www.BankExamsToday.com

Marketing Awareness Version II

By Ramandeep Singh

Ram
1/27/2015

Marketing Management

The purpose of MBA Marketing Management Subject is to develop an understanding of the underlying concepts, strategies and issues involved in the marketing of products and services.

Marketing Management contains five modules namely Marketing Concepts and Challenges; Marketing Planning and Control; Marketing Mix, Understanding Customer and Marketing Information System; and Marketing Strategies. It explores the following topics in detail; Social Marketing, Marketing Mix, Customer Value, Competitor Analysis, Consumer Behaviour, Demand Forecasting, Market Segmentation, Targeting and Positioning.

Module I: <u>Marketing Concepts & Challenges</u>

- Nature and scope of Marketing Management,
- Definition and Meaning of Marketing,
- Nature and Scope of Marketing,
- Marketing Process,
- Marketing Environment,
- Marketing Organisations,
- Marketing Challenges,
- Concept of Green Marketing,
- Concept of Social Marketing,
- Concept of Alliance Marketing,
- Marketing Mix.

Module II: <u>Marketing Planning & Control</u>

- Marketing Planning,
- Marketing Competitiveness,
- Customer Value,
- Marketing Planning Process,
- Identifying and analysing the Competitors,
- Defining the Competitive Strategy, and
- Marketing Control, and Control process.

Module III: <u>Marketing Mix, 4P's of Marketing</u>

- Product Development,
- Product Life Cycle,
- Product Mix Decisions,
- Branding, Packaging and Labelling,
- Right Pricing, Managing Price Changes,
- Role of Advertising in Marketing Communications, and Process of Advertising, and
- Value Analysis.

Module IV: <u>Understanding Customer and Marketing Information System</u>

- Types of Consumers,

- Factors influencing consumer behaviour,
- Consumer Decision making Process,
- MIS-subsystems,
- Conducting Marketing Research and Demand forecasting.

Module V: Marketing Strategy

- Market Segmentation,
- Targeting and Positioning,
- Brand Equity, and
- Crafting Brand Positioning.

Marketing Management

Question - What do you mean by marketing management? Explain nature and scope of marketing management.

Answer

Definition of Marketing

According to **American Marketing Association**, *"**Marketing** is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders."*

Definition of Management

According to **Harold Koontz**, *"**Management** is the art of getting things done through and with people in formally organised groups."*

Management consists of the interlocking functions of creating corporate policy and organising, planning, controlling, directing an organisation's resources in order to achieve the objectives of the policy.

Definition of Marketing Management

According to **Philip Kotler**, *"**Marketing Management** is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of personal and of mutual gain. It relies heavily on the adoption and coordination of product, price, promotion and place for achieving responses."*.

Marketing management is a business process, to manage marketing activities in profit seeking and non profit organisations at different levels of management. Marketing management decisions are based on strong knowledge of marketing functions and clear understanding and application of supervisory and managerial techniques.

Nature of Marketing Management

It Combines the Fields of Marketing and Management

As the name implies, marketing management combines the fields of marketing and management. Marketing consists of discovering consumer needs and wants, creating the goods and services that meet those needs and wants; and pricing, promoting, and delivering those goods and services. Doing so requires attention to six major areas - markets, products, prices, places, promotion, and people.

Management is getting things done through other people. Managers engage in five key activities - planning, organising, staffing, directing, and controlling. Marketing management implies the integration of these concepts.

Marketing Management is a Business Process

Marketing management is a business process, to manage marketing activities in profit seeking and non profit organisations at different levels of management, i.e. supervisory, middle-management, and executive levels. Marketing management decisions are based on strong knowledge of marketing functions and clear understanding and application of supervisory and managerial techniques. Marketing managers and product managers are there to execute the processes of marketing management. We, as customers, see the results of such process in the form of products, prices, advertisements, promotions, etc.

Marketing Management is Both Science and Art

“Marketing management is art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.” (Kotler, 2006). Marketing management is a science because it follows general principles that guides the marketing managers in decision making. The Art of Marketing management consists in tackling every situation in an creative and effective manner. Marketing Management is thus a science as well as an art.

Definition and Meaning of Marketing

Question - What is marketing? Define and explain marketing on the basis of different approaches.
Answer

Introduction

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages everyday. Marketing is something that affects you even though you may not necessarily be conscious of it.

After reading this you'll understand - what exactly the marketing is, different definitions of marketing, and what are the different approaches of marketing.

Definition and Meaning of Marketing

According to **American Marketing Association (1948) -** *"Marketing is the performance of business activities directed toward, and incident to, the flow of goods and services from producer to consumer or user."*

AMA (1960) - *"Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."*

The above definitions are based on the **economic approach of marketing**. Marketing embraces all the business activities involved in getting goods and services , from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

Consumer's Approach of Marketing

According to **Star et al. (1977) -** *"Marketing is that process through which a business enterprise, institution, or organisation* 1. *selects target customers or constituents,* 2. *assesses the needs or wants of such target customers, and* 3. *manages its resources to satisfy those customer needs or wants."*

The above definition is based on the consumer's approach of marketing. According to this approach marketing consists of four general activities:-

1. Identifying and selecting the type of customer, understanding their needs and desires;
2. Designing product or services that suits the customers' desires;
3. Persuading customers to buy at the firm's offerings; and
4. Storing, moving, and displaying goods after they leave the production site.

Societal Approach of Marketing

According to **Mazur (1947) -** *"Marketing is the delivery of a standard of living to society."*

This definition is based on the societal approach of marketing. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-

1. Knowing and understanding the consumer's changing needs and wants;
2. Efficiently and effectively managing the supply and demand of products and services
3. Efficient provision of distribution and payment processing systems.

Managerial or Systems Approach

According to **Eldridge (1970) -** *"Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."*

The above definition is based on the managerial or systems approach of marketing. According to this approach the emphasis is on how the individual organisation processes marketing and develops the strategic dimensions of marketing activities.

A Broader Approach of Marketing

According to **Kotler (2000) -** *"A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."*

According to **AMA (2004) -** *"Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."*

Nature and Scope of Marketing

Question - Define marketing and explain nature and scope of marketing.

Answer

Introduction

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages everyday. Marketing is something that affects you even though you may not necessarily be conscious of it.

After reading this you'll understand - what exactly the marketing is, to whom it is beneficial, and what are the nature and scope of marketing.

Definition of Marketing

According to **American Marketing Association (2004) -** *"Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."*

AMA (1960) - *"Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."*

According to **Eldridge (1970) -** *"Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."*

According to **Kotler (2000) -** *"A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."*

Nature of Marketing

1. Marketing is an Economic Function

Marketing embraces all the business activities involved in getting goods and services , from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

2. Marketing is a Legal Process by which Ownership Transfers

In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

3. Marketing is a System of Interacting Business Activities

Marketing is that process through which a business enterprise, institution, or organisation interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

4. Marketing is a Managerial function

According to managerial or systems approach - *"Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."*

According to this approach the emphasis is on how the individual organisation processes marketing and develops the strategic dimensions of marketing activities.

5. Marketing is a social process

Marketing is the delivery of a standard of living to society. According to **Cunningham and Cunningham (1981)** societal marketing performs three essential functions:-

1. Knowing and understanding the consumer's changing needs and wants;
2. Efficiently and effectively managing the supply and demand of products and services
3. Efficient provision of distribution and payment processing systems.

6. Marketing is a philosophy based on consumer orientation and satisfaction

7. Marketing had dual objectives - profit making and consumer satisfaction

Scope of Marketing

1. Study of Consumer Wants and Needs

Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

2. Study of Consumer behaviour

Marketers performs study of consumer behaviour. Analysis of buyer behaviour helps marketer in market segmentation and targeting.

3. Production planning and development

Product planning and development starts with the generation of product idea and ends with the product development and commercialisation. Product planning includes everything from branding and packaging to product line expansion and contraction.

4. Pricing Policies

Marketer has to determine pricing policies for their products. Pricing policies differs form product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

5. Distribution

Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

6. Promotion

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

7. Consumer Satisfaction

The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

8. Marketing Control

Marketing audit is done to control the marketing activities.

Marketing Process

Question - What is marketing process? Explain the steps in marketing process.

Answer

Introduction

The activities of marketers both reflect and shape the world we live in. Every year new products and services are launched and some of them succeeds on an unprecedented scale. As in the case of Apple's iPod, iPhone, and also iPad. They all are great inventions and highly successful in market.

According to marketing concept, the organisation must find ways to discover unfulfilled customer needs and wants and bring products that satisfy those needs and wants. This can be done in a sequence of steps that is called marketing process.

After reading this you will understand - what is marketing process, and the steps involved in marketing process.

Meaning of Marketing Process

The Marketing Process of a company typically involves identifying the viable and potential marketing opportunities in the environment, developing strategies to effective utilise the opportunities, evolving suitable marketing strategies, and supervising the implementation of these marketing efforts.

Marketing process involves ways that value can be created for the customers to satisfy their needs. Marketing process is a continual series of actions and reactions between the customers and the organisations which are making attempt to create value for and satisfy needs of customers. In marketing process the situation is analysed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are taken, plan is implemented, and results are monitored.

Steps in Marketing Process
Following are the steps involved in the Marketing Process :-

- Situation Analysis
- Marketing Strategy
- Marketing Mix Decision
- Implementation and Control

1. Situation Analysis

Analysis of situation in which the organisation finds itself serves as the basis for identifying opportunities to satisfy unfulfilled customer needs. Situational and environmental analysis is done to identify the marketing opportunities, to understand firms own capabilities, and to understand the environment in which the firm is operating.

2. Marketing Strategy

After identifying the marketing opportunities a strategic plan is developed to pursue the identified opportunities.

3. Marketing Mix Decisions

At this step detailed tactical decisions are made for the controllable parameters of the marketing mix. It includes - product development decisions, product pricing decisions, product distribution decisions, and product promotional decisions.

4. Implementation and Control

Finally, the marketing plan is implemented and the results of marketing efforts are monitored to adjust the marketing mix according to the market changes.

Marketing Environment

Question - What do you mean by marketing and marketing environment?

