Master of Business Administration
(MBA)

MODERN MARKETING MANAGEMENT
Semester-II

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Learning Outcomes

The student will be able to understand:

Unit I

- Define marketing and trace its evolution over time, recognizing key milestones and shifts in marketing paradigms.
- Identify and explain core marketing concepts, such as needs, wants, demands, exchange, transactions, and relationships.
- Recognize marketing as a function within organizations and understand the role of marketing management in planning, implementing, and controlling marketing activities.

Unit II

- Define market segmentation and understand its importance in effectively reaching and serving diverse customer needs and preferences.
- Recognize the need for segmentation in the marketplace and its role in enhancing customer satisfaction, market share, and profitability.
- Explain the concept of target marketing and the importance of profiling each selected segment to understand their needs, preferences, and behavior.

Unit III

- Understand the fundamentals of marketing research, including its objectives, importance, and scope in informing marketing decisions and strategies.
- Recognize the characteristics of good research, such as relevance, reliability, validity, and feasibility, and their importance in conducting meaningful marketing research studies.
- Classify marketing research based on various criteria, such as purpose, methodological approach, and scope, and understand the different types of marketing research tasks involved.

Unit IV

- Classify products based on various criteria, such as consumer products versus industrial products, convenience products versus specialty products, and durable goods versus non-durable goods.
- Differentiate between consumer products and industrial products, including their characteristics, buying behavior, and marketing strategies.
- Analyze product decisions, including product design, features, packaging, branding, and labeling, and their impact on consumer perception and purchase behavior.

Unit V

- Identify the factors influencing pricing decisions, including cost considerations, demand and supply dynamics, competition analysis, customer perceptions, and legal and ethical constraints.
- Explain the 5 C's framework of pricing decision-making, including customers, costs, competition, company objectives, and channel members, and their interrelationships in shaping pricing strategies.
- Outline the steps involved in the pricing procedure, including market analysis, cost estimation, price setting, price implementation, and price monitoring and adjustment.

MODERN MARKETING MANAGEMENT SYLLABUS

UNIT I

BASIC CONCEPTS OF MARKETING MANAGEMENT

Introduction to Marketing Management, Nature, Scope, and Importance of Marketing Management, Evolution of Marketing, Core Marketing Concepts, Marketing as a Function Marketing Mix, Marketing is a Value-Creating and Value Delivering Process, Marketing Interface with Other Functional Areas, Ethics in Marketing, Understanding the Marketing Environment, Need for Analysing and Importance of the Marketing Environment, Responding to the Marketing Environment.

UNIT II

MARKET SEGMENTATION AND CONSUMER BEHAVIOUR

Market Segmentation, Benefits Needs and Criteria for Market Segmentation, The Target Market Selection Process, Market Profiling and Segmentation, Evaluating the Potential Profitability of Each Segment, Positioning Strategy in the Market, The VALS Segmentation System, Consumer Behaviour, Consumer Buying Decision-Making Process and Buying Motives, Business Markets and Their Characteristics, Organizational Buying Behaviour.

UNIT III

MARKETING RESEARCH PROCESS

Marketing Research Process, Characteristics of Good Marketing Research, The Role of Marketing Planning, Emerging Issues or Problems in Marketing Research, Applications and Limitations of Marketing Research, Ethical Issues in Marketing Research, Mystery Shopping Demand Measurement and Sales Forecasting.

UNIT IV

PRODUCT DECISIONS

Product Decisions, Product Planning and Development, Classification of Products, Examples of Brand Positioning, The Concepts of Product Life Cycle.

UNIT V

PRICING DECISIONS AND STRATEGIES

Pricing Decisions and Strategies, Importance of Pricing, Factors Influencing Pricing Decisions The 5 C’s Framework of Pricing Decision, Steps in Pricing Procedure

UNIT **I**

BASIC CONCEPTS OF MARKETING MANAGEMENT

STRUCTURE

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1.1 LEARNING OBJECTIVE

After learning this unit students will be able to learn:

- Grasp the meaning of marketing management and its basic concepts.
- Understand the Nature, Scope, and Importance of Marketing Management.
- Understand the Evolution of Marketing and Core Marketing Concepts.
- Understand the Marketing as a Function and Marketing Mix.
- Understand that Marketing is a Value-Creating and Value Delivering Process.
- Understand the Marketing Interface with Other Functional Areas.
- Understand the Ethics in Marketing and Understanding the Marketing Environment.

1.2 INTRODUCTION TO MARKETING MANAGEMENT

Marketing management is the process of decision making, planning, and controlling the marketing aspects of a company in terms of the marketing concept, somewhere within the marketing system. Before proceeding to examine some of the details of this process, comments on two aspects will be a helpful background.

The marketing concept is simple in principle but often very difficult, if not impossible, to fully implement. Adam Smith's comment cited above is most consistent with it. The concept is that a company can more effectively serve its objectives if it will integrate the various aspects of its marketing activities explicitly to meet the preferences of its customers.

To one unfamiliar with company practice, the need for implementing the concept and the capacity to do it would seem to be so obvious as not to merit discussion.

This process of marketing management takes place "somewhere" within the marketing system. Having seen the marketing system portrayed, you know that "somewhere" can be within any of the many, many companies—manufacturing, wholesaling, and retailing—that make it up. Marketing management is practiced in every one of them.

Assume, to simplify, that we are concerned only with the manufacturing level in a direct sense because the manager we are considering occupies a marketing management position there.

What is the nature of each of the three elements making up the marketing management process – decision making, planning, and control?

What is Marketing Management – Definition: Provided by the Institute of Marketing Management and Philip Kotler

Traditionally, markets were viewed as a place for the exchange of goods and services between sellers and buyers for the mutual benefit of both. Today, marketing is an exchange of values between the seller and the buyer. Value implies worth related to the goods and services being exchanged. The buyer will be ready to pay for the goods if they have some value for him.

Marketing is the business function that controls the level and composition of demand in the market. It deals with creating and maintaining demand for goods and services of the organization.

Marketing management is "planning, organizing, controlling and implementing of marketing programs, policies, strategies, and tactics designed to create and satisfy the demand for the firms' product offerings or services as a means of generating an acceptable profit."

Institute of Marketing Management, England, has defined Marketing Management as "Marketing Management is the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It coordinates the resources of production and distribution of goods and services, determines and directs the total efforts required to sell profitably to the ultimate user".

According to **Philip Kotler**, "Marketing Management is the art and science of choosing target markets and building a profitable relationship with them. Marketing management is a process involving analysis, planning, implementation, and control and it covers goods, services, ideas, and the goal is to produce satisfaction to the parties involved".

From the above definitions, we can conclude that Marketing Management is the process of management of marketing programs for accomplishing organizational goals and objectives.

Marketing Management Involves:

1. The setting of marketing goals and objectives
2. Developing the marketing plan
3. Organising the marketing function
4. Putting the marketing plan into action
5. Controlling the marketing program

Marketing Management is both a science as well as an art. Those responsible for marketing should have a good understanding of the various concepts and practices in marketing, communication, and analytical skills, and the ability to maintain an effective relationship with customers, which will enable them to plan and execute marketing plans.

Continuous practice in the areas of personal selling, sales promotion, advertising, etc. would enable them to become artists. Scientific and artistic aspects of marketing would influence each other, leading to a new generation of marketing managers.

1.3 NATURE, SCOPE, AND IMPORTANCE OF MARKETING MANAGEMENT

NATURE OF MARKETING MANAGEMENT

1. **Human activity:** Originally, the term marketing is a human activity under which human needs are satisfied by human efforts. It's a human action for human satisfaction.
2. **Consumer-oriented:** A business exists to satisfy human needs; hence business must find out what the desire of the customer (or consumer) is and thereby produce goods & services as per the needs of the customer. Thus, only those goods should be produced that satisfy consumer needs and at a reasonable profit to the manufacturer (or producer).
3. **Art as well as science:** In the technological arena, marketing is the art and science of choosing target markets and satisfying customers through creating, delivering, and communicating superior customer value. It is a technique of making the goods available at right time, right place, in the right hands, right quality, in the right form, and at the right price.
4. **Exchange Process:** All marketing activities revolve around the commercial exchange process. The exchange process implies transactions between buyer and seller. It also involves the exchange of technology, the exchange of information and the exchange of ideas.
5. **Starts and ends with customers:** Marketing is consumer-oriented and it is crucial to know what the actual demand of consumer is. This is possible only when required information related to the goods and services is collected from the customer. Thus, it is the starting of marketing, and the marketing end as soon as those goods and services reach the safe hands of the customer.
6. **Creation of Utilities:** Marketing creates four components of utilities viz. time, place, possession, and form. The form utility refers to the product or service a company offers to its customers. The place utility refers to the availability of a product or service in a location i.e. Easier for customers. By time utility, a company can ensure that products and services are available when customers need them. The possession utility gives customer's ownership of a product or service and enables them to derive benefits in their own business.
7. **Goal-oriented:** Marketing seeks to achieve benefits for both buyers and sellers by satisfying human needs. The ultimate goal of marketing is to generate profits through the satisfaction of the customer.
8. **Guiding element of business:** Modern Marketing is the heart of industrial activity that tells what, when, and how to produce. It is capable of guiding and controlling the business.
9. **System of Interacting Business Activities:** Marketing is the system through which a business enterprise, institution, or organization interacts with the customers with the objective to earn a profit, satisfying customers, and manage relationships. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.
10. **Marketing is a dynamic process. series of interrelated functions:** Marketing is a complex, continuous and interrelated process. It involves continuous planning, implementation, and control.

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SCOPE OF MARKETING MANAGEMENT

Marketing management, like all other areas of management, comprises the function of planning, organizing, directing coordinating, and controlling.

1. **Marketing research:** Marketing research involves the identification of the needs, wants tastes, and preferences of the targeted customer. Marketing management conducts a continuous analysis of consumers' behavior towards the firm's marketing mix strategies, business environment; competitor's marketing strategies in order to plan effectively the marketing activities of the future.
2. **Determination of Objectives:** Marketing management performs the task of setting marketing objectives. The marketing objectives are set in accordance with the overall organizational objectives of profit maximization. Marketing objectives relate to attracting new customers, retention of current customers, expanding of customer base, the introducing new products, improvement of old products, and so on. Marketing management aims at maximizing the customer's value by providing high satisfaction to the customers.
3. **Planning Marketing Activities:** Planning involves determining the future course of action. Planning helps in the accomplishment of objectives in a systematic manner. Planning of marketing activities relates to determining product line strategies, planning for product diversification, advertisement and promotional activities, and planning related to the selling and distribution process. Planning may be conducted on a short-term, medium-term, and long-term basis depending upon the requirements. Plans should be flexible so as to adjust to the changing business environment.
4. **Product Planning and Development:** Product is the basic element of marketing. Products are goods or services that are offered to the customer for satisfying their needs and wants. Products are customer-oriented and offered to the customers as per their requirements and preferences. Product planning involves new product development, product innovation, and product diversification plan.
5. **Pricing of Product:** Pricing is a complex function of marketing management. In most cases, prices form the decision-making criterion for a purchase decision. Pricing decisions are based on the cost of the manufacturing and distribution of the product, competitors' pricing strategies, customers' willingness to pay for the product, and customers' perceptions about the product.
6. **Promotion:** Promotion and advertisement are essential in order to maximize sales. Promotion and advertisement are essential to provide information to the customers about the product, to attract new customers, to provide a reminder to customers about the product and to continue purchase, and to provide information about product improvement or the introduction of the new brand. Marketing management develops new techniques and tools for the promotion of their product.
7. **Distribution:** The distribution process facilitates easy availability of goods and services to the customers at right time and at the right and convenient location. The selection of distribution channels depends upon the nature of the product, price of the product, availability of intermediaries for distribution, and cost involved in the distribution process.
8. **Evaluation and Controlling of Marketing Activities:** Marketing management performs the task of evaluating and controlling of the marketing activities.

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Evaluation enables the identification of the effectiveness of marketing plans and actions.

IMPORTANCE OF MARKETING MANAGEMENT

1. **Analysing Market Opportunities:** Marketing management collects and analyses information related to consumers' needs, wants, and demands, competitors' marketing strategies, and changing market trends and preferences. This helps to identify market opportunities.
2. **Determination of Target Market:** Marketing management helps to identify the target market that the organization wishes to offer its product.
3. **Planning and Decision Making:** Marketing management helps to prepare a future course of action. Planning relates to product introduction and diversification. Decision-making regarding pricing, selection of promotional mix, and selection of distribution channel is taken by the marketing management.
4. **Creation of Customer:** Consumers determine the future of the market. Therefore, providing the best product to the consumer according to their preference is an important task of marketing. Marketing management helps in the creation of new customers and retention of current customers.
5. **Helps in Increasing Profit:** Marketing caters to the varied and unlimited needs of consumers. Marketing management helps to increase profit and sales volume. This is achieved by expanding the market and increasing customers.
6. **Improvement in Quality of Life:** Marketing management aims at providing innovative products and services to the customers. Marketers continuously strive to incorporate new technology and mechanism into their products to provide more satisfaction to customers than before. This improves the quality of life and makes the life of consumers easier than before.
7. **Employment Opportunities:** The marketing process is a combination of different activities like research work to assess the marketing environment, product planning and development, promotion, distribution of products to customers, and after-sales service. The marketing process requires a researcher, production engineer, different distribution intermediaries, and sales personnel also creates employment opportunities in the advertisement section. Thus, marketing management opened up different employment avenues thus creating employment opportunities.

1.4 EVOLUTION OF MARKETING

Marketing has changed over the centuries, decades, and years. The production-cantered system systematically changed into the relationship era of today and over the period; specializations have emerged such as sales versus marketing and advertising versus retailing. The overall evolution of marketing has given rise to the concept of business development. Marketing has taken the modern shape after going through various stages since last the end of the 19th century. The Production oriented practice of marketing prior to the twentieth century was conservative and hidebound by rules of thumb and lack of information. Science & technology developments and especially the development of information technology have now changed the way people live, the way people do business, and the way people sell and purchase. Following is a short summary of the various stages of the evolution of marketing.

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1. Production Concept Era
2. Product Concept Era
3. Sales Concept Era
4. Marketing Concept Era
5. Relationship Marketing Concept Era

1. **The Production Concept Era: Products Develop from the Primordial Soup**

   The prevailing attitude and approach of the production Concept era were - "consumers favor products that are available and highly affordable". The mantra for marketing success was to "Improve production and distribution". The rule was "availability and affordability are what the customer wants". The era was marked by narrow product lines; a pricing system based on the costs of production and distribution, limited research, the primary aim of the packaging was to protect the product and minimum promotion. Advertising meant, "Promoting products with a lesser quality". The Industrial Revolution set the stage for modern marketing. All of the right ingredients were amassed, resulting in marketing as we now know it: the promotion of mass-produced consumer products.

   Accordingly, early marketing efforts assumed a production orientation. The working theory was that customers simply needed to be informed about what goods were available to them. After all, you can't buy something if you don't know it exists.

   Henry Ford's Model T

   This approach is perhaps best summed up by a quote from Henry Ford: "If you have a really good thing, it will advertise itself." The company's approach was heavy on the text and highly informational, emphasizing price, quality, and standardization.

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In fact, the automaker was so focused on production that national advertising ceased entirely during periods of high demand. Though individual dealers continued to place local ads featuring nominal branding resources supplied by the company, Ford stopped advertising between 1917 and 1923.

2. **Product Concept Era**
   The attitude changed slowly and the approach shifted from production to product and from quantity to quality. The prevailing attitude of this period was that consumers favor products that offer the most quality, performance, and innovative features and the mantra for marketers was 'A good product will sell itself, so does not need promotion.

3. **The Sales Concept Era: Species Diverge and Brands Emerge in Marketing**
   The increased competition and variety of choices/options available to customers changed the marketing approach and now the attitude was "Consumers will buy products only if the company promotes/ sells these products". This era indicates the rise of advertising and the mantra for marketers was "Creative advertising and selling will overcome consumers' resistance and convince them to buy".

   Leveraging a production orientation is fine if you're pretty much the only game in town. From the 1930s onward, though, it became increasingly rare that any company would permanently enjoy a competitor-free environment. So, in response to the pressures of natural selection, businesses developed unique adaptations. This resulted in two core innovations of modern marketing: the central importance of brand identities and an emphasis on the selling orientation.

   A Very Coca-Cola Christmas

   Would it be a stretch to say that the sales era gave us Santa Claus? Only a little bit.

In the 1920s, Coke realized something: The company wasn't selling as much soda in the winter. A production-oriented approach like Henry Ford's would have led to a decrease in advertising during colder months while reducing bottling.

Instead, Coca-Cola focused on driving sales by attaching its brand to Santa Claus. To make it work, marketers had to solidify an image of Santa that would appeal to consumers. In 1931, they found what they were looking for in the illustrations of Haddon Sundblom. Until 1964, Sundblom would continue to produce images in the iconic Santa style that we still know and love today.

4. **The Marketing Concept Era: Intelligent Adaptations Focus on Meeting Customer Needs**

   The development of a marketing orientation represented something of a sea change. While traditional marketing had focused on simply getting products to customers and convincing them to buy, this new approach was different. Marketers were driven to better understand consumers' needs, concerns, and desires. Only then could businesses hope to truly make an impact. By the 1980s, customers were in charge.

   Apple Breaks Through

   As a marketing concept, many internal stakeholders were skeptical of Apple's 1984 Super Bowl commercial announcing the debut of the Macintosh personal computer. Watch Lee Clow discuss the origins of this ground-breaking ad with Bloomberg.

   There's a lot of creative insight to take away from this interview, but one thing jumps out: They never even show a Mac. They don't talk about any of its features. It's not about getting you to buy a product. The entire commercial is centered on the premise that a new world is possible by taking a different approach to the adoption of technology — one that places individual consumers, not big companies, firmly at the center.

5. **The Relationship Marketing Concept Era: Customers and Businesses Coevolve to Create Cooperative Societies**

   Today, it's common practice for many businesses to employ a relationship orientation in marketing. As a marketing concept, an approach that prioritizes relationships is focused on encouraging customer retention and loyalty as well as continued interaction with the brand. Digital marketing channels make it easy to deliver re-engagement incentives to consumers, and social media campaigns make brands highly accessible. Social responsibility can also be a cornerstone of this orientation, as brands strive to be perceived as a partner in the customer's quest to create a more equitable society.

   At REI, You're a member

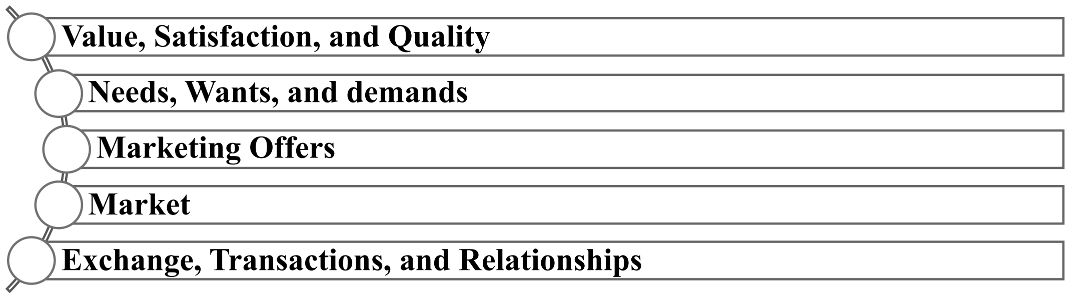
   Outdoor equipment and athletic outfitter REI operate on a co-op model where customers can become members. For a one-time fee, members have access to several perks, including the ability to shop at Garage Sales where steep discounts are available. This strategy facilitates serious brand loyalty.

1.5 CORE MARKETING CONCEPTS

A core concept has a very clear-cut, definite, widely acceptable, relevant, and verifiable to understand the very process of marketing that directs the flow of goods and services from producers to consumers.

These core concepts are:

1. Needs, Wants, and demands
2. Marketing Offers
3. Value, Satisfaction, and Quality
4. Exchange, Transactions, and Relationships
5. Market



1. **Needs, Wants, and demands**

   Need: It is a state of deprivation of sonic basic satisfaction. e.g.- food, clothing, safety, shelter.

   Want: Desire for specific satisfier needs. e.g., Indians need food – want paneer tikka/ tandoori chicken. Americans need food- want hamburger/ French fries.

   Demand: Want for a specific product backed up by ability and willingness to buy. e.g. – Need – transportation want – Car (say, Mercedes) but able to buy only Maruti. Therefore, demand is for Maruti.

   Marketers cannot create needs. Needs pre-exists. Marketers can influence wants. This is done in combination with societal influencers.

   Demand influenced by making the product:

   - Appropriate
   - Attractive
   - Approachable/ Affordai3le
   - Available Easily

2. **Marketing Offers**

   Product: Anything that can be offered to the market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations, and ideas.

   The concept of the product is not limited to physical objects- anything capable of satisfying a need can be called a product. In addition to tangible goods, products include services.

   Example: Mobile phone, Laptop, banking, airline, home repair services, etc.

Service: Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership or anything.

3. **Value, Satisfaction, and Quality**

   Customer Value: The difference between the values the customer gains from owning and using a product and the costs of obtaining the product.

   Customer Satisfaction: The extent to which a product's perceived performance matches a buyer's expectations. A customer might be dissatisfied or satisfied.

   - If the product's performance falls short of expectations, the buyer is dissatisfied.
   - If the performance matches or exceeds expectations, the buyer is satisfied.

   Customer satisfaction depends on a product's perceived performance in delivering value relative to a buyer's expectation. Smart companies aim to delight customers by promising only what they can deliver, then delivering more than they promise.

   Quality: Programs designed to constantly improve the quality of products, services, and marketing processes.

4. **Exchange, Transactions, and Relationships**

   Exchange: The act of obtaining the desired object from someone by offering something in return. **Example:** Hungry people could find food by hunting, fishing, or gathering fruit, They could beg for food or take food from someone else. Or they could offer money, another good, or service in return for food.

   Transaction: A trade between two parties that involves at least two things of value, agreed-upon conditions, a time of the agreement, and a place of agreement. **Example:** One party gives X to another party and gets Y in return.

   Relationship marketing: The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.

5. **Market**

   The set of all actual and potential buyers of a product or service. The size of the market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to offer these resources in exchange for what they want.

1.6 MARKETING AS A FUNCTION

The marketing function is a role that helps a company to identify and source potentially successful products for the marketplace they operate in and then promote them by differentiating them from similar products. It is a vital part of any company.

Typical marketing function types within a larger business include performing market research, making a marketing plan, product development, market development, and market penetration as well as strategically taking care of advertising, distribution for sale, pricing, after-sales customer service, and public relations.

IMPORTANCE OF MARKETING FUNCTION

Along with Sales, Support, Manufacturing, and Finance, the marketing function is one of the pillars of any organization. A lot of critical activities like market research and planning are performed by the marketing department. Overall branding, product design,

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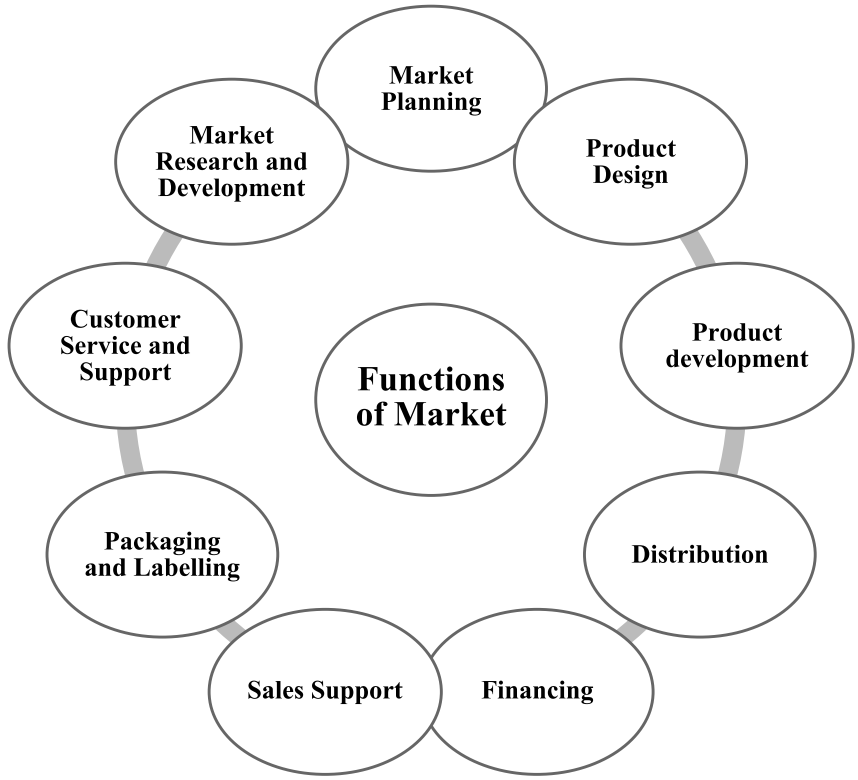
media strategy, and distribution are all initiated by the marketing department. The most important aspect of any business is the customers. The marketing function understands the customer requirements, and feedback to make sure that the right product or service offering reaches the market under the brand name.

Different Marketing Tasks

Various tasks come under the marketing function.



1. **Market Planning**

   One of the most important functions of marketing is to plan and research market trends. The entire planning exercise is done by the marketing department/function. Market planning takes the entire organization's view and strategy to make sure that the right market strategy and tactics are used for designing and developing the product/service offering for the customers.

2. **Product Design**

   Product life cycle design and management is an important task performed by the marketing function. The entire PLC is managed by the marketing function. Product design includes product functionalities, customer requirements, and research and development activities. Branding is also included in this step.

3. **Product development**

   After the product is designed, the product has to be developed as per the design. It includes prototyping, testing, test marketing, user feedback, etc. After the confirmation, the product is handed over to manufacturing for development.

4. **Distribution**

   Though distribution is the main responsibility of the operations and logistics department, the marketing function has a vital role to play in terms of the market plan, locations, and distribution strategy in making sure that the product reaches the right location

5. **Financing**
   The marketing function also has input in financing. To make sure that the right audience can buy and afford the product. The marketing department plays important role in pricing, financing and along with the finance department.

6. **Sales Support**
   Once the product is ready to be shipped and made available in the market, the sales force needs to be enabled to understand the product offerings including features, pricing, promotions, margins, etc. to make sure that sales can sell it effectively.

7. **Packaging and Labelling**
   The marketing function has the responsibility of planning the artwork and labelling as per the protocols and branding. The packaging and labelling have to be in sync with the production schedule.

8. **Customer Service and Support**
   Aftermarket support is very much an important aspect of the marketing function. The customer may have queries or require support for product usage or repair. The marketing function needs to enable the support and technical staff to answer the customer queries.

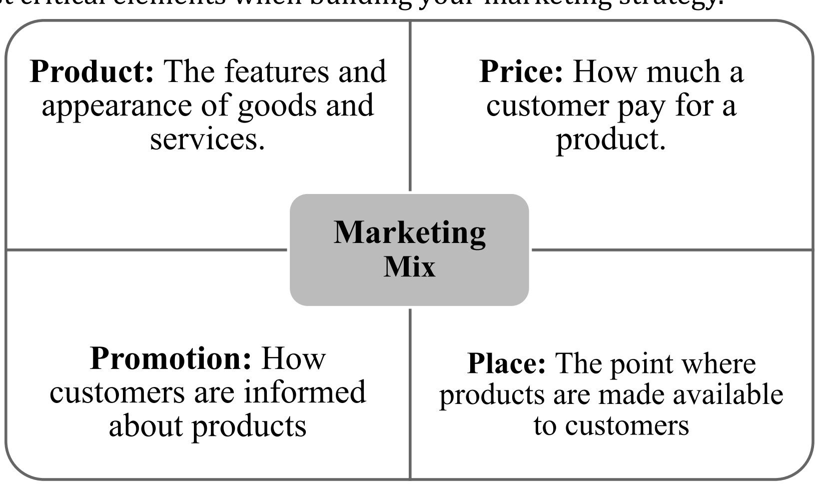
9. **Market Research and Development**
   Market research is an ongoing task of the marketing department. The marketing function needs to understand the market and target audience well to make sure that the right product features are designed and developed.

1.7 MARKETING MIX

The marketing mix refers to the various elements of your company's offering in the market.

It is a varied "mix of ingredients" used by your business to achieve its objectives by marketing its products or services effectively to a particular customer group.

The marketing mixes also referred to as the 4 Ps, is comprised of four main pieces – Products, Price, Promotion, and Place. The 4Ps describe what marketers can control and are the most critical elements when building your marketing strategy.



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ROLE OF MARKETING MIX

1. **Product**
   Product is concerned with developing the right product or service for your target market. Your product or service must satisfy a specific consumer need. This first P is made up of two core components:
   - **Branding:** The name, term, symbol, and design used to identify your product. A good brand name can speed up shopping by helping customers identify the product they want.
   - **Packaging:** This involves promoting and protecting the product. It can make a product more convenient to use or prevent it from spoiling or being damaged. Good packaging makes products easier to identify and promotes your brand.
2. **Price**
   When setting a price for your product, you must consider competition in your target marketplace, and the cost of the total marketing mix. Also, estimate customers' reactions to possible product prices.
3. **Place**
   This involves all the decisions in getting the right product to your target market's environment. Placement decisions, such as accessing the right distribution channels, should take into consideration where customers would expect to find a product or service like yours. Part of the placement decision is also the layout of your store or shop. It should pull customers into your shop, making it easy for them to locate merchandise.
4. **Promotion**
   This is about telling your target market about your product or service. It involves direct communication between sellers and potential customers.

1.8 MARKETING IS A VALUE-CREATING AND VALUE-DELIVERING PROCESS

Value-creation and value-delivery is the main task of marketing. Marketing in its entirety is a value-creating and value-delivering process. The whole bunch of tasks involved in marketing, serve the purpose of value delivery. They form a sequence leading to value delivery. Marketing planning, buyer analysis, market segmentation, and targeting are concerned with value selection. Product development, manufacturing, service planning, pricing, distribution, and servicing, are concerned with value creation & value delivery. Personal selling, advertising, publicity, and sales promotion are concerned with value communication. Activities like market research and market control assess the effectiveness of the value delivery process, the level of satisfaction the customer has received, and how it compares with the intention as well as with other competing offers for the purpose of enhancing value.

