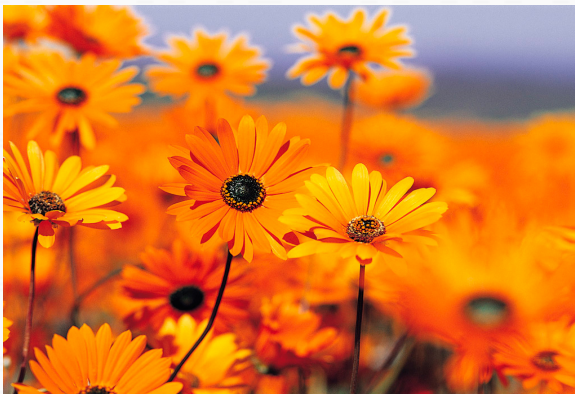




Marketing Management



What Is Marketing



- *“Meeting Needs Profitability”*
- *Marketing is an organizational function and set of processes for creating, communicating & delivering value to customers and for managing customer relationships in ways that benefit the organization & its stakeholders*

What is Marketing Management



- *The art and Science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value*

Marketing Concept



- Production Concept
- Service Concept
- Selling Concept
- Product Concept
- Marketing Concept
- Holistic Concept
 - Internal Marketing
 - Integrated Marketing
 - Relationship Marketing
 - Performance Marketing

Modern Marketing



- *Every Employee is a Marketer*
- *Internal Communication*
- *Experience Concept*
- *Green Marketing*

Factors Influencing Marketing Concept



- *Growth of Population*
- *Changing Concept of Family*
- *More Disposable Income*
- *More Discretionary Income*
- *Technology Advancement*
- *Media*
- *Credit Facility*

Nature Of Marketing

- *It is a legal process by which ownership is transferred*
- *It is a system of interacting business activities*
- *It is a managerial function of organizing and directing business activities that facilitates the movement of goods from producers to consumers*
- *It is a Philosophy based on consumer orientation and satisfaction*
- *It has dual objectives- Profit Making and Consumer Satisfaction*

Scope Of Marketing



Marketers are involved with marketing ten types of entities :

- *Services*
- *Events*
- *Experiences*
- *Persons*
- *Places*
- *Properties*
- *Organizations*
- *Information*
- *Ideas*
- *Physical Goods*

Scope Of Marketing



- *Who Markets*
 - *Marketers and Prospects*
 - *Eight Demand states are possible*
 - *Negative Demand*
 - *Nonexistent Demand*
 - *Latent Demand*
 - *Declining Demand*
 - *Irregular Demand*
 - *Full Demand*
 - *Overfull Demand*
 - *Unwholesome Demand*

Scope Of Marketing



- *Study of Consumer wants and needs*
- *Study of Buyer Behavior*
- *Product Planning and development*
- *Pricing Policies*
- *Distribution*
- *Promotion*
- *Consumer Satisfaction*
- *Marketing Control*

What is a Market



- *Markets includes both place and region in which buyers and sellers are in free competition with each other*

Classification of Markets



- *On the basis of Area*
- *On the basis of Time*
- *On the basis of Transaction*
- *On the basis of Regulation*
- *On the basis of volume of Business*
- *On the basis of Nature of Goods*

Difference Between Marketing and Selling

Marketing

Selling

Focuses on Customer Needs

Focuses On Sellers Needs

Begins before Production

Begins after Production

Continues After Sales

Comes To an End after sale of Product

Philosophy of Business

Routine Process

Profits through customer satisfaction

Profits through Sales Volume

Long Term Perspective

Short Term Perspective

Customer First

Product First

Marketing Management Tasks



- *Developing Marketing Strategies and Plan*
- *Capturing Marketing Insights*
- *Connecting with Customers*
- *Building Strong Brands*
- *Shaping the Market offerings*
- *Delivering Value*
- *Communicating Value*
- *Creating Long Term Growth*

Marketing Environment



- *Factors which affect Marketing Environment:-*

- *Social Forces*
 - *Sociological Factors*
 - *Psychological Factors*
 - *Anthropological Factors*
- *Economic Factors*
 - *Consumer*
 - *Competition*
 - *Price*
- *Political Forces*
- *Ethical Forces*
- *Physical Forces*
- *Technological Forces*

Marketing Environment contd.....



- *Macro Environment*
 - *Demographic Factors*
 - *Economic Factors*
 - *Competition*
 - *Social and Cultural Forces*
 - *Political and Legal Forces*
 - *Technology*
- *Micro Environment*
 - *Market*
 - *Suppliers*
 - *Marketing Intermediaries*

Environmental Scanning



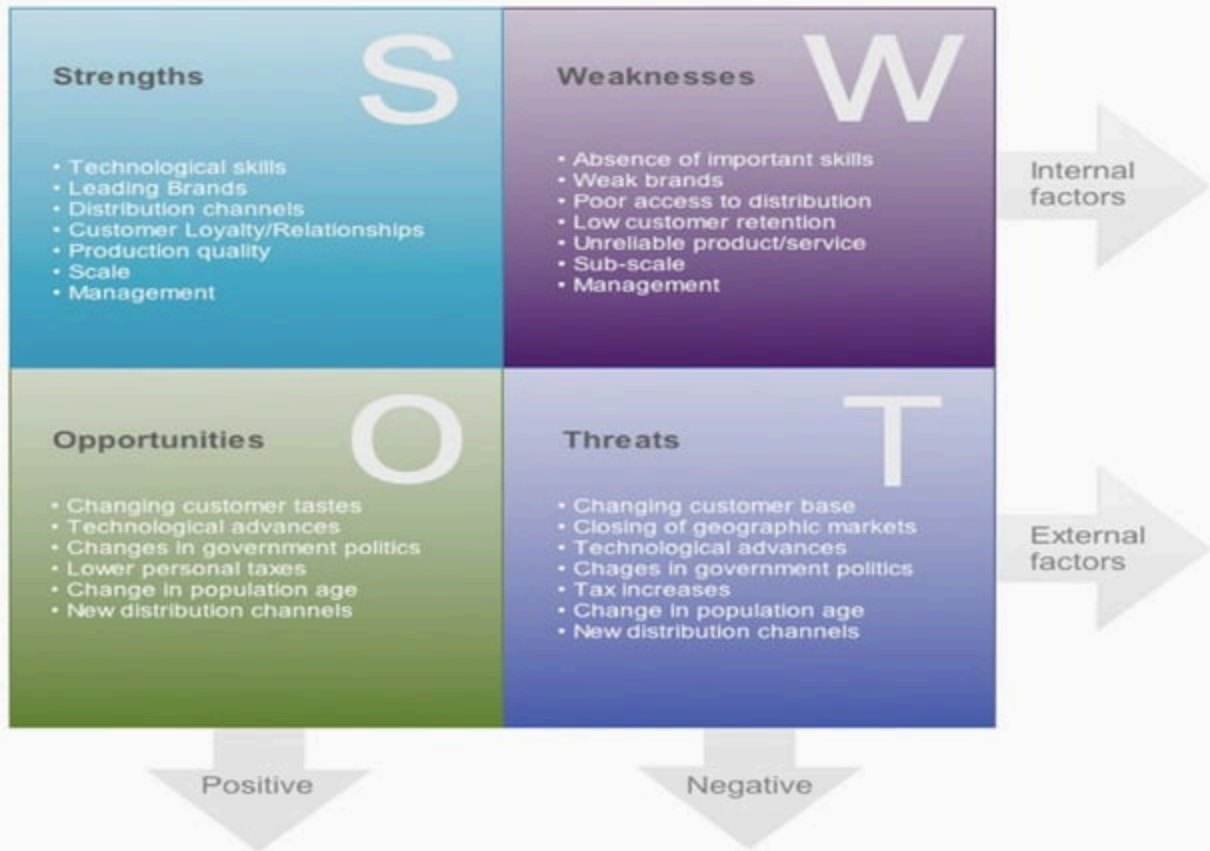
- *What is the Goal behind Environmental Scanning*
 - *Technological Environment*
 - *Political Environment*
 - *Economic Environment*
 - *Cultural Environment*
 - *Demographic Environment*

Methods used for Environmental Scanning



- *SWOT Analysis*
- *Scenario Building*
- *Cross Impact Analysis*
- *Delphi Method*

SWOT Analysis



SWOT ANALYSIS

- *A SWOT (Strengths, Weaknesses, Opportunities, and Threats) is a tool used to provide a general or detailed snapshot of a company's health. Think of your SWOT as a tune-up that every business needs periodically to diagnose and fix what's a problem, what's on the verge of breaking down, or what's already broken and needs replacement--so that you can keep the business humming—even better than it has in the past.*
- *SWOT offers professional managers an effective evaluative technique to aid the decision making process.*
- *It can not find the solution for you, but it will ensure that issues are: identified, classified and prioritized clearly, showing the problem in terms of key underlying issues. Decision makers can then see the answer.*
- *It's a four-part approach to analyzing a company's overall strategy or the strategy of its business units. All four aspects must be considered to implement a long-range plan of action.*

SWOT ANALYSIS



- Another example is Dell Computer Corp., which is a great example of how an IT company can use a SWOT analysis to carve out a strong business strategy, according to Glazer.
- Dell recognized that its strength was selling directly to consumers and keeping its costs lower than those of other hardware vendors.
- As for weaknesses, the company acknowledged that it lacked solid dealer relationships. Identifying opportunities was an easier task.
- Dell looked at the marketplace and saw that customers increasingly valued convenience and one-stop shopping and that they knew what they wanted to purchase.

SWOT ANALYSIS



- Dell also saw the Internet as a powerful marketing tool.
- On the threats side, Dell realized that competitors like IBM and Compaq Computer Corp. had stronger brand names, which put Dell in a weaker position with dealers.
- Dell put together a business strategy that included mass customization and just-in-time manufacturing (letting customers design their own computers and custom-building systems).
- Dell also stuck with its direct sales plan and offered sales on the Internet.

Analyzing the Macroenvironment

- *Successful companies recognize and respond profitably to unmet needs and trends. Companies could make a fortune if they could solve any of these problems: a cure for cancer; chemical cures for mental diseases; desalinization of seawater; nonfattening, tasty nutritious food; practical electric cars; and affordable housing.*
- **Needs and Trends**
 - *A **trend** is a direction or sequence of events that has some momentum and durability. Trends are more predictable and durable than fads. A trend reveals the shape of the future and provides many opportunities.*
 - *A **fad** is "unpredictable, short-lived, and without social, economic, and political significance." A company can cash in on a fad, but this is more a matter of luck and good timing than anything else.*
 - ***Megatrends** have been described as "large social, economic, political and technological changes [that] are slow to form, and once in place, they influence us for some time— between seven and ten years, or longer."*

● **Identifying the Major Forces**

- *Companies and their suppliers, marketing intermediaries, customers, competitors, and publics all operate in a macroenvironment of forces and trends that shape opportunities and pose threats. These forces represent "noncontrollables," which the company must monitor and to which it must respond. In the economic arena, companies and consumers are increasingly affected by global forces*
 - *the steep decline of the stock market, its effect on living of people*
- *Within the rapidly changing global picture, the firm must monitor six major forces: demographic, economic, social-cultural, natural, technological, and political-legal.*

The Demographic Environment



- *Worldwide Population Growth*
- *Population Age Mix*
- *Ethnic and Other Markets*
- *Educational Groups*
- *Household Patterns*
- *Geographical Shifts in Population*

Other Major Macroenvironments

- **Social-Cultural Environment**

- *Views of themselves*
- *Views of others*
- *Views of organizations.*
- *Views of society*
- *Views of nature.*
- *Views of the universe.*

- **HIGH PERSISTENCE OF CORE CULTURAL VALUES**

- **EXISTENCE OF SUBCULTURES**

- **SHIFTS OF SECONDARY CULTURAL VALUES THROUGH TIME**

- **Economic Environment**

- *Income Distribution*

- **SAVINGS, DEBT, AND CREDIT AVAILABILITY**

- **OUTSOURCING AND FREE TRADE**

- ***Political-Legal Environment***
 - ***INCREASE IN BUSINESS LEGISLATION***
 - ***GROWTH OF SPECIAL-INTEREST GROUPS***
- ***Technological Environment***
 - ***Accelerating pace of change***
 - ***INCREASED REGULATION OF TECHNOLOGICAL CHANGE***
 - ***VARYING R&D BUDGETS***
 - ***UNLIMITED OPPORTUNITIES FOR INNOVATION***
- ***Natural Environment***
 - ***Shortage Of Materials***
 - ***Increased Energy Costs***
 - ***ANTI-POLLUTION PRESSURES***
 - ***Changing Role of Government***

MARKET SEGMENTATION

Introduction

General approach

Conditions for effective segmenting

Basis of segmentation

Introduction

- Markets consists of buyers & buyers differ in one or more respects.
- Wants
- Purchasing power
- Geographical location
- Buying attitudes

CONDITIONS For Effective Marketing

- Measurable.
- Accessibility.
- Optimum size.
- Differentiable
- Actionable

PATTERNS of Market Segmentation:

- A) *HOMOGENEOUS PREFERENCES* :

- A market where all the consumers have roughly the same preferences.

- Market shows no natural segments

- We would predict that existing brands would be similar & cluster in the centre

Contd...

- B) **DIFFUSED PREFERENCES** :
 - At the other extreme consumer preferences may be scattered throughout the space.
 - that shows consumers vary greatly in their preferences.
- **The first brand to enter the market is likely to position in the centre to appeal to most of the people.**

Contd...

- The second competitor could locate next to the first brand & fight for market share

OR

- It could locate in a corner to attract a customer group that was not satisfied with the centre brand.

Contd...

- C) **CLUSTERED PREFERENCES** :
 - the market might reveal distinct preference clusters called **Natural Market Segments.**

Contd...

- The first firm in this market has three options:
 - a) It might position itself in the centre hoping to appeal to all the groups. (**Undifferentiated marketing**).
 - b) It might position itself in the largest market segment (**Concentrated marketing**).
 - c) It might develop several brands, each positioned in a different segment. (**Differentiated marketing**)

RATIONALE OF MARKET SEGMENTATION

- Facilitates proper choice of target market.
- Facilitates tapping of the target market
- Adapting the offer to the target market.
- Makes the marketing effort more efficient & economic
- Helps identify less satisfied segments & concentrate on them
- Benefits the customers as well.

BASIS OF SEGMENTATION

A. Consumer Characteristic Approach

- **GEOGRAPHIC** :

Region : pacific, mountain.

City or Metro size: under 5000, above 40000.

Density: urban, suburban, rural

climate :Northern , southern

DEMOGRAPHIC:

- Age
- Gender
- Family size
- Family life cycle
- Income
- Occupation
- Education
- Religion
- Race
- Nationality

PSYCHOGRAPHIC

- Social class: upper-upper, lower uppers, upper middles, middle class, working class, upper lowers, lower lowers.
- Life style : freaky, trendy, ethnic
- Personality : Dominance, Authoritarian, ambitious

B. Consumer Response Approach

- . Benefit response – T aspects of efficiency, prestige, durability, economy or resale value.
- . Usage Response- Heavy, Medium, light and non-user.
- . Loyalty response- Most loyal, moderately loyal, and fickle-minded.

Conti...

- Occasion response- regular occasion, special occasion.
- User status - non user, ex user, potential user, first time user, regular user

Target Marketing

- Target market is one which the marketing efforts are directed towards.

The factors that play significant role in the process of targeting are:

1. Segment's attractiveness
2. Keeping competitors at distance
3. The company objectives and resources

Alternative Market Targeting Strategies

- Undifferentiated Marketing: Entire market serve with one product. Example : American car manufacturers
- Differentiated Marketing: Local market with variety of products.
- Concentrated Marketing : focuses on only one or a few segments.

