MARKETING MANAGEMENT

Overview

The purpose of marketing is to create and keep customers.
For a company to succeed it must be committed to meeting customer needs more efficiently and effectively than competitors
To do this, the company must continuously monitor the marketing environment and respond to changes in customer needs, tastes, and behaviour.

Definitions

- It is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create beneficial exchanges that satisfy individual and organizational needs and objectives.
- It is the process of developing and maintaining a realistic and viable 'fit' between an organizations's objectives, its limited resources and the changing marketing environment.
- It is the social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products with others.

This definition has the following implications;

- Marketing is a managerial process i.e. marketing is a special area in management hence all management functions are applicable in marketing, e.g., planning, control, directing, organizing, staffing, motivation, etc.
- The entire system must be market driven, customer oriented i.e. customer needs must be recognized and satisfied effectively.
- The marketing process is dynamic. Basic marketing activities remain the same, but the practice of marketing must change with time.

- The marketing program starts with a product idea and does not end until the customers are completely satisfied. Relationship marketing as opposed to transactional marketing leads to loyalty and repeat purchases.
- Customers must be satisfied for the company to retain them and make repeat business.
- Marketing is not only limited to business and non-profit oriented organizations also practice marketing e.g. churches, politicians, NGOs etc.

It is a process by which;
-one identifies the needs and wants of the people.
-one determines and creates a product/service to meet the needs and wants. [PRODUCT]
-one determines a way of taking the product/service to the market place. [PLACE]
-one determines the way of communicating the product to the market place. [PROMOTIONS]
-one determines the value for the product.[PRICE].
-one determines the people, who have needs/ wants. [PEOPLE]
and then creating a transaction for exchanging the product for a value, and thus creating a satisfaction to the buyer's needs/wants.

Common concepts used in Marketing

1) Needs; a need is a state of felt deprivation of some basic requirement e. g. people need food, clothing, shelter, and safety for survival.
2) Wants; these are desires for specific satisfiers of the needs e.g. a person needs food but wants fish and chips. He needs shelter but wants a mansion.
3) Demands; are wants for specific products that are backed up by the ability and willingness to buy them. A want becomes a demand when it is backed by purchasing power.
4) Product; It is anything that can be offered to someone to satisfy a need or want at a profit.
5) Utility; this is the consumer’s estimate of a product’s overall capacity to satisfy a need.
6) Value is a ratio of the product’s utility and price i.e. value = utility

Price

A product is said to be of better value than the other if it offers more for the same price.

7) Exchange; is the act of obtaining a desired product from someone by offering something in return. Four conditions must prevail for an exchange to take place;

a) There should be at least two parties,

b) Each party must have something of value to deliver to the other,

c) Each party must be able to communicate and deliver,

d) Each party must be free to accept or reject the other's offer.

e) Each party must feel it is appropriate or desirable to deal with the other party.

An exchange is a process and not an event. Two parties are said to be engaged in an exchange if they are negotiating and moving towards agreement. If an agreement is reached, then a transaction takes place.

8) A transaction; is a trade of values between two parties.

9) Transfer; is an act of giving something of value to someone without getting anything tangible in return e.g. a gift.

10)A market; it consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy the need.

11) A brand; is an offering from a known source/ company. It may be a name, a sign, symbol, distinctive colouring or lettering that distinguishes one company's products from others.

Company orientations towards the market place (marketing concepts)

these are philosophies that guide a company's marketing efforts. They indicate the relative weights that should be given to the interests of the organization, customers, and society in general. There are six such philosophies under which marketing activities can be conducted i.e.

- The production concept
- The product concept
- The selling concept
- The marketing concept

- The customer concept
- The societal marketing concept

1. The production concept; It is the philosophy that consumers will like products that are easily available and highly affordable. Therefore the company should focus on production and distribution efficiency. Whatever is produced is quickly sold and product quality is not important. Hence more products are manufactured since it is assumed that little marketing effort is needed to achieve more sales and profits. This philosophy is applicable with convenience products.

2. The product concept; It holds that consumers will favour products that offer the highest quality, performance or innovative features. The company therefore focuses on making superior products and improving them over time. Product oriented companies trust that their engineers can design exceptional products hence little or no customer input is obtained. In a product innovation approach, the company pursues product **innovation**, and then tries to develop a market for the product. Product innovation drives the process and marketing research is conducted primarily to ensure that profitable market segment(s) exist for the innovation. The rationale is that customers may not know what options will be available to them in the future so we should not expect them to tell us what they will buy in the future.

The production concept can lead to "marketing myopia", the folly that customers buy a product for what it is instead of its benefits. The concept is however applicable with specialty products.

3. The selling concept; It is the idea that consumers will not buy enough of the company's products unless it (the company) undertakes a large scale selling and promotional effort. The concept assumes that consumers show **buying inertia** or resistance and must be persuaded into buying. It holds the belief that the purpose of marketing is to sell more products to more people, more often for more money in order to make more profit. The philosophy is applicable with unsought products.

4. The marketing concept; It holds that the key to achieving organizational goals consists of the company being more effective than

competitors in creating, delivering and communicating superior customer value to its target markets.
The job is not to find the right customers for your product, but the right products for the customers. While the selling concept focuses on the needs of the seller, the marketing concept focuses on the buyer's needs. In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no point spending R&D funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs. A formal approach to this customer-focused marketing is known as SIVA (Solution, Information, Value, and Access). This system is basically the four Ps renamed and reworded to provide a customer focus.
The SIVA Model provides a demand/customer centric version alternative to the well-known 4Ps supply side model (product, price, place, promotion) of marketing management.

Product → Solution

Promotion → Information

Price → Value

Placement → Access

The marketing concept rests on four pillars; target market, customer needs, integrated marketing, and profitability.
a) Target market: is a selected group of customers with similar needs and purchase behaviour that a company decides to serve.
b) Customer needs: A company that is able to succeed in the long run is the one that responds to customer needs and ensures their satisfaction. In this way it is able to attract more customers and retain the existing.
c) Integrated marketing: This is when all the company's departments work together to serve the customer's interests. Firstly the various

marketing functions e.g. the sales force, advertising, customer service, marketing research etc. must work together. Secondly, marketing must be embraced by other departments i.e. marketing should not just be a departmental but a companywide orientation.

To foster teamwork, the company carries out internal as well as external marketing. **External marketing** is directed at people outside the company while **internal marketing** is the task of hiring, training and motivating employees to serve customers well. All departments of a firm should be geared to satisfying consumer wants/needs. In this sense, a firm's marketing department is often seen as of prime importance within the functional level of an organization.

Information from an organization's marketing department would be used to guide the actions of other department's within the firm. As an example, a marketing department could ascertain (via marketing research) that consumers desired a new type of product, or a new usage for an existing product. With this in mind, the marketing department would inform the R&D department to create a prototype of a good/service based on consumers' new desires.

The production department would then start to manufacture the good, while the marketing department would focus on the promotion, distribution, pricing, etc. of the product. Additionally, a firm's finance department would be consulted, with respect to securing appropriate funding for the development, production and promotion of the product.

d) Profitability: The ultimate purpose of marketing is to help organizations achieve their objectives, that of long run profitability in case of private firms and the objective of survival and attracting enough funds to perform useful work, for the case of nonprofits organizations. Private firms should achieve profits only as a consequence of creating superior customer value, by satisfying customer needs better than competitors.

Circumstances that force companies to embrace the marketing concept;

- sales decline
- slow sales growth
- changing buying patterns

- increased competition
- increased marketing expenditures

5. The customer concept; whereas the marketing concept works at the level of the customer segment, the customer concept views each customer individually by shaping and designing products unique to each customer's requirements.

6. The societal marketing concept; It holds that the organization's task is to determine the needs and wants of target markets and to deliver the desired products more effectively than competitors in a way that preserves or enhances the consumer's and society's well-being. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns.

Differences between Selling and Marketing Concepts

Marketing

Selling

1. Emphasis is placed on the product.
2. Company first makes the product then decides on how to sell it.
3. Management is sales volume oriented.
4. Planning is short term oriented, in terms of current markets and products.
5. Focus is on the needs of the seller.
6. Company "bends consumer demand to meet company's supply".
7. High pressure selling to sell goods already produced.
8. 'Caveat emptor' (let the buyer beware).
9. Profits are through sales volume.

1. Emphasis is on the consumer's needs.
2. Company first determines customer needs then decides how to make the product to satisfy the needs
3. Management is profit oriented.
4. Planning is long term oriented in terms of new products, markets and future growth.
5. Focus is on the wants of the buyer.
6. Company "bends its supply to meet consumer's demands.
7. Product planning to match products with demand.
8. 'Caveat vendor' (let the seller beware).
9. Profits are through customer satisfaction.

Holistic marketing concept; This is a concept based on the development, design and implementation of marketing programs, processes and activities that recognise their breadth and interdependencies.

It recognises that everything matters with marketing and that a broad, integrated perspective is often necessary. Thus holistic marketing is an approach to marketing that attempts to recognize and reconcile the scope and complexities of marketing activities.

There are four components of the holistic marketing concept, i.e.

i. Relationship marketing
ii. Integrated marketing
iii. Internal marketing
iv. Social responsibility marketing

i. **Relationship marketing;** The key goal of marketing is to develop enduring relationships with all people or organizations that could directly or indirectly affect the success of the firm's marketing activities.
It has the aim of building and mutually satisfying long term relationships with key parties i.e. customers, suppliers, distributors and other marketing partners.
It builds strong economic, technical and social ties among these partners. Relationship marketing involves cultivating the right kind of relationship with the right stakeholder groups.
Its ultimate outcome is the building of a unique company asset called a marketing network.

ii. **Integrated marketing;** The marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate and deliver value for consumers. The two key themes of integrated marketing are;
a. Many different marketing activities are employed to communicate and deliver value.
b. All marketing activities are co-ordinated to maximize their complimentary effects. The design and implementation of any one marketing activity is done with all other activities in mind.

iii. **Internal marketing;** Holistic marketing incorporates internal marketing ensuring that everyone in the organization embraces appropriate marketing philosophies and principles especially senior management.
It is the task of hiring, training and motivating employees with the aim of serving customers well.

iv. **Social responsibility marketing;** Holistic marketing incorporates social responsibility through understanding and implementing broader societal concerns for ethical, environmental, legal and social aspects of marketing activities and programs.
The effect and cause of marketing clearly extends beyond the company and the consumer to society as a whole.
Social responsibility also requires that marketers carefully consider the role that they are playing and could play in terms of social welfare.

The Role of Marketing to Society

- Marketing raises people's standard of living thus marketing enables people to consume products and services that they would otherwise not access e.g. imported motor vehicles.
- Employment creation; some are owners while some are employed by warehousing, retailing, transporting, and advertising activities that facilitate marketing.
- Revenue generation; from advertisements which can be ploughed back to bring entertainment and news.
- Transfer of technology from one nation to the other in form of manpower, capital equipment, foreign-owned business, etc.
- Encourages competition which leads to high quality products and low prices.
- Marketing acts as a training ground for entrepreneurs who may launch their own businesses.
- Marketing provides product variety through offering more models, brands, flavours and package sizes.

Marketing and Social Responsibility

The social responsibility of marketing derives from the societal marketing concept which emphasizes that companies should determine the needs and wants of the consumer and deliver the desired satisfaction more effectively than competitors in a way that maintains or improves the consumer's and society's general well being. That marketers should consider the implications of their activities on different sections of society and ensure that no undue harm is done on these groups' interests.

Such orientation especially if on a long term basis helps improve a company's public image and eventually add to its profitability.

Marketing issues in Social Responsibility

- Product quality and branding should not be done so as to deceive the customer. He should get equal value for money.
- It is unethical to build obsolescence into a product to make sure it does not last too long so as to boost total sales by more frequent repurchases.
- Running counterfeit brands is socially unacceptable.

- Marketing advertisements should portray the true and correct quality and quantity of the products advertised.
- It is also unethical to market goods of reduced quality to match an increase in demand.

Corporate Social Responsibility activities

- Development of social amenities e.g. health, sports, education and housing, in the area in which a company operates.
- Maintaining a healthy, pollution-free environment.
- Providing opportunities for employment.
- Providing for the unfortunate, sick and homeless in society.

Concepts of social responsibility

i. Profit responsibility
ii. Stakeholder responsibility
iii. Societal responsibility

i. Profit responsibility; It holds that companies have a simple duty i.e. to maximize profits for their owners or shareholders. This view is expressed by Nobel Laureate Milton Feldman who said "there is only one and only one social responsibility of business, i.e. to use its resources and engage in activities designed to increase its profits so long as it stays with the rule of the game, which is to say engaging in open and free competition without deception or fraud".

ii. Stakeholder responsibility; This concept focuses on the obligations an organization has to those who can affect achievement of its objectives. These constituencies include customers, employees, suppliers and distributors. The firm must build and maintain long lasting beneficial relationships with important stakeholders.

iii. Societal responsibility; It refers to the obligations that organizations have to the preservation of the ecological environment. General public concerns about the environment and public welfare are represented by interest and advocacy groups such as the Greenpeace movement, an international environmental organization.

Green marketing; It is a concept whereby a company produces goods or services which do not pollute the environment i.e. they have little or no harm to the environment. It is an effort to produce, promote and reclaim environmentally friendly products. Green marketing takes many forms e.g. Shell Oil Company which produces lead-free gasoline.

Historical Development of Marketing

Before the industrial revolution, production of goods was largely manual and business was characterized by:-

- Low volume of production
- High cost of production i.e. expensive raw materials
- Higher demand than supply for goods i.e. consumers competed for limited goods and a competition was among consumers at this point, producers emphasized on quantity of products rather than their quality.

At the onset of the industrial revolution, at around the beginning of the 20th century, there was an increase in merchandized trade due to the following reasons;

- There was a high demand for existing products
- There was a marked increase in supply of raw materials
- Increased volume of production due to automated/mechanized manufacturing

Existing manufacturers expanded, attracting new entrepreneurs due to increased profit opportunities.

Competition therefore shifted from consumers to manufacturers in terms of price and sales volume. Technologically improved means of communication, transport, and production led to relatively reduced costs of production and distribution, enabling manufacturers to sell over a wider market.

Manufacturers started emphasizing customer satisfaction. But in spite of these changes, most industries concerned themselves with sales i.e. they engaged in intensive personal selling which was used because there was no mass media hence media advertising was still non-existent or limited.

In the middle of the 20th century onwards some suppliers started thinking of adjusting their products and prices to reflect customer requirements, hence the start of marketing orientation of business. This was further triggered by the 2nd world war, which created an increased demand for most manufactured goods. This period marked the development of comprehensive sales and marketing departments in firms.

The development and evolution of marketing can be looked at from the following stages;

1) Production-orientation era; Goods were scarce during this period of the industrial revolution (1850s -1920s).Therefore buyers were willing to buy virtually any goods that were produced. Manufacturers had the idea that products would sell themselves, so the major concern of business was production and not marketing.

2) Sales era; It existed between the 1920s- 1950s.

During this time the firms discovered that they could produce more goods than they would be bought because production had been automated after the invention of many machinery and equipment. Competition was increasing and the solution was to hire sales people and engage in aggressive advertising to find new customers.

3) Marketing- orientation era; This was between the 19500s- 1980s. As selling became more difficult, it was necessary for firms to get better methods of making their products popular among the consumers. Production thus became more customer-oriented. Marketers were more involved in designing and production of goods unlike in the past when they were involved only after the item had been produced.

4) The social responsibility era; (1970s- today) Due to the social, political and economic pressures that businesses began to experience during this time, marketers were forced to be sensitive to the interests of not only customers but the general public. External pressure such as customer discontent, concern for the physical environment and political- legal forces had to be factored in the marketing programs of firms. The marketer had to be concerned with creating and delivering a better quality of life and preserve the well being of the customer and society in general.

Functions of a Marketing Manager

The marketing manager's job is to develop effective marketing strategies that give the company a strong competitive advantage in its target market. This involves 4 key functions;

- Analysis

- Planning
- Implementation
- Control

1. Marketing analysis involves examining the company's markets and marketing environment to find attractive opportunities.
2. Marketing planning involves setting marketing objectives and deciding on the marketing strategies to achieve the objectives.
3. Implementation is putting the plans into action. It involves day-to-day activities that translate the plan to work.
4. Marketing control is essential because surprises may occur during implementation. Control is the process of measuring and evaluating the results of marketing strategies and taking corrective action to ensure that objectives are attained.

Marketing Management Tasks

A marketing manager should perform several tasks including the following;

- Conduct marketing research to generate information on consumers and products.
- Study competitors' products and market trends.
- Monitor and estimate future demand for products.
- Develop new products and services through marketing research, customer feedback and other sources of information.
- Identify and implement promotion strategies to attract customers.
- Prepare marketing plans, budgets and schedules.
- Decide on price and price offers to customers.
- Monitor customer satisfaction over time.

THE MARKETING ENVIRONMENT

It consists of forces that affect the marketer's ability to develop and maintain profitable business with customers. The environment is characterized by the following;

- It is uncertain and unpredictable
- It is dynamic i.e. constantly changing
- It offers both opportunities and threats
- Every organization has its own unique environment

The process of continually acquiring information on events occurring outside the firm in order to identify and interpret threats and opportunities is called environmental scanning. It is aimed at answering the questions;
What is happening? Why does it happen? How does it affect the firm? Events in the environment may cause a threat or opportunity, strength or a weakness. Threats are impediments/ limitations i.e. events which make it difficult for the attainment of organizational objectives. Opportunities are events which if carefully managed may lead to the organization's increased profitability and survival. A strength is an internal asset that the organization possesses which is essential and is lacked by competing organizations. A weakness is an essential internal asset that the organization lacks but it's possessed by other competitors. The environment of the business consists of two main levels;

- The external environment which consist of uncontrollable factors (macro environment)
- Internal environment which is made up of controllable factors (micro-environment)

The internal environment consists of resources both tangible and intangible which the organization can efficiently utilize to attain its objectives. It starts with the identification of the organization's resource allocations, an enumeration of its strengths and their strategic significance. Tangible assets include financial, material, machinery and personnel resources while intangible assets include corporate image and company reputation. An internal analysis helps to reveal the organization's strengths and weaknesses.

Value chain analysis

It is a way of looking at a business as a chain of activities that transform inputs to outputs that customers value.
It attempts to understand how a business creates customer value by examining the contributions of different activities within the business to that value;
Inputs (raw materials, machinery) → conversion → outputs (products, services)

Customer value is derived from the following;

- Activities that differentiate the product(quality)
- Those that lower costs(affordability)
- Activities that meet customers need quickly(speedy delivery)

The external environment consists of opportunities and threats in the following forms;

Social forces, Economic forces, Technological forces, Regulatory forces, and Competitive forces

Social forces

These include the characteristics of the population, its income and culture.

a) **Demographics;** this refers to study of population in terms of size, growth rate, age distribution, ethnic mix, educational levels, family size etc. The following factors come to the fore;

- The population factor is important to the marketer because people make up markets for goods and services.
- The population size may be a relevant factor for basic **convenience products** bought by a high percentage of population.
- Since different age groups buy different goods and services, age distribution is important since the trend may mean the market of a given product is either expanding or shrinking.
- The marketer needs to know whether the market is densely or sparsely populated because a densely populated market is easier and less costly to serve than if otherwise.
- The population may be experiencing geographic shifts with people moving from rural to urban areas.
- It is also becoming better educated and more sophisticated and this increases the demand for better quality products.

b) **Culture;** This includes the values, beliefs, attitudes and lifestyles of people. As people's culture changes so does the demand for various types of products. Culture describes the accepted norms of a society and will determine what people buy and consume.

Economic forces

They are factors that affect consumer demand and purchasing power. They determine the level of disposable income and people's consumption patterns. They include the following;

- The general economic conditions i.e. depression, recession, boom.
- Interest rate levels
- General levels of inflation i.e. the persistent rise in the general prices of goods and services in an economy.
- The trend of growth in the GDP (Gross Domestic Product)
- Unemployment levels
- Exchange rate levels which directly impact on import/export trade.
- The general conditions of the physical infrastructure which affects the cost of doing business
- Income distribution among individuals e.g. the upper, middle and lower classes who have different buying patterns due to their income differences.

It is important that the marketer considers such factors to estimate market potential.

Technological forces

Technology refers to the means chosen by society to do useful work. As a marketer it is important that we use technology to improve the speed and efficiency of doing business. To avoid **product obsolescence** and promote innovation, a firm must be aware of technological changes that influence its industry. Innovative use of technology can lead to possibilities of a new product, product improvements or improvements in production and marketing techniques.