Value Creation / Value Delivery

This constitutes the bulk of the marketing job. What the firm has promised to provide the customer has to be provided. The product offering must actually carry the benefits the firm has promised and it must be reached the customer most satisfyingly. Value creation/

value delivery signifies the successful execution of the firm's promise. Most firms fumble here because they promise to provide all sorts of things, but they fail to deliver; their products fail to carry the value they were supposed to carry. The entire firm with all the functions and activities is involved in this step. In creating and delivering the product with all the associated benefits, that the firm has decided to offer, there is a role for technology, design, engineering finance management, and the organizational set-up.

1.9 MARKETING INTERFACE WITH OTHER FUNCTIONAL AREAS

The marketing function within any organization does not exist in isolation. Therefore, it's important to see how marketing connects with and permeates other functions within the organization. In this next section let's consider how marketing interacts with research and development, production/operations/logistics, human resources, IT, and customer service. All functions within your organization should point towards the customer i.e., they are customer-oriented from the warehouseman that packs the order to the customer service team member who answers any queries you might have. So, let's look at these other functions and their relationship with marketing.

Research and development

Research and development are the engines within an organization that generate new ideas, and innovations, and creating new products and services. For example, cell phone/ mobile phone manufacturers are in an industry that is ever-changing and developing, and in order to survive manufacturers need to continually research and develop new software and hardware to compete in a very busy marketplace. Think about cell phones that were around three or four years ago and are now completely obsolete. The research and development process delivers new products and is continually innovating. Innovative products and services usually result from a conscious and purposeful search for innovation opportunities that are found only within a few situations.

Research and development should be driven by the marketing concept. The needs of consumers or potential consumers should be central to any new research and development in order to deliver products that satisfy customer needs (or services of course). The practical research and development are undertaken in central research facilities belonging to companies, universities, and sometimes countries. Marketers would liaise with researchers and engineers in order to make sure that customer needs are represented. Manufacturing processes themselves could also be researched and developed based upon some aspects of the marketing mix. For example, logistics (place/ distribution/channel) could be researched in order to deliver products more efficiently and effectively to customers.

Production/operations/logistics

As with research and development, the operations, production, and logistics functions within a business need to work in cooperation with the marketing department. Operations include many other activities such as warehousing, packaging, and distribution. To an extent, operations also include production and manufacturing, as well as logistics. Production is where goods and services are generated and made. For example, an aircraft

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is manufactured in a factory which is in effect how it is produced i.e., production. Logistics is concerned with getting the product from production or warehousing to retail or the consumer most effectively and efficiently. Today logistics would include warehousing, trains, planes, and lorries as well as technology used for real-time tracking.

Human resources

Human Resource Management (HRM) is the function within your organization that overlooks the recruitment and selection, training, and professional development of employees. Other related functional responsibilities include well-being, employee motivation, health and safety, performance management, and of course the function holds knowledge regarding the legal aspects of human resources. So, when you become a marketing manager you would use the HR department to help you recruit a marketing assistant for example. They would help you with scoping out the job, a personal profile, a job description, and advertising the job. HR would help you to score and assess application forms and will organize the interviews. They may offer to assist at the interview and will support you as you make your job offer. You may also use HR to organise an induction for your new employee. Of course, there is the other side of the coin, where HR sometimes has to get tough with underperforming employees. These are the operational roles of HR.

IT (websites, intranets, and extranets)

To define it oneed to consider elements such as computer software, information systems, computer hardware (such as the screen you are looking at), and programming languages. For our part as marketers are concerned with how technology is used to treat information i.e., how we get information, how we process it, how we store the information, and then how we disseminate it again by voice, image, or graphics. Obviously, this is a huge field but for our part, we need to recognize the importance of websites, intranets, and extranets to the marketer. So, here's a quick intro.

A website is an electronic object which is placed on the Internet. Often websites are used by businesses for several reasons such as to provide information to customers. So, customers can interact with the product, customers can buy a product, and more importantly, customers begin to build a long-term relationship with the marketing company. Information Technology underpins and supports the basis of Customer Relationship Management (CRM), a term that is investigated in later lessons.

An intranet is an internal website. An intranet is an IT-supported process that supplies up-to-date information to employees of the business and other key stakeholders. For example, European train operators use an intranet to give up-to-date information about trains to people on the ground supporting customers.

An extranet is an internal website that is extended outside the organization, but it is not a public website. An extranet takes one stage further and provides information directly to customers/distributors/clients. Customers can check the availability of stock and could check purchase prices for a particular product. For example, a car supermarket could check availability of cars from a wholesaler.

Customer service provision

Customer service provision is very much integrated into marketing. As with earlier lessons on what is marketing? the exchange process, customer satisfaction, and the marketing concept, customer service takes the needs of the customer as the central driver. So, our customer service function revolves around a series of activities that are designed to facilitate the exchange process by making sure that customers are satisfied.

Today customer service provision can be located in a central office (in your home country or overseas) or actually in the field where the product is consumed. For example, you may call a software manufacturer for some advice and assistance. You may have a billing inquiry. You might even wish to cancel a contract or make changes to it. The customer service provision might be automated, it could be done solely online, or you might speak to a real person especially if you have a complex or technical need. Customer service is supported by IT to make the process of customer support more efficient and effective and to capture and process data on particular activities. So, the marketer needs to make sure that he or she is working with the customer service provision since it is a vital customer interface. The customer service providers may also provide speedy and timely information about new or developing customer needs. For example, if you have a promotion that has just been launched you can use the customer service functions to help you check for early signs of success.

Finance department

The marketing department will need to work closely with the finance department to ensure many important things. Like:

There is an adequate budget to meet the needs for research, promotion, and distribution. The finance department has a whole organization brief to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets. Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance department may be more focused on cash flow, covering costs, and paying back investment as quickly as possible.

1.10 ETHICS IN MARKETING

Ethics in marketing involves the marketing practices of promoting fairness, social responsibility, empathy, and honesty by following ethical standards. From marketing tactics to marketing decisions and advertising of products and services, all the ethical marketing practices focus not only on how products would benefit users but also on how they fulfil social responsibility and handle different ethical issues. These affect consumers' benefits and the benefits they take away from related environmental and social causes. It is a philosophy on top of strategy and is instrumental to both the company and its consumers. Through ethical marketing, organizations deliberately apply different sets of moral rights and fairness standards when marketing their products and services, practices, and behaviour in the overall structure. These organizations can then develop

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a competitive advantage over time, thereby satisfying the organization's needs and customers.

Why is Marketing Ethics Important?

The following are the reasons why ethical marketing is an integral part of the life of an organization:

1. **Long-term gains:** The foundation of a company or organization is not just based on its ability to survive the present, but to plan a bright future. With the adoption of proper marketing ethics, brands can employ prospects like high credibility, loyalty to customers, significant market share, increased brand value, better sales, and better revenue. These ethical practices will put them right on their way towards the accomplishment of both short-term and long-term goals with perfection.
2. **Customer Loyalty:** This is one of the most important factors when it comes to ethical marketing. With the proper adoption of ethics in terms of business and operation, the company can win the loyalty, trust, and confidence of its consumers which can go a long way into the future. The natural human tendency to go after the genuine brand will surely give them promising gains, both in the present and in the future.
3. **Increased credibility:** When the organization looks forward to keeping its promises surrounding its services and products on a continuous and consistent basis, it slowly and steadily goes towards the path of carving itself into an authentic and genuine brand in the market and customers' minds. This is not just limited to these two, and a good process can even build good respect in front of investors, peers, competitors, stakeholders, etc.
4. **Increased Leadership qualities:** When a company follows ethical practices of ethics for an extended period, it gradually stations itself as a leader, one who can benchmark its policies and strategies that surround the company's structure and functioning. This eventually gives rise to numerous benefits like increased share in the market, higher sales, inspiration for others, respect, mutual benefits, etc.
5. **The satisfaction of basic human wants and needs:** Once an organization is on course for the proper marketing ethics, it solves the basic needs and wants of its consumers in the form of integrity, trust, and honesty. When this is displayed for a long time, various other benefits follow.
6. **Display of a rich culture:** Not only does such a structure give a positive outlook when seen from the outside, but it also paves the way for a good structure and environment within the hierarchy internally. This gives rise to higher production owing to a confident and highly motivated staff.
7. **The attraction of the right talent at the right place:** Once the company can create brand value in the market, it becomes a beacon for prominent individuals for the association. Various people like prospective employees, consultants, vendors, etc. look forward to associating and working with the ethical brands that boost them exponentially. This further helps them in achieving their goals in a short period successfully.
8. **Reaching financial goals:** To function smoothly for more extended periods, the company has to have good financial partners who can help them grow and make significant strides in the market. Once the brand follows a proper set of rules and

ethical guidelines, it helps them earn the moral ground necessary to attract such people.

9. **Enhancement of brand value in the market:** Once a proper code concerning ethical marketing is followed by the organization, the public in the form of customers, competitors, stakeholders, etc. look up to such organizations. They follow such brands with religious dedication, giving them sufficient boost to mark the market.

ROLE OF ETHICS IN MARKETING

With time, our economic system has become sufficient at providing for the wants and needs of the public. This has shifted the main focus of the market with an inclination towards ethical values while serving the needs of customers. This is primarily due to two reasons:

When there is ethical behavior from the organization's side, there is a more significant positive public attitude to the variety of services and goods they offer. They have to adhere to specific marketing standards to render their efforts valid to the general public.

In addition to this, ethical bodies and organizations tend to pressurize and hold organizations and companies accountable for their actions. There is a lot of questioning and sets of guidelines, which have to be strictly followed. Ethics in marketing plays a key role in ethical decision-making crucial for the optimized presence of a product or service in their target niche.

An ethical marketing strategy is responsible for paying heed to different factors such as-

1. Organization factors such as culture, norms, values, and opportunity
2. Individual factors such as moral philosophies and values
3. Stakeholder interests and concerns
4. The intensity of ethical issues in marketing and organization setup
5. Ethical decision making
6. Evaluation of ethical outcomes

ISSUES IN MARKETING ETHICS

There are some disagreements and conflicts that give rise to ethical issues in many companies concerning marketing. There is a fixed set of expectations regarding the business and its transactions and how they have to be carried out. The following domains have ethical issues concerning their functioning:

1. **Market Research:** It revolves around the collection and analysis of information about consumers as well as competitors and the effectiveness of marketing campaigns. Ethical issues that might arise during the process are an invasion of privacy and stereotyping.
2. **Market Audience:** Excluding potential market sectors like LGBTs, ethnic minorities, etc. are some of the ethical marketing issues associated with the market audience. Also targeting vulnerable audiences with a marketing campaign is an ethical marketing issue.

3. **Advertising and Promotion:** Shaming rivals' products or services are considered unethical in advertising and promotion. Other ethical issues in advertising and marketing campaigns may be the mistreatment of women or any human being, misleading advertising, issues related to trust, honesty, violence, profanity, sex, taste, and controversy that may lead to the ethical decline of society.
4. **Pricing Ethics:** Different unethical pricing strategies that are considered issues in ethical marketing campaigns are-
   - Bid rigging
   - Dumping (pricing policy)
   - Predatory pricing
   - Price gouging
   - Price fixing
   - Supra competitive pricing
   - Price discrimination
   - Price skimming
   - Price war
   - Variable pricing

1.11 UNDERSTANDING THE MARKETING ENVIRONMENT

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors include government, technological, economic, social, and competitive forces; whereas, an organization's strengths, weaknesses, and competencies form the part of internal factors. Marketers try to predict the changes, which might take place in the future, by monitoring the marketing environment. These changes may create threats and opportunities for the business. With these changes, marketers continue to modify their strategies and plans.

FEATURES OF THE MARKETING ENVIRONMENT

Today's marketing environment is characterized by numerous features, which are mentioned as follows:

1. **Specific and General Forces:** These refers to different forces that affect the marketing environment. Specific forces include those forces, which directly affect the activities of the organization. Examples of specific forces are customers and investors. General forces are those forces, which indirectly affect the organization. Examples of general forces are social, political, legal, and technological factors. Complexity: It implies that a marketing environment includes several factors, conditions, and influences. The interaction among all these elements makes the marketing environment complex in nature.
2. **Vibrancy:** Vibrancy implies the dynamic nature of the marketing environment. A large number of forces outline the marketing environment, which does not remain

stable and changes over time. Marketers may have the ability to control some of the forces; however, they fail to control all the forces. However, understanding the vibrant nature of the marketing environment may allow marketers to gain an edge over competitors.

3. **Uncertainty:** It implies that market forces are unpredictable. Every marketer tries to predict market forces to make strategies and update their plans. It may be difficult to predict some of the changes, which occur frequently. For example, customer tastes for clothes change frequently. Thus, the fashion industry suffers a great uncertainty. The fashion may live for a few days or maybe years.
4. **Relativity:** It explains the reasons for differences in demand in different countries. The product demand of any particular industry, organization, or product may vary depending upon the country, region, or culture. For example, sarees are the traditional dress of women in India, thus, it is always in demand. However, in any other western country, the demand for saree may be zero.

TYPES OF MARKETING ENVIRONMENT

The sale of an organization depends on its marketing activities, which in turn depends on the marketing environment. The marketing environment consists of forces that are beyond the control of an organization but influences its marketing activities. The marketing environment is dynamic.

Therefore, an organization needs to keep itself updated to modify its marketing activities as per the requirement of the marketing environment. Any change in the marketing environment brings threats and opportunities for the organization. An analysis of these changes is essential for the survival of the organization in the long run.

A marketing environment mostly comprises the following types of environments:

1. Micro Environment
2. Macro Environment

1. Micro Environment

Microenvironment refers to the environment, which is closely linked to the organization, and directly affects organizational activities. It can be divided into supply-side and demand-side environments. The supply-side environment includes the suppliers, marketing intermediaries, and competitors who offer raw materials or supply products. On the other hand, the demand-side environment includes customers who consume products.

i. **Suppliers:** It provides raw materials to produce goods and services. Suppliers can influence the profit of an organization because the price of raw material determines the final price of the product. Organizations need to monitor suppliers on a regular basis to know the supply shortages and changes in the price of inputs.

ii. **Marketing Intermediaries:** It helps organizations in establishing a link with customers. They help in promoting, selling, and distributing products.

Marketing intermediaries include the following:

a. **Resellers:** It purchases the products from the organizations and sells them to the customers. Examples of resellers are wholesalers and retailers.

b. **Distribution Centres:** It helps organizations store the goods. A warehouse is an example of a distribution center.

c. **Marketing Agencies:** It promotes the organization's products by making the customers aware of the benefits of products. An advertising agency is an example of a marketing agency.

d. **Financial Intermediaries:** It provides finance for business transactions. Examples of financial intermediaries are banks, credit organizations, and insurance organizations.

iii. **Customers:** Customers buy the product of the organization for final consumption. The main goal of an organization is customer satisfaction. The organization undertakes the research and development activities to analyse the needs of customers and manufacture products according to those needs.

iv. **Competitors:** It helps an organization to differentiate its product to maintain its position in the market. Competition refers to a situation where various organizations offer similar products and try to gain market share by adopting different marketing strategies.

2. **Macro Environment**

A macro environment involves a set of environmental factors that is beyond the control of an organization. These factors influence the organizational activities to a significant extent. The macro-environment is subject to constant change. The changes in the macro-environment bring opportunities and threats to an organization. Let us discuss these factors in detail:

i. **Demographic Environment:** Demographic environment is the scientific study of the human population in terms of elements, such as age, gender, education, occupation, income, and location. It also includes the increasing role of women and technology. These elements are also called as demographic variables. Before marketing a product, a marketer collects the information to find a suitable market for the product. The demographic environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in the demographic environment persuade an organization to modify marketing strategies to address the altering needs of customers.

ii. **Econmic Environment:** Economic environment affects the organization's cost structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability. The factors economic environment is as follows:

a. **Inflation:** It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

b. **Interest Rates:** It determines the borrowing activities of the organization. For example, an increase in interest rates for loans may lead organizations to cut their important activities.

c. **Unemployment:** It leads to a no-income state, which affects the purchasing power of an individual.

d. **Monetary and Fiscal Policy:** It affects all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy; whereas, fiscal policy regulates the government spending in various areas by collecting the revenue from the citizens by taxing their income.

iii. **Naturl Environment:** Natural environment consists of natural resources, which are needed as raw materials to manufacture products by the organization. The marketing activities affect these natural resources, such as the depletion of the ozone layer due to the use of chemicals. The corrosion of the natural environment is increasing day by day and is becoming a global problem. Following natural factors affect the marketing activities of an organization is a great way:

a. **Natural Resources:** It serves as raw material for manufacturing various products. Every organization consumes natural resources for the production of its products. Organizations are realizing the problem of depletion of resources and trying their best to use these resources judiciously. Thus, some organizations have indulged in de-marketing their products.

For example, the Indian Oil Corporation (IOC) tries to reduce the demand for its products by promoting advertisements, such as Save Oil, and Save India.

b. **Weather:** It leads to opportunities or threats for the organizations. For example, in summer, demand for water coolers, air conditioners, cotton clothes, and water increases while in winter, the demand for woollen clothes and room heaters rise. The marketing environment is greatly influenced by the weather conditions of a country.

c. **Pollution:** It includes air, water, and noise pollution, which lead to environmental degradation. Nowadays, organizations tend to promote environmentally friendly products through its marketing activities. For example, the organizations promote the usage of jute and paper bags instead of plastic bags.

iv. **Socio-Cultural Environment:** Socio-cultural environment comprises forces, such as society's basic values, attitudes, perceptions, and behavior. These forces help in determining what type of products customers prefer, what influences the purchase attitude or decision, which brand they prefer, and at what time they buy the products. The socio-cultural environment explains the

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characteristics of the society in which the organization exists. The analysis of the socio-cultural environment helps an organization in identifying the threats and opportunities in an organization. For example, the lifestyles of people are changing day by day. Now, women are perceived as active earning members of the family. If all the members of a family are working, then the family has less time to spend shopping. This has led to the development of shopping malls and supermarkets, where individuals could get everything under one roof to save time.

v. **Technological Environment:** Technology contributes to the economic growth of a country. It has become an indispensable part of our lives. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment. Technology acts as a rapidly changing force, which creates new opportunities for marketers to acquire market share. Marketers with the help of technology can create and deliver products matching the lifestyle of customers. Thus, marketers should observe the changing trends in technology. The following points explain the technological trends that affect the marketing environment:

   a. **Pace of Technological Change:** It leads to product obsolescence at a rapid pace. If the pace of technological change is very rapid then organizations need to modify their products as and when required. On the other hand, if the technology is not changing at a rapid pace, then there is no need for the organization to bring constant changes in the product.

   b. **Research and Development:** It helps in increasing growth opportunities for an organization. Many organizations have developed a separate team for R&D to bring innovation to their products. Pharmaceutical organizations, such as Ranbaxy and Cipla, have started putting greater force into R&D and these efforts have led to great opportunities in the global market.

   c. **Increased Regulation:** It refers to government guidelines to ban unsafe products. Marketers should be aware of these regulations to prevent their violation. Every pharmaceutical organization takes the approval of the Drugs Controller of India, which lays down the standards for drug manufacturing.

   d. **Political and Legal Environment:** Political and legal environment consists of legal bodies and government agencies that influence and limit the organizations and individuals. Every organization should take care of the fact that marketing activities should not harm the political and legal environment prevailing in a country. The political and legal environment has a serious impact on the economic environment of a country. For example, in some regions of Uttar Pradesh, Reliance Fresh had to shut down its stores because of the lack of political support.

Various legislations affecting the marketing activities are as follows:

- Anti-pollution laws, which affect the production or manufacturing of various products.
- Customer legislation, tries to protect the customer's interest.

1.12 NEED FOR ANALYZING AND IMPORTANCE OF THE MARKETING ENVIRONMENT

Need For Analyzing the Marketing Environment

The business environment is not static. It is continuously changing at a fast speed. The marketing environmental analysis will help the marketer to:

1. Become well acquainted with the changes in the environment.
2. Gain qualitative information about the business environment; which will help him to develop strategies in order to cope with an ever-changing environment.
3. Conduct marketing analysis in order to understand the needs of the market and wants so as to modify its products to satisfy these market requirements.
4. Decide on matters related to Government-legal-regulatory policies in a particular country so as to formulate its strategies successfully amidst these policies.
5. Allocate its resources effectively and diversify either into a new market segment or totally into a new business that is outside the scope of its existing business.
6. Identify the threats from the environment in terms of new competitors, price wars, competitors' new products or services, etc.; and prepare its strategies on the basis of that.
7. Identify the opportunities in the environment and exploit these opportunities to the firm's advantage. These opportunities can be in terms of the emergence of new markets; mergers, joint ventures, or alliances; market vacuum occurring due to the exit of a competitor, etc.
8. Identify its weaknesses such as lower quality of goods or services; lack of marketing expertise; or lack of unique products and services; and prepare strategies to convert its weaknesses into strengths.
9. Identify its strengths and fully exploit them to the firm's advantage. These strengths can be in terms of marketing expertise, superior product quality or services, or giving unique innovative products or services.

IMPORTANCE OF MARKETING ENVIRONMENT

The study of the marketing environment is essential for the success of an organization. The discussion of the importance of the marketing environment is as follows:

1. **Identification of Opportunities:** It helps an organization in exploiting the chances or prospects for its own benefit. For example, if an organization finds out that customers appreciate its products as compared to competitors' products then it might encash this opportunity by giving discounts on its products to boost sales.
2. **Identification of Threats:** It gives warning signals to organizations to take the required steps before it is too late. For example, if an organization comes to know that a foreign multinational is entering the industry then it can overcome this

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threat by adopting strategies, such as reducing the product's prices or carrying out aggressive promotional strategies.

3. **Managing Changes:** It helps in coping with the dynamic marketing environment. If an organization wishes to survive in the long run, then it has to adapt to the changes occurring in the marketing environment.

1.13 RESPONDING TO THE MARKETING ENVIRONMENT

There are two approaches organizations can follow while responding to the environmental forces of marketing forces. These are popularly known as reactive marketing and proactive marketing:

1. **Reactive Marketing**
   Reactive marketing views marketing environmental forces as totally uncontrollable and difficult to predict. This is a passive approach, under which, the organization tries to adjust its marketing mix and program according to the changes in the environment. The adjustments take place only after changes occur in the environment. The organization analyses the environmental changes and finds a suitable way to avoid the threat and utilize the new opportunities in the market. In essence, they wait for the environment to change and react only after the change takes place.

2. **Proactive Marketing**
   Organizations that adopt the environmental management perspective follow proactive marketing. Proactive marketing believes that although many of the environmental forces such as demography, economy, culture, and natural factors are not controllable, the environmental forces such as politics, law, and technology can be influenced by correct and calculated moves. Proactive marketing uses political, psychological, economic, and public relations skills to influence the environmental forces to the organization's benefit. The technique of political lobbying, financing political parties and elections, using publicity to shape public opinion and many others are used by organizations to bring the environmental forces to their favor.

1.14 CHAPTER SUMMARY

Marketing management is the process of decision making, planning, and controlling the marketing aspects of a company in terms of the marketing concept, somewhere within the marketing system. Before proceeding to examine some of the details of this process, comments on two aspects will be a helpful background. Marketing has changed over the centuries, decades, and years. The production-cantered system systematically changed into the relationship era of today and over the period; specializations have emerged such as sales versus marketing and advertising versus retailing. The overall evolution of marketing has given rise to the concept of business development. The marketing function is a role that helps a company to identify and source potentially successful products for the marketplace they operate in and then promote them by differentiating them from similar products. It is a vital part of any company. The marketing mix refers to the various elements of your company's offering in the market. Value-creation and value-delivery is the main task of marketing. Marketing in its entirety is a value-creating and value-delivering process. The marketing function within any organization does not exist in isolation. Therefore, it's important to see how marketing connects with and permeates other functions within the organization. The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities.

1.15 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. **What is Marketing Management? According to Philip Kotler.**
2. **Write the nature of marketing management.**
3. **Write the scope and importance of marketing management.**
4. **Explain the sales orientation era and marketing orientation era.**
5. **What are the features of the marketing environment?**

LONG ANSWER TYPE QUESTIONS

1. **Why is marketing ethics important? and write the role of ethics in marketing.**
2. **Write the importance and response to the marketing environment.**
3. **What is needed for analyzing the marketing environment?**
4. **Briefly explain the marketing interface with other functional areas.**
5. **What are the core marketing concepts?**

1.16 MULTIPLE CHOICE QUESTIONS

1. **A ____________ involves a set of environmental factors that is beyond the control of an organization.**
   a. Micro Environment
   b. Macro Environment
   c. Both of the above
   d. None of the above

2. **____________________affects the organization's cost structure and customers' purchasing power.**
   a. Economic environment
   b. Natural Environment
   c. Socio-Cultural Environment
   d. Technological Environment

3. **It leads to opportunities or threats for the organizations. For example, in summer, demand for water coolers, air conditioners, cotton clothes, and water.**
   a. Natural Resources
   b. Pollution
   c. Weather
   d. None of the above

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4. **Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment.**
   a. Economic environment
   b. Natural Environment
   c. Socio-Cultural Environment
   d. Technological Environment

5. **It helps organizations store the goods. A warehouse is an example of a distribution center.**
   a. Resellers
   b. Distribution Centres
   c. Marketing Agencies
   d. Financial Intermediaries

6. **It determines the borrowing activities of the organization.**
   a. Interest Rates
   b. Inflation
   c. Unemployment
   d. Monetary and Fiscal Policy

7. **This involves all the decisions in getting the right product to your target market's environment.**
   a. Product
   b. Price
   c. Place
   d. Promotion

8. **It helps an organization to differentiate its product to maintain its position in the market:**
   a. Suppliers
   b. Marketing Intermediaries
   c. Customers
   d. Competitors

9. **It revolves around the collection and analysis of information about consumers as well as competitors and the effectiveness of marketing campaigns.**
   a. Market Audience
   b. Market Research
   c. Advertising and Promotion
   d. All of the above

10. **It includes prototyping, testing, test marketing, user feedback, etc:**
   a. Product development
   b. Market Planning
   c. Product Design
   d. Distribution

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UNIT II

MARKET SEGMENTATION AND CONSUMER BEHAVIOUR

STRUCTURE

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2.1 LEARNING OBJECTIVE

After learning this unit students will be able to:

- Grasp the meaning and basic concepts of market segmentation
- Understand the Benefits Needs and Criteria for Market Segmentation
- Understand the Target Market Selection Process
- Understand the Market Profiling and Segmentation
- Understand the Evaluating the Potential Profitability of Each Segment
- Understand the Positioning Strategy in the Market
- Understand the VALS Segmentation System and Consumer Behaviour
- Understand the Consumer Buying Decision-Making Process and Buying Motives
- Understand the Business Markets and Their Characteristics
- Understand the organizational Buying Behaviour

2.2 MARKET SEGMENTATION

What is segmentation?

Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.

Market segmentation is a process that consists of sectioning the target market into smaller groups that share similar characteristics, such as age, income, personality traits, behavior, interests, needs, or location. These segments can be used to optimize products, marketing, advertising, and sales efforts. Segmentation allows brands to create strategies for different types of consumers, depending on how they perceive the overall value of certain products and services. In this way, they can introduce a more personalized message with the certainty that it will be received successfully.

Now that you know what market segmentation is, let's talk about the different types that exist.

BASIS OF MARKET SEGMENTATION

1. **Gender**
   The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, thus the need for segmentation. Organizations need to have different marketing strategies for men which would obviously not work in the case of females. A woman would not purchase a product meant for males and vice versa. The segmentation of the market as per gender is important in many industries like cosmetics, footwear, jewellery, and apparel industries.

2. **Age Group**
   Division on the basis of the age group of the target audience is also one of the ways of market segmentation. The products and marketing strategies for teenagers would obviously be different than kids.

   Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams

Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags

Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparel, and so on.

3. **Income**
Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

i. High-income Group

ii. Mid-Income Group

iii. Low Income Group

Stores catering to the higher income group would have a different range of products and strategies as compared to stores that target the lower-income group. Pantaloon, Carrefour, and Shopper's stop target the high-income group as compared to Vishal Retail, Reliance Retail, or big bazaar which cater to the individuals belonging to the lower-income segment.

4. **Marital Status**
Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

5. **Occupation**
Office goers would have different needs as compared to school/college students. A beach house shirt or a funky T-Shirt would have no takers in a Zodiac Store as it caters specifically to the professional

TYPES OF MARKET SEGMENTATION

There are 4 types of market segmentation. Below, we describe each of them:

1. **Geographic segmentation**
Geographic segmentation consists of creating different groups of customers based on geographic boundaries. The needs and interests of potential customers vary according to their geographic location, climate and region, and understanding this allows you to determine where to sell and advertise a brand, as well as where to expand a business.

2. **Psychographic segmentation**
Psychographic segmentation consists of grouping the target audience based on their behaviour, lifestyle, attitudes and interests. To understand the target audience, market research methods such as focus groups, surveys, interviews and case studies can be successful in compiling this type of conclusion.

3. **Demographic segmentation**
Demographic segmentation consists of dividing the market through different variables such as age, gender, nationality, education level, family size, occupation, income, etc. This is one of the most widely used forms of market segmentation since it is based on knowing how customers use your products and services and how much they are willing to pay for them.

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4. **Behavioural segmentation**
   Behavioral segmentation focuses on specific reactions, i.e., consumer behaviors, patterns, and the way customers go through their decision-making and purchasing processes. The attitudes the public has towards your brand, the way they use it, and their awareness are examples of behavioral segmentation. Collecting this type of data is similar to the way you would find psychographic data. This allows marketers to develop a more targeted approach.

Market segmentation objectives

There are different market segmentation objectives. Here we tell you what each of them is:

1. **Product:** Creating successful products is one of the main objectives of organizations and one of the reasons why they conduct market research. This allows you to add the right features to your product and will also help you reduce costs to meet the needs of your target audience.
2. **Price:** Another objective of market segmentation is to establish the right price for your products. Identifying which is the public that will be willing to pay for it.
3. **Promotion:** It helps you to target the members of each segment and select them in different categories so that you can direct your strategies appropriately.
4. **Place:** The ultimate goal of segmentation is to decide how you offer a product to each group of consumers and make it pleasant to them.

