HINDUSTHAN EDUCATIONAL AND CHARITABLE TRUST

HITECH

HINDUSTHAN INSTITUTE OF TECHNOLOGY

(AN AUTONOMOUS INSTITUTION)

(Approved by AICTE, New Delhi, Affiliated To Anna University, Chennai,
Accredited by NBA(AERO,CSE,ECE and MECH , NAAC with 'A' Grade, An ISO Certified Institution)

DEPARTMENT OF MANAGEMENT SCIENCES

20PBA10 MARKETING MANAGEMENT

.Department	MASTER OF BUSINESS ADMINISTRATION					R 2022	Sem.	II
Course Code	**Course Name**	**Hours / Week**			**Credit**	**Total Hours**	**Maximum Marks**	
		L	**T**	**P**	**C**			
22PBA10	**MARKETING MANAGEMENT**	**3**	**0**	**0**	**3**	**45**	**100**	

Course Objective

1. To learn the basic concepts of marketing
2. To understand the consumer and industrial buyer behaviour
3. To acquire the basic knowledge in distribution channels.
4. To gain exposure in marketing communication process
5. To acquire the recent developments and current trends in marketing

UNIT I –CONCEPT OF MARKETING **9 Hours**

Marketing Concepts and Tasks, Defining and delivering customer value and satisfaction - Marketing environment. Marketing Information System, Strategic marketing planning and organization, marketing in global environment – prospects & challenges.

UNIT II –MARKETING MIX **9 Hours**

Buyer Behavior, understanding industrial and individual buyer behavior, online buyer behavior. Market Segmentation and Targeting, Positioning and differentiation strategies, branding, packaging, labeling, Product life cycle strategies, New product development, Product Mix and Product line decisions. Pricing – Skimming and penetration pricing.

UNIT – III MARKETING CHANNELS **9 Hours**

Marketing channel system –levels, Functions and flows; Channel design, Channel management - Selection, Training, Motivation and evaluation of channel members; Channel dynamics - VMS, HMS, MMS.

UNIT IV –MARKETING COMMUNICATION **9 Hours**

Integrated marketing communication process and Mix; Advertising, Sales promotion and Public relation decisions. Direct marketing, Telemarketing; Sales force objectives, structure, size and compensation

UNIT V –CURRENT TRENDS IN MARKETING **9 Hours**

Identifying and analyzing competitors, Designing competitive strategies for leaders, challengers, followers and niches: Customer Relationship Marketing - Customer database, Attracting and retaining customers. Latest trends in Marketing: Digital Marketing, Internet Marketing, E-Mail Marketing, Social Media Marketing, Mobile Marketing – Marketing Information Management

.

TOTAL HOURS: 45 PERIODS

State of the Art		**Marketing Concepts**
Course Outcome	CO1	Able to work in the marketing domain effectively
	CO2	Capable of predicting the both consumer behavior and industrial buyer behavior in a systematic way
	CO3	Acquired knowledge in selecting suitable distribution channel
	CO4	Capacity to design suitable promotional programme in a dynamic environment
	CO5	Able to work in marketing domain with latest trends and models

TEXT BOOKS

1. Philip Kotler**,** –Marketing Management‖**,** Pearson Education/PHI 12th Edition, 2017.

REFERENCE BOOKS

1. Rajan Saxena, –Marketing Management‖**, Tata** McGraw Hill, ,5th Edition ,2015
2. Ramasamy.V S. & Namakumari..S., –Marketing Management - Planning, Implementation and Control: Global Perspective Indian Context‖ - Macmilan India, 3rd Edition 2002.
3. Philip Kotler and Kevin Lane Kotler, –Marketing Management: A South Asian Perspective‖, Pearson Education, 11th Edition, 2007.
4. Perreault and McGarthy, –Basic Marketing‖**,** Tata McGraw Hill, 2002.
5. Ramphal and Gupta**, —**Case and Simulations in Marketing‖, - Golgatia, Delhi. ,2009

WEB REFERENCES

1. https://nptel.ac.in/courses/110/107/110107147/
2. https://nptel.ac.in/courses/110/104/110104070/

CO PO MAPPING

	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12	PSO1	PSO2
CO1	2	1		1	1	1		1	1	1		1	1	1
CO2	2	1		1	1	1		1	2	2		2	1	2
CO3	2	1		1	1	1		1	2	2		2	2	2
CO4	2	1		1	1	1		1	2	3		2	2	2
CO5	2	1		1	1	1		1	1	1		2	1	1

UNIT-1

CONCEPT OF MARKETING

What is Marketing?

Marketing is the art and process of developing, executing, and maintaining an exchange relationship. You begin with attracting the customers, building a relationship with them, and finally keeping it by satisfying their needs.

That customer can be either other businesses or the customers; therefore, marketing can be B2B or B2C depending upon the situation. However, the ultimate function of marketing remains the same: to build a relationship with customers and satisfy their needs by meeting their requirements.

For example, telecommunication builds a marketing strategy that first intrigues and persuades people to use their calls, messaging, and internet packages. Once people begin using, then they urge them to rate their service by giving them stars.

What are the Marketing Concepts?

The marketing concept means whenever a company plans and implements to maximize profit by boosting sales, meeting customers' needs, and surpassing competitors. The goal is to devise a situation that serves both parties; the customer and the company.

The idea behind the marketing concept is to predict and satisfy the needs and wants of customers better than the competitors. The marketing concepts were first derived from the book of Adam Smith, Wealth of Nations. However, it remained unexplored to the world till the 21st century.

To fully appreciate the marketing concept, first, we to understand needs, wants, and demands;

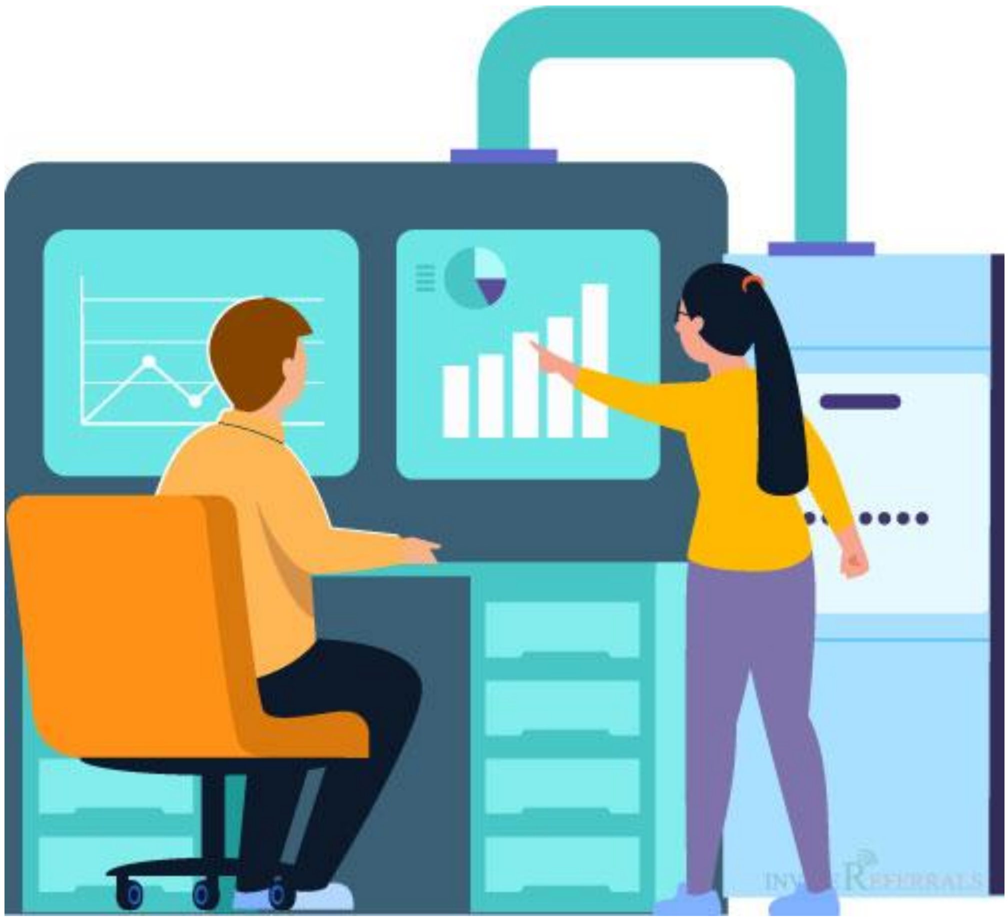
- **Needs** – it is something inevitable for the existence of life; many adverse things can occur without it. The worst-case situation would be death. Needs cover many things, like food, shelter, self-development, security, social belonging, self-esteem, and respect.
- **Wants** – wants are our desires and wishes in life; our social setup and culture mold our wants.
- **Demands** – when our desires, needs, and wants are backed by our ability to pay, they become demands.

Since we have learned the basics of marketing, it's time to understand five marketing concepts.

5 Basic Marketing Concepts

There is an end number of marketing concepts as every business has its own concept. While some concepts still work today, others have become out-of-date. However, we will be looking at five core marketing concepts, also recognized as marketing management philosophies.

1. Product Concept



The core purpose of the product concept is to manufacture cheaper products because the consumers won’t pay much price for the products or services. So the businesses that accompany the product concept manufacture the goods on a mass scale and profit out of the economies of scale.

When manufacturers produce low-cost products, then they follow a broad distribution strategy to reach more audiences. By targeting more people, they can boost their productivity by expanding their market.

In the product concept, marketers do not give any importance to the requirements and wants of the customers. Their central focus is to produce more and more goods, quantity matters, not quality. As a result, consumers are usually unsatisfied with the bad quality of the products.

The product concept was popular when there were no competitors in the market; whatever you bring in the market, people would take it.

For instance: Ford was the first vehicle company; it commenced delivering more vehicles in the market. People purchased it because it was the only product available at the time.

2. Production Concept

It is one of the earliest marketing concepts where the organization concentrates on the ability of its production processes. It is to manufacture the products cheaper to make them ready for the mass population. The center of the production concept is on the quantity, not the quality of the products.

Production concept began in the mid 1950s, and it accompanies the Say's Law. It says that supply generates demand in the market. Therefore, according to this law, when a company manufactures a product, it doesn't need to promote its products; it would sell itself.

The law became widespread because, at that time, there was no technology and communications, and people used to travel less.

The salesman in the store used to be the only retailer, and there were few manufacturers. So there used to be a confined variety of products, whatever comes in the market, and then it would have been marketed.

For example McDonald's and fast food chains in general also aim to ace their operations.

3. Selling Concept

As the name suggests, the idea of selling is to sell the company's product through large-scale marketing and promotional activities. It doesn't matter whether they satisfy customers' needs or not.

The center of the management in this method is to finish the transaction of sale; they believe that their job is done once they market their product. Therefore, rather than establishing and maintaining a long-term connection with the customer, the customer would come back again.

The sale concept is a very precarious strategy because it's based on a very weak notion that the company should sell whatever they're manufacturing instead of meeting customer's demands.

In this approach, marketers believe that if consumers don't like the company's product, they'll buy something else and forget about their past shopping experience. So the whole notion of the sale concept is based on the false presumption that the customers don't remember their past buying experience.

For example, blood donations and insurance policies come under the category of sale concept, where the marketer believes that their job is done after making the transaction.

4. Marketing Concept

When it comes to the marketing concept, it is customer-oriented. It places customers in the middle of the marketing process, discovering customers' demands and wants, then meeting those needs better than the competitors.

In this method, the marketer assumes that the customer is always right, and his requirements and wants should be their priority. Here the marketing strategy concentrates on producing a profit by satisfying the needs and wants of customers.

It supports a very simple strategy: marketers do not search for the right customers for their product; instead, they build the right product. Thus, marketers seek to bridge the gap between the consumers and the company's products.

When you analyze the *marketing concept* with the sale concept, you may find a huge distinction between both strategies. It won't be wrong if you state that these two strategies are at two opposite extreme poles. The best example of this concept is the Coke vs. Pepsi war

5. Societal Marketing Concept

The idea behind the societal marketing concept is based on the welfare of the entire society because it examines the strategy of the marketing concept. What consumers need doesn't mean that it would be useful for them in the long term. What you need and what is suitable for you and society as a whole are two entirely different things.

For example, we all like sweet, spicy, and fast foods. We all desire the same things whenever we go out, but it doesn't imply that it's good for our health and the well-being of the whole society.

The goal and aim of the societal marketing concept is to make companies understand that they have a friendly and environmental responsibility, much more important than their short-term sales and profit goals. Businesses should design and operate towards a sustainable future for society; organizations are a part of society and should behave like one. One of the best examples of societal marketing concepts is the Coca Cola Super Bowl Commercial 2014 "America The Beautiful." Campaign.

Difference between customer value and customer satisfaction

Some points of difference between customer value and customer satisfaction have been listed below:

1. Meaning

Customer value is the difference between the total benefits expected from a product/service and the total costs incurred to obtain that product or service. On the other hand, customer satisfaction refers to the difference between the actual performance experienced by a customer and the expectation of the customer.

2. Type of process

Customer value is a proactive process as it takes place before the customer has actually experienced the product, i.e. it is the prepurchase assessment of a product by a customer. In contrast, customer satisfaction is a reactive process, which is basically the difference between the expectation of the customer and the experience of the customer after using that product/service. Hence, it is the post-purchase analysis of a product by the customer.

3. Concept

Customer value is evaluated from the point of view of customers. It is essentially the thought process of the customers, where they carry out a comparison between the value gained from a product in comparison to that provided by a competing product, so as to determine the products that offer higher benefits at a low cost. Customer satisfaction, however, is an emotional concept as it pertains to the feelings of customers. We determine how satisfied we are from a purchase on the basis of our experience of using that product/service.

4. How they are used

Customer value is a strategic measure that determines product compositions, pricing strategies, distribution methods, communication systems and processes. On the other hand, customer satisfaction offers a means of assessing how customers respond to these measures. It is essentially a transactional measure that is used most appropriately in a post-sales interaction between the customer and the company.

5. Computation

Customer value is determined by simply subtracting total costs from benefits and can be described in monetary terms. Customer satisfaction is measured in qualitative terms as subtracting actual performance from the expected performance is more subjective in nature. It involves emotions and is difficult to quantify.

Customer value vs customer satisfaction – tabular comparison

CUSTOMER VALUE VS **CUSTOMER SATISFACTION**

Meaning	
The relationship between the total benefits to customers and the total costs incurred to gain those benefits	The relationship between the expectations of customers regarding a product and the actual experien
Type of process	
Proactive	Reactive
Concept	
Relative concept; comparison of a product with its competitors to determine the product that provides greatest benefits at the lowest cost	Emotional concept
How they are used	
Strategic measure	Transactional measure
Computation	
Total benefits minus total costs	Cannot be quantified

Marketing Environment

A marketing environment encompasses all the internal and external factors that drive and influence an organization's marketing activities.

Marketing managers must stay aware of the marketing environment to maintain success and tackle any threats or opportunities that may affect their work.

A marketing environment is vast and diverse, consisting of controllable and uncontrollable factors. A good grasp of your marketing environment helps to:

- **Identify opportunities**: Understanding your marketing environment helps you notice and take advantage of market opportunities before losing your edge. For example, say your marketing team sees an uptick in digital buying over in-shop sales. You may decide to allocate more resources to your online marketing funnel to drive more sales.
- **Identify threats**: Studying your marketing environment alerts you to potential threats which may affect your marketing activities. For example, a market leader could diversify their product portfolio to compete with your organization. Foreknowledge of this can help you restrategize your marketing efforts to maintain and grow your market share.
- **Manage changes**: Paying attention to the marketing environment also helps manage changes and maintain growth in a dynamic economy. Marketing managers can forecast and determine timely marketing campaign strategies by monitoring their marketing environment.

Features of a marketing environment

The features of a marketing environment are typically:

- **Dynamic**: The factors that affect marketing environments constantly change over time. These could be technological advancements, industry regulations, or even customer tastes.
- **Relative**: Marketing environments are relative and unique to each organization. A specific product from your company may sell quicker in the U.S. than in Europe because of distinctions in the marketing environment.
- **Uncertain**: Market forces are unpredictable. Even with constant study, you may face unexpected threats or opportunities in your marketing operations. Adept marketers must be able to learn, pivot, and strategize quickly to achieve their goals.
- **Complex**: The many internal and external forces in a marketing environment make it complex, with various essential moving parts. For example, you must coordinate your team’s ability and resources with stakeholder expectations, customer satisfaction, and other ethical and environmental concerns.

Types of marketing environments you should know

There are two significant types of marketing environments:

- Internal marketing environments
- External marketing environments

You can break down the external marketing environment further into:

- Micromarketing environment
- Macro marketing environment

What is an internal marketing environment?

An internal marketing environment consists of factors that fall within your control and impact your marketing operations, including your organization's strengths, weaknesses, uniqueness, and competencies.

Think of essential marketing elements such as your people and teams, the quality of your product or service, capital assets and budgets, and company policy. Internal marketing environment factors are **controllable**.

What is an external marketing environment?

The external marketing environment includes all factors that do not fall within your organization's control, including technological advancements, regulatory changes, social, economic, and competitive forces.

These factors may be controllable or uncontrollable, but defining and studying their changes and trends gives your business and marketing team some power to stay the course. The external marketing environment can be broadly categorized into micro and macro marketing environments.

What is a microenvironment in marketing?

The microenvironment in marketing is closely linked to your business and directly affects marketing operations. It includes factors like customers, suppliers, business partners, vendors, and even competitors. Microenvironment factors are controllable to some extent.

What is a macro marketing environment?

Your macro marketing environment is made up of all the factors beyond the control of your organization. An easy way to remember these factors is by using the PESTLE acronym, which stands for:

- **P**: Political factors

- **E**: Economic factors
- **S**: Social and demographic factors
- **T**: Technological advancement factors
- **L**: Legal and regulatory factors
- **E**: Environmental factors

These factors are **uncontrollable** and can impact your business and marketing operations to a significant extent. Political changes, for example, may have a massive effect on how you can market and conduct your business in certain regions.

Your macro marketing environment is continually changing. It's vital to keep a close watch to identify potential threats or opportunities to your business. For instance, an unpredictable environmental change, like the COVID-19 pandemic in 2020, can significantly change the way we work, market, and do business globally.

While it's true that the macro marketing environment can overwhelm a business and cause it to fail, it can also lead to growth. A curious perspective and healthy company culture that empowers employees and teams to share ideas, collaborate, and take creative risks will position your business for success.

Examples of a marketing environment

To help you understand the effects of different marketing environments, let's look at some examples.

- **Internal marketing environment:** Your internal company culture has an impact on how your employees behave, which in turn affects your marketing operations. An organization that emphasizes teamwork and collaboration, for example, will have more engaged employees. This, in turn, will help the organization perform better than competitors who do not share these values.
- **Micro marketing environment:** Say your business relies on a network of suppliers, distributors, and retailers to get your products to the customer. It's wise to build good relationships with these vendors, as any changes can influence your marketing strategy.
- **Macro marketing environment:** The shockwaves from the COVID-19 pandemic are still hitting marketers — first, social distancing and remote work changed how we market goods and services. Now, inflation and the rising cost of living loom large over the macro marketing environment.

Benefits of monitoring your marketing environment

The marketing environment is continuously evolving. Your team may bring in new members, customer tastes and needs change, or, as we saw in 2020, a worldwide pandemic can turn the working world upside down.

Monitoring your marketing environments empowers your business to make strategic marketing decisions before it’s too late. Other benefits of tracking your marketing environment include:

- Being more prepared for micro- or macro-environmental changes — you work from a place of power when you have data that positions your business marketing for success
- Gaining useful, qualitative information about your marketing environment, which helps develop successful marketing campaign strategies
- A better understanding of your customers' needs, resulting in a more satisfactory product or service
- Having the correct information to create marketing campaigns that do not cross legal and regulatory policies
- More effective budgeting and allocation of marketing resources
- The ability to recognize potential threats within your marketing environment and prepare good marketing strategies in time
- The ability to identify and leverage opportunities before your competitors
- Improving any weaknesses in your organization's marketing setup, processes, and operations
- Leveraging your unique strengths to build company reputation and successful marketing campaigns

Marketing Information System

Definition: The **Marketing Information System** refers to the systematic collection, analysis, interpretation, storage and dissemination of the market information, from both the internal and external sources, to the marketers on a regular, continuous basis.

The marketing information system distributes the relevant information to the marketers who can make the efficient decisions related to the marketing operations viz. Pricing, packaging, new product development, distribution, media, promotion, etc.

Every marketing operation works in unison with the conditions prevailing both inside and outside the organization, and, therefore, there are several sources (viz. Internal, Marketing Intelligence, Marketing Research) through which the relevant information about the market can be obtained.

Components of Marketing Information System

1. **Internal Records:** The Company can collect information through its internal records comprising of sales data, customer database, product database, financial data, operations data, etc. The detailed explanation of the internal sources of data is given below:

- The information can be collected from the documents such as invoices, transmit copies, billing documents prepared by the firms once they receive the order for the goods and services from the customers, dealers or the sales representatives.
- The current sales data should be maintained on a regular basis that serves as an aide to a the Marketing Information System. The reports on current sales and the inventory levels help the management to decide on its objectives, and the marketers can make use of this information to design their future sales strategy.
- The Companies maintain several databases such as*Customer Database- wherein the complete information about the customer's name, address, phone number, the frequency of purchase, financial position, etc. is saved.

  *Product Database- wherein the complete information about the product's price, features, variants, is stored.

  *Salesperson database, wherein the complete information about the salesperson, his name, address, phone number, sales target, etc. is saved.

- The companies store their data in the data warehouse from where the data can be retrieved anytime the need arises. Once the data is stored, the statistical experts mine it by applying several computer software and techniques to convert it into meaningful information that gives facts and figures.

2. **Marketing Intelligence System:** The marketing intelligence system provides the data about the happenings in the market, i.e. data related to the marketing environment which is external to the organization. It includes the information about the changing market trends, competitor's pricing strategy, change in the customer's tastes and preferences, new products launched in the market, promotion strategy of the competitor, etc.

