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Marketing Management MBCII-3

Unit I

PROGRAMME EDUCATIONAL OBJECTIVES: PEO

1. Will be recognized as a creative and an enterprising team leader.
2. Will be a flexible, adaptable and an ethical individual.
3. Will have a holistic approach to problem solving in the dynamic business environment.

Scope – What do we market

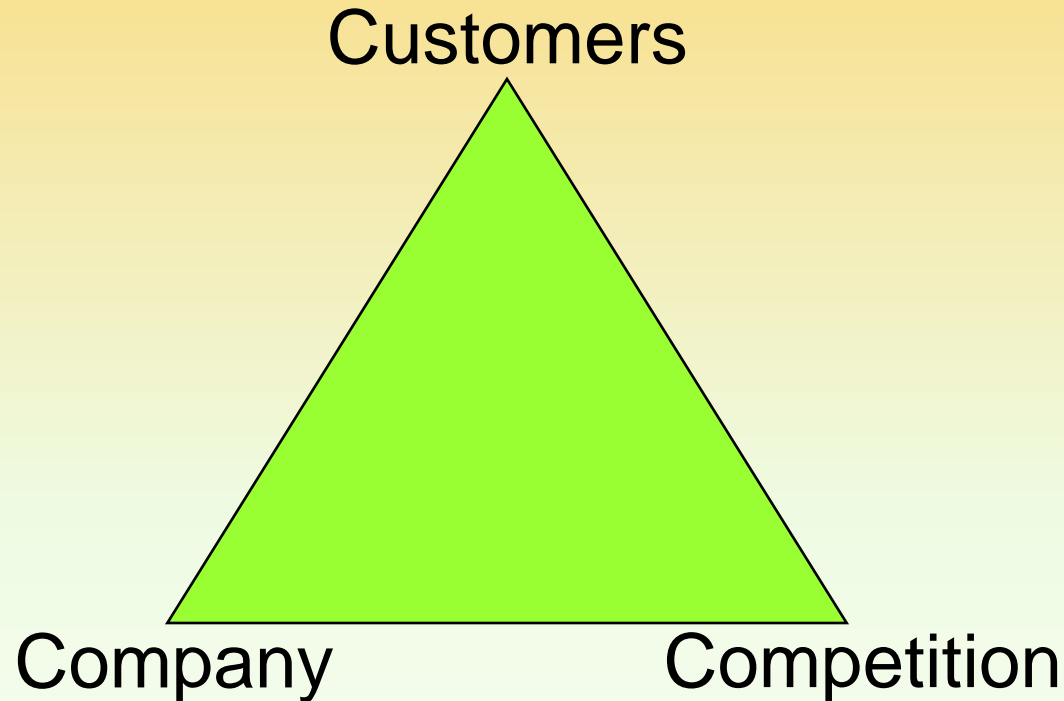
- Goods
- Services
- Events
- Experiences
- Personalities
- Place
- Organizations
- Properties
- Information
- Ideas and concepts

Core Concepts of Marketing

Based on :

- Needs, Wants, Desires / demand
- Products, Utility, Value & Satisfaction
- Exchange, Transactions & Relationships
- Markets, Marketing & Marketers.

In order to understand Marketing let us
begin with the ***Marketing
Triangle***



Who is a Customer ??

CUSTOMER IS

Anyone who is in the market looking at a product / service for attention, acquisition, use or consumption that *satisfies* a want or a need

Customer –

CUSTOMER has needs, wants, demands and desires

Understanding these needs is starting point of the entire marketing

These needs, wants arise within a framework or an ecosystem

Understanding both the needs and the ecosystem is the starting point of a long term relationship

Customers - Problem Solution

As a priority , we must bring to our customers
“*WHAT THEY NEED*”

We must be in a position to *UNDERSTAND* their
problems

Or in a new situation to give them a chance to
AVOID the problems

The Difference Between Marketing and Selling

Marketing is the process of determining customer wants and then developing a product to satisfy that need and still yield a satisfactory profit. It is externally focused.

Selling is producing a product and then trying to persuade customers to purchase it -- in effect, trying to alter consumer demand. It is internally focused.

Stages in the Evolution of Marketing



PRODUCTION ORIENTATION

Some industries and organizations remain at the production-orientation stage.



PRODUCTION ORIENTATION



SALES ORIENTATION

Other industries and organizations have progressed only to the sales-orientation stage.



PRODUCTION ORIENTATION



SALES ORIENTATION



MARKETING ORIENTATION

Many industries and organizations have progressed to the marketing-orientation stage.

Late 1800s

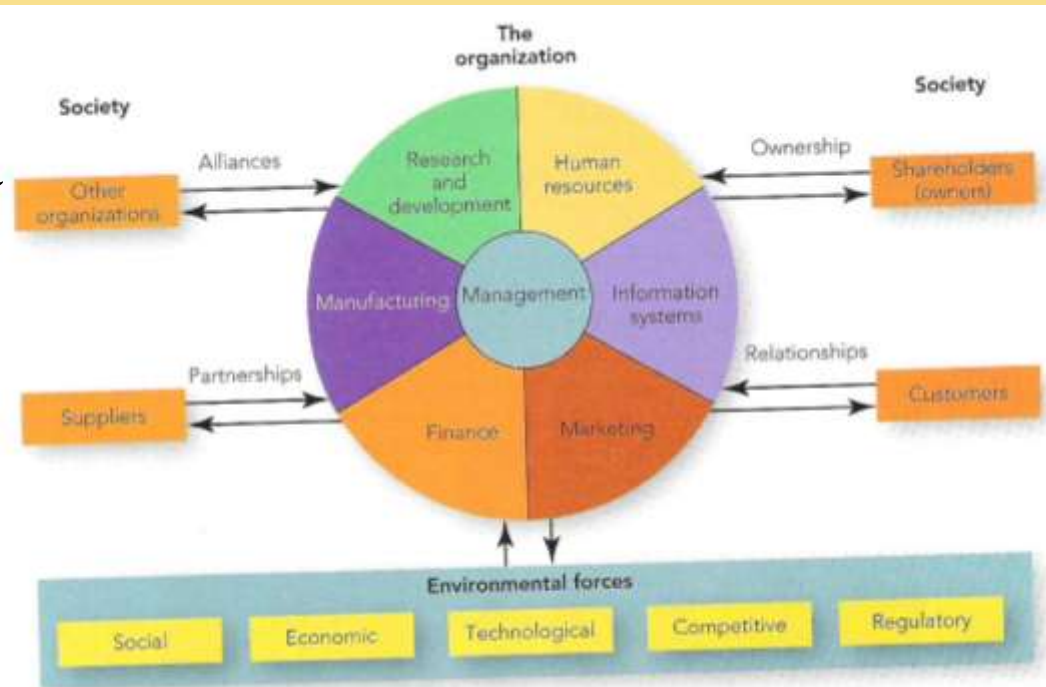
Early 1930s

Mid-1950s

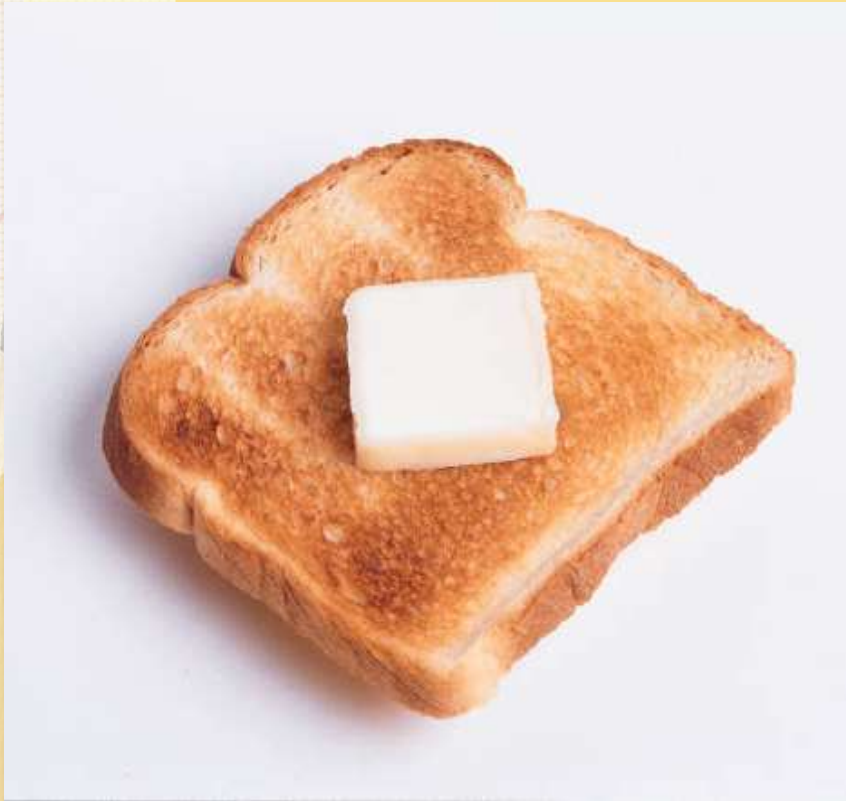
1900s

Driving Factors That Influence Marketing Activities

Marketing and the Exchange do not occur in a vacuum. Although an organization's marketing focuses on assessing and satisfying consumer needs, other people, groups and forces interact to shape the organization's marketing actions



What Motivates a Consumer to Take Action?



Needs - state of felt deprivation.



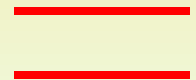
- **Wants** - form that a human need takes as shaped by culture and individual personality.

- **Demands** - human wants backed by buying power.

Wants



Buying Power



“Demand”

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What Will Satisfy Consumer's Needs and Wants?

Products - anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a need or want.

Examples: persons, places, organizations, activities, and ideas.

Services - activities or benefits offered for sale that are essentially intangible and don't result in the ownership of anything.

Examples: banking, airlines, haircuts, and hotels.

Marketing Philosophies

The production concept

The product concept

The selling concept

The marketing concept

The societal marketing concept

- **The Production Concept**

The production concept holds that consumers will prefer products that are widely available and inexpensive.

- **The Product Concept**

The product concept holds that consumers will favor those products that offer the most quality, performance, or innovative features.

- **The Selling Concept**

The selling concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort

- **The marketing concept**

The marketing concept holds that the key to achieving its organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target markets

• **The Societal Marketing Concept**

The societal marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

The Marketing Mix

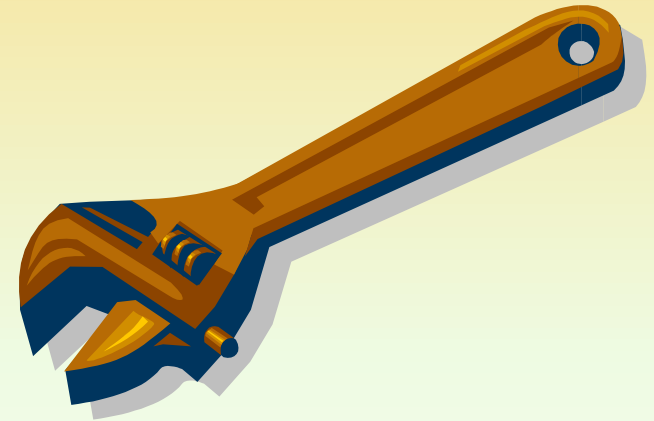
These are the tools of marketing management employed by marketers. They are areas where marketing managers need to make decisions. These decisions affect the nature of the offering or package of benefits that the organisation offers to customers.

The tools are commonly known as the 4P's or 7P's.



The Marketing Mix

The term “mix” is used to explain the point that at any one time the marketer will **select** a set of tools from the marketing toolbox or the *marketing mix* in specific proportions to solve specific problems – in the same way one selects spanners and other tools for a specific job OR ingredients to bake a particular type of cake.



What are the tools?

Product

Price

Promotion

Place (Distribution)

People

Process

Physical evidence

Product

The combination of goods and services the firm offers to the target market

Quality

Features

Options

Brand name

Packaging

Sizes

Services

Warranties

Returns



Price

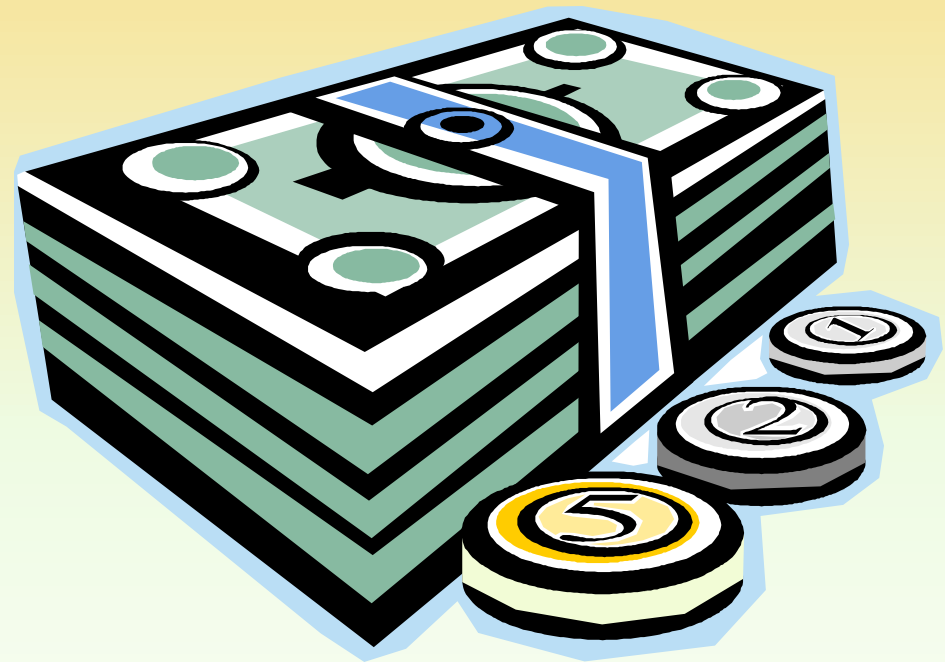
**The price consumers
are willing to pay,
which includes –**

Discount

Allowances

Payment period

Credit terms



Promotion (Communication)

The activities that promote and communicate the merits of the overall product.

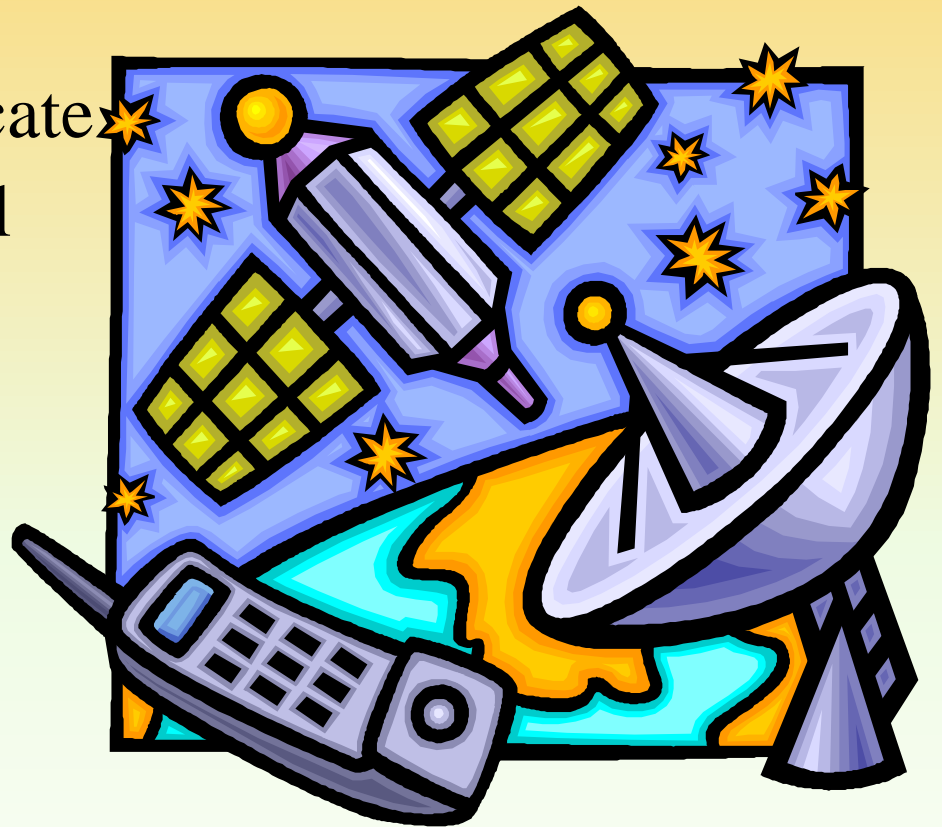
Advertising

Personal selling

Sales promotion

Public relations

Direct Marketing



Place (Distribution)

The company's activities that make the product available to the target market. Which includes:

Channel of distribution

Coverage

Locations

Inventory

Transport



The Seven P's

Booms and Bitner extended the traditional 4P (McCarthy) framework to seven to reflect a predominantly service economy

Extended mix:

- People
- Process
- Physical evidence



People

The attitudes of staff

Training of staff

Internal relations

The observable behaviour of staff

The level of service-mindedness in
the organisation

The consistency of appearance of
staff

The accessibility of people



Process

The manner in which the service is delivered

Degree of customer contact

Quality control standards

Quality assurance

Payment methods

(degree of convenience)

Queuing systems for customers

Waiting times



Physical Evidence - ambience

The “environment” or atmosphere in which the service is delivered

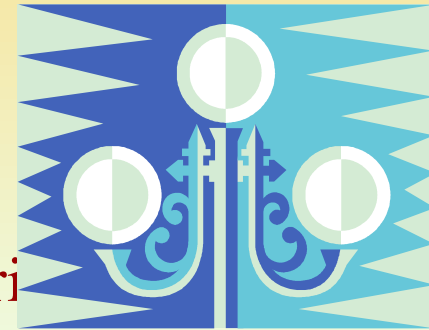
Buildings

Furnishings/décor

Layout

Goods associated with the service e.g. carriers, brochures etc.