Strategic Planning In Marketing

SBU

- *Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions:*
- *"What do we do?"*
- *"For whom do we do it?"*
- *"How do we excel?"*
- *Corporate and Division Strategic Planning*
 - *Defining the corporate mission*
 - *Establishing strategic business units*
 - *Assigning resources to each SBU*
 - *Assessing growth opportunities*

- **Defining Corporate Mission:** *To define its mission, a company should address Peter Drucker's classic questions:21 What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be? These simple-sounding questions are among the most difficult a company will ever have to answer.*
- *Good mission statements have three major characteristics. First, they focus on a limited number of goals.*
- *Second, mission statements stress the company's major policies and values. They narrow the range of individual discretion so that employees act consistently on important issues.*
- *Third, they define the major competitive spheres within which the company will operate:*

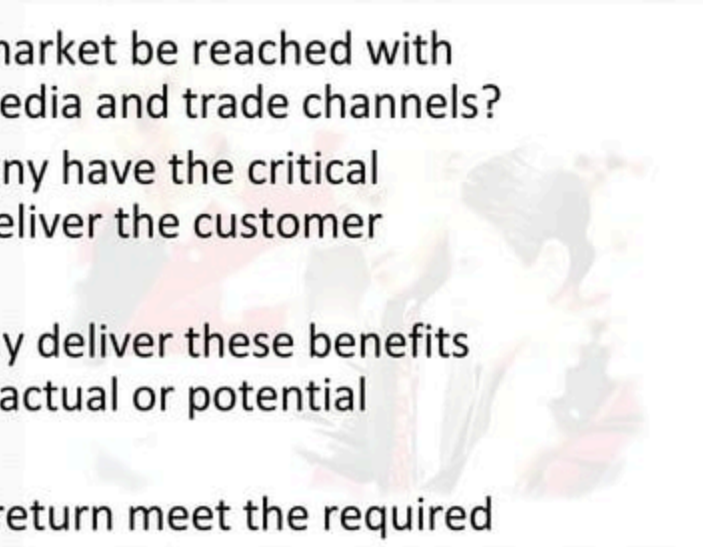
- **Establishing strategic business units:** Companies often define their businesses in terms of products: They are in the "auto business" or the "clothing business." But Levitt argues that market definitions of a business are superior to product definitions.
- Large companies normally manage quite different businesses, each requiring its own strategy. General Electric classified its businesses into 49 strategic business units (SBUs). An SBU has three characteristics:
 - It is a single business or collection of related businesses that can be planned separately from the rest of the company.
 - It has its own set of competitors.
 - It has a manager who is responsible for strategic planning and profit performance and who controls most of the factors affecting profit.

Assigning Resources to each SBU: *Once the organization defines its SBU's then they must decide how to allocate resources to each SBU.*

- *GE/McKinsey classifies each SBU's according to the extend of competitive advantage and attractiveness of the industry*
- *Another model the BCG's Growth Share Matrix uses relative share and annual rate of market growth as a criteria to make investment decisions*

Assessing growth opportunities: *Assessing growth opportunities involves planning new businesses, downsizing, or terminating older businesses. The company's plans for existing businesses allow it to project total sales and profits. If there is a gap between future desired sales and projected sales, corporate management will have to develop or acquire new businesses to fill it.*

Business Unit Strategic Planning

- Marketing Opportunity Analysis (MOA)
 - Can the benefits be articulated to a target market?
 - Can the target market be reached with cost-effective media and trade channels?
 - Does the company have the critical capabilities to deliver the customer benefits?
 - Can the company deliver these benefits better than any actual or potential competitors?
 - Will the rate of return meet the required threshold of investment?
- 

Opportunity and Threat Matrices

(a) Opportunity matrix

		Success Probability	
		High	Low
Attractiveness	High	1	2
	Low	3	4

Opportunities

1. Company develops a more powerful lighting system
2. Company develops a device for measuring the energy efficiency of any lighting system
3. Company develops a device for measuring illumination level
4. Company develops a software program to teach lighting fundamentals to TV studio personnel

(b) Threat matrix

		Probability of Occurrence	
		High	Low
Seriousness	High	1	2
	Low	3	4

Threats

1. Competitor develops a superior lighting system
2. Major prolonged economic depression
3. Higher costs
4. Legislation to reduce number of TV studio licenses

Business Unit Strategic Planning

- Internal Environmental Analysis
(Strength/Weakness Analysis)
- Goal Formation
- Strategic Formulation
 - Strategy



Business Unit Strategic Planning

- Porter's Generic Strategies
 - Overall cost leadership
 - Differentiation
 - Focus



Travelocity's Web site helps the consumer plan the whole vacation – flights, lodging, and car rental.com

The screenshot shows the Travelocity website in a Microsoft Internet Explorer browser window. The address bar displays "http://www.travelocity.com/". The page features a navigation menu with options: Home, Dream, Plan, Go, Flights, Lodging, Cars/Rail, Vacations, Cruises, Deals/Rewards, and My Stuff. A search bar is located at the top right with the text "Search Destination" and a "Search" button.

The main content area is divided into several sections:

- Flights Search:** A form titled "Find me the best round trip" with fields for "From:", "To:", and "Adults: 1". It includes radio buttons for "My dates are flexible" (selected) and "I need to depart:" with date pickers for "and return:". A "Search Now" button is at the bottom.
- Travel Advice:** A section titled "Travel advice personalized for you." featuring a photo of a woman and the text "Let our Trip Expert help you." It includes links for "Express Request", "Someplace Similar", and "Destination Check".
- Fare Watcher:** A section titled "Fare Watcher" with a "Personalize" link. It displays a table of flight prices for various destinations.

At the bottom left, there is a "Featured Destination" section with a link to "Destination Guides".

\$20	Boston	\$142	Boston
	Orlando		Philadelphia
\$17	Los Angeles	\$130	New York
	Las Vegas		San Francisco

Business Unit Strategic Planning

- Operational Effectiveness and Strategy
 - Strategic group
 - Strategic alliances



Business Unit Strategic Planning

- Marketing Alliances
 - Product or service alliances
 - Promotional alliances
 - Logistical alliances
 - Pricing collaborations
- Partner Relationship Management, PRM
- Program Formulation and Implementation



Business Unit Strategic Planning

- Feedback and Control

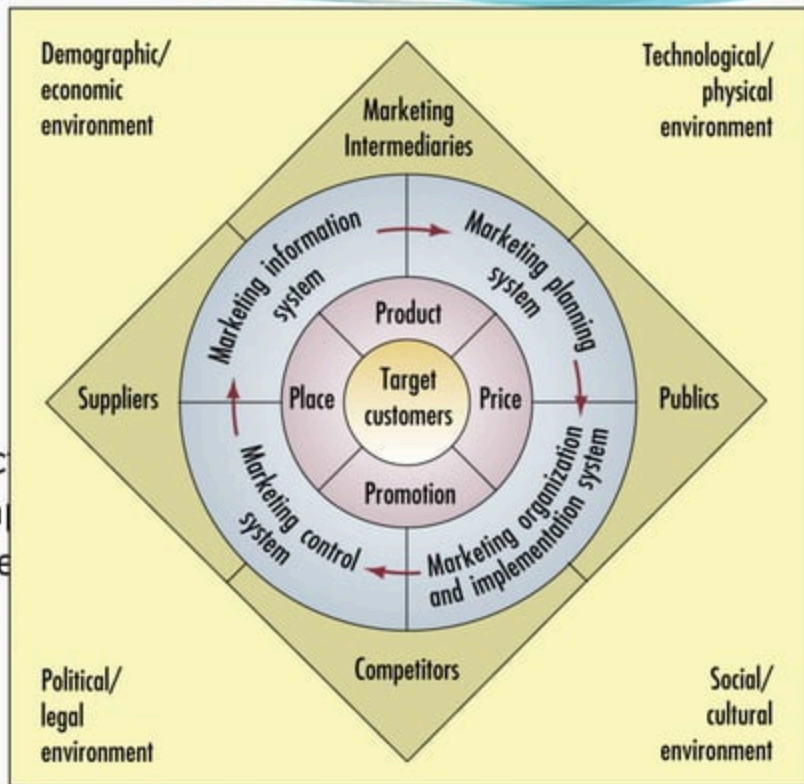


The Marketing Process

- Steps in the Planning Process
 - The marketing process
- Analyzing Market Opportunities
- Developing Marketing Strategies
- Planning Marketing Programs
- Managing the Marketing Effort
 - Annual-plan control
 - Profitability control
 - Strategic control



Figure 4-10: Factors Influencing Company Marketing Strategy



Product Planning: The Nature and Contents of a Marketing Plan

- Contents of the Marketing Plan
 - Executive Summary
 - Current Marketing Situation
 - Opportunity and issue analysis
 - Objectives
 - Marketing strategy
 - Action programs
 - Financial projections
 - Implementation controls



- Sample Marketing Plan: Sonic Personal Digital Assistant
 - Current Marketing Situation
 - Opportunity and Issue Analysis
 - Objectives
 - Action Programs
 - Financial Projections

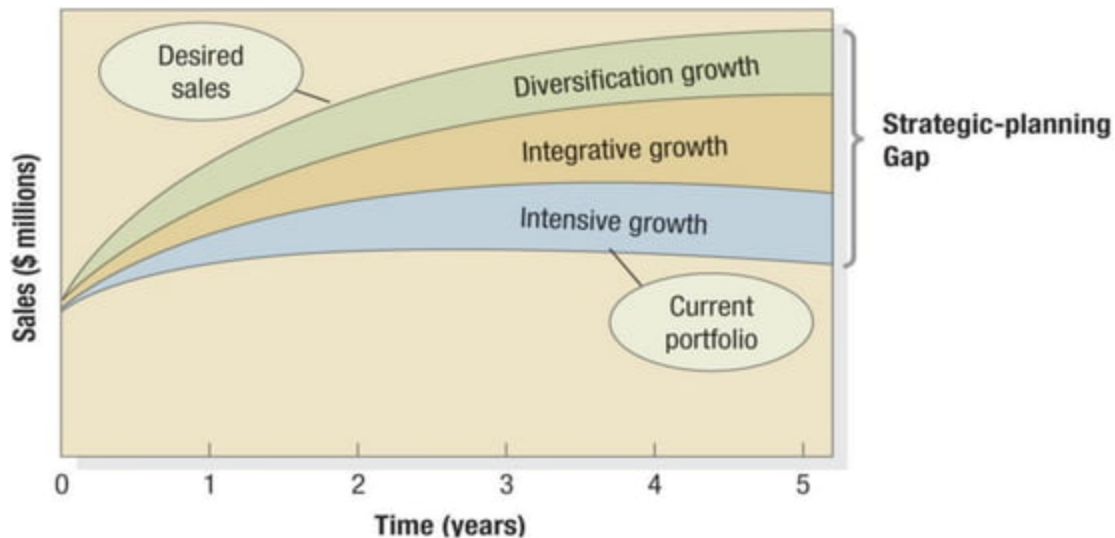


Product Planning: The Nature and Contents of a Marketing Plan

- Implementation Controls
- Marketing Strategy
 - Positioning
 - Product Management
 - Pricing
 - Distribution
 - Marketing Communications
 - Marketing Research



The Strategic Planning Gap



- **INTENSIVE GROWTH** Corporate management's first course of action should be a review of opportunities for improving existing businesses. Ansoff proposed a useful framework for detecting new intensive growth opportunities called a "product-market expansion grid. The company first considers whether it could gain more market share with its current products in their current markets (market-penetration strategy). Next it considers whether it can find or develop new markets for its current products (market-development strategy). Then it considers whether it can develop new products of potential interest to its current markets (product-development strategy). Later it will also review opportunities to develop new products for new markets (diversification strategy.

Ansoff's matrix

Market penetration:

Selling more of the same to the same types of people

Market development:

Selling the existing products to new types of consumer



Product development:

Selling new products to existing customers

Diversification:

Selling new products to new consumers

- **INTEGRATIVE GROWTH** backward, forward, or horizontal integration within its industry. For example, drug company giant Merck has gone beyond just developing and selling ethical pharmaceuticals. It purchased Medco, a mail-order pharmaceutical distributor in 1993, formed a joint venture with DuPont to establish more basic research, and another joint venture with Johnson & Johnson to bring some of its ethical products into the over-the-counter market.
- Media companies have long reaped the benefits of integrative growth. Here is how one business writer explains the potential that NBC could reap from its merger with Vivendi Universal Entertainment to become NBC Universal. Admittedly a far-fetched example, it gets across the possibilities inherent in this growth strategy

- **DIVERSIFICATION GROWTH:** *Diversification growth makes sense when good opportunities can be found outside the present businesses. A good opportunity is one in which the industry is highly attractive and the company has the right mix of business strengths to be successful. For example, from its origins as an animated film producer, Walt Disney Company has moved into licensing characters for merchandised goods, entering the broadcast industry with its own Disney Channel as well as ABC and ESPN acquisitions, and developed theme parks and vacation and resort properties*

● **DOWNSIZING AND DIVESTING OLDER BUSINESSES**

Companies must not only develop new businesses; they must also carefully prune, harvest, or divest tired old businesses in order to release needed resources and reduce costs. Weak businesses require a disproportionate amount of managerial attention. Managers should focus on growth opportunities, and not fritter away energy and resources trying to salvage hemorrhaging businesses. Heinz sold its 9-Lives and Kibbles 'n Bits pet food, StarKist tuna, College Inn broth, and All-in-One baby formulas to Del Monte in 2002 after years of stagnant sales, to allow it to focus on its core brands in ketchup, sauces, and frozen foods

Market Targeting



- Once the firm has identified its market-segment opportunities, it has to decide how many and which ones to target. Marketers are increasingly combining several variables in an effort to identify smaller, better-defined target groups. Thus, a bank may not only identify a group of wealthy retired adults, but within that group distinguish several segments depending on current income, assets, savings, and risk preferences. This has led some market researchers to advocate a *needs-based market segmentation approach*.

● **Effective Segmentation Criteria**

- *Not all segmentation schemes are useful. For example, table salt buyers could be divided into blond and brunette customers, but hair color is undoubtedly irrelevant to the purchase of salt.*
- *To be useful, market segments must rate favorably on five key criteria:*
 - *Measurable. The size, purchasing power, and characteristics of the segments can be measured.*
 - *Substantial. The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are under four feet tall.*
 - *Accessible. The segments can be effectively reached and served.*
 - *Differentiable. The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.*
 - *Actionable. Effective programs can be formulated for attracting and serving the segments*

- *Evaluating and Selecting the Market Segments*
 - *In evaluating different market segments, the firm must look at two factors: the segment's overall attractiveness and the company's objectives and resources.*
- *After evaluating different segments, the company can consider five patterns of target market selection:*
 - *Single-Segment Concentration*
 - *Selective Specialization*
 - *Product Specialization*
 - *MARKET SPECIALIZATION*
 - *Full market Coverage*
 - *MANAGING MULTIPLE SEGMENTS*
 - *Differentiated marketing Cost*

Single-segment concentration

M1 M2 M3

P1	Yellow	Yellow	Yellow
P2	Magenta	Yellow	Yellow
P3	Yellow	Yellow	Yellow

Selective specialization

M1 M2 M3

P1	Teal	Teal	Purple
P2	Purple	Teal	Teal
P3	Teal	Purple	Teal

Product specialization

M1 M2 M3

P1	Light Green	Light Green	Light Green
P2	Dark Green	Dark Green	Dark Green
P3	Light Green	Light Green	Light Green

Market specialization

M1 M2 M3

P1	Orange	Yellow	Yellow
P2	Orange	Yellow	Yellow
P3	Orange	Yellow	Yellow

Full market coverage

M1 M2 M3

P1	Cyan	Cyan	Cyan
P2	Cyan	Cyan	Cyan
P3	Cyan	Cyan	Cyan

P = Product
M = Market

Segment by Segment Invasion Plan

- *A company would be wise to enter one segment at a time. Competitors must not know to what segment (s) the firm will move next. Segment-by-segment invasion plans. Three firms, A, B, and C, have specialized in adapting computer systems to the needs of airlines, railroads, and trucking companies. Company A meets all the computer needs of airlines. Company B sells large computer systems to all three transportation sectors. Company C sells personal computers to trucking companies*

Customer Groups

Airlines

Railroads

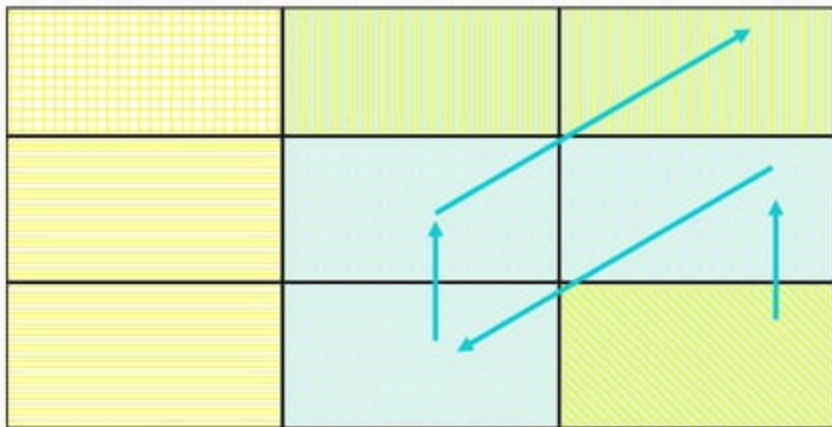
Truckers

Product Varieties

Large computers

Mid-size computers

Personal computers



Company A

Company B

Company C

- *Where should company C move next? Arrows have been added to the chart to show the planned sequence of segment invasions. Company C will next offer midsize computers to trucking companies. Then, to allay company B's concern about losing some large computer business with trucking companies, C's next move will be to sell personal computers to railroads. Later, C will offer midsize computers to railroads. Finally, it may launch a full-scale attack on company B's large computer position in trucking companies. Of course, C's hidden planned moves are provisional in that much depends on competitors' segment moves and responses.*
 - *Unfortunately,, too many companies fail to develop a long-term, invasion, plan. PepsiCo is an exception. It first attacked Coca-Cola in the grocery market, then in the vending-machine market, then in the fast-food market, and so on.*
- *A company's invasion plans can be thwarted when it confronts blocked markets. The problem of entering blocked markets calls for a megamarketing approach. Megamarketing is the strategic coordination of economic, psychological, political, and public relations skills, to gain the cooperation of a number of parties in order to enter or operate in a given market. Pepsi used megamarketing to enter the Indian market.*