   In order to have an efficient marketing Information System, the companies should work aggressively to improve the marketing intelligence system by taking the following steps:

- Providing the proper training and motivating the sales force to keep a check on the market trends, i.e. the change in the tastes and preferences of customers and give suggestions on the improvements, if any.
- Motivating the channel partners viz. Dealer, distributors, retailers who are in the actual market to provide the relevant and necessary information about the customers and the competitors.
- The companies can also improve their marketing intelligence system by getting more and more information about the competitors. This can be done either by purchasing the competitor's product, attending the trade shows, reading the competitor's published articles in magazines, journals, financial reports.
- The companies can have an efficient marketing information system by involving the loyal customers in the customer advisory panel who can share their experiences and give advice to the new potential customers.
- The companies can make use of the government data to improve its marketing Information system. The data can be related to the population trends, demographic characteristics, agricultural production, etc. that help an organization to plan its marketing operations accordingly.
- Also, the companies can purchase the information about the marketing environment from the research companies who carry out the researches on all the players in the market.
- The Marketing Intelligence system can be further improved by asking the customers directly about their experience with the product or service via feedback forms that can be filled online.

3. **Marketing Research**: The Marketing Research is the systematic collection, organization, analysis and interpretation of the primary or the secondary data to find out the solutions to the marketing problems.Several Companies conduct marketing research to analyze the marketing environment comprising of changes in the customer's tastes and preferences, competitor's strategies, the scope of new product launch, etc. by applying several statistical tools. In order to conduct the market research, the data is to be collected that can be either primary data (the first-hand data) or the secondary data (second-hand data, available in books, magazines, research reports, journals, etc.)

The secondary data are publicly available, but the primary data is to be collected by the researcher through certain methods such as questionnaires, personal interviews, surveys, seminars, etc.

A marketing research contributes a lot in the marketing information system as it provides the factual data that has been tested several times by the researchers.

4. **Marketing Decision Support System**: It includes several software programs that can be used by the marketers to analyze the data, collected so far, to take better marketing decisions.With the use of computers, the marking managers can save the huge data in a tabular form and can apply statistical programs to analyze the data and make the decisions in line with the findings.

Strategic Marketing Planning

Strategic marketing planning is one of the main functions of marketing management. It is the process in which the company develops marketing strategies to meet its strategic goals and objectives. The main steps include identifying the company's current situation, analysing its opportunities and threats, and mapping out marketing action plans for implementation.

Strategic marketing planning is the development of marketing strategies based on the overall business strategy.
Marketing plans are developed based on the scope of the strategic plan. Once the plan is concluded, it is implemented to achieve the company's objectives.

Importance of Strategic Planning in Marketing

Understand the company's current situation

A significant part of strategic planning is developing a **SWOT analysis** that considers the internal and external environment's influence on business performance. This analysis will likely include the company's strengths, weaknesses, opportunities, and threats. This information helps managers understand the company's situation and develop appropriate marketing strategies.

Accomplish marketing goals

Marketing plans include marketing strategies and specific goals and deadlines for achieving them. Thus, by developing a plan, marketers can ensure marketing activities are carried out within the set timeframe and meet the overall objectives.

Specify actions to be taken

While goals are vital to business success, they are rather vague for implementation. A company can set a goal to increase its sales by 10% within two years, but without an action plan with clear steps on what to do, this is unlikely to happen. That's where strategic marketing planning comes into play. Along with marketing goals, the plan outlines specific steps to take to reach the set goal.

Marketing In Global Environment – Prospects And Challenges

1 Global marketing as ―marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives.

Here are three reasons for the shift from domestic to global marketing.

2.WORLD WIDE COMPETITION

One of the product categories in which global competition has been easy to track in U.S.is automotive sales. The increasing intensity of competition in global markets is a challenge facing companies at all stages of involvement in international markets.

As markets open up, and become more integrated, the pace of change accelerates, technology shrinks distances between markets and reduces the scale advantages of large firms, new sources of competition emerge, and competitive pressures mount at all levels of the organization.

Also, the threat of competition from companies in countries such as India, China, Malaysia, and Brazil is on the rise, as their own domestic markets are opening up to foreign competition, stimulating greater awareness of international market opportunities and of the need to be internationally competitive. Companies which previously focused on protected domestic markets are entering into markets in other countries, creating new sources of competition, often targeted to price-sensitive market segments. Not only is competition intensifying for all firms regardless of their degree of global market involvement, but the basis for competition is changing. Competition continues to be market-based and ultimately relies on delivering superior value to consumers. However, success in global markets depends on knowledge accumulation and deployment.

3EVOLUTION TO GLOBAL MARKETING

Global marketing is not a revolutionary shift, it is an evolutionary process. While the following does not apply to all companies, it does apply to most companies that begin as domestic-only companies.

3.1Domestic marketing

A marketing restricted to the political boundaries of a country, is called "Domestic Marketing". A company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without thought of how the product or service could be used in other markets. All marketing decisions are made at headquarters.

The biggest obstacle these marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of a potential competitor who is a market leader on three continents until they simultaneously open 20 stores in the Northeastern U.S. These marketers can be considered ethnocentric as they are most concerned with how they are perceived in their home country. exporting goods to other countries.

3.2International marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company‗s competitiveness in the foreign market, then offices could be built in the foreign countries. Sometimes companies buy firms in the foreign countries to take advantage of relationships, storefronts, factories, and personnel already in place.

These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets. Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

4ELEMENTS OF THE GLOBAL MARKETING MIX

The ―Four P‗s‖ of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide.

4.1Product

A global company is one that can create a single product and only have to tweak elements for different markets. For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the contour bottle design and the dynamic ribbon in some way, shape, or form. However, the bottle or can also includes the country_s native language and is the same size as other beverage bottles or cans in that same country.

4 .2Price

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product_s position in relation to the competition influences the ultimate profit margin. Whether this product is considered the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

4.3Placement

How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option. Placement decisions must also consider the product_s position in the market place. For example, a high-end product would not want to be distributed via a ―dollar store‖ in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique.

4.4Promotion

After product research, development and creation, promotion (specifically advertising) is generally the largest line item in a global company_s marketing budget. At this stage of a company_s development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge.

Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized. Market research measures such as Flow of Attention, Flow of Emotion and branding moments provide insights into what is working in an ad in any country because the measures are based on visual, not verbal, elements of the ad.

UNIT II
MARKETING MIX

What is a Product?

- A good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers which they receive in exchange for money or some other unit of value.

- NPD is a process which designed to develop, test and consider the viability of products which are new to the market in order to ensure the Growth or survival of the organisation.
- The stages a firm goes through to identify business opportunities and convert them to a salable good or service.

What is a new product?

- A product that opens an entirely new market
- A product that adapts or replaces an existing product
- A product that significantly broadens the market for an existing product
- An old product introduced in a new market
- An old product packaged in a different way
- An old product marketed in a different way

Why develop NPD

- To add to product portfolio
- Tocreate stars and cash cows for the future
- Toreplace declining product
- To take advantage of new technology
- To defeat rivals
- To maintain/increase market share
- To keep up with rivals
- To maintain competitive advantage
- Tofull gap in the market

New product can be used

- Increase/defend market share by offering more choice or updating older products
- Appeal to new segments
- Diversify into new markets
- Improve relationship with distributors
- Maintain thefirm's reputation a leading edge company
- Even out peaks and troughs in demand
- Makebetter use of the organization's resources

New Product Development Strategy

- _ Original products
- _ Acquisition
- _Product improvements
- _Product modifications

- _ New brands through the firm's own R&D efforts

Types of new product

- New product the world products – innovative products
- New product lines – to allow the firm to enter an existing market
- Addition to product line – to supplement the firm's existing product line
- Improvements and revisions of existing product
- Repositioned products – existing products targets at new market
- Cost reduction new product that provide similar performance at lower cost

Examples of new products

- New to the world – high definition TV, ipod, flat screen TV
- New products lines – Mars ice creams
- Addition to the products line – weetabix launched fruitibix
- Product improvement & replacement new car model

New Product Planning

- This is the strategic stage
- The firm assesses
- It current product portfolio
- Opportunities and threats
- The firm then determines the type of product which would best fit in with the corporate strategy

New Product Development Process

- Idea Generation
- Idea Screening
- Concept development and testing
- Market strategy development
- Business development
- Test marketing
- Commercialization

Idea Generation

- Purpose – to identify as many new product ideas as possible

- Sources
1. Customers
2. Company Research and Development
3. Sales representatives / employees
4. Competitors

- Idea generation is continuous, systematic search for new product opportunities. It involves delineating sources of new ideas and methods for generating them.

Opportunity Identification

Internal sources
_Company employees at all levels
External sources
_ Customers
_ Competitors
_ Distributors
_ Suppliers
_ Outsourcing
Product Screening

- In product screening poor, unsuitable or otherwise unattractive ideas are weeded out form further actions

Concept testing

- Concept testing present the consumer with a proposed product and measure attitudes and intention at this early stage of development

Business & financial Analysis

- Business and financial analysis for the remainning product concepts is much more detailed than product screening
- Assesses the potential profitability of the product concept
- Estimate sales
- Estimate costs

Product Development

- Theproduct concept described on paper is turned into a physical product called a prototype.
- Prototype is tested with sample groups from the target market.
- Product development converts a product idea into a physical form and identifies a basic marketing strategy

Test Marketing

- Test marketing involves placing a product for sale in one or more selected areas and observing its actual performance under the proposed marketing plan
- Product is tested under realistic purchase conditions.
- Purpose – see how targeted consumers respond to product and other marketing mix elements
- Product is introduced in one or more test cities

Commercialization

- Commercialization involves implementing a total marketing plan and full production
- Product is placed on the market.
- Involves setting up:
- manufacturing facilities
- Channels of distribution
- Promotion for the product
- Will often use a regional roll out

The Product Life Cycle

A product's life cycle (PLC) can be divided into several stages characterized by the revenue generated by the product. If a curve is drawn showing product revenue over time, it may take one of many different shapes, an example of which is shown below:

Product Life Cycle Curve

The life cycle concept may apply to a brand or to a category of product. Its duration may be as short as a few months for a fad item or a century or more for product categories such as the gasoline- powered automobile.

Product development is the incubation stage of the product life cycle. There are no sales and the firm prepares to introduce the product. As the product progresses through its life cycle, changes in the marketing mix usually are required in order to adjust to the evolving challenges and opportunities.

Introduction Stage

When the product is introduced, sales will be low until customers become aware of the product and its benefits. Some firms may announce their product before it is introduced, but such announcements also alert competitors and remove the element of surprise. Advertising costs typically are high during this stage in order to rapidly increase customer awareness of the product and to target the early adopters. During the introductory stage the firm is likely to incur additional costs associated with the initial distribution of the product. These higher costs coupled with a low sales volume usually make the introduction stage a period of negative profits.

During the introduction stage, the primary goal is to establish a market and build primary demand for the product class. The following are some of the marketing mix implications of the introduction stage:

- Product - one or few products, relatively undifferentiated
- Price - Generally high, assuming a skim pricing strategy for a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly. In some cases a penetration pricing strategy is used and introductory prices are set low to gain market share rapidly.

- Distribution - Distribution is selective and scattered as the firm commences implementation of the distribution plan.
- Promotion - Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product.

Growth Stage

The growth stage is a period of rapid revenue growth. Sales increase as more customers become aware of the product and its benefits and additional market segments are targeted. Once the product has been proven a success and customers begin asking for it, sales will increase further as more retailers become interested in carrying it. The marketing team may expand the distribution at this point. When competitors enter the market, often during the later part of the growth stage, there may be price competition and/or increased promotional costs in order to convince consumers that the firm's product is better than that of the competition.

During the growth stage, the goal is to gain consumer preference and increase sales. The marketing mix may be modified as follows:

- Product - New product features and packaging options; improvement of product quality.
- Price - Maintained at a high level if demand is high, or reduced to capture additional customers.
- Distribution - Distribution becomes more intensive. Trade discounts are minimal if resellers show a strong interest in the product.
- Promotion - Increased advertising to build brand preference.

Maturity Stage

The maturity stage is the most profitable. While sales continue to increase into this stage, they do so at a slower pace. Because brand awareness is strong, advertising expenditures will be reduced. Competition may result in decreased market share and/or prices. The competing products may be very similar at this point, increasing the difficulty of differentiating the product. The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers. Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products.

During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include:

- Product - Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced.
- Price - Possible price reductions in response to competition while avoiding a price war.
- Distribution - New distribution channels and incentives to resellers in order to avoid losing shelf space.
- Promotion - Emphasis on differentiation and building of brand loyalty. Incentives to get competitors' customers to switch.

Decline Stage

Eventually sales begin to decline as the market becomes saturated, the product becomes technologically obsolete, or customer tastes change. If the product has developed brand loyalty, the profitability may be maintained longer. Unit costs may increase with the declining production volumes and eventually no more profit can be made.

During the decline phase, the firm generally has three options:

- Maintain the product in hopes that competitors will exit. Reduce costs and find new uses for the product.
- Harvest it, reducing marketing support and coasting along until no more profit can be made.
- Discontinue the product when no more profit can be made or there is a successor product. The marketing mix may be modified as follows:
- Product - The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- Price - Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.
- Distribution - Distribution becomes more selective. Channels that no longer are profitable are phased out.
- Promotion - Expenditures are lower and aimed at reinforcing the brand image for continued products.

Limitations of the Product Life Cycle Concept

The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales. Furthermore, critics have argued that the product life cycle may become self- fulfilling. For example, if sales peak and then decline, managers may conclude that the product is in the decline phase and therefore cut the advertising budget, thus precipitating a further decline.

Nonetheless, the product life cycle concept helps marketing managers to plan alternate marketing strategies to address the challenges that their products are likely to face. It also is useful for monitoring sales results over time and comparing them to those of products having a similar life cycle.

Market Segmentation

Definition

- Dividing a market into distinct groups with distinct needs, characteristics, or
- Dividing a big heterogeneous market into small homogenous unit.
- Process of dividing the total market for a good or service into several smaller, internally homogeneous groups

Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers.

Market segments for Bicycles

1 **(Exercisers)**	**2** **(School-goers)**
3 **(Transportation riders)**	**4** **(Adventures)**

Process of Market Segmentation

- **Identify wants within a market**
- **Identify characteristics that distinguish the segments**
- **Determine size and satisfaction**

Fetaures market segmentation

- It must be identifiable.
- It must be accessible.
- It must be optimum in size.
- It must be profitable.
- It must be durable.
- It must be compatible**.**

Requirements of Market Segments

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- Identifiable: the differentiating attributes of the segments must be measurable so that they can be identified.
- Accessible: the segments must be reachable through communication and distribution channels.
- Substantial: the segments should be sufficiently large to justify the resources required to target them.
- Unique needs: to justify separate offerings, the segments must respond differently to the different marketing mixes.
- Durable: the segments should be relatively stable to minimize the cost of frequent changes.

A good market segmentation will result in segment members that are internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between segments.

Bases for Segmentation in Consumer Markets

Consumer markets can be segmented on the following customer characteristics.

- Geographic
- Demographic
- Psychographic
- Behavioralistic

Geographic Segmentation

The following are some examples of geographic variables often used in segmentation.

- Region: by continent, country, state, or even neighborhood
- Size of metropolitan area: segmented according to size of population
- Population density: often classified as urban, suburban, or rural
- Climate: according to weather patterns common to certain geographic regions

Demographic Segmentation
Some demographic segmentation variables include:

- Age
- Gender
- Family size
- Family lifecycle
- Generation: baby-boomers, Generation X, etc.
- Income
- Occupation
- Education
- Ethnicity
- Nationality
- Religion
- Social class

Many of these variables have standard categories for their values. For example, family lifecycle often is expressed as bachelor, married with no children (DINKS: Double Income, No Kids), full- nest, empty-nest, or solitary survivor. Some of these categories have several stages, for example, full-nest I, II, or III depending on the age of the children.

Psychographic Segmentation

Psychographic segmentation groups customers according to their lifestyle. Activities, interests, and opinions (AIO) surveys are one tool for measuring lifestyle. Some psychographic variables include:

- Activities

- Interests
- Opinions
- Attitudes
- Values

Behavioralistic Segmentation

Behavioral segmentation is based on actual customer behavior toward products. Some behavioralistic variables include:

- Benefits sought
- Usage rate
- Brand loyalty
- User status: potential, first-time, regular, etc.
- Readiness to buy
- Occasions: holidays and events that stimulate purchases

Behavioral segmentation has the advantage of using variables that are closely related to the product itself. It is a fairly direct starting point for market segmentation.

Bases for Segmentation in Industrial Markets

In contrast to consumers, industrial customers tend to be fewer in number and purchase larger quantities. They evaluate offerings in more detail, and the decision process usually involves more than one person. These characteristics apply to organizations such as manufacturers and service providers, as well as resellers, governments, and institutions.

Many of the consumer market segmentation variables can be applied to industrial markets. Industrial markets might be segmented on characteristics such as:

- Location
- Company type
- Behavioral characteristics

Location

In industrial markets, customer location may be important in some cases. Shipping costs may be a purchase factor for vendor selection for products having a high bulk to value ratio, so distance from the vendor may be critical. In some industries firms tend to cluster together geographically and therefore may have similar needs within a region.

Company Type

Business customers can be classified according to type as follows:

- Company size
- Industry
- Decision making unit
- Purchase Criteria

Behavioral Characteristics

In industrial markets, patterns of purchase behavior can be a basis for segmentation. Such behavioral characteristics may include:

- Usage rate
- Buying status: potential, first-time, regular, etc.
- Purchase procedure: sealed bids, negotiations, etc.

Target Marketing

According to Wikipedia, –Market Specialization is a business term meaning the market segment to which a particular good or service is marketed. It is mainly defined by age, gender, geography, socio-economic grouping, or any other combination of demographics.

It is generally studied and mapped by the organization through list and reports containing demographic information that may have an effect on the marketing of key products / services.

A product focusing on a specific target market contrasts sharply with one, following the market
strategy of mass marketing||.

There are three targeting strategies an organization can adopt:-

1. Undifferentiated Marketing: - It is a standardization strategy option, where the firm offers the same product, uses the same advertising, promotional, distribution, publicity, public relations and pricing strategies to different market segment. E.g.: - Pepsi and Coca-Cola.

2. Differentiated Marketing Strategy: - It contradicts the Undifferentiated Marketing Strategy where the firm develops different products / services to suit the need of varying groups which increases their marketing and operational expenditures. E.g.: - Airline Industry.

3. Concentrated Marketing: - This is a –focused|| approach of the firm to target only one particular segment and create a niche market of that particular segment. In other words instead of targeting a small share of a large group, the company aims at a large share of a small group.

Targeting can be done by the firms by adopting a logical and systematic methodology / steps. Which are as follows: -

STEP 1: - Identify the potential buyers: - Through proper market research and market segmentation (it is the process of pulling apart the entire market as a whole and separating it into manageable disparate units based on various demographic, political, economic and social factors; it can also be customer / product / competition related segmentation).

After the process of Segmentation the next step is for the organization to decide how it is going to target these particular group(s).

STEP 2: - Select the target audiences: - The factors that influence Targeting are the Internal and External Environment. Internal environment includes the mission, vision, values and objectives of the firm; whereas; External factors are the social, cultural, economic, global, demographic, natural, task, technological, political and legal environment.

Through appropriately compiling the customers profile to decide the 4 P‘s – Product, Price, Place and Promotion and obtain the demographic, psychological, geographic and behavioral information of the buyer. Targeting is deciding the potential buyers, products to be offered and appropriately positioning each product to the segment.

STEP 3: - Proper positioning of the Product: - After developing an appropriate segmentation and target strategy; positioning strategy can be worked out effectively. Positioning enables the firm to create a positive image, gain competitive advantage and place the brand in the customers mind to enhance their goodwill and become the most preferred brand.

Positioning can be in the form of product, price, promotion, service, distribution channel, image, people, advertising, publicity, public relation or selling differentiation.

Positioning

- What is positioning?

 –A product's position is the place the position occupies in consumers' minds relative to competing products.‖ Philip Kotler

- Theprocess where marketers try to create a product image or identity in the minds of their target market relative to competitive products.
- Definition

It is all about placing a product / brand in the minds of the customer to occupy a stable, distinct and permanent place in their rational and conscious mind set.

Different Positioning Planks / Bases

- Economy.
- Benefit.
- Gender .
- Luxury and exclusiveness.
- Fashion for elite class.
- Technology and value added features.

Criteria Of Successful Positioning

- Clarity.
- Consistency.
- Credibility.
- Competitiveness.

Three Steps

- Select position concept
- Design the feature that conveys position
- Coordinate the marketing mix to convey position

Channel Management

A set of interdependent organizations involved in the process of making a product or services available for the use or consumption

Objective

To help you understand

- the key factors that influence the channel choice,
- how achannel structure is developed
- Relationship between the principle and the intermediary
- Types of channels
- Implications on the length of the channel

What is Channel?

Channel is a mechanism which brings the product to the consumer at his doorstep.