Answer

Introduction

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages everyday. Marketing is something that affects you even though you may not necessarily be conscious of it.

Definition of Marketing

According to **American Marketing Association (2004) -** "Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholder."

According to **Kotler (2000) -** "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

Marketing Environment

The term Marketing Environment refers to the forces and factors that affects the organisation ability to built and maintain good relationship with its customers. Marketing environment surrounds the organisation and it impacts upon the organisation. Marketers have to interact with internal and external people at micro and macro level and builds internal and external relationships. The key elements of marketing environment are as follows :-

1. Internal Environment,
2. Micro Environment, and
3. Macro Environment.

Internal Environment

Internal factors like men, machine, money, material, etc., on which marketing decision depends consists internal marketing environment. The internal environment refers to the forces that are within the organisation and affects its ability to serve its customers. It includes marketing managers, sales representatives, marketing budget, marketing plans, procedures, inventory, logistics, and anything within organisation which affects marketing decisions, and its relationship with its customers.

Micro Environment

Individuals and organisations that are close to the marketing organisation and directly impacts its ability to serve its customers, makes Marketing Micro Environment. The micro environment refers to the forces that are close to the marketing organisation and directly impact the customer experience. It includes the organisation itself, its suppliers, marketing intermediaries, customers, markets or segments, competitors, and publics. Happenings in micro environment is relatively controllable for the marketing organisation.

Macro Environment

Macro environment refers to all forces that are part of the larger society and affects the micro environment. It includes demography, economy, politics, culture, technology, and natural forces. Macro environment is less controllable.

Marketing Organisations

Question - What do you mean by marketing organisation? Explain different types of marketing organisations.

Answer

Meaning of Organisation

An organisation is a group of people that is structured and managed to achieve a common goal. Every organisation have a defined structure that determines relationship between its members, and assigns their roles, responsibilities, and authority.

Meaning of Marketing Organisation

Marketing organisation is a group of marketing persons brought together to make decisions on marketing areas like product, price, place, and promotion. Marketing organisation is the foundation of effective sales planning for systematic execution of plans and policies. Marketing organisation provides a system of relationships among various marketing functions to be performed by proper coordination among marketing persons.

Definition of Marketing Organisation

"Marketing organisation can be defined as a formal or informal group of individuals working together to reach quantitative and qualitative marketing objectives by making decisions on product, price, place, and promotion."

Types of Marketing Organisations

Marketers must have knowledge of what type of marketing organisation they have in place; and what type of marketing organisation the company actually needs. Following are the different types of marketing organisation that commonly exists today :-

- Functional Type of Marketing Organisation;
- Product Oriented Marketing Organisation;
- Market/Territory Oriented Marketing Organisation;
- Customer Oriented Marketing Organisation;

In **functional type of marketing organisation** the different marketing activities are grouped on the basis of functions to be performed like - product planning, market research, advertising, sales, or promotion. Each main function is further divided to sub-functions to be performed to achieve marketing objectives. Each sub function is managed by separate manager under the control of marketing manager.

Product oriented marketing organisation is common where organisation is producing or marketing wide variety of products. For each product or group of products a separate product manager is assigned and made responsible for marketing decisions for that particular product or group of products.

Market oriented marketing organisation is common in big organisations serving large number of customers spreading over large territories. Depot manager, district manager, area manager, zonal manager, divisional manager, etc., are assigned to manage each territories.

Customer oriented marketing organisation is common in organisations engaged in providing specialised services to different class of customer.

Marketing Challenges

Question - What are the marketing challenges that business organisations are facing today? Can you suggest ways to overcome these challenges?

Answer

Introduction

Well said by Heraclitus - "The only thing that is constant is change." We are experiencing change in our daily life and at marketplace too. Customer needs, wants, expectations are changing more rapidly; customers are increasingly demanding better quality and reliability in products and services; new products and services are coming to market more quickly, competition is getting intense and global rather than just domestic; technology is changing rapidly; and e-commerce and Internet is having a great impact on marketing practises.

In such a rapidly changing marketing environment it is really difficult for business organisations to make quick and sound decisions, and facing various marketing challenges. So, today we are here to let you know what marketing challenges the business organisations are facing, and how to overcome these challenges.

Marketing Challenges The Business Organisations Facing Today

- Rapidly changing customer needs, wants, and expectations;
- Increasing domestic and global competition;
- Heterogeneous and fragmented market
- Increasing popularity of Internet;
- Rapid technological changes;
- Challenge of selecting among too many options; and

- Challenge of generating leads.

Rapidly Changing Customer Needs, Wants, and Expectations

Today, the needs, wants, and expectations of customer is changing rapidly. It is a great challenge not only for small marketers but for big players too. It requires extensive study of market trends and consumer behaviour while developing new product or updating existing product.

Increasing Global and Domestic Competition

Competition today is global rather than just domestic. Marketers have to compete not only with domestic players but with global players too. The intense and global competition is a great challenge for marketers to deal with.

Increasing Popularity of Internet

With the increase in popularity of Internet a new spectrum of marketing channel is emerged. The worldwide increase in number of Internet users brought a shift from traditional print-based media to new online platforms. It presents a new set of marketing challenges - challenge of deciding how much to allocate to digital v/s print-based media; challenge of using social media marketing largely because of regulatory issues and concerns over its measurability; and challenge of doing more with less money as the rise of Internet made communication cheaper and efficient .

Challenge of Selecting Among Too Many Options

The greatest challenge the marketers facing today is simply too many options. Too many potential customer segments. Too many product or service options. Too many communication tools. It is really difficult and challenging for marketers to choose among too many options. The marketers today doesn't suffer from lack of opportunities or options. The picture is totally opposite today. Now they suffer from too many opportunities or options.

Ways to Overcome These Challenges

For the success of any business overall performance is required to be taken care of . Not only financial performance but also marketing performance. Marketing performance includes - sales volume, market share, and, customer satisfaction. Various marketing challenges makes it difficult for marketing managers to achieve the targeted marketing performance. But, there are ways to overcome such challenges. We are here to share the best possible ways to overcome marketing challenges the business organisations facing today.

Create a Learning Organisation

Business organisations must include *learning as a key to improvement* in their organisational values. Proper training must be given to marketing employees and it should be considered as an investment rather than as a cost. Marketing managers are required to continually question their own views of the market place. Learning is not an one time activity its a continuous process, ability to learn can be a key competitive advantage for any business.

Market Research

Marketing organisations must invest in market research and they are required to make extensive use of it. Organisations are required to be good at using information about markets, customers, and competitors. Market research must be focused on understanding customer needs, wants, and expectations.

Reevaluate the Old Mix - Four Ps to Four Cs

With the increasing globalisation, competition, and popularity of Internet the old marketing mix is facing many new challenges; and to tackle these challenges marketing management must reevaluate the old marketing mix to to new mix by converting four Ps to four Cs.

Product / Customer Needs
Price / Cost to the Users
Place / Convenience
Promotion / Communication.

Green Marketing Concept

Question - Define the term Green Marketing; and explain why green marketing is important?

Answer

Introduction to Green Marketing

The negative impact of human activities over environment is a matter of concern today. Governments all over the world making efforts to minimise human impact on environment. Today our society is more concerned with the natural environment. Understanding the society's new concerns businesses have begun to modify their behaviour and have integrated environmental issues into organisational activities. Academic disciplines have integrated green issues in their literature. This is true with marketing subject too, and the terms like "Green Marketing" and "Environmental Marketing are included in syllabus. Governments all over the world have become so concerned about green marketing that they have attempted to regulate them.

Definition and Meaning of Green Marketing

Definition according to **American Marketing Association** - *"**Green marketing** is the marketing of products that are presumed to be environmentally safe."*

According to **Polonsky 1994 b, 2** - *"**Green** or **Environmental Marketing** consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment.*

Green Marketing incorporates broad range of activities including product modification, changes to the production process, packaging changes, and modifying advertising. Green marketing focuses on satisfaction of customer needs and wants with no or minimum harm to the natural environment.

Why Green Marketing is Important ?

It is well known that increasing production and business activities are polluting the natural environment. Damages to people, crops, and wildlife is reported in different parts of the world. As resources are limited and human wants are unlimited, it is necessary for marketers to use resources efficiently, so that organisational objectives are achieved without waste of resources. So green marketing is inevitable. There is growing interest among people around the world regarding protection of natural environment. People are getting more concerned for environment and changing their behaviour for the protection of environment. As a result of this, the term "Green Marketing" has emerged. Hence, marketers are feeling their responsibility towards environment and giving importance to green marketing.

Not only marketers but consumers are also concerned about the environment, and consumers are also changing their behaviour pattern. Now, individual as well as industrial consumers are becoming more concerned about environment-friendly products.

Social Marketing Concept

Question - Define social marketing? Describe the concept of social marketing, and explain social marketing mix.

Answer

Definition of Social Marketing

According to **Philip Kotler - Social Marketing** is *"the design, implementation, and control of programs seeking to increase the acceptability of a social idea or practise in a target group"*

According to **W. Smith, Academy for Educational Development -** *"**Social Marketing** is a process for influencing human behaviour on a large scale, using marketing principles for the purpose of societal benefit rather than commercial profit."*

Social marketing is based on tools and techniques of commercial marketing, it uses principles of commercial marketing for the purpose of societal benefit. In social marketing, advertising campaigns are designed, implemented, and controlled by using the principles of commercial marketing. The key features of social marketing are taken directly from commercial marketing, but the purpose of social marketing differs form the purpose of commercial marketing. The purpose of commercial marketing is to increase sales and revenue, but it is not so in the case of social marketing.

The purpose of social marketing is societal benefit rather than commercial profit. Its purpose is to bring about positive health and social change. Its ultimate outcome is behavioural change rather than increased sales.

Social advertising campaigns are advertising tools that attempt to influence attitude and behaviour related to social cause. For example, social advertising campaigns have been used to influence behaviour related to energy conservation, pollution, tobacco prevention, family planning, breast cancer screening, and etc.

Aliance Marketing Concept

Question - What do you mean by the term 'Alliance Marketing'?

