Department of Commerce

University of Calcutta

Study Material

Cum

Lecture Notes

For the Students of M.Com. (Semester II)-2020

University of Calcutta

(Internal Circulation)

Dear Students,

Hope you, your parents and other family members are safe and secured. We are going through a world-wide crisis that seriously affects not only the normal life and economy but also the teaching-learning process of our University and our department is not an exception.

As the lock-down is continuing and it is not possible to reach you face to face class room teaching. Keeping in mind the present situation, our esteemed teachers are trying their level best to reach you through providing study material cum lecture notes of different subjects. This material is not an exhaustive one though it is an indicative so that you can understand different topics of different subjects. We believe that it is not the alternative of direct teaching learning.

It is a gentle request you to circulate this material only to your friends those who are studying in Semester II (2020) of Department of Commerce, University of Calcutta.

Stay safe and stay home.

Best wishes.

Paper: CC 201

Marketing Management (MKTG)

Marketing Management CC201. Module I (Dr. A. Dan and Dr. S. Banerjee Portion)

Marketing Concept

Marketing, more than any other business function, deals with customers. Marketing is managing profitable customer relationships. The twofold goal of marketing is to attract new customers by promising superior value and keep and grow current customers by delivering satisfaction.

(Learn Few Definitions of Marketing and Marketing Management)

Customer Needs, Wants, and Demands

The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. Marketers did not create these needs; they are a basic part of the human makeup. Wants are the form human needs take as they are shaped by culture and individual personality. Wants are shaped by one's society and are described in terms of objects that will satisfy those needs. When backed by buying power, wants become demands. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction.

Marketing Management Orientations

There are five alternative concepts under which organizations design and carry out their marketing strategies: the production, product, selling, marketing, and societal marketing concepts.

The production concept holds that consumers will favour products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is one of the oldest orientations that guide sellers.

The product concept holds that consumers will favour products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements.

The selling concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations. These industries must be good at tracking down prospects and selling them on a product's benefits.

The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the paths to sales and profits. Instead of a product-centered "make and sell" philosophy, the marketing concept is a customer-centered "sense and respond" philosophy.

The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. Is a firm that satisfies the immediate needs and wants of target markets always doing what's best for its consumers in the long run? The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being. It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

Sustainable marketing: Sustainable marketing calls for socially and environmentally responsible actions that meet the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

Sustainable marketing calls for products that are not only pleasing but also beneficial. Products can be classified according to their degree of immediate consumer satisfaction and long-run consumer benefit.

Deficient products: Products that have neither immediate appeal nor long-run benefits.

Pleasing products: Products that give high immediate satisfaction but may hurt consumers in the long run.

Salutary products: Products that have low appeal but may benefit consumers in the long run.

Desirable products: Products that give both high immediate satisfaction and high long-run benefits.

Customer Relationship Management

CRM involves managing detailed information about individual customers and carefully managing customer touch points to maximize customer loyalty. CRM is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping, and growing customers.

Most companies are awash in information about their customers. In fact, smart companies capture information at every possible customer touch point. These touch points include customer purchases, sales force contacts, service and support calls, Web site visits, satisfaction surveys, credit and payment interactions, market research studies, every contact between a customer and a company.

The key to building lasting customer relationships is to create superior customer value and satisfaction. Satisfied customers are more likely to be loyal customers and give the company a larger share of their business.

Customer-perceived value: The customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers.

Customer satisfaction: The extent to which a product's perceived performance matches a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Outstanding marketing companies go out of their way to keep important customers satisfied. Most studies show that higher levels of customer satisfaction lead to greater customer loyalty, which in turn results in better company performance. Smart companies aim to delight customers by promising only what they can deliver and then delivering more than they promise. Delighted customers not only make repeat purchases but also become willing marketing partners and "customer evangelists" who spread the word about their good experiences to others.

Sustainable Marketing

Sustainable marketing calls for more responsible actions by both businesses and consumers. Because some people view businesses as the cause of many economic and social ills, grassroots movements have arisen from time to time to keep businesses in line. Two major movements have been consumerism and environmentalism.

Consumerism

Consumerism is an organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers. Traditional sellers' rights include the following:

- The right to introduce any product in any size and style, provided it is not hazardous to personal health or safety, or, if it is, to include proper warnings and controls

- The right to charge any price for the product, provided no discrimination exists among similar kinds of buyers
- The right to spend any amount to promote the product, provided it is not defined as unfair competition
- The right to use any product message, provided it is not misleading or dishonest in content or execution
- The right to use buying incentive programs, provided they are not unfair or misleading

Traditional buyers' rights include the following:

- The right not to buy a product that is offered for sale
- The right to expect the product to be safe
- The right to expect the product to perform as claimed

Comparing these rights, many believe that the balance of power lies on the seller's side. True, the buyer can refuse to buy. But critics feel that the buyer has too little information, education, and protection to make wise decisions when facing sophisticated sellers. Consumer advocates call for the following additional consumer rights:

- The right to be well informed about important aspects of the product
- The right to be protected against questionable products and marketing practices
- The right to influence products and marketing practices in ways that will improve "quality of life"
- The right to consume now in a way that will preserve the world for future generations of consumers

Environmentalism

Whereas consumerists consider whether the marketing system is efficiently serving consumer wants, environmentalists are concerned with marketing's effects on the environment and the environmental costs of serving consumer needs and wants. Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's current and future living environment.

Developing Integrated Marketing Mix

The marketing mix is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. The many possibilities can be collected into four groups of variables; the four Ps.

Product Mix Decisions

An organization with several product lines has a product mix. A product mix (or product portfolio) consists of all the product lines and items that a particular seller offers for sale.

A company's product mix has four important dimensions: width, length, depth, and consistency. Product mix width refers to the number of different product lines the company carries. Product mix length refers to the total number of items a company carries within its product lines. Product mix depth refers to the number of versions offered for each product in the line. Finally, the consistency of the product mix refers to how closely relate the various product lines are in end use, production requirements, distribution channels, or some other way.

