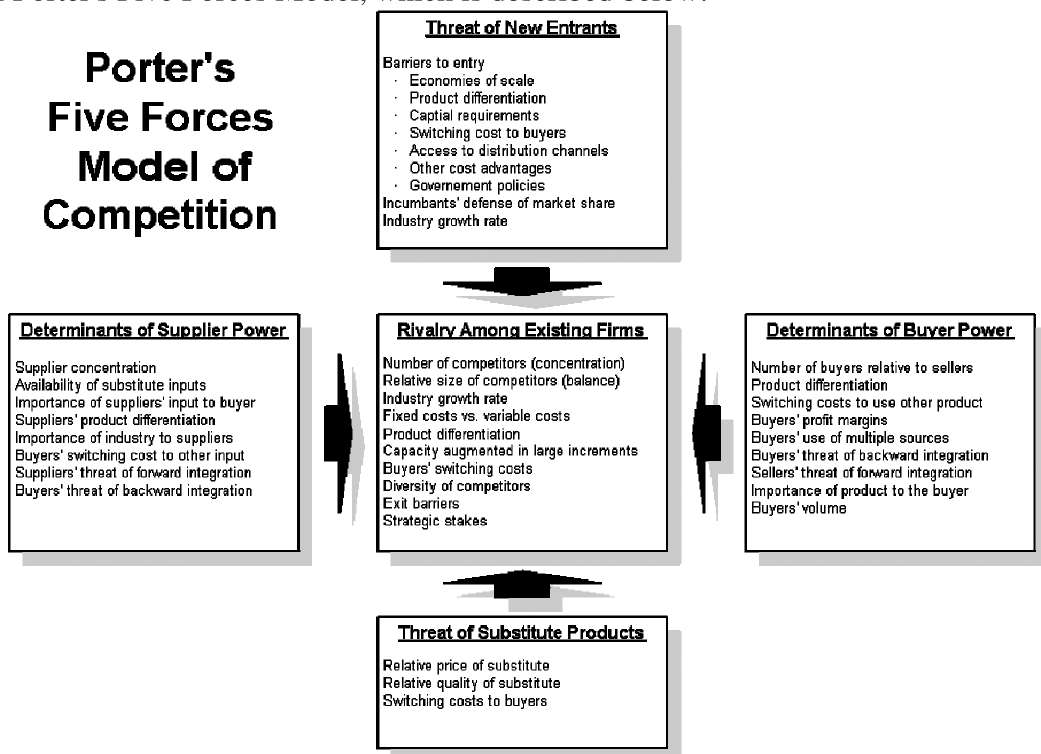
Michael Porter's Five Forces Model

An industry is a group of firms that market products which are close substitutes for each other (e.g. the car industry, the travel industry).
Some industries are more profitable than others. Why? The answer lies in understanding the dynamics of competitive structure in an industry.
The most influential analytical model for assessing the nature of competition in an industry is Michael Porter's Five Forces Model, which is described below:



Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors

Threat of New Entrants

New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g. estate agency, restaurants). Key barriers to entry include

- Economies of scale
- Capital / investment requirements

- Customer switching costs
- Access to industry distribution channels
- The likelihood of retaliation from existing industry players.

Threat of Substitutes

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on:

- Buyers' willingness to substitute
- The relative price and performance of substitutes
- The costs of switching to substitutes

Bargaining Power of Suppliers

Suppliers are the businesses that supply materials & other products into the industry. The cost of items bought from suppliers (e.g. raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when:

- There are many buyers and few dominant suppliers
- There are undifferentiated, highly valued products
- Suppliers threaten to integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets)
- Buyers do not threaten to integrate backwards into supply
- The industry is not a key customer group to the suppliers

Bargaining Power of Buyers

Buyers are the people / organizations who create demand in an industry. The bargaining power of buyers is greater when

- There are few dominant buyers and many sellers in the industry
- Products are standardized
- Buyers threaten to integrate backward into the industry
- Suppliers do not threaten to integrate forward into the buyer's industry
- The industry is not a key supplying group for buyers

Intensity of Rivalry

The intensity of rivalry between competitors in an industry will depend on:

- **The structure of competition** - for example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader
- **The structure of industry costs** - for example, industries with **high fixed costs** encourage competitors to fill unused capacity by price cutting
- **Degree of differentiation** - industries where products are commodities (e.g. steel, coal) have greater rivalry; industries where competitors can differentiate their products have less rivalry
- **Switching costs** - rivalry is reduced where buyers have high switching costs - i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier

- **Strategic objectives** - when competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are "milking" profits in a mature industry, the degree of rivalry is less
- **Exit barriers** - when barriers to leaving an industry are high (e.g. the cost of closing down factories) - then competitors tend to exhibit greater rivalry.

Identifying and Analyzing the Competitors

Identifying the Competitors
We can examine competition from both an industry and market point of view. An industry is a group of firms that offers a product or class of products that are close substitute for each other. Marketers classify industries according to numbers of sellers' degree of product differentiation presence or absence of entry, mobility and exit barriers cost structure degree of vertical integration and degree of globalization.
Using the market approach, competitors are companies that satisfy the same customer need. Ex: a customer who buys a word processing software really wants "writing ability" a need that can be satisfied by pencil, pens or typewriters. The market concept of competition reveals a broader set of actual and potential competition in traditional category and industry and industry terms. Coca-cola, focused on its soft drinks business, missed seeing the growing market for coffee bars and fresh fruit juice bars that cut into sales of its carbonated beverages.
Analyzing competitors
After the company has conducted customer value analysis and examined its competitors carefully, it can focus its attack on one of the following classes of competitors: strong versus weak, close versus distant and good versus bad.

- **Strong versus Weak**: Most companies aim their shots at weak competitors, because this requires fewer resources per share points gained. Yet, the firm should also compete with strong competitors to keep up with the best. Even strong competitors have some weakness.
- **Close versus Distant:** Most companies compete with the competitors that resemble them the most. Chevrolet competes with Ford, not with Ferrari. Yet companies should also identify distant competitors. Coca cola recognizes that its number one competitor is tap water, not Pepsi. Museum now worry about theme parks and malls.
- **Good versus Bad:** Every industry contains good and bad competitors. Good competitors play by the industry's rules they set prices in reasonable relationship to costs and hey favor a health industry. Bad competitors try to buy share rather then earn it, they take large risks they invest in overcapacity and they upset industrial equilibrium. A company may find necessary to attack its bad competitors to reduce or end their dysfunctional practices.

COMPETATIVE STRATEGY

A company can gain further insight by classifying its competitor and itself according to role in the target market: **leader, challenger, follower, or nicher.** On the basis of this classification, the company can take specific action in line with its current and desired roles.
Marketing Leader Strategy:

Most industries contain an acknowledged market leader. The leader has the largest market share and usually leads the other firms in price changes, new-product introduction, distribution coverage, and promotion spending. The leader may or may not be admired or respected, but other firms concede its dominance. Competitors focus on the leader as a company to challenge, imitate or avoid. Some of the best known market leaders are the Future group (retailing), Microsoft (computer software), etc.

To remain number one, leading firms can take any three actions. First, they can find ways to expand total demand. Second, they can protect their current market share through good defensive and offensive actions. Third, they can try to expand their market share further, even if market size remains constant.

Market Challenger Strategies:

Many market challengers have gained ground or even overtaken the leader. A market challenger must first define its strategic objective ; most aim to increase market share. Then the challenger must decide whom to attack. Attacking the leader is a high-risk but potentially high-payoff strategy if the leader isn't serving the market well. The challenger can attack firms of its own size that are underperforming and underfinanced, have aging products, charge excessive prices, or aren't satisfying customers in other ways. Or it can attack small local and regional firms.

Market Follower Strategy:

Following is not the same as being passive or a carbon copy of the leaders. A market follower must know how to hold current customers and win fair shares of new ones. It must find the right balance between following closely enough to win customers from the market leader but following at enough of a distance to avoid relation. Each follower tries to bring distinctive advantages to its target market-location, services, financing. The follower is often a major target of attack by challenger. Therefore, the market follower must keep its manufacturing costs and prices low or its product quality and services high. It must also enter new market as they open up.

Market- Nicher Strategies:

An alternative to being a follower in a large market is to be a leader in a small market or niche. Small firms normally avoid competing with large firms by targeting small markets of little or no interest to the large firms. Even large, profitable firms are now setting up business units or brand for specific niches. The key idea in nichemanship is specialization. Because niche can weaken, the firm must continually create new niches, expand niches, and protect its niches. By developing strength in two or more niches, the company increases its chances for survival.

Porter's Generic Competitive Strategies
(ways of competing)

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

Cost Leadership

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

The focus strategy has two variants.

(a) In cost focus a firm seeks a cost advantage in its target segment, while in

(b) Differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

Level of market segmentation, basis of segmentation business and consumer markets, market targeting, positioning and positioning strategies

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Levels of Market Segmentation

The starting point for segmentation is mass marketing. In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers. Some claims that mass marketing is dying. Most companies are turning to micro marketing at one of four levels: segments, niches, local areas and individuals.

Segment Marketing

A market segment consists of a group of customers who share a similar set of needs and wants. Rather than creating the segments, the marketer's task is to identify them and decide which one(s) to target. The company can often better design, price, disclose and deliver the product or service and also can fine-tune the marketing program and activities to better reflect competitors marketing. e.g.:- automobile companies in India offer different versions of the same model with different features

Niche Marketing

A niche is more narrowly defined customer group seeking a distinctive mix of benefits. Marketers usually identify niches by dividing a segment into sub segments. e.g.:- EZEE the liquid detergent from Godrej

Local Marketing

Local marketing reflects a growing trend called *grassroots marketing*. Marketing activities concentrate on getting as close and personally relevant to individual customers as possible. e.g.:- Much Nike's initial success comes from engaging target consumers through grassroots marketing such as sponsorship of local school terms, expert conducted clinics and provision of shoes, clothing and equipment.

Individual Marketing

The ultimate level of segmentation leads to segments of one "Customized marketing" or "one-to-one marketing". Customization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice. A company is costomerized when it is able to respond to individual customersby customizing its products, services and messages on one-to-one basis. e.g.:- Galleria credit card, offered by united bank limited, Pakistan.

Bases For Segmenting Consumer Markets

Some researchers try to define segments by looking at descriptive characteristics: Geographic, Demographic and Psychographic. Then they examine whether these customer segments exhibit different needs or product responses.

Geographic Segmentation

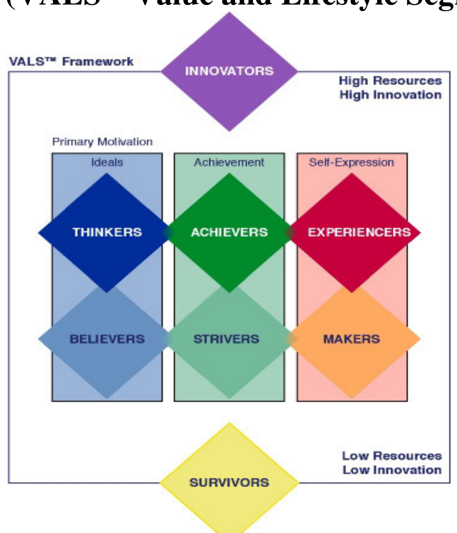
Geographic segmentation calls for division of market into different geographical units such as Nations, states, regions, countries, cities or neighborhoods. e.g Region, City, Rural and semi unban

Demographic Segmentation

In demographic segmentation, we divide the market into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social class.