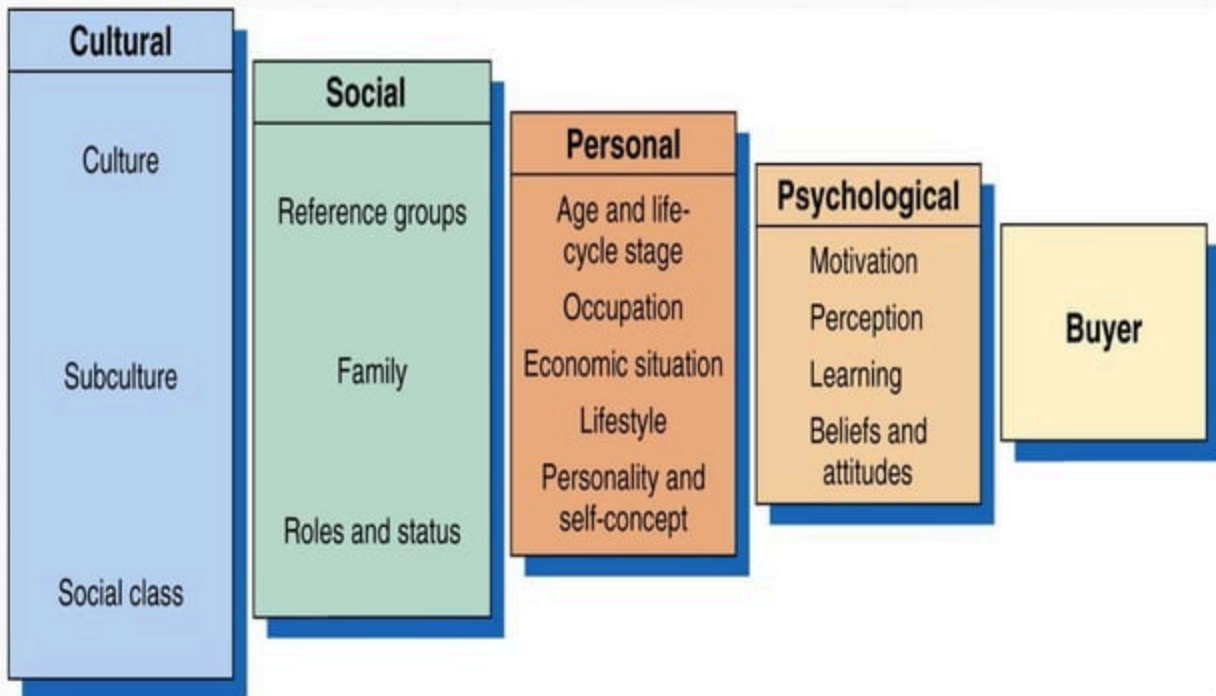


Consumer Behavior

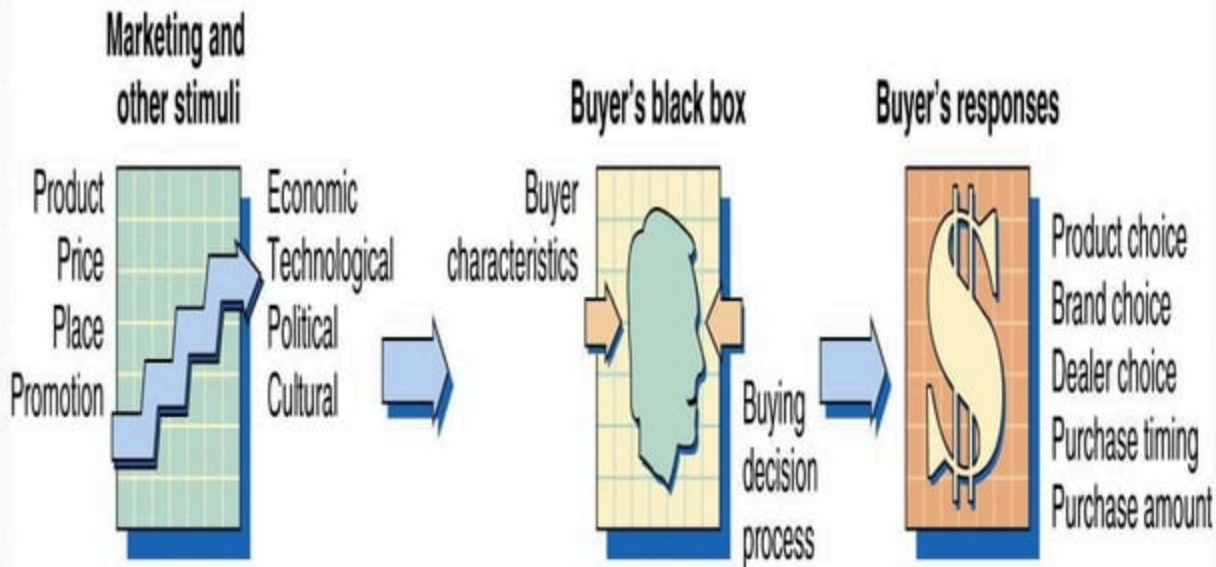


- *Consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants.*
- *Studying consumers provides clues for improving or introducing products or services, setting prices, devising channels, crafting messages, and developing other marketing activities.*

Factors Influencing Consumer Buying Behavior

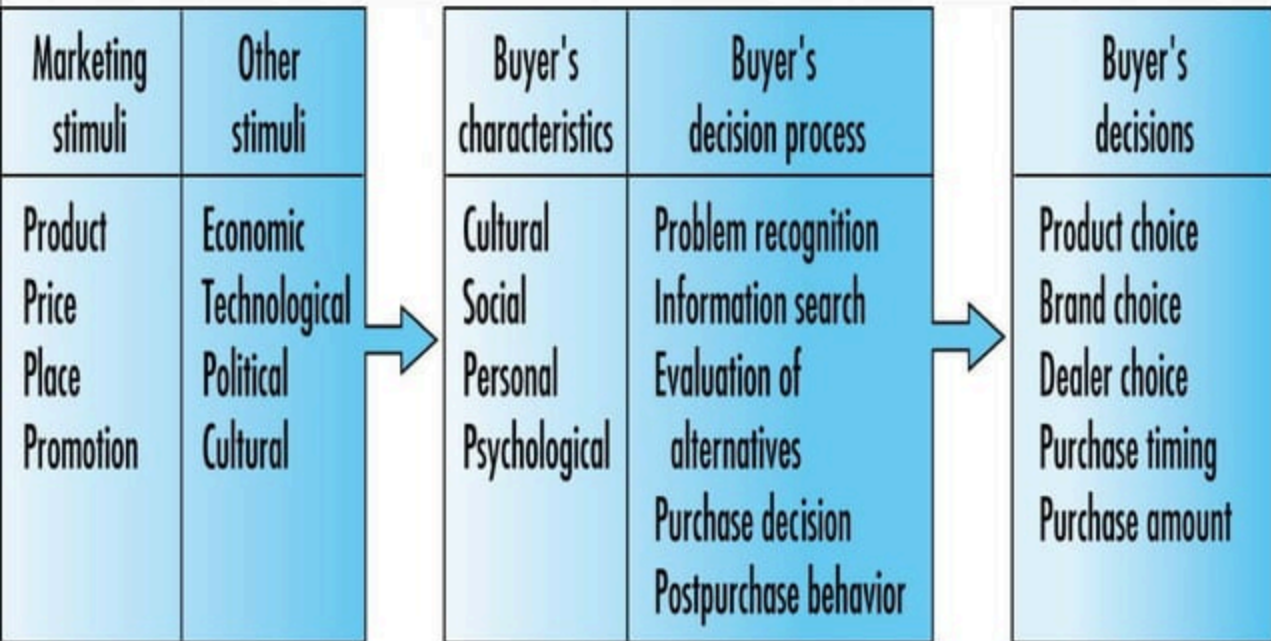


Model of Buyer Behaviour



How And Why Consumers Buy

Model of Customer Buyer Behavior



Factors Affecting Consumer Behavior: Culture

Culture is the Most Basic Cause of a Person's Wants and Behavior.

The fundamental determinant of a person's wants and behaviors acquired through socialization processes with family and other key institutions.

Subculture

- Groups of people with shared value systems based on common life experiences.
- Hispanic Consumers
- African American Consumers
- Asian American Consumers
- Mature Consumers

Factors Affecting Consumer Behavior: Culture

Social Class

- Society's relatively permanent & ordered divisions whose members share similar values, interests, and behavior.
- Measured by a Combination of: Occupation, Income, Education, Wealth and Other Variables.

Subcultures

- Nationalities: Indian
- Religions: Hindu, Sikh, Muslim,
- Geographic regions: East, West, North,
South
- Special interests: Business, Service, Army

Factors Affecting Consumer Behaviour: Social

Groups
Membership, Reference,
or Aspirational

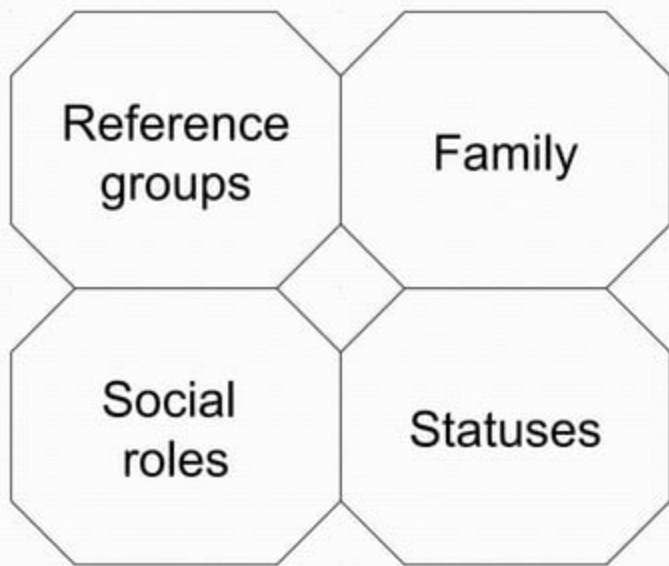
Family Most
Important Consumer Buying Organization

Roles and Status

Characteristics of Social Classes

- Within a class, people tend to behave alike.
- Social class conveys perceptions of inferior or superior position.
- Class may be indicated by a cluster of variables (occupation, income, wealth).
- Class designation is mobile over time.
- Upper uppers, Lower uppers, Upper middles, Middle class, Upper lowers, Lower lowers, Working class

Social Factors



Family

- Family of Orientation
 - Religion
 - Politics
 - Economics
- Family of Procreation
 - Everyday buying behavior

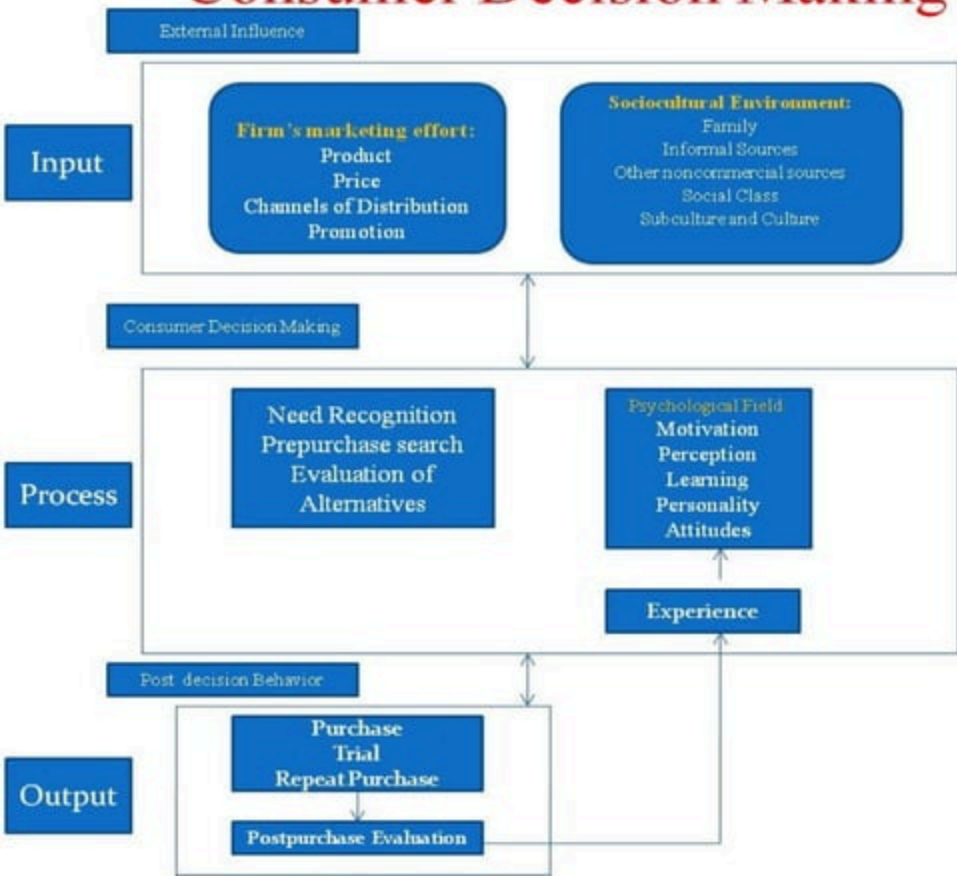
Reference Groups

- Membership: groups having direct influence on person
- Primary: with whom interaction is fairly continuously & informally e.g. family, friend
- Secondary: with whom interaction is formal & requires less continuous interaction
- Aspirational: the group which person hopes to join
- Dissociative: the group which person rejects



- ***Consumer Buying Process***

Consumer Decision Making Model



● *Problem Recognition (awareness of need)--*

- *The buying process starts when the buyer recognizes a problem or need. The need can be triggered by internal or external stimuli. With an internal stimulus, one of the person's normal needs—hunger, thirst, sex—rises to a threshold level and becomes a drive; or a need can be aroused by an external stimulus difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat.*


Can be stimulated by the marketer through product information--did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.

● *Information search--*

- *An aroused consumer will be inclined to search for more information. We can distinguish between two levels of arousal. The milder search state is called heightened attention. At this level a person simply becomes more receptive to information about a product*
- *Internal search, memory.*
- *External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.*
- *A successful information search leaves a buyer with possible alternatives, the evoked set.*
 - *Hungry, want to go out and eat, evoked set is*
 - *chinese food*
 - *indian food*
 - *KFC, Pizza Hut etc*

● Evaluation of Alternatives—

- *How does the consumer process competitive brand information and make a final value judgment? No single process is used by all consumers or by one consumer in all buying situations. There are several processes, the most current models of which see the process as cognitively oriented. That is, they see the consumer as forming judgments largely on a conscious and rational basis.*
- *Need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest rank etc.*
- *If not satisfied with your choice then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.*

- 
- *Purchase decision*--Choose buying alternative, includes product, package, store, method of purchase etc.

- *Post-Purchase Evaluation—*

- *After the purchase, the consumer might experience dissonance that stems from noticing certain disquieting features or hearing favorable things about other brands, and will be alert to information that supports his or her decision. Marketing communications should supply beliefs and evaluations that reinforce the consumer's choice and help him or her feel good about the brand.*

- *Outcome: Satisfaction or Dissatisfaction.*

- **Cognitive Dissonance**, *have you made the right decision. This can be reduced by warranties, after sales communication etc.*
After eating an indian meal, may think that really you wanted a chinese meal instead.

Product Mix



- *The product mix is the set of all products offered for sale by a company.*
- *Bajaj Electricals a household name in India, has almost ninety products in its portfolio ranging from low value items like bulbs to high priced consumer durables like mixers and luminaries and lighting projects .The number of products carried by a firm at a given point of time is called its product mix.*

Constituents of A Product Mix

- **Product Line:** A set of related products sold by a single company.
- **Depth :** measures the number of products that are offered within each product line. Satisfies several consumer segments for the same product, maximizes shelf space, discourages competitors, covers a range of prices and sustains dealer support. High cost in inventory etc.
- **Width :** measures the number of product lines a company offers. Enables a firm to diversify products, appeals to different consumer needs and encourages one stop shopping.
- **Length :** It refers to the total number of Items Produced by a company in all the product lines.