Regulatory forces

They define legal framework brought about by government legislation and within which firms must operate. The legislation is aimed at protecting companies from unfair competition, to protect customers from unfair business practices and for environmental conservation. Such actions reduce the profit potential of firms. However, others such as patent laws are designed for the benefit and protection of firms.

Competitive forces

The competitive environment is defined by the industry within which a firm operates. An industry is a group of companies that offer products that satisfy similar customer needs e.g. the banking industry.

Analyzing competitive forces is aimed at the following;

a) Identifying business opportunities i.e. new market trends and niches a firm can serve.
b) Providing a bench mark for evaluating the company relative to competitors.
c) Shortening the company's response time to competitor's moves or pre-empting such moves.
d) Helping a firm to gain a competitive advantage through development and implementation of successful strategy.

Competitive forces determine the profitability of an industry. Different forces are more prominent in shaping competition in each industry. Michael Porter's five forces of [industry] competition can be used to gain an insight into an industry's profitability and competitiveness. They are;

- Threat of new entrants
- Threat of substitute products
- Bargaining power of buyers
- Bargaining power of suppliers
- Rivalry among existing companies

Threat of new entrants

New entrants in an industry come with a desire to gain market share and profits at the expense of existing firms. The threat is dependent on the barriers to entry and the reaction of existing competitors. When barriers to entry are high, competition in the industry declines over time. The barriers include;

- Initial capital requirements
- Access to technological knowhow
- The extent of government control of an industry

Threat of substitute products

Substitutes are products that fulfil the same customer needs e.g. vehicles and trains are substitute means of transport. The threat is greater where there is little or no product differentiation.

Product differentiation refers to the extent to which buyers perceive products offered by the firms in the industry as different from others. Differentiation may be based on durability, more features, better packaging or after sales service.

Bargaining power of buyers

In some industries buyers can exert power to producers by forcing down prices, demanding higher quality or more after sales service. This is dependent on the following;

- The buyers are few and buy in large quantities
- The product is not differentiated
- There are other alternative suppliers.

Bargaining power of suppliers

Suppliers can exert pressure for higher prices or by reducing the quality of their supplies thereby influencing on the industry's profitability. A supplier group is powerful if;

- It is made up of a few firms
- There few or no substitute products
- The product is unique or differentiated

Rivalry among existing firms

This is often based on tactics like price competition, new product introductions and heavy advertising, all of which involve added costs to a firm. This rivalry is dependent on the following factors;

- Competitors are many in the industry
- They are almost equal in size and in strength
- The product lacks differentiation

Market growth is slow, leading to fights for market share

Generic Competitive Strategies

Michael Porter has suggested 3 main strategies that can be pursued to overcome competition. These are;

- Overall cost of leadership
- Product differentiation
- Focus strategy

Overall cost leadership involves producing and delivering the product or service at a lower cost than competitors. Low cost producers maximize economies of scale and implement cost-cutting technologies which enable them to charge lower prices or enjoy higher profit margins. They depend on some unique capability to achieve and sustain their low cost position e.g. having a dominant market share position or having technology that cannot be copied.

A differentiation strategy requires that a company creates a product that is recognized as being unique, thus permitting the firm to charge a higher price or attract more customers. Differentiation can be in the form of a unique product attribute or better customer service.

The focus strategy involves targeting a particular target market and serving the narrow market than competitors who serve a broader market. The idea is to achieve differentiation within the narrow market where the product is tailored to the unique demands of the smaller market.

SWOT analysis/ SWOT matrix

It is an organization's appraisal of its internal strengths and weaknesses and its external opportunities and threats.

SWOT analysis is based on the assumption that an effective strategy results from a sound "fit" between a firm's internal resources and its external situation.

An opportunity is a favourable situation in a firm's environment e.g. identification of a previously overlooked market segment, favourable changes in regulatory circumstances, improved buyer purchasing power, technological changes etc.

A threat is a major impediment to a firm's current or desired position e.g. entrance of a new competitor, slow market growth, new unfavourable regulations.

A strength is a unique resource (distinctive competence) that gives a firm a competitive advantage in the market.

A weakness is a limitation or deficiency in resources relative to competitors that impedes the firm's effective performance.

S,O 1	S,T 2

A SWOT analysis presents a company in four possible scenarios;

S

W, O 3	W, T 4

W

O T

Cell 1 is the most favourable situation where the firm faces several opportunities and has numerous strengths to pursue those opportunities.

In cell 2 the firm has identified key strengths but faces an unfavourable environment. In this situation, strategy would be to redeploy the strong resources to build long term opportunities.

A firm in cell 3 faces opportunities but is constrained by weak internal resources. The strategy would be to focus on eliminating the weaknesses so as to pursue the opportunities.

Cell 4 is the least favourable and calls for strategies that reduce or redirect involvement in products or markets (product elimination, market withdrawal).

Environmental forecasting techniques

Environmental variables are dynamic and forecasting enables a firm to assess the future and make plans for it.

Forecasting techniques can be classified as either qualitative or quantitative.

Qualitative techniques are based primarily on opinions and judgements, on data that cannot be statistically analyzed.

Quantitative techniques are based on the analysis of data by use of statistical techniques.

Qualitative forecasting techniques

1. Delphi method

This is a method of developing a consensus of expert opinion. A panel of experts is chosen to study a particular problem. Panel members do not meet as a group. They are asked to give an opinion about certain future events. After the first round of opinions has been collected, the co-coordinator summarizes the opinions and sends the information to panel members. Based on this information, the panel members rethink their earlier responses and make a second forecast. The same procedure continues until a consensus is reached.

2. Executive judgment

This is a method of forecasting based on the intuition of one or more executives. The approach may work well where the forecaster has past market experience. A major demerit is that the forecaster may be too pessimistic or optimistic.

3. Customer surveys

In this case customers are asked what types and quantities of products they intend to buy during a specified period of time. But this may only be possible where the business has few customers who may be able to make accurate estimates of future product requirements. The disadvantage is that a customer survey may only reflect customers' purchase intentions and not actual purchases.

4. Sales force forecasting survey

Sales people are asked to estimate the anticipated sales in their territories for a specified period.

Merits;

- Sales people are closer to customers and are better placed to know the customers' future product needs.

Demerits;

- The sales people can be too pessimistic or optimistic.
- They tend to underestimate the sales potential in their territories.

5. Test marketing

It is useful for new products for which no previous sales figures exist. It becomes necessary to estimate likely demand for the product by testing it on a sample of the market. It involves the limited launch of a product in a closely defined geographical area e.g. a city. The test market results can then be generalised for the whole market.

Quantitative techniques

1. Time series analysis

This technique forecasts future demand based on what has happened in the past. The idea is to fit a trend line to historical data and then extrapolate this line into the future. The method assumes that historical data will form a similar pattern into the future.

2. Regression modelling

This is a forecasting technique in which an equation with one or more variables is used to predict another variable. The one being predicted is called the dependent variable and the other variables used to predict it are the independent variables. The technique determines how changes in the independent variables affect the dependent variable. Once a relationship is established, future values for the dependent variable can be forecast based on predicted values of the independent variables.

MARKETING PLANNING

Definition

Marketing planning is a systematic process that involves assessing marketing opportunities and resources, determining marketing objectives and developing marketing strategies for implementation and control.

The process is aimed at understanding basic needs of customers and delivering products that satisfy the needs.

Benefits of marketing planning

- It helps to appraise performance, capitalise on strengths, minimize weaknesses and threats and open up new opportunities.
- It makes the company to be customer oriented.
- It results in readiness to confront changes i.e. It puts a company to be in a pro active rather than a reactive position.
- It specifies expected results so that the firm can anticipate what its situation will be at the end of the current planning period.
- It identifies resources needed to carry out the planned activities so that budgets can be developed.
- It describes in detail the activities that are to take place so that responsibilities for implementation can be assigned and schedules determined.

Types of marketing plans

1) Short range plans: - they cover a period of one year or less.
2) Medium range plans: - those that cover one to five years.
3) Long range plans: - those that extend over five years.

Approaches to planning

1. **Top down planning;** this is where top management sets the goals and plans for all the lower levels of management. [it assumes that employees cannot take responsibility and prefer to be directed]
2. **Bottom up planning;** it is where organizational units prepare their own goals and plans and set them to higher management for approval.[the approach assumes that employees like responsibility and will be more committed if they participate in planning].
3. **Goals-down, plans-up planning;** under here top management sets corporate goals and various company units then develop plans to help the company achieve corporate goals. The plans have to be approved by top management.

Levels of marketing planning

- Corporate level
- Business unit level
- Functional level

1. **Corporate level;** Large corporations often have several lines of businesses. The portfolio of businesses (**S.B.Us**) is often coordinated with a corporate strategy consisting of a common mission and goals.
   A corporate mission is the purpose of existence of the firm. It sets the overall direction for the firm. The firm may also have a vision which is a long term aspiration that the firm pursues and does not have to be accomplished e.g. coca cola vision; "to put a coke within arms reach of every consumer in the world"
   A corporate goal is a targeted level of performance set in advance of work. Goals provide strategic performance targets that the entire organization must reach to pursue its vision and mission. Examples of goals;

- Maximize long-run profits
- Increase sales
- Increase market share (which is the ratio of sales revenue of all firms in the industry)
- Quality improvement

2. **Business unit level;** Strategy at this level establishes how an S.B.U. will help the organization accomplish its mission. Each S.B.U. must define its mission and goals.
   The S.B.U. goals are a statement that specifies the products and markets in which a business will compete. While a corporate vision is something to be pursued, a mission is something to be accomplished. A business unit goal is a performance target the business unit seeks to reach in an effort to achieve the overall original mission.
3. **Functional level strategy;** It is concerned with the implementation of the corporate and business unit strategies. It entails the formulation of marketing programs i.e. day-to-day activities designed to execute top-level strategy.

The Strategic Marketing Planning Process

It consists of the following steps;

1. Defining /Evaluating the organizational/business mission
2. Situation analysis (SWOT)
3. Setting/revising marketing objectives
4. Developing/ revising marketing strategies
5. Implementing marketing programs
6. Evaluating performance/ control of the implementation process

Defining the organization's mission

Marketing planning starts with a clearly defined mission.

- The mission defines the fundamental reason for the organization's existence
- It is an overall goal of the organization that provides a sense of direction and guide to decision making for all levels of management are developed from the mission.
- It refers to the long term commitment to type of business and its place in the market.
- It states the unique purpose of the firm that sets it apart from others and identifies the scope of a firm's operations
- It describes the company's products, markets and principle technologies to be used.
- It should be long term and not to be revised from time to time.
- It defines the customer needs to be satisfied and the functions to be performed to satisfy the customer needs.

Components of a mission statement

A good mission should contain the following;

a) Purpose; the purpose may be to make money for shareholders, or satisfying all stakeholders e.g. employees, customers, shareholders, suppliers and the general public.
b) Corporate culture (shared culture and beliefs); the mission should include sections on corporate responsibility that outline the ethical principles the firm will follow in dealing with stakeholders, charitable contributions, environmental protection etc.
c) Internal resources and competencies. The mission should identify the firm's source of competitive advantage and distinctive competencies and resources will be matched with opportunities.

d) Products and markets should clearly specify which products and markets the firm will operate in e.g. "transport business".
e) It should specify the technologies to be used and functions to be performed.
f) It should outline the policies and philosophies that define how managers and employees should act and behave.
g) Opportunities and threats.

The mission should guide the firm toward product markets where customer needs and competitive conditions offer attractive growth opportunities. It should also steer the firm away from industries and markets where strong competition or new technologies may pose threats. E.g. Motorola mission statement;

"The purpose of Motorola is to serve the needs of the community by providing products and services of superior quality at a fair price to our customers; so as to earn an adequate profit which is required for the entire enterprise to grow and by so doing provide the opportunity for our employees and shareholders to achieve their reasonable personal objectives.

The role of the mission in marketing planning

- It provides an outline of how the marketing plan should seek to fulfil the mission.
- It provides a means of evaluating and screening the marketing planning; are marketing decisions consistent with the mission?
- It provides an incentive to implement the marketing plan.

Situation analysis

Under here an organization seeks to establish its strengths, weaknesses, opportunities and threats. The analysis tries to answer two questions; where are we now? And where do we want to be in future? Situation analysis is in three forms; environmental, industry and competitor analysis.

Developing or revising marketing objectives

These are formulated taking into account the internal and external company situation. Objectives may be such as adding new products, product modification, expanding the market size etc.

Developing/ revising marketing strategies

The strategies outline the manner in which the marketing mix is used to attract and satisfy the target markets. They revolve around product design, distribution, promotion and price. If e.g. a firm has a marketing objective of increasing market share, it can improve its product image, or increase its sales force, do extensive advertising, introduce a new product, reduce prices or sell through more retail outlets.

Implementing marketing programs

This is the process that turns marketing strategy into action. It involves day-today activities that translate the plan to work.

Implementation control; It is the process of measuring the results of marketing strategies and taking corrective action to ensure that objectives are attained.

The marketing plan

A marketing plan is a road map for the marketing activities of an organization for a specified future period of time e.g. a year. It can be developed for each business product or brand.

Contents of a marketing plan

1. **Executive summary**

   It is a brief summary of the main goals and recommendations of the plan. [it highlights the key issues]
2. Company description

   The section highlights the recent history and successes of the firm. The corporate vision/mission and goals are stated.
3. **Situation analysis**

   It involves analysis of the current market situation, competitors, customers and SWOT.
4. **Marketing objectives**

   The section defines product and market objectives in the areas of sales, profits, market share, new products or new markets to be pursued.
5. **Marketing strategies**

   It describes the marketing mix actions that will be used to achieve the objectives.

   It identifies the target market and the product, price, place and promotion strategy that will be used to offer the firm's products to markets. Each strategy is intended to utilize resources to respond to threats and opportunities to attain objectives.

6. Action programs for implementation

The section specifies the daily activities that translate the plan into action. It specifies what will be done, assigns responsibilities, schedules the work, sets timetables and allocates resources to every activity.

7. Financial projections

The revenue and expense effects of the action programs for implementation are projected to show the expected return on investment for the plan.

8. Evaluation and control

This section indicates how the progress of the plan will be monitored by setting performance standards, predicting problems and the corrective action that might be taken.

The place of marketing planning in overall strategic planning

- Strategic planning is concerned with the overall direction of the business. It is concerned with all management tasks e.g. marketing, production, HRM, etc.
- The objective of strategic planning is to set the direction of a business and create its shape so that the products it provides meet overall business objectives.
- Marketing links the business with its environment.

Strategic marketing planning seeks to answer the following questions;

- Where are we now?
- How did we get there?
- Where are we heading?
- Where would we like to be?
- How do we get there?
- Are we on course?

The marketing audit

It is a comprehensive, systematic and independent and periodic examination of a company's environment, objectives, strategies and activities to determine problem areas and opportunities and to recommend a plan of action to improve the company's marketing performance.

The audit must cover all major marketing areas of a business e.g. marketing research, promotion, sales etc.

It should be conducted by an objective experienced outside party independence of the company's marketing department.

It should be carried out periodically and not only during a crisis.

The auditor carries out an investigation of the marketing activities and develops a set of findings and recommendations for management.

Aims of the audit

- To describe the current activities and their effect to sales, costs, prices and profits.
- To gather information about customers, competitors and other environmental developments that may affect sales.
- Identifying reasons for the successes and failures of marketing and their analysis for appropriate action.

THE MARKETING MIX

Definition –It is the set of controllable marketing variables that the firm blends to produce the response it wants from its target market. It consists of everything the firm can do to influence the demand for its product.

The major marketing management decisions can be classified in one of the following four categories: Product, Price, Place (distribution), and Promotion

These variables are known as the **marketing mix** or the **4 P's of marketing**. They are the variables that marketing managers can control in order to best satisfy customers in the target market

The firm attempts to generate a positive response in the target market by blending these four marketing mix variables in an optimal manner.

Product

The product is the physical product or service offered to the consumer. In the case of physical products, it also refers to any services or conveniences that are part of the offering.

Product decisions include aspects such as function, appearance, packaging, service, warranty, etc.

Price

Pricing decisions should take into account profit margins and the probable pricing response of competitors. Pricing includes not only the list price, but also discounts, financing, and other options such as leasing.

Place

Place (or placement) decisions are those associated with channels of distribution that serve as the means for getting the product to the target customers. The distribution system performs transactional, logistical, and facilitating functions.

Distribution decisions include market coverage, channel member selection, logistics, and levels of service.

Promotion

Promotion decisions are those related to communicating and selling to potential consumers. Since these costs can be large in proportion to the product price, a break-even analysis should be performed when making promotion decisions. It is useful to know the value of a customer in order to determine whether additional customers are worth the cost of acquiring them.

Promotion decisions involve advertising, public relations, media types, etc.

A Summary Table of the Marketing Mix

The following table summarizes the marketing mix decisions, including a list of some of the aspects of each of the 4Ps.

Product	Price	Place	Promotion
Functionality Appearance Quality Packaging Brand Warranty Service/Support	List price Discounts Allowances Financing Leasing options	Channel members Channel motivation Market coverage Locations Logistics Service levels	Advertising Personal selling Public relations Message Media Budget

PRODUCT STRATEGY

Definition; what is a product?

A product is everything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas.

It is the need satisfying offering of an enterprise. When consumers buy a product, they are actually buying satisfaction or the benefits that the product would offer.

A physical product can be viewed at five levels;

1. **Core product;** This is the most basic level. It addresses the question; what is the customer really buying? It consists of the problem solving or core benefits that consumers obtain when they buy a product.
2. **Basic product;** It is a product's physical parts i.e. its features, brand name, packaging and other attributes that combine to deliver the core product benefits.
3. **Expected product;** It is a set of attributes and conditions consumers normally expect when they purchase the product.
4. **Augmented product;** It is the part of a product which exceeds customer expectations.
5. **Potential product;** It encompasses all the possible augmentations and transformations the product might undergo in the future.

Product classifications

- They can be categorized as **tangibles** e.g. physical goods or **intangibles** e.g. services
- Physical goods can be described as being durable or non-durable**.** **Durable goods** are those used over an extended period of time and normally survive many uses**. Non-durable** goods are those that are normally consumed in one or a few uses.
- Products can also be classified into consumer and business products. **Consumer goods** are those bought by final consumers for personal consumption. **Industrial / business/organizational** products are those bought to be used in the production of other goods and services.

Types of consumer products: They include; convenience products**,** shopping products**,** specialty products**, and u**nsought products.

1. **Convenience products;** They are those goods that the customer usually buys frequently, immediately and with a minimum of comparison and buying effort. They are usually low priced and widely available.
   They are of two main types;

a) Staples; are those that are bought often, routinely and without much thought.

b) Impulse/emergency products; are those that are bought because of a strongly felt need. The consumer will not have planned to buy and only decides to do so on sight.

2. **Shopping goods;** They are products that a customer feels are worth the time and effort to compare with other products on suitability, quality, price etc. they are of two types;

a) Homogenous shopping goods; are those the customer sees as basically the same and selects one with the lowest price e.g. T.V.s, music systems.

b) Heterogeneous shopping goods; are those the consumer sees as different and wants to compare for quality and suitability e.g. furniture and clothing.

3. **Specialty goods;** They are those that the customer wants and makes a special purchase effort to search for them because of their unique characteristics or brand identification. Customers have specific expectations of the product and substitutes would not be accepted e.g. cars like Ferrari, clothes like Calvin Klein.

4. **Unsought goods;** These are products that potential customers don't know about or know about them but do not normally think of buying. They don't search for them and won't buy if they see them unless promotional effort is undertaken. They include life insurance. They are of two types;

a. **New unsought products**; are those offering really new ideas that potential customers don't know about yet. Informative promotions can help convince customers to accept these products.

b. **Regularly unsought products**; they are products which may satisfy a certain need but potential customers are not motivated to satisfy it. Personal selling is usually used to persuade customers to buy.

Types of business products: Installations**, a**ccessories, raw materials**, c**omponent parts**,** and office Supplies.

ii. **Installations;** They are such as buildings and heavy machinery used in manufacturing. They are durable products therefore they are not bought very often. They are usually expensive hence many people including top management are involved in the purchase decision and purchase negotiations may take a long time. To achieve buyer satisfaction suppliers offer special after-sales services.

iii. **Accessories;** Include tools and equipment such as fax machines, computers, photocopiers etc. They cost less and are less durable than installations therefore fewer people are involved in the purchase process and negotiations take a shorter time.

iv. **Raw materials;** These are unprocessed farm products (e.g. cotton, wheat, leather) or natural raw materials e.g. timber, oil, mineral ore, that are moved to the next stage in the production process with little or no handling to produce a company's finished products.

v. **Component parts;** Are processed items that become part of a finished product e.g. batteries, tyres, etc.They are bought from another supplier and their quality is paramount and the buyer tries to buy from sources that help assure good product quality.

vi. **Supplies;** These are items that do not become part of a finished product. They include the following;-

- Repair and maintenance supplies e.g. nuts, bolts and lubricating oil.
- Operating supplies that include stationery and electricity.
- Professional services; these are specialised services such as catering, security and computer maintenance services that are outsourced by the company.