All the above can help shape customers’ perceptions of the service



Marketing Environment:

The actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationship with target customers.

Marketing Environment

Includes:

- Microenvironment: actors close to the company that affect its ability to serve its customers.
- Macroenvironment: larger societal forces that affect the microenvironment.
 - Considered to be beyond the control of the organization.

Actors of the Microenvironment



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The Company's Microenvironment

Company's Internal Environment:

- Marketing managers must work with all departments of a company
- All Departments have an impact on the marketing department's plans and actions



The Company's Microenvironment

Suppliers:

- Provide resources needed to produce goods and services.
- Important link in the “value delivery system.”
- Most marketers treat suppliers like partners.



The Company's Microenvironment

Marketing Intermediaries:

- Help the company to promote, sell, and distribute its goods to final buyers
 - Resellers
 - Physical distribution firms
 - Marketing services agencies
 - Financial intermediaries



5 Types of Customers

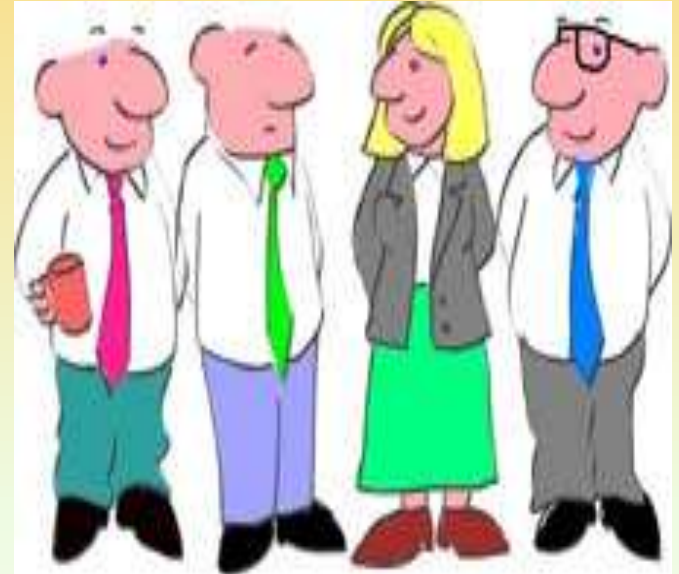
Consumer markets

Business markets (B to B)

Reseller markets

Government markets

International markets



Competitors

Must understand competitor's strengths

Must differentiate firm's products and offerings from those of competitors

Competitive strategies should emphasize firm's distinctive competitive advantage in marketplace



Public

Financial public

Media public

Government public

Citizen – action public

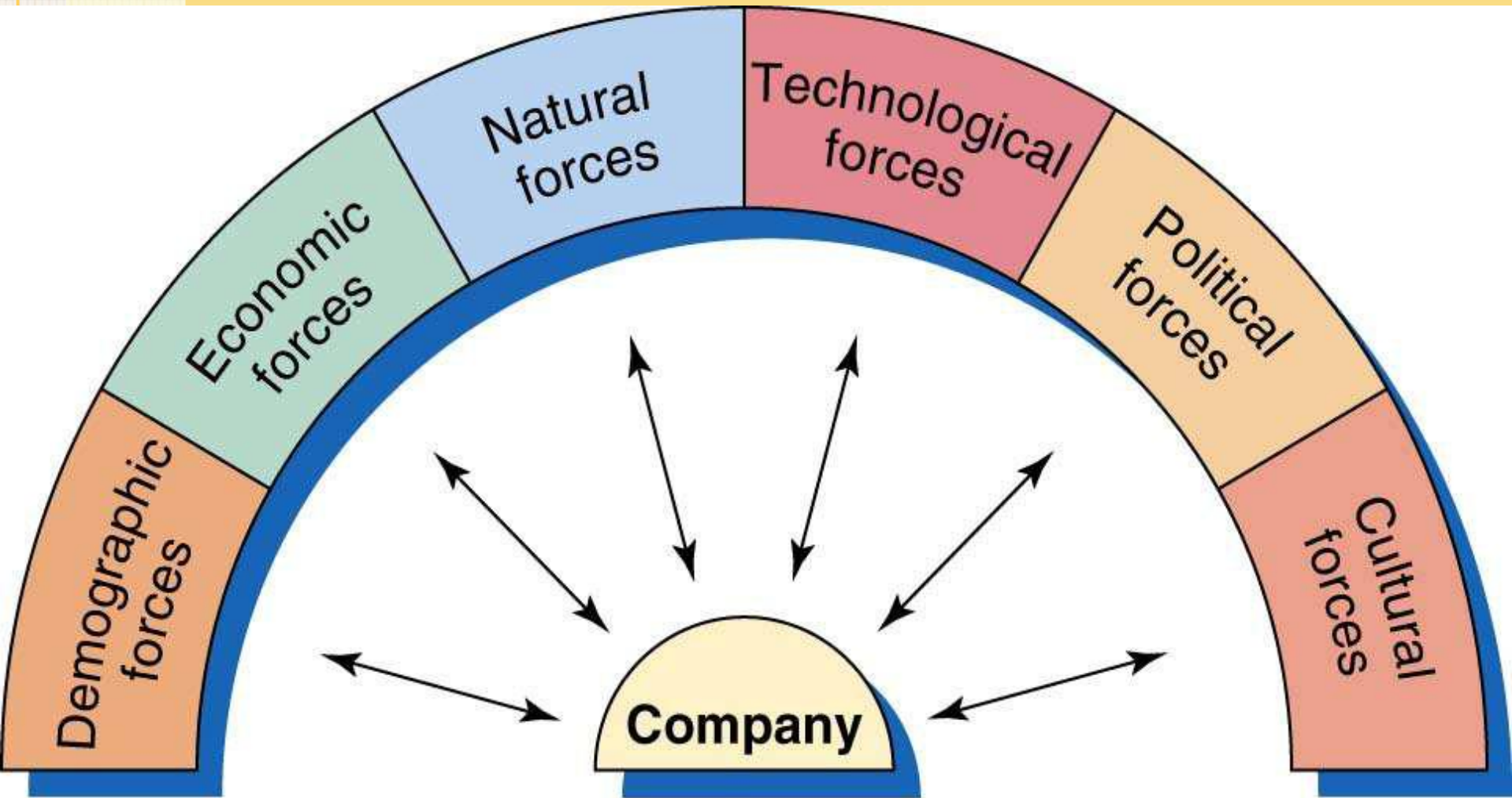
Local Public

General public

Internal public



The Company's Macroenvironment



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Demographic Environment

Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics

Demographics change over time and companies must keep up with them



Economic Environment

The economic environment consists of factors that affect consumer purchasing power and spending patterns

It is not enough to have people, the people must have buying power



Natural Environment

The natural environment consists of natural resources required by marketers or affected by marketing activities

Anyone involved in tourism is responsible for protecting the environment and ensuring sustainability



Technological Environment

The hospitality industry is greatly affected by changes in technology

- The Internet, computerized systems, key cards, etc.

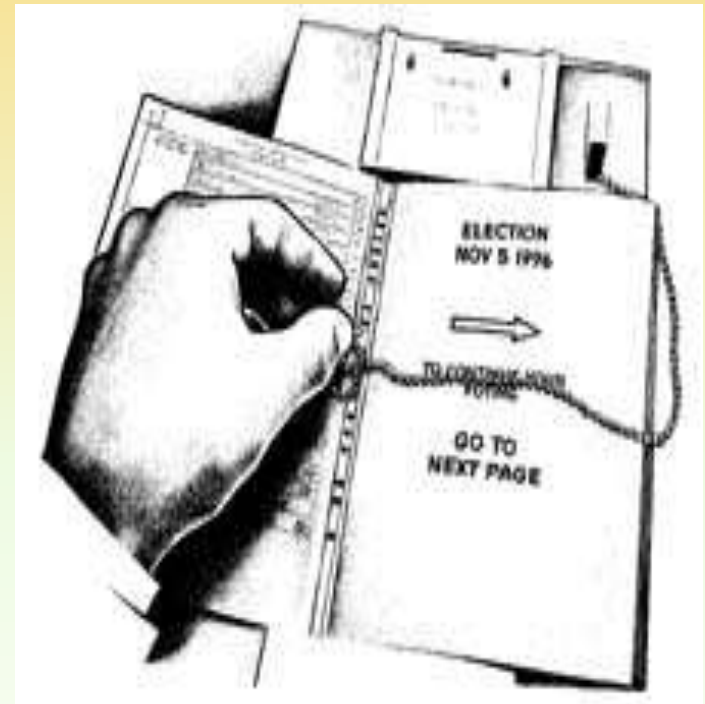
It has released blessings of highly computerized systems on one side and curses like nuclear missiles, chemical weapons on other side.

Our attitude towards technology depends on whether we are more impressed with its wonders or its blunders



Political Environment

The political environment is made up of laws, government agencies, and pressure groups that influence and limit the activities of various organizations and individuals in society



Cultural Environment

The cultural environment includes institutions, sub culture and other forces that affect society's basic values, perceptions, preferences, and behaviors



Role of Market Segmentation

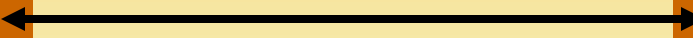
Market Segmentation: division of the total market into smaller, relatively homogeneous groups

Why?

Why segment?

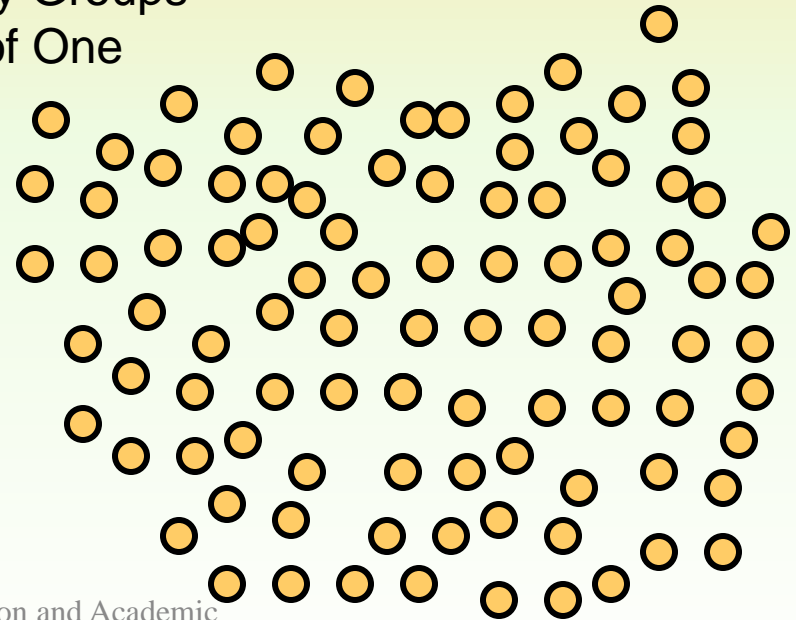
Most efficient

Most effective



One Mass Market

Many Groups of One

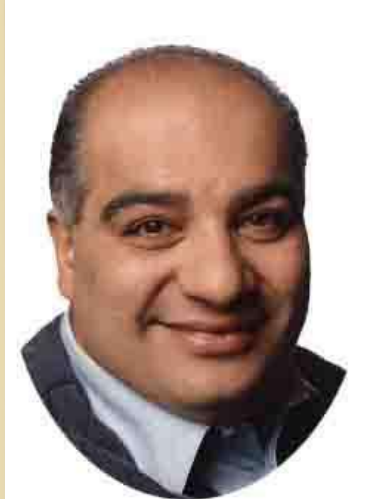
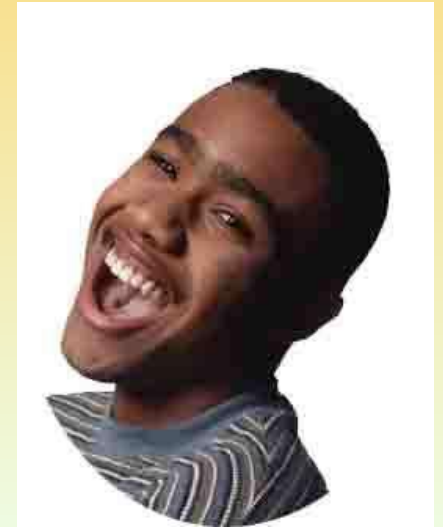
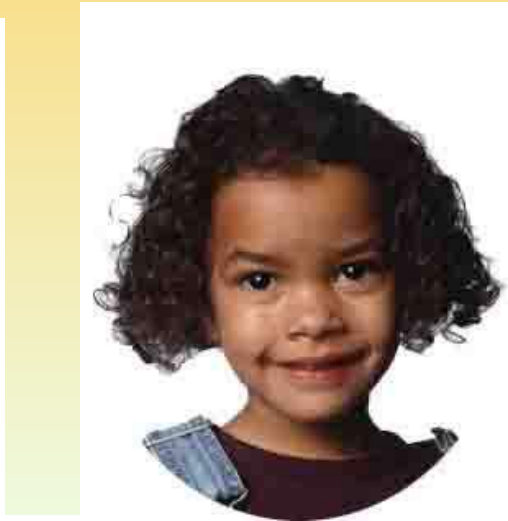


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The Importance of Market Segmentation

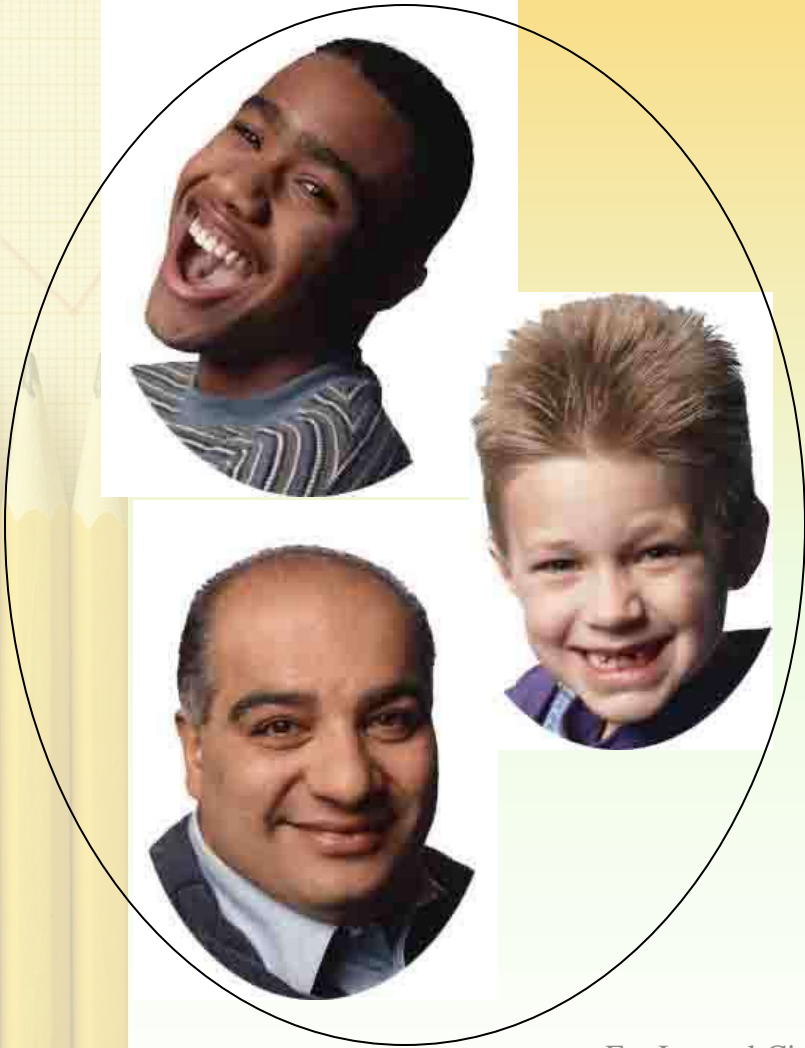
- ◆ **Markets have a variety of product needs and preferences.**
- ◆ **Marketers can better define customer needs.**
- ◆ **Decision makers can define objectives and allocate resources more accurately.**

No Market Segmentation



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Segmented by Gender



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Segmented by Age



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Definition

Market Segmentation:

- Dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes.