Product Line Decision

- **Factors on which the decision to change a product depends are:**
 - *Changes in Market Demands: Population growth, Increase in purchasing power.*
 - *Competition: Firm may need to counter Competition by adding a new product*
 - *Marketing Influences: Product may be added to Increase sales (New Market or expanding present ones) second, to better use of resources i.e. salesmen, warehouse or branch office.*
 - *Product influence: Increase Capacity will lead to reduction in NET PRODUCTION COST.*
 - *Financial Influences: May Add or Drop a product because of Financial Condition of a company.*

Product Line Strategies

- **Expansion Of Product Mix:** Increasing the number of lines or adding depth to a existing line can help expansion of product mix.
- **Contracting or Dropping a product:** Dropping a product is difficult, even if pruning of the product the product fails the a company may drop a product.
- **Alteration of Existing products:** Alteration in design, shape, color, flavor, texture or packaging may infuse a life in the product. e.g. SX4 Diesel.
- **Development of New Uses of Existing Products:** e.g. AMWAY products used for different purposes.

Product Positioning

- *Components Of Product Positioning*
 - *Perceptual Mapping*
 - *Product Benefits*
 - *Segmentation*
 - *Product Categories*

Perceptual Mapping (Product Positioning)



- This is Marketing research technique in which consumer's views about a product are traced or plotted (mapped) on a chart. Respondents are asked questions about their experience with the product in terms of its performance, packaging, price, size, etc. These qualitative answers are transferred to a chart (called a perceptual map) using a suitable scale (such as the Likert scale), and the results are employed in improving the product or in developing a new one

Product Benefit (Product Positioning)

- *Benefits of a product facilitate consumers in decision making and reduce the uncertainty in their minds. They encapsulate its identity, origin, specificity and guarantee.*
- *Product Benefit can be converted to brand benefits to gain the following strategic relevance in marketing:*
 - *Brand aims to segment the market*
 - *Brand helps in brand building*
 - *Brand helps in innovations*
 - *Brand is a living memory*

Segmentation (Product Positioning)

- *An Understanding of market dimensions to the marketing manager is an important factor in product management. In market segmentation, consumers are grouped in terms of the market dimensions and then the firm attempts to match the needs of different consumer group through compatible market inputs encompassing **PRODUCT PRICE PLACE AND PROMOTION***

Product Categories (Product Positioning)

- *The nature of a product is found to have considerable impact on the method of product positioning.*
 - *Consumer Goods: Products that are purchased for consumption by the average consumer. Alternatively called final goods, consumer goods are the end result of production and manufacturing and are what a consumer will see on the store shelf. Clothing, food, automobiles and jewelry are all examples of consumer goods. Basic materials such as copper are not considered consumer goods because they must be transformed into usable products.*
 - *Industrial goods: products or services purchased for use in the production of other goods or services, in the operation of a business, or for resale to other consumers. Industrial products include heavy machinery, raw materials, typewriters, tools, and cash registers*

Product Market Mix Strategy

- Ansoff drew up a growth vector matrix, describing a combination of a firm's activities in current and new market, with existing and new products. The product-market mix strategy is illustrated in diagram below:

Ansoff's matrix

Market penetration:
Selling more of the same to the same types of people

Market development:
Selling the existing products to new types of consumer

		PRODUCTS	
		Existing	New
MARKETS	Existing	Market penetration	Product development
	New	Market development	Diversification

Product development:
Selling new products to existing customers

Diversification:
Selling new products to new consumers

- **Current products and current market: market penetration**

- *Market penetration: the firm seeks to:*

- *Maintain or increase its share of the current market with current products.*
- *Secure dominance of growth markets.*
- *Restructure a mature market by driving out competitors.*
- *Increase usage by existing customer.*

- **Present products and new markets: market development**

New geographical areas and export markets

Different package sizes for food and other domestic items so that those who buy in bulk and small quantities are catered for.

New distribution channels to attract new customers (e.g. organic foods sold in supermarkets not just specialist shops)

Differential pricing policies to attract different types of customer and create new market segments.

- ***New products to present markets: product development***

- *Advantage – Product development forces competition to innovate, new comers to the market might be discouraged.*

The drawbacks include the expense and the risk.

- ***New products and new markets: diversification***

occurs when a company decides to make new products for new markets. It has to have a clear idea of what it hopes to gain from diversification. There are two types of diversification, related and unrelated diversification.

Growth - *new products and new markets should be selected which offer prospects for growth, which the existing product market mix does not.*

Investing surplus – *funds not required for other expansion needs: but the funds could be returned to shareholders.*

The firms strengths matches the opportunity if – *outstanding new products have been developed by the company's research and development department. The profit opportunities from diversification are high.*

- **Related diversification**

Horizontal integration refers to 'development into activities which are competitive with or directly complementary to a company's present activities.' Sony with its play station started to compete in computer games.

- **Vertical integration occurs when a company becomes its own;**

- a. supplier of raw materials, components or services (backward vertical integration)*

- b. Distributor or sales agent (forward vertical integration), for example: where a manufacturer of synthetic yarn begins to produce shirts from the yarn instead of selling it to other shirt manufacturers.*

- **Advantage of vertical integration**

- *a. To secure supply of components or raw materials with more control. Supplier bargaining power is reduced.*
- *b. Strengthen the relationships and contacts of the manufacturer with the final consumer of the product.*
- *c. Win a share of the higher profits.*
- *d. Pursue a differentiation strategy more effectively.*
- *e. Raise barriers to entry.*

- **Disadvantages of vertical integration**

- *a. Over-concentration - A company places too many bets on 'a same end-market product'*
- *b. The firm fails to benefit from any economies of scale or technical advances in the industry to which it has diversified. This is why in the publishing industry most printing is subcontracted to the specialist printing firms, who can work machinery to capacity by doing work for many firms.*

- **Unrelated diversification - conglomerate diversification**

- *Unrelated diversification or conglomerate diversification is very unfashionable now – but it has been a key strategy for many companies in Asia.*

- ***Advantages of conglomerate diversification***

- *a. Risk spreading – entering new products into new markets offers protection against failure of current products and markets.*
- *b. High profit opportunities – Ability to move into high growth profitable industries especially important if current industry is in decline.*
- *c. Escape – from the present business if competition is too hot!*
- *d. Better access to capital markets.*
- *e. No other way to grow – expansion in the existing industry might lead to monopoly and government investigation*
- *f. Use surplus cash*
- *g. Exploit under-utilized resources*
- *h. Obtain cash or other financial advantages*
- *i. Use a company's image reputation in one market to build products and services in another market.*

● ***Disadvantages of conglomerate diversification***

- ***a. The dilution of shareholders earnings if diversification is into growth industries with high P/E ratios.***
- ***b. Lack of a common identity and purpose in a conglomerate organization. A conglomerate will be successful only if it has high quality of management and financial ability at head office where diverse operations are brought together.***
- ***c. Failure in one business will drag down the rest.***
- ***d. Lack of management experience***
- ***e. No good for shareholders – shareholders can spread risk by buying shares in companies in different industries.***

MARKETING MIX



- *Product*
- *Price*
- *Place*
- *Promotion*

Marketing Mix Determination

PRODUCT

- *WHAT SIZE SHAPE AND THE FEATURE'S SHOULD THE PRODUCT HAVE.*
- *HOW SHOULD IT BE PACKAGED*
- *WHAT ASPECT OF SERVICE IS MOST IMPORTANT TO CONSUMERS*
- *HOW IT IS TO BE DESIGNED*



Marketing Mix Determination

PRICE

- *PRICE SENSITIVITY OF CONSUMERS*
- *PRICE AWARENESS*
- *NEW PRODUCT LAUNCH*
- *LIST PRICE*
- *DISCOUNTS, ALLOWANCES AND PAYMENT METHODS*



Marketing Mix Determination

PLACE

- *DISTRIBUTION*
- *PROCESS RELATED ISSUES*
- *CONSUMER'S LOYALTY.*
- *WHAT TYPE OF RETAIL OUTLET SHOULD SELL.*
- *LOCATION AND IN WHAT NUMBERS*



Marketing Mix Determination

PROMOTION

- *ADVERTISING*
- *PERSONAL SELLING*
- *PUBLICITY*
- *DIRECT MARKETING*



Marketing Mix Determination

PROMOTION

- *IDENTIFY TARGET MARKET*
- *REGION SPECIFIC*
- *CONSUMER ATTENTION*
- *COLOUR AND CONTRAST*
- *SIZE*
- *MEDIUM*
- *EXPENDITURE*





Packaging ,Labeling,
Warranties &
Guarantees

Packaging is defined as all the activities of designing and producing the container for a product

- *Primary Package*
- *Secondary Package*
- *Shipping Package*

- ***Factors Contributing to growing use of packaging:***
- *SELF SERVICE*
- *CONSUMER AFFLUENCE*
- *COMPANY & BRAND IMAGE*
- *INNOVATION OPPURTUNITY*

labeling



- *Label identifies the product or brand*
- *Grade the Product*
- *Promote- Through attractive graphics*
- *Describe the product*

Warranties and Guarantees



- **Warranties** are formal statements of expected product performance by the manufacturer
- **Extended warranties**
- **Guarantee:** A promise or an assurance, especially one given in writing, that attests to the quality or durability of a product or service
- A pledge that something will be performed in a specified manner

The meaning of a product

- A product is a set of tangible and intangible attributes, which may include packaging, color, price, quality and brand, plus the seller's reputation and services.
- Consumers are buying want-satisfaction in the form of the benefits they expect to receive from the product.

- Anything that can be offered to a market for attention, acquisition, use or consumption and which creates utility
- Physical objects, services, events, persons, places, organizations, ideas or mixes of all these entities
- Ex. A car, a DVD player, a vacation, Coffee, investment services etc.

Attributes comprising a product



LEVELS OF PRODUCT

- Core benefit:

What consumer really wants to buy
expectations of the customer

- Actual benefit:

the core benefit turned into product.

features, design, packaging, quality level, brand name...(all are carefully combined to deliver the core benefit)

Augmented product:

Delivery and credit, Installation, Warranty, After-sale service offering additional consumer services and benefits.

consumers see product as complex bundles of benefits that satisfy their needs. When developing products, marketers first must identify the core consumer needs the product will satisfy. They must then design the actual product and find ways to augment it in order to create the bundle of benefits that will provide the most satisfying customer experience...

CLASSIFICATION OF PRODUCT

- Consumer Products

- Convenience goods
- Shopping goods
- Specialty goods
- Unsought goods

- Industrial Products

- Raw Materials
- Fabricating materials and parts
- Installations
- Accessory equipment
- Operating supplies

- Consumer products:

Bought by the final consumer for personal consumption.

- Industrial product:

Bought by the individuals or organizations for the further processing or for use in conducting a business.

...a desk purchased by a person for personal use is a consumer product, the same bought by an entrepreneur for his industry is an industrial product,

....

Consumer products

Convenience products

Frequently purchased products. Low customer involvement. Low price more outlets. Mass promotion from producer

Ex. detergent, toothpaste, magazines etc.

b) Shopping products

Less frequently purchased . Much planning and shopping effort, comparison of brands on price quality and style. Higher price fewer outlets. Advertising and personnel selling by both producer and reseller.

Ex. Television, fridge etc.

c) Specialty products

Strong brand preference and loyalty , special purchase effort, little comparison. Low price sensitive. High price, one or a few outlets in a locality only. Carefully targeted promotion by both producer and reseller.

ex. Luxury goods like Rolex watches, BMW cars etc

d) Unsought products

Little product awareness, (if aware, negative interest or little) Price and distribution varies. Aggressive advertising and personal selling by producer and reseller.

ex. Life insurance etc.

Industrial Products

Materials and parts:

Raw materials (farm and natural): wheat, cotton,, fish petroleum etc.

Manufactured parts & materials: iron, yarn, wires, cement, tires, castings etc.

b) Capital items:

Industrial items that aid in buyers productions or operations. Major purchases such as buildings & fixed equipment (generators, super computers). Accessories like hand tools, fax machines, desks, computers etc.

a) Supplies and services:

Operating supplies: lubricants, coal, paper, pencil

Repair and maintenance items: paint, nail, brooms.

Supplies are the convenience products of industrial field.

b) Services:

Maintenance and repair services: window cleaning, computer repair etc

Advisory services: Legal, Management consulting,, advertising.

Services are supplied under contract

New Product Development Process



❖ Role

- ❖ Product Mix Matches the changing environmental conditions.***
- ❖ Compare New and Developing Segments of the Market***
- ❖ Filling excess capacity***
- ❖ Achieving Long term growth and profit.***

New Product Development Process



- ❖ ***Idea Generation***
 - ❖ ***Sales Personnel***
 - ❖ ***Marketing Personnel***
 - ❖ ***R & D Team***
 - ❖ ***Top Management executives***
 - ❖ ***Production department***
 - ❖ ***Employee Suggestions***

Idea Screening



❖ *The object is to eliminate unsound concepts prior to devoting resources to them.*

❖ *The screeners should ask several questions:*

❖ *Will the customer in the target market benefit from the product?*

❖ *What is the size and growth forecasts of the market segment/target market?*

❖ *What are the industry sales and market trends (idea is based on)?*

❖ *Is it technically feasible to manufacture the product?*

❖ *Will the product be profitable when manufactured and delivered to the customer at the target price?*

Concept Development and Testing

- ❖ *Develop the marketing and engineering details*
- ❖ *Investigate intellectual property issues and search patent data bases*
- ❖ *Who is the target market and who is the decision maker in the purchasing process?*
- ❖ *What product features must the product incorporate?*
- ❖ *What benefits will the product provide?*
- ❖ *How will consumers react to the product?*
- ❖ *How will the product be produced most cost effectively?*
- ❖ *Prove feasibility through virtual computer aided rendering, and rapid prototyping*
- ❖ *What will it cost to produce it?*
- ❖ *Testing the Concept by asking a sample of prospective customers what they think of the idea.*

Business Analysis



- ❖ *Estimate likely selling price based upon competition and customer feedback*
- ❖ *Estimate sales volume based upon size of market and such tools as the Four-Woodlock equation*
- ❖ *Estimate profitability and break-even point*

Beta Testing and Market Testing



- *Produce a physical prototype or mock-up*
- *Test the product (and its packaging) in typical usage situations*
- *Conduct focus group customer interviews or introduce at trade show*
- *Make adjustments where necessary*
- *Produce an initial run of the product and sell it in a test market area to determine customer acceptance*

Technical Implementation



- ❖ New program initiation*
- ❖ Finalize Quality management system*
- ❖ Resource estimation*
- ❖ Requirement publication*
- ❖ Publish technical communications such as data sheets*
- ❖ Engineering operations planning*
- ❖ Department scheduling*
- ❖ Supplier collaboration*
- ❖ Logistics plan*
- ❖ Resource plan publication*
- ❖ Program review and monitoring*
- ❖ Contingencies - what-if planning*

Commercialization



- ❖ *Launch the product*
- ❖ *Produce and place advertisements and other promotions*
- ❖ *Fill the distribution pipeline with product*
- ❖ *Critical path analysis is most useful at this stage*

Reasons For Adding A New Product



- ***Excess Capacity As a reason***
- ***Profit as a criterion of Optimum Product-Line***
- ***Diversification as response to change***
- ***Company's Strong point***
- ***Forward-Backward integration***

Adoption Process



Source: Everett Rogers, Diffusion of Innovations, 1962

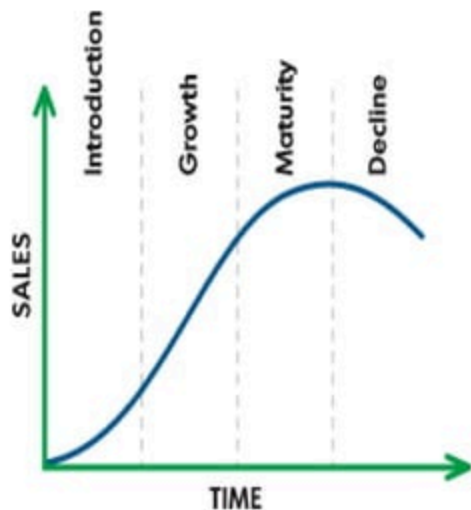
❖ Five Stages

- ❖ **Awareness** -The consumer becomes aware of the innovation but lacks information about it.
- ❖ **Interest**-The consumer is stimulated to seek information about the innovation.
- ❖ **Evaluation** -The consumer considers whether to try the innovation.
- ❖ **Trial**-The consumer tries the innovation to improve his or her estimate of its value.
- ❖ **Adoption** -The consumer decides to make full and regular use of the innovation.