Product mix (Product Assortment) Decisions

A product mix is the range of products a company offers i.e. the set of all products and items that a particular seller offers for sale. It is also called a company's product portfolio. A product mix may consist of several product lines.

A product line is a group of products that are closely related either because they function in a similar manner or are sold through the same type of retail outlets e.g. cosmetics, cooking fats and detergents.

- A product mix can be described as having a certain **breadth, length, depth and consistency**.
- A product mix breadth refers to the number of different product lines the company offers e.g. detergents, toothpastes and lotions.
- Product mix length is the total number of items the company offers, i.e. different brands and package sizes.
- The depth of the mix is the number of versions offered of each product in a product line, e.g. different versions/brands of cooking oil.
- Product-mix consistency refers to how closely related a company's product lines are in production requirements or end-use.

The dimensions of the product mix provide the means for defining the company's product strategy. It can add new product lines thus widening its product mix breadth. It can lengthen its existing product lines by adding new products (product line stretching).

It can also add more product versions to each product, thus deepening its product mix.

The company can remove unprofitable items from its product lines (product line pruning or product elimination).

Product Attribute Decisions

Developing a product involves defining the benefits that it will offer. The benefits are communicated and delivered through product attributes which are; quality, features, and design.

a) Product quality; is the ability of a product to perform its functions. It includes product durability, reliability, ease of operation and repair. A firm creates customer satisfaction and value by consistently meeting customer's needs and preference for quality.

b) Product features; are the means through which the product delivers its benefits e.g. safety features of a car. They are a competitive tool for product differentiation.

c) Design; is the appearance of a product, its shape, colour or beauty. A good design attracts attention.

Product positioning

A product's position is how potential buyers see the product. It is expressed relative to the position of competitors e.g. Mercedes is positioned as a luxury car, Volvo for safety.
It is the sum total of perceptions the market has of a particular company, product or service in relation to the market's perception of other similar competing products.
A firm can positively influence market perceptions hence the position its product through effective promotion activities. The company makes itself and its products admirable and visible or noticeable by the potential customer.

Product positioning process

a. Defining the product's target market.
b. Identifying the attributes that define product's position.
c. Collecting information from a sample of customers about their perceptions of each product attribute.
d. Determine the target market's preferred combination of attributes.
e. Deliver the attributes to effectively and positively position your product.

Positioning bases/variables

- Solves problems better.
- Provides more benefits
- Enhances the buyer's image.
- The company's brand is more affordable.

The Product Life Cycle

After launching a product, management wants it to enjoy a long and profitable life. A product often goes through the following five stages:-

1. Product development: Begins when the company finds and develops a new product idea. Sales are zero and investment costs add up due to marketing research, product development, and market testing activities.

2. Introduction: Starts when the product is first launched on a large scale.

Features:

-Sales growth is slow
-Profits are negative or low

-High distribution and promotion expenses
-Basic versions of a product are offered.
Strategies:
-Set a lower price to encourage product acceptance
-Promote to create awareness.
3. Growth stage:
Features:
-Sales start climbing
-New competitors enter the market
-New product features and versions are introduced as the market expands
-Prices remain the same or fall just slightly
-Increases in the number of distribution outlets
-Promotion spending remains the same or slightly increased
-Profits increase.
Strategies:
-Improve product quality
-Add new product features and models
-Entrance to new market segments
-Entrance to new market distribution channels
-Advertising shifts from building product awareness to building preference and conviction.
4. Shake-out stage: The period is marked by a drop in overall growth rate characterized by price reductions. Weaker competitors exit the market changing the industry's competitive structure. During this stage, the firm should eliminate weaker items from its product line, emphasize on promotional pricing and strengthen its channel relationships.
5. Maturity stage:
Features:
-Lasts longer than the previous stages
-There is a slow-down in sales growth
-There is increased competition e.g. price cuts, product modifications, increased promotion
-Weaker competitors start dropping out
Strategies:

-Market modification i.e. trying to increase consumption of the product by looking for new uses, new users and increasing the usage rate
-Product modification i.e. changing product characteristics to attract more users and usage. This may be achieved through product quality improvement i.e. increasing product performance, durability, ease of operation, safety, convenience etc.

6. Decline stage

Features:

-Sales decline
-Profits are low or zero
-Competitors are few or non-existent
-Reduced number of product offering
-Promotion and prices are further reduced

Strategies:

-Maintain the brand in the hope that competitors will leave
-Harvest the product i.e. reduce various costs e.g. promotion and get as much out of the product as possible
-Drop the brand i.e. Stop its manufacture or sell it.

Product elimination

There are some products which cannot be improved or modified to suit the market. In this case the more profitable alternative would be to withdraw the product. The process of withdrawal is called "product elimination".
This can be done after establishing that the product cannot be modified to suit the needs of consumers.

Reasons suggesting product elimination

- Continuous decline in the sales of the product
- Emergence of superior improved products
- Downward trend in prices
- Product life-cycle stage i.e. if the product is in its decline stage, this would necessitate elimination

New Product Development

Companies need to develop new products due to the following:-

- Customer changes in tastes and fashion
- Increased competition

- Technological changes
- To be able to expand and increase their profitability

New products may take any of the following forms:-

- Additions to existing product line i.e. new products that supplement a company's established product lines e.g. package sizes, flavours, colouring etc.
- Improvements of existing products i.e. new products which provide improved performance or greater perceived value.
- Repositioning i.e. existing products that are targeted to new markets or market segments.
- New products: they are products that create an entirely new market and new product life-cycle.

The process:

1) Idea generation: A product idea is a possible product the company might offer to the market.
Sources of new product ideas include; customers, scientists, competitors, employees, and channel members.

2) Idea screening: It is aimed at dropping poor product ideas as quickly as possible. The company at this stage must avoid making two types of errors;

-Drop error: where the company dismisses an otherwise good idea.

-Go- error: Occurs when the company permits a poor idea to move into development and commercialization resulting into product failure which may be described as absolute, partial or relative.

Absolute: A heavy loss where even variable costs are not covered.

Partial: Where a new product's sales cover all variable costs and some fixed costs.

Relative: Where the sales yield a profit that is less than the company's target rate of return.

3) Concept development and testing: A product concept is an elaborated version of the idea expressed in meaningful consumer terms. The company should identify which group of customers e.g. infants, teenagers, adults would use the product and its primary benefits. Concept testing involves presenting the product concept to appropriate target consumers and getting their reactions.

4) Marketing strategy development: It is a preliminary marketing strategy plan for introducing the new product into the market. The plan describes the following:
The target market's size and behaviour
The planned product positioning
The sales volume, market shares and profit goals for the first year.
The planned price, distribution strategy and promotion budget for the first year.
5) Business analysis: Its aim is to evaluate the proposal's business attractiveness. Estimates on future sales, costs, and profits are done to determine whether they satisfy company objectives.
6) Product development: The company develops the physical version of the product concept, having the key attributes that can be produced within the budgeted costs. The physical product must be able to communicate its psychological aspects e.g. colouring and taste. The prototype must then be put through customer tests either in the company's labs or by giving them samples to use at home.
7) Market testing: The product is branded, packaged and introduced in a market setting to learn how large the market is and customers' reaction to the product. This permits the company to assess the impact of marketing strategy.
8) Commercialization: This is when the product is launched to the market on a full scale.
Questions to answer:-

- When?
- Where?
- To whom?

When (timing)
If a company learns that its competitor is about to launch a similar product in the market, it has three options;
First entry; the first firm that enters a market usually enjoys the advantages of hooking up key distributors and customers. But if the product is rushed to the market it may fail.

Parallel entry; the firm might time its entry to coincide with the competitor's entry. The market may pay more attention when two companies are advertising the new product.

Late entry; the firm might delay its launch until after the competitor has entered. The competitor will have borne the cost of educating the market and its product may reveal faults that the late entrant can avoid.

If a new product replaces an older product, the company might delay introduction until the old product's stock is finished. If the product is seasonal, it might be delayed until the right season arrives.

Where (geographic strategy)

The company must decide whether to launch the new product in a single locality or several regions.

Factors to consider:

- Company size; small companies will first enter an attractive city with a heavy promotional campaign and enter others one at a time.
- Cost of communication media.
- Competitive penetration.
- Market potential and knowledge.

To whom (Target- market prospects)

The company must target its initial distribution and promotion to the best prospect groups who would have the following characteristics; Early adopters, heavy users, opinion leaders, reached at a low cost, etc.

Reasons that may lead to new product failures

-Top management may push through their favourite new product idea despite poor marketing research findings.

-The market size may have been over-estimated.

-The product may not have been designed as well as it should have OR may have been incorrectly positioned, priced highly or advertised poorly.

-The cost of product development may have become higher than expected.

-Competitors may fight back harder than expected.

The new product adoption process

It consists of the following stages;

Awareness → Interest → Evaluation → Trial → Adoption

This is the process through which an individual progresses from the first awareness of new product to a final rejection or acceptance.

Awareness: The stage where an individual becomes aware of a product which he previously didn't know it exists. Such information may be obtained from the mass media, magazines, friend's etc.

Interest: At this stage the individual is more psychologically involved by developing desire to give attention to or be concerned about a product.

Evaluation: Under here a person decides whether to proceed further or to forget about the new product. A search for more information is done to act as a basis for evaluation.

Trial: It is where the individual uses a new product on a small scale to determine whether it is applicable to his/her problem.

Adoption: The consumer decides to make full and regular use of the new product.

Individual differences in adapting to a new product (innovation), and adopter categories

After a slow start, an increasing number of people adopt a new product. The five adopter categories are as follows:

Innovators: Are the first group of people to buy a new product. They are venturesome i.e. the take new ideas at some risk. They tend to be relatively younger, and have higher incomes. They are more receptive to unfamiliar things and rely more on their own values and judgment. They are less brand loyal and one more likely to take advantage of special promotions e.g. discounts and samples.

Early adopters: Are opinion leaders in their community and adopt new ideas early but carefully.

Early majority: These adopt new ideas before the average person.

Late majority: They are sceptical and adopt an innovation only after a majority of people have tried it.

Laggards: Are tradition-bound and are suspicious of changes and adopt the innovation only when most other people are already using it.

Influence of product characteristics on the rate of adoption.

- **Relative advantage**; the degree to which it appears superior to existing products.
- **Compatibility**; the degree to which the product fits the values and experiences.
- **Complexity**; the extent to which it is difficult to use or understand.
- **Divisibility**; the degree to which it may be tried on a limited basis, i.e., sampled.
- **Communicability**; the degree to which results of its consumption can be observed or described to others.

MARKETING OF SERVICES

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything.

Categories of services

1. **Product-support services;** This is where a firm offers a physical good e.g. a car and related product-support services like delivery, repairs and maintenance, warranties etc.
2. **Hybrid;** Where the company's offering consists of equal parts of goods and services e.g. people go to restaurants for both food and service (courtesy, cleanliness, speed and convenience).
3. **Major Service with accompanying minor goods and services**; E.g. airline passengers buy transportation service but the trip includes food, drinks and airline magazines.
4. **Pure service**; the offering consists primarily of a service e.g. massage, baby sitting.

Other categories

- People based services which skilled or unskilled workers may provide.
- Equipment based services e.g. vending machines, ATM.
- Client-presence services which require that the client be present e.g. beauty salon services.
- Personal services and business services.

Characteristics of service and their marketing implications

1. **Intangibility**

- Services can't be seen, tasted, felt, heard or smelt before they are bought.
- For the buyer to reduce uncertainty he will look for the evidence of the service quality from the place, people, equipment, communications material and price they can see.
- They seek personal sources of information such as from early adopters, opinion leaders and reference group members during the purchase decision process.

2. Inseparability

- Services are produced and consumed simultaneously.
- The provider is part of service and provider-client interaction becomes an important feature in service marketing.

3. Variability

- Service quality depends on who provides it, when and where it is being provided.
- Service firms can take steps towards quality control through recruiting the right employees and providing them with training, standardizing the service provision process through laid down procedures and flow charts and monitoring customer satisfaction through suggestion and complaint systems.

4. Perishability

- Services cannot be stored. Business is lost during periods of low demand.

  The following strategies can be used to produce a better match between supply and demand in a service business;

1. Differential pricing may be used to shift demand from peak to off peak periods.
2. Complementary services can be developed during peak time to provide alternatives to waiting customer e.g. ATM's in banks.
3. Part time employees can be hired to serve during peak demand.

Marketing strategies for service firms/ the extended marketing mix for service marketing

Apart from the traditional four P's, three other additional P's are relevant for service marketing.

- People

- Physical evidence/environment
- Process

1. **People:** The people aspect of the marketing mix requires a high degree of interpersonal skills. The people aspect should include;-
   - Investing in staff training about the product and the organization.
   - Empowerment of staff i.e. encouraging staff to take initiative to make decisions relating to the delivery of service.
   - Internal marketing i.e. communicating to staff and motivating them to perform better.
2. **Physical environment:** It refers to the place where the service is being prepared and delivered.
   The physical element of the service brings some consistency, and guarantee of quality.
   The physical environment of e.g. a restaurant can be presented through staff wearing uniforms, similar interior design and the same menus. The environment plays a major role in standardizing the quality perception of the organization and service.
3. **Process**: This refers to developing processes for the delivery of service that will give value to the customer e.g. faster, more efficient, not time wasting etc.

Service differentiation

Apart from differentiating services through price, the service provider can develop a differentiated offering, delivery or image.

1. **Offering:** What the customer expects is called the primary service package. To this the provider can add secondary service feature e.g. providing music, video or T.V. in addition to transport service.
2. **Faster and better delivery:** Where a company can differentiate by designing a delivery system that is reliable and speedy in their on-time delivery and order completeness.
3. **Image:** Service companies can also differentiate through symbols and branding that enhance the image of the company and its services e.g. lion or eagle to represent strength and reliability for KCB and Barclays respectively.

Managing internal marketing relationships

Internal marketing is the concept that a service organization must focus on its employees (the internal market) before successful programs can be directed at customers.

The concept holds that an organization's employees will be influenced to develop a market orientation if market-like activities are also directed at them.

Internal marketing refers to employee development through effective recruitment, training, communication and motivation so that they can work as a team to provide customer satisfaction.

It is designed to ensure that everybody within the organization contributes towards developing a market oriented, customer focused culture in order to improve the level of service to customers.

Internal marketing process

1. Determine the expectations of the internal customer and deliver rewards that satisfy the expectations.
2. Identify the tasks that deliver customer value and emphasize on these tasks. Customer value is the unique combination of benefits received by target buyers that include quality, price, convenience, on-time delivery and after-sales service.
3. Provide training in order that employees have the appropriate skills to undertake the tasks.
4. Provide appropriate human and financial resources.
5. Establish a marketing excellence recognition program to reward outstanding performance annually.

Developing a marketing orientation

Most firms often find that they are not consumer driven but instead are product driven. To be market driven, a firm must do the following;

- Developing a company wide passion for the customer.
- Organize around customer segments instead of around products.
- Developing a deep understanding of customers through marketing research.
- Study customer needs and wants in well defined segments.
- Develop winning offerings for each target segment.
- Measuring company image and customer satisfaction on a continuous basis.

- Continuously gathering and evaluating ideas for new products, product improvements and services to meet customer's needs.
- Influence all company departments and employees to be customer centred in their thinking and practice.
- Hire skilled marketing talent.
- Develop strong in-house marketing training programs.
- Establish an annual marketing excellence recognition program to reward outstanding performance as a means for motivation.

Hurdles faced by companies when converting to a marketing orientation

- Resistance to change.
- Slow learning.
- Fast forgetting.

Managing the marketing of services

In service marketing, the employee plays a major role in attracting, building and maintaining relationships with customers.

The 4 P's in service marketing

1. Product

a) Exclusivity; Services lack exclusivity because of their inability to be patented. A patent gives the manufacturer of product exclusive rights to its manufacture for a specified no. of years. Hence competitors can quickly copy service innovations.

b) Branding; Because services are intangible and more difficult to describe, the brand name, symbol or identifying logo are important in differentiation.

2. Pricing; In the service industry price plays two main roles;

a) It is used to communicate the quality of service i.e. consumers sometimes use price to judge the quality of a service.

b) It is used to manage fluctuations in demand where the service provider charges different at different times to reflect the variations.

3. Place; Services are inseparable hence intermediaries are rarely used because the distribution site and service provider are the tangible components of the service. Service firms use multiple locations for the distribution of services e.g. banks.

4. **Promotion;** Personal selling is the most commonly used component of the promotion mix in service marketing. The firm may also use publicity and public relations to build its corporate and brand image in supporting its personal selling efforts.

Key components in the design of a service offering

1. **Core product;**

   The service provider must answer the question," what is the benefit that customers are really buying" e.g. when the customer is buying transportation service the core product is the timely, safety and convenience of travelling from one point to another.

2. **Service delivery process**

   The marketer has to consider the extent and nature of the customer's role in the delivery process and the prescribed level, style and speed of the service to be offered.

1. **Augmented/supplementary services**

   They help in enhancing the value of the service. They include courtesy, empathy, helpfulness etc.

2. **Delivery sequence**

   A service delivery process may contain several elements which should be delivered in a certain sequence e.g. hotel/restaurant services.

Customer relationship management

This involves three things;

- Customer acquisition
- Customer retention
- Strategic customer care

In customer acquisition stage the focus of the company is on transactions and the product mix sold to each customer. In the retention phase, loyalty is assessed through tools like customer satisfaction surveys.

The strategic stage calls for integration of customer needs, aspirations and expectations in new product development, modification and distribution changes.

Customer service

An effective strategy used in differentiating an offer from that of competitors is to excel in delivering quality service to the customer.

Service quality

Customer satisfaction is a function of customer expectation from the firm and the actual performance by the firm.

I.e. customer satisfaction = actual performance by the firm ÷ customer expectations.

When positive perceptions are not confirmed by the actual performance of the firm, a gap occurs. This gap is called the service quality gap.

Customer perceptions of the firm and its offer are shaped by;

a) Word of mouth publicity i.e. recommendations from friends, relatives, peer groups etc.
b) Personal experiences of the customer.
c) Personal needs of the individual customer.
d) External communications like the publicity of the firm, its adverts and other corporate communications.

Service quality parameters (SERVQUAL)

According to Zeithml et al customers assess the service of a firm using the following;

1) **Tangibles;** the appearance of physical facilities, equipment, personnel and communications material.
2) **Reliability;** the ability to perform the desired service dependably and accurately.
3) **Responsiveness;** the willingness to help customers and provide prompt service.
4) **Assurance;** the competence of the firm in delivering the promised service, courtesy extended to the customer and the extent to which the customer feels secure.
5) **Empathy;** the caring, individualized attention that the firm provides to customers.

BRAND MANAGEMENT

It is the application of marketing strategy and plans to ensure the success of a specific brand. Strong brands can charge a higher price and customers are willing to pay a premium price for them.

Definition; a brand is a name, term, sign, symbol or a combination of any or all of these intended to identify the products of one seller and to differentiate them from those of competitors. It may consist of the following;

a) Brand name; the part of a brand that can be vocalised.
b) Brand mark; that which can only be recognised e.g. a symbol, or distinct colouring.
c) Slogan, e.g. "my country my beer", "makes us equal has no equal", Nike "just do it"

Importance of branding

- A brand name tells the buyer something about a product's quality. It is a promise to the customer.
- It increases the buyer's efficiency.
- A brand name helps attract a buyer's attention to anew product.
- It helps create variety.
- Branding provides legal protection for unique product features that may be copied by competitors.
- It helps the seller to attract a loyal set of customers
- It helps the seller to segment markets.
- Strong brands help to build corporate image e.g. Omo, Blueband.
- Branded products often command higher prices than generic (non-branded) products.

Qualities of a good brand name

- Should be protectable under trademark law.
- Easy to remember.
- Easy to recognise.
- Not portray negative meaning in any language of potential customers.
- Attract attention.
- Suggest product benefits.
- Should suggest good company or brand image.
- Distinguish the product's positioning relative to competition.
- Should be associated with a positive value or characteristic e.g. pilsner.

Types of brands

1. Individual product branding;

Under here every product has its own brand name without any obvious connection to other brands – Unilever, Procter and Gamble.