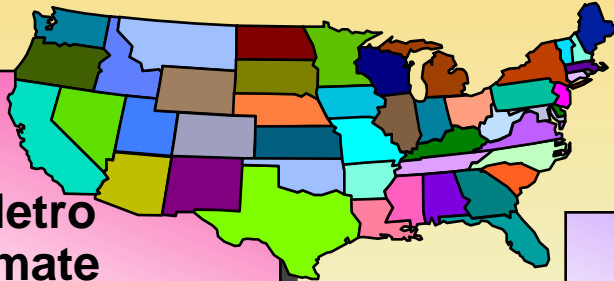
Criteria for Segmentation

Substantiality	Segment must be large enough to warrant a special marketing mix.
Identifiability Measurability	Segments must be identifiable and their size measurable.
Accessibility	Members of targeted segments must be reachable with marketing mix.
Responsiveness	Unless segment responds to a marketing mix differently, no separate treatment is needed.

Bases for Segmenting Consumer Markets

Geographic

Region, City or Metro
Size, Density, Climate



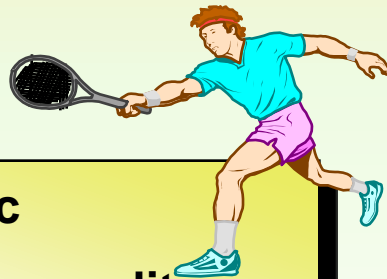
Demographic

Age, Gender, Family size
and Life cycle, Race,
Occupation, or Income ...



Psychographic

Lifestyle or Personality



Behavioral

Occasions, Benefits,
Uses, or Attitudes



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Bases for Segmenting Business Markets

Customer Location

Customer type

- Industry
- Size
- Organization Structure
- Purchase criteria

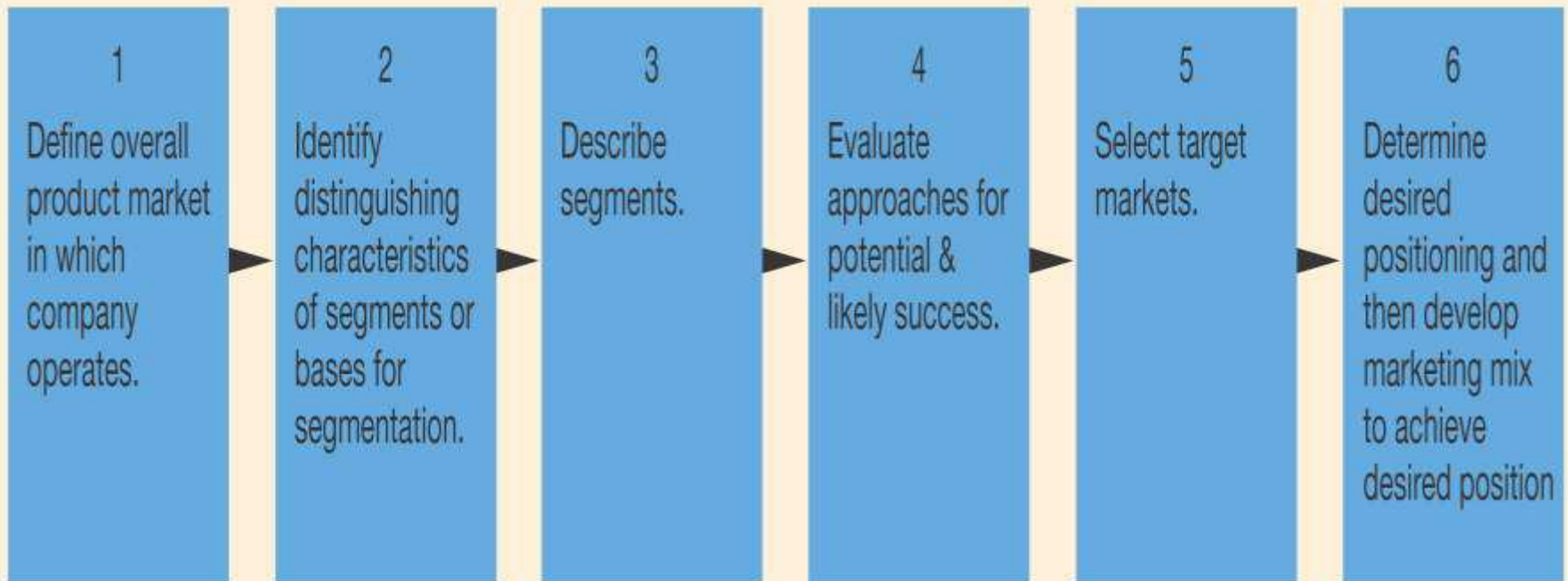
Transaction conditions

- Buying situation
- Usage rate
- Purchase procedure

Stages in Developing Market Segmentation Strategies

Exhibit 7-2

Developing a market segmentation strategy

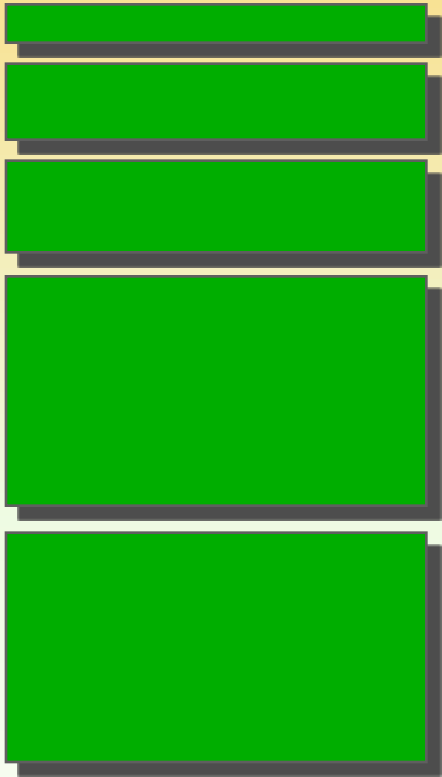


Targeting Market Segments

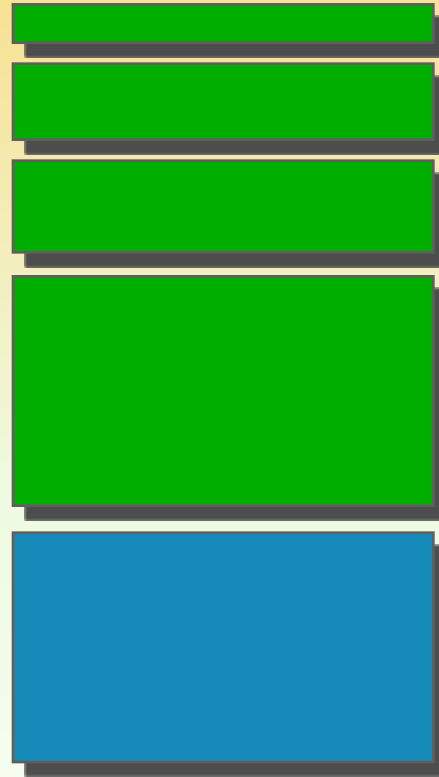
- To select target segments, the firm must consider:
 - *The segment's potential sales volume and profits.*
 - *Competition currently selling to the segments.*
 - *The firm's abilities and objectives.*



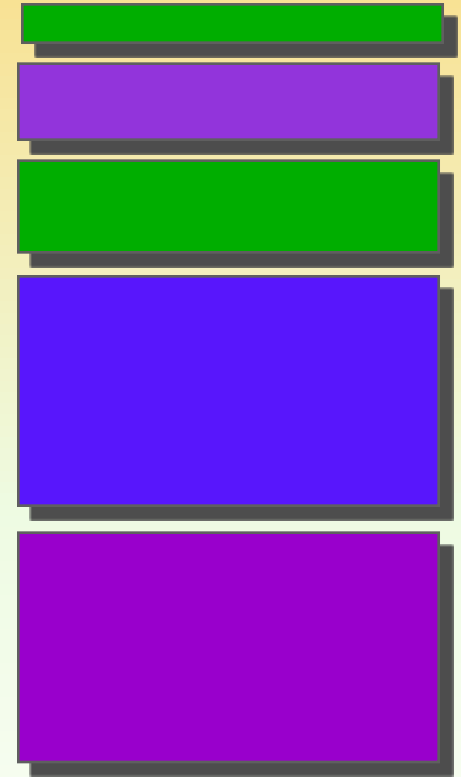
Strategies for Selecting Target Markets



Undifferentiated Strategy



Concentrated Strategy

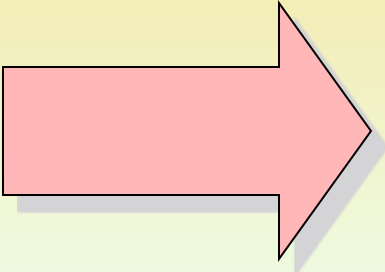


Multisegment Strategy

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Undifferentiated Targeting Strategy



Marketing approach that views the market as one big market with no individual segments and thus requires a single marketing mix.

Undifferentiated Targeting Strategy

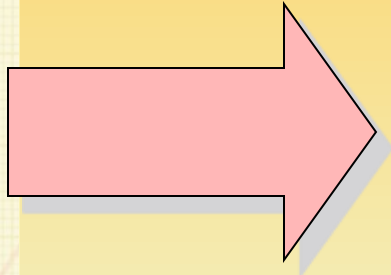
Advantages:

- ◆ Potential savings on production and marketing costs

Disadvantages:

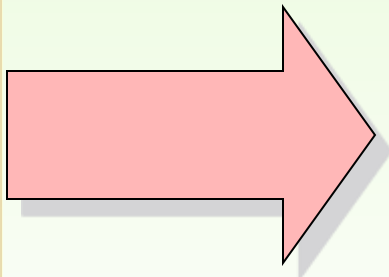
- ◆ Unimaginative product offerings
- ◆ Company is more susceptible to competition

Concentrated Targeting Strategy



A strategy used to select one segment of a market for targeting marketing efforts.

Niche



One segment of a market.

Concentrated Targeting Strategy



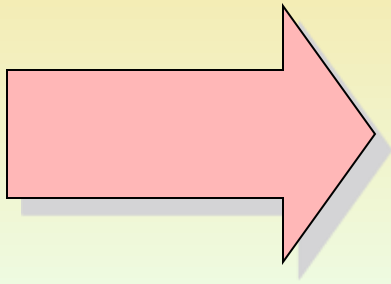
Advantages:

- ◆ Concentration of resources
- ◆ Meets narrowly defined segment
- ◆ Small firms can compete
- ◆ Strong positioning

Disadvantages:

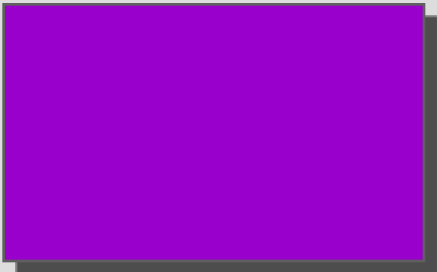
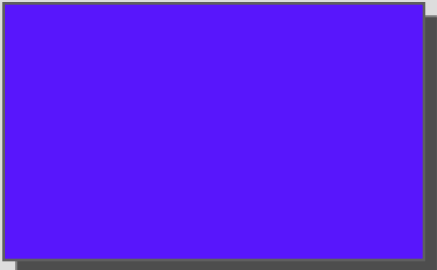
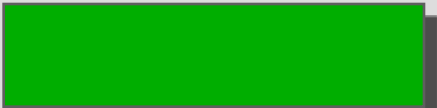
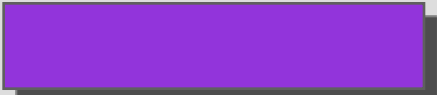
- ◆ Segments too small, or changing
- ◆ Large competitors may market to niche segment

Multisegment Targeting Strategy



A strategy that chooses two or more well-defined market segments and develops a distinct marketing mix for each.

Multisegment Targeting Strategy



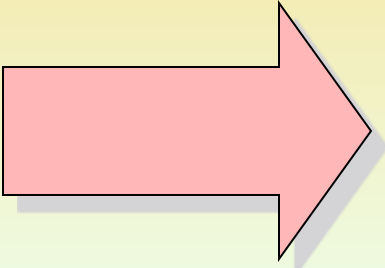
Advantages:

- ◆ Greater financial success
- ◆ Economies of scale

Disadvantages:

- ◆ High costs
- ◆ Cannibalization

Cannibalization



Situation that occurs when sales of a new product cut into sales of a firm's existing products.

POSITIONING

- When you think safe buses, **Volvo** often comes to mind.
- When you want medicine for cough and cold, you probably think of **Crocin cold n' Flu**.
- If you are looking for healthy cooking oil, you probably think of **Safola**.

These products have well defined positions in
the minds of consumer

POSITIONING

- **Positioning:**
 - The place the product occupies in consumers' minds relative to competing products.
 - Defined by **consumers** on the basis of important attributes
 - Involves implanting the brands unique benefits and differentiation in consumer's mind.

POSITIONING

- **Positioning:**
 - Tide is positioned as powerful, all purpose detergent.
 - Godrej Easy is positioned as a gentle detergent for woolen clothes.
 - Ford Focus positioned on economy; Mercedes on luxury; and BMW on performance.

Two basic ways of positioning:

Functionally positioned brands emphasize the features and benefits.

Expressive positioned brands emphasize ego, social and hedonic satisfactions that a brand can bring.

More sub – categories of positioning:

POSITION	STRATEGY
Functional	Product features
	Price quality
	Use
Expressive	Users
	Benefit
	Heritage

Positioning

Positioning:

Designing a marketing program, including the product mix, that is consistent with how the company wants its products or services to be perceived.

Repositioning:

When a firm wants to shift consumer opinions about an existing brand.

Repositioning Strategy

Change the tangible attributes and then communicate the new product to the same market.

Change the way a product is communicated to the original market.

Change the target market and deliver the same product.

Change both the product (attributes) and the target market.

What is a Product?

Product: bundle of physical, service, and symbolic attributes designed to enhance buyers' want satisfaction



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Characteristics that distinguish services from goods:

- Intangibility
- Inseparability
- Perishability
- Difficulty of standardization
- Variability

Classifying Goods and Services for Consumer and Business Markets

Consumer products: products destined for use by ultimate consumers


Business (or B2B) products: those that contribute directly or indirectly to the output of other products for resale

- Also called industrial or organizational products

TYPES OF CONSUMER PRODUCTS:


Convenience product: good or service that consumers want to purchase frequently, immediately, and with minimal effort

- **Impulse goods and services** are purchased on the spur of the moment.
- **Staples** are convenience goods and services that consumers constantly replenish to maintain a ready inventory.
- **Emergency goods and services** are bought in response to unexpected and urgent needs.



Shopping product: good or service purchased only after the customer compares competing offerings from competing vendors on the characteristics such as price, quality, style, and color etc.

- Typically cost more than convenience purchases.
- Include tangible items.
- Shopper lacks complete information and gathers information during the buying process.



Specialty product: good or service with unique characteristics that cause the buyer to value it and make a special effort to obtain it

Unsought product: good or service marketed to consumers who may not yet recognized in the need for it

Types of Business Products

Installation: major capital investment by a business buyer that typically involves expensive and relatively long-lived products, such as a new factory or piece of heavy machinery


Accessory equipment: capital product, usually less expensive and shorter-lived than insulation, such as a laptop computer

Component parts and materials: finished business products that become parts of buying firms' final products, such as spark plugs for new cars

Raw materials: business product, such as a farm product (wheat, cotton, soybeans) or natural product (coal, lumber, iron ore) that become part of a final product

Supplies: products that represent regular expenses necessary to carry out a firm's daily operations but are not part of the final product. Supplies are sometimes called MRO items

- **MRO item:** part of business supplies categorized as **m**aintenance items, **r**epair items, or **o**perating supplies such as light bulbs, nuts and bolts used in repairing equipment, or pencils



Business services: intangible product purchased to facilitate a firm's production and operating processes such as financial services, leasing of vehicles, legal advice and consulting

The Product Mix

A company's assortment of product lines and individual offerings

- **Product Width**--the number of product lines offered.
- **Product Depth**--variations in each product that a firm markets in its mix.