Answer

Introduction

Everyone knows one plus one is equals to two, but sometimes it is equals to eleven, synergy between the forces makes it possible. Synergy is the interaction of two or more forces so that their combined effect is greater than the sum of their individual effects.

In business two or more organisations comes together to produce some kind of synergistic effect or result. Similar happens in alliance marketing where two or more organisations jointly undertakes marketing activities.

Meaning of Alliance Marketing

Alliance Marketing is marketing activity undertaken by two or more organisations, jointly to promote product, service, or concept with the purpose to provide benefit to all the stakeholders.

Alliance marketing involves pooling resources like - expertise, brand reputation, distribution infrastructure, or money, to produce an effect/result which would be more difficult and costly to achieve independently.

Importance of Alliance Marketing

- **To gain access to a non-competitive businesses' customers -** Businesses not competing with each other can promote one another, they can refer customers back and forth to increase their sales.
- **To pool knowledge, expertise, and resources -** Pooling expertise, resources, and efforts reduce inefficiencies and expenses.
- **To turn competitors into partners**
- **To expand into new markets -** Independent expansion requires heavy investment, resources, and development of new distribution channels. Alliance marketing makes it easy, a firm in one country can offer a product through another firm already established in another country, thus expand into new market immediately.

For an alliance to work all the involved parties must work closely together to create business. The alliance/relationship must be communicated well to all the stakeholders. The greater the stakeholders' understanding of the value of the alliance, the more they can contribute to its success.

Marketing Mix

Question - Define the term marketing mix. Explain structure of marketing mix and its elements.

Answer

<table>
<tr><th colspan="2">The Marketing Mix</th></tr>
<tr><td>
</td><td>Summary

Introduction to Marketing Mix
Definition of Marketing Mix
Meaning of Marketing Mix
4P's - Producer-oriented Model
4C's - Consumer-oriented Model
</td></tr>
</table>

Introduction to Marketing Mix

Marketing is the process of identifying, anticipating, and satisfying customers' requirements with the purpose to make profits. In this process marketing managers and marketing representatives have to take various marketing decisions to make the operations profitable. They have to decide what combination of marketing policies and procedures be adopted to bring about desired behaviour of trade and consumers at minimum cost. They have to decide how can advertising, personal selling, pricing, packaging, channels, warehousing, and the other elements of marketing be manipulated and mixed to make marketing operations profitable. More specifically, they have to decide a marketing mix - a decision making method in relation with the product, price, promotion, and distribution.

The term Marketing Mix was introduced by **Neil H. Borden** in his article - "**The Concept of Marketing Mix**". He learned about it in a research bulletin on the management of marketing costs, written by his associate, **Prof. James Culliton**. in 1948. In this study of manufacturers' marketing costs he described the business executive as a "decider," an "artist" - a "**mixer of ingredients**," who sometimes follows a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried.

Definition of Marketing Mix

According to **Philip Kotler** - *"**Marketing Mix** is the combination of four elements, called the 4P's (product, Price, Promotion, and Place), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy"*

According to **Principles of Marketing, 14e, Kotler and Armstrong, 2012** - *"**The Marketing Mix** is the set of tactical marketing tools - Product, Price, Promotion, and Place - that the firm blends to produce the response it wants in the target market."*

Meaning of Marketing Mix

The Marketing Mix is a marketing tool used by marketing professionals. It is often crucial when determining product or brand's offering, and it is also called as 4P's (Product, Price, Promotion, and Place) of marketing. However, in case of services of different nature the 4 P's have been expanded to 7P's or 8P's.

In recent times, giving more importance to customer a new concept have been introduced, i.e. **Concept of 4C's**. The Concept of 4C's is more customer-driven replacement of 4P's. According to Lauterborn's the 4C's are - Consumer, Cost, Communication, and Convenience. According to Shimizu's the 4C's are -Commodity, Cost, Communication, and Channel.

4P's - Producer-oriented Model of Marketing Mix

- **Product -** Products are offerings that a marketer offers to the target audience to satisfy their needs and wants. Product can be tangible good or intangible service. Tangible products are goods like - cellphone, television, or motor car, whereas intangible products are services like - financial service in a bank, health treatment by a doctor, legal advice of a lawyer.
- **Price -** Price is the amount that is charged by marketer of his offerings or the amount that is paid by consumer for the use or consumption of the product. Price is crucial in determining the organisation's profit and survival. Adjustments in price affects the demand and sales of the product. Marketers are required to be aware of the customer perceived value of the product to set the right price.
- **Promotion -** Promotion represents the different methods of communication that are used by marketer to inform target audience about the product. promotion includes - advertising, personal selling, public relation, and sales promotion.
- **Place -** Place or distribution refers to making the product available for customers at convenient and accessible places.

In case of services, the producer-oriented model of marketing mix is consists of 7P's. Including the above 4P's there are additional 3P's **- Physical Evidence**, **People**, and **Process**. Physical evidence refers to elements like uniform of employees, signboards, and etc. People refers to the employees of the organisation comes in contact with the customers in the process of marketing. Process refers to the systems and processes followed within organisation.

4C's - Consumer-oriented model of marketing Mix

- **Consumer -** In this model the Product is replaced by Consumer. Marketers focuses more on consumer satisfaction. The product is designed and produced keeping in consideration the requirements of consumer.
- **Cost -** Price is replaced by Cost. Here the cost refers to the total cost of owning a product. It includes cost to use the product, cost to change the product, and cost of not choosing the competitor's product.
- **Communication -** Promotion is replaced by Communication. Communication includes advertising, public relation, personal selling, and any method that can be used for proper,timely, and accurate communication between marketer and consumer.
- **Convenience -** Place is replaced by Convenience. it focuses on ease of buying, convenience in reaching to the store/product, and convenience in getting product information.

Marketing Planning

Question - What do you mean by marketing planning?

Answer

<u>Introduction</u>

Marketing is a process of developing and implementing plans to identify and satisfy customer needs and wants with the objective of customer satisfaction and profits making. The main elements of marketing planning are - market research to identify and anticipate customer needs and wants; and planning of appropriate marketing mix to meet market requirements/demands.

<u>Definition of Marketing Planning</u>

*"**Marketing Planning** is the process of developing marketing plan incorporating overall marketing objectives, strategies, and programs of actions designed to achieve these objectives."*

Marketing Planning involves setting objectives and targets, and communicating these targets to people responsible to achieve them. It also involves careful examination of all strategic issues, including the business environment, the market itself, the corporate mission statement, competitors, and organisational capabilities.

*"**Marketing Plan** is a comprehensive blue print which outlines an organisation's overall marketing efforts."*

Marketing Plan is a written document that describes an organisation's advertising and marketing efforts for a coming period of time. It includes description of target markets, marketing situation, organisation position, competition, and description of marketing mix the organisation intend to use to reach their marketing goals.

Marketing Competitiveness

Question - What do you mean by marketing competitiveness? How the marketing competitiveness can be improved?

Answer

<u>Introduction</u>

Whatever product a marketer has to offer in the market, one thing is sure, it's going to get competition. It depends on the product type and marketplace what degree of competition it'll get. For the success of any business it is necessary to compete effectively with other businesses. The best way to mitigate competition is to develop marketing competitiveness. Marketing Competitiveness is the ability of an marketing organisation to deliver better value to customers than competitors.

<u>Meaning of Marketing Competitiveness</u>

A universal and exact definition of marketing competitiveness does not exist. Competitiveness means different things to different organisations. Some marketers view marketing competitiveness as the ability to persuade customers to choose their offerings over alternatives; while others view marketing competitiveness as the ability to deliver better values to customers than competitors.

*"**Marketing Competitiveness** is the ability of a business to improve continuously marketing process capabilities and deliver better value to customers than competitors."*

It is the ability of a business to add more values for its customers than competitors and attain a position of relative advantage. It leads to a situation where a business has an advantage over its competitors by being able to offer better value, quality, and service.

Customer values are the combination of several benefits offered for a given price, and comprises all aspects of the physical product and the accompanying services.

Ways to Improve Marketing Competitiveness

- **Customer values -** Customer values should be viewed not only in terms of product characteristics, but also in terms of processes which deliver the product. Both the product and process concept have to be right to achieve customer satisfaction.
- **Identify and Promote USP -** Unique Selling Proposition is something that sets a product apart from its competitors in the eyes of existing customers as well as new customers. Marketers are required to identify USP of their product and effectively communicate it with the target audience.
- **Cost efficient operations -** Business is required to be organised and operated efficiently, so that the cost of production and distribution be minimised.
- **Customer delight -** Business organisations must provide proper customer services to delight its customers.

The above points can lead a business to a situation where it has an competitive advantage over its competitors by being able to offer better value, quality, and service.

Customer Value Concept

Question - What do you mean by the concept of customer value?

Answer

Introduction

We are living in a world that is most unstable and dynamic. World is not only changing but the rate of change is accelerating. We are experiencing change in our daily life and in marketplace too. Customer needs, wants, expectations are changing more rapidly; customers are increasingly demanding better quality and reliability in products and services; new products and services are coming to market more quickly, competition is getting more intense and global; and technology is changing rapidly.

Businesses are operating in an uncertain, highly competitive, and highly complex environment. Not only small but big players are also facing difficulties and challenges. Top companies are loosing market share and new companies are taking their place. In cell-phone industry Nokia was the market leader, but it is not so today, Samsung took its place.

Today, the leading edge companies are giving importance to customer satisfaction, loyalty, and value. They are providing higher customer value to attract new customers and retain existing customers and it leads to their long term profitability and growth.

Definition of Customer Value

According to **Woodruff (1997, p. 142) -** *"**Customer value** is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations".*

Customer value is the difference between the values the customer gains from owning and using a product and the cost of obtaining the product.

Customer value is the difference between total customer value and total customer cost. Total customer value is the sum of product value, service value, personnel value, and image value. Total customer cost is the sum of monetary cost, time cost, physics cost, and energy cost.

Types of Value

Functional Value

It is concerned with the extent to which a product is useful, has desired characteristics, and performs a desired function.

- Appropriate features and characteristics - quality, aesthetics, creativity, and customisation.
- Appropriate performance - performance quality, reliability, and service-support outcomes.
- Appropriate outcomes - effectiveness, operational benefits, and environmental benefits.