- **Age and Life cycle stage:** Consumer wants and abilities to change with age. Therefore, age and life cycle stages are important variables to define segments e.g.:- Johnson & Johnson's baby soap
- **Life stage:** It defines a person's major concern, such as getting married, deciding to buy home, planning for retirement so on.
- **Gender:** Men and women have different attitudes and behave differently, based partly on genetic makeup and partly on socialization. e.g.:- women tend to be more communal minded and men tend to be more self-expressive and goal directed.
- **Income:** Income determines the ability of consumers to participate in the market exchange and hence this is a basic segmentation variable.
- **Generation:** Each generation is profoundly influenced by the times in which it grows up- the music, movies, politics and defining events of that period.
- **Social class:** Social class has a strong influence on preferences in cars, clothing, reading habits and retailers. The concept of social class in India is influenced by the caste system.

Psychographic Segmentation (VALS – Value and Lifestyle Segment)



In Psychographic segmentation, buyers are divided into different groups on the basis of psychological/ personal traits, life styles, or values.

The four groups with higher resources

- **Innovators**- successful, sophisticated, active, "take-charge" people with high self-esteem.
- **Thinkers-** mature, satisfied, and reflective people who motivated by ideals and who value order, knowledge, and responsibility.
- **Achievers-** Successful, goal oriented people who focus on career and family.
- **Experiencers**- Young, enthusiastic, impulsive people who seek variety and excitement.

The four groups with lower resources

- Believers- Conservative, conventional, and traditional people with concentrate beliefs.
- Strivers- Trendy and fun-loving people who are resource constrained.

- Makers- Practical, down-to-earth, self-sufficient people who like to work with their hands.
- Survivors- Elderly, passive people who are concerned about change.

Behavioral Segmentation

In behavioral segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

- **Decision Roles**- people play five roles in a buying decision: initiator, influencer, decider, buyer, and user.
- **Behavioral variables**
    - **Occasions**- greeting card brands such as Archies and Hallmark make cards for different occasions.
    - **Benefits**- Targeted at people who seek different sets of benefits.
    - **User status-** every product has its nonuser, ex-user, potential user, first time user and regular user.
    - **Usage rate**- markets can be segmented into light, medium, and heavy product users.
    - **Buyers-** readiness stage- some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy.
    - **Loyalty status**
        - Hard core loyals- consumers who buy only one brand all the time
        - Split loyals- consumers who are loyal to two or three brands
        - Shifting loyals- consumers who shift loyalty from one brand to another.
        - Switchers- consumers who show no loyalty to any brand.
    - Attitude- five attitudes about products are: enthusiastic, positive, indifferent, negative, and hostile.

Bases for Segmenting Business Markets

Demographics

- Industry
- Company size
- Location

Operating variables

- Technology
- User or nonuser status
- Customer capabilities

Purchasing approaches

- Purchasing-function
- Power structure
- Nature of existing relationship
- General purchasing policies
- Purchasing criteria

Situational factors

- Urgency

- Specific application
- Size order

Personal characteristics

- Buyer-seller similarity
- Attitude towards risk
- Loyalty

Market Targeting

There are many statistical techniques for developing market segments. Once the firm has identified its market segments opportunities, it must decide how many and which ones to target.

Effective segmenting criteria

- **Measurable:**The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial:**The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program.
- **Accessible:**The segments can be effectively reached and sevred
- **Differentiable:**The segments are conceptually distinguishable and respond differently to different marketing-mix elements and program
- **Actionable:**Effective program can be formulated for attracting and serving the segments

Steps involved in segmentation process

- Single segment concentration
- Selective specialization
- Product specialization
- Market specialization
- Full market coverage

POSITIONING & POSITIONING STRATEGY

Product Position And Positioning Of A Product

"The way the product is defined by consumers on important attributes- the place the product occupies in consumers' minds relative to competing products" is called as the product position".

Eg.1.Dalda positioned as a demonstration of "maternal love".

The act of designing the company's offering and image to occupy a distinctive place in the mind of target market is called as the positioning of a product.

Positioning Is Required

As a marketer, it is your opportunity to influence the market's perception of your products.

- Clear and meaningful product positioning also helps you cut through relentless advertising and marketing noise of the market place, in your consumers mind, product positioning gives your message some context so they can be better heard and accepted.

- Failure to proactively address positioning is unlikely to end well with or without your input, customer will position your product-probably based on information from your competitors, which will not flatter you.

Positioning Characteristics or Objectives

To be successful, product positioning must achieve three objectives

- Differentiate your product from competitions.
- Address important customer buying criteria.
- Articulate key product or company characteristics.

Value Proposition and Positioning Statement

It is defined as the 'the full positioning of a brand – the full mix of benefits upon which it is positioned'.eg. Domino's pizza- A good hot pizza, deliver to your door within 30 mins for ordering atmoderate price. A statement that summarizes company or brand positioning.

Positioning Strategies.

The following is a list of some established product positioning strategies.

- **Against a Competitor:** Positioning your product directly against a competitor's typically requires a specific product superiority claim.
- **Away from a Competitor:** Positioning yourself as the opposite of your competitor can help you get attention in a market dominated by some other product.e.g.7-UP calling itself the Uncola.
- **Benefits:** This strategy focuses on a benefit your product provides to your target audience. e.g.Volvo's emphasis on safety and Crest toothpaste's focus on reducing cavities.
- **Product Attributes:** Highlighting a specific attribute of your product can also be compelling. e.g. Ritz Carlton hotels focus on luxury; Motel 6 focuses on economy.
- **Product Categories:** Comparing your product to a product in a different category can be an effective way to differentiate yourself.e.g. In a soap-compares-itself-to-lotion example, Palmolive dishwashing liquid claims that it softens your hands while you do the dishes.
- **Usage Occasions:** This kind of positioning stresses when or how your product is used by your target audience. E.g. Jeep's focus on off-road driving is an excellent example.
- **Users:** Focusing on the unique characteristics of specific users can also be effective. e.g. For Dummies series of instruction books are attractive to people who want to learn about a topic from a source that doesn't assume any prior knowledge on the reader's part.

Product Life cycle strategies,

New Product Development

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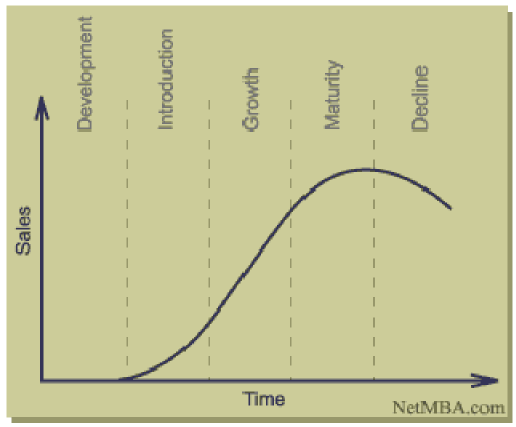
(MBA Semester 1, Batch of 2011-13)

Product Life Cycle

A product's life cycle (PLC) can be divided into several stages characterized by the revenue generated by the product. If a curve is drawn showing product revenue over time, it may take one of many different shapes, an example of which is shown below:

Product Life Cycle Curve



The life cycle concept may apply to a brand or to a category of product. Its duration may be as short as a few months for a fad item or a century or more for product categories such as the gasoline-powered automobile.

Product development is the incubation stage of the product life cycle. There are no sales and the firm prepares to introduce the product. As the product progresses through its life cycle, changes in the marketing mix usually are required in order to adjust to the evolving challenges and opportunities.

Introduction Stage

When the product is introduced, sales will be low until customers become aware of the product and its benefits. During the introductory stage the firm is likely to incur additional costs associated with the initial distribution of the product. These higher costs coupled with a low sales volume usually make the introduction stage a period of negative profits. During the introduction stage, the primary goal is to establish a market and build primary demand for the product class.

Marketing Strategies for Introduction Stage are

- **Product -** one or few products, relatively undifferentiated
- **Price -** Generally high, assuming a skim pricing strategy for a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly. In some cases a penetration pricing strategy is used and introductory prices are set low to gain market share rapidly.
- **Distribution -** Distribution is selective and scattered as the firm commences implementation of the distribution plan.
- **Promotion -** Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product.

Growth Stage

The growth stage is a period of rapid revenue growth. Sales increase as more customers become aware of the product and its benefits and additional market segments are targeted. Once the product has been proven a success and customers begin asking for it, sales will increase further as more retailers become interested in carrying it. The marketing team may expand the distribution at this point. When competitors enter the market, often during the later part of the growth stage, there may be price competition and/or increased promotional costs in order to convince consumers that the firm's product is better than that of the competition. During the growth stage, the goal is to gain consumer preference and increase sales. The **marketing strategy may be modified as follows**:

- **Product -** New product features and packaging options; improvement of product quality.
- **Price** - Maintained at a high level if demand is high, or reduced to capture additional customers.
- **Distribution** - Distribution becomes more intensive. Trade discounts are minimal if resellers show a strong interest in the product.
- **Promotion** - Increased advertising to build brand preference.

Maturity Stage

The maturity stage is the most profitable. While sales continue to increase into this stage, they do so at a slower pace. Because brand awareness is strong, advertising expenditures will be reduced. Competition may result in decreased market share and/or prices. The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers. Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products. During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include:

- **Product** - Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced.
- **Price** - Possible price reductions in response to competition while avoiding a price war.
- **Distribution** - New distribution channels and incentives to resellers in order to avoid losing shelf space.
- **Promotion** - Emphasis on differentiation and building of brand loyalty. Incentives to get competitors' customers to switch.

Decline Stage

Eventually sales begin to decline as the market becomes saturated, the product becomes technologically obsolete, or customer tastes change. If the product has developed brand loyalty, the profitability may be maintained longer. Unit costs may increase with the declining production volumes and eventually no more profit can be made.

During the decline phase, the firm generally has three options:

- Maintain the product in hopes that competitors will exit. Reduce costs and find new uses
- Harvest it, reducing marketing support.
- Discontinue the product when no more profit can be made or there is a successor product.

The marketing Strategy may be modified as follows:

- **Product** - The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- **Price** - Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.

- **Distribution** - Distribution becomes more selective. Channels that no longer are profitable are phased out.
- **Promotion** - Expenditures are lower and aimed at reinforcing the brand image for continued products.

Limitations of the Product Life Cycle Concept:-

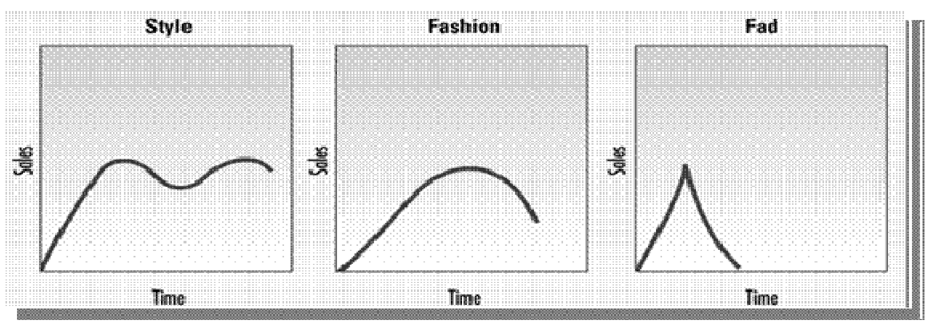
The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales.