Advantages

- The firm does not tie its reputation to the failure of one product.
- Each brand builds its own separate equity which allows the firm, if it chooses, to sell off an individual brand without impacting on others e.g. Kimbo.
- The firm is at liberty to choose the best name for each of its new products.
- If one brand receives negative publicity, it is unlikely to affect other brands.

Disadvantage

- High promotion expenditure required to build and maintain new brands.

4. Family branding;

This refers to selling related products under one family/ blanket name e.g. Nice & lovely.

Advantage

- The cost of introducing new product extensions is less.

Disadvantage

- The market may have established certain perceptions of the brand e.g. low-end, low priced product making it difficult for the firm to offer a high-end product.
- Negative publicity for one brand could impact on others.

5. Co-branding;

This is where one firm partners with another to create a brand e.g. credit card companies and banks e.g. Citibank MasterCard.

6. Private /store branding;

This means when large retailers contract with manufacturers to produce the retailer's own branded products e.g. Ukwala sugar/ cooking fats.

7. Generic branding;

This is offering a brandless product. They are seen as low price alternatives that are affordable to buyers.

8. Brand licensing;

It is a contractual arrangement where a firm that owns a brand name allows others to produce and sell non- competing products using the same brand name e.g. Nike watches.

7. **Multi brand strategy;**

This refers to offering two or more brand names in the same product category e.g. cooking fat.

Advantages

- More shelf-space
- The firm is able to capture brand switchers
- It can protect its core brands (major brands) by setting up flanker brands.
- More variety to customers

Disadvantages

- More marketing costs

Concepts in brand management

- **The brand image**;

  It is what is created in people's minds and consists of all information and expectations by buyers associated with the product.
- A brand which is widely known in the market acquires **brand recognition.**
- **Brand identity**

  Is how the brand owner wants consumers to perceive the brand and by extension the product and the company. It symbolizes the brand's differentiation from the competitors.
- **Brand personality;**

  Is the attribution of human personality traits to a brand as a way to achieve differentiation. Such traits include; warmth and youthfulness.
- **Brand promise**

  Is a statement from the brand owner to customers which identify what consumers should expect in all interactions with the brand e.g. BMW- "the ultimate driving machine", Nissan- "shift expectations".
- **A generic product**

  It refers to the product that is not branded e.g. tea, sugar which is weighed, packaged in plain wrappers/ containers and sold.

- **A product item**
  It refers to different brands of a product category or class e.g. Unilever toothpaste product line consists of Close-up, Pepsodent and Aim, which are product items.
- **Brand extensions**
  This is where a firm uses its existing brand name to launch new products in other categories e.g. Honda (automobiles, land mowers, generators, motorcycles etc).
- **Line extensions**
  It consists of introducing additional items in the same category under the same brand name e.g. new flavours, colours, added ingredients & package sizes e.g. toothpastes (Colgate).

Brand repositioning/Rebranding

- It is an attempt to change consumer perceptions of a particular brand.
- It is changing the appeal of a brand in order for it to attract new market segments.
- Rebranding can be at brand, product or even company level e.g. Celtel to Zain.

Reasons for repositioning

- The company is entering new businesses and the current positioning is no longer appropriate.
- A new competitor with a superior value, proposition enters your industry forcing as company to re emphasize its product position.
- Competition has usurped your brand's position or rendered it ineffectual.
- Product/brand is slipping or sliding into decline stage.
- When a contemporary image is required in some categories due to changing psychographics.
- When a brand seeks to communicate improved offerings.

Brand equity

Definition; it is the positive effect that knowing the brand name has on customer response to a product. It results in customers showing a preference for one product over another when the two are basically identical.

It is the sum total of brand loyalty, awareness, brand association, and perceived high quality.

It is the net worth of the brand to the brand owner.

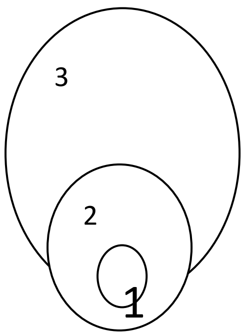
Importance of brand equity

- The firm can charge a higher price than competitors because the brand has perceived higher quality.
- The firm can easily launch brand extensions because the brand name has high credibility e.g. Colgate.
- A successful brand guards the firm against price competition.

Packaging

It consists of the activities of producing and designing the container or wrapper of a product.

The package of a product can be looked at from three levels;



1- Primary package
2- Secondary package
3- Shipping package

a. **Primary;** refers to the product's immediate container.
b. **Secondary;** the carton or box that protects the primary package and which is often discarded.
c. **Shipping package;** the larger container carrying several pieces of the secondary package which is necessary for storage and long-distance transportation.

Importance

- It makes the product more convenient to use and store.
- It protects and prevents spoilage or damage.
- It makes the product easier to identify.

- It promotes the product at the point of purchase i.e. performs the task of attracting attention and describing the product.
- It suggests certain qualities about the product.

Labelling

It consists of printed information that appears on the container or wrapper of a product. Attractive graphics on the package help promote the product at the point of sale. Labelling also assists in describing product ingredients and usage.

PRICING STRATEGY

Importance of pricing

- It is the only aspect a marketer can change quickly to respond to changes in demand or the action of competitors.
- It is the only element in the marketing mix that generates income. It is the determinant that focuses on maximizing revenue in order to meet profit objectives of the company.
- Because price has a psychological impact on customers, marketers can raise a product’s price to emphasize its high quality.

Forms of prices

- Premium*:* charged by insurance companies.
- Fee*:* charged for a lawyer's services.
- Fare*:* charged for a taxi.
- Toll*:* charged for the use of a road or bridge.
- Rent*:* paid for the use of equipment or house / office.
- Taxes*:* paid for government services.

Definition; Price is the amount of money charged for a product or the sum of values consumers exchange for the benefits of having or using a product.

Pricing objectives

1. **Survival:** the company sets price levels that cover variable costs and some fixed costs so as to stay in business.
2. **Current profit maximization:** where the firm chooses the price that produces maximum current profit, cash flow, or rate of return on investment. In this strategy the company sacrifices long-run profitability by ignoring customer's perceptions and competitor's reactions.

   Market share maximization: that is setting prices at a low level that will maximize sales turnover. The company believes that a higher sales volume will lead to lower unit costs (Economies of scale) and higher long –run profit. This is also called **market penetration pricing** and is possible only under the following conditions:

- Demand is fairly elastic, i.e. consumers are price sensitive.
- Where selling larger volumes results in lower costs because of economies of scale which in turn results in the price being lowered even further.
- Where the low price discourages actual and potential competitors.

3. **Market skimming:** where a firm sets a high price for a new product to skim the market i.e. selling to the upper and middle class (or cream) of a market at a high price before aiming at the more price sensitive lower income groups. This makes sense under the following conditions:

- There is currently high demand for the product
- There is currently little competition
- The high price communicates a superior product quality image.

4. **Product quality leadership:** a company may achieve this objective by providing the best quality in the market at a premium price as a basis of product differentiation.

Factors affecting price

1. Internal factors

a) **Marketing objectives:** price should be set with regard to market targeting and positioning strategies e.g. product quality leadership. It may be set low to prevent competition from entering the market or set at competitor's prices to stabilize the market.

b) **Marketing mix strategy:** price must be set with regard to product design, distribution and promotion (the price will strongly affect or be affected by other elements of the marketing mix).

c) **Costs:** they set the floor (lowest limit) for the price that the company can charge for its product. It wants to charge a price that covers all costs for producing, distributing and promoting the product.

2. External factors

a) **Market demand:** while costs set the (floor) lower limit of prices, consumer value perceptions (market) and demand set the higher limit. Pricing will be different in various types of economic markets e.g. perfect competition and pure monopoly.

b) **Competitor's prices and offers:** a consumer considering buying a company's product will evaluate its price and value against competitor's prices. Hence the firm should not ignore competitors' prices.

c) **Economic factors:** economic conditions such as inflation, boom, recession and variations in interest rates affect price because they affect (both) the costs of producing the product (and consumer perceptions of the product's price and value)

d) **Reseller considerations:** the company should set prices that give retailers a fair profit, encourage their support and help them to sell the product effectively.

e) **Government regulations:** price should be set within the legal framework provided by the government (e.g. it should not be deceptive, discriminatory, or set below cost of production).

Methods of pricing

a) Mark up pricing/ cost–plus pricing: is a cost based pricing method which involves adding a standard mark-up to the product's cost.

E.g. suppose a bread manufacturer has the following costs and sales expectations

Variable cost per unit	= Shs. 10.00
Fixed costs	= Shs. 300,000.00
Expected unit sales	= Shs. 50,000.00

$$\text{Unit cost} = \frac{\text{VC + Fixed cost}}{\text{Unit sales}} = 10 + \frac{300,000}{50,000} = \text{Kshs. } 16.00$$

If the manufacturer wants to earn a 20% mark-up, the selling price will be;

$$\text{Mark-up price} = \frac{16 \times 120}{100} = \text{Kshs. } 19.20$$

Advantages of mark up pricing

- It is easier to set the price of a product using this method.
- Where all the firms in the industry use this pricing method their prices tend to be similar and price competition is therefore minimized.
- Cost plus pricing is fairer to both buyers and sellers.

It has limitations in that it does not consider current demand of the product, its perceived value and competitors' prices.

b) Target return pricing/ target profit pricing (break even pricing)

- Where the company determines the price that yields a target return on investment (ROI)
- It uses the concept of the break-even graph which shows the total cost and total revenue expected at different sales volume levels.
- Fixed costs are the same regardless of sales volume. Variable costs increase with sales volume and are added to fixed costs to form total costs. The total revenue curve starts at zero and rises with each unit sold.
- Using break- even analysis, the company must establish the level of sales required to cover all costs. It must make a volume of sales above the B.E.V. to achieve target profit.

c) Competitor based pricing/ going rate pricing

In this case the firm bases its price largely on competitors' prices. The firm might charge the same, more or less than the major competitor. This pricing method is popular because it is thought to reflect the industry's collective wisdom.

d) **Demand based pricing**

This is where prices are set and adjusted according to levels of demand.

Pricing policies

1. One price policy: means offering the same price to all customers who purchase the products under the same conditions.

2. Flexible price policy/price discrimination: means offering the same product to different customers at different prices. It may take any of the following forms:

- Customer segment pricing: different customer groups are charged different prices for the same product or service e.g. museums and other entertainment places charge a lower price for students.
- Product form pricing: different versions of the product are priced differently but not proportionately to their respective costs.
- Image pricing: pricing the product at two different levels based on image differences of the package (e.g. perfumes)
- Channel pricing**:** setting a different price for the same product depending on where it is bought, i.e. drinks.
- Location pricing: e.g. in a theatre or stadium where different prices are charged for different locations.
- Time pricing: where prices are varied by season, day or hour i.e. during peak and off-peak periods.

Conditions for price discrimination

- The market must be segmentable and the segments must show different intensities of demand.
- Members in the lower price segment must not be able to resell the product to the higher price segment.
- Competitors must not be able to undersell the product in the higher price segment.
- The cost of segmenting the market must not exceed the extra revenue derived from price discrimination.
- The practice must not breed customer resentment and ill will.

- The particular form of price discrimination should not be illegal e.g. (1) Predatory pricing i.e. selling below cost with the intention of destroying competition (2) where the sellers offer different prices to different people within the same segment.

3. Perceived value pricing

Potential customers place different weights on different elements of perceived value (e.g. buyers' image of perceived performance of the product, product support services offered, the supplier's reputation) Some will be **price buyers**, while others will be **value buyers** and **loyal buyers**. For price buyers, a company should offer stripped down products and reduced services. For value buyers, the firm must continue offering more value for the customer's money. For loyal buyers companies must invest in building closer customer relationships.

4. Value pricing

-Refers to charging a fairly low price for a high quality product.

5. Promotional pricing

It may take the following forms;

a) **Loss leader pricing**: supermarkets often drop the price of well known brands to induce more people to come in and in the process buy other products.
b) **Special event pricing**: where sellers establish special prices in certain seasons to draw in more customers e.g. back-to-school offers.
c) **Cash rebates**; are offered to encourage the purchase of a product within a specified period. The seller promises to refund the buyer a certain percentage of the purchase price on proof of purchase.
d) **Longer payment terms**.
e) **Psychological discounting**: involves setting an artificially high price and then offering the product at a substantially reduced price e.g. was shs 3590 now shs 2990.

6. Psychological pricing

This approach considers the psychology of prices where the price is used to say something about the product. The assumption is that customers perceive high quality in a highly priced product. The price may also be set at a figure that suggests the price falls within a certain price range, e.g. odd-even pricing (4999.90)

7. Geographical pricing

The company may charge different prices for the same product in different parts of the country for the purpose of covering extra transporting costs. It is a form of discriminatory pricing

Discount policies

Discounts are reductions from the list price given by a seller to buyers. A list is the price final consumers are normally asked to pay for a product.

- **Quantity discounts** are offered to encourage customers to buy in larger amounts.
- **Seasonal discounts** are those offered to encourage buyers to buy off season during off-peak demand.
- **Cash discounts** are reductions in price to encourage buyers to pay their bills quickly or buy in cash.
- **Trade discounts** is a list price reduction given to channel members for the job they are going to do e.g. a manufacturer may allow retailers a 30% discount from the suggested retail price to cover the cost of the retailing function (transport, storage and risk taking) and their profit.
- **Sale price/price offer** is a temporary discount from the list price to encourage immediate buying. To get the sale price, customers give up the convenience of buying when they want to buy and instead buy when the seller wants to sell.

Allowances

These are given to final consumers or channel members, for doing something or accepting less of something.

a. **Promotional allowances:** are price reductions given to firms in the channel to encourage them to stock and advertise the supplier's products.

b. **Trade-in allowances:** are price reductions given for returning an old item when buying a new one e.g. a car

Product mix pricing

The price of a product must be modified when the product is part of a product mix. Product mix pricing can take the following forms;

- Product line pricing
- Optional feature pricing

- Captive product pricing
- Two part pricing
- By product pricing

1. **Product line pricing**
   Sellers use different points for various products in a line. A men's clothing store might have men's suits at different price levels, e.g. shs 3000, shs 6000, and shs 15,000. Customers will associate low medium and high quality suits with the three price points.
2. **Optional feature pricing**
   The seller offers optional products, features and services along with the main product. The motor vehicle buyer can order light dimmers, free delivery and an extended warranty or forego them for a lower price.
3. **Captive product pricing;** Some products require the use of additional or **captive products.** Sellers of razors, pens and cameras often price them low and set higher prices for razor blades, pen refills and films respectively.
4. **By-product pricing**
   This is where the production of a product results in a by-product. If the by-product has value to a customer group it should be priced at its value. The income earned on the by-product will make it easier for the company to charge a lower price on its main product.

Pricing over the product life cycle

This takes the following forms;

1. **Skimming price policy**
   This may be used to maximize profits in the market introduction stage. The seller tries to sell to the top cream of a market at a high price before aiming at more price sensitive low-end customers.
2. **Penetration pricing**
   This is where a seller tries to sell to the whole market at one low price. The policy is more attractive when selling larger quantities. It results in lower costs because of economies of scale and when the firm expects strong competition soon after introduction.
3. **Introductory price cuts**

These are temporary price cuts to speed up new product acceptance. The plan is to raise prices as soon as the introductory offer is over. This strategy may also be used to attract customers to a brand later in the life cycle.

PROMOTION STRATEGY

It is communication with individuals, groups or organizations in order to facilitate exchange by informing and persuading audiences to accept a company's products.

Communication is sharing of meaning through the transmission of information. The components of the communication process are illustrated below;

Source → message → medium of
receiver or
Transmission
audience

Feedback

Source: Is a person, group or organization that has an intended meaning which it attempts to share with an audience.

Receiver: A person, group or organization that receives the message.

Medium of transmission: The tool used to carry the message from source to receiver.

Feedback: The receiver's response to the message.

Objectives of promotion

- It informs and makes potential customers aware of a firm's products.
- It attempts to persuade current and potential customers of the desirability of buying and using a product.
- It reminds people of a need they might have or a problem that is currently not satisfied or solved or reminds them of the benefits of past transactions and so convince them that they should enter a into a similar exchange.
- It acts as a basis of differentiation, especially in a market where there is little to distinguish between competing products and brands.

This can be summarized as **DRIP** i.e.

Differentiation

Reminding

Informing

Persuading

The promotion-mix

It consists of a set of tools which can be used in different combinations in order to communicate with target audiences.

There are four major promotional tools i.e. advertising, sales promotion, publicity and public relations, and personal selling.

Others are; direct market and sponsorship.

Advertising

It is any form of non-personal communication about a firm and its products that is transmitted through the mass media (television, radio, newspaper, magazines, outdoor displays, the internet etc.)

Types of advertising:

1) Product advertising: Is the type that promotes goods and services.

2) Institutional advertising: The type that promotes organizational images and ideas.

3) Pioneer advertising: Tries to develop the primary demand for a product category rather than a specific product. It is usually done in the early stages of the product life-cycle to inform potential customers about the new product.

4) Competitive advertising: Aims at offsetting the effects of competitor's promotion campaigns.

5) Reminder & reinforcement advertising: It targets at letting consumers to know that an established brand still exists. Its purpose is to assure current users of the product's benefits.

Developing an advertising campaign

An advertising campaign involves designing a series of advertisements and placing them in various advertising media to reach a particular target market.

Developing and implementing the campaign consists the following six major steps (the six Ms of advertising)

- Identifying and analyzing the target **market**.
- Defining the advertising objectives (**mission**)
- Developing the advertising budget (**money**)
- Developing the media plan (**media**)
- Developing the advertising **message**.

- Evaluating the effectiveness of the advertising (**measure**).

1) Identifying and analyzing the target market

This is the group at which advertisements are aimed. The analysis of the group may include; the geographic distribution and the location of the group, Age structure, Income, Gender, Educational levels, and Consumer attitudes regarding the firm's products.

2) Defining advertising objectives

The objectives should be stated clearly, precisely, in measurable terms and should be realistic and specify a time frame within which the objectives should be achieved e.g.

- Increase sales volume or market share
- Increase product or brand awareness
- Make consumers' attitudes favourable, etc.

3) Developing the advertising budget

This is the total amount of money that a marketer allocates for advertising over a period of time. Factors to consider are such as; The geographic size of the market, Type of product, Business sales volume relative to competitors, and Distribution of buyers within the market.

Methods used to determine the budget are;

a) Objective and task approach: A technique that involves determining advertising objectives and then attempting to list the tasks required to accomplish objectives and how much each task will cost.

b) Percentage of sales approach: Involves multiplying a firm's predicted sales by a standard percentage based on what the firm traditionally spends on advertising.

c) Competition matching approach: Is where a firm either matches its major competitors' budget or allocates the same percentage of sales for advertising as competitors.

d) Arbitrary/ affordable approach: Is an advertising budgeting technique in which high level executives decides how much can be spent on advertising over a certain product.

4) Developing the media plan

This is the process of establishing the exact media channels to be used for advertising.

The plan should determine how many people in the target will be exposed to the message and the effects of the messages on the individuals.

The aim is to reach the largest possible number of people in the advertising target and achieve the appropriate message reach and frequency for the target.

Reach: The percentage of consumers in the advertising target actually exposed to a particular ad in a stated time period.

Frequency: The number of times target consumers are exposed to a particular advertisement.

The plan must decide which media to use e.g. radio, television, newspapers, magazines, outdoor displays, the internet etc

5) Creating the advertising message

The content and form of an advertising message depends on factors such as the product's features and benefits and characteristics of the market such as sex, age, education etc.

Advertising objectives also determine the content of message e.g. when the major objective is to increase brand awareness, the message may use much repetition of the brand name. The message should contain the following:

- Identify a specific need/ problem of consumers
- Suggest that the product is the best to solve the problem.
- State the advantages/ benefits of the product.
- Substantiate the claims/ advantages.
- Ask the buyer for action.

As a guide to the message development, most marketers use the concept of **A.I.D.A.**, i.e. advertising should aim at;

- Getting **A**ttention **(A)**
- Holding **I**nterest (**I**)
- Arousing **D**esire **(D)**
- Obtaining **A**ction **(A)**

6) Measuring/ evaluating the effectiveness of advertising.

If the advertisement objective was in terms of product awareness, brand awareness or attitude change, qualitative research (focus group and depth interviews) is used during and after the campaign to monitor shifts in consumer perceptions. Changes in demand of the product may also be measured.

Advantages of advertising

- Advertising's public nature suggests that the advertised product is standard and legitimate.
- It lets the seller repeat a message many times.
- It helps build the long term image of the product and company.
- It can reach masses of geographically dispersed buyers at a low cost per person.

Disadvantages

- It is impersonal and cannot be as persuasive as a salesperson.
- The audience may not feel obliged to pay attention or respond.
- It may unnecessarily increase the price of a product.