For example - Apple focus mainly on creating appropriate features and attributes. Ford focus on performance, and Pfizer focus on appropriate outcomes and consequences.

Experimental Value

It is concerned with the extent to which a product creates appropriate feelings, experiences and emotions for the customer. For example - most restaurants focus on sensory values like aesthetics, aromas, ambiance, feel or tone. Organisations in travel or entertainment focus on creating emotional values like - pleasure, fun, excitement adventure, or humour.

Symbolic or Expressive Value

It is concerned with the extent to which customers associate psychological meaning to a product. Some products appeal to customer's self-concept and self-worth. Branded products like BMW, Rolex, etc are purchased because of their status, prestige, and image.

Marketing Planning Process

Question - Define the term 'marketing planning'. Outline the steps involved in marketing planning process.

Answer

Marketing is a process of developing and implementing plans to identify and satisfy customer needs and wants with the objective of customer satisfaction and profits making. The main elements of marketing planning are - market research to identify and anticipate customer needs and wants; and planning of appropriate marketing mix to meet market requirements/demands.

Definition of Marketing Planning

*"**Marketing Planning** is the process of developing marketing plan incorporating overall marketing objectives, strategies, and programs of actions designed to achieve these objectives."*

Marketing Planning involves setting objectives and targets, and communicating these targets to people responsible to achieve them. It also involves careful examination of all strategic issues, including the business environment, the market itself, the corporate mission statement, competitors, and organisational capabilities.

Marketing Planning Process

Marketing planning process is a series of stages that are usually followed in a sequence. Organisations can adapt their marketing plan to suit the circumstances and their requirements. Marketing planning process involves both the development of objectives and specifications for how to achieve the objectives. Following are the steps involved in a marketing plan.

1) Mission

Mission is the reason for which an organisation exists. Mission statement is a straightforward statement that shows why an organisation is in business, provides basic guidelines for further planning, and establishes broad parameters for the future. Many of the useful mission statements motivates staff and customers.

2) Corporate Objectives

Objectives are the set of goals to be achieved within a specified period of time. Corporate objectives are most important goals the organisation as a whole wishes to achieve within a specified period of time, say one or five years.

All the departments of an organisation including marketing department works in harmony to achieve the corporate objectives of the organisation. Marketing department must appreciate the corporate objectives and ensure its actions and decisions support the overall objectives of the organisation.

Mission statement and corporate objectives are determined by the top level management (including Board of Directors) of the organisation. The rest of the steps of marketing planning process are performed by marketing department. All the actions and decisions of the marketing department must be directed to achieve organisation mission and its corporate objectives.

3) Marketing Audit

Marketing audit helps in analysing and evaluating the marketing strategies, activities, problems, goals, and results. Marketing audit is done to check all the aspects of business directly related to marketing department. It is done not only at the beginning of the marketing planning process but, also at a series of points during the implementation of plan. The marketing audit clarifies opportunities and threats, so that required alterations can be done to the plan if necessary.

4) SWOT Analysis

The information gathered through the marketing audit process is used in development of SWOT Analysis. It is a look at organisation's marketing efforts, and its strengths, weaknesses, opportunities, and threats related to marketing functions.

- **Strengths and Weaknesses** are factors inside the organisation that can be controlled by the organisation. USP of a product can be the example of strength, whereas lack of innovation can be the example of weakness.
- **Opportunities and Threats** are factors outside the organisation which are beyond the direct control of an organisation. Festive season can be an example of opportunity to make maximum sales, whereas increasing FDI in a nation can be the example of threat to domestic players of that nation.

5) Marketing Assumptions

A good marketing plan is based on deep customer understanding and knowledge, but it is not possible to know everything about the customer, so lot of different things are assumed about customer. For **example** :-

- **Target Buyer Assumptions -** assumptions about who the target buyers are.
- **Messaging/Offering Assumptions -** assumptions about what customers think are the most important features of product to be offered.

6) Marketing Objectives and Strategies

After identification of opportunities and challenges, the next step is to develop marketing objectives that indicate the end state to achieve. Marketing objective reflects what an organisation can accomplish through marketing in the coming years.

Objective identify the end point to achieve. Marketing strategies are formed to achieve the marketing objectives. Marketing strategies are formed to determine how to achieve those end points. Strategies are broad statements of activities to be performed to achieve those end points.

7) Forecast the Expected Results

Marketing managers have to forecast the expected results. They have to project the future numbers, characteristics, and trends in the target market. Without proper forecasting, the marketing plan could have unrealistic goals or fall short on what is promised to deliver.

- **Forecasting Customer Response -** Marketing managers have to forecast the response that the average customers will have to marketing efforts. Without some idea how the marketing will be received, managers can't accurately plan the promotions.
- **Forecasting Marketing cost -** To make the marketing plan stronger, accurate forecast of marketing cost is required to be done.

- **Forecasting the Market -** To accurately forecast the market, marketing managers have to gain an intimate understanding of customers, their buying behaviour, and tendencies.
- **Forecasting the Competition -** Forecast of competition like - what they market, how they market, what incentives they use in their marketing can help to counter what they are doing.

8) Create Alternative Plan

A alternate marketing plan is created and kept ready to be implement at the place of primary marketing plan if the whole or some part of the primary marketing plan is dropped.

9) Marketing Budget

The marketing budget is the process of documenting the expected costs of the proposed marketing plan. One common method to allocate marketing budgeting is based on a percentage of revenue. Other methods are - comparative, all you can afford, and task method.

10) Implementation and Evaluation

At this stage the marketing team is ready to actually start putting their plans into action. This may involve spending money on advertising, launching new products, interacting with potential new customers, opening new retail outlets etc.

The marketing planning process is required to be evaluated and updated regular. Regular evaluation of marketing efforts helps in achieving marketing goals.

Identifying and Analysing Competitors

Question - What do you mean by the term 'competitors' in marketing? How to identify key competitors in marketing, and how to analyse them?

Answer

Introduction

In this competitive world there is no business that operates in isolation, there are many businesses that are marketing products similar to or substitute of products you are marketing. These organisations are your rivals and you have to compete with your rivals. Business competition is the rivalry of two or more businesses that target the same customers, for example *Coca-Cola and Pepsi*, or *McDonald's and Burger King*. Business organisations to be successful in long run have to identify their competitors and analyse their strengths and weaknesses to defeat them.

Meaning of Competitor

Competitor is a person or an organisation against whom other person or organisation is competing. In business, competitor is a business organisation or a company operating in the same industry or a similar industry which offers a similar product or service. For example - *Wal-Mart and Target* are big players in Retail chain industry, they both are competitor of each other.

The presence of competitors in an industry means consumers have more alternatives to choose from, it forces competitors to reduce prices of their products or services to grab the maximum share in the market.

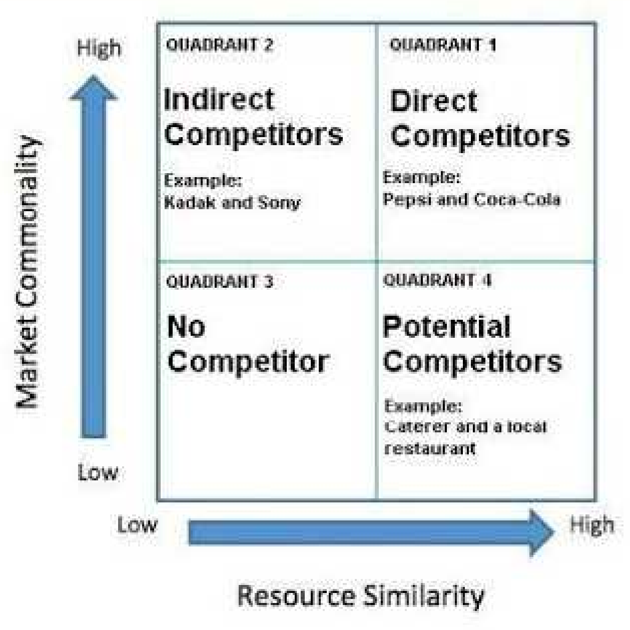
Identifying Competitors

In the process of developing a successful marketing strategy, the first step is to identify the key competitors in your market. Competitor identification is important to increase managerial awareness of competitive threats and opportunities. Identification of key competitors is necessary to gain competitive advantage by offering your customers a greater value than the competitors. Not only current competitors are required to be identified, but future competitors are also to be anticipated.

According to **Ferrell, Hartline, Lucas, and Luck, 1998**, there are different varieties of competitors:-

- **Brand Competitors** - Such type of competitors are those who market exactly similar products, at similar price, and also to the same customers. For example, *Pepsi and Coca-Cola.*
- **Product Competitors** - Such type of competitors are those who market similar products, but with different features and benefits, and at different prices. For example, *Pepsi and Maaza (fruit drink).*
- **Generic Competitors** - Such type of competitors are those who market different products, but provide the same utility or benefit. For example, *Audio cassettes and CDs*, or *Pepsi and Water*
- **Total Budget Competitors** - Such type of competitors are those who market different products, but competing for the same financial resources of the customers. For example,*Pepsi and Potato-chips*.

We use **Peteraf and Bergen (2001)** model for the identification and classification of competitive set. By the use of this model we sort competitors under two categories - Market Commonality and Resource Similarity. We classified candidate competitors on the basis of their resource endowments and the market needs served. Under **Market Commonality**, we sort competitors on the basis of the degree to which they serve market needs similar to the focal firm. Under **Resource Similarity**, we sort competitors on the basis of the degree to which their resource endowment is similar to that of the focal firm in terms of type and composition.



To map the competitive field of a focal firm we have to locate candidate competitors on the graph. On the x-axis we display Resource Similarity as an increasing function. On y-axis we display Market Commonality as an increasing function.

Firm that scores high in both Resource Similarity and Market Commonality is one that serves same market needs with the use of same type of resources as the focal firm. Such firm are found in the

Quadrant 1 of the graph. These firms are the **direct competitors** of the focal firm. Example of such firm can be Coca-Cola if Pepsi is the focal firm.