Product Life Cycle

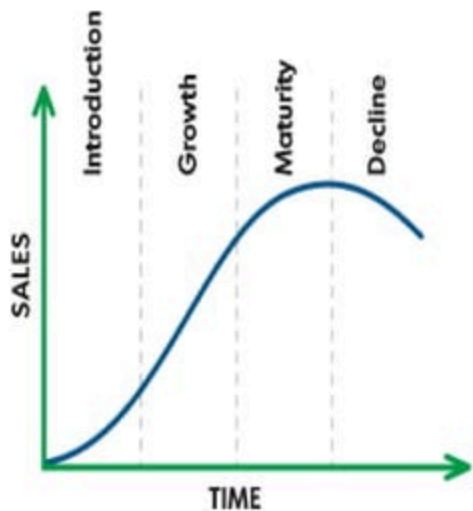
- ***Product life cycle management (or PLCM) is the succession of strategies used by business management as a product goes through its life cycle. The conditions in which a product is sold (advertising, saturation) changes over time and must be managed as it moves through its succession of stages.***

Product Life Cycle Curve



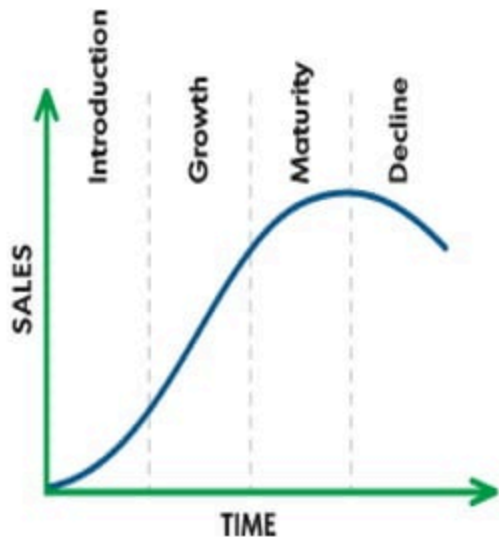
- *Market introduction stage costs are very high*
- *slow sales volumes to start*
- *little or no competition*
- *demand has to be created*
- *customers have to be prompted to try the product*
- *makes no money at this stage*

Product Life Cycle Curve



- *Growth stage costs reduced due to economies of scale*
- *sales volume increases significantly*
- *profitability begins to rise*
- *public awareness increases*
- *competition begins to increase with a few new players in establishing market*
- *increased competition leads to price decreases*

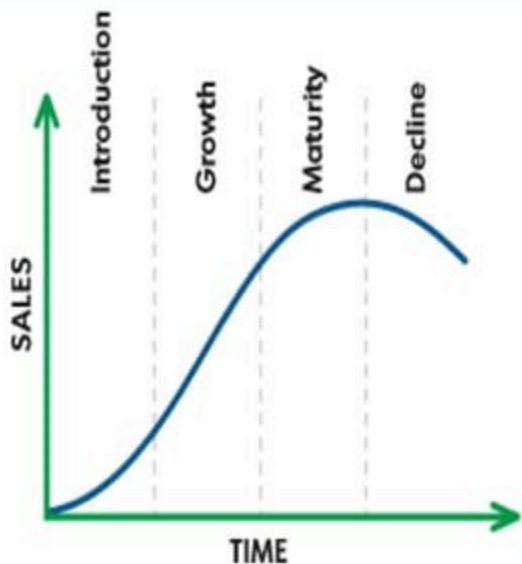
Product Life Cycle Curve



***Maturity stage** costs are lowered as a result of production volumes increasing and experience curve effects*

- sales volume peaks and market saturation is reached*
 - increase in competitors entering the market*
 - prices tend to drop due to the proliferation of competing products*
 - brand differentiation and feature diversification is emphasized to maintain or increase market share*
- Industrial profits go down*

Product Life Cycle Curve



Saturation and decline stage costs become counter-optimal

- ❖ *sales volume decline or stabilize*
- ❖ *prices, profitability diminish*
- ❖ *profit becomes more a challenge of*

Branding

What is a Brand



- *"A name, term, sign, symbol, or design or a combination of these, intended to identify the goods & services of one seller or group of sellers & to differentiate them from those of the competitors."*
- *Gives a visual identification in the minds of customers.*








A brand can deliver up to four levels of meaning:



- **Attributes.** A brand first brings to mind certain product attributes. e.g. Mercedes
- **Benefits.** Customers do not buy attributes, they buy benefits.
- **Values.** A brand also says something about the buyers' values. Thus Mercedes buyers value high performance, safety and prestige.
- **Personality.** A brand also projects a personality. Motivation researchers sometimes ask, 'If this brand were a person, what kind of person would it be?'

Brand Equity

TOP 100 Most Valuable Global Brands 2010

#	Brand	Brand Value 2010 (\$M)	% Brand Value Change 2010 vs. 2009
1		114,260	14%
2		86,383	30%
3		83,153	32%
4	Microsoft	76,344	0%
5		67,983	1%
6		66,005	-1%
7		57,047	15%
8		52,616	-14%
9		45,054	-25%
10		44,404	-17%

- *Brands vary in the amount of power and value they have in the marketplace*
- *Some brands command a high degree of brand loyalty.*
- *The world's top brands include such superpowers as McDonald's, Coca-Cola, Disney, Kodak, Sony and Mercedes-Benz*
- *Brand equity refers to the marketing effects and outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name*
- *This suggests that marketing strategy should focus on extending loyal customer lifetime value, with brand management serving as an essential marketing tool.*

Brand Element Choice Criteria

- **Memorability:** SO WHAT MAKES THIS DIFFERENT?

- **Meaningfulness**



- **Likability:** The Kuoni logo, featuring the word "KUONI" in a bold, uppercase, sans-serif font with a thick black outline.

- **Transferability:** Amazon, Exxon

- **Adaptability:** logos and characters can be given a new look or a new design to make them appear more modern and relevant

Branding Decision

Four general strategies are often used

- **Individual Names** : Procter & Gamble (INDIA) has several individual brands in different product categories, Vicks, Ariel and tide, Head & Shoulders and Pampers. Kingfisher Airlines, after acquiring Air Deccan, a low – cost airline, modified the brand name to Simplify Deccan, and retained it as a separate brand, partly to protect the equity of kingfisher.
- **Blanket Family names** : This policy is followed by Tata. The blanket family salt, tea, coffee, automobiles, and steel. Development cost are lower with blanket names because there's no need to run "name" research or spend heavily on advertising to create recognition. Sales of the new product are likely to be strong if the manufacturer's name is good. Corporate – Image.

Branding Decision

Four general strategies are often used

Separate family names for the product : The Aditya Birla Group in India follows this policy to a great extent. It uses separate family names for its various products. Hindalco for aluminum. Ultra Tech for cement, Grasim for suitings.

Corporate names combined with individual product names: Kellogg combines corporate and individual names in Kellogg's Rice Krispies, Kellogg's Raisin Bran, and Kellogg's Corn Flakes, as do Honda, Sony and Hewlett – Packard for their products. The company name legitimizes, and the individual name individualizes, the new product.

Promotion Mix

- The specific mix of advertising, personal selling, sales promotion and public relations that a company uses to pursue its advertising and marketing objectives



Promotion Mix

- **Advertising:** Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor
- **Personal selling.** Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales and building customer relationships.
- **Sales promotion.** Short-term incentives to encourage the purchase or sale of a product or service.
- **Public relations.** Building good relations by doing favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories and events.

Advantages and Disadvantages of Each Element of the Promotional Mix

Mix Element	Advantages	Disadvantages
Advertising	<ul style="list-style-type: none">• Good for building awareness• Wide reach• Repetition of main brand and product positioning helps build customer trust	<ul style="list-style-type: none">• Impersonal - cannot answer all a customer's questions• Not good at getting customers to make a final purchasing decision
Personal Selling	<ul style="list-style-type: none">• Highly interactive• Excellent for communicating complex / detailed product information and features• Relationships can be built up	<ul style="list-style-type: none">• Costly - employing a sales force has many hidden costs in addition to wages• Not suitable if there are thousands of important buyers
Sales Promotion	<ul style="list-style-type: none">• Can stimulate quick increases in sales by targeting promotional incentives on particular products• Good short term tactical tool	<ul style="list-style-type: none">• If used over the long-term, customers may get used to the effect• Too much promotion may damage the brand image
Public Relations	<ul style="list-style-type: none">• Often seen as more "credible" - since the message seems to be coming from a third party (e.g. magazine, newspaper)• Cheap way of reaching many customers	<ul style="list-style-type: none">• Risk of losing control - cannot always control what other people write or say about your



Developing Price Strategies and Programs

Kotler on Marketing

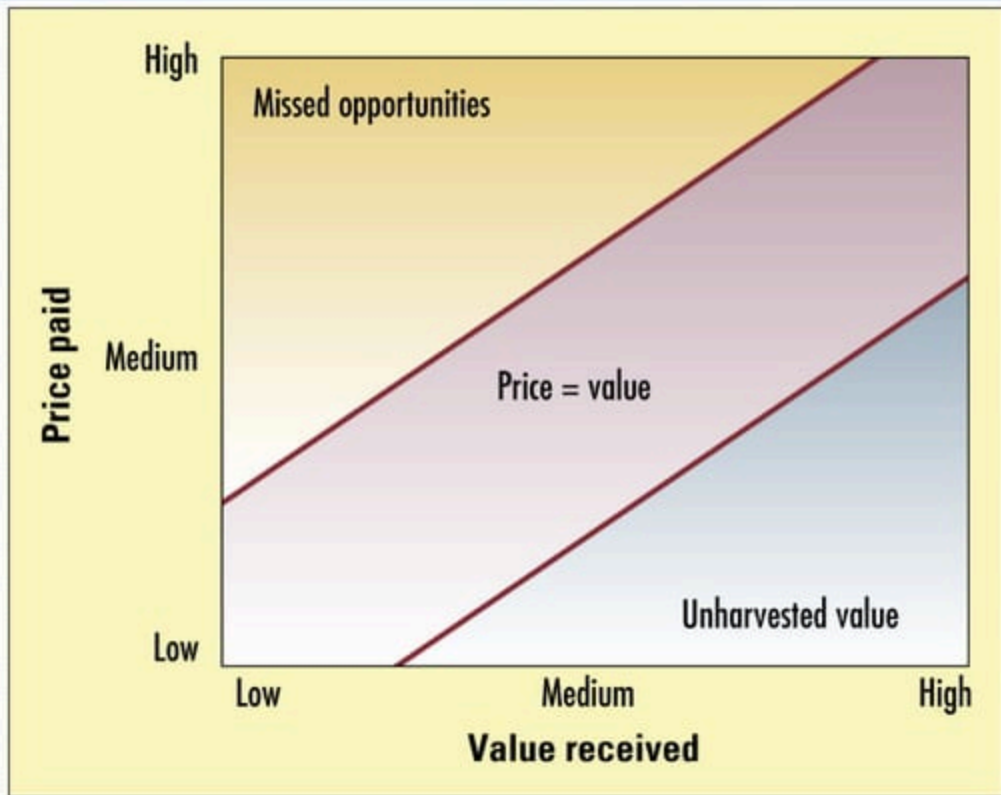
Sell value, not price.



Nine Price-Quality Strategies

		Price		
		High	Medium	Low
Product Quality	High	1. Premium strategy	2. High-value strategy	3. Super-value strategy
	Medium	4. Overcharging strategy	5. Medium-value strategy	6. Good-value strategy
	Low	7. Rip-off strategy	8. False economy strategy	9. Economy strategy

Price Should Align with Value



Setting the Price

- Step 1: Selecting the pricing objective
 - Survival
 - Maximize current profits
 - Maximize their market share
- Market-penetration pricing
 - Best when:
 - Market is highly price-sensitive, and a low price stimulates market growth,
 - Production and distribution costs fall within accumulated production experience, and
 - Low price discourages actual and potential competition



Setting the Price

- Step 2: Determining Demand
 - Price sensitivity
 - Total Cost of Ownership (TCO)

Setting the Price

- Tom Nagle offers this list of factors associated with lower price sensitivity
 - The product is more distinctive
 - Buyers are less aware of substitutes
 - Buyers cannot easily compare the quality of substitutes
 - The expenditure is a smaller part of the buyer's total income
 - The expenditure is small compared to the total cost of the end product
 - Part of the cost is borne by another party
 - The product is used in conjunction with assets previously bought
 - The product is assumed to have more quality, prestige, or exclusiveness
 - Buyers cannot store the product

Setting the Price

- Estimating Demand Curves
- Price Elasticity of Demand
 - Inelastic
 - Elastic
 - Price indifference band

Setting the Price

- Step 3: Estimating Cost
 - Types of Cost and Levels of Production
 - Fixed costs (overhead)
 - Variable cost
 - Total cost
 - Average cost
 - Accumulated Production
 - Experience curve (Learning curve)



Setting the Price

- Differentiated Marketing Offers
 - Activity-based cost (ABC) accounting
 - Target costing
- Step 4: Analyzing Competitors' Cost, Prices, and Offers

Setting the Price

- Step 5: Selecting a Pricing Method

- Markup Pricing

$$\text{Unit Cost} = \text{variable cost} + (\text{fixed cost}/\text{unit sales})$$

- Markup price

$$\text{Markup price} = \text{unit cost} / (1 - \text{desired return on sales})$$

- Target-Return Pricing

$$\text{Target-return price} = \text{unit cost} + (\text{desired return} \times \text{investment capital})/\text{unit sales}$$



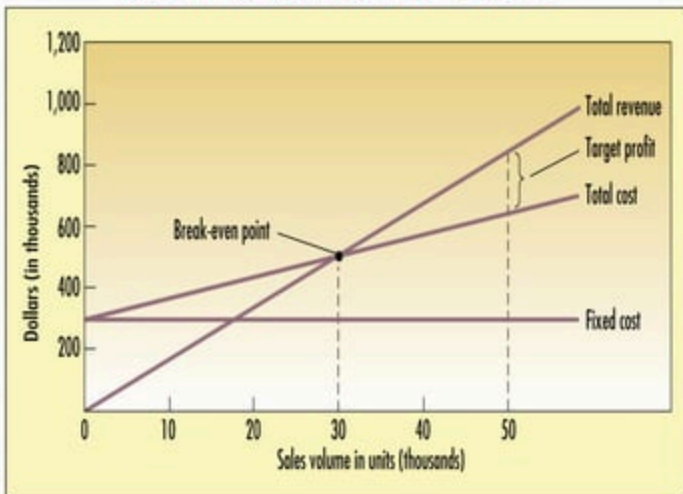
Setting the Price

- Break-even volume

Break-even volume = fixed cost / (price – variable cost)

- Perceived-Value Pricing
 - Perceived value
 - Price buyers
 - Value buyers
 - Loyal buyers
 - Value-in-use price

Break-Even Chart for Determining Target-Return Price and Break-Even Volume



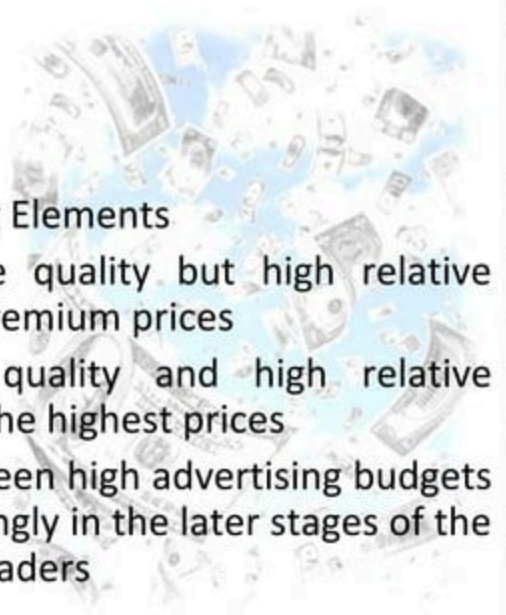
Setting the Price

- Value Pricing
 - Everyday low pricing (EDLP)
 - High-low pricing
- Going-Rate Pricing
- Auction-Type Pricing
 - English auctions (ascending bids)
 - Dutch auctions (descending bids)
 - Sealed-bid auctions
- Group Pricing



Setting the Price

- Step 6: Selecting the Final Price
 - Psychological Pricing
 - Reference price
 - Gain-and-Risk-Sharing Pricing
 - Influence of the Other Marketing Elements
 - Brands with average relative quality but high relative advertising budgets charged premium prices
 - Brands with high relative quality and high relative advertising budgets obtained the highest prices
 - The positive relationship between high advertising budgets and high prices held most strongly in the later stages of the product life cycle for market leaders



Setting the Price

- Brands with average relative quality but high relative advertising budgets charged premium prices
- Brands with high relative quality and high relative advertising budgets obtained the highest prices
- The positive relationship between high advertising budgets and high prices held most strongly in the later stages of the product life cycle for market leaders
- Company Pricing Policies
- Impact of Price on Other Parties

Adapting the Price

- Geographical Pricing (Cash, Countertrade, Barter)
 - Countertrade
 - Barter
 - Compensation deal
 - Buyback arrangement
 - Offset
- Price Discounts and Allowances



Price Discounts and Allowances

Cash Discount:

A price reduction to buyers who pay bills promptly. A typical example is “2/10, net 30,” which means that payment is due within 30 days and that the buyer can deduct 2 percent by paying the bill within 10 days.

Quantity Discount:

A price reduction to those who buy large volumes. A typical example is “\$10 per unit for less than 100 units; \$9 per unit for 100 or more units.” Quantity discounts must be offered equally to all customers and must not exceed the cost savings to the seller. They can be offered on each order placed or on the number of units ordered over a given period.