5 steps to implement a market segmentation strategy

In order to implement a strategy, you must not only know what market segmentation is. It is very important to know how to apply this method. That is why we have for you a guide that will help you:

1. **Define your market:** At this point of the segmentation, you should focus on discovering how big the market is, where your brand fits, and if your products have the capacity to solve what it promises.
2. **Segment your market:** This step consists of choosing which of the types best suits your brand.
3. Understand your market: Ask your customers the right questions, depending on the type you chose. You must know your target audience in detail. You can use online surveys to get their answers.
4. **Build your customer segment:** After collecting responses, you need to perform data analysis to create dynamic segments unique to your brand.
5. **Test your strategy:** Make sure you have correctly interpreted your survey data by testing it with your target audience. This will help you to revisit your market segmentation strategies and make the necessary changes.

2.3 BENEFITS NEEDS AND CRITERIA FOR MARKET SEGMENTATION

Benefits of Market Segmentation

Knowing what market segmentation is and the benefits it has for your organization will help you implement it correctly. Here are some of its Benefits:

1. **Create stronger marketing messages:** When you know who you are targeting, you can create strong, personalized messages that respond to the needs and wants of your target audience.
2. **Find the ideal marketing strategies:** You may not know which is the right strategy to attract the ideal audience. Market segmentation allows you to know the audience, create a plan that will work successfully, and determine better solutions and methods to reach them.
3. **Design targeted advertising:** Market segmentation allows you to target your advertising to the audience in a successful and effective way, knowing their age, location, buying habits, interests, etc.
4. **Attract potential customers:** By sending direct and clear marketing messages, you attract the right audience and are more likely to convert them into buyers.
5. **Differentiate your brand from the competition:** By creating messages specific to your value proposition, you can stand out from the competition. Segmentation allows you to differentiate your brand by focusing on specific customer needs and characteristics.
6. **Identify your niche market:** Market segmentation helps you discover your niche market. Identify the niche with the broadest audience and whether it has needs that your brand can effectively address.
7. **Focus your efforts:** This allows you to identify new marketing opportunities and avoid distractions that take you away from your target market.
8. **Create a customer connection:** When you know what your customers want and need, you can create effective strategies. This allows you to create strong bonds between your brand and the customer to create brand loyalty and customer satisfaction.

NEED FOR SEGMENTATION

Not all individuals have similar needs. A male and a female would have varied interests and liking toward different products. A kid would not require something which an adult need. A school kid would have a different requirement than an office goer. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform.

- Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment. A male model would look out of place in an advertisement promoting female products. The marketers must be able to relate their products to the target segments.
- Market segmentation helps marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focused approach as a result of market segmentation.
- Market segmentation also gives the customers a clear view of what to buy and what not to buy. A Rado or Omega watch would have no takers amongst the lower income group as they cater to the premium segment. College students seldom go to a Zodiac or Van Heusen store as the merchandise offered by these stores

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are meant mostly for the professionals. Individuals from the lower-income group never use a Blackberry. In simpler words, the segmentation process goes a long way in influencing the buying decision of the consumers.

- An individual with low income would obviously prefer a Nano or Alto instead of a Mercedes or BMW.
- Market segmentation helps organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places that have defined winter and summer seasons.
- Segmentation helps organizations to know and understand their customers better. Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.

CRITERIA FOR SUCCESSFUL SEGMENTATION

1. **Measurable**
   The size and purchasing power profiles of your market should be measurable, meaning there is quantifiable data available about it. A consumer's profiles and data provide marketing strategists with the necessary information on how to carry out their campaigns. It would be difficult to create advertisements for markets that have little to no data or for audiences that can't be measured. Always ask whether there is a market for the kind of product or service that your business wants to produce then define how many possible customers and consumers are in that market.

2. **Accessible**
   Accessibility means that customers and consumers are easily reached at an affordable cost. This helps determine how certain ads can reach different target markets and how to make ads more profitable. A good question to ask is whether it's more practical to place ads online, in print, or out of the house. For example, gather data on the websites a specific target market usually visits so you can place more advertisements on those websites instead.

3. **Substantial**
   The market a brand should want to penetrate should be a substantial number. You should clearly define a consumer's profile by gathering data on their age, gender, job, socio-economic status, and purchasing power. It doesn't make sense to try and reach an unjustifiable number of people — you're just wasting resources. However, you also don't want to market the brand to a group too small that the business doesn't become profitable.

4. **Differentiable**
   When segmenting the market, you should make sure that different target markets respond differently to different marketing strategies. If a business is only targeting one segment, then this might not be as much of an issue. But for example, if your target market is college students, then it's essential to create a marketing strategy that both freshman students and senior students react to in the same positive

way. This process ensures that you are creating strategies that are more efficient and cost-effective.

5. **Actionable**
   Lastly, your market segments need to be actionable, meaning that they have practical value. A market segment should be able to respond to a certain marketing strategy or program and have outcomes that are easily quantifiable. As a business owner, it's important to identify what kind of marketing strategies work for a certain segment. Once those strategies have been identified, ask yourself if the business is capable of carrying out that strategy.

2.4 THE TARGET MARKET SELECTION PROCESS

After segmenting the market, an organization focuses on or targets the most profitable segments to gain profit. The target market selection process involves the evaluation of the attractiveness of every market and the selection of one or more profitable markets. An organization considers various factors, such as the size and growth of a particular segment. It tries to understand the customers and competitive environment.

1. **Evaluating the Market Segment**
   An organization evaluates the potential of a selected segment and checks whether it has the resources to cater to the needs of that segment. It ensures that the organizational objectives are also achieved while serving the segment. The estimation of sales volume also plays an important role to evaluate the relevant market segment.

   The external factors are the factors that are not in the control of an organization; whereas, the factors that are within the control of an organization are called internal factors. A marketer designs sales strategies after identifying the factors that can be a hindrance to the growth of an organization.

   The organization can estimate its sales volume by focusing on the following dimensions:

   i. **Market Potential**

   It implies the amount of a product that is purchased by a customer. In this case, a marketer calculates the market potential of the targeted segment. The purchases by customers can be affected by various forces, such as the price and quality of a product and the income and expectations of customers.

   ii. **Organization's Sales Potential:**

   It refers to the percentage of market potential that an organization expects to gain for a product.

   Following are the two approaches for measuring the sales potential of an organization:

   i. **Breakdown Approach**

   It involves developing the general forecast for an organization to derive market potential. Then, the sales potential is calculated from the estimated market potential. This approach is also called top-down analysis.

ii. Build-Up Approach

It involves estimating the purchases made by customers in a particular segment and then multiplying it with the number of potential customers. This helps to evaluate the total sales potential of a particular segment. This approach is also called bottom-up analysis.

Sales forecast is used to estimate the sales volume of an organization. A sales forecast can be defined as the amount of a product that an organization expects to sell during a specific period of time in future.

Following are the various sales forecasting techniques used by organizations:

i. Surveys

It involves questioning customers regarding their future purchases. Surveys help marketers to know what quality and quantity of products are expected by the customers. The demerit of surveys is that they consume much time and money of an organization.

ii. Time Series Analysis

It implies forecasting by using past sales data. This method assumes that the past performance of sales continues in the future. This method is appropriate only when the demand for a product is stable in nature.

iii. Regression Analysis

It forms a relationship between a dependent variable and an independent variable. The dependent variable is the past sales data; whereas, the independent variable can be per capita income, gross domestic product, or population.

An organization depends on either single or multiple methods of sales forecasting. For example, if an organization is targeting different segments, then it requires utilizing different sales forecasting methods for every segment.

In addition to sales estimation, it is important for an organization to assess competitors in the targeted segment. An organization can evaluate competition in the targeted segment by assessing the strengths, weaknesses, market share, and marketing mix strategies of its competitors. The main task in evaluating competition is to know the differentiation strategies adopted by the competitors. This further helps in estimating the sales potential of an organization effectively.

The cost estimates also act as an important evaluation criterion for evaluating the market segment. Every segment involves a different marketing mix as per the varying needs of customers. Thus, an organization should estimate the cost for every segment to compete successfully without any shortage of resources.

2. Selecting the Market Segment

The evaluation of market segmentation is followed by the selection of the profitable segment of the market. Selecting the market segment involves finding the target market to sell the products. The target market can be defined as a market in which an organization decides to utilize its marketing efforts. Targeting is not an easy process in this competitive world. The marketers have to design new and better ways of targeting the market. The organizations keep on changing their product line as per the requirement of customers while entering into a new market segment. Continuous research is required to select a target segment.

The basic techniques of selecting a market segment are as follows:

i. **Single Segment Concentration**

It helps in selecting the most attractive segment for an organization. It is often known as concentrated segmentation. Small-scale organizations with limited resources often target a single segment. For example, Ginger Hotels targets only budget-conscious customers and provides only the basic facilities for its customers.

ii. **Selective Specialization**

It focuses on multiple market segments. In this type of specialization, the organization utilizes expertise in fulfilling the needs of the selected segments. Selecting more than one segment helps an organization minimize its risk because when one of the segments becomes less profitable, an organization can divert its efforts toward a more profitable segment. For example, Hyundai has different models, such as Santro, Sonata, and Accent, which cater to customers having different levels of income.

iii. **Productive Specialization**

It focuses on providing different products to different types of segments. The focus of an organization is more on products rather than the segments. An organization using such a strategy earns a substantial reputation in producing those specific products. For example, Nokia manufactures mobile phones for different customer segments. They have basic phones for the low-income group and E-Series phones, especially for business class customers.

iv. **Market Specialization**

It refers to concentrating on the needs and wants of customers belonging to a specific market. It also involves some risks as the organization caters to only a specific market. For example, the profitability and sustainability of the organization are affected when there is a recession in the market.

v. **Full Market Coverage**

It emphasizes the importance of supplying products for all the segments of the market. Full market coverage helps an organization to expand its market and earn more revenue. For example, Tata Motors Limited manufactures cars for all the segments in the market. They launched Nano for lower middle class, Indica for the higher middle class, and Safari for the upper class. They also bought Landover and Jaguar from Ford for targeting the Sport Utility Vehicle (SUV) segments.

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3. **Tools for Competitive Differentiation**

Competitive differentiation is defined as a process of formulating a list of differentiating factors to distinguish between the offerings of an organization and its competitors. The organization needs to differentiate its products from the existing substitutes available in the market to survive in the competitive environment. The differentiation opportunities matrix of The Boston Consulting Group (BCG) is an important tool for studying the competitive differentiation in different industries.

Now, let us discuss the different types of industries in the BCG matrix:

i. **Volume Industry**

It comprises of few organizations with very large competitive advantages. The growth in such a type of industry is related to the size and market share of an organization. For example, Jaypee Group, a renowned Indian real estate organization, has invested a lot of money in setting up heavy infrastructure with the best amenities in Noida, Uttar Pradesh. It has started a project called Jaypee Greens, which aims at building a luxurious complex in Noida.

ii. **Stalemated Industry**

It provides lesser growth opportunities and the benefits derived from these opportunities are very less. In a stalemated industry, it is difficult for the organization to differentiate the products. Therefore, it is not profitable for organizations to enter into such a type of industry. For example, in the steel and iron ore industry, it is very difficult to differentiate between the steel products manufactured by different organizations.

iii. **Specialized Industry**

It provides a number of growth opportunities and the benefits derived from these opportunities are very high. It does not coincide with the organization's size and its market share. For example, the demand for software products is based on the requirements of customers. Therefore, the growth opportunities for an organization are very high.

iv. **Fragmented Industry**

It refers to a type of industry where the growth opportunities are high and the benefits derived from these opportunities are less. For example, there are a number of opportunities in the food industry but the benefits are very limited. India is a diversified country where people have different tastes. For example, the food habits of North Indian, South Indian, and Chinese people are different from each other. Therefore, the food industry of India is characterized by high diversity but the benefits are less.

An organization can achieve competitive differentiation based on the following five dimensions:

- **Product Differentiation**

It forms a very important tool for competitive differentiation. It is imperative for an organization to study the demand and performance of substitute products in the market.

- **Service Differentiation**

  It helps an organization to attract customers by imparting high-quality standards in their service offerings. The essential attributes of service are ordering ease, on-time delivery, error-proof installation, training, and consulting customers.

- **Personnel Differentiation**

  It determines various attributes required in the human resource for making an organization successful. These attributes can be the competency, accountability, and responsibility of an individual.

- **Channel Differentiation**

  It directs an organization to nurture and strengthen its distribution channel. The better distribution of goods and services can be done with the help of expert channel managers. A channel should be fast and flexible to adapt the changes.

- **Image Differentiation**

  It defines the need of a unique identity for a product or organization to challenge its competitors. An organization should create communication channels to enhance and develop its image in the market. Making a product image is called brand image which implies how the characteristics of products are perceived by customers.

4. **Developing a Positioning Strategy**

A positioning strategy can be defined as a process by which an organization creates an image or identity for its products in the mind of its target customers. According to Steve Johnson, "How can we use one message to communicate to multiple buyers? Obviously, we cannot. We'll need different articulations of our message that resonate with each buyer type."

The positioning strategy should create the first impression in the mind of customers. A product is positioned with the help of a punch line that carries the unique selling proposition of a product and a promotional message to create a different space in the mind of customers.

For example, Amul has positioned itself with the punch line "the taste of India". Its promotion strategy focuses on the usage of hoardings that display creative messages to grab the attention of customers.

The positioning strategy should satisfy the following aspects:

a. Carries a value benefit for ample number of customers

b. Makes the product of an organization different from its competitors

c. Denies the possibility of imitation of product by other organizations

d. Generates profit for the organization.

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A successful product positioning can be done by differentiating the products of an organization from its competitors.

Now, let us discuss the criteria for differentiation in brief:

i. Significance

It implies that a product should give benefit its target customers.

ii. Uniqueness

It implies that a product should consist of distinctive features. Product uniqueness can be a new or add-on benefit to the existing product of an organization.

iii. Reasonable

It checks the buying ability and budget of customers.

iv. Profitability

It helps an organization to continue its operations for a longer period and differentiate with change in time.

Following are the various errors made by the organizations while positioning a product:

a. Targeting a limited part of the market due to the limited available information.

b. Targeting a very narrow group of customers who are not even profitable for the organization.

c. Misinforming the customers about the features, prices, and benefits of products that in turn dissatisfy them and creates a bad image of the organization.

2.5 MARKET PROFILING AND SEGMENTATION

Market profiling and segmentation generally yield customer profiles that are based on the customers' geographic location (geographic), traits or characteristics (demographic), personality and lifestyle (psychographics, and buying patterns (behavioral). Altogether, profiling and segmentation-related activities will help business owners understand the reason behind underperforming business areas or marketing campaigns that did not fare well among others.

KINDS OF PROFILING

When a business profiles or segments its customer base, it can be more aware of the risk patterns, the level of profitability, and its customers' demographic, psychographic and behavioral characteristics. This information can be used by the company in developing and advancing its products or services, modifying its customer service, choosing its media and channels, and in target selection.

The three commonly utilized types of profiling and segmentation are RFM, demographic, and life stag.

Recency, Frequency, and Monetary Value (RFM)

RFM is a segmenting technique that is based on the customers' purchasing behavior. The main purpose of RFM is to better the efficacy of the company's marketing efforts to its current customers.

1. **Recency**
   Recency refers to the total number of months since the last procurement. It is also considered the most powerful instrument in forecasting replies to ensuing offers among the three. The logic here is that a consumer who purchased something from the company not long ago is more likely to make a purchase again, compared to someone who did not buy anything recently.
2. **Frequency**
   Frequency pertains to the number of acquisitions. This includes procurement in a given period of time or encompasses all purchases made.
3. **Monetary Value**
   Monetary value is the overall currency amount. Against Recency and Frequency, monetary value has the least ability and forecasting responses. This value shares similar attributes with the frequency where it involves a certain time frame or all purchases made.

2.6 EVALUATING THE POTENTIAL PROFITABILITY OF EACH SEGMENT

Segmentation is an important marketing technique that helps you reach each group of potential customers with an approach that appeals to them. Evaluating each segment ensures that your company doesn't waste resources on segments that won't buy your products. You have to match the characteristics of the marketing segment to the qualities of your product and the abilities of your company to achieve your sales performance objectives.

1. **Market Potential**
   You can evaluate the market potential of a segment by looking at the number of potential customers in the segment, their income, and the number of people in the segment who need the kind of product you offer. A market participant is one who is going to buy such a product, and the total number of participants times their purchases forms the total market. A market participant has to need the product, have the ability to pay the price of the product, and has to want to buy the product. Evaluating how many such people are in each segment lets you gauge the potential market.
2. **Sales Potential**
   The sales potential is the share of the potential market of a segment that your company expects to achieve. You can estimate your company's share-based on your performance in other markets, or you can build up your share by asking how much of your product you expect an average customer of a segment to buy and multiplying by the total number of customers. The result of this evaluation gives you an idea of how valuable each segment is to your company.
3. **Competition**
   A key factor in the evaluation of each segment is the competitive situation. If the total sales of existing suppliers are below the market potential, then you can achieve sales without taking business away from competitors. If the sales of your competitors are close to the market potential, then any sales you make will result in fewer sales for them. This means you will have to lower your prices or spend

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more money on promotions to achieve your sales potential, and it makes the segment less valuable for your company.

4. **Cost**
Some markets cost a lot of money to service and this affects the value of the segment. If you physically have to deliver large items over long distances, the freight costs will be high and the resulting prices may put your product out of the reach of the customers' income range. If the cost of the promotional campaign you think is required to introduce your product to a particular segment is high in relation to the expected sales, then the value of the segment is low. Your evaluations identify the segments which will be the most valuable for your company.

2.7 POSITIONING STRATEGY IN THE MARKET

Positioning is a marketing strategy, also referred to as product positioning, which refers to how a brand wants to be perceived in the mind of customers relative to competing brands. The objective of a positioning strategy is to establish a single defining characteristic of a brand in the mind of the consumer. Effective positioning strategies consider the strengths and weaknesses of the organization, the needs of the customer, and the claims of competitors. Product positioning allows a company or brand to illuminate areas where it can eclipse the competition.

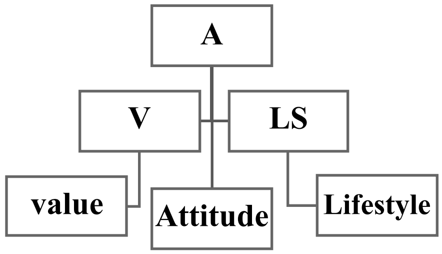
The 3 keys to strategic positioning

Creating an image and shaping how a brand is viewed by consumers is a very purposeful and meticulous act. Background research and an understanding of the market are crucial to your brand's success. Product positioning begins well before the creation of brand identity and is crucial to branding. The three keys to strategic positioning are often referred to as the three "C's":

1. **Customer:** Central to positioning is knowing your focus by identifying what the buyer wants and needs. Research to see if there is a problem customers need a solution for and what needs they might report via surveys, interviews, and reviews. Listening to buyer needs and placing a high importance on those needs is pivotal in getting customer attention and loyalty.
2. **Channel:** Your channel, or sales team, is central to understanding customer needs and is where you will likely find the majority of information for successful positioning. Your channel is a direct connection to the customer, and through their experience, you can get information such as the customer profile, customer problems, competitive intelligence and the purchase process. With experience in the entire sales cycle, channels will help you identify brand strength to effectively focus your positioning strategy on what you do well as a brand.
3. **Competition:** A final step in formulating a product position is paying attention to your competition and their position. If yours is unique and easily differentiated from what is on the market, then your positioning statement (your assertion of brand uniqueness) is effective.

2.8 THE VALS SEGMENTATION SYSTEM

Vals which is also known as values attitude and lifestyle is one of the primary ways to perform psychographic segmentation. All three terms are intangible in nature and therefore give an idea of the inert nature of the consumer. If you know what your consumer is thinking, you would know what kind of promotions or communications will attract him most. And how do you know what the consumer is thinking? By determining his vals – Values, attitudes and lifestyle.



VALS is different for different people. Let's take income as an example. If you are a person with high income your lifestyle would probably include habits of the SEC A class such as dining out of home frequently and that too in top class restaurants, wearing only branded clothes and buying the best cars out there. Whereas if you are a middle-class income group consumer, you would be more worry of spending money and would rather concentrate on savings.

So now how does VALS affect a marketer? Let's say you were a banker. What would you sell someone who had a high-income lifestyle? You would sell them investment options and would also dedicate a relationship manager to take care of their needs. In fact, the bankers also have a term for high income individuals known as HNI – high networth individuals. But, if your lifestyle was that of a low-income customer, you are more likely to be targeted for savings

History of the term VALS

VALS is actually a proprietary term of SRI international. The term was developed by social scientist and futurist Arnold mitchell. Arnold mitchell actually developed the vals framework to determine different classes of people who had varying values, attitudes and lifestyle. These people were determined by the resources they had at their disposal as well as the amount of primary innovation they could accept or create. Thus, the people with low resources were low on innovation and the ones with higher resources were higher in innovation. This formed the basis of the VALS framework.

The VALS framework

As mentioned in the history of VALS, The VALS framework was developed keeping a consumer's resources as well as his capacity to accept innovation in mind. The X-axis consisted of primary motivation (explained below) and the Y-axis consisted of resources such as income, education, confidence, etc. Thus, these two factors were determined to be critical to defining the values attitude, and lifestyles of any consumer.

Resources – Included resources available to an individual such as income, education, intelligence, emotional support, etc.

Primary motivation – Which determined what actually drives the individual. Is it knowledge, the desire to achieve something or is it to be social?

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After researching above 1500 consumers, Arnold Mitchell actually divided consumers into 9 different types based on the number of resources they had as well as their capacity for primary motivation. These classes of consumers based on their VALS were.

9 types of Consumers as per the VALS framework

1. **Innovators:** The class of consumer at the top of the vals framework. They are characterized by high income and high resource individuals for whom independence is very important. They have their own individual taste in things and are motivated in achieving the finer things in life.
2. **Thinkers:** A well-educated professional is an excellent example of Thinkers in the vals framework. These are the people who have high resources and are motivated by their knowledge. These are the rational decision-making consumers and are well informed about their surroundings. These consumers are likely to accept any social change because of their knowledge level.
3. **Believers:** The subtle difference between thinkers and believers is that thinkers make their own decisions whereas believers are more social in nature and hence also believe other consumers. They are characterized by lower resources and are less likely to accept innovation on their own. They are the best class of word-of-mouth consumers.
4. **Achievers:** The achievers are mainly motivated by – guess what – Achievements. These individuals want to excel at their job as well in their family. Thus, they are more likely to purchase a brand which has shown its success over time. The achievers are said to be high resource consumers but at the same time, if any brand is rising, they are more likely to adopt that brand faster.
5. **Strivers:** Low resource consumer group which wants to reach some achievements are known as strivers. These customers do not have the resources to be an achiever. But as they have values similar to an achiever, they fall under the striver category. If a striver can gain the necessary resources such as a high income or social status, then he can move on to becoming an achiever.
6. **Experiencers:** The group of consumers who have high resources but also need a mode of self-expression is known as Experiencers. Mostly characterized by young adults, it consists of people who want to experience being different. This class of consumers is filled up with early adopters who spend heavily on food, clothing, and other youthful products and services.
7. **Makers:** These are consumers who also want self-expression but they are limited by the number of resources they have. Thus, they would be more focused on building a better family rather than going out and actually spending higher amount of money. Making themselves into better individuals and families becomes a form of self-expression for the Makers.
8. **Survivors:** The class of consumers in the Vals framework with the least resources and therefore the least likely to adopt any innovation. As they are not likely to change their course of action regularly, they form into brand-loyal customers. An example can include old-age pension earners living alone for whom the basic necessities are important and they are least likely to concentrate on anything else.

Thus, the vals framework can be used primarily to classify consumers based on their values, attitudes, and lifestyle. Once the classification has been done, you know which

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types of customers you want to target. Depending on your target customer's vals, you can make up your marketing strategy and your promotional message such that it hits your audience at the right spot.

2.9 CONSUMER BEHAVIOUR

"Consumer behaviour is the actions and the decision processes of people who purchase goods and services for personal consumption" – according to Engel, Blackwell, and Mansard,

Consumer buying behaviour refers to the study of customers and how they behave while deciding to buy a product that satisfies their needs. It is a study of the actions of the consumers that drive them to buy and use certain products.

The study of consumer buying behaviour is most important for marketers as they can understand the expectation of the consumers. It helps to understand what makes a consumer buy a product. It is important to assess the kind of products liked by consumers so that they can release it to the market. Marketers can understand the likes and dislikes of consumers and design base their marketing efforts based on the findings.

Consumer buying behaviour studies various situations such as what do consumers buy, why they buy, when do they buy, how often do consumers buy, for what reason do they buy, and much more.

For example, consumer buying behaviour is studied by consumer researchers and their aim is to know why women buy moisturizers (to reduce skin problems), the most preferred brand (Olay, L'Oréal), how often do they apply it (twice a day, thrice a day), where do the women prefer to buy it (supermarkets, online) and how many times do they buy it (weekly, monthly).

It's insightful to listen to some of the first cut opinions on Vocally from consumers on how they think about various brands and their expectations when it comes to electronic products and gadgets.

Why Is Consumer Behaviour Important?

Studying consumer behaviour is important because it helps marketers understand what influences consumers' buying decisions.

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By understanding how consumers decide on a product, they can fill in the gap in the market and identify the products that are needed and the products that are obsolete.

Studying consumer behaviour also helps marketers decide how to present their products in a way that generates a maximum impact on consumers. Understanding consumer buying behaviour is the key secret to reaching and engaging your clients, and converting them to purchase from you.

A consumer behaviour analysis should reveal:

- What consumers think and how they feel about various alternatives (brands, products, etc.);
- What influences consumers to choose between various options
- Consumers' behaviour while researching and shopping
- How consumers' environment (friends, family, media, etc.) influences their behaviours.

Consumer behaviours are often influenced by different factors. Marketers should study consumer purchase patterns and figure out buyer trends.

In most cases, brands influence consumer behaviours only with the things they can control; think about how IKEA seems to compel you to spend more than what you intended to every time you walk into the store.

So, what are the factors that influence consumers to say yes? There are three categories of factors that influence consumer behaviours:

1. **Personal factors:** an individual's interests and opinions can be influenced by demographics (age, gender, culture, etc.).
2. **Psychological factors:** an individual's response to a marketing message will depend on their perceptions and attitudes.
3. **Social factors:** family, friends, education level, social media, and income, all influence consumers' behaviours.

TYPES OF CONSUMER BEHAVIOUR

There are four main types of consumer behaviour:

1. **Complex buying behaviour**
   This type of behaviour is encountered when consumers are buying an expensive, infrequently bought product. They are highly involved in the purchase process and consumers' research before committing to a high-value investment. Imagine buying a house or a car; these are an example of a complex buying behaviour.
2. **Dissonance-reducing buying behaviour**
   The consumer is highly involved in the purchase process but has difficulties determining the differences between brands. 'Dissonance' can occur when the consumer worries that they will regret their choice.

   Imagine you are buying a lawnmower. You will choose one based on price and convenience, but after the purchase, you will seek confirmation that you've made the right choice.

3. **Habitual buying behavior**
   Habitual purchases are characterized by the fact that the consumer has very little involvement in the product or brand category. Imagine grocery shopping: you go to the store and buy your preferred type of bread. You are exhibiting a habitual pattern, not strong brand loyalty.
4. **Variety seeking behavior**
   In this situation, a consumer purchases a different product not because they weren't satisfied with the previous one, but because they seek variety. Like when you are trying out new shower gel scents.

What Affects Consumer Behaviour?

Many things can affect consumer behaviour, but the most frequent factors influencing consumer behaviour are:

1. **Marketing campaigns**
   Marketing campaigns influence purchasing decisions a lot. If done right and regularly, with the right marketing message, they can even persuade consumers to change brands or opt for more expensive alternatives.

   Marketing campaigns, such as Facebook ads for eCommerce, can even be used as reminders for products/services that need to be bought regularly but are not necessarily on customers' top minds (like an insurance for example). A good marketing message can influence impulse purchases.
2. **Economic conditions**
   For expensive products especially (like houses or cars), economic conditions play a big part. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their financial liabilities.

   The consumer's decision-making process is longer for expensive purchases and it can be influenced by more personal factors at the same time.
3. **Personal preferences**
   Consumer behaviour can also be influenced by personal factors: likes, dislikes, priorities, morals, and values. In industries like fashion or food, personal opinions are especially powerful.

   Of course, advertisements can influence behaviour but, at the end of the day, consumers' choices are greatly influenced by their preferences. If you're vegan, it doesn't matter how many burgers joint ads you see, you're not gonna start eating meat because of that.
4. **Group influence**
   Peer pressure also influences consumer behaviour. What our family members, classmates, immediate relatives, neighbours, and acquaintances think or do can play a significant role in our decisions.

   Social psychology impacts consumer behaviour. Choosing fast food over home-cooked meals, for example, is just one of such situations. Education levels and social factors can have an impact.
5. **Purchasing power**
   Last but not least, our purchasing power plays a significant role in influencing

our behaviour. Unless you are a billionaire, you will consider your budget before making a purchase decision.

The product might be excellent, and

the marketing could be on point, but if you don't have the money for it, you won't buy it.

CUSTOMER BEHAVIOR PATTERNS

Buying behavior patterns are not synonymous with buying habits. Habits are developed as tendencies towards an action and they become spontaneous over time, while patterns show a predictable mental design.

Each customer has his unique buying habits, while buying behavior patterns are collective and offer marketers a unique characterization. Customer behavior patterns can be grouped into:

1. **Place of purchase**
   Most of the time, customers will divide their purchases between several stores even if all items are available in the same store. Think of your favorite hypermarket: although you can find clothes and shoes there as well, you're probably buying those from actual clothing brands. When a customer has the capability and the access to purchase the same products in different stores, they are not permanently loyal to any store, unless that's the only store they have access to. Studying customer behavior in terms of choice of place will help marketers identify key store locations.
2. **Items purchased**
   Analyzing a shopping cart can give marketers lots of consumer insights about the items that were purchased and how much of each item was purchased. Necessity items can be bought in bulk while luxury items are more likely to be purchased less frequently and in small quantities. The amount of each item purchased is influenced by the perishability of the item, the purchasing power of the buyer, unit of sale, price, number of consumers for whom the item is intended, etc.
3. **Time and frequency of purchase**
   Customers will go shopping according to their feasibility and will expect service even during the oddest hours; especially now in the era of e-commerce where everything is only a few clicks away. It's the shop's responsibility to meet these demands by identifying a purchase pattern and matching its service according to the time and frequency of purchases. One thing to keep in mind: seasonal variations and regional differences must also be accounted for.
4. **Method of purchase**
   A customer can either walk into a store and buy an item right then and there or order online and pay online via credit card or on delivery. The method of purchase can also induce more spending from the customer (for online shopping, you might also be charged a shipping fee for example). The way a customer chooses to purchase an item also says a lot about the type of customer he is. Gathering information about their behaviour patterns helps you identify new ways to make customers buy again, more often, and higher values.

