MKT501 – Marketing Management

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Lesson-1

BENCH MARK OF MARKETING

Marketing, as a discipline, has traveled a long distance in the last four decades. It is a craft of linking the producers of goods and services with the existing and potential customers. The changes in the consumer behavior, market place, channels of distribution, the merchandizing, display and almost anything have been tremendous in the past few decades. The speed of change is stupendous. Major shopping malls, the range of choices, the buying pattern from personal to internet buying, credit cards etc has taken long strides towards difference and has totally changed business outlook. The demand for more sophisticated products has emerged almost in every field. Products have today very close similarities. The research has created nearly the same kind of services and customer aids. Marketers are today faced with tough decisions. One wrong decision or delayed decision can completely put business back and give competitors edge over the market place, which in itself is a tough situation to face.

Today, we call it **"marketing for the millennium"** which is self-explanatory and challenging. Students must learn to deal with advances in technology and its impact on marketing. Website today is perhaps as important as packing.

One marketing specialist said it all
"The future isn't ahead of us. It has already happened".

Marketing is typically seen as the task of creating, promoting and delivering goods and services from producers to consumers.

It has been so since long and perhaps marketing sounds easy if we closely look at the situation. But only when we analyze, we learn how many changes have taken place in each sector of this creating, promoting and delivering. The markets have expanded from cities to international; the mode of transport has changed. Internet and satellite communication has made the globe shrink to almost a few seconds now. In fact all things have changed. Marketing itself has incorporated many facets. Marketing today is difficult because of awareness and exchange of information.

The Marketing task is not only to deliver the product. In fact, it entails much more than just promotion and delivery. Marketing now is:

"Right product for the Right people at the Right time at the Right place at a Right price with Right services".

The marketing challenges are to find what is Right?. Marketing task is to stimulate demand for company's product. Marketing task is to manage demand, just as production and logistics professional are responsible for supply management. For demand management., Marketing involves comprehensive understanding of product (goods and services), experiences, events, the consumers, the places, information, Ideas, properties and even its own organization to be able to answer what is right, for whom, where, when and how?

Marketers are said to be Managers of Demand. They have to know much more than just their own product as it used to be.

To be able to answer questions more correctly, marketers must understand first the true import of some of these terms:

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CONSUMER

This is a term, which has many facets. But in business field we use this term to mean that individual who derives direct utility of the product. Consumer has his or her budget, and he or she tends to derive maximum utility within that budget. That is why we are keen to study his or her preferences, choices, sensitivity and interests with a view to maximizing his utility. We need to study Consumer Behavior and to harness and educate consumer to make our product successful.

CUSTOMER

This term connotes that individual who actually makes a decision in selecting a certain product. He or she may and may not directly consume the product. But he or she takes a buying decision. A housewife for example buys cooking oil for her household- she is a customer. The entire family is a consumer.

Two kinds of customers: Internal and External.

*Internal are those, who work in the organization.

*External are those who are individuals, business people and groups outside.

CONSUMER MARKETS

Selling of mass consumer goods and services such as soft drinks, tooth pastes, TV sets etc. Great time is spent in establishing superior brand image to be successful in consumer product marketing. It requires clear understanding of target consumers, the product, which meets their needs, communicating brand positioning more forcefully and creatively etc. All this will help them establish number one or two positions.

BUSINESS MARKETS

Selling goods and services to consumers who are skilled in evaluating competitive offerings. An effective sales force, prices and companies or brands reliability and quality is required to deal with such markets/products.

GLOBAL MARKETS

This is when we talk beyond frontiers; marketers are faced with tougher decisions for global markets. Export of product is in itself a major undertaking. Which country to enter? How to enter? How to Price? How to communicate? are just a few important and underlying decisions. Legal system, styles of negotiation; currency situation, political situation etc a few others to be considered by the marketer.

NON-PROFIT AND GOVERNMENTAL MARKETS

Selling to Non-Profit Organizations, such as charitable organizations, missions, universities, etc is yet another challenge to marketers. Governments call for bids, tenders etc for its purchase. It is yet another way to sell goods and services. Price, timely delivery and marketing their schedules are some of the important challenges in this sector. Participation in tender bids, in-time offering, meeting time schedules etc are some of the logistics in handling such a market.

MARKETING VIEWPOINT

Marketing continues to be a social process by which individuals or groups obtain what they need or want through creating, offering and freely exchanging goods and services of value. Traditionally, that remains marketing function; but it is noteworthy that although the functions remain the sane, stupendous challenges have come about. Due to changes in offering and delivering newer methods and ways through progressive technology have complicated the situation and have posed challenges of enormous difficulty for marketers today. Above all, there is hardly a room for complacency, wrong and delayed decisions. Previously, one mistake used to cause loss of one customer or market or a situation. Today, one mistake can cause a total disaster for the business. Marketers have to be very vigilant and careful therefore in making strategic decisions. Competition is replete.

There are two kinds of environment now which surround us

1) The task environment
2) The broad environment

Task environment involves immediate actors, such as suppliers, distributors, dealers and consumers etc, involved in production, distribution and promotion.

Broad environment consists of; demographic, natural, economic, technological, political-legal and socio-cultural environment.

Marketers have to decide on what is called Marketing Mix and create an ideal situation.

As said earlier the Right Product has to be determined

Right Product

The decisions regarding each of the following items give below:

a. Product Variety and range
b. Quality
c. Designs
d. Features
e. Brands
f. Packaging
g. Sizes
h. Models
i. Services
j. Warranties
k. Returns

Right Price

a. List Price
b. Discounts and conditions of discounts
c. Allowances
d. Payment Period

Right Place

a. Channel
b. Coverage / Reach
c. Location
d. Inventory
e. Transport
f. Assortments

Right Promotion

a. Advertising
b. Announcements
c. Public Relation
d. Direct Marketing

Of course in addition to that Marketers have to take decisions on WHEN?? This is vital for product growth and offering.

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Lesson-2

CUSTOMER EXPERIENCE MANAGEMENT

In previous lectures, we have discussed Internal and External Customers. In this lecture, we will discuss **CUSTOMER NEEDS AND EXPECTATIONS** and identify as to how we in Marketing attempt to satisfy them.

NEED

Needs can be described as human requirements. Need is there and its natural. We need food to satisfy our hunger, water to quench out thirst. Of course need can be more than just food, water and shelter. We need recreation, education, entertainment and lots of other things to sustain our living.

WANT

Need becomes Want, when they are directed towards a specific object. When hungry we need food; but we want say a burger. Want can vary from place to place and from people to people. A man in USA can want a burger to eat when hungry whereas a man in Pakistan needs a 'Nan". Want can be different at different income levels and in various times.

DEMAND

Want becomes a demand when backed up by an individual's ability to pay for it. A hungry person can want a burger, but does he have money to demand a burger. Or is there a burger available to him?

MARKETING JOB is not to create Need. Need is there. Marketing function is to offer a specific product at a certain price and at a certain place (where need is) and at the time when Need is. If marketing function is performed properly, the product is sold. Or else it would not sell, no matter what?

CUSTOMER LIFETIME VALUE (CLV)

Marketers' job is to build long-term association with Customer and his need. Since need is re-occurring, Marketers long-term principle is to look at the value of the customer to the Company over the whole time of his being a customer. This relationship **IS BUILT WITH A CUSTOMER** over a long period of time and for a long time. Whenever the need arises, the customer relate to that product to satisfy need. Whenever he feels hungry and wants to eat fast, he reverts to burgers and he decides in favor of a specific brand. Even if he tries other brands of burgers, he would revert back to that brand more strongly and shows his loyalty.

CUSTOMER EXPERIECENE MANAGEMENT (CEM)

This term is related to managing strategically customer's entire experience with the product and company.

Market Research has shown that 70% to 80% of all products are perceived as commodities. Commodities, more or less, have the same features as competing products. For example burger is a burger. It has many common features in almost brands and types that is why it is called a burger. But marketers difficult job is drive some competitive edge. Such edges can be achieved through branding, product differentiation, segmentation or what we call Relationship Marketing. Relationship Marketing focuses on establish and building long term relationship between the company and customer. We also call it **loyalty marketing**.

CEM perceives that customers are the most valuable asset. Besides customer usage of he product his utility relationship, the customer also evaluate other things as well. Such as price, promptness and service, hygiene cordiality etc.

CEM TECHNIQUES AND STEPS

Marketers' job is to apply Customer Experience Management very systematically-

STEP No 1

Analyze the experiential world of customers

- Get to know customer needs, wants and lifestyles

STEP No 2
Build the experiential platform

- Connecting strategy and implementation
- Connecting customers expectations

STEP No 3
Design brand

STEP NO 4
Structure customer interface

- All intangibles such as ordering, delivery, attitude behavior

STEP NO 5
Continue experiential innovation

- Anything that can improve customer's own viewpoint on your products and services.

CEM accepted purpose is to enable organization to better service through Introduction of reliable processes and procedures for interacting with customers

GENERAL RULES OF CEM

Apply the following rules of CEM for better marketing approach and results

- Provide product information to the customers
- Help to identify potential problem before it occurs

- Provide user friendly customer complaint registration
- Have prompt complaint handling system
- Provide fast back up service
- Provide quick correcting service
- Provide close mechanism on customer point of interaction
- Keep environment clean neat and fair

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Lesson-3

MARKETING ORIENTATION-1

MARKETING ORIENTATION

A **marketing oriented** firm (also called the **marketing concept**, or **consumer focus**) is one that allows the wants and needs of customers and potential customers to drive all the firm's strategic decisions. The firm's corporate culture is systematically committed to creating customer value. In order to determine customer wants, the company usually needs to conduct marketing research. The marketer expects that this process, if done correctly, will provide the company with a sustainable competitive advantage.

The concept of marketing orientation was developed in the late 1960s and early 1970s at Harvard University and at a handful of forward thinking companies. It replaced the previous sales orientation that was prevalent between the mid 1950s and the early 1970s, and the production orientation that predominated prior to the mid 1950s. Since the concept was first introduced in the late 1960s, it as been modified, repackaged, and renamed as "customer focus", "the marketing philosophy", "market driven", "customer intimacy", and "the marketing concept".

APPLICATION OF THE CONCEPT

This consumer focus can be seen as a process that involves three steps.

- FIRST customer wants are researched,
- SECOND the information is disseminated throughout the firm and products are developed,
- And THIRDLY customer satisfaction is monitored and adjustments made if necessary.

Techniques that firms use to understand the customer include:

- Quantitative marketing research - such as; surveys and questionnaires
- Qualitative marketing research - such as; focus groups and advisory panels
- Market research and industry research - such as; Porter 5 forces analysis
- Face-to-face meetings with customers
- Face-to-face meetings with frontline staff - sales reps, clerks, and receptionists
- Customer complaints department
- Customer hotlines - Web and telephone
- Visits to customers' facilities
- Frequent user programs and databases
- User groups - Beta testing
- Conferences

A marketing oriented firm will typically show the following characteristics:

- Extensive use of various marketing research techniques
- Broad product lines
- Emphasis on a product's benefits to customers rather than on product attributes
- Use of product innovation techniques, such as; brainstorming, concept testing, and force-field analysis.
- The offering of ancillary services like credit availability, delivery, installation, and warranty
- Customer satisfaction and complaint monitoring procedures, including; exit interviews, customer complaints database, and Web and telephone information hotlines.
- Organizational structure in which the marketing manager reports directly to the CEO.

SUSTAINABLE COMPETITIVE ADVANTAGE

In marketing and strategic management, **sustainable competitive advantage** is an advantage that one firm has relative to competing firms. It usually originates in a core competency. To be really effective, the advantage must be:

1. difficult to mimic
2. unique
3. sustainable
4. superior to the competition

5. applicable to multiple situations

Examples of company characteristics that could constitute a sustainable competitive advantage include:

- customer focus, customer lifetime value
- superior product quality
- extensive distribution contracts
- accumulated brand equity and positive company reputation
- low cost production techniques
- patents and copyrights
- government protected monopoly
- superior employees and management team

The list of potential sustainable competitive advantage characteristics is very long. However there are some commentators that claim that in a fast changing competitive world, none of these advantages can be sustained in the long run. They claim that the only truly sustainable competitive advantage is to build an organization that is so alert and so agile that it will always be able to find an advantage, no matter what changes occur.

CORE COMPETENCY

A company's core competency is the one thing that it can do better than its competitors. A core competency can be anything from product development to employee dedication. If a core competency yields a long-term advantage to the company, it is said to be a sustainable competitive advantage.

Core competence has three characteristics:

1. It provides potential access to a wide variety of markets,
2. It increases perceived customer benefits and
3. It is hard for competitors to imitate.

Core competency guides a firm recombining its competencies in response to demands from the environment?

So according to this definition, core competencies are harmonized, intentional constructions.

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Lesson-4

MARKETING ORIENTATION-2

In the last lecture, we almost concluded marketing as a demand management and marketing as conscious efforts to achieve desired exchange outcome with target market. But what philosophy should a company follow in marketing effort.

What kind of weightage should be given to organization, customers and society? Marketing should be carried out on well-thought-out philosophy of efficient, effective and socially responsible marketing.

There are five competing concepts of philosophies to conduct marketing activities.

a) The Production Concept
b) The Product Concept
c) The selling Concept
d) The Marketing Concept
e) The Societical Concept

We will discuss each one of them

a) THE PRODUCTION CONCEPT

This philosophy approach is that consumers will prefer products that are widely available and are inexpensive.

Managers of this concept concentrate on achieving high production efficiency, lower costs and mass distribution. They assume that consumers are only interested in product availability and low prices. Production concept does work for some products, but not for all kinds of products.

b) THE PRODUCT CONCEPT

This concept is that consumers will favor that product, which offers most quality performance and innovative features. The managers of this concept focus their attention towards making products more superior and keep improving it. They assume that consumers admire and prefer well-made products and appraise quality and performance. Automobile industry is one good example. There is always, however, a chance that managers get caught in their own outlook and ignore what customers need. Sometimes, they push certain features too far and overlook the customers' real needs.

c) THE SELLING CONCEPT

This concept emphasizes on aggressive selling and high promotional back up. Selling, concept is practical on what we call as *'unsought goods'* such as insurance, encyclopedia etc. At most times, the selling concept is practical by managers having uniqueness and overcapacity. Their aim is to sell what they can make rather that what the market needs. The customer still may not fully like the product and have what we calls *'bad-mouth'*. Bad mouth is when a customer talks not in favours of the product. Bad mouth travels fast.

d) THE MARKETING CONCEPT

This concept holds that the key to organizational goals consists of company being more effective than competitors in creating, delivering and communicating consumer value to the chosen target.

Marketing concept becomes clear in the following statements:

'Find wants and fill them'.
'You are the boss (Customer)'.
'Have it in your way'.

Where as selling focuses on the needs of the sellers; marketing on the needs of the buyers.

Selling concept is:

Factory → Product → Selling and Promotion → Profit from volume

Marketing concept is

Target Market → Consumer Needs → Integrated Marketing → Consumers' Satisfaction

TARGET MARKET

Companies do their best in choosing their target markets and then tailor their marketing programme.For Example for woolen clothes, select the colder areas.

CONSUMER NEED

It is not always simple. It is difficult to correctly ascertain. A customer says. 'I want an inexpensive car' what is he saying? He wants a car that is not expensive. So he needs a car but not expensive compared to his income. Needs are

a. Stated need (an inexpensive Car)
b. Real need (wants a car which is lower in maintenance)
c. Unstated need (he wants a strong car)
d. Delighted need (he wants a road map of his country)
e. Secret need (he wants image in that car)

These are the series of his Need. Marketing job is to respond to all his needs. Marketers provide solution in the shape of responsive marketing, anticipative marketing and creative marketing.

INTEGRATED MARKETING

This is done at two-levels. One, various Marketing Functions such as sales force, advertising, customer services etc are integrated in ONE quantity; Secondly, marketing must integrate production, quality control and design sections. This integration works towards customer satisfaction in Toto.

PROFITABILITY

The ultimate function of marketing is to help organizations to meet their profitability objective, Modern firms achieve this through superior customers value. The Company makes money by satisfying customer needs.

e) THE SOCIETAL CONCEPT

This concept further elaborates the marketing approach to include consumer and society well being overall.

Environmental deterioration, resource shortage, explosive population growth, poverty, hunger etc are just a few things in our society now. Marketing aims at delivering satisfaction more effectively and efficiently.

HOW MARKETING IS RESPONDING?

In view of the ensuring thing, marketing themes of the millennium are:

Relationship Marketing

Focusing on building long-term relationship with customers.

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Customer-life-time Value
Regular delivery of product and its value at a reasonable price.

Customer Share
Offering product and services to existing customers on regular basis.

Individualizing
Treating customer individually on their merit.

Channels as partners
Making alliances with dealers as partners instead of traditional hostility.

The crux of the modern marketing is to develop the right product for the right people, at the right price, at the right place and at the right time and with right services.

Lesson-5

INFLUENCE OF MARKETING ENVIRONMENT ON MARKETING DECISIONS

We have discussed marketers have to take several and important decisions to be able to bring right-product for the right people at the right price at the right time with right services .All this is happening in an environment. In other words, marketers' decisions can be good and profitable only if they are in consonance with the environment. Marketers must understand the environment.

MARKETING ENVIRONMENT

Environment is a broad spectrum or sets of conditioned which prevail at a given time. For environmentalists, it is air, oxygen, dust, smoke etc .in atmosphere. But in marketing, we mean two things. We have studied it previously.

3) The task environment
4) The broad environment

Task environment involves immediate actors, such as suppliers, distributors, dealers and consumers etc, involved in production, distribution and promotion.

Broad environment consists of; demographic, natural, economic, technological, political-legal and socio-cultural environment.

We will go into details of task environment later in our study. At this point we will look into broad environment and establish a link between these conditions and marketing decisions.

BROAD ENVIRONMENT

The following are broad environment

1) Controllable factors
2) Uncontrollable factors
3) Competition
4) Government
5) Economy
6) Technology
7) Media

In the above-mentioned seven headings, we will study broad environment to see their influence on market decisions.

CONTROLLABLE FACTORS

Such are factors, which are directed by top management and marketers Although, top management takes all decisions but five are directly affecting markets.

a) **Line of business:** This consists of goods and services category, functions geographic coverage, type of ownership and specific business of the company.
b) **Overall objectives**: Numerical goals, etc
c) **Role of Marketing:** Importance and integration of services
d) **Corporate culture**: the conditions that exist inside the organization

UNCONTROLLABLE FACTORS

Theses are pertaining to External conditions. Such as

a) Consumers: their characteristics, incomes, status, race, education etc.
b) Competition: What are they doing and planning, their research, policies and strategies etc.
c) Government: The legislation; laws, rules, controls, policies, framework, international laws etc.
d) Economy: The rate of growth, sectoral factors, the trends and many other things.

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e) Technology: The research, methods, machines, equipment etc.
f) Media: The independence of media, the public opinion, the information mode etc.

All of the above board environment factor directly and indirectly affect and influence our marketing decisions directly. Policies ad plans have to be altered with a change in either of the above.

HANDLING BROAD ENVIRONMENT

MONITORING:
The broad environment must be closely monitored and scanned to adjust our marketing decisions. An immediate response to change must be ensure to take corrective measures or to avail of the opportunity

FLEXIBILITY:
Marketing decisions must have inherent flexibility to alter/change with broad environment. Change has to be managed and implemented. Organization must have flexibility to alter its actions keeping in view the changes that have occurred in broad environment.

INFORMATION AND RESEARCH:
Close and systematic mechanism must be developed for access to information and research. Changes either take place and broadcast, such as legal system etc. but certain changes are anticipated. Trends must be watched and mechanism is built to have information well in advance.

ADOPTION:
Adoption of marketing decisions must be fully and carefully monitored. Whatever we change and alter must be done after taking into account the environment. But once a change is made, it must be fully adopted and working conditions adjusted to get maximum benefits etc.

In Marketing, we call this as '**Marketing-Environment Fit'** (MEF). Since there is nothing much we can do about the broad environment, we can however take Marketing Decisions to fit to the environment and alter and change. It is like adjusting the course according to the readings on radar.
And in-time marketing decision taken in view of the broad environment leads to:

1. Reducing losses or erosion of business or profit
2. Availing opportunity arising out of it.

'An early bird catches moth' dictum explains it all.

Lesson-6

MARKETING DECISIONS

We have discussed in the past that Marketing decisions have to be taken by the marketers and that they must take into account environment in totality. The decisions have not only to be right, but they must be taken at the right time. We will discuss marketing decisions in mainly four categories

- Product
- Price
- Place (distribution)
- Promotion

The term "marketing mix" became popularized in the 60s . The ingredients in marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis.

The Marketing Mix

These four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that center the four P's on the customers in the target market in order to create perceived value and generate a positive response.

Product Decisions

The term "product" refers to tangible, physical products as well as services. Here are some examples of the product decisions to be made:

- Brand name
- Functionality
- Styling
- Quality
- Safety
- Packaging
- Repairs and Support
- Warranty
- Accessories and services

Price Decisions

Some examples of pricing decisions to be made include:

- Pricing strategy (skim, penetration, etc.)
- Suggested retail price
- Volume discounts and wholesale pricing

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- Cash and early payment discounts
- Seasonal pricing
- Bundling
- Price flexibility
- Price discrimination

Distribution (Place) Decisions

Distribution is about getting the products to the customer. Some examples of distribution decisions include:

- Distribution channels
- Market coverage (inclusive, selective, or exclusive distribution)
- Specific channel members
- Inventory management
- Warehousing
- Distribution centers
- Order processing
- Transportation
- Reverse logistics

Promotion Decisions

In the context of the marketing mix, promotion represents the various aspects of marketing communication, that is, the communication of information about the product with the goal of generating a positive customer response. Marketing communication decisions include:

- Promotional strategy (push, pull, etc.)
- Advertising
- Personal selling & sales force
- Sales promotions
- Public relations & publicity
- Marketing communications budget

Limitations of Marketing Mix Framework

The marketing mix framework was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy. Today, with marketing more integrated into organizations and with a wider variety of products and markets, some authors have attempted to extend its usefulness by proposing a fifth P, such as packaging, people, process, etc. Today however, the marketing mix most commonly remains based on the 4 P's.

Marketing starts with the product since it is what an organization has to offer its target market. As we've stressed many times in this tutorial, organizations attempt to provide solutions to a target market's problems. These solutions include tangible or intangible (or both) product offerings marketed by an organization.

Distribution decisions are relevant for nearly all types of products. While it is easy to see how distribution decisions impact physical goods, such as laundry detergent or truck parts, distribution is equally important for digital goods (e.g., television programming, downloadable music) and services (e.g., income tax services). In fact, while the Internet is playing a major role in changing product distribution and is perceived to offer more opportunities for reaching customers, online marketers still face the same distribution issues and obstacles as those faced by offline marketers.

Lesson-7

MARKETING PLAN

For Product or Service, a Brand, or a Product line.
It can cover ONE YEAR (referred to as an annual marketing plan), or cover up to 5 years. A marketing plan may be part of an overall Business Plan. In general terms, it must:

- Describe and Explain the Current Situation
- Specify the Expected Results (objectives)
- Identify the Resources that will be needed (including financing, time, and skills)
- Describe the Actions that will need to be taken to achieve the objective(s)
- Devise a Method of Monitoring Results and Adjusting the Plan where necessary

There are many formats for marketing plans and every company does it a little different, but the outline that follows is a very complete format. Using this format will produce a 30 to 40 page Plan. Many companies prefer an abridged format that would yield a 10 to 20-page plan.

MARKETING PLAN DETAILS

1. Title page

Title page is usually the details about the Plan. That is for which company, if there are more than one company in the group, and the time period etc. Information that enables us to identify the Plan.