Why Channels

- When it becomes impossible for the manufacturer to directly deal with the consumers.
- Minimize transportation costs; maintain service levels, reduction of stock holding etc.
- Required to distribute your products.
- Lacks the financial resources to do direct marketing
- Cannot have the infrastructure to make the product widely available and near the customer
- Trading profits could be less than manufacturing profits

Channel functions

- Gathers information on customers, competitors and other external market data
- Develop and disseminate persuasive communication to stimulate purchases
- Agreement on price and other terms so that transfer of ownership can be effected
- Placing orders with manufacturers
- Acquire funds to finance inventories and credit in the market
- Assumeresponsibility of all risks of the trade
- Successive storage and movement of products
- Helps buyers in getting their payments through with the banks
- Oversee actual transfer of ownership

Other functions

Functions of of a Distribution Channel

The main function of a distribution channel is to provide a link between production and consumption. Organisations that form any particular distribution channel perform many key functions:

Information	Gathering and distributing market research and intelligence - important for marketing planning
Promotion	Developing and spreading communications about offers
Contact	Finding and communicating with prospective buyers
Matching	Adjusting the offer to fit a buyer's needs, including grading, assembling and packaging

Negotiation Reaching agreement on price and other terms of the offer

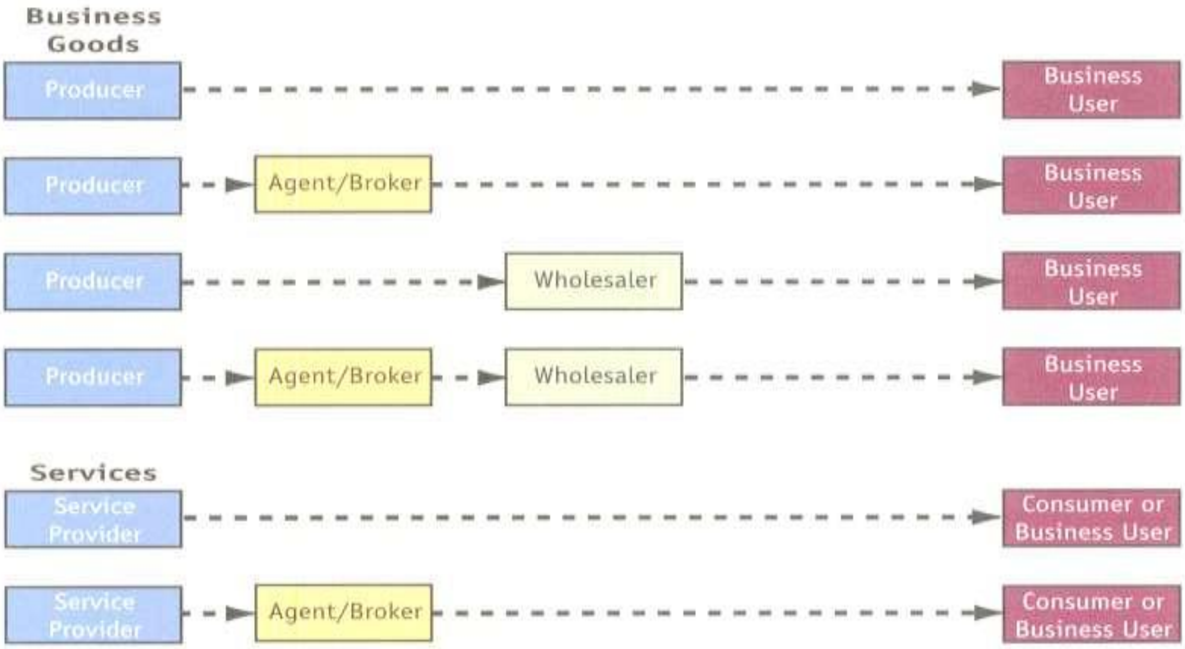
Physical distribution Transporting and storing goods

Financing Acquiring and using funds to cover the costs of the distribution channel

Risk taking Assuming some commercial risks by operating the channel (e.g. holding stock)

All of the above functions need to be undertaken in any market. The question is - who performs them and how many levels there need to be in the distribution channel in order to make it cost effective.

- Types of Marketing Channels
  - Business Goods
  - Services



Advertisement and Sales Promotion

Introduction to IMC (Integrated Marketing Communication)

What is Marketing?

Think of marketing for some seconds. Two things would come to your mind:

1. Sales
2. Advertisement

Marketing is the process of maximizing the profitability and sales of the organization by identifying the needs and wants of the customers and convincing them how they can fulfill their needs though our product.

Past Marketing:

In past advertisement used to be done on the mass media like televisions, newspapers,etc. Mass media was very popular and useful as the marketing medium till late 80s butafter that it lost its grip.

21st Century Marketing:

The advertisement done today is far more different then the old era. Now, the emergence of new technology, the growth in the internet usage, rapidly changing environment, changing way of communications, fragmentation of mass markets, growing economies, and globalization has changed the overall marketing to use different other communication mediums and techniques with the old ones (newspapers, TV, Radio, etc.).

These new techniques are as follow:

1.Advertisement on Internet

2. Relationship Marketing

3. Event Sponsorships

4. Direct Marketing

5. Sales Promotion

6.Publicity (Press Releases, Public Relation, Reviews)

What is Marketing Mix (4 Ps)?

Marketingisbasicallyexchangeprocessanddevelopmentofgoodrelationshipwith customer. Marketingmixistoprovidingvaluetothecustomer.Providingrightproduct, at right price, at right time at right place and to right customer is the marketing mix. Basically these are the elements of marketing mix:

1. Product
2. Price
3. Place
4. Promotion

What is IMC (Integrated Marketing Communication)?

IMC is a plan through which we check and analyze different communication disciplines(like direct marketing, sales promotion etc) according to our product target market andstrategy so that we could get maximum communication impact. In IMC we don‘t rely only on one media. We choose

different variety of promotional tools. The American Association for Advertising Agencies (4A) definition for IMC is as follow:

–A marketing communication plan that evaluates the strategic role of different communication disciplines and combines these disciplines to provide clarity, consistency, and maximum communication impact||

The above definition tells us two things:

a)Identify the best fit of advertisement disciplines

b)Build positive and consistent relationship to the customers and take holders

c)Build and sustain brand identity and equity IMC requires that firm should develop the overall marketing strategy that requires how all of a firm‘s marketing activities, not just promotion, communicates with its customers. (Don Schultz)

Brand Identity:
Brand Identity is the brand impression that comes in the customer‘s mind while thinking about that very brand. Its basically logo, symbols, organization culture, design, and performance of the product.

Brand Equity:
Brand Equity is the status of the brand with respect to other brands available in the market.
So, generally, IMC is basically identifying the best communication method and building relationships with the stakeholders and customers. There are a lot of choices available for the customers but limited time to think. Therefore IMC builds the impression of the brand in the mind of the customer. Because of this positive brand impression, customers take no time and choose the product with brand image in his mind.

IMC is being vastly adopted by almost all of the marketers because it makes the marketers to answer the changing environments, trends, globalization, customer priorities and a lot more. A recent survey showed that these advancements are effecting the mass media a lot so that Newspapers, TV, Radios are getting to smaller and smaller audiences. On top of all it is also proved that new people are very less responsive to the TV, newspapers, radio ads. Now here comes the IMC. You know the way how PUMA advertise? Yes, PUMA is advertised by the big players as its printed on their shirts. People love to buy their favorite match winning player brand.

What is Successful IMC?
In IMC the main thing is to choose the effective promotion discipline efficiently and coordinate their use. For this better understanding of the IMC tools is required. What is Promotional Mix?
Promotion is dissemination of information about the product, product line, brand or company
Promotion mix is the process of making channels of information and persuasion to sell a product, service or an idea. We can also say that Promotion Mix is basically the tool that helps organization in getting its communication objectives. Following are the items of Promotion Mix:
1. Advertising
2.Direct Marketing (Not traditional part but important part of IMC)
3.Internet Marketing
4. Sales Promotion
5. Publicity
6. Personal Selling

Advertising is basically paid form of non personal communication about the product, organization, service or idea. Always remember that the nature of advertisement differs from one industry to another. Non personal communication means that getting the immediate feedback from the audience is not possible.
But second thing that favors advertisement is its ―Cost Effectiveness‖. Its cost is very low if we calculate the number of peoplewatchingtheadvertisementandgettingthe information.

Advertisement is very useful in creating the positive brand images in the mind of customers when differentiation between the products is very low.

If you see that there is very little you can do in terms of Marketing Mix (Price, Product, Distribution,andPromotion)foraproductthenyouusethespecialadvertisement strategy to differentiate your product from other products and compel the customer to buy your product.

Direct Marketing:

In direct marketing the marketers communicate directly with the customers to sell their products.Traditionally itsnotincludedin PromotionMixbut nowitsbecomingan important part of IMC (Integrated Marketing Communication).

In direct marketing the main thing is not only have direct mailing to the customer but also databasemanagement,contactmanagement,telemarketing,directresponse,directmail, direct email, shopping through company catalog list, and websites are also included.

ThemostimportantthinginDirectMarketingisDirectPersonalResponsewhere manufacturers compel the customers to buy the products directly from them. Customer watches the ad on TV, or Newspaper and contacts the manufacturer for the product. Direct Mail used to be the primarily medium for the Direct Personal Response but now email, Internet, TVs has taken its place.

Direct Marketing is very helpful for the people those have money and they don‘t have the time to go to the store and buy the thing. Direct Marketing provides them a way to directly contact the manufacturer and buy the thing at convenience.

Internet/Interactive Marketing:

Internet market differs from all the markets because it provides everything on the click of the mouse. It provides the customer with the double sided flow of information.

Internet Marketing gives the customer a lot of options:

Customer who wants to buy a product can check a lot of other online stores for the same product in no time.

Customer can check the reviews from the other users of the product. Customer can directly talk to the sales representative of the company.

With huge number of stores online, customer gets best offers from the manufacturers

Customer can get online promotions

Internet Marketing has combined all the elements of promotional mix. From purchasing of products to getting discounts, everything is on the customer‘s finger tips. It conducts direct marketing, advertisement, publicity, public relation, and personal selling at one place.

Sales Promotion:

Whenever we talk about sales promotion different things come to our minds, like Product

Samples, Coupons, Rebates, Discounts, Free Stuff and lot more. Basically all of these benefits are given to the consumer side. It doesn‘t mean that there is no part of retailers and wholesalers in sales promotion. Retailers and distributors also take their cut in the form of Price Deals, Sales Contests, Discounts, and different allowances. So, we can say that sales promotion is of two types. First one is the Customer Oriented Sales Promotion that deals with the customer and second is the Trade oriented Sales promotion that deals with the Retailers, Distributors, and Wholesalers.

Publicity:

Publicity is the important part of promotional mix. In publicity no payment is made to the publisher. Basically publicity is done in the form of: Product Reviews

Discussions about the product in different forums
In local Events
News and Editorials
Publicity is actually the type of non personal communication regarding the product or the service. Publicities do an important role to make the decisions of the people about any product because the one who is publicizing a product is not directly involved with the company. In publicity the product is directly criticized and/or appreciated.

Personal Selling:
In personal selling there is a direct contact between the buyer of the product and the seller of the product. Feedback is received very quickly and the seller can change the message according to the needs of the consumer. This is basically used in Business to Business models.

Pricing Strategy

One of the four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product positioning. Furthermore, pricing affects other marketing mix elements such as product features, channel decisions, and promotion.

While there is no single recipe to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product:

1. **Develop marketing strategy** - perform marketing analysis, segmentation, targeting, and positioning.
2. **Make marketing mix decisions** - define the product, distribution, and promotional tactics.
3. **Estimate the demand curve** - understand how quantity demanded varies with price.
4. **Calculate cost** - include fixed and variable costs associated with the product.
5. **Understand environmental factors** - evaluate likely competitor actions, understand legal constraints, etc.
6. **Set pricing objectives** - for example, profit maximization, revenue maximization, or price stabilization (status quo).
7. **Determine pricing** - using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.

These steps are interrelated and are not necessarily performed in the above order. Nonetheless, the above list serves to present a starting framework.

Marketing Strategy and the Marketing Mix

Before the product is developed, the marketing strategy is formulated, including target market selection and product positioning. There usually is a tradeoff between product quality and price, so price is an important variable in positioning.

Because of inherent tradeoffs between marketing mix elements, pricing will depend on other product, distribution, and promotion decisions.

Estimate the Demand Curve

Because there is a relationship between price and quantity demanded, it is important to understand the impact of pricing on sales by estimating the demand curve for the product.

For existing products, experiments can be performed at prices above and below the current price in order to determine the price elasticity of demand. Inelastic demand indicates that price increases might be feasible.

Calculate Costs

If the firm has decided to launch the product, there likely is at least a basic understanding of the costs involved, otherwise, there might be no profit to be made. The unit cost of the product sets the lower limit of what the firm might charge, and determines the profit margin at higher prices.

The total unit cost of a producing a product is composed of the variable cost of producing each additional unit and fixed costs that are incurred regardless of the quantity produced. The pricing policy should consider both types of costs.

Environmental Factors

Pricing must take into account the competitive and legal environment in which the company operates. From a competitive standpoint, the firm must consider the implications of its pricing on the pricing decisions of competitors. For example, setting the price too low may risk a price war that may not be in the best interest of either side. Setting the price too high may attract a large number of competitors who want to share in the profits.

From a legal standpoint, a firm is not free to price its products at any level it chooses. For example, there may be price controls that prohibit pricing a product too high. Pricing it too low may be considered predatory pricing or "dumping" in the case of international trade. Offering a different price for different consumers may violate laws against price discrimination. Finally, collusion with competitors to fix prices at an agreed level is illegal in many countries.

Pricing Objectives

The firm's pricing objectives must be identified in order to determine the optimal pricing. Common objectives include the following:

- **Current profit maximization** - seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.
- **Current revenue maximization** - seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-term profits by increasing market share and lowering costs.
- **Maximize quantity** - seeks to maximize the number of units sold or the number of customers served in order to decrease long-term costs as predicted by the

experience curve.

- **Maximize profit margin** - attempts to maximize the unit profit margin, recognizing that quantities will be low.
- **Quality leadership** - use price to signal high quality in an attempt to position the product as the quality leader.
- **Partial cost recovery** - an organization that has other revenue sources may seek only partial cost recovery.
- **Survival** - in situations such as market decline and overcapacity, the goal may be to select a price that will cover costs and permit the firm to remain in the market. In this case, survival
may take a priority over profits, so this objective is considered temporary.
- **Status quo** - the firm may seek price stabilization in order to avoid price wars and maintain a moderate but stable level of profit.

For new products, the pricing objective often is either to maximize profit margin or to maximize quantity (market share). To meet these objectives, skim pricing and penetration pricing strategies often are employed. Joel Dean discussed these pricing policies in his classic HBR article entitled, Pricing Policies for New Products.

Skim pricing attempts to "skim the cream" off the top of the market by setting a high price and selling to those customers who are less price sensitive. Skimming is a strategy used to pursue the objective of profit margin maximization.

Skimming is most appropriate when:

- Demand is expected to be relatively inelastic; that is, the customers are not highly price sensitive.
- Large cost savings are not expected at high volumes, or it is difficult to predict the cost savings that would be achieved at high volume.
- The company does not have the resources to finance the large capital expenditures necessary for high volume production with initially low profit margins.

Penetration pricing pursues the objective of quantity maximization by means of a low price. It is most appropriate when:

- Demand is expected to be highly elastic; that is, customers are price sensitive and the quantity demanded will increase significantly as price declines.
- Large decreases in cost are expected as cumulative volume increases.
- The product is of the nature of something that can gain mass appeal fairly quickly.
- There is a threat of impending competition.

As the product lifecycle progresses, there likely will be changes in the demand curve and costs. As such, the pricing policy should be reevaluated over time.

The pricing objective depends on many factors including production cost, existence of economies of scale, barriers to entry, product differentiation, rate of product diffusion, the firm's resources, and the product's anticipated price elasticity of demand.

Pricing Methods

To set the specific price level that achieves their pricing objectives, managers may make use of several pricing methods. These methods include:

- **Cost-plus pricing** - set the price at the production cost plus a certain profit margin.
- **Target return pricing** - set the price to achieve a target return-on-investment.
- **Value-based pricing** - base the price on the effective value to the customer relative to alternative products.
- **Psychological pricing** - base the price on factors such as signals of product quality, popular price points, and what the consumer perceives to be fair.

In addition to setting the price level, managers have the opportunity to design innovative pricing models that better meet the needs of both the firm and its customers. For example, software traditionally was purchased as a product in which customers made a one-time payment and then owned a perpetual license to the software. Many software suppliers have changed their pricing to a subscription model in which the customer subscribes for a set period of time, such as one year. Afterwards, the subscription must be renewed or the software no longer will function. This model offers stability to both the supplier and the customer since it reduces the large swings in software investment cycles.

Price Discounts

The normally quoted price to end users is known as the list price. This price usually is discounted for distribution channel members and some end users. There are several types of discounts, as outlined below.

- **Quantity discount** - offered to customers who purchase in large quantities.
- **Cumulative quantity discount -** a discount that increases as the cumulative quantity increases. Cumulative discounts may be offered to resellers who purchase large quantities over time but who do not wish to place large individual orders.
- **Seasonal discount** - based on the time that the purchase is made and designed to reduce seasonal variation in sales. For example, the travel industry offers much lower off-season rates. Such discounts do not have to be based on time of the year; they also can be based on day of the week or time of the day, such as pricing offered by long distance and wireless service providers.
- **Cash discount** - extended to customers who pay their bill before a specified date.
- **Trade discount** - a functional discount offered to channel members for performing their roles. For example, a trade discount may be offered to a small retailer who may not purchase in quantity but nonetheless performs the important retail function.
- **Promotional discount -** a short-term discounted price offered to stimulate sales.

Understanding Industrial & Individual Buyer Behaviour

Buyer behaviour is the study of when, why, how, and where people do or do not buy [[Product (business)|product).It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Customer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and buyer. Relationship marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalisation, customisation and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

Each method for vote counting is assumed as a social function but if Arrow‘s possibility theorem is used for a social function, social welfare function is achieved. Some specifications of the social functions are decisiveness, neutrality, anonymity, monotonocity, unanimity, homogeneity and weak and strong Pareto optimality. No social choice function meets these requirements in an ordinal scale simultaneously. The most important characteristic of a social function is identification of the interactive effect of alternatives and creating a logical relation with the ranks. Marketing provides services in order to satisfy customers. With that in mind, the productive system is considered from its beginning at the production level, to the end of the cycle, the consumer (Kioumarsi et al., 2009).

Belch and Belch define consumer behaviour as 'the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires'.'

Industrial buyer behavior theory

It is considered as highly important to be aware of why a customer or buyer makes a purchase. Without such an understanding, businesses find it hard to respond to the customer ‟s needs and wants (Parkinsson & Baker, 1986). It is important to be aware of the differences between consumer buying and industrial buying because the industrial buyer behavior differs from consumer buying in many aspects such as; using more variables and greater difficulty to identify process participants (Moriarty, 1984). The industrial buying is described by Parkinsson & Baker (1986) as the buy of a product which is made to please the entire organization instead of satisfying just one individual. Industrial buying behavior is considered as being a elementary concept when it comes to investigating buyer behavior in all types of organizations (ibid). Also, in industrial buying situations there is a perception of greater use of marketing information, greater exploratory objective in information collection and greater formalization. (Deshpande & Zaltman, 1987)

The article by Johnston & Lewin (1996) illustrates that the broad amount of research conducted consolidated the existence and relevance of three important dimensions when investigating industrial buyer behavior.

1. How the **buyer decision process** looks like when organizations stands in front of different buying situations.

2. The **buying decision center** and factors influencing the buying process within the organization

3. The different **criterion's** used by industrial buyers when buying a product/service.

Fig 2. Industrial buyer process [Authors creation]

These three dimensions are considered as highly relevant for this research and will therefore be used throughout the study [fig 2]. In order to increase knowledge about the industrial buyer behavior, these three dimensions will be further described in more detail in the coming chapters of the theoretical framework.

Situations affecting the Industrial buyer behavior

We consider it to be crucial to describe the essential circumstances that influence the buyer behavior and thereafter we will continue with describing other relevant factors. Robinson et al. (1967) argues that there are some circumstances during a purchase being more important than the actual product/service being bought. Based on these assumptions the authors studies different buying situations and present these situations in three main categories, so called

"buy-classes"; (1) new task; (2) straight re-buy; (3) modified re-buy (ibid). In a **new task** buying situation the product/service is completely new to the organization. The buyer has insufficient or no experience and knowledge about the product/service in order to compare alternative suppliers with each other. The buyer and the influencers need to gather relevant information before the decision to purchase is made. A **straight re-buy** is the most common form of industrial purchase situation where the buying organization requires little or no information about the product/service. This situation is considered as routine buying and the industrial buyer most often have well developed criterion‟s that have been often used before.

(ibid). Evaluating criterion‟s, suppliers and other stages in the process are considered as unnecessary in this situation since the same product has been bought before. However, the first step of the process (need recognition) is taken into consideration. On the other hand**, a**

modified re-buy occurs after the buyer have bought a new product or made a straight re-buy. The industrial buyer reevaluates the supplier, product, prices and services; however this doesn‟t mean that the buyer will change product or supplier. According to Robinson et al (1967) there are four factors leading to a modified re-buy; cost reductions, disaffection with current supplier, development of product or better offerings from another supplier surrounding price, quality or service. In this case the buying organization puts most focus in evaluating suppliers. (ibid)

Buyer decision process

After defining the different circumstances influencing the buyer behavior we argue that it is important to define the actual buying decision process. In order for a marketer to be successful [s]he needs to examine the complex subject of buyer decision processes (Kotler et al, 2007). The buying process involves different stages that organizations phase during and after a purchase. Yet, this buying process may differ a lot depending on what type of product that will be bought (ibid). The authors Robinsson et al (1967) illustrate this process by developing a model which lays down how the process of deciding to buy a product looks like for industrial organizations. This model is separated into eight different buy-phases. These phases will be described in more detail below;

1. **Need recognition**: This is the first step in the buyer process where a problem or need is identified by someone in the organization

2. **Definition of the characteristics of the item needed:** In this stage a description of alternative solutions is presented and questions like; what does the company need? Which service attributes and quanities are needed ?

3. **Development of the specifications**: A more detailed technical specification of the product/service is presented. This information will be vital for the coming stages.

4. **Search for supplier**; The buying organization searchs for suppliers that can offer them the wanted product/service. When dealing with more complex and costly products/services the buying organization spends more time finding their supplier.

5. **Acquistion and analysis of proposals**: The most qualifying suppliers are chosen and their different proposals are analyzed. If the buying organization are buying more complex and expensive products/services the suppliers need to make formal presentations of alternativ solutions responding to the organizations need. This stage is similar to the previous stage and occur almost always in parallel. However, if the buyer have very little information from the beginning then these stages are more separable.

6. **Evaluation of suppliers**: The members of the buying decision center evaluate the supplier by the product/service attributes offered (which attributes matter most?), brand belief

7. **Selection of an order routine**: This phase starts by sending an order to the supplier. However, the buying process is not finished until the product/service has been delivered and the buying organization has accepted it. Preparation of the order before it is sent to the supplier, control and evaluation of the order are some of the activities done in this phase
8. **Evaluation**: Post purchase evaluation to see whether the supplier and the product/service fulfilled the requirements and preferences.

UNIT-III

MARKETING MANAGEMENT

MARKETING CHANNELS

INTRODUCTION

The last two decades have changed the way business is getting conducted. Some businesses are still using traditional channel systems but advent of the Internet has revolutionized distribution channels. Companies are changing business models to leverage Internet advantage.

With open proliferation of information, customer expectations are reaching new heights. **Companies need to figure out the right channel mix with multi channels' strategies**. From a manager stand point marketing channel is defined as any external agencies, which facilitate distribution of products and services.

The marketing channel is one of the key drivers for strategies around the marketing mix, i.e. product, price, place and promotion.

CHANNEL FLOW AND STRUCTURE

The channel flow is a flow which relates different agencies involved in the distribution of goods and products.

The channel structure is referred to as the combination of different channel members in achieving organization's marketing mix strategy.