Nonetheless, the product life cycle concept helps marketing managers to plan alternate marketing strategies to address the challenges that their products are likely to face. It also is useful for monitoring sales results over time and comparing them to those of products having a similar life cycle.

Style, Fashion, and Fad life cycles

Three special categories of product life cycles should be distinguished—styles, fashions, and fads.

Style: A Style is a basic and distinctive mode of expression appearing in a field of human endeavor. Styles appear in homes (colonial, ranch, Cape Cod); clothing (formal, casual, funky); and art (realistic, surrealistic, abstract). A style can last for generations, and go in and out of vogue.



Fashion: A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline. The length of a fashion cycle is hard to predict. William Reynolds suggests that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and does not exceed technological limits as it develops.

Fads: Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following of those who are searching for excitement or want to distinguish themselves from others. They often have a novel or capricious aspect, such as body piercing and tattooing. Fads do not survive because they do not normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power. Here is a success story of a company that managed to extend a fad's life span.

New product development

Ways to create new product are:

- Acquisition : It has 3 forms such as;
  - Buying other companies
  - Acquiring patents from companies
  - Buying of license of companies or franchisee
- Organic growth: It means development of new products from within the company.

Types of new products

1. New to the World : New product which is entirely new to the market.
2. New product line : New products that allow the companies to enter established market for the first time.
3. Addition to existing product line : New products that contribute to the existing product line introduced to the market with slight variations in size, fragrance, colour etc. e.g. New Lux, Die coke etc.
4. Improved and revision of existing products : the new products that provide improved performance or greater perceived value and replace the exiting one. e.g. Toyota Innova replaces the Qualis, New Horlicks.
5. Repositioning : Existing products that are targeted to the new markets or market segments. e.g. Tata Sumo and Tata Victa.
6. Cost reduction : New products that provide similar performance with reduced price e.g. Honda city, New wheel economy pack

Reasons for Product Failure

1. A high level executive pushes a favorite idea through in spite of the negative market research findings. e.g. Reynolds smoke free cigarettes.
2. Idea is good but market size is overestimated. e.g. Levi's Jean in India.
3. The product is not well designed. e.g. Cibaca Lime in 1991.
4. Development cost are higher.
5. Competitors fight back harder than expected.
6. Shortage of important ideas in certain areas in which very few ways are left to improve. e.g. Steel, Detergents.
7. Fragmented Market : Keen competition is leading the market fragmentation . Companies have to aim their new products at smaller segments and this means lower sales and lower profit margins.
8. Social and Governmental constraints : Safety and environmental rules and regulations like use of plastic less than 20 micron is banned or EURO III norms engines for the automobiles
9. Costliness of development prices : Higher R & D , manufacturing and marketing costs.
10. Capital Shortage : Sometimes can not raise the funds needed to research and launch the products.
11. Shorter product life cycle.

New Product Development Process

- **Stage 1: Idea Generation** – The development process starts with idea generation and search for the ideas. Ideas can come from many sources like customers, suppliers, scientists, competitors, employees, channel members and top management etc. Stimuli is required for the idea generation the most important stimulus can be need or want. e.g. Nirlep non stick cookware (requirement of quickly heated less oil consumption pan or cookware.
- **Stage 2**: **Idea Screening -** this is nothing but sorting the ideas into three categories.
    - Promising ideas
    - Marginal ideas
    - Rejected ideas

  In this process care must taken to avoid the following errors
    - **A drop error** – It occurs when a good idea is dropped.
    - **A go error** – In this case a poor idea may move to the product development stage.
- **Stage 3: Concept Development and Testing –** Concept is an elaborated version of the idea expressed in meaningful consumer terms. Concept development – to elaborate this concept we will consider following example.e.g. A company gets the idea of producing a powder to add to the milk to increase its nutritional value and taste. This idea can be turned into several concepts by giving answers to the questions like who will use it?, what primary benefits should the product provide ? And when people will consume it ?
    - **Concept 1** – An instant breakfast drink for the adults who wants a quick nutritious breakfast without preparing breakfast.
    - **Concept 2** - A tasty snack drink for children to drink as midday refreshment .
    - **Concept 3** – a healthy supplement for older adults to drink before they go to bed.

  Each concept defines competition. The company should decide which the feasible one is.
    - It involves presenting the product concept to appropriate target consumer and getting their reaction. This is done symbolically or physically. Small plastic models or virtual reality to test the concepts. This is carried out using focus group interviews or surveys.
    - Elaboration of our product for the survey.

      Our product is a powdered mixture that is added to milk to make an instant breakfast that gives the person all the needed nutrition along with good taste and high convenience. The product would be offered in three flavors (Chocolate, Vanilla, strawberry) and would come in individual packets, six in box at Rs. 18 per box.
    - Consumer will respond following questions after reviewing the above information.
        - Are benefits clear to you and believable?
        - Do you see this product solving a problem or filling a need you have?
        - Do other products currently meet this need and satisfy you?
        - Is price reasonable in relation to value?
        - Would you buy the product?
        - Who would use the product?
        - When and how often will the product be used?

- **Conjoint Analysis –**
  A method for deriving the utility values that consumer attach to varying levels of the product attributes. Attributes like package design, prices, brand name. In this method relative importance of each attribute to the consumer is studied.

Stage 4: Marketing Strategy Development

- Top management must develop a preliminary marketing strategy plan for introducing the new product into market.
- The plan consists of three parts.
- Target market size, structure and behavior – e.g. the company will aim initially to sell 500,000 cases with loss not exceeding Rs. 25 lacs, second year 700,000 cases with planned profits of Rs. 10 lacs.
- Second part outlines the planned price, distribution strategy and marketing budget. e.g. Six packets to a box and 48 boxes to a case., for 1st two months dealers will be offered 1 free case for every four cases purchase, coupon for 10 % off will appear in newspapers etc., ad. Expenses
- Third part describes the long term sales and profit goals e.g. market share for 1st year and subsequent years.

Stage 5: Business Analysis

- To study the proposal's business attractiveness, for that they prepare sales, cost profit projections to determine whether they satisfy company objectives. If they do the concept can move to the product development stage.
- Estimating total sales – Total estimated sales are the sum estimated 1st time sales, replacement sales and repeat sales. It depends upon whether the product is one time purchase , infrequent purchase or frequently purchased.

Stage 6: Product Development

- In this stage detailed technical analysis is conducted to know whether the product can be produced at costs. Working model is developed which reveals tangible and intangible attributes of the products . It is job of translating customer requirement into working prototype. Developing and manufacturing a successful prototype can take days, weeks, months and even years.
- This stage involves following functions.

1. Developing attributes of the new products.
2. Product development schedule.
3. Legal and regulatory issues regarding the new product.
4. Production requirement for developing the new product.

Stage 7: Product Use Testing

- After prototype is ready they must be put through rigorous functional tests and customer tests. It is done using techniques like Alpha testing, Beta testing, and Gamma testing.
- Product testing helps in

1. Comparing new products with existing ones.
2. Knowing performance safety, acceptability of features like colours, size, weights etc.
3. Ensuring that the product perceived as intended.
4. Finding out how customers uses the products
5. Customers preferences
6. Reasons for dissatisfaction.

Stage 8: Test Market

- In this stage the company chooses few cities. Sales force tries to sell the trade on carrying the product and giving it a good shelf exposure. Company put on full advertising and promotional campaign. Marketers need to decide on following issues
  1. How many test cities?
  2. Which cities?
  3. Length of test
  4. What information?
  5. What action to take?

Stage 9: Commercialization

- The results of test marketing help marketers decide the changes that are needed in the marketing mix before entering the market. It also helps the marketer decide the amount of production, distribution strategy, selling efforts and other issues like providing guarantees, warranties, replacement services etc.
- The company also has to answer following question as far as launching of the product is concerned.
  1. When to launch? – first entry against the competitor , parallel entry or late entry.
  2. Where to launch?- Geographical location
  3. To whom to market?
  4. How to market?

Marketing information system- internal records, marketing intelligence, market research, marketing decision support system

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Marketing Information System

Marketing Information System

Marketing Information System consists of people, equipments, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely and accurate information to marketing decision makers. A marketing information system relies on internal company records, marketing intelligence activities, and marketing research.

The company's marketing information system should be crosses between what managers think they need, what they really need, and what is economically feasible. An internal MIS committee can interview a cross section of marketing managers to discover their information needs.

Components of Marketing Information system

A Marketing Information System has three components:

a) An internal records system, which includes information on the order-to-payment cycle and sales information system.
b) A marketing intelligence system, a set of procedures and sources used by managers to obtain everyday information about pertinent developments in the marketing environment.
c) A marketing research system that allows for the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation.

Internal Records & Marketing Intelligence:

Marketing managers rely on internal reports of orders, sales, prices, costs, inventory levels, receivables, payables, and soon, by analyzing this information, they can spot important opportunities and problems.

The Order-to-Payment Cycle:

The heart of the internal records system is the order-to-payment cycle. Sales representatives, dealers, and customers send orders to the firm. The sales department prepares invoices, transmits copies to various departments, and back-orders out-of-stock items. Shipped items generate shipping and billing documents that go to various departments.

Today's companies need to perform these steps quickly and accurately, because customers favor firms that can promise timely delivery.

Sales information system:

Marketing managers need timely and accurate reports on current sales. Technological gadgets are revolutionizing sales information systems and allowing representatives to have up-to-the-second information.

Many companies in the South Asia region provide laptops, mobile phones, and internet communication facilities to keep track of sales, collection, inventory levels, & order position.

For example, Reliance Petroleum uses hand-held billing machines, which can be taken near the vehicle (customer) for dispending the bill after collecting the cash. The data from these machines can be transferred to computers in computer-readable file format to enable further processing in to-date information & improve productivity of the sales personnel.

Databases, Data warehousing, and Data Mining:

Companies organize their information in to databases. Customer databases, product databases, salesperson databases, and then combines data from the different databases.

Companies warehouse these data and make them easily accessible to decision makers. They can mine the data and garner fresh insights into neglected customer segments, recent customer trends, and other useful information. Managers can cross-tabulate customer information with product and salesperson information to yield still-deeper insight.

The Marketing Intelligence System:

The internal records system supplies results data, but the marketing intelligence system supplies happenings data.

A marketing intelligence system is to obtain everyday information about developments in the marketing environment.

Marketing managers collect marketing intelligence by reading books, newspaper, & trade publications; talking t customers, suppliers, and distributors; monitoring "social media" on the Internet via online discussion groups, e-mailing lists & blogs; and meeting with other company managers.

Companies can several steps to improve the quality of its marketing intelligence.

- Train and motivate the sales force to spot and report new developments.
- Motivate distributors, retailers, and other intermediaries to pass along important intelligence.
- Network externally.
- Set up a customer advisory panel.
- Take advantage of government data resources.
- Purchase information from outside suppliers.
- Use online customer feedback systems to collect competitive intelligence.

The Marketing Research System:

Marketing research as the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company. Most large companies have their own marketing research departments, which often play crucial role within the organization.

Companies normally budget marketing research at 1% to2% of company sales. A large percentage of that is spent on the services of outside firms. Marketing research firms fall into three categories i.e.

- **Syndicated-service research firms:** These firms gather consumer and trade information, which they sell for a fee. For example, the National Council For Applied Economic Research (NCAER), and IMRB International.
- **Custom marketing research firms:** They design and carry out research studies for various clients based on specific briefs.
- **Specialty-line marketing research firms:** These firms provide specialized research services such as developing a research brief, collecting field data, and preparing data analyses and reports for other firms.