Adapting the Price

- Promotional Pricing
 - Loss-leader pricing
 - Special-event pricing
 - Cash rebates
 - Low-interest financing
 - Longer payment terms
 - Warranties and service contracts
 - Psychological discounting



Adapting the Price

- Discriminatory Pricing
 - Customer segment pricing
 - Product-form pricing
 - Image pricing
 - Channel pricing
 - Location pricing
 - Time pricing
 - Yield pricing



Adapting the Price

- Product-mix pricing
 - Product-Line Pricing
 - Optional-Feature Pricing
 - Captive-Product Pricing
 - Captive products
 - Two-Part Pricing
 - By-Product Pricing
 - Product-Bundling Pricing
 - Pure bundling
 - Mixed bundling





Managing Integrated Marketing Communications

Kotler on Marketing

Integrated marketing communications is a way of looking at the whole marketing process from the viewpoint of the customer.



Marketing Communications Mix

- Advertising
- Sales Promotion
- Public Relations and Publicity
- Personal Selling
- Direct and Interactive Marketing

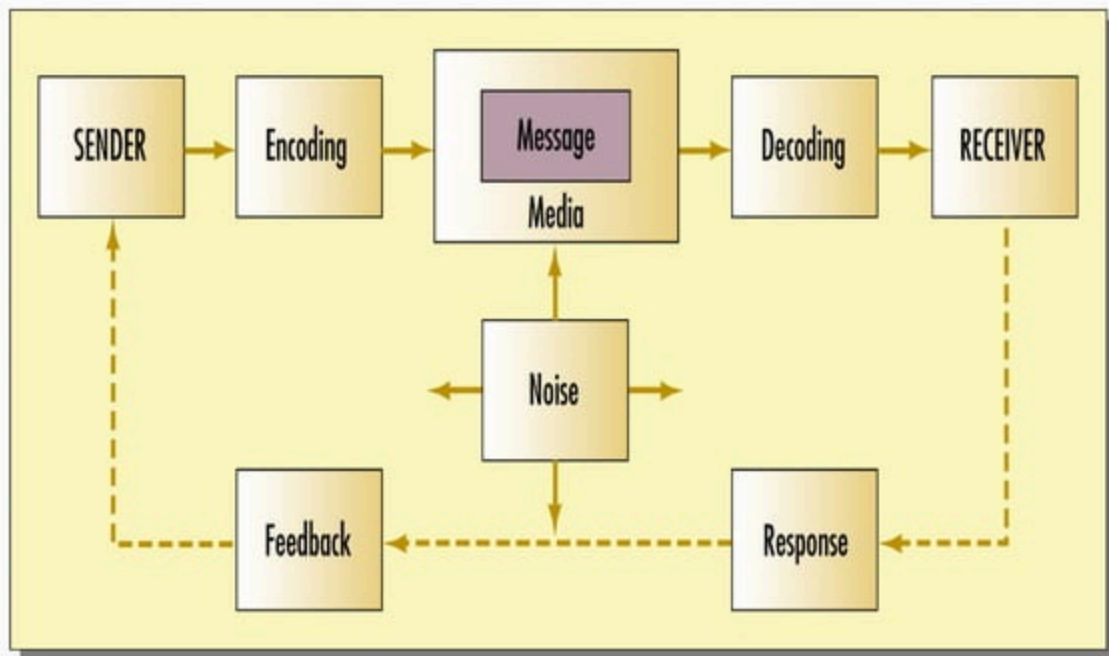


The Communication Process

Common Communication Platforms

Advertising	Sales Promotion	Public Relations	Personal Selling	Direct Marketing
Print and broadcast ads	Contests, games, sweepstakes, lotteries	Press kits	Sales presentation	Catalogs
Packaging-outer	Premiums and gifts	Speeches	Sales meetings	Mailings
Packaging inserts	Sampling	Seminars	Incentive programs	Telemarketing
Motion pictures	Fairs and trade shows	Annual reports	Samples	Electronic shopping

Elements in the Communication Process



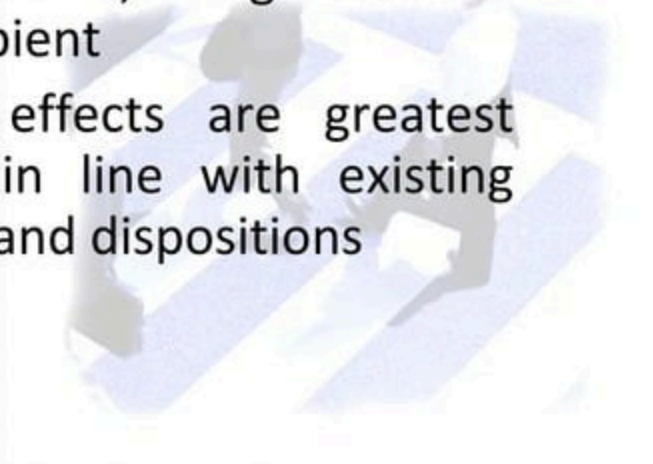
The Communication Process

- Target audience may not receive the intended message for any of three reasons:
 - Selective attention
 - Selective distortion
 - Selective retention



The Communication Process

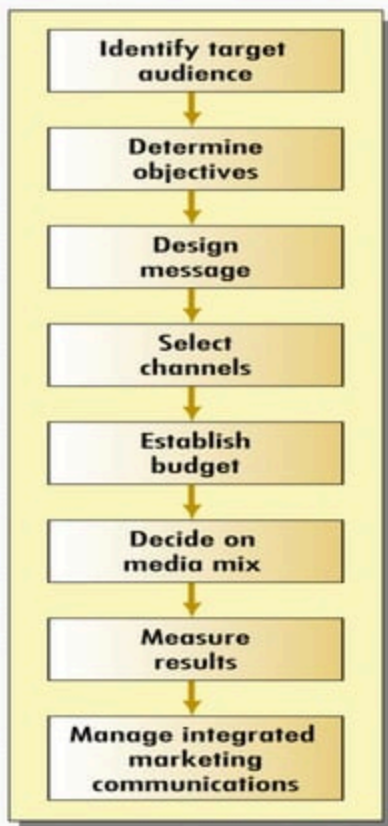
- Fiske and Hartley have outlined factors that influence communication:
 - The greater the influence of the communication source, the greater the effect on the recipient
 - Communication effects are greatest when they are in line with existing opinions, beliefs, and dispositions



The Communication Process

- Communication can produce the most effective shifts on unfamiliar, lightly felt, peripheral issues that do not lie at the core of the recipient's value system.
- Communication is more likely to be effective if the source is believed to have expertise, high status, objectivity, or likeability, but particularly if the source has power and can be identified with.
- The social context, group, or reflective group will mediate the communication and influence whether or not the communication is accepted.

Steps in Developing Effective Communication



Developing Effective Communications

- Identify the Target Audience

- Image analysis

- Familiarity scale

**Never
Heard of**

**Heard of
Only**

**Know a
Little Bit**

**Know a Fair
Amount**

**Know Very
Well**

- Favorability scale

**Very
Unfavorable**

**Somewhat
Unfavorable**

Indifferent

**Somewhat
Favorable**

**Very
favorable**

Deciding on the Marketing Communications Mix

- The Promotional tools
 - Advertising
 - General Qualities:
 - Public presentation
 - Pervasiveness
 - Amplified expressiveness
 - Impersonality
 - Sales Promotion
 - Benefits:
 - Communication
 - Incentive
 - Invitation

Deciding on the Marketing Communications Mix

- Public Relations and Publicity
 - Distinctive qualities:
 - High credibility
 - Ability to catch buyers off guard
 - Dramatization
- Personal Selling
 - Distinctive qualities:
 - Personal confrontation
 - Cultivation
 - Response

Deciding on the Marketing Communications Mix

- Direct Marketing
 - Distinctive qualities:
 - Nonpublic
 - Customized
 - Up-to-date
 - Interactive

Deciding on the Marketing Communications Mix

- Factors in setting the Marketing Communications Mix
 - Type of Product Market
 - Advertising's role in business markets:
 - Advertising can provide an introduction to the company and its products
 - If the product embodies new features, advertising can explain them
 - Reminder advertising is more economical than sales calls

Deciding on the Marketing Communications Mix

- Advertisements offering brochures and carrying the company's phone number are an effective way to generate leads for sales representatives.
- Sales representatives can use tear sheets of the company's ads to legitimize their company and products.
- Advertising can remind customers of how to use the product and reassure them about their purchase.

Deciding on the Marketing Communications Mix

- Levitt found that:
 - Corporate advertising that can build up the company's reputation will help the sales representatives
 - Sales representatives from well-known firms have an edge, but a highly effective presentation from a lesser known company's rep can overcome that edge
 - Company reputation helps most when the product is complex

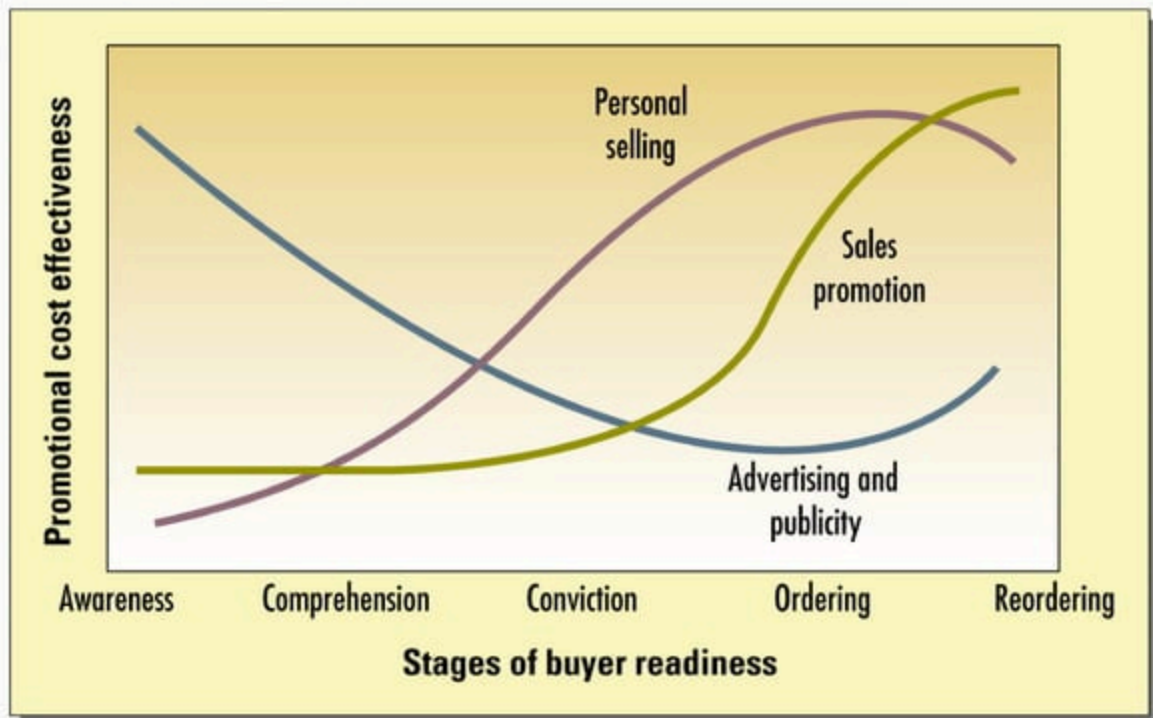
Deciding on the Marketing Communications Mix

- Gary Lilien found that:
 - The average industrial company sets its marketing budget at 7 percent of sales
 - Industrial companies spent a higher-than-average amount on advertising if their products had higher quality, uniqueness, or purchase frequency, or if there was customer growth
 - Industrial companies set a higher-than-average marketing budget when their customers were more dispersed or the customer growth rate was higher

Deciding on the Marketing Communications Mix

- Effectively trained consumer sales force can make four important contributions:
 - Increased stock position
 - Enthusiasm building
 - Missionary selling
 - Key account management
- Buyer-Readiness Stage

Cost-Effectiveness of Different Promotional Tools



Managing the Sales Force



- *The original and oldest form of direct marketing is the field sales call.*
- *U.S. firms spend over a trillion dollars annually on sales forces and sales force materials— more than they spend on any other promotional method.*
- *companies are trying to increase the productivity of the sales force through better selection, training, supervision, motivation, and compensation.*

The term sales representative covers a broad range of positions.

Six can be distinguished:

1. **Deliverer**-A salesperson whose major task is the delivery of a product (water, fuel, oil).

2. **Order taker** -A salesperson who acts predominantly as an inside order taker or outside order taker.

3. **Missionary**-A salesperson who is not expected or permitted to take an order but whose major task is to build goodwill or to educate the actual or potential user.

4. **Technician** - A salesperson with a high level of technical knowledge.

5. **Demand creator** -A salesperson who relies on creative methods for selling tangible products (vacuum cleaners, cleaning brushes, household products) or intangibles (insurance, advertising services, or education).

6. **Solution vendor** - A salesperson whose expertise is in the solving of a customer's problem, often with a system of the company's products and services (for example, computer and communications systems).

Sales Force Objectives and Strategy



Specific Tasks Performed by Sales Force

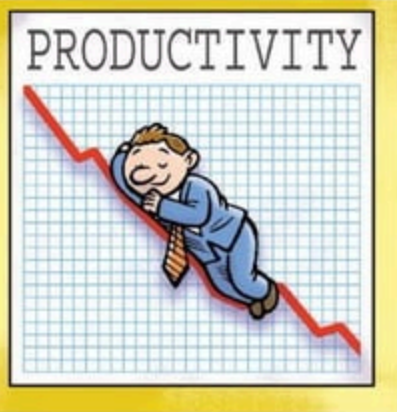
- **Prospecting.** Searching for prospects, or leads.
- **Targeting.** Deciding how to allocate their time among prospects and customers.
- **Communicating.** Communicating information about the company's products and services.
- **Selling.** Approaching, presenting, answering questions, overcoming objections,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

Recruiting and Selecting Representatives



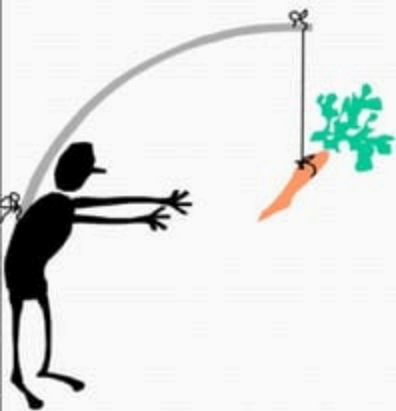
- *One survey revealed that the top 27 percent of the sales force brought in over 52 percent of the sales.*
- *The average annual turnover rate for all industries is almost 20 percent.*
- *Sales force turnover leads to lost sales, costs of finding and training replacements, and often a strain on existing salespeople to pick up the slack*
- ***What is the Challenge?***
- ***Right Person for the Right Job!!!!***
- ***Test is taken interview is taken, personality tests are done, past history is checked***

Sales Rep Productivity



- *How many calls should a company make on a particular account each year?*
- *Some research has suggested that today's sales reps are spending too much time selling to smaller, less profitable accounts when they should be focusing more of their efforts on selling to larger, more profitable accounts.*
- **NORMS FOR PROSPECT CALLS**
 - *25 percent of their time prospecting and to stop calling on a prospect after three unsuccessful calls*
- **Using Sales Time Efficiently**
 - *To cut costs, reduce time demands on their outside sales force, and take advantage of computer and telecommunications innovations, many companies have increased the size and responsibilities of their inside sales force*
 - *Inside salespeople are of three types*
 - *Technical support people*
 - *Sales assistants*
 - *Telemarketers*

Motivating Sales Representatives



- *Sales managers must be able to convince salespeople that they can sell more by working harder or by being trained to work smarter.*
- *Sales managers must be able to convince salespeople that the rewards for better performance are worth the extra effort.*
- *marketers reinforce intrinsic and extrinsic rewards of all types*
- *One research study that measured the importance of different rewards found that the reward with the highest value was pay, followed by promotion, personal growth, and sense of accomplishment*
- *The least-valued rewards were liking and respect, security, and recognition.*

Evaluating Sales Representatives



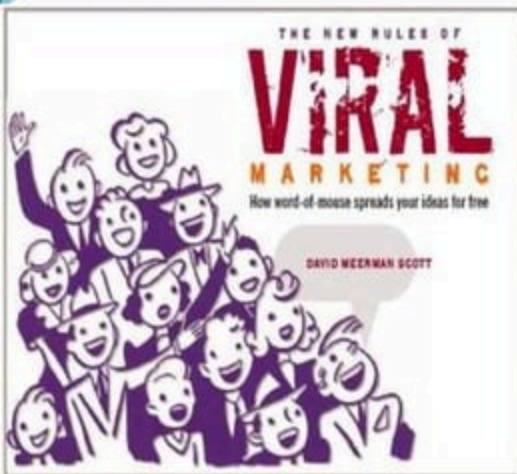
● SOURCES OF INFORMATION

- Sales reports
- Personal observation
- Salesperson self-reports
- Customer letters and complaints
- Customer surveys, and conversations with other sales representatives.
- These reports provide raw data from which sales managers can extract key indicators of sales performance: (1) average number of sales calls per salesperson per day, (2) average sales call time per contact, (3) average revenue per sales call, (4) average cost per sales call, (5) entertainment cost per sales call, (6) percentage of orders per hundred sales calls, (7) number of new customers per period, (8) number of lost customers per period, and (9) sales force cost as a percentage of total sales.