Firm that scores high in Resource Similarity and low in Market Commonality is one that uses same resources as the focal firm, but serves different market needs. Such firms are found in the Quadrant 4 of the graph. These firms are the**potential competitors** of the focal firm. Example of such firm can be a caterer and a local restaurant. Both uses almost similar resources like chefs, kitchen equipment, etc., but their market is different, caterer serves party foods and dinners for large functions, whereas restaurant serves to individuals and small groups.

Firm that scores high in Market Commonality and low in Resource Similarity is one that serves same market needs as the focal firm, but with the use of different resources. Such firms are found in the Quadrant 2 of the graph. These firms are the **indirect competitors** or substitutes. They satisfies similar needs with the use of different resource or technology. For example - Kodak and Sony. Camera may be used to take picture with film based technology using mechanical capabilities or similar picture can be taken using camera based on digital technology. Kodak is a film based technology camera uses mechanical capabilities, whereas Sony is digital technology based camera uses electronic capabilities.

Firm that scores low on both dimensions is one that serves different market and uses different resources than the focal firm. Such firms are entirely outside the competitive set at present, although this could change in future as the firms change their positions. Such firms are found in the Quadrant 3 of the graph. These firms are not the competitors of the focal firm.

Analysing Competitors

Competitor analysis helps an organisation to identify opportunities for and threats to the organisation from the competitive industrial environment. Competitor analysis is an assessment of the strengths and weaknesses of current and potential competitors. It is an essential component of corporate strategy; while formulating organisation's strategy, managers must consider the competitor organisations' strategies.

Competitor Analysis can be defined as *the analysis of data and information about competitors to generate intelligence that is useful in strategic decision making.*

Defining Competitive Strategy

Question - What do you mean by competitive strategy? Explain Porter's Generic Strategies Model to define Competitive Strategy.

Answer

Defining Competitive Strategy	
	**Summary** • **Introduction to Competitive Strategy** • **Definition of Competitive Strategy** • **Meaning of Competitive Strategy** • **Definition of Competitive Advantage** • **Porter's Generic Strategies Model** • **Conclusion**

Introduction to Competitive Strategy

Well said by **Will Durant -** *"The future never just happened. It was created"*. A business organisation has to define its competitive strategy to guide and focus its future decisions, and to gain sustainable competitive advantage over its rivals to make the organisation successful in long run. Organisational results are the consequences of the decisions made by its leaders. The framework that guides and focuses competitive positioning decisions is called competitive strategy. The purpose of competitive strategy is to gain sustainable competitive advantage over the rivals.

Competitive strategies are essential to organisations competing in markets that are heavily saturated with alternatives for consumers. To be successful in such type of market it is necessary for an organisation to define its winning proposition in simple and compelling way.

Definition of Competitive Strategy

According to **Porter ME**, 1980 competitive strategy can be defined as the *"plan for how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors. For example, a small meatpacking firm may decide to concentrate on a special niche product offered in limited areas after determining it cannot compete on price with major competitors."*

Competitive Strategy can be defined as a *"framework for making decisions which priorities actions that create results in a competitive market."*

Meaning of Competitive Strategy

Competitive strategy is a long term action plan that is devised by an organisation to gain sustainable competitive advantage over its rivals.

Competitive strategy consists of the actions which are taken to attract customers, to withstand the competitive pressures of the market and also to help and strengthen the firm's market position. The main objective of the competitive strategy is to gain a competitive advantage over organisation's rivals. The competitive advantage can be either greater customer value than the competitors or higher operational efficiency than the competitors, or both.

Definition of Competitive Advantage

Competitive advantage can be defines as a *"superiority gained by an organisation when it can provide the same value as its competitors but at a lower price, or can charge higher prices by providing greater value through differentiation."*

According to **Salonar**, **Shepard**, **Podolny** - *"most forms of competitive advantage mean either that a firm can produce some service or product that its customers value than those produced by competitors or that it can produce its service or product at a lower cost than its competitors."*

John Kay (1993: 14) defines distinctive capabilities as ones derived from characteristics that others lack and which are also sustainable and appropriable. *"A distinctive capability becomes a competitive advantage when it is applied in an industry or brought to a market."*

According to **Michael Porter** sustainable competitive advantage can be achieved through three ways - cost leadership, differentiation, and focus.

Porter's Generic Strategies Model

Michel Porter in his Porter's Generic Strategies Model, has applied firm's competitive advantages or strengths i.e. cost advantage and product differentiation in either broad or narrow market scope and identified following three generic strategies :-

1. Cost Leadership Strategy,
2. Differentiation Strategy, and
3. Focus Strategy.

These strategies are applied at business unit level. These strategies are called generic strategies because they are not dependent on specific firm or industry.

1. **Cost Leadership Strategy**

This strategy calls for being a low cost producer in an industry for a given level of quality. This strategy usually targets broad markets. The producer can charge either equal to average industry price to earn a profit higher than that of competitors, or blow average industry price to gain market share. In the situation of price war, the firm can earn some profit, but the competitors have to suffer losses.

When the industry matures and prices declines, the firm that produce more cheaply will remain profitable for longer time.

The firm can reduce cost of production by improving processes efficiency, getting lower cost materials, vertical integration, optimal outsourcing, efficient distribution channels, expertise in manufacturing and engineering.

2. **Differentiation Strategy**

This strategy calls for the development of product or service that offers unique attributes and that is perceived by customers different or of greater value than the products or services of the competitors. The unique attributes makes the product different from the competitors' products and adds value to it. This added value allows the producer to charge a premium price for its product.

The unique attributes can be brought to the product through scientific research and development, creative and skilled product development team, proper communication of perceived strength of the product, innovated design and features. This strategy also targets broader market.

3. **Focus Strategy**

The focus strategy targets a narrow market or segment and within that segment attempt to achieve either cost advantage or differentiation. As the entire focus of the firm is on a group or segment, so the needs of the segment can be serviced better, and firm often gain high degree of customer loyalty.

Conclusion

Competitive strategy is a long term action plan that is devised by an organisation to gain sustainable competitive advantage over its rivals.

Marketing Control Process

Question - What do you mean by marketing control? Explain steps in the process of marketing control.

Answer

Introduction to Marketing Control

It is true to say that planning gives direction to an organisation, planning enable an organisation to achieve its objectives, but without control measures planning is of no mean, it's just an empty exercise without control.

Business organisations do marketing planning to incorporate overall marketing objectives, strategies, and programs of actions designed to achieve marketing objectives. Marketing Planning involves setting objectives and targets, and communicating these targets to people responsible to achieve them.

After an organisation develops and implements the marketing plan, next task is to control the marketing performance. Marketing plans and strategies are required to be monitored, evaluated, and adapted to meet the changing market environment, market needs, and market opportunities. The process by which an organisation adapts its marketing plans and strategies to reach its marketing objectives is called marketing control.

Definition of Marketing Control

Marketing Control can be defined as *"the process of measuring and evaluating the results of marketing strategies and plans, and taking corrective action to ensure that marketing objectives are achieved."*

Marketing Control can also be defined as *"the set of practises and procedures employed by firms to monitor and regulate their marketing activities in achieving their marketing objectives."*

Meaning of Marketing Control

Developing and implementing marketing plan is not enough to reach marketing objectives; marketing plans and strategies are required to be monitored, evaluated, and adapted to meet the changing market environment, needs, and opportunities. Marketing control ensures performance improvement by minimising gap between desired results and actual results. If the actual results are found deviated from the expected results, plans and strategies are adapted to bring the results back to the desired level.

Marketing Control Process

Marketing control is a four step process :-

1. Define Marketing Objectives
2. Set Performance Standards
3. Compare Results Against Standards
4. Corrections and Alterations

Resources are scarce and costly so it is important to control marketing plans. Controlling marketing plan is not an one time activity, it is a series of actions, and it is required to be done regularly. Marketing control process starts with the review of the marketing objectives.

After defining/redefining marketing objectives, performance standards are set. Performance standards provide benchmarks to enable managers and employees to decide how they are progressing towards achieving objectives.

Actual results are compared against standards. If the actual results are in direction to the expected results, their is no problem in marketing plan and its execution.

If actual results are deviated from the expected results, their is requirement to correct and alter marketing plan to bring the results back to the desired level.

Product Development

Question - What do you mean by product development? Explain product development process.

Answer

Introduction to Product Development

In this fast-changing world we are experiencing change in our daily life and at marketplace too. Customer needs, wants, and expectations are changing more rapidly. Customers are increasingly demanding advance features, appealing designs, better quality, and reliability in products. To meet the changing demands of customer, business organisations are investing heavily in research and development (R&D). Business organisations are updating existing products and developing new products to satisfy changing customer needs, wants, and expectations.

The development of competitive new products is a prerequisite for every business organisation to be successful. Samsung has outperformed Nokia in the global mobile-phone market and become the global leader. Samsung updates its existing mobile phones and brings new mobile phones more frequently at competitive low price with advance features, appealing designs, better quality and reliability. Nokia failed to satisfy changing customer needs, wants, and expectations, and lost its market position.

Definition of Product Development

In general, the Product Development can be defined as *"creating, innovating, or developing entirely a new product , or presenting an existing product with enhanced utility, improved features, more appealing design, better quality and reliability to satisfy the requirements of its end-users."*

Meaning of Product Development

Product means a good, service, idea or object created as a result of a process and offered to serve a need or satisfy a want. **Development** means the act or process of growing, progressing, or developing.

Product Development is a process of improving the existing product or to introduce a new product in the market. It is also referred as New Product Development. The functions of product development are as follows :-

1. Creation of an entirely new product or upgrading an existing product,
2. Innovation of a new or an existing product to deliver better and enhanced services,
3. Enhancing the utility and improving the features of an existing product,
4. Continuous improvement of a product to satisfy rapidly changing customer needs and wants.

Product Development Process

Product development process is a crucial process for the success and survival of any business. Today, businesses are operating in a highly dynamic and competitive environment. Business organisations have to continuously update their products to conform to current trends. The product development process starts from idea generation and ends with product development and commercialisation. Following are the steps in the process of product development.