The marketing research process:

Effective marketing research follows the six steps like

1. Define the Problem, the Decision Alternatives, and the Research Objectives.
2. Develop the research plan.
3. Collect the information.
4. Analyze the information.
5. Present the findings.
6. Make the decision.

Marketing decision support system

A **marketing decision support system** (sometimes abbreviated **MKDSS**) is a decision support system for marketing activity. It consists of information technology, marketing data and modeling capabilities that enable the system to provide predicted outcomes from different scenarios and marketing strategies, so answering "what if?" questions.

A MKDSS is used to support the software vendors' planning strategy for marketing products. It can help to identify advantageous levels of pricing, advertising spending, and advertising copy for the firm's products. This helps determines the firms marketing mix for product software.

A marketing decision support system is a :-

- Coordinated collection of data, systems, tools, and techniques with supporting hardware and software.
- By which an organization gathers and interprets relevant information from business and environment. And turns it into a basis for marketing action.
- An interactive, flexible computerized information system that enables managers to obtain and manipulate information as they are making decisions.

Product - level, hierarchy, classification, mix, product line decisions, packaging, and labeling, Brand - meaning, equity and strategies

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What is product?
Product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organization, information, and ideas.

Explain the different levels of product
The marketer needs to address five product levels. Each level adds more customer value, and the five constitute a customer value hierarchy.

I. **Core benefit** : The fundamental level is the core benefit, the service or benefit the customer is really buying. For example : A hotel guest is buying “rest and sleep”. The purchaser of a drill is buying “holes”. Marketers must see themselves as benefit providers.
II. **Basic product** : At the second level, the marketer must turn the core benefit into a basic product. Thus for example, a hotel room includes a bed, bathroom, towels, desk, dresser, and closet.
III. **Expected product** : At the third level, the marketer prepares an expected product , a set of attributes and conditions buyers normally expect when they purchase this product. For example, hotel guest expect a clean bed, fresh towels, working lamps, and a relative degree of quiet.
IV. **Augmented product** : At the fourth level, the marketer prepares an augmented product that exceeds customer expectations. In developed countries, brand positioning and competition take place at this level. In developing and emerging markets such as India and Brazil, however, competition take place mostly at the expected product level.
V. **Potential product** : At the fifth level stands the potential product, which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offering.

Classification of product
It is classified on the basis of durability, tangibility and use.

I. Durability and tangibility classification

- **Nondurable goods** : They are tangible goods normally consumed in one or a few uses, such as soft drinks and soaps. Because these goods are purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.
- **Durable goods** : These are tangible goods that normally survive many uses: refrigerators, machine tools, and clothing. Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees.
- **Service :** They are intangible, inseparable, variable and perishable products. As a result, they normally require more quality control, supplier credibility

and adaptability. Examples include haircuts, legal advice and appliance repairs.

II. Consumer-goods classification

- **Convenient goods :** The products which consumer frequently purchases, the requirement is immediate and the consumers makes minimum efforts to buy these types of product. For example, soft drinks, soaps, newspapers, impulse goods (chocolates, candy bars, potato chips, etc.), emergency goods (rain coats, sweaters, etc.).
  These products are placed where consumers are likely to experience an urge need to make a purchase.
- **Shopping goods** : They are goods that the consumer makes comparison on the basis of prices, quality, and style. Here the consumer makes maximum efforts to buy these types of product. For example, furniture, clothing, used cars, and major appliances.
- **Specialty goods** : These goods have unique characteristics or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort. For example, cars, house, etc. Here consumers will travel far to buy the product.
- **Unsought goods :** Those goods which consumer does not know about or does not normally think of buying. These products require advertising and personal-selling support. For example, smoke detectors, life insurance, etc.

III. Industrial goods classification

- **Raw material** : These are the goods which enter the manufacturer's product completely. These mainly consist of farm goods and natural goods. For example, wheat, cotton, crude petroleum, iron ore, etc.
- **Manufacturing material and parts** : These fall into two categories ,i.e. component material (iron, yarn, cement, wires) and component parts (small motors, tires, castings).
- **Capital goods** : These are long lasting goods that facilitate developing or managing the finished product. They include two groups : installation and equipment. Installation consist of building (factories, offices) and heavy equipments.
- **Process material** : These goods don't become part of final product but are essential for processing. For example, oils, coolers, etc.
- **Consumable goods** : These are small parts of the final or finished products and they are bought regularly. For example, nails.
- **Factory equipments** : These equipments used to make final products and includes portable factory equipments and tools (hand tools, lift trucks) and other office equipments (personal computers, desks).
- **Other services** : Supplies and business services are short term goods and services that facilitate developing or managing the finished product. Business services include maintenance and repair services, business advisory services.

Product hierarchy

The product hierarchy stretches from basic needs to particular items that satisfy those needs. We can identify six levels of the product hierarchy,

Need family : The core need that underlines the existence of a product family. For example, security, fabric care system.

Product family : All the product classes that can satisfy a core need with reasonable effectiveness. For example, savings and income.

Product class : A group of products within the product family recognized as having a certain functional coherence. Also known as a product category. For example, financial instruments related because they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges. A product line may consist of different brands, or a single family brand, or individual brand that has been line extended. For example, life insurance.

Product type : A group of items within a product line that share one of several possible forms of the product. For example, term life insurance.

Item : A distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute. For example, ICICI Prudential renewable term life insurance.

Brand Identity

Brand Identity includes brand names, logos, positioning, brand associations, and brand personality, brand toons etc. A good brand name gives a good first impression and evokes positive associations with the brand. A positioning statement tells what business the company is in, what benefits it provides and why it is better than the completion? Brand personality adds emotion, culture and myth to brand identity by the use of a famous spokesperson (Bill Cosby-Jello), a character (Pink Panther), an animal (the Merrill lynch bull) etc.

Tools used for Building Brand Identity?

Brand builders use a set of tools to strengthen and project the brand image; Strong brands typically exhibit an owned word, a slogan, a color, a symbol, and set of stories.

- ✓ **Owned Word :**A strong brand name should trigger another word, a favorable one. Here is the list of brands that own a word
- ✓ **Slogan**
  Many companies successfully added a slogan or tagline to their brand name which is repeated in every ad they use. Here are some well-known brands slogans, which people on the street may easily recall or recognize:
- ✓ **Colors:** It helps for a company or a brand to use a consistent set of color to and in the brand recognition. Caterpillar paints all its construction equipments yellow. Yellow is the color of Kodak film. IBM uses blue in its publications, and IBM is called "Big Blues".
- ✓ **Symbols and Logos**

Companies would be wise to adapt a symbol or logo to use in their communications. Many companies hire a well-known spokesperson, hoping that his or her quality transfer to the brand. Nike uses Michael Jordon who has worldwide recognition and likableness, to advertise its shoes. Sporting goods manufacturers sign contracts with top athletes to serve as their symbols, even naming the product after them.

- ✓ **Cartoons and Animations**

A less expensive approach is to develop a character, animated, to etch the brand's image into customer's mind. The advertising agency Leo Burnett has successfully created a number of memorable animated characters. Here are some well known brand cartoons which people may recognize:

Company	Cartoon or Animation
ICICI Prudential	Chintamani
Amul Butter	Utterly Butterly Girl
McDonalds	Ronald
All Out mosquito Repellent	Louis
Pillsbury	Doughboy
7 Up	Fido Dido

- ✓ **Objects:** Still another approach is to choose an object to represent a company or brand. The travelers' insurance company uses an umbrella, suggesting that buying insurance is equivalent to having an umbrella available when it rains. The prudential insurance company features the rock of Gibraltar, suggesting that buying an insurance is equivalent to "owing a peace of rock "which is of course, solid ad dependable. Companies have developed many logos or abstracts, which are easily remembered by people. Even the way the brand name is written makes a brand recognizable and memorable.

Measuring Brand Effectiveness

There are many metrics to measure the potential of and actual effectiveness of brands. The simplest way is to apply the concept of what we call the 4 D's of Branding; differentiation, distinctiveness, defendable, digit-able.

- **Distinctiveness**: your brand should be distinct when compared to your competitors and to all spoken and visual communications to which your target audiences will be exposed. The more unique and distinct your communications, the wider the filed of effective competitive strength it will have. There are simple means to apply to test the distinctiveness of your brand.
- **Differentiation:** the brand strategy and brand assets must set you're offering apart and clearly articulate the specific positioning intent of your offering.
- **Defendable:** you will be investing in creating your brand assets and in all cases your brand must have proprietary strength to keep others from using close approximations.

This applies to your trade names and other proprietary words as well as to your logos, symbols and other visual assets.

- **Digit-able**: in most businesses there is strong and growing element of electronic communications and commerce that dictate all brand assets be leveraged effectively in tactile and electronics form. This goes for all brand assets.

Define the Brand: Any individual a brand (in his mind) is a complex combination of experiences, beliefs, perceptions and associations that have grown up over time. For example Coca-Cola is a company brand, a product brand, a service brand and a brand with a long history.
A Product from a known source is brand.

Choosing a Brand Name

A brand name first must be chosen then its various meanings and promises must be built up through brand identity work. In choosing a brand name, it must be consistent with the value positioning of the brand. In naming a product or service the company may face many possibilities: it could choose name of the person (Honda, Calvin Klein), location (American airlines), quality (Safety stores, Healthy choice), or an artificial name (Exxon, Kodak).

✓ **Among the desirable qualities of a brand name. Some are:**

- It should suggest something about the product benefits.
- It should suggest product qualities such action or color
- It should be easy to pronounce, recognize and remember; short names help a lot to recognize the product to the customers.
- It should be distinctive.
- It should not carry poor meanings in other countries and languages etc.

✓ **Building Positive Associations**

The best known brand names carry associations. For example, here is a list of words that people say they associate with McDonalds:

- Kids
- Fun
- Happy Meal
- Ronald Mc. Donald
- Quality
- Toys

In trying to build a rich set of positive associations for a brand, the brand builder should consider five dimensions that can communicate meaning:

- **Attributes:** A strong brand should trigger in buyers mind certain attributes. Thus a Mercedes automobile attributes a picture of well-engineered car that is durable, rugged and expensive. If a car brand does not trigger any attribute, then it would be a weak brand.
- **Benefits:** A strong brand should suggest benefits, not just features. Thus Mercedes triggers the idea of well performing car that is enjoyable to drive and prestigious to own.

- **Company Values**: A strong brand should connote values that the company holds. Thus Mercedes is proud of its engineers and engineering innovations and is very organized and efficient in its operations. The fact that it is a German company adds more pictures in the mind of the buyers about the character and the culture of the brand.
- **Personality**: A strong brand should exhibit some personality traits. Thus if Mercedes were a person we would think of someone who is middle age, serious, well-organized and somewhat authoritarian. If Mercedes were an animal we might think of lion or its implied personality.
- **Users:** A strong brand should suggest the type of people who buy the brand. Thus we would expect Mercedes to draw buyers who are older, affluent and professional.

Brand Element Choice Criteria

There are six criteria in choosing brand element. The first three can be characterized by brand building in terms of how brand equity can be build through judicious choice of brand element. The latter three are more defensive and are concerned with how the brand equity contained in the brand element can be leveraged and preserved in the face of various opportunities and constraints.