CHANNEL PARTICIPANTS

The marketing channel consists of various players like manufacturers, producers, wholesalers and retailers. Manufacturers and producers develop their own marketing channel to reach the end user. However, not all manufacturers have the expertise in managing channel participants. Therefore, they need wholesalers and retailers for distribution of goods.

There are three types of wholesalers; merchant wholesalers, agents and producer's branch offices. Merchant wholesalers usually have good capacity of storing and managing goods. In contrast, agent works as middlemen for producers and end users. Retailers are responsible for selling goods and products to end users.

IMPORTANCE OF CHANNEL PARTICIPANTS

The major role of channel participants is to make the distribution and selling of goods and products efficient. Intermediaries provide manufactures opportunities which for them financially would not be feasible. Intermediaries provide greater market exposure, market intelligence, economies of scale and operational knowledge.

MANAGING CHANNEL CONFLICT

Conflict among channel partners adversely affects the distribution of goods and products. It is important for the channel managers to understand the nature of conflict and come with solution, which strengthens the distribution network.

However, all issues in the channel cannot be considered as a conflict. The channel manager needs to assess the frequency of disagreement, level of disagreement and importance of issue.

The top reasons for an emergence of conflict among channel partners are as follows:

1. The first reason is the different business objectives of channel partners (producers, wholesalers and retailers).
2. The other reason is a narrow vision of each channel partner, i.e. they do not view channel on whole but only at their level.

Conflict between the channel partners can be resolved by improving communication among themselves and also with producer. Another way of solving conflict is by directing all channels to a single objective of creating customer delight.

MULTI-CHANNEL MARKETING SYSTEM

Multi-channel marketing system has become a prominent way through which goods and products are delivered to end users. The multi-channel system enables the companies to deliver goods and products to end users as per their preference. The delivery of goods can be through store, website, mail order, etc.

FRANCHISE

Another innovation in the marketing channel system is the franchise. Franchise enables brand recognition, standardization of operation structure, access to learning curve and less financial investment.

CHANNELS LEVELS

What is Channel Levels?

Channel level refers to the intermediary in marketing distribution channel between the producer/manufacturer and the end consumer. Every channel level plays a role in making the good available to the end consumer. The number of channel levels between the producer and consumer could be 0,1,2,3 or more.

Types of Channel Levels

There are typically 3 types of channel levels:

Zero Level

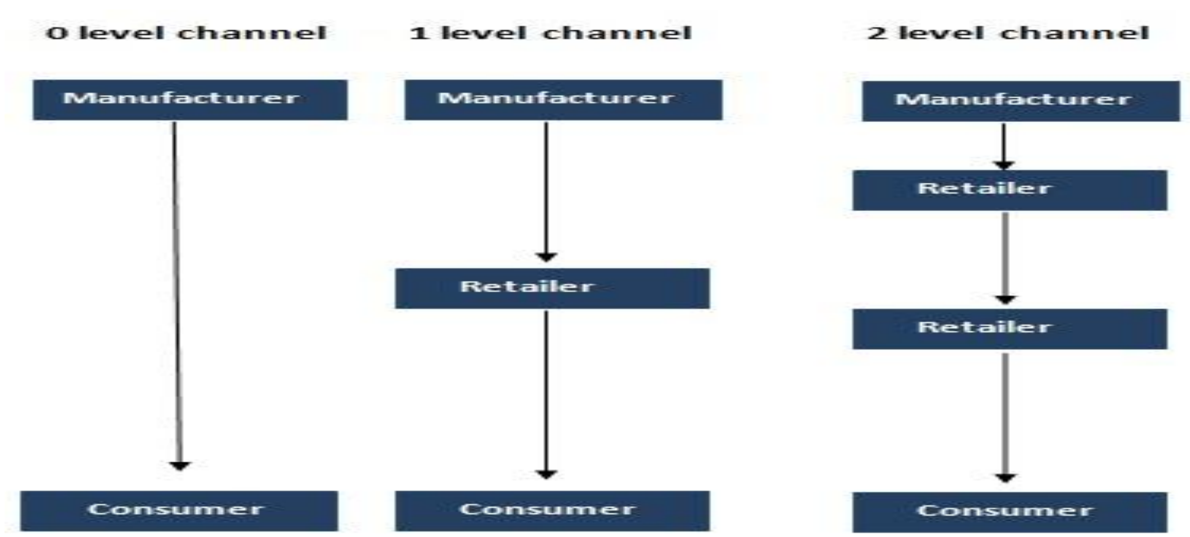
A zero level channel is a direct marketing channel where there is no intermediary and the producer sells directly to the consumer. For example – direct mails, telemarketing etc.

One Level

A one level channel has one intermediary, typically a retailer between a manufacturer and consumer.

Multi-Level - 2 Level or 3 Level

Similarly a 2 level channel and a 3 level channel have 2 and 3 intermediaries respectively e.g. Distributors, Wholesales, Retailers etc.



Example of Channel Levels

Let us take an example of a typical CPG company which is at 3 levels. A manufacturer which produces the CPG product like shampoo. This product is then picked up by a distributor who takes it across country like USA. Then distributors then sell it to wholesalers who then sell it to retailers. From there it end customers would buy it from the retailers.

FUNCTIONS OF MARKETING CHANNELS

Marketing channels initially aim at the availability of products or services to prospective customers. This channel is selected by the factors mentioned above.

Intermediaries are the people or organisations which acts as a link between the manufacturers and the customers. They perform multiple functions to facilitate both, the companies as well as the customers.

These functions are explained in detail below:

- **Sorting**: The middlemen purchase goods from multiple manufacturers and segregate the products which are similar in quality, features, size, etc.
- **Accumulation**: Marketing channels ensure regular supply and circulation of goods in the market since the middlemen involved in the process are responsible for maintaining the required stock in ample quantity.

- **Allocation**: The goods are manufactured in bulk quantities whereas the customers prefer to buy very less quantity. Here comes the role of the middlemen who breaks the volume into small packages according to the customers' requirement.
- **Assorting**: The customers can avail a large variety of products since the middlemen buy goods from the manufacturers or suppliers located in different regions and make them available to the customers at one single place.
- **Product Promotion**: The middlemen involved in the channel of distribution sometimes directly or indirectly promotes the sale of a particular product through a special display, loyalty programmes, additional discounts, organising sale, etc.
- **Negotiation**: The middlemen is the person who bargains with the manufacturer as well as the consumer for the product's price, proportion, quality, after-sale service, guarantee, etc.
- **Risk-Taking**: The middlemen, i.e. the wholesalers and the retailers have to bear the risk related to products like expiry, breakage, spoilage, damage, etc. These risks are even born at the time of transportation and warehousing.

FLOWS IN MARKETING CHANNELS

As discussed a conventional channel of distribution consist of a manufacturer, a wholesaler, a retailer and the ultimate consumer. Not all the channels include all these marketing institutions. At times the product passes directly from the manufacturer to consumer. When a marketing channel has been developed a series of flows emerge. These flows provide the links that tie channel members and other agencies together in the distribution of goods and services. There are five most important flows namely

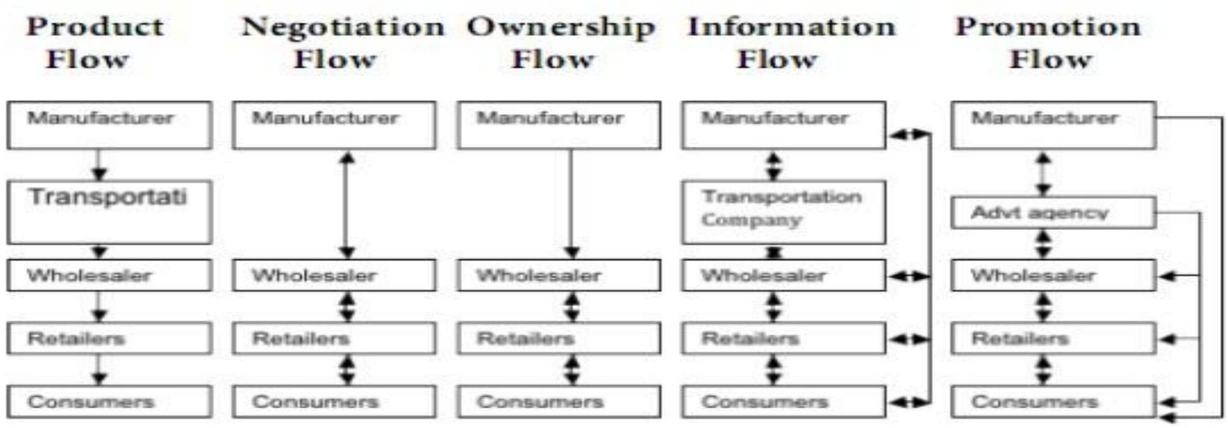
1. Product flow

2. Negotiation flow

3. Ownership flow

4. Information flow

5. Promotion flow



The orgin and concept of flows in marketing channels is generally attributed to Ronald S. Valie, E.T Grether and Reavis Cox

The product flow refers to actual physical movement of the product from the manufacturers through all the parties who take physical possessions of the product from the point of production to the final consumer.

In the negotiation flow, this represents the interplay of the buying and the selling functions associated with the transfer of title.

If you note the diagram you find the transportation firm is not included in the flow because it does not participate in the negotiation function, also you can find the arrows flow in both the directions, indicating the negotiation is mutual at all levels of the channels. The ownership flow shows the movement of the title to the product as it is passed along from the manufacturer to the consumer, here as well we find the transportation function missing since the transportation firm does not take title or is actively involved in the facilitating function. It merely involves in transporting physical products

In case of the Information flow, we can see that the transportation function has reappeared and all the arrows are two-directional. All the parties participate in the exchange of information. For example Coke may obtain information from the transportation company about its shipping schedules and the rates, while the transportation firm may seek information regarding when and in what quantities it plans to ship its products. Sometimes the information bypasses the transportation company directly to the wholesaler or the retailer when the information does not concern the transportation firm. If there is an offer or a price reduction this information are not neededbythetransportationfirms.

Finally the **Promotion flow** refers to the persuasive communication in the form of advertising, personal selling, publicity. There is a new component that is added to the flow and that is the advertising agency and this actively provides and maintains the information flow. The organizations work closely with the promotional organizations so we find a two-directional arrow.

From the management view, the concept of channel flows provides a useful framework for understanding the scope and complexity of channel management. Changing scenario does make the role of the firms' complex, as a result of which innovative channel strategies and effective channel management are needed to make this happen.

CHANNEL MANAGEMENT

Channel management strategies are often a good way for businesses to reach their customers, increase their sales and reduce the cost of marketing and distributing their products and services. Successful channel management allows companies to attract more customers, optimize their return on investment and form profitable relationships with partners. Learning about channel management can help you choose the right strategies for your business.

What is Channel management?

Channel management refers to the different methods of communication businesses use to promote and distribute their products and services to the public market. In advertising, businesses use channel management to publicize marketing campaigns through mediums like TV commercials, social and digital media advertisements, radio programs and print media, such as newspapers and magazines. These platforms make up the channels that companies use to communicate their products to their target market.

In addition to channel management for marketing, companies use channel management for product distribution. Product distribution refers to the processes by which a business delivers its products and services to its customers. In terms of channel management, organizations establish partnerships with third-party companies like agents, vendors, manufacturers, wholesalers and retailers, which make products available for public purchase. The channel management needs of a company depend on its size and structure. A business that sells products directly to its customers may not have any channels to manage, but a business with extensive marketing needs and distribution chains may have many.

Why channel management is important?

Channel management is important for connecting with customers, supporting third-party partners and managing vendors. Good channel management involves careful planning that helps you track how your channels contribute to your business goals. When companies manage their channels effectively, they ensure they deliver the products customers want, when they're most in demand, while optimizing their profits and developing positive relationships with their partners. Although channel management requires extensive planning and can become more complicated for businesses that work with many channels, it's an essential part of improving your business strategies and reaching your target markets.

10 COMMON CHANNEL MANAGEMENT STRATEGIES

1. Channel architecture development

Channel architecture is the framework for your channels. It comprises the channel structure your business uses to transfer your products from the producer to your customers. For example, your channel architecture may begin with the manufacturer, who delivers the product to a wholesaler, who sells products to retailers, who then provide the product to customers.

2. Channel strategy

Channel strategy is your action plan for implementing channels. It includes your plans for sales and distribution along with your plans to expand your market. For example, you can have a channel strategy that details the steps you plan to take to improve your digital marketing outreach. Another example might be developing a strategy to include a partnership program that increases value for your resellers.

3. Sales management

Sales management is your plan to manage your sales and partners. For example, sales management can include planning incentives to encourage customer engagement and promote sales. It can also include performance management, which means analyzing how well the outputs of a process meet your intended goals. For example, if your goal is to increase online sales by 25% by the end of the quarter, performance management is the strategy you use to track your progress toward that goal. Monitoring your performance can help you adjust your strategy as needed to improve your progress toward achieving your objectives.

4. Channel conflict

Channel conflict occurs when competition arises between two of your affiliates in a way that is counterproductive or unfair. For example, if your e-commerce site undercuts the profits of a physical retailer that sells your products, the retailer may identify a conflict in your channel management structure. This conflict can harm your reputation and relationships with partners, so it's important to use careful planning to manage your channels and prevent conflict.

5. Relationship management

Relationship management refers to your plan to establish, develop and maintain relationships with third-party partners over time. Managing relationships with vendors, agents, retailers, wholesalers and manufacturers takes careful planning. For each partner, businesses establish a relationship that mutually benefits the parties involved. To maintain positive working relationships, organizations need to understand the goals of their partners, their own business goals and how to develop a system that promotes progress for all parties toward their objectives. They also need to devise plans that have the flexibility to accommodate changes in business objectives.

6. Brand experience

Businesses need a strong brand experience plan to produce a consistent brand voice across diverse channels. A company's brand is essential to its identity and how the public perceives them. Consistent branding communicates the company's values to its target customers, and when customer values align with those promoted by a business's brand, they may be more likely to engage with that business.

For example, a company that promotes beauty products may emphasize how their products promote confidence in their customers. The methods the business uses to communicate this message may differ when selling products online and in person. Since online distributors rarely interact directly with customers in the same way that a salesperson at a retail store might, the company may implement more visual advertisements that show people feeling confident when using their products. For their in-store marketing, they might train salespeople to provide free samples and use affirming statements that build their customer's confidence when interacting with product samples

7. Pricing

Businesses can use pricing as part of their channel management strategy. To use this management strategy, businesses consider where and how customers purchase products. The location and method of purchase can influence the price businesses set because customers purchasing through different channels may have different prices they're willing to pay. For example, a business may market a product as a luxury item and sell it for a higher price through a retailer located in a wealthy area because customers shopping in those areas are more likely to pay a higher price for a product.

8. Sales and operations planning

Sales and operations planning means anticipating the demand for your products and services and increasing production to meet those demands. For example, some products may be more in-demand during the holiday season. Businesses track the demand for their products throughout the year and create detailed plans to start or increase production for seasonal items in time for distribution. Companies do thorough research and create in-depth models to predict product demands so they can optimize sales each season.

9. Revenue management

Managing revenue means using techniques that optimize the revenue you earn through your available inventory. An example of revenue management is discounting seasonal items near the end of the season to encourage sales, reduce your inventory of less in-demand products and increase your inventory of more in-demand items that you can sell at full price. This strategy optimizes the profits gained from the available inventory.

10. Distribution

Managing the distribution of your products through each channel means optimizing your delivery logistics. For example, if you distribute products directly to customers who order through your online store and also distribute products to customers using a physical retailer, the logistics used for distributing products through these channels may differ. You may need to plan options for mass distributing wholesale products and different options for directly delivering products to customers. By creating different distribution plans for each channel, you can improve the efficiency and cost-effectiveness of your deliveries.

MOTIVATION AND EVALUATION OF CHANNELS MEMBERS:

Motivating Channel Members:

As the channel members are as important as your customers, a company needs to make them happy. Just like anybody, channel members are also need to be motivated. On the one hand, the company tries to train them for their better performance and on the other hand, the company provides them incentives, higher margins, premiums, display allowances, advertising allowances and special deals.

While managing the relationship with the channel members, a company can use coercive power or it can use reward power or legitimate power. A company can also use expert power or referent power. In the case of coercive and legitimate power, the relationship can turn sour and it may not be productive in the long run. But the widely used reward power works the best to get the cooperation from the channel members. In the case of expert power, the channel member looks forward to the company for its expertise and becomes dependent, if the expertise is ever changing.

When a company is highly respected like Sony, LG, Apple, Maruti Suzuki, then they have referent power. The channel members feel proud to be associated with it. In turn, it makes the channel partners cooperate with the company. This is the highest authority a company can possess.

The most advanced supply distributor agreement is distribution programming, which can be defined as building a planned, professionally managed vertical marketing system that meets the needs of both manufacturers and distributors. The manufacturer establishes a department within the company called distributor relations planning. Its job is to identify distributor needs and build up merchandising programmes to help each distributor operate as efficiently as possible.

Channel management is necessary, and a fundamental part of channel management is that of motivating the channel members. The three facets of motivation management in the channel are: (1) learning about the needs and problems of the channel members,

(2) Developing programs to support their needs, and (3) providing leadership. Good channel support programs require careful planning and fall into three areas: (1) cooperative agreements, (2) partnership and strategic alliances, and (3) distribution programming.

Leadership must still be exercised on a continuing basis if motivation programs are to operate effectively and viably

EVALUATING CHANNEL MEMBERS:

Channel members are evaluated on the basis of their sales, inventory level, service support, delivery time performance, complaint redressal, promotional program implementation and training performance. If the performance of the channel member is satisfactory, then it is rewarded for its efforts and if the performance falls below mark, it is advised to make necessary changes in the processes. In case of channel members, where the problems are beyond rectification, they are removed and the company appoints a new channel member.

MEANING OF CHANNEL DYNAMICS

Products of any company should be sent to sale – centers for selling out. The way used to send goods / products of a company to consumers is called distribution channel. Distribution channels may not be same forever. Distribution channel should be changed according to environmental changes. Changing of channels according to time is called channel dynamics. As the marketing is dynamic, so the distribution channel is dynamic. It does not remain in traditional structure. It also remains changing and developing according to time and is applied accordingly.

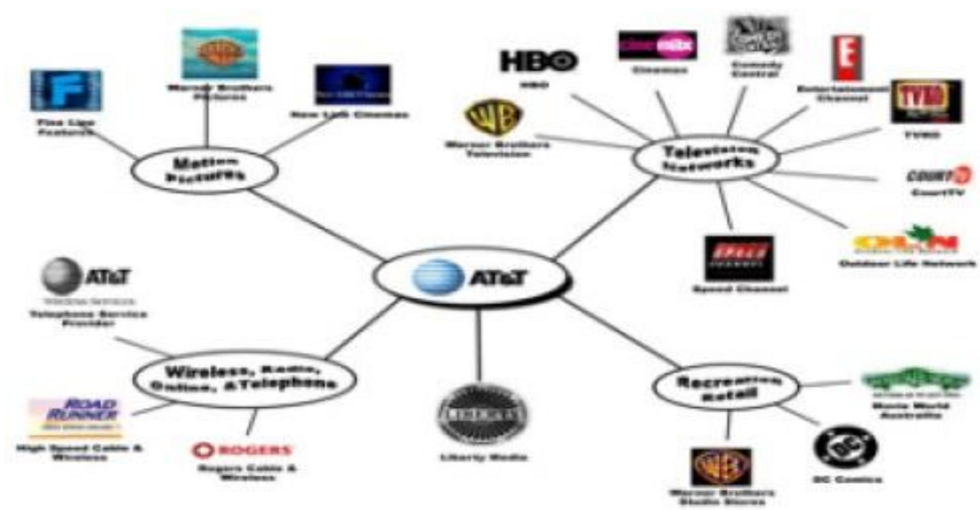
New persons and new organizations enter in marketing channel system at different times. The functions and roles of such channel members become different according to the changes of time. So, distribution channel does not remain same for long, but remain changing.

The channels unsuitable to the new behavior disappear and new channels appear, develop and remain changing. So, it becomes clear that the channel of marketing becomes dynamic. They are directly related factors, market related factors, channel objective related factors, middlemen related factors, company related factors and environment related factors.

- **VMS-** Vertical **Marketing System (VMS)** has the three members acting as one unified team, there is one channel member who owns the other members or allows franchising but ensures a greater role in the execution. Many organizations have started to operate in this format as strong channel members try to dictate terms for the producer as well as when they found the objectives of different channel members differ from that of the producer. There are three variants of vertical marketing system namely corporate, administered and contractual vertical marketing system. In case of corporate the organization combines the production and the distribution under one roof. Organisations like Asian paints, Amul are not only involved in the production of the products but they also own a considerable no of outlets. An administered vertical marketing system coordinates the production and distribution efficiencies but use their size as a dominant influence.

- **Horizontal marketing systems** is one where two or more unrelated businesses come together pull in resources to exploit the emerging opportunities. Many private players especially banks have got into the act of tie-ups with retail stores or even with fuel outlets in order to gain greater market. ICICI bank has got tied with Big Bazaar, and this has greatly enhanced the reputation of both these firms as well as increasing the customer base respectively.
- The **Multi-channel marketing systems** as the term simplifies it is one in which a firm uses multiple channels to reach different customer segments. In the present scenario most organizations have started to use multiple channel method because it helps in the expansion of the market coverage, it costs little when the target segment is small instead of using a bigger channel and mainly helps in customizing the offering according the need of the segments. Exhibit 4.12 gives an idea about the different products and AT & T uses different channels to reach out to different segments.

Exhibit 4.12 AT&T different products and segments



When distribution when goes overseas they are bound to face a lot of restraints and problems like the host country laws, the laws of the country to which the goods are shipped, the laws of the nations through which the goods pass must be abided by the company. Apart from this, other environmental factors do play an active role when considered from a macro-marketing perspective. In the next lesson, we deal with the role of retailers, wholesalers and logistics in this value chain and how do they facilitate the process of performing the channel function effectively.

Channel Design – Definition, Importance, Elements and Types

Channel design is the process of identifying and selecting the most effective marketing channels to reach target customers and achieve company objectives. The goal of channel design is to create a system that optimizes customer engagement and minimizes costs.

Channel design begins with an understanding of customer needs and how they can best be met. Marketing channels are the means by which companies communicate with and deliver value to customers. They include all the touchpoints a customer has with a company, from awareness and acquisition to service and support.

What is Channel Design?