These product mix dimensions provide the handles for defining the company's product strategy. The company can increase its business in four ways. (1) It can add new product lines, widening its product mix. In this way, its new lines build on the company's reputation in its other lines. (2) The company can lengthen its existing product lines to become a more full-line company. (3) It can add more versions of each product and thus deepen its product mix. (4) The company can pursue more product line consistency, or less, depending on whether it wants to have a strong reputation in a single field or in several fields. [Learn examples of product portfolio]

Product Life-Cycle Strategies

After launching the new product, management wants that product to enjoy a long and happy life. Although it does not expect that product to sell forever, the company wants to earn a decent profit to cover all the effort and risk that went into launching it. Management is aware that each product will have a life cycle, although its exact shape and length is not known in advance.

1. Product development begins when the company finds and develops a new-product idea. During product development, sales are zero, and the company's investment costs mount.
2. Introduction is a period of slow sales growth as the product is introduced in the market. Profits are non-existent in this stage because of the heavy expenses of product introduction.
3. Growth is a period of rapid market acceptance and increasing profits.
4. Maturity is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition.
5. Decline is the period when sales fall off and profits drop.

Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs per customer	High	Average	Low	Low
Profits	Negative	Rising	High	Declining
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing	Stable (to decline)	Declining
Marketing Objectives	Create product awareness and trial	Maximize market share	Maximize profit & defend market share	Reduce expenditure and milk the brand
Strategies				
Product	Basic	Product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Cost-plus	Price to penetrate	Match or beat competitors	Cut
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

New-Product Development Process

Companies face a problem: They must develop new products, but the odds weigh heavily against success. To create successful new products, a company must understand its consumers, markets, and competitors and develop products that deliver superior value to customers. It must carry out strong new-product planning and

set up a systematic, customer-driven new product development process for finding and growing new products.

New-product development starts with idea generation, the systematic search for new product ideas. A company typically generates hundreds of ideas, even thousands, to find a few good ones. Major sources of new-product ideas include internal sources and external sources such as customers, competitors, distributors and suppliers, and others.

Internal Idea Sources

Using internal sources, the company can find new ideas through formal R&D. However, in one survey, 750 global CEOs reported that only 14 per cent of their innovation ideas came from traditional R&D. Instead, 41 per cent came from employees, and 36 per cent came from customers beyond its internal R&D process, companies can pick the brains of its employees, from executives to scientists, engineers, and manufacturing staff to salespeople. Many companies have developed successful "intrapreneurial" programs that encourage employees to envision and develop new-product ideas.

External Idea Sources

Companies can also obtain good new-product ideas from any of a number of external sources. For example, distributors and suppliers can contribute ideas. Distributors are close to

the market and can pass along information about consumer problems and new-product possibilities. Suppliers can tell the company about new concepts, techniques, and materials that can be used to develop new products. Competitors are another important source. Companies watch competitors' ads to get clues about their new products. They buy competing new products, take them apart to see how they work, analyse their sales, and decide whether they should bring out a new product of their own. Other idea sources include trade magazines, shows, and seminars; government agencies; advertising agencies; marketing research firms; university and commercial laboratories; and inventors. Perhaps the most important source of new-product ideas is customers themselves. The company can analyse customer questions and complaints to find new products that better solve consumer problems.

Crowdsourcing

More broadly, many companies are now developing crowdsourcing or open-innovation new product idea programs. Crowdsourcing throws the innovation doors wide open, inviting broad communities of people, customers, employees, independent scientists and researchers, and even the public at large, into the new-product innovation process.

Idea screening

Screening new-product ideas to spot good ideas and drop poor ones as soon as possible.

Concept Development and Testing

An attractive idea must be developed into a product concept. It is important to distinguish between a product idea, a product concept, and a product image. A product idea is an idea for a possible product that the company can see itself offering to the market. A product concept is a detailed version of the idea stated in meaningful consumer terms. A product image is the way consumers perceive an actual or potential product.

Concept testing

Testing new-product concepts is carried out with a group of target consumers to find out if the concepts have strong consumer appeal.

Marketing strategy development

Designing an initial marketing strategy for a new product based on the product concept. The marketing strategy statement consists of three parts. The first part describes the target market; the planned value proposition; and the sales, market share, and profit goals for the first few years.

Business analysis: It is a review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives.

Product development: It is to develop the product concept into a physical product to ensure that the product idea can be turned into a workable market offering.

Test marketing: The stage of new-product development in which the product and its proposed marketing program are tested in realistic market settings.

Commercialization: Introducing a new product into the market.

RURAL MARKETING

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. 'Go rural' is the marketer's new slogan. Indian marketers as well as multina-tionals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets. Thus, looking at the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

Since ancient times, Indian villages had the concept of village markets popularly known as the vil-lage haats. The haats are basically a gathering of the local buyers and sellers. The barter system was quite prevalent, which still continues in a number of places even today. Haats are basically a weekly event, and are central to the village economy.

Features of Rural Market in India

1. Large and scattered market: According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area.
2. Diverse socio-economic background: This is different in different parts of the country and brings diversity in rural markets.
3. Changing demand pattern: Demand pattern of rural customer is fast changing due to increasing in income and credit facilities offered by banks like 'kisan credit card'.
4. Major income comes from agriculture: About 60% of the rural income is from agriculture and hence the demand for consumer goods is high during harvesting season.
5. Saving habits: Rural consumer is now having saving habits due to the efforts of co-operative and commercial banks.
6. Traditional outlook: Rural customer values old customs and traditions.
7. Low standard of living: Rural consumer have low standard of living because of low literacy, low per capita income and social backwardness.