Territory: Midland Sales

<i>Representative: John Smith</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>Net sales product A</i>	<i>\$251,300</i>	<i>\$253,200</i>	<i>\$270,000</i>	<i>\$263,100</i>
<i>Net sales product B</i>	<i>423,200</i>	<i>439,200</i>	<i>553,900</i>	<i>561,900</i>
<i>Net sales total</i>	<i>674,500</i>	<i>692,400</i>	<i>823,900</i>	<i>825,000</i>
<i>Percent of quota product A</i>	<i>95.6</i>	<i>92</i>	<i>88</i>	<i>84.7</i>
<i>Percent of quota product B</i>	<i>120.4</i>	<i>122.3</i>	<i>134.9</i>	<i>130.8</i>
<i>Gross profits product A</i>	<i>\$50,260</i>	<i>\$50,640</i>	<i>\$54,000</i>	<i>\$52,620</i>
<i>Gross profits product B</i>	<i>42,320</i>	<i>43,920</i>	<i>55,390</i>	<i>56,190</i>
<i>Gross profits total</i>	<i>92,580</i>	<i>94,560</i>	<i>109,390</i>	<i>108,810</i>
<i>Sales expense</i>	<i>\$10,200</i>	<i>\$11,100</i>	<i>\$11,600</i>	<i>\$13,200</i>
<i>Sales expense to total sales (%)</i>	<i>1.5</i>	<i>1.6</i>	<i>1.4</i>	<i>1.6</i>
<i>Number of calls</i>	<i>1,675</i>	<i>1,700</i>	<i>1,680</i>	<i>1,660</i>
<i>Cost per call</i>	<i>\$6.09</i>	<i>\$6.53</i>	<i>\$6.90</i>	<i>\$7.95</i>
<i>Average number of customers</i>	<i>320</i>	<i>24</i>	<i>328</i>	<i>334</i>
<i>Number of new customers</i>	<i>13</i>	<i>14</i>	<i>15</i>	<i>20</i>
<i>Number of lost customers</i>	<i>8</i>	<i>10</i>	<i>11</i>	<i>14</i>
<i>Average sales per customer</i>	<i>\$2,108</i>	<i>\$2,137</i>	<i>\$2,512</i>	<i>\$2,470</i>
<i>Average gross profit per customer</i>	<i>\$289</i>	<i>\$292</i>	<i>\$334</i>	<i>\$326</i>

Viral Marketing



- **Marketing phenomenon that facilitates and encourages people to pass along a marketing message.**
- **Viral marketing describes any strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message's exposure and influence**
- **It can be delivered by word of mouth or enhanced by the network effects of the internet. Viral promotions may take the form of video clips, interactive flash games, brandable Software, images, or text messages**

History

- *There is debate on the origination and the popularization of the term viral marketing, though some of the earliest uses of the current term are attributed to the Harvard Business School graduate Tim Draper and faculty member Jeffrey Rayport.*
- *Among the first to write about viral marketing on the Internet was the Media critic Douglas Rushkoff. The assumption is that if such an advertisement reaches a "susceptible" user, that user becomes "infected" (i.e., accepts the idea) and shares the idea with others "infecting them," in the viral analogy's terms*

Notable Examples

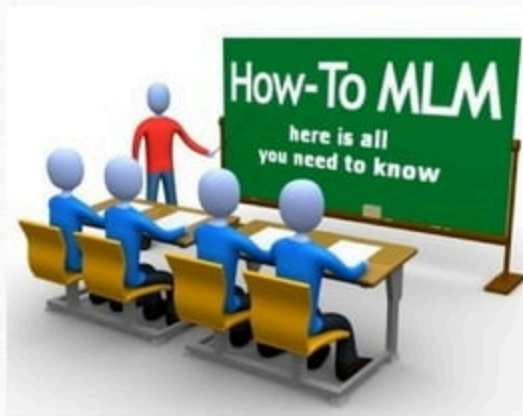
- Popularized in the 1960s and '70s is essentially a form of viral marketing in which representatives gain income through marketing products through their circle of influence and give their friends a chance to market products similarly
- **The Classic Hotmail.com Example**
 - The classic example of viral marketing is Hotmail.com, one of the first free Web-based e-mail services. The strategy is simple:
 - Give away free e-mail addresses and services,
 - Attach a simple tag at the bottom of every free message sent out: "Get your private, free email at <http://www.hotmail.com>" and,
 - Then stand back while people e-mail to their own network of friends and associates,
 - Who see the message,
 - Sign up for their own free e-mail service, and then
 - Propel the message still wider to their own ever-increasing circles of friends and associates.
 - Like tiny waves spreading ever farther from a single pebble dropped into a pond, a carefully designed viral marketing strategy ripples outward extremely rapidly.

Types of Viral Marketing

- **Pass-along:** A message which encourages the user to send the message to others. The crudest form of this is chain letters where a message at the bottom of the e-mail prompts the reader to forward the message
- **Incentivized viral:** A reward is offered for either passing a message along or providing someone else's address. This can dramatically increase referrals. However, this is most effective when the offer requires another person to take action.
- **Undercover:** A viral message presented as a cool or unusual page, activity, or piece of news, without obvious incitements to link or pass along. In Undercover Marketing, it is not immediately apparent that anything is being marketed.
- **"Edgy Gossip/Buzz marketing"** ads or messages that create controversy by challenging the borders of taste or appropriateness. Discussion of the resulting controversy can be considered to generate buzz and word of mouth advertising. Prior to releasing a movie, some Hollywood movie stars get married, get divorced, or get arrested, or become involved in some controversy that directs conversational attention to them.
- **User-managed database:** Users create and manage their own lists of contacts using a database provided by an online service provider. By inviting other members to participate in their community, users create a viral, self-propagating chain of contacts that naturally grows and encourages others to sign up as well.

Network Marketing

- *The simplest explanation of network marketing is that it is a method of marketing that utilizes independent representatives to reach potential customers that a company otherwise would not reach with traditional online or offline marketing methods.*



How did network marketing start?

- *Network marketing has been around for nearly fifty years. It started in the US, and the first major modern network marketing business was formed in 1959. This company was created by business partners Rich DeVos and Jay VanAndel, originally with just one single product and a new and unique business vision. They regarded conventional sales jobs as unfair - being paid only once for the work that they did even when the company continued to make a profit from their labors for many years afterwards.*

- *So DeVos and VanAndel broke away and formed their own company, returning a few years later with enough money to buy out their original employers and incorporate the vitamin business into their growing corporation. Their company is now a multi-billion dollar business operating in virtually every developed country in the world. Within a few short years, many more companies followed in their footsteps and now network marketing is responsible for a turnover of tens of billions of dollars in the US alone.*



Word-of-mouth communication

- *Most influential for consumer decision making*
 - *Comes from an independent source*
 - *Often based on experience*
 - *Can be negative and positive*
- *But, how can marketers act on it?*
 - *Until now, it was difficult to ascertain who is talking to who?*
 - *One could not easily reach “opinion leaders”.*
 - *One could act on w.o.m. only on the aggregate using broad proxies to identify opinion leaders*
 - *Psychographics*
 - *Demographics*
 - *Etc.*

What has changed?

- *We have refined data on consumer communities.*
- *Social network data: people designate friends (e.g. MySpace.com)*
- *Telecom data: people talk to friends, people designate preferred contacts (e.g. Skype)*
- *We have new technology to analyze the data*
- *Hardware*
- *Software*
- *We can act on the data (viral marketing)*
- *Send messages to key people in the network*
- *Avoid marketing “noise” (blanket SMS promotion)*

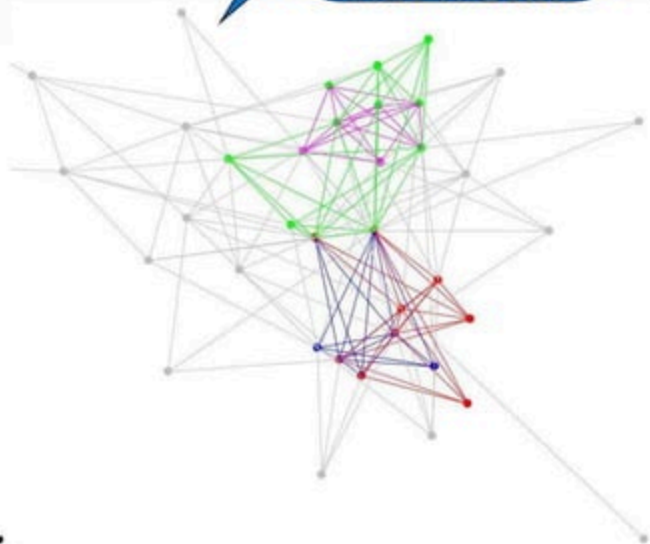
What network marketers do?

- *Find communities in complex networks (Skype, Myspace, Telecom traffic data)*
 - *to target with brands/content*
 - *to discriminate w.r.t. price/advertising*
- *Find “key people” who (i) connect communities, (ii) hold communities together*
 - *to initiate new product/service diffusion*
 - *to ensure best return on direct (viral) marketing*
 - *to refine CRM techniques*

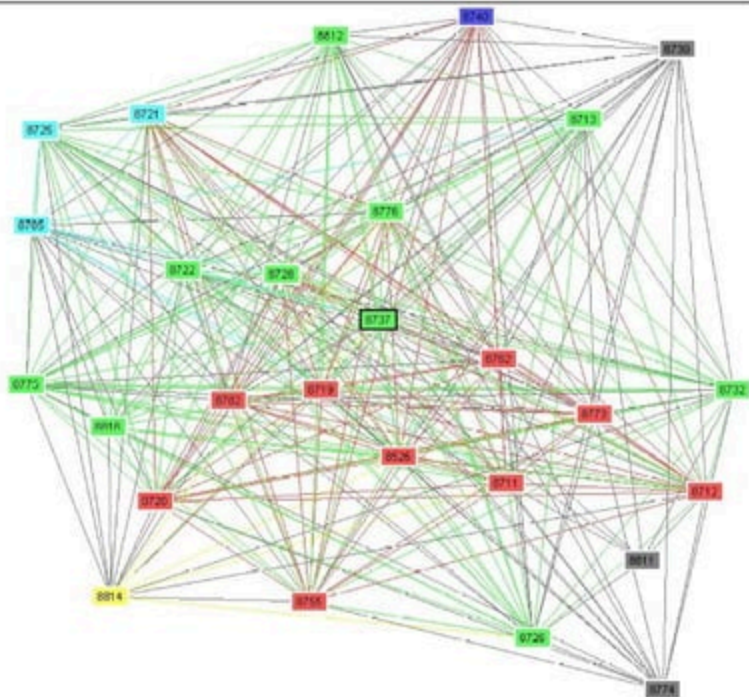
*ENTIRE
NETWORK*



*SELECTED
GROUPS
FROM THE
NETWORK*



Members classified in terms of their role (value) in the communities.



Advantages

- *100% data availability*
- *One-time setup cost, low marginal cost*
- *Variety of uses:*
 - *Promotion*
 - *CRM*
 - *Advertising*

CASE : East European social network site

- Problem: How existing members influence new ones joining the site?*
- What was done: Described people's adoption behavior as a function of their personal networks and demographics*
- Key insight: Fast adopters are people with dense networks (not large networks)*

CASE : Middle-Eastern telecom company

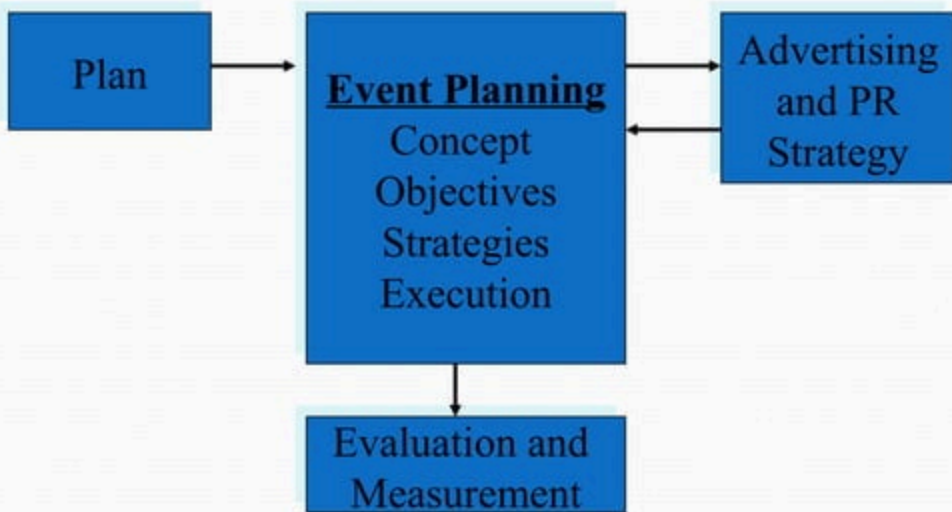
(10 million customers)

- *Problem: Identify highly Connected/ influential customers to be targeted by direct marketing for cross-selling another service*
- *What was done: Identified the top 10,000 targets*
- *Insights: Top targets may not be the ones who have most connections*

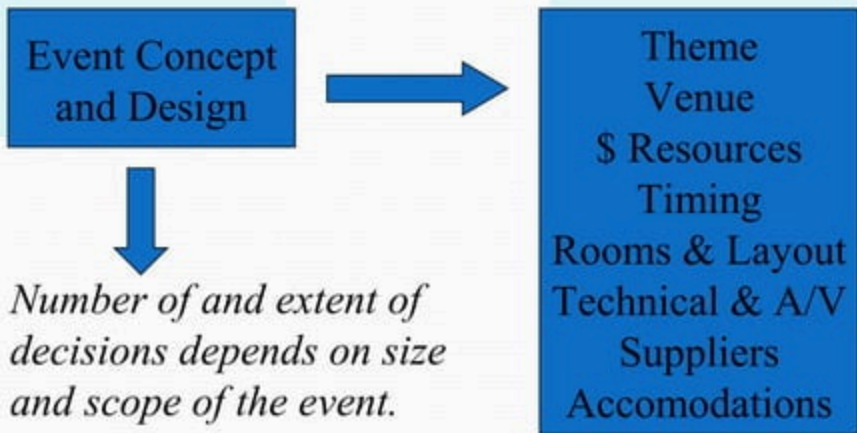
Event Marketing

- *The activity of designing or developing a themed activity, occasion, display, or exhibit (such as a sporting event, music festival, fair, or concert) to promote a product, cause, or organization. Also called event creation.*

Event Marketing Planning



Event Concept



Event Objectives

Objectives are essential in order to justify investment.

Some possible objectives include:

- Size of audience reached
- Ability to reach target
- Sponsor recognition levels
- Potential sales
- Economic Impact

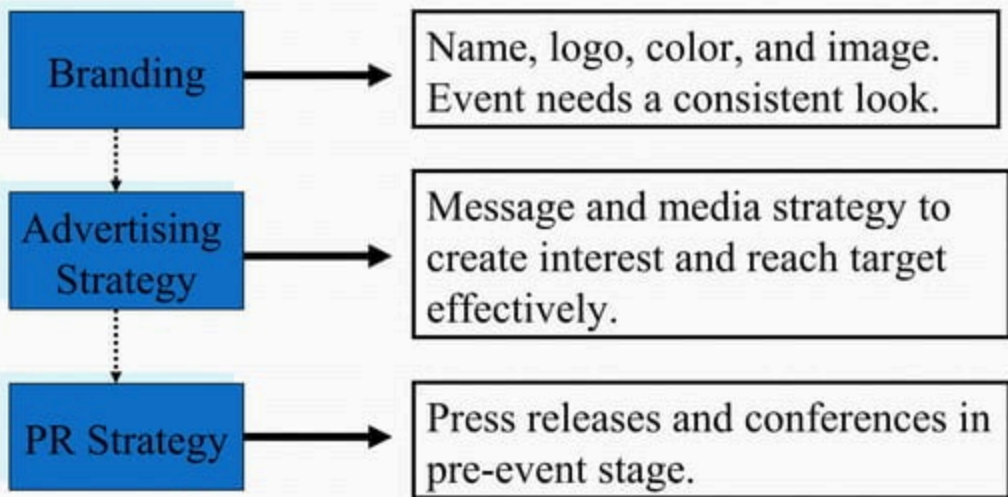
*Objectives are included in an **event proposal** along with organizational details and a timeline.*

Event Marketing Strategies

An event is much like a product so the marketing strategies are similar.