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CUSTOMER BEHAVIOUR SEGMENTATION

Customer segmentation and identifying types of buyers have always been important. Now that personalization and customer experience are factors that determine a business' success, effective segmentation is even more important. Only 33% of the companies that use customer segmentation say they find it significantly impactful, so it's important to find the segmentation technique that brings clarity and suits your business. Traditionally, most marketers use six primary types of behavioral segmentation.

1. **Benefits sought**
   A customer who buys toothpaste can look for four different reasons: whitening, sensitive teeth, flavor, or price. When customers research a product or service, their behavior can reveal valuable insights into which benefits, features, values, use cases, or problems are the most motivating factors influencing their purchase decision. When a customer places a much higher value on one or more benefits over the others, these primary benefits sought are the defining motivating factors driving the purchase decision for that customer.

2. **Occasion or timing-based**
   Occasion and timing-based behavioral segments refer to both universal and personal occasions. Universal occasions apply to the majority of customers or target audiences. For example, holidays and seasonal events when consumers are more likely to make certain purchases. Recurring-personal occasions are purchasing patterns for an individual customer that consistently repeat over a while. For example, birthdays, anniversaries or vacations, monthly purchases, or even daily rituals such as stopping for a cup of coffee on the way to work every morning. Rare-personal occasions are also related to individual customers, but are more irregular and spontaneous, and thus more difficult to predict. For example, attending a friend's wedding.

3. **Usage rate**
   Product or service usage is another common way to segment customers by behavior, based on the frequency at which a customer purchases from or interacts with a product or service. Usage behavior can be a strong predictive indicator of loyalty or churn and, therefore, lifetime value.

4. **Brand loyalty status**
   Loyal customers are a business's most valuable asset. They are cheaper to retain, usually have the highest lifetime value, and can become brand advocates. By analyzing behavioral data, customers can be segmented by their level of loyalty so marketers can understand their needs and make sure they are satisfying them. Loyal customers are the ones who should receive special treatment and privileges such as exclusive rewards programs to nurture and strengthen the customer relationship and incentivize continued future business.

5. **User status**
   There are many different possible user statuses you might have depending on your business. A few examples are:

   - Non-users
   - Prospects
   - First-time buyers

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- Regular users
- Defectors (ex-customers who have switched to a competitor).

6. **Customer journey stage**
   Segmenting the audience base on buyer readiness allows marketers to align communications and personalize experiences to increase conversion at every stage. Moreover, it helps them discover stages where customers are not progressing so they can identify the biggest obstacles and opportunities for improvement, even on post-purchase behaviors. Besides these traditional ways, another type of segmentation is the RFM model. This approach is popular among eCommerce marketers because it helps them create customer experiences around the information, they've got about each customer segment. RFM is a behavioral segmentation model and the three letters come from Recency, Frequency, and Monetary Value.

Here's what these variables show you:

- Recency = how recent a customer placed the last order on your website;
- Frequency = how many times a customer purchased something from your website in the analyzed period of time;
- Monetary Value = how much each customer spent on your website since the first order.

The RFM model analysis can be executed in 2 ways:

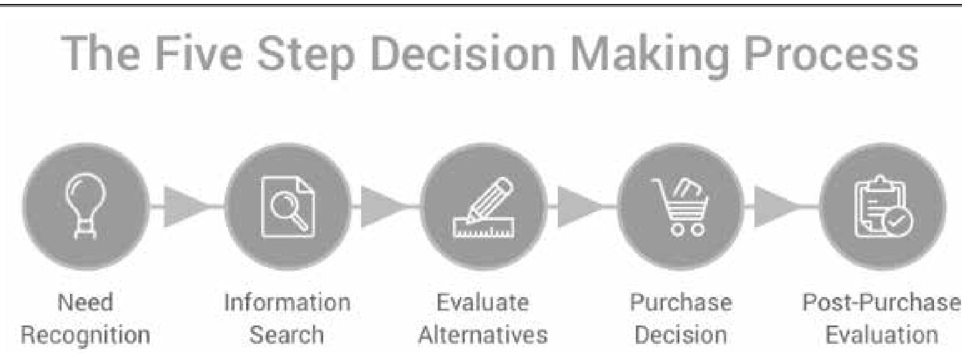
- **Manually:** exporting your database in a spreadsheet and analyzing your customers following the rules for RFM analysis;
- **Automatically:** through certain tools that are creating RFM dashboards.

RFM segmentation and analysis can reveal who your most loyal and profitable customers are and also:

- Reveal what brands and products are dragging your business down;
- Build custom recommendations for your customers;
- Solve certain Customer Experience problems.

Before making decisions based on gut feeling regarding your customers and your audience, observe their behavior, listen to them and build a relationship that will make them stay loyal no matter how aggressive your competitors are.

2.10 CONSUMER BUYING DECISION-MAKING PROCESS AND BUYING MOTIVES



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The buyer behavior model is a structured step-by-step process. Under the influence of marketing stimuli (product, price, place, and promotion) and environmental factors (economic, technological, political, cultural), a customer understands the need to make a purchase. The decision-making process they undergo afterward is affected by their characteristics, such as their beliefs, values, and motivation, resulting in the final decision to either buy or not to buy.

Most buyers go through several stages when making a purchase decision:

1. **Need recognition**
   In the first stage, the buyer recognizes that there is a need for a product or service. For instance, they might realize that, since their company is growing, manual email outreach is no longer effective, so they need an email automation solution.
2. **Information search**
   After understanding the need for a product or service, the buyer starts looking for information. They might obtain it from different sources (friends, commercials, mass media). For example, a prospect may start browsing email automation solutions, read reviews, etc.
3. **Evaluation of alternatives**
   Once all the necessary information has been gathered, the buyer starts to evaluate a choice. They might compare key features and pricing, looking for advantages of one tool over all others.
4. **Purchase decision**
   After evaluation, the buyer makes a purchase decision. For example, they start their free trial or purchase a paid plan.
5. **Post-purchase evaluation**
   After purchasing the product or service, the buyer assesses whether it has met their expectations. At this stage, they might also leave an online review about the purchase or share their feedback with subscribers, colleagues, or friends.

Buying Motives

1. **Need**
   The need might be the most immediate buyer motive. If a prospect has a problem that you can solve, they're inherently motivated to consider your offering. There are a few ways to capitalize on your buyer's needs, and they generally hinge upon how aware they are of the full spectrum of potential issues that can stem from their situation. If you approach interactions with prospects assuming they already have a comprehensive understanding of everything they need when they talk to you, you're selling yourself short.

   Steve Jobs once said, "A lot of times, people don't know what they want until you show it to them." The same principle applies to need. Prospects don't always have a need until you inspire one. Some buyers have a clear-cut picture of their problems, your product or service, and the potential solutions it offers. But others might need a little guidance.
2. **Acceptance**
   Acceptance, as a buyer motive, is essentially the by-product of consumer FOMO or "fear of missing out." It's when prospects are interested in buying a product or

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service because everyone else around them seems to be buying it as well. That's why acceptance is the buyer motive behind most fads. Certain products or services catch steam, generate quick interest, and develop followings that rapidly expand. Prospects don't want to miss out on the movement, so they make a point of buying in and showing off. Acceptance is a powerful motive for salespeople to play off of. It's hard to avoid a bandwagon when everyone else is piling on.

3. **Fear**

   Fear is a powerful catalyst for action in almost any situation, and sales is no exception. No one wants to let problems they're afraid of go unaddressed. That's why so many companies lean on scare tactics "subtle or overt" to create urgency behind their messaging and sales efforts.

   For instance, Volkswagen ran an ad in 2006 featuring a realistic depiction of a car crash, backed by the tagline "Safe Happens." It was a campaign that played on real consumer anxiety to accentuate the value of its cars' safety systems.

   Playing on this buyer motive might seem cheap or unethical, but it can still be very effective. And the process of doing so is similar to that of the first point on this list. In the same way you can highlight certain needs your prospect might not be considering; you can raise fears they might be ignoring as well.

4. **Health**

   Many consumers are interested in taking steps to protect their personal wellbeing, so if you can create the impression that your product or service will make them live better or longer, they'll be inclined to learn more at the very least.

   The key to selling based on health has to do with offering some legitimate demonstration showing and proving. You need to have some sort of concrete, compelling evidence to establish your product or service's clear-cut benefits to consumers' wellbeing. If you can show that your offering addresses a relevant, urgent health concern, you'll be in a good place to sell effectively.

5. **Impulse**

   People don't always give a ton of thought to the purchases they make. Everyone is guilty of falling under the spell of this motive at some point. A lot of consumers will get caught up in the heat of the moment and buy for the sake of buying. Impulse buying is rooted in excitement, and capitalizing on the motive is a matter of creating it. Generating flash in the pan urgency can help facilitate purchases on that basis. A particularly compelling deal might get you there: promotional pricing tactics like flash sales can often be powerful starting points for potential impulse buys. Acceptance and impulse can often go hand in hand as well. If buyers see their peers collectively embracing a product or service, they might be inclined to get on board without giving too much thought to whether they actually need what they're buying.

6. **Pleasure**

   By and large, consumers don't strictly buy the bare necessities. Sometimes, they make superfluous purchases that are less than essential. People like to enjoy themselves, so they buy products and services that suit wants not needs from time to time. Generally speaking, you should only try to sell by this motive when you're selling a product or service that can easily be cast as a luxury. It's up to you to discern if that's the case with your product or service, but it's generally fairly obvious.

If someone is shopping for home decor or a new pair of designer sandals, their first priority is probably pleasure. The same can't be said for someone looking for insect repellent to deal with their house's ant problem.

7. **Financial Gain**

   Several prospects particularly in B2B sales are spending money to make money. Their primary motive is to leverage your product or service to improve their business operations. They might want to boost employee productivity. They might be looking to generate revenue. They could be trying to shed unnecessary expenses. If you're selling to a prospect with this motive, you have to demonstrate authority and cite real results. Reference similar businesses or current customers that saw marked financial gains as a result of leveraging your product.

   Prospects motivated by financial gain typically have more at stake than ones buying products to avoid missing out on a hot new trend. That's why you have to convince them they'll be in good hands if they invest in your product or service. Put them at ease with legitimate results and show them what they can expect if they do business with you.

8. **Aspiration**

   Some consumers are buying based on aspirations for self-improvement. They want to change for the better and are leveraging that dollar to help support those efforts. Purchases like gym memberships and subscriptions to online courses generally aren't made out of fear or the pursuit of pleasure they're the result of sincere ambition.

   If you're selling to a buyer motivated by aspiration, the key is to stress what they could be if they stay the course after their purchase. If you're selling online coursework or paid online certifications, let your prospects know about how your product can help bolster their resumes and what that can do for their career development.

   Self-improvement requires determination. If you want to capitalize on this motive, show them something to be determined about.

2.11 BUSINESS MARKETS AND THEIR CHARACTERISTICS

The business market is the process of selling your product and services to other businesses, where those products and services will either be used as a raw material for the manufacturing of other products. Or those businesses buy the products or services and resell them. We can also say that the business market is where one business sells products or services to the other businesses; it is either to resell or reuse those products or services.

Consumer Markets Vs Business Markets

Consumer Market is where businesses sell their products and services to the tail-end consumers. As compared to the buyer market, the consumer market has many sellers and the selling market is very competitive.

Business buyers would buy the products or services to produce some new products for sales. The business won't buy the next shipment until the sale of already prepared products.

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Unlike the temporary relationship of the consumer market, the business market involves a long-term interaction between buyer and seller. That's what makes the relationship very stable and volatile at the same time. It's good if it keeps working well.

The consumer market is very precise about the demography of its targeted audiences like age, gender, beliefs, social status, attitude, and behavior. All of those factors vary in terms of geographical regions, it's because people in different regions have different preferences, likes, and dislikes.

Characteristics of Business Market

Some of the characteristics of business markets are given below, we'll discuss them one by one. Here it follows:

1. **Market Structure and Demand**

   Business markets contain fewer but larger buyers. When it comes to the customers in the business market, then it has very few customers. Those business buyers won't buy your product or service in small quantities. They'll buy in large quantities; their orders are big.

   Business customers are more geographically concentrated. Our mind is accustomed to the consumer market, where there'll be shops in the market. People would visit the shop or the market and they'd buy stuff. But the business market doesn't work that way, business customers and buyers are concentrated at vast geographical distances.

   Business buyers' demand is derived from final consumer demand. The only reason one business would buy the products and service from the other business, it is because its final products are selling in the market. Once the final products stop selling in the market; then the business stops buying the products.

   Demand in many business markets is more inelastic – not affected as much in the short run by price changes. The good thing about the demand in the business market; is that the prices don't usually affect the demands. Prices don't much change.

   Demand in business markets fluctuates more quickly. Businesses usually prefer to buy products at a very low price, because they have to add value to it to make the final product for the end consumers. When the prices get higher because of a number of reasons, the business would stop buying the products. It's because they know that the final product would be costly. High product prices won't sell in the market.

2. **Nature of the Buying Unit**

   Business purchases involve more buyers. When it comes to the purchases of business, then a business buys and sells at the same time to other businesses.

   Business buying involves a more professional purchasing effort. The purchasing process of the business market is very detail-oriented. Businesses prefer to buy products from those businesses that deliver them the required product. It usually involves many technical professionals who check the sustainability of the product, once they approve, then the company purchases the product.

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3. **Kind of Decisions & the Decision Process**
   Business buyers usually face more complex buying decisions. Business buying decisions aren't really simple, because they're usually long terms based. The company makes sure that the person they're going to be in business with, should be the right people. Businesses check the backgrounds and histories of each other business before signing the deal.

   The business buying process is more formalized. Businesses usually follow the complete chain of command and the protocol of their organization before making the final decision. Having said before that it's a long-term relationship, that's why both businesses make sure that all sides are covered.

   Buyers and sellers work more closely to build a close long-run run relationship. When both companies know that they can be good buyer-seller after verifying each other's backgrounds, then they prefer to collaborate to make the final decision. It's because they both know that it's in their interest to work together.

2.12 ORGANIZATIONAL BUYING BEHAVIOR

The behaviour of an organization shown in buying goods or services is called organizational buying behaviour. The organizations buy goods or services for business use, resale, produce other goods or provide services. Business and industrial organizations buy goods to use in business or produce other goods. Resellers buy goods for reselling them at profitable prices. Similarly, government bodies buy goods for offices and conduct development programs. Non-governmental organizations, hospitals, educational institutes, social organizations, religious organizations, etc. buy goods to provide services to their followers or customers.

Users, influencers, buyers, deciders, and gatekeepers take part in the organizational buying process. Users who are the members of an organization use bought goods or services. They prepare to buy proposals and help in preparing product specifications. They also help in preparing special reports and analyzing alternatives. Influencers influence buying decisions. They help in preparing products specification and analyzing alternatives. Those who buy goods or services are called buyers. Buyers select suppliers and make buying terms and conditions. The person who makes the last decision to buy goods or services from the selected supplier is called decider. Goods are purchased from the supplier selected by the decider. Gatekeeper controls follow of information and other things. Technical staff and personal assistant work as gatekeepers

Organizational buying behavior is influenced by marketing stimuli and other stimuli. Marketing stimuli include product, price, place, and promotion, and other stimuli include economic, technological, political, cultural, and competition. These motivators bring changes in the buyers' behavior after they enter an organization. Or these

stimuli influence the selection of goods or services, selection of suppliers, order, quantities, delivery time, terms and conditions of goods or services, etc.

According to ***Pette D. Bennett, "Organizational buying behavior is the decision-making process by which a buying group establishes the needs for goods and services and identifies, evaluates, and chooses among alternative brands and suppliers."***

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According to ***W. M. Pride and O. C. Ferrel, "Organizational buying behavior refers to the purchase behavior of producers, government units, institutions and resellers."***

In conclusion, the behavior shown by an organization while buying goods or services is called organizational buying behavior. Users, influencers, buyers, deciders, and gatekeepers are involved in the organizational buying process. Organizational buying behavior is influenced by marketing stimuli and other stimuli. Generally, these stimuli influence the selection of goods or services, selection of suppliers, buying quantity, terms of delivery, terms of service, and terms of payment.

Features of Organizational Buying Behavior

Few buyers, close relationships between buyers and suppliers, rational buyers, direct channels, an adaptation of certain purchase policies made by business organizations, etc. are the main features of organizational buying behavior.

1. **Few buyers**
   As the organization itself become a buyer, organizational buyers are few in number. But they buy in huge quantities. Organization buyers live scattered in different places.
2. **Close relationship**
   Organizational buyers and suppliers have close relations. It may be long-lasting. Such relation has a positive effect on future buying. Generally, all organizational buyers and suppliers have a close relationship.
3. **Rational buyers**
   The buyer becomes rational in organizational buying. Professional and trained buyers are involved in buying. So, buying decision becomes rational.
4. **Direct channel**
   As organizational buyers buy a huge quantity, they buy goods directly from the producer. So, the marketing channel becomes direct. But some organizations buy goods through intermediaries or agencies.
5. **Purchase a policy**
   The buying method of organizations and persons become different. An organization makes certain policies for buying and buying goods according to the policy. Buying through quotation, buying through tender, buying through contract, etc. are the major buying policies of organizations.

Organizational Buying Process

Organizational buying has certain processes. The following figure shows the organizational buying process. There are eight stages. An organization may go through all of these stages as follows or it may change some of them. This depends on buying quantity, buying price, nature of goods, buying frequency, etc.

1. **Need Recognition**
   The organizational buying process starts from the need for recognition. In an organization, a certain person recognizes the need for certain goods and after buying the needed goods, the need is fulfilled. Needs in the organization can be recognized in two ways. They are external stimuli and internal stimuli. If a company decides to produce new goods, it is internal stimuli. It needs to buy new

goods and equipment. Similarly, when a buyer observes a trade exhibition, s/he may make his/her idea to buy new goods. Such an idea is external stimuli because this idea is made from the outer environment and materials should be purchased for this.

2. **Need Description**
   After the need is recognized, the buyers should describe the need. This task is completed in the second stage of the organizational buying process. While describing the need, features of needed goods and needed quantity should be described. If the goods have standards, this task becomes easy; if otherwise, it becomes complicated. The help of engineers, users, and consultants should be taken for complex goods.

3. **Product Specification**
   The task of preparing a specific description of goods is the third stage of the organizational buying process. In this stage, the description performance of goods is prepared to solve the problems. Technicians' help should be taken for this task. In this stage, the value of goods is analyzed.

4. **Supplier Search**
   At this stage of the organizational buying process, the buyer searches for proper suppliers or sellers. The buyer prepares a list of suppliers to select good and proper suppliers. This list is prepared by looking at the trade directory, searching on the Internet, asking other companies for suggestions, etc. If the goods to be bought are new, complicated, and costly, it needs a long time to search for suppliers.

5. **Proposal Solicitation**
   Proposal solicitation is the fifth stage of the organizational buying process. At this stage, the buyer calls the best suppliers for submitting proposals. As a reaction, some send catalogs or sellers to the organization. If the product is costly and complicated, the buyer demands a detailed proposal, and if the product is technical, the business organization calls for presenting the product itself.

6. **Supplier Selection**
   At the sixth stage of the organizational buying process, buyers assess the proposal and select one or more suppliers. For selecting the suppliers, a list is prepared and a rating is made on the basis of their attributes and importance. Then the best supplier is selected. Analysis of the suppliers is done in the following ways.

Supplier Attribute	Rating				
	Very poor (1)	Poor (2)	Fair (3)	Good (4)	Excellent (5)
Price competitiveness			×		
Product quality, reliability					×
Service and repair capabilities					×
On-time delivery			×		
Quality of sales representatives				×	

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Overall responsiveness to customer needs					×
Overall reputation Average Score = 4.29					×

7. **Order Routine Specification**
   After the best suppliers have been selected, the buyer prepares the final order. In this order, all the matters such as attribute of goods, quantity, specification, time for supply, warranty, method of payment, service after sale, etc. should be clearly mentioned.

8. **Performance Review**
   This is the last process of organizational buying. At this stage, the buyer reviews suppliers' performance. This type of review helps to make a decision on whether to continue the relationship with the supplier or change or end the relationship. If the performance of the supplier is satisfactory, the relationship can be continued; if it is somewhat defective if partial correction is made and the relationship is maintained. But if the performance is disagreeable, it is broken.

Stages of the buying process	Buying situations		
	New task	Modified rebuy	**Straight rebuy**
1. Problem recognition	Yes	Maybe	No
2. General need description	Yes	Maybe	No
3. Product specification	Yes	Yes	Yes
4. Supplier search	Yes	Maybe	No
5. Proposal solicitation	Yes	Maybe	No
6. Supplier selection	Yes	Maybe	No
7. Order-routine specification	Yes	Maybe	No
8. Performance review	Yes	Yes	Yes

Factor Determining Organizational Buying Decision

The behavior of an organization shown in buying goods or services is called organizational buying behavior. The organizations buy goods or services for business use, resale, produce other goods or provide services. Business and industrial organizations buy goods to use in business or produce other goods.

1. **Environmental Factors**
   Environment factors affect organizational buying behavior. This includes economic, technological, political-legal, social responsibility, and competition.

   a. **Economic Factors:** Economic factors affect organizational buying behavior. This includes the level of demand and economic health. The level of demand includes capacity and desire for buying goods. This is affected by income distribution and the price of the product. Prosperity, recession, and recovery are included in economic health. The prosperity condition is economically good condition. A recession is an economically bad condition.

   b. **Technological Factors:** Technological factors also affect organizational behavior. This includes the level of technology, the pace of technology, technology transfer, etc. E-commerce, as well as information technology, has got revolutionary change. It has directly affected organizational buying behavior.

   c. **Political and Legal Factors:** Political and legal factors also affect the organizational buying process directly. Political factors include political system, political situation, political thought, government policies, etc. whereas constitution, laws, rules, and regulations, etc. are included in legal factors.

   d. **Social Responsibility:** A business organization should consider social responsibility while buying any goods or services. Indigenous goods should be given preference in buying and the interest of society should be protected. Interests of different pressure groups of the society also should be considered when buying goods or services.

   e. **Competition:** Competition also affects buying behavior. This competition includes pure competition, monopolistic competition, and oligopoly competition.

2. **Organizational Factors**
   Organizational factors also affect organizational buying behavior. This includes objectives, policies, procedures, organizational structure, and system.

   a. **Objectives:** Buying objective is determined according to the organizational goal. Goods should be purchased according to the organizational objective. As goods or services need to be purchased according to organizational goals, buying is affected by objectives.

   b. **Policies:** Purchasing or buying policy also affects organizational buying behavior. Goods should be purchased according to buying policy of the organization. If the organization has a policy of buying indigenous goods, the buyer cannot buy foreign goods. If the purchasing policy is silent in this matter, whichever goods, foreign or indigenous, can be purchased as desired.

   c. **Procedures:** The methods and process adopted by an organization to buy goods or services is called procedure. Goods or services can be purchased

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directly through agreement, or through tender, demanding catalog etc. Any of the method can be adopted to buy goods or services. Whichever procedure the organization has adopted, the buyer should follow it.

d. **Organizational Structure:** Organizational structure defines authority and relations which directly affects buying behavior. In some organizations, goods or services are purchased by direct order of the chief executive while in some other organizations, goods or services are bought through the purchasing department. So, buying behavior is affected by organizational structure.

e. **System:** Purchasing system also directly affects buying behavior. An organization can adopt any one or more such as a centralized system, decentralized system, huge quantity purchase system, and others.

3. **Interpersonal Factors**
Interpersonal factors also affect buying behavior. This includes authority, status, interest etc.

a. **Authority:** The person to whom the organizational structure gives authority to order for purchase, no goods can be purchased without his order. Buying decision of such authority plays an important role in buying.

b. **Status:** The persons to purchase goods or services and to give order for purchase may be different in an organization. As much the behavior of the person issuing purchase order affects behavior of the buyer. If the status or level of the buyer is high, his buying decision becomes rational and quick. His/her behavior becomes mature.

c. **Interest:** Users, influencers, buyers, deciders and gate keeper are involved in the organizational buying process. Their interest affects the organizational buying process. As their interest becomes different, buying process may be complicated.

4. **Personal Factors**
Personal factors also affect buying behavior. This includes age of the person, education, level of job, personality, etc.

a. **Age:** The age of a person also affects selection and priority. Younger persons make buying decisions and supplier selections quicker than older aged persons. Similarly, the younger persons try to find new suppliers whereas older persons try to give continuation to the same who is supplying. So, this also affects buying process.

b. **Education:** Education makes a person able to analyze good or bad. So, an educated person takes buying decisions rationally whereas an uneducated person makes buying decisions at hit and miss or hunch. The educated person selects goods or services carefully. So, buyers' education also affects organizational buying behavior.

c. **Job Position:** A job position also shows a person's status. A buyer's position or status also affects his buying behavior. The buyer's status may be low or high.

d. **Personality:** The personality of a person working in an organization may be different. Personality affects the selection of quality, brand, price, etc. So, a buyer's personality also affects organizational buying behavior.

e. **Risk Attitude:** Risk bearing capacity of men becomes different. Some can bear more risk and others like to take less risk. Similarly, some like to avoid risk and some others like to face it. The capacity and attitude to bear risk also affect buying behavior. The buyers have the capacity to take high risks to become aggressive. But those having the less risk-bearing capacity and having no risk-bearing capacity do not do so.

2.13 CHAPTER SUMMARY

Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics. Market segmentation is a process that consists of sectioning the target market into smaller groups that share similar characteristics, such as age, income, personality traits, behavior, interests, needs, or location. Knowing what market segmentation is and the benefits it has for your organization will help you implement it correctly. Need for Market Segmentation (Why Market Segmentation?) Not all individuals have similar needs. A male and a female would have varied interests and liking toward different products. After segmenting the market, an organization focuses on or targets the most profitable segments to gain profit. "Consumer behaviour is the actions and the decision processes of people who purchase goods and services for personal consumption" – according to Engel, Blackwell, and Mansard, Consumer buying behaviour refers to the study of customers and how they behave while deciding to buy a product that satisfies their needs. The buyer behavior model is a structured step-by-step process. Under the influence of marketing stimuli (product, price, place, and promotion) and environmental factors (economic, technological, political, cultural), a customer understands the need to make a purchase.

2.14 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. **What do you understand by market segmentation and what is the Basis of Market Segmentation?**
2. **How to implement a market segmentation strategy?**
3. **Write a brief note on evaluating the market segment.**
4. **What are 3 keys to strategic positioning?**
5. **Write the features of organizational buying behaviour.**

LONG ANSWER TYPE QUESTIONS

1. **What are the 4 types of market segmentation? Explain briefly.**
2. **Derive Benefits and criteria for successful market segmentation.**
3. **Write a brief note on:**
   a. **Selecting the Market Segment**

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b. **Tools for Competitive Differentiation.**

4. **How to evaluate the potential profitability of each segment?**
5. **Define the business and its Characteristics.**

2.15 MULTIPLE CHOICE QUESTIONS

1. **__________________is a process that consists of sectioning the target market into smaller groups that share similar characteristics, such as age, income, personality traits, behavior, interests, needs, or location.**
   a. Market segmentation
   b. Target market
   c. Consumer behaviour
   d. None of the above
2. **_______________ buyers would buy the products or services to produce some new products for sales.**
   a. Consumer
   b. Business
   c. Both of the above
   d. None of the above
3. **The _________ of a person also affects selection and priority. Younger persons make buying decisions and supplier selections quicker than older aged persons.**
   a. Education
   b. Job Position
   c. Personality
   d. Age
4. **The methods and process adopted by an organization to buy goods or services is called ____________.**
   a. Policies
   b. Procedures
   c. Organizational Structure
   d. System
5. **Many consumers are interested in taking steps to protect their personal wellbeing:**
   a. Acceptance
   b. Fear
   c. Health
   d. Impulse
6. **Indigenous goods should be given preference in buying and the interest of society should be protected:**
   a. Social Responsibility
   b. Technological Factors
   c. Political and Legal Factors
   d. Competition

7. **This task is completed in the second stage of the organizational buying process.**
   a. Product Specification
   b. Supplier Search
   c. Supplier Selection
   d. Need Description
8. **Peer pressure also influences consumer behavior:**
   a. Marketing campaigns
   b. Economic conditions
   c. Personal preferences
   d. Group influence
9. **It studies the prototype of a sample product in a market.**
   a. Performance
   b. Conformance
   c. Service Differentiation
   d. Personnel Differentiation
10. **This includes procurement in a given period of time or encompasses all purchases made.**
   a. Recency
   b. Frequency
   c. Monetary Value
   d. All of the above

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UNIT III

MARKETING RESEARCH PROCESS

STRUCTURE

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3.1 LEARNING OBJECTIVE

After learning this unit students will be able to:

- Grasp the meaning and basic concepts of marketing research.
- Understand the Characteristics of Good Marketing Research.
- Understand the Role of Marketing Planning and its basic concepts.
- Understand the Emerging Issues or Problems in Marketing Research.
- Understand the Applications and Limitations of Marketing Research.
- Understand the Ethical Issues in Marketing Research.
- Understand the Mystery Shopping and Demand Measurement and Sales Forecasting.

3.2 MARKETING RESEARCH PROCESS

Marketing research refers to the process by which an organization gathers information about its ideal customer and larger market in order to inform the organization's go-to-market strategy. This research might include gathering data from current or former customers, consumers in your target market, or even the marketing activities of competitors.

How Does Market Research Help a Business?

Marketing research helps a business by giving it insights into what customers say they like and dislike, and what they say they want. These insights come in both quantitative and qualitative forms and can play a massive role in empowering a business's decision-making. Marketers play a significant role in both gatherings and interpreting the data used in marketing research. In most organizations, the marketing department (sometimes in conjunction with sales) has a pulse on the customer base. Marketers are well-positioned to actually reach the people needed to perform market research.