- **Memorable:** How easily is the brand element recalled? How easily recognized? Is this true at both purchase and consumption? Short brand name like tide, Nike can help.
- **Meaningfu**l: To what extent is brand element credible and suggestive of the corresponding category? Does it suggest something about a product ingredient or a type of person who might use the brand?
- **Likeability**: How aesthetically appealing does consumers find the brand element? Is it inherently likeable visually, verbally, and in other ways? Concrete brand names such as Wheel, Sunsilk etc evoke much imagery.
- **Transferable**: Can a brand element be used to introduce new products in the same or different categories? To what extent does the brand element add to brand equity across geographic boundaries and market segments?
- **Adaptable**: How adaptable and updatable is the brand element? Betty corker received 8 makeovers through the years-although she is 75 yrs old, she doesn't look a day over 35.
- **Protectable**: How legally protectable is the brand element? How competitively protectable? Can it be easily copied? It is important that names that become synonymous with product categories such as Kleenex, Xerox, Jell-O, etc retain their trademarks rights and not become generic.

Brand Equity: There is no universally accepted definition of brand equity. The term means different things for different companies and products. More over Brand equity can be defined as three distinct elements:

- The total value of a brand as a separable asset -- when it is sold or included on a balance sheet.
- A measure of the strength of consumers' attachment to a brand.
- ➢ A description of the associations and beliefs the consumer has about the brand

Branding benefits buyers as well as sellers

To Buyer:

1. Help buyers identify the product that they like/dislike.
2. Identify marketer
3. Helps reduce the time needed for purchase.
4. Helps buyers evaluate quality of products especially if unable to judge products characteristics.
5. Helps reduce buyers' perceived risk of purchase.
6. Buyer may derive a psychological reward from owning the brand, i.e., Rolex or Mercedes.

To Seller:

1. Differentiate product offering from competitors
2. Helps segment market by creating tailored images, i.e., Contact lenses
3. Brand identifies the companies' products making repeat purchases easier for customers.
4. Reduce price comparisons
5. Brand helps firm introduce a new product that carries the name of one or more of its existing products...half as much as using a new brand, lower co. designs, advertising and promotional costs. Example, BPL telephones.
6. Easier cooperation with intermediaries with well known brands
7. Facilitates promotional efforts.
8. Helps foster brand loyalty helping to stabilize market share.
9. Firms may be able to charge a premium for the brand.

Labeling: It's any written, electronic, or graphic communications on the packaging or on a separate but associated label.

Objectives of the Packaging and package labeling

Packaging and package labeling have several objectives

- **Physical protection** – The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature, etc.
- **Barrier protection** – A barrier from oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or Oxygen absorbers to help extend shelf life. Modified atmospheres or controlled atmospheres are also maintained in some food packages. Keeping the contents clean, fresh, sterile and safe for the intended shelf life is a primary function.
- **Containment or agglomeration** – Small objects are typically grouped together in one package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials need containment.

- **Information transmission** – Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments. Some packages and labels also are used for track and trace purposes.
- **Marketing** – The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been important and constantly evolving phenomenon for several decades. Marketing communications and graphic design are applied to the surface of the package and (in many cases) the point of sale display
- **Security** – Packaging can play an important role in reducing the security risks of shipment. Packages can be made with improved tamper resistance to deter tampering and also can have tamper-evident features to help indicate tampering. Packages can be engineered to help reduce the risks of package pilferage: Some package constructions are more resistant to pilferage and some have pilfered indicating seals. Packages may include authentication seals and use security printing to help indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices, such as dye-packs, RFID tags, or electronic article surveillance tags that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of loss prevention.
- **Convenience** – Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, reclosing, use, dispensing, reuse, recycling, and ease of disposal
- **Portion control** – Single serving or single dosage packaging has a precise amount of contents to control usage. Bulk commodities (such as salt) can be divided into packages are a more suitable size for individual households. It is also aids the control of inventory: selling sealed one-liter-bottles of milk, rather than having people bring their own bottles to fill themselves.

Packaging: Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.

Marketing strategy: A marketing strategy is a process or model to allow a company or organization to focus limited resources on the best opportunities to increase sales and thereby achieve a sustainable competitive advantage.

Strategies in a product life-cycle

The four main stages of a product's life cycle and the accompanying characteristics are:

Stage	Characteristics
1. **Market introduction stage**	1. costs are very high 2. slow sales volumes to start 3. little or no competition 4. demand has to be created

	5. customers have to be prompted to try the product 6. makes no money at this stage
2. **Growth stage**	1. costs reduced due to economies of scale 2. sales volume increases significantly 3. profitability begins to rise 4. public awareness increases 5. competition begins to increase with a few new players in establishing market 6. increased competition leads to price decreases
3. **Maturity stage**	1. costs are lowered as a result of production volumes increasing and experience curve effects 2. sales volume peaks and market saturation is reached 3. increase in competitors entering the market 4. prices tend to drop due to the proliferation of competing products 5. brand differentiation and feature diversification is emphasized to maintain or increase market share 6. Industrial profits go down
4. **Saturation and decline stage**	1. costs become counter-optimal 2. sales volume decline 3. prices, profitability diminish 4. profit becomes more a challenge of production/distribution efficiency than increased sales

Pricing - steps involved in determining price, pricing methods, adopting the price, Place - types of Distribution channels, designing and managing marketing channels

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Determining the demand: each price will lead to a different level of demand & will therefore have a different impact on a company's marketing objectives. The relationship b/w price & demand is captured in a demand curve. They are inversely related : the higher the price, lower the demand.

1. **Price sensitivity:** the demand curve shows the market's probable purchases quantity at alternative prices. It sums the reactions of many individuals who have different price sensitivities. The 1st estimating demand price sensitivity. Generally speaking, customers are less price sensitive to low cost items. In price sensitivity there are two types.
    - Inelasticity demand:
    - Elastic demand :
2. **Estimating demand curve:** Most companies make some attempt to measure their demand curves using several different methods.
    - Surveys: can explore how many units consumers would buy at different proposed prices, although there is always the chance they might understate their purchases.
    - Price experiments: can vary the prices of different products in a store or change different prices for the same product.
    - Statistical analysis: of past prices, quantities sold, & other factors can reveal their relationships.
3. **Price elasticity of demand**: Marketers need to know how responsive, or elastic, the demand would be to a change in price. Demand hardly changes with a small change in price, we say that demand inelastic. If demand changes considerably, demand is elastic**.** The higher the elasticity, the greater the volume growth resulting from a 1% price reduction. If demand is elastic, sellers will consider lowering the price. Price elasticity depends on the magnitude & direction of the contemplated price change. Long –run Price elasticity may differ from short-run elasticity.

Pricing methods: These factors, cost, customers & competition (3 c's) are crucial in the product pricing. the extent of managerial decision in these regard largely depends on the type of market structure faced by the firm in a market. The methods of pricing as follows.

1. **Mark up pricing:** the % of profit added to the price of the product. Mark up is expressed in terms of %. Either cost price or sale price is taken as the base in determining the mark up. The most elementary pricing methods is to add a standard mark up to the products cost.
    a. **UNIT COST = VARIABLE COST+ FIXED COST / UNIT SALES.**
    b. **MARK UP PRICES = UNIT PRICE / (1 – DESIRED RETURN ON THE SALES.)**
2. **Target return pricing:** the process of setting an items prices by using an equation to computer the price that will result in a certain level of planned profit given the scale of a specified amount of items. it is the firm determines the price that would yield its target rate of ROI.
    TARGET RETURN PRICE = UNIT COST + ((DESIRED RETURN x INVESTMENT CAPITAL) / UNIT SALES)
3. **Break Even volumes**: There are 2 ways of determining the BEP by means of a formula. It can be determined either in terms of physical units of output or in terms of sales value of the output. i. e in money terms.
    a. **BEP(units) = FC / Contribution per unit = FC / (price – variable cost)**

b. **BEP(volumes) = FC / PV RATIO = FC / (c/s).**

4. **Perceived value pricing**: An increasing number of companies now base their price on the customer's perceived value**.** perceived value is made up of several elements, such as the buyer's image of the product performances.
5. **Value pricing:** Several companies have adopted value pricing. They win loyal customers by charging a fairly low price for a high quality offering. value pricing is thus not a matter of simply setting lower prices; it is a matter of reengineering the company's operational to become a low cost producer without sacrificing quality.
6. **Going- rate pricing:** In Going- rate pricing, the firm bases its price largely on competitor's prices, charging the same, more, or less then major competitor's. in oligopolistic industries that sell a commodity such as steel, paper, or fertilizer, all firm normally change the same price.
7. **Auction – type pricing**: Auction – type pricing is growing more popular, especially with the growth of internet. "breakthrough marketing: EBay" describes the ascent of that wildly successful internet company. **English Auction, Dutch Auction – Reverse Auction**

ADOPTING THE PRICING: Companies usually do not set a single price, but rather develop a pricing structure that reflect variations in geographical demand & costs, market segment requirements, purchase timing, order levels, delivery frequency. Service contacts, & other factors.

1. **Geographical pricing (cash, countertrade, barter):** In geographical pricing, the company decides how to price its products to different customers in different locations & countries. Many buyers wants to offer other items in payment, a practice is known as countertrade.

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   a. **Barter:** the buyers & sells directly exchange goods, with no money & no 3rd party involved.
   b. **Compensation deal:** the seller receives some % of the payment in cash & the rest in product.
   c. **Buyback arrangement:** partial payment in cash & remaining the products manufactured by the company.
   d. **Offset:** accepts full payment in cash but agrees to pay spend some % in that country.
2. **Price discounting & allowances:** most companies will adjust their list price & give discount & allowances for early payment, volume purchases, & off-season buying companies must do this carefully or find their profits much lower than planned.
   a. **Cash discount:** a price reduction to buyers who pay bill promptly.
   b. **Quantity discount:** a price reduction to those who buys volumes.
   c. **Function discount:** discount offered by a manufacture to trade \- channels members if they perform certain functions.
   d. **Seasonal discount:** a price reduction to those merchandise or services out of a season.
   e. **Allowances:** an extra payment designed to gain reseller participation in special program.

3. **Promotional pricing:**
    a. **Loss – leader pricing:** Supermarket & department stores often drop the price on well known brands to stimulate additional store traffic. This pays if the revenue on the additional sales compensates for the lower margins on the loss-leader items.
    b. **Special – event pricing:** seller will establish special prices in certain seasons to draw in more customers.
    c. **Cash rebate:** Auto Companies & other consumer-goods companies offer cash rebate to encourage purchase of the manufacturer's product within a specified time period.
    d. **Longer payment terms:** sellers , especially mortgage banks & auto companies, stretch loans over longer periods & thus lower the monthly payments.
    e. **Warranties & services contracts:** companies can promote sales by adding a free or low cost warranty or services contract.
    f. **Psychological discounting:** this strategy involves setting an artificially high price & then offering the product at substantial savings.

4. **Differentiated pricing:** companies often adjust their price to accommodate differences in customers, products, locations, & so on. **Price discrimination** occurs when a company sells a product or services at two or more prices that do not reflect a proportional difference in costs.
    1. **Customer-segment pricing:** Different customer groups pays different prices for the same product.
    2. **Product – form pricing:** Big bazaar sells men's shirts in many styles, fabrics, levels of quality.
    3. **Image pricing:** Some companies price the same product at two different levels based on image differences.
    4. **Channel pricing**: Coca-cola carries a different prices depending on whether the consumer purchases it in a fine restaurant, or a vending machine.
    5. **Location pricing:** The same product is priced differently at different locations even though the cost of offering it at each location is the same.
    6. **Time pricing:** Prices are varied by season, day, or hour. Public utilities vary energy rates to commercial users by time of day & weekend v/s weekend.