1. **Idea Generation -** The first step of product development is Idea Generation that is identification of new products required to be developed considering consumer needs and demands. Idea generation is done through research of market sources like consumer liking, disliking, and competitor policies. Various methods are available for idea generation like - Brain Storming, Delphi Method, or Focus Group.
2. **Idea Screening -** The second step in the process of product development is Idea Screening that is selecting the best idea among the ideas generated at the first step. As the resources are limited, so all the ideas are not converted to products. Most promising idea is kept for the next stage.
3. **Concept Development -** At this step the selected idea is moved into development process. For the selected idea different product concepts are developed. Out of several product concepts the most suitable concept is selected and introduced to a focus group of customers to understand their reaction. For **example -** in auto expos different concept cars are presented, these models are not the actual product, they are just to describe the concept say electric, hybrid, sport, fuel efficient, environment friendly, etc.

4. **Market Strategy Development -** At this step the market strategies are developed to evaluate market size, product demand, growth potential, and profit estimation for initial years. Further it includes launch of product, selection of distribution channel, budgetary requirements, etc.
5. **Business Analysis -** At this step business analysis for the new product is done. Business analysis includes - estimation of sales, frequency of purchases, nature of business, production and distribution related costs and expenses, and estimation of profit.
6. **Product Development -** At this step the concept moves to production of finalised product. Decisions are taken from operational point of view whether the product is technically and commercially feasible to produce. Here the research and development department develop a physical product.
7. **Test Marketing -** Now the product is ready to be launched in market with brand name, packaging, and pricing. Initially the product is launched in a test market. Before full scale launching the product is exposed to a carefully chosen sample of the population, called test market. If the product is found acceptable in test market the product is ready to be launched in target market.
8. **Commertialisation -** Here the product is launched across target market with a proper market strategy and plan. This is called commercialisation phase of product development.

Product Life Cycle

Question - What do you mean by product life cycle? Explain the major stages of product life cycle.

Answer

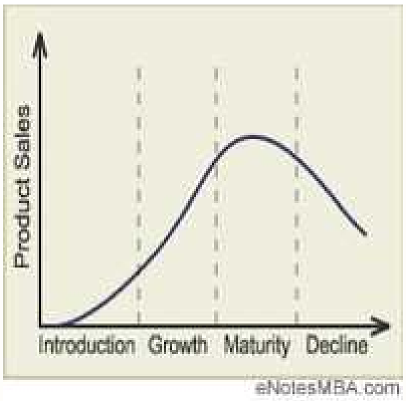
<u>Product Life Cycle Concept</u>

We have a life cycle, we are born, we grow, we mature, and finally we pass away. Similarly, products also have life cycle, from their introduction to decline they progresses through a sequence of stages. The major stages of the product life cycle are - introduction, growth, maturity, and decline. Product life cycle describes transition of a product from its development to decline.

The time period of product life cycle and the length of each stage varies from product to product. Life cycle of one product can be over in few months, and of another product may last for many years. One product reach to maturity in years and another can reach it in few months. One product stay at the maturity for years and another just for few months. Hence, it is true to say that length of each stage varies from product to product.

Product life cycle is associated with variation in the marketing situation, level of competition, product demand, consumer understanding, etc., thus marketing managers have to change the marketing strategy and the marketing mix accordingly.

Product life cycle can be defined as *"the change in sales volume of a specific product offered by an organisation, over the expected life of the product."*



Stages of the Product Life Cycle

The four major stages of the product life cycle are as follows :-

1. Introduction,
2. Growth,
3. Maturity, and
4. Decline.

Introduction Stage

At this stage the product is new to the market and few potential customers are aware with the existence of product. The price is generally high. The sales of the product is low or may be restricted to early adopters. Profits are often low or losses are being made, this is because of the high advertising cost and repayment of developmental cost. At the introductory stage :-

- The product is unknown,
- The price is generally high,
- The placement is selective, and
- The promotion is informative and personalised.

Growth Stage

At this stage the product is becoming more widely known and acceptable in the market. Marketing is done to strengthen brand and develop an image for the product. Prices may start to fall as competitors enters the market. With the increase in sales, profit may start to be earned, but advertising cost remains high. At the growth stage :-

- The product is more widely known and consumed,
- The sales volume increases,
- The price begin to decline with the entry of new players,
- The placement becomes more widely spread, and
- The promotion is focused on brand development and product image formation.

Maturity Stage

At this stage the product is competing with alternatives. Sales and profits are at their peak. Product range may be extended, by adding both withe and depth. With the increases in competition the price reaches to its lowest point. Advertising is done to reinforce the product image in the consumer's minds to increase repeat purchases. At maturity stage :-

- The product is competing with alternatives,

- The sales are at their peak,
- The prices reaches to its lowest point,
- The placement is intense, and
- The promotion is focused on repeat purchasing**.**

Decline Stage

At this stage sales start to fall fast as a result product range is reduced. The product faces reduced competition as many players have left the market and it is expected that no new competitor will enter the market. Advertising cost is also reduced. Concentration is on remaining market niches as some price stability is expected there. Each product sold could be profitable as developmental costs have been paid at earlier stage. With the reduction in sales volume overall profit will also reduce. At decline stage :-

- The product faces reduced competition,
- The sales volume reduces,
- The price is likely to fall,
- The placement is selective, and
- The promotion is focused on reminding**.**

Product Mix Decisions

Question - What is product mix? Explain product mix decisions.

Answer

Meaning of Product Mix

Product mix or product assortment refers to the number of product lines that an organisation offers to its customers. **Product line** is a group of related products manufactured or marketed by a single company. Such products function in similar manner, sold to the same customer group, sold through the same type of outlets, and fall within a same price range.

Product mix consists of various product lines that an organisation offers, an organisation may have just one product line in its product mix and it may also have multiple product lines. These product lines may be fairly similar or totally different, for **example** - *Dish washing detergent liquid* and *Powder* are two similar product lines, both are used for cleaning and based on same technology; whereas *Deodorants*and *Laundry* are totally different product lines.

An organisation's product mix has following four dimensions :-

1. Width,
2. Length,
3. Depth, and
4. Consistency.

Width

The width of an organisation's product mix pertains to the number of product lines that the organisation is offering. For ***example***, Hindustan Uni Lever offers wide width of its home care, personal care and beverage products. Width of HUL product mix includes Personal wash, Laundry, Skin care, Hair care, Oral care, Deodorants, Tea, and Coffee.

Length

The length of an organisation's product mix pertains to the total number of products or items in the product mix. As in the given diagram of Hindustan Uni Lever product mix, there are 23 products, hence, the length of product mix is 23.

Depth

The depth of an organisation's product mix pertains to the total number of variants of each product offered in the line. Variants includes size, colour, flavors, and other distinguishing characteristics. For ***example***, Close-up, brand of HUL is available in three formations and in three sizes. Hence, the depth of Close-up brand is 3*3 = 9.

Consistency
The consistency of an organisation's product mix refers to how closely related the various product lines are in use, production, distribution, or in any other manner.

Product Mix Decision

Product mix decision refers to the decisions regarding adding a new or eliminating any existing product from the product mix, adding a new product line, lengthening any existing line, or bringing new variants of a brand to expand the business and to increase the profitability.

- **Product Line Decision -** Product line managers takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.
- **Line Stretching Decision -** Line stretching means lengthening a product line beyond its current range. An organisation can stretch its product line downward, upward, or both way.

1. *Downward Stretching* means adding low-end items in the product line, for ***example*** in Indian car market, watching the success of Maruti-Suzuki in small car segment, Toyota and Honda also entered the segment.
2. *Upward Stretching* means adding high-end items in the product line, for ***example*** Maruti-Suzuki initially entered small car segment, but later entered higher end segment.
3. *Two-way Stretching* means stretching the line in both directions if an organisation is in the middle range of the market.

- **Line Filling Decision -** It means adding more items within the present range of the product line. Line filling can be done to reach for incremental profits, or to utilise excess capacity.

Branding Packaging and Labelling

Question - What is branding, packaging, and labelling in marketing?

Answer

Introduction

There are millions of products and services all over the world, each claims to be the best among their category. But, every product is not equally popular. Consumer doesn't remember every product, only few products are remembered by their name, logo, or slogan. Such products generate desired emotions in the mind of consumer. It is branding that makes product popular and known in the market; branding is not an activity that can be done overnight, it might takes months and even years to create a loyal and reputed brand.

Branding gives personality to a product; packaging and labelling put a face on the product. Effective packaging and labelling work as selling tools that help marketer sell the product.

Today in this post we'll learn - meaning of branding, types of brand, strategies of branding, meaning of packaging and labelling, and importance of packaging and labelling.

Definition of Branding

According to **American Marketing Association -** **Brand** is *“A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.”*

According to **Philip Kotler -** *“**Brand** is a name, term, sign, symbol, design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors”*

Branding is *“a seller’s promise to deliver a specific set of features, benefits and services consistent to the buyers.”*

Meaning of Branding

Branding is a process of creating a unique name and image for a product in the mind of consumer, mainly through advertising campaigns. A brand is a name, term, symbol, design or combination of these elements, used to identify a product, a family of products, or all products of an organisation.

Branding is an important component of product planning process and an important and powerful tool for marketing and selling products.

Elements of Branding

Brand includes various elements like - brand names, trade names, brand marks, trade marks, and trade characters. The combination of these elements form a firm's corporate symbol or name.