Generally speaking, marketing also has the skills needed to interpret the data that comes in through market research. Companies of any size will have a trained researcher or analyst that assists with preparing marketing research, keeping results rational rather than reactionary.

Market Research Methods

All that is well and good, but if you're still wondering "how do you do market research?" we've got you covered. The role of research in marketing is to derive marketing insights from real data. To build an effective marketing research study, most marketers will follow some combination of the following market research steps or categories:

- Qualitative marketing research explores a topic from a descriptive or conceptual lens. With this type of marketing research, participants describe from their perspective how something is or behaves, rather than putting numbers to it.
- Quantitative marketing research is a purely numbers-driven approach. This type of research gathers data from responses that can be counted or quantified.

MARKETING RESEARCH PROCESS

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- Ethnographic marketing research is any effort that attempts to gauge the marketing initiative or product in a natural environment or with anthropology as its basis.
- Business to business (B2B) marketing research is any of the above or other methods or steps applied in a B2B context. This category has a new set of challenges: getting any responses at all can be difficult, and getting honest ones can in some situations be challenging.

TYPES OF MARKET RESEARCH: MARKET RESEARCH METHODS AND EXAMPLES

Whether an organization or business wishes to know the purchase behavior of consumers or the likelihood of consumers paying a certain cost for a product, market research helps in drawing meaningful conclusions.

Depending on the methods and tools required, the following are the types:

1. **Primary Market Research (A combination of both Qualitative and Quantitative Research):** Primary market research is a process, where organizations or businesses get in touch with the end consumers or employ a third party to carry out relevant studies to collect data. The data collected can be qualitative data (non-numerical data) or quantitative data (numerical or statistical data).

   While conducting primary market research, one can gather two types of information: Exploratory and Specific. Exploratory research is open-ended, where a problem is explored by asking open-ended questions in a detailed interview format usually with a small group of people also known as a sample. Here the sample size is restricted to 6-10 members. Specific research, on the other hand, is more pinpointed and is used to solve the problems that are identified by exploratory research.

   As mentioned earlier primary market research is a combination of qualitative market research and quantitative market research. A qualitative market research study involves semi-structured or unstructured data collected through some of the commonly used qualitative research methods like:

   a. **Focus groups:** Focus group is one of the commonly used qualitative research methods. A Focus group is a small group of people (6-10) who typically respond to online surveys sent to them. The best part about a focus group is the information can be collected remotely and can be done without personally interacting with the group members. However, this is a more expensive method as it is used to collect complex information.

   b. **One-to-one interview:** As the name suggests this method involves personal interaction in the form of an interview, where the researcher asks a series of questions to collect information or data from the respondents. The questions are mostly open-ended questions and are asked in a way to facilitate responses. This method is heavily dependent on the ability and experience of the interviewer to ask questions that evoke responses.

   c. **Ethnographic research:** This type of in-depth research is conducted in the natural settings of the respondents. This method requires the interviewer to adapt himself/herself to the natural environment of the respondents which could be a city or a remote village. Geographical constraints can be a hindering factor in conducting this kind of research. Ethnographic research can last from a few days to a few years.

2. **Secondary Market Research:** Secondary research uses information that is organized by an outside source like government agencies, media, chambers of commerce, etc. This information is published in the newspaper, magazines, books, company websites, free government, and non-government agencies, and so on. The secondary source makes use of the following:

   a. **Public sources:** Public sources like the library are an awesome way of gathering free information. Government libraries usually offer services free of cost and a researcher can document available information.

   b. **Commercial sources:** Commercial sources although reliable are expensive. Local newspapers, magazines, journals, and television media are great commercial sources to collect information.

   c. **Educational Institutions:** Although not a very popular source of collecting information, most universities and educational institutions are a rich source of information as many research projects are carried out there than any business sector.

3. **Quantitative and qualitative market research**

   According to the type of data obtained, surveys are divided into: quantitative and qualitative. Quantitative research is conducted when the marketing problem is sufficiently well defined, the solution of which requires quantitative data, subjected to appropriate processing.

   These studies are strictly formalized and run in a certain sequence as a rule, these surveys are based on large samples of respondents. The collected quantitative data are processed using statistical techniques through appropriate computer programs. The most important feature of quantitative surveys is their representativeness.

   They require complex organization, a large budget, a team of diverse specialists, and enough qualitative research is used in cases where the solution of the problem cannot be done on the basis of quantitative data but requires understanding, reasoning, explanation, etc. They are used to identify and formulate marketing problems and hypotheses, as well as and in the need to make sense of and explain the quantitative data.

OBJECTIVE OF MARKET RESEARCH

1. **Identify Customer Needs and Expectations**

   Marketing research helps businesses in understanding the needs and wants of customers. Proper knowledge of what customers want is necessary to deliver the products as per their expectations. Marketing research involves reaching out to customers and interacting with them to understand their demands. It helps in developing the right product as per customer requirements.

2. **Minimize Marketing Costs**

   The marketing research process monitors and controls all marketing programs. It

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performs a proper analysis and research of the market before formulating various marketing policies. It helps in choosing the efficient means of advertising and distributing the goods to reduce the marketing expenses. Marketing strategies used by competitors are also analyzed through this process to design better plans for marketing.

3. **Setting Up Proper Price Policy**
   Deciding a proper price is a crucial decision for every business organization. Pricing policy should be such that it should neither adversely affects the customers nor the organization itself. Market research conducts research about price policies adopted by several other competitors in the market. It collects a considerable amount of information regarding what competitors are charging and also what customers are willing to pay. This all helps in deciding optimum prices for different products.

4. **Finds Target Market and New Opportunities**
   Identifying potential customers and new opportunities is important for grabbing the market. Marketing research explores the wide and large market and finds out the opportunities for new products by recognizing the unfulfilled needs of customers.

   It finds and gathers collections about new areas where its products can be sold. Different information about people of that area like their taste and preferences, purchasing power, culture, and tradition is collected and analyzed to target that area.

5. **Recognise Deficiencies in Product**
   Marketing research helps companies in identifying the deficiencies in their products. Timely identification and removal of faults from company products are essential to retain its image in the market. The marketing research process involves interacting with customers and taking their valuable feedback and suggestion.

   These suggestions and feedback from customers help the customers in improving their product quality. Marketing research also informs of any technological changes in the market to business so that accordingly changes can be made timely.

6. **Product Positioning in Market**
   Positioning of products among targeted customers is an important task. It is the means through which customers are attracted and the market for the product is developed. The marketing research process collects all relevant information about the targeted audience.

This information helps in designing a company that offers an image that may attract customers and have a long-lasting effect on their minds. A positioning strategy is designed differently for each product that may attract large customers. These strategies should clearly denote the main features of products.

IMPORTANCE OF MARKET RESEARCH

Companies need accurate and current information about the marketing environment's conditions to develop an effective marketing strategy. Demand and competition in the market continue to change from time to time, including about:

1. **Trending tastes and needs of consumers** – for example, people are getting online and leaving conventional media such as print newspapers.
2. **Changes in the macro-environment**, be it political, economic, social, technological, environmental, or regulatory. For example, technology enables companies to explore more data about consumers. Or, COVID-19 can make the economy crash and reduce outdoor activities.
3. **Competitive dynamics** – for example, globalization brings more fierce competition because companies are not only competing with local companies but also globally.

Such changes present both threats and opportunities. Competitive advantage can turn into a disadvantage because companies do not adapt to such changes. They need different strategies and tactics to support a sustainable competitive advantage.

PROCESS OF MARKETING RESEARCH

1. **Problem Identification**

   The first and foremost step in the marketing research process. The identification of problems. For which the research is to be conducted. Unless and until the problem is recognized clearly. No clear-cut plan can be formed leading to wastage of resources.

2. **Research Plan Formulation**

   It consists of strategies. That is to be followed, for solving the problem and achieving the required objectives and goals. It involves various data sources. From which data is to be collected. Various research approaches, contacting ways, and sampling methods.

4. **Acquiring And Gathering Information**

   It is one of the important steps in this process. Its focus is on a collection of all required information. Using various data sources. So that the result will come true and be fair.

5. **Interpretation Of Information**

   The successful collection of all required information. A systematic and proper study is to be done. To conduct a successful analysis of all collected information. To get details in accordance with the research plan.

6. **Result Presentation**

   In this step, all the findings of the process are presented to the management team. For the researcher to take efficient decision-making.

7. **Decision Making**

   This is the ending of the marketing research process. Once the research results are presented to the management team. They use this research information in their decision-making.

SCOPE OF MARKETING RESEARCH

1. **Determines Customer Behaviour**

   Market research helps the organization in understanding the behavior of customers. It performs research and acquires data like age, gender, income, likes, dislikes, etc. related to customers. All this data provided to an organization helps them in developing the right product to satisfy their wants. Marketing research

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helps organizations in understanding the needs and wants of customers and thereby accordingly formulates their production policies.

2. **Provide Valuable Data**
   Effective decision-making of any organization depends entirely on the quality of information available to it. Marketing research supplies all important information about the market to the management team. It keeps organizations aware of market factors like demand, supply, competition, technological changes, consumer behavior, etc. All this information is vital for strategic decision-making. Managers frame all their organization policies in accordance with data supplied by marketing research.

3. **Helps in Sales Forecasting**
   Marketing research support business activities by forecasting sales using different techniques. Producing and maintaining an optimum level of inventory in the organization is a challenging task in front of every product manager. Producing goods in accordance with demand helps in reducing risk and raising profit. Overproducing and under-producing goods adversely affect the business. Marketing research forecasts sales using the sale force estimate method, sale force method, jury method, etc., and supplies data to the organization. This helps in framing production policies accordingly.

4. **Lower Business Risk**
   Marketing research plays an important role in reducing business risk and raising the revenue of the business organization. It helps businesses in carrying on their operations in accordance with market requirements. The business acquires all current data and generalized information about market trends. All decisions are taken in order to focus on the customer's current demands and thereby produce the right product. This results in avoiding resources of the organization and lowering risk.

5. **Evaluate Market Performance**
   Market performance has an effective role in developing a good image of the business in the market. Marketing research helps the business in evaluating its performance in the market and taking action accordingly to improve it. It checks the effects of product, price, brand name, packaging, etc. on sales volume. Marketing research studies the customer response towards company products in the market and provides all data. It evaluates and helps in choosing the best pricing policies, distribution channels, and advertising techniques which help in improving the market performance.

6. **Facilitates Introduction of New Products**
   Marketing research enables the business to examine and introduce their new products in the market. It enables to conduct of testing of new products in small or local markets initially and studying consumer reaction towards it. This helps the business in understanding the deficiencies and problems in their product. They can accordingly overcome these issues and develops an efficient marketing mix for their product. All of these help in minimizing the risk involved in the launching of a new product.

7. **Choose the Best Promotion Techniques**
   Selection of proper promotional techniques is a must for increasing the sales of a business. Marketing research helps businesses in deciding on suitable

promotional and marketing programs for their products. It helps the business in understanding the customers' needs and behavior.

Accordingly, promotional techniques are designed and implemented which display the key wants of customers as the product features. It has an influencing and long-lasting effect on customers and helps in attracting more of them. Marketing research increases the sales of a business by choosing the best promotional measures.

CLASSIFICATION OF MARKET RESEARCH

Market research is divided into three different types:

1. **Exploratory Research:** Exploratory Research is used to collect preliminary data to clarify the nature of a marketing problem before designing a more extensive research project. It follows a format that is less structured and more flexible. This approach works well when the marketer doesn't have an understanding of the topic or the topic is new and it is hard to pinpoint the research direction. For example: a marketer has heard news reports about a new Internet technology that is helping competitors but the marketer is not familiar with the technology and needs to do research, to discover and learn more about the technology in-order to take advantage from it. Such research is exploratory research, conducted to clarify and define the nature of a problem, formulating it more precisely, gathering explanation and insight and eliminate impractical ideas (if there are any).
2. **Descriptive Research:** Descriptive research describes marketing mix characteristics. It is also used to explain a particular issue or problem. The focus of descriptive research is to provide an accurate description for something that is occurring. For example, what age group is buying a particular brand? A product's market share within a certain industry; how many competitors a company may face? etc. This research is used extensively when the purpose is to explain, monitor and test hypotheses. The principal difference between exploratory and descriptive research is that, in case of the latter, specific research questions have been formulated before the research is undertaken. When descriptive research is conducted the researcher must already know a great deal about the research problem, perhaps because of a prior exploratory study, and is in a position to clearly define what to measure and how to measure.
3. **Causal Research:** Causal or predictive research is used to test the cause-and-effect relationships. Using causal research allows researchers to answer "What if" or "Why" type of questions. To conduct causal research, the researcher designs an experiment that controls or holds constant, all of a product's marketing elements except one. The one variable is changed, and the effect is then measured. If researchers understand the causes of the effects observed, then the ability to predict and control such events is increased. Therefore, to be effective, the design of causal research is highly structured and controlled so that other factors being studied do not affect it.

3.3 CHARACTERISTICS OF GOOD MARKETING RESEARCH

Many marketing managers fail to use marketing research as a tool to create valid marketing plans. The key reason for marketing research is to provide information about the market on demand. It is one of the essential activities or an essential part of modern marketing. Here are seven characteristics of good marketing research.

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1. **Scientific method:** Observation, hypothesis, prediction, and testing.

   Since the goal of conducting a marketing research project is to expose helpful information, how your demeanor during your research is critically vital. Good research follows this standard procedure.
2. **Research creativity:** Be innovative and focused on results that matter most. This requires a few levels of inspiration in your research.
3. **Multiple methods:** Don't get hooked on one method as the best or only way to do research. In your research, constantly make sure you assume the research to the problem. In other words, don't say you want to do a survey and then figure out a problem to solve. Good research recognizes the value of using numerous methods and sources to achieve reliable information. Marketing researchers are inhibited away from over-reliance on any one method. They also distinguish the value of using two or three methods to increase confidence in the results.
4. **Results-driven by a method chosen:** The research result (data) is limited by the research method. Don't be tempted to read too much into the results. The research model you choose will eventually decide the type of information, its validity, and your aptitude to act based on findings. Therefore, always base your research efforts on hard models that are obviously defined and as explicit as probable. Marketing researchers distinguish that data are interpreted from fundamental models that guide the type of information required.
5. **Value:** It is easy to determine the cost of research, but the results have to be "valuable enough" so that management will make decisions based on the results. Stop doing research once this threshold has been reached. However, to steward resources efficiently, marketers require considering the cost of market research, the value of the information gathered, and the probability of management's ability or enthusiasm to act on such information.
6. **Scepticism:** Be alert to flaws and blind acceptance of myths or urban legends. Often times, those in the midst of a market are incapable of obviously see the market. The "forest through the trees" situation applies here. Marketing researchers show a good scepticism toward persuasive assumptions by managers about how a market works.
7. **Ethics:** Don't mix up marketing research with leadership development or other sales-related activities. It shows a strong admiration for the company, the product, and the customers and never tries to damage or take advantage of customers. The mistreatment of marketing research can destroy or annoy consumers, rising resentment at what consumers regard as an assault on their privacy or a disguised sales pitch.

3.4 THE ROLE OF MARKETING PLANNING

A marketing plan is an operational document that outlines an advertising strategy that an organization will implement to generate leads and reach its target market. A marketing plan details the outreach and PR campaigns to be undertaken over a period, including how the company will measure the effect of these initiatives. **The functions and components of a marketing plan include the following:**

- Market research to support pricing decisions and new market entries
- Tailored messaging that targets certain demographics and geographic areas

- Platform selection for product and service promotion: digital, radio, Internet, trade magazines, and the mix of those platforms for each campaign
- Metrics that measure the results of marketing efforts and their reporting timelines

A marketing plan is based on a company's overall marketing strategy.

Purpose of a Marketing Plan

The purpose of a marketing plan includes the following:

- To clearly define the marketing objectives of the business that align with the corporate mission and vision of the organization. The marketing objectives indicate where the organization wishes to be at any specific period in the future.
- The marketing plan usually assists in the growth of the business by stating appropriate marketing strategies, such as plans for increasing the customer base.
- State and review the marketing mix in terms of the 8Ps of marketing – Product, Price, Place, Promotion, People, Process, Physical Evidence, and Performance.
- Strategies to increase market share, enter new niche markets, and increase brand awareness are also encompassed within the marketing plan.
- The marketing plan will contain a detailed budget for the funds and resources required to carry out activities indicated in the marketing plan.
- The assignment of tasks and responsibilities of marketing activities is well enunciated in the marketing plan.
- The identification of business opportunities and any strategies crafted to exploit them is important.
- A marketing plan fosters the review and analysis of the marketing environment, which entails market research, customer needs assessment, competitor analysis, PEST analysis, studying new business trends, and continuous environmental scanning.
- A marketing plan integrates business functions to operate with consistency – notably sales, production, finance, human resources, and marketing.

Elements of a Marketing Plan

A marketing plan will typically include the following elements:

1. **Marketing objectives of the business:** The objectives should be attainable and measurable – two goals associated with SMART, which stands for Specific, Measurable, Attainable, Relevant, and Time-bound.
2. **Current business marketing positioning:** An analysis of the current state of the organization concerning its marketing positioning.
3. **Market research:** Detailed research about current market trends, customer needs, industry sales volumes, and expected direction.
4. **Outline of the business target market:** Business target market demographics.
5. **Marketing activities:** A list of any actions concerning marketing goals that are scheduled for the period and the indicated timelines.

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Key performance indicators (KPIs) to be tracked

a. **Marketing mix:** A combination of factors that may influence customers to purchase products. It should be appropriate for the organization and will largely be centered on the 4Ps of marketing – i.e., product, price, promotion, and place.

b. **Competition:** Identify the organization's competitors and their strategies, along with ways to counter competition and gain market share.

c. **Marketing strategies:** The development of marketing strategies to be employed in the coming period. These strategies will include promotional strategies, advertising, and other marketing tools at the disposal of the organization.

d. **Marketing budget:** A detailed outline of the organization's allocation of financial resources to marketing activities. The activities will need to be carried out within the marketing budget.

e. **Monitoring and performance mechanism:** A plan should be in place to identify if the marketing tools in place are bearing fruit or need to be revised based on the past, current, and expected future state of the organization, industry, and the overall business environment.

Structure of a Marketing Plan

The structure of a marketing plan can include the following sections:

1. **Marketing Plan Objectives**
   This section outlines the expected outcome of the marketing plan with clear, concise, realistic, and attainable objectives. It contains specific targets and time frames. Metrics, such as target market share, the target number of customers to be attained, penetration rate, usage rate, sales volumes targeted, etc. should be used.

2. **Market Research – Market Analysis/Consumer Analysis**
   Market analysis includes topics such as market definition, market size, industry structure, market share and trends, and competitor analysis. Consumer analysis includes the target market demographics and what influences their buying decisions – e.g., loyalty, motivation, and expectations.

3. **Target Market**
   This defines the target customers by their demographic profile, such as gender, race, age, and psychographic profile, such as their interests. This will assist in the correct marketing mix for the target market segments.

4. **Marketing Strategy**
   The marketing strategy section covers actual strategies to be included according to the marketing mix. The strategy centers on the 8Ps of marketing. However, firms are also at liberty to use the traditional 4 P's of marketing – product, price, place, and promotion. The correct marketing mix is determined by the target market. The most expensive options are advertising, sales promotions, and PR campaigns. Networking and referrals are less costly. Marketers also need to pay attention to

digital marketing strategies that make use of technology to reach a wider market and have also proven to be cost-effective.

Digital marketing channels, which became popular in the early 21st century, may eventually overtake traditional marketing methods. Digital marketing encompasses trending methods, such as the use of social media for business. Other strategies within the marketing strategy include pricing and positioning strategy, distribution strategy, conversion strategy, and retention strategy.

5. **Marketing Budget**

The marketing budget or projection outlines the budgeted expenditure for the marketing activities documented in the marketing plan. The marketing budget consists of revenues and costs stated in the marketing plan in one document. It balances expenditures on marketing activities and what the organization can afford. For example, promotional activities, cost of marketing materials and advertising, and so on. Other considerations include expected product volume and price, production and delivery costs, and operating and financing costs.

The effectiveness of the marketing plan depends on the budget allocated for marketing expenditure. The cost of marketing should be able to make the company break even and make profits.

6. **Performance Analysis**

Performance analysis aims to look at the variances of metrics or components documented in the marketing plan. These include:

- Revenue variance analysis: An analysis of positive or negative variance of revenue. A negative variance is worrisome, and reasons should be available to explain the cause of deviations.
- Market share analysis: An analysis of whether the organization attained its target market share. Sales may be increasing whilst the organization's share of the market is decreasing; hence, it is paramount to track this metric.
- Expense analysis: An analysis of marketing expense to sales ratio. This ratio needs to be compared to industry standards to make informed comparisons.

The ratio enables the organization to track actual expenditures versus the budget. It is also compared to other metrics, such as revenue analysis and market share analysis. It can be dissected into individual expenditures to sales to get a clearer picture.

3.5 EMERGING ISSUES OR PROBLEMS IN MARKETING RESEARCH

Though most organizations started recognizing the importance of Marketing Research in Decision Making, it has its own inherent limitations. There are many problems in conducting marketing research in India. The following points elaborate on these problems in detail.

1. **Non - Availability of Data**

Marketing Research depends on both primary and secondary sources of data. Primary data should be considered only as a last resort. But data collected through secondary sources is very meager and inadequate. Even if data are available mostly it is outdated as the agencies make inordinate delays in gathering and

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publishing data. To cite an example, despite the best efforts of the Government of India through computerization there are inordinate delays in publishing census reports and data becomes redundant by the time they publish.

2. **Lack of Trained Enumerators**
   Data collection is a specialized job. Marketing Research heavily depends on data collection and analysis. owing to the scarcity of trained enumerators reliable data is becoming scarce. Even if data is available its reliability is highly questionable because the data is not collected scientifically.
3. **Problems of Primary Data**
   As primary data collection has a limited purpose, these statistics cannot be used repeatedly. They are confined to a smaller geographical area and serves a limited purpose. These primary studies conducted at different locations can't be strictly comparable for decision making and they may give conflicting results due to divergent methodologies used in different studies. These studies are scattered, not reliable & mostly unorganized.
4. **Non-Cooperation of Respondents**
   Most Respondents don't respond to the surveys. If at all they agree to furnish information, they don't involve in the survey and mechanically they just furnish information without knowing the implications. Non- cooperation from respondents is really a limiting factor on the reliability of results of Marketing Research.
5. **Lack of Trust**
   Most respondents do not respond with a fear that the crucial information collected from respondents is misused, more so certain confidential information. This is because of lack of trust on the part of respondents
6. **Abuse of Respondents Information**
   It has become a practice to abuse crucial lots of the data gathered for the purpose. To cite an example, a credit card holder gets information from many other sales organizations promoting their products and services. Credit card issuing Agencies sell this information to other related business units and in turn, they use this information to promote their products for commercial use.
7. **Lack of Professionalism**
   Most organizations even today feel that Marketing Research is a luxury. Companies are not willing to invest in Marketing Research as it does not give quick and direct results. Companies believe in their intuition and gut feelings. In small business units & family-run businesses, Marketing Research does not play a greater role.
8. **Lack of Integrated Approach**
   Marketing Research should be integrated with marketing functions. But in most cases, Marketing Research is separated with that from marketing. Even if Marketing Research is used it is used as a piecemeal approach and not with an integration of other functions and also not on a continuous basis. It happens mostly as a one-time activity and crisis management activity.
9. **Expensive**
   Marketing Research needs huge sums and the results are only indicative, informative, and approximates. They are not accurate. Marketing Research does not solve the problem. It may help in creating alternative possible solutions to the

problem. In most cases, it is proved that the costs are disproportionately higher than the benefits that accrue to the firms.

10. It Involves Precious Time & Money
It is laborious work and consumes lots of time and may not end up in any reliable and fruitful results despite committing valuable resources, efforts, and time.

3.6 APPLICATIONS AND LIMITATIONS OF MARKETING RESEARCH

APPLICATIONS OF MARKETING RESEARCH

1. **Demand Forecasting**
Marketing research helps businesses in estimating the demands of customers. It through various forecasting techniques help business in predicting the right quantity of goods needed and then accordingly produce them.

2. **Sales Analysis**
Marketing research enables businesses in analyzing their sales by examining the sales report. It tells which goods are sold well, whether the sales force is working effectively or not, which inventory should be stocked more and what should be the production capacity.

3. **Advertising Research**
Marketing research has an efficient role in determining an effective and appropriate advertising medium. It analyses various aspects of advertising like themes, appeals, headlines, communication clarity, attention value, etc. according to the advertising goals of the business.

4. **Positioning Research**
Marketing research enables in development the optimal position of a brand or service in the market. It collects and supplies all relevant information about potential customers to the business and this way helps in positioning the products among customers in a better way.

5. **Market Segmentation**
This process collects and communicates all facts about the market to companies. It is the medium through which business is able to acquire key attributes about their potential customers which helps them in creating different target market groups.

6. **Product Research**
Marketing research is a significant tool for planning and developing of products. It enables businesses in designing the right product by providing all information regarding new ideas in the market, testing the new product and evaluating the current product mix to find out the changes that need to be brought in it.

7. **Pricing Research**
It helps businesses in framing proper price strategies for setting the right price for their products. Marketing research collects all information regarding competitors' pricing strategies, customers' price expectations, and various factors affecting the pricing decisions.

8. **Distribution Research**
This research aims at choosing the most appropriate distribution channel to deliver the products to customers in less time. Marketing research analyses

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and identifies the potential distribution channel choosing efficient market intermediaries reduces the distribution cost, and evaluates the performance of the distribution channels.

9. **Customer Satisfaction Research**
It means interacting with customers and taking information about their shopping experience with the brand. Marketing research takes customers' feedback and focuses on their perception regarding the company products.

LIMITATIONS OF MARKETING RESEARCH

Following are the main limitations of Marketing Research:

1. Marketing Research (MR) is not an exact science though it uses the techniques of science. Thus, the results and conclusions drawn upon by using MR are not very accurate.
2. The results of MR are very vague as MR is carried out on consumers, suppliers, intermediaries, etc. who are humans. Humans have a tendency to behave artificially when they know that they are being observed. Thus, the consumers and respondents upon whom the research is carried behave artificially when they are aware that their attitudes, beliefs, views, etc. are being observed.
3. MR is not a complete solution to any marketing issue as there are many dominant variables between research conclusions and market response.
4. MR is not free from bias. The research conclusions cannot be verified. The reproduction of the same project on the same class of respondents gives different research results.
5. Inappropriate training to researchers can lead to a misapprehension of questions to be asked for data collection.
6. Many business executives and researchers have ambiguity about the research problem and its objectives. They have limited experience of the notion of the decision-making process. This leads to carelessness in research and researchers are not able to do anything real.
7. There is less interaction between the MR department and the main research executives. The research department is in segregation. This all makes research ineffective.
8. MR faces time constraints. The firms are required to maintain a balance between the requirement for having a broader perspective of customer needs and the need for quick decision-making so as to have a competitive advantage.
9. Huge cost is involved in MR as collection and processing of data can be costly. Many firms do not have the proficiency to carry out wide surveys for collecting primary data, and might not also be able to hire specialized market experts and research agencies to collect primary data. Thus, in that case, they go for obtaining secondary data that is cheaper to obtain.
10. MR is conducted in an open marketplace where numerous variables act on research settings.

3.7 ETHICAL ISSUES IN MARKETING RESEARCH

1. **Ethical Issues in Marketing**
Ethical problems in marketing stem from conflicts and disagreements. Each party

in a marketing transaction brings a set of expectations regarding how the business relationship will exist and how transactions should be conducted. Each facet of marketing has ethical danger points as discussed below.

2. Market Research

Some ethical problems in market research are the invasion of privacy and stereotyping. The latter occurs because any analysis of real populations needs to make approximations and place individuals into groups. However, if conducted irresponsibly, stereotyping can lead to a variety of ethically undesirable results.

3. Market Audience

Selective marketing is used to discourage demand from so-called undesirable market sectors or disenfranchise them altogether. Examples of unethical market exclusion are past industry attitudes to the gay, ethnic minority, and plus-size markets.

Another ethical issue relates to vulnerable audiences in emerging markets in developing countries, as the public there may not be sufficiently aware of skilled marketing ploys.

4. Ethics in Advertising and Promotion

In the 1940s and 1950s, tobacco used to be advertised as promoting health. Today an advertiser who fails, to tell the truth, offends against morality in addition to the law. However, the law permits puffery (a legal term). The difference between mere puffery and fraud is a slippery slope.

Sexual innuendo is a mainstay of advertising content and yet is also regarded as a form of sexual harassment. Violence is an issue, especially in children's advertising, and advertising is likely to be seen by children.

The advertising of certain products may strongly offend some people while being of interest to others. Examples include feminine hygiene products as well as hemorrhoid and constipation medication. The advertising of condoms has become acceptable in the interests of AIDS prevention but is nevertheless seen by some as promoting promiscuity.

Through negative advertising techniques, the advertiser highlights the disadvantages of competitor products rather than the advantages of their own. These methods are especially used in politics.

5. Delivery Channels

Direct marketing is the most controversial of advertising channels, particularly when approaches are unsolicited. TV commercials and direct mail are common examples. Electronic spam and telemarketing push the borders of ethics and legality more strongly.

6. Deceptive Advertising and Ethics

Deceptive marketing is not specific to one target market, and can sometimes go unnoticed by the public. There are several ways in which deceptive marketing can be presented to consumers; one of these methods is accomplished through the use of humour. Humour provides an escape or relief from some kind of human constraint, and some advertisers intend to take advantage of this by deceptively advertising a product that can potentially alleviate that constraint through humour.

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7. **Anti-competitive Practices**

   Bait and switch is a form of fraud where customers are "baited" by advertising for a product or service at a low price; second, the customers discover that the advertised good is not available and are "switched" to a costlier product. Planned obsolescence is a policy of designing a product with a limited useful life, so it will become unfashionable or no longer functional after a certain period of time and put the consumer under pressure to purchase again. A pyramid scheme is a non-sustainable business model that involves promising participants payment or services, primarily for enrolling other people into the scheme, rather than supplying any real investment or sale of products or services to the public.

8. **Pricing Ethics**

   Bid rigging is a form of fraud in which a commercial contract is promised to one party, although for the sake of appearance several other parties also present a bid.