2. Executive Summary

The Plan should open with a brief summary of the plans most important Goals and Recommendations. The summary can be expressed like in a brief statement, *"increase sales by 10% this year" or "reduce expenses by 5 %" or say "will enter UK market this year" etc.*

3. a) Current Situation – Macro-environment

All situations regarding Economy, Government, Legal, Technology, Ecological, Socio-cultural, Supply chain and some other macro factors must be carefully studied. Relevant data from authentic sources regarding these factors must be collected and analyzed.

b) Current Situation - Market Analysis

Indeed, market situation must be taken into account in all details and carefully studied. Market definition, Market size, Market Segmentation, Industry Structure and strategic groupings, Competition and market share, Competitors' Strengths and Weaknesses and Market Trends must be carefully studied and analyzed. This will give us the exact position of our product vis-à-vis market, to enable us to plan future our future course of action.

c) Current Situation - Consumer Analysis

As we have seen before, consumer and customer knowledge is very essential. We must be aware of nature of the buying decision, participants, demographics, psychographics, buyer motivation and expectations, loyalty segments etc to be fully aware of consumer reactions and expectations.

d) Current Situation – Internal Environment

The next step is obviously to ascertain the company's own resources in terms of financial, people, time and skills and to set objectives. Mission statement and vision statement, corporate objectives, financial objective, marketing objectives, long term objectives, etc must be clearly established. Corporate culture must be established.

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Lesson-8

MARKETING PLAN – Contd...

4. Summary of Situation Analysis

External threats, external opportunities, internal strengths, internal weaknesses, key success factors in the industry, our sustainable competitive advantage, marketing research etc must be carefully understood and analyzed. Information requirements, research methodology and research results must be carefully ascertained at this stage and carried out.

5. a) Marketing Strategy - Product

Product mix, product strengths and weaknesses, perceptual mapping, product life cycle management and new product development, brand name, brand image, and brand equity, the augmented product, and product portfolio analysis are now easy to establish

b) Marketing Strategy – Pricing

Pricing objectives, pricing method (eg.: cost plus, demand based, or competitor indexing), pricing strategy (eg.: skimming, or penetration), discounts and allowances, price elasticity and customer sensitivity, price zoning, break even analysis at various prices

c) Marketing Strategy Promotion

Promotional goals, promotional mix, advertising reach, frequency, flights, theme, and media, sales force requirements, techniques, and management, sales promotion, publicity and public relations, electronic promotion (eg.: Web, or telephone)

d) Marketing Strategy - Distribution

Geographical coverage, distribution channels, physical distribution and logistics, electronic distribution etc must be earmarked

6. Implementation

Personnel requirements, assigning responsibilities, give incentives, training on selling methods, financial requirements, management information systems requirements, month-by-month agenda, pert or critical path analysis, monitoring results and benchmarks, adjustment mechanism, contingencies (What if's) need to be worked out

7. Financial Summary

Assumptions, pro-forma monthly income statement, contribution margin analysis, breakeven analysis. This information must be very formally done at this stage

8. Appendix

Pictures and specifications of the new product, results from research already completed.

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Lesson-9

STRATEGIC MARKETING PLANNING
(PART-I)

MARKETING STRATEGIES

Strategy is the crafting of plans to reach goals. **Marketing strategies** are those plans designed to reach marketing goals. A good marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. The objective of a marketing strategy is to put the organization into a position to carry out its mission effectively and efficiently.

Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned.

TYPES OF MARKETING STRATEGIES

Every marketing strategy is unique, but if we abstract from the individualizing details, each can be reduced into a generic marketing strategy.

- **Strategies based on market Dominance** - Typically there are four types of market dominance strategies:
  - leader
  - challenger
  - follower
  - nicher
- **Innovation Strategies**- This deals with the firm rate of new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:
  - pioneers
  - close followers
  - late followers
- **Horizontal Integration**
  - vertical integration
  - diversification (or conglomeration)
  - intensification
- **Aggressiveness Strategies** - This asks whether a firm should grow or not, and if so, how fast. One scheme divides strategies into:
  - building
  - holding
  - harvesting

Horizontal Integration

In microeconomics and strategic management, **horizontal integration** is a theory of ownership and control. It is a strategy used by a business or corporation that seeks to sell one type of product in numerous markets. To get this market coverage, several small subsidiary companies are created. Each markets the product to a different market segment or to a different geographical area. This is sometimes referred to as the horizontal integration of marketing. The horizontal integration of production is where a firm has plants in several locations producing similar products. Horizontal integration in marketing is much more common than horizontal integration in production

Vertical integration

In microeconomics and strategic management, **vertical integration** is a theory describing a style of ownership and control. Vertically integrated companies are united through a hierarchy and share a common owner. Usually each member of the hierarchy produces a different product, and the products combine to satisfy a common need.

Three types of Vertical Integration

There are three varieties of this: backward vertical integration, forward vertical integration, and balanced vertical integration.

- In **backward vertical integration**, the company sets up subsidiaries that produce some of the inputs used in the production of its products. For example, an automobile company may own a tire

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company, a glass company, and a metal company. Control of these three subsidiaries is intended to create a stable supply of inputs and ensure a consistent quality in their final product.

- In **forward vertical integration**, the company sets up subsidiaries that distribute or market products to customers or use the products themselves. An example of this is a movie studio that also owns a chain of theaters.
- In **balanced vertical integration**, the company sets up subsidiaries that both supply them with inputs and distribute their outputs.

Aggressiveness strategies (business)

Business strategies can be categorized in many ways. One popular method is to assess strategies based on their degree of aggressiveness. **Aggressiveness strategies** are rated according to their marketing assertiveness, their risk propensity, financial leverage, and product innovation, speed of decision-making and other measures of business aggressiveness.

Typically the range of aggressiveness strategies is classified into four categories:

- Prospector
- Defender
- Analyzer
- Reactor

Prospector strategy

This is the most aggressive of the four strategies. It typically involves active programs to expand into new markets and stimulate new opportunities. New product development is vigorously pursued and attacks on competitors are a common way of obtaining additional market share. They respond quickly to any signs of market opportunity, and do so with little research or analysis. A large proportion of their revenue comes from new products or new markets. The risk of product failure or market rejection is high. . Advertising, sales promotion, and personal selling costs are a high percentage of sales.

Defender Strategy

This strategy entails a decision not to aggressively pursue markets. A defender strategy entails finding, and maintaining a secure and relatively stable market.

In their attempt to secure this stable market they either keep prices low, keep advertising and other promotional costs low, engage in vertical integration, offer a limited range of products or offer better quality or service.

Analyzer

The analyzer is in between the defender and prospector. They take less risk and make fewer mistakes than a prospector, but are less committed to stability than defenders. Most firms are analyzers. They are seldom a first mover in an industry but are often second or third place entrants. They tend to expand into areas close to their existing core competency. Rather than expand into wholly new markets, they gradually expand existing markets. They try to maintain a balanced portfolio of products

Reactor

A reactor has no proactive strategy. They react to events as they occur. They respond only when they are forced to by macro environmental pressures. This is the least effective of the four strategies. It is without direction or focus.

Lesson-10

STRATEGIC MARKETING PLANNING
(PART -II)

MARKET DOMINANCE STRATEGIES

Typically there are four types of market dominance strategies that a marketer will consider: There are

- Market leader,
- Market challenger,
- Market follower,
- Market nicher.

Market Leader

The market leader is dominant in its industry. It has substantial market share and often extensive distribution arrangements with retailers. It typically is the industry leader in developing innovative new business models and new products (although not always). It sometimes has some market power in determining either price or output. Of the four dominance strategies, it has the most flexibility in crafting strategy.

The main options available to market leaders are:

- Expand the total market by finding
  - new users of the product
  - new uses of the product
  - more usage on each use occasion
- Protect your existing market share by:
  - developing new product ideas
  - improve customer service
  - improve distribution effectiveness
  - reduce costs
- Expand your market share:
  - by targeting one or more competitor
  - without being noticed by government regulators

Market Challenger

A market challenger is a firm in a strong, but not dominant position that is following an aggressive strategy of trying to gain market share. It typically targets the industry leader (for example, Pepsi targets Coke), but it could also target smaller, more vulnerable competitors. The fundamental principles involved are:

- Assess the strength of the target competitor. Consider the amount of support that the target might muster from allies.
- Choose only one target at a time.
- Find a weakness in the target?? Position. Attack at this point. Consider how long it will take for the target to realign their resources so as to reinforce this weak spot.
- Launch the attack on as narrow a front as possible. Whereas a defender must defend all their borders, an attacker has the advantage of being able to concentrate their forces at one place.
- Launch the attack quickly, and then consolidate.

Some of the options open to a market challenger are:

- price discounts or price cutting
- line extensions
- introduce new products
- reduce product quality
- increase product quality
- improve service
- change distribution
- cost reductions
- intensify promotional activity

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Market Follower

A market follower is a firm in a strong, but not dominant position that is content to stay at that position. The advantages of this strategy are:

- No expensive R&D failures
- No risk of bad business model
- Best practices? are already established
- Able to capitalize on the promotional activities of the market leader
- Minimal risk of competitive attacks
- Don't waste money in a head-on battle with the market leader

Market Nicher

In this niche strategy the firm concentrates on a select few target markets. It is also called a focus strategy. It is hoped that by focusing ones marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The niche should be large enough to be profitable, but small enough to be ignored by the major industry players. Profit margins are emphasized rather than revenue or market share. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms and has much in common with . The most successful nichers tend to have the following characteristics:

- They tend to be in high value added industries and are able to obtain high margins.
- They tend to be highly focused on a specific market segment.
- They tend to market high end products or services, and are able to use a premium pricing strategy.
- They tend to keep their operating expenses down by spending less on R&D, advertising, and personal selling.

COST LEADERSHIP STRATEGY

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. Successful implementation also benefits from:

- process engineering skills
- products designed for ease of manufacture
- sustained access to inexpensive capital
- close supervision of labour
- tight cost control
- incentives based on quantitative targets

DIFFERENTIATION STRATEGY

Differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.

To maintain this strategy the firm should have:

- strong research and development skills
- strong product engineering skills
- strong creativity skills
- good cooperation with distribution channels
- strong marketing skills
- incentives based largely on subjective measures

- be able to communicate the importance of the differentiating product characteristics
- stress continuous improvement and innovation
- attract highly skilled, creative people

MARKET SEGMENTATION STRATEGIES

In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms and has much in common with guerrilla marketing warfare strategies. It is also considered an important strategy by others.

SCENARIO PLANNING

Scenario planning is a strategic planning method that some organizations use to make flexible long-term plans.

These combinations of fact and possible social changes are called "scenarios." The scenarios usually include plausible, but unexpectedly important situations and problems that exist in some small form in the present day.

Strategic military intelligence organizations also construct scenarios. The methods and organizations are almost identical, except that scenario planning is applied to a wider variety of problems than merely military and political problems.

The chief value of scenario planning is that it allows policy-makers to make and learn from mistakes without risking important failures in real life. Further, policymakers can make these mistakes in a pleasant, unthreatening, game-like environment, while responding to a wide variety of concretely-presented situations based on facts.

How scenario planning is done

1. **Decide on the key question to be answered by the analysis**. By doing this, it is possible to assess whether scenario planning is preferred over the other methods. If the question is based on small changes or a very few number of elements, other more formalized methods may be more useful
2. **Set the time and scope of the analysis.** Take into consideration how quickly changes have happened in the past, and try to assess to what degree it is possible to predict common trends in demographics, product life cycles. A usual timeframe can be 5 to 10 years.
3. **Identify major stakeholders**. Decide who will be affected and have an interest in the possible outcomes. Identify their current interests, whether and why these interests have changed over time in the past.
4. **Map basic trends and driving forces**. This includes industry, economic, political, technological, legal and societal trends. Assess to what degree these trends will affect your research question. Describe each trend, how and why it will affect the organization. In this step of the process, brainstorming is commonly used, where all trends that can be thought of are presented before they are assessed, to capture possible group thinking and tunnel vision.
5. **Find key uncertainties.** Map the driving forces on two axes, assessing each force on an uncertain/(relatively) predictable and important/unimportant scale. All driving forces that are considered unimportant are discarded. Important driving forces that are relatively predictable (for exp. demographics) can be included in any scenario, so the scenarios should not be based on these. This leaves you with a number of important and unpredictable driving forces. At this point, it is also useful to assess whether any linkages between driving forces exist, and rule out any "impossible" scenarios (for exp. full employment and zero inflation).
6. **Check for the possibility to group the linked forces** *and if possible, reduce the forces to the* two *most important.*
7. ***Define the scenarios:*** plotting them on a grid if possible. Usually, 2 to 4 scenarios are constructed. The current situation does not need to be in the middle of the diagram (inflation may already be low), and possible scenarios may keep one (or more) of the forces relatively constant, especially if using three or more driving forces. One approach can be to create all positive elements into one scenario and all negative elements (relative to the current situation) in another scenario, then refining these. In the end, try to avoid pure best-case and worst-case scenarios.

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8. ***Write out the scenarios***. Narrate what has happened and what the reasons can be for the proposed situation. Try to include good reasons *why* the changes have occurred as this helps the further analysis. Finally, give each scenario a descriptive (and catchy) name to ease later reference.
9. ***Assess the scenarios***. Are they relevant for the goal? Are the internally consistent? Are they archetypical? Do they represent relatively stable outcome situations?
10. ***Identify research needs*.** Based on the scenarios, assess where more information is needed. Where needed, obtain more information on the motivations of stakeholders, possible innovations that may occur in the industry and so on.
11. **Develop quantitative methods.** If possible, develop models to help quantify consequences of the various scenarios, such as growth rate, cash flow etc. This step does of course require a significant amount of work compared to the others, and may be left out in back-of-the-envelope-analyses.
12. **Converge towards decision scenarios.** Retrace the steps above in an iterative process until you reach scenarios which address the fundamental issues facing the organization. Try to assess upsides and downsides of the possible scenarios.

Lesson-11

PRODUCT

Definition

"In marketing, a product is anything that can be offered to a market that might satisfy a want or need. However it is much more than just a physical object. It is the complete bundle of benefits or satisfactions that buyers perceive they will obtain if they purchase the product".

It is the sum of all physical, psychological, symbolic, and service attributes.

A product is similar to goods. In accounting, goods are physical objects that are available in the marketplace. This differentiates them from a service, which is a non-material product.

The term "goods" is used primarily by those that wish to abstract from the details of a given product. As such it is useful in accounting and economic models. The term product is used primarily by those that wish to examine the details and richness of a specific market offering. As such it is useful to marketers, managers, and quality control specialists.

A "man" can also be an "experience", which like a service is intangible. However an experience is unique to the receiving individual, based upon their history. Example: amusement parks offer rides (product), acceptance of credit cards (service), and audience participation at the dolphin show (experience). My value of the dolphin show is different from yours, and to the extent I value it more, will trade more for it (money).
The word "product" is also used as a pejorative term to describe teenagers who have homogenized themselves in the sense they have become indistinguishable due to their clothing, possessions, and brands they choose to display (at least at first glance).

THREE ASPECTS OF A PRODUCT

There are three aspects to any product or service:

1. Core Benefit
- In-use benefits
- Psychological benefits (e.g., self-image enhancement, hope, status, self worth)
- Problem reduction benefits (e.g., safety, convenience)

2. Tangible Product or Service
- Product attributes and features
- Quality
- Styling
- Packaging protection and label information
- Brand name

3. Augmented Product or Service
- Warranty
- Installation
- Delivery
- Credit availability
- After-sale service and maintenance

TYPES OF PRODUCTS

There are several types of products:

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- Consumer Products: used by end users
- Industrial Products: used in the production of other goods
- Convenience Goods: purchased frequently and with minimal effort, often referred to as FMCG (Fast Moving Consumer Goods)
- Impulse Goods: purchase stimulated by immediate sensory cues
- Emergency Goods: goods required immediately
- Shopping Goods: some comparison with other goods
- Specialty Goods: extensive comparisons with other goods and a lengthy information search
- Unsought Goods: e.g., cemetery plots, insurance
- Perishable Goods: goods that will deteriorate quickly even without use
- Durable Goods: goods that survive multiple use occasions, often further subdivided into `white goods'
- (refrigerators and cookers, for example) and `brown goods' (such as furniture, as well as electrical/electronic devices)
- Non-durable/consumption/consumable goods: goods that are used up in one occasion
- Capital goods: installations, equipment, and buildings
- Parts and materials: goods that go into a finished product
- Supplies and services: goods that facilitate production
- Commodities: undifferentiated goods (e.g., wheat, gold, sugar)

By-products

A product that results from the manufacture of another product.

CLASSIFYING PRODUCTS

Product management involves developing strategies and tactics that will increase product. It classifies and rates products based on five variables:

1. Replacement rate (how frequently is the product repurchased?)
2. Gross margin (how much profit is obtained from each product?)
3. Buyer goal adjustment (how flexible are the buyers' purchasing habits in regards to this product?)
4. Duration of product satisfaction (how long will the product produce benefits for the user?)
5. Duration of buyer search behaviour (how long will they shop for the product?)

PRODUCT DIFFERENTIATION

In marketing, product differentiation is the modification of a product to make it more attractive to the target market. This involves differentiating it from competitors' products as well as your own product offerings.
The changes are usually minor; they can be merely a change in packaging or also include a change in advertising theme. The physical product need not change, but it could.

The objective of this strategy is to develop a position that potential customers will see as unique. If your target market sees your product as different from the competitors', you will have more flexibility in developing your marketing mix. A successful product differentiation strategy will move your product from competing based primarily on price to competing on non-price factors (such as product characteristics, distribution strategy, or promotional variables).

The disadvantage of this repositioning is that it usually requires large advertising and production expenditures.

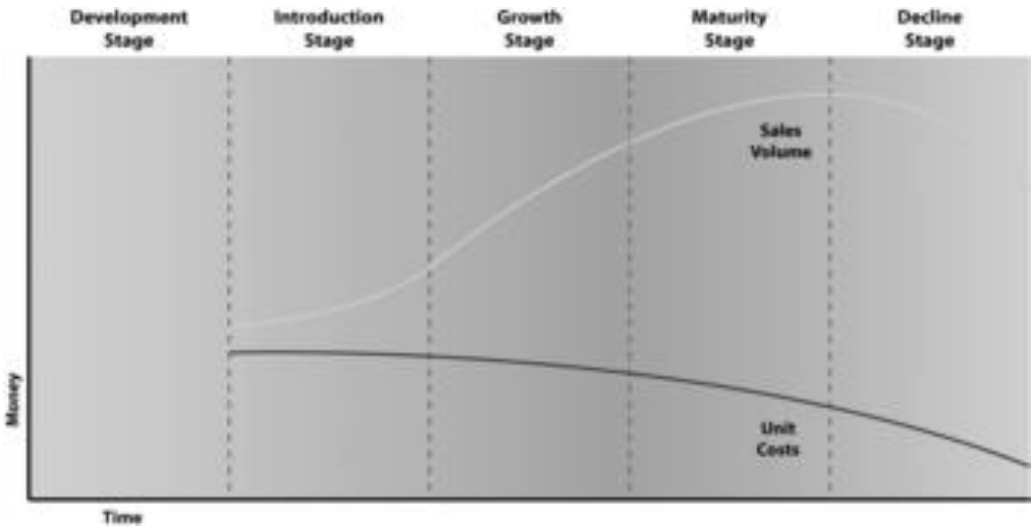
Lesson-12

PRODUCT LIFE CYCLE (PLC)

The Product Life Cycle refers to the succession of stages a product goes through.

Product Life Cycle Management is the succession of strategies used by management as a product goes through its life cycle.

The stages



A Typical Product Life Cycle

Products tend to go through five stages:

1. New product development stage

- Very expensive
- No sales revenue
- Losses

2. Market introduction stage

- Cost high
- Sales volume low
- Losses

3. Growth stage

- Costs reduced due to economies of scale
- Sales volume increases significantly
- Profitability
- Prices to maximize market share

4. Mature stage

- Costs are very low as you are well established in market & no need for publicity.
- Sales volume peaks

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- Prices tend to drop due to the proliferation of competing products
- Very profitable

5. Decline stage

- Costs become counter-optimal
- Sales volume decline
- Prices, profitability diminish

MANAGEMENT OF THE CYCLE

The progression of a product through these stages is by no means certain. Some products seem to stay in the mature stage forever (e.g., milk). Marketers have various techniques designed to prevent the process of falling into the decline stage. In most cases however, one can estimate the life expectancy of a product category.

Marketers' marketing mix strategies change as their products goes through their life cycles.

Advertising, for example, should be informative in the introduction stage, persuasive in the growth and maturity stages, and be reminder-oriented in the decline stage.

Promotional budgets tend to be highest in the early stages, and gradually taper off as the product matures and declines.

Pricing, distribution, and product characteristics also tend to change.
Customers respond to new products in different ways.

The first two stages, introduction and growth, are often seen as offensive in nature.

The second two stages, mature and decline stage, are often seen as defensive in nature.

The defensive stage is sometimes called the armadillo phase because of that animal's defensive technique of hiding in its shell.

Lesson-13

NEW PRODUCT DEVELOPMENT (NPD)
PART-I

"**New Product Development** is a business and engineering term which describes the complete process of bringing a new product to market".

There are two parallel aspects to this process;

One involves product engineering; the other marketing analysis. Marketers see new product development as the first stage in Product Life Cycle Management.

Types of New Products

There are several types of new products.

- Some are new to the market
- Some are new to the firm,
- Some are new to both.
- Some are minor modifications of existing products
- While some are completely innovative.

THE PROCESS

There are several stages in the new product development process:

- **Idea Generation**
  - Ideas for new products obtained from customers, R&D department, competitors, focus groups, employees, or trade shows
  - Formal idea generating techniques include attribute listing, forced relationships, brainstorming, morphological analysis, and problem analysis
- **Idea Screening**
  - eliminate unsound concepts
  - must ask three questions:
    - will the target market benefit from the product
    - is it technically feasible to manufacture the product
    - will the product be profitable
- **Concept Development and Testing**
  - develop the marketing and engineering details
    - who is the target market
    - what benefits will the product provide
    - how will consumers react to the product
    - how will the product be produced
    - what will it cost to produce it
  - test the concept by asking a sample of prospective customers what they think of the idea
- **Business Analysis**
  - estimate likely selling price
  - estimate sales volume
  - estimate profitability and breakeven point
- **Beta Testing and Market Testing**
  - produce a physical prototype or mock-up
  - test the product in typical usage situations
  - 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
  - Resource estimation
  - Requirement publication
  - Engineering operations planning

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- Department scheduling
- Supplier collaboration
- 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 useful at this stage

To reduce the time the process takes many companies are completing several steps at the same time (referred to as **concurrent engineering**). Most industry leaders see new product development as a *proactive* process where resources are allocated to identify market changes and seize upon new product opportunities before they occur (in contrast to a *reactive strategy* in which nothing is done until problems occur). Many industry leaders see new product development as an ongoing process (referred to as *continuous development*) in which a new product development team is always looking for opportunities.

Research and development

The phrase ***Research and Development*** (also **R and D** or **R&D**) has a special commercial significance apart from its conventional coupling of research and technological development.

In the context of commerce, "Research and Development" normally refers to future-oriented, longer-term activities in science or technology, mimicking scientific research in an apparent disregard for profits.

Statistics on organizations devoted to "R&D" may express the state of an industry, the degree of competition or the lure of scientific progress. Some common measures include: budgets, numbers of patents or on rates of peer-reviewed publications.

Bank ratios are one of the best measures, because they are continuously maintained, public and reflect risk.

In the U.S., a typical ratio of research and development for an industrial company is about 3.5% of revenues. A high technology company such as a computer manufacturer might spend 7%. Some very aggressive organizations spend as much as 40%, and are famous for their high technology. Companies in this category include the "big pharma" such as Merck or Novartis, and the engineering companies like pre-merger Hewlett-Packard, IBM, Pratt & Whitney, or Boeing.

These companies are also famous for their inability to get bank loans, because their spending ratios are so unusual that banks correctly interpret their business as extremely risky.

Generally such firms prosper only in markets whose customers have extreme needs, such as medicine, scientific instruments, safety-critical mechanisms (aircraft) or high technology military armaments. The extreme needs justify gross margins from 60% to 90% of revenues. That is, gross profits will be as much as 90% of the sales cost, with manufacturing costing only 10% of the product price. Most industrial companies get only 40% revenues.

The high margins more than compensate for the high overhead of the expensive R&D organizations.

Generally the largest technology companies not only have the largest technical staffs, but also more skillfully extract value from them.

On a technical level, the organizations try to use every trick for re purposing and repackaging advanced technologies for multiple purposes and products. They often reuse advanced manufacturing processes, expensive safety certifications, specialized embedded software, computer-aided design software, electronic designs and mechanical subsystems.