8. Poor infrastructure facilities: Facilities like roads, warehouses, communication system, etc. are inadequate in rural areas. Hence physical distribution becomes costly.
9. Media reach: The reach of pint media is 10% followed by TV 31%, radio 31% and cinema 33%.
10. Communication: As per Indian Express report about 6 lakhs villages are without telephone facilities.
11. Electrification: About 88% of villages have been electrified and rest will soon get electricity by “Rural Electricity Corporation”.

Potential of Rural Market

With urban market showing signs of saturation, companies are excited about the potential of rural India. Some major companies that have focused in the rural sector are Philips, Parle, Proctor & Gamble, Colgate-Palmolive, Godrej Soap, Bajaj Auto, TVS, Atlas Cycle and HUL.

Following points indicate the potential of rural markets:

- Large Population: According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area
- Rising Rural Prosperity: Average income level has improved due to modern farming practices, contract farming, industrialisation, migration to urban areas and remittance of money by family members settled abroad.
- Growth in Consumption: There is a growth in purchasing power of or rural consumers. The average per capita household expenditure is Rs. 382.
- Changing Lifestyle: Lifestyle of rural consumer changed considerably.
- Life Cycle Advantage: The products, which have attained the maturity stage in urban market, is still in growth stage in rural market. E.g. popular soaps, skin cream, talcum powder, etc.
- Market Growth Rate Higher than Urban: As per the survey made by NCAER the growth rate of FMCG market and durables market is higher in rural areas. The rural market share is more than 50% for products like body talcum powder, toilet soaps cooking oil, hair oil etc.
- Rural Marketing is not Expensive: To promote consumer durables inside a state costs Rs one crore while in urban areas it will costs in millions.

Constraints in Rural Marketing

Vastness and Uneven Growth: India has about 5 lakhs villages, which are scattered over a wide range of geographical area, and also they are not uniform in size.

Transport Problem: Transportation infrastructure is very poor in rural India. Though India has the fourth largest railway system in the world, many villages remain outside the railway network. Many villages have only kaccha roads while many of rural interiors are totally unconnected by roads. Because of this the physical distribution is difficult in rural areas.

Communication Problems: Communication infrastructure consisting of posts, telegraphs and telephones is inadequate.

Warehousing Problems: Central Warehousing Corporation and State Warehousing Corporation do not extend their services to the rural parts. The warehouses at mandi level are managed by co-operative societies who provide services to members only.

Many Languages and Dialects: The number of language and dialects vary widely from state to state, region to region and even from district to district. Though the recognized languages are only 16 the number of dialects is around 850.

Market Organisation & Staff: Rural marketing needs large marketing organisation and staff to have an effective control, which requires huge investment.

Non-Availability of Dealers: It is not possible to have direct outlets in each rural market; firms have to have service of dealers, which is not easily available.

Hierarchy of Market: Rural consumers have identified market places for different items of their requirements. Thus depending upon the purchase habit of rural people, the distribution network of different commodities has to be different.

Factors Contributing to the Growth of Rural Markets

Employment Opportunities: The income from new employment and rural development efforts has increased the purchasing power of rural people.

Green Revolution: Due to green revolution a technological break through has taken place in rural India, which results into substantial wealth generation in these areas.

Favourable Government Policies: Tax exemption in backward areas, subsidy, concession, incentives and heavy investment in rural development programmes in has brought rapid growth of rural markets.

Literacy Growth: Literacy rate is increasing in rural areas, nearly 45% of rural Indians are literate. This brings social and cultural changes in buying behaviour of the rural customers.

Rising Disposable Income: Good monsoons, green revolution and Administered Pricing Mechanism have raised disposable income in rural areas.

Attraction of Higher Standard of Living: Rural people have been motivated to change their lifestyles and have higher standard of living.

Spread of Cable Television: The growth of satellite TV channels has made a major impact on villages. This has led to a change in lifestyle and consumption pattern.

Marketing Management. Module I / (Prof. R. Dasgupta portion)

Market Segmentation is a process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviours and who might require separate marketing strategies or mixes.

Market segment refer to a group of consumers who respond in a similar way to a given set of marketing efforts.

Market Targeting: Evaluating each market segment's attractiveness and selecting one or more segments to serve.

Positioning: Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Geographic Segmentation: Dividing a market into different geographical units, such as nations, states, regions, countries, cities, or even neighborhoods.

Demographic Segmentation: Dividing the market into segments based on variables such as age, life-cycle stage, gender, income, occupation, education, religion, ethnicity and generation.

Psychographic Segmentation: Dividing a market into different segments based on lifestyle or personality characteristics.

Behavioral Segmentation: Dividing a market into segments based on consumer knowledge, attitude and uses of a product, or responses to a product.

Occasion Segmentation: Dividing the market into segments according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item.

Benefit Segmentation: Dividing the market into segments according to the different benefits that consumers seek from the product.

Through **Product differentiation**, brands can be differentiated on features, performance, style or design.

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

Marketing environment – Macro and Micro components and their impact on marketing decisions:

Macro environment refers to the larger societal forces that affect the micro environment-demographic, economic, natural, technological, political and cultural forces.

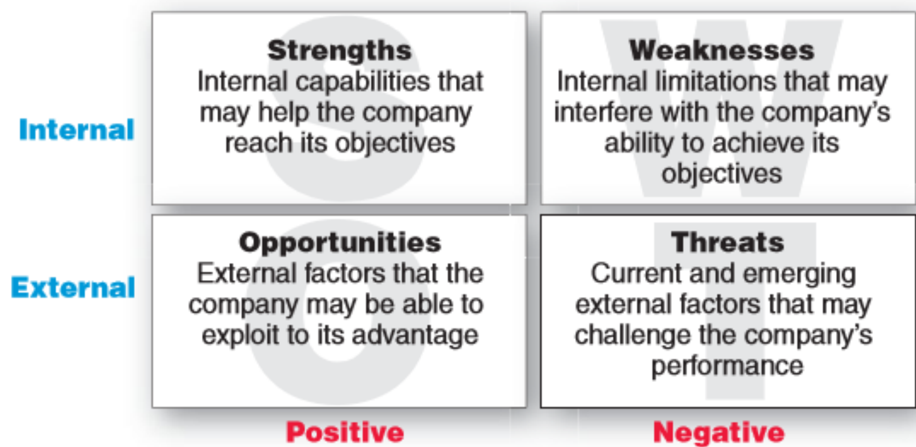
- Demographic environment: Gender, Age, Income, Changing family system
- Economic: Spending patterns
- Natural: Geographical impacts, sustainability
- Technological: Modernisation
- Political: Stability
- Cultural forces: Cultural values

Micro environment refers to the actors close to the company that affects its ability to serve its customers-the company, suppliers, marketing intermediaries, customer markets, competitors and publics.