Definition: Channel design is a plan for the distribution and movement of products and services from the producer to the customer. A channel is defined as "a chain of linked businesses or individuals through which a product or service passes from one person or firm to another."

Channel design is also understood as the process involved in the development of new marketing channels that no one had tried before or it can also refer to the strategy of modifying existing channels.

Distribution channel design assists in the transfer of products from the manufacturer to the ultimate consumer. Speh and Hutt (2007) define a distribution channel as "the connection between the manufacturer and customer via which products are transferred." The link between a company's marketing department and its market is known as the distribution channel.

Importance of Channel Design Decisions

Channel design is important because it helps companies to identify the most effective marketing channels to reach target customers and achieve company objectives. The goal of channel design is to create a system that optimizes customer engagement and minimizes costs.

Channel design begins with an understanding of customer needs and how they can best be met. Marketing channels are the means by which companies communicate with and deliver value to customers. They include all the touchpoints a customer has with a company, from awareness and acquisition to service and support.

Channel design is important because it helps companies determine which channels will be most effective in reaching their target customers. The goal of channel design is to create a system that optimizes customer engagement and minimizes costs. Channel design helps companies to save money by reducing the need for marketing and advertising in channels that are less likely to reach the target customer.

Channel design is also important because it helps companies to improve customer service and support. By understanding the customer's needs, companies can design channels that provide the best possible experience for the customer. Channel design can also help companies to identify and resolve problems more quickly.

Elements of a Marketing Channel Design

1. Channel Flow

Channel flow is the path that products and services take from the producer to the customer. Channel flow is important because it determines how products and services will be delivered to customers. Channel flow also affects the cost of goods and services. Channel flow can be direct or indirect. Direct channel flow is when products and services are delivered to customers without going through any intermediaries. Indirect channel flow is when products and services are delivered to customers through intermediaries such as retailers or distributors.

2. Channel Members

Channel members are the businesses or individuals who are involved in the distribution of products and services. A channel member can be categorized as upstream or downstream. Upstream channel members are businesses or individuals who are involved in the production of goods and services. Downstream channel members are businesses or individuals who are involved in the marketing and sale of goods and services.

3. Channel Objectives

Channel objectives are the goals that a company wants to achieve through its marketing channels. Marketing channel objectives can include increasing sales, reaching new customers, and improving customer service.

4. Channel Alternatives

Channel alternatives are the different ways that a company can distribute its products and services. Major channel alternatives can include direct marketing, selective distribution, and exclusive distribution. While identifying major alternatives, it is important to recognize that the most effective Channel Strategy rests on a Channel design that

1. Is customer-focused
2. Delivers a superior customer experience
3. Provides an integrated customer view
4. Uses Channel Insights to enable 1:1 marketing
5. Builds relationships through loyalty programs

5. Channel Strategy

Channel strategy is the overall plan that a company uses to determine which marketing channels to use. Channel strategy should be aligned with business objectives while designing marketing channels.

Steps involved in Channel Design

1. Recognizing the need for a channel design decision

Channel design decisions need to be made when there is a change in the business environment or when a company wants to enter a new market.

Also Read How to Choose Distribution channel in Marketing?

2. Defining the Channel Flow

The first step in channel design is to define the channel flow. Channel flow is the path that products and services take from the producer to the customer. Channel flow can be direct or indirect.

3. Setting and coordinating distribution objectives

Channel objectives should be aligned with business objectives. Channel objectives can include increasing sales, reaching new customers, and improving customer service.

4. Specifying the distribution tasks

The next step in channel design is to specify the distribution tasks. Distribution tasks are the activities that need to be performed in order to deliver products and services.

5. Developing possible alternative channel structures

Channel alternatives are the different ways that a company can distribute its products and services. Channel alternatives can include direct marketing, selective distribution, and exclusive distribution.

6. Evaluating the variable affecting channel structure

There are several variables that can affect channel structure. These variables include the type of product, the target market, and the distribution channels that are available.

7. Selecting the final channel structure

The final step in channel design is to select the final channel structure. The Channel structure should be aligned with business objectives. Channel structure can be direct or indirect.

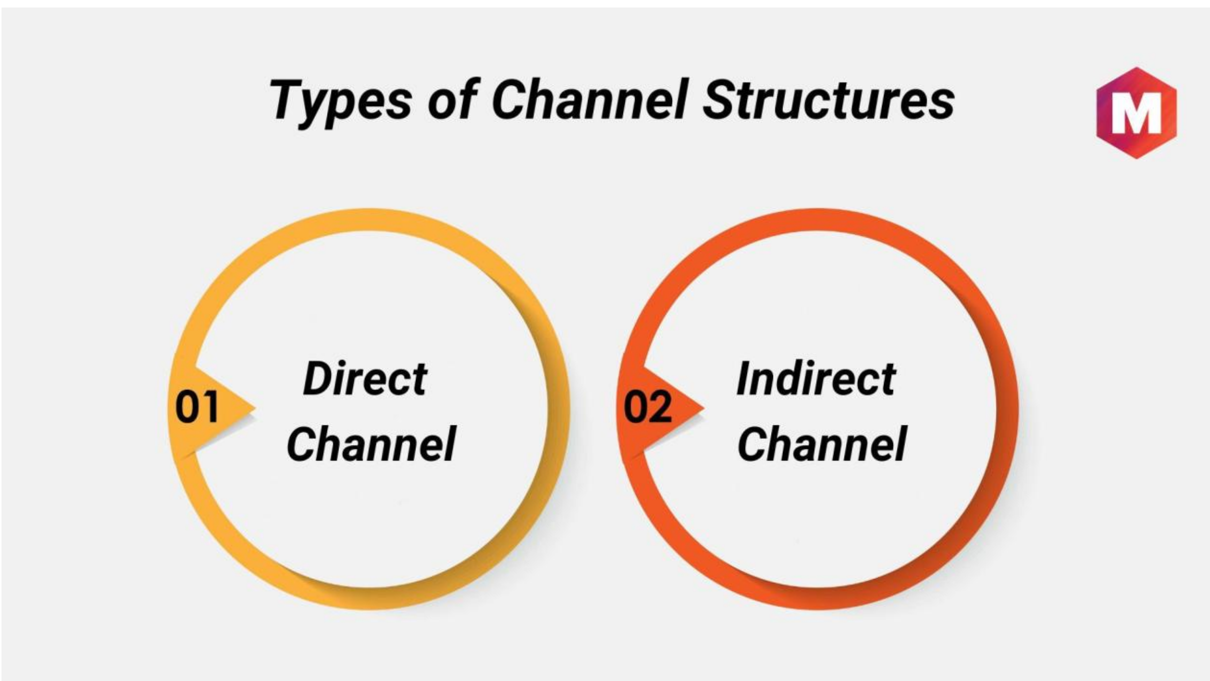
8. Selecting the channel members

Channel members are the businesses or individuals who are involved in the distribution of products and services. Channel members can be categorized as upstream or downstream.

9. Implementing and coordinating the channel structure

The final step in channel design is to implement and coordinate the channel structure.

Types of Channel Structures



1. Direct Channel

A direct channel is a channel in which the producer sells directly to the customer. Direct channels can be used to reach large markets quickly. The disadvantage of a direct channel is that it can be costly to set up and maintain.

2. Indirect Channel

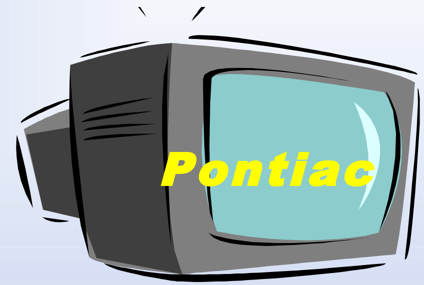
An indirect channel is a channel in which the producer sells through an intermediary. Indirect channels can be used to reach small markets quickly. The disadvantage of an indirect channel is that it can be difficult to control.

: Integrated Marketing Communications

Objectives:

1. Discuss the role of promotion in the marketing mix.
2. Discuss the elements of the promotional mix.
3. Describe the communication process.
4. Explain the goal and tasks of promotion.
5. Discuss the AIDA concept and its relationship to the promotional mix.
6. Describe the factors that affect the promotional mix.
7. Discuss the concept of integrated marketing communications.

1 Promotion



Inform

Persuade

Remind

Communication by marketers that informs, persuades, and reminds potential buyers of a product in order to influence an opinion or elicit a response.

1 Promotional Strategy

A plan for the optimal use of the elements of promotion:

Advertising

Public Relations

Personal Selling

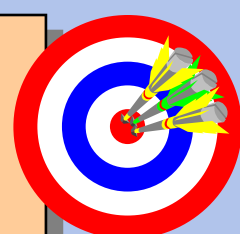
Sales Promotion

1 The Role of Promotion

Overall Marketing Objectives

Marketing Mix
- Product
- Distribution
- Promotion
- Price

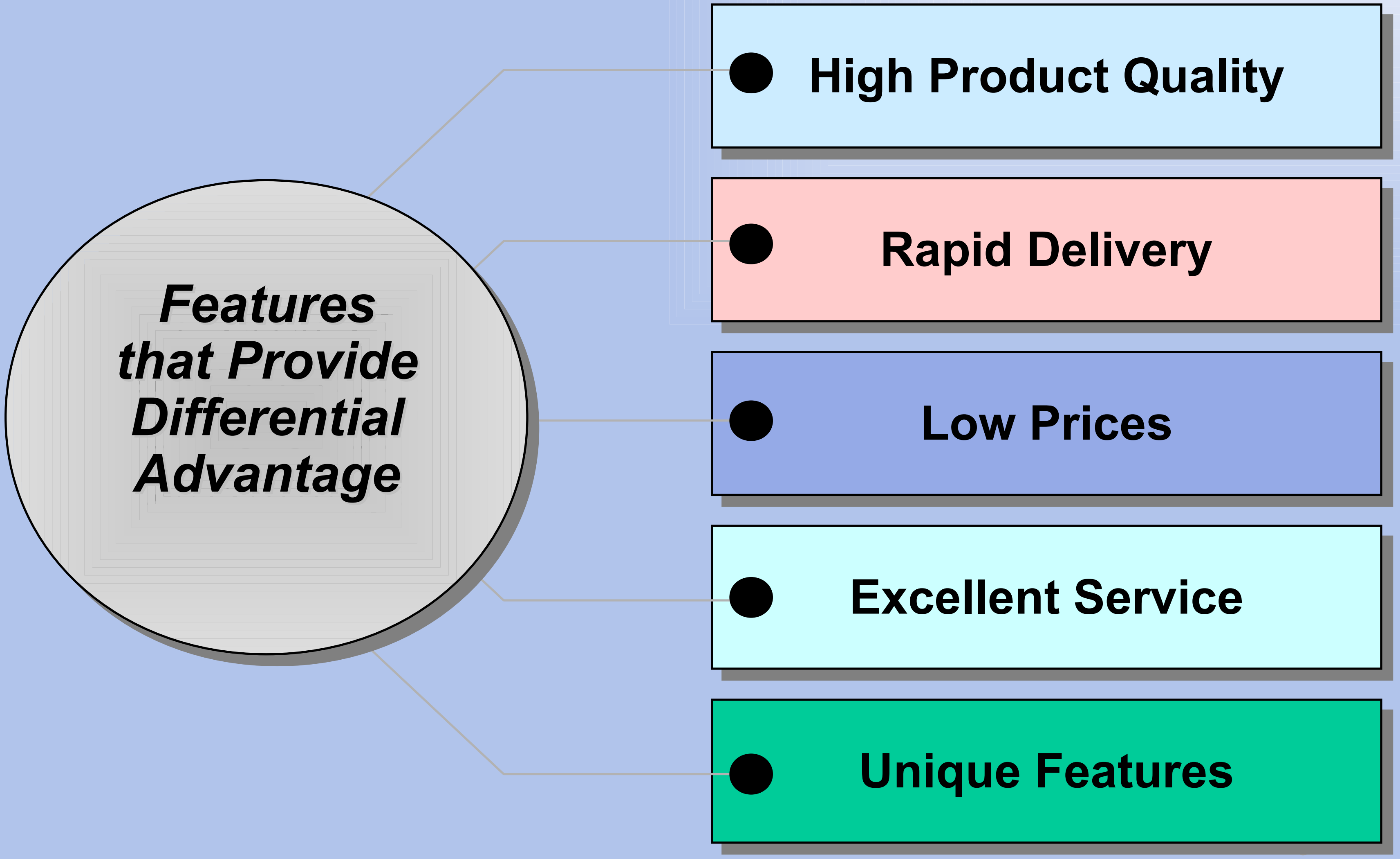
Target Market



Promotional Mix
- Advertising
- Public Relations
- Personal Selling
- Sales Promotion

Promotion Plan

1 Differential Advantage



2 Promotional Mix

Combination of promotion tools used to reach the target market and fulfill the organization's overall goals.

Advertising

Public Relations

Personal Selling

Sales Promotion

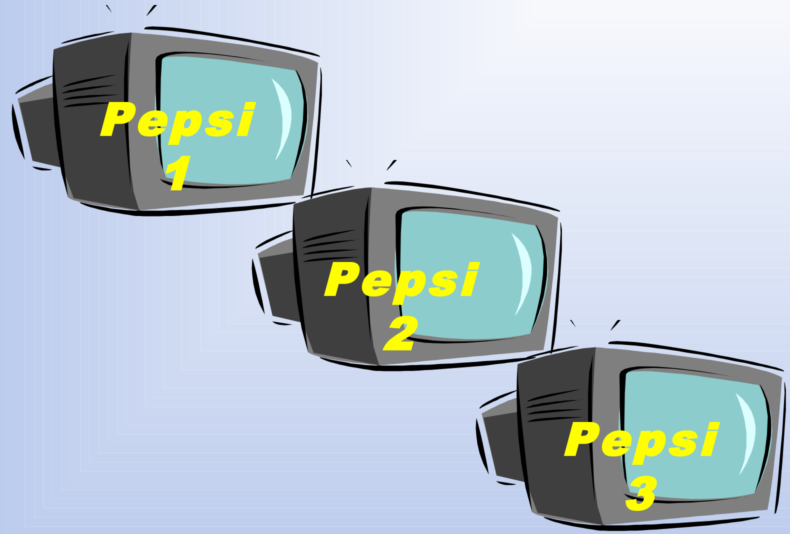
2 Promotional Mix

Elements of the Promotional Mix

- Advertising
- Public Relations
- Personal Selling
- Sales Promotion

On Line
http://www.nabiscoworld.com

2 Advertising



Impersonal, one-way
mass communication
about a product or organization
that is paid for by a marketer.

2 Advertising Media

Traditional Advertising Media	Electronic Advertising Media
Television	Internet
Radio	Electronic mail
Newspapers	Interactive video
Magazines	
Books	
Direct mail	
Billboards	
Transit cards	

On Line
http://www.olympics.org
http://www.olympics.com

2 Advertising

Advantages

- Reach large number of people
- Low cost per contact
- Can be micro-targeted

Disadvantages

- Total cost is high

2 Public Relations

The marketing function that evaluates public attitudes, identifies areas within the organization that the public may be interested in, and executes a program of action to earn public understanding and acceptance.

2 Public Relations

Functions of Public Relations

- **Evaluates public attitudes**
- **Identifies areas of public interest**
- **Executes programs to “win” public**

2 Publicity

Public information about a company, good, or service appearing in the mass media as a news item.

2 Sales Promotion

Marketing activities--other than personal selling, advertising, and public relations--that stimulate consumer buying and dealer effectiveness.

2 Sales Promotion

2 Sales Promotion

- Free samples
- Contests
- Premiums
- Trade Shows
- Vacation Giveaways
- Coupons

Popular Tools for Consumer Sales Promotion

2 Personal Selling

Planned presentation to
one or more prospective buyers
for the purpose
of making a sale.

2 Personal Selling

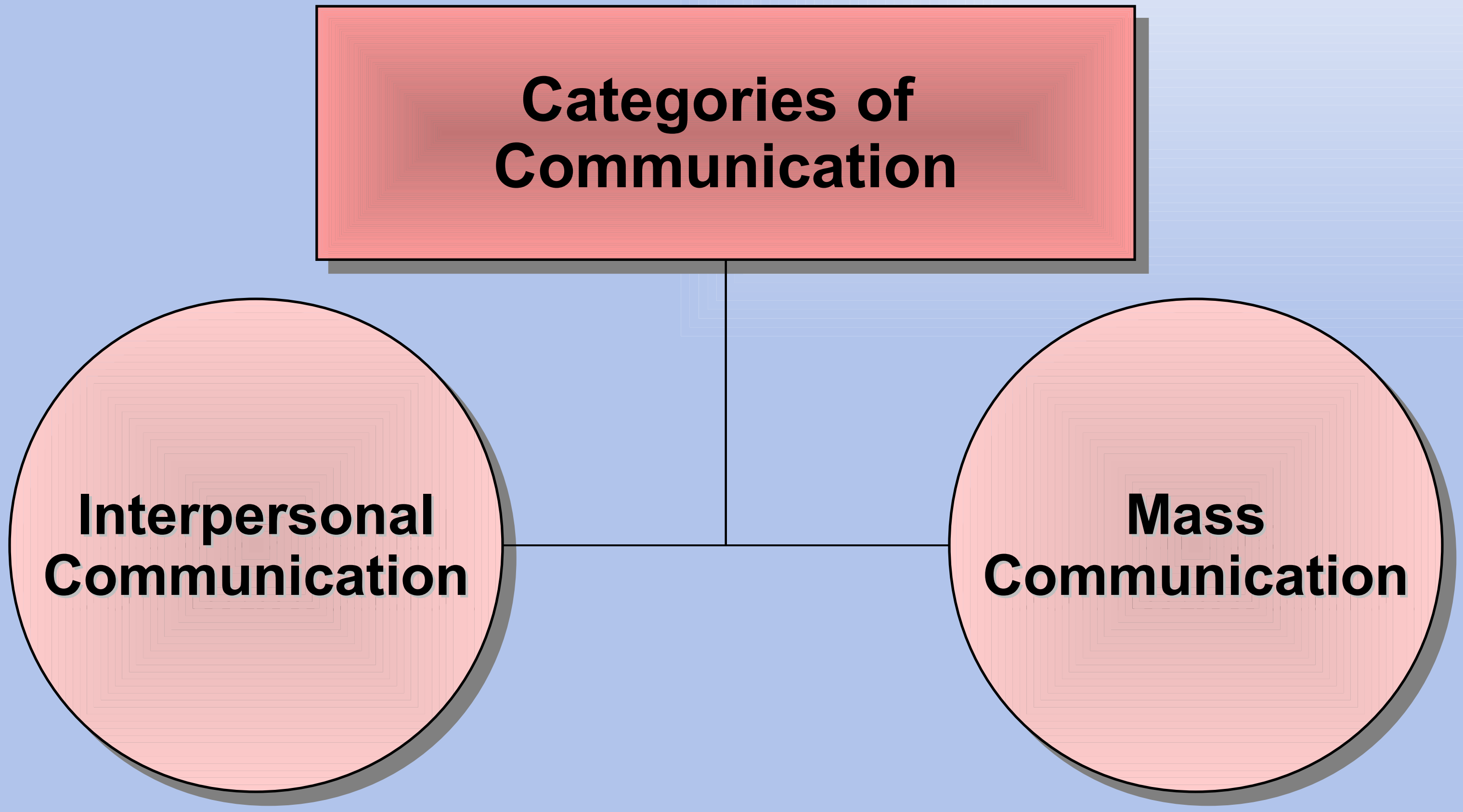
Traditional Selling

Relationship Selling

3 Communication

The process by which we exchange or share meanings through a common set of symbols.

3 Marketing Communication



3 The Communication Process

As Senders

- Inform
- Persuade
- Remind

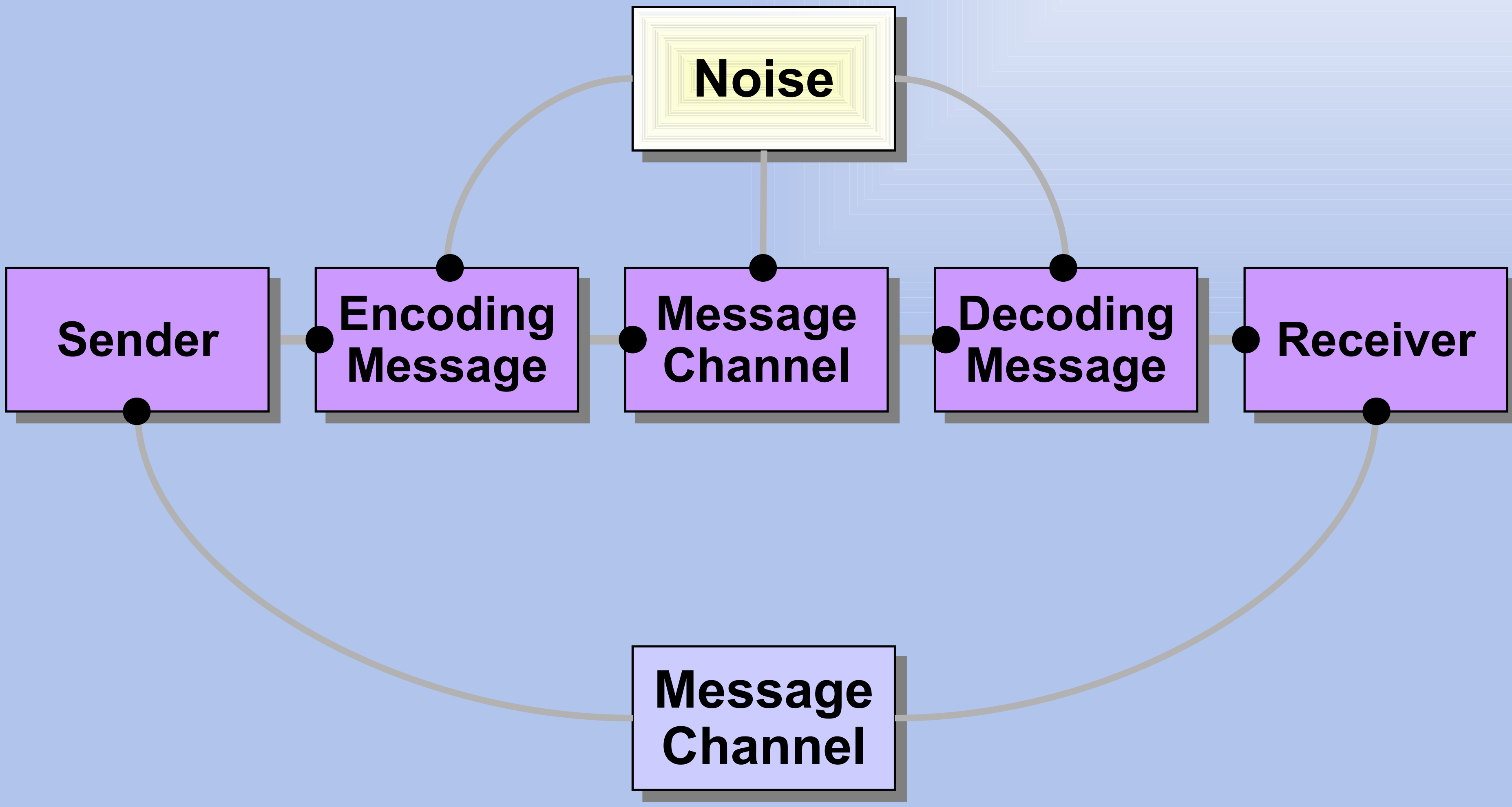
As Receivers

- Develop messages
- Adapt messages
- Spot new communication opportunities

3 The Sender and Encoding

Sender	The originator of the message in the communication process.
Encoding	The conversion of a sender's ideas and thoughts into a message, usually in the form of words or signs.