Conjoint analysis (in marketing)

Conjoint analysis, also called multi attribute compositional models, is a statistical technique that originated in mathematical psychology. Today it is used in many of the social sciences and applied sciences including marketing, product management, and operations research. **The objective of conjoint analysis is to determine what combination of a limited number of attributes is most preferred by respondents.** It is used frequently in testing customer acceptance of new product designs and assessing the appeal of advertisements. It has been used in product positioning, but there are some problems with this application of the technique.

Process

The basic steps are:

- Select features to be tested
- Show product feature combinations to potential customers
- Respondents rank the combinations
- Input the data from a representative sample of potential customers into a statistical software program and choose the conjoint analysis procedure. The software will produce utility functions for each of the features.
- Incorporate the most preferred features into a new product or advertisement

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Lesson-14

NEW PRODUCT DEVELOPMENT (NPD)
PART-II

Conjoint analysis, also called multi attribute compositional models, is a statistical technique that originated in mathematical psychology. Today it is used in many of the social sciences and applied sciences including marketing, product management, and operations research.

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COMMERCIALIZATION

THIS IS THE MOST CRUCIAL DECISION BY MARKETING MANAGERS

- It involves cost to the maximum
- It is the beginning of a long journey of the product
- No mistake of even a minor nature is acceptable or admissible.

The process of commercialization is defined as a series of steps to be taken by the marketing management towards bringing this new product to the markets and to the consumers

Some of the major decisions have to be taken and strategies devised to launch and make product successful at the very outset.

The decisions required are:

- WHEN TO LAUNCH THE PRODUCT?
- WHERE TO LANCH THE PRODUCT?
- TO WHOM TO LAUNCH THE PRODUCT?
- HOW TO LAUNCH THE PRODUCT?

Let us discuss each of these four decisions.

WHEN

In commercialization, the most important decision is to determine timing.

If the product is seasonal in nature, the timing has to be in keeping with seasons.—secondly, the product has to be reviewed. Is it a replacement of an already existing product? If its so, we must take into account the already existing stocks of old product. The firm has to take decisions on entry strategies too.

Should the product be first to enter the market? Or should it have a parallel entry? or should it wait for late entry. The market will decide which timing is more suitable. The first entry advantage be taken or wait for competitors to enter and learn from the results. It al depends on the nature of the product. Is it new to the world type or new to the market or new to the firm or both or is very innovative or minor modification product. These features will determine our decision. But very careful study and review is important

WHERE

Is the product to be launched in a locality, region, or several regions or nationally or even internationally. This geographical territory will decide the marketing approach. Advertisement, publicity and promotion,

distribution, delivery modes, networking of systems and all other ingredients of marketing including cost of marketing will be decided on this crucial decision.

WHOM

It is yet another crucial decision. There are prime customers, heavy users, bulk customers, prestigious consumers, early adopters or opinion leaders. The approach in marketing has to be directed to some or all of such consumers. We must cover all possible customers and make sure that product has been accepted by them with more serious and strategic approach

HOW

Indeed, once the decision on timing and place and to whom has been taken, the decision on how becomes clear and easier.

- The marketing plan must be made on all aspects as covered before.
- Critical Path Scheduling (CPS) must be made to determine what needs to be done and after what. Timing for each activity that needs to be done is worked out in CPS and proper planning is done and resources allocated already with clear responsibility.

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Lesson-15

CONSUMER ADOPTION PROCESS

Once the product has been developed, introduced in the market and launched, the product is then before the potential customers. They LEARN about the product, TRY them and ADOPT or REJECT them.

By adoption we mean, he becomes a regular buyer and user of the product

This is what we call CONSUMER ADOPTION PROCESS followed by CUSTOMER LOYALTY PROCESS. This is a major area of concern for us.

As said earlier, the consumer may or may not adopt the product.

MASS MARKET APPROACH

This approach was massive distribution of the product and heavy advertisement. Of course, there was a heavy expenditure on advertisement and secondly wasteful activity in this approach

HEAVY USER TARGET MARKETING

This approach was more realistic. But in this approach, early adoption was limited due to brand loyalty of some of the heavy users and difference in their interests.

Hence we have to direct our efforts to early adoption stage strategy and co-relate to early adoption and late adoption. Early adoption differed from late adoption due to consumer psychology.

STAGES OF CONSUMER ADOPTION PROCESS

Let us first take a look at the INNOVATION DIFFUSION theory. An innovation refers to anything perceived by some one as new. It may have a long history of innovating product. But in true sense its an Innovation to the person, who sees it and it is he who spreads it through a social system. INNOVATION DIFFUSION PROCESS has been defined as

"The spread of idea from the source of invention or creation to the ultimate user or consumers".

Consumer Adoption Process focuses on the mental process through which an individual goes through from first hearing about the innovation to the final stage of adoption.

FIVE SUCH STAGES HAVE BEEN OBSERVED

- AWARENESS: this stage is when a consumer hears about an innovation, but lacks information about it
- INTEREST: the consumer is stimulated to seek information about the innovation
- EVALUATION: this is when the consumer decides whether to use the product or not
- TRIAL: the consumer tries the product to estimate the value of innovation
- ADOPTION: this is when the consumer adopts to use the product on regular basis and use the innovation

The New-product marketers should facilitate consumer movement through these stages and make sure that at no stage a consumer is stuck. This is a change-taking place in his mind. Any change has at least one

Resistance and that is fear. Hesitancy is backed up by fear-this fear must be removed.

FACTORS INFLUENCING THE ADOPTION PROCESS

As said earlier, there is always resistance to change. WE ALL WANT CHANGE BUT WE DON'T LIKE IT EVEN WHEN THE CHANGE IS FOR THE BETTERMENT

- **People differ in readiness to try new products**

People differ in their approach towards change. Some differ in adopting new fashion, some in adopting new appliances, some doctors are hesitant to apply new medicines and still some farmers do not apply new implements. This is called adoption culture. After the early adoption, they increase the use and then others follow. Others are late adopters by nature. Let us categorize these customers into three units

One who are early adopters. They are very quick in their response. These people are venture some and willing to try new ideas. In fact they are innovators in life and early adopters.

Secondly Early Majority. They are very careful people and take time to adopt things. They tend to collect information about the change or the product, study carefully and then adopt on the basis of their merits.

The third ones are late majority and traditionalists. They are the ones who adopt late and then use the product.

As marketing managers, we must study the demographics, the psychographics and media characteristics of the product and also keep the theme of advertising message on these lines. We must find the innovators of the product and also opinion leaders and keeping in view the financial stature of the consumers and their category. Then there are certain areas where product change is imminent and quicker while some areas change or innovation in the product is least desired or welcomed

- **Personal influence play a key role**

In case of some of the products, depending to which category they belong to , personal influence and selling is very important. Demonstrations, experimentation, and even free use is given to influence the change in product or its innovation. Cosmetic items, food items and items in use of household are subject to personal selling.

- **Characteristics of the innovation affect the rate of adoption**

Some products are quick in innovation, such as fashion items or the ones that bring a direct change in our status etc. Some products take long to adoption. Such as technical products or automobiles etc.

The following things are considered

1 Relative advantage
2 Compatibility
3 Complexity
4 Divisibility

Other things, which influence adoption, are: social acceptability, scientific acceptability, cost and certainty

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Lesson-16

PACKAGING AND LABELING

PACKAGING AND LABELING

Packaging is the enclosing of a physical object, typically a product that will be offered for sale. Labeling refers to any written or graphic communications on the packaging or on a separate label

THE PURPOSE OF PACKAGING AND LABELS

Packaging and labeling have five objectives:

•**Physical protection of the object** - The objects enclosed in the package can be protected from damage caused by physical force, rain, heat, sunlight, cold, pressure, airborne contamination, and automated handling devices.

•**Agglomeration** - Small objects are typically grouped together in one package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Alternatively, bulk commodities (such as salt) can be divided into packages that are a more suitable size for individual households.

•**Information transmission** - Information on how to use, transport, or dispose of the product is often contained on the package or label. An example is pharmaceutical products, where some types of information are required by governments.

•**Marketing** - The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package design has been an important and constantly evolving phenomenon for dozens of years.

•**Reducing theft** - Some packages are made larger than they need to be so as to make theft more difficult. An example is software packages that typically contain only a single disc even though they are large enough to contain dozens of discs.

PACKAGING TYPES

The above materials are fashioned into different types of packages and containers such as:

•Boxes
•Pallets
•Bags
•Bottles
•Cans
•Cartons
•Aseptic packages
•Wrappers
•Blister packs
•Bales

PACKAGING AS A POTENT MARKETING TOOL

•**Self-Service**
Helps in self-service buying these days. Packaging helps identifying product

•**Consumer affluence**
Consumers today are prepared to pay for little extra where they get their purchase decision made easy from packaging and labeling

•**Company and brand image**
Packaging enables us to establish brands and image of the product.

•**Innovative opportunity**

Brings innovative ideas in presenting the product

PACKAGING TYPES

•Primary packaging
•Secondary packaging
•Transport packaging
•Decorative packaging

MANDATORY LABELING

Mandatory labeling is the requirement of consumer products to state their ingredients or components.

Moral purchasing and avoidance of health problems like allergies are two things which are enabled by labeling. It is mandated in most developed nations, and increasingly in developing nations, especially for food products.

With regard to food and drugs, mandatory labeling has been a major battleground between consumer advocates and corporations since the late 19th century.

Because of past scandals involving deceptive labelling, countries like the United States and Canada require most processed foods to have a Nutrition Facts table on the label, and the table's formatting and content must conform to strict guidelines. The European Union equivalent is the slightly different Nutrition Information table, which may also be supplemented with standardized icons indicating the presence of allergens.

In China, all clothing is labelled with the factory of origin, including telephone and fax numbers, although this information is not available to buyers outside China, who see only a generic Made In China tag.
The genetic modification of food has led to one of the most persistent and divisive debates about the mandatory labelling. Advocates of such labelling claim that the consumer should make the choice whether to expose them to any possible health risk from consuming such foods. Detractors point to well-controlled studies that conclude genetically modified food is safe, and point out that for many commodity products, the identity of the grower and the custody chain are not known.

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Lesson-17

BRAND MANAGEMENT

"Brand Management is the application of marketing techniques to a specific product, product line, or form of product".

It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity.

The value of the brand is determined by the amount of profit it generates for the manufacturer. This results from a combination of increased sales and increased price.

HISTORY

Brands in the field of marketing originated in the 19th century with the advent of packaged goods. Industrialization moved the production of many household items, such as soap, from local communities to centralized factories. When shipping their items, the factories would literally brand their logo or insignia on the barrels used, which is where the term comes from.

These factories, generating mass-produced goods, needed to sell their products to a wider market, to a customer base familiar only with local goods. It quickly became apparent that a generic package of soap had difficulty competing with familiar, local products. The packaged goods manufacturers needed to convince the market that the public could place just as much trust in the non-local product.

A **good brand** name should:

- Be legally protectable
- Be easy to Pronounce
- Be easy to Remember
- Be easy to Recognize
- Attract Attention
- Suggest product Benefits (e.g.: Easy-Off) or suggest usage
- Suggest the company or product Image
- Distinguish the product's Positioning relative to the competition.

A **Premium Brand** typically costs more than other products in the category.

An **Economy brand** is a brand targeted to a high price elasticity market segment.

A **fighting brand** is a brand created specifically to counter a competitive threat.

When a company's name is used as a product brand name, this is referred to as **Corporate branding**

When one brand name is used for several related products, this is referred to as **Family branding**.

When all a company's products are given different brand names, this is referred to as **Individual branding**.

When a company uses the Brand equity associated with an existing brand name to introduce a new product or product line, this is referred to as **Brand leveraging**.

When large Retailers buy products in bulk from manufacturers and put their own brand name on them, this is called **Private Branding, store brand, or private label.**

When two or more brands work together to market their products, this is referred to as **Co-branding**.

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When a company sells the rights to use a brand name to another company for use on a non-competing product or in another geographical area, this is referred to as **Brand licensing**.

BRANDING POLICIES

There are a number of possible policies.

Company name

Often, especially in the industrial sector, it is just the company's name which is promoted

Family branding

In case a very strong brand name (or company name) is made the vehicle for a range of products, even a range of subsidiary brands

Individual branding

Each product line has a separate name, which may even compete against other brands from the same company (for example, Persil, Omo and Surf are all owned by Unilever).

BRAND DEVELOPMENT

In terms of existing products, brands may be developed in a number of ways:

Brand extension

The existing strong brand name can be used as a vehicle for new or modified products;

Multibrands

Alternatively, in a market that is fragmented amongst a number of brands a supplier can choose deliberately to launch totally new brands in apparent competition with its own existing strong brand (and often with identical

product characteristics); simply to soak up some of the share of the market which will in any case go to minor brands. The rationale is that having 3 out of 12 brands in such a market will give a greater overall share than having 1 out of 10 (even if much of the share of these new brands is taken from the existing one). In its most extreme manifestation, a supplier pioneering a new market which it believes will be particularly attractive may choose immediately to launch a second brand in competition with its first, in order to pre-empt others entering the market.

Individual brand names naturally allow greater flexibility by permitting a variety of different products, of differing quality, to be sold without confusing the consumer's perception of what business the company is in or diluting higher quality products.

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Lecture-18

PRICE AND PRICING

PRICING

Pricing is one of the four p's of the marketing mix. The other three aspects are product management, promotion, and place.

PRICE

"In economics and business, the price is the assigned numerical monetary value of a good, service or asset". The concept of price is central to microeconomics where it is one of the most important variables in resource allocation theory (also called price theory).

Price is also CENTRAL TO MARKETING where it is one of the four variables in the marketing mix that business people use to develop a marketing plan.

PRICING DEFINED

"Is the manual process of applying value to purchase and sales orders".

MARKETING MANAGERS MUST ADDRESS TO THE FOLLOWING –VIS-À-VIS PRICING:

- How much to charge for a product or service?
- What are the pricing objectives?
- Do we use profit maximization pricing?
- How to set the price?: (cost-plus pricing, demand based or value-based pricing, rate of return pricing, or competitor indexing)
- Should there be a single price or multiple pricing?
- Should prices change in various geographical areas, referred to as?

ZONE PRICING

•Should there be quantity discounts?
•What prices are competitors charging?
•Do you use a price skimming strategy or a penetration pricing?

STRATEGY

•What image do you want the price to convey?
•Do you use psychological pricing?
•How important are customer price sensitivity and elasticity issues?

A well chosen price should do THREE THINGS:

- Achieve the financial goals of the firm (eg.: profitability)
- Fit the realities of the market place (will customers buy at that price?
- Support a product's positioning and be consistent with the other variables in the marketing mix
    1. price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product

2. price will usually need to be relatively high if manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns
3. a low price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by distributors

FROM THE MARKETERS POINT OF VIEW

An efficient price is a price that is very close to the maximum that customers are prepared to pay.

In economic terms, it is a price that shifts most of the consumer surplus to the producer.

The Effective Price is the price the company receives after accounting for discounts, promotions, and other incentives.

Premium Pricing (also called prestige pricing) is the strategy of pricing at, or near, the high end of the possible price range.

People will buy a premium priced product because:

1. They believe the high price is an indication of good quality;

2. They believe it to be a sign of self worth - "They are worth it" - It authenticates their success and status - It is a signal to others that they are a member of an exclusive group; and

3. They require flawless performance in this application - The cost of product malfunction is too high to buy anything but the best - example: heart pacemaker

PSYCHOLOGICAL PRICING

Retail prices are often expressed as odd prices: a little less than a round number, e.g. $19.99 or £6.95. Psychological pricing is a theory in marketing that these prices have a psychological impact that drives demand greater than would be expected if consumers were perfectly rational. Psychological pricing is one cause of price points.

The psychological pricing theory is based on one or more of the following hypotheses:

- Consumers ignore the least significant digits rather than do the proper rounding. Even though the cents are seen and not totally ignored, they may subconsciously be partially ignored. Some suggest that this effect may be enhanced when the cents are printed smaller: $1999.

- Fractional prices suggest to consumers that goods are marked at the lowest possible price.

- Now that consumers are used to psychological prices, other prices look odd.

The theory of psychological pricing is controversial. Some studies show that buyers, even young children, have a very sophisticated understanding of true cost and relative value and that, to the limits of the accuracy of the test, they behave rationally. Other researchers claim that this ignores the non-rational nature of the phenomenon and that acceptance of the theory requires belief in a subconscious level of thought processes, a belief that economic models tend to deny or ignore. Research using results from modern scanner data is mixed.

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Lesson-19

PRICING

PSYCHOLOGICAL PRICING

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RESEARCH SUPPORTING ODD PRICING THEORY

In a study, the perceived value of all the numbers between 1 and 100 were studied, and 77 was shown to have the lowest perceived value relative to its actual value.

RETAILING/ODD PRICE

Retailing consists of the sale of goods/merchandise for personal or household consumption either from a fixed location such as a department store or kiosk, or away from a fixed location and related subordinated services. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells individual items or small quantities to the general public or end user customers, usually in a shop, also called store. Retailers are at the end of the supply chain. Marketers see retailing as part of their overall distribution strategy.

Shops may be on residential streets, or in shopping streets with little or no houses, or in a shopping center. Shopping streets may or may not be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation.

Shopping is buying things, sometimes as a recreational activity. Cheap versions of the latter are window shopping (just looking, not buying) and browsing.

SHOPS AND STORES

There are three major types of retailing, two of which have buildings that the customer can visit to do business with.

The first is counter-service, once the only type of shop, but now rare except for selected items.

The second, and now more widely used method of retail, is self-service.

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Quickly increasing in importance are online shops, the third type, where products and services can be ordered for physical delivery, downloading or virtual delivery.

Even though most retailing is done through self-service, many shops offer counter-service items, e.g. controlled items like medicine and small expensive items.

Shops used to deal with just one type of article. In the nineteenth century, in France, arcades were invented, which were a street of several different shops, roofed over. From this there soon developed, still in France, the notion of a large store of one ownership with many counters, each dealing with a different kind of article was invented; it was called a department store. In cities, these were multi-story buildings which pioneered the escalator. In the mid-twentieth century in the United States there developed the mall, midway between the arcade and the department store. A mall consists of several two-storey department stores linked by arcades (many of whose shops are owned by the same firm under different names).

A recent development is a very large shop called a superstore. Local shops can be known as brick and mortar stores in the United States.
Many shops are part of a chain: a number of similar shops with the same name selling the same products in different locations. The shops may be owned by one company, or there may be a franchising company that has franchising agreements with the shop owners.

Some shops sell second-hand goods. Often the public can also sell goods to such shops. In other cases, especially in the case of a nonprofit shop, the public donates goods to the shop to be sold. In give-away shops goods can be taken for free.

The term retailer is also applied where a service provider services the needs of a large number of individuals, such as with telephone or electric power.

RETAIL PRICING

The pricing technique used by most retailers is cost-plus pricing.

This involves adding a markup amount (or percentage) to the retailers cost. Another common technique is suggested retail pricing. This simply involves charging the amount suggested by the manufacturer and usually printed on the product by the manufacturer.

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Lecture-20

PRICING OBJECTIVES

Pricing objectives or goals give direction to the whole pricing process.

Determining what your objectives are is the first step in pricing.

When deciding on Pricing Objectives you must consider:

1) The overall Financial, Marketing, and Strategic objectives of the company;

2) The objectives of your Product or Brand;

3) Consumer Price Elasticity and Price Points

4) The Resources you have available.

Some of the more common **Pricing Objectives** are:

- Maximize long-run profit maximize short-run profit
- Increase sales volume (quantity)
- Increase market share
- Obtain a target rate of return on investment (ROI)

- Stabilize market or stabilize market price: an objective to stabilize price means that the marketing manager attempts to keep prices stable in the marketplace and to compete on non price considerations. Stabilization of margin is basically a cost-plus approach in which the manager attempts to maintain the same margin regardless of changes in cost.

- Company growth
- Maintain price leadership
- Discourage new entrants into the industry
- Match competitors prices
- Encourage the exit of marginal firms from the industry

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Lecture-21

PRICING OBJECTIVES - Contd...

- Survival
- Avoid government investigation or intervention
- Obtain or maintain the loyalty and enthusiasm of distributors and other sales personnel
- Enhance the image of the firm, brand, or product
- Be perceived as "fair" by customers and potential customers
- Create interest and excitement about a product
- Discourage competitors from cutting prices
- Use price to make the product "visible"
- Build store traffic
- Help prepare for the sale of the business (harvesting)
- Social, ethical, or ideological objectives
- Get competitive advantage

DISCOUNTS AND ALLOWANCES

"Discounts and allowances are reductions to a basic price".

They could modify either the manufacturer's list price (determined by the manufacturer and often printed on the package), the retail price (set by the retailer and often attached to the product with a sticker), or the list price (which is quoted to a potential buyer, usually in written form).

The market price (also called effective price) is the amount actually paid.

The Purpose of Discounts is to

- Increase short-term sales,
- Move out-of-date stock,
- Reward valuable customers,

- Encourage distribution channel members to perform a function.

Some discounts and allowances are forms of Sales Promotion.

TYPES OF DISCOUNTS AND ALLOWANCES

The most common types of discounts and allowances are:

1) Cash discounts for prompt payment - These are intended to speed payment and thereby provide liquidity to the firm. They are sometimes used as a promotional device.

•2/10 net 30 - this means the buyer must pay within 30 days, but will receive a 2% discount if they pay within 10 days.

•3/7 EOM - this means the buyer must pay by the end of the month, but will receive a 3% discount if they pay within 7 days.

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•2/15 net 40 ROG - this means the buyer must pay within 40 days of receipt of goods, but will receive a 2% discount if paid in 15 days.

2) Quantity discounts - These are price reductions given for large purchases. The rationale behind them is to obtain economies of scale and pass some (or all) of these savings on to the customer. In some industries, buyer groups and co-ops have formed to take advantage of these discounts. Generally there are two types:

•Cumulative quantity discounts (also called accumulation discounts). These are price reductions based on the quantity purchased over a set period of time. The expectation is that they will impose an implied switching cost and thereby bond the purchaser to the seller.

•Non-cumulative quantity discounts. These are price reductions based on the quantity of a single order. The expectation is that they will encourage larger orders, thus reducing billing, order filling, shipping, and sales personal expenses.

3) Trade discounts (also called functional discounts) –

These are payments to distribution channel members for performing some function . Examples of these functions are warehousing and shelf stocking. Trade discounts are often combined to include a series of functions, for example 20/12/5 could indicate a 20% discount for warehousing the product, an additional 12% discount for shipping the product, and an additional 5% discount for keeping the shelves stocked. Trade discounts are most frequent in industries where retailers hold the majority of the power in the distribution channel (referred to as channel captains).

4) Seasonal discounts - These are price reductions given when an order is placed in a slack period (example: purchasing skis in April in the northern hemisphere or in September in the southern hemisphere). On a shorter time scale, a happy hour may fall in this category.

5) Promotional allowances - These are price reductions given to the buyer for performing some promotional activity. These include an allowance for creating and maintaining an in-store display or a co-op advertising allowance.

6) Brokerage allowance - From the point of view of the manufacturer, any brokerage fee paid is similar to a promotional allowance. It is usually based on a percentage of the sales generated by the broker.

Lecture-22

PENETRATION PRICING

Penetration Pricing is the Pricing technique of setting a relatively low initial entry price, a price that is often lower than the eventual market price.

The expectation is that the initial low price will secure market acceptance by breaking down existing brand loyalties.

Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume, rather than short term profit maximization.

The **Advantages** of Penetration Pricing to the firm are:

•It can result in fast diffusion and adoption. This can achieve high market penetration rates quickly. This can take the competition by surprise, not giving them time to react.

•It can create goodwill among the all-important early adopter segment. This can create valuable word of mouth.

•It creates cost control and cost reduction pressures from the start, leading to greater efficiency.

•It discourages the entry of competitors. Low prices act as a barrier to entry

•It can create high stock turnover throughout the distribution channel. This can create critically important enthusiasm and support in the channel.

The main **disadvantage** with penetration pricing is that it establishes long term price expectations for the product, and image preconceptions for the brand and company. This makes it difficult to eventually raise prices.

Some commentators claim that penetration pricing attracts only the switchers (bargain hunters), and that they will switch away from you as soon as you increase prices. There is much controversy over whether it is better to raise prices gradually of a period of years (so that consumers don't notice), or employ a single large price increase (which is more efficient).