- Company: Harmonising all departments towards consumer service.
- Suppliers: Helps to ensure prompt delivery
- Marketing Intermediaries: Their role
- Customer Markets: Consumer, Business, Reseller, Government and International
- Competitors: Competitiveness
- Public: Financial, Media, Government, Citizen-action, Local, General and Internal

Adopting **Competitive Strategies**:

Analyse SWOT



Competitive Advantage: Advantage over competitors gained by offering consumers greater value

Competitor analysis: Identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns and selecting which competitor to attack or avoid.

Competitive Marketing Strategies: Strategies that strongly position the company against competitors and give it the greatest possible competitive advantage.

(Discuss the competition diaspora to explain the horizon of competition; Nature/Category/Generic/Budget)

Identifying: Marketers must avoid 'Competitor Myopia'. A broader perspective or horizon of analysis helps.

Assessing: Identifying competitors objectives, strategic group in which the competitor belong, analyse competitors strengths and weaknesses, estimate and gauge competitor's reaction.

Selecting competitors to attack and avoid: Customer value analysis (An analysis conducted to determine what benefits target customers value and how they rate the relative value of various competitors' offers) is a useful tool to analyse competitor; strong or weak; good or bad. Identifying uncontested market spaces is also relevant in this context.

Competitive strategies:

Basic:

- Overall Cost Leadership
- Differentiation
- Focus

Problem lies with *'middle-of-the-roaders'*. They find it very difficult to get a foothold in the market.

Companies need to concentrate on any of the value disciplines to enhance the overall customer value:

- Operational Excellence
- Customer Intimacy
- Product Leadership

Competitive Positions:

Market Leader: The firm in the industry with largest market share.

Market Challenger: The runner up firm that is fighting hard to increase its market share in an industry.

Market Follower: A runner-up firm that wants to hold its share in an industry without rocking the boat.

Market Nicher: A firm that serves small segments that other firms in an industry overlook or ignore.

Strategies for each category

Market Leader Strategies	Market Challenger Strategies	Market Follower Strategies	Market Nicher Strategies
Expand total market	Full frontal attack	Follow closely	By customer, market, quality-price, service
Protect market share	Indirect attack	Follow at a distance	Multiple niching
Expand market share			

BALANCING CUSTOMER AND COMPETITOR ORIENTATION

Balancing Customer and Competitor Orientations

Competitor-centered \ Customer-centered	No	Yes
No	Product orientation	Customer orientation
Yes	Competitor orientation	Market orientation

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Chapter 18- slide 35

PRINCIPLES OF Marketing

Marketing of Services:

Service mix: Additional P's (Taking into account the features of a service like, Intangibility, inseparability, heterogeneity, perishability and non-ownership). These are in Addition to the usual Marketing Mix components

Marketing Mix of a service however includes three additional P. They are; People, Process and Physical evidence (Essential and Peripheral). People are one of the most important variables in a service since in a large number of situations the service is inseparable from the service provider. The delivery system or the process is equally important since it is an important parameter that influences standardisation and uniformity

in customer service. Finally, physical evidence adds to the tangibility that is very much in wanting in a service. Service as a product is very much complex mainly because of the fact that a service is intangible, inseparable, heterogeneous, perishable and that which cannot be owned. For example ATMs in banks help in standardisation while freebies given by various airlines help in improving the tangibility factor.

Various Innovative Pricing strategies are used in Service Marketing:

- Differential/Flexible Pricing: Ability/Time/Place
- Discount Pricing: Happy hour
- Diversionary Pricing/Offset Pricing
- Guaranteed Pricing
- High Price Maintenance Pricing
- Loss Leader Pricing

Brand Management:

Brand Equity: The differential effect that knowing the brand name has on customer response to the product or its marketing. It is a measure to capture consumer preference and loyalty.

Brand Value: Total financial value of a brand.

Brand Positioning:

To have a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

- Attributes
- Benefits
- Beliefs or Values.

Brand name selection:

Desirable qualities:

- Communicate product quality or benefits.
- Easy to pronounce, recognize and remember.
- Should be distinctive.
- Allow expansion to other categories
- Should be translated easily into foreign languages
- Should be capable of registration and legal protection

Brand Sponsorship

- National Brand
- Store Brand
- Licensing
- Co-branding

Brand Development Strategies

Brand name \ Product category	Existing	New
Existing	Line extension	Brand extension
New	Multibrands	New brands