- **Brand Name -** It is also called Product Brand. It can be a word, a group of words, letters, or numbers to represent a product or service. For example - Pepsi, iPhone 5, and etc.
- **Trade Name -** It is also called Corporate Brand. It identifies and promotes a company or a division of a particular corporation. For example - Dell, Nike, Google, and etc.
- **Brand Mark -** It is a unique symbol, colouring, lettering, or other design element. It is visually recognisable, not necessary to be pronounced. For example - Apple's apple, or Coca-cola's cursive typeface.
- **Trade Mark -** It is a word, name, symbol, or combination of these elements. Trade mark is legally protected by government. For example - NBC colourful peacock, or McDonald's golden arches. No other organisation can use these symbols.
- **Trade Characters -** Animal, people, animated characters, objects, and the like that are used to advertise a product or service, that come to be associated with that product or service. For example - Keebler Elves for Keebler cookies

<u>Branding Strategies</u>

There are various branding strategies on which marketing organisations rely to meet sales and marketing objectives. Some of these strategies are as following :-

- **Brand Extension -** According to this strategy, an existing brand name is used to promote a new or an improved product in an organisation's product line. Marketing organisations uses this strategy to minimise the cost of launching a new product and the risk of failure of new product. There is risk of brand diluting if a product line is over extended.
- **Brand Licensing -** According to this strategy, some organisations allow other organisations to use their brand name, trade name, or trade character. Such authorisation is a legal licensing agreement for which the licensing organisation receives royalty in return for the authorisation. Organisations follow this strategy to increase revenue sources, enhance organisation image, and sell more of their core products.
- **Mixed Branding -** This strategy is used by some manufacturers and retailers to sell products. A manufacturer of a national brand can make a product for sale under another company's brand. Like this a business can maintain brand loyalty through its national brand and increase its product mix through private brands. It can increase its profits by selling private brands without affecting the reputation and sales of its national brand.

- **Co-Branding -** According to this strategy one or more brands are combined in the manufacture of a product or in the delivery of a service to capitalise on other companies' products and services to reach new customers and increase sales for both companies' brands.

Right Pricing and Managing Price

Question - "Setting the right price of goods and services is an important part of effective marketing." Explain the right pricing strategy? Also explain how to manage price changes?

Answer

Introduction

It is true to say that - *"Setting the right price of goods and services is an important part of effective marketing."* Pricing the products properly is crucial for the success of any business. According to Charles Toftoy, associate professor of management science at George Washington University, *"Pricing is probably the toughest thing there is to do."*

Out of four P's of marketing, *Pricing* is the only element of marketing mix that generates revenue; remaining elements - product, place, and promotion are cost to the business.

Right Pricing

There are many factors that affect profitability of a business, pricing is one of them. Setting the right price is an important part of effective marketing and crucial step toward achieving that profit. Setting the right price not only maximise profit, but also help in maintaining a good relationship with customers. Right pricing help businesses avoid the serious financial problems that may occur if the prices are too high or too low.

*"Setting the price for a product at which both the customer and the business are happy (i.e. customer is willing to pay, and business is able to cover cost and make maximum profit) is called **right pricing**."*

How to Set Right Price for Products or Services

Research help in setting right pricing. Research of following three key areas is required to set right pricing :-

1. Research of existing cost,
2. Research of competitors' pricing, and
3. Research of target market

Research of Existing Cost

The research of existing cost is done to identify the actual costs, to take into account any hidden and infrequent costs such as superannuation, insurance, licensing, adviser fees, or any professional development, training or networking cost, and to reduce cost in some areas.

It may be difficult to reduce cost in some areas like rent and wages, but some costs can be reduced like purchasing cost if the stock is purchased in bulk taking into consideration the cash flow, storage, and product delivery.

Research of Competitors' Pricing

Research of competitors' pricing is necessary to know the pricing strategies of competitors to rightly set the price of products or services. If the price is much higher than the competitors' price, the pricing is out of the market. If the price is much lower than the competitors' price, there is the risk of underselling the product or service. Both problems can be avoided by doing the research of competitors' pricing before setting the prices of products or services.

Research of Target Market

It is necessary to know how much the target market is willing to pay for the product or service that is offered. If customers believe that the price of offered product or service is too high they will probably buy from the competitor. If they believe the price is too low they may question the quality of offered product or service and buy elsewhere. Target market research help in understanding the target market and setting the right prices.

Role of Advertising in Communication

Question - Explain the role of advertising in marketing communications. Also describe the steps in the process of advertising.

Answer

The finest products, the most attractive price tags, and the best marketing channels are of no mean if the target customers don't know the product; and the chances of product success is low. Effective marketing communication is crucial for the success of a product or a business. In marketing communications advertising plays an important role.

Role of Advertising in Marketing Communication

Marketing communications are the means by which organisations attempt to inform, persuade, and remind consumers about products, services, or brands. Marketing communications inform and make consumers aware about the availability of the product or service, about its usage, price and special offers. Marketing Communications attempt to persuade potential consumers to purchase and try the product. Marketing communications can also be used to reinforce experiences, or to remind consumers about their needs and their past experiences related to the product with a view to convince them for repurchases. Marketing communication also differentiate products in markets where there is little to separate competing products and brands.

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behavior and/or thought patterns of the audience.

The advertising message has to reach a billion people, speaking different languages, practicing many religions. Advertisers can reach their audiences through television, radio, cinema, print medium, outdoor advertising, sales promotion and the Internet. Hence, advertising is a form of mass communication.

Process of Advertising

Following are the steps that are required to be followed for development and execution of advertising :-

1. **Briefing -** Advertising process starts with briefing - a document confirming understanding between client and advertising agency on - what product to advertise, objective of advertising, time-frame of ad campaign, strategies to reach the audience, and total estimated cost.
2. **Market Research -** After briefing market research will done. Research include - comparison of advertiser's product or service with competitor's product or service, consumers' perception of their brand in comparison to their competitors, study of competitors' advertising, and response of consumers to competitors' advertising.
3. **Identify Target Audience -** Next step is to identify target audience. Using the market research, the advertising agency will identify the target audience.
4. **Media Selection -** Using the research, the advertising agency or the media agency will select the media that should be used to reach the target audience in the most cost effective way.
5. **Ad Designing & Ad Creation -** At this step the creative people of advertising agency will convert the advertising communication into words and pictures. The copywriter will write the copy of advertising and the art director will visually implement the copywriter's message.The advertising agency may get the filming or taping done by outside production companies.
6. **Decide Place & Time -** This step is to decide where and when the advertisement will be shown. Traffic department within the advertising agency will ensure that the commercials are ready on time and all required legal approvals have been granted.
7. **Execution -** Finally the advertisement will be executed.
8. **Performance Check -** Once the advertisement is executed, the media agency will check its performance.

Following the above steps the client or marketer can effectively communicate its marketing messages with its target audience.

Process of Advertising

Question - Explain the role of advertising in marketing communications. Also describe the steps in the process of advertising.

Answer

The finest products, the most attractive price tags, and the best marketing channels are of no mean if the target customers don't know the product; and the chances of product success is low. Effective marketing communication is crucial for the success of a product or a business. In marketing communications advertising plays an important role.

Role of Advertising in Marketing Communication

Marketing communications are the means by which organisations attempt to inform, persuade, and remind consumers about products, services, or brands. Marketing communications inform and make consumers aware about the availability of the product or service, about its usage, price and special offers. Marketing Communications attempt to persuade potential consumers to purchase and try the product. Marketing communications can also be used to reinforce experiences, or to remind consumers about their needs and their past experiences related to the product with a view to convince them for repurchases. Marketing communication also differentiate products in markets where there is little to separate competing products and brands.

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behavior and/or thought patterns of the audience.

The advertising message has to reach a billion people, speaking different languages, practicing many religions. Advertisers can reach their audiences through television, radio, cinema, print medium, outdoor advertising, sales promotion and the Internet. Hence, advertising is a form of mass communication.

Process of Advertising

Following are the steps that are required to be followed for development and execution of advertising :-

1. **Briefing** - Advertising process starts with briefing - a document confirming understanding between client and advertising agency on - what product to advertise, objective of advertising, time-frame of ad campaign, strategies to reach the audience, and total estimated cost.
2. **Market Research** - After briefing market research will done. Research include - comparison of advertiser's product or service with competitor's product or service, consumers' perception of their brand in comparison to their competitors, study of competitors' advertising, and response of consumers to competitors' advertising.
3. **Identify Target Audience** - Next step is to identify target audience. Using the market research, the advertising agency will identify the target audience.
4. **Media Selection** - Using the research, the advertising agency or the media agency will select the media that should be used to reach the target audience in the most cost effective way.
5. **Ad Designing & Ad Creation** - At this step the creative people of advertising agency will convert the advertising communication into words and pictures. The copywriter will write the copy of advertising and the art director will visually implement the copywriter's message.The advertising agency may get the filming or taping done by outside production companies.
6. **Decide Place & Time** - This step is to decide where and when the advertisement will be shown. Traffic department within the advertising agency will ensure that the commercials are ready on time and all required legal approvals have been granted.
7. **Execution** - Finally the advertisement will be executed.
8. **Performance Check** - Once the advertisement is executed, the media agency will check its performance.

Following the above steps the client or marketer can effectively communicate its marketing messages with its target audience.

Value Analysis

Question - Define and explain the term value analysis. Why customer value analysis is important in marketing? What are the different types of value analysis exercises?

Answer

Introduction

Whatever product a marketer has to offer in the market, one thing is sure, it's going to get competition. It depends on the product type and marketplace what degree of competition it'll get. In highly competitive marketplace, managing the non-price purchase and satisfaction drivers that matter most to customers can positively impact market share. Customers make purchase decisions based on how valuable they perceive the quality of available products or services as they relate to price. Those organisations that are perceived to offer low value are highly unlikely to attract new customers and retain their existing customers.

In a highly competitive market, an organisation's competitive position is determined by the perceived value of its products and services, relative to the competition. Customer value analysis is a powerful analytical technique that help marketing managers to measure and grow relative market share.

What is Value Analysis

Value analysis is a process to identify and eliminate product or service features that add no true value to the customer or the product bur incur cost to the process of manufacturing or provision of service. Value analysis process is used to offer a higher performing product or service to the customer at a minimal cost.

The competitive pressures are forcing manufacturing and marketing organisations to re-examine their product ranges to offer higher level of customisation without incurring high cost penalties.

Definition of Value Analysis

Value Analysis can be defined as *"a process of systematic review that is applied to existing product designs in order to compare the function of the product required by a customer to meet their requirements at the lowest cost consistent with the specified performance and reliability needed."*

Value analysis is a systematic, formal, and organised process of analysis and evaluation. Value analysis concerns the function of a product to meet the demands or application needed by a customer. In value analysis the review process include an understanding of the purpose to which the product is used. The formal management process must meet these functional specification and performance criteria consistently in order to give value to the customer. In order to yield a benefit to the company, the formal review process must result in a process of design improvements that serve to lower the production costs of that product whilst maintaining this level of value through function.