A common solution to the price expectations problem is to set the initial price at the long term market price, but include an initial discount coupon. In this way, the perceived price points remain high even though the actual selling price is low. Another potential disadvantage is the low profit margins may not be sustainable long enough for the strategy to be effective.

Price Penetration is most appropriate when:

- Product demand is highly price elastic.
- Substantial economies of scale are available.
- The product is suitable for a mass market (sufficient demand).
- The product will face stiff competition soon after introduction.

LOSS LEADER

In marketing, a loss leader is an item that is sold below cost in an effort to stimulate other profitable sales. It is a kind of sales promotion. There are several varieties of this profitable technique.

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Sales of other items in the same visit

One use of a loss leader is to draw customers into a store where they are likely to buy other goods. The vendor expects that the typical customer will purchase other items at the same time as the loss leader and that the

Profit made on these items will be such that an overall profit is generated for the vendor.

An example would be a supermarket selling sugar or milk at less than cost to draw customers to that particular supermarket chain. Wal-Mart uses some toys as a loss leader, leading to the potential demise of toy-only competitors like Toys "Я" Us and FAO Schwarz.

Under some jurisdictions, this is considered dumping and is illegal.

A related example is the practice by some auto repair shops of offering required inspections at loss-leading prices; if a problem is found preventing the inspection from being passed, they are then in a position to offer to fix it.

PRICE WAR

Price war is a term used in business to indicate a state of intense competitive rivalry accompanied by a multi-lateral series of price reductions.

One competitor will lower its price, then others will lower their prices to match .If one of the reactors reduces their price below the original price cut, then a new round of reductions is initiated.

In the short-term, price wars are good for consumers who are able to take advantage of lower prices. Typically they are not good for the companies involved. The lower prices reduce profit margins and can **threaten survival.**

In the long term, they can be good for the dominant firms in the industry however. *He, who laughs last, laughs best*.

Typically the smaller more marginal firms will be unable to compete and will **shut down**. The remaining firms absorb the market share of the terminated ones. The **main losers** then, are the marginal firms and the

People that invested in them. In the long-term, the consumer could lose also. With fewer firms in the industry, prices tend to **increase**, sometimes to a level higher than before the price war.

Lecture-23

PRICING

FIXED PRICING

Most firms use a fixed price policy. That is, they examine the situation, determine an appropriate price, and leave the price fixed at that amount until the situation changes, at which point they go through the process again.

VARIABLE PRICING

The alternative has been variable pricing, a form of first degree price discrimination, characterized by individual bargaining and negotiation, and typically used for highly differentiated high value items (like real estate).

Two variants of variable pricing are:

- **Price Shading** (in which sales people are given the authority to vary the price by a certain amount or percentage)
- **Auctions** (in which potential buyers have the option of bidding on a product and thereby varying the price).

Consumers generally prefer fixed prices because they don't need to worry about being out-negotiated by a professional with expert knowledge and skills.

The exceptions are people that enjoy the social aspect of negotiating, and people that think they might have an advantage due to their product knowledge or negotiating skills.

PROFIT MAXIMIZATION

In economics, Profit Maximization is the process by which a firm determines the price and output level that returns the greatest profit.

There are several approaches to this problem.

- **The Total Revenue** -- total cost method relies on the fact that profit equals revenue minus cost,
- T**he Marginal Revenue** -- marginal cost method is based on the fact that total profit in a perfectly competitive market reaches its maximum point where marginal revenue equals marginal cost.

BASIC DEFINITIONS

Any costs incurred by a firm may be classed into two groups:

- Fixed Cost and
- Variable Cost.

Fixed costs are incurred by the business at any level of output. These may include

- Equipment maintenance
- Rent
- Wages
- General upkeep

Variable costs change with the level of output, increasing as more product is generated.

- Materials consumed during production
- Power
- Transport

Fixed cost and variable cost, combined, equal total cost

Revenue is the total amount of money that flows into the firm.

This can be from any source, including

- Product sales
- Government subsidies
- Venture capital
- Personal funds

Average cost and revenue are defined as the total cost or revenue divided by the amount of units output. For instance, if a firm produced 400 units at a cost of 20000 USD, the average cost would be 50 USD.

Marginal cost, depending on whether the calculus approach is taken or not, are defined as either the change in cost as each additional unit is produced. For instance, taking the first definition, if it costs a firm

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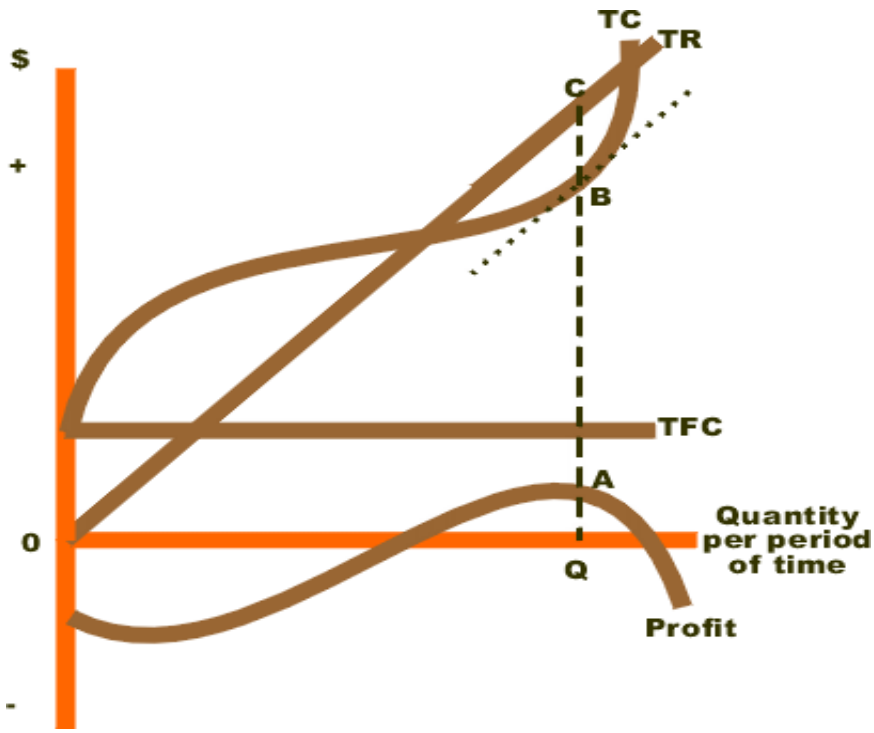
400 USD to produce 5 units and 480 USD to produce 6, the marginal cost of the sixth unit is approximately 80 dollars.

TOTAL COST TOTAL REVENUE METHOD

To obtain the profit maximizing output quantity, we start by recognizing that profit is equal to total revenue minus total cost. Given a table of costs and revenues at each quantity, we can either compute equations or plot the data directly on a graph. Finding the profit-maximizing output is as simple as finding the output at which profit reaches its maximum. That is represented by output Q in the diagram.

Profit Maximization - The Totals Approach

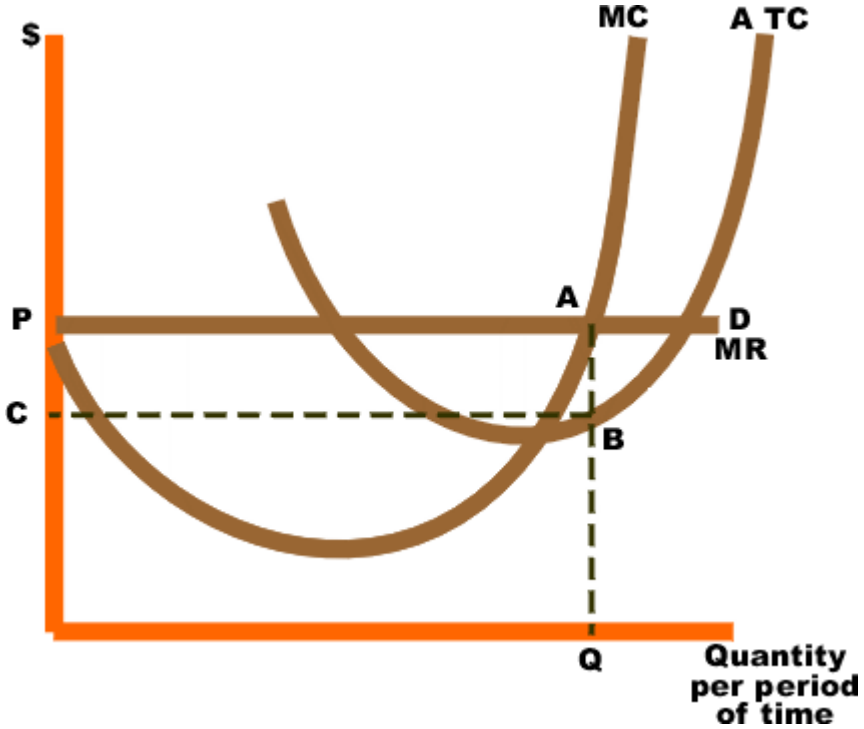


There are two graphical ways of determining that Q is optimal. Firstly, we see that the profit curve is at its maximum at this point (A). Secondly, we see that at the point (B) that the tangent on the total cost curve (TC) is parallel to the total revenue curve (TR), the surplus of revenue net of costs (B,C) is the greatest. Because total revenue minus total costs is equal to profit, the line segment C,B is equal in length to the line segment A,Q.

Computing the price at which to sell the product requires knowledge of the firm's demand curve. The price at which quantity demanded equals profit-maximizing output is the optimum price to sell the product.

MARGINAL COST-MARGINAL REVENUE METHOD

If total revenue and total cost figures are difficult to procure, this method may also be used. For each unit sold, marginal profit equals marginal revenue minus marginal cost. Then, if marginal revenue is greater than marginal cost, marginal profit is positive, and if marginal revenue is less than marginal cost, marginal profit is negative. When marginal revenue equals marginal cost, marginal profit is zero. Since total profit increases when marginal profit is positive and total profit decreases when marginal profit is negative, it must reach a maximum where marginal profit is zero - or where marginal cost equals marginal revenue. This intersection of marginal revenue (MR) with marginal costs (MC) is shown in the next diagram as point A. If the industry is competitive (as is assumed in the diagram), the firm faces a demand curve (D) that is identical to its Marginal revenue curve (MR), and this is a horizontal line at a price determined by industry supply and demand. Average total costs are represented by curve ATC. Total economic profits are represented by area P,A,B,C. The optimum quantity (Q) is the same as the optimum quantity (Q) in the first diagram.



Profit Maximization - The Marginal Approach

MODES OF OPERATION

It is assumed that all firms are following rational decision-making, and will produce at the profit-maximizing output. Given this assumption, there are four categories in which a firm's profit may be considered.

A firm is said to be making an **economic profit** when its average total cost is less than the price of the product at the profit-maximizing output. The economic profit is equal to the quantity output multiplied by the difference between the average total cost and the price.

A firm is said to be making a **normal profit** when its economic profit equals zero. This occurs where average total cost equals price at the profit-maximizing output.

If the price is between average total cost and average variable cost at the profit-maximizing output, then the firm is said to be in a **loss-minimizing** condition. The firm should still continue to produce, however, since its loss would be larger if it was to stop producing. By continuing production, the firm can offset its variable cost and at least part of its fixed cost, but by stopping completely it would lose equivalent of its entire fixed cost.

If the price is below average variable cost at the profit-maximizing output, the firm is said to be in **shutdown**. Losses are minimized by not producing at all, since any production would not generate returns significant enough to offset any fixed cost and part of the variable cost. By not producing, the firm loses only its fixed cost.

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Lecture-24

PRICE DISCRIMINATION

PRICE DISCRIMINATION

Price discrimination exists when sales of identical goods or services are transacted at different prices from the same provider.

In a theoretical market with perfect information, no transaction costs and a prohibition on secondary exchange (or re-selling) to prevent arbitrage,
Price discrimination can only be a feature of monopoly markets.

Although the term "discrimination" has negative connotations, "price discrimination" is merely a technical term meaning differentiation in price to increase efficiency.

However, the effects of price discrimination on social efficiency are unclear.

Typically such behavior leads to lower prices for some consumers and higher prices for others. Output can be expanded as when price discrimination is very efficient, but output can also decline when discrimination is more effective at extracting surplus from high-valued users than expanding sales to low valued users. Even if output remains constant, price discrimination can reduce efficiency by misallocating output among consumers.

TYPES OF PRICE DISCRIMINATION

•In **first degree price discrimination**, price varies by customer. This arises from the fact that the value of goods is subjective. A customer with low price elasticity is less deterred by a higher price than a customer with high price elasticity of demand. As long as the price elasticity (in absolute value) for a customer is less than one, it is very advantageous to increase the price the seller gets more money for less goods. With an increase of the price the price elasticity tends to rise above one. One can show that in the optimum the price, as it varies by customer, is inversely proportional to one minus the reciprocal of the price elasticity of that customer at that price. This assumes that the consumer passively reacts to the price set by the seller, and that the seller knows the demand curve of the customer. In practice however there is a bargaining situation, which is more complex: the customer may try to influence the price, such as by pretending to like the product less than he or she really does, and by threatening not to buy it.

•In **second degree price discrimination**, price varies according to quantity sold. Larger quantities are available at a lower unit price. This is particularly widespread in sales to industrial customers, where bulk buyers enjoy higher discounts.

•In **third degree price discrimination**, price varies by location or by customer segment..

In price skimming, price varies over time. Typically a company starts selling a new product at a relatively high price then gradually reduces the price as the low price elasticity segment gets satiated. Price skimming is closely related to the concept of yield management.

These types are not mutually exclusive. Thus a company may vary pricing by location, but then offer bulk discounts as well. Airlines use several different types of price discrimination, including:

•Bulk discounts to wholesalers, consolidators, and tour operators

•Incentive discounts for higher sales volumes to travel agents and corporate buyers

•Seasonal discounts, incentive discounts, and even general prices that vary by location. The price of a flight from say, Singapore to Beijing can vary widely if one buys the ticket in Singapore compared to Beijing (or New York or Tokyo or elsewhere).

•First degree price discrimination based on customer. It is not accidental that hotel or car rental firms may quote higher prices to their loyalty program's top tier members than to the general public.

MODERN TAXONOMY

•Complete discrimination -- where each user purchases up to the point where the user's marginal benefit equals the marginal cost of the item;
•Direct segmentation -- where the seller can condition price on some attribute (like age or gender) that directly segments the buyers;

•Indirect segmentation -- where the seller relies on some proxy (e.g., package size, usage quantity, coupon) to structure a choice that indirectly segments the buyers.

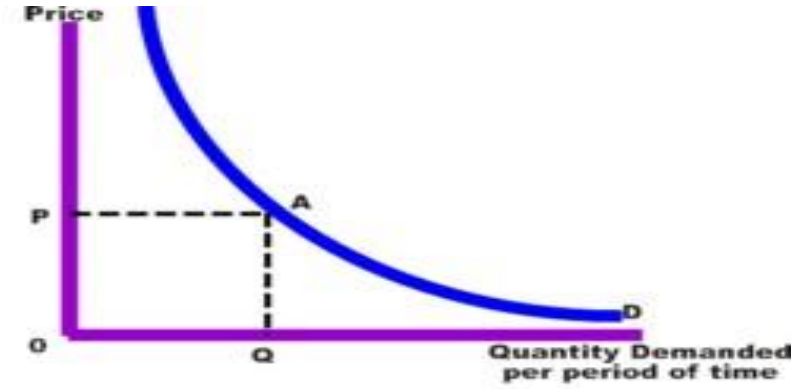
The hierarchy -- complete/direct/indirect -- is in decreasing order of profitability and information requirement.

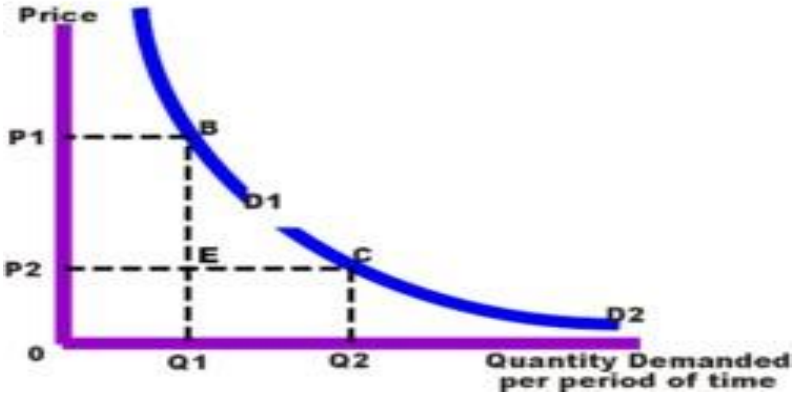
Complete price discrimination is most profitable, and requires the seller to have the most information about buyers. Indirect segmentation is least profitable, and requires the seller to have the least information about buyers

Explanation

Sales revenue without and with Price Discrimination

The purpose of price discrimination is generally to capture the market's consumer surplus. This surplus arises because, in a market with a single clearing price, some customers (the very low price elasticity segment) would have been prepared to pay more than the single market price. Price discrimination transfers some of this surplus from the consumer to the producer/marketer. Strictly, a consumer surplus need not exist, for example where price discrimination is necessary merely to pay the costs of production. An example is a high-speed internet connection shared by two consumers in a single building; if one is willing to pay less than half the cost, and the other willing to make up the rest but not to pay the entire cost, then price discrimination is necessary for the purchase to take place.





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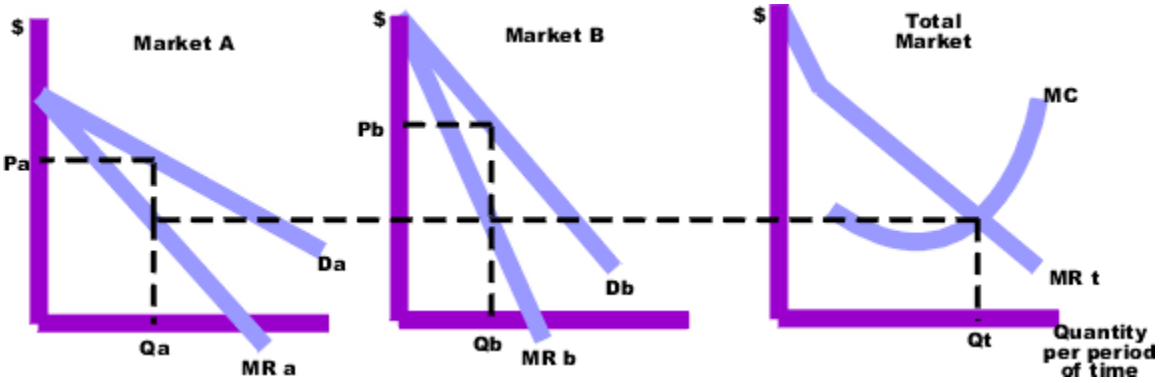
It can be proved mathematically that a firm facing a downward sloping demand curve that is convex to the origin will always obtain higher revenues under price discrimination than under a single price strategy. This can also be shown diagrammatically.

In the top diagram, a single price (P) is available to all customers. The amount of revenue is represented by area P,A,Q,O. The consumer surplus is the area above line segment P,A but below the demand curve (D). With price discrimination, (the bottom diagram), the demand curve is divided into two segments (D1 and D2). A higher price (P1) is charged to the low elasticity segment, and a lower price (P2) is charged to the high elasticity segment. The total revenue from the first segment is equal to the area P1,B,Q1,O. The total revenue from the second segment is equal to the area E,C,Q2,Q1. The sum of these areas will always be greater than the area without discrimination assuming the demand curve resembles a rectangular hyperbola with unitary elasticity. The more prices that are introduced, the greater the sum of the revenue areas, and the more of the consumer surplus is captured by the producer.

Note that the above requires both first and second degree price discrimination: the right segment corresponds partly to different people than the left segment, partly to the same people, willing to buy more if the product is cheaper.

It is very useful for the price discriminator to determine the optimum prices in each market segment. This is done in the next diagram where each segment is considered as a separate market with its own demand curve. As usual, the profit maximizing output (Qt) is determined by the intersection of the marginal cost curve (MC) with the marginal revenue curve for the total market (MRt).



Multiple Market Price Determination

The firm decides what amount of the total output to sell in each market. This is determined from the marginal revenue curves in each market. The intersection of the total market price with the marginal revenue curves in each market yields optimum outputs of Qa and Qb. From the demand curve in each market we can determine the profit maximizing prices of Pa and Pb.

EXAMPLES OF PRICE DISCRIMINATION

Travel industry

Airlines and other travel companies use differentiated pricing regularly, as they sell travel products and services simultaneously to different market segments. This is often done by assigning capacity to various booking classes, which sell for different prices and which may be linked to fare restrictions. The restrictions or "fences" help ensure that market segments buy in the booking class range that has been established for them. For example, schedule-sensitive business passengers who are willing to pay say, $300 for a seat from city A to city B, cannot purchase a $150 ticket because the $150 booking class contains a requirement for a Saturday night stay, or a 15-day advance purchase, or another fare rule that effectively prevents a sale to business passengers.

Notice also that even in this simple example, the "seat" is not the same product. That is, the business person who purchases the $300 ticket may be willing to do so in return for a seat on a high-demand morning flight, for full refundability if the ticket is not used, and for the ability to upgrade to first class if space is available for a nominal fee. On the same flight are price-sensitive passengers who are not willing to pay $300, but who are willing to fly on a lower-demand flight (say one leaving an hour earlier), or via a connection city (not a non-stop flight), and who are willing to forego refundability.

Since airlines often fly multi-leg flights, and since no-show rates vary by segment, competition for the seat has to take in the spatial dynamics of the product. Someone trying to fly A-B is competing with people trying to fly A-C through city B on the same airplane. This is one reason airlines use yield management technology to determine how many seats to allot for A-B passengers, B-C passengers, and A-B-C passengers, at their varying fares and with varying demands and no-show rates.

With the rise of the Internet and the growth of low fare airlines, airfare pricing transparency became far more pronounced. Passengers discovered it quite easy to compare fares across different flights or different airlines. This helped put pressure on airlines to lower fares. Meanwhile, in the recession following the September 11, 2001 attacks on the U.S., business travelers and corporate buyers made it clear to airlines that they were not going to be buying air travel at rates high enough to subsidize lower fares for non-business travelers. This prediction has come true, as vast numbers of business travelers are buying airfares only in coach class for business travel.

As to the absolute level of airfares, they continue their 35-year downward trend line. Whereas following World War II it took an Australian the

equivalent of a year's wages to fly from Sydney to London, today that can be done for approximately two week's average Australian wages, purchasing a far faster and more comfortable journey. The same trends are true in all deregulated areas of the world, including the U.S., intra-E.U. flights, and U.K.

SEGMENTATION BY AGE GROUP AND STUDENT STATUS

Many movie theaters, amusement parks, tourist attractions, and other places have different admission prices per market segment: typical groupings are Youth, Student, Adult, and Senior. Each of these groups typically has a much different supply curve. Children, people living on student wages, and people living on retirement generally have much less disposable income.

RETAIL INCENTIVES

A variety of incentive techniques may be used to increase market share or revenues at the retail level. These include discount coupons, rebates, bulk and quantity pricing, seasonal discounts, and frequent buyer discounts.

INCENTIVES FOR INDUSTRIAL BUYERS

Many methods exist to incentivize wholesale or industrial buyers. These may be quite targeted, as they are designed to generate specific activity, such as buying more frequently, buying more regularly, buying in bigger quantities, buying new products with established ones, and so on. Thus, there are bulk discounts, special pricing for long-term commitments, non-peak discounts, discounts on high-demand goods to incentivize buying lower-demand goods, rebates, and many others. This can help the relations between the firms involved.

UNIVERSAL PRICING

"Universal" pricing is the opposite of price discrimination — one price is offered for the good or service. This is usually preferred by consumers over tiered pricing. For example, the European Union is currently making efforts to set a single-price protocol for automobile sales.

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Lecture-25

PORTFOLIO MANAGEMENT

"PORTFOLIO is the Collection of Products, Services, or Brands that are offered for sale by a company".

In building up a product portfolio a company can use various analytical techniques including

•B.C.G. Boston Consulting Group-ANALYSIS
•Contribution Margin Analysis
•GE General Electric. Multi Factorol Analysis

Typically a company tries to achieve both diversification and balance in their portfolio of product offerings.