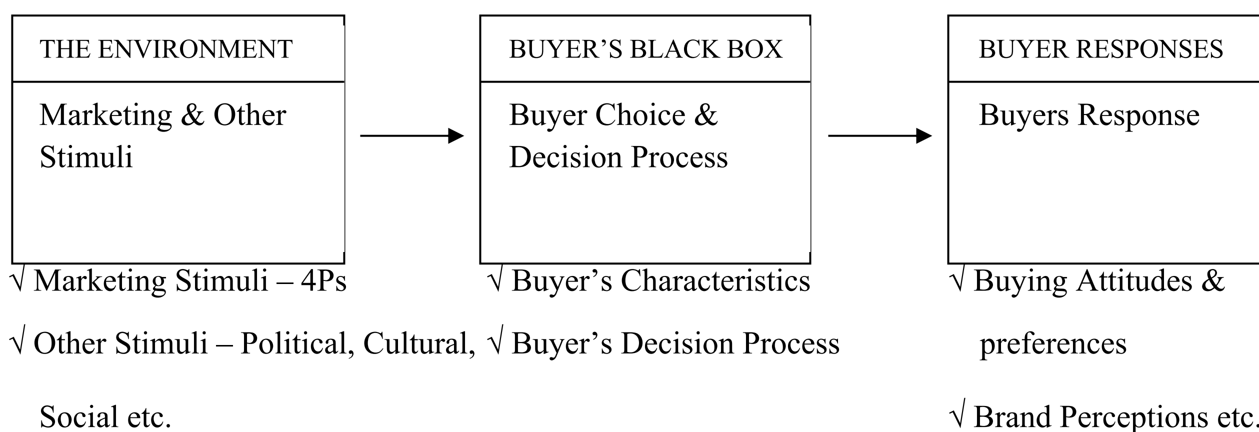
- Line Extension
- Brand extension
- Multibrands
- New Brands

MODULE II (Portion of Mr. Sharique Imroze)

BUYER BEHAVIOUR

CONSUMER BEHAVIOUR

Consumer Behaviour refers to the process of studying how various stimuli affect the decision making process of consumers in choosing a particular brand.



Marketing and other stimuli includes the marketing mix and other elements like economic, political, technological and cultural forces.

The Consumer Behaviour Model shows how various stimuli affect the mental process of the consumers which gets reflected in the Buying Choice and Decision Process of consumers and ultimately finds expression in the Buyer Response. The two sets of stimuli that affect consumer behaviour are marketing stimuli and other stimuli.

The marketing stimuli refer to the marketing mix consisting of the 4Ps and 7Ps and the other stimuli includes all the other factors apart from the marketing mix like economic, political, technological and cultural forces. As a marketer, one has to understand these forces and how they interact with one another to understand the Buyer Choice and Decision Process which will ultimately lead to a Buyer Response. But since the human mind works in various ways and is many a times very subjective, a universal cause effect relationship cannot be established which will prevail in all circumstances .Therefore, the Buyer Choice and Decision Process is also called the Buyer's Black Box because it is quite difficult to peep or look inside the mind of the consumer and understand the various reasons behind their buying choices. Still the marketer must continuously make an effort to understand the various factors that affect consumers so that he is able to elicit a positive Buyer Response in the form of a purchase decision in favour of his products.

FACTORS INFLUENCING INDIVIDUAL BUYING BEHAVIOUR

The major forces that work at individual level may be categorised as:

Cultural

- Culture(Broad): Country specific or racial
- Sub-culture(Ethnic Diversity): Religion specific
- Social class: Based upon castes and other economic criteria

Social

- Reference group mainly refers to associations
- Family
- Roles and Status: Role refers to a set of expected behaviour patterns attributed to a person in a given situation.

Personal

- Age and Life cycle stage: Family life cycle and family structure
- Occupation: Specific occupational demands
- Economic situation: Income criteria
- Lifestyle: Tastes and preferences
- Personality and Self Concept: Personality refers to the sum total of ways in which an individual reacts and interacts with others.

Psychological

- Motivation(Stages)
- Perception: A process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment.
- Learning: Any relatively permanent change in behaviour that occurs as a result of experience.
- Beliefs and Attitudes: Attitudes are evaluative statements and judgements concerning objects, people or events.

TYPES OF BUYING BEHAVIOUR

Four types of buying behaviour based on combinations of two factors—ability to differentiate between brands (X) and degree of involvement (Y):

Variety Seeking Buying Behavior (X-YES; Y-LOW)

Complex Buying Behavior (X-YES; Y-HIGH)

Dissonance Reducing Buying Behavior (X-NO; Y-HIGH)

Habitual Buying Behavior (X-NO; Y-LOW)

BUYING DECISION PROCESS (STAGES)

Need recognition—Information search—Evaluation of alternatives—Purchase decision—Post purchase behaviour

NEW PRODUCT ADOPTION (STAGES)

Awareness—Interest—Evaluation—Trial—Adoption

CATEGORIES OF ADOPTERS OF NEW PRODUCTS: MARKET DIFFUSION STAGES

Five categories of adopters--Innovators, Early Adopters, Early Majority, Late Majority and Laggards.

PRICE AND PRICING STRATEGIES

PRICE AND PRICING FACTORS

Any product in the market, whether tangible or intangible, signifies some kind of value or utility being attached to it and is usually marketed with an objective to provide this utility or value to the target customer. This value or utility, when translated into monetary terms is known as price. In other words price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service. And the method by which the value of a particular product is translated into monetary terms is known as pricing. However, in this context one must consider that the value or utility of a product is not the sole determinant of the product price. It is simply because of the fact that all the homogeneous range of product items carrying similar use value would then have been made available at one and uniform price in the market. Therefore, the factors which affect the pricing decision may be broadly divided into two major categories:

(a) Internal factors (b) External factors

Internal factors refer to those factors which are under the control of the marketer. This includes firstly, the **basic objective of the firm**. A firm which may be a profit maximiser would have a different approach towards pricing the products as against that adopted by a firm which operates for social cause.

Price elasticity of demand is another issue which affects the pricing decision. A product whether elastic or inelastic will certainly affect the strategy of a firm towards bringing any change in the price of the product.

Another very important factor in this context is the **manufacturing policy** adopted by the firm. It is important to know that the final price of a product depends to a large extent on the cost of manufacturing the product, which again is related to the scale of operation as well as choice of techniques adopted by the firm. Economies of scale and a choice between labour intensive and capital intensive technology taking into account whether the firm is operating in an environment of cheap labour, affects pricing decision.