   Predatory pricing is the practice of selling a product or service at a very low price, intending to drive competitors out of the market, or create barriers to entry for potential new competitors.

3.8 MYSTERY SHOPPING

History of mystery shopping

Mystery shopping first occurred in the 1940s. It was used to the analyze the integrity of employees. Mystery shoppers would pose as employees and analyze attempts of theft by other employees or any other activity that could harm the organization.

Since then, the objective of mystery shopping has demonstrated to change with the changing business environment. Today's companies execute business with a customer-centric strategy because customers determine the success of the organization. They have access to technology and can share their experience online.

If these customers have experienced negative experiences of a company, the chance they will share this experience is high. The result of this could substantially harm the organization when potential customers decide not to buy a product or service based on negative customer feedback.

It is for this reason crucial for current organizations to improve the customer experience, and therefore, improve customer satisfaction and create customer delight. This customer-centric strategy has demonstrated to be an effective research technique to gain insights from the organization at a front level perspective.It enables organization to improve operational efficiency and gain insight in the extent to which the organization's product is delivered.

What is Mystery shopping?

Today, mystery shopping is seen as an evaluation process that is used by market research companies and internally by organizations to measure the quality of the customer experience. It focuses on how organizations comply with regulations, but mystery shopping is additionally used to collect specific information about products and services.

The central objective of mystery shopping is to improve organizational performance.

A mystery shopper performs mystery shopping. This is a person who visit stores and act as a usual customer or employee but who simultaneously collect information about the business's services and related business activities. The information that should be collected varies per organization but could include displays, prices, and the quality of the work of the employees.

If mystery shopping occurs at a service company, the information that should be collected also varies per organization, but it could include identifying if employees understand how to deliver a brand in terms of customer service. It could also include but is not limited to observing kindness and the availability of customer relationship representatives. The tasks of mystery shoppers vary enormously and could include purchasing products, asking questions, registering complaints or act as a general or new employee. The final deliverable is many times a detailed report of the experience, but the mystery shopper can also discuss the findings in a meeting with the managers of a company.

An important element of mystery shopping is working with parameters which are used to measure organizational performance. Market research companies and organizations internally identify the firm's most important customer service characteristics and objectives and next use these variables to develop a mystery shopping questionnaire for the mystery shopper.

Examples of variables used in the assessment could include but are not limited to:

1. Customer service
2. Teamwork
3. Cash handling
4. Upselling
5. Visualization of displays
6. Product knowledge
7. Operational efficiency

Another way to analyze the variables is when the mystery shopper is assigned to use audio and video recording to capture the details of the experience. This way of researching can help the business compare its improvements. The recordings can also be used for internal learning purposes for employees. Mystery shopping can be beneficial for any business where it is useful to obtain knowledge about the customers' experience of the organization. Examples of organizations where mystery shopping frequently occur are at retail stores, banks, theatres, hospitals, hotels, and restaurants.

CHARACTERISTICS OF A MYSTERY SHOPPER

In order to work in mystery shopping, the mystery shopper need to possess a combination of skills and attributes. Mystery shoppers need to be flexible in working hours because for each job a different company is selected, and the research methodology could also vary per company.

They next should be open-minded because it is easy for people to be biased. Mystery shopping sometimes requires acting in a specific way, and for this reason, mystery shoppers should be comfortable when they have to act in this particular way.

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In addition, communication skills are highly important in mystery shopping because mystery shoppers have to communicate to the clients about their experience. Many times, they also have to write about the experience in the form of a report. Finally, mystery shoppers must have an eye for detail because when mystery shopping occur it is not possible to write down notes since the identity of the secret shopper must be hidden. When the mystery shopper possesses the right mix of qualities it is highly likely that mystery shopping is going to benefit the future performance of the organization in terms of worker's performance and customer service.

3.9 DEMAND MEASUREMENT AND SALES FORECASTING

Forecasting and demand measurement (in terms of marketing) is a tool required to forecast the future of product life. This tool is used by firms to anticipate product life span, and how long this product can run in the market. In the process of forecasting and demand measurement, a firm understands the market behaviour, after that, it starts research based on the market environment to exclude survival opportunities for the product.

In terms of opportunities, the firm must get the following heads: -

Shape, size, growth, competition, sale strategies, profit potential, marketing, fundraising, etc.

Forecasting is about taking an idea about future situations of the market, what will be the situation of the market, assuming it before the time is called Forecasting. Demand measurement as its name suggests it is the study of the current market, it shows the current situation of the market, in this, you can take an idea about the current expanding market at present.

Reliance Jio used this strategy and invested 2.5 Lakh crore (25000000000000). Till today it acquired the highest market share in the telecom industry, which we will see in the case study.

1. **The 3 different types of Personas**
   a. **Audience Persona:**

      Through this tool, the demand for the product is forecasted.

      i. **Product Persona:** Through this tool, the need for the product is forecasted.

      ii. **Market persona:** Through this tool, if the market is for the product, it is forecasted.

2. **Reason for Forecasting**
   The world is full of risk and unreliability, and most the decisions are taken under risk. A company comes across several risks, both internal or external to the operations such as technologies, employees, recessions, law updates by the government, etc.

3. **The types of Forecasting**
   a. **Macro Forecasting:** A firm calculates the forecasting at a broad level to the market. It determines the demand in the market and calculates future needs.

b. **Micro Forecasting:** It is concerned with detailed unit sales forecasting. This is for product market share in a specific industry, to guess future product life span.

Forecasting selection depends upon the following heads:

a. High accuracy

b. Research and development

c. Market data information availability

d. Product lifecycle

4. **The 3 stages of Sale forecast creation**

a. The total volume of market demand generated through customer groups defined geographical areas, marketing behavior, time tenure, etc.

b. firm demand is a firm share of market demand.

c. Sale forecast is expected firm sale based on the marketing plan, environment, and R&D.

Future Demand Expectations

Future demand expectations for a product is done by risk calculation of the market. Whether an upcoming product can survive or not. It secures from the failure of the product and maintains stability. It makes better sales forecasting and a crucial success factor.

5. **The 3 Stages of Forecasting**

a. Macroeconomics Forecasting Preparation.

b. Industry sale forecast preparation: what will happen to overall sales in a firm based on the issues that influence the macroeconomic forecast.

c. Company sale forecasting preparation: it is based on what management expects to happen to the company market share.

6. **Techniques for Sales Forecasting**

a. What is the customer feedback about the product and its intention to rebuy the product?

b. What customer is doing in the market?

c. What customer had done in the market.

d. Time series analysis.

7. **Expert Opinion**

A firm can gain future expectation reports from experts, dealers, distributors, suppliers, marketing consultants, and trade associations. Dealer estimates are subject to the same strengths and weaknesses as sales force estimates. Many industries purchase economic and industry forecasts from well-known economic forecasting firms that have more data available and more forecasting expertise. Sometimes, the firm invites a group of experts to prepare a forecast. The experts exchange views and produce an estimate as a group or individually.

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Past Sales Analysis

Firms can develop sales forecasts based on past sales. Exponential smoothing projects the next period's sales by combining an average of past sales and the most recent sales, giving more weight to the latter. Statistical demand analysis measures the impact of a set of causal factors on the sales level.

Market Test Method

When buyers don't plan their purchases carefully, or experts

are unavailable, a direct market test can help forecast new product sales or established product sales in a new distribution channel or territory. Read relevant topics to understand how it works

Forecasting makes isolation for businesses. Planning and forecasting are an approach in which companies work together for market share and take responsibility for their actions. The objectives of Forecasting are to supply chain by generating a need demand, delivering the right product at the right time to the market, and improving customer services.

We can better understand the Forecasting and Demand Measurement through this Jio Case Study: -

JIO CASE STUDY

In 2002, after the death of Dhirubhai Ambani, The Ambani brothers wanted to run a business on their own. And it became a big issue in the media. So, to tackle this situation, their mother decided to do a partition the business. Anil Ambani gets Reliance Communication, Reliance Energy, Reliance Capital, etc. and Mukesh Ambani got Reliance Industries and I.P.L.

So, there was put a non-competing low against Mukesh Ambani. In 2010 the clause has ended, so, elder brother Mukesh Ambani bought the 96% share of Infotel broadband, and that was converted into Jio in 2016.

Infotel Broadband wanted to set up the biggest network tower in India. Now Jio has India's biggest 4G network, at that time there was no fully working 3G. Jio continuously researches for 5 years and try to set their network in every state. Now, they have to launch themselves.

Mukesh Ambani always made clear that India is a price-sensitive market and if you have to succeed, you have to provide cheaper services. So, they started distributing their sims for free of cost, which had unlimited data and voice calling. After the launch, it became a word of mouth and Jio didn't have to market itself. Media had a very limited role in its advertising, and JIO became the fastest growing mobile network in India gradually.

So, it is the strategy for gaining customers in the initial stage, after building a strong network Jio starts charging for their plans. Jio releases their membership plan for rs.99 And the base plan for rs.149. In their base plan, they provide unlimited data or voice calling so every consumer is ready to invest in Jo.

Mukesh Ambani Invested 2.5 Lakh crore in Jio, which is the total value of Airtel, Vodafone, and idea combined. Before Jio, every telecom rules the market after arising the Jio all telecom companies have to decrease their prices. It causes competition and ultimately, it's a win-win situation for consumers.

As of now, Jio is India's largest network provider and recently it launches its Jio Fibber which provides free internet for home.

Conclusion:

Demand forecasting contains good planning and utilization of resources for the company. Forecasting is the main part of demand marketing since it provides predictions of future demand and the basis for planning and making decisions. Both quality and quantity methods are available to help organizations. Since forecasts are completely accurate for businesses.

Importance of Sales Forecasting

Sales forecasting is a very important function for a manufacturing concern since it is useful in the following ways:

1. It helps to determine production volumes considering the availability of facilities, like equipment, capital, manpower, space, etc.
2. It forms the basis of sales budget, production budget natural budget, etc.
3. It helps in making a decision about the plant expansion and changes in product mix or should it divert its resource for manufacturing other products.
4. It helps in deciding policies.
5. It facilitates in deciding the extent of advertising etc.
6. The sales forecast is a commitment on the part of the sales department and it must be achieved during the given period.
7. Sales forecast helps in preparing production and purchasing schedules.
8. Accurate sales forecasting is a very good aid for the purpose of decision-making.
9. It helps in guiding marketing, production, and other business activities for achieving these targets.

METHODS USED FOR SALES FORECASTING

Following are the methods generally employed for sales forecasting:

1. **Survey of Buyers' Views**

   This is a direct method for making forecasting for the short-term, in which the customers are asked what they are thinking to buy in the near future say, in the coming year. In this method, all the burden is on consumers, which may misjudge or mislead or may be uncertain about the quantity to be purchased by them in near future.

   The disadvantages of this method are as follows:

   i. Consumer's buying intentions are irregular.

   ii. When consumers have to select between different alternatives, they are unable to foresee their choices.

   iii. Buyers may be anxious about purchasing the products but due to certain limitations, they may be unable to purchase them.

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2. **Collective Opinion or Salesforce Polling**

In this method forecasting depends upon the salesman's estimation for their respective areas, because the sales-man are closest to the customers, hence can estimate more properly about the consumers' reaction to the product and their future requirements. All the estimates of salesmen are consolidated to know the total estimate of the sales. This final estimate then goes through severs checking to avoid undue imagination which is done many times by the salesmen. The revised estimates are then again examined in the light of factors like expected change in design, change in prices, advertisements, competition, the purchasing power of local people, employment, population, etc. This method of collective opinion takes advantage of the collective wisdom of salesmen, senior executives like production managers, sales managers marketing officials, and managers.

Advantages

i. This method is simple and requires no statistical technique.

ii. The forecasts are based on the knowledge of salesmen, who are directly responsible for the sales.

iii. In practice, this method is much useful in the case of new products.

Disadvantages

i. This method is useful only for short-term forecasting, i.e., maximum for one year.

ii. As the forecasting is dependent upon the salesmen's estimation and if sales quotas are fixed then they, in general under-estimate the forecast.

iii. As Salesmen have no knowledge about the economic changes, the estimate by them are not so correct many times.

iv. As the estimation is a full-time job, the quality to look into the future must be with the salesmen.

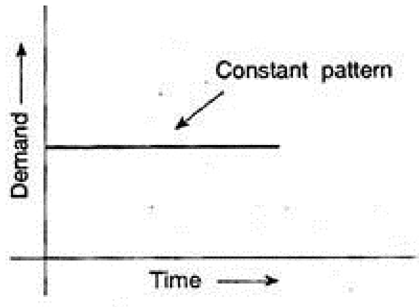
3. **Trend Projections**

Well-established firms which have considerable data on sales, these data are arranged in chronological order, known as 'time series. Thus 'time series are analyzed before making the forecasts. There is a common method known as 'Project the trend'. In this method, the trend line is projected by some statistical method, generally, by least square method. The time series forecasts are the demand characteristics over time. These time series data are analysed for forecasting future activity levels. Time series data refer to a set of values of some variables measured at the equally spaced time intervals such as monthly production levels, demands in the market etc.

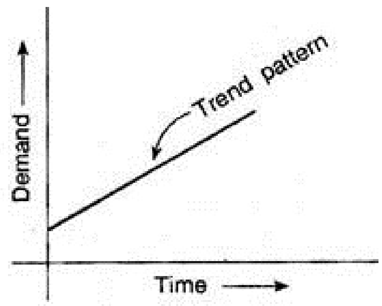
The demands have following patterns:

1. **Constant Pattern:**

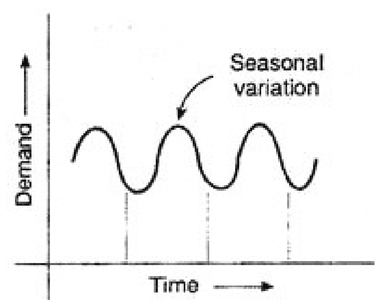
Refer Fig. In this pattern demand remains constant throughout the period.



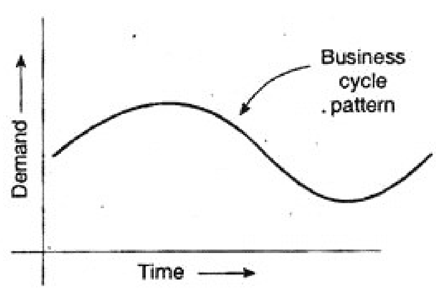
2. **Trend Pattern:**
   It refers to the long-term growth or decline in the average level of demand, as shown in Fig.



3. **Seasonal Pattern:**
   It refers to the annually repetitive demand fluctuation that may be caused by weather, tradition or other factors. Refer Fig.



4. **Cycle Pattern:**
   The business cycle refers to the large deviation to actual demand values due to complex environmental influences. Refer Fig. These are similar to the seasonable components except that seasonality occurs at regular intervals and is of constant durations whereas it varies in both time and duration of occurrence.



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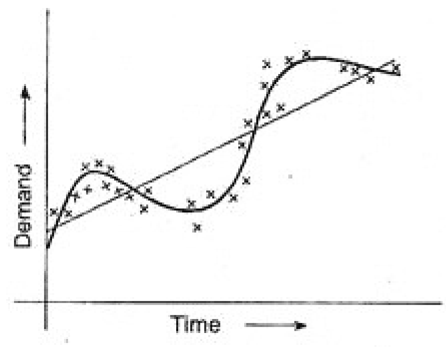
5. **Combination of Different Patterns:**

   In a long-term forecast (more than 2 years) seasonal factors are ignored and focus is given on-trend component with a minor emphasis on the business cycle. In medium-term forecasts (few months to 2 years), the trend factor becomes less important and the seasonal and random factors are given more importance.

   For a short duration (one week to 3 months) main concern is random fluctuations. Generally, when a business concern is in operation, combination of trend and seasonal variations are given importance. Such a pattern is shown in Fig.



Example 1:

The annual sales of a company are as follows:

Year 1968 1969 1970 1971 1972
Sales in rupees 45,000 56,000 78,000 46,000 75,000

By the method of least squares, find the trend values for each of the five years. Also, estimate the annual sales for 1973.

Solution:

Year	Sales (1000 Rs.) Y	X	X^2	XY
1968	45	1	4	45
1969	56	2	4	112
1970	78	3	9	234
1971	46	4	16	184
1972	75	5	25	375
n = 5	$\sum Y = 300$	$\sum X = 15$	$\sum X^2 = 55$	$\sum XY = 950$

Substituting the values in the least square equations

$$\sum Y = n.\alpha + b\sum X \text{ .... (i)}$$

$$\sum XY = \alpha \sum X + b\sum X^2 \text{ .....(ii)}$$

Putting the values from the above table in equations (i) and (ii)

$$300 = 5\alpha + 15b \text{ .....(iii)}$$

$$950 = 15\alpha + 55b \text{ ....(iv)}$$

Solving equations (iii) and (iv), we get α

= 45, b = 5

This is trend equation Y = 45 + 5x

Now trend values are Y 1968 = 45 + 5 (1) = 50,000

Y 1969 = 45 + 5 (2) = 55,000

Y 1970 = 45 + 5 (3) = 60,000

Y 1971 = 45 + 5 (4) = 65,000

Y 1972 = 45 + 5 (5) = 70,000

The forecasting for the year 1973 will be

Y 1973 = 45 + 5 (6) = 75,000.

4. **Economic Indicators:**
   In this method, the forecasting is dependent upon certain economic indicators, which are generally published by Central Statistical Organization under the national income estimates.

Some of these indicators are:

i. Personal income for the demand of consumers' goods.

ii. Agricultural income for the demand of agricultural inputs, implements etc.

iii. Construction contracts sanctioned for demand of building materials.

iv. Registration of automobiles for the demand of accessories, petrol's etc.

The forecasting is done with the help of least square equations. The examples illustrated below will give an idea, how the forecasting is done. This method has some limitations, likewise.

i. Appropriate economic indicator is difficult to find out.

ii. For newer products, no past data are available.

Example 2:

Suppose a firm is manufacturing automobiles and finds a relationship between sale of automobile and the Index demand for cars.

The sales for the last five years are:

Year 1970 1971 1972 1973 1974
Sales 110 130 150 160 180
Demand Index 100 110 140 150 200

Find the relation between the demand index and sale of automobile. Further, make a forecast for the year 1975; supposing the demand index rise to 210. Use least square method.

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Solution:

Year	**(Index) X 'in' 0**	**(Sales) Y n' 0**	**X^2**	**XY**
1970	10	11	100	110
1971	11	13	121	143
1972	14	15	196	210
1973	15	16	225	240
1974	20	18	400	360
n = 5	$\sum Y = 70$	$\sum X = 73$	$\sum X^2 = 1042$	$\sum XY = 1063$

Now putting values from a table in the least square equations.

$\sum Y = n. \alpha + b \sum X$ .... (i)

$\sum XY = \alpha \sum X + b \sum X^2$ .... (ii)

Now, we get $73 = 5\alpha + 70b$ .... (iii)

$1063 = 70\alpha + 1042b$ .....(iv)

Solving equation, (iii) and (iv), we get

= 5.36, b = 0.66

Now the trend equation will be y = 5.36 + 0.66 x ......(v)

The y and x in equation (v) are one-tenth of actual (X,Y)

Y X

Then equation (v) will be = $\frac{Y}{10}$ 5.36 + 0.66 $\left(\frac{X}{10}\right)$

10 10

Then, Y = 53.6 + 0.66 X ......(vi)

Thus equation (vi) is the relation between the demand Index and sales.

Forecasting for the year 1975 with demand Index 210.

Y = 53.6 + 0.66 (210) = 192 automobiles.

STEP IN FORECASTING

1. State whether the forecasting is short-term or long-term, its objectives, only for a single undertaking or for the whole industry.
2. Select a good method of forecasting.
3. Select different variables which are affecting the forecasting.
4. Gather data for different variables.
5. Determine best possible relationship by some statistical method between different variables.
6. Make a forecast and interpret the result.

The following points must be made clear before making a forecast:

i. The forecast must be made in terms of rupees of sale volume or in units.

ii. The forecast must be made on annual basis and then further divided as a requirement, i.e., by month-wise, week-wise, or so on the basis of the previous year's records.

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iii. Forecast for a new product by month-wise, may be done either using other manufacturing concern's data or by the survey.

iv. Forecast must be made in terms of product groups and broken for individual products, the division may be according to the sizes, brands, cables, colours etc. A typical example shows how the product group is divided.

Example 3:

In the table, some previous year's records are shown. Now if the forecast for product group for 1975 is Rs. 1,50,000, then divide this product group and find the forecast for product Y.

Now the forecast can be broken under two conditions:

i. According to trend, supposing the sales increase as per trend, then this year the percentage of sales of product X will be 26%.

ii. According to average, the average of the percentage of the last three years is 22%.

Thus, the forecast for product X according to trend is Rs. 39,000 and according to average Rs. 33,000 i.e., 26% and 22% of Rs. 1,50,000 respectively.

Following points must be considered before making forecast of a new product:

1. Treat the demand for the new product as of an existing old product.
2. Treat the new product as a replacement for some existing product.
3. Estimate demands by making inquiries from the purchaser.
4. Offer the new products for sale in a sample market.
5. Survey the customer's reactions via dealers.

LIMITATIONS OF SALES FORECAST

In certain cases, the forecast may become inaccurate. The failure may be due to the following factors:

1. **Fashion**
   Changes are throughout. Present style may change at any time. It is difficult to say when a new fashion will be adopted by the consumers and how long it will be accepted by the buyers. If our product is similar to the fashion and is popular, we are able to have the best result; and if our products are not in accordance with the fashion, then sales will be affected.

2. **Lack of Sales History**
   A sales history or past records are essential for a sound forecast plan. If the past data are not available, then the forecast is made on guesswork, without a base. Mainly a new product has no sales history and forecast made on guess maybe a failure.

3. **Psychological Factors**
   Consumers' attitudes may change at any time. The forecaster may not be able to predict exactly the behavior of consumers. Certain market environments are quick in action. Even rumors can affect market variables. For instance, when we use a particular brand of soap, it may generate an itching feeling on a few people and if the news spread among the public, sales will be seriously affected.

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4. **Other Reasons**

   It is possible that the growth may not remain uniform. It may decline or be stationary. The economic condition of a country may not be favourable to the business activities-policies of the government, imposition of controls etc. It may affect the sales.

   The methods of forecasting discussed above have respective merits and demerits. No single method may be suitable. Therefore, a combination method is suitable and may give a good result. The forecaster must be cautious while drawing decisions on sales forecast. Periodical review and revision of sales forecast may be done, in the light of performance. A method which is quick, less costly and more accurate may be adopted.

3.10 CHAPTER SUMMARY

Marketing research refers to the process by which an organization gathers information about its ideal customer and larger market in order to inform the organization's go-to-market strategy. This research might include gathering data from current or former customers, consumers in your target market, or even the marketing activities of competitors. Marketing research helps a business by giving it insights into what customers say they like and dislike, and what they say they want. Many marketing managers fail to use marketing research as a tool to create valid marketing plans. The key reason for marketing research is to provide information about the market on demand. Though most organizations started recognizing the importance of Marketing Research in Decision Making. Today, mystery shopping is seen as an evaluation process that is used by market research companies and internally by organizations to measure the quality of the customer experience. It focuses on how organizations comply with regulations, but mystery shopping is additionally used to collect specific information about products and services.

3.11 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. **How does market research help a business?**
2. **What is scope of marketing research?**
3. **What are the classification of market research?**
4. **Describe the purpose and elements of a marketing plan.**
5. **Write the structure of a marketing plan.**

LONG ANSWER TYPE QUESTIONS

1. **Elaborate the market research methods.**
2. **Write the importance and process of marketing research.**
3. **What are the characteristics of good marketing research**
4. **What functions and components of a marketing plan include?**
5. **What are the emerging issues or problems in marketing research?**

3.12 MULTIPLE CHOICE QUESTIONS

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1. **This is a direct method for making forecasting for the short-term:**
   a. Survey of Buyers' Views
   b. Collective Opinion or Salesforce Polling
   c. Trend Projections
   d. Cycle Pattern
2. **Marketing research is a significant tool for planning and developing of products.**
   a. Positioning Research
   b. Market Segmentation
   c. Product Research
   d. Pricing Research
3. **It helps businesses in framing proper price strategies for setting the right price for their products.**
   a. Positioning Research
   b. Market Segmentation
   c. Product Research
   d. Pricing Research
4. **A combination of factors that may influence customers to purchase products.**
   a. Marketing strategies
   b. Marketing mix
   c. Competition
   d. Marketing budget
5. **Identify the organization's competitors and their strategies, along with ways to counter competition and gain market share.**
   a. Marketing strategies
   b. Marketing mix
   c. Competition
   d. Marketing budget
6. **This type of in-depth research is conducted in the natural settings of the respondents.**
   a. Focus groups
   b. One-to-one interview
   c. Public sources
   d. Ethnographic research
7. **Government libraries usually offer services free of cost and a researcher can document available information:**
   a. Public sources
   b. Focus groups
   c. One-to-one interview
   d. Ethnographic research

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8. **Be innovative and focused on results that matter most. This requires a few levels of inspiration in your research.**
   a. Value
   b. Scepticism
   c. Research creativity
   d. Ethics
9. **Be alert to flaws and blind acceptance of myths or urban legends.**
   a. Scepticism
   b. Research creativity
   c. Value
   d. Ethics
10. **Consumers' attitudes may change at any time. The forecaster may not be able to predict exactly the behavior of consumers:**
    a. Fashion
    b. Lack of Sales History
    c. Other Reasons
    d. Psychological Factors

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UNIT IV

PRODUCT DECISIONS

STRUCTURE

NOTES

4.1 LEARNING OBJECTIVE

After learning this unit students will be able to:

- Grasp the meaning and basic concepts of the product decisions.
- Understand Product Planning and Development.
- Understand the Classification of Products.
- Understand the Examples of Brand Positioning.
- Understand the Concepts of the Product Life Cycle.

4.2 PRODUCT DECISIONS

Product Decision in marketing refers to the company's mindful decisions, major or minor regarding their product. It ranks first among the 4Ps of Marketing- Product, Price, Place and Promotion. Organizations take these decisions to attain their objectives and become profitable in the long run.

PRODUCT CONCEPTS

The product is the most tangible and important single component of the marketing program. The product policy and strategy is the cornerstone of a marketing mix. If the product fails to satisfy consumer demand, no additional cost on any of the other ingredients of the marketing mix will improve the product's performance in the Market place.

To the marketer, products are the building blocks of a marketing plan. Good products are key to market success. Product decisions are taken first by the marketers and these decisions are central to all other marketing decisions such as price, promotion and distribution. It is the engine that pulls the rest of the marketing programme. Products fill in the needs of society. They represent a bundle of expectations to consumers and society.

The product concept has three dimensions:

1. **Managerial Dimension**
   It covers the core specifications or physical attributes, related service, brand, package, product life-cycle, and product planning and development. As a basis to planning, product is second only to market and marketing research. The product offering must balance with consumer-citizen needs and desires. Product planning and development can assure a normal rate of return on investment and continuous growth of the enterprise.

2. **Consumer Dimension**
   To the consumer, a product is actually a group of symbols or meanings. People buy things not only for what they can do but also for what they mean. Each symbol communicates certain information. A product conveys a message indicating a bundle of expectations to a buyer. A consumer's perception of a product is critical to its success or failure. A relevant product is one that is perceived by the consumer as per the intentions of the marketer. Once a product is bought by a consumer and his evaluation, i.e., post-purchase experience is favorable, marketers can have repeat orders.

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3. **Social Dimension**
   To society, salutary products and desirable products are always welcome as they fulfil the expectations of social welfare and social interests. Salutary products yield long-run advantages but may not have immediate appeal. Desirable products offer benefits, immediate satisfaction, and long-run consumer welfare. Society dislikes the production of merely pleasing products which only give immediate satisfaction but which sacrifice social interests in the long run.

Marketers have to fulfil the following social responsibilities while offering the products to consumers:

1. Conservation and best use of resources
2. Safety for users
3. Long-run satisfaction of consumers
4. Quality of life, concern for a better environment
5. Fulfilment of government regulations relating to composition, packaging, and pricing of many products.

Meaning of Product

The product is a bundle of all kinds of satisfaction of both material and non-material kind, ranging from economic utilities to satisfaction of a social-psychological nature.

A product supplies two kinds of utility:

i. Economic utility.
ii. Supplementary utility in the form of social-psychological benefits.

The product may be a good, a service or just an idea. A product is all things offered to a market. Those things include physical objects, design, brand, package, label, price services, supportive literature, amenities, and satisfaction not only from, physical products and services offered but also from ideas, personalities and organizations. In short, a product is the sum total of physical, social, and psychological benefits. Marketers must define their market in terms of product functions and what the customer expects from the product.

Selling Points or Image Building Features of a Product:

i. Product quality and attributes
ii. Performance and utilities
iii. Brand, package, and label
iv. Design, colour, size, shape, style, finish, beauty, etc.
v. Price
vi. Services
vii. Company image
viii. Product warranty
ix. Safety to users

Buyers are not interested in the composition of a product. They are concerned only with what the product does, what the product means to them, and to what extent it satisfies

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their social and psychological needs. These needs will vary between one customer category and another. The needs and expectations are also changing.

4.3 PRODUCT PLANNING AND DEVELOPMENT

This article throws light upon the seven main steps in product planning and development. The steps are: 1. Generation of New Product Ideas 2. Screening of Ideas 3. Product Concept Development 4. Commercial Feasibility 5. Product Development 6. Test Marketing 7. Commercialization.

1. **Generation of New Product Ideas**
   The first step in product planning and development is generation of ideas for the development of new/innovative products.

   Ideas may come from internal sources like the company's own Research and Development (R&D) department, managers, sales-force personnel etc.; or from external sources like customers, dealers, competitors, consultants, scientists etc. At this stage, the intention of management is to generate more and more new and better product ideas; so that the most practical and profitable ideas may be screened subsequently.

2. **Screening of Ideas**
   Screening of ideas means a close and detailed examination of ideas, to determine which of the ideas have potential and are capable of making a significant contribution to marketing objectives. In fact, the generation of ideas is not as significant as the system for screening the generated ideas.

   The ideas should be screened properly; as any idea passing this stage would cost the firm in terms of time, money, and effort, at subsequent stages in product planning and development.

3. **Product Concept Development**
   Those product ideas which clear the screening stage must be developed into a product concept – identifying the physical features, benefits, price, etc. of the product. At this stage product idea is transformed into a product concept i.e., a product that target market will accept.