B.C.G. ANALYSIS

B.C.G. Analysis is a technique used in Brand marketing, Product management, and Strategic management to help a company decide what products to add to its product portfolio.

It involves rating products according to their

•Relative Market Share
•Market Growth rate

The products are then plotted on a two dimensional map.
Products with high market share but low growth are referred to as **"cash cows".**

Products with high market share and high growth are referred to as **"stars".**

Products with low market share in a low growth market are referred to as **"dogs"** and should usually be managed for value that is as much money should be harvested from those products with low or no investments.

Products with low market share but high market growth are referred to as **"question marks"** or **"problem children".**

It is crucial for those products or brands to improve their market share before the market growth is consumed by the competition. The technique can also be applied to a portfolio of companies.

BCG Matrix

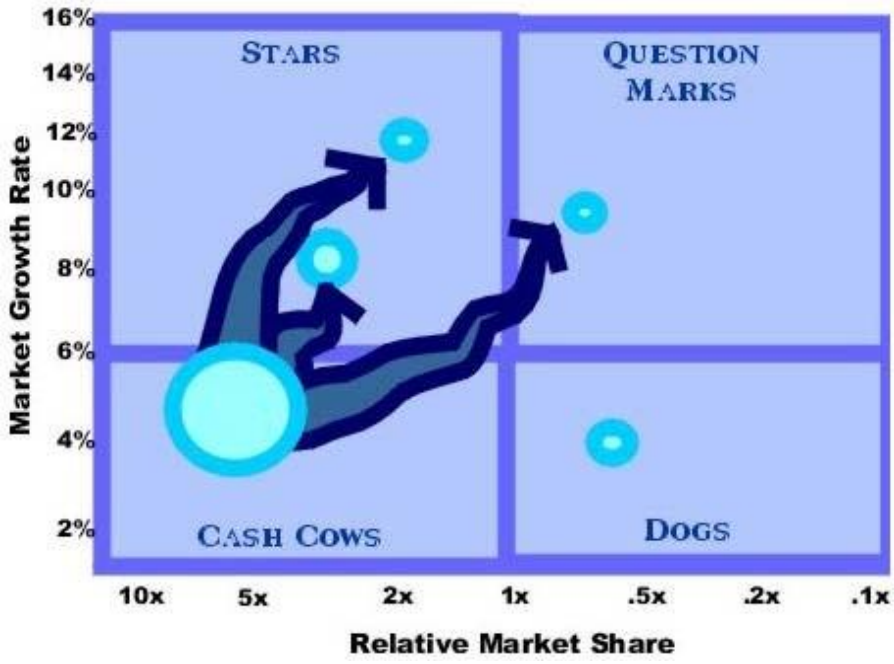
Each circle represents a product or brand. The size of the circle indicates the value of the sales of that

product or brand.

A "question mark" has the potential to become a "star" in the future if it is developed.

A company should have a balanced portfolio. This implies having at least one "cash cow" which can generate revenue that can be used to develop one or more "question mark". This process, referred to as "milking your cash cow", is shown in the next diagram where the arrows represent cash flows.

BCG Matrix with Cash Flows



B.C.G. Analysis was originally developed by Bruce Henderson at the Boston Consulting Group in the early 1970s.

G.E. MULTI FACTORAL ANALYSIS

G.E. Multi Factoral Analysis is a technique used in brand marketing and product management to help a company decide what product(s) to add to its product portfolio.

It is conceptually similar to B.C.G. analysis, but somewhat more complicated. Like in BCG Analysis, a two-dimensional portfolio matrix is created. However, with the GE model the dimensions are multi factoral. One dimension comprises nine industry attractiveness measures; the other comprises twelve internal business strength measures.

Each product, brand, service, or potential product is mapped in this industry attractiveness/business strength space. The GE multi factoral model was first developed by General Electric in the 1970s.

CONTRIBUTION MARGIN ANALYSIS

Contribution Margin Analysis is a technique used in brand marketing and product management to help a company decide what product(s) to add to its product portfolio. The manager asks what will happen to profits if a new product is added or an existing product is discontinued. Calculations take into account additional revenues, additional costs, effects on other products in the portfolio (referred to as cannibalization), and competitors' reactions.

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Lecture-26

PROMOTION

Marketing Communication (or Marcom) consists of the *message*s and related media used to communicate with a *market*.

Those who practice

•Advertising,
•Branding,
•Direct Marketing,
•Graphic Design,
•Marketing,
•Packaging,
•Promotion,
•Publicity,
•Public Relations,
•Sales Promotion
•Online Marketing are termed Marketing communicators, Marketing communication managers, or more briefly as Marcom managers.

Traditionally, Marketing Communication practitioners focus on the
•Creation
•and Execution of Printed Marketing Collateral

Promotion is one of the four aspects of Marketing.

The other three parts of the marketing mix are product management, pricing, and distribution. Promotion involves disseminating information about a product, product line, brand, or company.

Promotion comprises four subcategories:

•Advertising
•Personal selling
•Sales promotion
•Publicity and public relations

The specification of these four variables creates a promotional mix or promotional plan. A promotional mix specifies how much attention to pay to each of the four subcategories, and how much money to budget for each. A promotional plan can have a wide range of objectives, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a corporate image.

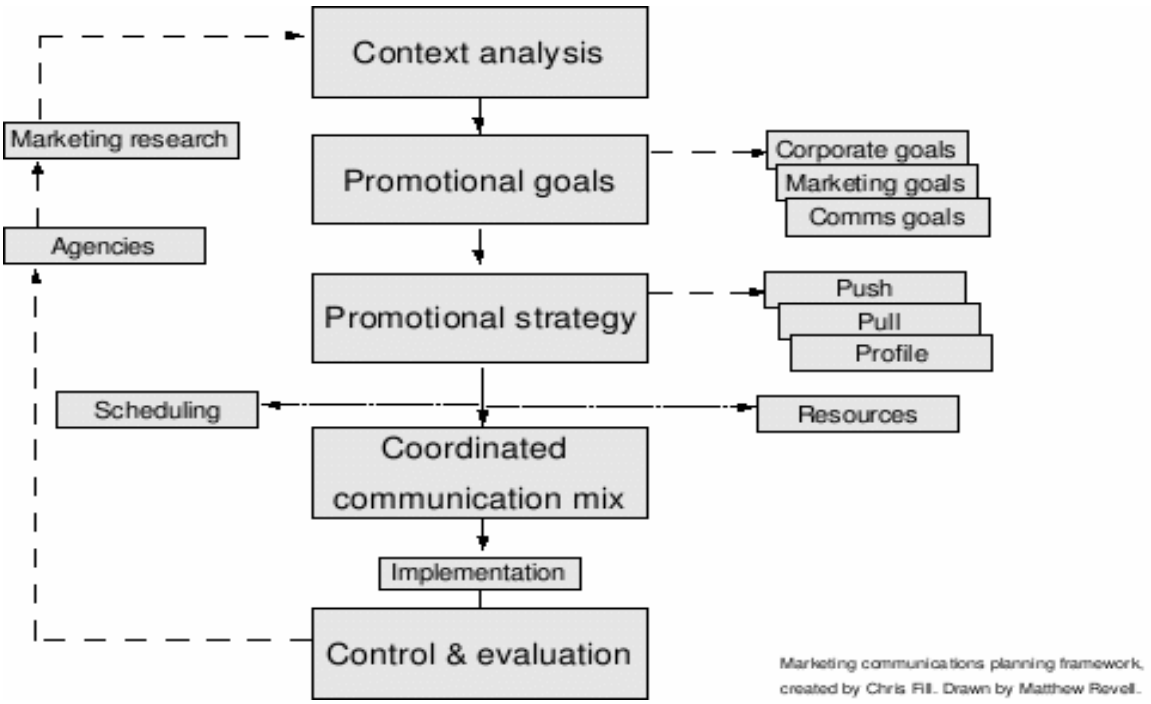
However, academic and professional research developed the practice to use strategic elements of branding and marketing in order to ensure consistency of message delivery throughout an organization.
Many trends in business can be attributed to marketing communication; for example: the transition from customer service to customer relations, and the transition from human resources to human solutions.

Integrated Marketing Communication is accepted as a goal of a marketing communication strategy

MARKETING COMMUNICATIONS PLANNING FRAMEWORK

The Marketing Communications Planning Framework (MCPF) is a model for the creation of an integrated marketing communications plan. Created by Chris Fill, senior examiner for the Chartered Institute of Marketing, the

MCPF is intended to solve the inadequacies of other frameworks.



INTEGRATED MARKETING COMMUNICATIONS

Definition:

A management concept that is designed to make all aspects of marketing communication such as advertising, sales promotion, public relations, and direct marketing work together as a unified force, rather than permitting each to work in isolation.

A MODEL FOR INTEGRATED MARKETING

Integrated Marketing Communication is more than the coordination of a company's outgoing message between different media and the consistency of the message throughout. It is an aggressive marketing plan that captures and uses an extensive amount of customer information in setting and tracking marketing strategy. Steps in an Integrated Marketing system are:

1. **Customer Database**
   An essential element to implementing Integrated Marketing that helps to segment and analyze customer buying habits.

2. **Strategies**
   Insight from analysis of customer data is used to shape marketing, sales, and communications strategies.

3. **Tactics**
   Once the basic strategy is determined the appropriate marketing tactics can be specified which best targets the specific markets.
4. **Evaluate Results**

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Customer responses and new information about buying habits are collected and analyzed to determine the effectiveness of the strategy and tactics.

5. **Complete the loop; start again at #1.**

Leson-27

PROMOTION
(PART –II)

INTEGRATED MARKETING COMMUNICATIONS

Definition:

A management concept that is designed to make all aspects of marketing communication such as advertising, sales promotion, public relations, and direct marketing work together as a unified force, rather than permitting each to work in isolation.

REASONS FOR THE GROWTH OF IMC:

- Changes in marketplace
- Changes in organizational structure
- Changes in consumers
- Changes in communication

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SALES PROMOTION

In marketing, sales promotion is one of the four aspects of promotion. (The other three parts of the promotional mix are advertising, personal selling, and publicity/public relations.) Sales promotions are non-personal promotional efforts that are designed to have an immediate impact on sales. Sales promotion is media and non-media marketing communications employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include:

- COUPONS
- DISCOUNTS AND SALES
- CONTESTS
- POINT OF PURCHASE DISPLAYS
- REBATES
- FREE SAMPLES (IN THE CASE OF FOOD ITEMS)
- GIFTS AND INCENTIVE ITEMS
- FREE TRAVEL, SUCH AS FREE FLIGHTS

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Sales promotions can be directed at either the customer, sales staff, or distribution channel members (such as retailers). Sales promotions targeted at the consumer are called consumer sales promotions. Sales promotions targeted at retailers and wholesale are called trade sales promotions. Some sale promotions, particularly ones with unusual methods, are considered gimmick by many.

CONSUMER SALES PROMOTION TECHNIQUES

•**Price deal**

A temporary reduction in the price, such as happy hour

•**Loyalty rewards program**

Consumers collect points, miles, or credits for purchases and redeem them for rewards.

•**Cents-off deal**

Offers a brand at a lower price. Price reduction may be a percentage marked on the package.

•**Price-pack deal**

The packaging offers a consumer a certain percentage more of the product for the same price (for example, 25 percent extra).

•**Coupons**

Coupons have become a standard mechanism for sales promotions.

•**Loss leader**

the price of a popular product is temporarily reduced in order to stimulate other profitable sales

•**Free-standing insert (FSI)**

A coupon booklet is inserted into the local newspaper for delivery.

•**On-shelf couponing**

Coupons are present at the shelf where the product is available.

•**Checkout dispensers**

On checkout the customer is given a coupon based on products purchased.

•**On-line couponing**

Coupons are available on line. Consumers print them out and take them to the store.

•**Rebates**

Consumers are offered money back if the receipt and barcode are mailed to the producer.

•**Contests/sweepstakes/games**

The consumer is automatically entered into the event by purchasing the product.

•**Point-of-sale displays**

TRADE SALES PROMOTION TECHNIQUES

•**Trade allowances**

Short term incentive offered to induce a retailer to stock up on a product.

•**Dealer loader**

An incentive given to induce a retailer to purchase and display a product.

•**Trade contest**

A contest to reward retailers that sell the most products.

•**Point-of-purchase displays**

Extra sales tools given to retailers to boost sales.

•**Training programs**

Dealer employees are trained in selling the product.

•**Push money**

Also known as "spiffs". An extra commission paid to retail employees to push products.

Lecture-28

ADVERTISING

"Advertising, generally speaking, is the promotion of goods, services, companies and ideas, usually performed by an identified sponsor".

Marketers see advertising as part of an overall promotional strategy.
Other components of the promotional mix include publicity, public relations, personal selling, and sales promotion.

HISTORY

A print advertisement from a 1913 issue of Encyclopedia Britannica
In ancient times the most common form of advertising was by word of mouth, however, commercial messages and election campaign displays have been found in the ruins of Pompeii.

Egyptians used papyrus to create sales messages and wall posters, while lost-and-found advertising on papyrus was common in Greece and Rome. Wall or rock painting for commercial advertising is another manifestation of an ancient media advertising form, which is present to this day in many parts of Asia, Africa, and South America. For instance, tradition of wall paintings can be traced back to India rock-art paintings that go back to 4000 BC. As printing developed in the 15th and 16th century, advertising expanded to include handbills. In the 17th century advertisements started to appear in weekly newspapers in England.

These early print ads were used mainly to promote books (which were increasingly affordable) and medicines (which were increasingly sought after as disease ravaged Europe).

As the economy was expanding during the 19th century, the need for advertising grew at the same pace. In America, the classified ads became popular, filling pages of newspapers with small print messages promoting all kinds of goods. The success of this advertising format led to the growth of mail-order advertising. In 1843 the first advertising agency was established by Volney Palmer in Philadelphia. At first the agencies were just brokers for ad space in newspapers, but by the 20th century, advertising agencies started to take over responsibility for the content as well.

The 1960s saw advertising transform into a modern, more scientific approach in which creativity was allowed to shine, producing unexpected messages that made advertisements interesting to read.

Today, advertising is evolving even further, with "guerrilla" promotions that involve unusual approaches such as staged encounters in public places, giveaways of products such as cars that are covered with brand messages, and interactive advertising where the viewer can respond to become part of the advertising message.

MEDIA

Paying people to hold signs in public places is one of the oldest forms of advertising.

Transit advertising is combined with experiential marketing using peapods in Australia

Commercial Advertising media can include

•Wall paintings
•Billboards (outdoor advertising)
•Street furniture components,
•Printed flyers

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•Radio
•Cinema
•Television ads
•Web banners,
•Web popup
•Skywriting
•Bus Stop benches
•Magazines
•Newspapers
•Town criers
•Sides of buses
•Taxicab
•Musical stage shows
•Subway
•Platforms and trains
•Elastic bands on disposable diapers
•Stickers on apples in supermarkets
•The opening section of streaming audio and video
• The backs of event tickets and supermarket receipts.
Any place an "identified" sponsor pays to deliver their message through a medium is advertising.

Covert advertising embedded in other entertainment media is known as product placement.

The TV commercial is generally considered the most effective mass-market advertising format and this is reflected by the high prices TV networks charge for commercial airtime during popular TV events.
E-mail advertising is another recent phenomenon. Unsolicited bulk
E-mail advertising is known as "spam".

Some companies have proposed to place messages or corporate logos on the side of booster rockets and the International Space Station.
Controversy exists on the effectiveness of subliminal advertising and the pervasiveness of mass messages.

Unpaid advertising (also called word of mouth advertising), can provide good exposure at minimal cost. .

IMPACT

"*Half the money I spend on advertising is wasted; the trouble is, I don't know which half.*" - John Wanamaker, father of modern advertising.

The impact of advertising has been a matter of considerable debate and many different claims have been made in different contexts. During debates about the banning of cigarette advertising, a common claim from cigarette manufacturers was that cigarette advertising does not encourage people to smoke who would not otherwise. The (eventually successful) opponents of advertising, on the other hand, claim that advertising does in fact increase consumption.

According to many media sources, the past experience and state of mind of the person subjected to advertising may determine the impact that advertising has. Children under the age of four may be unable to distinguish advertising from other television programs, whilst the ability to determine the truthfulness of the message may not be developed until the age of eight.

PUBLIC SERVICE ADVERTISING

The same advertising techniques used to promote commercial goods and services can be used to inform, educate and motivate the public about non-commercial issues, such as AIDS, political ideology, energy conservation, religious recruitment, and deforestation.

Advertising, in its non-commercial guise, is a powerful educational tool capable of reaching and motivating large audiences.

"Advertising justifies its existence when used in the public interest - it is much too powerful a tool to use solely for commercial purposes." - Attributed to Howard Gossage by David Ogilvy

Public service advertising, non-commercial advertising, public interest advertising, cause marketing, and social marketing are different terms for (or aspects of) the use of sophisticated advertising and marketing communications techniques (generally associated with commercial enterprise) on behalf of non-commercial, public interest issues and initiatives.

Public service advertising reached its height during World Wars I and II under the direction of several U.S. government agencies.

SOCIAL IMPACT

Regulation

There have been increasing efforts to protect the public interest by regulating the content and the reach of advertising. Some examples are the ban on television tobacco advertising imposed in many countries, and the total ban on advertising to children under twelve imposed by the Swedish government in 1991. Though that regulation continues in effect for broadcasts originating within the country, it has been weakened by the European Court of Justice, which has found that Sweden was obliged to accept whatever programming was targeted at it from neighboring countries or via satellite.

In Europe and elsewhere there is a vigorous debate on whether and how much advertising to children should be regulated. This debate was exacerbated by a report released by the Henry J. Kaiser Family Foundation in February 2004 which suggested that food advertising targeting children was an important factor in the epidemic of childhood obesity raging across the United States.

In many countries - namely New Zealand, South Africa, Canada, and many European countries- the advertising industry operates a system of self-regulation. Advertisers, advertising agencies and the media agree on a code of advertising standards that they attempt to uphold. The general aim of such codes is to ensure that any advertising is 'legal, decent, honest and truthful'.

Negative Effects on Communication Media

An extensively documented effect is the control and vetoing of free information by the advertisers. Any negative information on a company or its products or operations results many times in pressures from the company to withdraw such information lines, threatening to cut their ads. This behaviour makes the editors of the media to self censor content that might upset their ad payers. The bigger both companies are, the bigger their relation gets, maximizing control over a single information. Thus there is nearly no mainstream media information about products that we consume daily, such as cars, telephone, gas, superstores, banks. The more a product is advertised the less information will be available about the product in media.

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Advertisers also naturally try to minimize the purchasing power of the population. They try to minimize information's about or from consumer groups, or consumer controlled purchasing initiatives (as joint purchase systems), or consumer controlled quality information systems.

Another indirect effect of advertising is to modify the very nature of the communication media where it is shown. Media that get most of their revenues from publicity try to make their medium a good place for communicating ads before anything else. The clearest example is television, where this means trying to make the public stay for a long time and in a mental state that encourages spectators not to switch the channel through the ads. Programs that are low in mental stimulus and require light concentration and are varied are best for long sitting times and make for much easier emotional jumps to ads, which can become more entertaining than regular shows. A simple way to understand the objectives in television programming is to compare contents from channels paid and chosen by the viewer with channels that get their income mainly from advertisements.

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Lecture--29

MIND SHARE---AN IMPORTANT OBJECTIVE OF ADVERTISING

MIND SHARE

One of the main objectives of advertising and promotion is to establish what is called mind share (or share of mind).

When people think of examples of a type or category of product, they think of a limited list (referred to as an evoked set). Any product included in an evoked set has mind share. For example, if you are considering purchasing a college education, you have several thousand colleges to choose from. However your evoked set, those that you will consider, will probably be limited to about ten. Of these ten, the colleges that you are most familiar with will have the greatest proportion of your mind share.
Marketers try to maximize their product's share.
Mind share can be established to a greater or lesser degree depending on market segment.
A similar concept is top of mind. The more easily you remember a brand, the closer it is to your top of mind. This implies that you have not forgotten or buried the information.

DOMINANT MIND SHARE

A brand may achieve dominant mind share when it is associated with a whole category of products, but has not necessarily become a generic term for these products. For example, Kleenex may sometimes be used to describe any facial tissue product, but retains it status as a proprietary trademark.

Other examples include Hoover, which has long been synonymous with vacuum cleaners; Dyson, which subsequently achieved similar status with a more sophisticated model of vacuum cleaner; and the internet search engine provided by Google, from which the term "googling" was derived to describe the act of "on line searching".

A trademark with dominant mind share may also be known as a genericized trademark. However, where the mark becomes the generic term for a product, it no longer has mind share because consumers do not associate it with a specific business. Classic examples include aspirin, escalator and mimeograph.

Mass media is a term used to denote, as a class, that section of the media specifically conceived and designed to reach a very large audience (typically at least as large as the whole population of a nation state). It was coined in the 1920s with the advent of nationwide radio networks and of mass-circulation newspapers and magazines. The mass-media audience has been viewed by some commentators as forming a mass society with special characteristics, notably atomization or lack of social connections, which render it especially susceptible to the influence of modern mass-media techniques such as advertising and propaganda. It is also gaining popularity in the blogosphere when referring to the mainstream media.

ETYMOLOGY AND USAGE

Media (the plural of medium) is a truncation of the term media of communication, referring to those organized means of dissemination of fact, opinion, entertainment, and other information, such as newspapers, magazines, cinema films, radio, television, the World Wide Web, billboards, books, CDs, DVDs, videocassettes, computer games and other forms of publishing. Although writers currently differ in their preference for using media in the singular ("the media is...") or the plural ("the media are..."), the former will still incur criticism in some situations.Academic programs for the study of mass media are usually referred to as mass communication programs. An individual corporation within the mass media is referred to as a Media Institution.

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The term "mass media" is mainly used by academics and media-professionals. When members of the general public refer to "the media" they are usually referring to the mass media, or to the news media, which is a section of the mass media.

Sometimes mass media (and the news media in particular) are referred to as the "corporate media". Other references include the "mainstream media" (MSM). Technically, "mainstream media" includes outlets that are in harmony with the prevailing direction of influence in the culture at large. In the United States, usage of these terms often depends on the connotations the speaker wants to invoke. The term "corporate media" is often used by leftist media critics to imply that the mainstream media are themselves composed of large multinational corporations, and promote those interests (e.g., Fairness and Accuracy in Reporting; Noam Chomsky's "propaganda model"). This is countered by right-wingers with the term "MSM", the acronym implying that the majority of mass media sources are dominated by leftist powers which are furthering their own agenda.

HISTORY

During the 20th century, the growth of mass media was driven by technology that allowed the massive duplication of material. Physical duplication technologies such as printing, record pressing and film duplication allowed the duplication of books, newspapers and movies at low prices to huge audiences. Radio and television allowed the electronic duplication of information for the first time.

Mass media had the economics of linear replication: a single work could make money proportional to the number of copies sold, and as volumes went up, units costs went down, increasing profit margins further. Vast fortunes were to be made in mass media. In a democratic society, independent media serve to educate the public/electorate about issues regarding government and corporate entities (Mass media and public opinion). Some consider the concentration of media ownership to be a grave threat to democracy. (For examples of some American newspapers' history of jingoism and drumbeating for war, yellow journalism.)

TIMELINE

•1830: Telegraphy is independently developed in England and the United States.
•1876: First telephone call made by Alexander Graham Bell
•1878: Thomas Alva Edison patents the phonograph
•1890: First juke box in San Francisco's Palais Royal Saloon.
•1890: Telephone wires are installed in Manhattan.
•1895: Cinematograph invented by Auguste and Louis Lumiere
•1896: Hollerith founds the Tabulating Machine Co. It will become IBM in 1924.
•1898: Loudspeaker is invented.
•1906: The Story of the Kelly Gang from Australia is world's first feature length film.
•1912: Air mail begins.
•1913: Edison transfers from cylinder recordings to more easily reproducible discs.

•1913: The portable phonograph is manufactured.
•1915: Radiotelephone carries voice from Virginia to the Eiffel Tower.
•1916: Tunable radios invented.
•1919: Short-wave radio is invented.
•1920: KDKA-AM in Pittsburgh, United States, becoming the world's first commercial radio station.
•1922: BBC is formed and broadcasting to London.