The **stage in the lifecycle** of a product carries enormous significance in terms of pricing strategy. In other words this refers to the strategies relating to the changes in price with the change in the lifecycle of a product. It is not static and universal for all stages and therefore the pricing strategy responds to the requirements of the situation with respect to a particular stage in life.

And finally the **target customers** also play an important role in determining the pricing of a product. The pricing strategy will be different if the target customers are the super elite segment as compared to the common masses.

The **external factors** which are beyond the control of the marketer, start with understanding the **demographic parameters of the market** in which the product is being offered. In a consumer oriented environment, price of a product takes into account the purchasing power or the needs and requirements of the consumer. Therefore the demographic parameters relating to consumers income and cultural factors gain importance in this context.

Consumer buying pattern is another very important external factor which is beyond the control of the firm. In a consumer oriented environment, a firm has no other option but to respond the requirements of the consumer. How, in what quantity and in what quality the consumer wants to buy gets reflected in the price.

Formation of price cartel is another very important factor which forces the marketer towards adopting a strategy which is a unanimous outcome of the cartel members. The marketer has very little to do but to accept the conditions in this context.

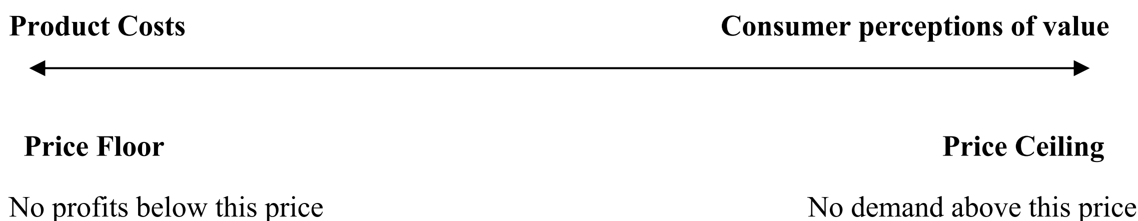
Competitor's pricing strategy is also another area where the marketer needs to pay attention while determining the price of the product. A choice between price-based competition and non price-based competition is definitely an outcome of competitor's pricing strategy and marketer's objective.

Finally, **government control** is an issue which no marketer can ignore. If a particular industry is under price control or the changes in price are always subject to government clearances and approvals, independence with respect to pricing strategy is substantially curtailed. Industries which manufacture lifesaving drugs and also essential commodities fall under this category.

At the end giving due respect to all the above mentioned factors, one cannot ignore that social accountability is an important issue for all business organisations and pricing being an important activity cannot evade social responsibility associated with it. A business organisation or a firm should therefore consider all the above factors with due respect and importance before taking any pricing decision because it is needless to say that pricing being an important component of the marketing mix, has enormous importance in encouraging consumer's purchase decision from the point of view of marketer.

PRICING STRATEGIES

The price the company charges will fall somewhere between one that is too low to produce a profit and one that is too high to produce any demand.



Customer perceptions of the product's value set the ceiling for its price. If customers perceive that the product's price is greater than its value, they will not buy the product. Likewise, product costs set the floor for a product's price. If the company prices the product below its costs, the company's profits will suffer. In setting its price between these two extremes, the company must consider several external and internal factors as discussed earlier to arrive at a pricing strategy. Here we shall be considering three pricing strategies or methods:

(i) Customer Value- Based Pricing
(ii) Cost-Based Pricing
(iii) Competition-Based Pricing

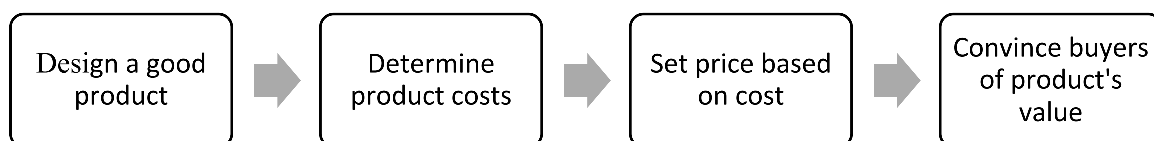
(i) CUSTOMER VALUE-BASED PRICING

In the end, the customer will decide whether a product's price is right. Pricing decisions, like other marketing mix decisions, must start with customer value. When customers buy a product, they exchange something of value (the price) to get something of value (the benefits of having or using the product). Effective customer-oriented pricing

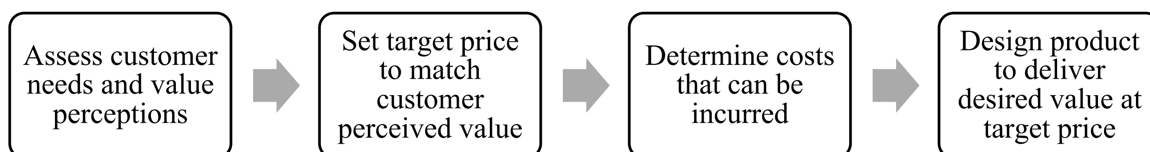
involves understanding how much value consumers place on the benefits they receive from the product and setting a price that captures that value.

Customer value-based pricing uses buyer's perceptions of value as the key to pricing. Value on the other hand refers to the relative importance of the product with respect to a target customer. This value or relative importance depends on a number of factors like the availability of substitutes, qualitative superiority of the product, company's own goodwill, frequency of use and the basic characteristics of the product. Value-based pricing means that the marketer cannot design a product and marketing program and then set the price. Price is considered along with all other marketing mix variables before the marketing program is set. In the following diagram, a comparison is made between value-based pricing and cost-based pricing:

Cost-based pricing



Value-based pricing



Although costs are an important consideration in setting prices, cost-based pricing is often product driven. The company designs what it considers to be a good product, adds up the costs of making the product, and sets a price that covers costs plus a target profit. Marketing must then convince buyers that the product's value at that price justifies its purchase. If the price turns out to be too high, the company must settle for lower markups or lower sales, both resulting in disappointing profits. Value-based pricing reverses this process. The company first assesses customer needs and value perceptions. It then sets its target price based on customer perceptions of value. The targeted value and price drive decisions about what costs can be incurred and the resulting product design. As a result, pricing begins with analysing customer needs and value perceptions, and the price is set to match perceived value.