Personal Selling

It is the process of using personal communication in an exchange situation to inform customers and persuade them to purchase products. It is a process by which;

-one identifies the people, who have a need. [PROSPECTING]

-one determines the needs of the people.[NEEDS]

-one determines a way of finding a solution to the prospect's problem.[PROPOSE]

-one determines the way of communicating your product as a solution. [RECOMMENDING]

-one determines the value for the product for the prospect.[ADVOCATING YOUR PRODUCT].

-one determines / sells benefits of the product to the prospect. [SELLING BENEFITS]

and then creating a transaction for exchanging the product for a value. [CLOSING THE SALE] and thus creating a satisfaction to the buyer's needs/wants [CREATING CUSTOMER SATISFACTION].

While face to face with prospects, sales people can get more attention than an advertisement.

The sales person is seen as a representative of the company, responsible for explaining the company's total effort to target customers rather than just selling products.

The sales person is often the only link between the company and customers. He/she may provide information about products, explain and interpret the company's policies, negotiate prices and identify technical problems when a product does not work well.

Tasks of sales people

a) Prospecting; gathering information to gain sales and prospective clients.

b) Communicating; providing information about the organization, its products and after sales service.

c) Information gathering; collecting information about customers, competitors and the general market situation.

d) Customer relationship building; i.e. developing and sustaining long-term customer relationships.

e) Customer consultants; they help the customer to buy by understanding the customer's needs and presenting the merits and demerits of their products.

Approaches to personal selling

1) Sales oriented approach;

It assumes that customers are not likely to buy except under pressure, that they are influenced by a sleek and smart representation. The sales person is only interested in achieving high sales volume and does not care what happens when the deal is through i.e. whether the customer is satisfied or not.

2) Customer oriented approach;

In this case the sales person learns how to listen and ask questions in order to identify customer needs and come up with solutions. This is a customer problem-solving approach which assumes that customers appreciate suggestions and will be loyal to sellers who have customers' long term interests at heart.

Steps in the personal selling process

Prospecting & Evaluating → Preparation (pre-approach) → Approach (opening) → Presentations & demonstrations → Overcoming objections → Closing the sale → Follow-up

Types of sales people

1)Order getters; are concerned with getting new businesses through selling potential buyers with well organized presentations designed to sell a product. They locate new customers, open new accounts and seek new opportunities.

2) Order takers; they deal with regular customers by receiving their orders at the place of supply or through telephone, fax, mail, e-mail etc.

3) Support sales people; they facilitate the selling function by locating prospects, educating the customer, building goodwill and providing after-sales service.

Advantages of personal selling

- A sales person can observe a potential customer's needs and make adjustments in the sales presentation.
- Sales people help in market information gathering.
- The buyer usually feels a greater need to listen and respond.
- Helps build closer customer relationships.

Disadvantages

- It is expensive.
- It tends to be intrusive due to its personal nature.

Public Relations & Publicity

Definitions;

Publicity refers to communication in news story form about a firm and its products that is transmitted through the mass media at no charge.

Public relations are a planned and sustained effort to establish and maintain goodwill between a firm and its target publics e.g. customers, employees, shareholders, suppliers, the government, environmentalists and the public in general.

Objectives

- To create and maintain the corporate and brand image of the firm i.e. to enhance the position and standing of the firm in the eyes of the public.
- To disseminate information about the firm to the public.
- To undertake corrective measures to overcome bad publicity.

Public relations and publicity tools

Press release; using various media channels to highlight on specific information or events of the firm e.g. product launches, expansions etc.

Press conferences; meetings called by the firm to announce major news events or to respond to a crisis.

Events; like trade shows, exhibitions, anniversaries etc. which may be used to draw attention to the firms products.

Corporate social responsibility activities; i.e. building goodwill by contributing money, time and other resources to good causes

Lobbying; Influencing people in government and other authority in order to secure their support to achieve a desired action e.g. to promote a legislation or regulation favourable to the firm's business.

Feature articles; longer than press releases and usually prepared for a certain publication.

Sponsorship; this refers to financial or material support of an event, activity, person, organization or product by an unrelated organization or donor. Resources are given to the recipient of the sponsorship deal in return for the exposure of the sponsor's name or brands. The sponsorship of events also helps to improve the firm's corporate image.

Identity media; refers to a firm's visual identity that the public recognizes and attributes to the firm. The visual identity may be in the form of company logo, stationery, brochures, signs, business cards etc.

Sales Promotions

Definition:

It is an activity or material that acts as a direct inducement and offers added value to buy the product. It is often a short-term incentive to encourage purchase of the product.

Objectives of sales promotion

Sales promotion activities are designed to achieve the following targets;

- To introduce new products
- To attract new customers
- To increase sales during periods of low demand
- To encourage intermediaries to carry large stocks
- To improve the public image of the firm
- To induce current customers to buy more

Sales promotion techniques

There are two types; 1; Consumer sales promotion, and 2; Trade sales promotion

1. Consumer sales promotions:

These are often aimed at the final consumers. They include the following;

Coupons: certificates entitling the bearer to a price reduction of a product. The coupons are distributed through the print media, direct mail and attached to other products.

Demonstrations: are occasions at which a manufacturer shows how a product works in order to encourage trial use and purchase of the product.

Loyalty cards: offer discounts or free merchandise to regular customers. They are normally employed by supermarkets and are mechanisms in which regular customers who remain loyal to a particular outlet are rewarded with discounts or free merchandise (e.g. Nakumatt smartcard)

Free samples: are give-away used to stimulate trial of a new product or to induce brand switching.

Money/cash refund: a specific amount of money awarded to customers after the purchase of a product after they submit a "proof of purchase" to the manufacturer.

Premiums (gifts) are items offered free at a minimum cost or as a bonus for purchasing a product.

Price-off deals: offering a certain reduction off the regular price shown on the package for a limited period of time.

Price packs: Offering two similar or related products for the price of one (e.g. toothpaste & tooth brush)

Consumer contests: Involves consumers submitting entries from which a winner is selected by a panel of judges to win cash, trips or merchandise based on his/her analytical or creative skills.

Consumer sweepstakes: consumers submit their names for inclusion in a draw for prizes.

Product warranties: promises made by sellers that the product will perform as specified or that the seller will repair it or refund the customer's money during a specified period.

2. Trade sales promotions;

These are aimed at the resellers e.g., retailers, wholesalers, etc. They include;

Buying allowance; a temporary price reduction to resellers for purchasing specified quantities of a product.

Free merchandise: free items offered to resellers who purchase a stated quantity of the same or different products.

Merchandise allowance; a manufacturer's agreement to pay resellers a certain amount of money to providing special promotional efforts such as advertising or store displays.

Sales contests; are designed to motivate distributors and resellers by recognizing and rewarding outstanding achievements.

Advantages of sales promotion

1. **Low unit cost for selling**

   Sales promotion is always the outcome of large scale production. Large scale production itself is meant for low cost. Sales promotion assures of a low cost selling.

2. **Effective sales support**

   Basically, sales promotion policies supplement the efforts of personal and impersonal salesmanship (advertising). It is found that good sales promotion materials make the salesman's efforts more productive.

3. **Increased speed of product acceptance**

   Most of the sales promotion devices (contests, coupons) can be used faster than the other promotion methods such as advertisement.

Factors determining selection of the promotion mix

1) Promotional resources: If a company's promotional budget is extremely limited, it is likely to rely on personal selling rather than advertising or sales promotion.

2) Promotional objectives, policies e.g. if the objective is to create mass awareness of a new consumer product then advertising or sales promotion can be used.

3) Characteristics of the target market:

If the size is limited, the promotional mix will emphasize personal selling. But when markets are large, advertising and sales promotion is

used because the methods can reach many people at low cost per person.
Geographic distribution: Personal selling is more feasible if a company's customers are concentrated in small area than if dispersed. If dispersed advertising would be used.
Socio-economic characteristics: Age, income, level of education.
4) Characteristic of the product: for industrial products personal selling is used but advertising plays a major role for consumer goods.
5) Price: high priced products call for more personal selling because consumers associate greater risk with the purchase of such products and want the advice of a sales person.
6) Stage of the PLC e.g. at introduction stage, advertising is done to create awareness.
7) Cost of promotional methods.
8) Availability: e.g**.** a product may be banned from being advertised on TV or radio e.g. cigarettes.
Promotional policies:
Push policy; A promotional policy in which the producer promotes the product only to the next level down the marketing channel.
Pull policy; In which a business promotes directly to consumers in order to create a strong consumer demand for its products.
DISTRIBUTION STRATEGY
Distribution involves the marketing tasks concerned with making the product **available** and **accessible** to buyers. It ensures that customers get their products at the right place and at the right time. Distribution is about places i.e. places where the product will be made, stored, bought or used.
Physical distribution refers to the marketing tasks concerned with efficient physical movement of goods and services from the producer and includes the tasks of transportation and storage.
A distribution channel consists of a group of individuals or organizations that assist in getting the product to the right place and time- just when and where the customer wants it.
Intermediaries/ middlemen are organizations such as transport companies, agents, wholesalers and retailers.

Types of intermediaries

7. **Wholesalers:** they buy goods from the manufacturer, store them and sell to the retailers.
8. **Retailers:** are the final stopping points for the product prior to its sale to the end user.
9. **Distributors:** these are the intermediaries who stock products for manufacturers and sell them. In most cases they are appointed by the manufacturer.
10. **Dealers:** they are those who specialize in selling one particular brand e.g. motor vehicle dealers who are often associated with the manufacturer, selling on his behalf, including offering after-sales facilities. In most cases they sell to end user.
11. **Agents/brokers:** they do not take physical possession of the goods but act on behalf of the manufacturer to sell their goods. Their role is to bring the buyer and seller together.
12. **Franchise: t**his is a business relationship where the franchisee holds a contract to market and supply a product or service that has been very strictly designed and developed by the franchiser. The franchisee must adhere to the strict terms and conditions on store design, layout and contents sold within the retail outlet e.g. Ken chick, Wimpey's, Nandos, e.t.c.
13. **Merchandisers:** these are responsible for store displays, relating to their products in various retail outlets. They manage displays, implement sales promotions, check stock levels and maintain relationships with store managers.

Types of distribution channels

1. Zero-level channel; this is where the producer sells directly to the consumer i.e.

   Producer → final consumer/ end user

   It is also called the direct distribution channel and is mainly used in the sale of industrial products.
2. One level channel; this is where there is only one intermediary i.e.

   Producer → → retailer consumer
3. Two level channel; it involves two intermediaries i.e.

   Producer → wholesaler → retailer consumer

4. Three level channel; it involves three intermediaries i.e.
   Producer → agent or distributor → wholesaler → retailer → consumer
   Most consumer products go through the longer channels.

   Functions of middlemen

   The basic role of middlemen is to make the product available and accessible to customers in a more cost effective way than could be achieved by the manufacturer alone. They do this by performing some or all of the following functions;

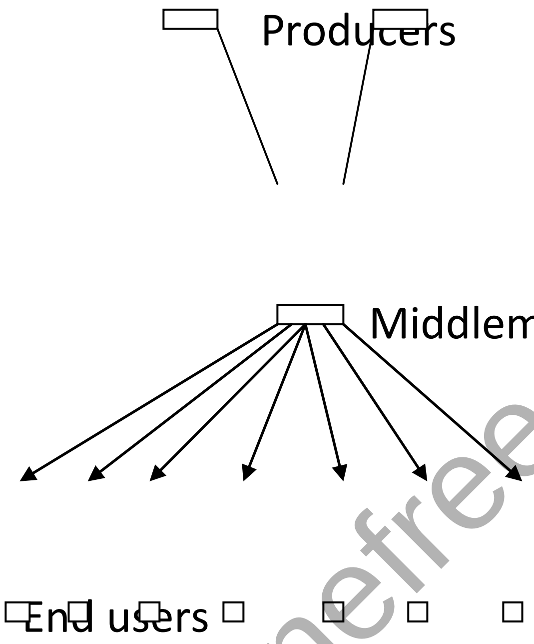
1. Breaking bulk; they buy goods from the manufacturer in large quantities and sell them in smaller quantities that end users wish to buy.
2. Storage/warehousing; they store goods relieving manufacturers of storage costs and at the same time increasing availability to consumers.
3. Delivery; they buy products from manufacturers and deliver them to many small customers with small vans, thus increasing accessibility.
4. After-sales service; they offer operational instructions, warranties and installation as in the case of electronic and industrial goods.
5. Price setting; they may have the authority to set prices.
6. Promotion; they undertake the activities of displaying, demonstrating and developing persuasive communications about a product.
7. Matching; i.e. shaping and fitting a product to the buyer's needs and specifications e.g. grading, assembling and packaging.
8. Information gathering; they gather and distribute marketing information about the marketing environment needed for marketing planning.
9. Extending credit; industrial distributors often sell on credit to their customers thus removing a significant cash flow burden from the manufacturer.
10. Risk taking; they assume the risks of damage through fire, accidents, fall in prices etc.
11. Stock holding; they anticipate consumers' demand and stock enough products to meet the demand thereby reducing the risk of stock-outs.

   Reasons why producers use intermediaries

There is a cost attached to using middlemen, i.e. they have to be given their share of profits. The reasons why middlemen are used relate to lower costs and higher sales.

1. Lower costs;

   Fewer lines of contact; they reduce the lines of contact between producers and end users i.e.



a) The cost of delivering goods to one middleman rather than several end users will be much lower.
b) Lower stock holding costs; the manufacturer saves money because he does not need to hold as much stock, a responsibility passed on to middlemen.
c) Lower sales administration costs; if the manufacturer is dealing with thousands of customers, his sales administration costs will be high because he will need a large sales team, a lot of paperwork i.e. order slips, delivery notes, invoices and statements. Distributors often relief the manufacturer of such tasks.
d) Lower sales force costs; distributors' salespeople perform personal selling to end-users,, leaving a smaller manufacturers' sales force to sell to the distributors themselves and to a smaller number of large customers.

2. Higher sales.

a) Being conveniently located to customers, middlemen make it easy for customers to buy.
b) Knowledge of the local market; being locally based, the distributor understands customers' needs better than the manufacturers.
c) Specialization; it allows manufacturers to specialize and focus their resources more on manufacturing.

Factors to be considered in selecting channel members or intermediaries/middlemen

1. Image of the product; the more exclusive and expensive the product is, the more up-market the image of the distributor will be.
2. Product complexity; technical products such as machinery or equipment demand a high level of knowledge on the part of the distributor in order to provide after-sales service.
3. Financial status of the intermediary; distributors buy products in large volumes and the manufacturer must satisfy himself that the distributor is of sound financial position to pay his debts.
4. Knowledge of the local market.
5. Appropriate premises and equipment i.e. products requiring special equipment such as freezers for storage can only be sold through distributors that possess such equipment.
6. Customer convenience; manufacturers will select more middlemen in areas where customers are highly concentrated.
7. Efficient customer service capabilities; i.e. only those middlemen capable of offering service e.g. installation, repair, maintenance may be selected.

Channel of distribution strategies

Distribution networks can vary and a manufacturer needs to decide on the type of network that best suits his product. There are three broad choices;

a) Intensive distribution;

The aim of the strategy is to secure as many retail outlets as possible in order to maximize product availability and accessibility to potential buyers. This type is most suited to products where convenience of purchase and impulse buying are important factors influencing sales.

The manufacturer wants his products on sale in every imaginable outlet. The products are characterized by;

- Higher number of buyers
- Higher purchase frequency
- Impulsive purchase
- Low prices

b) Selective distribution

This refers to using a few selected retail outlets for a product. The manufacturer may want the distribution to be as intensive as possible but may also want to protect the image of the company and its brands by exercising some control over the type of retailers selling it. The strategy is used with shopping products like electrical appliances. The characteristics are;

- Medium number of shoppers
- Occasional purchase
- The purchase is more likely to be planned i.e. not impulsive

c) Exclusive distribution

It is when one outlet in a certain geographical area supplies a product. Prestige products which need to protect their image of up-market exclusivity are sold with such strategy. The distributors are chosen carefully because their image and competence must match up to the high standards demanded by the manufacturer. The characteristics of such products include;

- Relatively few customers
- Low frequency of purchase
- Closer customer/retailer relationship
- High involvement and planned purchase
- Highly priced product

Managing the distribution network

The aim of the manufacturer is to maximize cooperation and minimize conflict among the channel members. Conflict is inherent in the channel system because everyone in the channel wants to maximize their profits often at the expense of other channel members.

Distributors in competition with each other will also inevitably come into conflict. A certain amount of conflict is healthy as competing retailers for example, seek to maximize their market share by improving customer service. However, a tactic they often turn to is price-cutting and this can have detrimental effects on the manufacturer's brand image and, in the long run, on the industry as a whole.

Manufacturers must therefore attempt to manage their distributors. Ideally they should be firm on pricing policies and the amount of discount allowed by individual channel members, particularly if discounting (cut price) is used to poach customers from other channel members.

Manufacturers may also need to motivate distributors to sell their brands. If a retailer stocks four similarly priced computers from four rival manufacturers, why should he sell brand X rather than brand Y? The manufacturer of brand Y will always want to motivate distributors to sell his brand.

Techniques for Motivating Distributors

- Offering the distributor healthy profit margins through price discounts.
- Offering support by way of display material, quality brochures.
- Advertising the retailers' outlets.
- Building dealer loyalty by organizing conferences with intermediaries.
- Running competitions for dealers with prizes for dealers who meet certain sales targets.
- Providing a series of promotion offers to distributors.

Physical distribution

It is concerned with the physical movement of goods to the consumers. It includes transportation, storage, warehousing, packaging etc. and ensures availability of products at the right time, at the right place and in the right form.

It ensures availability of products to customers and it can be a costly task. Many companies have distribution managers responsible for designing an efficient system concerned with the movement of goods into and out of the company. The aim is to achieve the highest level of customer service at the lowest cost. The following factors will contribute to the achievement of this aim;

a) Short time delivery i.e. ability to deliver on time and ensure that distributors stocks don't run out.
b) Condition of goods i.e. having strict control over packaging, handling and distribution to ensure goods arrive in the right conditions.
c) Prompt replacements of defective goods; if the products don't arrive in good condition, prompt replacement may at least mollify the customer.
d) After sales service; for products such as machinery and equipment, the customer is concerned that the product remains in the right condition. The manufacturer has to therefore manage the distribution of spare parts and servicing.

Choice of channel of distribution-Determining factors

The choice of a suitable channel of distribution is one of the most important decisions in marketing of products because a channel affects the time and cost of distribution as well as the volume of sales. The choice of a channel of distribution involves the selection of the best possible combination of middle men or intermediaries. The factors affecting the choice of distribution channels may be classified as follows;

1. **Product considerations:** The nature and type of product have an important bearing on the choice of distribution channels. The main characteristics of a product are;

a. **Unit value:** Products of low unit value and common use are generally sold through middlemen as they cannot bear the cost of direct selling. Low prized and high turnover articles like cosmetics and stationery usually flow through long channels.
b. **Perishability:** Perishable products like vegetables, fruits and bakery items have relatively short channels as they cannot bear repeated handling.
c. **Bulk and weight**: Heavy and bulky products are distributed directly to minimize handling costs. Examples are coal, bricks, stones etc.
d. **Technical nature:** Products that require demonstration, installation and after sales services are often sold directly. The producer appoints sales engineers to sell and service industrial equipment.
e. **Product line:** A firm producing a wide range of products may find it economical to set up its own retail outlets. On the other hand, firms

with one or two products find it profitable to distribute through wholesalers and retailers.

2. **Market considerations:** The nature and type of consumers is an important consideration in the choice of a channel of distribution.

a. **Consumer of industrial market:** The purpose of buying has an important influence on the channel. Goods purchased for industrial or commercial use are usually sold directly or through agents. This is because industrial users buy in large quantity and the producer can easily establish a direct contact with them.

b. **Number and location of buyers:** When the number of potential customers is small or the market is geographically located in a limited area, direct selling is easier and economical.

c. **Size and frequency of order:** Direct selling is convenient and economical in case of large and infrequent orders. When articles are purchased very frequently and each purchase order is small, middlemen may have to be used.

d. **Customer's buying habits:** The amount of time and effort which customers are willing to spend in shopping is an important consideration. Customer expectation like desire for one-stop shopping, need for personal attachment, preference for self service etc. may influence the choice of trade channel.

3. **Company considerations:** The nature, size and objective of the firm play an important role in channel decisions.

a. **Market standing/reputation:** Well established companies with good reputation in the market are in a better position to eliminate middlemen than new and less known firms.

b. **Financial resources:** A large firm with sufficient funds can establish its own retail shops to sell directly to consumers. But a weak or small enterprise which cannot invest money in distribution has to depend on middlemen for the marketing of its products.

c. **Management**: If the management of a firm has sufficient knowledge and experience of distribution, it may prefer direct selling. Firms whose management lack marketing know-how have to depend on middlemen.