3 The Communication Process



3 Characteristics of the Elements in the Promotional Mix

	Advertising	Public Relations	Sales Promotion	Personal Selling
Mode of Communication	Indirect and nonpersonal	Usually indirect and nonpersonal	Usually indirect and nonpersonal	Direct and face-to-face
Communicator Control over Situation	Low	Moderate to low	Moderate to low	High
Amount of Feedback	Little	Little	Little to moderate	Much
Speed of Feedback	Delayed	Delayed	Varies	Immediate
Direction of Message Flow	One-way	One-way	Mostly one-way	Two-way
Control over Message Content	Yes	No	Yes	Yes
Identification of Sponsor	Yes	No	Yes	Yes
Speed in Reaching Large Audience	Fast	Usually fast	Fast	Slow
Message Flexibility	Same message to all audiences	Usually no direct control over message	Same message to varied target audiences	Tailored to prospective buyer

3 Characteristics of Advertising

	Advertising
Communication Mode	Indirect and non-personal
Communication Control	Low
Feedback Amount	Little
Feedback Speed	Delayed
Message Flow Direction	One-way
Message Content Control	Yes
Sponsor Identification	Yes
Reaching Large Audience	Fast
Message Flexibility	Same message to all audiences

3 Characteristics of Public Relations

	Public Relations
Communication Mode	Usually indirect, non-personal
Communication Control	Moderate to low
Feedback Amount	Little
Feedback Speed	Delayed
Message Flow Direction	One-way
Message Content Control	No
Sponsor Identification	No
Reaching Large Audience	Usually fast
Message Flexibility	Usually no direct control

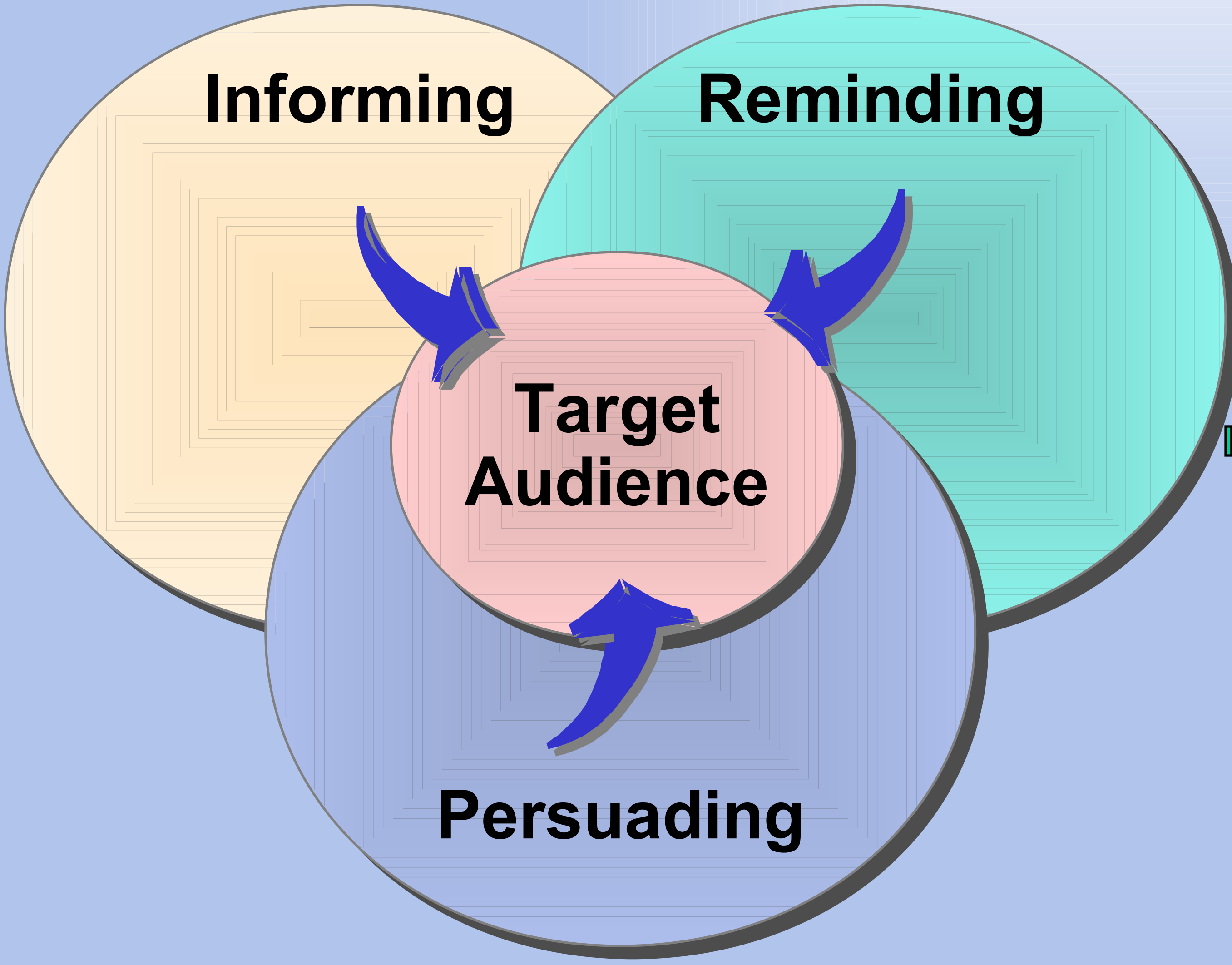
3 Characteristics of Sales Promotion

	Sales Promotion
Communication Mode	Usually indirect and non-personal
Communication Control	Moderate to low
Feedback Amount	Little to moderate
Feedback Speed	Varies
Message Flow Direction	Mostly one-way
Message Content Control	Yes
Sponsor Identification	Yes
Reaching Large Audience	Fast
Message Flexibility	Same message to varied target

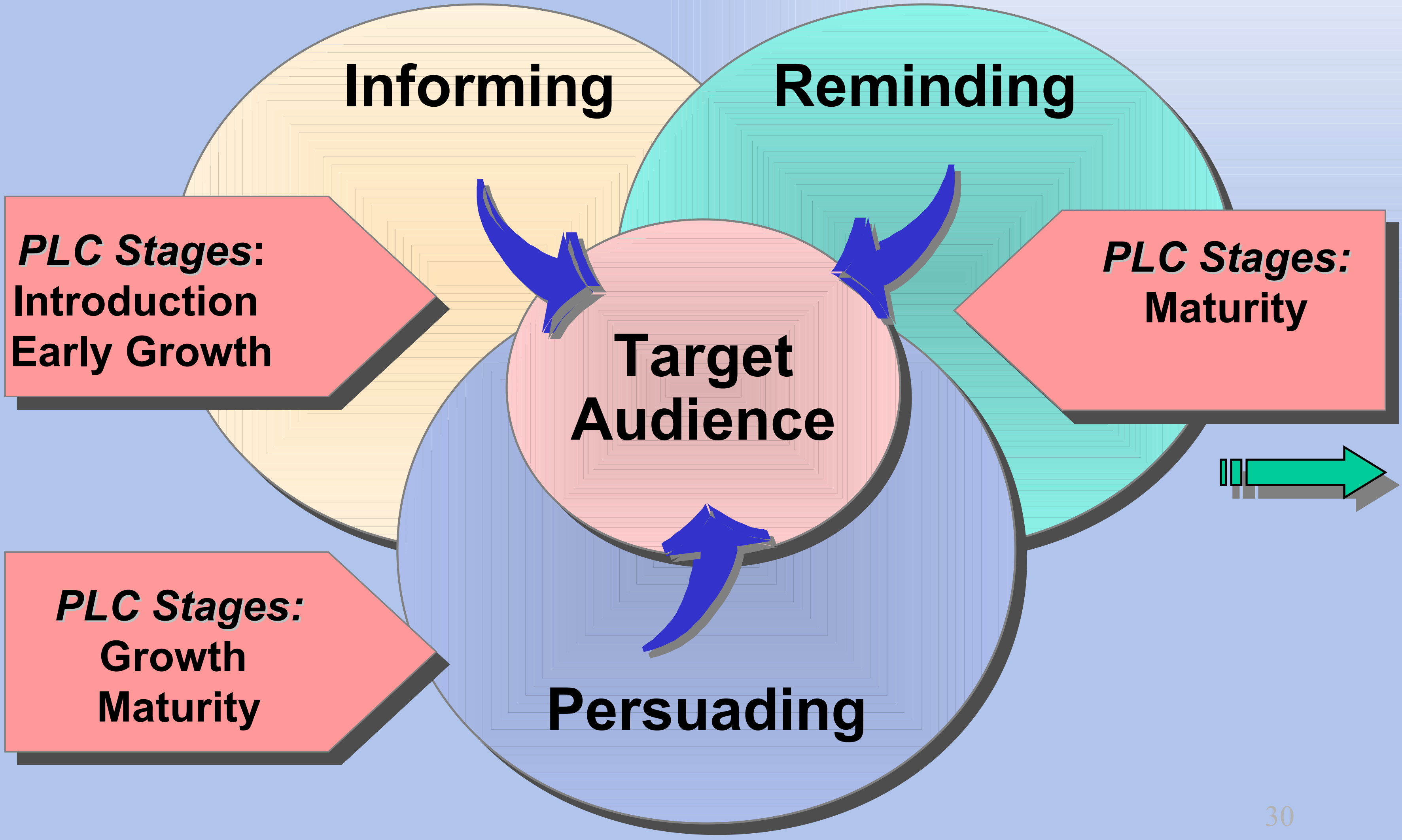
3 Characteristics of Personal Selling

	Personal Selling
Communication Mode	Direct and face-to-face
Communication Control	High
Feedback Amount	Much
Feedback Speed	Immediate
Message Flow Direction	Two-way
Message Content Control	Yes
Sponsor Identification	Yes
Reaching Large Audience	Slow
Message Flexibility	Tailored to prospect

4 Goals and Tasks of Promotion



4 Goals and Tasks of Promotion



4 Goals and Tasks of Promotion

Informative Objective

- Increase awareness
- Explain how product works
- Suggest new uses
- Build company image

4 Goals and Tasks of Promotion

Persuasion Objective

- Encourage brand switching
- Change customers' perception of product attributes
- Influence buying decision
- Persuade customers to call

4 Goals and Tasks of Promotion

Reminder Objective

- Remind customers that product may be needed
- Remind customers where to buy product
- Maintain customer awareness

On Line
http://www.tide.com

5 The AIDA Concept

Attention

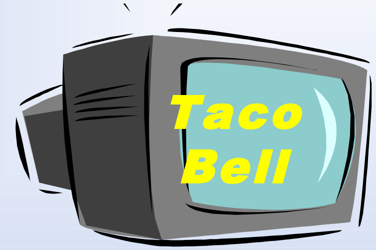
Interest

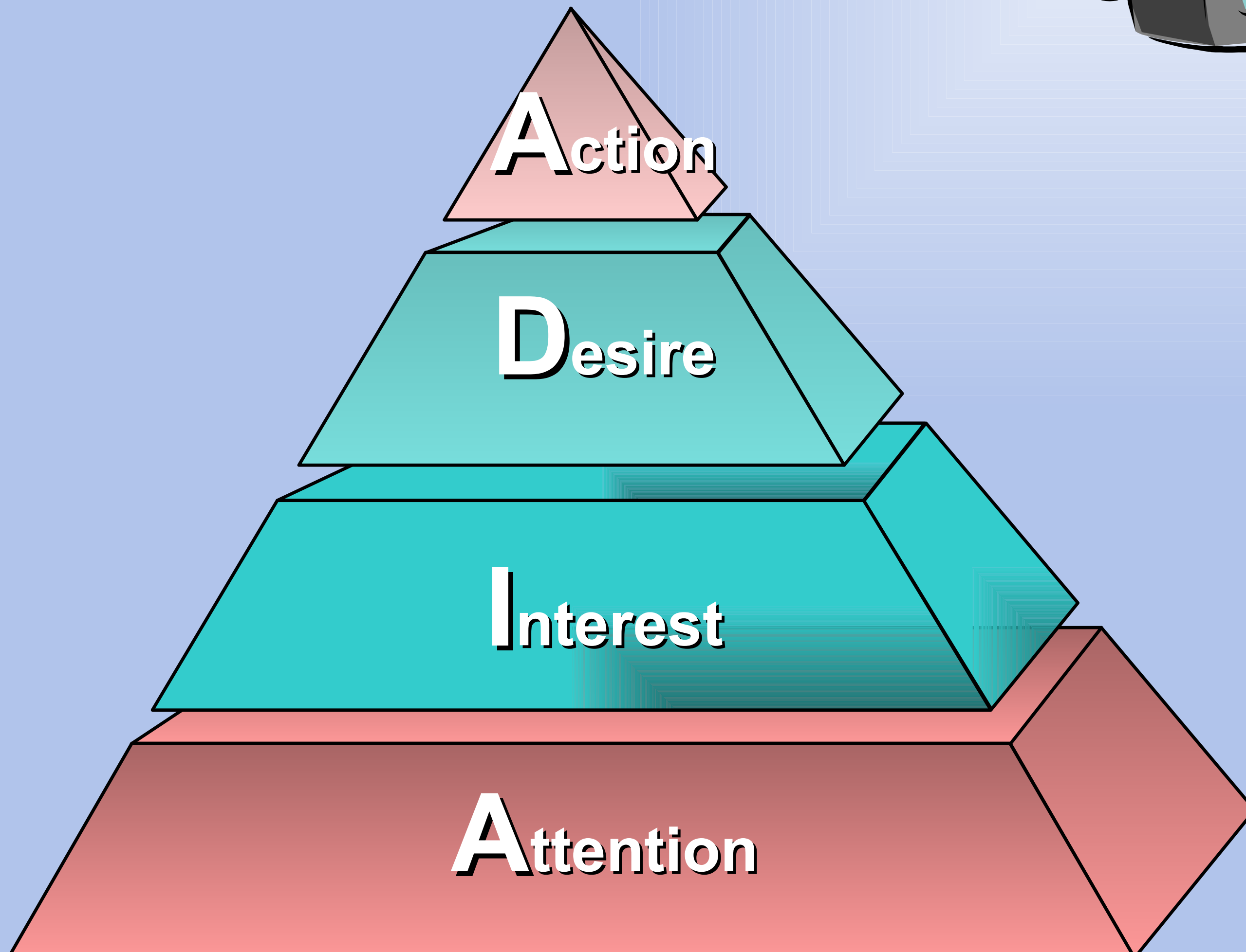
Desire

Action

Model that outlines the process for achieving promotional goals in terms of stages of consumer involvement with the message.

5 The AIDA Concept





5 AIDA and the Promotional Mix

	Awareness	Interest	Desire	Action
Advertising	Very effective	Very effective	Somewhat effective	Not effective
Public Relations	Very effective	Very effective	Very effective	Not effective
Sales Promotion	Somewhat effective	Somewhat effective	Very effective	Somewhat effective
Personal Selling	Somewhat effective	Very effective	Very effective	Very effective

6 Factors Affecting the Choice of Promotional Mix

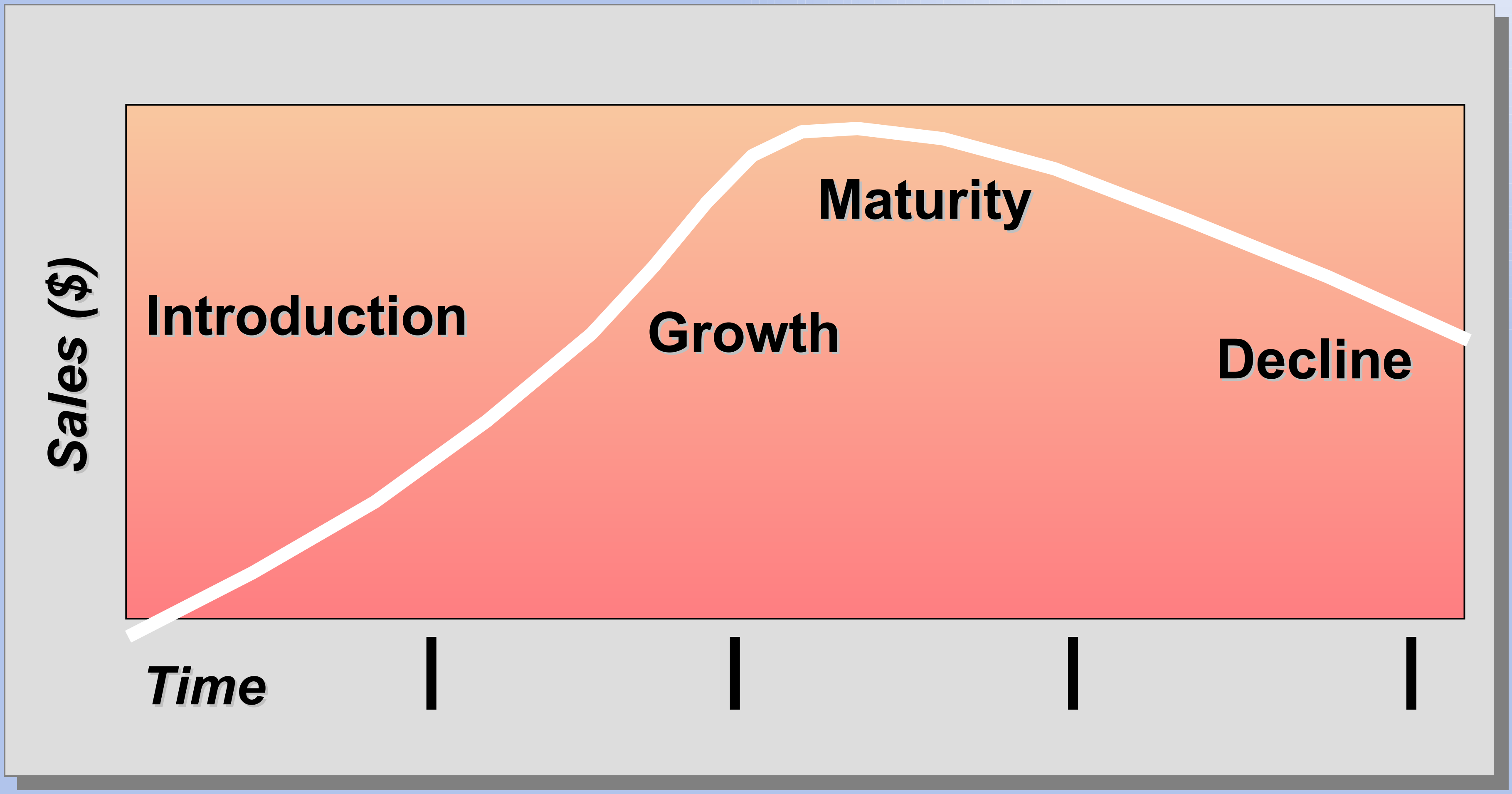
- Nature of the Product
- Stage in PLC
- Target Market Factors
- Type of Buying Decision
- Promotion Funds
- Push or Pull Strategy

6 Nature of the Product

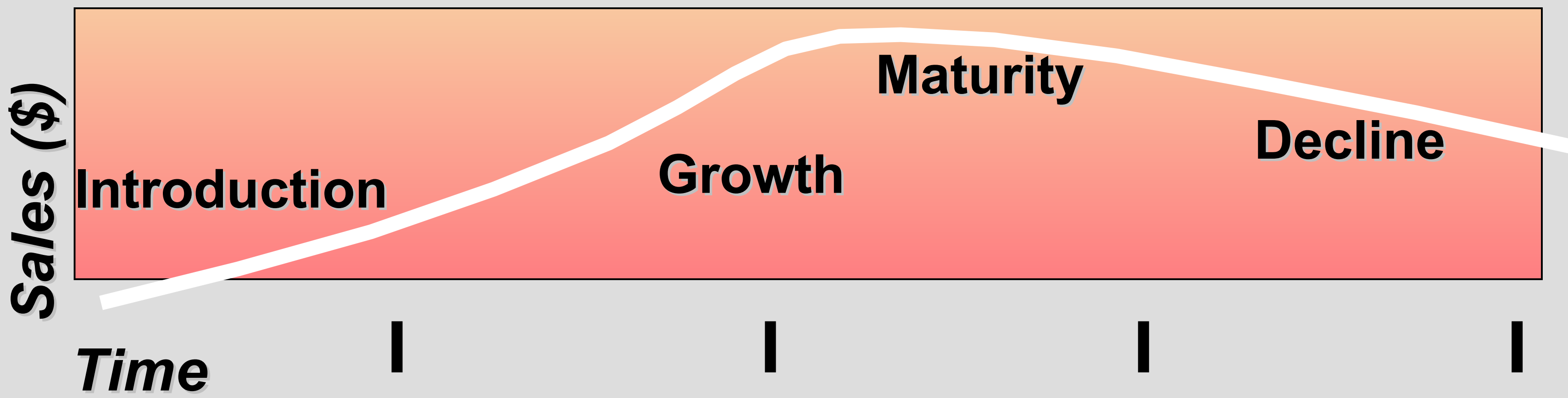
Factors that influence promotional mix

- Product characteristics
  - Business product vs. consumer product
- Costs and risks
- Social risk