A company will often find it hard to measure the value customers attach to its product. For example, calculating the cost of ingredients in a meal at a fancy restaurant is relatively easy. But assigning value to other measures of satisfaction such as taste, environment, relaxation, conversation and status is very hard. Such value is subjective; it varies both for different consumers and different situations. Still consumers will use these perceived values to evaluate a product's price, so the company must work to measure them. This is often done by asking the consumers relevant questions in the form of a questionnaire regarding how much they will pay for a basic product and for each benefit added to the offer and by getting their feedback through other methods etc.

We now examine two types of value-based pricing: *good-value pricing* and *value-added pricing*.

Good-Value Pricing

The Great Recession of 2008 to 2009 caused a fundamental and lasting shift in consumer attitudes toward price and quality. In response, many companies have changed their pricing approaches to bring them in line with changing economic conditions and consumer price perceptions. More and more marketers have adopted

the strategy of good-value pricing—offering the right combination of quality and good service at a fair price. In many cases, this has involved introducing less-expensive versions of established brand name products or new lower-price lines. For example, Mercedes came out with a lower priced version of their luxury cars in the form of CLA Class series or recently Samsung came out with a lower priced version of mobile handsets to compete with Redmi, Oppo etc.

In other cases, good-value pricing involves redesigning existing brands to offer more quality for a given price or the same quality for less. Some companies even succeed by offering less value but at very low price. An important type of good-value pricing at the retail level is called *everyday low pricing* (EDLP). EDLP involves charging a constant, everyday low price with few or no temporary price discounts and the concept was practically defined by Walmart in the USA.

Value-Added Pricing

Value-based pricing doesn't mean simply charging what customers want to pay or setting low prices to meet competition. Instead many companies adopt value-added pricing strategies. Rather than cutting prices to match competitors, they add quality, services, and value-added features to differentiate their offer and thus support higher prices. Some of the common examples of companies following this type of pricing strategy are premium audio brand Bose and mobile handsets brand Apple. Their prices are always on the higher side as compared to their competitors but this is supported by always staying one step ahead of the competition and delivering products which are better than their competitors'.

(ii) COST-BASED PRICING

Cost-based pricing also known as markup pricing is a very traditional approach as far as marketing management is concerned. Ascertaining the cost first and then applying a profit margin to arrive at the final selling price is the usual approach under cost based strategies. Consumer oriented marketing management however relies upon the theory of making a market survey towards determining the purchasing power of consumer and then arriving at the final sale price as shown earlier.

(iii) COMPETITION-BASED PRICING

Competition-based pricing involves setting prices based on competitors' strategies, costs, prices, and market offerings. Consumers will base their judgements of a product's value on the prices that competitors charge for similar products.

In assessing competitors' pricing strategies, a company should ask several questions. First, how does the company's market offering compare with competitors' offerings in terms of customer value? If consumers perceive that the company' product or service provides greater value, the company can charge a higher price. If consumers perceive less value relative to competing product, the company must either charge a lower price or change customers' perceptions to justify a higher price.

Next, how strong are current competitors and what are their current pricing strategies? If the company faces a host of smaller competitors charging higher prices relative to the value they deliver, it might charge lower prices to drive weaker competitors from the market. If the market is dominated by larger, lower-price competitors, a company may decide to target unserved niches by offering value-added products and services at higher prices.

It is important to note here that the goal is not to match or beat competitors' prices. Rather, the goal is to set prices according to the relative value created versus competitors. If a company creates greater value for customers, higher prices are justified.

RESALE PRICE MAINTENANCE

Resale price maintenance refers to the practice adopted by the marketer towards specifying the final price at which the product should be sold to the final consumer. It is with an objective whereby manufacturers want to implement control over the prices at which the resellers resell their products. Apart from control, the practice of resale price maintenance also instills some sense of confidence among the consumers and improves the image of the brand because huge disparity among the prices of the same product is not experienced by the consumer when buying from different retailers. Resale price maintenance may be implemented in any of the three forms:

(a) A suggestive maximum price.
(b) A suggestive minimum price.
(c) A suggestive fixed price.

In the Indian context the practice of suggesting minimum price is not allowed, especially in consumer durable, non-durable and for lifesaving drugs. This is in view of the theory that under monopolistic situation, suggesting minimum price would amount to giving absolute freedom to the retailer in effecting consumer exploitation. The other two methods i.e. suggesting maximum price and specifying fixed is practiced in common for various products. Products usually distributed through government mechanism are sold at fixed price, while all other commodities in Indian marketing environment follow the rule of suggesting maximum price.

MARKETING REACH AND COMMUNICATION

DISTRIBUTION MIX

CHANNEL MANAGEMENT: THE NATURE AND IMPORTANCE OF MARKETING CHANNELS.

Few producers (marketers) sell their goods directly to the final users. Instead, most use intermediaries to bring their products to market. They try to forge a marketing channel (or distribution channel)---a set of interdependent organisations involved in the process of making a product or service available for use or consumption by the consumer or business user.

FUNCTIONS OR VALUE ADDITION MADE BY CHANNEL MEMBERS

INFORMATION: Gathering and distributing marketing research and intelligence Information about actors and forces in the marketing environment needed for planning and aiding exchange.

PROMOTION: Developing and spreading persuasive communications about an offer.

CONTACT: Finding and communicating with prospective buyers.

MATCHING: Shaping and fitting the offer to the buyer’s needs, including activities such as manufacturing, grading, assembling, and packaging.

NEGOTIATION: Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.