4. **Commercial Feasibility**
   At this stage, the purpose is to determine whether the proposed product idea is commercially feasible, in terms of demand potential and the costs of production and marketing. Management must also ensure that the product concept is compatible with the resources of the organization's technological, human and financial.

5. **Product Development**
   Product development encompasses the technical activities of engineering and design. At this stage, the engineering department converts the product concept into a concert form of product in view of the required size, shape, design, weight, colour etc. of the product concept.

   A model or prototype of the product is manufactured on a limited scale. Decisions are also made with regard to packaging, brand name, label etc. of the product.

6. **Test Marketing**
   A sample of the product is tested in a well-chosen and authentic sales environment;

to find out consumers' reactions. In view of consumers' reactions, the product may be improved further.

7. **Commercialisation**
   After the management is satisfied with the results of test marketing, steps are taken to launch a full-fledged programme for the production, promotion and marketing of the product. It is the stage where the new product is born; and it enters it life cycle process.

4.4 BRANDING AND CO-BRANDING

Branding

The term brand is broadly applied to all identifying marks such as trade names, trade-marks, trade symbols, pictures, package design, distinctive coloring, or lettering with or without an attractive slogan.

Trademark is a registered brand under the Trade Names and Trademarks Act and the registered brand is your exclusive property. Others cannot use it and legal action can be taken if they adopt it. Misbranding is punishable by law. It is an unfair trade practice.

Branding is a powerful instrument of sales promotion due to following reasons:

1. **Production Differentiation:** Product differentiation by branding enables the manufacturer to establish his own price and eliminate price competition to some extent. A branded product enjoys a separate individuality.
2. **Brand Image:** The seller can build up a bright image of his product around the brand.
3. **Creation of Market:** Ever-increasing competition leads to branding of the product by a manufacturer to face competition and create exclusive market for his product.
4. **Advertisement and Publicity:** Branding helps advertising, display and sales promotion. Branding and packaging go hand in hand. The package itself can act as a medium of advertisement.
5. **Brand Recognition:** Branding not only gives separate identity and easy recognition to the product but it also creates special brand preference and brand recognition. Branding is a powerful instrument of demand creation and demand retention. Popular brands such as Lux, Vim, Colgate, and Sunlight, have very great pulling power in our market.
6. **Brand Loyalty:** The development of loyal customers, acting as talking advertisements and repeat buyers is the greatest reason in favor of branding.

CO-BRANDING

What Is Co-Branding?

Co-branding is a marketing strategy that utilizes multiple brand names on a good or service as part of a strategic alliance. Also known as a brand partnership, co-branding (or "cobranding") encompasses several different types of branding collaborations, typically involving the brands of at least two companies. Each brand in such a strategic alliance contributes its own identity to create a melded brand with the help of unique logos, brand identifiers, and color schemes.

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The point of co-branding is to combine the market strength, brand awareness, positive associations, and cachet of two or more brands to compel consumers to pay a greater premium for them. It can also make a product less susceptible to copying by private-label competition.

Understanding Co-Branding

Co-branding is a useful strategy for many businesses seeking to increase their customer bases, profitability, market share, customer loyalty, brand image, perceived value, and cost savings. Many different types of businesses, such as retailers, restaurants, carmakers, and electronics manufacturers, use co-branding to create synergies based on the unique strengths of each brand. Simply put, co-branding as a strategy seeks to gain market share, increase revenue streams, and capitalize on increased customer awareness.

Co-branding can be spurred by two (or more) parties consciously deciding to collaborate on a specialized product. It can also result from a company merger or acquisition as a way to transfer a brand associated with a well-known manufacturer or service provider to a better-known company and brand. Co-branding can see more than just name and brand associations; there may also be a sharing of technologies and expertise, capitalizing on unique advantages of each co-branding partner.

A co-branded product is more limited in terms of audience than a broad, single-name corporate product. The image it conveys is more specific, so companies must consider whether co-branding can yield benefits or if it would alienate customers accustomed to a single name with a familiar product identity.

Companies should choose co-branding partners very carefully. As much as a company can benefit from a relationship with another brand, there can also be risks. A good strategy is to slowly roll out a co-branded product or service before publicizing and promoting it, thereby giving the marketplace time to vet it.

Co-Branding Strategies

According to branding and marketing experts, there are four distinct co-branding strategies:

1. Market penetration strategy: A conservative strategy that seeks to preserve the existing market share and brand names of two partnered or merged firms.
2. Global brand strategy: Seeks to serve all customers with a single, existing global co-brand.
3. Brand reinforcement strategy: Exemplified by the use of a new brand name.
4. Brand extension strategy: The creation of a new co-branded name to be used only in a new market.

Co-Branding vs. Co-Marketing

Co-branding and co-marketing are similar concepts in that both involve partnerships between brands that seek to bolster their marketing efforts, but they differ in how they are executed. Co-marketing aligns the marketing efforts of two partners but does not result in the creation of a new product or service. Co-branding, by design, is based on the creation of a new product or service.

Co-Branding Examples

Co-branding is all around you. Consider these examples:

1. Taco Bell's Doritos Locos Tacos: Specialty food item co-developed by Yum! Brands, Inc. and PepsiCo subsidiary Frito-Lay, Inc.
2. "Your favorite music, one tap away": An Uber and Pandora Media collaboration that lets Uber riders create Pandora playlists to use during trips
3. Citi AAdvantage cards: Citi credit cards that earn American Airlines miles with qualifying purchases
4. Supermarket foods: Pillsbury baking mixes with Hershey's chocolate; Kellogg's cereal with Smucker's Jif peanut butter
5. Nike+: A Nike Inc and Apple Inc partnership that has connected activity tracking technology in athletic gear with iPhone apps and the Apple Watch.

4.5 CLASSIFICATION OF PRODUCTS

What is product classification?

Product classification refers to the organization of the different types of products that consumers buy. Knowing these classifications can help marketers create advertisements for their company's goods and services. Product classification can help professionals in all levels of business, as it can also help determine product demand, pricing, and the primary demographic to which advertisers can target with their marketing campaigns.

What are the different product classifications?

There are four main product classifications. Professionals based these categories on consumer habits, costs, and their general characteristics. The four product classifications are:

CONSUMER PRODUCTS

Consumer products also referred to as final goods, are products that are bought by individuals or households for personal use. In other words, consumer products are goods that are bought for consumption by the average consumer. From a marketing perspective, there are four types of consumer products, each with different marketing considerations.

Types of consumer products:

1. **Convenience Products**

   Convenience products are bought the most frequently by consumers. They are bought immediately and without great comparison between other options. Convenience products are typically low-priced, not-differentiated from other products, and placed in locations where consumers can easily purchase them. The products are widely distributed, require mass promotion, and are placed in convenient locations.

   Sugar, laundry detergent, pencils, pens, and paper are all examples of convenience products.

   Characteristics of Convenience Products

   i. Purchased frequently

   ii. At a low price point

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iii. Easily available

iv. Not commonly compared with other products

2. **Shopping Products**
   Shopping products are bought less frequently by consumers. Consumers usually compare attributes of shopping products such as quality, price, and style between other products. Therefore, shopping products are more carefully compared, and consumers spend considerably more time, as opposed to conventional products, comparing alternatives. Shopping products require personal selling and advertising and are located in fewer outlets (compared to convenience products) and selectively distributed.

   Airline tickets, furniture, electronics, clothing, and phones are all examples of shopping products.

   Characteristics of Shopping Products

   i. Purchased less frequently

   ii. At a medium price point

   iii. Commonly compared among other products

3. **Specialty Products**
   Specialty products are products with unique characteristics or brand identification. Consumers of such products are willing to exert special effort to purchase specialty products. Specialty products are typically high priced, and buyers do not use much time to compare against other products. Rather, buyers typically spend more effort in buying specialty products compared to other types of products.

   Take, for example, a Ferrari (a specialty product). Purchasers of a Ferrari would need to spend considerable effort sourcing the car. Specialty products require targeted promotions with exclusive distribution; they are found in select places.

   Sports cars, designer clothing, exotic perfumes, luxury watches, and famous paintings are all examples of specialty products.

   Characteristics of Shopping Products

   i. With unique characteristics or brand perception

   ii. Purchased less frequently

   iii. At a high price point

   iv. Seldom compared between other products

   v. Only available at select/special places

4. **Unsought Products**
   Unsought products are products that consumers do not normally buy or would not consider buying under normal circumstances. Consumers of unsought products typically do not think about these products until they need them. The price of unsought products varies. As unsought products are not conventionally thought of by consumers, they require aggressive advertising and personal selling.

   Diamond rings, pre-planned funeral services, and life insurance are all examples of unsought products.

Characteristics of Shopping Products

i. Not top-of-mind of consumers

ii. Requires extensive advertising and marketing efforts

Importance of Understanding the Types of Consumer Products

Understanding whether products are convenience, shopping, specialty, or unsought is very important. As noted above, each type requires different marketing efforts.

For example, it would not make sense to expend considerable marketing efforts on sugar. There is little differentiation between different brands of sugars and spending money on advertising would not play a role in changing consumer perception.

On the other hand, unsought products would require considerable marketing efforts. As a consumer, purchasing life insurance is not top-of-mind; consumers do not normally think about it. Therefore, considerable marketing and advertising efforts are required to make unsought products known and to warrant a purchase by consumers.

INDUSTRIAL PRODUCT

What are Industrial Products?

Industrial Products are products that are not directly used by the end customers but are used by the industries. These products are used in Business to Business (B2B) scenarios mostly.

There are various characteristics and features that are not required by the normal customers in day-to-day life but only are required by the industries. So, products are designed keeping in mind the industrial requirement specific to them. Industrial products are one of the two categories of products, the other being consumer products.

Types of Industrial products

1. Raw Materials
2. Machinery
3. Parts
4. Tools & Supplies

The types above can be classified as industrial products as they are more suited to an industrial and B2B setup. There are certain scenarios in which the same product might be used by both industrial and consumer groups. A computer may be used by a consumer as well as an industry but its uses of it might be very different. Similarly, cold storage can be used by both groups but then the performance and power requirements might be very different.

Example of Industrial Products

Products like glue having high adhesive strength are not required by people in day to day to life but are a key requirement for various industries like automobiles, leather, etc. Similarly, products like heavy machinery and robotics might be used by car manufacturers but not by end-users or customers.

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Why classifies products?

Professionals classify products for a variety of reasons. Product classifications can contribute to many decisions within the life cycle of a product, including the way companies market it, its price, the type of consumer who buys it, and how high the demand for the product is. Here are some other reasons why professionals classify products:

1. **Marketing**
   As previously mentioned, the techniques marketing teams may use to advertise a product often depend on its classification type. Product classification can change a marketing budget and the focus of a campaign. For example, when marketing a specialty item, a company is less likely to spend money on forming a focus group to test its product. Instead, they may allocate their resources to brand management.
2. **Pricing**
   The type of classification a product receives can change the way retailers and distributors price the item. Convenience items and mandatory purchases are often more likely to be cheaper than a specialty item or informed purchase, as consumers value these products' availability and necessity.

   Convenience and mandatory items are also often more regular in nature and include products with lower price points, such as food. Because consumers typically hold less brand loyalty to the products under these classifications, it's also more important for the companies that sell convenience and mandatory purchases to assign a lower price to these items to stay in competition with other brands.
3. **Demand**
   The demand for a product often varies depending on the product classification. Generally, consumers buy mandatory and convenience products more often than specialty and informed purchases. This affects how companies manufacture these items and how marketing teams advertise them. Because consumers may need more encouragement to make purchases that they need less frequently, companies selling specialty and informed purchase products may need to allocate more time and money to market their products.
4. **Invention**
   When deciding which products to produce, a company might consider product classifications. Because the marketing efforts for each type of product vary, a company may aim to specialize in one type of advertisement, which limits which products they make. The demand for a product, which has a role in how professionals create product classifications, can also influence a company's decision regarding the invention of a product.

4.6 EXAMPLES OF BRAND POSITIONING

Brand positioning is the way you differentiate yourself from your competitors and how consumers identify and connect with your brand. It's comprised of the key qualities and values that are synonymous with your company.

Brand positioning can be conveyed through a variety of means including tone and voice, visual design and the way your company represents itself in person and on social media.

The positioning of your brand helps inform consumers why they should choose you over your competitors and is one of the few things you can completely own about your company. Competitors can have similar features and aspects to your product or service — for example, at New Breed, we don't own inbound marketing. But we do own New Breed and how people connect with us. Our competitors might be able to offer similar services to us, but they can't replicate our brand.

1. **Tesla**

Tesla is a luxury brand that's more expensive than its competitors. Because of that, they leave price out of their branding and instead focus on the quality of their vehicles. Tesla cars are long-range, eco-friendly and electric — in addition to being luxury vehicles.

Tesla differs from other gas-powered luxury vehicles because their cars are electric. They differentiate themselves from the standard electric vehicles because their cars are of higher quality and have a longer range.

Tesla built out a niche market for themselves and a fun brand to match it. CEO Elon Musk has built himself up as a Tony Stark-like character, and the brand promotes its uniqueness through ads and quirky features, like "Ludicrous Mode."

2. **Apple**

Apple is literally a textbook example of a strong brand. They're the first example Simon Sinek brings up in his Golden Circle framework, asking first why, then how and what.

Apple builds beautiful, innovative computers that are different than anything else you've experienced and markets them to resonate with their consumers.

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Apple’s message highlights the same qualities in their consumers that they do in their products: if you are an Apple person, you are also innovative, imaginative and creative.

Like Tesla, Apple leaves price out of their branding and instead focuses on the value their products offer and the connection formed with their consumers.

3. Trader Joe’s

Trader Joe’s has differentiated itself from their competitors by positioning itself as a “national chain of neighborhood grocery stores.” They offer a more tight-knit corner store shopping experience than similar premium food competitors like Whole Foods.

They have a wide variety of high-quality food at a low price and try to make shopping fun. Their nautical theme is reflected across their assets from in-store signage to the Hawaiian shirts their employees wear to the language they use on their website.

As they say on their website, “if an item doesn’t pull its weight in our stores, it goes away to gangway for something else.” That single sentence exemplifies their commitment to offering value through quality products at reasonable prices in a fun atmosphere.

5. Nike

Nike started their product with a focus on performance and innovation. They invented the waffle shoe and built their brand targeting serious athletes. Their product offerings have now moved beyond shoes, and they offer athletic attire that enhances performance.

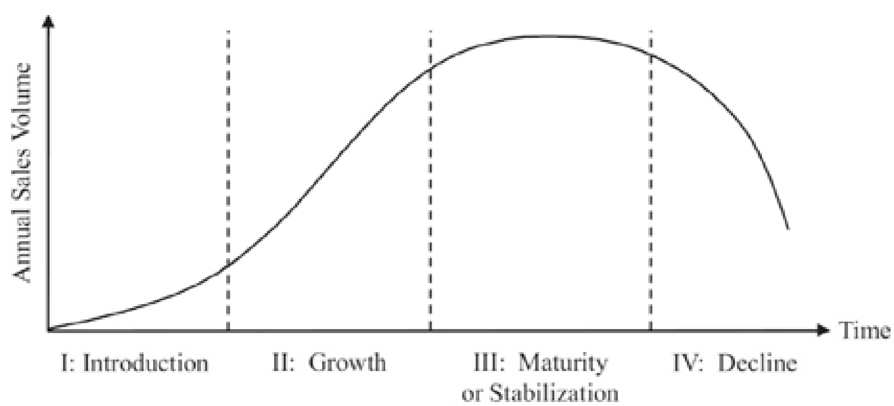
Their branding and messaging focus on empowerment, from their tagline "Just Do It" to their namesake, the Greek Goddess of Victory. Their models and athletes aren't smiling and happy, they're doing physical activities with their game faces on.

Nike's brand is focused on the concept of innovation for serious athletes to help you perform at your best every single time.

4.7 THE CONCEPTS OF PRODUCT LIFE CYCLE

What Is the Product Life Cycle?

The product life cycle is the period of time from a product's introduction into the marketplace through its removal from the market. A company's leadership must understand all stages of the product life cycle in order to support a product throughout its existence. **Below are the four stages of the product life cycle:**



1. **Introduction stage:** In this stage of the product life cycle, the product debuts. Whether the product launch is a global release or focused on a few new markets, considerable new product development costs go toward marketing campaigns to build brand awareness. Typically, a company develops its marketing strategy concurrently with the internal product development stage. This way, when the product is officially ready for public consumption, marketing efforts are already well underway.

   Marketing Strategies for Introduction Stage:

   The introduction stage is marked by slow growth in sales and very little or no profit. Note that the product has been newly introduced, and a sales volume is limited; product and distribution are not given more emphasis. Basic constituents of marketing strategies for the stage include price and promotion. Price, promotion or both may be kept high or low depending upon the market situation and management approach. Observe Figure.

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		Promotion	
		High	Low
Price	High	Rapid Skimming Strategy	Slow Skimming Strategy
	Low	Rapid Penetration Strategy	Slow Penetration Strategy

Marketing Strategies for Introduction Stage

Following are the possible strategies during the first stage:

1. **Rapid Skimming Strategy**

   This strategy consists of introducing a new product at a high price and high promotional expenses. The purpose of high price is to recover profit per unit as much as possible. The high promotional expenses are aimed at convincing the market of the product's merits even at a high price. High promotion accelerates the rate of market penetration, in all; the strategy is preferred to skim the cream (high profits) from the market.

   This strategy makes a sense in the following assumptions:

   i. Major part of the market is not aware of the product.

   ii. Customers are ready to pay the asking price.

   iii. There possibility of competition and the firm wants to build up the brand preference.

   iv. Market is limited in size.

2. **Slow Skimming Strategy**

   This strategy involves launching a product at a high price and low promotion. The purpose of a high price is to recover as much gross profit as possible. And, low promotion keeps marketing expenses low. This combination enables to skim the maximum profit from the market.

   This strategy can be used under the following assumptions:

   i. Market is limited in size.

   ii. Most of the consumers are aware of the product.

   iii. Consumers are ready to pay a high price.

   iv. There is less possibility of competition.

3. **Rapid Penetration**

   The strategy consists of launching the product at a low price and high promotion. The purpose is the faster market penetration to get a larger market share. Marketer tries to expand the market by increasing the number of buyers.

   It is based on the following assumptions:

   i. The market is large.

   ii. Most buyers are price-sensitive. They prefer low-priced products.

iii. There is strong potential for competition.

iv. The market is not much aware of the product. They need to be informed and convinced.

v. Per unit, the cost can be reduced due to more production, and possibly more profits at low prices.

4. Slow Penetration

The strategy consists of introducing a product with a low price and low-level promotion. Low price will encourage product acceptance, and low promotion can help the realization of more profits, even at a low price.

Assumptions of this strategy:

i. Market is large.

ii. Market is aware of the product.

iii. Possibility of competition is low.

iv. Buyers are price-sensitive or price-elastic, and not promotion-elastic.

2. **Growth stage:** In the growth stage, the company attempts to seize greater market share for the product. Companies going through the growth stage must experiment with pricing to find the sweet spot that enables differentiation from the competition. Production ramps up, and sales representatives seek new distribution channels to get the product in the hands of consumers.

Marketing Strategies for Growth Stage:

This is the stage of rapid market acceptance. The strategies are aimed at sustaining market growth as long as possible. Here, the aim is not to increase awareness but to get a trial of the product. The company tries to enter the new segments. Competitors have entered the market. The company tries to strengthen its competitive position in the market. It may forgo maximum current profits to earn still greater profits in the future.

Several possible strategies for the stage are as under:

1. Product qualities and features improvement
2. Adding new models and improving styling
3. Entering new market segments
4. Designing, improving, and widening the distribution network
5. Shifting advertising and other promotional efforts from increasing product awareness to product conviction
6. Reducing prices at the right time to attract price-sensitive consumers
7. Preventing competitors to enter the market through low price and high promotional efforts

3. **Maturity stage:** In the maturity stage, the product has reached the peak of its market share and profitability. To keep the product desirable to new audiences, a company might add new features or suggest new uses for the product.

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Marketing Strategies for Maturity Stage

At this stage, competitors have entered the market. There is a severe fight among them for more market share. The company adopts offensive/aggressive marketing strategies to defeat its competitors.

The following possible strategies are followed:

1. To-Do Nothing

To do nothing can be an effective marketing strategy in the maturity stage. New strategies are not formulated. The company believes it is advisable to do nothing. Earlier or later, the decline in sales is certain. Marketer tries to conserve money, which can be later on invested in new profitable products. It continues only routine efforts and starts planning for new products.

2. Market Modification

This strategy is aimed at increasing sales by raising the number of brand users and the usage rate per user. Sales volume is the product (or outcome) of a number of users and the usage rate per user. So, sales can be increased either by increasing the number of users or by increasing the usage rate per user, or both. The number of users can be increased in a variety of ways.

There are three ways to expand the number of users:

i. Convert non-users into users by convincing them regarding the uses of products

ii. Entering new market segments

iii. Winning competitors' consumers

Sales volume can also be increased by increasing the usage rate per user.

This is possible in the following ways:

i. More frequent use of the product

ii. More usage per occasion

iii. New and more varied uses of the product

3. Product Modification

Product modification involves improving product qualities and modifying product characteristics to attract new users and/or more the usage rate per user.

Product modification can take several forms

i. Strategy for Quality Improvement: The quality improvement includes improving safety, efficiency, reliability, durability, speed, taste, and other qualities. Quality improvement can offer more satisfaction.

ii. Strategy for Feature Improvement: This includes improving features, such as size, color, weight, accessories, form, get-up, materials, and so forth. Feature improvement leads to convenience, versatility, and attractiveness. Many firms opt for product improvement to sustain the maturity stage.

Product improvement is beneficial in several ways:

- It builds the company's image as progressiveness, dynamic, and leader,
- Product modification can be made at very little expense,
- It can win loyalty of certain segments of the market,
- It is also a source of free publicity, and
- It encourages sales force and distributors.

4. **Marketing Mix Modification**

   This is the last optional strategy for the maturity stage. Modification of the marketing mix involves changing the elements of the marketing mix. This may stimulate sales. Company should reasonably modify one or more elements of the marketing mix (4P's) to attract buyers and fight with competitors. Marketing mix modification should be made carefully as it is easily imitated.

4. **Decline stage:** When advanced marketing and new product features cannot provide any further growth, the product enters its decline stage. Decline stages can take a matter of months, or they can span decades. Product decline occurs when customer brand preference shifts, when products become obsolete, and when professional reputations change. In some cases, changing demographics cause a product to fall out of fashion. Decline ends with a product being pulled from the shelves.

   Marketing Strategies for Decline Stage:

   The company formulates various strategies to manage the decline stage. The first important task is to detect the poor products. After detecting the poor products, a company should decide whether poor products should be dropped. Some companies formulate a special committee for the task known as Product Review Committee. The committee collects data from internal and external sources and evaluates products. On the basis of the report submitted by the committee, suitable decisions are taken.

   The company may follow any of the following strategies:

   a. **Continue with the Original Products**

      This strategy is followed with the expectation that competitors will leave the market. Selling and promotional costs are reduced. Many times, a company continues its products only ineffective segments, and from the remaining segments, they are dropped. Such products are continued as long as they are profitable.

   b. **Continue Products with Improvements**

      Qualities and features are improved to accelerate sales. Products undergo minor changes to attract buyers.

   c. **Drop the Product**

      When it is not possible to continue the products either in original form or with improvement, the company finally decides to drop the products.

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Product may be dropped in the following ways:

i. Sell the production and sales to other companies

ii. Stop production gradually to divert resources to other products

iii. Drop product immediately.

Examples of the Product Life Cycle

The life cycle of any product always carries it from its introduction to its inevitable decline, but what does this cycle look like in a practical, real-world sense? Here are four examples.

Typewriter

A classic example of the scope of the product life cycle is the typewriter.

When first introduced in the late 19th century, typewriters grew in popularity as a technology that improved the ease and efficiency of writing. However, new electronic technologies like computers, laptops, and even smartphones replaced typewriters quickly once they were introduced, causing typewriter demand and revenues to drop off.

Overtaken by the likes of companies like Microsoft (MSFT) - Get Microsoft Corporation Report, typewriters are at the very tail end of their decline phase, with minimal (if existent) sales and drastically decreased demand. Now, the modern world almost exclusively uses desktop computers, laptops, tablets, or smartphones to type. Consequently, these products are experiencing the growth and maturity phases of the product life cycle.

VCR

Many of us grew up watching videotapes using VCRs (videocassette recorders for any Gen-Z readers), but you would likely be hard-pressed to find one in anyone’s home these days. With the rise of streaming services like Netflix (NFLX) - Get Netflix, Inc. Report and Amazon (AMZN) - Get Amazon.com, Inc. Report (not to mention the interlude phase of DVDs), VCRs have been effectively phased out and are deep in their decline stage. Once ground-breaking technology, VCRs are now in very low demand and are bringing in nearly no sales.

Electric Vehicles

Electric vehicles are still in the growth stage of the product life cycle. Companies like Tesla (TSLA) - Get Tesla Inc Report have been capitalizing on growing demand for years, although recent challenges may signal changes for that particular company. Still, while the electric car isn’t necessarily new, the innovations that companies like Tesla have made in recent years to adapt to new changes in the electric car market signal that the product is still in its growth phase.

AI Products

While AI (artificial intelligence) has been in development (and application) for years, the industry is continually pushing boundaries and developing new products that are in the introduction stage of the PLC. Even existing products like AI-infused sex robots or autonomous vehicles are very much still in development. Those that have been released to the market are in the introductory stage, as they are still being tested and adopted by consumers.

4.8 CHAPTER SUMMARY

Product Decision in marketing refers to the company's mindful decisions, major or minor regarding their product. It ranks first among the 4P's of Marketing- Product, Price, Place and Promotion. The organizations take these decisions to attain their objectives and become profitable in the long run. The product is the most tangible and important single component of the marketing programme. The product policy and strategy are the cornerstone of a marketing mix. If the product fails to satisfy consumer demand, no additional cost on any of the other ingredients of the marketing mix will improve the product performance in the market Place. The term brand is broadly applied to all identifying marks such as trade names, trademarks, trade symbols, pictures, package design, distinctive coloring, or lettering with or without an attractive slogan. Product classification refers to the organization of the different types of products that consumers buy. Industrial Products are products that are not directly used by the end customers but are used by the industries. These products are used in Business to Business (B2B) scenarios mostly. The product life cycle is the period of time from a product's introduction into the marketplace through its removal from the market. A company's leadership must understand all stages of the product life cycle in order to support a product throughout its existence. PLC analysis is the process of purposefully examine a product and making strategic design, pricing, and marketing decisions to optimize the product for each stage of its life cycle.

4.9 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. **Define Product Decision and its dimensions.**
2. **What Is Co-Branding?**
3. **What are the marketing strategies for decline stage?**
4. **Why classifies products?**
5. **What Is PLC analysis?**

LONG ANSWER TYPE QUESTIONS

1. **Describe the Meaning of Product and its product supplies.**
2. **What do you understand by classification of products?**
3. **Give the suitable examples of the product life cycle with definition.**
4. **What is maturity stage? Explain its marketing strategies.**
5. **Briefly explain Branding.**

4.10 MULTIPLE CHOICE QUESTIONS

1. **The techniques __________teams may use to advertise a product often depend on its classification type.**
   a. Pricing
   b. Marketing

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c. Demand
d. Invention

2. **The demand for a product often varies depending on the product classification. Generally, consumers buy mandatory and convenience products more often than specialty and informed purchases.**
   a. Pricing
   b. Marketing
   c. Demand
   d. Invention
3. **In this stage of the product life cycle, the product debuts**
   a. Growth Stage
   b. Maturity Stage
   c. Decline Stage
   d. Introduction Stage
4. **When advanced marketing and new product features cannot provide any further growth, the product enters its ______________.**
   a. Growth Stage
   b. Maturity Stage
   c. Decline Stage
   d. Introduction Stage
5. **______________ analysis is the process of purposefully examine a product and making strategic design, pricing, and marketing decisions to optimize the product for each stage of its life cycle.**
   a. Product cycle life
   b. Market segmentation
   c. Price decision
   d. Product decision
6. **It enables the manufacturer to establish his own price and eliminate price competition to some extent. A branded product enjoys a separate individuality.**
   a. Brand Image
   b. Production Differentiation
   c. Creation of Market
   d. Brand Recognition
7. **Branding not only gives separate identity and easy recognition to the product but it also creates special brand preference and _________________.**
   a. Brand Image
   b. Production Differentiation
   c. Creation of Market
   d. Brand Recognition

8. **They are bought immediately and without great comparison between other options.**
   a. Specialty Products
   b. Convenience Products
   c. Unsought Products
   d. Shopping Products

9. **____________ are bought less frequently by consumers. Consumers usually compare attributes of shopping products such as quality, price, and style between other products**
   a. Specialty Products
   b. Convenience Products
   c. Unsought Products
   d. Shopping Products

10. **Unsought products are products that consumers do not normally buy or would not consider buying under normal circumstances.**
    a. Unsought Products
    b. Specialty Products
    c. Convenience Products
    d. Shopping Products

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UNIT V

PRICING DECISIONS AND STRATEGIES

STRUCTURE

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5.1 LEARNING OBJECTIVE

After learning this unit students will be able to:

- Grasp the meaning and basic concept of pricing decision and strategies.
- Understand the Importance of Pricing.
- Understand the Factors Influencing Pricing Decisions.
- Understand the 5 C's Framework of Pricing Decision.
- Understand the Steps in Pricing Procedure.

5.2 PRICING DECISIONS AND STRATEGIES

Pricing decisions

Pricing decisions are the choices businesses make when setting prices for their products or services. Pricing is considered part of a company's marketing strategy because it influences its relationship with customers: When prices are fair and competitive, customers come back, increasing the profitability of the business.

Pricing decisions can be simple or complex.

- Simple pricing involves charging what competitors charge for similar goods and services. This strategy is often used by retailers and wholesalers selling commodities. Companies that make simple pricing decisions often try to increase sales by making small, competitive adjustments such as purchase discounts, volume discounts and purchase allowances.
- Complex pricing is based on the originality of a product or service and what customers are willing to pay for it. This type of pricing is determined through negotiation with the customer and is common for custom furniture, artworks and consulting services.