•1924: KDKA created a short-wave radio transmitter.
•1925: BBC broadcasting to the majority of the UK.
•1926: NBC is formed
•1927: The Jazz Singer: The first motion picture with sounds debuts
•1927: Philo Taylor Farnsworth debuts the first electronic television system
•1928: The Teletype was introduced.
•1933: Edwin Armstrong invents FM Radio
•1934: Half of the homes in the U.S. have radios.
•1935: First telephone call made around the world.
•1936: BBC opened world's first regular (then defined as at least 200 lines) high definition television service.
•1938: The War of the Worlds is broadcast on October 30th, causing mass hysteria.
•1939: Western Union introduces coast-to-coast fax service.
•1939: Regular electronic television broadcasts begin in the U.S.
•1939: The wire recorder is invented in the U.S.
•1940: The first commercial television station, WNBT (now WNBC-TV)/New York signs on the air .
•1951: The first color televisions go on sale.
•1957: Sputnik is launched and sends back signals from near earth orbit.
•1959: Xerox makes the first copier.
•1960: Echo I, a U.S. balloon in orbit, reflects radio signals to Earth.
•1962: Telstar satellite transmits an image across the Atlantic.
•1963: Audio cassette is invented in the Netherlands.
•1963: Martin Luther King gives "I have a dream" speech.
•1965: Vietnam War becomes first war to be televised.
•1967: Newspapers, magazines start to digitize production.
•1969: Man's first landing on the moon is broadcast to 600 million people around the globe.
•1970s: ARPANET, progenitor to the internet developed
•1972: Pong becomes the first video game to win widespread popularity.
•1976: JVC introduces VHS videotape - becomes the standard consumer format in the 1980s & 1990s.
•1971: Intel debuts the microprocessor
•1980: CNN launches
•1980: New York Times, Wall Street Journal, Dow Jones put news database online.
•1981: The laptop computer is introduced by Tandy.
•1983: Cellular phones begin to appear

•1984: Apple Macintosh is introduced.
•1985: Pay-per-view channels open for business.
•1995: The internet grows exponentially
•1996: First DVD players and discs are available in Japan. Twister is the first film on DVD.

PURPOSES

Mass media can be used for various purposes:

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•Advocacy, both for business and social concerns. This can include advertising, marketing, propaganda, public relations, and political communication.
•Enrichment and education, such as literature.
•Entertainment, traditionally through performances of acting, music, and sports, along with light reading; since the late 20th century also through video and computer games.
•Journalism.
•Public service announcement

FORMS

Electronic media and print media include:

•Broadcasting, in the narrow sense, for radio and television.
•Various types of discs or tape. In the 20th century, these were mainly used for music. Video and computer uses followed.
•Film, most often used for entertainment, but also for documentaries.
•Internet, which has many uses and presents both opportunities and challenges. Blogs and podcasts, such as news, music, pre-recorded speech and video)
•Publishing, in the narrow sense, meaning on paper, mainly via books, magazines, and newspapers.
•Computer games, which have developed into a mass form of media since devices such as the PlayStation 2 , Xbox, and the Gamecube broadened their use.

Toward the end of the 20th century, the advent of the World Wide Web marked the first era in which any individual could have a means of exposure on a scale comparable to that of mass media. For the first time, anyone with a web site can address a global audience, although serving to high levels of web traffic is still relatively expensive. It is possible that the rise of peer-to-peer technologies may have begun the process of making the cost of bandwidth manageable. Although a vast amount of information, imagery, and commentary (i.e. "content") has been made available, it is often difficult to determine the authenticity and reliability of information contained in (in many cases, self-published) web pages. The invention of the Internet has also allowed breaking news stories to reach around the globe within minutes. This rapid growth of instantaneous, decentralized communication is often deemed likely to change mass media and its relationship to society. "Cross-media" means the idea of distributing the same message through different media channels. A similar idea is expressed in the news industry as "convergence". Many authors understand cross-media publishing to be the ability to publish in both print and on the web without manual conversion effort. An increasing number of wireless devices with mutually incompatible data and screen formats make it even more difficult to achieve the objective “create once, publish many”.

Lecture-30

TELEVISION COMMERCIALS

TELEVISION COMMERCIAL

"*A TELEVISION COMMERCIAL (often called an Advert) is a form of advertising in which goods, services, organizations, ideas, etc. are promoted via the medium of TELEVISION".*

Most commercials are produced by an outside Advertising Agency and airtime is purchased from a television channel or network.

The first television commercial aired at 2:29 p.m. on July 1, 1941.

The vast majority of television commercials today consist of brief advertising spots, ranging in length from a few seconds to several minutes (as well as program-length infomercials).

Commercials of this sort have been used to sell every product imaginable over the years, from household products to goods and services, to political campaigns.

The effect of television commercials upon the viewing public has been so successful and so pervasive that it is considered impossible for a politician to wage a successful election campaign without airing a good television commercial.

CHARACTERISTICS OF COMMERCIALS

Many Television Commercials feature Catchy Jingles (songs or melodies) or catch-phrases that generate sustained appeal, which may remain in the minds of television viewers long after the span of the advertising campaign.

For Catching Attention of consumers, communication agencies make wide use of humor. In fact, many psychological studies tried to demonstrate the effect of humor and indicate the way to empower advertising persuasion. Animation is often used in commercials. .
Other long-running ad campaigns catch people by surprise.

TYPES OF TV COMMERCIALS

•Political TV advertising

•Infomercials

•Product placement

•Network or local station promotional advertising (also known as promo)

•Television commercial donut

•Sponsorship

BILLBOARD (ADVERTISING)

"*A Billboard or Hoarding is a large outdoor signboard, usually wooden, found in places with high traffic such as cities, roads, motorways and highways. Billboards show large advertisements aimed at passing pedestrians and drivers".*

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The vast majority of billboards are rented to advertisers rather than owned by them.

Typically showing large, witty slogans splashed with distinctive color pictures, billboards line the highways and are placed on the sides of buildings, peddling products and getting out messages. Billboards originally existed alongside and later largely replaced advertisements painted directly onto the sides of buildings or designed into roofs in shingle patterns.

Traditional Billboards

Roadside billboards frequently encourage passersby to visit local businesses.

Mechanical Billboards

Some modern billboards use a technique called tri-faced (also known as rotating or multi-message billboards).

Digital Billboards

New billboards are being produced that are entirely digitized (using projection and similar techniques), allowing animations and completely rotating advertisements. Even holographic billboards are in use in some places.

Mobile Billboards

Billboards can also be made mobile, either by mounting a traditional billboard onto a trailer or flatbed truck, or by covering an entire vehicle in a "wrap" image. This is sometimes used in bus advertising, though it is more common to mount smaller "boards" on those vehicles.

Placement of Billboards

This billboard was the last in a sequence of roadside signs telling a joke. It was part of a campaign for Burma-Shave canned shaving cream, and was the first of its kind.

Some of the most noticeable and prominent places billboards are situated alongside highways; since passing drivers typically have little to occupy their attention; the impact of the billboard is greater.

Non-commercial use of Billboards

Not all billboards are used for advertising products and services—non-profit groups and government agencies use them to communicate with the public.

Advertising Slogan

Advertising slogans are claimed to be, and often are proven to be, the most effective means of drawing attention to one or more aspects of a product or products.

Typically they make claims about being the best quality, the tastiest, cheapest, most nutritious, providing an important benefit or solution, or being most suitable for the potential customer.

What makes an effective slogan?

Advertising slogans often play a large part in the interplay between rival companies. An effective slogan usually:

- States the main benefits of the product or brand for the potential user or buyer
- Implies a distinction between it and other firms' products - of course, within the usual legal constraints

- Makes a simple, direct, concise, crisp, and apt statement
- Is often witty, if it is required as not all advertising slogans are meant to be witty?
- Adopts a distinct "personality" of its own
- Gives a credible impression of a brand or product
- Makes the consumer feel "good"
- Makes the consumer feel a desire or need
- Is hard to forget - it adheres to one's memory (whether one likes it or not), especially if it is accompanied by mnemonic devices, such as jingles, ditties, pictures or film sequences on televised commercials.

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Lesson- 31

SALES AND SELLING TECHNIQUES

SALES

Sales, or the activity of selling, form an integral part of commercial activity. Mastering Sales is considered by many as some sort of PERSUADING “art".

Sales Defined

“Sales refer to as a systematic process of repetitive and measurable milestones, by which a salesperson relates his offering enabling the buyer to visualize how to achieve his goal in an economic way”.

`Selling' has long suffered from a tarnished image. It is, indeed, true that dubious selling practices may occasionally result in a sale if the customer is particularly gullible. But it is arguable that, even then, only good marketing (which encompasses a far wider range of skills, with an almost diametrically opposed motivation) 'will lead the customer to buy again from the same company '.

Organizations seldom profit from single purchases made by first-time customers. Normally they rely on repeat business to generate the profit that they need.

Selling is a practical implementation of MARKEING it often forms a separate grouping in a corporate structure, employing separate specialist operatives known as salesmen (singular: salesman or salesperson).

The primary function of professional sales is to generate and close leads, educate prospects, fill needs and satisfy wants of consumers appropriately, and therefore turn prospective customers into actual ones.

From a marketing point of view, selling is one of the methods of promotion used by marketers.

Other promotional techniques include advertising, sales promotion, publicity, and public relations.

Several types of sales exist including direct, consultative, and complex sales. Complex sales varies from other types in that the customer plays a more pro-active role, often requiring proposal response to their Request for Proposal (RFP).

MODE OF SELLING

Modes of selling include:

1. Direct Sales - involving face-to-face contact
- retail or consumer
- door-to-door or traveling salesman
- party plan

2. Industrial/Professional Sales - selling from one business to another
- business-to-business

3. Indirect - human-mediated but with indirect contact
- telemarketing or telesales

4. Electronic
- web B2B, B2C

- EDI

5. Agency-based

- consignment
- multi-level marketing
- sales agents (real estate, manufacturing)

TYPES OF SALES INCLUDE:

- Transaction sales
- Consultative sales
- Complex sales

CRITIQUE OF SELLING

In theory, the purpose of selling is to help a customer realize his or her goals in an economic fashion. However, in reality this is not always the case. Customers can be influenced to purchase a product or service that initially was not of interest to them. Some salespeople are trained in the art of selling customers things they don't need.

Take for example the purchasing of a car: a consumer may have a set of cars in mind (called an evoked set) that she feels match her needs, wants and budget. She may seek the advice of a salesperson given that a salesperson can help her realize the right car given those criteria. This can be a socially useful function; salespeople have specialized knowledge of products that can help consumers make an informed decision. However, a salesperson may also talk a consumer into purchasing a more expensive or perhaps larger car then she needs or can afford. In this context, the salesperson may have usefully helped the customer re-evaluate her needs, thereby establishing a new set of appropriate choices among which included the newer or large car. This again would be a helpful and useful service provided by the salesperson. However, it is sometimes the case that customers purchase a product or service that was not initially intended and remains an inappropriate purchase after the fact. On the other hand, the consumer in this scenario can be held partially responsible for the inappropriate purchase; indeed, "A fool and his money are soon parted." (English proverb)

This dysfunctional behaviour is encouraged by:

- Incentives of salespeople to increase their total number of sales, especially where retailers keep track of sales or offer commission-based salaries.

- Incentives from the manufactures of products or the companies of service providers to salespeople to sell their products where other similar products offered by competitors are offered.

- The incentive to sell a customer a product that is in need of being cleared out, despite the fact that a customer may be better to wait for the new product.

SELLING TECHNIQUE

Selling Technique is the body of methods used in the profession of sales, also often called personal selling.

Techniques in use vary from the highly customer centric consultative selling to the heavily pressured "hard close". All techniques borrow a bit from experience and mix in a bit of guesswork on the psychology of what motivates others to buy something offered to them. Mastery in the techniques of selling can offer very high incomes, while failure in it is nearly proverbial. Coverage of the latter is popularized in the Arthur

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Miller play Death of a Salesman. Because selling faces a high level of rejection, it is often difficult for the practitioner to handle emotionally, and is usually cited as the most common reason for leaving the profession. Because of this many selling and sales training techniques involve a lot of motivational material.

1. Prospecting

- Referrals
- Qualifying

2. Presentation

- Questions
- Selling the sizzle

3. Closing

- Pre-closing questions
- Tie downs

4. Handling objections

5. Confidence

6. Empathy

- Reading people

Good selling involves asking questions to elicit the prospect's needs and desires and finding the appropriate product or service that meets those needs and that the prospect is willing to pay for. If good prospecting (qualifying) is done, then the prospect may already be well suited to the product or service and the salesperson simply needs to lead the prospect to act on the desires and needs he has. A good salesperson is much more knowledgeable about their product or service than the prospect could ever likely be and can offer valuable information and insight to the decision making process.

In addition, an ethical salesperson will always make sure the prospect receives more value from the product or service they have purchased than they have paid.

Lesson-32

NEGOTAITION

NEGOTIATION

"Negotiation is the process whereby interested parties resolve disputes, agree upon courses of action, bargain for individual or collective advantage, and/or attempt to craft outcomes which serve their mutual interests".

It is usually regarded as a form of **alternative dispute resolution**.

The first step in negotiation is to determine whether the situation is in fact a negotiation. The essential qualities of negotiation are: the existence of two parties who share an important objective but have some significant difference(s).

The purpose of the negotiating conference to seek to compromise the difference(s).

The outcome of the negotiating conference may be a compromise satisfactory to both sides, a standoff (failure to reach a satisfactory compromise) or a standoff with an agreement to try again at a later time. Negotiation differs from "influencing" and "group decision making."

APPROACHES TO NEGOTIATION

Given the above definition, one can see negotiation occurring in business, non-profit organizations, government branches, legal proceedings, among nations and in personal situations such as marriage, parenting and others.

Comparison Among Group Activities

Activity	Objectives in Common?	Conflict Between Participants
DecisionMaking	Yes	No
Influencing	Must be proven by influencer	Influencer must show there is none
Negotiating	Yes	Yes. Parties seek compromise

The advocate's approach

In the advocacy approach, a skilled negotiator usually serves as advocate for one party to the negotiation and attempts to obtain the most favorable outcomes possible for that party. In this process the negotiator attempts to determine the minimum outcome(s) the other party is (or parties are) willing to accept, then adjusts their demands accordingly. A "successful" negotiation in the advocacy approach is when the negotiator is able to obtain all or most of the outcomes their party desires, but without driving the other party to permanently break off negotiations, unless the BATNA is acceptable.

Best alternative to a negotiated agreement (batna)

In negotiation theory, the best alternative to a negotiated agreement or BATNA is the course of action that will be taken by a party if the current negotiations fail and an agreement cannot be reached.

If the current negotiations are giving you less value than your BATNA, there is no point in proceeding. Prior to the start of negotiations, the parties should have ascertained their own individual BATNAs.

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BATNA was developed by negotiation researchers Roger Fisher and Bill Ury of the Harvard Program on Negotiation (PON), in their series of books on Principled Negotiation that started with Getting to YES. Nobel Laureate John Forbes Nash has included such ideas in his early undergraduate research.

For example, if I have a written offer from CarMax to buy my car for $100 dollars, then my BATNA when dealing with other potential purchasers would be $100 since I can get $100 for my car even without reaching an agreement with such alternative purchaser.

A party should generally never accept a worse resolution than its BATNA. Care should be taken, however, to ensure that deals are accurately valued, taking into account all considerations (such as relationship value, time value of money, likelihood that the other party will live up to their side of the bargain, etc.) These other considerations are very difficult to value, since they are often based on uncertain considerations, rather than easily measurable and quantifiable factors.

Examples of other offers that might or might not be better than the BATNA in the example above might be:

An offer of $90 by a close relative (is the goodwill generated worth $10 or more?)

An offer of $125 in 45 days (what are the chances of this future commitment falling through, and would my prior BATNA ($100) still be available if it did?)

An offer from another dealer to offset $150 against the price of a new car (do I want to buy a new car right now, the offered car in particular? Also, is the probably minuscule reduction in monthly payments worth $100 to me today?)

Traditional negotiating is sometimes called win-lose because of the assumption of a fixed "pie", that one person's gain results in another person's loss. Another view is that in negotiation both parties are equals by definition and that the best possible outcome is reached when both parties agree to it. If the two parties were not equals, the stronger party would dictate the outcome and there would be no negotiation at all.

The win/win negotiator's approach

During the early part of the 20th century, scholars such as Mary Parker Follett developed ideas suggesting that agreement often can be reached if parties look not at their stated positions but rather at their underlying interests and needs. During the 1960s, Gerard I. Nierenberg recognized the powerful role of negotiation in resolving disputes in personal, business and international relations. He published a bestselling book called The Art of Negotiation, which has become a staple negotiation publication. He believes that the philosophies of the negotiators determine the direction a negotiation takes. His Everybody Wins philosophy assures that all parties benefit from the negotiation process which also yields more successful outcomes than the adversarial “winner takes all” approach.

In the Seventies, practitioners and researchers began to develop win-win approaches to negotiation. The publication of Getting to YES by Harvard's Roger Fisher and William Ury, was a revolution in the field of negotiation. It became an international bestseller and continues to influence generations of negotiators around the world. The ideas of the book are simple and important -- such as "looking behind positions for interests" and "inventing options before deciding." The book's approach, referred to as Principled Negotiation, is also sometimes called mutual gains bargaining. The mutual gains approach has been effectively applied in environmental situations (see Lawrence Susskind and Adil Najam) as well as labor relations where the parties (e.g. management and a labor union) frame the negotiation as "problem solving" and Chester L. Karrass.

There are a tremendous number of other scholars who have contributed to the field of negotiation, including Sara Cobb at George Mason University, Len Riskin at the University of Missouri, Howard Raiffa

at Harvard, Robert McKersie and Lawrence Susskind at MIT, and Adil Najam and Jeswald Salacuse at The Fletcher School of Law and Diplomacy. Each in their own right is a leader in the field.

NEGOTIATION AS A PROCESS

A negotiation process can be divided into six steps in three phases:

Phase 1: Before the Negotiation

- **Step 1: Preparing and Planning**: In this step, first you should determine what you must have and what you are willing to give (bargaining chips). Gather facts about the other party, learn about the other party's negotiating style and anticipate other side's position and prioritize issues. To ensure smooth negotiation, one should also prepare alternatives proposals and establish BATNA (the Best Alternative To a Negotiated Agreement). Estimate the other party's needs, bargaining chips and BATNA. The most ideal case is to get as much as you can. You may advocate "win-win" but don't count on your opponent to be so helpful. Your opponent may try to intimidate you by creating time limits, shouting and casting doubt on your motives. For more details and suggestions on the process of negotiating, consult Negotiation/Conflict Resolution.

Phase 2: During the Negotiation

- **Step 2: Setting the Tone**: You should never speak first because the other party might offer you more than you would have asked for.

- **Step 3: Exploring Underlying Needs**: It is also important to actively listen for facts and reasons behind other party's position and explore underlying needs of the other party. If conflict exists, try to develop creative alternatives. If you are in a difficult situation, don't say anything. Take time out. Remember, you will not give anything away if you don't say anything.

- **Step 4: Selecting, Refining, and Crafting an Agreement**: It is a step in which both parties present the starting proposal. They should listen for new ideas, think creatively to handle conflict and gain power and create cooperative environment.

- **Step 5: Reviewing and Recapping the Agreement**: This is the step in which both parties formalize agreement in a written contract or letter of intent.

Phase 3: After the Negotiation

- **Step 6: Reviewing the Negotiation**: Reviewing the negotiation helps one to learn the lessons on how to achieve a better outcome. Therefore, one should take the time to review each element and ask oneself, "what went well?" and "what could be improved next time"

Tactics

There are many tactics used by skilled negotiators, including:

- Analyzing the negotiation or conflict management style of your counterpart

- Setting pre-conditions before the meeting

- Volunteering to keep the minutes of the meeting

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- Presenting demands
- Declining to speak first
- Deadlines
- Good guy/bad guy
- Limited authority
- Caucusing
- Walking out
- Concession patterns
- High-ball/low-ball
- Intimidation
- Getting it in your hands
- Fait accompli (what's done is done)
- Take it or leave it
- Rejecting an offer

Lesson-33

SALES FORCE MANAGEMENT

Sales Force Management Systems are information systems used in marketing and management that automate some sales and sales force management functions. They are frequently combined with a marketing information system, in which case they are often called customer relationship management systems.

Advantages to Sales People

Proponents claim that sales force automation systems can improve the productivity of sales personnel. Here are some examples:

- Rather than write-out sales reports, activity reports, and/or call sheets, sales people can fill-in prepared e-forms. This saves time.

- Rather than printing out reports and taking them to the sales manager, sales people can use the company intranet to transmit the information. This saves time.

- Rather than waiting for paper based product inventory data, sales prospect lists, and sales support information, they will have access to the information when they need it. This could be useful in the field when answering prospects' questions and objections.

- The additional tools could help improve sales staff morale if they reduce the amount of record keeping and/or increase the rate of closing. This could contribute to a virtuous spiral of beneficial and cumulative effects.

- These sales force systems can be used as an effective and efficient training device. They provide sales staff with product information and sales technique training without them having to waste time at seminars.

- Better communication and co-operation between sales personnel facilitates successful team selling.

- This technology increases the sales person's ratio of selling time to non-selling time. Non-selling time includes activities like report writing, travel time, internal meetings, training, and seminars.

Advantages to the Sales Manager

Sales force automation systems can also affect sales management. Here are some examples:

- The sales manager, rather than gathering all the call sheets from various sales people and tabulating the results, will have the results automatically presented in easy to understand tables, charts, or graphs. This saves time for the manager.

- Activity reports, information requests, orders booked, and other sales information will be sent to the sales manager more frequently, allowing him/her to respond more directly with advice, product in-stock verifications, and price discount authorizations. This gives management more hands-on control of the sales process if they wish to use it.

- The sales manager can configure the system so as to automatically analyze the information using sophisticated statistical techniques, and present the results in a user-friendly way. This gives the sales manager information that is more useful in :

    - Providing current and useful sales support materials to their sales staff

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o Providing marketing research data : demographic, psychographic, behavioural, product acceptance, product problems, detecting trends

o Providing market research data : industry dynamics, new competitors, new products from competitors, new promotional campaigns from competitors, macro-environmental scanning, detecting trends

o Co-ordinate with other parts of the firm, particularly marketing, production, and finance

o Identifying your most profitable customers, and your problem customers

o Tracking the productivity of their sales force by combining a number of performance measures such as : revenue per sales person, revenue per territory, margin by product category, margin by customer segment, margin by customer, number of calls per day, time spent per contact, revenue per call, cost per call, entertainment cost per call, ratio of orders to calls, revenue as a percentage of sales quota, number of new customers per period, number of lost customers per period, cost of customer acquisition as a percentage of expected lifetime value of customer, percentage of goods returned, number of customer complaints, and number of overdue accounts. More complex models like the PAIRS model (by Parasuraman and Day) and the Call Plan model (by Lodish) can also be used.

Advantages to the Marketing Manager

It is also claimed to be useful for the marketing manager. It gives the marketing manager information that is useful in :

- Understanding the economic structure of industry
- Identifying segments within your market
- Identifying your target market
- Identifying your best customers
- Doing marketing research to develop profiles (demographic, psychographic, and behavioral) of your core customers
- Understanding your competitors and their products
- Developing new products
- Establishing environmental scanning mechanisms to detect opportunities and threats
- Understanding your company's strengths and weaknesses
- Auditing your customers' experience of your brand in full
- Developing marketing strategies for each of your products using the marketing mix variables of price, product, distribution, and promotion
- Coordinating the sales function with other parts of the promotional mix (such as advertising, sales promotion, public relations, and publicity)

- Creating a sustainable competitive advantage

- Understanding where you want your brands to be in the future and providing an empirical basis for writing marketing plans on a regular basis to help you get there

Strategic Advantages

Sales force automation systems can also create competitive advantage. Here are some examples:

- As mentioned above, productivity will increase. Sales staff will use their time more efficiently and more effectively. The sales manager will also become more efficient and more effective. This increased productivity can create a competitive advantage in three ways: it can reduce costs, it can increase sales revenue, and it can increase market share.