4. **Middlemen considerations**

a. Availability
When desired types of middlemen are not available, a manufacturer may have to establish his own distribution network. Non- availability of middlemen may arise when they are handling competitive products as they do not like to handle more brands.

b. Attitude: Middlemen who do not like a firm's marketing policies may refuse to handle its products. For instance, some wholesalers and retailers demand sole selling rights or a guarantee against fall in prices.

c. Service: Use of middlemen is desirable when they provide financing, storage, promotion and after sales service.

d. Costs: Choice of a channel should be made after comparing the costs of distribution through alternative channels.

MARKET SEGMENTATION STRATEGY

What is a market?

A market is an aggregate of people who, as individuals or organizations, have needs for products in a product class and who have the ability, willingness and authority to purchase such products.

Types of markets;

Consumer market; It is made up of individuals and households that purchase products for their own personal consumption.

Organizational/ Business market; It is made up of the following sub-sectors;

The industrial market;

It is made up of manufacturing concerns that purchase products to create their own finished products.

The resellers market;

It consists of wholesalers, retailers, distributors, and dealers etc. that purchase products for resale to make a profit.

The government market;

It consists of government departments and ministries that purchase products in order to offer government services.

The institutional market;

It is made up of hotels, hospitals, schools, colleges and other institutions that also buy goods and services.

Approaches to selecting markets

Undifferentiated Approach (Total Market Approach)

It uses single marketing mix for the entire market. All consumers have similar needs for a specific kind of product (Homogeneous market). Single marketing mix consists of;

- 1 pricing strategy
- 1 promotional program aimed at everybody
- 1 type of product with little/ no variation
- 1 distribution system aimed at entire market

The elements of the marketing mix do not change for different consumers; all elements are developed for all consumers. Examples include staple foods, sugar, salt and farm produce. It was popular during the production- oriented era of marketing evolution. It is not so popular now due to competition, improved marketing research capabilities and total production and marketing costs can be reduced by segmentation. An organization must be able to develop and maintain a single marketing mix for all its customers.

Market segmentation (Differentiated) approach

Individuals with diverse product needs have heterogeneous needs.

Definition; Market segmentation is the process of dividing a total market into market groups consisting of people who have relatively similar product needs.

The purpose is to design a marketing mix strategy that more precisely matches the needs of individuals in a selected market segment(s).

A market segment consists of individuals, groups or organizations with one or more characteristics that cause them to have relatively similar product needs. There are two market segmentation strategies:

Concentration strategy

It involves approaching and concentrating in one market segment with one marketing mix strategy.

Merits

- It allows a firm to specialize
- It can focus all energies on satisfying one group's needs

- A firm with limited resources can compete with larger organizations

Demerits

- Puts all eggs in one basket
- Small shift in the population or consumer tastes can greatly affect the firm.
- May have trouble expanding into new markets (especially up-market).

Multi-segment strategy

Two or more segments are sought with a marketing mix strategy for each segment. This approach combines the best attributes of undifferentiated and concentrated marketing.

Market

MM → market segment A
MM → market segment B
MM → market segment C
MM → market segment D

Merits

- Shift excess production capacity
- Can achieve same market coverage as with mass marketing
- Price differentials among different brands can be maintained
- Consumers in each segment may be willing to pay a premium for the tailor-made product
- Less risk, not relying on one market.

Demerits

- Demand a greater number of production process
- Increased marketing costs through selling through different channels and promoting more brands, using different packaging etc.
- Must be careful to maintain the product distinctiveness in each consumer group and guard its overall image.
- The core product is the same but different packaging, brand name and price is used to differentiate and create a different marketing mix

Requirements for effective segmentation

Not all segmentation is useful. Buyers of a product can be said to be tall, short or of medium height. Such segmentation may not make sense from a marketing point of view since buyers with the different characteristics may react in the same way to similar marketing strategy. To be useful, market segments should have the following characteristics;

Measurable; The size, purchasing power and characteristics of the market should be measurable.

Substantial; The segment should be large and profitable enough to serve.

Accessible; The segment should be effectively reached and served.

Differentiable; The segment should be distinguishable.

Actionable; Effective programs can be formulated for attracting and serving the segments.

Bases for segmenting markets

1) Geographic segmentation

It involves dividing the market into different geographic units such as nations, regions, provinces or cities. The company can operate in all but pay attention to local variations. The basis for segmentation is location. A national chain of supermarkets, e.g., will use geographic segmentation because it interacts closely with the chain's outlet strategy.

Each branch or group of retail outlets could be given mutually exclusive areas to serve. The supermarket chain can then make more effective use of target marketing to cover the market available. The obvious advantage to customers is ease of accessibility of retail outlets. This customer benefit needs to be considered against the cost of provision of retail branches. Research has shown that one of the major reasons why customers choose particular stores in which to shop is convenience of access.

2) Demographic segmentation

The market is divided into groups on the basis of variables such as age, family size, family life cycle, gender, occupation, education, religion, race, nationality and social class.

Consumer wants and usage rates are often associated with demographic variables hence they are the most popular bases for distinguishing customer groups. Demographic variables are also easier to measure.

3) Psychographic segmentation

Psychographics or lifestyle segmentation seeks to classify people according to the values, opinions, personality, characteristics and interests. It involves dividing buyers into different groups based on personality and life style.

a) Lifestyle; People differ in attitudes, interests and activities and these affect the goods and services they consume. For instance some are tradition- oriented while others are sports or religious oriented.

b) Personality; One's personality can be said to be aggressive, ambitious, polite etc. Marketers can endow their products with a brand personality that corresponds to a target consumer personality. A company uses product features, services, and promotion to transmit the product's personality. Tommy Hilfiger for instance suggests a personality that is youthful and exciting.

Lifestyle segmentation deals with the person as opposed to the product and attempts to discover the particular lifestyle patterns of customers. This offers a richer insight into their preferences for various products and services. Lifestyle refers to distinctive ways of living adopted by particular communities or subsections of society. Lifestyle involves combining a number of behavioural factors, such as motivation, personality and culture. Effective use in marketing depends on accurate description, and the numbers of people following a particular lifestyle must be quantified. Then marketers can assign and target products and promotion at particular target lifestyle groups. Lifestyle can be generalized in terms of four categories as follows;

Upwardly mobile, ambitious*:* these individuals seek a better and more affluent lifestyle, principally through better paid and more interesting work, and a higher material standard of living. A customer with such a lifestyle will be prepared to try new products.

Traditional and sociable*;* here, compliance and conformity to group norms brings social approval and reassurance to the individual. Purchasing patterns will therefore be 'conformist'.

Security and status seeking*;* this group stresses 'safety' and 'ego-defensive' needs. This lifestyle links status, income and security. It encourages the purchase of strong and well known products and brands, and emphasizes those products and services which confer status and make life as secure and predictable as possible. These would include insurance, membership of the AA, AAR etc. Products that are well established and familiar inspire more confidence than new products, which will be avoided.

Hedonistic preference*;* this lifestyle places emphasis on 'enjoying life now' and the immediate satisfaction of wants and needs. They seek instant gratification and little thought is given to the future.

4) Behaviour segmentation

Buyers are divided into groups based on their knowledge of, attitude toward, use of, response to a product, e.t.c.

a) Occasions; Buyers can be distinguished according to the occasions when they develop a need, purchase a product or use it. This may be on regular occasions e.g. holidays or special occasions like wedding days, childbirth etc.

b) Benefits; Buyers vary in the benefits they seek from the same product. Some may seek safety, speed, economy, performance etc.

c) User status; Markets can be segmented into non-users, ex-users, potential users, first-time users and regular users. Each of these requires a different marketing strategy.

d) Usage rate; Markets can be segmented into light, medium and heavy product users. The heavy users may be a small percentage of the market but account for a high percentage of total consumption. Therefore a marketer would rather attract one heavy user than several light users.

e) Buyer readiness stage; A market consists of people in different stages of readiness to buy a product. There are six such stages;

- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Intention to buy and actual purchase action.

The different stages can help the marketer in designing the appropriate marketing program for people at different stages.

5) Socio-economic segmentation

It involves segmenting the market based on variables such as income, occupation, education and social class.

Income determines people's ability to buy and their aspirations for a certain style of living. Products in this category include housing, furniture, clothing, cars, food, and leisure activities.

Segmentation variables for Business markets

Business markets can be segmented with some of the same variables used in consumer markets. Major variables are;

a) Demographic

-Type of industry i.e. the industry to serve.

-Company size; the company can decide to serve small, medium or large customers.

-Location; the company may pick on limited geographical areas to serve.

b) Operating variables

-Technology

-User (or non-user) status; the company can decide to serve the light, medium or heavy users.

c) Situational factors

-Urgency; the company may serve customers that need quick delivery or service.

-Specific application; the company may focus on certain applications of its product rather than all applications e.g. steel manufacturer.

-Size of order; the company may focus on large or small orders.

Single variable vs. Multi-variable segmentation

Single variable—achieved by using only one variable to segment a market e.g., geography

Multi-variable—where more than one characteristic is used to divide the market

The demerit is that more variables create more segments reducing the sales potential in each segment. The question to ask is; will additional variables help improve the firms marketing mix strategy? If not, there is little reason to spend more money to gain information from extra variables.

Benefits of market segmentation

Apart from improved contribution to profits, other benefits from successful market segmentation include the following:

1) The organization may be able to identify new marketing opportunities, because it will have a better understanding of customer needs in each segment, with the possibility of spotting further sub-groups.

2) Specialists can be used for each of the organization's major segments. For example, small business counsellors can be employed by banks to deal effectively with small firms and a computer consultancy can have specialist sales staff for say shops, manufacturers, service industries and local authorities. This builds competency and establishes effective marketing systems.

3) The total marketing budget can be allocated proportionately to each segment and the likely return from each segment. This optimizes return on investment.

4) The organization can make fine adjustments to the product and service offerings and to the marketing appeals used for each segment. This again promotes efficient use of resources.

5) The organization can try to dominate particular segments thus gaining competitive advantage. Advantages accrued function synergistically to promote improved competitive ability; in other words, the outcome is more than the sum of its parts.

6) The product range can more closely reflect differences in customer needs. All modern marketing relies on responsiveness to the consumer. When this is improved, benefits flow.

Market targeting

After a firm has identified its market segment opportunities, it must decide which ones to target. Market targeting is the selection of a set of buyers sharing common needs or characteristics that the company decides to serve. The company should then consider six patterns of target market selection;

1) Market atomization; is a strategy that treats each consumer uniquely. The approach is popular among firms that make industrial goods.
2) Single segment concentration; involves concentrating in one market segment. The firm gains a strong knowledge of the segment's needs and achieves a strong market presence. It may also enjoy operating economies through specializing its production, distribution and promotion. The disadvantage is that a competitor may invade the segment or customer's tastes may change.
3) Selective specialization; the firm may select a number of attractive segments which are potentially profitable. Such a strategy has the advantage of diversifying a firm's risks.
4) Product specialization; The firm makes a certain product which it sells to several segments e.g. a paper manufacturer who sells to schools, the government and commercial dealers.
5) Market specialization; the firm concentrates on serving many needs of a particular customer group e.g. a firm that sells an assortment of products only to hospitals.
6) Full market coverage; the firm attempts to serve all customer groups with the products they might need. A company can do this by covering a whole market in two broad ways:
Undifferentiated marketing; in this approach the firm ignores segment differences and goes after the market with one offer. The company designs a product that appeals to a majority of buyers and relies on mass distribution and advertising.
Differentiated marketing; the firm operates in several market segments and designs different products for each segment.
Factors that determine choice between differentiated and undifferentiated marketing
Company resources; when resources are limited, concentrated marketing is more sensible.
Product variability; undifferentiated marketing is more suitable with uniform products but differentiated marketing is more suited with products with varying design such as vehicles.

Product life cycle stage; when a firm introduces a new product, only one version may be launched and undifferentiated or concentrated marketing may be more appropriate.

Market variability; if most buyers have the same tastes, buy the same amounts and have other similar characteristics (react in the same way to marketing effort), then undifferentiated marketing makes more sense.

Competitor's strategies; when competitors use segmentation, the company should follow suit.

Market positioning

Consumers organize products into categories i.e. they position products, services and companies in their minds.

Definition; A **product positioning** is the way the product is defined by consumers on important attributes i.e. the place the product occupies in consumer's minds relative to competing products.

It is the complex set of perceptions, impressions and feelings that consumers hold for the product in comparison with competing products.

A marketer should therefore plan a position that gives the greatest advantage to a product in its target market.

Positioning bases;

- Product attributes i.e. positioning based on a product's low price, performance, safety features etc.
- Benefits; based on the needs they satisfy or benefits they offer.
- Positioning directly against a competitor by comparing or away from competitors by claiming that the product is different from competitor's products.

Steps in market positioning

1) Identifying competitive advantages
2) Selecting the right competitive advantage
3) Effectively communicating the chosen position

The steps are explained below;

1) Identifying competitive advantages.

A competitive advantage is an advantage over competitors gained by offering consumers greater value either through lower prices or by providing more benefits that justify higher prices. This can be achieved through various forms of differentiation.

Product differentiation; This is based on dimensions such as;

- Product features not provided by competitors (e.g. safety features and design of Volvo).
- Product performance e.g. cleaner, faster etc.
- Style; such as the extra-ordinary look of the jaguar car, etc.
- Product durability, reliability etc.

Service differentiation; (delivery, installation, repair, etc) i.e. differentiating the services that accompany a product- gaining competitive advantage through speedy, reliable or careful delivery.

Personnel differentiation; gaining competitive advantage by hiring and training better people than competitors and by having customer-contact people who are competent in the following areas;

- possess the required skills & knowledge
-courteous, friendly and considerate
-understand customers, communicate clearly with them and respond quickly to customer requests and problems.

Image differentiation; even when companies offer the same products and accompanying services, buyers may perceive a difference based on company or brand images established through a company's public relations and social responsibility activities. This is common in the service industry.

2) Selecting the right competitive advantage.

A company must decide how many differences to promote of its product or brands. It may aggressively promote only one or a combination of benefits to the target market. Each of the company's brands may promote itself as "number one" on an attribute such as; Best price, best service, lowest price, best value, e.t.c.

A competitive advantage on which the company bases its differentiation should have the following characteristics;

-Important; the difference should deliver an important benefit to target buyers. **-Distinctive**;

competitors should not be offering the difference.
-Superior; the difference should be superior to other alternatives.
-Communicable.
-Pre-emptive; competitors should not be able to easily copy the difference. **-Affordable;** buyers should afford to pay the difference.
-Profitable.
3) Communicating and delivering the chosen position.
The company must deliver and communicate the desired position to target consumers through the marketing mix. Hence a firm that desires to position on high quality must produce high quality products, charge a high price, distribute through high class dealers and advertise in high quality media.

MARKETING RESEARCH
Definitions;

a. “It is the systematic gathering, recording, and analysis about problems relating to marketing of goods and services”
b. “A systematic objective approach to the development and provision of information for marketing decision making”
c. “A systematic problem analysis model for building and fact finding for the purposes of improved decision making in the marketing of goods and services”
d. “The thorough and objective gathering and analysis of data that pertain to a given problem in marketing”

The definitions emphasize the following aspects that are vital for anybody undertaking marketing research;

- Marketing research is a planned, well organized process. It does not call for haphazard activities that are undertaken without much planning.
- There has to be the motive of gathering unbiased data from the interviewing process.

- The information gathered is for the purpose of helping marketing managers make better decisions.

The purposes of Marketing Research (Aims and objectives)

a) To meet the customer's needs and improve the business' chances of survival.

This is through providing customers with what they want, at the right price and quality. It requires knowledge of;

- The number of customers.
- The amount they are willing to pay including their buying habits and patterns of spending.
- What their needs, desires, expectations, likes and dislikes, attitudes and prejudices are.
- How a firm can best inform, persuade and convince customers to purchase its products.
- What motivates customers and what attracts them to particular brands.

b) To research competitor's products.

This is to enable a business to develop and market its products or brands more successfully. It needs to find out;

- Whether competitors have similar products.
- What their prices are.
- How they will react to a firm's strategy, e.g. cutting prices, discounts, offers, e.t.c.
- How competitors produce, sell and distribute their products.

c) To provide information for better decision making

This is to assist in eliminating decisions made on guesswork basis or feelings.

d) To estimate potential buying power

It assists in knowing the size of the probable market and enables adequate preparation to meet demand.

e) To indicate the distribution methods best suited for the product and market.

It helps to identify the best possible means through which the product can be passed on to the consumers effectively.

f) To assess the probable volume of future sales.

It assists in predicting how much the firm will be able to sell in future making it possible to plan for production to ensure the market is well supplied with goods and services.

g) To know customer's acceptance of the product marketed.

The firm will be able to evaluate its acceptance and that of its product in the market. This is to prevent unnecessary production of goods that will not be bought and to enable the firm develop strategies that will make it and its products popular amongst the customers.

Marketing research is therefore a vehicle or a means through which information on present and potential customers, their reactions to present and prospective marketing mixes, the changing character of the external environment and degree to which existing marketing programs are achieving their goals.

Functions of marketing research

Marketing research functions include;

1. **Market identification;** This function stresses the need to identify places where and people who have the potential to consume a product. Market research enables a marketer to find or identify the market.
2. **Market size;** Market research enables a marketer to find out the size of a market. The marketer is able to gauge the market potential through research.
3. **Market share;** The marketer will be able to compare the consumers using his products with those using those of his competitors.
4. **Market segmentation;** This is the division of the whole market into distinct different groups. Marketing research enables effective market segmentation as details about the market and sectors for segmentation can be identified.
5. **Market trends;** Research can help in identifying the current trends favoured by the market with a view of making the firm adopt these trends.

Advantages of marketing research

- It discloses the position of the company in a specific industry through identifying its market share.

- It indicates the present and future trends of the industry, hence enabling the company to be proactive.
- It helps in the development and introduction of new products.
- It offers guidance for improving the current products of the company. It helps in assessing and enhancing the effectiveness of sales management strategy.
- It helps reduce the risks or loses involved in marketing as a result of poor marketing decision making.

Elements of marketing research

These are the areas covered in marketing research.

1. **Market research;** It involves investigating the size and nature of the market, segmenting the consumers (in terms of age, sex, and income), market trends, market share and potential markets.
2. **Sales research;** This relates to the issues of regional variation in sales, fixing sales territories, measuring of the effectiveness of a sales person, evaluation of impact of sales methods and incentives.
3. **Product research;** It investigates the strengths and weaknesses of an existing product in the market and product testing problems relating to diversification and innovation.
4. **Packaging research;** This is part of product research. It is however isolated from product research by emphasizing on the most appropriate and appealing package colour and design.
5. **Advertising research;** This studies the preparation of the advertisement copy, media used (media research) and the measurement of advertising effectiveness.
6. **Business economics research;** This investigates problems relating to input-output analysis, forecasting, prices and profit analysis.
7. **Export market research;** This investigates the export potential of the product.

Types of Research

1.) **Quantitative research**; This is where techniques and sample sizes used lead to the collection of data that can be statistically analyzed and whose results can be expressed numerically.

2.) **Qualitative research;** Deals with information that cannot be quantified, i.e., subjective opinions and value judgments that cannot be statistically analyzed.

3.) **Ad hoc research;** Refers to situations where the identified research problem leads to a specific information requirement, e.g., where a product is performing poorly hence calling for a specific study which is not recurrent or permanent in nature.

4.) **Continuous research;** Is on a permanent, on-going basis where information is collected on the problem, e.g., a product's life cycle performance.

Characteristics of a Good Marketing Research

1) It should be **relevant** i.e. it should fit and serve research problem needs.
2) Should be **accurate** i.e. should be reliably collected and reported.
3) Should be **current** i.e. up to date enough for current decisions.
4) Should be **impartial** i.e. **objectively** collected and reported without any bias.
5) The research must be **efficient** in cost in relation to the quality of information to be obtained i.e. the study should be expensive only when the decision is important and the research information will be helpful and profitable.
6) **Timely** research; information is needed promptly to make decisions and the failure to take corrective action or pursue an opportunity as quickly as possible may result in loss of opportunity.
7) **Ethical** research; ethical conduct in research concerns the rights and responsibilities of four parties; society, research client, researcher, and the respondent.

The Marketing Research Process

Marketing research is undertaken to understand a marketing problem better. A hospital wants to know whether people in its service area have a positive attitude toward the hospital and its services. A college wants to determine what kind of image it has among high school counsellors. A political organization wants to find out what voters think of the candidates.