Pricing Strategies

The main aim of the management of every organization is to maximize profits by effectively getting the products of the shelf. Pricing strategy is a way of finding a competitive price of a product or a service. This strategy is combined with the other marketing pricing strategies that are the 4P strategy (products, price, place and promotion) economic patterns, competition, market demand and finally product characteristic. This strategy comprises of one of the most significant ingredients of the mix of marketing as it is focused on generating and increasing the revenue for an organization, which ultimately becomes profit making for the company. Understanding the market conditions and the unmet desires of the consumers along with the price that the consumer is willing to pay to fulfill his unmet desires is the ultimate way of gaining success in the pricing strategy of a product or a service.

Do not forget the ultimate goal of the company is to maximize profit being in competition and sustaining the competitive market. However, to maximize profits along with retaining your consumer you have to make sure you choose the right pricing strategy. The correct strategy will help you attain your objectives as an organization.

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Pricing Strategies in Marketing

Following are the different pricing strategies in marketing:

1. **Penetration Pricing or Pricing to Gain Market Share**
   A few companies adopt these strategies in order to enter the market and to gain market share. Some companies either provide a few services for free or they keep a low price for their products for a limited period that is for a few months. This strategy is used by the companies only in order to set up their customer base in a particular market. For example, France telecom gave away free telephone connections to consumers in order to grab or acquire maximum consumers in a given market. Similarly, the Sky TV gave away their satellite dishes for free in order to set up a market for them. This gives the companies a start and a consumer base.

   In the similar manner there are few companies that keep their product cost low as their introductory offer that is a way of introducing themselves in the market and creating a consumer base. Similarly, when the companies want to promote a premier product or service, they do raise the prices of the products and services for that particular time.

2. **Economy pricing or No Frill Low Price**
   The pricing Strategies of these products are considered as no frill low prices where the promotion and the marketing cost of a product are kept to a minimum. Economy pricing is set for a certain time where the company does not spend more on promoting the product and service. For example, the first few seats of the airlines are sold very cheap in budget airlines in order to fill in the airlines the seats sold in the middle are the economy seats whereas the seats sold at the end are priced very high as that comes under the premium price strategy. This strategy sees more economy sales during the time of recession. Economy pricing can also be termed as or explained as budget pricing of a product or a service.

3. **Use of Psychological Pricing Strategies**
   Psychological pricing Strategies is an approach of gathering the consumer's emotional respond instead of his rational respond. For example, a company will price its product at Rs 99 instead of Rs 100. The price of the product is within Rs 100 this makes the customer feel that the product is not very expensive. For most consumer's price is an indicating factor for buying or not buying a product. They do not analyze everything else that motivates the product. Even if the market is unknown to the consumer, he will still use price as a purchase factor. For example, if an ice cream weighted 100 gms. for Rs 100 and a lesser quality ice cream weighted 200 gms. is available at Rs 150, the consumer will buy the 200 gms. ice cream for Rs 150 because he sees profit in buying the ice cream at lower cost ignoring the quality of the ice cream. Consumers are not aware price is also an indicator of quality.

4. **Pricing Strategies of Product Line**
   Products line pricing is defined as pricing a single product or service and pricing a range of products. Let us take and understand this with the help of an example. When you go for a car wash you have an option of choosing a car wash for Rs 200 or a car wash and a car wax for Rs 400 or the entire package including a service at Rs 600. This strategy reflects a strategic cost of making a product popular and consumed by the consumer with a fair increment over the range of the product or the service. In another example if you buy a pack of chips and chocolate separately

you end up paying a separate price for each product; however, of you buy a combo pack of the two you end up paying comparatively less price for both and if you buy a combo of both in a higher quantity you end up paying even lesser.

For the manufactures of the product manufacturing and marketing of larger pack is much more expensive as it does not fetch them good amount of profit, however they do the same to attract more consumers and keep them interest in their products. On the other hand, manufacturing smaller packs and lesser quantity is more beneficial and fetches more profit for the manufacturer of the product.

5. **Pricing Optional Products**
   It is a general approach, if the companies decrease the price of a product or a service, they do increase their price for their other available optional services. Let's take a very simple and a common example of a budget airline. The prices of their airfare are low however they will charge you extra if you want to book a window seat, if you want to travel with your family and want to book an entire row together you might have to end up paying extra charges as per their guidelines, in case you have too much of luggage to carry you will end up paying extra on the same, in fact you will end up paying extra charges even if you need extra leg space in a budget airline. You can say that even if the price of the air fare is low you will end up paying more for the extra yet mandatory services that you will require as you travel.

6. **Pricing of Captive Products**
   Captive products have products that complement the products without which the main product is of no use or is useless. For example, an inkjet printer is of no use without its cartridge it will not work and have no value and a plastic razor will have no value without its blades. If the company is manufacturing the inkjet printer it will have to manufacture its cartridges and if the company is manufacturing a plastic razor it will have to manufacture blades for the same. For a simple reason that any other company cartridge will not fit into the inkjet printer and neither will any other companies blade fit into the plastic razor. The consumer has no other option but to buy the complementary products from of the same company. This increases the sales and the profit margin of the company anyways.

7. **Pricing for promotions**
   Promotional pricing is very common these days. You will find it almost everywhere. Pricing for promoting a product is another very useful and helpful strategy. These promotion offers can include, discount offers, gift or money coupons or vouchers, buy one and get one free, etc. to promote new and even existing products companies do adopt such strategies where they roll out these offers to promote their products. An old strategy yet it is one of the most successful pricing strategies till date. Reason of its success is that the consumer considers buying the product and service for the offer that the consumer receives.

8. **Pricing as Per Geographic Locations**
   For simple reasons such as the geographic location, the companies do vary or change the price of the product. Why does location of the market affect the price of the product? The reasons can be many well some are scarcity of the product or the raw material of the product, the shipping cost of the product, taxes differ in a few countries, difference in the currency rate for products, etc.

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Let's take a few pricing strategies examples, when a few fruits are not available in a country they are imported from another country, these fruits are exotic fruits, they are also scarce this increases their value in the country they are imported to, scarcity, the shipping cost of the imported product along with its quality increase its price, where as it is much cheaper where it is originally grown. Similarly, the government implies heavy taxes on a few products such as petrol or petroleum products and alcohol to increase their revenue; hence such products are expensive in a few countries or part of the country compared to the other parts. Geographic location does create a huge impact on the pricing strategy of a product as the company has to consider every aspect before they price a product. Hence the price needs to be perfect and appropriate.

9. **Value Pricing a Product**
   Let me first be clear about what value pricing means, value pricing is reducing the price of a product due to external factors that can affect the sales of the product for example competition and recession; value pricing does not mean that the company has added something or increased the value of a product. When the company is afraid of factors such as competition or recession affecting their sales and profits the company considers value pricing.

   For example, McDonalds the famous food chain has started value meals for their consumer since they have started facing competition with other fast-food chains. They offer a meal or a combination of a few products as a lower price where the consumer feels emotionally content and continues to buy their products.

10. **Pricing of Premium Products**
    Well, this strategy works just the other way round. Premium products are priced higher due to their unique branding approach. A high price for premium products is an extensive competitive advantage to the manufacturer as the high price for these products assures them that they are safe in the market due to their relatively high price. Premium pricing can be charged for products and services such as precious jewelry, precious stones, luxurious services, cruses, luxurious hotel rooms, business air travel, etc. The higher the cost the more will be the value of the product amongst that class of audience.

5.3 IMPORTANCE OF PRICING IN MARKETING STRATEGY

1. **Price is the Pivot of an Economy**
   In the economic system, price is the mechanism for allocating resources and reflecting the degrees of both risk and competition. In an economy particularly free market economy and to a less extent in controlled economy, the resources can be allocated and reallocated by the process of price reduction and price increase. Price policy is a weapon to realize the goals of planned economy where resources can be allocated as per planned priorities. Price is the prime mover of the wheels of the economy namely, production, consumption, distribution and exchange. As price is a sacrifice of purchasing power, it affects the living standards of the society; it regulates business profits and, hence, allocates the resources for the optimum output and distribution. Thus, it acts as powerful agent of sustained economic development.

2. **Price regulates demand**
   The power of price to produce results in the market place is not equalled by any other component in the product-mix. It is the greatest and the strongest 'P' of

the four 'Ps' of the mix. Marketing manager can regulate the product demand through this powerful instrument. Price increases or decreases the demand for the products. To increase the demand, reduce the price and increase the price to reduce the demand. Price has a special role to play in developing countries where the marginal value of money is high than those of advanced nations. De-marketing strategy can be easily implemented to meet the rising demand for goods and services. As an instrument, it is a big gun and it should be triggered exclusively by those who are familiar with its possibilities and the dangers involved. It is so because; the damage done by improper pricing may completely sap the effectiveness of the well-conceived marketing programme. It may defame even a good product and fame well a bad product too.

3. **Price is competitive weapon**

   Price as a competitive weapon is of paramount importance. Any company whether it is selling high or medium- or low-priced merchandise will have to decide as to whether its prices will be above or equal to or below its competitors. This is a basic policy issue that affects the entire marketing planning process. Secondly, price does not stand alone as a device for achieving a competitive advantage. In fact, indirect and non-price competitive techniques often are more desirable because, they are more difficult for the competitors to copy. Better results are the outcome of a fine blend of price and non-price strategies. Thirdly, there is close relationship between the product life-cycle and such pricing for competition.

   There are notable differences in the kinds of pricing strategies that should be used in different stages. Since the product life span is directly related to the product's competitiveness, pricing at any point in the life-cycle should reflect prevailing competitive conditions.

4. **Price is the determinant of profitability**

   Price of a product or products determines the profitability of a firm, in the final analysis by influencing the sales revenue. In the firm, price is the basis for generating profits. Price reflects corporate objectives and policies and it is an important ingredient of marketing mix. Price is often used to off-set the weaknesses in other elements of the marketing-mix.

   Price changes can be made more quickly than any other changes in the product, channel, and personal selling and sales-promotion includes advertising. It is because; price change is easily understood and communicating to the buyer in a precise way. That is why, price changes are used frequently for defensive and offensive strategies. The impact of price rise or fall is reflected instantly in the rise or fall of the product profitability, thinking that other variables are unaffected.

5. **Price is a decision input**

   In the areas of marketing management, countless and crucial decisions are to be made. Comparatively marketing decisions are more crucial because, they have bearing on the other branches of business and more difficult as the decision-maker is to shoot the flying game in the changing marketing environment. Normally, profit or contribution is taken as a base for pay-off conditions. Price can be a better criterion for arriving at cut-off point because; price is the determinant of profit or contribution. As pointed earlier, price as an indicator has a special role in the decision-making process in developing countries because, consumer response to price changes will be more quick and tangible as people have higher marginal value of money at their disposal. For instance, if it is a decision regarding

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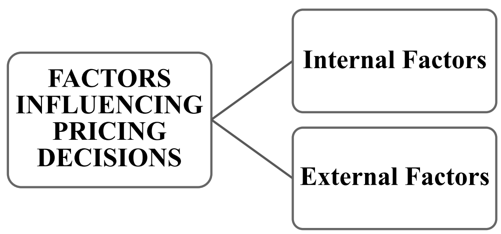
selecting product improvement possibilities, select that possibility which gives the highest price as compared to the cost.

These five points make product pricing an important and major function of marketing manager. However, until recently, it has been one of the most neglected areas of marketing management. In fact, we must have a specialist in pricing as we do have in other functions of marketing. This negligence is quite evident from the fact that even the well-known companies in the world price their products on simple concepts of costs market position competition and desired profit. Scientific pricing is much more than this easy exercise.

5.4 FACTORS INFLUENCING PRICING DECISIONS

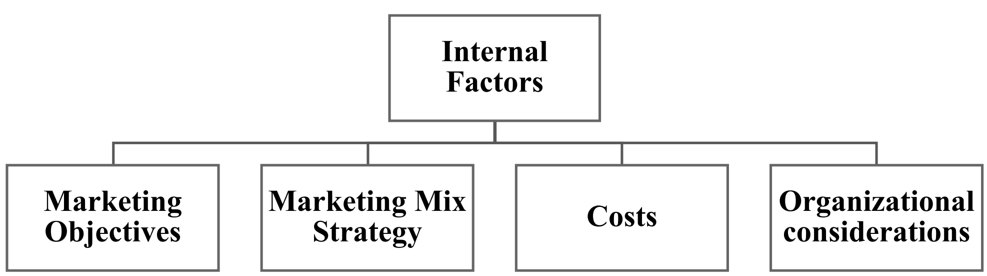
The factors affecting pricing decisions are varied and multiple. Basically, the prices of products and services are determined by the interplay of five factors, viz., demand and supply conditions, production and associated costs, competition, buyer's bargaining power and the perceived value. We would like to divide them as Internal Factors and External Factors.



1. Internal Factors

a. Marketing Objectives and Pricing Objectives

Pricing objectives may be as stated earlier – profit objectives (return on sales investment and maximisation of profits), sales objectives (increasing sales volume and increasing market share) and maintenance objectives (price stabilisation and matching the competition). Various pricing objectives have important implications for a firm's competitive strategy. Pricing objectives must not be in conflict with the marketing objectives of the firm.



b. Marketing Mix Strategy

Price of a product or service is highly influenced by other elements of marketing mix. The product life cycle through which the product is passing through, or the kind of sale (lease versus overnight purchase, or liberal returns policy may be followed). In the introductory product life cycle or liberal returns policy, the price is likely to be high. If the product requires services and those services are to be provided free, naturally the product will be highly priced.

The channels of Distribution, location of warehousing and the transportation involved also influence the price determination. Direct to the customer may enable the manufacturer to charge a lower price, but selling through many intermediaries mean the final price is to be very high to compensate the efforts of intermediaries. Promotion efforts reflect into final price. The amount of money spent by, Coke and Pepsi, HUL or Proctor & Gamble reflect in the prices to be charged. If the intermediaries are to undertake promotion work, they will be charged a lower price and vice versa.

c. Costs

The cost of a product is the single most important factor to influence the final price. Six steps need to be identified while evaluating cost-price structure:

i. Define the existing price structure

ii. Identify the prices of competing products for each item in the product line

iii. Decide which product items need attention

iv. Calculate the profitability of the current product/service mix

v. Identify products and services for price changes

vi. Define the new price structure in the company

d. Organizational considerations

All the marketers are to make a profit. Profit is a function of costs, demand, and revenue. Hence their relationship must be understood by pricing managers. The costs may be fixed costs and variable costs. Break-even analysis is one unique technique to understand the relationship between cost and price.

2. External Factors

a. Nature of the market and demand

What is the expectation of the market about the product or services? What is the demand level for the product at different prices? The market must also be understood whether there is a monopoly, perfect competition, oligopoly, monopolistic competition or duopoly. To understand demand, the supplier or marketer prepares demand curves for the product at different prices. The marketer prepares separate curves for normal products and prestige goods. In addition to understanding price and quantity relationship, the marketer must determine the price elasticity of demand to understand price sensitivity of customers.

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b. Competition

There might be pure competition (Many buyers and Sellers Who Have Little Effect on the Price), Monopolistic Competition (Many Buyers and Sellers Who Trade over a Range of Prices), Oligopolistic Competition (Few Sellers Who Are Sensitive to Each Other's Pricing/ Marketing Strategies), or Pure Monopoly (Single Seller) and in each situation price determination will be different. The competition may arise from different sources: Directly similar products like Coke and Pepsi, available substitutes speed post versus couriers, or unrelated products seeking the same rupee cricket match versus cinema, coke versus juice, new year dinner versus vacation for three days, etc.

Though many customers have poor price knowledge, yet retailers can't charge more than the competitors. Retailers often give price guarantees either by way of price-matching policies (prices will not be higher than the prices charged by other retailers) or best price policies (protecting customers against future discounts). Four strategic options are available to a firm: Build (price lower than the competition), Hold (reduce price if competitor reduces), Harvest (much greater resistance to match price cuts for the products that are being harvested), and Responsive (repositioning to force change in price).

c. Other Environmental Factors (economy, resellers, & government)

Economic Conditions, Reseller Needs, Government Actions, Social Concerns do play an important role in price fixation.

Inflation in economy is an important factor in pricing. In India during the last two years the inflation has been a great burden on the common man and even the government has failed to do anything. During recessionary conditions, the price level also drops, to maintain the same level of turnover. Presently due to increased interest rate by Reserve Bank of India, the manufacturers have to pay a higher cost of capital which will be reflected in the price to be charged.

Resellers needs are important in price determination. If you remember, petrol pump dealers went on strike a number of times and finally the oil marketing companies had to agree the margin for the resellers. It will naturally reflect in the final price to be charged to the consumers. In some cases, like butter, the retailers have to manage facilities like deep freezers which have both a capital cost and operating cost, the manufacturer will have to provide a larger margin to them.

The needs of intermediaries must be kept in mind otherwise product launches may not be viable. In February 2012, Maruti Suzuki for the first time in a decade increased Dealers' margin on Petrol Cars by 10% as the sale has been going down and the dealers were earning merely 4% after discounts and freebies. The revision follows the increase in retail prices. Hyundai Motors and Volkswagen offer 7% by way of commission.

Government's concerns about pricing are reflected in laws and regulations. Government regulations include price controls, import duties, quotas and taxes. Recent decline of rupee value vis-a-vis dollar also affects the prices of imported products or products using imported spares. The volatility in international markets also affects the prices at home.

The oil marketing companies were left with no alternatives except to increase price of petrol, when the oil prices in international markets went up. Public policy influences of the state include the pricing environment (many governments have gone with the winds of inflation – remember, the Sushma Swaraj government of Delhi had to go because of onion price rise). In case of essential drugs, the Department of Pharmaceuticals (DoP) regulates the prices. The recent decision of the Government of India to grant compulsory license to Natco Pharma to produce Bayer's anti-cancer drug could pave the way for cheaper drugs for lifestyle diseases.

d. Willingness to Pay

Knowledge of consumers' reservation price ("the price at which a consumer is indifferent between buying and not buying the product") or willingness to pay ("reservation price at which the consumer's utility begins to exceed the utility of the most preferred item") is central to any pricing decision. Willingness to pay is important not only for pricing but equally important for new product development, value audits and competitive strategy.

Knowledge of consumers' reservation prices also allows marketer to understand three demand effects due to change in price – the customer switching effect, the cannibalisation effect (when consumers derive more surplus from a new product offering than from the existing products, and the market expansion effect (non-category buyers now derive more positive surplus from the new offering).

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e. Product Line Differentiation

For vertically differentiated product lines, companies are able to charge higher prices. Companies often add a high price product into the line to increase the demand for a product with middle-level price. For products in a horizontally differentiated product line tend to be uniform. Retailers charge the same for different flavours of yogurts, same price for clothes of different sizes. All the car manufacturers have different prices to cater to different market segments, namely economy cars, family saloons, executive cars, and so on.

f. Positioning Strategy

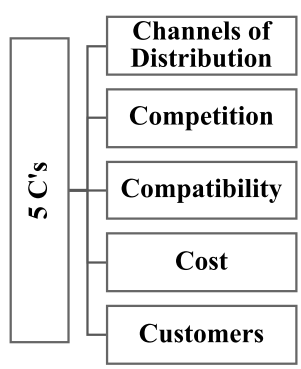
Positioning strategy involves the choice of target market and the creation of a differential advantage. Price can be used to convey this differential advantage and to appeal to a certain market segment. Price is a powerful positioning tool for many people as an indicator of quality, especially in products like drinks, perfume, and services where quality can't be assessed before consumption.

g. New Product Launch Strategy

While launching new products, price should be carefully aligned with a promotional strategy. High price and high promotion is called a rapid skimming strategy. One company that uses a skimming strategy effectively is Bosch. Its skimming Price Policy is supported by a large number of patents, to its launch of fuel injection and anti-lock brake systems. High price (skimming) and low price (penetration) may be appropriate in different situations.

5.5 THE 5 C'S FRAMEWORK OF PRICING DECISION

What is the best price for your products or services? It isn't based on how many customers you have, how many salespeople you employ, the standards in your industry — or even what you've charged in the past. The best price is the amount customers will pay that effectively earns your company the maximum profit. And it might surprise you — the best price might be significantly higher than what you're currently charging.



To help determine your optimum price tag, here are five critical Cs of pricing:

1. **Cost**

   This is the most obvious component of pricing decisions. You obviously can't begin to price effectively until you know your cost structure inside out. That includes both direct costs and fully loaded costs, such as overhead, trade discounts and so on. And it means knowing those cost structures for each item or service you sell not just on a company-wide or product-line basis. Too often, managers make pricing decisions based on the average cost of goods, when in fact, huge margin variations exist from item to item.

Traditionally, businesses have priced their goods and services based on their costs. But the cost is often irrelevant in the buying decision of the purchasers. They never even know the cost. Understanding this basic, yet all-important principle is essential to determining the real profit opportunities in your business.

Your company's gross margin potential is illustrated using the following model:

i. Potential sales = Units sold times a customer's perceived value per unit

ii. Less cost of sales = Accurate direct and indirect costs of products/services sold

iii. Gross margin potential = Dollars left to pay all other expenses and generate profits

2. Customers

The ultimate judge of whether your price delivers a superior value is a customer. Are your customers willing to pay more than you're charging? The information you need to know is:

- What is your customer's expected range — the highest and lowest price points?
- Within that range, what is your customer's acceptable range — the highest or lowest he or she is willing to pay?

When you consider pricing strategy, ask your customers two simple questions:

i. What do you think this product or service is worth?

ii. Would you have bought it at another price?

3. Channels of distribution

If you sell through "middle men" to get to the end-users of your products or services, those intermediaries affect your prices because you have to make their margins large enough to motivate them. You must also consider the expenses that intermediaries add. Make sure these third parties add value to the relationship between you and your customers.

4. Competition

This is where managers often make fatal pricing decisions. Every company and every product have competition. Even if your products or services are unique, make sure that you think carefully about your competitors from the buyer's point of view (the only opinion that matters). If you're not sure about how your customers evaluate you in terms of alternatives, pick up the phone and ask a few.

5. Compatibility

Pricing is not a stand-alone decision. It must work in concert with everything else you're trying to achieve. Do you believe a fast-food hamburger chain can

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sell $10 filet mignons? Is your pricing approach compatible with your marketing objectives? With your sales goals? With the image you want to project? Those objectives have to be explicitly stated. For example, let's say your production goal is to even out the process so you can better control inventory. The last thing you want is a pricing strategy that forces seasonal spikes in demand that result in stocking problems.

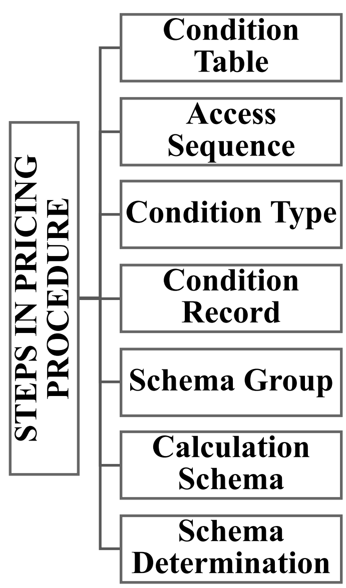
Before making a final decision on what to charge for your products and services, examine these five critical Cs of pricing. With the right price, you'll generate enough fuel to power your business.

5.6 STEPS IN PRICING PROCEDURE

The main concept of pricing procedure is combination of different type charges, like Gross price, freight, discount, surcharges etc. We use pricing procedure to determine these all conditions into one procedure, where we can find the sub-total for net amount. To understand pricing procedure, we have to be comfortable about these below things:

1. **Condition Table**
   It's a table where system saves the all fields with the combination for individual condition record. Suppose if I use Plant as condition table, then the condition record will be created for plant only. We can use many fields in one condition tables.

2. **Access Sequence**
   The main concept of Access sequence is; it searches condition record for condition type from condition table. One access sequence can contain one or multiple condition tables. Suppose we maintain 4 condition tables in one access sequence. Then when a condition type will search for condition record via this access sequence, the access sequence will allow to search only these 4 condition tables.



3. **Condition Type**
   In simple term, condition type is used for different type of charges. Like gross price, discount, freight, rebate etc. Suppose we purchase material for a price of 10,

we get a discount of the price 2. Then the price 10 will be going to a condition type and the price 2 will be going to another condition type.

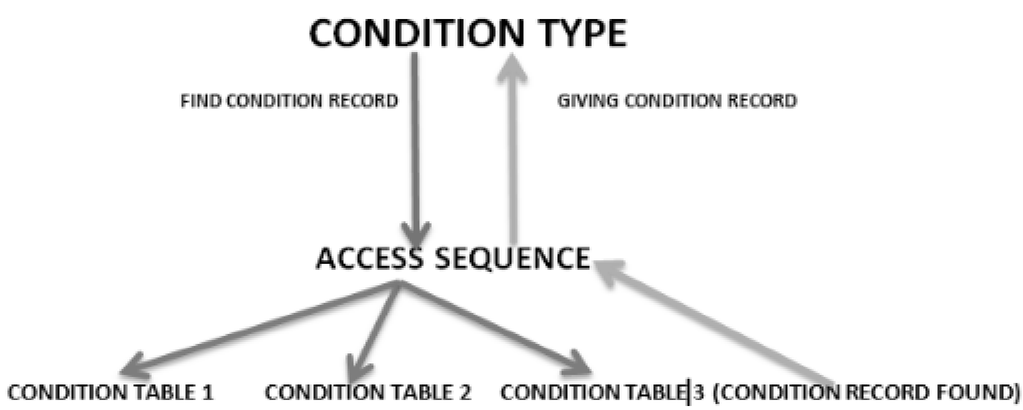
4. **Condition Record**
   Condition record contains the record which is maintained against the condition table with regards to the condition type. It can be fetched via access sequence and condition type.

   Suppose we maintain a condition record against the condition table (vendor) with regards to condition type. Then whenever the vendor used this condition type, the condition record will be fetched.

5. **Schema Group**
   It's assigned to our vendor and Purchase Organization, it helps the vendor and purchase organization to choose pricing procedure. One schema group will be assigned to vendor and one schema group will be assigned to Purchase organization. With this combination, system will fetch the pricing procedure.

6. **Calculation Schema**
   Here we maintain sequence for the pricing calculation, like gross price, discount, rebate, surcharges etc. Here we maintain the calculation for all condition types and group together all required condition types for our pricing procedure.

7. **Schema Determination**
   Here we maintain the pricing procedure for purchasing document. We maintain calculation schema combination of per each vendor – schema group and each purchase organization – schema group. In general, below image will give the concept how a condition type will search for the condition records:



5.7 CHAPTER SUMMARY

Pricing completely depends on the 4P pricing strategy in marketing which is very important and it needs to be considered before pricing any product. The management of the company needs to price their products and services very effectively as they do not want to enter into any situation where their sales take a hit due to relatively high price when compared with their competitors, neither would the company want to keep a price too low to maximize profits or enter into losses. Hence pricing needs to be done very smartly and effectively making sure the management of the organization considers every aspect before they price a product.

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5.8 REVIEW QUESTIONS

SHORT ANSWER TYPE QUESTIONS

1. **What is pricing decision? Pricing decisions can be simple or complex. Why?**
2. **What do you understand by pricing strategies?**
3. **What are the external factors influencing pricing decisions?**
4. **Price is competitive weapon. Explain.**
5. **What is marketing mix strategy?**

LONG ANSWER TYPE QUESTIONS

1. **What are the pricing strategies in marketing?**
2. **What are the Internal factors influencing pricing decisions?**
3. **Briefly explain steps in pricing procedure.**
4. **Write a brief note on the 5 c's framework of pricing decision.**
5. **Elaborate the importance of pricing in marketing strategy.**

5.9 MULTIPLE CHOICE QUESTIONS

1. **This is where managers often make fatal pricing decisions**
   a. Customers
   b. Channels of distribution
   c. Competition
   d. Compatibility
2. **Pricing is not a stand-alone decision. It must work in concert with everything else you're trying to achieve.**
   a. Customers
   b. Channels of distribution
   c. Competition
   d. Compatibility
3. **_____________ are the choices businesses make when setting prices for their products or services.**
   a. Pricing decisions
   b. Market segment
   c. Product decision
   d. None of the above
4. **This is the most obvious component of pricing decisions.**
   a. Customers
   b. Channels of distribution
   c. Cost
   d. Competition
5. **If you sell through "middle men" to get to the end-users of your products or services, those intermediaries affect your prices because you have to make their margins large enough to motivate them.**

a. Customers
b. Channels of distribution
c. Cost
d. Competition

6. **The main concept of ________is, it searches condition record for condition type from condition table**
   a. Access Sequence
   b. Condition Table
   c. Condition Type.
   d. Condition Record

7. **In simple term, _____________is used for different type of charges. Like gross price, discount, freight, rebate etc.**
   a. Access Sequence
   b. Condition Table
   c. Condition Record
   d. Condition Type

8. **It's assigned to our vendor and Purchase Organization, It helps the vendor and purchase organization to choose pricing procedure.**
   a. Condition Record
   b. Schema Group
   c. Calculation Schema
   d. Schema Determination

9. **Here we maintain sequence for the pricing calculation, like gross price, discount, rebate, surcharges etc.**
   a. Condition Record
   b. Schema Group
   c. Calculation Schema
   d. Schema Determination

10. **Any company whether it is selling high or medium- or low-priced merchandise will have to decide as to whether its prices will be above or equal to or below its competitors.**
    a. Price regulates demand
    b. Price is the determinant of profitability
    c. Price is a decision input
    d. Price is competitive weapon

♦♦♦♦♦

ANSWER KEY

UNIT I

Question	Answer	Question	Answer
1.	b	6.	a
2.	a	7.	c
3.	c	8.	d
4.	d	9.	b
5.	b	10.	a

UNIT II

Question	Answer	Question	Answer
1.	a	6.	a
2.	b	7.	d
3.	d	8.	c
4.	b	9.	a
5.	c	10.	b

UNIT III

Question	Answer	Question	Answer
1.	a	6.	d
2.	c	7.	a
3.	d	8.	c
4.	b	9.	a
5.	c	10.	d

UNIT IV

Question	Answer	Question	Answer
1.	b	6.	b
2.	a	7.	d
3.	d	8.	c
4.	c	9.	d
5.	a	10.	a

UNIT V

Question	Answer	Question	Answer
1.	c	6.	a
2.	d	7.	d
3.	a	8.	b
4.	c	9.	c
5.	b	10.	d

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