NUMBER OF CHANNEL LEVELS

Companies can design their distribution channels to make products and services available to customers in different ways. The number of intermediary levels indicates the length of a channel. In a direct marketing channel, there are no intermediary levels—the company sells directly to consumers. Whereas, indirect marketing channels contain one or more intermediaries.

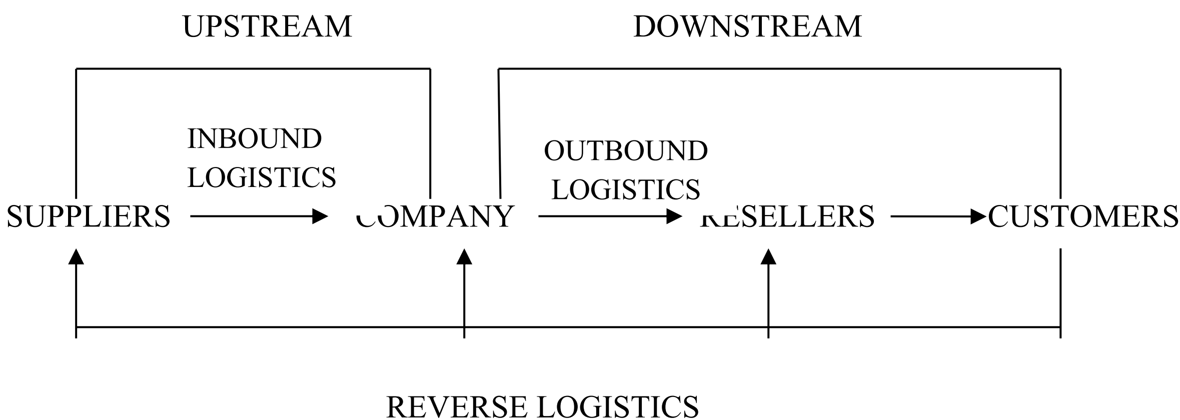
TYPES OF INTERMEDIARIES

Intermediaries can be company's sales force, manufacturer's agency or industrial distributors.

FROM MARKETING LOGISTICS TO SUPPLY CHAIN MANAGEMENT

Marketing logistics—also called physical distribution—involves planning, implementing and controlling the physical flow of goods, services and related information from points of origin to points of consumption to meet customer requirements at a profit. In short, it involves getting the product to the right customer in the right place at the right time.

In the past, physical distribution typically started with products at the plant and then tried to find low cost solutions to get to the customers. Managers chose a set of warehouses (stocking points) and transportation carriers that would deliver the goods to final destinations in the desired time or at the lowest cost. But in the present times the concept of marketing logistics has undergone a change and it involves not only outbound distribution (moving products from the factory to resellers and ultimately to consumers) but also inbound logistics (moving products and materials from suppliers to the factory) and reverse distribution (moving broken, unwanted or excess products returned by consumers or resellers). In fact, physical distribution has now been expanded into the broader concept of Supply Chain Management (SCM)---managing upstream and downstream value added flows of materials, final goods, and related information among suppliers, the company, resellers and final consumers. A supply chain on the other hand is actually a complex and dynamic supply and demand network. A supply chain is a network of organisations, people, activities, information and resources involved in moving a product or service from supplier to customer.



SCM starts before physical distribution: it involves procuring the right inputs (raw materials, components and capital equipments); converting them efficiently into finished products; and dispatching them to the final destinations. An even broader perspective calls for studying how the company's suppliers themselves obtain their inputs. The SCM perspective can help a company identify superior suppliers and distributors and help improve productivity, which ultimately brings down the company's costs.

PROMOTION MIX

Promotion mix is also known as marketing communication mix.

MEANING AND COMPONENTS OF PROMOTION MIX

Promotion refers to the ability of the marketer to communicate with the customers regarding the availability of the product. This is the fourth P of the marketing mix combination. The term promotion in marketing management comprises of four basic components: advertising, publicity, personal selling and sales

promotion. It therefore becomes a very important task on the part of the marketing manager to decide upon an appropriate promotion strategy for the products.

ADVERTISING AND PUBLICITY: Meaning and Differences

The term advertising refers to any form of paid, non-personal presentation and promotion of idea, goods or services by an identified sponsor. Publicity on the other hand refers to any form of non-paid, commercially significant news or editorial comment about any idea, product or an institution having an unidentified sponsor.

In case of an advertisement, while the message is entirely related to the product, publicity on the other hand focuses on public welfare.

The message of the advertisement since biased towards the positive aspects of a product, it makes the message less credible and more subjective, concentrating on only one particular issue. Publicity on the other hand, enjoys more freedom in this respect because the message has got nothing to do with the objective or goal of the organisation entrusted with the job of delivering the message. It therefore makes the message more credible and objective oriented.

Finally, in case of an advertisement, the marketer ensures full or maximum control over the theme of the message, unlike that of the publicity, where the control hardly exists.

PERSONAL SELLING

It refers to the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.

SALES PROMOTION

Advertising often works closely with another promotion tool, sales promotion. Sales promotion consists of short term incentives to encourage purchases or sales of a product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy now. Sales promotion tools are divided into two categories: consumer promotion tools and business or trade promotion tools. Consumer promotion tools include sales promotion letters, catalogues, point of purchase promotion, demonstrations in schools, retail outlets etc., coupons, free samples, price-offs etc. Business or trade promotion tools include merchandising ie providing space for displaying products, sponsorship of national and international events, participating in trade fairs and exhibition, dealer level contests etc.

Public Relation / **Publicity:** Public Relation refers to the management function that determines the attitudes and opinions of organisations' publics, identifies its policies with the interests of its publics and formulates and executes a plan of action to earn the understanding and goodwill of its publics.

Paper CC: 201, Marketing Management

Recommended Text: Principles of Marketing by Philip Kotler, Gary Armstrong and Prafulla Agnihotri
Publisher: Pearson, 17th. Edition.

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