- Field sales staff will send their information more frequently. Typically information will be sent to management after every sales call (rather than once a week). This provides management with current information, information that they will be able to use while it is still valuable. Management response time will be greatly reduced. The company will become more alert and more agile.

- These systems could increase customer satisfaction if they are used with wisdom. If the information obtained and analyzed with the system is used to create a product that matches or exceeds customer expectations, and the sales staff uses the system to service customers more expertly and diligently, then customers should be satisfied with the company. This will provide a competitive advantage because customer satisfaction leads to increased customer loyalty, reduced customer acquisition costs, reduced price elasticity of demand, and increased profit margins.

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Lecture-34

PUBLICITY, PUBLIC RELATION & CORPORATE IMAGE

PUBLICITY--- DEFINITION

Publicity is the means of using an external entity (celebrities, people from the media, etc) to increase the awareness levels of the product, company, goods etc amongst the public and/or buying segment.

"Publicity is the deliberate attempt to manage the public's perception of a subject".

Publicists

"A publicist is a person whose job is to generate and manage publicity for a product, public figure, especially a celebrity, or for a work such as a book or movie. Publicists usually work at large companies handling multiple clients".

The subject of publicity includes people (for example, politicians and performing artists), goods and services, organizations of all kinds, and works of art or entertainment.

From a Marketing perspective, publicity is one component of promotion.
The other elements of the promotional mix are

- Advertising,
- Sales promotion, and
- Personal selling.
- Promotion is one component of marketing.

Publicity is a tool of public relations. Whereas public relations are the management of all communication between the client and selected target audiences, publicity is the management of product- or brand-related communications between the firm and the general public. It is primarily
an informative activity (as opposed to a persuasive one), but its ultimate goal is to promote the client's products, services, or brands.

A publicity plan is a planned program aimed at obtaining favorable media coverage for an organization's products - or for the organization itself, to enhance its reputation and relationships with stakeholders.

Basic TOOLS of the Publicist are:

- Press Release
- Telephone press conferences
- In-studio media tours
- Multi-component video news releases (VNR's)
- Newswire stories

But the publicist cannot wait around for the news to present opportunities. They must also try to create their own news. Examples of this include:

- Contests
- Art exhibitions
- Event sponsorship
- Arrange a speech or talk
- Make an analysis or prediction
- Conduct a poll or survey

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- Issue a report
- Take a stand on a controversial subject
- Arrange for a testimonial
- Announce an appointment
- Celebrate an anniversary
- Invent then present an award
- Stage a debate
- Organize a tour of your business or projects
- Issue a commendation

The advantages of publicity are

- Low cost
- And credibility (particularly if the publicity is aired in between news stories like on evening TV news casts).

The disadvantages are lack of control over how releases will be used, and frustration over the low percentage of releases that are taken up by the media.

Publicity draws on several key themes including

- Birth
- Love
- And death.

These are of particular interest because they are themes in human lives which feature heavily throughout life. In television serials several couples have emerged during crucial ratings and important publicity times, as a way to make constant headlines. Also known as a publicity stunt, the pairings may or may not be truthful.

EFFECTIVENESS OF PUBLICITY

The theory any press is good press has been coined to describe situations where bad behaviour by people involved with an organization or brand has actually resulted in positive results, due to the fame and press coverage accrued by such events.

PUBLIC RELATIONS

"Public Relations is the art and science of building relationships between an organization and its key publics. It is concerned with communications management".

Examples include:

- Corporations use marketing public relations (MPR) to convey information about the products they manufacture or services they provide to potential customers to support their direct sales efforts. Typically, they support sales in the short and long term, establishing and burnishing the corporation's branding for a strong, ongoing market.

- Corporations also use public-relations as a vehicle to reach legislators and other politicians, seeking favorable tax, regulatory, and other treatment, and they may use public relations to portray themselves as enlightened employers, in support of human-resources recruiting programs.

- Non-profit organizations, including schools and universities, hospitals, and human and social service agencies, use public relations in support of awareness programs, fund-raising programs, staff

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recruiting, and to increase patronage of their services.

- Politicians use public relations to attract votes and raise money, and, when successful at the ballot box, to promote and defend their service in office, with an eye to the next election or, at career's end, to their legacy.

CORPORATE IMAGE AND PRODUCT POSITIONING

A corporate image should be consistent with the POSITIONING OF THE COMPANY'S PRODUCT, PRODUCT LINE, and OR BRAND.

Any incongruence between the overall corporate image and the positions of individual product offerings will be confusing to potential customers and will tend to reduce sales revenue. For example, an oil company that has the image of being environmentally unfriendly will not be successful selling products that they try to position as "green". A company in such a situation should either: withdraw from the "green market", invest in promotional activities that will recast their corporate image in a greener hue, and/or follow a more environmentally friendly path. A good overall corporate image can be seen as the sum of all the images associated with the firm's individual product positions.

The corporate name and logo must also be consistent with the overall corporate image.

Likewise with advertising themes and distribution partners; they must also be consistent with your overall corporate image. If, for example, you wish to create a luxury/high-end corporate image, you should not distribute your products through Wal-Mart nor use slapstick advertising themes.
A successful corporate image must also be believable. That is, the image must be relatively close to your actual behaviors to be credible.

Lesson-35

DISTRIBUTION CHANNELS

DISTRIBUTION (BUSINESS)

Distribution is one of the four Aspects of Marketing.

A distribution business is the middleman between the manufacturer and retailer or (usually) in commercial or industrial the business customer.

After a product is manufactured by a supplier/factory, it is typically stored in a distribution company's warehouse. The product is then sold to retailers or customers. The other three parts of the marketing mix are product management, pricing, and promotion.

CHANNELS

A number of alternative `channels' of distribution may be available:

- Selling direct
- Mail order (including Internet and telephone sales)
- Retailer
- Wholesaler
- Agent (who acts on behalf of the producer)

Distribution channels may not be restricted to physical products.
They may be just as important for moving a service from `producer' to consumer in certain sectors; since both direct and indirect channels may be used. Hotels, for example, may sell their services (typically rooms) direct or through travel agents, tour operators, airlines, tourist boards, centralized reservation systems, and so on.

There have also been some innovations in the distribution of services. For example, there has been an increase in franchising and in rental services - the latter offering anything from televisions through to DIY tools. There has also been some evidence of service integration, with services linking together, particularly in the travel and tourism sector: for example, links
now exist between airlines, hotels and car rental services. In addition, there has been a significant increase in retail outlets for the service sector; outlets such as estate agencies and building society offices, for example, are crowding out the traditional grocers and greengrocers from the high street.

VITAL QUESTIONS….EXPLANATION

Traditionally, distribution has been seen as dealing with logistics: how to get the product or service to the customer.

It must answer questions such as:

- Should the product be sold through a retailer?
- Should the product be distributed through wholesale?
- Should multi-level marketing channels be used?
- How long should the channel be (how many members)?
- Where should the product or service be available?

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- When should the product or service be available?
- Should distribution be exclusive, selective or extensive?
- Who should control the channel?
- Should channel relationships be informal or contractual?
- Should channel members share advertising (referred to as co-op ads)?
- Should electronic methods of distribution be used?
- Are there physical distribution and logistical issues to deal with?
- What will it cost to keep an inventory of products on store shelves and in channel warehouses (referred to as filling the pipeline)?

Lesson- 36

DISTRIBUTION CHANNELS (Cont….)

THE DISTRIBUTION CHANNEL

Frequently there may be a chain of intermediaries; each passing the product down the chain to the next organization, before it finally reaches the consumer or end-user. This process is known as the 'distribution chain' or, rather more exotically, as the 'channel'.

Each of the elements in these chains will have their own specific needs; which the producer must take into account, along with those of the all-important end-user.

CHANNEL MEMBERS

Distribution channels can, thus, have a number of `levels'. Kotler defined the simplest level that of direct contact with no intermediaries involved, as the **`zero-level'** channel.

The next level, the **`one-level'** channel, features just one intermediary; in consumer goods a retailer, for industrial goods a distributor, say. In recent years this has been the level which, together with the zero-level, has accounted for the greatest percentage of the overall volumes distributed in, say, the UK; although the very elaborate distribution systems in Japan are at the other end of the spectrum, with many levels being encountered even for the simplest of consumer goods.

In the UK, a second level, a wholesaler for example, is now mainly used to extend distribution to the large number of small, neighborhood retailers.

CHANNEL STRUCTURE

To the various `levels' of distribution, which they refer to as the `channel length'.

- **Conventional or free-flow** - This is the usual, widely recognized, channel with a range of `middle-men' passing the goods on to the end-user.

- **Single transaction** - A temporary `channel' may be set up for one transaction; for example, the sale of property or a specific civil engineering project. This does not share many characteristics with other channel transactions, each one being unique.

- **Vertical marketing system** (VMS) - In this form, the elements of distribution are integrated.

THE INTERNAL MARKET

Many of the marketing principles and techniques which are applied to the external customers of an organization can be just as effectively applied to each subsidiary's, or each department's, 'internal' customers.

In some parts of certain organizations this may in fact be formalized, as goods are transferred between separate parts of the organization at a `transfer price'. To all intents and purposes, with the possible exception of the pricing mechanism itself, this process can and should be viewed as a normal buyer-seller relationship. The fact that this is a captive market, resulting in a `monopoly price', should not discourage the participants from employing marketing techniques.

Less obvious, but just as practical, is the use of `marketing' by service and administrative departments; to optimize their contribution to their `customers' (the rest of the organization in general, and those parts of it which deal directly with them in particular). In all of this, the lessons of the non-profit organizations, in dealing with their clients, offer a very useful parallel.

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CHANNEL DECISIONS

- Overall strategy
- Channel strategy
- Product (or service)
- Cost and Consumer location

CHANNEL MANAGEMENT

The channel decision is very important. In theory at least, there is a form of trade-off: the cost of using intermediaries to achieve wider distribution is supposedly lower. Indeed, most consumer goods manufacturers could never justify the cost of selling direct to their consumers, except by mail order. In practice, if the producer is large enough, the use of intermediaries (particularly at the agent and wholesaler level) can sometimes cost more than going direct.

Many of the theoretical arguments about channels therefore revolve around cost. On the other hand, most of the practical decisions are concerned with control of the consumer. The small company has no alternative but to use intermediaries, often several layers of them, but large companies 'do' have the choice.

However, many suppliers seem to assume that once their product has been sold into the channel, into the beginning of the distribution chain, their job is finished. Yet that distribution chain is merely assuming a part of the supplier's responsibility; and, if he has any aspirations to be market-oriented, his job should really be extended to managing, albeit very indirectly, all the processes involved in that chain, until the product or service arrives with the end-user. This may involve a number of decisions on the part of the supplier:

- Channel membership
- Channel motivation
- Monitoring and managing channels

CHANNEL MEMBERSHIP

1. **Intensive distribution** - Where the majority of resellers stock the `product' (with convenience products, for example, and particularly the brand leaders in consumer goods markets) price competition may be evident.

2. **Selective distribution** - This is the normal pattern (in both consumer and industrial markets) where `suitable' resellers stock the product.

3. **Exclusive distribution** - Only specially selected resellers (typically only one per geographical area) are allowed to sell the `product'.

CHANNEL MOTIVATION

It is difficult enough to motivate direct employees to provide the necessary sales and service support. Motivating the owners and employees of the independent organizations in a distribution chain requires even greater effort. There are many devices for achieving such motivation. Perhaps the most usual is `bribery': the supplier offers a better margin, to tempt the owners in the channel to push the product rather than its competitors; or a competition is offered to the distributors' sales personnel, so that they are tempted to push the product. At the other end of the spectrum is the almost symbiotic relationship that the all too rare supplier in the computer field develops with its agents; where the agent's personnel, support as well as sales, are trained to almost the same standard as the supplier's own staff.

Monitoring and managing channels

In much the same way that the organization's own sales and distribution activities need to be monitored and managed, so will those of the distribution chain.

In practice, of course, many organizations use a mix of different channels; in particular, they may complement a direct sales force, calling on the larger accounts, with agents, covering the smaller customers and prospects.

VERTICAL MARKETING

This relatively recent development integrates the channel with the original supplier - producer, wholesalers and retailers working in one unified system. This may arise because one member of the chain owns the other elements (often called `corporate systems integration'); a supplier owning its own retail outlets, this being 'forward' integration. It is perhaps more likely that a retailer will own its own suppliers, this being 'backward' integration. (For example, MFI, the furniture retailer, owns Hygena which makes its kitchen and bedroom units.) The integration can also be by franchise (such as that offered by McDonald's hamburgers and Benetton clothes) or simple co-operation (in the way that Marks & Spencer co-operates with its suppliers).

Alternative approaches are `contractual systems', often led by a wholesale or retail co-operative, and `administered marketing systems' where one (dominant) member of the distribution chain uses its position to co-ordinate the other members' activities. This has traditionally been the form led by manufacturers.

The intention of vertical marketing is to give all those involved (and particularly the supplier at one end, and the retailer at the other) 'control' over the distribution chain. This removes one set of variables from the marketing equations.

Other research indicates that vertical integration is a strategy which is best pursued at the mature stage of the market (or product). At earlier stages it can actually reduce profits. It is arguable that it also diverts attention from the real business of the organization. Suppliers rarely excel in retail operations and, in theory, retailers should focus on their sales outlets rather than on manufacturing facilities (Marks & Spencer, very deliberately provides considerable amounts of technical assistance to its suppliers, but does not own them).

HORIZONTAL MARKETING

A rather less frequent example of new approaches to channels is where two or more non-competing organizations agree on a joint venture - a joint marketing operation - because it is beyond the capacity of each individual organization alone. In general, this is less likely to revolve around marketing synergy.

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Lesson-37

SUPPLY CHAIN MANAGEMENT (SCM)

SUPPLY CHAIN

A supply chain, logistics network, or supply network is a coordinated system of organizations, people , activities, information and resources involved in moving a product or service from supplier to customer.

The entities of a supply chain typically consist of manufacturers, service providers, distributors, sales channels (e.g. retail, ecommerce) and consumers (end customers). Supply chain activities transform raw materials and components into a finished product that is delivered to the end customer.

The primary objective of supply chain management is to fulfill customer demands through the most efficient use of resources, including distribution capacity, inventory and labour.

SUPPLY CHAIN MANAGEMENT (SCM)

Supply Chain Management (SCM) is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible.

Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption.

SUPPLY CHAIN MANAGEMENT PROBLEMS

Supply chain management must address the following problems:

- **Distribution Network Configuration:** Number and location of suppliers, production facilities, distribution centers, warehouses and customers.

- **Distribution Strategy:** Centralized versus decentralized, direct shipment, pull or push strategies, third party logistics.

- **Information:** Integrate systems and processes through the supply chain to share valuable information, including demand signals, forecasts, inventory and transportation.

- **Inventory Management:** Quantity and location of inventory including raw materials, work-in-process and finished goods.

ACTIVITIES/FUNCTIONS

Supply chain management is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer.
As corporations strive to focus on core competencies and become more flexible, they have reduced their ownership of raw materials sources and distribution channels. These functions are increasingly being outsourced to other corporations that can perform the activities better or more cost effectively. The effect has been to increase the number of companies involved in satisfying consumer demand, while reducing management control of daily logistics operations.

Less control and more supply chain partners led to the creation of supply chain management concepts. The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and improving inventory velocity.

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Several models have been proposed for understanding the activities required to manage material movements across organizational and functional boundaries. SCOR is a supply chain management model promoted by the Supply-Chain Council. Another model is the SCM Model proposed by the Global Supply Chain Forum (GSCF). Supply chain activities can be grouped into strategic, tactical, and operational levels of activities.

Strategic Activities

- Strategic network optimization, including the number, location, and size of warehouses, distribution centers and facilities.

- Strategic partnership with suppliers, distributors, and customers, creating communication channels for critical information and operational improvements such as cross docking, direct shipping, and third-party logistics.

- Product design coordination, so that new and existing products can be optimally integrated into the supply chain.

- Information Technology infrastructure, to support supply chain operations.

- Where to make and what to make or buy decisions

Tactical Activities

- Sourcing contracts and other purchasing decisions.

- Production decisions, including contracting, locations, scheduling, and planning process definition.

- Inventory decisions, including quantity, location, and quality of inventory.

- Transportation strategy, including frequency, routes, and contracting.

- Benchmarking of all operations against competitors and implementation of best practices throughout the enterprise.

- Milestone Payments

Operational Activities

- Daily production and distribution planning, including all nodes in the supply chain.

- Production scheduling for each manufacturing facility in the supply chain (minute by minute).

- Demand planning and forecasting, coordinating the demand forecast of all customers and sharing the forecast with all suppliers.

- Sourcing planning, including current inventory and forecast demand, in collaboration with all suppliers.

- Inbound operations, including transportation from suppliers and receiving inventory.

- Production operations, including the consumption of materials and flow of finished goods.

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- Outbound operations, including all fulfillment activities and transportation to customers.

- Order promising, accounting for all constraints in the supply chain, including all suppliers, manufacturing facilities, distribution centers, and other customers.

- Performance tracking of all activities

Lesson-38

WHOLESALING

WHOLESALING

Wholesaling consists of the sale of goods/merchandise to retailers, to industrial, commercial, institutional, or other professional business users or to other wholesalers and related subordinated services.

Defined

".....includes all activities involved in selling good and services to those who buy for resale or business use".

Differs from Retail

- They are not involved in much in promotion for they deal with business consumers and not the common man

- Wholesale transactions are usually large in size

- Government deal differently with wholesaler and Retailers in sofar laws and regulations are concerned

FUNCTION OF WHOLESALERS

- Selling and promotion to retailers
- Buying and assortment
- Bulk breaking
- Warehousing
- Transportation
- Financing
- Risk bearing
- Market information

WHOLESALERS MARKET TYPES

- Merchant wholesalers
- Full-service wholesalers
- Exclusive distributors
- Brokers and agent]
- Limited –service wholesalers

WHOLESALERS MARKETING DECISIONS

- Target markets
- Product assortments and services
- Pricing
- Place decision
- Trends & market information

According to the United Nations Statistics Division

"Wholesale is the resale (sale without transformation) of new and used goods to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers, or involves acting as an agent or broker in buying merchandise for, or selling

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merchandise, to such persons or companies. Wholesalers frequently physically assemble, sort and grade goods in large lots, break bulk, repack and redistribute in smaller lots, for example pharmaceuticals; store, refrigerate, deliver and install goods, engage in sales promotion for their customers and label design."

(UNSTATS - United Nations Statistics Division)

MARKET LOGISTICS AND ENGINEERING

Logistic Engineering deals with the science of Logistics.
Logistics is about the

- Purchasing,
- Transport,
- Storage,
- Distribution,
- Warehousing of raw materials, semi-finished/work-in-process goods and finished goods.

Managing all these activities efficiently and effectively for an organization is the main question at the back of the mind of any logistic engineer.

FUNCTIONS

- Order processing
- Warehousing
- Inventory control
- Transportation

Different performance measures are used to examine the efficiency of an organization's logistics.

The most popular and widely used performance measure is the **landed cost**. The landed cost is the total cost of purchasing, transporting, warehousing and distributing raw materials, semi-finished and finished goods.

Another performance measure equally important is the **end customer filtrate.**

"It is the percentage of customer demand which is satisfied immediately off-shelf".

Logistics is generally a cost-center service activity, but it provides value via improved customer satisfaction. It can quickly lose that value if the customer becomes dissatisfied. The end customer can include another process or work center inside of the manufacturing facility, a warehouse where items are stocked or the final customer who will use the product.

Another much more popular derivative and a complete usage of the logistic term which has appeared in recent years is the **supply chain**. The supply chain also looks at an efficient chaining of the supply / purchase and distribution sides of an organization. While Logistics looks at single echelons with the immediate supply and distribution linked up, supply chain looks at multiple echelons/stages, right from procurement of the raw materials to the final distribution of finished goods up to the customer. It is based on the basic premise that the supply and distribution activities if integrated with the manufacturing / logistic activities can result in better profitability for the organization. The local minima of total cost of the manufacturing operation is getting replaced by the global minima of total cost of the whole chain, resulting in better profitability for the chain members and hence lower costs for the products.

Lecture-39

RETAILING

RETAILING---TAIL-END OF THE COMMERCIAL TUNNEL

Retailing consists of the sale of Goods/Merchandise for Personal or Household Consumption either from a fixed location such as a department store or kiosk.

In Commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells individual items or small quantities to the general public or end user customers, usually in a shop, also called store.

Retailers are at the end of the Supply Chain. Marketers see retailing as part of their overall Distribution Strategy.

Shops may be

- In Residential Streets,
- In Shopping Streets with little or no houses,
- Or in a Shopping Centre.

Shopping streets may or may not be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation.

Shopping is buying things, sometimes as a Recreational Activity. Cheap versions of the latter are window shopping (just looking, not buying) and browsing.

SHOPS AND STORES

There are three major types of retailing.

- Two of which have buildings that the customer can visit to do business with.

- The first is counter-service, once the only type of shop, but now rare except for selected items.

- The second, and now more widely used method of retail, is self-service.

- Quickly increasing in importance are online shops, the third type, where products and services can be ordered for physical delivery, downloading or virtual delivery.

Even though most retailing is done through self-service, many shops offer counter-service items, e.g. controlled items like medicine and liquor, and small expensive items.

Shops used to deal with just one type of article.

In the nineteenth century, in France, arcades were invented, which were a street of several different shops, roofed over. From this there soon developed, still in France, the notion of a large store of one ownership with many counters, each dealing with a different kind of article was invented; it was called a department store. In cities, these were multi-story buildings which pioneered the escalator. In the mid-twentieth century in the United States there developed the mall, midway between the arcade and the department store. A mall consists of several two-storey department stores linked by arcades (many of whose shops are owned by the same firm under different names). All the stores rent their space from the mall owner.

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A recent development is a very large shop called a superstore. Local shops can be known as brick and mortar stores in the United States.

Many shops are part of a chain

A number of similar shops with the same name selling the same products in different locations. The shops may be owned by one company, or there may be a franchising company that has franchising agreements with the shop owners.

Some shops sell second-hand goods

Often the public can also sell goods to such shops. In other cases, especially in the case of a nonprofit shop, the public donates goods to the shop to be sold. In give-away shops goods can be taken for free.

The term retailer is also applied where a service provider services the needs of a large number of individuals, such as with telephone or electric power.

RETAIL FUNCTIONS

- Presentation
- Offering
- Pricing
- Reach
- Convenience
- Product information
- Packing
- Delivery
- Choice
- Variety

RETAIL PRICING

The pricing technique used by most retailers is **cost-plus pricing**. This involves adding a markup amount (or percentage) to the retailers cost.

Another common technique is **suggested retail pricing**. This simply involves charging the amount suggested by the manufacturer and usually printed on the product by the manufacturer.

In Western countries, retail prices are often so-called **psychological prices** or odd prices: a little less than a round number, e.g. $6.95.

In Chinese societies, prices are generally either a round number or sometimes a lucky number. This creates price points.

Often prices are fixed and displayed on signs or labels.

Alternatively, there can be **price discrimination** for a variety of reasons. The retailer charges higher prices to some customers and lower prices to others. For example, a customer may have to pay more if the seller determines that he or she is willing to. The retailer may conclude this due to the customer's wealth, carelessness, lack of knowledge, or eagerness to buy.

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Price discrimination can lead to a bargaining situation often called haggling — a negotiation about the price. Economists see this as determining how the transaction's total surplus will be divided into consumer and producer surplus. Neither party has a clear advantage, because the threat of no sale exists, whence the surplus vanishes for both.

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Lesson-40

CONSUMER BEHAVIOUR
(PART-1)

CONSUMER BEHAVIOR

Consumer behavior is the study of

1. How people buy?
2. What they buy?
3. When they buy?
4. And why they buy?

It is a subcategory of marketing that blends elements from psychology, sociology, socio-psychology, anthropology and economics.

It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

MODELS OF CONSUMER BEHAVIOR

One of the best known of the explanatory 'lain the interactions involved are that of Howard and Sheth. This contains a deal of common sense, although, as is often the case with such models, the rather obscure terminology makes it appear more confusing than it really is. The 'inputs' (stimuli) that the consumer receives from his or her environment are:

1. **Significative** - the 'real' (physical) aspects of the product or service (which the company make use of)

2. **Symbolic** - the ideas or images attached by the supplier (for example by advertising)

3. **Social** - the ideas or images attached to the product or service by 'society' (for example, by reference groups)

The 'outputs' are what happens, the consumer's actions, as observable results of the input stimuli.