6 Stage in the Product Life Cycle

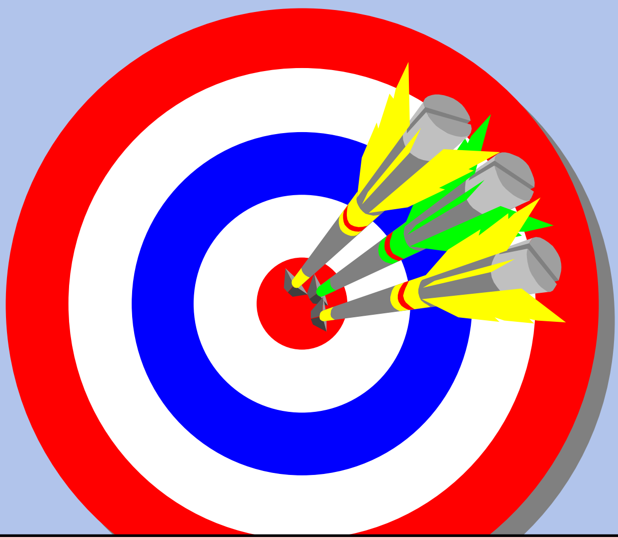


6 Product Life Cycle and the Promotional Mix



Introduction	Growth	Maturity	Decline (early)	Decline (late)
Light Advertising; pre-introduction publicity	Heavy use of Advertising; PR for awareness; sales promotion for trial	Advertising' PR, brand loyalty; personal selling for distribution	Ads decrease; sales promotion; personal selling; reminder & persuasive	AD/PR decrease; limited sales promotion; personal selling for distribution

6 Target Market Characteristics



Advertising

Sales Promotion

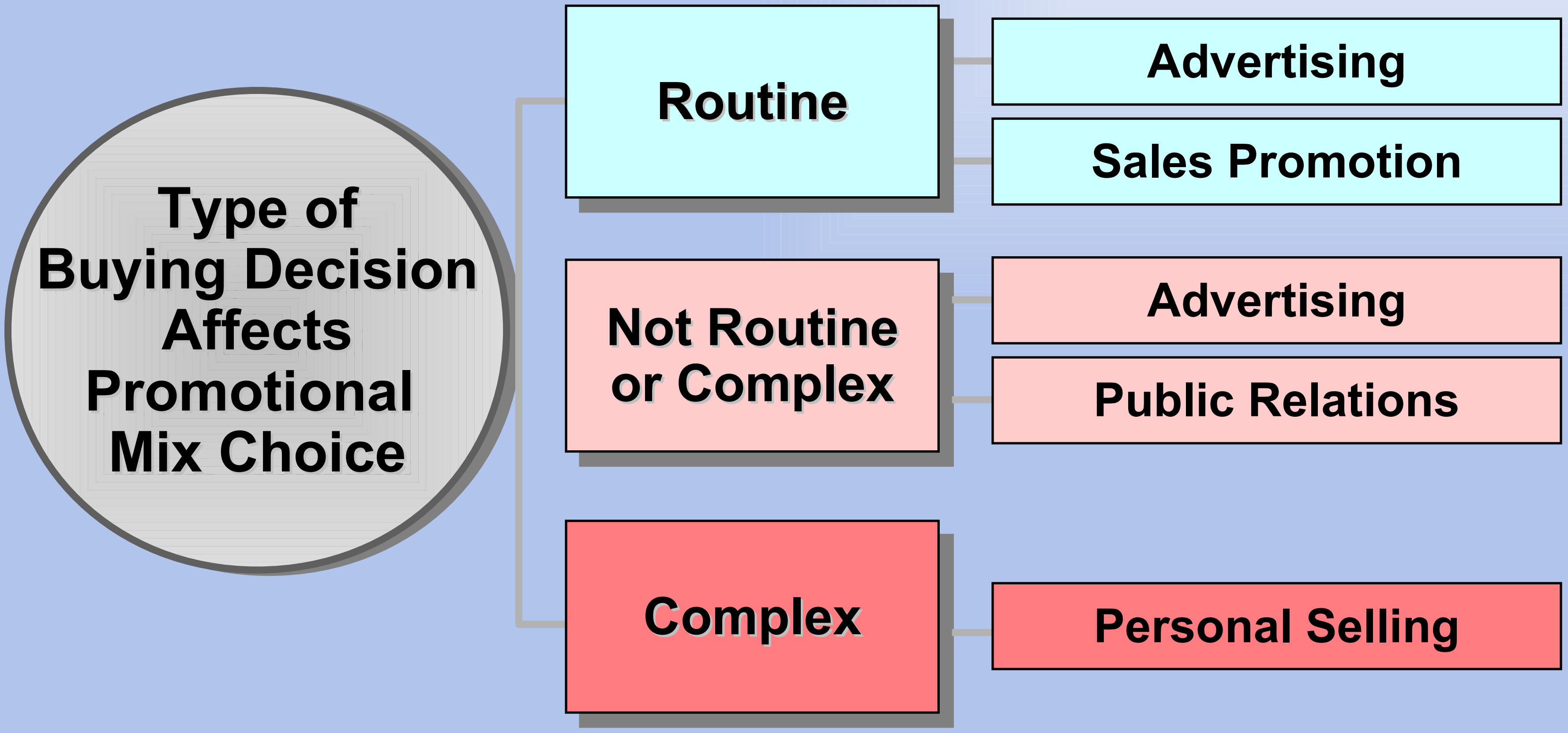
Less Personal Selling

FOR:

- Widely scattered market
- Informed buyers
- Repeat buyers

On Line
http://www.radioguide.com
http://www.nytimes.com
http://www.usatoday.com

6 Type of Buying Decision



6 Available Funds

- Trade-offs with funds available
- Number of people in target market
- Quality of communication needed
- Relative costs of promotional elements

6 Push and Pull Strategies

PUSH STRATEGY

Manufacturer promotes to wholesaler

Wholesaler promotes to retailer

Retailer promotes to consumer

Consumer buys from retailer

Orders to manufacturer

PULL STRATEGY

Manufacturer promotes to consumer

Consumer demands product from retailer

Retailer demands product from wholesaler

Wholesaler demands product from manufacturer

Orders to manufacturer

7 Integrated Marketing Communications

IMC

A method of carefully coordinating all promotional activities to produce a consistent, unified message that is customer focused.

7 IMC Popularity Growth

- Proliferation of thousands of media choices
- Fragmentation of the mass market
- Slash of advertising spending in favor of promotional techniques

UNIT-5

CURRENTS TRENDS IN MARKETING

Competitor Identification & Analysis

WHAT

This Competitor Identification & Analysis is a method of identifying your own and your competitors' strengths, weaknesses, and strategies, and creating an action plan to improve your market position.

To perform the Competitor Identification & Analysis:

1. Identify your competitors, and rate each based on how significant and direct they are to your organization.
2. Evaluate your own organization on various prepopulated criteria (including overall organizational health, product/service strengths, market strategy, resources, etc.) to understand your current strengths and weaknesses in a variety of core areas.
3. Evaluate your competitors on the same criteria to understand how your organization compares in each of the core areas.
4. Develop an action plan to improve your strategies and gain a better hold on your competition.

WHO

The Competitor Identification & Analysis can be used by project managers, sales leaders, strategy managers, and marketing managers.

WHY

To improve your organization's strategies in an effective way, you must do more than just analyze your current approach – you need to understand your competitors' approaches as well. By evaluating your competitors on their organizations and approaches, such as organizational health, talent, marketing strategies etc., you can learn from their strengths, take advantage of their weaknesses, and apply the same analysis to your own business plan (Haden, 2015). Gaining an understanding of where and how to compete in the marketplace will ultimately reduce your risks, as well as your time and money (Fiore, 2016).

"Particularly today, no company is an island. Those that most accurately perceive the competitive landscape as it is and is likely to be in the future have a distinct competitive advantage. … Focusing on changes in the resources, decision-making structures, and compensation systems of competitors … moves beyond the usual updates on key market trends and uncertainties. Its rewards are huge: fewer surprises from competitors and more opportunities to shape markets to your own advantage." (Courtney, Horn, & Kar, 2009)

HOW

To identify your competitors:

1) NOODLE to identify all of your organization's competitors.

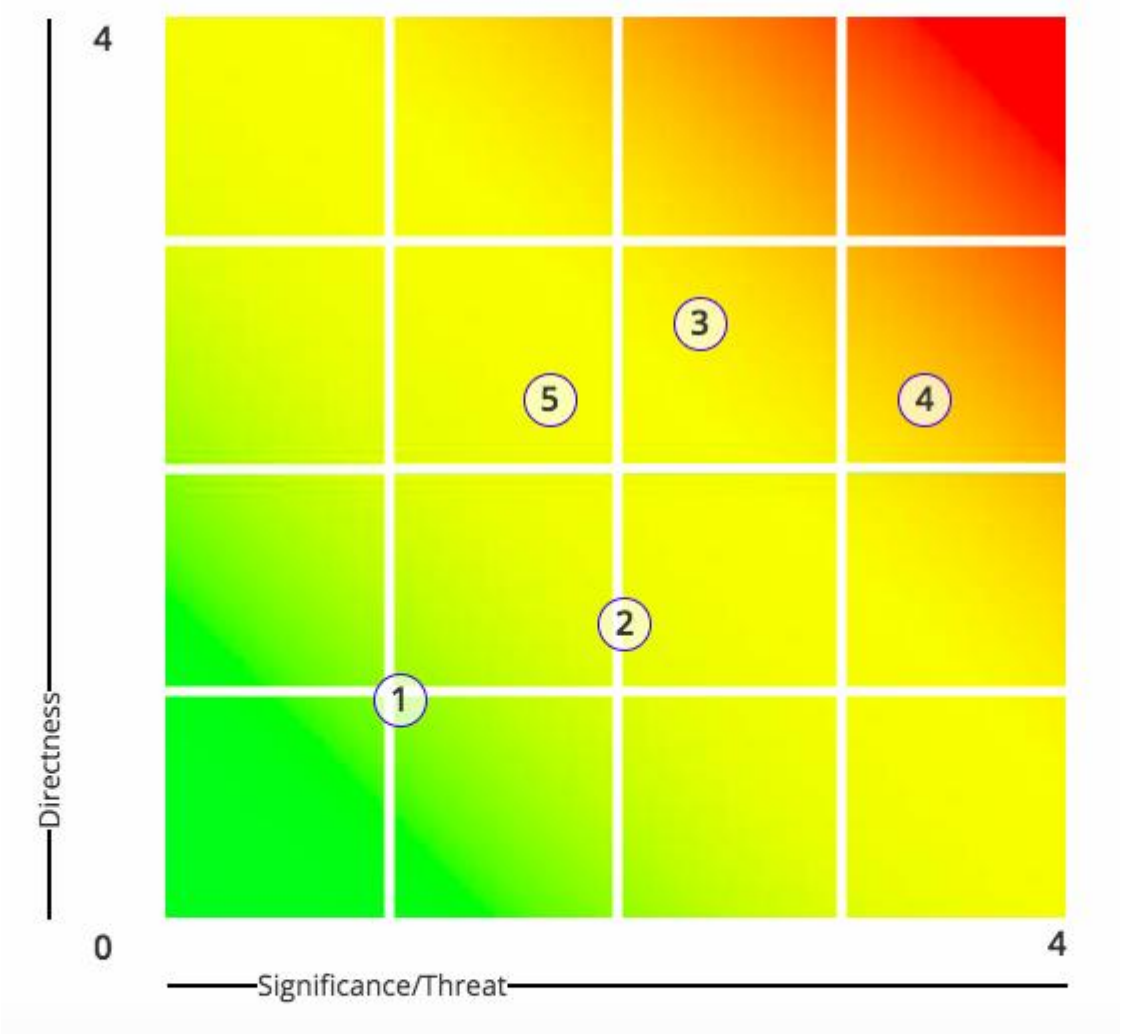
2) RATE how significant/threatening and direct each competitor is to your organization:

0 = Not at all significant/threatening
1 = Slightly significant/threatening

2 = Moderately significant/threatening
3 = Very significant/threatening
4 = Extremely significant/threatening

0 = We overlap in no areas/markets
1 = We overlap in some areas/markets
2 = We overlap in many areas/markets
3 = We overlap in nearly all areas/markets
4 = We overlap in all areas/markets

3) GRAPH the results and discuss with stakeholders who the top competitors are for your organization.



Once the top competitors have been identified, move on to analyze your own organization on various criteria (such as overall organizational health, product/service strengths, market strategy, etc.):

1) DISCUSS in the comments section how you feel your organization is performing on each criterion. Attach any supporting documents or links to each tile.

2) RATE your organization's performance for each of the criteria:

4 = We are severely underperforming in this area
3 = We are slightly underperforming in this area
2 = We are meeting expectations
1 = We are exceeding expectations in this area
0 = We are among the best in this area

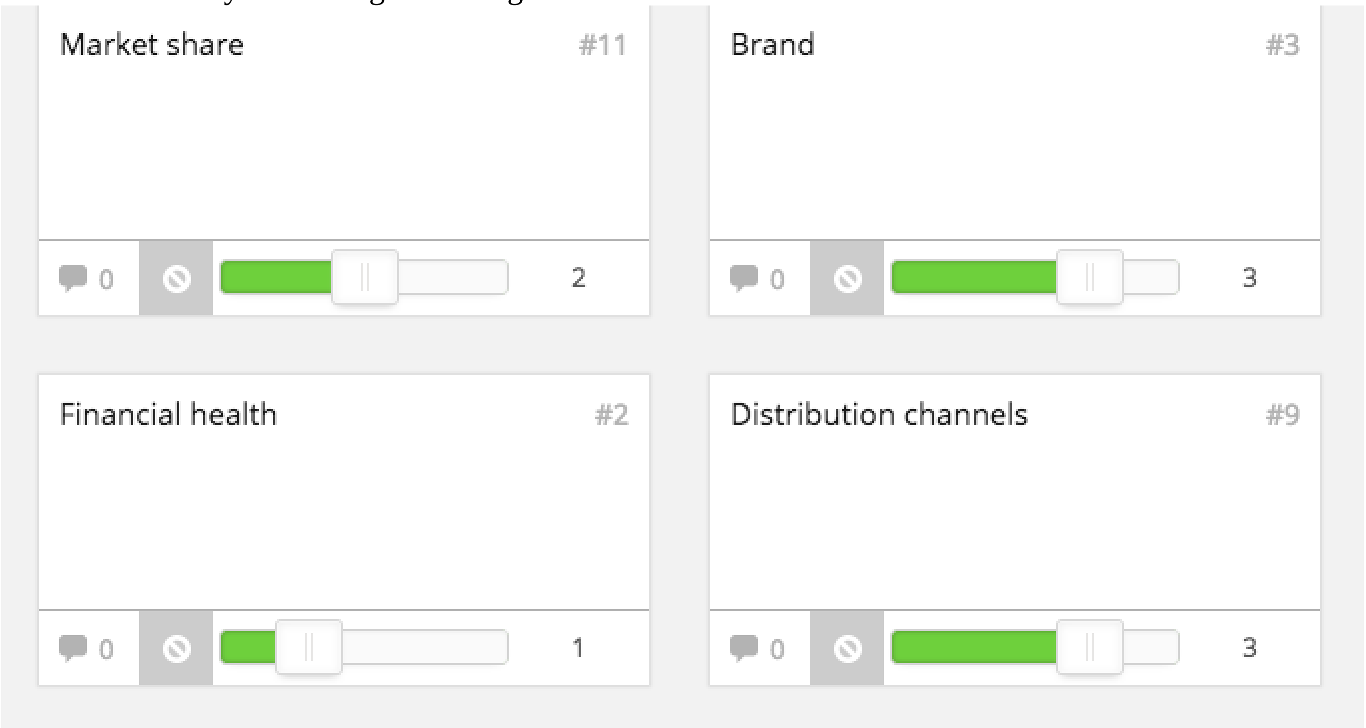
3) ACTION PLAN: Create an action plan to improve any underperforming aspects of your organization.

For each of your top competitors identified earlier:

1) DISCUSS in the comments section how each competitor is performing on the various criteria.

2) RATE how well you are performing compared to this competitor on each of the criteria:

0 = We have a huge advantage over them
1 = We have a slight advantage over them
2 = We are equally matched
3 = They have a slight advantage over us
4 = They have a huge advantage over us



3) ACTION PLAN: Create an action plan to improve any aspects of your organization that are underperforming relative to your competitors.

RESULTS

- Team-wide alignment on who your core competitors are
- Identification of your own organization's strengths and weaknesses as well as your competitors'
- Candid discussion about your and your competitors' strategies

- Action plan to improve any strategic underperformance in your organization

BENEFITS & IMPACT

This analysis will enable:

Quality – Enable candid discussion involving all knowledgeable stakeholders to assess your organization's competitive strategy and develop a plan to improve it.

Efficiency – Save time and resources by developing strategies focused on improving your organization's strengths and mitigating its weaknesses based on your competitors' actions and strategies.

Engagement – Involve the right stakeholders in determining your advantages and those of your competitors.

Agility – Avoid redundancy and foster innovation by being up-to-date with industry trends

7 Competitive strategies of market leaders

In todays world, there is a rise in both, the number of products and the number of competitors in the market. Naturally everyone wants to be ahead of the competition. But is everyone successful? Definitely not. Any market will have one single market leader and not several market leaders!!! So what is it that market leaders do correctly to ward off their competitors? We look at some strategies which are common for every market leader

1) Covering the market globally and locally

Look at companies like Coca Cola, microsoft, LG and others which are market leaders in their respective categories. You will find that each one of these companies have products which are widespread and are known across the world. However, the marketing strategy of each one of these products is customized according to the market that they are serving.

Thus if you have a business which has numerous competitors, it is important that you look at market expansion along with localization. Dont stay back from the global market, but more importantly, while serving the global market, do not forget your home ground. The simple supporting statistic for this statement is that each and every developing country, after exploring the global markets, is now looking at their own rural markets which will provide the maximum growth opportunities.

2) Expand Smartly

Expanding just for the sake of growth can become disastrous. All strategists know that keeping an eye on the cash flow of the business is the most important thing for the growth of the organization. If your working capital is being used for expansion, this will affect even the business units which are actually showing growth thereby causing you to cut back on essential plans

3) Control costs

Look closely at the accounts of any good company and you will find ways being implemented to manage costs. There is one basic equation for profits. Income less Expenses is equal to profit. Thus if you cut down your costs, your expenses automatically come down thereby increasing the overall profit. The important thing here is to know what are the major components in your costing. For example in a product based company, Transportation, Rentals, Labour, distribution margins, etc are some expenses which are costlier even than the raw materials which will be used in making a product. Hence knowing each and every component of costing is crucial.

A perfect example of the importance of cost control can be seen during an economic downturn. Whenever a company faces a tough economic environment, it needs to know where it can control the costs thereby curtailing expenditure. It can be done by basic changes in raw materials, tying up with low cost transporters, transporting in bulk quantity, cutting down on labor and finally cutting down on skilled manpower. These are some methods used by companies to control costs during bad times. However, if proper methods are implemented during good times, the company will have more margins and deeper pockets to phase off the bad times instead of taking drastic measures.

4) Implement good marketing plans

The crux of beating your competitors is to have your own unique position in the mind of the consumers. This position should be highly attractive and profitable. Only then you will gain advantages over time. There needs to be a proper implementation of marketing plans. What should be the message of the company? How to change the message over time to bring more and more customers to your brand? How to alter the marketing so as to expand and gain more market share? What should be the vehicles of marketing communications? How and in which order does the plan need to be implemented? These are some questions which your marketing plan should answer thoroughly.

At this point of time it is very important to take the competitors as a frame of reference and to have a marketing plan which is better than the competitors and helps you in achieving the numbers that you are targeting. The best way to implement a good marketing plan is to do a proper competitive analysis and see where you stand in the curent market. You may not challenge the top competitor in the start. But you can definitely get rid of each competitor one by one by implementing a strong marketing plan and sticking to this strategy. In this case, proper implementation of the marketing plan is the key to marketing success.

5) Get the right people and retain them

In the services industry, you are as good as the talent you have on board. Many software companies keep a part of their margin aside so that they dont have to lose software engineers when one project is complete. These engineers are transferred to another project when the work is complete. A customer service manager would never like to lose their best employee. A CEO will never like to lose his best performing managers. Any company would not like to let go of efficient employees. Your employees and stakeholders are your assets.

There needs to be regular action taken to keep your employees and stakeholders motivated and loyal. Take any company which has a low attrition rate and you will see a company which spends a lot in training and development of its employees. This is because when employees leave a company, they take along a part of the knowledge and experience which they have gained in that company. This knowledge and experience needs to be inculcated in the other employee over time. Thus a lot of time is wasted in training and developing new employees. This is why, the smart companies save time by retaining and motivating their best employees. And this is why they stay ahead of the competition

6) Focus on your customers

Several companies, while making profits, forget that the prime reason they are still working is because the customers like their products. The day a company forgets this principal, it is bound to fail. And hence, you need to be the best in this area. Know your customers in and out. Do regular market studies and consumer buying behavior analysis to determine the mindset of the customer. A new technology which was being underestimated by you, but has been implemented by a competitor, can attract your customers attention and take away even your most loyal customers.

Take an example of Facebook and Google (orkut). Google did not even catch up when facebook rapidly expanded to be such a large social network. And by the time google had implemented its own product (google plus), it was too late. The audience was no longer there to notice it. The product too was poor in its implementation. Thus at all times, know what your customers want and also know how the environment is changing and where you are losing your customers. Do not fear to experiment with your product portfolio. You are bound to fail with some products. But as long as you implement strategies with your customers in mind, you will be ahead of the competition.

7) Be Informed!!

One of the basics of selling against competition is to know your competitors. Consider the consumer durables segment. There would be 10 different competitors in television and refrigerators segment. Furthermore, each of the competitors will have ten different product lines. They would have high end refrigerators and televisions for the Sec A customers and low end and lesser priced models for the price conscious segment. You need to know your competitors and their product lines to launch product variants of your own. On the other hand, you need to know all the products of all your competitors to launch a product which is unique in the market and has the first mover advantage. Thus information is important.

Lets take the consumer durables example even further. Consumer durables works on a channel sales basis. Thus your channel too needs to be informed of the features of your product. There needs to be regular training to keep the channel in loop of the latest strategy being implemented by the company. Imagine if you were to launch a new product and you are advertising that product through ATL and BTL activities. And if your channel dealers do not have information of the product and they do not have the machine available for immediate delivery. This will cause a huge loss of sales along with expenses incurred due to absence of information and proper communications.