Marketing Channel

Marketing channel: A marketing channel is a set of practices or activities necessary to transfer the ownership of goods, and to move goods, from the point of production to the point of consumption and, as such, which consists of all the institutions and all the marketing activities in the marketing process.

Type of marketing channel:

1. **Intensive distribution:** Where the majority of resellers stock the 'product' with convenience products, for example, and particularly the brand leaders in consumer goods markets (price competition may be evident).
2. **Selective distribution:** This is the normal pattern (in both consumer and industrial markets) where 'suitable' resellers stock the product. In this case retailers can keep the competitors products in their outlets e.g. furniture etc.
3. **Exclusive distribution:** Only lam-bard specially selected resellers or authorized dealers (typically only one per geographical area) are allowed to sell the 'product'.

Roles of marketing channel in marketing strategies

- Links producers to buyers.
- Performs sales, advertising and promotion.
- Influences the firm's pricing strategy.
- Affecting product strategy through branding, policies, willingness to stock.
- Customizes profits, install, maintain, offer credit, etc.

Factors Affecting Channel Choice and Management

1. **Environmental Factors**
   - General economic conditions
   - Changing family lifestyles
   - Technological advance
   - Market size
   - Competition
2. **Consumer Factors**
   - Who are your customers?
   - Where do they buy?
   - How do they buy?.
3. **Product Factors**
   - Product sophistication
   - Product Unit value
   - Product Standardization
   - Stage in the life cycle
   - Price
4. **Company Factors**
   - Financial capabilities
   - Human capabilities
   - Technological capabilities.

- Managerial capabilities
- Marketing Resources
- Number of product lines
- Desire for control of marketing channels

Bases Of Channel Design Decisions
Analyzing Customers desired service output levels:-
In designing the marketing channel, the marketer must understand this service output levels desired by target customers. Channels produce five service outputs:

- **Lot size:** the number of units the channels permits typical customer to purchase on one occasion. In buying cars for its fleet, Hertz prefers a channel from which it can buy a large lot size; a household wants a channel that permits buying a lot size of one.
- **Waiting and delivery time**: the average time customers of that channel wait for receipt of the goods. Customers increasingly prefer faster and faster delivery channels.
- **Spatial convenience**: the degree to which the marketing channel makes it easy for customers to purchase the product. Chevrolet, for example, offers greater spatial convenience than Cadillac, because there are more Chevrolet dealers. Chevrolet greater market decentralization helps customers save on transportation and search costs in buying ad repairing an automobile.
- **Product variety:** the assortment breadth provided by the marketing channel. Normally, customers prefer a greater assortment because more choices increase the chance of finding what they need.
- **Service backup:** the add-on services (credit, delivery, installation, repairs) provided by the channel. The greater the service backup, the greater the work provided by the channel.

Channel Alternatives:-
Companies can choose from a wide variety of channels for reaching customers from sales forces to agents, distributors, dealers, direct mail, telemarketing, and the internet. Each channel has unique strengths as well as weaknesses. Sales forces can handle complex products and transactions, but they are expensive. The internet is much less expensive, but it cannot handle complex product. Distributors can create sales, but the company loses direct contact with customers.
The problem is further complicated by the fact that most companies now use a mix of channels. Each channel hopefully reaches a different segment of buyers and delivers the right products to each at the least cost. When this does not happen there is usually channel conflict and excessive cost.

Promotion - integrated marketing communication- communication process, advertising, sales promotion, personal selling and PR

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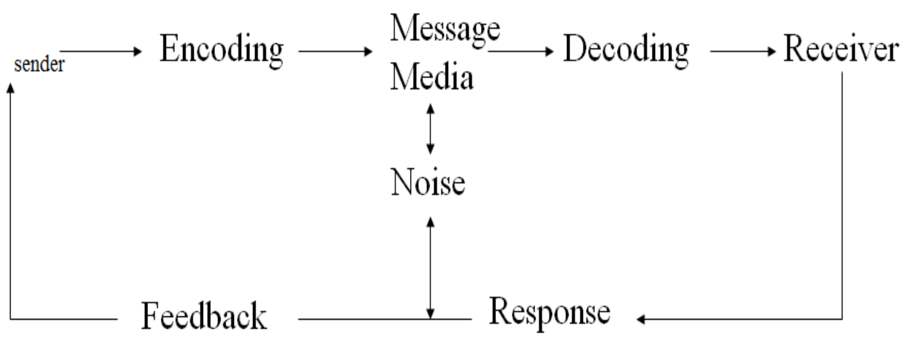
Communications Process



Integrated Marketing Communications
This brings about synergy and better use of communication funds Balancing the 'push' and 'pull' strategies Improves the company's ability to *reach* the *right consumer* at the *right place* at the *right time* with the *right message*

Importance of promotion
Promotion is a vital element of the marketing mix. for new products, people must be informed about items and their feature before they can develop favorable attitudes toward them for product with some consumer awareness, the focus is on persuasion: converting knowledge to liking. For very popular product, the focus is on reminding: reinforcing existing consumer belief.

Types of promotion
- Advertising
- Public relations
- Personal selling
- Sales promotion

Advertisement
Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor. The five m's of advertising are:-
- Mission
- Money
- Message
- Media
- Measurement

Advertisement Budget
Five basic methods are used to set a total promotion budget: all you afford, incremental, competitive parity, percentage-of-sales, and objective-and-task the choice depends on the individual firm. The five budgeting are

- All-you-can-afford method,
- Incremental method,
- Competitive parity method
- Percentage-of-sales method
- Objective-and-task method

Objectives of Advertising

- Information
- Persuasion
- Reinforcement
- Reminder

Marketing Communications and list the communication platforms

The means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the products and brands they sell. The list of communication platforms are as follows:-

Advertising

- Print and broadcast ads
- Packaging inserts
- Motion pictures
- Brochures and booklets
- Posters
- Billboards
- POP displays
- Logos
- Videotapes

Sales Promotion: Collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.

The sales promotion tactics are:-

Consumer-directed Sales Promotion

- Samples
- Coupons
- Cash refund offers
- Price offs
- Premiums
- Prizes
- Patronage rewards
- Free trials
- Tie-in promotions

Trade-directed Sales Promotion

- Price offs
- Allowances

- Free goods
- Sales contests
- Spiffs
- Trade shows
- Specialty advertising

Events/ Experiences

- Sports
- Entertainment
- Festivals
- Arts
- Causes
- Factory tours
- Company museums
- Street activities

Public Relations

- Press kits
- Speeches
- Seminars
- Annual reports
- Charitable donations
- Publications
- Community relations
- Lobbying

Personal Selling

- Sales presentations
- Sales meetings
- Incentive programs
- Samples
- Fairs and trade shows

Direct Marketing

- Catalogs
- Mailings
- Telemarketing
- Electronic shopping
- TV shopping
- Fax mail
- E-mail
- Voice mail

The print ad evaluation criteria are as follows:-

- Is the message clear at a glance?
- Is the benefit in the headline?
- Des the illustration support the headline?
- Does the first line of the copy support or explain the headline and illustration?
- Is the ad easy to read and follow?

- Is the product easily identified?
- Is the brand or sponsor clearly identified?

PERSONAL SELLING

Meaning: - It is a part of total promotional activity of a firm which along with product, price and place management goes a long way in meeting the overall marketing objectives of the organization.

ESSENTIALS ELEMENTS OF PERSONAL SELLING

- Face-to-Face interaction: Personal selling involves a salesmen having face-to-face interaction with the prospective buyers.
- Persuasion: Personal selling requires persuasion on the part of the seller to the prospective customers to buy the product. So a salesman must have the ability to convince the customers so that an interest may be created in the mind of the customers to use that product.
- Flexibility: The approach of personal selling is always flexible. Sometimes salesman may explain the features and benefits of the product, sometimes give demonstration of the use of product and also faces number of queries from the customers. Looking into the situation and interest of the customers, the approach of the salesman is decided instantly.
- Promotion of sales: The ultimate objective of personal selling is to promote sales by convincing more and more customers to use the product.
- Supply of Information: Personal selling provides information to the customers regarding availability of the product, special features, uses and utility of the products. So it is an educative process.
- Mutual Benefit: It is a two-way process. Both seller and buyer derive benefit from it. While customers feel satisfied with the goods, the seller enjoys the profits

IMPORTANCE OF PERSONAL SELLING

Personal Selling is extremely important as it helps in increasing sales. Let us discuss the importance of personal selling from the manufactures as well as consumers point of view.

From manufacturers' point of view:-

1. It creates demand for products both new as well as existing ones.
2. It creates new customers and, thus help in expanding the market for the product.
3. It leads to product improvement. While selling personally the seller gets acquainted with the choice and demands of customers and makes suggestions accordingly to the manufacturer.

From customers' point of view:-

1. Personal selling provides an opportunity to the consumers to know about new products introduced in the market. Thus, it informs and educates the consumers about new products.
2. It is because of personal selling that customers come to know about the use of new products in the market. The sellers demonstrate the product before the prospective buyers and explain the use and utility of the products.
3. Personal selling also guides customers in selecting goods best suited to their requirements and tastes as it involves face-to-face communication.
4. Personal selling gives an opportunity to the customers to put forward their complaints and difficulties in using the product and get the solution immediately.

Marketing control - meaning, scope and importance, strategic control, annual plan control, profitability control and marketing audit

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Marketing control

Meaning:--It involves evaluation the results of marketing strategies & plans to take corrective actions to ensure that objectives are attained corrective actions is must to close the gaps between goals and performance.

Marketing control involves gathering information on marketing performance and comparing the achieved performance against the planned or budgeted performance, using pre-determined standards and yardsticks. It paves the way for the maximization of profitability and productivity of all marketing activities.

To monitor the key result areas of marketing, such as;

- Sales volume/sales value
- Market share
- Market standing
- Marketing costs
- Profits
- Productivity in each marketing activity
- Channel effectiveness
- Promotion
- Sales force deployment/productivity

STRATEGIC CONTROL

Each company should periodically reassess its strategic approach to the marketing with a good marketing audit. Companies can also perform marketing excellence reviews and ethical/ social responsibility reviews.

MARKETING AUDIT

A marketing audit is a comprehensive, systematic, Independent, and periodic examination of a company or business units marketing environment, objectives, strategies, and activities, with a view to improve the company's marketing performance.

Characteristics marketing audit

- Comprehensive
- Systematic
- Independent
- Periodic

Comprehensive: the marketing audit covers all the major marketing activities of business, not just few trouble spots. It would be called a functional audit if it covered only the sales force, pricing. Or some other marketing activity. Although functional audit are useful they sometimes mislead management excessive sales force turnover for example could be a symptom not of poor sales force training or compensation but of weak company product and promotion. A comprehensive marketing audit usually is more effective in locating the Systematic

Systematic: The marketing audit is an orderly examination of the organization's macro and micromarketing environment, marketing objectives and strategies, marketing system, and specific activities. The audit indicates the most needed improvements, incorporating them into a corrective action plan with short and long run steps to improve overall effectiveness.