Customer Value Analysis

Customer Value Analysis is a powerful tool used to better define an organisation's products or services because it provides a better understanding of what customer value most. It allows an organisation to view its performance relative to the competition. Customer Value Analysis leads to development of high quality products, new product line extensions, and an optimal marketing strategy.

Customer Value Analysis is critical to understand the needs of the market, and to track organisation's and competitor's performance on those needs.

Types of Consumers

Question - Explain about the different types of consumers or buyers.

Answer

We are living in a world that is most unstable and dynamic. World is not only changing but the rate of change is accelerating. We are experiencing change in our daily life and in marketplace too. Consumers needs, wants, expectations are changing more rapidly; consumers are increasingly demanding better quality and reliability in products and services; consumers desire for more personalised services is increasing; consumers are becoming more social, more time efficient, more demanding , and more selective.

The business organisations are required to identify different types of consumers/buyers in their target market and understand the changes in their buying behaviour. It enables business organisations to make desired products or services available in the marker, so that, new customers can be attracted and existing customers can be retained.

Today, in this post we are describing the different types of consumers/buyers that exists within every market for new products and general classification of buyers for existing products.

Types of buyers for new products

1. Innovators
2. Early Adopters
3. Early majority
4. Late Majority
5. Laggards

Innovators

This group of buyers read journals and magazines extensively to keep themselves updated with innovative ideas, latest technologies, and new products. They like to experiment with anything new representing the latest technologies. They may influence other buyers in their same group, but they are the smallest group of early buyers. They represent about 2 percent of any market.

Early Adopters

They are individuals or businesses who uses new product or technology after innovators and before others. This group of buyers represents true opinion leaders who set examples by their decisions. They are likely to pay more for new product that improve their life-style, raise their social status, or improve their business efficiency or reduce cost. They represent about 14 percent of any market.

Early Majority

This group of people adopt a new product after seeing it used successfully by innovators and adopters. They are more conservative but open to new ideas, active in community, less technology-driven than innovators and early adopters. They represent 34 percent of any market.

Late Majority

This group of people adopt a new product only after seeing that the majority of the population already has. They wait until prices fall and product is universally accepted. People of this group are typically old, less affluent, less educated, fairly conservative, and less socially active than innovators, adopters, and early majority. They also represent 34 percent of any market.

Laggards

The people of this group are excessive traditionalists. They adopt product when the price is at its bottom, competition is intense, or product become an absolute need. They are very conservative, oldest, and least educated. They represent 16 percent of any market.

General classification of consumers

1. Personal Consumers
2. Organisational Consumers
3. Impulse Consumers
4. Need-based Consumers
5. Discount Driven Consumers

6. Habitual Consumers

Personal Consumers

This type of consumer is an individual consumer who buy products or services for own use, or for family, or for household use. Finished products are purchased by personal consumer and the purchases are done in small quantities.

Organisational Consumers

This type of consumer can be a business, government, profit or non-profit organisation, or agency who purchases goods or services for organisation to function or for resale purpose. Purchases are done in the form of raw-materials that are processed to finished goods and offered for sale to other consumers.

Impulse Consumers

This type of consumer do unplanned purchases. Purchasing a particular product was not a priority, but when the consumer encounter that product, he makes swift buying decision. Impulse consumer purchase what seems good at the time.

Need Based Consumer

This type of consumer has a specific intention to purchase a particular type of product. Need-based Consumer is driven by a specific need. He makes buying decision when he actually need that product and not any other time.

Discount Driven Consumers

This type of consumers do purchases when they get some lucrative offer or discount. Their buying decision is highly based on offers or discounts.

Habitual Consumers

Person who is habitual to the usage or consumption of a kind of product is called habitual consumer. For example - person who smoke.

Factors Influencing Consumer Behaviour

Question - What do you mean by consumer behaviour? What are the different factors that influences consumer behaviour?

Answer

Introduction to Consumer Behaviour

We all are consumers, daily we use many products that we buy from the market according to our needs, wants, preferences, and purchasing power. What we buy, how we buy, when we buy, from where we buy, in what quantity we buy depends on various factors like our needs, preferences, beliefs, values, motivation, perception, attitude, personality, age, sex, family, social and cultural background, and many other factors. These factors determines our consumer behaviour.

Consumer behaviour is a complex and dynamic decision process; and physical activity of evaluating, acquiring, using, or disposing of products and services. Developing an effective marketing strategy requires in-dept knowledge of target consumers and how they behave and make their buying decision. Proper study of consumer behaviour is important as all marketing decisions are based on assumptions about consumer behaviour.

Definition of Consumer Behaviour

According to **American Marketing Association**, consumer behaviour can be defined as *"the dynamic interaction of affect and cognition, behaviour, and environmental events by which human beings conduct the exchange aspects of their lives."*

According to **Hawkins**, **Best**, **and Coney**, 2001, p7, Consumer behaviour can be defined as *"the study of individuals, groups or organisations and the processes they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society."*

According to **Satish K. Batra and S. H. H. Kazmi**, 2004, Consumer behaviour is *"the mental and emotional processes and the observable behaviour of consumers during searching purchasing and post consumption of a product and service."*

Meaning of Consumer Behaviour

Consumer behaviour is the complex and dynamic processes of deciding what product to buy, when to buy, how to buy, from where to buy, how to secure, how to use, or how to dispose to satisfy individuals, groups, or organisations' needs. Consumer behaviour is a decision process and physical activity individuals, groups, or organisations engage in when evaluating, acquiring, using, or disposing of goods and services.

Consumer behaviour has two aspects - final purchase behaviour and decision making process. Purchase behaviour is visible to us, but the decision making process involves number of complex variables which are not visible to us. Purchase behaviour is the end result of long decision making process. Study of consumer behaviour attempt to understand the decision making processes of buyers.

Factors Influencing Consumer Behaviour

Behaviour of an individual consumer is not only influenced by his internal factors, but also by factors external to him and beyond his control. There are various internal and external factors that have influences on consumer behaviour. These factors are also called determinants of consumer behaviour.

Following are the main factors that influences consumer behaviour, categorised as internal influences and external influences.

Internal Influences

Personal Factors

- Age
- Income
- Occupation
- Life Style
- Personality

Psychological Factors

- Motivation
- Perception
- Learning
- Beliefs & Attitude

External Influences

Cultural Factors

- Culture
- Sub Culture
- Social Class

Social Factors

- Family
- Reference Group
- Role & Status

Conclusion

Consumer behaviour is simple a large subset of larger field of human behaviour and an extended field of marketing attracting researchers and marketers from past few decades. Study of consumer behaviour is very important to the marketers because it enables them to understand and predict buying behaviour of consumers in the marketplace and it helps in deriving marketing strategies.

Consumer Decision Making Process

Question – Explain consumer decision making process. Also explain involvement levels of consumer decision making.

Answer

Introduction

Decision is made to solve a problem of any kind. Suppose the problem is to create a cool atmosphere in your living room. For this, what you will do? You will carry out information search, to find ways to cool the atmosphere of your living room, for example, by an air-conditioner, or by a water cooler, or by a wall fan. For this, you will evaluate all the known alternatives and made cost benefit analysis to decide which product and brand will be suitable. Finally, you will purchase that product.Consumer behaviour has two aspects – **the final purchase activity** which is visible to us and **the decision making process**interplay of various variables which are not visible to us.

In this post we are explaining Consumer decision Making Process.

Consumer Decision Making Process

Consumer decision making process consists of a series of steps which a consumer undergoes. Consumer decision making process generally involves five steps – Problem recognition, information search, evaluation of alternatives, purchase, and post purchase evaluation.

1. Problem or Need Recognition

Consumer decision making process begins with an unsatisfied need or problem. Everyday we face multiple problems which individuals resolve by consuming products or services. Consumer problem can be routine or unplanned. For example – run out of milk or cooking oil, car indicating low level of fuel, are some of the routine problems that individuals face. Such problems are quickly recognised, defined, and resolved. Recognition of unplanned problem may take much longer time as it may evolve slowly over time. For example - need of a new refrigerator as existing one is not working properly.

An individual recognise problem through information processing arising as a result of internal and external stimuli. After problem recognition the action to solve the problem depends on the magnitude of discrepancy between the current state and desired state and the importance of the problem for the concerned consumer. If the problem is highly important for an individual and there is high discrepancy between current state and desired state of the individual, he will start the purchase process.

2. Information Search

Information search is done to know about product or service, price, place and so on. In the process of decision making, the consumer engages in both internal and external information search. Internal information search involves the buyer identifying alternatives from his memory. Internal information search is sufficient for low involvement products or services. For high involvement product or service, buyers are more likely to do external information search. The amount of efforts a buyer put in information search depends on various factors like market, competition, difference in brands, product characteristics, product importance, and so on.

3. Alternatives Evaluation

At this step the buyer identifies and evaluates different alternatives to choose from. It is not possible to examine all the available alternatives. So, buyer develops evaluative criteria to narrow down the choices. Evaluative criteria are certain characteristics that are important to buyer such as price of the product, size, colour, features, durability, etc. Some of these characteristics are more important than others. To narrow down the choices the buyer considers only the most important characteristics.

4. Purchase Decision

The earlier mentioned evaluation step helps the consumer in arriving at a purchase intention. In the decision evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form a purchase intention and lean towards buying the most preferred brand. However factors can intervene between the purchase intention and the purchase decision. A buyer who decides to execute a purchase intention will be making up to five purchase decisions brand decision, vendor decision, quantity decision, timing decision and payment-method decision.

5. Post-purchase Use and Evaluation

Once the buyer makes a decision to purchase a product or service there can be several types of additional behaviour associated with that decision such as decisions on product uses and decision on services related to the product purchased. The level of satisfaction experienced by the buyer after his purchase will depend on the relationship between his expectations about the product and performance of the product. If the buyer is satisfied then he will exhibit a higher probability of repeat purchase of the product or service. The satisfied buyer will also tend to say good words about the product or service. Whereas a highly dissatisfied buyer will not buy the product or service again and spread negative words about service and company.