Effective marketing research involves five major steps;

1. Defining the problem and research objectives,

2. Developing the research plan,
3. Collecting the information,
4. Analyzing the information,
5. Presenting the findings, conclusions and recommendations to decision makers.

The Marketing research

Defining the developing the collecting the
analyzing the presenting the Problem and
research plan information information
findings.
Objectives

1 2 3
4 5

We will illustrate these steps with the following situation:
Kenya Airways, one of the most vibrant of Africa's air carriers is constantly looking for new ways to serve the needs of air travellers. Management would like to offer some new service that will give it a competitive advantage. Toward this end, a few managers convened in a brainstorming session and generated a number of ideas revolving around better food service, in-flight entertainment, newspaper and magazine availability, and so on. In other major airlines which offer in-flight telephone services thirty thousand feet and plus above the earth, it is conceivable that in such a brainstorming session, a manager came up with the idea of offering such a service. The other managers got excited about this service and agreed that it should be researched further. The marketing manager who had suggested the idea volunteered to do some preliminary research. He contacted a major telecommunications company to find out the cost of providing this service on a Jumbo jet flying from say, Europe to Africa. The Telecommunications Company said that the service would cost the airline about Kshs 60,000 a flight. The airline could break even if it charged Kshs 1,500 per phone call and if at least forty passengers made

calls during the flight. The marketing manager then asked the company's research manager to find out how air travellers would respond to this service.

Step 1; Defining the problem and research objectives.

The first step in research calls for the marketing manager and marketing researcher to define the problem carefully and agree on the research objectives. Unless the problem is well defined, the cost of information gathering may exceed the value of the findings.

Management must weigh between defining the problem too broadly and defining it too narrowly. The marketing manager and the researcher agreed to **define the problem** as follows: Will offering an in-flight phone service, create enough incremental preference and profit for KQ to justify its cost against other possible investments that Kenya Airways might make? Then they agreed on the following **research objectives:**

a. What are the main reasons why airline passengers might place phone calls while flying instead of after landing?
b. What kinds of passengers would be the most likely to make phone calls during a flight?
c. How many passengers on a typical long-distance B-747 flight are likely to make phone calls, and how will this number be affected by price. What would be the best price to charge?
d. How many extra passengers might choose the KQ flight because of this new service?
e. How much long-term goodwill will this service add to Kenya Airways' image?

Not all research projects can be made this specific in its objectives. Three types of research projects can be distinguished. Some research is **exploratory** – that is to gather preliminary data to shed light on the real nature of the problem and possibly suggest some hypotheses or new ideas. Some research is **descriptive** – that is to describe certain magnitudes, such as how many people would make an in-flight call at Shs 1,500 a call. Some research is **causal**- that is to test a cause- and-effect relationship, such as if Shs 1,200 is charged as opposed to Shs 1,500 charge would increase the number of phone calls by at least 20%.

Step 2; Developing the research plan/design/methodology

The second stage of marketing research calls for developing the most efficient plan for gathering the needed information. The marketing manager needs a cost estimate of the research plan before approving it. Designing a research requires decisions on the **data sources, research approaches, research instruments, sampling plan and contact methods.**

Data sources:

The research plan calls for gathering secondary data, primary data, or both. Secondary data consists of information that already exists somewhere, having been collected for other purposes. Primary data consists of original information gathered for the specific purpose at hand.

Secondary data:

Researchers usually start investigation by examining secondary data to see whether their problem can partly or wholly be solved without collecting costly primary data.

Secondary Data Sources

- **Internal sources:** these include company profit and loss statements, balance sheets, sales figures, sales-call reports, invoices, inventory records, and prior research reports.
- **Government publications:** statistical abstracts of the Kenya government, usually updated annually, provide data on demographic, economic, social, and other aspects of the Kenyan economy, Kenya population census, etc.
- **Periodicals and Books:** marketing journals by Marketing Society of Kenya, The Kenyan Advertiser, publications of The Kenya Manufacturers Association, Central Bank of Kenya quarterly reports, useful business magazines like, Tuesday's issues of the Daily Nation and the E.A. Standard.
- **Commercial data:** some advertising companies provide information regarding annual television coverage in Kenya. Other commercial research houses like the Research International sell data to willing buyers. Similar information can also be obtained from the Audit Bureau of Circulation, the Auditor General, etc.

In the Kenya airways case, the researchers will find plenty of secondary data on the air travel market. The airline publishes in its annual report data concerning the number of passengers carried in any one year. In addition, information could be sourced from the IATA. Similarly, various travel agents would provide data on the type of tickets they have sold on behalf of the airline.

Advantages of secondary data

- It can be obtained more quickly and cheaply
- It provides information which a single company cannot collect on its own because it would be too expensive and time consuming.

Disadvantages of secondary data

- The needed information may not exist.
- It may be out-of-date.
- It may be irrelevant.

Primary data

- This is information collected for the specific purpose at hand.
- It has the advantage of currency and relevance to a specific research problem at hand; the disadvantage is that it is costly and time-consuming.

Primary data collection methods/Research approaches.

They include**;**

- Focus groups/brainstorming
- Telephone surveys
- Mail surveys
- Personal interviews

1) Focus groups interviews; This is an exploratory research method in which a researcher/ moderator leads 6-10 people in a focused, in-depth discussion on a specific topic e.g. a product, service or organization. The interviewer focuses the group discussion on important issues. The interview is best suited for examining new product concepts, advertising themes and investigating the criteria underlying purchase decisions.

Advantages

- Depth of information collected.

- Relatively low cost.
- Data is collected quickly.

Disadvantages

- Requires expert/trained moderator or interviewer.
- Questions arise of group size and acquaintanceships of participants.

2) Telephone surveys; Respondent's answers to a questionnaire are recorded by interviewers on the phone.

Advantages

- The rate of response is higher.
- It is quicker.
- Interviewer can explain questions that are not understood.
- Can cover a large geographical area.

Disadvantages

- They are limited to oral communication.
- The cost per respondent is higher than mail survey.
- Interviewer bias is higher.

3) Mail surveys; Questions are sent by mail or e-mail to respondents who are encouraged to complete and return.

Advantages

- Can cover a wide geographical area.
- Is the least expensive method.
- No interviewer bias.

Disadvantages

- Low response rate.
- Lack of control of who actually answers the questionnaire.

4) Personal interviews; This involves one-on-one interactions between a respondent and researcher in which the researcher poses questions to the respondent about specific topic e.g. a consumer's views about a product in detail.

Advantages

- High response rate.

- Audio-visual aids e.g. pictures; products can be incorporated in the interview.
- It is more flexible.

Disadvantages

- It is costly
- Inability to cover a wide area.
- Subject to interviewer bias

5) Experimental research; It is the most scientifically valid research. Its purpose is to capture the cause-and-effect relationship by eliminating the competing explanations of the observed findings. It calls for selecting matched groups of subjects, subjecting them to different treatments, controlling non-essential variables and checking whether observed response differences are statistically significant.

An experiment is a type of investigation used to determine whether and in what manner variables are related to each other. Experimental designs are those which allow for manipulation of independent variable(s) and subsequent assignment of its or their impact, if any, on the dependant variable of interest. E.g. the impact of change in price (independent variable) on sales (dependent variable), and whether price is the only variable that affects sales

c) Research instruments

Market researchers have a choice of two main research instruments in collecting primary data: questionnaires and mechanical devices.

- **Questionnaires:**

A questionnaire consists of a set of questions presented to respondents for their answers. Because of its flexibility, the questionnaire is the far most common instrument used to collect primary data..

In preparing a questionnaire, a professional marketing researcher carefully chooses the questions and their form, wording and sequence. The form of the question asked can influence the response. Marketing researchers distinguish between close-ended and open-ended questions. Close-ended questions pre-specify all the possible answers. Open-end questions allow respondents to answer in their own words. Close end questions provide answers that are easy to interpreted and tabulate. Open-end questions often reveal more because they do not

hinder respondents' answers. Open-end questions are especially useful in exploratory research, where the research is looking for insight into how people think rather than in measuring how many people think in a certain way.
Finally the questionnaire designer should exercise care in wording and sequencing of questions. The questionnaire should use simple, direct unbiased wording and should be tested with a sample of respondents before it is used. The lead question should try and create interest and the questions should flow in a logical order.

- **Mechanical instruments:**
- **Galvanometers** measure the interest or emotions aroused by exposure to a specific advert or picture.
- An **audiometer** is attached to the television sets in participating homes to record when the set is on and to which channel it is tuned.
- **Traffic counters** may be used to count the number of people that use a library, restaurant, supermarket or the number of vehicles using a road.
- **Video cameras** can be installed to make observations instead of human beings.

Step 3; Collecting the information
It's usually impossible for marketing managers to collect all the information they want about everyone in a **population**- the total group they are interested in. Marketing researchers typically study only a **sample**, a part of the relevant population. How well a sample represents the total population affects the results. Results from a sample that is not representative may not give a true picture.
Example;
The manager of a retail store might want to make a phone survey to learn what consumers think about the store's open hours. The sample will not be representative because consumers who do not have phones won't have an equal chance of being included in the survey. Those interviewed might say the limited store hours are "satisfactory", yet it would be a mistake to assume that all consumers are satisfied.
Marketing managers must be aware of how representative a sample really is.
Basic concepts

- **A sample;** it is a subset of the population of interest which is used for making inferences about the whole population.
- **Population;** the entire group under study as defined by the research objectives.
- **Sampling unit;** refers to the basic unit as defined by the research objectives e.g. consumers, teens, store managers.
- **Census;** an accounting of the complete population.
- **Sampling frame;** a master list of the entire population.

Reasons for sampling

a. **Cost;** i.e. the cost of interviewing a sample is lower than that of interviewing the entire population.
b. **Time/speed;** i.e. decision makers have a timeframe in which to make a decision based on whatever information can be obtained in that period.
c. **Accuracy;** more accurate and truthful information can be obtained from a sample than the entire population because of more in-depth, detailed interviews.
d. When the whole population is not available for study.

The sampling process

1. Defining the universe/population i.e. the target population from which data is to be drawn.
2. Establishing the sampling frame; the frame is a list of all the elements in the population from which a sample may be drawn e.g. a telephone directory, club membership, student enrolment list, etc.
3. Determining the sampling method/procedure. This step specifies the method under which the sample elements are to be selected. A decision is made on whether to use probability or non-probability sampling techniques.
4. Determining the appropriate sampling size. This is determined by the funds and time available, extent of homogeneity of the population, etc.

Sample size determination

The size of the sample will depend on;

1. Nature of the research i.e. whether exploratory or descriptive. Exploratory research may use a small sample size.
2. Statistical analysis to use i.e. if computers are available, a large sample can be selected.

3. Mode of data collection e.g. for mail surveys, the sample needs to be larger due to low response rate.
4. Number of traits to be measured. If they are many, a large sample is used.
5. Budgetary considerations-money and time.
6. Population characteristics; if homogenous, a smaller sample may be used.
7. Population size; if small and manageable, then do a census instead of sampling.

Sampling error is the difference between the sample result and the result of a census conducted using similar procedures. As sample size increases, sampling error decreases.

Step 4; Data analysis and interpretation

Data refers to a collection of facts and figures relating to a particular activity under study. The process of data analysis includes **data sorting, data editing, data coding, data cleaning, processing and interpretation of the results.**

1. **Data sorting;** Involves the rearrangement of the collected data to bring about order allowing systematic handling and storing of raw data.
2. **Editing;** Is the process of ascertaining that questionnaires were filled out properly and completely. It's purpose is for detecting and correcting errors. Attention is paid to the following;

- Missing data-which could result from failure by the interviewer to ask some questions or failure by a respondent to answer the questionnaire.
- Consistency in responses.
- Illegible responses.

3. **Coding;** Is the process of assigning numerical scores to the various responses to questions. It allows transfer of data from the questionnaire to the computer. The codes must allow easy interpretation of results. E.g. 'how do you rank the performance of our product?'

Responses; **1**. Excellent **2**. Very good **3**. Good **4**.Fairly good **5**. Fair **6**. Bad

4. **Data entry;** Refers to the process of physically entering numeric values into the computer. Data entry requires a high degree of keenness in order to get representative and relevant results at the end.
5. **Cleaning of data;** Involves conducting a final check on a data file for accuracy, erroneous data, completeness and consistency. This final check of the data is necessary to avoid having to come back to the original questionnaire or raw data to correct the errors.
6. **Data processing;** It involves the proper selection of the analytic procedure to be used, selection of the final versions of the variables to be used, making decisions about what statistics are to be calculated (mean, mode etc.) and submitting the data to the computer for processing.
7. **Interpretation of results;** This involves deriving some understanding from the output data relative to the subject matter of the research, and, based on the derived understanding, make conclusions.

This stage involves extracting pertinent information from the collected data. The researcher tabulates the data and develops **frequency distributions.** Averages and measures of dispersion are computed for major variables.

Step 5; Writing a report on Research Findings, Conclusions and Recommendations

The researcher should write a report making conclusions on the results. Recommendations should then be made based on conclusions which should be based on research findings. Conclusions should focus on answering research objectives and each research objective should have a conclusion and recommendation. The researcher must translate the results into a language that makes sense to management. The researcher should remember that the study is only useful if it helps in solving the initial research problem.

Marketing Information Systems (MkIS)

A market information system (MkIS) is an ongoing, future oriented structure designed to generate, process, store and later retrieve information to assist in decision making in an organization's marketing program. It must include all facts, estimate opinions and other information used in the marketing of goods.

A **marketing information system** will resemble a military or diplomatic intelligence operation that gathers, processes, and stores potentially useful information that exists in open and available form from several locations inside and outside the company. Practices of industrial espionage and the employment of competitors' personnel to learn their secrets need not be employed to learn about one's competitors. The gathering of this information can be done in a socially acceptable manner if the firm establishes a Marketing Information System. Hence MkIS involves:-

- Determines what data is needed for decision making.
  A firm may require data on; Sales, prices, market demand, sources of input, government regulations on their activities etc. All these pieces of information may not be necessary to a company at all times and the choice of information that will aid in arriving at a particular decision need to be made.
- Where the information will be gathered;
  Information will have various sources. These sources will include both internal and external means. These include quotations, receipts, vouchers etc. as the internal source and newspapers, magazines, libraries, the national Archives etc. as the external sources. The information is gathered in a scientific manner that constitutes marketing research.
- Processing the information;
  The information once gathered has to be analyzed to make more meaningful pieces of data. There are various statistical and other methods employed in the processing of data. However, whichever the system, the contribution of computers in processing this data cannot be appreciated enough. Modern MkIS is not possible without a computer due to the masses of data being handled.
- Providing for storage and future retrieval of data;
  The data gathered needs to be stored for future reference. This saves the marketer the cost of carrying out similar researches to collect the same information previously obtained. The most common and maybe the best storage and retrieval equipment is a computer. Computers hence become necessary equipments for market intelligence.

Need for a marketing information system.

Many environmental forces necessitate the management of marketing information by every firm serious with competing effectively in the present marketing system. These forces include;

- *Short time span for executive decision making;*
  Product life cycles are now shorter than they were previously. Firms now also need to develop new products and market new products more quickly than ever before.
- *Complexity and broadness of the current marketing activity;*
  Markets are expanding to world markets through multinational corporations set up by companies. This implies that a company will have branches in foreign countries. This complicates the behavioural data that is needed to enable the marketer succeed in his endeavours.
- *Shortage of energy and other production resources;*
  The firm needs to identify products that it can sell economically. Those that will lead to resource wastage could be eliminated. The firm also needs to ensure better use of its resources and manpower.
- *Increased consumer discontent;*
  The firm needs to know the performance of its products in the market. Satisfaction of the consumer should be its prime objective. It has to have a means of telling when its products do not meet the expectations of consumers, and make the necessary changes to make the consumers accommodate it.
- *Information explosion;*
- There is actually an excess supply of information. What needs to be done is to find out what to do with it i.e. how to manage it. Computers and other data processing equipments have made this easier and less expensive. A lot of information can now be obtained from the internet through computers.

Benefits and uses of an MkIS

- From its day-to-day operations, an organization will gather a lot of information. The company has to develop a system to retrieve and process this information. Without this system, information flowing from these sources is frequently lost, distorted or delayed.

- A well designed MkIS can provide a fast, less expensive and more complete information flow for management decision making.
- The storage and retrieval capability of an MkIS allows a wider variety of data to be collected and used. Managers can continually monitor the performance of their products, markets, sales people and other marketing units in greater details.
- Marketing information links the producers with the customers. It is the system that is put in place to co-ordinate and re-unites the producers and the customers. It narrows down the area of uncertainty and the risks attached to the marketing of products.

Relationship between Marketing Information Systems and Marketing Research

Marketing research is the thorough and objective gathering and analysis of data that pertains to a given problem in marketing. Marketing research is about 40 years older than marketing information systems which was developed in the 1960's. The two are often seen by many people as being one and the same thing. Others see the two as distinct functional entities, related only to the extent that they deal with the management of information. The contrasting characteristics between marketing research and marketing information systems are given below;

Marketing research	**Marketing Information Systems**
-Emphasizes the handling of external information	-Handles both internal and external data
-Is concerned with solving problems	-Concerned with preventing as well as solving problems
-Operates in a fragmented, intermittent fashion on a project-to-project basis	-Operates continuously-is a system
-Tends to focus on past information	-Tends to be future oriented
-Needs not be computer based	-Is a computer based process
-Is one source of information input for a Marketing Information System	-Includes other systems besides marketing research.

Components of an MkIS

Consists of three major components;

a) Internal records
b) Marketing research
c) Marketing intelligence

Internal records include quotations, receipts, vouchers, and financial statements.

The marketing intelligence sub-system supplies marketing decision makers with everyday information about developments in the internal marketing environment. Such information may be collected from customers, suppliers, intermediaries, competitors, and by monitoring the P.E.S.T. variables.

CONSUMER BEHAVIOUR-CUSTOMER ANALYSIS

It is a segment or part of human behaviour. Human behaviour refers to the total process whereby the individual interacts with the environment. Every thought, feeling, or action that we have as individuals is part of human behaviour.

Consumer behaviour refers to the behavioural dimensions and related activities of persons involved specifically in buying and using products. It includes both mental decisions and physical actions that result from these decisions.

Importance;

It seeks to understand the **consumer buying decision process** and to answer the following questions;

- Who makes the market?
- Who do they buy from?
- What does the market buy?

- When do consumers buy?
- Why do they buy?
- How do they buy?

The marketer wants to know how consumers respond to various marketing strategy the company might use. It helps the firm to find better ways to satisfy consumers through creating a suitable marketing mix that will meet customer's needs and requirements better than competitors.

Participants in the buying process (The D.M.U.-Decision Making Unit)

The marketer needs to know which people are involved in the buying decision. People might play any of several roles in the buying decision process;

- **Initiator:** the person who first suggests or thinks of an idea of buying a particular product or service i.e. who initiates the buying decision.
- **Influencer:** a person whose views or advices carries some weight in making the final decision.
- **Decider:** is the one who ultimately makes a buying decision or any part of it, i.e. whether to buy, what to buy, where to buy. One or more people may be a decider.
- **Buyer**: the person who makes the actual purchase.
- **User**: the person who uses or consumes the product.

A company needs to identify who occupies these roles because they affect product design, promotion, and other marketing strategy.

The Buyer Decision Process

It is made up of the following five steps;

Problem → Information → Evaluation of → Purchase
Post purchase
Recognition search alternatives decision
behaviour

1) **Problem recognition;** It is the stage when the individual recognizes a need or problem to be satisfied or solved.
The need can be triggered by either an *internal stimulus* (hunger, thirst, or sex), or *external stimulus* (bread, car, or ad)

Marketing strategy; The marketer should identify circumstances that trigger a particular need, and then develop marketing strategies that trigger consumer interest in his product.

2) **Information research;** Of key interest to the marketer are the major information sources:

- *Personal source*- family neighbours, acquaintances
- *Commercial sources*- sales persons, dealers , packaging displays
- *Public sources*- mass media, consumer-rating organizations
- *Experiential sources*- handling, examining, or using the product

The relative amount and influence of these information sources vary with the product category and buyer's characteristics.

Marketing strategy

- To get the brand into the prospect's awareness set through promotional activities.
- The company should identify the consumer's information sources and evaluate their relative importance.

3) **Evaluation of alternatives;** The consumer develops a set of brand beliefs about a brand, which make up the brand image.

The brand image will vary with his/her experiences as filtered by the effects of **selective perception, selective distortion** and **selective retention.** The consumer may evaluate brands on the basis of price, product design, colour, packaging, after-sales service, etc.