Independent: marketers can conduct a marketing audit in six ways: self audit, audit from across, audit from above, company auditing office, company task force audit, and outsider's audit. Self

audit in which manager's use a checklist to rate their own operation, lack objectivity and independence. The 3M Company has
Made good use of corporate auditing office,
Periodic: Typically, firms initiate marketing audit only after sales have turned down, sales force morale has fallen, and other problem have occurred. Companies are thrown into a crisis partly because they failed to review their marketing operation during good times a periodic marketing can benefit companies in good health as well as those in trouble.
Components of Marketing Audit?

- **Marketing environmental audit**
    - **Demographic** what major demographic development and trend s pose opportunities or threats to this company what action has the company taken in response to these developments and trends ?
    - **Economic** what major developments in income, price, saving and credit will affect the company?
    - **Environmental** what is the outlook for the cost and availability of natural resource and energy needed the company?
    - **Technology** what major generic substitutes might replace this product?
    - **Political** what changes in law and regulation might affect marketing strategy and tactics?
    - **Cultural**: what is the public's attitude to words business and to word the company's product?
- **Task environment**:
    - **Markets** what is happening to market size, growth, geographical distribution, and profits?
    - **Customers** what are the customers, needs and buying processes?
    - **Competitors** who are the major competitor what their objectives, strategies, strength, weakness, market shares? What trends will affect future competition and substitutes for the company's product?
    - **Distribution and dealer:** what are the main channels for bringing products to customers? What are the efficiency levels and growth potential of the different trade channels?
    - **Suppliers:** what is the outlook for the availability of key resource used in production? What trends are occurring among suppliers?
- **Marketing Strategy Audit**
    - **Business mission** is the business mission clearly stated in market oriented terms? Is it feasible?
    - **Marketing objective and goals: are** the company and marketing objectives and goals stated clearly enough to guide marketing planning and performance measurement? Are the marketing objectives appropriate, given the company's competitive position, resource, and opportunities?
    - **Strategy**: has the management articulated a clear marketing strategy for achieving its marketing objectives is the strategy convincing? Is the strategy appropriate to the stage of the product life cycle? Competitors' strategies and state of the economy?

- **Marketing organization audit**:
  - **Formal structure** dose the marketing vice precedent has adequate authority and responsibility for company activities that affect customers' satisfaction? Are the marketing activities optimally structured along functional, product, segment, and user, and geographical lines?
  - **Functional efficiency**: are there good communication and working relations between marketing and sales? Is the product-management system working effectively? Are product managers able to plane profits or only sales volume? Are there any groups in marketing need more training, motivation, supervision, or evaluation?
  - **Interface efficiency** are there any problems between marketing and manufacturing, R&D, purchasing, finance, accounting, and /or legal that need attention?
- **Marketing systems audit**
  - **Marketing information system** is the marketing intelligence system producing accurate, sufficient, and timely information about market place development with respect to customers , prospects, distributors and dealers, competitors, suppliers, and various publics.
  - **Marketing planning system** is the marketing planning system conceived and effectively used? Do marketers have a decision support system available? Dose the planning system result in acceptable sales target and quotas?
  - **Marketing control system** are the control procedures adequate to ensure that the annual- plan objectives are being achieved? Dose management periodically analyzes the profitability for product, markets, territories, and channels of distribution? Are marketing cost and productivity periodically examined?
- **Marketing productivity audit**
  - **Profitability analysis** what is the profitability of the company's different products, markets, territories, and channels of distribution? Should the center, expand, contract, or withdraw from any business segments?
  - **Cost effectiveness analysis**: do any marketing activities seem to have excessive cost? Can cost- reducing steps be taken?

Annual plan control

Annual-plan control ensures the company achieves the sales, profits, and other goals, established in its annual plan. At it heart is management by objectives. There are four steps

1 Goal setting,

2 performance measurement,

3 performance diagnosis,

4 corrective actions

Profitability Control

Companies can benefit from deeper financial analysis and should measure the profitability of their product ,territories, customer groups, segments, trade channels , and order size, this information can help management determine whether to expand , reduce , eliminate any products or marketing activities.

Retailing - meaning types, retailing decisions, wholesaling - meaning types and decisions

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Retailing

Retailing includes all the activities in selling goods or services directly to final consumers for personal, non business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.

Retail chain

A retail chain involves common ownership of multiple outlets. It usually has central purchasing and decision making. Although independents have simple organization, chains tend to rely on specialization, standardization, and elaborate control systems. Chains can serve a large, dispersed target market and have a well know company name.

Retail franchising

Retail franchising is a contractual arrangement between a franchisor (a manufacturer, wholesaler, or service sponsor) and retail franchisee, which allows the latter to run a certain form of business under an established name according to specific rules.

Convenient Store

Convenient store is usually a well situated, food-oriented store with long hours and a limited number of items.

Full line discount store

A full line discount store is a department store with lower prices, a broad product assortment, a lower rent location, more emphasis on self service, brand name merchandise, wide aisles, shopping carts, and more goods displayed on the sales floor.

Traditional department store

A traditional department store has a great assortment of goods and services provides many costumer services, is a fashion leader and often serves as a an anchor store in a shopping district or shopping district or shopping center. Prices are average to above average. It has high name recognition and uses all forms of media in ads.

Direct Marketing

Direct marketing occurs when a consumer is first exposed to good or service by a non personal medium (such as direct mail, TV, radio, magazine, news paper, or PC) and then order by mail, phone, or PC.

Direct Selling

Direct selling involves personal contact with consumers in their homes (and other nonstore locations) and phone solicitations initiated by the retailers. Cosmetics, vacuum cleaners, encyclopedias, household services (such as carpet cleaning), dairy products, and news paper and some marketed by direct selling.

Wholesaling

Wholesaling encompasses the buying and or handling of goods and services and their subsequent resale to organization users, retailers, and or other wholesalers but not sale of significant volume to final consumers.

Types of Retailers

Consumers today can shop for goods and services at store retailers, nonstore retailers, and retail organizations. Retail store types pass through stages of growth and decline that we can think of retail life cycle.

Retailers can be classified as:

- Store retailers such as Home Depot, Sears, Walmart, Big Bazar
- Nonstore retailers such as the mail, telephone, and Internet.

Retailers Categorized by Amount of Service

1. Self-service retailers: Customers are willing to self-serve to save money. e.g. Discount stores
2. Limited-service retailers: Most department stores
3. Full-service retailers
   a. Salespeople assist customers in every aspect of shopping experience
   b. High-end department stores
   c. Specialty stores

Retailers Categorized by Product Lines

1. Specialty store: Narrow product line. athelets foot, the limited, The Body shop.
2. Department store: Several product lines. Sears, JCPenney, Nordstrom, Bloomingdale's.
3. Supermarket: Large, Low cost, Low margin, High volume, self service store designed to meet total for food and household products. Kroger, Safeway, Food Emporium.
4. Convenience store: Small store in residential area, often open 24/7, limited line of high turnover convenience products plus takeout. 7 Eleven, Circle k.
5. Discount store: Standard or specialty merchandise, low price, low margin, high volume stores, Wal-Mart, Kmart, circuit city.
6. Category Killer
7. Super Stores

Specialty Stores	Narrow Product Line, Deep Assortment
Department Stores	Wide Variety of Product Lines i.e. Clothing, Home Furnishings, & Household Items
Supermarkets	Wide Variety of Food, Laundry, & Household Products
Convenience Stores	Limited Line of High-Turnover Convenience Goods
Superstores	Large Assortment of Routinely Purchased Food & Nonfood Products, Plus Services
Category Killers	Giant Specialty Store that Carries a Very Deep Assortment of a Particular Line
Hypermarkets	Huge Superstores

Retailers Categorized by Product Lines

1. Discount stores: Low margins are offset by high volume
2. Off-price retailers: Leftovers goods, overruns, irregular merchandise sold at less than retail.
    a. Independent off-price retailers: TJ Maxx, Marshall's
    b. Factory outlets: Levi Strauss, Reebok
    c. Warehouse clubs: Sam's Club, Costco

Retailers Categorized by Organizational Approach

1. Corporate chain stores: Commonly owned / controlled
2. Voluntary chains: Wholesaler-sponsored groups of independent retailers
3. Retailer cooperatives: Groups of independent retailers who buy in bulk
4. Franchise organizations :Based on something unique
5. Merchandising conglomerates: Diversified retailing lines and forms under central ownership

Non Store Retailer

1. Direct Marketing
2. Automatic Vending
3. Catalog / Mail order
4. TV Shopping
5. Online Shopping
6. Office or Home Parties

Role and Functions of Wholesaler

Wholesaling all the activities in selling goods or services to those who buy for resale or business use. Wholesalers are more efficient in performing one or more of the following functions:

1) Selling & promoting: Wholesalers sales forces help manufactures reach many small business customers at a relatively low cost. They have more contacts and buyers often trust them more than they trust a distant manufacture.
2) Buying & assortment building: Wholesalers are able to select items and build the assortments their customers need, saving them considerable work.
3) Bulk breaking: Wholesalers achieve savings for their customers by buying large carload lots and breaking the bulk into smaller units.

4) Warehousing: Wholesalers hold inventories, thereby reducing inventory costs and risks to suppliers and customers.
5) Transportation: Wholesalers can often provide quicker delivery to buyers because they are closer to the buyers.

Function of wholesalers

- Enable manufacturers and services provide to distribute locally without making customer contacts.
- Provide a trained sales force.
- Provide marketing and research support manufacture, service provides retailers, and other organization.
- Gather assortments for customers and let them fewer transactions.
- Purchase and or handle large quantities thus reducing total physical distribution costs.
- Provide warehousing and delivery facilities.
- Handle financial records.
- Process returns and makes adjustments for defective merchandise.
- Take risks by being responsible for theft, deterioration, and obsolescence of inventory.
- Wholesalers add value by performing the following functions:
- Financing
- Risk bearing
- Marketing information
- Management services and advice

Types of wholesaling

1. **Manufacture/service provider wholesaling**- In Manufacture/service provider wholesaling a producer does all wholesaling functions itself. This occurs if a firm feels it is best able to reach B to B costumers by doing wholesaling tasks.
2. **Merchant wholesaling** – Merchant wholesaling buy take and take possession of products of products for further resale. This is largest U.S. wholesaler type in sales (60% of the total) and establishment (84% of the total)
3. **Limited –service merchant wholesalers:** Limited –service wholesalers can be classified as follows
    - **Cash and carry wholesaling**: Small business drives to wholesalers order products and take them back to a store or business. These wholesalers offer no credit or delivery, no merchandising and promotion help, no outside sale force, and no research or planning aid.
    - **Drop shippers (desk jobbers):** Buy goods from manufactures or suppliers and arrange for their shipment to retailers or industrial users. They have legal ownership, but do not physically posses products and have no storage facilities. They purchase items, leave them at manufactures plants contact costumers by phone set up and coordinate carload shipments from manufactures directly to customers and responsible for items that cannot be sold.

- **Truck/wagon wholesalers**: Generally have a regular sales route, offer items from a truck or wagon, and deliver goods when they are sold. These wholesalers provide merchandising and promotion support they are considered limited service because they usually do not extended credit and offer into research and planning help.
- **Mall-order wholesalers:** Use catalogs instead of a personal sales force to promote products and communicate with costumers. They may provide credit but do not generally give merchandising & promotion support. They store and deliver goods, and offer some research and planning assistance. These wholesalers are found with jewelry, cosmetics, auto parts, especially food product lines, business supplies, and small office equipment.
- **Rack Jobber**
- **Producers Cooperative**

4. **Brokers:** Bring buyers and sellers together and assist in negotiation
5. **Agents**
    - Manufacturers' agents
    - Selling agents
    - Purchasing agents
    - Commission merchants
6. **Sales branches and offices**
    - Branches carry inventory: lumber, auto equipment, parts
    - do not carry inventory: dry goods
7. **Purchasing officers**: Perform roles similar to brokers and agents, however these individuals are employees of the organization.