Thus in essence, when customers visit your channel showrooms, your marketing activities are not in sync. Even though you are advertising the products, the products are not available in the market or your channel partners are not capable of selling it. Thus you lose out on sales and the initial rush. On the other hand, your competitor might be smarter and might have implemented a completely new product with altogether different features. Now your product completely fails in the market!!! This is why information and its dissemination is crucial to beat your competitors.

FOLLOWERS STRATEGIES

Follower companies do not challenge the market leader. But market followers have to know how to hold on current customers and win a fair share of customers in the growing market. The follower firms have a certain advantages for its target market in terms of location, services offered or financing offered. Followership also involves stategic thinking to be on the growth without inviting competitive retaliation by the leader

Kotler described four follower strategies.

Imitator
The imitator is not an innovator. He provides products that had market acceptance (put into the market by innovators), but maintains differentiation in packaging, advertising, pricing and so on. Market leaders tolerate followers imitating to the extent, there is adequate competition to avoid monopoly market regulation.

Adapter
The adapter takes the leader's products and adapts or improves them. He normally sells in different market than leader to avoid direct confrontation with the leader.

Counterfeiter
The counterfeiter duplicates the leader's product and packaging and sells it through disreputable dealers. But leaders keep making efforts to check counterfeiting.

Cloner
The cloner emulates the leader's products and distribution and other features. But the brand name will be made slightly different.

The last two strategies have negative connotation.

NICHERS

Nichers are small firms that target small markets of little or no interest to larger firms. But, these firms can be highly profitable through smart niching. In a study of hundreds of business units, the Strategic Planning Institute found that return on investment average 27 in small markets, but only 11% in larger markets. (E.R. Linneman and L.J. Stanton, Making Niche Marketing Work, McGraw-Hill, 1991)

The niche specializations include:
(Note: In all cases the segments selected by nicher are ignored by leaders and broad market firms)

End user segments: Specialising on particular end user segments. Example software firms supplying law firm related software.

Vertical segments: Concentrated at a level in the production-distribution value chain

Customer size segments: Selling either to small, medium size or large customers. Generally, niche firms supply to small customers neglected by large companies.

Specific customer servicing: Selling to some major customers. Even only one or two customers.

Geographic segments: Selling only in certain localities not served well by broad market firms

Specific products: Selling only one product or only one product line, but giving a big choice to choose in that product or product line to the buyers.

Specific product features: Specializing and offering a particular product feature

Job shop production: Customized manufacture for individual customers.

Quality segment: Operating at low- or high- quality segments.

Price segment: Operating at low- or high- price segments

High service segment: Offering features not offered by other firms

Channel segment: Serving only one or two distribution channels

A Definition of Customer Relationship Marketing

Customer relationship marketing (CRM) is a technique based on client relationships and customer loyalty. Using customer data and feedback, companies utilizing this marketing strategy develop long-term relationships with customers and develop laser-focused brand awareness. Customer relationship marketing varies greatly from the traditional transactional marketing approach that focuses on increasing individual sale numbers.

Companies that prioritize customer relationships, on the other hand, strive to create strong customer connections, which may be emotional, to their brand to promote customer loyalty and increase customer lifetime value. They benefit from word-of-mouth promotion and develop brand ambassadors.

Customer Relationship Marketing Strategies

Customer relationship marketing builds upon customer experience management and puts improving customer interactions to foster brand loyalty at the core of marketing activities and efforts. There are several ways that companies go about customer relationship marketing, including providing excellent customer service at all times, getting to know individual customers to anticipate their needs, and offering loyalty program perks and rewards for repeat customers.

Companies typically turn to the internet and social media to pursue customer relationship marketing initiatives, which means that small businesses also can benefit from it by inviting customers to visit their websites, read and comment on blog posts, and communicate via social media platforms like Twitter and Instagram.

The goal of customer relationship marketing is to build trust with and engage customers to build brand loyalty and reduce customer churn. One of the best strategies for building relationships with customers is focusing on emotion. Brands who excel in CRM use nostalgia in their campaigns because it is one of the most powerful connections consumers can have to a brand, according to BDA CEO Jay Deutsch. That’s why branded merchandising is becoming part of some of the most successful marketing campaigns.

Other strategies in customer relationship marketing include:

- **Show customers you value them with every interaction** – Consider spontaneously recognizing them and delighting them in unexpected ways

- **Listen to customers and respond** – Use social media monitoring tools to reply to comments and complaints and address customers' concerns
- **Give customers free information** – Identify topics and interests customers have and then create content to address them and give customers free access to it, such as informational videos on products they recently purchased or newsletters that highlight individual customers and share their stories
- **Expanded loyalty rewards** – Any company can offer perks and rewards, but you need to expand beyond the typical reward program and give people stuff they love or recognize them in unexpected ways
- **Communicate frequently** – A relationship is nothing without communication, so make sure you communicate with customers often via social media, email, messages, etc. (just be sure the communication provides value to customers and does not become intrusive or too frequent). <u>See how Real Time Interaction Management (RTIM) can help you communicate with customers in a relevant and timely way</u>

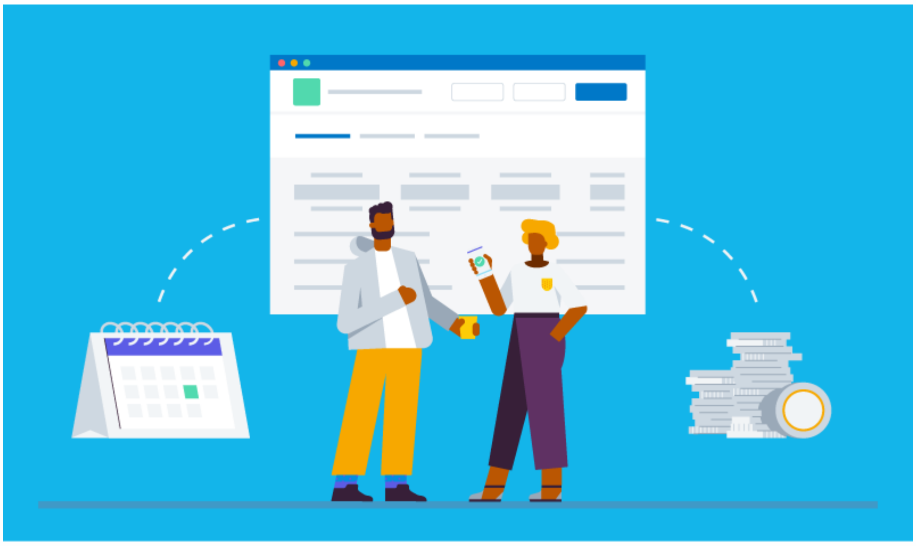
<u>Benefits of Customer Relationship Marketing</u>

When companies implement customer relationship marketing, they make good use of their customer data and identify customers that will be of more value to the company itself. With customer relationship marketing campaigns, companies save time and money by focusing on customers that will not be as costly in terms of maintaining relationships with them; they also make better decisions about which customers have underdeveloped potential.

- **Delivering a consistent customer experience** – By becoming customer-centric and focusing on customer relationships, companies align their touchpoints and work across the organization to meet customer needs, improve satisfaction, and deliver an exceptional experience

- **Gathering customer feedback** – Building strong relationships with customers requires communication, and companies put more stock in gathering feedback and analyzing it to make better business decisions to build stronger relationships
- **Improving customer profitability** – Customers that are loyal to brands spend more with them; in fact, consumers are now putting customer experience ahead of cost when making purchasing decisions
- **Creating customer advocates** – The happier your customers are, the better the chances they will spread the word about you to others; when you build a strong relationship with them and deliver a consistent experience, they have better reviews to share

CUSTOMER DATABASE



A customer database is the collection of information that is gathered from each person. The database may include contact information, like the person's name, address, phone number, and e-mail address. The database may also include past purchases and future needs

IMPORTANCE OF CUSTOMER DATA

With so many competitors fighting for your ideal customers' attention, one of the few differentiators is represented by the customer experiences you build around your products and services.

It’s tough to bring to the market a product or a service that is entirely new or to maintain a competitive price and still be profitable. In this context, customer data becomes extremely important for how you’re going to set your brand apart from the rest and create memorable experiences for your customers.

There are many alternatives for what you have to offer your clients, and customers have high expectations. The only way you can thrive in this customer experience economy is to leverage the potential brought by customer data.

One of the greatest things about collecting, analyzing, and leveraging customer data is that you can predict future customer behaviors and make better decisions based on what you already know about your customers. Your customer data is the fuel for creating smarter acquisition and retention strategies.

BENEFITS OF CUSTOMER DATA

Effective usage of customer data helps you improve the online shopping experience for your customers and fine-tune various processes in your company, generating a positive impact on your profitability and customer lifetime value.

1. Identify your most important customer segments

Your customer data allows you to segment your customer base and identify the most important customer segments for your company.

While demographic, psychographic, and geographic segmentation allows you to fine-tune your marketing campaigns, behavioral segmentation is one of the most reliable types for eCommerce businesses that want to achieve customer-centricity and focus on smarter acquisition and retention.

Many online companies use RFM segmentation to identify the most valuable customer segments, by looking at recency, frequency, and monetary value. You can identify the value for each variable by looking at the transactional data. You have to gather the RFM data, set a score for each value, and create customer segments based on their RFM scores.

RFM segmentation will show you how many high-value customers you have and who these customers are. Then, you can dig deeper and perform qualitative analysis, create the ideal customer profile, and use it to inform all your eCommerce strategies.

2. Attract and retain more high-value customers

Once you know your most important customer segments, you’ll be more effective in attracting and retaining the right-fit customers. Recurring high-value customers are essential for sustainable growth, and you want to build your marketing and sales strategies around this type of customer.

Based on what you know about your existing top customers, you can create better custom and lookalike audiences for your paid ad campaigns and email marketing initiatives. Creating better target audiences allows you to use your budget wisely with a positive impact on ad performance and design better email campaigns for your marketing and sales goals.

If you want to improve customer acquisition, create lookalike audiences based on your best customers to increase your chances to attract new customers that are more likely to become repeat, high-valued customers. If you want to improve customer retention, you can create various custom audiences to fine-tune your onboarding, reactivation, and churn prevention campaigns.

3. Improve onboarding to encourage the second purchase

After you have invested all the resources in attracting new high-potential customers, you need to nail the onboarding campaigns and make your effort worthwhile.

If you want to generate the second purchase, you have to ensure that the first customer experience is as high as you promised and as your newly acquired customers expect.

Your onboarding campaign must-haves are:

- Thank you and email confirmation
- Welcome to the community
- Pre-delivery NPS
- Educational content
- Shipping confirmation
- Post-delivery NPS a couple of days after experiencing the product/service

In this phase, your focus is on preventing buyer’s remorse, generating positive emotions, and nurturing trust. All these elements increase the chances of receiving a second purchase from your first-time buyers.

4. Personalize the online shopping experience

Customer data, first and zero-party data, in particular, help you create personalized user and customer experiences on various channels. If you collect customer data and have the tech to create dynamic and timely content and recommendations, your customer experience level will increase, and you’ll see that people become more engaged with your brand.

Think of ways to collect customer data besides the information you capture naturally during a transaction. Find what they like and what they don’t, their needs and expectations, what they value most in a brand, etc.

Try to create a standardized way to collect customer data and incorporate it into your tactics to improve personalization. Make it easy to collect for your team and integrate it naturally into how you communicate with your audience.

Personalization is a strong tactic that you can use for your subscribers and potential customers to generate the first purchase, but also a vital element in the retention campaigns. You can't think of VIP treatment without elements of personalization.

5. Keep customers engaged between purchases to prevent churn

Customers don't churn overnight. Before they leave you for good, there are a series of signals or red flags that you can observe in the customer behavioral data. Think about the customer satisfaction surveys, like NPS surveys.

The answers that you capture from your customers represent authentic feedback about their experience and are a valuable resource for your churn prevention campaigns. Real-time response from your customer support team plays a vital role in preventing churn.

Another metric you should monitor is the average days between transactions or ADBT. The more days pass without a new purchase, the smaller the chances of receiving a new order from your existing customers.

If you use RFM segmentation, it will be easier to track the dynamics of your segments and make sure you have as few at-risk customers as possible. Churn is, after all, natural for any company, but it becomes problematic when churn could have been avoided.

6. Have a unified view of customer data

A unified view of customer data helps your teams create seamless experiences with better interactions that keep the customers satisfied. From purchase to latest calls or conversations on chat, a centralized view helps your teams deliver the personalized interactions customers expect.

Data unification can significantly change the way your teams interact with your customers. The data that you capture in your customer data platform can be used by other solutions that you're using for your eCommerce, like website personalization or email marketing automated flows.

Creating dynamic customer experiences is extremely important for an online business, helping you differentiate through meaningful communication and recommendations when the customers need your help the most. Don't let all that data go to waste when you have the tools to leverage its immense potential.

7. Improve real-time response based on customer data

When you sync your customers' responses with your follow-up flows, you are more likely to generate a positive impact on satisfaction levels and retention rates. You need clean and updated data to make the most of those micro-moments and generate interactive experiences.

Think about the real-time response for your customer support team. If you act proactively on customer satisfaction feedback, you can avoid unpleasant situations that could ruin your relationship and lead to negative word-of-mouth.

If you identify the problems early, you have a higher chance of keeping that customer close and happy, although you just received a low satisfaction score. If you act in real-time, you can quickly change customers' perception, by showing that you're sorry for the poor experience, you really care about how they feel, and are committed to keeping up to their expectations.

8. Leverage a unique set of data accessible only to your company

Building better customer relationships starts at the intersection of data management and marketing automation. You have more than a customer base – it's a data set unique for your business.

The fact that third-party data has become less and less reliable isn't necessarily a bad thing. What you know about your customers and is revealed by your first and zero-party data is way more valuable than third-party data. It's a resource that your competitors can't access, and only you can leverage to set your online business apart from the rest.

Analyze customer data and identify the things that your customers have in common. Use this information not only to build exceptional experiences but also to create a strong community around your brand, a community that shares the same values and focuses on the same things. As Guido X Jansen said, "creating a community is one of the few unique things that competitors can't copy."

DIGITAL MARKETING

Digital marketing is the act of promoting products and services through digital channels, such as social media, SEO, email, and mobile apps. Any form of marketing that involves electronic devices is considered digital marketing.

It can be done online and offline; in fact, both kinds are important for a well-rounded digital marketing strategy.

WHAT'S THE ROLE OF INTERNET MARKETING?

The internet is a channel via which businesses can advertise, communicate with customers, and make sales. The perfect Internet strategy can play a big role in the effective marketing and sales of products. The importance of digital marketing for business success comes from the fact that most businesses and customers have grown extremely reliant on the internet.

Because of this dependency and the value placed on having an online presence, it is essential for businesses to practice structured internet marketing.

Internet Marketing to Attract New Customers

Paid social media can bring in new clients for your business or product, but before spending too much money on one social media platform, you should carry out market research and A/B testing. You also need to keep up a strong SEO presence if you want to attract new customers. Online marketing strategies can be used to attract new clients. You should prioritize paid social media marketing, search engine optimization, and web design in order to achieve this.

What is Email Marketing?

Email marketing is a direct marketing channel that lets businesses share new products, sales, and updates with customers on their contact list. Its high return on investment (ROI) makes it crucial to most businesses' overall inbound strategy.

Modern email marketing has moved away from one-size-fits-all mass mailings and instead focuses on consent, segmentation, and personalization. This may sound time-consuming, but marketing automation handles most of the heavy lifting for you. In the long run, a well-designed email marketing strategy not only drives sales, but helps build a community around your brand.

THE BENEFITS OF EMAIL MARKETING

From order confirmations to newsletters, emails are an essential part of the growth and management of your business.

Email marketing helps you achieve three key objectives:

1. Conversions (selling your products and services)

Launching a sale or promotion? You can send your subscribers an email marketing campaign to drive sales. In addition, try using these email marketing techniques to further boost conversions:

- **Personalized coupons** or special offers for subscribers' birthdays/anniversaries, in welcome emails, and as a way to re-engage your audience.

- **[Abandoned cart emails]** triggered whenever a visitor adds an item in their cart but doesn't check out.

2. Brand awareness

What's great about email is that it lets you reach someone directly. It's one-to-one communication at its best. And people don't just let anyone into their inbox these days. It's a curated space reserved for favorite brands and publications.

Showing up in someone's email inbox will help your brand stay current in the minds of subscribers. A personalized marketing email is more impactful than a social media post where you can't be sure if someone has actually seen your message.

One of the major benefits of email marketing is its scalability. This means that emails can be sent to a large number of recipients while remaining cost-effective (compared to other marketing channels).

3. Customer loyalty

Email drives customer loyalty at every stage of the buyer journey: lead-nurturing, conversion, onboarding, retention. As well, email marketing is a necessary tool to use alongside sales CRM systems to streamline communication.

SOCIAL MEDIA MARKETING

Social media marketing is the use of social media platforms to connect with your audience to build your brand, increase sales, and drive website traffic. This involves publishing great content on your social media profiles, listening to and engaging your followers, analyzing your results, and running social media advertisements.

The major social media platforms (at the moment) are Facebook, Instagram, Twitter, LinkedIn, Pinterest, YouTube, and Snapchat.

There are also a range of social media management tools that help businesses to get the most out of the social media platforms listed above. For example, Buffer is a platform of social media management tools, which can help you achieve success with your social media marketing. Whether you want to build a brand or grow your business, we want to help you succeed.

Marketing Information Management

You can divide marketing information management into three phases. It refers to companies gathering, analyzing, and evaluating market data. It involves a group of activities that turn market data into a crucial tool for success. And it emphasizes the importance of data in today’s business world.

Both internal and external sources provide the market data to companies. Companies collect information about competitors, market size, consumer preference, and more. They organize this information before analyzing it.

Internal sources include the vendors, who give first-hand data from the marketplace. External sources include consulting companies that put out market surveys or static data, surveys, or external research.

Marketing information management is all about tracking certain vital variables in the market. It is a continuous process of gathering new market data. Companies are in a constant race to outdo one another in this race.

You have a significant advantage if you can get your hands on relevant market info first. And in today's business world, it is all about outdoing your competition.

But what practical purpose does marketing information serve? How is it beneficial? What about its function in a company's growth? Let's find out!

What Is the Purpose of Marketing Information Management?

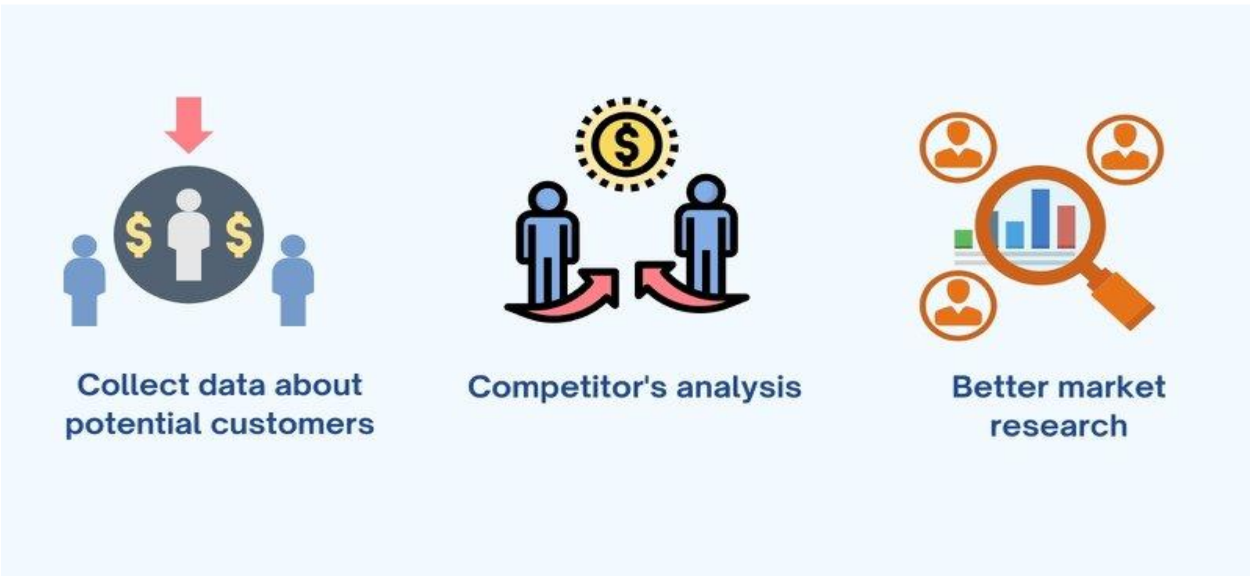
How can a company understand the marketing landscape? Is it possible without relevant data? The answer is a resounding NO!

Without relevant market data, you cannot defeat your competitors. After all, it is this data that helps business owners to make new strategies. And this is the function or purpose that marketing information management serves. Let us elaborate and list these functions:

- Marketing information management lets marketing teams gauge the success of marketing campaigns. They build reports on both failed and successful marketing efforts.

- It also helps them collect marketing data across channels and store it in one place. Having all the market data in one place makes it easier to analyze and distribute.
- It plays a vital role in the communication between marketing teams. Gathering, organizing, and distributing data is done with much more efficiency, and this smooth distribution of data helps teams develop cohesive marketing strategies.
- Managing the marketing budget also becomes easier. After all, it lets you organize and evaluate internal data. With the correct marketing information management, your business strategies become more efficient.
- Marketing information management helps a company use its marketing resources. It allows companies to gather relevant data and use it with much more sharpness. Companies can then spend more time on using the information than collecting it. Hence, making a company's marketing efforts get better results.

How Can Marketing Information Management Help Your Business Grow?



Marketing information management helps various teams in your company. But it is not just about some data about potential customers.

Marketing information ranges from competitor analysis to the forthcoming market trends. And the benefits of marketing information management are also varied and numerous.

- Marketing information management lets you collect crucial data about potential customers. This information can sometimes be instrumental in closing a deal since sales representatives can benefit from the data analysis. Therefore, the company will be able to find and convert leads.
- Competitor analysis is a significant component of MIM. And it helps you in staying informed about what your competitor's strategies are. This, in turn, allows you to outplay them and win over prospective customers.
- Market research has gradually become a vital part of today's business world. Marketing information management lets you gather and analyze all the crucial market data. Imagine what your company can do with that data! How easy would it be to plan when you are aware of the market trends!