Marketing strategy

- Redesign the product
- Alter beliefs about the brand- **psychological repositioning**
- Alter beliefs about competitor brands-**competitive positioning**

4) **Purchase decision;** Having evaluated various solutions, the buyer may develop a predisposition to make a purchase.

However, two factors can intervene between the purchase intention and the purchase decision that may change the purchase intention, e.g.

- The attitude of others
- Unanticipated situational factors

In executing a purchase intention, the consumer may take up to five purchase sub-decisions;

- A brand decision (brand A)
- Vendor decision (dealer 2)
- Quantity decision (1 computer)
- Timing decision (weekend)
- Payment method decision (cash/credit)

Marketing strategy; Marketers should provide information to customers to reduce perceived risk of buying a brand.

5) **Post purchase behaviour;** The consumer will experience some level of satisfaction or dissatisfaction.

Buyers do not follow the general decision sequence at all times. The procedure may vary depending upon;

- The time available
- Levels of perceived risk
- The degree of involvement a buyer has with a product.

Marketers should provide after sales service and support to assure customer satisfaction.

Involvement

Involvement may be in terms of relevance and importance and is of two types;

a) **High involvement;** This occurs when a consumer perceives an expected purchase which is not only of high personal relevance but also represents a high level of perceived risk. Cars, washing machines, houses and insurance policies fall in this category.

b) **Low involvement;** This suggests little threat or risk to the consumer. Low priced items such as washing soap, cooking oil, and breakfast products are bought frequently, and past experience of the product class and the brand cues the consumer into a purchase that require little information or support.

Types of consumer problem solving behaviour

Consumer decision-making varies with the type of buying decision. More complex decisions are likely to involve more buying participants and more buyer deliberations. There are three types of consumer problem-solving behaviour:

1) **Routine response behaviour;** This occurs when consumers buy low cost, frequently purchased items. The buyers have very few decisions to

make. They know a lot about the product class and the major brands available and they have fairly clear preference among the brands. In general, consumers do not give much thought, search or time to the purchase. Marketers must satisfy current consumers by maintaining sufficient quality service and value. They must also try to attract new buyers by introducing new features and using point of purchase displays and price deals.

2) **Limited problem solving;** Buying is more complex when buyers confront an unfamiliar brand in a familiar product class (e.g. a new brand of radio or toothpaste). E.g. people thinking about buying new music equipment may be shown a new brand with a new shape and new features. They may ask questions and watch adverts to learn more about the new brand. This is described as limited problem-solving because buyers are fully aware of the product class but are not familiar with all the brands available and their features.

3) **Extensive problem solving;** Sometimes buyers face complex buying decisions for more expensive, less frequently purchased products in a less familiar product class. For these products buyers do not often know what brands are available and what factors to consider in choosing between brands. E.g. suppose you want to buy an expensive stereo component system, you would probably spend time visiting several shops collecting information and comparing various brands before making the final decision.

Types of consumer buying behaviour

From the understanding of general decision making process, perceived risk and involvement theory, it is possible to identify the following buying behaviours;

High involvement Low involvement

Significant difference complex buying variety seeking
between brands behaviour buying behaviour

Few differences dissonance reducing habitual buying
between brands buying behaviour behaviour

1) Complex buying behaviour; It involves three- step process;

- The buyer develops beliefs about a product,
- Then develops attitude,
- Then makes thoughtful choice

Consumers are highly involved in a purchase and are aware of significant differences among brands.

Products are highly expensive, bought infrequently, risky and highly self-expressive e.g. automobiles.

Marketing strategy

- Understanding consumers' information gathering and evaluation behaviour
- Assist buyers in learning about the product's attributes and their relative importance through salespeople, sales literature, etc.
- Differentiate the brand's features- use print media to describe the brand's benefits.
- Motivate sales personnel and the buyer's acquaintances to influence the final brand choice.

2) Dissonance-reducing buyer behaviour; where the consumer is highly involved in a purchase but sees little difference in brands.

Purchase is expensive, infrequent and risky.

If the consumer finds quality differences in the brands, he might go for the higher price.

If he finds little difference, he might buy simply on price or convenience.

Marketing strategy involved;

- Use of price and sales promotions to stimulate product trial
- Television advertising is more effective than print as it involves passive learning.

3) **Habitual buying behaviour;** Is characteristic with low involvement and the absence of significant brand differences
Common with low cost, frequently purchased products e.g. salt
Consumers reach for the same brand out of habit but there is no strong brand loyalty.

Marketing strategy

- Use repetitive advertising to create *brand familiarity.*
- Effective use of price and sales promotions to stimulate product trial.

4) **Variety seeking behaviour;** Low involvement but significant brand differences
A lot of brand switching

Marketing strategy

- Encouraging habitual brand behaviour by dominating shelf-space, avoiding out-of-stock conditions and frequent reminder advertising.
- Encourage variety seeking by offering lower prices, deals, coupons, free samples, and advertising.
- Marketers must monitor post-purchase satisfaction, post purchase actions and post purchase product use.
- Marketing communication should reinforce past decisions by stressing the positive features of the product or by providing more information to assist its use and application.

Organizational/ Industrial Buyer Behaviour

Businesses ask themselves the same questions as consumer marketers i.e. who are our buyers and what are their needs. How do buyers make their buying decisions and what factors influence these decisions? What marketing programs will be most effective?

Definition: industrial buying is the decision making process by which formal organizations establish the need to purchase products and identify, evaluate and choose among alternative brands and suppliers.

Types of organizational markets;

1) The industrial market; It consists of all organizations acquiring goods and services that enter into the production of other goods and services that are sold or supplied to others. It is the largest organizational market.

2) Reseller market; It consists of all individuals and organizations that acquire goods for the purpose of reselling them to others for a profit. Resellers buy products for resale and for conducting their operations e.g. wholesalers.

3) Government market; It consists of government units from central and local government that purchase or rent goods and services for carrying out their main functions.

4) The institutional market; It is made up of hotels, hospitals, schools, colleges and other institutions that also buy goods and services.

Differences between Organizational and Consumer markets

In some ways organizational markets are similar to consumer markets- both involve people who assume buying roles and make purchase decisions to satisfy needs.

But there are differences stemming from market structure, demand, product characteristics, promotion, distribution channels, price, nature of buying unit, and the decision process.

1. Market characteristics

(a) Size: usually industrial consumers are few in number but purchase larger volumes on a repeat basis.

(b) Geographic concentration: industrial consumers tend to concentrate in specific areas especially urban areas.

(c) Competition: industrial organizations are more directly involved in international purchasing.

2. **Product characteristics;** In industrial markets products are purchased as component parts of other products. More emphasis is given to the technical aspect of the product. Purchases of industrial products are usually governed by customer specifications.
3. **Buyer characteristics;** Typical consumer buyers have little knowledge of the product they purchase as contrasted with industrial buyers who are professionally and technically trained. Many industrial purchases involve large sums of money; technically complex products and decisions to purchase take longer and involve several people.
4. **Reciprocity;** Industrial buyers often select suppliers who may also buy from them e.g. a paper company that buys needed chemicals from a chemical company that in turn buy's the company's paper.
5. **Channel characteristics;** In industrial markets, channels are direct where buyers often buy from producers rather than through middlemen.
6. **Promotional characteristics;** Personal selling is the dominant mode of promotion in industrial markets and advertising may only be used to lay a foundation for personal selling. Sales people act as consultants.
7. **Price;** Generally in industrial buying, price takes less prominence. Factors of interest are quality, product consistency, certainty and timeless of delivery, service and technical support.
8. **Demand;** Demand for industrial products is **derived demand**. It ultimately comes from demand for consumer goods. A cloth manufacturer buys cotton because consumers buy cloth. If consumers demand for cloths declines, so will the demand for cotton and all other products used to make cloth.

   The demand is also inelastic in organizational markets i.e. total demand is not much affected by price changes especially in the short-run e.g. a drop in the price of leather will not cause shoe manufacturers to buy more leather unless it results in lower shoe prices that in turn would increase customer demand for shoes.

Participants in the industrial buying process- The buying centre

This is the group of people who make the buying decision. The group consists of all people who influence, whether positive or negative, at one or more stages of the purchasing process. The **Decision Making Unit (D.M.U)** has people playing the following roles;

1. **The gate keeper:** he controls the flow of information, ideas and instructions. Such roles may be played by the receptionist/secretary who controls the buying organization's diary. A gate keeper could also be a specialist who can feed relevant information to the rest of the D.M.U.
2. **Influencers:** are people such as engineers, accountants or the board of directors. They help define product specifications and provide information for evaluating alternatives. Technical personnel are particularly important influencers.
3. **Users:** are members of the organization who will use the product. In many cases they initiate the buying proposal and help define product specifications.
4. **Buyers:** they are people with formal authority to select the supplier and arrange terms of purchase. They negotiate with the selected supplier on issues such as price, delivery time, mode of delivery, etc.
5. **Deciders:** are people who have formal or informal power to select or approve the final suppliers. In routine or straight buying, the buyers are often the deciders.

The buying centre concept presents a challenge to the industrial marketer who must learn the following;

- Who is involved in the decision?
- What decisions do they make?
- What is their relative degree of influence?
- What evaluative criteria does each participant use?

Only when the above questions have been answered can the supplier plan the campaign to inform the key persons within the D.M.U. A multi-faceted attack may be necessary, involving direct mail, personal contact, as well as the use of advertising.

Industrial Buying Situations (classes)

1. **Straight re-buy;** it is where the buyer knows his own requirements and the products on offer. The items tend to be regular purchases and the

process is in most cases repeated frequently. A buyer would most likely purchase from the same supplier and it is often hard for another supplier to break into such a market.

2. **Modified re-buy;** in this category would fall the purchase of either a new product from an existing or known supplier, or the purchase of an existing product from a new supplier. It usually involves more decision participants.
3. **New task;** involves the purchase of new unfamiliar products from previously unknown suppliers. In this situation the buyer must obtain a lot of information about alternative products and suppliers. He must determine the following;

   Product specifications, price limits, delivery times and terms, service terms, payment terms, order quantities, etc.

   The buyer makes the fewest decisions in the straight re-buy and most in the new task situation. The new task situation is the marketer's greatest opportunity. He tries to reach as many people with key buying influences as possible, and providing useful product information.

Industrial Buyer Decision Making Process

In the industrial buyer decision making process, buyers facing a new task buyer situation will usually go through all stages of the buying process and those making straight or modified re-buys may skip some of the stages. They are;

Problem → General need → Product → Supplier → Proposal
Supplier Order routine Performance
Recognition description specification search solicitation
selection specification review

1. **Problem recognition;** The process begins when someone in the firm recognizes a problem or need that can be solved by acquiring a specific product. The company may decide to launch a new product and need new equipment and materials to produce it or a machine may break down and need new parts etc.

2. **General need description;** This is description of the general characteristics and quantity of the needed item. Emphasis here is on reliability, durability, price and other attributes desired in the item.
3. **Product specification;** The item's product specifications are analyzed and the purchasing team **(D.M.U.)** decides on the best product characteristics and specify them accordingly.
4. **Supplier search;** This is carried out to find the best suppliers. Some suppliers may not be considered because they are not large enough to supply the needed quantity or because they have poor reputation. The supplier's task is to get listed in major directories and build reputation in the marketplace. Salespeople should watch for companies in the process of searching for suppliers and ensure their firm is considered.
5. **Proposal solicitation;** The buyer invites qualified suppliers to submit proposals. When the item is complex or expensive, the buyer will need detailed written proposals from each potential supplier.
6. **Supplier selection;** The buying centre **(D.M.U.)** reviews the proposals and selects a supplier. They will consider the technical competence of various suppliers, their ability to deliver the item on time and also deliver the necessary services. The following attributes have a strong influence on the relationship between the supplier and customer; Quality of products, on time delivery, competitive prices, and delivery terms.
7. **Order routine specification;** This involves preparing the final order with the chosen supplier, listing the technical specifications, quantity needed, expected time of delivery, e.t.c.
8. **Performance review;** Here the buyer reviews the performance of the supplier. The buyer may retain, modify, or drop the supplier in future hence the supplier should ensure that he is giving the expected satisfaction.

Personal Determinants of Consumer Behaviour

These are needs, motivation, perception, learning, beliefs, and attitudes.

1. Needs and Motivation

- A motive is a need that is sufficiently pressing to drive a person to act.

- Needs are either physiological-(hunger, thirst, comfort), or psychological-(recognition, self-esteem, etc.).
- Marketers study motivation theories for consumer analysis and marketing strategy. Three of the best known theories are those of Sigmund Freud, Abraham Maslow and Fredrick Herzberg.

Freud's theory

2. Assumes that the psychological forces shaping people's behaviour are largely unconscious, and that a person cannot fully understand his/her own motivation.
3. When a person examines specific brands, he/she will react not only to their stated capabilities, but also to other less conscious cues.
4. Shape, size, weight, colour and brand can all trigger certain associations and emotions in the consumer.
5. Motivation researchers often collect "in-depth interviews" to uncover deeper motives that trigger the purchase of a product.

Maslow's theory

- Sought to explain why people are driven by particular needs at particular times. He states that human needs are arranged in a hierarchy, from the most pressing to the least pressing.
- In order of importance, they are physiological needs, safety needs, social needs, esteem needs and self- actualization.

A person will try to satisfy their most important needs first, after which he will then try to satisfy the next higher need.

The theory helps marketers to understand how various products fit into the plans, goals, and lives of consumers.

Herzberg's theory

He developed a two- factor theory that distinguishes ***dissatisfiers*** (factors that cause dissatisfaction) and

satisfiers (factors that cause satisfaction).Satisfiers must be actively present to motivate a purchase.

The implications are that sellers must do their best to avoid dissatisfiers e.g. poor instructions manual.

The manufacturers should identify the major satisfiers and motivators and supply them to buyers.

2. Perception

Perception is a process by which an individual selects, organizes and interprets stimuli into a meaningful, coherent image or picture of the world.
A motivated person is ready to act and how he acts is influenced by his or her perception of the situation.
Two people in the same motivated state and objective situation may act quite differently because they perceive the situation differently.
People can emerge with different perceptions of the same object because of three perceptual processes: **selective attention, selective distortion**, and **selective retention.**

3. Learning

Learning can be defined as 'a relatively permanent change in behaviour that occurs as a result of experience or reinforced practice'.
Most human behaviour is learned.
Two main approaches to learning are:

- **Behavioural**-association, reinforcement and motivation.
- **Cognitive**-processing information in order that problems can be resolved.

Learning theory teaches marketers that they can build up demand for a product by associating it with strong drives, using motivating cues, and reinforcement.

4. Personality

Personality is, essentially, concerned with the inner properties of each individual, those characteristics that differentiate each of us.

Freudian theory of personality; psychoanalytic theory

It assumes that the needs which motivate human behaviour are driven by primary instincts- life and death. The life instincts are considered to be predominantly sexual in nature, whereas the death instincts are believed to be manifested through self-destructive and/or aggressive behaviour.
The personality of an individual is assumed to have developed in an attempt to gratify these needs, and consists of the ***id*** *(*pleasure seeking*)*, ***super ego*** *(*acts within the rule of the society*)* and ***ego.***

Trait theory

Traits are distinguishing, relatively enduring ways in which one individual differs from another. Personality is measured and quantified e.g. the degree of assertiveness, responsiveness to change or level of sociability.

Marketers identify specific traits and then develop consumer profiles which enable a distinct market segment to be determined.

For example, Aspirers seek status and self- esteem (materialism) and are targeted with products which act as symbols of achievement e.g. designer clothes, latest hi-fi etc.

Consumers are likely to choose brands whose personalities match their own. For example; Tommy Hilfiger-'youthfulness', Levi's- 'ruggedness' Brand personalities can attract consumers with the same **self-concept** (how somebody views himself).

5. **Beliefs and attitudes**

An attitude is a learned **predisposition** to behave in a consistently favourable or unfavourable way with respect to a given object.

Through doing and learning, people acquire beliefs and attitudes.

Attitudes relevant to purchase behaviour are formed as a result of direct experience with the product, word of mouth information acquired from others, or exposure to mass media advertising.

A company can fit its products into existing attitudes rather than trying to changing them.

Attitude change strategies include:

- Changing the consumer's basic motivational function, i.e., making particular needs prominent.
- Associating the product with an admired group or event e.g. social support events, celebrities, e.t.c.
- Resolving two 'conflicting attitudes' e.g. moving from negative to positive.
- Altering components of a multi –attribute product e.g. toothpaste (regular and herbal, etc.).
- Changing consumer belief about competitors' brands.

External Determinants of Consumer Behaviour

Consumers are social and cultural human beings. Their behaviour is affected by the social setting they find themselves in as well as the cultural practices of the community they live in.

1) **Culture.**

It refers to the ways of life of a people. It is the learned behaviour and results of behaviour whose component elements are shared and transmitted by members of a particular society.

Culture is learned through patterned instructions from parents, teachers, and society in general.

Culture describes the prescribed acceptable behaviours and norms of a society.

Marketers who wish to avoid costly mistakes must be familiar with the culture of the people they wish to sell to.

2) **Social classes**

This is the division of the society into groups. It is also known as social stratification. Social functions have to be performed by a society for it to survive. Some of these functions have a higher value than the others, and are therefore of a higher status. Status systems in the world are based on considerations such as age, sex, occupation, economic and political station.

A social class is an open aggregate of people with a similar social ranking. It is open since people can move in and out of the group. Mobility may take the form of education, occupation, talent, marriage, etc. Within a social class, people will to a certain extent have the same patterns of behaviour, similar attitudes, values, possessions, etc.

Characteristics of social classes;

People within the same social class exhibit similar behaviour.

People are ranked as occupying an inferior or superior social position according to their social class.

A social class is not indicated by any single variable, but is as a result of the weighed function of an individual's occupation, place of residence, wealth, education, values, e.t.c.

The marketer has to identify the class differences due to the following reasons;

- Each class will have certain products that appeal to them and others that do not appeal to them. The marketer has to concentrate their marketing effort on specific social classes.
- In the same social class, there may be individual tastes that the marketer needs to take into consideration. The kind and quality of the product selected may vary from one consumer to another.
- Difference in classes may also show in marketing areas the consumers frequent. Certain classes may have a preference for a given shop, club, restaurant etc.
- The media habits of different classes will also differ. Some members of a class may read different newspapers and listen to different programs or watch different stations on T.V.

3) **Reference groups**

Are groups that serve as a model for an individual's behaviour and as a frame of reference for decision making.

Types of reference groups include:-

Primary groups: - these are groups that are small and very close to the consumer. The consumer has direct contact with group members and often has face-to-face communication with them. They include the family, co-workers and those one spends his leisure time with.

Secondary groups: - are larger and less intimate than the primary group. The consumer contact with this group may not be as frequent as those of the primary groups. They include religious organizations, professional organizations, etc.

Rationale groups; - these are membership groups that a person may join. They engage in activities which interest the consumer to express his idea, be guided and influenced in the type of goods consumed. They include YMCA, YWCA, scouting movement, etc.

The reference group has norms that the members abide by. These norms promote conformity within the reference group. A reference group may influence the decision to buy in two ways;

- Being a member of a group, a person may buy a product or service since all those in the group have done so.

- A person may buy a product or service for the reason of wanting to belong to or be associated with the group.
- Some products can be sold by appealing them to a reference group. The consumer will use others as a point of reference;
- If he lacks specific experience in the purchase or use of a product, service or idea.
- When available sources of marketing information are judged as biased or inadequate.
- When the outcome of a consumer's decision is highly visible and therefore open to disapproval from others.
- When the products are in high risk category e.g. are expensive.

4) **Role of Opinion leaders**

These are the pace setters or trend setters. They are the people who will first venture into sampling a new product before the others. They would then give information to the others before they commit themselves to buy the product or service. The opinion leaders or the pace setters are respected and serve as a source of advice to the rest. Characteristics of opinion leaders are;

- They are more interested and better read in areas they influence.
- They are more self confident and sociable.
- They are slightly more innovative i.e., they take risks but cautiously so.

The word of mouth becomes an important tool for the spread of information here. The opinion leaders are the first to receive advertising messages and then pass them on to the others. Marketers should identify the opinion leaders first and focus information on them so that they can then influence others.

5) **The Family**

This has the most important influence on an individual. The family structure suggests that we are all members of two families;

- The family of orientation; this is where we are born into.
- The family of procreation; established through marriage.

This results in a nuclear family consisting of parents and children living together and also an extended family, including aunts, uncles, grandparents and in-laws.

All members of a nuclear family have a role in the buying process and the roles will depend on the product purchased. These roles may be grouped as;

- Wife dominated decisions.
- Husband dominated decisions.
- Joint decisions.