Wholesalers Marketing Decisions

1. **Target market and positioning:** Targeting may be made on the basis of size of customer, type of retailer, need for service.
2. **Marketing mix decisions**
    a. Product and service assortment: inventory, line
    b. Pricing: usual markup on COG is 20%
    c. Promotion: largely disorganized and unplanned
    d. Place: location, facilities

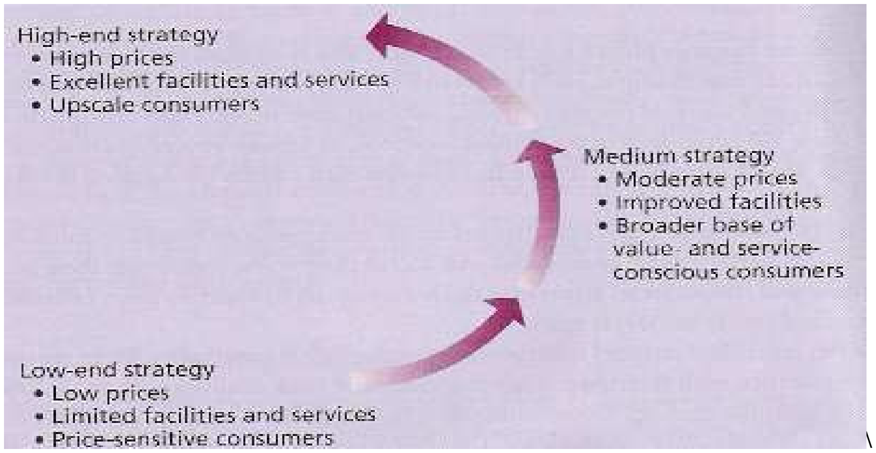
Trends in Wholesaling

- Price competition is still intense
- Successful wholesalers must add value by increasing efficiency and effectiveness
- The distinction between large retailers and wholesalers continues to blur
- More services will be provided to retailers
- Must Learn to Compete Effectively Over Wider and More Diverse Areas
- Increasing Consolidations Will Reduce Number of Wholesalers
- Surviving Wholesalers Will Grow Larger through Acquisitions and Mergers
- Vertical Integration Will Remain Strong
- Global Expansion

Retailing Marketing Decision

- **Target market:** Until it defines and profiles the target market, the retailer cannot make consistent decisions about product assortment, store décor, advertising messages, & media, price, & service levels. To better hit their targets, retailers are slicing the market into finer & finer segments & introducing new line of stores to provide a more relevant set of offerings to exploit niche markets.
- **Product assortment:** Retailers decide on their product assortment keeping in mind the requirements of their target customers. The retailer has to decide on the product assortment breadth & depth. The next step for a store is to develop a product differentiation strategy. Here are some possibilities.
    - Feature exclusive national brands that are not available at competing retailers.
    - Feature mostly private branded merchandise.
    - Feature the latest or newest merchandise first.
- **Procurement :** After deciding product assortment strategy, the retailer must establish merchandise sources, policies & practices.
- **Prices :** Prices are a key positioning factor & must be decided in relation to the target market, the product - & - service assortment mix, & competition. Retailers must also pay attention to pricing tactics.
- **Services :** The service mix is a key tool for differentiating one store from another. Retailers must decide on the services mix to offer customers:
    - Pre purchase services include accepting telephone & mail orders, advertising, window & interior display, fitting rooms etc.
    - Post purchases services include shipping & delivery, gift wrapping, adjustments & returns etc.
- **Store atmosphere :** Atmosphere is another element in the store arsenal. Every store has a look, & a physical layout that makes it hard or easy to move around.
- **Communication :** Retailers use a wide range of communication tools to generate traffic & purchases. They place ads, run special sales, issue money saving coupons, & run shopper reward programs, in store food sampling & coupons at on shelves or at check points.
- **Location decision :** Retailers are accustomed to saying that the 3 keys to success are “location, location & location.” The departmental store chains, oil companies, & fast food franchisers exercise great care in selecting locations. Retailers can locate their stores in central business areas.

Wheel of Retailing



Future of Retailing

1. New Retail Forms and Shortening , Retail Lifecycles
2. Growth of Nonstore Retailing
3. Increasing Intertype Competition
4. Rise of Megaretailers
5. Growing Importance of
6. Retail Technology
7. Global Expansion of Major Retailers
8. Retail Stores as “Communities” or “Hangouts”

Services marketing, brief introduction, latest trends, ethical consideration in marketing

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Services Marketing

Services are performances that bring about the result or experience for the customer. Service customer obtains the rights to use a physical object or space; hire the labor and expertise of personnel and networks. Services are acts, deeds, performance or efforts.

Characteristics of Services

- Intangibility
- Heterogeneity
- Perishability
- Inseparability

Characteristics of Services Marketing

- Most service products cannot be inventoried.
- Intangible elements usually dominate value creation.
- Services often are difficult to visualize and understand
- Customer may be involved in co-production
- People may be part of the service experience.
- Operational inputs and outputs tend to vary widely.
- Time factor often assumes great importance.
- Distribution may take place through non physical channels.

7p's of services marketing

Services are performances that bring about the result or experience for the customer. Service customers obtain the rights to use a physical object or space; hire the labor and expertise of personnel and networks.

- Product
- Price
- Place
- Promotion
- Process
- Physical environment
- people

Product Elements –

- Service product lie at the heart of a firm's marketing strategy. If a product is poorly designed, it won't create meaningful value for customers, even if the rest of the 7 Ps are well executed.
- Planning the marketing mix begins with creating a service concept that will offer value to target customers are satisfy their needs better than competing alternatives.
- Working to transform this concept into reality involves design of a cluster of different, but mutually reinforcing elements.
- Service products consist of (1) a core product that responds to the customer's primary need a (2) an array of supplementary services element that are mutually reinforcing value-added enhancements that help customers to use the core product more effectively.

<u>Price and Other User Outlays</u> –

- Like product value, the value inherent in payments is central to marketing's role in facilitating a value exchange between the firm and its customers.
- For supplies, pricing strategy is the financial mechanism through which income is generated to offset the cost of providing service to create a surplus for profits.
- Pricing strategy often is highly dynamic, with price levels adjusted over time according to such factors as type of customers, time and place of delivery, level of demand, and available capacity.
- Customers, by contrast, see price as a key part of the costs they must incur to obtain desire benefits. To calculate whether a particular service is "worth it," they may go beyond just money and assess the outlays of their time and effort.
- Service marketers, therefore, must not only set prices that target customers are willing and able to pay, but also understand – and seek to minimize, where possible – other burdensome outlays that customers incur in using the service.
- These outlays may include additional monetary cost (such as travel expenses to a service location), time expenditures, unwanted mental and physical effort, and exposure to negative sensory experiences.

Place and Time –

- Service distribution may involve physical channels (or both), depending on the nature of the service. For example, today's banks offer customers a choice of distribution channels, including visiting a branch, using a network of ATMs, doing business by telephone, or conducting banking transaction over the Internet.
- Many information based services can be delivered almost instantaneously to any location in the world that has Internet access.
- Furthermore, firms may deliver service directly to end-users or through intermediary organizations –such as retail outlets that receive a fee or commission to perform certain task associated with sales, services, and customer contact.
- To deliver service elements to customers, decisions need to be made on where and when as well as the methods and channels used.

Promotion and Education –

- What should we tell customers and prospects about our services? No marketing program can succeed without effective communication.
- This component plays three vital roles: providing needed information and advice, persuading target customers of the merits of a specific time.
- In services marketing, much communication is educational in nature, especially for new customers. Suppliers need to teach these customers about the benefit of service, where and when to obtain it, and how to participate in service processes to get the best results.
- Communications may be delivered by individuals such as sales people and frontline staff, at websites, on display screens in self-service equipment, and through a wide array of advertising media.
- Promotional activities which may include a monetary incentive – often are designed to stimulate immediate trial purchases or to encourage consumption when demand is low.

Process -

- Smart managers know that where services are concerned, how a firm does things – the underlying processes- often are as important as what it does. So, creating and delivering product elements requires design and implementation of effective processes.
- Badly designed service processes lead to slow, bureaucratic, and ineffective service delivery; wasted time; and a disappointing experience. They also make it difficult for front line employees to do their jobs well, resulting in low productivity and increased likelihood of service failure.

Physical Evidence -

- If your job is in a service business that requires customers to enter the service factory, you'll also have to speed time thinking about design of the physical environment or "servicescape".
- The appearance of buildings, landscaping, vehicles, interior furnishings, equipment, staff members' uniforms, signs, printed materials, and other visible cues provide tangible evidence of a firm's service quality, facilitate service delivery, and guide customers through the service process.

- Service firm need to manage "servicescape" carefully, since they can have a profound impact on customer satisfaction and service productivity.

People –

- Despite technology advances, many services will always require direct interaction between customer and service employees. You must have noticed many times how the difference between one service supplier and another lies in the attitudes and skills of their employees.
- Service firms need to work closely with their human resources (HR) departments and devote special care in selecting, training, and motivating their service employees. In addition to possessing the technical skills required by the job, these individual also need good interpersonal skills and positive attitudes.
- HR managers who think strategically recognize that loyal, skilled, motivated employees who can work well independently or together in terms represent a key competitive advantage.

Trends in Services Marketing

Focus in customer service and satisfaction

Companies of the past focused too much on their internal being. Their capital expenditures were geared towards expansion of network, technical superiority, and market domination by size or scale. These companies failed to recognize that unless customer needs are taken to account, these initiatives will not bring success or profit.

Focus on the Service Value.

Customers want value for their money and they expect that company's offerings must be of prime quality at the least possible price. This is opposite to the principle of business operations. Companies will need more money to execute first-class service because it requires investment on well-experienced employees which eventually require higher salaries, high-end facilities, additional employee trainings which all boils down to an increase operational expenditures. Managers of service companies are tasked to design a service model that are valuable to their customers but priced reasonably. In the past, companies believe that as long as they are "big" in terms of scale, size, and resources, their perceived value is high. This is no longer true today. The best judge of your company's value is your customers.

Focus on Information Technology.

One of the best contributions of technology is information. Technological advances led to the availability of information in all sectors of the organization. Examples of information are consumer's purchasing behavior, consumer's consumption pattern, consumer's data information and so on. Information made the decision making process of top executives easy and later resulted to further innovation and improvement on the company's strategic direction. Companies who failed to use information also failed to understand their customers.

Focus on Globalization. Globalization has swept companies from all over the world by storm. Local markets are already saturated by local players and the best way to expand their sales is to tap emerging international markets. However, internationalization approach is not as simple as transporting your service to another country. If your company's service model is effective in your local market, it is not a guarantee that it will also be effective in other countries. Culture, social behavior, and customs of the foreign country must always be taken into account. Many companies who jumped in the globalization band wagon failed to adjust their service approach when setting-up a foreign franchise. In the fast-food industry for instance, MC Donald's beef burger may not be a hit in countries like India because cows are sacred in this country. Some American fast-food chains that established franchise in the Middle East or some parts of Asia changed the ingredients of their food products and modify the service orientation of their staff in order to adapt to the taste and customs of the locals.