Product Mix Decisions

- A firm may lengthen or widen its product mix
- A Company may decide to add variations that will attract new users
- A product may be pruned or altered, and new product may extend the product life cycle
- **Line extension:** introduction of a new product that is closely related to other products in the firm's existing line

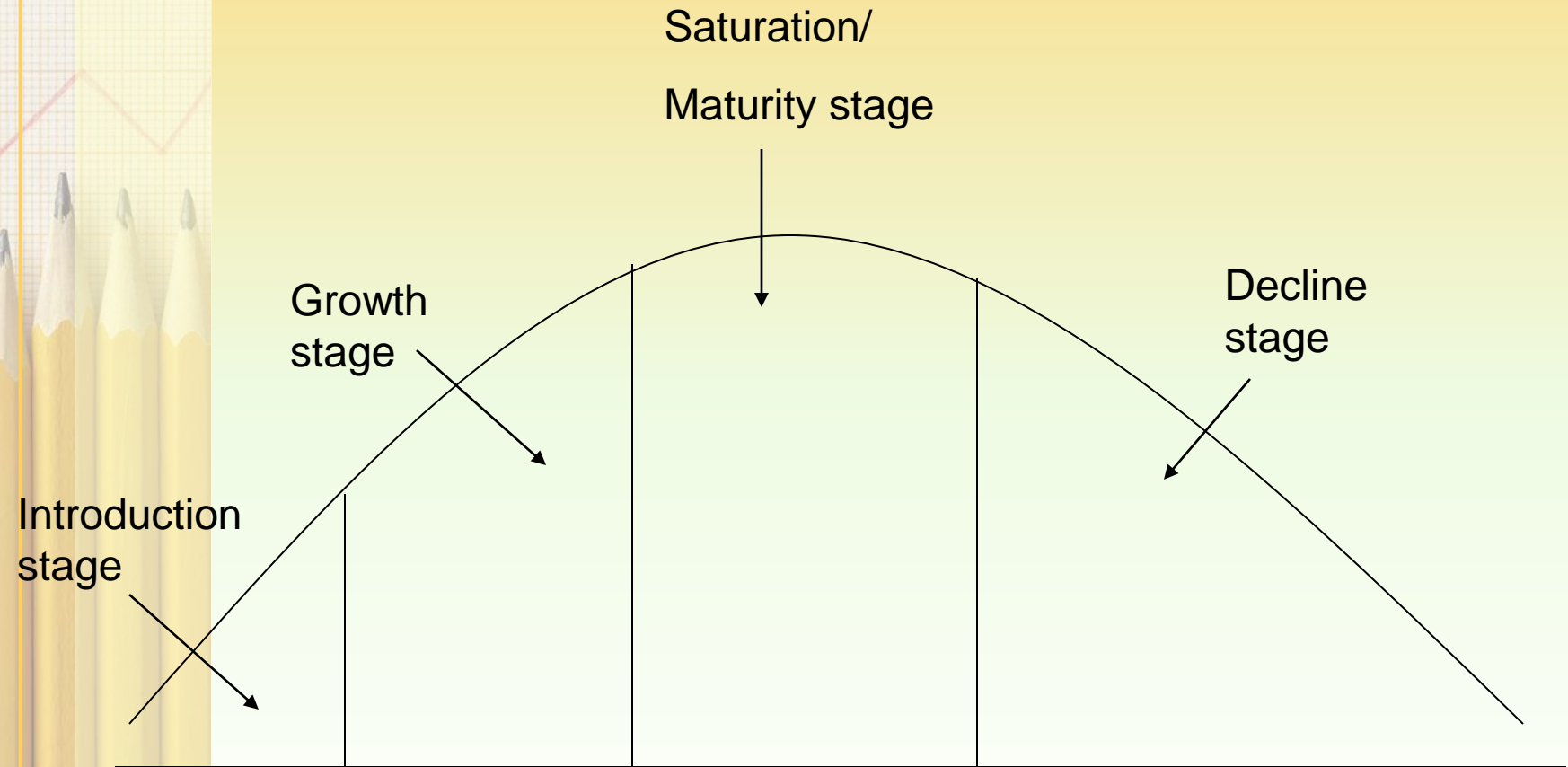
Product Deletion Decisions

Product lines must sometimes be pruned and marginal products eliminated

This decision is typically faced during the late maturity and early declined stages of the product life cycle

An unprofitable item may be continued in order to provide a complete line for customers

Product Life Cycle



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New-Product Overview

*New products
drive sales and
profit growth.*

*New Product
Failure Rate
May Be 80%*

*New products
may gain market share
from competitors.*

Types of New Products

New to the World Products

New Category Entries

Additions to Product Lines

Product Improvements

Repositionings

Sources of New Products

**External
Sourcing**



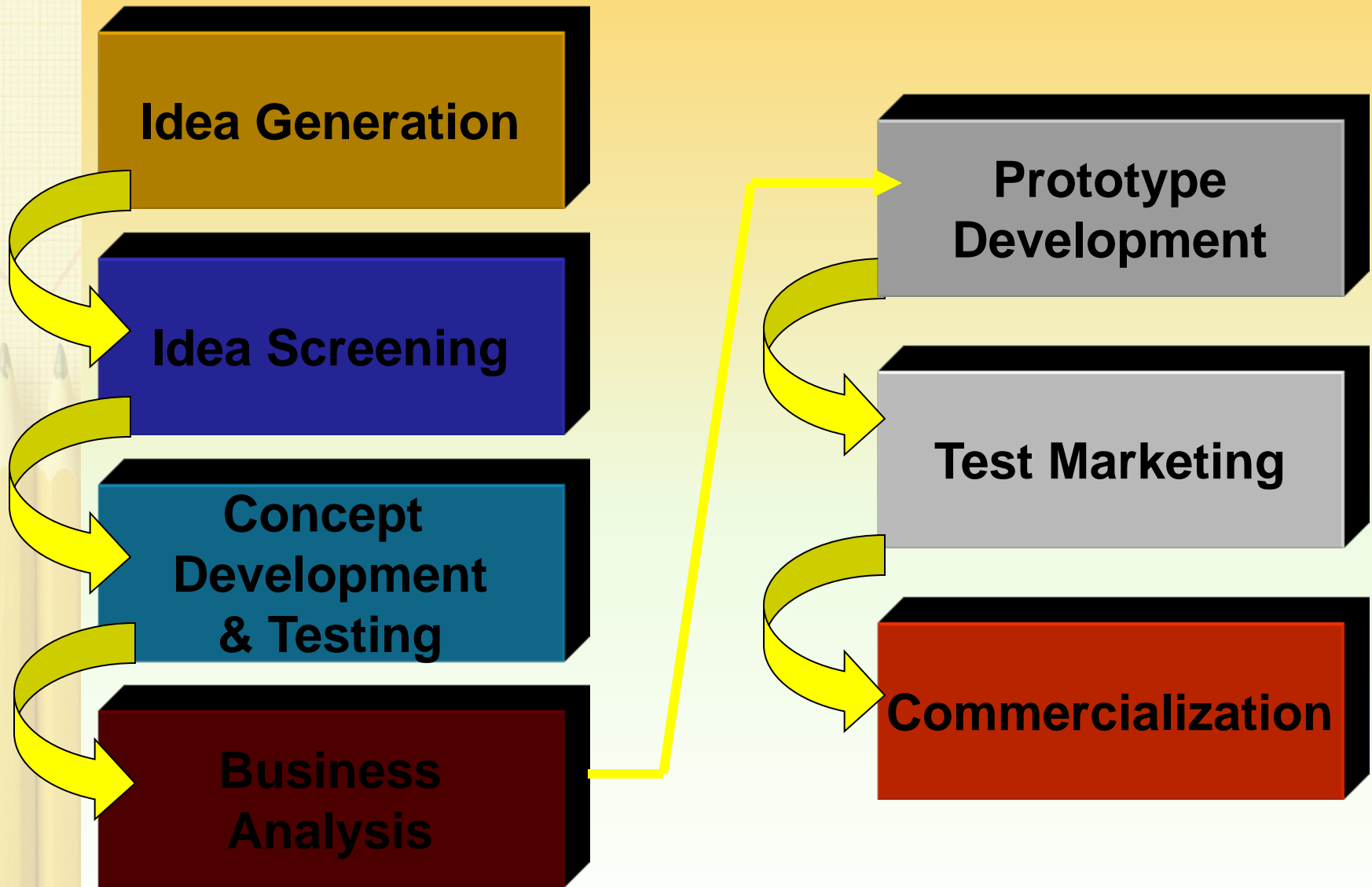
**Internal
Development**

**Collaborative
Venture**

New-Product Development

- New-product thinking should be an on-going effort
- Top-level support is vital
- Someone should be “in charge” of the effort
- Firm should constantly generate new ideas, then narrow down to the best opportunities with clearly specified screening criteria
- Need a well organized new-product development *process*
- Involvement of cross-functional teams helps in the screening process and avoids problems and surprises later

New-Product Development Process



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THE NEW-PRODUCT PROCESS- Idea Generation

- **Customer and Supplier Suggestions**
- **Employee and Co-Worker Suggestions**
- **Research and Development Breakthroughs**
- **Competitive Products**



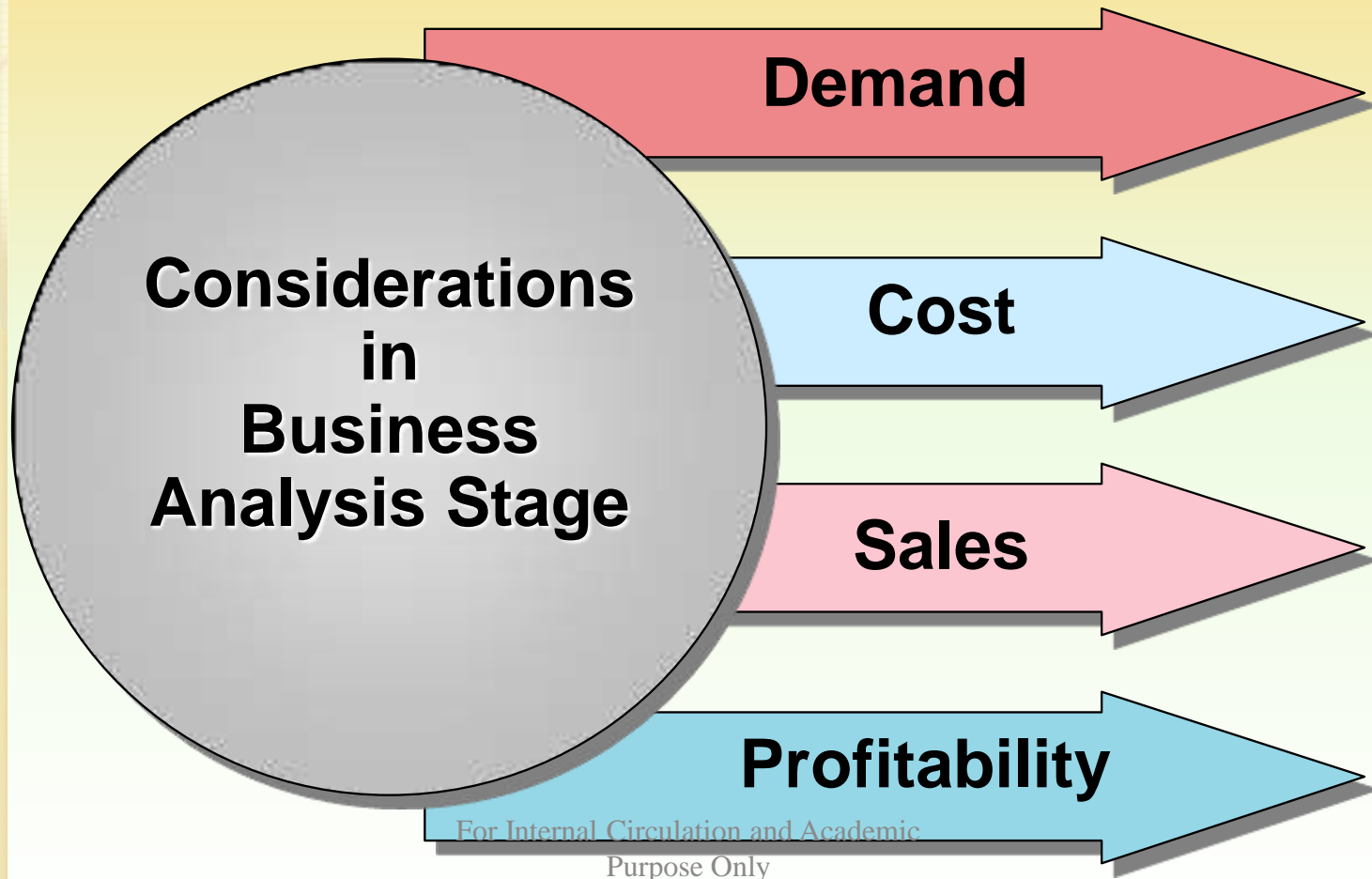
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THE NEW-PRODUCT PROCESS- Screening and Evaluation

The first filter in the product development process, which eliminates ideas that are inconsistent with the organization's new-product strategy or are inappropriate for some other reason.

THE NEW-PRODUCT PROCESS- Business Analysis

- if positive, build a prototype



THE NEW-PRODUCT PROCESS- Development

- **“Failure Analysis”**
- **Safety Tests**

- **Marketing strategy**
- **Packaging, branding, labeling**
- **Manufacturing feasibility**
- **Final government approvals if needed**

THE NEW-PRODUCT PROCESS- Test Marketing

The limited introduction of a product and a marketing program to determine the reactions of potential customers in a market situation.

THE NEW-PRODUCT PROCESS- Commercialization

Most expensive stage

- **Ramp Up and Regional Rollouts**
 - **Product Positioning is marketing's job here**
- **Speed as a Factor in New-Product Success**

Price

Definition: The amount of money charged for a product.

Importance of price to marketers

Price is a key element in the marketing mix because:

Directly

- Price relates directly to the generation of total revenue
- Price is also the only marketing mix element that generates revenue, others are costs

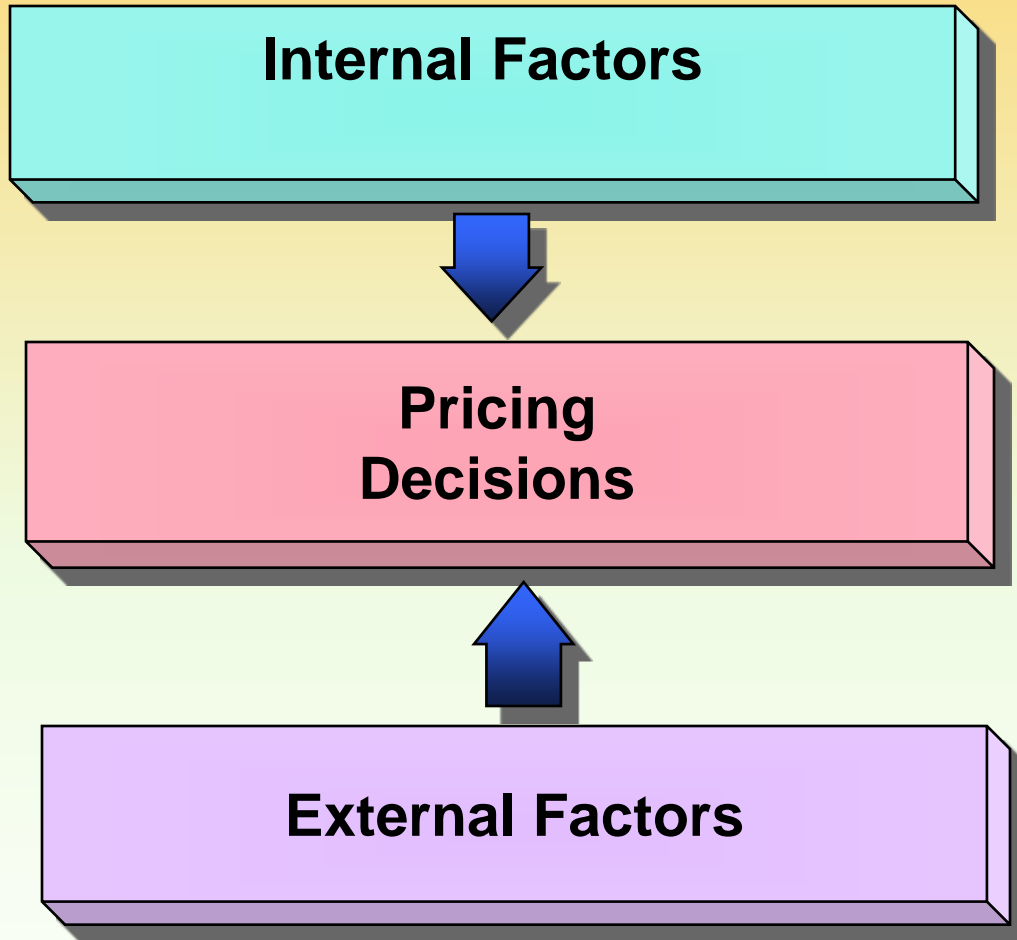
Indirectly

- Price can be a major determinant of the quantity of goods sold
- Price also influences total costs through its impact on quantity sold

Symbolically

- Price has a psychological impact on customers
- By raising price the quality of the product can be emphasised
- By lowering price marketers can emphasis a bargain

Factors to consider when setting prices



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Internal Factors Affecting Pricing Decisions



Marketing Objectives that Affect Pricing Decisions

Marketing Objectives

Survival

Low Prices to Cover Variable Costs and Some Fixed Costs to Stay in Business.