- Define the product (the event)
- Establish price
- Distribution (of tickets)
- Marketing Communications

Marketing Communications



Event Marketing Execution

Delineating all of the details associated with the event.

- *Site Selection*
- *Staging*
- *Catering and Accommodations*
- *Staffing*
- *Operations and Logistics*
- *Safety and Security*

Following them can ensure a cost effective implementation of the event marketing.

- *If the event is meant to market a certain product, then it is necessary to ensure that the purchase decision-maker attends the event.*
- *Make sure you get participant contact information before the event as well as after. Other value-added benefits that can be expected from the show organizer include*
- *Before the event is undertaken, the cost effectiveness of promoting the product through the event should be questioned by asking yourself event qualifying questions around the “who” instead of the “how many”*
- *The giveaways at the event should be relevant to the business being promoted through the event. And make sure you don't give something away for free just for the heck of it.*
- *The location chosen for the event is perhaps the most important aspect. Make sure you don't purchase a cheap booth at a popular exhibition because there are strong chances that no one will be visiting you, since your booth will be tucked away hidden from all eyes*

Direct Marketing



Direct Marketing

Direct marketing is the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen. These channels include direct mail, catalogs, telemarketing, interactive TV, kiosks, Web sites, and mobile devices.

Objectives of direct marketing

- ***Direct ordering.***
- ***Providing information.***
- ***Visit generation.***
- ***Trial generation.***

The Range of Direct Marketing Techniques



- **Direct mail** - material distributed via the postal service to a recipient's home or business to promote a product/service.
- **Direct response advertising** - standard broadcast and print media designed to generate a direct response, e.g an order or personal visit.
- **Telemarketing** - a direct personal, verbal approach via some kind of written or visual method.
- **Mail order** - the purchase of products featured in advertising or selected from a catalogue.
- **Teleshopping** - home based shopping.

- **Direct-mail marketing has passed through a number of stages:**
- **E "Carpet bombing."** Direct mailers gather or buy as many names as possible and send out a mass mailing. Usually the response rate is very low.
- **Database marketing.** Direct marketers mine the database to identify prospects who would have the most interest in an offer.
 - *a Interactive marketing. Direct marketers include a telephone number and Web address, and offer to print coupons from the Web site. Recipients can contact the company with questions. The company uses the interaction as an opportunity to up-sell, cross-sell, and deepen the relationship.*
 - *B Real-time personalized marketing. Direct marketers know enough about each customer to customize and personalize the offer and message.*

Applications of telemarketing

- *Generate leads.*
- *Screen leads before follow up.*
- *Arrange opportunities for representatives.*
- *Direct sales.*
- *Encourage cross / up selling.*
- *Dealer support.*
- *Account servicing.*
- *Market research.*
- *Test marketing.*

Use of Telemarketing

- *New business and lead generation* 28%
- *Customer care* 26%
- *Customer service* 26%
- *Brand loyalty* 14%
- *Crisis management* 6%

Traditional strengths of mail order



Weaknesses of traditional mail order catalogues

- ***Lack of speed.***
- ***Downmarket image.***
- ***Lack of targeting.***
- ***Agency system***

Catalog Marketing

- *In catalog marketing, companies may send full-line merchandise catalogs, specialty consumer catalogs, and business catalogs, usually in print form but also sometimes as CDs, videos, or online.*

- *Catalogs are a huge business—about 71 percent of Americans shop from home using catalogs by phone, mail, and Internet.*

Other Media for Direct-Response Marketing

TELEVISION : is used by direct marketers in several ways:

- *Direct-response advertising -Some companies prepare 30- and 60-minute infomercials that attempt to combine the sell of commercials with the draw of educational information and entertainment. Infomercials can be seen as a cross between a sales call and a television ad and cost roughly \$250,000 to \$500,000 to make.*
- *At-home shopping channels - Some television channels are dedicated to selling goods and services.*
- *Videotext and interactive TV- The consumer's TV set is linked with a seller's catalog by cable or telephone lines. Consumers can place orders via a special keyboard device connected to the system.*

KIOSK MARKETING

- *A kiosk is a small building or structure that might house a selling or information unit. The name describes newsstands, refreshment stands, and free-standing carts whose vendors sell watches, costume jewelry, and other items. The carts appear in bus and rail stations and along aisles in a mall. The term also covers computer-linked vending machines and "customer-order-placing machines" in stores, airports, and other locations.*

Interactive Marketing

- ***Interactive Marketing*** refers to the evolving trend in marketing whereby marketing has moved from a transaction-based effort to a conversation.
- *The Internet provides marketers and consumers with opportunities for much greater interaction and individualization. Companies in the past would send standard media—magazines, newsletters, ads—to everyone. Today these companies can send individualized content and consumers themselves can further individualize the content. Today companies can interact and dialogue with much larger groups than ever in the past*

The Benefits of Interactive Marketing

- *It is highly accountable and its effects can be easily traced.*
- *The Web offers the advantage of "contextual placements." Marketers can buy ads from sites that are related to their offerings, as well as place advertising based on contextual keywords from online search outfits like Google.*
- *Web can reach people when they have actually started the buying process*

Designing an Attractive Web Site

- ***A key challenge is designing a site that is attractive on first viewing and interesting enough to encourage repeat visits.***
- ***Rayport and Jaworski have proposed that effective Web sites feature seven design elements that they call the 7Cs***
 - ***Context. Layout and design.***
 - ***Content. Text, pictures, sound, and video the site contains.***
 - ***Community. How the site enables user-to-user communication.***
 - ***Customization. Site's ability to tailor itself to different users or to allow users to personalize the site.***
 - ***E Communication. How the site enables site-to-user, user-to-site, or two-way communication.***
 - ***Connection. Degree that the site is linked to other sites.***
 - ***Commerce. Site's capabilities to enable commercial transactions.***

Green Marketing

- According to the American Marketing Association “**green marketing** is the marketing of products that are presumed to be environmentally safe”.
- Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising



Evolution of Green Marketing

The green marketing has evolved over a period of time. According to Peattie (2001), the evolution of green marketing has three phases.

- First phase as Ecologic : and during this period all marketing activities were concerned to help environment problems and provide remedies for environmental problems.*
- Second phase was "Environmental" green marketing and the focus shifted on clean technology that involved designing of innovative new products, which take care of pollution and waste issues.*
- Third phase was "Sustainable" green marketing. It came into prominence in the late 1990s and early 2000.*

Why Green Marketing?

As resources are limited and human wants are unlimited, it is important for the marketers to utilize the resources efficiently without waste as well as to achieve the organization's objective. So green marketing is inevitable.

There is growing interest among the consumers all over the world regarding protection of environment. Worldwide evidence indicates people are concerned about the environment and are changing their behavior. As a result of this, green marketing has emerged

Benefits of Green Marketing

Companies that develop new and improved products and services with environment inputs in mind give themselves access to new markets, increase their profit sustainability, and enjoy a competitive advantage over the companies which are not concerned for the environment.

Green Marketing Mix

The 4 P's of green marketing are that of a conventional marketing but the challenge before marketers is to use 4 P's in an innovative manner.

Product

The ecological objectives in planning products are to reduce resource consumption and pollution and to increase conservation of scarce resources (Keller man, 1978).

Price

Price is a critical and important factor of green marketing mix. Most consumers will only be prepared to pay additional value if there is a perception of extra product value. This value may be improved performance, function, design, visual appeal, or taste. Green marketing should take all these facts into consideration while charging a premium price.

Promotion

There are three types of green advertising: -

- Ads that address a relationship between a product/service and the biophysical environment

- Those that promote a green lifestyle by highlighting a product or service

- Ads that present a corporate image of environmental responsibility

Place

The choice of where and when to make a product available will have significant impact on the customers. Very few customers will go out of their way to buy green products.

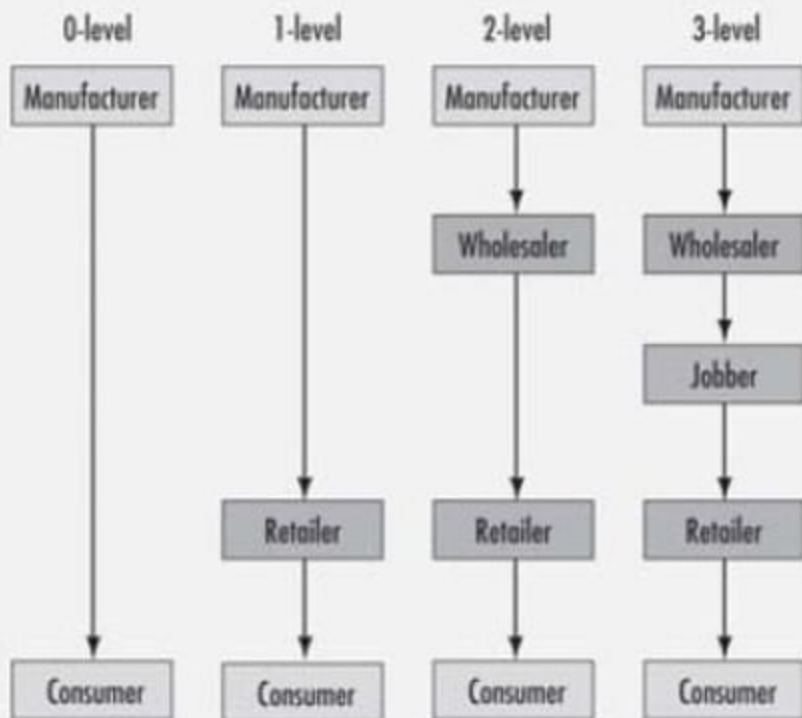
Channel Management

The Role of Marketing Channels in Marketing Strategy

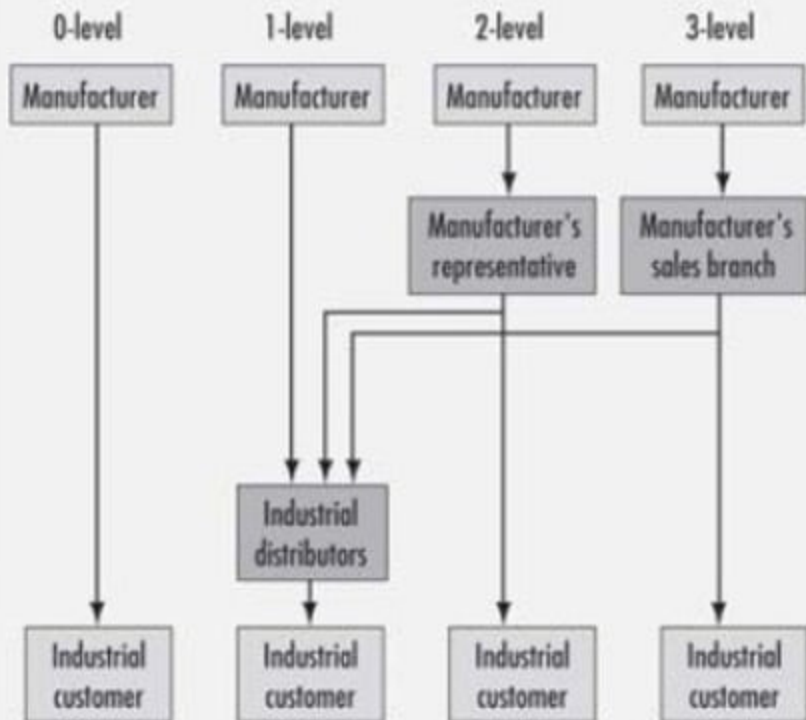
- *Channels provide the means by which the firm moves the goods and services it produces to ultimate users*
 - *Facilitate the exchange process by cutting the number of contacts necessary*
 - *Adjust for discrepancies in the market's assortment of goods and services via sorting*
 - *Standardize exchange transactions*
 - *Facilitate searches by both buyers and sellers*

Types of Marketing Channel

(a) Consumer marketing channels



(b) Industrial marketing channels



Channel Strategy Decisions

- *Selection of a Marketing Channel*
 - *Factors which impact the selection of a marketing channel include:*
 - *Market factors*
 - *Customer Preference*
 - *Geography*
 - *Competitors*
 - *Product factors*
 - *Life cycle*
 - *Product Complexity*
 - *Product Size and Weight*
 - *Producer/Manufacturer factor*
 - *Company Objective*
 - *Company Resources*
 - *Desire Of control*

Determining Distribution Intensity

- **Intensive distribution:** channel policy in which a manufacturer of a convenience product attempts to saturate the market
- **Selective distribution:** channel policy in which a firm chooses only a limited number of retailers to handle its product line
- **Exclusive distribution:** channel policy in which a firm grants exclusive rights to a single wholesaler or retailer to sell its products in a particular geographic area

CONFLICT

Causes Of Channel Conflict

- *Goal Incompatibility*
- *Unclear Roles and Rights*
- *Differences In perception*
- *Intermediaries dependency on manufacturer*

Types Of Conflict

- *Vertical Channel Conflict e.g. General Motors vs. Dealers*
- *Horizontal Channel Conflict e.g. Pizza Inn franchisee complaint on sub standard products used.*
- *Multichannel conflict (same product sold by different channels)*

- **Achieving Channel Cooperation**
 - *Channel Cooperation, achieved via effective cooperation among channel members, is the desired antidote to channel conflict*
 - *It is Best achieved when all channel members regard themselves as components of the same organization*

Vertical Marketing Systems

- **Vertical marketing system (VMS):** *planned channel system designed to improve distribution efficiency and cost effectiveness by integrating various functions throughout the distribution chain*
- **Administered marketing system:** *VMS that achieves channel coordination when a dominant channel member exercises its power e.g. Kodak, Gillette*
- **Corporate marketing system:** *a VMS in which a single owner operates at each stage in its marketing channel*
- **Contractual marketing system:** *VMS that coordinates channel activities through formal agreements among channel members like:*
 - **Wholesaler-Sponsored Voluntary Chains**
 - **Retail Cooperatives (Grocery Store, Hardware)**
 - **Franchises**

Making Channel Management Decisions

Channel management decisions can greatly affect the success or failure of a business, because the partners that you decide to work with and the effort you put into managing them will determine how your business comes across to the public. There are certain trade offs when you choose to utilize channel sales to market and distribute your product. Of course, channel sales are usually cost-effective, which is why businesses rely on sales partners to sell their product. The loss of complete control over how your product is marketed is the drawback, but with a good partner management program you can make sure your company is represented the way you want it to be.

Training and Motivating Channel Members

- *Coercive Power*
- *Reward Power*
- *Legitimate power*
- *Expert power*
- *Referent power*

Marketing Logistics

❖ *Planning, implementing, and controlling the physical flows of materials and final goods from points of origin to points of use.*

• *Nature of Market Logistics*

- *Supply chain - manage activities - sales forecasting*
- *Planning*
- *Inventory management*
- *Packaging*
- *Warehousing*
- *Shipping*
- *Transportation*
- *Warehousing*

Costs of Market Logistics

- **Major - 30-40% of total costs**
- **Breakout - transportation 37%**
- **Inventory 22%**
- **Warehousing 21%**
- **Other 20%**

Market Logistics Objective

➤ *Right good at right place at right time **for least cost***

$$M = T + FW + VW + S$$

where M= total market logistics cost

T= total freight cost

FW= total fixed warehouse cost

VW= total variable warehouse cost

S= total costs of lost sales

Market Logistics Decisions

- *Order processing*
 - *order to remittance cycle - elapsed time between an order placement and payment*
 - *Warehousing*
 - *Storage*
 - *distribution*
 - *automated*
 - *Inventory*
 - *service increases - inventory costs increases*
 - *re-order point*
 - *how much: order processing costs vs. inventory carrying costs*
- just in time production methods*



• *Transportation*

- *Medium*
- *Speed*
- *Frequency*
- *Dependability*
- *Capability*
- *Availability*
- *Traceability*
- *Cost*

Selecting the Pricing Objective

Step:1 Selecting the Pricing Objectives

- *Survival*
- *Maximum Current Profit*
- *Maximum Market Share*
- *Maximum Market Skimming*
- *Product Quality Leadership*

Step 2: Determining Demand

- *Price Sensitivity*
- *Estimating Demand Curves*
 - *Surveys*
 - *Price Experiments*
 - *Statistical Analysis*
- *Price Elasticity of Demand*

● **Step 3- Estimating costs**

● *Types of Costs*

- *Variable Costs and Fixed Costs*

● *Accumulated Production*

● *Target Costing*

● **Step 4- Analyzing Competitor's Cost's, Prices and Offers**

● **Step 5- Selecting a Pricing Method**

- *Markup Pricing* $MP = \text{Unit Cost} / (1 - \text{desired return on Sales})$

- *Target Return Pricing* $TRP = \text{Unit Cost} + \{ \text{Desired Return} \times \text{Invested Capital} / \text{Unit Sales} \}$

- *Perceived Value Pricing*

- *Value Pricing*

- *Going Rate Pricing*

- *Auction Type Pricing*

● **Step-6 Selecting the Final Pricing**