Between the inputs and outputs are the 'constructs', the processes which the consumer goes through to decide upon his or her actions. Howard and Sheth group these into two areas:

1. **Perceptual** - those concerned with obtaining and handling information about the product or service

2. **Learning** - the processes of learning that lead to the decision itself

The Engel-Kollatt-Blackwell model, as a further example, follows a more mechanistic approach.

In the domain of **evolutionary economics**, consumers are seen as active agents following rules of behaviour, fairly easy to follow and implement because they require only a limited amount of information and capability of elaboration. For instance, a consumer, being aware of a certain need and believing a certain good category satisfies it, might fix a maximum price he/she can afford and search for the best good available under such a constraint.

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BUYER DECISION PROCESSES

Buyer decision processes are the decision making processes undertaken by consumers in regard to a potential market transaction before, during, and after the purchase of a product or service.

More generally, decision making is the cognitive process of selecting a course of action from among multiple alternatives. Common examples include shopping, deciding what to eat. Decision making is said to be a psychological construct. This means that although we can never "see" a decision, we can infer from observable behavior that a decision has been made. Therefore we conclude that a psychological event that we call "decision making" has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

In general there are three ways of analyzing consumer buying decisions.

They are:

- **Economic models** - These models are largely quantitative and are based on the assumptions of rationality and near perfect knowledge. The consumer is seen to maximize their utility. See consumer theory. Game theory can also be used in some circumstances.

- **Psychological models** - These models concentrate on psychological and cognitive processes such as motivation and need reduction. They are qualitative rather than quantitative and build on sociological factors like cultural influences and family influences.

- **Consumer behavior models** - These are practical models used by marketers. They typically blend both economic and psychological models.

Nobel laureate Herbert Simon sees economic decision making as a vain attempt to be rational. He claims (in 1947 and 1957) that if a complete analysis is to be done, a decision will be immensely complex. He also says that peoples' information processing ability is very limited. The assumption of a perfectly rational economic actor is unrealistic. Often we are influenced by emotional and non-rational considerations. When we try to be rational we are at best only partially successful.

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Lesson-41

CONSUMER BEHAVIOUR
(PART-2)

MODELS OF BUYER DECISION MAKING

General Model

A general model of the buyer decision process consists of the following steps:

- Want Recognition
- Search of Information on products that could satisfy the needs of the buyer
- Alternative Selection
- Decision-making on buying the product
- Post-purchase Behavior

There are a range of alternative models, but that of AIUAPR, which most directly links to the steps in the marketing/promotional process is often seen as the most generally useful;

- **Awareness -** before anything else can happen the potential customers must become aware that the product or service exists.

- **Interest** - but it is not sufficient to grab their attention. The message must interest them and persuade them that the product or service is relevant to their needs.

- **Understanding** - once an interest is established, the prospective customer must be able to appreciate how well the offering may meet his or her needs.

- **Attitudes -** but the message must go even further; to persuade the reader to adopt a sufficiently positive attitude towards the product or service that he or she will purchase it.

- **Purchase -** all the above stages might happen in a few minutes while the reader is considering the advertisement; in the comfort of his or her favorite armchair.

- **Repeat purchase -** but in most cases this first purchase is best viewed as just a trial purchase.

This is a very simple model, and as such does apply quite generally. Its lessons are that you cannot obtain repeat purchasing without going through the stages of building awareness and then obtaining trial use; which has to be successful.

DECISION MAKING STYLE

Cognitive and Personal Biases in Decision Making

It is generally agreed that biases can creep into our decision

- **Selective search for evidence** - We tend to be willing to gather facts that support certain conclusions but disregard other facts that support different conclusions.
- **Premature termination of search for evidence -** We tend to accept the first alternative that looks like it might work.

- **Conservatism and inertia -** Unwillingness to change thought patterns that we have used in the past in the face of new circumstances.

- **Experiential limitations** - Unwillingness or inability to look beyond the scope of our past experiences; rejection of the unfamiliar.

- **Selective perception** - We actively screen-out information that we do not think is salient.

- **Wishful thinking or optimism** - We tend to want to see things in a positive light and this can distort our perception and thinking.

- **Repetition bias** - A willingness to believe what we have been told most often and by the greatest number of different of sources.

- **Anchoring** - Decisions are unduly influenced by initial information that shapes our view of subsequent information.

- **Group decision**- Peer pressure to conform to the opinions held by the group.

- **Source Credibility bias** - We reject something if we have a bias against the person, organization, or group to which the person belongs:
We are inclined to accept a statement by someone we like.

- **Underestimating uncertainty and the illusion of control** - We tend to underestimate future uncertainty because we tend to believe we have more control over events than we really do.

- **Faulty generalizations** - In order to simplify an extremely complex world, we tend to group things and people. These simplifying generalizations can bias decision making processes.

LOSS AVERSION

"In prospect theory, loss aversion refers to the tendency for people to strongly prefer avoiding losses than acquiring gains".

Some studies suggest that losses are as much as twice as psychologically powerful as gains. Loss aversion was first convincingly demonstrated by Amos Tversky and Daniel Kahneman.

This leads to risk aversion when people evaluate a possible gain; since people prefer avoiding losses to making gains. This explains the curvilinear shape of the prospect theory utility graph in the positive domain. Conversely people strongly prefer risks that might possibly mitigate a loss (called risk seeking behavior).

Loss aversion may also explain sunk cost effects.

Note that whether a transaction is framed as a loss or as a gain is very important to this calculation: would you rather get a 5% discount, or avoid a 5% surcharge? The same change in price framed differently has a significant effect on consumer behavior. Though traditional economists consider this "endowment effect" and all other effects of loss aversion to be completely irrational that is why it is so important to the fields of marketing and behavioral finance.

Can Loss Aversion ever be Rational?

There is an important critique of the view held by economists that this behaviour is irrational. The implicit assumption of conventional economics is that the only relevant metric is the magnitude of the absolute change in expenditure. In the above example, saving 5% is considered equivalent to avoiding paying 5% extra. This is not the only rational interpretation. Another view is that the most important metric is the magnitude of the relative change in wealth of the decision-maker. Again, referring to the above example, a 5% discount is then not equivalent to avoiding a 5% surcharge.

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The reasoning is as follows.

Take a hypothetical item with a base cost of $1000, and consider two possible scenarios:

- In the first scenario, the buyer expects to pay $1000, but then is offered a 5% discount. The price is then $950. The change represents a 5% saving.

- In the second scenario, there is a surcharge of 5%, or $50. The buyer expects to pay $1050. Avoiding the surcharge would mean a price of $1000. Buyers see this as a savings of $50 on what they expected to pay: $1050. Thus, the perceived savings is 50/1050 x 100% = approx. 4.76%.

When the savings relative to the remaining wealth (or stock of money) is different, the value of the transaction changes accordingly. When using this interpretation, decisions made by consumers are not necessarily irrational.

Taking this to an extreme, if I have only $1000, getting $1000 only doubles my wealth (which would be nice), but losing $1000 will wipe me out completely (which might be a matter of life and death). Clearly, in this case, if I need money for food and shelter in order to live, I will be far more motivated to avoid losing $1000 than to try to gain $1000.

In addition, it has been asserted that the effect of relative evaluation is more pronounced the greater the potential amount saved is relative to the total amount the decision-maker has to spend.

All of the above effects can be expressed in terms of the **utility function** of money, and, in particular, not regarding money.

Lesson-42

CONSUMER BEHAVIOUR
(PART-3)

INTRODUCTION

In marketing there are different approaches to the introduction of a (new) product into the market.

Marketers always try to create a Segmentation of the market in order to focus their product offering. Segmentation can be done on demographic, behavioural or other bases.

According to this Segmentation, different options of differentiation
vis-à-vis the competition get evaluated and implemented. This is called positioning of the product. McCarthy's 4 marketing P's, product, placement, promotion and pricing are repeatedly used to create good combination of product features at the right price, distributed via preferred distribution channels and combined with an appealing promotion.

MASLOW'S HIERARCHY OF NEEDS

Maslow's Hierarchy of Needs is a theory in psychology that Abraham Maslow proposed in his 1943 paper "A Theory of Human Motivation", which he subsequently extended. His theory contends that as humans meet 'basic needs', they seek to satisfy successively 'higher needs' that occupy a set hierarchy.

Diagram of Maslow's hierarchy of needs.

1. Actualization
2. Status (esteem)
3. Love/belonging
4. Safety
5. Physiological (biological needs)

Deficiency Needs

The deficiency needs (also termed 'D-needs' by Maslow) are:

Physiological Needs

The physiological needs of the organism, those enabling homeostasis, take first precedence. These consist mainly of:

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- The need to eat
- The need to dispose of bodily wastes
- The need for sleep
- The need to regulate body temperature

When some of the needs are unmet, a human's physiological needs take the highest priority. As a result of the prepotency of physiological needs, an individual will deprioritize all other desires and capacities. Physiological needs can control thoughts and behaviors, and can cause people to feel sickness, pain, and discomfort.

Safety Needs

When the physiological needs are met, the need for safety will emerge. Safety and security rank above all other desires. These include:

- Security of employment
- Security of revenues and resources
- Physical security - safety from violence, delinquency, aggressions
- Moral and physiological security
- Familial security
- Security of health

A properly-functioning society tends to provide a degree of security to its members. Sometimes the desire for safety outweighs the requirement to satisfy physiological needs completely.

Love/Belonging Needs

After physiological and safety needs are fulfilled, the third layer of human needs is social. This involves emotionally-based relationships in general, such as:

- Friendship
- having a family

Humans want to be accepted and to belong, whether it be to clubs, work groups, religious groups, family, gangs, etc. They need to feel loved by others, and to be accepted by them. People also have a constant desire to feel needed. In the absence of these elements, people become increasingly susceptible to loneliness, social anxiety and depression.

Status (Esteem Needs)

Humans have a need to be respected, to self-respect and to respect others. People need to engage themselves in order to gain recognition and have an activity or activities that give the person a sense of contribution and self-value, be it in a profession or hobby. Imbalances at this level can result in low self-esteem, inferiority complexes, an inflated sense of self-importance or snobbishness.

Being Needs

Though the deficiency needs may be seen as "basic", and can be met and neutralized (i.e. they stop being motivators in one's life), self-actualization and transcendence are "being" or "growth needs" (also termed "B-needs"), i.e. they are enduring motivations or drivers of behaviour.

Self-Actualization

Self-actualization (a term originated by Kurt Goldstein) is the instinctual need of humans to make the most of their unique abilities and to strive to be the best they can be.

Lesson-43

SWOT ANALYSIS

SWOT ANALYSIS

"SWOT Analysis is a Strategic Planning tool used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture or in any other situation requiring a decision".

The technique is credited to Albert Humphrey, who led a research project at Stanford University in the 1960s and 70's, using data from the Fortune 500 companies.

Getting Started

The required first step in SWOT analysis is the definition of the desired end state or objective.

The definition of objective must be explicit and approved by all participants in the process.

This first step must be performed carefully because failure to identify correctly the end state aimed for leads to wasted resources and possibly failure of the enterprise. In relation to objectives the following terms have been used in the literature: desired end states, plans, policies, goals, objectives, strategies, tactics and actions.

Definitions of SWOTs

	Helpful to achieving the objective	**Harmful** to achieving the objective
Internal (attributes of the organization)	**Strengths**	**Weaknesses**
External (attributes of the environment)	**Opportunities**	**Threats**

Once the objective has been identified, SWOTs are discovered and listed. SWOTs are defined precisely as follows:

- Strengths are attributes of the organization that are helpful to the achievement of the objective.
- Weaknesses are attributes of the organization that are harmful to the achievement of the objective.
- Opportunities are external conditions that are helpful to the achievement of the objective.
- Threats are external conditions that are harmful to the achievement of the objective.

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Correct identification of SWOTs is essential because subsequent steps in the process are all derived from the SWOTs.

First, the decision makers have to determine whether the objective is attainable, in view of the SWOTs. If the objective is NOT attainable (in view of the SWOTs) a different objective must be selected and the process is repeated.

If, on the other hand, the objective seems attainable, the SWOTs are used as inputs to the creative generation of possible strategies, by asking and answering the following four questions many times:

1. How can we use each strength?
2. How can we stop each Weakness?
3. How can we exploit each Opportunity?
4. How can we defend against each Threat?

A SWOT team may include an accountant, a salesperson, an executive manager, an engineer, and an ombudsman.

ALTERNATIVE VIEWPOINT

Typically seen by managers as being the most useful planning tool of all, SWOT groups some of the key pieces of information into two main categories (internal factors and external factors) and then by their dual positive and negative aspects (Strengths and Opportunities, as the former aspects, with Weaknesses and Threats representing the latter):

- Internal factors - The 'strengths' and 'weaknesses' internal to the organization, its strategies and its position in relation to its competitors.

- External factors - The 'opportunities' and 'threats' presented by the external environment and the competition.

The internal factors which may be viewed as strengths or weaknesses depending upon their impact on the organization's positions (for they may represent a strength for one organization but a weakness, in relative terms, for another), may include all of the 4 Ps; as well as personnel, finance and so on.

The external factors, which again may be threats to one organization while they offer opportunities to another, may include matters such as technological change, legislation, sociocultural changes and so on, as well as changes in the marketplace or competitive position.

The aim of any SWOT analysis should be to isolate the key 'issues' that will be important to the future of the organization; and that subsequent marketing planning will address.

To offset the difficulty of evaluating ahead of time the importance of each proposed SWOT, it may be prudent not to eliminate too quickly any candidate SWOT entry and to proceed to the next step of generating possible strategies for using the SWOTs.

ASSUMPTIONS

It is essential to spell out assumptions. However, most companies do not even realize that they make such assumptions. IBM's key product marketing document was titled "Forecast Assumptions"; and the agreement on what the assumptions are is often the key to understanding the marketing plan. You should, however, make as few assumptions as possible and very carefully explain those you do make.

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As an extension to this process, when you estimate the results expected from your strategies, you should also explore a range of alternative assumptions, in the same way that there might be a range of forecasts, each meeting different needs. The most useful component of this part of the exercise may well be a "sensitivity analysis," since this determines which factors have the most influence over the outcomes - and hence which factors should be most carefully managed.

STRENGTHS AND WEAKNESSES

- Resources: financial, intellectual, locational
- Customer Service
- Efficiency
- Competitive Advantages
- Infrastructure
- Quality
- Staff
- Management
- Price
- Distribution Channels and Hours of operations
- After sales service and Sales promotion techniques
- Transportation and Delivery time
- Diversified fields, Product line and multiple services/offers (Technical, Commercial, Designing & Turnkey Projects etc)

OPPORTUNITIES AND THREATS

- Competitors' actions
- Economic conditions
- Interest rates
- Increasing market saturation
- Changes in laws and regulations

ERRORS TO BE AVOIDED

The following errors have been observed in published accounts of SWOT Analysis. Making these errors can result in serious losses.

1. Conducting a SWOT Analysis before defining and agreeing upon an objective (desired end state). A moment of reflection will reveal an indisputable truth: SWOTs cannot exist in the abstract. They can exist only with reference to an objective. If the desired end state is not openly defined and agreed upon, each participant may have a different end state in mind and the outcome is confusion.

2. Opportunities [external to the company] are often confused with strengths [internal to the company]. Keep them separate.

3. Another error is to confuse SWOTs with possible strategies. This error is made especially with reference to Opportunities. To avoid this error, it may be useful to think of Opportunities as "Auspicious Conditions." It may also be useful to keep in mind that SWOTs are descriptions of conditions. Possible strategies define actions.

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Lesson- 44

MARKET RESEARCH
(PART-1)

MARKETING RESEARCH

"Research is the search for and retrieval of existing, discovery or creation of new information or knowledge for a specific purpose".

Research has many categories, from medical research to literary research.
Marketing research (also called consumer research) is a form of business research. It is a form of applied sociology which concentrates on understanding the behaviors, whims and preferences, of consumers in a market-based economy.

OTHER TYPES OF BUSINESS RESEARCH

In addition to marketing research, other forms of business research include:

- Market Research is broader in scope and examines all aspects of a business environment. It asks questions about competitors, market structure, government regulations, economic trends, technological advances, and numerous other factors that make up the business environment.

- Environmental Scanning
- Product research
- New Product Development

TYPES OF MARKETING RESEARCH

Marketing research techniques come in many forms, including:

- Test marketing
- Concept testing
- Mystery shopping
- Store audit
- Demand
- Commercial eye tracking
- Sales Forecasting Advertising
- Customer Satisfaction studies
- Distribution Channel
- Price Elasticity
- Segmentation research
- Consumer Decision process research
- Positioning Research
- Brand Name testing
- Brand Equity
- Advertising and promotion research

All of these forms of marketing research can be classified as either problem-identification research or as problem-solving research.

A similar distinction exists between exploratory research and conclusive research. Exploratory research provides insights into and comprehension of an issue or situation. It should draw definitive conclusions

only with extreme caution. Conclusive research draws conclusions: the results of the study can be generalized to the whole population.

Both exploratory and conclusive researches exemplify primary research. A company collects primary research for its own purposes. This contrasts with secondary research: research published previously and usually by someone else. Secondary research costs far less than primary research, but seldom comes in a form that exactly meets the needs of the researcher.

MARKETING RESEARCH METHODS

Methodologically, marketing research uses four types of research designs, namely:

- **Qualitative Marketing Research** - generally used for exploratory purposes - small number of respondents - not generalizable to the whole population - statistical significance and confidence not calculated - examples include focus groups, in-depth interviews, and projective techniques.

- **Quantitative Marketing Research** - generally used to draw conclusions - tests a specific hypothesis - uses random sampling techniques so as to infer from the sample to the population - involves a large number of respondents - examples include surveys and questionnaires.

- **Observational Techniques** - the researcher observes social phenomena in their natural setting - observations can occur cross-section ally (observations made at one time) or longitudinally (observations occur over several time-periods) - examples include product-use analysis and computer cookie traces.

- **Experimental Techniques** - the researcher creates a quasi-artificial environment to try to control spurious factors, and then manipulates at least one of the variables - examples include purchase laboratories and test markets.

Researchers often use more than one research design. They may start with secondary research to get background information, and then conduct a focus group (qualitative research design) to explore the issues. Finally they might do a full nation-wide survey (quantitative research design) in order to devise specific recommendations for the client.

SOME COMMONLY USED MARKETING RESEARCH TERMS

Many of these techniques resemble those used in political polling and social science research.

- **Meta-analysis** refers to a statistical method of combining data from multiple studies or from several types of studies.

- **Conceptualization** means the process of converting vague mental images into definable concepts.

- **Operationalization** is the process of converting concepts into specific observable behaviors that a researcher can measure. Precision refers to the exactness of any given measure.

- **Reliability** refers to the likelihood that a given operationalized construct will yield the same results if re-measured.

- **Validity** refers to the extent to which a measure provides data that captures the meaning of the operational zed construct as defined in the study. It asks, “Are we measuring what we intended to measure?”

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- **Applied research** sets out to prove a specific hypothesis of value to the clients paying for the research. For example, a cigarette company might commission research that attempts to show that cigarettes are good for one's health. Many researchers have ethical misgivings about doing applied research.

Lesson-45

MARKET RESEARCH
(PART-2)

QUALITATIVE MARKETING RESEARCH

Qualitative research is a set of research techniques, used in marketing and the social sciences, in which data are obtained from a relatively small group of respondents and not analyzed with statistical techniques. This differentiates it from quantitative research in which a large group of respondents provide data that are statistically analyzed.

THE ROLE OF QUALITATIVE RESEARCH

Qualitative research methods are used primarily as a prelude to quantitative research. They are used to define a problem, generate hypotheses, identify determinants, and develop quantitative research designs. They are inexpensive and fast. Because of the low number of respondents involved, these exploratory research methods cannot be used to generalize to the whole population. They are however, very valuable for exploring an issue and are used by almost all researchers. They can be better than quantitative research at probing below the surface for affective drives and subconscious motivations.

APPROACHES

Most qualitative methods use a direct approach. They clearly disclose the purpose of the study and the organization that commissioned it. Questions are direct and to the point.

Many other qualitative techniques use an indirect approach. The true intent of the research is disguised, either by claiming a false purpose or by omitting any reference to the study's purpose. Some researchers have ethical misgivings about the deceit involved in this approach. Those researchers that use this approach feel that it provides the more honest and accurate responses. If disguised methods are used, all respondents should, on completion, attend a debriefing session in which the true purpose of the research is given and the reason for the deception explained.

The main types of qualitative research are:

Depth Interviews

- Interview is conducted one-on-one, and lasts between 30 and 60 Minutes.
- Best method for in-depth probing of personal opinions, beliefs, and Values.
- Very rich depth of information
- Very flexible
- probing is very useful at uncovering hidden issues
- They are unstructured (or loosely structured) - this differentiates them from survey interviews in which the same questions are asked to all respondents.
- Can be time consuming and responses can be difficult to interpret
- Requires skilled interviewers - expensive - interviewer bias can easily be introduced

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- There is no social pressure on respondents to conform and no group dynamics
- Start with general questions and rapport establishing questions, and then proceed to more purposive questions

Laddering is a technique used by depth interviewers in which you start with questions about external objects and external social phenomena, then proceed to internal attitudes and feelings.

Hidden issue questioning is a technique used by depth interviewers in which they concentrate on deeply felt personal concerns and pet peeves.

Symbolic analysis is a technique used by depth interviewers in which deeper symbolic meanings are probed by asking questions about their opposites.

Focus Groups

- An interactive group discussion leads by a moderator.
- Unstructured (or loosely structured) discussion where the moderator encourages the free flow of ideas.
- Usually 8 to 12 members in the group who fit the profile of the target group or consumer.
- Usually last for 1 to 2 hours.
- Usually recorded on video.
- The room usually has a large window with one-way glass - participants cannot see out, but the researchers can see in.
- Inexpensive and fast.
- Can use computer and internet technology for on-line focus groups.
- Respondents feel a group pressure to conform.
- Group dynamics is useful in developing new streams of thought and covering an issue thoroughly.

Projective Techniques

- These are unstructured prompts or stimuli that encourage the respondent to project their underlying motivations, beliefs, attitudes, or feelings onto an ambiguous situation.
- They are all indirect techniques that attempt to disguise the purpose of the research

Examples of projective techniques include:

1. **Word association** - say the first word that comes to mind after hearing a word - only some of the words in the list are test words that the researcher is interested in, the rest are fillers - is useful in testing brand names - variants include chain word association and controlled word association
2. **Sentence completion** - respondents are given incomplete sentences and asked to complete them

3. **Story completion** - respondents are given part of a story and are asked to complete it

4. **Cartoon tests** - pictures of cartoon characters are shown in a specific situation and with dialogue balloons - one of the dialogue balloons is empty and the respondent is asked to fill it in

5. **Thematic apperception tests** - respondents are shown a picture (or series of pictures) and asked to make up a story about the picture(s)

6. **Role playing** - respondents are asked to play the role of someone else - researchers assume that subjects will project their own feelings or behaviors into the role

7. **Third-person technique** - a verbal or visual representation of an individual and his/her situation is presented to the respondent - the respondent is asked to relate the attitudes or feelings of that person - researchers assume that talking in the third person will minimize the social pressure to give standard or politically correct responses.

QUANTITATIVE MARKETING RESEARCH

Quantitative marketing research is the application of quantitative research techniques to the field of marketing. It has roots in both the positivist view of the world, and the modern marketing viewpoint that marketing is an interactive process in which both the buyer and seller reach a satisfying agreement on the "four P's" of marketing: Product, Price, Place (location) and Promotion.

As a social research method, it typically involves the construction of questionnaires and scales. People who respond (respondents) are asked to complete the survey. Marketers use the information so obtained to understand the needs of individuals in the marketplace, and to create strategies and marketing plans.

SCOPE AND REQUIREMENTS

Both descriptive and inferential statistical techniques can be used to analyze data and draw conclusions. It involves a quantity of respondents sometimes ranging in number from ten to ten million, and may include hypotheses, random sampling techniques to enable inference from the sample to the population. Marketing research may include both experimental and quasi-experimental research designs.

.....THE END.....

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