Current Profit Maximization

Choose the Price that Produces the Maximum Current Profit, Cash Flow or ROI.

Market Share Leadership

Low as Possible Prices to Become the Market Share Leader.

Product Quality Leadership

High Prices to Cover Higher Quality and Guest Service Levels

Marketing Mix Variables that Affect Pricing Decisions

Companies Will Consider Price Along With All the Other Marketing-Mix Elements When Developing the Marketing Program. Price Must be Coordinated With:



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Types of Cost Factors that Affect Pricing Decisions

Total Costs

Sum of the Fixed and Variable Costs for a Given Level of Production

Fixed Costs (Overhead)

Costs that does not vary with sales or production levels.

Executive Salaries
Rent

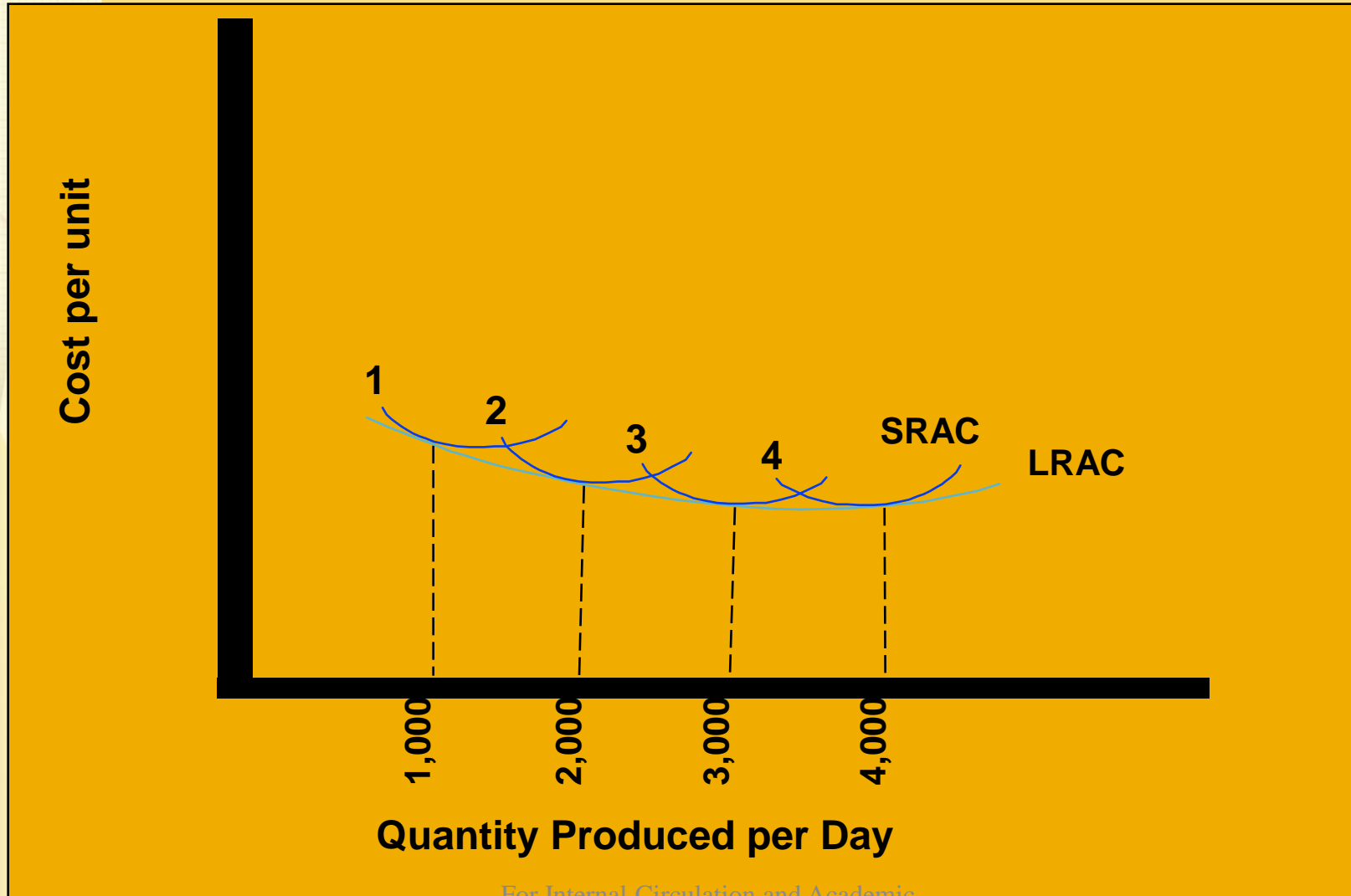
Variable Costs

Costs that vary directly with the level of production.

Raw materials

Costs Considerations

Cost Per Unit at Different Levels of Production Per Period



External Factors Affecting Pricing Decisions

**Market and
Demand**

**Competitors' Costs,
Prices, and Offers**

Other External Factors
Economic Conditions
Reseller Needs
Government Actions
Social Concerns

The Market and Demand Factors that Affect Pricing Decisions

Pure Competition

Many Buyers and Sellers Who Have Little Affect on the Price.

Monopolistic Competition

Many Buyers and Sellers Trading Over a Range of Prices.

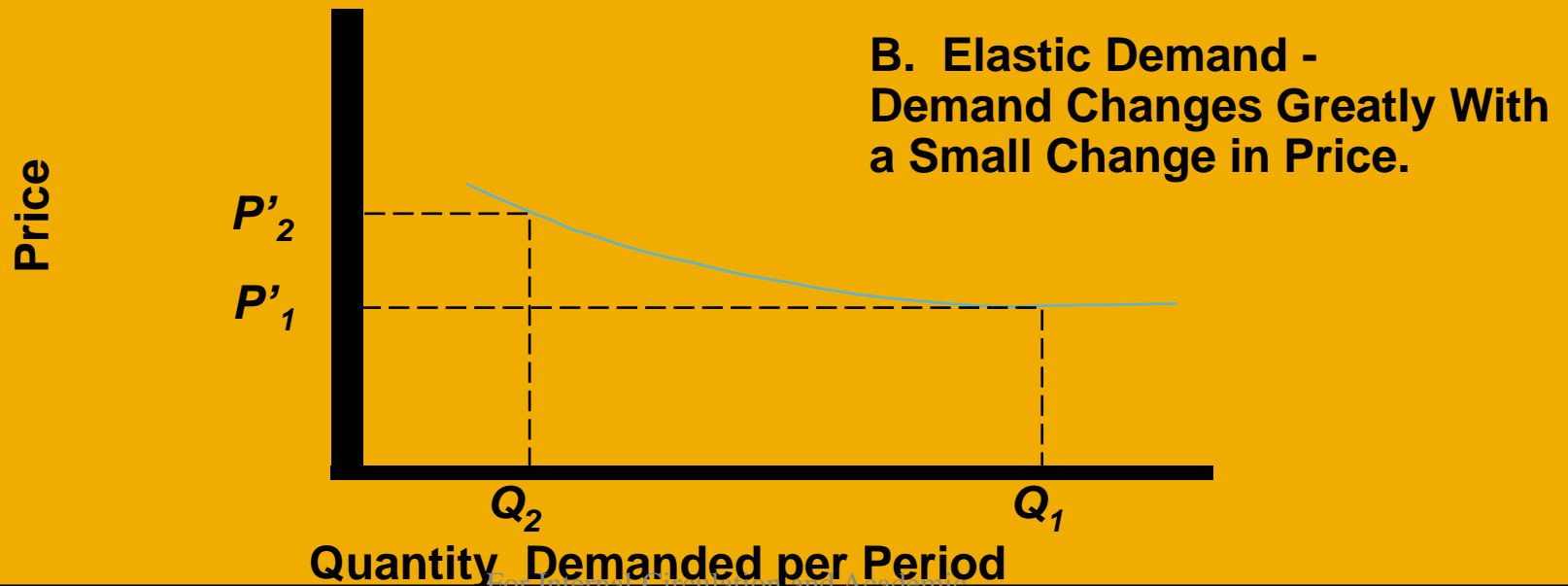
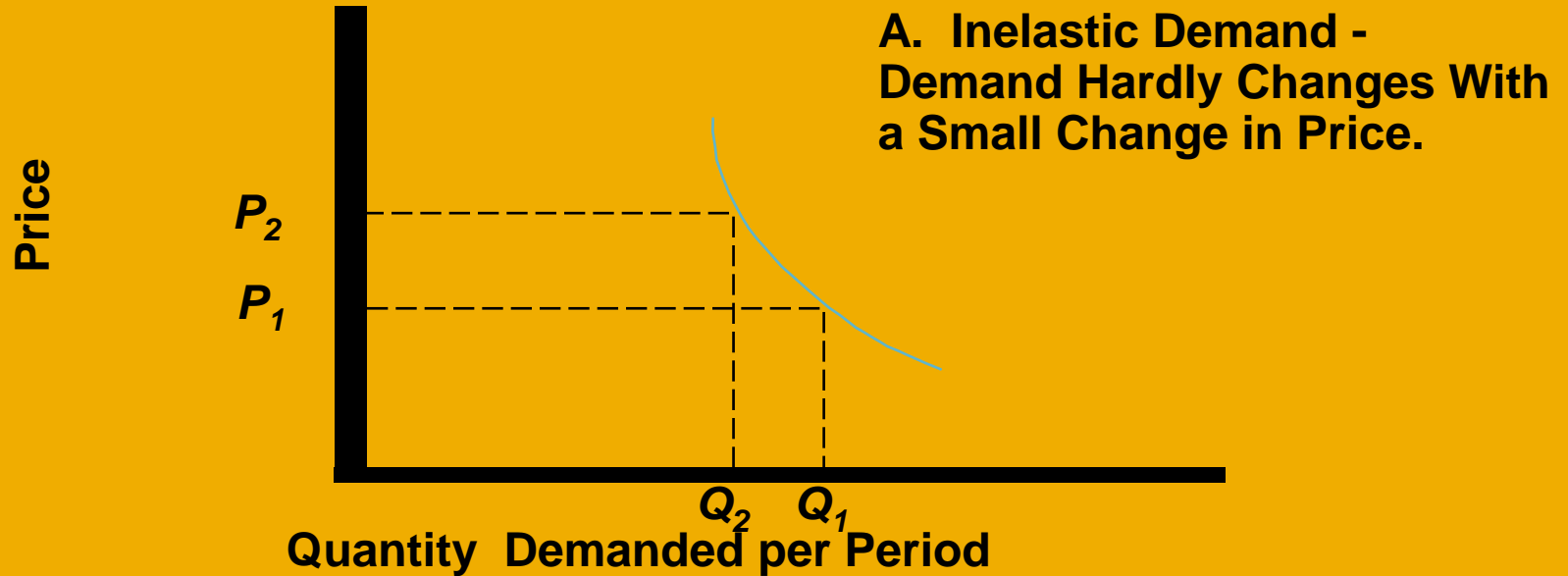
Different Types of Markets

Oligopolistic Competition

Few Sellers Each Sensitive to Other's Pricing/ Marketing Strategies

Pure Monopoly
Single Seller

Demand Curves



What is Cost-Plus Pricing and Why is it Popular?

Adding a Standard Markup to the Cost of the Product

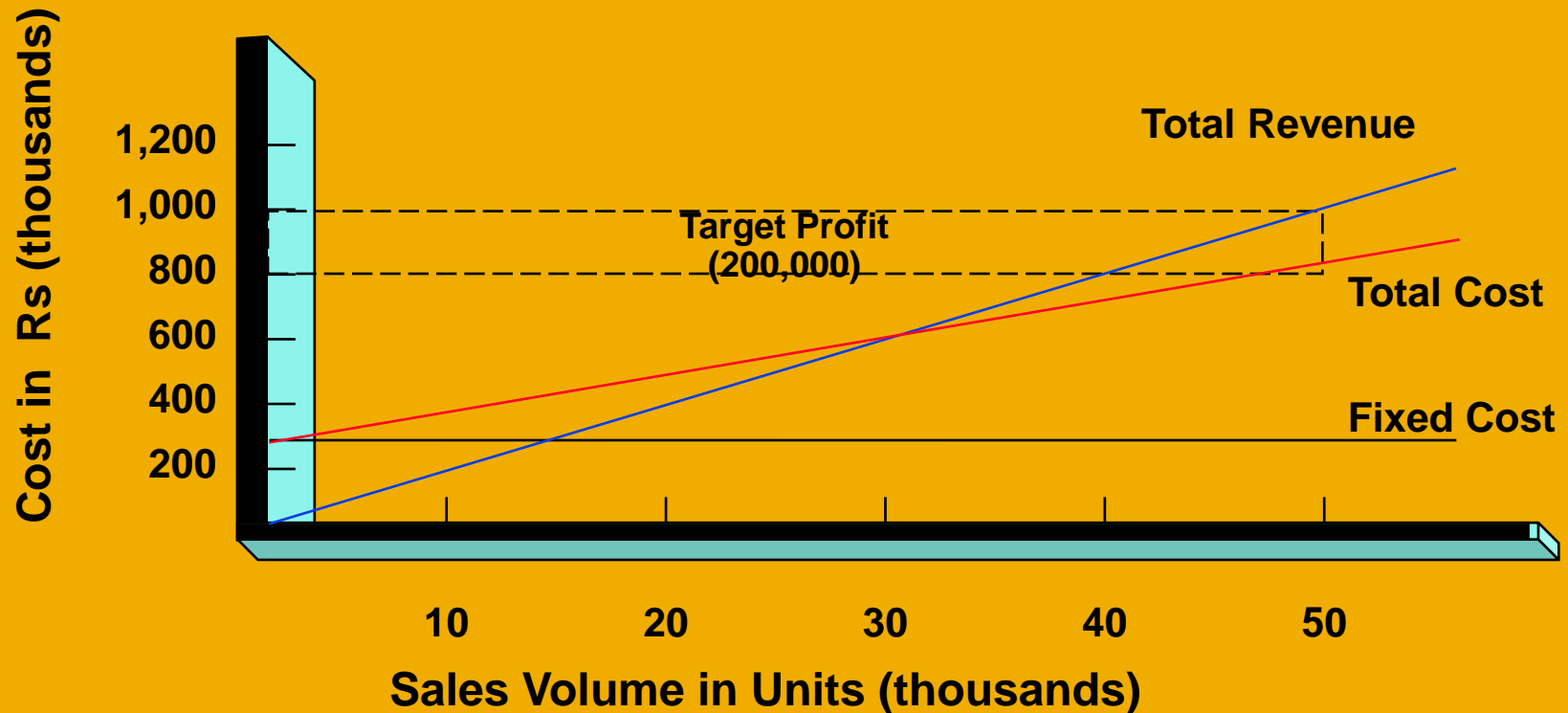
Sellers Are More Certain About Costs Than Demand

Minimizes Price Competition

Perceived Fairness to Both Buyers and Sellers

Break-even Analysis or Target Profit Pricing

Tries to Determine the Price at Which a Firm Will Break Even or Make a Target Profit



Pricing Methods

Cost-based pricing - prices set mainly on the basis of cost (fixed & variable overheads)

Competition-based pricing - pricing a product or service at a price comparable with that charged by the competition (this could be slightly higher or lower than the competition)

Customer-based pricing - relies on the perceived value and how much customers are prepared to pay for the product or service

Two generic pricing strategies for new products

Skimming Policy

Price skimming involves charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market

A major disadvantage is that it encourages new entrants

Penetration Policy

Penetration pricing involves the setting of lower, rather than higher prices in order to achieve a large, if not dominant market share.

This strategy is most often used in businesses wishing to enter a new market or build on a relatively small market share.

A successful penetration pricing strategy may lead to large sales volumes/market shares and therefore lower costs per unit.

New product launch strategy

High Promotion Low

High

Rapid
skimming

Slow
skimming

Price

Rapid
penetration

Slow
penetration

Low

New product launch pricing strategies

Rapid Skimming strategy

- tends to combine high price and high promotion expenditure. High prices is used to create high revenue, while high promotion used for product awareness & knowledge

Slow skimming strategy

- tends to combine high prices with low level of promotion expenditure - High prices means high revenue but promotion is left to mainly word-of-mouth

Rapid penetration strategy

- tends to combine low prices with high promotional expenditure - aims to gain market share rapidly

Slow penetration strategy

- tends to combine low prices with low promotional expenditure
- mainly used by Own-label brands

Price-Adjustment Strategies

Price Adjustment Strategies

Discount & Allowance
Reducing Prices to Reward Customer Responses such as Paying Early or Promoting the Product.

Cash Discount

Quantity Discount

Functional Discount

Seasonal Discount

Trade-In Allowance

Segmented
Adjusting Prices to Allow for Differences in Customers, Products, or Locations.

Customer

Product Form

Location

Time

Price-Adjustment Strategies

Psychological Pricing

- Adjusting Prices for Psychological Effect.
- Price Used as a Quality Indicator.

Promotional Pricing

- Temporarily Reducing Prices to Increase Short-Run Sales.
- i.e. Loss Leaders, Special-Events

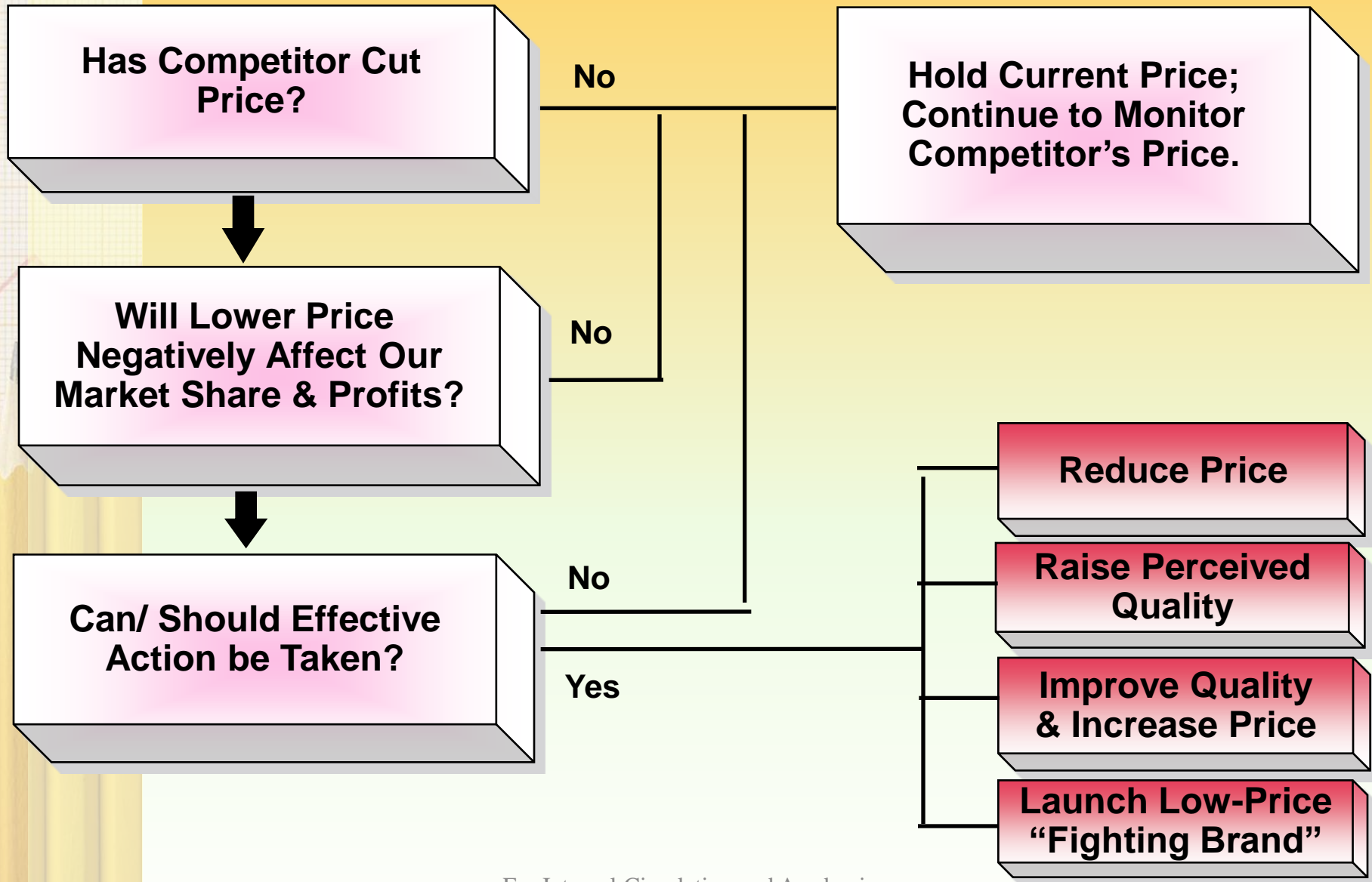
Geographical Pricing

- Adjusting Prices to Account for the Geographic Location of Customers.
- i.e. FOB-Origin, Uniform-Delivered, Zone Pricing, Basing-Point, & Freight-Absorption.

International Pricing

- Adjusting Prices for International Markets.
- Price Depends on Costs, Consumers, Economic Conditions & Other Factors.

Price-Adjustment Strategies



Initiating and Responding to Price Changes

Competitor
Reactions
to
Price
Changes

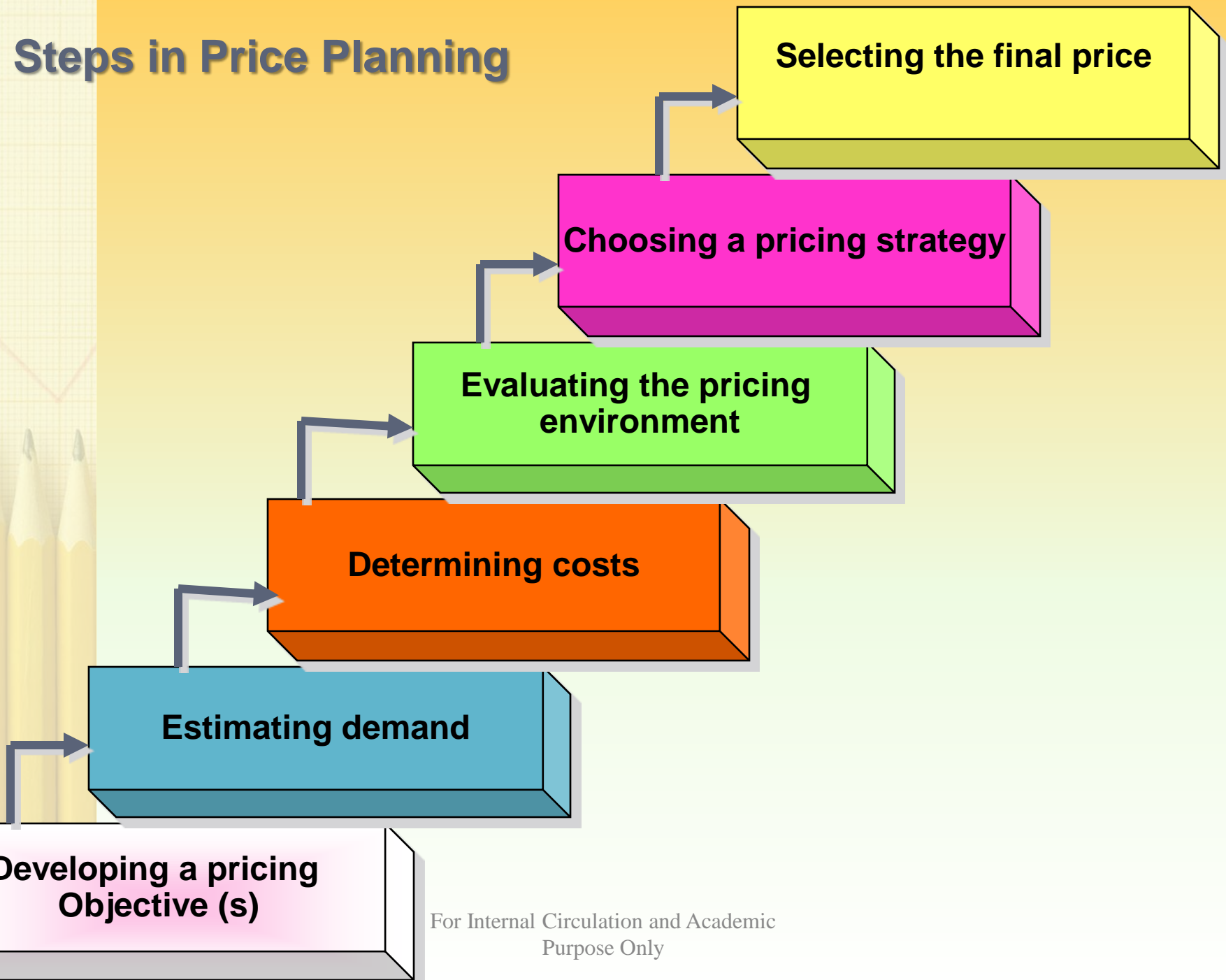
Initiating
Price
Cuts

Price
Changes

Buyer
Reactions
to
Price
Changes

Initiating
Price
Increases

Steps in Price Planning



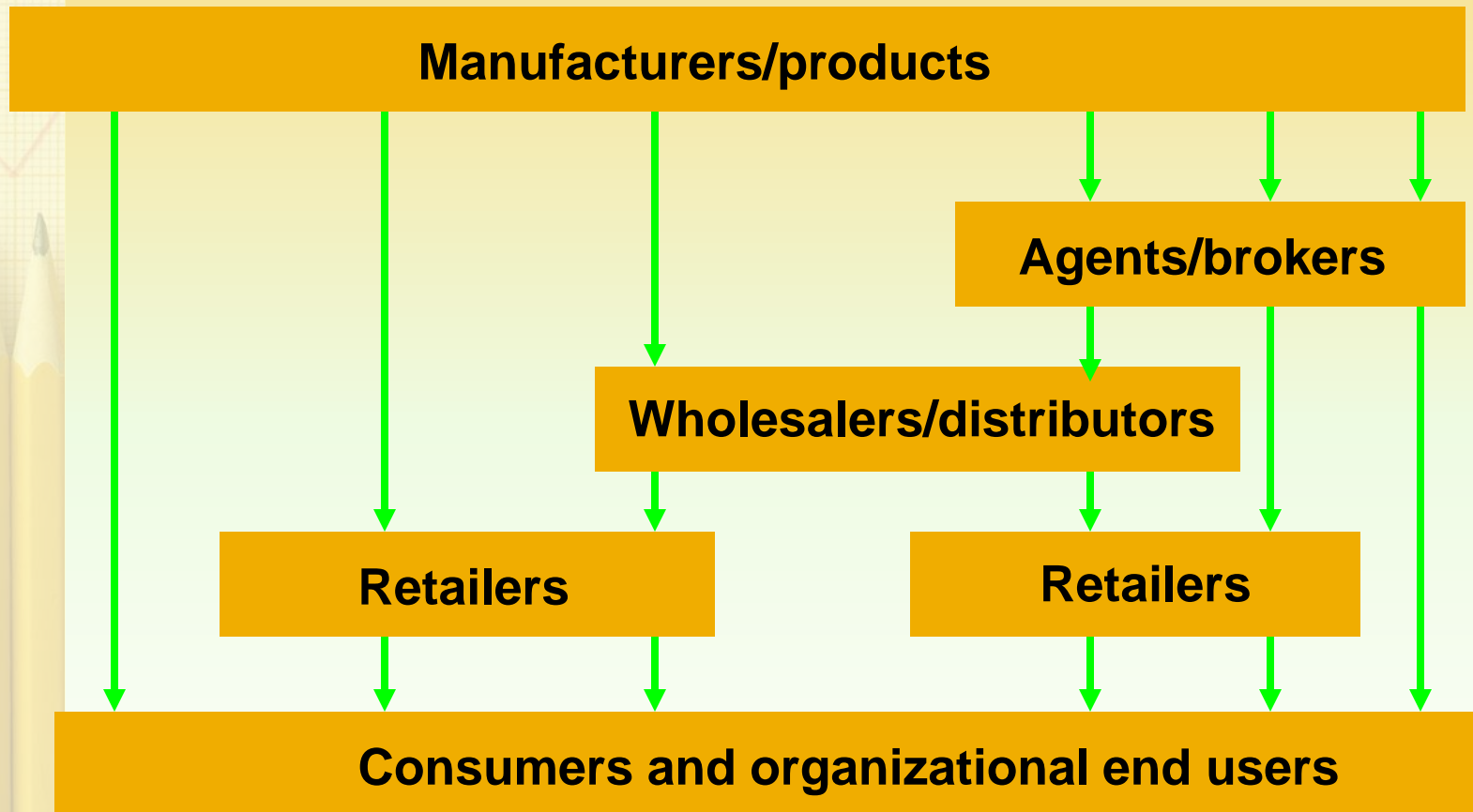
UNIT – III

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What is a Marketing Channel?

This is a set of interdependent organizations involved in the process of making a product or service available for use or consumption

Basic Channels of Distribution



Distribution-Scope Strategies

Exclusive Distribution

- Limiting the distribution to only one intermediary in the territory

Intensive distribution

- Distribute from as many outlets as possible to provide location convenience

Selective distribution

- Appoint several but not all retailers

Example of Exclusive Distribution

LEICA was officially appointed Jebsen & Jebsen Marketing as the exclusive distributor for Singapore, Malaysia, Thailand, Indonesia and Brunei

A main factor in choosing J&J was its expertise in “high-quality technical products on the consumer market.”

Source: Smartinvestor, Singapore Ed. June 2000

Exclusive Distribution: Advantages

Maximize control over service level/output

Enhance product's image & allow higher markups

Promotes dealers loyalty, better forecasting, better inventory and merchandising control

Restricts resellers from carrying competing brands

Exclusive Distribution: Disadvantages

Betting on one dealer in each market

Only suitable for high price, high margin, and low volume products

Example of Intensive Distribution

Newspapers

Most fast moving consumer goods you see in the newsstand

Photo processing shops

Intensive Distribution

Advantages:

- Increased sales, wider customer recognition, and impulse buying

Disadvantages:

- Characteristically low price and low-margin products that require a fast turnover
- Difficult to control large number of retailers

Example of Selective Distribution

Daewoo have 2 distributors in Singapore

“Starsauto, part of a larger Indonesian group, represents Daewoo’s traditional line of sedans.

Homegrown family-owned JTA Motors market Daewoo’s offroad vehicles like the Musso and Korando, and an upmarket model called the Chairman.

(Source: BT, Motoring, Feb4/1999)

Selective Distribution

Advantages:

- Better market coverage than exclusive distribution
- More control and less cost than intensive distribution
- Concentrate effort on few productive outlets
- Selected firms capable of carrying full product line and provide the required service

Selective Distribution (cont'd)

Disadvantages:

- May not cover the market adequately
- Difficult to select dealers (retailers) that can match your requirement and goals

Multiple-Channel Strategy

Using two or more different channels to distribute goods and services

Why?

- Permits optimal access to each market segment
- Increase market coverage, lower channel cost and provide more customized selling

What to look out for?

- More channels usually means more conflict and control problems

Complementary Channels

Each channel handles a product or segment that is different or non-competing e.g.

Toyota Lexus

MPH online portals

Magazine distributions

Competitive Channels

The same product is sold through two different and competing channels e.g.

- Non-prescriptive drugs
- Electronic goods

Why? To increase sales

What to look out for?

- Over extending yourself
- Dealers' resentment
- Control problems

Modifying Distribution Strategies

Modify when the following changes occur:

Consumer markets and buying habits

Customer needs

Competitor's perspectives

Relative importance of outlet types

Manufacturer's financial strength

Sales volume level of existing products, and

The marketing mix

Channel-Control Strategy

Vertical Marketing System (VMS)

- Also known as centrally coordinated, professionally managed and centrally programmed network systems
- The emerging trend in ASPAC replacing existing conventional marketing channels
- Classified into corporate, administered and contractual VMS

Channel-Control Strategy (cont'd)

Horizontal Marketing System

Two or more unrelated companies putting together resources to exploit a marketing opportunity

Adler called this *symbiotic marketing* (*HBR Nov-Dec86*)

Example: In Japan, small companies form HMS in the form of *Yugoka*

E-Commerce: Online Distribution

The success depends on the characteristics of the consumers in the market in terms of their disposition to e-commerce and surfing habits e.g.

South Korea has the most dynamic Internet surfers in Asia. They spend the least time—28 seconds—on a web page before moving on

Australian surfers were the “stickiest”, clocking one minute per page

(Source: March 2001 figures from Nielsen/NetRatings Global Index)

The Future: M-Commerce

Mobile commerce is going to be the next revenue stream once the killer mobile-application is rolled out

The penetration of mobile data services is low in ASPAC (1%) compared to the Western Europe (23%), Japan (21%) and the US (7%)

(Source: ARC Group, 2000)

Japan's NTT DoCoMo's recently launched i-Mode, a data communications service rather like Wap, and signed up several million customers

(Source: Intelligent Enterprise Asia, July 2001)

Intermediaries involved in this process

Agents – acting on behalf of buyer or seller but do not take title of the goods

Facilitators – transporters, C&Fs, banks, ad agencies

Advantages of a distribution system

Key external resource

Takes years to build

Significant corporate commitment to a large no. of firms


Commitment to a set of policies that nourishes long term relationships

Why would a manufacturer not like to do his own distribution?

Lacks the financial resources to do direct marketing

Cannot have the infrastructure to make the product widely available and near the customer

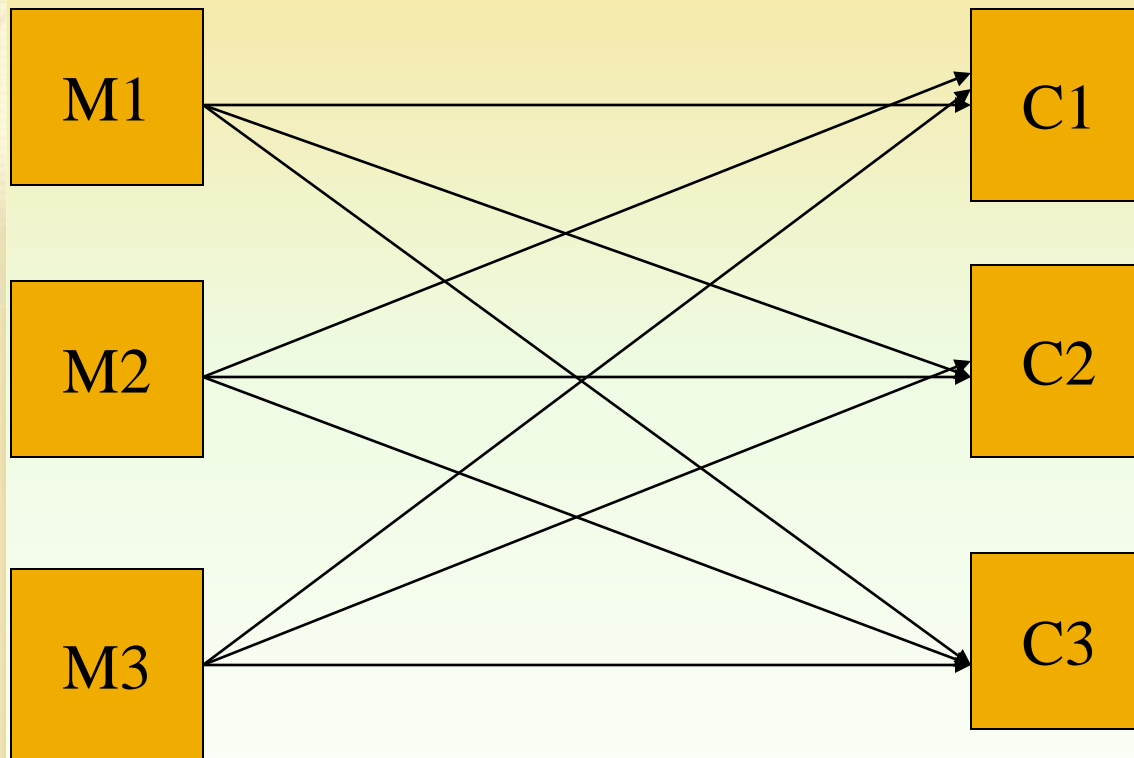
Trading profits could be less than manufacturing profits



Manufactures typically produce a large quantity of a limited variety of goods

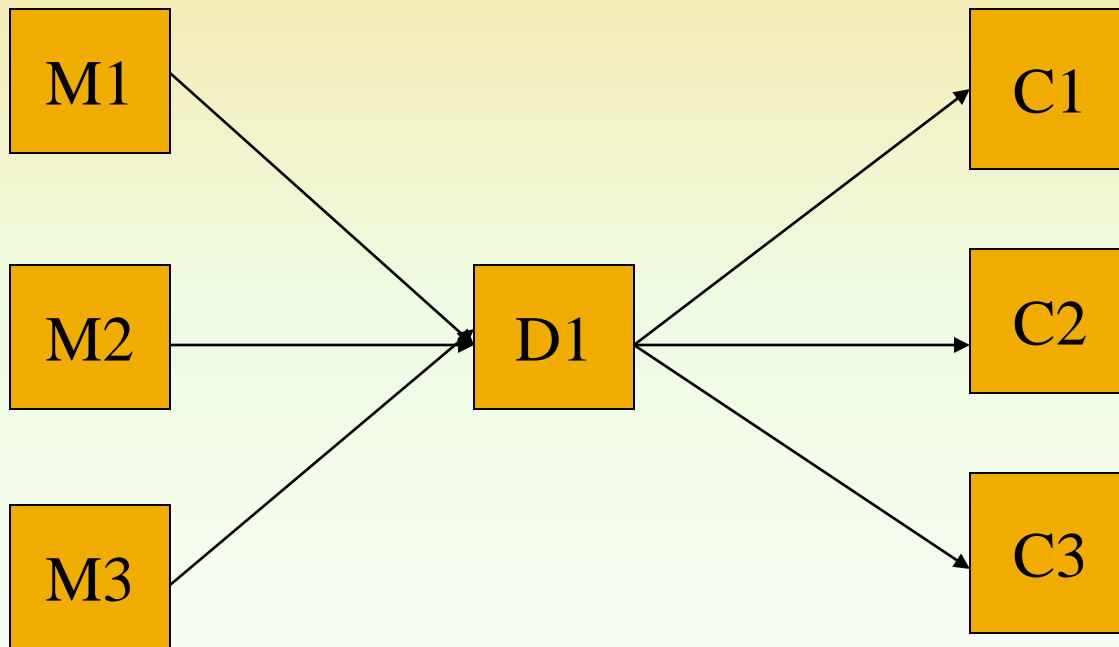
Consumers usually desire a small quantity of a wide variety of goods

If all manufacturers tried to reach all consumers



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If they tried to go through an intermediary



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Channel functions

Gathers information on customers, competitors and other external market data

Develop and disseminate persuasive communication to stimulate purchases

Agreement on price and other terms so that transfer of ownership can be effected

Placing orders with manufacturers

Channel functions (cont'd)

Acquire funds to finance inventories and credit in the market

Assume responsibility of all risks of the trade

Successive storage and movement of products

Helps buyers in getting their payments through with the banks

Oversee actual transfer of ownership

Channels can be

Forward

Backward



Channel Alternatives

Types of available business intermediaries

No. of intermediaries needed

Terms and responsibilities of each channel member

Types of intermediaries

Distributors

Wholesalers

Retailers

Department stores

What kind of distribution?

Exclusive

Selective

Intensive



Terms and Responsibilities

Rights and responsibilities are drawn up

Territorial rights are fixed

Pricing policies and conditions of sales are fixed

Evaluating alternatives

Economic

Control

Adaptive

Channel management

Selecting channel members

Training channel members

Motivating channel members

Managing channel members

Coercive

Reward

Legitimate

Expert

Referent

Channel modification

With time channels need to change along with product as it get older in the PLC

Introduction – boutiques, company showrooms

Growth – chain stores, departmental stores

Maturity – Mass merchandisers

Decline – ‘sales stores’, discount stores

Adding channels

Advantages

Increased market coverage

Lower channel costs

More customised selling

Disadvantages

Increases selling costs

Increases channel control

Breeds channel conflict

Roles of individual channel member firms

Insiders

Strivers

Complementers

Transients

Outside innovators

Channel conflict

Interest of different business interests do not necessarily coincide

Conflicts can occur at various levels

vertical

horizontal

multichannel

Conflict causes

Goal incompatibility

Differences in perception

Great dependence

Legal and ethical issues

Exclusive dealings

Exclusive territories

Tying agreements

Dealer rights

The background features a vertical strip on the left side with a grid pattern, a line graph showing an upward trend, and several yellow pencils. The rest of the background is a solid yellow-to-white gradient.

Retailing

Includes all activities involved in selling goods or services directly to final consumers.

Types of Retailers

Self – service – discount stores (no assistance)

Self – selection – dept. store (assistance is available if required)

Limited service – counter sales men are there

Full service – Co. showrooms. Salesmen are available to explain, demonstrate, give technical help and promote the products

The target market will define

Assortment of goods to be stocked

Store atmospherics and services

Pricing decision

Promotion decision

Place decision

Retail sales effectiveness

No. of people passing by on an average day

% who enter the store (footfalls)

% entering who buy

Amount spent per buyer

Store Brands

With the increase in size and buying strength of retailers, companies are forced to now customize products for them. These are known as store brands. They may compete at the store with the company's own brands.

What is wholesaling?

It includes all activities involved in selling goods and services for resale or business use. They are the intermediaries between manufacturers and retailers.

Characteristics of wholesalers

Less attention to promotion, atmosphere and location

Transactions are usually large and cover a wider geographical area

Could have different tax implications, regulations, etc. because of its status as a wholesaler

Functions of a wholesaler

Financing

Risk bearing

Market information

Management services and
counselling

Selling and promoting

Buying and assortment
building

Bulk breaking

Warehousing

Transportation

MarCom: MAIN OBJECTIVES

INFORMING

- Product Launch phase
- Explanations of Product's features & benefits

TARGET AUDIENCE

REMAINING

- Product Sales Growth phase
- Competitive positioning

PURSUADING

- Product Maturity phase
- Applies to consumers' memory (brand specific)

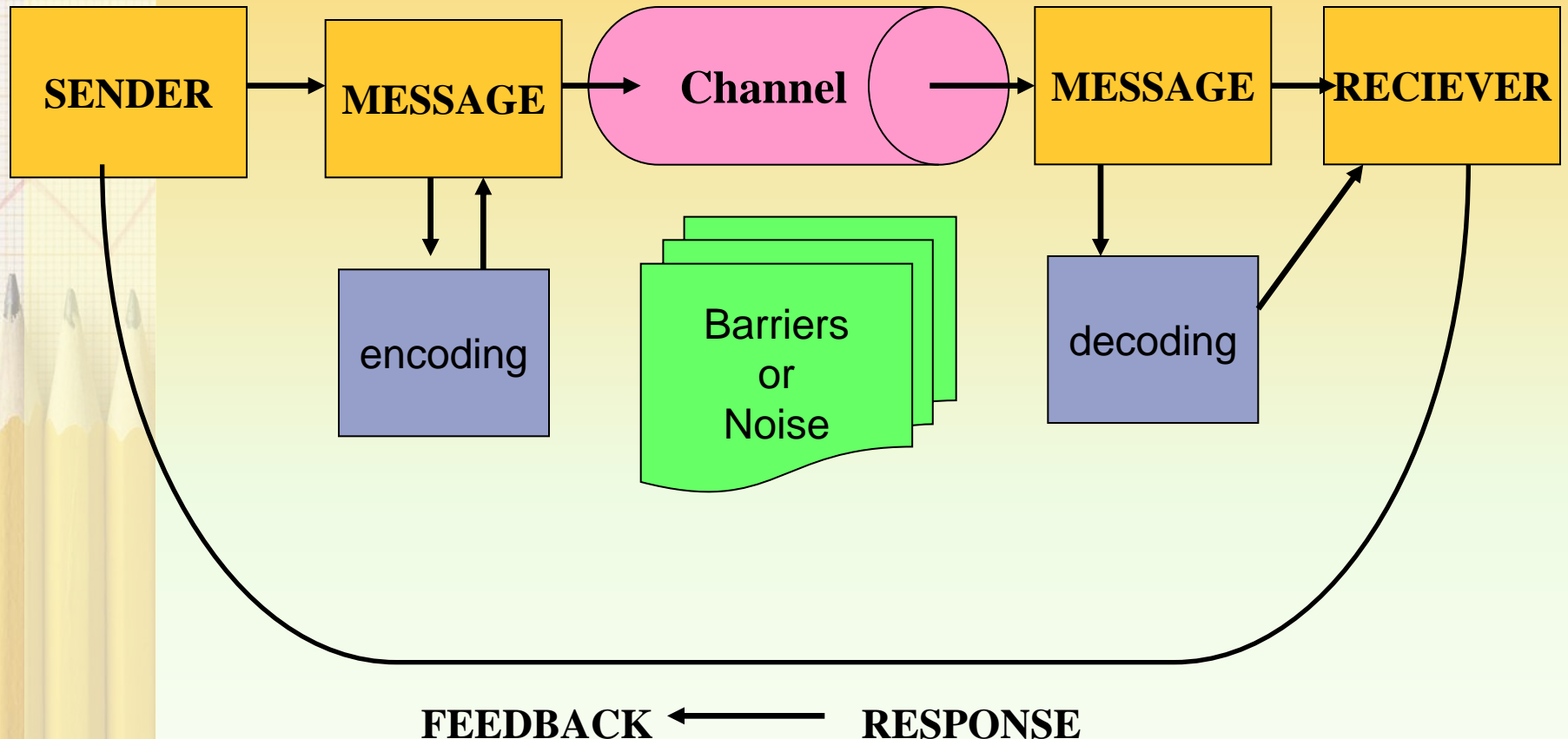
MarCom Mix



BASIC INSTRUMENTS

- ADVERTISING
- SALES PROMOTION
- PR
- DIRECT MARKETING
- EXHIBITIONS
- CORPORATE IMAGE
- PERSONAL SELLING
- SPONSORSHIP
- PACKAGING
- POS MATERIALS
- WORD-IN-MOUTH
- INTERNET
- PRODUCT PLACEMENT

Communication Theory



SENDER	The party sending the message to another party	<i>Major parties in communication</i>
MESSAGE	The set of messages the sender sends	<i>Major communication tool</i>
ENCODING	Putting through into symbolic form	<i>One of communication function</i>
CHANNEL	Communication channels message is sent through	<i>Major communication tool</i>
DECODING	The process by which receivers assign meaning to the sender's transmitted symbols	<i>One of communication function</i>
RESEIVER	The party receiving the message (audience)	<i>Major parties In communication</i>
RESPONSE	Set of reactions following exposure/reception of message	<i>One of communication function</i>
NOISE	(Un)planned static or distortion during process of communication	
FEEDBACK	Part of response transmitted back to the sender	<i>One of communication function</i>

EVOLUTION OF MARKETING COMMUNICATIONS CONCEPTS

- MARKET
- MEDIA &
COMMUNICATIONS
- CONSUMERS

shift from mass
marketing and product
oriented concepts
(1950-60) to

FOCUS ON

- **CONSUMER**
- **DATA BASED MARKETING**
- **INTERACTIVE COMMUNICATIONS**
- **MEASURED RESULTS**

INTEGRATED MARKETING COMMUNICATIONS

- A planning process
 - designed to assure
 - that all brand contacts
 - received by a customer or prospect
 - for a product, service, or organization
 - are relevant to that person and consistent over time.

(AMA)

IMC Requirements

- ⊕ Awareness of audience's **media habits and preferences**
- ⊕ Understanding of **audience's knowledge and beliefs** about the product
- ⊕ Use of **coordinated media blend** linked to a specific objective
- ⊕ Key is a **single, coordinated message** and **image thrust**

IMC

Synergy

Better use of communication funds

Balancing the 'push' and 'pull' strategies

Improves the company's ability

- to **reach**
- the **right consumer**
- at the **right place**
- at the **right time**
- with the **right message**

Push & Pull Strategy

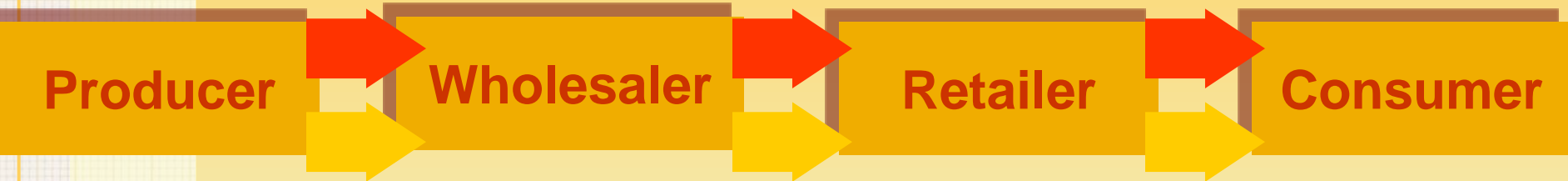
push strategy

- directs communication efforts at channel members
- many products, such as business products, are promoted with a push strategy, involving personal selling and use of trade promotions

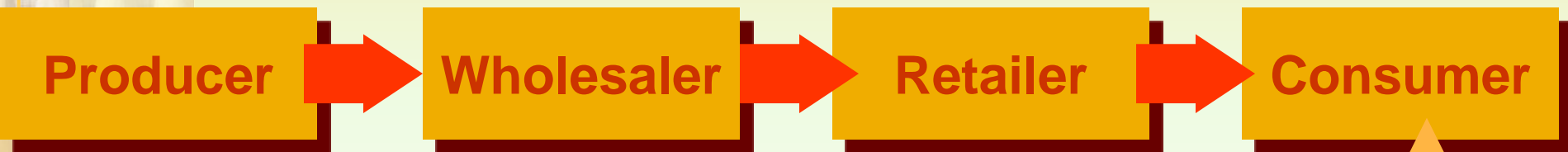
pull strategy

- directs promotion at the end consumer
- most consumer products would rely more heavily on a pull strategy
- where promotion is directed at the consumer to stimulate demand

PUSH STRATEGY



PULL STRATEGY



Product flow



Communication effort

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What else is important?

 Segmentation

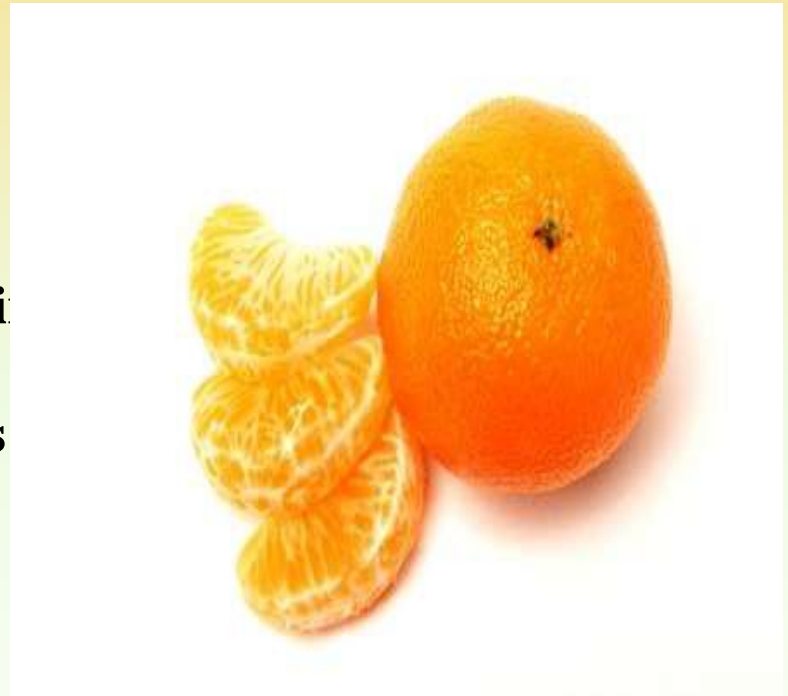
 Targeting

 Positioning

SEGMENTATION

– A market segment is basically
**a set of individuals unique in some way
or the other**

- **Sharing one or more common characteristics**
- **Having similar needs**
- **Responding to market conditions in the same manner**
- **Have similar behavioural patterns**
- **May or may not be belonging to**
 - **the same community,**
 - **group or**
 - **niche**



TARGETING

Selecting the **target audience** (TA)

- for whom your product or service
- is meant to be, most likely based on
 - Age group
 - Likes and dislikes
 - Gender
 - Socio-economic factors
 - Geographic location



POSITIONING

refers to the image your target audience has regarding your product or service as compared to your competitors

It is all the more essential in today's setup, where literally no sector is devoid of an oligopolistic setup

Primary, and in most cases, the **ONLY** objective:

- **To highlight your product's USP in the most striking manner**



PRINCIPLES OF EFFECTIVE MARKETING COMMUNICATIONS

WHO?

WHERE?

WHAT?

HOW MUCH?

FORM – CHANNEL –

PERIOD OF TIME

WHAT WAS IT?

Identifying the Target Audience

Choice of Communication Channel

Message

Budget

Communication program design

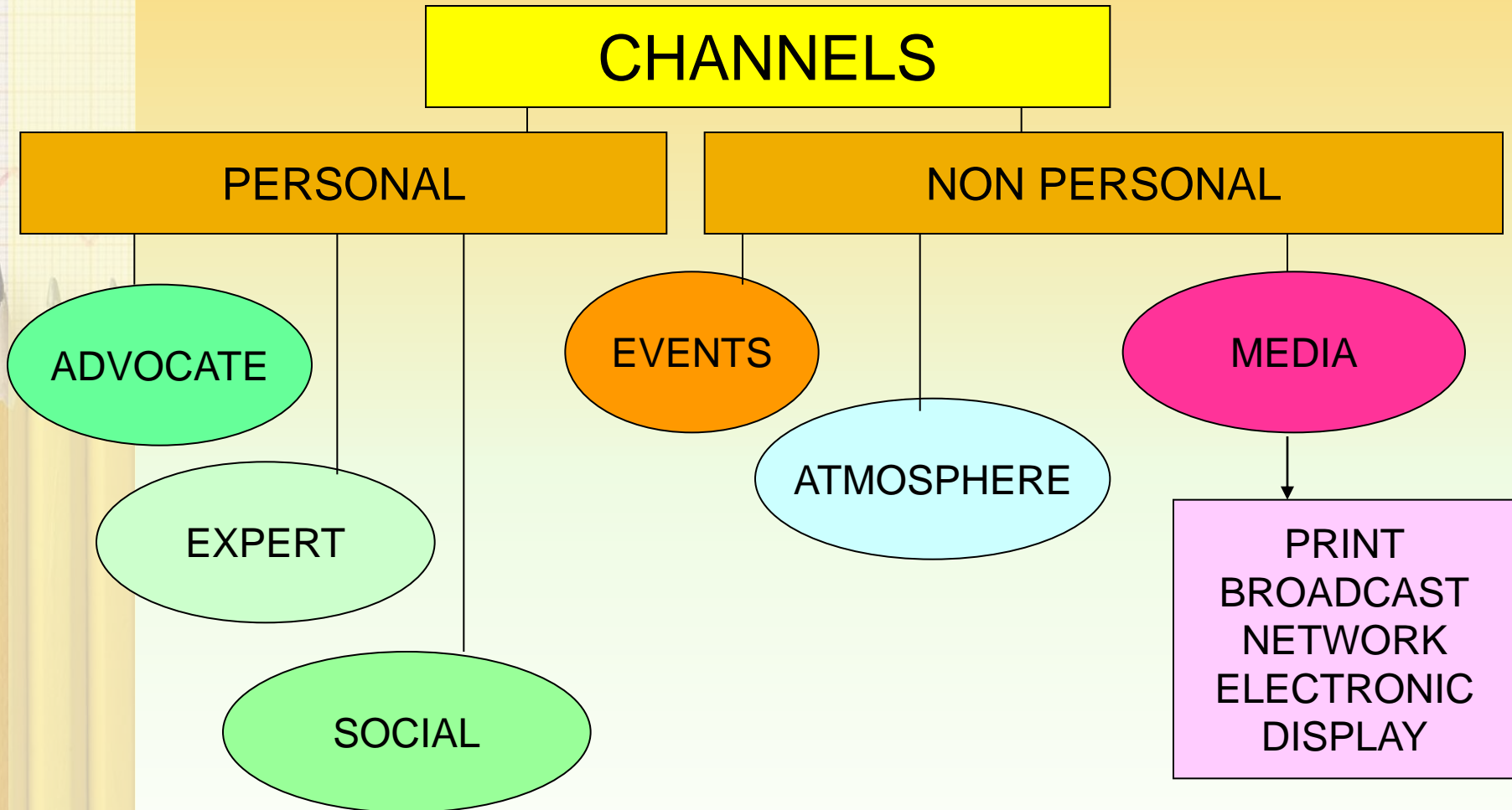
Monitoring & Evaluation

Identifying Target Audience

Image analysis:

- ✘ Beliefs,
- ✘ Ideas,
- ✘ Attitudes,
- ✘ Impressions & Actions
 - regarding an object

Choice of communication channel



Design Message

Message content

- ⊕ Rational
- ⊕ Emotional
- ⊕ Moral

Message structure

- ⊕ One- Vs Two-sided arguments
- ⊕ Conclusion drawing
- ⊕ Order of Presentation

Design message

Message Source

- ⊕ Source credibility
- ⊕ Endorser

Message Format

- The message has to be considered depending on which media is going to be used – e.g. Layouts, props, models, music, voice, etc.

Establishing Marketing Communications Budget

Affordable Method

Percentage-of-Sales Method

Competitive Parity method

Objective-and-Task Method

Decisions on the Marketing Communication Mix

Personal selling

- direct presentation of a product to a prospective customer by a representative of the selling organization

Advertising

- A paid, impersonal mass communication with a clearly-identified sponsor

Sales promotion

- Demand-stimulating activity designed to supplement advertising and facilitate personal selling

Public relations

- A planned communication effort by an organization to contribute to generally favourable attitudes and opinions toward an organization and its products

Publicity

- A special form of public relations that involves news stories about an organization or its products

Measure the Communications Results

Target audience is usually asked whether they

recognize or

recall

the message

What else can influence MarCom Mix

- Type of product (service) – consumer or B2B
- Stage of product life cycle
- Level of consumer readiness to accept product (service)
- Promotion strategy (Push or Pull)
- Competitors MarCom Mix
- Financial resources

4 fundamentals of communication.. Peter Drucker

perception

expectation

makes demands

**Communication and
information are different**

Managing Advertising

“ Advertising is any form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor”

Kotler and Armstrong.

“ advertising consists of all the activities involved in presenting to an audience, non-personal, sponsor-identified, paid-for message about a product or organisation”

William Stanton & Other.

Feature of advertising

Form- verbal(Spoken), Visual or Written

Paid messages

Non-personal presentation

Ideas, goods and services

Identified sponsor

Objectives of advertising

Generalised Objectives

- to announce a new product or service
- expand the market to new buyer
- announce a product modification
- to make a special offer
- to announce location of stockiest and dealers
- to educate customers
- to remind users
- to create brand preference

Objectives of advertising contd...

Specific Objectives

Communication objectives of Advertising-

We will look at advertising as a force which moves people up a series of steps.

The Seven Steps (also known as the “Hierarchy Effect” are as follows.

HIERARACHY

7. PURCHASE

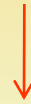


OF EFFECTS

6. CONVICTION



5. PREFERENCE



4. LIKING



3. KNOWLEDGE



2. AWARENESS



1. BRAND IGNORANCE

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Choosing among the major media types-

NEWSPAPERS

Advantages – flexibility, timeliness, good local coverage, broad acceptance, high believability

Limitations – short life, poor reproduction quality,
Small “pass along “ audience

TELEVISION

Advantage- combines sight, sound and motion; appealing to the senses; high attention, high reach

Limitations – high absolute cost; high clutter; fleeting exposure; less audience selectivity

DIRECT MAIL

Advantages – audience selectivity; flexibility; no add competition within the same medium; personalization

Limitations- relatively high cost; “junk mail” image

RADIO

Advantages – mass use; high geographic and demographic selectivity ; low cost

Limitations – audio presentation only; lower attention than television ; not standardized rate structure; fleeting exposure.

MAGAZINES

Advantages- high geographic and demographic selectivity ; credibility and prestige; high quality reproduction; long life; good pass along readership

Limitations – long ad purchase lead; some waste circulation; no guarantee of position

ADVERTISING	SALES PROMOTION	PUBLIC RELATION	PERSONAL SELLING	DIRECT MARKETING
Print and broadcast ads	Contests, games	Press kits sweepstakes, lotteries,	sales	Catalogs , Presentations
Packing- outer Packing inserts	Premiums and sampling	speeches gifts seminars	Sales meetings incentive programs	Mailings, telemarketing
Motion picture	Fairs and trade	Annual reports shows	Fairs and trade shows	Electronic shopping
Brochures and booklets	exhibits	Charitable donations	TV shopping publications	
Posters and leaflets	demonstrations	Sponsorships	Community relations	
Directories reprints of ads Billboards Display signs,	Trade-in allowances, trading stamps		Lobbying	
POP, AV mat Symbols , logos	Tie-ins		Identity media	

Unit IV



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The Marketing Plan Process



What is Market Research?

Simply a matter of finding out as much as you can before committing yourself to an irretrievable step

When you do not have answers through your own Market Information and Intelligence System

What to find out?

What does the customer need?

Who is the target audience and how much can you find out about them?

What is the competition?

Are there any gaps in the market?

Would the product be acceptable in the market?

The MR Process

What is the Marketing Problem?

What is the Research Problem?

Developing the Research Plan

Research Approach

Research Instruments

Collecting the Information

Analysing the information

Presentation of findings

Why Demand Forecasting ?

- Need for twenty year commissioning strategies
- More clarity about what is required from a user perspective
- Demography brings its own challenges
- Expectations raised
- Recognise opportunities
- Greater integration required – but of what?
- Need for sound dis-investment and re-investment plans

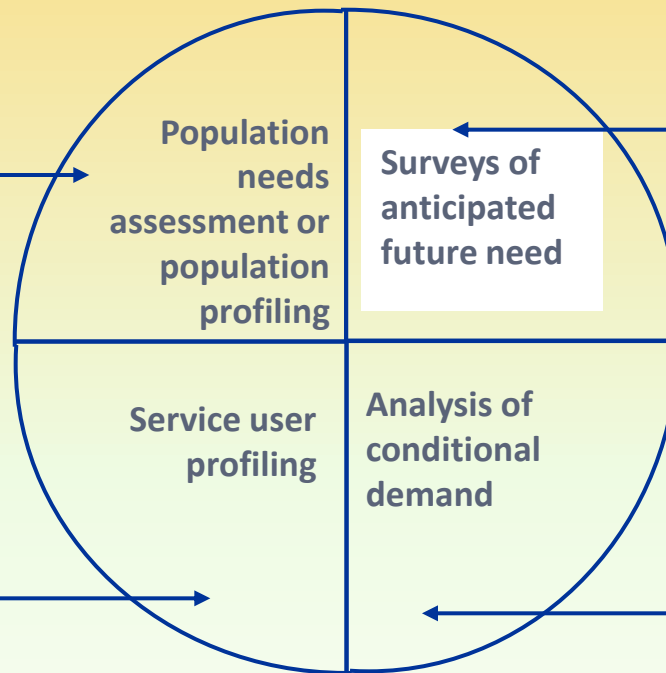
What is demand forecasting ?

- Assessing the type and quantity of services required far enough in advance to ensure good investment decisions
- Properly considered timescales
- Bringing the right service levels and quality to the right people in the manner they wish them at the right time
- Most efficient delivery
- Most cost-effective price
- It will also assist in equitable rationing if this is required

The Four Dimensions of Demand Forecasting

Defines need based on the assumption that the presence of certain characteristics or conditions is a reliable indicator of demand for services.

Defines need based on the current take up of services to meet identifiable demand multiplied by changes in the population



Defines need based on the assumption that people know what they want now and in the future and that their articulation of need is not influenced by any potential limitations of supply.

Redefines need through examining the key factors driving demand, and the potentiality and amenability of that perceived demand, to change.

Reference books:

Marketing Management by Kotler Keller, 13thed

Marketing Management by Tapan Panda

Marketing Management Analysis Planning and Control by Philip Kotlar, 11th ed

*Marketing Management by V.S. Ramaswami, S
Namakumari*